VOLUME 18 / ISSUE 14 / APRIL 07, 2023
IBP - A Company Set Up Under Section 42 of the Companies Act, 2017

economicletter

a weekly publication of The Institute of Bankers Pakistan

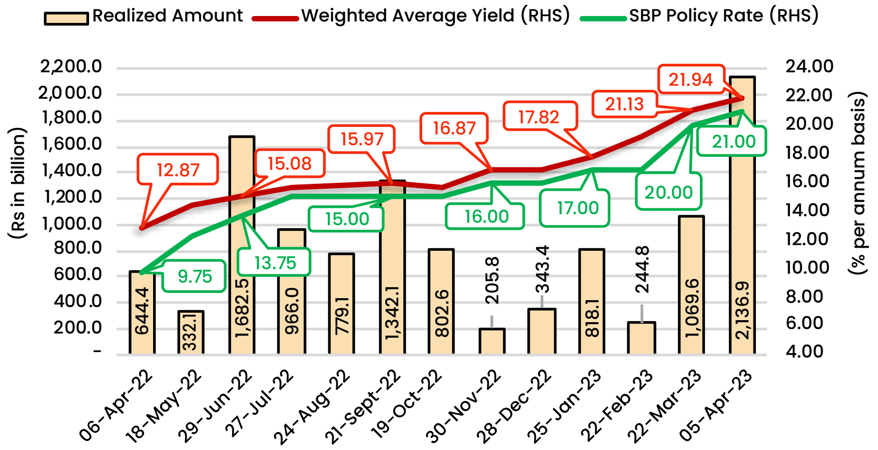
Domestic Economic Roundup

Key Money & Banking Indicators:

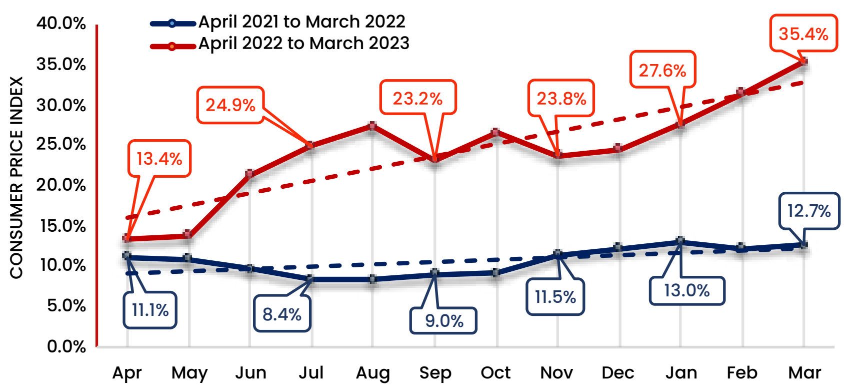
	Stocks at End - June 2022	Flows FY21	Flows FY22	Impact Since 1st July to 24-Mar-23	Impact Since 1st July to 25-Mar-22
Total Deposits with Banks	19,934.8	2,595.0	2,615.1	(276.1)	181.6
Broad Money (M2)	27,602.6	3,389.7	3,304.9	503.6	586.8
Govt. Sector Borrowings (Net)	19,622.9	1,717.9	3,357.7	2,362.9	885.2
Credit to Private Sector	9,241.2	766.2	1,612.1	266.4	1,036.6

(Rs in billion)

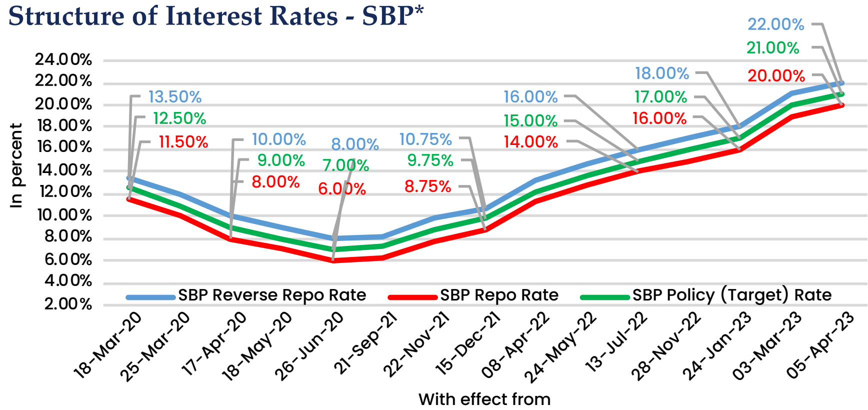
MTBs Acceptance (Auction+ Non-Competitive Bids)



CPI InflationTrend (YoY - April to March)



Structure of Interest Rates - SBP*



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

Markets at a Glance

Rates taken till Friday, April 07, 2023

SBP POLICY RATE

21.00% | Effective from April 05, 2023

KIBOR (6 MONTHS)

	Bid%	Offer%
Starting	21.82	22.07
Ending	21.82	22.07
Change	0	0

FOREX RATES

	GBP	EURO	USD
Starting	PKR 351.66	PKR 309.39	PKR 283.79
Ending	PKR 354.16	PKR 310.78	PKR 284.65
Change	+2.5	+1.39	+0.86

