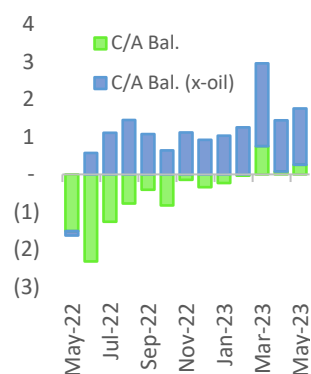


Day Break

Tuesday, June 20, 2023



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



Source: IGI Research, SBP

Economy

Monthly C/A Surplus Clocks in at US\$0.26bn as Exports Ramp Up

- For the month of May-23, C/a balance registered a surplus of US\$0.26bn compared to US\$ 0.078bn recorded during the month of Apr-22.
- For the month, country's export receipts recorded at US\$ 2.6bn compared to last month of US\$ 2.1bn, an increase of +23%*m/m*, and on a yearly basis it is up by +4%*y/y*.
- During the month of May-23, country's import bill recorded US\$ 3.8bn up +3%*m/m* and down 33%*y/y*.
- These recent monthly C/a surpluses seem to be short lived as Pakistan may soon lift all restrictions on its imports in order to pave way for external funding by multilateral and bilateral partners

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

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Monthly current account deficit printed US\$0.1bn as exports jump

For the month of May-23, C/a balance registered a surplus of US\$ 0.26bn compared to US\$ 0.078bn recorded during the month of Apr-22. This brings 11mFY23 cumulated balance to post a deficit of US\$ 2.9bn versus last year same period a deficit of US\$ 15.2bn, a decrease of 81%*y/y*.

| Exhibit: Monthly Current Account Balance | | | | | | | | |
|------------------------------------------|--------------|--------------|-------------|----------------|---------------|----------------|-----------------|--------------|
| US\$ mn | May-23 | Apr-23 | m/m | May-22 | y/y | 11MFY23 | 11MFY22 | y/y |
| Exports (G) | 2,594 | 2,101 | 23% | 2,505 | 4% | 25,794 | 29,363 | -12% |
| Imports (G) | 3,788 | 3,677 | 3.02% | 5,634 | -33% | 48,960 | 64,339 | -24% |
| Trade Bal. | (1,194) | (1,576) | -24% | (3,129) | -62% | (23,166) | (34,976) | -34% |
| Services Bal. | (245) | (140) | 75% | (463) | -47% | (607) | (5,175) | -88% |
| Remittances | 2,103 | 2,198 | -4% | 2,346 | -10% | 24,832 | 28,489 | -13% |
| Income Bal. | 1,694 | 1,794 | -6% | 2,086 | -19% | 20,830 | 24,991 | -17% |
| C/a Bal. | 255 | 78 | 227% | (1,506) | -117% | (2,943) | (15,160) | -81% |
| C/a Bal. (x-oil) | 1,497 | 1,362 | 10% | (120) | -1343% | 13,656 | 690 | 1879% |

Source: SBP, IGI Research

Exports up +23%m/m as textile group rebounds

For the month, country's export receipts recorded at US\$ 2.6bn compared to last month of US\$ 2.1bn, an increase of +23%m/m, and on a yearly basis it is up by +4%/y/y. May-23 monthly export number is surprisingly just in line with last year's monthly average export of US\$ 2.6bn after a long period of below average exports. This sudden jump in monthly exports is heavily on the back of textile products mainly: cotton cloth, knitwear, bed wear, towels, and ready-made garments.

On the other hand, Imports slightly up by +3%m/m

During the month of May-23, country's import bill recorded US\$ 3.8bn up +3%m/m and down 33%/y/y. During the month, food imports rose slightly on monthly basis and posted US\$ 0.59bn compared to last month US\$ 0.55bn, up by +6%m/m and down 21%/y/y. Other than that, machinery, transport, and petroleum imports declined on monthly basis.

