



# ECONOMIC LETTER

a weekly publication of The Institute of Bankers Pakistan

Page No. 01

VOLUME 15 | ISSUE 42 | OCTOBER 16, 2020

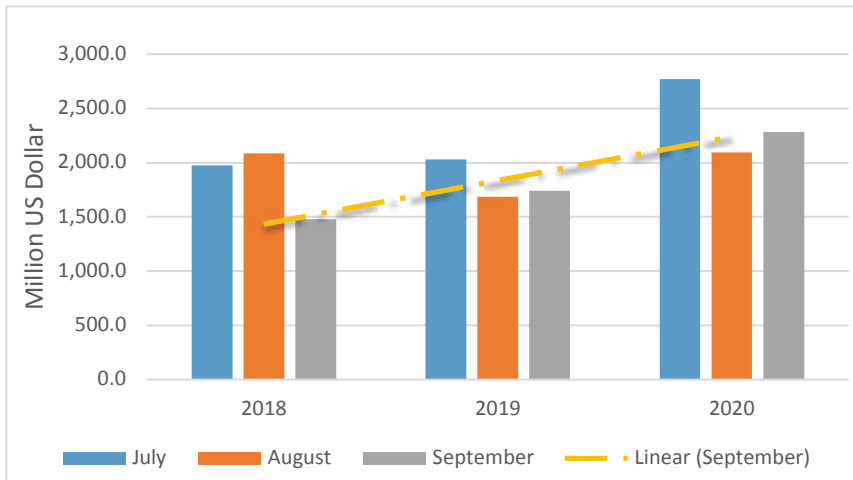
A Company Set Up Under Section 42 of the Companies Act, 2017

## PAKISTAN TIDINGS

### COVID-19: Impact of SBP's Measures as of October 9–14, 2020

Loans Deferred	rs. 653.0	Loans Approved for Investment	rs. 115.0
Loans Restructured	rs. 196.0	Bank Branches Open	96 per cent
Loans Approved for Wages	rs. 225.0	ATMs' Availability	96 per cent
Loans Approved for Hospitals	rs. 7.8		(Rs. in billion)

### Quarterly Trend in Workers' Remittances



### Remittances to Pakistan Cross \$ 2.0 billion for Fourth Consecutive Month: SBP

According to State Bank of Pakistan, September saw a continuation of workers' remittances, which remained above \$2.0 billion for the fourth consecutive month in September 2020. They increased to \$2.3 billion i.e., 31.2 per cent higher than the same month last year and 9.0 per cent higher than in August 2020. On a cumulative basis, remittances rose to a record \$7.1 billion in Q1-FY21, 31.1 per cent higher than the same period last year. The level of remittances in September was slightly higher than SBP's projections of \$2.0 billion. Efforts under the Pakistan Remittances Initiative (PRI) and the gradual re-opening of major host destinations such as the Middle East, Europe and United States contributed to the sustained increase in workers' remittances.

### SBP Introduces Incentive and Penalty Mechanism for Banks to Promote Housing and Construction Financing

Building upon its earlier measure of setting mandatory target for banks to extend mortgage loans and financing for developers and builders, State Bank of

## MARKETS AT A GLANCE

Rates are taken till Friday, October 16, 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 212.33	PKR 192.64	PKR 163.72
ENDING	PKR 211.42	PKR 190.90	PKR 162.86
CHANGE	-0.91	-1.74	-0.86

### PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	40,798
ENDING	40,164
CHANGE	-634

### GOLD RATE

(10 GM, 24K)

STARTING	PKR 99,468
ENDING	PKR 99,597
CHANGE	+129



## Pakistan's Major Economic Indicators

REAL SECTOR (GROWTH IN %)	FY 2018 F	FY 2019 R	FY 20 P	FY 2020 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	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 (in Billion Rupees)	FY19	FY20	JUL 1 - OCT 2, 2020	
	562.210	1,191.977	-20.259	

