



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16 | ISSUE 04 | JANUARY 22, 2021

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

PAKISTAN TIDINGS

COVID-19: Impact of SBP's Measures as of January 15-18, 2021

			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	9.0
Loans Restructured	225.5	Loans Approved for Investment	300.0
Loans Approved for Wages*	238.0	ATMs' Availability	96 percent

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

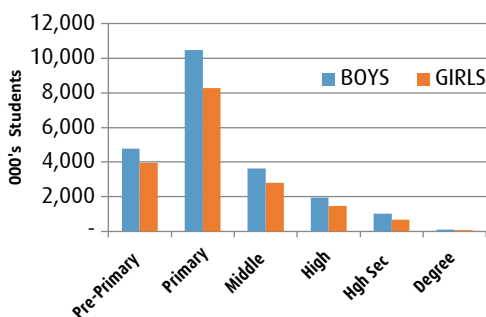
SBP Wants Dedicated Desks for Women at Financial Institutions

The State Bank of Pakistan (SBP) has asked financial institutions to place dedicated desks to boost women customers and entrepreneurs' trust in the banking system. In its policy proposal titled 'Equality policy: Reducing the Gender Gap in Financial Inclusion Draft', the SBP noted that banks are unable to facilitate women customers and recommended gender diversity training for staff at all customer points.

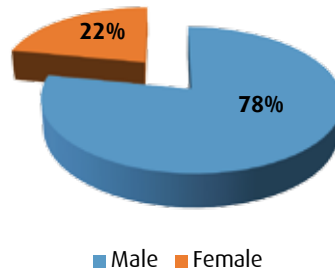
SBP's demand side surveys have revealed that women feel intimidated to visit a bank branch. Furthermore, SBP has found that banks are unable to facilitate women customers and entrepreneurs effectively. It is important that the needs of women customers are met with careful attention and towards this end, having gender diversity trained staff as champions at all customer touch points can improve women's trust and comfort in FIs.

Data available on gender diversification in education advocates for promoting gender equality in all walks of life.

Enrollment in Education Institutions 2015-16



Share in Civilian Employment 2017-18



MARKETS AT A GLANCE

Rates are taken till Friday, January 22, 2020

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.10	7.35
ENDING	7.10	7.35
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 218.90	PKR 194.48	PKR 160.33
ENDING	PKR 219.97	PKR 195.81	PKR 160.75
CHANGE	+1.07	+1.33	+0.42

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	45,931
ENDING	45,868
CHANGE	-63

GOLD RATE

(10 GM, 24K)

STARTING	PKR 95,637
ENDING	PKR 97,376
CHANGE	+1739



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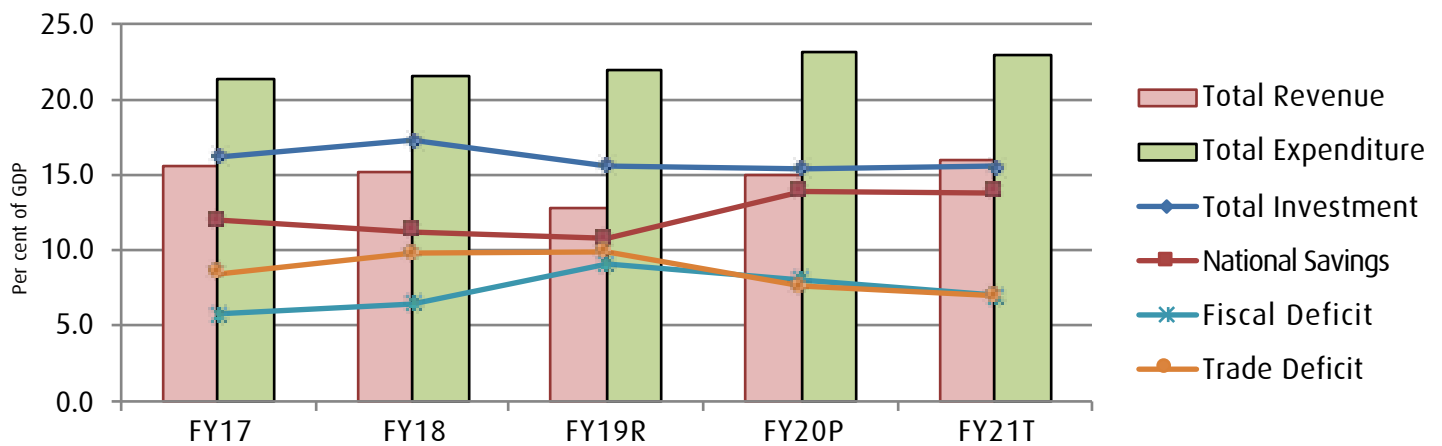
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Pakistan's Major Economic Indicators

