

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - July 2022



Inflation clocked in at 24.93% - Close to peak

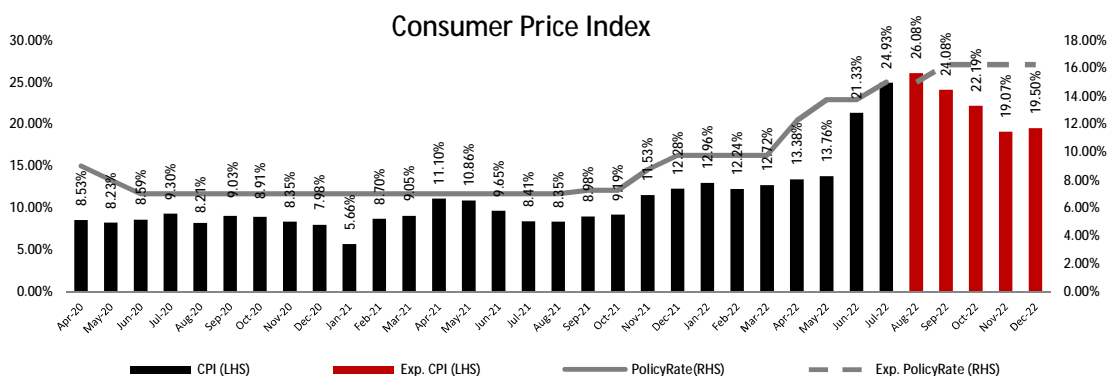
Inflation for the month of July'22 clocked in at 24.93%, highest in the past 10 years. On monthly basis inflation surged to 4.35%. Core inflation as measured by non-food and non-energy surged to 13.04% compared to 12.34% in the previous month.

On monthly basis, HRI index weighing 23.63% of the total CPI basket comprised of (Housing, water, electricity, gas & fuel) contributed the most surging by 8.82% on monthly and 21.78% on yearly basis due to hike in electricity prices by approx. 33%. Among other heads, noticeable increase was observed in prices of food items which increased by 4.05% on monthly basis and 28.76% on yearly basis. Furthermore, transport index also increased by 5.66% & 64.73% on MoM and YoY basis due to increase in fuel prices (to recall, hi-speed diesel costed PKR 115.47 in July'21 compared to PKR 256.44 in July'22)

Going forward, elevated reading is expected for the month of August as well on the back of higher food prices coupled with above average country wide rains which may lead of supply side disruptions; however, as commodity prices subside (notably Palm Oil & Crude Oil) in international market we shall witness ease off in inflationary pressure from third quarter of this calendar year.

Consumer Price Index	Weight %	Jul-22	Jun-22	MoM%	Jul-21	YoY%
General	100.00	183.35	175.71	4.35%	146.76	24.93%
Food & Non-alcoholic Bev.	34.58	195.27	187.67	4.05%	151.65	28.76%
Non-perishable Food Items	29.6	196.37	189.48	3.64%	153.27	28.12%
Perishable Food Items	4.99	188.77	176.9	6.71%	142.01	32.93%
Alcoholic Bev. & Tobacco	1.02	177.22	170.27	4.08%	144.69	22.48%
Clothing & Footwear	8.6	171.4	169.61	1.06%	149.6	14.57%
Housing, Water, Electricity, Gas & Fuel	23.63	173.03	159.01	8.82%	142.08	21.78%
Furnishing & Household Equipment Maintenar	4.1	171.41	168.6	1.67%	143.21	19.69%
Health	2.79	171.65	171.32	0.19%	154.33	11.22%
Transport	5.91	245.25	232.12	5.66%	148.88	64.73%
Communication	2.21	111.22	110.78	0.40%	109.94	1.16%
Recreation & Culture	1.59	147.91	145.62	1.57%	128.17	15.40%
Education	3.79	159.53	158.67	0.54%	145.3	9.79%
Restaurants & Hotels	6.92	179.77	174.69	2.91%	143.85	24.97%
Miscellaneous	4.87	180.71	177.79	1.64%	154.26	17.15%

