



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 28 | Date: July 10, 2020

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

PAKISTAN TIDINGS

COVID-19 & SBP's Measures as of July 7, 2020

- Loans Deferred – Rs. 593 bn
- Loans Restructured – Rs. 126 bn
- Loans Sanctioned for Wages – Rs. 119 bn
- Loans Sanctioned for Hospitals – Rs. 6.4 bn
- Loans Sanctioned for Investment – Rs. 10.4 bn
 - Bank Branches Open – 91pc
 - ATMS Available – 94pc

CPEC to be Completed at All Costs

Prime Minister Imran Khan vowed recently that the government would complete the ambitious China Pakistan Economic Corridor (CPEC) project at any cost and pass its benefits to the nation. The corridor is a manifestation of Pakistan-China friendship and the government will bring its fruit to every Pakistani, according to a meeting held to review progress on the CPEC projects. Terming the CPEC an excellent project for the country's socio-economic development, the prime minister said the gigantic multi-faceted initiative would guarantee a bright future for the nation. Lauding the performance of CPEC Authority, the prime minister said measures must be taken to improve its working as well as capacity. CPEC is a collection of infrastructure and other projects under construction throughout Pakistan since 2013. Originally valued at \$ 46 bn, the CPEC projects were worth \$ 62 bn as of 2017. In November of 2016, CPEC became partly operational when Chinese cargo was transported overland to Gwadar port for onward maritime shipment to Africa and West Asia, while some major power projects were commissioned by late 2017.

Horticulture Sector in Pakistan: Potentials and Impediments

Vice President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Shaikh Sultan Rehman has emphasized on the value addition of horticulture sector wherein there is huge scope of exports. Speaking at an interactive seminar on 'Horticulture Sector in Pakistan: Potentials & Impediments' held via video link, he said that there are 11 agro-climate zones where Pakistan can cultivate different varieties of fruits, vegetables and flowers to earn foreign exchange. He added that citrus, mango, potato, peach and cherries from Pakistan are those horticulture products which are highly recognized in the international market. Unfortunately, this sector was ignored in Pakistan and as a result the production of key fruits and vegetables indicate a declining trend. It also highlighted issues related to post harvest losses and lack of cold storage and warehouses. It was stated that Pakistan is losing markets of Europe and Middle East for orange and mango exports due to fruit flies and absence of treatment plants. Pakistan is currently exporting 5 to 7pc of its horticulture production as its yield is very low compared to other countries. There is a need of freight subsidy as our export prices are very high and cannot compete internationally.

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	6.70	6.95
ENDING	6.56	6.81
CHANGE	-0.14	-0.14

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	35,051
ENDING	36,190
CHANGE	+1139

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 _p	FY 2020 _t	-----
REAL GDP	5.5	3.3	2.1	-----
CPI INFLATION (YoY%)	FY19	JUL 19 - JUN 20 _{pa}	MAY 2020	JUNE 2020
NATIONAL	6.8	10.7	8.2	8.6
URBAN	7.1	10.2	7.3	7.6
RURAL	6.3	11.6	9.7	10.0
FOOD INFLATION-URBAN	4.6	13.6	10.6	12.9
FOOD INFLATION-Rural	4.8	15.9	13.7	15.2
	FY18	FY19 _p	JUL 19 - JUN 5, 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	476.513	562.210	1,343.484	-----
P - PROVISIONAL	-----	-----	-----	-----
PA - PERIOD AVERAGE	-----	-----	-----	-----
T - Target	-----	-----	-----	-----

Data Sources: SBP/PSB/PC

NSS Profit Rates Increased

The government has increased the profit rates of National Savings Schemes (NSS) effective 2nd July, 2020. The profit rate of Behbood Savings Certificates has been increased from 9.84pc to 9.96pc, Pensioner Benefit Accounts rate from 9.84pc to 9.96pc and Shuhada Family Welfare Account from 9.84pc to 9.96pc. The profit rate of Defence Savings Certificates has been increased from 8.05pc to 8.11pc, Regular Income Certificates from 7.44pc to 7.608pc.

The Biggest Non-Bank Borrowing Institution

NSS is the biggest non-bank borrowing institution for the government. According to the Economic Survey 2019-20, the total domestic debt on March 31, 2020 stood at Rs. 22.5

tr. Most of the net domestic debt raised during the first nine months of 2019-20 was through medium-to-long-term government securities i.e. PIBs and NSS, according to the Survey. The CDNS affirmed that it had achieved 124pc of the gross and 61pc of proportionate targets. The amounts parked in the product basket of NSS included: Defence Saving Certificates Rs. 93 bn, Special Savings Certificates Rs. 1.1 bn, Regular Income Certificates Rs. 71.6 bn, Behbood Savings Certificates Rs. 77 bn, Pensioners' Benefit Account Rs. 31.2 bn and Special Savings Accounts Rs. 36 bn.

