

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - October 2022



Oct'22 Inflation clocked in at 26.58%

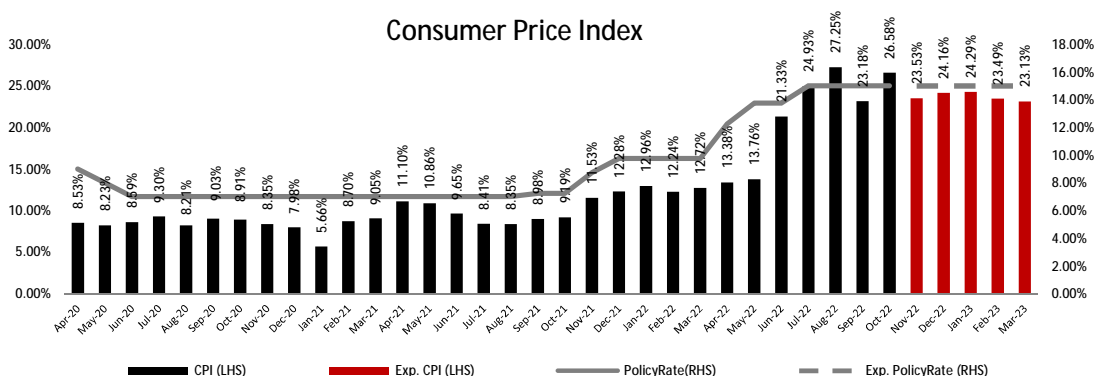
Inflation reading for the month of Oct'22 clocked in at 26.56% YoY second highest in the past 20 year; to recall such elevated numbers were witnessed in year 2008. This takes the average inflation for 4MFY23 to 25.49%. On monthly basis inflation inched up by 4.71% compared to the negative reading of 1.15% in the month of September.

The YoY uptick in inflation is led by higher energy price (transport index) which increased by 53.43%, followed by food index which increased by 36.26%. On monthly basis, inflation reading inched up on the back of higher food prices followed by HRI index in which electricity charges increased by 89.59%.

