

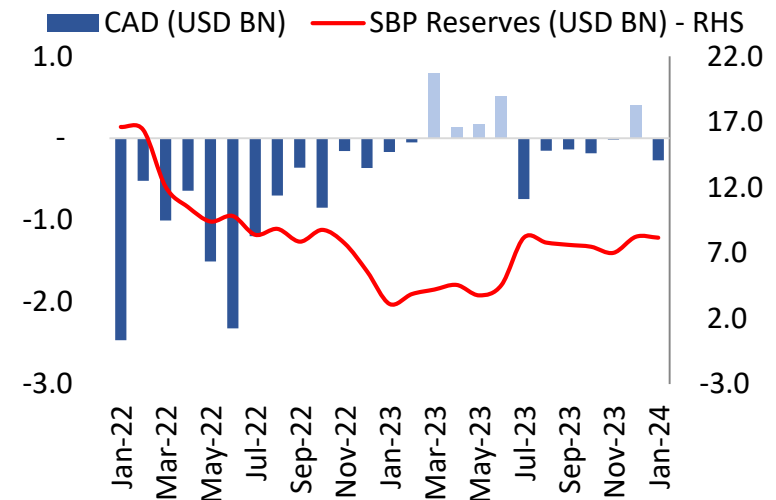
External Accounts

Short Lived CA Surplus Reversed by Essential Imports

20 February 2024

- 7MFY24 CAD arrived at USD 1.1 BN.** The current account witnessed a deficit of USD 269 MN in Jan-24, driven by a 10% M/M expansion in imports due to an uptick in essential imports. Exports slightly contracted by 4% M/M to USD 2.7 BN (21% Y/Y), while remittances remained flat M/M at USD 2.4 BN (26% Y/Y). The primary deficit also improved by 12% M/M to USD 664 MN (+27% Y/Y). The CAD for the 7MFY24 remained small at USD 1.1 BN (-71% Y/Y), representing about 0.32% of GDP.
- Essentials lifted the imports in Jan-24.** The 10% M/M uptick in imports was witnessed mainly due to 1) 69% M/M higher LNG imports due to seasonal demand, 2) Fertilizer imports, reaching USD 157 MN (up 57% Y/Y) amid local shortages, and 3) food imports, rising by 26% M/M due to seasonal uptick (down 6% Y/Y), mainly from Palm oil and other food items. Additionally, Textile exports recorded a 4% M/M increase, whereas rice exports slowed down by 4% M/M.
- FDI turned negative at -173 MN in Jan-24.** The FDI under coal power group witnessed outflow of USD 278 MN which is likely because of the dividend announced by Chinese coal power plants during the period. Adjusted for that, FDI dropped by 37% M/M to USD 132 MN (-44 % Y/Y).
- CA deficit will likely stay under control.** Ex food and Petroleum group, imports has risen by 3.6% Y/Y in 7MFY24, however this was largely because of imports under telecom head. The overall demand is weak and therefore we expect imports to stay constrained. While the remittances are expected to improve in Ramadan and exports are volumetrically better from last year as well. Therefore, we expect CAD to remain within the SBP's set target of 0.5-1.5% of GDP.