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	NOV 2020	DEC 2020
General	4.8	4.7	6.8	10.7	8.3	8.0
Food (Urban)	4.3	3.8	4.6	13.6	13.0	12.6
Non-Food (Urban)	5.1	5.8	8.5	8.3	3.4	3.8

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	January 01, 2021	January 08, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,208.84	6,382.31

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	
	8-Jan-21	1-Jan-21	10-Jan-20	Previous Week	Corresponding Week
Investments	11,472.3	11,552.0	8,677.4	-0.69	32.21
Gross Advances	8,381.0	8,498.6	8,124.5	-1.38	3.16
Borrowings	3,042.7	3,118.4	2,830.7	-2.43	7.49
Deposits and other accounts	17,101.3	17,874.6	14,389.9	-4.33	18.84

In this regard, ADB's Tool Kit on Gender Equality suggests that women's desks at banks can help to boost women's economic empowerment, which is a practice, already seen in Bangladesh and Zimbabwe. This will aid women customers and entrepreneurs to get access to credit/savings products and non-financial advisory services from a dedicated contact point at the bank.

According to the policy measures, in order to make women comfortable to approach banks and access financial products suited to their needs, FI's will be advised to ensure presence of women champions at all customer touch points at financial institutions, such as bank branches, call centers and alternate delivery channels which will aid women's adoption of conventional and digital financial services. Women champions at each branch and touch point to cater for improved provision of women centric products and facilitation for females, especially entrepreneurs.

The women's champions shall have the following features: (a) The women champions will serve as a central point of contact for women to seek information about financial products and services created for women by the FI. (b) A bank representative that has undergone gender sensitivity training is well versed in the bank's financial products for women and can share details of current SBP/government schemes for women, shall serve as the women champion. (c) The champion will also serve as a main contact point for non-financial advisory services and complaint redresser.

While FI's will place women champions in all of its branches in next 18 months staffed by existing human resources that have undergone gender sensitivity training, it must be ensured that at least 75 percent of touch points should have women champions within the next 3 years. A Policy Forum on Gender and Finance will be established to discuss opportunities and challenges in women's financial inclusion and review the existing policy framework for improvements, said the SBP.

SBP Maintains Policy Rate at 7.0 Percent

The Monetary Policy Committee (MPC) of State Bank of Pakistan (SBP) at its meeting held on 22nd January 2021, decided to maintain the policy rate at 7 percent. The MPC noted that since the last meeting in November, the domestic recovery has gained some further traction. Most economic activity data and indicators of consumer and business sentiment have shown continued improvement. As a result, there are upside risks to the current growth projection of slightly above 2 percent in FY21. On the inflation front, recent out-turns are also encouraging, suggesting a waning of supply-side price pressures from food and still-benign core inflation. While utility tariff increases may cause an uptick in inflation, this is likely to be transient given excess capacity in the economy and well anchored inflation expectations. As a result, inflation is still expected to fall within the previously announced range of 7-9 percent for FY21 and trend toward the 5-7 percent target range over the medium-term. With the inflation outlook relatively benign aside from the



possibility of temporary supply-side shocks, the MPC felt that the existing accommodative stance of monetary policy remained appropriate to support the nascent recovery while keeping inflation expectations well-anchored and maintaining financial stability. Further detail is available at:

https://www.sbp.org.pk/m_policy/2021/MPS-Jan-2021-Eng.pdf

Pakistan Economy to Return to Growth in 2021: Moody's Report

Pakistan economy will return to growth during the ongoing fiscal year 2020-21, but economic activity will remain below pre-outbreak levels, according to a latest report. Moody's Investors Service said the economy should return to modest 1.5 percent gross domestic product (GDP) growth in financial year 2021, which ends on June 30. "Pakistan economy will return to growth in fiscal year 2020-21, gaining a modest 1.5 percent and accelerate to 4.4 percent in 2022. The government and central bank responses and reforms will partially soften the pandemic's impact and help revive the economy," according to the rating agency's latest report. Last year, Pakistan economy contracted for the first time in 68 years by registering 0.4 percent negative growth due to outbreak of the COVID-19 pandemic. It posted 1.9 percent growth in fiscal year 2018-19 compared to a record-high 5.8 percent GDP growth in 2017-18 when the Imran Khan-led Pakistan Tehreek-e-Insaf came to power for the first time in Islamabad.

