

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - February 2021

ΕΚΟΝΟΜΙΚΗ ΚΕΚΛΙΕΜ - ΕΚΕΚΛΙΕΜ 2021



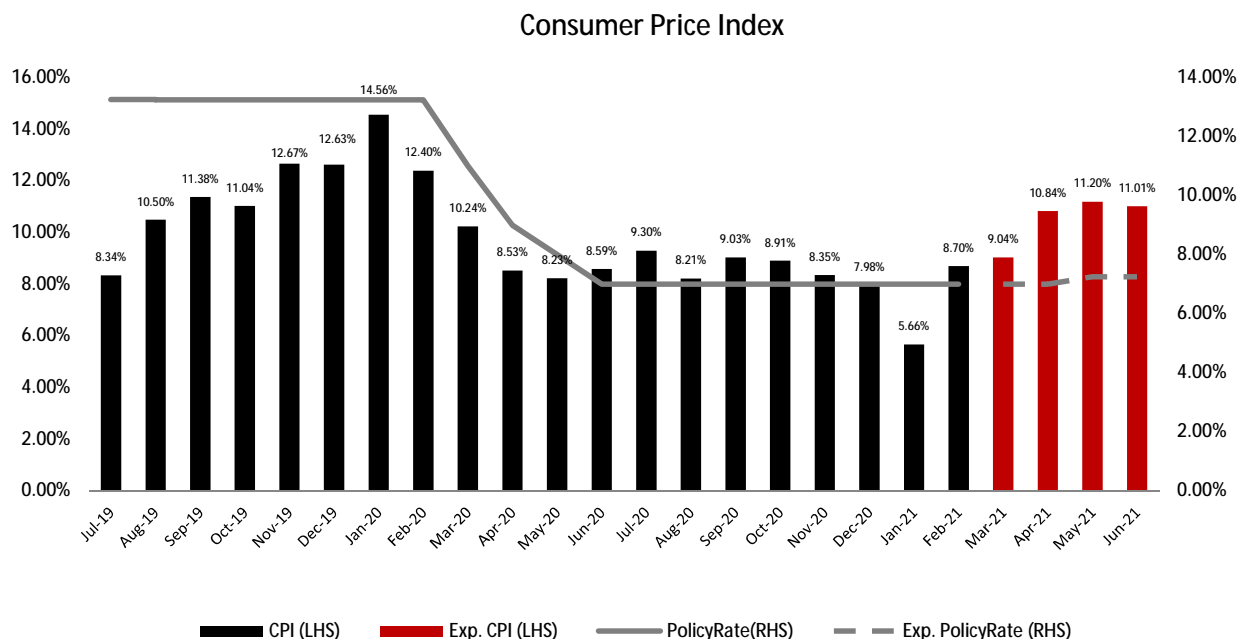
Power tariff adjustment pushed Feb'21 inflation to 8.70% YoY

After slipping to two-year low of 5.6% in January, inflation for the month of February'21 increased by 1.80% MoM on the back of Power and Fuel tariff adjustments coupled with rise in food prices.

Inflation for the month of February clocked in at 8.70% on the back of a) Despite double digit decline in prices of perishable food items, Food and Non-alcoholic segment continued its upward trajectory as the price of certain commodities in non-perishable items (mainly chicken, oil and fruits) largely offset the decline in perishable items b) Power tariff adjustment which increased by 16.38% MoM within the subgroup of Housing, Water & Fuel which constitutes approx 24% weight in CPI basket. c) Transport segment also witnessed surge of 1.92% on the back of fortnightly fuel price adjustment which increased from PKR 108 to 112.

Going forward, we expect inflation to hit double digit from April'21 onwards on the back of constant rise in international oil price (at the time of writing WTI trades at USD 64.34, back to the pre-covid level) and hike in prices of food items due to ramazan effect.

