Morning News 24-May-2022

MCB-ARIF HABIB
Savings and Investments Limited

- **IMF talks may extend beyond 25th: SBP chief | The News:** Pakistan and the IMF are likely to go an extra mile to finish the seventh review under the bailout programme, the central bank chief said on Monday, indicating the ongoing talks could last longer than expected to cover the budgetary procedure. "Talks may continue beyond May 25 for a few more days, but the IMF will hopefully see a positive statement from the Fund before they extend," Dr Murtaza Saeed, acting governor of State bank of Pakistan (SBP), told a virtual brief from Doha.

- **Confident of striking deal, Miftah flies to Doha for talks with IMF | Dawn:** owing to return to the country only after striking a deal with the International Monetary Fund, Finance Minister Miftah Ismail left for Doha on Monday for holding talks with IMF officials. The talks were scheduled to be held in Islamabad, but the global lender refused to send its team to Pakistan after PTI chairman Imran Khan announced his plan for a long march towards the capital on May 25. Mr Ismail regretted the change of venue at the eleventh hour, saying the talks in Islamabad could have given him an edge as he could have been in touch with all ministries during the final leg of the negotiations.

- **Key policy rate hiked to 13.75% | BR:** The Monetary Policy Committee (MPC) of the State Bank of Pakistan (SBP) Monday announced increase in the key policy rate by 150 basis points to 13.75% aimed at containing the rising inflation and mitigating the risks to external stability. At the same time, the MPC also emphasized the urgency of strong and equitable fiscal consolidation to complement monetary tightening actions. The committee believed that this would help alleviate pressures on inflation, market rates and the external account.

- **SBP increases EFS, LTFF rates by 2% | BR:** The State Bank of Pakistan (SBP) has raised the mark-up rates of Export Finance Scheme (EFS) and Long-Term Financing Facility (LTFF) by 200 basis points (bps) to rationalize with the key policy rate. The Monetary Policy Committee (MPC) of the SBP, in its meeting held on Monday for revision of policy rate, decided to raise the mark-up rates on EFS and LTFF loans aimed to strengthen monetary policy transmission. In addition, the committee decided to link the EFS and LTFF mark-up rates with policy rate to adjust automatically. However, as per committee decision, the interest rates of EFS and LTFF loans will remain below the policy rate in order to incentivize exports.

- **Over USD13bn debt incurred in 10 months | BR:** Pakistan incurred a foreign debt of USD13.03bn from multiple financing sources in the first 10 months (July-April 2021-22) including USD2.62bn from foreign commercial banks (20%) against the total budgeted external loans of USD14.09bn for the entire fiscal year. The Economic Affairs Division (EAD) on Monday released data, which shows that the country received USD262.14mn from multiple financing sources in April 2022. However, no amount was borrowed from foreign commercial banks during April 2022.

- **May 24, 2022: PDCs seen at PKR63.12bn for May 16-31 on global oil prices | BR:** Based on current international prices, the price differential claims for Oil Marketing Companies/refineries is projected at PKR63.12bn for May 16-31, 2022 fortnight, sources in the Finance Ministry said. Sources said that the Finance Ministry was informed by the Ogra not only about the upward revision in PDCs for the months of May 2022 but also told the Ministry that the PDC is projected to accumulate PKR214bn for March-May 2022 period.

- **Support schemes, foreign orders push non-textile exports up 24.81% | Dawn:** Pakistan's non-textile exports grew by 24.81 per cent year-on-year to USD10.26bn in the first 10 months of the current fiscal year (10MFY22) owing to partial revival of international orders and the government's support schemes. The overall growth in this sector is mainly led by the value-added sectors. The non-textile sector has yet to receive full orders to pre-Covid levels, data compiled by the Pakistan Bureau of Statistics (PBS) showed. In FY21, three sectors — leather garments, surgical instruments, and engineering goods — have maintained growth in export proceeds despite lockdowns in many countries.

- **IMC to launch its first locally assembled HEV SUV next year | BR:** Indus Motor Company (IMC) is planning to launch its first locally assembled Hybrid Electric Vehicle (HEV) SUV, Toyota Corolla Cross, by 2023. "Yes, we are planning to launch our first-ever locally-assembled HEV SUV - Toyota Corolla Cross by 2023," said CEO IMC Ali Asghar Jamali at the 6th Journalists Summit 2022 organized by the company at Muzzafarabad, AJK the other day. "Continuing the legacy of 'Make in Pakistan' philosophy, Toyota has already invested USD100 million to produce HEVs in Pakistan," he Jamali.

