

Pakistan Economy

Current Account Surplus shrinks to USD 912mn in 7MFY21

23-Feb-2021

Sana Tawfik

D: +92 21 32462742

UAN: +92 21 111 245 111, Ext: 248

F: +92 21 32420742

E: sana.tawfik@arifhabibltd.com



Best Corporate &
Investment Bank: 2020



Best Domestic Equity House



PAKISTAN
STOCK EXCHANGE
LIMITED

Top 25 Companies



Corporate Finance House
of the Year: 2020



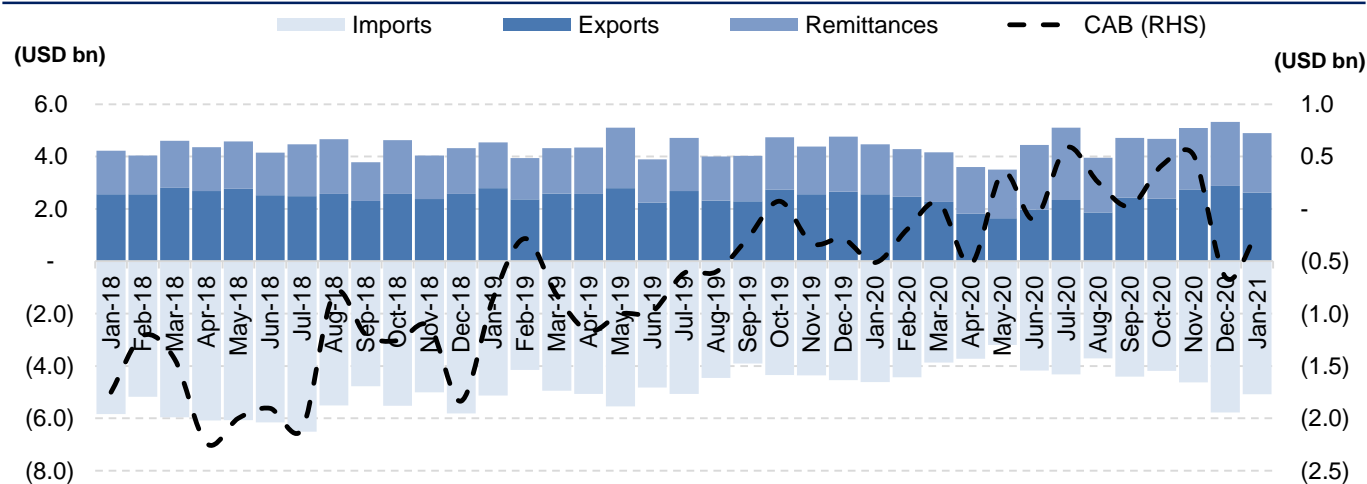
Best Equity Research
Analyst: 2020

Balance of Payments

CA records USD 229mn deficit during Jan'21

Pakistan continues to post current account deficit in the 2H of the current fiscal year 2021, first one on CY basis. Current Account, in the month of Jan'21, was down by 55% YoY to USD 229mn compared with deficit of USD 512mn during Jan'20. On MoM basis, deficit down by 65%, mainly due to 12% (USD 697 mn) decline in the total imports. On YoY basis, the primary reason behind the decline in deficit was 2% YoY (USD 52mn) and 19% YoY (USD 367mn) rise in total exports and remittances, respectively. However, total imports also increased by 10% YoY (USD 471mn) during the same period. During 7MFY21, country's surplus has decreased to USD 912mn compared to a deficit of USD 2,544mn during 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)	Jan-21	Jan-20	YoY	7MFY21	7MFY20	YoY
Exports	2,093	2,053	1.9%	13,897	14,446	-3.8%
Imports	4,437	3,908	13.5%	27,639	26,044	6.1%
Trade Balance	-2,344	-1,855	26.4%	-13,742	-11,598	18.5%
Services (Net)	(126)	(196)	-35.7%	(1,115)	(1,893)	-41.1%
Income (Net)	2,241	1,539	45.6%	15,769	10,947	44.0%
Remittances	2,274	1,907	19.2%	16,477	13,278	24.1%
CAB	-229	-512	-55.3%	912	-2,544	nm
FDI	(192)	(206)	-6.8%	(1,092)	(1,520)	-28.2%
Financial Account	338	(1,390)	-124.3%	311	(6,996)	-104.4%
Capital Account	21	5	320.0%	153	203	-24.6%
CAB as % of GDP	-1.0%	-2.3%		0.6%	-1.6%	
Overall Balance	565	(922)	nm	(717)	5,276	-113.6%

