



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 16

ISSUE 18

APRIL 30, 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 16-22, 2021

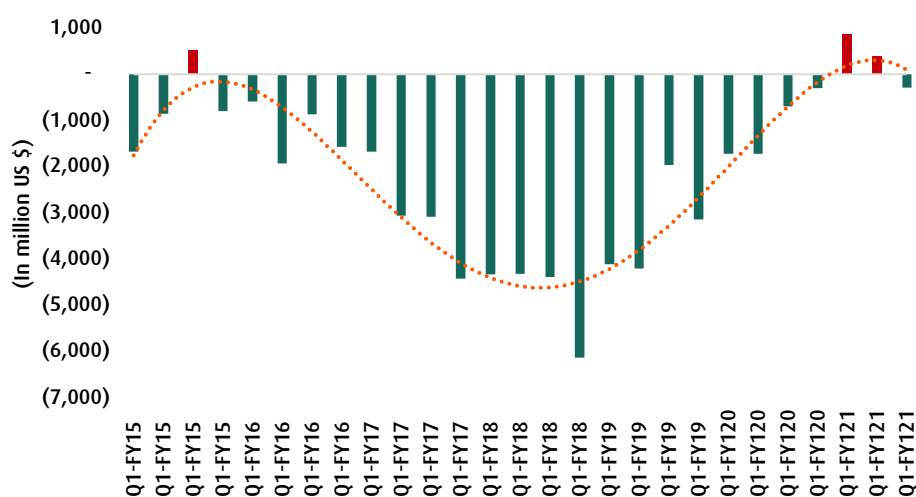
			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	12.6
Loans Restructured	253.6	Loans Approved for Investment	436.0
Loans Approved for Wages*	238.0	ATMs' Availability	97 Percent

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

### Current Account Balance Sustains Surplus during Jul-Mar FY21

Despite economic slowdown caused by the ongoing COVID-19 pandemic, Pakistan's current account balance (CAB) encouragingly accumulated a surplus of US \$959 million by the end of Q3-FY21. This recent reversal in CAB first surfaced in Q1-FY21 has been experienced after 21 quarters, gained further momentum in Q2-FY21 and aggregated to US \$1,247 million during Jul-Dec FY21. However, it posted deficit during Q3-FY21 by US \$288 million which was accounted for mostly by higher import bill of power generation machinery, mobile phones and petroleum and petroleum products.

Quarterly Trend in Current Account Balance



The all-time high inflow of workers' remittances at above US \$2.0 billion per month received during first nine months of the current fiscal year at US \$21.5 billion had been the sole contributing factor for surplus in CAB which more than offset the trade deficit of US \$18.7 billion registered during July-March FY21.

## MARKETS AT A GLANCE

Rates taken till Friday, April 30, 2021

### MONETARY POLICY RATE

**7pc** | Effective from June 25, 2020

### KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.43	7.68
ENDING	7.39	7.64
CHANGE	-0.04	-0.04

### FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 213.67	PKR 185.39	PKR 153.87
ENDING	PKR 213.95	PKR 185.85	PKR 153.45
CHANGE	+0.28	+0.46	-0.42

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	44,706
ENDING	44,262
CHANGE	-444

### GOLD RATE

(10 GM, 24K)

