VOLUME 17 / ISSUE 51 / DECEMBER 23, 2022
IBP - A Company Set Up Under Section 42 of the Companies Act, 2017

economicletter

a weekly publication of The Institute of Bankers Pakistan

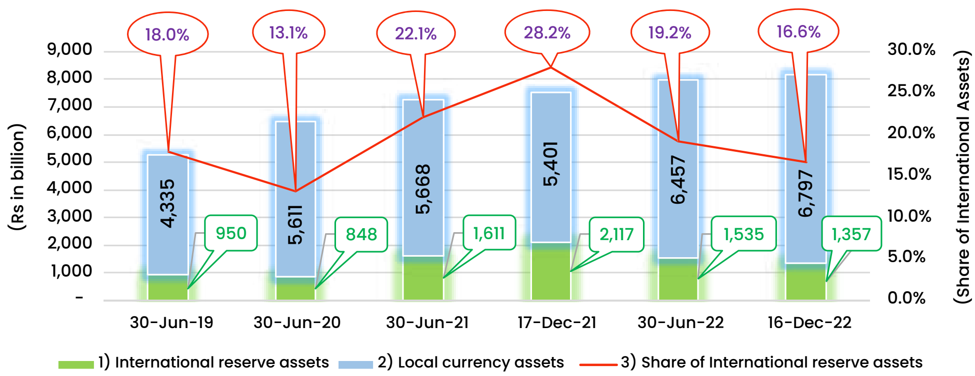
Domestic Economic Roundup

Key Money & Banking Indicators:

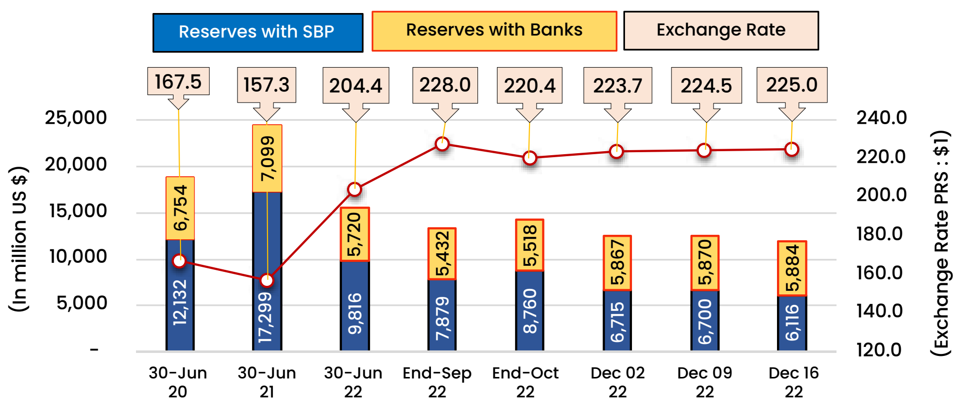
	Stocks at End - June 2022	Flows FY21	Flows FY22	Impact Since 1st July to 9-Dec-22	Impact Since 1st July to 10-Dec-21
Total Deposits with Banks	19,934.8	2,595.0	2,615.1	37.6	(273.5)
Broad Money (M2)	27,602.6	3,389.7	3,304.9	274.6	56.3
Govt. Sector Borrowings (Net)	19,622.9	1,717.9	3,357.7	1,140.6	(136.5)
Credit to Private Sector	9,241.2	766.2	1,612.1	119.4	512.8

(Rs in billion)

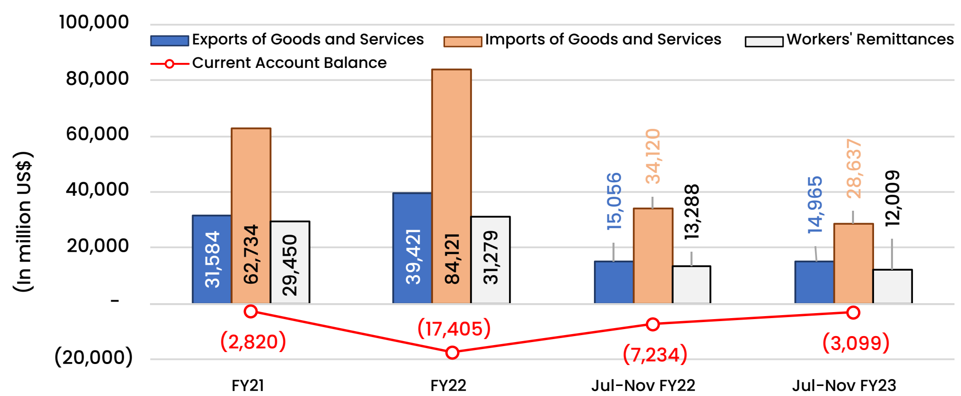
Assets Composition of Total Banknotes Issued



Forex Reserves and Exchange Rate



Major Components of Current Account Balance



Markets at a Glance

Rates taken till Friday, December 23, 2022

SBP POLICY RATE

16.00% | Effective from November 28, 2022

KIBOR (6 MONTHS)

