



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 14

APRIL 02, 2021

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

## PAKISTAN TIDINGS

### COVID-19: Impact of SBP's Measures as of March 26-29, 2021

			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	10.0
Loans Restructured	247.0	Loans Approved for Investment	537.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 percent

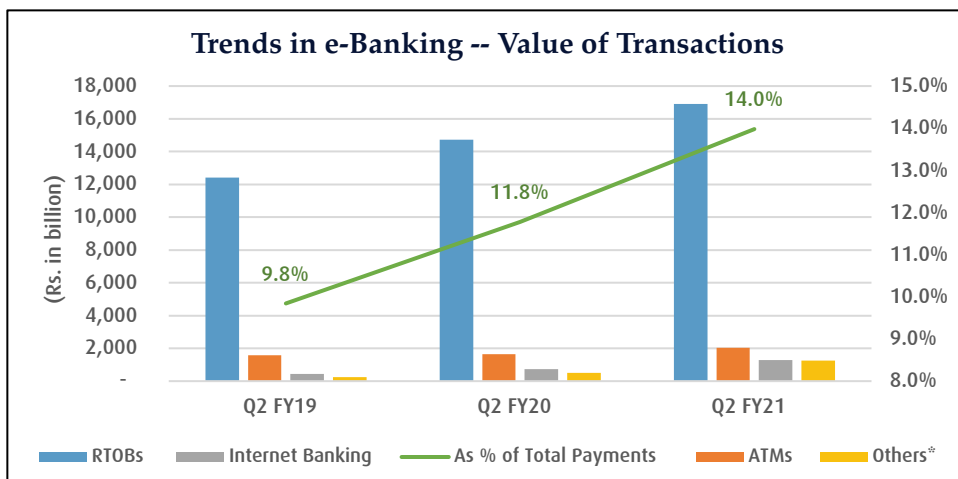
\* Since the scheme is no longer available, the data has not been updated after November 13, 2020.

### Stronger Growth Seen in e-Banking Transactions during Q2 FY21

The 'e-Banking', which includes channels like Real Time Online Branches (RTOBs), Automated Teller Machines (ATMs), Point of Sales (POS), Internet Banking, Mobile Phone Banking, Call Centers/IVR Banking and e-Commerce have been seen gaining popularity in Pakistan for the last two/three years.

During October-December 2020 (Q2 FY21) the overall use of e-Banking channels witnessed an impressive growth of 16.9 percent in volume and 12.3 percent in value over the previous quarter as against the overall quarterly growth of 14.4 percent in volume and 4.1 percent in the value of the country's total payment transactions through banking sector. Year-on-Year growth showed a more promising situation where the volume and value of e-Banking transactions grew by 24.0 percent and 21.8 percent, respectively.

In absolute terms, higher momentum to growth was spurred by the value of transactions at RTOBs followed by the value of transactions at ATMs. The pace of growth and the State Bank of Pakistan's concerted efforts towards establishing digital financial ecosystem advocate a quantum leap in this field.



\*Others include POS, Mobile Phone Banking, Call Centers/IVR Banking and E-Commerce.

## MARKETS AT A GLANCE

Rates taken till Friday, April 02, 2021

### MONETARY POLICY RATE

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

### KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.62	7.87
ENDING	7.63	7.88
CHANGE	+0.01	+0.01

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 212.96	PKR 182.09	PKR 154.59
ENDING	PKR 212.51	PKR 180.86	PKR 153.56
CHANGE	-0.45	-1.23	-1.03

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	45,521
ENDING	44,300
CHANGE	-1221

### GOLD RATE

(10 GM, 24K)

