C&M Management Pvt. Ltd.

19th March 2024 **DAILY MARKET REVIEW**

ECONOMIC NEWS

- **Summary of Moetary Policy Statement-MPS**
- **Real Sector** Incoming data supports the MPC's earlier expectation of moderate recovery in economic activity in FY24 with real GDP growth to remain in the range of 2% – 3%. In the industrial sector, LSMI, despite a slight decline of 0.5% during 7MFY24 is expected to recover in the coming months due to improved capacity utilization and employment conditions and favorable base effect.
- **External Sector** CA recorded a deficit of $269mn in January 2024. This resulted in a cumulative deficit of $1.1bn during 7MFY24, which is down by around 71% y/y. The MPC noted that the improvement largely owes to narrowing of the trade deficit, driven by both an increase in exports and a decline in imports. Moreover, workers' remittances have been rising consistently on y/y basis since October 2023, supported by incentives and regulatory reforms to channelize inflows via formal channels.
- The MPC assessed that CAD is likely to remain closer to the lower bound of 0.5% to 1.5% of GDP forecast range for FY24, which will support the FX reserves position.
- **Fiscal sector** The latest data on fiscal accounts shows continuing fiscal consolidation. During H1FY24, the primary surplus improved to 1.7% of GDP from 1.1% in the same period last year, while the overall fiscal deficit deteriorated to 2.3% of GDP from 2% in H1FY23.
- **Money and credit** Since the last MPC meeting, as expected, the M2 growth (y/y) has moderated to 16.1% in February 2024 from 17.8% in December. This moderation came from lower growth in NDA of the banking system, owing mainly to a broad-based contraction in PSC and commodity financing operations. The MPC also noted that the growth in reserve money continued to decelerate sharply to 8.2% in February. Moreover, the currency to deposit ratio continued to decline due to the strong growth in bank deposits along with a declining trend in currency in circulation. These trends in monetary aggregates bode well for the inflation outlook.
- **Inflation outlook** The MPC noted that headline inflation registered a broad-based and considerable y/y decline from 28.3% in January to 23.1% in February. While food inflation continued to trend down, core inflation, which had been sticky, also decelerated to 18.1% percent in February from 20.5% in January. The improvement in inflation broadly reflects the combined impact of contractionary monetary policy, fiscal consolidation, better food supplies, moderating global commodity prices and favorable base effect.
- **Conclusion** After analyzing all above economic data, MPC decided to keep the PR at 22.0%.

