



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 06

FEBRUARY 04, 2021

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

PAKISTAN TIDINGS

COVID-19: Impact of SBP's Measures as of January 29-February 02, 2021

			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	10.0
Loans Restructured	228.0	Loans Approved for Investment	323.0
Loans Approved for Wages*	238.0	ATMs' Availability	98 percent

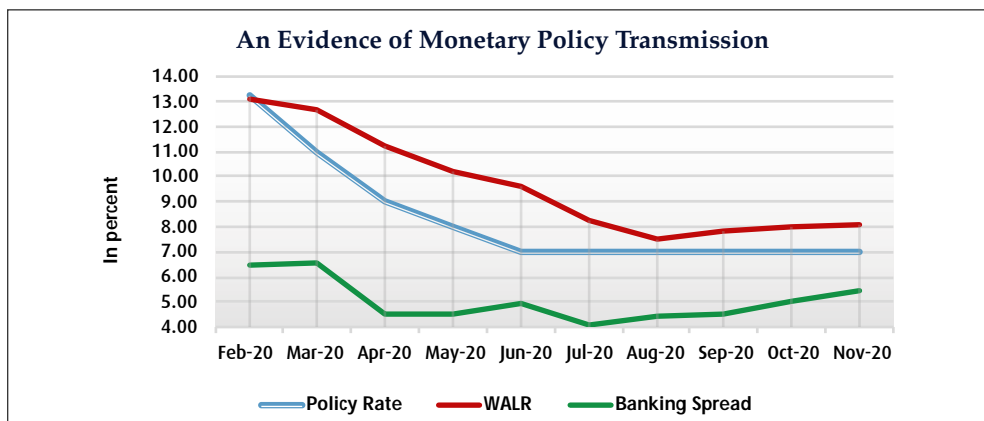
* This Scheme is no longer available, therefore, the data will not be updated after November 13, 2020.

Strong Transmission of Monetary Policy Seen During COVID-19

Since the eruption of COVID-19 pandemic, Monetary Policy Committee (MPC) of State Bank of Pakistan (SBP) reduced the policy rate by a cumulative 625 basis points from 13.25 percent to 7 percent in a short span of time from mid-March to June 2020. This is one of the largest reductions in the policy rate among the emerging economies during pandemic. The major factors prompting aggressive reduction in the policy rate was a sharp fall in inflation and continued economic slowdown. During the challenging times, the focus of monetary policy shifted toward supporting growth and employment. Recently, in its meeting held on January 22, 2021, the Monetary Policy Committee (MPC) decided to maintain the policy rate at 7 percent.

While SBP's growth oriented policies announced in the wake of ongoing pandemic have been widely successful, the role of commercial banks in their effective implementation cannot be left unattended. Complying with the SBP's changed policy stance, commercial banks were seen providing unparalleled support to the investors by quickly reducing the lending rates.

In February 2020, a month prior to easing of monetary policy stance, the weighted average lending rate (incremental) (WALR) which was at 13.10 percent, came down as low as 7.51 percent in August 2020. Consequently, the banking spread during the same period declined by 200 basis points, a reflection of bankers' attitude of trading off their profits on keeping WALR correspond to SBP policy rate.



MARKETS AT A GLANCE

Rates taken till Thursday, February 04, 2021*

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.31	7.56
ENDING	7.32	7.57
CHANGE	0.01	0.01

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 219.19	PKR 193.90	PKR 160.10
ENDING	PKR 217.37	PKR 191.95	PKR 159.99
CHANGE	-1.82	-1.95	-0.11

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	46,385
ENDING	46,905
CHANGE	520

GOLD RATE

(10 GM, 24K)

