



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

Volume 15, Issue No. 25 | Date: June 19, 2020

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

PAKISTAN TIDINGS

COVID-19 & SBP's Measures

From March 17 to June 17, 2020:

- Monetary Policy Rate Slashed by 5.25pc (Now 8pc Effective May 15, 2020)
- Loans Deferred – Rs. 519 bn
- Loans Restructured – Rs. 85 bn
- Loans Sanctioned for Wages – Rs. 107 bn
- Loans Sanctioned for Hospitals – Rs. 5.5 bn
- Loans Sanctioned for Investment – Rs. 8.5 bn
- Bank Branches Open – 91pc
- ATMS Available – 95pc

Banking Briefs

Deposits Folder

Deposits of all scheduled banks amounted to Rs. 15,464.435 bn as on June 5, 2020, when compared to the position on May 29, 2020, the same amounted to Rs. 15,480.920 bn, less by 0.11pc.

Credit Portfolio

Gross Advances of all scheduled banks amounted to Rs. 8,281.737 bn as on June 5, 2020, when compared to May 29, 2020, the same stood at Rs. 8,356.599 bn, less by 0.89pc.

COVID-19 to Worsen Global Inequality: SBP Governor

The COVID-19 has had a devastating effect on most countries which will increase global inequality across the world, said State Bank of Pakistan Governor Dr. Reza Baqir recently. Speaking in a virtual panel discussion *Lasting Scars: The Global Impact of the Pandemic*, hosted by the World Bank, he said the multilateral institution is good in a normal situation but now the time has come to revisit it. "Lockdown is a luxury for rich countries which economies like Pakistan cannot sustain", he remarked. Dr. Baqir said the International Monetary Fund had introduced drastic changes with elasticity in its credit lending after the financial crisis in 2007-08 and it is now time for the lender to show its leadership. Heavily-indebted countries need big intervention from the lending agencies that could help them recover from the shocks of Covid-19, he said. The governor presented the SBP's initiatives to support the people and the businesses after pandemic hit the country. He said under Ehsas Program, 12 mn people were supplied cash worth \$ 900 mn. The SBP provided full support to banks with cheaper financing for lending to businesses and to protect jobs, which helped save 1 mn of them, he said. Replying to a question, he said the country has a good database and the cash supply to people was appropriate while there may be some leakages but

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	7.70	7.95
ENDING	7.42	7.67
CHANGE	-0.28	-0.28

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 188.00	PKR 171.00	PKR 158.50
ENDING	PKR 209.00	PKR 185.50	PKR 165.30
CHANGE	+21	+14.5	+6.8

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	34,611
ENDING	33,438
CHANGE	-1173

GOLD RATE

	(10 gm)
STARTING	PKR 76,732
ENDING	PKR 84,791
CHANGE	8059



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

Volume 15, Issue No. 25 | Date: June 19, 2020

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

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%)	FY19	JUL 19 - MAY 20 _{pa}	APR 2020	MAY 2020
NATIONAL	6.8	10.9	8.5	8.2
URBAN	7.1	10.4	7.7	7.3
RURAL	6.3	11.8	9.8	9.7
FOOD INFLATION-URBAN	4.6	13.6	10.4	10.6
FOOD INFLATION-Rural	4.8	16.0	12.9	13.7
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	FY18	FY19 _p	JUL 1, 2019 - 5 JUN, 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	476.513	562.210	1,343.484	
p - PROVISIONAL	-----	-----	-----	
pa - PERIOD AVERAGE				
τ - Target				

Data Sources: SBP/PSB/PC

they are insignificant. Dr. Baqir added the government is already providing cash through another scheme.

Workers' Remittances

Workers' Remittances amounted to US \$ 20,654.5 mn during July – May FY20, up by 2.7pc or US \$ 551.5 mn over July – May FY19 (US \$ 20,103.0 mn). During May 2020, workers' remittances stood at US \$ 1,872.8 mn, showing an increase of US \$ 82.8 mn or 4.6pc over previous month (April 2020, US \$ 1,790.0 mn). However, in year-on-year terms, workers' remittances remained lower by US \$ 429.2 mn or 18.6pc during May 2020 compared to US \$ 2,302.0 mn recorded in May 2019. During this pandemic situation, job losses of overseas workers and closure of international

borders are the main factors affecting remittances' flow. Moreover, in the last year, the whole month of Ramadan fell in May 2019. Major contribution to workers' remittances during May 2020 came from Saudi Arabia (US \$ 436.2 mn), USA (US \$ 428.3 mn), UAE (US \$ 323.4 mn) and UK (US \$ 284.8 mn) recording an increase of 25.7pc and 6.6pc for UK and USA respectively.

