



ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

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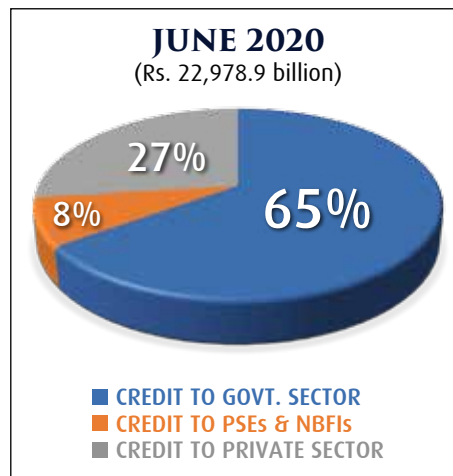
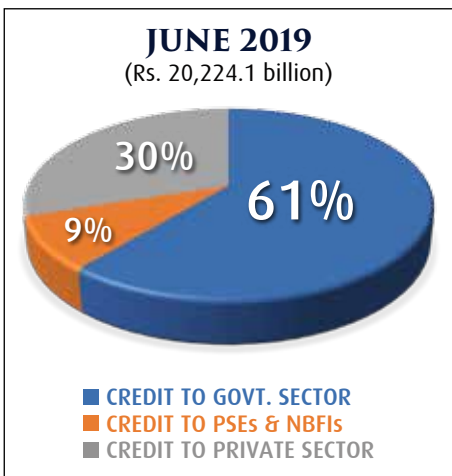
A Company Set Up Under Section 42 of the Companies Act, 2017

PAKISTAN TIDINGS

COVID-19: IMPACT OF SBP'S MEASURES AS OF OCT 1-5, 2020

Loans Deferred	RS. 652.8	Loans Approved for Investment	RS. 94.2
Loans Restructured	RS. 191.6	Bank Branches Open	96 per cent
Loans Approved for Wages	RS. 221.5	ATMs' Availability	95 per cent
Loans Approved for Hospitals	RS. 7.5		(Rs. in billion)

OUTSTANDING POSITION OF CREDIT/LOANS CLASSIFIED BY BORROWERS



SBP ISSUES GUIDELINES FOR DFIS TO UNDERTAKE SHARIAH COMPLIANT BUSINESS

To enlarge the scope of Shariah compliant financial services in the country, State Bank of Pakistan (SBP) has taken another important step by issuing guidelines for Development Financial Institutions (DFIs) to undertake Shariah compliant businesses and operations. Further, keeping in view the various developments, such as changes in the licensing and regulatory regime for banks, SBP has also updated the guidelines, introduced in 2004, for establishing Islamic banking Institutions. The updated guidelines deal with the establishment of a full-fledged Islamic bank, Islamic banking subsidiary and Islamic banking branches of conventional banks. These guidelines also cover different areas including minimum capital adequacy, requirements related to sponsor directors, business plan, Shariah governance, application fees preconditions for commencement of business.

MARKETS AT A GLANCE

Rates are taken till Friday, October 9, 2020

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.04	7.29
ENDING	7.10	7.35
CHANGE	+0.06	+0.06

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 211.91	PKR 193.56	PKR 165.01
ENDING	PKR 212.33	PKR 192.64	PKR 163.72
CHANGE	+0.42	-0.92	-1.29

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	40,070
ENDING	40,798
CHANGE	+728

GOLD RATE

(10 GM, 24K)

STARTING	PKR 100,808
ENDING	PKR 99,468
CHANGE	-1340



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PAKISTAN'S MAJOR ECONOMIC INDICATORS

