

Domestic Economic Roundup

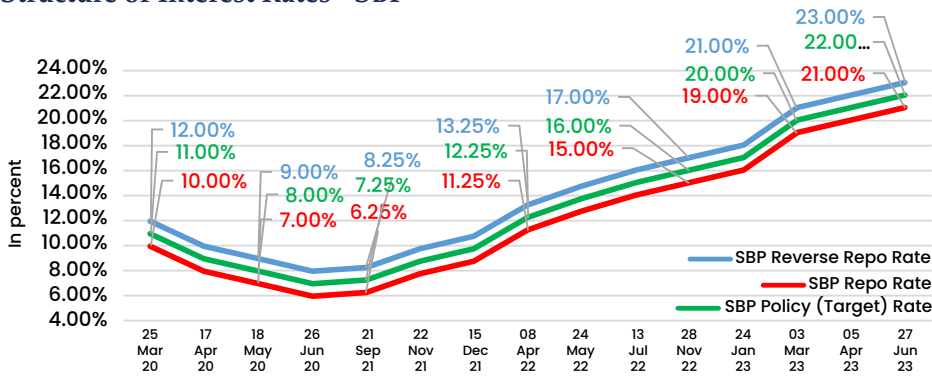
Key Money & Banking Indicators:

	Stocks at End - June 2022	Flows		Impact Since 1st July to	
		FY21	FY22	02-Jun-23	03-Jun-22
Total Deposits with Banks	19,934.8	2,595.0	2,615.1	1,344.3	1,131.9
Broad Money (M2)	27,602.6	3,389.7	3,304.9	2,467.5	1,901.7
Govt. Sector Borrowings (Net)	19,622.9	1,717.9	3,357.7	3,384.4	2,608.9
Credit to Private Sector	9,241.2	766.2	1,612.1	25.4	1,424.7

(rs in billion)

(Latest data is available up to June 02, 2023)

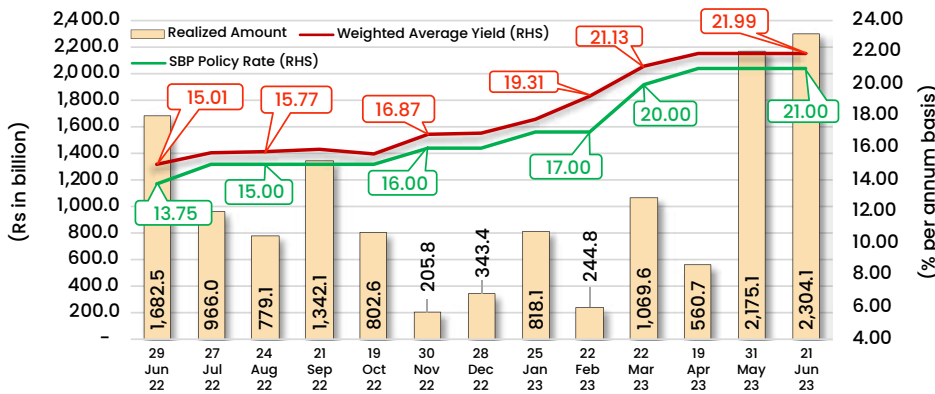
Structure of Interest Rates - SBP*



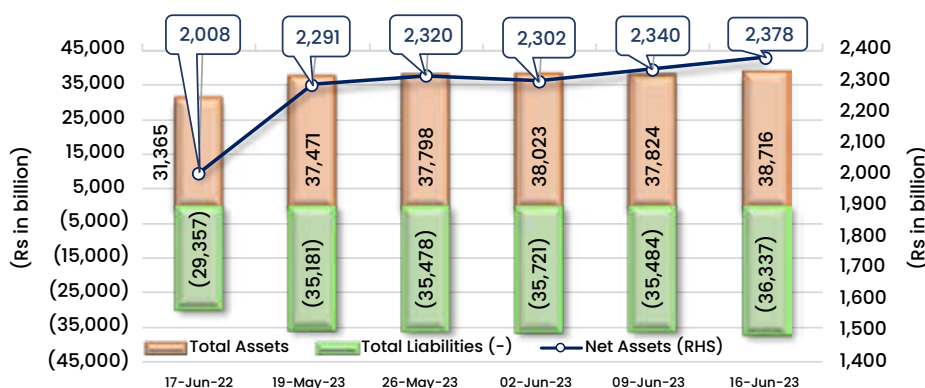
With effect from

* For definitions please read DMMD Circular # 1 of 2009 and Circular # 9 of 2015 available at sbp.org.pk

