



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 22 | Date: May 29, 2020

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

PAKISTAN TIDINGS

FDI \$ 133 mn

The foreign direct investment amounted to \$133 mn in the month of April when compared to \$ 278 mn in March as reported by SBP.

CAD Status

The Current Account Deficit during April rose to \$ 572 mn compared to just \$ 9 mn in March, according to SBP data.

Eid Economy

Pakistanis are estimated to have spent Rs. 560 bn on Eid, less than 30 pc from the 2019 estimate of Rs. 800 bn despite the pandemic.

SBP's Rozgar Refinance Scheme

- The State Bank of Pakistan (SBP) has allowed reimbursement of wages and salaries paid by businesses from their own sources during April and May, under its Rozgar Refinance Scheme.
- According to SBP, in order to facilitate those borrowers who had applied for the financing facility under the refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns in the month of April, 2020, but could not get approval in April due to the formalities, have been allowed to claim reimbursement of April, salaries and wages paid from their own sources.
- It has been decided to allow similar facilitation for the salaries of May 2020, a circular issued by SBP said. Hence, businesses, who applied for the facility under the refinance Scheme for Payment of Wages and Salaries to the Workers and Employees in May 2020, can pay wages and salaries from their own sources and claim reimbursement of the same after their financing is approved.
- According to SBP, as of May 15, 2020, 1700 businesses have applied to commercial banks to benefit from SBP's Rozgar Refinance Scheme for a total loan amount of Rs. 120 bn and covering more than 1.1 mn employees. Businesses that benefit from this scheme commit to not lay off workers for 3 months.
- Of the total applications received by commercial banks under this scheme, about Rs. 61 bn representing 600,000 jobs have already been approved and the rest are in process, SBP reported.

Hub SEZ Expected to Create 90,000 jobs

Special Economic Zone (SEZ) in Hub, Baluchistan, is expected to create 90,000 jobs in 211 industrial units. Out of 90,000 jobs, 15,000 jobs would be created directly and 75,000 indirectly, the official documents of the project showed. Project was approved by Central Development Working Party (CDWP) in line with the government's strategy to provide favorable environment for industrial sector to produce internationally competitive products. Establishment of Hub Special

MARKETS AT A GLANCE

Rates are taken till Friday 1:00 pm

MONETARY POLICY RATE

8pc | Effective from May 15, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.64	7.89
ENDING	7.65	7.90
CHANGE	+0.01	+0.01

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	33,836
ENDING	33,931
CHANGE	+95

GOLD RATE

(10 gm)

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



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Economic Zone will boost industrialization in the area which will ultimately lead towards enhancement in exports. This will lead towards contraction in the twin deficit thus contributing to overall economic development of the country, the working paper of the project indicated. Project documents showed that rapid industrialization is a key to economic growth and the project is a step towards providing basic facilities for industrial sector at a strategic location of Hub Baluchistan to enjoy instant benefits in the backdrop of China Pakistan Economic Corridor (CPEC). The project is designed to provide all of the basic facilities in the area for the prospective investors. In line with the objective of federal government, the project is beneficial for industrial as well as socio-economic development.

Mango Export Target Cut by 40pc

Mango exporters have set a target of 80,000 tonnes for this year, a drop of 40 pc, due to low production of the fruit and severe impact of coronavirus related lockdowns globally. The target is 50,000 tonnes less than last year's export target of 130,000 tonnes. Global lockdowns have led to a sharp decline in demand for Pakistani mangoes. Reduction in flight operations and an extra-ordinary increase in freight charges have further hit mango exports, according to the Patron-in-Chief of All Pakistan Fruit and Vegetable Exporters, Importers and Merchants Association (PFVA) Waheed Ahmed. Last year, Pakistan's 130,000 tonnes of mango export earned \$90 mn which is now feared to drop to \$50 mn this time. According to him, with the sharp reduction in the export target this year, revenue generation of valuable foreign exchange would be seriously impacted. The export of Pakistani mangoes faces stiff challenge due to COVID-19 coupled with serious negative impacts of the climatic changes.

Moody's Puts Banks on Review

Moody's Investors Service recently placed on review for downgrade both local and foreign currency deposits highlighting the government's weakening capacity to support banks in case of need. In a statement, the New York-based rating agency said it placed the B3 long-term local-currency deposit ratings of the Allied Bank Ltd (ABL), Habib Bank Ltd. (HBL), MCB Bank Ltd (MCB), National Bank of Pakistan (NBP) and United Bank Ltd. (UBL) on review. It said the banks' foreign currency deposit

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 - 8 MAY 2020	-
₹PROVISIONAL	476.513	562.210	1,180.201	-
₹A PERIOD AVERAGE	-	-	-	-
τTarget	-	-	-	-

Data Sources: PBS/SBP/PC



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ratings and baseline credit assessments were also placed on review for downgrade.