STARTING	PKR 96,587
ENDING	PKR 96,622
CHANGE	35

*Due to public holiday on account of Kashmir Solidarity Day



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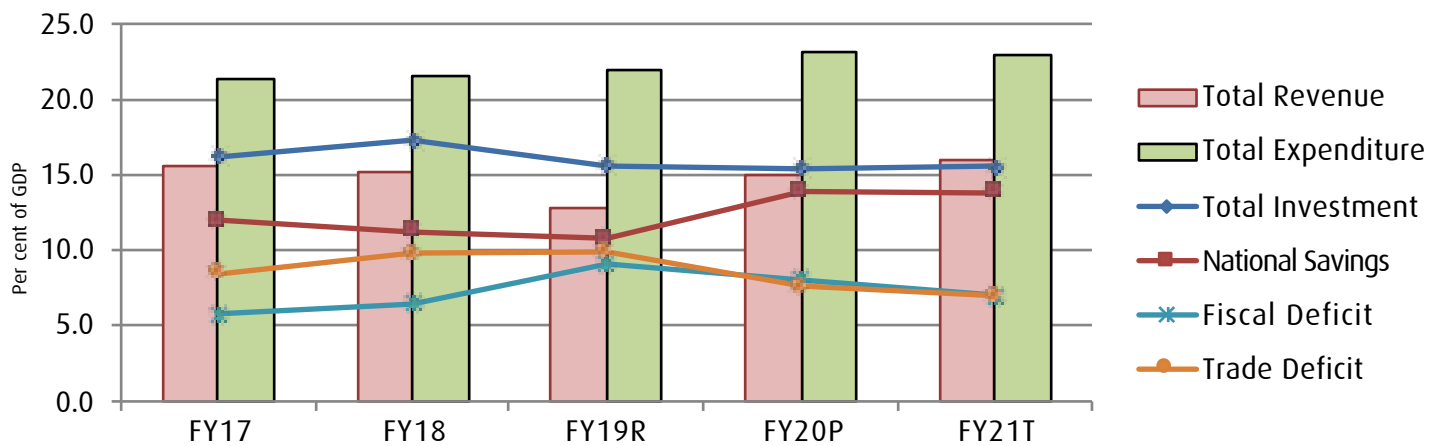
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A Company Set Up Under Section 42 of the Companies Act, 2017

Pakistan's Major Economic Indicators

Real Sector (Percent Growth)	FY17	FY18	FY19 ^R	FY20 ^P	FY21 ^T
GDP (Real)	5.5	5.5	1.9	-0.4	2.1
Agriculture Sector	2.2	4.0	0.6	2.7	2.8
Industrial Sector	4.6	4.6	-2.3	-2.6	0.1
Services Sector	6.5	6.3	3.8	-0.6	2.6
GNP (mp) Rs. Per Capita	170,672	181,453	198,028	214,539	229,519
GNP (mp) US \$ Per Capita	1,630.1	1,651.9	1,455.1	1,355.0	1,408.1

As Percent of GDP (mp)



CPI INFLATION (YoY%)	FY17	FY18	FY19	FY20	NOV 2020	DEC 2020
General	4.8	4.7	6.8	10.7	8.3	8.0
Food (Urban)	4.3	3.8	4.6	13.6	13.0	12.6
Non-Food (Urban)	5.1	5.8	8.5	8.3	3.4	3.8

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	January 15, 2021	January 22, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,425.1	6,406.7

T = Target | P = Provisional | R = Revised

Sources: i) Annual Plan 2020-21, Planning Commission | ii) Pakistan Economic Survey 2019-20, Finance Division
iii) Data published on SBP website



Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	22-Jan-21	15-Jan-21	24-Jan-20	Previous Week	Corresponding Week
Investments	11,368.3	11,345.9	8,428.2	0.20	34.88
Gross Advances	8,434.3	8,398.4	8,143.8	0.43	3.57
Borrowings	3,232.6	3,171.0	2,532.0	1.94	27.67
Deposits and other accounts	16,775.5	16,864.7	14,424.1	-0.53	16.30

Pension Payment Through Direct Credit System (DCS)

State Bank of Pakistan vide its circular letter dated February 01, 2021 advised all the banks to ensure implementation of the amendments announced by Government of Pakistan to bring transparency and ease in the pension payment process. The amendments mention that:

Pensioner shall be required to undergo biometric verification from any branch of a bank maintaining his/her pension account, every year in March and September. If the pensioner is unable to undergo biometric verification due to incapacitation by bodily illness, infirmity, or if his/her fingerprints do not exist due to old age or a genetic condition, he/she will provide a life certificate as per the SOPs.

