

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - December 2022



Dec'22 Inflation clocked in at 24.47%

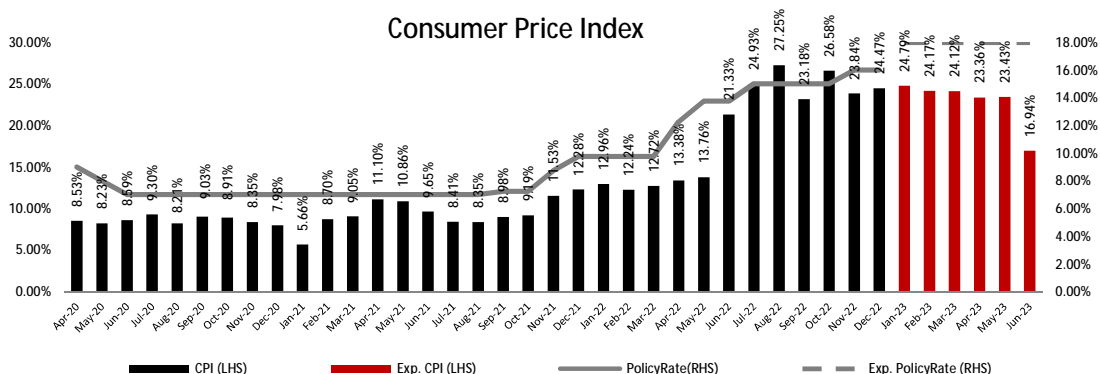
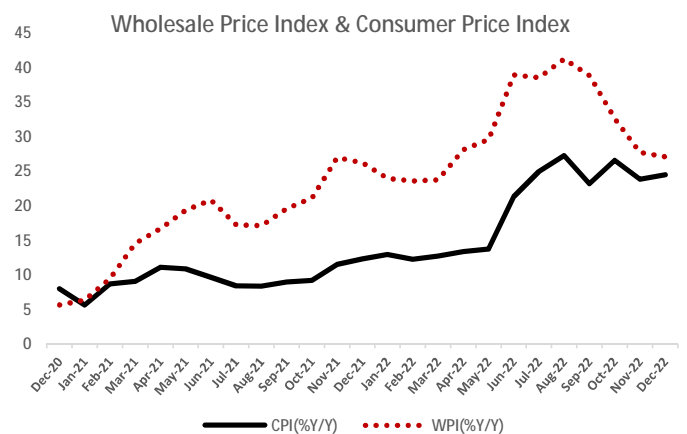
Inline with our expectation of 24.60%, inflation for the moth of Dec'22 clocked in at 24.47%. This takes the average inflation for 6MFY23 to 25.04%.

On monthly basis, inflation inched up by 0.50% compared to 0.76% in the preceding month, this decline was majorly supported by decline in food price which dropped by 0.14% (index weight of 34.58%) the same was reflected in monthly wholesale price index which started declining post Aug'22 (as evident in the graph below). On Yearly basis, barring communication and HRI index all groups in the CPI basket registered double digit increase, with majority witnessed in perishable food items which increased by 56%, followed by transport index on the back of higher fuel prices.

Going forward, increase in energy prices which includes a) imposition of GST on petroleum products and removal of exemptions b) Increase in petroleum development levy c) gas tariff hike d) rationalization of electricity tariff, as demanded by IMF among others remains a key concern for elevated inflation reading for the rest of fiscal year (as of writing OGRA has recommended an increase of up to 74% in natural gas prices - decision to be implemented after approval from federal govt).

