

# PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - August 2023



# Aug'23 - Inflation clocked in at 27.38%

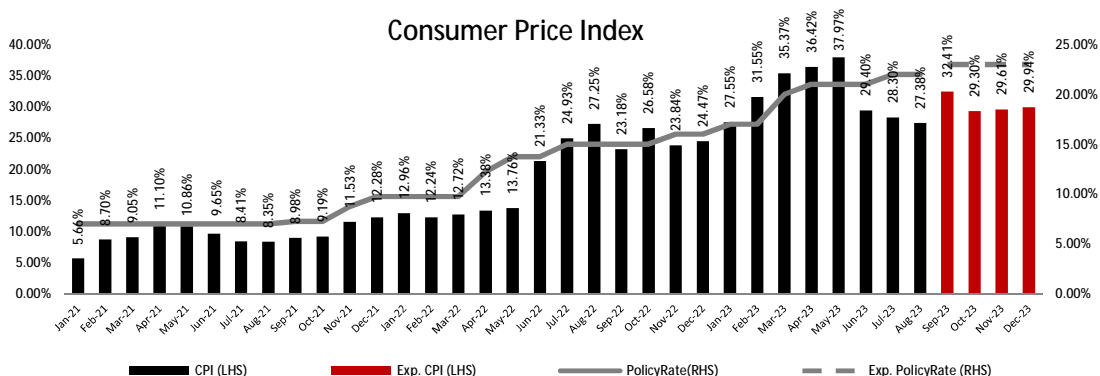
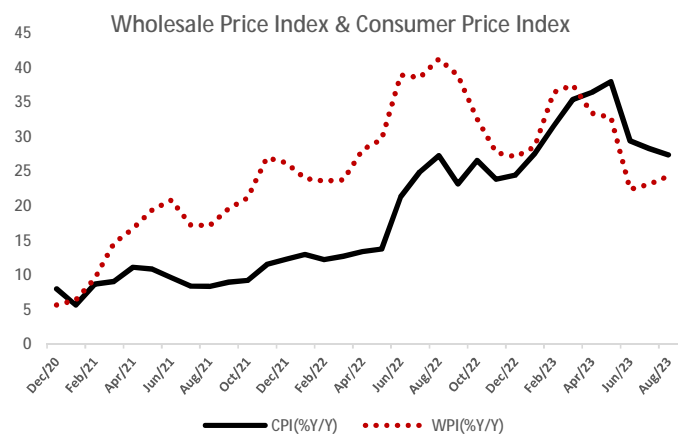
In August 2023, headline inflation surged to 27.38%, marking a 1.72% month-on-month increase. Meanwhile, core inflation, which excludes food and energy, also edged up to 21.39% from the previous month's 20.87%. As a result, the average inflation for the first two months of fiscal year 2024 stands at 27.84%

This inflationary surge can be attributed primarily to the escalating costs of petroleum and liquefied hydrocarbon products, food items, and rising electricity charges. Food inflation saw a significant year-on-year increase of 38.51%, mainly driven by soaring prices of wheat flour (up by 127% year-on-year) and chicken (up by 51.51% year-on-year). Additionally, housing, water, and electricity, accounting for approximately 24% of the CPI basket, witnessed a 6.25% year-on-year and 1.08% month-on-month increase. The transport index, mainly comprising fuel prices, recorded a 7.93% month-on-month and 22.95% year-on-year increase due to hikes in petroleum product prices.

Looking forward, the recent depreciation of the currency, coupled with corresponding adjustments in energy prices, is expected to result in elevated inflation readings in the coming months. This, in turn, could lead to further increases in interest rates. It is anticipated that inflation readings for the remainder of the calendar year will remain in the late 20s, largely dependent on international oil prices.

