



ECONOMIC LETTER

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

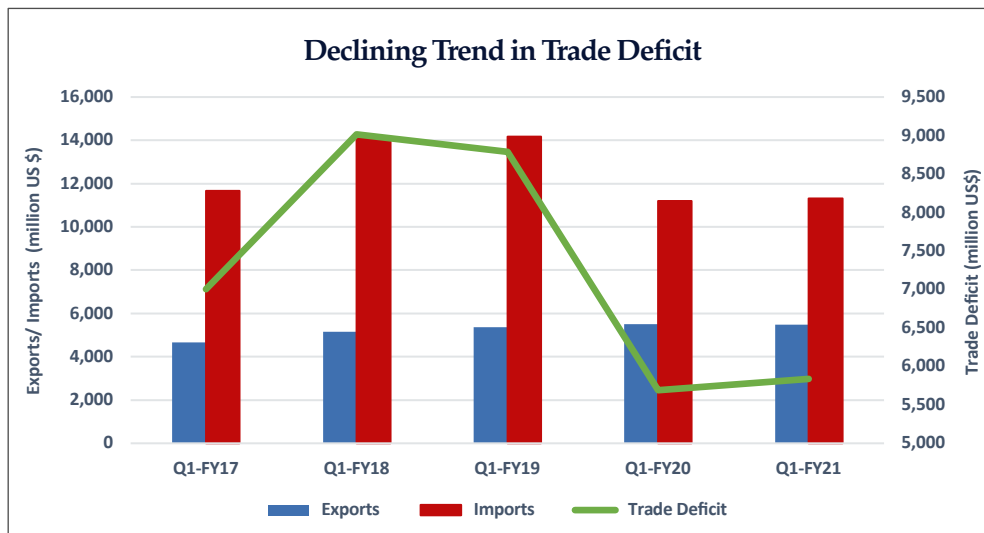
PAKISTAN TIDINGS

COVID-19: Impact of SBP's Measures as of October 29– November 02, 2020

Loans Deferred	RS. 655.0	Loans Approved for Investment	RS. 156.7
Loans Restructured	RS. 200.0	Bank Branches Open	96 per cent
Loans Approved for Wages	RS. 237.0	ATMs' Availability	95 per cent
Loans Approved for Hospitals	RS. 8.0		(Rs. in billion)

Exports Receipts During September Reflect Higher Growth Prospects for 2020-21

The provisional data on foreign trade published by Pakistan Bureau of Statistics (PBS) showed that exports receipts during September 2020 at US \$ 1,889 million were the highest monthly proceeds ever achieved in this month during last more than five years. However, total exports proceeds realized during first quarter of financial year 2020-21 at US \$ 5,474 million fell short by US \$ 35 million against the proceeds accumulated during corresponding quarter previous year. With considerably higher imports of US \$ 4,321 million in September 2020, imports bill reached US \$ 11,311 million during first quarter 2020-21 which was higher than US \$ 11,199 million registered during the same period last year. Consequently, the trade deficit rose to US \$ 5, 837 million during July-September 2020 as against US \$ 5,690 million registered during corresponding period last year. Except for the previous year, the trade deficit registered significant declines during last two consecutive years. This emerging trend in foreign trade, if continues, may lead to brighter growth prospects in the coming months on account of foreign trade.



MARKETS AT A GLANCE

Rates are taken till Friday, November 06, 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 208.16	PKR 187.96	PKR 160.26
ENDING	PKR 209.00	PKR 188.45	PKR 159.09
CHANGE	+0.84	+0.49	-1.17

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	39,888
ENDING	40,731
CHANGE	+843

GOLD RATE

(10 GM, 24K)

