



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

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VOLUME 16

ISSUE 07

FEBRUARY 12, 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 28-February 08, 2021

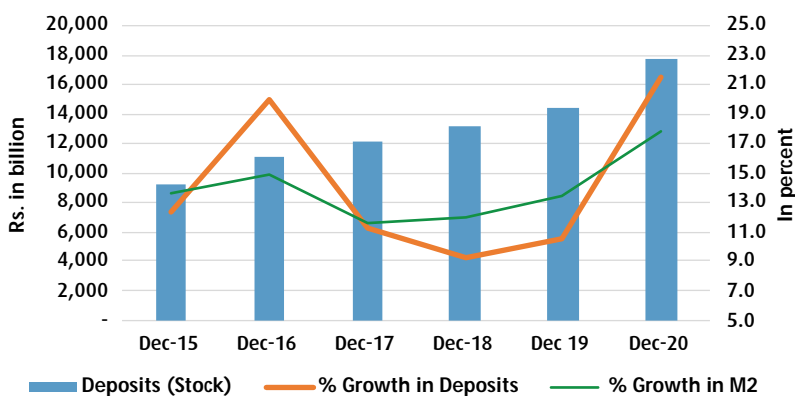
	(Rs. in billion)		
Loans Deferred	657.0	Loans Approved for Hospitals	10.0
Loans Restructured	229.0	Loans Approved for Investment	374.0
Loans Approved for Wages*	238.0	ATMs' Availability	96 percent

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

### Scheduled Banks Deposits set New High in CY 2020

This is encouraging for the banking sector that despite slackness in economic activity and reduced returns on savings, growth in bank deposits during calendar year 2020 showed a marked improvement. Mostly triggered by the termination of higher denominated bearer prize bonds, the total deposits of scheduled banks reached Rs. 17,876 billion at end-December 2020 with an annual growth of 22.2 percent, the highest ever increase in past many years. Increase in money supply also helped boost deposits. According to the SBP data, money supply (M2) witnessed a growth of 17.9 percent during the year ended December 2020. During CY 2020 monetary expansion was witnessed at Rs 3.4 trillion compared to Rs. 2.1 trillion a year before.

Growth Trends in M2 and Bank Deposits



During the on-going Covid-19 pandemic, spending on Haj and Umrah and other international tours were almost negligible apart from dampened shopping spheres seen at festivals and turn of the seasons which in turn resulted into accumulating deposits in the banks.

Using this as a window of opportunity, the scheduled banks made higher investment in risk free government papers and also enthusiastically supported the State Bank of Pakistan's initiatives to mitigate COVID-19 adverse impact on businesses and economic development of the country.

## MARKETS AT A GLANCE

Rates taken till Friday, February 12, 2021

### MONETARY POLICY RATE

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

### KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.32	7.57
ENDING	7.32	7.57
CHANGE	0	0

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 217.37	PKR 191.95	PKR 159.99
ENDING	PKR 218.92	PKR 192.27	PKR 158.82
CHANGE	1.55	0.32	-1.17

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	46,905
ENDING	45,808
CHANGE	-1097

### GOLD RATE

(10 GM, 24K)

