



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 16

APRIL 16, 2021

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

## PAKISTAN TIDINGS

### COVID-19: Impact of SBP's Measures as of April 8-12, 2021

			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	12.0
Loans Restructured	253.0	Loans Approved for Investment	436.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 percent

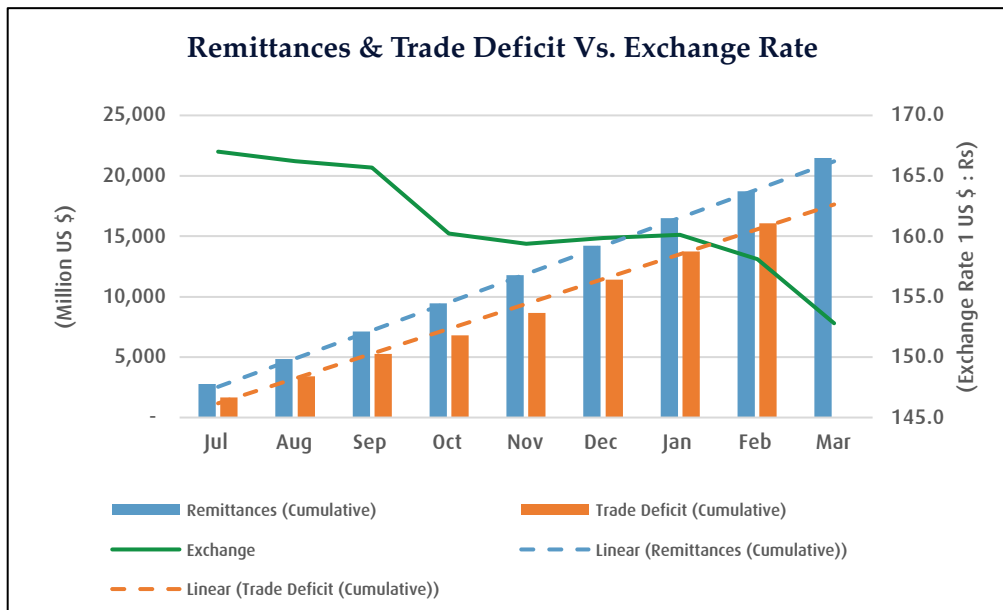
\* Since the scheme is no longer available, the data has not been updated after November 13, 2020

### Continued Growth in Workers' Remittances Helps to Appreciate PKR

Workers' remittances extended their unprecedented streak of above \$2 billion for the 10th consecutive month in March. It rose to \$2.7 billion in March 2021, 20 percent higher than last month and 43 percent higher than March 2020.

"Proactive policy measures by the Government and SBP to encourage more inflows through formal channels, limited cross border travel in the face of the COVID-19, medical expenses and altruistic transfers to Pakistan amidst the pandemic, and orderly foreign exchange market conditions are continuing to contribute to this sustained rise in workers' remittances", the State Bank of Pakistan says.

This record highest persistent inflow of workers' remittances during FY21 has been seen to help reverse the depreciating trend in Pak Rupee which recovered from as high as Rs. 168/- per US \$ in June 2020 to Rs. 153/- by end-March 2021. Moreover, this rapid appreciation also put a deep dent on speculative demand for foreign currencies, at least for the remaining part of the current fiscal year.



## MARKETS AT A GLANCE

Rates taken till Friday, APRIL 16, 2021

### MONETARY POLICY RATE

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

### KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.59	7.84
ENDING	7.52	7.77
CHANGE	-0.07	-0.07

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 209.65	PKR 181.78	PKR 152.94
ENDING	PKR 210.00	PKR 182.88	PKR 152.82
CHANGE	+0.35	+1.1	-0.12

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	45,186
ENDING	45,305
CHANGE	+119

### GOLD RATE

(10 GM, 24K)

