Morning News 23-May-2022

MCB-ARIF HABIB Savings and Investments Limited

- **World Bank's RISE-II: Pakistan told it can lose funding if prior actions not completed | BR:** World Bank (WB) has warned the government that Pakistan will lose a part of FY 23 funds from International Development Association (IDA) for not completing Prior Actions (PAs) under second Resilient Institutions for Sustainable Economy (RISE-II). The Bank conveyed this message to Finance Minister Miftah Ismail in a letter dated subsequent to his recent meeting with the Bank's Vice President South Asia Region, Hartwig Schafer which was also attended by Aisha Ghaus Pasha, State Minister for Finance and Revenue, and Dr. Murtaza Syed acting State Bank of Pakistan Governor and others.
- **Federal budget to be presented on June 10 | BR:** The government has announced to present the annual budget for the next fiscal year (2022-23) in the National Assembly on June 10 and the Cabinet Division has been asked to convene the budget meeting. The Secretary Finance in a letter dated May 18, 2022, to the secretary Cabinet Division stated that Prime Minister Shehbaz Sharif has been pleased to approve the schedule of submission of the budget for the fiscal year 2022-23. in the National Assembly and its transmission to the Senate of Pakistan.
- **FBR eyes new taxation steps with a view to achieving PKR7,255bn target | BR:** The Federal Board of Revenue (FBR) will propose new taxation measures of over PKR300-350bn to achieve the PKR7,255bn revenue collection target for the next fiscal year that was identified in the International Monetary Fund's sixth review documents. An official of Ministry of Finance confirmed to Business Recorder that the FBR tax collection target for next fiscal year would be PKR7,255bn, 18.9% higher than the PKR6100bn upward revised target for the outgoing fiscal year.
- **Current account deficit drops over 38% in April | Dawn:** The current account deficit shrank 38.6% on a month-on-month basis to USD623mn in April, data released by the State Bank of Pakistan (SBP) showed on Friday. The widening current account deficit has been one of the biggest economic problems throughout this fiscal year. Despite a monthly dip recorded in April, the cumulative gap for the first 10 months of 2021-22 amounted to USD13.78bn.
- **FDI inflow soars to USD170.6mn in April | BR:** The inflow of Foreign Direct Investment (FDI) into Pakistan increased to USD170.6mn in April 2022 against an outflow of USD30.4mn in March 2022. The inflow of FDI is slightly higher, ie, by 1.0% in April 2022 as compared to USD169mn in April 2021. On cumulative basis, the inflow of FDI has slightly declined by 1.6% to USD1.46bn during the first 10 months of the current fiscal year (FY22) as compared to USD1.48bn came into the country in the corresponding period in previous fiscal year (FY21).
- **SBP to raise interest rate and some predict a jumbo hike | The News:** The State Bank of Pakistan (SBP) is likely to further tighten its policy settings at its review next week to fight runaway inflation and help the battered rupee, analysts said on Friday. The market awaits the outcome of SBP's May 23 meeting for clues on its policy trajectory after a deterioration in the outlook for inflation an increase in risks to external stability, as well as domestic political uncertainty. The SBP raised its policy rate by 250 basis points to 12.25% in an emergency meeting, the biggest hike in years, held in April.
- **Private sector borrowings swell 22.9% to PKR7.85tr in April | The News:** The private sector credit off-take jumped 22.9% year-on-year to PKR7.85 trillion in April on strong demand for working capital loans, the State Bank of Pakistan (SBP) showed on Friday. The private businesses took PKR6.76 trillion loans at the end of April, up 22.3% from a year earlier. Analysts said an increase economic activity in the country boosted private sector credit.
- **The woeful PKR slide | BR:** Marred by political and economic uncertainty, the Pakistani rupee during the outgoing week declined 3.95% against the US dollar in the inter-bank market, dropping below the 200 level for the first time in its history to end at a record 200.14 on Friday. During the week, uncertainty loomed regarding the resumption of the USD6 billion International Monetary Fund (IMF) programme, while escalating political noise compounded the situation further.
- **Pakistan international bond yields spike on doubts over quick breakthrough in IMF talks | The News:** Pakistan's sovereign bond yields have increased sharply owing to growing doubts on the country's capacity to cope with external obligations with its dollar reserves spent down to bare bones. "Since December 2021, Pakistan's International Bond yields have spiked significantly. Moreover, with dwindling reserves, one major concern is repayment of a bond worth USD1bn maturing in July 2022, followed by another bond maturing in December 2022 worth USD1bn".
- **'USD1bn Saudi investment is available': PM asks Sindh govt, others to devise Karachi water plan | BR:** Prime Minister Shehbaz Sharif Friday asked business community, Sindh government and political stakeholders to sit together and devise a comprehensive plan for the resolution of Karachi's water crisis, saying an investment of USD1bn from Saudi Arabia is available in this regard. Also, he said a Chinese delegation has shown interest in Karachi Circular Railways KCR, and hoped a good news will come about GSP Plus.
- **NA adopts FRDL (Amend) Bill: Limit on govt guarantee stock raised to 10% of GDP | BR:** The National Assembly, Friday passed "The Fiscal Responsibility and Debt Limitation (Amendment) Bill, 2022" to raise the limit on the stock of government guarantees from the existing two to 10% of Gross Domestic Product (GDP). Minister of State for Finance and Revenue Dr Aisha Ghous Pasha presented the report of the Standing Committee on Finance and Revenue on the "The Fiscal Responsibility and Debt Limitation (Amendment) Bill, 2022" in the house.
- **Nepra moved to allow PKR4.05/unit hike in power tariff | The News:** Central Power Purchasing Agency-Guaranteed (CPPA-G) on Friday moved the country's power sector regulator to allow an increase of PKR4.05 per unit in the tariffs of ex-Wapda distribution companies (discos) for April 2022. The demand has been made under the monthly Fuel Charges Adjustment (FCA). The National Electric Power Regulatory Authority (Nepra) will hold a hearing on the petition on May 31, 2022.
- **Track-and-trace system: FBR to issue new deadline to tobacco sector | BR:** The Federal Board of Revenue (FBR) will issue a new deadline beyond May 20, 2022 for the documented tobacco sector for the implementation of the track-and-trace system for clearance of all brands of cigarette packs with tax stamps. Sources told Business Recorder on Sunday that the documented cigarette sector has not met the extended deadline of May 20, 2022 regarding clearance of all brands of cigarette packs with tax stamps.
- **July-April IT exports surge to USD2.20bn | BR:** The Information Technology (IT) exports remittances including telecommunication, computer, and information services during the first ten months (July-April) of the current fiscal year 2021-22 have surged to an all-time high of USD2.20bn growing by 29% in comparison to USD1.7bn during the same period in 2020-21.
- **Pakistan Refinery plans USD1.2bn expansion | The News:** The Pakistan Refinery Ltd (PRL) will spend around USD1.2bn for the upgrade and expansion of its operational capacity, a top official said on Saturday. "The PRL will expand its capacity by doubling it to 100,000bpd from the current nameplate of 50,000bpd, while converting to deep conversion from the existing hydro skimming," said Zahid Mir, Managing Director & CEO of PRL talking to The News.
- **PSO fears PKR60bn swell in receivables | The News:** Pakistan State Oil (PSO) on Saturday said its receivable could bloat by a staggering PKR50-60bn in the last quarter of this fiscal year, if subsidy payments hit snags, The News learnt on Saturday. According to the data shared by the company, during the third quarter of FY2022, PSO's overdue receivables grew by PKR90bn on quarter-on-quarter basis to PKR305bn on account of LNG supplies.
- **KE urges FD to release budgeted subsidy directly | BR:** Karachi Electric (KE) has urged the Finance Division to release budgeted subsidy directly to it to ensure business continuity in coming days. In a letter to the Finance Minister, the CEO KE has stated that the base tariff, which was at PKR22.5 per unit at June 2021, has also been significantly increased to PKR31 per unit at March 2022 whereas consumer tariff stood at around PKR19 per unit.

