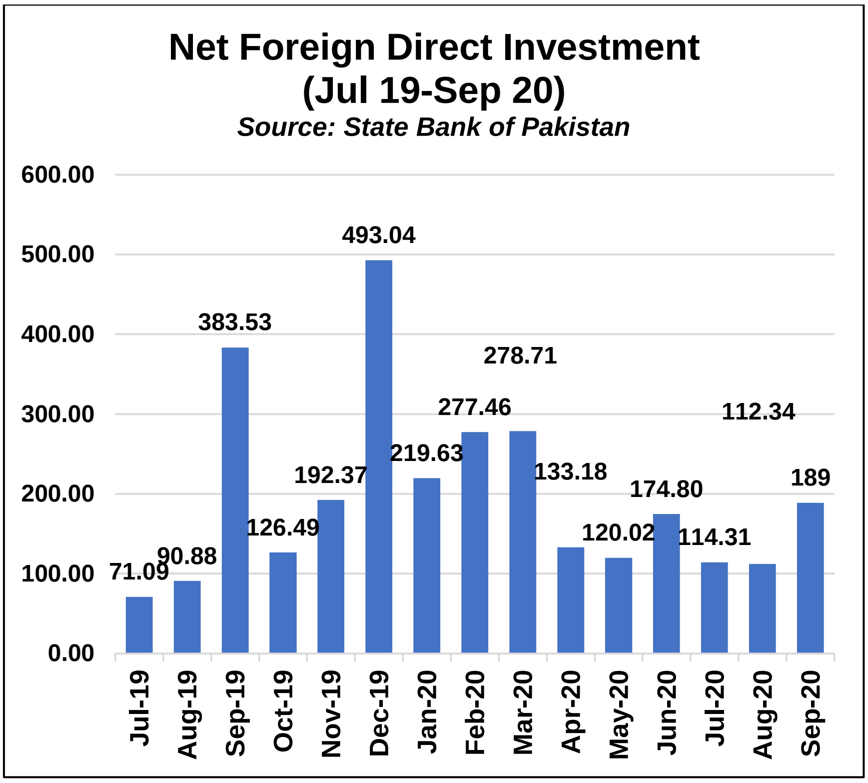
Government of Pakistan
Ministry of Planning, Development and Special Initiatives
Money, Prices and Fiscal Policy Section

Review of Capital Market Developments II **(September-2020)**



Foreign Direct Investment (FDI), September, 2020

(Source: State Bank of Pakistan)

During September 2020, Net inflow of Foreign Private Direct Investment (FDI) registered US $ 189.0 million against net inflow of US$ 383.5 million during corresponding period last year. In absolute terms gross inflow of FDI was $268.8 million against $438.2 million and outflow during September, 2020 remained US $ 79.0 million against inflow of 54.7 million during September, 2019,

During July-Sept net inflow of FDI remained $ 415.7 million against net inflow of $ 545.5 million showing a decline of 23.8%. The total inflow during same period remained $ 620.9 million against $ 75207 million whereas total out flow during July-Sep, 20 was $ 205.0 million against outflow of $ 207.0 million.

Highlights

- **FDI** registered a **net inflow** of **US $ 189.0** Mln in September, 2020 against net inflow of US$ 383.5 Mln in September, 2019 and US $112.34 Mln during August, 2020.
- Foreign Public Portfolio Investment in debt securities **stood at US$ 32.2 Mln** in September, 2020.
- **China** was the top contributor **(US $97. Mln)** of foreign Direct investment **inflows** for September, 2020.
- **Norway** was the top contributor **(US$ 15.8 Mln)** of foreign Direct investment **outflows** for September, 2020.
- Total traded volume of Government Securities was **Rs. 152.401 Bln** by 19 October, 2020.
- KSE-100 index gained **1,278.99** points **(3.15%)** during three weeks of October as compared to end of September, 2020.

Country-Wise Net FDI Disaggregation

Countries with major net inflows were China ($97.0 Mln), Hong Kong ($22.8 Mln), and Malta ($18.5 Mln).
While, major net outflows were contributed by Norway ($15.8 Mln), U.A.E ($6.3 Mln), and Sweden ($0.4 Mln) during September 2020.

