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

Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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PAKISTAN TIDINGS

ADB to Lend $ 1.7 bn for Pandemic

The Asian Development Bank (ADB) has agreed to provide about $ 1.7 bn by the end of calendar year — almost half of it by June — to help Pakistan absorb the fiscal shocks from the coronavirus pandemic. Ministry of Economic Affairs (MEA) said recently in a statement that the ADB has promised $ 1.7 bn support to Pakistan for COVID-19 response. This will include a budgetary support of $800 mn to be approved by June this year and another $ 900 mn by December.

Exports to Gulf States Jump 36pc

Pakistan's exports to the Middle Eastern countries increased by 36pc during the current fiscal year, data released by the Ministry of Commerce showed recently. The ministry claimed that the growth in export proceeds was achieved owing to several initiatives but did not share any details on the actions. Three major commodities posted impressive growth between July 2019 and April. The rice exports to the region increased by 59pc in value from $ 264 mn to $ 420 mn, meat from $ 127 mn to $ 200 mn, an increase of 57pc during the period under review. Fruits and vegetables exports enhanced from $ 70 mn to $ 140 mn, an increase of 100pc.

Banking Briefs

Deposits Folder

Deposits of all scheduled banks amounted to Rs. 14,954.347 bn as on April 17, 2020 as against Rs. 15,010.531 bn on April 10, 2020, less by 0.37pc.

Credit Portfolio

Advances of all scheduled banks amounted to Rs. 8,225.147 bn as on April 17, 2020 as compared to April 10, 2020, the same stood at Rs. 8227.856 bn, less by 0.03pc.

GDP Growth May be Revised Downward to 2pc

The government is likely to revise GDP growth rate downward to around 2pc against the budgeted 2.4pc for the current financial year 2019-20, as the economy has suffered loss of around $ 20 bn so far on account of coronavirus outbreak. This was the consensus among economists and government officials as revealed recently.

Pakistan Resuming Oil Imports

Pakistan will allow the resumption of oil imports as it eases some coronavirus lockdown restrictions and as farmers start wheat harvesting, the energy ministry said. The ministry last month asked fuel retailers and refiners to cancel crude oil

MARKETS AT A GLANCE

Rates are taken till Thursday 4:00 pm

MONETARY POLICY RATE

9pc | Effective from April 16, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.46	7.71
ENDING	7.44	7.69
CHANGE	-0.02	-0.02

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	32,806
ENDING	34,111
CHANGE	+1305

GOLD RATE

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

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and oil product imports from April due to weak demand. "High consumption of petroleum products have been witnessed since April 1, due to the start of harvesting season across the country. To meet the rising demand refineries may import crude oil as per their requirement," said the Ministry of Energy (Petroleum Division) in a notification released recently. Pakistan has announced the reopening of some industries in phases beginning with construction and allied industries while its lockdown is currently set to run until May 9. Byco Petroleum Pakistan Ltd's 155,000 barrel per day (bpd) Refinery and National Refinery Ltd's 64,000 bpd plant stopped operations last month. The Attock Refinery also partially shut down its main plant but kept two small units operational. Byco had already resumed operations earlier in the month.

Rs. 47 bn Cash Subsidies Given to Export Sectors

The Federal Government has so far in the last three quarters released over Rs. 47 bn to the textile and non-textile sectors as cash subsidies under the PM's Export Enhancement Package, a senior official told recently. The figures showed that an amount of Rs. 45 bn was released to textile and clothing sectors between July-April under the drawback of local taxes and levies (DLTL). On April 6, the last tranche of Rs. 6 bn was released for textile and clothing sector. Under the package, the government had extended cash subsidy at the rate of 4pc for garments exports, 3pc on home-textile and 2pc on processed fabric. Half of the cash subsidy is linked with 10pc growth proceeds from the previous year.

PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019P	FY 2020T	-
REAL GDP	5.5	3.3	3.0	-
CPI INFLATION (YoY%)	**FY 2019pa**	**JUL 19 - MAR20pa**	**FEB 2020**	**MAR 2020**
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
	FY 2018	**FY 2019P**	**1 JUL 19 - 17 APR 2020**	-
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	476.513	562.210	929.260	-
P PROVISIONAL	-	-	-	-
PA PERIOD AVERAGE				
T Target				

Data Sources: PBS/SBP/PC

Profit Rates on National Savings Schemes Reduced

The government recently slashed profit rates on all savings schemes and accounts of the Central Directorate of National Savings (CDNS). The new rates will be applicable to deposits and investments with effect from April 24. According to notification issued by the Ministry of Finance, profit rate on Defense Savings Certificates has been reduced by two percentage points to 8.54pc from 10.54pc. Likewise, the rate of return on Behbood Savings Certificates and Pensioners' Benefit Account has been slashed by 1.96 percentage points to 10.32pc from 12.28pc. Similarly, the return on regular income certificates has been reduced by 2.28 percentage points to 8.28pc from 10.56pc. The return on special savings certificates has been reduced by 3.03 percentage points to 8.10pc from 11.13pc. The rate of return on savings accounts certificates has been scaled down by 1.6 percentage points to 7pc from 8.60pc. The

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rates have been revised down due to the declining secondary market yields on long-term Pakistan Investment Bonds and Treasury Bills in line with the decreasing policy rate of the State Bank of Pakistan.

Current Account Deficit Decreases

Current account deficit during the first three quarters of current fiscal year shrank by 73pc to $ 2.768 bn compared to $ 10.284 bn in the same period last fiscal year, data released by the State Bank of Pakistan (SBP) showed recently. The current account deficit in the current and last fiscal years has fallen from its peak of $ 20 bn in FY18 mainly on account of falling imports. The SBP data showed the deficit in March was just $ 6 mn compared to $ 283 mn in the corresponding month of last year. The details showed that exports of goods during the nine months under review remained relatively unchanged at $ 18.256 bn compared to $ 18.051 bn last year. However, exports during March declined to $ 1.818 bn compared to $ 2.037 bn in March 2019. On the other hand, imports declined by a massive 16pc to $ 32.936 bn compared to $ 39.312 bn in the last year. The huge reduction in import bill has been the major driver behind sharp reduction in current account deficit. Meanwhile, services exports fell to $ 4.247 bn during the nine months compared to $ 4.566 bn last year, whereas imports of services also declined to $ 6.688 bn.

Tax Incentives for SMEs Likely

The government is expected to grant special tax incentives to the small and medium enterprises in coming budget (2020-21) to facilitate estimated 5.2 mn enterprises affected due to coronavirus outbreak and partial lockdown. In this regard, Small and Medium Enterprises Development Authority (SMEDA) has submitted its budget proposals for 2020-21 to the Ministry of Finance. According to the budget proposals of the SEMDA for 2020-21, a National Tax Authority may be constituted to unify filing of returns, settlement of liabilities and harmonization of taxes to avoid double taxation. The FBR notices of tax reconciliations, tax audits and tax assessments be issued once in a financial year. The rationalization of total number of taxes paid and documentation procedures will result in encouraging businesses towards formulization and resultantly lead to higher revenue collection.

SMEDA Survey

In a recent survey of SMEDA, coronavirus outbreak and partial lockdown has a negative impact on businesses. Initial estimates show that the economy will witness sluggish growth in services, manufacturing and agriculture sectors, increase in unemployment, decrease in government revenue, decline in exports and disruption in supply chains. Lockdown across the country is expected to make the situation dire for the estimated 5.2 mn enterprises in the country. SMEs may experience supply chain distortions due to irregular supply of raw materials and intermediate goods, revenue loss and shortage of liquidity to continue business operations. According to the budget proposals of SMEDA for 2020-21, the SMEDA has proposed that the rate of minimum tax be reduced for all listed and other companies to 1.0pc to accelerate industrialization and business development. SMEDA has proposed restoration of 10pc tax credit which would result in up-gradation of existing technology. SMEDA has proposed that the income tax exemption threshold may be enhanced to Rs. 1 mn. Tax rates on companies and Association of Persons (AOPs) may be rationalized for providing a level playing field to the SME sector.

