



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 23 | Date: June 05, 2020

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

## PAKISTAN TIDINGS

### COVID-19 & SBP's Measures

From 17<sup>th</sup> March to 1<sup>st</sup> June-2020:

- Monetary Policy Rate Slashed by 5.25pc
- Loans Deferred – Rs. 494 bn
- Loans Restructured – Rs. 70 bn
- Loans Sanctioned for Wages – Rs. 93 bn
- Loans Sanctioned for Hospitals – Rs. 4.8 bn
- Loans Sanctioned for Investment – Rs. 2.6 bn

COVID-19 is challenging human life globally and straining economic activity. Governments as well as central banks are taking extraordinary measures to address the challenges associated with this situation. Pakistan is no exception. SBP is taking a range of measures to protect the safety of public and address the economic impact.

"In line with our mandate, we are focused on ensuring that inflation remains contained, reducing the impact of COVID-19 on economic growth and employment and overseeing that the banking and payments system remains healthy. In this context, SBP has already taken a number of policy measures. SBP is working with stakeholders to continuously assess the situation and stand ready to take additional measures as the situation related to COVID-19 and its impact on the economy become clearer." (SBP)

#### Helplines:

Email: [covid19.stimulus@sbp.org.pk](mailto:covid19.stimulus@sbp.org.pk) or Phone: +92-21-111-727-273

This SBP's page will be regularly updated to include measures undertaken to combat COVID-19. If you would like further information on these measures in the context of COVID-19 or if you experience issues with commercial banks in benefiting from these measures, you can contact a dedicated COVID-19 SBP team by email at [covid19.stimulus@sbp.org.pk](mailto:covid19.stimulus@sbp.org.pk) or by phone at 111-727-273.

### Banking Briefs

#### Deposits Folder

Deposits of all scheduled banks amounted to Rs. 15,127.295 bn as on May 15, 2020, when compared to the position on May 8, 2020, the same amounted to Rs. 15,022.944 bn, more by 0.70 pc.

#### Credit Portfolio

Gross advances of all scheduled banks amounted to Rs. 8,328.264 bn as on May 15, 2020, compared to May 8, 2020, the same stood at Rs. 8,316.860 bn, more by 0.14pc.

## 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	7.65	7.90
ENDING	7.72	7.97
CHANGE	+0.07	+0.07

### 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	33,931
ENDING	34,350
CHANGE	+419

### GOLD RATE

(10 gm)

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



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## Rains to Aggravate Locust Swarms: Food and Agriculture Organization

The number of locusts could grow twenty-fold in the coming rainy season in South Asia unless extra measures to counter the swarms are put in place, the Food and Agriculture Organization (FAO) of the United Nations has warned. According to FAO experts, a single swarm of desert locust can cover an entire square kilometer and contain some 80 million insects. Swarms of desert locust, which originated in Africa, have moved swiftly into West Asia, attacking vegetation in parts of Iran and Pakistan and are now threatening crops in India. These swarms are the worst experienced in more than a generation, experts say. At the same time, armyworm, a maize-destroying pest, has also spread across the continent.

## Policy Focus Now On Growth, Says SBP Governor

Savings from oil imports have more than compensated for the decline in exports and remittances, SBP Governor Dr. Reza Baqir said on June 3, during an address at the Institute of Chartered Accountants of Pakistan. He went over the pre-COVID-19 economic situation and analyzed the impact of the pandemic on the economy. Economic conditions were improving significantly before the coronavirus, both financially and in terms of real economy, he said. In the middle of 2018, "Pakistan witnessed unprecedented current account deficit" and since then significant improvement has been seen. He said the net reserves went down to almost zero (gross reserves minus forward liabilities), but they have recovered since by almost \$10 billion. Real improvement was visible in sectors like construction, exports, stock market and business confidence indices also showed significant improvement, he added. He said that the available resources are sufficient to meet all external financing requirements and Pakistan remains well funded. The SBP is close to launching a scheme for digital accounts for overseas Pakistanis; no need for them to be present physically or visit an embassy to open an account.

