21 December 2021

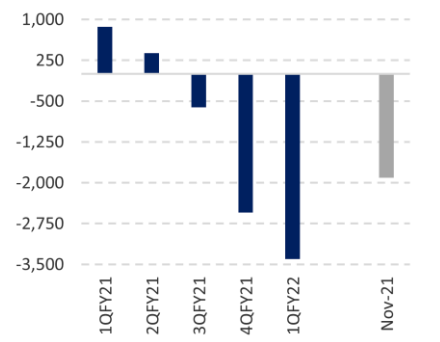
Economy
External Account

Pakistan Research

Economy: Current account deficit swelled to USD 7.1bn in 5MFY22

- **Pakistan's Current account deficit (CAD) further deteriorated by 8% MoM to USD 1.9bn in Nov-21, while in comparable Nov-20 the country posted a surplus of USD 563mn. CAD for 5MFY22 aggregated to USD 7.1bn (5.3% of GDP), compared to a surplus of USD 1.9bn (1.6% of GDP) during 5MFY21.**
- **In Nov-21 alone, imports were up 7% MoM (after being stagnant for last two months) while exports grew 14% MoM (post contraction of 10% MoM in prior month), shrinking trade deficit by 2%.**
- **However cumulatively trade deficit doubled, +104% YoY in 5MFY22 to USD 17.6bn also causing surge in the current account deficit given the imports grew at a higher pace of 64% YoY versus exports growth of 29% YoY.**
- **Upbeat remittance flows of USD 12.9bn (+10% YoY) during 5MFY22 partially compensated for the burgeoning CAD. Worker remittances during Nov-21 declined by 7% MoM and remained flat on YoY due to resumption of travelling.**

Current Account Balance (USD mn)



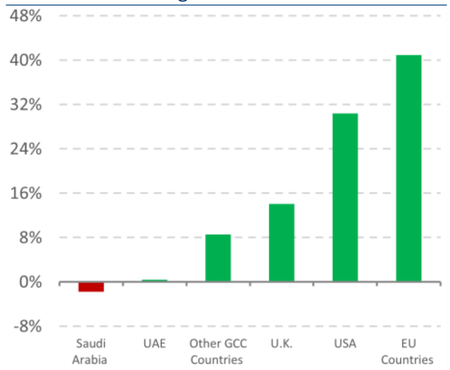
Source: Akseer Research

External Account Highlights (USD mn)

	Nov-20	Oct-21	Nov-21	YoY	MoM	5MFY21	5MFY22	YoY
Balance on trade in Goods	-1,828	-3,647	-3,707	103%	2%	-8,624	-17,571	104%
Exports	*2,239*	*2,381*	*2,716*	*21%*	*14%*	*9,562*	*12,330*	*29%*
Imports	*4,067*	*6,028*	*6,423*	*58%*	*7%*	*18,186*	*29,901*	*64%*
Balance on trade in Services	-49	-314	-249	408%	-21%	-799	-1,323	66%
Exports	*505*	*548*	*583*	*15%*	*6%*	*2,213*	*2,721*	*23%*
Imports	*554*	*862*	*832*	*50%*	*-3%*	*3,012*	*4,044*	*34%*
Primary Income - Net	-267	-483	-450	69%	-7%	-2,158	-1,901	-12%
Secondary Income - Net	2,707	2,684	2,498	-8%	-7%	13,457	13,706	2%
Worker Remittances	*2,339*	*2,518*	*2,352*	*1%*	*-7%*	*11,766*	*12,905*	*10%*
Current A/c Balance	563	-1,760	-1,908	NM	8%	1,876	-7,089	NM
% of GDP	*2.3%*	*-6.7%*	*-7.4%*	-	-	*1.6%*	*-5.3%*	-
Capital A/C Balance	20	10	10	-50%	0%	102	82	-20%
Financial Account	-308	167	-297	-4%	NM	978	-5,838	NM
Net Errors and Omissions	-70	-180	350	NM	NM	-399	-15	-96%
Overall BoP	-821	2,097	1,251	NM	-40%	-601	1,184	NM
% of GDP	*-3.3%*	*8.0%*	*4.8%*	-	-	*-0.5%*	*0.9%*	-

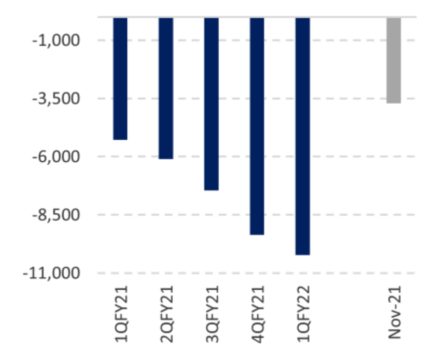
Source: SBP, Akseer Research

5MFY22 YoY change in Remittances



Source: Akseer Research

Balance in trade of Goods (USD mn)



