

February 6, 2023

Morning Briefing

Economy

Pak-IMF policy level talks begin tomorrow

Economy | Neutral

Pakistan and the IMF will kick-start policy level talks from Tuesday as both sides will strive again on Monday (today) to reconcile the yawning gap in the fiscal framework. The IMF assessed that Pakistan faced primary deficit gap of 0.9 percent of GDP equivalent to Rs800-850 billion mainly because of less tax and non-tax revenues and increased expenditures. (The News) | [Click for more info.](#)

Govt says 'will have to' agree to IMF conditions

Economy | Neutral

Prime Minister Shehbaz Sharif said Friday the government would have to agree to IMF bailout conditions that are "beyond imagination", as it battles a spiralling economic crisis. (BR) | [Click for more info.](#)

IMF: entering day 4 unprepared

Economy | Negative

Pakistan has presented self-contradictory solutions to the International Monetary Fund (IMF) to resolve gas sector circular debt of over Rs1.6 trillion, showing a lack of in-house consensus in a matter that could create hurdles in the coming days. In order to satisfy the IMF's demands, the government is also considering a proposal to increase federal excise duty rates on international air travel and cigarettes as part of the plan to bridge the fiscal gap. (ET) | [Click for more info.](#)

Govt, IMF at odds over Rs900bn fiscal gap

Economy | Negative

Amid the lingering stalemate over the fiscal gap, the International Monetary Fund (IMF) has worked out a larger gap of approximately Rs900 billion, equivalent to 1 percent of Gross Domestic Product (GDP). (The News) | [Click for more info.](#)

Govt assures IMF of amending NAO, FIA act

Economy | Neutral

In an International Monetary Fund (IMF)-conditioned review of Pakistan's anti-corruption framework, the government has agreed to introduce more amendments to the National Accountability Ordinance and the Federal Investigation Act, revealed an interim official report. (ET) | [Click for more info.](#)

WB board to consider \$78m 'digital economy' project next month

Economy | Neutral

The World Bank's Board of Executive Directors will consider "Pakistan: Digital Economy Enhancement Project" worth \$78 million next month. The project aims at enhancing the government's capacity for digitally-enabled public services delivery for citizens and businesses. (BR) | [Click for more info.](#)

RDA: pace of growth slightly lower

Economy | Neutral

Inflows of Roshan Digital Accounts (RDA) maintained an upward momentum and rose to \$5.63 billion at the end of January 2023. Despite the political and economic uncertainty in the country, overseas Pakistanis are investing in RDA, however, the pace of growth is slightly lower than previous months. (BR) | [Click for more info.](#)

Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	27,132.4	26,973.9	-158.6	-0.6%
KSE100	40,733.5	40,471.2	-262.3	-0.6%
KSE30	15,229.8	15,162.6	-67.2	-0.4%
KMI30	69,928.6	69,348.4	-580.3	-0.8%

Top Five Gainers

	Open	Close	Chg.	%
NESTLE	5,300.0	5,364.0	64.0	1.2%
BATA	1,748.0	1,795.0	47.0	2.7%
KHTC	318.8	342.7	23.9	7.5%
JSGCL	268.8	288.0	19.3	7.2%
ARPL	434.7	445.0	10.3	2.4%

Top Five Volume Leaders

	Open	Close	Chg.	Vol.
HUBC	65.5	67.0	1.5	7.91
CNERGY	3.9	3.7	-0.1	7.49
DFML	14.5	14.3	-0.2	5.70
GATM	21.0	22.5	1.5	5.00
WTL	1.2	1.1	0.0	4.83

Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.00	0.00	0.00
F-Corporates	1.27	-0.56	0.72
O/S Pakistanies	1.11	-1.08	0.03
Net	2.38	-1.63	0.75
LIPI			
Individuals	14.51	-14.19	0.32
Companies	0.28	-0.69	-0.41
Comm. Banks	0.67	-0.54	0.13
NBFC	0.01	0.00	0.00
Mutual Funds	0.48	-0.94	-0.46
Other	0.09	-0.09	0.00
Brokers Proprietary	3.75	-3.84	-0.10
Insurance	0.05	-0.29	-0.24
Net	19.84	-20.59	-0.75

Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	73.39	-3.4%
Brent oil	USD/bbl.	79.94	-2.8%
Gold	USD/t oz.	1864.97	-2.6%
Silver	USD/t oz.	22.35	-4.7%
Coal	USD/ton	150.35	3.4%
Steel Scrap (LME)	USD/ton	432.00	0.5%
Steel Rebar (LME)	USD/ton	711.00	0.9%
USD/PKR	Interbank	8.38	2.1%

News Source: Local / Int'l Newspapers and websites

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MORNING BRIEFING

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Govt borrows almost five times more from banks in July-January Economy | **Negative**

