



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16 | ISSUE 05 | JANUARY 29, 2021

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

PAKISTAN TIDINGS

COVID-19: Impact of SBP's Measures as of January 15-25, 2021

(Rs. in billion)			
Loans Deferred	657.0	Loans Approved for Hospitals	9.0
Loans Restructured	225.5	Loans Approved for Investment	300.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 percent

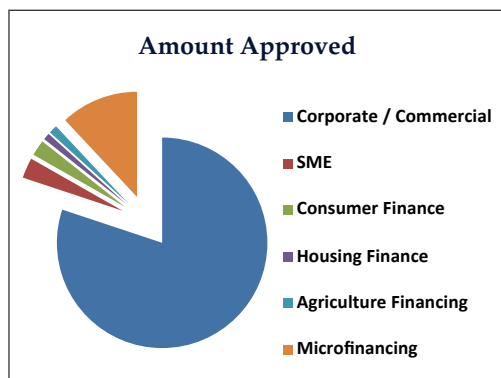
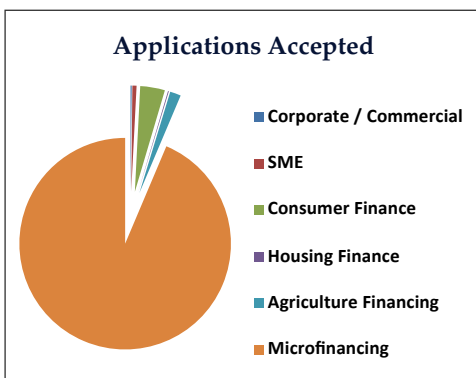
* This Scheme is no longer available, therefore, the data will not be updated after November 13, 2020.

Microfinance Borrowers Emerge as the Major Beneficiaries of the SBP's COVID-19 Triggered Debt Relief Scheme

Loan Extension and Restructuring Package of State Bank of Pakistan (Debt Relief Scheme) was announced to facilitate the borrowers in restructuring and deferment of their loans. The Debt Relief Scheme aimed to preserve the solvency of the borrowers and enable them to combat the temporary economic disruptions.

In deferment scheme Loan principal amount only can be deferred for up to twelve months and borrower continues to service mark-up amount as per agreed terms & conditions while, in restructuring scheme, Loan principal amount can be deferred for more than twelve months and repayment terms of mark-up amount can also be relaxed, without adversely affecting the credit history of the borrower in both the cases.

The response to the debt relief scheme has been overwhelmingly positive and all categories of customers including corporate/commercial and retail borrowers benefited from it. As on January 22, 2021 out of 1.696 million applications received, banks, DFIs and MFBs have approved 1.635 million applications (96.41 percent) up to January 22, 2020. Since the launch of the scheme, the individual borrowers, especially the customers of microfinance banks, have been the major beneficiaries of the scheme. The restructured and deferred loans include 1.549 million approved applications of customers of microfinance banks involving an amount of Rs. 105 billion, which approximately constitutes 48 percent of total net-loan portfolio of MFBs.



MARKETS AT A GLANCE

Rates are taken till Friday, January 29, 2021

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.10	7.35
ENDING	7.31	7.56
CHANGE	0.21	0.21

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 219.97	PKR 195.81	PKR 160.75
ENDING	PKR 219.19	PKR 193.90	PKR 160.10
CHANGE	-0.78	-1.91	-0.65

PAKISTAN STOCK EXCHANGE

100 Index	
STARTING	45,868
ENDING	46,385
CHANGE	517

GOLD RATE

(10 GM, 24K)

STARTING	PKR 97,376
ENDING	PKR 96,587
CHANGE	-789



Whereas, Rs. 707 billion (80.01 percent) out of total restructured and deferred amount of Rs. 883 billion relates to corporate and commercial borrowers; as corporate loan portfolio of the banking industry constitutes 69.9 percent of total loan portfolio of banks, DFIs and MFBS.

