



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 35 | Date: August 28, 2020

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

## PAKISTAN TIDINGS

### MS. SIMA KAMIL APPOINTED SBP DEPUTY GOVERNOR

The Federal Government on August 25, 2020 notified the appointment of Ms. Sima Kamil as Deputy Governor of the State Bank of Pakistan for a period of three years with immediate effect. Ms Kamil is a veteran banker, having last held the post of President and CEO of UBL, one of the largest banks of Pakistan, from June 2017 till June 2020. Prior to UBL, she held various senior positions at HBL.

### COVID-19: UPDATES ON SBP'S MEASURES AS AT AUGUST 24, 2020

- ◆ Loans Deferred ----- Rs. 644 bn
- ◆ Loans Restructured ----- Rs. 173 bn
- ◆ Loans approved for Wages ----- Rs. 171 bn
- ◆ Loans approved for Hospitals ----- Rs. 6.1 bn
- ◆ Loans approved for Investment --- Rs. 32.9 bn
- ◆ Bank Branches Open ----- 96pc
- ◆ ATMs Available ----- 96pc

### FDI RISES 61PC IN JULY

Foreign direct investment (FDI) jumped by 61pc to \$114.3 mn in the first month of the current fiscal year, compared to \$71.1 mn in same period of 2019-20. At the same time, the country witnessed a net outflow of \$73 mn from portfolio investment in July as against net inflows of \$34 mn in the same month of the previous fiscal year. As per the data published by the State Bank of Pakistan recently, highest inflows of \$ 27 mn came from China, followed by Malta at \$ 18.5 mn and Netherlands \$ 18.2 mn. Some analysts found the inflow of \$ 114 mn encouraging in the wake of disastrous impact of the pandemic the world over. Sector-wise, inflows came primarily from electrical machinery at \$ 29.4 mn, followed by financial business at \$ 23.8 mn and communications \$ 21.5 mn.

### PAKISTAN'S LONG-TERM OUTLOOK 'STABLE'

The Standard & Poor's (S&P) rating agency recently affirmed Pakistan's 'B-' long-term and 'B' short-term sovereign rating while maintaining 'stable' long-term outlook. The New York-based rating agency also affirmed 'B-' long-term issue rating on Pakistan's senior unsecured debt and Sukuk Trust Certificates. It said the country's rating remains constrained by a narrow tax base and domestic and external security risks, which continue to be high. Although the country's security situation has gradually improved over the recent years, ongoing vulnerabilities weaken the government's effectiveness and weigh on the business climate. It said the COVID-19 pandemic exacerbated Pakistan's economic downturn but forecast the real GDP to recover to 1.3pc during the current fiscal year. S&P expects the sovereign's credit metrics to remain under pressure for the next two to three years.

## 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	6.94	7.19
ENDING	6.99	7.24
CHANGE	+0.05	+0.05

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	-	-	-
ENDING	PKR 221.4698	PKR 198.9523	PKR 168.4181
CHANGE	-	-	-

### PAKISTAN STOCK EXCHANGE

#### 100 Index

STARTING	39,621
ENDING	41,056
CHANGE	+1435

### GOLD RATE

(10 gm)

STARTING	PKR 102,881
ENDING	PKR 105,163
CHANGE	+2282



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## PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY18 <sub>F</sub>	FY19 <sub>R</sub>	FY20 <sub>P</sub>	FY20 <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
	FY19	FY 20	JULY 1 - 14 AUGUST 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	562.210	1,191.977	258.688	-----

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

### NUMBER OF 3G, 4G USERS REACH 82.7 MN BY END-JULY: PTA HIGHLIGHTS

The number of 3G and 4G users in Pakistan has reached 82.76 mn by end-July, compared to 81.14 mn by end-June, registering an increase of 1.62 mn, said the Pakistan Telecommunication Authority (PTA). Number of mobile phone users in Pakistan has reached 168.04 mn by end-July compared to 167.27 mn by end-June, which registered an increase of 0.77 mn during the period under review. Jazz's total count for 3G users stood at 10.480 mn by end July, compared to 10.817 mn by end-June, registering a decrease of 0.337 mn. Jazz 4G user numbers jumped from 19.062 mn by end-June to 19.982 mn by end-July 2020. Zong 3G subscribers decreased from 6.535 mn by end-June to 6.314 mn, while the number of 4G users jumped from

17.507 mn by end-June to 18.131 mn by end-July 2020. The number of 3G users of Telenor network decreased from 6.943 mn by end-June to 6.790 mn by end-July. The number of 4G users jumped from 10.925 mn by end-June to 11.583 mn by end-July 2020. The number of 4G users jumped from 10.925 mn by end-June to 11.583 mn by end-July 2020.

