



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 27

JULY 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 April 17 – June 17, 2021

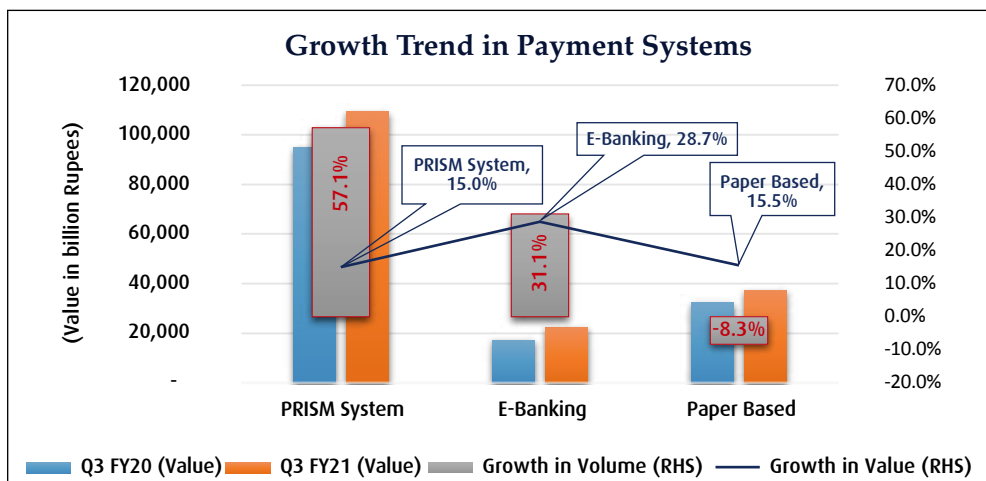
	(Rs. in billion)		
Loans Deferred*	657.0	Loans Approved for Hospitals	15.6
Loans Restructured*	253.6	Loans Approved for Investment	436.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 Percent

\*Since the schemes are no longer available, the data has not been updated after November 13, 2020 and April 16, 2021 in the case of Loans Approved for Wages and Loans Deferred/Restructured, respectively.

### Digital Transactions Continue to Show Robust Growth in Q3 FY21: SBP

The State Bank of Pakistan released its Quarterly Payment System Review for the third quarter, January – March 2021, of the fiscal year 2020-21 on June 28, 2021, which shows strong growth in the space of digital financial transactions in the country.

The volume and value of e-banking rose by 31.1 percent and 28.7 percent, respectively in addition to 57.1 percent and 15.0 percent growth recorded in the volume and value of PRISM transactions in Q3FY21 over the corresponding quarter last year. During the same period the paper based transactions in terms of value grew by 15.5 percent however, in terms of volume it declined by 8.3 percent.



The value of mobile banking, internet banking and ecommerce transactions all more than doubled during this period when compared with the same period last year. Encouragingly, the number of internet and mobile banking users have also been increasing significantly, up 30.5 percent and 20.3 percent respectively during Q3FY21 over same period last year.

## MARKETS AT A GLANCE

Rates taken till Friday, July 02, 2021

### MONETARY POLICY RATE

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

### KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.44	7.69
ENDING	7.42	7.67
CHANGE	-0.02	-0.02

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 219.21	PKR 188.23	PKR 157.62
ENDING	PKR 217.27	PKR 186.79	PKR 157.87
CHANGE	-1.94	-1.44	+0.25

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	47,603
ENDING	47,686
CHANGE	+83

