



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 29 | Date: July 17, 2020

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

## PAKISTAN TIDINGS

### COVID-19 & Updates on SBP's Measures as of July 17, 2020

- Loans Deferred – Rs. 605 bn
- Loans Restructured – Rs. 143 bn
- Loans Sanctioned for Wages – Rs. 123 bn
- Loans Sanctioned for Hospitals – Rs. 6.1 bn
- Loans Sanctioned for Investment – Rs. 11 bn
  - Bank Branches Open – 92pc
  - ATMS Available – 95pc

### SBP Reduces Markup Rate to 5pc on Refinance Schemes

The State Bank of Pakistan recently further slashed the interest rate for two refinance schemes to 5pc to boost long-term investment both in domestic and export-oriented sectors. "To further improve the incentive under the BMR scheme (balancing, modernization and restructuring), the SBP has lowered the end user mark-up rates from existing 7pc to 5pc," according to its press release. Since mid-March, the central bank has reduced the key policy rate by 625 basis points to 7pc. To extend the benefits of this reduction to users of refinance schemes, the SBP has now decided to align the end user markup rates for promoting investment in the country. Specifically, it has curtailed the end user markup rates on Temporary Economic Refinance Facility (TERF) to 5pc from existing 7pc and on Long-Term Financing Facility (LTFF) for non-textile sector to 5pc, from 6pc. The central bank introduced the Temporary Economic Refinance Facility (TERF) to provide stimulus to the economy by supporting new investment and BMR of the existing projects.

### Real Estate Under Scanner

- The lockdown, prime minister's housing scheme, global recession and generally depressed economy all point towards subdued real estate prices in the short to medium term, with possible repercussions carrying forward to the long run as well. The market capitalization of real estate in Pakistan is over \$1 tr, according to a reliable source.
- Justifying a figure more than three times the size of Pakistan's GDP, the example of the Naval Housing Scheme, was quoted, which is behind Ocean Mall in Karachi.
- The society has 600 houses, each costing between Rs. 150 mn to Rs. 300 mn. Taking an average price of Rs. 200 mn, a single small society is worth roughly Rs. 120 bn.
- This figure may be extrapolated to the various posh schemes and societies all over Pakistan from the Defence areas to Bahria projects.

## MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

### MONETARY POLICY RATE

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

### KIBOR (6 MONTHS)

Bid% Offer%

	Bid%	Offer%
STARTING	6.56	6.81
ENDING	6.37	6.62
CHANGE	-0.19	-0.19

### 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	36,190
ENDING	37,330
CHANGE	+1140

### 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	-0.38*	-----
CPI INFLATION (YoY%)	FY19	JUL 19 - JUN 20 <sub>pa</sub>	MAY 2020	JUNE 2020
NATIONAL	6.8	8.6	8.2	8.6
URBAN	7.1	7.6	7.3	7.6
RURAL	6.3	10.0	9.7	10.0
FOOD INFLATION-URBAN	4.6	12.9	10.6	12.9
FOOD INFLATION-Rural	4.8	15.2	13.7	15.2
	FY18	FY19 <sub>p</sub>	JUL 19 - JUN 26, 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	476.513	562.210	1,242.095	-----
<b>P</b> - PROVISIONAL	-----	-----	-----	-----
<b>PA</b> - PERIOD AVERAGE	-----	-----	-----	-----
<b>t</b> - Target	-----	-----	-----	-----

Data Sources: SBP/PSB/PC/ESP - 2019-20

- However, despite the amnesty scheme and the construction package, the rates and rents of commercial residential properties have decreased since the pandemic.
- The market capitalization of real estate in the country is over \$ 1 tr, a figure more than three times the size of Pakistan's GDP.
- Though this trend may hold for Karachi, prices in Pakistan have edged up, according to data from Zameen.com. On average, a 600 square feet house that cost Rs. 3.4 mn one year ago now costs about Rs. 3.5 mn.
- The former Abad chairman defined anything below Rs. 5 mn in an urban area as low-cost housing and Rs. 5-15 mn as

middle-class housing. Thus, an increase in Rs. 100,000 for the lower spectrum is significant and can be explained by recession and massive joblessness that could have increased demand for cheaper homes.