### SBP FOREIGN EXCHANGE RESERVES RISE

The foreign exchange reserves held by the State Bank of Pakistan (SBP) increased by \$ 139.1 mn to \$ 12.608 bn, a press release showed recently. This increase in reserves is mainly attributed to proceeds of \$ 249.4 mn from the Asian Infrastructure Investment Bank. During the week, the SBP also made government external debt repayments of \$ 151.0 mn, according to the press release issued by the



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central bank. During the week, total liquid foreign reserves held by the country stood at \$ 19.655 bn whereas those held by the commercial banks decreased by \$ 1.9 mn to \$ 7.047 bn.

## **SBP INCREASES FINANCING LIMITS FOR WOMEN ENTREPRENEURS**

The State Bank of Pakistan (SBP) recently increased concessional financing limit for women entrepreneurs from Rs. 1.5 mn to Rs. 5 mn in a step towards financial inclusion. To encourage women participation in the economy, the SBP has enhanced the financing limit under its Refinance and Credit Guarantee Scheme for Women Entrepreneurs from Rs. 1.5 mn to Rs. 5 mn, according to the bank's press release. The decision was taken in light of feedback received from various stakeholders over insufficient financing limits for women entrepreneurs, it added. It further said the decision is in line with the government's policy to support and revive economic activities in the country and the SBP's key objective to improve access to finance for priority segments including women entrepreneurs. The enhancement in financing limit under the scheme is expected to increase financial inclusion of women, since more women entrepreneurs are likely to be attracted for setting up of new businesses or for expanding the scope of their existing businesses by availing concessional financing under the scheme, according to SBP.

## **RICE RACE**

◆ In July 2020, rice export shipments shrank to 266,206 tonnes from 365,138 tonnes in July 2019. Export earnings fell to \$ 148.8 mn from \$ 194.5 mn. These numbers, released recently by the Pakistan Bureau of Statistics (PBS), do not necessarily indicate that during this fiscal year rice exports would tumble.

◆ In 2019-20, Pakistan's rice exports fetched \$ 2.27 bn with an annual growth rate of 5pc, according to the State Bank of Pakistan's (SBP) foreign trade report. This increase came at a time when Pakistan's total food export bill of about \$ 4.36 bn was down more than 5pc from \$ 4.61 bn in 2018-19, according to the PBS.

◆ In 2018-19 as well as 2019-20, total rice shipments remained above 4 mn tonnes. But the exports of Basmati rice stood at 791,000 tonnes and 890,000 tonnes in 2018-19 and 2019-20, respectively. Rice Exporters Association of Pakistan (Reap)

Chairman Shahjahan Malik hopes that during this fiscal year Basmati rice exports would touch the 1mn-tonne mark.

◆ Maintaining growth momentum in rice exports during this fiscal year also depends on whether brisk shipments to the United Arab Emirates and Saudi Arabia remain intact. They are among Pakistan's important markets and our rice export earnings from these two countries were 18pc of the total, according to the SBP.

◆ In 2019-20, our rice exports to China — the second largest market after the United Arab Emirates — did suffer because of COVID-19-triggered lockdowns earlier in China and later on in our own major cities. So the China factor would also determine to a great extent how our rice exports could grow in 2020-21.

## **MANGO MOVES**

Pakistan exported 125,000 tonnes of mango, well above the 80,000 export target set for 2020 amid the COVID-19 pandemic, fetching the country \$ 72 mn in foreign exchange. Highlighting that the country exported 45,000 tonnes above the set target, All Pakistan Fruit and Vegetable Exporters, Importers and Merchants Association (PFVA) Patron-in-Chief Waheed Ahmed anticipated that within the next one-and-a-half month, an additional 25,000 tonnes of mangoes would be exported before the season ends. Afghanistan emerged as one of the top countries which imported Pakistani mangoes while United Arab Emirates, Iran and Oman proved to be major international markets.

