

Economy | NCPI | Preview- Oct'24



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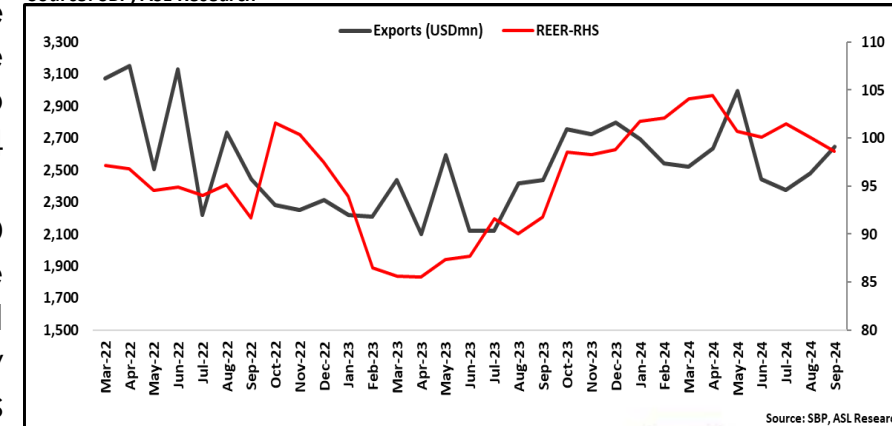
Current Account: CAD records below USD100mn during 1QFY25

REP # 048

- The stability in USDPKR is one of the reasons that has brought economic stability in Pakistan, which is witnessed mainly with the structural reforms along with improving reserves, specifically exports, even when the export and parity has inverse relationship. The exports have started to mark significant improvement of c.4.3% and c.6.8% during Aug'24 and Sept'24 respectively. The phenomenon of improving exports has mainly been the scenario of equilibrium REER level of 98.65, witnessed during Sept'24. It is to note here that, the REER has notably improved on average during last 12-months, significantly by c.10.4%. The fluctuation in REER has mainly been the happening of market determined exchange rates, that revived exports during 1QFY25 to USD7.5bn, recovering by c.8%YoY.
- It is also to note here that, exports during Sept'24 have witnessed a notable rise of c.7%/c.9% MoM/YoY to USD2.6bn when comparing the corresponding periods. On the imports side, we have noticed, the numbers remained stabilized, hovering around USD4.7bn compared to Aug'24, translating into a better trade deficit recorded during Sept'24 of USD2.05bn, improving by c.8%MoM.
- Recovering economic indicators, during 1QFY25 have translated CAD to merely USD99mn compared to a 1QFY24 CAD of USD1.24bn. The significant improvement have mainly been the reason of i) FDI remarkably improving by c.48%YoY, ii) Remittances roaring by c.39%YoY, iii) Export Services surging by c.6%YoY, iv) Export of Goods increased by c.8%YoY during 1QFY25.

USDmn	Sep-24	MoM	YoY	1QFY25	YoY
Current Account Balance	119	310.3%	-154.6%	(98)	-92.1%
Exports of Goods FOB	2,645	6.8%	8.5%	7,496	7.8%
Imports of Goods FOB	4,691	-0.4%	19.4%	14,219	15.7%
Balance on Trade in Goods	(2,046)	-8.3%	37.3%	(6,723)	26.0%
Workers' Remittances	2,849	-3.2%	29.0%	8,787	38.8%
Direct Investment in Pakistan	385	54.0%	80.8%	771	48.3%
Overall Balance	(347)	84.6%	10.97x	(383)	-82.9%
SBP Gross Reserves	11,978	11.9%	35.6%	10,704	21.2%
Import Cover (x)	2.15	0.24	0.33	0.64	0.05
USDPKR	277.72	-0.4%	-3.7%	278.26	-5.2%
EURPKR	309.21	0.4%	1.3%	306.14	-3.6%
Arab Light (USD/bbl.)	73.51	-5.3%	-21.2%	78.31	-9.7%