STARTING	PKR 97,029
ENDING	PKR 99,379
CHANGE	+2350



Pakistan's Major Economic Indicators

REAL SECTOR (GROWTH IN %)	FY 2018 F	FY 2019 R	FY 2020 T	FY 2020 P
Real GDP	5.5	1.9	4.0	-0.4
Agriculture Sector	4.0	0.6	3.5	2.7
Industrial Sector	4.6	-2.3	2.3	-2.6
Services Sector	6.3	3.8	4.8	-0.6
CPI INFLATION (YoY%)	FY19	FY2020 PA	AUG 2020	SEP 2020
National	6.8	10.7	8.2	9.0
Urban	7.1	10.2	7.1	7.7
Rural	6.3	11.6	9.9	11.1
FOOD INFLATION-Urban	4.6	13.6	11.3	12.4
FOOD INFLATION-Rural	4.8	15.9	13.5	15.8
CURRENCY IN CIRCULATION {Flows} (in Billion Rupees)	FY19	FY20	JUL 1 - OCT 23, 2020	
	562.210	1,191.977	43,299	

P-Provisional | PA-Period Average
F-Final | R-Revised | T-Target

Data Sources: SBP/PSB/ESP/3rd Quarterly Report
on Pakistan's Economy-2019-2020-SBP

SBP releases its Annual Performance Review for FY 2019-20

The Annual Performance Review for financial year 2019-20 of the State Bank of Pakistan, including financial statements of the Bank and the auditor's report, has been released to the public and transmitted to the Federal Government pursuant to Section 40(2) of the State Bank of Pakistan Act, 1956. The Board of Directors of the State Bank of Pakistan on October 26, 2020 approved the Annual Performance Review on the working of the Bank and its subsidiaries, and the financial statements for the year ended June 30, 2020, according to a SBP press release. The Annual Performance Review can be accessed at SBP website at: <https://www.sbp.org.pk/reports/annual/arFY20/Vol-1/Consolidated-Report.pdf>

SBP Earns Record Profits in Fiscal Year 2020

The State Bank of Pakistan (SBP) earned highest-ever profit in its history during the fiscal year 2019-20, after reporting losses in the preceding year mainly on account of stability in the exchange rate, according to SBP's Annual Performance Review 2019-20. The bank earned a net profit of Rs. 1,163.4 billion in FY20 compared to a loss of Rs. 1.0 billion the previous year. "The stability in the exchange rate allowed the SBP to return to profitability after incurring loss in the preceding year," said the report, adding that the profit so earned by the bank in the year ended June 30, 2020 is highest in its history. The high interest rate prevalent in the first three quarters of the



Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	23-Oct-20	16-Oct-20	25-Oct-19	Previous Week	Corresponding Week
Investments	10,952.7	10,908.7	7,917.6	0.40	38.33
Gross Advances	8,069.7	8,047.5	8,019.0	0.28	0.63
Borrowings	2,867.7	2,788.7	2,377.2	2.83	20.63
Deposits and other accounts	16,342.2	16,393.4	13,912.1	-0.31	17.47

year allowed the bank to accrue significant amount of interest income from the interest-sensitive assets, particularly lending to government and income from bank's open market operations. Out of this profit, Rs. 935.5 billion were paid to the Federal Government of Pakistan for meeting the budgetary expenses.

SBP Rolled Out Unprecedented Policy Support to Combat COVID-19 Shock

Governor State Bank of Pakistan (SBP) Dr. Reza Baqir, while reviewing SBP performance during FY20, wrote that despite numerous challenges during FY20, Pakistan's economy performed relatively better, particularly on the external and fiscal fronts. "During the first half of the year, the policy focus remained at stabilizing the economy and building adequate buffers. The country also witnessed a smooth transition to a market-determined flexible exchange rate regime and a prohibition of government borrowing from SBP. The second half witnessed proactive and timely policy measures to counter the emerging risks due to COVID-19 pandemic," wrote Dr. Baqir.

The Governor said that the successful implementation of deep-rooted fiscal and monetary structural reforms in the first half of the fiscal year facilitated rolling out of unprecedented policy support measures to combat the COVID-19 shock. "SBP adopted a proactive approach in assessing the evolving COVID-19 related situation around the globe and within the country, enabling it to identify the issues in a timely manner and implement policy prescription necessary for ensuring

the continuous provision of financial services while limiting the impact of the pandemic," he said.