STARTING	PKR 96,622
ENDING	PKR 94,797
CHANGE	-1825



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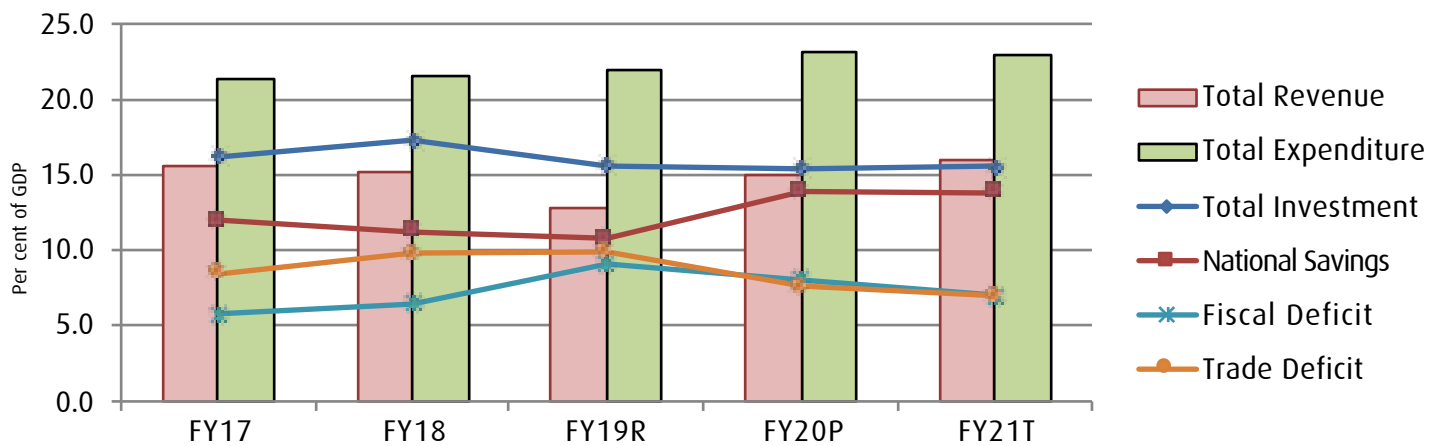
VOLUME 16 | ISSUE 07 | FEBRUARY 12, 2021

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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	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 21, 2021	January 29, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,406.7	6,364.2

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	
	29-Jan-21	22-Jan-21	31-Jan-20	Previous Week	Corresponding Week
<b>Investments</b>	11,419.4	11,368.3	8,366.2	0.45	36.49
<b>Gross Advances</b>	8,474.0	8,434.3	8,164.0	0.47	3.80
<b>Borrowings</b>	3,210.2	3,232.6	2,518.4	-0.69	27.47
<b>Deposits and other accounts</b>	17,088.1	16,775.5	14,672.8	1.86	16.46

### Pakistan Among Countries Effectively Safeguarding SMEs from COVID-19 Adverse Impacts: Survey

Pakistan has been ranked 3rd in government support provided to SMEs to mitigate the impact of COVID-19, according to a recently launched survey report titled 'Impact of COVID-19 on SMEs' conducted online by Small and Medium Enterprises Development Authority (SMEDA), Asian Development Bank Institute (ADBI) and Asian Productivity Organization (APO).

The survey was conducted by ADBI and APO in other countries of the region, including Indonesia, India, Bangladesh, Malaysia, Vietnam, Mongolia and Lao PDR. The online survey was administered in August 2020 and lasted till September 2020, in which 236 SMEs from Pakistan participated.

Findings of the survey revealed that the majority of enterprises in Pakistan were facing 82 percent cash flow and 65 percent raw material shortage. However, 11.44 percent SMEs in Pakistan expected their sales revenue to increase as compared to 2019, while 12.29 percent respondent enterprises expected their sales revenue to remain the same.

Among the changes reported in the business environment between February and April 2020, Pakistan was the best performer in the region, in terms of the percentage of enterprises, with only 36.44 percent respondents reporting a significant decline in domestic demand. In comparison, 72.29 percent of enterprises in Bangladesh, 50 percent in India, 42.52 percent in Indonesia and 63.5 percent in Malaysia reported a significant drop in domestic demand.

In terms of government support provided, the government's electricity support package played a role in supporting SMEs directly during these trying times with 27 percent respondents in Pakistan reporting that they received support through payment of utility bills.

Businesses being impacted by the economic crunch due to the debilitating pandemic reported that they require support in payment of utilities, tax exemptions or lower tax rates and rent payment to deal with the impact of COVID-19.

### State Bank Approved Financing Under TERF Reaches Rs. 374 billion

State Bank of Pakistan's (SBP) Temporary Economic Refinance Facility (TERF) has shown significant growth over the last ten months despite the COVID-19 pandemic. As per SBP, as of January 28, 2021, investments approved under TERF have reached Rs. 374 billion, up by Rs. 51 billion in one week. The highest weekly increase since the announcement of this scheme. Whereas, 450 projects approved so far.

