



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 15 | ISSUE 47 | NOVEMBER 20, 2020

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

## PAKISTAN TIDINGS

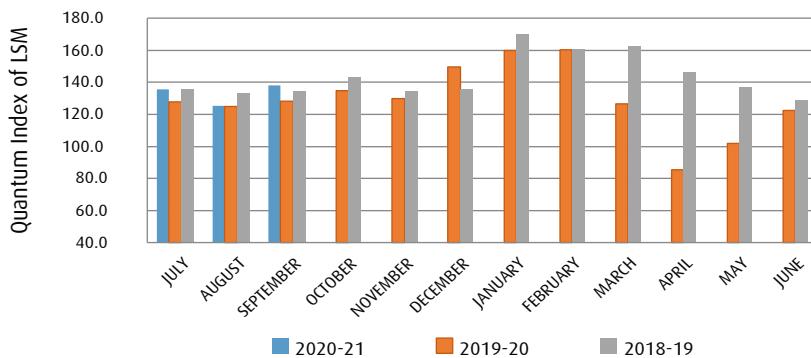
### COVID-19: Impact of SBP's Measures as of November 13 - 16, 2020

Loans Deferred	RS. 655.3	Loans Approved for Investment	RS. 185.8
Loans Restructured	RS. 205.5	Bank Branches Open	96 per cent
Loans Approved for Wages	RS. 238.0	ATMs' Availability	95 per cent
Loans Approved for Hospitals	RS. 7.8		(Rs. in billion)

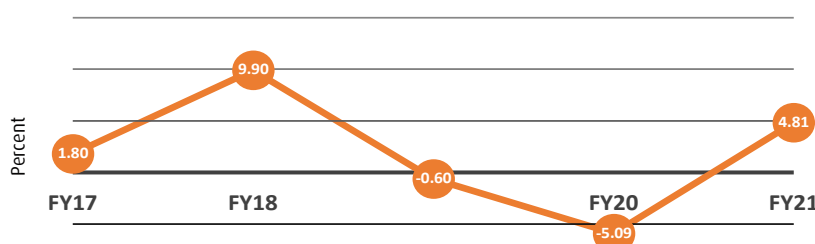
### Large-Scale Manufacturing Performs Well During July-September FY21

The provisional data on Large Scale Manufacturing Industry (LSMI) reveals that the output increased by 7.7 percent during September 2020 compared to the corresponding month last year and 10.1 percent if compared to August 2020. The overall output of LSMI was higher by 4.8 percent during July-September FY21 compared to the same period previous year. This boost amid continuation of COVID-19 pandemic is commendable and may lead to contribute year-end growth positively against 2.5 percent negative growth projected for fiscal year 2020-21.

Growth in Large Scale Manufacturing (LSM)



July-Sep Growth in LSM



## MARKETS AT A GLANCE

Rates are taken till Friday, November 20, 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 208.10	PKR 186.87	PKR 158.16
ENDING	PKR 213.21	PKR 190.79	PKR 160.73
CHANGE	+5.11	+3.92	+2.57

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	40,569
ENDING	40,187
CHANGE	-382

### GOLD RATE

(10 GM, 24K)

STARTING	PKR 95,727
ENDING	PKR 95,943
CHANGE	+216



The increase during the quarter was witnessed in textile, food, beverages & tobacco, coke & petroleum products, pharmaceuticals, chemicals, non-metallic mineral products and paper and board while, it decreased in automobiles, iron & steel products, electronic and leather products.

## Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	13-Nov-20	6-Nov-20	15-Nov-19	Previous Week	Corresponding Week
Investments	10,986.3	10,987.7	7,787.7	-0.01	41.07
Gross Advances	8,070.7	8,080.6	8,054.0	-0.12	0.21
Borrowings	2,897.7	2,836.3	2,530.9	2.16	14.49
Deposits and other accounts	16,354.8	16,365.9	13,847.8	-0.07	16.10

## Inauguration of Naya Pakistan Certificates

The Naya Pakistan certificates (NPCs) were inaugurated by Prime Minister Imran Khan on November 12, 2020, according to a joint press release of Ministry of Finance (MoF) and State Bank of Pakistan (SBP). NPCs are an initiative of the MoF and administered by SBP to offer attractive investment opportunities to overseas Pakistanis and resident Pakistanis with assets held abroad.