Apart from lowering the borrowing cost through aggressive monetary easing, SBP introduced targeted schemes i.e. the Rozgar Scheme to support employment, health sector and investments in new/existing projects to stimulate the economy and also enhanced the scope and coverage of the existing concessional refinance schemes. The measures taken by the central bank amid COVID-19 provided a stimulus of around Rs. 1.6 trillion or 3.9 per cent of GDP to the country's economy. He stated that the State Bank complemented these initiatives with a broad range of macroprudential measures to facilitate the financial sector in supporting the real sector of the economy, preserve the solvency of the borrowers and enhance the loss absorption capacity of banks. The host measures include a reduction in Capital Conservation Buffer, launching of a comprehensive package to facilitate the borrowers in restructuring or deferment of principal amount of their loans, decrease in the debt burden ratio for consumer finance and relaxation of margin requirement for exposure against shares of listed companies. "The policy initiatives and support measures are estimated to have provided a stimulus of around Rs.1.6 trillion or 3.9 percent of GDP," the Governor stated.

Deputy Governor SBP Launches Certification Courses at IBP

The Institute of Bankers Pakistan (IBP) held the Launching ceremony of Certification courses on Housing Finance on Thursday, October 29, 2020 at its Karachi Head Office.



Deputy Governor of State Bank of Pakistan (SBP) Ms. Sima Kamil graced the occasion as the Chief Guest. Addressing the audience, Ms. Sima Kamil lauded the role and contribution of IBP for enabling the financial institutions to move forward with a qualified workforce. She highlighted the role and contribution of Steering Committee on Housing and Construction Finance in the initiatives taken by the SBP and the government for the development of housing finance sector, stressing the need for training for capacity building of banking staff. She advised participants to derive full benefits from IBP's training and certificate programs.

The Chief Executive of IBP, Mr. Mansur-Ur-Rehman Khan, in his welcome address, narrated the sequence of events leading to development of courses for the banks and appreciated the efforts of the team. He also lauded the initiatives taken by the Government of Pakistan and SBP for the development of Housing Finance Sector. The Ceremony was attended by Presidents of Banks, Committee Members of Council of IBP and other prominent bankers.

Remittance Inflows to Increase by 9 per cent: World Bank Projects

The latest World Bank report projects that remittances in Pakistan would grow at about 9 per cent in 2020, totaling about \$24.0 billion. The 'Migration and Development Brief 33', published in October 2020 says that the negative impact of the COVID-19-induced global economic slowdown has been somewhat countered by the diversion of remittances from informal to formal channels due to the difficulty of carrying money by hand under travel restrictions as well as the incentives to transfer remittances. Citing example, the report says Pakistan has introduced a tax incentive in July 2020, whereby withholding tax was exempted from cash withdrawals or the issuance of banking instruments or transfers from a domestic bank account. The tax incentive is capped by the remittance amounts received from abroad into that account in a year.

On remittance cost, the report mentions that South Asia was the least costly region to send remittances (at 4.98 per cent). Some of the lowest-cost corridors – including those originating in the GCC countries and Singapore. This is probably due to high volumes, competitive markets,

and deployment of technology. But costs are well over 10 per cent in some corridors: from Japan, South Africa and Thailand, and from Pakistan to Afghanistan.

"The parable of the believers in their affection, mercy and compassion for each other is that of a body. When any limb aches, the whole body reacts with sleeplessness and fever."

THE PROPHET MUHAMMAD 

World's Top Apparel Brands Target, Hugo Boss Shifting Orders to Pakistan

As a silver lining among all the economic volatility amid the coronavirus pandemic, a number of the world's renowned apparel brands are shifting their orders to Pakistan. The development was shared by Advisor to Prime Minister on Trade and Investment Abdul Razak Dawood, who said that more and more brands are shifting to Pakistan. "We just heard that Hanes, Guess, Hugo Boss & Target have shifted orders from China to Pakistan. This is a good trend and I am very hopeful that this will continue. I hope that the exporters will capitalize on this opportunity," he said.