Consumer Price Index	Weight %	Dec-22	Nov-22	MoM%	Dec-21	YoY%
General	100.00	196.86	195.89	0.50%	158.16	24.47%
Food & Non-alcoholic Bev.	34.58	220.82	221.14	-0.14%	162.96	35.51%
Non-perishable Food Items	29.6	219.92	214.82	2.37%	165.99	32.49%
Perishable Food Items	4.99	226.12	258.67	-12.58%	145.01	55.93%
Alcoholic Bev. & Tobacco	1.02	199.49	198.46	0.52%	146.48	36.19%
Clothing & Footwear	8.6	183.62	182.32	0.71%	156.81	17.10%
Housing, Water, Electricity, Gas & Fuel	23.63	167.51	167.48	0.02%	156.63	6.95%
Furnishing & Household Equipment Maintenan	4.1	196.45	191.84	2.40%	152.01	29.23%
Health	2.79	189.63	186.02	1.94%	161.46	17.45%
Transport	5.91	243.28	245.27	-0.81%	172.34	41.16%
Communication	2.21	111.96	111.89	0.06%	110.11	1.68%
Recreation & Culture	1.59	185.02	166.8	10.92%	133.6	38.49%
Education	3.79	163.89	163.45	0.27%	147.76	10.92%
Restaurants & Hotels	6.92	199.03	196.51	1.28%	156.27	27.36%
Miscellaneous	4.87	204.99	199.01	3.00%	162.99	25.77%

Historical High Inflation In Pakistan			
Past 10 Years		Past 20 Years	
Month	CPI (YoY%)	Month	CPI (YoY%)
31-Aug-22	27.25	31-Aug-22	27.25
31-Oct-22	26.58	31-Oct-22	26.58
31-Jul-22	24.93	31-Aug-08	25.33
31-Dec-22	24.47	31-Oct-08	25
30-Nov-22	23.84	31-Jul-22	24.93
30-Sep-22	23.18	30-Nov-08	24.68
30-Jun-22	21.33	31-Dec-22	24.47
31-Jan-20	14.57	31-Jul-08	24.33
31-May-22	13.76	30-Sep-08	23.91
30-Apr-22	13.38	30-Nov-22	23.84



Inflation - Prices of Key Domestic Commodities

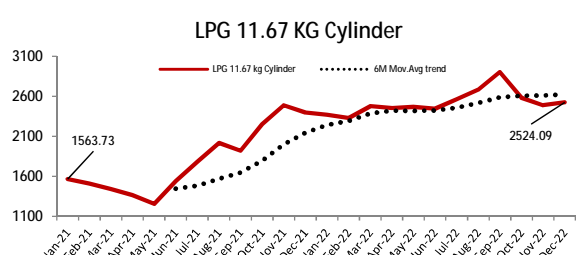
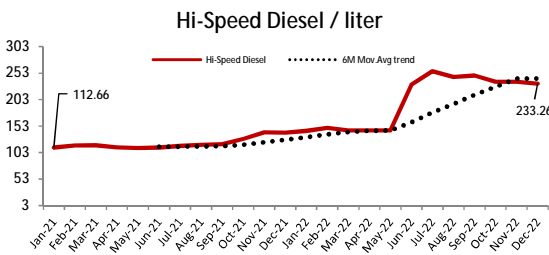
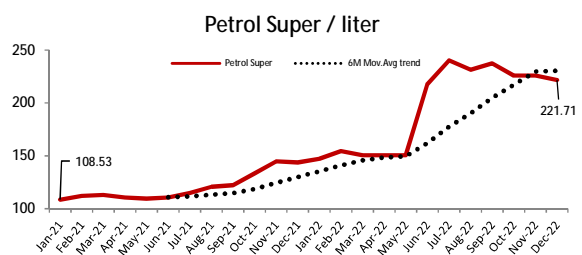
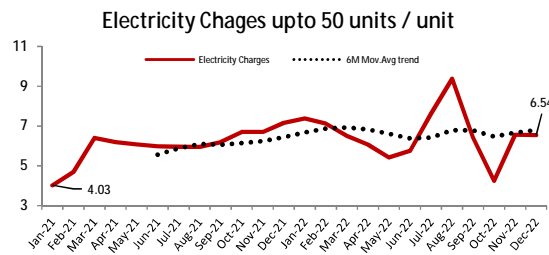
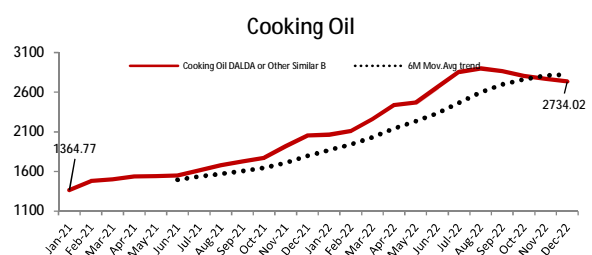
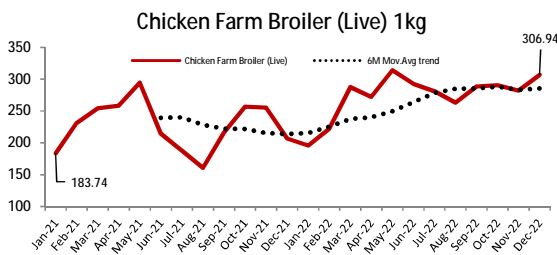
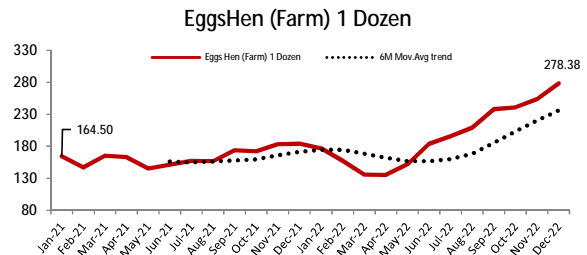
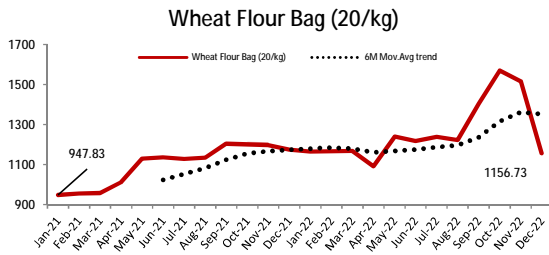


