

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review - August 2021



August'21 - Inflation clocked in at 8.35% YoY

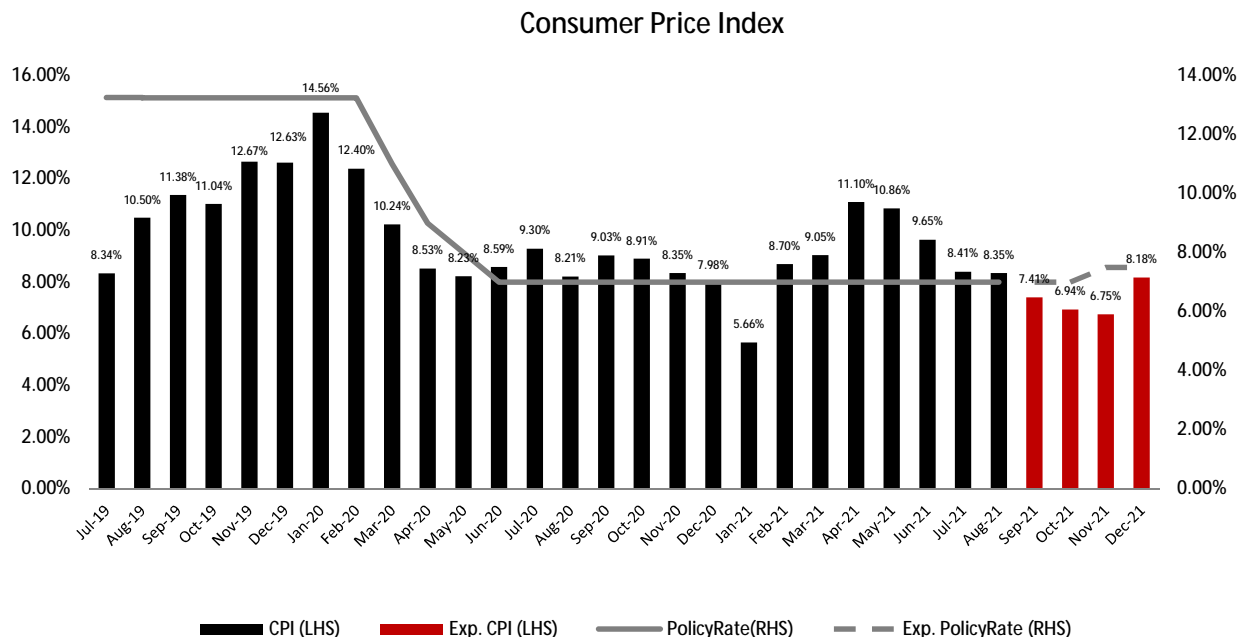
Headline inflation for the month of August'21 clocked in at 8.35% inline with market consensus. On sequential basis, inflation surged to 0.58% MoM. Average inflation for 2MFY22 clocked in at 8.38% YoY.

On monthly basis, headline inflation increased by 0.58%, food and non-alcoholic beverages contributed the most which increased by 0.70% MoM (inflation basket weight 34.58%) due to rise in both perishable and non-perishable items. Among others, notable increase of 0.67% was witnessed in HRI index which constitutes second highest weight of 23.63% in index.

Core inflation on the other hand declined to 6.26% compared to 6.90% in the preceding month.

Going forward, despite high base effect rise in international oil and commodity prices coupled with expectation of electricity tariff hike will exert pressure on inflation basket and thus remains the key risk in our inflation forecast.

Consumer Price Index	Weight %	Aug-21	Jul-21	MoM%	Aug-20	YoY%
General	100.00	147.61	146.76	0.58%	136.23	8.35%
Food & Non-alcoholic Bev.	34.58	152.71	151.65	0.70%	138.87	9.97%
Non-perishable Food Items	29.6	153.89	153.27	0.40%	138.53	11.09%
Perishable Food Items	4.99	145.68	142.01	2.58%	140.92	3.38%
Alcoholic Bev. & Tobacco	1.02	144.69	144.69	0.00%	141.69	2.12%
Clothing & Footwear	8.6	149.8	149.6	0.13%	137.01	9.34%
Housing, Water, Electricity, Gas & Fuel	23.63	143.03	142.08	0.67%	132.48	7.96%
Furnishing & Household Equipment Maintenance	4.1	143.92	143.21	0.50%	131.28	9.63%
Health	2.79	155.18	154.33	0.55%	143.07	8.46%
Transport	5.91	149.96	148.88	0.73%	138.74	8.09%
Communication	2.21	109.96	109.94	0.02%	106.98	2.79%
Recreation & Culture	1.59	129.15	128.17	0.76%	121.4	6.38%
Education	3.79	146.65	145.3	0.93%	142.47	2.93%
Restaurants & Hotels	6.92	144.32	143.85	0.33%	134.45	7.34%
Miscellaneous	4.87	154.76	154.26	0.32%	146.11	5.92%