MTBs Acceptance (Auction+ Non-Competitive Bids)



Total Assets and Liabilities of Scheduled Banks



Markets at a Glance

Rates taken till Tuesday, June 27, 2023

SBP POLICY RATE

22.00% | Effective from June 27, 2023

KIBOR (6 MONTHS)

	Bid%	Offer%
Starting	21.88	22.13
Ending	22.72	22.97
Change	+0.84	+0.84

FOREX RATES

	GBP	EURO	USD
Starting	PKR 364.60	PKR 311.67	PKR 286.74
Ending	PKR 364.14	PKR 312.93	PKR 285.99
Change	-0.46	+1.26	-0.75

PAKISTAN STOCK EXCHANGE

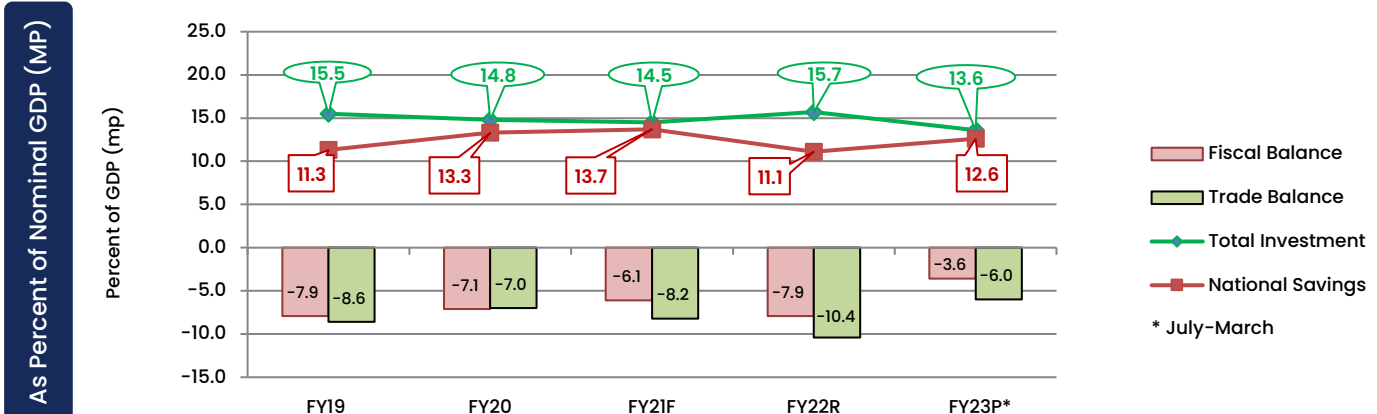
	100 Index
Starting	40,065
Ending	41,453
Change	+1,388

GOLD RATES*

	10 GM, 24K
Starting	PKR 176,531
Ending	PKR 177,393
Change	+862

Pakistan's Major Economic Indicators

Real Sector (Percent Growth)	FY19	FY20	FY21 ^F	FY22 ^R	FY23 ^P
Real GDP (2015-16 = 100)	3.1%	-0.9%	5.8%	6.1%	0.3%
Agriculture Sector	0.9%	3.9%	3.5%	4.3%	1.6%
Manufacturing Sector	4.5%	-7.8%	10.5%	10.9%	-3.9%
Services Sector	5.0%	-1.2%	5.9%	6.6%	0.9%
Real GDP (Rs in billion)	34,916.0	34,586.7	36,582.5	38,815.0	38,927.4
Nominal GDP (Rs in billion)	45,934.0	50,271.3	59,743.8	71,127.5	89,977.3
GNI (MP) PRS Per Capita	214,695	230,349	268,403	313,337	388,755
GNI (MP) US \$ Per Capita	1,578	1,458	1,677	1,766	1,568



CPI INFLATION	Annual Average			Year-on-Year		
	FY20	FY21	FY22	May 2022	Apr 2023	May 2023 ^P
General	10.7	8.9	12.2	13.8	36.4	38.0
Food (Urban)	13.6	12.4	13.4	15.5	46.8	48.1
Non-Food (Urban)	8.3	5.7	10.8	10.4	24.9	26.6

Currency in Circulation as on (Stock data)						Rs in billion
June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	Jun 03, 2022	Jun 02, 2023	
4,950.0	6,142.0	6,909.9	7,572.5	7,657.7	8,686.8	

