

Economy

C/a Deficit Slightly Expands To US\$ 0.4bn; Income Balance drops by 18%m/m

- For the month of Dec-22, C/a balance registered a deficit of US\$ 0.4bn compared to US\$ 0.25bn recorded during the month of Nov-22. This brings 6mFY23 cumulated balance to post a deficit of US\$ 3.7bn versus last year same period a deficit of US\$ 9.1bn, a decrease of 60%/y.
- Income balance for the month came at US\$ 1.5bn compared to last month US\$ 1.8bn. This drop came on the back of fall in primary income and secondary income predominantly remittances.
- C/a Balance has been cut back below US\$1.0bn since Aug-22, averaging US\$ ~0.48bn on a monthly basis. Predominantly this is due to government effectively able to curtail cumulative import bill under US\$ 3.7bn for 6MFY23 compared to US\$ 9.1bn during 6MFY22; down by 60%.

We review current account balance numbers published for the month of Dec-22 by State Bank of Pakistan (SBP).

Monthly current account deficit printed US\$ 0.4bn as income balance drops sharply

For the month of Dec-22, C/a balance registered a deficit of US\$ 0.4bn compared to US\$ 0.25bn recorded during the month of Nov-22. This brings 6mFY23 cumulated balance to post a deficit of US\$ 3.7bn versus last year same period a deficit of US\$ 9.1bn, a decrease of 60%/y. To recall, Pakistan has been reporting a deficit since Dec-20. Ex-oil Current account balance reported a surplus of US\$ 0.87bn for the month down by 14%/m.

Exhibit: Monthly Current Account Balance								
US\$ mn	Dec-22	Nov-22	m/m	Dec-21	y/y	6MFY23	6MFY22	y/y
Exports (G)	2,295	2,241	2%	2,929	-22%	14,211	15,242	-7%
Imports (G)	4,218	4,333	-3%	6,431	-34%	29,510	36,095	-18%
Trade Bal.	(1,923)	(2,092)	-8%	(3,502)	-45%	(15,299)	(20,853)	-27%
Services Bal.	48	35	37%	(426)	-111%	(357)	(2,139)	-83%
Remittances	2,041	2,108	-3%	2,520	-19%	14,051	15,808	-11%
Income Bal.	1,475	1,805	-18%	2,071	-29%	11,989	13,901	-14%
C/a Bal.	(400)	(252)	59%	(1,857)	-78%	(3,667)	(9,091)	-60%
C/a Bal. (x-oil)	865	1,002	-14%	(380)	-227%	6,438	(520)	-1238%

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Income balance drops sharply pushing C/a deficit higher this month

Income balance for the month came at US\$ 1.5bn compared to last month US\$ 1.8bn. This drop came on the back of fall in primary income and secondary income predominantly remittances. Balance on primary income came at US\$ - 0.4bn whereas remittances for the month of Dec-22 clocked in at US\$ 2bn down by 3%/m/m compared to previous month inflow of US\$ 2.1bn. This takes 6mFY23 total remittances to US\$ 14bn, down by 11%/y/y. During the month, major contributions came from Saudi Arabia of US\$ 0.52bn, followed by U.A.E and UK of US\$ 0.33bn and US\$ 0.31bn respectively.

Exhibit: Monthly Trade Break-up Commodity wise								
US\$ mn	Dec-22	Nov-22	m/m	Dec-21	y/y	6MFY23	6MFY22	y/y
Exports (G)	2,295	2,238	3%	2,929	-22%	14,373	15,242	-6%
Food Exports	390	358	9%	525	-26%	2,254	2,375	-5%
Textile Exports	1,357	1,425	-5%	1,672	-19%	9,028	8,873	2%
Other Exports	548	455	20%	733	-25%	3,091	3,994	-23%
Imports (G)	4,218	4,333	-3%	6,431	-34%	29,510	36,095	-18%
Food Imports	694	659	5%	815	-15%	4,334	4,208	3%
Machinery Imports	321	386	-17%	934	-66%	2,687	4,745	-43%
Transport Imports	100	124	-20%	325	-69%	747	1,877	-60%
Petroleum Imports	1,265	1,254	1%	1,477	-14%	10,105	8,571	18%
Other Imports	1,839	1,910	-4%	2,880	-36%	11,637	16,695	-30%