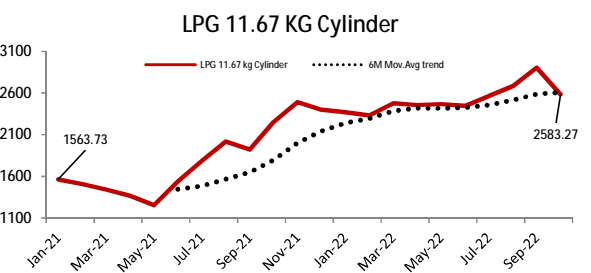
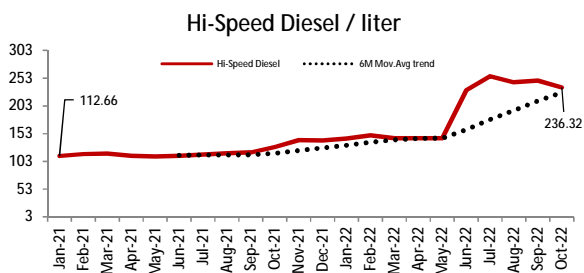
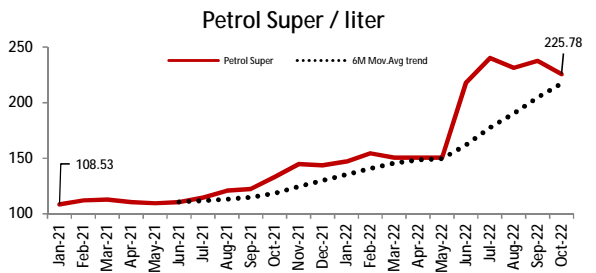
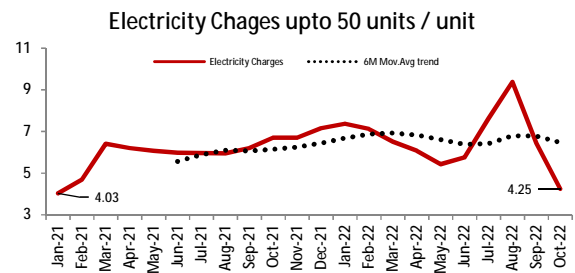
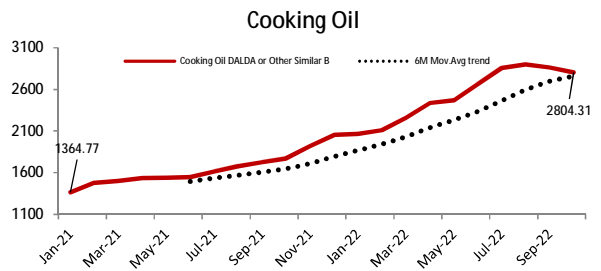
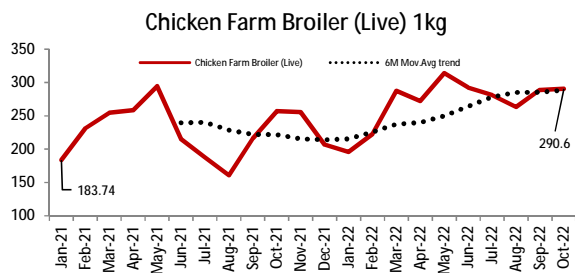
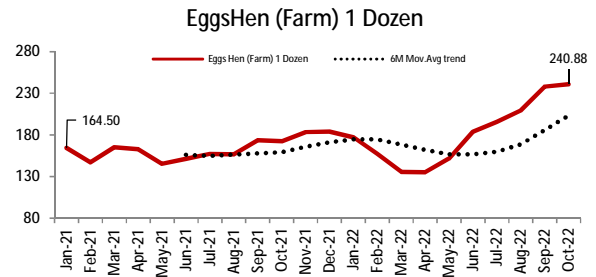
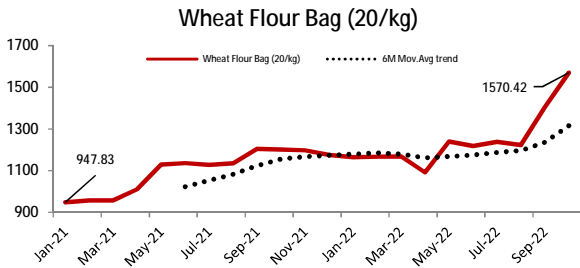
Food and energy prices still remains a major cause of concern with floods disturbing the entire supply chain and harvesting / sowing season and the pass on effect of higher energy prices of the latter. Going forward, elevated food prices amid record floods and expectation of increase in gas price would keep inflation reading elevated for the rest of CY22 with average inflation reading for FY23 clocking in at the range of 23 - 24%.

Consumer Price Index	Weight %	Oct-22	Sep-22	MoM%	Oct-21	YoY%
General	100.00	194.42	185.68	4.71%	153.6	26.58%
Food & Non-alcoholic Bev.	34.58	221	209.21	5.64%	162.19	36.26%
Non-perishable Food Items	29.6	212.37	206.34	2.92%	162.64	30.58%
Perishable Food Items	4.99	272.25	226.31	20.30%	159.48	70.71%
Alcoholic Bev. & Tobacco	1.02	196.21	192.67	1.84%	145.74	34.63%
Clothing & Footwear	8.6	178.48	176.73	0.99%	150.89	18.28%
Housing, Water, Electricity, Gas & Fuel	23.63	166.56	150.24	10.86%	148.81	11.93%
Furnishing & Household Equipment Maintenance	4.1	186.56	181.36	2.87%	146.2	27.61%
Health	2.79	182.47	177.45	2.83%	156.99	16.23%
Transport	5.91	245.44	249.96	-1.81%	159.97	53.43%
Communication	2.21	111.84	111.39	0.40%	110.1	1.58%
Recreation & Culture	1.59	163.6	160.49	1.94%	132.31	23.65%
Education	3.79	162.87	161.32	0.96%	146.89	10.88%
Restaurants & Hotels	6.92	192.77	188.01	2.53%	147.86	30.37%
Miscellaneous	4.87	194.49	192.73	0.91%	158.96	22.35%