Historical High Inflation In Pakistan			
Past 10 Years		Past 20 Years	
Month	CPI (YoY%)	Month	CPI (YoY%)
31-Jul-22	24.93	31-Aug-08	25.33
30-Jun-22	21.33	31-Oct-08	25
31-Jan-20	14.57	31-Jul-22	24.93
31-May-22	13.76	30-Nov-08	24.68
30-Apr-22	13.38	31-Jul-08	24.33
31-Jan-22	12.96	30-Sep-08	23.91
31-Mar-22	12.72	31-Dec-08	23.34
30-Nov-19	12.67	30-Jun-08	21.53
31-Dec-19	12.63	30-Jun-22	21.33
29-Feb-20	12.4	28-Feb-09	21.07



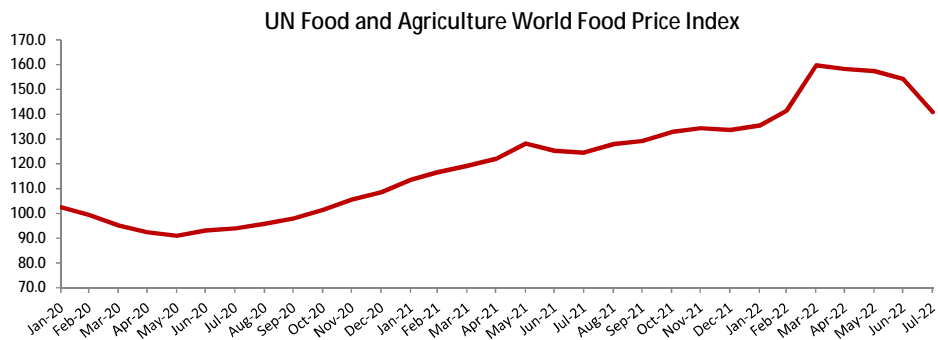
Inflation - Global Commodity & Food Prices

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)
Jul-21	85.41	1,164	322	1288.90	103	10.36	3.8
Jun-22	91.323	1,644	384	2013.00	165	15.53	7.67
Jul-22	88.038	1,157	336	1675.35	150	16.44	7.26
MoM Change	-3.60%	-29.60%	-12.47%	-16.77%	-9.29%	5.86%	-5.35%
YoY Change	3.08%	-0.60%	4.43%	29.98%	46.42%	58.69%	91.05%

Source: WB PinkSheet; PKR/USD Avg. 219; 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/12kg)
Jul-21	102	1614	320	1128	115	115	1785
Jun-22	88	2665	547	1218	218	231	2445
Jul-22	88	2857	572	1238	240	256	2566
MoM Change	0.19%	7.21%	4.54%	1.63%	10.21%	10.91%	4.92%
YoY Change	-14.05%	76.96%	78.96%	9.77%	109.39%	122.08%	43.73%

Source: PBS



World Food Situation - World Bank Food Price Index		
	▲ MoM%	▲ YoY%
Overall Food Index	-8.64%	13.14%
Cereals	-11.46%	16.64%
Vegetable Oil	-19.20%	10.05%
Dairy	-2.51%	25.43%
Meat	-0.45%	8.66%
Sugar	-3.79%	3.00%

Source: UN's FAO

Money Market

During the period under review, money market remained fairly liquid and traded close to policy rate. In order to ease off the pressure and to align any mis-match between policy rate and treasury bill cutoffs, central bank kept injecting liquidity via longer tenure open market operations. Central bank conducted two T-bill auctions in which healthy participation was witnessed, both the auctions had a cumulative participation of PKR 3.2 trillion against the cumulative target of PKR 1.15 trillion and maturity of PKR 985 billion; participation in both the T-bills remained highly skewed towards 3-months T-bills as market participants tried to match their position with longer tenure OMOs. Cutoffs were largely maintained in both the auctions and the central bank only accepted PKR 443 billion against the total participation of PKR 1.4 trillion.

T-bill Auction Results

Date	3M	6M	12M
13-Jul	15.7494%	15.8000%	15.9399%
27-Jul	15.7478%	15.8000%	15.9389%
10-Aug	15.7478%	15.8000%	15.9350%

In its recent regular cycle fixed rate bond auction held on 15th July central bank received bids worth PKR 725 billion against a total target of PKR 150 billion. Auction witnessed participation in 3Y by PKR 149bn, 5Y by PKR 288bn, 10Y by PKR 281bn, 15Y by PKR 5bn where as no bids were received in 20Y. Central bank accepted bids worth PKR 13bn in 3Y & PKR 132bn in 5Y while rejecting bids on all other tenures.

