



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 13

MARCH 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 March 11-19, 2021

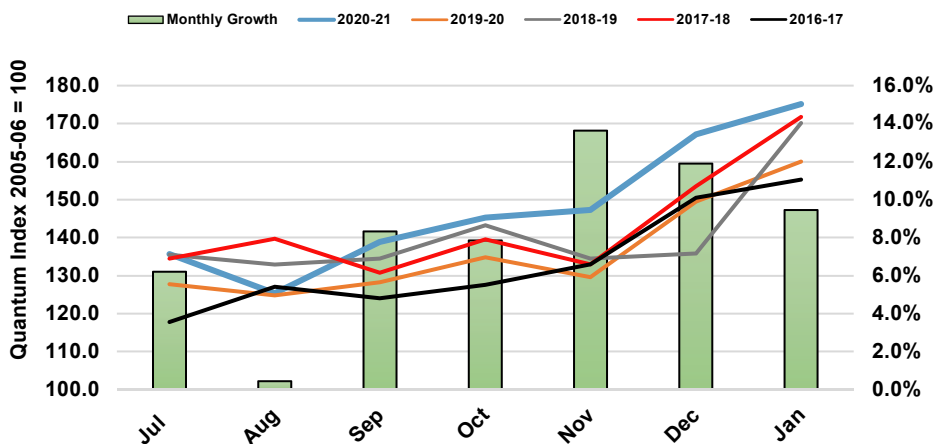
	(Rs. in billion)		
Loans Deferred	657.0	Loans Approved for Hospitals	10.0
Loans Restructured	246.0	Loans Approved for Investment	537.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 percent

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

Large Scale Manufacturing Industries Witnessed Broad-based Growth during July-January FY21

Good news continues to emerge from the growth in Large Scale Manufacturing Industries (LSMI) where a broad-based growth has been seen during July-January FY21. The LSMI registered more than 6 percent growth every month over the production recorded during the corresponding months of the previous year, except for August 2020 where the growth was seen at 0.4 percent. The overall output of LSMI increased by 7.9 percent for July-January FY21 compared to July-January FY20. During first seven months of current fiscal year, industries with 83.3 percent weight in overall LSMI showed positive growth while the remaining industries with 16.7 percent weight registered negative growth when compared with the production realized during the same period previous year.

Emerging Growth Trends in LSMI



The production in July-January FY21 as compared to July-January FY20 has increased in Textile, Food, Beverages & Tobacco, Coke & Petroleum Products, Pharmaceuticals, Chemicals, Non Metallic Mineral Products, Automobiles and Fertilizers while it decreased in Electronics, Leather Products and Engineering Products.

MARKETS AT A GLANCE

Rates taken till Friday, March 26, 2021

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.59	7.84
ENDING	7.62	7.87
CHANGE	+0.03	+0.03

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 217.48	PKR 185.89	PKR 155.97
ENDING	PKR 212.96	PKR 182.09	PKR 154.59
CHANGE	-4.52	-3.8	-1.38

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	44,901
ENDING	45,521
CHANGE	+620

GOLD RATE

(10 GM, 24K)