CAD is 0.32% of GDP in 7MFY24



Source: SBP, Optimus Research

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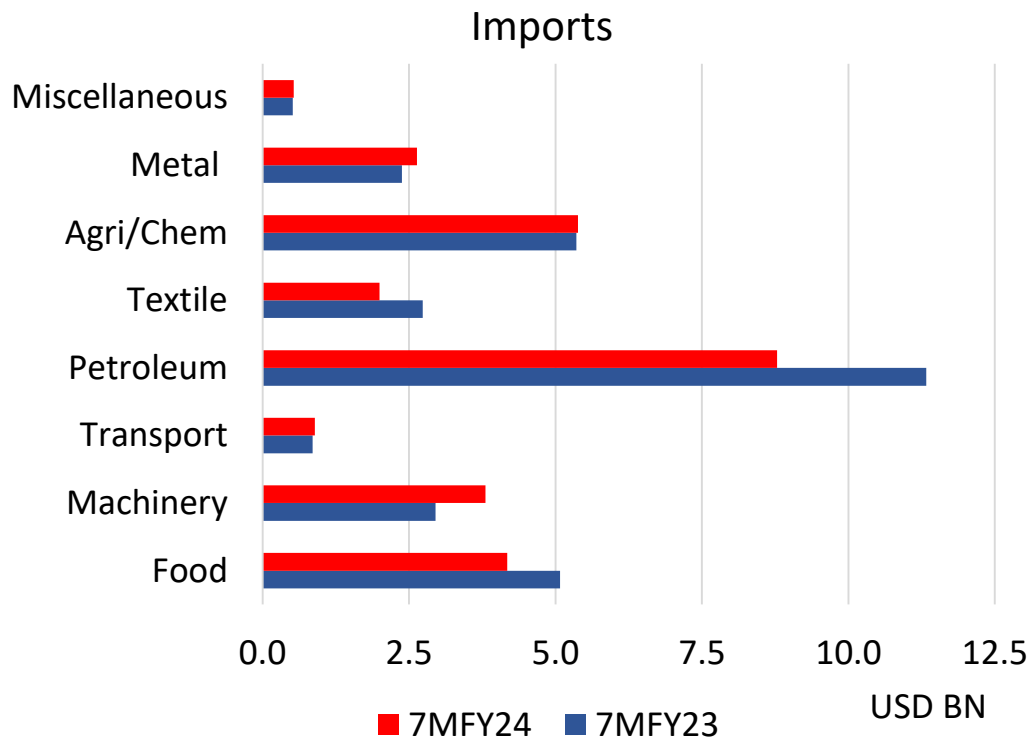
CAD down by 71% Y/Y in 7MFY24

2

(USD MN)	Jan-24	Dec-23	Jan-23	M/M	Y/Y	7MFY24	7MFY23	Y/Y
Current Account Balance	(269)	404	(167)	n.m	61%	(1,093)	(3,796)	-71%
Balance on Trade in Goods and Services	(2,135)	(1,434)	(1,628)	49%	31%	(13,503)	(17,264)	-22%
Balance on Trade in Goods	(1,818)	(1,306)	(1,666)	39%	9%	(11,783)	(17,032)	-31%
Exports of Goods FOB	2,693	2,795	2,222	-4%	21%	17,978	16,445	9%
Imports of Goods FOB	4,511	4,101	3,888	10%	16%	29,761	33,477	-11%
Balance on Trade in Services	(317)	(128)	38	148%	n.m	(1,720)	(232)	641%
Exports of Services	678	731	688	-7%	-1%	4,448	4,558	-2%
Imports of Services	995	859	650	16%	53%	6,168	4,790	29%
Balance on Primary Income	(664)	(753)	(522)	-12%	27%	(4,402)	(3,153)	40%
Balance on Secondary Income	2,530	2,591	1,983	-2%	28%	16,812	16,621	1%
Workers' Remittances	2,397	2,382	1,900	1%	26%	15,833	16,318	-3%
Capital Account Balance	6	15	11	-60%	-45%	94	328	-71%
Financial Account	(159)	1,222	(1,976)	n.m	-92%	4,176	(2,702)	n.m
Direct Investment	(228)	207	244	n.m	n.m	605	(85)	n.m
Portfolio Investment	26	34	8	-24%	225%	98	(1,025)	n.m
Other Investment	43	981	(2,228)	-96%	n.m	3,473	(1,598)	n.m
General Government	(265)	1,065	(2,177)	n.m	-88%	1,866	(2,455)	n.m
Net Errors and Omissions	(219)	(162)	(123)	35%	78%	(812)	(369)	120%
Overall Balance	(641)	1,479	(2,255)	n.m	-72%	2,365	(6,539)	n.m
SBP Reserves excluding CRR/SCRR	8,162	8,233	3,110	-1%	162%	3,110	8,162	-62%