Chart Data Source: PBS

Key Domestic Commodities							
Description	Unit	Jan'21	Dec'21	CY Change	Jan'22	Dec'22	CY Change
Wheat Flour Bag	20 Kg	947.83	1174.70	23.94%	1164.81	1156.73	-0.69%
Eggs Hen Farm	1 Dozen	164.50	183.88	11.78%	177.09	278.38	57.20%
Chicken Farm Broiler	1 Kg	183.74	206.81	12.56%	195.81	306.94	56.75%
Cooking Oil	5 Liter	1,364.77	2054.03	50.50%	2065.72	2734.02	32.35%
Electricity Charges	50 Units	4.03	7.16	77.67%	7.38	6.54	-11.38%
Petrol	1 Liter	108.53	143.74	32.44%	147.06	221.71	50.76%
Diesel	1 Liter	112.66	140.57	24.77%	143.88	233.26	62.12%
LPG	11.67 KG Cylinder	1,563.73	2398.37	53.37%	2368.87	2524.09	6.55%

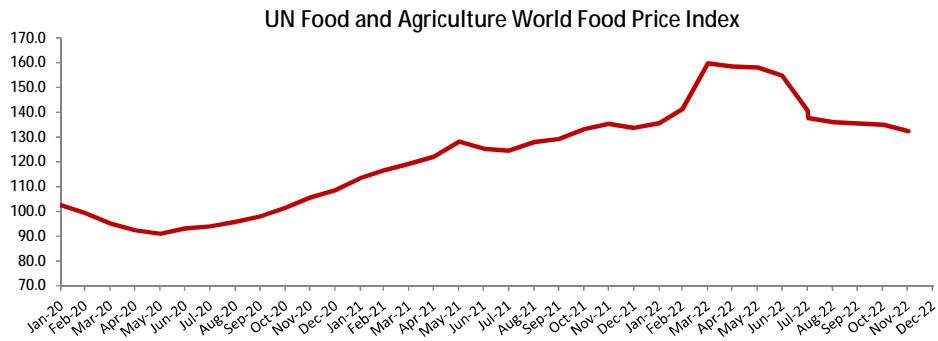
Inflation - Global Commodity & Food Prices

International Commodity Prices (Converted to PKR for comparison)							
Months	Sugar (Rs/Kg)	Palm Oil (Rs/5Kg)	Soya bean Oil (Rs/Kg)	Wheat (Rs/20Kg)	Crude Oil (Rs/Liter)	LNG (\$/mmbtu)	Natural Gas (\$/mmbtu)
Dec-21	83.81	1,443	321	1711.76	106	15.32	3.73
Nov-22	75.41	1,074	375	1920.13	130	19.59	5.28
Dec-22	78.36	1,068	320	1755.00	116	19.47	5.5
MoM Change	3.92%	-0.57%	-14.67%	-8.60%	-11.17%	-0.61%	4.17%
YoY Change	-6.50%	-25.97%	-0.14%	2.53%	8.87%	27.09%	47.45%

