



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 15, Issue No. 10 | Date: March 06, 2020

A Company Set Up Under Section 42 of the Companies Act, 2017

PAKISTAN TIDINGS

SBP Governor Says Reforms Improving Economy

State Bank of Pakistan Governor Dr. Reza Baqir has said if the Government had not resorted to difficult reforms, Pakistan's economy would have been far worse off. While apprising the members of the national executive committee of the English Speaking Union of Pakistan (ESUP) about the country's economic conditions and where we are headed on recently, he urged them to ask themselves two questions: How were the economic conditions in Pakistan now as compared to the economic conditions of several months ago and what do you think the economic conditions would have been now had we not undertaken some of the measures that we have taken? He said that about one year ago, in March 2019, when the country's exchange rate and reserves were falling, the burning questions included how Pakistan was going to make its foreign exchange payments and would the country have to go to the IMF or not? The Country's reserves at the time were down to \$7 bn. Then one of the things the government decided to do was to change the exchange rate system and let the market decide the exchange rate. When switched to a market-based exchange rate, the word was that if the dollar was allowed to go unchecked, it would go sky high. But at the time it was up to Rs.162. Today, the Rupee is strengthened and those who used to say that the exchange rate was set by the IMF are silent. He further said that forex reserves are the single most important determinant of a country's economic sovereignty, also related to this is our foreign exchange reserves, which were \$7 bn on the balance sheet, has now grown to around \$12.5 bn, which is an increase of about \$5.5 bn. "Are you a borrower, or a saver?" he asked then. "Because borrowers do not like high interests but then what about the savers who have their income coming from saving schemes or term deposits? Lowering interest rate would mean hurting the profits of those people who may be retired or old and whose sole income comes from saving schemes. Here it is usually all seen from the perspective of the borrower and not the saver. Our savings are actually very low compared to other countries. Our low saving rates is one of the reasons why we often have current account deficit issues. The savers are getting about 11pc in return from their saving schemes while the inflation rate is 12.4pc, making them earn negative returns on their savings," he pointed out.

Banking Briefs

Deposits of all scheduled banks as on February 21, 2020 stood at Rs. 14,445.328 bn when compared to the position as on February 14, 2020, the deposits amounted to Rs. 14,465.858 bn less by 0.14pc.

Gross Advances of all scheduled banks amounted to Rs. 8,161.479 bn as on February 21, 2020 when compared to the position on February 14, 2020, the same amounted to Rs. 8, 141.926 bn, more by 0.24pc.

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

Effective from July 16, 2019 - 13.25pc

KIBOR (6 MONTHS)

Bid% offer%

	Bid%	offer%
STARTING	13.20	13.45
ENDING	13.00	13.25
CHANGE	-0.02	-0.02

FOREIGN EXCHANGE RATES

GBP (£) EURO (€) USD (\$)

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 199.50	PKR 168.20	PKR 154.25
ENDING	PKR 199.00	PKR 171.70	PKR 154.25
CHANGE	-0.5	+3.5	0

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	37,983
ENDING	38,219
CHANGE	+236

GOLD RATE

(10 gm)

STARTING	PKR 80,976
ENDING	PKR 80,761
CHANGE	-215



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Inflation Eases to 12.4pc in February

The inflation rate fell to 12.4pc in February from 14.6pc the previous month because of various measures taken by the government to contain inflation, the Pakistan Bureau of Statistics (PBS) stated recently. For the first time since July 2019, inflation measured by the Consumer Price Index (CPI) has seen downward trend owing to a combination of measures, including improvement in supply of essential kitchen items and State Bank's tight monetary policy.

Exports Soar to 13.61pc in February

Pakistan's merchandise exports posted double-digit growth during February reversing the declining trend. Trade analysts believe the growth is due to global diversion of orders from China owing to the spread of coronavirus in the country. The February figures showed a 13.6pc growth over the last year, data released by the Commerce Division showed on Monday. In February, the export proceeds edged up to \$2.13 bn from \$1.88 bn over the corresponding months last year, showing an increase of 13.61pc. In Rupee terms, the export proceeds posted a growth of 26.9pc during the month under review. Between July 2019 and February, the export proceeds grew up by 3.62pc as it stood at \$15.64 bn against \$15.09 bn over the corresponding months last year. The government projects exports during the ongoing fiscal year to reach \$26.187 bn from \$24.656 bn in FY2019.

