



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 11

MARCH 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 February 25 – March 05, 2021

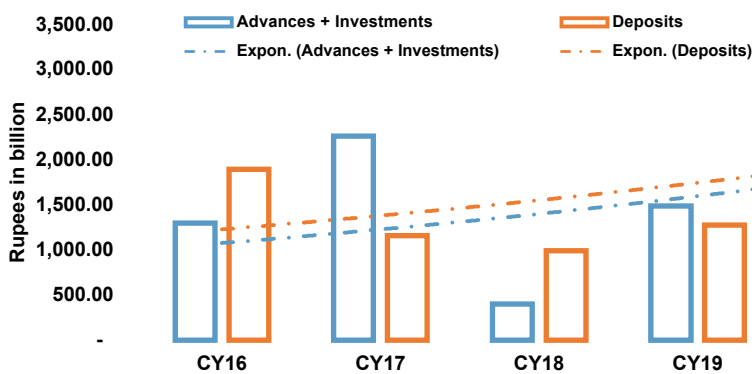
	(Rs. in billion)		
Loans Deferred	657.0	Loans Approved for Hospitals	10.0
Loans Restructured	244.0	Loans Approved for Investment	481.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 percent

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

Broad Based Recovery in Economic Growth is Expected During FY21 and Beyond

Banks' advances and investments when extended for production and development purposes give impetus to the economic growth. Although it might be with some time lags, it always results in increase in production of goods and services, and consequently raises the level of employment of productive resources. The data available on scheduled banks' advances and investments made during calendar year ended December 2020 showed marked improvements, witnessing increases by 25.6 percent in total advances and 125.9 percent in total investments over the previous year, well augmented by the expansion in deposit base which rose by 153.8 percent during that period.

Growth in Deposits and 'Advances + Investments'



Exponential trend line (Expon.): This creates an uneven arc that is more curved at one side than the other on charts with values that fluctuate.

The growth in advances, investment and deposits reached record high in Calendar Year 2020 (CY20) which reflected overwhelming success of fiscal and monetary measures taken by Government and State Bank of Pakistan to counter the adverse impact of COVID-19.

MARKETS AT A GLANCE

Rates taken till Friday, March 12, 2021

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.40	7.65
ENDING	7.64	7.89
CHANGE	+0.24	+0.24

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 217.40	PKR 187.40	PKR 157.12
ENDING	PKR 219.08	PKR 187.56	PKR 157.14
CHANGE	+1.68	+0.16	+0.02

PAKISTAN STOCK EXCHANGE

100 Index	
STARTING	45,837
ENDING	43,788
CHANGE	-2049

GOLD RATE

(10 GM, 24K)

