



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

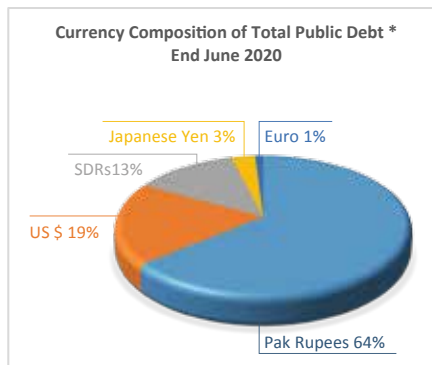
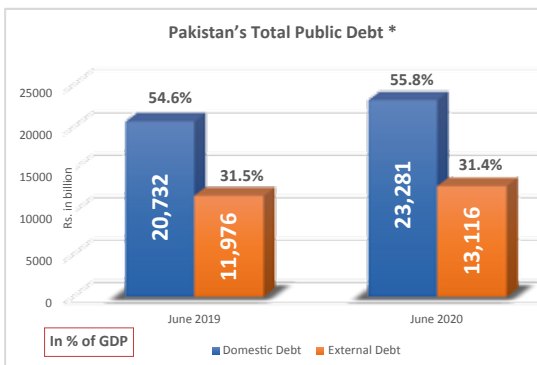
PAKISTAN TIDINGS

COVID-19: Impact of SBP's Measures as of October 14–16, 2020

Loans Deferred	rs. 654.0	Loans Approved for Investment	rs. 125.0
Loans Restructured	rs. 198.0	Bank Branches Open	96 per cent
Loans Approved for Wages	rs. 229.0	ATMs' Availability	95 per cent
Loans Approved for Hospitals	rs. 7.8		(Rs. in billion)

Total Public Debt: A Review of Situation Amid COVID-19

According to the Annual Debt Review & Public Debt Bulletin FY 2019-20, issued by the Ministry of Finance, Government of Pakistan, Total Public Debt-to-GDP ratio increased from 86.1 per cent in June 2019 to 87.2 per cent in June 2020. It is important to highlight that this figure had actually gone down to around 84.0 per cent in December 2019 which was on the back of strong growth in revenue and strict control on current expenditure. The prudent economic policies had resulted in posting of a consolidated primary surplus during the first three quarters of FY 2019-20 which was after a gap of many years. However, the COVID pandemic has adversely affected the economy and slowed down the reforms program of the government. Pakistan's economy experienced the impact from COVID-19 outbreak through various channels like reduction in revenue and increase in expenditures, declines in domestic & global demand, lower tourism and business travel, trade & production linkages and supply disruptions, etc. Resultantly, Debt-to-GDP ratio has increased due to sharp decline in growth and increase in the budget deficit primarily, owing to COVID-19 related expenditures, during last four months of FY 2019-20.



*Fiscal Responsibility and Debt Limitation (FRDL) Act 2005 defines "Total Public Debt" as debt owed by government (including Federal Government and Provincial Governments) serviced out of consolidated fund and debts owed to the International Monetary Fund.

MARKETS AT A GLANCE

Rates are taken till Friday, October 23, 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 211.42	PKR 190.90	PKR 162.86
ENDING	PKR 211.22	PKR 191.05	PKR 161.37
CHANGE	-0.2	+0.15	-1.49

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	40,164
ENDING	41,266
CHANGE	+1102

GOLD RATE

	(10 GM, 24K)
STARTING	PKR 99,597
ENDING	PKR 99,822
CHANGE	+225



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 9, 2020	
	562.210	1,191.977	-100,083	

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

Governor State Bank of Pakistan Launches Digitization of FX Regulatory Approvals

State Bank of Pakistan's Governor Dr. Reza Baqir launched a Regulatory Approval System (RAS) for end-to-end digitalization of foreign exchange-related case submission process on October 16, 2020. The objective of this initiative was to provide a fully digitalized platform to the business community and individuals in approaching banks for their foreign exchange related requests. The initiative will transform FX operations by replacing the paper-based requests with electronic submissions, which is not only efficient but also cost-effective. This development is also congruent with the Government of Pakistan's vision of Digital Pakistan, the Governor said.