Exhibit: Monthly Remittances Break-up Country wise								
US\$ mn	Dec-22	Nov-22	m/m	Dec-21	y/y	6MFY23	6MFY22	y/y
USA	231	229	0%	249	-7%	1,530	1,494	2%
U.K.	314	299	5%	341	-8%	1,981	2,147	-8%
Saudi Arabia	516	498	4%	627	-18%	3,474	4,034	-14%
UAE	329	378	-13%	453	-27%	2,595	3,008	-14%
Other GCC	238	257	-7%	298	-20%	1,631	1,807	-10%
EU	233	245	-5%	290	-19%	1,540	1,750	-12%
Other	180	201	-10%	263	-32%	1,299	1,567	-17%
Total	2,041	2,108	-3%	2,520	-19%	14,050	15,807	-11%

Exports slightly up 2%/m/m despite fall in textile group

For the month, country's export receipts recorded at US\$ 2.3bn compared to last month of US\$ 2.2bn, up 2%/m/m, and on a yearly basis it is down by 22%/y/y. Monthly export number for Dec-22 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 rice.

Imports fell by 3%/m/m mainly due to machinery and transport groups

During the month of Dec-22, country's import bill slightly waned to US\$ 4.2bn down 3%/m/m and 34%/y/y. During the month, food imports ticked up to US\$

0.69bn compared to last month US\$ 0.66bn, an increase by 5% m/m, indicating surge in food demand yet it is below pre Jul 2022 floods where monthly average of food import bill stood at US\$ 0.84bn. Furthermore, drop in imports came primarily within machinery and transport groups, mainly decomposing telecom, mobile phones, other apparatus, and road vehicles.

Outlook

C/a Balance has been cut back below US\$1.0bn since Aug-22, averaging US\$ ~0.48bn on a monthly basis. Predominantly this is due to government effectively able to curtail cumulative import bill under US\$ 3.7bn for 6MFY23 compared to US\$ 9.1bn during 6MFY22; down by 60%. A key reason for this slowdown has been government ban on non-essential items and limiting line of credit for importers, and likely to remain so going forward until reserves prop up. SBP Governor recently announced to facilitate importers for essential goods and likely foreign inflows to materialize from coming week. In our opinion, once SBP reserves tick up to sustainable levels, restrictions on imports will soften.

Exhibit: Exports and remittances coverage of imports

Export and Remittance coverage of total import has started to turn positive for the past two months.

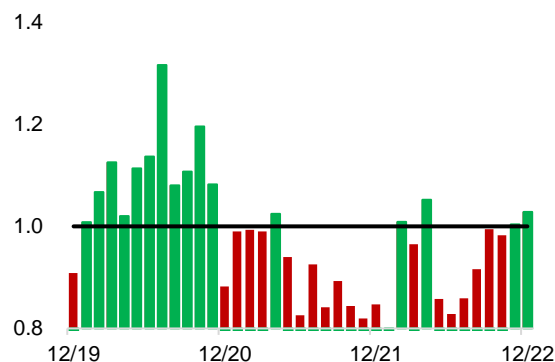
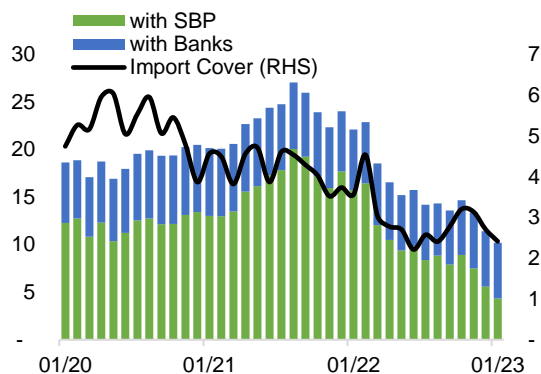


Exhibit: FX Reserves and Import Coverage

Country's total reserves as per recent SBP data comes at US\$ 10.4bn as of 13th of Jan-23, where SBP reserves stand at US\$ 4.6bn.



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