



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 40 | Date: October 02, 2020

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

PAKISTAN TIDINGS

COVID-19: IMPACT OF SBP'S MEASURES AS OF OCTOBER 1, 2020

Loans Deferred	RS. 651.0	Loans Approved for Investment	RS. 86.2
Loans Restructured	RS. 186.7	Bank Branches Open	96 per cent
Loans Approved for Wages	RS. 217.0	ATMs' Availability	96 per cent
Loans Approved for Hospitals	RS. 6.3		(Rs. in billion)

US TOP BUYER OF PAKISTANI GOODS

The United States remained Pakistan's top export destination in August as the country earned \$ 334.5 mn in proceeds during August, even as they witnessed a decline compared to \$ 341.08 mn in same period of 2019. According to data released by the State Bank, Pakistan received \$ 671.75 mn from the US during July-August, compared to \$ 714.63 mn in the corresponding months of 2019, registering a fall of 6pc. The United Kingdom was the second biggest buyer from Pakistan at \$ 129.17 mn in August, down 6.1pc over \$ 137.56 mn in the corresponding period last year. On the other hand, Pakistan's merchandise exports to Germany rose by 6.75pc to \$ 111.79 mn during August, from \$ 104.73 mn in same month of 2019. Next came China which bought goods worth \$ 93.65 mn from Pakistan during the month under review, plunging by 25.88pc over \$ 126.35 mn in the same period last year.

C/A SEES ANOTHER SURPLUS IN AUGUST 2020

Pakistan's current account again recorded a surplus in August 2020 at \$ 297 mn, as against a deficit of \$ 601 mn in the corresponding month of previous year, reported the State Bank on September 23. However, the current account surplus plunged by 71pc, compared to \$ 508 mn in July, which was revised upwards from \$ 424 mn announced earlier. For July-August cumulatively, the current account surplus came in at \$ 805 mn, as against a deficit of \$ 1.214 bn in similar period of FY20. With the second consecutive current account surplus in the new fiscal year, the country looks to have improved its external front, which faced a deficit of \$ 20 bn in FY18.

NIFT AND CHECKOUT.COM PROJECT GETS APPROVAL

The National e-Commerce Council (NeCC) recently approved the joint project of National Institutional Facilitation Technologies (NIFT) and Checkout.com to bring international payment methods to Pakistan. NIFT, a major Pakistani transactional clearing facilitator, had signed a memorandum of understanding with Checkout.com, a UK-headquartered Fintech which offers payments in more than 150 currencies, in-country acquiring, fraud filters and reporting. The implementation will enable

MARKETS AT A GLANCE

Rates are taken till Friday, October 2, 2020

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

Bid% Offer%

STARTING	7.04	7.29
ENDING	7.04	7.29
CHANGE	0	0

FOREIGN EXCHANGE RATES

GBP (£) EURO (€) USD (\$)

STARTING	PKR 211.69	PKR 193.22	PKR 165.79
ENDING	PKR 211.91	PKR 193.56	PKR 165.01
CHANGE	+0.22	+0.34	-0.78

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	41,701
ENDING	40,070
CHANGE	-1631

GOLD RATE

(10 gm, 24K)

STARTING	PKR 99,626
ENDING	PKR 100,808
CHANGE	+1182



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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}	JUL 2020	AUG 2020
NATIONAL	6.8	10.7	9.3	8.2
URBAN	7.1	10.2	7.8	7.1
RURAL	6.3	11.6	11.6	9.9
FOOD INFLATION-URBAN	4.6	13.6	15.1	11.3
FOOD INFLATION-Rural	4.8	15.9	17.8	13.5
	FY19	FY 20	1 JUL - 18 SEP 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	562.210	1,191.977	79.507	

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

both organizations to provide payment services through each other's infrastructure and pursue commercial opportunities as a partnership. This strives towards a borderless experience for business and consumers alike, promoting digital payments and settlements for exports and e-commerce across Pakistan.

