

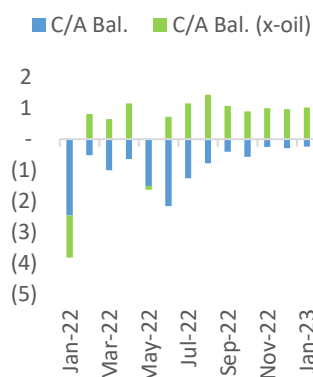
Day Break

Monday, February 20, 2023

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Securities

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



Source: IGI Research, SBP

Economy

Jan-23: C/a Deficit Drops Down To US\$0.24; Imports Further Narrowed

- For the month of Jan-23, C/a balance registered a deficit of US\$ 0.24bn compared to US\$ 0.29bn recorded during the month of Dec-22. This brings 7mFY23 cumulated balance to post a deficit of US\$ 3.8bn versus last year same period a deficit of US\$ 11.6bn, a decrease of 67%y/y.
- During the month of Jan-23, remittances posted US\$ 1.89bn compared to previous month of US\$ 2.1bn, a decline of 10%m/m. To recall, last year remittances printed an all-time high of US\$ 3.1bn during the month of Apr-22, and since then has been on a declining trend.
- C/a Balance has been curtailed under US\$1.0bn since Aug-22, averaging US\$ ~0.42bn per month in FY23TD. As dollar reserves come under the scarce zone, we believe this continuation in imports squeeze cannot be ruled out in the near term.

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

Monthly current account deficit printed US\$0.24bn as trade balance further narrowed

For the month of Jan-23, C/a balance registered a deficit of US\$ 0.24bn compared to US\$ 0.29bn recorded during the month of Dec-22. This brings 7mFY23 cumulated balance to post a deficit of US\$ 3.8bn versus last year same period a deficit of US\$ 11.6bn, a decrease of 67%y/y. To recall, Pakistan has been reporting a deficit since Dec-20. Ex-oil Current account balance reported a surplus of US\$ 1bn for the month up by 4%m/m.

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Exhibit: Monthly Current Account Balance

US\$ mn	Jan-23	Dec-22	m/m	Jan-22	y/y	7MFY23	7MFY22	y/y
Exports (G)	2,207	2,306	-4%	2,500	-12%	16,429	17,742	-7%
Imports (G)	3,924	4,236	-7%	6,203	-37%	33,452	42,298	-21%
Trade Bal.	(1,717)	(1,930)	-11%	(3,703)	-54%	(17,023)	(24,556)	-31%
Services Bal.	18	86	-79%	(597)	n/m	(301)	(2,736)	-89%
Remittances	1,894	2,102	-10%	2,180	-13%	16,006	17,988	-11%
Income Bal.	1,457	1,554	-6%	1,833	-21%	13,525	15,734	-14%
C/a Bal.	(242)	(290)	-17%	(2,467)	-90%	(3,799)	(11,558)	-67%
C/a Bal. (x-oil)	1,018	975	4%	(1,359)	n/m	6,306	(1,878)	n/m

Source: SBP, IGI Research

Exports slightly down 4%m/m as food and textile groups witness decline

For the month, country's export receipts recorded at US\$ 2.2bn compared to last month of US\$ 2.3bn, a decline of 4%m/m, and on a yearly basis it is down by 12%y/y. Jan-23 monthly export number is lower than last year's monthly average export of US\$ 2.5bn. This drop in monthly exports is on the back of textile and food items mainly basmati rice and cotton related products.

Imports fell by 7%m/m mainly due to decline in raw cotton imports

During the month of Jan-23, country's import bill comparatively fell steeper than exports to US\$ 3.9bn down 7%m/m and 37%y/y. During the month, food imports continued its uptrend and recorded US\$ 0.74bn compared to last month US\$ 0.69bn, an increase by 7%m/m, indicating surge in food demand yet below post high imports following Jul-22 floods where average monthly food import bill was 0.84bn. However, overall import bill was contained primarily owing to significant drop in raw cotton imports, coupled with decline in machineries, metals, and chemicals.

