



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 17 | Date: April 24, 2020

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

PAKISTAN TIDINGS

Cash Reserve Requirement Cut to 10pc

The State Bank of Pakistan has reduced the Special Cash Reserve Requirement from 15pc to 10pc of total FE-25 deposits effective from April 20, 2020. Accordingly, all conventional banks/DFIs will be required to maintain Cash Reserves in US\$ equivalent of their total FE-25 deposits on daily basis with SBP in the following manner:

1. 5pc Cash Reserve Account (US\$)
2. 10pc Special Cash Reserve Account (US\$)

Revised Revenue Target Achievable Only If Activity Resumes: FBR

The Federal Board of Revenue (FBR) has linked the collection of the revised target of Rs. 3.908 tr for 2019-20 to the resumption of economic activity in Ramazan. The coronavirus-led slowdown of business activity has heavily hit the revenue collection, causing a massive shortfall. The International Monetary Fund (IMF) has recently revised the FBR collection target to Rs. 3.908 tr from Rs. 5.270 tr.

Minimum Nisab Set at Rs. 46,329 for Zakat Deduction

People maintaining a minimum of Rs. 46,329 balance in savings, profit and loss sharing or similar bank accounts in Pakistan on the first day of Ramazan will be liable to pay 2.5 pc Zakat on the total balance. A notification issued by the Poverty Alleviation and Social Division, quoting Administrator General Zakat for lunar year 1440-41 AH, said the Nisab had been fixed on the basis of the value of 52.5 tolas silver. This year the Zakat Nisab had been increased by Rs. 1,914 because of surge in gold and silver price. The Nisab was fixed at Rs. 44,415 in the previous year. No deduction of Zakat at source shall be made in case of the current accounts, or the amount in the account lesser than the value announced by the ministry, said the notification. However, the account holders, who have already submitted an affidavit, will be exempted from the Zakat deduction. The deduction will be made on the first day of Ramazan, which will fall on April 24 or 25.

FDI Rises in March

Foreign Direct Investment (FDI) into the country continued its rising trend despite the emergence of coronavirus as it jumped by 137 pc during the first nine months of current fiscal year, while inflows in March also surged by 92pc. The State Bank of Pakistan's (SBP) latest data, issued recently, showed the country received \$ 2.148 bn in FDI during July-March period – up 137pc – compared to \$ 905 mn in the corresponding period last year. Last year, the FDI fell to its lowest since FY16 as inflows dipped to \$ 1.362 bn. In addition, March also saw increased inflows by

MARKETS AT A GLANCE

Rates are taken till Friday 4:00 pm

MONETARY POLICY RATE

9pc | Effective from April 16, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	8.48	8.73
ENDING	7.46	7.71
CHANGE	-1.02	-1.02

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	32,831
ENDING	32,806
CHANGE	-25

GOLD RATE

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



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92pc to \$ 278.7 mn compared to same month last year. But inflows in March, compared to February, saw a sharp slide downward to \$ 278.7 mn from \$ 562.6 mn. Country-wise details showed China as the keen investor in the country as it suddenly pumped FDI during the period under review. The data showed inflows from China during the nine months jumped to \$ 872 mn compared to just \$ 22.4 mn in the same period last fiscal year. Inflows from United States remained relatively unchanged at \$ 64.9 mn during the nine months compared to \$ 64.5 mn last year. Inflows from UK dropped significantly to \$ 90.4 mn during the period compared to \$150mn last year. Other important inflows were \$ 167 mn and \$ 135 mn, from Malta and Hong Kong respectively.

84pc Households in Pakistan are Food Secure: Survey

More than 84 pc households in a Pakistan Social and Living Standards Measurement (PSLM) survey have reported that they are food secure, while 16pc households are experiencing moderate or severe food insecurity in overall Pakistan. The PSLM survey report 2018-19, conducted by the Pakistan Bureau of Statistics (PBS), covered 25,940 households across rural and urban communities for collecting information on a range of social sector issues — education, health and food security by facilities and services. It is the eleventh round of PSLM surveys since 2004 for monitoring of development plans at the provincial/district levels in the overall context of MDGs (Millennium Development Goals) and now SDGs (Sustainable Development Goals).