PAKISTAN STOCK EXCHANGE

	100 Index
Starting	40,001
Ending	40,050
Change	+49

GOLD RATES

	10 GM, 24K
Starting	PKR 180,063
Ending	PKR 186,233
Change	+6170

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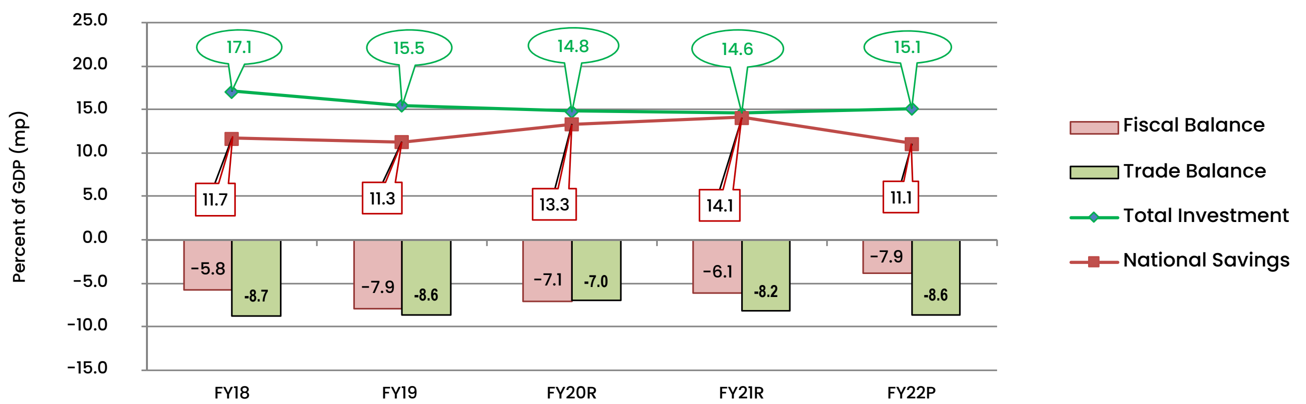
Pakistan's Major Economic Indicators

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	Mar 2022	Feb 2023	Mar 2023P
General	10.7	8.9	12.2	12.7	31.5	35.4
Food (Urban)	13.6	12.4	13.4	14.5	41.9	47.1
Non-Food (Urban)	8.3	5.7	10.8	10.4	20.8	24.1

Currency in Circulation as on (Stock data) — Rs in billion

June 30, 2019	June 30, 2020	June 30, 2021	June 30, 2022	Mar 25, 2022	Mar 24, 2023
4,950.0	6,142.0	6,909.9	7,572.5	7,298.5	8,353.3

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

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SECP Seeks Comments on Draft Amendments to NBFC Regulations, 2008

The Securities and Exchange Commission of Pakistan (SECP) has proposed on April 5, 2023 amendments in the Nonbanking Finance Companies (NBFC) and Notified Entities Regulations, 2008 to facilitate adoption of new technologies, improve ease of doing business and enhance investor protection. The draft amendments have been placed on SECP's website for public consultation.

The key proposed amendments include provisions to enable the launch of digital fund management, lending, and trustee services. Provisions also include to enable Asset Management Companies (AMCs) to promptly notify unitholders of account activity and maintain confidentiality of client information. Redundant and superfluous provisions were also removed.

Additionally, the 100 percent equity cap on total unsecured exposure has been eliminated. Lending NBFCs that have recently received licenses have been given a year to meet the minimum investment requirement in their primary business. Investment Advisors can now provide portfolio management services to all investors in accordance with global best practices, as are countries like Canada, India, and Malaysia. The deadline for submitting CEO applications has been increased from 10 to 30 days.

Furthermore, enabling provisions have been introduced to allow certain financial institutions to distribute units of CIS/VPS without obtaining a license, subject to compliance with S&FA Regulations.

The proposed amendments draft can be accessed at SECP website at: https://www.secp.gov.pk/document/s-r-o-423i-2023-amendments-in-nbfcregulations-2008/?wpdmdl=47428&refresh=642d41213e1361680687393.

SECP invites feedback from stakeholders on the proposed amendments, which can be submitted at following email address ateeq.ahmed@secp.gov.pk.

Pakistani Textile Merchants Explore Chinese Market

Pakistan has been exporting cotton and yarn to China for 40 to 50 years and now Pakistani textile merchants are trying to develop exports of fabrics and ready-made garments, said Usman Saeed, head of the China operations of a Pakistani textile company.

Talking to media at the Inter textile Expo held in Shanghai, Usman said the international textile exhibition provided a platform to showcase Pakistani products.

Pakistani exhibitors can also benefit from the state-of-the-art technologies and trends from their Chinese counterparts, he added.

Usman hoped that more Chinese enterprises would participate in the upcoming 4th International Textile Expo to be held in Karachi on next month for technical and professional exchanges, an international news agency reported on April 05, 2023.

There will be products ranging from raw materials to finished goods at the expo that are competitive in price and quality all around the world, he added.

Pakistan is a leading textile country with production capacity spanning the whole industrial chain. Most of its textile products are exported to Europe and America. Usman's company has also contributed to Pakistan's textile exports by manufacturing for international sports brands.

Believing that China's large population, with its diverse tastes, could make room for many products, the company started its business in China in 2016 by opening an office in Dongguan, Guangdong.

Usman sees a golden opportunity to tap the Chinese market, where dying and processing policies are becoming more stringent. With the development of high technology, the rising labor cost in China has challenged the development of labor-intensive textile manufacturing industry.

Pakistan's men's garments export to China increased by nearly 33 percent in 2022 and its T-shirt export to China reached $ 5.53 million in the first two months of 2023, up 106 percent compared with the same period in 2022.

The figures boost confidence in Pakistan's ailing textile industry, which is teetering on the brink of default, and highlight its pillar status and potential, said Usman.

It only takes seven days to export textiles by land from Pakistan to China with zero tariff. Usman and his team are working hard to make the most of these huge benefits. "We have Chinese technicians working with us in our Pakistani factory to produce fabrics that meet Chinese standards. We hope that in the near future, more fabrics and garments produced by Chinese standards can be exported to China and around the world," Usman concluded.