	Bid%	Offer%
Starting	16.76	17.01
Ending	16.82	17.07
Change	+0.06	+0.06

FOREX RATES

	GBP	EURO	USD
Starting	PKR 274.03	PKR 239.20	PKR 224.94
Ending	PKR 272.27	PKR 239.72	PKR 225.64
Change	-1.76	+0.52	+0.7

PAKISTAN STOCK EXCHANGE

	100 Index
Starting	41,301
Ending	39,669
Change	-1632

GOLD RATES

	10 GM, 24K
Starting	PKR 128,451
Ending	PKR 130,394
Change	+1943

VOLUME 17 / ISSUE 51 / DECEMBER 23, 2022

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

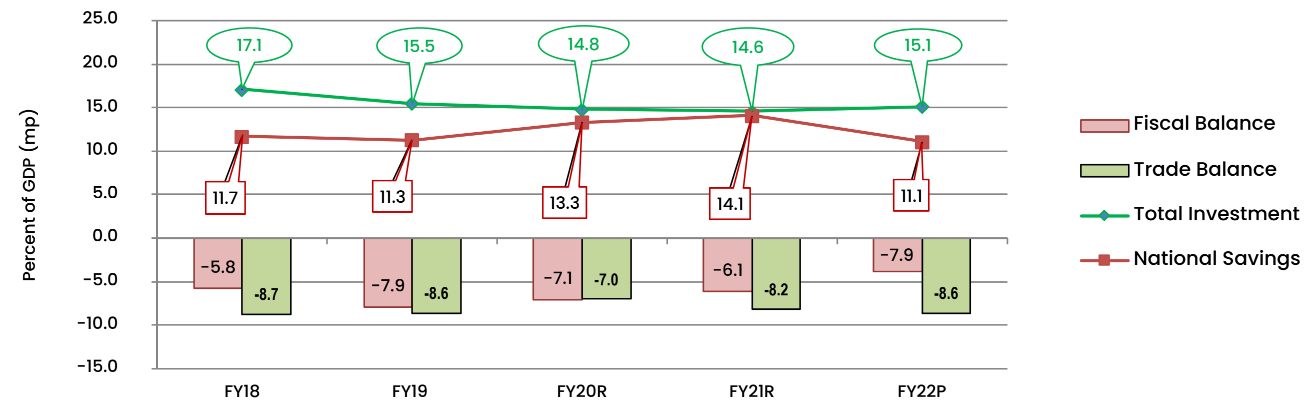
economicletter

a weekly publication of The Institute of Bankers Pakistan

Pakistan's Major Economic Indicators

Real Sector (Percent Growth)	FY18	FY19	FY20F	FY21R	FY22P
Real GDP (2015-16 = 100)	6.1%	3.1%	-0.9%	5.7%	6.0%
Agriculture Sector	3.9%	0.9%	3.9%	3.5%	4.4%
Manufacturing Sector	7.1%	4.5%	-7.8%	10.5%	9.8%
Services Sector	6.0%	5.0%	-1.2%	6.0%	6.2%
Real GDP (Rs in billion)	33,859.6	34,916.0	34,586.7	36,572.6	38,755.1
Nominal GDP (Rs in billion)	36,514.2	41,110.2	44,746.9	52,213.3	62,677.6
GNI (MP) PRS Per Capita	194,181	214,695	230,349	268,223	314,353
GNI (MP) US $ Per Capita	1,768	1,578	1,458	1,676	1,798

As Percent of Nominal GDP (MP)



CPI INFLATION	Annual Average			Year-on-Year		
	FY20	FY21	FY22	Nov 2021	Oct 2022	Nov 2022
General	10.7	8.9	12.2	11.5	26.6	23.8
Food (Urban)	13.6	12.4	13.4	11.9	34.7	29.7
Non-Food (Urban)	8.3	5.7	10.8	12.0	18.2	16.4

Currency in Circulation as on (Stock data)					Rs in billion
June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	Dec 10, 2021	Dec 09, 2022
4,950.0	6,142.0	6,909.9	7,572.5	7,234.9	7,807.4

Sources: i) Pakistan Economic Survey 2021-22, Finance Division ii) Pakistan Bureau of Statistics iii) Data published on SBP website | P = Provisional | R = Revised | F = Final

VOLUME 17 / ISSUE 51 / DECEMBER 23, 2022
IBP - A Company Set Up Under Section 42 of the Companies Act, 2017
economicletter
a weekly publication of The Institute of Bankers Pakistan

Governor SBP Urges Banks to Support Agriculture Sector to Recover from Devastation of Floods

Governor State Bank of Pakistan (SBP), Mr Jameel Ahmad, while chairing the annual meeting of Agricultural Credit Advisory Committee (ACAC) in Hyderabad referred to the devastation caused by recent floods and observed that climate change is the biggest long-term threat to the country due to its unforeseen impacts. He added that while the government, businesses and societies are recognizing such threats, we need to take timely actions and allocate required resources for research and development of relevant products and services and capacity building of stakeholders to address them preemptively, says the press release issued by SBP on December 22, 2022.