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

Pakistan (SBP) has introduced a mechanism to incentivize meeting these targets. The mechanism also penalizes the banks for any shortfall in meeting the target. According to this mechanism, commencing from December 31, 2020, banks will find an incentive of maintaining reduced Cash Reserve Requirement (CRR) with SBP, in the next quarter, in case they achieve or exceed the target of financing for housing and construction of buildings set for the quarter. The amount of CRR to be maintained for the forthcoming quarter will be reduced by an amount equal to the increase in housing and construction finance from 30th June, 2020 to the end of the relevant quarter. This incentive, however, will be subject to a ceiling of 1 per cent of the total demand

and time liabilities based on which CRR is calculated. Further, the banks shall continue to maintain daily minimum CRR, which is currently at 3 per cent. Conversely, if the banks fail to meet the target, they will be penalized by requiring to maintain extra CRR by an amount equal to the shortage from the target. Banks do not earn any return on the amount of CRR maintained. Therefore, a decrease in amount of CRR works as an incentive for banks, whereas an increase in amount of CRR serves as a penalty for banks.



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## Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	02-Oct-2020	25-Sep-20	04-Oct-19	Previous Week	Corresponding Week
<b>Investments</b>	11,049.4	11,044.2	9,318.0	0.05	18.58
<b>Gross Advances</b>	8,042.6	8,031.1	7,999.0	0.14	0.54
<b>Borrowings</b>	2,737.0	2,752.5	3,774.7	-0.74	-27.5
<b>Deposits and other accounts</b>	16,584.4	16,483.5	13,902.4	0.61	19.29

### State Bank Announces Government of Pakistan's Markup Subsidy for Affordable Housing Finance

In line with its vision of facilitating affordable housing to the masses, Government of Pakistan will be providing a markup subsidy facility for the construction and purchase of new houses. This facility will allow all individuals, who will be constructing or buying a new house for the first time, to avail bank's financing at subsidized and affordable markup rates. This facility will be provided with the administrative support of State Bank of Pakistan as executing partner with Government of Pakistan and Naya Pakistan Housing and Development Authority (NAPHDA). Government of Pakistan has allocated Rs. 33 billion for payment of markup subsidy for financing over a period of 10 years and has assured continuity of the facility. The markup subsidy facility will be available through all banks.

### SBP Directives for TSA Implementation

The State Bank of Pakistan (SBP) has issued a circular to all commercial banks with respect to implementation of the Treasury Single Account (TSA). The Finance Division, Government of Pakistan on August 19, 2020 had directed, through a letter to all federal government ministries, divisions, attached departments and subordinate offices, to close their bank accounts with the commercial banks and financial institutions, and transfer the balance funds to the Federal Government's Central Account No. 1 (non-food) with the SBP. "Your respective branches will receive the 'Account Closure Request' from the respective authorized signatories on the specified format issued by

the Finance Division for closure of such bank accounts and transfer of balances therein to the SBP," said the Finance Division. In order to follow a standardized procedure, banks have been advised to develop their internal applications and processes to keep track of: the receipt of directives by the authorized signatories; closure of accounts by banks' branches and transfer of available balances to their centralized treasury; and transfer of the consolidated amount by the centralized treasury to the SBP through RTGS.

### Clarification on Foreign Currency Accounts Rules 2020

On 6th October 2020, the Federal Government issued Foreign Currency Accounts Rules, 2020 under the provisions of Protection of Economic Reforms Act, 1992. There has been no change in the general or special permissions given by the State Bank to individuals under the foreign exchange regulations. According to paragraph iv, Chapter 6 of the Foreign Exchange Manual, foreign currency accounts can be fed by remittances received from abroad, travelers' cheques issued outside Pakistan and encashment of securities issued by Government of Pakistan. A foreign currency account of a citizen of Pakistan, resident in Pakistan, can also be fed with cash foreign currency only if the account holder is a filer as defined in Income Tax Ordinance, 2001. The recently issued rules aim to provide a regulatory framework for the operation of individual foreign currency accounts. Such a framework represents a continuation of the State Bank of Pakistan's efforts to strengthen the foreign exchange regime and make it more market-oriented.



