



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 22

MAY 28, 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 16 – 17 May, 2021

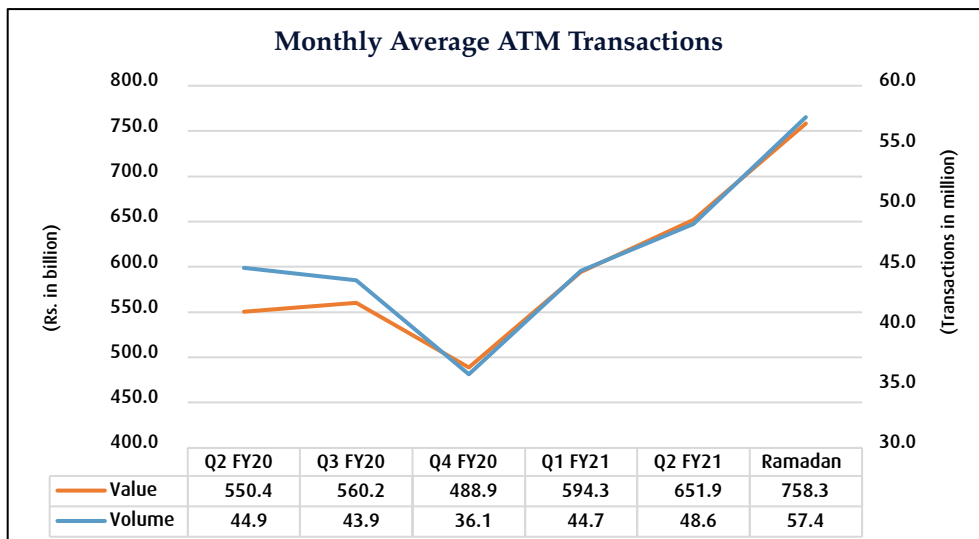
(Rs. in billion)			
Loans Deferred	657.0	Loans Approved for Hospitals	12.4
Loans Restructured	253.6	Loans Approved for Investment	436.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 Percent

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

Record High ATM Transactions Witnessed During Ramadan 1442 AH

The steps taken by State Bank of Pakistan (SBP) in collaboration with commercial banks proved successful in ensuring maximum availability of ATM related services to the customers during Ramadan and long Eid holidays. The joint efforts of SBP and commercial banks saw an average of 96.5 percent uptime recorded in ATM services which further improved to 98 percent during the Eid-ul-Fitr holidays. SBP initiated a Special ATM Monitoring exercise during the holy month of Ramadan and on long Eid-ul-Fitr holidays keeping in view the high demand for cash. In this regard a dedicated team within SBP was formed to oversee the nationwide ATM Operations of all banks through both on-site and off-site inspections and monitoring.

Consequently, a record high amount of Rs. 827.2 billion was withdrawn through 63.2 million transactions during Ramadan and Eid holidays, whereas Rs.137.8 billion were withdrawn through 11.6 million transactions during Eid holidays only. The rate of growth which started to accelerate during Q1 FY21 continued during the next quarter as well and it gained further momentum during the Holy month of Ramadan. During this period, the average size of transactions interestingly remained almost unchanged at around Rs. 13,370/- per transaction.



MARKETS AT A GLANCE

Rates taken till Friday, May 28, 2021

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.45	7.70
ENDING	7.47	7.72
CHANGE	+0.02	+0.02

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 217.47	PKR 187.35	PKR 153.36
ENDING	PKR 219.24	PKR 188.32	PKR 154.43
CHANGE	+1.77	+0.97	+1.07

