



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 14 | Date: April 03, 2020

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

PAKISTAN TIDINGS

Banks to Collect Cheques From Doorsteps

To combat the spread of COVID-19 pandemic by limiting personal interactions and to provide ease to customers, banks and microfinance banks (MFBs) have been allowed to provide Doorstep Cheque Collection Facility, according to a recent circular issued by the State Bank of Pakistan. According to the circular, banks and MFBs may provide the service under which arrangements are being made to collect cheques from registered addresses of the customers upon their request. The banks and MFBs can also offer Drop Box Cheque Collection Facility under which customers may drop their cheques in drop boxes of their banks, installed in selected branches. The banks may provide Direct Cheque Deposit Facility under which a crossed cheque may be presented by the payee directly at the paying or drawing bank, instead of their bank branches as per the existing practice.

Banking Briefs

Branchless Banking File

- The number of account-holders which was 40 mn in July-September 2019, increased to 46 mn in October-December 2019.
- The number of active accounts was 22 mn in July-September, 2019 which increased to 29 mn in October-December 2019.
- Male accounts numbered 36 mn or 78pc and female accounted for 22pc or 10 mn.

Islamic Banking Sketch

- As on December 2019, there are 5 full-fledged Islamic Banks while 17 Conventional Banks had Stand-alone Islamic branches.
- Some 3,226 branches all over the country provided Islamic Banking services.
- The share of Islamic banking in the overall banking services was 15.5pc in December 2018, which increased to 16.6pc in December 2019.

SECP Simplifies Registration of Insurance Products

The Securities and Exchange Commission of Pakistan (SECP) has simplified the submission requirements for registration of a new life insurance product or registering any amendments in an existing product with the view to promote ease of doing business. Most of the products submitted to the SECP by life insurance companies and family Takaful operators have standardized features, terms and conditions, which are similar to their existing products. With the aim to facilitate the insurance sector, SECP issued S.R.O. 234(I)/2020 to simplify the submission requirements for standardized products. As per new circular, if a life insurance company intends to issue a new product, which is likely to be a standard product, it would require submitting very brief information. The SECP has also reduced the turnaround time

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

11pc | Effective from March 24, 2020

KIBOR (6 MONTHS)

| | Bid% | Offer% |
|----------|-------|--------|
| STARTING | 12.09 | 12.34 |
| ENDING | 10.75 | 11.00 |
| CHANGE | -1.34 | -1.34 |

FOREIGN EXCHANGE RATES

| | GBP (£) | EURO (€) | USD (\$) |
|----------|------------|------------|------------|
| STARTING | PKR 188.00 | PKR 171.00 | PKR 158.50 |
| ENDING | PKR 188.00 | PKR 171.00 | PKR 158.50 |
| CHANGE | 0 | 0 | 0 |

PAKISTAN STOCK EXCHANGE

| | 100 Index |
|----------|-----------|
| STARTING | 28,109 |
| ENDING | 31,621 |
| CHANGE | +3512 |

GOLD RATE

| | (10 gm) |
|----------|------------|
| STARTING | PKR 76,732 |
| ENDING | PKR 76,732 |
| CHANGE | 0 |



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for registration of insurance products to 7 days from earlier duration of 30 days. These relaxations are in line with SECP's reforms to provide ease of doing business and facilitate development of life insurance sector in Pakistan. Using its powers under Section 510 of the Companies Act, 2017, the SECP has issued relaxations to all companies which are facing difficulties in timely holding the annual general meeting (AGM) for the year ended on December 31, 2019. These companies are allowed a general extension for a period of 30 days as provided in section 132 of the Act for holding their AGMs.

No Shortage of Raw Materials: Pharma Industry

Local and foreign pharmaceutical companies have not closed down yet, despite facing shortage of imported raw materials from India and China and are instead trying to source them from other sources. The industry can sustain with available raw material stocks till April. Companies are managing special cargo flights through foreign and local logistic players and bringing inputs from various sources despite higher cost, according to Pakistan Pharmaceutical Manufacturers Association (PPMA) Chairman Mohammad Zaka ur Rehman, as referred by media. It was further informed that the manufacturers also have sufficient stocks of medicines and consumers should avoid panic buying. Instead of a particular brand prescribed by the doctors, they can ask the practitioners to shift to other names of the same formulae, produced by different companies in larger numbers. The proportion of Indian raw material has plunged to 10-15pc from 40pc a year back, followed by an increase in share of China to 40pc from 25pc in the same period.

