

## Economic Update

### Monthly C/a Balance



### External Balance

## Feb-22, C/A balance recorded at US\$ 0.55bn deficit

- For the month of Feb-22, Pakistan’s Current Account (c/a) balance recorded a deficit of US\$ 545mn compared to previous month c/a deficit of US\$ 2.56bn, a significant decline of 78.7% m/m basis. This brings 8 months cumulative c/a balance to post a deficit of US\$ 12.1bn compared to last year same period a surplus of US\$ 994mn.
- Monthly exports increased by 13.7% compared to fall in import bill by 18.1%, and remittances up by 2.2%, thus bringing monthly CAD to 10-month historic low.
- Going forward, normalization of imports are likely to be materialized as COVID related vaccines and other unusual items are likely to subside; however, the only major concern is skyrocketing prices of commodities due to geo-political turmoil.

### Monthly C/A deficit down to US\$ 0.545bn

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### Monthly import decline by 18% compared to export bill up by 13%

The rise in monthly export bill was contributed by vegetable products, animal or vegetable fats, oils, and waxes, mineral products, products of chemical or allied industries, plastics and rubber, raw hide and skins, leather, and fur skins, wood pulp or other fibrous cellulosic material, textile and textile articles, footwear, headgear, umbrellas, and walking sticks, and base metals; however, few groups like live animals and animal products, prepared foodstuffs, machinery and mechanical appliances, vehicles, aircrafts, vessels and associated equipment, and measuring tools recorded fall in monthly exports. Yet, overall monthly commodity exports increased to 2.9bn compared to 2.5bn last month (16% m/m).

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The fall in monthly import bill was contributed by food group, machinery group, transport group, textile group, agri. and other chemicals, metal group, and miscellaneous group; however, petroleum group surged due to rising energy prices globally. Nevertheless, overall monthly commodity import payments including freight charges declined to 5.692mn compared to 6.9mn last month.

**Little or no support from services balance, but remittances cushioned overall CAD balance...**

Balance on trade in services recorded a deficit of 284mn for the month of Feb-22 compared to last month a deficit of 485mn. Remittances recorded 2.2bn for the month of Feb-22, compared to 2.14bn last month (2.1% m/m), this aided to cover the monthly major deficit from the trade balance of 2.57bn, thus bringing down overall CAD to 545mn. Even though remittances recorded 18.7bn for 8mfy22, y/y basis there has been a decline of 7.1%, thus bringing concerns over sustainability of healthy remittances.

**IMF 6th EFFP proceeds of US\$ 1.05bn recorded in Feb-22**

Proceeds from 6<sup>th</sup> IMF EFFP were witnessed in the financial accounts. Pakistan is expected to receive more funds in upcoming months from IMF 7<sup>th</sup> EFFP and issue of Eurobonds in London Stock Exchange.

**Outlook**

Going forward, normalization of imports are likely to be materialized as COVID related vaccines and other unusual items are likely to subside; however, the only major concern is skyrocketing prices of commodities due to geo-political turmoil. There is also very likely that SBP will announce next policy statement on stated time frame that is due by end of third week of next month, instead of earlier than projected due to external vulnerability. Government looks forward in issuing more Eurobonds that will be reflected in upcoming months. Despite high commodity prices, export facilities and depreciated exchange rate will further aid in exports and curb in imports.

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# Day Break

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