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, 2022.

Macroeconomic Overview

Pakistan's economy continued its robust growth momentum from last year in FY22 by registering a growth of 6% (5.7% in FY21). However, growth in FY22 was accompanied by large imbalances on the fiscal and external side.

The Fiscal Deficit increased to Rs 4,745 billion (7.1% of GDP) during FY22, from Rs 3,403 billion (6.1% of GDP) as compared to the last year due to short fall in non-tax revenue and increase in current expenditure mainly contributed by higher subsidies provided on fuel prices and electricity tariffs.

On the external front, sky rocketing commodity prices including Palm Oil (+146%), crude (+100%), petroleum products and LNG have led to highest ever import bill of USD 80 billion (+42% YoY) in FY22. Due to which country reported historic trade deficit of USD 48 billion (+56% YoY) in FY22. This was despite record – high exports of USD 31.8 billion (+26% YoY). Remittances increased to USD 31.24 billion (+6% YoY) during FY22. However, this is not enough to control the damage caused by higher imports, as a result Current Account Deficit (CAD) increased to USD 17.4 billion in FY22 as compared to CAD of USD 2.8 billion in FY21.

Pressure on the external account has set off a chain reaction on country's macro's including FX reserves, exchange rate and inflation. Foreign Exchange Reserves declined 35% YoY to USD 15.7 billion as on June 2022 from USD 24.4 billion in the same period last year. Diminishing reserves led to Pak Rupee devaluation of 23% during the year from Rs 157.54 as on June 30, 2021 to Rs 204.85 in June 30, 2022. Rupee depreciation coupled with soaring commodity prices resulted in multiyear high Inflation of 21.3% in June 2022. However, average inflation during 2022 was recorded at 12.5%.

In order to contain aggregate demand, inflationary pressures and external account, State Bank of Pakistan (SBP) did aggressive monetary tightening during the year by increased policy rate to 13.75% in June 2022 from 7% in June 2021.

Inflation remained at multi-decade high at 21% in FY22 and SBP revised its policy rate to 13-year high of 13.75% to contain the inflation, leading to depreciation pressure on PKR against USD. This strong monetary tightening has occurred despite concerns about a slowdown in growth.

Capital Market review

Despite 23.4% YoY growth in corporate earnings during 9MFY22, Pakistan benchmark KSE – 100 index declined 12% or 5,815 points to close at 41,541 points in FY22. In dollar terms benchmark index registered a decline of 32.5% during the year. Political uncertainty coupled with deteriorated macro-economic indicators over shadowed growth in corporate earnings and led to rout in Pakistan bourses. To be specific rising current account deficit coupled with rupee depreciation, soaring inflation, monetary tightening and change in political land scape took toll on Pakistan Stock Market.

Average traded volume and value declined 45% YoY (291m shares) and 54% YoY (USD 55m) respectively in FY22. Technology, food and refinery sector remain volume leader during the year. Whereas, technology, cements and banking sector were the value wise leader in FY22.