



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16 | ISSUE 01 | JANUARY 01, 2021

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

## PAKISTAN TIDINGS

### COVID-19: Impact of SBP's Measures as of Dec 18-28, 2020

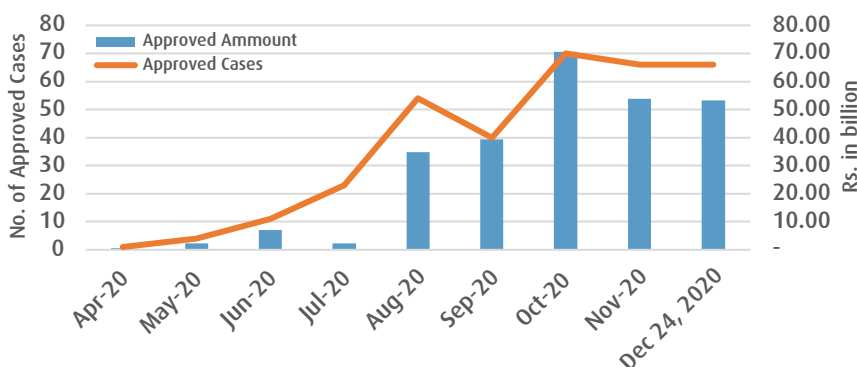
			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	8.4
Loans Restructured	217.7	Loans Approved for Investment	263.8
Loans Approved for Wages <sup>#</sup>	238.0	ATMs' Availability	96 percent

<sup>#</sup> This Scheme is no longer available, therefore, the data will not be updated after November 13, 2020.

### SBP's Countering COVID-19 Schemes Helping Businesses in the Time of Need

"A friend in need is a friend indeed" could be witnessed welcomingly in case of State Bank of Pakistan, who took timely measures to safeguard businesses from the adversities of COVID-19 and helped in bringing faster recovery from aftereffects of lockdowns imposed in the wake of pandemic. Apart from reducing policy rate by a cumulative 625 bps, the other measures taken include i) Facilitating New Investments-TERF, ii) Loan Restructuring Policy, iii) Supporting the Health Sector and iv) SBP Rozgar Scheme. Announced on March 17, 2020, the Temporary Economic Refinance Facility (TERF) was meant to provide concessionary refinance for setting up of new industrial units. Refinance under the facility will be available through banks/DFIs to all sectors across the board except power sector where SBP's refinance facility for renewable energy projects already exists. TERF has shown significant growth over the last nine months as reflected by increase in requested amount from Rs. 36.1 billion by end April 2020 to Rs. 557.6 billion by Dec 24, 2020 while over the same period approved financing has reached to Rs. 263.8 billion from Rs. 0.5 billion with its peak witnessed in October 2020. Appetite for this scheme is not yet over as businesses are still interested in getting this concessionary finance facility available to end-users at 5 percent mark-up rate.

#### Monthly Progress of TERF



## MARKETS AT A GLANCE

Rates are taken till Thursday, December 31, 2020\*

### MONETARY POLICY RATE

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

### KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.10	7.35
ENDING	7.10	7.35
CHANGE	0	0

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 217.66	PKR 195.68	PKR 160.32
ENDING	PKR 218.45	PKR 196.64	PKR 159.83
CHANGE	+0.79	+0.96	-0.49

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	43,416
ENDING	44,434
CHANGE	+1018