Mr Ahmad appreciated the banks in achieving unprecedented agriculture credit disbursement of Rs1,419 billion in FY22. He noted that for FY23, target of Rs1,819 billion has been set in line with government's priority and added that during first five months of FY23, Rs664 billion have already been disbursed. He added that Prime Minister of Pakistan has announced the Kissan Package, comprising of restructuring and rescheduling of agriculture loans, mark-up waiver for outstanding small loans in flood affected areas, interest-free loans for subsistence & landless farmers and subsidized loans and risk sharing scheme for farm mechanization, besides other support measures. Governor SBP elaborated that the package will facilitate recovery of farmers from the impact of recent floods and urged banks to implement the package in letter and spirit. He also assured SBP's full support to the banks wherever needed.

The Governor also underlined that banks have a huge opportunity to exploit the untapped potential of Islamic agriculture financing with respect to SBP's recent commitment towards transformation of conventional banking to Islamic banking in the next five years. He noted that the share of Islamic financing in agriculture financing is still quite low and urged the industry to work on developing demand driven Islamic financing products, specifically tailored to the requirements of the farming community.

While reviewing performance of the banks in agricultural financing, the ACAC deliberated on the new directions in agricultural financing particularly regarding climate smart agriculture practices and the role that financial institutions can play. Moreover, the champion banks, nominated by the ACAC to spearhead the efforts in underserved areas, presented the progress in their respective assigned underserved provinces or regions. The ACAC meeting was attended by senior officials of federal & provincial governments, Presidents/CEOs of banks, members of provincial chambers of agriculture, progressive farmers, representatives of regional farming communities and SBP senior officials.

Old Design Large Size Banknotes Cannot be Exchanged After December 31, 2022: SBP

The Federal Government vide Gazette Notification F.No.2(1)IF-III/2010 dated December 23, 2021, had extended the last date for exchange of old design large size banknotes of Rs10, 50, 100 & 1000 by one year. The holders of these old design large banknotes have been given the last chance to exchange these old design large size banknotes from the field offices of the SBP Banking Services Corporation (BSC) by December 31, 2022.

According to SBP press note dated December 21, 2022, it is once again emphasized that this is the last and final deadline for exchange of such banknotes, upon expiry of which, these banknotes shall no longer be exchangeable from the counters of the SBP BSC and thus will lose their value. The general public is therefore, requested to avail this final opportunity and get their holdings of these banknotes exchanged from SBP BSC Field Offices by December 31, 2022 and protect the value of their savings in these banknotes.

SBP Releases New Governor's Annual Report 2021-22

A combination of both external and domestic factors contributed to higher than projected inflation in FY22, according to Governor's Annual Report 2021-22 released by the State Bank of Pakistan (SBP) December 21, 2022. In particular, stronger than anticipated domestic demand amid an unexpected fiscal expansion, together with more-than-expected increase in global commodity prices and exchange rate depreciation, were the main drivers of inflation in a year that proved to be exceptionally volatile and challenging for policymakers around the world.

Governor's Annual Report 2021-22, the first such report by SBP, is published Under Section 39 (1) of the State Bank of Pakistan Act, 1956 (as amended up to January 2022), which requires the Governor to submit annual report to the Majlis-e-Shoora (Parliament) regarding the achievement of the bank's objectives, conduct of monetary policy, state of the economy and the financial system. In consideration of this stipulation, as well as SBP's objectives as set out in section 4(B) of the amended act, the report is divided into four distinct chapters that shed light on The State of Pakistan's Economy and Financial System; Price Stability and the Conduct of Monetary Policy; Financial Stability; and Measures to Support the Government's Economic Policies. The report notes that average headline National CPI (NCPI) inflation reached 12.2 percent in FY22 from 8.9 percent last year, exceeding the government's FY22 target of 8 percent as well as SBP's own inflation projection range of 9-11 percent for the year. As a result, inflation diverged from the objective of price stability, embodied by the government's medium-term target of 5-7 percent. However, the report highlights that Pakistan was not the only country where inflation was higher than official forecasts at the beginning of the year, amid a significantly challenging global environment marked by global supply chain disruptions and the Russia-Ukraine conflict. With domestic demand accelerating faster than expected, driven in large part by an unplanned fiscal expansion in FY22, the rise in global commodity prices resulted in pressures on inflation, the external account and the rupee as the year progressed. However, the uncertain global exit from the COVID pandemic complicated the timing of policy actions. Nevertheless, the report notes that SBP moved to counter inflationary pressures from Q1-FY22, with the pace of monetary tightening calibrated in response to the changing outlook and balance of risks to inflation, financial stability, and growth.

Moreover, the frequency of monetary policy committee meetings was also increased from six to eight times a year, with a view to make the process of monetary policy formulation more responsive to the fast-changing situation. Cumulatively, the policy rate was raised by 675 basis points during FY22, in addition to tightening of macro-prudential settings to contain domestic demand, the report said. From the perspective of the SBP's objective of contributing to the stability of the financial system, the report notes that although there was some stress on financial markets, leading to volatility and pressures on prices of financial assets, they functioned smoothly without any significant disruption. The overall domestic financial sector remained stable and resilient throughout the year as the capital adequacy ratio of banking sector, which has the largest share in the domestic financial sector, remained well above domestic regulatory requirements as well as international standards.

