



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 15 | ISSUE 49 | DECEMBER 04, 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 3, 2020

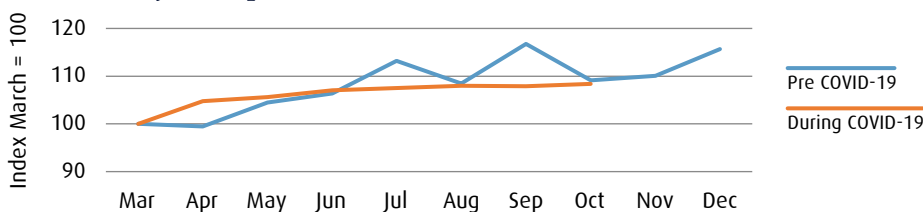
			(Rs. in billion)
Loans Deferred	659.0	Loans Approved for Hospitals	7.8
Loans Restructured	211.0	Loans Approved for Investment	210.6
Loans Approved for Wages	238.0	ATMs' Availability	96 percent

### Banking Sector Shows Resilience to COVID-19 Shock

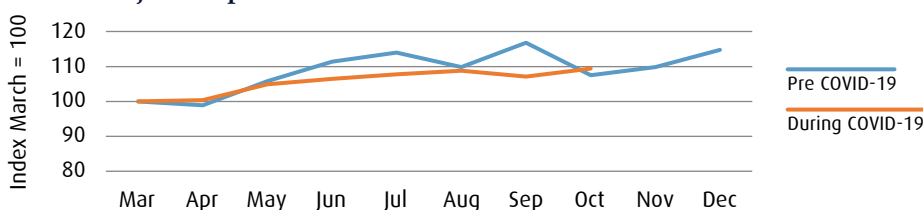
Data available by end October 2020 reflect that despite the economic slowdown caused by the coronavirus pandemic (COVID-19), 'investment, lending and advances' by commercial banks rose by 8.4 percent over its level in March 2020 while, on liability side, 'deposits and borrowings' increased by 9.4 percent as against increases of 9.1 percent and 7.5 percent registered respectively during the corresponding period previous year.

Despite almost matching increases during current and corresponding periods, both the bankers as well as the depositors were seen confident and taking conscious decisions as there had been consistency in growth during March-October 2020 as against volatile growth registered during the same period last year. It could only be possible because of well-in-time measures taken by State Bank of Pakistan to minimize adverse impact of the pandemic on the country's economic growth.

Major Components of Commercial Banks' Assets\*



Major Components of Commercial Banks' Liabilities\*\*



\* includes: Lending to financial institutions, Investments and Gross Advances | \*\* includes: Borrowings and 'Deposits and other accounts'.

## MARKETS AT A GLANCE

Rates are taken till Friday, December 04, 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 213.22	PKR 190.20	PKR 159.46
ENDING	PKR 214.88	PKR 194.72	PKR 160.13
CHANGE	+1.66	+4.52	+0.67

### PAKISTAN STOCK EXCHANGE

#### 100 Index

STARTING	40,807
ENDING	42,207
CHANGE	+1400

### GOLD RATE

(10 GM, 24K)

