



Economic Letter

a weekly publication of The Institute of Bankers Pakistan*

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Volume 14, Issue No. 18 | Date: May 3, 2019

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

PAKISTAN OVERVIEW

Technical Level Talks with IMF Begin

Pakistan and the International Monetary Fund kicked off on April 29, technical level talks to sort out details of the proposed bailout package over the next 10 days. The visiting IMF mission will stay in Islamabad to conclude the technical details by May 6, while the policy level understanding will be reached over the next three days, according to a source at the finance division. The proposed bailout package is expected to be \$6-8 bn. The source said that after the successful technical level talks Pakistan would sign an agreement with the IMF latest by May 10. The agreement would then be sent to the IMF board, the source said.

Pakistan, China Enter Second Stage of Free Trade

Pakistan and China embarked on the new phase of the China-Pakistan Economic Corridor by signing memoranda of understanding (MoUs) on the first Special Economic Zone (SEZ) and socio-economic development and a new agreement on free trade. The MoUs and the second stage Free Trade Agreement (FTA) were signed towards the conclusion of Prime Minister Imran Khan's second trip to China in six months. The prime minister's latest visit to Beijing was for attending the second Belt and Road Forum and talks with the Chinese leadership on the expanded CPEC. The earlier visit was more about the future course of the CPEC after the change of government in Pakistan and soliciting Beijing's help for dealing with the balance of payments crisis. Beijing will spend \$1 bn on 27 projects, help Pakistan Railways upgrade its capacity

PM Asks Chinese Entrepreneurs to Shift Industries to CPEC Special Zones

Prime Minister Imran Khan invited Chinese entrepreneurs to take benefits of investment-friendly policies of his government and relocate their industries to the special economic zones being built under the China-Pakistan Economic Corridor (CPEC). More than 370 Chinese companies and businessmen and 70 entrepreneurs from Pakistan participated in the forum. The prime minister also expressed his government's resolve to remove impediments in the way of investment and make doing business easy for the Chinese business in Pakistan.

Privatization of 7 PSEs to be Discussed with IMF

The government has firmed up a plan for privatization and restructuring of major Public Sector Entities (PSEs) as part of the proposed medium-term economic and financial policies. This will be part of discussions with the International Monetary Fund (IMF) this week for a three-year bailout package under which the provinces have agreed in principle on a single sales tax pro forma that will ultimately lead to a single value-added tax (VAT) regime. Informed sources said the government was not committing with the IMF divestment of any of the loss-making entities at this stage

MARKETS AT A GLANCE

Rates are taken till Friday 5:00 pm

KIBOR (6 MONTHS)

	Bid%	offer%
STARTING	10.99	11.24
ENDING	10.99	11.24
CHANGE	0	0

FOREIGN EXCHANGE RATES

	GBP(£)	EURO(€)	USD(\$)
STARTING	PKR 183.00	PKR 158.00	PKR 141.00
ENDING	PKR 184.50	PKR 158.50	PKR 141.10
CHANGE	+1.5	+0.5	+0.1

PAKISTAN STOCK EXCHANGE

	100 Index
STARTING	37,130
ENDING	36,122
CHANGE	-1008

GOLD RATE

	(10 gm)
STARTING	PKR 59,071
ENDING	PKR 58,556
CHANGE	-515

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and these would be passed through a restructuring phase, but transactions of seven mostly profitable and efficient entities would be completed in the first year i.e. fiscal year 2019-20.

Huawei CEO Expresses Interest in 'Heavy Investment' During Meeting With PM Imran in Beijing

Prime minister Imran Khan met the founder and chief executive of Chinese tech giant Huawei, Ren Zhengfei, in Beijing, who expressed his interest in making "heavy investment" in Pakistan, according to a statement by the ministry of planning. Huawei has already set up a regional service centre in Pakistan, the statement notes, adding that 600 IT professionals are presently working there. The prime minister also met with representatives of other leading Chinese firms, who pledged large-scale private sector investment in Pakistan. The CEOs of Rainbow Agritech Group, Challenge Apparel, Li & Fin corporation, and Foton cars were among the business leaders who met the premier, according to the planning ministry handout.

