



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 15 | ISSUE 50 | DECEMBER 11, 2020

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

PAKISTAN TIDINGS

COVID-19: Impact of SBP's Measures as of Nov 13 – Dec 11, 2020

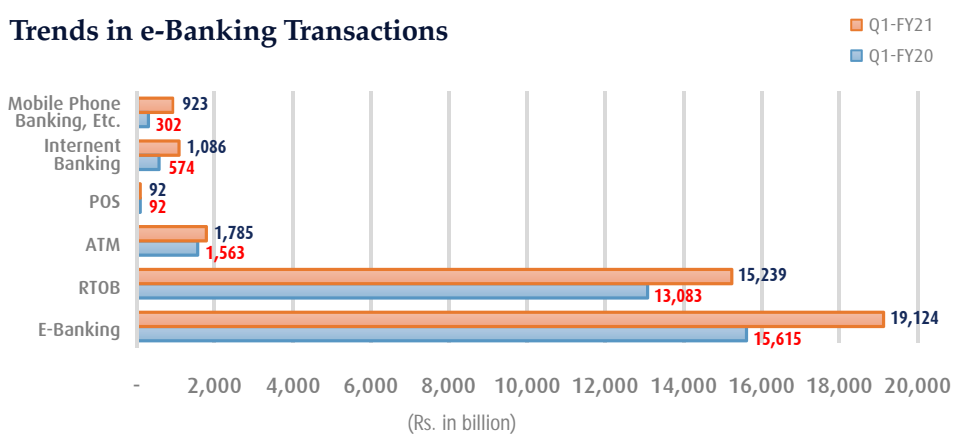
			(Rs. in billion)
Loans Deferred	657.8	Loans Approved for Hospitals	7.8
Loans Restructured	215.6	Loans Approved for Investment	217.5
Loans Approved for Wages	238.0	ATMs' Availability	97 percent

E-Banking Transactions Increased Despite COVID-19 Economic Slowdown

The data on payment systems transactions showed that there had been a significant growth of 22.5 percent registered in retail transactions done through e-banking channels during Q1-FY21 as compared to the same period in the previous year. This becomes more glaring when looked into the context of overall slowdown of the economy in the backdrop of COVID-19 pandemic, where a decline of 8.0 percent was witnessed in the value of the overall transactions in the country during Q1-FY21 as against Q1-FY20.

With continued efforts of Payment Systems Department, State Bank of Pakistan, banking through digital channels has been gaining increasing popularity in the country in recent years. These channels are alternatives for faster delivery of banking services to a wide range of customers. On retail payments side, there are various e-Banking channels like Real Time Online Branches (RTOBs), ATMs, POS, Internet Banking, Mobile Phone Banking, Call Centers/IVR Banking and e-Commerce that facilitate retail value payments. Consequently, the share of e-Banking in overall transactions increased from 9.7 percent in Q1-FY20 to 13.0 percent in Q1-FY21 with growth seen in almost all channels of e-Banking during the period.

Trends in e-Banking Transactions



MARKETS AT A GLANCE

Rates are taken till Friday, December 11, 2020

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.10	7.35
ENDING	7.10	7.35
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 214.88	PKR 194.72	PKR 160.13
ENDING	PKR 211.25	PKR 194.14	PKR 160.14
CHANGE	-3.63	-0.58	+0.01

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	42,207
ENDING	42,470
CHANGE	+263

GOLD RATE

(10 GM, 24K)