### GOLD RATE

	(10 GM, 24K)
STARTING	PKR 92,850
ENDING	PKR 93,021
CHANGE	+171



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

VOLUME 16

ISSUE 27

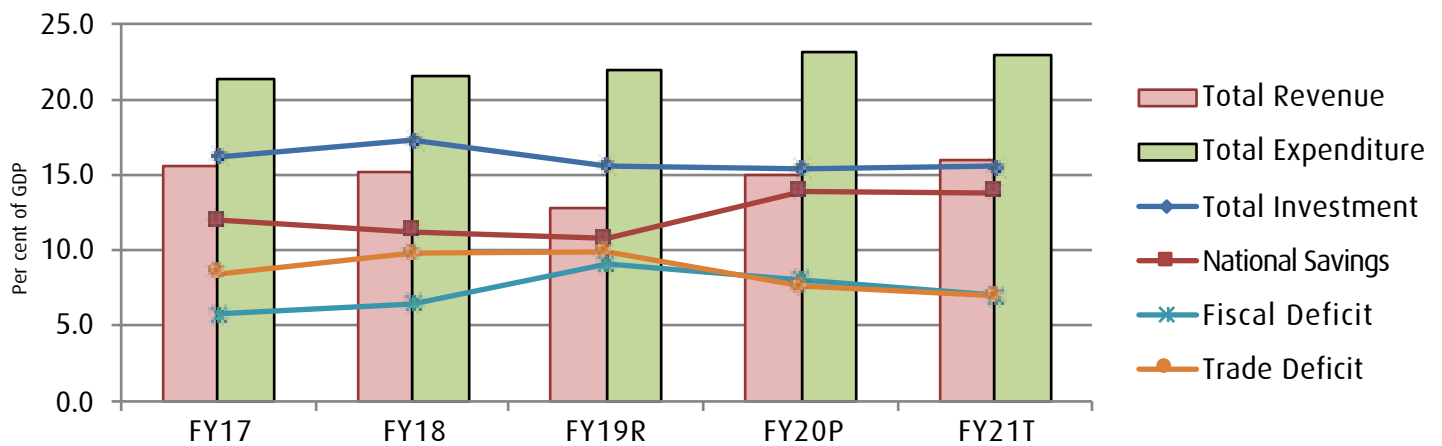
JULY 02, 2021

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

## 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	APR 2021	MAY 2021
General	4.8	4.7	6.8	10.7	11.1	10.9
Food (Urban)	4.3	3.8	4.6	13.6	15.7	15.3
Non-Food (Urban)	5.1	5.8	8.5	8.3	8.2	8.3

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	11-Jun-21	18-Jun-21
3,911.3	4,387.8	4,950.0	6,142.0	7,070.7	7,040.2

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	
	11-Jun-21	4-Jun-21	12-Jun-20	Previous Week	Corresponding Week
<b>Investments</b>	13,518.7	13,192.5	10,390.0	2.47	30.11
<b>Gross Advances</b>	8,746.5	8,752.0	8,243.8	-0.06	6.10
<b>Borrowings</b>	4,384.8	4,486.5	3,216.6	-2.27	36.32
<b>Deposits and other accounts</b>	18,009.1	17,721.5	15,502.7	1.62	16.17

During Q3FY21, bank customers performed 309.5 million e-Banking transactions, valuing Rs. 22.5 trillion and registering growth rates of 31 percent by volume and 29 percent by value over the same quarter last year. Most of the uptake in e-banking transactions were seen in internet banking and mobile banking transactions. The volume of mobile banking transactions reached 51.7 million, (up 144 percent) valuing Rs. 1.3 trillion (up 178 percent) compared to 21.2 million transactions valuing 467.5 billion in the same quarter, last year. The number of registered mobile phone banking users reached 9.8 million showing an increase of 20 percent from the same period last year.

Similarly, 24.5 million internet banking transactions valuing Rs. 1.5 trillion were recorded during this period compared to Rs. 0.75 trillion in the same quarter last year, registering a growth of 74 percent by volume and 109 percent by value. In response to SBP's measures to incentivize the installation of Point of Sale (POS) machines to facilitate digital payments through debit or credit cards in the country, the number of POS machines have shown a substantial growth of 37 percent when compared with the same period last year. On these POS machines, 25 million card-based transactions amounting to Rs. 124 billion were processed showing an increase of 28 percent by volume and 21 percent by value compared to the same quarter last year. The increase in the number of POS machines this year can be attributed to the measures that SBP took early last year which included the reduction in interchange fee on debit card payments thus improving the share of acquirers from overall merchant discount rate (MDR).