Money Market

During the period under review, yields in the medium tenure declined as much as 30bps which is evident from the graph as well. Activity in the secondary market remained concentrated in shorter to medium term. 7-Days Open market injection rate has increased from 7.06% (as of 1st week of July) to 7.10%. Overnight market on the other hand remained mostly tight and traded in the range of 7.20% to 7.50% as uncertainty hinges on back of weak currency, expanding current account deficit and expectation of hawkish stance in upcoming monetary policy. Central bank conducted T-bill auction twice during the month with majority of participation skewed towards 6M followed by 3M with negligible to no participation in 12M. As opposed to previous auctions approx 70% of total participation was witnessed in 6M. Cutoffs of 3M was largely maintained at 7.24% whereas 6M was dropped to 7.43%

T-bill Auction Results

Date	3M	6M	12M
29-Jul	7.2401%	7.5185%	Rejected
12-Aug	7.2401%	7.4851%	Rejected
26-Aug	7.2347%	7.4389%	Rejected

In its regular cycle fixed rate bond auctions, central bank received bids worth PKR 416 billion against the target of PKR 150 billion. Auction witnessed total participatio of PKR 416 billion in 3Y, 5Y, 10Y & 15Y out of which central bank accepted PKR 81 billion in 3Y, PKR 34 billion in 5Y, PKR 5 billion in 10Y and PKR 40 billion in 15Y at the cutoff rate of 8.88%, 9.19%, 9.83% and 10.40% in 3Y, 5Y, 10Y and 15Y respectively.

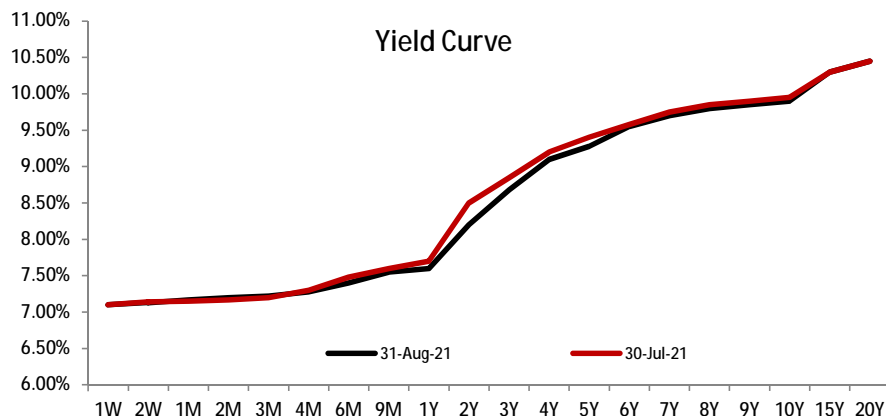
PIB Auction Results

Date	3Y	5Y	10Y	15Y	20Y
09-Jun	8.6900%	9.2000%	9.8390%	No Bids	No Bids
07-Jul	8.6900%	9.1980%	Rejected	10.4000%	No Bids
04-Aug	8.8800%	9.1980%	9.8390%	10.4000%	No Bids

Frequent mop-ups and liquidity injections were conducted by the central bank in order to keep the overnight market relatively

Open Market Operations (PKR million)

Date	Type	Tenor	Offered	Accepted	Cutoff
03-Aug	Injection	3	269,000	155,000	7.15%
05-Aug	Injection	1	222,100	110,000	7.21%
06-Aug	Injection	7	2,596,350	2,476,350	7.09%
13-Aug	Injection	7	2,324,350	2,250,050	7.09%
17-Aug	Injection	3	75,000	58,000	7.16%
20-Aug	Injection	7	2,255,100	2,200,000	7.09%
27-Aug	Injection	7	2,045,750	1,950,000	7.08%

