



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 15 | ISSUE 48 | NOVEMBER 27, 2020

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

PAKISTAN TIDINGS

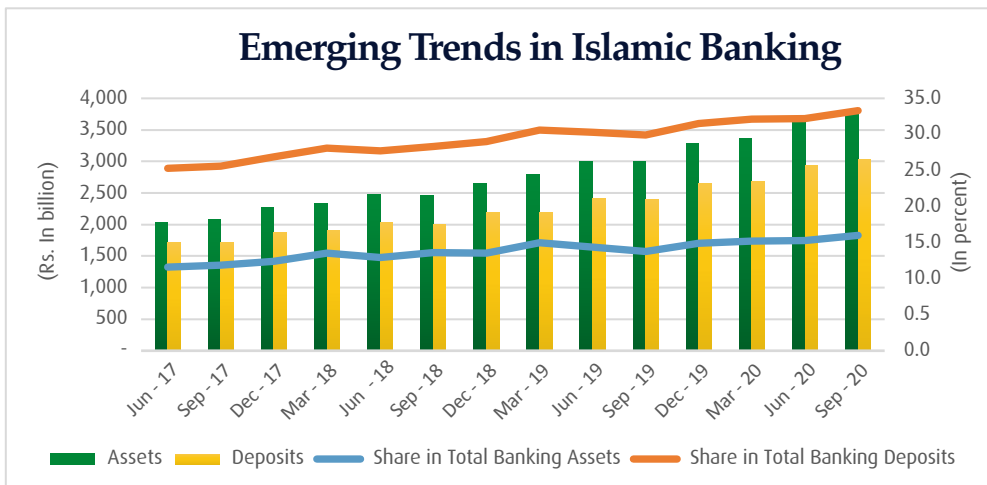
COVID-19: Impact of SBP's Measures as of November 19 - 23, 2020

Loans Deferred	RS. 659.0	Loans Approved for Investment	RS. 193.0
Loans Restructured	RS. 207.0	Bank Branches Open	96 per cent
Loans Approved for Wages	RS. 238.0	ATMs' Availability	96 per cent
Loans Approved for Hospitals	RS. 7.8		(Rs. in billion)

Steady Growth Seen in Islamic Banking Industry (IBI) during Q1 FY21

The quarterly report on Islamic Banking published by State Bank of Pakistan (SBP) showed that despite all odds of COVID-19, it maintained steady growth during July-September 2020, as well. The assets and deposits of Islamic Banking Industry (IBI) grew by 4.8 percent and 3.0 percent respectively during first quarter of FY21 and were substantially higher by 27.2 percent and 26.0 percent respectively compared to the position at the end of the same quarter previous year. In terms of market share, IBI stood at 16.0 percent and 17.3 percent respectively in assets and deposits of overall banking industry by end September 2020.

Infrastructure of Islamic Banking Industry at the end of September 2020 remained the same with 22 IBIs comprising 5 full-fledged Islamic Banks (IBs) and 17 conventional banks having standalone Islamic banking branches (IBBs). However, the branch network of IBI saw a quarterly increase from 3,274 branches to 3,303 branches.



MARKETS AT A GLANCE

Rates are taken till Friday, November 27, 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 213.21	PKR 190.79	PKR 160.73
ENDING	PKR 213.22	PKR 190.20	PKR 159.46
CHANGE	+0.01	-0.59	-1.27