Further details may be seen at <https://www.sbp.org.pk/COVID/Loans.html>

SBP Launches Complaint Resolution Portal to Promote Affordable Housing

The Prime Minister of Pakistan, Mr. Imran Khan, chaired a meeting of National Coordination Committee on Housing, Construction and Development (NCCCHCD) in Islamabad on January 21, 2021 where Governor State Bank, Dr. Reza Baqir, presented key features of an online complaint resolution mechanism developed by State Bank of Pakistan (SBP) to resolve complaints of potential customers under Government's Mark-up Subsidy Scheme for affordable housing.

The Prime Minister appreciated the development of a user friendly and comprehensive complaint resolution mechanism to assist common persons who would like to borrow under this Scheme. The complaint resolution mechanism comprises an IT based portal supported by a comprehensive network of State Bank and commercial bank staff to take care of problems faced by applicants of low cost and affordable housing finance. The IT portal has been made live for registration of complaints. This major initiative will help financially excluded low and middle-income segments who often find it difficult to access the formal financial sector, which is a key goal of the SBP.

The system will help in resolving complaints within a predefined timeline with proper escalation mechanism. The potential customers can already access existing systems and procedures of banks for resolution of their complaints. The complaint resolution mechanism developed by State Bank is a move to improve effectiveness and transparency in complaint redressal process. In line with Government's vision of making housing finance affordable, State Bank has, on October 12, 2020, issued Government's Mark-up Subsidy for Housing Finance to facilitate provision of subsidized finance to low and middle-income individuals. The features of Mark-up Subsidy Facility can be seen at <https://www.sbp.org.pk/smefd/circulars/2020/C11.htm>.

With the launch of portal, customers can now register their concerns by simply putting minimum details on the online service portal accessible at <https://servicedesk.sbp.org.pk/>. A short video is also available on this portal to explain how complaints may be lodged and followed up. In case applicants face difficulties in using this portal or need further clarification they are welcome to visit the offices of SBP BSC in 15 major cities where special Help Desks are available to guide and assist, list of offices is available at https://www.sbp.org.pk/sbp_bsc/FieldOff.asp.

In order to facilitate resolution of complaints received under the Mark-up Subsidy Service Portal, State Bank has created a network of regional focal persons in State Bank BSC regional offices. The banks have also nominated their regional focal persons across the regions in the country where State Bank offices are present.

Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	15-Jan-21	8-Jan-21	17-Jan-20	Previous Week	Corresponding Week
Investments	11,345.9	11,472.3	8,508.2	-1.10	33.35
Gross Advances	8,398.4	8,381.0	8,132.3	0.21	3.27
Borrowings	3,171.0	3,042.7	2,618.5	4.22	21.10
Deposits and other accounts	16,864.7	17,101.3	14,401.3	-1.38	17.11



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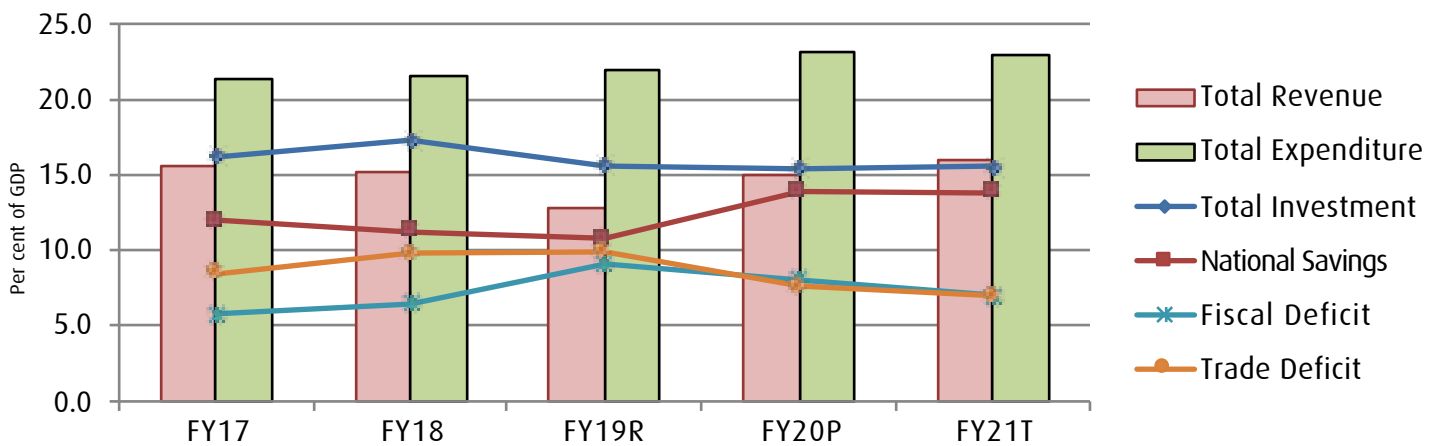
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Pakistan's Major Economic Indicators