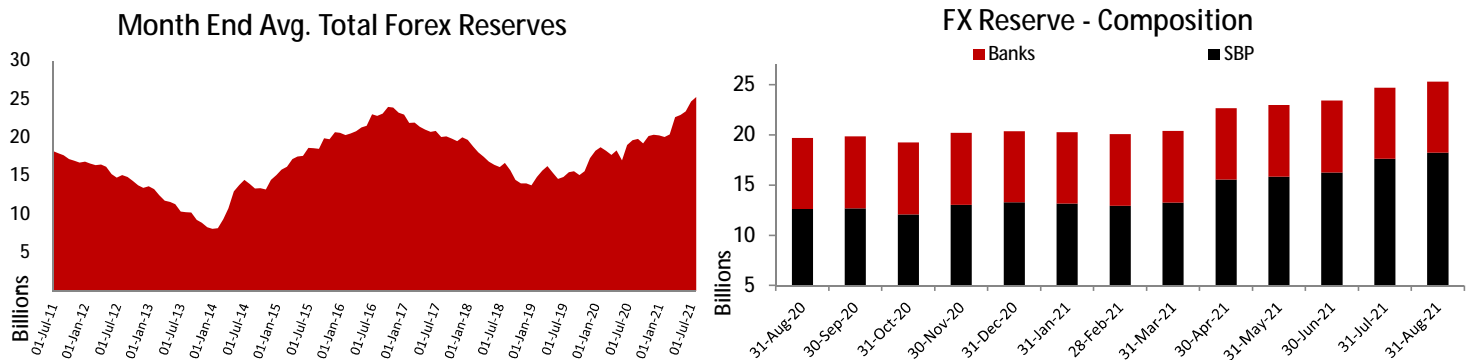


Forex Reserves - Import cover @ 3.7x

As per the latest data released by the central bank, country forex reserves as of last week of August'21 stood at USD 27.2 billion compared to USD 24.7 billion in the last week of preceding month.

On Monthly basis total forex reserves increased by USD 2.3 billion an increase of 10% compared to the previous month; however on yearly basis total forex reserves increased by approx. USD 7 billion increase of 37%.

Reserves held by the central bank stood at USD 20 billion comfortably covering the import bill by international benchmark of 3

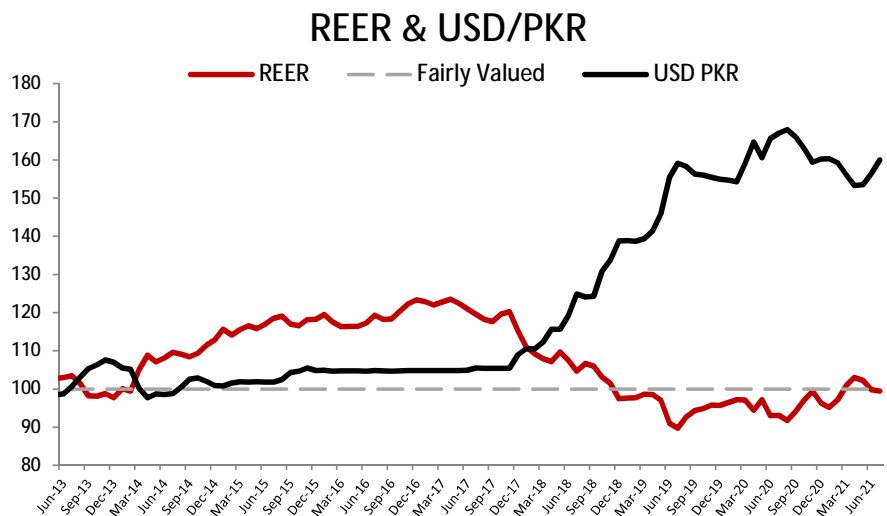


Exchange Rate

As per the latest data released by the central bank, Pak Rupee 25-currency basket REER (for the month of July'21) stands at 99.4224 compared to 99.8145 in June'21.

During the month of August'21 PKR depreciated by approx 3% from USD/PKR avg. of 164.4 to 167. To recall, PKR has lost ground against USD since June'21 and has lost approximately 9% since then; reasons of which can be attributed to appreciation of US Dollar index (DXY) by approx. 3% during the same period and flight of safety from rapidly escalating geo-political situation in Afghanistan.

Month	REER	PKR USD
Jun-20	93.0417	165.59
Jul-20	93.1023	167.03
Aug-20	91.7888	167.98
Sep-20	94.1174	166.06
Oct-20	97.1128	162.93
Nov-20	99.3417	159.39
Dec-20	96.3266	160.28
Jan-21	95.1638	160.36
Feb-21	97.2192	159.27
Mar-21	100.8229	156.11
Apr-21	102.9503	153.32
May-21	102.2189	153.53
Jun-21	99.8145	156.44
Jul-21	99.4224	159.96



Note: REER only captures inflation differentials and trade competitiveness among the basket of currencies, whereas quantum of FX flows also contributes towards the determination of market determined exchange rate which is not captured by REER.

