



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 23

JUNE 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 April 16 – 20 May, 2021

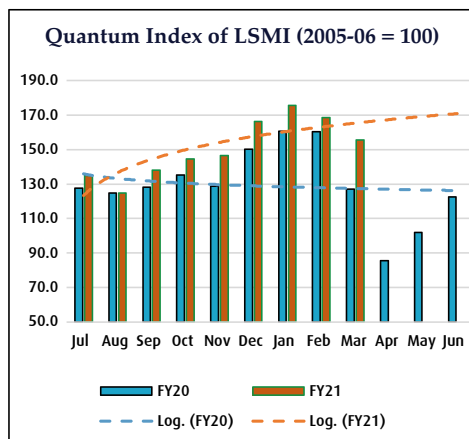
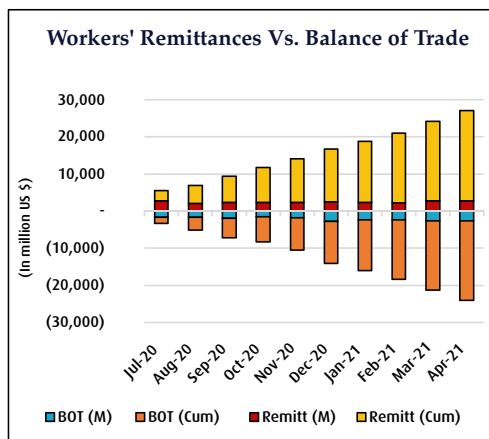
	(Rs. in billion)		
Loans Deferred	657.0	Loans Approved for Hospitals	12.4
Loans Restructured	253.6	Loans Approved for Investment	436.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 Percent

\* Since the scheme is no longer available, the data has not been updated after November 13, 2020.

### Broad-based Economic Rebound Reinforced Maintaining Policy Rate at 7.0 percent

The Monetary Policy Committee (MPC) at its meeting held on May 28, 2021 decided to maintain the policy rate at 7.0 percent. Since its last meeting in March, the MPC was encouraged by the further upward revision in the FY21 growth forecast to 3.94 percent. The MPC noted that this confirms the strength of the broad-based economic rebound underway since the start of the fiscal year, on the back of targeted fiscal measures and aggressive monetary stimulus. This positive momentum is expected to persist, translating into higher growth next year.

Taking note of the previous forecast, the MPC was of the view that the headline year-on-year inflation rate is likely to remain elevated in the coming months due to the recent electricity tariff hike, pushing the average for FY21 close to the upper end of the announced range of 7-9 percent. As supply shocks dissipate thereafter, inflation is expected to gradually fall toward the 5-7 percent target range over the medium-term.



Further, the latest National Income Accounts data confirm that the economy has rebounded strongly from last year's severe COVID-shock, led by services and industry. The industrial sector is estimated to have grown 3.6 percent during

## MARKETS AT A GLANCE

Rates taken till Friday, June 04, 2021

### MONETARY POLICY RATE

**7pc** | Effective from June 25, 2020

### KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.47	7.72
ENDING	7.45	7.70
CHANGE	-0.02	-0.02

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 219.24	PKR 188.32	PKR 154.43
ENDING	PKR 218.35	PKR 187.32	PKR 154.62
CHANGE	-0.89	-1	+0.19

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	47,126
ENDING	48,211
CHANGE	+1085

### GOLD RATE

(10 GM, 24K)