TERF has shown significant growth over the last ten months as reflected by increase in requested amount from Rs. 36.1 billion by end April 2020 to Rs. 687.4 billion by January 28, 2021 while over the same period approved financing has reached to Rs. 374.3 billion from Rs. 0.5 billion.

It is pertinent to mention TERF is a concessionary refinance facility aimed at promoting investment both new and expansion and/or Balancing, Modernization and Replacement (BMR). Financing under the facility is available through



banks/DFIs to all sectors across the board except power sector where SBP's refinance facility for renewable energy projects already exists.

On March 17, 2020, SBP announced TERF and its Shariah compliant version to stimulate new investment in manufacturing. The total size of the scheme is Rs. 100 billion, with a maximum loan size per project of Rs. 5 billion and maximum end-user rate of 7 percent for 10 years.

### Why do you have to pay Rs. 2.50 for an ATM receipt?

After numerous queries made by customers regarding why are they are being charged to pay Rs. 2.50 for the Automated Teller Machines (ATM) transaction receipts, it was learnt that the move has been taken by 1Link, the consortium of major banks that own and operate the largest representative interbank network in Pakistan. "In response to various queries being initiated regarding ATM transaction receipts, please note that this is an optional service by banks, customers are getting a choice to opt for a physical receipt charged at PKR 2.50 or to get a free of cost information through SMS," stated 1Link in a statement. However, the additional charges are not to increase the company's profitability but a move to reduce paper waste, which is quite rampant.

"This initiative is part of a 'Go-Green' exercise to reduce litter and lower the cost of printed proceeds which are usually discarded immediately. In addition, sensitive customer information is left for others to peruse," stated 1Link. It added that the State Bank of Pakistan (SBP) has not mandated this and has entirely left the customers to choose a charge receipt or get free electronic confirmation.

The statement comes after many customers alleged that banks are charging additional fees for ATM transaction receipts on the directives of SBP. However, SBP and a number of banks quickly clarified, Habib Bank Limited (HBL), one of the largest bank in the country confirmed that the State Bank of Pakistan has not given any instructions on charging for printing of ATM receipts. "This is a "Go-Green" initiative by 1Link to encourage customers to avoid unnecessary use of paper and keep the environment clean," it stated.

## INTERNATIONAL SCENARIO

### Gold will Continue to Enjoy Safe-Haven Status in 2021

Gold will continue to enjoy safe-haven status and sustain an upward trend in near future due to challenging environment across the globe in the wake of the COVID-19 pandemic, experts say. The commodity analysts believe that any development and issues related to transportation of the COVID-19 vaccine, performance of global economy as well as US Treasury yields will massively influence the yellow metal price in 2021 and 2022.

"The yellow metal prices will trade in the range of \$100 an ounce at the current price level to trade between \$1,800 to \$1,920 in 2021," say economists. With the rollout of the COVID-19 vaccine worldwide, analysts believe that this will bring confidence into the global economy, hence, central banks will lift interest rates and that could put pressure on the price of the commodity. Gold price closed at \$1,814 an ounce on Friday. The yellow metal is down by \$101 an ounce, or 5.3 percent, in the last 30 days and \$256 an ounce or 12.4 percent in the last six months. It was up by \$249 an ounce, or 16 percent, during the last year.

"Gold prices will likely remain close to their current levels in 2021. On the one hand, the global economy is expected to rebound robustly as the impact of the pandemic and subsequent lockdown measures fades. Positive news on the COVID-19 vaccine front in recent weeks should be further raising economic prospects for second half of 2021 and will likely continue to support investors' appetite for risk ahead, boding poorly for safe-haven demand and gold prices," said Steven Burke, economist at Focus Economics. He said any logistical challenges to distribution of the COVID-19 vaccine to the masses and emergence of second strain of the virus could push safe-haven demand and gold prices higher.

