Morning News 05-Sep-2022

MCB-ARIF HABIB
Savings and Investments Limited

- **IMF dictates tough deal for USD3.5bn | Tribune:** Pakistan has signed off an unrealistically tough agreement with the International Monetary Fund (IMF) in return for a USD3.5bn loan, which requires a further increase in electricity, and gas prices, a mini-budget and a cut worth PKR534bn on development spending as part of contingency measures.
- **IMF again raises alarm over CPEC investment | The News:** The International Monetary Fund (IMF) has again raised a red flag in the context of China Pakistan Economic Corridor (CPEC) and stated that in early 2022, new investment could raise growth prospects but contingent liabilities also pose a risk to debt sustainability.
- **FATF team completes onsite visit to decide Pakistan's fate | Tribune:** A 15-member team of the Financial Action Task Force (FATF) quietly concluded a five-day visit to Pakistan this week, a move that may pave the way for Islamabad to finally exit the grey list. The findings of the 15-member FATF team would be discussed and reviewed in the next meeting of FATF, scheduled in Paris in October.
- **IMF acknowledges progress on AML/CFT regime | BR:** The International Monetary Fund (IMF) has acknowledged Pakistan's progress on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime and encouraged the country to ensure the sustainability and effectiveness of the efforts to mitigate significant ML/TF [money laundering & terrorist financing] risks including from tax evasion, corruption, and other financial crimes.
- **0.2% of GDP: Plan to achieve paltry primary surplus a welcome step: Fund | BR:** The International Monetary Fund (IMF) has termed the authorities plan to achieve a small primary surplus, 0.2% of the GDP in the fiscal year 2023, as a welcome step to reduce fiscal and external pressures and build confidence.
- **FY23 external financing needs seen at USD30.75bn | The News:** The International Monetary Fund (IMF) has estimated Pakistan's external financing needs at USD30.75b, equivalent to 8.4% of GDP, during the current fiscal year 2022-23. The IMF staff report, released after the approval of the Extended Fund Facility (EFF) programme, said Pakistan's requirements would go up over the medium term from the current fiscal year 2022-23 to 2026-27.
- **Service exports post paltry growth in July | Dawn:** The export of services grew nearly eight per cent in July, the first month of the current fiscal year, mainly driven by IT proceeds. In absolute terms, the value of export of services reached USD530mn in July from USD491mn a year ago, according to the latest data released by the Pakistan Bureau of Statistics.
- **IMF conveniently ignores devastation wrought by floods | BR:** The International Monetary Fund (IMF) has projected 3.5% GDP growth for the current fiscal year against the budgeted 5%. The Fund report – combined seventh, and eighth reviews of the Extended Arrangement under the Extended Fund Facility (EFF) – uploaded on Friday did not take note of the devastating floods that have inundated one third of the country with 33mn displaced.
- **Investment proposal floated as Qatar declines deposit plea | BR:** Qatar has reportedly turned down finance minister Dr Miftah Ismail's request for a deposit, after which Sardar Ayaz Sadiq, Minister for Economic Affairs, floated alternate proposal of investment of USD2-3bn in Pakistan. This transpired during background discussions with officials and action plan sent by Pakistan's embassy in Qatar to Islamabad, as a follow up of Prime Minister's visit to Qatar on August 23-25, 2022.
- **Economy loss due to floods estimated to be up to USD12.5bn | The News:** The government has estimated that the economy suffered a loss of USD10bn to USD12.5bn in the floods. Inflation is projected to go up in the range of 24 to 27% on an touch 30% for the current fiscal.
- **China's Funding to Pakistan Stands at 30% of Foreign Debt | Bloomberg:** About 30% of Pakistan's foreign debt is owed to China, including state-owned commercial banks, compared with 27% in February, according to a report released by the International Monetary Fund on Thursday.
- **Aug trade deficit soars 28.89% to USD3.53bn MoM | BR:** Pakistan's trade deficit widened by 28.89% on a month-on-month basis to USD3.53bn in August 2022 when compared to USD2.74bn in July 2022, says Pakistan Bureau of Statistics (PBS).
- **Weekly inflation surges to all-time high of 45.5% | Dawn:** Inflation measured by the Sensitive Price Index (SPI) surged to an all-time high in the week that ended on September 1, climbing to 45.5% year-on-year (YoY) on the back of a more than 200% increase in the rates of tomatoes and onions, and higher fuel prices.
- **Cement sales plunge 35% in July-August | Dawn:** Amid heavy monsoon rains that caused flash floods across the country, the cement sector recorded a massive drop of 34% in local despatches and a 44% dip in exports during the first two months of the current fiscal year.
- **Cotton arrivals drop; shortfall may hit 4 million bales | The News:** Cotton arrivals at ginning stage dropped by 14% till September 1, 2022 as floods laid waste to billions of rupees' worth of produce in Sindh, Punjab, and Balochistan, while the country is estimated to fall short of this year's target by four million bales, prompting need for imports to keep the textile sector spinning, data showed on Saturday.
- **PLL extends deadline for LNG supply bids | Tribune:** Pakistan LNG Limited (PLL) has extended validity for liquefied natural gas (LNG) supply bids, being sought from international traders, from September 2, 2022 to October 3, 2022 keeping in view high prices of gas in global market and poor response from suppliers, say sources.
- **Construction activity likely to gain momentum before winter | Dawn:** The construction slump, caused by unprecedented monsoon rains and subsequent flood devastation, is about to be over as all players await the receding of floodwater and restoration of the road network to start rebuilding activities across the country.
- **Pak Suzuki extends plant shutdown | The News:** Pak Suzuki Motors has extended closure of its production plant for another two days. In an announcement to the Pakistan Stock Exchange on Friday, the company said it would suspend its production for another two days from September 8 to September 9.
- **Maple Leaf to invest PKR500mn in Kohinoor Textile | Mettis:** The Board of Directors of Maple Leaf Cement Company Factory Limited (PSX: MLCF) has approved an investment of up to PKR500mn as loans/advances to Kohinoor Textile Mills Limited (KTML), the company filing on PSX showed today. KTML is a holding company of Maple Leaf and the investment is aimed to meet the working capital requirements of KTML.

