

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - April 2021

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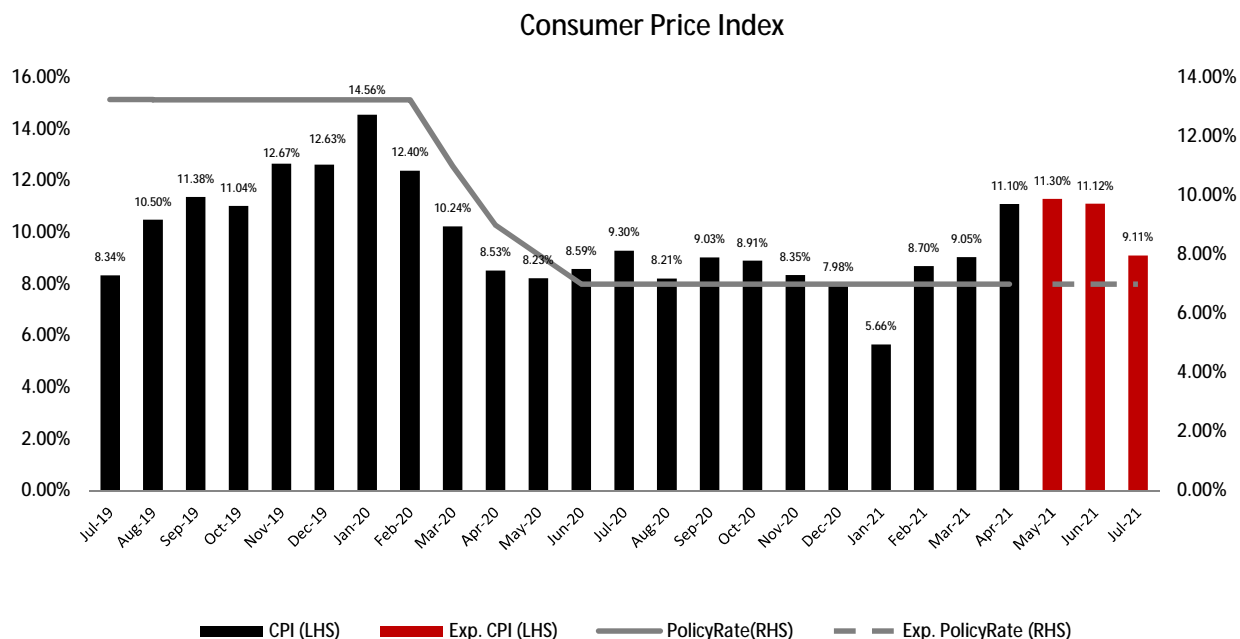
April'21 - Inflation surges to double digits

After trailing in single digits for nearly a year, inflation for the month of April'21 surged to double digits to clock in at 11.10% YoY (to recall last time inflation hit double digit in March'20).

On MoM basis, food and non-alcoholic beverages contributed the most mainly due to Ramzan effect where prices of vegetables and fruits increase the most, on the other hand non-perishable items declined by 0.32%.

In 10MFY21, inflation averaged 8.63% compared to average inflation of 11.23% in the SPLFY. Going forward, we expect inflation to hover in double digits for the rest of fiscal year bringing overall inflation for FY21 to 9.06%, in-line with central bank estimates.

Consumer Price Index	Weight %	Apr-21	Mar-21	MoM%	Apr-20	YoY%
General	100.00	145.09	143.61	1.03%	130.59	11.10%
Food & Non-alcoholic Bev.	34.58	150.7	147.49	2.18%	130.01	15.91%
Non-perishable Food Items	29.6	151.63	152.12	-0.32%	128.11	18.36%
Perishable Food Items	4.99	145.16	120.02	20.95%	141.28	2.75%
Alcoholic Bev. & Tobacco	1.02	144.28	144.48	-0.14%	137.52	4.92%
Clothing & Footwear	8.6	148.48	146.94	1.05%	132.72	11.87%
Housing, Water, Electricity, Gas & Fuel	23.63	141.2	140.48	0.51%	128.74	9.68%
Furnishing & Household Equipment Maintenance	4.1	140.39	139.2	0.85%	128.27	9.45%
Health	2.79	152.61	151.85	0.50%	140.05	8.97%
Transport	5.91	141.52	143.25	-1.21%	132.85	6.53%
Communication	2.21	108.61	107.57	0.97%	106.96	1.54%
Recreation & Culture	1.59	125.17	125.06	0.09%	119.7	4.57%
Education	3.79	144.61	143.83	0.54%	142.4	1.55%
Restaurants & Hotels	6.92	141.55	141.25	0.21%	130.82	8.20%
Miscellaneous	4.87	150.83	150.17	0.44%	137.07	10.04%



Money Market

As evident from the chart, yield curve has shifted towards right with major shift witnessed in longer tenure compared to shorter tenure; reasons of which can be attributed towards expectations of nation wide lockdown owing to rise in covid-19 cases coupled with appointment of new finance minister who had a dovish stance over interest rate prior to his appointment.

