



Economy | Update | NCPI | Preview | Apr'24



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REP # 048



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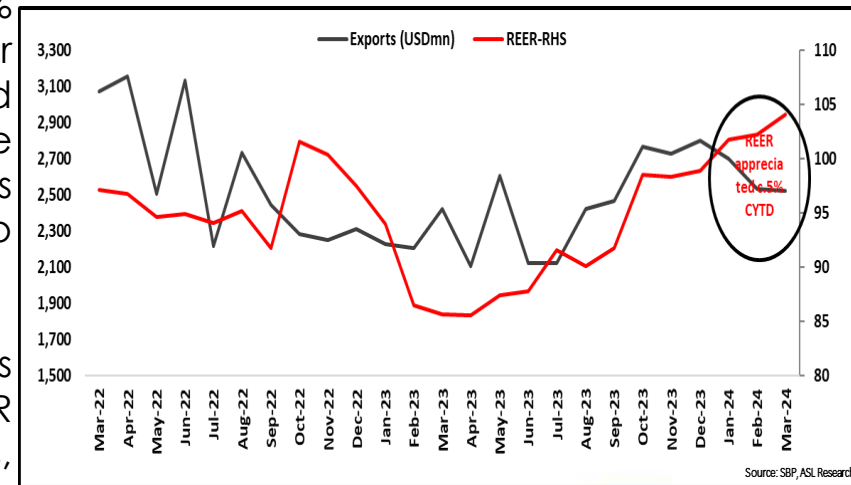
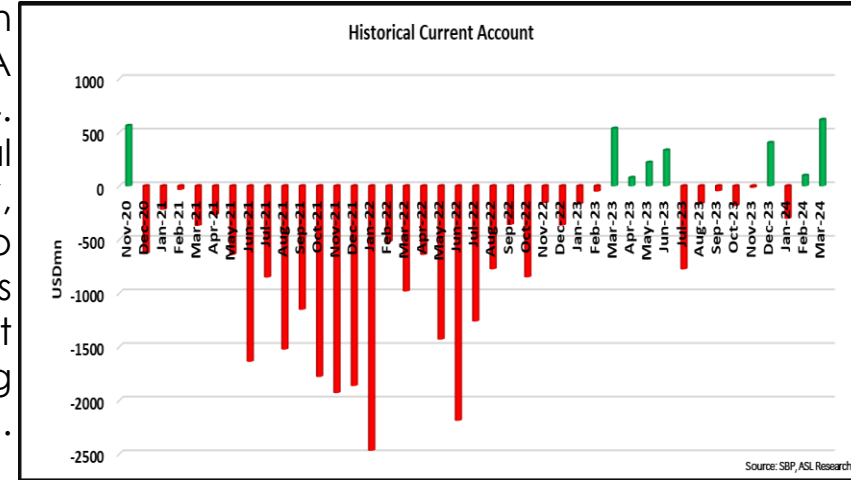
C/A deficit lands at USD508mn during 9MFY24

REP # 048

- With administered measures by the GoP along with the implementation on the verge of attaining new IMF bailout package has revived C/A deficit of Pakistan to remarkable levels of USD0.51bn during 9MFY24. Further, the notable contribution was not any less than for the national exchequer where imports have notably eased off by c.8%YoY, improving the trade deficit by c.25%YoY to USD15.76bn compared to 9MFY23 trade deficit of USD21.08bn. The significant recovery was noticed on the easing off rage from the petroleum import bill that revived by c.40%YoY to USD4.42bn during 9MFY24, mainly on the easing int'l average crude oil prices which recovered to USD83.86/bbl. augmented by c.4%YoY compared to 9MFY23.
- Though, the imports have drastically increased by c.2.2%/c.7.0% MoM/YoY during Mar'24, mainly on the recovery of the industrial sector along with the improving LC matters. The major sectors that marked drastic rise in imports during Mar'24 are mainly Machinery and Textile sectors that reflects the reviving performance of the industrial sectors during Mar'24. This notable rise in imports has cause the trade deficit to rise by c.6.2%/c.11.2% MoM/YoY to USD1.93bn during Mar'24.