Source: SBP, ASL Research

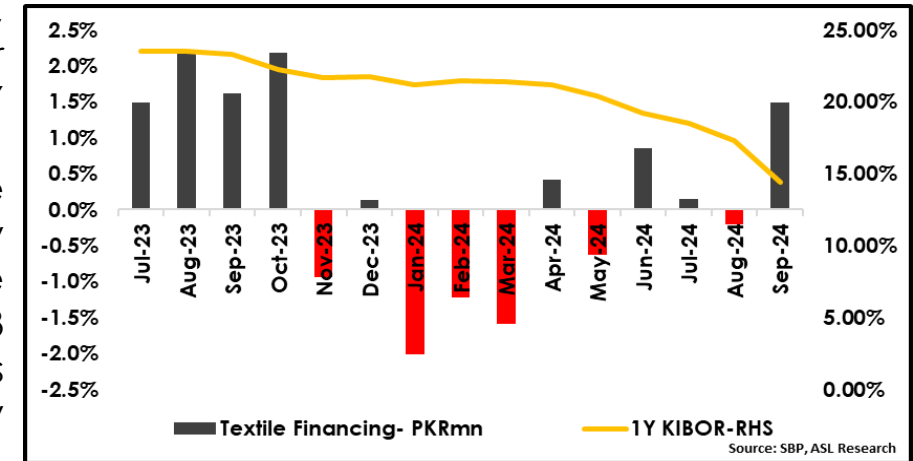


Textile Exports contributing to c.7%MoM rise during Sept'24

- Post flood 2022, has been remarkable for the country, where we have noticed, Agriculture sector has been growing all the quarters during FY24. We have noticed, during FY24, the Agriculture sector has significantly improved by c.6.3%YoY mainly on the verge of higher cotton output which notably surged during FY24 by c.47% compared to FY23. This remarkable improvement in cotton output has enhanced textile sector revenues, where the sector has notably marked higher exports of c.4%YoY to USD4.25bn when comparing the 1QFY24. It is to remember here that, FY25 has been a outstanding year so far for the textile industry where the sector has on average, marked MoM growth of 5%. The segments that marked notable growth, perhaps, the value added sectors, on average marked growth of c.8% during 1QFY25. Amongst the segment, Readymade, Knitwear, Bed Wear and Towels have been witnessed as the major contributors, roaring by c.18%YoY, c.8%YoY, c.3%YoY and c.3%YoY respectively during 1QFY25 compared to 1QFY24.
- The signs of reducing KIBOR have started to appear on textile financing which has been on the rising trend, since the monetary easing has become the agenda of the IMF, the KIBOR rates have improved to 14.4% during Sept'24, improving from Jul'23 and Aug'23 levels of 23.49%. The resultant effect of the reduction in KIBOR has notably witnessed with the textile financing rising on average by c.60bpsMoM since Jun'24.

Exports(USDmn)	Sep-24	MoM	YoY	1QFY25	YoY
Food Group	488	-0.7%	-0.6%	1,525	21.3%
Textile Group	1,470	4.4%	10.3%	4,253	4.5%
Total Export as per BOP	2,645	6.8%	8.5%	7,496	7.5%
Imports (USDmn)	Sep-24	MoM	YoY	1QFY25	YoY
Food Group	516	1.3%	12.1%	1,560	-8.0%
Machinery Group	637	-0.3%	35.1%	2,173	52.8%
Transport Group	141	-4.1%	12.1%	436	4.2%
Petroleum Group	1,303	-7.5%	1.5%	3,936	13.7%
Petroleum Products	546	8.8%	19.2%	1,484	2.5%
Petroleum Crude	466	-7.9%	-5.6%	1,448	33.2%
Textile Group	383	-4.3%	62.2%	1,173	28.0%
Total Imports as Per BOP	4,691	-0.5%	19.4%	14,225	15.6%