With increasing infection rate and expectation of nationwide lockdown, market participants now expects status quo of policy rate over the medium term while a fraction of participants expects dovish stance in the upcoming MPS. Central bank conducted T-bill auction twice during the month with majority of participation skewed towards 3M followed by 6M and 12M in the first auction while the latter had 62% of total participation in 6M, followed by 3M and 12M. Cutoffs in the second auction dropped by 7bps in 3M and 11 bps in 6M while negligible to low participation in 12M resulted in rejection.

T-bill Auction Results

Date	3M	6M	12M
08-Apr	7.4698%	7.7998%	Rejected
22-Apr	7.4000%	7.6871%	Rejected

In its regular cycle fixed rate bond auctions, central bank received bids worth PKR 527 billion against the target of PKR 125 billion and maturity of PKR 287 billion. Central bank received bids worth PKR 254 billion, PKR 156 billion, PKR 77 billion, PKR 27 billion and PKR 12 billion in 3, 5, 10, 15 & 20 years respectively. Central bank raised PKR 59 billion in 3Y, PKR 79 billion in 5Y, PKR 47 billion in 10Y, followed by PKR 12 billion each in 15Y and 20Y at the cutoff rate of 9.27%, 9.85%, 10.2499%, 10.4774% and 10.6074% respectively.

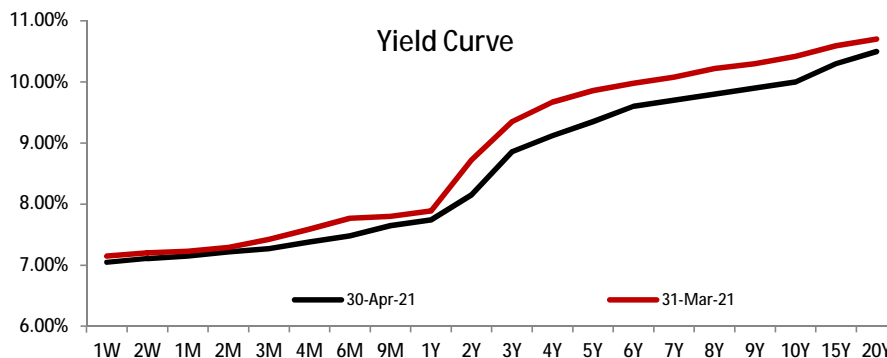
PIB Auction Results

Date	3Y	5Y	10Y	15Y	20Y
04-Feb	8.9934%	9.5890%	10.0500%	Rejected	10.58%
03-Mar	9.4100%	9.9000%	10.2890%	Rejected	Rejected
14-Apr	9.2700%	9.8500%	10.2499%	10.4744%	10.6074%

Frequent mop-ups and liquidity injections were conducted by the central bank in order to keep the overnight market relatively stable (close to policy rate)

Open Market Operations (PKR million)

Date	Type	Tenor	Offered	Accepted	Cutoff
01-Apr	Injection	1	276,750	190,000	7.11%
02-Apr	Injection	7	1,748,450	1,658,450	7.04%
05-Apr	Injection	4	87,000	87,000	7.04%
09-Apr	Injection	7	1,692,750	1,650,100	7.04%
15-Apr	Injection	1	166,650	166,650	7.07%
16-Apr	Injection	7	2,062,750	1,975,050	7.04%
20-Apr	Injection	3	148,350	78,350	7.10%
23-Apr	Injection	7	1,817,350	1,817,350	7.05%
28-Apr	Mop-up	2	203,500	203,500	6.93%
30-Apr	Injection	7	1,622,800	1,622,800	7.05%



Current Account - Deficit expanded by 52% MoM

According to the data released by the central bank, current account deficit for the month of March'21 clocked in at USD 47 million compared to USD 31 million in the preceding month. This brings the overall 9MFY21 surplus to USD 959 million compared to the deficit of USD 4.1 billion in the same period last fiscal year.