Governor's Annual Report FY22 also sheds light on the list of measures the SBP took to support the government's economic policies, in line with its tertiary objective to foster economic development and better utilization of productive resources. In particular, the report highlights the SBP's efforts to actively strive to promote financial inclusion, financial development and documentation of financial transactions in the country. These include initiatives aimed at increasing remittances and new investments by overseas Pakistanis, courtesy of the Roshan Digital Account scheme and other measures; digitizing of payments through Instant Person-to-Person Payments facilitated by RAAST; launch of Banking on Equality policy to improve women's financial inclusion; and introduction of the Digital Bank framework for the setting up of digital banks in Pakistan. Looking ahead, the Report notes the significant near-term challenges posed by the continued influence of adverse external and domestic developments, which have been exacerbated by the recent floods. These are manifesting in the form of slowing growth and elevated pressures on inflation and the external position. Navigating these challenges in FY23 will require prudent monetary and fiscal policies, steps to curtail food prices, ensuring that the IMF program remains on track, and the timely materialization of planned external inflows. In order to ensure that the overall import bill remains contained, it will be critical that the envisaged fiscal consolidation is delivered and that strong measures are taken to curtail energy imports. Over the medium-term, in order to avoid a recurrence of boom busts and to increase the resilience of the economy, structural reforms to boost productivity, export competitiveness, and domestic savings and investment are imperative. The complete report is available at:

https://www.sbp.org.pk/reports/annual/Gov-AR/pdf/2022/Dec/Gov-AR.pdf

Exports Increase by 28.4 percent to Rs2.7 trillion in the First 5 Months of FY23

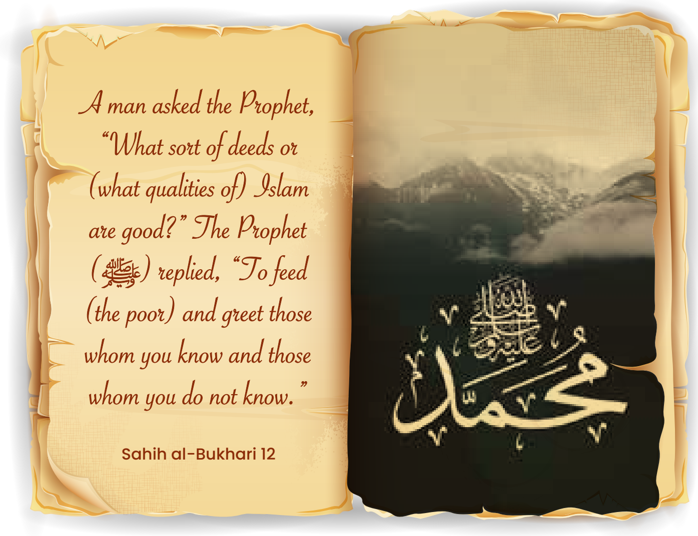
The exports from the country in the rupee term witnessed an increase of 28.4 percent during the first five months of the current fiscal year (2022-23) as compared to the corresponding period of last year, Pakistan Bureau of Statistics (PBS) reported. Exports during July–November (2022-23) totaled Rs2,661 million as against Rs2,072 million during the corresponding period of last year showing an increase of 28.4 percent, according to provisional data released by PBS.

On year-on-year basis, the exports increased by 5.9 percent in November 2022 to Rs531,599 million against the exports of Rs502,009 million during November, 2021.

On month-on-month basis, the exports increase of 1.1 percent in November when compared to the exports of Rs525,831 million in October, 2022. The main commodities of exports during November, 2022 were knitwear (Rs88,974 million); readymade garments (Rs72,620 million); bed wear (Rs49,457 million); rice other than Basmati (Rs34,909 million); cotton cloth (Rs34,140 million); towels (Rs20,597 million), fish & fish preparations (Rs11,382 million); rice Basmati (Rs10,252 million); cotton yarn (Rs9,533 million) and surgical goods & medical instruments (Rs8,343 million).

On the other hand, imports during July–November (2022-23) totaled Rs5,841 million as against Rs5,532 million during the corresponding period of last year showing an increase of 5.59 percent. On Year-on-Year and Month-on-Month basis, imports into Pakistan during November, 2022 amounted to Rs1,152 million (provisional) as against Rs1,039 million in October, 2022 and Rs1,366 million during November, 2021 showing an increase of 10.88 percent over October, 2021 but a decrease of 15.7 percent over November, 2021. The main commodities of imports during November, 2022 were petroleum products (Rs157,448 million); petroleum crude (Rs121,378 million); natural gas; liquefied (Rs70,725 million); palm oil (Rs70,720 million); plastic materials (Rs42,730 million); raw cotton (Rs38,923 million); fertilizer manufactured (Rs37,281 million); electrical machinery & apparatus (Rs34,692 million); medicinal products (Rs34,487 million); and iron & steel (Rs34,170 million).

