



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16 | ISSUE 09 | FEBRUARY 26, 2021

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

PAKISTAN TIDINGS

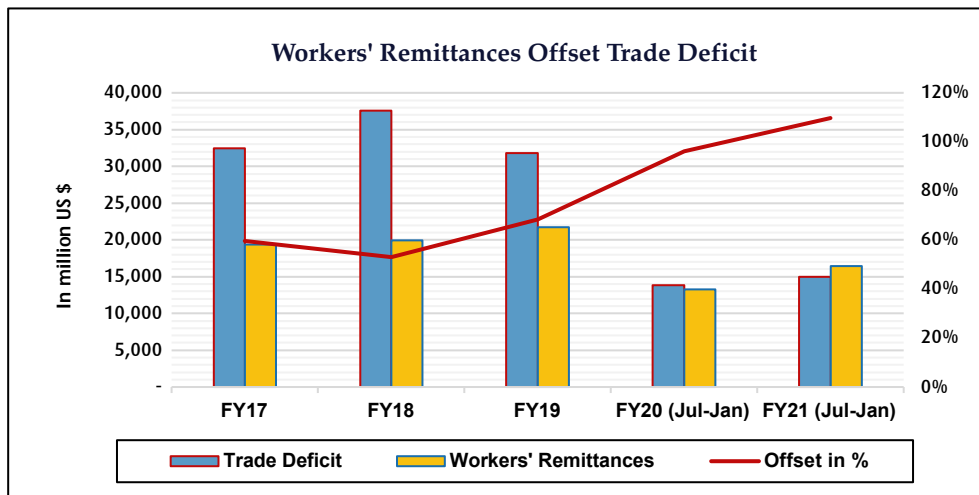
COVID-19: Impact of SBP's Measures as of February 11 - 22, 2021

			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	10.0
Loans Restructured	236.0	Loans Approved for Investment	398.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 percent

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

Workers' Remittances Happened to More than Offset the Trade Deficit

This has been experienced for the first time in recent past that workers' remittances accumulated during first seven months exceeded the trade deficit surfaced during the same period of the current fiscal year and ensued to more than offset the negative impact of trade deficit on balance of payments. It could only be possible because of the robust inflow of workers' remittances which persistently witnessed above US\$ 2.0 billion mark at every month since start of this fiscal year. Having risen by 24.1 percent during July-January FY21, the record growth in workers' remittances cannibalized the entire trade deficit which was 8.7 percent higher during July-January FY21 as compared to the corresponding period last year.



According to the provisional figures compiled by the Pakistan Bureau of Statistics, exports proceeds during July-January 2020-21 stood at US\$ 14,256 million while the import bill totalled to US\$ 29,274 million, leaving behind a trade gap of US\$ 15,018 million, considerably less than the workers' remittances totalled to US\$ 16,477 million during July-January 2020-21.

MARKETS AT A GLANCE

Rates taken till Friday, February 26, 2021

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.32	7.57
ENDING	7.40	7.65
CHANGE	0.08	0.08

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 222.50	PKR 192.96	PKR 159.10
ENDING	PKR 220.49	PKR 192.10	PKR 158.10
CHANGE	-2.01	-0.86	-1.0

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	46,227
ENDING	45,865
CHANGE	-362

GOLD RATE

(10 GM, 24K)