STARTING	PKR 91,220
ENDING	PKR 91,607
CHANGE	+387



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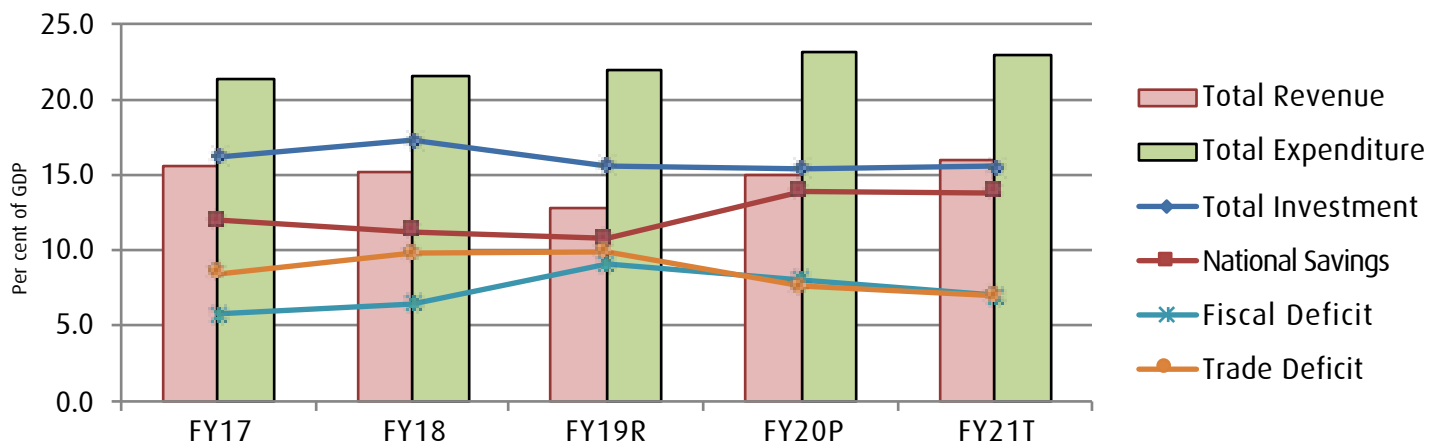
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Pakistan's Major Economic Indicators

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	JAN 2021	FEB 2021
General	4.8	4.7	6.8	10.7	5.7	8.7
Food (Urban)	4.3	3.8	4.6	13.6	7.3	10.3
Non-Food (Urban)	5.1	5.8	8.5	8.3	3.7	7.6

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	March 05, 2021	March 12, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,594.3	6,634.3

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	
	12-Mar-21	5-Mar-21	13-Mar-20	Previous Week	Corresponding Week
Investments	11,927.0	11,644.7	9,247.1	2.42	28.98
Gross Advances	8,480.5	8,495.8	8,188.4	-0.18	3.57
Borrowings	3,424.3	3,301.4	3,086.9	3.72	10.93
Deposits and other accounts	17,193.9	16,995.8	14,760.8	1.17	16.48

Monetary Policy Committee Maintains the Policy Rate at 7 percent

At its meeting held on March 19, 2021, the Monetary Policy Committee (MPC) decided to maintain the policy rate at 7 percent. The MPC noted that since the last meeting in January, growth and employment have continued to recover and business sentiment has further improved. While still modest, at around 3 percent, growth in FY21 is now projected to be higher than previously anticipated due to improved prospects for manufacturing and reflecting in part the monetary and fiscal stimulus provided during COVID. Recent inflation out-turns have been volatile, with the lowest reading on headline inflation in more than two years in January 2021 followed by a sharp rise in February.

According to SBP estimates, the recent increase in electricity tariffs and sugar and wheat prices accounts for about 1½ percentage points of the 3 percentage point increase in inflation between the January and February out-turns. The recent increase in electricity prices will continue to manifest in headline numbers in coming months, keeping average inflation in FY21 close to the upper end of the previously announced range of 7-9 percent.

IMF Approves US \$ 500 Million Loan Disbursement for Pakistan to Help Economy

The International Monetary Fund (IMF) has approved a half-billion disbursement for Pakistan to help the country's economy and save lives and livelihoods amid the COVID-19 pandemic. The Executive Board of the IMF on March 24, 2021 completed the second through fifth reviews of the

Extended Arrangement under the Extended Fund Facility (EFF) for Pakistan.

The Board's decision allows for an immediate disbursement of SDR 350 million (about USD 500 million), bringing total purchases for budget support under the arrangement to about USD 2 billion, the IMF said in a statement.

"The program aims to support Pakistan's policies to help the economy and save lives and livelihoods amid the still unfolding COVID-19 pandemic, ensure macroeconomic and debt sustainability, and advance structural reforms to lay the foundations for strong, job-rich, and long-lasting growth that benefits all Pakistanis," the Fund said.

Antoinette Sayeh, Deputy Managing Director and Acting Chair, IMF said further efforts to remove structural impediments will strengthen economic productivity, confidence, and private sector investment. "These include measures to bolster the governance, transparency, and efficiency of the vast SOE sector; boost the business environment and job creation; and foster governance and strengthen the effectiveness of anti-corruption institutions. Also, completing the much-advanced action plan on AML/CFT is essential."