## HSECP has Met All FATF Conditions

Securities and Exchange Commission of Pakistan Chairman (SECP) Amir Khan said that all the requirements of Financial Action Task Force (FATF) have been met and suspicious transactions related to money laundering and terror financing are being monitored efficiently. "All the conditions of FATF have largely been met, there is no regulatory requirement pending in this regard and there is a strong focus on money laundering and supervision process is very vigilant," Khan said at the gong ceremony of Exchange Traded Funds (ETF) at PSX. The ETF is an investment product which combines the returns offered by the stock market with the diversity of mutual funds. The newly launched ETFs are NIT Pakistan Gateway Exchange Traded Fund, UBL Pakistan Enterprise Exchange Traded Fund, Meezan Pakistan Exchange Traded Fund and NBP Pakistan Growth Exchange Traded Fund. The SECP has supported the idea for creating competitive and efficient playing field to ETF by addressing tax disparities, achieving tax credit and allowing investments in ETF through Special Convertible Rupee Account.

## Additional Customs Duties Being Removed

The Tariff Policy Board (TPB) has agreed to work out a proposal for the removal of additional customs duty on 152 tariff lines to provide cheaper raw materials to domestic industries. The TPB meeting, led by Adviser to PM Minister on Commerce and Investment Mr. Razak Dawood, asked the board to work out proposals to removal additional customs duties on remaining raw materials that are not manufactured in the country. An official announcement said TPB members opined that there is an urgent need to remove anomalies in the tariff structure so that cost of doing business could be reduced by providing cheap raw materials to the industrial sector. It is believed that the exercise would also help improve competitiveness of Pakistan's exports vis-a vis trading partners.

## Rupee Continues Recovery

The rupee has recovered 2.5 per cent against the dollar since the beginning of FY21, reflecting some stability in the exchange rate after reaching close to Rs. 169.0 in the previous fiscal year. The dollar closed at Rs. 163.83 on Friday while the price of greenback at the end of FY20 (June 30) was Rs. 168.05, representing a gain of Rs. 4.22

for the local currency since, during the new fiscal year-to-date. Though the US dollar gained 11 paisas against the rupee on Friday, the last day of trading in the interbank market, bankers said the inflows were increasing. "The inflow through the new channel to attract dollars is also working. Overseas Pakistanis have started using the Roshan Digital Accounts which was just introduced by the State Bank," said a senior banker. Roshan Digital Account was inaugurated by Prime Minister of Pakistan, Mr. Imran Khan on September 10, 2020 and is a major initiative of the State Bank of Pakistan in collaboration with commercial banks operating in Pakistan to facilitate millions of overseas Pakistanis and attract foreign exchange.

"Allah said: Spend on charity, O son of Adam, and I shall spend on you."

THE PROPHET MUHAMMAD 

## Western Digital Enters Pakistan

Amid digital growth in the country, the Western Digital has decided to enter the Pakistani market with the launch of its products in the country, but the company faces challenges from piracy and copyrights violations from imports to retail end. The Western Digital Corporation, the global data infrastructure leader, announced that all its new range of data storage devices would be available in Pakistan through its authorized network instead of imports by the traders. Speaking at the launch, Khwaja Saifuddin, senior sales director for Middle East and Pakistan, Western Digital, said that growing digitization had enhanced the importance of data storage, but added that there were several regulatory requirements that the authorities should look into. "All data from personal financial accounts to family pictures etc. is going digital and this need is more serious for the corporate sector as the banks have all details of their clients and money in digital data," he said. "Pakistan should have comprehensive laws related to data protection." Mr. Saifuddin said that access, saving and sharing were three main segments of data storage and from an individual to government offices, the need for data storage was growing in modern times.