STARTING	PKR 89,249
ENDING	PKR 87,448
CHANGE	-1801



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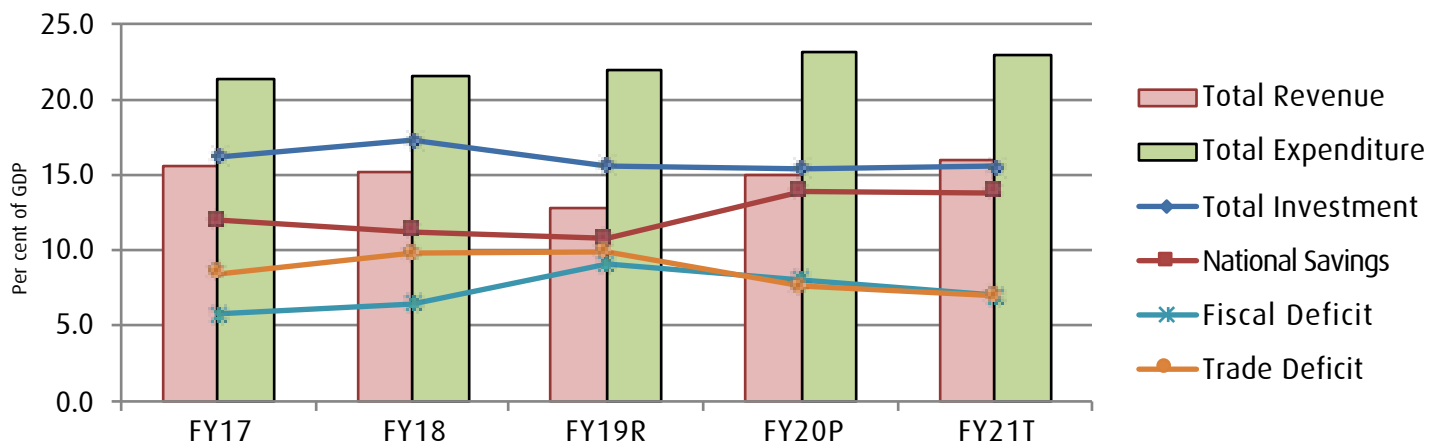
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## Pakistan's Major Economic Indicators

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	FEB 2021	MAR 2021
General	4.8	4.7	6.8	10.7	8.7	9.1
Food (Urban)	4.3	3.8	4.6	13.6	10.3	11.5
Non-Food (Urban)	5.1	5.8	8.5	8.3	7.6	7.1

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	March 26, 2021	April 2, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,576.3	6,565.1

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	
	02-Apr-21	26-Mar-21	03-Apr-20	Previous Week	Corresponding Week
<b>Investments</b>	12,467.0	12,503.8	9,349.7	-0.29	33.34
<b>Gross Advances</b>	8,554.4	8,536.5	8,232.7	0.21	3.91
<b>Borrowings</b>	3,679.4	3,705.6	2,804.2	-0.71	31.21
<b>Deposits and other accounts</b>	17,504.4	17,435.3	15,080.8	0.40	16.07

### Reflection of Two Years' History in Borrowers' eCIB Reports

State Bank of Pakistan (SBP) has decided to include two years' history of negative/overdue information for consumer/individual borrowers in the eCIB reports starting from July 2021.

Currently, the eCIB report reflects negative/overdue information for consumer/individual borrowers for one year. Electronic Credit Information Bureau (eCIB) of SBP collects and collates credit data on borrowers from its member Financial Institutions (FIs). The financial data is then aggregated in system and the resulting information, in the form of credit reports, is made available online to the member FIs for the purpose of credit assessment, credit scoring and credit risk management. The major purpose of this database is to enable the Financial Institutions (FIs) to know the credit history of their current and prospective customers, thus enabling them to make informed and timely lending decisions.

The decision was undertaken by the SBP to align its eCIB policies with international practices and to meet the Ease of Doing Business Survey (EODB) requirement of displaying at least two years' history in the eCIB reports. The same will help in the enhancement of the credit assessment capability of the member FIs of their current and potential customers. It is very important to note that this change will be adopted on prospective basis and will be effective from July 2021 onwards. Accordingly, any default, delay in payment, etc. prior to 1st July 2021 will continue to be

reflected in the credit report of the customers only for one year. However, defaults, delayed payments, etc. after 1st July 2021 will be shown on the credit reports for two years.

All the member FIs are advised to bring the contents of this policy change in the knowledge of their existing and potential customers. Besides, the member FIs should also ensure upfront disclosure to their current and potential customers regarding the eCIB reporting requirement and its implication i.e. (the reflection of overdue/late payments/write off/waiver, etc.) in eCIB reports after settlement of their liabilities.

### Governor SBP Announces Important Measures for Deepening the Debt and Capital Markets at the Gong Ceremony held by PSX

Pakistan Stock Exchange (PSX) hosted Governor State Bank of Pakistan (SBP), Dr. Reza Baqir at its Gong Ceremony to mark the beginning of a new chapter of cooperation between SBP and PSX on multiple initiatives.

SBP and PSX have recently been working closely to improve and widen the access of capital market participants to government debt securities; facilitate investments by non-residents in the stock exchange; remove bottlenecks hindering companies from leveraging against shares of their group companies; and, developing information sharing arrangements between banks and capital markets.