STARTING	PKR 91,607
ENDING	PKR 89,592
CHANGE	-2015



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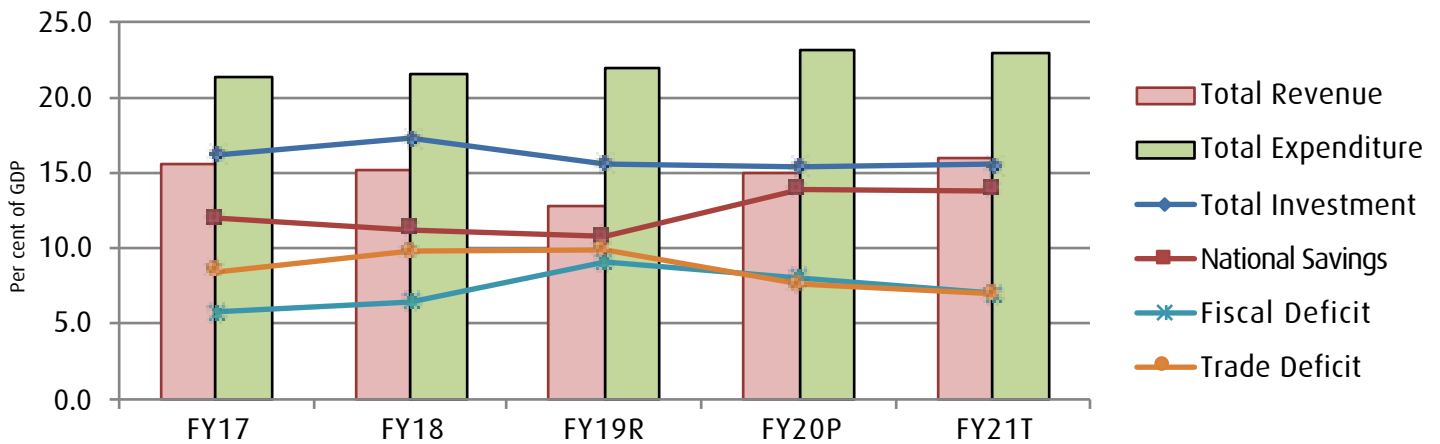
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## Pakistan's Major Economic Indicators

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	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	March 12, 2021	March 19, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,634.3	6,605.5

T = Target | P = Provisional | R = Revised

Sources: i) Annual Plan 2020-21, Planning Commission | ii) Pakistan Economic Survey 2019-20, Finance Division  
iii) Data published on SBP website



## Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	19-Mar-21	12-Mar-21	20-Mar-20	Previous Week	Corresponding Week
<b>Investments</b>	11,946.5	11,927.0	9,372.6	0.16	27.46
<b>Gross Advances</b>	8,493.5	8,480.5	8,229.1	0.15	3.21
<b>Borrowings</b>	3,287.6	3,424.3	3,042.4	-3.99	8.06
<b>Deposits and other accounts</b>	17,245.4	17,193.9	14,821.4	0.30	16.35

### Governor SBP Steers 4th Stakeholders' Meeting on Digital Financial Ecosystem

The State Bank of Pakistan (SBP) organized the fourth Stakeholders' meeting on the Digital Financial Ecosystem, chaired by the Governor SBP, Dr. Reza Baqir. The goal of these stakeholder meetings has been to accelerate the agenda on promoting digital financial services in Pakistan and support coordination in cross cutting issues. The meeting was attended by the Chairman FBR, Country Director of the World Bank, representatives from Accountant General of Pakistan Revenue (AGPR), Controller General of Accounts (CGA), Ministry of IT and Telecommunication (MoITT), NADRA, PTA, Karandaaz, and CEOs/Presidents of Banks, Microfinance Banks and Electronic Money Institutions (EMIs), and several other stakeholders. Governor Baqir appreciated stakeholders' support particularly the support extended to SBP by the World Bank, FBR and financial institutions in moving forward the drive for digital financial services. He briefed the forum about the significant progress made on Raast (Pakistan's Instant Payment System) and developments on its integration with various government agencies to achieve scale. The developments include integration of Banks and Microfinance Banks on Raast, signing of MoU with CGA to digitize Government payments.

The Governor SBP also informed participants that despite COVID-19 disruptions, SBP has been diligently working with its partner institutions to keep to the roadmap. Those present were briefed about the draft Digital Bank Regulatory Framework which was recently published by SBP on its

website for public consultation. The Governor encouraged stakeholders to critically review the framework and share their feedback to enable improvements. He also informed stakeholders of progress made towards concluding charges for Inter Bank Funds Transfers (IBFT).