## INTERNATIONAL SCENARIO

### OPEC Sees Demand for Oil Growing

The coronavirus crisis has sparked talk that the world might have reached peak oil demand but the Organization of the Petroleum Exporting Countries (OPEC) sees crude consumption continuing to grow during the next quarter century, driven in large part by greater use of cars in developing countries. In its latest forecasts, OPEC sees surprisingly little long-term impact, despite the coronavirus pandemic plunging the global economy and oil demand into a tailspin. While the pace of economic recovery will dictate how fast oil consumption rebounds, even OPEC's scenario of a slow healing sees an eventual return to increased demand. "At the global level, oil demand is expected to increase by almost 10 million barrels per day (bpd) over the long-term, rising from 99.7 million bpd in 2019 to 109.1 million bpd in 2045," the cartel said in its latest World Oil Outlook. This baseline scenario represents 9.4 per cent growth from pre-coronavirus consumption levels.

### British Government Bolsters Salary Support for Those Hit by Lockdowns

The British government said it will pay two-thirds of the salaries of workers in companies that have to close as a result of new coronavirus restrictions widely expected to come into effect next week. In a change of policy, Treasury chief Rishi Sunak has responded to calls from businesses, local leaders and unions to provide a financial support package to prevent mass job losses in sectors that will be subject to new restrictions. Restrictions are already being tightened in Scotland. The expansion of the Job Support Scheme will provide a safety net for businesses across the UK who are required to temporarily close their doors, giving them the right support at the right time. Under the terms of the new programme, the government will pay 67.0 per cent of the salaries of workers who will not be able to work, up to a maximum of 2,100 pounds (\$2,730) a month. Employers will not be required to contribute towards wages. Sunak said cash grants for businesses required to close will also be increased to up to 3,000 pounds per month.

### World Economy Faces Long, Hard Climb Out of Pandemic: IMF

The global economy is in "less dire" shape than it was in June but risks crashing again if governments end fiscal and monetary support too soon, fail to control the coronavirus and ignore emerging market debt problems, International Monetary Fund Managing Director Kristalina Georgieva said recently. Georgieva told an online London School of Economics event that the IMF will make a small upward revision to its global economic output forecasts next week, adding: "My key message is this: The global economy is coming back from the depths of this crisis. But this calamity is far from over. All countries are now facing what I would call 'the long ascent' - a difficult climb that will be long, uneven and uncertain. And prone to setbacks," she added in a speech billed as her 'curtain raiser' for next week's IMF and World Bank annual meetings. The Fund in June forecast that coronavirus-related shutdowns would shrink global gross domestic product by 4.9 per cent, marking the sharpest contraction since the Great Depression of the 1930s and called for more policy support from governments and central banks.

"Do not feel ashamed when giving little for charity; that is because there is always goodness in giving, no matter how little."

HAZRAT ALI 

### Global Equities Rise

World stock markets climbed to more than two-week highs after US President Donald Trump's return to the White House from COVID-19 treatment and on hopes of a giant new US stimulus package. Despite a subdued London FTSE (Financial Times Stock Exchange), Europe benefited from near 2.0 per cent jumps in battered banks and travel stocks, along with what Germany called a "remarkable" leap in export orders, to join Asia and Wall Street's overnight rallies. MSCI's (Morgan Stanley Capital International) main world stocks benchmark was up 0.2 per cent at a two-week high too after Trump's return from the Walter Reed Medical Center military hospital outside Washington. It also eased nerves about possible disruption to next month's election.