PIB Auction Results

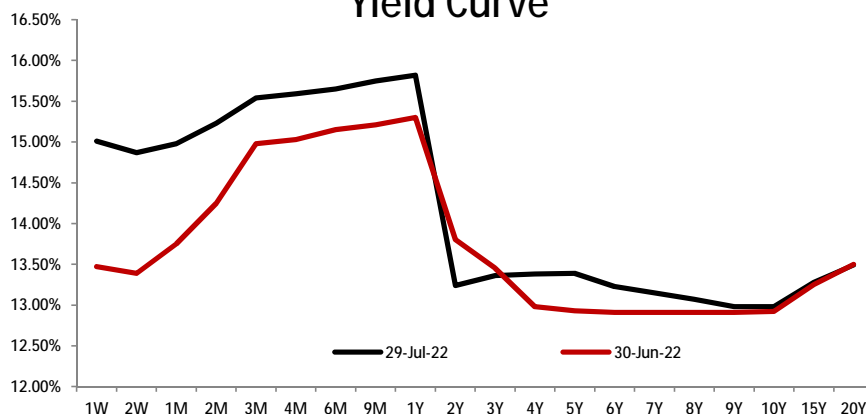
Date	3Y	5Y	10Y	15Y	20Y
26-May	14.0000%	13.1900%	Rejected	Rejected	No Bids
15-Jul	14.0000%	13.4500%	Rejected	Rejected	No Bids
04-Aug	13.9473%	13.4000%	Rejected	No Bids	No Bids

In line with the central bank statement of aligning any mis-match between policy rate and secondary market yields and to stabilize the market, frequent liquidity injections were conducted by the central bank in order to keep the overnight market close to policy rate.

Open Market Operations (PKR million)

Date	Type	Tenor	Offered	Accepted	Cutoff
04-Jul	Injection	74	1,910,350	Rejected	-
05-Jul	Injection	73	1,371,800	1,186,400	13.97%
18-Jul	Mop-up	4	543,000	533,000	14.90%
19-Jul	Mop-up	3	321,500	321,500	14.90%
22-Jul	Mop-up	6	918,500	918,500	14.90%
29-Jul	Injection	63	1,194,750	1,166,950	15.09%

Yield Curve



Balance of Trade - Plunged to 47% in July'22

Trade deficit for the month of July'22 clocked in at USD 2.6 billion compared to USD 4.9 billion in the preceding month..

On monthly basis, support was provided by imports which contracted by 38% (to recall, Economic Coordination Committee (ECC) banned import of non-essential luxury goods in order to curtail the current account deficit and ever depleting forex reserves). Exports on other hand failed to provide much needed support and dropped by 24% and 5% on monthly & yearly basis respectively.

Going forward, we may witness slight uptick in imports as ECC has lifted two-month old ban on imports except for CBUs, mobile phones & home appliances.

Balance of Trade								
	Jul-22	Jun-22	MoM	Jul-21	YoY	1MFY23	1MFY22	YoY
Export of Goods	2,219	2,918	-23.95%	2,340	-5.2%	2,219	2,340	-5.2%
Import of Goods	4,861	7,880	-38.31%	5,575	-12.8%	4,861	5,575	-12.8%
Trade Balance	(2,642)	(4,962)	-46.76%	(3,235)	-18.3%	(2,642)	(3,235)	-18.3%

USD million

Current Account Balance - Deficit swelled to USD 17 billion in FY22

According to the data released by the central bank, country posted current account deficit of USD 2.2 billion compared to USD 1.4 billion in the previous month.

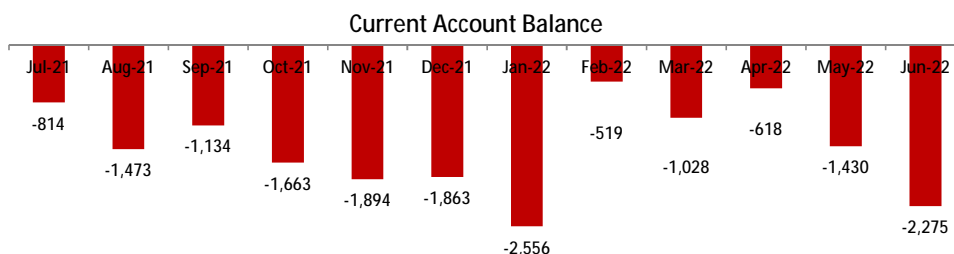
On monthly basis, trade deficit increased by 27% coupled with deficit in services which increased by 46% with the exception of remittances which increased by 18% from USD 2.3 billion to USD 2.7 billion.