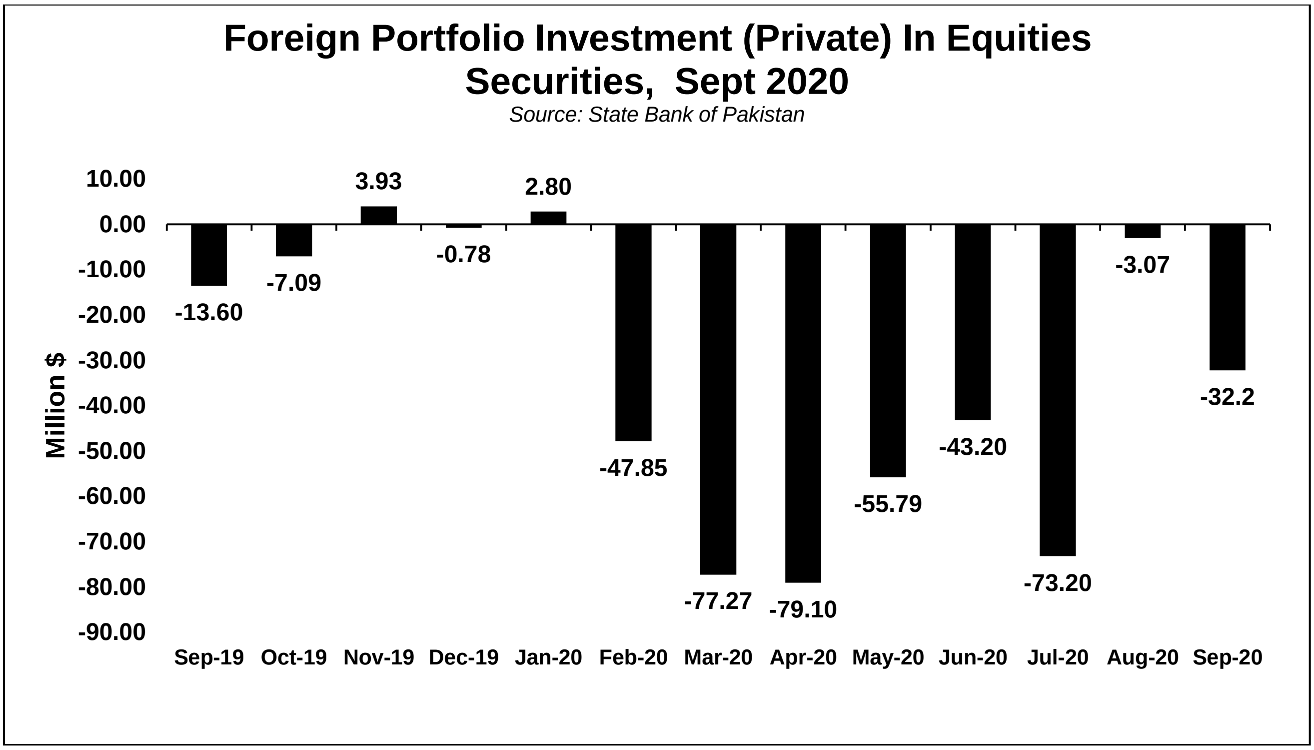
Sector-Wise Net FDI Disaggregation

Sectors with major net inflows were Power ($ 107.8 Mln), Oil & Gas Explorations ($32.9 Mln), Financial Business ($17.2 Mn), and Construction ($2.9 Mln).

While, major net outflows were contributed by Petroleum Refining ($2.1 Mln), Chemical ($1.5 Mln), during September 2020.

Foreign Portfolio Investment (FPI) Equities Securities September, 2020

During September 2020, Foreign Private Portfolio Investment (FPI) in equities securities registered a net outflow of US $ 32.2 Mln against net outflow of US$ 13.6 Mln during corresponding period last year. Absolute change over July-September 2020 was divestment of US$ (131.2) Mln (578.0%).

