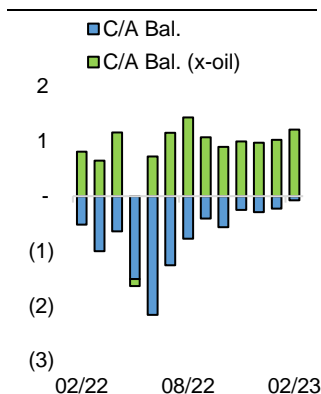


**Exhibit:** C/a trend with and w/o oil imports since Feb-22 (in US\$bn)



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.

## Analyst

Abdullah Farhan  
[Abdullah.farhan@igi.com.pk](mailto:Abdullah.farhan@igi.com.pk)

Aariz Raza Khan  
[Aariz.raza@igi.com.pk](mailto:Aariz.raza@igi.com.pk)

### 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. 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. 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. Moreover, we observe that machinery imports also ticked up, an increase of 11%m/m; however, down by 61%/y basis. Furthermore, Transport imports fell sharply by 30%m/m and 72%/y basis. Petroleum imports remained relatively flat, up by 2%m/m, and down by 3%/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
<b>Exports (G)</b>	<b>2,198</b>	<b>2,219</b>	<b>-1%</b>	<b>2,889</b>	<b>-24%</b>	<b>18,801</b>	<b>20,631</b>	<b>-9%</b>
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%
<b>Imports (G)</b>	<b>3,931</b>	<b>3,929</b>	<b>0%</b>	<b>5,039</b>	<b>-22%</b>	<b>37,388</b>	<b>47,337</b>	<b>-21%</b>
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%
<b>Total</b>	<b>1,988</b>	<b>1,894</b>	<b>5%</b>	<b>2,196</b>	<b>-9%</b>	<b>17,932</b>	<b>20,184</b>	<b>-11%</b>

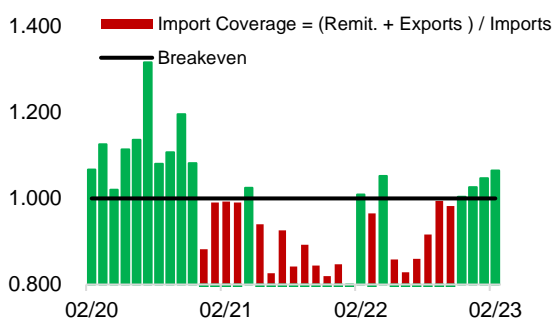
Source: SBP, IGI Research

### Outlook

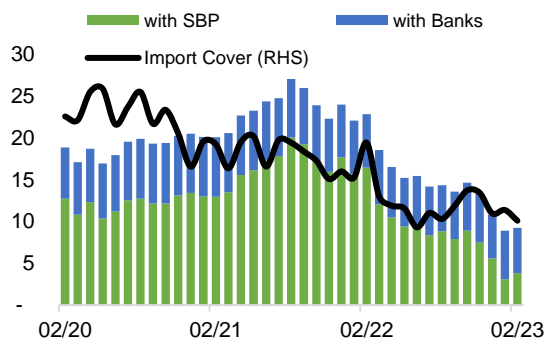
C/a Balance has been curtailed through import squeeze since Aug-22 as Pakistan faces shortages of dollar owing to debt servicing, delayed support from friendly countries and decline in exports and remittances. Supply constraint through limited imports have hampered industrial activities. Furthermore, 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)


**Exhibit: Reserves and Import Cover**

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



Source: SBP, IGI Research

# Important Disclaimer and Disclosures

**Research Analyst(s) Certification:** The Research Analyst(s) hereby certify that the views about the company/companies and the security/ securities discussed in this report accurately reflect his or her or their personal views and that he/she has not received and will not receive direct or indirect compensation in exchange for expressing specific recommendations or views in this report. The analyst(s) is principally responsible for the preparation of this research report and that he/she or his/her close family/relative does not own 1% or more of a class of common equity securities of the following company/companies covered in this report.

**Disclaimer:** The information and opinions contained herein are prepared by IGI Finex Securities Limited and is for information purposes only. Whilst every effort has been made to ensure that all the information (including any recommendations or opinions expressed) contained in this document (the information) is not misleading or unreliable, IGI Finex Securities Limited makes no representation as to the accuracy or completeness of the information. Neither, IGI Finex Securities Limited nor any director, officer or employee of IGI Finex Securities Limited shall in any manner be liable or responsible for any loss that may be occasioned as consequence of a party relying on the information. This document takes no account of the investment objectives, financial situation and particular needs of investors, who shall seek further professional advice before making any investment decision. The subject Company (ies) is a client of the IGI Finex Securities Limited and IGI Finex Securities offers brokerage services to Subject Company (ies) on a regular basis, in line with industry practice. This document and the information may not be reproduced, distributed or published by any recipient for any purpose. This report is not directed or intended for distribution to, or use by any person or entity not a client of IGI Finex Securities Limited, else directed for distribution.