Source: Akseer Research

Current Account posted deficit for another month in Nov-21, at USD 1.9bn

Current Account settled in deficit yet again during 5MFY22 to USD 7.1bn (5.3% of the GDP) versus a surplus of USD 1.9bn in the comparative period last year. The major deterioration in current account balance came from 104% YoY spike in trade deficit in goods coupled with 66% YoY surge in the trade deficit in services. Positive growth of 10% YoY in remittances to USD 12.9bn somehow contained the dwindling current account deficit during 5MFY22. For Nov-21, CAD further deteriorated by 8% MoM to USD 1.9bn, however, in the comparable Nov-20 the country posted a surplus of USD 563mn.

Trade deficit increased twofold in 5MFY22

Deficit in trade during 5MFY22 grew 104% YoY to USD 17.5bn, on the back of unabated surge in the imports bill of 64% YoY to USD 29.9bn. Exports, on other hand grew by 29% YoY to USD 12.3bn. Major contribution in the imports came from 'petroleum group', up 106% YoY as international oil prices rallied 35% YoY during 5MFY22. Food imports also grew 42% YoY on the back of significant rise in international commodity prices due to persistent supply-demand imbalance. Alone in Nov-21, imports stood at USD 6.4bn (up 7% MoM after being stagnant during last two months) where highest

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growth was witnessed in petroleum products, agriculture & other chemicals and metal group of 133%, 63% and 57% YoY, respectively.

On the exports front, textile exports during 5MFY22 grew by 34% YoY to USD 7.2bn on account of 42% YoY and 35% YoY growth in export of Knitwear and readymade garments respectively. Similarly, Food group contribution also remained noteworthy primarily on the back of 15% YoY growth in rice exports while basmati rice exports grew by 9% YoY. Nov-21 witnessed USD 2.7bn worth exports (up 21%/14% YoY/MoM) wherein both textile and food group grew by 36% each on YoY basis.

Imports & Exports Breakup (USD mn)

	Nov-20	Oct-21	Nov-21	YoY	MoM	5MFY21	5MFY22	YoY
Imports	**4,067**	**6,028**	**6,423**	**58%**	**7%**	**18,186**	**29,901**	**64%**
Petroleum Group	*693*	*1,502*	*1,619*	*133%*	*8%*	*3,438*	*7,094*	*106%*
Agri. & Other Chemical	*629*	*890*	*1,026*	*63%*	*15%*	*3,070*	*4,350*	*42%*
Machinery Group	*552*	*715*	*793*	*44%*	*11%*	*3,001*	*3,812*	*27%*
Food Group	*685*	*709*	*705*	*3%*	*-1%*	*2,516*	*3,392*	*35%*
Metal Group	*378*	*546*	*593*	*57%*	*9%*	*1,640*	*2,542*	*55%*
Others	*1,129*	*1,668*	*1,686*	*49%*	*1%*	*4,522*	*8,711*	*93%*
Exports	**2,239**	**2,381**	**2,716**	**21%**	**14%**	**9,562**	**12,330**	**29%**
Textile Group	*1,135*	*1,435*	*1,548*	*36%*	*8%*	*5,369*	*7,201*	*34%*
Food Group	*354*	*354*	*481*	*36%*	*36%*	*1,530*	*1,851*	*21%*
Others	*750*	*592*	*688*	*-8%*	*16%*	*2,663*	*3,278*	*23%*

Source: SBP, Akseer Research

Remittances aggregated USD 12.9bn in 5MFY22, up 10% YoY

Remittance inflows have been a positive support in containing the burgeoning current account deficit as they grew 10% YoY to USD 12.9bn during 5MFY22. Saudi Arabia and UAE remained the top contributors during 5-months with 25% and 19% share in the total mix respectively despite 4pps and 2pps YoY decline in their shares correspondingly. UK (14%), EU countries (+41% YoY) and US (+30% YoY) gained weight in the total mix and stood at 14%, 11% and 10% respectively. The monthly average for 5MFY22 also grew by 10% YoY and settled at USD 2.6bn.

CAD to remain elevated during FY22

With the recent austerity measures taken by the government to control the unabated rise in imports might help in containing the deficit to some extent. However, the SBP, in its recent monetary policy statement have upward revised its future projections for current account deficit to 4% of GDP (USD 14bn) vs its earlier projection of 2.5% of GDP. We expect trade deficit numbers to remain elevated in the near term with some downtrend expected in 2HFY22 on the back of recent weakness in the commodities' prices in addition to controlled demand due to monetary tightening policies being adopted by major global central banks, with CAD settling at 3.5% of the GDP in FY22.

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