



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

Volume 15, Issue No. 19 | Date: May 08, 2020

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

PAKISTAN TIDINGS

High-Risk Countries Approach China for Debt Relief

Following in the footsteps of Pakistan, many high-risk countries, who are part of the ambitious Belt and Road Initiative (BRI), have approached China for debt relief. Pakistan requested China for ease in payment obligations of over \$30 bn of about 12,000-megawatt power projects under the China-Pakistan Economic Corridor (CPEC) to minimize its financial and economic difficulties. This was part of government efforts to secure discounts and savings on power purchases from independent power producers (IPPs) as circular debt liabilities cross Rs. 2 tr. Earlier this week, the Economic Coordination Committee (ECC) of the cabinet authorized the Economic Affairs Ministry to negotiate debt relief with 11 bilateral lenders, including China, under a G20 initiative to suspend for about a year the payment of debt and its interest. Pakistan has to pay about \$ 615 mn to China between May 2020 and June 2021 under bilateral debt. Pakistan had formally taken up its difficulties with China for relief in purchase prices at the highest level as Pakistan's capacity payments alone were estimated to be closer to Rs. 600 bn this year and estimated to go beyond Rs. 1.5 tr in a few years.

Banking Briefs

Deposits Folder

Deposits of all scheduled banks amounted to Rs. 14,475.797 bn as on April 24, 2020, when compared to the position on April 17, 2020, the same amounted to Rs.14,954.347 bn, less by 3.20pc.

Credit Portfolio

Gross Advances of all scheduled banks amounted to Rs. 8,216.614 bn as on April 24, 2020, compared to April 17, 2020, the same stood at Rs. 8225.147 bn, less by 0.10pc.

Cabinet May Suspend Varnish Coating of Banknotes

The federal cabinet is expected to order inclusion of 61 food and non-food items for mandatory certification list and temporarily suspend the varnish coating of existing banknotes for a couple of months due to coronavirus. To be presided over by Prime Minister Imran Khan, the meeting is also expected to approve appointment of Naveed Asghar as member finance of the Water and Power Development Authority (WAPDA). Informed sources said that the Ministry of Science and Technology had moved a summary to the federal cabinet for inclusion of 61 food and non-food items in the Compulsory Certification Mark Scheme of Pakistan Standards and Quality Certification Authority (PSQCA). Under the scheme, the products once included in the list could not be sold in the market without the PSQCA mark.

MARKETS AT A GLANCE

Rates are taken till Friday 1:00 pm

MONETARY POLICY RATE

9pc | Effective from April 16, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.44	7.69
ENDING	7.72	7.97
CHANGE	+0.28	+0.28

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	34,111
ENDING	33,300
CHANGE	-811

GOLD RATE

(10 gm)

STARTING	PKR 76,732
ENDING	PKR 76,732
CHANGE	0



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Page No. 02

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Exports in April 2020

Exports during the month of April amounted to \$957 mn from \$2.08 bn a year ago, following the order cancellations due to the impact of coronavirus on the global economy. The data released by the Pakistan Bureau of Statistics (PBS) recently showed the impact of global economic slowdown mainly in the North American and European countries — top export destinations for Pakistani goods — brought down the country's total export proceeds during the month. Exports were expected to fall during the month of April as only a few buyers were honoring their import commitments with local manufacturers following the demand contraction in the wake of pandemic.

SBP Not to Issue New Notes on Eidul Fitr

The State Bank of Pakistan (SBP) will not issue fresh currency notes for the general public on Eidul Fitr, according to a circular issued recently. The SBP issues billions of fresh currency notes on Eid every year, but it will not do so this year as most of the employees are working from home due to COVID-19. The State Bank issued another circular to advise banks to ensure an uninterrupted supply of disinfected cash at their branches and at ATMs. The banks had been advised last month to disinfect, seal and quarantine the cash collected from hospitals and clinics. "Banks are allowed to use the notes which have completed a quarantine period of fourteen (14) days," said the circular.

SBP Reserves - \$12.1 bn

An inflow of \$1.39 bn from the International Monetary Fund took the State Bank of Pakistan (SBP) reserves to \$12.07 bn during the week ended on April 24. According to the SBP data published recently, the central bank reserves were at a two-month high after an increase of \$ 1.16 bn. During the same period, \$ 234 mn was paid in external debt payments. Reserves held by the SBP stood at \$ 12.75 bn in February, before falling to \$ 10.8 bn in March and now again recovering to Rs. 12.07 bn as of April 24. Net foreign holdings of the banks were \$ 6.392 bn while total liquid reserves of the country stood at \$ 18.463 bn.