VOLUME 17 / ISSUE 51 / DECEMBER 23, 2022
IBP - A Company Set Up Under Section 42 of the Companies Act, 2017
economicletter
a weekly publication of The Institute of Bankers Pakistan



41st Council meeting of IFSB Concludes in Islamabad

The State Bank of Pakistan (SBP) hosted the 41st Council meeting of the Islamic Financial Services Board (IFSB) on December 15, 2022 at Islamabad. The meeting was presided over by the Governor SBP, Mr Jameel Ahmad, who is also the Chairman of the IFSB council for 2022. The meeting was attended by the Governors and senior officials of the central banks. During this meeting council held discussions and made various strategic and policy level decisions for IFSB Earlier, SBP also hosted some other high-level side events which included 15th IFSB public lecture session on 'Sustainable Development Goals (SDGs) and Islamic Finance Philosophy: The Way Forward'. In this public lecture, the renowned international speakers shared valuable insights as how the principles of Islamic finance may help in embracing the United Nations' agenda of Sustainable Development Goals (SDGs).

On this occasion, Governor SBP, Mr Jameel Ahmad said that our final destination is to have an inclusive Islamic financial system that meet the *Maqasid-e-Shariah* (objectives of Shariah) and expectations of stakeholders. While drawing linkage with the public lecture, Mr Jameel Ahmad mentioned that UN Sustainable Development Goals are fully aligned with the *Maqasid*; be it poverty reduction or financial inclusion; health or education; environment protection or availability of infrastructure; gender diversity or low-cost housing; all are 100 percent aligned with *Maqasid-e-Shariah*. He advised banks to reap the untapped potential of Islamic banking as there exist a huge demand for the same in the country. He assured the banks' CEOs & Presidents that SBP will continue supporting them through conducive policy and regulatory framework, fully aligned to promote Islamic finance. The first public lecture was delivered by a renowned international Islamic finance scholar, Dr Sami Ibrahim Al Suwailem, Chief Economist Islamic Development Bank. In his lecture, he shared his thoughts on role of Islamic finance in actualizing SDGs. He said that whole concept of sustainable development is based on the ability to see the future clearly enough to plan and sustain resources, not only for this generation but for the coming generations as well. Moral values help to balance the present versus the future. The lack of this balance is a significant factor behind the environmental threats that humanity faces today. Mr Irfan Siddiqui, Founding President & CEO, Meezan Bank also addressed the participants of the 15th IFSB public lecture on the topic. Mr Siddiqui spoke on various topics including correct implementation of United Nations Sustainable Development Goals (UN SDGs), the need for Riba-free financial services and of greater Islamic financial inclusion in the country. He elaborated how the concepts of sustainability are intrinsically weaved into Islamic teachings. He concluded his address with a summary of the various initiatives taken by Meezan Bank towards quality education, green energy, poverty reduction and development of sustainable infrastructure.

SBP also hosted the IFSB Members & Industry Engagement session on December 14, 2022. In the session, Secretary General of IFSB apprised the participants about the activities of IFSB and benefits available to its members in different membership categories. The event was attended by CEOs of banks and non-banking financial institutions, asset management companies, brokerage firms and academic institutions. On this occasion, Deputy Governor SBP Ms Sima Kamil, also shared her thoughts with regard to current growth trends of Islamic banking in the country and IFSB role in the sustainable development of Islamic finance.

During the side events, SBP in collaboration with IFSB also arranged two capacity building workshops, one each for the banking and non-banking sectors. The capacity building workshops have been attended by over 140 senior level officials of banks and non-banking financial institutions. The international experts of IFSB discussed the various prudential standards issued by the IFSB. Over the years, Islamic finance has witnessed a healthy growth pattern across the jurisdictions. According to IFSB's global Islamic financial services stability report 2022, the total worth of the global Islamic Financial Services Industry (Islamic Banking, Islamic Capital Markets and Takaful) increased to an estimated USD 3.06 trillion in 2021 from USD 2.75 trillion in 2020.

Headquartered in Kuala Lumpur, Malaysia, the IFSB was established in 2003 as an international standard-setting organization of regulatory and supervisory agencies, to promote and enhance the soundness and stability of global Islamic financial services industry, by issuing prudential standards and guiding principles for the Islamic finance industry. The IFSB Council is the apex senior-level executive and policymaking body of the IFSB, which consists of Central Bank Governors and the highest-level executives from leading regulatory and supervisory authorities in respective countries. Presently, IFSB has 187 members comprising 80 regulatory and supervisory authorities, 10

VOLUME 17 / ISSUE 51 / DECEMBER 23, 2022
IBP - A Company Set Up Under Section 42 of the Companies Act, 2017
economicletter
a weekly publication of The Institute of Bankers Pakistan

international inter-governmental organizations, and 97 market players (financial institutions, professional firms, industry associations and stock exchanges) operating in 57 jurisdictions. The mandate of the IFSB Council, among others, is to approve by-laws, policies, strategies and prudential and supervisory standards for the global Islamic financial services industry. SBP, being the founding and full member of the IFSB, has played an active role in achieving the objectives of the IFSB through representation in its various committees, task forces, working groups and other high-profile forums.