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
30-Sep-22	23.18	31-Oct-08	25
30-Jun-22	21.33	31-Jul-22	24.93
31-Jan-20	14.57	30-Nov-08	24.68
31-May-22	13.76	31-Jul-08	24.33
30-Apr-22	13.38	30-Sep-08	23.91
31-Jan-22	12.96	31-Dec-08	23.34
31-Mar-22	12.72	30-Sep-22	23.18



Inflation - Prices of Key Domestic Commodities



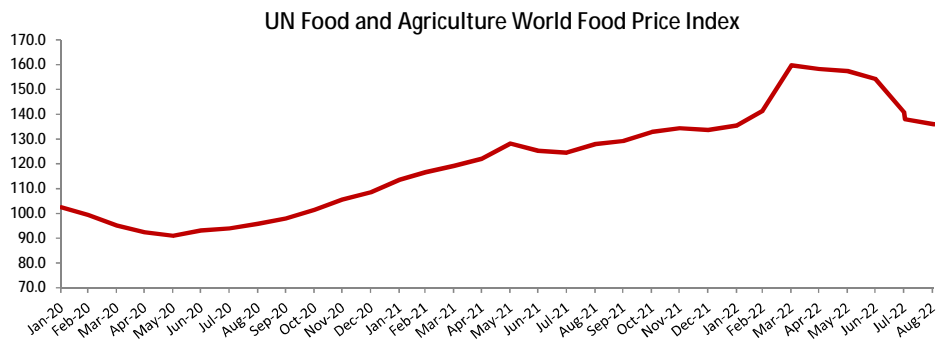
Inflation - Global Commodity & Food Prices

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)
Oct-21	94.1052736	1,454	329	1574.35	117	12.38	5.48
Sep-22	87.2249352	1,009	344	1860.53	126	23.73	7.76
Oct-22	85.6713104	987	350	1944.03	130	23.69	5.62
MoM Change	-1.78%	-2.24%	1.78%	4.49%	3.29%	-0.17%	-27.58%
YoY Change	-8.96%	-32.15%	6.23%	23.48%	11.33%	91.36%	2.55%

Source: WB PinkSheet; PKR/USD Avg.221.9464; Transportaion 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)
Oct-21	103	1772	353	1201	133	129	2253
Sep-22	87	2864	541	1405	238	248	2904
Oct-22	88	2804	536	1570	226	236	2583
MoM Change	0.14%	-2.08%	-0.89%	11.81%	-4.95%	-4.86%	-11.04%
YoY Change	-15.08%	58.26%	52.09%	30.80%	69.28%	83.09%	14.66%

Source: PBS



World Food Situation - World Bank Food Price Index		
	▲ MoM%	▲ YoY%
Overall Food Index	-0.06%	1.99%
Cereals	2.97%	11.06%
Vegetable Oil	-1.60%	-18.77%
Dairy	-1.72%	15.38%
Meat	-1.37%	5.75%
Sugar	-0.63%	-8.47%