### GOLD RATE

	(10 GM, 24K)
STARTING	PKR 96,574
ENDING	PKR 98,948
CHANGE	+2374

\*Due to Bank Holiday on January 01, 2021



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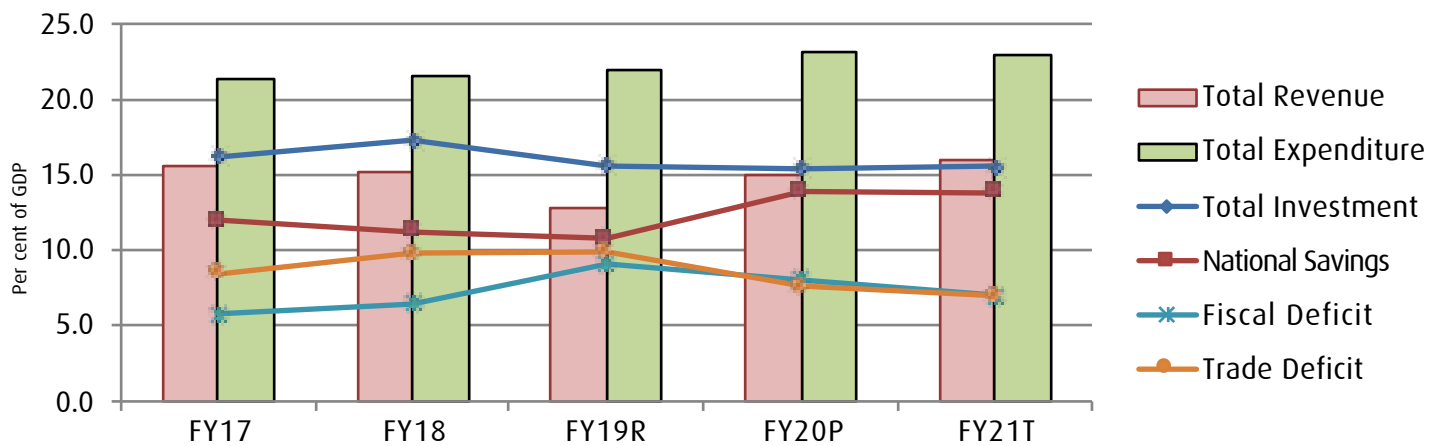
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## Pakistan's Major Economic Indicators

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	SEP 2020	OCT 2020
General	4.8	4.7	6.8	10.7	9.0	8.9
Food (Urban)	4.3	3.8	4.6	13.6	12.4	13.9
Non-Food (Urban)	5.1	5.8	8.5	8.3	5.0	13.6

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	December 11, 2020	December 18, 2020
3,911.3	4,387.8	4,950.0	6,142.0	6,376.59	6,353.14

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	
	18-Dec-20	11-Dec-20	20-Dec-19	Previous Week	Corresponding Week
Investments	11,399.8	11,186.7	8,770.8	1.91	29.97
Gross Advances	8,242.8	8,183.9	8,101.4	0.72	1.75
Borrowings	3,137.5	3,028.1	2,825.1	3.61	11.06
Deposits and other accounts	16,911.2	16,653.0	14,368.6	1.55	17.70

**SBP Launches Survey of Overseas Pakistanis to Assess Recent Trends and Prospects for Remittances**  
State Bank of Pakistan (SBP) in collaboration with Ministry of Planning, Development and Special Initiatives (MPD&SI) has launched a survey of Overseas Pakistanis to analyze recent trends in remittances and the future outlook. The survey will be available to all Overseas Pakistanis globally till 9th of January, 2021. The survey attempts to assess underlying factors that may have affected recent remittances behavior, including switching from informal to formal channels, from brick and mortar outlets to digital platforms, future plans of moving back to Pakistan, as well as the amount of remittances they expect to send in the next six months. With the support of the Ministry of Overseas Pakistanis and Human Resource Development (MOPHRD), Ministry of Commerce, Ministry of Foreign Affairs (MOFA) and Pakistan Remittance Initiative (PRI), this survey is being conducted simultaneously at Pakistani Consulates and Embassies, Overseas Bank Branches of Pakistani Banks as well as online. SBP and MPD&SI encourage Overseas Pakistanis to actively participate in this short online survey. The survey is accessible through the web link: [https://surveyctosbp.surveycto.com/collect/survey\\_on\\_recent\\_remittance\\_behavior\\_of\\_overseas\\_pakistanis?caseid](https://surveyctosbp.surveycto.com/collect/survey_on_recent_remittance_behavior_of_overseas_pakistanis?caseid)

## Master Guarantee Agreement Signed Between Credit Guarantee Trust for Low Income Housing and Partner Financial Institutions