Consumer Price Index	Weight %	Aug-23	Jul-23	MoM%	Aug-22	YoY%
<i>General</i>	100.00	239.27	235.23	1.72%	187.84	27.38%
Food & Non-alcoholic Bev.	34.58	273.99	272.44	0.57%	197.81	38.51%
Non-perishable Food Items	29.6	283.13	279.06	1.46%	198.29	42.79%
Perishable Food Items	4.99	219.75	233.15	-5.75%	195	12.69%
Alcoholic Bev. & Tobacco	1.02	359.45	358.18	0.35%	181.99	97.51%
Clothing & Footwear	8.6	208.74	206.29	1.19%	176.21	18.46%
Housing, Water, Electricity, Gas & Fuel	23.63	193.86	191.79	1.08%	182.46	6.25%
Furnishing & Household Equipment Maintenance	4.1	248.54	242.9	2.32%	175.38	41.72%
Health	2.79	212.8	208.58	2.02%	173.64	22.55%
Transport	5.91	300.68	278.6	7.93%	244.55	22.95%
Communication	2.21	119.14	118.82	0.27%	111.32	7.02%
Recreation & Culture	1.59	253.82	245.34	3.46%	157.29	61.37%
Education	3.79	178.19	172.27	3.44%	161.31	10.46%
Restaurants & Hotels	6.92	246.54	242.23	1.78%	183.9	34.06%
Miscellaneous	4.87	261.49	251.69	3.89%	185.67	40.84%

Historical High Inflation In Pakistan			
Past 10 Years		Past 20 Years	
Month	CPI (YoY%)	Month	CPI (YoY%)
31-May-23	37.97	31-May-23	37.97
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
30-Jun-23	29.4	30-Jun-23	29.4
31-Jul-23	28.3	31-Jul-23	28.3
31-Jan-23	27.55	31-Jan-23	27.55
<b>31-Aug-23</b>	<b>27.38</b>	<b>31-Aug-23</b>	<b>27.38</b>
31-Aug-22	27.25	31-Aug-22	27.25
31-Oct-22	26.58	31-Oct-22	26.58