Source: UN's FAO

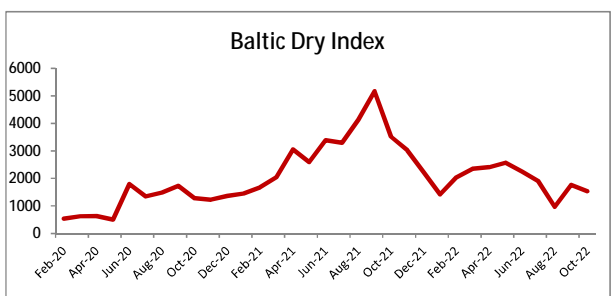
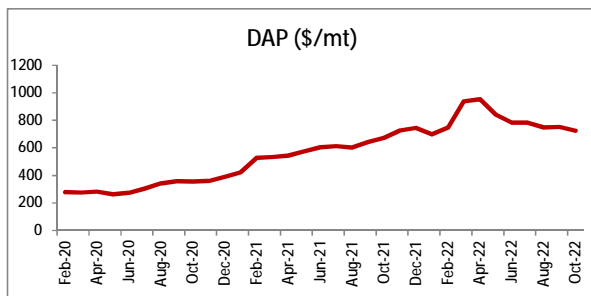
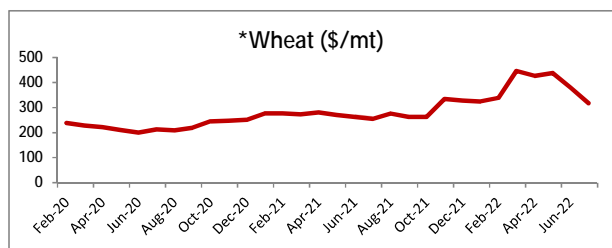
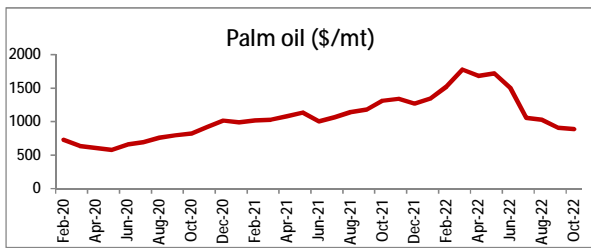
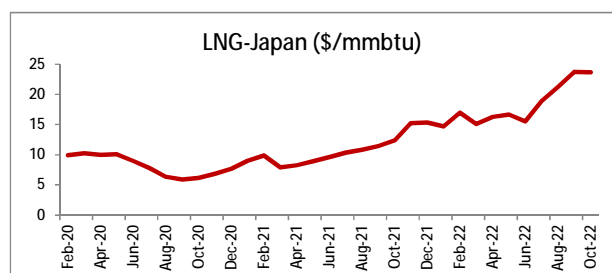
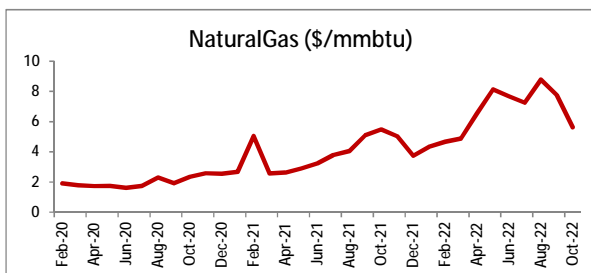
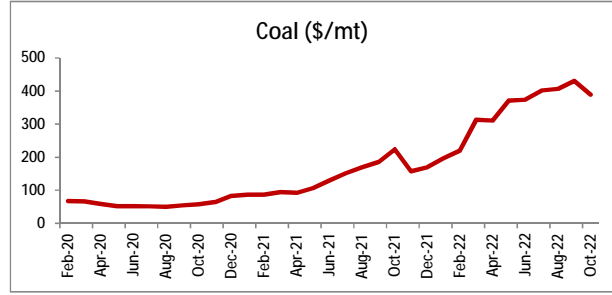
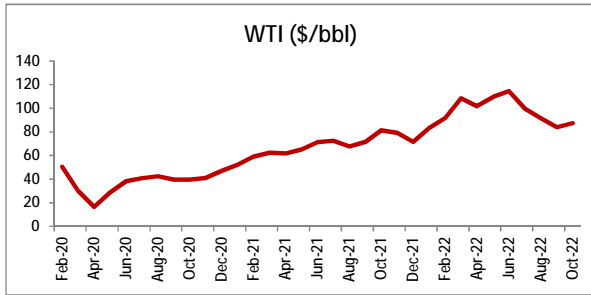