PAKISTAN STOCK EXCHANGE

100 Index	
STARTING	45,914
ENDING	47,126
CHANGE	+1212

GOLD RATE

(10 GM, 24K)	
STARTING	PKR 93,064
ENDING	PKR 95,850
CHANGE	+2786



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Page No. 02

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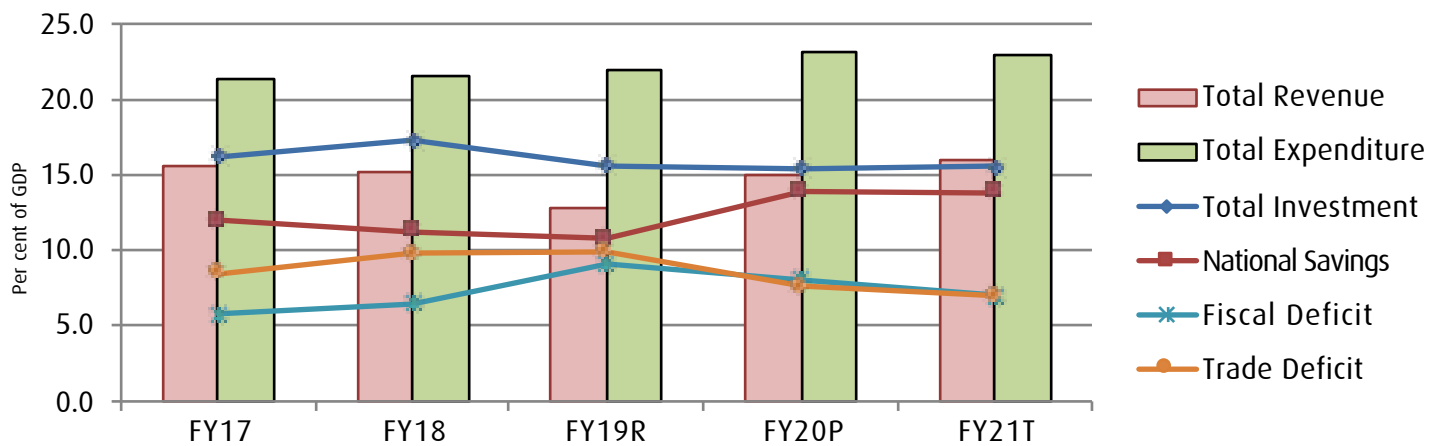
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Pakistan's Major Economic Indicators

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	MAR 2021	APR 2021
General	4.8	4.7	6.8	10.7	9.1	11.1
Food (Urban)	4.3	3.8	4.6	13.6	11.5	15.7
Non-Food (Urban)	5.1	5.8	8.5	8.3	7.1	8.2

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	April 30, 2021	May 7, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,815.0	7,015.9

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	
	14-May-21	7-May-21	15-May-20	Previous Week	Corresponding Week
Investments	12,860.4	12,860.0	9,876.4	0.00	30.21
Gross Advances	8,707.9	8,720.6	8,328.3	- 0.15	4.56
Borrowings	4,749.0	4,749.8	3,084.0	- 0.02	53.99
Deposits and other accounts	17,181.8	17,216.1	15,127.3	- 0.20	13.58

PSX Sees Highest Trading Volume in History

The Pakistan Stock Exchange (PSX) on May 26, 2021 recorded a trading volume of more than 1.5 billion shares for the first time in its history.

“The traded volume clocked in at 1,560 million shares in today’s session, which is the highest ever in the history of the PSX,” Special Assistant to the Prime Minister (SAPM) on Political Communication Dr. Shahbaz Gill, said in a tweet.

Commenting on the development, Planning and Development Minister Asad Umar tweeted, “New daily traded volume record set on the Pakistan stock exchange (PSX). Today’s volume exceeded previous record by 39 percent. The market is reacting to signs of sustained recovery even though risk still remains. Also adding to positive sentiment.”

The PSX ended on a positive note, with the benchmark KSE-100 index gaining 511 points, or 1.11 percent, by the close of the trading session to reach 46,812. More than 306 million shares changed hands by the end of the session, with a total worth of nearly Rs. 17.6 billion. Stocks of 390 companies were traded, of which 251 gained in value, 124 declined and 15 remained unchanged. Volumes were led by Worldcall Telecom Limited (WTL), with 707 million number of shares traded. Hum Network Limited (HUMNL), Unity Foods Limited, Byco Petroleum Pakistan Ltd and Pakistan International Airlines Corp closed out the top five symbols traded, with volumes of 112.4 million, 45.1 million, 36.8 million and 36.5 million, respectively.