SBP Relaxes Forex Rules for Medical Goods Import

The State Bank of Pakistan has revised foreign exchange regulations to facilitate import of medical equipment and medicine. In a press

PAKISTAN'S MAJOR ECONOMIC INDICATORS

| REAL SECTOR (GROWTH IN %) | FY 2018 | FY 2019 _p | FY 2020 _† | - |
|---|-----------------------|-------------------------------|------------------------|-----------------------|
| REAL GDP | 5.5 | 3.3 | 4.0 | - |
| AGRICULTURE SECTOR | 3.9 | 0.8 | 3.5 | - |
| INDUSTRIAL SECTOR | 4.9 | 1.4 | 2.3 | - |
| SERVICES SECTOR | 6.2 | 4.7 | 4.8 | - |
| CPI INFLATION (YoY%) | FY 2019 _{pa} | JUL 19 - FEB 20 _{pa} | JAN 2020 | FEB 2020 _p |
| NATIONAL | 6.8 | 11.7 | 14.6 | 12.4 |
| URBAN | 7.1 | 11.3 | 13.4 | 11.2 |
| RURAL | 6.3 | 12.3 | 16.3 | 14.2 |
| FOOD INFLATION-URBAN/RURAL | 4.7/4.8 | 14.6/16.8 | 19.5/23.8 | 15.2/19.7 |
| CURRENCY IN CIRCULATION (IN BILLION RUPEES) | FY 2018 | FY 2019 _p | 1 JUL 19 - 20 MAR 2020 | - |
| PROVISIONAL | 476.513 | 562.210 | 628.530 | - |
| PERIOD AVERAGE | - | - | - | - |
| † Target from Annual plan 2018-19-PBS | | | | |

Data Sources: SBP/PBS/PC



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release issued recently, the SBP allowed all federal and provincial government departments, hospitals in public and privates sectors, charitable organizations, manufacturers and commercial importers to make import advance payment and import on open account, without any limit, for the import of medical equipment, medicines and other ancillary items for the treatment of COVID-19. Further, the banks have been allowed to approve Electronic Import Form (EIF) for the import of the equipment donated by international donor agencies and foreign governments to facilitate their seamless and speedy purchase. The move comes amid the growing number of coronavirus cases in the country. "An effective strategy to fight against the menace of COVID-19 requires timely availability of needed equipment," said the SBP. "In the backdrop of unprecedented spread of the deadly virus, the SBP has taken these measures to facilitate the import of much needed equipment in a seamless manner," said the SBP. It has also revised the existing foreign exchange regulations for import of goods against Advance Payment and Open Account, the press release added. The State Bank of Pakistan also cut the policy rate to 11pc from 13.25pc in the last seven days.

SBP Reserves

Foreign exchange reserves of the State Bank of Pakistan amounted to \$11.989 bn during the week ended on March 20. The SBP's weekly figures showed the country's total foreign exchange reserves increased to \$18.10 bn during the same period, while the holdings of the commercial banks were \$6.116 bn.

SBP's Debt Relief Measures For Businesses

The State Bank of Pakistan (SBP), in collaboration with the Pakistan Banks Association (PBA), unveiled a comprehensive package to help households, businesses and other stakeholders in the wake of coronavirus-driven economic slowdown. "Amid growing concerns about the potential economic impact of the COVID-19 pandemic, the SBP with the collaboration of the PBA has announced a comprehensive relief package that will help relevant stakeholders including households and businesses (microfinance, small and medium enterprises (SMEs), corporate, commercial, retail and agriculture) to manage their finances through this temporary phase of disruption," said the central bank in a statement issued

recently. It said the banking sector's overall pool of loan-able funds has been increased. Moreover, in order to support the banking sector to supply additional loans to businesses and households, the SBP has reduced the Capital Conservation Buffer (CCB) from its existing level of 2.50pc to 1.5pc.

