Economy

Exhibit A: Monthly C/A Balance in Deficit US$ 0.62 bn

C/A balance remains in negative territory for the past 17 months

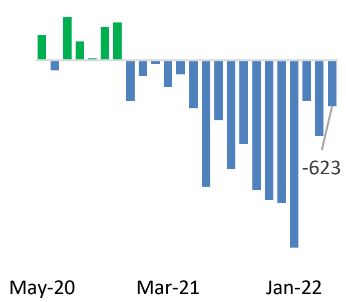
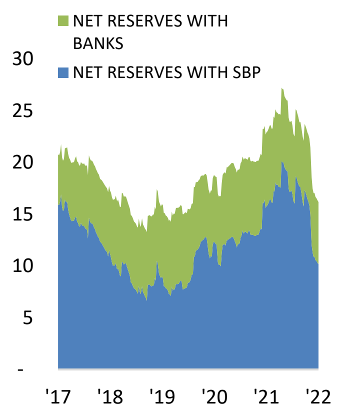


Exhibit B: Net Reserves with SBP and Banks

Net reserves with SBP stand at US$ 10bn, US$ 6bn with banks



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Current Account Balance

Apr-22: C/A Deficit Prints US$ 0.62bn; Reserve Continues Abated

- As per the data released by SBP for the month Apr-22, Pakistan's Current Account (C/A) balance recorded a deficit of US$ 0.62bn compared to previous month deficit of US$ 1.02bn. This brings 10 months cumulative balance to post a deficit of US$ 13.8bn versus last year same period, a negligible deficit of US$ 0.54bn
- Record monthly exports crossed US$ 3bn mark consecutively for second time; up by +2.7% compared to Import bill down by -3.9%
- Remittances growth up +11.2%m; Crossing the US$ 3bn mark
- Owing to elevated commodity prices, especially oil that still hovering above $100/bbl and geo-political uncertainty, we project C/a deficit to remain elevated in the coming months. However, recent proposal to ban luxury and non-essential items will likely reduce import balance by US$ 100-120mn, which in our view is insufficient to correct ongoing C/a imbalances.

Monthly C/a deficit down to US$ 0.62bn

As per the latest data released by SBP for the month Apr-22, Pakistan's Current Account (C/A) balance recorded a deficit of US$ 0.62bn compared to previous month deficit of US$ 1.02bn. This brings 10 months cumulative balance to post a deficit of US$ 13.8bn versus last year same period, a deficit of US$ 0.54bn, an increase of nearly 25x.

Record monthly exports crossed US$ 3bn mark consecutively for second time; up by +2.7% compared to Import bill down by -3.9%

For the month of Apr-22, Pakistan's trade deficit came at US$ 2.84bn down by -10.4%m and -6.6% on a yearly basis. This reduced monthly trade deficit is primarily due to improved exports and slightly reduced imports (last month trade deficit recorded 3.2bn). In absolute terms on monthly basis, exports grew by US$ 83mn compared to fall in imports by US$ 246mn. Considering the 10m FY22 period total trade deficit now stands at US$ 13.8bn compared to US$ 0.54bn last year same period, an increase of nearly 50%y.

Further turndown from services balance

Country's services deficit slightly increased to US$ 0.39bn compared to US$ 0.27bn in previous month. This takes 10 months total services deficit to US$ 3.6bn compared to US$ 2.1bn last year same period; a 71%y growth. Income (ex-remittances) deficit shrink albeit merely to US$ 0.5bn from US$ 0.38bn in previous month, taking total period sum to US$ 3.3bn compared to US$ 0.66bn.

Remittances growth up +11.2%m; Crossing the US$ 3bn mark

Remittances, for the month clocked in at US$ 3.13bn up by +11.2%m (11.9%y) when compared to previous month inflow of US$ 2.8bn. We believe this monthly growth in remittances is likely due to Ramadan season. Nevertheless, this takes 10mFy22 total remittances to US$ 26bn, up by +7.6%y.

Exhibit: Country's Current Account Balance					
In US$ mn	10mFY2022	10mFY2021	22-Apr	21-Apr	22-Mar
C/a Bal.	(13,779)	(543)	(623)	(268)	(1,015)
Exports	26,852	21,017	3,154	2,304	3,071
Imports	59,800	43,037	6,001	4,975	6,247
Trade Bal.	(32,948)	(22,020)	(2,847)	(2,671)	(3,176)
Services Bal.	(3,576)	(2,091)	(387)	(148)	(274)
Income Bal. (ex-remit)	(3,332)	(661)	(514)	(242)	(375)
Remittances	26,077	24,229	3,125	2,793	2,810
Capital Acc. Balance	184	194	15	20	21
PI Inflows	116	2,184	(46)	2,450	(429)
FDI Inflows	1,457	1,479	171	169	(30)

Source: SBP, IGI Research

Reserves at alarming level; exchange rate sharply worsens

As of 30th April, total reserves stood at US$ 16.5bn, US$ 6.1bn with the SBP and remaining US$ 10.5bn with the private banks. At this level, import coverage stands at 2-3 months, which in our opinion is of great concern.

Outlook

Owing to elevated commodity prices, especially oil that still hovering above $100/bbl and geo-political uncertainty, we project C/a deficit to remain elevated in the coming months. However, recent proposal to ban luxury and non-essential items will likely reduce import balance by US$ 100-120mn, which in our view is insufficient to correct ongoing C/a imbalances. Moreover, some respite is also expected from IMF and other friendly countries in coming weeks to cushion external pressure.

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