

# PAK CHINA INVESTMENT COMPANY LIMITED

## Economic Review

ΕΚΟΝΟΜΙΚΗ ΚΕΛΙΓΜΑ

# Inflation - August Inflation @ 8.21% YoY - High base effect in play

\* Inflation for the month of August'20 clocked in at 8.21%/0.63% YoY/MoM.

\* Average inflation for the first two months of the fiscal year stood at 8.76% compared to 9.42% during the SPLFY.

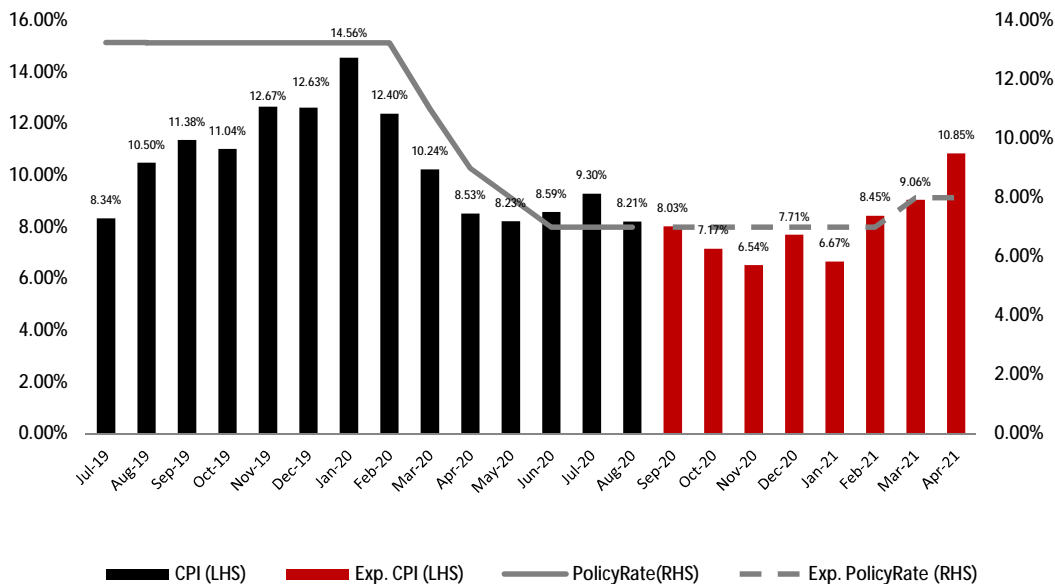
\* As already highlighted in the previous economic reports, monthly inflation will remain downward sticky owing to higher base effect (from Aug'20 till Jan'21).

\* As per our in-house estimates, average inflation for FY'21 would remain in the range of 8.67% - 9%

\* Key risk to our inflation forecast are 1) increase in energy prices 2) food price shock

Consumer Price Index	Weight %	Aug-20	Jul-20	MoM%	Aug-19	YoY%
General	100.00	136.23	135.38	0.63%	125.89	8.21%
Food & Non-alcoholic Bev.	34.58	138.87	140.11	-0.89%	123.02	12.88%
Non-perishable Food Items	29.6	138.53	137.39	0.83%	120.85	14.63%
Perishable Food Items	4.99	140.92	156.28	-9.83%	135.89	3.70%
Alcoholic Bev. & Tobacco	1.02	141.69	140.29	1.00%	133.91	5.81%
Clothing & Footwear	8.6	137.01	136.66	0.26%	125.52	9.15%
Housing, Water, Electricity, Gas & Fuel	23.63	132.48	130.14	1.80%	125.03	5.96%
Furnishing & Household Equipment Maintenance	4.1	131.28	130.44	0.64%	122.14	7.48%
Health	2.79	143.07	142.09	0.69%	132.85	7.69%
Transport	5.91	138.74	134.75	2.96%	143.65	-3.42%
Communication	2.21	106.98	106.96	0.02%	106.67	0.29%
Recreation & Culture	1.59	121.4	121.01	0.32%	117.3	3.50%
Education	3.79	142.47	142.4	0.05%	141.12	0.96%
Restaurants & Hotels	6.92	134.45	132.6	1.40%	124.54	7.96%
Miscellaneous	4.87	146.11	141.05	3.59%	128.63	13.59%

Consumer Price Index



# Money Market

\* As evident from the graph below, yield curve shifted upwards across all the tenors during the month of August'20. Shift in yield curve was more prominent in medium to longer tenure which on an average shifted by approx. 27bps.

\* In its regular cycle auction, central bank conducted T-bill auctions twice during the month. Participation in both the auctions remained concentrated in 3M followed by 6M and 12M.