SBP Introduces Convertible Debt for Raising Financing from Abroad

In order to facilitate the startup companies in raising financing from abroad, State Bank of Pakistan has allowed them to avail loans as ‘Convertible Debt’. Convertible debt is a type of financing with the option that it may be converted into equity shares of the borrowing company, subject to certain terms and conditions. Before the latest instructions, entities were allowed to raise foreign currency loans from abroad within the parameters defined in Chapter 19 of Foreign Exchange Manual, but there was no specific category that provided the option of convertibility of loan in to equity of the borrowing company.

It is expected that this initiative will help in attracting more foreign investment as it will provide another option to the international investors to invest in startup companies operating in Pakistan. The foreign investors, which are hesitant to participate in the equity of the start-up company at initial stage, may provide financing under this category and decide about participation in equity at some later stage. In order to implement these changes, relevant provisions of Chapter 19 of Foreign Exchange Manual have been updated vide FE Circular No.4 of 2021 dated May 26, 2021, which can be seen at <https://www.sbp.org.pk/epd/2021/FEC4.htm>

SECP – Harnessing Capital Market for Women Empowerment

The Securities and Exchange Commission of Pakistan (SECP), has released guidelines for the issuance of Gender Bonds to increase financial inclusion of women and encourage female entrepreneurship, according to a press release by SEC on May 19, 2021.



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Page No. 04

VOLUME 16

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The guidelines, issued in pursuant to Section 172 of the Securities Act, 2015, aim to facilitate companies and issuers of debt securities to diversify their source of financing and provide an additional financial instrument to a particular class of investors. As a step towards promotion of gender equality, the issuance of gender bonds will improve women access to leadership positions and gender-positive corporate policies.

As per the gender bond guidelines, all issuers who are eligible to issue debt securities, including sukuk bonds, either by way of public offer or private placement are eligible to issue gender bonds, as long as ensuring compliance with the applicable regulatory framework. The amount of funds raised from the issuance of gender bonds shall be utilized to finance projects related to women uplift and economic empowerment, such as access to finance/credit; micro, small and medium-sized enterprise development; agriculture development; financial literacy and entrepreneurship training, disaster risk management; housing for low income segment of women etc. Like other debt instruments, such as green, social and sustainability bonds, a gender bond can have any type of financial structure as a general bond, a project bond or a securitization scheme.

Gender bonds are a relatively recent development and still a nascent in the field of finance. Internationally gender-labelled bonds have been issued by a variety of entities, ranging from large commercial banks, to NGOs, to multilateral development banks. Most gender bonds issued have relied on the Institute of Capital Market Association (ICMA)'s Social Bond Principles, the UN's Sustainable Development Goals (SDGs) or the UN Women's Empowerment Principles as reference standards.

The gender bond guidelines are available at SECPs website at <https://www.secp.gov.pk/laws/guideline>

State Bank Revises Statutory Liquidity Reserve (SLR) Requirement of Exchange Companies to Enable Them to Channelize Increased Volume of Home Remittances

State Bank of Pakistan has revised Statutory Liquidity Reserve (SLR) requirement of Exchange Companies from 25 percent to 15 percent of their capital. The enhanced

liquidity with exchange companies will enable them to further channelize home remittances and foreign exchange.

During the year ended June 2020 Exchange Companies, through their tie up arrangements abroad, have channelized home remittances of USD 1.44 billion, while this figure stands at USD 1.67 billion for ten months of current year (FY 20-21).

This regulatory intervention of State Bank would provide increased liquidity to Exchange Companies to enable them to play their role in increasing the remittances flow and the public will be further facilitated in timely and conveniently receiving home remittances from more than 1,200 outlets of Exchange Companies across Pakistan. At present, out of 27 exchange companies of 'A' category, 18 exchange companies are providing home remittances services. The list of all authorized exchange companies is available at URL:

https://www.sbp.org.pk/epd/List_Ex_Companies.pdf

The relevant instructions can be seen at URL:

<https://www.sbp.org.pk/epd/2021/FECL5.htm>

SNIPS

The Cost of Fashion

Production of fabric is a huge carbon emitter, releasing the equivalent of 1.2 billion tonnes of CO₂ into the atmosphere — more than international flights and shipping combined, says Greenpeace.