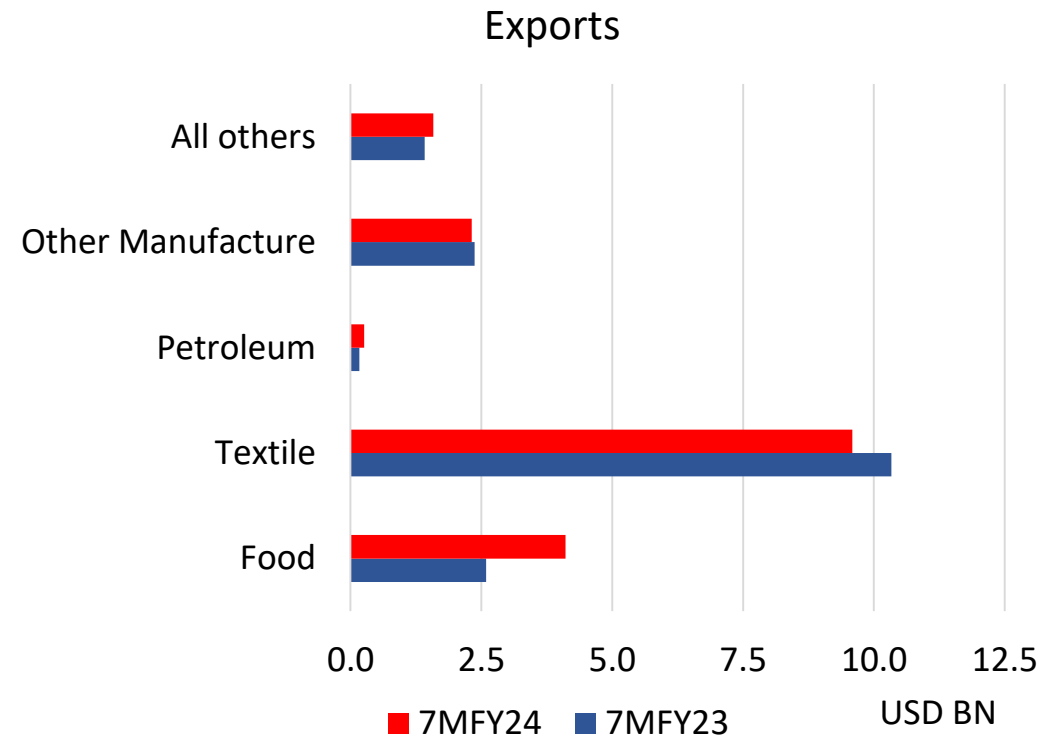
Source: SBP, Optimus Research

Chart 2: 11% Y/Y drop in 7MFY24 imports due to lower energy and food prices and volumes