Federal Government Appoints Akif Saeed as New SECP Chairman

The federal government on December 16, 2022 issued notification, regarding appointment of Mr Akif Saeed as Chairman of the Securities and Exchange Commission of Pakistan (SECP) with immediate effect. Mr Saeed had earlier served as Commissioner SECP from December 2014 to December 2017. He joined SECP in 2004 and served as head of various divisions. He has extensive regulatory, operational and business knowledge of various infrastructure entities in the capital markets. During his tenure at SECP, he has contributed significantly towards instituting various legal and regulatory reforms for enhanced corporate governance, transparency, investor education, investor protection and risk management. He was instrumental in introducing legal framework for REITS and private equity, in addition to introducing private pension through implementation of voluntary pension rules and issuance of license to 4 pension fund managers in 2007.

He played a vital role in achieving compliance with the IOSCO benchmarks principles of the securities market. Mr Saeed also led the team that worked on overhauling the securities laws in Pakistan and drafted the new Securities Act 2015 and Futures Act 2016. He has also worked in various private sector entities including the American Express Bank and as consultant for Asian Development Bank. He is a Chevening alumnus and completed his Master's in Business Administration from the University of Edinburgh and also holds master's degree in Economics from Government College Lahore.

Earlier during the day, the Federal Minister for Finance & Revenue Senator Mohammad Ishaq Dar had held a meeting with the SECP Management at Finance Division. The Minister extended his felicitations to the newly appointed SECP commissioners. The finance minister further appreciated SECP's work as a contributor to the financial and economic development in Pakistan by taking a number of regulatory measures in restoring and maintaining the confidence of domestic as well as foreign investors.

International Economic Roundup

Japan's Government Revised GDP Growth Estimate Upwards at 1.5 percent

The government of Japan on December 22, 2022 adopted an official projection that the country's gross domestic product in fiscal 2023, starting next April, will grow 1.5 percent from the previous year in price-adjusted real terms. In the economic outlook, endorsed at the day's round-robin-style cabinet meeting, the government revised up its GDP growth estimate from the 1.1 percent forecast in July this year, in anticipation that a comprehensive economic package compiled by the government to fight inflation would shore up the economy.

For the next fiscal year, the government predicts Japan's real GDP to hit a record high of ¥558 trillion, against the previous high of ¥554 trillion marked in fiscal 2018. Private-sector economists, however, have adopted a more conservative projection, expecting a 1 percent growth in real GDP on average. The government's newest economic outlook will be used to compile the government's tax revenue estimate in its fiscal 2023 budget proposal. In nominal terms, the government predicts a GDP growth of 2.1 percent.

Under the fiscal 2023 economic outlook, the government expects personal consumption, the main pillar of domestic demand, to grow 2.2 percent in real terms, against its fiscal 2022 growth estimate of 2.8 percent. As the prediction is based on the assumption that the country's real wages will go up in fiscal 2023, Japan's consumption may turn out to be weaker if many companies choose not to increase wages during 'shunto' wage negotiations next spring. Exports are forecast to rise 2.4 percent, and corporate capital expenditures are predicted to increase 5.0 percent. For fiscal 2022, the government revised down its real GDP growth projection to 1.7 percent from its July projection of 2.0 percent, reflecting soaring energy and food prices and a global economic slowdown. The government also expects Japan's overall consumer price index, including fresh food prices, to increase 1.7 percent in fiscal 2023 and 3.0 percent in fiscal 2022.

Kuroda's Abrupt Policy Tweak Opens Door for Bigger Shift Next Year

The Bank of Japan's (BoJ's) surprise decision to loosen the grip on its yield cap marks the beginning of an end to Governor Haruhiko Kuroda's controversial policy, sources say, and may pave the way for massive monetary stimulus to be phased out next year.

VOLUME 17 / ISSUE 51 / DECEMBER 23, 2022
IBP - A Company Set Up Under Section 42 of the Companies Act, 2017
economicletter
a weekly publication of The Institute of Bankers Pakistan

The central bank on December 20, 2022 tweaked its bond yield control in a way that effectively allows long-term interest rates to rise more, shocking investors who were not expecting any such changes until Kuroda steps down in April next year. The pressure for the BOJ to act now, rather than later, came from the government's desire for more flexible monetary policy, prospects for higher wage growth and inflation and risks of a U.S. recession next year, say five government officials and sources familiar with the bank's thinking. How far the BOJ now goes depends on whether Japan's economy can withstand headwinds from slowing global growth and if wages will perk up enough to support consumption, they say. "The government's view is that the BOJ should move nimbly and flexibly," said an official with direct knowledge of the administration's thinking, referring to how the BOJ's consistent dovish tone had caused sharp yen falls that hit households via higher import costs.

While Kuroda explained the move as extending the lifespan of yield curve control (YCC), it underscored the BOJ's resolve to gradually shift away from his radical policy ahead of a leadership transition when the governor's term ends in April. "Under a new governor, the BOJ could move further toward normalizing policy and making its monetary framework more flexible," said former BOJ board member Takahide Kiuchi, who is now an economist at Nomura Research Institute. "Whether it can actually abandon negative rates or yield curve control next year will depend much on economic and financial conditions at the time," he said.

The BOJ's relentless defense of its 0.25 percent cap on the 10-year bond yield had forced the central bank to ramp up bond buying, dwindled market liquidity and distorted market pricing - strains that had become hard to ignore, the sources say.