Pakistan's Exports to Afghanistan Increase 17.0 percent in 8 Months

Pakistan's export of goods and services to Afghanistan witnessed an increase of 17.0 percent during the first eight months of the current fiscal year (2022-23) as compared to the exports of the corresponding period of last year.

The overall exports to Afghanistan were recorded at US $346.5 million during July-February (2022-23) against exports of US $296.1 million during July-February (2021-22), showing growth of 17.0 percent, State Bank of Pakistan's (SBP's) data revealed.

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On a year-to-year basis, the exports to Afghanistan also increased 60.49 percent from US $38.222 million in February 2022, against the exports of US $61.345 million in same month this year.

Meanwhile, on a month-on-month basis, the exports to Afghanistan also surge 82.6 percent during February 2023 as compared to the exports of US $33.6 million in January 2022, the SBP data revealed.

On the other hand, the imports from Afghanistan into the country during the period under review were recorded at US $ 13.5 million against US $119.3 million last year, showing a decline of 88.7 percent in July-February (2022-23).

On a year-on-year basis, the import for Afghanistan also decreased by 98.9 percent from US $13.7 million in February 2022, to US $0.15 million in February 2023.

On a month-on-month basis, the imports from Afghanistan into the country increased by 11.0 percent during February 2023, as compared to the imports of US $0.14 million during January 2022, according to the data released by the SBP.

Pakistan Needs Sustained Macro-Fiscal, Structural Reforms to Overcome Economic Challenges

The World Bank (WB) on April 04, 2023 said that Pakistan required committed efforts for sustainable macro-fiscal and structural reforms to overcome the economic challenges confronted by the country.

"This is needed both to unlock fresh financing and avoid a balance of payments crisis and lay the foundation for a recovery of private investor confidence and higher growth over the medium term," WB Country Director for Pakistan Najy Benhassaine said while releasing the latest Pakistan Development Update: Recent Economic Developments, Outlook and Risks.

The report noted that the outlook and progress with the International Monetary Fund (IMF) – Extended Fund Facility (EFF) Program depended heavily on securing new official external financing, with ongoing delays contributing to a further deterioration in confidence.

To facilitate new external financing, regain stability and establish a base for medium-term recovery, it said the government must maintain overall sound macroeconomic management, including a flexible exchange rate and controlling inflation through the adoption of an appropriate monetary policy stance; increase revenues and rationalize expenditure (including reducing untargeted energy subsidies); and implement trade and private sector reforms to support improvements in investment, competitiveness and productivity. Pakistan's output growth could gradually recover in fiscal years 2024 and 2025, according to the report, if the required reform agenda was rapidly implemented with strong political ownership and adequate eternal support. "Growth will remain below potential, however, while external adjustment continues," it said adding due to higher energy and food prices, inflation was projected to rise to 29.5 percent in FY2023, but moderate as global inflationary pressures decreased.

With dampened imports, it said the current account deficit was projected to narrow to 2.0 percent of the Gross Domestic Product (GDP) during the current fiscal year but widened to 2.1 and 2.2 percent of the GDP in FY24-FY25 respectively as import controls eased.

"The fiscal deficit, excluding grants, is projected to narrow to 6.7 percent of the GDP in FY23 and further over the medium term as fiscal consolidation takes hold," the report said. The WB report said Pakistan's economy was expected to grow by only 0.4 percent in the current fiscal year ending June 2023. Over FY23, it said Pakistan faced devastating floods and increasing global commodity prices following the Russia-Ukraine conflict.

The WB experts also mentioned reasons behind the depletion of foreign exchange reserves and undermining of progress with planned fiscal consolidation, adding, "Rising macro risks and tighter global liquidity conditions curtailed Pakistan's access to the international capital market."

The report also mentioned the corrective measures, taken by the incumbent government to improve the national economy, like reducing subsidy spending, increasing energy tariffs and allowing the exchange rate to float leading to a sharp depreciation and alignment between the interbank and open rates.

Monetary Policy Committee Decides to Raise the Policy Rate by 100 Basis Points

In a meeting held on April 04, 2023, the Monetary Policy Committee (MPC) of State Bank of Pakistan decided to increase the policy rate by 100 basis points to 21 percent effective from April 05, 2023. The MPC noted that inflation in March 2023 rose further to 35.4 percent and is expected to remain high in the near term. However, there are early indications of inflation expectations plateauing, albeit at an elevated level. The MPC views today's decision as an important step towards anchoring inflation expectations around the medium-term target, which is critical for achieving the objective of price stability. The Committee further observed that Pakistan's financial sector remains broadly resilient, while economic activity continues to moderate.

Since the last meeting, the Committee noted three important developments having implications for the macroeconomic outlook. First, the current account deficit has narrowed considerably, more than previously anticipated, mainly on the back of sizable import containment. Nonetheless, the overall balance of payments position continues to remain under stress, with foreign exchange reserves still at low levels. Second, significant progress has been made towards completion of the 9th review under the IMF's Extended Fund Facility (EFF) program. Third, recent strains in the global banking system have led to further tightening of global liquidity and financial conditions. These have added to the difficulties of the emerging market economies like Pakistan to access international capital markets.

In this context, the MPC considers the current monetary policy stance appropriate, and stresses that decision, along with previous accumulated monetary tightening, will help achieve the medium-term inflation target over the next 8 quarters. However, the Committee noted that uncertainties attached with the global financial conditions as well as the domestic political situation, pose risks to this assessment.

