

September 5, 2022

## Economy

### FATF team completes onsite visit to decide Pakistan's fate

#### Economy | Neutral

A 15-member team of the Financial Action Task Force (FATF) quietly concluded a five-day visit to Pakistan this week, a move that may pave the way for Islamabad to finally exit the grey list. The findings of the 15-member FATF team would be discussed and reviewed in the next meeting of FATF, scheduled in Paris in October. (ET) | [Click for more info.](#)

### IMF acknowledges progress on AML/CFT regime

#### Economy | Positive

The International Monetary Fund (IMF) has acknowledged Pakistan's progress on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime and encouraged the country to ensure the sustainability and effectiveness of the efforts to mitigate significant ML/TF [money laundering & terrorist financing] risks including from tax evasion, corruption, and other financial crimes. (BR) | [Click for more info.](#)

### 0.2pc of GDP; Plan to achieve paltry primary surplus a welcome step: Fund

#### Economy | Neutral

The International Monetary Fund (IMF) has termed the authorities plan to achieve a small primary surplus, 0.2 percent of the GDP in the fiscal year 2023, as a welcome step to reduce fiscal and external pressures and build confidence. (BR) | [Click for more info.](#)

### IMF again raises alarm over CPEC investment

#### Economy | Neutral

The International Monetary Fund (IMF) has again raised a red flag in the context of China Pakistan Economic Corridor (CPEC) and stated that in early 2022, new investment could raise growth prospects but contingent liabilities also pose a risk to debt sustainability. (The News) | [Click for more info.](#)

### Investment proposal floated as Qatar declines deposit plea

#### Economy | Negative

Qatar has reportedly turned down finance minister Dr Miftah Ismail's request for a deposit, after which Sardar Ayaz Sadiq, Minister for Economic Affairs, floated alternate proposal of investment of \$2-3 billion in Pakistan. (BR) | [Click for more info.](#)

### FY23 external financing needs seen at \$30.75 billion

#### Economy | Neutral

The International Monetary Fund (IMF) has estimated Pakistan's external financing needs at \$30.75 billion, equivalent to 8.4 percent of GDP, during the current fiscal year 2022-23. (The News) | [Click for more info.](#)

### IMF dictates tough deal for \$3.5b

#### Economy | Neutral

Pakistan has signed off an unrealistically tough agreement with the International Monetary Fund (IMF) in return for a \$3.5 billion loan, which requires a further increase in electricity, and gas prices, a mini-budget and a cut worth Rs534 billion on development spending as part of contingency measures. (ET) | [Click for more info.](#)

### Pakistan Stock Exchange Overview

	Open	Close	Chg.	%
KSE All	29,117.2	29,031.2	-86.0	-0.3%
KSE100	42,460.1	42,309.1	-151.0	-0.4%
KSE30	16,016.5	15,932.6	-83.9	-0.5%
KMI30	70,539.8	70,094.7	-445.1	-0.6%

### Top Five Gainers

	Open	Close	Chg.	%
COLG	2,335.4	2,396.0	60.6	2.6%
PRET	699.5	748.0	48.5	6.9%
SFL	1,206.7	1,243.3	36.6	3.0%
NESTLE	5,729.0	5,765.0	36.0	0.6%
GATI	374.1	402.2	28.1	7.5%

### Top Five Volume Leaders

	Open	Close	Chg.	Vol.
WTL	1.3	1.3	0.0	11.93
FLYNG	7.9	8.0	0.1	9.72
SILK	1.2	1.3	0.1	8.96
CNERGY	5.3	5.2	-0.1	8.31
PAEL	16.7	16.8	0.2	7.77

### Portfolio Investments – Net Position

FIPI	Buy	Sell	Net
F-Individuals	0.03	0.00	0.03
F-Corporates	0.05	-0.53	-0.49
O/S Pakistanies	1.62	-1.18	0.44
<b>Net</b>	<b>1.70</b>	<b>-1.71</b>	<b>-0.01</b>
LIPI			
Individuals	17.43	-17.00	0.43
Companies	0.73	-1.13	-0.41
Comm. Banks	2.39	-1.06	1.32
NBFC	0.78	-0.01	0.77
Mutual Funds	2.00	-3.30	-1.30
Other	0.29	-0.14	0.16
Brokers Proprietary	3.80	-4.01	-0.21
Insurance	0.27	-1.02	-0.75
<b>Net</b>	<b>27.69</b>	<b>-27.68</b>	<b>0.01</b>