Chart Data Source: WB & Investing.com

Money Market

During the period under review, money market remained fairly liquid supported by constant OMO injections. At the time of writing money market is short by approx. PKR 5.1 trillion mainly funded by longer tenure 63-Days OMO; the same resulted in higher interest in shorter tenure, nearly 70% of both the T-bill auctions conducted during the month were financed in 3M T-bill, followed by 12M T-bill where participants expects capital gain on the assumption of interest rate cut in the later half of CY23. Both the auction conducted during the period witnessed healthy participation in 3M and 12M followed by 6M. Cutoff for 3M and 12M dropped slightly 2.89bps and 1bps followed by 6M which dropped by 0.65bps.

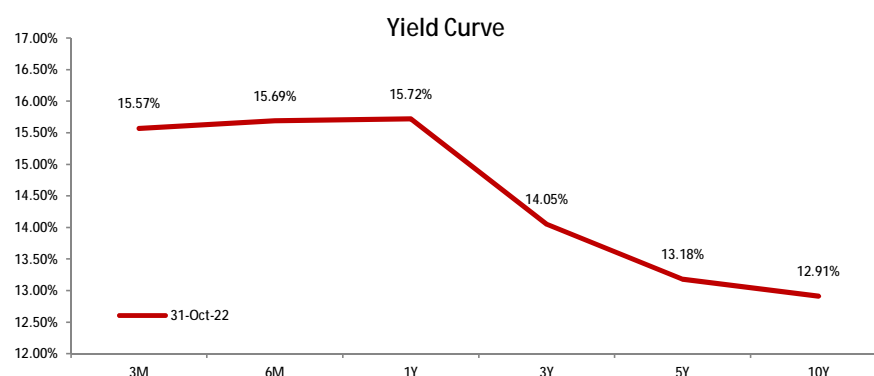
T-bill Auction Results			
Date	3M	6M	12M
22-Sep	15.9999%	15.9998%	15.9900%
06-Oct	15.7389%	15.7498%	15.7500%
20-Oct	15.7100%	15.7433%	15.7399%

In its recent regular cycle fixed rate bond auction held on 13th Oct, central bank received bids worth PKR 582.6 billion against target of PKR 175 billion. As opposed to T-bill auction, participation remained skewed towards mid-term 5-Year, followed by 3-Year and 10-Year. Auction witnessed participation in 3Y by PKR 139bn, 5Y by PKR 363bn & 10Y by 79bn, where as no bids received in 15Y and 20Y. Central bank accepted bids worth PKR 96.3bn in 3Y, PKR 131.8bn in 5Y at the cutoff rates of 13.8360%, 13.090% in 3Y & 5Y respectively.

PIB Auction Results					
Date	3Y	5Y	10Y	15Y	20Y
04-Aug	13.9473%	13.4000%	Rejected	No Bids	No Bids
15-Sep	13.9200%	13.3900%	12.9500%	Rejected	No Bids
13-Oct	13.8360%	13.0900%	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
03-Oct	Injection	4	149,700	Rejected	-
03-Oct	Injection	60	776,600	776,600	15.15%
06-Oct	Injection	1	534,050	473,050	15.25%
07-Oct	Injection	7	308,500	308,500	15.15%
07-Oct	Injection	63	835,200	759,200	15.17%
11-Oct	Injection	3	284,150	244,000	15.16%
13-Oct	Injection	1	361,000	224,000	15.29%
14-Oct	Injection	7	506,550	377,950	15.18%
14-Oct	Injection	63	768,700	675,000	15.18%
18-Oct	Injection	3	207,800	150,000	15.20%
21-Oct	Injection	7	595,250	595,250	15.19%
21-Oct	Injection	63	994,500	825,000	15.18%
28-Oct	Injection	7	250,100	175,000	15.21%
28-Oct	Injection	63	312,200	311,200	15.20%



