

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - April 2023



April'23 Inflation surges to 36.42%

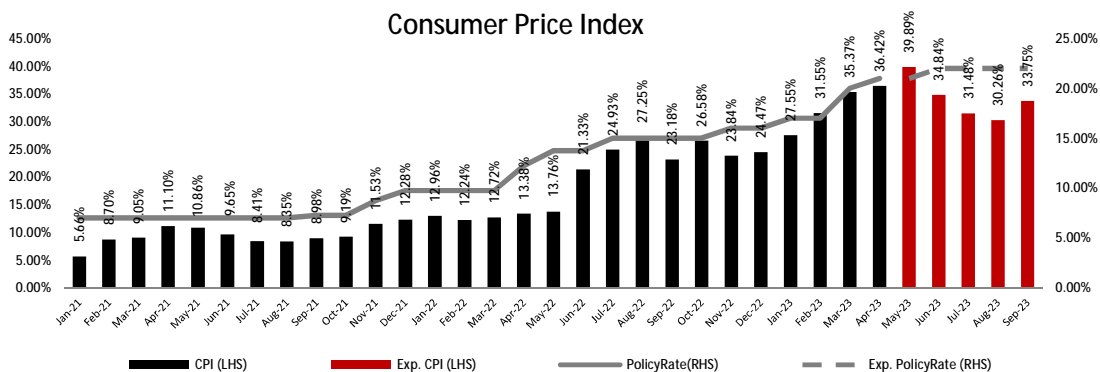
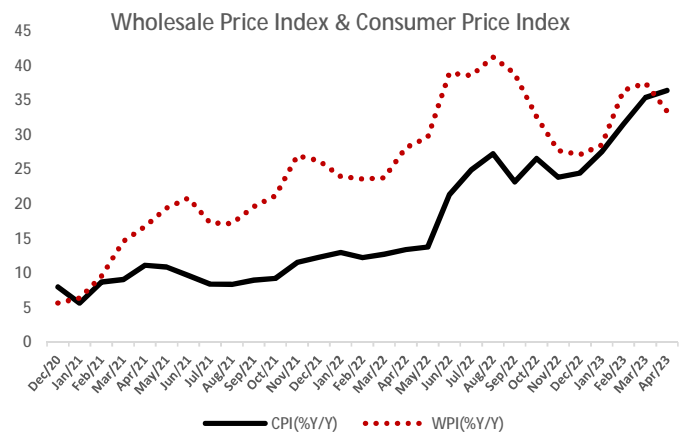
Headline inflation for the month of April'23 clocked in at 36.42%, taking 10MFY23 average inflation to 28.11%. Core inflation as measured by non-food non-energy also registered an uptick in both urban and rural index which increased by 1.8% in urban and 2.7% in rural on monthly basis.

On monthly basis, inflation inched up by 2.40% mainly on the back of food and recreation index which increased by 4.36% and 12.41% respectively. Increase in prices of food index was mostly due to Ramadan factor where as increase in price of text books and stationary fueled recreation & culture index. Going forward, we expect education index to register a significant uptick when new educational session commences.

On yearly basis, barring education all other index registered double digit increase whereas alcoholic & tobacco index registered triple digit increase. Our forecast for the average FY23 inflation hovers in the lower bound of 30% against the central bank estimates of 27 - 29%

Consumer Price Index	Weight %	Apr-23	Mar-23	MoM%	Apr-22	YoY%
General	100.00	224.41	219.14	2.40%	164.5	36.42%
Food & Non-alcoholic Bev.	34.58	261.17	250.25	4.36%	176.38	48.07%
Non-perishable Food Items	29.6	264.23	252.47	4.66%	174.41	51.50%
Perishable Food Items	4.99	243.05	237.11	2.51%	188.08	29.23%
Alcoholic Bev. & Tobacco	1.02	354.17	353.14	0.29%	151.66	133.53%
Clothing & Footwear	8.6	200.17	196.5	1.87%	164.58	21.62%
Housing, Water, Electricity, Gas & Fuel	23.63	176.77	178.8	-1.14%	151.16	16.94%
Furnishing & Household Equipment Maintenance	4.1	226.2	220.2	2.72%	160.97	40.52%
Health	2.79	200.06	197.84	1.12%	168.44	18.77%
Transport	5.91	284.74	280.2	1.62%	181.63	56.77%
Communication	2.21	117.8	117.64	0.14%	110.36	6.74%
Recreation & Culture	1.59	231.4	205.86	12.41%	137.25	68.60%
Education	3.79	170.02	166.9	1.87%	156.7	8.50%
Restaurants & Hotels	6.92	225.48	224.1	0.62%	162.18	39.03%
Miscellaneous	4.87	236.14	226.88	4.08%	170.08	38.84%