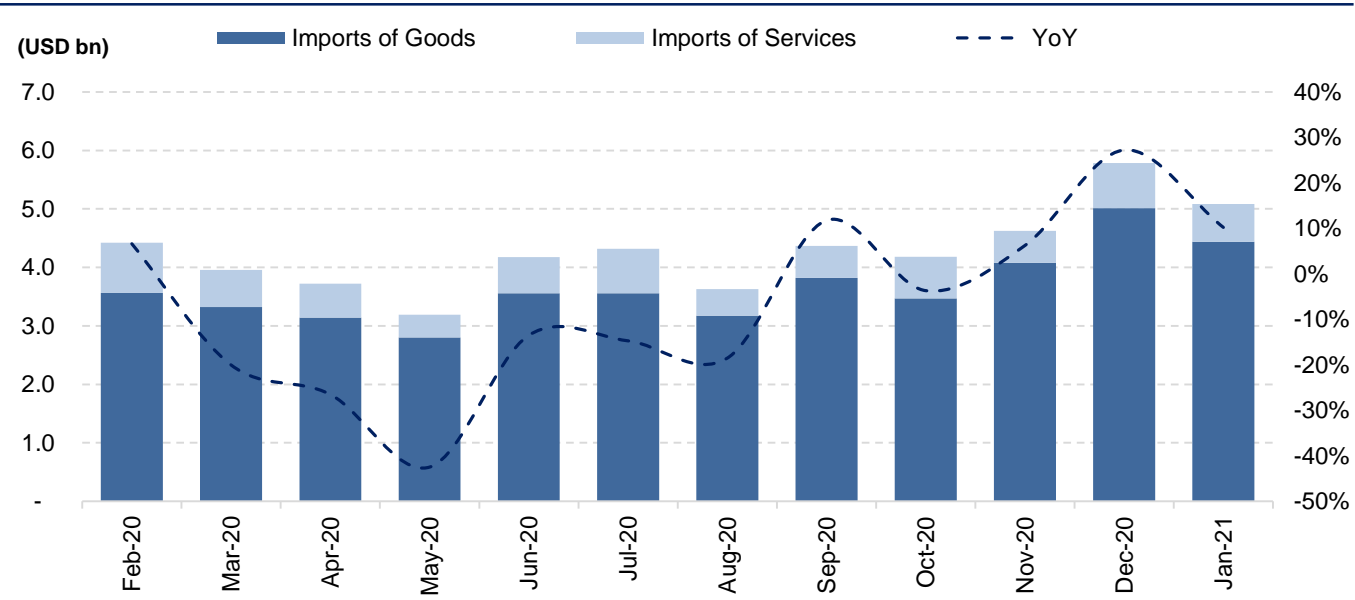
Source (s): SBP, AHL Research

Balance of Payments

Imports increased by 3% YoY during 7MFY21

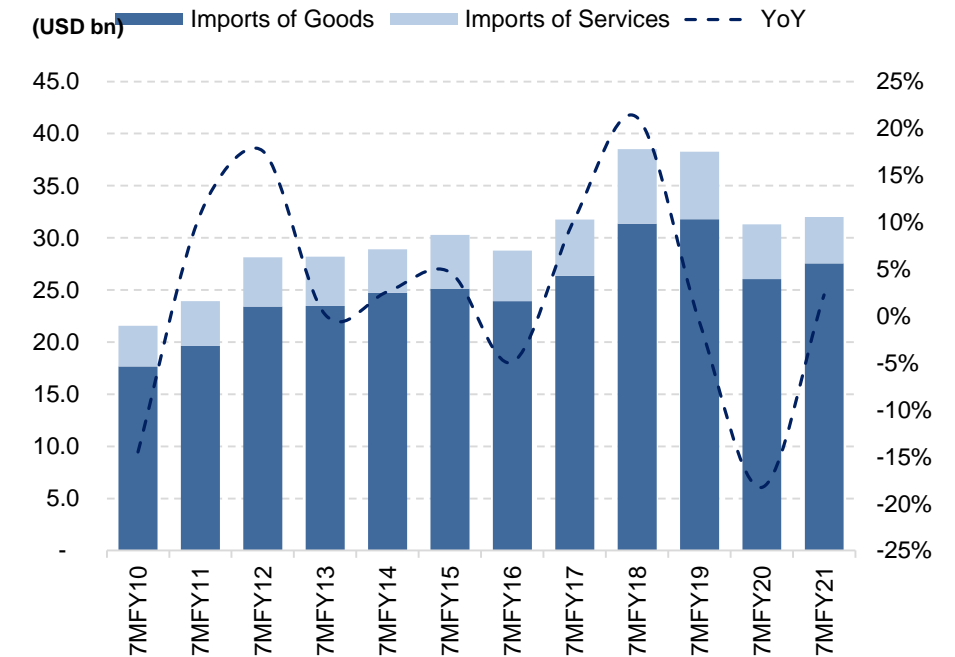
Total imports (goods and services) for the month of Jan'21 witnessed a decline of 12% MoM to USD 5,085mn compared to USD 5,782mn recorded in Dec'20. On a yearly basis, total imports increased by 10% in Jan'21 from USD 4,614mn recorded in Jan'20. The import of goods was up by 14% YoY | - 12% MoM during Jan'21. Moreover, the import of services was down by 8% YoY | 16% MoM during Jan'21. With this, 7MFY21 total imports recorded an increase of 3% YoY to USD 32,120mn.