STARTING	PKR 94,287
ENDING	PKR 94,008
CHANGE	-279



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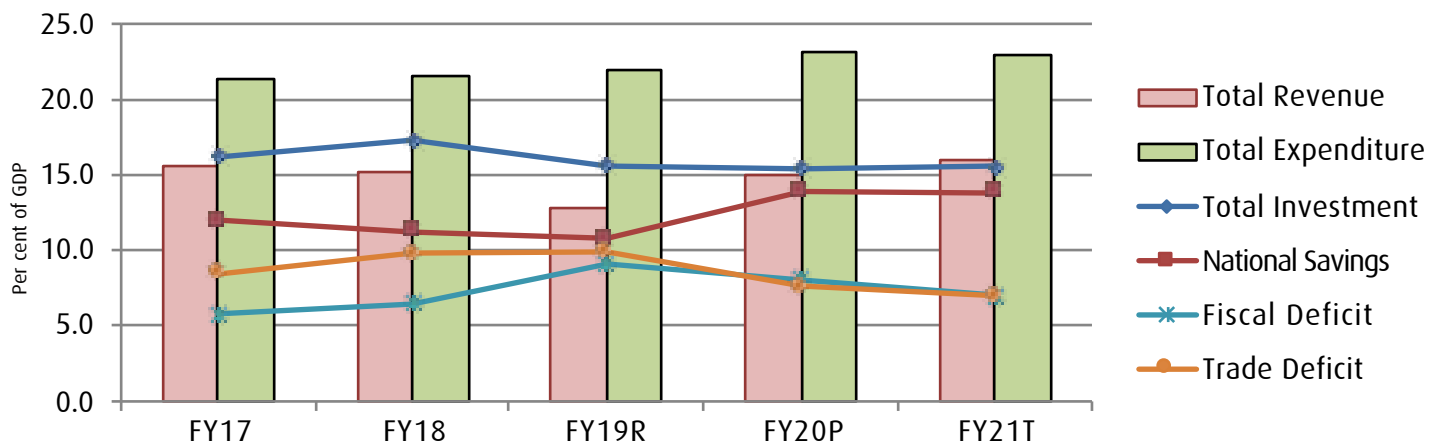
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Pakistan's Major Economic Indicators

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	DEC 2020	JAN 2021
General	4.8	4.7	6.8	10.7	8.0	5.7
Food (Urban)	4.3	3.8	4.6	13.6	12.6	7.3
Non-Food (Urban)	5.1	5.8	8.5	8.3	3.8	3.7

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	February 5, 2021	February 21, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,482.5	6,546.6

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



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**Updated figures not available.*

Banking Briefs – All Scheduled Banks

	(Rs. in billion)*			% age change over	
	12-Feb-21	5-Feb-21	14-Feb-20	Previous Week	Corresponding Week
Investments	11,579.9	11,426.8	8,512.1	1.34	36.04
Gross Advances	8,451.4	8,461.2	8,141.9	-0.12	3.80
Borrowings	3,487.0	3,241.6	2,610.1	7.57	33.60
Deposits and other accounts	16,845.9	16,873.2	14,465.9	-0.16	16.45

Global Policy Makers and Practitioners Laud SBP's Effort to Advance Women's Financial Inclusion through Banking on Equality Policy

In December 2020, State Bank of Pakistan launched its consultation process with different national and international stakeholders on its Banking on Equality Policy. A draft of the policy is available at <https://www.sbp.org.pk/events/2021/BankingonEquality/Draft-Policy.pdf>.

The forthcoming Banking on Equality Policy will introduce a gender lens within the financial sector through identified pillars and set of specific measures to bring a shift towards women friendly business practices. Several focus group discussions have been held with a wide range of domestic stakeholders. The World Bank hosted a webinar titled 'Consultative Dialogue on SBP's Banking on Equality Policy' on February 23, 2021 to learn from global leaders regarding gender responsive policies and their experience on gender financial inclusion in the context of a developing country such as Pakistan. The webinar was hosted live on SBP's Facebook and World Bank Pakistan Facebook pages and viewed widely.

During the webinar, Governor SBP, Dr. Reza Baqir, moderated a panel discussion with international participants including, Ms. Caren Grown, Global Director Gender, World Bank; Ms. Mary Ellen Iskenderian, President & CEO, Women's World Banking; and Ms. Parwati Surjaudaja, President Director, Bank OCBC NISP, Indonesia. The discussion allowed renowned experts in this field to share their experiences of gender mainstreaming and aided the consultative phase of SBP's Gender policy.