## Inflation Drops to 8.2pc in May 2020

The country's inflation fell to 8.2pc in May, from 8.5pc in April on back of a faster decline in oil prices for a fourth consecutive month, according to data provided by the Pakistan Bureau of Statistics (PBS) recently. The twelve-month low inflation was noted in May since the calculation methodology was changed last year. In April 2019, the price levels rose by 8.3pc. Substantial

## PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 <sub>p</sub>	FY 2020 <sub>τ</sub>	-
REAL GDP	5.5	3.3	3.0	-
CPI INFLATION (YoY%)	FY 2019 <sub>pa</sub>	JUL 19 - APR 20 <sub>pa</sub>	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 <sub>p</sub>	1 JUL 19 - 15 MAY 2020	-
₹PROVISIONAL	476.513	562.210	1,233.891	-
₹A PERIOD AVERAGE	-	-	-	-
τ Target	-	-	-	-

Data Sources: PBS/SBP



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reduction in prices of petroleum products and improvement in the supply of essential food items dragged the overall inflation down to a single digit. At the same time, drop in rates of few vegetables, pulses and fruits was also seen in May.

## Banks Are Making Huge Interest Income

Banks did well in the first quarter of 2020. And chances are their performance during the second quarter will also be okay, thanks to their aggressive investment in government debt papers and modest growth in private-sector lending. Relaxed rules for the treatment of bad loans and provisioning against them in the wake of COVID-19 may help banks in the second quarter. But a possible increase in the loan infection ratio of most borrowers hit by the lockdowns and recession may keep credit demand of companies and consumers low. That will likely result in limited lending to the private sector and will minimize banks' interest income from this source. Net interest income of 17 out of 20 listed banks recorded a healthy 18 pc year-on-year growth in Jan-March, according to a Topline Securities report. Non-interest income also grew 14pc. The increase in net interest income is obviously attributable to the banks' heavy investment initially in short-term treasury bills and then in long-term Pakistan Investment Bonds (PIBs). This investment — or government borrowing from banks — is continuing through the second quarter. Besides, private-sector lending has also picked up pace, but overall credit demand is still low. So the banks' interest income is sure to remain better in April-June, but only to a limited extent. How well their non-interest income will grow cannot be predicted at this stage. In the last two months, between mid-March and mid-May, the SBP has cut its policy rate by 525 basis points to 8pc to support people and businesses hit by COVID-19 and to help the economy fight recession. That has made it possible for the government to borrow excessively from banks to finance the fiscal deficit. Up to May 8, the federal government alone had borrowed Rs. 1.86 tr from banks. But private-sector borrowing is still lower than that in last year — Rs. 298 bn against Rs. 563 bn.

## Livestock Data

Current population of farm animals in Pakistan consist of 23.34 mn buffaloes, 22.42 mn cattle, 24.24 mn sheep, 49.14 mn goats, 0.77 mn camels and 319 mn poultry population.

## Locust Attacks May Cause Rs. 800 bn Losses to Agri-Economy

Pakistan is likely to face up to Rs. 800 bn in financial losses, if the ongoing locust attack in various parts of the country is not controlled in time, which can also create food security situation. This was the crux of a discussion with government officials, retired and in-service, representatives of farmers and agricultural experts, all of them urging the relevant federal and provincial departments to join hands to deal with the situation. They said that collective losses to agriculture economy could reach Rs. 800 bn mark as it was not only posing a serious danger to paddy, maize, sugarcane, fruits, cotton, vegetables crops but fodder crops for livestock are also under serious threat. According to agricultural experts, it can become more fatal a pandemic than coronavirus as presently locusts was attacking India, Pakistan, Iran, Oman and other countries, at a time when most of the crops such as cotton, paddy, maize, fodder and vegetables are in initial stages and have soft plants. If the problem is not treated properly and immediately it will destroy standing crops on millions of acres and cause a famine-like situation. Therefore, to deal with the locust problem, regional efforts are also needed as another expected much bigger attack, coupled with present swarms, will destroy standings crops in Iran, Pakistan and India. This will result in almost 1.5 bn people facing serious food security threat.