700 Applications for Cheap Loans Under Process: SBP

More than 700 companies have applied for concessional loans worth Rs. 65 bn from banks under State Bank of Pakistan's (SBP) refinancing scheme. The SBP recently said that in the first two weeks of this scheme, over 700 applications from companies are being processed in banks and DFIs that will protect jobs of more than half a million employees. To protect

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 - APR 20 _{pa}	MAR 2020	APR 2020
NATIONAL	6.8	11.2	10.2	8.5
URBAN	7.1	10.7	9.3	7.7
RURAL	6.3	12.0	11.7	9.8
FOOD INFLATION-URBAN/RURAL	4.6/4.8	14.0/16.2	13.0/15.5	10.4/12.8
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	FY 2018	FY 2019 _p	1 JUL 19 - 24 APR 2020	-
₹PROVISIONAL	476.513	562.210	980.319	-
₹ _{PA} PERIOD AVERAGE	-	-	-	-
τTarget	-	-	-	-

Data Sources: PBS/SBP/PC



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Page No. 03

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the country's economy from the disastrous impact of COVID-19 lockdown, the central bank has taken a series of steps. The challenges of coronavirus have compelled the government to support millions of daily wagers through direct supply of cash as well as announcement of several schemes to support trade and industry. There has been a significant take-up in the refinance scheme introduced by the SBP as it provides concessional loans at 3pc to any company that commits to not laying off workers for the next three months. The State Bank has given 15 days to banks for approving applications under the scheme.

Banks Defer Rs. 236 bn Principal Repayments

More than 0.3 mn borrowers have availed the State Bank of Pakistan's (SBP) deferment facility to delay principal payments against their loans for one year. "Approximately 303,000 borrowers have been able to defer their principal payments amounting to Rs. 236 bn," the SBP said recently. More and more borrowers are benefitting from the relief package to extend loan principal repayments by one year, said the central bank. The SBP had, on April 20 allowed banks and development finance institutions to defer principal payments to help businesses during the pandemic. To avail this relaxation, borrowers were advised to submit a written request to the banks before June 30.

Digital Banking Grows Sharply During Lockdown

The use of digital channels for banking transactions has witnessed significant growth in the recent crisis of COVID-19 pandemic. According to statistics shared by Telenor Microfinance Bank, Easypaisa has witnessed a 35pc increase in new activations. Old customers using the service again have gone up by 25pc as well. The number of daily transactions from the Easypaisa Application has grown by 17pc since the lockdown. There has also been an increase of 184pc in bank transfers and around 15pc growth in airtime and bundle subscriptions in overall transactions. The Easypaisa service has joined hands with leading organizations to initiate direct digital payments minimizing the cash role in the economy and also in the potential spread of COVID-19. Simultaneously, QR payments have been introduced at numerous retail outlets to allow cashless shopping experiences that help ensure health and safety of all those who are out for their necessary chores.

INTERNATIONAL SCENARIO

Iran to Cut Four Zeros from Falling Currency

Iran's parliament has passed a bill allowing the government to slash four zeros from the Rial, Iranian state media reported recently, after a sharp fall in the value of the currency as a result of crippling US sanctions. Iran's national currency will be changed from the Rial to the Toman, which is equal to 10,000 Rials, under the bill. The bill to remove four zeros from the national currency was approved by lawmakers. The bill needs to be approved by the clerical body that vets legislation before it takes effect. Iran's state TV said the Central Bank of Iran will have two years to pave the ground to change the currency to Toman.

World Leaders Raise \$ 8 bn

World leaders recently called for cooperation not competition in the quest for a coronavirus vaccine, as they pledged 7.4 bn Euros (\$ 8.1 bn) at a fundraising telethon snubbed by the United States. COVID-19 has killed nearly a quarter of a million people around the world — 140,000 of them in Europe — and Ursula von der Leyen, head of the European Commission and the host of the videoconference, said a vaccine is the best chance of beating the disease. World Health Organization chief Tedros Ghebreyesus hailed the fundraising as a powerful show of "global solidarity". Major European powers, along with Japan and Canada, made the biggest pledges from around 40 countries, but there was no official US representation, weakening the event and raising the prospect of an uncoordinated competition to develop and produce a vaccine. Some wealthy American individuals did take part and pop star Madonna's million-dollar contribution was feted by EU officials. The conference narrowly missed its target of 7.5 bn Euros — although a handful of contributors did not put a sum on their pledges — but UN chief Antonio Guterres warned much more would be needed, putting the final sum required near 38 bn Euros. In total around 40 countries, along with UN and philanthropic bodies, including the Bill and Melinda Gates Foundation and research institutes, made donations.

HK Economy Shrinks Record 8.9pc

Hong Kong suffered its worst quarterly contraction since modern records began, official figures showed recently, as



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the coronavirus outbreak hammered an economy already mired in recession from political unrest and trade war woes. The financial hub is now experiencing its third-straight quarter of negative growth, its longest financial downturn since the aftermath of the 2008 global financial crash. Months of debilitating street protests and the tit-for-tat tariff battle between Washington and Beijing had weighed on the local economy for months before the pandemic helped push the city deeper into recession. Advance figures showed an 8.9pc on-year contraction in the first quarter — the worst decline since the government began compiling data in 1974. The result was a bigger fall than the 8.3pc recorded during the Asian financial crisis in 1998 and the 7.8pc seen in early 2009.

