

Day Break

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Economy

Aug-23: C/a Deficit Sharply Drops Down to US\$ 0.16bn as Exports Jumped

- For the month of Aug-23, C/a balance registered a deficit of US\$ 0.16bn compared to a deficit of US\$ 0.8bn recorded during the month of Jul-22, a decrease of 79% m/m.
- Aug-23 monthly export number is a good sign of revamping of industrial activities as it comes above 12MFY23 monthly average export number of US\$ 2.3bn.
- Normalization of imports helped exporting industries to procure raw materials which partly explains the higher export number. Moreover, we believe that remittances are likely to jump further owing to cracking down on illegal channels that will help divert funds toward formal channels.

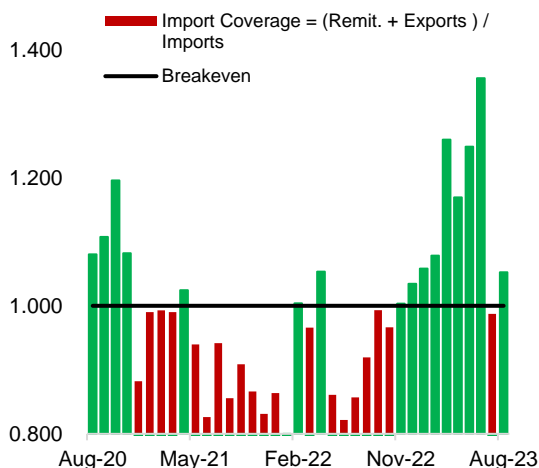
We review current account balance numbers published for the month of Aug-23 by the State Bank of Pakistan (SBP).

Monthly current account deficit printed US\$0.16bn as exports picked up

For the month of Aug-23, C/a balance registered a deficit of US\$ 0.16bn compared to a deficit of US\$ 0.8bn recorded during the month of Jul-22, a decrease of 79% m/m. This significant drop in deficit comes as exports climbed sharply.

Exhibit: Export and Remittances coverage

Export and Remittance coverage of total import comes positively as exports improved



Source: SBP, IGI Research

Exhibit: C/a trend (in US\$ bn)

Current account trend with and without oil imports since Aug-22

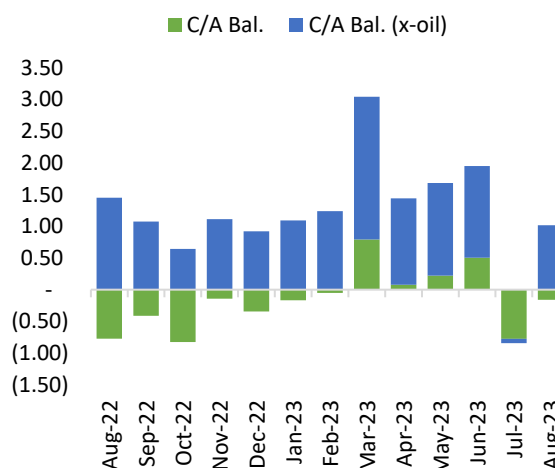


Exhibit: Monthly Current Account Balance								
US\$ mn	Aug-23	Jul-23	m/m	Aug-22	y/y	2MFY23	2MFY22	y/y
Exports (G)	2,422	2,120	14%	2,734	-11%	4,542	4,951	-8%
Imports (G)	4,290	4,200	2%	5,958	-28%	8,490	11,475	-26%
Trade Bal.	(1,868)	(2,080)	-10%	(3,224)	-42%	(3,948)	(6,524)	-39%
Services Bal.	(189)	(274)	-31%	(137)	38%	(463)	(169)	174%
Remittances	2,093	2,029	3%	2,744	-24%	4,122	5,255	-22%
Income Bal.	1,897	1,579	20%	2,587	-27%	3,476	4,658	-25%
C/a Bal.	(160)	(775)	-79%	(774)	-79%	(935)	(2,035)	-54%
C/a Bal. (x-oil)	1,015	(67)	n/m	1,449	-30%	947	2,560	-63%

Source: SBP, IGI Research

Exports jumped by +14%m/m

For the month, the country's export receipts recorded at US\$ 2.4bn compared to last month's US\$ 2.1bn, increasing by a +14%m/m basis, and on a yearly basis down by 11%/y/y. Aug-23 monthly export number is a good sign of revamping of industrial activities as it comes above 12MFY23 monthly average export number of US\$ 2.3bn. During the month, overall higher numbers were largely supported by the textile group, food group, and other exports primarily chemicals and pharmaceutical products.

Exhibit: Monthly Trade Break-up Commodity-wise								
US\$ mn	Aug-23	Jul-23	m/m	Aug-22	y/y	2MFY23	2MFY22	y/y
Exports (G)	2,422	2,120	14%	2,734	-11%	4,542	4,951	-8%
Food Exports	392	374	5%	430	-9%	766	816	-6%
Textile Exports	1,416	1,320	7%	1,707	-17%	2,736	3,149	-13%
Other Exports	614	426	44%	597	3%	1,040	986	5%
Imports (G)	4,290	4,200	2%	5,958	-28%	8,490	11,475	-26%
Food Imports	605	632	-4%	851	-29%	1,236	1,469	-16%
Machinery Imports	514	437	18%	587	-12%	951	1,091	-13%
Transport Imports	137	155	-12%	147	-7%	292	268	9%
Petroleum Imports	1,175	708	66%	2,223	-47%	1,882	4,595	-59%
Other Imports	1,860	2,269	-18%	2,150	-14%	4,128	4,053	2%

Source: SBP, IGI Research

On the other hand, Imports remained subdued

During the month of Aug-23, the country's import bill recorded US\$ 4.29bn slightly up by +2%m/m and down 28%/y/y. During the month, food

and transport imports declined, while machinery and petroleum imports ticked up.

Remittances up by +3%/m

During the month of Aug-23, remittances posted US\$ 2.1bn compared to the previous month of US\$ 2bn, up by +3%/m. Major inflows came from Saudi Arabia and UK, US\$ 0.49bn and US\$ 0.33bn respectively.

Exhibit: Monthly Remittances Break-up country-wise								
US\$ mn	Aug-23	Jul-23	m/m	Aug-22	y/y	2MFY23	2MFY22	y/y
USA	262	238	10%	297	-12%	501	545	-8%
U.K.	331	306	8%	370	-10%	637	778	-18%
Saudi Arabia	490	487	1%	693	-29%	977	1,270	-23%
UAE	308	315	-2%	540	-43%	623	996	-37%
Other GCC	244	228	7%	302	-19%	473	582	-19%
EU	290	284	2%	279	4%	574	574	0%
Other	166	169	-2%	263	-37%	336	510	-34%
Total	2,093	2,027	3%	2,744	-24%	4,120	5,255	-22%

Source: SBP, IGI Research

Outlook

C/a deficit number for the month of Aug-23 is taken positively by the market, as both exports and remittances improved, despite the latter slightly increased. Normalization of imports helped exporting industries to procure raw materials which partly explains the higher export number. Moreover, we believe that remittances are likely to jump further owing to cracking down on illegal channels that will help divert funds toward formal channels.

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