Consumer Price Index	Weight %	Feb-21	Jan-21	MoM%	Feb-20	YoY%
General	100.00	143.09	140.56	1.80%	131.64	8.70%
Food & Non-alcoholic Bev.	34.58	144.96	143.79	0.81%	132.1	9.74%
Non-perishable Food Items	29.6	149.81	146.26	2.43%	130.65	14.67%
Perishable Food Items	4.99	116.2	129.13	-10.01%	140.66	-17.39%
Alcoholic Bev. & Tobacco	1.02	144.01	143.77	0.17%	136.28	5.67%
Clothing & Footwear	8.6	145.49	142.14	2.36%	130.68	11.33%
Housing, Water, Electricity, Gas & Fuel	23.63	142.85	136.89	4.35%	129.11	10.64%
Furnishing & Household Equipment Maintenance	4.1	137.79	135.91	1.38%	127.02	8.48%
Health	2.79	150.81	149.03	1.19%	138.09	9.21%
Transport	5.91	144.19	141.48	1.92%	145.6	-0.97%
Communication	2.21	107.56	107.51	0.05%	106.96	0.56%
Recreation & Culture	1.59	124.73	124.41	0.26%	119.03	4.79%
Education	3.79	143.83	143.81	0.01%	142.11	1.21%
Restaurants & Hotels	6.92	140.23	139.66	0.41%	129.86	7.99%
Miscellaneous	4.87	150.88	148.93	1.31%	134.42	12.25%



Money Market

Despite forward looking guidance from SBP in its latest monetary policy, yields in the secondary market inched upwards with major shift in yield witnessed in longer tenures as opposed to shorter tenures as market expects change of policy stance from dovish to hawkish anytime soon.

Activity in the secondary market remained mostly concentrated in short term mostly 3-Month and 6-Month T-bills as market participants expects reversal in interest rate cycle from as early as June'21. In its regular cycle auction central bank conducted T-bill auction twice during the month out of which the central bank was able to raise PKR 1.4 billion with majority of the participation witnessed in 6M followed by 3M and 12M.

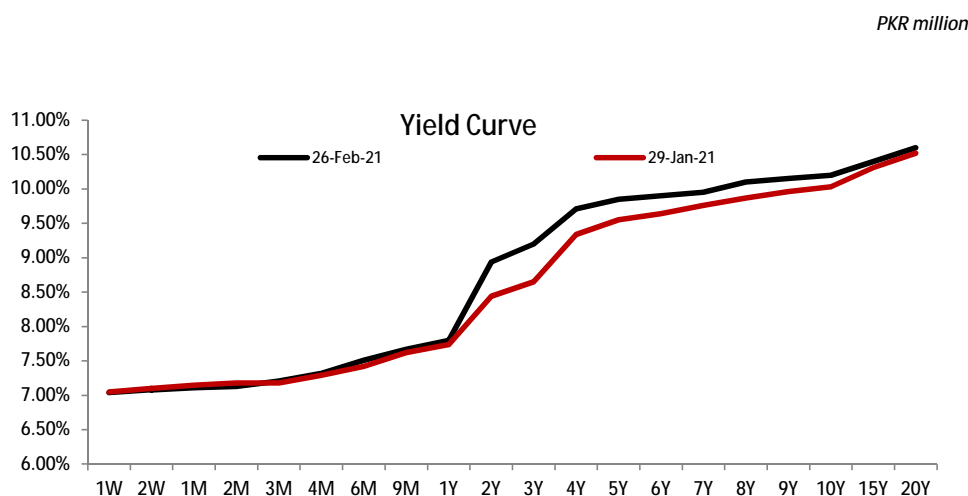
T-bill Auction Results			
Date	3M	6M	12M
11-Feb	7.1799%	7.4900%	7.7998%
25-Feb	7.2486%	7.5498%	Rejected

In its regular fixed rate bond auctions, central bank received bids worth PKR 229 billion against the target of PKR 100 billion out of which the central bank was able to raise PKR 11.2 billion in 3-year, PKR 22 billion in 5-year and PKR 27 billion in 10-year and PKR 1.5 billion in 20-Year at the cutoff rate of 8.9934%, 9.5890%, 10.05% and 10.58% respectively. Bids for 15-year were rejected.