### Commodity Outlook

	Unit	Close	% chg.
Crude oil	USD/bbl.	86.87	0.3%
Brent oil	USD/bbl.	93.02	0.7%
Gold	USD/t oz.	1712.19	0.9%
Silver	USD/t oz.	18.04	1.2%
Coal	USD/ton	348.00	-0.7%
Steel Scrap (LME)	USD/ton	377.50	-0.7%
Steel Rebar (LME)	USD/ton	670.00	2.3%
USD/PKR	Interbank	5.96	-0.5%

News Source: Local / Int'l Newspapers and websites

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MORNING BRIEFING

## Pakistan's economy will face further headwinds

**Economy | Negative**

The continued possibility of further rate hikes to bring down inflation is a cause of concern for developing countries like Pakistan. The rupee, as a consequence, will continue to face headwinds for the rest of the year. (BR) | [Click for more info.](#)

## Pakistan failed to meet IMF targets: report

**Economy | Neutral**

Pakistan badly failed to implement 16 of the 28 conditions that the International Monetary Fund (IMF) had set for \$1.1 billion tranche, including the core condition to increase foreign exchange reserves that instead have turned negative by a whopping nearly \$11 billion. (ET) | [Click for more info.](#)

## IMF urges bilateral creditors to maintain exposure to Pakistan

**Economy | Neutral**

The International Monetary Fund (IMF) has urged all key bilateral creditors to maintain their exposure to Pakistan in line with Extended Fund Facility (EFF) programme commitments, as the country's gross external financing needs have been projected at \$30.757 billion for fiscal year 2022-23 which is 8.8 percent of GDP. (BR) | [Click for more info.](#)

## IMF conveniently ignores devastation wrought by floods

**Economy | Neutral**

The International Monetary Fund (IMF) has projected 3.5 percent GDP growth for the current fiscal year against the budgeted 5 percent. (BR) | [Click for more info.](#)

## EFF entails high fiscal risks: IMF

**Economy | Negative**

The Extended Fund Facility (EFF) programme entails high fiscal risks due to the government's ability to raise the projected revenue from a number of novel taxes and staggered Petroleum Development Levy (PDL) implementation, provincial commitment to create budget surplus and containing current expenditure in a pre-election year, says the International Monetary Fund (IMF). (BR) | [Click for more info.](#)

## External debt to reach \$140.9bn: IMF

**Economy | Negative**

The International Monetary Fund (IMF) has projected Pakistan's external debt to reach \$140.959 billion in 2022-23 up from \$130.127 billion in 2021-22. (BR) | [Click for more info.](#)

## China's funding to Pakistan stands at 30% of foreign debt

**Economy | Neutral**

About 30% of Pakistan's foreign debt is owed to China, including state-owned commercial banks, compared with 27% in February, according to a report released by the International Monetary Fund on Thursday. (Bloomberg) | [Click for more info.](#)

## Aug trade deficit soars 28.89pc to \$3.53bn MoM

**Economy | Negative**

Pakistan's trade deficit widened by 28.89 per cent on a month-on-month basis to \$3.53 billion in August 2022 when compared to \$2.739 billion in July 2022, says Pakistan Bureau of Statistics (PBS). (BR) | [Click for more info.](#)

World Indices			
	Last	Chg.	Chg. %
PHILP - PSEI	6,692.7	104.37	1.58%
INDIA - SENSEX	58,803.3	36.74	0.06%
INDONESIA - IDX	7,177.2	24.07	0.34%
CHINA - Shanghai	3,186.5	1.50	0.05%
US - S&P 500	3,924.3	-42.59	-1.07%
Taiwan - TWII	14,673.0	-128.82	-0.87%
KSA - Tadawul	12,142.7	-140.68	-1.15%
HK - Hang Seng	19,452.1	-145.22	-0.74%
PAK (KSE-100)	42,309.1	-150.97	-0.36%
US - Dow 30	31,318.4	-337.98	-1.07%