Inflation Eases to 8.8pc in April

The country's inflation slightly decreased to 8.8pc in April from a month ago, owing to a slight decline in prices of essential kitchen items, the Pakistan Bureau of Statistics reported. In March, the consumer price index had surged to 9.4pc — highest level in five years — on account of rupee depreciation and rise in energy prices. The slight decline in prices of select consumer items helped slow down the CPI in April.

Mohmand Dam Inaugural Ceremony Held

The PM attended the ground breaking ceremony of Mohmand Dam which is being constructed on the Swat River and it will be completed at a cost of Rs. 183 bn by 2024. The dam has the capacity to store 1.2 mn acre feet of water (It is defined by the volume of water necessary to cover one acre of surface area to a depth of one foot). Upon completion, it will generate some 800MW of electricity. The construction of the dam is said to be imperative to resolve the problems of water scarcity and electricity shortfall in the country. A sum of Rs. 2 bn has been allocated for the project in the Public Sector Development Program 2018-19.

INTERNATIONAL VISTA

UK Regulator Urges EU to Make Financial Market Access Flexible

The European Union's system of financial-market access needs adapting to avoid disputes between the EU and Britain over rules after BREXIT, a top UK regulator said recently. Andrew Bailey, chief executive of the Financial Conduct Authority, said future regulation in Britain will hinge on where the EU system of "equivalence" leads to. Equivalence refers to Brussels granting foreign banks direct access to customers in the EU if it determines that their home rules are similar enough to those in the EU. But for this to work after BREXIT, it needs a "rules of the game" agreement setting out how equivalence is determined and a mechanism for handling disputes, Bailey said. Equivalence should be based on whether the outcomes of foreign and EU regulation are the same, rather than on actual rules being written in the same way, Bailey said. Focusing on outcomes was critical, since Britain has a history of common law and preference for broad principles, while the EU has moved to harmonized rules, Bailey said.

Sri Lanka Resorts Face Uncertain Future

Sri Lanka's Finance Minister had hoped tourism would earn a record \$5 bn this year, up from \$4.4 bn in 2018. He thinks the attacks could now see the country lose up to one third of that. Tourism accounts for about 5pc of the economy, with Britain, India and China the main markets. Official figures show tourist arrivals in the first quarter of this year jumped 4.6pc to 740,600 from 2018. But with armed guards now a fixture in some Colombo hotels and cancellations flooding in after the attacks, Sri Lanka must work out a rescue plan for establishments now facing ruin. "We expect a 30pc drop in arrivals and that means a loss of about \$1.5 bn in foreign exchange," he said recently. Ruchir Desai, a senior investment analyst with Asia Frontier Capital in Hong Kong, said the next year will be a tough one for Sri Lanka. "Given the scale of the attack I still think you would see a negative impact on the industry," Desai told. "It should recover," he added, "obviously it depends on the steps the government takes to improve stability".



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Swiss Investment Firm, Bitfury Launch Bitcoin Mining Fund

Swiss investment firm Final Frontier and global blockchain technology company the Bitfury Group, which was recently valued at \$1 bn, announced the launch of a regulated bitcoin mining fund. The fund is under the supervision of Liechtenstein's financial regulator. Both companies, however, did not disclose the size of the fund, which was developed by Final Frontier for institutional and professional investors to gain access to the esoteric world of bitcoin mining. Bitcoin mining entails updating the ledger of bitcoin transactions known as the blockchain. Miners run extremely powerful computers in a race against other miners to guess a specific number. The first miner to guess the number gets to update the ledger of transactions and also receives a reward of 12.5 newly minted bitcoins.

Berkshire Hathaway Moves into Dubai Despite Property Recession

The real estate affiliate of billionaire investor Warren Buffett's Berkshire Hathaway Inc. announced recently it will expand its brokerage operations into the Middle East by opening an office in Dubai. It said it also plans to open a second United Arab Emirates office in Abu Dhabi "within a year". The company's expansion into Dubai comes despite a downturn which has seen property prices fall by more than a quarter from a peak in mid-2014, hurting earnings of the Emirate's top developers and forcing construction and engineering firms to cut jobs and halt expansion plans. S&P Global Ratings said in February Dubai residential property prices will fall another 5-10pc this year due to a continued gap between supply and demand, before steadying in 2020.