ECC Approves Rs. 50 bn Support Package for SMEs

The Economic Coordination Committee (ECC) of the cabinet recently approved a support package of over Rs. 50 bn for small and medium enterprises (SMEs) and allowed negotiations with 11 countries for putting on hold repayment of $1.8 bn debt for about a year. A meeting of the ECC presided over by Adviser to the Prime Minister on Finance and Revenue Dr. Abdul Hafeez Shaikh also approved Rs.3.02 bn additional funding for fencing the Pakistan-Iran border on a demand made by the Ministry of Defence.

SNIPS

Take Your Child to Work Every Day

According to research conducted by The Outline, roughly 4pc to 8pc of Fortune 100 companies provide on-site child care centers.

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INTERNATIONAL SCENARIO

S&P Retains UK's Credit Rating

Standard & Poor (S&P) has kept the United Kingdom's credit rating unchanged and given it a stable outlook, hailing steps taken to weather the economic shock of the coronavirus pandemic. The agency maintained the country's long-term credit at AA, the third best grade on the company's scale, which corresponds to an issuer of high quality. According to the Credit Rating Agency, UK authorities have deployed a range of measures from their fiscal, monetary and regulatory toolkits to mitigate the economic fallout of the COVID-19 pandemic. It is anticipated that in 2020, the UK economy will contract by 6.5pc and public finances will deteriorate, consolidating in subsequent years as the economy recovers, as revealed in a statement.

EU Bickers Over COVID-19 Rescue Deal as US Jobless Rise

The world grappled with the economic pain of the coronavirus pandemic as bitterly divided EU leaders tried to hammer out a rescue package and US jobless claims soared to a staggering 26 mn. European Central Bank boss Christine Lagarde warned her colleagues against doing too little, too late but Europe remains deeply split between virus-hit southern nations like Italy and Spain and richer northern countries. Worldwide, governments are trying to balance pressure to ease lockdowns and repair almost unprecedented economic damage, against dire warnings that moving too fast could unleash a second wave of COVID-19 cases. Other nations are still in the early stages of the fight against a disease that has killed more than 180,000 people and infected 2.6 mn worldwide, even as it appears to be peaking in Europe and the United States.

Mnuchin Predicts US Economic Bounce Back

US Treasury Secretary Steven Mnuchin insisted recently that the US economy will come roaring back even amid warnings from another White House adviser of longer-term impacts of the coronavirus pandemic's unprecedented shock to the economy. Mnuchin's upbeat assessment came amid skyrocketing unemployment figures and forecasts predicting a deep contraction in economic activity this year. Mnuchin also defended the soaring deficit spending as key to reviving the economy, even amid rising signs of Republican pushback in Congress. Congress this week passed a new $ 483 bn economic relief bill, adding to the massive $ 2.2 tr emergency package passed in mid-March.

Daimler's China Business Picks Up Again

Mercedes-Benz maker Daimler has seen business stabilize in China after the country ended coronavirus lockdowns, a senior manager at the German carmaker said recently. In China alone, Daimler sold around 50,000 vehicles again in March. Mercedes-Benz delivered a total of approximately 477,400 passenger cars worldwide between January and March. The report did not say how many of those went to customers in China, who bought 694,200 Mercedes-Benz cars last year, 29pc of total sales.