REAL SECTOR (GROWTH IN %)	FY18 _F	FY19 _R	FY20 _P	FY20 _T
REAL GDP	5.5	1.9	-0.4	4.0
AGRICULTURE SECTOR	4.0	0.6	2.7	3.5
INDUSTRIAL SECTOR	4.6	-2.3	-2.6	2.3
SERVICES SECTOR	6.3	3.8	-0.6	4.8
CPI INFLATION (YoY%)	FY19	FY20 _{PA}	JUL 2020	AUG 2020
NATIONAL	6.8	10.7	9.3	8.2
URBAN	7.1	10.2	7.8	7.1
RURAL	6.3	11.6	11.6	9.9
FOOD INFLATION-URBAN	4.6	13.6	15.1	11.3
FOOD INFLATION-RURAL	4.8	15.9	17.8	13.5
	FY19	FY 20	1 JUL - 25 SEP 2020	-----
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	562.210	1,191.977	6.120	

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

BANKING BRIEFS - ALL SCHEDULED BANKS

	(Rs. in billion)			% age change over	
	25-Sep-20	18-Sep-20	27-Sep-19	Previous Week	Corresponding Week
Investments	11,044.2	10,784.3	9,269.1	2.4	19.2
Gross Advances	8,031.1	8,047.8	7,974.9	-0.2	0.7
Borrowings	2,752.5	2,807.1	3,659.0	-1.9	-24.8
Deposits and other accounts	16,483.5	16,230.9	14,026.0	1.6	17.5



AML REGULATIONS NOTIFIED FOR NON-FINANCIAL BUSINESSES

The Federal Board of Revenue (FBR) has notified regulations for Designated Non-Financial Businesses and Professions (DNFBP) as part of compliance with the Financial Action Task Force's recommendations regarding Anti-Money Laundering and Combating Financing of Terrorism (AML/CFT) in Pakistan. The regulations notified through SRO-924 will cover accountants, real estate, gems and jewelry sectors to minimize chances of parking of terror financing there. The FBR will also work as a focal organization for monitoring services of DNFBP. Under the rules, every DNFBP will be registered with the FBR and will provide all information to the tax machinery. It includes, but is not limited to, criminal records of the senior management and beneficial owners and maintaining records of customers to check money laundering transactions.

EXPORTS JUMP TO 6.0 PER CENT IN SEPTEMBER

Pakistan's exports bounced back in September 2020 following a steep fall in the previous month, data released recently by the Ministry of Commerce showed. The new fiscal year started on a positive note as export proceeds grew by 5.8 per cent in July but fell over 19.0 per cent in August, as per the data from the Pakistan Bureau of Statistics. A steep fall was seen in exports since March when the government imposed lockdowns to contain the spread of coronavirus. During the third month of FY21, export proceeds were reported at \$1.9 billion, as against \$1.8 billion in the corresponding month last year. In rupee terms, export proceeds increased by 12.7 per cent year-on-year in September 2020.

OIL SALES UP BY 8.0 PER CENT IN PAKISTAN

The first quarter of FY21 ended on a positive note for the oil sector as total oil sales registered an 8.0 per cent jump to 4.7 million tonnes. A 28 per cent jump in furnace oil (FO) to 923,000 tonnes played a big role in boosting overall oil sales in the last three months. Petrol and high speed diesel (HSD) sales also stood higher by 6.0 per cent and 7.4 per cent, to 2.0 million tonnes and 1.7 million tonnes in the first quarter FY21 versus same period last fiscal. On monthly basis, FO sales swelled by 58.0 per cent in September 2020 to 374,000 tonnes, thus helping in improving total oil sales in September to 1.5 million tonnes.

SBP ALLOWS BANKS TO PROCESS BANKNOTES THROUGH PCSIR CERTIFIED MACHINES

In order to maintain an uninterrupted supply of disinfected cash at banks and ATMs amid the COVID-19 pandemic, the State Bank of Pakistan (SBP) has decided to give banks the option to process banknotes through Pakistan Council of Scientific and Industrial Research (PCSIR) certified machines. Amid the coronavirus outbreak, SBP advised the banks to quarantine cash collected from the public for fourteen (14) days before re-issuing the same. The fourteen (14) day quarantine for banknotes was introduced in line with the international practices and World Health Organization (WHO) guidelines. In view of availability of a number of banknotes disinfection machines and technologies, it has been decided that the banks shall have the option to either continue with the fourteen (14) days quarantine requirements or process banknotes through PCSIR certified machines. The banks procuring such machines shall ensure that the PCSIR certificate specially mentions the capability of the machine to disinfect bacteria and viruses, including the SARS-CoV-2 that causes COVID-19.