Increase in Price of Essential Commodities Temporary

State Bank of Pakistan (SBP) Governor Dr. Reza Baqir on February 3, briefed the Public Accounts Committee (PAC) on the recent increase in price of essential commodities. He said the rise was temporary as it was a result of disruption in the supply chain and devaluation of Rupee. Pointing to the growth in the large-scale manufacturing, the Governor said growth in big industry output has resumed and the inflation is likely to reduce

PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018_R	FY 2019_P	FY 2020_T	-
REAL GDP	5.5	3.3	4.0	-
AGRICULTURE SECTOR	3.9	0.9	3.5	-
INDUSTRIAL SECTOR	4.9	1.4	2.3	-
SERVICES SECTOR	6.3	4.7	4.8	-
CPI INFLATION (YoY%)	FY 2019_{pa}	JUL 19 - JAN 20_{pa}	JAN 2020	-
NATIONAL	6.8	11.6	14.6	-
URBAN	7.1	11.3	13.4	-
RURAL	6.3	12.0	16.3	-
FOOD INFLATION-URBAN/RURAL	4.6/4.8	14.5/16.3	19.5/23.8	-
	FY 2018	FY 2019_P	Jul 2019 - 21 FEB 2020	-
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	476.513	562.210	524.0	-
P PROVISIONAL	-	-	-	-
PA PERIOD AVERAGE				
T Target from Annual plan 2018-19- PBS				
R Revised				

*As on February 04, 2020

Data Sources: The State of Pakistan's economy - 1st Quarterly Report 2019 - 2020. Real Sector



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in the near future. The International Monetary Fund (IMF) is facilitating Pakistan in economic reforms. The Governor informed the PAC that the country's foreign exchange reserves are improving and its gradual increase would stabilize the economy as well as the market. Briefing the committee on inflation, SBP governor said the inflation rate is likely to remain in between 11-12.5pc during the current fiscal year.

The Silent Olive Revolution

With an increase in the area under cultivation, Pakistan is passing through a silent revolution of olive oil production. The sector is rapidly moving the country towards self-reliance by introducing Pakistan's national brand under the name of 'PakOlive' by 2021. The Pakistan Olive Oil Council will be established under the Ministry of National Food Security to suggest policy measures for the promotion of olive oil in the country. The government will also issue certifications for the marketing and branding of olive oil for the private sector. Certification is important as our local olive products can then become competitive in the international market, according to Dr. Muhammad Tariq, national project director for the promotion of olive cultivation on a commercial scale in Pakistan. Furthermore, utilizing marginal lands will help grow a cottage industry for olive products, as explained by him. The project targets plantations of over 50,000 acres in the country by 2022. The available potential area for olive cultivation is about 10 mn acres in Punjab, particularly the Pothwar region, Balochistan, Khyber-Pakhtunkhwa and Fata, Azad Jammu and Kashmir (AJK) and Gilgit-Baltistan.

FBR Collects Rs. 2.725 tr During July-February

• The Federal Board of Revenue (FBR) has collected Rs. 2.725 tr during the period July-February 2019-20. The figures, however, show a growth of 16.35pc compared to Rs. 2.342 tr collected during the same period of last financial year. In the tax year 2019, the number of return filers reached over 2.44 mn against 2.9 mn of the previous year.

• FBR Collected income tax of Rs. 107 bn in February 2020 as against Rs. 88 bn in February 2019. Sales Tax Collection in the same month amounted to Rs. 147 bn as against Rs. 112 bn in February 2019. Customs Duties collected in February 2020 stood at Rs. 52 bn against Rs. 54 bn in February 2019,

while FED collected in February amounted to Rs. 22 bn as against Rs. 21 bn in February 2019.

• FBR has issued the new Active Taxpayers List (ATL) on March 2, displaying names of 2,446,294 taxpayers comprising 2,342,701 individuals, 62,403 Associations of Persons and 40,988 companies as per the FBR data of tax returns.

Branchless Banking (Oct - Dec 2019)

BB Accounts in the quarter October-December 2019 numbered 46.103 mn as against 39.703 mn in the previous quarter of July-September 2019, a rise of 16pc. Out of these accounts female share amounted to 22pc, which numbered 10 mn.

FBR to Watch Real Estate, Jewelry Trades for FATF Compliance

The Federal Board of Revenue (FBR) will implement rules in three areas in the next few days as part of compliance with recommendations of the Financial Action Task Force (FATF) regarding anti-money laundering and combating financing of terrorism (AML/CFT) in Pakistan. The rules will cover real estate, gems and jewelry sectors to minimize chances of parking of terror financing there. The FBR will also work as a focal organization for monitoring services of income tax practitioners. The services of lawyers and chartered accountants will be monitored through the law division and the Securities and Exchange Commission of Pakistan (SECP). The Paris-based FATF reviewed measures taken and progress made by almost 15 countries, including Pakistan, vis-à-vis AML/CFT in its plenary concluded on February 21. Representatives from 206 countries and jurisdictions around the world attended the meeting. Under the rules, jewelers will document and record the value of transactions. This information will be shared with the FBR through a proper system to be put in place after notification of the rules. The jewelers will also report suspicious transactions, which means buying or selling of gold and precious stones beyond a certain limit. The jewelers will also submit a special return form to be notified by the FBR, which has data of around 30,000 jewelers across the country.