STARTING	PKR 92,427
ENDING	PKR 100,030
CHANGE	+7603

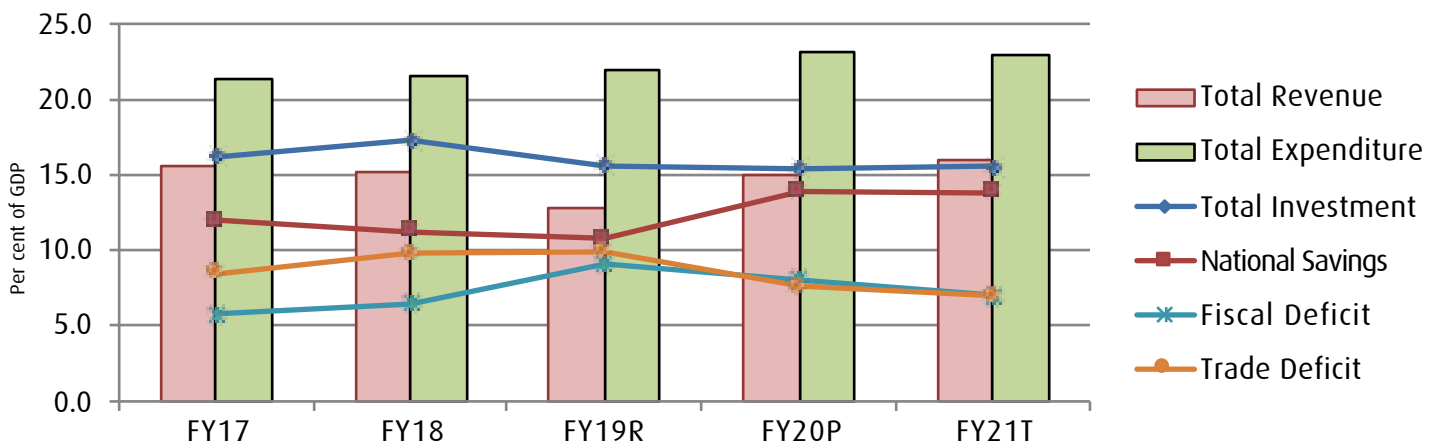


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## Pakistan's Major Economic Indicators

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	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



## Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	20-Nov-20	13-Nov-20	22-Nov-19	Previous Week	Corresponding Week
<b>Investments</b>	11,016.4	10,986.3	7,831.8	0.27	40.66
<b>Gross Advances</b>	8,113.2	8,070.7	8,061.6	0.53	0.64
<b>Borrowings</b>	3,046.6	2,897.7	2,387.3	5.14	27.62
<b>Deposits and other accounts</b>	16,437.3	16,354.8	13,909.4	0.50	18.17

## Accessible Banking Infrastructure for Differently-Abled Persons

Banking Conduct and Consumer Protection Department (BC&CPD) of State Bank of Pakistan (SBP) on November 30, 2020 advised all banks, Development Finance Institutions and Micro Finance Banks to enhance accessible banking infrastructure for differently-abled persons. It has been decided that from henceforth:

It will be mandatory for all banks/ MFBs/ DFIs to construct ramps at all newly opened and existing place of business (excluding Mobile Banking Units) to make it accessible for persons with disabilities and wheelchair users. For the purpose, a 2-year time-bound action plan to construct ramps at your all-existing places of business shall be submitted to SBP by December 31, 2020. In addition, a senior level management committee of the respective banks, MFBs and DFIs shall be constituted who will be responsible for monitoring the overall progress on the action plan. Further, the quarterly implementation report should be submitted to this department within 15 days after the end of each quarter.

Further, with reference to SBP's instructions issued earlier in 2014 requiring banks/MFBs to provide visually impaired/blind persons with equitable access to banking and financial services, banks are advised to submit the compliance status of the said instructions by December 31, 2020.

## Consumer Confidence Improves in Third Quarter

Consumer confidence in the third quarter of 2020 improved by 12.1 percent quarter-on-quarter, Pakistan Consumer Confidence Index (CCI) survey conducted by Dun & Bradstreet and Gallup Pakistan showed on November 24, 2020. "Key findings indicated that consumer confidence improved in Q3CY20 on account of optimistic future expectations amidst complete lifting of lockdown and returning normalcy in trade activities," it said.

The index covers four key parameters: household financial situation, country's economic condition, unemployment and household savings. It reflects the current situation i.e. economic changes felt in the last six months and future expectations, changes expected for next six months, of consumers across the country. The index ranges from 0 to 200, with 100 as the neutral value, where a score less than 100 indicates pessimism. During the Q3CY20, the CCI was 88.7 points, compared to 79.1 points in Q2CY20.

Meanwhile, Gallup Pakistan Executive Director Bilal Ijaz said that the consumer confidence has shown upward trajectory for third quarter in row which shows that impact of COVID-19 on economy and consumers is slowly tapering off.

The survey showed that economic perception has improved consistently across all three quarters of 2020, highlighting upbeat consumer sentiments mainly on account of optimistic future expectations. Meanwhile, perception about household financial situation entered



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into green, implying people's household income seems to be rising after a decline due to COVID-19.

## Duties Waived on PPEs

The Federal Board of Revenue (FBR) has exempted whole customs duty, regulatory duty and additional customs duty on import of 61 diagnostic support and personal protective equipment (PPEs) for a period of seven months in order to reduce the rising prices in the domestic market. The decision on duty waiver came through SR01251 issued by the FBR on November 23, 2020. The notification will come into effect retrospectively from Oct 1, 2020 and will remain effective till June 30, 2021.