In case of family pension, Non-Marriage declaration as required under para 4 and 9(xiii) of SOPs shall be obtained from pensioners on or before 30th September of each year instead of March and September.

Submission of above mentioned Non-Marriage declaration will be dispensed with after the widow/daughter/sister of the pensioner (family pension recipient) attains the age of sixty years.

If a pensioner fails to submit a life certificate or fails to undergo biometric verification during March and September or a pensioner does not draw a pension for consecutive six months, the account shall become dormant.

The requirement of submission of indemnity bond by a pensioner, as laid down in para 3(f) and 9(xii) of the SOPs is discontinued.

In continuation to the above instructions, the following clarifications have also been issued by Finance Division:

- The pension shall be paid through a bank account either current or PLS maintained in the pensioner's name
 - a pension account shall not be a joint account and
 - a bank account dedicated to pension transactions only shall not be mandatory for the pension.
- SBP further mentioned that any violation of the instructions would be dealt with under the relevant provisions of the Banking Companies Ordinance, 1962.

Roshan Digital Accounts Attract \$400 million in Four Months

Foreign exchange inflows through the Roshan Digital Accounts (RDAs) reached \$400 million within four months, reflecting growing confidence in the State Bank's new initiative launched by Prime Minister Imran Khan on September 10, 2020.

RDAs aim to attract millions of Pakistanis living abroad by offering much higher returns on deposits compared to the returns in developed economies.

"So far the total inflows in RDAs have reached \$400 million," the SBP said in response to a query on Tuesday. A senior banker said the inflows were encouraging, but slow as per the expectations of the government and the State Bank. However, attracting \$400 million within four months could be a good replacement of hot money.

The country had received about \$3.4 billion in the domestic bonds before March FY20. The entire amount of \$3.4 billion landed in FY20. Most of the foreign investment which was termed hot money left the country in the last quarter of FY20 following the COVID-19 pandemic.

The SBP also said that so far the total number of accounts opened for RDAs reached 80,000. It was not known from



which country and region Pakistanis opened the highest number of accounts. However, banking experts and currency dealers say that most of the accounts were opened by the Pakistanis living in the Gulf region which provides 65 percent of the total remittances to the country.

The RDAs have been launched for Non-Resident Pakistanis (NRPs) to enable them to remotely open bank accounts in Pakistan through online digital portals without physically visiting branches.

Using their RDAs, NRPs can now avail digital banking facilities, including access to online banking, domestic funds transfer, utility bills and tuition fee payment in Pakistan, as well as investments in government bills, stock exchange and real estate sector with option of full repatriation.

"If the current account remains surplus with an improved foreign exchange reserves, the inflow through RDAs could be higher in the second half of the current fiscal FY21," said the banker.

Along with the RDA account, the SBP launched the Naya Pakistan Savings Certificate with the aim of boosting country's economy by attracting foreign investments. The buyers can own the certificate in US dollar with the highest interest rate of 7 percent and in Pak rupees with the highest rate of 11 percent per annum provided the investment is made for 5 years.

Banks offer both Islamic and conventional accounts and in various eligible currencies (and not just USD) as per the relevant rules and regulations of SBP.

Taxpayers' Encouraged to Get Their Legal Cases Resolved Through ADRC

Federal Board of Revenue (FBR) is making all out efforts by taking several steps to improve the disposal of tax litigation cases pending in different appellate fora including Commissioners Inland Revenue – CSIR (Appeals), Appellate Tribunal Inland Revenue, High Courts and the Supreme Court of Pakistan. FBR has launched the simplified process at the first Appeal i.e. Commissioners Appeals level by implementing the e-filing of appeals since January 1, 2021. Through e-filing, taxpayers can simply file appeals against an appealable order, online, without hassle of going to their respective field office. Even prior to launching of e-filing, disposal of cases has been

surpassing the assigned targets as per the Performance Agreement. For the period from July to December, 2020, target of disposal assigned to the CSIR (Appeals) was 7818 appeals against which a total of 17,768 appeals were disposed of which is in excess of the target by a huge margin.