### 19pc Jump in Domestic Cement Sales

After posting decrease for three consecutive months, cement dispatches swelled by 30pc to 4.623 mn tonnes in June, from 3.557 mn in same month last year. According to the data released by All Pakistan Cement Manufacturers Association (APCMA), domestic cement uptake increased by 19.63pc to 3.835 mn tonnes in June, from 3.206 mn tonnes in the same period of last year. Meanwhile, exports soared by 124pc to 0.787 mn tonnes, from 0.351 mn tonnes.



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## Banks Directed to Dedicate 5pc of Portfolios

The government has stated that the banks have been instructed to dedicate 5 pc which amounts to Rs. 330 bn of their portfolio for housing sector and asked the investors to avail tax incentives and relaxation of no question about source of income would be asked as these are time bound up till December 31, 2020. Addressing a news conference recently, Chairman Naya Pakistan Housing Authority said that banks have been instructed to dedicate 5 pc of their portfolio for housing sector to provide finances/mortgage as 40 industries directly linked to the construction sector could help revive the economy. He added that the construction industry was also affected by the coronavirus and the government has been making efforts to create for job opportunities. He said that Provincial housing authority, federal government housing authority and Naya Pakistan housing authority would construct 0.1 mn houses and provide subsidy of Rs 0.3 mn on low cost houses. The purpose is to create an environment for the market so that the people could come forward and make investment.

## FY20 Remittances Rise to Record \$ 23 bn

Pakistan received record \$ 23 bn in remittances in 2019-20, while the inflows jumped by 51 pc year-on-year to \$ 2.466 bn in June, data released by the State Bank of Pakistan (SBP) showed recently. Despite economic slowdown caused by COVID-19, the remittances in the last quarter of the fiscal year 2019-20 i.e. March-June increased significantly helping the country get more than expected inflows. Workers' remittances rose by a significant 50.7pc during June to reach record high of \$ 2.466 bn compared with \$ 1.636 bn in June 2019. On a cumulative basis, workers' remittances increased to a historic high level of \$ 23.120 bn during FY20, witnessing a growth of 6.4pc over \$ 21.739 bn during FY19. During June, a break-up of major chunk of the workers' remittances reveals: Saudi Arabia at \$ 619.4 mn | USA \$ 452 mn | UAE \$ 431.7 mn | UK \$ 401mn

## Foreign Reserves Stand at \$ 18.8 bn

Pakistan's total liquid foreign exchange reserves crossed \$ 18 bn mark at the end of the last week, the State Bank of Pakistan (SBP) reported on July 9. The country's total liquid foreign exchange reserves posted an increase of \$ 820 mn during the last week ended on July 3, 2020 supported by

bulk foreign inflows. Pakistan's total liquid foreign exchange reserves surged to \$ 18.79 bn mark at the end of the last week compared to \$ 17.97 bn a week earlier. During the week under review, SBP's foreign exchange reserves mounted up by \$ 811 mn to \$ 12.042 bn. In addition, reserves held by the commercial banks stood at \$ 6.748 bn at the end of last week.

## Targets Set for Kharif Crops

The Federal Committee on Agriculture (FCA) recently set production targets for major crops such as sugarcane, rice and cotton and other crops for the Kharif season in 2020-21. The high-powered committee oversees strategic measures for ensuring food security in the country. The committee set a production target of 69,801.5 thousand tonnes of sugarcane to be produced over an area of 1,180.6 thousand hectares. The target for rice, another cash crop of the kharif season, has been set at 7,990 thousand tonnes over an area of 2,957.0 thousand hectares, while the target for cotton was fixed at 10.8 mn bales from 2,310 thousand hectares. The target for maize has been set at 5,012 thousand tonnes over an area of 1,338.9 thousand hectares. The target for mash is 605.9 thousand tonnes and chilies 2,481 thousand tonnes. Kharif crops are the crops that are grown with the arrival of monsoon in different parts of the country and are harvested in September-October. Main Kharif crops are rice, maize, millets, lentils, cotton and groundnut.