On monthly basis, deficit expanded by 52%, as a result of 12% MoM increase in trade deficit, exports of goods increased by USD 436 million whereas import of goods increased by USD 721 million.

Cumulatively, during 9MFY21 current account remains in positive zone by USD 959 million (0.5% of GDP) mainly supported by rise in remittances which increased by 26%

Remittances continued to maintain its USD 2 billion up 43% YoY for the tenth consecutive month. This bring the cumulative 9MFY21 remittance balance to USD 21.4 billion compared to USD 17 billion in the SPLFY

Balance of Payment								
	Mar-21	Feb-21	MoM	Mar-20	YoY	9MFY21	9MFY20	YoY
Export of Goods	2,612	2,176	20%	1,821	43%	18,700	18,281	2%
Import of Goods	5,222	4,501	16%	3,310	58%	37,357	34,136	9%
Trade Balance	(2,610)	(2,325)	12%	(1,489)	75%	(18,657)	(15,855)	18%
Export of Services	564	487	16%	428	32%	4,372	4,345	1%
Import of Services	628	678	-7%	584	8%	5,734	7,206	-20%
Service Balance	(64)	(191)	-66%	(156)	-59%	(1,362)	(2,861)	-52%
Balance on Primary Income	(400)	(183)	119%	(418)	-4%	(3,594)	(4,135)	-13%
Balance on Secondary Income	3,027	2,668	13%	2,113	43%	24,572	18,704	31%
Remittance	2,725	2,266	20%	1,905	43%	21,468	17,008	26%
Current Account Balance	(47)	(31)	52%	50		959	(4,147)	
Current Account % of GDP	-0.19%	-0.13%		0.23%		0.45%	-2.07%	

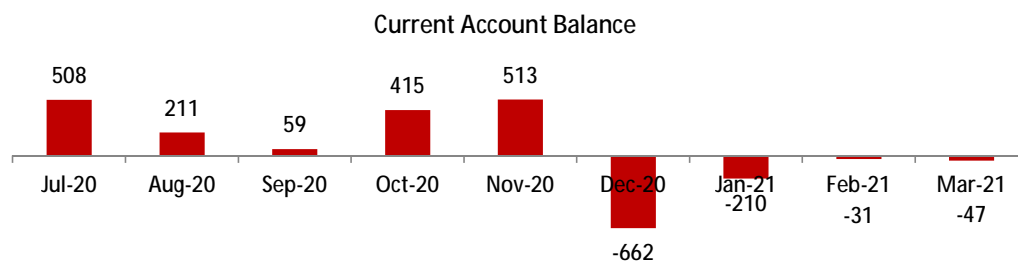
USD million

Import of Goods and Commodities			
	Mar-21	Feb-21	MoM
Total Imports	5,221,979	4,500,951	16%
Food	668,130	675,226	-1%
Machinery	747,196	602,384	24%
Transport	365,531	212,945	72%
Petroleum	947,381	858,088	10%
Textile	503,833	410,632	23%
Agri & Other Ch	835,780	628,946	33%
Metal	450,893	441,245	2%
Miscellaneous	108,238	95,676	13%
All others	512,962	517,426	-1%

USD Thousands

Export of Goods and Commodities			
	Mar-21	Feb-21	MoM
Total Exports	2,612,039	2,175,957	20%
Food	500,010	393,791	27%
Textile	1,418,483	1,187,664	19%
Petroleum	16,379	30,096	-46%
Other manufactures	366,371	292,132	25%
All others	216,984	152,962	42%

USD Thousands



Workers Remittance

As per the latest data released by the central bank, remittances for the month of March clocked in at USD 2.7 billion up 20% MoM and 43% YoY, this brings cumulative 9MFY21 remittances balance to USD 21.4 billion compared to USD 17 billion in SPLFY growth of 26%.

Compared to previous month remittances increased by USD 459 million to close at USD 2.7 billion, this substantial growth can be attributed to Ramzan and Eid effect when expats generally remit higher than their average volume of their contribution towards their homeland.