STARTING	PKR 100,030
ENDING	PKR 94,123
CHANGE	-5907



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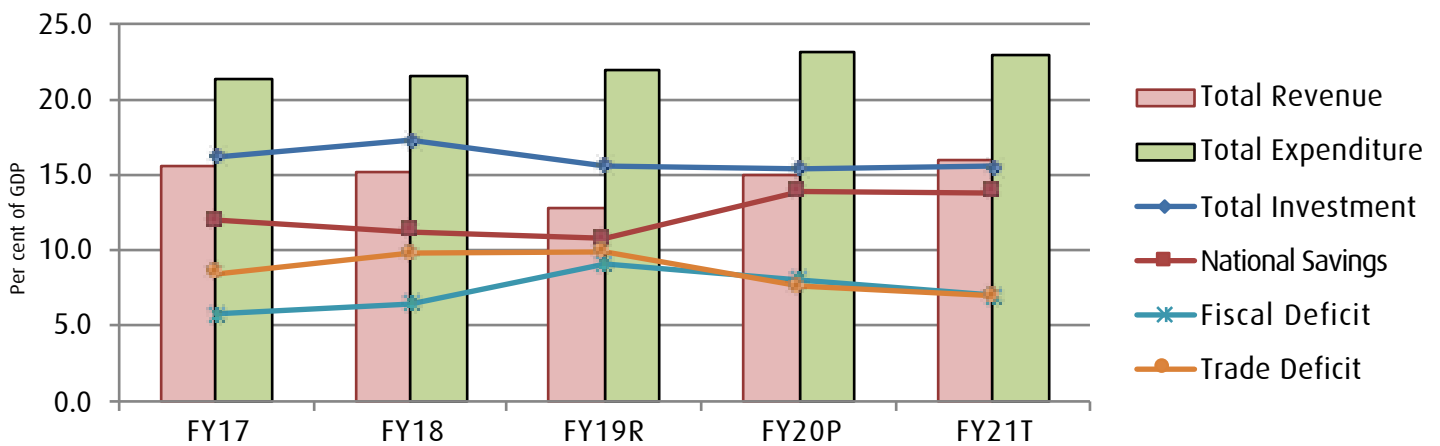
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Pakistan's Major Economic Indicators

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	SEP 2020	OCT 2020
General	4.8	4.7	6.8	10.7	9.0	8.9
Food (Urban)	4.3	3.8	4.6	13.6	12.4	13.9
Non-Food (Urban)	5.1	5.8	8.5	8.3	5.0	13.6

Currency in Circulation as on (Stock data)						Rs. in billion
30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	October 23, 2020	October 30, 2020*	
3,911.3	4,387.8	4,950.0	6,142.0	6,185.3	6,123.7	

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

*Updated figures not available



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Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	27-Nov-20	20-Nov-20	29-Nov-19	Previous Week	Corresponding Week
Investments	11,039.0	11,016.4	7,885.9	0.21	39.98
Gross Advances	8,144.5	8,113.2	8,094.7	0.39	0.62
Borrowings	2,925.6	3,046.6	2,338.1	-3.97	25.13
Deposits and other accounts	16,595.2	16,437.3	14,311.7	0.96	15.96

President of Pakistan, Dr. Arif Alvi Lauds SBP and Banks for Progress in Financial Inclusion of Persons with Disabilities

His Excellency President Islamic Republic of Pakistan Dr. Arif Alvi had an online meeting with Governor State Bank of Pakistan (SBP), Dr. Reza Baqir, SAPM on Poverty Alleviation and Social Safety, Dr. Sania Nishtar, senior SBP officials and Presidents/CEOs of banks on December 4, 2020. The meeting took stock of the progress on decisions made for improving the accessibility infrastructure for persons with disabilities. In response to the President's call, Governor SBP Dr. Baqir, assured that "SBP would continue providing its full regulatory support to increase financial inclusion of persons with disabilities". The banks' Presidents/CEOs also pledged their complete cooperation for this objective.

The Governor appreciated the interest and resolve of the President of Pakistan as a source of inspiration for all the stakeholders. He said that persons with disabilities could economically support themselves and contribute towards society when provided with adequate education, rehabilitation, financial and moral support. "A sizeable number of persons with disabilities do have the required capacity to work and contribute in the mainstream economic activities and thus successfully support their families". Dr. Baqir urged banks to be cognizant of this gap and explore avenues to make inclusion of this untapped segment of the economy a reality. The President of Pakistan appreciated SBP's efforts and performance of banks in improving the accessibility infrastructure at banks for

persons with disabilities and lauded their efforts for increasing financial inclusion of persons with disabilities. He particularly appreciated the establishment of a Working Group by SBP for taking up the agenda. He, however, highlighted that timelines along with a clear vision must be clearly defined for the Working Group and such working groups may also be created at each bank. "Creating awareness regarding various facilities for persons with disabilities is highly imperative and social media can play an important role in this regard", the President emphasized. The President of Pakistan further appreciated SBP's specific role in taking a number of measures to address the likely negative economic impacts on individuals, businesses and banking institutions. "The State Bank's successful measures have reduced the negative impacts of COVID-19 on economic growth, employment generation and at the same time ensured that the banking and payment systems remain healthy", he said.

