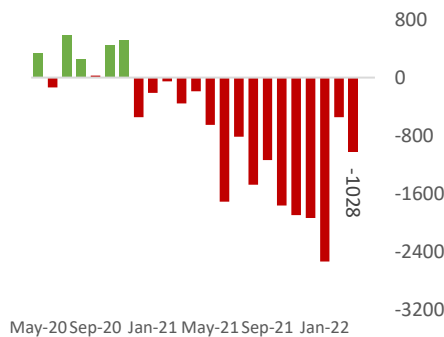


## Economic Update

### Monthly C/a Balance in US\$ mn

C/a Balance remain negative in the past 16 months



### External Balance

## Mar-22, C/a deficit up US\$ 1.03bn; GoP seeks a larger rescue package from IMF

- As per the data released by SBP for the month Mar-22, Pakistan's Current Account (C/A) balance recorded a deficit of US\$ 1.03bn compared to previous month deficit of US\$ 0.52bn. This brings 9 months cumulative balance to post a deficit of US\$ 13.17bn versus last year same period, a negligible deficit of US\$ 0.28bn.
- For the month of Mar-22, Pakistan's trade deficit came at US\$ 3.17bn up by +41%*m* and +14.3% on a yearly basis. Country's services deficit also slightly narrowed down to US\$ 0.26bn compared to US\$ 0.29bn in previous month. Remittances, for the month clocked in at US\$ 2.8bn up by +28%*m* (3.2%*y*) when compared to previous month inflow of US\$ 2.2bn.
- Given the rising commodity prices, especially oil prices that remain above \$100/bbl and domestic and geo-political uncertainty, we project C/A deficit to remain elevated in the coming months; however, some relief is expected in coming months as confidence in IMF resumption elevates with EFF package to be extended to US\$ 8bn.

### Monthly C/A deficit down to US\$ 2.56bn

As per the data released by SBP for the month Mar-22, Pakistan's Current Account (C/A) balance recorded a deficit of US\$ 1.03bn compared to previous month deficit of US\$ 0.52bn. This brings 9 months cumulative balance to post a deficit of US\$ 13.17bn versus last year same period, a negligible deficit of US\$ 0.28bn.

### Monthly exports first time crossed US\$ 3bn mark; up by 25% compared to Import bill up by 13%

For the month of Mar-22, Pakistan's trade deficit came at US\$ 3.17bn up by +41%*m* and +14.3% on a yearly basis. This sharper monthly growth in trade deficit is primarily due to low base effect (last month trade deficit recorded -2.26bn). In terms of absolute net export and import bill on mm basis, exports grew by just \$184mn compared to rise in imports by \$1.1bn. Considering the period this brings total trade deficit to US\$ 30.1bn compared to US\$ 19.4bn last year same period, a deterioration of nearly 56%*y*.

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<b>Exhibit: Country's Current account balance</b>					
<b>in US\$ mn</b>	<b>9mFY2022</b>	<b>9mFY2021</b>	<b>Mar/22</b>	<b>Mar/21</b>	<b>Feb/22</b>
Current Acc. Balance	(13,169)	(275)	(1,028)	(369)	(519)
Exports	23,699	18,713	3,072	2,616	2,888
Imports	53,796	38,062	6,024	5,392	5,143
Trade balance	(30,097)	(19,349)	(3,172)	(2,776)	(2,255)
Services Balance	(3,179)	(1,943)	(264)	(188)	(291)
Income Balance (ex-remit)	(2,845)	(419)	(442)	(128)	(163)
Remittances	22,952	21,436	2,810	2,723	2,190
Capital Acc. Balance	169	174	21	18	9
Portfolio Investment (in Pak)	162	(266)	(429)	118	(60)
Foreign Direct Investment (in Pak)	1,286	1,310	(30)	173	91

Source: SBP, IGI Research

### Little or no support from services balance

Country's services deficit also slightly narrowed down to US\$ 0.26bn compared to US\$ 0.29bn in previous month. This takes 9 months total services deficit to US\$ 3.2bn compared to US\$ 1.9bn last year same period; a 64%y growth. Income (ex-remittances) deficit shrink albeit merely to US\$ 0.44bn from US\$ 0.16bn in previous month, taking total period sum to US\$ 2.85bn compared to US\$ 0.42b.

### Ramadan spur remittances growth; up +28%m to US\$ 2.8bn

Remittances, for the month clocked in at US\$ 2.8bn up by +28%m (3.2%y) when compared to previous month inflow of US\$ 2.2bn. However, for the 7 months period remittances are up by +7%y to US\$ 22.9bn compared to US\$ 21.4bn last year same period.

### Financial Account recorded an outflow of US\$ 3.6bn owing to loan maturity

An outflow of US\$ 3.6bn in the financial account brought overall balance of payments to negative position of US\$ 4.6bn for the month of March. During the month, loan amounting to US\$2.9bn has been paid, while direct investments and portfolio investment recorded US\$ 0.24mn and US\$ -0.4mn respectively.

### Outlook

Given the rising commodity prices, especially oil prices that remain above \$100/bbl and domestic and geo-political uncertainty, we project C/A deficit to remain elevated in the coming months; however, some relief is expected in coming months as confidence in IMF resumption elevates with EFF package to be extended to US\$ 8bn ([link](#)).

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# Day Break

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