Source: WB PinkSheet; PKR/USD Avg.227.1379; Transportation cost not included

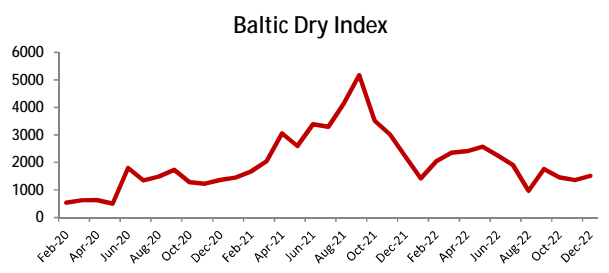
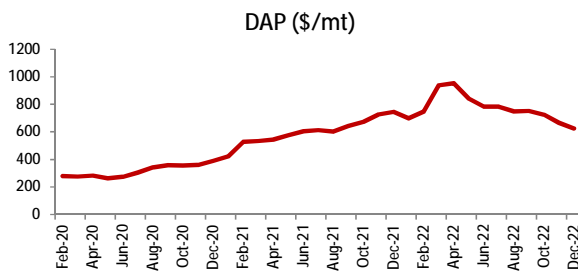
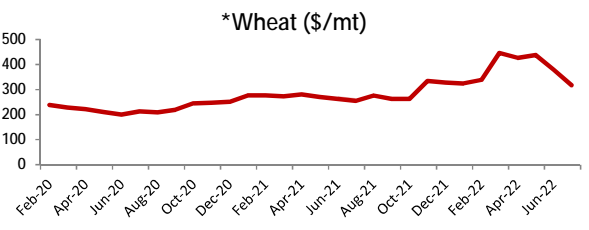
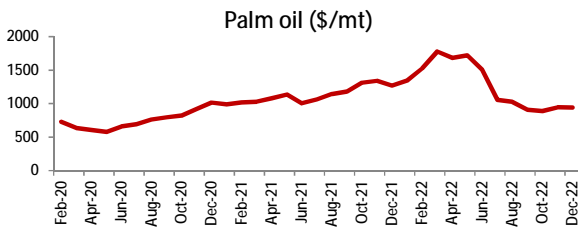
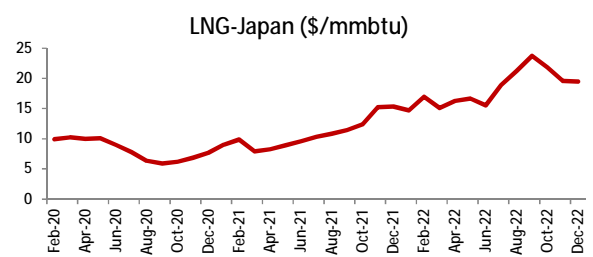
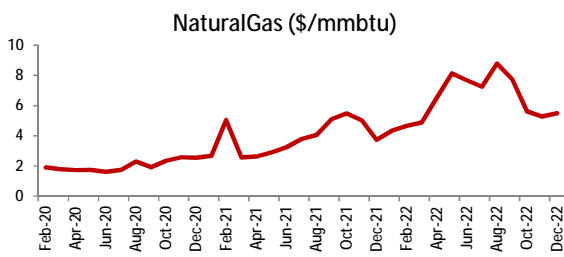
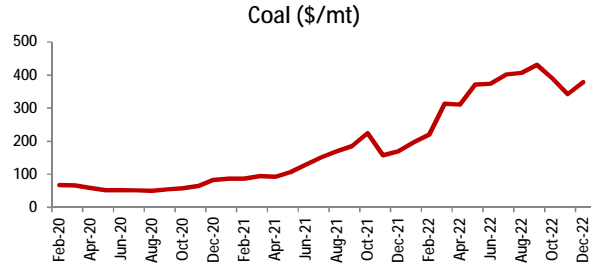
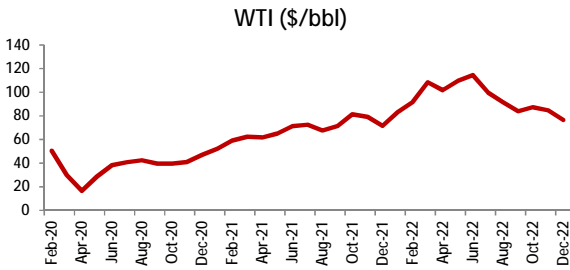
Domestic Prices in Pakistan							
Months	Sugar (Rs/Kg)	Cooking Oil (Rs/5Kg)	Vegetable Ghee (Rs/Kg)	Wheat Flour (Rs/20Kg)	Petrol (Rs/Liter)	Hi-Speed Diesel (Rs/Liter)	LPG (Rs/11.67kg)
Dec-21	92	2054	399	1175	144	141	2398
Nov-22	91	2768	528	1517	226	236	2487
Dec-22	94	2734	518	1557	222	233	2524
MoM Change	3.61%	-1.24%	-1.85%	2.61%	-1.79%	-1.29%	7.00%
YoY Change	2.66%	33.11%	30.01%	32.52%	54.24%	65.94%	5.24%

