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 half year ended 31st December, 2022.

Macroeconomic Overview

Pakistan boom bust cycle continues. GDP growth is expected to decline significantly in FY23 after registering growth of around 6% in FY21/22. Through tough administrative measures, Government was successful in bringing current account deficit under control during 1HFY23. However, management of fiscal and external account remained a key challenge for the economic managers. Moreover, delay in completion of IMF 9th review has further added to country's economic woes.

Economic slowdown coupled with tough administrative measures has led 59% decline in Current account deficit (CAD) to USD 3.7 billion in 1HFY23 compared to the deficit of USD 9.0 billion in the same period last year.

Inflation has been rising globally including Pakistan where it averaged around 25% in 1HFY23 as compared to 9.8% in the corresponding period last year. Along with other measures, State Bank of Pakistan has increased interest rates to 16% in order to curtail inflationary pressures.

The State Bank of Pakistan's forex reserves have fallen to an eight-year low of $5.6 billion, posing a significant challenge to the country's ability to finance imports. Coupled with another $5.2 billion held by commercial banks, the country has $10.8 billion in reserves, which is just enough to cover three weeks' worth of imports.

Capital Market review

KSE 100 index registered a decline of 3% (12% in USD terms) during 1HFY23, from 41,541 on June 30, 2022, to 40,420 points on December 30, 2022. Market made a high of 43,888 in August 2022, on the back of IMF program renewal. However, due to higher loss assessment owing to historic floods, continued unrest on political landscape coupled with economic uncertainty has led KSE-100 index to continue its downward trajectory during 1HFY23. Given global melt down and rising interest rates, Pakistan's performance in Morgan Stanley Capital International (MSCI) which widely track major economies for institutional investors, remained better compared to other Asian Frontier Markets which fell by 22%.

Technology sector remained outperformer which performed 34% during 1HFY23 mainly led by foreign buying specially in companies with major IT exports after record Pak rupee devaluation. On the flip side, Refineries posted a decline of 24% mainly due to contraction in gross refinery margins and exchange/inventory losses. Similarly, sharp reduction in auto demand due to soaring interest rates and rising car prices led Auto Assemblers to post a decline of 24%. Chemical sector posted a decline of 17% due to decline in international primary margins which dictate sector's earning. Moreover, Commercial Banks plunged by 7% while Cement posted a decline of 4%.