Governor Reza Baqir said that the strategies for achieving financial inclusion have an implicit assumption of utilizing each citizen, both men and women, as a driving agent to achieve national development goals. However, women are disproportionately excluded from accessing resources and opportunities and targeted measures are needed. He added that it was very pleasing that the SBP team had taken this initiative which identifies practical steps to address this gap through a gender intentional approach in the financial sector. During the discussion, Ms. Grown highlighted that gender neutrality in practice becomes an unconscious gender bias due to which women are ignored; therefore, a gender lens should be applied to financial products and services. Further, Ms. Surjaudaja shared the work that her bank in Indonesia is doing and what Pakistan can learn from Indonesia's success in improving financial inclusion as both countries have growing Islamic banking markets. Ms. Iskenderian shared the experience of women owned businesses have made a demonstrated change in her experiences especially in Pakistan's retail sector. The webinar featured remarks by Vice President for the South Asia Region, World Bank, Mr. Hartwig Schafer, and Vice President for Asia and Pacific, IFC, Mr. Alfonso Garcia Mora appreciating SBP's efforts for improving gender financial inclusion in Pakistan.

Prime Minister Pays Tribute to Overseas Pakistanis for Their Confidence in Roshan Digital Account

The Honorable Prime Minister of Pakistan Mr. Imran Khan thanked Overseas Pakistanis for their overwhelming response to the State Bank's Roshan Digital Account (RDA) initiative. He was speaking at a ceremony at the Prime Minister House on February 18, 2021, held to mark the



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significant milestone of remittances through RDA crossing \$500 million in just five months. The event was arranged by SBP to pay tribute to Overseas Pakistanis for their trust in RDA and to appreciate the banks that have partnered with SBP to make the product available.

The Prime Minister was the chief guest. The event was attended online by Overseas Pakistani RDA holders and physically by Federal Ministers, Advisors to the PM, Heads of various institutions, Presidents of Banks and other dignitaries. Addressing the audience, the Prime Minister said that he was extremely pleased to see RDA emerge strongly as an attractive financial product for Overseas Pakistanis in such a short span of time. He said that he has always valued our diaspora as an asset for the country and had a long-standing desire to better integrate them with the Pakistani economy and financial system. Roshan digital account has finally provided this opportunity. He was very happy to note that RDA is helping overseas Pakistanis to not only carry out financial transactions for their families in Pakistan but also to invest their savings in their homeland through different attractive opportunities, including Naya Pakistan Certificates (NPCs), the stock market and property.

The Prime Minister appreciated Governor SBP, Dr. Reza Baqir and his team for helping to build this permanent connection between Overseas Pakistanis and their homeland. He also congratulated the Presidents of the participating banks for making RDA a priority, and encouraged them to take full advantage of this new market by innovating further, including by providing more products to meet the demands of the Pakistani diaspora, such as automobile and housing loans. He emphasized that banks need to redouble their marketing and promotion efforts to create further awareness about RDA among Overseas Pakistanis, including through electronic media.

In his welcome address, Governor SBP, Dr. Reza Baqir, from the outset thanked the Prime Minister for his vision of connecting the Pakistani diaspora through financial services and providing his continuous personal guidance to make RDA a success. He also thanked the Ministries of Finance, Foreign Affairs and Overseas Pakistanis and Human Resources, the Federal Board of Revenue, and

Senator Faisal Javed that helped SBP in executing RDA. He took the opportunity to appreciate the participating banks for their continuous efforts to reach out to potential customers and improve the quality of their services. Most of all, Governor Baqir paid tribute to the Overseas Pakistanis who have opened accounts from 97 countries and thanked those who joined the event online from different parts of the world. He said that crossing the significant milestone of \$500 million in remittances through RDA in just five months is an exciting achievement for SBP. The RDA is available for both Conventional and Islamic Banking customers around the world. Further detail is available at: <https://www.sbp.org.pk/RDA/index.html>

"There is nothing swallowed with a greater reward from Allah than a servant who swallows his rage, seeking thereby the countenance of Allah."