Non-cash based e-commerce transactions also increased substantially in the country during Q3FY21; e-commerce merchants processed 5.6 million transactions digitally amounting to Rs. 15.3 billion compared to 2.8 million transactions valuing Rs. 7.1 billion in Q3FY20, showing an increase of 100 percent by volume and 115 percent by value from the last year. Total number of payment cards issued in the country stood at 44.5 million out of which 28.6 million are debit cards and 1.7 million are credit cards.

Further, 6.4 million social welfare cards have been issued by banks on behalf of BISP, EOBI, Ehsaas and other government organizations and schemes. It is worth mentioning that during the last few years, digital payment transactions in Pakistan have shown significant growth, reflecting the impact of favorable policies of SBP to incentivize customers. In line with its declared objectives to digitize payment and financial services, SBP will continue promoting digitization in the country and expects the industry to e reciprocate the efforts that will in turn increase convenience for people of Pakistan. For Details: <https://www.sbp.org.pk/psd/pdf/PS-Review-Q3FY21.pdf>

### SECP Specifies Regulatory Framework for Debt and Hybrid ETFs

In line with its objectives of creating a competitive and conducive playing field and to diversify the range of Exchange Traded Funds (ETFs) available to investors, the Securities and Exchange Commission of Pakistan (SECP) has specified the framework for issuance of Debt and Hybrid ETFs through a circular released recently. The circular also updates the existing framework for Equity ETFs.



Just like equity ETFs, the debt ETFs are also passively managed and trade on a regular exchange. Debt ETFs allow ordinary investors to gain passive exposure to fixed income securities such as corporate bonds or Treasuries in an inexpensive way, while Hybrid ETFs allow investment in an index which has both debt and equity securities. Investment in debt ETFs is well suited for investors with a low risk profile, as it provides a strong defensive addition to their investment portfolios. The framework specifies the procedure for listing, trading, clearing and settlement of ETF units, besides the disclosure requirements for asset management companies and the obligations of market makers/authorized participants.

Internationally, ETFs are among one of the fastest growing investment products which are being customized to cover specific arrays of sectors, stocks, commodities, bonds, futures and other asset classes. The ETFs provide investors with various benefits such as trading flexibility; diversification of overall portfolio and transparency in terms of publishing underlying holdings on a daily basis. It is envisioned that the introduction of debt and hybrid ETFs at the Pakistan's stock exchange will bring Pakistani capital market at par with other regional and international jurisdictions and will go a long way in promoting capital formation and market development.

### NA Passes Finance Bill 2021

The National Assembly, on June 29, 2021 passed the Finance Bill, 2021 with majority vote and as many as 240 lawmakers participated in debate on federal budget which continued for around 10 days. Minister for Finance Shaukat Fayaz Ahmed Tarin moved the Finance Bill, 2021 in the House following which the opposition lawmakers debated it.

PPPP MNA Nawab Yousaf Ahmed Talpur demanded counting on the motion moved for consideration of the bill. A total of 172 lawmakers voted in favor of the motion while 138 lawmakers opposed it. The motion was passed with majority vote which led to the passage of Finance Bill, 2021 after clause by clause reading as well as voice voting along with amendments. Earlier, around 240 MNAs participated in the budget debate which formally continued from June 14 to June 24, 2021 (10 working days) while a total of 128 demands for grants were also approved.

According to the Rule 187 of the Rules of Procedure and Conduct of Business in National Assembly 2007, not less than four days shall be allotted for the general discussion on the budget. However, the National Assembly continued debate on the finance bill, 2021 for 10 days.

Detained leaders including Syed Khurshed Ahmed Shah (PPPP) and Ali Wazir (IND) also attended the sitting on June 29, 2021 after issuance of their production orders by speaker and participated in the debate on Finance Bill, 2021. Nine others lawmakers also spoke on the Bill and demanded to make it people friendly and reduce indirect taxes.

Prime Minister Imran Khan also attended the sitting and the House passed the Finance Bill 2021 after clause by clause reading.

