



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 15 | ISSUE 52 | DECEMBER 24, 2020

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

## PAKISTAN TIDINGS

### COVID-19: Impact of SBP's Measures as of December 18, 2020

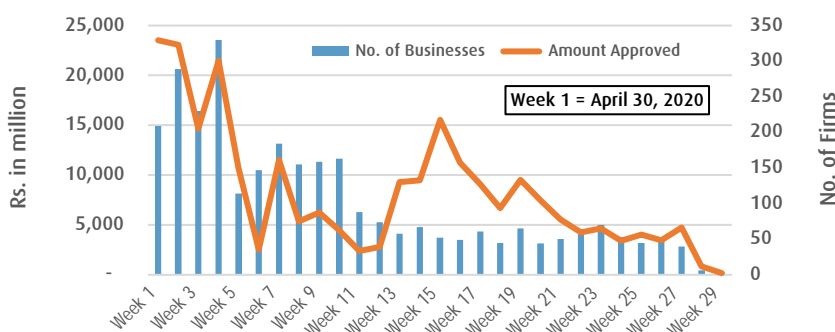
			(Rs. in billion)
Loans Deferred	657.0	Loans Approved for Hospitals	8.4
Loans Restructured	217.7	Loans Approved for Investment	237.5
Loans Approved for Wages <sup>#</sup>	238.0	ATMs' Availability	96 percent

<sup>#</sup> This Scheme is no longer available, therefore, the data will not be updated after November 13, 2020.

### Thousands of Firms Took Advantage of SBP's Rozgar Scheme to Encounter COVID-19 Adversities

Announced on April 10, 2020, the State Bank of Pakistan's (SBP) temporary refinance scheme, introduced to combat the impact of COVID-19, was well received and had met the desired objectives. The scheme intended to help businesses in payment of wages and salaries to their workers and employees, and thereby support continued employment in this challenging environment. The end rate charged from the borrowers was up to 5 percent p.a. Borrowers that were on active taxpayers list under the Income Tax Ordinance, 2001 were eligible for 1 percent subsidy and will be charged at an interest rate of 4 percent. The markup rate was further reduced from 4 percent to 3 percent for businesses which were active tax payers. Initially available up to June 30, its validity was extended to September 30, 2020 to cater for its emerging demand. The updated data by November 13, 2020 showed that a total of 2,958 businesses availed the financing of Rs. 238.2 billion to cover the wages/salaries of 1,695,763 employees. On average, loan of Rs. 140,468 was availed against each employee salary bill. Financing under the Rozgar scheme, which gained momentum during early 4 weeks, saw its second peak in the mid of the scheme period and later on marginalized with the relaxation in lockdowns and relative normalcy in business activities.

### Loans Provided under SBP's Rozgar Scheme



\*Public Holiday on December 25, 2020 on account of Quaid-e-Azam Day and Christmas.

## MARKETS AT A GLANCE

Rates are taken till Thursday, December 24, 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 216.82	PKR 196.22	PKR 160.09
ENDING	PKR 217.66	PKR 195.68	PKR 160.32
CHANGE	+0.84	-0.54	+0.23

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	43,740
ENDING	43,416
CHANGE	-324

### GOLD RATE

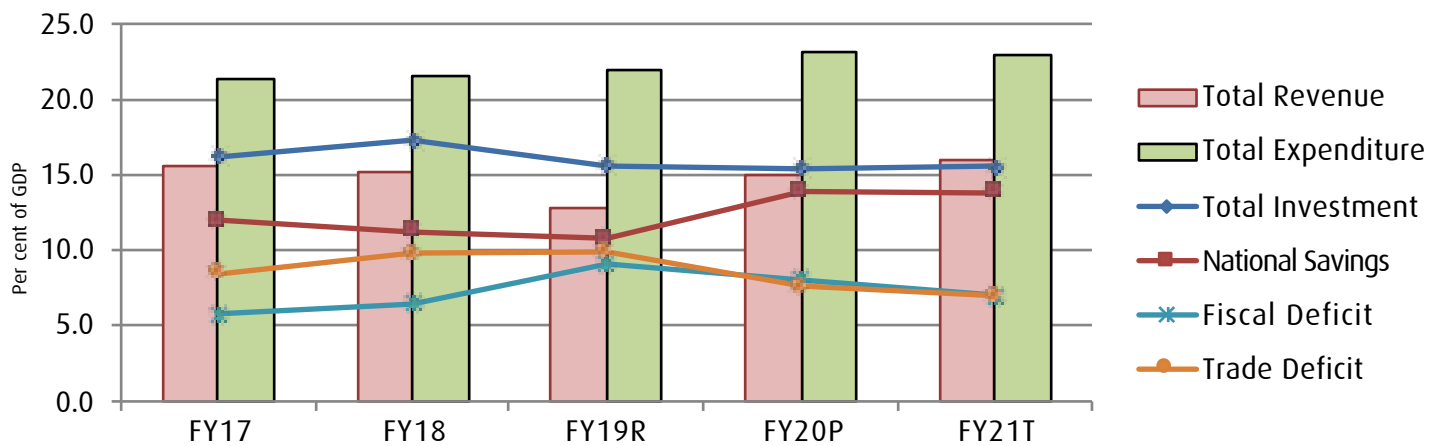
(10 GM, 24K)