Deficit for FY22 stands at USD 17.4 billion compared to deficit of USD 2.8 billion in FY21; this jump in current account deficit was led by higher imports in trade and services both reasons of which can be attributed to super cycle in commodity prices post covid lockdown era. Remittances on the other hand managed their ground by clocking in at USD 32.5 billion.

Going forward, with the import ban on luxury items lifted we may witness a slight uptick in import numbers again but the revival of IMF program and inflows from other program should provide much needed breather to the overall economy with the risk emanating from political instability.

Current Account Balance								
	Jun-22	May-22	MoM	Jun-21	YoY	FY22	FY21	YoY
Export of Goods	3,118	2,482	26%	2,492	25%	32,450	25,639	27%
Import of Goods	7,038	5,559	27%	6,302	12%	72,048	54,273	33%
Trade Balance	(3,920)	(3,077)	27%	(3,810)	3%	(39,598)	(28,634)	38%
Export of Services	646	498	30%	578	12%	6,968	5,945	17%
Import of Services	1,373	995	38%	871	58%	12,143	8,461	44%
Service Balance	(727)	(497)	46%	(293)	148%	(5,175)	(2,516)	106%
Balance on Primary Income	(474)	(348)	36%	(376)	26%	(5,286)	(4,400)	20%
Balance on Secondary Income	2,846	2,492	14%	2,842	0%	32,653	32,730	0%
Remittance	2,761	2,333	18%	2,714	2%	32,566	32,746	-1%
Current Account Balance	(2,275)	(1,430)	59%	(1,637)	39%	(17,406)	(2,820)	517%

USD million



PSX - Declined by 3.3% in July'22

KSE-100 index witnessed a decline of 1,390 points (-3.3% on MoM) during July'22 to close at 40,150 points. This brings the CYTD return to -9.97%.

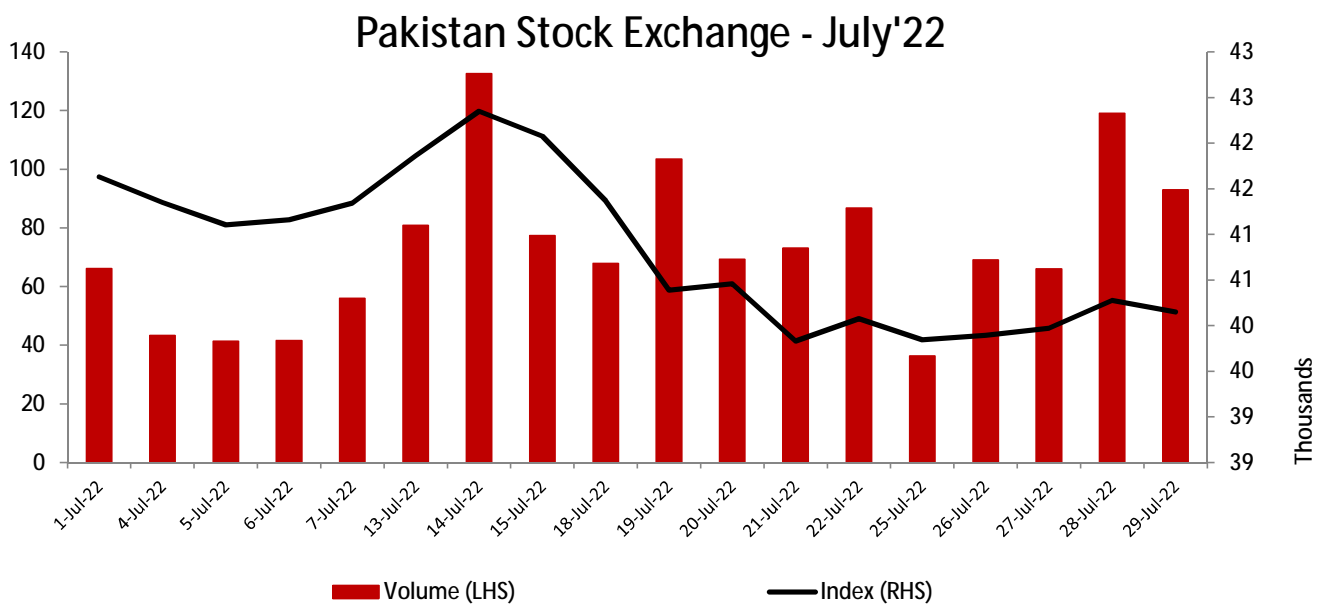
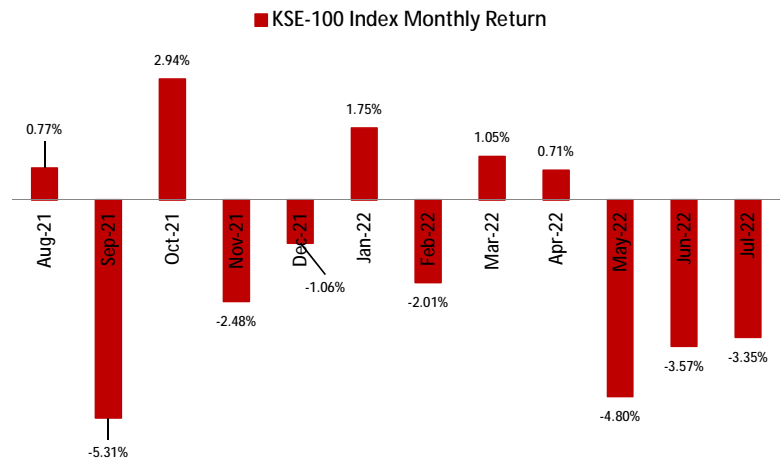
July'22 remained mostly volatile owing to the uncertainty on the political and economic front. Key developments during the period were a) Free fall in PKR against USD b) Central bank raised mark-up rates on EFS and LTFF c) Unprecedented surge yields in Pakistan's international bond market c) Govt. reached staff level agreement with IMF d) Downgrading of Pakistan's outlook from Neutral to Negative reflecting rising risk of external financing.

