



Economic Letter

a weekly publication of The Institute of Bankers Pakistan

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Volume 15, Issue No. 38 | Date: September 18, 2020

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

PAKISTAN TIDINGS

COVID-19: UPDATES ON SBP'S MEASURES AS OF SEPTEMBER 14, 2020

◆ Loans Deferred	Rs. 649.4 bn
◆ Loans Restructured	Rs. 183.6 bn
◆ Loans Approved for Wages	Rs. 199.6 bn
◆ Loans Approved for Hospitals	Rs. 6.5 bn
◆ Loans Approved for Investment	Rs. 62 bn
◆ Bank Branches Open	96pc
◆ ATMs Available	94pc

PM INAUGURATES ROSHAN DIGITAL ACCOUNT: AN INITIATIVE OF SBP

Prime Minister Imran Khan on September 10, inaugurated the Roshan Digital Account in a ceremony in Islamabad. The Roshan Digital Account is a new initiative of the State Bank of Pakistan (SBP), in partnership with major banks in Pakistan. The Roshan Digital Account is for non-resident Pakistanis (NRPs). Through this account, NRPs will be fully integrated with Pakistan's banking and payments system. For the first time in the country's history, NRPs will be able to open an account in Pakistan without requiring physical presence either in Pakistan or in any embassy or consulate. This account will provide them access to a full range of banking services and exciting investment opportunities in Pakistan from wherever they live, including the soon to be launched Naya Pakistan Certificates issued by the government, as well as the stock market and real estate. Funds in these accounts will also be fully repatriated, such that they can be remitted back from Pakistan without any prior approval from SBP. Addressing the audience, the Prime Minister dedicated the occasion to overseas Pakistanis, noting that they have always made Pakistan proud through their achievements and dedication to their motherland. He was delighted that SBP was offering a new channel to connect overseas Pakistanis with their motherland financially and congratulated the Governor SBP, Dr. Reza Baqir, on this initiative.

SBP GOVERNOR DR. REZA BAQIR SPEAKS AT D-DEBTCON, WASHINGTON

Governor State Bank, Dr. Reza Baqir gave a keynote speech in the D-Debtcon (the Distributed Interdisciplinary Sovereign Debt Research and Management Conference) hosted by Georgetown Law's Institute of International Economic Law (IIEL). The Governor spoke about Pakistan being a country that is steering its way through challenges, before and during the coronavirus pandemic, and lastly he gave a general perspective about the international financial architecture. Dr Reza Baqir in his opening comments said that when he assumed office as the Governor of the State Bank of Pakistan, the country was facing the consequences of yet another balance of payment crises so his first priority was to help Pakistan come out of

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

MONETARY POLICY RATE

7pc | Effective from June 25, 2020

KIBOR (6 MONTHS)

	Bid%	Offer%
STARTING	7.05	7.30
ENDING	7.05	7.30
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP (£)	EURO (€)	USD (\$)
STARTING	PKR 219.00	PKR 197.00	PKR 165.97
ENDING	PKR 218.00	PKR 196.50	PKR 165.83
CHANGE	-1	-0.5	-0.14

PAKISTAN STOCK EXCHANGE

100 Index

STARTING	42,530
ENDING	42,504
CHANGE	-26

GOLD RATE

(10 gm)

STARTING	PKR 103,798
ENDING	PKR 106,067
CHANGE	+2269



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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
AGRICULTURAL 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}	JULY 2020	AUGUST 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
CURRENCY IN CIRCULATION (IN BILLION RUPEES)	FY19	FY 20	JULY 1 TO SEPT.4 2020	-----
	562.210	1,191.977	124.624	-----

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

the dire financial crises. He further added that for this purpose, the central bank took much needed but tough decisions to reform the economy, such as changing the exchange rate regime from a pegged exchange rate to a market based exchange rate. According to Dr. Baqir, the IMF program had started to show positive results by fall 2019 where the State Bank's targets were over performing and the Net International Reserves target was met. (Washington DC-September 14, 2020)

PAKISTAN HAS ENTERED INDUSTRIALIZATION PHASE: PM

Prime Minister Imran Khan has said the country has entered the industrialization phase and China-Pakistan Economic Corridor (CPEC) will help boost the industry

sector. "Our strategic location and CPEC will pave the way for industrialization," he said while addressing a ceremony held to inaugurate Rashakai Economic Zone recently. Prime Minister Khan said the government's priority was to provide jobs to locals by promoting industrialization under CPEC. He also congratulated Khyber Pakhtunkhwa (KP) Chief Minister Mahmood Khan for the agreement which, he said, would prove to be a major milestone not only for the province but for the entire country.