Key takeaways

- Economic activity will remain below pre-outbreak levels, although the economy should return to modest 1.5 percent growth in fiscal year 2021.
- GDP growth will accelerate to 4.4 percent in 2022.
- Long-term credit growth potential is strong, given Pakistan's large unbanked population.
- Profitability will come under some pressure in 2021 after a huge 625-basis-point interest rate cut last year.
- Private-sector lending to grow between 5 percent and 7 percent in 2021, below inflation expectations of 8 percent.

The State Bank of Pakistan, the central bank, has targeted 65 million active bank accounts, with total deposits

accounting for 55 percent of GDP, through increased use of mobile bank accounts, biometric verification systems and QR codes. "Despite a difficult environment, the government's credit profile is stable due to ongoing reforms and increasing policy effectiveness – a positive for the banks given their outsized holdings of Pakistani government debt link their credit profiles to that of the government," says Constantinos Kypreos, a Moody's senior vice-president. The rating agency expects the slow economic recovery to affect loan quality, with non-performing loans (NPLs) are expected to rise over the coming months from a sector-wide level of 9.9 percent of gross loans in September 2020. Banks' foreign operations, export-oriented industries and companies reliant on government payments and subsidies will be hit hardest, but loan repayment holidays and other government support measures should help contain some risks, the report said. Meanwhile, banks' profitability, which has materially increased during 2020, will come under pressure on lowered margins, higher loan-loss provisions given the challenging operating environment and subdued business generation. Moody's said Pakistan's banking system reflects banks' solid funding and liquidity, although a challenging – but improving – operating environment will weigh on asset quality and profitability. It projects rising asset risk as non-performing loans will rise from a sector-wide level of 9.9 percent of gross loans as the economic slowdown takes its toll on borrowers' repayment capabilities.

"Deposit-based funding and good liquidity buffers also remain strengths, while the probability of government support in a crisis is high, even if its ability to do so is limited by fiscal challenges," said Kypreos.

SECP Aims to Liberalize Non-Bank Financial Sector Through Promoting Self-Regulation

In pursuance of its reforms agenda for reforming the non-bank financial services, the Securities and Exchange Commission of Pakistan (SECP) has issued draft Self-Regulatory Organizations (Registration) Regulations, 2021 for soliciting public comments. These transformational regulations, being introduced for the first time under the SECP Act 1997, are intended to promote establishment of



self-regulatory organizations (SROs), to inculcate self-discipline and collective responsibility amongst market players, with a view to enhance investor confidence. Internationally, there has been a shift towards self-regulation; typically involving a unique combination of private interests with government oversight, as it offers an effective and efficient form of regulation for the complex, dynamic and ever-changing financial services industry.

An SRO, having certain degree of regulatory authority over an industry or profession, can serve as a collective forum for advancing objectives of an industry through adoption of higher standards of operations, promote fair practices, encourage efficient complaint handling mechanisms for improved customer experience and enhance research and development functions. The draft regulations cover the parameters for registration and regulation of companies that are eligible to be registered as an SRO under the SECP Act, 1997, and lays down fit and proper criteria applicable on its promoters, directors, chief executive and chairman of board of directors. The regulations also specify the obligations and functions of an SRO and enable them to make regulations designed to improve transparency and fair play, screening, certification and training requirements, measures to reduce conflicts of interest and improved compliance with the code of corporate governance.

The draft Self-Regulatory Organizations, (Registration) Regulations 2021 has been placed on SECP's website and can be accessed at following web-address:

<https://www.secp.gov.pk/document/s-r-o-16-i-2021-draft-self-regulatory-organizations-registration-regulations-2021-for-soliciting-publicopinion/?wpm-dl=41193&refresh=5ffd754dd69641610446157>

Interested entities, stakeholders and the general public can submit their comments on the draft within thirty days from the date of its notification. The draft regulations will be finalized in the light of stakeholder consultation and subsequently notified after due regulatory process.

INTERNATIONAL SCENARIO

China GDP Grows at Slowest Pace in More Than Four Decades

China's GDP grew at the slowest pace in more than four decades in 2020, official data showed, but it was still expected to be the only major economy to grow at all after a strong rebound from the coronavirus crisis. COVID-19, which has ravaged the world economy, first emerged in central China in late 2019. But the world's second-largest economy also became the first to bounce back after imposing strict lockdowns and virus control measures.