	PKR
STARTING	95,850
ENDING	96,280
CHANGE	+430



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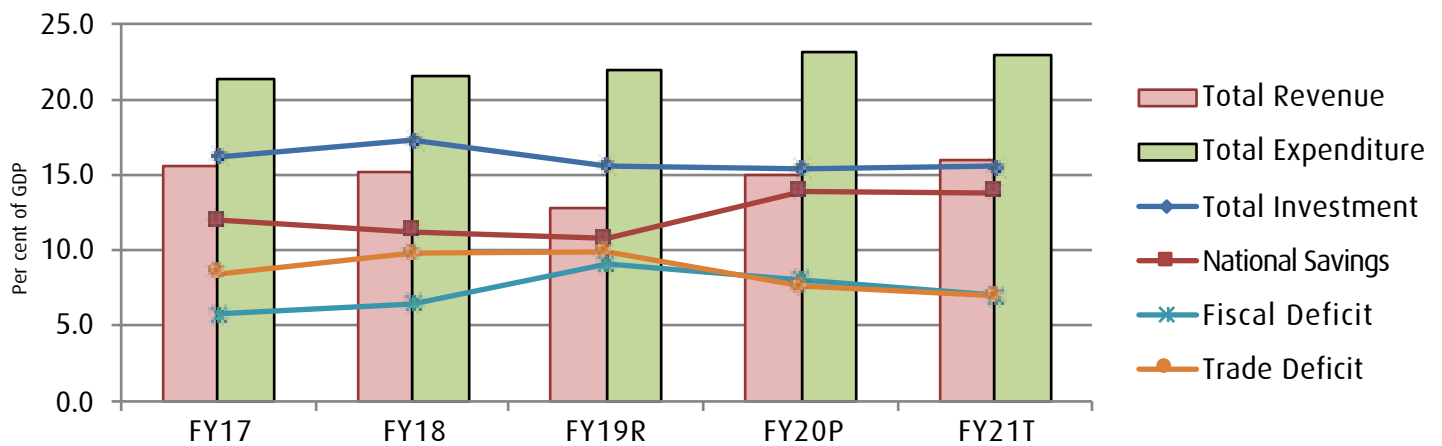
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## Pakistan's Major Economic Indicators

Real Sector (Percent Growth)	FY17	FY18	FY19 <sup>R</sup>	FY20 <sup>P</sup>	FY21 <sup>T</sup>
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	MAR 2021	APR 2021
General	4.8	4.7	6.8	10.7	9.1	11.1
Food (Urban)	4.3	3.8	4.6	13.6	11.5	15.7
Non-Food (Urban)	5.1	5.8	8.5	8.3	7.1	8.2

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	May 7, 2021	May 21, 2021
3,911.3	4,387.8	4,950.0	6,142.0	7,015.9	7,054.4

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



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## Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	21-May-21	14-May-21	22-May-20	Previous Week	Corresponding Week
<b>Investments</b>	13,050.1	12,860.4	10,082.2	1.48	29.44
<b>Gross Advances</b>	8,783.5	8,707.9	8,341.3	0.87	5.30
<b>Borrowings</b>	4,772.7	4,749.0	3,338.6	0.50	42.96
<b>Deposits and other accounts</b>	17,354.1	17,181.8	15,454.1	1.00	12.29

FY21, driven by construction and large-scale manufacturing, especially the food, cement, textile and automobile sectors.

The MPC noted that, unlike several previous growth upturns in Pakistan, the current economic recovery has been achieved without compromising external stability. At \$0.8 billion, the current account has remained in surplus through the first ten months of FY21 for the first time in 17 years. In recent months, imports have picked up with the economic recovery, rising international commodity prices, as well as one-off shipments of wheat and sugar to quell temporary domestic shortages. However, this is being largely offset by record remittances, which rose to all-time highs in April on both a monthly (\$2.8 billion) and cumulative basis (\$24.2 billion).

Looking ahead, in the absence of unforeseen circumstances, the MPC expects monetary policy to remain accommodative in the near term, and any adjustments in the policy rate to be measured and gradual to achieve mildly positive real interest rates over time. If demand side pressures emerge as the recovery becomes more durable and the economy returns to full capacity, the MPC noted that it would be prudent for monetary policy to begin to normalize through a gradual reduction in the degree of accommodation. This would help ensure that inflation does not become entrenched at a high level and financial conditions remain orderly, thereby supporting sustainable growth.

