Morning News 20-Jun-2022

MCB-ARIF HABIB Savings and Investments Limited

- **No deal yet with IMF for revival of loan programme | Dawn:** Pakistan and the International Monetary Fund (IMF) have not yet been able to reach close to a staff-level agreement for revival of the Extended Fund Facility (EFF), leaving authorities in a tight spot to bridge the gap and get the updated federal budget for the fiscal year 2022-23 passed by the National Assembly.
- **Guarded optimism in official circles | Tribune:** Pakistan is not out of the woods yet, despite the Financial Action Task Force (FATF) announcing an on-site visit to verify the country's progress on tackling terrorism financing, a senior official privy to the development told *The Express Tribune* on Friday. "We should be cautious. We are still at quite a distance," the official warned as many people, including government officials, sent congratulatory messages over the FATF decision.
- **July-May FDI declines 5% to USD1.57bn YoY | BR:** The Foreign Direct Investment (FDI) decreased by 5% during the first 11 months of this fiscal year. The State Bank of Pakistan (SBP) revealed Friday that foreign investors invested some USD1.57bn on account of FDI in Pakistan during July-May of FY22 against USD1.68bn in the same period of previous fiscal year (FY21), depicting a decline of USD82.4mn. During the period under review, overall FDI inflows stood at USD2.33bn against USD732.4mn outflow.
- **PKR: 3.1pc fall over the course of five sessions | BR:** The rupee endured another horrendous week, closing at an all-time low of 208.75 against the US dollar after a 3.1% fall over the course of five sessions in the inter-bank market. Consistent fall in foreign exchange reserves, an aggressive rate hike by the US Federal Reserve, increasing oil prices, and uncertainty over revival of the stalled International Monetary Fund (IMF) programme were all to blame as the rupee depreciated from Monday to Friday, consistently hitting new lows.
- **Budgetary borrowing almost doubles | Dawn:** Despite a massive increase in revenue collection, the government's budgetary borrowing increased by over 186% in the first 11 months of the outgoing fiscal year. The latest data issued by the State Bank of Pakistan showed that the federal government's budgetary borrowing soared to PKR2,488.5bn during 11MFY22 against PKR868.4bn in the same period of last year.
- **FBR decides to amend customs baggage rules | BR:** The Federal Board of Revenue (FBR) has decided to amend the customs baggage rules for enhancing the baggage allowance limit for the incoming passengers. Sources told Business Recorder here on Sunday that the amended baggage rules would enhance the monetary limit to facilitate the incoming passengers. The existing rules are very old and needed to be amended. According to the sources, the prohibited items cannot be brought into the country under the baggage rules.
- **Textile, clothing exports up amid rise in global demand | Dawn:** Textile and clothing exports grew 28.26% year-on-year to USD17.62bn in the first 11 months of this fiscal year (11MFY22), mainly on the back of a massive depreciation in the rupee's value and a steady rise in global demand. According to data released by the Pakistan Bureau of Statistics (PBS) on Friday, the year-on-year growth rate in May was 56.02%, the highest monthly growth rate.
- **Urea price up by PKR100 to PKR1,950 per bag | The News:** In the latest domino effect of high fuel cost on commodities, the price of urea fertilizer has jumped by PKR100 to PKR1,950 per 50-kg bag. Besides, the dealers and sun-dealers' margin has also increased by PKR100 and PKR50 respectively. According to a notification issued by the Ministry of Industries, the decision to increase the price of urea fertilizer and dealers' margin were taken in a meeting on June 17, 2022. The meeting was called after the Chief Secretary Punjab's negotiations with dealers and farmers to ease out supply chain constraints.
- **Gas tariffs now under govt focus | BR:** Finance Minister Dr. Miftah Ismail has directed Petroleum Division to come up with proposals for revision in gas tariffs aimed at rationalization of subsidies between LNG price and indigenous gas price, sources close to Secretary Petroleum told Business Recorder. These directions were issued at a recent meeting of the Economic Coordination Committee (ECC) of the Cabinet when a summary of Petroleum Division titled "liquidity requirement of PSO and PLL for import of LNG and petroleum products" came under discussion. Petroleum Division, sources said, briefed the ECC about the case, seeking supplementary allocation/ TSG of PKR.36 billion for the month of June 2022 under the head of Petroleum Division.
- **Weekly inflation surges to 14-year high | The News:** Weekly inflation surged 3.38% week-on-week and 27.82% year-on-year hitting a 14-year high during the week ended June 16 following massive hike in petrol and diesel rates to appease the International Monetary Fund (IMF). Pakistan Bureau of Statistics (PBS) data issued on Friday showed that prices of 71% of the commodities in the sensitive price index (SPI) basket shot up.
- **Finance Bill 2022: Exemption to IPPs limited | BR:** Chairman Federal Board of Revenue (FBR) Asim Ahmad Saturday informed the Senate Standing Committee on Finance that the exemption to the Independent Power Producers (IPPs) has been limited to the lifecycle of the power project or 25 years period. Chairman FBR Saturday explained to the Senate Standing Committee on Finance about the amendment relating to the profits and gains derived by a taxpayer from an electric power generation project setup in Pakistan on or after July 1, 1988.
- **Power tariff to be raised in three phases | BR:** The federal government has decided to pass on PKR7.91 per unit determined by Nepra in three phases, along with PKR0.20 per unit hike on account of subsidy rationalization phase-II, well-placed sources in Power Division told Business Recorder. The Power Division presented two options before the Economic Coordination Committee (ECC) of the Cabinet, however, during the meeting, some of the members floated a third option, the sources added.
- **FCA for May 22: CPPA-G wants PKR8/unit tariff raise for Discos | BR:** Central Power Purchasing Agency- Guaranteed (CPPA-G) has sought an increase of PKR 8 per unit in Discos' tariffs for May 2022 under monthly Fuel Charges Adjustment (FCA), showing 134 per cent increase in generation cost to PKR 13.8969 per unit from reference cost of PKR 5.9322 per unit. National Electric Power Regulator Authority (Nepra) will hold a public hearing on June 27, 2022 on CPPA-G's request of adjustment in Discos' tariff.
- **CPEC IPPs: MoF urges Power Div to address issue of excess profitability | BR:** Finance Ministry has urged Power Division to address excess profitability by Independent Power Producers (IPPs) under China Pakistan Economic Corridor (CPEC) at par with settlement with other IPPs, well informed sources told Business Recorder. Finance Ministry raised the issue of CPEC–IPPs, while offering comments on one of the summaries of Power Division regarding opening of Revolving Account for the Chinese IPPs.
- **Pakistan seeks four LNG cargoes | Dawn:** Pakistan LNG Ltd (PLL) is seeking four shipments of liquefied natural gas (LNG) for delivery in July, with bids to be sent in by June 23, a tender published on Friday showed. The four delivery windows given to international suppliers for the cargoes are July 3-4, 8-9, 25-26 and 30-31. In recent years Pakistan has increased reliance on LNG for electricity generation, but is facing widespread power outages as procurement of the chilled fuel remains unreliable and expensive.
- **Assemblers raise tractor prices by up to PKR422,000 | Dawn:** Despite achieving over 90% localisation, the tractor assemblers have increased farm machinery prices by PKR254,000-422,000 in the outgoing fiscal year. In FY21, the assemblers raised prices by PKR92,000-196,000. An assembler said rupee devaluation and higher freight rates are making an adverse impact on the cost of imported parts. In FY22, the government continued the relief package that allowed the supply of imported farm machinery and equipment at reduced tariffs (customs duty 0-2% and GST at 5%).
- **Implementation Agreement: Hubco urges govt not to withdraw IT exemption | BR:** Hub Power Company (Hubco) has urged the federal government not to withdraw income tax exemption available to it under the Implementation Agreement (IA). In a letter to Secretary Power, Company's CEO, Kamran Kamal referred to the provisions of the Implementation Agreement of August 3, 1992 which were amended from time to time entered into between the Government of Pakistan (GoP) and the Hub Power Company Limited.