Historical High Inflation In Pakistan			
Past 10 Years		Past 20 Years	
Month	CPI (YoY%)	Month	CPI (YoY%)
30-Apr-23	36.42	30-Apr-23	36.42
31-Mar-23	35.37	31-Mar-23	35.37
28-Feb-23	31.55	28-Feb-23	31.55
31-Jan-23	27.55	31-Jan-23	27.55
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



Inflation - Prices of Key Domestic Commodities

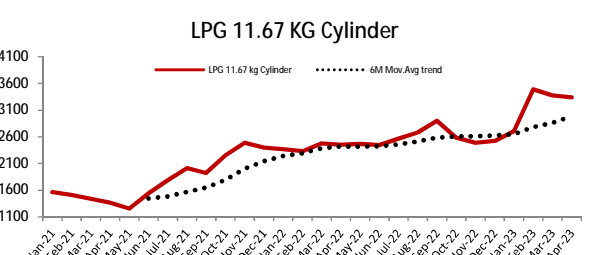
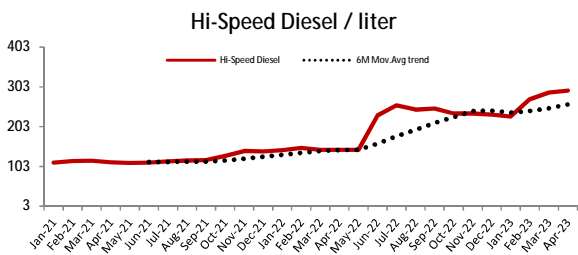
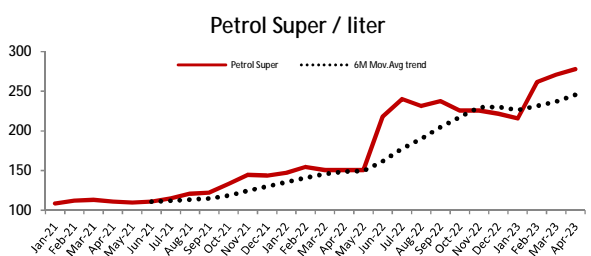
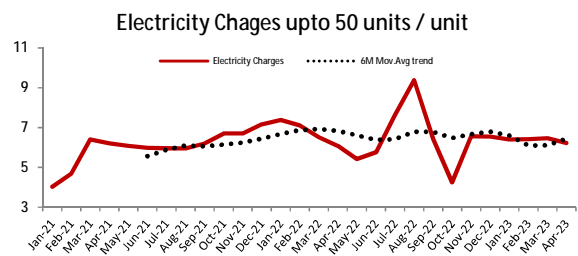
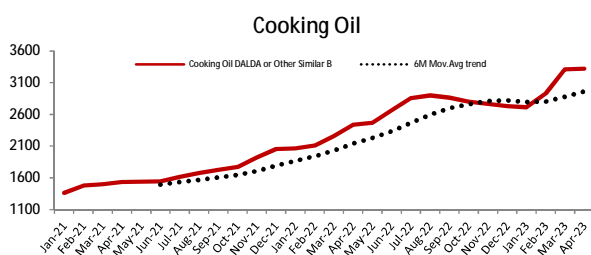
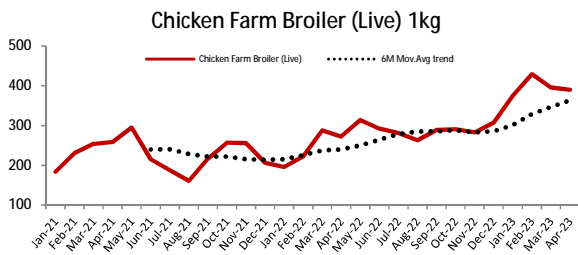
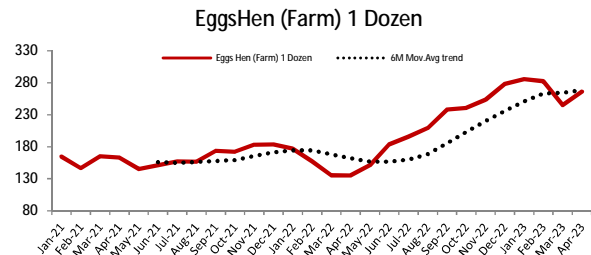
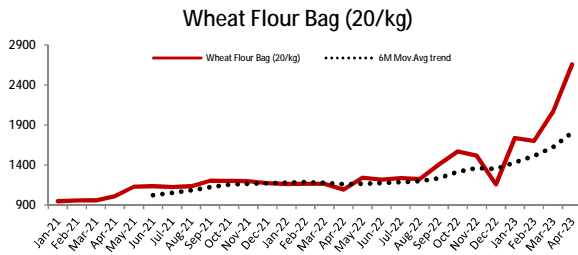