PSM NO MORE A GOING CONCERN

Pakistan Steels Mills (PSM) the country's largest industrial unit — is no more a going concern as its current liabilities exceed its assets, independent auditors said in a statement submitted to the government. The PSM's external auditors



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— Crowe Hussain Chaudhry & Co Chartered Accounts — came to this conclusion in their “Qualified Audit Report” based on financial statement for the year ending June 30, 2019 submitted to the government recently. Simply put, the qualified report means the financial statement is either incorrect, has limitations or did not meet accounting standards. The auditors explained that under the going concern assumption, an entity was viewed as continuing in business for the foreseeable future and the financial statements were prepared on going concern basis unless management was going to liquidate the entity or to cease operation or has no realistic alternative but to do so. The audit said the management reported the accumulated loss of the PSM at Rs. 189.729 bn as of June 30, 2019 and the current liabilities on the balance sheet date exceeded its current assets by Rs. 159.368 bn.

ISLAMIC BANKING ASSETS GROW 8.1PC IN APRIL-JUNE

The asset base of Islamic banking industry (IBI) grew by 8.1pc to reach to Rs. 3,633 bn while deposits jumped 9.5pc to Rs. 2,946 bn during April-June, said a report issued by the State Bank of Pakistan recently. Similarly, ‘financing and investments (net)’ recorded a quarterly increase of 15.5pc and reached Rs. 2,597 bn, while surging 20.8pc year-on-year. In terms of market share, IBI now stands at 15.3pc and 16.9pc, respectively in assets and deposits of overall banking industry. Moreover, profit before tax of IBIs came in at Rs. 49 bn during FY20. At the end of June, infrastructure of IBI remained same with 22 Islamic banking institutions; five full-fledged Islamic banks and 17 conventional banks having standalone Islamic banking branches.

BANKS TOLD TO PROTECT DIGITAL ACCOUNTS

The State Bank of Pakistan has asked banks for strict security and to ensure full protection to the account holders of Roshan Digital Accounts (RDA) being opened for Non-Resident Pakistanis (NRP). A circular was issued by the SBP to all banks on September 9, regarding the RDA which has been recently launched for NRPs to enable them to remotely open bank accounts in Pakistan. They can operate the digital portals without physically visiting branches. Using RDAs, NRPs can now avail digital facilities, including access to online banking, domestic funds transfer, utility bills and

tuition fee payment in Pakistan, as well as investments in government bills, stock exchange, and real estate sector with the option of full repatriation. Banks will ensure full security of their digital channels including portals and mobile apps and ensure that customer information or documents are fully protected from unauthorized access, according to the SBP.

AUTOS: TRENDS IN AUGUST

Auto sales shrank by 0.4pc year-on-year to 9,885 units in August thanks to a significant recovery in sales of Suzuki models during the month under review, data released by the Pakistan Automotive Manufacturers Association (PAMA) recently. Cumulative sales in the first two months of current fiscal year increased to 20,008 units as sales during the month of July stood at 10,123 units.

RESERVES SOAR TO \$ 19.9 BN

The country’s foreign exchange reserves rose to \$ 19.961 bn during the week ended on Sept 4, announced the State Bank of Pakistan (SBP) recently. Of the total foreign reserves, the SBP held \$ 12.8 bn and commercial banks \$ 7.15 bn during the week. However, the SBP forex holdings showed an increase of \$ 95 mn mainly attributed to proceeds of \$ 121 mn from the Asian Development Bank.

BANKING BRIEFS (RS. IN BILLIONS)

AS AT SEPTEMBER 4, 2020 | AS AT AUGUST 28, 2020

DEPOSITS OF ALL SCHEDULED BANKS

16,185.316 | 16,327.253

% PLUS / MINUS COMPARED TO PREVIOUS WEEK

-0.87 | -----

GROSS ADVANCES

8,026.082 | 8,052.961

% PLUS / MINUS COMPARED TO PREVIOUS WEEK

-0.33 | -----



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INTERNATIONAL SCENARIO

GENERAL MOTORS TO TAKE STAKE IN NIKOLA ELECTRIC TRUCK COMPANY

General Motors drove further into the world of electric vehicles, announcing a manufacturing partnership recently with electric truck company Nikola in the latest cost-sharing venture. As more automakers join forces to develop ambitious new technologies, the old-school auto giant will help the Arizona-based startup with battery and fuel cell technologies initially for the Nikola Badger pickup truck, and later for its larger commercial vehicles, the companies said in a joint statement. In exchange, GM will receive an 11pc stake and a seat on the board of Nikola, which plans to start producing the Badger by the end of 2022. The announcement produced an immediate windfall for investors in Nikola, worth \$ 2 bn, whose shares surged by around 50pc. GM shares also advanced solidly on a down day for Wall Street.

