



# Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 32 | Date: August 7, 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 3, 2020

◆ Loans Deferred -----	Rs. 636 bn
◆ Loans Restructured -----	Rs. 164 bn
◆ Loans Sanctioned for Wages -----	Rs. 138.1 bn
◆ Loans Sanctioned for Hospitals -----	Rs. 6.0 bn
◆ Loans Sanctioned for Investment ---	Rs. 11.9 bn
◆ Bank Branches Open -----	92pc
◆ ATMs Available -----	96pc

### MICRO, SMALL, MEDIUM AGRI-BUSINESSES NEED HELP

Almost all the agricultural micro, small and medium-sized enterprises (MSMEs) in Sindh and Baluchistan have been severely affected by the coronavirus pandemic and need urgent government help for survival of their enterprises, according to a COVID-19 survey carried out by the International Trade Centre (ITC). The Geneva-based ITC, a joint agency of UN and World Trade Organization (WTO), is implementing a six-year Growth for Rural Advancement and Sustainable (GRASP) project, designed to reduce poverty in Pakistan by strengthening small-scale agribusinesses in Sindh and Baluchistan. In Baluchistan, the survey identified that 29pc of agribusinesses and 34pc of farmers want the government to provide a temporary wage subsidy to help them bear payroll expenses during the crisis. Similarly, 23pc of the former and 28pc of the latter called on their government to create standards for safe and hygienic transport channels to bring back workers while 14pc and 18pc highlighted the need to provide a security net to protect the agri-food sector against falling commodity prices. Half of rural MSMEs in Sindh want the provincial administration to defer payments for inputs such as seeds, fertilizers and feed.

### HALF OF PAKISTAN'S POPULATION PREDICTED TO BE LIVING IN CITIES BY 2025

Convener of Central Standing Committee on Urban Development of Federation of Pakistan Chambers of Commerce & Industry (FPCCI), Obaid Saleem Patel has pointed out that by 2025, half of Pakistan's population is predicted to be living in cities. He said that this steeply rising urbanization trend in Pakistan will increase pressure upon the already fragile state of affairs of Pakistani cities, by compounding the existing acute housing shortage of nearly 10 million units, further burdening basic utilities' demand like electricity, water and gas, putting pressure on the need for a robust and subsidized public transport in cities catering larger number of commuters, affordable and easily accessible health and education etc. Speaking at first meeting of the committee, he noticed that Pakistani cities were contributing less to the GDP (55pc), in spite of having a higher urbanized population than some other regional countries. He pointed out that better urban development, with an eye on the future and inter-departmental coordination amongst provincial and local governments, can

## 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	6.84	7.09
ENDING	6.93	7.18
CHANGE	+0.9	+0.9

### 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	39,258
ENDING	40,029
CHANGE	+771

### 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>	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
	FY-END JUNE 2020 <sub>p</sub>	FY 19 <sub>p</sub>	1 <sup>ST</sup> JULY - 17 <sup>TH</sup> JULY, 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	6,142.016	562.210	164.592	-----

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

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

help encourage smart planning and efficient distribution of important resources.

### SBP SEEKS TO EXPAND ISLAMIC BANKING

- ◆ The State Bank of Pakistan (SBP) recently issued revised instructions for banks to expand the scope of Islamic banking to 25pc assets and deposits of the country's banking industry by 2023.
- ◆ The SBP said that keeping in view the significant potential of the Islamic Banking Windows (IBWs) in enhancing the share and outreach of Shariah-compliant financial services and increase in financial inclusion, it has issued revised instructions for banks to expand the scope of operations of IBWs.
- ◆ The IBWs can now offer all types of financing products to their customers including corporates, small and medium enterprises, agriculture, housing and consumers.

◆ However, this facility is subject to the condition that respective IBW branch will be converted into full-fledged Islamic banking branch within a period of three years.

◆ It is expected that this new policy measure will contribute towards achieving the targets set under the National Financial Inclusion Strategy for Islamic banking, which envisages attaining a share of 25pc in total assets and deposits of the banking industry and 30pc share in total branch network of the industry by the end of 2023, according to SBP.

◆ At present, Islamic banking products and services are being offered by full-fledged Islamic banks, Islamic banking subsidiaries and Islamic banking branches of conventional banks after getting approval and license from the SBP.

◆ With 1,400 IBWs of 11 banks currently operational in the country, their potential to improve access to finance will



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increase significantly, said the SBP, adding that it will contribute towards increasing financial inclusion through provision of Shariah-compliant financing facilities to vast majority of population.