The Prime Minister acknowledged the contribution of Overseas Pakistanis and was delighted that Roshan Digital Accounts (RDAs), the first initiative of its kind by SBP, has been widely welcomed by overseas Pakistanis. RDAs allow opening bank accounts remotely and in a presence-less manner and provide innovative banking, payment and investment solutions for millions of Overseas Pakistanis. "The initiative of Naya Pakistan Certificates would add further value to the RDAs." He encouraged Overseas Pakistanis and resident Pakistanis to invest in NPCs through RDA.

NPCs are sovereign instruments, denominated in USD and PKR, issued by the Government of Pakistan under Public Debt Act, 1944 and NPC Rules 2020 and can only be purchased through Roshan Digital Accounts – an initiative of State Bank of Pakistan, which was launched in September 2020.

Information on RDAs is available at:  
<https://www.sbp.org.pk/RDA/index.html>.

NPCs offer attractive returns over different maturities. These special certificates are available in both conventional and sharia compliant versions. Resident Pakistanis who have declared their assets abroad can also invest in USD denominated NPCs. Information on NPCs is available at: <https://www.sbp.org.pk/NPC/index.html>.

In his address, Adviser to the Prime Minister on Finance and Revenue, Dr. Abdul Hafeez Shaikh, highlighted the various economic challenges faced by the country, particularly as a result of COVID-19 pandemic and the relief and economic stimulus initiatives taken by the Government of Pakistan.

Governor SBP Dr. Reza Baqir noted that the initiative of NPCs by the Ministry of Finance and the Roshan Digital Accounts initiative of SBP would go a long way in meeting the demand of overseas Pakistanis for facilitating their smooth access to the financial sector in Pakistan and provide investment opportunities to them, as well resident Pakistanis. Addressing the audience, he said, "These two initiatives will help the country not only in tapping the valuable



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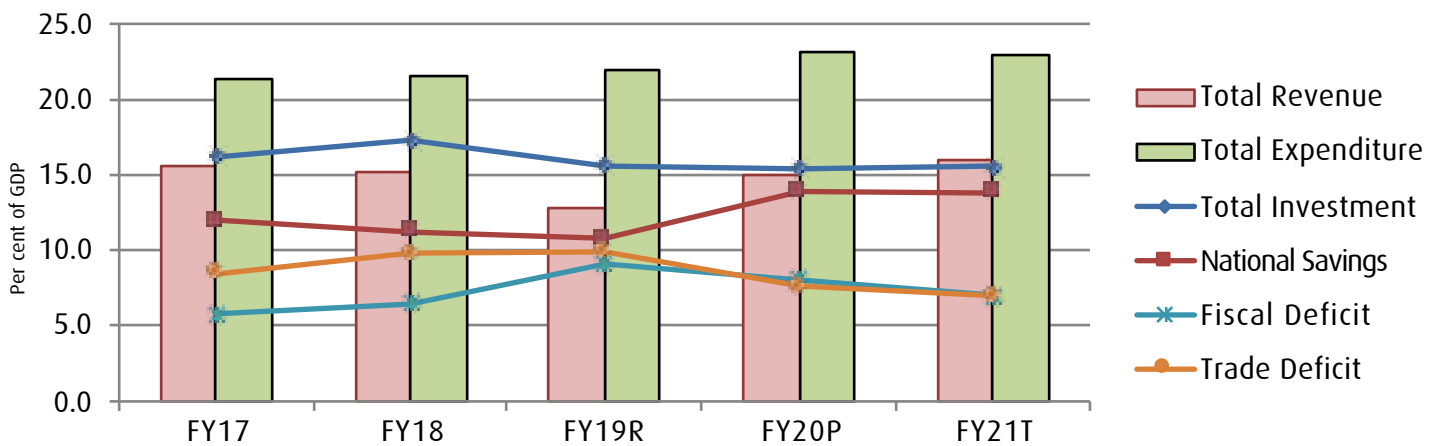
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## Pakistan's Major Economic Indicators