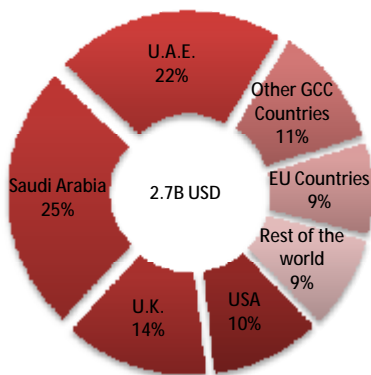
During 9MFY21, expats from Saudi Arabia contributed the most by remitting USD 5.7 billion, followed by U.A.E and U.K with USD 4.5 billion and USD 2.9 billion respectively. This sustained and growing level of remittances largely reflects growing use of banking channel attributable to continues efforts from central bank, limited cross border travel and flexible exchange rate regime all of which is reiterated in the latest central bank press release.

Major Countries/Region wise Remittances

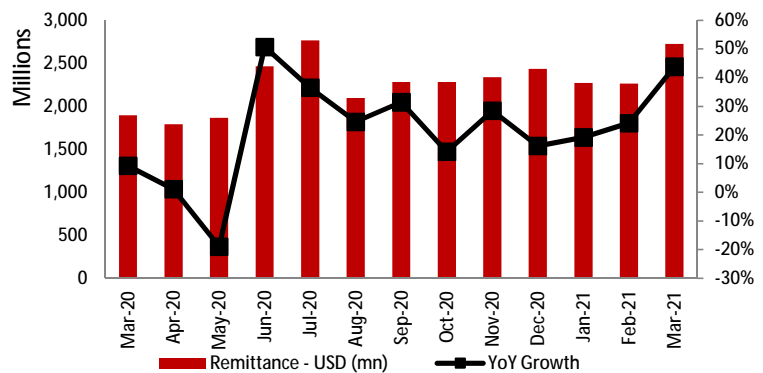
	Mar-21	Feb-21	MoM	Mar-20	YoY	9MFY21	9MFY20	YoY
Cumulative	2,724.95	2,265.95	20%	1,904.68	43%	21,468	17,009	26%
USA	283.31	210.76	34%	142.92	98%	1,902	1,246	53%
U.K.	371.21	349.18	6%	180.49	106%	2,901	1,793	62%
Saudi Arabia	690.40	532.64	30%	556.73	24%	5,732	4,776	20%
U.A.E.	589.69	488.04	21%	510.98	15%	4,526	4,219	7%
Other GCC Countries	313.91	256.05	23%	238.60	32%	2,458.5	2,264.3	9%
EU Countries	234.60	208.30	13%	132.62	77%	1,941.6	1,303.5	49%

USD million

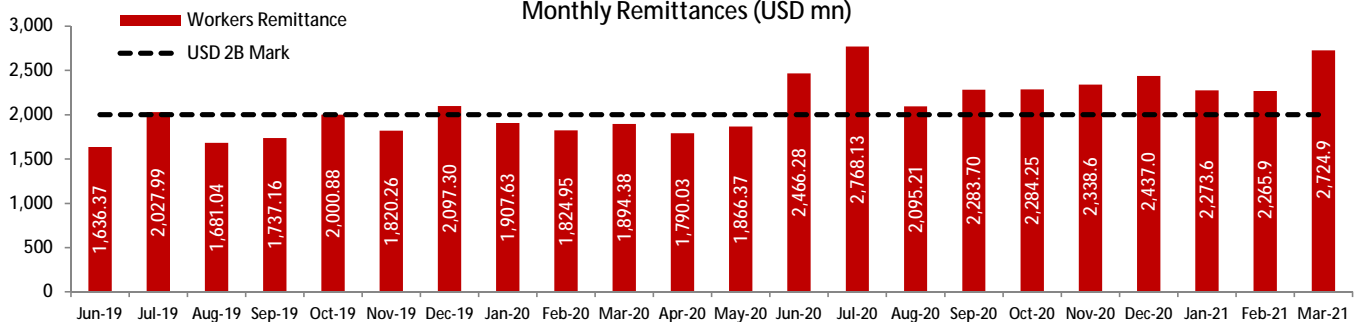
Country wise remittance



Remittance Trend & Growth



Monthly Remittances (USD mn)



PSX - KSE 100 index lost 325 points in April'21

Bearish sentiments prevailed in Pakistan stock exchange amid fears of third wave of Covid-19 and expectations of country wide lockdown, sentiments were further deepened with the news of virus resurgence in our neighboring country as the infection rate hits record high.

During the period KSE-100 index lost 325 points taking CYTD and FYTD return to 1.16% and 28.59% respectively.

