



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 17

APRIL 23, 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 8-19, 2021

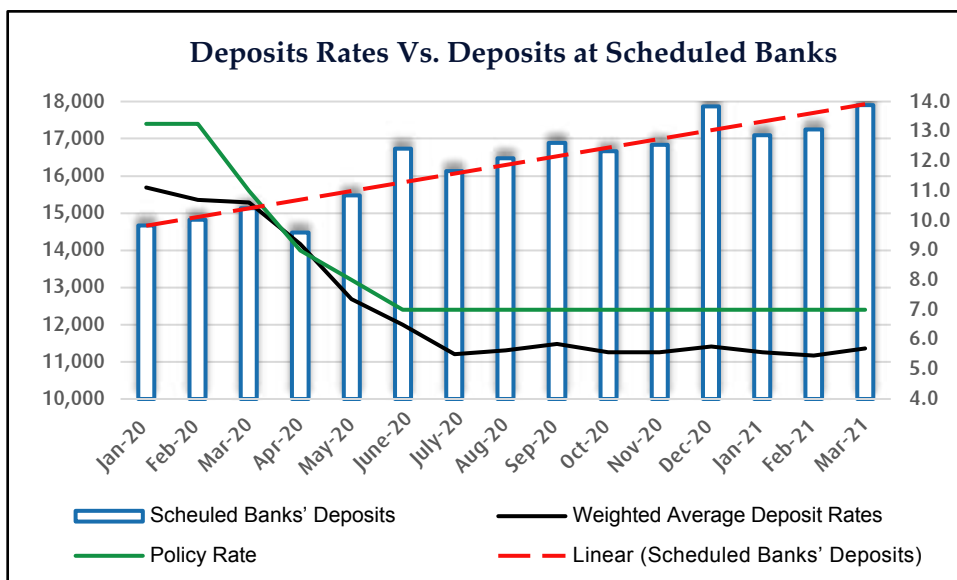
(Rs. in billion)			
Loans Deferred	657.0	Loans Approved for Hospitals	12.0
Loans Restructured	253.6	Loans Approved for Investment	436.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 Percent

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

Unabated Rise in Savings May Lead to Higher Consumers' Demand in Coming Days

With continued accumulation of savings at scheduled banks even in the wake of decline in deposits rates, it could fairly be assumed that during COVID-19 pandemic people are abstaining from their non-essential spendings and consequently seem to deposit this surplus money in bank accounts.

The sharpest ever decline in Policy Rate from 13.25 percent to 7.0 percent brought about by the State Bank of Pakistan during a shortest time span i.e., starting from March 17 to June 25, 2020 caused to drag down the weighted average deposit rate sharply from 10.6 percent in March 2020 to 5.70 in March 2021.



However, during COVID pandemic the growth in deposits at banks showed inelasticity to the deposit rate which is otherwise known to be highly elastic. Another conclusion which could be drawn here is that these accumulated savings may bring upsurge in demand particularly of the capital and luxury goods in the post-COVID scenario.

MARKETS AT A GLANCE

Rates taken till Friday, April 23, 2021

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.52	7.77
ENDING	7.43	7.68
CHANGE	-0.09	-0.09

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 210.00	PKR 182.88	PKR 152.82
ENDING	PKR 213.67	PKR 185.39	PKR 153.87
CHANGE	+3.67	+2.51	+1.05

PAKISTAN STOCK EXCHANGE

100 Index	
STARTING	45,305
ENDING	44,706
CHANGE	-599

GOLD RATE

(10 GM, 24K)

