



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 15 | ISSUE 51 | DECEMBER 18, 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 16, 2020

			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	7.8
Loans Restructured	215.0	Loans Approved for Investment	222.7
Loans Approved for Wages	238.0	ATMs' Availability	96 percent

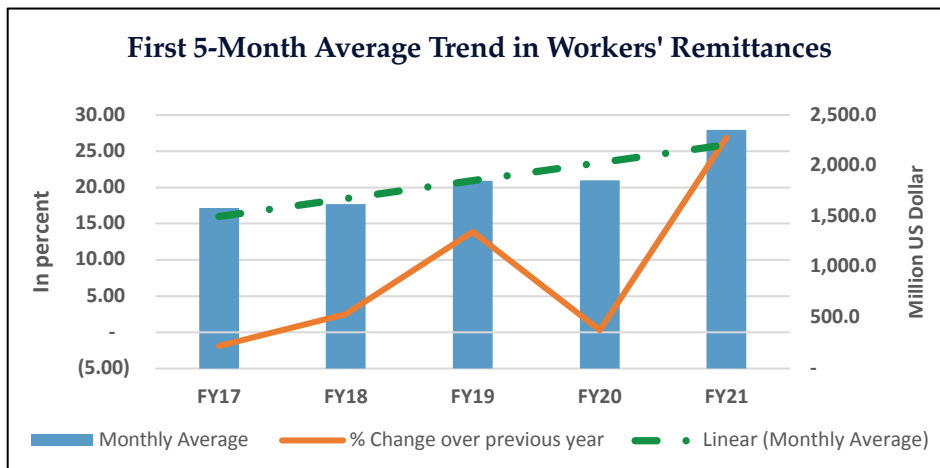
November 2020 Sees Another Record Growth in Workers' Remittances

According to the press release issued by State Bank of Pakistan (SBP), workers' remittances maintained their strong momentum in November, remaining above US\$ 2 billion for a record 6th consecutive month of calendar year 2020.

Workers' remittances rose to \$ 2.34 billion in November, 2.4 percent higher than in October and 28.4 percent higher than November last year. During the first five months of FY21, workers' remittances have reached an unprecedented level of US\$ 11.77 billion, 26.9 percent higher than the same period last year. On average, workers' remittances have been about half a billion (US\$ 499 million) higher in each month of FY21 as compared to the same period last year. Remittance inflows during the first five months of FY21 have mainly been sourced from Saudi Arabia (\$ 3.3 billion), United Arab Emirates (\$ 2.4 billion), United Kingdom (\$ 1.6 billion) and United States (\$ 1.0 billion).

"Continued government and SBP efforts to formalize remittances under the Pakistan Remittances Initiative (PRI), rising use of digital channels amid limited cross-border travel, orderly exchange market conditions and some improvement in global economic activity are some of the important factors behind the sustained improvement in workers' remittances", SBP said.

First 5-Month Average Trend in Workers' Remittances



MARKETS AT A GLANCE

Rates are taken till Friday, December 18, 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 211.25	PKR 194.14	PKR 160.14
ENDING	PKR 216.82	PKR 196.22	PKR 160.09
CHANGE	+5.57	+2.08	-0.05

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	42,470
ENDING	43,740
CHANGE	+1270

GOLD RATE

(10 GM, 24K)