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



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financial resources but will also become a more consistent, reliable and long-term source of foreign exchange flows in the country." Sharing the data on Roshan Digital Accounts so far, he said that over 36 thousand RDAs have been opened so far in less than two months fetching over USD65 million of amount remitted. He noted that the number of accounts and amounts remitted and investment is growing every day. Ministers, parliamentarians, presidents and CEOs of banks and senior officials from SBP attended the ceremony.

**"The real patience is at the first stroke of a calamity."**

THE PROPHET MUHAMMAD 

## **Reduction in Reflection Period of Written Off/Waived Loans and Advances in eCIB for Corporate Borrowers: SBP**

State Bank of Pakistan (SBP) has decided to reduce the reflection period of written off/waived loans and advances for corporate borrowers in the Electronic Credit Information Bureau (eCIB) of SBP from 15 years to 10 years, according to a press release issued on November 12, 2020. "It has been a general impression that reflecting the negative history/write-off for a longer period might deprive the borrowers of a fresh start and would exclude borrowers from access to finance for longer periods (following the write-offs/waivers) regardless of the borrowers' current financial performance and other favorable information," said the SBP press release.

"Decreasing the reflection period to 10 years will bring our system in line with the international practice and provide a conducive business environment to boost economic activities besides helping to improve the country ranking in the Ease of Doing Survey conducted by the World Bank periodically," it said.

CIB is a repository of information about the credit history of borrowers of the banking system and is largely used by banks/Financial Institutions (FIs) to assess the creditworthiness of borrowers, which assists the supervisors in off-site supervision and on-site examinations. SBP established

its Credit Registry i.e. eCIB in 1992 with the objective to complement its role of prudential supervision and assessment of the risk monitoring functions of its regulated FIs. Since then, the eCIB of SBP has evolved from manual to modern electronic online credit reporting system fueled by improvements in system and technology. The existing eCIB system is not only helping in the expansion of credit but also enabling FIs to move from the traditional subjective approach of granting credit to a more efficient lending process.

## **E-Commerce Automated Clearance System Developed by FBR**

To promote Business to Consumer e-Commerce exports in Pakistan, Pakistan Customs has developed an e-Commerce automated clearance facility in collaboration with State Bank of Pakistan, Ministry of Commerce and e-commerce operators. According to a press release issued by Federal Board of Revenue (FBR), the new system will facilitate the e-Commerce trade and document the e-Commerce exports from Pakistan and allow commercial banks to register e-Commerce traders in Web Based One Customs (WeBOC) system of Pakistan Customs. Under the SBP regulatory framework for B2C e-Commerce exports, the exporters shall export their e-Commerce consignments without the requirement of E-Form up to USD 5000 per consignment.

The shipments shall be made through courier companies registered with Pakistan Customs who shall file the Goods Declaration in WeBOC system on behalf of exporters. Each individual consignment shall be identified on the basis of unique House Air Waybill (HAWB) number. The details of export shipments shall be accessible to banks in the e-Commerce profile of the exporters in the system after the export of goods from Pakistan.

The exporter shall be required to ensure realization of export proceeds within 60 days from the date of shipment. The export proceed shall be received from abroad by commercial banks, through banking channel or international payment scheme/gateway, either in foreign currency or in Pakistani Rupee from Non-Resident Rupee Account Repatriable. Various MIS reports have been provided in the system to State Bank of Pakistan and Commercial Banks for settlement of Export realization and fulfillment of other regulatory requirements.