- **Fauji Oil Terminal to build 6 storage tanks at Port Qasim | The News:** Fauji Oil Terminal and Distribution Company (FOTCO) has plans to invest in developing six buffer storage tanks to address ship traffic congestion at Port Qasim and handle additional cargoes. "We have already pitched this plan to Oil and Gas Regulatory Authority (OGRA) seeking finalisation of pricing mechanism," Adnan Samdani, General Manager of FOTCO told The News in an exclusive interview on Sunday. "Once it is settled, FOTCO will be able to finalise the volume of investment required to build the buffer storage tanks to handle the fuel ship carrying 50,000 tonnes of fuel in 24 hours."

- **CM promises pro-poor budget | BR:** Announcing that the budget 2022-23 would be pro-poor, Punjab Chief Minister Hamza Shehbaz said on Monday that there must be focus in the budget on providing maximum facilities to the common man. While chairing a meeting in which salient features of the budget for the new financial year and Annual Development Programme were reviewed, the CM directed that the new budget should be pro-poor and it should not impose any burden on the common man. Out of box measures should be taken to lessen the difficulties for people, he said.

- **Pakistan default risk surges | The News:** On 5 December 2017, the government of Pakistan sold USD1bn worth of Pakistan Sukuk. Back in 2017, the bonds had a yield of 5.63%. Red alert: The bonds that are to mature on 5 December 2022 are now yielding a whopping 27%. Translation: An international bond guaranteed by the Government of Pakistan is now yielding 27%, which means that Pakistan's default risk, as perceived by international investors, has surged. Lo and behold, Pakistan's default risk has surged rapidly over the past two weeks. Is anyone listening? As per the State Bank of Pakistan (SBP), 'predetermined short-term net drains on foreign currency assets' amount to USD4.89bn (more than 1 and up to 3 months). Translation: Pakistan owes USD4.89bn before end-June 2022. Is anyone worried?

Market Indices

	23-May-22	20-May-22	30-Jun-21
KSE 100	42,440	43,101	47,356
KSE 30	16,093	16,367	18,962
KMI 30	68,029	69,484	76,622
KSE All Shares	28,953	29,347	32,480

Volume (mn Shares)

	23-May-22	FYTD (Average)
KSE 100	54.5	116.9
KSE 30	36.2	55.0
KMI 30	32.9	51.1
KSE All Shares	118.9	305.8

Commodity Rates

	23-May-22	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	113.4	0.8%	51.0%
Crude Oil-Arab Light (USD/BBL)	109.5	-3.1%	51.5%
Coal (USD/Tonne)	332.2	-1.4%	189.2%
Copper (USD/Lbs)	4.3	1.6%	1.9%
Cotton (¢/Lbs)	137.8	0.3%	69.2%
Gold (USD/Ounce)	1,853.2	0.4%	4.7%

Currency (Interbank)

	23-May-22	Daily Change	FYTD Change
US Dollar	200.4	0.1%	27.2%
UK Pound	252.3	1.0%	15.8%
Euro	214.2	1.4%	14.7%
UAE Dirham	54.9	0.6%	27.5%
Chinese Yuan	30.1	0.8%	23.5%

Fund Flows (USD mn)

	23-May-22	FYTD
FOREIGN INDIVIDUAL	0.00	4.26
FOREIGN CORPORATES	-0.95	-356.08
OVERSEAS PAKISTANI	0.38	65.93
FIPI NET	**-0.57**	**-285.89**

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

	23-May-22	20-May-22	30-Jun-21
SBP Policy Rate	13.75	12.25	7.00
CPI Inflation	13.37	13.37	9.70
3 Month T-Bill	14.64	14.49	7.28
6 Month T-Bill	14.81	14.76	7.53
12 Month T-Bill	14.75	14.65	7.81
3 Year Government Bond	13.66	13.46	8.99
5 Year Government Bond	13.00	12.85	9.49
10 Year Government Bond	12.97	12.87	9.94
3 Month KIBOR	14.68	14.66	7.45
6 Month KIBOR	14.91	14.87	7.69

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