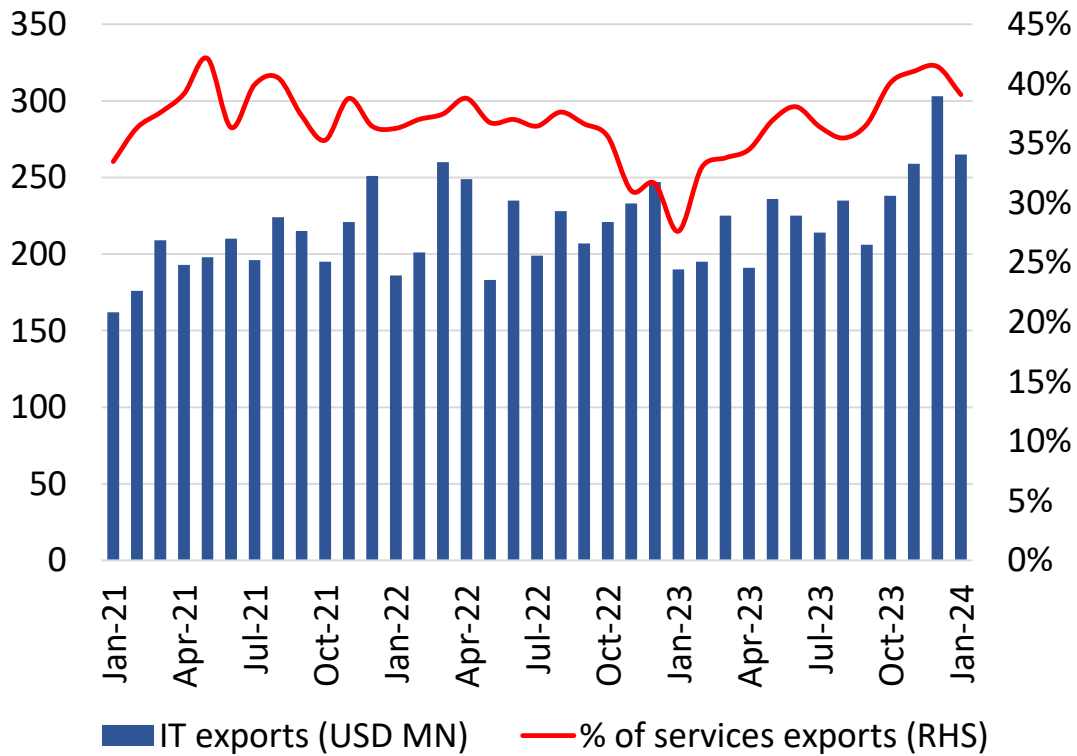
Source: SBP, Optimus Research

Chart 3: Textile exports proceeds remained low due to low prices



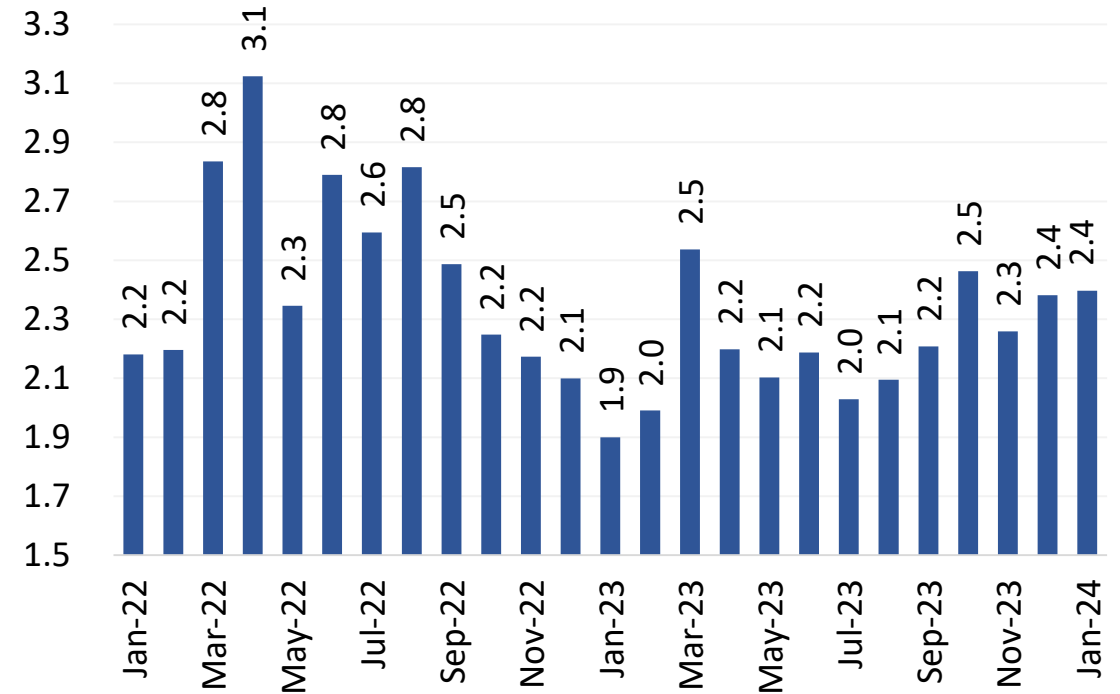
Source: SBP, Optimus Research

Chart 4: IT exports slowed down 13% M/M to USD 265 MN in Jan-24



Source: SBP, Optimus Research

Chart 5: Remittances improved by 26% Y/Y in Jan-24 (USD BN)



Source: SBP, Optimus Research

Analyst Certification

The research analyst for this report, Maaz Azam, certifies that: (1) all of the views expressed in this report accurately reflect his personal views about the subject; and (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analysts in this report.

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