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The e-Commerce operators have lauded the initiative that will remove the difficulties faced by SME sector in exporting their goods thus playing an effective role in improving country's rating in the Ease of Doing Business index. Training sessions have been conducted by Pakistan Customs in collaboration with State Bank of Pakistan and Ministry of Commerce.

reserves of the State Bank improve. They said due to increased cases of COVID-19, the outflow of dollars from Pakistan would remain low till the end of third quarter of this fiscal year.

## INTERNATIONAL SCENARIO

### Germany Intends to Aid Businesses with €22 billion in 2021

Germany is expected to pay €22 billion in coronavirus relief aid from January to June 2021 to companies and self-employed workers, as the impact of the pandemic extends into the next year, familiar sources told Reuters. Companies can receive up to €200,000 per month to cover fixed costs such as rent, while persons can get up to €5,000 in the new round of relief measures. Finance Minister Olaf Scholz said on Thursday that Germany has enough financial strength to launch stimulus measures if needed to counter the crisis on Europe's biggest economy. Scholz said Germany plans to borrow more than €300 billion in 2020/21, yet, it needs to bear in mind rational relief measures. The total amount of stimulus Germany has been able to provide to businesses and citizens stood at 8.3 percent of its output, which is just below the U.S. figure of 9.1 percent, according to think tank Bruegel.

### G20 Strikes Historic Debt Pact to Help Poorer States Hit by COVID

G20 countries have agreed for the first time on a common framework for restructuring government debt, in anticipation of the coronavirus crisis leaving some poorer nations struggling to pay and in need of relief. With the COVID-19 pandemic straining the finances of some developing countries, G20 finance ministers said that more help was needed than a current temporary debt freeze, which will be extended until June 30, 2021. Major creditors, including China, will be expected to follow the joint guidelines agreed by the G20, which lays out how debt deemed to be unsustainable can be reduced or rescheduled. Non-governmental groups said the accord should have gone further by including middle-income countries and forcing private investors to accept cancellations. The coronavirus crisis has exacerbated

Patience is of two kinds: patience over what pains you and patience against what you covet.

HAZRAT ALI 

### Exchange Firms Depositing \$300 million a Month in Banks

Falling dollar price is sparking a flight into the rupee as growing numbers of people are selling their holdings in the open market. As a result, exchange companies say they are depositing up to \$300 million per month into the banks. The US dollars are being sold at below the prevailing rates in the interbank market.

The Exchange Companies Association of Pakistan (ECAP) quoted Rs.158.10 to Rs.158.20 in the interbank while buying and selling rates in the open market at Rs.157.80 and Rs.158.20. "Since the dollar has been falling on day-to-day basis the savings of Pakistanis started coming in open market which further created pressure on the exchange rates," said Malik Bostan, President Forex Association of Pakistan.

"The liquidity is so high that we are depositing on average \$10 million to \$12 million per day in the banks. Buyers are extremely thin in numbers," he added. He said the exchange companies deposited \$290 million in the banks in September 2002. During the first quarter of this fiscal year these companies on an average deposited about \$300 million per month. Remittances grew by 26 percent during July-October period of this fiscal year and this higher liquidity both in interbank and open markets was helping the local currency to recover against the US currency which had lost Rs.10 since August 2002. Some currency experts said the dollar may lose more value against the rupee if the inflows remain high and the



problems for the poorest countries, 50 percent of which are now in or at risk of debt distress and in an early sign of its impact, Zambia is on the brink of becoming Africa's first COVID- era sovereign default. IMF Managing Director Kristalina Georgieva last week said African states alone faced a financing gap of \$345 billion through 2023 to deal with the pandemic and its economic impact. China, which accounted for 63pc of overall debt owed to G20 countries in 2019, has been reluctant to acknowledge the need for outright cancellation or reduction of debts.

