



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 20 | Date: May 15, 2020

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

PAKISTAN TIDINGS

Registry Launched to Boost Small Business Financing

The government launched Secured Transactions Registry (STR) to facilitate micro, small and medium enterprise (MSME) sector to access financial services. It is also negotiating with lending institutions to put in place mechanisms to support MSMEs in retaining workers through payment of their salaries. The STR was formally inaugurated by Finance Adviser Dr. Abdul Hafeez Shaikh. Established under the Financial Institutions (Secured Transactions) Act, 2016 for registration of security interests and charges created by entities other than companies on their movable assets, the STR was operationalized by the Securities and Exchange Commission of Pakistan (SECP). The STR is an electronic register that can be accessed through a dedicated website round the clock that allows financial institutions to file security interests. Registration process is fully automated and the registry is searchable by the general public free of charge.

Banking Briefs

Deposits Folder

Deposits of all scheduled banks amounted to Rs. 15,111.996 bn as on May 1, 2020, when compared to the position on April 24, 2020, the same amounted to Rs. 14,475.797 bn, more by 4.4 pc.

Credit Portfolio

Gross Advances of all scheduled banks amounted to Rs. 8,280.449 bn as on May 1, 2020, compared to April 24, 2020, the same stood at Rs. 8,216.614 bn, more by 0.78pc.

Workers' Remittances

The Workers' Remittances received during July–April FY20 amounted to US \$ 18,781.6 mn, recording an increase US \$ 980.6 mn or 5.5 pc over remittances received during July–April FY19 (US \$ 17,801.0 mn). Workers' remittances during April 2020 amounted to US \$ 1,790.0 mn, recording a decrease of US \$ 104.4 mn or 5.5 pc over remittance received during previous month of March 2020 (US \$ 1,894.4 mn). During April 2020, larger amounts of Workers' Remittances were received from Saudi Arabia (US \$ 451.4 mn), USA (US \$ 401.9 mn), UAE (US \$ 353.8 mn) and UK (US \$ 226.6 mn), recording an increase of 14.0 pc for USA whereas a decrease of 0.2 pc, 15.8 pc and 8.8 pc for Saudi Arabia, UAE and UK respectively as compared to March 2020.

SBP Allows Financing for BMR and Expansion Under TERF

The State Bank of Pakistan (SBP) has opened up its subsidized Temporary Economic Relief Facility (TERF) for Balancing, Modernization and Replacement (BMR) and

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	7.72	7.97
ENDING	7.89	8.14
CHANGE	+0.17	+0.17

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	33,300
ENDING	34,008
CHANGE	+708

GOLD RATE

(10 gm)

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



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expansion of existing projects. This measure has been taken to provide further stimulus to the economy in the context COVID-19 impact on the economy, to support investment in the country for modernizing or expanding manufacturing/production units and in response from feedback from stakeholders. Since the outbreak of COVID-19, SBP has taken several measures to safeguard economic activity in the country. On March 17, 2020 SBP, introduced TERF and its Shariah compliant version to stimulate new investment in manufacturing sector. Under this scheme, SBP provides refinance to banks for their onward extension of financing at maximum end user rate of 7 pc for 10 years. The maximum financing for a single project under the Scheme is Rs. 5 bn. The objective of this facility is to boost economic activity through investments in manufacturing units. While allowing BMR and expansion of existing projects, SBP has allowed financing for purchase of newly imported and locally manufactured plant and machinery against foreign LC and inland LC. The funding under the facility cannot be used for procurement of second-hand machinery, land or carrying out civil works. Further, SBP has also introduced additional internal and external checks and controls to ensure proper utilization of funds.

Cement Dispatches in April 2020

Producers dispatched 3.52 mn tonnes of cement in April 2020, down by 24pc year-on-year from 4.61 mn tonnes in April 2019. Domestic consumption was 3.27 mn tonnes, down by 19pc from 4.04 mn tonnes due to the coronavirus outbreak. According to All Pakistan Cement Manufacturers Association (APCMA) the decline in construction activities around the world, including in Pakistan, contributed to a downfall in demand, however, the cement sector even otherwise was operating under acute distress.

