



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 10

MARCH 05, 2021

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

PAKISTAN TIDINGS

COVID-19: Impact of SBP's Measures as of February 25 - March 01, 2021

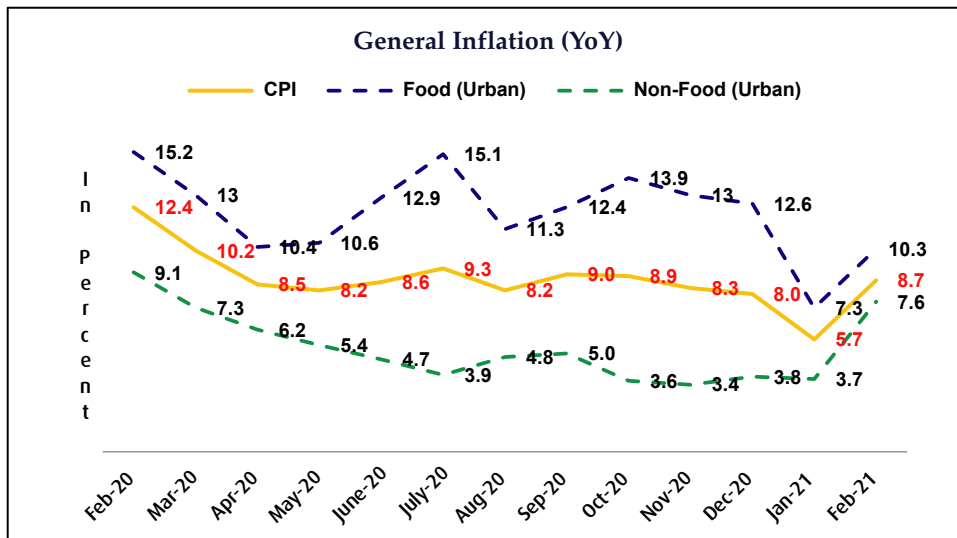
	(Rs. in billion)		
Loans Deferred	657.0	Loans Approved for Hospitals	10.0
Loans Restructured	240.0	Loans Approved for Investment	385.7
Loans Approved for Wages*	238.0	ATMs' Availability	97 percent

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

Inflation Contained to Single Digit during July-February FY21

Despite continuation of the accommodative monetary stance where the State Bank of Pakistan 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, inflationary pressure remained within the limit perceived by the Monetary Policy Committee (MPC). In each subsequent meeting of MPC it has unanimously been viewed that current monetary policy stance seems appropriate to support the emerging recovery, while keeping inflation expectations well-anchored and maintaining financial stability.

Apart from the demand management, the subdued non-food inflation also contributed to contain the inflation to single digit hovering around 5.7 to 9.3 percent in first eight months of the current fiscal year. The CPI increased by 8.7 percent on year-on-year basis in February 2021 as compared to an increase of 5.7 percent in the previous month and 12.4 percent in February 2020.



Food inflation (urban) increased by 10.3 percent in February 2021 as compared to an increase of 7.3 percent in the previous month and 15.2 percent in February 2020. Non-Food inflation, however, showed moderate increases and rose by 7.6 percent in February 2021 as compared to increases of 3.7 percent in the previous month and 9.1 percent in February 2020.

MARKETS AT A GLANCE

Rates taken till Friday, March 05, 2021

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.40	7.65
ENDING	7.40	7.65
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 220.49	PKR 192.10	PKR 158.10
ENDING	PKR 217.40	PKR 187.40	PKR 157.12
CHANGE	-3.09	-4.7	-0.98

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	45,865
ENDING	45,837
CHANGE	-28

GOLD RATE

(10 GM, 24K)