SBP Reserves Rise \$ 166 mn

Foreign Exchange reserves held by the SBP increased by \$ 166 mn to \$ 12.757 bn as on February 28, 2020.



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INTERNATIONAL SCENARIO

Central Banks Urge G20 to Back Cheaper Payments Roadmap

Central banks will ask world leaders to back a roadmap for cutting the cost of cross-border payments, the Bank for International Settlements said recently. The BIS wants Group of Twenty (G20) leaders to get behind the plan, which is being drawn up by regulators, central banks and treasury officials from across the world and will lay out steps to improve a payments system hindered by high costs. Political will is needed to create conditions for cheaper cross-border payments that are properly regulated at a time when international “correspondent” banks are pulling out from aiding such payments for local lenders. Cross-border payments, critical for some emerging economies that depend on remittances sent by migrants abroad, are hampered by low speeds, high costs and cumbersome processes. The roadmap will look at current costs, sticking points and risks in payments and pinpoint how the private and public sectors can tackle them, the Basel-based BIS, an umbrella group for central banks, said. In a rare move, the BIS devoted its quarterly review to payments in a sign of how Facebook’s plans to launch its Libra cryptocurrency has forced central banks to look beyond their wholesale payment networks to changes in the retail sector.

Apps, Blockchain Help European Supermarkets Attract Consumers

Mobile phone apps that point shoppers to discounted groceries, codes on chicken and cheese that display their origin and water dispensers and degradable packaging that slash plastic use. These are just some of the steps European supermarkets are taking to attract customers increasingly concerned about the environmental cost of farming, food waste and everyday products. According to Julian Burnett vice president for the distribution sector at IBM UK & Ireland, a seismic change in attitudes in consumers has been noticed who are purchasing food. There is more awareness than ever before about the provenance of food and sustainable practices. Tech giant IBM recently conducted an online survey of 6,000 consumers in Britain, Spain and Italy, which showed a majority in the two southern European

countries would be willing to pay more and shop at places that support a greener food system. The exercise was prompted by the growing demand faced by IBM’s retail clients to produce food sustainably — concerns that are likely to increase in the future, said Burnett. Italians consume 206 liters of bottled water per year, the second highest in the world after Mexico, according to Italian environmental non-profit Legambiente. *(Note : In simple terms, Blockchain can be described as a data structure that holds transactional records and while ensuring security, transparency, and decentralization. We can also think of it as a chain or records stored in the forms of blocks which are controlled by no single authority).*

Italy Faces Recession

Italy’s economy performed woefully in 2019 and is set to do even worse this year due to the coronavirus, with the threat of recession looming large, experts said recently. In the best scenario for Italy, we expect zero growth (in 2020) with a negative first quarter followed by a slow recovery, according to OECD chief economist Laurence Boone said. The economy expanded last year by just 0.3pc, its worst figure since 2014, when gross domestic product (GDP) growth was zero. Europe had fared badly across the board recently, weighed down by BREXIT and US President’s protectionist threats. But Italy, the third largest economy in the Eurozone, has lagged well behind the bloc’s 1.2pc growth.

Arctic Vault Stocks Up on 60,000 More Food Seeds

A doomsday vault nestled deep in the Arctic received 60,000 new seed samples recently, including Prince Charles’ cowslips and Cherokee sacred corn, increasing stocks of the world’s agricultural bounty in case of global catastrophe. Mounting concern over climate change and species loss is driving groups worldwide to add their seeds to the collection inside a mountain near Longyearbyen on Spitsbergen Island in Norway’s Svalbard archipelago, about 1,300 kilometers (about 800 miles) from the North Pole. The “Noah’s Ark” of food crops is set up to preserve plants that can feed a growing population facing climate change. As the pace of climate change and biodiversity loss increases, there is new urgency surrounding efforts to save food crops at risk of extinction, according to Stefan Schmitz, who manages the reserve as head of the Crop Trust, the large scope of



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today's seed deposit reflects worldwide concern about the impacts of climate change and biodiversity loss on food production. Among the seeds are beans, squash and corn from the Cherokee Nation, the first Native American group to send crops to the vault including their sacred White Eagle corn. Britain's Prince Charles, who is known for his environmental advocacy, sent the seeds of 27 wild plants, including cowslips and orchids collected from the meadows of Highgrove, his country home.