US Places Pakistan on High-Priority List for COVID-19 Assistance

The United States has placed Pakistan among the high-priority countries that will receive US assistance for curbing the outbreak of the deadly coronavirus, a senior American official said. Briefing journalists recently in Washington on the US response to this pandemic, Bonnie Glick, deputy administrator of the US Agency for International Development said Afghanistan, Bangladesh, Indonesia, Kazakhstan, Thailand, Burma and Uzbekistan were also among these high-priority states. The United States has set up a \$274 mn fund to help the international community in combating the outbreak of this deadly disease.

INTERNATIONAL SCENARIO

Handling Mail Amid Coronavirus: Low Risk, But Wash Hands

Kathy Payne has a routine: She wipes down the trays holding the mail she is about to deliver. She puts on gloves to sort the letters and packages, then a new pair when she climbs into her vehicle. As she fills people's mailboxes throughout the day, she constantly cleans her steering wheel, fearing the coronavirus. Ms. Payne, a postal carrier for 30 years in Rockwood, Tennessee, is among those making deliveries who are trying to protect themselves from the virus, whether it is no longer requiring signatures for packages or knocking on doors instead of ringing the doorbell. Health experts say the risks are very low that COVID-19 will remain on envelopes or packages and infect anyone who handles them. They say, however, to avoid touching your face and wash your hands after handling any deliveries, which have become more important as Americans stay home to reduce the spread of the virus. Ms. Payne, who delivers to more than 800 mailboxes a day in a town about 70 miles (113



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km) north of Chattanooga, said her post office constantly wipes down door handles and has provided plenty of gloves.

Trump Seeks General Motors to Produce Ventilators

President Donald Trump issued an order last week that seeks to force General Motors (GM) to produce ventilators for coronavirus patients under the Defense Production Act. Trump said negotiations with General Motors had been productive, but our fight against the virus is too urgent to allow the give-and-take of the contracting process to continue to run its normal course. Trump, who had previously been reluctant to use the act to force businesses to contribute to the coronavirus fight, said GM was wasting time and that his actions will help ensure the quick production of ventilators that will save American lives. GM is among the farthest along of US companies trying to repurpose factories to build ventilators. It is working with Ventec Life Systems, a small Seattle-area ventilator maker, to increase the company's production and GM will use its auto electronics plant in Kokomo, Indiana to make the machines.

China's Auto Industry Gears Up

China's auto industry has gone from zero to sixty in its post-pandemic campaign drive, with manufacturers and dealers quick to woo back lockdown-weary consumers through campaigns as unusual as a makeup-promoting personality touting car leasing. Social media celebrity Lipstick King urged millions of fans on a live-streamed shopping show to sign up to a lease deal for General Motors Co's (GM.N) Cadillac CT4 compact sedan. "This color has the sense of 'I am in charge' independence," he said, displaying a scale model of a chocolate-colored car. The plug is just one part of an eruption of promotional campaigns featuring steep discounts, cold-calling and gimmicks, from an industry obliterated by government restrictions on movement imposed in January to curb the spread of the novel coronavirus, which in China has infected 81,000 people and caused 3,300 deaths.

G20 Pledge \$ 5 tr to Offset Coronavirus Losses

Leaders of the Group of 20 major economies pledged recently to inject over \$5 tr into the global economy to limit job and income losses from the coronavirus and "do whatever

it takes to overcome the pandemic." Showing more unity than at any time since the G20 was created during the 2008-2009 financial crisis, the leaders said they committed during a videoconference summit to implement and fund all necessary health measures needed to stop the virus' spread. "The G20 is committed to do whatever it takes to overcome the pandemic," along with the World Health Organization and other international institutions, they said. Their statement contained the most conciliatory G20 language on trade in years, pledging to ensure the flow of vital medical supplies and other goods across borders and to resolve supply chain disruptions.

