Morning News 03-Jun-2022

MCB-ARIF HABIB
Savings and Investments Limited

- **Moody's changes outlook to negative | BR:** Moody's Investors Service (Moody's) has downgraded its outlook for Pakistan from stable to negative. The decision to change the outlook to negative is driven by Pakistan's heightened external vulnerability risk and uncertainty around the sovereign's ability to secure additional external financing to meet its needs, said the rating agency. Moody's has affirmed the government of Pakistan's B3 local and foreign currency issuer and senior unsecured debt ratings, the (P) B3 senior unsecured MTN programme rating.
- **Refinancing of USD2.3bn deposits: Terms and conditions agreed with Chinese | BR:** Finance Minister Miftah Ismail Thursday stated that terms and conditions of USD2.3bn deposits have been agreed with the Chinese. The finance minister tweeted that "the terms and conditions for refinancing of RMB 15bn deposit by Chinese banks (about USUSD2.3bn) have been agreed. Inflow is expected shortly after some routine approvals from both sides. This will help shore up our foreign exchange reserves."
- **Growth unlikely to exceed 3% mark in FY23 | BR:** Pakistan's GDP growth is unlikely to cross 3% in the next fiscal year (2022-23) due to contractionary monetary and fiscal policies under the International Monetary Fund (IMF) programme. While talking to Business Recorder, former Finance Minister Dr Hafeez Pasha said the government would be asked by the IMF to reduce the PSDP size for next fiscal year and increase discount rate, which would have a direct impact on the growth prospects for next fiscal year. He further stated that increase in Public Sector Development Programme (PSDP) spending is one of the two prerequisites for GDP growth as a study revealed that one percent increase in PSDP as a percentage of GDP contributes 1.7% to the growth.
- **July-May trade deficit widens 57.85% to USD43.33bn YoY | BR:** Trade deficit widened by 57.85% during the first 11 months (July-May) of the current fiscal year 2021-22, and reached USD43.33bn compared to USD27.45bn during the same period of 2020-21, revealed the Pakistan Bureau of Statistics (PBS) data. The country's exports registered negative growth of 10.22% on a month-on-month (MoM) basis, decreasing from USD2.90bn in April 2022 to USD2.60bn in May 2022.
- **Ahsan foresees PSDP at PKR700bn | BR:** Federal Minister for Planning, Development and Special Initiatives Ahsan Iqbal said that the total volume of the Public Sector Development Programme (PSDP) is likely to be PKR700bn in the coming budget 2022-23, which would increase more development opportunities in the country. "Federal government is making efforts to increase up to PKR200bn more through the public-private partnership, which will escalate the development projects.
- **POL products' prices hiked again | BR:** The federal government has increased the petroleum prices by another PKR30 per liter, taking it to its highest-ever level, to meet an International Monetary Fund (IMF) condition for the revival of the EFF program. Finance Minister Miftah Ismail on Thursday said at a press conference that the increase was necessary for the IMF program and other subsidies would also be withdrawn in the budget to be announced on June 10, 2022.
- **PKR7.91 hike in base tariffs of Discos approved | BR:** National Electric Power Regulatory Authority (Nepra) has approved an average increase of PKR7.91 per unit in base tariffs of power Distribution Companies (Discos) for FY 2022-23 taking it to PKR24.82 per unit (47%) from existing rate of PKR16.91 per unit, which was prior action agreed with the IMF and World Bank. The regulator has recommended a massive increase in tariffs of Discos at a time when the people are facing load-shedding of 10-16 hours daily due to shortfall ranging from 7500MW to 8000MW.
- **Forex reserves decline by USD366mn | BR:** The total liquid foreign reserves held by State Bank of Pakistan declined by USD366mn to USD9.72bn during the week ended on May 27, 2022 due to external debt repayment. According to data released by the State Bank of Pakistan on Thursday, the total liquid foreign reserves held by the country stood at USD15.77bn as of 27-May-2022. Net foreign reserves held by commercial banks stood at USD6.05bn on the end of this week.
- **Govt raises saving schemes rates up to 150 bps | The News:** The government has jacked up rates of different National Savings schemes (NSS) in the range of 30 basis points (bps) to 150 basis points with effect from today (June 3). The rate on Special Savings Certificate (SSC) went up by 60 bps to 13%. The Regular Certificate rate increased by 36 bps to 12.36%. The saving account rate has gone up by 150 bps to 12.25%. The government has increased the rate on SSC at an average rate of 13.25, 12,36% on Regular Income Certificates, 14.16% on Behbood Saving Certificate. On the short-term Saving Certificate, the rate on three-month maturity has gone up to 13.68%, six- month maturity up to 13.96%, and one-year 14% rate.
- **Staggered payments: Govt decides to convince Chinese firms | BR:** The federal government has decided to convince Chinese power projects established China Pakistan Economic Corridor (CPEC) for staggering payment of their outstanding dues of about PKR350bn, well-informed sources told Business Recorder. This was decided at a high level meeting on CEPC projects, presided over by Prime Minister, Shehbaz Sharif. Prime Minister has also held a luncheon meeting with the representatives of Chinese projects and directly heard their grievances.
- **Petroleum sales jump 18% in 11 months | The News:** The sales of petroleum products surged 18% in the first eleven months of the current financial year, driven by higher consumption of petrol, high-speed diesel (HSD) and furnace oil (FO). The data released by Oil Companies Advisory Council (OCAC) showed overall sales of the oil industry rose 28% to 2.2mn tons in May compared to the same month of last year due to surge in demand, owing to improved industrial activity in the country.
- **OMCs assured of turnover tax cut, trade credit restoration | The News:** The Oil Marketing Companies (OMCs) were assured on Thursday by the government of a downward revision in turnover tax on petroleum products in the FY23 budget, while they were also promised that their trade credit issue would also be resolved. The OMCs want turnover slashed tax to 0.5% from 0.75%. State Minister made a promise to effect for Petroleum Dr Musadik Masood Malik during a meeting with the representatives of the oil sector.
- **SSGC supplying gas to KE on SHC orders | BR:** SSGC is supplying indigenous gas supplies to KE on best endeavour basis on the orders of the Sindh High Court. In the said order, KE was also directed to make payments to SSGC regularly. Effective April 2018, SSGC started supplying RLNG to KE in addition to indigenous gas to meet their requirements as per the decision of Cabinet Committee on Energy (CCoE). In the said CCoE decision, no threshold of quantities was defined.
- **Japanese bike makers raise prices | Dawn:** Japanese bike assemblers have increased the prices by up to PKR23,500 citing rising cost of raw materials on account of rupee devaluation against the dollar. Pak Suzuki Motor Company Ltd (PSMCL) has made a jump of PKR5,000-9,000 effective from June 1. The new price of GD110S, GS150, GS150SE and GR150 is PKR212,000, PKR232,000, PKR249,000 and PKR339,000. Yamaha Motor Pakistan Ltd has announced a price jump of PKR21,000-23,500 on different models which would be effective from June 3.