A consensus forecast by Focus Economics analysts projected gold prices to average \$1,889 per troy ounce in fourth quarter of 2021 and \$1,823 per troy ounce in fourth quarter of 2022. The troy ounce is the equivalent of 31.10 grams, whereas the ounce is the equivalent of 28.349 grams.



"Whoever desires an expansion in his sustenance and age, should keep good relations with his kith and kin."

THE PROPHET MUHAMMAD ﷺ

## Nigeria's Okonjo-Iweala Appointed First Woman World Trade Organization Chief

US President Joe Biden's administration on February 5, 2021 offered its "strong support" to Nigeria's Ngozi Okonjo-Iweala to lead the World Trade Organization (WTO), clearing a path for her to become the body's first female and first African leader.

The move marks another sharp split with former president Donald Trump, who paralyzed the organization and opposed the candidacy of the former Nigerian finance minister who was backed by many other countries. The US Trade Representative (USTR) in a statement cited her "wealth of knowledge in economics and international diplomacy" and said she had "proven experience managing a large international organization". USTR also noted that South Korea's trade minister, whom the Trump administration supported, had abandoned her bid to head the WTO earlier Friday.

The process to name a successor for Roberto Azevedo, who stepped down last August, had been deadlocked for months. Key WTO ambassadors tapped Okonjo-Iweala back in October as the best pick to lead the organization, but without US support the process was left at a standstill since the director general is normally chosen by consensus among all 164 member states.

"The United States stands ready to engage in the next phase of the WTO process for reaching a consensus decision on the WTO Director General," USTR said.

"The Biden Administration looks forward to working with a new WTO Director General to find paths forward to achieve necessary substantive and procedural reform of the WTO."

Twice Nigeria's finance minister and its first woman foreign minister, Okonjo-Iweala, 66, trained as a development

economist, has degrees from Massachusetts Institute of Technology (MIT) and Harvard. She spent a quarter of a century at the World Bank, rising to be managing director and running for the top role in 2012 and is seen as a trailblazer in her home country.

## Pound Hits Highest Against Dollar Since April 2018

The British pound hit its highest level against the dollar since April 2018 and traded just below eight-month highs against the euro on Tuesday, with analysts citing Britain's lead in COVID-19 vaccinations as a positive for the currency.

Sterling reached \$1.3798 against the dollar in late afternoon deals in London, its highest level against the greenback since April 27, 2018. Against the euro, it traded flat at 87.69 pence by 1607 GMT. Analysts have largely been constructive on the pound - particularly against the euro - this year, noting that Britain's COVID-19 vaccine rollout has been swifter than in other European countries.

Helping the pound broadly has also been the Bank of England, which at its meeting last week pushed back at market expectations of negative interest rates. Money markets do not reflect negative rates from the Bank at least as far out as August 2022. Speculators increased their net long positions on the pound - bets that it will strengthen - in the week up to Feb. 2, CFTC data showed on Friday.

"I want to teach you five of those things which deserve your greatest anxiety to acquire them: Have hope only in Allah. Be afraid of nothing but sins. If you do not know a thing never feel ashamed to admit ignorance. If you do not know a thing never hesitate or feel ashamed to learn it. Acquire patience and endurance because their relation with true faith is that of a head to a body, a body is of no use without a head, similarly true faith can be of no use without attributes of resignation, endurance and patience."

HAZRAT ALI





## MANAGEMENT VIEWS

### The Secret to Unlocking Your Team's Best Ideas

Contrary to popular belief, creativity does not fall off a cliff during a lengthy brainstorm. Our first ideas tend to be the most obvious and it is only by digging more deeply that new ideas emerge. So set aside more time for creative processes than you think might be necessary, whether that means extending a meeting or putting a follow-up on the calendar. Also, ask your team to generate two or even three times as many ideas as you think you need. Setting aggressive quotas can help people push past those obvious, early-stage ideas. And finally, measure your results. For example, the next time you run a workshop, track when the best ideas were actually generated. Was it by the team that brainstormed for one hour, or the team that took three hours? Did increasing your team's idea quota result in more creative proposals? Testing out these different variables can help you calibrate your process and harness your team's creative potential. (This tip is adapted from *Your Best Ideas Are Often Your Last Ideas*, by Loran Nordgren and Brian Lucas – HBR.)