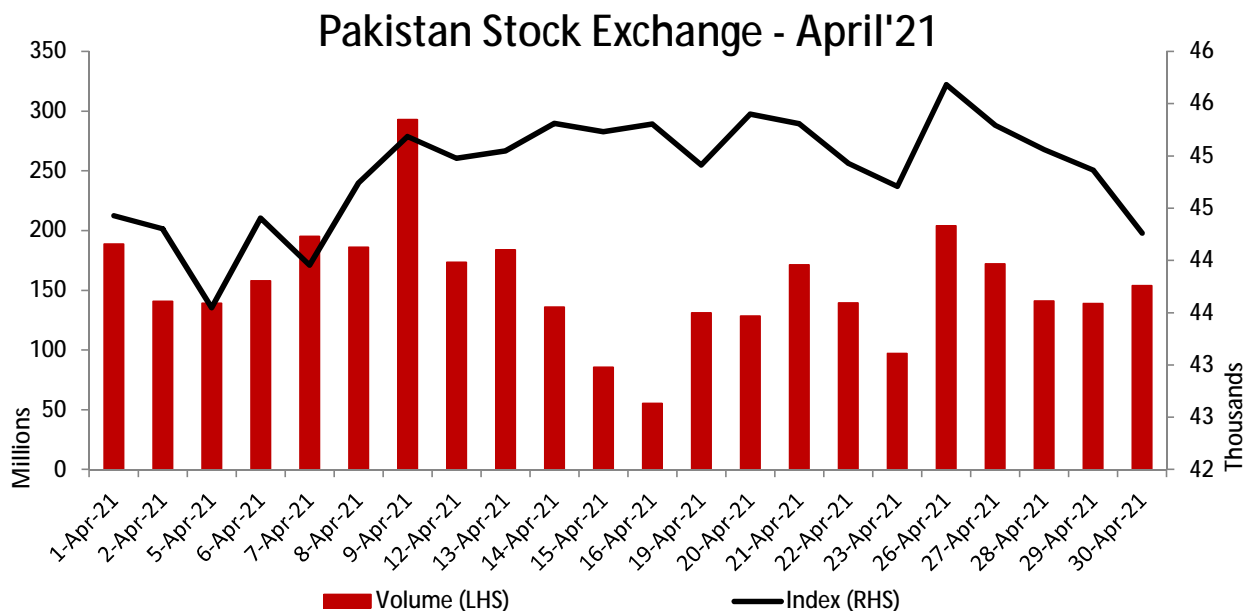
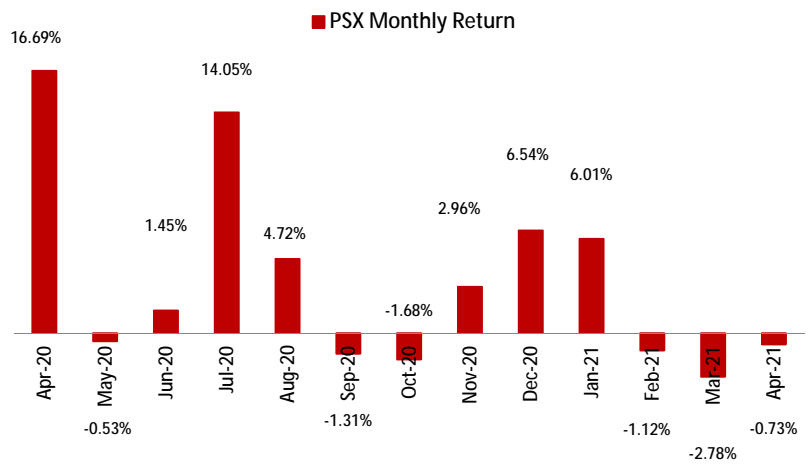
Among others, key developments during the month were a) Eurobond receipt of USD 2.5 billion b) RDA deposit reached record high of USD 1 billion mark c) extension of debt servicing from G-20

PSX Performance Stats

Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	44,262.35	18,100.64	71,476.99	30,017.98
Change	-325.50	-167.98	-1,562.97	-480.21
%Change	-0.73%	-0.92%	-2.14%	-1.57%