STARTING	PKR 94,008
ENDING	PKR 93,635
CHANGE	-373



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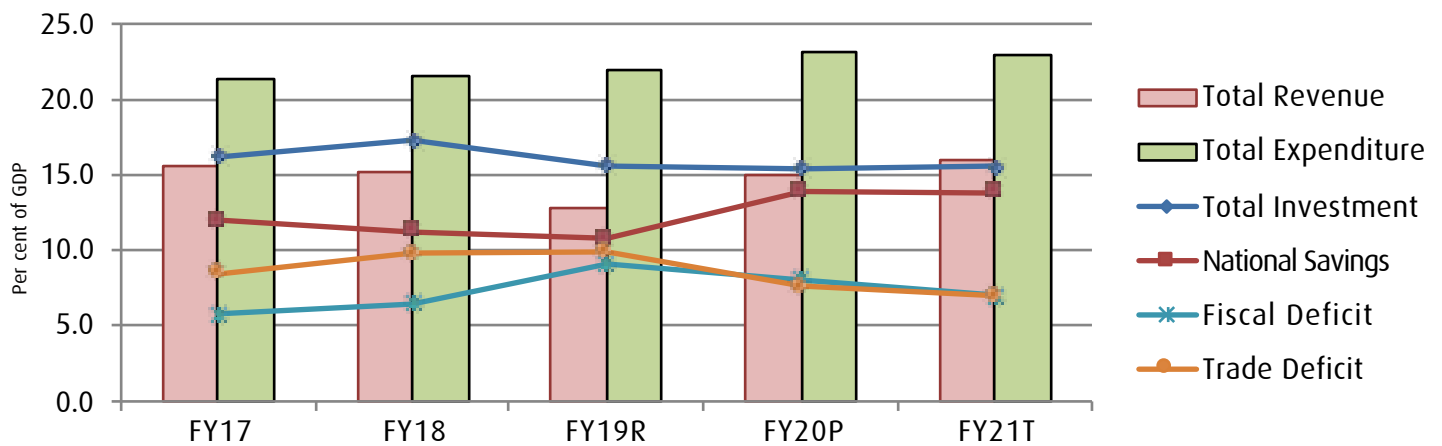
MARCH 05, 2021

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	JAN 2021	FEB 2021
General	4.8	4.7	6.8	10.7	5.7	8.7
Food (Urban)	4.3	3.8	4.6	13.6	7.3	10.3
Non-Food (Urban)	5.1	5.8	8.5	8.3	3.7	7.6

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	February 12, 2021	February 19, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,546.6	6,526.8

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	
	19-Feb-21	12-Feb-21	21-Feb-20	Previous Week	Corresponding Week
Investments	11,553.2	11,579.9	8,502.8	-0.23	35.88
Gross Advances	8,493.3	8,451.4	8,161.5	0.50	4.07
Borrowings	3,370.6	3,487.0	2,597.8	-3.34	29.75
Deposits and other accounts	16,836.2	16,845.9	14,445.3	-0.06	16.55

Fiscal Sector Grew Amid Daunting Challenges during H1 FY21

The fiscal deficit, despite extending unprecedented financial support to stabilize the economic growth and help the distressed segment of the society, has been contained at 2.5 percent of GDP in the first half of current fiscal year against 2.3 percent of GDP recorded last year. In contrast, the primary balance posted a surplus of Rs. 337.2 billion in the first half of FY21 as compared with Rs. 286.5 billion last year. Tax revenues grew by 6.4 percent to Rs. 2,455.9 billion during Jul-Dec FY2021 (Rs. 2,307.8 billion last year). On the other hand, non-tax revenues stood at Rs. 895.3 billion during Jul-Dec FY2021 (Rs. 924.1 billion last year). Overall total revenues grew by 3.7 percent to Rs. 3,351.2 billion in the first half of FY21 (Rs. 3231.9 billion last year). During Jul-Dec, FY21 total expenditures increased by 6.2 percent to Rs. 4,489.1 billion (Rs. 4,226.6 billion last year).

FBR has provisionally collected Rs. 2,572 billion during Jul-Jan, FY21 against Rs. 2,426 billion in the same period last year, posting a growth of 6.0 percent. The net collection has exceeded the target by Rs. 22 billion. Domestic tax collection increased by 6.2 percent to Rs. 2,173 billion in the first seven months of FY21 against Rs. 2,046 billion in the comparable period of last year. Within domestic, direct tax grew by 5.0 percent, sales 7.8 percent and FED increased by 2.8 percent during Jul-Jan, FY21 over the same period of last year. For the month of January, the net tax collection recorded a growth of 12.5 percent to accumulate Rs. 366 billion, while it exceeded the target by Rs. 26 billion.