STARTING	PKR 89,163
ENDING	PKR 89,678
CHANGE	+515



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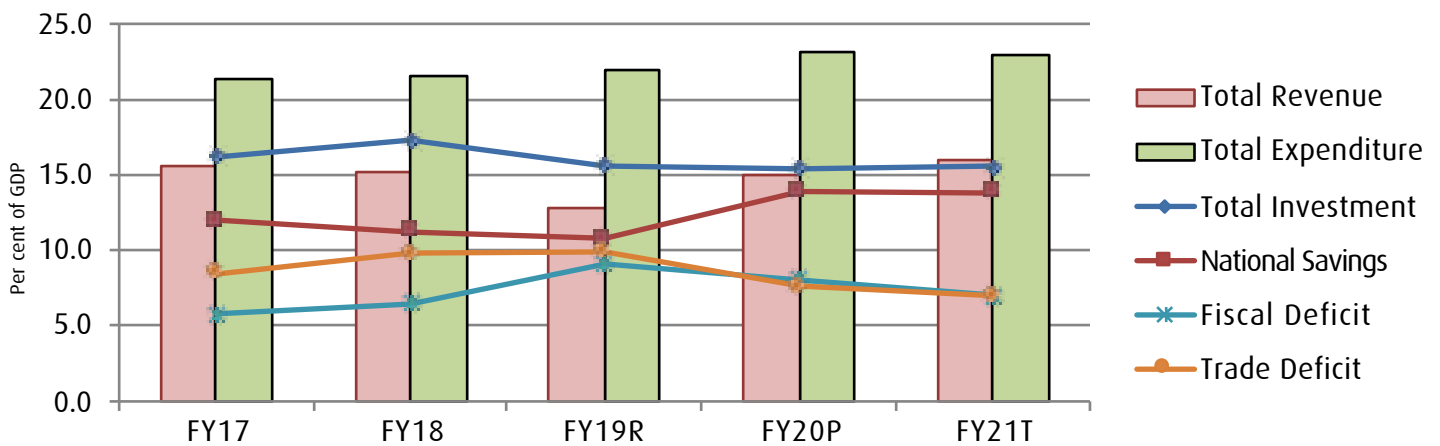
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## Pakistan's Major Economic Indicators

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

As Percent of GDP (mp)



CPI INFLATION (YoY%)	FY17	FY18	FY19	FY20	FEB 2021	MAR 2021
General	4.8	4.7	6.8	10.7	8.7	9.1
Food (Urban)	4.3	3.8	4.6	13.6	10.3	11.5
Non-Food (Urban)	5.1	5.8	8.5	8.3	7.6	7.1

Currency in Circulation as on (Stock data)

Rs. in billion

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	April 9, 2021	April 16, 2021
3,911.3	4,387.8	4,950.0	6,142.0	6,729.2	6,786.5

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	
	16-Apr-21	9-Apr-21	17-Apr-20	Previous Week	Corresponding Week
<b>Investments</b>	12,492.9	12,357.0	9,884.9	1.10	26.38
<b>Gross Advances</b>	8,525.9	8,509.5	8,225.1	0.19	3.66
<b>Borrowings</b>	3,974.7	3,699.6	3,255.1	7.43	22.11
<b>Deposits and other accounts</b>	16,979.3	17,179.1	14,954.3	-1.16	13.54

### Roshan Digital Account Crosses \$1 billion Milestone

The Roshan Digital Account (RDA) program on April 24, 2021 crossed a major milestone and hit the \$1 billion mark as overseas Pakistanis continued to post trust in the central bank initiative.

Prime Minister Imran Khan inaugurated the RDA service on September 10, 2020. It is a joint effort of the SBP and the federal government in collaboration with eight commercial banks operating in Pakistan. Later, more banks joined the initiative to facilitate the overseas Pakistani community.

The major objective of the RDA is to attract millions of Pakistanis living abroad by offering much higher returns on deposits than those in developed economies. The initiative helped overseas citizens to remotely open bank accounts in Pakistan through online digital portals without physically visiting branches.

Banking experts and analysts were optimistic about the outlook of Roshan Digital Account and said it would continue to attract funds from overseas Pakistanis, especially those based in the Gulf region.

"Pakistan is expected to receive up to \$1.5 billion foreign currency inflows through the RDA program by June. This may go as high as \$2 billion by December this year as overseas Pakistanis are investing in Naya Pakistan Certificates," Samiullah Tariq, head of research at Pakistan Kuwait Investment Company, told Khaleej Times on Saturday.

According to the central bank, the growing popularity of accounts among non-resident Pakistanis across the globe indicates the increasing reach of the RDA and helping the government and the SBP improve external account of the country.

### SECP Chairman Commits Coherent Industry Policy to Promote Fintech

The SECP Chairman Mr. Aamir Khan said that the Commission has instituted various reforms to develop a comprehensive and coherent industry policy to share regulatory thinking and promote a conducive FinTech environment in Pakistan, and the regulatory sandbox initiative is part of this agenda. He was addressing a webinar on 'Second Cohort of SECP's Regulatory Sandbox', organized by SECP to create awareness regarding the concept of Regulatory Sandbox and describe its benefits to industry and working modalities.