Under the new framework, creditor countries will negotiate together with a debtor country, which will be expected to seek the same treatment terms from private sector creditors. The scheme borrows heavily from the rules established by Paris Club, an informal grouping of mostly rich country governments established in 1956, that until now was the only joint forum for negotiating debt restructurings.

### 15 Asian Nations Sign Huge China-backed RCEP Trade Pact

Fifteen countries on Sunday signed a sprawling Asian trade deal seen as a huge coup for China in extending its influence The Regional Comprehensive Economic Partnership (RCEP), which includes 10 Southeast Asian economies (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam) along with China, Japan, South Korea, New Zealand and Australia, is the world's largest trade pact in terms of GDP, analysts say. First proposed in 2012, the deal was finally sealed at the end of a Southeast Asian summit as leaders push to get their pandemic-hit economies back on track. "I am happy that after eight years of complex discussions, today we officially end RCEP negotiations," Vietnamese Prime Minister Nguyen Xuan Phuc said ahead of the virtual signing. The agreement to lower tariffs and open up the services trade within the bloc does not include the United States and is viewed as a Chinese-led alternative to a now-defunct Washington trade initiative.

The RCEP "solidifies China's broader regional geopolitical ambitions around the Belt and Road initiative", said Alexander Capri, a trade expert at the National University of Singapore Business School, referring to Beijing's signature

investment project that envisions Chinese infrastructure and influence spanning the globe. But many of the signatories are battling severe coronavirus outbreaks and they are also hoping the RCEP will help mitigate the crippling economic cost of the illness.

### World Poverty Rising as Rich Nations Call in Debt Amid COVID, Warns Gordon Brown

After decades of progress, the international goal of eradicating extreme poverty by 2030 is in jeopardy, Gordon Brown has warned, as developing countries battling the coronavirus sacrifice their health and education systems to pay western and Chinese creditors. "We need a comprehensive new plan that recognizes the need for some countries to restructure and reduce debt," Brown told the Observer. Ahead of a key G20 meeting next weekend, the former prime minister of UK is calling for a global solution if an imminent child mortality crisis is to be averted. It is being called the "great reversal". His warning comes against a backdrop of rising poverty and reversals in child health. Data from the Johns Hopkins Medical School shows that an additional 6,000 children could die every day from preventable causes as the pandemic weakens health systems and disrupts routine services.

### Time has Come for Four-Day Week

The UK, Germany, Spain and other countries should adopt a four-day week to help their economies recover from the coronavirus pandemic, according to former shadow chancellor John McDonnell and group of left-wing politicians and union officials from across Europe. A four-day week would help deal with the economic fallout of the pandemic, according to a letter sent to Boris Johnson, German chancellor Angela Merkel, Spanish prime minister Pedro Sánchez and other leaders. The letter highlighted the long history of workers agreeing to shorter hours in order to save jobs, but also the "opportunity" to rethink working patterns and help to reduce energy usage, potentially helping to tackle the climate crisis. "Throughout history, shorter working hours have been used during times of crisis and economic recession as a way of sharing work more equally across the economy between the unemployed and the overemployed," the group wrote. "For the advancement of civilisation and the good society, now is the moment to



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seize the opportunity and move towards shorter working hours with no loss of pay." Proposals to institute a four-day week have garnered increasing interest in recent years, thanks to a small but growing number of companies who argue it has increased productivity while improving workers' mental health. Campaigners for the four-day week highlighted that the average number of hours worked by people across the economy has not reduced significantly since the 1980s, despite the development of labour-saving technologies such as personal computers that should in theory free more time for leisure.