IMF CHIEF WARNS GLOBAL ECONOMIC CRISIS 'FAR FROM OVER'

The global economy is showing signs of bouncing back from the severe downturn caused by the global coronavirus pandemic, but a full recovery is unlikely without a vaccine, IMF chief Kristalina Georgieva said recently. In a column co-authored with IMF chief economist Gita Gopinath, the officials stressed that governments should continue to support workers and businesses since the unprecedented nature of the crisis could give rise to a wave of bankruptcies and job destruction. As lockdowns have eased and businesses around the world have been allowed to reopen, there has been a "sharp rebound of output, consumption and employment," they said in *Foreign Policy* magazine. The massive scale and speed of government support has helped cushion the blow and allowed for the initial rebound, Gopinath and Georgieva wrote.

RECORD FRENCH FINE FOR PHARMA GIANTS OVER EYE DRUG

The French Competition Authority (AFC) recently slapped a record 444 mn Euro (\$ 500 mn) fine on pharma groups: Novartis, Roche and Genentech over market abuses in sales

of macular degeneration drugs. The trio were found to have abused dominant market position to sell their Lucentis drug, developed by US firm Genentech and used in the treatment of age-related macular degeneration (AMD), to the detriment of another much cheaper treatment, Avastin. Swiss firm Novartis marketed Lucentis outside the US. But doctors realized that Genentech's anti-cancer drug Avastin could have positive effects on the eye disease and began to prescribe it. Roche, which, since 2009, has a 100pc capital stake in Genentech, markets Avastin outside of the United States. An injection of Avastin costs around 30 to 40 Euros, compared with a launch price of 1,161 Euros for Lucentis — ramping up the cost for French social security, which picks up the full tab for the treatment needed by some 150,000 people in France. The AFC ruled the three firms had collaborated to maximize AMD earnings and make it harder for health authorities to compare the relative cost of Lucentis with that of Avastin. Novartis was hit with the bulk of the fine at 385 mn Euros, while Roche and Genentech must pay more than 59 mn between them.

BIG EUROPEAN STATES CALL FOR CRYPTOCURRENCY CURBS TO PROTECT CONSUMERS

Germany, France, Italy, Spain and the Netherlands called on the European Commission to draw up strict regulation for asset-backed cryptocurrencies, such as stablecoins, to protect consumers and preserve state sovereignty in monetary policy. The finance ministers of the five European Union member states said in a joint statement on Friday that stablecoins should not be allowed to operate in the 27-member bloc until legal, regulatory and oversight challenges had been addressed. Stablecoins, a type of cryptocurrency often backed by traditional assets, leapt onto policymakers' agendas last year when Facebook revealed plans for its Libra token. Some central banks and financial regulators, concerned that Libra could destabilize monetary policy, facilitate money laundering and erode privacy, threatened to block it and the project has been delayed and reshaped as a result.



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MANAGEMENT VIEWS

MANAGERIAL TIPS

CREATE PSYCHOLOGICAL SAFETY IN YOUR VIRTUAL MEETINGS

Teams do their best work when people feel they can raise questions, concerns and ideas without fear of repercussion. But this psychological safety can be hard to create in virtual meetings, where detecting nonverbal social cues can be difficult and distractions are everywhere. The good news is that videoconferencing offers some simple but effective tools to help. Your software probably has a polling function that can give everyone on the team an opportunity to be heard. You can even make these polls anonymous to help people express their feelings and opinions without fear of being singled out. Similarly, encourage your team to use the chat function if they are more comfortable contributing non-verbally. And think about whether every meeting needs to be a video meeting – a classic conference call may allow for better listening and make people feel less self-conscious. But if you do choose audio-only, be sure not to interpret silence as agreement. Follow up with a summary of the meeting to make sure that everyone is on the same page and check in individually with anyone who seemed disengaged or reticent to contribute.

(This tip is adapted from *How to Foster Psychological Safety in Virtual Meetings*, by Amy C. Edmondson and Gene Daley – HBR.)

SNIPPETS

BOYCOTTING FACEBOOK

Earlier this summer, Facebook's shares dropped by 8.3pc in one day when some of the world's biggest companies pulled ads from the platform over its handling of hate speech.