UAE to Deposit \$250 mn in Sudan's Central Bank

The United Arab Emirates announced recently it would deposit \$250 mn in Sudan's central bank as part of a support package for the country following the change in government. The government-owned Abu Dhabi Fund for Development signed an agreement with the Sudanese central bank "confirming the deposit", the UAE's official WAM news agency said. Last week, Saudi Arabia and the UAE announced 3 bn dollars (2.7 bn euros) in financial aid for Sudan. The oil-rich Gulf states pledged to inject \$500 mn into the Sudanese central bank and \$2.5 bn to help

provide food, medicine and petroleum products. The deposit for the central bank was aimed at shoring up the Sudanese pound, the SPA said. In recent years Sudan has been hit by an acute lack of dollars, a key factor behind the nationwide protests that led to the toppling of Bashir regime.

MANAGEMENT OUTLOOK

Factsheet about Huawei

1. Huawei Technologies Co. Ltd. is a Chinese multinational telecommunications equipment and consumer electronics manufacturer. The word 'Huawei' translates to 'Chinese achievement'.
2. Ren Zhengfei was 42 when he founded Huawei. Now, at age 71, Zhengfei is still president of the company, and is the 556th richest person in China.
3. Huawei was first created to produce telephone exchange switches in the 1980s. Huawei has partnered with approximately 80pc of the world's top telecommunications companies. Huawei invested over a million dollars in a university in Canada. The company has invested \$1.4 mn in Carleton University in Canada.
4. Huawei is an employee-owned company, which is something it uses as a way to distance itself from claims that it is under government control. What that basically means is that employees own stock in the company, with around 64pc of employees participating in the employee ownership scheme. Huawei has had a rough history with U.S. security.
5. Huawei is a big company, but its research and development team is huge — 76,000 employee-strong. It rotates CEOs every 6 months and focuses on making brilliant smartphones.
6. Its cafeteria serves cuisine from all over the world because its 180,000 employees come from all over the



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world. Huawei trains engineers on its equipment, similarly to how Cisco trains engineers to become certified on its hardware. The average age of a Huawei employee is 29 years old.

Do You Struggle to Find Something to Say in Meetings?

Speaking up in a meeting can increase your visibility at work, but it does not come naturally to everyone. If you struggle to offer your thoughts on the spot, you can try a few things. Before the meeting, prepare a few comments or questions so that you know you will have something to say. You should also think about your reasons for wanting to speak up in the first place. Ask yourself why you care about the meeting's topic, and use the answer as inspiration when crafting your comments and questions. During the meeting, when your turn comes, pause and breathe. Doing this can strengthen your voice, helping you to speak with clarity and authority. But remember, saying something just to say something is not always a great idea. If you are speaking up to show off or to offer a comment that would be better expressed one-on-one with someone, it may be better to say nothing.

(Adapted from *How to Speak Up in a Meeting, and When to Hold Back* by Allison Shapira-HBR.)

When Work Gets Really Hectic, Here Are Some Things to Try

When our jobs are at their most hectic, our approach to work can shift from "How do I get everything done?" to "How do I survive this?" To cope with intense times, try a few strategies. One is to reward yourself for finishing a tough task (like writing a report) by completing an easy task (like running an errand). This will help you pace yourself and ensure your brain gets a break while you stay productive. Another is to motivate yourself with the pleasurable parts of hard projects. If you do not love writing reports but do

enjoy editing, let yourself look forward to when you will clean up and improve your text. A third strategy is to use small scraps of time for mental rest. When you are forced to do nothing for a few minutes — whether before a meeting starts or in line at the grocery store — take some slow breaths, drop your shoulders and unwind.

(Adapted from *How to Get Through an Extremely Busy Time at Work* by Alice Boyes-HBR.)

SNIPS

Welcome to Your Airbnb

Airbnb offers over 5 mn listings spanning more than 85,000 cities. Airbnb is an online marketplace which lets people rent out their properties or spare rooms to guests. It stands for Air-bed and breakfast, or Airbnb ("Air-b-n-b") for short.

It is a Co-Working World

The number of global co-working spaces has increased to over 14,000 since the first was opened in 2005. Co-working involves a shared workplace, often an office, and independent activity. Unlike in a typical office, those co-working are usually not employed by the same organization.

Interdependent Workers

A study published by the Martin Prosperity Institute found that 77pc of all jobs worldwide do not require skills such as creative thinking or independent decision-making.

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