

22nd NOVEMBER 2021
DAILY MARKET REVIEW

KEY PAKISTAN STATS & ECONOMIC INDICATORS				
Items	Period	Unit	Figure	
Gross Domestic Product-GDP				
GDP	1QFY-20/21	USD bn	81.995	
Foreign Exchange-FX-Reserves				
FX-Reserves-WoW	12-Nov-21	USD bn	23.55	
FE-25 Import Financing	September, 2021	USD mn	708	
SBP Forward/Swap Position	30-Sep-21	USD bn	(4.870)	
Net International Reserves-NIR (EST)	12-Nov-21	USD bn	(6.937)	
Kerb USD/PKR	18-Nov-21	Bid/Ask	176.00/177.50	
Real Effective Exchange Rate-REER	September, 2021	Rs	95.86	
Consumer Price Index-CPI				
Sensitive Price Index-SPI-WoW	11-Nov-21	bps	167.50	
CPI (YoY)	Oct, 2021	%	9.20	
CPI (MoM)	Oct, 2021	%	1.90	
CPI-Urban-YoY	Oct, 2021	%	9.60	
CPI-Rural-YoY	Oct, 2021	%	8.70	
PAK CPI-YoY minus US CPI-YoY	9.20%-5.40%	%	3.80	
M2 Growth				
M2 Growth-YoY	1 July 21 To 22-Oct 21	%	-1.68%	
Net Govt. Sector Borrowing	1 July 21 To 22-Oct 21	Rs mn	(69.20)	
GOVT. Borrowing for budgetary support from SBP	1 July 21 To 22-Oct 21	Rs bn	(78.67)	
Credit to Private Sector-YoY	1 July 21 To 22-Oct 21	Rs bn	226.52	
Govt. Foreign Commercial Banks Borrowing	1QFY-21/22	USD mn	457.54	
Policy Rate				
SBP Policy Rate	FY-21/22 YTD	%	7.25	
SBP O/N REPO & Reserve REPO Rate	Floor & Ceiling	%	6.25-8.25	
SBP Policy Rate minus USD FED Fund Rate	7.25%-0.25%	%	7.00	
1-Year KIBOR minus 1-Year LIBOR	8.99%-0.33%	%	8.66	
FX-Economic Data				
Foreign Direct Investment-FDI	4MFY-21/22	USD mn	662.10	
Home Remittance	4MFY-21/22	USD bn	10.562	
Trade Bal-S/D	4MFY-21/22	USD bn	(14.845)	
CAB-S/(D)	4MFY-21/22	USD bn	(5.08)	
CAB-S/(D) % of GDP	4MFY-21/22	%	(4.70)	
Government, Circular Debt & External Liabilities				
Government Domestic Debt & Liabilities	As at 30-6-2021	Rs trn	15.90	
External Debt	As at 30-6-2021	USD bn	95.177	
Central Debt	As at 31-5-2021	Rs trn	26.065	

ECONOMIC-NEWS:

- ✓ **Pakistan, IMF agrees on measures to revive stalled program:** Today, IMF issued the statement. According to a statement Pakistan and the IMF have reached a staff-level agreement on taking needed steps for completion of pending 6th review of the economy, laying the foundation for approval of new legislation by the Parliament to secure the loan of slightly over \$1bn.
- ✓ The statement suggests that Pakistan is still only halfway to securing the \$1bn loan, as the IMF's Executive Board approval is formally linked with the implementation of pre-conditions, already spelt out by Finance Adviser and also underscored by the IMF in the handout.
- ✓ Pakistan will be required to introduce a mini-budget to meet another condition on achieving primary surplus-which means revenues have to be more than the expenditures after paying interest on the loans.
- ✓ **Highlight of Monetary Policy Statement-MPS:** The heightened risks related to inflation and BOP stem from both global and domestic factors. Across the world, price pressures from COVID-induced disruptions to supply chains and higher energy prices are proving to be larger and longer-lasting than previously anticipated. In response, central banks have generally begun to tighten monetary policy to keep inflation expectations anchored.
- ✓ In Pakistan too, high import prices have contributed to higher-than-expected CPI, SPI, and core inflation outturns. At the same time, there are also emerging signs of demand-side pressures on inflation and inflation expectations of businesses have risen on account of further upside risks from domestic administered prices.
- ✓ LSM registered broad-based growth of 5.2% (y/y) in Q1-FY22, led by production of consumer goods (both durable and non-durable). Looking ahead, rising input costs and normalization of macroeconomic policies are likely to lead to some moderation in the growth of industrial activity.
- ✓ Nevertheless, this could be more than offset by the improved outlook for agriculture, such that risks to the growth forecast of 4%-5% in FY22 are tilted to the upside.
- ✓ Persistently high international commodity prices and strong domestic activity kept the CAD elevated at \$3.4bn in Q1-FY22. The deficit widened to \$1.66bn in October from \$1.13bn in September due to high energy prices and an uptick in services imports, despite some moderation in non-energy imports. There was also a moderate MoM decline in exports and remittances. The CAD for FY22 is expected to modestly exceed the previous forecast of 2%-3% of GDP.
- ✓ The rupee has depreciated by a further 3.4% since the last MPC meeting
- ✓ The over-all fiscal deficit improved to 0.8% of GDP in Q1-FY22 from 1% in the same period last year. This was driven by above-target growth in FBR tax revenues (38.3%(y/y)) despite higher refunds and significant reduction in the STR on POL
- ✓ A higher-than-planned primary fiscal deficit would likely worsen the outlook for inflation and the CAD and would undermine the durability of the recovery.
- ✓ Inflationary pressures have increased considerably since the last MPC meeting, with headline inflation rising from 8.4% (y/y) in August to 9% in September and further to 9.2% in October, mainly driven by higher energy costs and a rise in core inflation. The momentum of inflation has also picked up significantly, with average MoM inflation in the last 2-months at an elevated 2%.
- ✓ Looking ahead, global commodity prices and potential further upward adjustments in administered prices of energy pose upside risks to the average inflation forecast of 7%-9% percent in FY22.
- ✓ After considered above key macro-economic trends, the MPC decided to raise the PR by 150bps or 1.50% from 7.25% to 8.75%.

ECONOMIC DATA RELEASED DURING THE LAST 24-HOURS					
Date	Event	Impact	Actual	Forecast	Previous
18/11/2021	SBP Monetary Policy Decision	HIGH	8.75%	8.75%	7.25%

ECONOMIC-DATA:

- ✓ **Open Market Operation-OMO Result:**

Open Market Operation-OMO Result				
Tenor	Type	PKR-Rs in bn		Rate-%
		Bid Amount	Accepted Amount	
4	Injection	1958.45	1800.10	8.90

READY Rates-PKR-Rs				22-Nov-21	
Open	173.75			Last Day Close-LDC	175.20
High	175.00				
Low	172.75				
Close	174.70				
DAILY USD/PKR SWAP YIELDS-%					
PERIOD	SWAP	Change in Premiums	Swap Implied PKR Yield		
1-Week	(0.0050)	-	-0.08%		
2-Week	0.0150	-	0.30%		
1-Month	0.3550	(0.0200)	2.33%		
2-Month	1.3950	0.0450	4.89%		
3-Month	2.6500	0.1500	6.15%		
4-Month	3.7500	0.1500	6.46%		
5-Month	4.9500	0.2500	6.92%		
6-Month	6.2250	0.3750	7.25%		
9-Month	10.1500	0.9000	8.17%		
1-Year	13.5000	0.7500	8.06%		
MONEY Market-MM Rates-%				22-Nov-21	
Open	8.75			Last Day Close-LDC	8.25
High	9.30				
Low	8.80				
Close	9.25				
KIBOR AND PKRV RATE (%)			22-Nov-21		
Tenor	KIBOR-%	PKRV Rates-%			
1-M	8.98	7.54			
3-M	9.49	8.50			
6-M	9.78	8.86			
12-M	10.31	9.45			
Pakistan Investment Bonds-PIB					
Period	28-Oct-21		22-Nov-21		
	Cut Off Yields-%	Bid-%	Ask-%		
2-Yrs	-	11.20	11.10		
3-Yrs	8.8800	11.35	11.25		
5-Yrs	9.1800	11.35	11.30		
10-Yrs-Fixed	9.8300	11.90	11.80		
Floating	8.6909	102	101.75		
15-yrs*	10.4000	11.16			
20-yrs*	10.5600	11.26			
Market Treasury Bills-MTB					
Tenor	17-Nov-21		22-Nov-21		
	Cut Off Yields-%	Bid-%	Ask-%		
3-M	8.5003	9.75	9.65		
6-M	8.5010	10.10	10.00		
12-M	7.6000	10.40	10.30		
Note: * The secondary yields for 15 & 20-years Bonds are not available, so instead of leaving it blank, we inputted PKRV Rates.					