DOLLAR INFLOWS THROUGH BANKING CHANNELS JUMP

Inflows of foreign exchange through banking channels remained high in September which may increase the remittances up to \$ 2.0 bn, said bankers and money changers. Currency experts said the inflows of banking channels was high due to at least four reasons that forced the overseas Pakistanis to send their money only through banks. It has been reported

that closure of commercial flights compelled all the remitters to adopt banking channels to send their money which also stopped currency smuggling. Further, they used to bring thousands of dollars in their bags instead of sending them through the banking system. While bankers are also witnessing higher inflows, they were reluctant to give any definite figure for the total value sent through banking channels in September. The passage of Financial Action Task Force bills from National Assembly and Senate has greatly reduced inflows through hundi and hawala. Now foreign exchange is also coming through banking channels, according to a banker dealing with currencies in the inter-bank market.



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BANKING BRIEFS (RS. IN BILLIONS)

AS AT SEPTEMBER 18, 2020 AS AT SEPTEMBER 11, 2020

DEPOSITS OF ALL SCHEDULED BANKS

16,230.894 16,188.238

% PLUS / MINUS COMPARED TO PREVIOUS WEEK

+ 0.26 -----

GROSS ADVANCES

8,047.796 8,024.169

% PLUS/ MINUS COMPARED TO PREVIOUS WEEK

+0.29 -----

DUTIES WITHDRAWN ON OVER 163 TARIFF LINES

The government has withdrawn customs, regulatory and additional customs duties on more than 163 tariff lines to increase the share of man-made fibers (MMF) for better per-unit prices in the international markets. The exemptions on these tariff lines were approved in the National Tariff Policy Board in a meeting held on August 24, 2020 and will have a total revenue impact of Rs. 532.88 mn per annum. The Economic Coordination Committee of the Cabinet formally approved the proposal recently and directed Federal Board of Revenue to implement it. As per the details, the government has withdrawn cumulative 22.5pc duties — Customs Duty (CD), Regulatory Duty (RD) and Additional Customs Duty (ACD).

(Note : Manmade fibers are made from various chemicals or are regenerated from plant fibers. Examples are: polyester; nylon; acrylics; viscose, made from wood bark; Kevlar and Nomex are two high-performance fibers.)

SNIPS

Success Story

Alipay, a popular payment platform in China, went from 1 mn merchants in 2014 to 30 mn in 2018.

INTERNATIONAL SCENARIO

BAHRAIN'S ECONOMY DWINDLES

Bahrain's economy contracted by 8.9pc year on year in the second quarter, government data showed recently, as the small Gulf state suffered from restriction measures to contain the new coronavirus. Hotel and restaurant activity declined by 61.3pc compared to the same period a year earlier. It is mainly due to the widespread restrictions imposed on tourists, hotel and restaurants and other related economic activities in the country due to the pandemic COVID-19 virus, according to a government statement. The oil sector increased by 3.2pc at constant prices, while the non-oil economy declined by 11.5pc. S&P Global Ratings said this month Bahrain's real GDP could contract by 5pc this year, due to the pandemic and the impact of lower oil prices on consumption and investment activities.

OPEC TURNS 60 AT CRITICAL MOMENT

OPEC faces a critical moment in its 60-year history with the coronavirus crushing crude demand and prices, discord among its members and threats from a world seeking cleaner fuels. Founded on September 14, 1960, by Iraq, Iran, Kuwait, Saudi Arabia and Venezuela who sought to control crude oil output, OPEC currently comprises 13 members including nations from Africa and Latin America. The 60th anniversary comes at a critical moment in its history, as cited by UniCredit analyst Edoardo Campanella in reference to the Organization of the Petroleum Exporting Countries. Its ability to steer the oil market in its favor has never been put in question to the extent it is now, he noted. The Vienna-based institution convenes for regular meetings to assess the state of supply and demand in the marketplace, and its pronouncements can still spark major price swings. Today, OPEC pumps about one third of global oil but OPEC+ accounts for almost 50pc, giving it greater clout.

TESLA SUES USA OVER CHINESE TARIFFS

Electric car manufacturer TESLA has filed a lawsuit against US President Donald Trump's administration, aiming to end what it calls unlawful tariffs imposed on certain parts imported from China. The lawsuit, filed recently in the New York-based Court of International Trade, says the 25pc tariffs imposed by the US Trade Representative on a list of products, including



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spare parts like terminals TESLA uses in its cars, are arbitrary, capricious and an abuse of discretion. The tariffs came amid a wider trade dispute between Washington and Beijing and TESLA seeks their cancellation along with a refund, with interest of duties already paid. The levies were imposed as part of an effort by Washington to wean its manufacturers off Chinese technology and reduce the yawning trade deficit with China.