Exhibit: Historical Trend of Monthly Imports



Source (s): SBP, AHL Research

Exhibit: Imports Increased by 3% YoY During 7MFY21



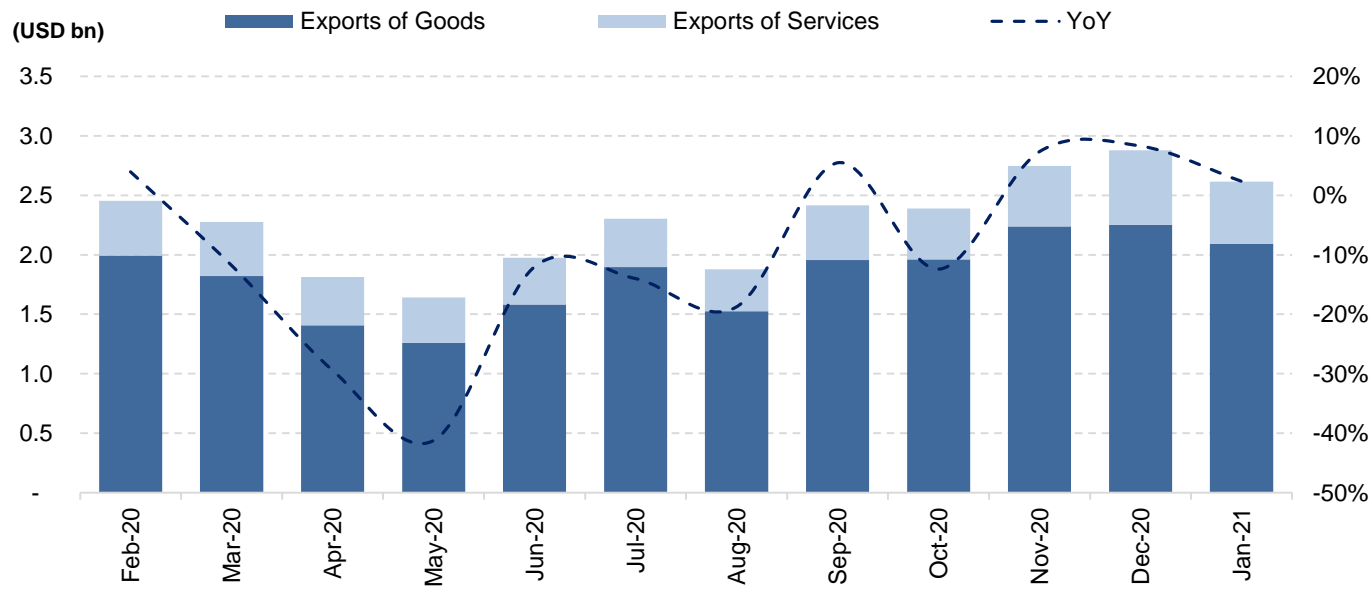
Source (s): SBP, AHL Research

Balance of Payments

Exports declined by 3% YoY during 7MFY21

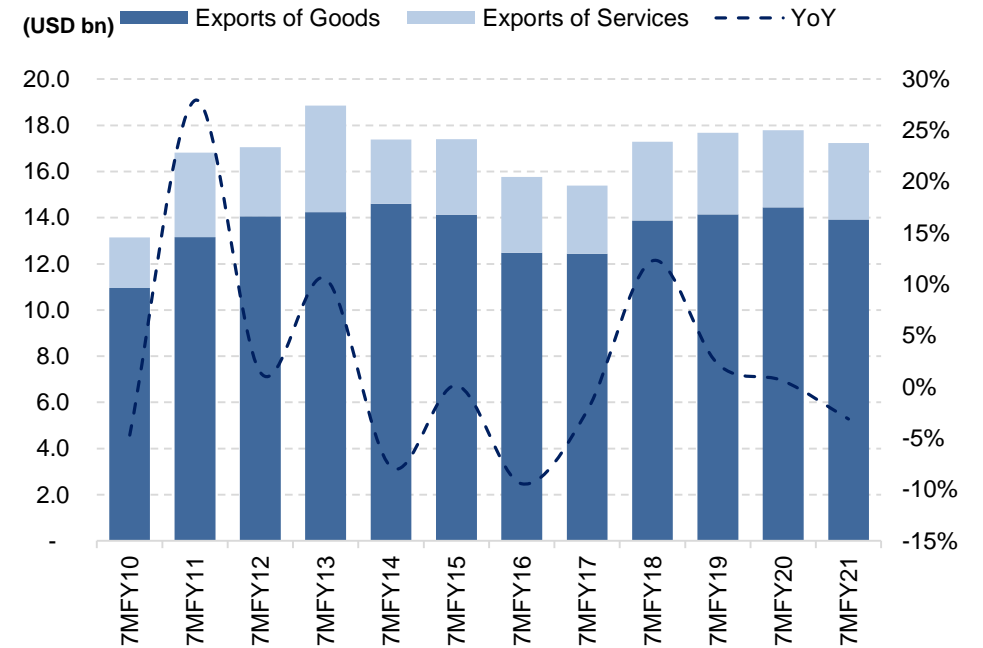
Total exports (goods and services) decreased by 9% MoM during Jan'21 to USD 2,615mn compared with USD 2,880mn recorded in the previous month. However, on a yearly basis, total exports registered an increase of 2% in Jan'21 which stood at USD 2,563mn in Jan'20. The export of goods was up 2% YoY | -7% MoM during Jan'21. Moreover, the export of services too recorded a jump of 2% YoY | -17% MoM during Jan'21. With this, total exports during 7MFY21 stood at USD 17,263mn posting a decrease of 3% YoY.