| Exhibit: Monthly Trade Break-up Commodity wise | | | | | | | | |
|------------------------------------------------|--------------|--------------|------------|--------------|-------------|---------------|---------------|-------------|
| US\$ mn | May-23 | Apr-23 | m/m | May-22 | y/y | 11MFY23 | 11MFY22 | y/y |
| Exports (G) | 2,594 | 2,101 | 23% | 2,482 | 5% | 25,772 | 29,332 | -12% |
| Food Exports | 445 | 472 | -6% | 459 | -3% | 4,363 | 4,815 | -9% |
| Textile Exports | 1,329 | 1,177 | 13% | 1,537 | -14% | 15,440 | 16,626 | -7% |
| Other Exports | 820 | 452 | 82% | 486 | 69% | 5,969 | 7,891 | -24% |
| Imports (G) | 3,788 | 3,677 | 3% | 5,634 | -33% | 48,960 | 64,339 | -24% |
| Food Imports | 586 | 554 | 6% | 738 | -21% | 7,531 | 7,576 | -1% |
| Machinery Imports | 296 | 306 | -3% | 799 | -63% | 4,172 | 8,876 | -53% |
| Transport Imports | 92 | 99 | -8% | 325 | -72% | 1,203 | 3,439 | -65% |
| Petroleum Imports | 1,242 | 1,284 | -3% | 1,386 | -10% | 16,599 | 15,850 | 5% |
| Other Imports | 1,573 | 1,433 | 10% | 2,386 | -34% | 19,455 | 28,598 | -32% |

Source: SBP, IGI Research

Remittances fall slightly

During the month of May-23, remittances posted US\$ 2.1bn compared to previous month of US\$ 2.2bn, a decline of 4%/m/m. Major inflows came from Saudi Arabia and UAE, US\$ 0.52bn and US\$ 0.34bn respectively.

Exhibit: Monthly Remittances Break-up Country wise

| US\$ mn | May-23 | Apr-23 | m/m | May-22 | y/y | 11MFY23 | 11MFY22 | y/y |
|--------------|--------------|--------------|------------|--------------|-------------|---------------|---------------|-------------|
| USA | 257 | 272 | -5% | 235 | 10% | 2,825 | 2,800 | 1% |
| U.K. | 307 | 354 | -13% | 358 | -15% | 3,711 | 4,036 | -8% |
| Saudi Arabia | 524 | 490 | 7% | 546 | -4% | 5,925 | 7,079 | -16% |
| UAE | 335 | 380 | -12% | 434 | -23% | 4,320 | 5,346 | -19% |
| Other GCC | 251 | 250 | 0% | 269 | -7% | 2,918 | 3,299 | -12% |
| EU | 249 | 257 | -3% | 270 | -8% | 2,839 | 3,076 | -8% |
| Other | 180 | 196 | -8% | 233 | -23% | 2,293 | 2,853 | -20% |
| Total | 2,103 | 2,198 | -4% | 2,346 | -10% | 24,832 | 28,489 | -13% |

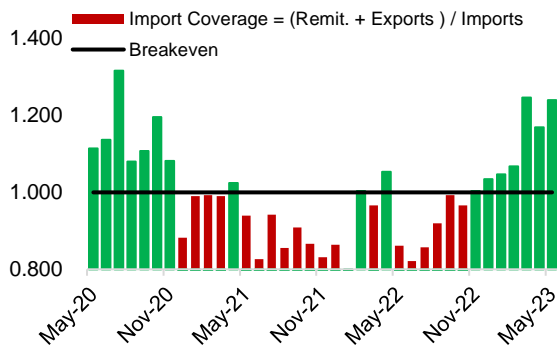
Source: SBP, IGI Research

Outlook

C/a balance has been curtailed through import squeeze since Aug-22 as Pakistan faces shortages of dollar owing to debt servicing, delayed support from friendly countries and decline in exports and remittances. Domestic Supply constraint through import controls have hampered industrial activities. However, these recent monthly C/a surpluses seem to be short lived as Pakistan may soon lift all restrictions on its imports in order to pave way for external funding by multilateral and bilateral partners as reserves currently stand at critically low level and not sufficient enough to service its external debt in coming FY24.

Exhibit: Inflow coverage

Export and Remittance coverage of total import has started to turn positive consecutively for the past seven months with latest data of May-23 reporting US\$909mn 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\$ 9.4bn as of 9th of Jun-23, where SBP reserves stand at US\$ 4bn.