Real Sector (Percent Growth)	FY17	FY18	FY19 ^R	FY20 ^P	FY21 ^T
GDP (Real)	5.5	5.5	1.9	-0.4	2.1
Agriculture Sector	2.2	4.0	0.6	2.7	2.8
Industrial Sector	4.6	4.6	-2.3	-2.6	0.1
Services Sector	6.5	6.3	3.8	-0.6	2.6
GNP (mp) Rs. Per Capita	170,672	181,453	198,028	214,539	229,519
GNP (mp) US \$ Per Capita	1,630.1	1,651.9	1,455.1	1,355.0	1,408.1

As Percent of GDP (mp)



CPI INFLATION (YoY%)	FY17	FY18	FY19	FY20	NOV 2020	DEC 2020
General	4.8	4.7	6.8	10.7	8.3	8.0
Food (Urban)	4.3	3.8	4.6	13.6	13.0	12.6
Non-Food (Urban)	5.1	5.8	8.5	8.3	3.4	3.8

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	January 08, 2021	January 15, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,382.3	6,425.1

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



Profit Repatriation Jumps 26 percent in July-December

Repatriation of profits was 26 percent higher than the inflow of foreign investment during the first half of the current fiscal year. The State Bank of Pakistan (SBP) reported on January 26 that the total outflow of profits and dividends was \$892 million while the total foreign investment was \$708 million during the July-December period of 2020-21.

Moreover, the profits on foreign direct investment (FDI) during the first half was \$840 million, higher than the outflow of \$743 million. Payments on portfolio investment dropped to \$52 million against the payment of \$93 million in the same period of last year. The country received a total foreign investment of \$708 million in the period under review against \$1,376 million in the same period last year. The total foreign investment declined due to net outflow of \$244 million from portfolio investment.

The inflow of FDI during the first six months of FY21 was \$952 million, higher than the total foreign investment \$708 million due to net outflow of \$244 million portfolio investment. The details showed that food sector recorded the highest outflow of \$171.5 million during the first half of the current fiscal year compared to an outflow of \$53 million in the same period last year.

The outflows from the financial sector (banks) was \$122.5 million during the period under review almost the same as of last year's \$125.5 million. The communication sector witnessed a sharp growth in outflow at \$119.3 million compared to \$33 million in the same period of last year. Telecommunications saw an outflow of \$105 million reflecting the higher use due to the COVID-19.

However, a big fall was noted in the profit outflow from the transport and oil & gas exploration sectors as it fell to \$74 million and \$69 million, respectively, during July-December compared to \$139 million and \$112 million in the same period of last year. Profit outflow from tobacco and cigarettes also noted sharp increase as it rose to \$76.5 million in the first half against an outflow of \$35 million during the same period last year. The United Kingdom earned the highest profit of \$304 million doubled from \$156 million in the same period of last year. The other top profit earners were United States and Malta with \$134 million and \$92 million respectively.

China which has been investing heavily in the country and the largest trade partner of Pakistan, could earned a profit of \$36 million during the first half of FY21. In fact, the profits declined this year as it was \$92 million in the same period of last fiscal. The details also showed that the foreign investment (mostly FDI) proved profitable in Pakistan despite the COVID-19 pandemic which affected businesses in and outside the country.