PAKISTAN STOCK EXCHANGE

100 Index	
STARTING	40,187
ENDING	40,807
CHANGE	+620

GOLD RATE

(10 GM, 24K)	
STARTING	PKR 95,943
ENDING	PKR 92,427
CHANGE	-3516



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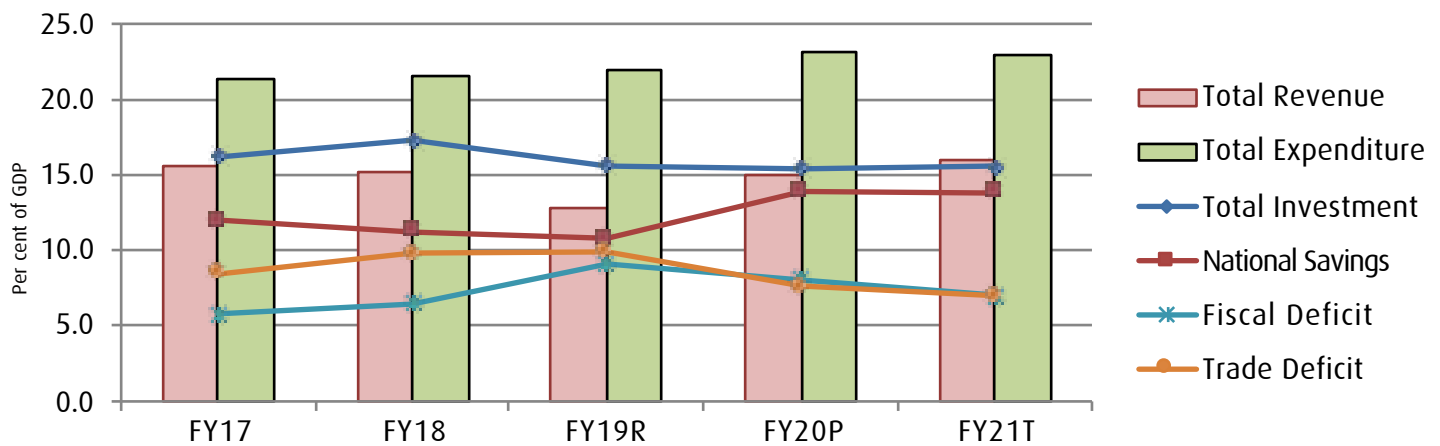
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Pakistan's Major Economic Indicators

Real Sector (Percent Growth)	FY17	FY18	FY19 ^R	FY20 ^P	FY21 ^T
GDP (Real)	5.5	5.5	1.9	-0.4	2.1
Agriculture Sector	2.2	4.0	0.6	2.7	2.8
Industrial Sector	4.6	4.6	-2.3	-2.6	0.1
Services Sector	6.5	6.3	3.8	-0.6	2.6
GNP (mp) Rs. Per Capita	170,672	181,453	198,028	214,539	229,519
GNP (mp) US \$ Per Capita	1,630.1	1,651.9	1,455.1	1,355.0	1,408.1

As Percent of GDP (mp)



CPI INFLATION (YoY%)	FY17	FY18	FY19	FY20	SEP 2020	OCT 2020
General	4.8	4.7	6.8	10.7	9.0	8.9
Food (Urban)	4.3	3.8	4.6	13.6	12.4	13.9
Non-Food (Urban)	5.1	5.8	8.5	8.3	5.0	13.6

Currency in Circulation as on (Stock data)

Rs. in billion

30 Jun 17	30 Jun 18	30 Jun 19	30 Jun 20	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



**Updated figures not available*

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

SBP Retains Monetary Policy Rate at 7 percent

In its meeting held on 23rd November 2020, the Monetary Policy Committee (MPC) decided to maintain the policy rate at 7.0 percent, according to Monetary Policy Statement issued by the State Bank of Pakistan. The MPC noted that since the last meeting in September, the domestic recovery has gradually gained traction, in line with expectations for growth of slightly above 2.0 percent in FY21 and business sentiment has improved further. Nevertheless, the recent rise in COVID cases in Pakistan and many other countries pose considerable downside risks.

On the inflation front, recent out-turns have been on the higher side, primarily due to increases in food prices. However, these supply-side pressures are likely to be temporary and average inflation is expected to fall within the previously announced range of 7-9 percent for FY21. Taken together, risks to the outlook for both growth and inflation appear balanced.