Exhibit: Historical Trend of Monthly Exports



Source (s): SBP, AHL Research

Exhibit: Exports Decreased by 3% YoY During 7MFY21



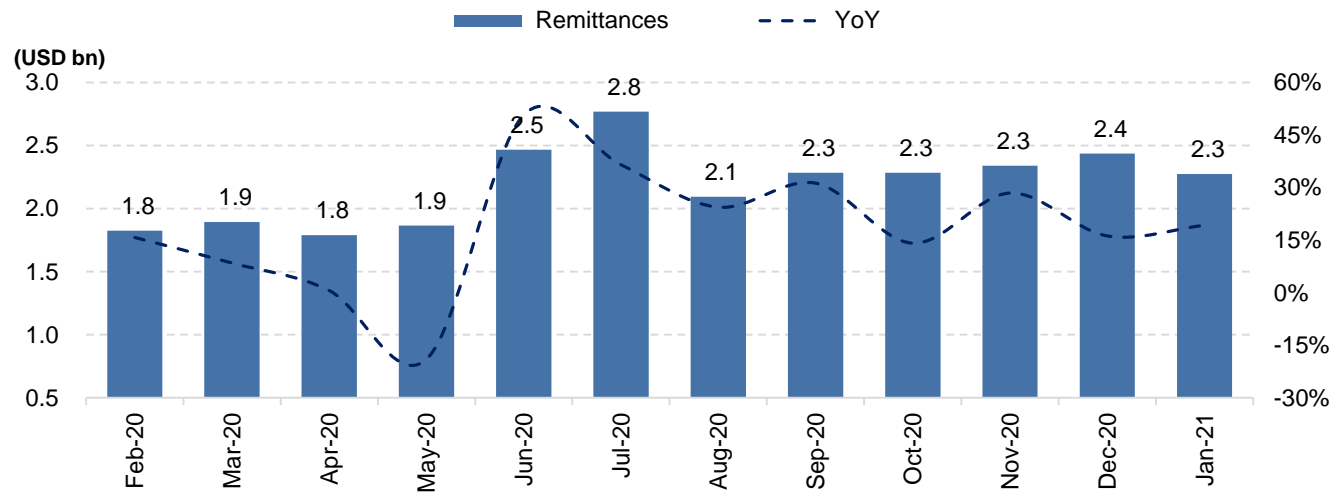
Source (s): SBP, AHL Research

Balance of Payments

Remittances increased by 24% YoY during 7MFY21

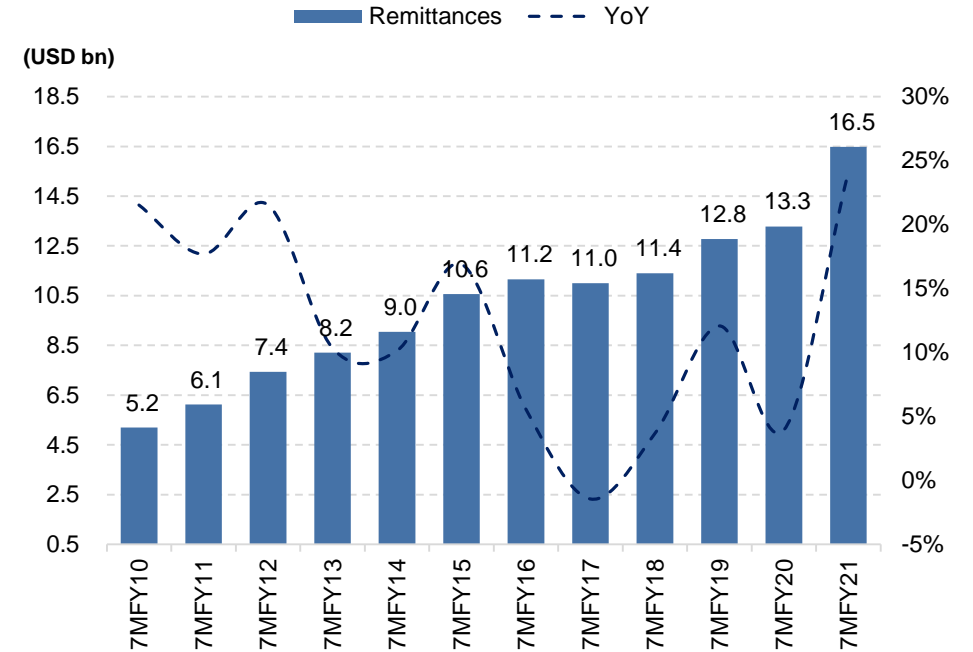
During 7MFY21, remittances were up by 24% YoY to USD 16,477mn as the strong momentum of inflows continued to take the cumulative figure to an unprecedented level. Remittances by overseas Pakistanis registered an increase of 19% YoY to USD 2,274mn during Jan'21 compared to USD 1,907mn during Jan'20. The country wise data reveals that inflow from KSA, UAE, USA and UK amounted to USD 554mn (+4% YoY, -11% MoM), USD 492mn (+6% YoY, -4% MoM), USD 203mn (+37% YoY, +0% MoM) and USD 303mn (+50% YoY, -7% MoM), respectively.