Banks Resilient to COVID-19: SBP

The banking sector would remain resilient to COVID-19 under most reasonable shock scenarios, reflecting the strong capital and liquidity positions of the majority of players, the *Financial Stability Review* (FSR) issued by the SBP said on June 15. It is encouraging that the strong capital buffers



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 03

Volume 15, Issue No. 25 | Date: June 19, 2020

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

built over the years have significantly enhanced the resilience of Pakistan's banking sector, the review said.

IT Policy Can Boost Exports, Says World Bank

Pakistan needs information technology (IT) and IT-enabled services with a digital trade policy framework to embrace the evolving environment, says a new World Bank report on economic policy for export competitiveness in Pakistan. The ingredients for a successful reform strategy should include interventions in three policy areas: regulatory capabilities and governance, sector-specific policies and complementary supporting policies. The report, *Digital Pakistan: A Business and Trade Assessment*, said that it is still unclear what the post-COVID-19 business landscape will look like, but IT and IT-enabled services will play a more prominent role than they do today. In addition, automation and artificial intelligence will play a more significant role in this industry, it says. Pakistan is the second highest exporter of information, communication and technology (ICT) services from South Asia, after India, with more than \$1 bn in exports. Although export growth has been robust in the past few years, Pakistan's market share of computer services exports has remained low, at around 0.2pc.

Pandemic Hits Livestock Value Chain

The COVID-19 pandemic has negatively impacted the livelihoods of farmers and other players along the entire value chain of the livestock commodities as they are facing challenges in repaying their outstanding loans. At the same time, the lockdown not only struck the domestic demand for livestock commodities but has also generated supply and demand issues for exports, according to the *Pakistan Economic Survey 2019-20*. More than eight million rural families are engaged in livestock production and deriving more than 35-40pc of their income from this sector. Over the years, livestock as sub-sector has surpassed crops as the biggest contributor to value addition in agriculture. Presently, it contributes 60.6pc to the overall agriculture and 11.7pc to gross domestic product during 2019-20. Gross value addition of livestock has increased from Rs. 1,430 bn in 2018-19 to Rs. 1,466 bn in 2019-20, showing an increase of 2.5pc over the same period of last year.

BUDGET AT A GLANCE (IN BILLION RUPEES)

Fiscal Year 2020-2021

RECEIPTS	HEAD	EXPENDITURE	HEAD
Tax Revenue	5464	A. Current	6345
- FBR Taxes	4963	Interest Payments	2946
- Other Taxes	501	Pension	470
Non-Tax Revenue	1109	Defence Affairs & Services	1289
a. Gross Revenue Receipts	6753	Grants/Transfers to	905
b. Less Provincial Receipts	2874	Provinces/Others	
i. Net Revenue Receipts (a-b)	3700	Subsidies	209
ii. Non-Bank Borrowing	1395	Running of Civil Govt.	476
iii. Net External Receipts	810	Provision for Contingencies	50
iv. Estimated Provincial Surplus	242	& Fund	
v. Bank Borrowings	889	B. Development	792
(T-bills, PIBs, Sukuks)		Federal PSDP	650
vi. Private Proceeds	100	Net Lending/Investments	72
Tax Revenues (i-vi)	7137	& Loans to PSEs Minus	
		Recoveries	
		Other Expenditure	70
		Outside PSDP	
		Total Expenditure	7137

Source : Ministry Of Finance-
12-6-2020

Locust Situation Worsening as Swarms Enter Pakistan via Afghanistan

The desert locust situation in Pakistan is fast deteriorating and locusts have found a new corridor — they are entering Pakistan from Afghanistan — to attack agricultural fields in Khyber Pakhtunkhwa. Crop losses have been reported in several areas of Khyber Pakhtunkhwa, particularly in Dera Ismail Khan district, from where these locust swarms were entering Punjab, thereby posing a serious threat to the food basket of the country. The government is keeping a vigil on the movement of swarms of desert locusts entering Pakistan from four countries: Ethiopia, Somalia, Eritrea and Djibouti in the horn of Africa via Saudi Arabia, Yemen and Iran. The new swarms of desert locusts would enter Baluchistan from Iran over the next two weeks, adding that the province was already the worst-hit with its 33 districts already invaded by insects.