PIB Auction Results					
Date	3Y	5Y	10Y	15Y	20Y
09-Dec	8.24%	Rejected	Rejected	10.00%	10.58%
06-Jan	8.4999%	9.5298%	9.9900%	Rejected	Rejected
04-Feb	8.9934%	9.5890%	10.0500%	Rejected	10.58%

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					
Date	Type	Tenor	Offered	Accepted	Cutoff
01-Feb	Mop-up	3	96,000	66,000	6.91%
04-Feb	Mop-up	4	85,050	45,000	6.88%
08-Feb	Injection	4	1,071,150	1,071,150	7.04%
09-Feb	Injection	3	10,000	10,000	7.04%
12-Feb	Injection	7	1,360,100	1,360,100	7.04%
19-Feb	Injection	7	1,305,400	1,305,400	7.04%
26-Feb	Injection	7	1,102,950	1,102,950	7.04%



Current Account - Deficit shrink by 65% MoM

According to the data released by the central bank, current account deficit in the month of January '21 arrived at USD 229 million compared to USD 662 in the preceding month shrinking of 65% MoM and 57% YoY. This brings the 7MFY21 surplus to USD 912 million compared to the deficit of USD 2.5 billion in the SPLFY.

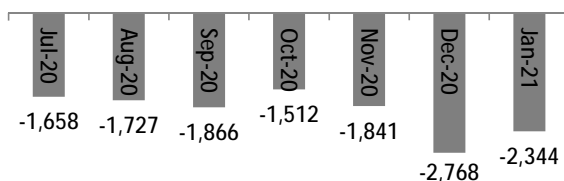
Reduced imports of USD 582 million resulted in shrinkage of trade balance by 15%. Despite incentive by the central bank on multiple fronts exports of goods and services failed to outperform which is down by 7% & 17% MoM and 4% in 7MFY21 with a mere growth of 0.63% in service sector.

Remittances continued to maintain its USD 2 billion mark but was down by US 163 million (down by 7% MoM).

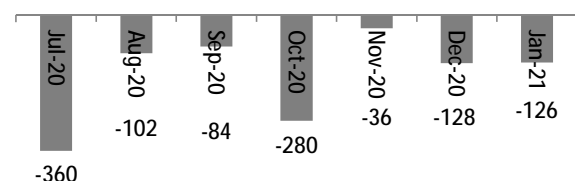
Balance of Payment								
	Jan-21	Dec-20	MoM	Jan-20	YoY	7MFY21	7MFY20	YoY
Export of Goods	2,093	2,251	-7%	2,052	2%	13,897	14,446	-4%
Import of Goods	4,437	5,019	-12%	3,912	13%	27,639	26,044	6%
Trade Balance	(2,344)	(2,768)	-15%	(1,860)	26%	(13,742)	(11,598)	18%
Export of Services	522	628	-17%	502	4%	3,366	3,345	1%
Import of Services	648	756	-14%	673	-4%	4,481	5,238	-14%
Service Balance	(126)	(128)	-2%	(171)	-26%	(1,115)	(1,893)	-41%
Balance on Primary Income	(339)	(549)	-38%	(461)	-26%	(3,060)	(3,612)	-15%
Balance on Secondary Income	2,580	2,783	-7%	1,958	32%	18,829	14,559	29%
Remittance	2,274	2,437	-7%	1,907	19%	16,477	13,278	24%
Current Account Balance	(229)	(662)	-65%	(534)	-57%	912	(2,544)	
Current Account % of GDP	-1.00%	-2.80%		-2.27%		0.56%	-1.63%	

USD million

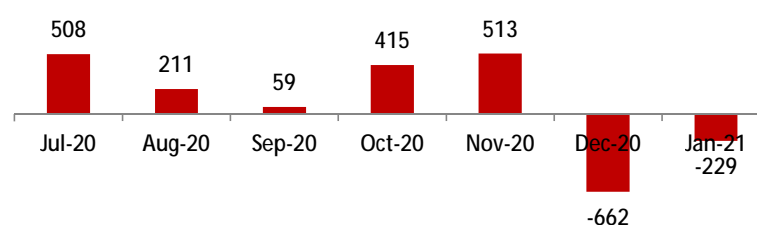
Trade Deficit



Service Deficit



Current Account Balance



Current Account - Import

As per the latest data available released by the central bank, import of goods and commodities decreased by 12% MoM to close at USD 4.4 billion compared to USD 5 billion in the previous month.