KEY PAKISTAN STATS & ECONOMIC INDICATORS

Items	Period	Unit	Figure
Foreign Exchange-FX-Reserves			
FX-Reserves-WoW	8-Mar-24	USD bn	13.151
FE-25 Import Financing	Feb, 2024	USD bn	1.46
SBP Forward/Swap Position	Jan, 2024	USD bn	(3.44)
Net International Reserves-NIR (EST)	8-Mar-24	USD bn	(21.65)
Kerb USD/PKR-Buying/Selling Avg. Rate	19-Mar-24	Rs	280.10
Real Effective Exchange Rate-REER	Dec, 2023	Rs	98.86
Net Roshan Digital Account-RDA	Sep 20 to 7MFY24	USD bn	1.23
Consumer Price Index-CPI			
Sensitive Price Index-SPI-WoW	14-Mar-24	bps	327.21
General Head Line CPI-YoY	Feb, 2024	%	23.10
Core CPI-Non Food Non Energy- NFNE-Rural-YoY	Feb, 2024	%	21.90
Core CPI-Non Food Non Energy- NFNE-Urban-YoY	Feb, 2024	%	15.50
Core CPI-20% Weighted Trimmed-Rural-YoY	Feb, 2024	%	21.30
Core CPI-20% Weighted Trimmed-Urban-YoY	Feb, 2024	%	16.00
General Head Line CPI-Rural-YoY	Feb, 2024	%	20.50
General Head Line CPI-Urban-YoY	Feb, 2024	%	24.90
General Head Line CPI-MoM	Feb, 2024	%	1.80
PAK CPI-YoY munus US CPI-YoY	23.10-3.10	%	20.00
Broad Money Supply-M2 Growth:			
M2 Growth-YoY	1 Jul 23 To 1Mar 24	%	3.78
Net Govt. Sector Borrowing	1 Jul 23 To 1Mar 24	Rs trn	3.09
GOVT. Borrowing for budgetary support from SBP	1 Jul 23 To 1Mar 24	Rs trn	3.40
Private Sector Credit-PSC	1 Jul 23 To 1Mar 24	Rs bn	180.66
Govt. Foreign Commercial Banks Borrowing	1HFY24	USD bn	0.00
Policy Rate-PR			
SBP Policy Rate	FY-24 YTD	%	22.00
SBP O/N REPO & Reserve REPO Rate	Floor & Ceiling	%	21.00-23.00
SBP PR minus USD FED Fund Rate	22.00-5.50	%	16.50
1-Year KIBOR minus 1-Year LIBOR	20.59-5.91	%	14.68
FX-Economic Data			
Foreign Direct livestment-FDI	7MFY-24	USD mn	689.50
Home Remittance	8MFY-24	USD bn	18.082
Trade Bal-S/(D)	7MFY-24	USD bn	(13.50)
CAB-S/(D)	7MFY-24	USD mn	(1.09)
Special Convertible Rupee Account-SCRA			
SCRA-Cumulative inflow/(outflow)	July 23 to 24 Feb 24	USD bn	24.16
SCRA-MTB+PIB inflow/(outflow)	July 23 to 24 Feb 24	USD bn	21.74
Govt., Circular Debt & External Liabilities			
Govt. Domestic Debt & Liabilities	As at 31-12-2023	Rs trn	43.20
External Debt	As at 31-12-2023	USD bn	131.159
Central Govt. Debt (Domestic + External)	As at 31-12-2023	Rs trn	65.188

Interbank READY Rates-PKR-Rs		19-Mar-24
Open	278.63	Last Day Close
Close	278.63	278.63

DAILY USD/PKR SWAP YIELDS-%

PERIOD	SWAP	Change in Premiums	Swap Implied PKR Yield
1-Week	0.970	(0.0100)	23.31%
2-Week	1.915	0.0100	23.17%
1-Month	4.000	0.2000	22.34%
2-Month	7.300	0.2500	21.19%
3-Month	10.300	0.4500	20.41%
4-Month	12.250	0.3750	18.88%
5-Month	14.625	0.7500	18.68%
6-Month	16.875	0.5000	17.75%
9-Month	22.000	0.5000	16.79%
1-Year	26.500	0.5000	15.30%

MONEY Market-MM Over-Night-O/N Rates-%		19-Mar-24
Open	22.25	Last Day Close-LDC
High	22.90	
Low	21.90	22.50
Close	22.10	

KIBOR AND PKRV RATES (%)		18-Mar-24
Tenor	KIBOR-%	PKRV Rates-%
1-M	21.45	21.03
3-M	21.00	20.96
6-M	20.99	20.99
12-M	20.42	20.35

Pakistan Investment Bonds-PIB's

Period	14-Mar-24	19-Mar-24	
	Cut Off Yields-%	Bid-%	Ask-%
3-Yrs	16.7800	16.85	16.70
5-Yrs	15.4899	15.55	15.35
10-Yrs	14.3500	14.40	14.00
15-yrs*	-	14.10	
20-yrs*	-	14.02	

Market Treasury Bills-MTB

Tenor	7-Mar-24	19-Mar-24	
	Cut Off Yields-%	Bid-%	Ask-%
3-M	21.4002	21.30	21.20
6-M	20.3949	21.20	21.00
12-M	20.2998	20.50	20.15

Note: * The secondary yields for 15 & 20-yrs Bonds are not available, so instead of leaving it blank, we inputed PKRV Rates.

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