Top 5 Performers

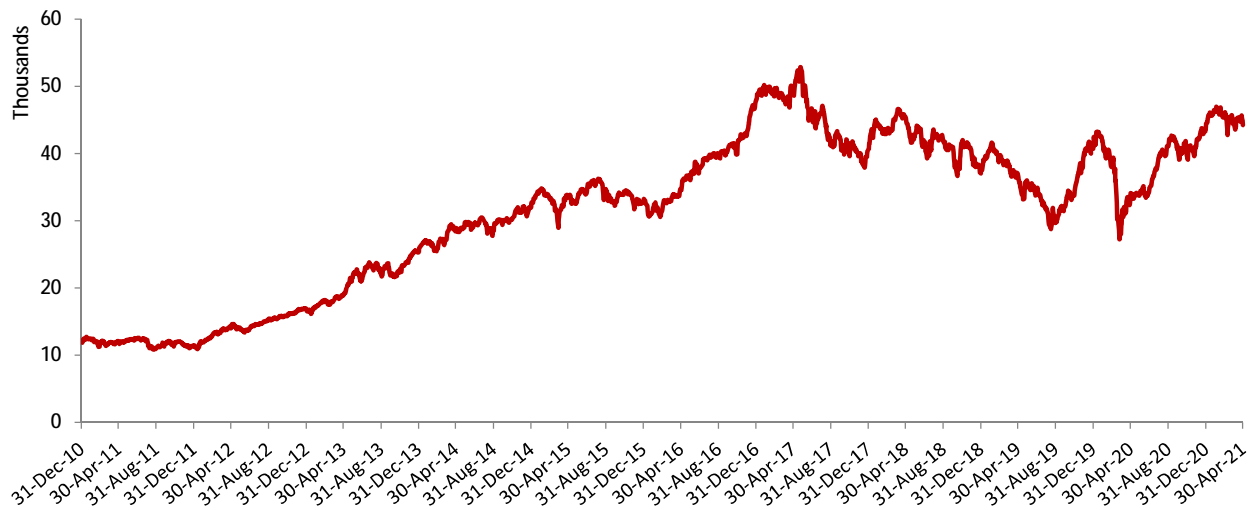
Company	Name	Return
Ibrahim Fibres Ltd	IBFL	31%
Standard Chartered Bank (Pakistan) Ltd	SCBPL	15%
TRG Pakistan Ltd	TRG	12%
Thal Ltd	THALL	11%
Pakistan Stock Exchange Limited	PSX	10%



KSE 100 Index Historical Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	6.01%	-1.12	-2.78	-0.73									1.16%
2020	2.20%	-8.76%	-23.04%	16.69%	-0.53%	1.45%	14.05%	4.72%	-1.31%	-1.68%	2.96%	6.54%	7.41%
2019	10.07%	-4.28%	-1.04%	-4.83%	-2.20%	-5.76%	-5.79%	-7.10%	8.11%	6.62%	14.86%	3.68%	9.90%
2018	8.84%	-1.84%	5.37%	-0.16%	-5.81%	-2.18%	1.91%	-2.27%	-1.78%	1.59%	-2.77%	-8.47%	-8.41%
2017	1.99%	-0.46%	-0.78%	2.38%	2.62%	-7.96%	-1.19%	-10.44%	2.92%	-6.58%	0.99%	1.15%	-15.34%
2016	-4.62%	0.23%	5.64%	4.77%	3.87%	4.78%	4.62%	0.71%	1.84%	-1.60%	6.84%	12.16%	45.68%
2015	7.20%	-2.36%	-10.10%	11.56%	-2.00%	4.06%	3.90%	-2.84%	-7.02%	6.11%	-5.86%	1.74%	2.13%
2014	6.03%	-3.74%	5.34%	6.45%	2.85%	-0.29%	2.23%	-5.76%	4.06%	2.19%	2.70%	2.99%	27.20%
2013	2.00%	5.40%	-0.72%	5.20%	14.96%	-3.75%	10.98%	-4.94%	-1.48%	4.32%	6.70%	3.95%	49.43%
2012	4.65%	8.45%	6.86%	1.66%	-1.46%	0.11%	5.62%	5.59%	0.35%	3.01%	4.17%	2.00%	48.98%
2011	2.80%	-8.66%	4.61%	2.10%	0.54%	3.08%	-2.45%	-9.19%	6.25%	0.91%	-2.83%	-1.61%	-5.61%

KSE-100 Index Historical Return



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Difference in different data sources (SBP vs. PBS)

The trade figures reported by SBP in the balance of payments do not match with the information provided by the Pakistan Bureau of Statistics. This is because the trade statistics compiled by SBP are based on exchange record data, which depends on the actual receipt and payment of foreign exchange, whereas the PBS records data on the physical movement of goods (custom records). Furthermore, SBP reports both exports and imports as free on board (fob), while PBS records exports as free on board (fob) and imports include the cost of freight and insurance (cif).