



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 33 | Date: August 14, 2020

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

## PAKISTAN TIDINGS

### COVID-19: UPDATES ON SBP'S MEASURES AS AT AUGUST 11, 2020

◆ Loans Deferred -----	Rs. 642 bn
◆ Loans Restructured -----	Rs. 169 bn
◆ Loans Sanctioned for Wages -----	Rs. 138.1 bn
◆ Loans Sanctioned for Hospitals -----	Rs. 6.0 bn
◆ Loans Sanctioned for Investment ---	Rs. 20.8 bn
◆ Bank Branches Open -----	94pc
◆ ATMs Available -----	95pc

### SBP ENHANCES HOUSING LOAN LIMIT TO RS. 3 MN

The State Bank of Pakistan (SBP) on August 10 increased limit for housing finance loans to Rs. 3 mn from Rs.1 mn for borrowings from the microfinance banks. The SBP, in a press release said the maximum size of general loans has also been enhanced from Rs. 150,000 to Rs. 350,000. It said that in order to commensurate with enhanced loan sizes, annual income eligibility for general loans and housing loans has been increased up to Rs. 1.2 mn and Rs. 1.5 mn respectively. The limit for lending against gold collateral to meet borrowers' immediate domestic or emergency needs has also been enhanced. Only those MFBs that are fully compliant with Minimum Capital Requirement (MCR) and Capital Adequacy Ratio (CAR) shall be eligible to undertake microenterprise lending, said the SBP.

### MOODY'S REAFFIRMS PAKISTAN CREDIT RATING

Moody's recently confirmed Pakistan's B3 credit rating with a stable outlook as part of the review for downgrade, the agency said in a statement. Concurrently, the agency has also confirmed the B3 foreign currency senior unsecured ratings for The Third Pakistan International Sukuk Co Ltd, according to press statement received here, which added that the associated payment obligations are, in Moody's view, direct obligations of the government of Pakistan. The review for downgrade was triggered by Pakistan's announcement that it would seek to participate in the G20 Debt Service Suspension Initiative (DSSI), which raised questions that private sector creditors would be asked by the country to extend similar treatment to Pakistani debt.

### DURATION OF ELECTRICITY INTERRUPTION MUCH HIGHER IN PAKISTAN: WORLD BANK

The World Bank, in its first comprehensive stock-taking of infrastructure services in Asia, says although electricity access in Pakistan is in line with regional averages of 92.5 pc, the average interruption duration and frequency values are much higher. This is apparent from frequent power outages due to loadshedding. Pakistan suffers from outdated facilities and a complex distribution system vulnerable to damage, the report says. Access to electricity in urban areas is 100pc, while in rural areas it is 54.14pc, with total percentage of 70.79pc. The transmission and distribution

## MARKETS AT A GLANCE

Rates are taken till Thursday 5:00 pm\*

\* Due to Independence Day Holiday

### MONETARY POLICY RATE

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

### KIBOR (6 MONTHS)

Bid% Offer%

STARTING	6.93	7.18
ENDING	6.98	7.23
CHANGE	+0.05	+0.05

### FOREIGN EXCHANGE RATES

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	40,029
ENDING	40,290
CHANGE	+261

### 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 <sub>f</sub>	FY 2019 <sub>r</sub>	FY 2020 <sub>p</sub>	FY 20 <sub>t</sub>
REAL GDP	5.5	1.9	-0.4	4.0
AGRICULTURE SECTOR	4.0	0.6	2.7	3.5
INDUSTRIAL SECTOR	4.6	-2.3	-2.6	2.3
SERVICES SECTOR	6.3	3.8	-0.6	4.8
CPI INFLATION (YoY%)	FY19	FY20 <sub>PA</sub>	JUNE 2020	JULY 2020
NATIONAL	6.8	10.7	8.6	9.3
URBAN	7.1	10.2	7.6	7.8
RURAL	6.3	11.6	10.0	11.6
FOOD INFLATION-URBAN	4.6	13.6	12.9	15.1
FOOD INFLATION-Rural	4.8	15.9	15.2	17.8
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	FY18	FY 19 <sub>p</sub>	JULY 1 - 17 2020	-----
	476.513	562.210	164.592	-----

P-PROVISIONAL | PA-PERIOD AVERAGE | F- Final  
R-Revised | T: Target

Data Sources: SBP/ PSB/ESP/3<sup>rd</sup> Quarterly Report on Pakistan's Economy-2019-2020-SBP

losses are 17.1pc. The quality of electricity has been estimated at 2.9 against average of 1 to 7. Data shows the duration of system average interruption is 99 hours per year, while the frequency per year of system average interruption is 90 hours.