Conserving Pakistan's Water

Nestlé Pakistan's 'Caring for Water — Pakistan' initiative with organizations such as LUMS, UVAS, WWF Pakistan, SDPI and PARC has helped save 428 million liters of water in 2020 by installing a drip irrigation system on 152 acres, says the company's sustainability report for 2020.

Higher Temperature, Costly Electricity

A study by the IMF estimates that a 1 degree Celsius increase in temperature will raise Sub-Saharan Africa's electricity consumption by about 7 percent.



INTERNATIONAL SCENARIO

U.S. Core Capital Goods Orders, Shipments Increase Strongly in April

New orders for key U.S. made capital goods increased more than expected in April and shipments rose solidly, suggesting strong momentum in business spending on equipment growth persisted early in the second quarter. Orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, jumped 2.3 percent last month, the Commerce Department said on Thursday. These so-called core capital goods orders increased 1.6 percent in March. Economists polled by Reuters had forecast core capital goods orders rising 1.0 percent. Orders shot up 14.7 percent year-on-year in April.

Business investment on equipment has enjoyed double-digit growth over the last three quarters thanks to a shift in demand towards goods from services during the COVID-19 pandemic and massive fiscal stimulus to soften the blow to the economy from the public health crisis. Last month, core capital goods orders were lifted by machinery, primary and fabricated metal products, as well as computers and electronic products. But orders for electrical equipment, appliances and components fell 0.9 percent. Shipments of core capital goods increased 0.9 percent after rising 1.5 percent in March. Core capital goods shipments are used to calculate equipment spending in the government's gross domestic product measurement.

China Industrial Profits Rise 57 percent y/y in April, Slowing from March

Profits at China's industrial firms rose 57 percent year-on-year in April to 768.63 billion yuan (\$120.22 billion), official data showed on May 27, 2021. That slowed from a 92.3 percent on-year surge seen in March, according to National Bureau of Statistics (NBS).

The industrial profit data covers large firms with annual revenue of over 20 million yuan from their main operations. For the January-April period, industrial firms' profits grew 106 percent from the same period a year earlier to 2.59 trillion yuan. (\$1 = 6.3936 Chinese yuan renminbi).

"He who makes peace between the people by inventing good information or saying good things, is not a liar."

THE PROPHET MUHAMMAD ﷺ

GCC Governments to See Sharp Fall in Fiscal Deficits from This Year

GCC governments are expected to see a sharp decline in fiscal deficits starting this year, according to rating agency Standard & Poor's.

"We expect the aggregate GCC central government deficit to fall sharply to about \$80 billion in 2021 (5 percent of GDP) from \$143 billion in 2020 (10 percent of GDP)," said Trevor Cullinan, an analyst at S&P.

The rating agency expects most GCC government balance sheets will continue to deteriorate until 2024, since some fiscal deficits remain quite large. Notwithstanding some GCC states' sizable liquid assets, they have regularly issued in the market. This is because they believe that the return on their assets will be greater than the cost of raising debt.

Many GCC states have shown spending restraint in response to the double external shocks of 2020, given their already-large fiscal deficits going into the year. Some have also made inroads to diversifying their government revenue streams away from hydrocarbons. Value added tax (VAT) was introduced in Saudi Arabia and the UAE in 2018, in Bahrain in 2019 and Oman in 2021.

The stronger regional outturn in 2020 compared with 2016 was significantly driven by Saudi Arabia, where the VAT rate increased to 15 percent from 5 percent to shore-up government revenue.