By lifting the cap to 0.50 percent this month, the BOJ dealt with the immediate market stress and bought itself time to work out when it should step toward phasing out YCC, they say. Waiting until next year would have forced the BOJ to combat intensifying market speculation of a near-term policy shift, or act when a deep U.S. recession could hit Japan's economy, they say. "The BOJ cleared one threshold toward phasing out stimulus," said one of the sources. "When uncertainty is so high over the outlook for U.S. monetary policy, it probably wants to have a free hand on when next to act."

Sri Lanka's National Consumer Price Inflation Eases to 65 Percent in November

Sri Lanka's National Consumer Price Index (NCPI) eased year-on-year to 65 percent in November after a 70.6 percent jump in October, the statistics department said on December 21, 2022. Food prices were up 69.8 percent in November, while non-food inflation was 60.4 percent, the Department of Census and Statistics of the crisis-struck nation said in a statement. Sri Lanka has been struggling with soaring inflation for nearly a year, partly triggered by its worst financial crisis in seven decades and an ill-thought-out ban on chemical fertilizer implemented last year, which has since been reversed. "November has shown a faster deceleration than expected and this is likely to continue but the easing could be offset by an electricity power increase the government may implement early next year," said Dimantha Mathew, Head of Research, First Capital.

Inflation is projected to decline below 60 percent by the end of the year but is projected to return to single digit level in the third quarter of next year, he added. Central Bank of Sri Lanka Governor Nandalal Weerasinghe predicted that if the current trend of monetary policy was followed, inflation could drop to 4-5 percent by the end of next year. The NCPI captures broad retail price inflation across the island nation and is released with a lag of 21 days every month. The Colombo Consumer Price Index (CCPI), released at the end of each month, is more closely monitored. It acts as a lead indicator for broader national prices and shows how inflation is evolving in the biggest city of Colombo.
The CCPI eased to 61 percent in November, data showed last month. In September, Sri Lanka reached a preliminary deal with the International Monetary Fund for a $2.9 billion bailout but it needs to get its debt on a sustainable track and put its public finances in order before funds can be disbursed.

EU Nations Agree Gas Price Cap to Shield Consumers

European Union (EU) nations have agreed to cap soaring wholesale gas prices to protect consumers across the bloc. From February 15, 2023, prices will be limited if they breach 180 euros per megawatt hour for three days running. It follows weeks of wrangling in which Germany and others

VOLUME 17 / ISSUE 51 / DECEMBER 23, 2022
IBP - A Company Set Up Under Section 42 of the Companies Act, 2017
economicletter
a weekly publication of The Institute of Bankers Pakistan

sought safeguards to ensure the cap would be suspended if it had negative consequences. Gas prices have spiked as EU countries seek ways to import less Russian gas following its invasion of Ukraine. Previously Moscow supplied 40 percent of the gas used across the bloc, but those flows have fallen sharply putting pressure on market prices. Jozef Skiela, the Czech minister of industry and trade said the EU had "succeeded in finding an important agreement that will shield citizens from skyrocketing energy prices". "Once again, we have proved that the EU is united and will not let anybody use energy as a weapon." In a statement, Kremlin spokesman Dimitri Peskov called the cap "unacceptable" and said it was an attack on market pricing. The cap comes after Europe's benchmark price for natural gas delivered via pipeline briefly surged to nearly 340 euros per megawatt hour this summer - more than three times what it is now. It is temporary and will last for a year, the European Council said.

Once the cap is activated, gas across the bloc will have to be sold at a level equivalent to or below the global price of liquefied natural gas (LNG), plus 35 euros.

This will last for at least 20 working days, the Council said, although the cap could be automatically deactivated if prices fell again. The measure has been months in the making, with EU governments starkly divided on how to implement it.

Some countries such as France and Spain wanted to urgently bring in a limit to protect consumers. But others including Germany, Austria and Denmark were concerned the measure would scare off suppliers of liquified natural gas (LNG) from the Middle East and elsewhere.

SNIPS

A Polluting Industry

The construction industry accounts for 38 percent of energy-related CO_2 emissions, according to the World Economic Forum.

In the end the sceptics backed the 180-euro cap, which was much lower than a 275-euro limit initially proposed by the European Commission. The cap will include a suspension mechanism that would kick in if energy supplies came under threat or demand began to surge. Poland's Prime Minister Mateusz Morawiecki hailed the agreement on Twitter on December 19, 2022.

"At the recent meetings in Brussels, our majority coalition managed to break the resistance - mainly from Germany," he wrote. "This means the end of market manipulation by Russia and its [main supplier] Gazprom."

MANAGEMENT VIEWS

How to Upskill Without Going Back to School

If you are not continuously learning new skills, you could become obsolete quicker than you might think. How can you build new expertise without leaving your job to pursue a traditional undergraduate or graduate degree? Here are some alternate pathways.