Back in July, the luxury brand Hugo Boss considered a fashion giant placed its first sportswear order to Sialkot based leading firm. The achievement was due to the effort of the Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), which hold the 35th IAF Fashion Convention in November last year. On the other hand, addressing the concerns of apparel manufacturers, the Ministry of Commerce held a meeting of stakeholders of spinners and apparel manufacturers to discuss the availability of yarns and their prices. In light of rising prices, MOC is considering reducing duties on various yarns and preparing a summary for the ECC. "Apparel is the engine of growth in the textile sector and the availability of yarn at competitive prices is the pillar of strength. All sectors have to play their respective roles to maximize overall exports," said Dawood.



ECC Agrees to Cut Taxes on Telecom Sector

The Economic Coordination Committee (ECC) of the Cabinet in its meeting held on October 28, 2020 agreed to reduce taxes on telecommunication sector and asked for negotiations with port terminal operators for reducing demurrage charges on Afghan cargo containers in a meeting presided by Adviser to PM on Finance Dr. Abdul Hafeez Shaikh. In order to facilitate the telecom sector, the ECC approved in principle a request for waiver and reduction in rates of certain taxes. The sources said Dr. Shaikh said now that coronavirus appeared to be continuing and large number of people have to be reliant on broadband and other telecom services, the government would facilitate the people and businesses to help them stay connected and operate businesses without physical movement as much as possible.

At present general sales tax is applicable on telecom services at the rate of 19.5 per cent besides advance income tax at 12.5 per cent on most of the telecom services including voice, SMS and MMS services besides withholding taxes etc. The revenue impact of just one tax was estimated at about Rs. 52 billion but it was argued that it was mostly adjustable. There are also duties on import of certain items and equipment used in telecom companies besides additional customs duties etc. There is also a charge on issuance of new connections.

Another Startup Gets Approval from SBP to Operate as Electronic Money Institution

Mobile application TAG Innovation Pvt. Ltd has become the latest FinTech startup to get In-Principle approval from the State Bank of Pakistan (SBP) to operate as an Electronic Money Institution (EMI) in Pakistan. In-Principle approval letters are granted to EMIs based on the information submitted by them and a review of their application for In-Principle approval under Regulations for EMIs. It must not be construed as an endorsement of the EMIs proposed business model, financial viability, etc. by State Bank of Pakistan. State Bank of Pakistan will not be responsible for any financial, legal and reputational loss to any entity or individual who has established a business relationship with the respective EMI based on the In-Principle approval letter.

Under the Regulations, Prospective EMI applicants are granted EMI license in three stages viz. In-Principle approval, approval for Commencement of Pilot Operations and the Final Approval i.e. License. Since the introduction of EMI regulations by the SBP in April 2019, a number of Pakistan-based startups — including: i) Finja Pvt. Ltd., ii) NayaPay Pvt. Ltd, iii) Wemsol Pvt. Ltd, iv) EP Systems, v) CMPECC Ltd., and vi) Sada Tech Pakistan Pvt. Ltd Finja have obtained In-Principle approval. Out of these seven FinTech firms, three firms including M/s. Finja Pvt. Ltd., M/s. NayaPay Pvt. Ltd and M/s. Wemsol Pvt. Ltd. have reached the second stage of acquiring the license, i.e., they have been granted approval to run pilot operations.

The SBP had launched EMI Regulations last year with five-pronged objectives; to provide a regulatory framework for EMIs looking to offer innovative payment services to the general public; prescribing minimum service standards and requirements for them to ensure delivery of payment services in a safe, sound and cost-effective manner; outlining the permissible activities that can be carried out by an EMI and its agents' network; providing a baseline for the protection of EMI's customers; and achieving the SBP's goal of digital payments and financial inclusion. To further promote the Digital Pakistan Initiative, it also unveiled a National Payments Systems Strategy in November 2019, which lays out a detailed plan to kickstart the migration towards electronic payments with an active role of government.

SNIPS

The Meaning of Corporate Social Responsibility

According to a report from Edelman, a public relations firm, 53 per cent of consumers feel that it's the responsibility of all brands to advocate for at least one social issue that has no direct impact on their business.