Sources: i) Pakistan Economic Survey 2022-23, Finance Division ii) Pakistan Bureau of Statistics iii) Data published on SBP website | P = Provisional | R = Revised | F = Final

(latest data is available up to June 02, 2023)

SBP Decides to Raise the Policy Rate by 100 bps to 22.0 percent

In the statement after its meeting held on June 12, 2023, the Monetary Policy Committee (MPC) viewed the then monetary policy stance as appropriate to achieve the objective of price stability "barring any unexpected domestic and external shocks." The MPC further noted that, this outlook was "contingent on effectively addressing the prevailing domestic uncertainty and external vulnerabilities." The Committee, however, has noted two important domestic developments since the last meeting that have slightly deteriorated inflation outlook and which could potentially increase pressure on the already stressed external account. First, there are certain upward revisions in taxes, duties and PDL rate in FY24 budget as approved by the National Assembly on June 25, 2023. Second, the SBP, on June 23, 2023, withdrew its general guidance for commercial banks on prioritization of imports. While the MPC views these measures as necessary in the context of completion of the ongoing IMF program, they have increased the upside risks to the inflation outlook. The Committee views that additional tax measures are likely to contribute to inflation both directly and indirectly, while the relaxation in imports may exert pressures in the foreign exchange market. The latter may result in higher-than-earlier anticipated exchange rate pass-through to domestic prices.

With this background, the MPC convened an emergency meeting to respond to these developments. The MPC decided to raise the policy rate by 100 bps to 22 percent, effective June 27, 2023. The MPC views this action as necessary to keep real interest rate firmly in the positive territory on a forward-looking basis. This would help further anchor inflation expectations – which are already moderating over the last few months, and support bringing down inflation towards the medium-term target of 5–7 percent by the end of FY25, barring any unforeseen developments. The MPC views that today's decision – along with the expected completion of the ongoing IMF program and the government adhering to the target of generating a primary surplus in FY24 would help in addressing external sector vulnerabilities and reduce economic uncertainty. The Committee reiterated that it would continue to carefully monitor evolving economic developments and stands ready, if necessary, to take appropriate action to achieve the objective of price stability over the medium term.

ICCI for Further Strengthening Trade Ties with Japan

President Islamabad Chamber of Commerce and Industry (ICCI) Ahsan Zafar Bakhtawari on June 25, 2023, urged the need for further strengthening bilateral and economic relations between Pakistan and Japan to attain sustainable growth and development in the country. Japan is the third largest economy in the world with a GDP of \$4,940.9 billion and bilateral relations between Pakistan and Japan has a

history, he said this while talking to Economic Minister designated for Japan, Dr Irfan Abbas Shah during his visit to ICCI.

Ahsan Zafar said that there are many possibilities for further improving trade relations between the two countries, adding that there are vast opportunities for Japanese investors to invest in different sectors of the national economy including dairy and automobile.

He said that the role of the embassy is very important to promote and develop diplomatic, trade and economic relations between both countries.

President ICCI urged the need to impart skill training to youth to fulfill the increasing labor demand of Japanese markets and urged the government to take Small and Medium Enterprises Development Authority (SMEDA) and other concerned institutions into confidence and form a comprehensive policy in this regard.

Besides, conducting courses for Pakistani youth to learn the Japanese language was also stressed to benefiting the existing potential. He stressed the need for establishing automobile spare parts manufacturing units in collaboration with Japan, which would absorb local skilled and semi-skilled labor force.

Speaking on the occasion, Economic Minister Dr Irfan Shah said that Japan was in dire need of skilled workers due to the lack of young population and Pakistanis can take advantage of this opportunity.

He said that the current volume of Pakistani exports to Japan is lower than its existing potential and urged the need to enhance it to its true potential. In the past, Japan has set up three plants in the automobile sector in Pakistan, but these plants could not go into manufacturing after assembling, due to several reasons.

The Japanese investors should be convinced to invest in Special Economic Zones in Pakistan, he said adding that there is scope for increasing the volume of bilateral trade in all sectors. He assured of playing his due role in bringing the business community of both countries closer.

SNIPS

Greener Pastures

Roughly half of workers globally are watching for or actively seeking a new job, according to Gallup's State of the Global Workplace: 2023.