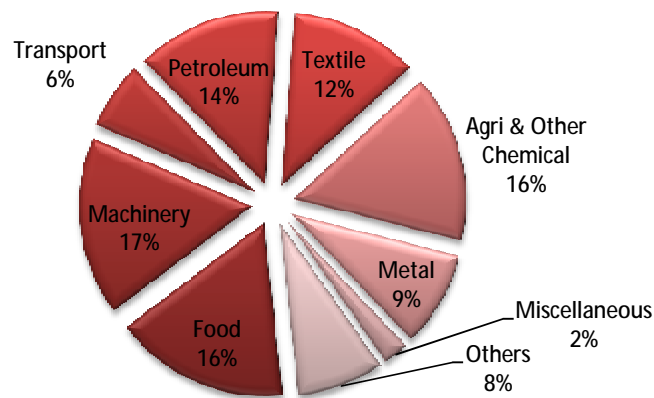
Overall import bill decreased by USD 576 million out which major savings of USD 262 million was witnessed in Petroleum segment which is down by 31% MoM, within the Petroleum segment major savings were witnessed in Petroleum Crude and Liquefied Natural Gas which are down by 63% and 54% respectively on monthly basis.

Nearly all segments within the import group witnessed a decline with a mere growth in textile, agri and transport segments which on a combined level increased by USD 19.8 million.

Import of Goods and Commodities					
	Jan-21	Dec-20	MoM	Jan-20	YoY
Total Imports	4,437,029	5,014,008	-12%	3,557,005	25%
Food	704,957	773,905	-9%	488,641	44%
Machinery	717,670	822,449	-13%	732,608	-2%
Transport	268,116	266,594	1%	131,403	104%
Petroleum	582,708	844,867	-31%	555,511	5%
Textile	513,510	499,123	3%	246,958	108%
Agri & Other Chemical	678,232	674,272	1%	596,949	14%
Metal	386,996	394,648	-2%	316,279	22%
Miscellaneous	103,612	108,175	-4%	80,989	28%
All others	346,426	469,238	-26%	419,071	-17%

USD Thousands

Import Bill Composition



Import Trend & Growth



Current Account - Exports

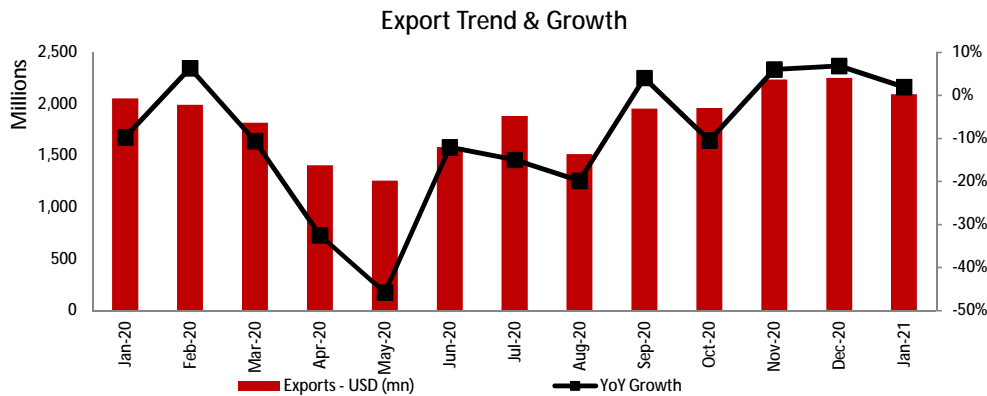
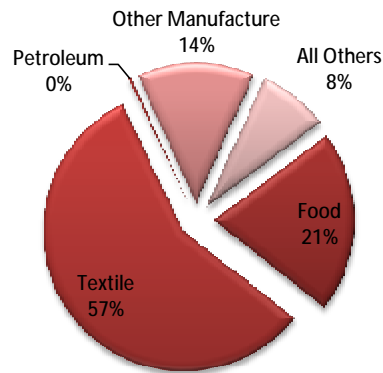
As per the latest data released by the central bank, exports failed to provide any support in current account balance and resulted in decline by 7% on monthly basis, all segments within the exports group posted a decline compared to previous month with a mere growth of 2% in YoY.