During the meeting, the Governor also discussed the cross-cutting issues pertaining to NADRA, PTA, and FBR and suggested the formation of working groups to address specific issues related to taxation in digital financial services, integration of government agencies with Raast system and the availability of seamless internet connectivity across Pakistan. The way forward in digital financial services like Open Banking were discussed and it was agreed to establish a forum to propose recommendations in these areas in line with international best practices.

### SBP and CGA Sign MOU for Digitizing Government Payments through Raast

The State Bank of Pakistan (SBP) and the Controller General of Accounts Pakistan (CGAP) on March 26, 2021 signed a Memorandum of Understanding for digitizing federal government payments through RAAST Pakistan's First Instant Payment System, launched in January 2021 by SBP. Raast is a flagship initiative of SBP, which provides simple, fast, low-cost, interoperable and secure electronic payment platform for instant processing of high volume retail payments. Raast also has the ability to make payments to multiple beneficiaries at a time in order to cater high volume government payments like salaries, pension and social security payments.



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In the pilot phase, the salaries and pensions of a group of Federal Government employees will be paid through Raast. The payroll and pension-roll data will be shared from CGA system to SBP's Raast through a highly secured interface and payments to the beneficiaries' accounts will be made instantly after validating the beneficiaries' detail. To ensure that payments are only credited in the intended beneficiary's account, Raast verifies the beneficiaries' details with their banks on real time basis before crediting the payment in beneficiary's account. After the pilot run, the facility will be rolled out to cover all the salaries, pension as well as supplier payments of the federal and provincial governments. SBP is also working to use the powerful capacities of Raast to include payments of social security nets such as the Ehsas Program, BISP and other government entities.

months, trading at 45.88 on August 27, 2020. As a result of strong foreign currency inflow, the State Bank of Pakistan's foreign exchange reserves increased to \$20.4 billion during the week ending on March 19, 2021.

Last week, IMF approved a \$500 million disbursement to Pakistan for budget support after the IMF Executive Board completed delayed reviews of Pakistan's \$6 billion loan program. The World Bank also signed an agreement in Islamabad to provide \$1.33 billion worth of assistance to boost the country's forex reserves.

The RDAs' popularity is growing among the country's diaspora as these accounts allow them to invest directly in the stock market, buy property as well as make utility bills and school fee payments from abroad. Funds available in the account can be remitted back from Pakistan without any approval from any local bank or the central bank. So far, according to the State Bank of Pakistan, over 100,000 RDAs have been opened from more than 100 countries, with deposits reaching \$700 million since its launch last year.

"The Pakistani authorities have continued to make satisfactory progress under the Fund-supported program, which has been an important policy anchor during an unprecedented period," said Antoinette Sayeh, deputy managing director of IMF.

"Facilitate things to people  
(concerning religious matters),  
and do not make it hard for them  
and give them good tidings and  
do not make them run away  
(from Islam)."

THE PROPHET MUHAMMAD ﷺ

## Pakistan Rupee Hits 2-Year High

The Pakistani rupee rally continues, hitting a nearly two-year high against the US dollar and the UAE dirham on March 30, 2021, helped by the \$500 million loan from the IMF, the \$1.3 billion aid from the World Bank, as well as a strong flow of remittances and deposits in Roshan Digital Accounts (RDAs) from the country's diaspora. The South Asian currency gained nearly one percent to 41.66 versus the UAE dirham (152.9 versus the US dollar) on March 30, 2021 as against 42 previous day. The rupee has gained more than nine percent over the past seven



## INTERNATIONAL SCENARIO

### World Trade to See Strong but Uneven Recovery, to Grow by 8.0 percent in 2021: WTO

The World Trade Organization (WTO) said on March 31, 2021 that global trade is primed for a strong but uneven recovery after the COVID-19 pandemic shock, forecasting an increase in the volume of world merchandise trade of 8.0 percent this year.

The global trade body said prospects for a quick recovery in world trade have improved as merchandise trade expanded more rapidly than expected in the second half of last year. "World merchandise trade volume is expected to increase by 8 percent in 2021 after falling 5.3 percent in 2020, a smaller decline than previously estimated," the WTO said in a press release, Xinhua reported.

The WTO figures showed that China was the world's top exporter last year, accounting for 14.7 percent of world merchandise trade and the second-largest importer behind the US with a share of 11.5 percent. "Trade growth should then slow to 4 percent in 2022, and the effects of pandemic will continue to be felt as this pace of expansion would still leave trade below its pre-pandemic trend," it noted.

