

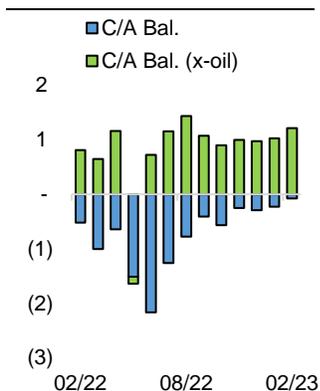
Day Break

Tuesday, March 21, 2023

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Securities

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



Source: IGI Research, SBP

Economy

Monthly C/A Deficit Shrinks; Supported By Trade Balance and Remittances

- For the month of Feb-23, C/a balance registered a deficit of US\$ 0.07bn compared to US\$ 0.23bn recorded during the month of Jan-23. This brings 8mFY23 cumulated balance to post a deficit of US\$ 3.86bn versus last year same period a deficit of US\$ 12.1bn, a decrease of 68%/y.
- During the month of Feb-23, remittances posted US\$ 2bn compared to previous month of US\$ 1.9bn, an increase of 5%/m.
- 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. In our opinion, once IMF and friendly nations disburse the committed amount, volumetric imports, which is necessary to fuel economic growth, may normalize going forward.

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

Monthly current account deficit printed US\$0.07bn as remittances break its downward trajectory

For the month of Feb-23, C/a balance registered a deficit of US\$ 0.07bn compared to US\$ 0.23bn recorded during the month of Jan-23. This brings 8mFY23 cumulated balance to post a deficit of US\$ 3.86bn versus last year same period a deficit of US\$ 12.1bn, a decrease of 68%/y. To recall, Pakistan has been reporting a deficit since Dec-20. Ex-oil Current account balance reported a surplus of US\$ 1.26bn for the month up by 22%/m.

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Exhibit: Monthly Current Account Balance								
US\$ mn	Feb-23	Jan-23	m/m	Feb-22	y/y	8MFY23	8MFY22	y/y
Exports (G)	2,198	2,219	-1%	2,889	-24%	18,639	20,631	-10%
Imports (G)	3,931	3,929	0%	5,039	-22%	37,388	47,337	-21%
Trade Bal.	(1,733)	(1,710)	1%	(2,150)	-19%	(18,749)	(26,706)	-30%
Services Bal.	(39)	18	-317%	(411)	-91%	(340)	(3,147)	-89%
Remittances	1,988	1,894	5%	2,196	-9%	17,994	20,184	-11%
Income Bal.	1,698	1,462	16%	2,042	-17%	15,228	17,776	-14%
C/a Bal.	(74)	(230)	-68%	(519)	-86%	(3,861)	(12,077)	-68%
C/a Bal. (x-oil)	1,256	1,030	22%	811	155%	8,834	(1,068)	-827%

Source: SBP, IGI Research

Exports remained almost flat, down 1%m/m as rise in food group exports compensated by decline in textile exports

For the month, country's export receipts recorded at US\$ 2.2bn compared to last month of US\$ 2.22bn, a decline of 0.9%m/m, and on a yearly basis it is down by 24%/y/y. Feb-23 monthly export number is lower than last year's monthly average export of US\$ 2.6bn. This drop in monthly exports is on the back of textile items: cotton related products, ready-made garments, Knitwear, and Bed wear.

Similarly, Imports were unchanged compared to last month

During the month of Feb-23, country's import bill recorded US\$ 3.93bn up 0.05%m/m and down 22%/y/y. During the month, food imports slightly rose on monthly basis and posted US\$ 0.78bn compared to last month US\$ 0.74bn, up by 4%m/m and 26%/y/y. Moreover, we observe that machinery imports also ticked up, an increase of 11%m/m; however, down by 61%/y/y basis. Furthermore, Transport imports fell sharply by 30%m/m and 72%/y/y basis. Petroleum imports remained relatively flat, up by 2%m/m, and down by 3%/y/y basis.

