

BALANCE OF PAYMENTS (6MFY20)

Current account deficit has massively shrunk by 75% in Dec-19

Monday, 20 January, 2020

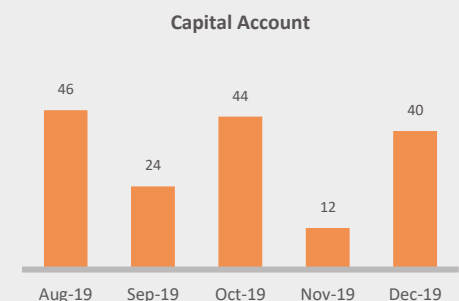
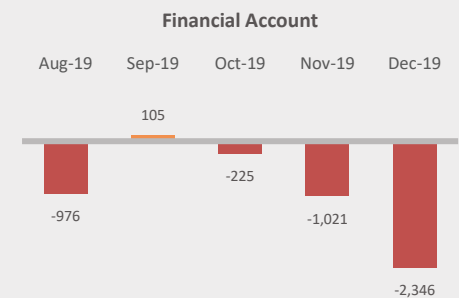
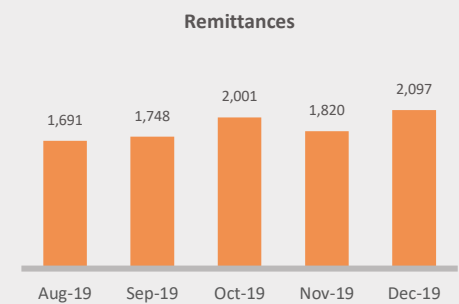
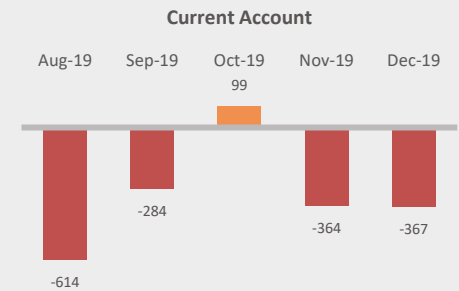
The current account deficit (CAD) has massively been reduced by 75% YoY to \$2.2bn in the first six months of current fiscal year as compared to \$8.6bn in the same period last year. This was in line with the downward trend witnessed throughout 2018-19 when the deficit stood lower by 31% to \$13.58bn, from \$19.8bn in FY18 – recording a decrease of \$6.3bn.

This must be a relief for the government which has been struggling to plug the deficit through borrowing from donor agencies, commercial banks, and friendly countries. The primary contributor to the noticeable decline was the governmental measures aimed at curbing the imports which declined by 19% to \$26.7bn. Furthermore, the exports and remittances have witnessed a minor surge of 5% YoY and 3% YoY respectively during the period.

The fall in CAD will surely help bring some stability to the exchange rate which will in turn benefit the local consumers in the face of lower inflation. However, in order to maintain the stability in current account along with higher GDP growth, the government must focus on export enhancement instead of import compression.

Commodities (USD' Mn)	Dec-19	Nov-19	MoM	6MFY20	6MFY19	YoY
Export	2,108	2,109	0% ▼	12,391	11,862	4% ▲
Import	3,861	3,683	5% ▲	22,209	28,063	21% ▼
Trade Balance	-1,753	-1,574	11% ▼	-9,818	-16,201	39% ▲
Services (USD' Mn)	Dec-19	Nov-19	MoM	6MFY20	6MFY19	YoY
Export	527	417	0% ▲	2,738	2,580	6% ▲
Import	766	676	0% ▲	4,533	4,756	5% ▼
Trade Balance	-239	-259	0% ▲	-1,795	-2,176	18% ▲
Trade Balance (USD' Mn)	Dec-19	Nov-19	MoM	6MFY20	6MFY19	YoY
Total Exports	2,635	2,526	4% ▲	15,129	14,442	5% ▲
Total Imports	4,627	4,359	6% ▲	26,742	32,819	19% ▼
Total Trade Balance	-1,992	-1,833	9% ▼	-11,613	-18,377	37% ▲
Current Account (USD' Mn)	Dec-19	Nov-19	MoM	6MFY20	6MFY19	YoY
Total Trade Balance	-1,992	-1,833	9% ▼	-11,613	-18,377	37% ▲
Balance on Primary Income	-654	-453	44% ▼	-3,119	-2,643	18% ▼
Balance on Secondary Income	2,279	1,922	19% ▲	12,579	12,406	1% ▲
Workers' Remittances	2,097	1,820	15% ▲	11,395	11,029	3% ▲
Current Account Balance	-367	-364	1% ▼	-2,153	-8,614	75% ▲
Financial Account (USD' Mn)	Dec-19	Nov-19	MoM	6MFY20	6MFY19	YoY
Direct Investment	-473	-199	138% ▼	-1,281	-790	62% ▼
Portfolio Investment	686	-706	197% ▲	-584	308	290% ▼
Other Investment	-2,559	-116	2106% ▼	-3,740	-5,701	34% ▲
Financial Account Balance	-2,346	-1,021	130% ▼	-5,605	-6,183	9% ▲
Capital Account (USD' Mn)	Dec-19	Nov-19	MoM	6MFY20	6MFY19	YoY
Credit	40	12	233% ▲	208	154	35% ▲
Debit	0	0	-	0	0	-
Capital Account Balance	40	12	233% ▲	208	154	35% ▲
As % of GDP	Dec-19	Nov-19	MoM	6MFY20	6MFY19	YoY
Current Account	-1.6%	-1.6%	0.0% ▼	-1.5%	-5.8%	4.2% ▲

Key Statistics



Sources: ACPL Research, SBP

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TP	Target Price	CAGR	Compound Annual Growth Rate	FCF	Free Cash Flows
FCFE	Free Cash Flows to Equity	FCFF	Free Cash Flows to Firm	DCF	Discounted Cash Flows
PE	Price to Earnings Ratio	PB	Price to Book Ratio	BVPS	Book Value Per Share
EPS	Earnings Per Share	DPS	Dividend Per Share	ROE	Return of Equity
ROA	Return on Assets	SOTP	Sum of the Parts	LDCP	Last Day Closing Price

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