The calculation of food security is included in the report for the first time. It was revealed further that moderate or severe food insecurity is more in the rural areas as compared to the urban areas.

Projects Worth Rs. 209 bn Cleared

The Central Development Working Party (CDWP) recently cleared a total of five development projects having a cumulative estimated cost of Rs. 209 bn. The meeting, presided over by Deputy Chairman Planning Commission, approved three projects with a total cost of Rs. 12.55 bn and recommended two projects of Rs. 196.6 bn to the Executive Committee of the National Economic Council (ECNEC) for approval.

PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 _p	FY 2020 _τ	-
REAL GDP	5.5	3.3	3.0	-
CPI INFLATION (YoY%)	FY 2019 _{pa}	JUL 19 - MAR 20 _{pa}	FEB 2020	MAR 2020 _p
NATIONAL	6.8	11.5	12.4	10.2
URBAN	7.1	11.1	11.2	9.3
RURAL	6.3	12.2	14.2	11.7
FOOD INFLATION-URBAN/RURAL	4.6/4.8	14.4/16.6	15.2/19.7	13.0/15.5
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	FY 2018	FY 2019 _p	1 JUL 19 - 10 APR 2020	-
₹PROVISIONAL	476.513	562.210	878.108	-
₹A PERIOD AVERAGE	-	-	-	-
τTarget	-	-	-	-

Data Sources: PBS/SBP/PC



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Govt-IMF Agree to Put On Hold \$ 6 bn Program

With \$ 1.4 bn upfront breathing space, Pakistan and the International Monetary Fund (IMF) have agreed to put on hold the existing \$ 6 bn Extended Fund Facility (EFF) and revise it after the COVID-19 pandemic is over as the macro-economic indicators deteriorate. The Rapid Financing Instrument (RFI) is the appropriate instrument to support Pakistan at this juncture as the severity of the shock and the uncertainty about the outlook make it difficult to recalibrate the existing EFF to ensure that it remains on track to meet its objectives," according to a staff report released by the IMF recently after its executive board approved \$1.4bn fresh support. Real GDP is projected to decline by -1.5pc in FY2020 as a result of severe contraction in output during the last quarter of the current fiscal year. The growth is to remain tepid in the first half of FY2021, depending on the success of efforts to contain the spread of the pandemic in Pakistan and worldwide and to return gradually to faster growth in the second half of the next fiscal year in line with the expected global recovery.

Sharing Details of Bank Accounts Not Feasible: SBP Governor

State Bank of Pakistan (SBP) Governor Dr. Reza Baqir has made it clear to the Cabinet that sharing of bank accounts' details of customers with deposits of over Rs. 50,000 is not feasible. He made these remarks at the federal cabinet meeting held recently during discussion on distribution of Rs. 144 bn amongst the poor families under Ehsaas Program. Governor State Bank of Pakistan highlighted that the request by Poverty Alleviation and Social Safety Division/NADRA to provide data relating to accounts, with deposits larger than Rs. 50,000, for the purpose of data analytics, was not legally tenable.

IMF Backs Govt. Package for Construction Sector

The International Monetary Fund (IMF) supported the government's construction package to absorb daily wage earners and advised appropriate taxation for petroleum products, vehicles, beverages and tobacco sector. This was stated recently by the IMF's resident representative in Islamabad, Teresa Dabán Sanchez, at an online policy dialogue, organized by the Sustainable Development Policy Institute (SDPI). She said Pakistan needed to move the way

with taxation in line with good taxation principles which sometimes required increasing the tax base and sometimes tax rates. Ms. Sanchez on the occasion also mentioned the IMF toolkit to fight the COVID-19 shock that included the Rapid Finance Instrument (RFI) under which it approved \$ 1.4 bn financing to Pakistan. She noted that the IMF's assessment of the situation was that COVID-19 would reverse the decline in public debt that resulted from fiscal consolidation efforts.

