

BALANCE OF PAYMENTS (Jul-19)

Current account deficit has massively shrunk 73% in July

Monday, 30 August, 2019

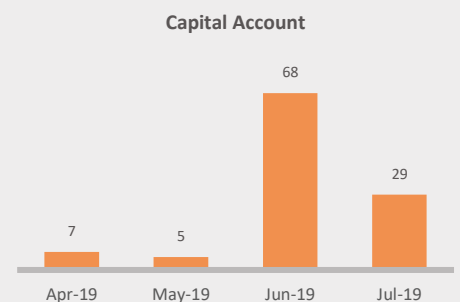
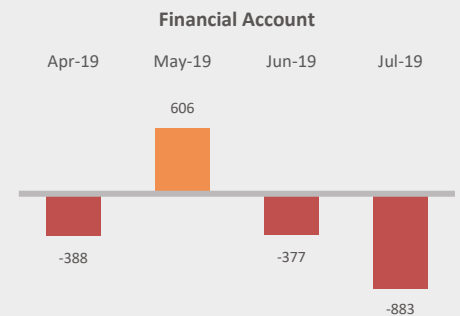
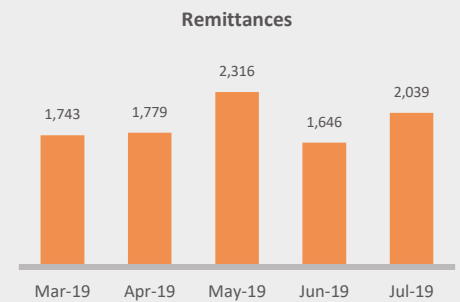
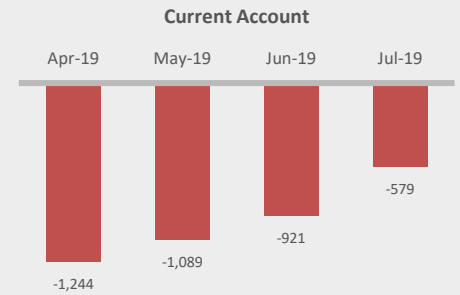
The current account deficit (CAD) shrank massively by 73% to \$579mn in the first month of this fiscal year, as compared to \$2.13 billion in the same period last year. This was in line with the downward trend witnessed throughout 2018-19 when the deficit stood lower by 31% to \$13.58bn, from \$19.8bn 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 23% to \$4.98bn. Furthermore, exports and remittances have also grown by 9% to \$2.66bn and 3% to \$2.04bn respectively which have also contributed in reducing the deficit.

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. Furthermore, the reserves of SBP would also be improved which have failed to hit double digits despite continued inflows from friendly countries and donor agencies till yet.

Commodities (USD' Mn)	Jul-19	Jun-19	MoM	1MFY20	1MFY19	YoY
Export	2,233	1,800	24% ▲	2,233	2,012	11% ▲
Import	4,080	3,997	2% ▲	4,080	5,497	26% ▼
Trade Balance	-1,847	-2,197	16% ▼	-1,847	-3,485	47% ▼
Services (USD' Mn)	Jul-19	Jun-19	MoM	1MFY20	1MFY19	YoY
Export	426	394	8% ▲	426	431	1% ▼
Import	899	672	34% ▲	899	948	5% ▼
Trade Balance	-473	-278	70% ▲	-473	-517	9% ▼
Trade Balance (USD' Mn)	Jul-19	Jun-19	MoM	1MFY20	1MFY19	YoY
Total Exports	2,659	2,194	21% ▲	2,659	2,443	9% ▲
Total Imports	4,979	4,669	7% ▲	4,979	6,445	23% ▼
Total Trade Balance	-2,320	-2,475	6% ▼	-2,320	-4,002	42% ▼
Current Account (USD' Mn)	Jul-19	Jun-19	MoM	1MFY20	1MFY19	YoY
Total Trade Balance	-2,320	-2,475	6% ▼	-2,320	-4,002	42% ▼
Balance on Primary Income	-614	-510	20% ▲	-614	-400	54% ▲
Balance on Secondary Income	2,355	2,064	14% ▲	2,355	2,272	4% ▲
Workers' Remittances	2,039	1,646	24% ▲	2,039	1,982	3% ▲
Current Account Balance	-579	-921	37% ▼	-579	-2,130	73% ▼
Financial Account (USD' Mn)	Jul-19	Jun-19	MoM	1MFY20	1MFY19	YoY
Direct Investment	-75	-130	42% ▼	-75	-178	58% ▼
Portfolio Investment	-93	17	647% ▼	-93	38	345% ▼
Other Investment	-715	-264	171% ▲	-715	-2,392	70% ▼
Financial Account Balance	-883	-377	134% ▲	-883	-2,532	65% ▼
Capital Account (USD' Mn)	Jul-19	Jun-19	MoM	1MFY20	1MFY19	YoY
Credit	29	68	57% ▼	29	24	21% ▲
Debit	0	0	-	0	0	-
Capital Account Balance	29	68	57% ▼	29	24	21% ▲
As % of GDP	Jul-19	Jun-19	MoM	1MFY20	1MFY19	YoY
Current Account Deficit	2.5%	4.5%	1.9% ▼	2.5%	8.3%	5.7% ▼

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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