

15th September 2023

DAILY MARKET REVIEW

KEY PAKISTAN STATS & ECONOMIC INDICATORS			
Items	Period	Unit	Figure
Foreign Exchange-FX-Reserves			
FX-Reserves-WoW	8-Sep-23	USD bn	13.079
FE-25 Import Financing	July, 2023	USD bn	1.44
SBP Forward/Swap Position	July, 2023	USD bn	(4.58)
Net International Reserves-NIR (EST)	8-Sep-23	USD bn	(27.15)
Kerb USD/PKR- Buying/Selling Avg. Rate	15-Sep-23	Rs	299.00
Real Effective Exchange Rate-REER	July, 2023	Rs	91.59
Net Roshan Digital Account-RDA	Sep 20 to 1MFY24	USD bn	1.13
Consumer Price Index-CPI			
Sensitive Price Index-SPI-WoW	31-Aug-23	bps	277.21
CPI (YoY)	August, 2023	%	27.40
CPI- (MoM)	August, 2023	%	1.70
CPI-Urban-YoY	August, 2023	%	25.00
CPI-Rural-YoY	August, 2023	%	30.90
PAK CPI-YoY minus US CPI-YoY	27.40%-3.20%	%	24.20
Broad Money Supply-M2 Growth:			
M2 Growth-YoY	1 Jul 23 To 1 Sep 23	%	(1.79)
Net Govt. Sector Borrowing	1 Jul 23 To 1 Sep 23	Rs bn	642.61
GOVT. Borrowing for budgetary support from SBP	1 Jul 23 To 1 Sep 23	Rs bn	811.01
Private Sector Credit-PSC	1 Jul 23 To 1 Sep 23	Rs bn	(222.84)
Govt. Foreign Commercial Banks Borrowing	1MFY24	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	24.54-6.04%	%	18.50
FX-Economic Data			
Foreign Direct Investment-FDI	1MFY-24	USD bn	87.70
Home Remittance	2MFY-24	USD bn	2.092
Trade Bal-S/(D)	1MFY-24	USD bn	(2.38)
CAB-S/(D)	1MFY-24	USD bn	(809.00)
Special Convertible Rupee Account-SCRA			
SCRA-Cumulative inflow/(outflow)	July 23 till date	USD bn	24.58
SCRA-MTB+PIB inflow/(outflow)	July 23 till date	USD bn	4.60
Govt., Circular Debt & External Liabilities			
Govt. Domestic Debt & Liabilities	As at 30-6-2023	Rs trn	39.65
External Debt	As at 30-6-2023	USD bn	124.296
Central Govt. Debt (Domestic + External)	As at 30-6-2023	Rs trn	60.839

ECONOMIC-NEWS:

- ✓ **Summary of Monetary Policy Statement-MPS**
- ✓ **Real sector:** The latest available high-frequency indicators depict some improvement in economic activity. There is moderate pick-up in sales of key inputs, like POL, fertilizer and cement, along with slight increase in import volumes. At the same time, with better input conditions and latest updates, the MPC noted that the outlook of the agriculture sector has improved.
- ✓ **External sector:** The CAB recorded a deficit of \$809mn in July 2023 after posting surpluses in the preceding 4-months. This was largely in line with the earlier full-year CA projection for FY24, which already took into a/c the withdrawal of import prioritization guidelines and the resultant pick-up in import volumes. Nonetheless, the MPC views that overall imports are expected to remain in check, supported by the favorable trend in non-oil commodity prices, moderate domestic demand and improved cotton production.
- ✓ **Fiscal sector:** In the initial 2-months of FY24, FBR's revenues recorded a 27.2% increase over the same period last year. This improvement reflects the impact of both fiscal measures and some recovery in economic activity. The MPC views that achieving the targeted primary surplus of 0.4% of GDP is critical to support monetary policy in delivering on its objective of price stability.
- ✓ **Money and credit:** Latest data as of Sep 1st shows that M2-growth has decelerated to 13.6% on y/y basis from 14.2% observed at end-June 2023, primarily driven by a significant slowdown in PSC. Similar to M2, growth in RM has also decelerated in FY24 so far. This trend mainly reflects the significant reduction in currency in circulation.
- ✓ **Inflation outlook:** National CPI inflation decelerated to 27.4% in August on y/y basis from 28.3% in July, with moderation in food inflation. However, the decline in inflation was lower than anticipated largely due to the surge in global oil prices and their pass-through to administered energy prices. Also, as per latest surveys, near-term inflation expectations of both consumers and businesses have reversed from their earlier declining trend. The Committee noted that these results partly reflect the impact of heightened uncertainty in the FX-markets – particularly in the open market—at the time these surveys were conducted. In this context, the MPC noted the recent regulatory and law-enforcement measures will help address supply constraints in commodity and illegal activity in FX markets.
- ✓ The MPC also noted that inflation is likely to increase significantly in September mainly due to base effect and the adjustment in energy prices. It is expected that inflation will subsequently decline in October and maintain its downward trajectory from thereon.
- ✓ **Conclusion:** After analyzing all above economic indicators, MPC decided to keep the PR unchanged at 22.00%.

ECONOMIC-DATA:

- ✓ **Pakistan Investment Bonds-PIB When-Issue Yields-%**

Date 15-Sep-23		
Pakistan Investment Bonds-PIB When-Issue Yields-%		
Period	When-Issue Yield-%	
	Bid	Ask
3-Yrs	21.00	20.65
5-Yrs	-	-
10-Yrs	-	-

Interbank READY Rates- PKR-Rs 15-Sep-23			
Open	297.20	Last Day Close-LDC	
High	297.20		
Low	296.90	297.96	
Close	296.90		
DAILY USD/PKR SWAP YIELDS-%			
PERIOD	SWAP	Change in Premiums	Swap Implied PKR Yield
1-Week	0.8350	(0.0731)	19.82%
2-Week	1.4650	(0.2479)	18.12%
1-Month	4.8000	0.8168	24.48%
2-Month	7.1250	(0.6346)	19.92%
3-Month	10.5500	(1.2549)	19.92%
4-Month	14.7000	(1.1964)	20.44%
5-Month	18.2000	(1.9037)	20.45%
6-Month	21.7500	(1.7655)	20.67%
9-Month	25.0000	(2.0918)	17.18%
1-Year	28.0000	(2.4518)	15.40%
MONEY Market-MM Over-Night-O/N Rates-% 15-Sep-23			
Open	21.25	Last Day Close-LDC	
High	21.25		
Low	21.05	21.75	
Close	21.10		
KIBOR AND PKRV RATES (%) 14-Sep-23			
Tenor	KIBOR-%	PKRV Rates-%	
1-M	22.89	22.92	
3-M	23.79	23.78	
6-M	24.43	24.30	
12-M	24.54	24.43	
Pakistan Investment Bonds-PIB's			
Period	3-Aug-23	15-Sep-23	
	Cut Off Yields-%	Bid-%	Ask-%
3-Yrs	19.3499	21.00	20.55
5-Yrs	15.9500	18.25	17.50
10-Yrs-Fixed	12.9500	17.00	16.00
15-yrs*	-	15.54	
20-yrs*	-	15.54	
Market Treasury Bills-MTB			
Tenor	24-Aug-23	15-Sep-23	
	Cut Off Yields-%	Bid-%	Ask-%
3-M	24.4999	22.60	22.40
6-M	24.7870	24.30	
12-M	25.0687	24.43	
Note: * The secondary yields for 6 & 12-months & 10, 15 & 20-years Bonds are not available, so instead of leaving it blank, we inputted PKRV Rates.			