Chart Data Source: PBS

Key Domestic Commodities							
Description	Unit	Apr-23	Apr-22	CY Change	Apr-23	Mar-23	MoM Change
Wheat Flour Bag	20 Kg	2,658.97	1092.07	143.48%	2658.97	2064.43	28.80%
Eggs Hen Farm	1 Dozen	266.27	135.27	96.84%	266.27	245.1	8.64%
Chicken Farm Broiler	1 Kg	390.10	272.11	43.36%	390.10	395.45	-1.35%
Cooking Oil	5 Liter	3,321.53	2437.87	36.25%	3321.53	3313.57	0.24%
Electricity Charges	50 Units	6.23	6.08	2.47%	6.23	6.47	-3.71%
Petrol	1 Liter	277.85	150.63	84.46%	277.85	270.91	2.56%
Diesel	1 Liter	293.92	144.90	102.84%	293.92	288.62	1.84%
LPG	11.67 KG Cylinder	3,340.89	2455.78	36.04%	3340.89	3380.1	-1.16%

Money Market

Inflation for the month of April clocked in at 36.4%, highest in the past 20 years coupled with the 100bps hike in MPS resulted in spike in short term interest rates; whereas long-term yields remained flattish owing to lack of interest and dull activity in the secondary market.

Central bank conducted two T-bill auction during the month. Last auction for the month held of 19th April had a total maturity of PKR 1,012 billion against the target of PKR 1000 billion. Participation remained tilted towards 3-Months and central bank accepted bids worth PKR 486 billion in 3-month, PKR 21 billion in 6-month and PKR 53 billion in 12-month tenor at the cutoff yields of 21.9999%, 21.9789% and 21.9901% respectively.

T-bill Auction Results			
Date	3M	6M	12M
06-Apr	21.9997%	21.9789%	21.8898%
20-Apr	21.9999%	21.9789%	21.9901%
04-May	21.9996%	21.9616%	21.9997%

Deteriorating macros, political uncertainty coupled with delay in conclusion of IMF review reflected in PIB bid pattern where participants demanded higher rates in longer tenure. Auction for fixed rate bond had a target of PKR 100 billion and the central bank was able to fetch PKR 143 billion in 3-year at the cutoff rate of 18.39%. Lower participation level resulted in rejection in 5-Year and 10-Year where as no bids were received in 15-Year and 20-Year bonds.

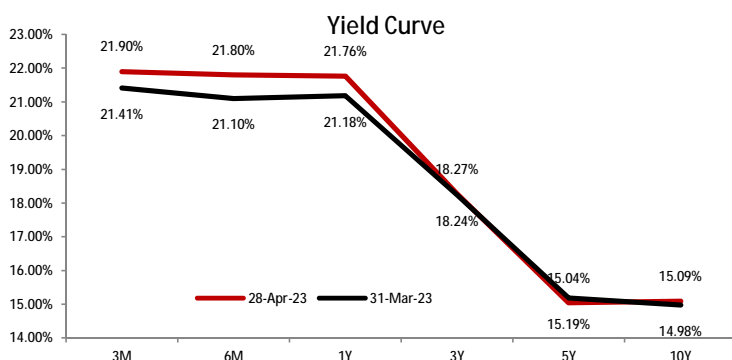
PIB Auction Results					
Date	3Y	5Y	10Y	15Y	20Y
16-Feb	Rejected	Rejected	Rejected	No Bids	No Bids
16-Mar	18.0500%	13.8000%	Rejected	No Bids	No Bids
13-Apr	18.3899%	Rejected	Rejected	No Bids	No Bids

In line with the central bank statement of aligning any miss-match between policy rate and secondary market yields frequent OMO Injections were conducted to keep the market close to the policy rate. As evident from access to overnight table below, overnight market remained highly liquid during the outgoing month and traded mostly in between sbp floor & policy rate