Uncompetitive REER causing Exports to slump by c.3.4% during CYTD

- Since the remarkable appreciation in REER, exports of Pakistan has drowned by c.3.4% on average during CY24TD. We have noticed REER has appreciated by c.5% which has been proving uninventive exports, particularly textile which is a valuable asset for the economy.



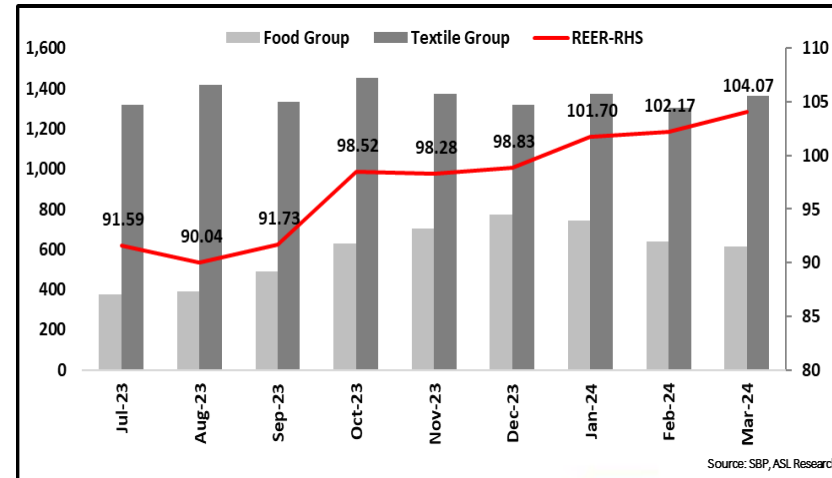
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- It is to note here that during 9MFY24, Textile exports have slumped to USD12.25bn, tumbling by c.5.3%YoY comparing the year earlier levels. Further, the rising REER has mainly impacted the competitiveness of the textile exports of the country. Additionally, we have also witnessed, drastic rise in cost of production of the export-oriented sector, in the absence of unfavorable gas and power prices. Worth mentioning here is that, Value Added textile sector of the economy has slumped by c.4.8%YoY during 9MFY24, justifying the unjust to the textile sector.
- The mayhem of the REER is that, if currency parity is to depreciate by another 10%-15% (say: Rs.28-Rs.42), the import cost will drastically increase which may further deteriorate the import cover, thus, increasing the twin deficits to alarming levels.
- We believe the reduction of PKR in int'l markets may likely have significant impacts on the stability of the economy, therefore, GoP, in collaboration with IMF and other int'l authorities, should consider incentivizing the export-oriented sectors of Pakistan.
- On the food sector performance, we have noticed, the sector has been reviving the exports, post recovery of the agriculture sector. Considering the Agriculture sector contribution during last 3 Quarters, we have witnessed, the sector outperformed on average of c.6% with the remarkable recovery noticed during 1QFY24 where, agriculture sector marked growth of 8.6% compared to 4QFY23.

Exports(USDmn)	Mar-24	MoM	YoY	9MFY24	YoY
Food Group	611	-4.2%	28.7%	5,356	55.3%
Textile Group	1,361	4.4%	3.6%	12,252	-5.3%
Cement	14	-36.1%	-43.1%	185	29.0%
Total Export as per BOP	2,519	-0.6%	3.3%	23,030	9.2%