FBR's Ongoing Reforms Lead to Huge Improvement in Trading Across Borders Index

In a major achievement towards ensuring ease of doing business, Pakistan has improved 31 positions (from 142nd to 111th) on the rank of Trading Across Border Index. Federal Board of Revenue (FBR) made trading across borders easier by focusing three crucial areas: enhancing the integration of various agencies in the Web-Based One Customs (WEBOC) electronic system; reducing the number of documents required for import/export clearances; enhancing capacities of Pakistan Customs officials for playing pro-active role in smoothly regulating border trade.

Climbing up the ladder in Trading Across Border Index has enabled Pakistan in jumping up 28 places – from 136th to 108th – in World Bank's (WB)'s 'Ease of Doing Business 2020' and securing a place among the top 10 countries have done the most in the corresponding/ past year to improve the ease of doing business in their countries. This milestone has led Pakistan to be the sixth global reformer and first in South Asia that has brought ease in doing business for the national/international trade. It is important to note that border facilitation is amongst the top priority areas as per the comprehensive policy laid down by the Government. Concerted efforts by Pakistan Customs, under FBR, led to impressive performance in terms of compliance to the provisions of World Trade Organization (WTO)'s Trade Facilitation Agreement; hence, complementing Pakistan's rise in Trading Across Border Index.

Pakistan Customs has pursued implementation of effective customs controls so that compliant trade is thoroughly facilitated, while lesser/non-compliant trade is diverted to detailed scrutiny. This strategy worked well, as conceived by Pakistan Customs and has gone a long way in reducing the dwell time (at the borders/ports) for imports/exports



in Pakistan by increasing the percentage of clearances through Green Channel. For instance, the time required for documentary compliance to effect exports has been reduced from 55 hours to 24 hours and the time required for overall border compliance to effect exports has also been reduced from 75 hours to 24 hours. Similarly, the time required for documentary compliance to effect imports has been reduced from 143 hours to 24 hours and the time required for overall border compliance to effect imports has also been reduced from 120 hours to 24 hours.

In order to further improve Pakistan's position in Trading Across Border criterion, FBR is pursuing simultaneous completion of Regional Improvement of Border Services (RIBS) and Pakistan Single Window. Regional Improvement of Border Services (RIBS) is being implemented at Torkham, Chaman and Wahga and is the flagship program that aims at improving border-crossing facilities which are key transit points to Afghanistan and India. Pakistan Single Window, on the other hand, would integrate online at least 46 departments/agencies in Pakistan and would make trading across border a hassle free and seamless operation.

SECP's eServices Integrated with Pakistan MNP Database

To further improve the security of electronic filings and company registration process, the Securities and Exchange Commission of Pakistan (SECP) has integrated its eServices with Pakistan Mobile Number Portability (MNP) Database (Guarantee) Limited to verify cell number of applicants against their CNICs.

The verification of cell phone number of directors and sponsors of a company will also eliminate the chances of misuse of CNIC or cell number of any individual for fraudulent purposes. Verification of CNICs with NADRA databases is already in practice. The whole verification process is fully electronic and instant. It is an important development in the context of challenges posed by AML and CFT also. The SECP has provided the facility of online submissions of returns since 2008. Since then it has been continuously working on improvement of its online portal, 'eServices', in order to ensure secure and efficient service delivery to the entrepreneurs and the corporate sector.

INTERNATIONAL SCENARIO

If Bitcoin is Shooting Towards \$50,000, It Will Be at Gold's Expense

Bitcoin's price could exceed \$50,000 over the longer term as the digital asset vies with gold for investment flows, according to cryptocurrency exchange Luno and brokerage OSL.

"We're talking about Bitcoin over the next three, five, 10 years slowly inching away at gold's market capitalization," Vijay Ayyar, head of Asia-Pacific with crypto exchange Luno in Singapore, said. If that happens, "you are way over \$50,000."