TECH SOLUTIONS APPROVED FOR REGULATORY SANDBOX

The Securities and Exchange Commission of Pakistan (SECP) recently granted approval to various innovative solutions for commencement of live testing and experimentation under its technology-driven initiative 'Regulatory Sandbox'. The first cohort under the Regulatory Sandbox Guidelines was announced in February 2020 which received immense response from wide range of innovators including well-established entities, foreign companies and start-ups, the Commission said. Applicants submitted their proposed solutions and business models in regulated sectors of SECP including the Insurance Sector, Non-Banking Finance Sector and Capital Markets. The products and business models approved by the Commission for live testing include digital insurance, digital platform for mutual funds, Robo-advisory and crowd funding. The SECP spokesman said that the process would assist in bringing new and beneficial technology products for the end users.



FATF TO DECIDE ABOUT PAKISTAN'S STATUS THIS MONTH

A virtual meeting of the Financial Action Task Force (FATF) plenary scheduled for October 21-23, 2020 will decide if Pakistan should be excluded from its 'grey list', based on a review of Islamabad's performance to meet global commitments and standards on fight against Money Laundering and Terror Financing (ML&TF). The FATF plenary was earlier scheduled in June, but Islamabad got an unexpected breather after the global watchdog against financial crimes temporarily postponed all mutual evaluations and follow-up deadlines in the wake of grave health risk following COVID-19 pandemic.

"KNOWLEDGE IS THE ROOT OF ALL GOOD WHEREAS IGNORANCE IS THE ROOT OF ALL EVIL."

THE PROPHET MUHAMMAD ﷺ

IBP CONDUCTS ONLINE AWARENESS SESSIONS ON SBP'S STRESS TESTING GUIDELINES

Financial Stability Department (FSB) of State Bank of Pakistan (SBP) released Stress Testing Guidelines on September 01, 2020 updating the previous one issued in 2012. The emphasis of SBP is to develop scenarios to test the financial institution with respect to credit shocks, operational shocks, market shocks and liquidity shocks. These guidelines have been developed as per international best practices. To raise the awareness about these guidelines, IBP conducted three online sessions for Bank & DFIs, Islamic Banks and Islamic Bank Branches (IB & IBB), and Microfinance Banks (MFB). The speakers included resource persons from SBP and industry experts. The sessions were attended by the respective risk and compliance professionals. The efforts of IBP were appreciated by the participants and holding of regular awareness sessions were emphasized, overwhelmingly.

INTERNATIONAL SCENARIO

UAE RESIDENTS KEEN TO SWITCH BANKS; HUNT FOR OFFERS

Around 76.0 per cent of UAE residents are keen to switch banks and around 70.0 per cent are actively searching for new bank offers as expectations of consumers are rapidly evolving with the pervasiveness of the COVID-19 crisis. Godfrey Sullivan, Managing Director and Head of financial institutions for the UAE at Boston Consulting Group (BCG), said customers are experiencing a new reality, relying on conducting day-to-day activities remotely. "When they face challenges in the current digital capabilities offered by banks or reduction in credit lines, both of which are becoming increasingly important to them in the current circumstances, they naturally start to look for service providers who can better cater to their needs," he said. The UAE banks are set to face added pressures from evolving customer demands brought by the pandemic. The research also showed that 87.0 per cent of respondents would be willing to open an account with a branchless digital-only bank.

AIRBNB AIMS TO RAISE \$3 BILLION IN IPO

Home rental company Airbnb Inc is aiming to raise around \$3.0 billion in its upcoming initial public offering (IPO), taking advantage of the unexpectedly sharp recovery in its business after the COVID-19 pandemic roiled the travel industry. Airbnb will be one of the largest and most anticipated U.S. stock market listings of 2020 which has already been a blockbuster year for IPOs, featuring the likes of record label Warner Music Group, data analytics firm Palantir Technologies and data warehouse company Snowflake Inc. The company's current plan is to make its filing publicly available in November after the US presidential election and is targeting an IPO sometime in December, the sources said, requesting anonymity.