STARTING	PKR 96,734
ENDING	PKR 96,574
CHANGE	-160

## 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	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

June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	December 04, 2020	December 11, 2020
3,911.3	4,387.8	4,950.0	6,142.0	6,376.6	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	
	11-Dec-20	4-Dec-20	13-Dec-19	Previous Week	Corresponding Week
<b>Investments</b>	11,186.7	11,058.5	8,412.7	1.16	32.97
<b>Gross Advances</b>	8,183.9	8,162.2	8,091.7	0.27	1.14
<b>Borrowings</b>	3,028.1	2,929.7	2,613.7	3.36	15.85
<b>Deposits and other accounts</b>	16,653.0	16,615.3	14,219.5	0.23	17.11

## SBP Launches Consultation on Banking on Equality Policy Initiative to Increase Financial Inclusion of Women in the Country

In order to address one of the key challenges hindering economic growth of Pakistan to its full potential, State Bank of Pakistan (SBP) has launched a national dialogue on its forthcoming flagship policy to reduce the gender gap in financial inclusion. Dr. Reza Baqir, Governor SBP hosted a webinar titled 'Launch of Consultation on Banking on Equality policy: Reducing the Gender Gap in Financial Inclusion' on Monday, December 21, 2020. The webinar featured an exclusive panel discussion around women's financial inclusion with international thought leaders in the area of gender and finance including Princess Zahra Aga Khan, Director Aga Khan Development Network (AKDN); Ms. Ceyla Pazarbasioglu, Director of Strategy, Policy and Review Department, IMF; and Dr. Reza Baqir Governor, SBP. Dr. Anita Zaidi, President of Gender Equality at Bill and Melinda Gates Foundation moderated the discussion.

Governor SBP, Dr. Reza Baqir, in his opening remarks said that improved gender parity in financial and economic opportunities can enhance overall socio-economic development outcomes of a nation, for not just the present but future generations. He noted that the event had three key goals. The first objective was to bring attention to the shared goal of reducing the gender gap in women's financial inclusion. The second goal was to share the content of the Banking on Equality policy that was being launched for consultation. Finally, the third goal

was to get feedback from stakeholders on the policy itself. He welcomed the feedback that was provided by the international participants and others that would be provided over the course of next several weeks. "Central banks in developing and emerging markets, where there are often market failures, have an important role to play in ensuring that important sections of the society do not get left out from benefitting from the financial system through access to saving, borrowing, insurance and other financial products", he noted. He said, "SBP looks forward to working with other domestic and international partners to further the cause of improving women's financial inclusion." In this context, he also appreciated the support being provided by the Bill and Melinda Gates Foundation for helping advance SBP's agenda on promoting financial inclusion in Pakistan.

In her presentation Deputy Governor SBP, Ms. Sima Kamil, noted that the gender gap in financial inclusion is rising. She noted that only 11.7 million, or 18 percent of the adult women, have active bank accounts compared to 51 percent for men. Deputy Governor Kamil unveiled five key pillars of the Banking on Equality policy under which actions are targeted towards improving institutional diversity, product diversification and development capability, customer acquisition and facilitation approaches towards women segments, gender disaggregated data collection and prioritizing gender focus in SBP's policies.