THE PROPHET MUHAMMAD



SBP Makes Digital and Card Transactions More Secure and Easier

In consultation with the industry and other stakeholders, State Bank of Pakistan has been taking constructive steps to promote digital payments and make them more secure, introducing new features and promoting their use. Now the consumers will only have Europay MasterCard Visa (EMV) Chip and PIN compliant payment cards, which will be active right from the day issued to them for payments and online e-commerce services. They will be able to make payments up to Rs. 3,000 by just tapping the card on POS machines and no PIN will be required. Consumers will also be able to make loan repayments through cards. They will be able to lodge complaints through digital channels without the need to visit a bank branch. SBP has directed the banks to implement all these measures by June 30, 2021. To eliminate the risk of skimming of payment cards by fraudsters, SBP has directed that ATM and POS networks in Pakistan shall only accept EMV Chip and PIN compliant payment cards in the country. The measure, aimed at further strengthening the security



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of digital payments and curtailing the risk of frauds, is a culmination of SBP's efforts that started in 2016 outlining a detailed roadmap for adoption of EMV Chip and PIN standard for payment cards in Pakistan.

Banks have also been directed to step-up their efforts to facilitate customers in case they face any issue while using their payment cards. SBP has allowed those banks who have already implemented 3-D Secure (an international standard that secures online e-commerce transactions) can now activate their customers' payment cards for online e-commerce transactions without the need of specific requests for activation. Earlier in 2019, SBP had directed banks to implement 3-D Secure protocol to prevent frauds in online transaction and as a result, 15 banks had already adopted this international standard for securing online transactions.

The new measure is expected to promote online e-commerce ecosystem and shape consumer behavior towards online e-commerce digital payments in the country. To make it easier and quicker to make small payments, SBP has allowed banks to relax the requirement of entering PINs for transactions up to PKR. 3,000. Banks, depending on their risk management policies, may decide on the amount, which may be exempted from PIN requirement on card transactions including contactless payments. However, SBP has directed banks to ensure that customers are adequately protected from undue liability arising out of misuse of this facility. With this measure, SBP hopes to see wider adoption of card-based payment acceptance by merchants who may be reluctant to do so because of longer processing times. Taking notice of consumer complaints regarding delays in receiving refunds after resolution of disputes, SBP has directed all banks to immediately credit customer accounts once they receive fund from either merchants or acquiring banks. The regulator has also directed banks to facilitate their customers in registering their complaints and disputes using mobile apps and internet banking portals without the need for physically visiting branches. Enhancing the drive towards digitization of payments, SBP has also directed all banks/microfinance banks to take measures to facilitate their borrowers in making repayments of loans such as consumer loans, auto loans etc. digitally using internet and mobile banking applications of any bank.

IBP signs a Strategic MOU with Center for Islamic Economics (CIE) for Collaboration in Critical Areas of Academics, Research and Training

In a collaborative initiative to increase mainstream understanding among the students of Islamic seminaries and disseminate Islamic knowledge among general students, The Institute of Bankers Pakistan and Center for Islamic Economics, a division of Darul Uloom signed an MOU on February 24, 2021. This vital pact aimed at the active collaboration of both the prestigious organizations in research domains and academic programs specifically Islamic Banking & Finance. This action-oriented agreement was inked by Dr. Muhammad Imran Ashraf Usmani, Executive Director-CIE; Mufti Yahya Asim, Advisor-CIE; Mr. Faisal Hussain, Director-IBP Research & Development; and Mr Arsalan Aftab, Director-IBP Academics and Examinations.

This MoU would most certainly result in the joint promotion of Islamic education synthesized with an advanced skill set in diverse disciplines plus domains of functionality. The key mutually agreed upon points comprised the establishment of CIE offering collaborative certificate/diploma/post-graduate diploma in Islamic Banking & Finance. These renowned institutions would organize joint conferences and seminars on Islamic banking, establish higher-level programs, explore joint online/distance learning programs and publish the Islamic Leadership magazine.

