

Pakistan Economy

Current Account Surplus: Uphill Stride Continues

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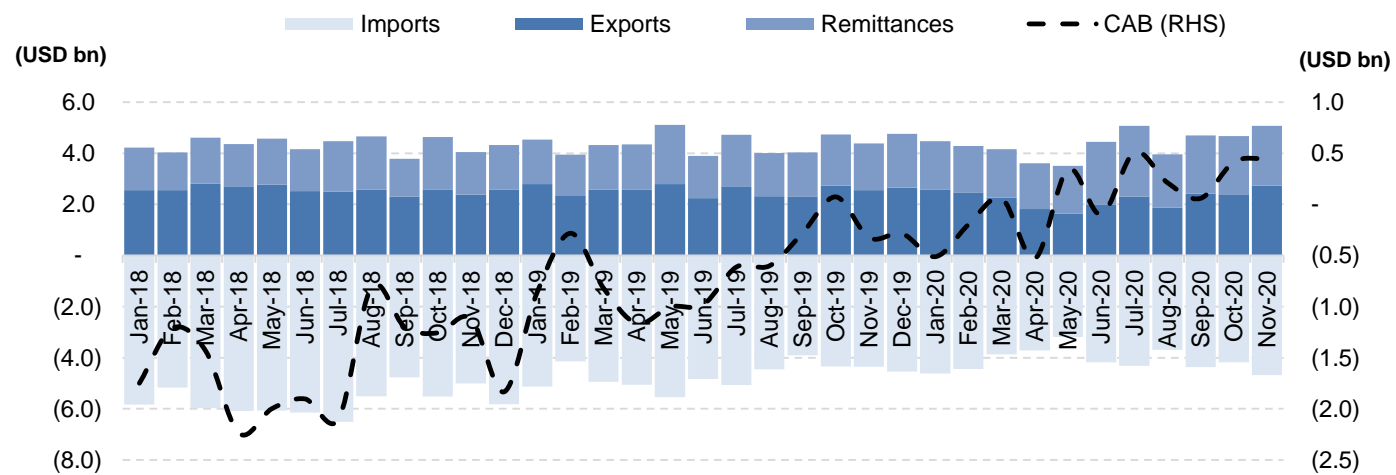
Best Equity Research
Analyst: 2020

Balance of Payments

CAB Records USD 447mn Surplus During Nov'20

Current Account continued the uphill stride as it posted a surplus yet again, during the month of Nov'20. A total of USD 447mn surplus was recorded in Nov'20 compared with a deficit of USD 326mn during Nov'19. The primary reasons behind surplus in Nov'20 remained a 28.4% YoY (USD 518mn) rise in remittances along with a 6.8% YoY rise in total exports. However, total imports also up by 7.6% YoY (USD 329mn) during the same period. During 5MFY21, country posted a surplus of USD 1,640mn compared with deficit of USD 1,745mn during same period last year. Meanwhile, the total Balance on Trade during the 5MFY21 remained at a negative USD 9,538mn as compared to negative USD 9,553mn recorded in the same period last year, marginally down by 0.2% YoY. With this, the Current Account percentage of GDP stood at 1.4% in the 5MFY21 as compared to -1.6% in the same period last year.

Exhibit: Current Account Balance and its components over months



Source (s): SBP, AHL Research

Exhibit: Balance of Payments

(USD mn)	Nov-20	Nov-19	YoY	5MFY21	5MFY20	YoY
Exports	2,227	2,111	5.5%	9,550	10,285	-7.1%
Imports	4,077	3,682	10.7%	18,163	18,345	-1.0%
Trade Balance	-1,850	-1,571	17.8%	-8,613	-8,060	6.9%
Services (Net)	(99)	(223)	-55.6%	(925)	(1,493)	-38.0%
Income (Net)	2,396	1,468	63.2%	11,178	7,808	43.2%
Remittances	2,339	1,821	28.4%	11,770	9,274	26.9%
CAB	447	-326	nm	1,640	-1,745	nm
FDI	19	(192)	-109.9%	(664)	(820)	-19.0%
Financial Account	(380)	(1,001)	-62.0%	948	(3,243)	-129.2%
Capital Account	20	12	66.7%	102	159	-35.8%
CAB as % of GDP	1.9%	-1.5%		1.4%	-1.6%	
Overall Balance	(821)	(805)	nm	(601)	2,035	-129.5%