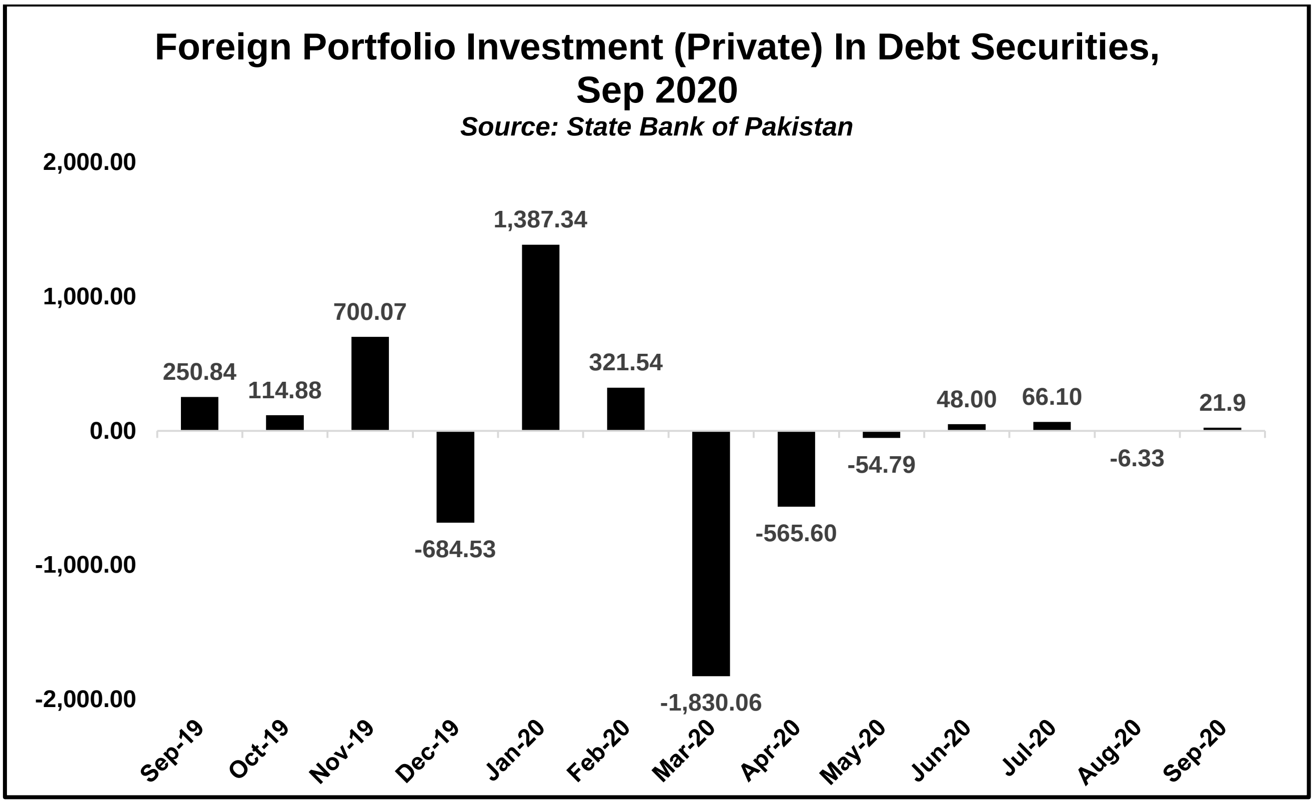


Country-Wise FPI Disaggregation

Countries with major inflows were U.A.E ($14.4 Mn), Sweden ($5.7 Mln), and France ($1.5 Mln). While, major outflows were contributed by United Kingdom ($33.8 Mln) United States ($15.5 Mln), , Luxembourg ($5.8 Mln) during September 2020.

Foreign Public Portfolio Investment in Debt Securities

The Foreign Public Portfolio Investment in Pakistan in debt securities stood at US$ 21.9 Mln in September 2020 against US$ -6.33 Mln during the previous month. During FY-20, the Foreign Public Portfolio Investment in debt securities stood at US$ -241.3 Mln against US$ -1,002.0 Mln in the corresponding period of the last financial year.



Trading Volume of Government Securities (cumulative) was reported to be Rs 152.401 Bln by 19 October, 2020. The most trading was done in the Treasury Bills with Three, Six- and Twelve-months' maturity. It was followed by Pakistan Investment Bonds and Ijara Sukuk Bonds.