Source: PBS



World Food Situation - World Bank Food Price Index		
	▲ MoM%	▲ YoY%
Overall Food Index	-1.92%	-0.99%
Cereals	-1.90%	4.81%
Vegetable Oil	-6.68%	-19.12%
Dairy	1.11%	7.87%
Meat	-1.18%	2.52%
Sugar	2.43%	0.64%

Source: UN's FAO



Money Market

Following a surprise move in late Nov'22 when central bank increased policy rate by 100bps, yields in the short term bills decreased on an average by 77bps with majority dip witnessed in <1 month treasury bills as participants remained wary of potential hike in policy rate in upcoming MPS which is due on 23rd of Jan. Two T-bill auctions were conducted by the central bank during the period, the first witnessed healthy whereas the latter witnessed lackluster participation which remained skewed towards 3M T-bills as market participants shied away from taking exposure in longer tenure owing to deteriorating fiscal and external position. Cutoffs remained broadly in the same range with the slight change witnessed in 6M and 12M.

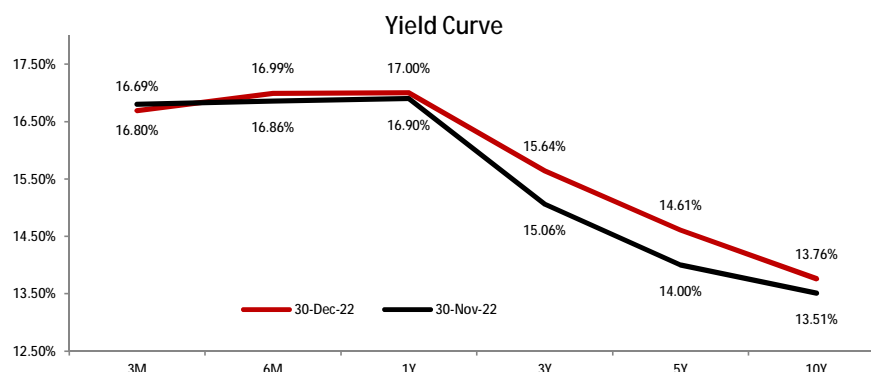
T-bill Auction Results			
Date	3M	6M	12M
01-Dec	16.9999%	16.8000%	16.8401%
15-Dec	16.9999%	16.8999%	16.8000%
29-Dec	16.9998%	16.8255%	16.8500%

Uncertainty over macros and delay in conclusion of IMF review reflected in PIB bid pattern as well where participants demand higher rates in longer tenure. Auction for fixed rate bond had a target of PKR 175 billion; lower amount of participation and on the higher rates resulted in auction being rejected by the govt.

PIB Auction Results					
Date	3Y	5Y	10Y	15Y	20Y
13-Oct	13.8360%	13.0900%	Rejected	No Bids	No Bids
30-Nov	Rejected	13.3500%	Rejected	Rejected	No Bids
22-Dec	Rejected	Rejected	Rejected	No Bids	No Bids

In line with the central bank statement of aligning any mis-match between policy rate and secondary market yields frequent OMO injections were conducted to keep the market close to the policy rate.