## Dr. A. Hafeez Shaikh Shares Pakistan's Economic Rebound Experience at World Economic Forum

Adviser to the PM on Finance and Revenue Dr. Abdul Hafeez Shaikh informed the World Economic Forum (WEF) that Pakistan had witnessed remarkable improvement in fiscal and current account deficits owing to prudent government policies. Addressing the second segment of the plenary session of the WEF on Country Strategy Dialogue (CSD) through video link on November 25, 2020, he said that Pakistan had a primary balance surplus which was unprecedented. All fundamental economic indicators reflected significant improvement before COVID-19, the adviser remarked. He briefed the forum that the current government inherited a very precarious economic situation in 2018 and therefore had to introduce strict financial discipline to curtail excessive government expenditure, increase revenue collection, introduce market driven exchange rate, remove large tax exemptions and discourage imports.

During COVID-19, he said the government introduced smart lockdown to balance the imperative to contain the spread of the disease with the need to keep the economy functional. The smart lockdowns allowed many businesses to re-open or continue operations on limited scale to lessen the adverse economic impact and support the vulnerable segment of the society. To provide relief to vulnerable groups, especially daily wage earners, government gave cash payments to 15 million families under Ehsaas Emergency Cash Programme.

The minister highlighted that since the spread of COVID-19, the government has taken several initiatives to facilitate agriculture and construction sectors to accelerate economic recovery. A relief package for small medium enterprises shielded against insolvency and joblessness. The recent data complements the strengthening and expansion of the economy in recovery mode. Despite COVID-19, Pakistan has registered an upward trend in foreign remittances and foreign direct investment which is a clear reflection of confidence in Pakistan's economy. He reiterated that the government firmly supports private sector as an engine of growth and believes in building institutional capacity for sustainable and inclusive economic growth. "We followed a liberal foreign investment regime and introduced measures to promote ease of doing business in the country," he stated.

## Pakistan to Remain Special Partner in Next Year's CAEXPO

Pakistan would remain a special partner country for the 18th CAEXPO next year as well, according to local media outlets. In this regard, Pakistan's Ambassador to China Moin-ul-Haque met with CAEXPO Secretary General Wang Lei on the sidelines of 17th China-ASEAN Expo in Nanning on November 29, 2020. The two parties also discussed ways and means for enhancing Pakistan's footprint in the premier trade and investment platform, China-ASEAN Expo (CAEXPO) which represents 11 countries with a combined GDP of \$17.5 trillion and a consumer market of around 2 billion people. Secretary General Wang welcomed Pakistan's participation as a special partner for the first time and admired the impressive pavilion and booths displaying quality merchandise and attractive handicrafts by TDAP and Pakistani businesses. He hoped that Pakistan's Trade and Investment Promotion Conference held on the Expo's sidelines would introduce Pakistan's vast market to Chinese and ASEAN entrepreneurs. Underlying CAEXPO's significance for regional trade and investments, Ambassador Haque referred to President Dr. Arif Alvi's video address in the inaugural ceremony in which he proposed a China-ASEAN-Pakistan trade triangle. The Pakistani ambassador also welcomed the decision to include Pakistan in next year's expo, expressing the hope that pandemic related travel restrictions would ease by that time.



## INTERNATIONAL SCENARIO

### Online Deals Thin US Black Friday Crowds

Masked shoppers turned up in smaller numbers at major US retailers including Macy's, Walmart and Best Buy on Black Friday as early online deals and worry about the spike in COVID-19 cases dulled enthusiasm for trips to the mall. Retailers overhauled the traditionally busy shopping day that comes the day after Thanksgiving. Bill Park, a partner at Deloitte & Touche, estimated traffic at the King of Prussia mall outside of Philadelphia was down about 20-30 percent compared to last year. "I'm surprised at the traffic. It's down a little bit but heavier than I thought," he said but noted shoppers were not loaded down with packages. Overall, the National Retail Federation (NRF) forecasts US holiday retail sales will increase between 3.6 percent and 5.2 percent over 2019, for a total of \$755.3 billion to \$766.7 billion. That compares with an average annual increase of 2.5 percent over the past five years. On November 19, the Center for Disease Control and Prevention deemed "going shopping in crowded stores just before, on, or after Thanksgiving" as a high-risk activity.

More than half of US shoppers expect to shop online on Black Friday, despite 75 percent of consumers taking advantage of seasonal sales, which started earlier this year, an Adobe Analytics survey predicts. However, 55 percent of consumers reported that sales on the Black Friday weekend feel less special due to promotions in the run up to the event, according to Adobe. Adobe expects Thanksgiving Day to come in below \$6.0 billion in total sales, with Black Friday set to cross \$10.0 billion in sales. The volume of Black Friday payment transactions in Britain as of 0900GMT was down 13.2 percent versus last year, initial data from Barclaycard showed, with retailers of non-essential goods still shut and many in the sector spreading out online discounts throughout the month.

