

Economy

Analyst

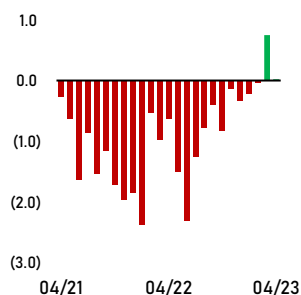
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Apr-23: Lower Remittances & Exports Suppressed Monthly Current Account Surplus

- For the month of Apr-23, C/a balance registered a surplus of US\$ 0.02bn compared to US\$ 0.75bn recorded during the month of Mar-22.
- For the month, country's export receipts recorded at US\$ 2.1bn compared to last month of US\$ 2.4bn, a decline of 13%m/m, and on a yearly basis it is down by 33%/y/y. During the month of Apr-23, country's import bill recorded US\$ 3.7bn down 7%m/m and 38%/y/y basis.
- During the month of Apr-23, remittances posted US\$ 2.2bn compared to previous month of US\$ 2.5bn, a decline of 13%m/m.
- In our opinion, it is essential for government to remain engaged with the IMF to help secure bailout tranches along with financial assistance from friendly countries to fund external payment gap and normalize international trade activity to prop up domestic manufacturing activities.

Exhibit: C/a trend with and w/o oil imports since Apr-22 (in US\$bn)



We review current account balance numbers published for the month of Apr-23 by State Bank of Pakistan (SBP).

Monthly current account balance printed US\$0.02bn in surplus as imports narrowed

For the month of Apr-23, C/a balance registered a surplus of US\$ 0.02bn compared to US\$ 0.75bn recorded during the month of Mar-22. This brings 10mFY23 cumulated balance to post a deficit of US\$ 3.3bn versus last year same period a deficit of US\$ 13.7bn, a decrease of 76%/y/y. Ex-oil Current account balance reported a surplus of US\$ 1.3bn for the month compared to last month of US\$ 2.2bn, down by 41%m/m but up by 12% on y/y basis.

Exhibit: Current Account Balance									
in US\$ bn		Apr/23	Mar/23	m/m	Apr/22	y/y	10M/23	10M/22	y/y
C/a Bal.	↓	0.02	0.8	-98%	(0.6)	n.m.	(3.3)	(13.7)	n.m.
Exports	↓	2.11	2.4	-13%	3.2	-33%	23.2	26.9	-14%
Imports	↓	3.71	4.0	-7%	6.0	-38%	45.2	58.7	-23%
Trade Bal.	↓	(1.60)	(1.6)	n.m.	(2.8)	n.m.	(22.0)	(31.8)	n.m.
Services Bal.	↓	(0.18)	(0.0)	n.m.	(0.4)	n.m.	(0.4)	(4.7)	n.m.
Remittances	↓	2.21	2.5	-13%	3.1	-29%	22.7	26.1	-13%
Income Bal.	↓	1.79	2.3	-23%	2.6	-31%	19.1	22.9	-16%

Source: SBP, IGI Research

Exports fell 13%m/m led by textile group exports...

For the month, country's export receipts recorded at US\$ 2.1bn compared to last month of US\$ 2.4bn, a decline of 13%m/m, and on a yearly basis it is down by 33%/y/y. Apr-23 monthly export number is lower than last year's monthly average export of US\$ 2.7bn. This drop in monthly exports is on the back of decline in textile goods like cotton cloth, knitwear, bed wear, tents, etc.

...Similarly, Imports fell 7%m/m on the back of petroleum and machinery imports

During the month of Apr-23, country's import bill recorded US\$ 3.7bn down 7%m/m and 38%/y/y basis. Even though overall imports fell owing to decline in petroleum and machinery imports (down 12%m/m and 6%m/m respectively), transport imports ticked up +15%m/m while food imports remained relatively flat.