"The best amongst you are those who have the best manners and character."

THE PROPHET MUHAMMAD



Commodity Producing Sector Expected to Perform Better than Earlier Projections for FY21

In a report published by the Finance Division, Government of Pakistan, prospects of economic growth are showing visible signs of improvement during Jul-Jan FY 2021 which strengthens expectations about economic recovery.

Agriculture: The production of wheat crop is expected to be better as compared to last year due to more area under cultivation as per preliminary estimates which recorded area sown at 9.2 million hectares against 8.8 million hectares last year. Timely rain spells, favorable weather conditions and better farm management practices will pave a way to achieve the wheat production target. The agriculture input situation is favorable and showing an uptick. According to Pakistan Automotive and Manufacturing Association (PAMA), farm tractors production and sales rose by 54.7 percent and 54.6 percent respectively during Jul-Jan FY 2021. As per IRSA estimates, the irrigation water supply during Jan 2021 was 2.43 MAF against the last year's supply of 1.72 MAF, higher by 0.71 MAF (41.27



percent). During Jul-Jan FY2021, the banks have disbursed agriculture credit amounting to Rs. 715.6 billion, 1.8 percent higher than the disbursement of Rs. 702.9 billion made during same period last year. During current Rabi season 2020-21 (Oct-Dec), urea off-take was recorded at 1,827 thousand tonnes which decreased by 1.1 percent while DAP off-take was 791 thousand tonnes showing a decrease of 8.9 percent over the same period last season. One of the reasons of low off-take during Rabi 2020-21 is unexpected high off-take of DAP during the month of August (180 percent) and September (9 percent) in Kharif 2020.

Manufacturing : LSM has surpassed its pre-COVID level of production in Dec FY 2021, witnessing 11.4 percent growth on YoY basis (10.5 percent in Dec FY 2020) while on MoM basis, LSM increased by 13.5 percent in Dec FY 2021 (1.3 percent in Nov FY 2021). During Jul-Dec FY 2021, LSM grew by 8.2 percent (-2.7 percent last year). In Dec FY 2021, on MoM basis, 10 out of 15 subsectors have posted positive growth. Textile, Food Beverages & Tobacco, Non-Metallic Mineral Products, Iron & Steel Products, Coke & Petroleum Products and Pharmaceuticals grew by 0.63, 64.08, 3.11, 8.31, 11.52 and 2.5 percent, respectively. Car production and sale increased by 4.9 and 17.9 percent respectively during Jul-Jan FY 2021 while tractor production and sale increased by 54.7 and 54.6 percent respectively.

“The greatest achievement of your character is that the hostility of your brother against you does not overcome the consideration and friendship you feel towards him and his ill treatment of you does not overbalance your kind treatment to him.”

HAZRAT ALI



INTERNATIONAL SCENARIO

World Food Price Index Rises in February for Ninth Month Running - FAO

World food prices rose for a ninth consecutive month in February, hitting their highest level since July 2014, led by jumps in sugar and vegetable oils, the United Nations food agency said on March 4, 2021. The Food and Agriculture Organization's food price index, which measures monthly changes for a basket of cereals, oilseeds, dairy products, meat and sugar, averaged 116.0 points last month versus a slightly revised 113.2 in January.

The Rome-based FAO also said in a statement that worldwide cereal harvests remained on course to hit an annual record in 2020, adding that early indications pointed to a further increase in production this year. FAO's cereal price index climbed 1.2 percent month on month in February. Among major coarse grains, sorghum prices increased the most, rising 17.4 percent on the month and 82.1 percent-year on year, driven by strong demand from China. Sugar prices climbed 6.4 percent month on month amid concerns over supplies in 2020/21 because of production falls in major producing countries and strong demand from Asia. The vegetable oil price index increased 6.2 percent to reach its highest level since April 2012, with palm oil prices rising for a ninth month, lifted by worries over low inventories in major exporting nations.