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Page No. 06

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MANAGEMENT VIEWS

Start Strong and Stay Strong on a Long-Term Project

When faced with a new project, it is easy to jump in with both feet. But having staying power to see the effort through can be more difficult. To make sure you not only start strong, but stay strong on a long-term project, set upper and lower bounds for how much time you will dedicate to it. What is the most amount of time you will allow yourself to invest in a given task each day? What is the least amount of time? For example, if your goal is to write a book, you might decide to write no less than 30 minutes and no more than three hours per day. Or if you are trying to get in better physical shape, you may decide to work out no less than three times and no more than five times per week. Staying within those boundaries will help you defend against your own bad tendencies — whether that is procrastinating for days on end, only to cram in a lot of time at the finish line or overextending yourself early on to the point of burning out and abandoning the project altogether. Identify your habits and hold yourself accountable to your bounds. Doing so will set yourself up to sustain your energy over the long haul. (This tip is adapted from *4 Ways to Manage Your Energy More Effectively*, by Elizabeth Grace Saunders – HBR.)

Do Not Let an Underperforming Coworker Drag You Down

Having a colleague who makes mistakes, misses deadlines, or just plain slacks off is more than a work-day frustration. It can negatively affect your performance and even your career. To keep your coworker's underperformance from dragging you down, take steps to protect your professional reputation. For example, if you and this colleague are collectively responsible for completing a project, make sure expectations and roles are clearly defined and documented upfront and that your manager is aware of these agreements. This ensures that you will not get blamed if your colleague fails to do their part and ensures you will get credit for holding up your end of the bargain. Also, look for ways to reduce your interdepend-

ence by requesting assignments that do not involve the slacker whenever possible. Your goal is to clearly demonstrate your competence so that your coworker's performance does not taint your reputation.

(This tip is adapted from *When You're Stuck Working with a Slacker*, by Rebecca Knight – HBR.)

“Through abundance of silence does one earn respect. Through fairness does one win lovers. Through acts of favors does one's value get greater. Through humility does one's blessing become complete. Through bearing hardships, loftiness is earned. Through fair dealing, an opponent is subdued. And through clemency with regard to a shallow-minded person does one earn supporters.”

HAZRAT ALI



Ask Job Candidates This Key Question

As a hiring manager, there is one key question you should ask every job candidate: How do you learn? Of course, you want to bring in employees with impressive achievements and qualifications, but a person's future performance will largely be determined by how intentionally and systematically they develop their skills. So spend some time digging into the question of learning during the interview process. Ask the candidate about something they have learned recently and how they could apply it to the role for which you are considering them. Be open-minded about what counts as learning. They might have taken a lesson or developed a new perspective from online courses, books, people, poems, songs, films, conversations, observations, reflections, memories and more. So inquire about what kind of content the candidate tends to rely on to acquire new skills and insights. To emphasize the importance of learning on your team, you should also be prepared to answer the question yourself.

(This tip is adapted from *Identify — and Hire — Lifelong Learners*, by Marc Zao-Sanders – HBR.)

Editor: Muhammad Mazherul Haq | **Deputy Editor:** Shahla Naqvi | **Designed by:** Haris Jamshaid | **Email:** Publications@ibp.org.pk
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DONATE FOR THE PRIME MINISTER'S COVID-19 PANDEMIC RELIEF FUND

IBP TRAINING CALENDAR - JUNE 2021



JUNE 03
Thursday
2PM - 6PM

Budgeting and Forecasting Skills for Managers

FACILITATOR: Muhammad Ahmed Khan

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

ONLINE
TRAINING

JUNE 05
Saturday
10AM - 2PM

Micro Payment Gateway *

FACILITATOR: Syed Muhammad Taha

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

ONLINE
TRAINING

JUNE 08
Tuesday
9AM - 1PM

SBP Inspection, Regulatory Compliance and Banks' Operations

FACILITATOR: Shamwail Sohail

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

ONLINE
TRAINING

JUNE 08
Tuesday
2PM - 6PM

SBP Mandatory Requirement for Import, Export & Inward/Outward Remittances

FACILITATOR: Ejaz Qadri

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

ONLINE
TRAINING

JUNE 09
Wednesday
2PM - 6PM

Treasury Operations and Risk Management

FACILITATOR: Faisal Sarwar

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

ONLINE
TRAINING

JUNE 10
Thursday
9AM - 1PM

Risk Based Approaches in International Trade

FACILITATOR: Aqeel Muslim

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

ONLINE
TRAINING