March Exports Decline by 15.23pc

The country's exports during March 2020 against February 2020 have witnessed a reduction of 15.23 pc, from \$2.140 bn to \$1.814 bn, the Pakistan Bureau of Statistics (PBS) said. According to advance release on external trade statistics for March, 2020 the country exported various goods and services to the tune of \$1.814 bn against \$ 2.140 bn in February, 2020. The data said on Year-on-Year (YoY) basis the country's exports also witnessed a declining trend as it registered a decline of 8.11 pc from \$1.974 bn in March 2019 to \$1.814 bn in March 2020. Main commodities of exports during March 2020 were knitwear-Rs. 33.236 bn, readymade garments-Rs. 33.123 bn, cotton cloth-Rs. 26.804 bn, bed-wear-Rs. 25.936 bn, rice and others-Rs. 20.124 bn, cotton yarn-Rs.13.055 bn, basmati rice-Rs. 11.017 bn, towels-Rs. 10.667 bn, made-up articles (excluding towels and bed-wear)-Rs. 8.398 bn, and fish and fish preparation-Rs. 6.127 bn.

March Imports

Pakistan imports during March 2020 also registered a negative growth of 20.76 pc as it fell down from \$ 4.185 bn in February to \$ 3.316 bn in March 2020. The country's imports on annual basis also went down by 19.44 pc, as in March 2019, Pakistan's imports were \$ 4.116 bn, which came down to \$ 3.316 bn in March 2020. The imports during July-March, 2019-2020 totaled \$ 34.817 bn as against \$ 40.679 bn during the corresponding period of 2018-19, showing a decrease of 14.41 pc. Main commodities of imports during March 2020 were petroleum products-Rs. 51.265 bn, electrical machinery and apparatus-Rs. 31,517 bn, palm oil-Rs. 31.269 bn, natural gas Rs. 28.200 bn, raw cotton-Rs. 26,384 bn, plastic materials-Rs. 26.016 bn, iron and steel-Rs. 23.174 bn, petroleum crude-Rs. 21.707 bn, mobile phones-Rs. 18.187 bn, and iron and steel scrap-Rs. 16.293 bn.



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INTERNATIONAL SCENARIO

3 mn Face Food Crisis Since Oct 2018: UN

Around 135 mn people across 44 countries experienced acute food insecurity at the close of 2019, said the Global Report on Food Crises 2020 released recently. The report, jointly published by an international alliance of UN, governmental and non-governmental agencies, said a total of 183 mn people were living in stressed condition at the cusp of acute hunger and at risk of slipping into crisis or worse, if faced with a shock or stressor, such as the COVID-19 pandemic. The food crises, as well as lack of access to dietary energy and diversity, safe water, sanitation and health care will continue to create high levels of child malnutrition, while the pandemic is likely to overburden health systems in these countries.

China Reduces Key Rate 2nd Time This Year

China cut its benchmark lending rate recently as expected to reduce borrowing costs for companies and prop up the coronavirus-hit economy, after it contracted for the first time in decades. The one-year loan prime rate (LPR) was lowered by 20 basis points (bps) to 3.85pc from 4.05pc previously, while the five-year LPR was cut by 10 bps to 4.65pc from 4.75pc. The move was the second cut to the lending benchmark rate this year and the latest reduction in one of China's key lending rates. Most new and outstanding loans are based on the LPR, while the five-year rate influences the pricing of mortgages.

Jobless Americans Face Difficulty

Terra Thomas, one of the millions of Americans who have lost their income due to the coronavirus pandemic, was stuck between a rock and a hard place — pay her rent or put food on the table? She is participating in a "rent strike" with four other residents in her building, a growing movement across the US among people who face the same dilemma. She works as a freelance florist for events, particularly weddings, so Thomas's income depends completely on the resumption of group activities. Refusing to pay her \$833 rent "feels like a pretty common sense decision. It feels like a matter of survival," she said. Over the past month, a staggering 22 mn Americans have lost their jobs as stores, restaurants

and other businesses deemed non-essential were forced to close, shedding legions of workers. The shutdown of all this non-essential activity, an attempt to slow the spread of COVID-19, has had serious consequences in a country where many people struggle with debt and lack a financial safety net. In 2018, 40pc of Americans said they had less than \$ 400 saved for emergencies, without selling belongings or borrowing, according to a report by the Federal Reserve. Some small-scale landlords have proposed repaying rent via installments. Several cities and states, including California, have passed executive orders prohibiting eviction of tenants affected by the coronavirus crisis.