### Families 'Facing Hardest Period in Five Decades' as Britain's Economy Stalls

Britain is on course for one of the worst periods of income growth since records began, according to an analysis outlining the economic fallout from the COVID-19 pandemic. With the government already under pressure

to improve the financial aid it is providing, it emerged that real household disposable income is set to rise by just £220 from 2019 to 2024, the expected period of the current parliament, a lift of just 1.0 percent. The analysis by the Resolution Foundation think-tank, based on official figures, highlights how long the economic scarring from the pandemic will take its toll on household finances. It concluded that it would mark the second worst parliament for income growth since 1955, when records began. Only the 2015-17 parliament, when incomes actually fell by 0.1 percent a year, has a worse record.

It comes with unemployment set to peak at 2.6 million in mid-2021 and remain high long after the pandemic is over, the foundation said. It warns that a plan to cut universal credit and tax credits in April would see around six million households lose more than £1,000 a year

The hit to household income emerges amid a growing outcry over the plight of 2.9 million self-employed workers who say they are facing "a miserable Christmas period" after being excluded from the government's financial aid schemes. London's mayor Sadiq Khan, Manchester mayor Andy Burnham, unions and business groups have signed a powerful open letter to Chancellor of the Exchequer Rishi Sunak, calling on him to intervene. The groups who have not been helped include the newly self-employed, directors of small limited companies, self-employed workers who have earned £50,000 or more in trading profits in recent years and certain types of freelancers. There have been claims that as many as one million people in the UK are planning to give up being self-employed after seeing their earnings decimated by the COVID-19 pandemic. A report from the London School of Economics found that a two-decade-long trend in favour of more people working for themselves was now under threat.

### China to Further Expand Outbound Investor Schemes

China plans to roll out an outbound investment scheme to new regions as it looks to meet onshore investors' asset allocation needs, official news agency Xinhua reported on November 29, 2020. China will expand the Qualified Domestic Limited Partner (QDLP) trials already underway





in Shanghai, Beijing and Shenzhen, Xinhua said, citing an unnamed official at the foreign exchange regulator. It will also pilot the scheme in Chongqing city and the Hainan free trade zone. In September, the State Administration of Foreign Exchange (SAFE) granted fresh quotas under its outbound Qualified Domestic Institutional Investor (QDII) scheme for the first time since April 2019. Last month, Xinhua said fresh quotas worth \$10.0 billion would be issued in several batches under QDII scheme.

Abu Huraira reported: The Messenger of Allah (SAW) sought a loan for a camel and he repaid it with a better camel, saying, "The best of you are excellent in repayment."

THE PROPHET MUHAMMAD ﷺ

## Fed Extends Emergency Lending Programs

The U.S. Treasury and Federal Reserve Board have extended four key COVID-19 safety net lending facilities until March 31, 2021. The original expiration was set for the end of the year and until recently Mnuchin insisted that the Treasury had enough tools to keep the markets "comfortable."

U.S. Secretary of the Treasury Steven Mnuchin announced the extension, saying he approved it with "an abundance of caution." The lending programs were created during the COVID-19 pandemic as a series of tools to help stabilize the then-flagging economy. While the lending facilities have been little used so far, they were viewed as a vital backstop for the pandemic-ravaged economy. The facilities include the Commercial Paper Funding Facility and Money Market Mutual Fund Liquidity Facility, which drew funding from the Treasury's pre-existing Exchange Stabilization Fund balance, as well as the Paycheck Protection Liquidity Facility and Primary Dealer Credit Facility, which did not.

## Manufacturing Activity in China Expands for Ninth Straight Month

On November 30, 2020 China said that manufacturing activity expanded for the ninth straight month in November as the world's second-largest economy continues to recover from a slump caused by the coronavirus pandemic. The official manufacturing Purchasing Managers' Index (PMI) for November came in at 52.1, according to the National Bureau of Statistics. That is the highest reading in more than three years, as well as better than the 51.5 forecast by analysts in a Reuters poll and October's official reading of 51.4. PMI readings above 50 indicate expansion, while those below that signal contraction. PMI readings are sequential and show month-on-month expansion or contraction.