Exhibit: Monthly Trade Break-up Commodity wise									
in US\$ bn		Apr/23	Mar/23	m/m	Apr/22	y/y	10M/23	10M/22	y/y
Exports	↓	2.11	2.4	-13%	3.2	-33%	23.2	26.9	-14%
Food Exports	↓	0.47	0.5	-1%	0.6	-15%	3.9	4.4	-10%
Textile Exports	↓	1.18	1.3	-10%	1.6	-26%	14.1	15.1	-7%
Other Exports	↓	0.46	0.6	-29%	1.0	-54%	5.2	7.4	-30%
Imports	↓	3.71	4.0	-7%	6.0	-38%	45.2	58.7	-23%
Food Imports	↑	0.55	0.5	2%	0.5	2%	6.9	6.8	2%
Machinery Imports	↓	0.31	0.3	-6%	0.9	-64%	3.9	8.1	-52%
Transport Imports	↑	0.10	0.1	15%	0.3	-67%	1.1	3.1	-64%
Petroleum Imports	↓	1.28	1.5	-12%	1.8	-29%	15.4	14.5	6%
Other Imports	↓	1.46	1.6	-7%	2.5	-41%	17.9	26.2	-32%

Source: SBP, IGI Research

Remittances also fell after briefly spiking upward

During the month of Apr-23, remittances posted US\$ 2.2bn compared to previous month of US\$ 2.5bn, a decline of 13%m/m. To recall, last year remittances printed an all-time high of US\$ 3.1bn during the month of Apr-22, and since then has been on a declining trend. Major inflows came from Saudi Arabia and UAE, US\$ 0.49bn and US\$ 0.38bn respectively.

Exhibit: Monthly Remittances Break-up Country wise

in US\$ bn		Apr/23	Mar/23	m/m	Apr/22	y/y	10M/23	10M/22	y/y
Total	↓	2.21	2.5	-13%	3.1	-29%	22.7	26.1	-13%
USA	↓	0.28	0.3	-15%	0.3	-21%	2.6	2.6	0%
U.K.	↓	0.36	0.4	-14%	0.5	-25%	3.4	3.7	-7%
Saudi Arabia	↓	0.49	0.6	-13%	0.7	-31%	5.4	6.5	-17%
UAE	↓	0.38	0.4	-6%	0.6	-38%	4.0	4.9	-19%
Other GCC	↓	0.25	0.3	-16%	0.4	-31%	2.7	3.0	-12%
EU	↓	0.26	0.3	-13%	0.3	-13%	2.6	2.8	-8%

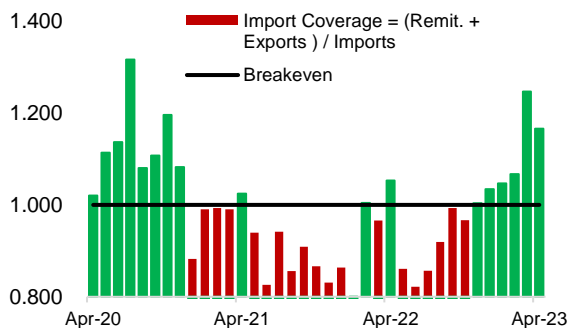
Source: SBP, IGI Research

Outlook

C/a deficit has been curtailed through import squeeze since Aug-22 as Pakistan has been facing shortages of dollar owing to debt servicing, import payments and decline in exports and remittances. Global economic activity is ramping up that may help export orders to increase given industries do not face any shortages of raw materials import and are timely delivered. Furthermore, global commodity prices are also on a declining trend that may help reduce import bill further. In our opinion, it is essential for government to remain engaged with the IMF to help secure bailout tranches along with financial assistance from friendly countries to fund external payment gap and normalize international trade activity to prop up domestic manufacturing activities.

Exhibit: Inflow coverage

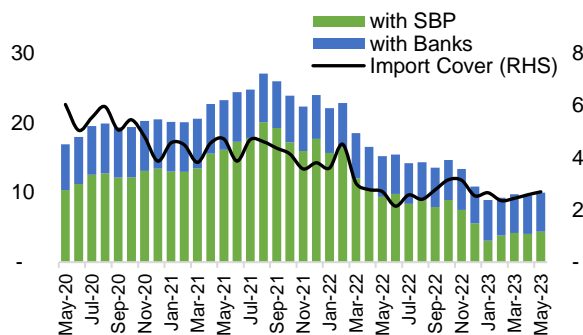
Export and Remittance coverage of total import has started to turn positive consecutively for the past four months with latest data of Feb-22 reporting US\$255mn surplus (exports + remittances – imports)



Source: SBP, IGI Research

Exhibit: Reserves and Import Cover

Country's total reserves as per recent SBP data comes at US\$ 9.6bn as of 10th of Mar-23, where SBP reserves stand at US\$ 4.3bn.



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