



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 27 | Date: July 03, 2020

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

## PAKISTAN TIDINGS

### COVID-19 & SBP's Measures as of July 1, 2020

- Policy Rate Slashed to 7pc with effect from June 25, 2020
- Loans Deferred Rs. 566 bn
- Loans Restructured Rs. 113 bn
- Loans Sanctioned for Wages Rs. 119 bn
- Loans Sanctioned for Hospitals Rs. 6.3 bn
- Loans Sanctioned for Investment Rs. 9.7 bn
  - Bank Branches Open 92pc
  - ATMS Available 94pc

### Monetary Policy Statement - June 25, 2020

At its meeting on 25<sup>th</sup> June 2020, the Monetary Policy Committee (MPC) decided to reduce the policy rate by 100 basis points to 7pc. This decision reflected the MPC's view that the inflation outlook has improved further, while the domestic economic slowdown continues and downside risks to growth have increased. Against this backdrop of receding demand-side inflation risks, the priority of monetary policy has appropriately shifted toward supporting growth and employment during these challenging times.

### WB Approves \$ 500 mn Loan for Pakistan's Budget Support

The World Bank (WB) recently announced that it has approved another \$ 500 mn loan to Pakistan for the country's budget support following its increased expenditures on COVID-19 crisis response. In a statement, the bank said its board of directors approved the financing for the Resilient Institutions for Sustainable Economy (RISE) program to help Pakistan strengthen fiscal management, promote transparency and private sector growth and undertake foundational reforms in the energy sector to transition to low-carbon energy.

### Rozgar Scheme Deadline Extended

The State Bank of Pakistan (SBP) on June 30th widened the scope and extended the deadline of the Rozgar Scheme for Supporting Employment for another three months. To improve the cash flow of businesses and households, the Rozgar scheme allowed deferment of principal amount and restructuring of loans. In addition to these measures, the SBP introduced several refinance schemes to support employment and investment to fight the economic impact of COVID-19, according to an SBP official release. The SBP has taken several steps to provide economic support to businesses and households since the coronavirus outbreak. The central bank has reduced the financial cost to the private and public businesses and households by reducing the policy rate to 7pc. Under this facility, the government bears 40pc first loss on disbursed portfolio (principal portion only) for eligible borrowers. As of June 19, financing of Rs. 25.4 bn has been approved by banks for

## MARKETS AT A GLANCE

Rates are taken till Friday 1:00 pm

### MONETARY POLICY RATE

**7pc** | Effective from June 25, 2020

### KIBOR (6 MONTHS)

Bid% Offer%

	Bid%	Offer%
STARTING	7.44	7.69
ENDING	6.70	6.95
CHANGE	-0.74	-0.74

### FOREIGN EXCHANGE RATES

GBP(£) EURO(€) USD(\$)

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 209.00	PKR 185.50	PKR 165.30
ENDING	PKR 209.00	PKR 185.50	PKR 165.30
CHANGE	0	0	0

### PAKISTAN STOCK EXCHANGE

100 Index

STARTING	33,939
ENDING	35,051
CHANGE	+1112

### GOLD RATE

(10 gm)

STARTING	PKR 84,791
ENDING	PKR 84,791
CHANGE	0



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## PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY 2018	FY 2019 <sub>p</sub>	FY 2020 <sub>t</sub>	-----
REAL GDP	5.5	3.3	2.1	-----
CPI INFLATION (YoY%)	FY19	JUL 19 - MAY 20 <sub>pa</sub>	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
	FY18	FY19 <sub>p</sub>	JUL 1, 2019 - 5 JUN, 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	476.513	562.210	1,343.484	
<b>p</b> - PROVISIONAL	-----	-----	-----	
<b>pa</b> - PERIOD AVERAGE				
<b>t</b> - Target				

Data Sources: SBP/PSB/PC

around 1,100 businesses covering wages and salaries of over 220,000 employees. However, the government has now decided not only to extend the validity of its RSF for another three months for the SMEs and small corporates with turnover of up to Rs. 2 bn but also enhanced risk coverage for SMEs from 40pc to 60pc first loss on portfolio basis.

### Chinese Seeds to Enhance Cotton Crop Yield

Technological advancement is imperative in order to increase per acre cotton yield in the country, Minister for National Food Security and Research, Syed Fakhar Imam said recently. Talking to a delegation of Pakistan Cotton Ginners Association (PCGA), he said that his ministry was

working on transfer of Chinese seed technology for enhancing crop yield, besides securing funds to reduce cost to make cotton production a profitable business. The PCGA delegation, led by chairman Sohail Javed, apprised the minister about issues and challenges faced by the local cotton sector and said the declining production was affecting ginning the most. The delegation informed that over 1,300 ginning factories are installed across the cotton belt and these have the ability to gin 14 mn bales but due to short production for a few years, only 800 were in operation last year. It is a seasonal business and that is why most of the ginning factories also have oil extraction units to utilize the cottonseed, a byproduct and convert into oil and cottonseed cake.