Market Indices			
	2-Jun-22	1-Jun-22	30-Jun-21
KSE 100	42,238	42,756	47,356
KSE 30	16,108	16,296	18,962
KMI 30	68,662	69,452	76,622
KSE All Shares	28,926	29,216	32,480
Volume (mn Shares)			
	2-Jun-22	FYTD (Average)	
KSE 100	70.1	116.8	
KSE 30	54.0	55.8	
KMI 30	52.5	51.8	
KSE All Shares	156.9	304.5	
Commodity Rates			
	2-Jun-22	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	117.6	1.1%	56.5%
Crude Oil-Arab Light (USD/BBL)	117.4	1.5%	62.5%
Coal (USD/Tonne)	324.8	0.2%	182.8%
Copper (USD/Lbs)	4.6	5.2%	6.9%
Cotton (¢/Lbs)	134.1	0.1%	64.8%
Gold (USD/Ounce)	1,868.1	1.2%	5.6%
Currency (Interbank)			
	2-Jun-22	Daily Change	FYTD Change
US Dollar	197.2	-0.2%	25.2%
UK Pound	248.0	0.5%	13.9%
Euro	211.9	0.8%	13.5%
UAE Dirham	54.1	0.0%	25.4%
Chinese Yuan	29.6	0.2%	21.4%
Fund Flows (USD mn)			
	2-Jun-22	FYTD	
FOREIGN INDIVIDUAL	-0.02	4.19	
FOREIGN CORPORATES	-0.58	-357.37	
OVERSEAS PAKISTANI	-1.20	64.15	
FIPI NET	**-1.81**	**-289.03**	
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			
	2-Jun-22	1-Jun-22	30-Jun-21
SBP Policy Rate	13.75	13.75	7.00
CPI Inflation	13.80	13.80	9.70
3 Month T-Bill	14.95	14.38	7.28
6 Month T-Bill	15.11	14.50	7.53
12 Month T-Bill	15.44	14.62	7.81
3 Year Government Bond	13.70	13.60	8.99
5 Year Government Bond	12.72	12.60	9.49
10 Year Government Bond	12.71	12.65	9.94
3 Month KIBOR	15.02	14.49	7.45
6 Month KIBOR	15.18	14.69	7.69

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