Open Market Operations (PKR million)					
Date	Type	Tenor	Offered	Accepted	Cutoff
02-Dec	Injection	63	246,900	246,900	16.09%
05-Dec	Mop-Up	4	506,500	506,500	15.98%
08-Dec	Injection	1	179,850	139,850	16.23%
09-Dec	Injection	7	191,800	155,100	16.20%
09-Dec	Injection	63	347,500	289,250	16.09%
12-Dec	Injection	4	48,900	48,900	16.06%
13-Dec	Injection	3	135,000	135,000	16.05%
15-Dec	Injection	1	899,150	879,150	16.06%
16-Dec	Injection	7	254,650	100,650	16.24%
16-Dec	Injection	70	1,937,750	1,935,250	16.10%
23-Dec	Injection	7	170,700	170,700	16.27%
23-Dec	Injection	70	683,800	600,000	16.12%
27-Dec	Injection	3	271,000	271,000	16.20%



Current Account Balance - 5MFY23 deficit clocks in at USD 3bn

According to the data released by the central bank, current account balance clocked in at a deficit of USD 276 million declining by 85% in YoY and 51% in MoM.

On yearly basis, deficit declined on the back of administrative measures taken in order to curtail import of non-essential items along with increase in regulatory duties, as a result import of good declined by USD 2.1 billion resultantly trade balance declined by 45%. The same was reflected in service balance which contracted by 77%. Exports on the other hand also witnessed a decline owing to slowdown in global economy. Widening gap between interbank and open market exchange rate resulted in contraction in remittance from expats which contracted by 14% in YoY and 5% in MoM.

Deficit for 5MFY23 stands at USD 3 billion compared to USD 7.2 billion decline of 57% which is majorly aided by improvement in trade and service deficit. Remittance for the 5MFY23 declined by USD 1.4bn (-10%) from USD 13.8bn to USD 12.4bn.

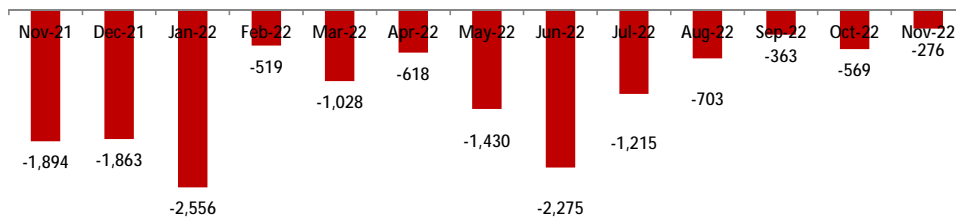
Going forward, administrative measure to curtail imports should keep current account balance in check; however widening gap in open market and interbank may result in remittance dropping below their USD 2 billion mark which might offset the benefits of lower imports.

Current Account Balance								
	Nov-22	Oct-22	MoM	Nov-21	YoY	5MFY23	5MFY22	YoY
Export of Goods	2,238	2,284	-2%	2,736	-18%	12,065	12,313	-2%
Import of Goods	4,263	4,579	-7%	6,451	-34%	24,872	29,664	-16%
Trade Balance	(2,025)	(2,295)	-12%	(3,715)	-45%	(12,807)	(17,351)	-26%
Export of Services	650	550	18%	569	14%	2,900	2,743	6%
Import of Services	715	709	1%	856	-16%	3,765	4,456	-16%
Service Balance	(65)	(159)	-59%	(287)	-77%	(865)	(1,713)	-50%
Balance on Primary Income	(424)	(478)	-11%	(452)	-6%	(1,884)	(1,998)	-6%
Balance on Secondary Income	2,238	2,363	-5%	2,560	-13%	12,457	13,828	-10%
Remittance	2,108	2,216	-5%	2,460	-14%	12,400	13,800	-10%
Current Account Balance	(276)	(569)	-51%	(1,894)	-85%	(3,099)	(7,234)	-57%