Dairy prices rose 1.7 percent, while the meat index posted a modest 0.6 percent gain. FAO said pig meat quotations fell, hit by reduced purchases from China amid heavy oversupply and a rise in unsold pigs in Germany due to a ban on exports to Asian markets. FAO raised its forecast for the 2020 cereal season to 2.761 billion tonnes from an estimate of 2.744 billion made last month pointing to a 1.9 percent increase year on year. That revision reflected a 7.5 million tonnes increase in the world wheat production estimate, driven by recently released official data from Australia, the European Union, Kazakhstan and Russia. The forecast for global rice production was also raised by 2.6 million tonnes from last month on more buoyant production forecasts from India. FAO raised its forecast for global cereal stocks ending in 2021 by 9 million tonnes to 811



million which would represent a 0.9 percent decline year on year. "While most of the wheat crop in the northern hemisphere is still dormant and southern hemisphere countries are yet to plant, FAO's preliminary forecast for global wheat production in 2021 points to a third consecutive annual increase, to 780 million tonnes, a new record."

UK to Sell World's First Sovereign Green Savings Bonds

Britain's government plans to launch the world's first sovereign green bonds for retail investors as part of its push to create a net-zero-carbon economy by 2050. The savings bonds will fund projects in areas such as renewable energy and clean transportation and will go on sale this year, the Treasury said.

Finance Minister Rishi Sunak has also committed to the launch of so-called green gilts, aimed at institutional investors, as part of his borrowing plans for the 2020/21 financial year, which will be announced in his budget statement. The Treasury said late on Saturday that Sunak would also use his budget statement to announce three programs that will receive funds from the government's 1 billion pound (\$1.4 billion) Net Zero Innovation Portfolio. They include a competition to develop long-duration energy storage prototypes, which will be allocated 70 million pounds.

Prime Minister Boris Johnson is due to host world leaders at a UN climate conference in November to try to agree on action to stabilize the planet's climate. Last year, Johnson laid out a 10-point plan for a 'green industrial revolution'. The opposition Labor Party said it was not ambitious enough to reach the 2050 net-zero target.

Dubai GDP Seen at pre-COVID levels by 2023

Key sectors in Dubai, particularly real estate, tourism, hospitality and retail, will likely remain under pressure for the next 12-24 months despite the remarkable headway the UAE has been making in its vaccination drive, analysts at S&P Global Ratings said.

"We think the 2020 shock will continue to reverberate through Dubai's economy and GDP will return to the 2019

level only in 2023, keeping the pressure on most sectors until then," say S&P analysts Sapna Jagtiani and Timucin Engin. "As a global aviation and transportation hub and a major tourism and retail shopping destination, Dubai's economy has been hit by the impact of COVID-19. We expect GDP growth to recover this year from the sharp recession of 2020 triggered by the pandemic and low oil prices," they wrote in their report Dubai's Property Market in 2021: A Tough Year on the Road to Recovery. Last year, Dubai saw the sharpest population decline in the GCC: 8.4 percent versus the region average of 4 percent. Expo 2020 will now take place from October 1, 2021 to March 31, 2022, after a delay due to COVID-19 and should provide a platform for a recovery in activity, they argued.

Although there will be only marginal improvements in 2021, the normalization of relations with Israel, as well as the restoration of ties between Qatar and the four Arab countries previously boycotting the country, should support tourism and real estate investments. The UAE is reportedly leading the vaccination effort in the region, with one of the highest immunization rates. High vaccination rates could help the UAE's tourism sector recover earlier than others. S&P Global Ratings believes there remains high, albeit moderating, uncertainty about the evolution of the coronavirus pandemic and its economic effects. Vaccine production is ramping up and rollouts are gathering pace around the world.

"Widespread immunization, which will help pave the way for a return to more normal levels of social and economic activity, looks to be achievable by most developed economies by the end of the third quarter. However, some emerging markets may only be able to achieve widespread immunization by year-end or later," it said. However, S&P expects real estate companies' profitability to remain under pressure and leverage to be high.

"Absent a substantial recovery in revenue, companies are likely to focus on cost optimization, proactively managing their liquidity and preserving their cash flows. Some companies are expected to reduce or eliminate dividends to conserve cash and sell assets to reduce leverage. Rated Dubai-based real estate companies have good liquidity and access to funding, despite currently trying times."