Sharing his vision on foreign exchange front, he highlighted that in order to further liberalize the foreign exchange regime, SBP has taken several steps. It expanded the delegation of FX related requests to banks. It includes providing ease in payments for acquisition of services from abroad by one-time registration of contract with SBP and remittance of all subsequent payments by the banks, payments directly through the banks for acquisition of services from digital service providers up to US \$ 200,000/- per year without any approval from SBP. It also includes registration of Foreign Currency Loans from abroad acquired by the private sector by the banks and facilitating exporters by allowing them to make shipments on 'Open Account Basis', with direct



Banking Briefs – All Scheduled Banks

	(Rs. in billion)			% age change over	
	9-Oct-20	2-Oct-20	11-Oct-19	Previous Week	Corresponding Week
Investments	10,974.5	11,049.3	8,151.0	-0.68	34.64
Gross Advances	8,038.8	8,042.6	8,013.4	-0.05	0.32
Borrowings	2,743.1	2,737.1	2,579.8	0.22	6.33
Deposits and other accounts	16,507.1	16,584.4	13,878.9	-0.47	18.94

dispatch of documents to the importer while complying with certain conditions related to historical performance on export proceeds realizations. In the end, he also mentioned that End-to-End digitalization of process through the commercial banks' portals will enable customers to lodge their FX related requests from the location of their convenience thereby sparing their valuable time previously spent in navigating the paper-based processes.

Resident Pakistanis to Invest in USD-denominated Naya Pakistan Certificates (NPCs)

According to a State Bank of Pakistan notification, Resident Pakistanis having assets abroad as declared in their latest wealth statement filed with the Federal Board of Revenue (FBR), may invest in US dollar denominated Naya Pakistan Certificates (NPCs) by opening a Foreign Currency Value Account (FCVA). This will be subject to the following conditions:

- At the time of opening the FCVA, they must present their latest wealth statement filed with FBR as prescribed in FE Circular No. 2 of 2020 or a signed affidavit stating the value of their assets held abroad as declared in their latest wealth statement filed with FBR.
- The investment must be funded by remittance from abroad; and
- Their total investment (including the NPCs) through FCVA shall not exceed the value of assets abroad declared

in the above-referred wealth statement plus accretion, as may be attributable to interest and profit thereon and/or gain on disposal thereof, in respect of which adequate evidence is provided in the form of bank statement, profit/coupon, and/or sale deed respectively.

Deposit Protection Corporation Launches Its Website

Deposit Protection Corporation (DPC) announced the formal launch of its website, accessible at <http://www.dpc.org.pk>, according to a State Bank of Pakistan press release on October 21, 2020. Through this website, DPC has embarked upon a more depositor-centric and responsive public awareness program. Launching of its own website is part of DPC's broader communication strategy towards all its stakeholders, which focuses on making it easier for users to learn and locate valuable information about the roles and functions of DPC and its communiqués, including circulars and guidelines. Deposit Protection Corporation is a subsidiary of State Bank of Pakistan, established under the DPC Act 2016. The objective of DPC is to provide protection to depositors, especially small depositors in case of a bank failure. DPC has already put in place appropriate mechanisms necessary to fulfil its objectives. At present DPC provides protection of up to Rs. 250,000 per depositor per bank to all eligible depositors.

Rupee Hits 5-month High Against US Dollar

The dollar fell to a 5-month low against the rupee as it traded at Rs. 162.80 in the interbank market. Currency dealers in banks said the dollar was traded as low as Rs. 162.70 intraday while the SBP reported closing rate of Rs.



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162.86. The greenback lost around 60 paisas during the day. During the last five months, the dollar touched its highest rate on August 27, 2020, hitting Rs. 168.43 and then began fluctuating between Rs. 165.0 and Rs. 166.0. Since then, the greenback has lost about Rs. 5.57. However, with the improvement in inflows and rising exchange reserves stabilized the rupee-dollar parity. Bankers dealing with the currency market said the major reason for the devaluation of the greenback against the rupee was low demand. The government has managed to cut down imports drastically during the two years and bring down the current account deficit from \$20 billion in FY18 to surplus in the first quarter of FY21.

July–September Exports Up 5.01 per cent YoY

The country's exports during September 2020 amounted to Rs. 313,324 million (provisional) against Rs. 265,600 million (provisional) in August 2020 and Rs. 275,724 million during September 2019, showing an increase of 17.97 per cent over August 2020 and of 13.64 per cent over September 2019. According to the Pakistan Bureau of Statistics data, in terms of US dollars, the exports in September 2020 stood at \$1,889 million (provisional) as compared to \$1,584 million (provisional) in August 2020, showing an increase of 19.26 per cent and by 7.03 per cent as compared to \$1,765 million in September 2019. Exports during July–September 2020 totaled Rs. 912,579 million (provisional) against Rs. 869,030 million during the corresponding period of last year showing an increase of 5.01 per cent. The exports during July–September 2020, totaled \$5,474 million (provisional) against \$5,510 million during the corresponding period of last year showing a decrease of 0.65 per cent.