Source: SBP, ASL Research



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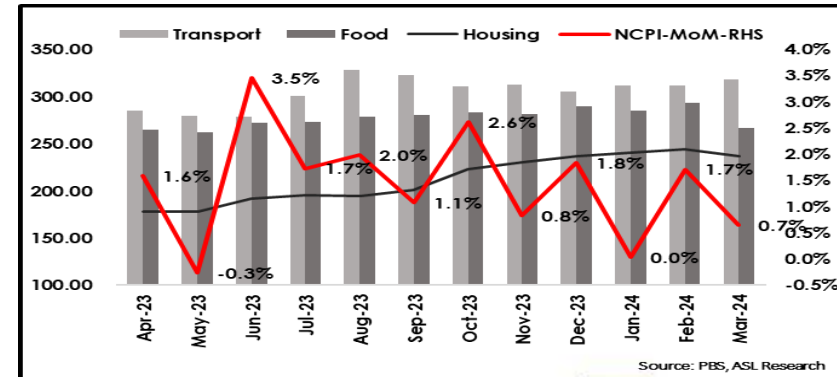
NCPI Apr'24: Easing food prices contributing to waning inflation

REP # 048

- National Consumer Price Index (NCPI) to clock in at c.18.6%YoY during Apr'24. We believe the NCPI to ease off during Apr'24 mainly on the post Ramadan effect which eases off inflated prices, particularly for food sectors. It is also to notice here that, Government of Punjab initiative to bring Wheat prices down, reducing the support prices, will likely cool off non-perishable food index to ease off by c.20bpsMoM during Apr'24. Further, we have noticed, Non-Perishable index will also contribute in providing breather to the overall food index by c.1%MoM, reducing by c.150bpsMoM during Apr'24. Amongst the food basket, we have witnessed, wheat, onion, tomatoes, banana and eggs prices have respectively eased off by c.10.4%MoM, c.9.8%MoM, c.9.6%MoM, c.3.67%MoM and c.2.6%MoM during Apr'24.
- Considering the Electricity and Gas index, we have noticed, Govt. has recently facilitated the consumers, by providing relief of Rs.3.82/unit on Fuel Cost Adjustment. We believe the relief may likely decline the index by c.3%MoM during Apr'24. As per the Govt. officials, the FCA relief passed on for the month of Apr'24, which has reduced to Rs.4.92/units from Rs.7.06/unit in the previous month of Mar'24.
- During the month of Apr'24, NCPI to rise by c.70bpsMoM mainly on the MoM rise in Clothing, Transportation and Alcoholic & Beverages indices which are to rise respectively by c.4.3%MoM, c.2.2%MoM and c.1.1% MoM during Apr'24 compared to Mar'24.

Key NCPI Drivers	Weights	Mar-24	Apr-24F	Apr-23	MoM	YoY
General	100%	264.5	266.2	224.4	0.7%	18.6%
Food & Non-alcoholic Bev.	34.6%	293.4	290.5	261.2	-1.0%	11.2%
Alcoholic Bev. & Tobacco	1.0%	365.8	370.0	354.2	1.1%	4.5%
Clothing & Footwear	8.6%	228.1	238.0	200.2	4.3%	18.9%
Housing, Elect. & Gas	23.6%	244.2	237.0	176.8	-3.0%	34.1%
Furnishing & Household	4.1%	265.5	267.4	226.2	0.7%	18.2%
Health	2.8%	236.7	238.1	200.1	0.6%	19.0%
Transport	5.9%	311.5	318.4	284.7	2.2%	11.8%
Communication	2.2%	134.8	134.5	117.8	-0.3%	14.2%
Recreation & Culture	1.6%	256.7	258.6	231.4	0.8%	11.8%
Education	3.8%	187.5	188.9	170.0	0.8%	11.1%
Restaurants & Hotels	6.9%	266.4	267.3	225.5	0.4%	18.6%
Miscellaneous Goods	4.9%	276.8	278.8	236.1	0.7%	18.1%