MANAGEMENT VIEWS

Boost Your Team's Optimism

These are trying times. But the job of a leader is to set a tone that empowers people to do their best work. So when the whole world is feeling down, how can you steer your team toward optimism? Here are four pieces of advice:

- **Make room for 'organizational foolishness.'** While careful planning and project management are important, you also need to create space to unleash your team's imagination, creativity and fun.
- **Invite everyone to become a problem-solver, then give them the autonomy to fix things and pursue new projects.** Fostering a spirit of agency on your team will help them adopt a more optimistic mindset.
- **Strengthen personal relationships.** Ultimately it is human connections with clients, patients and colleagues, that keep employees upbeat and motivated.
- **Share and celebrate good news.** There is a lot of bad news right now, but as a leader you can put a spotlight on positive developments. Try distributing a newsletter that highlights what is going well, or carving out some time for gratitude and positivity in your next team meeting.

(This tip is adapted from *How to Stay Optimistic [When Everything Is Awful]*, by Bill Taylor – HBR.)

Reframe a Gap on Your Resume

A gap on your resume does not have to be an obstacle to overcome. You can reframe a break from traditional employment as a valuable learning experience. Start by challenging your assumption that employers only value the skills you developed in paid positions. In fact, they often look for applicants who can demonstrate their ability to problem solve and get things done. You can showcase these skills whether or not they are tied to a long-term, 9-to-5 job. Write down everything you have spent time on in between jobs: Maybe you took part in a startup competition during school or helped a friend create a social media campaign for their new Etsy store. Then, ask yourself, "Have I gained any skills that align with the requirements for the job I am applying for?" You might think that a project has nothing to do with your job search, but if framed right, it could actually add a

great deal to your resume. Ultimately, if you are confident in the value that you can bring to others, your dynamic experience will be seen as the asset that it is.

(This tip is adapted from *How to Fill an Employment Gap on Your Resume*, by Vadim Revzin and Sergei Revzin – HBR.)

How to Ask Your Boss for an Extended Leave

You may find yourself needing an extended leave from work at some point in your career, whether it is to care for a sick family member, to go back to school, or for another personal reason. But asking your boss for the time off can be daunting. Here is how to approach the conversation. First, emphasize your commitment. Express your desire to remain with the organization and be clear about the temporary nature of your ask. Give enough information regarding your situation so that they understand your needs, but do not feel like you have to share anything that might make you uncomfortable. Come up with a communication plan with your manager. What are you going to tell your coworkers and what are you going to keep between the two of you? And make sure to set clear expectations and boundaries with your boss and your team around your capacity to work during your leave. Everyone is subject to a major life event that could disrupt our ability to work for a while. Be equipped to handle that possibility, should it arise.

(This tip is adapted from *How to Ask for an Extended Leave from Work*, by Denise M. Rousseau – HBR.)

SNIPS

Investing in CSR

In 2019, \$30 trillion of assets invested worldwide relied in some way on information related to companies' environmental, social and governance practices, estimates MIT Sloan School of Management.

The Lure of Airport Shopping

In 2019, duty-free shopping at airports touched \$86 billion but collapsed by two-thirds last year, notes The Economist.

IBP TRAINING CALENDAR - MARCH 2021



**06 MARCH
SATURDAY**

2PM - 6PM

Fraud Risk Management & Internal Control

FACILITATOR: Kamran Hyder

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

ONLINE
TRAINING

**09 MARCH
TUESDAY**

9AM - 1PM

Financing Secured Small Business Appraised on New Techniques

FACILITATOR: M.A. Hijazi

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

ONLINE
TRAINING

**11 MARCH
THURSDAY**

2PM - 6PM

Agriculture Financing: Risks and Opportunities

FACILITATOR: Kamran Akram Bakhshi

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

ONLINE
TRAINING

**12-13 MARCH
FRI - SAT**

9AM - 1PM (FRI)
1PM - 5PM (SAT)

FATCA & CRS Global Reporting Compliance

FACILITATOR: Shamwail Sohail

COURSE FEE: PKR 14,000 (Excluding sales tax)

ONLINE
TRAINING

**16 MARCH
TUESDAY**

2PM - 6PM

Conducting Investigation for Workplace Harassment Cases

FACILITATOR: Seemin Shafi

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

ONLINE
TRAINING