### JULY EXPORTS POST 5.8PC GROWTH

The country's exports have posted 5.8pc growth in July 2020-21 to \$ 1.998 bn as compared to \$ 1.889 bn during the corresponding month in 2019-20. However, growth in exports in July 2020 was far less than the growth in July 2019 when exports recorded an increase of 15.65pc to \$ 1.90 bn against exports of \$ 1.63 bn in July 2018. This shows that exports are still in a negative trajectory in the first month of fiscal year 2020-21 as compared to July 2019 gains with respect to July 2018. On the import side, a

decline of 4.2pc, in dollar value terms, was recorded in July 2020, as compared to July 2019. The imports stood at \$ 3.540 bn in July 2020 as compared to \$ 3.696 bn, showing a negative growth of \$ 156 mn. The trade deficit which was \$ 1.808 bn in July 2019-20 has reduced to \$ 1.542 bn in July 2020, showing a 14.7pc improvement in trade balance. According to the Planning Commission, expectation of resurgence of global commodity demand in 2020-21 and revival of economic activity after the deadly pandemic would be a positive signal for exporters.

### SALE OF HIDES DROPPED THIS YEAR: PIBF

President Pakistan Businessmen and Intellectuals Forum (PIBF) Zahid Hussain, has said last year hides worth Rs. 20 bn were sold while this year this dropped below Rs.10 bn. He



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expressed the hope that the situation would improve next year after the virus had gone and the economic situation had improved. On the other hand, Eid helped boost the economy as almost Rs.100 bn were transferred from cities to villages. Last year, almost twice as much had been transferred while the sum was around Rs. 375 bn in 2018.

## BANKING BRIEFS (RS. IN BILLIONS)

AS AT JULY 24, 2020 AS AT JULY 17, 2020

### DEPOSITS OF ALL SCHEDULED BANKS

16,109.629 16,033.984

### % PLUS / MINUS COMPARED TO PREVIOUS WEEK

+0.47 -----

### GROSS ADVANCES

8,115.352 8,119.000

### % PLUS/ MINUS COMPARED TO PREVIOUS WEEK

-0.04 -----

## WINDFALL LEVY ON CRUDE OIL, CONDENSATE, NATURAL GAS

A meeting of the Council of Common Interests (CCI) recently unanimously approved Alternative and Renewable Energy Policy, 2019, as well as decided to share 50pc collection of windfall levy on crude oil, condensate and natural gas with the concerned province. The CCI meeting presided over by Prime Minister Imran Khan and attended by provincial chief ministers, while discussing the issue of sharing of windfall levy, decided that 50pc share of the receipts, collected under the head windfall levy on crude oil, condensate and natural gas under Petroleum Policy, 2012, would be shared with the concerned province. (*Condensate is low-density, high-API gravity liquid hydrocarbon phase that generally occurs in association with natural gas. Its presence as a liquid phase depends on temperature and pressure conditions in the reservoir allowing condensation of liquid from vapor. The American Petroleum Institute gravity or API gravity, is a measure of how heavy or light a petroleum liquid is compared to water: if its API gravity is greater than 10, it is lighter and floats on water; if less than 10, it is heavier and sinks It is used to compare densities of petroleum liquids.*)

## VIRUS PUTS A DAMPER ON EID ECONOMY

Eidul Azha, the festival of sacrifice, did not feel like the same this year. The difference was not in spirit but in the visibility of celebrations owing to mostly COVID-19-inspired reasons. The size of the market did shrink massively for economic and health reasons but the countrywide shrinkage was perhaps less significant than what it felt like in cities like Karachi and Lahore. The slump in the volume of sacrificial activity in major cities was compensated partially by the hike in animal sacrifices in rural Pakistan this year. The difference in the volume of business was marked in Karachi, Lahore and other big cities of Punjab but not as obvious in Quetta, Peshawar and other cities of the three smaller provinces, as it was revealed. The reasons forwarded include a higher level of awareness and better governmental oversight in the top-tier cities of Punjab and Karachi. Assuming last year's projection of Rs. 200 bn to be credible, this year the projections based on intelligent estimates place the size of the Eidul Azha economy in the range of Rs. 100-110 bn — a sizeable drop of 45-50pc. According to people associated with cattle affairs, about one-tenth of the population of cows and goats is offered for sacrifice on this occasion every year.

## ACCOUNT-HOLDERS' DATA: FBR PRESCRIBES STATEMENTS FOR BANKS

The Federal Board of Revenue (FBR) has prescribed statements for banks for providing information of account-holders, including information of persons who have deposited Rs. 10 mn or more in a month, monthly credit card payment of Rs. 200,000 or above, profit on debt and particulars of account-holders who have withdrawn Rs. 1 mn or above in cash in a month. The FBR has notified SRO 686(I) 2020 to issue draft amendments to the Income Tax Rules, 2002 to obtain information of account holders having status of resident or non-residents. The FBR has issued new rules in line with the provisions of the Finance Act 2020.