The National Bureau of Statistics (NBS) said last year was a "grave and complex environment both at home and abroad" with the pandemic having a "huge impact". The 2.3 percent expansion in 2020 was a marked slowdown from 2019's revised growth of 6.0 percent — itself already the lowest in decades — with the country hit by weak domestic demand and trade tensions. But it is better than that forecast by an AFP poll of analysts from 13 financial institutions, who had predicted a 2.0 percent expansion. In the last three months of 2020, China's economic rebound continued with a better-than-expected 6.5 percent growth on-year, a sustained improvement since the second quarter.

This brings it back to a pre-pandemic trajectory, although full-year 2020 growth is still its worst performance since a 1.6 contraction in 1976, the year Chairman Mao Zedong died. That was two years before former leader Deng Xiaoping set in motion a shift away from communist-style central planning, turning China into an industrial, trade and tech powerhouse.

NBS commissioner Ning Jizhe told reporters the foundation for China's economic recovery "is still not yet firm". "There are many uncertainties in the changing dynamics of the pandemic, as well as the external environment," he said. According to the latest data, industrial production grew 2.8 percent on-year for 2020, slowing further from previous



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years. Retail sales, whose recovery has lagged behind that of industrial activity, shrank 3.9 percent for the full year with consumers wary of spending as the pandemic lingered. This marks the first contraction in retail sales since 1968, underscoring difficulties amid China's push to rebalance its economy with domestic consumption as the main driver. But the urban unemployment rate remained at 5.2 percent and Ning said the number of newly-employed in urban areas was more than 11 million, exceeding the target of nine million.

Fitch Keeps Britain Outlook Negative, Debt at AA- Fitch ratings has maintained Britain's AA- debt rating and outlook at negative, but warned rising deficits, the coronavirus surge and its fraught trading relationship with Europe pose risks. The affirmed negative outlook "reflects the impact of the coronavirus pandemic on the UK economy and the resulting material deterioration in the public finances," with the agency saying in a statement the deficit widened to 16.2 percent last year. London's recent trade deal with the European Union following its departure from the bloc "should limit disruption at borders in the short term," Fitch said, but warned "uncertainty remains around how the new trade arrangement will work in practice and how it will affect the UK's trade with the EU over time." The rollout of vaccines against COVID-19 could spark a "sustained recovery" beginning in the second half of 2021 and Fitch raised the year's GDP growth forecast to 5.0 percent from its previous 4.1 percent, citing the free trade agreement. But the agency warned of a "weak" short-term economic outlook, as Britain grapples with surging virus cases. Earlier this month, London imposed a lockdown and ordered the public to stay at home and work remotely, if possible and only to go out for essential shopping, medical reasons or to exercise. That will cause the economy to contract three percent in the first quarter of this year, but Fitch said its recovery in the second quarter could be stronger than before thanks to the new trade deal.

"No sin deserves quicker punishment from Allah Almighty for its doer in the world, along with what is prepared for him in the Hereafter, like transgression and severing family ties."

THE PROPHET MUHAMMAD ﷺ

ATM Usage is Dropping Among UAE Consumers
Ditch the ATM - consumers in the UAE are using their cash withdrawal cards for less than half of their transactions, with the majority taking place at point-of-sale terminals or online. This is based on a sample survey of those who were using ATM withdrawals for almost all their cash needs in January last year, before the pandemic became apparent in the region, according to Network International, the payments processing company. "The long-term structural trends toward digital payment acceptance continue apace, with an acceleration across the region," said Simon Haslam, who is stepping down as CEO later this month. "Whilst we remain cautious around the development of the pandemic, there are signs of improving consumer spending, underpinning our confidence in our ability to take advantage of the exciting opportunities on offer in the world's most underpenetrated markets." Network International is trying to make headway in Africa, through a mix of acquisition and organic growth.

"You should maintain respect for kinship and spend on others. Avoid turning away from one another and severing mutual relations. Do not give up bidding for good and forbidding from evil lest the mischievous gain positions over you, then if you pray, your prayers will not be answered."

HAZRAT ALI ﷺ



MANAGEMENT VIEWS

What to Do (and Not Do) After a Final Interview

Congratulations! You have made it through the interview stage and now you are waiting to hear whether or not you got the job. This stretch of time can feel like agony. What should you do in the meantime? Here are some dos and don'ts to keep you afloat during this dreaded limbo.

Do:

- Offer gratitude to the hiring manager with either a handwritten note or an email.
- Provide further material, such as samples of your work, to strengthen your case.
- Gather more information about the role and organization to make sure that this is the right job for you.

