



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 34 | Date: August 21, 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 19, 2020

◆ Loans Deferred -----	Rs. 643 bn
◆ Loans Restructured -----	Rs. 171 bn
◆ Loans Sanctioned for Wages -----	Rs. 138.1 bn
◆ Loans Sanctioned for Hospitals -----	Rs. 6 bn
◆ Loans approved for Investment ---	Rs. 20.8 bn
◆ Bank Branches Open -----	96pc
◆ ATMs Available -----	95pc

PETROLEUM LEVY COLLECTION ON OIL PRODUCTS ROSE 43PC IN LAST FISCAL

The government has collected about 43pc higher petroleum levy on oil products during the fiscal year ending on June 30, 2020 as compared to the previous year, despite 13pc to 20pc reduction in local production and 25pc drop in import of major products. The data released by the finance ministry has reported Rs. 294 bn collection through petroleum levy on oil products during fiscal year 2019-20 when compared to Rs. 206 bn in fiscal year 2018-19. Also, the government is estimated to have collected almost 31pc higher revenue on key oil and gas products during the year than the previous year despite 13pc and 20pc drop in local production of petrol and high speed diesel (HSD), respectively and 25pc reduction in import of petroleum products when compared to FY2018-19. The data released by the finance ministry puts the total revenue collection from seven important oil and gas heads at Rs. 416 bn (July 19 – June 20) compared to Rs. 319 bn of the same period in FY2018, showing about 31pc increase. These heads include Gas Infrastructure Development Cess (GIDC), Gas Development Surcharge (GDS), petroleum levy, discount retained on crude oil, royalties on oil and gas, windfall levy on crude oil and petroleum levy on liquefied natural gas.

PAKISTAN RECEIVED RECORD REMITTANCES IN JULY: SBP

The country received record high remittances of \$ 2.768 bn in the first month of the new fiscal year, following the record \$ 23 bn remittances during the outgoing financial year. "This (\$ 2.768 bn) is the highest-ever level of remittances in a single month in Pakistan," the State Bank of Pakistan (SBP) said in its latest data, issued recently. Remittances from overseas Pakistanis reached \$ 2,768 mn in July 2020, highest ever amount in one month in the history of Pakistan. This is 12.2pc increase over June 2020 and 36.5pc increase over July 2019.

FITCH AFFIRMS PAKISTAN'S STABLE OUTLOOK

The Fitch Ratings affirmed Pakistan's long-term foreign-currency issuer default rating (IDR) at 'B-' with a stable outlook, saying the government's good economic policy actions helped resisting the shocks of coronavirus pandemic. According the report, the coronavirus pandemic has exacerbated the challenges of large fiscal deficits

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%
STARTING	6.98	7.23
ENDING	6.94	7.19
CHANGE	-0.04	-0.04

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	40,290
ENDING	39,621
CHANGE	-669

GOLD RATE

(10 gm)

STARTING	PKR 102,023
ENDING	PKR 102,881
CHANGE	+858



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PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY18 _F	FY19 _R	FY20 _P	FY20 _T
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 _{PA}	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
	FY19	FY 20	JULY 1 - 7 AUGUST 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	562.210	1,191.977	315.042	-----

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

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

and a high government debt to GDP ratio, by depressing economic growth and pressuring the public finances. It said Pakistan was facing a challenging external position characterized by large external debt repayments against low foreign-exchange reserves and low governance indicator scores. However, the external finances appear resilient to the shock due to the authorities' policy actions and continuing multilateral and bilateral financial support.

TEXTILE EXPORTS JUMP 14.4PC IN JULY

Pakistan's textile and clothing exports revived in July increasing 14.4pc year-on-year to \$ 1.272 bn compared to \$ 1.112 bn in the corresponding month of last year, data released by the Pakistan Bureau of Statistics showed recently. The easing of lockdown in the North American and European

countries — top export destinations for Pakistani textile goods, will help revive the sinking exports. The COVID-19 has collapsed the demand for country's exports during the last four months. However, there has been a revival in international orders for Pakistani products since June, whereas exports through land routes were also allowed to Iran and Afghanistan. It was only in February when the textile and clothing exports jumped nearly 17pc on a year-on-year basis. This growth was reported after a long time as the past few years had been marred by single-digit increases. Details showed ready-made garments exports jumped by 18.04pc in value and drifted much lower in quantity by 32.82pc during July, while those of knitwear edged up 20.42pc in value and 14.49pc in quantity, bedwear posted positive growth of 25.30pc in value and 6.36pc in quantity.



