

Analyst

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Economy

Dec-23: C/a Records Surplus of US\$ 0.4bn as Exports and Remittances Rise

- For the month of Dec-23, C/a balance registered a surplus of US\$ 0.4bn compared to a deficit of US\$ 0.02bn recorded during the month of Nov-23. This brings total C/a deficit to US\$ 0.83bn during 6MFY24 compared to US\$ 3.6bn in the same period last year.
- Country's export receipts were recorded at US\$ 2.8bn compared to last month's US\$ 2.7bn, increasing by +3%m/m, and up by +21%/y. Import bill was recorded at US\$ 4.09bn down by 8%m/m and 4%/y.
- We expect some recovery in exports while imports are likely to pick up in coming months. Moreover, we believe that remittances are likely to remain strong owing to cracking down on illegal channels, which will continue to divert funds toward formal channels.

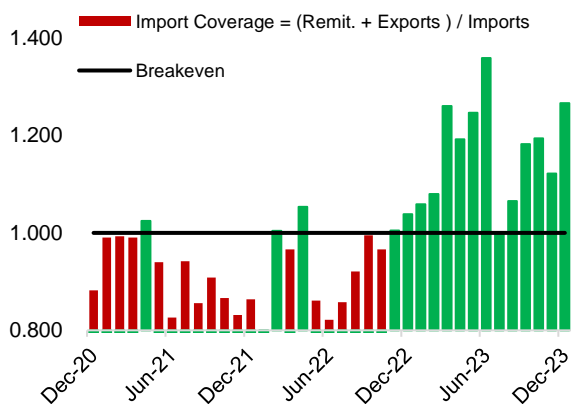
We review current account balance numbers published for the month of Dec-23 by the State Bank of Pakistan (SBP).

Monthly current account deficit printed US\$0.4bn

For the month of Dec-23, C/a balance registered a surplus of US\$ 0.4bn compared to a deficit of US\$ 0.02bn recorded during the month of Nov-23. This brings total C/a deficit to US\$ 0.83bn during 6MFY24 compared to US\$ 3.6bn in the same period last year. C/a surplus was achieved during the month as exports and remittances recorded a modest growth of 3%m/m and 5%m/m respectively, while imports declined by 8%m/m.

Exhibit: Export and Remittances coverage

Export and Remittance coverage of total import comes positively as imports dropped



Source: SBP, IGI Research

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

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

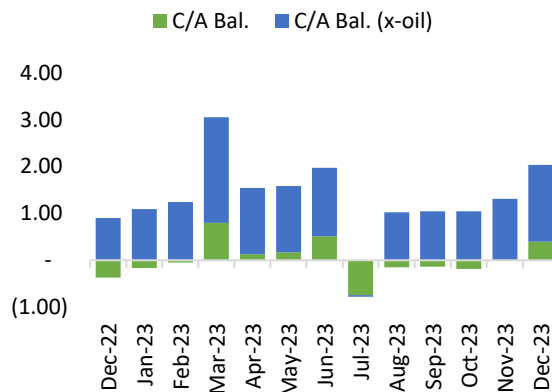


Exhibit: Monthly Current Account Balance								
US\$ mn	Dec-23	Nov-23	m/m	Dec-22	y/y	6MFY24	6MFY23	y/y
Exports (G)	2,799	2,724	3%	2,308	21%	15,289	14,223	7%
Imports (G)	4,092	4,442	-8%	4,247	-4%	25,241	29,589	-15%
Trade Bal.	(1,293)	(1,718)	-25%	(1,939)	-33%	(9,952)	(15,366)	-35%
Services Bal.	(155)	(226)	-31%	47	n/m	(1,430)	(270)	5.3x
Remittances	2,381	2,259	5%	2,100	13%	13,435	14,418	-7%
Income Bal.	1,845	1,929	-4%	1,527	21%	10,551	12,007	-12%
C/a Bal.	397	(15)	n/m	(365)	n/m	(831)	(3,629)	-77%
C/a Bal. (x-oil)	1,633	1,312	25%	900	82%	6,023	6,437	-6%

Source: SBP, IGI Research

Exports inched up by +3%m/m

For the month, the country's export receipts were recorded at US\$ 2.8bn compared to last month's US\$ 2.7bn, increasing by +3%m/m, and on a yearly basis up by +21%y/y. Dec-23 monthly export number stands above its FY23 monthly average export number of US\$ 2.3bn. During the month, overall higher numbers were largely supported by the food and other exports primarily rice and vegetables.

Exhibit: Monthly Trade Break-up Commodity wise								
US\$ mn	Dec-23	Nov-23	m/m	Dec-22	y/y	6MFY24	6MFY23	y/y
Exports (G)	2,799	2,724	3%	2,306	21%	15,300	14,222	8%
Food Exports	773	705	10%	390	98%	3,365	2,254	49%
Textile Exports	1,317	1,375	-4%	1,357	-3%	8,214	9,028	-9%
Other Exports	709	644	10%	559	27%	3,721	2,940	27%
Imports (G)	4,092	4,442	-8%	4,247	-4%	25,241	29,589	-15%
Food Imports	553	657	-16%	694	-20%	3,483	4,333	-20%
Machinery Imports	622	552	13%	321	94%	3,120	2,691	16%
Transport Imports	144	109	32%	100	45%	772	747	3%
Petroleum Imports	1,236	1,327	-7%	1,265	-2%	6,854	10,066	-32%
Other Imports	1,536	1,797	-15%	1,868	-18%	11,012	11,752	-6%

Source: SBP, IGI Research

Imports dropped by 8%m/m during Dec-23

During the month of Dec-23, the country's import bill was recorded at US\$ 4.09bn, down by 8%m/m and 4%y/y. During the month, food, petroleum and agriculture/other chemical imports declined, while machinery and transport imports increased.

Remittances up by +5%m/m

During the month of Dec-23, remittances were recorded at US\$ 2.38bn compared to the previous month of US\$ 2.26bn, up by +5%m/m. Major increase in inflows came from Saudi Arabia, UK, EU and Others to the tune of US\$ 0.58bn, US\$ 0.37bn, US\$ 0.29bn and US\$ 0.21bn respectively.

Exhibit: Monthly Remittances Break-up Country wise								
US\$ mn	Dec-23	Nov-23	m/m	Dec-22	y/y	6MFY24	6MFY23	y/y
USA	264	262	1%	244	8%	1,573	1,539	2%
U.K.	368	342	8%	321	15%	1,988	1,984	0%
Saudi Arabia	578	544	6%	530	9%	3,253	3,484	-7%
UAE	419	412	2%	331	27%	2,328	2,605	-11%
Other GCC	255	243	5%	241	6%	1,489	1,634	-9%
EU	285	269	6%	240	19%	1,694	1,551	9%
Other	213	188	13%	195	9%	1,104	1,315	-16%
Total	2,381	2,259	5%	2,102	13%	13,429	14,113	-5%

Source: SBP, IGI Research

Outlook

C/a surplus during Dec-23 was mainly due to rise in exports and remittances while imports declined substantially. In our view, c/a is likely to remain manageable during FY24. We expect some recovery in exports while imports are likely to pick up in coming months. Moreover, we believe that remittances are likely to remain strong owing to cracking down on illegal channels, which will continue to divert funds toward formal channels.

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