A Credit Guarantee Trust, with Pakistan Mortgage Refinance Corporation (PMRC) as Trustee, has been set up by the Government of Pakistan with the support of State Bank of

Pakistan (SBP) and funded by the World Bank. In line with Government's vision to promote affordable housing specially for the low- and informal-income segments, the Credit Guarantee Trust will provide risk coverage of up to 40 percent to primary mortgage financiers on first loss basis. The guarantee will partially alleviate the credit risk of primary mortgage financiers and provide a conducive environment for banks to finance housing for the low-income. Keeping in view the dynamics of mortgage market and to facilitate market growth, the scheme has been designed for both conventional and Islamic banks.

PMRC, as trustee, signed a Master Guarantee Agreement on December 28, 2020 with six leading Islamic and conventional banks including Meezan Bank, Habib Bank, BankIslami, Faysal Bank, JS Bank and Soneri Bank. This is a major step for the Government's Naya Pakistan Housing Program and making affordable housing possible for all.

Speaking at the occasion, Deputy Governor SBP Mr. Jameel Ahmed said that the risk coverage of mortgage portfolio under Government Markup Subsidy facility provides due comfort to banks in extending housing finance to the low income segment for buying or construction of new houses. He urged the banking industry to benefit from this unprecedented facilitative environment and extend loans to their maximum potential. He also urged the PMRC to focus on developing secondary mortgage market through issuance of mortgage-backed securities in the capital market. He further emphasized that all stakeholders needed to make



concerted efforts to achieve the goal of providing housing to the common people. He lauded the efforts by financial institutions over the last few months under the umbrella of Steering Committee on housing and construction finance established by State Bank of Pakistan.

Mudassir H. Khan, MD and CEO of PMRC, said that PMRC has a role of a catalyst in mortgage market development in the country and for growth of affordable housing in the country. He thanked the Deputy Governor SBP for his leadership and support for this sector, the Ministry of Finance, the World Bank and Naya Pakistan Housing & Development Authority (NAPHDA) towards making the Government and PM's vision of affordable housing a reality.

### **ECC Allows Relending Foreign Loans on Same Terms as Borrowed**

The Economic Coordination Committee (ECC) of the Cabinet has approved the relending of foreign loans on the same terms as borrowed by the government. As per Economic Affairs Division's (EAD) Relending Policy 2020, relending rate for provincial governments, autonomous bodies and Development Financial Institutions (DFI) will be at the actual rate while 2 percent penal interest will be charged on amounts that remain unpaid for 30 days after the due date. Similarly, one time fixed administrative charges at the rate of 0.25 percent will be charged at the time of each disbursement, while DFIs are allowed to charge 3 percent further spread from end borrowers. According to documents, relending rates for provincial governments and DFIs was 12 percent under the policy for 2009, 9 percent under the policy for 2016 and 13.1 percent as of June 2020.

Similarly, the relending rate for autonomous bodies was 15 percent under the policy for 2009, 12 percent under the policy for 2016 and at 15.75 percent as of June 2020. According to EAD Secretary Noor Ahmed, the primary objective behind the introduction of Relending Policy, 2020, was to cover the cost of borrowing as most borrowing agencies were either defaulting in repayment or accumulating arrears on account of delayed payments. It is relevant to note here that relending rates under the policies for 2009 and 2016 have reflected changes in

the average cost of borrowing, while the average cost of external borrowing by the federal government for the last five years was at 3.6 percent per annum with the rupee depreciating by 9.1 percent per annum against US dollar during the same period.

A revision in the existing relending policy was required to accurately reflect the changes in borrowing cost of the federal government, exchange risk coverage (ERC) and to have an in-built fiscal incentive to encourage repayments by borrowers. On finding variation in the average cost of borrowing and exchange risk, the EAD proposed the ECC to approve Relending Policy, 2020 to relend foreign loans to all entities on the same financing terms as borrowed by the government.