The policy, released on December 21, 2020, was prepared by the State Bank of Pakistan (SBP), in consultation with



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relevant stakeholders. It is based on the premise that gender-neutral policies in the financial sector have been insufficient to reduce the gender gap in the financial sector and there is a pressing need to view financial sector policies through a gender lens. The policy recommendations will be applicable on all banks, microfinance banks, DFIs and EMIs.

The webinar was attended by diverse local and international stakeholders representing public offices, international agencies, banks and associations. In addition, nearly 1,000 people also watched the webinar live through social media platforms.

The policy draft is available on the SBP website at: <https://www.sbp.org.pk/events/2020/BankingonEquality/Draft-Policy.pdf>

The webinar can be viewed on official SBP Facebook page: <https://www.facebook.com/StateBankPakistan/videos>

The virtue of the scholar over the worshiper is like my virtue over the least of you. Verily, Allah, his angels, the inhabitants of the heavens and earth, even the ant in his hole and the fish, send blessings upon the one who teaches people what is good.

THE PROPHET MUHAMMAD ﷺ

## SECP Unveils Corporate Insurance Agents Regulations

The Securities and Exchange Commission of Pakistan (SECP), to strengthen the regulatory regime for distribution of insurance through corporate insurance agents including bancassurance, has notified the Corporate Insurance Agents Regulations, 2020. The regulations also include code of conduct for corporate insurance agents of insurance companies to clearly define their roles and responsibilities while dealing with the policyholders, said a press release issued by SECP here. The regulations aimed at curtailing the issue of miss-selling and to ensure provision of maximum and clear information regarding the company's terms and conditions of an insurance policy. The regulations also

include measures to promote technology-driven modes of corporate insurance agents. To protect policyholders' rights, the regulations require corporate insurance agents including banks to ensure the provision of clear and detailed disclosures to potential policyholders/customers.

## Online Module for Green Field Industry Launched

To promote investment in the Green Field Industry and to facilitate such investors, Federal Board of Revenue (FBR) has launched online module in Iris for facilitating filing of applications for the grant of Green Field Industry Status. To this end, two separate applications have been provided under the Income Tax Ordinance, 2001 and Sales Tax Act, 1990. Faceless compliance and facilitation through the use of ICT tools is a priority agenda of FBR as per the vision of the present government. FBR is moving fast to accomplish this vision as a leader in developing and launching such faceless compliance tools for facilitation of the taxpayers.

## INTERNATIONAL SCENARIO

### Iraq Devalues its Currency by 20 percent Against the Dollar

The central bank on December 19, 2020 devalued Iraqi Dinar by 20 percent against the Dollar. It reduced the official rate to 1,450 Dinar per Dollar, the first devaluation since 2003. That is from about 1,190 previously. Dollars will be resold to local banks at 1,460 Dinar apiece.

The devaluation in the world's third-largest oil exporter threatens to put some goods beyond the means of ordinary Iraqis, and trigger unrest in a country that imports heavily and is still reeling from last year's deadly anti-government protests. Finance Minister Ali Allawi said one main reason for the move was to activate the private sector and local production while avoiding a severe budget deficit.

Iraq is taking the steps to avoid depleting its foreign-currency reserves after the coronavirus sapped demand for energy and caused prices to decline. Without the devaluation, the reserves would have been drained within



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six to seven months, and the budget deficit could reach 100 trillion dinars (\$84 billion) in 2021, Allawi said.

The International Monetary Fund expects Iraq's economy to shrink 12 percent this year, more than that of any other OPEC member under a production quota and that its budget deficit will reach 22 percent of gross domestic product. The government last month sought upfront payments in exchange for a long-term crude-supply contract to help mitigate its dire financial situation.

A fool's mind is at the mercy of his tongue  
and a wise man's tongue is under the control  
of his mind.

HAZRAT ALI



## Canadian Dollar Forecasts Shift Higher

The outlook for the Canadian dollar has improved on expectations the currency will benefit from domestic economic stimulus and the rollout of a COVID-19 vaccine, a Reuters poll showed, with the loonie already gaining in recent months. Canada's dollar has strengthened 14 percent against its US counterpart since March. It is expected to pull back about 1 percent to 1.30 in one month, before strengthening to 1.2739 in a year, the poll of 30 currency strategists showed. Last month, strategists projected 1.32 in one month and 1.2938 in a year. The price of oil, one of Canada's major exports, has soared nearly 30 percent since the start of November and Wall Street has climbed to a record high on hopes a speedy approval of COVID-19 vaccines would boost global economic growth. "An improvement in risk appetite will help the loonie rally in 2021 due to the currency's high beta," said Simon Harvey, an FX market analyst at Monex Europe and Monex Canada. High-beta currencies tend to be more sensitive to changes in risk appetite than the broader market. Canada runs a current account deficit, so it depends on foreign investment, including portfolio flows. A second wave of the pandemic has led to increasing efforts from Canadian provinces to clamp down on businesses and curb gatherings. Still, Harvey expects a high