Highest Growth Witnessed in Islamic Banking Assets and Deposits Since 2015

The overall assets and deposits of the Islamic banking industry have shown tremendous growth of 30 percent and 27.8 percent, respectively, during CY2020. This is the



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highest increase in assets in a year since 2012 and in deposits since 2015. Over the last five years, both assets and deposits of the Islamic Banking Industry have more than doubled. State Bank of Pakistan (SBP) has reported this on March 21 in its quarterly report - Islamic Banking Bulletin for the quarter ending December 31, 2020.

This growth in assets and deposits of the Islamic banking industry is encouraging, particularly due the fact that the industry was also faced with the COVID-19 pandemic challenges during 2020. SBP has been playing a pivotal role in the promotion and development of Islamic banking in the country. Due to continuous efforts of SBP and relevant stakeholders, the Islamic banking industry has been growing consistently over the years and this is reflected in the sizeable market share it has acquired in the overall banking industry.

The assets of Islamic banking industry increased to Rs. 4,269 billion, whereas deposits reached Rs. 3,389 billion by end December, 2020 that are 17.0 percent in assets and 18.3 percent in deposits of the overall banking industry. Financing of the Islamic banking industry has also grown by 16 percent during CY20. Further, nonperforming finances (NPFs) to financing (gross) ratio has declined from 4.3 percent, as of end December 2019, to 3.2 percent as of end December 2020. SBP is amongst the few regulators who have introduced a comprehensive legal, regulatory and Shariah governance framework for Islamic banking industry in the country.

During the last few years, significant efforts have been made by SBP for growth of Islamic banking in the country. Some of the major steps include strengthening of the Shariah governance framework, ensuring availability of Shariah compliant refinance facilities, detailed guidelines to facilitate the industry during COVID-19 for rescheduling/restructuring of financing facilities according to Shariah principles, standardization of Islamic banking practices in line with best international practices, issuance of instructions for enhancing the scope of Islamic banking windows operations and issuance of guidelines for conversion of a conventional bank into an Islamic bank.

SBP has also played a key role in the development of the

Shariah structure for Naya Pakistan Certificate, i.e. Islamic Naya Pakistan Certificate (INPC). INPCs are available through the Roshan Digital Account for investment to the overseas Pakistanis and those resident Pakistanis who have declared assets abroad. Moreover, extensive efforts have also been made in close collaboration and coordination with the stakeholders for capacity building and awareness creation about Islamic banking across the country. In this respect, SBP's key initiative for establishment of three centers of excellence in Islamic finance education at well renowned business schools i.e. IBA Karachi, LUMS Lahore and IMS Sciences in Peshawar was a timely decision and these centers are now contributing not only on the research and awareness related areas but simultaneously helping the industry in provision of the Islamic banking experts.

In recognition of its efforts for development of Islamic banking industry, SBP has been voted as the best central bank in promoting Islamic finance for 2020 by a poll conducted by Islamic Finance News (IFN), REDmoney Group Malaysia. SBP has also won this award in 2015, 2017 and 2018. Moreover, Global Islamic Finance Award (GIFA) has also bestowed the "Best Central Bank of the Year 2020" award to SBP in 2020. The bulletin is accessible at <https://www.sbp.org.pk/ibd/bulletin/2020/Dec.pdf>

SBP Reforms Regulations to Facilitate Banks/DFIs Investment in REITs to Boost Housing and Construction Sector

In line with Government of Pakistan's initiative for the development of housing and construction sector, the State Bank of Pakistan (SBP) has been taking various regulatory steps to enhance banks/DFIs participation through their financing in the development of these sectors. In order to boost activities in these sectors further, the SBP has now made changes to certain provisions of existing Prudential Regulations for Corporate & Commercial Banking to encourage enhanced participation and investment of banks/DFIs in the Real Estate Investment Trusts (REITs). REITs are asset management companies that own or finance income-producing real estate across a range of property sectors. These asset management companies raise funding from general public and institutions by floating various kinds of funds. REITs deploy funds by



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investing in real estate properties, thereby enhancing the investment in housing and construction sector to contribute in economic growth and development. The units of listed REITs, are tradable on stock exchanges and offer a number of benefits to investors.