STARTING	PKR 87,448
ENDING	PKR 89,163
CHANGE	+1715



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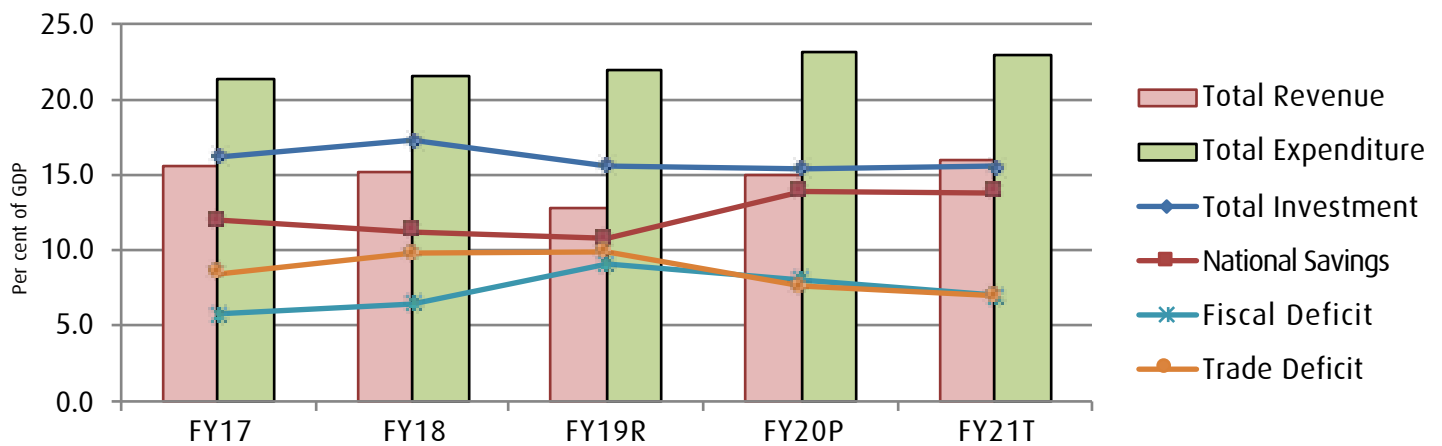
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Pakistan's Major Economic Indicators

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	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	April 2, 2021	April 9, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,565.1	6,729.2

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	
	9-Apr-21	2-Apr-21	10-Apr-20	Previous Week	Corresponding Week
Investments	12,357.0	12,467.0	9,664.2	-0.88	27.86
Gross Advances	8,509.5	8,554.4	8,227.9	-0.52	3.42
Borrowings	3,699.6	3,679.4	3,147.0	0.55	17.56
Deposits and other accounts	17,179.1	17,504.4	15,010.5	-1.86	14.45

SBP–SECP Revised the Terms of Reference of their Joint Task Force (JTF)

The State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP) have amended the Terms of Reference (ToRs) of their Joint Task Force (JTF) on Financial Conglomerates to further strengthen the supervisory cooperation, inter alia, in AML/CFT/CPF supervision at financial group level.

Dr. Reza Baqir, Governor, SBP and Mr. Aamir Khan, Chairman, SECP have signed the Letter of Understanding (LoU) for amendments in the ToRs. The interagency cooperation between financial sector regulators is a crucial element for the effective supervision of financial groups, which comprise various types of financial institutions. Accordingly, the SBP and SECP established the JTF in March 2009 to proactively identify and tackle the risks posed by conglomeration in the financial sector. The ToRs of the JTF envisage the supervisory cooperation, holding periodic meetings and information sharing between both the regulators in respect of the financial groups. The ToRs have been revised from time to time to align with the developments in the regulatory sphere and dynamics of the financial market.

Keeping in view the importance of the group-level AML/CFT/CPF supervision, both SBP and SECP jointly agreed to specifically cover this area in the ToRs of the JTF in a more explicit manner. These improvements in the ToRs will allow the regulators to effectively implement group-level AML/CFT/CPF supervision in line with the international standards and strengthen cooperation and

information sharing in a more systematic manner. Revised TORs will further the overall policy objectives of soundness, integrity and fair conduct in the financial system.

"When the month of Ramadan comes, the gates of Paradise are opened and the gates of the (Hell) Fire are closed, and the devils are chained."

THE PROPHET MUHAMMAD ﷺ

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 achieved another milestone with the launch of 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 decades old practice of manually obtaining certified true copies of 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 desired company on registered email address. The copies can be verified through scanning QR code or by clicking the link available on each document.

UNICEF to Provide PPEs Worth \$14.5 million to Pakistan to Curtail COVID-19

United Nations Children's Fund (UNICEF) would provide US \$14.5 million Personal Protective Equipment (PPE) to Pakistan to help contain the spread of COVID-19 pandemic. According to a UNICEF document, it is supporting Ministry of National Health Services Regulations and Coordination, to procure PPEs test kits and medicines for a total value of US \$14.5 million with funding support from World Bank (US \$8.5 million), Asian Development Bank (US \$0.5 million) and Gavi The Vaccine Alliance (US \$5.5 million).

