Morning News 19-May-2022

MCB-ARIF HABIB
Savings and Investments Limited

- **Pakistan exceeds expectations as growth rate nears 6% | Dawn:** The growth rate forecast of Pakistan's economy increased significantly during 2021-22, making it the second-highest economic growth recorded over the past four years suggesting recovery of the economy from the Covid-19 pandemic. The projection that Pakistan's economy will grow at a rate of 5.97% in 2021-22 is much higher than the projections of 4% and 4.3% by the International Monetary Fund and the World Bank, respectively, for the same year. This projection came as a surprise when it was feared the fuel subsidies will ditch the growth forecast.
- **Govt commits cut in subsidies, imports | Dawn:** Pakistan is set to move swiftly on reducing massive fuel and electricity subsidies and banning about 30 luxury imports to contain fiscal and trade deficits under a commitment given to the International Monetary Fund (IMF) to secure an economic bailout. On the first day of the formal talks with the IMF mission led by Nathan Porter in Doha, Finance Minister Miftah Ismail virtually leading the country's economic team cleared uncertainty on two counts — that the new coalition government would stay in office and take tough decisions, undertake reforms committed in the original fund programme and complete structural benchmarks.
- **Govt lowers T-bill rates slightly | Dawn:** After frequent increase in the treasury bills rates, the government has slightly reduced the cut-off yields giving message that interest rate may not get appreciation. The auction held on Wednesday shows that the 3-month T-bills noted a decline of 29 basis points in cut-off yields. Now the rate declined to 14.50%. Similarly, the 6-month benchmark T-bills cut-off yields were slashed by 29 basis points to 14.70%. The previous 14.99% rate was criticised by analysts while the other stakeholder said the interest rate has already gone up in the banks. The policy rate is currently at 12.25%, the T-bill rate was about 15% which pushed the Karachi Inter-Bank Offered Rate (Kibor) to around 15%.
- **Dollar a hair's breadth from PKR200 milestone | Dawn:** The US dollar once again appreciated on Wednesday and stood at a stone's throw from crossing PKR200, keeping the policymakers confused over the rapid depreciation that evaded the purchasing power of the local currency. The inter-bank market reported that the dollar remained in high demand, but what was more concerning was that many importers were unable to open their LCs as they failed to arrange the currency. The dollar appreciated by PKR2.65 to PKR198.39 in the inter-bank market. The dollar gained 1.34% against the rupee, which was one of the most significant rupee depreciations during the current wave of decline.
- **USD39.3bn trade deficit in 10 months is not sustainable | BR:** Muhammad Nadeem Qureshi, Regional Chairman FPCCI, has stated that the economy cannot sustain the current level of the trade deficit, which stands at USD39.3bn for merely ten months of the current fiscal year, i.e. July 2021 to April 2022. He added that it translates into approximately USD4bn per month on an average and will be close to USD50bn when the year ends, unprecedented in our history.
- **Fertiliser units asked to keep future demand in mind| Dawn:** The Ministry of Industries and Production (MoIP) has asked the fertiliser manufacturing units to prepare for upcoming urea demand in the Kharif season. The meeting was chaired by the additional secretary of MoIP and attended by the representatives of fertilisers manufacturing industry, dealers, and secretaries of the provincial agriculture departments. The meeting discussed the domestic production and demand of fertilisers, along with pricing, tracking and verification mechanisms of fertilisers for the Kharif season.
- **Hubco seeks exemption from application of IFRS-9 on behalf of all IPPs| BR:** The Hub Power Company (Hubco) has sought permanent exemption from applicability of the International Financial Reporting Standards-9 (IFRS-9) for Independent Power Producers (IPPs) due to the prevailing situation with regard to circular debt. The company's CEO, Kamran Kamal, has written a letter to chairman of the Securities and Exchange Commission of Pakistan (SECP) in relation to the notification issued by the commission on Sept 13, 2021, bearing reference No. S.R.O. 1177(I)2021, through which exemption from the application of Expected Credit Loss (ECL) method under IFRS-9 available to companies holding financial assets due from the government of Pakistan in respect of circular debt was extended till June 30, 2022.
- **MCB Islamic Bank, Hyundai Nishat Motors and Adamjee Insurance (WTO) enter strategic alliance| BR:** MCB Islamic Bank Ltd, Hyundai Nishat Motors and Adamjee Insurance (WTO) have joined hands for a strategic collaboration to provide exclusive car financing solution to their customers. The MoU signing ceremony was held in Lahore on May 10. Mian Muhammad Mansha, Mian Hasan Mansha – CEO Hyundai Nishat Motors, Muhammad Ali Zeb – Managing Director Adamjee Insurance, attended the ceremony and Muhammad Afaq Khan – President MCB Islamic Bank Ltd. Malik Muhammad Adnan, GM Sales & Marketing from HNMPL and Muhammad Hamid Yasin, Group Head Consumer Finance, MCB Islamic Bank Ltd signed the MOU on behalf of respective organisations.
- **Saudi investor cancels stake sale in Samba Bank| Dawn:** Saudi Arabia-based parent company of Samba Bank Ltd has terminated the planned sale of its majority stake in the Pakistani lender owing to the "considerable uncertainty in current market conditions". In a regulatory filing on Wednesday, the fifth smallest bank in terms of market capitalisation told investors that Saudi National Bank (SNB) has ended the process for the sale of its shareholding constituting 84.51% of the bank's paid-up capital because of the "outlook" of Pakistan's banking sector.
- **Illegal offshore FX websites: SBP stops banks from making payments| BR:** The State Bank of Pakistan (SBP) Wednesday prohibited the banks for payment to illegal offshore foreign exchange trading websites, mobile applications and platforms through any payment channel. The State Bank has noticed that an increasing number of offshore foreign exchange trading websites, mobile applications and platforms are offering their products and services to residents of Pakistan.
- **Govt imposes 'complete' ban on import of luxury items| Tribune:** The federal government on Wednesday decided to impose a complete ban on the import of unnecessary and luxury items to deal with the country's unsettling economic woes, according to Express News. The decision was taken during a high-level meeting held under the chairmanship of Prime Minister Shehbaz Sharif in which the economic situation of the country was reviewed. "Precious foreign exchange would not be spent on import of unnecessary and luxury items," the premier said.