## Inflation - Prices of Key Domestic Commodities

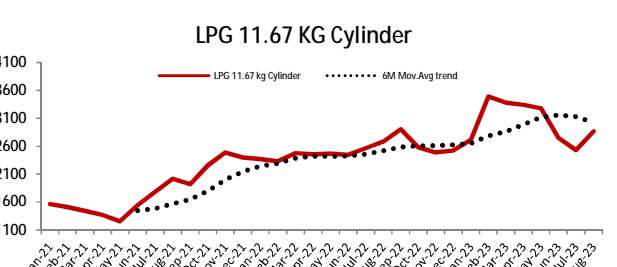
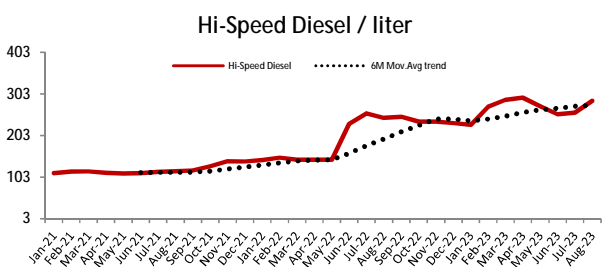
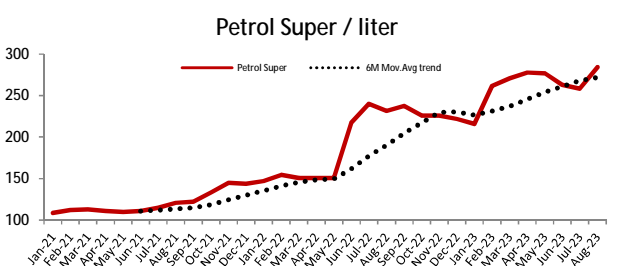
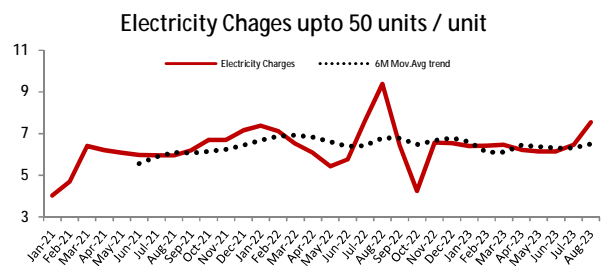
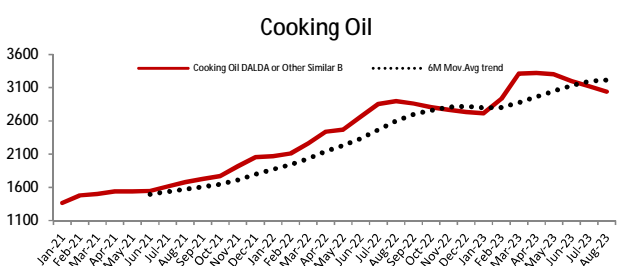
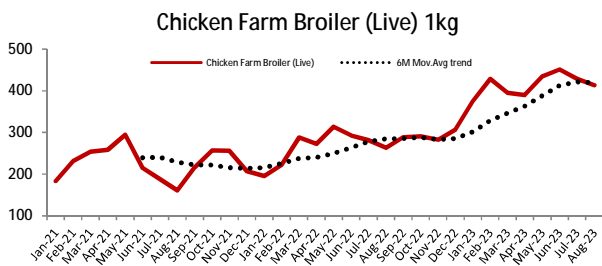
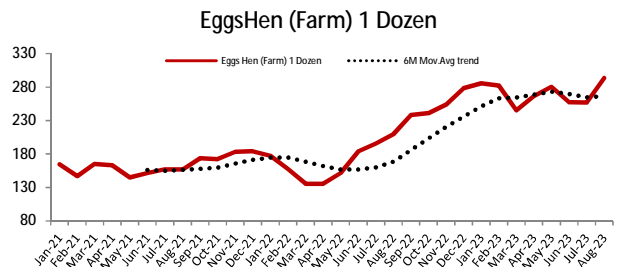
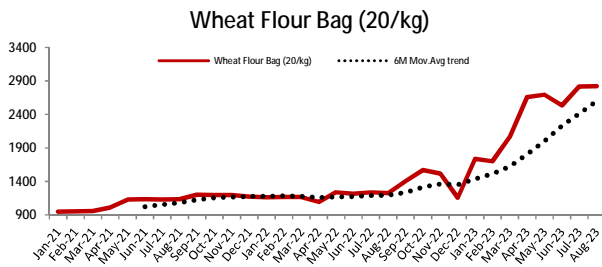


Chart Data Source: PBS

Key Domestic Commodities							
Description	Unit	Aug-23	Aug-22	YoY Change	Aug-23	Jul-23	MoM Change
Wheat Flour Bag	20 Kg	2,818.03	1237.93	127.64%	2818.03	2535.89	11.13%
Eggs Hen Farm	1 Dozen	256.81	195.71	31.22%	256.81	257.35	-0.21%
Chicken Farm Broiler	1 Kg	428.92	281.24	52.51%	428.92	451.37	-4.97%
Cooking Oil	5 Liter	3,124.14	2856.97	9.35%	3124.14	3199.16	-2.34%
Electricity Charges	50 Units	6.45	7.63	-15.47%	6.45	6.15	4.88%
Petrol	1 Liter	258.39	240.21	7.57%	258.39	262.89	-1.71%
Diesel	1 Liter	257.92	256.44	0.58%	257.92	253.89	1.59%
LPG	11.67 KG Cylinder	2,529.80	2565.61	-1.40%	2529.80	2752.68	-8.10%

# Money Market

Inflation for the month of Aug'23 clocked in at 27.38% with 172bps increase since last month while the core inflation as measured by Non-Food and Non-Energy increased by 21.39% compared to 20.87% in the previous month. Compared to previous month, yields in the secondary market increased by 31bps on an average based on the expectations and market chatter of emergency monetary policy meeting. Central bank scheduled two T-bill auction during the month with the target of raising PKR 2.7 trillion, healthy participation was witnessed in both in the auction with majority of participation tilted towards 3M. In the last auction held of 23rd Aug, central bank was able to fetch PKR 1.9 trillion against the maturity of PKR 2.469 trillion and target of PKR 2.25 trillion at the cutoff yields of 22.8803% in 3M and 22.94% in 12M while bids in 6M tenure were rejected.