COVID-19 TO CAUSES \$ 12 tr GLOBAL INCOME LOSS

The Trade and Development Report 2020 (TDR2020) recently warned that the COVID-19 recession, measured in terms of world gross product, will likely amount to a \$ 12 tr loss in global income by end of 2021. Moreover, the growth recovery in 2021 will coincide with rising unemployment, which is likely to reach double digits in some advanced economies, says the report released by United Nations Conference on Trade and Development (UNCTAD). A global recovery plan must be both bold and comprehensive, built around a coordinated macroeconomic expansion focused on job creation and higher wages and supported by a big public investment push into cleaner energy, environmental protection, sustainable transport systems and the care economy. UNCTAD's flagship report notes that central banks reacted quickly to COVID-19 and seem to have averted a global financial meltdown. But the evidence from the Global Financial Crisis (GFC) shows that monetary policy alone cannot bring the economy quickly back to its pre-shock situation. Fiscal stimulus is needed, the scale and composition of that stimulus will have a significant bearing on the trajectory of recovery, it says.

WORLD'S WORKERS LOST \$ 3.5 TR IN WAGES AMID PANDEMIC: UN

The coronavirus pandemic is taking a heavier toll on jobs than previously feared, the UN said recently, with hundreds of millions of jobs lost and workers suffering a massive drop in earnings. In a fresh study, the International Labor Organization (ILO) found that by the mid-year point, global working hours had declined by 17.3pc compared to last December — equivalent to nearly 500 mn full-time jobs. That is nearly 100 mn more job-equivalents than the number forecast by the ILO back in June, when it expected 14pc of working hours to be lost by the end of the second three-

month period of the year. The impact has been catastrophic, according to ILO chief Guy Ryder, who said that global labor income had shrunk by 10.7pc during the first nine months of the year compared to the same period in 2019. That amounts to a drop of some \$ 3.5 tr, or 5.5pc of the overall global gross domestic product (GDP), the ILO said.

INDONESIA DEVELOPING FOOD-BANK ESTATES

Indonesia is developing vast farm estates across the archipelago, an area 10 times the size of neighboring Singapore, to counter the nation's reliance on imported food, President Joko Widodo said recently. The project, which eventually will span nearly 800,000 hectares (2 mn acres), is preparing land to grow rice, cassava and corn for the world's fourth-most populous country. The announcement will anger environmental groups, who have warned such projects mostly exploit peatland areas and encourage forest fires blamed for the seasonal haze that has choked much of the region for the past two decades.

NO-DEAL BREXIT WILL HIT UK ECONOMY MORE THAN COVID-19

A 'no-deal' Brexit could be three times costlier to Britain's economy in the long term than the coronavirus outbreak, according to a new study published recently. The think-tank, UK in a Changing Europe, said the political and economic effects of the pandemic were likely to mitigate or hide that of failing to secure a trade agreement with the EU. But in the short term, the lack of a new formal trading relationship with Brussels would be bad news for economic recovery and larger than the health crisis in the long term. The think-tank, which collaborated with the London School of Economics, said Brexit would hit growth in the coming years more than if the UK had opted to remain in the bloc. "Our modelling with LSE of the impact of a no-deal Brexit suggests that the total cost to the UK economy over the longer term will be two to three times as large as that implied by the Bank of England's forecast for the impact of COVID-19", said the study. It estimated that the negative impact on gross domestic product would be 5.7pc over the next 15 years compared with the current level, while GDP was forecast to take a 2.1pc hit from COVID-19.



