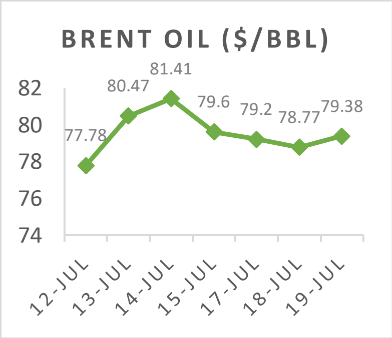
DAILY ECONOMIC UPDATE

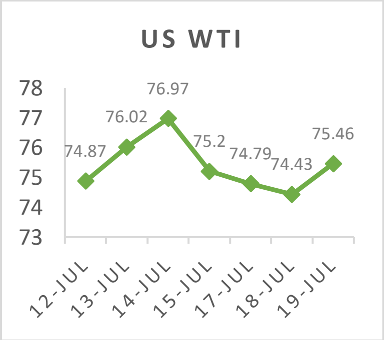
19th July 2023

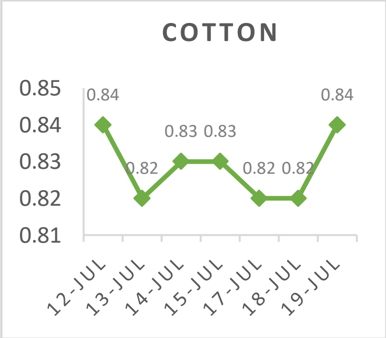
KSE - 100

Date	Current	Change	Volume
11-Jul	45155.8	0.4	248,170,894
12-Jul	45423.2	0.59	206,704,768
13-Jul	45266.90	0.08	225,216,885
14-Jul	45067.47	0.06	112,884,945
17-Jul	45042.61	0.16	148,647,059
18-Jul	45009.34	0.34	125,417,665
19-Jul	48048.21	0.09	8,249,413

COMMODITIES







CURRENCY PARITY

Currency	Buying	Selling
PKR-USD	281	284.2
PKR -GBP	366	371.25
PKR -Euro	310	314.5
PKR -Yuan	38.7	39.1

NYC COTTON

NYC Cotton	Open	Last	Volume
Oct 23	83.90	83.78	14
Dec 23	82.00	82.22	901
Mar 24	81.97	82.22	33
May 24	82.16	82.20	1037

Research Department - PO

SUMMARY OF ARTICLES

APTMA Chief urges PM Sharif to take steps to save textile industry

Pakistan's textile industry, represented by the All Pakistan Textile Mills Association (APTMA), has expressed concern over the decline in exports, urging the government to take measures for economic revival. The country's market share in international textile trade has fallen from 2.2 percent to 1.76 percent. Factors like the withdrawal of the Regionally Competitive Energy Tariff, high interest rates, the end of zero-rating facility, non-functioning of the FASTER system, and delays in sales tax refunds have led to a liquidity crisis in the sector. The APTMA emphasized the importance of implementing the Textiles and Apparel Policy 2020-25 and called for a cost-of-service-based tariff for electricity exports to make products competitive in the global market. They believe that by addressing these issues, the textile industry can contribute significantly to Pakistan's economic revival and generate an additional $10 billion in exports within the next financial year. Read More

No economic revival without reviving exports: APTMA

The All Pakistan Textile Mills Association (APTMA) Patron-in-Chief, Dr. Gohar Ejaz, has written a letter to Prime Minister Shehbaz Sharif highlighting the critical challenges faced by Pakistan's textile sector, which contributes over 60% of total exports. The letter emphasizes that the country's exports have fallen significantly, and the textile industry's market share in international trade has declined. Meanwhile, competitors like India and Bangladesh have made remarkable progress in their textile exports due to their progressive policies and incentives for manufacturers. In contrast, Pakistan's Textiles and Apparel Policy 2020-25 has faced implementation challenges, including the withdrawal of the Regionally Competitive Energy Tariff (RECT), high interest rates, and delays in tax refunds, leading to a liquidity crunch in the sector. APTMA urges immediate action, including a cost of service-based tariff for electricity for the export sector and a comprehensive review of the Textiles and Apparel Policy to foster a favorable investment climate. The letter emphasizes the need for urgent and decisive policy measures to prevent a further decline in exports, which could have significant economic repercussions for the country. Read More