### BANKING BRIEFS IN BN RS.

July 3, 2020	June 26, 2020
<b>DEPOSITS</b>	
16,361.560	16,229.036
<b>% PLUS / MINUS COMPARED TO PREVIOUS WEEK</b>	
+0.82	-----
<b>GROSS ADVANCES</b>	
8,154.813	8,202.328
<b>% PLUS/ MINUS COMPARED TO PREVIOUS WEEK</b>	
-0.58	-----



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## INTERNATIONAL SCENARIO

### US, 5 Other Nations Want to Link South & Central Asia

The United States and five Central Asian countries have pledged to work together to build economic and trade ties that would connect Central Asia to markets in South Asia and Europe. It has been reported that Iran and China also have drafted a joint plan to integrate the two regions. They are creating a sweeping economic and security partnership that would clear the way for billions of dollars of Chinese investments in Iran, according to the report. Chinese investment in Iran would total \$ 400 bn over 25 years. The deal would undercut the US administration's efforts to isolate the Iranian government and would vastly expand China's presence in the region, the report added. The two countries would jointly build a network of telecommunications, ports, railways and roads that would enhance China's access to markets in the Middle East and Europe. Both the United States and China see huge economic prospects in the South and Central Asian regions and want to have a controlling share in the trade routes that their integration may open.

### COVID-19 May Cause \$ 3.6 bn Loss to GDP: World Bank Report

- A new World Bank policy brief on the tourism sector of South Asia estimates that the potential loss to Pakistan's GDP due to the impact of COVID-19 pandemic would be \$3.64 bn, while Khyber Pakhtunkhwa province is likely to suffer \$ 10 mn to \$ 20 mn in losses. The policy brief, *COVID-19 and Tourism in South Asia*, further estimates that the impact of coronavirus outbreak has put at risk 880,000 jobs in the tourism sector of Pakistan.
- The highest impact of COVID-19 pandemic is on India which faces a potential loss of \$ 43.4 bn to the GDP, followed by Nepal with potential loss of \$ 460 mn and the Maldives \$ 700 mn to the GDP.
- A summary of COVID-19 tourism response activities by the Pakistan government lists cash grant or subsidies, tax rebates/relief/extension, fee/bills waivers, tourism

communications or crisis task force, support for industry to address contamination, repurpose tourism assets for crisis operations, national carriers waiving cancellation fees and maintain cargo operations of national carriers.

- The World Bank policy brief says South Asia is highly dependent on travel and tourism, especially as a generator of jobs — 47.7 mn jobs were created in 2019. With fewer economic options, the Maldives archipelago is particularly dependent on tourism, while other South Asian regional countries have more diversified sources of the GDP, including agriculture and remittances.

### China Economy Rebounds in Q2 After Virus Hit

China returned to growth in the second quarter after the coronavirus pandemic handed the world's second largest economy its first contraction in decades, according to an analysis. The survey of analysts from 11 institutions pegged China's growth at 1.3 pc — a far cry from the 6.1 pc expansion posted last year but in better shape than other countries still grappling with the contagion. The coronavirus, which first emerged in China's industrial central province of Hubei late last year, has shut businesses worldwide and destroyed hundreds of millions of jobs. But analysts forecast China will be the only major economy to experience positive growth this year — partly because it was first to be hit by COVID-19 and therefore, first to recover. China is expected to post 1.7 pc growth for the full year, according to the economists, compared with IMF forecasts of a global contraction.

### Britain Pledges £ 705 mn to Prepare Post-BREXIT Borders

Britain recently pledged £ 705 mn (\$ 890 mn, 788 mn Euros) to prepare its borders for cutting ties with the European Union on December 31, amid concern within government that it is not ready. The money will fund new border posts, IT systems and 500 new staff to both ensure security and handle new customs controls after Britain leaves the EU's single market and customs union, the government said in a statement. Britain ended its EU membership on January 31, almost four years after the historic BREXIT vote, but agreed a standstill transition period until the end of the year while it tries to negotiate a new trade deal with Brussels.