STARTING	PKR 94,123
ENDING	PKR 96,734
CHANGE	+2611



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 02

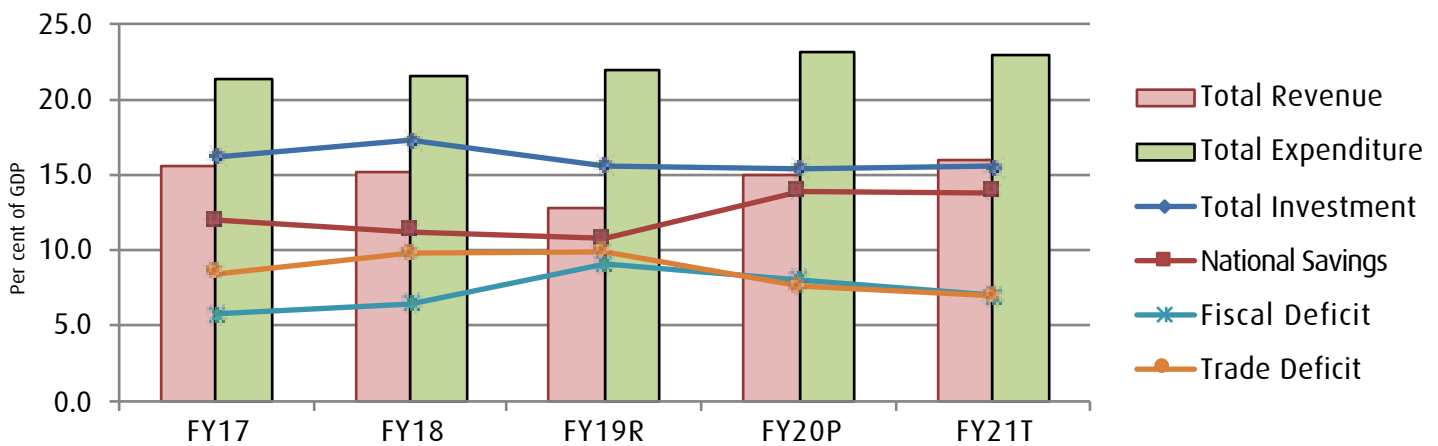
VOLUME 15 | ISSUE 51 | DECEMBER 18, 2020

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

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	November 27, 2020	December 04, 2020
3,911.3	4,387.8	4,950.0	6,142.0	6,202.2	6,305.1

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



Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	4-Dec-20	27-Nov-20	6-Dec-19	Previous Week	Corresponding Week
Investments	11,058.5	11,039.0	8,194.2	0.18	34.96
Gross Advances	8,162.2	8,144.5	8,097.7	0.22	0.80
Borrowings	2,929.7	2,925.6	2,532.9	0.14	15.67
Deposits and other accounts	16,615.5	16,595.2	14,158.8	0.12	17.35

Governor SBP, Dr. Reza Baqir, Appointed as Deputy Chairman of the Council of Islamic Financial Services Board

The Islamic Financial Services Board (IFSB) Council in its 37th meeting, held on 10th December 2020, appointed Governor State Bank of Pakistan, Dr. Reza Baqir, as the Deputy Chairman of the Council for the year 2021, according to a SBP press release. IFSB Council is the highest level policy making body comprising of the Central Bank Governors and heads of the leading regulatory and supervisory authorities. The announcement was made in the Council meeting chaired by Datuk Nor Shamsiah Mohd Yunus, the Governor Bank Negara Malaysia and was attended by the Central Bank Governors and heads of Regulatory and Supervisory Authorities of more than 20 countries. During the meeting, Governor Dr. Reza also participated in a tour de table discussion on economic and financial stability under COVID-19 pandemic. He shared with the Council members the measures taken by State Bank in combating COVID-19 challenges by providing required liquidity support to banks through various regulatory interventions and concessionary refinance schemes to businesses through banks to avoid layoffs, direct support for hospitals and for new investments.

The IFSB, established in 2003 at Kuala Lumpur, Malaysia, is the international standard-setting organization that promotes the soundness and stability of global Islamic financial services by issuing prudential standards and guiding principles for the industry. Since its inception, IFSB has issued 22 Standards, 7 Guidance Notes and 3

Technical Notes for Islamic financial services industry covering areas such as risk management, capital adequacy, transparency and disclosure, Shariah governance, corporate governance etc.

To strengthen regulatory and supervisory infrastructure for Islamic banking industry in Pakistan, the State Bank of Pakistan has adopted various IFSB prudential standards and guidelines after necessary customization in the light of prevailing local legal and regulatory environment. State Bank of Pakistan, being the founding member of IFSB has played an active role in achieving the objectives of the IFSB through representation in its various forums. State Bank of Pakistan has been promoting Islamic banking through multi-pronged strategy as a consequence of which Islamic banking assets and deposits have a market share of more than 16 percent in the overall banking industry now. Islamic Banking Institutions have presence in more than 120 districts of Pakistan through a network of more than 3,300 branches. Acknowledging its key role in promotion of Islamic banking, various international organizations have awarded State Bank of Pakistan as the best Central Bank for a number of times.