Current Account Balance - Monthly deficit at 17-month low

According to the data released by the central bank, current account balance clocked in at a deficit of USD 316 million for the month of Sep'22. This steep decline is due to regulatory and administrative measures taken towards constraining imports of non-luxury goods which resulted in import contraction from an average of USD 6 billion to USD 4 billion. Contrary to general market perception, where participants expected higher CAD on the back of floods and increased imports due to crop loss, it is now expected to be much lower than what market was anticipating, this is on the back of lower imports in other categories and demand curtailment due to tight fiscal and monetary policy. To recall, central bank also downplayed the fears of any uptick in CAD due to floods, as per the statement *"The impact on the current account deficit is likely to be muted, with pressures from higher food and cotton imports and lower textile exports largely offset by slower domestic demand and lower global commodity prices. As a result, any deterioration in the current account deficit is expected to be contained, still leaving it in the vicinity of the previously forecast 3 percent of GDP"*.

Deficit for 1QFY23 stands at USD 2.2 billion compared to USD 3.5 billion decline of 37% which is majorly aided by improvement in trade deficit. Remittance for the first quarter declined by 8% from USD 8.5 billion to USD 7.8 billion.

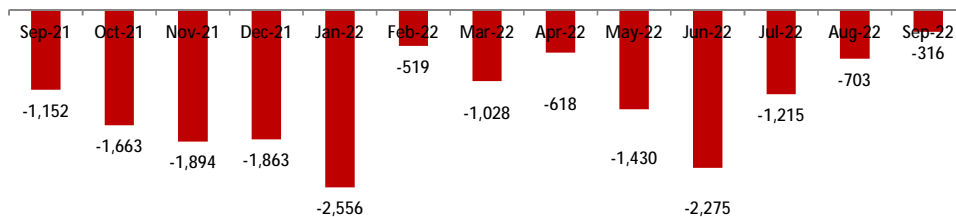
Going forward, administrative measures to curtail demand should keep current account in check with risk emanating from shortage of energy/fuel supplies in winter or rebound of energy prices in international market.

Current Account Balance								
	Sep-22	Aug-22	MoM	Sep-21	YoY	1QFY23	1QFY22	YoY
Export of Goods	2,501	2,813	-11%	2,627	-5%	7,594	7,201	5%
Import of Goods	4,822	5,750	-16%	6,057	-20%	16,018	17,395	-8%
Trade Balance	(2,321)	(2,937)	-21%	(3,430)	-32%	(8,424)	(10,194)	-17%
Export of Services	566	575	-2%	576	-2%	1,695	1,620	5%
Import of Services	738	936	-21%	778	-5%	2,342	2,497	-6%
Service Balance	(172)	(361)	-52%	(202)	-15%	(647)	(877)	-26%
Balance on Primary Income	(364)	(168)	117%	(340)	7%	(982)	(1,006)	-2%
Balance on Secondary Income	2,541	2,763	-8%	2,820	-10%	7,846	8,551	-8%
Remittance	2,437	2,724	-11%	2,780	-12%	7,811	8,526	-8%
Current Account Balance	(316)	(703)	-55%	(1,152)	-73%	(2,207)	(3,526)	-37%

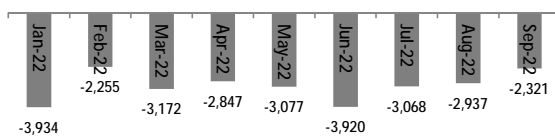
USD million

Source: SBP

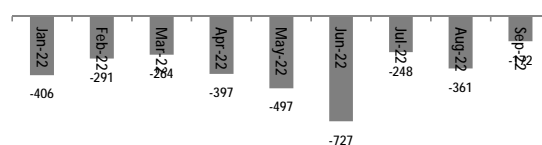
Current Account Balance



Trade Deficit



Service Deficit



PSX - Up by 0.33% in Oct'22

KSE-100 index remained range bound during the month owing to uncertainty on political front. KSE-100 index gained 136 points during the month to close at 41,264 points (up by 0.33% MoM). This brings CYTD return to -7.47% and FYTD return to -0.66%.