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Debt Servicing Declines to \$ 2.72 bn

External debt servicing in the third quarter of the current fiscal year declined by 30 pc compared to second quarter, data released by the State Bank of Pakistan (SBP) showed recently. The country paid \$ 2.728 bn in external debt servicing during the third quarter (January-March) compared to \$ 3.907 bn in the second quarter of this fiscal year. The country paid \$ 11.589 bn in external debt servicing including \$ 2.95 bn in interest during the current fiscal year. The total amount paid in debt servicing during the first three quarters was \$ 9.713 bn. Financial experts expect the total servicing costs to reach

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 - 1 MAY 2020	-
₹PROVISIONAL	476.513	562.210	996.425	-
₹A PERIOD AVERAGE	-	-	-	-
τTarget	-	-	-	-

Data Sources: PBS/SBP/PC



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\$ 12-13 bn by the end of this fiscal year. The government has requested the G-20 countries for debt rescheduling worth \$ 1.8 bn from May to June 2021. The International Monetary Fund has also called on international lenders for debt relief to poor countries in the wake of COVID-19. The debt servicing costs continue to take a heavy toll on country's foreign exchange reserves despite a sharp decline in the current account deficit. The current account deficit during July-March fell to \$ 2.76 bn compared to \$ 10.28 bn in same period last fiscal year.

10th National Finance Commission Constituted

Amid a fresh political debate on constitutional and financial powers of the federation and its units, the government recently constituted the 10th National Finance Commission (NFC) to announce a new award for sharing of federal divisible resources between the Center and the provinces. The Ministry of Finance formally notified the constitution of the 11-member commission after approval by federal and provincial members and its terms of reference by President Arif Alvi, as required under Article 160 (1) of the Constitution.

Industry Output Falls Sharply in March

The large-scale manufacturing (LSM) output during the month of March contracted by 22.95 pc on a year-on-year basis due to closure of industries amid lockdown. The data released by the Pakistan Bureau of Statistics (PBS) recently showed the impact of global economic slowdown on the local manufacturers in the month of March, which saw a partial lockdown in provinces. The impact of complete lockdown in April will be much higher when the PBS releases data next month. On a month-on-month basis, the LSM fell by 21.99pc during March compared to February. The impact of COVID-19 on LSM in February was marginal as it fell by 1.15pc on a year-on-year basis and 0.91pc on a month-on-month basis.

Zero Car Sales in April

The month of April proved to be one of the worst months for the entire auto sector as car production and sales were reduced to zero. The overall car production and sales during 10MFY20 plunged by 52 pc year-on-year each to 88,628 and 86,330 units. Meanwhile, there was no production of heavy vehicles (trucks and buses) in April but data from the

Pakistan Automotive Manufacturers Association (PAMA) mentioned negligible sales of some assemblers. Some manufacturers also posted marginal sales in light commercial vehicles, pickups and jeeps during April despite nil production.

INTERNATIONAL SCENARIO

COVID-19 Costing Swiss Economy \$11-17 bn

Switzerland's central bank chief said in an interview published by Swiss media recently that the coronavirus crisis was costing the Swiss economy up to \$17 bn each month. The head of the Swiss National Bank, Thomas Jordan, said the crisis surrounding the COVID-19 pandemic was weighing heavily on the Swiss economy, which was currently functioning at just 70-80 pc of its normal level. The impact of the widespread measures put in place in the Alpine nation to halt the spread of the virus was running up enormous costs to the tune of 11-17 bn Swiss Francs (\$ 11.3 – \$ 17.5 bn, 10.4 – 16.1 bn Euros) each month. Jordan cautioned that the public debt would swell, as would costs linked to unemployment insurance and to the subsidies provided to businesses to keep them afloat, pushing Switzerland towards a significant deficit this year.