PSX Performance Stats

Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	40,150.36	15,232.44	65,446.00	27,796.13
Change	-1,390.47	-572.60	-3,320.37	-786.16
%Change	-3.35%	-3.62%	-4.83%	-2.75%

KSE-100 Index Top 5 Performers

Company	Name	Return
Lotte Chemical Pakistan Ltd	LOTCHEM	25%
TRG Pakistan Ltd	TRG	19%
Faysal Bank Ltd	FABL	15%
HBL Growth Fund	HGFA	14%
Standard Chartered Bank (Pakistan) Ltd	SCBPL	14%

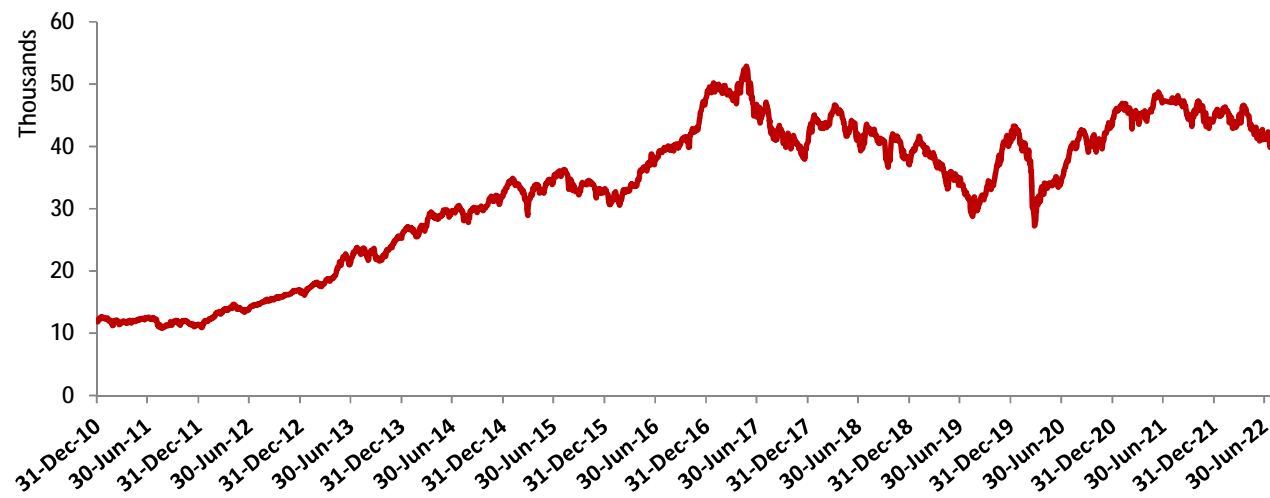




KSE 100 Index Historical Returns

	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%						-9.97%
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

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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).