

Analyst

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Economy

Jan-24: C/a Records Deficit of US\$ 0.27bn as Exports Drop and Imports Rise

- For the month of Jan-24, C/a balance registered a deficit of US\$ 0.27bn compared to a surplus of US\$ 0.4bn recorded during the month of Dec-23. This brings total C/a deficit to US\$ 1.09bn during 7MFY24 compared to US\$ 3.80bn in the same period last year.
- Country's export receipts were recorded at US\$ 2.69bn compared to last month's US\$ 2.80bn, declining by 4%m/m, and on a yearly basis up by +21%/y. Import bill was recorded at US\$ 4.51bn up by +10%m/m and +16%/y.
- C/a deficit during Jan-24 was mainly due to decline in exports while imports increased substantially. In our view, c/a is likely to remain manageable during FY24. Imports may rise going forward as IMF has called for tighter control on exchange rate and wants the Government let go of measures taken to control import bill.

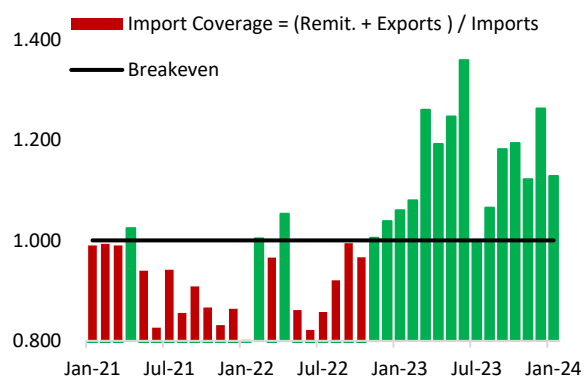
We review current account balance numbers published for the month of Jan-24 by the State Bank of Pakistan (SBP).

Monthly current account deficit printed US\$0.27bn

For the month of Jan-24, C/a balance registered a deficit of US\$ 0.27bn compared to a surplus of US\$ 0.4bn recorded during the month of Dec-23. This brings total C/a deficit to US\$ 1.09bn during 7MFY24 compared to US\$ 3.80bn in the same period last year. C/a deficit was recorded during the month as exports dropped by 4%m/m while imports reported a +10%m/m incline.

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

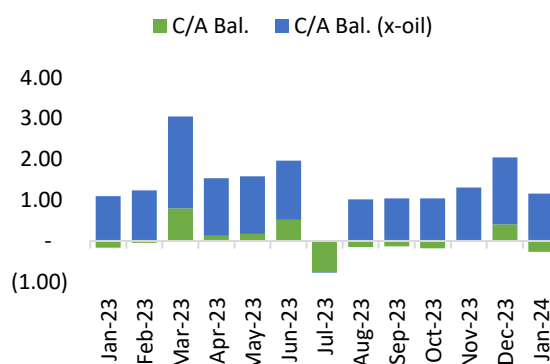


Exhibit: Monthly Current Account Balance								
US\$ mn	Jan-24	Dec-23	m/m	Jan-23	y/y	7MFY24	7MFY23	y/y
Exports (G)	2,693	2,795	-4%	2,222	21%	17,978	16,445	9%
Imports (G)	4,511	4,101	10%	3,888	16%	29,761	33,477	-11%
Trade Bal.	(1,818)	(1,306)	39%	(1,666)	9%	(11,783)	(17,032)	-31%
Services Bal.	(317)	(128)	148%	38	-934%	(1,720)	(232)	641%
Remittances	2,397	2,382	1%	1,900	26%	15,833	16,318	-3%
Income Bal.	1,866	1,838	2%	1,461	28%	12,410	13,468	-8%
C/a Bal.	(269)	404	-167%	(167)	61%	(1,093)	(3,796)	-71%
C/a Bal. (x-oil)	1,161	1,640	-29%	1,093	6%	7,190	7,530	-5%

Source: SBP, IGI Research

Exports dropped by 4%/m/m

For the month, the country's export receipts were recorded at US\$ 2.69bn compared to last month's US\$ 2.80bn, declining by 4%/m/m, and on a yearly basis up by +21%/y/y. Jan-24 monthly export number stands above its FY23 monthly average export number of US\$ 2.3bn. During the month, lower numbers were largely supported by the food and other exports primarily rice and chemical/pharmaceutical products.

Exhibit: Monthly Trade Break-up Commodity wise								
US\$ mn	Jan-24	Dec-23	m/m	Jan-23	y/y	7MFY24	7MFY23	y/y
Exports (G)	2,693	2,795	-4%	2,219	21%	17,989	16,441	9%
Food Exports	742	773	-4%	339	119%	4,107	2,592	58%
Textile Exports	1,374	1,317	4%	1,302	6%	9,587	10,330	-7%
Other Exports	577	705	-18%	579	0%	4,295	3,519	22%
Imports (G)	4,511	4,101	10%	3,888	16%	29,761	33,477	-11%
Food Imports	695	553	26%	743	-6%	4,178	5,076	-18%
Machinery Imports	692	616	12%	263	163%	3,806	2,954	29%
Transport Imports	115	150	-23%	104	11%	893	851	5%
Petroleum Imports	1,430	1,236	16%	1,260	13%	8,283	11,326	-27%
Other Imports	1,579	1,545	2%	1,517	4%	12,600	13,269	-5%

Source: SBP, IGI Research

Imports increased by +10%/m/m during Jan-24

During the month of Jan-24, the country's import bill was recorded at US\$ 4.51bn, up by +10%/m/m and +16%/y/y. During the month, food, petroleum, agriculture/other chemical, food, machinery and textile imports increased, while transport imports declined.

Remittances up by +1%/m

During the month of Jan-24, remittances were recorded at US\$ 2.40bn compared to the previous month of US\$ 2.38bn, up by +1%/m. Major increase in inflows came from USA, Saudi Arabia and EU to the tune of US\$ 0.28bn, US\$ 0.59bn and US\$ 0.29bn respectively.

Exhibit: Monthly Remittances Break-up Country wise								
US\$ mn	Jan-24	Dec-23	m/m	Jan-23	y/y	7MFY24	7MFY23	y/y
USA	283	264	7%	214	32%	1,860	1,831	2%
U.K.	362	368	-2%	331	9%	2,350	2,331	1%
Saudi Arabia	587	578	2%	409	43%	3,841	3,980	-3%
UAE	408	419	-3%	270	51%	2,736	2,882	-5%
Other GCC	253	255	-1%	244	4%	1,742	1,885	-8%
EU	290	285	2%	242	20%	1,985	1,805	10%
Other	214	213	0%	189	13%	1,318	1,604	-18%
Total	2,397	2,382	1%	1,900	26%	15,832	16,318	-3%

Source: SBP, IGI Research

Loan repayment and FDI outflow led to negative BoP

During the month of Jan-24, Financial Account was recorded at negative US\$ 0.16bn which was largely due to first net FDI outflow in last 2 years of US\$ 0.23bn and net loan repayment of US\$ 0.27bn. Negative Financial Account balance and C/a deficit led to deficit on Balance of Payment (BoP) to the tune of US\$ 0.64bn.

Outlook

C/a deficit during Jan-24 was mainly due to decline in exports while imports increased substantially. In our view, c/a is likely to remain manageable during FY24. Imports may rise going forward as IMF has called for tighter control on exchange rate and wants the Government let go of measures taken to control import bill. According to IMF these measures are impacting growth and building external pressures.

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