## SNIPS

### Upskilling the Workforce

Retraining a worker to learn new skills costs \$ 24,800 per person, according to research from the World Economic Forum and Boston Consulting Group.



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## INTERNATIONAL SCENARIO

### **VIRUS MAY SHRINK GLOBAL IMBALANCES FURTHER IN 2020**

The International Monetary Fund (IMF) said recently that global current account imbalances narrowed in 2019 as trade slowed and the coronavirus could narrow them further in 2020, but some commodity exporters and tourism-dependent countries will swing to current account deficits. The IMF's External Sector Report on currencies and imbalances for the world's 30 largest economies showed that net current account balances fell by 0.2pc point to 2.9pc of global GDP. The Fund projected a further narrowing by 0.3pc of global GDP in 2020, partly due to massive fiscal and monetary stimulus by many countries and continued pressure on trade. Major commodity exporters should see their current accounts going from significant surpluses to significant deficits, according to IMF webcast presentation of the report.

### **CHINA EXPORTS SEE UNEXPECTED SPIKE IN JULY, IMPORTS DOWN**

China saw another surprise jump in exports last month as the global economy slowly reopened after virus lockdowns, data showed recently, but there were warnings that while the country is expected to get back on track by the year's end, overseas shipments would likely struggle. The readings, however, showed an unexpected fall in imports, highlighting the battle leaders have in stoking domestic demand as a key driver of national growth. Exports rose 7.2pc in July, customs data showed, smashing forecasts in a Bloomberg survey for a 0.7pc drop. The figure was also a massive jump from the 0.5pc increase in June, which beat expectations as well.

### **US ANNOUNCES CLINICAL TRIAL OF ANTIBODY TREATMENT FOR COVID-19**

The US has begun late stage clinical trials into a drug formulated to fight COVID-19, officials said recently. The medicine is an antibody against the new coronavirus called LY-CoV555, which was identified in the blood sample of a recovered patient by Canada's Abcellera Biologics. It was then developed synthetically for mass production by

US-based Lilly Research Laboratories in partnership with Abcellera. The Phase 3 trial will initially enroll some 300 volunteers around the world who have been hospitalized with mild to moderate COVID-19 with fewer than 13 days of symptoms.

### **EGYPT & GREECE SIGN EXCLUSIVE ZONE DEAL**

Egypt and Greece signed an agreement recently to set up an exclusive economic zone in the eastern Mediterranean amid regional tensions over energy resources in the area. Egyptian Foreign Minister Sameh Shoukry announced the deal, which delineates the maritime borders of both countries, at a Cairo news conference alongside his Greek counterpart Nikos Dendias. It comes after Turkey last year signed a deal with the UN-recognized government in Libya on maritime jurisdiction, with several countries accusing Ankara of trying to assert its dominance in the region. The deal allows Egypt and Greece to move forward in maximizing the benefits of the available resources in the exclusive economic zone for each of them, especially oil and gas reserves.

### **TURKEY RESUMING EASTERN MED ENERGY SEARCH**

President Recep Tayyip Erdogan announced recently that Turkey has restarted a search for energy in the eastern Mediterranean, accusing neighboring Greece of failing to keep its promises. Last month, Turkey said it had agreed to suspend for a while a search for oil and gas off a Greek island depending on the outcome of negotiations with Greece and EU heavyweight Germany. But the promises were not kept. The search for hydrocarbons in the eastern Mediterranean has become a thorn in the relations between Turkey and the EU.

## SNIPS

### **Our Work Selves**

In a Deloitte study, 61pc of respondents said that they hid or downplayed parts of their identity to avoid being judged unfairly or discriminated against.

### **Power Sleep**

Indra Nooyi, the former chief executive of PepsiCo, gets just four hours of sleep each night, according to Business Insider.



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## MANAGEMENT VIEWS

### MANAGERIAL TIPS

#### DO NOT JUST GIVE FEEDBACK – ENGAGE IN A CONVERSATION

When giving feedback, you might assume your role is to tell your employee what you see, but it is far more effective if you engage in a two-way conversation. Start by asking questions about their strengths. For example, you might say, “tell me about a time this month that you felt energized,” or, “what have you learned about yourself from working on this project?” Asking employees to look back on these moments helps you better understand what it took to get there — and what it will take to get there again. When employees hint at a challenge, try to draw out their concerns. You might ask questions like: “what outcome are you trying to achieve? What have you tried so far to get there? How have you handled similar challenges in the past?” Then, help them shape the path forward. Let employees offer ideas about next steps, but steer the conversations and offer concrete feedback. Close with questions like, “how do you think you will act on this?” and “what would happen if you tried this?” The best feedback helps your employees understand and build upon their strengths — and perhaps even see themselves in a new way. (This tip is adapted from *Good Feedback Is a Two-Way Conversation*, by Joe Hirsch-HBR.)