Repatriation of Profit/Dividend on Foreign Investment by Country

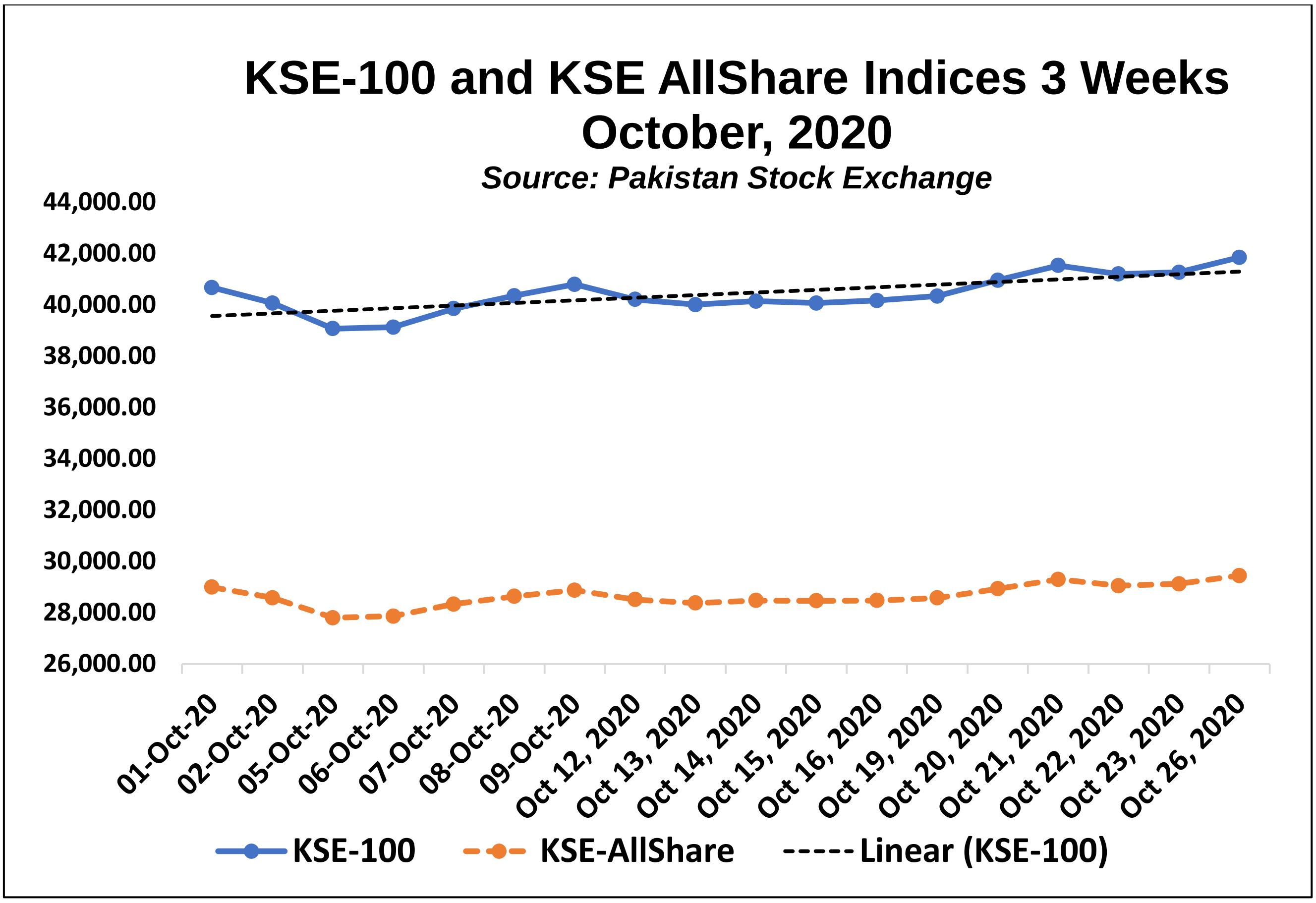
As per the latest data available, total repatriation of profit/dividend on foreign investment for August, 2020 stood at US$ 53.1 Mln, (FDI US$ 51.5 Mln and FPI US$ 1.6 Mln). The countries with highest dividend repatriation were United Kingdom (US$ 18.1 Mln), Hongkong (US$ 15.7 Mln) and United States (US$ 4.5 Mln); whereas UAE (US$ 0.0 Mln), marked the lowest dividend repatriation.

Repatriation of Profit/Dividend on Foreign Investment by Sector

As per the latest data available the sector-wise analysis of total repatriation of profit/dividend for August, 2020 reveals that the highest dividend repatriation was from Tobacco & Cigrattes (US$ 18.6 Mln), Oil and Gas Exploration (US$ 16.4 Mln) and Communications (US$ 4.5); whereas, Chemical (US$ 0.0 Mln) and Financial Business (US$ 0.0 Mln) marked the lowest dividend repatriation.

