

Director's Report

I am pleased to present financial performance of collective investment schemes' and pension funds being managed by National Investment Trust Limited (NITL) for the year ended 30th June 2020.

Macroeconomic Overview

Pakistan's economy was slowly reverting to the path of stability till February 2020, evident by improving macro-economic indicators such as trade deficit, fiscal deficit, foreign exchange reserve and credit rating etc. However, macroeconomic stability was blemished by the outbreak of the Coronavirus in late February. This was seen with a sharp decline in GDP growth rate to -0.38% in FY20 from 1.91% in FY19. The global pandemic caused major shutdown due to which economic development was nearly halted.

The current account deficit narrowed by 77.9% to \$2.97 billion in FY20 as compared to \$13.43 billion in the previous fiscal year mainly on account of significant reduction in imports due to economic shutdown and lower oil prices.

Overall the trade deficit stood at \$22.75 billion in FY20 against \$32.58 billion in the FY19. There was a reduction of 30.2% in the trade deficit on the back of a steep reduction in imports coupled with economic meltdown in the aftermath of the deadly respiratory disease. Imports stood at \$ 50.7 billion in FY20 compared to \$ 62.81 billion, registering a decline of 19.28%. The import bill got compressed owing economic shutdown and lower oil prices. However, the real challenge remained the exports, which registered a negative growth of 7.54% and stood at only \$27.95 billion in FY20. In absolute terms, the exports shrank \$2.28 billion, mainly because of the lockdown imposed by the global trade partners.

During FY20, inflation clocked-in at 8.6% (YoY) as compared to 8.0% (YoY) in the last year. This took average inflation during the year FY20 to 10.7% against 6.8% during last year. Urban CPI increased by 7.6% YoY vs 8.1% in the last year. While, Rural inflation increased by 9.9% YoY as compared to 7.2% in FY19. During FY20, Worker's Remittances increased to a historic high level of \$ 23.1 billion witnessing a growth of 6.4% over US\$ 21.7 billion during FY19.

FY20, was a volatile year for Pakistan Stock Exchange. Benchmark index took a bearish start to the year declining 15.15% till August 16th, 2019. Later market started to incorporate improving economic indicators and we witnessed 50% increase in KSE 100 index to 43,207 level as on January 10, 2020. However, strong recovery was halted by emergence of coronavirus pandemic taking toll on benchmark index which declined 37% to 27,229 as on March 25th, 2020. Finally, number of factors including incentives from Government coupled with hope related to opening of business led to recovery in KSE 100 index which closed at 34,422 points up 1.5% as compared to previous year's close of 33,902 points.

Overall activity at the stock market improved during the year as average traded volumes increased by 27% YoY to 196 million shares per day in FY20. However, it still remained 10% lower compared to its preceding five-year average of 219 million shares per day. The average traded value down by 2% in FY20 to USD 46 million per day, which remained 51% lower compared to its preceding five-year average of USD 94 million per day. Foreigners remained net sellers, with