The PPEs will be distributed to hospitals, isolation centers, quarantine areas and frontline vaccinators. So far, PPEs worth US \$2 million have been delivered and handed over to ministry of national health services regulations and coordination (MNHSR&C) for distribution. UNICEF is arranging the shipment of more PPEs through WFP Transport Common Services to arrive through Karachi, on behalf of MNHSR&C. The WFP flights are being made available for free to all COVID-19 response humanitarian actors. A total of 168 test kits (1,000 tests per kit) with a total value of US \$2.4 million, funded from World Bank funding are expected to arrive in Pakistan.

Pakistan Sees Record Registration of IT Firms

Pakistan has seen the largest-ever number of information technology companies registered during the current fiscal year, according to Pakistan Software Export Board (PSEB) Managing Director Osman Nasir. The PSEB is extending maximum facilitation to the IT Industry in order to enhance exports of IT products and services from Pakistan and ensure holistic IT industry growth.

"The multipronged efforts are bearing fruit as the number of IT companies registered with the Security and Exchange Commission of Pakistan has surged to over 10,000. Fiscal Year 2020-21 witnessed the largest number of IT company registrations, with 2,826 companies registered with the Securities and Exchange Commission of Pakistan," Nasir

said in a statement. "This performance is especially laudable in view of the global economic slowdown, demonstrating the resilience of Pakistan's IT industry ecosystem."

PSEB MD said Karachi, Islamabad and Lahore have become Pakistan's major tech hubs leading IT industry's exports growth. The next phase of Pakistan's IT/ITeS (IT enabled Services) growth would come from focus on secondary and tertiary cities of Pakistan. PSEB's office in Quetta would follow an all-inclusive approach for laying the foundation stone of rapid industry growth in the province which would generate sustainable economic growth and job opportunities, he said. Work is also in advanced stages to setup Software Technology Parks in Quetta, Faisalabad, Bannu, Swat, Sukkur and Khairpur in the first phase.

Pakistan's ICT (Information and Communications Technology) industry export remittances, including telecommunication, computer and information services have risen to \$1.298 billion at a growth rate of 41.4 percent during July – February of FY 2020-21, in comparison to \$917.840 million during the July – February of FY 2019-20. The attached department of ministry of IT and Telecom, would be setting up a dedicated office in Quetta soon for the development of IT industry in Balochistan.

SNIPS

Youth Prefer Work-From-Home

For about 45 percent of the Gen Z (ages 18-24) and 47 percent of the millennials (ages 24-40), remote work is a top priority, says Yahoo! finance, quoting a 2021 PWC Workforce pulse survey.

The Market of Ghost Kitchens

Virtual brands and ghost kitchens could account for 6 percent to 8 percent of global food and drink spending by 2030, or \$1 trillion in sales, says Euromonitor.

The World's Most Expensive Drug

A treatment called Zolgensma for spinal muscular atrophy can cost \$2 million and is referred to as the world's most expensive drug, indicates an article by CNN.



INTERNATIONAL SCENARIO

Bank of England to Consider Digital Money Plan

The Bank of England and the Treasury have announced they are setting up a taskforce to explore the possibility of a central bank digital currency. The aim is to look at the risks and opportunities involved in creating a new kind of digital money. Issued by the Bank for use by households and businesses, it would exist alongside cash and bank deposits, rather than replacing them. No decision has been taken on whether to have such a currency in the UK. However, the government and the Bank want to "engage widely with stakeholders" on the benefits and practicalities of doing so.

The taskforce will be jointly led by the Bank's deputy governor for financial stability, Sir Jon Cunliffe, and the Treasury's director general of financial services, Katharine Braddick. The Bank has previously said it is interested in a central bank digital currency (CBDC) because "this is a period of significant change in money and payments". The use of cash in financial transactions has been steadily declining in recent years, while debit card payments have been on the rise. Use of credit cards and direct debits have also been increasing. The Bank also sees having its own digital currency as a way of "avoiding the risks of new forms of private money creation", including cryptocurrencies such as Bitcoin.

"If a CBDC were to be introduced, it would be denominated in pounds sterling, just like banknotes, so £10 of CBDC would always be worth the same as a £10 note," the Bank said. "CBDC is sometimes thought of as equivalent to a digital banknote, although in some respects it may have as much in common with a bank deposit. "Any CBDC would be introduced alongside - rather than replacing - cash and bank deposits."