President of Pakistan Appreciates SBP for the Leadership Role in Promoting Financial Inclusion of Women and Digital Payments

The President of Pakistan, Dr. Arif Alvi, has appreciated the Governor State Bank of Pakistan (SBP), Dr. Reza Baqir, for leading the initiatives of SBP in the areas of women empowerment through financial inclusion and expanding



the landscape of digital payments in the country. He was addressing 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, Presidents/CEOs of banks and other stakeholders. On Women Empowerment, Governor SBP gave a detailed briefing to the President about a number of regulatory and financing measures to enhance the flow of financial services to women. He said that SBP has been providing financing, under its subsidized Refinance and Credit Guarantee Scheme for Women Entrepreneurs, since 2017 to facilitate women-owned startups and small scale businesses by providing loans of up to Rs. 5 million. To particularly benefit the women of Balochistan encouraging them to avail loans under this scheme, he apprised the President, that a quota of 20 percent has been reserved for women entrepreneurs of Balochistan. Adding further, Governor Baqir shared that SBP's efforts are aligned with the Government's priorities of encouraging self-employment as, under the Prime Minister Kamyab Jawan Youth Entrepreneurship Scheme, a quota of 25 percent has also been reserved for women. "SBP is collaborating with Ehsaas program to implement the Prime Minister's vision of having 'One Woman One Account' beyond the existing facility of cash disbursements through branchless banking agents only", he remarked.

He also highlighted the key features of SBP's upcoming 'Banking on Equality' Policy, which would engender equality in banking and reduce gender gap in financial inclusion. On digital payments, the Governor SBP briefed the President on various initiatives to promote it in the country. He elaborated SBP's multipronged strategy including developing an interoperable and digital payments infrastructure, providing enabling legal and regulatory environment, ensuring security of digital payment channels and finally promoting and experimenting with new technologies and fintech companies.

Sharing numbers on the progress of digital payments, Governor Baqir updated the President that digital transactions in Pakistan have seen an upward trend in recent years. "During FY20, 906 million transactions amounting to Rs. 66 trillion were processed through retail e-Banking

channels, whereas internet-banking channels processed 57 million transactions amounting to Rs. 3 trillion", he highlighted. "A promising growth could also be witnessed in mobile banking with 3 million new users added within one year and overall number of transactions of 83 million worth Rs. 2 trillion during FY20". Further, e-commerce transactions amounting to Rs. 35 billion were conducted and bill payments worth Rs. 213 billion were made by consumers using digital payment channels in Pakistan.

The President of Pakistan, Dr. Arif Alvi, thanked Governor for SBP's efforts and progress on women empowerment and promotion of digital payments. He also acknowledged the role of MPG in unlocking the potential for economic benefits. He also appreciated the idea that the young female entrepreneurs with large social media following may be identified as brand ambassadors to create awareness among public about SBP policies and products for promoting gender financial inclusion. SAPM, Dr. Sania Nishtar thanked SBP for its support and added that they are working with SBP on use of micro payment gateway for facilitating digital payments to Ehsaas beneficiaries

Federal Board of Revenue Intensifies Operations Against Illicit and Smuggled Cigarettes

Tobacco sector is one of the leading sectors of revenue contribution and realizing this significance, Federal Board of Revenue (FBR) has instructed its field formations to gear up their anti-smuggling operations against illicit and smuggled cigarettes, according to a press release on December 11, 2020. DG (I&I IR) and DG (I&I Customs) and Collectors have been instructed by the chairman FBR to supervise the operations and ensure that every possible avenue of illicit trade in tobacco sector be checked so that huge revenue leakages can be prevented.

I & I Customs has seized 6.7 million cartons of smuggled cigarettes from July 2020 to November 2020 having approximate value of Rs. 542 million whereas IREN (Inland Revenue Enforcement Network) established in September 2019 with a Chief Coordinator, Central Field Coordinator and seven regional enforcement hubs all across Pakistan, tasked to conduct raids and seizures on the counterfeit and non-duty paid cigarettes has seized



35.8 million sticks of cigarettes during the period from July 2020 to November 2020. FBR further clarified that despite ongoing health hazards, its teams are making all out efforts to curb the menace of smuggled, counterfeit and non-duty paid cigarettes.