STARTING	PKR 93,635
ENDING	PKR 85,500
CHANGE	-8135

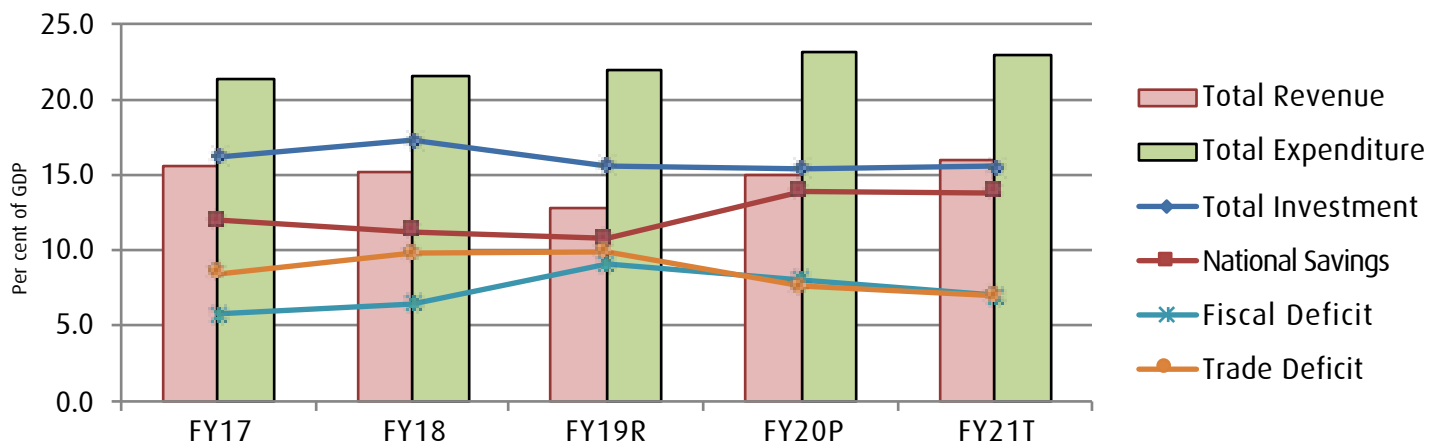


A Company Set Up Under Section 42 of the Companies Act, 2017

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 19, 2021	February 26, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,526.8	6,468.3

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	
	26-Feb-21	19-Feb-21	28-Feb-20	Previous Week	Corresponding Week
Investments	11,579.4	11,553.2	8,725.4	0.23	32.71
Gross Advances	8,527.7	8,493.3	8,212.1	0.41	3.84
Borrowings	3,217.4	3,370.6	2,604.2	-4.54	23.55
Deposits and other accounts	17,189.7	16,836.2	14,815.1	2.10	16.03

State Bank of Pakistan to Adopt Inflation Targeting as Monetary Policy Objective Under Proposed Amendment Bill

The federal cabinet on March 09, 2021 cleared three crucial bills for introduction in parliament, including the one allowing more autonomy to State Bank of Pakistan to target inflation, rather than economic growth.

“We will take these bills to fast-track legislation,” said Finance Minister Dr. Abdul Hafeez Shaikh at a news conference after a meeting of the cabinet, adding that relationship with the International Monetary Fund, which had been under a ‘pause’ for about a year, had formally started. He said the IMF board would soon meet to complete the review and its lending to Pakistan would resume immediately.

The two other bills approved by the cabinet relate to withdrawal of corporate income tax exemptions (Income Tax Second Amendment Act 2021) to generate Rs. 70-140 billion in additional revenue with effect from July 1, 2021 and State Owned Enterprises (Governance and Operations) Bill 2021.

Dr. Shaikh, who was accompanied by Minister for Industries Hammad Azhar, Adviser to the Prime Minister on Reforms and Austerity Dr. Ishrat Hussain, the finance secretary and FBR chairman, said the State Owned Enterprises (SOEs) were operating in the country in a hotchpotch manner and reporting to various ministries and regulators, but now they would be governed by respective boards, free

from interference of the ministries. He said the government would appoint boards of directors and the chairmen and chief executive officers of the SOEs would be appointed by the boards instead of secretaries and ministers to bring professionalism to the public sector. Also, these commercial SOEs would be exempted from the application of procurement rules to let them take independent decisions and compete with the private sector through speedy decision-making.

The proposed bills would strengthen the country’s institutions and resultantly the economy, the minister said, adding that greater autonomy to the central bank was in line with international standards with the mandate of price control and fighting inflation by adopting exchange rate and monetary policy in an autonomous manner without government’s interventions.

Dr Shaikh said the draft law also provided a five-year guaranteed term to the SBP governor instead of the existing three years and surrendered government’s right to borrow from the central bank and instead adopt measures to meet its financial requirements through its own resources. He said the Monetary Policy and Fiscal Coordination Board was being abolished and the federal government would coordinate with the central bank through various committees.

Explaining the concept of ‘Inflation Targeting’, Dr. Ishrat said that while inflation targets would continue to be set by the National Economic Council (NEC) comprising the prime minister and provincial leaders and the governor, central bank would adopt exchange rate and monetary



policies on the basis of NEC's targets and would be judged on that basis.

Pakistan Investment Bonds Attract \$12.7 million After Hike in Yields

After a recent increase in the cut-off yields, the Pakistan Investment Bonds (PIBs) attracted over \$12.7 million foreign investment in the first week of this month helping the country's external account to improve its reserves, according to data issued by the State Bank on March 08, 2021. The government has been accumulating long-term borrowing through PIBs and increased the cut-off yields by up to 42 basis points on Feb 27. The cut-off yield rose to 9.41 percent for three-year PIBs, 9.9 percent for five-year and 10.05 percent for 10-year bonds.