Exhibit: Remittances up by 19% YoY during Jan'21



Source (s): SBP, AHL Research

Exhibit: Remittances Increased by 24% YoY During 7MFY21



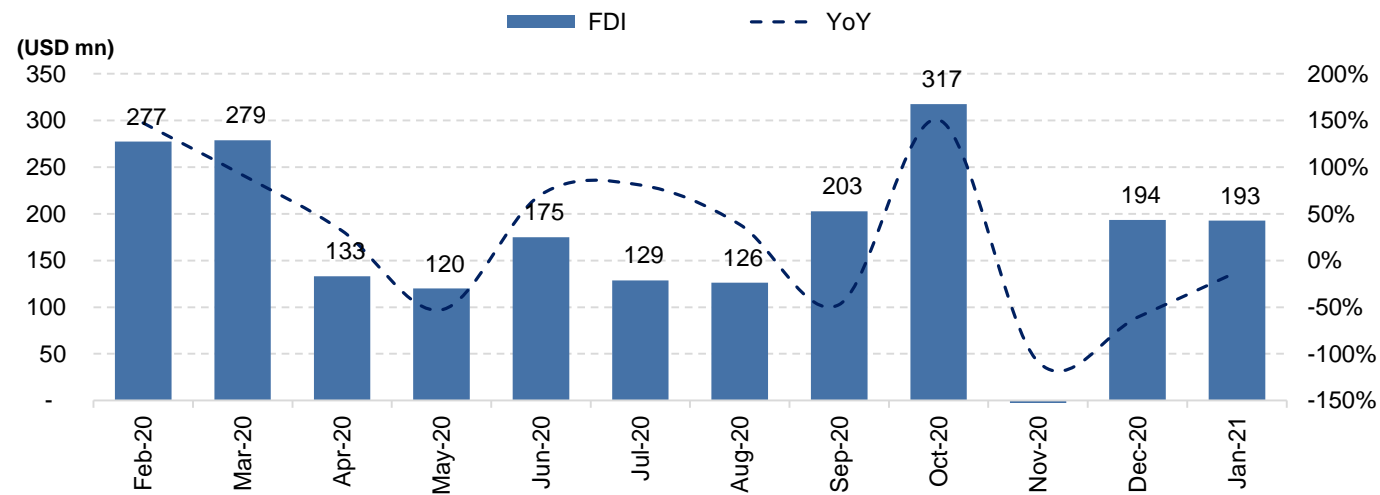
Source (s): SBP, AHL Research

Balance of Payments

FDI decreased by 27% YoY during 7MFY21

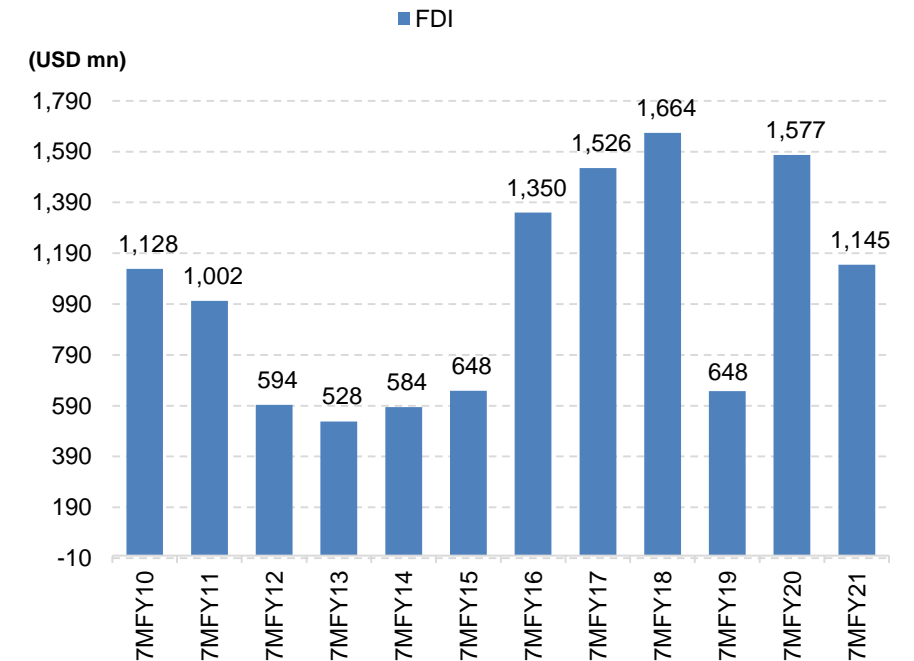
Foreign direct investment (FDI) during Jan'21 witnessed a net inflow USD 193mn (-12% YoY) compared to net inflow of USD 220mn during Jan'20. During 7MFY21, FDI witnessed a decrease of 27% YoY to USD 1,145mn. China remained the largest investor with net FDI of USD 403mn during 7MFY21 compared with USD 503mn during same period last year. Netherlands remained the second largest investor with net FDI of USD 122mn during 7MFY21 compared with USD 61mn during same period last year. During 7MFY21, major investment was made in the Power sector (USD 476mn) followed by Financial Business Sector (USD 181mn) and Oil & Gas Explorations Sector (USD 137mn).

Exhibit: Monthly Net FDI



Source (s): SBP, AHL Research

Exhibit: FDI down by 27% YoY During 7MFY21



Source (s): SBP, AHL Research

Disclaimer

Analyst Certification: The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return from current market price, with Target period as Dec'21 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discounted Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.

© 2021 Arif Habib Limited: Corporate Member of the Pakistan Stock Exchanges. No part of this publication may be copied, reproduced, stored or disseminated in any form or by any means without the prior written consent of Arif Habib Limited. Please remove the below footer.