UK RESUMES US BEEF EXPORTS AFTER TWO-DECADE BAN LIFTED

Britain's first beef exports to the United States in more than 20 years left Northern Ireland this week, six months after Washington lifted a ban, the government said. "This is



great news for our food and farming industry, who have estimated it will bring a £66.0 million (\$85.0 million, 72.0 million euros) boost to beef producers over the next five years alone," Environment Secretary George Eustice said. Washington imposed restrictions on all EU beef exports in 1998 due to concerns about mad cow disease but has gradually eased them as it tries to negotiate a free trade deal with Brussels. It has permitted Irish beef imports since 2015 and granted the Netherlands approval to renew its exports the following year. Britain, which left the European Union on January 31 after the 2016 Brexit vote, received permission to restart its transatlantic beef shipments in March.

US FEDERAL RESERVE BOARD TERMINATES ENFORCEMENT ACTIONS WITH HBL

The US Federal Reserve Board has recently announced the termination of enforcement actions with Habib Bank Limited Pakistan and Habib Bank Limited New York Branch, dating from 2015 as per the Federal Reserve Board press release. HBL wishes to thank the Federal Reserve Board, the New York State Department of Financial Services (NYDFS) and the State Bank of Pakistan, for their support in bringing this matter to a close. HBL has worked diligently to improve its control and compliance processes and systems as part of its business transformation program, that began in early 2018. The bank is committed to ongoing focus on compliance protocols to ensure adherence to international standards, including the Wolfsberg principles. Compliance with these standards and protocols is not just a one-off project but a sustained effort that governs the way we do business. The bank continues to service its clients' US Dollar banking requirements, in Pakistan and other countries where it operates, through its network of correspondent banks.

BANK OF AMERICA WADES INTO DIGITAL FINANCIAL PLANNING SPACE

Bank of America Corp said it is rolling out a digital financial planning tool, wading into a space that has so far been dominated by FinTech companies. Life Plan, a new functionality on Bank of America's website and app, allows customers to set multiple goals like buying a home, improving credit or saving for retirement and uses its existing trove of client data to serve them recommenda-

tions. Such personalized advice used to be reserved for high-net worth customers who had enough cash to retain a financial advisor to help manage their wealth, but a host of digital budgeting tools, like Intuit Inc's Mint app, have used artificial intelligence to bring planning to the masses. "Planning is no longer an activity that's born out of how much money you have," said digital planning executive Evelyn Varner. Bank of America, which operates one of the largest wirehouses catering to America's richest households, has been building out its product set to capture customers lower on the wealth spectrum.

SNIPS

THE BENEFITS OF A HOME OFFICE

According to recent estimates, the switch to working from home from commuting has saved Americans 89.0 million hours each week.

DATA'S CARBON FOOTPRINTS

Data centers could consume up to 8 per cent of global electricity by 2030, according to a study by Anders Andrae, a researcher for Huawei Technologies.

2 SCIENTISTS WIN NOBEL CHEMISTRY PRIZE FOR GENE-EDITING TOOL

Two scientists won the Nobel Prize in Chemistry for developing a way of editing genes likened to "molecular scissors" that offer the promise of one day curing inherited diseases. Working on opposite sides of the Atlantic, Frenchwoman Emmanuelle Charpentier and American Jennifer A. Doudna came up with a method known as CRISPR-cas9 that can be used to change the DNA of animals, plants and microorganisms. It was the first time two women have won the Chemistry Nobel together - adding to the small number of female laureates in the sciences, where women have long received less recognition for their work than men.