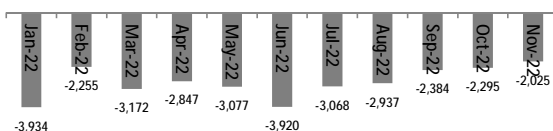
USD million

Source: SBP

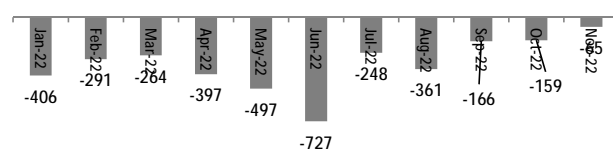
Current Account Balance



Trade Deficit



Service Deficit



PSX - Down by 9.4% YoY in CY 2022

KSE-100 index lost 1,928 / -4.55% MoM during the month of December owing to deteriorating economic indicators and uncertainty over the completion of IMF program.

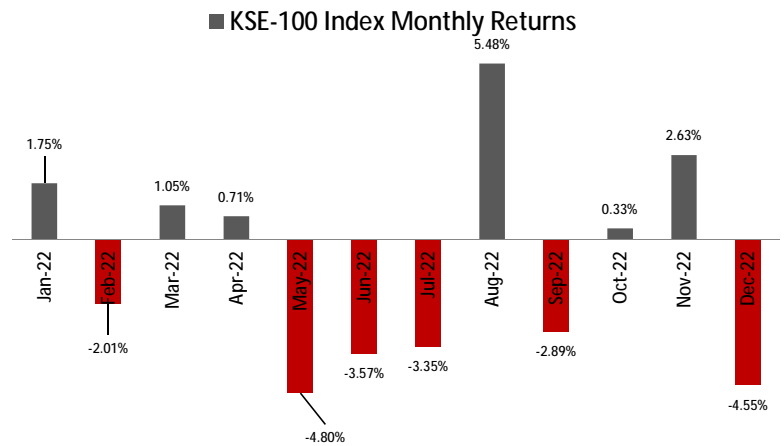
Major development during the period includes a) Interest rate subsidy reduced on EFS & LTFF b) Decline in petrol and diesel prices by PKR 10 & PKR 7.5 respectively c) ECC lifts ban on sugar exports aimed at boosting foreign reserves.

PSX Performance Stats

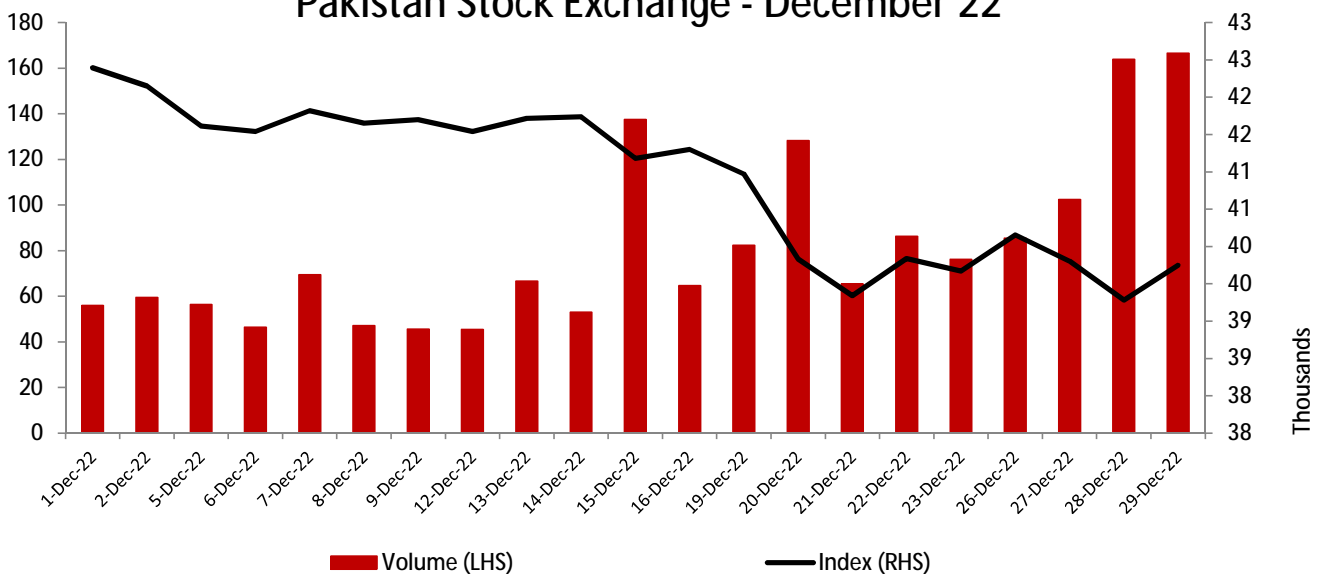
Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	40,420.45	14,836.41	68,277.85	27,532.64
Change	-1,928.18	-795.75	-3,490.75	-1,160.62
%Change	-4.55%	-5.09%	-4.86%	-4.04%

