

# Day Break

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## Analyst

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## Economy

### Sep-23: C/a Deficit Records a Sharp Decline to US\$ 0.01bn as Imports Drop

- For the month of Sep-23, C/a balance registered a deficit of US\$ 0.01bn compared to a deficit of US\$ 0.8bn recorded during the month of Aug-23, a decrease of 95m/m.
- Country's export receipts were recorded at US\$ 2.5bn compared to last month's US\$ 2.4bn, increasing by a +2%m/m basis, and on a yearly basis up by +1%/y. During the month of Sep-23, the country's import bill recorded US\$ 3.99bn down by 7%m/m and down 19%/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.

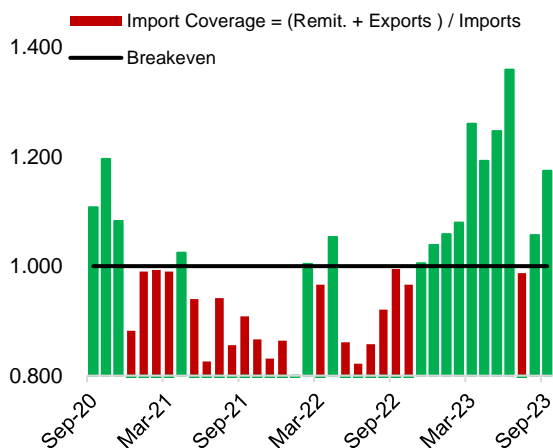
We review current account balance numbers published for the month of Sep-23 by the State Bank of Pakistan (SBP).

#### Monthly current account deficit printed US\$0.01bn as imports drop

For the month of Sep-23, C/a balance registered a deficit of US\$ 0.01bn compared to a deficit of US\$ 0.8bn recorded during the month of Aug-23, a decrease of 95m/m. This brings total C/a deficit to US\$ 0.95bn during 3MFY24. This significant drop in deficit comes as imports dropped sharply while 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

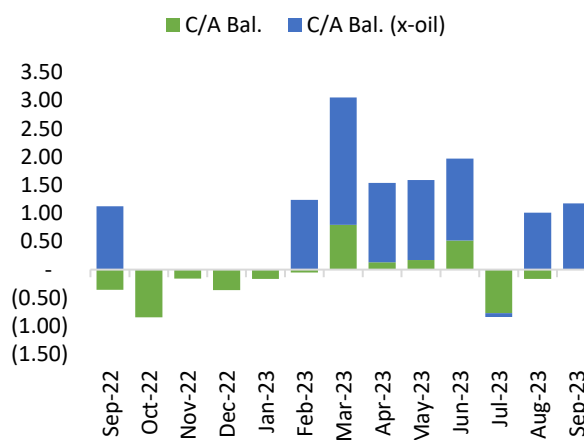


Exhibit: Monthly Current Account Balance								
US\$ mn	Sep-23	Aug-23	m/m	Sep-22	y/y	3MFY24	3MFY23	y/y
Exports (G)	2,474	2,425	2%	2,437	2%	7,019	7,386	-5%
Imports (G)	3,986	4,275	-7%	4,894	-19%	12,461	16,355	-24%
Trade Bal.	(1,512)	(1,850)	-18%	(2,457)	-38%	(5,442)	(8,969)	-39%
Services Bal.	(216)	(198)	9%	(123)	76%	(688)	(311)	121%
Remittances	2,206	2,095	5%	2,487	-11%	6,330	7,897	-20%
Income Bal.	1,720	1,884	-9%	2,220	-23%	5,183	7,022	-26%
<b>C/a Bal.</b>	<b>(8)</b>	<b>(164)</b>	<b>-95%</b>	<b>(360)</b>	<b>-98%</b>	<b>(947)</b>	<b>(2,258)</b>	<b>-58%</b>
<b>C/a Bal. (x-oil)</b>	<b>1,173</b>	<b>1,011</b>	<b>16%</b>	<b>1,124</b>	<b>4%</b>	<b>2,116</b>	<b>3,821</b>	<b>-45%</b>

Source: SBP, IGI Research

#### Exports inched up by +2%m/m

For the month, the country's export receipts were recorded at US\$ 2.5bn compared to last month's US\$ 2.4bn, increasing by a +2%m/m basis, and on a yearly basis up by +1%/y. Sep-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 other exports primarily rice, oil seeds/nuts/kernels, sports goods and other exports.

Exhibit: Monthly Trade Break-up Commodity wise								
US\$ mn	Sep-23	Aug-23	m/m	Sep-22	y/y	3MFY24	3MFY23	y/y
<b>Exports (G)</b>	<b>2,474</b>	<b>2,425</b>	<b>2%</b>	<b>2,440</b>	<b>1%</b>	<b>7,019</b>	<b>7,391</b>	<b>-5%</b>
Food Exports	492	392	25%	366	34%	1,257	1,182	6%
Textile Exports	1,333	1,415	-6%	1,607	-17%	4,068	4,756	-14%
Other Exports	650	618	5%	467	39%	1,693	1,453	17%
<b>Imports (G)</b>	<b>3,986</b>	<b>4,275</b>	<b>-7%</b>	<b>4,894</b>	<b>-19%</b>	<b>12,461</b>	<b>16,355</b>	<b>-24%</b>
Food Imports	460	605	-24%	822	-44%	1,696	2,291	-26%
Machinery Imports	471	514	-8%	455	4%	1,422	1,546	-8%
Transport Imports	126	137	-8%	142	-11%	418	409	2%
Petroleum Imports	1,181	1,175	1%	1,484	-20%	3,063	6,079	-50%
Other Imports	1,748	1,845	-5%	1,991	-12%	5,862	6,030	-3%

Source: SBP, IGI Research

#### Imports dropped by 7%m/m during Sep-23

During the month of Sep-23, the country's import bill recorded US\$ 3.99bn down by 7%m/m and down 19%/y. During the month, food,

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

#### Remittances up by +3%m/m

During the month of Sep-23, remittances were recorded at US\$ 2.21bn compared to the previous month of US\$ 2.09bn, up by +5%m/m. Major increase in inflows came from Saudi Arabia and UAE to the tune of US\$ 0.54bn and US\$ 0.40bn respectively.

Exhibit: Monthly Remittances Break-up Country wise								
US\$ mn	Sep-23	Aug-23	m/m	Sep-22	y/y	3MFY24	3MFY23	y/y
USA	263	262	0%	268	-2%	764	813	-6%
U.K.	311	331	-6%	307	1%	948	1,085	-13%
Saudi Arabia	538	490	10%	616	-13%	1,515	1,886	-20%
UAE	400	308	30%	472	-15%	1,023	1,468	-30%
Other GCC	248	244	2%	296	-16%	721	878	-18%
EU	269	290	-7%	259	4%	843	833	1%
Other	177	166	6%	214	-17%	512	723	-29%
<b>Total</b>	<b>2,206</b>	<b>2,093</b>	<b>5%</b>	<b>2,431</b>	<b>-9%</b>	<b>6,326</b>	<b>7,687</b>	<b>-18%</b>

Source: SBP, IGI Research

#### Outlook

Drop in C/a deficit number for the month of Sep-23 was mainly due to decline in imports and nominal growth in exports. 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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