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MANAGEMENT VIEWS

HIRE FOR COMPETENCY — NOT DEGREES

When you are facing down a large pile of resumes, it may be tempting to default to candidates who went to a more prestigious college or university. While research shows that these candidates may slightly outperform their peers in some dimensions, the data also shows that they can be more expensive to hire. So how do you figure out whether the extra cost is worth it? You should consider the candidates' potential value for your firm, but ultimately how fit they are for the position is most important. To determine this, test for the technical and interpersonal competencies needed for the job. Considering the growing gap between skills acquired in college versus on-the-job readiness, any modest performance advantage stemming from the university rank might also be mitigated by on-the-job training. While it may be an unsatisfying answer, the best hiring practice is to make decisions on a case-by-case basis and not to uniformly overvalue university pedigree.

(This tip is adapted from *Graduates of Elite Universities Get Paid More. Do They Perform Better?* by Vasyly Taras, et al.-HBR.)

ADAPT YOUR LEADERSHIP FOR A CRISIS

Leaders facing today's level of uncertainty need to be ready to quickly adapt. But how can you move an organization forward in the face of unpredictability, imperfect information and multiple unknowns? Start by prioritizing evidence-based learning. Define key metrics that will determine success or failure and set a clear process for collecting relevant data. Then stress test your underlying theories, assumptions and beliefs by simulating possible future scenarios. Next, make sure you are transparent about who is making decisions, what is informing those decisions and which possible risks are at play. This way you will create an environment of candor, psychological safety and mutual trust that will ultimately help you avoid making decisions that are too

safe or risk-averse. Finally, mobilize collective action. Responding to a crisis often requires behavioral change at a group level. Emphasize coordination, partnership and dialogue to make sure that everyone is ready to move forward in the same new direction.

(This tip is adapted from *5 Principles to Guide Adaptive Leadership*, by Ben Ramalingam et al. – HBR.)

“THERE IS NO GREATER WEALTH THAN WISDOM, NO GREATER POVERTY THAN IGNORANCE, NO GREATER HERITAGE THAN CULTURE AND NO GREATER FRIEND AND HELPMATE THAN CONSULTATION”

HAZRAT ALI 

LET GO OF YOUR WORKING-PARENT GUILT

The COVID-19 pandemic has created a tremendous amount of stress for working parents, working mothers in particular, who disproportionately manage child care responsibilities. If you are feeling like you are letting your kids, your team or your boss down, you are not alone. But guilt will not make the situation better, so do what you can to let it go. Remind yourself of the reasons behind your decisions. Rather than saying, “I feel bad about ...” try saying, “I made that decision because of ...”, and revisit your values and priorities to be sure they are aligned. This may mean saying no to unnecessary commitments or setting new boundaries. The goal is to feel more in control over your time. As hard as it may be to do, ask for help when you need it, both at work and at home. Reach out to colleagues, friends, family and neighbors when you need support to get everything done, or when you just need a break. You may feel like you need to endure it alone, but you do not.

(This tip is adapted from *How to Let Go of Working-Mom Guilt*, by Sheryl G. Ziegler-HBR.)

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General Disclaimer: Data used in the Economic Letter is based on government sources besides recognised representative private sector trade bodies as reported in the print media. They are cross-checked before release. Yet an error or two may creep in, regrettable as they may be as part of human nature. Reporting is unopinionated. The Institute of Bankers Pakistan stands totally absolved of any error contained in the Economic Letter, either in reporting or composing.

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



IBP TRAININGS OCTOBER 2020

**13 OCTOBER
TUESDAY**

2PM - 5PM

IT AUDIT

FACILITATOR: Syed Muhammad Ali Naqvi

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

ONLINE
TRAINING

**15 OCTOBER
THURSDAY**

9AM - 12PM

FAIR TREATMENT OF CUSTOMERS FRAMEWORK

FACILITATOR: Sundus Saleem

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

ONLINE
TRAINING

**16 OCTOBER
FRIDAY**

9AM - 12:30PM

AML SANCTIONS IN TRADE FINANCE

FACILITATOR: Aqeel Muslim

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

CLASSROOM
TRAINING