KSE-100 Index Top 5 Performers

Company	Name	Return
Pakistan Services Ltd	PSEL	121%
Pakistan Petroleum Ltd	PPL	21%
Oil & Gas Development Company Ltd	OGDC	10%
Pak Suzuki Motor Co. Ltd	PSMC	10%
Honda Atlas Cars (Pakistan) Ltd	HCAR	9%



Pakistan Stock Exchange - December'22

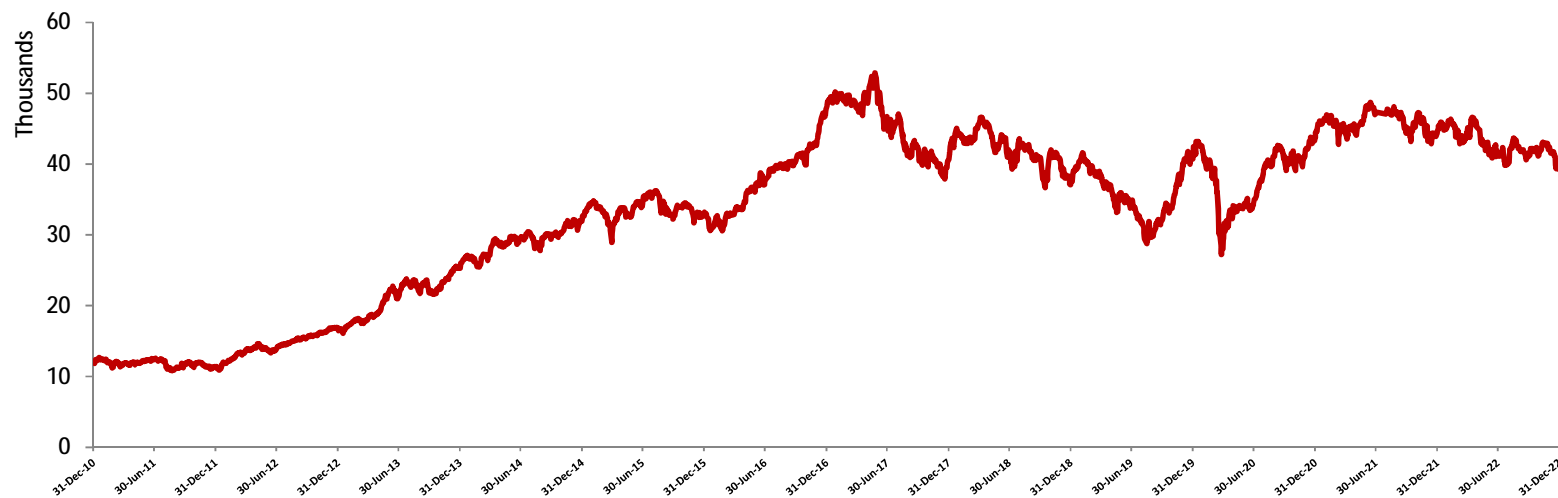




KSE 100 Index Historical Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year - CYTD
2022	1.75%	-2.01%	1.05%	0.71%	-4.80%	-3.57%	-3.35%	5.48%	-2.89%	0.33%	2.63%	-4.55%	-9.36%
2021	6.01%	-1.12%	-2.78%	-0.73%	8.92%	-1.13%	-0.64%	0.77%	-5.31%	2.94%	-2.48%	-1.06%	1.92%
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 Performance



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).