#### SET COMMUNICATION HOURS FOR YOUR TEAM

When your team is working remotely — and possibly on different schedules — people can feel like they are expected to be online all the time. But this lack of distinct downtime is not good for you or your team. As a manager, it is your responsibility to establish communication norms while encouraging people to continue to work flexibly as needed. Define clear “communication hours,” for example, from 8 am to 6 pm, when team members are expected to check and respond to messages. Outside of those hours, encourage them to change their settings to “do not disturb” and to send messages using

the schedule feature of their email. Develop a plan, such as calling or texting, for urgent or time-sensitive communication outside of these hours. This way, people can comfortably shut off other channels, like email or Slack. Plus, the act of calling or texting a teammate is likely to make the sender pause and think, “do I really need this person now, or can it wait until tomorrow?” (This tip is adapted from *The Downside of Flex Time*, by Maura Thomas-HBR.)

#### BALANCE YOUR EMOTIONAL INTELLIGENCE

Solving big problems and making critical business decisions often requires you to activate different parts of your brain: the analytic network, which helps you solve problems and make decisions and the empathic network, which enables you to scan an environment and be open to new ideas. To learn how to toggle between the two, start by figuring out which network is your “go-to.” Are you more likely to focus on concrete facts and probabilities? Or do you tend to reflect more on your emotions and the emotions of those around you? Practice exercising the neural network that is not your default. For example, you can develop your empathic network by spending 15 minutes each day in a conversation where you are focused on understanding the other person, not solving their problem. To work on your analytic network, you might schedule specific time periods to complete certain tasks and then hold yourself accountable, even if you do not have firm deadlines. (This tip is adapted from *The Best Managers Balance Analytical and Emotional Intelligence*, by Melvin Smith, Ellen Van Oosten and Richard E. Boyatzis-HBR.)

**WE WISH OUR  
READERS A VERY HAPPY  
INDEPENDENCE DAY.  
LONG LIVE PAKISTAN**

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



# IBP ONLINE TRAININGS

FROM AUGUST 17-24, 2020

**17 AUGUST  
MONDAY**

10AM - 1PM

ADVANCE CREDIT ADMINISTRATION AND COLLATERAL MANAGEMENT (RISK & CHALLENGES)

FACILITATOR: Murtaza Yahya Rizvi

COURSE FEE: PKR 5,000/-

**18 AUGUST  
TUESDAY**

10AM - 1PM

COMMON DISCREPANCIES IN ACCOUNT OPENING

FACILITATOR: Saif Uddin Ahmed

COURSE FEE: PKR 5,000/-

**19 AUGUST  
WEDNESDAY**

4PM - 7PM

CUSTOMER COMPLAINT HANDLING SKILLS

FACILITATOR: Aisha Bela Malik

COURSE FEE: PKR 5,000/-

**20 AUGUST  
THURSDAY**

2PM - 5PM

SBP'S GUIDELINES ON INTERNAL AUDIT FUNCTION

FACILITATOR: Atta Ullah Memon

COURSE FEE: PKR 5,000/-

**21 AUGUST  
FRIDAY**

10AM - 1PM

DEVELOPMENT OF MANAGERIAL SKILLS AND PERFORMANCE EXCELLENCE

FACILITATOR: Dr. Hanif Mohammed

COURSE FEE: PKR 5,000/-

## FOR REGISTRATION AND INFORMATION

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# IBP ONLINE TRAININGS

FROM AUGUST 17-24, 2020

**22 AUGUST  
SATURDAY**

10AM - 1PM

RECENT DEVELOPMENT IN PAYMENT SYSTEMS

FACILITATOR: Syed Muhammad Taha

COURSE FEE: PKR 5,000/-

**22 AUGUST  
SATURDAY**

4PM - 7PM

REGULATORY COMPLIANCE WITH REFERENCE TO AML/CFT

FACILITATOR: Samina Chaghani

COURSE FEE: PKR 5,000/-

**24 AUGUST  
MONDAY**

2PM - 5PM

SBP GUIDELINES ON CONDUCT RISK ASSESSMENT FRAMEWORK

FACILITATOR: Syed Muhammad Jamil

COURSE FEE: PKR 5,000/-

## FOR REGISTRATION AND INFORMATION

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