The PMLN-led coalition government borrowings from banks swelled over 377 per cent to Rs1,398 billion during the first seven months of the current fiscal year compared to Rs293bn in the same period last year. (Dawn) | [Click for more info.](#)

Govt to raise Rs5.7tr in two and a half months Economy | **Neutral**

The government will raise Rs5.7 trillion through the auctions of treasury bills in the next two and a half months mainly to pay back domestic debts. (Dawn) | [Click for more info.](#)

'Tough' IMF talks push rupee to Rs276.58

Economy | **Negative**

Reacting to Prime Minister Shehbaz Sharif's statement that the International Monetary Fund (IMF) conditions are tough, the domestic currency dived almost 2% – or Rs5.22 – to hit a new all-time low closing at Rs276.58 against the US dollar in the interbank market on Friday. (ET) | [Click for more info.](#)

Oil & Gas

Rupee depreciation hit OMCs hard

OMCs | **Negative**

As the fuel industry faces losses worth billions of rupees in the wake of sudden depreciation of the rupee against the US dollar, the Oil Companies Advisory Council (OCAC) has called for reimbursing the loss to the oil marketing companies (OMCs). (ET) | [Click for more info.](#)

PM directs PD to recover Rs1.13bn royalty amount from 2 oil, gas cos

Oil | **Neutral**

Prime Minister Shehbaz Sharif has directed the Petroleum Division to recover an outstanding royalty amount of Rs1.13 billion from two oil and gas firms (M/s SPUD and M/s FHL). (BR) | [Click for more info.](#)

Russian oil supply likely by April

Oil | **Neutral**

Pakistan would hopefully start receiving oil from Russia at cheaper prices by the coming April and modalities have been finalised in this regard, Petroleum State Minister Musadik Malik informed the upper house of the parliament on Friday. (BR) | [Click for more info.](#)

Largest refinery shuts down

CNERGY | **Negative**

Pakistan's largest oil refinery has shut down for about a week due to the unavailability of crude oil as the US dollar shortfall and massive rupee devaluation hit its crude import capacity. (ET) | [Click for more info.](#)

Power

K-Electric functioning without agreement since 2015, Senate told

KEL | **Neutral**

The Senate was informed on Friday that K-Electric was operating without any formal agreement since 2015 and the accumulated payables against the country had climbed to Rs490 billion till December 31, 2022. (Dawn) | [Click for more info.](#)

World Indices

	Last	Chg.	Chg. %
INDIA - SENSEX	60,841.9	909.64	1.52%
PHILP - PSEi	7,027.4	41.19	0.59%
INDONESIA - IDX	6,911.7	21.16	0.31%
Taiwan - TWII	15,602.7	7.50	0.05%
CHINA - Shanghai	3,263.4	-22.26	-0.68%
US - S&P 500	4,136.5	-43.28	-1.04%
US - Dow 30	33,926.0	-127.93	-0.38%
KSA - Tadawul	10,558.6	-143.21	-1.34%
PAK (KSE-100)	40,471.2	-262.35	-0.64%
HK - Hang Seng	21,660.5	-297.89	-1.36%

Board Meetings

Script	Day	Agenda	Time
EPCL	Tuesday	Ann. A/c as of 31-Dec-22	10:00 AM
PRL	Tuesday	HY A/c as of 31-Dec-22	10:00 AM
ALIFE	Tuesday	Ann. A/c as of 31-Dec-22	12:00 PM
SAZEW	Tuesday	HY A/c as of 31-Dec-22	2:45 PM
EPQL	Wednesday	Ann. A/c as of 31-Dec-22	10:00 AM
MCB	Wednesday	Ann. A/c as of 31-Dec-22	11:00 AM
FCEPL	Wednesday	Ann. A/c as of 31-Dec-22	2:00 PM
TRIPF	Wednesday	Ann. A/c as of 31-Dec-22	2:30 PM
JGICL	Thursday	Ann. A/c as of 31-Dec-22	10:00 AM
EFERT	Thursday	Ann. A/c as of 31-Dec-22	10:30 AM
LOTCHEM	Friday	Ann. A/c as of 31-Dec-22	10:00 AM
INDU	Friday	HY A/c as of 31-Dec-22	4:00 PM

Source: PSX

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China to invest in nuclear energy**Power | Positive**

China has expressed its willingness to boost investments in Pakistan's nuclear energy sector and the two countries are set to hold talks in the near future. China has shown its willingness to boost Pakistan's capacity to produce electricity from nuclear energy and delegation-level talks in this regard to formalise deals. (Dawn) | [Click for more info.](#)

IMF demands govt withdraw power subsidy**Power, Textile, Economy | Negative**

Technical level talks between International Monetary Fund (IMF) team and Pakistani authorities have been extended for two more days on power sector with the Fund demanding withdrawal of power subsidy to the export-oriented sector and additional taxes. (BR) | [Click for more info.](#)