Market Indices			
	17-Jun-22	**16-Jun-22**	**30-Jun-21**
KSE 100	42,141	41,730	47,356
KSE 30	16,101	15,938	18,962
KMI 30	69,840	68,762	76,622
KSE All Shares	28,767	28,504	32,480
Volume (mn Shares)			
	17-Jun-22	**FYTD (Average)**	
KSE 100	130.8	115.1	
KSE 30	98.3	55.7	
KMI 30	94.4	51.7	
KSE All Shares	282.7	299.0	
Commodity Rates			
	17-Jun-22	**Daily Change**	**FYTD Change**
Crude Oil-Brent (USD/BBL)	113.1	-5.6%	50.6%
Crude Oil-Arab Light (USD/BBL)	108.8	-6.4%	50.6%
Coal (USD/Tonne)	326.7	1.1%	184.4%
Copper (USD/Lbs)	4.0	-2.4%	-5.6%
Cotton (¢/Lbs)	129.5	-6.3%	59.1%
Gold (USD/Ounce)	1,839.4	-0.9%	3.9%
Currency (Interbank)			
	17-Jun-22	**Daily Change**	**FYTD Change**
US Dollar	208.5	0.1%	32.4%
UK Pound	254.8	-0.9%	17.0%
Euro	218.9	-0.4%	17.2%
UAE Dirham	57.1	0.0%	32.6%
Chinese Yuan	31.0	-0.1%	27.2%
Fund Flows (USD mn)			
	17-Jun-22	**FYTD**	
FOREIGN INDIVIDUAL	-0.02	4.10	
FOREIGN CORPORATES	-0.95	-362.57	
OVERSEAS PAKISTANI	-0.01	62.28	
FIPI NET	**-0.99**	**-296.19**	
Economic Data (USD mn)			
	FY22P	**FY21**	**FY20**
GDP Growth	6.0%	5.7%	-0.9%
	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			
	17-Jun-22	**16-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	14.81	14.90	7.28
6 Month T-Bill	15.22	15.20	7.53
12 Month T-Bill	15.58	15.58	7.81
3 Year Government Bond	13.70	13.72	8.99
5 Year Government Bond	13.00	13.00	9.49
10 Year Government Bond	12.90	12.92	9.94
3 Month KIBOR	15.03	15.05	7.45
6 Month KIBOR	15.42	15.43	7.69

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