Gulf Economies Seen Rebounding This Year, but Some Forecasts Scaled Back

The economies of the six-member Gulf Cooperation Council (GCC) are expected to return to growth this year, a quarterly Reuters survey showed on April 22, 2021, but

half are seen expanding less than previously forecast. Economists in the April 8-20 poll forecast a marked improvement in economic fortunes across the oil-rich region after it was hammered by the COVID-19 pandemic. But while median forecasts for 2021 growth were raised for Bahrain and to a lesser extent the UAE, they were scaled back for Saudi Arabia, Kuwait and Oman while the outlook for Qatar was unchanged.

The economists expect Saudi Arabia's economy, the Middle East's largest, to grow 2.4 percent this year, less than the 2.8 percent forecast in a similar poll three months ago. Economic growth in 2022 and 2023 was seen at 3.3 percent and 3 percent respectively, versus 3.2 percent and 3.1 percent in the previous poll. The kingdom is in the midst of an ambitious economic development plan dubbed Vision 2030 to wean the economy off oil, create jobs and boost investment.

"While some progress has been made in implementing the needed reforms, bureaucracy, lack of transparency and inefficiency remain major impediments to achieving sustained rapid private sector growth," the Institute of International Finance (IIF) said in a report.

The UAE's economy was seen growing by 2.3 percent this year, up slightly from the 2.2 percent expected three months ago. Growth was forecast at 3.6 percent in 2022 and 3.3 percent in 2023, up from 3.5 percent and 3 percent projected in January.

"The UAE can afford a modestly expansionary fiscal stance in 2021 given its spare capacity and the recovery in oil prices," the IIF said. "Higher oil prices combined with the economic recovery will support the banking sector by improving the liquidity situation and demand for private sector credit."

The forecast for Qatar's 2021 economic growth was unchanged from the previous poll at 2.8 percent, but edged up to 3.6 percent for next year from 3.5 percent. The 3.1 percent growth forecast for 2023 was up a full percentage point from the previous survey with a boost expected from its hosting of the FIFA World Cup in late 2022.



The economists revised down their expectations for Kuwait this year to 1.8 percent growth from 2.2 percent previously as it faces a possible liquidity crunch. However, the 3.5 percent growth seen next year is comfortably above the January forecast of 2.7 percent, with 2023 expectations at 2.9 percent versus 3 percent.

Oman's economy was expected to grow at 1.9 percent this year, 3.2 percent next year and 2.4 percent in 2023, compared to 2.1 percent, 2.7 percent and 2.5 percent in the previous poll.

Bahrain's economy was seen growing the most this year, at 2.9 percent compared with 2.5 percent in the last poll, with the pace expected to be maintained next year, in line with the previous forecast. Economic growth in 2023 was forecast at 2.7 percent, up from 2 percent previously.

Bitcoin Falls \$8,000 to Three Week Low

The biggest cryptocurrency by market value dropped from roughly \$60,000 to \$52,148 in 15 minutes during the Asian session, liquidating almost \$4 billion worth of positions in the derivatives market.

While the exact reason for the sudden crash is unknown, the market mood may have soured due to rumors that the U.S. Treasury is planning to charge several financial institutions for money laundering using cryptocurrencies. CoinDesk has been unable to independently verify any pending government action.

Other altcoins such as XRP (-21.51 percent), polkadot, litecoin (LTC, -18.36 percent), bitcoin cash (BCH, -21.07 percent) have 17 percent to 20 percent in the past 24 hours, while dogecoin (DOGE, +17.47 percent) is nursing a 6 loss, as per CoinDesk 20 data.

Payments-focused XRP and meme cryptocurrency dogecoin recently saw huge retail-led price rallies as Coinbase's hotly-anticipated listing on Nasdaq on April 14 created general euphoria around the sector. Bitcoin rallied above \$60,000 in the days leading up to Coinbase's listing and clocked a record high of \$64,801 on April 14.

MANAGEMENT VIEWS

Develop a Solutions-Oriented Culture for Your Team

When presented with new initiatives, some teams are really good at spotting potential problems. They readily ask tough questions and point out possible risks. But a team overly focused on finding problems, rather than solving them, can be detrimental to morale and productivity. So how do you change your team's culture to become more solutions oriented? Here are a few dos and don'ts:

Do:

- Practice what you preach. Role model the problem-solving behavior and attitude you would like to see in your team.
- Identify a trigger word to remind team members to focus on solutions. That way, when conversations veer off course, colleagues can help get it back on track.
- Reflect on how you can create an environment that allows for both creativity and critical thinking.