## MANAGEMENT VIEWS

### Self-Care Is Not for You? Think Again

While the benefits of self-care are well known, some leaders still question whether it is for them. You might feel like you do not have the time, or think that you do not need it, or maybe you consider the whole idea to be a bunch of hippy-dippy nonsense. Well, it is time to reconsider. Self-care is important and it can look different for everyone. So, set aside your resistance and find a way to make it your own. You might like a long, cross-legged meditation or something much more simple, like a routine journaling session, a brief afternoon nature walk, or a 15-minute break during the day to listen to music. The key is to start small, because even short diversions can provide stress relief and an energy boost. Whatever form of self-care you settle on, be diligent about making time for it every day. Schedule it on your calendar and set alarms so that you do not forget to actually follow through on your commitment to yourself. And once you start feeling the benefits, share your experience with others, especially if you are a leader. The more you encourage others to take care of themselves, the more your team and organization will benefit.

### Document Your Team's Unwritten Rules

Every workplace has unwritten rules — the unstated cultural and emotional norms that dictate what is acceptable on your team or in your company. But is everyone aware of them? Do they know if it is okay to turn off their video during a Zoom meeting? Or to go for a walk in the middle of the day? During stressful times it can be helpful for everyone to know exactly what your norms are. So write them down. Set aside time for you and your team to brainstorm an "It is okay to..." list to clarify the small uncertainties that can add unnecessary stress. Your list can include things like "It is okay to say you do not understand a process," or, "It is okay to have quiet days." If your company has moved to remote work during the pandemic, you might want to refresh your list, including things like, "It is okay to shift your hours to take care of family commitments," or "It is okay to block off calendar time for focused work." Documenting these norms is a simple exercise that has positive benefits for new, tenured and future employees and allows you to reinforce your culture even when the nature of work changes.

### Do Not Try to Fake a Good Mood

It is pretty easy to be in a bad mood these days. You might be worried about your health, concerned about the state of the world, overwhelmed at work, or all of the above. But when you get to the office or sign into that Zoom call, do not try to just "put on a happy face." Sure, you may not want to dampen the mood or drag your coworkers down. But faking a smile does not benefit you (because you still feel annoyed) or your coworkers (who likely see through your inauthenticity). Instead, try to genuinely change your mood so that you are not pretending and are authentically expressing more positive emotions. After a long week of juggling work and child care, for example, you might reappraise what was good about your day and what you like about your work. Try verbalizing what you are grateful for: "I am so lucky to be catching up with my coworker," or "I feel connected to the purpose of my work," and identify moments of joy in your relationships, both at work and at home. That should hopefully help you break a true smile.

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

# IBP TRAININGS | NOVEMBER 2020



**21 NOVEMBER  
SATURDAY**

2PM - 5PM

HOW STARTUPS CAN USE DIGITAL FINANCIAL SERVICES TO ACHIEVE FINANCIAL INCLUSION IN PAKISTAN?

FACILITATOR: Fahad Shahab

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

ONLINE  
TRAINING

**24 NOVEMBER  
TUESDAY**

2PM - 5PM

FOREIGN CURRENCY ACCOUNTS RULES, 2020

FACILITATOR: Raza Husain Bandedali

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

ONLINE  
TRAINING

**25 NOVEMBER  
WEDNESDAY**

9AM - 5PM

AML 360°

FACILITATOR: Sehba Ehsan

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

CLASSROOM  
TRAINING

**26 NOVEMBER  
THURSDAY**

9AM - 5PM

VISUALLY EFFECTIVE EXCEL DASHBOARDS

FACILITATOR: Rahim Zulfiqar Ali

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

CLASSROOM  
TRAINING

**26 NOVEMBER  
THURSDAY**

10AM - 1PM

FINANCIAL PLANNING AND BUDGETING

FACILITATOR: Abid Anwer

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

ONLINE  
TRAINING

**27 NOVEMBER  
FRIDAY**

4PM - 7PM

POOL MANAGEMENT IN ISLAMIC BANKS

FACILITATOR: Hasan Faraz

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

ONLINE  
TRAINING

**28 NOVEMBER  
SATURDAY**

2PM - 5PM

USING IFRS 9 EFFECTIVELY IN BANKING SECTOR

FACILITATOR: Hassan Marfani

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

ONLINE  
TRAINING