WHEN HACKERS ATTACK

A recent study estimates that a cyberattack takes place every 39 seconds.

STOP COMPARING YOURSELF TO YOUR PEERS

One of the benefits of social media is that it allows us to stay connected to old friends and former colleagues. But sometimes seeing other people's successes can make us feel competitive or even like we are falling behind. There are a few strategies you can deploy to fight this uncomfortable feeling. First, track your triggers. Identify what drives you to compare yourself to others. For example, is there a specific friend or colleague whose accomplishments make you feel insecure? Next, reframe your thoughts. Instead of thinking of yourself as competing against that person, look at their accomplishments objectively. What can you learn from their progress? Then, counteract your self-doubt by doing something you are good at – it will help you regain confidence and perhaps momentum toward your own goals. And finally, let go of the "shoulds." They often lead to perpetual insecurity.

(This tip is adapted from *Feel Like You're Falling Behind Your Peers?* by Nihar Chhaya – HBR.)

FIND THE RIGHT MENTOR

Mentorship helps the careers of both mentors and mentees – research shows they get promoted, attain higher salaries and fend off burnout. Mentoring relationships that develop organically are the most fruitful, but how can you find a mentor during this era of social distancing? To start, embrace remote networking. Put yourself in a position to meet interesting people, both inside and outside of your organization or industry. Do not be afraid to reach out to people who seem like they might be able to lend a hand. If you are uncomfortable connecting with strangers, start with your friends' friends. Ask for an introduction and see where it goes. You might also tap into your alumni networks, where you will have something to talk about right off the bat. And do not limit yourself to LinkedIn. There are all kinds of social media platforms that are ripe for making connections. This may all seem like a lot of effort, but if you hit it off with someone, your relationship will pay off down the road.

(This tip is adapted from *How Do You Find a Decent Mentor When You're Stuck at Home?* by Ruth Gotian – HBR.)

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



IBP ONLINE TRAININGS

SEPTEMBER 21 TO 29, 2020

**21 SEPTEMBER
MONDAY**

4:00 pm - 7:00 pm

FINANCIAL MODELING AND BUSINESS VALUATION

FACILITATOR: Saad Usman

COURSE FEE: PKR 5,000/- Excluding Tax

**22 SEPTEMBER
TUESDAY**

2:00 pm - 5:00 pm

BUSINESS COMMUNICATION & PRESENTATION SKILLS/ EMAIL WRITING

FACILITATOR: Aisha Bela Malik

COURSE FEE: PKR 5,000/- Excluding Tax

**24 SEPTEMBER
THURSDAY**

2:00 pm - 5:00 pm

UNDERSTANDING LETTER OF CREDIT - PROCESSING, DOCUMENTATION AND ISSUES

FACILITATOR: Aqeel Muslim

COURSE FEE: PKR 5,000/- Excluding Tax

**25 SEPTEMBER
FRIDAY**

4:00 pm - 7:00 pm

CREDIT RISK MODELING

FACILITATOR: M. A. Hijazi

COURSE FEE: PKR 5,000/- Excluding Tax

**25 SEPTEMBER
FRIDAY**

10:00 am - 1:00 pm

ATM OPERATIONS - HOW TO DEAL WITH SETTLEMENT & ATM FRAUDS

FACILITATOR: Shahid Abbas Dodhiya

COURSE FEE: PKR 5,000/- Excluding Tax

**26 SEPTEMBER
SATURDAY**

10:00 Am - 1:00 Pm

MINIMIZING SBP PENALTIES AND AUDIT OBJECTIONS

FACILITATOR: Rizwan Khalil Shamsi*

COURSE FEE: PKR 5,000/- Excluding Tax

**26 SEPTEMBER
SATURDAY**

2:00 pm - 5:00 pm

TRANSACTION MONITORING AND STR

FACILITATOR: Sumera Baloch

COURSE FEE: PKR 5,000/- Excluding Tax

**29 SEPTEMBER
TUESDAY**

10:00 am - 1:00 pm

RISK FRAMEWORK FOR SME FINANCING

FACILITATOR: Atif Ikram

COURSE FEE: PKR 5,000/- Excluding Tax

**29 SEPTEMBER
TUESDAY**

4:00 pm - 7:00 pm

PRICING MECHANISM OF BANKING PRODUCTS

FACILITATOR: Muhammad Shoaib Malick

COURSE FEE: PKR 5,000/- Excluding Tax

FOR REGISTRATION AND INFORMATION

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