The total volume of the federal budget for fiscal year 2021-22 is Rs. 8.48 trillion with allocation of Rs. 2,135 billion under the Public Sector Development Programme (PSDP) – an increase of 37 percent from last year's development allocations.

In the budget, Rs. 900 billion is earmarked for federal PSDP, Rs. 12 billion for agriculture sector, Rs. 118 billion for power distribution, Rs. 61 billion for Viability Gap Fund, Rs. 14 billion for Climate Change mitigation projects, Rs. 100 billion for COVID-19 Emergency Fund and Rs. 12 billion special grant for Sindh.

Similarly, an amount of \$1.1 billion is specified for vaccine procurement, Rs. 66 billion for Higher Education Commission for education programs and Rs. 44 billion under the development fund in the budget.

## SNIPS

### Steep Tumble Down

Bitcoin's tumble amid a broad crypto crackdown from China pushed it below \$30,000 last week for the first time since January, pulverizing its entire 2021 gain, says Bloomberg Businessweek.



## INTERNATIONAL SCENARIO

### Global Economy Can Lose \$4 trillion Due to COVID Impact on Tourism: UNCTAD

The crash in international tourism due to coronavirus pandemic can cause a loss of more than four trillion dollars to the global GDP for the years 2020 and 2021, according to an UNCTAD report published on June 30, 2021.

The estimated loss has been caused by the pandemic's direct impact on tourism and its ripple effect on other sectors closely linked to it. The report, jointly presented with the UN World Tourism Organization (UNWTO), says international tourism and its closely linked sectors suffered an estimated loss of 2.4 trillion dollars in 2020 due to direct and indirect impacts of a steep drop in international tourist arrivals.

A similar loss may occur this year, the report warns, noting that the tourism sector's recovery will largely depend on the uptake of COVID-19 vaccines globally. "The world needs a global vaccination effort that will protect workers, mitigate adverse social effects and make strategic decisions regarding tourism, taking potential structural changes into account," UNCTAD Acting Secretary-General Isabelle Durant said. With COVID-19 vaccinations being more pronounced in some countries than others, the report says, tourism losses are reduced in most developed countries but worsened in developing countries. COVID-19 vaccination rates are uneven across countries, ranging from below one percent of the population in some countries to above 60 percent in others.

According to the report, the asymmetric roll-out of vaccines magnifies the economic blow tourism has suffered in developing countries, as they could account for up to 60 percent of the global GDP losses. The tourism sector is expected to recover faster in countries with high vaccination rates like France, Germany, Switzerland, the United Kingdom and the United States, the report says. But experts do not expect a return to pre-COVID-19 international tourist arrival levels until 2023 or later, according to UNWTO. The main barriers are travel

restrictions, slow containment of the virus, low traveler confidence and a poor economic environment. According to UNWTO, international tourist arrivals declined by about 1 billion or 74 percent between January and December 2020. In the first quarter of 2021, the UNWTO World Tourism Barometer points to a decline of 84 percent.

Developing countries have borne the biggest brunt of pandemic's impact on tourism. They suffered the largest reductions in tourist arrivals in 2020 estimated at between 60 percent and 80 percent. The most-affected regions are North-East Asia, South-East Asia, Oceania, North Africa and South Asia, while the least-affected ones are North America, Western Europe and the Caribbean.

If any Muslim plants any plant and a human being or an animal eats of it, he will be rewarded as if he had given that much in charity.

THE PROPHET MUHAMMAD ﷺ

### Europe Wants to Stop the COVID Delta Variant—but Experts Say It May Already Be Too Late

The coronavirus delta variant first discovered in India has now spread around the world, prompting further waves of infections in countries like the UK. Now, there are increasing signs that mainland Europe is seeing a sharp rise in cases too.