Speaking on the occasion, Governor SBP, Dr. Reza Baqir said the ceremony marked the commitment of SBP and



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PSX to work together for the deepening of debt and capital markets in Pakistan and improving financial intermediation. He made three important announcements in this regard. First, he said that SBP has revised the Rules governing appointment of primary dealers for the Government's debt securities. This will expand the list of institutions eligible to work as primary dealers, including Security Depositories and Clearing institutions.

This measure is aimed at widening the investor base of government securities, improving liquidity, enhancing transparency and promoting market development. In addition, SBP has relaxed the selection and performance criteria for development finance institutions (DFIs), investment banks and brokerage houses to encourage them to become part of the primary dealer system, which is currently dominated by banks. Hence, among other privileges offered to primary dealers, a larger and more diverse group of institutions will now have direct access to primary auctions.

He said that while the government debt market in Pakistan is well developed and liquid, participation of capital market clients has historically been limited and SBP wants to encourage wider ownership of Government securities among retail investors. The Governor SBP noted that the revised primary dealer rules will cater to the needs of a diverse group of investors, including capital market clients, corporates and individuals and will attract a new clientele to the government securities market.

Governor Baqir shared that this measure has been taken after detailed discussions with stakeholders and a comprehensive review of international best practices. He informed that SBP has made changes in its prudential regulations to facilitate the sponsors, shareholders and companies in raising more financing against the security of shares of their group companies. He highlighted that this amendment will help sponsors and companies in raising liquidity for further investment in new business opportunities and ventures, in turn leading to greater economic activity. This regulatory change would also benefit the capital markets by encouraging sponsors of companies to consider listing on the stock exchanges. As a result, it will also promote documentation of

the economy, transparency and good corporate governance practices.

Dr. Baqir, apprised the audience that SBP and PSX are jointly working on expanding the scope of KYC information sharing arrangements between banks and Central Depository Company of Pakistan (CDC) or National Clearing Company of Pakistan Limited (NCCPL) for existing bank account holders. He was delighted to reveal that the tangible progress has been made and was hopeful that this important initiative will be successfully rolled out by the end of the next month. He further added that such arrangements will facilitate capital market players in mobilizing domestic resources and channeling them effectively to productive uses.

The relevant Circular regarding Primary Dealers is available at the following link: <https://www.sbp.org.pk/dm-md/2021/C7.htm>

## SECP Launches Digital Certified True Copies

The Securities and Exchange Commission of Pakistan (SECP), in its pursuit of end-to-end digitization of regulatory processes, has launched the online facility for issuance of digitally certified true copies of statutory returns and mortgage register.

The new initiative is in line with the government's vision of Digital Pakistan to create an enabling business-friendly environment and improve user experience through the use of technology. Issuance of digitally certified copies will replace the decades-old practice of manually obtaining certified true copies of the company's statutory returns on physical paper.

The application for digital certified copies and mortgage register can simply be made online through SECP's eService portal. After submission of online application and verification of payment, the applicant would instantly receive certified copies of the desired company on the registered email address. The copies can be verified through scanning QR code or by clicking the link available on each document.



## INTERNATIONAL SCENARIO

### IMF Says Asia's Economy to Grow 7.6 percent in 2021

The International Monetary Fund offered a more upbeat view on April 13, 2021 on Asia's economic outlook than six months ago, but warned a faster-than-expected rise in US interest rates could disrupt markets by triggering capital outflows from the region. While Asia is rebounding from last year's slump caused by the COVID-19 pandemic, there is a divergence between nations benefiting from surging global demand and those reliant on tourism, said Jonathan Ostry, Deputy Director of the IMF's Asia and Pacific Department.

"Setbacks in the vaccine rollout, questions about the potency of the vaccine against new variants of the disease, and a resurgence of the virus, together constitute a key downside risk," Ostry told an online briefing. The IMF expects Asia's economy to expand 7.6 percent this year, up from 6.9 percent increase projected in October, as advanced economies such as Japan, Australia and South Korea enjoy solid growth thanks to robust US and Chinese demand.

The IMF expects Asia's economy to grow 5.4 percent in 2022. The region's outlook, however, is bound with risks including the fallout from US fiscal and monetary policy, Ostry said. While Washington's massive fiscal spending will be positive for export-oriented economies, rising US interest rates were already spilling over to emerging Asian markets, he said. "If US yields rise faster than markets expect, or if there is miscommunication about future US monetary policy, adverse spillovers through financial channels and capital outflows, as during the 2013 taper tantrum, could present challenges by compromising macro-financial stability," Ostry said.