Exports Project Signs of Revival

Pakistan's exports fell for the fourth consecutive month in June to \$ 1.609 bn, down 6.3pc year-on-year from \$ 1.717



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bn in the corresponding month last year, according to a recent data released by the Ministry of Commerce. The exports in June fell at a much slower pace compared to a month-on-month drop of 33.6pc in May and 54pc in June, due to a recovery in export orders from international buyers mainly in the textile and clothing sectors. Between July to June, exports fell by 6.83pc or \$ 1.57 bn to \$ 21.4 bn compared to \$ 22.97 bn of last year. In addition to the upward trend in exports, the figures also indicate that the government's strategies for geographical and product diversification are also bearing fruits. The ministry noted that there is a significant improvement in exports to Africa as well as the Middle East. Similarly, in the overall textile sector, value-added products have shown improvement while at the same time, cotton yarn and fabric exports have gone down.

As Sweet as Sugar

- ◇ In Pakistan, the sugar industry and associated sectors provide jobs to approximately 0.2 mn people with more than 9 mn people involved in sugarcane production.
- ◇ There are over 80 sugar mills in Pakistan with a combined production capacity of 4mn tonnes, mostly from sugarcane.
- ◇ Growing on an area of 1.1 mn hectares, sugarcane contributes 0.5pc to Pakistan's GDP and is the most important cash crop after cotton.
- ◇ At less than 4,000 hectares, the area under sugar beet cultivation is very small.
- ◇ On average, the sugar mill runs a crushing season of fewer than 90 days and remains idle for the rest of the year, which leads to utilization of less 25pc operational capacity. It is also water-intensive.
- ◇ Many other sugar-producing countries run their factories more than 120-180 days a year.
- ◇ Pakistan should make serious efforts to find an alternate crop such as sugar beet that meets the country's sugar requirements while saving water and resources.
- ◇ It is important to mention Almoise Sugar Mills in DI Khan that started promoting sugar beet in 2005 with the help of a German consortium led by Strube.
- ◇ Two places in South Punjab, Layyah and Bhakkar districts, have grown beet sugar successfully. The data from trials suggests that Pakistan's climatic conditions in various parts of the country are suitable for sugar beet production.

- ◇ However, the missing link is the lack of processing capability of existing sugar mills as the sugar beet processing requires diffuser technology that can enhance the productivity of existing sugar mills.
- ◇ Sugar beet is among salt loving crops and the challenge of increasing salinity in soil can be converted into an opportunity.

Agri Package Implementation Discussed

The mode of implementation for the multi-billion Agricultural Fiscal Package was discussed at the Ministry of National Food Security and Research (MNFSR) recently, with the federal and provincial governments agreeing that its delivery should be transparent. Under the agriculture package, subsidy to the tune of about Rs. 37 bn would be offered to farmers on the purchase of fertilizers. The government's priority would be long-term research and increasing the production of five major crops. Under the agriculture package, diminution in markup of agriculture loans to farmers at the total cost of Rs. 8.8 bn, subsidy on cotton seed at a cost of Rs. 2.3 bn and white fly pesticides at Rs. 6 bn were approved. The package would also include Rs. 2.5 bn subsidy on sales tax on the locally-manufactured tractors for a period of one year. There are 8.2 mn farmers in the country and the prime minister wants to revive the agricultural sector.

BANKING BRIEFS IN BN RS.

JUNE 26, 2020	JUNE 19, 2020
DEPOSITS	
16,229.036	15,711.589
% PLUS / MINUS COMPARED TO PREVIOUS WEEK	
+3.30	-----
GROSS ADVANCES	
8,202.328	8,220.787
% PLUS / MINUS COMPARED TO PREVIOUS WEEK	
- 0.22	-----



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INTERNATIONAL SCENARIO

China's Services Sector Rises

China's services sector expanded at the fastest pace in over a decade in June as the easing of coronavirus-related lockdown measures revived consumer demand, a private survey showed recently, though companies continued to shed jobs. The Caixin/Markit services Purchasing Managers' Index (PMI) rose to 58.4, the highest reading since April 2010, from May's 55.0, pulling further away from the trough hit in February as the coronavirus lockdown paralyzed the economy. The 50-mark separates growth from contraction on a monthly basis. The rebound suggests China's overall recovery is becoming more balanced and broader based as life slowly returns to normal in one of the world's biggest consumer markets, though analysts believe it will take months for activity to return to pre-crisis levels. The services sector accounts for about 60pc of the economy and half of the urban jobs and includes many small, private companies which had been slower to recover initially than large manufacturers.

Cargo Handling at India's Major Ports Plunges

Major ports in India, which handle more than half of the country's seaborne trade, had a nearly 20pc fall in traffic during the quarter ended June, the Indian Ports Association (IPA) said, as coronavirus lockdowns slowed economic activity. India's 12 state-run major ports handled 141.9 mn tonnes of shipments in the quarter ended June 30, compared with 176.7 mn tonnes the previous year, the IPA data showed. The handling of major types of shipments such as crude oil, coal and containers fell, except for iron ore and fertilizers, the data showed. The data showed that iron ore traffic rose 18.83pc in the quarter, which was a result of higher exports due to weak local demand for steel and clearance of stockpiles by miners in the south-western state of Goa.