As the MPC had anticipated, national CPI inflation further rose to 35.4 percent in March 2023, resulting in average inflation of 27.3 percent during Jul-Mar FY23. The MPC noted that the surge in inflation was broad-based, though a large part of it was contributed by food and energy components. This reflects the passthrough of increases in taxes and duties, unwinding of untargeted energy subsidies and the recent exchange rate depreciation. Importantly, core inflation has risen to 18.6 percent in urban and 23.1 percent in rural baskets, indicating the second-round impacts of the abovementioned adjustments. The Committee also viewed the increase in core inflation as partly driven by the elevated inflation expectations, as indicated by recent sentiment surveys. To anchor these expectations, the MPC views its current monetary policy stance as appropriate to keep the real interest rate in positive territory on a forward-looking basis.

For details, press release may be viewed at the following link: https://www.sbp.org.pk/press/2023/Pr-04-Apr-2023.pdf

Trade Deficit Narrows by 35.5 percent in 9 Months of FY23

The trade deficit witnessed a decline of 35.5 percent during the first nine months of the current fiscal year as compared to the corresponding period of last year, the Pakistan Bureau of Statistics (PBS) reported.

The trade deficit during July-March (2022-23) was recorded at $22.9 billion against the deficit of $35.5 billion in July-March (2021-22), a decline of 35.5 percent.

The exports during the period were recorded at $21.0 billion against $23.4 billion last year, showing a decline of 9.9 percent. On the other hand, the imports witnessed a sharp decline of 25.3 percent falling from $58.9 billion last year to $43.9 billion during the current fiscal year. On a year-on-year basis, the exports from the country witnessed a decline of 14.7 percent and were recorded at $2.4 billion in March 2023 against the exports of $2.777 billion in March 2022. The imports also decreased to $3.8 billion from $6.4 billion in March 2022, showing negative growth of 40.3 percent. On a month-on-month basis, the exports during March 2023 however increased by 8 percent when compared to the exports of $2.2 billion in February 2023. The imports into the country declined by 5.1 percent in March 2023 as compared to the imports of $4.0 billion in February 2023, according to the data.

Pakistan, Italy Sign Rs 500 million Agreement for Improved Healthcare of Children, Women Under BISP

Pakistan and Italy on April 04, 2023 reached an agreement under which funds amounting to Rs 500 million would be spent to ensure better healthcare facilities for children and women under the Benazir Income Support Program (BISP). The agreement was signed by Co-Director PIDSA (Pakistan Italy Debt Swap Agreement) Pakistan Islam Zaib, Co-Director PIDSA Italy Pietro Del Sette and BISP Director General Naveed Akhtar, a news release said. Among others, the signing ceremony here at the Ministry of Economic Affairs was witnessed by Secretary of Economic Affairs Division Dr Kazim Niaz and Italian Embassy's Charge d'Affaires Roberto Neccia, besides Italian Agency for Development Cooperation's newly appointed Director Francesco Zatta. Under the agreement, children, pregnant and lactating women in the targeted districts of Balochistan including Jhal Magsi, Khuzdar and Lasbella would be provided with improved health facilities.

The program would facilitate around 16,000 children below two years of age, by providing specialized nutritious food and taking care of immunization and regular health checks of mother and child in the above flood-affected districts of Balochistan. The Nahsonuma Program's objective is to prevent stunting in children under 2 years of age, improved weight gain of pregnant women during pregnancy, reduced anemia and micronutrient deficiencies, improved awareness of maternal and early child health and nutrition, reduced

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disease burden through improved uptake of available health and nutrition services and prevention of low birth weight. The whole program covers 156 districts of Pakistan through World Food Program and Benazir Income Support Program. In addition, a loan of 50 million Euros from the ECO Trade and Development Bank (TDB) has been signed and disbursed already, besides an amount of 20 million Euros from German state-owned investment and development bank – KfW grant has been secured for the same purpose. The instrument of financing is planned to be signed during G2G in Berlin in May this year. In addition to that, the French Development Agency (AFD) is also providing a grant of 45 million Euros for addressing the nutrition-related issues of the residents of the Newly Merged District (NMD) and four Southern districts of the Khyber Pakhtunkhwa.

The Ministry of Economic Affairs is also in negotiations with other donor agencies to secure more funds to address the issues of nutrition and improve the overall health conditions of the children, and pregnant and lactating women in the disaster-hit areas of Pakistan.

ADB Sees Pakistan's Economic Recovery with Robust Reforms

Asia Development Bank (ADB) on April 04, 2023 said Pakistan's economy continued to face strong headwinds but it had the potential to 'bounce back' with robust macroeconomic and structural reforms. "Pakistan's economy continues to face strong headwinds while last year's catastrophic floods have exacerbated the economic and financial challenges" said Country Director ADB Yong Ye in a news release while issuing *Asian Development Outlook (ADO) April 2023* flagship economic report.

"Yet, with a history of resilience in the face of adversity and depending on a fast return to stability twinned with robust macroeconomic and structural reforms, Pakistan can bounce back. ADB is committed to continuing to support Pakistan's economic recovery and development plans," he added. The country economic growth is expected to slow in FY2023 (ends June 30, 2023) in the wake of last year's devastating floods, ballooning inflation, a current account deficit, and an ongoing foreign exchange crisis, ADB report said.