For the first time since the COVID-19 pandemic outbreak in March 2020, foreign investments in domestic bonds crossed the cumulative figure of \$150 million. However, this time the outflow from PIBs is almost negligible as it was just \$0.3 million during the current fiscal year. The inflow in PIBs started in November 2020 and has been growing. The latest increase in the PIBs rates increased the real interest rate, making the investment more attractive.

The SBP data shows that entire amount of \$12.7 million invested in PIBs came from the United States. The Fed Reserve's interest rate is at the lowest level of 0.25 percent which could be one of the reasons for higher investment from the US. Out of total inflows of \$150.3 million in PIBs, around \$104 million investments came from the States.

The foreign inflow in treasury bills still continued but the outflow is higher. During the current fiscal year, total inflows in treasury bills were \$424.2 million while the outflows were \$628.2 million. Before the pandemic, total inflows – mostly in T-bills – were \$3.5 billion. However, within a few months most of the investments returned to their origin.

The foreign inflows in the equity market still continue but the outflows are also higher. During the current fiscal year, inflows in the equity market were \$398.2 million

against the outflows of \$711.5 million, reflecting low confidence in the fluctuating equity market.

Bankers said the inflow through PIBs was encouraging though it may create problems for the next government when the bonds mature. Pakistan has remained a high-inflation economy which offers higher interest rate and investors, usually banks, are earning most of their profits from government papers.

SBP Vows to Increase Women's Role in Pakistan's Financial Sphere

SBP is taking initiatives under its comprehensive National Financial Inclusion Strategy (NFIS) to prioritize women's financial inclusion and will soon be launching its path-breaking gender mainstreaming policy called Banking on Equality, said Governor State Bank of Pakistan, Dr. Reza Baqir. He was speaking at an in-house event held at SBP Karachi today to commemorate the International Women's Day for appreciating the role of women in general and in SBP and its subsidiaries, in particular.

Governor SBP, Dr. Reza Baqir, was the Chief Guest and the event was attended by the Deputy Governors, senior officials and female officers of SBP and subsidiaries in Karachi. For the first time in its history, the SBP staff throughout the country witnessed the program available through in-house livestreaming.

In his opening remarks, the Governor lauded all the good work done by women who are part of SBP and its subsidiaries. He recognized Pakistani women for their vital role in shaping and strengthening our economy and society. He emphasized that promoting equal opportunities for women and men for accessing and pursuing financial and professional endeavors is critical for sustainable and inclusive economic growth in any country. Improved gender parity in financial and economic opportunities can enhance socio-economic development outcomes not just for the present but also for future generations, he noted.

Women's equal access to financial services is a key priority for a country like Pakistan whose female population of more than 100 million significantly lags behind men in terms of financial inclusion and contribution to economic



activity. Only 29 percent of women in Pakistan have a bank account, among the lowest in the world. He said that this disparity severely impedes Pakistan's national economic development.

Dr. Baqir highlighted that although Pakistan has made some progress in terms of financial inclusion in recent years, a gaping gender divide remains in the country and without women's active participation the social and economic potential of our country would remain constrained. He emphasized that incorporating a gender perspective in existing policies and industry practices is imperative to build an inclusive financial system that serves both women and men equally.

Cognizant of prevailing issues and difficulties faced by women in access to financial services, SBP is taking initiatives to provide a more enabling environment, Dr. Baqir shared. These include: a comprehensive National Financial Inclusion Strategy (NFIS) to prioritize women's financial inclusion and RAST i.e. a micro payment gateway to offer advance digital solutions. In addition to promoting financial literacy in women segments in rural and peri-urban areas, SBP has launched a Credit Guarantee and Refinance Scheme, which offers a zero percent refinance rate and 60 percent risk coverage for small businesses run by women entrepreneurs. He elucidated that SBP is also working on a pathbreaking gender mainstreaming policy called Banking on Equality, in consultation with other stakeholders to reduce the gender gap in financial inclusion. The proposed policy identifies five key pillars under which actions are targeted towards improving institutional diversity, incorporating a gender lens for development and marketing of tailored bank products, modification of approaches towards women customers' facilitation, collection of gender-disaggregated data and prioritizing a gender focus in SBP's policies.