## SNIPS

### Pandemic Unemployment

The US Federal Reserve recently estimated that the COVID-19 pandemic could lead to 47 mn job losses.

### High Stakes for Family-Owned Ventures

According to the Family Business Institute, just 30pc of family businesses survive beyond the first generation of owners.

### A Time for Learning

Coursera, an online learning platform, has seen 10.3 mn course enrolments in April, an increase of 644pc from the same period the previous year.



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## INTERNATIONAL SCENARIO

### EU Embarks on Overhaul of Big Tech Rules

The EU recently began an intense lobbying season in Brussels as it prepares to overhaul decades-old rules to keep a tighter leash on Facebook, Google and other tech giants. The European Commission asked for feedback, including from the public and EU governments, before it unveils a new law at the end of the year, to be known as the Digital Services Act. The major piece of legislation is one of the EU executive's top priorities and could set the standard worldwide for stricter oversight of how the internet's biggest platforms handle disinformation, personal data and expanding their businesses. According to Market Commissioner Thierry Breton, Online platforms have taken a central role in our life, our economy and our democracy. The EU's law will also explore ways to revisit the liability of platforms for content on their sites, a change of practice that tech giants say would limit free speech and slow innovation.

### UK House Prices Decline on Coronavirus Impact

British house prices sank last month by the largest amount for more than a decade owing to the coronavirus lockdown, a key survey showed recently. The average value of a home in Britain fell 1.7 pc to £ 218,902 (\$ 275,000, 246,000 Euros) in May from April, home-loans provider Nationwide said in a statement. That was the largest month-on-month fall for the lender's survey since February 2009, when the UK was hit by the global financial crisis. In the opening months of 2020, before the pandemic struck the UK, the housing market had been steadily gathering momentum as it was noted by Nationwide chief economist Robert Gardner.

### Ethiopia Seeks Extension in Waiver to Export Red Beans

The Ethiopian government has sought extension in the waiver to export red kidney beans to Pakistan. Pakistan had lifted the ban on export of red kidney beans from Ethiopia for three months, which expired in March this

year, but the Ethiopian government could not avail of the facility due to novel coronavirus outbreak. The Ethiopian ministry of agriculture has written to Pakistan's Ministry of National Food Security and Research that due to the prevailing COVID-19 pandemic the fumigation process using methyl bromide could not be completed within the stipulated period of three months starting January 2020 and exporters could not send their shipments to Pakistan.

### EU Tells UK Post-BREXIT Deal Vital During Virus Crisis

The European Union's chief BREXIT negotiator told Britain recently that the economic damage wrought by the coronavirus crisis made it especially important the sides reach a new trade deal. EU and UK negotiators will enter a fourth and last scheduled round of talks this week that could determine if a comprehensive new agreement is struck by the year-end deadline. Britain formally left the other 27 EU nations in January but still largely operates as if it were a member of the bloc under a year-long transition for both sides to adjust to the new realities. BREXIT supporters are also upset that London will continue making contributions to the EU budget during the transition under a deal reached last year.

### Funding Shortfall Hinders Pandemic Response: WB

The global economy is facing staggeringly large losses and the recovery effort is hampered by a shortage of resources to make up for the damage caused by the coronavirus pandemic, World Bank President David Malpass said recently. While the Washington-based development lender has rushed out new programs to deploy \$160 bn in funding to 100 countries in an effort to address the immediate emergency, the crisis will force developing nations to rethink the structure of their economies, Malpass said in an interview. Initial estimates of \$5 tr in economic value destroyed by the COVID-19 measures likely falls far short of the actual damage that will be done by the efforts to contain the virus, he said. The bank warned that the worldwide recession will drive 60 mn people into extreme poverty but Malpass said that grim projection likely will become much worse as the crisis progresses.