"Allah Almighty says: Whoever comes with a good deed will have the reward of ten like it and even more. Whoever comes with an evil deed will be recompensed for one evil deed like it or he will be forgiven. Whoever draws close to me by the length of a hand, I will draw close to him by the length of an arm. Whoever draws close to me by the length of an arm, I will draw close to him by the length of a fathom. Whoever comes to me walking, I will come to him running. Whoever meets me with enough sins to fill the earth, not associating any idols with me, I will meet him with as much forgiveness."

THE PROPHET MUHAMMAD



### **SBP Committed to Making Supply Chains Cashless**

State Bank of Pakistan (SBP) Deputy Governor Ms. Sima Kamil said on December 22, 2020 that the central bank is committed to digitizing corporate supply chains in order to help achieve the goal of digital financial inclusion.

"It is the overarching aim of the State Bank to ensure a safe and secure financial system. The other role that we have is financial inclusion. What we want is to reduce cash and promote financial inclusion through digitization," the SBP deputy governor said during a webinar titled 'Cashless Supply Chain 2020', organized by B2B payments facilitator Haball Private Limited. The deputy governor noted that the majority of supply chains in Pakistan,



whether in rural or urban areas, from manufacturer to distributor to end customer, are cash and paper-based. "This makes the economy undocumented and ineffective for all players. So it is in the interest of the country to have entities like Haball that would assist in [introducing] paperless regime," she said. Corporate supply chains have been a big challenge for the central bank, she said, adding that due to the presence of cash, synergies between digital financial services and corporate supply chain actors carry immense potential for digital financial inclusion. "This will not only create transparency for corporates but will also provide a bankable identity to unbanked distributors and retailers. It is important that they see value in this."

**"Do not seek help and protection of anybody but Allah. Reserve your prayers, your requests, your solicitations, your supplications and your entreaties to Him and Him alone."**

HAZRAT ALI 

Ms. Kamil also highlighted the steps taken by SBP to promote digital financial inclusion. "The SBP has rolled out EMIs, rules for simplified digital onboarding of merchants, deploying QR codes for payments and a flagship launched with the help of the World Bank namely National Payment Systems Strategy," she said. "Under this [strategy], we tried to build a modern and robust payment system for the country that enables the provision of cost effective and easily available digital financial services. The flagship project for this is the micropayments gateway". The deputy governor further stated that the micropayment gateway will move towards bulk payments, retail payments as well as push payments.

"We believe this will transform the payments ecosystem and provide a full-fledged solution to the challenge of branchless banking wallets and result in a rapid achievement of our goals of national financial inclusion."

## INTERNATIONAL SCENARIO

### China to be Top Economy by 2028

China will overtake the United States to become the world's biggest economy in 2028, five years earlier than previously estimated due to the contrasting recoveries of the two countries from the COVID-19 pandemic, a think tank said. "For some time, an overarching theme of global economics has been the economic and soft power struggle between the United States and China," the Center for Economics and Business Research said in a report published on December 26, 2020. China looked set for average economic growth of 5.7 percent a year from 2021-25.

### Oil Rises to Touch \$52 after Trump Signs Aid Bill

Oil rose to hit \$52 a barrel on Monday as US President Donald Trump's signing of a coronavirus aid package and the start of a European vaccination campaign outweighed concern about weak near-term demand. Trump, whose presidency is set to end next month, had earlier threatened to block the \$2.3 trillion aid and spending package. Europe, meanwhile, launched a mass vaccination drive on Sunday. Brent crude was up \$0.68, or 1.3 percent, at \$51.97 a barrel at 1020 GMT, after trading as high as \$52.02, reversing an earlier decline. US West Texas Intermediate (WTI) crude added \$0.69, or 1.4 percent, to \$48.92. "The signing of the US stimulus bill, with the possibility of an increased size, should put a floor under oil prices in a shortened week," said Jeffrey Halley, analyst at broker Oanda. Oil has recovered from historic lows reached earlier this year as the emerging pandemic hammered demand. Brent reached \$52.48 on December 18, its highest since March. But the emergence of a new variant of the virus, first seen in Britain and now detected in other countries, has led to movement restrictions being reimposed, hitting near-term demand and weighing on prices. Oil remains vulnerable to any further setbacks in efforts to control the virus, said Stephen Innes, chief global market strategist at Axi, in a note. Also coming into focus will be a January 4, 2021 meeting of the Organization of the Petroleum Exporting Countries and allies, a group known as OPEC+. The group is slowly tapering record oil output cuts made this year to support the market. OPEC+





is set to boost output by 500,000 barrels per day in January and so far there is no sign of wavering on going ahead with the supply increase.

