# Morning News 02-Jun-2022

MCB-ARIF HABIB
Savings and Investments Limited

- **May CPI inflation rises 13.8% YoY | BR:** The Consumer Price Index (CPI) based inflation increased by 13.8% on a year-on-year basis in May 2022 as compared to an increase of 13.4% in the previous month and 10.9% in May 2021, says Pakistan Bureau of Statistics (PBS). Inflation in 11 months of the current fiscal year 2021-22 averaged 11.29% against 8.83% during the same period of last year. As per the monthly review of price indices by the PBS, on a month-on-month basis, it increased by 0.4% in May 2022 as compared to an increase of 1.6% in the previous month and an increase of 0.1% in May 2021.
- **T-bills yields jump on high May inflation | The News:** Treasury bill yields rose on Wednesday as data showing a jump in inflation fueled expectations for a further hike in interest rates in the coming months. The yield on the three-month T-bill increased 75 basis points (bps) to 15.25%, the auction result from the State Bank of Pakistan (SBP) showed. The cut-off yield on the six-month paper moved 55 bps higher to 15.25%. Yields on a 12-month paper rose by 75 bps to 15.40%. The government raised PKR792bn through the auction of T-bills against the target of PKR750bn. Analysts were expecting yields on T-bills and PIBs to come down after the State Bank of Pakistan conducted a 63-day open market operation (OMO) to bring stability to the secondary market rates last week. The SBP provided banks with total liquidity of PKR3.22 trillion.
- **Dollar loses PKR4.1 in four trading sessions | Dawn:** The rupee on Wednesday maintained its upward drive and gained another 59 paise against the US dollar in the interbank market. The local currency has recovered PKR4.14 in the last four sessions after hitting an all-time low at 202.01 on May 26. The State Bank of Pakistan (SBP) on Wednesday reported that the dollar price fell to PKR197.87 on a day-on-day basis as reports of expected inflows from IMF have compelled the speculative forces to retreat. However, currency dealers said the government decision to ban import of luxury and non-essential goods was the main reason for dollar depreciation as the move reduced the demand for the greenbacks by importers.
- **PM goes all out to woo Turkish investors | BR:** Prime Minister Shehbaz Sharif Wednesday invited the Turkish investors to explore Pakistan’s diverse sectors, particularly the energy sector offering immense opportunities and scope for development. Addressing at the Pakistan Turkey Business Council under the DEIK – Foreign Economic Relations Board, the PM said Pakistan’s energy sector with its vast potential in hydel, thermal, coal, wind, and solar areas could prove ideal for Turkish investors. PM Sharif said a number of leading Turkish investors had already made investments in Pakistan, and assured full cooperation by his government to pursue their projects.
- **Threats, price hikes likely to haunt fertiliser sector in 2022-23 | The News:** Fertiliser sector mutually agreed to fix prices on Tuesday, but the sector might undergo a turbulent year ahead on account of underlying threats, including price increase. After stopping urea fertiliser supply for about a week over what manufacturers called unrealistic cut by the incumbent government in the soil nutrient’s price, both parties reached an agreement over an upwards revision in price and an immediate resumption of nitrogen compost sales. The latest crisis of urea price hike and its shortage was recorded in the first week of May when manufacturing plants were closed due to diversion of natural gas for power generation.
- **PKR7.90 per unit: Nepra to announce hike in power base tariff today | The News:** The National Electric Power Regulatory Authority (NEPRA) is all set to announce today (Thursday) the increase in electricity base tariff by PKR7.90 per unit for the next budgetary year 2022-23. It will be effective from July 1, 2022 after the nod of the federal government. This increase in base tariff will help the incumbent government help restore the USD6bn IMF program. The Fund has linked its program’s revival with doing away with subsidies in POL products and increase in tariff, ensuring full recovery of electricity cost in the tariff. “With the increase by PKR7.90 per unit, the increase in base tariff would jack up to PKR24.41 per unit from the existing base tariff at PKR16.51 per unit,” relevant authorities told The News on condition of anonymity.