Aamir Khan said that the FinTech industry is growing significantly in Pakistan and can play a vital role in expending financial inclusion. However, he added, the innovations brought about by this growth, pose challenges for regulators and financial supervisors, who are tasked with reducing the uncertainty. In order to address this challenge, Khan said, SECP has introduced the concept of Regulatory Sandbox, which provides a tailored regulatory environment to conduct limited-scale live tests of innovative products, services and business models under the regulator's oversight.

The SECP Chairman told participants that in the second



cohort of Regulatory Sandbox, preference would be given to innovation in the areas of digital assets/security token offerings (STOs), non-bank financial companies, blockchain/distributed ledger solutions for capital markets, digital identity/AML/KYC, AI, machine learning and robotic processes automation-based solutions. SECP officials gave a comprehensive presentation on Sandbox's mechanism, including details of eligibility criteria, application procedure, evaluation process and answered the participants queries. Successful candidates of the first cohort of Regulatory Sandbox shared their experience of working within the Sandbox environment. They appreciated the continued support and guidance from SECP during the testing period of the first cohort.

### **Pakistan, Japan Sign Debt Suspension Agreements Worth \$367 million**

Pakistan and Japan signed debt suspension agreements amounting to \$367 million under the G-20 Debt Service Suspension Initiative (Phase-I) on April 27, 2021. Noor Ahmed, Secretary of Economic Affairs Division and Kuninori Matsuda, Ambassador of Japan to Pakistan, signed these agreements in Islamabad. The signing ceremony was witnessed by senior officials of the Japanese Embassy.

In the wake of COVID-19, the G20 countries, together with the Paris Club creditors, announced a Debt Service Suspension Initiative (DSSI) to provide much needed fiscal space to stressed countries in order to meet their urgent economic and health needs. The Government of Pakistan, taking advantage of this initiative, entered into negotiations with 21 creditor countries for debt suspension amounting to US\$ 1.6 billion under DSSI Phase-I (April – December, 2020). The Government of Pakistan will repay the suspended amount in 4 years starting January, 2022.

On this occasion, Secretary EAD, reiterated his appreciation for the debt suspension provided by the Japanese government. He highlighted that Japan is the 2nd largest bilateral lender to Pakistan. He also thanked the government of Japan for its generous support for fighting against COVID-19 pandemic. He lauded that Japan's timely support helped Pakistan save lives & livelihoods of millions during testing times. He also acknowledged continued support of

Japan for health, education, agriculture, infrastructure, disaster management and urban services including water supply, sanitation and waste management.

While speaking on the occasion, Ambassador Matsuda also reaffirmed Japanese support to Pakistan on issues of mutual interest. Japanese economic assistance has played and shall continue to play a vital role in the socioeconomic uplift of Pakistan, he added. Both sides reiterated strong commitment towards further expanding bilateral economic cooperation.

The concessional loans, which are subject to the debt deferral, have been utilized for infrastructure development such as roads, tunnels, power plants and grids, irrigation, water supply, drainage facilities in Pakistan from the early 1990s to the mid-2010s. These concessional loans have favorable conditions for Pakistan in terms of low interest rate, long grace and repayment period. Ambassador Matsuda said, "After the stability of Afghanistan is realized, I believe some of these projects must be a part of the connectivity between Pakistan, Afghanistan and Central Asia." Under this agreement, repayments for the debt and interest due between May 1, 2020 and December 31, 2020 will be rescheduled after June 15, 2022.

Economic shock caused by the outbreak of COVID-19 has continued on a global scale. Japan provided Pakistan with direct support of USD 9.5 million and multilateral support of USD 7.41 million to contain COVID-19, as well as the quick delivery of diagnostic kits and non-governmental support, all of which were on a grant basis. International solidarity on the medical and economical front is necessary to fight against infectious diseases with no borders. Ambassador Matsuda added, "This agreement, which we signed, represents Japan's solidarity with Pakistan on the economic front."

### **Pakistan Prepares to Drive into the Future with EV Production**

Pakistan is all set to join the elite group of nations that produce electric vehicles (EVs) and plans to set up two manufacturing facilities for environment-friendly cars in the country, an industry veteran said.



“On the first night of the month of Ramadan, the devils are chained, the jinn are restrained, and the gates of Hellfire are closed and none of its gates are opened. The gates of Paradise are opened and none of its gates are closed. A heavenly caller announces: O seeker of good, come near! O seeker of evil, stop short! Allah will save them from the Hellfire and that is during every night of Ramadan.”