### EU, UK Unveil Vast Trade Pact Set to Enter Force on January 1, 2021

The European Union and the United Kingdom made public on December 26, 2020 the vast agreement that is likely to govern future trade and cooperation between them from January 1, 2021, setting the 27-nation bloc's relations with its former member country and neighbor on a new but far more distant footing. EU ambassadors and lawmakers on both sides of the English Channel will now pore over the "EU-UK Trade and Cooperation Agreement," which contains over 1,240 pages of text. EU envoys are expected to meet on Monday to discuss the document, drawn up over nine intense months of talks. Businesses, so long left in the dark about what is in store for them, will also be trying to understand its implications. Most importantly, the deal as it stands ensures that Britain can continue to trade in goods with the world's biggest trading bloc without tariffs or quotas after the UK breaks fully free of the EU. It ceased to be an official member on January 31 this year and is days away from the end of an exit transition period. But other barriers will be raised, as the U.K. loses the kind of access to a huge market that only membership can guarantee. They range from access to fishing waters to energy markets and include everyday ties so important to citizens like travel arrangements and education exchanges. EU lawmakers said last weekend that there simply was not enough time to properly scrutinize the text before the deadline and they will debate and vote on the document in January and February, if the approval process runs smoothly. Despite the deal, unanswered questions linger in many areas, including security cooperation — with the U.K. set to lose access to real-time information in some EU law enforcement databases — and access to the EU market for Britain's huge financial services sector.

### Arab World's Own Currency Payments and Settlement Network 'Buna' Goes Live

The Arab world's own cross-border payment network - 'Buna' - has gone live, with the first transaction done in

the UAE dirham. It was executed between Mashreq Bank and Banque Misr in Egypt. Buna aims to encourage the use of Arab currencies in cross-border settlement and clearance transactions. Owned by Arab Monetary Fund (AMF), Buna settles cross-borders payments in multiple currencies. It can currently be done using dirham, Egypt's pound and the Saudi riyal. Buna already has a network of participant banks and the December 28, 2020 transaction marks the completion of the phased go-live approach. "We are looking forward to continuing growing our network of participants and currencies," said Dr. Abdulrahman A. Al Hamidy, Director-General and Chairman of the Board of Arab Monetary Fund. "Our focus will always be to offer modern payment solutions, across the Arab region and beyond, within the highest standards of information security and in compliance with international standards." Buna is in the process of expanding its network, with more than 120 banks currently in the process to onboard, as well as add more eligible Arab and international currencies. Buna aims to encourage the use of Arab currencies in cross-border settlement and clearance transactions.

## MANAGEMENT VIEWS

### Craft a Mission Statement for Your Family

What a year it has been for working parents. As we head into what we hope will be a better, less stressful year for all, you can lay the groundwork for your family to thrive in 2021. Ask yourselves: What is our family's mission statement? Developing a clear purpose will help you and your family stay unified and on track in the new year as you juggle all of your responsibilities. It will also help you set priorities and drop things that do not fit with your family's mission. Are you invested in addressing racial inequality? Living sustainably? Your faith? Giving back to your community? Pursuing formal education? Once you have identified your family purpose, come up with a short, snappy, memorable mantra and repeat it out loud whenever you feel a need to reset. Then set specific, individual goals that align with your purpose. Write them down and make a plan to measure them throughout the year. This process should be fun for everyone, not another



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chore. Revisit your goals periodically and plan family activities that allow you to serve your mission as a team. After all, especially in a difficult year, you are all in this together. (This tip is adapted from *What's Your Family's Mission Statement?*, by Priscilla Claman. – HBR)