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BANKING BRIEFS (RS. IN BILLIONS)

As at August 7, 2020	As at July 31, 2020	As at July 24, 2020
DEPOSITS OF ALL SCHEDULED BANKS		
16,020.320	16,121.585	16,109.629
% PLUS / MINUS COMPARED TO PREVIOUS WEEK		
-0.63	+0.07	-----
GROSS ADVANCES		
8086.475	8119.600	8,115.352
% PLUS / MINUS COMPARED TO PREVIOUS WEEK		
-0.40	+0.05	-----

WHEAT WORRIES

- ◆ With the only exception of New Zealand, where wheat yield is 9 tonnes per hectare, for most other major wheat-producing countries, the yield remains in the range of 3 to 6 tonnes per hectare. In India, the yield is 4 tonnes per hectare and in China 6 tonnes. Pakistan's wheat yield is close to 3 tonnes. (*One hectare is equivalent to 2.471 acres or 10,000 square meters.*)
- ◆ If it does not rise gradually to 6 tonnes in 10 years, our food security can be compromised. But this doubling of the yield is not possible if the country fails to formulate a national grow-more-wheat program now and implement it meticulously year after year.
- ◆ In the last decade and a half, the area under wheat crop has remained range-bound between 8 and 9 mn hectares and there is not much room for increasing the expanse of wheat cultivation without taking a hit on sugarcane or rice.
- ◆ According to a status paper of Pakistan Agricultural Research Council, Pakistan's wheat requirement would reach close to 31.5 mn tonnes in 2025 and would exceed 34 mn tonnes by 2030.
- ◆ The projections are based on the assumption that population growth rate would average 1.8pc, the per person wheat requirement would be 120 kg per year and the country would keep at least 1 mn tonnes in food security reserves.
- ◆ For 2019-20, Pakistan's wheat output is estimated at 25.6 mn tonnes, 1.4 mn short of the target of 27 mn tonnes. The shortage occurred despite a 1pc plus increase in the targeted

area under cultivation and less than 1pc increase in the yield.

PETROLEUM IMPORTS PLUNGE 25PC

Petroleum imports declined nearly 25pc year-on-year in the first month of 2020-21, the Pakistan Bureau of Statistics reported recently. It clearly shows that demand for oil has yet to pick up despite relaxing of lockdown since May. The consumption of petroleum products also saw a decline over the past few months. Data showed the total import bill of fuel group dipped by 24.9pc year-on-year to \$ 752.465 mn. Of these, petroleum product imports declined by 6.63pc in value despite increasing by 64.3pc in quantity.

CURRENCY DEALERS DEPOSIT \$ 290 MN IN JULY

For the first time since the COVID-19 pandemic hit the country, currency dealers in the open market deposited the highest amount of \$ 290 mn in banks in July. The inflow of dollars was very high in July reflecting the growth in the remittances while domestic holders of the greenback were selling their savings in the open market, according to Forex Association of Pakistan President Malik Bostan recently. Since the emergence of COVID-19, inflow of dollars drastically decreased but has improved after the declining number of new cases in the country. Currency dealers said the exchange rate is stable with the increase in remittances but expressed fears that withdrawal of Saudi funds in the State Bank of Pakistan and stoppage of deferred oil payments could hurt the parity.

WORLD BANK ADVISES STATE BANK TO REVISIT EXPORT CREDIT SCHEMES

Evaluating the Export Finance Scheme (EFS) and Long-Term Finance Facility (LTFF) for plant and machinery offered by the State Bank of Pakistan (SBP), the World Bank recently said that despite delivering net benefits, the schemes entail a substantial financial cost to the central bank. Based on cost-benefit analysis, a study carried out by the World Bank advised the SBP to reassess the re-financing rates it offers to commercial banks with a view to make these schemes more cost-effective. The study pointed out that lending at negative real interest rates is costly and distorts the allocation of credit at aggregate level and suggested that the schemes should be open to all sectors of the economy if these are to be made more impactful, in particular, new or existing firms that are diversifying into new markets or products, can benefit more from the facility of access to export finance.



