

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 half year ended 31st December, 2021.

Macroeconomic Overview

Strong economic growth continued in 1HFY22. However, sharp increase in imports coupled with surge in commodity prices resulted in macro imbalances including higher current account deficit (CAD) and Pak rupee depreciation. This has shifted focus of economic managers toward stabilization of economy. In this regards, number of measures are underway including interest rate adjustments, energy tariff rationalization, withdrawal of tax exemptions and few other related to fiscal and monetary tightening.

During 1HFY22, trade deficit doubled to US\$25.5 billion as compared to US\$12.3 billion in same period last year. Export increased 24.7% to US\$ 15.1 billion in 1HFY22 from US\$ 12.1 billion in the corresponding period last year. Import increased by 65.9% to US\$ 40.6 billion in 1HFY22 from US\$ 24.5 billion in 1HFY21.

Worker's Remittances increased by 11.3% to US\$ 15.8 billion in 1HFY22 from US\$ 14.2 billion in the corresponding period last year. During the ongoing fiscal year, most of the growth has come from US and UK while remittance flow from Middle-East countries has largely remained flat.

The current account deficit has increased sharply this year mainly due to a rise in imports even the exports has shown strong growth. As per SBP data, Pakistan's current account deficit (CAD) swelled during 1HFY22 to US\$ 9.10 billion against a surplus of US\$ 1.20 billion in the corresponding period last year. The central bank has also revised up its FY22 current account deficit estimate to 4% of GDP (previously 2-3%), due to a sharp increase in commodity prices.

Inflation surged to 22 months high of 12.3% in December 2021 driven by higher food inflation, increase in energy tariff and rise in price of petroleum products. In 1HFY22, inflationary pressures were increased to 9.8% versus 8.6% in the same period last year. The central bank has revised up its CPI inflation expectation for FY22 to 9-11% from 7-9%.

Capital Market review

Pakistan Stock Exchange (PSX) sentiment remained subdued during 1HFY22. Investors remained skeptical on the macroeconomic issue especially due to falling rupee coupled with rising current account deficit and inflation. Investors interest reflected by average traded volume/value declined 44%/46% during 1HFY22. As a result, Benchmark (KSE – 100) index plunged 6% in PKR term and 16% in USD term during the period.

MSCI downgraded Pakistan from Emerging Market to Frontier Market due to which Foreign Corporates equities worth of USD305mn in 1HFY22. Individuals and Companies were key buyers with net buying of USD72mn and USD60mn, respectively.

Rising interest rate scenario led the Banking sector (+7%) and growing technology exports coupled with weaker rupee led the technology sector (+4) to outperformed the market. On the other hand, refinery sector (-43%) on the back of delay in refining policy and cement sector (-18%) due to higher international coal prices underperformed the benchmark.