Current Account- Deficit declines to USD 773 Mn in July'21

According to the data released by the central bank, current account deficit for the month of July'21 clocked in at USD 773Mn against surplus of USD 583 Mn in the SPLFY.

On monthly basis deficit declined by USD 846 Mn primarily due to improvement in trade balance which declined 18% MoM, however on yearly basis current account flipped from surplus to deficit on the back of higher import bill reasons of which can be attributed to resumption of economic activity post covid lockdowns.

Remittance on other hand maintained their momentum and registered a growth of 1% MoM; however going forward as the world economies opens up and travel restrictions are lifted experts are skeptical on the continued momentum of remittances from expats. To recall, remittances were up by 27% YoY to USD 29.4 billion during FY21 as the strong momentum of inflows continued to take cumulative figure to an unprecedented level.

Balance of Payment					
	Jul-21	Jun-21	MoM	Jul-20	YoY
Export of Goods	2,257	2,499	-10%	1,885	20%
Import of Goods	5,396	6,332	-15%	3,557	52%
Trade Balance	(3,139)	(3,833)	-18%	(1,672)	88%
Export of Services	483	565	-15%	454	6%
Import of Services	715	799	-11%	769	-7%
Service Balance	(232)	(234)	-1%	(315)	-26%
Balance on Primary Income	(273)	(396)	-31%	(697)	-61%
Balance on Secondary Income	2,871	2,844	1%	3,267	-12%
Remittance	2,707	2,688	1%	2,764	-2%
Current Account Balance	(773)	(1,619)	-52%	583	
Current Account % of GDP	-2.76%	-6.37%		2.45%	

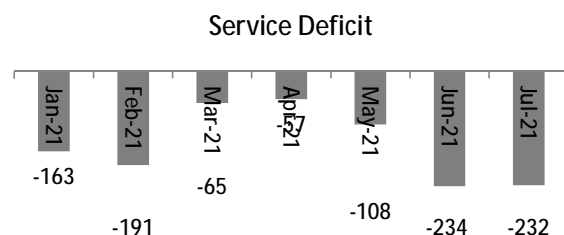
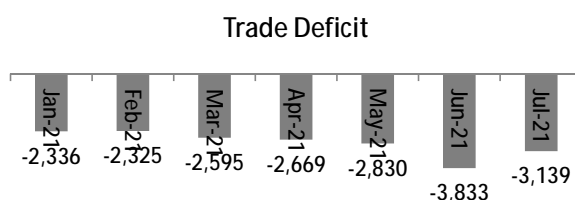
USD million

Import of Goods and Commodities			
	Jul-21	Jun-21	MoM
Total Imports	5,396,012	6,331,953	-15%
Food	587,574	680,569	-14%
Machinery	765,135	966,170	-21%
Transport	334,411	297,669	12%
Petroleum	1,037,322	1,223,348	-15%
Textile	434,137	446,081	-3%
Agri & Other Ch	788,032	905,370	-13%
Metal	420,798	471,810	-11%
Miscellaneous	87,154	96,955	-10%
All others	537,704	980,405	-45%

USD Thousands

Export of Goods and Commodities			
	Jun-21	Jun-21	MoM
Total Exports	2,257,042	2,499,042	-10%
Food	310,114	397,442	-22%
Textile	1,357,316	1,459,256	-7%
Petroleum	10,607	25,502	-58%
Other manufactures	338,602	361,095	-6%
All others	184,641	219,384	-16%

USD Thousands



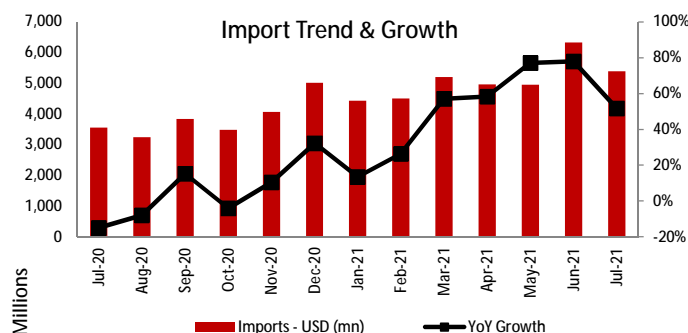
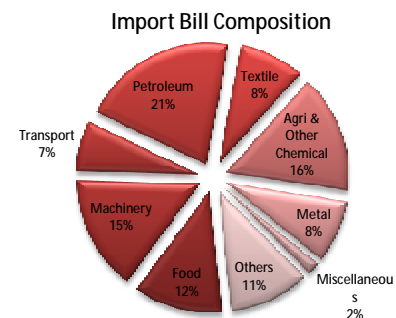
Current Account - Import

As per the latest data released by the central bank, import of goods and commodities amounted to USD 5.3 billion compared to USD 6.3 billion decline of 15% on monthly basis. Interestingly, this month import from Other Segment declined by 45% (no breakdown provided by the central bank) contributed the most in sequential decline in import bill. Each segment of import group registered a decline except Transport which increased by 12% on monthly basis and 154% on Yearly basis. Imports from China during the month clocked in at USD 1.3 billion which is 26% of the entire import bill for the month of July, followed by Dubai and Singapore & Saudi Arabia, cumulatively these four countries accounted to 46% of the total import bill.