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MANAGEMENT VIEWS

MANAGERIAL TIPS

ENSURE YOUR NEXT EMPLOYER IS FAMILY-FRIENDLY

If you are a parent trying to make a career move, you probably want to make sure that you work for a family-friendly employer. But how can you assess what your work-life balance will be like before you accept the job? Start by going online. You can learn a lot just by browsing a company's website. Does it mention resources for working parents? Is there information readily available about parental leave policies? Read reviews of the work environment on sites like Glassdoor. Also, tap into your network to get personal anecdotes about the company. Reach out to friends, friends of friends, former colleagues or people in your school alumni network who have worked for the company. Ask about their experiences and take note of any patterns that emerge. Finally, ask pointed questions during the interview process about company culture, work hours and general flexibility and pay close attention to what information your interviewer shares — and does not share. Take the time to fully understand the opportunity — both on a professional and personal level — before you sign on.

(This tip is adapted from *How to Identify a Family-Friendly Employer*, by Suzanne Brown-HBR.)

YOUR D&I EFFORTS WILL FAIL IF...

Your diversity and inclusion initiatives (D&I) would not be effective if employees ultimately do not feel like they belong. So what should managers do to emphasize inclusion and belonging? First, recognize — but do not overemphasize — the differences between your employees. You want to strike a middle ground that allows people from underrepresented communities to feel included but not singled out. Create an environment that signals respect for and interest in people from all backgrounds and allows employees to feel secure expressing their identity. Next, ensure that there

are systems in place to support employees who speak up about diversity and equity issues at your organization. Make sure their concerns are heard, not diminished or dismissed. Finally, frame your D&I initiatives in a way that conveys sincerity. At the organizational level, your diversity initiatives should absolutely focus on increasing representation of different groups. But at the person-to-person level, your inclusion efforts must be about individuals.

(This tip is adapted from *Are Your D&I Efforts Helping Employees Feel Like They Belong?* by Michael Slepian-HBR.)

SNIPS

New Lows

In a recent survey, nearly 7 in 10 American workers said that their experience of working in a pandemic has been the most stressful time of their career.

BECOME A MORE PATIENT MANAGER

Leading effectively, especially during a crisis, takes patience. As a manager you need to retain composure in the face of frustration or uncertainty. So, how can you boost this important resource? One way is to recognize when your patience might be tested. If you know a challenge is coming, you can be more mindful about increasing your efforts to stay calm. For example, a good way to manage the pressure of a looming deadline is to reframe how you perceive time. Speed is important, of course, but working at a slow and smooth pace, especially when times get tough, reduces mistakes and in the end, speeds up your team's work. Another tactic is to practice gratitude frequently. Try keeping a journal of things that bring you joy — even when the world feels bleak. Or, simply take 10 minutes at the end of each day to reflect on your team's achievements.

(This tip is adapted from *Becoming a More Patient Leader*, by David Sluss-HBR.)

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

**05 OCTOBER
MONDAY**

2PM - 5PM

EMPLOYEE PERFORMANCE MANAGEMENT USING KPIS

FACILITATOR: Seemin Shafi

COURSE FEE: PKR 5,000/- (Excluding Taxes)

ONLINE
TRAINING

**08 OCTOBER
THURSDAY**

2PM - 5PM

BASEL III: STANDARDS, ISSUES, CHALLENGES AND IMPLICATIONS

FACILITATOR: Javed Ahmed

COURSE FEE: PKR 5,000/- (Excluding Taxes)

ONLINE
TRAINING

**10 OCTOBER
SATURDAY**

2PM - 5PM

MICROPAYMENT GATEWAY

FACILITATOR: Syed Muhammad Taha

COURSE FEE: PKR 5,000/- (Excluding Taxes)

ONLINE
TRAINING

**12 OCTOBER
MONDAY**

2PM - 5PM

SUPPLY CHAIN MANAGEMENT PRACTICES IN BANKS

FACILITATOR: Amir Aziz

COURSE FEE: PKR 5,000/- (Excluding Taxes)

ONLINE
TRAINING

**13 OCTOBER
TUESDAY**

2PM - 5PM

IT AUDIT

FACILITATOR: Syed Muhammad Ali Naqvi

COURSE FEE: PKR 5,000/- (Excluding Taxes)

ONLINE
TRAINING

**14 OCTOBER
WEDNESDAY**

9AM - 12:30PM

DEVELOPING INSIGHTS INTO MONEY MARKET

FACILITATOR: Faisal Sarwar

COURSE FEE: PKR 5,000/- (Excluding Taxes)

CLASSROOM
TRAINING