Overall, exports declined by USD 158 million compared to previous month with a major decline in petroleum segment which declined by USD 14.5 million

Export of Goods and Commodities					
	Jan-21	Dec-20	MoM	Jan-20	YoY
Total Exports	2,092,986	2,251,973	-7%	2,053,034	2%
Food	439,783	433,696	1%	442,030	-1%
<i>Fruits</i>	56,576	40,220	41%	41,115	38%
<i>Oil seeds, Nuts etc</i>	10,785	13,166	-18%	1,094	886%
Textile	1,199,636	1,251,838	-4%	1,187,406	1%
Petroleum	6,797	21,352	-68%	33,797	-80%
<i>Crude</i>	-	11,017	--	20,568	-100%
<i>Solid Fuel</i>	4,778	9,992	-52%	6,927	-31%
Other manufactures	281,077	316,525	-11%	308,447	-9%
All others	170,503	195,778	-13%	110,828	54%

USD Thousands

Composition of Exports of Goods



Workers Remittance

As per the latest data released by the central bank, remittances for the month of January stood at USD 2.2 billion compared to USD 2.4 billion in December drop of 7% on MoM, however on yearly basis remittances grew by massive 19%

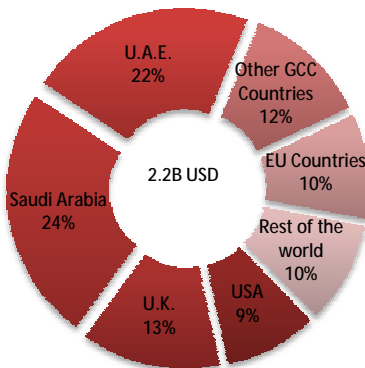
During the 7MFY21 remittances grew by 24% compared to 7MFY20 with a major increase witnessed from UK, USA and EU countries which increased by 51% (USD 741 million), 45% (USD 442 million) and 44% (USD 460 million) respectively.

With the same level of monthly flow workers remittance is expected to exceed overall country export of goods and services by the end of fiscal year 2021. At present 7MFY21 exports of goods and services stands at USD 17.2 billion compared to USD 16.4 billion of workers remittances in the same period.

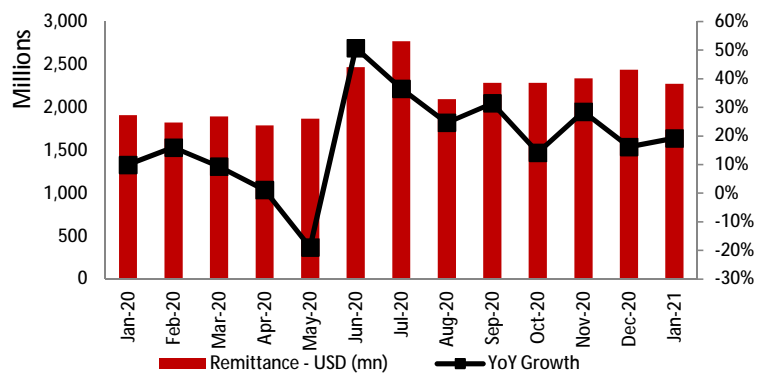
Major Countries/Region wise Remittances					
	Jan-21	Dec-20	MoM	Jan-20	YoY
Cumulative	2,273.57	2,436.97	-7%	1,907.63	19%
USA	203.21	203.23	0%	335.06	-39%
U.K.	303.01	326.86	-7%	299.07	1%
Saudi Arabia	553.61	624.80	-11%	433.39	28%
U.A.E.	492.46	511.61	-4%	395.48	25%
Other GCC Countries	271.17	278.70	-3%	185.86	46%
EU Countries	228.80	245.95	-7%	47.22	385%