Source: PBS, ASL Research

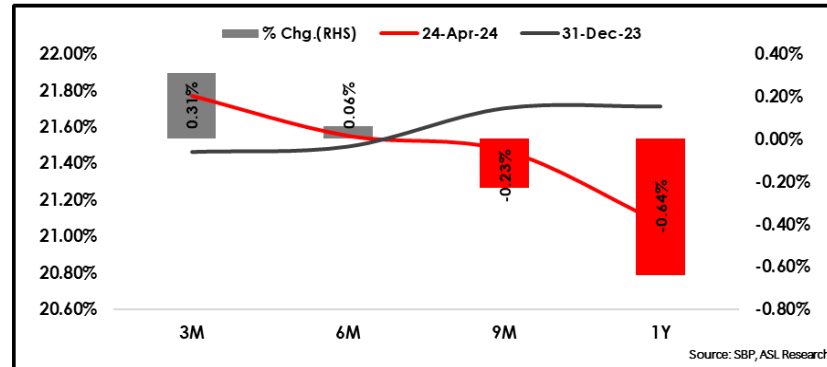
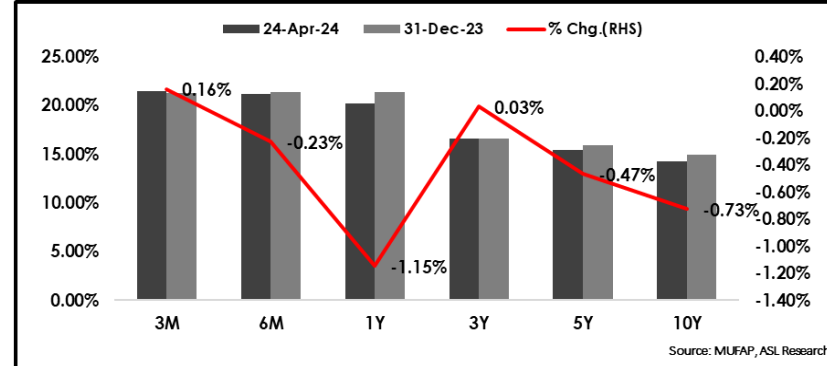


Source: PBS, ASL Research

Yields Trend: Even fundamentally no Cut Expected

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- On the Fixed Income & Money Market side, we have noticed the yield behavior has not been something to consider, this time around, while forecasting the Interest rates, since most of the yields have been mixed. Considering the Money Market Yields we have witnessed; participants have been presuming slowdown in secondary market yields for 6M and 1Yr tenors respectively, going forward, inflationary pressures to ease off to average out c.19% for the year CY24. Based on this, we can expect rate cut not earlier than the 1QFY25. Further, on the KIBOR scenario, we have also witnessed, markup rates for 9M and 1Yr. tenors in the banking industry have also revived back to below Dec'23 levels, which is also an indication that the rates may going to be eased off as soon as there is ample capacity for the Monetary Policy Committee to consider this scenario, as per market consensus and reviving macros.
- Weighing the International Donor countries and Authorities views, particularly, IMF, WB and ADB along with Friendly donor countries, we believe the Interest Rates in Pakistan to remain unchanged in near future, since IMF and WB in their recent country reports on Pakistan have sternly and firmly suggested to keep Policy Rates unchanged, in order to reduce inflationary pressures, thus, curbing the Aggregate Consumption and inducing more savings. We believe the unchanged interest rates scenario may likely further, wane away pvt. sector credit along with the ability of the individuals to borrow more personal loans. Summing up, we believe the Interest Rates to remain unchanged till FY24.



Tenors	01-Jan-24	17-Apr-24	Chg. %
3M	21.00%	21.66%	0.66%
6M	20.96%	21.39%	0.43%
1Yr	20.84%	20.90%	0.05%
5Yr	15.50%	15.48%	-0.02%
10Yr	14.50%	14.35%	-0.15%

Source: SBP, ASL Research



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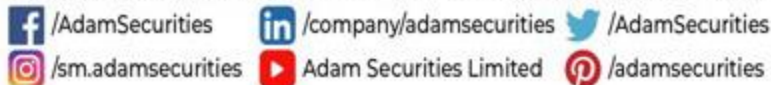
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