Bitcoin quadrupled last year, eventually reaching an all-time high of almost \$42,000 in early January before sliding back by about \$10,000. The rally split opinion, with some commentators pointing to increased interest from long-term investors and others citing speculative buying.

While Bitcoin has been popular for trading, "increasingly the new to market money that we are seeing is buying Bitcoin as a hedge to inflation and as digital gold," said Matt Long, head of distribution and prime brokerage at digital-asset platform OSL in Hong Kong.

Predicting a price for Bitcoin is challenging but it's likely to rise longer term as funds and family offices assign 0.5 percent or 1 percent of their portfolios to it, Long added. Bitcoin, which has climbed 9 percent this year, was trading at about \$31,500 as of 12:47pm in Tokyo.

UN Forecasts 4.7 percent Global Economic Growth in 2021

The United Nations has warned that the world economy is "on a cliffhanger," still reeling from the COVID-19 pandemic whose impact will be felt for years but still expected to make a modest recovery of 4.7 percent in 2021 which would barely offset 2020 losses.

The UN's new report on the World Economic Situation and Prospects said the once-in-a-century crisis sparked by the global impact of the coronavirus caused the global economy to shrink by 4.3 percent in 2020 — the sharpest contraction in global output since the Great Depression that began in



1929 and far higher than the 1.7 percent reduction during the Great Recession of 2009.

“The depth and severity of the unprecedented crisis foreshadows a slow and painful recovery,” said UN chief economist Elliott Harris, the assistant secretary-general for economic development. “As we step into a long recovery phase with the roll out of the vaccines against COVID-19, we need to start boosting longer-term investments that chart the path toward a more resilient recovery — accompanied by a fiscal stance that avoids premature austerity.”

According to the report, the lockdowns, quarantine measures and social distancing introduced during the second quarter of 2020 “helped to save lives but also disrupted the livelihoods of hundreds of millions of people worldwide.” By April, it said, “full or partial lockdown measures had affected almost 2.7 billion workers, representing about 81 percent of the world’s workforce.” And it said another 131 million people were pushed into poverty, many of them women, children and people from marginalized communities.

China, the world’s second-largest economy where COVID-19 first emerged, was the only country in the world to register positive economic growth in 2020, 2.4 percent and the UN forecasts that it will grow by 7.2 percent in 2021.

According to the UN forecasts, the US economy will grow 3.4 percent in 2021 after shrinking 3.9 percent in 2020, Japan’s economy will grow 3 percent this year after contracting 5.4 percent last year and economies of Euro-zone countries will grow 5 percent in 2021 after shrinking 7.4 percent in 2020.

Developing countries saw a less severe contraction of 2.5 percent last year and the UN is forecasting a 5.7 percent rebound in 2021.

The UN said “it will remain critical” that the Group of 20 — the world’s 20 major economies accounting for nearly 80 percent of world output — “return to the trajectory of growth, not only to lift the rest of the world economies but also to make the world economy more resilient to future shocks.”

MANAGEMENT VIEWS

Keep Your Cool Under Pressure

When faced with a high-stress situation, our bodies instinctively go into “fight-or-flight” mode. But recent research has shown that if you can effectively regulate your emotions in these moments, you can actually move into a higher state of openness that invites collaboration, creativity and thriving. Start by reminding yourself that a biological reaction to stress is totally normal and direct your attention to any physical or emotional responses you are feeling. Is your heart racing? Do you feel a knot in your stomach? Next, recall previous times when you have made it through stress and uncertainty, this will provide some relief by reminding you that regardless of what you are feeling right now, you will get through it. To ground yourself back in the present, set a mindful intention. Let go of your need to serve your ego and remember your purpose in this moment. Finally, commit to the task at hand and trust the process. Understanding our biological reactions in high-stress situations gives us a path to follow; it is then our choice to walk this path or fight it. (This tip is adapted from *How to Keep Your Cool in High-Stress Situations*, by Robert E. Quinn et al. – HBR.)