Pakistan's gross domestic product (GDP) growth is projected to slow to 0.6 percent in FY2023 from 6 percent last fiscal year as the economy struggles to recover. Growth is forecast to rise to 2 percent in FY2024, assuming the resumption of macroeconomic stability, implementation of reforms, post-flood recovery, and improving external conditions. *ADO April 2023* noted that climate change poses a grave challenge to Pakistan's economic, social, and environmental development. According to the Global Climate Risk Index, the country has ranked among the 10 most vulnerable nations worldwide in the past 2 decades. Climate-induced extreme weather has led to thousands of fatalities and colossal losses in agriculture, infrastructure, and the economy. In FY2023, industrial growth is forecast to continue decelerating, which reflects fiscal and monetary tightening, a significant depreciation of the local currency, and higher domestic oil and electricity prices. The fiscal deficit is projected to narrow slightly to the equivalent of 6.9 percent of GDP in FY2023. If the International Monetary Fund (IMF) program remains on track, the deficit will likely continue to shrink in the medium term as measures to mobilize more revenues—such as harmonizing general sales taxes—gain momentum.

Average inflation is projected to more than double from 12.2 percent in FY2022 to 27.5 percent this fiscal year. Consumer inflation jumped to 25.4 percent in the first 7 months of the fiscal year on higher domestic energy prices, a weaker currency, flood-related disruptions to supply, and restraint on imports caused by the balance of payment crisis.

As a net importer of oil and gas, Pakistan will continue experiencing strong inflationary pressures for the rest of FY2023. ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty.

Pakistan, China Ought to Join Hands to Face Climate Change

Despite contributing less than 1 percent of global emissions, Pakistan was among the 10 countries most affected by the climatic impacts in the past two decades, noted Dr Ahmad Ali Gul, an expert of China Biodiversity Conservation and Green Development Foundation (CBCGDF) Climate Change Working Group. "Our agriculture-based economy is sensitive to climate-related shocks, and disasters can exacerbate the water security challenges," he said in an interview.

Half a month ago, Dr Gul, also Assistant Professor and Director of Center for Disaster Management, University of Management and Technology, participated in the disaster risk management symposium organized by the East Asian Biosphere Reserve Network (EABRN), making a speech on Pakistan's lessons and opportunities in the context of global climate change, China Economic Net reported.

"According to the official post-disaster needs assessment (PDNA) 2022, the damages and losses were USD 14.9 billion and USD 15.3 billion respectively, with roughly 33 million people affected, of which 8 million were displaced. Preliminary estimates suggest that, as a direct consequence of these floods, the national poverty rate could jump to 4.0 percent, pushing up to 9 million people into poverty," Dr Gul emphasized.

Even worse, Pakistan is one of the most water-stressed countries in the world. Only 36 percent of Pakistanis have access to safely managed drinking water, down from 38 percent in 2004. "Fundamentally, Pakistan's vulnerability to climate change is deeply linked with its socio-economic challenges and governance," he said.

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As per Dr Gul, besides the climate itself, other factors perpetuate a state of vulnerability and turn a hazard into a disaster. Domestic institutions at all levels still follow a response-centric approach to disaster management, and disaster risk management (DRM) is not integrated with the planning and development process, namely, development initiatives often end up increasing risk rather than decreasing it – causing maladaptation.

Dr Gul told that many of the critical infrastructures, including hospitals, major roads and power, were badly affected during the 2022 floods because it was located in high-risk areas without appropriate safeguard measures. Moreover, this situation is exacerbated by limited hydro-meteorological measurement and research.

So how can Pakistan get rid of the passive status quo to deal with the increasingly severe climate challenge proactively and constructively? "The communities which faced floods this year were facing drought a few years ago," Dr Gul mentioned, "small storages, dams, reservoirs and ecosystems-based solutions are needed to build climate resilience for these communities. Above all, awareness needs to happen at a community level. The easiest way is to facilitate and empower community-based-organizations (CBOs), and raise awareness at the school level."

Being both China and Pakistan own complex terrain, diverse climates and high population density, broad prospects of cooperation could be expected in disaster risk management. "We have some collaboration related to satellite monitoring technologies, but there is surely more potential." According to Dr Gul, advanced hydrological measurement systems, precipitation radars and flood protection infrastructures were some areas where Pakistan needs technological support and investment. "Making cities more sustainable through the adoption of nature-based solutions and green infrastructure in an urban setting is something that we should learn from China."

"Another thing that affects major parts of Pakistan is smog. We have some of the most polluted cities in the world. Thus, we can really learn from China's success story in improving air quality over a considerably short period of time."

When talking about future planning, Dr Gul also made a special mention of the role that the China-Pakistan Economic Corridor had played. "Poverty is one of the biggest factors contributing to climate vulnerability. CPEC is bringing very significant socio-economic benefits to Pakistan, which will certainly help improve the people's resilience and ability to respond to various climate disasters."

"Second, transportation infrastructure under CPEC can significantly improve the connectivity of the domestic transportation network. In particular, many remote areas that were once inaccessible now have safe and reliable road connectivity, which can greatly improve the disaster response time and disaster relief logistics."

International Economic Roundup

Meta Releases AI Model That Can Identify Items Within Images

Facebook-owner Meta published an artificial intelligence model on April 05, 2023 that can pick out individual objects from within an image, along with a dataset of image annotations that it said was the largest ever of its kind. The company's research division said in a blog post that its Segment Anything Model, or SAM, could identify objects in images and videos even in cases where it had not encountered those items in its training.

Using SAM, objects can be selected by clicking on them or writing text prompts. In one demonstration, writing the word "cat" prompted the tool to draw boxes around each of several cats in a photo. Big tech companies have been trumpeting their artificial intelligence breakthroughs since Microsoft-backed OpenAI's ChatGPT chatbot became a sensation in the fall, triggering a wave of investments and a race to dominate the space.