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## MANAGEMENT VIEWS

### Managerial Tips

#### Do Not Let Racial Bias Creep into Assignments

When trying to address racial disparities, managers often focus on recruiting and hiring. But if you want to create a truly diverse, equitable and inclusive workplace, you have to go further. Specifically, managers need to think about how they assign work. Be careful not to let any bias emerge around assignments: research shows that employees of color are expected to repeatedly prove their abilities, while white employees are more likely to be evaluated on their potential. Managers should not make unilateral decisions about which projects their Black employees should or should not do during this time. Collaborate, instead, letting your Black employees express how they need to be supported right now. And be sure not to penalize those choices when the time comes for performance reviews. Giving people much-needed leniency now, only to punish them later, will create further inequity.

(This tip is adapted from *Restructure Your Organization to Actually Advance Racial Justice*, by Evelyn R. Carter-HBR.)

#### Host Your Own Virtual Networking Event

Networking may seem difficult when there are so few in-person events these days. But you can still foster connections by bringing together a small group of people on a video call. Limit the event to eight guests (including yourself) to ensure that everyone has enough time to interact. Feel free to invite close friends along with contacts you would like to get to know better — but make sure there is a sufficient mix of people who do not know each other, so no one feels left out. One benefit of the virtual format is that you can include people from all over the world. A few days before your call, send out an email to the group that includes a one-sentence description of each attendee, a link to their LinkedIn profile and guidelines on what to

expect. You could say something like, “we look forward to seeing you at our virtual cocktail gathering. We will start right at 6 pm, so please join on time. We will spend around 60 to 90 minutes together, with a mix of introductions and structured conversation.”

(This tip is adapted from *How to Host a Virtual Networking Event*, by Dorie Clark and Alisa Cohn-HBR.)

## SNIPS

### The Women at the Top

Across the world, there are 18 countries, a combined population of 545 mn people, led by women.

### Female Leaders vs the Pandemic

It was recently reported that countries led by women have experienced six times fewer confirmed deaths from COVID-19 than countries led by men.

### Step Away from the Screen Occasionally

It is exhausting to look at a screen all day. And yet, if you are working remotely, it may feel unavoidable. To maintain your energy throughout the workday, try to proactively disconnect from screens whenever you can. Remember that video calls are not necessary for every meeting: Try a regular phone call every once in a while to mix things up. Also, choose physical over digital when you can. Brainstorming ideas for an article? Write out your thoughts on paper or Post-it notes. Creating a road map for a big project? Sketch the initial draft on a white board or butcher paper. Next, move around as much as possible, even if it is just standing up and rolling your shoulders or grabbing a glass of water between meetings. Finally, take tech-free breaks over lunch and find activities that do not involve a screen to wind down. Taking these steps will help you reduce your digital fatigue and feel more energized at the end of each day.

(This tip is adapted from *5 Tips to Reduce Screen Time While You're WFH*, by Elizabeth Grace Saunders-HBR.)

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



# IBP ONLINE TRAININGS

FROM JULY 21 - 28, 2020

# JULY

**21 JULY**  
**TUESDAY**  
10AM - 1PM

**TRAINING TITLE:** SBP Inspection: Regulatory Compliance and Banks Operations

**FACILITATOR:** Atta Ullah Memon

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

**22 JULY**  
**WEDNESDAY**  
10AM - 1PM

**TRAINING TITLE:** Framework for Risk Management in Outsourcing Arrangements by Financial Institutions

**FACILITATOR:** Sehba Ehsan

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

**23 JULY**  
**THURSDAY**  
6PM - 9PM

**TRAINING TITLE:** Financial Crimes: Global Regulatory Response and Key Lessons

**FACILITATOR:** Dr. Huma Sodher

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

**28 JULY**  
**TUESDAY**  
10AM - 1PM

**TRAINING TITLE:** GRI and Sustainability Reporting Standards

**FACILITATOR:** Yawar Herekar

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

## FOR REGISTRATION AND INFORMATION

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