THE PROPHET MUHAMMAD ﷺ

Javed Afridi, an entrepreneur and the project's main stakeholder, said the first EV manufacturing plant of popular British automotive brand Morris Garages (MG) has already been established in Lahore and it is set to roll out the first locally-developed EV in the country. He said top Pakistani and Chinese leadership is expected to inaugurate the EVs' commercial production in Lahore facility "very soon".

“We have made huge investments in the first phase to launch an EV manufacturing facility in Pakistan under the direction of Prime Minister Imran Khan, who is keen to promote clean energy transport in the country. We are willing to make more investments in the second phase in this project, which shows our strong commitment towards the EV initiative,” Afridi told Khaleej Times during an exclusive interview.

“Our state-of-the-art EV production facility in Lahore has the infrastructure, technology and human resource to produce a sufficient number of units annually to meet the growing demand of the domestic market. We also have a plan to set up another production facility in Karachi with a similar production capacity to capture the export market of right-hand EVs,” Afridi said.

MG has been brought to Pakistan as a joint venture between JW-SEZ Group and Saic Motors, one of China's most prominent manufacturers. The famous British brand's line-up for Pakistan features the ZS EV, a compact SUV with an all-electric powertrain. The petrol-powered version of the ZS has already been launched in the market, whereas the ZS EV is yet to be launched.

## INTERNATIONAL SCENARIO

### Business Leaders Set Out Plan for COVID Recovery

A commission of 10 of the UK's most powerful executives from firms including Tesco, Vodafone and Astra Zeneca has set out its plan for a post-pandemic economic recovery. It hopes the biggest crisis in over 300 years will reset the relationship between business and government to boost growth and living standards. It also wants more done to support UK suppliers and fight social inequality.

Tesco chair John Allan said it went beyond "purely economic measures". He told the BBC: "The pandemic has ensured that those who were worst off to start with have suffered more than those who were relatively well off, so that gap between the comfortably off and the less comfortably off has grown." Deprived communities exist across the UK, he said. "They're not just in the north, the Midlands, there are an awful lot of socially deprived communities in London, for example, as well. And the view of the business people who've got together for the infrastructure commission was we needed to solve not only for growth but also to try and ensure that at least some of that growth was used to remedy this widening social inequality we're experiencing." The COVID Recovery Commission calls for the creation of at least one new globally competitive industry hub in every part of the UK by 2030.

It also wants to see a radical overhaul of the Apprenticeship Levy with the establishment of £10,000 lifelong training allowance for all over-25s and a detailed plan for the decarbonization of homes over the next 15 years.

### China Hits Alibaba With Record \$2.78 billion Fine for Market Abuses

Chinese regulators hit e-commerce giant Alibaba with a record 18.2 billion yuan (\$2.78 billion) fine on Saturday over practices deemed to be an abuse of the company's dominant market position.

Alibaba, the Jack Ma-founded Chinese e-commerce leader and one of the world's most valuable companies, said it





accepted the penalty and pledged to outline plans for bringing its operations in compliance. The fine appeared to cap a government crackdown on major Chinese tech platforms, and Alibaba in particular, over allegations of anti-competitive behavior and misuse of consumer data.

The State Administration for Market Regulation said it assessed the fine after concluding an investigation into Alibaba that began in December. The probe centered on Alibaba's practice of forbidding merchants who wish to sell their wares on its popular online marketplaces from simultaneously offering them on rival e-commerce sites.

"Since 2015, Alibaba Group has abused its dominant position in the market" with the exclusivity requirement, the regulator said. The requirement harmed competition, innovation, and the interests of merchants and consumers, it added. The fine was a record and nearly three times the almost \$1 billion levied against Qualcomm in 2015, Bloomberg said. The size of the penalty was determined after the market watchdog decided to fine Alibaba four percent of its 2019 sales of 455.7 billion yuan.

Shortly after the decision was announced Alibaba issued a contrite statement that used many of the government's recent talking points on the issue, pledging to make changes to safeguard fair competition. "We accept the penalty with sincerity and will ensure our compliance with determination," it said.

### Germany Set to Upgrade 2021 Growth Forecast

The German government is set to upgrade its growth forecast for this year as industry holds up well to the economic fallout from the coronavirus pandemic, Economy Minister Peter Altmaier said on April 24, 2021.