savings rate and strong vaccination orders, along with fiscal stimulus, to support economic recovery. Canada's savings rate has climbed to 14.6 percent in the third quarter from 2 percent in the fourth quarter of 2019, which could help boost consumer spending when restrictions ease.

## UAE's Central Bank Launches 'M-Bills' to Replace Certificates of Deposit

The Central Bank of the UAE (CBUAE) has launched a new securities issuance programme, Monetary Bills, for licensed financial institutions and eligible investors. These securities will be auctioned and traded through Bloomberg's primary and secondary market solutions and settled through a local platform - compliant with international standards - built and operated by Euroclear Bank.

"The objective is to provide a holistic solution to manage liquidity within the UAE banking sector," the Central Bank said in a statement. The launch of the Monetary Bills (M-Bills) replaces the conventional certificates of deposit (CD) programme and marks a milestone towards the implementation of the new Dirham Monetary Framework announced earlier this year.

"The launch provides us with the opportunity to establish robust infrastructure required not only to manage liquidity, but also provide a stable collateralized source of funds to banks and financial institutions operating in the UAE," said Saif Hadeef Al Shamsi, Deputy Governor of the CBUAE.

## SNIPS

### Globe is Getting Hotter

Global average temperatures are expected to increase between 1.5 and 5 degrees Celsius relative to today in many locations by 2050, states research by McKinsey Global Institute.

### Video Chatting

According to the Global Consumer Insights Survey 2020 conducted by PwC, 59 percent of people have increased their use of video chat apps since the COVID-19 outbreak.



## WhatsApp to Bring Voice and Video Calls to Desktop Next Year

Facebook Inc's WhatsApp will introduce voice and video calling feature to the messaging app's desktop version next year, according to a company spokesperson. The move to facilitate calls over large screens would put WhatsApp on par with video-conferencing bigwigs Zoom and Google Meet, but it is unclear if it has ambitions to compete with the two in the enterprise space. With over 2 billion users globally, WhatsApp is second only to its parent firm Facebook Inc's namesake app, yet it is largely used for personal calls, unlike Zoom or Google Meet. WhatsApp said it has already rolled out the feature to some desktop users on a trial basis in time for the holiday season, a move first reported by tech blog WABetaInfo. A second wave of the coronavirus has forced many people around the world to stay home and plan gatherings with friends and family over the internet instead. Zoom Video Communications Inc said on Friday it was removing the 40-minute time limit for its free accounts on all meetings globally for the holiday season. In a similar move, Google Meet has said free users would not have to limit conversations to 60 minutes until March.

## MANAGEMENT VIEWS

### To Boost Morale, Lead with Gratitude

When people are stressed out, they are more likely to treat those around them poorly. But research shows that creating a culture of gratitude on your team can not only lift people up and boost morale, it may also prevent workplace mistreatment. So be a role model. For example, take time to give each employee a sincere and personalized thank you for their effort this year. Or create time and space (physical or virtual) for gratitude. Some employees may feel uncomfortable expressing appreciation verbally, so you might start an appreciation wall or a dedicated Slack channel for employees to recognize each other. Alternatively, you could begin meetings with gratitude "check-ins," during which team members can express one thing that they are thankful for. Or consider creating opportunities where customers, clients, patients, or other

beneficiaries can explain how they are positively impacted by the work of your employees. There is no better time to introduce these practices than the holiday season, as we are all reflecting on what has been a trying year. So go ahead and start now.