- **Power supply to export-oriented sectors till 30th: inance Ministry puts MoC on the defensive | BR:** Finance Ministry has reportedly put Commerce Ministry on the defensive on its proposal for extension in subsidy on supply of electricity to export-oriented sectors till June 30, 2022, by demanding that in the first instance report on misuse of RLNG by these sectors be shared before seeking favourable comments, well informed sources told Business Recorder. On May 31, 2022, Commerce Ministry sent an Office Memorandum (OM) responding to Finance Division’s OM of May 27, 2022 on “supplementary grant allocation for continuation of concessionary rates of electricity to export-oriented sectors during 2021-22”. Moreover, stated that in pursuance of ECC’s decision of August 16, 2011, a meeting was held on September 23, 2021 to deliberate on the issue of misuse of RLNG supply.
- **Fuel Cost Adjustment: Over PKR280bn additional burden to be passed on to consumers in three months | BR:** The government is to pass additional financial burden of over PKR280bn to the consumers as Fuel Cost Adjustment (FCA) in the next three months i.e. May and June and July 2022 in Discos due to unprecedented rise in fuel prices in the international market, along with load shedding, well-informed sources in NEPRA told Business Recorder. The sources said, financial impact of FCA in February 2022 was PKR38bn, in March PKR32bn, PKR52bn in April, PKR88bn in May, PKR95bn in June and PKR102bn in July.
- **Essential telecom services: Mobile companies seek reduction in WHT | BR:** Cellular Mobile Companies said to have sought a reduction in withholding tax on essential telecom services to 8% as it is important for digital Pakistan. During a meeting with the Federal Minister for Finance and Revenue, Miftah Ismail, on Wednesday, a delegation of the telecom sector comprising CEO-Jazz, Aamir Ibrahim, and CEO Telenor Pakistan Irfan Wahab Khan said to have requested the Finance Ministry in this regard. Federal Minister for IT and Telecommunication Syed Aminul Haq, Chairman PTA, Chairman Federal Board of Revenue (FBR), and other senior officers also attended the meeting.
- **Power shortfall hits record level of 7,500 MW | The News:** The power shortfall on Wednesday rose to an unprecedented level of 7,500 MW, triggering massive loadshedding of over 10 hours in urban areas and up to 18 hours in rural areas. Despite several claims made by the incumbent government to permanently solve the problem, the duration of power outages are yet to be curtailed. Instead, with every passing day, it seems that deficit in power demand and supply tends to be multiplying. In spite of government's claims, electricity generation could not be increased beyond the mark of 20,000 MW. Presently, it is learnt that power generation was at 19,200 MW while demand had gone through the roof to a massive level of 26,700 MW.
- **Mari Petroleum finds oil, gas in Waziristan | Dawn:** Mari Petroleum Company Ltd said on Wednesday it has made a discovery of hydrocarbons at its Bannu West-1 well in the Bannu West Block located in North Waziristan, Khyber-Pakhtunkhwa. A stock notice said the discovery includes gas and condensate with a flow of 25 million cubic feet per day and 300 barrels per day, respectively. The company is the operator of Bannu West Block with a working interest of 55 per cent. Oil and Gas Development Company Ltd has a stake of 35pc and Zaver Petroleum Corporation Ltd controls 10pc shares in the block. According to Topline Securities, the earnings impact on Mari Petroleum Company Ltd will be around PKR25 a share or roughly 6pc of 2022-23 income. For Oil and Gas Development Company Ltd, the impact will be around PKR0.5 a share or about 1oc of 2022-23 bottom line.
- **Budget session: President summons NA on 6th | BR:** President Dr Arif Alvi has summoned the budget session of the National Assembly on June 6 (Monday), the President House said on Wednesday. The session will be held at 4 pm at the Parliament House. The federal budget for the fiscal year 2022-23 will be presented in the session on June 10 (Friday). The session has been convened under Article 54(1) of the Constitution.