Dr. Imran Ashraf Usmani, Director CIE welcomed this strategic alliance between both the well-established institutions which offered limitless opportunities for research, training and development in the field of Islamic Banking and Finance nationally and internationally. This was indeed a groundbreaking pact that would create a diverse impact in the progressive field worldwide. The Center for Islamic Economics (CIE) was established in 1992 under the chairmanship of Justice (R) Mufti Muhammad Taqi Usmani with the mission to develop a team of Shariah-oriented bankers and Islamic professionals to work as change agents in strengthening the ongoing efforts of transforming the interest based financial system into an interest-free Islamic financial sector. CIE has elicited the interest of a large number of entrepreneurs from trade and industry and executives from within the financial sector for related Islamic business management principles and practices.



INTERNATIONAL SCENARIO

Strong Demand, State Support to Drive Islamic Finance Growth

Islamic finance, which has been forecast to reach \$3.69 trillion by 2024 globally in terms of assets, will continue to expand on multiple fronts on the back of supportive government policies, strong product demand and deeper market penetration despite pandemic challenges.

All the three pillars of Islamic finance — Islamic banking, Sukuk and Takaful — are on track to sustain the growth trends with their penetration getting stronger across all key markets, in particular, the GCC.

Moody's Investors Service said in a newly published report that mergers between Islamic and conventional banks in the GCC could also drive one-off increases in assets. Saudi Arabia will remain the world's largest Islamic banking market, while the sector will continue to expand in Malaysia. Oman and Turkey will also continue to grow rapidly in Islamic banking.

"We expect Islamic finance to continue rising in 2021 and beyond, maintaining its now long-established growth trend. The industry generally remains underrepresented in countries with large Muslim populations, providing ample room to expand," said Ashraf Madani, a Moody's vice president and senior analyst.

Penetration in the core Islamic financial markets of the GCC, Malaysia, Indonesia and Turkey rose to 32.8 percent in September 2020, from 31.4 percent in 2019 and 25.5 percent in 2013, said the rating agency. "We forecast global Sukuk issuance will stabilize in 2021 to around \$190 billion-\$200 billion, following record issuance of nearly \$205 billion in 2020," said Madani.

According to the Islamic Finance Development Report 2020, global Islamic finance assets increased in value by 14 percent year-on-year to \$2.88 trillion in 2019, the highest recorded growth for the industry since the global financial crisis.

The Islamic finance assets of the GCC reached \$1.2 trillion last year, followed by the Middle East and North Africa, excluding the GCC, which was valued at \$755 billion, and Southeast Asia at \$685 billion, the report said.

Meanwhile, growth in global Islamic funds under management will continue at a likely annual rate of 4-5 percent in 2021-2022, boosted by the growth of Shariah capital markets and resilient demand for Shariah-compliant investments.

"Show forbearance in the moment of rage and pardon in spite of authority; the eventual end will then be in your favor."

HAZRAT ALI



60 Pakistani Firms Take Part in Gulfood 2021

While speaking at the inauguration of Pakistan Pavilion of Gulfood 2021, Ahmed Amjad Ali, Consul General of Pakistan in Dubai, said after almost a year of COVID-19 pandemic, opening of Gulf food 2021 is a good news for world trade in general and food industry in particular. "It is indeed a commendable step of UAE Government that will give boost to world economies after a year of slow down," he said.

The consul-general said that Pakistan is participating in this event with more than 60 companies and wide variety of products in food and beverages sector. "Keeping in view COVID-19 situation, this participation is encouraging," he added. Talking about trade with UAE in food sector, Ali said that Pakistani food companies are already doing good business with UAE as this sector contributes almost 20 percent of Pakistan's export to UAE. "This event will further enhance bilateral trade between two countries and also provide a platform to connect with buyers from other countries," he added.