Market Indices

	20-May-22	19-May-22	30-Jun-21
KSE 100	43,101	42,983	47,356
KSE 30	16,367	16,350	18,962
KMI 30	69,484	69,461	76,622
KSE All Shares	29,347	29,250	32,480

Volume (mn Shares)

	20-May-22	FYTD (Average)
KSE 100	84.7	117.2
KSE 30	31.8	55.1
KMI 30	46.1	51.1
KSE All Shares	189.9	306.6

Commodity Rates

	20-May-22	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	112.6	0.5%	49.8%
Crude Oil-Arab Light (USD/BBL)	112.9	-0.7%	56.3%
Coal (USD/Tonne)	337.0	2.3%	193.4%
Copper (USD/Lbs)	4.3	-0.1%	0.2%
Cotton (¢/Lbs)	137.3	-3.8%	68.6%
Gold (USD/Ounce)	1,845.7	0.2%	4.3%

Currency (Interbank)

	20-May-22	Daily Change	FYTD Change
US Dollar	200.1	0.2%	27.0%
UK Pound	249.8	0.4%	14.7%
Euro	211.3	-0.1%	13.1%
UAE Dirham	54.6	0.0%	26.8%
Chinese Yuan	29.9	0.5%	22.5%

Fund Flows (USD mn)

	20-May-22	FYTD
FOREIGN INDIVIDUAL	0.00	4.26
FOREIGN CORPORATES	-0.62	-355.13
OVERSEAS PAKISTANI	0.08	65.55
FIPI NET	**-0.54**	**-285.32**

Economic Data (USD mn)

	FY22E	FY21	FY20
GDP Growth	4.6%	5.4%	-0.5%
	Apr-22	**Mar-22**	
Exports	2,897	2,777	
Imports	6,679	6,407	
Remittances	3,125	2,810	
Foreign Exchange Reserves	10,499	11,425	

Money Market Data

	20-May-22	19-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	14.49	14.49	7.28
6 Month T-Bill	14.76	14.76	7.53
12 Month T-Bill	14.65	14.65	7.81
3 Year Government Bond	13.46	13.53	8.99
5 Year Government Bond	12.85	12.86	9.49
10 Year Government Bond	12.87	12.88	9.94
3 Month KIBOR	14.66	14.65	7.45
6 Month KIBOR	14.87	14.84	7.69

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