"In January, we forecast growth of 3.0 percent. Current data show that it will even be slightly higher," Altmaier said in an interview with the Funke media group. Europe's biggest economy shrank by 4.9 percent in 2020 as restrictions to curb the pandemic hit many sectors. The economy ministry is scheduled to unveil its updated gross domestic product forecasts on Tuesday.

"There are reasons to be optimistic," Altmaier said, pointing to better-than-expected data as industry benefits from the global recovery. Nevertheless, he acknowledged that the anti-COVID restrictions — which are being tightened in Germany from this weekend in an attempt to rein in a ferocious third wave of infections — have hit sectors such as retail, gastronomy and hotels particularly hard. The German economy will return to pre-pandemic levels "by 2022 at the latest," Altmaier said. Last week, Germany's leading think-tanks similarly warned that the current wave of the pandemic would put the brakes on economic recovery, but they were pencilling in growth of as much as 3.7 percent this year.

### Saudi Arabia Introduces Banknote of SR200

The Central Bank of Saudi Arabia announced the introduction of a banknote of SR200 denomination, on the occasion of the 5th year since the launch of the Kingdom's Vision 2030, reported the Saudi Press Agency (SPA).

The central bank added that the new note entered circulation from Sunday (April 25, 2021). This issue is based on Article No. (4) of Saudi Monetary Law issued by Royal Decree No. (6). In this regard, the Saudi Central Bank clarified that the Two Hundred Saudi riyal banknote will be put into circulation by Sunday, together with other current banknotes in all its denomination as official legal tender.

The Central Bank stated that the new Two Hundred denomination was printed according to the latest standards in the field of banknote printing. The new denomination is characterized by various technical specifications, high-quality security features, distinctive design, and attractive colors, which highlight the design of this denomination.

Noting that the new banknote comes in gray color with a picture of the founder King Abdul Aziz on the front of the banknote, the logo of the Kingdom's Vision 2030 in 3D design, in addition to the Saudi Central Bank name, and the banknote value in the Arabic letters and numbers.



## MANAGEMENT VIEWS

### Manage a Top Performer Who Is Not a Team Player

Having a supremely talented and confident employee is a wonderful thing, except, of course, if that person is alienating their colleagues. How can you help this dominant personality improve their relationships? For starters, you need to provide some tough feedback. Be honest about how they are being perceived and explain the consequences of their behavior. Say something like, "In order to live up to your talent, you need to consider how you might be standing in your own way." Next, encourage them to develop more empathy and consider their colleagues' perspectives and viewpoints. You might say, "What matters to this person? What is their biggest concern? How can you find common ground with them?" Your objective is to foster their social and self-awareness. But do not expect your efforts to yield immediate results. Behavioral changes take time. Encourage your employee to be patient as well, with themselves and others.

(This tip is adapted from *Managing a Top Performer Who Alienates Their Colleagues*, by Rebecca Knight - HBR.)

### Build Psychological Safety into Conversations About Hybrid Work

Psychological safety, the belief that anyone can speak up without risk of punishment or humiliation, is a key driver of high-performing teams. Good managers have learned to create environments that enable candor around traditional work topics. But as hybrid and remote working arrangements become increasingly complex, managers must make staffing, scheduling and coordination decisions that take into account employees' personal circumstances, a categorically different domain. Here is how to extend psychological safety to these conversations.

**Step 1. Open a dialogue with your team to help them recognize that you are all entering a new work environment together.** As a group, be clear, transparent and up front about the challenges you are facing and your needs and worries, especially as they relate to work-life boundaries.

**Step 2. Lead by example.** Demonstrate the kind of candor and honesty you want to see from your team.

**Step 3. Be patient.** One conversation can set the tone, but building real trust happens over time. Emphasize that the dialogue between you and your team is open ended, confidential and can adapt over time as people's needs change.

(This tip is adapted from *What Psychological Safety Looks Like in a Hybrid Workplace*, by Amy C. Edmondson and Mark Mortensen - HBR.)