### ECB May Get a Digital Currency in 4 years: President Christine Lagarde

European Central Bank (ECB) President Christine Lagarde said her institution could launch a digital currency around the middle of this decade if her fellow policy makers give the project the green light this summer.

"We need to make sure that we do it right — we owe it to the Europeans," Lagarde said in a Bloomberg TV interview on March 31, 2021. "The whole process — let's be realistic about it - will in my view take another four years, maybe a little more."

The ECB is about to release an analysis of the 8,000 responses it received as part of a public consultation process on the potential launch of a central bank digital currency. That will be sent to the European Parliament and

then the ECB's decision-making Governing Council will decide in the middle of this year whether to move forward with its practical experimentation.

The second decision — whether to roll out a digital currency — will be made six months to a year after that, she said. "It's a technical endeavor as well as a fundamental change," Lagarde said. "We need to make sure that we're not going to break any system, but to enhance the system."

Cash will also continue to be available, she added. Lagarde also said she will be closely watching the recent roll out of a digital currency by the Bahamas, called the Sand Dollar. Meanwhile, Lagarde also said policy makers will not shy away from using all their powers should investors try to push bond yields higher.

## SNIPS

### Preventing Employee Turnover

About 52 percent of voluntary exiting employees say their managers or organization could have done something to prevent them from leaving their jobs, reports a Gallup survey.

### The Potential of Unstructured Data

Only 18 percent of organizations in a 2019 survey by Deloitte reported being able to take advantage of unstructured data such as text, video, audio and social media.

### UK Bouncing Back Stronger Than Expected Amid Savings Boom

Britain's recovery during the second half of last year was stronger than first estimated, according to official figures that also showed that households put away more money in savings accounts than previous data suggested.

In a series of revisions to its data covering the COVID-19 pandemic, the Office for National Statistics (ONS) said the economy expanded by 16.9 percent and 1.3 percent in the third and fourth quarters of 2020 respectively. This marked steep increases on initial estimates of 16.1



percent and 1.0 percent. Analysts said the more robust recovery than first pencilled in by the ONS gave hope for a broader expansion during 2021 as the economy gained momentum. However, the ONS contrasted the improved picture for the second half of 2020 with a deeper recession over the first and second quarters. Gross domestic product (GDP), a measure of the size of the economy, shrank by even more than first forecast between April and June, plummeting by 19.5 percent against the 19.0 percent initial estimate.

Over the year, the UK's GDP fell by 9.8 percent against the 9.9 percent initially estimated, which was still the worst annual performance for more than 300 years. Disposable incomes were flat over the year, rising by just 0.1 percent after being adjusted for inflation to keep average household spending power flat. But the lack of things to spend money on meant many households accumulated a level of savings that the ONS said was higher than it had previously expected.

The saving rate, which is cash saved as a share of disposable income, increased from 14.3 percent in the third quarter of 2020 to 16.1 percent in the fourth quarter.

Last year's 9.8 percent drop in GDP marked the steepest fall since official records began, while historical figures from the Bank of England suggest it was the biggest contraction since the Great Frost of 1709.

## MANAGEMENT VIEWS

### Make Workplace Relationships a Priority

Ensuring that tomorrow's workplaces are engaging, innovative, creative and inclusive depends on one key factor: relationships. As a leader, you need to ask yourself: How can I set up a remote or hybrid workplace that is conducive to healthy social ties? It starts with being proactive. With remote and hybrid work, you cannot count on bonds to form in the hallway or by the water cooler. Make it your job and the job of other managers, to be the glue that brings people together. Host virtual events, invite people from other teams to your meetings and look for ways to decrease workloads and balance resources, so people have time and energy to make workplace relationships a priority. It is also crucial to make your meetings inclusive. Going forward, meetings will likely include a mix of people together in physical offices and those in videoconference mode. When you are moderating a hybrid meeting, be sure to integrate all team members, regardless of where they are working from. Healthy relationships at work are not just nice to have. They improve information flow, spur innovation, help retention and lead to better overall organizational performance.