Given the broadly unchanged outlook for growth and inflation, the MPC viewed the existing stance of monetary policy appropriate to support the nascent recovery while keeping inflation expectations well anchored and maintaining financial stability. The MPC noted that the lagged effects of the significant fiscal, monetary and credit stimulus injected during the pandemic should continue to shore up growth in coming quarters.

SBP Announces New Regulatory Incentives to Promote Low Cost Housing Finance

The State Bank of Pakistan, in continuation with its measures taken to provide housing, has announced five regulatory relaxations to incentivize banks for financing low cost and affordable housing.

Firstly, the definition of low cost housing finance used in the current regulations for banks has been aligned with definition used under Government Markup Subsidy Facility for Housing Finance eligible under Tiers I & II of housing finance. Specifically, in the SBP regulations, the value of housing unit has been increased from Rs. 3.0 million to Rs. 3.5 million with maximum loan size increased from Rs. 2.7 million to Rs. 3.2 million. Consequently, the incentive for low cost housing finance will increase for banks as they will not only be able to enjoy markup subsidy facility by the Government but the regulatory incentives under low cost housing finance by SBP as well.

Secondly, since obtaining documentary evidence of income, which is generally from informal sources in low income segments, is difficult, SBP is urging the banks to use alternate methods to identify income sources and assess the credit worthiness of the borrower. Under the second relaxation, banks have been exempted from the requirement of using 'verifiable income' for the purpose of calculating Debt Burden Ratio (DBR) in case of low cost housing finance where banks are using income proxies and where income of borrower is not verifiable. Resultantly, borrowers with 'non-verifiable income,' estimated by banks using income



proxies, will also become eligible to avail low cost housing finance.

Thirdly, banks have also been exempted from the requirement of observing DBR, in case of low cost housing finance, where banks are using repayment surrogates like rent, utility bills, telcos bills, etc. to assess repayment capacity of borrower. Hence, borrowers without verifiable or non-verifiable income will become eligible to avail low cost housing finance.

Fourthly, banks have been exempted from the requirement of Internal Credit Risk Rating System for the low cost housing finance till September 30, 2022 as their current systems do not specifically cater for low cost housing finance. This time-barred relaxation will provide banks to develop their Internal Credit Risk Rating Systems for low cost housing finance.

Fifthly, in order to provide comfort to the borrowers who have liquid securities or already have a housing unit, banks have been allowed to extend housing finance for purchase/construction of a residential property by accepting existing residential property or liquid securities in lieu of equity contribution for housing finance at the time of calculations of Loan to Value ratio. Financing bank will create its lien on existing residential property/liquid securities in addition to mortgage of residential property being financed.

Rise of Pakistan in Implementation Index of WTO's Trade Facilitation Agreement

Pakistan has considerably improved its implementation of World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) from 34.0 percent in June 2018 to 79.0 percent in November 2020, stated in a press release by Federal Board of Revenue (FBR). Due to improvement in the implementation of TFA, Pakistan has improved 31 positions in Trading Across Border Index which tangibly contributed to rise of Pakistan (from 136th position to 108th position) in the Global Fund's Annual Ease of Doing Business 2020 Report. Implementation of WTO's TFA by Pakistan is greater than regional countries like India and Bangladesh whose implementation rate is 78.2 percent and 36.1 percent respectively. Pakistan's implementation rate is higher than those of average of

all WTO members (which is at 65.5 percent) and the average of all developing countries (which is at 65.2 percent). In line with the direction of the Prime Minister Imran Khan to thoroughly facilitate the trade, Pakistan Customs, Federal Board of Revenue followed an integrated plan. Salient TFA reforms/provisions, that have been implemented are: Authorized Economic Operators (AEO) Program, Advance Ruling, Electronic payments, Pre-Arrival Processing, Freedom of Transit, Opportunity to Comment and Information before Entry into Force, Temporary Admission of Goods and Inward and Outward Processing, Risk Management and Post Clearance Audit.

Implementation of WTO's TFA by Pakistan is acknowledged worldwide. According to the World Bank, Pakistan has made the top 10 list of governments that have done the most in the past year to improve the ease of doing business in their countries. OECD Trade Facilitation Indicators Data Base (2019) has acknowledged Pakistan's best performance across the areas under TFA.