(This tip is adapted from *Building a Better Workplace Starts with Saying 'Thanks'*, by Lauren R. Locklear et al. – HBR)

### To Win Someone Over, Mirror Their Language

What does it take to make a convincing argument? New research points to an idea called "linguistic mirroring", a fancy way of saying speak in the same manner as your counterpart. When you mirror the other person's preferred communication style, they are likely to find you more persuasive. So whether you are prepping to pitch a big client or present to an executive, find out how the person who is going to be sitting across the table likes to communicate. Then craft your language accordingly. For example, if your client favors linear, logical reasoning, you are most likely to persuade them with arguments that rely heavily on facts. To influence an executive who tends to rely on a narrative, informal style, you might kick off your presentation with a story. This tip applies to spontaneous conversations, too; rather than butting heads with your friend, spouse, or colleague the next time you find yourself in a minor disagreement, try actively listening to how they are making their case. Then, follow their lead. Of course, you want to do this in a way that is authentic. Present an honest picture to your audience; do not ever use your influence to manipulate them into making a poor decision.

(This tip is adapted from *Want to Win Someone Over? Talk Like They Do*, by Maxim Sytch and Yong H. Kim. – HBR)

### Leaders, Do Not Let Compassion Lead You Astray

As a leader, you probably know how important compassion is, it creates stronger connections between people, improves collaboration, raises levels of trust and enhances loyalty. But you cannot let empathy be a barrier to necessary actions, such as giving tough feedback. When a team member is underperforming, the most compassionate



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thing you can do is be direct and transparent. If you conceal your concerns in an attempt to be kind, you are setting the person up for confusion, disappointment and failure. If you find these kinds of conversations difficult, challenge yourself to have one direct and assertive interaction each day. And always check your intention. Are you meeting the needs of both your organization and your employees to the best of your ability? Or are you shirking one for the other? Leadership often requires you to push unpopular agendas and make decisions that disappoint people. Accept these responsibilities as part of your job and do not beat yourself up for needing to make a difficult call from time to time. Your goal should be to make the right decision, no matter how difficult, humanely.

(This tip is adapted from *Compassionate Leadership Is Necessary — but Not Sufficient*, by Rasmus Hougaard et al. – HBR)

## Help Your Team Make It Over the Finish Line

Pandemic fatigue. Mental fog. Work/life blur. Whatever you want to call it, we are all going through some version of it right now. 2020 has been heavy, to put it mildly, and it feels like the whole world is tired. As you and your team wrap up the year and head into the next, you may find that what has worked to keep you motivated and focused up until now is no longer working. There are several things you can do to tap into your team's resilience. First, focus everyone on what is important over the long term, not just what is urgent right now. That short-sightedness can set the team up for failure when the crisis is over. Second, have compassion. Your employees may need more warmth and comfort from you than they might have before. But also challenge them to continue fighting and not let up. Replace a sense of helplessness with optimism. Third, look for small ways to energize your people every day. That might include sharing success stories, setting up competitions, or even shortening endless Zoom meetings. As COVID-19 vaccines begin to be distributed and the crisis (hopefully) comes to an end, your greatest challenge as a leader will be to sustain your energy in the new year.

(This tip is adapted from *How to Lead When Your Team Is Exhausted — and You Are, Too*, by Merete Wedell-Wedellsborg. –HBR)

## Working Dads: It is Okay to Drop the Always-On Mentality

Working dads: Do you take significantly less paid time off than your company allows? And when you do take time off, do you feel glued to your phone, or even guilty that you are not working? If so, you are not alone; research shows that this kind of always-on attitude is exceedingly common among working fathers. But the truth is that this mentality actually hurts your organization, your family, and you. It is time to stop chasing the "ideal worker" image. It is the product of unhealthy and unrealistic societal expectations. Plus, falling into that trap only perpetuates it for other men. You can shift the paradigm by setting a better example. Try being vulnerable, honest, and empathetic about the responsibilities of parenthood. Encourage other dads to actually use the benefits you are afforded to, such as paternity leave, backup child care and flexible work schedules. And empower each other to be more involved at home. These small steps will go a long way towards fostering a healthier model for working dads and by extension, creating a fairer, more equitable work culture.

(This tip is adapted from *I'm a CEO and a Working Dad. Here's What I Wish I Did Differently*, by Tim Allen. – HBR)

## SNIPS

### Food Insecurity

Severe floods in August in Sindh affected the livelihoods of about 2 million people. With severe damage to housing and infrastructure and high price levels of staples since the start of 2020, access to food is constrained for the most vulnerable households.

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



# IBP TRAININGS DECEMBER 2020

**30 DECEMBER  
WEDNESDAY**

**2PM - 5PM**

**TREASURY OPERATIONS AND RISK MANAGEMENT**

**FACILITATOR: Faisal Sarwar**

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

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