Index remained mostly volatile during the period as investors rejoiced noteworthy recovery of PKR against USD (recovering from PKR 239/USD to 220/USD) and excitement of Pakistan's exit from FATF Grey List after a period of four years coupled with the approval of loan worth USD 1.5 bn from Asian Development Bank. However, the momentum was not sustained as Moody's downgraded Pakistan's sovereign rating from B3 to Caa1 due to increased risk to liquidity and external vulnerability, politics on the other hand once again took the center stage with the announcement of long march by Imran Khan which kept index in check.

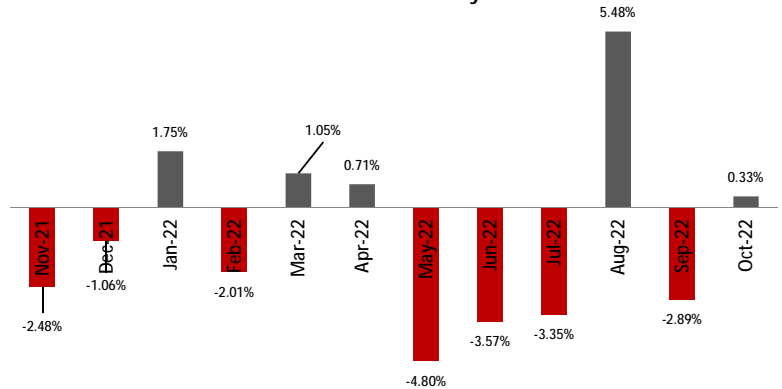
PSX Performance Stats

Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	41,264.66	15,061.46	69,310.33	28,144.59
Change	135.99	-275.40	1,847.28	-80.86
%Change	0.33%	-1.80%	2.74%	-0.29%

