

Day Break

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Economy

Jun-23: Lower Trade Balance and Higher Remittances Lift Monthly C/A Surplus to US\$0.33bn

- For the month of Jun-23, C/a balance registered a surplus of US\$ 0.33bn compared to US\$ 0.22bn recorded during the month of May-22. This brings 12mFY23 cumulated balance to post a deficit of US\$ 2.6bn versus last year's same period a deficit of US\$ 17.5bn, a decrease of 85%/y.
- For the month, the country's export receipts recorded at US\$ 2.1bn compared to last month of US\$ 2.6bn, a decrease of 18%/m, and the country's import bill recorded US\$ 3.2bn down 15%/m and down 56%/y.
- However, with Pakistan being an import-based economy, we think that these monthly surpluses are likely to subside in the coming months as economic activities ramp up.

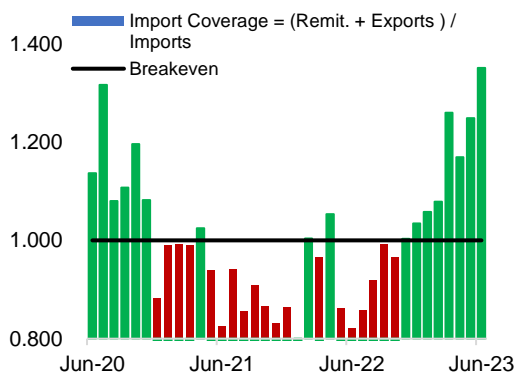
We review current account balance numbers published for the month of Jun-23 by State Bank of Pakistan (SBP).

Monthly current account surplus printed US\$0.33bn as trade balance dropped supported by higher remittances

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Exhibit: Export and Remittances coverage

Export and Remittance coverage of total import has started to turn positive consecutively for the past eight months with latest data of Jun-23 reporting US\$1.1bn surplus (exports + remittances – imports)



Source: SBP, IGI Research

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

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

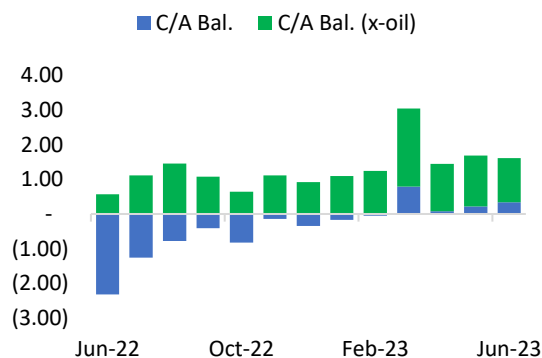


Exhibit: Monthly Current Account Balance								
US\$ mn	Jun-23	May-23	m/m	Jun-22	y/y	12MFY23	12MFY22	y/y
Exports (G)	2,127	2,603	-18%	3,130	-32%	27,911	32,493	-14%
Imports (G)	3,192	3,769	-15%	7,204	-56%	51,994	71,543	-27%
Trade Bal.	(1,065)	(1,166)	-9%	(4,074)	-74%	(24,083)	(39,050)	-38%
Services Bal.	(84)	(296)	-72%	(665)	-87%	(720)	(5,840)	-88%
Remittances	2,184	2,103	4%	2,790	-22%	27,024	31,279	-14%
Income Bal.	1,483	1,682	-12%	2,418	-39%	22,246	27,409	-19%
C/a Bal.	334	220	52%	(2,321)	n/m	(2,557)	(17,481)	-85%
C/a Bal. (x-oil)	1,274	1,462	-13%	572	2.2x	14,982	1,262	11x

Source: SBP, IGI Research

Exports Down 18%m/m as both Textile and Food exports Fall

For the month, the country's export receipts recorded at US\$ 2.1bn compared to last month of US\$ 2.6bn, a decrease of 18%m/m, and on a yearly basis it is down by 32%/y/y. The Jun-23 monthly export number was reported lower than the Fy23 average monthly export number of US\$ 2.3bn. This deterioration in monthly exports is heavily on the back of both textile and food group exports mainly: rice, fish and fish preparations, bed wear, cotton yarn, and ready-made garments.

Similarly, Imports dropped by 15%m/m with the largest dip in transport imports

During the month of Jun-23, the country's import bill recorded US\$ 3.2bn down 15%m/m and down 56%/y/y. During the month, food, machinery transport, and petroleum groups dipped significantly.

Exhibit: Monthly Trade Break-up Commodity wise								
US\$ mn	Jun-23	May-23	m/m	Jun-22	y/y	12MFY23	12MFY22	y/y
Exports (G)	2,127	2,603	-18%	3,135	-32%	27,908	32,467	-14%
Food Exports	375	445	-16%	586	-36%	4,738	5,401	-12%
Textile Exports	1,187	1,329	-11%	1,803	-34%	16,627	18,428	-10%
Other Exports	564	829	-32%	746	-24%	6,543	8,638	-24%
Imports (G)	3,192	3,769	-15%	7,204	-56%	51,994	71,543	-27%
Food Imports	433	587	-26%	356	22%	7,966	7,932	0%
Machinery Imports	259	295	-12%	765	-66%	4,431	9,641	-54%
Transport Imports	63	92	-31%	190	-67%	1,266	3,629	-65%
Petroleum Imports	940	1,242	-24%	2,893	-68%	17,539	18,743	-6%
Other Imports	1,496	1,553	-4%	3,000	-50%	20,792	31,598	-34%

Source: SBP, IGI Research

Remittances slightly edges up

During the month of Jun-23, remittances stood at US\$ 2.2bn compared to the previous month of US\$ 2.1bn, up by 4%/m. Major inflows came from Saudi Arabia and the UK, US\$ 0.52bn and US\$ 0.34bn respectively.

Exhibit: Monthly Remittances Break-up Country wise								
US\$ mn	Jun-23	May-23	m/m	Jun-22	y/y	12FY23	12MFY22	y/y
USA	272	257	6%	287	-5%	3,097	3,087	0%
U.K.	343	306	12%	457	-25%	4,054	4,493	-10%
Saudi Arabia	515	524	-2%	676	-24%	6,440	7,754	-17%
UAE	325	336	-3%	500	-35%	4,646	5,846	-21%
Other GCC	272	251	8%	327	-17%	3,190	3,625	-12%
EU	278	249	11%	286	-3%	3,117	3,361	-7%
Other	179	179	0%	258	-31%	2,471	3,111	-21%
Total	2,184	2,103	4%	2,790	-22%	27,016	31,279	-14%

Source: SBP, IGI Research

Outlook

C/a balance for Fy23 reported a significantly lower figure of US\$ 2.6bn compared to last year's same period of US\$ 17.5bn. This mammoth drop can be attributed to administrative measures taken by the government to limit imports and thereby reduce pressure on foreign exchange reserves. However, with Pakistan being an import-based economy, we think that these monthly surpluses are likely to subside in the coming months as economic activities ramp up. We may see transport imports rise at a relatively lower pace owing to sky-high borrowing costs. Furthermore, SBP repealing the import policy in Jun-23 will normalize import activity going forward.

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