RBI Gold Reserves Up 40.4 Tonnes in 2019-20

The Reserve Bank of India's total gold reserves were 612.56 tonnes in the preceding fiscal ended March 2019. With the addition of more stocks, the value of gold reserves rose to \$ 30.57 bn (around Rs. 2,32,000 crores) by March 2020 from \$ 23.07 bn in March 2019. However more than half of total holdings are held overseas.

Italy to Give Further Support to Companies

Italy's government is readying new measures to support companies struggling due to the coronavirus crisis, including tax incentives and hybrid bonds and aims to access the European Recovery Fund in the second half of the year, Economy Minister Roberto Gualtieri said recently. "The State has the duty to intervene to defend and support workers and firms. Nobody wants to state-direct the economy but interventions that protect and at the same time stimulate



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the productive system are needed”, he said. Last month the Italian government approved a package of emergency measures offering liquidity and bank loans to companies hit by the health emergency. The new measures are expected to be included in a new spending package – dubbed “Relaunch-Italy” – due to be unveiled in coming days. It will push the country’s budget deficit this year to 10.4pc of gross domestic product, the highest since the early 1990s. The 55 bn Euro plan will help firms with grants and tax breaks but will also offer handouts to families to pay for childcare and holidays and funds for unemployment benefits, according to a draft decree.

MANAGEMENT VIEWS

MANAGERIAL TIPS

Focus on Your Writing with These 3 Tips

Writing under deadline pressure is always a challenge, but all that last-minute tinkering ultimately would not help much if your larger message is not clear. Replacing the word “purchase” with “buy” would be like rearranging the deck chairs on the Titanic. Instead, take a step back and follow these three tips. First, ask yourself: do I get right to the point? You need to lead with your central message to focus your reader’s attention. Give enough detail to contextualize your main point and cut the rest. Second, make sure your topic sentences — the first lines of each paragraph — give the reader a sense of what is coming. These lines should not just be descriptive (“I met with the client at his office in Boston”), they need to communicate the most important information (“My meeting with the client focused primarily on plans for future growth”). Third, use active voice, not passive voice, whenever possible. Jack made a mistake is better than “A mistake was made” — unless, of course, you do not want to tell on Jack. If you use these three strategies during the writing process, you should not need to do as much last-minute tinkering in the future.

(This tip is adapted from *3 Ways to Make Your Writing Clearer*, by Jane Rosenzweig-HBR.)

Leaders, Do Not Just Respond to The Moment

When you are in the midst of a crisis, it can be hard to think past your short-term response. But, as a leader, your primary focus needs to be on the long term. After all, it is your job to lead your people into the best possible future. To be able to do that, you need to delegate. Trust your people to handle the immediate response and provide them with support and guidance to make tough decisions. Your time should be dedicated to planning for the future. You need to anticipate the obstacles that will arise in the next weeks, months and even years and set a course for your organization accordingly. If you can focus on what lies ahead, you are more likely to emerge from the crisis stronger than before.

(This tip is adapted from *Are You Leading Through the Crisis ... or Managing the Response?* by Eric J. McNulty and Leonard Marcus-HBR.)

Design Your Agenda Around Questions

A good agenda is the first step to any successful meeting. If you want to make the best use of everyone’s time, turn your bullet points into questions that drive to the outcomes you are looking for. For example, instead of a general topic like “budget problems,” try a specific question like, “how will we reduce our spending by \$100,000 by the end of the fiscal year?” Or replace an item like “strategic planning” with a challenge like, “what is the key market threat we need to be aware of, how could it affect us and what can we do to anticipate?” Preparing these questions before the meeting will make it easier to determine who should be there and how much time you will really need. Ultimately, a questions-based approach to your agenda can bring focus, engagement and better performance to your meetings. And if you cannot think of questions to ask, maybe you do not need that meeting after all!

(This tip is adapted from *How to Create the Perfect Meeting Agenda*, by Steven G. Rogelberg-HBR.)

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