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## MANAGEMENT VIEWS

### Write a Resume That Gets Noticed

If you are looking for a job right now, you need to find ways to make your resume stand out. What can you do to set yourself apart and land that interview? First, you need to outsmart the algorithms that many companies use to filter resumes. Make sure you include keywords from the job description and keep your formatting simple, unconventional designs and layouts often get weeded out by artificial intelligence. You also should make sure your resume tells your story. Once it is in the hands of a real person, you want them to see who you are, where you have been and where you hope to go, not just a list of skills. Consider including a short, high-level summary of your background and what you have to offer. And do not limit your experiences to paid work: what projects or volunteering have you done that may showcase your strengths as a candidate for this particular role? Nailing your resume is your first step toward the career you want. Give it the time and care it deserves.

(This tip is adapted from *How to Get Your Resume Noticed [and Out of the Trash Bin]*, by Kristi DePaul - HBR.)

### Make Better Group Decisions

When you have a tough business problem to solve, you probably bring it to a group. But there are risks in asking a team to collectively make decisions, namely, groupthink. Fortunately, there are behavioral science-based tactics that can help overcome the downsides. First, keep the group as small as possible. Having more voices in the room increases the likelihood that you will default to decisions that enforce the status quo. Next, make sure your group is diverse in order to reduce bias. Try appointing a 'devil's advocate', a person whose job is to test consensus. Watch out for blind trust in experts: while they can help you become more informed, making them part of your decision-making can sway your team's judgments. So you might invite them to provide their opinion on a clearly defined topic,

but position them as informed outsiders. And finally, make sure that the group shares collective responsibility. Everyone should feel accountable for the decision and its outcomes.

(This tip is adapted from *7 Strategies for Better Group Decision-Making*, by Torben Emmerling and Duncan Rooders - HBR.)

## SNIPS

### Out-of-Office Messages

A survey from GFI Software found that nearly 6 in 10 people check their work emails while on vacation.

### Know When It is Time to Pull the Plug on a Project

We have all continued to work away on projects that we know are ultimately dead in the water. If you are a manager, how can you recognize sunk-cost initiatives and actually stop before wasting more resources? Start by ensuring that even big decisions are reversible. Recognize business plans for what they really are: experiments. Break large, risky gambles into a series of smaller tests. Clarify your hypotheses, the best ways to test them and the metrics that will signal whether to persist, pivot or pause. Then, implement systems that make visible to yourself and other managers what work is being done and how it is going. This will help you recognize which initiatives are actually adding value and which are not. Finally, keep a list of other projects you want to do and set a rule that you cannot launch anything until you have finished or stopped existing projects. The fear of missing out on something better might help you overpower that feeling of disappointment over something that did not pan out. Pulling the plug is always hard, but knowing how and when to do it will help your team become more adaptable, innovative and resilient in the long term.

(This tip is adapted from *Start Stopping Faster*, by Darrell K. Rigby et al. - HBR)

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**Published by:** The Institute of Bankers Pakistan, M.T. Khan Road, Karachi 74200, Pakistan

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

**20 OCTOBER  
TUESDAY**

2PM - 5PM

**PROJECT FINANCING**

FACILITATOR: M. A. Hijazi

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

ONLINE  
TRAINING

**23 OCTOBER  
FRIDAY**

4PM - 7PM

**SME FINANCING AND CREDIT MONITORING**

FACILITATOR: Atif Ikram

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

ONLINE  
TRAINING

**27 OCTOBER  
TUESDAY**

2PM - 5PM

**PROCESSING EFFECTIVE CREDIT PROPOSAL & RISK ANALYSIS**

FACILITATOR: M. A. Hijazi

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

**22 OCTOBER  
THURSDAY**

9AM - 12:30PM

**ELIMINATING FINANCIAL CRIMES RISK ON FOREIGN EXCHANGE TRANSACTIONS**

FACILITATOR: Zaheer Ahmed

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

CLASSROOM  
TRAINING

**28 OCTOBER  
WEDNESDAY**

9AM - 12:30PM

**RISK BASED COMPLIANCE FUNCTION AT BRANCH LEVEL**

FACILITATOR: Naveed Elahi Malik

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

CLASSROOM  
TRAINING