T-bill Auction Results			
Date	3M	6M	12M
10-Aug	22.9000%	22.7500%	22.9800%
23-Aug	22.8803%	Rejected	22.9400%
07-Sep	24.4999%	24.7870%	25.0687%

Auction for fixed rate bond had a target of PKR 160 billion and the central bank was able to raise PKR 79 billion in 3-Years and PKR 105 million in 5-Years against the total participation of PKR 255 billion, at the cutoff rate of 19.3499% and 15.95% respectively.

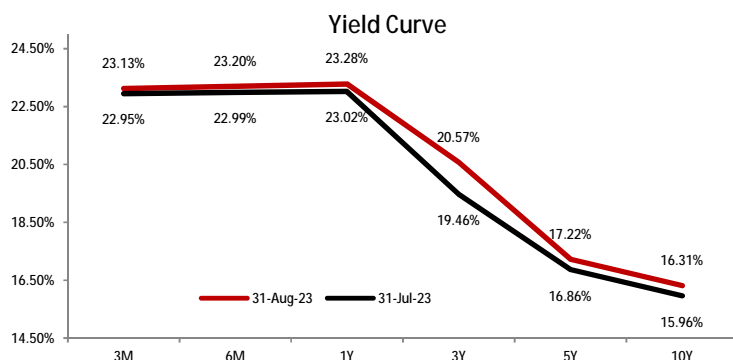
PIB Auction Results					
Date	3Y	5Y	10Y	15Y	20Y
11-May	19.3895%	Rejected	Rejected	No Bids	No Bids
15-Jun	19.3500%	Rejected	Rejected	No Bids	No Bids
04-Jul	19.3500%	Rejected	Rejected	No Bids	No Bids
03-Aug	19.3499%	15.9500%	Rejected	No Bids	No Bids

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
11-Aug	Injection	7	34,150	25,000	22.14%
11-Aug	Injection	70	1,081,900	699,950	22.11%
17-Aug	Injection	1	348,800	323,800	22.10%
18-Aug	Injection	6	1,256,850	1,256,850	22.10%
18-Aug	Injection	77	2,528,150	2,518,650	22.11%
24-Aug	Injection	8	14,800	14,800	22.15%
25-Aug	Injection	77	1,595,000	1,594,300	22.06%
28-Aug	Mop-Up	4	757,600	757,600	21.99%

Access to overnight Repo/Rev-Repo Facilities				
Date	Ceiling		Floor	
	Amount	Institutes	Amount	Institutes
01-Aug			386,850	14
02-Aug			403,850	12
03-Aug			1,518,800	20
04-Aug	45,500	1	617,450	7
07-Aug	43,250	1	368,350	5
08-Aug	43,250	1	366,550	5
09-Aug	42,250	1	425,150	5
10-Aug	488,650	7	15,350	3
11-Aug	24,350	2	104,350	3
15-Aug	80,350	3	16,550	3
16-Aug	78,900	3	650	1
17-Aug	14,000	3	24,350	3
18-Aug			64,250	3
21-Aug			257,950	9
22-Aug			244,950	5
23-Aug			208,950	5
24-Aug	1,042,450	3	354,650	8
25-Aug			381,850	9
28-Aug			9,000	4
29-Aug			13,550	3
30-Aug			2,050	3
31-Aug	4,000	1	43,050	4

PKR millions



## Current Account Balance - Back to deficit

The current account for July 2023 posted a deficit of USD 809 million, ending a four-month streak of positive balances and erasing most of the gains from the previous three months. Nevertheless, this still represents a significant improvement compared to the same period last year when the deficit stood at USD 1.2 billion.

On a monthly basis, the trade deficit nearly doubled due to a notable shift in import policy from restrictive to accommodating, as per the IMF's demands. This resulted in a 33% increase in the import of goods, while exports remained relatively stable. The disparity in interbank and open market & the anticipation of further pressure on the PKR against the USD led to a 7% decline in workers' remittances.