Market Indices

	2-Sep-22	1-Sep-22	30-Jun-22
KSE 100	42,309	42,460	41,541
KSE 30	15,933	16,016	15,805
KMI 30	70,095	70,540	68,766
KSE All Shares	29,031	29,117	28,582

Volume (mn Shares)

	2-Sep-22	FYTD (Average)
KSE 100	82.1	116.7
KSE 30	43.4	65.7
KMI 30	40.0	68.7
KSE All Shares	160.1	240.9

Commodity Rates

	2-Sep-22	Daily Change	FYTD Change
Crude Oil-Brent (USD/BBL)	93.0	0.7%	-19.0%
Crude Oil-Arab Light (USD/BBL)	91.7	0.5%	-15.1%
Coal (USD/Tonne)	348.0	-0.7%	1.9%
Copper (USD/Lbs)	3.4	0.2%	-7.8%
Cotton (¢/Lbs)	109.2	-4.3%	-1.0%
Gold (USD/Ounce)	1,711.4	0.9%	-5.3%

Currency (Interbank)

	2-Sep-22	Daily Change	FYTD Change
US Dollar	218.8	0.5%	7.0%
UK Pound	251.8	0.2%	1.1%
Euro	217.7	0.6%	1.6%
UAE Dirham	59.9	0.6%	7.2%
Chinese Yuan	31.7	0.6%	3.9%

Fund Flows (USD mn)

	2-Sep-22	FYTD
FOREIGN INDIVIDUAL	0.03	0.33
FOREIGN CORPORATES	-0.49	-8.52
OVERSEAS PAKISTANI	0.44	8.72
FIPI NET	**-0.01**	**0.52**

Economic Data (USD mn)

	FY22P	FY21	FY20
GDP Growth	6.0%	5.7%	-0.9%
	Jul-22	**Jun-22**	
Exports	2,254	2,918	
Imports	4,993	7,880	
Remittances	2,524	2,761	
Foreign Exchange Reserves	8,385	9,816	

Money Market Data

	2-Sep-22	1-Sep-22	30-Jun-22
SBP Policy Rate	15.00	15.00	13.75
CPI Inflation	27.30	27.30	21.32
3 Month T-Bill	15.72	15.74	14.98
6 Month T-Bill	15.81	15.82	15.15
12 Month T-Bill	15.90	15.90	15.30
3 Year Government Bond	13.65	13.65	13.45
5 Year Government Bond	12.99	12.95	12.93
10 Year Government Bond	12.60	12.60	12.92
3 Month KIBOR	15.91	15.93	15.16
6 Month KIBOR	16.00	16.00	15.35

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