Similarly, on FBR's request, special benches for hearing of tax cases have been constituted by Sindh High Court, Lahore High Court and Islamabad High Court for early hearings and speedy disposal of tax related cases. In addition to that a new policy has been introduced for the induction of competent lawyers so that government revenue is not left at the stake of amateur lawyers. As a result of these ongoing efforts, in the last quarter (ending December, 2020) 934 tax cases have been disposed of by the High Courts and the Supreme Court with the revenue involved amounting to Rs. 81.7 billion. Moreover, 1240 cases with the revenue involved of Rs. 168.5 billion have been decided by the Appellate Tribunal Inland Revenue during the same period.

It is also informed for the benefit of taxpayers' that the institution of ADRC (Alternate Dispute Resolution Committee) has also been mobilized by virtue of which taxpayers' are encouraged to get their cases settled through these committees in a much lesser time and without incurring litigation cost.

So far on application by the taxpayers', 18 committees have started working for resolution of cases. FBR further clarifies that by virtue of a major facilitative change in law vide Finance Act-2020, an applicant taxpayer, in order to apply for resolution of case by ADRC, is not required to withdraw his case pending in any other appellate forum. In order to win trust of the taxpayers' in this system, the law requires that members of ADRC apart from relevant Chief Commissioner would also include respectable reputable judges, chartered accountants and businessmen nominated by chambers of commerce. The committee is also empowered to stay the process of recovery in hardship cases. FBR also clarifies that taxpayers' application has to be finalized by the Committee within a short period of 120 days which in itself is a big relief considering the usual time taken in various appellate fora before a case attains finality.



INTERNATIONAL SCENARIO

China's Growing Appetite for Containers is Upending Global Food Trade

The core issue is that China, which recovered faster from COVID, revved up export economy and is paying premiums for containers, making it more profitable to send them back empty than to refill them. Food is piling up in all the wrong places, thanks to carriers hauling empty shipping containers.

Global competition for the ribbed steel containers means that Thailand cannot ship its rice, Canada is stuck with peas and India cannot offload its mountain of sugar. Shipping empty boxes back to China has become so profitable that even some American soybean shippers are having to fight for containers to supply hungry Asian buyers.

"People aren't getting their goods where they need them," said Steve Kranig, director of logistics at IM-EX Global Inc., a freight forwarder that handles cargoes including rice, bananas and dumplings from Asia to the US "One of my customers ships 8 to 10 containers of rice every week from Thailand to Los Angeles. But he can only ship 2 to 3 containers a week right now."

There are signs that the soaring freight rates are boosting the cost of some foods. White sugar prices surged to a three-year high last month and delays in food-grade soybean shipments from the US could mean higher tofu and soy milk costs for consumers in Asia, said Eric Wenberg, executive director of the Specialty Soya and Grains Alliance.

Oil Prices Hit Near 12-month Highs as Producers Restrain Output

Oil prices rose more than 2 percent on Tuesday, hitting near 12-month highs after major crude producers showed they were reining in output roughly in line with their commitments. Brent crude was up \$1.27, or 2.3 percent, at \$57.62 a barrel by 1320 GMT, its third straight day of gains and the highest levels since late February last year. US oil gained \$1.2, or 2.2 percent, to \$54.75. Both contracts rose more than 2 percent in the previous session to levels last seen in early March.

OPEC crude production rose for a seventh month in January

but the increase was smaller than expected, a Reuters survey found.

Also, voluntary cuts of 1 million bpd by OPEC's de facto leader, Saudi Arabia, are set to be implemented from the beginning of February through March.

"With OPEC and its allies (OPEC+) endeavoring to keep global oil production below demand, we expect petroleum inventories to keep falling," UBS said in a note. "With inventories starting to drop in 2H20, the structure of the futures curve has shifted to become downward sloped. This is attracting investors."

The investment bank forecast Brent would reach \$63 a barrel by the second half of this year and \$65 by the first quarter of 2022. Goldman Sacks said it expected the benchmark to reach \$65 a barrel by July.

Russian output increased in January but is in line with the agreement on reducing production, while in Kazakhstan oil volumes fell for the month.

However, energy giant BP flagged a difficult start to 2021 amid declining product demand, noting that January retail volumes were down by around 20 percent year on year, compared with a decline of 11 percent in the fourth quarter.