Market Indices			
	18-May-22	17-May-22	30-Jun-21
KSE 100	43,027	42,726	47,356
KSE 30	16,360	16,246	18,962
KMI 30	69,512	68,856	76,622
KSE All Shares	29,280	29,105	32,480

Volume (mn Shares)		
	18-May-22	FYTD (Average)
KSE 100	118.0	117.5
KSE 30	81.0	55.1
KMI 30	77.5	51.1
KSE All Shares	278.8	307.8

Commodity Rates			
	18-May-22	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	109.1	-2.5%	45.2%
Crude Oil-Arab Light (USD/BBL)	111.5	-3.5%	54.3%
Coal (USD/Tonne)	330.1	0.7%	187.4%
Copper (USD/Lbs)	4.2	-1.4%	-2.1%
Cotton (¢/Lbs)	139.5	-2.8%	71.3%
Gold (USD/Ounce)	1,815.6	0.1%	2.6%

Currency (Interbank)			
	18-May-22	Daily Change	FYTD Change
US Dollar	197.5	0.5%	25.4%
UK Pound	243.7	-0.7%	11.9%
Euro	206.7	-0.3%	10.7%
UAE Dirham	54.1	0.5%	25.4%
Chinese Yuan	29.2	0.3%	19.9%

Fund Flows (USD mn)		
	18-May-22	FYTD
FOREIGN INDIVIDUAL	0.00	4.26
FOREIGN CORPORATES	-2.16	-353.97
OVERSEAS PAKISTANI	-0.08	65.30
FIPI NET	**-2.24**	**-284.40**

Economic Data (USD mn)			
	FY22E	FY21	FY20
GDP Growth	4.6%	5.4%	-0.5%
	Mar-22	Feb-22	
Exports	2,782	2,834	
Imports	6,425	5,853	
Remittances	2,810	2,190	
Foreign Exchange Reserves	17,477	22,638	

Money Market Data			
	18-May-22	17-May-22	30-Jun-21
SBP Policy Rate	12.25	12.25	7.00
CPI Inflation	13.37	13.37	9.70
3 Month T-Bill	15.14	15.01	7.28
6 Month T-Bill	15.18	15.04	7.53
12 Month T-Bill	14.91	14.73	7.81
3 Year Government Bond	13.59	13.51	8.99
5 Year Government Bond	12.90	12.84	9.49
10 Year Government Bond	12.91	12.85	9.94
3 Month KIBOR	15.15	15.04	7.45
6 Month KIBOR	15.18	15.07	7.69

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