Sahih al-Bukhari 2749

Promotion of Agro-Based Industry Stressed

Chairman Rice Research and Development Board Punjab Shahzad Ali Malik on June 25, 2023 stressed the urgent need for the promotion of an agro-based industry that's of immense importance to the country's economy. He said agro-industry contributes to GDP, earns foreign exchange through exports, promotes rural development, ensures food security, and adds value to agricultural products. Talking to a delegation of progressive farmers led Dr Muhammad Arshad Javed, he said a strong and vibrant agro-based industry is crucial for sustainable economic growth, poverty reduction and overall development, says a press release.

He said the agro-based industry is crucial for ensuring food security in Pakistan. With a growing population, it is essential to have a robust agricultural sector that can produce an adequate quantity of food to meet the domestic demand, he added.

Shahzad Ali said that value addition enhances the economic viability of agricultural products and increases their shelf life, marketability, and profitability. He said value-added products from the agro-based industry, such as processed foods, textiles, leather goods, and pharmaceuticals, have a higher value in both domestic and international markets, contributing to higher revenues and economic growth.

He said it is the development that leads to improved infrastructure, better access to markets, increased income levels, and improved living standards for rural communities. Besides, it helps in reducing rural-urban migration by creating employment opportunities locally and supporting the overall socio-economic development of rural areas, he added. He said agriculture has long been the backbone of Pakistan's economy, employing a large portion of the population that encompasses various sectors, including crop production, livestock farming, dairy, poultry, fisheries, and food processing.

International Economic Roundup

Facebook Owner Launches Virtual Reality Subscription Service

Facebook owner Meta has launched a virtual reality (VR) subscription service as it tries to make that part of its business profitable. Meta says paying users will get access to two new games a month. For the first three months of the year, the parent company of Instagram saw a \$4 billion (£3.1 billion) loss at its VR unit. Meta faces competition from firms including technology giant Apple, which unveiled its highly anticipated mixed-reality headset this month. On June 26, 2023, the company said the Meta Quest+ service, which costs \$8 a month or \$60 for an annual subscription, was compatible with its Quest 2, Quest Pro and upcoming Quest 3 headsets.

In 2021, Meta chief executive Mark Zuckerberg unveiled plans to build a "metaverse" - an online world where people can play games, work and communicate in a virtual environment, often using VR headsets. "Over time, I hope that we are seen as a metaverse company and I want to anchor our work and our identity on what we are building towards," Mr Zuckerberg said. In February last year, Meta unveiled several ambitious artificial intelligence projects, and Mr Zuckerberg described AI as "the key to unlocking the metaverse".

The company reported a profit of \$5.7 billion for the first three months of this year, surpassing market expectations. However, its Reality Labs division, which produces VR headsets and other products, reported a net loss of \$4 billion for the period. Earlier this month, Apple unveiled its Vision Pro mixed-reality headset, in its first major hardware launch in almost a decade. Apple's headset, which will be released early next year in the US, will be priced at \$3,499. That is considerably more than other headsets currently available in the market. Meta's VR headsets are priced between \$300 and \$1000.

Volatile Ruble Recovers from 15-Month Low after Aborted Mutiny

The ruble recovered from sinking to its lowest in nearly 15 months against the dollar on June 26, 2023, paring all intraday losses to strengthen as investors responded for the first time to an aborted mutiny by armed mercenaries in Russia over the weekend. Mercenaries led by Yevgeny Prigozhin withdrew from the southern Russian city of Rostov-on-Don overnight on June 24, 2023 under a deal that halted their rapid advance on Moscow but left questions about President Vladimir Putin's grip on power.



The ruble, under support from month-end tax payments that typically see exporters convert foreign currency revenues to meet local liabilities, was 0.5 percent stronger against the dollar at 84.29 by 1103 GMT, recovering after hitting 87.2300 in early trade, its weakest point since March, 2022.

It had gained 0.5 percent to trade at 91.9 versus the euro and firmed 0.6 percent against the yuan to 11.6, also recovering after hitting its lowest in more than two months against both currencies. On June 26, 2023 initial drop came as demand for foreign currency shot up over the weekend, when Russian banks had offered exchange rates well above the official rate beyond 90 to the dollar.

First Deputy Prime Minister Andrei Belousov said demand for foreign currency had increased sharply in about 15 regions. "On average, it was about 30 percent, but most active growth in demand for cash was recorded in southern regions - in Voronezh, Rostov and Lipetsk, as well as in large cities," Belousov said. "Demand there increased by about 70-80 percent."

