Morning News 01-Nov-2021

MCB-ARIF HABIB
Savings and Investments Limited

- **IMF, govt show flexibility on granting autonomy to State Bank of Pakistan | Dawn:** To break the deadlock over revival of USD6bn Extended Fund Facility, Pakistan and the International Monetary Fund have decided to show some flexibility in their stance on the issue of granting autonomy to the central bank, *Dawn* has learnt from knowledgeable sources.
- **Next review: Govt about to announce agreement with IMF: Dr Reza | BR:** Dr. Reza Baqi, Governor, State Bank of Pakistan on Friday said that the government is about to announce the agreement with the International Monetary Fund (IMF) for next review. He said that the country had witnessed 4% growth in FY 21 and now the government was targeting 5% for ongoing fiscal year, which he described as a welcome challenge.
- **Govt plans to borrow PKR6.75trln in Nov-Jan | The News:** The government planned to borrow PKR5.75 trillion from banks in three months (November-January) to bridge gap in revenue and expenditures, the central bank's auction calendar showed on Saturday. The planned borrowings are higher than the October-December target of PKR5.87 trillion.
- **Govt plans to curtail circular debt by PKR425bn in FY22 | Dawn:** The Power Division on Friday said it was targeting curtailing circular debt by about PKR425bn during the current fiscal year (FY22) to PKR1.86 trillion chiefly through PKR230bn prior year recoveries from consumers through base tariff.
- **Tax collection rises nearly PKR500bn | Tribune:** The Federal Board of Revenue (FBR) collected PKR1.84 trillion in just four months, an increase of 37% or close to PKR500bn over last year, on the back of higher imports, which made it difficult to build a case for mini-budget. For the fourth successive month, the FBR sustained a healthy momentum of increase in tax collection.
- **PSX reverts to KATS | BR:** After facing multiple technical issues in the new trading system, Pakistan Stock Exchange (PSX) has decided to shift trading to the previous system-Karachi Automated Trading System (KATS).
- **Inflation up on sharp increase in food prices | Dawn:** Inflation measured through Sensitive Price Index (SPI) posted an increase of 1.23% for the week ended on Oct 28 driven by a sharp rise in the prices of essential food items, data released by the Pakistan Bureau of Statistics (PBS) showed on Friday. This is the fourth consecutive week that witnessed an upward increase.
- **External debt, liabilities increased to USD125.876bn by end Sept | BR:** Pakistan's external debt and liabilities increased from USD122.20bn by end June 2021 to USD125.88bn by end September 2021, i.e. registered an increase of USD3.68bn, revealed the Ministry of Economic Affairs in an in-camera meeting. The State Bank of Pakistan (SBP) has yet to release the data for external debt and liabilities for the first quarter of the current fiscal year.
- **Budget deficit in line with forecast | Tribune:** The federal budget deficit widened to PKR745bn in three months, which is in line with annual estimates, but the danger of slippages remains due to the fall in non-tax revenues and the surge in debt servicing cost owing to a possible hike in interest rate. The PKR745bn deficit - the gap between federal income and expenditures - during the July-September quarter of current fiscal year was equal to 1.4% of GDP.
- **PKR26bn interest paid on Chinese loan | Tribune:** Pakistan has paid over PKR26bn in interest cost to China for using a USD4.5bn Chinese trade finance facility to repay maturing debt in the last fiscal year - a cost that the country is bearing due to the failure of successive governments to place the economy on a solid footing.
- **Textile exports in jeopardy as cotton goes north | The News:** Surging cotton rates in local and global markets are feared to hit Pakistan's textile exports hard as a huge increase in cost of production would drastically compromise their competitiveness, industry officials said on Saturday. Spike in the cotton prices comes at a time when textile exports are on an upward trajectory, while the largest exporting sector struggles with high cost of energy, shortage of gas, rising shipping charges, etc.
- **Import of urea starts for building strategic reserves of fertiliser | Nation:** The government has started to import urea to bridge the local shortage in the country, as the tender for import of 100,000 MT of urea has been advertised. On a summary moved by the Ministry of Industries and Production, the Economic Coordination Committee (ECC) of the Cabinet has recently approved a tender for import of 100,000 MT of urea for building strategic reserves of urea fertilizer during the Rabi season 2021-22.
- **Circular debt delaying privatisation of two RLNG-based power plants | The News:** Amid increasing pressures from the IMF to kick-start, privatisation at an accelerated pace, the much-awaited privatisation of two RLNG power plants has hit major snags because the monster of circular debt of these two power plants peaked at PKR145bn.
- **Gas firms told to ensure steady supply to fertiliser plants till January | Dawn:** The government on Friday asked the gas companies to maintain uninterrupted supply of domestic gas and imported Liquefied Natural Gas (LNG) to fertiliser plants until January next year to ensure enough production for the ongoing Rabi crops.
- **SBP slaps PKR465mn fines on four banks for AML noncompliance | The News:** State Bank of Pakistan (SBP) imposed PKR465mn penalties on four banks in Q3 of 2021 for noncompliance with instructions on anti-money laundering (AML) and combating the financing of terrorism, general banking operations, and customer due diligence, the SBP said on Friday.
- **PM Imran Khan rejects OGRA's suggestion to increase petrol price | The News:** Prime Minister Imran Khan has rejected the suggestion of the Oil and Gas Regulatory Authority (OGRA) to increase petrol prices from the month of November.