A Scheme Worth Trying

The efforts of Thailand's KBank to protect jobs during the crisis brought on by the COVID-19 pandemic has saved around 41,000 jobs.



INTERNATIONAL SCENARIO

Canadian Dollar Sees Biggest Weekly Drop Since April

The Canadian dollar was little changed against its broadly stronger US counterpart on Friday as data showed further recovery in Canada's economy, with the currency steadying after a sharp decline earlier in the week. The Canadian dollar was trading nearly unchanged at 1.3320 to the greenback, or 75.08 US cents, having traded in a range of 1.3280 to 1.3348. For the month it was also nearly unchanged, after falling since the start of the week by 1.5 per cent, its biggest weekly decline since April. The Canadian economy grew by 1.2 per cent in August, the fourth consecutive monthly gain, while a flash estimate showed further expansion of 0.7 per cent in September 2020.

Saudi Arabia to Abolish Decades Old Kafala Sponsorship System

Saudi Arabia plans to cancel a foreign worker sponsorship system, known as kafala, and replace it with a new form of contract between employers and employees. According to Arabian financial newspaper Maaal, the government would unveil the new rules governing foreign labor as early as next week, which would become applicable from the first half of 2021. Saudi Arabia's Ministry of Human Resources and Social Development has said it is working on "many initiatives" to develop the labor market. The kafala system, which is applied to foreign employees working in Gulf Arab countries, under which the workers are required to be sponsored by a Saudi employer for being issued with an exit or re-entry visa. It may be mentioned here that Saudi Arabia, which this year is chairing the Group of 20 major economies (G20), seeks to boost the private sector and make it more attractive to foreign talent under an ambitious plan to diversify its oil-based economy.

Over Half of Europe's SMEs may be Bankrupt in a Year

More than 50 per cent of small and medium-sized businesses (SMEs) operating in Europe's top-five economic powerhouses fear they will have to close in 12 months as they are struggling to stay afloat amid the coronavirus crisis. The pandemic has pushed down the

revenues of more than 70 per cent of European companies, according to the results of the McKinsey survey of over 2,200 SMEs in five European countries: France, Germany, Italy, Spain, and the UK. COVID-19 has hit businesses hardest in Italy and Spain, where 30 and 33pc of SMEs respectively reported that their revenues dropped "greatly." Additionally, nearly half of those polled in the two countries, which saw one of the strictest lockdowns, said their revenues were "somewhat" down. The poll was conducted in August before Europe faced the second wave of infections and governments started to re-enforce some of the restrictions. Even then, the vast majority of companies described the economy as weak. At the current trajectory, one in 10 SMEs or 11pc are expected to file for bankruptcy within half a year. The level may be nearly twice as high among the largest French companies, employing between 50 and 249 people. If the poll reflects business sentiment across all the European SMEs, nearly a third of jobs may be at risk within a year, as they account for more than two-thirds of the entire workforce in the region. Europe's economic rebound could also be hampered by massive closures, with SMEs generating more than half of the economic value-added, according to the report.

Income Tax to Be Introduced in Oman: Ministry

The Sultanate of Oman expects to introduce an income tax on high earners in 2022, the finance ministry said in a 2020-2024 economic plan, new details of which were published late on Sunday, as the Gulf state seeks to restore finances battered by low oil prices. The plan aims to bring Oman's fiscal deficit down to 1.7 per cent of gross domestic product by 2024, from a preliminary deficit of 15.8 per cent this year. It also has a target of increasing non-oil revenues to 35 per cent of total government revenue by 2024, from 28 per cent this year. None of the six Gulf Cooperation Council (GCC) states, all oil producers, currently collect income tax from individuals. All six Gulf Arab states agreed to introduce 5 per cent VAT in 2018 after a slump in oil prices hit their revenues.