Governments Urged to Deliver on Global Air Mail

The collapse in passenger flights combined with a surge in online purchasing during the coronavirus crisis is slowing the delivery of air mail, the global aviation and postal industries warned recently. In a joint statement, the International Air Transport Association (IATA) and the Universal Postal Union (UPU) called on governments to take action to keep mail moving by air. The Swiss-based organizations said there had been a 95pc reduction in passenger flights, which are typically used to transport mail. Meanwhile, there had been a 25-30pc increase in demand for online purchasing during lockdown restrictions, aimed at curbing the spread of COVID-19. Postal administrations are therefore facing a challenge in shipping international mail, the statement said. The cancellation of more than 4.5 mn passenger flights, the primary means of transporting post, has meant that capacity is scarce, costs more and takes longer.

US Factory Orders Post Record Drop; Orders Shrinking

New orders for US-made goods suffered a record decline in March and could sink further as disruptions from the novel coronavirus fracture supply chains and depress exports. The report from the Commerce Department issued recently was the latest in a series of increasingly bleak economic data. It also bolstered analysts' views that the economy would struggle to rebound even as parts of the country start to reopen after nationwide lockdowns to slow the spread of COVID-19, the respiratory illness caused by the virus. Factory

orders dropped 10pc, the largest decrease since the series started in 1992, after dipping 0.1pc in February. Economists had forecast factory orders would tumble 9.7pc in March. Factory orders decreased 2.8pc year-on-year in March.

MANAGEMENT VIEWS

MANAGERIAL TIPS

Your Remote Meetings Do Not Have to Feel Remote

Virtual meetings can often feel impersonal, awkward and isolating, but there are ways to make them feel more intimate. For starters, if you are the host, arrive a bit early to the videoconference so you can greet people as they pop up on your screen and engage in a bit of friendly small talk. Encourage attendees to turn on their video — let them know ahead of time if it is a requirement so they have time to prepare (or look presentable). Use people's names and invite them to participate, if they feel comfortable doing so. Create warmth by looking directly into the camera to make "eye contact" with your participants. Remember to smile, insert an occasional laugh and convey a friendly, engaging tone. It might feel awkward at first but it does not have to feel phony. You are creating an inviting atmosphere and helping people feel present and connected during a trying time for all.

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

**GOOD, BETTER, BEST.
NEVER LET IT REST.
TILL YOUR GOOD IS BETTER
AND YOUR BETTER IS BEST.**

- ST. JEROME



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Page No. 05

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Establish a Culture of Learning for Your Remote Team

Working remotely in the midst of a crisis makes it more challenging than ever to focus on your team's development. But learning does not have to stop in this new environment; you just need to find ways to adapt. For example, it may be more practical to use micro-learning techniques to help people more easily digest new information. Focus on sharing short lessons on a single topic in 5 to 10-minute intervals. These might cover a specific tool, behavior or skill. Make these lessons available to the whole team and let people identify their own areas for training. Use a buddy system or assign peer coaches to check in with each other for support. You may even ask team members to lead short discussions about what they have learned. Reinforcing a culture of learning will keep your team engaged and growing while they are working from home.

(This tip is adapted from *8 Ways to Manage Your Team While Social Distancing*, by Timothy R. Clark-HBR.)

Leave Work at The Door – Even If You Cannot Leave the Home

When you are working from home, it can be really hard to transition from work mode to personal mode, but it is more important than ever to keep the distinction clear. Here is how to make the switch. First, establish a routine that eases you into work mode. Maybe it is putting your dishes in the dishwasher, getting a cup of coffee and then sitting down at your computer. Or maybe it is doing a quick workout, showering and then turning to your phone to check email. Do these activities in the same way each day to build the habit. Then, make a plan for your day, blocking out time on your calendar for meetings, answering emails or focusing on special projects. Finally, set a wrap-up routine to end your workday. This could include doing a final scan to make sure you have responded to all critical emails, looking over your task list to decide what you will tackle tomorrow and maybe even saying out loud to yourself, "The workday is done, I am signing off."

(This tip is adapted from *How to Transition Between Work Time and Personal Time*, by Elizabeth Grace Saunders-HBR.)

Stop Your Mind from Imagining the Worst-case Scenario

When you feel anxious about losing things that are dear to you, your mind may imagine the worst. To calm yourself, return to the present. Start simple. Name five things in the room: there is a computer, a chair, a picture of the dog, an old rug and a coffee mug. Breathe. Realize that in the present moment, this room is your reality. In this moment, you are OK. Use your senses, think about how these objects feel. The desk is hard. Feel the breath come into your nose. The goal is to find balance in your thoughts. If you feel a negative image taking shape, make yourself think of a positive one. Let go of what you cannot control. And be compassionate and patient with yourself and others. Being generous in your thinking can help brush aside some of your negative thoughts.

(This tip is adapted from *That Discomfort You're Feeling Is Grief*, by Scott Berinato-HBR.)

SNIPS

The Trouble With Plastic

More than 76pc of plastic becomes waste, ending up in landfills or the natural environment

It is a Plastic World

Globally, humans have produced more than 8.3 bn tonnes of plastic.

Friendly Faces

On an average day, people interact with 11-16 acquaintances at work or outside of it.

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