Board Meetings			
Scrip	Day	Agenda	Time
HRPL	Monday	ANN A/c for 30Jun22	11:00 AM
OTSU	Tuesday	ANN A/c for 30Jun22	10:30 AM
FHAM	Tuesday	ANN A/c for 30Jun22	11:00 AM
HMM	Tuesday	ANN A/c for 30Jun22	12:30 PM
BWCL	Tuesday	ANN A/c for 30Jun22	3:00 PM
MFL	Wednesday	ANN A/c for 30Jun22	12:00 PM
DOL	Wednesday	ANN A/c for 30Jun22	2:30 PM
SSGC	Friday	HY A/c for 30Jun22	11:00 AM

Source: PSX

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## Weekly inflation surges to all-time high of 45.5pc

**Economy | Negative**

Inflation measured by the Sensitive Price Index (SPI) surged to an all-time high in the week that ended on September 1, climbing to 45.5 per cent year-on-year (YoY) on the back of a more than 200 per cent increase in the rates of tomatoes and onions, and higher fuel prices. Prior to this, the highest year-on-year weekly inflation figure was 44.58pc, which was recorded in the preceding week. (Dawn) | [Click for more info.](#)

## Oil & Gas

**Govt bound to hike gas prices, fuel GST under IMF deal**

**SSGC, SNGP | Neutral**

The government has committed more utility price shocks under a straightjacket implementation plan with the Int'l Monetary Fund (IMF) involving an over 53 per cent increase in gas rates, the revival of general sales tax on petroleum products and withdrawal of more subsidies. (Dawn) | [Click for more info.](#)

**PLL extends deadline for LNG supply bids**

**Gas | Neutral**

Pakistan LNG Limited (PLL) has extended validity for liquefied natural gas (LNG) supply bids, being sought from international traders, from September 2, 2022 to October 3, 2022 keeping in view high prices of gas in global market and poor response from suppliers, say sources. (ET) | [Click for more info.](#)

## Power

**K-Electric should not collect advance tax from mosques: FTO**

**KEL | Neutral**

The Federal Tax Ombudsman (FTO) has declared that the M/s K-Electric Karachi is wrongly collecting advance income tax from mosques. (BR) | [Click for more info.](#)

**Domestic consume; Power tariff adjustments will continue, IMF assured**

**Power | Neutral**

The government has assured the International Monetary Fund (IMF) that it will continue adjustments in power tariffs for domestic consumers sans protected slabs and also rationalize subsidy plan for tubewells for large agricultural users by November 2022. (BR) | [Click for more info.](#)

**After LHC, PHC also stops FCA collection**

**Power | Neutral**

The Peshawar High Court on Friday stopped the collection of fuel charges adjustment (FCA) from the electricity consumers of Khyber-Pakhtunkhwa. It also issued notices to the federal government, Water and Power Development Authority (Wapda), Peshawar Electric Supply Company (Pesco), and National Electric Power Regulatory Authority (Nepra), seeking their response. (ET) | [Click for more info.](#)

## Autos

**Pak Suzuki extends plant shutdown due to low inventory**

**PSMC | Negative**

Pak Suzuki Motor Company Ltd (PSMCL) has extended its plant shutdown to September 8-9 due to low inventory supply, it said in a Pakistan Stock Exchange filing on Friday. However, its motorcycle plant will continue to operate. (Dawn) | [Click for more info.](#)

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## Auto industry's future bright as more players enter

**Autos | Neutral**

According to the statistics of Pakistan Automotive Manufacturers Association (PAMA), Pakistan produced 226,433 passenger cars in 2021-22 with sales volume of 234,180 units, up about 49% and 55% from 151,794 and 151,182 units respectively in 2020-21. Industry insiders believe that the future of Pakistan's auto industry is bright as more international players enter, bringing advanced equipment and technology. However, due to economic conditions such as inflation and power shortages, import restrictions and natural disasters, they pointed out, production and sales growth would slow or even decline in the current fiscal year. (ET) | [Click for more info.](#)

## Cement

**Cement sales plunge 35pc in July-August**

**Cement | Negative**

Amid heavy monsoon rains that caused flash floods across the country, the cement sector recorded a massive drop of 34 per cent in local despatches and a 44pc dip in exports during the first two months of the current fiscal year. (Dawn) | [Click for more info.](#)