Open Market Operations (PKR million)					
Date	Type	Tenor	Offered	Accepted	Cutoff
03-Apr	Mop-Up	3	254,000	251,000	19.99%
06-Apr	Injection	1	1,149,950	925,450	21.21%
07-Apr	Injection	7	181,000	181,000	21.10%
07-Apr	Injection	70	1,210,950	1,210,950	21.08%
10-Apr	Injection	4	77,000	77,000	21.08%
13-Apr	Injection	1	445,600	361,500	21.20%
14-Apr	Injection	14	374,950	374,950	21.11%
14-Apr	Injection	70	175,000	175,000	21.07%
27-Apr	Injection	7	361,800	352,200	21.25%
28-Apr	Injection	7	108,500	108,500	21.10%
28-Apr	Injection	70	499,850	499,850	21.06%

Access to overnight Repo/Rev-Repo Facilities				
Date	Ceiling		Floor	
	Amount	Institutes	Amount	Institutes
03-Apr	180,000	1	1,750	1
04-Apr	225,000	1	28,500	2
05-Apr	175,000	1	222,350	5
06-Apr			39,250	3
07-Apr	24,000	1	16,650	4
10-Apr			1,050	1
11-Apr	57,900	4	5,000	2
12-Apr	164,000	5	900	1
13-Apr			22,050	4
14-Apr			6,600	2
17-Apr			550	1
18-Apr			400	1
19-Apr	79,000	4	300	1
20-Apr			76,500	9
26-Apr	123,900	4	1,050	1
27-Apr			44,950	6
28-Apr			20,900	2

PKR millions



Current Account Balance - Surplus Surprise

According to the data released by the central bank, current account balance for the month of March'23 clocked in at a surplus of PKR 654 million against the deficit of PKR 36 million. Although the surplus in march was expected but the numbers are higher than market expectations.

On monthly basis, export of goods increased by 10% where as import of goods increased by mere 1%; however, the major chunk of increase which resulted in surplus was in remittances which increased by 27% on monthly basis but shy of 10% on yearly basis. Major reason of increase in remittance was due to elimination of gap in interbank and grey market and the central bank approach towards more market based exchange rate.

The current account deficit narrowed by 74% from USD 13 billion in 9MFY22 to USD 3.3 billion in SPLFY. This substantial reduction is on the back of import contraction (goods & services both) reflecting the impact of administrative measures taken by the incumbent government. The contraction in imports is broad based with all major groups registering negative trend on yearly basis where transport segment took the highest impact declining by 75% on yearly basis.

Looking ahead, we expect gradual removal of import controls with the prioritization of imports of essential items (as demanded by IMF) would offset gains from increase in remittances.

Current Account Balance								
	Mar-23	Feb-23	MoM	Mar-22	YoY	9MFY23	9MFY22	YoY
Export of Goods	2,427	2,210	10%	3,071	-21%	21,088	23,706	-11%
Import of Goods	3,990	3,933	1%	6,114	-35%	41,494	52,746	-21%
Trade Balance	(1,563)	(1,723)	-9%	(3,043)	-49%	(20,406)	(29,040)	-30%
Export of Services	615	569	8%	711	-14%	5,528	5,278	5%
Import of Services	647	600	8%	1,105	-41%	5,757	9,544	-40%
Service Balance	(32)	(31)	3%	(394)	-92%	(229)	(4,266)	-95%
Balance on Primary Income	(448)	(299)	50%	(535)	-16%	(3,895)	(3,797)	3%
Balance on Secondary Income	2,697	2,017	34%	2,991	-10%	21,158	24,089	-12%
Remittance	2,533	1,988	27%	2,835	-11%	21,127	24,033	-12%
Current Account Balance	654	(36)	-1917%	(981)	-167%	(3,372)	(13,014)	-74%

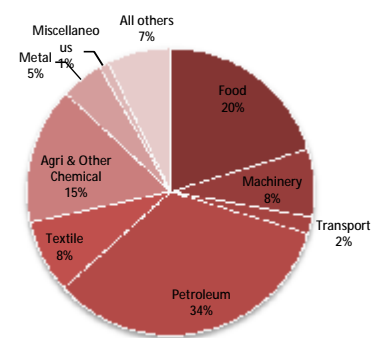
USD million

Source: SBP

Import of Goods and Commodities					
	Mar-23 (P)	Feb-23 (R)	MoM	Mar-22	YoY
Total Imports	3,990,027	3,933,028	1%	6,117,021	-35%
Food	541,207	774,554	-30%	729,079	-26%
Machinery	324,267	292,313	11%	854,614	-62%
Transport	87,523	72,820	20%	350,606	-75%
Petroleum	1,457,994	1,288,722	13%	1,654,795	-12%
Textile	422,843	317,134	33%	597,708	-29%
Agri & Other Chemical	635,848	590,695	8%	975,747	-35%
Metal	203,049	182,410	11%	450,270	-55%
Miscellaneous	43,326	40,581	7%	100,711	-57%
All others	213,395	275,763	-23%	614,541	-65%