The EU is certainly worried about the spread of the highly infectious delta variant which evidence suggests is around 60 percent more transmissible than the alpha variant first found in England, causes more hospitalizations and slightly reduces the efficacy of vaccines. A number of European countries have introduced further restrictions on visitors from the UK, but experts believe it is only a matter of time before it takes off in mainland Europe — and there are strong signals it already has. On June 29, 2021, French Health Minister Olivier Veran said that the delta variant now represents some 20 percent of COVID-19 cases in France, up from last week's estimate of it representing 9-10 percent of cases. Germany's public health body, the





# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 06

VOLUME 16

ISSUE 27

JULY 02, 2021

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

Robert Koch Institute, said this week that the delta variant accounted for around 36 percent of the cases in the week of June 15 - 20, up 15 percent from the week before. Lothar Wieler, president of the RKI, also told officials the variant now already represents more than 50 percent of registered cases in Germany, Deutsche Welle reported on July 29, 2021. Meanwhile, Italy's national health institute said that cases attributed to COVID variants delta and kappa (a "variant of interest," according to the World Health Organization, that is related to the delta variant) have surged in Italy in the past month, accounting for nearly 17 percent of total COVID cases. Spain and Portugal have also reported a rise in delta variant cases as have Poland, Russia, Switzerland and Turkey. In addition, the delta plus variant — a mutation of the delta mutation — has been detected in pockets of Europe too.

Germany and France are among the countries that have imposed quarantine restrictions on British travelers and Berlin has gone one step further, calling on the EU to take a unified approach when it comes to requiring British travelers who come to the bloc to quarantine. The move could likely be a case of acting too little, too late, experts note. "I doubt if European countries with their open economies and more limited border checks, quarantine measures and tracking and tracing will be able to push back delta for long ... especially given that there is extensive local circulation already," Tom Wenseleers, an evolutionary biologist and biostatistician at the Catholic University of Leuven in Belgium, told CNBC. He noted that the actual number of infections in Europe caused by the delta variant could be much higher than estimates currently suggest. "I estimate that in Portugal 90 percent of the diagnosed cases now may be delta, but with a strong geographic focus around Lisbon. Many other countries in Europe, like Spain, Germany, Belgium, Luxemburg, Sweden and the Netherlands are not far behind though, with over 50 percent of all diagnosed cases now also estimated to be delta there," he noted. The delta variant now accounts for 95 percent of all new cases sequenced in the UK and where Britain goes, it is likely that the US and Europe will follow, experts believe. The European Centre for Disease Prevention and Control said last week that it estimates that by the end of August the delta variant will represent 90 percent of all COVID viruses circulating in the EU.

## Iran Appoints New Central Bank Chief

Iran has appointed Akbar Komeijani as head of the central bank, a senior official told state TV on June 30, 2021. "President Hassan Rouhani has appointed Komeijani today as the central bank chief," presidential chief of staff Mahmoud Vaezi said.

Rouhani, whose second term will end in early August, dismissed Abdolnasser Hemmati on May 30, 2021 after the former central bank chief registered to run in Iran's June 18 presidential election. Hardline cleric Ebrahim Raisi won the election and will take office on August 5, 2021. The central bank's deputy governor since 2014, Komeijani took over all responsibilities from Hemmati after his dismissal. Komeijani has Ph.D. in economics from the University of Wisconsin in the United States.

## MANAGEMENT VIEWS

### Build Up Self-Confidence in Meetings

Do you hold back in meetings? Are you unsure how to jump in and make yourself heard? It is easy to go unnoticed when everyone is excited about a topic. But editing yourself only robs yourself (and your team) of your ideas. To make sure your voice is in the mix, try claiming space by announcing your contribution before launching into your point. For example, you might ask, "Can we pause to look at this from the customer's perspective?" or say, "Let's step back and take a longer-term view of these metrics." This will both capture people's attention and focus the discussion. Then, articulate the skeleton of your proposal so people have a sense of what you are suggesting before you dive into the details. Next, flesh out your idea, explaining why it is important. People need to know why they should care or make it a priority now. Lastly, invite feedback with questions like, "How many of you feel this way?" or "What are your thoughts on this topic?" This will allow people to think more deeply about what you have just shared and give you a sense of how your message is being received.