China's Q1 GDP Shrinks for First Time on Record

China's economy contracted for the first time on record in the first quarter as the coronavirus shut down factories and shopping malls and put millions out of work. Gross domestic product (GDP) fell 6.8 pc in January-March year-on-year, official data showed recently, a slightly larger decline than the 6.5pc forecast by analysts and reversing a 6pc expansion in the fourth quarter of 2019. It was the first contraction in the world's second-largest economy since at least 1992, when official quarterly GDP records were first published. Providing a silver lining was a much smaller-than-expected fall in factory production in March, suggesting tax and credit relief for virus-hit firms was helping restart parts of the economy shut down since February. However, analysts say Beijing faces an uphill battle to revive growth and stop massive job losses as the global spread of the virus devastates demand from major trading partners and as local consumption slumps.

SNIPS

Rejecting Gender Norms

McKinsey reports that 48pc of Gen Zers consider retail items to be gender-neutral.

Greener Pastures

65pc of workers would rather take a pay cut at another job than remain in a toxic work environment, according to a LinkedIn survey.



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MANAGEMENT VIEWS

MANAGERIAL TIPS

How to Support Your Team from a Distance

If your team just made an abrupt shift to remote work, it is important to offer encouragement and emotional support. Acknowledge the pressure everyone is under, listen to their anxieties and concerns and empathize with their struggles. If a newly remote employee is clearly having a hard time, but not communicating stress or anxiety, ask them how the person is doing. Even a general question such as “how is this remote work situation working out for you so far?” can elicit important information. Remember your team is looking to you for cues about how to handle this uncertain time. Instead of communicating helplessness, take a two-pronged approach: acknowledge the stress and anxiety that people may be feeling, but also affirm your confidence in the team. Now is the perfect time to use phrases like, “we have got this,” or “this is tough, but I know we can handle it.”

(This tip is adapted from *A Guide to Managing Your (Newly) Remote Workers*, by Barbara Z. Larson, Susan R. Vroman and Erin E. Makarius-HBR.)

Consider The Urgency of an Instant Message

When you and your team are working remotely and on different schedules, work-life boundaries can get blurry. So think carefully about how and when you send instant messages. The real-time nature of tools like Slack, for example, makes them an easy place to fire off quick questions or comments. When you send a note asking someone, “can you just give this a glance?” or “could you add your ideas to this document?” the recipient might feel the need to reply right away. So, think about how urgent your request is – and how to communicate that urgency in a respectful way – before you send it. Ask your colleague, “is this a good time?” If you do not need a response right away, say, “no rush, but could you help me with something when you have a chance?” Respect “Do Not Disturb” mode. And try not to send messages during off hours. Even if you write something like, “do not respond to this until tomorrow,”

chances are it will weigh on the recipient’s mind and they might even feel pressure to reply. Instead, plan on sending the message when you know the person is online.

(This tip is adapted from *10 Digital Miscommunications — and How to Avoid Them*, by Liz Fosslien and Mollie West Duffy-HBR.)

SNIPS

Lack of Commitment

In a recent survey, nearly half of respondents said that their managers and senior leaders were not dedicated to improving workplace culture.

Personal Care

In 2018, over 56pc of American men used a type of cosmetic or skin care product at least once.

Connect When You Are Presenting Remotely

Good presenters know how to connect with their audience — which is really challenging in a virtual setting. To start, you have to adopt an engaged, active persona. Make “eye contact” with your participants by looking directly into the camera as often as possible. To make it easier, set up your screen so that the window with your audience is close to the camera. This way you can simultaneously make eye contact with them and see their response. Pay attention to the angle of the camera so your face is at a comfortable level for others to see you. (You want to avoid giving your audience a great view of your nostrils!) Remember to show a warm, engaging smile, laugh occasionally and maintain a friendly, engaging tone.

(This tip is adapted from *Virtual Meetings Don’t Have to Be a Bore*, by Andy Molinsky- HBR.)

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