Market Indices

	29-Oct-21	28-Oct-21	30-Jun-21
KSE 100	46,219	45,991	47,356
KSE 30	17,941	17,942	18,962
KMI 30	74,564	74,183	76,622
KSE All Shares	31,637	31,509	32,480

Volume (mn Shares)

	29-Oct-21	FYTD (Average)
KSE 100	138.1	133.5
KSE 30	54.7	47.9
KMI 30	54.7	49.2
KSE All Shares	243.4	379.9

Commodity Rates

	29-Oct-21	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	84.4	0.1%	12.3%
Crude Oil-Arab Light (USD/BBL)	82.6	-0.3%	15.1%
Coal (USD/Tonne)	148.0	-10.2%	37.5%
Copper(USD/Lbs)	4.3	-1.7%	0.6%
Cotton (USD/Lbs)	111.7	1.0%	37.2%
CRC Steel (USD/Tonne)	975.0	2.1%	-17.7%

Currency (Interbank)

	29-Oct-21	Daily Change	FYTD Change
US Dollar	170.4	-0.8%	8.2%
UK Pound	233.3	-1.5%	7.1%
Euro	197.0	-1.8%	5.5%
UAE Dirham	46.7	-0.5%	8.4%
Chinese Yuan	26.6	-1.0%	9.0%

Fund Flows (USD mn)

	29-Oct-21	FYTD
FOREIGN INDIVIDUAL	0.00	2.95
FOREIGN CORPORATES	-0.88	-154.22
OVERSEAS PAKISTANI	0.38	37.00
FIPI NET	**-0.50**	**-114.27**

Economic Data (USD mn)

	FY22E	FY21	FY20
GDP Growth	4.8%	3.9%	-0.5%
	Sep-21	**Aug-21**	
Exports	2,380	2,247	
Imports	6,479	6,577	
Remittances	2,670	2,658	
Foreign Exchange Reserves	26,151	27,068	

Money Market Data

	29-Oct-21	28-Oct-21	30-Jun-21
SBP Policy Rate	7.25	7.25	7.00
CPI Inflation	9.0%	8.4%	9.7%
3 Month T-Bill	8.18	8.18	7.28
6 Month T-Bill	8.78	8.78	7.53
12 Month T-Bill	9.09	9.13	7.81
3 Year Government Bond	9.89	9.90	8.99
5 Year Government Bond	10.15	10.17	9.49
10 Year Government Bond	11.00	10.98	9.94
3 Month KIBOR	8.35	8.34	7.45
6 Month KIBOR	8.86	8.83	7.69

Data Sources : Reuters, PSX, NCCPL, PBS, SBP