Oil demand is nevertheless expected to recover in 2021, BP said, with global inventories expected to return to their five-year average by the middle of the year.

Helping to support prices, a severe blizzard hitting a large area of the northeastern United States is pushing up demand for heating fuel.

Neobanks to Boost Customer Experience

Traditional banks in the UAE are transforming into neobanks with a core focus on customer journey, experience design, data and insights, said Adam Cukrowski, founder and chief executive of Revonic.

Neobanks, or digital banks, operate exclusively online without traditional physical branch networks and their catalogue of products and services are usually delivered via a mobile app. Revonic is a digital experience design agency that builds digital capability which drives business performance for clients through the delivery of analysis, strategy, user experience, design, data and technology.

"Our data and machine learning services empower banks to gain insights into customer behavior and to achieve personalized service delivery," said Cukrowski.



On a micro level, branch network has been on a decline since 2014 due to digitization and mergers, according to a research report 'UAE: Digitalization in the Banking Sector' by Algorithm Research.

The total number of branches have decreased from 892 to 650, indicating a 27.1 percent fall. As of May 2020, 21 local and 27 foreign banks operate in the seven emirates, with local bank branches accounting for 86.1 percent of the branch network. From October 2014 to May 2020, 242 local bank branches have closed whilst the number of national banks declined. Only 68 of these bank closures can be linked to the bank mergers.

Revonic has completed end-to-end digital transformation projects for major banks within the region across multiple connected digital channels across web, mobile, online banking, call centers and even ATMs. The brand's recent portfolio in the region includes Emirates NBD, First Abu Dhabi Bank (FAB), Noor Bank, National Bank of Fujairah, Commercial International Bank in Egypt and Riyadh Bank in Saudi Arabia.

Cukrowski opines that the COVID-19 pandemic brought in sudden realization by many industries and brands that the only way to do business and to reach their customers was online. The issue was that while every marketing, digital or expert was instructed to transform their businesses over-night, the budgets to do so were simply not there for those tasked with making that change. For many it was the time of realization that to do things right takes focus, effort, time and money — and quick fixes do not drive business value in the long-term.

"I believe that 2021 will elevate the maturity of many digital solutions and we will see more genuine digital transformation driving real return on investment," added Cukrowski.

MANAGEMENT VIEWS

The Art of Following Up Graciously

We have all been there: You email someone asking for a conversation, information, input, or an introduction and you get no response. It is frustrating, but you should not jump to the conclusion that you are being ghosted. We are all juggling a lot these days, so here is how to reach out with a gentle nudge. Start with a compelling subject line. Avoid generic phrases like "Following up" or "Checking in" that are not only vague, they may also make the recipient feel bad for being slow to respond (even further delaying a reply). Instead, be more specific, for example, "Next steps on X project" or "Question on job application." Next, be mindful of your tone. Research shows emails that are slightly to moderately positive in tone have a 10 to 15 percent higher response rate than more neutral messages. So aim to be friendly and polite. Finally, be succinct and specific about your query and offer your recipient an easy out. This will give them an opportunity to save face and preserve the relationship. If you do all this and you still do not get a response, be judicious about following up again. You may need to cut your losses and move on.

(This tip is adapted from *How to Follow Up With Someone Who's Not Getting Back to You*, by Rebecca Zucker – HBR.)

SNIPS

Tech vs Human Expertise

When using an exploration-based algorithm for recruiting, 25 percent of candidates selected for an interview were hired, up from 10 percent when human recruiters were employed, indicates research from MIT.

A Lottery of Housing

In China, demand for new homes is so high and supply so limited, that several cities use lotteries to allocate them, some with odds as low as one in 60, reports The Economist.

"The hand of Allah is full and it is not diminished by continuous spending night and day. Do you not see that He has been spending since the creation of the heavens and the earth, and it has not decreased anything in His hand?"

THE PROPHET MUHAMMAD ﷺ



Start Your Day with This Simple Practice

Nearly a year into the pandemic, it can be hard to muster the positive outlook that fuels motivation and creativity. When we lose that positivity, burnout and fatigue can quickly follow. How can you inject some optimism into your day? This two-minute exercise can help. Each morning, finish the following three sentences (either on paper, out loud, or even in your head) before you turn on your computer or start your commute:

Today, I will focus on _____.
Today, I am grateful for _____.
Today, I will let go of _____.