Pakistan's Current Account Remains in Surplus for Fourth Consecutive Month

According to the provisional data released by State Bank, Pakistan's current account balance remained in surplus for the fourth consecutive month in October 2020 and reached \$382 million, considerably higher than \$59.0 million and \$70.0 million achieved in September 2020 and October 2019, respectively. In the first four months of this fiscal year, current account posted surplus of \$1.2 billion contrary to the deficit of \$1.4 billion registered during the same period last year. This improvement is seen mostly on account of sustained increase in remittances and smaller trade deficit, the data showed.

So far, in the four-month period from July to October, total inflows of remittances have risen to \$9.43 billion, up 26.5 percent compared to \$7.45 billion in the same period last year.

On the other hand, during the same July-October period, the country's trade balance in goods has risen 4 percent to \$6.74 billion from \$6.48 billion during the same period last year; the services trade balance narrowed 38pc to \$785 million compared to \$1.27 billion.



INTERNATIONAL SCENARIO

Bitcoin Climbs to Three-year Peak

Bitcoin BTC=BTSP (Luxembourg-based Bitstamp exchange BT C=BTSP) rose to a nearly three-year high on Friday, as investors continued to scoop the virtual currency on expectations it could well exceed its all-time peak of just under \$20,000. Bitcoin surged to \$18,766.79, the highest since December 2017 and was last up 4.9 percent at \$18,696. It has gained 17 percent so far this week, the largest weekly gain since June 2019, climbing more than 160 percent so far this year. "Today bitcoin has gotten to a place where institutional investors, banks and family offices are legitimately pondering involvement as a defence against currency devaluation," said Alex Mashinsky, chief executive officer at Celsius Network, a crypto lending platform. He added that in 2017, the rally in bitcoin was led by retail investors who were early adopters. "Because large players, like LINE Corp and PayPal are involved this go around, we can expect more stability than the 2017 bubble. This isn't a gold rush anymore," he added.

The bitcoin market now boasts a functioning derivatives market and custody services by established financial institutions. Large firms including Fidelity Investments and Japan's Nomura Holdings Inc 8604 have started safeguarding bitcoins and other cryptocurrencies for institutional investors. Other major cryptocurrencies, including ethereum ETH=BTSP and XRP XRP=BTSP, which often move in tandem with bitcoin, rose 7.2 percent to \$505.2 and 3 percent to 31 U.S. cents, respectively.

G20 Leaders Seek to Help Poorest Nations in Post- COVID World

Leaders of the 20 biggest economies on November 21, 2020 vowed to ensure a fair distribution of COVID-19 vaccines, drugs and tests around the world and do what was needed to support poorer countries struggling to recover from the coronavirus pandemic. "We will spare no effort to ensure their affordable and equitable access for all people, consistent with members' commitments to incentivize innovation," the leaders said in a draft G20 communique seen by Reuters. "We recognize the role of extensive immunization as a global public good."

The twin crises of the pandemic and an uneven, uncertain global recovery dominated the first day of a two-day summit under the chairmanship of Saudi Arabia, which hands off the rotating presidency of the G20 to Italy next month.

The COVID-19 pandemic, which has thrown the global economy into a deep recession this year and efforts needed to underpin an economic rebound in 2021, were at the top of the agenda. "We must work to create the conditions for affordable and equitable access to these tools for all peoples," Saudi Arabia's King Salman bin Abdulaziz said in his opening remarks.

G20 leaders are concerned that the pandemic might further deepen global divisions between the rich and the poor. Germany was contributing more than 500 million euros (\$592.65 million) to the effort, Chancellor Angela Merkel told the G20, urging other countries to do their part, according to a text of her remarks. Russian President Vladimir Putin offered to provide Russia's Sputnik V coronavirus vaccine to other countries and said Moscow was also preparing a second and third vaccine. China, where the pandemic originated a year ago, also offered to cooperate on vaccines. China has five home-grown candidates for a vaccine undergoing the last phase of trials. "China is willing to strengthen cooperation with other countries in the research and development, production and distribution of vaccines," President Xi Jinping told the G20 Summit. "We will ... offer help and support to other developing countries and work hard to make vaccines a public good that citizens of all countries can use and can afford," he said.