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MANAGEMENT VIEWS

Ensure You Are Paying Employees Fairly

As a leader, one of the most important questions you can, and should, ask yourself is: "Am I paying my employees fairly?" To answer this question, you may need to conduct a pay equity audit (PEA). This means comparing the pay of employees doing "like for like" work (accounting for reasonable differentials, such as work experience, credentials and job performance), and investigating the causes of any pay differences that cannot be justified. If your organization is small (50+ employees), you may delegate this audit to HR. Or, if your organization is large (500+ employees), it may be a better practice to hire a consulting firm that specializes in pay and rewards. According to a 2019 study, most companies find that up to 5 percent of employees are eligible for an increase. Addressing pay inequity in your organization is not just a moral imperative; it is crucial for your competitiveness, shareholder expectations and legal compliance.

(This tip is adapted from *How to Identify — and Fix — Pay Inequality at Your Company*, by Amii Barnard-Bahn – HBR.)

Avoid Serving a 'Feedback Sandwich'

As a manager, you have likely delivered a 'feedback sandwich': two pieces of positive reinforcement wrapped around a thick slice of criticism. While this approach may feel like you are softening the blow, it rarely achieves the goal of helping someone improve. Instead, start by describing the behavior you want to correct. For example, rather than saying, "You were really rude in that meeting," you could say something like, "I noticed you interrupted the client twice in that meeting." Then explain the impact of the behavior so the employee knows what is at stake. Avoid self-serving statements like "You really made me look bad in there," and focus instead on them: "You missed an opportunity to learn more about your client." Finally lay out what you would like them to do instead. Be specific: "Next time, if a thought comes up while the client is speaking, jot it down and wait until they finish before jumping in." This kind of feedback is respectful, clear and actionable and will boost your chances of actually pushing your employee to learn and grow.

(This tip is adapted from *Stop Softening Tough Feedback*, by Dane Jensen and Peggy Baumgartner. – HBR.)

Regain Your Sense of Self After Losing a Job

Research shows that having a strong work identity can be tied to your well-being. But losing your job can feel particularly destabilizing when your identity is intertwined with your career. Here are several ways to start the process of regaining — and even redefining — your sense of self:

Reach out to family and friends. Conversations with people who know and love you can remind you of your identity outside of your professional life.

Test your perspective. If you are feeling stuck after losing a job you love, it may be because you are seeing your value through a singular and fixed lens. Ask two mentors or colleagues you respect what they value about you. Chances are, their answers will not have anything to do with work.

Envision your future self. Your situation is not static and neither is your identity. The more you plan and set goals for your future self, the more your behavior will shift from reactive toward proactive.

Get the support you need. A trained coach or therapist can help you examine, learn from and move past this experience — and toward future success.

(This tip is adapted from *When You Lose Your Job — and It's Your Whole Identity*, by Rebecca Zucker – HBR.)

SNIPS

The Wave of AI

Companies around the world are expected to spend \$97.9 billion on artificial intelligence by the end of 2023, states research by Massachusetts Institute of Technology Sloan School of Management.

All-time High Debt

The global debt hit a record level of \$281 trillion by the end of 2020, or more than 355 percent of global GDP and there is even more borrowing up ahead, states Bloomberg Business.

Editor: Muhammad Mazherul Haq | **Deputy Editor:** Shahla Naqvi | **Designed by:** S. Haris Jamshaid | **Email:** Publications@ibp.org.pk
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General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.

DONATE FOR THE PRIME MINISTER'S COVID-19 PANDEMIC RELIEF FUND

IBP TRAINING CALENDAR - MARCH 2021



**03 MARCH
WEDNESDAY**

9AM - 1PM

New Development in Banking Conduct

FACILITATOR: Sundus Saleem

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

ONLINE
TRAINING

**06 MARCH
SATURDAY**

2PM - 6PM

Fraud Risk Management & Internal Control

FACILITATOR: Kamran Hyder

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

ONLINE
TRAINING

**09 MARCH
TUESDAY**

9AM - 1PM

Financing Secured Small Business Appraised on New Techniques

FACILITATOR: M.A. Hijazi

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

ONLINE
TRAINING

**11 MARCH
THURSDAY**

2PM - 6PM

Agriculture Financing: Risks and Opportunities

FACILITATOR: Kamran Akram Bakhshi

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

ONLINE
TRAINING