EU-UK Talks Start

Long-awaited trade talks between the European Union and Britain kicked off recently amid deep tensions over Prime Minister Boris Johnson's threat to walk away from the negotiations if not enough progress is made within four months. Britain left the EU on Jan 31, the first country ever to do so. The talks mark the start of a process aimed at securing new commercial, fishing and other ties with the world's biggest trading bloc. All that has to be concluded by the end of this year, according to Johnson. The chief negotiators the EU's Michel Barnier and the UK's David Frost held an initial meeting in Brussels recently before scores of officials from the two sides got down to business.

MANAGEMENT VIEWS

Do Not Let 'Perfect' Be The Enemy of 'Good'

We should all strive to do our best, but if you always aim for perfection, you may blow deadlines, annoy your colleagues and miss out on opportunities. Instead of never being satisfied with "good enough," talk to others about their standards. What does a good job look like to your boss, peer or client? Seek their feedback on expected results, costs and timelines rather than trying to meet your extremely high standards. Then check in regularly with these colleagues. Do not wait until you think the project is

finished, build in checkpoints where you share your progress at 50pc or 80pc done. Your boss or client just might tell you that the work is good enough at that point. You can also try small experiments where you relax your standards slightly. Finally, consider how perfectionism impacts your relationships. Are you setting unrealistic standards for those around you? The need to have it "perfect" will often annoy others. (This tip is adapted from *6 Habits That Hurt Your Career — and How to Overcome Them*, by Kerry Goyette-HBR.)

Weigh The Pros and Cons of Grad School

Even though unemployment is low, competition for many jobs remains fierce, leading some people to consider graduate school. But it is expensive to earn an advanced degree and the return on investment can be unpredictable. Here is how to think through the pros and cons for your unique situation. On the pro side, people with graduate degrees are generally paid more. You will probably go into debt though, so ask yourself whether a master's degree will really boost earning potential in your field. You might be thinking about grad school as a way to make a career transition. If you want to shift to a completely new field, additional education might help. But if you simply need to learn new skills, you may be able to get that training on the job, or through cheaper online resources like Udemy, Coursera or even YouTube. Employers have all indicated learning aptitude is more attractive to them than skills acquired in a classroom. (This tip is adapted from *Should You Go to Graduate School?*, by Tomas Chamorro-Premuzic-HBR.)

SNIPPETS

Lost in Transition

According to a 2018 McKinsey report, 83pc of global business leaders who recently transitioned into their roles do not feel prepared for the new challenges.

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General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.

KARACHI

	WORKSHOP	FACILITATOR	FEE*	TIMINGS
10-MARCH TUESDAY	Compliance of Regulatory Instructions While Dealing With Foreign Exchange Operations	Zaheer Ahmed	PKR 12,500	9 am - 5 pm
11-MARCH WEDNESDAY	Advance Credit Risk Administration & Collateral Management - Risk & Challenges	Murtaza Yahya Rizvi	PKR 12,500	9 am - 5 pm
17-MARCH TUESDAY	Money Laundering and Terrorist Financing Risk Assessment	Sumera Baloch	PKR 12,500	9 am - 5 pm
17-MARCH TUESDAY	Using IFRS 9 Effectively in Banking Sector	Hassan Marfani	PKR 12,500	9 am - 5 pm
18-MARCH WEDNESDAY	Mechanics of Letter of Credit & SWIFT Messages	Imrana Wiqar	PKR 12,500	9 am - 5 pm
19-20-MARCH THU-FRI	Teller Certification Program	Saifuddin Ahmed	PKR 20,000	9 am - 5 pm
20-MARCH FRIDAY	Managing SBP Audit- A Proactive Approach	Mahmood Ahmed	PKR 12,500	9 am - 5 pm

LAHORE

	WORKSHOP	FACILITATOR	FEE	TIMINGS
06-MARCH FRIDAY	Cyber Crimes Preventive Methods and Strategies	Arshid Rathore	PKR 12,500	9 am - 5 pm
12-MARCH THURSDAY	Business Continuity Management in Banks	TBA	PKR 12,500	9 am - 5 pm
17-MARCH TUESDAY	SBP Guidelines on Conduct Risk Assessment Framework (CRAF)	M. Mahmood ul Imran	PKR 12,500	9 am - 5 pm

ISLAMABAD

WORKSHOP

FACILITATOR

FEE

TIMINGS

17-MARCH
TUESDAY

RTGS for Microfinance Banks

TBA

PKR 12,500

9 am - 5 pm

19-MARCH
THURSDAY

SBP Guidelines on Payment & Collection of Cheques -
Fraud & Forgery Measures to Mitigate Risk in Payment

Ejaz Ali Khan

PKR 12,500

9 am - 5 pm

GUJRAT

WORKSHOP

FACILITATOR

FEE

TIMINGS

11-MARCH
WEDNESDAY

Regulatory Compliance with Special
Reference to AML / CFT- KYC

Atiq ur Rehman

PKR 12,500

9 am - 5 pm

*per participant

**To be announced

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