## MANAGEMENT VIEWS

### Briefing a Senior Executive

There is no shortage of advice on how to brief a senior leader: keep it short, front-load the message and so on. But you cannot undervalue the interpersonal dynamics in the room when you are presenting crucial information to the big boss. So before the meeting, identify the senior leader's most trusted adviser. Consult with that person ahead of time so he will be able to vouch for you and back up the information you are presenting. His support will help you earn the senior leader's trust. Next, familiarize yourself with your boss's instructions. For example, what are his nonverbal cues that indicate that he wants you to either say more or hurry up. You need to adapt your style in real time based on his reaction, so make sure you know what those signals are. Finally, find out how your boss engages with material. Is he someone who pushes back on points? Is he a quiet listener? Or does he ask a lot of questions? Being aware of these things ahead of time will make you more effective in communicating the right message under pressure.

(This tip is adapted from *How to Brief a Senior Executive*, by Grant T. Harris. - HBR)



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Therefore, to whosoever Allah gives wealth he should use it in extending good behavior to his kinsmen, in entertaining, in releasing prisoners and the afflicted; in giving to the poor and to debtors.

HAZRAT ALI



## How Men Can Be Active Allies on a Virtual Team

The COVID-19 pandemic has disproportionately affected women's careers: one in four are considering downshifting or leaving the workforce entirely due to the strain of the crisis. So how can men be an ally to their female colleagues right now, especially when working remotely? First, be an active sponsor and advocate for women and particularly women of color. Talk about the great work they are doing and the specific results of their efforts. Next, ensure women's voices are heard in virtual meetings, passing the mic when you can. Take a gender-equal approach to distributing mundane chores and administrative duties, which are disproportionately assigned to women and detract from more career-enhancing responsibilities. You can create a simple rotational schedule so that everyone takes turns doing things like creating the agenda, taking notes and keeping a meeting on time. Most importantly, encourage the women you work with to say no if they are being targeted with these kinds of assignments. We need to retain and advance talented women in the workforce, anything short of this commitment will undermine gains in gender equity.

(This tip is adapted from *4 Ways Men Can Support Their Female Colleagues — Remotely*, by David G. Smith and W. Brad Johnson. - HBR)

## Be Kind to Yourself Today

When you are a leader facing decisions that have a major impact on people's lives and livelihoods, it is easy to feel fear and self-doubt and to start beating yourself up. But self-compassion will serve you much better and if it does not come naturally, it is a skill you can practice. Try a brief mindfulness exercise, which could be as short as 20 seconds. (In fact, you can even try it as soon as you finish reading this newsletter.) Take three deep breaths. On the first breath, notice how you are feeling. On the second breath, remember that you are not alone, that other leaders are going through similar challenges. And on the third breath, ask yourself, "What would it look like to be kind to myself right now?" Try to answer that last question the same way as a friend or mentor would. Then take your answer and put it into practice. As a leader, part of your job is uplifting others, so why not start with yourself?

(This tip is adapted from *Self-Compassion Will Make You a Better Leader*, by Rich Fernandez and Steph Stern. - HBR)

## SNIPS

### See You Online

Early in the pandemic Microsoft Teams saw a 200 percent increase of virtual meetings on its platform, with 2.7 billion meetings being held per day.

### The Growing Demand for Telemedicine

In a survey from Hero Digital, a digital agency, 94 percent of respondents who received virtual care from health professionals for the first time during the COVID-19 pandemic were happy with their experience.

### IT Goes Companywide

Business functions like marketing and operations account for more than 60 percent of corporate investment in information technology, according to International Data Corporation, a market research firm.

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

**11 DECEMBER  
FRIDAY**

10AM - 1PM

International Trade Import Export Documentation & Procedures and Working with Letters of Credit

FACILITATOR: Aqeel Muslim

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

ONLINE  
TRAINING

**11 DECEMBER  
FRIDAY**

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

**12 DECEMBER  
SATURDAY**

2PM - 5PM

Revised AML / CFT Regulations

FACILITATOR: Sumera Baloch

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

ONLINE  
TRAINING

**15 DECEMBER  
TUESDAY**

9:00 - 12:00 PM

Consumer Grievance Handling Mechanism

FACILITATOR: Sundus Saleem

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

ONLINE  
TRAINING

**15 DECEMBER  
TUESDAY**

2PM - 5PM

Governance and Management of Bank IT

FACILITATOR: Syed Muhammad Ali Naqvi

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

ONLINE  
TRAINING