Deputy Governor SBP, Ms. Sima Kamil also spoke on the occasion followed by senior female executives who shared their journey of success at SBP. Female employees of SBP's subsidiary in locations outside Karachi participated virtually and their video recorded messages were viewed by the audience with great applause.

SECP Asks Listed Companies to Implement Gender Diversity Policies

In order to foster a beneficial and comfortable working environment for Pakistani women, the Securities and Exchange Commission of Pakistan (SECP), has asked listed companies to formulate and implement gender diversity policies to attract and retain talented women. Pakistan figures fairly low in the Global Gender Gap report index, prepared by the World Economic Forum and there is a strong need to encourage women participation in the workforce, developing in-demand skills and creating opportunities for women to advance into leadership roles within the corporate sector.

The SECP has always been a strong advocate for gender equality, internally and in its regulated sectors, and firmly believes that gender diversity in decision making has a proven correlation with enhanced financial performance of the corporate sector and the overall growth of the economy. Promoting gender diversity have also been addressed in the Companies Act, 2017 and the Listed Companies (Code of Corporate Governance) Regulations, 2019, which necessitates all listed companies to have at least one female director on their boards.

In a Circular, issued on March 8, 2021, the Board of Directors of listed companies have been advised to oversee the implementation of gender diversity policies in their companies. Boards have also been asked to conduct gender pay gap analysis within the organization and formulate policies for development of skills of their women employees. The measures for a conducive work environment include, but are not limited to, provision of day care facilities, better maternity leaves, robust anti-harassment and speak-up policies. Boards are also required to form diverse committees overseeing the complaints pertaining to harassment etc. Companies are expected to comply with the above provisions within six months of the date of this circular and accordingly place it on the company's website. In case of any practical difficulties, the necessary reasons may be provided in the statement of compliance under the code of corporate governance.



INTERNATIONAL SCENARIO

Oman to Offer Investors Long-Term Residency; Cut Income Tax on SMEs

Oman will reduce income tax for small and medium businesses for 2020 and 2021 and will offer long-term residency permits for foreign investors, state TV said on March 09, 2021. The plans announced on state media are part of Oman's Vision 2040 aimed at diversifying the economy away from oil, which makes up the bulk of state revenues.

Oman is one of the Gulf's weakest economies and was hit hard by the coronavirus pandemic and low oil prices. The International Monetary Fund said last month its economy likely shrank 6.4 percent in 2020 and estimated it would make a modest recovery to 1.8 percent growth this year. The measures also include income tax being reduced for companies in sectors aimed at economic diversification that will begin operating this year. Oman will also cut rent at the Duqm Special Economic Zone and industrial areas until the end of 2022.

It said granting longer residencies for foreign investors would be done "in accordance with specific controls and conditions that will be announced later after their study is completed by the Council of Ministers, in addition to incentives related to the market." The cabinet also approved a long-term urban growth strategy that "is considered a key enabler for achieving Oman Vision 2040," state TV said citing Oman's ruler, Sultan Haitham bin Tariq Al Said.

Shops Return to Rural Sweden But Are Now Staff-free

Since December, a red wooden container, about the size of a mobile home, has offered a lifeline. It is a mini supermarket that locals can access round-the-clock. There is a wide assortment of groceries available, from fresh fruit and vegetables to Swedish household staples like frozen meatballs, crisp breads and wafer bars. But there are no staff or checkouts here.

You open the doors using the company's app, which works in conjunction with BankID, a secure national

identification app operated by Sweden's banks. Then, you can scan barcodes using your smartphone and the bill is automatically charged to a pre-registered bank card.

The store is part of the Lifvs chain, a Stockholm-based start-up that launched in 2018 with the goal of returning stores to remote rural locations where shops had closed down because they had struggled to stay profitable.