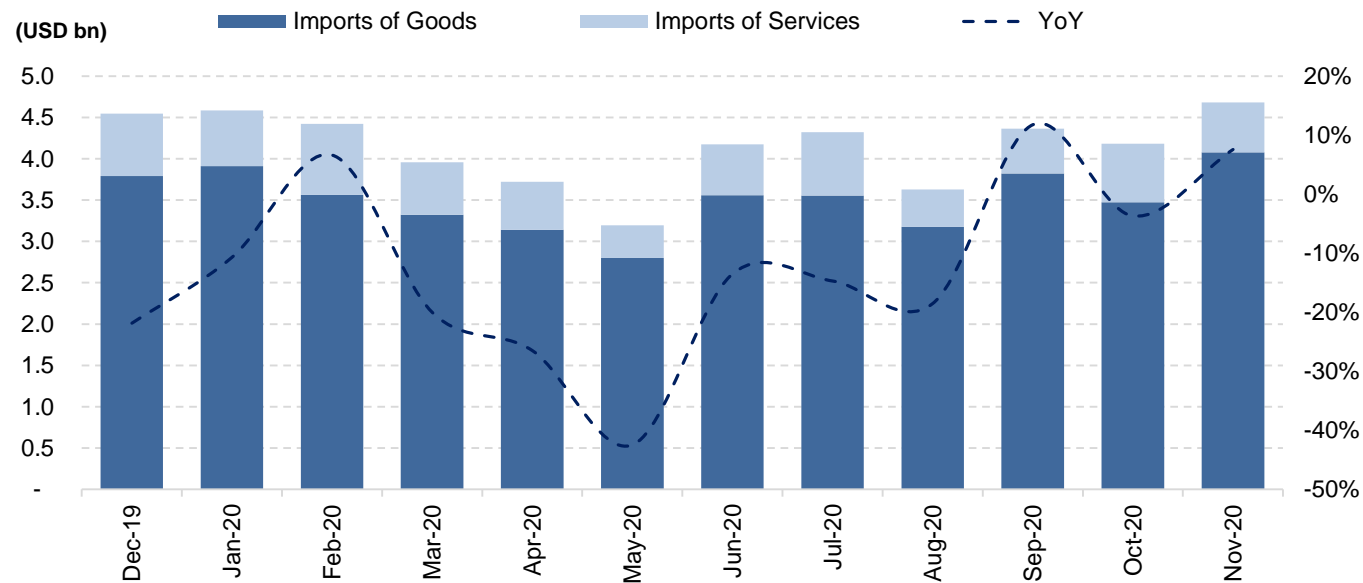
Source (s): SBP, AHL Research

Balance of Payments

Imports Decline by 4% YoY During 5MFY21

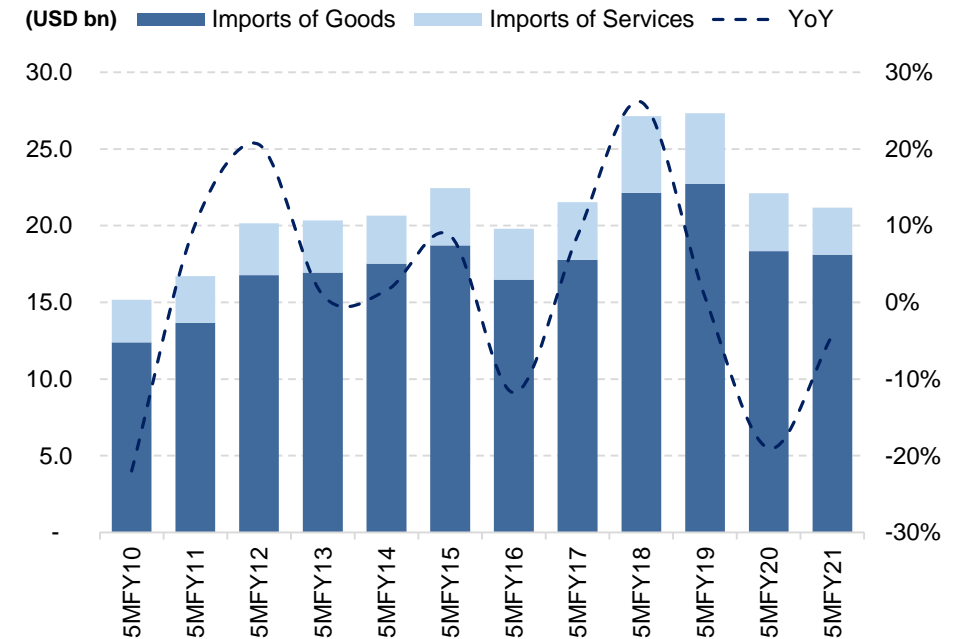
Total imports (goods and services) for the month of Nov'20 witnessed an increase of 12% MoM to USD 4,683mn compared to USD 4,182mn recorded in Oct'20. On a yearly basis, total imports increased by 8% in Nov'20 from USD 4,354mn recorded in Nov'19. The import of goods was up by 11% YoY |17% MoM during Nov'20. However, the import of services was down by 10% YoY | up 15% MoM during Nov'20. With this, 5MFY21 total imports recorded a decline of 4% YoY to USD 21,246 mn.