SBP Issues Regulatory Framework to Facilitate Business to Consumer (B2C) E-Commerce Exports

State Bank of Pakistan (SBP) has issued regulatory framework to facilitate Business-to-Consumer (B2C) e-Commerce exports from Pakistan according to a press release on December 2, 2020. Under the new regulatory framework, the mandatory requirement of 'Export' (E) form has been done away with and now an exporter can export goods up to USD 5,000/- per consignment without the requirement of Electronic/Manual 'E' Form. This step will facilitate exports in small quantities directly to the



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consumers and also help small entrepreneurs and exporters, who typically export varied goods in small quantities and find it cumbersome to fulfill the detailed requirements of 'E' Form that is mainly designed for bulk exports.

A surge in the e-Commerce trends was particularly witnessed during the global lockdown owing to COVID-19 pandemic. In line with these trends, SBP focused on facilitating cross border trade for B2C (Business to Consumer) exports from Pakistan, including by small entrepreneurs and exporters. This was aimed at improving competitiveness and digital connectivity of Pakistani businesses with the global market during the development phase of e-Commerce Policy.

It merits mentioning here that up till now, goods from Pakistan could only be exported after certification of Form-E by the Authorized Dealers (ADs) and subsequent filing of Goods Declaration by the customers with Pakistan Customs. The 'E' Form was required for each shipment with complete description of the goods being exported and had been designed keeping in view the export of large quantities of homogenous goods. However, for exports of small value, different items to individuals destined for different jurisdiction, (as is the case in B2C e-commerce exports) the existing process was not conducive.

In 2000, SBP had issued regulatory instructions to promote B2C e-Commerce, in Foreign Exchange Manual, with primary focus on opening of Internet Merchant Account to facilitate ecommerce. However, with advancement in technology, these instructions needed were required to be replaced. Accordingly, SBP collaborated with the relevant stakeholders including business community, Pakistan Customs, Ministry of Commerce, courier companies and banking industry in a bid to develop a regulatory framework, which not only addresses the market needs but also takes into account regulatory objectives. The new regulatory framework would address the pressing demand of e-commerce exporters, including the small entrepreneurs, besides providing the much needed impetus for the recognition and growth of e-Commerce exports from Pakistan. It would also pave the way for the big corporate

brands, SMEs and startups, to enter the global consumer markets and contribute to the exports earning of the country. The instructions are available at: <https://www.sbp.org.pk/epd/2020/FEC7.htm>

"Verily, the bankrupt of my nation are those who come on the Day of Resurrection with prayers, fasting and charity, but also with insults, slander, consuming wealth, shedding blood, and beating others. The oppressed will each be given from his good deeds. If his good deeds run out before justice is fulfilled, then their sins will be cast upon him and he will be thrown into the Hellfire."

THE PROPHET MUHAMMAD



12.7 percent in Other Countries-Women Hold 1.8 percent of CFO's Positions in Pakistan: SECP

The Securities and Exchange Commission of Pakistan's analysis on the corporate sector revealed that women in Pakistan hold 1.8 percent of the chief financial officer (CFO) positions in companies as compared to 12.7 percent women holding CFO's positions in other countries. The SECP has issued a report on "Women on Board" on December 5, 2020. The SECP has conducted analysis of Pakistan's financial sector with other countries of the world regarding women having positions on key positions in companies.

The analysis found that women hold 12 percent of the board seats of companies in Pakistan as compared to women holding 16.9 percent of the board seats in other countries. Data further revealed that women in Pakistan hold 1.3 percent of the chief executive officer positions in companies as compared to 4.4 percent of the women having CEO roles in other countries.

Data from Pakistan show a definite positive impact of the SECP regulations on board gender diversity in the listed companies. This impact can be seen primarily across three variables: the number of women on boards, the number of independent women directors and as chairpersons.



Women directors have increased by three percent since the regulations were introduced: from 8.8 percent in 2017 to almost 12 percent in 2019. Considering that the percentage remained almost constant between 2015 and 2017, the increase seems to have been driven by the introduction of the 2017 Regulations.

The SECP regulations also seem to have caused a proportionate increase in the number of female independent directors. In 2015 and 2017, the number of such directors was almost constant, at 17 and 16 respectively; however, it has increased to 51 in 2019. At the same time the number of women chairpersons increased from 24 to 33 (an increase of 37.5 percent). However, it is disconcerting to note the downward trend in the number of senior women occupying C-suite positions and this has direct implications for the lack of a healthy corporate pipeline of future business leaders.

The proportion of listed companies with women directors also shows an increase from 31 percent in 2017 to 58 percent in 2019. Between 2015 and 2017, the increase was only of 3 percent. Listed companies with at least one woman director have increased from 84 in 2017 to 163 in 2019.