Russia Suspends Grain Exports Until July 1

Russia, the world's largest wheat exporter, is suspending grain exports, including wheat, rye, barley and corn until July 1, the ministry of agriculture said recently. In early April, the government introduced export quotas for certain grains until the end of June but these were fully exhausted by April 26, the ministry said in a statement. "After exporting all grain declared under the quota, the export of wheat, maslin, rye, barley and corn to non-member states of the Eurasian Economic Union will be suspended until July 1, 2020," the statement said. The Eurasian Economic Union groups Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. In the agricultural year 2018-2019, Russia exported more than 35 mn tons of wheat and 43.3 mn tons of all grains. (*Note: Maslin is a mixture of different grains, flours, or meals, especially rye mixed with wheat*).

SNIPS

New Company

Remote workers represented 5pc of the American workforce before many companies ordered their employees to start working from home due to the COVID-19 outbreak.

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MANAGEMENT VIEWS

MANAGERIAL TIPS

Lead with Transparency in Times of Crisis

If your team is working from home for the first time, chances are they might be feeling somewhat disconnected and out of the loop. You can help them by being transparent and making sure that everyone knows what is going on. Communicate what is happening at the organizational level around finances, client relationships and big-picture goals. People may be nervous about revenue goals and other deliverables. Share as much information as you can, with as many people as you can, to help them feel like things are going to be OK. And communicate equitably. No team member should feel like they have less access to you than others. So make an effort to be available to everyone. Finally, when you run your virtual team meetings, aim for inclusion. Balance the airtime, so that everyone feels seen and heard. When people feel isolated, their imagination can begin to go wild. Transparent communication from leaders can help reign that in and set a good remote culture for their team. (This tip is adapted from *15 Questions About Remote Work, Answered*, by Tsedal Neele-HBR.)

Are Your Virtual Meetings Inclusive?

With more of us meeting our colleagues by phone or video conference than ever before, it is important that everyone feels connected and included. If you are leading a meeting, start by setting ground rules. Ask employees to turn off the notifications on their phones and to resist the temptation to multitask. Rather than going straight to your agenda items, spend the first five to seven minutes of the meeting checking in with people. Ask everyone, “How are you all doing?” and make sure everyone has an opportunity to answer. Start with whomever is the newest or most junior, or the person who usually speaks the least. And you should open up as well, so that you are modeling the behavior. When you are wrapping up the meeting, follow up with an email or instant message to ensure that people have heard you and that they are OK with the outcome. You should have multiple touch points through various media to continue the trail of conversation. (This tip is adapted from *15 Questions About Remote Work, Answered*, by Tsedal Neeley-HBR.)

Communicate Sensitive Information Safely

With more and more employees working remotely, leaders need to set clear guidelines around how to communicate sensitive company information. Make clear that personal email should not be used for any company business and that employees need to keep track of what they are printing at home. If a printed document would be subject to shredding in the office, take care to do the same from home — or refrain from printing it in the first place. And of course, ask your employees to use company-issued devices when working; using personal devices creates problems around document preservation and increases risk. Finally, be sure you have up-to-date emergency contacts for all employees — a cellphone number or another way to contact them outside of company systems. This way, should your company fall victim to a cyber-attack, you will be able to communicate with everyone. (This tip is adapted from *Will Coronavirus Lead to More Cyber Attacks?*, by Brenda R. Sharton-HBR.)

Stay Positive to Help Yourself and Others

During stressful and uncertain times, it is normal to feel anxious and scared. Chances are, most people around you feel it too. It is easy to infect each other with anxiety and fear, but we can take steps to protect ourselves from these emotional contagions. To start, cut down on how often you engage in venues where fear feeds on itself, such as social media, cable news and frenzied conversations with friends and co-workers. Do your best to distinguish between people who are speculating and those who have sound information. Also, take care of your mental health. This means exercising, practicing mindfulness and meditation, volunteering and seeking out positive, high-quality connections with others — even if they are virtual. Simple wellness practices like these will help you build resilience and positivity and maybe pass some along to the people in your life. (This tip is adapted from *The Contagion We Can Control*, by Sigal Barsad-HBR.)

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