In Asia, several companies including Alibaba are testing unstaffed stores in more urban locations. Amazon has also opened supermarkets in US cities and this month in the UK, which use sensors and cameras to work out what you have bought, so there is not even the need for self-scanning.

But Lifvs co-founder Daniel Lundh saw the opportunity in rural locations: "There were food deserts where people had to travel to the next town or city to pick up their groceries and so we definitely saw that there was a need." Alongside skipping the need to pay cashiers, the firm also avoids pricey long-term rental leases. And if there is less footfall than expected in one location, the wooden containers can easily be picked up and tested elsewhere.

Sweden has a tech-savvy population that is not known for small-talk, so it is easy to see why the model has taken off here, despite critics warning that it would make shopping a less sociable experience. And, during the pandemic when people have been encouraged to limit contact with others, its lack of staff has been a major bonus. The chain has opened 20 new shops in rural neighbourhoods since March last year.

Since January, all Swedish supermarkets have, by law, had to limit customer numbers to ensure there is at least 10 square metres available per person. Lifvs' technology guarantees that only two people are let into the store at any time. "Customers like to shop in our store because for one, they can be by themselves. They can come in the middle of the night. And the most important thing is it has less touch points," says Mr. Lundh.

Since the company always knows the identity of who is in the store at any moment, this limits shoplifting. There are



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24-hour surveillance cameras too, which alert the store's manager if there is a break-in or a stock spillage. Livfs uses artificial intelligence to work out what stock to order for each store, based on the data it collects about locals' shopping habits. Customers also receive digital coupons and special offers based on their previous purchases.

Sweden already has one of the most cashless economies in the world and high levels of trust in businesses and authorities mean most people are not worried about sharing this kind of data. "I don't really care that much, I'm just buying potatoes, it doesn't bother me," says 21-year-old customer Alice Hellqvist, who's out shopping for her parents.

As remote working and social distancing continue around the world, demand for local convenience stores is expected to remain high. A recent report for global firm Research and Markets predicted a 6.1 percent growth in 2021.

"This worldly wealth is (like) sweet (fruit), and if a person earns it (the wealth) in a legal way and spends it properly, then it is an excellent helper, and whoever earns it in an illegal way, he will be like the one who eats but is never satisfied."

THE PROPHET MUHAMMAD ﷺ

Travelers Gaining Confidence with Vaccine Rollout, Safety Measures

The aviation industry sees a ray of hope with growing confidence in a return to air travel, rising frustration with current travel restrictions and acceptance of a travel app to manage health credentials for travel, according to a survey conducted by the International Air Transport Association (IATA).

In a statement on March 09, 2021, global aviation watchdog said 88 percent participants of its survey believe that when opening borders, the right balance must be struck between managing COVID-19 risks and getting the economy going again. About 85 percent of the survey participants said that governments should set COVID-19 targets such as testing capacity or vaccine distribution to re-open borders and ease travel restrictions.

"Another 84 percent believe that COVID-19 will not disappear and we need to manage its risks while living and traveling normally. On another side, 68 percent agreed that their quality of life has suffered with travel restrictions while 49 percent believe that air travel restrictions have gone too far," the survey said.

The IATA survey was conducted in major countries including the US, Canada, UK, France, Germany, India and the UAE, among others. As many as 4,700 interviews were conducted online in 11 markets between February 15-23, 2021 and the sample size varies from 300 to 500 participants in each market.

Alexandre de Juniac, IATA's director-general and CEO, said the top priority of everybody at the moment is staying safe amid the COVID-19 crisis, but it is important that "we map a way to being able to re-open borders, manage risks and enable people to get on with their lives. That includes the freedom to travel". He said it is becoming clear that "we will need to learn to live and travel" in a world that has COVID-19.

Survey respondents also sent a clear message that people are becoming more confident to travel. Those expecting to travel within a few months of 'COVID-19 containment' now account for 57 percent of survey respondents — improved from 49 percent in September 2020.

"This is supported by vaccine rollout which indicates that 81 percent of people will be more likely to travel once vaccinated. And 72 percent of respondents want to travel as soon as possible after COVID-19 is contained, to see friends and family," the survey said.