“Allah is Kind and loves kindness, and He rewards for kindness in a way that He does not reward for harshness.”

THE PROPHET MUHAMMAD ﷺ

### PSX at Four Year High as KSE-100 Shoots Past 48,000 barrier

The Pakistan Stock Exchange (PSX) on June 1, 2021 continued its upward trajectory, with the benchmark KSE-100 index rising by 294.92 points, or 0.62 percent and was being traded at 48,212 which is the highest level in the past four years due to the benchmark index adding 316 points.

The market remained in the green throughout the session, seeing an intraday high of 48,237.61 points and a low of 47,896.34 points. It settled at 48,191.26 points at the close of the day.

Oil and gas exploration companies captured the maximum gains in the morning session, contributing 61 points to the index, followed by commercial banks and cement with 57 and 47 points, respectively.

Earlier last week, PSX recorded a trading volume of more than 1.5 billion shares for the first time in its history. The session had ended on a positive note, with the benchmark KSE-100 index gaining 511 points, or 1.11 percent, by the close of the trading session to reach 46,812.



## SBP Amends Capital Adequacy Regulations to Facilitate Banks/DFIs Investment in REITs to Boost Housing and Construction Sector

In order to provide further support to the development of real estate sector, State Bank of Pakistan (SBP) has amended its capital adequacy regulations by significantly lowering the applicable risk weight (from 200 percent to 100 percent) on banks/ DFIs' investments in the units of Real Estate Investment Trusts (REITs). REITs are companies that raise funding from general public and institutions and deploy these funds through investment in real estate properties. With the aforesaid changes in capital adequacy regulations, banks/DFIs will now be able to increase their investments in REITs without the need to allocate relatively large amount of capital. This will, in turn help banks to promote development of real estate sector in the country. The enhanced participation of financial institutions, backed by regulatory initiatives, would also encourage REIT Management Companies to launch new REITs, providing further boost to the government's agenda for development of housing and construction sectors.

It may not be out of place to mention that SBP has been taking a number of regulatory steps to enhance banks/ DFIs' participation in such sectors through their financing and investment activities, in line with Government of Pakistan's various initiatives for the development of housing and construction sector. Earlier, SBP amended certain provisions of its existing Prudential Regulations for Corporate & Commercial Banking to encourage enhanced participation and investment of banks/DFIs in the REITs that enabled banks/DFIs to make higher investments in REITs to the tune of 15 percent of their equity as against the previous limit of 10 percent.

Moreover, SBP has allowed the banks to count their investments in shares/units/bonds/TFCs/Sukuks issued by REIT Management Companies towards achievement of their mandatory targets for housing and construction finance. The amendments in SBP's capital adequacy regulations will further incentivize banks to contribute towards a well-functioning capital market for real estate sector.

For details: <https://www.sbp.org.pk/bprd/2021/-CL18.htm>

## SECP Approves Framework for Direct Listing of Companies at PSX

In continuation of its efforts for creating an enabling ecosystem to improve capital formation in the country, the Securities and Exchange Commission of Pakistan (SECP), in coordination with Pakistan Stock Exchange (PSX), has approved framework for Direct Listing of companies at PSX. Direct listing, unlike conventional offerings, is a process whereby a company can get listed on the stock exchange by selling existing shares to accredited investors, existing shareholders and specific category of investors, without mandatory appointment of intermediaries.

The framework, finalized after thorough public and stakeholder consultation, will be part of the regulatory framework of PSX i.e. PSX Rule Book. This new initiative will further simplify listing of companies on the stock exchange. Any public limited company having a minimum paid up capital of Rs. 200 million and audited accounts for two preceding years, can apply for listing at the exchange through this method. The companies shall be required to ensure post listing compliance, as applicable for listed companies. SECP is continually striving to develop a vibrant, fair and efficient regulatory framework in Pakistan, designed to foster growth of capital markets, promote healthy competition and ensure investor protection.