For the fiscal year 2023, the deficit substantially narrowed to 0.7% of GDP, a significant improvement from the 4.7% recorded in FY22, marking an 85% year-on-year improvement. This improvement was primarily driven by a substantial 87% decrease in the service balance and a 38% decline in the trade balance, which resulted from policy-induced restrictions on imports. These measures more than compensated for the decline in exports and workers' remittances during the year.

Looking ahead, under the current caretaker administration, policies aimed at promptly passing on price increases in response to rising international commodity prices and higher interest rates are expected to curb demand and, consequently, limit imports. However, the gradual clearing of import backlogs may lead to an elevated import bill in the upcoming months.

Current Account Balance								
	Jul-23	Jun-23	MoM	Jul-22	YoY	FY23R	FY22	YoY
Exports of Goods FOB	2,116	2,119	0%	2,217	-5%	27,903	32,493	-14%
Imports of Goods FOB	4,220	3,177	33%	5,517	-24%	51,979	71,543	-27%
Trade Balance	(2,104)	(1,058)	-99%	(3,300)	36%	(24,076)	(39,050)	38%
Exports of Services	538	574	-6%	526	2%	7,302	7,102	3%
Imports of Services	811	699	16%	558	45%	8,063	12,942	-38%
Service Balance	(273)	(125)	-118%	(32)	-753%	(761)	(5,840)	87%
Balance on Primary Income	(578)	(682)	15%	(462)	-25%	(5,732)	(5,248)	-9%
Balance on Secondary Income	2,146	2,369	-9%	2,533	-15%	28,182	32,657	-14%
Workers' Remittances	2,027	2,187	-7%	2,511	-19%	27,027	31,279	-14%
Current Account Balance	(809)	504	-261%	(1,261)	36%	(2,387)	(17,481)	86%

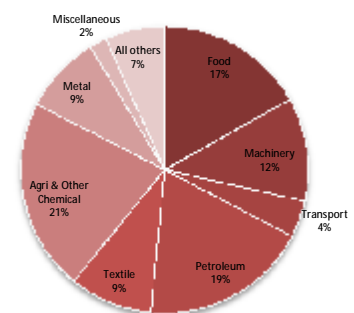
USD million

Source: SBP

Import of Goods and Commodities					
	Jul-23 (P)	Jun-23 (R)	MoM	Jul-22	YoY
Total Import	4,219,969	3,177,001	33%	5,516,960	-24%
Food	631,673	433,458	46%	617,508	2%
Machinery	436,738	259,377	68%	503,898	-13%
Transport	155,223	63,485	145%	120,553	29%
Petroleum	707,531	939,545	-25%	2,371,995	-70%
Textile	349,144	329,516	6%	379,458	-8%
Agri & Other Chemical	810,934	597,238	36%	786,090	3%
Metal	330,669	237,458	39%	402,835	-18%
Miscellaneous	72,074	44,640	61%	74,134	-3%
All others	252,160	206,636	22%	316,543	-20%

USD Thousands

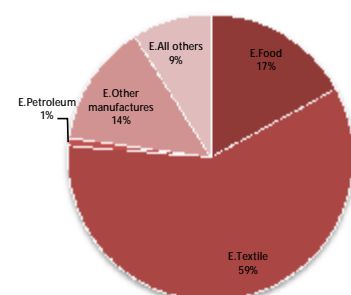
### Import Bill Composition



Export of Goods and Commodities					
	Jul-23 (P)	Jun-23 (R)	MoM	Jul-22	YoY
Total Exports	2,116,030	2,118,996	0%	2,217,049	-5%
Food	370,311	375,163	-1%	386,396	-4%
Textile	1,284,889	1,187,618	8%	1,442,063	-11%
Petroleum	18,586	29,423	-37%	9,686	92%
Other manufactures	301,393	336,969	-11%	316,377	-5%
All others	194,173	242,876	-20%	158,568	22%