MANAGEMENT VIEWS

Looking for a New Job? Look Beyond the Title

What is the first thing you focus on when searching for a new role? If your answer is 'job title,' you are not alone. But job titles are often misleading and you may ultimately find yourself in a role that is different from what you expected. To find a job you will actually love, try this two-part exercise. First, write down your answers to four simple questions: Who do I want to be around all day? What do I actually want to be doing? Where do I want to do it? And why do I want to do it? Then refine your search around your answers. Type 'careers in [your field of interest]' into Google, read or watch interviews with people who have the kind of job you are looking for, or dive into listings on LinkedIn for the area in which you want to live. Once you find something that seems like a good fit, look for similar roles at other organizations. Compare the job descriptions and note what appeals to you most. And schedule informational interviews with acquaintances or people in your college alumni network who have the role you are interested in. Thinking beyond the job title will give you a better chance at landing in a role that is right for you, even if it is one you had never imagined yourself doing before.

(This tip is adapted from *Stop Using Job Titles to Guide Your Search*, by Katharine S. Brooks – HBR.)

Bored at Work? Ask Yourself These Questions

We all hit that point sometimes where our job just feels ... boring. But that does not necessarily mean it is time to quit. Instead, you can try 'job crafting,' or personalizing your role around your strengths and interests. It may help you feel more energized or make your job feel more relevant. To start, ask yourself three basic questions:

- ◇ How can I bring more of my strengths into my job? Talk to your manager about new tasks or projects you could take on that will allow you to apply your unique gifts and abilities.
- ◇ Am I surrounding myself with the right people? You may not be able to pick your colleagues, but you can decide who you want to spend time with. Focus on those who inspire you.

◇ What story do I tell myself about why I do my work? "Because I have to," is one answer. But another could be: "I create a weekly accounting report that allows leaders to make better decisions to help our company achieve its objectives." If you can dig deeper to better understand the purpose behind your responsibilities, you will be more motivated to fulfill them and you will be better equipped to recognize new opportunities to pursue.

[This tip is adapted from *Turn Your Boring Job into a Job You'll Love*, by Dan Cable – HBR.]

"I want to caution you about the poor. Fear Allah about your attitude towards them. Let it be remembered that their welfare is the first charge to a state and on the well-to-do people."

HAZRAT ALI



Succeed as an Interim Manager

Being an 'interim' or 'acting' manager is often the fast track to getting the full-time job. To maximize your chances of being named the permanent replacement, you need to formulate a plan. Take some time to think about your vision and strategy. Then, decide where you want to concentrate your attention and energy. Are there operational issues that need tending to? Are there problems you can solve? Your goal is to demonstrate competence by achieving some classic early wins. Another way to distinguish yourself is by successfully managing key relationships. The way you interact with your employees — your former peers — is on display. Be open and transparent. Communicate regularly. Be collaborative, rather than directive. Do not get drawn into any workplace drama or office politics; stay as neutral as possible. And whatever you do, do not overplay your authority.

[This tip is adapted from *How to Step In as an Interim Manager*, by Rebecca Knight – HBR.]

IBP TRAINING CALENDAR - MARCH 2021



**16 MARCH
TUESDAY**

2PM - 6PM

Conducting Investigation for Workplace Harassment Cases

FACILITATOR: Seemin Shafi

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

ONLINE
TRAINING

**18 MARCH
THURSDAY**

2PM - 6PM

Framework for Risk Management in Outsourcing Arrangements
by Financial Institutions

FACILITATOR: Sehba Ehsan

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

ONLINE
TRAINING

**19 MARCH
FRIDAY**

3PM - 7PM

Practical Implications of Banking Documentation & Related Laws

FACILITATOR: Adnan Adil Hussain

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

ONLINE
TRAINING

**20 MARCH
SATURDAY**

9AM - 1PM

Managing SBP's Audit - A Proactive Approach

FACILITATOR: Rizwan Khalil Shamsi

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

ONLINE
TRAINING

**22 MARCH
MONDAY**

2PM - 6PM

Regulatory Requirement for Collateral Management

FACILITATOR: Murtaza Rizvi

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

ONLINE
TRAINING