T-bill Auction Results			
Date	3M	6M	12M
12-Aug	6.99%	7.18%	7.15%
26-Aug	7.15%	7.18%	7.30%

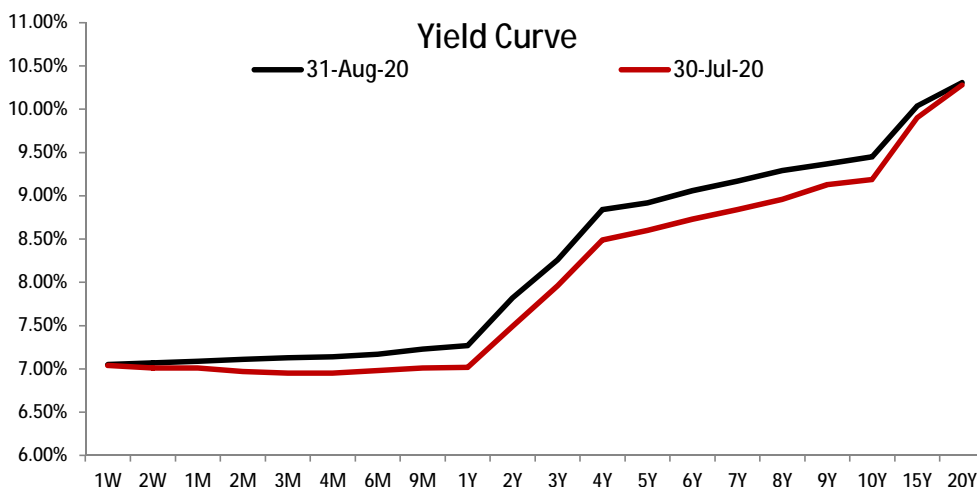
\* In PIB auction held during the month, the central bank received bids worth PKR 108 billion against the target of PKR 140 billion. Cutoff yields across all the tenures inched up with an exception to 10-Y which remain unchanged. Cutoff for 3-Y inched up by 83bps owing to fresh issue with a longer maturity than the previously reopenings.

PIB Auction Results					
Date	3Y	5Y	10Y	15Y	20Y
24-Jun	7.97%	8.37%	8.99%	9.75%	10.51%
22-Jul	7.37%	8.37%	8.99%	9.75%	10.40%
19-Aug	8.20%	8.45%	8.99%	9.98%	10.55%

\* Overnight market remained relatively stable with (close to policy rate) as the central bank managed liquidity with frequent open market operations.

Open Market Operations					
Date	Type	Tenor	Offered	Accepted	Cutoff
03-Aug	Rev-Repo	4	1,134,000	1,100,000	7.02%
06-Aug	Repo	1	30,500	20,000	6.89%
07-Aug	Rev-Repo	10	1,228,000	1,228,000	7.01%
17-Aug	Rev-Repo	4	1,214,900	1,214,900	7.02%
21-Aug	Rev-Repo	10	1,226,800	1,226,800	7.01%
31-Aug	Rev-Repo	7	1,162,650	1,032,650	7.03%

PKR million



# PSX - Continued positive momentum

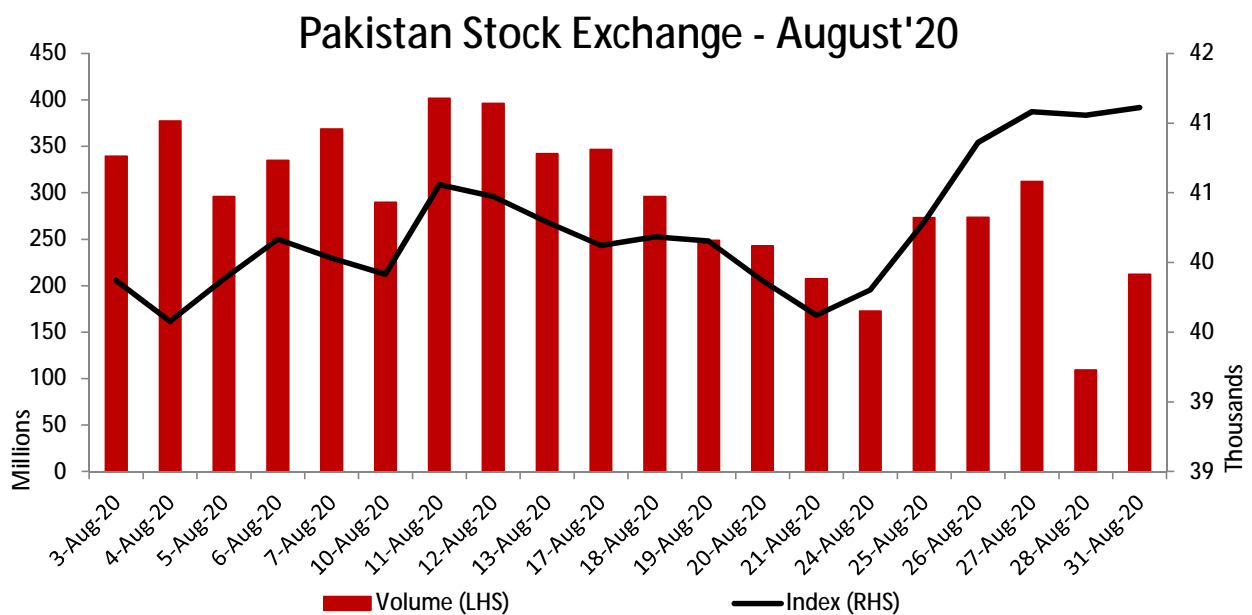
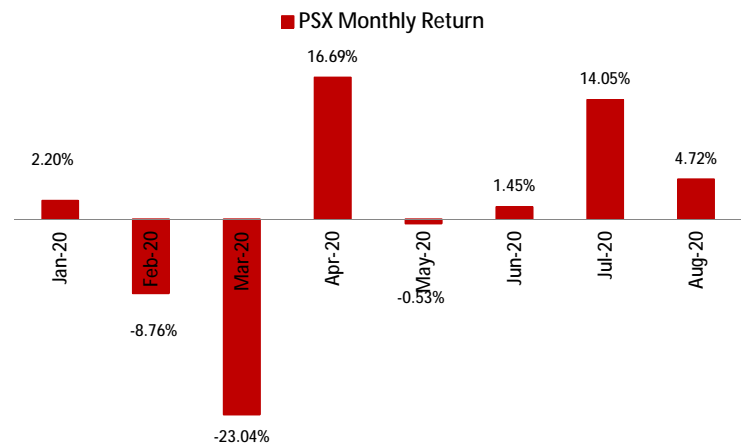
\* During the period under review, KSE-100 maintained its positive momentum and registered a return of 4.72% during the month of August