USD Thousands

### Composition of Exports



## PSX - KSE-100 index lost 6.31 % in Aug'23

The KSE-100 index experienced a decline of 3,032 index points over the course of the month, ultimately closing at the 45,000 index level. As a result, the overall return for the fiscal year-to-date (FYTD) stands at 8.56%, while the calendar year-to-date (CYTD) return is at 11.34%

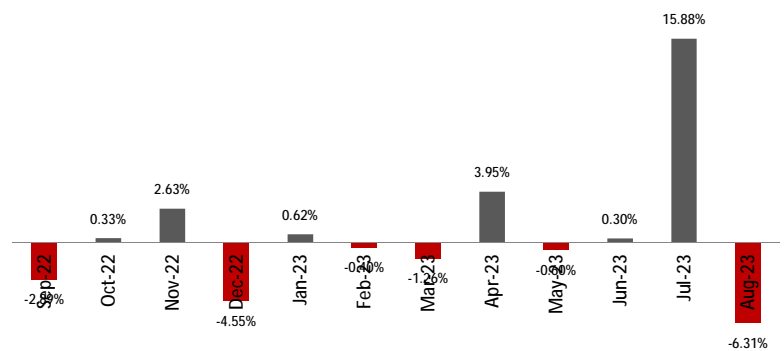
August 2023 continued the positive momentum witnessed in the previous month. This was driven by news and expectations of resolving circular debt issues and the approval of refinery policies. Furthermore, the momentum received a significant boost when the MSCI index weight increased from approximately 0.6% to about 2.7%. This surge led the index to reach a six-year high, surpassing the 49,000 index level during the day. However, this optimism was short-lived as macroeconomic challenges resurfaced, including a return to deficit in current account balance and a sharp depreciation of the rupee to an all-time low against the USD.

Looking ahead, market participants will closely monitor macroeconomic indicators and the actions of the caretaker government to ensure compliance with IMF program requirements. Additionally, decisions related to the upcoming general elections will play a crucial role in shaping the market's trajectory.

### PSX Performance Stats

Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	45,002.42	15,696.92	74,969.25	30,041.97
Change	-3,032.17	-1,499.63	-5,401.61	-1,985.31
%Change	-6.31%	-8.72%	-6.72%	-6.20%