Meta has teased several features that deploy the type of generative AI popularized by ChatGPT, which creates brand new content instead of simply identifying or categorizing data like other AI, although it has not yet released a product. Examples include a tool that spins up surrealist videos from text prompts and another that generates children's book illustrations from prose.

Chief Executive Mark Zuckerberg has said that incorporating such generative AI "creative aids" into Meta's apps is a priority this year. Meta does already use technology similar to SAM internally for activities like tagging photos, moderating prohibited content and determining which posts to recommend to users of Facebook and Instagram.

The company said SAM's release would broaden access to that type of technology. The SAM model and dataset will be available for download under a non-commercial license. Users uploading their own images to an accompanying prototype likewise must agree to use it only for research purposes.

SAMA Awards License to Payment Fintech Company

The Saudi Central Bank (SAMA) licensed 'Rasid Payments Company for Financial Technology' to provide payment solutions through point of sales (POS). This addition brings the total number of payment companies licensed by SAMA to 24, in addition to six companies granted in-principle approvals.

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SAMA remains focused on supporting and enabling the fintech sector within the regulatory and supervisory guidelines for enticing a new segment of investors and companies that could bring added value to the sector and the economy. SAMA's active engagement in exploiting technology in financial services is aimed at contributing to the broader goals of Vision 2030.

SAMA's continuous support for payment services and fintech is in the context of increasing efficiency of financial transactions, and promoting innovative financial solutions for financial inclusion in the Kingdom. SAMA emphasizes the importance of dealing exclusively with licensed financial institutions. To view licensed institutions, visit SAMA's official website.

China's Economy Forecast to Grow 5 percent as Household Demand Recovers

China's economic growth is expected to increase to 5 percent in the current year, following the lifting of COVID-19 restrictions and the recovery of household demand, according to the *Asian Development Outlook (ADO) April 2023*, released by the Asian Development Bank (ADB). Consumer demand is expected to pick up after the lifting of COVID-19 restrictions at the end of 2022. However, the recovery may take time, given the reluctance of households to spend over the past 3 years amid pandemic-related uncertainty. "Fiscal spending, like infrastructure investment, will continue to be needed in the short run to catalyze economic recovery, in particular since external demand may ease in 2023 as growth in advanced economies cools," ADB Country Director for China, Safdar Parvez told media on April 04, 2023.

Consumer price inflation is expected to stay subdued in 2023 and 2024 as pass-through from higher producer prices has become less likely. Service prices may pick up, driven by higher household demand. Inflation was forecast at 2.2 percent in 2023 before easing to 2.0 percent in 2024, in line with slower economic growth, the report said. External trade was expected to moderate, and capital flows may be more balanced in 2023. As demand from advanced economies softens, exports would likely decline, though from a high base. Weaker exports of consumer and investment goods should restrain merchandise imports, while trade in services should pick up as outbound travel from China resumes, it added.

The report highlighted that boosting long-term potential growth was a policy challenge, calling for structural reform to allocate capital and credit more efficiently, address adverse demographics, strengthen human capital, and raise productivity. Economic growth was trending down before the pandemic. Keys to raising potential growth include state-owned enterprise reform and increasing domestic consumption, it suggested. About risks to the outlook, the report mentioned they include the unpredictability of the COVID-19 virus as new variants could undermine recovery in domestic consumption. "Another risk is that the recovery in consumption or in the housing market turns out slower than expected. An external risk is the global economy cooling faster or deeper than expected," it added. Head of Economics and Strategy Unit, Resident Mission, China, Akiko Terada-Hagiwara told the media that potential growth moderates as per capita income grows, even without the pandemic. She said that potential GDP growth was estimated to moderate from above 5 percent to an average of 2 percent by 2040 and recommended structural reforms to increase potential growth.

Terming capital as still the biggest contributor to growth in the future, she said that reallocation of capital and credit sectors with higher returns would raise potential growth. Akiko said that the shrink in the labor force would increasingly weigh on growth and recommended delaying retirement age and higher female labor participation to meet the challenge.

Deputy Governor Paul Beaudry to Leave the Bank of Canada

The Bank of Canada announced on April 04, 2023 that Deputy Governor Paul Beaudry will leave the bank at the end of July 2023. Mr Beaudry will return to his academic position at the University of British Columbia. Mr Beaudry was appointed as a Deputy Governor in February 2019 and assigned as one of two Deputy Governors responsible for overseeing the bank's financial system activities. Since December 2020, he has been responsible for overseeing the bank's analysis of international economic developments in support of monetary policy decisions. He has also served as the bank's G7 and G20 Deputy. Before his appointment to the Bank of Canada, Mr Beaudry was a professor of economics at University of British Columbia's Vancouver School of Economics.

Governor Tiff Macklem praised Mr Beaudry's invaluable contributions to the bank's policymaking, research and global engagement activities during his time at the Bank of Canada. "Paul has been a crucial member of the Governing Council team during one of the most challenging periods in the bank's history. We have benefitted immensely from his expertise and thought leadership, his boundless energy, and his exceptional communication skills," Governor Macklem said. "Most of all, we have benefited from Paul's commitment to team-work – whether that's been as a member of Governing Council, in all of his collaborations with Bank of Canada staff, or as a member of the international policy-making community. Paul has had a profound impact on everyone he has worked with and he will be missed. We wish Paul every success in his return to UBC and look forward to continuing our long-standing relationship with him as one of Canada's foremost academics." The bank will soon undertake an internal recruitment process for the Deputy Governor position that will be vacated upon Mr Beaudry's departure.