(This tip is adapted from *What a Year of WFH Has Done to Our Relationships at Work*, by Nancy Baym et al. – HBR)

### What Can You Really Accomplish in a Day?

Many of us overload our workdays, only to find ourselves facing an unfinished to-do list at the end of the day. How can you break free of this magical thinking that causes you to disappoint others, miss deadlines, feel depleted and lose your inspiration? To get a realistic sense of how long your current and future projects will take to complete (and how to prioritize them), start by reviewing your major projects from the past year. Which were planned and which were opportunistic? This self-audit will help you paint a more realistic picture of how your future calendar will be populated. It will also help you prioritize the top of your to-do list and renegotiate the rest by saying no, lowering expectations, or requesting help. Crucially, you need to stop convincing yourself that next time will be easier. This kind of optimism may be misguided, leaving you at risk of falling short.

**“Do not turn your knowledge into ignorance or your conviction into doubt. When you gain knowledge act (upon it), and when you acquire conviction, proceed (on its basis).”**

HAZRAT ALI 



Always lean toward building in more time for your work, not less. Finally, look for opportunities to build your team's capacity and delegate when you can. You do not need to do it alone.

(This tip is adapted from *Be More Realistic About the Time You Have*, by Sabina Nawaz – HBR)

### Foster Psychological Safety for Your Remote Team

Research shows that high-performing teams have a sense of psychological safety, which means employees feel they can speak up, ask for help and offer ideas without being punished or ostracized. Here are some ways to promote psychological safety on your team, especially if you are remote:

- **Ask questions.** Proactively check in and show curiosity about your employees' lives outside of work.
- **Show vulnerability.** Share your professional and personal experiences and encourage your employees to do the same.
- **Build a sense of collective responsibility.** Invite team members to participate in meetings by asking: What do you think? What is your perception of this? What are we missing?
- **Encourage risk.** Give employees the latitude to try out new ideas, pitch new projects or processes and experiment on the fly.

(This tip is adapted from *What Is Your Organization's Long-Term Remote Work Strategy?*, by Erin E. Makarius et al. – HBR)

### Reduce Your Team's Reliance on Jargon

While many of us find jargon to be annoying, it remains a staple of the modern workplace. In some cases, jargon has a legitimate purpose. It can be a mechanism for efficient communication (think air traffic controllers) or help employees bond over a shared identity. But overreliance on jargon can

make people feel excluded, or worse, lead them to disengage. If you are concerned about the potential negative effects of jargon on your organization, consider the following:

- **Know your audience.** There are times when using jargon can help you signal expertise or credibility. But when clarity and engagement are paramount, it may be costly.
- **Check yourself.** Ask yourself whether there is a simpler way to communicate your idea.
- **Start at the top.** Executive communications that use clear and unambiguous language can set the tone.
- **Spread the word.** Letting others know why you avoid jargon sends a clear message that you are confident in your abilities and interested in being understood rather than showing off.

(This tip is adapted from *Does Your Office Have a Jargon Problem?*, by Zachariah C. Brown et al. – HBR.)

## SNIPS

### Anxiety and Pandemic

A year into the pandemic, about one in five US adults are experiencing high levels of psychological distress with occasional sleeplessness and anxiety, says the Pew Research Centre.

### For the Love of Big Cars

According to the Pakistan Automotive Manufacturers Association, 95,139 cars have been sold in this fiscal year till February, of which half were 1,300cc and above.

**APRIL 10  
SATURDAY**

9AM - 1PM

New Developments in Banking Conduct

FACILITATOR: Sundus Saleem

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

ONLINE  
TRAINING

**APRIL 10  
SATURDAY**

10AM - 2PM

Foreign Exchange: Regulatory Framework

FACILITATOR: Rana Salim Saleem

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

ONLINE  
TRAINING

**APRIL 12  
MONDAY**

9AM - 1PM

International Trade Import Export Documentation & Procedures and Working with Letters of Credit

FACILITATOR: Aqeel Muslim

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

ONLINE  
TRAINING

**APRIL 13  
TUESDAY**

9AM - 1PM

SBP Inspection, Regulatory Compliance and Banks' Operations

FACILITATOR: Shamwail Sohail

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

ONLINE  
TRAINING