Don't:

- Ask for a do-over on a question you flubbed, unless you can offer highly relevant information that speaks to an organizational need.
- Let the stress get to you. Look for ways to distract yourself during the waiting period.
- Stop looking for other jobs. Keep your options open and explore other opportunities.

(This tip is adapted from *What to Do After a Final-Round Job Interview*, by Rebecca Knight. – HBR)

Reinforce Your Boundaries — at Work and at Home

We all have people in our lives who test our boundaries. It may be your boss, that one colleague, your direct report, or even your kids. Here is how to hold the line against frequent offenders. First, come to an agreement up front. For example, you might say, "I have to leave this meeting at 11:30, but I will check in this afternoon," or, "Yes, you can take the car, but you have to be back by 10:30, so I can take your sister to practice." When everyone agrees upon terms ahead of time, you will have a clear line to

reference if and when someone crosses it. You can also emphasize your authority to set whatever boundary you deem appropriate. Something as simple as, "Having worked on projects like this in the past, I know that I need X amount of time to complete my tasks," or, "As your parent, I am responsible for your safety and I do not think this is a safe thing to do." Finally, ask lots of clarifying, open-ended questions before you make a commitment to a boundary-crosser. You want to gather as much information as possible without being perceived as negative. If your answer is no, say so diplomatically without over-explaining why and offer alternative solutions. These strategies will help you manage your relationships, schedule and emotional wellbeing, both at work and at home. (This tip is adapted from *Set Better Boundaries*, by Priscilla Claman. – HBR)

Worried You Are in a Dead-End Career?

Every sector is vulnerable to disruption or obsolescence. The good news is that industry-level shifts do not happen overnight. If you anticipate that your career is on a sinking ship, here is how you can chart a new course. Of course you can look for a new job. If you are updating your resume, do not just focus on your achievements. You should also identify all of your transferable skills. Can you bring people together to work toward a common goal? Are you good at taking abstract problem statements and turning them into an actionable game plan? Make sure your resume includes your capabilities, as well as your successes. Another approach is to adopt a different mindset and think about how your company could evolve. What are its biggest vulnerabilities? If you were a competitor, what would you do to steal market share? Can you capitalize on, or invent, the next trends in your industry before they capsize your company? Most industries will undergo radical change at some point. Instead of lamenting what is coming, face those changes head on. Your career depends on it. (This tip is adapted from *Worried You Might Be in a Dying Industry?*, by Art Markman. – HBR)

IBP TRAINING CALENDAR - JANUARY 2021



**23 JANUARY
SATURDAY**

9AM - 1PM

Micro Payment Gateway

FACILITATOR: Syed Muhammad Taha

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

ONLINE
TRAINING

**23 JANUARY
SATURDAY**

2PM - 6PM

Transaction Monitoring and STR

FACILITATOR: Kamran Hyder

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

ONLINE
TRAINING

**25 JANUARY
MONDAY**

9AM - 1PM

EQ for Stress Management

FACILITATOR: Dr. Hanif Mohammed

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

ONLINE
TRAINING

**26 JANUARY
TUESDAY**

2PM - 6PM

Risk Based Approaches in International Trade

FACILITATOR: Aqeel Muslim

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

ONLINE
TRAINING

**26 -28 JANUARY
TUE/WED/THU**

1PM - 5:30PM

Bank Capital and Liquid Adequacy Under BASEL III and BASEL IV

FACILITATOR: Peter Buerger

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

ONLINE INTL
TRAINING

**27 JANUARY
WEDNESDAY**

2PM - 6PM

Enhancing Relationships with Strong Customer Service Skills

FACILITATOR: Aisha Bela Malik

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

ONLINE
TRAINING

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**28 JANUARY
THURSDAY**

9AM - 1PM

Liquidity Risk Management for Financial Institutions

FACILITATOR: Faisal Sarwar

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

ONLINE
TRAINING

**29 JANUARY
FRIDAY**

4PM - 8PM

Credit Risk Management

FACILITATOR: M.A. Hijazi

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

ONLINE
TRAINING

**29 JANUARY
FRIDAY**

9AM - 1PM

Digital Transformation in Banking

FACILITATOR: Asad Mehmood Siddiqui

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

ONLINE
TRAINING

**30 JANUARY
SATURDAY**

2PM - 6PM

Block Chain Technology

FACILITATOR: Imran Ashraf

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

ONLINE
TRAINING

**30 JANUARY
SATURDAY**

2PM - 6PM

Working Model of Islamic Accounting

FACILITATOR: Asim Hameed

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

ONLINE
TRAINING