## **RS. 1 BN DISBURSED UNDER KAMYAB JAWAN PROGRAM**

The government has so far disbursed soft loans worth Rs. 1 bn among 2,190 qualified entrepreneurs under the Youth Entrepreneurship Scheme (YES) of Prime Minister's Kamyab Jawan Program. Of the total disbursements, at least 30pc were given to women, whereas male applicants received around 70pc. Highlighting the youth empowerment initiatives taken by the government since its inception two years ago, YES was launched under the banner of Kamyab Jawan Programme in October last year with the seed allocation of Rs.100 bn. The executing banks have so far approved two-tier financing of Rs. 3 bn for 7,592 eligible businesses. Out of the total approved loans, evaluation of 5,402 businesses is still underway, it was noted. It has been reported that the



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Bank of Khyber, Bank of Punjab and National Bank of Pakistan, which deal with the YES initiative, sanctioned soft loans worth Rs. 4 bn for 28,859 small and medium enterprises after scrutinizing a total of 58,031 applications. Out of 28,859 SMEs, the official said, 14,664 had been rejected by the banks whereas 6,489 are currently under evaluation. He said after careful evaluation, the banks had initially selected 58,031 businesses for scrutiny, whereas those of 10,699 was still underway.

## ROSHAN DIGITAL ACCOUNT

The Roshan Digital Account is yet another initiative to encourage the sixth largest diaspora (8.5 mn people) in the world to invest in Pakistan's capital markets. In addition to enabling non-resident Pakistanis (NRPs) to invest in the country's stock market, the Roshan Digital Account will allow them to invest in fixed deposit products offered by banks. Going forward, it will also enable NRPs to undertake residential and commercial real estate-related transactions. But perhaps the government is looking forward to the inflow of dollars from expatriates into the specially designed saving instruments for NRPs called Naya Pakistan Certificates, which are envisaged to be launched soon. These instruments will be available in both dollars and rupees at short-term tenors with attractive rates of return. They will be in both conventional and Shariah-compliant forms.

## BANKING BRIEFS (RS. IN BILLIONS)

AS AT AUGUST 14, 2020                      AS AT AUGUST 7, 2020

### DEPOSITS OF ALL SCHEDULED BANKS

16,035.494                      16,020.320

### % PLUS / MINUS COMPARED TO PREVIOUS WEEK

+0.09                      -----

### GROSS ADVANCES

8,073.900                      8,086.475

### % PLUS/ MINUS COMPARED TO PREVIOUS WEEK

-0.15                      -----

## INTERNATIONAL SCENARIO

### WORLD'S LARGEST WEALTH FUND YO-YOS IN FIRST HALF

Norway's sovereign wealth fund, the world's biggest, posted both record quarterly gains and losses in the first half, yo-yoing on market volatility during the COVID-19 pandemic. After hemorrhaging 1.35 tr Kroner (117 bn Euros) in the first quarter of the year when the pandemic put the brakes on the world economy, the fund saw its value soar by 1.10 tr Kroner in the second quarter as markets recovered, boosted by budgetary and monetary policies. The first quarter was historically the fund's worst quarter in terms of returns in Norwegian Kroner, according to the deputy chief executive of the Fund, Trond Grande as he presented first half results. Meanwhile, the second quarter was the most robust quarter ever. The fund, created in the 1990s to help grow the state's oil revenues, nonetheless lost 188 bn Kroner (18 bn Euros, \$ 21 bn) in the first half of the year.

### UK ECONOMY LOSES £ 22 BN AS COVID-19 RAVAGES TOURISM

Britain's economy will lose about £ 22 bn (\$ 29 bn, 24 bn Euros) this year on the coronavirus-induced collapse of global travel, which could imperil 3 mn jobs, an industry body forecast recently. International visitor spending could plunge by 78pc from 2019, equating to a loss of £ 60 mn per day or £ 420 mn a week, the World Travel & Tourism Council (WTTTC) predicted in a key report. Travelers and tourists are staying away from the UK in droves because of continuing uncertainty around travel restrictions designed to curb the spread of COVID-19, according to the WTTTC.

### AMAZON TO EXPAND TECH HUBS, CORPORATE OFFICES, ADDING 3,500 JOBS

Amazon recently unveiled plans to hire 3,500 new employees as part of an expansion of its technology hubs and corporate offices across the United States. The US technology and e-commerce giant said the latest plans call for some 2,000 new jobs in New York City, where Amazon has acquired the landmark Lord & Taylor building on Fifth Avenue. The move comes after Amazon, which has seen gains in revenue during the pandemic from its e-commerce and cloud computing



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operations, said it would make permanent 125,000 of the 175,000 jobs it added since the start of the public health crisis.