Import of Goods and Commodities					
	Jul-21	Jun-21	MoM	Jul-20	YoY
Total Imports	5,396,012	6,331,953	-15%	3,557,005	52%
Food	587,574	680,569	-14%	488,641	20%
Palm Oil	241,734	250,881	-4%	171,142	41%
Pulses	64,752	78,963	-18%	45,182	43%
Tea	37,185	44,458	-16%	48,031	-23%
Machinery	765,135	966,170	-21%	732,608	4%
Telecom	181,424	244,870	-26%	231,271	-22%
Electrical Apparatus	143,801	153,750	-6%	119,982	20%
Textile Machinery	95,457	139,285	-31%	40,407	136%
Transport	334,411	297,669	12%	131,403	154%
Completely Knock Down (CKD)	160,955	174,937	-8%	59,766	169%
Completely Built Unit (CBU)	74,524	53,889	38%	9,540	681%
Petroleum	1,037,322	1,223,348	-15%	555,511	87%
Petroleum Crude	335,847	408,650	-18%	125,565	167%
Petroleum Products	519,241	535,387	-3%	313,941	65%
Textile	434,137	446,081	-3%	246,958	76%
Raw Cotton	125,019	149,688	-16%	84,476	48%
Agri & Other Chemical	788,032	905,370	-13%	596,949	32%
Plastic Materials	225,367	237,647	-5%	153,426	47%
Metal	420,798	471,810	-11%	316,279	33%
Iron & Steel	229,117	259,287	-12%	122,592	87%
Iron & Steel Scrap	119,229	121,590	-2%	140,729	-15%
Miscellaneous	87,154	96,955	-10%	80,989	8%
All others	537,704	980,405	-45%	419,071	28%

USD Thousands

Import Payment From Top 10 Countries					
Country	% of Total Import		Imports (Mn USD)		
	Jul-21	Jun-21	Jul-21	Jun-21	%
China	26.28%	30.36%	1,312	1,845	-29%
Dubai	8.01%	9.62%	400	583	-31%
Saudi Arabia	5.88%	4.67%	294	283	4%
Singapore	5.88%	5.73%	293	348	-16%
U.S.A	4.63%	4.08%	231	247	-6%
Japan	3.64%	2.06%	182	125	46%
Qatar	2.51%	3.21%	125	195	-36%
South Korea	3.31%	2.18%	165	132	25%
Indonesia	3.27%	2.71%	163	164	-1%
South Africa	1.95%	1.98%	97	120	-19%



Current Account - Exports

As per the latest data released by the central bank, exports for the month of July'21 clocked in at USD 2.2 billion compared to USD 2.4 billion, however on yearly basis total exports registered an increase of 20%. Each segment within the export group registered a decline on monthly basis.

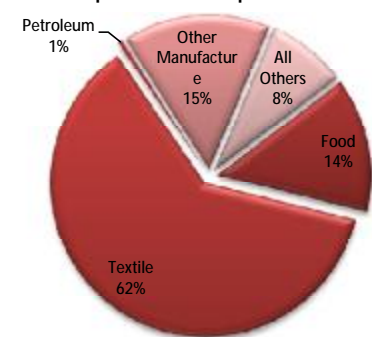
USA and China remained the preferred countries for exporters; these two countries combined resulted in 30% of total export receipts. On going instability in Afghanistan resulted in 56% decline in exports, moreover exports to China and United States fell by 21% and 9% respectively.