Exhibit: Historical Trend of Monthly Imports



Source (s): SBP, AHL Research

Exhibit: Imports Declined by 4% YoY During 5MFY21



Source (s): SBP, AHL Research

Balance of Payments

Exports Decline by 7% YoY During 5MFY21

Total exports (goods and services) increased by 14% MoM during Nov'20 to USD 2,734mn compared with USD 2,390mn recorded in the previous month. On a yearly basis also, total exports registered an increase of 7% in Nov'20 which stood at USD 2,560mn in Nov'19. The export of goods was up 6% YoY | 14% MoM during Nov'20. Moreover, the export of services too recorded a jump of 13% YoY| 18% MoM during Nov'20. With this, total exports during 5MFY21 stood at USD 11,708 mn posting a decline of 7% YoY.

Exhibit: Historical Trend of Monthly Exports



Source (s): SBP, AHL Research

Exhibit: Exports Declined by 7% YoY During 5MFY21



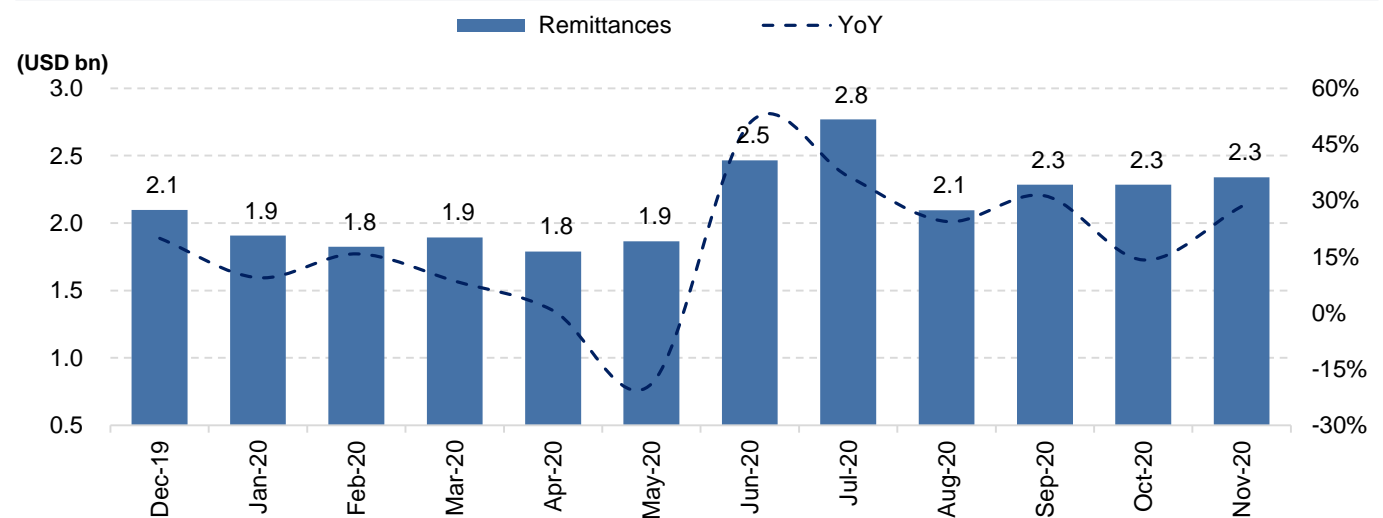
Source (s): SBP, AHL Research

Balance of Payments

Remittances Increased by 27% YoY During 5MFY21

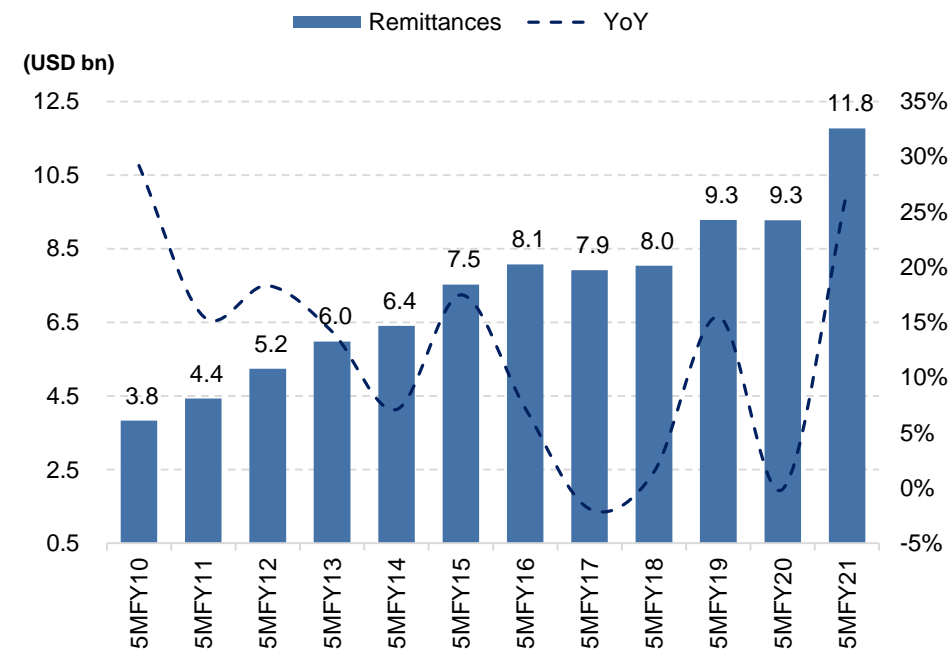
Remittances by overseas Pakistanis registered an increase of 28% YoY to USD 2,339mn during Nov'20 compared to USD 1,821mn during Nov'19. This was the fifth consecutive month Pakistan reported over USD 2bn remittance inflow. The country wise data reveals that inflow from KSA, UAE, USA and UK amounted to USD 615mn (+25% YoY, -3% MoM), USD 520mn (+13% YoY, +3% MoM), USD 185mn (+41% YoY, +1% MoM) and USD 286mn (+46% YoY, +3% MoM), respectively. During 5MFY21, remittances up by 27% YoY to USD 11,770mn.