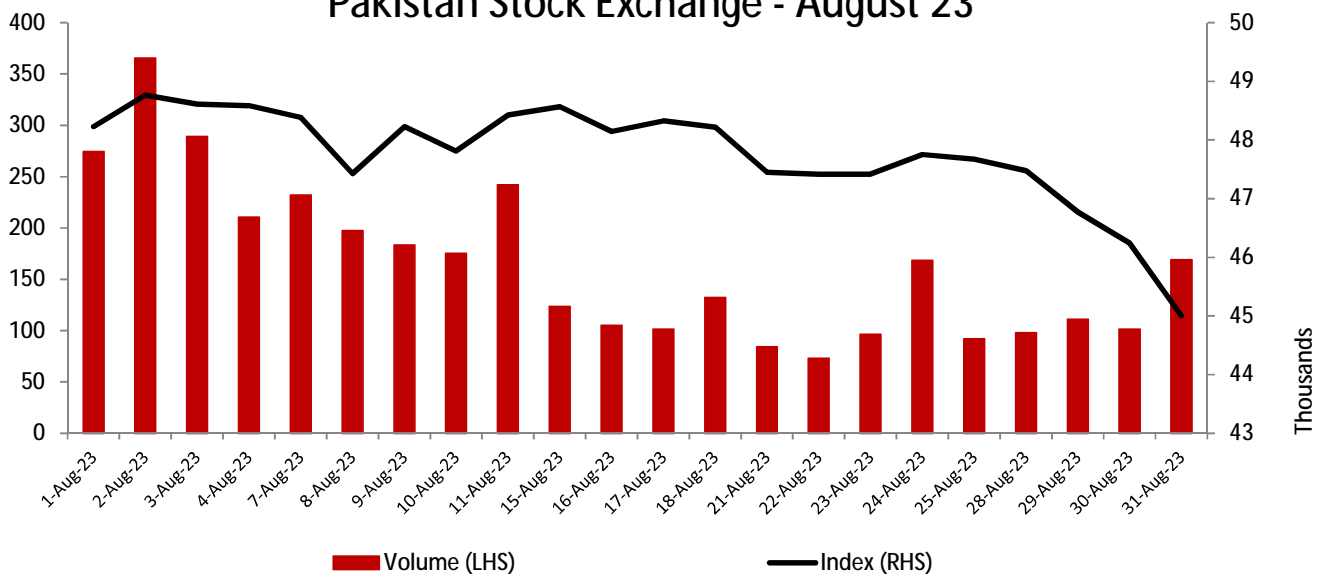
### ■ KSE-100 Index Monthly Returns



### KSE-100 Index Top 5 Performers

Company	Name	Return
Standard Chartered Bank (Pakistan) Ltd	SCBPL	24%
Thal Ltd	THALL	19%
Habib Metropolitan Bank Ltd	HMB	16%
Kohinoor Textile Mills Ltd	KTML	12%
Millat Tractors Ltd	MTL	11%

## Pakistan Stock Exchange - August'23

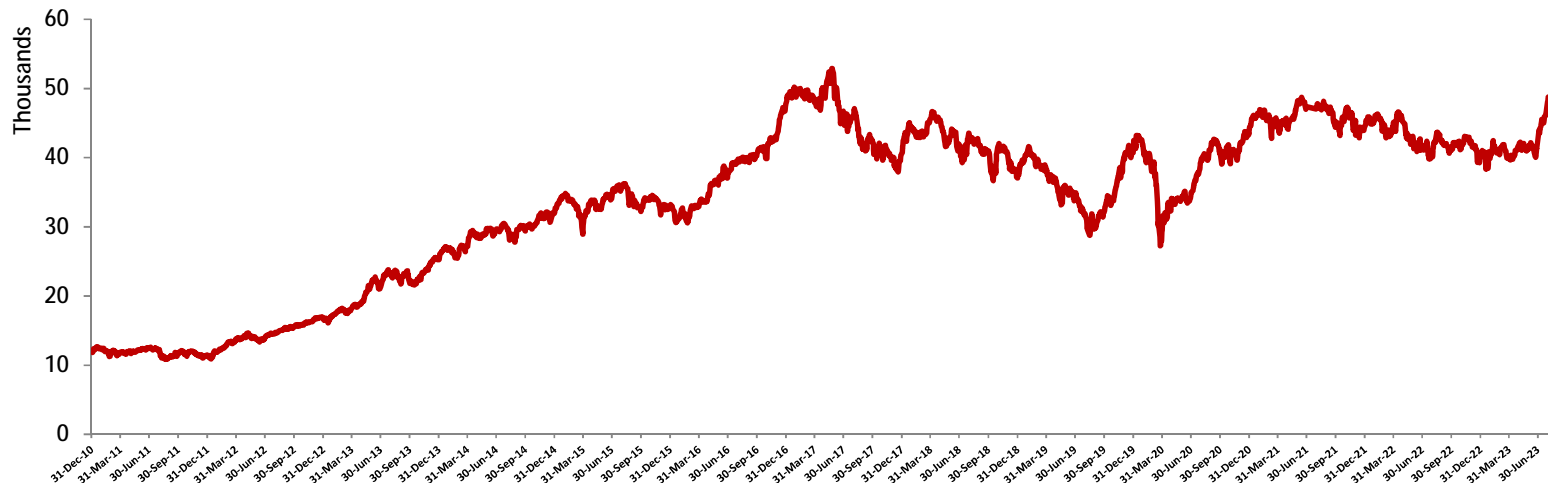




## KSE 100 Index Historical Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year - CYTD
2023	0.62%	-0.40%	-1.26%	3.95%	-0.60%	0.30%	15.88%	-6.31%					11.34%
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

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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).