Export of Goods and Commodities					
	Jul-21	Jun-21	MoM	Jul-20	YoY
Total Exports	2,257,042	2,499,042	-10%	1,885,000	20%
Food	310,114	397,442	-22%	335,986	-8%
<i>Rice</i>	123,842	192,530	-36%	166,689	-26%
<i>Fish</i>	24,417	34,605	-29%	36,453	-33%
Textile	1,357,316	1,459,256	-7%	990,289	37%
<i>Knitwear</i>	330,972	349,742	-5%	226,248	46%
<i>Readymade Garments</i>	258,431	288,300	-10%	182,293	42%
<i>Bed Wear</i>	250,646	242,430	3%	174,918	43%
Petroleum	10,607	25,502	-58%	20,843	-49%
<i>Solid Fuel</i>	6,365	17,603	-64%	17,002	-
<i>Petroleum Crude</i>	-	-	-	1,756	-100%
Other manufactures	338,602	361,095	-6%	295,958	14%
<i>Chemical & Pharma</i>	120,114	116,741	3%	85,590	40%
<i>Engineering Goods</i>	16,028	25,720	-38%	19,166	-16%
<i>Leather</i>	55,851	54,350	3%	43,566	28%
All others	184,641	219,384	-16%	126,737	46%

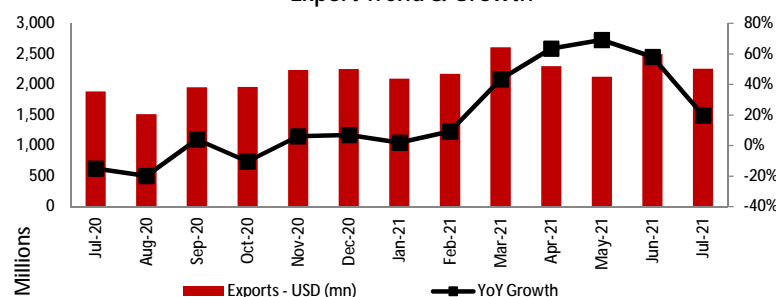
USD Thousands

Export Receipt From Top 10 Countries					
Country	% of Total Export		Exports ('Mn USD)		
	Jul-21	Jun-21	Jul-21	Jun-21	%
U.S.A	22.86%	22.56%	503	556	-9.53%
China	7.53%	8.57%	166	211	-21.33%
U.K	8.19%	7.59%	180	187	-3.74%
Germany	5.86%	5.90%	129	145	-11.03%
Dubai	4.35%	4.80%	96	118	-18.64%
Holland	4.40%	4.39%	97	108	-10.19%
Afghanistan	1.75%	3.57%	39	88	-55.68%
Spain	3.18%	2.68%	70	66	6.06%
Italy	4.09%	3.04%	90	75	20.00%
Bangladesh	2.32%	2.59%	51	64	-20.31%

Composition of Exports of Goods



Export Trend & Growth



Workers remittance

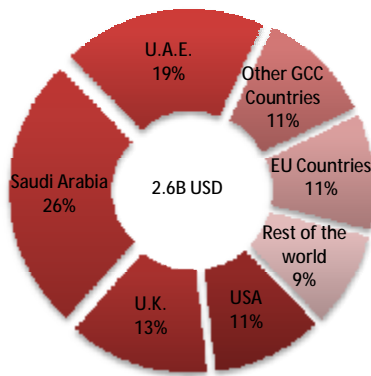
Workers remittance for the month of August'21 clocked in at USD 2.6 billion compared to USD 2.7 billion in the preceding month. Overall inflows for the month of August'21 were down by 2% MoM and up by 27% YoY. On yearly basis, remittances from EU and USA posted a significant increase of 75% and 38% respectively.

Combined efforts from central bank and GOP played a crucial role in boosting documented inflows coupled with travel restrictions; however as the world economics open up and travel restrictions are lifted experts are skeptical of the continued momentum and the yearly growth might be restricted to single digit only.

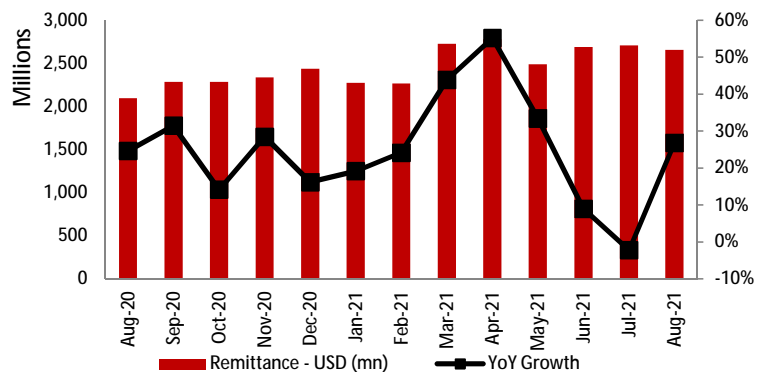
Major Countries/Region wise Remittances					
	Aug-21	Jul-21	MoM	Aug-20	YoY
Cumulative	2,657.50	2,707.17	-2%	2,095.24	27%
USA	279.21	311.81	-10%	201.64	38%
U.K.	352.77	392.89	-10%	302.27	17%
Saudi Arabia	694.19	640.78	8%	593.11	17%
U.A.E.	512.28	530.64	-3%	409.61	25%
Other GCC Countries	289.19	293.81	-2%	226.09	28%
EU Countries	291.82	298.20	-2%	166.49	75%