Indonesian Economy Has Emerged from the Pandemic Performing Strongly

The International Monetary Fund (IMF) assesses that Indonesia has shown good economic recovery after the pandemic, supported by strong macroeconomic performance and prudent implementation of monetary and fiscal policies. Forward-looking policies and synergies have led Indonesia to face global challenges in 2022 with healthy growth, reduced inflationary pressures, and a stable financial system. Bank Indonesia welcomes the results of the IMF assessment of the Indonesian economy, as presented in the 2023 Article IV Consultation report released today (26/6).

The IMF Board of Directors extends appreciation and positive notes on the various policies pursued by Indonesian authorities. First, the achievement of the 3 percent deficit ceiling one year earlier than envisaged and commended authorities' commitment to fiscal discipline. Second, the monetary policy has been tightened appropriately to preserve price stability. Third, the financial sector remains resilient. Fourth, the recently adopted legislation on job creation and the financial sector while noting the importance of prompt implementation and continued reform momentum to promote an enabling business environment, enhance financial deepening, and mitigate the scarring effects of the pandemic. Fifth, Indonesia's diversification strategy focuses on downstream activities from its raw commodities. Sixth, the authorities' commitment to limit greenhouse gas emissions and deforestation.

In its report, the IMF projects that Indonesia's economic performance will remain strong with a slight moderation in 2023, given the tightening domestic policies and the normalization of global commodity prices. Nevertheless, the IMF is observing several risk factors that need to be monitored, particularly uncertain global economic and financial conditions that can potentially affect the growth outlook. The IMF delivered policy recommendations on normalizing fiscal and monetary policies towards the pre-pandemic settings, continuing financial sector policies that support inclusive growth, and broadening policy reforms to encourage medium-term growth.

The IMF's positive projection is in line with Bank Indonesia's assessment which estimates that the national economic growth rate will continue in line with the progress of the reform agenda. Bank Indonesia continues to strengthen policy synergy with the government and the relevant authorities to maintain macroeconomic and financial sector stability, to encourage business growth, specifically in priority sectors to support economic growth and exports, as well as advancing the green and inclusive economy and finance.

The Simplification of the Micro and Macro Prudential Framework by CBRT

The Monetary Policy Committee of the Central Bank of the Republic of Türkiye (CBRT) stated in its decision of June 22, 2023, that the existing micro and macro prudential framework would be gradually simplified, guided by impact analyses. As a first step in this context, the securities maintenance regulation is simplified to increase the functionality of market mechanisms and strengthen macro financial stability, and published in the Official Gazette.

The simplification process will continue in a gradual manner in line with the principles announced by the Monetary Policy Committee.

MANAGEMENT VIEWS



Responding to Poorly Delivered Feedback

Tough feedback can be hard to process, especially when it is delivered poorly. Whether you receive feedback from your boss, peer, or employee that is way too harsh, suspiciously nice, or somehow dishonest, how can you navigate your own emotions and respond productively? Start by figuring out how you are feeling—and do not judge yourself. Then take a step back to reconsider the substance of the feedback. Identify something helpful or constructive, even if it was not communicated well. Then, reward the person's candor. You might thank them for their honesty and, if you agree with their assessment, commit to an action plan that incorporates their perspective. Or, if you disagree with their feedback, respectfully explain why. Then, offer feedback on feedback: Communicate the impact of their delivery and how they might improve on it next time. Finally, take a step back and assess your relationship with this person. If they are unwilling to change the way they communicate next time, the relationship might not be worth saving.

(This tip is adapted from *When Your Boss Gives You Bad Feedback, Badly*, by Kim Scott et al.—HBR.)

Hire People with Disabilities

Employing people with disabilities is usually seen as a social cause— one best suited to nonprofits or the public sector. That's a mistake— and more important, a missed opportunity. Proactively including people with disabilities in your DEI efforts can lead to real competitive advantage in a few key areas.

- **Talent.** Disabilities often confer unique talents that make people better at particular jobs. Identify these opportunities and recruit people with disabilities accordingly. What is more, hiring people with disabilities makes a company more likely to be seen as an attractive employer for people without disabilities.
- **Culture.** The presence of employees with disabilities elevates the culture of your entire organization, making it more collaborative and boosting productivity. Colleagues of people with disabilities do not learn just to be more accepting of one another's limitations—seeing coworkers with disabilities succeed can inspire other employees and make them realize that they, too, can elevate their performance.