ECC Highlights the Need to Increase MSP of Wheat

Economic Coordination Committee (ECC) of the Cabinet held a meeting chaired by Adviser to the Prime Minister on Finance Dr. Abdul Hafeez Shaikh. During a detailed discussion on the Minimum Support Price (MSP) of wheat, it came to the fore that there was a need to increase the MSP to support the farmer and to grow enough quantities in the next sowing season. The Committee also discussed the need to rationalize the prices of inputs for making them more affordable to the farmers, to support the rural

economy through various measures and to increase the supply of wheat in the market so that the flour prices are brought down. The need for a better system for gathering data regarding the agriculture sector was also discussed.

"Whoever takes a path upon which to obtain knowledge, Allah makes the path to Paradise easy for him."

THE PROPHET MUHAMMAD ﷺ

Easypaisa Users Can Pay their Vehicle Token Tax through App

Easypaisa users can now conveniently pay their vehicle token tax through the Easypaisa App, for vehicles registered with Punjab, Islamabad or Sindh Excise departments. The Easypaisa App is the leading digital payments App in the country, making vehicle tax payments easy and hassle-free. Customers can now avoid travelling outside of their homes and waiting in long queues, especially during these challenging times and make the necessary payments from their fingertips in a matter of minutes. In order to make vehicle token tax payment, a customer first has to generate their Payment Slip ID (PSID) from the relevant excise portal/mobile app and then this PSID can be paid through the Easypaisa App without any extra charges. In light of COVID-19 and in a move to bring digital financial services to the masses, Easypaisa is removing all possible hurdles by creating a seamless experience for existing and potential users across the country. This digitization by the provincial governments and their associated excise departments are a commendable first step towards digitizing all government payments across Pakistan.



INTERNATIONAL SCENARIO

China's Economy to Pick up Pace in 3rd Quarter of 2020

China's economic recovery gathered pace in the third quarter, according to an AFP poll of analysts, with consumer spending gradually picking up as coronavirus fears eased, helping a wider rebound spurred by investment and exports. Growth in July-September is expected to come in at 5.20 per cent, bringing the world's second-largest economy closer to last year's 6.1 per cent annual expansion, even as countries around the world struggle to contain the deadly pandemic. With the virus now largely under control in China, most social distancing measures have been removed and consumers have streamed back into restaurants and malls, hopped on flights and trains for domestic holidays and packed tourist districts. AFP's survey, involving analysts from 13 institutions, also forecast full-year growth of 2.3 per cent, slightly above the International Monetary Fund's forecast, which tagged China as the only major economy likely to expand this year.

Why is the ECB Eyeing a 'Digital Euro'?

The European Central Bank (ECB) will launch a public consultation and start experiments to help it decide whether to create a "digital euro" for the 19-nation currency club. The move comes as the pandemic accelerates a shift away from cash and as policymakers nervously eye the rise of private cryptocurrencies like Bitcoin. A digital, or virtual, euro would be an electronic version of euro notes and coins, it would be legal tender and guaranteed by the European Central Bank. It would also for the first time allow individuals to have deposits directly with the ECB. This could be safer than with commercial banks, which could go bust, or than holding cash that could be stolen or lost. And like cash, money could be stored outside of the banking system, such as in a "digital wallet". It would allow citizens and firms to make their daily payments "in a fast, easy and secure way", the ECB said as it published a report on virtual money in October. A digital euro would "complement cash, not replace it", the ECB stressed.

Hunting for Unicorns:

Japan Start-ups See Hope on Horizon

Hampered by cautious investors and a rigid corporate culture, Japan has produced just a handful of major

start-ups. But there are signs that could be changing, industry insiders say. Despite being the world's third-largest economy, Japan is far behind the United States and China when it comes to producing "unicorns", new companies valued at more than \$1.0 billion in private funding. There are nearly 500 unicorns worldwide, from Silicon Valley rental giant Airbnb to Bytedance, TikTok's Beijing-based parent company. But only four of these firms are Japanese, according to the latest list compiled by US analytics platform CB Insights. "Relative to its GDP, Japan should have at least 50 to 60 unicorns," said Gen Isayama, head of World Innovation Lab, a California-based company that provides advice and capital to start-ups, with a focus on Japan. "In Japan, innovation efforts have always been led by big corporations," he explained, with banks "more willing to loan money to these corporates rather than to invest in start-up companies." Japan's venture-capital market, worth around \$4.0 billion last year, is much smaller than the United States' at \$137.0 billion and China's at \$52.0 billion, according to several studies.