Source: SBP, ASL Research



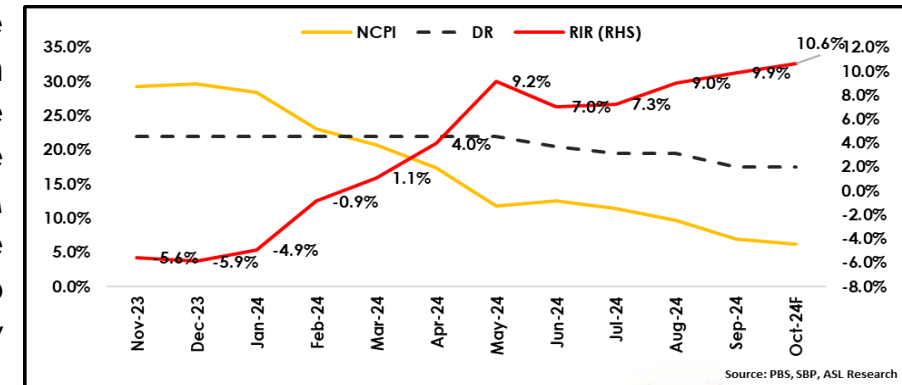
NCPI- Oct'24: Inflation to mark 6.2%YoY

REP # 048

- National Consumer Price Index (NCPI) to arrive at 6.23%YoY during Oct'24. We believe the NCPI to rise on YoY basis, mainly on the higher Housing, Electricity & Gas index which is to rise on YoY basis by c.18% during Oct'24. The likely rise in the index will be the phenomena of implication of WACOG charges during 1HFY24, increasing the gas charges in Pakistan to Rs.1,976.5/3.3719 MMBTU. Bearing in mind, the disinflation during 4MFY25, has mainly been in the wake of higher base-effect during 4MFY24. We believe the average NCPI will likely be hovering around c.8.5%, notably improving by c.20%ppts YoY.
- The phenomena of higher base effect has been a gentle in disguise where we can witness the prices of pulses, fresh vegetables, meat, dairy and fresh fruit have respectively roared by c.52%YoY, c.19%YoY c.36%YoY, c.5%YoY during Oct'24 compared to Oct'23.
- For Sept'24, we believe the NCPI to rise MoM basis by 42bpsMoM compared to disinflation of 52bps recorded during Aug'24. We believe the rise in NCPI will likely be the effect of higher food inflation witnessed during Sept'24 mainly on the c.2% contribution to be made by the Perishable food prices. We also believe the index to rise notably on the verge of vegetable prices averaging c.10%MoM during Sept'24. Based on the 4MFY25 NCPI numbers along with the roof-topping Real Rates to almost c.11%, we believe the MPC to consider another rate cut of 200bps during Nov'24 MPS, followed by 150bps, 100bps and 200bps in the previous Meetings, to 15.5%.

Key NCPI Drivers	Weights	Sep-24	Oct-24F	Oct-23	MoM	YoY
General	100%	261.0	262.1	246.7	0.4%	6.2%
Food & Non-alcoholic Bev.	34.6%	276.9	280.1	280.3	1.2%	-0.1%
Alcoholic Bev. & Tobacco	1.0%	385.2	390.3	362.2	1.3%	7.7%
Clothing & Footwear	8.6%	246.1	245.5	215.3	-0.2%	14.0%
Housing, Elect. & Gas	23.6%	235.5	235.8	200.7	0.1%	17.5%
Furnishing & Household	4.1%	269.4	268.5	255.9	-0.3%	4.9%
Health	2.8%	252.7	256.1	228.4	1.3%	12.1%
Transport	5.9%	304.3	296.3	322.3	-2.6%	-8.1%
Communication	2.2%	134.8	134.6	120.1	-0.2%	12.1%
Recreation & Culture	1.6%	273.8	276.5	255.8	1.0%	8.1%
Education	3.8%	201.8	207.8	183.7	3.0%	13.1%
Restaurants & Hotels	6.9%	275.6	278.6	256.5	1.1%	8.6%
Miscellaneous Goods	4.9%	295.0	298.3	263.0	1.1%	13.4%

Source: PBS, ASL Research



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