(This tip is adapted from *Conquer Your Self-Doubt in Meetings* by Sabina Nawaz –HBR.)



## Try Reframing a Problem You Are Trying to Solve

Most people know that how you frame a problem will influence how you solve it. This means that you have to carefully choose the words to describe your issue. If you are struggling to generate effective solutions, you might change the way you have phrased the problem. Specifically, ask yourself two questions. First, what is the subject? For example, let us say you want to change an element of your organization's culture. A problem statement focused on employees will generate different solutions than one that is focused on how resources are allocated. Second, how do you measure the problem? The metric you use to define success or failure will influence the answers you come up with. For example, "We only bring one new product/service to market each year" will lead you to different solutions than "Only 5 percent of our revenue comes from products developed in the past three years." So next time you are struggling to find a solution, try rewriting the problem statement. You will likely find that a small change of words can lead to a big change in your perspective.

(This tip is adapted from *Struggling to Solve a Problem? Try Reframing It.*, by Daniel Markovitz – HBR.)

## Avoid These Mistakes in a Tough Conversation

Difficult conversations are difficult for a reason and when you are anxious or stressed out, it is easy to say the wrong thing. To keep the interaction from going sideways, avoid these common mistakes.

- ◇ **Do not assume your perspective is obvious.** Steer clear of phrases like "clearly," "obviously," or "without a doubt," which are likely to insult your counterpart.
- ◇ **Do not exaggerate.** Skip any statements that start with "You always..." or "You never..." They are rarely true.
- ◇ **Do not challenge someone's character or integrity.** You will just make the person defensive if you tell them they are "unprofessional," "wrong," or "unethical."
- ◇ **Do not tell others what they should do.** People feel judged by "should" statements. Try saying "You might

consider..." "One possibility is..." or "Have you thought of...?" instead.

- ◇ **Do not say "It's not personal."** Recognize that even when it is not personal to you, it might be for the other person.

(This tip is adapted from *Words and Phrases to Avoid in a Difficult Conversation*, by James R. Detert –HBR.)

"The fulfilment of (others') needs becomes a lasting virtue in three ways: regarding it as small, so that it attains bigness, concealing it so that it may manifest itself, and doing it quickly so that it becomes pleasant."

HAZRAT ALI



## Are You Too Cool Under Pressure?

We all handle stress differently. And while remaining cool under pressure can be an asset, your unruffled nature could also be mistaken as nonchalance or a lack of interest. One way to counter this unfortunate impression is to over-communicate. Do not assume that your colleagues know if and when you are taking something seriously. Be explicit about how you are approaching the problem — even if you do not show outwardly that you are sweating it. Another option is to share the tactics you use to stay calm, whether it is over preparing, changing your mindset, repeating positive affirmations, or biting off small chunks of big tasks. This will help your colleagues understand you better and perhaps give them some stress-alleviation techniques they can employ for themselves. Lastly, do not underestimate the power of empathy. Asking a simple question like, "What can I do to help?" demonstrates that you recognize the stressful situation and shows that you care.

(This tip is adapted from *Stay Cool Under Pressure — Without Appearing Cold*, by Anne Sugar –HBR.)

# IBP TRAINING CALENDAR - JULY 2021



**JULY 10**  
**Saturday**  
10AM - 2PM

SECP AML/CFT Regulations

FACILITATOR: Sumera Baloch

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

ONLINE  
TRAINING

**JULY 12**  
**Monday**  
2PM - 6PM

Credit Risk Modeling

FACILITATOR: M.A. Hijazi

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

ONLINE  
TRAINING

**JULY 13**  
**Tuesday**  
2PM - 6PM

Analysis of Financial Statements: An Effective Risk Management Tool

FACILITATOR: Murtaza Rizvi

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

ONLINE  
TRAINING

**JULY 14**  
**Wednesday**  
9AM - 1PM

Insight on Financial Crime: Challenges Faced by Financial Institutions

FACILITATOR: Usman Ali Khan

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

ONLINE  
TRAINING