Textile group exports decline 14.63% to $16.501bn YoY

During the fiscal year 2022-23, Pakistan's textile group exports declined by around 14.63% to $16.501 billion compared to the previous year's $19.329 billion. Overall exports for the same period fell by 12.73% to $27.735 billion. In June 2023, textile group exports decreased by 13.73% on a year-on-year basis, but saw 11.47% growth on a month-on-month basis. Cotton yarn exports experienced negative growth of 30.04% during the fiscal year. Rice exports also declined by 14.47% during the same period. The main commodities of exports in June 2023 were knitwear, readymade garments, bed wear, cotton cloth, cotton yarn, towels, rice, made-up articles, and surgical goods and medical instruments. Read More

Key policy rate: Government ready to consider further action in MPC meeting

The government of Pakistan has committed to the International Monetary Fund (IMF) that it raised the policy rate to 22 percent on June 26, 2023, to anchor inflation expectations and support the exchange rate. They are ready to consider further action in the next Monetary Policy Committee (MPC) meeting in July and the coming months until inflation expectations are on a clear downward path. The IMF emphasized the need for a tighter monetary policy stance to reduce inflation, re-anchor expectations, and support external sector rebalancing through the exchange rate. Inflation has been stubborn, and the policy rate has been raised by 800 bps since August 2022, currently standing at 22 percent. The authorities aim to return to a 5-7 percent inflation target band by end June 2024. The SBP is also committed to not introducing new refinancing schemes and improving monetary transmission. The report highlighted the record-high inflation of 38 percent in May 2023, affecting the poor significantly. Read More

Exploration, production firms threaten to suspend activities

Petroleum exploration and production companies in Pakistan are threatening to suspend activities due to non-payment of their dues worth over Rs1.3 trillion (about $4.65 billion) by Sui gas companies. The Pakistan Petroleum Exploration & Production Companies' Association (PPEPCA) has been raising this issue with the government and companies since September last year, but the dues have continued to grow, and the payments they receive are not enough to cover taxes. As a result, the companies are unable to fund operating, development, and exploration expenses and are forced to borrow funds at high interest rates. This situation has led to the shelving of most planned exploration and development drilling activities. The oil and gas sector is a significant contributor to Pakistan's economy, producing over 30% of the country's primary energy consumption. Read More

Current Account surplus hits record high

Pakistan's current account remained in surplus for the fourth consecutive month in June, resulting in an 85% reduction in the full-year deficit to $2.56 billion for fiscal year 2023. Finance Minister Ishaq Dar expressed confidence in the country's economic stability, with total reserves remaining robust. Imports saw a substantial drop, while exports and remittances also decreased during the fiscal year. Experts anticipate a potential increase in the current account deficit in fiscal year 2024 due to IMF conditions requiring the government to reopen imports and support economic growth. However, the government aims to keep the deficit relatively low, around $4 billion, as it refrains from fully reopening imports. The government received a new IMF loan of $3 billion to repay old foreign debt and improve foreign exchange reserves. Experts suggest controlling imports through sustainable practices to stabilize the domestic economy. Read More

Power firms seeks to extract Rs 29.5 bn more for June

Electricity costs in Pakistan continued to rise in the new fiscal year, with ex-Wapda Distribution Companies (Discos) and K-Electric seeking permission to collect an additional Rs29.5 billion from consumers next month. Discos are seeking to raise about Rs25.1 billion more in their fuel cost adjustment (FCA), while KE wants to extract about Rs4.4 billion in August's bill for electricity consumed in June. Despite an average base tariff increase of over Rs7 per unit and reduced costs of imported fuels like furnace oil and liquefied natural gas, power firms are requesting FCAs. The key reason behind the FCA is the relatively lower availability of hydropower generation than estimated in the reference tariff. Other sources like LNG-based, coal-based, nuclear, and domestic gas power generation also contributed to the overall power supply. The National Electric Power Regulatory Authority (Nepra) has accepted the tariff petitions and scheduled public hearings for July 26. Read More

Farmers asked not to sell cotton below the support price of Rs. 8500 per 40 kg

Caretaker Chief Minister of Punjab, Mohsin Naqvi, urged farmers not to sell cotton below the government-announced support price of Rs. 8,500 per 40 kg. He directed the Secretary of Agriculture and divisional administrations to ensure strict implementation of the Minimum Support Price for cotton. The government had announced the support price in March, but its implementation has been limited in Punjab and Sindh. The Trading Corporation of Pakistan (TCP) was authorized to purchase cotton at the support price, but ginners believe it will take time for the process to start. The decline in cotton prices is attributed to higher production and sales tax imposed on ginners. Read More