### EU Lays Out \$1-trillion Plan to Fund Recovery from Coronavirus Pandemic

The European Union (EU) set out its blueprint to raise nearly \$1 trillion of debt over five years as it seeks to fund its recovery from the coronavirus pandemic. The bloc is aiming to issue the first debt under its NextGenerationEU stimulus as early as July and will use a 'state-of-the-art'

platform to begin selling bonds and bills via a network of primary bank dealers by September, according to the bloc's executive branch. Almost a third of the roughly 800 billion euros (\$957 billion) will be in green bonds, using a framework of rules to be published in early summer, with issuance as early as the fall.

"The Commission will need to execute financing operations up to €150-200 billion per year over the period to end 2026," the EU executive said. "By June 2021, the Commission will be ready to begin mobilizing the funds." Bonds will be issued and regularly sold across a range of maturities from between three and 30 years, while there will also be short-dated bills, according to the Commission. It highlighted the latter as a quick way to raise money, at least in the early phase of the program. The program is €56 billion more than initial plans outlined last year that were predicated on 2018 prices.

"Allah the Exalted and Majestic said:  
'Every act of the son of Adam is for him, except fasting. It is (exclusively) meant for Me and I (alone) will reward it.'  
Fasting is a shield. When any one of you is fasting on a day, he should neither indulge in obscene language, nor raise the voice; or if anyone reviles him or tries to quarrel with him he should say: I am a person fasting. By Him, in Whose Hand is the life of Muhammad, the breath of the observer of fast is sweeter to Allah on the Day of judgment than the fragrance of musk. The one who fasts has two (occasions) of joy, one when he breaks the fast he is glad with the breaking of (the fast) and one when he meets his Lord he is glad with his fast."

THE PROPHET MUHAMMAD ﷺ



## US Budget Deficit Jumps to an All-time High of \$1.7 trillion This Year

The US government's budget deficit surged to an all-time high of USD 1.7 trillion for the first six months of this budget year, nearly double the previous record, as another round of economic-support checks added billions of dollars to spending last month.

In its monthly budget report, the Treasury Department said on April 12, 2021 that the deficit for the first half of the budget year from October through March was up from a shortfall of USD 743.5 billion for the same period a year ago. The deficit has been driven higher by trillions of dollars in support Congress has passed in successive economic rescue packages since the pandemic struck in early March 2020. The latest round came in a USD 1.9 trillion measure that President Joe Biden pushed through Congress last month.

The budget report showed that the deficit for just March totaled USD 659.6 billion, the third-highest monthly deficit. For the six months' period, the USD 1.7 trillion deficit total surpassed the previous record of an USD 829 billion deficit run up for the six month's ending in March 2011, a period when the government was spending to deal with the adverse effects of the recession caused by the 2008 financial crisis.

Last year's deficit, for the budget year that ended Sept. 30 totaled a record USD 3.1 trillion. The Congressional Budget Office estimated in February that this year's deficit would total USD 2.3 trillion. But that estimate did not include the cost of Biden's USD 1.9 trillion rescue plan that Congress passed in March or the impact of Biden's Build Back Better infrastructure proposal that Congress is considering now.

## Al Maryah Community Bank Becomes UAE's First Licensed Digital-only Bank

The UAE Central Bank has granted the first license for an all-digital bank. The Al Maryah Community Bank, as the new entity is known, said it will be the 'first specialized digital bank to serve the UAE community'. Customers can 'seamlessly' open accounts and 'experience a whole lot of smart banking services built on AI powered technology integrated with UAE Government's Smart Services'.

The focus will be on supporting individuals and small businesses, the new entity said. The announcement comes just a day after Mohammed Alabbar said he is chairing a new all-digital bank Zand and which is awaiting final regulatory approvals.

"I believe this initiative will effectively contribute to meeting the needs of customers by employing a group of specialized financial experts who will work to improve the financial capacities of individuals and SMEs in a scalable and easy way through the smart application that will be launched soon," said Tarek Ahmed Al Masoud, Chairman.

Another digital-only bank will be launched in Abu Dhabi, this one from ADQ, the holding company for the Kizad free zone, AD Ports, etc. The bank will have an initial capitalization of Dh2 billion. The license was acquired from First Abu Dhabi Bank (FAB).

## SNIPS

### The Web Hegemony

Six tech companies: Google, Netflix, Facebook, Microsoft, Apple and Amazon account for 43 percent of all global web traffic, says Bloomberg Opinion.