## ALIBABA REVENUE UP 34PC

Chinese e-commerce leader Alibaba recently reported solid 34pc growth in revenue for the April-June quarter in the latest sign that the coronavirus, rather than hurting the company, had actually helped. Hangzhou-based Alibaba said revenue — a key measure of the internet giant's business health as well as overall Chinese consumer spending — rose to 153 bn Yuan (\$ 22 bn), slightly exceeding a Bloomberg analyst poll. The coronavirus, which emerged in China late last year, hammered the Chinese economy, causing a historic 6.8pc contraction in the first quarter of 2020. But Alibaba and other Chinese tech titans have largely shrugged off the impact and Chairman Daniel Zhang made clear the pandemic and its associated lockdowns and social distancing were fueling turnover by consumers opting for the safety of online shopping. Profit jumped 124pc in the quarter to \$ 6.7 bn, due mainly to gains in equity investments.

## MANAGEMENT VIEWS

### TIPS

#### USE YOUR SOCIAL NETWORK TO PROMOTE EQUITY AND INCLUSION

If you're looking for ways to actively champion women and people of color, consider using a powerful tool you already have: your social network. There are two simple ways you can use your network to be a better ally and promote equity in your workplace. First, show your support by broadcasting anti-racist, anti-sexist values. Research has shown that when you post on social media, you're reaching much farther than your immediate contacts. Little by little, you can help to create a new norm when your friends and colleagues see that you believe in and live those values.

Second, empower and back up women and people of color by actively including them in your network. Introduce them to people who they might otherwise find difficult to meet, or proactively forward opportunities that they might otherwise miss. It is important to use your privilege to promote equity. And your social network can be effectively deployed in your anti-racism and anti-sexism efforts.

(This tip is adapted from *Use Your Social Network as a Tool for Social Justice*, by Raina Brands and Aneeta Rattan-HBR)

### SNIPS

#### CONNECTIVITY AT MICROSOFT

Recent research on various business departments within Microsoft Corp. found that employees in one unit send an average of 109 emails per week.

#### MAKE THINGS RIGHT AFTER A MICRO-AGGRESSION

It was a throwaway remark and you did not mean to offend. But now that a colleague has brought the slight to your attention, you realize what you said was hurtful. So how should you respond after committing a microaggression? First, make sure the other person feels heard. Your instinct may be to defend yourself — or your comment — but this is not about you. You can be a good, well-intentioned person who said something offensive. Follow your colleague's lead in the conversation and be curious and empathetic. Offer a sincere apology that expresses gratitude for his trust and acknowledges the impact and harm your comment caused. Say something like: "thank you for telling me. I appreciate that you trust me enough to share this feedback. I'm sorry that what I said was offensive." Be sure to keep it short and to the point. Do not over-apologize or try to engage your colleague in a drawn-out conversation.

(This tip is adapted from *You've Been Called Out for a Microaggression. What Do You Do?* by Rebecca Knight-HBR.)

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



# IBP ONLINE TRAININGS

FROM SEPTEMBER 08-14, 2020

**08 SEPTEMBER  
TUESDAY**

10AM - 1PM

ENTERPRISE TECHNOLOGY GOVERNANCE AND RISK MANAGEMENT

FACILITATOR: Syed Muhammad Ali Naqvi

COURSE FEE: PKR 5,000/- Excluding Tax

**10 SEPTEMBER  
THURSDAY**

10AM - 1PM

PRICING MECHANISM OF BANKING PRODUCTS

FACILITATOR: Muhammad Shoaib Malik

COURSE FEE: PKR 5,000/- Excluding Tax

**11 SEPTEMBER  
FRIDAY**

4PM - 7PM

AGRICULTURE AND LIVESTOCK FINANCING IN PAKISTAN

FACILITATOR: Kamran Akram Bakhshi

COURSE FEE: PKR 5,000/- Excluding Tax

**12 SEPTEMBER  
SATURDAY**

2PM - 5PM

DIGITAL BANKING - TRENDS AND CHALLENGES

FACILITATOR: Ahmed Hasan Gardezi

COURSE FEE: PKR 5,000/- Excluding Tax

**14 SEPTEMBER  
MONDAY**

10AM - 1PM

RISK MITIGATION MEASURES FOR FINANCIAL CRIMES IN BRANCHES

FACILITATOR: Naveed Elahi Malik

COURSE FEE: PKR 5,000/- Excluding Tax

## FOR REGISTRATION AND INFORMATION

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