Performance of KSE Indices for 3 Weeks of October, 2020

Pakistan Stock Exchange (PSX) witnessed an overall slightly upward sloping positive trend during three weeks of October 2020 ending on 23-10-2020. The benchmark KSE-100 index closed at **41,266.00**, while KSE-All Shares index closed at **29,118.26.** The KSE-100 index gained **1,278.99** points **(3.15%)** as compared to the end of September, 2020, while KSE-All Shares index gained **469.53** points **(1.62%)** for this period. The KSE-100 reported maximum and minimum of 41,535.92 and 39,072.47 points respectively. The average of KSE-100 in the period under review was 40,343.57 points. As an overall estimate, the bourse gained 101.57 points on daily basis showing a positive trend in the three weeks of October, 2020.



Stock Market Analysis- 3 weeks October, 2020

The first week of October, 2020 witnessed an upward trend in the KSE-100 Index and closed with a gain of 727.60 points (1.81%) and 299.21 points (1.04%) at KSE-AllShare Index to settle at 40,798.43 and 28,874.05 points respectively. While the average traded value and volume of this week were recorded at Rs. 13.017 Bln and 400.56 Mln shares respectively.

In the opening session of the first week, the stocks gained as the international oil prices took a flight and global equity markets showed signs of recovery. The cement industry came up with all-time high cement dispatch numbers of 5. 21 million tonnes for September. The State Bank of Pakistan (SBP) directives to banks to develop timebound `action plan` with quarterly sub-targets for financing to housing and construction sector, gave boost to the cement sector. All of that helped market close in the green during four out of five sessions in the outgoing week.

The second week of October, 2020 displayed a downward trend. The week closed with loss of 634.41 points (1.55%) for KSE-100 and loss of 402.26 points (1.39%) at KSE-AllShare Index to settle at 40,164.02 and 28,471.79 points respectively. While the average traded value and volume of this week were recorded at Rs. 10.01 Bln and 295.916 Mln shares respectively.

The second week depicted a bearish trend at the bourse primarily because of weak investor participation due to lack of trading interest as the skirmishes on the political front kept the market nervous. Investors were wary of the second wave of Covid-19 and steadily growing number of COVID-19 cases in Pakistan. Uncertainty over the Financial Action Task Force (FATF) also dampened investor hopes. The Asia Pacific Group (AGP) a regional affiliate of the FATF kept Pakistan on its enhanced follow-up list based on the country`s performance until February. Out of the total 40, Pakistan was stated to be largely compliant on eight, partially compliant with twenty-eight, and non-compliant with four FATF recommendations. Lastly, the higher-than expected numbers for September inflation (9.4pc) undermined the confidence of investors in policy measures adopted by government of Pakistan.

During third week of October, 2020 the KSE-100 index gained an impressive 1,101.98 points (2.74%) on WoW basis, and gain of 646.47 points (2.27%) was seen at KSE-AllShare Index; both indices settled at 41,266.00 and 29,118.26 points respectively. While the average traded value and volume of this week were recorded at Rs 15.885 Bln and 354,43 Mln shares respectively. The market witnessed four bullish and one bearish trading session on Thursday, 22nd October, 2020. This was due to meltdown in global equity markets and drop in international oil prices. Arab Light fell from US $ 41.99 to US $ 40.91 and Murban fell from US $ 42.36 to US $ 42.09 on Thursday.

The positive events of the week included: better-than-expected results from the banks, cement and fertilizer companies; the current account being in surplus for the third consecutive month in September, 2020; the rupee appreciated against the dollar to a five-month high as the Weighted Average Customer Exchange Rate appreciated from Rs. 162.06 against one US Dollar on Monday, 19th October, 2020 to Rs. 161.36 against one US Dollar on Friday, 23rd October, 2020; decision of the FATF to keep Pakistan in the grey-list for another four months till February,2020 allowed some breathing space to the investors who worried about Pakistan being black-listed. However, Pakistan's compliance with maximum conditionalities to curb illegal money-laundering activities in the country have encouraged the global watchdog regime to decide in its favor and maintain a grey-list status until all conditions are met. Pakistan has been asked to complete six action items by February 2021, which raises hopes of return to the white list in about four months.