## SNIPS

### Around the World in \$100

Boom Supersonic wants to build an aircraft that can go "anywhere in the world in four hours for 100 bucks," according to CEO Blake Scholl, reports CNN.

### Baby Crypto Bonanza

After an intense bidding war, the YouTube video 'Charlie bit my finger', one of the most viewed videos in the website's history, was auctioned off as a non-fungible token for a stunning \$760,999 and is set to be deleted from YouTube, says CNN.



## INTERNATIONAL SCENARIO

### UAE Central Bank Initiates Public Consultation on 'Enabling Technology' for Financial Institutions

The UAE Central Bank, the Securities and Commodities Authority (SCA), Dubai Financial Services Authority (DFSA) and the Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market (ADGM) have launched a four-week public consultation on proposed 'guidelines' for financial institutions adopting enabling technologies.

The consultation sets out principles for cross-sectoral services such as banking, insurance, asset management and securities and best practices for financial institutions when adopting enabling technologies to offer innovative products and services. These include application programming interfaces, big data analytics and artificial intelligence, biometrics, cloud computing and distributed ledger technology.

These guidelines are to promote the safe adoption of these technologies by financial institutions across the UAE, so that risks arising from the adoption of innovative activities are appropriately managed. In drawing up the guidelines, the regulators have considered both international standards and industry best practices.

The guidelines will apply to all financial institutions licensed and supervised by any of the regulators and who utilize these enabling technologies, irrespective of the financial activities conducted. The guidelines could be issued in the second-half of 2021, subject to the outcome of the consultation.

**"You must create in your mind kindness and love for your subjects. Do not behave with them as though you are a voracious and ravenous beast and that your success lies in tearing them up and devouring them."**

HAZRAT ALI 

### A Warming Planet is About to Revolutionize How Banks Define Risk

It is increasingly likely that banks will face new capital requirements that will reflect how exposed their loan books are to climate change. "That is the logical next step," Janine Dow, a senior director for sustainable finance at Fitch Ratings, said in an interview. "Because once you size a problem, then you identify the risk. And as a regulator, you can't just leave an emerging risk exposed." Such a requirement would mark a significant expansion of new rules that the financial industry, particularly in Europe, is now facing amid a race against time to prevent an environmental catastrophe. The goal is to force banks to channel money away from those corners of the economy that pollute and toward businesses that have committed to lower carbon emissions. For now, banks remain a long way off that goal. Since the Paris Climate Agreement was struck in 2015, lenders globally have poured more than \$3.6 trillion into fossil fuel financing, according to data compiled by Bloomberg. Only this year has green bond and loan financing taken the lead.

According to Fitch, the financial industry is well aware that bank capital requirements will soon reflect climate risk, even though regulators themselves have not yet spelled out their intentions. "Regulators haven't been more explicit yet because they don't have the data to justify a clear approach," said Monsur Hussain, a senior director for financial institutions at Fitch. But "if you read between the lines" of the European Central Bank's November guidelines on climate-related and environmental risks for banks, "that is the direction of travel," he said. Meanwhile, European banks are being warned by their watchdogs to stop resisting new rules or risk weakening the financial system, as the Basel III framework is finalized. Dow says regulators and lawmakers have so far only indirectly addressed the issue of whether banks should have buffers to absorb potential losses from climate catastrophes.

"If we think of classifications and even stress testing for climate change, none of the regulators have said that the output is going to be directly helping inform capital requirements," she said. Still, "we think that increasingly regulators are looking at capital requirements on this, taking this holistic approach."



## MANAGEMENT VIEWS

### Hire Unconventional Talent

When it comes to hiring, too many managers unconsciously hold onto the notion that there is one ideal candidate type for a role. But if you want to build a diverse team, you need to be open to a range of possible candidates. To make your hiring process more inclusive, especially of applicants who may have non-traditional backgrounds, adopt these strategies.