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## An Overview of Islamic Banking Industry

- Assets of Islamic banking industry increased by 2.3pc (Rs. 76 bn) during the quarter January to March, 2020.
- Similarly, deposits of Islamic banking industry experienced a quarterly growth of 1.5pc (Rs. 40 bn) during the said period.
- Market share of Islamic banking assets and deposits in the overall banking industry was recorded at 15.2pc and 16.9pc, respectively by end March, 2020.
- Profit before tax of Islamic banking industry was recorded at Rs. 21 bn by end March, 2020.
- The network of Islamic banking industry consisted of 22 Islamic banking institutions; 5 full-fledged Islamic banks (IBs) and 17 conventional banks having standalone Islamic banking branches (IBBs) with 3,250 branches spread across 120 districts by end March, 2020.
- Despite some improvement, major share of branches is still concentrated in Punjab & Sindh.
- The number of Islamic banking windows operated by conventional banks having IBBs stood at 1,375.
- Assets of Islamic banking industry increased by Rs. 76 bn during the quarter January to March, 2020 and were recorded at Rs. 3,360 bn, compared to Rs. 3,284 bn in the previous quarter.

### BANKING BRIEFS IN BN RS.

June 19, 2020	June 12, 2020	June 5, 2020
<b>DEPOSITS</b>		
15,711.589	15,502.706	15,464.435
<b>% PLUS / MINUS COMPARED TO PREVIOUS WEEK</b>		
+1.35	+ 0.25	-----
<b>GROSS ADVANCES</b>		
8,220.787	8,243.846	8,281.737
<b>% PLUS/ MINUS COMPARED TO PREVIOUS WEEK</b>		
- 0.28	- 0.46	-----

## INTERNATIONAL SCENARIO

### China Opens Giant Huawei Store

Chinese telecom giant Huawei opened its second global flagship store in Shanghai recently, part of plans to strengthen its brand in its core Chinese consumer market as it faces headwinds overseas. Hundreds of face mask-wearing customers queued up to enter the 5,000-square-meter store, Huawei's largest, located on the city's busiest shopping street and directly across from a retail outlet of rival Apple. Company representatives said Huawei intends to open several more such stores in China in the coming year to showcase its smartphones and other consumer tech, plans that they said were conceived before the US government launched a worldwide campaign against the firm about 18 months ago. Huawei is the world's largest supplier of telecom network equipment and planet's number two smartphone maker.

### China Opens More Industries

China announced recently it was expanding the number of sectors open to foreign investment, relaxing international ownership caps on brokerages, futures companies and life insurance firms. The scaling back of the negative-list comes as the country works to revive its coronavirus-hit economy, as Beijing pledges to further open-up the economy to international investors. The number of items on the list of restrictions on foreign ownership has been cut from 40 to 33, said the National Development and Reform Commission (NDRC) in a statement. The number was also reduced last year. US and European companies, however, have been raising concerns that access to the Chinese market remains tough and repeatedly complained of unfair treatment. An NDRC spokesman said this shows Beijing's determination to expand its opening to the outside world and China's firm attitude in supporting economic globalization. Previously, foreign capital in securities companies, futures companies and life insurance could not exceed 51pc of the company's total holdings. Beijing also lifted regulations prohibiting foreign investment in radioactive mineral production, processing and nuclear fuel production.



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## German Business Confidence Regains More Ground in June

German business confidence in June recovered more ground lost to the coronavirus, a closely-watched survey showed recently, even as local outbreaks led to shutdowns in some parts of the country. The Ifo institute's monthly barometer rose 6.5 points to 86.2, slightly beating analysts' expectations. As infection control lockdowns were imposed in March and April, throttling activity, the measure fell as low as 74.3 points before beginning its rebound last month. Ifo's figures are based on a survey of around 9,000 companies. Firms' assessments of their present situation inched up slightly, but their outlook for the coming months jumped almost 11 points, to 91.4. Measures of German consumer, investor and business confidence have improved in recent weeks as lockdowns are eased and everyday life makes steps towards normal.

## Madagascar Unveils New Domestic Vehicle

Madagascar recently unveiled prototypes of a new brand of locally-made cars and motorbikes which are expected to hit the roads in three years. GasyCar is the second brand of automobiles manufactured in the Indian Ocean island nation after Karenjy, which was launched by the government in 1984. A GasyCar plant is to be built this year and the first models are expected to reach the market by 2023. Prototypes of GasyCar motorbikes and SUV models were shown at the launch. Madagascar's local car industry hit the global stage in 1989 when Karenjy produced two popemobiles for Pope John Paul II's visit. But Karenjy can only make a dozen cars a year. The starting price is around 6,500 Euros (\$ 7,300). The hand-made vehicles are rustic and lack conveniences such as electric windows or airbags, making it hard for them to compete with imported brands despite their affordability.

## Facebook Ad Boycott Drive to Go Global

Organizers of a Facebook Inc. advertising boycott campaign that has drawn support from a rapidly expanding list of major companies, are now preparing to take the battle global to increase pressure on the social media company to remove hate speech. The 'Stop Hate for Profit' campaign will begin calling on major companies in Europe to join the boycott, Jim Steyer, chief executive of Common Sense

Media, said recently. Since the campaign launched earlier this month, more than 160 companies, including Verizon Communications and Unilever Plc, have signed on to stop buying ads on the world's largest social media platform for the month of July.