**Construction activity likely to gain momentum before winter**

**Cement | Neutral**

The construction slump, caused by unprecedented monsoon rains and subsequent flood devastation, is about to be over as all players await the receding of floodwater and restoration of the road network to start rebuilding activities across the country. (Dawn) | [Click for more info.](#)

## Banks

**Filling stations of OMCs stop selling fuel on debit, credit cards**

**Banks | Neutral**

In a new development, almost all oil marketing companies outlets have stopped selling petrol and diesel to consumers on credit and debit cards because of the high (1.5 per cent) merchant discount rate (MDR) charge by banks being charged by commercial banks. (The News) | [Click for more info.](#)

**Pakistan Central Bank to Phase out Refinancing Facilities in Five Years**

**Banks | Neutral**

Under the new approved law of SBP, central bank is legally bound to phase out refinancing facilities in next five year. As of end-June 2022, the outstanding amount for all facilities was PRs 1,607 billion, or 17.4 percent of private sector credit. (Augaf) | [Click for more info.](#)

## Miscellaneous

**Service exports post paltry growth in July**

**Economy | Neutral**

The export of services grew nearly eight per cent in July, the first month of the current fiscal year, mainly driven by IT proceeds. In absolute terms, the value of export of services reached \$530 million in July from \$491m a year ago. On a month-on-month basis, the export of services dipped by 16.51pc in July. (Dawn) | [Click for more info.](#)

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## Cotton arrivals drop; shortfall may hit 4 million bales

Textile | **Negative**

Cotton arrivals at ginning stage dropped by 14 percent till September 1, 2022 as floods laid waste to billions of rupees' worth of produce in Sindh, Punjab, and Balochistan, while the country is estimated to fall short of this year's target by four million bales, prompting need for imports to keep the textile sector spinning. (The News) | [Click for more info.](#)

## Maple Leaf to invest Rs500mn in Kohinoor Textile

MLCF | **Neutral**

The Board of Directors of Maple Leaf Cement Company Factory Limited (PSX: MLCF) has approved an investment of up to Rs500 million as loans/advances to Kohinoor Textile Mills Limited (KTML), the company filing on PSX showed today. (Mettis) | [Click for more info.](#)

## Packages Limited fulfils obligations to acquire 585.25mn shares of Sanofi Aventis

PKGS | **Neutral**

In continuation to the Public Announcement of Offer (PAO) to acquire over 585.25 million shares of Sanofi Aventis Pakistan Limited (SAPL) by Packages Limited- Acquirer, Arif Habib Limited (AHL), being the manager to the offer confirmed that acquirer has fulfilled all its obligations under the takeover regulations. (Mettis) | [Click for more info.](#)

## Govt plans uplift funds diversion

Economy | **Neutral**

Pakistan's economy may slow down beyond the targeted level in current fiscal year as the government has decided to divert development funds to the fight against flood devastation to help rehabilitate people and their livelihoods. (ET) | [Click for more info.](#)

## Govt commits to registering 0.3m more taxpayers

Economy | **Neutral**

The government has pledged to register 0.3 million more tax payers with the help of physical surveys and withholding tax/third-party data to the International Monetary Fund (IMF). (BR) | [Click for more info.](#)

## Political News

### Govt has 13 months but I may not have that much time: Miftah

Miftah Ismail on Friday hinted that his time as finance minister could be cut short, saying that the government has 13 months but he "may not even have that much time". (Dawn) | [Click for more info.](#)

## International News

### Stocks Drop, Europe Futures Sink on Energy Crunch: Markets Wrap

European equity futures tumbled and the euro fell Monday as the region's worsening energy crisis added to concerns about a global economy already facing high inflation and a wave of monetary tightening. (Bloomberg) | [Click for more info.](#)

### Oil Rallies at Week's Open as All Eyes Turn to Key OPEC+ Meeting

Oil surged on the possibility that OPEC+ may decide to trim production, and as Europe's energy crisis worsened after the Group-of-Seven nations endorsed a plan to try to cap the price of Russian crude. (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 FCFF based DCF methodology.

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