

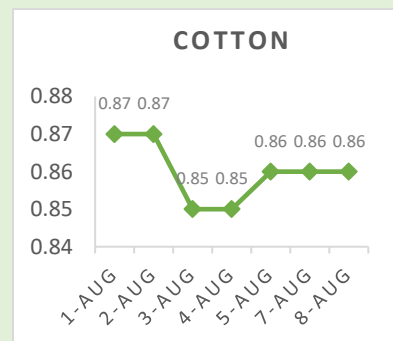
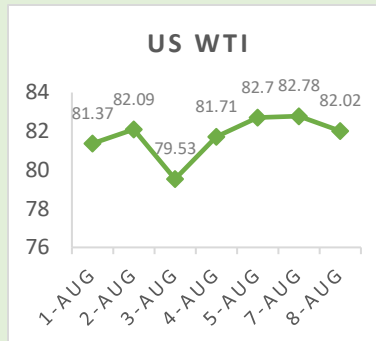
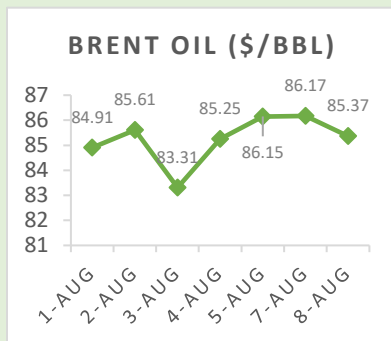
## DAILY ECONOMIC UPDATE

8<sup>th</sup> August 2023

### KSE - 100

Date	Current	Change	Volume
<b>27-Jul</b>	47077.00	0.69	253,982,658
<b>1-Aug</b>	48230.51	0.45	274,242,037
<b>2-Aug</b>	48764.55	0.58	356,630,667
<b>3-Aug</b>	48611.18	0.78	289,325,455
<b>4-Aug</b>	48585.71	-0.05	210,396,471
<b>7-Aug</b>	48386.25	0.79	232,034,005
<b>8-Aug</b>	47990.69	-0.82	34,364,981

### COMMODITIES



### CURRENCY PARITY

Currency	Buying	Selling
<b>PKR-USD</b>	291.6	294.5
<b>PKR-GBP</b>	371.8	375.5
<b>PKR -Euro</b>	320.5	323
<b>PKR -Yuan</b>	39.94	40.34

### NYC COTTON

NYC Cotton	Open	Last	Volume
<b>Oct 23</b>	86.38	86.38	1
<b>Dec 23</b>	85.43	85.32	949
<b>Mar 24</b>	85.58	85.44	193
<b>May 24</b>	85.65	85.51	28

## SUMMARY OF ARTICLES

### **Pakistan's textile industry bears the brunt of economic woes**

Pakistan's industrial manufacturing sector, particularly the textile industry, has faced challenges due to global consumption slowdown, increased energy costs due to the conflict in Ukraine, economic instability, and political turmoil. Textiles account for 60% of Pakistan's exports and employ 40% of the industrial workforce. The sector serves global brands such as Zara, H&M, and Macy's. Many textile factories have temporarily closed or reduced capacity, resulting in job losses estimated at around 700,000. The industry initially benefited from post-pandemic relaxation and government aid, but challenges like a failed cotton crop, import restrictions, and high interest rates have hindered growth. Pakistan's textile market share dropped from 2.25% to about 1.7%, although hope remains if the political situation stabilizes after the upcoming elections.

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### **IMF Program targets | Dr Hafiz A Pasha**

Pakistan's recent IMF Stand-by Facility has specific quantitative performance criteria, indicative targets, and structural conditionalities. The facility runs for nine months, aiming to disburse around \$3 billion in three installments. The first installment of \$1.2 billion has been released, and the second and third installments will be released in December 2023 and March 2024, respectively, subject to meeting performance criteria. Performance criteria include aspects like net international reserves, net domestic assets of the State Bank of Pakistan (SBP), government budgetary borrowing from the SBP, primary budget deficit, government guarantees, targeted cash transfers spending, and more. Indicative targets cover general government budgetary health and education spending, net tax revenues collected by the Federal Board of Revenue (FBR), tax refund arrears, and power sector payment arrears. The targets aim to address Pakistan's economic challenges, including forex reserves, fiscal deficits, arrears, and more. They emphasize strict monitoring of financial stability, governance, and fiscal reforms. The targets are challenging, with areas like net international reserves, FBR revenues, and power sector payment arrears posing significant difficulties. The government's commitment and effective policies will be essential to meet these targets. [Read More](#)