Perhaps the most important finding that can be made from the data collected from Pakistan is that there is a clear correlation between gender diversity on boards and financial performance of listed companies. Listed companies were segregated into those with and without women on their boards and the average return on assets (ROA) and return on equity of both groups calculated.

The results show that the financial performance of companies with women is higher in both 2017 and 2019. The SECP then looked at these returns on a sector basis. The percentage by which these values are higher, varies from sector to sector, but the correlation is more. Some of the sectors showing the greatest increase in the number of women on boards show a corresponding increase in ROA and Return on Equity (ROE). These include the financial, textile and engineering and automobile sectors.

INTERNATIONAL SCENARIO

Bitcoin Eyes \$50k Until the End of 2021 Amid Alarm Bells

Is Bitcoin a mind-boggling investment or merely fool's gold? Undeterred by such grave scepticism raised by some eminent economists on its sustainability and intrinsic value, the world's most popular cryptocurrency has been predicted to continue its relentless bull-run until the end of 2021 with its price soaring to \$50,000 per coin.

The cryptocurrency, which hit a record high of \$19,860 surpassing its former ceiling of \$19,783 posted in December 2017, is expected to maintain its propensity to advance in price into 2021, with macroeconomic, technical and demand versus supply indicators supportive of \$50,000 target resistance, implying about a \$1 trillion market cap," Bloomberg Crypto noted in its monthly report. As per data source Skew, open interest in the bitcoin futures listed on the Chicago Mercantile Exchange has risen above \$1 billion for the first time on record compared with closer to \$120 million in 2019. Bloomberg analysts said they expect these trends to continue in 2021 because major central banks and governments are unlikely to scale back or halt their inflation-boosting stimulus programs anytime soon. The unconventional policies adopted by authorities to counter the coronavirus-induced slowdown have boosted demand for bitcoin and gold this year.

UK Public's £100 billion COVID Savings Could Help Recovery

Excess savings of about £100.0 billion built up by UK households during COVID-19 lockdowns are now being spent and could speed up Britain's economic recovery, according to the Bank of England's chief economist. Andy Haldane told the Daily Mail there was "huge pent-up demand" and that a big spending spree could help the economy bounce back more quickly than forecasters expected.

He said the UK savings ratio, which measures how much of disposal incomes is set aside, rose to 29.0 percent between April and June, compared with 6.8 percent in the same period last year. The ratio is more than twice as



high as the previous record of 14.4 percent, set almost three decades ago. Haldane said the surge in saving had not been evenly balanced across society. While many office workers have saved money by working from home, thousands of other people, especially younger workers and women, have lost their jobs in the hospitality and retail sectors.

"Nonetheless it did mean there is a pool of excess savings – excess because they weren't planned," he said. "As people's incomes held up and spending was restrained, they have amassed around £100.0 billion of excess savings."

The Bank's chief economist added: "People are using their involuntarily-accumulated savings on a new house or a new car. [But] plenty of that pent-up demand is still in the tank ... there are plenty of those savings still to be used."

COVID-19 Could Push 207 million More People into Extreme Poverty by 2030: UNDP

An additional 207 million people could be pushed into extreme poverty by 2030, due to the severe long-term impact of the coronavirus pandemic, bringing the total number to more than a billion, a new UN Development Program (UNDP) study has revealed.

According to the study, such a "high damage" scenario would mean a protracted recovery from COVID-19, anticipating that 80 percent of the pandemic-induced economic crisis would continue over a decade. A "Baseline COVID" scenario, based on current mortality rates and the most recent growth projections by the International Monetary Fund, would result in 44 million more people living in extreme poverty by 2030 compared to the development trajectory the world was on before the pandemic.

Achim Steiner, UNDP Administrator, highlighted that the COVID-19 pandemic is a "tipping point" and the future would depend on decisions made today. "As this new poverty research highlights, the COVID-19 pandemic is a tipping point and the choices leaders take now could take the world in very different directions. "We have an opportunity to

invest in a decade of action that not only helps people recover from COVID-19, but that re-sets the development path of people and planet towards a fairer, resilient and green future," Steiner added.

The concerted Sustainable Development Goals (SDGs) interventions suggested by the study combine behavioral changes through nudges for both governments and citizens, such as improved effectiveness and efficiency in governance and changes in consumption patterns of food, energy and water. The proposed interventions also focus on global collaboration for climate action, additional investments in COVID-19 recovery and the need for improved broadband access and technology innovation.