The changes in SBP regulations would enable banks/DFIs to make higher investments in REITs to the tune of 15 percent of their equity as against existing limit of 10 percent of equity. This move will not only bring more capital towards REITs but would also enable banks/DFIs to diversify their investments. In addition, SBP has also relaxed restriction, in existing regulations, on seeking financing against shares of listed group companies. It will enable investors in raising liquidity for further investment in new business opportunities and ventures leading to greater economic activity. The change in regulation would also benefit the capital market by encouraging sponsors of companies to consider listing on the stock exchanges. This will promote documentation of the economy, transparency and good corporate governance practices as well.

signals Hilton's highly anticipated re-entry to the Pakistan market. "We are doing so as part of a groundbreaking development in the country's capital and one which will offer unparalleled convenience for travellers to the New Islamabad International Airport, which is ultimately expected to handle around 25 million passengers on an annual basis."

Featuring 167 guest rooms, including 10 suites, the property will form part of a residential and commercial development. It will sit alongside several newly built residential apartments, in a suburban complex containing healthcare, education and recreational facilities as well as a number of commercial outlets. Guests will be able to enjoy four restaurants, including a rooftop pool café, as well as on-site fitness facilities.

The hotel will be located to the west of Islamabad's city center on the Srinagar Highway, which connects the city with New Islamabad International Airport. Just 4 km from the airport terminal, it will become the most convenient option for travellers looking for high-end accommodation and meeting facilities in close proximity to the airport. It will be equipped with three state of the art meeting rooms and a 518 sq. m ballroom suitable for weddings and large events.

DoubleTree by Hilton has global portfolio of more than 600 upscale hotels across 48 countries, including destinations such as Dubai, Riyadh and Istanbul.

"The five (daily) prayers and one Friday prayer to (the next) Friday prayer are expiations (for the sins committed in the intervals) between them."

THE PROPHET MUHAMMAD ﷺ

Hilton Set for Return to Pakistan with DoubleTree by Hilton Islamabad

Hilton has announced that it will be making its return into the Pakistan market, with an agreement with Dhabi Hospitality that will see the launch of the DoubleTree by Hilton brand in Islamabad in 2025.

Carlos Khneisser, VP of development for the Middle East and Africa at Hilton, said that the landmark agreement



INTERNATIONAL SCENARIO

China, Sri Lanka Sign \$1.5 billion Currency Swap Deal

Sri Lanka and China have signed a \$1.5 billion currency swap deal, the island nation's central bank has said, as it struggles with a major foreign exchange crisis and debt repayments. Colombo had been negotiating for months to secure credit from China — its largest single source of imports — as the island's foreign reserves plummet amid the pandemic.

Chinese influence in the South Asian nation has been growing in recent years, through loans and projects under its vast Belt and Road infrastructure initiative, raising concerns among regional powers and Western nations.

The Central Bank of Sri Lanka said the three-year swap arrangement for 10 billion yuan with the People's Bank of China was "with a view to promoting bilateral trade and direct investment for economic development of the two countries". Officials said talks were also under way to secure another \$700 million from the China Development Bank.

Sri Lanka's economy was already reeling from the deadly 2019 Easter bombings, with the coronavirus epidemic and lockdowns further weighing on growth. The economy contracted by a record 3.9 percent last year. Foreign reserves fell to \$4.5 billion in February from \$8.0 billion a year ago, despite Sri Lanka banning the import of luxury goods and vehicles as well as some food commodities. Under former president Mahinda Rajapaksa between 2005 and 2015, Colombo borrowed billions from China, accumulating a mountain of debt for expensive infrastructure projects.

Faster Global Growth will

Boost Asia Pacific's Economic Recovery

Asia Pacific's economic recovery from COVID-19 will be boosted by US stimulus and stronger global demand, S & P Global Ratings said on March 25, 2021. Vaccine rollout in the region may lag other parts of the world but there will be enough progress to lift consumer spending and domestic demand later in 2021, it said in a report

titled 'Economic Outlook Asia Pacific Q2 2021: Three-Speed Recovery Will Benefit From Faster Global Growth.' S & P Global Ratings revised upward its growth forecast for Asia Pacific to 7.3 percent for 2021 from 6.8 percent previously.

