

# Day Break

Friday, 20 December 2019

## Economy

Exhibit: Current and Capital account Balance

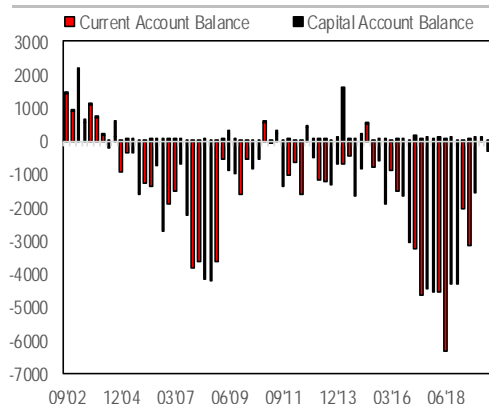


Exhibit: Imports Break-up

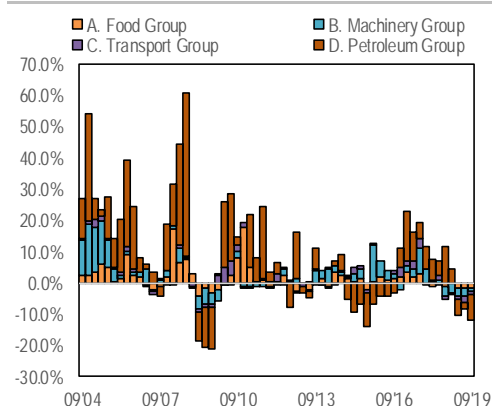
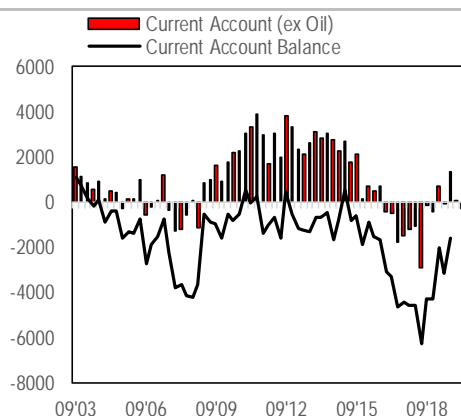


Exhibit: C/a account balance with and without oil imports



### Analyst

Saad Khan

saad.khan@igi.com.pk

Tel: (+92-21) 111-234-234 Ext.: 810

## External Balance

### Monthly C/a balance turns negative following weak Remittances and Income balance

- Current account (C/a) balance for the month of Nov-19 turns negative posting a deficit of USD 0.3bn against a surplus of USD 0.1bn last month. For the 5m Fy20 C/a deficit settles at USD 1.8bn, down ~73% y/y.
- On monthly basis, nearly all heads showed a declining trend while imports remained stagnant. This along with the build-up in FX reserves to USD 16bn by Nov-19 improved country import bill to ~4months from a low of 1.8months back in 2016.
- We view growth activity likely to pick-up in later half of Fy20 which will be assisted by higher import bill. On Fx reserves, following grant/loan disbursement of USD 1.3bn from ADB, and PI&FDI inflows of USD ~2.0bn in 5m Fy20 (USD 0.15bn last year) is a welcoming sign.

### Nov-19 Current account balance turns negative; USD 0.3bn deficit

Current account (C/a) balance for the month of Nov-19 turns negative posting a deficit of USD 0.3bn against a surplus of USD 0.1bn last month. This takes cumulative 5m 2020 total C/a deficit to USD 1.8bn down by ~73%/y/y.

### ... however the good part is imports remained stagnant

Except for imports bill, nearly all heads showed a declining trend on a monthly basis. Country's import bill remained unchanged on a monthly basis at USD 3.6bn, which along with build-up in FX reserves to USD 16bn by Nov-19 improved country import bill to ~4months from a low of 1.8months back in 2016.

### ...which helped take trade FX buffer to double to 10months

On a 5m cumulative basis, imports are down by nearly 21% which helped reduce trade deficit by a significant ~40% and thus improving country's trade balance cover to 10 months from months previously in 2018.

Exhibit: Nov-19 Current Account Balance Highlights

USDbn	Nov-19	Oct-19	m/m	Nov-18	y/y	5m'20	5m'19	y/y
Export	2.1	2.2	-4%	1.9	11%	10.3	9.9	5%
Import	3.6	3.6	0%	4.2	-13%	18.3	23.2	-21%
Trade Balance	(1.5)	(1.4)	7%	(2.3)	-33%	(8.0)	(13.4)	-40%
Services Balance	(0.3)	(0.2)	49%	(0.4)	-32%	(1.6)	(1.7)	-7%
Income Balance	1.5	1.7	-13%	1.5	-2%	7.8	8.4	-7%
Remittances	1.9	2.3	-15%	1.7	16%	10.3	10.5	-1%
C/a Bal.	(0.3)	0.1	n.m	(1.2)	-73%	(1.8)	(6.7)	-73%

### C/a balance to settle under ~2.5% of GDP in Fy20

Given the 5m Fy20 average monthly C/a deficit of USD ~360mn (USD 1.35bn last year), a continuation in this trend could see Fy20 C/a deficit settling less than 2.0% at 1.6% of the GDP or USD 4.0bn, which is significantly lower than IMF forecast USD 6.7bn (~2.6% of the GDP) in Fy20.

However, we view growth activity likely to pick-up in later half of Fy20 which will be assisted by higher import bill. On Fx reserves, following grant/loan disbursement of USD 1.3bn from ADB, the latest reading of USD ~17.6bn by Dec-19 (USD 13.7bn last year Dec-18) and PI&FDI inflows of USD ~2.0bn in 5m Fy20 (USD 0.15bn last year) is a welcoming sign.