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Global Central Banks Keep Up Inflation Fight in March

The pace of interest rate hikes by major developed and emerging market central banks continued at a healthy clip in March though the scale of rises tapered off somewhat as turmoil in the banking sector clouded the outlook for global growth. March saw six interest rate hikes across eight meetings by central banks overseeing the 10 most heavily traded currencies. Policy makers in Australia, Switzerland, Norway and Britain joined the US Federal Reserve and the European Central Bank in lifting key lending rates by a total of 200 basis points (bps). Policy makers in Japan and Canada kept benchmarks unchanged. This follows six interest rate hikes delivering 250 bps of uplift across six meetings by G10 central banks in February. March was a roller coaster for markets and policy makers, with rising expectations that the US. Federal Reserve's rate could peak at 6 percent, before a collapse of a number of US banks and the Credit Suisse crunch rocked global markets, raised concerns over financial stability and clouded growth prospects. "The Fed and other central banks made clear banking troubles would not stop them from further tightening," Wei Li, global chief investment strategist at the BlackRock Investment Institute, wrote in a note to clients.

"By clearly separating financial and price stability goals and tools, major central banks carried on with rate hikes through the tumult." However, the world's top central banks are openly contemplating an early end to their rate hikes, not least because of the recent financial turmoil. On the flipside, oil prices surging on April 03, 2023 on the back of a surprise OPEC production cut could add to fresh inflation pressures, analysts said. In emerging markets, a slowdown in the rate hike push was more evident. Fourteen out of 18 central banks in the International news agency's sample of developing economies met to decide on rate moves, but only five hiked by a total of 150 bps - Mexico, Thailand, the Philippines, Colombia as well as South Africa, which delivered a bigger than expected 50-bps rate hike. The other nine left rates unchanged. This compares with February, when 13 emerging central banks met and only four hiked by a total of 175 bps. "We are almost at the end of the hiking cycle," Alessia Berardi, senior economist at the Amundi Institute, said.

ICBC to Continue to Promote International Operations

Despite facing geopolitical risks, rising unilateralism and protectionism and strengthened requirements for compliance management this year, the Industrial and Commercial Bank of China (ICBC) will continue to promote international operations, a senior executive of the bank said on April 01, 2023. As China accelerates its opening-up policy, high-quality internationalized financial services will be needed for increasing cross-border economic and trade investment, expanding global industrial and supply chains, and promoting cross-border flows of enterprises and residents, said Guan Xueqing, board secretary of ICBC, at a news conference announcing its 2022 annual results.

As China's largest state-owned commercial lender by assets, the ICBC said it will continuously expand and deepen global operations and create new drivers of growth. During the process, it will ensure that operational risk is controllable, China Daily quoted Guan as saying. "We will strengthen the linkage management of risks both domestically and overseas, enhance the compliance management capability of our overseas institutions, make proactive risk judgments, and efficiently respond to various significant uncertainties that may arise in the future," he said. Last year was the 30th anniversary of the internationalization of ICBC.

Over the last 30 years, the bank has gradually built a global service network covering 69 countries and regions. In the past decade, the average annual growth of its overseas assets exceeded 10 percent, and the average annual growth of its pretax profits exceeded 8 percent, Guan said. Last year, overseas institutions of ICBC posted a pretax net profit of $3.9 billion, up 15 percent year-on-year. The asset quality of its overseas institutions remained in good condition, with the nonperforming loan ratio being only 0.8 percent, declining by 0.1 percentage points, Guan said. The volume of international settlement at its domestic branches increased by 8 percent year-on-year, while the volume of its cross-border settlement grew by 5 percent. The bank made new breakthroughs in business expansion. From last year to the beginning of this year, China's central bank appointed ICBC as the clearing bank for Laos, Kazakhstan, Pakistan, and Brazil. Currently, ICBC acts as a clearing bank in 11 countries. In terms of foreign investment and trade services, the ICBC provided strong financial support for key foreign-funded and foreign trade enterprises. The total amount of financing reached 1.17 trillion yuan ($170.2 billion) last year, increasing by 25.8 percent year-on-year. In terms of expanding drivers of growth, the ICBC was approved as one of the first pilot institutions for Southbound Trading under China's Bond

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Connect program and gained the qualifications for providing foreign exchange payment and settlement for parties to a cross-border e-commerce transaction. These businesses are becoming the new driving force and growth points for the bank's international operations, Guan said. Meanwhile, its front-line foreign exchange business operating capability and foreign exchange compliance management capability have significantly improved, he added.

MANAGEMENT VIEWS

Keep Up Your Confidence During a Long Job Search

If you have lost your job, it can be hard to stay positive and remember your past successes. But in order to sell yourself to prospective employers and land the next job, you need to believe in your abilities. Here is how to hold onto your confidence during a lengthy job hunt.

- **Write down 10 reasons why you are successful—and read them every morning.** What led to your past accomplishments? What skills do you possess? What relationships do you value? Remind yourself of these facts every day.

- **Set daily and weekly goals.** Determine the specific period of time you will spend updating your resume, practicing interviewing, researching opportunities, and applying to jobs. And do not just look at your career—consider personal goals you have not had time to reach.

- **Network.** Reach out to former colleagues, managers, and classmates. You do not have to do this alone.

- **Take care of yourself.** Job hunting can be exhausting. Take time to do things you are good at or love, such as playing a sport, biking, or simply reading a book. Adding low-pressure, achievable goals to those activities—for example, "I will read 30 pages a day," or "I will bike 10 miles this week"—can help you feel accomplished.

- **Volunteer.** This is a great way to keep your skills sharp and even develop new ones. Bringing your expertise to a volunteer space will remind you of your value, and helping others will boost your confidence, gratitude, and mood.

(This tip is adapted from *Keeping Your Confidence Up During a Lengthy Job Search*, by Marlo Lyons – HBR.)