A faster-than-expected global vaccine rollout, a large dose of US stimulus and upside surprises in trade and manufacturing pushed its forecasts higher and offset recent weakness in household spending. "We also expect gradual vaccine coverage in the region to encourage a virtuous cycle of higher spending on services, more jobs and rising incomes to power the next leg of recovery," said Shaun Roache, Asia Pacific chief economist at S & P Global Ratings. While a three-speed recovery has emerged in Asia Pacific, S & P expects the laggards to gain momentum later in 2021. The leading group includes China, New Zealand, Taiwan and Vietnam where activity is already above pre-pandemic levels. The middle group includes Australia, Japan and South Korea where activity should reach pre-pandemic levels in early to mid-2021. India has joined this group following a sharp rebound in recent months. The lagging group consists mainly of emerging markets, including Indonesia, where uncontained spread of COVID and a slow vaccine rollout mean getting back to pre-COVID levels only in late 2021. "As the recovery matures, we expect the laggards — mainly emerging market economies — to start closing the growth gap with the leaders, including China," said Roache.

New £50 Note featuring Alan

Turing to Enter Circulation in June 2021

A new £50 note featuring Alan Turing, the scientist best known for his code-breaking work during the Second World War, has been unveiled by the Bank of England and will go into circulation on 23 June, the date of his birth. The note features a photo of Turing taken in 1951, three years before his death, plus his signature, ticker-tape depicting his birth date in binary code and a quote from an interview that he gave: "This is only a foretaste of what is to come, and only the shadow of what is going to be." The arrival of this latest polymer note means the Bank has completed its switch away from paper money. It will join the Churchill £5, the Austen £10 and the Turner £20, all produced in polymer, which is said to last longer and stay in better condition than paper.



Turing was probably best known for helping to crack the Enigma code during the Second World War and for pioneering the modern computer, so it is perhaps fitting that the Bank of England was keen to highlight the note's advanced security features, aimed at discouraging forgery and counterfeiting. The Bank said its polymer notes were the "most secure series of banknotes yet". Like the £20, the £50 incorporates two windows and a two-color foil, making it "very difficult" to counterfeit. There is also a hologram image that changes between the words "Fifty" and "Pounds" when the note is tilted from side to side.

It was announced in July 2019 that Turing had been chosen to appear on the new £50 note after a public consultation process designed to honor an eminent British scientist. The Bank received a total of 227,299 nominations covering 989 eligible characters, which were whittled down to a shortlist of 12, with the then Bank governor, Mark Carney, making the final decision.

The public will begin to see the new £50 in June as the notes enter general circulation. However, even before the pandemic, many people only rarely encountered a £50 note and the coronavirus crisis has triggered a slump in the use of cash, with some consumers reluctant to handle notes. This month Enryo, a firm of financial consultants, reported that the number of cash transactions in the UK had fallen by 53 percent in a year, from 7.2 billion in 2019 to 3.4 billion in 2020. Consumers can continue to use paper £50 notes as usual and the Bank said at least six months' notice would be given of the date when they would be withdrawn.

MANAGEMENT VIEWS

Should You Worry About Losing Your Job?

Everyone worries about things like failing, disappointing others, or getting fired or laid off. But this kind of worrying can be dangerous for you and your career. Here are some questions that will help you determine whether or not your fears are grounded in reality:

- ◇ What is the general financial state of your organization, industry and economy? If the financial state and outlook of your company or your country's economy is poor, your worries may be realistic. If the outlook is good, your job is probably safe.
- ◇ What is the general culture of your organization? If you have an open, feedback-oriented culture, it will be clear to you if your job is in jeopardy.
- ◇ How does your manager think and act? If they are giving you lots of negative feedback without guidance on how to improve, you should maybe worry — especially if your coworkers are not getting the same type of feedback.
- ◇ What are your own personal biases? If you are an optimist at heart and you still have a gut feeling that you may lose your job, this may be a realistic worry. But if you are a pessimist who always expects the worst, take your fears of getting let go with a grain of salt.