SBP Reserves \$ 266.3 mn

Foreign exchange reserves held by the State Bank of Pakistan amounted to \$ 10.09 bn during the week ended June 5. The forex reserves held by commercial banks amounted to \$ 6.6 bn during the same period.



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 04

Volume 15, Issue No. 25 | Date: June 19, 2020

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

INTERNATIONAL SCENARIO

Madrid Announces 3.75 bn Euro Injection for Car Industry

Spain has announced a 3.75 bn Euro aid plan for the car industry, a pillar of its economy that has been badly hit by the coronavirus pandemic. The government has worked hand in hand with the sector to develop a comprehensive plan that meets their needs and also serves to achieve an urgent ecological transition. "The plan, which will be officially presented soon, will be financed from a budget of 3.75 bn Euros," he added. The plan would set aside money to renew the car fleet, with special attention to electric vehicles. There would be aid for research and innovation and tax incentives to make the sector more competitive. Aid for the purchase of electric vehicles is in line with the government's ecological transition plan, which by 2040 aims to have all new vehicles in the country "zero emissions". The automotive sector is one of the pillars of the economy of Spain, the second European manufacturer behind Germany. It makes up 10 pc of GDP, a fifth of Spain's exports and directly or indirectly employs two million people. It was also hit hard by the coronavirus pandemic with factories in Spain shut down for several weeks.

Virus Cuts G20 GDP by Record 3.4pc in Q1: OECD

Measures to curtail the coronavirus outbreak caused a 3.4pc drop in GDP for the Group of 20 major economies in the first three months of 2020, the largest decline since records began in 1998, the OECD said recently. The steepest declines came in China, where the economy shrank 9.8pc from the fourth quarter of 2019 and in France and Italy, down 5.3pc each, the Organization for Economic Cooperation and Development said. These were among the first countries to impose drastic lockdowns against the virus. As a comparison, GDP fell only 1.5pc in the first quarter of 2009, at the height of the financial crisis, the OECD said. The Paris-based agency had already warned that the global economy would contract at least 6pc this year because of business closures and stay-at-home orders to curb the COVID-19 pandemic. In the event of a second wave of contagion later in the year, economic output could

shrink by as much as 7.6pc, it said, while warning that in both scenarios, the recovery would be slow and uncertain.

Austria Plans Investment Subsidy, Tax Breaks for Firms

Austria plans extra investment subsidies and tax breaks to help companies hit by the coronavirus pandemic, according to Economy Minister Margarete Schramboeck recently. Companies that commit to investments in the next six months could get 14pc of it back as a subsidy, as revealed ahead of a two-day cabinet meeting on more stimulus measures. This could comprise a basic subsidy of 7pc and additional support for spending on things like digitalization, the life sciences and health care, she said, adding a 20pc subsidy in cash would be ideal. Leaders of the coalition said that they plan one-off payments to jobless people and more help for families with children. The Oesterreich newspaper said the measures were worth 2.6 bn Euros (\$ 2.9 bn), on top of the aid package of up to 38 bn Euros the government announced in May.

Sudan to Introduce Direct Cash Payments to its Neediest Citizens

Sudan will begin rolling out an experimental program of direct cash transfers to its neediest citizens next week as it tries to wean the country off costly subsidies. Khartoum has been struggling to reorganize its floundering economy. Inflation has been running at nearly 100pc and the currency tumbling as the government prints money to subsidize bread, fuel and electricity. With foreign debts of around \$62 bn, Sudan last week began talks with the International Monetary Fund (IMF) on a non-funded program that could pave the way for international financial support. Under the new pilot cash payment program, the government will transfer 500 Sudanese Pounds (about \$ 9) per person per month, beginning in Khartoum's West Soba district, quickly followed by four other areas in the country, the finance ministry said in a statement recently.

Pandemic-hit Lufthansa Says 22,000 Jobs to Go

German Airline Lufthansa said recently that it would have to slash 22,000 full-time jobs as it predicts a muted recovery in demand for travel following the coronavirus pandemic. The recovery in demand in the air transport sector will be



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

Page No. 05

Volume 15, Issue No. 25 | Date: June 19, 2020

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

slow in the foreseeable future, the airline said. About 100 aircraft will remain grounded after the crisis, leading to a total of 22,000 fewer full-time positions in the Lufthansa Group, half of them in Germany. The posts make up 16pc of the Lufthansa Group's total workforce of 135,000.