Don't:

- Ignore or discount resistance to an obstacle. Instead, explore possible solutions by asking questions.
- Go it alone. Invite a consultant or a member of a different department to attend a team meeting. They might spark new strands of conversation.
- Be stingy with compliments. Publicly acknowledging team members' creative thinking helps increase the sense that norms are shifting.

(This tip is adapted from *Is Your Team Solving Problems, or Just Identifying Them?*, by Rebecca Knight – HBR.)

To Get Promoted, Build Your Relationships

Have you ever been told that you are "just not ready" for a promotion, despite a successful track record? This type of feedback often means that you have spent too much time building your skills — and not enough time building relationships. If this rings true, ask yourself whether decision-makers know what is special about the way you work. Perhaps you are a strategic thinker, who can spot trends and connect seemingly unrelated pieces of information. Or maybe you are a clear communicator, saying what needs



to be said in a way that ensures everyone hears it and takes action. Once you have identified what you are good at, think about how you can share your skill more widely. For example, if you are good at presentations, offer to provide feedback on a colleague's dry run before their next big meeting. Or host a brown-bag conversation where you and your team members share tips on how to present to senior management. When the boss understands your special skills and sees how well you work with others, they will be more likely to bet on you the next time a promotion opportunity opens up.

(This tip is adapted from *Promotions Aren't Just About Your Skills – They're About Your Relationships*, by Amii Barnard-Bahn –HBR.)

Demonstrate Your Value in a Performance Review

Performance reviews can be nerve wracking, but they are important for ensuring your boss recognizes your value. Here are three tips for these anxiety-inducing conversations:

- **Highlight your achievements.** Remind your boss of your accomplishments and how they have contributed to the outcomes your company cares about. You might say something like: "I know one of our team's biggest priorities this quarter was to increase our social media following by 20 percent. The social media plan I developed is something I am really proud of because it helped us achieve that goal."
- **Demonstrate how you have helped your boss.** Remind them of times you have built upon their ideas, helped them execute their goals and brought your own ideas to the table that helped advance their cause.
- **Reemphasize your commitment to your organization.** State your excitement about contributing to the future of the team and improving upon the work you are already doing.

(This tip is adapted from *Do the Words 'Performance Review' Scare You?*, by Bret Sanner and Karoline Evans – HBR.)

Define the Right Constraints to Drive Innovation

What drives big, breakthrough innovations? Often it is constraints — limitations that force people to rethink the problem at hand and come up with a new means of addressing it. There are two ways to impose helpful constraints upon your team. First, present constraints around outcomes. This means defining what a good solution would accomplish for users, customers, or investors and working backwards to identify the process and workflow that will help you get there. Second, impose constraints around timeframes. Deadlines push people to focus and work faster, as long as the timeline does not trigger stress or other performance-killing reactions. The key is to set deadlines that are appropriate for the outcomes you have established. Being realistic is more important than being ambitious when it comes to timing. If you effectively marry constraints around outcomes and timeframes, you will give your team the best chance at coming up with a truly innovative solution.

(This tip is adapted from *Innovation Starts with Defining the Right Constraints*, by Fiona Murray and Elsbeth Johnson –HBR.)

"O people! Surely no one (even though he may be rich) can do without his kinsmen and their support by hands or tongues. They alone are his support from the rear and can ward off from him his troubles and they are the most kind to him when tribulations befall him. The good memory of a man that Allah retains among people is better than the property which others inherit from him."

HAZRAT ALI 

IBP TRAINING CALENDAR - APRIL 2021



**APRIL 26
MONDAY**

10AM - 2PM

Processing Effective Credit Proposal

FACILITATOR: M.A. Hijazi

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

ONLINE
TRAINING

**APRIL 27
TUESDAY**

10AM - 2PM

Marketing Strategies & Sale of Banking Products

FACILITATOR: Rabia Omar

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

ONLINE
TRAINING

**APRIL 28
WEDNESDAY**

10AM - 2PM

SME Financing and Credit Monitoring

FACILITATOR: Atif Ikram

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

ONLINE
TRAINING

**APRIL 28
WEDNESDAY**

10AM - 2PM

The Impact of Cloud Computing on Banking Sector

FACILITATOR: Imran Ashraf

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

ONLINE
TRAINING

**APRIL 29
THURSDAY**

10AM - 2PM

Risk Management in Islamic Banks

FACILITATOR: Asim Hameed

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

ONLINE
TRAINING