Dubai Braces for Financial Hit as Coronavirus Hits Vital Tourism

The sunbeds on Dubai's beaches lie empty and red flags warn visitors away from the waterfront to protect the Middle East's tourism hub against coronavirus. The infection is starting to deliver a painful blow to Dubai, one of the most visited cities globally, with some hotels closed and occupancy rates falling to less than 10pc in others. Hotels are working to protect remaining staff and guests, taking their temperature and giving them hand sanitizer. Restaurants have been reconfigured to space out dining tables. But hotel workers worry this slowdown is only the start of something more damaging and while authorities have said beaches and pools will be closed for just two weeks, officials have indicated those restrictions could be renewed.

World Heading to Recession, Warns IMF Chief

International Monetary Fund (IMF) President Kristalina Georgieva warned that she expects a global recession this year due to the coronavirus (COVID-19) outbreak. In a statement released recently by her office in Washington, the IMF chief said that since the breakout, 80 countries had sought help from the Fund to cope with its consequences. The statement followed a meeting of the G20 finance ministers and central bank governors that took place online due to the corona scare. The group represents the world's 20 most influential nations. Another statement said that G20 finance ministers and central bank governors also conceded that the global economy was heading to a recession and that 'coordinated fiscal action' was needed to deal with this crisis.



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MANAGEMENT VIEWS

MANAGERIAL TIPS

Are You and Your Team Ready to Work From Home?

A crisis, like COVID-19, can impact how, when and where you and your employees work. That is why it is important to be sure everyone on your team is prepared to work from home perhaps on a moment's notice. Map out which jobs and tasks can and cannot be done, even partially, without a physical presence in the office. Then do a thorough audit of the technology that your company uses for remote work. Make sure your employees are comfortable using the various hardware and software. Quickly train people and give them opportunities to practice. You will also need a clear communications protocol that should include: everyone's contact information; which communication channels you will use email, instant messaging, Slack, etc.; how employees are expected to respond to customers; and how and when teams will coordinate and meet. While putting these steps in place, it is also smart to identify ways to measure how effective remote work is for your team. Once the crisis is over, this data will allow you to reflect on what worked, what did not and why. (This tip is adapted from *What's Your Company's Emergency Remote-Work Plan?*, by Cali Williams Yost-HBR.)

How to Encourage Participation During Virtual Meetings

It is hard to get people to pay attention in meetings when everyone is in the same room — let alone if they are all calling in from home. How can you get people to actually participate in a virtual meeting? The key is to create structured opportunities for attendees to engage. Do something in the first 60 seconds to help participants experience the problem you want them to solve. For example, you might share statistics or anecdotes that dramatize the topic. Then assign

people to groups of two or three and give them a very limited time frame to take on a highly structured and brief task. Be sure to give them a medium with which to communicate, like a Slack channel. If you are on a virtual meeting platform that allows for breakout groups, use them liberally. Then ask the teams to report back. Never go longer than 5 to 10 minutes without giving the group another problem to solve. The key is to set and sustain an expectation of meaningful involvement. Otherwise, your participants will retreat into an observer role and you will have to work extra hard to bring them back. (This tip is adapted from *How to Get People to Actually Participate in Virtual Meetings*, by Justin Hale and Joseph Grenny- HBR.)

Reassure Your Team During Uncertainty

When the news is scary and the future is uncertain, many employees will look to managers for reassurance — even though you might not have the answers yourself. You can help by first finding your own sense of focus. Before you start communicating, take a minute to pause and breathe. Then put yourself in your audience's shoes. What are their concerns, questions or interests? What do they need an immediate answer to? You might use language such as, "I know many of you may be thinking..." The quicker you can address what is on their minds, the more likely you will be able to calm them down. Seek out credible sources of information and read fully before distilling it into clear, concise language. You can confidently express doubt or uncertainty, while still maintaining authority. You might say, "reports are still coming in, but what we understand so far is..." Communicate frequently, even if you do not have news to report, so that people know you are actively following the issue. (This tip is adapted from *How to Reassure Your Team When the News Is Scary*, by Allison Shapira-HBR.)

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