Exhibit: Remittances up by 28% YoY during Nov'20



Source (s): SBP, AHL Research

Exhibit: Remittances Increased by 27% YoY During 5MFY21



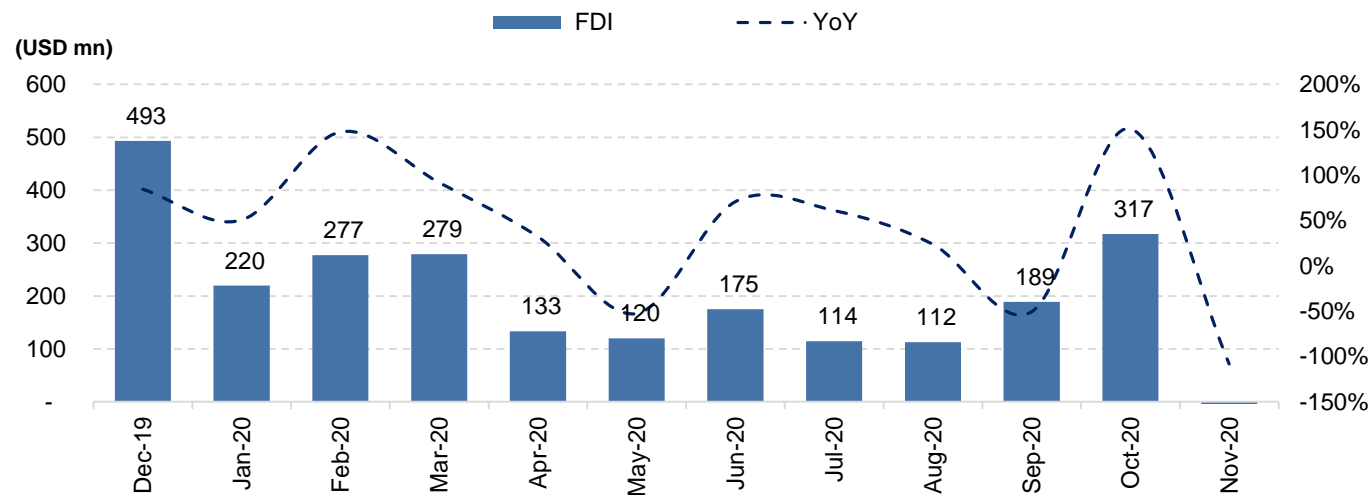
Source (s): SBP, AHL Research

Balance of Payments

FDI Decrease by 17% YoY During 5MFY21

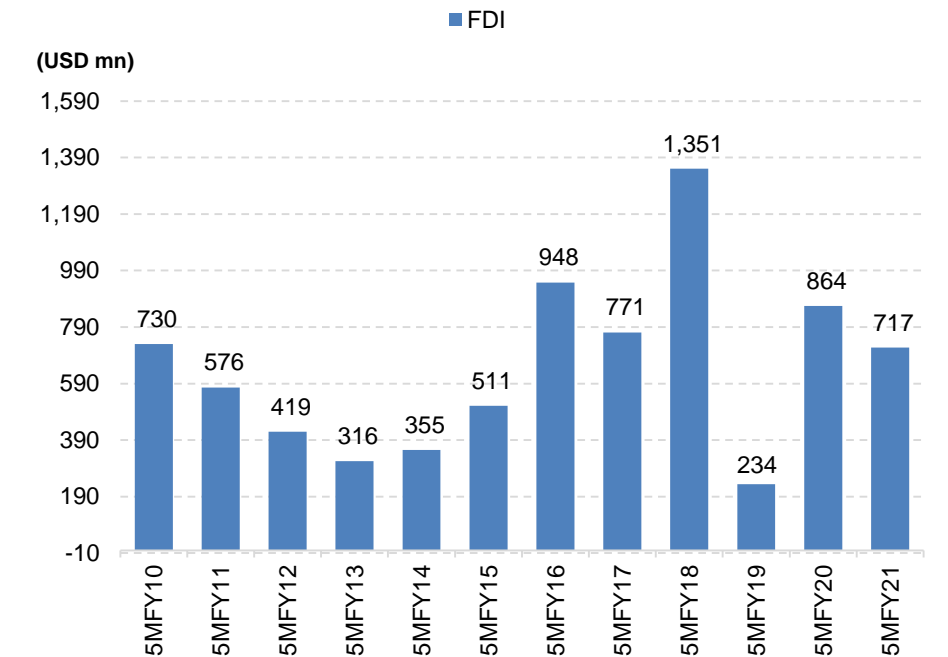
Foreign direct investment (FDI) during Nov'20 witnessed net outflow USD 16mn compared to net inflow of USD 192mn during Nov'19. Country witnessed an outflow in FDI after 25 months (Oct'18: USD 391mn). During 5MFY21, FDI witnessed a decrease of 17% YoY to USD 717mn. China remained the largest investor with net FDI of USD 254mn during 5MFY21 compared with USD 77mn during the same period last year. Malta remained the second largest investor with net FDI of USD 93mn during 5MFY21 compared with USD 93mn during the same period last year. During 5MFY21, major investment was poured in Power sector (USD 269mn) followed by Financial Business Sector (USD 135mn) and Oil & Gas Explorations Sector (USD 100mn).

Exhibit: FDI witnessed net outflow of USD 16mn in Nov'20



Source (s): SBP, AHL Research

Exhibit: FDI down by 17% YoY During 5MFY21



Source (s): SBP, AHL Research

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