SECP Establishes First Ever Business Centre for Swift Company Registration

According to the press release issued on December 16, 2020, Security and Exchange Commission of Pakistan (SECP) has established its first ever Business Centre for swift incorporation of companies and to respond investor's requests for information and queries instantly. This measure has been taken to rigorously pursue SECP's objective of providing ease of doing business. The Business Centre is located at NICL Building 63, Islamabad. The Business Centre is well equipped with professional team and latest technology to promptly process company's incorporation applications, having registered office/correspondence address within the jurisdiction of CRO, Islamabad. The Business Centre is expected to improve the overall user experience with SECP. The SECP has already rationalized and reduced the incorporation fee, simplified registration forms and significantly reduced the turnaround time for incorporation of a company. The establishment of Business Center is a step forward to centralize the process of business registration in Pakistan, which will ensure uniformity of practices, improve turnaround time and smooth resolution of any problems.

Adviser to PM on Finance and Revenue Addresses the Plenary Meeting of the Global Forum

Adviser to the Prime Minister on Finance and Revenue Dr. Abdul Hafeez Sheikh addressed the Plenary Meeting of the Global Forum on "Transparency and Exchange of Information for Tax Purposes 2020", organized by The Organization for Economic Co-operation and Development (OECD). In his online remarks, Adviser Finance stated that Pakistan has achieved important milestones in transparency and exchange of information. He appreciated the technical support extended by the Global Forum and the UK Government which was instrumental in implementing the Common Reporting Standard (CRS). At present, Pakistan is one of the few developing countries among the early adopters of the CRS and began exchanging data with partner jurisdictions in less than 02 years, he added. The Adviser outlined that Tax Transparency and Exchange of Information (EOI) are powerful tools to enhance tax compliance. Pakistan is firmly committed to fighting tax evasion and other illicit financial flows and need more international cooperation for cross-border assistance in tax recovery, he stressed. Dr. Sheikh also briefed the forum about the negative impact of COVID-19 pandemic and measures taken by the Government to mitigate sufferings of the vulnerable groups. During COVID-19, Government of Pakistan introduced "Smart Lockdown" to contain the spread of the disease with the need to keep the economy functional, a measure which was acknowledged worldwide. The Smart Lockdown allowed many businesses to re-open or continue operations on limited scale to lessen the adverse economic impact during testing times. The Government of Pakistan gave cash payments to 15 million families under "Ehsaas Emergency Cash Payments". Adding further, he said, "Amid COVID-19, Government has taken several initiatives to accelerate economic recovery. A relief package for Small Medium Enterprises (SMEs) shielded against insolvency and joblessness. Similarly, a special package was announced to boost Construction sector which included amnesty scheme, tax exemption and Rs.33 billion subsidy to stimulate economic growth. Pakistan has registered an upward trend in foreign remittances and FDI during first quarter of FY-2020-21. The Government is firmly committed to correct fundamentals of the economy through effective policy making and targeted reforms". The end goal is to achieve sustainable economic growth, he concluded.

The Messenger of Allah, peace and blessings be upon him, said, "I swear an oath by Allah on three qualities and I will tell you about them, so memorize them: the wealth of a servant is not decreased by charity, a servant is not wronged by oppression and he endures it patiently but that Allah increases him in honor, and no servant opens the door of begging but that Allah opens for him the door of poverty."

THE PROPHET MUHAMMAD





INTERNATIONAL SCENARIO

Brexit Impact: Frankfurt Attracts London Banks and Financial Institutions

More than four years after the vote that took Britain out of the European Union, Frankfurt is emerging the winner among EU financial capitals in attracting London's much-coveted banking business, ahead of Paris, Milan and Amsterdam. The Bundesbank estimates that non-German banks could move 675 billion euros (\$817 billion) to Europe's largest economy. That is just over half the total amount of assets (1.3 trillion euros) that the ECB had estimated would be transferred to the eurozone from Britain ahead of Brexit. Since the vote, banking giants Morgan Stanley, JP Morgan and Goldman Sachs have said they will shift more than 350 billion euros in combined assets from London to Germany.

More than 60 international banks have also signed up with the German financial regulator BaFin. Brexit, as Hubertus Vaeth, Managing Director of the financial center initiative Frankfurt Main Finance said, marks an "opportunity to turn the tide" of "30 years of continuously losing business to London." Already, the switch has been visible in the type of business being done in the city, which is also home to the European Central Bank. Before Brexit, Frankfurt's large financial community, around 65,000 bankers, were focused on commercial banking, not investment banking. While some dismiss Frankfurt as boring compared to vibrant London, others enjoy the city of 700,000 people for its manageable size, easy-going vibe and its close access to nature.