MANAGEMENT VIEWS

Maintain Your Integrity When Making Tough Decisions

Every leader faces complex, subjective decisions, such as who to promote into a critical role, whether to do layoffs during a downturn, or how to handle employee misconduct. When there are no easy answers, one option is to consider the problem along three dimensions: the ethics (context-specific principles around what is acceptable in your organization or society), morals your own internal sense of what is right and wrong, shaped by upbringing, family, community, identity, faith, etc.) and the responsibilities associated with your specific role. Thoroughly interrogating the problem and possible solutions in this way will help you come to a decision and clearly articulate your reasoning. Start by clarifying your personal worldview: what do you stand for and does that align with what your organization stands for? Next, ask yourself if there is a path forward that aligns along all three dimensions. If so, great. If not, what are you willing to compromise? Once you have made the tough call, do some self-reflection. Which values did you give precedence to? Why? And at whose expense? This kind of soul-searching is challenging, but it will also prepare you for the next hard decision you face.

(This tip is adapted from *A Framework for Leaders Facing Difficult Decisions*, by Eric Pliner. - HBR)

Design a Better Bereavement Policy

While many organizations are rushing to rethink parental leave policies, wellness programs and flexible work arrangements, there is one employee benefit that may not seem like a priority: bereavement leave. But, unfortunately, now is the right time to reconsider your policy and how it serves (or does not serve) grieving employees. First and foremost, give your people more paid time off for bereavement. Given all the demands associated with arranging a funeral, sorting out finances and mourning one's loss, a few days just does not cut it. Be generous: ask them what they need and follow their lead. Also, do

not limit the coverage to immediate family. Include the loss of any loved one: a partner, child, parent, grandparent, aunt, uncle, cousin, friend or neighbor. Miscarriage should also be covered. Do not request for a death certificate, obituary, or letter from a funeral home or hospital — it is uncomfortable and unnecessary.

(This tip is adapted from *It's Time to Rethink Corporate Bereavement Policies*, by Mita Mallick. - HBR)

“Remember that people are of two kinds, they are either your brothers in religion or your brothers in mankind.”

HAZRAT ALI 

Try Blue-Light Filtering Glasses to Improve Sleep and Focus

The shift to working from home means that most of us are spending even more time looking at screens. And we all know the science on how harmful excessive screen time can be to our sleep and focus. The good news is that new research suggests that blue-light filtering glasses (which reduce the amount of light that reaches your eyes) actually work. Specifically, the study found that the glasses boost the quantity and quality of people's sleep and this can lead to all sorts of positive benefits at work, including improved engagement, more ethical behavior and increased creativity. Wearing blue-light filtering glasses may be particularly useful when you are at home, where work time often bleeds into personal time and screen time can pile up fast. We all want to be our best selves at work and this may be a relatively low-cost and straightforward solution that can help you do that.

(This tip is adapted from *Will Blue-Light Glasses Improve Your Sleep?* by Christopher M. Barnes. - HBR)



IBP TRAININGS NOVEMBER 2020

**10 NOVEMBER
TUESDAY**

10AM - 1PM

STRATEGY AND LEADERSHIP DEVELOPMENT

FACILITATOR: Dr. Hanif Mohammed

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

ONLINE
TRAINING

**11 NOVEMBER
WEDNESDAY**

2PM - 5PM

SIGNATURE VERIFICATION AND FORGED SIGNATURE DETECTION

FACILITATOR: Naveed Elahi Malik

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

ONLINE
TRAINING

**13 NOVEMBER
FRIDAY**

4PM - 7PM

RETAINING KEY EMPLOYEES IN TIMES OF CHANGE

FACILITATOR: Seemin Shafi

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

ONLINE
TRAINING

**14 NOVEMBER
SATURDAY**

2PM - 5PM

TRADE BASED MONEY LAUNDERING

FACILITATOR: Salim Thobani

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

ONLINE
TRAINING

**16 NOVEMBER
MONDAY**

9AM - 5PM

DEVELOPING INSIGHTS INTO MONEY MARKET

FACILITATOR: Muhammad Mazherul Haq

COURSE FEE: PKR 12,500/- (Excluding Taxes)

CLASSROOM
TRAINING