- **Certifications.** Certifications validate your knowledge and capabilities in a specific area—which is especially important if you are looking to transition careers and do not have a lot of work experience in the field you want to move into.
- **Online courses.** There is a wealth of learning platforms out there that allow you to learn on your own schedule. While taking individual classes may not seem comparable to a four-year degree, the outcome can be quite similar.
- **Internships or rotations.** If you are between jobs, an internship can help you get your foot in the door of a new organization or industry. If you already have a full-time job, consider whether your boss would allow for a rotation in another area of the organization.
- **Stretch assignments.** If you have the bandwidth, ask for work from another department at your organization that will teach you new or higher-level skills and give you an opportunity to demonstrate them on the job.
- **Mentorship.** Mentors can provide so much more than a listening ear. The right mentor can provide new perspectives on your gaps—and how to fill them.

(This tip is adapted from *5 Ways to Acquire New Skills Without Going Back to School*, by Marlo Lyons – HBR.)

To Gift, or Not to Gift?

Whether it is for your boss, a coworker, or a client, you should not feel obligated to give gifts around the holiday season. But if you do decide to spread some holiday cheer at work, here are some factors to consider. First, review the relevant regulations in your industry and your company's policies on gift giving. Many companies and industries (such as financial services and health care) have strict gift-giving policies to prevent bribery and conflicts of interest. Next, if you do decide to spend, do so modestly. Being too extravagant risks making someone feel uncomfortable. And if you are going to make it personalized, do not go overboard. It is perfectly fine to buy

VOLUME 17 / ISSUE 51 / DECEMBER 23, 2022
IBP - A Company Set Up Under Section 42 of the Companies Act, 2017
economicletter
a weekly publication of The Institute of Bankers Pakistan

a small gift that is related to someone's interests outside of work—for example, a book by their favorite author, a box of pastries you know they love, or a gift card to a local restaurant or movie theater. But avoid anything too personal, such as jewelry or clothing. Remember, while it is totally fine to have fun with a gift, be sure to avoid anything that could be seen as offensive. And do not underestimate the power of a simple, sincere, handwritten note. You do not need to spend money or give a material gift to give something thoughtful and bring a smile to your colleague's face.

(This tip is adapted from *8 Tips for Holiday Gift-Giving at Work*, by Rebecca Zucker – HBR.)

When Making Career Decisions, Embrace Feeling "Torn"

Inflection points in your career (like a promotion opportunity or job loss) often evoke feelings of ambivalence: the experience of positive and negative emotions at the same time. Ambivalence can feel uncomfortable, but you can use it to your advantage when faced with a big decision. Start by taking time to reflect. Approach your complex feelings with curiosity—not judgment—to identify what you feel and why. You might ask yourself a series of questions to unpack your feelings and jot down some notes. Make sure to relieve some pressure—if you can, give yourself a deadline that is not in the immediate future and allows you to devote time and energy to listening to your emotions and considering your options. Finally, remind yourself that no decision is permanent. Whatever you decide, it is just "for now." The beauty of most career decisions is that they are often reversible, or at least recoverable, and there will always be another chapter to your career down the line.

(This tip is adapted from *Embrace Ambivalence When Making Big Career Decisions*, by Brianna Barker Caza et al. – HBR.)

How to Handle Public Criticism from Employees

As a leader, all eyes are on you. Sometimes that attention will be positive—but when things go badly, not so much. If you are facing criticism from your employees, what is the best way to respond? Here are some strategies that can help when you are in the (public) eye of the storm.

- **Accept that it is part of the job.** Given the number of decisions you make each week, you will inevitably get things wrong and disappoint people from time to time. If you focus too much on the failures, you will risk losing confidence, clouding your judgment in the future.

- **Do not focus on fairness.** Rather than focusing on whether or not you deserve the blame, focus instead on solving the problem, responding to anyone who is been harmed, and learning from what happened.

- **Set the record straight with facts, not emotions.** Defensiveness will only fuel people's derision. If there is inaccurate information feeding the frenzied reactions, do what you can to replace it with facts.

- **Be humble, transparent, and open-minded.** Ask yourself what lessons you can learn from the experience. Do you need to lead differently? Have you made unfounded assumptions? Look closely enough, and you will find important insights.

- **Take action and report back.** Commit to a new direction, clarifying what you will change and how you will avoid repeating the problem—and update your team on progress over time.

(This tip is adapted from *How Leaders Should Handle Public Criticism*, by Ron Carucci – HBR.)

Editor: Muhammad Mazherul Haq | **Deputy Editor:** Shahla Naqvi | **Designed by:** Muhammad Jahangir Ishaq | **Email:** Publications@ibp.org.pk
Published by: The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

The Institute of Bankers Pakistan

JANUARY

Date	Workshop	Facilitator	Fee	Timings	
11 Wednesday	Handling of Image Based Clearing-SBP Regulations	Yawer Aijaz	PKR 9,500 *(Excluding Sales Tax)*	9:30 AM - 1:30 PM	VIRTUAL TRAINING
12 Thursday	Compliance and Regulatory Instructions on Foreign Exchange	Ejaz Qadri	PKR 9,500 *(Excluding Sales Tax)*	9:30 AM - 1:30 PM	VIRTUAL TRAINING
13 Friday	Reporting of STR for Trade Transactions - Live Scenario	Salim Thobani	PKR 9,500 *(Excluding Sales Tax)*	2:00 PM - 6:00 PM	VIRTUAL TRAINING

https://ibp.org.pk/wp-content/uploads/2022/12/IBP-TC-JANUARY-23.pdf