SBP and Rozee.pk Join Hands to Impart Free of Cost Financial Literacy Education

National Financial Literacy Program for Youth (NFLPY), a project of the State Bank of Pakistan (SBP) and Rozee.pk have partnered to impart free of cost financial literacy education to Pakistan's youth through an engaging and interactive game called 'PomPak - Learn to Earn'. PomPak delivers its lessons in English and Urdu language through a story based game format designed to help understand and apply principles of financial literacy. Users follow the story of two entrepreneurial families as they tackle personal, financial and business decisions. As the player of this game, the aim is to help the families create a successful business. In just a couple of hours, users can master the essentials of saving, budgeting, borrowing and banking, among many other topics. The game targets three age-groups - Children (9-12), Adolescents (13-17) and Youth (18-29), and can be accessed through a person's desktop browser or through a dedicated mobile phone application. The game can be played on any Android or IOS based smart phone.

External Inflows Stand at \$ 7.381 bn in July-April

Total provisional external inflows from multiple financing sources were \$ 7.381 bn during July-April of fiscal year 2019-20 against the budgeted amount of \$ 12.958 bn for the entire fiscal year which is around 57 pc of the budgeted amount. According to the official data of Economic Affairs Division (EAD) the external inflows during the corresponding period of 2018-19 were \$ 8.515 bn (88 pc) against the budgeted amount of \$ 9.692 bn.

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Work and Life Out of Balance

The workday for the average American has increased three hours — the largest increase in the world — since work-from-home orders were put in place due to the coronavirus crisis.

INTERNATIONAL SCENARIO

Virus-Hit Hertz Declares Bankruptcy in USA and Canada

Global car rental company Hertz became the latest economic casualty of the coronavirus pandemic, filing for bankruptcy in the US and Canada after more than a century in business. The impact of COVID-19 on travel demand was sudden and dramatic, causing an abrupt decline in Hertz Company's revenue and future bookings, according to press release issued by Hertz. Hertz said it took immediate action to prioritize the health and safety of employees and customers and eliminate all non-essential spending. However, uncertainty remains as to when revenue will return when the used-car market will fully re-open for sales, which necessitated the recent action, it said.

Coronavirus Pushes Greece Closer to E-governance

The coronavirus crisis has forced Greece to take rapid steps to computerize its lumbering civil service and belatedly introduce e-governance in one of the EU's worst digital laggards, experts say. After recording its first coronavirus death on March 12, Athens took unprecedented measures totally at odds with its previous love affair with paperwork and red tape. Diomidis Spinellis, head of the department of management science and technology at the Athens University of Economics, says that the COVID-19 crisis accelerated Greece's digital turn — though critics say the country has a long way to go. Between March 23 and May 4, when a nationwide lockdown was imposed, Greeks were required to inform authorities when leaving their homes. A special SMS service was introduced for those unable to print a special form created by the government. Eventually, some 110 mn messages were sent free of charge during this period, in an initiative praised by the OECD.

Cyclone Amphan Loss Estimated at \$13 bn in India, May Rise in Bangladesh

A powerful cyclone that tore through India's eastern state of West Bengal this week has caused a damage of 1 tr Rupees (\$ 13 bn) to infrastructure and crops according to state officials said. Neighboring Bangladesh, which also fell in Cyclone Amphan's path, initially said it had suffered a



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loss of 11 bn Taka (\$ 130 mn). But this could rise, government officials said. The two countries have lost at least 102 people in the cyclone, the most powerful in over a decade, mostly because of house collapses and electrocution. More than 3 mn people were evacuated before Amphan made landfall, preventing a large number of deaths.

UK Joblessness Rise

Unemployment claims in Britain jumped by a record amount in April to their highest level since the 1990s, underscoring the impact the COVID-19 pandemic is having on the economy despite government programs to keep workers on payrolls. Jobless claims surged by 856,000 in April, to 2.1 mn, the highest since 1996 and an increase of 69 pc from the month before, the Office of National Statistics said recently. The figures covered only the first weeks of the lockdown, said Jonathan Athow, a statistician at the ONS. As bad as it was, economists suggested it could have been much worse. The government created a job retention program to prevent millions of people from being laid off by effectively putting them on the government payroll. 8 mn people have been put on furlough schemes and that a further 2 mn self-employed people have applied for income support.

China Offers Farmers Cash to Give Up Wildlife Trade

Farmers in China are being offered cash to quit breeding exotic animals as pressure grows to crack down on the illegal wildlife trade that has been blamed for the coronavirus outbreak. Authorities have for the first time pledged to buy out breeders in an attempt to curb the practice, animal rights activists say. China has in recent months banned the sale of wild animals for food, citing the risk of diseases spreading to humans, but the trade remains legal for other purposes including research and traditional medicine. The deadly coronavirus first reported in the central Chinese city of Wuhan is widely believed to have passed from bats to people before spreading worldwide. Hunan recently set out a compensation scheme to persuade breeders to rear other livestock or produce tea and herbal medicines.