### COVID in the Lead

COVID-19 was the third leading cause of death in the United States last year, after heart diseases and cancer, reports CNN.

### Importance of a Strong Work Culture

Building a strong culture can result in an 85 percent increase in net profit over a five-year period, according to Gallup.



## MANAGEMENT VIEWS

### Put 'Me Time' on Your Schedule

Many of us are so focused on doing it all that we forget to carve out time for ourselves. But ensuring your own health and happiness is critical. So give yourself permission to take care of yourself — now. If you put off self-care until work is less busy, your kids are back in school, your house is in order, or some other circumstances are exactly right, you may never get to it. Start with the basics: We all need sleep, food and exercise. Ask yourself where you are deficient and what you can do about it. Next, ensure self-care is your schedule. Determine how much time you have and what you can do with that time. Then block it off on your calendar and stick to it. Be sure to prepare yourself for 'me time' by eliminating potential distractions or friction between you and your goal. For example, set a sleep alarm on your phone or lay out your workout clothes the night before. Finally, set firm boundaries by being clear with others about when you will be turning your full attention to yourself.

(This tip is adapted from *Make Time for 'Me Time'*, by Elizabeth Grace Saunders- HBR.)

### Do You Really Need to Send That Email?

As a business tool, email is both essential and incredibly annoying. Many of us are not using it in the right way and are guilty of sending way more emails than we need to. So, when should you actually send an email and when should you look for another way to communicate? Email is most effective when used in these four ways:

1. To formally communicate a decision
2. To confirm or schedule meetings or appointments
3. To document or recap important conversations
4. To send company or team-wide announcements

In other words, email is a great way to give someone all the information they need in one place, especially if that information is going to be shared among a group of people. If

this is not your goal, think about what might be the more effective way to communicate. Is it a Slack message, a call, or maybe even a meeting?

(This tip is adapted from *Stop. Does That Message Really Need to Be an Email?* by Colin D Ellis – HBR.)

### How to Manage a Chronic Complainer

Chronic complainers can have a damaging effect on those around them. So what should you do if you manage an employee who is prone to perpetual pessimism? First, be realistic with yourself about the situation. If the person is truly a chronic complainer, offering sympathy or solutions is unlikely to change their behavior or mindset. You need to set clear boundaries instead. Tell your employee that you are prepared to listen and discuss whatever is bothering them, but that your conversation needs to focus on a specific issue that can be resolved. Going over the same, unsolvable problem repeatedly will not do either of you any good. If the issue at hand does not have a solution, or is entirely out of your hands as a manager, urge your employee to change their perspective and reframe their thinking around appreciation and gratitude for the things that they value. Of course, fostering this kind of a behavioral change takes time and may require support from a coach or therapist. Present these options to your employee and explain that while you care about their wellbeing and happiness, you may not always be the best person to help them work through all of their personal struggles.

(This tip is adapted from *Managing a Chronic Complainer*, by Manfred F. R. Kets de Vries – HBR.)

**“For the God-fearing, prayers is a means of seeking nearness to Allah, and for the weak, the hajj is as good as jihad. For everything there is a tax, and the tax of the body is fasting.”**

**HAZRAT ALI** 

# IBP TRAINING CALENDAR - APRIL 2021



**APRIL 17  
SATURDAY**

10AM - 2PM

Understanding Fundamentals of Monetary Variables

FACILITATOR: Faisal Sarwar

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

ONLINE  
TRAINING

**APRIL 17-MAY 09  
SAT & SUN**

10AM - 2PM

Certification Course in AML/CFT Compliance

FACILITATOR: Multiple Trainers

COURSE FEE: PKR 40,000 (Excluding sales tax)

ONLINE  
TRAINING

**APRIL 20  
TUESDAY**

10AM - 2PM

Financial Modeling and Business Valuation

FACILITATOR: Saad Usman

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

ONLINE  
TRAINING

**APRIL 21  
WEDNESDAY**

10AM - 2PM

Risk Management in Islamic Banks

FACILITATOR: Asim Hameed

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

ONLINE  
TRAINING

**APRIL 23  
FRIDAY**

10AM - 2PM

Crop Loan Insurance Scheme in Pakistan

FACILITATOR: Kamran Akram Bakhshi

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

ONLINE  
TRAINING

**APRIL 26  
MONDAY**

10AM - 2PM

Processing Effective Credit Proposal

FACILITATOR: M.A. Hijazi

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

ONLINE  
TRAINING