- **MoU signed to boost border trade with Iran | Dawn:** Pakistan and Iran on Wednesday signed a 32-point memorandum of understanding (MoU) to boost bilateral trade and provide more facilities to people involved in the border trade and other business activities. The MoU was signed at the conclusion of a two-day meeting of the Pak-Iran Joint Border Trade Committee in Zahidan, the capital of Iran’s border province of Sistan and Baluchestan. The Chief Collector of Customs, Balochistan, Mohammad Sadiq, and the General Manager of Industry, Mines and Trade Organisation of Iran’s Sistan and Baluchestan province, Eraj Hassanpur, signed the MoU.

| Market Indices | | | |
|---|---|---|---|
| | **1-Jun-22** | **31-May-22** | **30-Jun-21** |
| KSE 100 | 42,756 | 43,078 | 47,356 |
| KSE 30 | 16,296 | 16,453 | 18,962 |
| KMI 30 | 69,452 | 70,045 | 76,622 |
| KSE All Shares | 29,216 | 29,311 | 32,480 |
| **Volume (mn Shares)** | | | |
| | **1-Jun-22** | **FYTD (Average)** | |
| KSE 100 | 68.3 | 117.0 | |
| KSE 30 | 64.9 | 55.8 | |
| KMI 30 | 46.5 | 51.8 | |
| KSE All Shares | 194.4 | 305.1 | |
| **Commodity Rates** | | | |
| | **1-Jun-22** | **Daily Change** | **FYTD Change** |
| Crude Oil-Brent (USD/BBL) | 116.3 | -5.3% | 54.8% |
| Crude Oil-Arab Light (USD/BBL) | 115.7 | 0.7% | 60.1% |
| Coal (USD/Tonne) | 324.3 | -5.1% | 182.3% |
| Copper (USD/Lbs) | 4.3 | 0.8% | 1.6% |
| Cotton (¢/Lbs) | 131.1 | -2.2% | 61.0% |
| Gold (USD/Ounce) | 1,845.6 | 0.5% | 4.3% |
| **Currency (Interbank)** | | | |
| | **1-Jun-22** | **Daily Change** | **FYTD Change** |
| US Dollar | 197.5 | -0.6% | 25.4% |
| UK Pound | 246.7 | -1.5% | 13.2% |
| Euro | 210.3 | -1.4% | 12.6% |
| UAE Dirham | 54.1 | -0.5% | 25.4% |
| Chinese Yuan | 29.5 | -0.8% | 21.1% |
| **Fund Flows (USD mn)** | | | |
| | **1-Jun-22** | **FYTD** | |
| FOREIGN INDIVIDUAL | -0.02 | 4.21 | |
| FOREIGN CORPORATES | -2.46 | -356.78 | |
| OVERSEAS PAKISTANI | 0.29 | 65.35 | |
| **FIPI NET** | **-2.19** | **-287.22** | |
| **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** | | | |
| | **1-Jun-22** | **31-May-22** | **30-Jun-21** |
| SBP Policy Rate | 13.75 | 13.75 | 7.00 |
| CPI Inflation | 13.80 | 13.37 | 9.70 |
| 3 Month T-Bill | 14.38 | 14.34 | 7.28 |
| 6 Month T-Bill | 14.50 | 14.50 | 7.53 |
| 12 Month T-Bill | 14.62 | 14.61 | 7.81 |
| 3 Year Government Bond | 13.60 | 13.59 | 8.99 |
| 5 Year Government Bond | 12.60 | 12.63 | 9.49 |
| 10 Year Government Bond | 12.65 | 12.64 | 9.94 |
| 3 Month KIBOR | 14.49 | 14.49 | 7.45 |
| 6 Month KIBOR | 14.69 | 14.70 | 7.69 |

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