Companies Fear Protracted Slump

A prolonged global slump and surge in bankruptcies arising from the coronavirus pandemic are the foremost concerns for companies surveyed in a World Economic Forum report

issued recently. However, the crisis also gives governments a unique opportunity to craft a healthier, climate-friendly economy as they intervene with huge rescue packages, the organization said. Its survey of 347 company risk managers looked at the biggest concerns for the next 18 months, after the pandemic shut down much of the world economy. They identified the most likely fallout as an extended downturn, a jump in company failures allied with industry consolidation and high youth unemployment. The findings of the survey, conducted in the first half of April, were consistent with many economists' forecasts that a rapid 'V-shaped' recovery is unlikely. A different poll, however, said that a majority of some of Europe's most powerful chief executives believe that the recovery will take up to two years. The debt accrued in the rescue packages could depress government and corporate finances and retard growth for years and also stymie efforts to combat climate change, the World Economic Forum survey said.

UK Blasts EU for 'Low-Quality' Post-BREXIT Trade Deal

Britain recently accused the European Union of making a sub-standard offer in post-BREXIT trade talks, as it urged Brussels to give ground on its proposals to strike a quick deal. UK chief negotiator David Frost told his opposite number, Michel Barnier, that the EU was not offering a "fair free trade relationship between close economic partners". Instead, the deal on the table was a relatively low-quality trade agreement coming with unprecedented EU oversight of our laws and institutions, he wrote in a four-page letter. But he told MPs a free trade agreement was still possible — as long as the EU moved away from its "ideological fastness" and recognized Britain "as a sovereign equal". Britain left the EU in January, nearly four years after a landmark referendum in June 2016 that saw voters choose to end nearly 50 years of integration with Europe. It remains bound by EU rules until December 31 as it tries to secure terms for a new relationship with its biggest trading partner.

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Junk Data

Gartner reports that an estimated 85pc of enterprise data is redundant, outdated or trivial.



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MANAGEMENT VIEWS

MANAGERIAL TIPS

Reach Out to Those Casual Friends You Miss

On an average day, we interact between 11 and 16 times with casual acquaintances — think your favorite barista or the colleague that you always see at the microwave in the break room. Now that we live in an era of social distancing, these once-common interactions have disappeared and we no longer have physical reminders that we are part of a wider social network. Reaching out to show someone that you are thinking of them will make you both feel a bit closer during this challenging time. First, think of the right way to reach out — is it a text, a phone call, an email, a Facebook message? What will put the least amount of pressure on the recipient? If you do not get a response, do not take it personally. Think about this interaction as similar to smiling at a colleague in the hallway: Sometimes you might stop and chat and sometimes you might not. Instead of expecting a reply, enjoy the knowledge that your message is likely to deliver a little hit of happiness for the recipient. It may feel awkward at first, but reaching out to an acquaintance will create a spark of joy for both of you while you are out of each other's sight.

(This tip is adapted from *Why You Miss Those Casual Friends So Much*, by Gillian Sandstrom and Ashley Whilans-HBR.)

Working Parents, Help Each Other Recharge

It is not always easy for working parents to communicate their own needs, but it is worth discussing with your partner how you can each make time for self-care. Before having the conversation, take a few minutes to make a list of what would most benefit you. Is it taking 15 minutes after work to decompress before jumping into child care responsibilities? Maybe it is enjoying a couple of hours on a weeknight to read a novel. Choose one or two things that are feasible and would truly recharge you. When

it is time for you and your partner to talk, make sure you are both free of distractions, relatively calm and not overtired. During the conversation, remember that you are playing for the same team. Use "I feel" statements that focus on your own experience instead of accusatory "you always" statements. Listen to your partner's needs and be willing to make concessions. You will both benefit if you approach the conversation with empathy and an open mind.

(This tip is adapted from *How to Communicate Your Self-Care Needs to Your Partner*, by Jackie Coleman-HBR.)

Keep Your Perfectionist Tendencies in Check

Perfectionism can hold you back from the excellence you are striving for. You might be paralyzed by decision-making, for example, because each choice feels monumental. Or you might feel morally obligated to over deliver. Or you rigidly cling to habits that no longer serve you. To mitigate these self-destructive tendencies, start by developing self-awareness and systems to hold yourself accountable. For instance, to stop yourself from ruminating over decisions, set a rule, such as, "once I have thought about this three times, I will make a call and get on with it." To tone down your tendency to over deliver, pick a few areas where you are okay just meeting expectations. And weed out the habits that no longer serve you by regularly reviewing the opportunity cost of your day-to-day commitments. You may find that some daily practices — such as your workout regimen, your meal schedule or your morning routine — are actually draining your energy, not helping to restore it.

(This tip is adapted from *Don't Let Perfection Be the Enemy of Productivity*, by Alice Boyes-HBR.)

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Lifelong Friends

Having an active social network can reduce mortality by as much as 50 pc.

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