## SNIPS

### Screen-life Balance

It is estimated that Americans open their phones 58 times per day on average.

### Hong Kong's Business World

More than 9,000 foreign companies have offices in Hong Kong.

## US Consumer Spending Rebounds

US consumer spending rebounded by the most on record in May, but the gains are not likely to be sustainable, with income dropping and expected to decline further as millions lose their unemployment checks starting next month. The surge in spending reported by the Commerce Department recently is also under threat from a jump in coronavirus cases in many parts of the country, including densely populated California, Texas and Florida. The rising COVID-19 infections chipped at consumer sentiment in the second half of June. The economy has been showing signs of turning around after tough measures to slow the spread of the illness which pushed it into recession in February. Hiring, homebuilding permits, industrial output and orders for manufactured goods rebounded in May, recouping some of their historic losses. Consumers stepped up purchases of motor vehicles and recreational goods. They also boosted spending on healthcare and at restaurants, hotels and motels. But personal income dropped 4.2pc, the most since January 2013, after surging by a record 10.8pc in April when the government handed out one-time \$ 1,200 checks to millions of people and boosted unemployment benefits to cushion against the COVID-19 hardship. The payments are part of a historic fiscal package worth nearly \$ 3 tr.



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## MANAGEMENT VIEWS

### Managerial Tips

#### Try Silence During Brainstorming

Research shows that embracing silence during a brainstorm helps teams produce significantly more — and higher-quality — ideas. Silent brainstorming can be particularly useful in remote meetings. First, starting with the meeting invite, make sure everyone understands the goals of the brainstorming session. Then, at the beginning of your meeting, share a working document (such as a Google Doc) with key questions that need to be answered. Encourage all participants to contribute to the document for 10 to 20 minutes without talking. The leader can also participate, providing direction and asking attendees to elaborate on specific ideas as they are being formed. Once the silent phase of the brainstorm is complete, you can begin a discussion if your group is relatively small. If the group is large, you can end the meeting, review the document and follow up with an email that shares conclusions and next steps.

(This tip is adapted from *Break Up Your Big Virtual Meetings*, by Liana Kreamer and Steven G. Rogelberg-HBR.)

#### Bring The Joy of Learning to Your Job

We all know that thrilling feeling of learning something new – a new recipe, a new word in a foreign language, a new chord on the guitar. And yet, so many of us go through our workdays on autopilot without setting aside time to learn something new. How can you introduce the joy of learning into your professional life? Start by taking control of what you read to better yourself and your career. Pay attention to what genuinely interests you, rather than relying on a website's algorithm for recommendations. Have an open mind about what counts as learning — you can find unexpected opportunities in movies, conversations with friends, speeches or social media feeds. Finally, keep a list of what you have learned lately, how you have used

that new knowledge and what you hope to learn in the future. You will stay focused and motivated by tracking your progress and setting new goals. Taking these steps will help you take your professional learning and development into your own hands — and have some fun with it.

(This tip is adapted from *The Simple Joy of Learning on the Job*, by Marc Zao-Sanders and Catalina Schveninger-HBR.)

## SNIPS

### Career Envy

In a recent study, 75pc of participants admitted to feeling envious of another person's career in the last year.

### Carve Out Some Time for Hobbies

Most working parents know that it is important to take time for themselves. But what does that actually look like in practice? One option is committing to a hobby. It can help you relax and recharge, hone new skills, become a better problem-solver and connect with others. But to reap these benefits, you have to be diligent about carving out regular time in your busy schedule. Whatever your interests are – arts and crafts, exercising or reading, for example – set aside at least one consistent hour each week to delve into them. You can invite some friends to join you. Consider organizing a book club or knitting group, or joining an exercise class that you look forward to. Once your schedule is set, be sure to communicate the time commitment to your family, so they can respect it when it comes around each week. It is your time and it is important to be vocal about what it means to you.

(This tip is adapted from *Working Parents, Save Time for Hobbies*, by Scott Behson-HBR.)

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



# IBP ONLINE TRAININGS

FROM JULY 13 - 16, 2020

# JULY

**13 JULY  
MONDAY**

10AM - 1PM

**TRAINING TITLE:** Team Management through Online Collaboration Tools

**FACILITATOR:** Dr. Hanif Mohammed

**FEE:** PKR 5,000/-

**14 JULY  
TUESDAY**

10:30AM - 1:30PM

**TRAINING TITLE:** Business Continuity Management

**FACILITATOR:** Syed Azhar Hussain

**FEE:** PKR 5,000/-

**15 JULY  
WEDNESDAY**

10AM - 1PM

**TRAINING TITLE:** AML / CFT / TBML Regulations in COVID - 19

**FACILITATOR:** Aqeel Muslim

**FEE:** PKR 5,000/-

**16 JULY  
THURSDAY**

10AM - 1PM

**TRAINING TITLE:** SBP Refinance Scheme Issued due to COVID-19

**FACILITATOR:** Atif Ikram

**FEE:** PKR 5,000/-

## FOR REGISTRATION AND INFORMATION

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