## SBP RENEWS VIS, PACRA STATUS AS ECAIs

The State Bank of Pakistan (SBP) has renewed the status of both credit rating agencies operating in Pakistan namely 'VIS Credit Rating Company Limited (VIS)' and 'The Pakistan Credit Rating Agency Limited (PACRA)' as eligible/recognized External Credit Assessment Institutions (ECAIs) for the calendar year 2020. Banks and DFIs using the standardized approach of Basel framework are allowed to use credit ratings assigned by VIS and PACRA for CAR calculation purposes.

## FBR COLLECTION JUMPS BY 23.4PC IN JULY

Revenue collection in July grew by over 15pc from last year to Rs. 300 bn, up Rs. 57 bn or 23.4pc from the target set for the month, data released by Federal Board of Revenue showed recently. The data for revenue collection in the first month of current fiscal year showed a sharp acceleration in economic activity, leading to higher collection in customs duty. The government, while preparing the budget for the ongoing fiscal year, had assured the IMF to raise Rs. 4.963 tr in FY21 against Rs. 3.989 tr, collected in FY20. The collections in the current fiscal year are expected to increase by 24.4pc.

## BANKING BRIEFS IN BN RS.

AS AT JULY 24, 2020	AS AT JULY 17, 2020
<b>DEPOSITS</b>	
16,109.629	16,033.984
<b>% PLUS / MINUS COMPARED TO PREVIOUS WEEK</b>	
+0.47	-----
<b>GROSS ADVANCES</b>	
8,115.352	8,119.000
<b>% PLUS/ MINUS COMPARED TO PREVIOUS WEEK</b>	
-0.04	-----

## INTERNATIONAL SCENARIO

### DEADLOCKED WTO FAILS TO AGREE ON APPOINTING INTERIM HEAD

The beleaguered World Trade Organization said recently its members failed to agree on appointing one of the four deputy directors-general as an interim chief — underlining the deadlock in the institution. Already engulfed in multiple crises, the WTO could be left with nobody at the helm if the global trade body fails to find a replacement before Director-General Roberto Azevedo steps down at the end of August. The stand-off comes with the WTO already mired in hopelessly-stalled trade negotiations and surging trade tensions between the United States and China — and as the world faces a devastating global economic downturn sparked by the coronavirus pandemic.

### INDIA POSTS RECORD FISCAL DEFICIT

India's federal fiscal deficit touched a record \$ 88.5 bn in the April-June quarter, 83.2pc of the target for the whole of the current fiscal year, reflecting the impact of the coronavirus pandemic on tax collections and as the government front-loaded its spending. The deficit is predicted by private economists to cross 7.5pc of GDP in the 2020/21 fiscal year beginning April, from initial government estimates of 3.5pc, due to a sharp economic contraction caused by the COVID-19 outbreak. The economy is forecast to shrink 5.1pc in the current fiscal year, and 9.1pc under a worst-case scenario, according to analysts — its weakest performance since 1979.

### GLOBAL AIRLINES LESS HOPEFUL ON COVID-19 RECOVERY

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



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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. A surprise move by Britain to quarantine arrivals from Spain has created lot of uncertainty, it is clearly going to be an issue with the recovery. Recovery prospects are weakened by the spread of COVID-19 in the United States and developing countries, together representing 40pc of global air travel, IATA said.

## **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, the BOK said in a statement, 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. Trade in textiles, once a key export, is banned in both directions. 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. It remains deeply impoverished, with around 40pc of the population in need of food aid according to UN estimates. 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. 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.

## **FED EXTENDS LENDING PROGRAMS**

The Federal Reserve will extend seven of its emergency lending programs through the end of the year, an acknowledgement that they may be necessary for longer than was first thought, as the nation struggles to control the coronavirus. The Fed announced the extension of the programs, past their original expiration dates of Sept 30, at a time when a spike in

confirmed virus cases has shown signs of slowing the economy. The extension will facilitate planning and provide certainty that the facilities will continue to be available to help the economy recover from the COVID-19 pandemic, the Fed said recently. It applies to several programs that lend to Wall Street banks and other financial institutions to ensure the flow of credit to businesses and households as well as to the Fed's corporate bond purchase schemes. The central bank has also extended its Main Street Lending Program, which is intended to support mid-sized companies but has generated only a small amount of borrowing so far.

## **MCDONALD'S PROFITS DROP**

McDonald's reported a steep drop in second-quarter profits recently on much lower sales due to coronavirus closures that affected most of the chain's worldwide network. The fast-food company suffered a 68 pc drop in profits to \$ 483.8 mn, following a 30pc decline in revenues to \$ 3.8 bn. Comparable sales tumbled throughout major markets for the food giant, but the US outperformed other regions because of drive-through and takeaway service that continued, even where in-restaurant dining service was stopped. Sales improved throughout the quarter in the US and in some international markets as governments lifted lockdown restrictions and more activity resumed. McDonald's last week announced it would begin requiring customers to wear face masks in US restaurants effective from August, because of coronavirus and would pause its plan to reopen more US dining rooms while the country battles the outbreak. McDonald's said about 2,000 US restaurant dining rooms have reopened with reduced seating capacity, almost 15pc of its total number of restaurants in the company's home market. Shares fell 2.4pc to \$ 196.51 in pre-market trading.