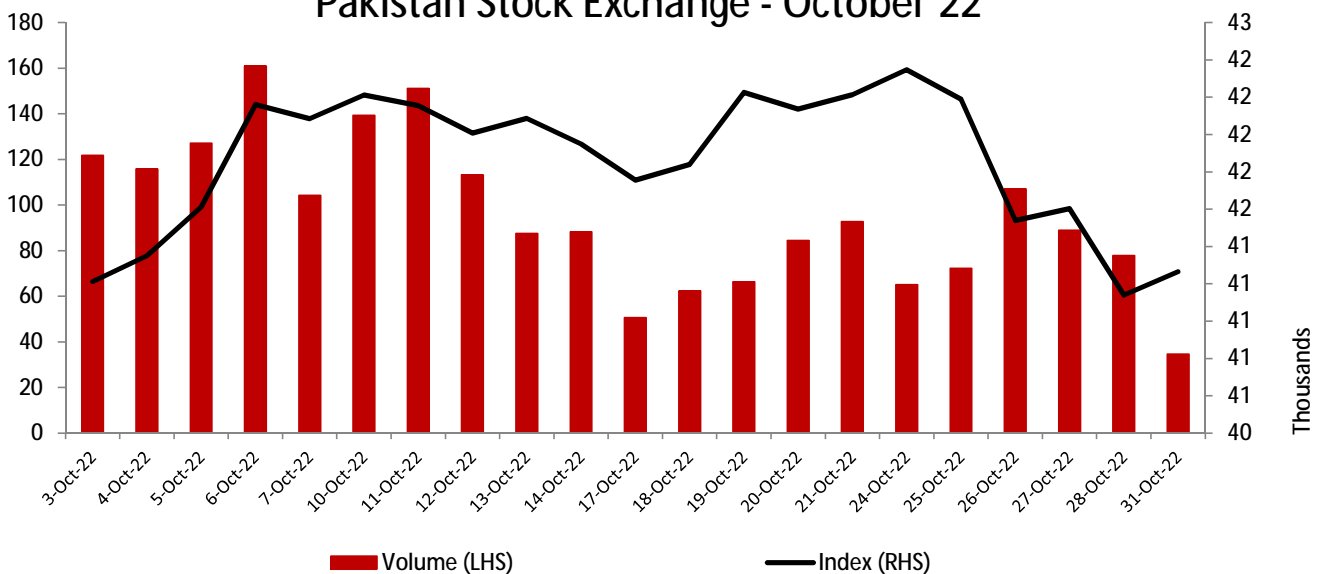
KSE-100 Index Top 5 Performers

Company	Name	Return
Systems Ltd	SYS	18%
The Hub Power Company Ltd	HUBC	17%
Rafhan Maize Products Co. Ltd	RMPL	17%
Faysal Bank Ltd	FABL	13%
Attock Refinery Ltd	ATRL	13%

KSE-100 Index Monthly Returns



Pakistan Stock Exchange - October'22

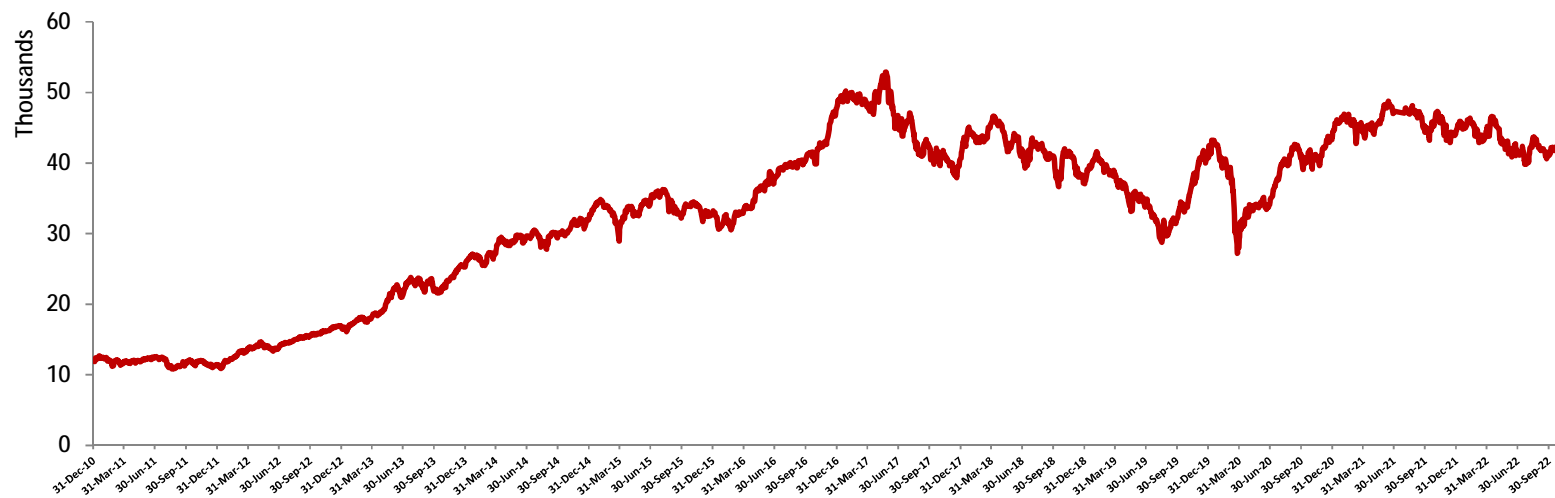




KSE 100 Index Historical Returns

	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%			-7.47%
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



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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).