Exhibit: Monthly Trade Break-up Commodity wise								
US\$ mn	Jan-23	Dec-22	m/m	Jan-22	y/y	7MFY23	7MFY22	y/y
Exports (G)	2,207	2,306	-4%	2,500	-12%	16,591	17,742	-6%
Food Exports	339	390	-13%	428	-21%	2,592	2,803	-8%
Textile Exports	1,302	1,357	-4%	1,442	-10%	10,330	10,314	0%
Other Exports	567	559	1%	630	-10%	3,669	4,624	-21%
Imports (G)	3,924	4,236	-7%	6,203	-37%	30,271	42,298	-28%
Food Imports	743	694	7%	744	0%	5,077	4,952	3%
Machinery Imports	263	321	-18%	876	-70%	2,687	5,621	-52%
Transport Imports	104	100	4%	326	-68%	747	2,203	-66%
Petroleum Imports	1,260	1,265	0%	1,108	14%	10,105	9,680	4%
Other Imports	1,553	1,857	-16%	3,148	-51%	11,655	19,843	-41%

Source: SBP, IGI Research

Remittance drops below US\$ 2bn mark for the first time since May-20

During the month of Jan-23, remittances posted US\$ 1.89bn compared to previous month of US\$ 2.1bn, a decline of 10%m/m. To recall, last year remittances printed an all-time high of US\$ 3.1bn during the month of Apr-22, and since then has been on a declining trend. Major inflows came from Saudi Arabia and United Kingdom.

Exhibit: Monthly Remittances Break-up Country wise

US\$ mn	Jan-23	Dec-22	m/m	Jan-22	y/y	7MFY23	7MFY22	y/y
USA	214	231	-7%	212	1%	1,530	1,706	-10%
U.K.	330	314	5%	324	2%	1,981	2,471	-20%
Saudi Arabia	408	516	-21%	549	-26%	3,474	4,583	-24%
UAE	269	329	-18%	382	-30%	2,595	3,391	-23%
Other GCC	244	238	2%	258	-5%	1,631	2,064	-21%
EU	240	233	3%	239	0%	1,540	1,990	-23%
Other	190	180	5%	216	-12%	1,299	1,783	-27%
Total	1,894	2,041	-7%	2,180	-13%	14,050	17,988	-22%

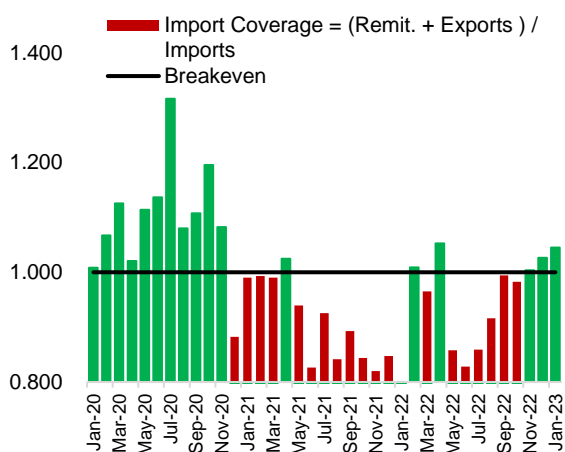
Source: SBP, IGI Research

Outlook

C/a Balance has been curtailed under US\$1.0bn since Aug-22, averaging US\$ ~0.42bn per month in FY23TD. As dollar reserves come under the scarce zone, we believe this continuation in imports squeeze cannot be ruled out in the near term. However, once reserves begin to prop up, we may see imports to normalize.

Exhibit: Import Coverage

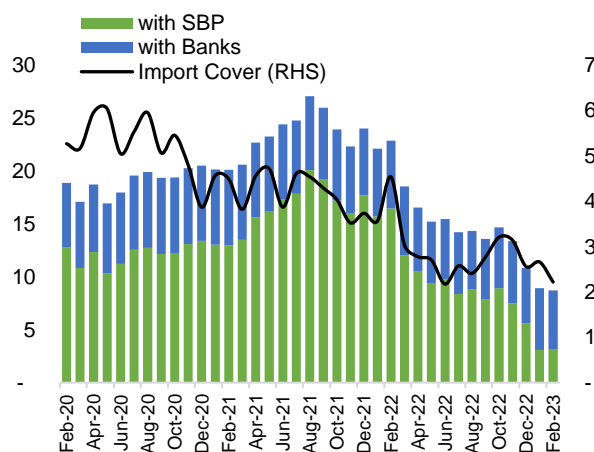
Export and Remittance coverage of total import has started to turn positive consecutively for the past three months with latest data of Jan-22 reporting US\$177mn surplus (exports+remittances –imports)



Source: SBP, IGI Research

Exhibit: Reserves and Import Cover

Country's total reserves as per recent SBP data comes at US\$ 8.7bn as of 10th of Feb-23, where SBP reserves stand at US\$ 3.2bn.



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