- **Help unconventional candidates envision themselves at your company.** When you are writing a job description or interviewing a candidate, paint the big picture of a role rather than a checklist of specialized skills, degrees, or years of experience.
- **Focus on potential rather than pedigree.** When interviewing, ask questions that help you understand not just what they have done but what they are capable of. For example, an open-ended question like “What were you doing the last time you looked at a clock and realized you had lost all track of time?” can help you uncover intellectual curiosity and understand what motivates someone.
- **Do not obsess over job titles.** Rather than skimming resumes or LinkedIn profiles for a candidate’s education and experience, look at other non-professional experiences they may have, including volunteer or advocacy work, writing, or other interests. Those endeavors can often be more telling than a job title.

(This tip is adapted from *Why You Should Invest in Unconventional Talent*, by Debbie Ferguson and Fredrick ‘Flee’ Lee – HBR.)

### Turn Self-Doubt into an Opportunity to Improve

Imposter syndrome is the persistent, nagging thought that tells us that we are undeserving of our achievements. If you have ever felt that way, you are not alone. So, how can you channel feelings of self-doubt into something more constructive and productive? Here are some tips.

- **Reframe self-doubt.** Instead of shying away from experiences that trigger your doubt, deliberately embrace them. Remember that challenges are opportunities to learn. Think of your nerves as a reminder that there is always room to grow.
- **Be okay not being the smartest person in the room.** Ironically, you appear more confident when you demonstrate the humility and courage to ask about what you do not know.
- **Cherish feedback, even when it is critical.** No one likes to hear what they are doing wrong, but that is the only way to grow. Assume good will from the feedback giver. They took the time to point out your development areas because they want to see you improve and believe that you can. After receiving the feedback, take some time to plan out how you will apply it — you might even do this with the person who gave it to you.

(This tip is adapted from *How to Make Friends with Your Inner Imposter*, by Amantha Imber – HBR.)

### Model Kindness on Your Team

The benefits of kindness at work are well documented. But how do you actually promote caring and generosity on your team? First, take the lead. People are highly attuned to the behaviors of high-status team members; when you give compliments to your employees, they are likely to emulate your behavior. Second, set aside time during Zoom meetings for a ‘kindness round,’ in which team members are free to acknowledge and praise each other’s work. This does not need to take up much time — even just a few minutes is plenty of time to boost morale and social connection. Finally, consider small, peer-nominated spot bonuses to allow people to recognize their colleagues’ work. If you have a limited budget, a gift card or a small gift can show appreciation that goes a long way. It is your job as a leader to set a tone of kindness on your team. These small gestures can have a big impact.

(This tip is adapted from *Don’t Underestimate the Power of Kindness at Work*, by Ovul Sezer et al. – HBR)

# IBP TRAINING CALENDAR - JUNE 2021



**JUNE 08**  
**Tuesday**  
9AM - 1PM

SBP Inspection, Regulatory Compliance and Banks' Operations

FACILITATOR: Shamwail Sohail

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

ONLINE  
TRAINING

**JUNE 08**  
**Tuesday**  
2PM - 6PM

SBP Mandatory Requirement for Import, Export & Inward/Outward Remittances

FACILITATOR: Ejaz Qadri

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

ONLINE  
TRAINING

**JUNE 09**  
**Wednesday**  
2PM - 6PM

Treasury Operations and Risk Management

FACILITATOR: Faisal Sarwar

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

ONLINE  
TRAINING

**JUNE 10**  
**Thursday**  
9AM - 1PM

Risk Based Approaches in International Trade

FACILITATOR: Aqeel Muslim

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

ONLINE  
TRAINING

**JUNE 12**  
**Saturday**  
10AM - 2PM

Digital Banking - Trends and Challenges

FACILITATOR: Ahmed Hassan Gardezi

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

ONLINE  
TRAINING

**JUNE 15**  
**Tuesday**  
9AM - 1PM

Creating Digital Marketing Promotional Campaigns

FACILITATOR: Asif Iqbal

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

ONLINE  
TRAINING