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INTERNATIONAL SCENARIO

ZIMBABWE INFLATION AT 840PC

Zimbabwe's annual inflation rate soared to almost 840pc in July, the statistics agency said recently, adding to the country's desperate economic woes even as the government refused to acknowledge a growing sense of crisis. The southern African nation has been grappling with more than a decade of hyperinflation triggered by economic mismanagement under ex-president Robert Mugabe. Many Zimbabweans have seen their savings evaporate and still struggle to afford basic commodities such as sugar and the staple cornmeal, with corruption and poverty rife. The figures were published shortly after a government statement was issued saying that President Mnangagwa had implemented policies that result in a robust economy and had kept the country commendably stable, denying any crisis.

SAUDI INFLATION JUMPS TO 6.1PC

Saudi Arabia's consumer price index jumped 6.1pc in July compared with a year earlier, boosted by a tripling of value-added tax (VAT), official data showed recently. The annual inflation rate in June was 0.5pc, the smallest increase since January, before the VAT increase to 15pc from 5pc came into effect on July 1. The jump in annual inflation reflected price increases in most categories, the General Authority for Statistics said. Food and transport were major contributors, rising by 14.6pc and 7.3pc respectively. Saudi Arabia, the world's biggest oil exporter, said in May that it would triple VAT as it sought to shore up finances hit by the twin shock of low oil prices and the coronavirus pandemic.

GLOBAL AIRLINES LESS HOPEFUL

Global airlines cut their coronavirus recovery forecast recently, saying it would take until 2024, a year longer than previously expected, for passenger traffic to return to pre-crisis levels. In an update on the pandemic's crippling impact on air travel, the International Air Transport Association (IATA) cited slow virus containment in the United States and developing countries and a weaker outlook for corporate travel. Lingering travel barriers and new restrictions in some markets are also weighing on nearer-term prospects, IATA said, cutting its 2020 passenger numbers forecast to a 55pc decline —

sharper than the 46pc drop predicted in April. The second half of this year will see a slower recovery than it was hoped, according to IATA Chief Economist Brian Pearce. June passenger numbers were down 86.5pc year-on-year, the organization said, after a 91pc contraction in May.

GERMAN WATCHDOG LAUNCHES NEW AMAZON INVESTIGATION

Germany's anti-trust authority has launched a new investigation into Amazon's relationship with third-party traders selling on its site, its head was quoted as saying recently. The authority is currently investigating whether and how Amazon influences how traders set prices on the marketplace according to Andreas Mundt, President of the Federal Cartel Office. Germany is Amazon's second-biggest market after the United States. During the first few months of the coronavirus pandemic, when many stores were closed and shoppers flocked online, there had been complaints that Amazon had blocked some traders because of allegedly too high prices. Amazon must not be a controller of prices, Amazon had responded to anti-trust's requests for information and those statements were now being evaluated.

US RETAIL SALES REGAIN PRE-VIRUS PACE

Americans increased their retail purchases by 1.2pc in July, with solid gains in appliances and clothing, restoring sales to their level before the viral pandemic erupted in March. Sales at retail stores and restaurants have now risen for three straight months, after enormous plunges in March and April, when the pandemic suddenly shuttered businesses and paralyzed the economy. Roughly 28 mn laid-off workers are no longer receiving a \$ 600-a-week federal unemployment cheque that they had received in addition to their state benefit but that expired last month. In addition, a \$ 1,200 stimulus cheque that was sent to many Americans in April and May likely would not be repeated. The government's figures mask a huge shakeout in the retail industry, with Americans pulling sharply back on in-person shopping and spending more online. On the other hand, more than 40 retailers have filed for bankruptcy protection this year, about half of them since the pandemic. President Donald Trump has signed an executive order that would replace the now-lapsed \$ 600 a week in federal jobless aid with \$ 300 a week from a disaster relief fund. Yet that would require the states to establish a separate payment system that would likely take weeks. In the meantime, the loss of the \$ 600 will cut recipients income, on average, by one-half to three-quarters.