USD Thousands

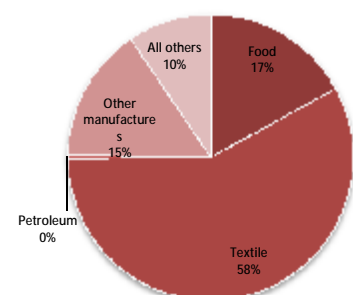
Import Bill Composition



Export of Goods and Commodities					
	Mar-23 (P)	Feb-23 (R)	MoM	Mar-22	YoY
Total Exports	2,427,005	2,209,970	10%	3,069,031	-21%
Food	474,766	379,649	25%	550,391	-14%
Textile	1,312,492	1,289,179	2%	1,710,069	-23%
Petroleum	26,060	9,712	168%	65,623	-60%
Other manufactures	354,973	339,574	5%	423,150	-16%
All others	251,980	211,408	19%	265,006	-5%

USD Thousands

Composition of Exports



PSX - KSE 100 up by 3.95% in April'23

Benchmark KSE-100 index gained 1,580 points during the outgoing month to close at 41,580 index points, this bring the overall FYTD return to 0.10% and CYTD return to 2.87%.

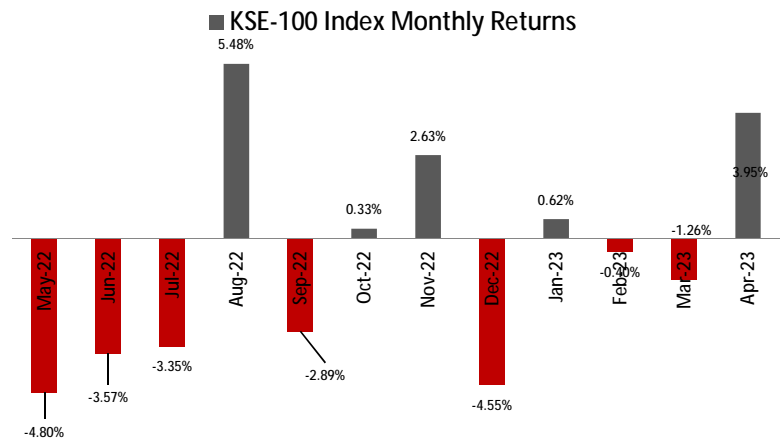
In April 2023, there were two distinct periods of market performance. In the first eight sessions, investors were hesitant to take new positions due to higher-than-expected inflation numbers, the possibility of a policy rate hike, and uncertainty surrounding the completion of IMF program. However, sentiments changed after friendly countries pledged support (a key demand from IMF). Going forward, political developments and the resumption of IMF program will determine the direction of the market.