USD million

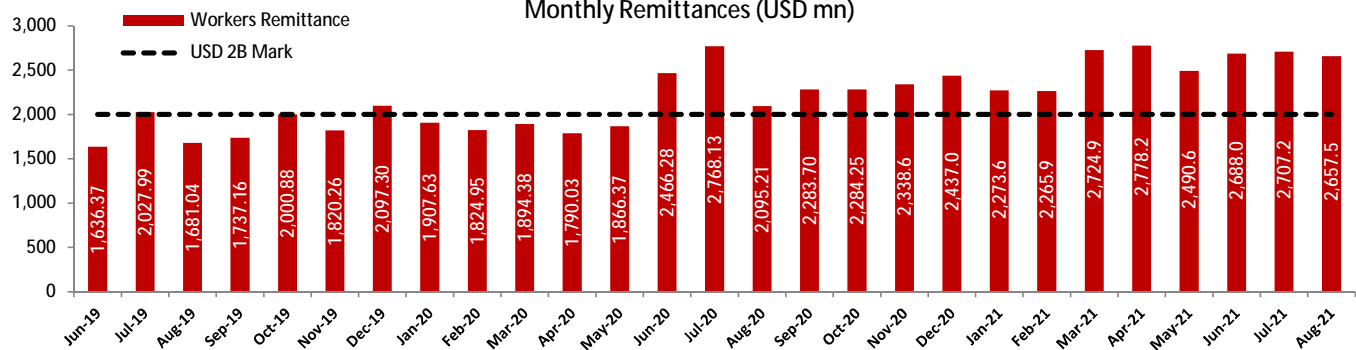
Country wise remittance



Remittance Trend & Growth



Monthly Remittances (USD mn)



PSX - KSE 100 index gained 364 points in August'21

During the period under review, Pakistan stock exchange as measured by KSE-100 index increased by 364 points to close at 47,419 points, this brings CYTD return to 8.27% and FYTD to 0.13%.

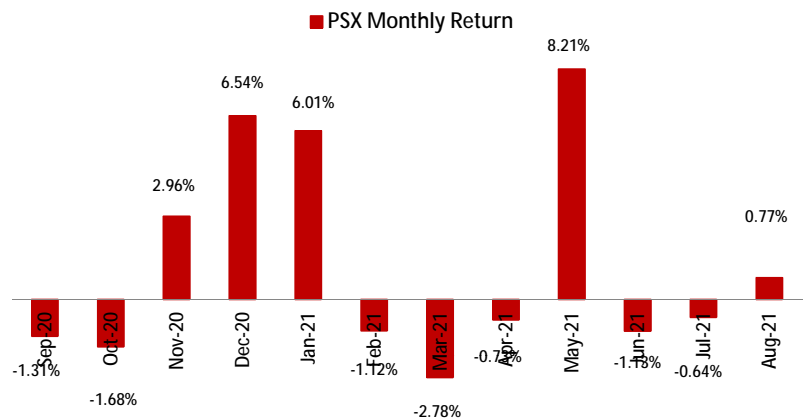
Key developments during the month were a) PKR depreciation by another 2.4% during the month b) Geo-political uncertainty aimed at US withdrawal from Afghanistan c) SBP forex reserves at highest level of USD 20 billion d) Record level of imports USD 6.4 billion and resultant CAD of USD 773 million with concerns of continued deterioration of CAD in on-going fiscal year e) Potential downgrade of Pakistan from MSCI Emerging Market to MSCI Frontier Market.