### Find Meaning in Your Everyday Work

It is hard to feel inspired about much of anything these days, let alone your job. What can you do to shift your perspective if you feel that your work has lost its purpose? Start by turning inward. Reflect on what you care about and what motivates you. Think about why you wanted to work at your organization in the first place and remind yourself how the work you do affects others. Then turn outward by lending a hand to your colleagues. You might, for instance, coach a younger employee or give advice to a member of your team who is struggling. Helping people provides purpose in itself. Finally, identify what triggers your stress and negativity, social media, certain relationships, or the news, for example and set boundaries to protect yourself. These may seem like simple tips, but put in practice, they will bring you closer to finding purpose in your everyday work. (This tip is adapted from *How to Find Meaning When Your Job Feels Meaningless*, by Rebecca Knight – HBR.)

### Break Up Your Day with a Walk

If you have been working from home for most of the past year, you may find yourself hitting a wall. WFH burnout is real, so it is

important to do what you can to give yourself a boost throughout the workday. Do not underestimate the power of going for a walk (or, if you are unable to walk, spending some time outside). Here are five reasons to walk with purpose:

- **Perspective:** Especially in these trying times, getting outside and reconnecting with nature can help broaden your perspective in a healthy way.
- **Connection:** Invite a friend or family member to join you in person if it's doable, safe and responsible, or over the phone if it is not.
- **Learning:** Try listening to an audiobook, podcast, or webinar to stimulate your mind with new information.
- **Gratitude:** It is easy to get bogged down in the negative these days. What if you used your time outside to focus on what you are thankful for?
- **Productivity:** Walking does not always have to be a break from work, it can just be a break from sitting at your desk all day. Which meetings or phone calls could you do on the go?

(This tip is adapted from *Don't Underestimate the Power of a Walk*, by Deborah Grayson Riegel – HBR.)

### How to Give Critical Feedback — Remotely

Giving critical feedback is one of your most challenging responsibilities as a manager and if you are working remotely, it is even harder. How can you update your approach to giving feedback in a WFH world? Here are some key steps to keep in mind:

- Start by asking questions. You need to understand your employee's perception of their performance before expressing yours.
- Show specific appreciation before laying out criticism. They will be more likely to be receptive to your feedback if they trust that you value them.
- State your positive intentions. Something as simple as "I'm in your corner" can go a long way.
- Clarify and contrast. "I'm saying X, I'm not saying Y."
- Ask your employee to state their key takeaways from the conversation.

We are all under intense stress from the pandemic. Taking care to deliver your feedback with clarity and sensitivity will help people focus on the reality of your message, even in a remote environment.

# IBP TRAINING CALENDAR - FEBRUARY 2021



**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**

2PM - 6PM

**Regulatory Compliance Management**

FACILITATOR: Naveed Elahi Malik

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

ONLINE  
TRAINING

**18 FEBRUARY  
THURSDAY**

9AM - 1PM

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

FACILITATOR: Ejaz Ahmed Qadri

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

ONLINE  
TRAINING

**19 FEBRUARY  
FRIDAY**

3PM - 7PM

**Advance Credit Risk Administration &  
Collateral Management - Risk & Challenges**

FACILITATOR: M.A. Hijazi

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

ONLINE  
TRAINING

**20 FEBRUARY  
SATURDAY**

2PM - 6PM

**Fraud Risk Management & Internal Control**

FACILITATOR: Kamran Hyder

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

ONLINE  
TRAINING

**20 FEBRUARY  
SATURDAY**

9AM - 1PM

**Trade Risk Profiling**

FACILITATOR: Salim Thobani

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

ONLINE  
TRAINING

**22 FEBRUARY  
MONDAY**

9AM - 1PM

**Managing Change - Tools for Successful Transition**

FACILITATOR: Dr. Hanif Mohammed

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

ONLINE  
TRAINING