PSX Performance Stats

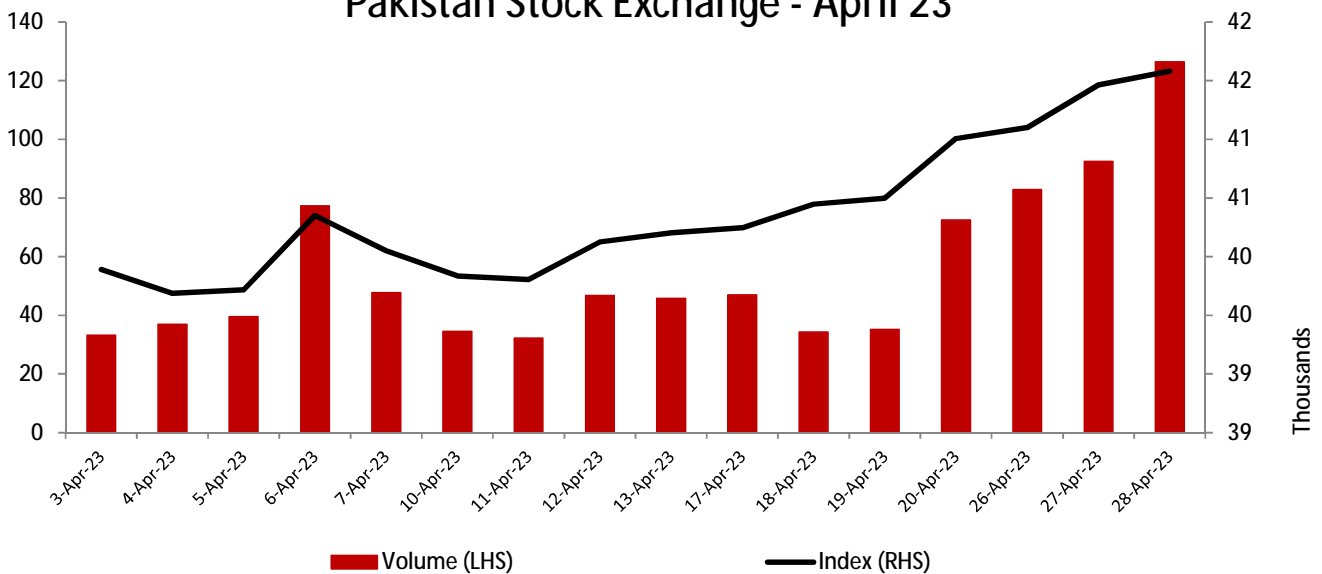
Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	41,580.85	15,376.18	72,354.37	27,428.44
Change	1,580.02	523.37	3,016.44	999.95
%Change	3.95%	3.52%	4.35%	3.78%

KSE-100 Index Top 5 Performers

Company	Name	Return
Pakistan Aluminium Beverage Cans Ltd	PABC	33%
Dawood Hercules Corporation Ltd	DAWH	26%
FrieslandCampina Engro Pakistan Ltd	FCEPL	22%
Lotte Chemical Pakistan Ltd	LOTCHEM	16%
United Bank Ltd	UBL	15%



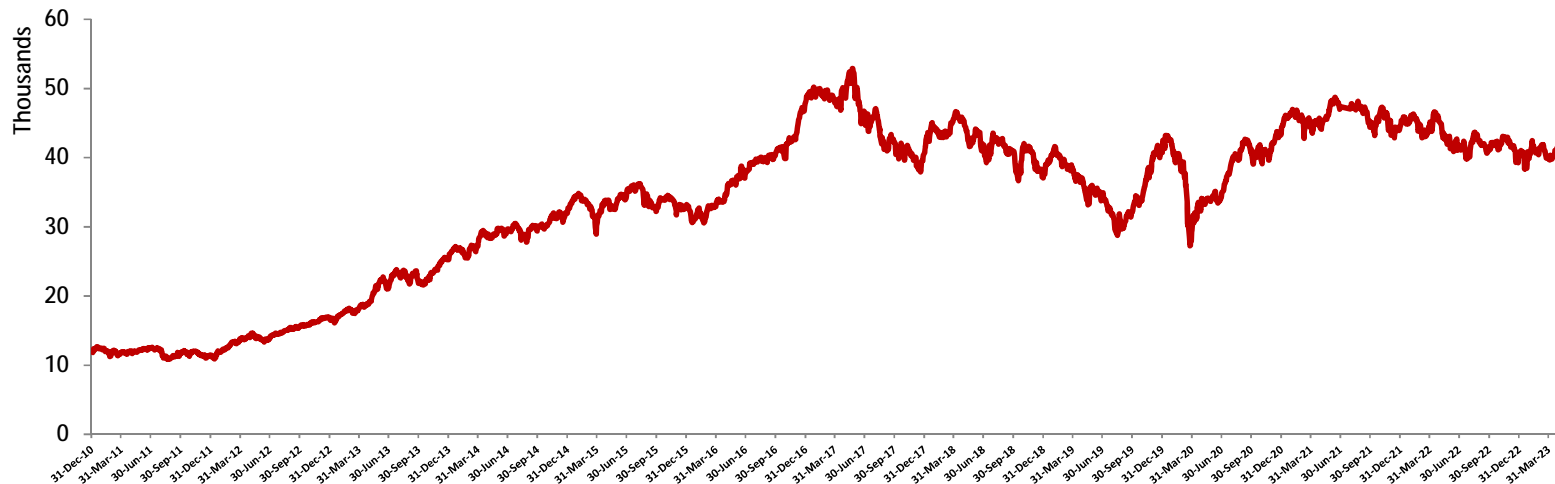
Pakistan Stock Exchange - April'23



KSE 100 Index Historical Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year - CYTD
2023	0.62%	-0.40%	-1.26%	3.95%									2.87%
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



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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).