**Rating system:** IGI Finex Securities employs three tier ratings system, depending upon expected total return (return is defined as capital gain exclusive of tax) of the security in stated time period, as follows:

## Recommendation Rating System

Buy if target price on aforementioned security (ies) is more than 10%, from its last closing price(s)

Hold if target price on aforementioned security (ies) is in between -10% and 10%, from its last closing price(s)

Sell if target price on aforementioned security (ies) is less than -10%, from its last closing price(s)

**Risk:** Investment in securities are subject to economic risk, market risk, interest rate risks, currency risks, and credit risks, political and geopolitical risks. The performance of company (ies) covered herein might unfavorably be affected by multiple factors including, business, economic, and political conditions. Hence, there is no assurance or guarantee that estimates, recommendation, opinion, etc. given about the security (ies)/company (ies) in the report will be achieved.

**Basic Definitions and Terminologies used:** **Target Price:** A price target is the projected price level of a financial security stated by an investment analyst or advisor. It represents a security's price that, if achieved, results in a trader recognizing the best possible outcome for his investment, **Last Closing:** Latest closing price, **Market Cap.:** Market capitalization is calculated by multiplying a company's shares outstanding by current trading price. **EPS:** Earnings per Share. **DPS:** Dividend per Share. **ROE:** Return on equity is the amount of net income returned as a percentage of shareholders' equity. **P/E:** Price to Earnings ratio of a company's share price to its per-share earnings. **P/B:** Price to Book ratio used to compare a stock's market value to its book value. **DY:** The dividend yield is dividend per share, divided by the price per share.

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2023 IGI Finex Securities Limited

## Contact Details

### Equity Sales

Faisal Jawed Khan	Head of Equities	Tel: (+92-21) 35301779	faisal.jawed@igi.com.pk
Zaeem Haider Khan	Regional Head (North)	Tel: (+92-42) 38303559-68	zaeem.haider@igi.com.pk
Muhammad Naveed	Regional Manager (Islamabad & Upper North)	Tel: (+92-51) 2604861-62	muhammad.naveed@igi.com.pk
Syeda Mahrukh Hameed	Branch Manager (Lahore)	Tel: (+92-42) 38303564	mahrukh.hameed@igi.com.pk
Shakeel Ahmad	Branch Manager (Faisalabad)	Tel: (+92-41) 2540843-45	shakeel.ahmad1@igi.com.pk
Asif Saleem	Equity Sales (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Equity Sales (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk

### Research Team

Saad Khan	Head of Research	Tel: (+92-21) 111-234-234 Ext: 810	saad.khan@igi.com.pk
Abdullah Farhan	Senior Analyst	Tel: (+92-21) 111-234-234 Ext: 912	abdullah.farhan@igi.com.pk
Aariz Raza	Analyst	Tel: (+92-21) 111-234-234 Ext: 810	Aariz.raza@igi.com.pk

### IGI Finex Securities Limited

Trading Rights Entitlement Certificate (TREC) Holder of Pakistan Stock Exchange Limited |

Corporate member of Pakistan Mercantile Exchange Limited

Website: [www.igisecurities.com.pk](http://www.igisecurities.com.pk)

#### Head Office

Suite No 701-713, 7th Floor, The Forum, G-20,  
Khayaban-e-Jami Block-09, Clifton, Karachi-75600  
UAN: (+92-21) 111-444-001 | (+92-21) 111-234-234  
Fax: (+92-21) 35309169, 35301780

#### Stock Exchange Office

Room # 134, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Tel: (+92-21) 32429613-4, 32462651-2  
Fax: (+92-21) 32429607

#### Lahore Office

Shop # G-009, Ground Floor,  
Packages Mall  
Tel: (+92-42) 38303560-69  
Fax: (+92-42) 38303559

#### Islamabad Office

Mezzanine Floor, Office 5, 6 & 7, Kashmir Plaza,  
Block- B, Jinnah Avenue, Blue Area  
Tel: (+92-51) 2604861-2, 2604864, 2273439  
Fax: (+92-51) 2273861

#### Faisalabad Office

Office No. 2, 5 & 8, Ground Floor, The  
Regency International 949, The Mall  
Faisalabad  
Tel: (+92-41) 2540843-45

#### Rahim Yar Khan Office

Plot # 12, Basement of Khalid Market,  
Model Town, Town Hall Road  
Tel: (+92-68) 5871652-3  
Fax: (+92-68) 5871651

#### Multan Office

Mezzanine Floor, Abdali Tower,  
Abdali Road  
Tel: (92-61) 4512003, 4571183

IGI Finex Securities Limited

Research Analyst(s)

Research Identity Number: BRP009

© Copyright 2023 IGI Finex Securities Limited