Exhibit: Monthly Trade Break-up Commodity wise								
US\$ mn	Feb-23	Jan-23	m/m	Feb-22	y/y	8MFY23	8MFY22	y/y
Exports (G)	2,198	2,219	-1%	2,889	-24%	18,801	20,631	-9%
Food Exports	380	339	12%	453	-16%	2,972	3,257	-9%
Textile Exports	1,289	1,302	-1%	1,480	-13%	11,619	11,794	-1%
Other Exports	529	579	-9%	956	-45%	4,210	5,580	-25%
Imports (G)	3,931	3,929	0%	5,039	-22%	37,388	47,337	-21%
Food Imports	775	743	4%	616	26%	5,852	5,568	5%
Machinery Imports	292	263	11%	750	-61%	3,243	6,371	-49%
Transport Imports	73	104	-30%	256	-72%	923	2,459	-62%
Petroleum Imports	1,289	1,260	2%	1,330	-3%	12,654	11,009	15%
Other Imports	1,503	1,558	-4%	2,087	-28%	14,716	21,930	-33%

Source: SBP, IGI Research

Remittance briefly breaks from its downward trend that lasted for 9 months; recorded at US\$ 2bn

During the month of Feb-23, remittances posted US\$ 2bn compared to previous month of US\$ 1.9bn, an increase of 5%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 until Jan-23; however a brief breakout from the downward trajectory is being witnessed during the month of Feb-23. Major inflows came from Saudi Arabia and United Kingdom, US\$ 0.46bn and US\$ 0.32bn respectively.

Exhibit: Monthly Remittances Break-up Country wise

US\$ mn	Feb-23	Jan-23	m/m	Feb-22	y/y	8MFY23	8MFY22	y/y
USA	219	214	3%	211	4%	1,963	1,917	2%
U.K.	317	330	-4%	320	-1%	2,629	2,791	-6%
Saudi Arabia	455	408	12%	558	-19%	4,336	5,141	-16%
UAE	324	269	20%	386	-16%	3,189	3,777	-16%
Other GCC	242	244	-1%	261	-8%	2,116	2,326	-9%
EU	245	240	2%	238	3%	2,025	2,227	-9%
Other	186	190	-2%	221	-16%	1,674	2,005	-16%
Total	1,988	1,894	5%	2,196	-9%	17,932	20,184	-11%

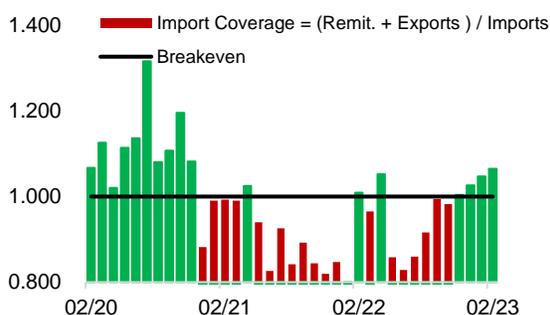
Source: SBP, IGI Research

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. Supply constraint through limited imports have hampered industrial activities. Furthermore, decline in global activity has further contributed in slowdown of exports and remittances. The recent numbers are taken positively as current account deficit financing through reserves has been minimized. In our opinion, once IMF and friendly nations disburse the committed amount, volumetric imports, which is necessary to fuel economic growth, may normalize going forward.

Exhibit: Inflow coverage

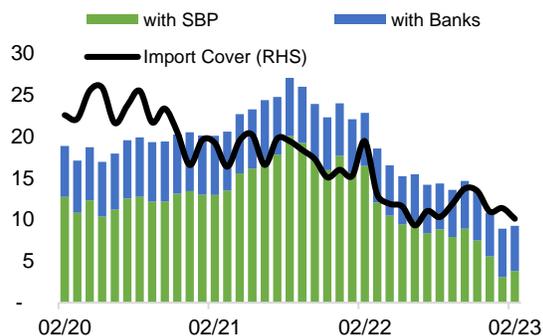
Export and Remittance coverage of total import has started to turn positive consecutively for the past four months with latest data of Feb-22 reporting US\$255mn surplus (exports + remittances – imports)



Source: SBP, IGI Research

Exhibit: Reserves and Import Cover

Country's total reserves as per recent SBP data comes at US\$ 9.6bn as of 10th of Mar-23, where SBP reserves stand at US\$ 4.3bn.



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