## **SNIPS**

### **TIKTOK TAKES THE INTERNET BY STORM**

TikTok, which was created in 2017, amassed 1 bn users, faster than any other app.

### **DEGREES OF CHANGE**

Economists estimate that it will cost around \$ 10 tr by 2030 to keep total global warming at 1.5 degrees Celsius.



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## MANAGEMENT VIEWS

### MANAGERIAL TIPS

#### TAKE THESE STEPS TO REDUCE BURNOUT

If you are feeling burned out right now, you are not alone. The good news is that you can do something about it. First, seek out support from a good friend, family member, therapist or coach. It is hard to make decisions when you are exhausted, so find someone who can challenge your thinking and give you another perspective. The person might even help you identify patterns in your behavior. Next, get clarity on your priorities. You may need to delegate or say no to projects that do not serve you in the long run. Finally, prioritize healthy eating, exercise and sleep. Schedule in lunch breaks and stop your workday at a reasonable time. Use all of your vacation time. And examine your work environment. Burnout is often a result of a mismatch between demands of the job and available resources. If possible and ideally in partnership with your manager, review the structure of your role and make adjustments to your workload.

(This tip is adapted from *5 Steps for Women to Combat Burnout*, by Ellen Keithline Byrne-HBR.)

#### TURN REJECTION INTO A LEARNING OPPORTUNITY

Whether you are applying for a new job, vying for a promotion or pitching a big idea to your boss, when you put yourself out there and it does not work out, you are likely to feel rejected. It is natural to feel a sting after a setback, but internalizing that negative feeling would not help. Here are a few strategies to help you channel your inner grit and seize an opportunity to grow. First, do not allow your anticipation of any outcome to become an expectation. This can fuel false confidence and obscure your objectivity about how things are actually going. Second, let yourself feel the pain of rejection. Many people either try to bury or overindulge that feeling – neither of which is productive. Instead, name your disappointment, acknowledging that you feel hurt by

the outcome. You might even talk to a trusted friend or colleague about it. Finally, use the experience to learn. Consider what part you played in the decision not going your way and solicit feedback about what you could have done better.

(This tip is adapted from *How to Bounce Back From Rejection*, by Ron Carucci-HBR.)

### SNIPS

#### THE COVID-19 RACE GAP

According to the COVID Tracking Project, Black people, who make up 13pc of the US population, comprise 23pc of deaths from COVID-19.

#### OVERCOME YOUR FEAR OF MAKING MISTAKES

The fear of making a mistake can be paralyzing in normal times and it is even worse when we are living through a period of heightened uncertainty. But there are things you can do to get unstuck. Start by naming your thoughts and feelings. For example, if you work in retail right now, you might be worried about making mistakes around reopening. Try to pinpoint your specific concern. Maybe it is something like: "I feel anxious about the safety of my customers and my staff." Stating your fears helps diffuse them. Next, try to accept reality by making a list of truths you might need to come to grips with, such as: "I understand that people will not always behave in ideal ways." Finally, think about how you can act on your values to address the situation. Let us say one's conscientiousness is important to you. You might apply that value by making sure your employees have masks that fit them well and easy access to hand sanitizer.

(This tip is adapted from *How to Overcome Your Fear of Making Mistakes*, by Alice Boyes-HBR.)

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Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

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



# IBP ONLINE TRAININGS

FROM AUGUST 10-18, 2020

**10 AUGUST  
MONDAY**

10AM - 1PM

**SBP CASH MANAGEMENT STRATEGY & PENALTY STRUCTURE**

FACILITATOR: Muhammad Mazhar ul Haque

COURSE FEE: PKR 5,000/-

**12 AUGUST  
WEDNESDAY**

10AM - 1PM

**COMPLIANCE OF REGULATORY INSTRUCTIONS ON FOREIGN EXCHANGE OPERATIONS**

FACILITATOR: Zaheer Ahmed

COURSE FEE: PKR 5,000/-

**15 AUGUST  
SATURDAY**

2PM - 5PM

**TRADE BASED MONEY LAUNDERING, COMPLIANCE AND RELATED RISKS**

FACILITATOR: Salim Thobani

COURSE FEE: PKR 5,000/-

**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/-

## FOR REGISTRATION AND INFORMATION

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