(This tip is adapted from *Are You Actually Going to Get Fired?*, by Tomas Chamorro-Premuzic – HBR.)

Create a Compassionate Email Culture

Email culture is broken. No matter how hard we try, it feels impossible to actually reach inbox zero. But to fix the problem you have to think outside of your own inbox. It may sound counterintuitive, but focusing on reducing your team's collective email traffic will help create a better culture for everyone. Here are three strategic habits that will help:

- ◇ **Consider BCC.** Use BCC for any email to two or more recipients that does not require them to communicate

"Whoever places himself as a leader of the people should commence with educating his own self before educating others, and his teaching should be by his own conduct before teaching by the tongue. The person who teaches and instructs his own self is more entitled to esteem than whoever teaches and instructs others."

HAZRAT ALI





directly. This reduces the possibility of an endless reply-all thread or conversations that veer off topic. If you need to discuss things as a group, consider a meeting instead.

- ◆ **Be conscientious about timing.** Do your best to make sure your emails are delivered during the work day. Off-hour correspondence unfairly distracts the recipient, who might reflexively feel the need to reply in the moment.
- ◆ **Use plug-ins.** Whether they are used for scheduling emails in advance, sending meeting invitations directly to your recipients' calendars, or simply 'liking' a message instead of sending a response, in-app or third-party plug-ins can help you reduce the number of messages you send each day.

(This tip is adapted from *What a Compassionate Email Culture Looks Like*, by Adaira Landry and Resa E. Lewis – HBR.)

Give a Great Presentation by Engaging Your Audience

Giving great presentations is an art. And while your content is important, it will not be memorable if your delivery falls flat. Here are three key principles to engage your audience and ensure they have a great experience.

- ◆ **Balance.** Walk the tightrope between structure and improvisation. Prepare in advance by thinking about what your audience needs to know and organize your content into sections by topic. But leave room to respond to their needs during your presentation, even if that means going off script for a while.
- ◆ **Generosity.** Your goal should be to offer your audience something new and valuable. Let this principle guide the content you choose to present. People should leave your presentation with an idea, information, or inspiration that they did not have before.
- ◆ **Humanity.** Rehearse to familiarize yourself with your content, but do not memorize it. Being too polished can actually be counterproductive – your audience wants to connect with a real human being. If you go blank for a moment, do not apologize or act flustered.

Just pause, take a breath, collect your thoughts and continue on.

(This tip is adapted from *Do You Have What It Takes to Give a Great Presentation?*, by Michael Foley – HBR.)

Practice Mindfulness During Remote Meetings

Remote work is taking its toll in the form of chronic stress and burnout. Cultivating mindfulness can help you maintain your energy, reduce your stress levels and reconnect with your teammates. It is all about establishing your virtual presence, and being present, even if you are remote. First, eliminate distractions and truly focus on the people you are speaking to in the moment. This means taking a minute to reflect on your physical and emotional state when entering a meeting: Are you thinking about the conversation you just had, looking ahead to your next meeting, or itching to look at your inbox? Others will notice if your attention is elsewhere – even through a Zoom. Then, foster connection and community by practicing deep listening and paying close attention to what people are saying and how they are saying it. Remote work does not have to be a barrier to your capacity to deliver leadership presence, empathize and connect with colleagues and build strong workplace communities.

(This tip is adapted from *Staying Mindful When You're Working Remotely*, by Alyson Meister and Amanda Sinclair – HBR.)

SNIPS

Obesity and COVID-19

Countries, where more than half of adults are overweight, have recorded COVID-19 mortality rates more than 10 times those in other nations, according to a report by the World Obesity Federation.

Managing the World's Assets

About \$3 trillion in assets are managed in Singapore, with more than 76 percent of the total coming from overseas, says Bloomberg Businessweek.

IBP TRAINING CALENDAR - MARCH 2021



**27 MARCH
SATURDAY**

9AM - 1PM

National Payment System Strategy

FACILITATOR: Syed Muhammad Taha

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

**ONLINE
TRAINING**

**30 MARCH
TUESDAY**

9AM - 1PM

Branch Banking Operations-Tools & Techniques

FACILITATOR: Faisal Anwar

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

**ONLINE
TRAINING**