COVID-19 may Inflict a Decade of Economic Pain to Mideast, Central Asia: IMF

It might take countries in the Middle East and Central Asia a decade to return to the economic growth seen before the coronavirus crisis, the International Monetary Fund (IMF) said, as long-standing regional vulnerabilities weigh on their recovery. Lack of diversification among oil-exporting countries and the reliance of oil importers on sectors like tourism, as well as their dependence on remittances, are likely to curb growth. Oil-exporting countries have been hit the hardest. Oil prices are around 40.0 per cent below pre-crisis levels, slashing their main source of revenue and reflecting their limited success in diversifying their economies. "The COVID-19 crisis represents the fastest-moving economic shock of its depth in recent history," the IMF said. Economic "scarring" — which includes long-term losses to growth, income and employment — is likely to be deeper and longer-lasting than after the 2008-2009 global financial crisis, it said.

SNIPS

Robots at Work

The robots at Amazon.com's fulfillment centers have helped the company store 40 per cent more inventory.



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MANAGEMENT VIEWS

Be a Better Communicator, Even with a Mask On

Be a better communicator — even with a mask on. As masks hide our facial expressions, they make communication more difficult. Think of all of the nonverbal ways we unconsciously convey sincerity, trustworthiness, good intentions or confusion. While they are critical in combating the pandemic, masks make it hard to pick up on those subtle cues. How can we build rapport with colleagues even when half of our face is covered? Start by using your “mask voice.” Speak louder than normal and convey emotion with your cadence and inflections. Next, practice active listening by giving verbal cues, such as a simple “Mmm hmm” or “I hear you,” to the person you are speaking to. Use other body language, such as nodding or gestures, when you otherwise would have used your face to communicate something subtle. Finally, smiling is perhaps our most important nonverbal communication tool, so try your best to smile with your eyes. It may seem uncomfortable or unnatural, but be intentional about wrinkling the outer edges of your eyes. Masks will be part of our lives for the foreseeable future, but with a bit of effort you can overcome the communication challenges they present.

(This tip is adapted from *How to Build Rapport ... While Wearing a Mask*, by Dustin York-HBR)

Help Your Team Innovate with Urgency

The pandemic has shown us how crisis can lead to rapid innovation. Just look at all of the companies that quickly pivoted to curbside pickup or adapted their services to new health regulations. How can a leader help their team retain this agility and sense of urgency even when there is no crisis? Here are three tips. First, engage in small experiments. Think about change not as a big project, but as a series of tests that help you quickly learn what works, what does not and what it takes to execute an idea. Next, challenge your team to set goals that are short-term, high-priority and challenging — and that are completely unrelated to their existing

tasks and projects. The point is not necessarily to achieve those goals, but to see what possible innovations may come of it. Finally, lean in and get personally involved. For an innovation to take off, leaders need to be actively invested. Do not wait for the next crisis to motivate your team; set the conditions for proactive — not reactive — innovation now.

(This tip is adapted from *Innovate With Urgency — Even When There's No Crisis*, by Ron Ashkenas.-HBR)

“Two things define you: Your patience when you have nothing and your attitude when you have everything.”

HAZRAT ALI 

Just Breathe

If you are managing higher levels of stress these days, there is a tool we all have immediate access to: breathing. It might sound simple, but when done properly, breathing can make the difference between panic and resilience. Research shows that different emotions are associated with different forms of breathing. For example, when you feel anxious or angry, your breathing becomes irregular, short and fast. When you feel joy or relaxation, your breathing will be regular, deep and slow. And believe it or not, when you follow breathing patterns associated with different emotions, you begin to feel those corresponding emotions. So next time you are feeling stress start to bubble up, try changing the ratio of your inhale to exhale. When you inhale, your heart rate speeds up. When you exhale, it slows down. Take a few minutes and breathe in for a count of four and out for a count of eight — this will calm your nervous system and keep stress at bay. By tweaking your breathing, you will start to feel a bit better.

(This tip is adapted from *Research: Why Breathing is So Effective at Reducing Stress*, by Emma Seppälä et al. - HBR)

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



IBP ONLINE TRAININGS OCTOBER 2020

**27 OCTOBER
TUESDAY**

2PM - 5PM

PROCESSING EFFECTIVE CREDIT PROPOSAL & RISK ANALYSIS

FACILITATOR: M. A. Hijazi

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

ONLINE
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

**31 OCTOBER
SATURDAY**

2PM - 5PM

FATF AND THE AML REQUIREMENTS IN PAKISTAN

FACILITATOR: Sumera Baloch

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

ONLINE
TRAINING