PSX Performance Stats

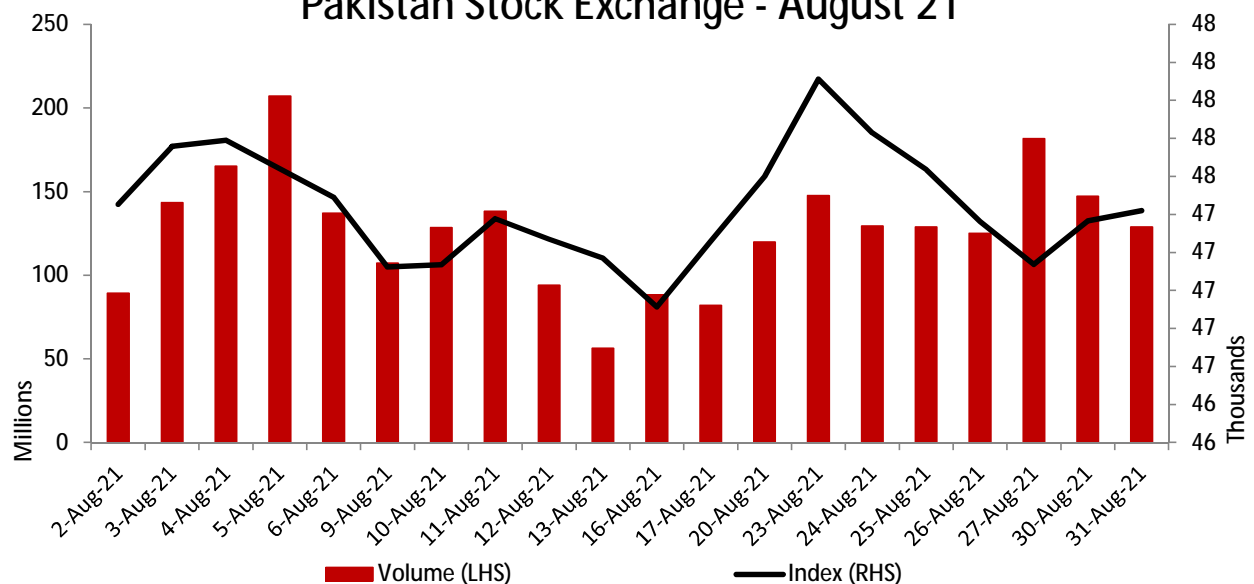
Stats	KSE-100	KSE-30	KMI-30	All-Shares
Index	47,419.74	19,027.87	77,641.73	32,394.47
Change	364.45	190.82	1,382.49	231.36
%Change	0.77%	1.01%	1.81%	0.72%

Top 5 Performers

Company	Name	Return
Yousaf Weaving Mills Ltd	YOUW	49%
Meezan Bank Ltd	MEBL	24%
Engro Polymer & Chemicals Ltd	EPCL	22%
Hascol Petroleum Ltd	HASCOL	21%
Systems Ltd	SYS	14%



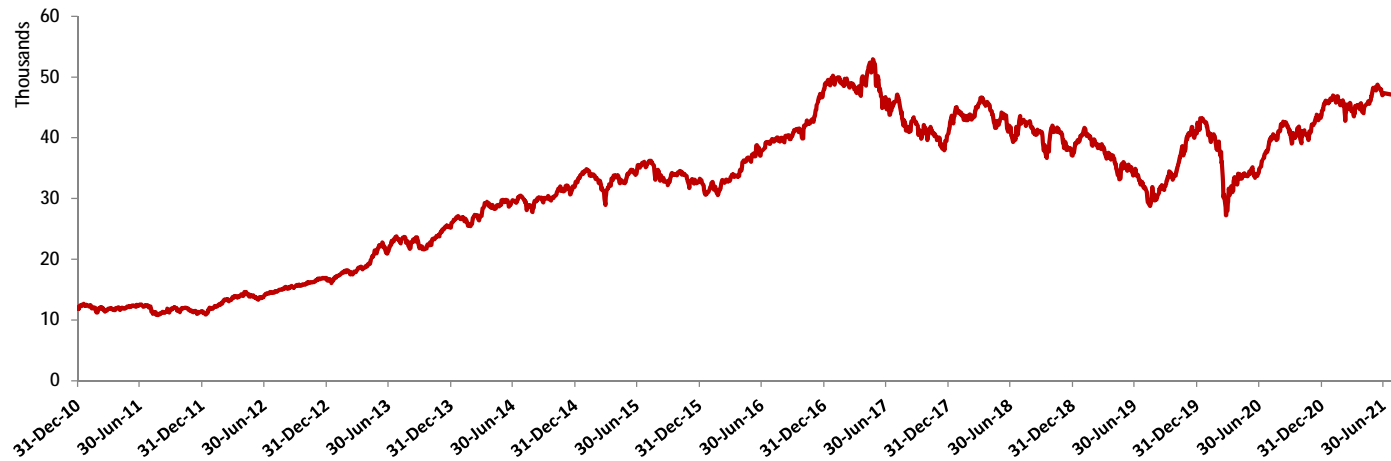
Pakistan Stock Exchange - August'21



KSE 100 Index Historical Returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year - CYTD
2021	6.01%	-1.12%	-2.78%	-0.73%	8.92%	-1.13%	-0.64%	0.77%					8.37%
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).