USD million

Country wise remittance



Remittance Trend & Growth



PSX - KSE 100 index down 521 points in Feb'21

During the period under review, Pakistan stock exchange as measured by KSE-100 index took a much needed breather and declined by 1.12% in February'21, taking CYTD and FTYD returns to 4.8% and 33.2% respectively. Foreigners remained net sellers this month as the net outflow amounted to USD 6.1 million compared to USD 1.8 million in the preceding month.

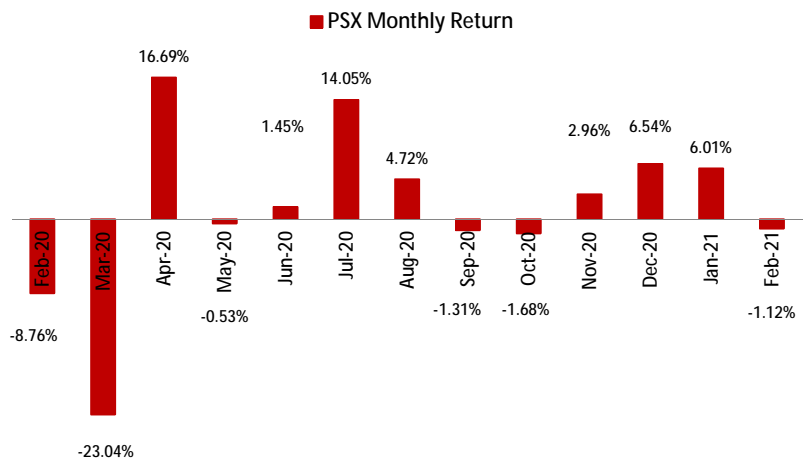
Key developments during the month were a) Staff level agreement with IMF b) Covid-19 Vaccine rollout by the government c) Growth in LSM by 11.4% d) Completion of 90% of FATF action plan with 24 out of 27 items as Largely Addressed and remaining partially addressed e) Agreement with 47 IPPs paying way for discounted tariffs of PKR ~800 billion over the years.

PSX Performance Stats

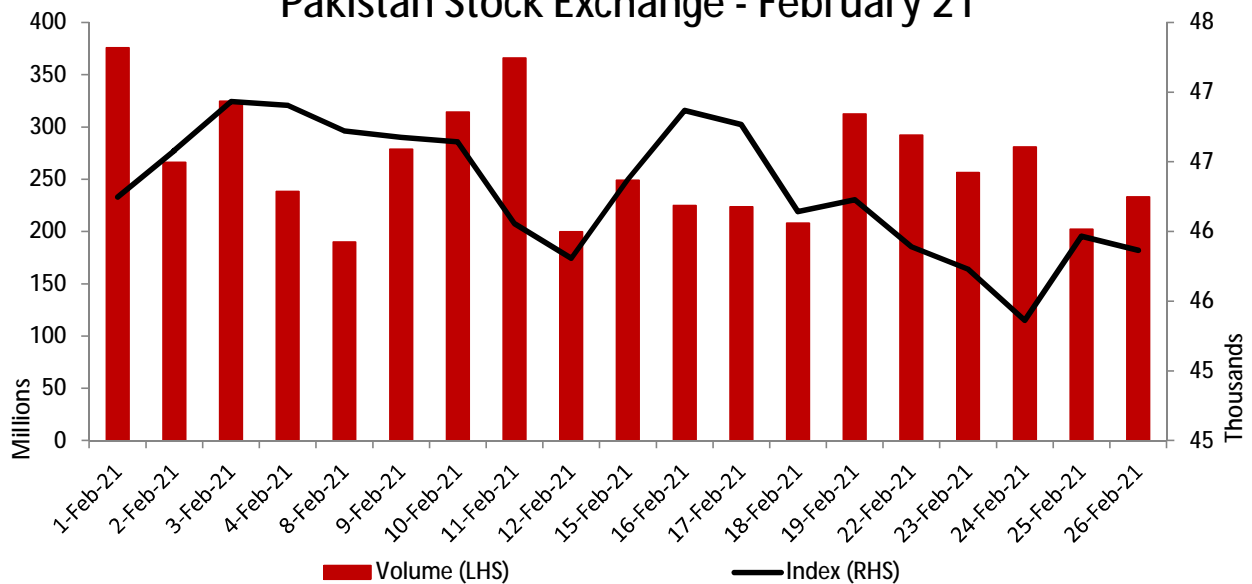
Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	45,865.02	19,173.08	76,278.37	31,436.15
Change	-520.52	-145.77	2,055.61	-625.38
%Change	-1.12%	-0.75%	2.77%	-1.95%