SNIPS

The Tactile Feel of Books

Driving up sales of printed books, 68 percent of Gen Z readers in the US prefer the written word over its digital counterpart, according to the World Economic Forum.

Get More Comfortable Delegating to Your Team

Giving employees autonomy to make decisions and solve problems is critical for your team's innovation, performance, and motivation. But for many managers, trusting your team's ability to self-manage is easier said than done. Here is how you can mentally prepare to delegate. Reflect on what is held you back from empowering people to make decisions in the past. Is a specific failure haunting you? Are you a controlling person by nature? What were your feelings when you delegated in the past, and what can you learn from them? Next, plan for a gradual transition of responsibilities. Start by giving low-risk decisions to capable people. This approach will help you build up confidence in yourself as a delegator—and in your employees as decision-makers—before you distribute responsibility more widely. Think of this as an opportunity to grow. As you develop as a leader, it is natural to shift your focus from small, in-the-weeds decisions to bigger-picture ones that inform strategy, innovation, and growth. Embrace these newer, higher-stakes responsibilities. Finally, remind yourself that increased autonomy is good for your team's morale. The best leaders give their people opportunities to develop and harness their own insights.

(This tip is adapted from *5 Strategies to Empower Employees to Make Decisions*, by David Lancefield – HBR.)

Boost Your Team's Creativity

Creativity is critical for innovation, and bringing it out in your team requires a lot more than simply scheduling brainstorm meetings and whiteboarding sessions. Here is how to foster a culture of creativity.

- **Generate lots of ideas—even bad ones.** When you want your team to solve a creative problem, try implementing an "idea quota": a deliberate practice of generating lots of options to solve a problem instead of going back and forth trying to arrive at the "right" answer. Pushing people to come up with multiple ideas can unlock less-obvious solutions.

- **Emphasize that failure is a necessary part of experimentation.** Take some of the pressure off. Sometimes, discovering what works starts with discovering what does not.

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- **End the culture of "schedule Tetris."** Remind your team—and yourself—that protecting open, unscheduled time on their calendars is not only permissible, but necessary for innovation.

- **Appreciate problem-finding.** Throw out the old leadership adage, "Do not bring me problems, bring me solutions." Routinely ask your team for input on what is not working, what is missing, and where the status quo falls short. Problems are a prerequisite for innovation.

(This tip is adapted from *5 Ways to Boost Creativity on Your Team*, by Jeremy Utley and Perry Klebahn – HBR.)

Does Your Prospective Employer Have a Burnout Culture?

When you are looking for a new job, how can you identify if a prospective employer has a burnout culture? Here are some red flags to look out for and questions to ask during the interview process.

- **Lack of autonomy.** To assess how much choice you will have over how and when you will work, ask your interviewer questions like: Will I have flexibility over when I do my work during the day? How do you assign workloads and deadlines?

- **Lack of fairness.** To learn how invested the company is in equity, ask: What sort of employee data do you collect? How are promotions decided? Do you have a diversity officer? How many people are on the DEI team?

- **Lack of reward.** To get a sense of the potential employer's investment in your career growth, ask: What are the criteria and processes for promotions? How often are people promoted in this unit? Do you have a professional development budget?

- **Lack of community support.** To assess whether you will be working on a supportive team, ask: How do you give feedback to employees? Can you describe how you handle mistakes on your team? How does your team manage conflict?

- **Unsustainable workload.** To understand how a potential employer values your time both inside and outside of the workplace, ask: What are standard work hours? How often do people have to work on weekends? What is the culture around emails and direct messaging?

(This tip is adapted from *How to Tell If a Potential Employer Has a Burnout Culture*, by Emily Stark et al. – HBR.)

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APRIL

Date	Workshop	Facilitator	Fee	Timings	
08 Saturday	FATF Sanctions and Regulatory Framework of AML/CFT	Kamran Hyder	PKR 9,500 *(Excluding Sales Tax)*	9:00 AM - 1:00 PM	VIRTUAL TRAINING
11 Tuesday	International Standard Demand Guarantee Practice for URDG 758 (ISDGP) & Latest SWIFT MTS on Guarantees	Aqeel Muslim	PKR 9,500 *(Excluding Sales Tax)*	9:00 AM - 1:00 PM	VIRTUAL TRAINING
11 Tuesday	Compliance Management, Regulatory Violations and Precautionary Measures	Beenish Mustafa	PKR 9,500 *(Excluding Sales Tax)*	9:00 AM - 1:00 PM	VIRTUAL TRAINING
12 Wednesday	Impact of Digital Innovation on Banking	Nawroz Muhammad Ali	PKR 9,500 *(Excluding Sales Tax)*	9:00 AM - 1:00 PM	VIRTUAL TRAINING
13 Thursday	Cloud Computing and Security	Murtaza Lightwala	PKR 9,500 *(Excluding Sales Tax)*	9:00 AM - 1:00 PM	VIRTUAL TRAINING
15 Saturday	Payment Systems Security	Syed Muhammad Taha	PKR 9,500 *(Excluding Sales Tax)*	9:00 AM - 1:00 PM	VIRTUAL TRAINING
17 Monday	Green Business Facilitation: Need of the Hour	Dr Syed Asim Ali Bukhari	PKR 9,500 *(Excluding Sales Tax)*	9:00 AM - 1:00 PM	VIRTUAL TRAINING
18 Tuesday	Reporting of Foreign Exchange Returns	Ejaz Ahmed Qadri	PKR 9,500 *(Excluding Sales Tax)*	9:00 AM - 1:00 PM	VIRTUAL TRAINING

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