Comparison of Sector-Wise Profits Announced for Year End 30th June, 2020

Performance of the 308 companies listed with PSX with thirty-three sectors for the year ended on 30th June 2020 has announced profit of Rs. 247.673 million as compared to Rs. 369.591 million showing a decline of 33 % over last year. Out of total 33 sectors 14 performed well while performance of 19 sectors remained less as compared to last year. The sectors which recorded profit were Power Generation & Distribution, Refinery Transport, Chemical, Inv. Banks / Inv Cos. / Securities Cos. Paper & Board Fertilizer and Leather & Tanneries. The main loss-making sectors were Refinery, Oil & Gas marketing companies, Cement, Engineering, Textile spinning and Technology & Communication. Details are given as under:

		Companies	**Profit after Taxation (PKR000)**	-	**change**	
S. No.	**sector**	**No. of Companies**	**2020**	**2019**		Current year minus last year
1	Oil & Gas Exploration Companies	4	197,026,664	221,216,947	-11%	-24,190,283
2	Power Generation & Distribution	11	45,888,642	29,624,989	55%	16,263,653
3	Textile Composite	39	10,612,252	34,241,112	-69%	-23,628,860
4	Chemical	20	10,422,400	9,507,580	10%	914,820
5	Real Estate Investment Trust	1	8,117,883	6,869,588	18%	1,248,295
6	Automobile Assembler	7	5,445,241	17,198,108	-68%	-11,752,867

7	Pharmaceuticals	5	3,176,758	2,945,457	8%	231,301
8	‘Paper & Board	7	2,427,804	1,887,440	29%	540,364
9	Glass & Ceramics	7	1,711,565	4,797,322	-64%	-3,085,757
10	Synthetic & Rayon	8	1,284,767	924,916	39%	359,851
11	Automobile Parts & Accessories	6	1,030,171	2,713,773	-62%	-1,683,602
12	Leasing Companies	5	673,833	1,078,235	-38%	-404,402
13	Food & Personal Care Products	11	439,967	2,362,971	-81%	-1,923,004
14	Transport	2	303,443	-2,023,078	115%	2,326,521
15	Vanaspati & Allied industries	2	293,807	362,453	-19%	-68,646
16	Textile Weaving	6	293,424	609,226	-52%	-315,802
17	Leather & Tanneries	2	174,850	-18,720	1034%	193,570
18	Sugar & Allied Industries	1	174,519	123,249	42%	51,270
19	Inv. Banks / Inv. Cos. / Securities Cos.	14	124,581	-645,010	119%	769,591
20	Tobacco	1	38,537	-38,267	201%	76,804
21	Cable & Electrical Goods	2	26,113	270,772	-90%	-244,659
22	‘Woollen	2	19,155	95,293	-80%	-76,138
23	Close- End Mutual Fund	1	-3,060	-16,274	81%	13,214
24	Jute	2	-65,196	-53,954	-21%	-11,242
25	Fertilizer	1	-569,875	-963,841	41%	393,966
26	Technology & Communication	5	-853,006	819,038	-204%	-1,672,044
27	Textile Spinning	55	-1,250,504	3,538,071	-135%	-4,788,575
28	Miscellaneous	19	-1,313,252	-522,221	-151%	-791,031
29	Modarabas	25	-2,037,856	-1,318,225	-55%	-719,631
30	Engineering	12	-2,290,679	5,717,775	-140%	-8,008,454
31	Oil & Gas Marketing Companies	3	-5,497,376	14,112,342	-139%	-19,609,718
32	Cement	18	-11,242,175	35,756,096	-131%	-46,998,271
33	Refinery	4	-16,910,213	-21,582,489	22%	4,672,276
	Total	**308**	**247,673,184**	**369,590,674**	-33%	-121,917,490

(Source: Pakistan Stock Exchange)

Conclusion:

The month of September 2020 registered net outflow on portfolio investment in equities securities and positive on public portfolio investment in debt securities while, foreign private direct investment (FDI) registered a net inflow. U.A.E and U.K contributed heavily in the inflow and outflow of portfolio capital for Pakistan respectively. Trading Volume of Government Securities (cumulative) was reported to be Rs 152.401 Bln by 19 October, 2020. The most trading was done in the Treasury Bills with Three, Six- and Twelve-months’ maturity. It was followed by Pakistan Investment Bonds and Ijara Sukuk Bonds. The countries with highest dividend repatriation were United Kingdom, Hongkong, and United States; whereas UAE, marked the lowest dividend repatriation. KSE-100 index gained **1,278.99** points **(3.15%)** during three weeks of October as compared to end of September, 2020The sector-wise analysis of total repatriation of profit/dividend for August, 2020 reveals that the highest dividend repatriation was from Tobacco & Cigarettes, Oil and Gas Exploration and Communications; whereas, Chemical and Financial Business marked the lowest dividend repatriation.