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NORTH KOREA RETURNS TO GROWTH DESPITE SANCTIONS

North Korea's sanctions-hit economy defied the impact of international restrictions to grow for the first time in three years in 2019, the South's central bank said recently. Nuclear-armed Pyongyang is highly secretive and refuses to publish growth statistics of its own, leaving outsiders reliant on estimates drawn up from other sources. In Seoul, the Bank of Korea (BOK) said the North's gross domestic product rose by 0.4pc in 2019, after shrinking by 4.1pc the previous year. But construction turned positive last year as did the agriculture, forestry and fishing sector, while contraction in mining and manufacturing narrowed. The North is banned from exporting coal, iron and lead under UN Security Council measures imposed in 2017 and their sales slumped in the following year, setting a low comparative base for the latest figures. Nonetheless total exports rose by 14.4pc to \$ 280 mn in 2019, according to the BOK, with the biggest increases in clocks and watches, along with footwear, hats and wigs. The BOK said the North's economy was less than one-fiftieth of the size of the South's, which ranks 12th in the world. And the North's gross national income per capita stood at about 1.4 mn Won (about \$1,200) it added, while the South's was more than 26 times higher.

MANAGEMENT VIEWS

MANAGERIAL TIPS

LEAD A PRODUCTIVE BRAINSTORM – REMOTELY

In the age of COVID-19, many of us are no longer physically working together, but we still need to generate ideas collaboratively. Fortunately, you can still lead a productive remote brainstorm session. First, invite a diverse group of contributors. Because you are working remotely, you do not have to limit participants by geography. Identify the roles and expertise you want and then invite people who fit those descriptions. Make sure you clearly communicate the specific problem the group is trying to solve before the

brainstorm begins. This step is especially important when you are working in a remote environment, where communication is more likely to break down. Finally, structure a process that can unfold over time. In fact, a productive brainstorm does not require everyone to be online at the same time: people may generate better, more distinct ideas if they are working independently. So create a shared document where participants can add their ideas and then ask them to collectively finalize the most promising ones at the end of the process. Following these simple steps can make the remote work environment an advantage, not an obstacle.

(This tip is adapted from *How to Brainstorm – Remotely*, by Art Markman-HBR.)

WORKING PARENTS, TAKE IT EASY ON YOURSELVES RIGHT NOW

How does anyone effectively juggle a busy family life and career during quarantine? There is no doubt that it is challenging, but you can make it easier on yourself by focusing on some simple principles. Instead of aiming for perfection, aim for happiness. Try to be patient with yourself if you need extra time to get your work done, because you often will. Accept that your days would not go as planned. And rather than dwelling on your mistakes, be curious about them. What can you learn? Are there meaningful patterns in the mistakes you are making? How can you adapt? You may be reading advice about how to be productive during this time — how much sleep and exercise you should be getting, or how to enrich your kids' online learning experience over the summer. Ask yourself if these recommendations are actually serving you at this moment. Finally, make sure you find time for laughter. Especially during a crisis, we need to find ways to turn stressful moments into lighthearted ones — whenever we can.

(This tip is adapted from *Lessons from a Working Mom on 'Doing It All'*, by Francesca Gino-HBR.)

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



IBP ONLINE TRAININGS

FROM AUGUST 22-28, 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/-

**25 AUGUST
TUESDAY**

4PM TO 7PM

BASEL III: STANDARDS, ISSUES, CHALLENGES AND IMPLICATION

FACILITATOR: Javed Ahmed

COURSE FEE: PKR 5,000/-

**25 AUGUST
TUESDAY**

10AM - 1PM

WORKING WITH ADVANCE MS EXCEL (Part I)

FACILITATOR: Syed Hassan

COURSE FEE: PKR 5,000/-

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IBP ONLINE TRAININGS

FROM AUGUST 22-28, 2020

**26 AUGUST
WEDNESDAY**

10AM - 1PM

WORKING WITH ADVANCE MS EXCEL (Part II)

FACILITATOR: Syed Hassan

COURSE FEE: PKR 5,000/-

**26 AUGUST
WEDNESDAY**

2PM - 5PM

SBP'S GUIDELINES ON INTERNAL AUDIT FUNCTION

FACILITATOR: Atta Ullah Memon

COURSE FEE: PKR 5,000/-

**27 AUGUST
THURSDAY**

10AM - 1PM

REPORTING UNDER CGHM (CONSUMER GRIEVANCE HANDLING MECHANISM)

FACILITATOR: Sundus Saleem

COURSE FEE: PKR 5,000/-

**28 AUGUST
FRIDAY**

4PM - 7PM

IT RISK MANAGEMENT

FACILITATOR: Syed Muhammad Ali Naqvi

COURSE FEE: PKR 5,000/-

FOR REGISTRATION AND INFORMATION

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