“Blessed is he who has humility without debasing himself, who lowers himself without humiliating himself, who spends wealth in charity and accumulates it without sinning, who is merciful to the lowly and downtrodden, and who accompanies the people of understanding and wisdom.”

THE PROPHET MUHAMMAD ﷺ

The Dos and Don'ts of Writing a Cover Letter

If you hate writing cover letters, you are not alone. Crafting them can be the trickiest part of a job application and there is so much conflicting advice out there, it can be hard to even know where to start. Here are some basic dos and don'ts.



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Do:

- Have a strong opening statement that makes clear why you want the job and what you bring to the table.
- Be succinct, a hiring manager should be able to read your letter at a glance.
- Share an accomplishment that shows you can address the challenges the employer is facing.

Don't:

- Try to be funny. Too often it falls flat and you want to avoid a cringey moment at all costs.
- Send a generic cover letter. Customize your letter for each job.
- Go overboard with flattery. Be professional and mature.

(This tip is adapted from *How to Write a Cover Letter*, by Amy Gallo. – HBR)

Lead with Questions, Not Answers

Chances are, most leaders are too focused on having all the answers and not focused enough on asking the right questions. It is time to recalibrate. Despite what you might think, expressing vulnerability and asking for help, clarification, or input can be a sign of strength and confidence, not weakness. The right questions are signals of trust and they can inspire people to trust you in return. For example, rather than telling your team about a new opportunity you have identified, ask them, "Do you see a game-changing opportunity that could create much more value than we have delivered in the past?" A big, simple question like this can inspire a burst of collaboration and creativity across the organization. And if you consistently demonstrate a question-first mindset, you will help establish an overall culture of curiosity and learning that will keep your team innovating and responding to challenges effectively. So try it out this week: Ask your team a big-picture, open-ended question and see if it does not lead to some new and exciting ideas.

(This tip is adapted from *Good Leadership is About Asking Good Questions*, by John Hagel III. – HBR)

"The worth of a man is according to his courage, his truthfulness is according to his balance of temper, his valor is according to his self-respect and his chastity is according to his sense of shame."

HAZRAT ALI



Adapt and Scale a Successful Pilot Project

If you want to introduce a major change in your organization, a new technology, process, system, product, partnership, or the like, you may decide to launch a pilot project. But if it is successful, then how do you scale it? Telling everyone to implement your new solution or tool will not work. You need to create the conditions that allow teams across the organization to adapt the pilot to their unique circumstances. Give them some guidance about the extent to which they can make modifications but otherwise let them loose for a limited period of time. See what they can do to generate new solutions or innovations. Capture the learnings from each of these second-round experiments so that teams in the next wave of implementation can start with an even richer menu of possibilities. In short, your pilot is just the beginning of a long-term, collaborative and iterative process. If you let that process play out, you will unlock your organization's potential to innovate.

(This tip is adapted from *How to Scale a Successful Pilot Project*, by Ron Ashkenas and Nadim Matta . HBR)

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

IBP TRAINING CALENDAR - FEBRUARY 2021



**04 FEBRUARY
THURSDAY**

9AM - 1PM

Risk Based Approaches in International Trade

FACILITATOR: Aqeel Muslim

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

ONLINE
TRAINING

**09 FEBRUARY
TUESDAY**

9AM - 1PM

Digital Marketing & Sales

FACILITATOR: Asif Iqbal

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

ONLINE
TRAINING

**12 FEBRUARY
FRIDAY**

3PM - 7PM

Collection/ Recovery: Techniques and Skills

FACILITATOR: Adnan Adil Hussain

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

ONLINE
TRAINING

**15 FEBRUARY
MONDAY**

2PM - 6PM

Legal & Regulatory Issues in Account Opening

FACILITATOR: Khalid Faridi

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

ONLINE
TRAINING

**16 FEBRUARY
TUESDAY**

2PM - 6PM

Achieving Employee Excellence

FACILITATOR: Aisha Bela Malik

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

ONLINE
TRAINING