Tariff of indigenous gas-run CPPs likely to be reviewed**Power | Neutral**

The government is likely to review tariff of indigenous gas-based Captive Power Plants (CPPs) and allow new CPPs with cogeneration technology to get RLNG connections at notified tariff, sources close to Minister of State for Petroleum and Natural Resources told. (BR) | [Click for more info.](#)

Plan to phase out furnace oil**Power | Neutral**

he National Electric Power Regulatory Authority (Nepra) has approved the Indicative Generation Capacity Expansion Plan 2022-31 (IGCEP-2022) which envisaging phasing out furnace oil by 2031. (PT) | [Click for more info.](#)

Autos**64% grey vehicles imported****Autos | Negative**

The auto industry has complained that the import of vehicles by grey market has been on a constant rise, which has hurt the business of local manufacturers and distributors. It says the import of vehicles by official distributors and companies stands very low as they are facing restrictions on opening Letters of Credit (LCs) due to dollar crunch in the country. (ET) | [Click for more info.](#)

Likely output dip in Feb, Mar: Indus Motor offering full refund with interest to customers**INDU | Neutral**

Amid the current economic crisis, Indus Motor Company (IMC) is offering a full refund with interest to its customers due to a production dip expected in February and March. With an eye on the future and a focus on sustainability, IMC is also determined to introduce the Hybrid Electric Vehicle (HEV) with the highest localization in the SUV category in Pakistan. (BR) | [Click for more info.](#)

Cement**Cement sector posts mild growth of 1.15%****Cement | Neutral**

Pakistan's cement industry posted a mild growth of 1.15% in January 2023 as total sales reached 4.005 million tonnes against 3.960 million tonnes in the same month of the previous year. (ET) | [Click for more info.](#)

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Miscellaneous

'Abnormal' hikes take steel bar price to historic highs

Steel | Neutral

In the absence of any regulatory check at the government end, the manufacturers on Saturday again raised the steel bar prices by another Rs15,000 to toss it to historic highs above Rs300,000 per tonne for the same reasons cited a day earlier. Steel bar consumers were surprised and shocked to receive over Rs25,000 per tonne hike in less than two days. (Dawn) | [Click for more info.](#)

Industry yet to export any amount of sugar

Sugar | Neutral

The country's sugar industry has not yet been able to export any amount of sugar out of 250,000 tons allowed by the government. According to the Pakistan Sugar Mills Association (PSMA), the industry is still finalizing the modalities set by the State Bank of Pakistan (SBP), the Ministry of Industries, the Ministry of Commerce, and other relevant quarters. (BR) | [Click for more info.](#)

'Rules' allow banks to seek asset details of civil servants

Banks | Neutral

The "Sharing of Declaration of Assets of Civil Servants Rules, 2023" allows commercial banks to seek the asset details of civil servants from the Federal Board of Revenue (FBR) before the opening of their bank accounts. Explaining the new rules, leading tax expert Dr Ikramul Haq told that the International Monetary Fund (IMF) has been demanding from Pakistan for a public declaration of the assets of civil servants. It has also been insisting to acquire details of the overseas assets of the bureaucracy. (BR) | [Click for more info.](#)

Dar stops FBR from using tax money

Economy | Neutral

Finance Minister Ishaq Dar on Saturday stopped the Federal Board of Revenue (FBR) from its illegal move to award its officers allowances by diverting taxpayers' money, remaining short of suspending people who executed the plan. (ET) | [Click for more info.](#)

Political News

ECP preparing to hold bypolls in over 60 NA seats in March

All pending elections of the National Assembly seats will be held in March as schedule for the 27 remaining NA seats would be announced next week. The poll will take place on these seats in the last week of March. (The News) | [Click for more info.](#)

International News

Oil prices edge higher as IEA's Birol talks up China demand outlook

Oil prices inched up in early trade on Monday after falling around 8% last week to more than three-week lows as jitters over major economies outweighed signs of a demand recovery in China, the world's top oil importer. (Reuters) | [Click for more info.](#)

Traders Face Geopolitical, Jobs Hurdles; Yen Drops: Markets Wrap

Stocks in Asia were mixed as investors digested an unexpectedly strong US jobs report and the downing of an alleged Chinese spy balloon that's aggravated geopolitical tensions. (Bloomberg) | [Click for more info.](#)

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Rating Criteria

Rating - Expected Total Return

Buy - Greater than 10%

Hold - Neither Buy nor Sell

Sell - Less than and equal to -10%

Valuation Methodology

To arrive at our 12-months Price Target, ABA Ali Habib Research uses different valuation methods which include: 1). DCF methodology, 2). Relative valuation methodology, and 3). Asset-based valuation methodology. In this report, our PT is founded on FCF based DCF methodology.

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