China's November Exports Rise at Fastest Pace Since February 2018

China's exports rose at the fastest pace since February 2018 in November, helped by strong global demand and as the factory recovery from the coronavirus in the world's second-largest economy outpaced those of its major trading partners.

Exports in November rose 21.1 percent from a year earlier, customs data showed soundly beating analysts' expectations for a 12.0 percent increase and quickening from an 11.4 percent increase in October. Imports rose 4.5 percent year-on-year in November, slower than October's 4.7 percent growth and underperforming expectations in a Reuters poll for a 6.1 percent increase, but still marking a third straight month of expansion.

That has led to a trade surplus for November of \$75.42 billion, the largest since at least 1981 and wider than the poll's forecast for a \$53.5 billion surplus and \$58.44 billion surplus in October. Booming sales of fridges, toasters and microwaves to households across the locked-down world have helped propel China's manufacturing engine back to life, super-charging demand for key metals like steel, copper and aluminium, after a sharp slump early in the year.

In another sign of brisk trade, China's export surge and the low turnaround rate of containers from abroad have triggered a recent shortage of containers domestically,



state media China Daily reported. A spate of early month economic data showed China's economic recovery from the coronavirus pandemic has stepped up, with manufacturing surveys showing new export orders expanding at a faster pace for November 2020.

"The doer of good is better than the good itself,
and the doer of evil is worse than the evil itself."

HAZRAT ALI 

Japan Announces \$708 billion in Economic Stimulus to Help Recovery from COVID-19

Japan will compile a fresh 73.6 trillion yen (\$708 billion) economic stimulus package to speed up the country's recovery from its deep coronavirus slump, Prime Minister Yoshihide Suga said on December 8, 2020. The new package will include about 40 trillion yen in direct fiscal spending and initiatives targeted at reducing carbon emissions and boosting digital technologies, Suga said in a meeting with ruling party executives.

Policymakers globally have unleashed a wall of monetary and fiscal stimulus to prevent a deep and prolonged recession as the coronavirus closed international borders and sent millions out of work. In the United States, a \$908 billion coronavirus aid plan is currently under debate in Congress.

Suga's cabinet is set to endorse the stimulus package, which would bring the combined value of coronavirus-related stimulus to about \$3 trillion. Two previous packages this year worth a combined \$2.2 trillion focused on dealing with the immediate strain on households and business from the pandemic. "We have compiled these measures to maintain employment, sustain business and restore the economy and open a way to achieve new growth in green and digital areas, so as to protect people's lives and livelihoods," Suga said at the meeting.

MANAGEMENT NEWS & VIEWS

As Millennials Near 40s, They Are Approaching Family Life Differently Than Previous Generations

As Millennials reach a new stage of life – the oldest among them will turn 39 this year – a clearer picture of how members of this generation are establishing their own families is coming into view. Previous research highlights not only the sheer size of the Millennial generation, which now surpasses Baby Boomers as the largest, but also its racial and ethnic diversity and high rates of educational attainment. This research also notes that Millennials have been slower than previous generations to establish their own households.

A new analysis of government data by Pew Research Center shows that Millennials are taking a different path in forming – or not forming – families. Millennials trail previous generations at the same age across three typical measures of family life: living in a family unit, marriage rates and birth rates.

Living with a family is defined here as living with a spouse, one's own child (or children) or both a spouse and child. Using this definition, Millennials are much less likely to be living with a family of their own than previous generations when they were the same age. In 2019, 55 percent of Millennials lived in this type of family unit. This compares with 66 percent of Gen Xers in 2003, 69 percent of Boomers in 1987 and 85 percent of members of the Silent Generation in 1968.

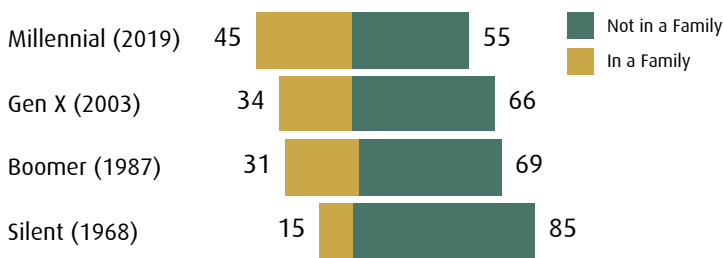
Millennials lag furthest behind in the share living with a spouse and child. Only three-in-ten Millennials fell into this category in 2019, compared with 40 percent of Gen Xers, 46 percent of Boomers and 70 percent of Silents when they were the age Millennials are now. At the same time, the share of Millennials who live with a spouse and no child is comparable to previous generations (13 percent), while the share living with a child but no spouse (12 percent) is the same as Gen X but higher than Boomers and Silents.