The G20 debt relief initiative has helped 46 countries defer \$5.7 billion in debt service payments, but that is far short of the 73 countries that were eligible and promised savings of around \$12 billion. Private sector participation is seen as critical to ensuring broader use of the initiative.

Tech Giants Join with Governments to Fight COVID Misinformation

Facebook, Twitter and Google are working with a coalition of governments including the UK and Canada to fight misinformation and conspiracy theories around COVID vaccinations. Formed by the British fact-checking charity



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Full Fact, the new working group will aim to set cross-platform standards for tackling misinformation, as well as how to hold organisations accountable for their failure to do so. "Bad information ruins lives and we all have a responsibility to fight it where we see it," said Full Fact's chief executive, Will Moy. "The coronavirus pandemic and the wave of false claims that followed demonstrated the need for a collective approach to this problem. "A coronavirus vaccine is now potentially just months away. But bad information could undermine trust in medicine when it matters most and ultimately prolong this pandemic." As well as the three technology companies, the partnership includes the UK's Department for Digital, Culture, Media and Sport and Canada's Privy Council Office, fact-checkers from South Africa, India, Argentina and Spain, the Reuters Institute for the Study of Journalism and the journalism non-profit First Draft. Initial funding support comes from Facebook, which will help Full Fact draft the initial framework for January 2021. Keren Goldshlager, the head of integrity partnerships at Facebook said, "We've seen huge value in partnering with over 80 independent fact-checkers globally to combat misinformation in 60 languages."

future economic partnership. Speaking to MPs on the Commons Treasury committee, he said the fallout from the pandemic and the second national lockdown in England was having a much bigger short-term impact on the economy. However, "the long-term effects, I think, would be larger than the long-term effects of COVID. But ... it would be better to have a trade deal, yes, no question about it." With little more than a month before the transition period ends, a trade deal between London and Brussels is close to being finalized, although officials have warned that the risk remains of an accidental no deal if compromises cannot be reached. It comes after analysis by the London School of Economics and UK in a Changing Europe concluded in September 2020 that the long-term economic impact of a no-deal Brexit could be two or three times worse than that of the pandemic. The fallout from COVID-19 and lockdown measures sunk Britain's economy into the deepest recession on record this spring, with a 20 percent drop in gross domestic product (GDP) in the second quarter.

MANAGEMENT VIEWS

Determine Your Company's Purpose with Your Constituents
"What are we here for?" This question is essential for every leader to answer if you want to keep people engaged and focused, especially in times of change and uncertainty. So how can you provide a motivating answer to this question? It cannot come from you and your fellow executives alone. Determining your company's purpose should involve employees, customers, suppliers and members of the communities you serve. So convene these parties, perhaps in small focus groups and ask them what they need and expect of your organization now (acknowledging that their answer may have changed over the past year). Then turn their feedback into a narrative of what success and failure looks like. Now is not a time to cling to an old plan. Instead, galvanise your constituencies to shape your company's purpose and future. When you take a collaborative approach, it is more legitimate, more motivating and more likely to subvert the status quo. (This tip is adapted from *How the Best Leaders Answer "What Are We Here For?"* by Margaret Heffernan.)

The Prophet (ﷺ) said, "Who among you considers the wealth of his heirs dearer to him than his own wealth?" They replied, "O Allah's Messenger (ﷺ)! There is none among us but loves his own wealth more." The Prophet (ﷺ) said, "So his wealth is whatever he spends (in Allah's Cause) during his life (on good deeds) while the wealth of his heirs is whatever he leaves after his death."