Fed Confirms Rate to Remain at Zero

With the economy still reeling from the damage inflicted by the coronavirus pandemic, the Federal Reserve confirmed recently it will keep the benchmark interest rate at zero until the recovery is underway. At the conclusion of its two-day meeting, members of the Fed's policy-setting Federal Open Markets Committee (FOMC) released economic projections showing they expect the economy to contract by 6.5pc this year, while unemployment falls to 9.3pc from its current 13.3pc. The coronavirus outbreak is causing tremendous human and economic hardship across the United States and around the world, the FOMC statement said. "The ongoing public health crisis will weigh heavily on economic activity, employment and inflation in the near term, and poses considerable risks to the economic outlook over the medium term", the central bank warned.

MANAGEMENT VIEWS

Public Awareness Webinar

SBP's Initiatives of Deferment of Principal/Rescheduling/Restructuring Islamic Financing Facilities in View of COVID-19 Pandemic

The Institute of Bankers Pakistan (IBP) in collaboration with Institute of Business Administration, Center of Excellence in Islamic Finance (CEIF), conducted a webinar on May 21, 2020 to raise awareness on State Bank of Pakistan's Initiatives of Deferment of Principal/Rescheduling/Restructuring Islamic Financing Facilities in View of COVID-19 Pandemic.

Mr. Faisal Hussain, the Director Research & Development at IBP, welcomed the audience and introduced the panelists.

The webinar was conducted in 3 sessions. The first session was conducted by Ms. Bushra Shafique, Joint Director Islamic Banking Division, SBP. She is an economist with a Master's degree from the London School of Economics, UK. She is an authority and a prolific writer for the Islamic Banking and finance practices for SBP Quarterly Research Bulletin, as well as for international journals, reports, conferences.

Ms. Shafique apprised the audience on Refinance Schemes introduced by SBP in the wake of COVID-19 to address the economic situation in Pakistan. The efforts of State Bank of Pakistan include relief package for Households, Businesses & Refinance Schemes, Principal Deferment and Rescheduling/Restructuring of Loans.

Mr. Ahmed Ali Siddiqui, a professional banker and an educationist with 18 years of Islamic Banking experience, conducted the second session. He has, through his pioneering work, played a key role in promoting Islamic Finance in Pakistan. He is currently serving as SEVP & Group Head – Sharia Compliance Department at Meezan Bank Ltd. and is founding Director of IBA Centre for Excellence in Islamic Finance.

Mr. Siddiqui discussed various options and challenges for the Islamic Banks during the COVID-19 pandemic situation. He shared the impact on the local and global economy due to COVID-19. He further shared the operational details of product-wise treatment for deferment and extension of tenure in Islamic Banks.

During the final session, the expert panelists responded to the queries of the audience. The audience lauded the efforts of IBP and IBA in arranging the session and recommended similar sessions in future. The webinar ended with a vote of thanks to all the participants.

The recorded session is available at the IBP website on the following link:

<https://ibp.org.pk/public-awareness-sessions/>

Editor: Rafi Ahmed | **Deputy Editor:** Shahla Naqvi | **Designed by:** M. Jahangir Ishaq | **Email:** Publications@ibp.org.pk

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

General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.

DONATE FOR THE PRIME MINISTER'S COVID-19 PANDEMIC RELIEF FUND



IBP ONLINE TRAININGS

FROM JUNE 22 - 25, 2020

JUNE

**22 JUNE
MONDAY**

10AM - 1PM

TRAINING TITLE: Signature Verification and Forged Signature Detection

FACILITATOR: Naveed Elahi Malik

FEE: PKR 3,500/-

**23 JUNE
TUESDAY**

10AM - 1PM

TRAINING TITLE: SBP Guidelines: Branch Internal Control Procedures for Payment & Collection of Cheques

FACILITATOR: Hafiz Riaz Ahmad

FEE: PKR 3,500/-

**25 JUNE
THURSDAY**

10AM - 1PM

TRAINING TITLE: Managing SBP's Audit - A Proactive Approach

FACILITATOR: Syed Muhammad Jamil, Mahmood Ahmed

FEE: PKR 3,500/-

FOR REGISTRATION AND INFORMATION

PHONE: (021) 35277 557/511/512/532/521 | (042)-99210471 / 99210479

EMAIL: nominations@ibp.org.pk