Saudi Arabia Plans Spending Cuts in 2021 as Economy Recovers

The kingdom will stick to its plan to cut spending by 7.3 per cent in 2021 after its deficit widened dramatically this year, according to an annual budget statement released on December 15, 2020. Saudi Arabia said its spending plans for next year would be expansionary, as it leans more heavily on government-controlled funds to make up for cuts to a finance ministry budget battered by a decline in oil prices and the coronavirus pandemic.

Spending is projected at 990 billion riyals (\$264 billion). Revenue is expected to rise to 849 billion riyals. The budget deficit is expected to narrow to 141 billion riyals, or 4.9 per cent of economic output, compared to nearly 300 billion riyals, or 12 per cent of gross domestic product, this year.

"We still believe we are not out of the woods yet and we wanted to make sure we had enough financing for the health service and make sure we are prepared for a wave two, God forbid, to hit Saudi Arabia," Finance minister Mohammad Al-Jadaan said in an interview with Bloomberg Television.

"Guard yourselves against cold in its (seasonal) beginning and welcome it towards its end because it affects bodies in the same way as it affects plants. In the beginning, it destroys them, but in the end it gives them fresh leaves."

HAZRAT ALI



Singapore to Open New Lane for Business Travelers, House Them in Bubble

Singapore will start a new travel lane for "business, official and high economic value travelers" that will allow people to come to the city-state without quarantine for short-term stays and reside in a dedicated "bubble" facility near the airport. The travel lane, announced by Minister for Trade and Industry Chan Chun Sing on December 15, 2020, builds on Singapore's efforts to reopen its borders in a controlled manner. The Southeast Asian nation, which has largely beaten back the coronavirus, announced Monday that it will progress to the third and final phase of its national COVID-19 response strategy on December 28. Earlier this month it was revealed that the World Economic Forum has held preliminary talks with officials in Singapore about relocating its high-profile Davos annual meeting to the city-state. Applications for the new travel lane will open next month. People from all countries can apply but must adhere to the travel lane's strict health and testing protocols. For the duration of their up to 14-day stay, visitors will be housed in a "bubble" within a dedicated facility, undergo testing upon arrival



and on days three, five, seven and 11, and must observe all prevailing safe management measures. They will be able to conduct meetings with local visitors and with other segregated travel lane groups at the facility, however if they are meeting with locals, travelers will need to remain behind floor-to-ceiling dividers.

The arrangement is primarily aimed at official and multinational business meetings, as well as medical consultations, private banking transactions and document signings or legal consultations. Its target audience is mainly short-term visitors who do not intend to stay longer than a few days.

"Guests can meet their local counterparts or other guests from the region safely in specially designed meeting rooms outfitted with air-tight glass panels, reducing the risk of transmission," Temasek said in a statement. "Entrances, exits and ventilation systems for both guests and Singapore-based visitors are separated" and there will be "a rigorous COVID-19 testing regime for guest travelers before and throughout their stay, as well as prior to departing the facility for their home countries." Meals will be delivered to pre-installed shelves outside guest rooms and guests can also opt for additional food and beverage options via vending machines.

Supermarkets 'Told to Stockpile Food' as Fears Grow of No-Deal Brexit

The UK government is reported to have warned supermarkets to stockpile food and other essential supplies amid increasing fears of a no-deal Brexit in less than three weeks' time. Boris Johnson and the president of EU commission, Ursula von der Leyen, agreed on December 13, 2020 to continue with the fraught trade negotiations, but ministers have played down the chances of a deal.

In anticipation of shortages prompted by a no-deal, ministers have told supermarkets to start stockpiling goods, according to the Sunday Times. "There was a conversation a week ago when ministers said prepare for no-deal. This weekend the message is that it's no-deal," a senior consultant to one of the big supermarkets told the paper. The consultant added: "Supermarkets and

ministers are hugely worried about panic-buying. They saw what happened over COVID when people started hoarding toilet rolls and now how quickly it can go wrong."