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## MANAGEMENT VIEWS

### How to Onboard to a New Job Remotely

Acclimating to a new job is never easy, but it can be particularly difficult when you are not in the office. If you are onboarding remotely, you will need to be proactive. Try to schedule a lot of brief check-ins with colleagues to mimic the short, informal interactions you would have in person. Share what you are working on, but also make sure to ask them about what they do. It is hard to understand your new office's culture from home, so pay close attention to their words in order to pick up on workplace style and jargon. Try to identify people who can help you grow in your role and who could even serve as mentors. Ask for help when you need it: in person, people might pick up on a quizzical expression, but that is harder to see in video or phone meetings. Finally, do not hesitate to introduce yourself as new when you join meetings or digital forums, like Slack. It might feel uncomfortable, but most people want to welcome and help you – they just need a more explicit reminder. Taking these early steps will set you up for success down the road. (This tip is adapted from *Starting a New Job – Remotely*, by Art Markman-HBR.)

### Make Remote Meetings Inclusive

Working remotely and in crisis mode can cause even the most well-intentioned managers to fall inadvertently into patterns of bias and exclusion. There are a few things you can do to make sure you are continuing to prioritize inclusion, starting with remote meetings. First, recognize that speaking up in a virtual meeting may be more challenging than during in-person meetings. Send information in advance so everyone is prepared to chime in. Begin meetings by acknowledging everyone in the room and recognizing the unprecedented situation we are all in before you dive into agenda items. Your team will appreciate it if you say something like, "this is hard for all of us." In smaller meetings, check in with each person individually. And be sure to record and share the link to key meetings, so that employees who were unable to attend can retroactively engage with the materials. Taking these extra steps will make your meetings inclusive and accessible to everyone on your team. (This tip is adapted from *How to Be an Inclusive Leader Through a Crisis*, by Ruchika Tulshyan-HBR.)

### Make an Impact in Virtual Meetings

A videoconference is not just a meeting over video — it is an entirely new experience and requires us to adapt our perspectives, habits and tactics. Here are a few ways to adjust to this new norm. First, every presentation coach will tell you that direct eye contact helps to reinforce your point. In a videoconference, this means looking at the camera, not your colleagues' faces on the screen. Next, use a slightly louder-than-usual voice, because in addition to being audible, strong voices convey authority, credibility and confidence. Be mindful of your background as well. Cluttered rooms make you seem disorganized, so find a spot where the background is simple and professional. And pay attention. Your professional reputation can suffer if it looks like you are distracted. Close your email, turn off notifications on your phone ... and do not forget that you are on camera. (This tip is adapted from *How to Elevate Your Presence in a Virtual Meeting*, by Joel Schwartzberg-HBR.)

## IBP Training News

### Online Coaching Classes:

In view of recent abnormal situation of global ramifications, arising out of coronavirus and in order to facilitate students during the pandemic scenario, The Institute of Bankers Pakistan had designed learning-friendly solutions for the ISQ candidates. Against this backdrop, IBP conducted online demo classes for four ISQ subjects on 30th and 31st May 2020, namely Accounting for Financial Services, Management Accounting for Financial Services, Lending: Products, Operations and Risk Management and Branch Banking, which was attended by a sizable number of students. Further, IBP is also planning to conduct regular Online Coaching Classes from mid-June 2020 onwards.

### Training Activities:

IBP is perhaps one of the few professional Institutes to remain in touch with its partners in the banking industry with their requirements in mind, as such it intends to further facilitate it and is planning to launch 4-5 Online Trainings in the month of June 2020. The topics of Trainings include, Strategy and Leadership Development; Regulatory Compliance with Reference to AML/CFT-KYC; Signature Verification and Forged Signature Detection etc. The details of Trainings are available on the website of IBP. IBP is also planning to conduct Free Webinars on Digital Payments and Business Continuity in the month of June 2020.

Editor: Rafi Ahmed | Deputy Editor: Shahla Naqvi | Designed by: Haris Jamshaid | Email: Publications@ibp.org.pk

Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

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