**"Perform (good) deeds while you are still in the vastness of this life, while the books are open (for recording your deeds), repentance is allowed, the runner away (from Allah) is being called upon (to revert) and the sinner is being given hope (of forgiveness) before the (light of) action is put off, before time expires, life ends, the door of repentance is closed and the angels ascend to the sky."**

HAZRAT ALI 

### Develop Junior Talent to Build a Diverse Company

For employers to make meaningful progress around diversity, equity and inclusion, they need to focus less on hiring and more on creating systems to develop, promote and retain diverse junior talent. Here are five steps to help you do that in your organization.

**1. Do not just track representation, track mobility.** To evaluate progress toward a truly inclusive workplace, it is important to understand who is moving up within the firm, not just who is employed.



**2. Benchmark to set actionable goals.** How does your firm's mobility compare to other firms in your industry? New data sources mine the online profiles of tens of millions of workers to offer benchmarks for specific peers, roles and locations.

**3. Identify internal reservoirs of talent.** Chart the skills your employees have, not just the roles they are in. This will help you identify capabilities that these employees can leverage as they progress in their careers.

**4. Assess the health of your pipeline.** Audit and analyze the diversity, or lack thereof, at every level of your organization.

**5. Build "talent escalators" for your junior talent.** Invest in training resources and learning opportunities, and proactively roadmap the career paths of your junior employees.

(This tip is adapted from *To Build a Diverse Company for the Long Term, Develop Junior Talent*, by Matt Sigelman and Johnny C. Taylor, Jr. – HBR.)

**Taking Over for a Bad Leader? Follow These Steps.** Every leader has to face their predecessor's legacy. What should you do when you are replacing someone who was particularly inept, unlikeable, or controversial? Here are three strategies that can help you manage the transition and help your team move on:

**1. Acknowledge the contributions of the previous leader.** Do not only highlight their shortcomings or blame them for all of the organization's current challenges.

**2. Create space for reconciliation and establish a direction for the future.** Most bad leaders' actions are, in part, rooted in good intentions. Openly acknowledging the gap between the previous leader's vision and their results will create room for forgiveness and help you set a new course.

**3. Seek to understand your employees' experience.** Some people may remain supportive of previous leadership, while others directly felt adverse effects. Ask your team what they want and need going forward and do your best to oblige.

You do not automatically become a good leader merely by taking over for a bad one. Ultimately, you become a good leader by distinguishing yourself, being inclusive and having an eye toward the future.

(This tip is adapted from *What Good Leaders Do When Replacing Bad Leaders*, by Andrew Blum – HBR.)

## SNIPS

### Nuclear Contamination

Japan has decided to release 1.25 million tonnes of treated wastewater contaminated by the Fukushima nuclear disaster into the sea, raising safety concerns by environmentalists, says The Economist.

### TikTok's Multiple Billions

TikTok's founder Zhang Yiming could be sitting on a fortune of \$60 billion, indicates an article by Bloomberg Business.

### Up in the Air

Chinese business magnate Jack Ma's private jet took a trip once every two days in 2018, making it a total of 173 flights in the 12-month period, maps The Financial Times.



# IBP TRAINING CALENDAR - MAY 2021



**MAY 5**  
**WEDNESDAY**  
10AM - 2PM

Smart Analytics with Lookup Functions in Excel

FACILITATOR: Rahim Zulfiqar Ali

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

ONLINE  
TRAINING

**MAY 8**  
**SATURDAY**  
10AM - 2PM

Collection/ Recovery: Techniques and Skills

FACILITATOR: Adnan Adil Hussain

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

ONLINE  
TRAINING

**MAY 20**  
**THURSDAY**  
2PM - 6PM

Impactful Communication/Email Writing Skills

FACILITATOR: Erum Saleem

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

ONLINE  
TRAINING

**MAY 21**  
**FRIDAY**  
4PM - 8PM

Governance and Management of Bank's IT

FACILITATOR: Syed Muhammad Ali Naqvi

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

ONLINE  
TRAINING

**MAY 22**  
**SATURDAY**  
9AM - 1PM

SBP Guidelines on Compliance Risk Management

FACILITATOR: Aamir Shaukat Hussain

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

ONLINE  
TRAINING

**MAY 22**  
**SATURDAY**  
2PM - 6PM

Trade Based Money Laundering

FACILITATOR: Salim Thobani

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

ONLINE  
TRAINING

**MAY 22**  
**SATURDAY**  
7PM - 10PM

The Role of Design Thinking in Banks

FACILITATOR: Ashar Kazi

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

ONLINE  
TRAINING