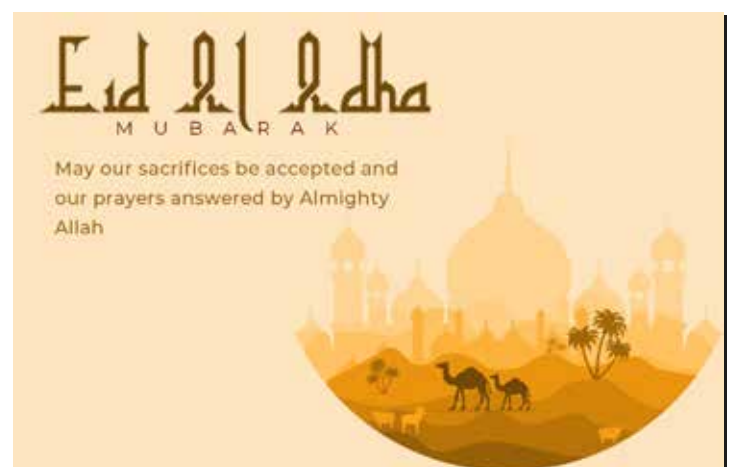
- **Customer relationships.** A reputation for inclusiveness will enhance your company's value proposition with customers, who will become more willing to build long-term relationships with your brand. Employing people with disabilities is not a substitute for good products or fine customer service— but it adds another dimension to your value proposition, which can help differentiate it in a crowded market.

(This tip is adapted from *Disability as a Source of Competitive Advantage*, by Luisa Alemany and Freek Vermeulen—HBR.)

Help Your Team Learn and Develop—Even When Budgets Are Tight

If training budgets have come under pressure in your organization, you will need to find cheaper, more targeted ways to address skills gaps on your team. Here are a few ways to ensure your employees get the learning and development they need to grow. First, consider launching a digital apprenticeship program. This approach will allow your employees to learn new skills from expert colleagues on the job. If you have the budget for it, you might also implement a tuition-assistance program aimed at frontline workers and encourage them to take online classes. Be sure to also look into whether your company has access to a learning management system (LMS) or a learning experience platform (LXP). These are software designed to help train employees on a variety of skills. Similarly, digital coaching services can connect your employees with remote coaches who can help them hone skills in certain areas. Finally, encourage your team to take cohort-based online courses. This will give them the opportunity to go through the learning process together.

(This tip is adapted from *5 Ways Companies Are Addressing Skills Gaps in Their Workforce*, by Anand Chopra-McGowan—HBR.)



JULY
2023

NIBAF-IBP TRAINING CALENDAR



01 NQ	Statistical Techniques for Market Risk Measurement	5-6 JULY 2023 10:00am - 05:00pm	FACILITATOR: Expert from Panel of Trainer from NIBAF	PKR 20,000 Plus Tax	Online
02 IBPFK	Government of Pakistan Ijara Sukuk	07 JULY 2023 9:30am - 1:30pm	FACILITATOR: Jawad Tahsin	PKR 10,000 Plus Tax	Online
03 NKZ	Legal & Regulatory Requirements for Account Opening	07 JULY 2023 09:00 am - 01:00pm	FACILITATOR: Iqbal Zaidi	PKR 12,000 Plus Tax	F2F, KHI
04 NIW	Hedging the Foreign Component of Project Finance	07 JULY 2023 09:30am - 05:00pm	FACILITATOR: Panel of Experts from Bank Treasury, Govt. Debt Office and market	PKR 12,000 Plus Tax Invitation only	F2F, ISB
05 NLS	Sanctions and Proliferation Financing Regime	10 JULY 2023 10:00am - 5:00pm	FACILITATOR: Nasir Mehmood Awan	PKR 12,000 Plus Tax	F2F, LHE
06 NIW	Branch Managers Certification Program (BMCP-4)	10-14 JULY 2023 09:30am - 05:00pm	FACILITATOR: Panel of Trainer from NIBAF, SBP and SBP-BSC	PKR 60,000 Plus Tax	F2F, Multan
07 NIM	Islamic Finance Professionals Program (IFPP-1)	10-21 JULY 2023 09:30am - 05:00pm	FACILITATOR: Expert Panel	PKR 144,000 Plus Tax Invitation only	F2F, ISB

<https://ibp.org.pk/wp-content/uploads/2023/06/NIBAF-IBP-TC-JULY-2023.pdf>



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