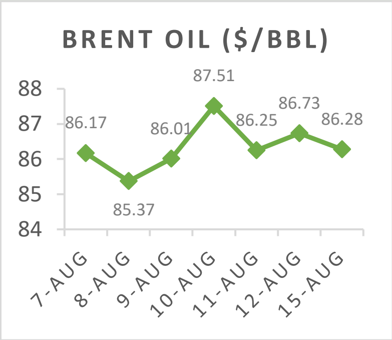
DAILY ECONOMIC UPDATE

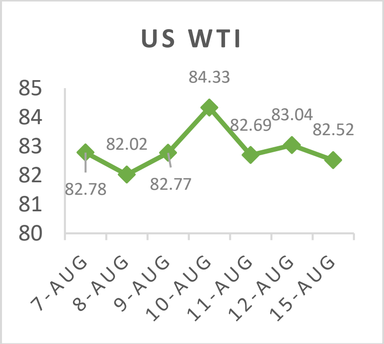
14th & 15th August 2023

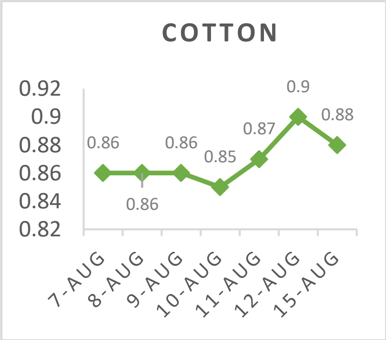
KSE - 100

Date	Current	Change	Volume
4-Aug	48585.71	-0.05	210,396,471
7-Aug	48386.25	0.79	232,034,005
8-Aug	47429.83	-0.82	197,511,127
9-Aug	48227.60	0.58	183,275,562
10-Aug	47808.34	0.65	175,252,024
11-Aug	48424.40	1.29	242,051,343
15-Aug	48496.69	0.15	31,676,252

COMMODITIES







CURRENCY PARITY

Currency	Buying	Selling
PKR-USD	295.5	298.5
PKR -GBP	374	377.25
PKR -Euro	322.6	325.6
PKR -Yuan	39.84	40.24

NYC COTTON

NYC Cotton	Open	Last	Volume
Oct 23	88.60	87.65	14
Dec 23	88.67	86.27	612
Mar 24	86.47	86.09	66
May 24	86.05	85.92	8

Research Department - PO

SUMMARY OF ARTICLES

Exports to EU fall despite GSP+ status

Exports to the European Union (EU) from Pakistan experienced a decline of over 4.41% in FY23, mainly due to decreased demand for Pakistani goods in Germany and the Netherlands. The total exports to the EU's 27 member countries reached $8.188 billion during FY23, down from $8.566 billion in the previous fiscal year. This decrease occurred despite the Generalised System of Preferences Plus (GSP+) scheme, which remained active for Pakistan in the current fiscal year. The main export destinations within the EU are Germany, the Netherlands, Spain, Italy, and Belgium. While some product categories, like garments and hosiery, experienced export growth, others faced decline. Home textiles and cotton intermediary goods were among the top categories. The shift in the UK's status post-Brexit impacted Pakistan's exports, with a 10.63% decline to the UK in FY23. However, the UK government assured Pakistan of continuity in the preferential market access scheme. Under the GSP+ scheme, Germany became the top destination for Pakistani exports, replacing the UK. Exports to Germany decreased by 8.62% to $1.600 billion in FY23. The Netherlands followed as the second-largest market, experiencing a 3.53% decline to $1.446 billion. Exports to Spain grew by 19.39% to $1.373 billion, while exports to Italy increased by 5.88% to $1.151 billion. Belgium saw a 2.20% decline, reaching $700.93 million, and France experienced a 7.24% increase to $570.12 million. Exports to other EU countries faced various fluctuations, contributing to the overall decline in exports to the region. Read More

The first supplier list of Pakistan Accord published

The Pakistan Accord, an organization focused on improving labor conditions in the textile industry, has gained the participation of nearly 425 domestic suppliers that provide textile products to 52 global brands associated with the accord. These suppliers collectively employ around 470,000 workers and play a crucial role in supplying textiles and apparel to signatory brands. The inclusion of these suppliers in the accord aims to ensure the protection of workers' rights in the industry. The Factory Disclosure Report for Pakistan, recently published by the Accord, contains information about the participating businesses, their contact details, production processes, and factory layouts. This transparency initiative offers a comprehensive view of the textile units in Pakistan, revealing details about the structure, workforce size, and the brands associated with each supplier facility. The Accord expects this data to contribute to mapping the Pakistani textile and garment industry, enhancing transparency, and fostering accountability within the supply chains of its signatory brands. Read More