\* Average trading volume witnessed a rise of 17% on monthly basis to clock in at 292 million shares.

\* Commercial Banks, Cement, Oil & Gas, Textile and Power Generation contributed nearly 69% of total index change

PSX Performance Stats				
Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	41,110.93	17,707.20	65,651.60	28,960.99
Change	1,852.49	637.18	2,543.95	1,401.73
%Change	4.72%	3.73%	4.03%	5.09%

Top 5 Performers		
Company	Sector	Return
COLG	Chemical	41.30%
HASCOL	Oil & Gas Marketing Compa	26.28%
KTML	Textile Composite	25.55%
BNWM	Woollen	24.80%
ABOT	Pharmaceuticals	22.14%



## Current Account - Deficit turned into surplus of USD 424M

\* As per the latest data released by the central bank, current account during the month of July'20 posted a surplus of USD 424 million compared to the deficit of USD 96 million in the preceeding month and deficit of USD 613 in July'19.

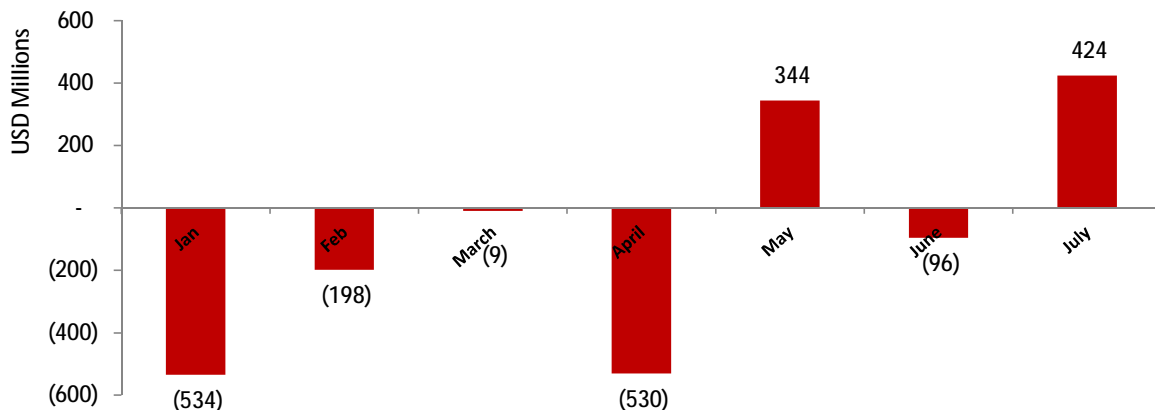
\* Remittance continued to support current account by growing 12% in MoM and 36% in YoY.

\* Trade balance for the month of July clocked in at USD 1.7 billion compared to the USD 1.9 billion in the preceeding month

Balance of Payment					
	Jul-20	Jun-20	MoM	Jul-19	YoY
Export of Goods	1,893	1,580	20%	2,217	-15%
Import of Goods	3,629	3,561	2%	4,185	-13%
Trade Balance	(1,736)	(1,981)	-12%	(1,968)	-12%
Export of Services	436	402	8%	460	-5%
Import of Services	798	634	26%	880	-9%
Service Balance	(362)	(232)	56%	(420)	-14%
Balance on Primary Income	(686)	(657)	4%	(565)	21%
Balance on Secondary Income	3,208	2,774	16%	2,340	37%
Remittance	2,768	2,466	12%	2,028	36%
Current Account Balance	424	(96)		(613)	

USD million

### Current Account Balance



## 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).