UK Economy Suffers Worst Quarterly Slump

Britain's economy has suffered its biggest quarterly contraction for more than 40 years as the coronavirus pandemic slashed activity, revised official data showed recently. GDP shrank 2.2pc in the first quarter, or January-March period, compared

with the prior three months, the Office for National Statistics said in a statement giving a second estimate. The initial figure given by the ONS showed a GDP contraction of 2.0pc in the first quarter, the worst reading since the global financial crisis in 2008. Second-quarter data will show the full impact of coronavirus because Britain's nationwide coronavirus lockdown was only imposed on March 23. Recent official figures had showed UK economic activity crashed by a record 20.4pc in April. This has been helped further by the government paying the bulk of private-sector workers' wages during the pandemic to keep them in jobs. Economists meanwhile anticipate a double-digit slump in output during the second quarter or April-June period, placing Britain in a technical recession. The BoE unveiled an extra £ 100 bn (\$ 126 bn, 112 bn Euros) of cash stimulus to prop up Britain's coronavirus-hit economy.

Global Employment Crisis Deepening, Equivalent of 400 mn Jobs Lost

The coronavirus crisis has taken a much heavier toll on jobs than previously feared, the UN said recently, warning that the situation in the Americas was particularly dire. In a fresh study, the International Labor Organization (ILO) estimated that by the mid-year point, global working hours were down 14pc compared to last December — equivalent to some 400 mn full-time jobs. That is more than double the number forecast by the UN organization back in April, when it expected 6.7pc of working hours to be lost by the end of the second three-month period of the year. It is also far higher than the ILO estimate in late May, when it expected 10.7pc of global working hours to vanish during the period. The ILO said the new figures reflected the worsening situation in many regions in recent weeks, especially in developing economies. Its report pointed out that 93pc of the world's workers live in countries still affected by some sort of workplace closures, with the Americas experiencing the greatest restrictions.

SNIPS

The Heart of the Matter

More than 80pc of the ingredients used to make the pharmaceutical drugs sold in Europe come from China and India.



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MANAGEMENT VIEWS

Managerial Tips

New Grads, Take These Steps to Find Your First Job

This is a scary time to be entering the job market. So, what should you do if you are a recent graduate hunting for your first job in the midst of this crisis? First, hone the skills that will make you a more marketable candidate for the field you are trying to break into. Do your research. Ask around to find out which skills are highly valued. Could you learn a new programming language, software package or sales technique? Second, find someone in your network who already works in the field you are most interested in. Well-connected professors or your university's career services office are a good place to start. Reach out to that person. If they are responsive, ask them if they would be willing to review your resume and cover letter. You want honest and constructive feedback. Third, give structure to your days by finding a part-time volunteer role.

(This tip is adapted from *Graduates, Position Yourself to Get Hired*, by Art Markman-HBR.)

Everyone Needs a Network

If you pride yourself on being self-sufficient, you may have assumed that you do not need a network. But even if you have achieved your current success on the strength of solo (or near-solo) efforts, making meaningful connections with people in your field can still be beneficial. If you do not like the idea of networking, reframe it as a way of making interesting friends for the long term. Create a "wish list" of people you would like to connect with — a senior colleague, a thought leader in your field, a respected author. You could connect with people by interviewing them for a blog or podcast. If this feels like it is not your speed, you might concentrate your networking efforts on one or two key conferences per year. While it may feel

uncomfortable at first, we all can stand to benefit from spending a little time getting to know people who may end up being our colleagues, mentors or friends.

(This tip is adapted from *Build a Network — Even When You Don't Think You Need One*, by Dorie Clark-HBR.)

SNIPS

Tracking Knowledge Work

According to a report from McKinsey, knowledge workers spend 28pc of their workweeks managing their email inboxes.

Workplace Hazards

Before the outbreak of COVID-19, American health care workers suffered more than 550,000 work-related injuries per year.

Is Your Team Focused on the Right Priorities?

In the first months of the COVID-19 crisis, many teams were grappling with the new reality of working from home. Now that it seems that many will be working remotely for the foreseeable future, it is a good time to take stock of whether your teams are still focused on the right priorities. Ask your team leaders to evaluate their short and long-term objectives: are they still relevant to your current situation? They will likely need to make some adjustments — teams that are still operating as they did six months ago may be cause for concern. Make sure you assess the team's adjusted priorities against any revised company projections: do their scope, output and timing still make sense given the new reality? If not, determine whether the team's work can be shifted to create value in the current environment, or whether you need to reorganize to meet new needs.

(This tip is adapted from *How to Prepare Your Virtual Teams for the Long Haul*, by Mark Mortensen and Constance Noonan Hadley-HBR.)

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



IBP ONLINE TRAININGS

FROM JULY 13 - 19, 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/-

**19 JULY
SUNDAY**

10AM - 1PM

TRAINING TITLE: Digital Transformation: Opportunities and Challenges in the Wake of COVID-19

FACILITATOR: Ahmed Hassan Gardezi

FEE: PKR 5,000/-

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