Exports to Middle East dip 13 percent in FY23

Pakistan's exports to the Middle East underwent a notable decline of 12.62% to $2.332 billion in the fiscal year 2022-23, compared to $2.669 billion the previous year. This drop was mainly attributed to reduced exports to the UAE, while exports to Saudi Arabia rose. Imports from the Middle East also saw a decrease of 7.24%, totaling $17.488 billion in FY23 compared to $18.853 billion in the prior year. Around 62% of total exports to the region were directed to the UAE, but these declined by 20.23% to $1.474 billion in FY23. On the other hand, exports to Saudi Arabia increased by 13.1% to $503.40 million, while imports from Saudi Arabia contracted by 21.43% to $3.324 billion. Notably, imports from Qatar surged by 41.82% to $3.788 billion, making Qatar the second-largest import destination for Pakistan after the UAE. Despite challenges in certain markets, Qatar's increased imports highlight its growing trade importance for Pakistan in the Middle East. Read More

Exporters clinch $410 million orders at TDAP expo

Pakistan's inaugural International Food and Agriculture Exhibition, FoodAg-2023, has concluded with significant achievements. Organized by the Trade Development Authority of Pakistan (TDAP), the three-day event saw the finalization of export deals worth over $410 million for agro-related products, accompanied by the signing of 10 memoranda of understanding (MoUs). The exhibition, held at the Expo Centre, attracted visitors from 60 countries and facilitated numerous business-to-business meetings. With more than 221 exhibitors showcasing over 500 high-quality products, the event drew the participation of over 600 international buyers from various countries, including Japan, Germany, and Iran. China had the largest representation with over 150 buyers present. Regulatory discussions took center stage, as 15 regulatory authorities engaged in 26 meetings with their Pakistani counterparts to address issues related to safety standards and regulatory compliance. This exhibition provided a platform for enhancing visibility for Pakistan's regulatory bodies and improving safety standards in the food and agriculture sector. Read More

Mixed start of FY2023-24 | Dr. Hafiz A Pasha

The fiscal year 2023-24 started positively for Pakistan, securing a $3 billion IMF Stand-By Facility. Initial benefits included a 3%-rupee appreciation, an 18% surge in the KSE-100 Index, and foreign exchange reserves nearly doubling to over $8.7 billion by mid-July. However, subsequent developments raised concerns. July's inflation rate remained high at 28.3%, barely below June's 29.4%, fueled by surges in wheat flour, rice, electricity tariffs, and POL product prices. Export and remittance disappointments in July, down 9% and 19% year-on-year respectively, contrasted with optimistic IMF projections. Imports also remained low at nearly $3.7 billion, defying the IMF's forecasted monthly average of around $5.5 billion. These import restrictions may breach the IMF agreement, affecting private investment that contracted in July. The new caretaker government must urgently address these issues to meet IMF performance criteria by September 2023. Failure could lead to program suspension, loss of market confidence, and challenges in honoring external payments of about $25 billion for 2023-24. Read More

Gas: No more window dressing, please | Ali Khizar

The plan to address Pakistan's gas circular debt, amounting to around Rs 1.6 trillion by June 2024, includes introducing a subsidy for dividend swap and tariff rationalization. Despite sharing the plan with the IMF, implementing this strategy faces challenges. Lopsided gas pricing has led to sectors like power paying higher prices, contributing to circular debt buildup. Proposed solutions like supplementary grants to gas companies to clear payables do not address the core issue. The suggested approach entails using weighted average cost of gas (WACOG) by blending imported RLNG and indigenous gas prices. While this would raise domestic gas bills by 3-5 times, it may not be easy to implement and could negatively impact industrial and other consumers. The circular debt stock stands around Rs 1,100-1,200 billion by June 2023, with a flow of Rs 400-500 billion in FY24. Current proposals lack reform measures, and authorities should prioritize price rationalization across sectors and regions to ensure sustainability and economic efficiency. Addressing the disparity in gas pricing among sectors, improving power sector efficiency, and balancing gas costs for industries are crucial for reform. The outgoing government's proposal to alleviate the gas circular debt should not divert from the necessity of implementing genuine and sustainable reforms to ensure the energy sector's stability and long-term sustainability. Read More