## Exhibit: Key highlights of C/a Balance and external balance for the month of Nov-19

USDbn	Nov-19	Oct-19	1q/20	5m'20	5m'19	2019	4q/19	3q/19	2q/19	1q/19	2018	2017	2016
Export	2.1	2.2	6.0	10.3	9.9	24.3	6.2	6.2	6.0	5.9	24.8	22.0	22.0
Import	3.6	3.6	11.0	18.3	23.2	52.8	12.7	12.0	13.8	14.3	56.6	48.7	41.3
Import Cover (mths)	4.4	4.2	2.9	4.4	3.0	3.6	3.5	2.8	4.0	3.8	3.5	2.3	1.8
Import / Export Ratio	1.7	1.7	1.8	1.8	2.4	2.2	2.0	1.9	2.3	2.4	2.3	2.2	1.9
Trade Balance	(1.54)	(1.44)	(5.02)	(8.00)	(13.37)	(28.52)	(6.47)	(5.85)	(7.82)	(8.38)	(31.82)	(26.68)	(19.28)
Trade Cover (mths)	10.4	10.7	9.1	10.0	5.2	6.1	6.7	8.9	5.3	5.3	6.2	9.6	14.4
Services Balance	(0.3)	(0.2)	(1.2)	(1.6)	(1.7)	(4.3)	(1.4)	(0.7)	(1.1)	(1.1)	(6.1)	(4.3)	(3.4)
Income Balance	1.5	1.7	4.6	7.8	8.4	19.0	4.7	4.5	4.6	5.2	18.0	18.4	17.8
Remittances	1.9	2.3	6.1	10.3	10.5	24.7	6.5	5.7	6.1	6.3	23.5	23.4	23.2
C/a Bal.	(0.32)	0.07	(1.57)	(1.82)	(6.73)	(13.83)	(3.16)	(2.05)	(4.33)	(4.29)	(19.90)	(12.62)	(4.87)
%age of GDP	-1.4%	0.3%	-2.3%	-1.6%	-5.7%	-4.6%	-4.5%	-2.9%	-6.1%	-6.0%	-6.0%	-3.9%	-1.6%
Cap. /a Bal.	0.01	0.05	0.10	0.16	0.13	0.24	0.07	0.02	0.05	0.11	0.38	0.38	0.27
Fin. /a Bal.	(0.98)	(0.20)	(0.20)	(1.38)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)	(0.20)
FDI	0.2	0.1	0.5	0.8	0.5	1.7	0.5	0.4	0.2	0.6	3.5	2.7	2.3
PI	0.7	0.1	0.3	1.2	(0.3)	(1.4)	(1.0)	0.0	(0.2)	(0.2)	2.2	(0.3)	(0.3)
Inflow	5.7	5.4	15.4	26.5	27.2	67.0	14.6	19.2	16.7	16.4	69.4	63.7	58.6
Outflow	5.0	5.1	15.0	25.1	29.1	68.7	17.4	15.9	17.7	17.7	74.6	65.8	56.4
Net Flow	0.7	0.4	0.4	1.5	(1.9)	(1.7)	(2.8)	3.4	(1.0)	(1.3)	(5.2)	(2.0)	2.2
Balance of Payment	0.68	0.36	1.04	2.08	(1.90)	(1.54)	(2.88)	3.36	(1.20)	(0.82)	(6.14)	(1.95)	2.65
Fx Reserve	16.0	15.4	15.2	16.0	14.0	14.5	14.5	17.4	13.8	14.9	16.4	21.4	23.1

Source: SBP, IGI Research

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IGI Finex Securities Limited

**Research Analyst(s)**

Research Identity Number: BRP009

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**Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
<http://www.jamapunji.pk>

## Contact Details

### 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
Suleman Ashraf	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 957	suleman.ashraf@igi.com.pk
Muhammad Saad	Research Analyst	Tel: (+92-21) 111-234-234 Ext: 816	muhammad.saad@igi.com.pk
Bharat Kishore	Database Officer	Tel: (+92-21) 111-234-234 Ext: 974	bharat.kishore@igi.com.pk

### 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
Irfan Ali	Regional Manager (Faisalabad)	Tel: (+92-41) 2540843-45	irfan.ali@igi.com.pk
Asif Saleem	Branch Manager (RY Khan)	Tel: (+92-68) 5871652-56	asif.saleem@igi.com.pk
Mehtab Ali	Branch Manager (Multan)	Tel: (+92-61) 4512003	mahtab.ali@igi.com.pk
Zeeshan Kayani	Branch Manager (Abbottabad)	Tel: (+92-992) 408243-44	zeeshan.kayani@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

#### 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  
Website: www.igisecurities.com.pk

#### 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

#### Faisalabad Office

Room #: 515-516, 5th Floor, State Life  
Building, 2- Liaqat Road  
Tel: (+92-41) 2540843-45  
Fax: (+92-41) 2540815

#### Multan Office

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

#### 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

#### Rahim Yar Khan Office

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

#### Abbottabad Office

Ground Floor, Al Fatah Shopping Center ,  
Opp. Radio Station, Mansehra Road  
Tel: (+92-99) 2408243 - 44

IGI Finex Securities Limited

#### Research Analyst(s)

Research Identity Number: BRP009

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**Jama Punji**  
 سرمایہ کاری سمجھداری کے ساتھ  
<http://www.jamapunji.pk>