Make sure to be specific with your answers; writing that you are grateful for your mom every day will not help. Ultimately, we are only awake for an average of 1,000 minutes each day. If we can invest just two of them to prime our brains for positivity, then we will be helping ensure the quality of other 998 minutes.

(This tip is adapted from *This Two-Minute Morning Practice Will Make Your Day Better*, by Neil Pasricha – HBR.)

“If you are met with a greeting, give better greetings in return. If a hand of help is extended to you, do a better favor in return, although the credit will remain with the one who was the first.”

HAZRAT ALI 

Encourage Your Team to Take a Lunch Break

For many of us, the shift to work from home (WFH) has led to longer workdays, more emails and meetings and a general dissolution of work-life boundaries. But one thing could help you restore a sense of balance: your lunch break. No matter what stage you are at in your career,

you have got to protect your lunch break at all costs. It is especially important if you work for yourself; if you are a manager, you have the opportunity to set a visible example. In the remote work environment, that could be creating an “at lunch” notification, mentioning in the team chat that you will be away from your screen during lunch, or acknowledging in the afternoon, “I am back from lunch.” The important thing is not the meal itself, it is demonstrating that it is okay to take a break. You can use the time to catch up with a friend, step away from your desk, or just zone out for a minute. It may sound overly simplistic, but letting lunch slide is an easy way to burn out, especially in this new world of remote work.

(This tip is adapted from *Take Your Lunch Break!*, by Ruchika Tulshyan –HBR.)

What to Do After a Star Employee Quits

One of your best employees has quit. What can you do to ensure that they are not the first of many dominoes to fall? The most important thing is to listen carefully. Conduct an exit interview to find out what factors led to their decision and encourage full transparency in that conversation. Then, take the pulse of your team. Meet with employees individually and talk to them about how they are doing. Ask how they think the departure of their colleague will affect morale. If these conversations uncover a significant problem, acknowledge your team’s concerns and be transparent about your attempts to address the issues they have raised. And in the team meetings that follow, stay focused on future opportunities and your collective goals. This will reinforce the sense that the team’s most important work lies ahead and that everyone is valued. The bottom line is if you respond to the departure of a valuable employee by being attentive and looking toward the future, you will be more likely to keep your team intact and move ahead together.

(This tip is adapted from *Your Star Employee Just Quit. Will Others Follow?*, by Art Markman – HBR.)

IBP TRAINING CALENDAR - FEBRUARY 2021



**09 FEBRUARY
TUESDAY**

9AM - 1PM

Digital Marketing & Sales

FACILITATOR: Asif Iqbal

COURSE FEE: PKR 7,000 (excluding sales tax)

ONLINE
TRAINING

**12 FEBRUARY
FRIDAY**

3PM - 7PM

Collection/ Recovery: Techniques and Skills

FACILITATOR: Adnan Adil Hussain

COURSE FEE: PKR 7,000 (excluding sales tax)

ONLINE
TRAINING

**15 FEBRUARY
MONDAY**

2PM - 6PM

Legal & Regulatory Issues in Account Opening

FACILITATOR: Khalid Faridi

COURSE FEE: PKR 7,000 (excluding sales tax)

ONLINE
TRAINING

**16 FEBRUARY
TUESDAY**

2PM - 6PM

Achieving Employee Excellence

FACILITATOR: Aisha Bela Malik

COURSE FEE: PKR 7,000 (excluding sales tax)

ONLINE
TRAINING

**17 FEBRUARY
WEDNESDAY**

9AM - 1PM

New Developments in Banking Conduct

FACILITATOR: Sundus Saleem*

COURSE FEE: PKR 7,000 (excluding sales tax)

ONLINE
TRAINING

**17 FEBRUARY
WEDNESDAY**

2PM - 6PM

Regulatory Compliance Management

FACILITATOR: Naveed Elahi Malik

COURSE FEE: PKR 7,000 (excluding sales tax)

ONLINE
TRAINING