### **Leave Work at the Door — Even If You Cannot Leave the House**

When you are working from home, it can be really hard to transition from work mode to personal mode, but it is more important than ever to keep the distinction clear. Here is how to make the switch. First, establish a routine that eases you into work mode. Maybe it is putting your dishes in the dishwasher, getting a cup of coffee and then sitting down at your computer. Or maybe it is doing a quick workout, showering and then turning to your phone to check email. Do these activities in the same way each day to build the habit. Then, make a plan for your day, blocking out time on your calendar for meetings, answering emails, or focusing on special projects. Finally, set a wrap-up routine to end your workday. This could include doing a final scan to make sure you have responded to all critical emails, looking over your task list to decide what you will tackle tomorrow and maybe even saying out loud to yourself, "The workday is done, I'm signing off." (This tip is adapted from *How to Transition Between Work Time and Personal Time*, by Elizabeth Grace Saunders. – HBR)

### **Make the Most of a Slow Period at Work**

You have just wrapped up a big project and it is going to be a week or two before the next one ramps up. What should you do with the free time on your calendar? While this kind of lull between assignments can feel disconcerting, or even anxiety producing, it is actually a great opportunity to recalibrate, reorganize your priorities, or just to relax. Here is how to make the most of this slow period. First, think about ways that you could challenge yourself. For example, could you take a short online class or pursue a hobby that you rarely have time for? You might also consider using the time to help others by volunteering in your local community or mentoring a junior colleague. This

also can be a good time to finish those little, annoying tasks that you never seem to get to. Knocking those nagging things off your to-do list is an easy way to feel productive and keep your forward momentum going. Do not waste a good slowdown. They are rare in today's go-go-go world and when this one's gone, you will probably wish you had some time to spare. (This tip is adapted from *You're Between Assignments at Work. What Do You Do?*, by Anne Sugar. - HBR )

### **Encourage Employees to Self-Report Their COVID-19 Risk**

As economies reopen, employers are striving to protect their staff from contracting and spreading COVID-19. To do so, they need to make it safe for employees to disclose any potential exposure. One approach is to implement a "random rotation" policy, which entails surveying your employees about their COVID-19 exposure and symptoms. Based on responses, a group of randomly selected employees, along with everyone who reported exposure, are then rotated out of the workplace and tested for symptoms upon their return. This "random" approach protects the anonymity of those employees who report risk. Workers concerned that they may be sick can safely ask to temporarily isolate without having to expose their personal health information to their colleagues or managers. You can use this survey approach for insight into other sensitive information, such as mental health issues, burnout and harassment — all of which may be exacerbated by the pandemic. With these insights in mind, you can then target support to your people who need it most. (This tip is adapted from *How to Get Employees to Report Their COVID-19 Risk*, by Laura Boudreau and Sylvain Chassang)

**WE WISH ALL OUR READERS  
A HAPPY NEW YEAR**

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**Published by:** The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

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**DONATE FOR THE PRIME MINISTER'S COVID-19 PANDEMIC RELIEF FUND**



# IBP TRAININGS JANUARY 2021

**06 JANUARY  
WEDNESDAY**

9AM - 1PM

Framework for Risk Management in Outsourcing  
Arrangements by Financial Institutions

FACILITATOR: Sehba Ehsan

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

ONLINE  
TRAINING

**12 JANUARY  
TUESDAY**

2PM - 6PM

Agriculture Financing: Risks and Opportunities

FACILITATOR: Kamran Akram Bakhshi

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

ONLINE  
TRAINING

**14 JANUARY  
THURSDAY**

9AM - 1PM

Compliance and Regulatory Instructions on Foreign Exchange

FACILITATOR: Ejaz Ahmed Qadri

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

ONLINE  
TRAINING

**16 JANUARY  
SATURDAY**

2PM - 6PM

Working Model of Islamic Accounting

FACILITATOR: Asim Hameed

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

ONLINE  
TRAINING

**16 JANUARY  
SATURDAY**

2PM - 6PM

Digital Transformation in Banking

FACILITATOR: Ahmed Hassan Gardezi

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

ONLINE  
TRAINING