### **Sales of some big luxury brands declines in Q2 of 2023 in the US**

In the second quarter of 2023, while sales of most luxury brands declined, Hermes stood out as an exception with a 21% increase in sales. Luxury brands like Gucci and Balenciaga saw a significant 23% drop in North American sales during the same period. Americans contributed to 33% of global luxury sales in 2022, up from 22% in 2019, according to Bain & Company data. Despite economic uncertainties, shoppers across various wealth levels continue to spend approximately 10% more on luxury goods compared to 2019. While the U.S. luxury market is not in free fall, some brands have faced challenges in the beginning of the year. [Read More](#)

### **Bangladesh PMO calls for raising leather exports to \$5 bn by 2027**

The Bangladesh Prime Minister's Office has directed authorities to create an environment conducive to increasing the export of leather and leather goods from \$1.7 billion to \$5 billion by 2027. The order was issued during a meeting chaired by the PM's principal secretary, focusing on upgrading the environmental compliance of tanneries in Savar, including the central effluent treatment plant (CETP) and solid waste management, in line with the standards of the Leather Working Group (LWG). Upgrading the CETP in Savar Tannery Estate is crucial for global compliance. The public and private sectors are both expected to play significant roles in creating the required environment for achieving the export target. The meeting included participation from the chairman of Bangladesh Small Cottage and Industries (BSCIC), as well as representatives from tannery owners and leather goods manufacturers. [Read More](#)

### **3-month analysis shows 1.3% drop in German production for Apr-Jun 2023**

Germany's industrial production experienced a 1.5% month-on-month decline in June 2023 after seasonal and calendar adjustments. May's production, initially reported at -0.2%, was nearly unchanged at -0.1% compared to the previous month after revision. Over a three-month period from April to June, production dropped by 1.3% compared to the previous three months. The automotive industry was a significant contributor to the negative trend, with a -3.5% monthly change in June, following a 5.8% growth in the previous month. Excluding energy and construction, industrial production fell by 1.3% from May, with consumer goods production increasing by 1.8% and intermediate goods by 0.4%. Energy production rose by 0.6% in June. Compared to June 2022, adjusted for calendar effects, industrial production was down 1.7% in June 2023. In energy-intensive sectors, production increased by 1.1% in June 2023 from May, but saw a substantial decrease of 12.2% compared to June 2022. [Read More](#)

### **Tariff increases for KE consumers merged with Discos for uniformity**

In its final session before leaving office, the PMLN-led coalition government of Pakistan endorsed several crucial measures during an Economic Coordination Committee (ECC) meeting. Notably, the government approved the integration of quarterly tariff increases for K-Electric with other distribution companies (Discos), aiming to recover over Rs4 per unit, amounting to Rs145 billion, for the July-September billing cycle. Additionally, amendments to the power transmission policy were given the green light, intending to accelerate investments from the Gulf Cooperation Council (GCC) through government-to-government (G2G) negotiations. The ECC also granted policy directions to apply uniform tariff adjustment requests on K-Electric consumers and allowed amendments to the Transmission Line Policy to encompass ancillary services projects, as instructed by the Special Investment Facilitation Council (SIFC). Furthermore, the ECC doubled performance-based incentives for remittances and introduced a new "diamond" category for remitters under the Sohni Dharti scheme. The government also endorsed a contract with Iran for electricity purchase and approved supplementary grants for health insurance and security-related requirements. These decisions encapsulate diverse steps targeting energy sector adjustments, investment promotion, and financial incentives, spanning several important sectors of Pakistan's economy. [Read More](#)

### **Inflation, where will you move?**

Rising global oil prices have led to increased electricity and petrol costs in Pakistan, with the potential for gas tariffs to also rise. Inflation, despite a slight decline in July, remains high, particularly in food prices. The State Bank of Pakistan (SBP) has maintained its policy rate at 22%, projecting an inflation rate of 20%-24% for FY24, expecting the impact of previous monetary tightening to gradually take effect. The upward trend in domestic energy prices is predicted to continue until at least March 2024, coinciding with the conclusion of the International Monetary Fund's Standby Arrangement. Political uncertainty and the upcoming general elections in October-November further complicate the situation, potentially challenging the SBP's inflation projection. The persistent issue of food inflation, driven by increased fuel and energy costs, continues to strain the economy. Effective measures to counter food inflation include enhanced crop yields, better coordination between government levels, and addressing supply chain challenges. The stability of the Pakistani rupee also plays a crucial role in inflation control, with import restrictions lifting and the rupee expected to weaken, posing additional challenges to keeping inflation in check. [Read More](#)