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

More than four-in-ten Millennials do not live with a family of their own

% of 23- to 38 year-olds living ...



Note: A person is considered to be in a family if they reside with a spouse, their own child (including those who are biological, adopted and/or stepchildren) or both. Adults who have a spouse that is currently living apart from them (but from whom they are not legally separated) are considered to be living with that spouse for this analysis.

Source: Pew Research Center analysis of 1968, 1987, 2003 and 2019 Current Population Survey Annual and Economic Supplement (IPUMS).

TIPS

Tips for Giving a Persuasive Presentation

When you need to sell an idea at work or in a presentation, how do you do it? Five rhetorical devices can help: Aristotle identified them 2,000 years ago and masters of persuasion still use them today:

- **Ethos:** Start your talk by establishing your credibility and character. Show your audience that you are committed to the welfare of others and you will gain their trust.
- **Logos:** Use data, evidence and facts to support your pitch.
- **Pathos:** People are moved to action by how a speaker makes them feel. Wrap your big idea in a story that will elicit an emotional reaction.
- **Metaphor:** Compare your idea to something that is familiar to your audience. It will help you clarify your argument by making the abstract concrete.

- **Brevity:** Explain your idea in as few words as possible. People have a limited attention span, so talk about your strongest points first.

(Adapted from *The Art of Persuasion Hasn't Changed in 2,000 Years*, by Carmine Gallo.- HBR)

Create an Inclusive Culture for Your Hybrid Team

When the pandemic began, many of us transitioned from office life to working from home in a matter of days. But the return to the office will likely look different, with many teams becoming a “hybrid” of in-person and remote colleagues. So how can managers ensure that everyone feels equally included and valued in meetings? First, resist the bias toward in-house feedback. Elicit contributions from your remote employees before people in the room and solicit input outside of the meeting itself. You can email the team questions like “What might we have missed in our last discussion?” or set up one-on-ones with people who might have a harder time speaking up. Finally, mix up your regular meetings. For example, you might rotate who hosts, giving remote employees a chance to lead the meeting. Encourage each host to come up with an icebreaker or “check-in” exercise, this small act can invigorate a distanced team. Make sure to continue virtual check-ins and social occasions to sustain team camaraderie. Being inclusive of all of your team members, regardless of their location, is imperative to your team’s wellbeing.

(This tip is adapted from *Do Your Remote Employees Feel Included in Meetings?* by Erica Dhawan. – HBR)

**17 DECEMBER
THURSDAY**

2PM - 5PM

SBP Guidelines on Compliance Risk Management

FACILITATOR: Shahid Abbas

COURSE FEE: PKR 5,000/- (Excluding Sales Tax)

ONLINE
TRAINING

**18 DECEMBER
FRIDAY**

10AM - 1PM

Business Continuity/Disaster Recovery Planning

FACILITATOR: Azhar Hussain

COURSE FEE: PKR 5,000/- (Excluding Sales Tax)

ONLINE
TRAINING

**18 DECEMBER
FRIDAY**

4PM - 7PM

Development of Positive Organizational Behavior in Banks

FACILITATOR: Aisha Bela Malik

COURSE FEE: PKR 5,000/- (Excluding Sales Tax)

ONLINE
TRAINING

**19 DECEMBER
SATURDAY**

4PM - 7PM

SBP Guidelines on Payment and Collection of Cheques,
Frauds & Forgery - Measures to Mitigate Risks in Payment

FACILITATOR: Naveed Elahi Malik

COURSE FEE: PKR 5,000/- (Excluding Sales Tax)

ONLINE
TRAINING

**21 DECEMBER
MONDAY**

2PM - 5PM

Managing Branch Operations - Tools & Techniques

FACILITATOR: Saifuddin Ahmed

COURSE FEE: PKR 5,000/- (Excluding Sales Tax)

ONLINE
TRAINING

**22 DECEMBER
TUESDAY**

10AM - 1PM

SBP Currency Management Strategy & Penalty Structure - Latest Updates

FACILITATOR: Muhammad Mazherul Haq

COURSE FEE: PKR 5,000/- (Excluding Sales Tax)

ONLINE
TRAINING

**22 DECEMBER
TUESDAY**

4PM - 7PM

Digital Sales and Marketing

FACILITATOR: M.A. Hijazi

COURSE FEE: PKR 5,000/- (Excluding Sales Tax)

ONLINE
TRAINING