Top 5 Performers

Company	Name	Return
GATM	Textile Composite	25%
LUCK	Cement	22%
MTL	Automobile Assembler	19%
ATRL	Refinery	17%
PSMC	Automobile Assembler	14%



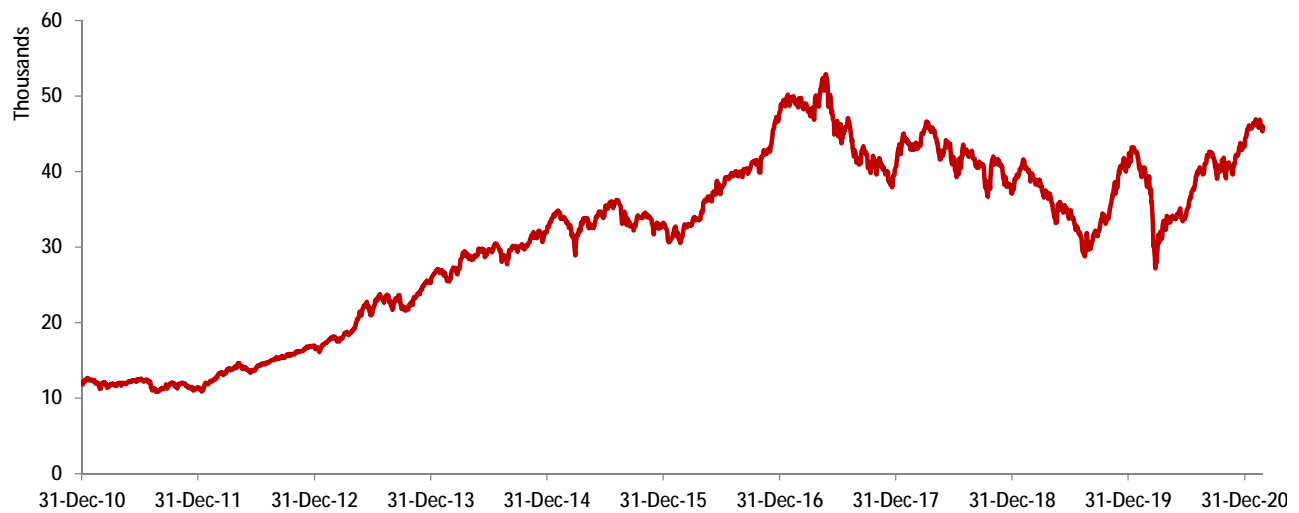
Pakistan Stock Exchange - February'21



KSE 100 Index Historical Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2021	6.01%	-1.12%											4.82%
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 10-Year Historical Return



Disclaimer

This report is for information purpose only. The material is based on information we believe to be reliable but we do not guarantee its accuracy. While every effort has been made to ensure the accuracy and completeness of the information, no guarantee is given nor responsibility taken for errors or omission in the database. PCICL Treasury Department will not be responsible for the consequence of reliance upon any option or statement herein or for any omission.

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).