

Day Break

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Analyst

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Economy

Oct-23: C/a Deficit Records a Sharp Decline to US\$ 0.07bn as Exports and Remittances Rise

- For the month of Oct-23, C/a balance registered a deficit of US\$ 0.07bn compared to a deficit of US\$ 0.05bn recorded during the month of Sep-23, a decrease of 61%*m/m*.
- Country's export receipts were recorded at US\$ 2.8bn compared to last month's US\$ 2.5bn, increasing by a +12%*m/m* basis, and on a yearly basis up by +21%*y/y*. During the month of Oct-23, the country's import bill recorded US\$ 4.35bn up by +9%*m/m* and down 7%*y/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 high owing to cracking down on illegal channels that will help divert funds toward formal channels.

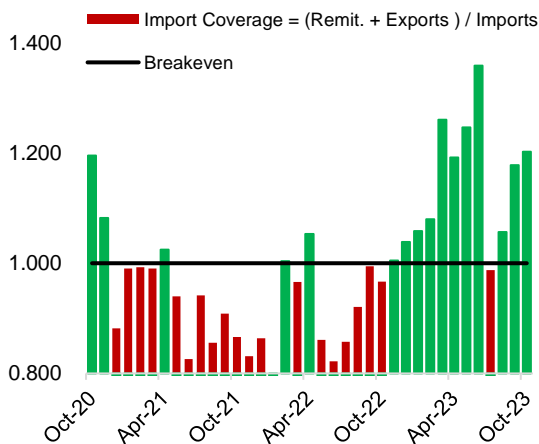
We review current account balance numbers published for the month of Oct-23 by the State Bank of Pakistan (SBP).

Monthly current account deficit printed US\$0.07bn

For the month of Oct-23, C/a balance registered a deficit of US\$ 0.07bn compared to a deficit of US\$ 0.05bn recorded during the month of Sep-23, a decrease of 61%*m/m*. This brings total C/a deficit to US\$ 1.06bn during 4MFY24. This significant drop in deficit comes as exports and remittances recorded a modest growth.

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

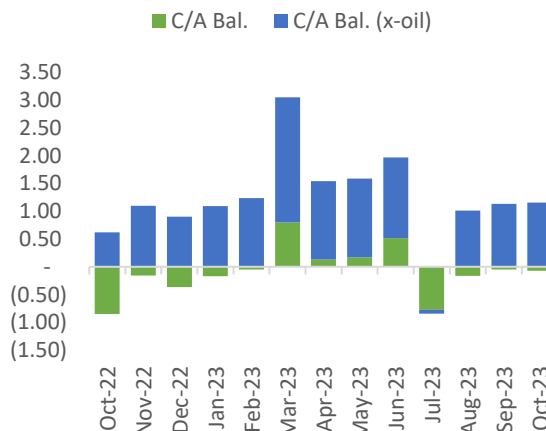


Exhibit: Monthly Current Account Balance								
US\$ mn	Oct-23	Sep-23	m/m	Oct-22	y/y	4MFY24	4MFY23	y/y
Exports (G)	2,762	2,470	12%	2,281	21%	9,777	9,667	1%
Imports (G)	4,346	3,970	9%	4,653	-7%	16,791	21,008	-20%
Trade Bal.	(1,584)	(1,500)	6%	(2,372)	-33%	(7,014)	(11,341)	-38%
Services Bal.	(172)	(203)	-15%	(80)	115%	(847)	(391)	117%
Remittances	2,463	2,208	12%	2,248	10%	8,795	10,145	-13%
Income Bal.	1,682	1,657	2%	1,603	5%	6,802	8,625	-21%
C/a Bal.	(74)	(46)	61%	(849)	-91%	(1,059)	(3,107)	-66%
C/a Bal. (x-oil)	1,154	1,135	2%	619	86%	3,231	4,440	-27%

Source: SBP, IGI Research

Exports inched up by +12%m/m

For the month, the country's export receipts were recorded at US\$ 2.8bn compared to last month's US\$ 2.5bn, increasing by a +12%m/m basis, and on a yearly basis up by +21%/y/y. Oct-23 monthly export number stands above its 12MFY23 monthly average export number of US\$ 2.3bn. During the month, overall higher numbers were largely supported by the food and textile exports primarily rice, oil seeds/nuts/kernels, cotton cloth, bed wear and ready-made garments.

Exhibit: Monthly Trade Break-up Commodity wise								
US\$ mn	Oct-23	Sep-23	m/m	Oct-22	y/y	4MFY24	4MFY23	y/y
Exports (G)	2,762	2,470	12%	2,284	21%	9,777	9,675	1%
Food Exports	630	492	28%	323	95%	1,887	1,505	25%
Textile Exports	1,453	1,333	9%	1,491	-3%	5,522	6,247	-12%
Other Exports	679	646	5%	470	44%	2,368	1,923	23%
Imports (G)	4,346	3,970	9%	4,653	-7%	16,791	21,008	-20%
Food Imports	577	460	25%	689	-16%	2,273	2,980	-24%
Machinery Imports	524	471	11%	438	20%	1,946	1,984	-2%
Transport Imports	100	126	-20%	114	-12%	518	523	-1%
Petroleum Imports	1,228	1,181	4%	1,468	-16%	4,290	7,547	-43%
Other Imports	1,917	1,732	11%	1,943	-1%	7,763	7,974	-3%

Source: SBP, IGI Research

Imports increased by +9%m/m during Oct-23

During the month of Oct-23, the country's import bill recorded US\$ 4.35bn up by +9%m/m and down 7%/y/y. During the month, food,

machinery, metal group and petroleum imports increased, while transport imports declined.

Remittances up by +8%m/m

During the month of Oct-23, remittances were recorded at US\$ 2.46bn compared to the previous month of US\$ 2.21bn, up by +8%m/m. Major increase in inflows came from Saudi Arabia and UAE to the tune of US\$ 0.62bn and US\$ 0.47bn respectively.

Exhibit: Monthly Remittances Break-up Country wise								
US\$ mn	Oct-23	Sep-23	m/m	Oct-22	y/y	4MFY24	4MFY23	y/y
USA	283	263	8%	253	12%	1,047	1,066	-2%
U.K.	330	311	6%	279	18%	1,278	1,364	-6%
Saudi Arabia	617	538	15%	570	8%	2,132	2,456	-13%
UAE	474	400	19%	427	11%	1,497	1,895	-21%
Other GCC	269	248	9%	258	4%	990	1,136	-13%
EU	298	269	11%	233	28%	1,141	1,066	7%
Other	192	177	9%	195	-2%	704	919	-23%
Total	2,463	2,206	12%	2,216	11%	8,789	9,902	-11%

Source: SBP, IGI Research

Outlook

Drop in C/a deficit number for the month of Oct-23 was mainly due to rise in exports and remittances. In our view, c/a is likely to remain manageable during FY24 and estimated to settle between US\$ 5-5.5bn. 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 high owing to cracking down on illegal channels that will help divert funds toward formal channels.

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