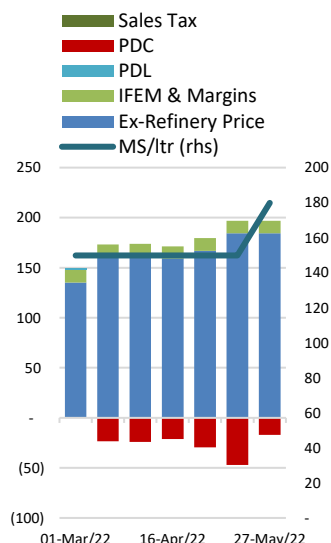
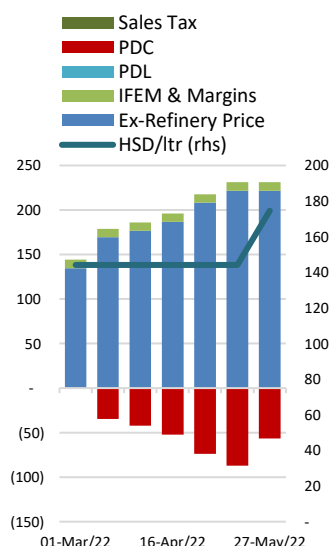


Economy

Domestic MS retail prices breakup



Domestic HSD retail prices breakup



Analyst

Abdullah Farhan
Abdullah.Farhan@igi.com.pk
Tel: +92 21 111 234 234 Ext: 912

Aariz Raza
Aariz.Raza@igi.com.pk
Tel: +92 21 111 234 234 Ext: 810

Petroleum Prices

Government raise POL prices to break the impasse over stalled IMF negotiations

- The government has recently raised the retail prices of Petroleum products, a much awaited decision. As per the news print Mogas / HSD / LDO and Kerosene prices have been raised by PKR 30.0/ltr.
- To recall, the government fixed the pol prices starting 1st March, 2022 at PKR 150 & 144/ltr for MS and HSD respectively, amid its negative implication on domestic inflation.
- The decision to raise prices will fore mostly it help Pakistan authorities resume its negotiations with IMF, paving way for the 7th IMF review worth US\$ 900mn.
- on domestic inflation we estimate the direct impact of PKR 30/ltr change in pol prices will pump up Headline Inflation
- on domestic inflation we estimate the direct impact of PKR 30/ltr change in pol prices will pump up Headline Inflation

Government revised up POL prices

The government has recently raised the retail prices of Petroleum products, a much awaited decision. As per the news print Mogas / HSD / LDO and Kerosene prices have been raised by PKR 30.0/ltr. This price revision is certainly going to help Pakistan resume stalled negotiations with International Monetary Fund (IMF).

“In the fiscal side, there have been deviations from the policies agreed in the last review, partly reflecting the fuel and power subsidies announced by the authorities in February. The team emphasized the urgency of concrete policy actions, including in the context of removing fuel and energy subsidies and the FY2023 budget, to achieve program objectives. - IMF Staff Concludes Visit to Pakistan (25 May, 2022)

Reduced POL price subsidy by PKR 30/ltr or 20%...

To recall, the government fixed the pol prices starting 1st March, 2022 at PKR 150 & 144/ltr for MS and HSD respectively, amid its negative implication on domestic inflation. As a result the price differential claim (PDC) per ltr reached a PKR 47/ltr and PKR 87/ltr respectively for MS and HSD by 16th May, 2022. The recent decision has cut down the pdc by PKR 30/ltr each for MS and HSD, taking the retail prices to PKR 179.9/ltr and PKR 174.6/ltr respectively for MS and HSD.

...will aid in IMF negotiations, but domestic inflation all set to rise

The decision to raise prices will fore mostly it help Pakistan authorities resume its negotiations with IMF, paving way for the 7th IMF review worth US\$ 900mn. Secondly, on domestic inflation we estimate the direct impact of PKR 30/ltr change in pol prices will pump up Headline Inflation by 0.55% on a monthly basis considering its 2.74% weightage in national CPI basket. Moreover, as per news print, government will be further slashing subsidy under price differential claims (PDC) by PKR ~70/ltr by June 2022, which in our view will further push domestic inflation. Hence we

suspect a headline inflation could rise over 17.5% in the coming 2-3months not incorporating the electricity price increase as yet. Thirdly, rise in domestic oil prices will generally reduce overall domestic pol consumption, but given the inelastic nature the decline will be rather disproportional, hence we see limited reduction in Pakistan oil imports.

Exhibit: POL Prices since Subsidy announced in Mar-2022							
	1-Mar-22	16-Mar-22	1-Apr-22	16-Apr-22	1-May-22	16-May-22	27-May-22
MS							
Ex-Refinery Price	135	161	162	159	167	184	184
IFEM & Margins	13	13	12	12	13	13	13
PDL	2	-	-	-	-	-	-
PDC	-	(23)	(24)	(21)	(30)	(47)	(17)
Sales Tax	-	-	-	-	-	-	-
MS/ltr (rhs)	150	150	150	150	150	150	180
HSD							
Ex-Refinery Price	135	169	177	187	208	222	222
IFEM & Margins	10	10	10	10	10	10	10
PDL	-	-	-	-	-	-	-
PDC	-	(35)	(42)	(52)	(74)	(87)	(57)
Sales Tax	-	-	-	-	-	-	-
HSD/ltr (rhs)	144	144	144	144	144	144	175

Source: OGRA, IGI Research

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IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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Contact Details

Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Zaid Farook	Branch Manager (Stock Exchange) Karachi	Tel: (+92-21) 32462651-52	zaid.farook@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk
Ajay Kumar	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	ajay.kumar@igi.com.pk
Huzaifa Yaseen	Analyst	Tel: (+92-21) 111-234-234 Ext: 912	huzaifa.yaseen@igi.com.pk

IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: www.igisecurities.com.pk

Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,
 Khayaban-e-Jami Block-09, Clifton, Karachi-75600
 UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234
 Fax: (+92-21) 35309169, 35301780

Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,
 Stock Exchange Road, Karachi.
 Tel: (+92-21) 32429613-4, 32462651-2
 Fax: (+92-21) 32429607

Lahore Office Shop # G-009, Ground Floor, Packages Mall Tel: (+92-42) 38303560-69 Fax: (+92-42) 38303559	Islamabad Office Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza, Block- B, Jinnah Avenue, Blue Area Tel: (+92-51) 2604861-2, 2604864, 2273439 Fax: (+92-51) 2273861
Faisalabad Office Office No. 2, 5 & 8, Ground Floor, The Regency International 949, The Mall Faisalabad Tel: (+92-41) 2540843-45	Rahim Yar Khan Office Plot # 12, Basement of Khalid Market, Model Town, Town Hall Road Tel: (+92-68) 5871652-3 Fax: (+92-68) 5871651
Multan Office Mezzanine Floor, Abdali Tower, Abdali Road Tel: (92-61) 4512003, 4571183	

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

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