Food producers have warned supplies of fresh vegetables will be worst hit if tariffs were imposed on goods in the event of a no-deal. They say shortages could last for at least three months. Andrew Opie, the director of food and sustainability at the British Retail Consortium, said: "Retailers and suppliers are doing everything they can to reduce disruption for consumers, including increasing the stock of non-perishable items and looking at alternative supply routes. "The main impact [of] Brexit will be on imported fresh produce, such as much fresh fruit and vegetables, which cannot be stored for long periods by either retailers or consumers." The government has also told suppliers of medicines, medical devices and vaccines to stockpile six weeks' worth at secure locations in the UK.

MANAGEMENT VIEWS

TIPS

Scan the Entire Room During a Presentation

Imagine yourself pitching an idea to a group of people. As you speak, you quickly scan the audience, your attention jumping from face to face. What are they thinking? Research shows that when looking at a group, you are more likely to focus on faces expressing strong emotions, whether positive or negative and pay less attention to the more mild expressions in the crowd. This is a mistake: If you only zero in on the more expressive faces in your audience, you are likely to project those emotions onto the rest of the crowd, overestimating the reaction of the entire audience. Since this attention bias is stronger for faces showing negative sentiments, you might assume that your presentation is going over worse than it is. To counter this tendency, intentionally survey every face in the room, or on Zoom. This will leave you with a more accurate, measured



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

estimation of the atmosphere and how your audience truly feels about what you are saying.

(This tip is adapted from *Don't Focus on the Most Expressive Face in the Audience*, by Amit Goldenberg and Erika Weisz. - HBR)

Support Your Team Through the Weirdness of This Moment

Our personal and professional lives have collided during the COVID-19 pandemic and nearly everyone is going through some sort of life disruption right now. It is a new territory for many managers, who are trying to help team members navigate these transitions in a way that does not upend their work lives. What role should you play at this time when employees may need you more than ever? First, provide a calm, empathetic perspective. Simply tell your people, "You will get through this," and remind them that big life changes always have a beginning, middle and end. You might even encourage them to identify a ritual to mark the moment and signal that they are ready for what comes next. This might include taking a vacation, doing a digital detox, or embarking on a special creative project unrelated to work. Finally, encourage, but do not pressure, team members to open up about their challenges. When people share difficult experiences, their blood pressure, heart rate and other physiological functions rise in the short term, but then fall to below where they were before and remain there for weeks. Solidarity and openness can be cathartic, so encourage this kind of closeness on your team.

(This tip is adapted from *Managing Someone Whose Life Has Been Upended*, by Bruce Feiler. - HBR)

Infuse Purpose into Everything Your Company Does

Your organization's purpose can be a slogan that gets slapped on a T-shirt, or it can be an effective north star to guide your employees. But there are three pitfalls that sink even the most well-intended purpose efforts. The first mistake is not having clear metrics to help you track

whether you are actually fulfilling your overall goal. As you set out to achieve a big-picture purpose, identify at least one simple metric, even if it is an imperfect measure, that will keep your team's work in check. The second pitfall is a failure to reinforce purpose with your sales team. When the pressure to hit revenue targets intensifies, it is easy to let a high-minded mission fall by the wayside. Make sure everyone in sales knows that delivering on organizational purpose is as crucial as hitting financial targets. The last mistake is missing the opportunity to inspire your employees. Make the purpose real for people by asking them some key questions: How does our work make a difference? How do we positively impact our clients, our team and our community? What role do you play in delivering on our purpose? Encouraging people to identify their own connection to your purpose (versus telling them what it ought to be) will help you turn a corporate mantra into personal motivation.

(This tip is adapted from *3 Mistakes That Stymie Corporate Purpose Initiatives*, by Lisa Earle McLeod. - HBR)

SNIPS

Expensive Spice

The price of National's chilli powder increased by 86.31 percent in the week ending on November 12 compared to the same week the year before, according to the Pakistan Bureau of Statistics.

Lower Rates

Globally, extreme poverty dropped by an average of about 1 percentage point per year over the quarter century from 1990 to 2015. Between 2015 and 2017, the rate slowed further, to half a percentage point per year, says a 2020 study by World Bank.

**23 DECEMBER
WEDNESDAY**

2PM - 5PM

Treasury Operations and Risk Management

FACILITATOR: Faisal Sarwar

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

ONLINE
TRAINING

**24 DECEMBER
THURSDAY**

4PM - 7PM

Credit Administration and Operations

FACILITATOR: Adnan Adil Hussain

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

ONLINE
TRAINING