THE PROPHET MUHAMMAD ﷺ

No-deal Brexit to Cost More than COVID, Bank of England Governor Says

The governor of the Bank of England, Andrew Bailey, has warned that the economic cost of a no-deal Brexit would be bigger in the long term than the damage caused by COVID-19. Bailey said failure to agree to a deal before the Brexit transition expires at the end of December would cause disruption to cross-border trade and damage the goodwill between London and Brussels needed to build a



Getting Through One of Those Days

We all have those days when it feels like life is kicking you in the teeth, but you still need to get things done. When you are down, being productive can sometimes help with your mood and resilience. To push through, you could focus on a familiar activity — a task that is satisfying but not taxing, something you have done so many times that muscle memory will kick in. Or you could do the opposite and knock off an item on your to-do list that you have been avoiding. This approach could make you feel like you are on top of things, but be sure to set a modest goal: trying to perform to a high standard when you are down can leave you feeling especially drained. A compromise could be allowing yourself to do half or two-thirds of your usual work. And if you need one, do not be afraid to take a mental health day. Finally, try to connect with others. Loneliness can increase stress, so share whatever is going on with a trusted boss or colleague. Being forthcoming will help your teammate understand why you may be a bit less reliable or peppy on a day when you just do not have it. (This tip is adapted from *Feeling Overwhelmed? Here's How to Get Through the Workday*, by Alice Boyes. - HBR)

Make the Most of Leadership Coaching

Executive coaching can be a big boost to both your performance and job satisfaction. But before you start working with a coach, you need to ask yourself whether you are ready to do the work. To truly reap the benefits of coaching you must be able to tolerate discomfort and be open to experimentation. You will need to proactively embrace new ways of behaving, even if these approaches do not come naturally to you. You also need to be ready and willing to take responsibility for your shortcomings, rather than blaming your organization, your boss or your team. Deflecting responsibility will stymie your growth; acknowledging your failures will help pave the way for your development. Finally, it is essential to ask for support when you need it. You will progress faster if you make yourself vulnerable to others, including your boss, peers

and even direct reports. Share goals, ask for advice, listen with curiosity and most critically, accept and act on the constructive feedback you receive. Making sure you are ready before engaging with a coach will help you get the most of the relationship. (This tip is adapted from *Are You Ready to Be Coached?* by Brenda Steinberg. - HBR)

“Some people worship Allah out of their desire (to worship Him). Such is the worship of traders. Some people worship Allah out of fear of Him; such is the worship of slaves. And some people worship Allah to thank Him; such is the worship of the free.”

HAZRAT ALI 

Should You Prepare for Disappointment?

Waiting for big news is extremely hard. Whether it is a job interview or a graduate school application, it can be hard to avoid contemplating the worst possible outcome. So, how should you prepare for these pivotal moments? Start by asking yourself if you have done all you can to affect the outcome. If not, worrying can compel you to take meaningful action toward your goal. But if there is nothing left to do, then worrying will not help much. At that point, you might think through what you will do in the worst-case scenario and gather whatever resources you need, such as social support, to make it through. But you do not have to dwell on the negative: it is okay to hope too. As long as you temper your confidence, a dose of optimism can help lighten your mood. Once you have done everything you can to prepare, distract yourself. Whether it is a silly movie, a long run or practicing mindfulness, sometimes distraction is the best medicine. (This tip is adapted from *How to Brace Yourself for Disappointment*, by Amy Gallo. - HBR)

**05 DECEMBER
SATURDAY**

2PM - 5PM

Developing Insights into Money Market

FACILITATOR: Faisal Sarwar

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

ONLINE
TRAINING

**08 DECEMBER
TUESDAY**

10AM - 1PM

Eliminating Financial Crimes Risk on Foreign Exchange Transactions

FACILITATOR: Zaheer Ahmed

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

ONLINE
TRAINING

**09 DECEMBER
WEDNESDAY**

10AM - 1PM

Digital Sales and Marketing

FACILITATOR: M.A. Hijazi

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

ONLINE
TRAINING

**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