

BALANCE OF PAYMENTS (2MFY20)

Current account deficit has massively shrunk by 55% in two months

Friday, 20 September, 2019

The current account deficit (CAD) shrank massively by 55% to \$1.29bn in the first two months of this fiscal year, as compared to \$2.85 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.

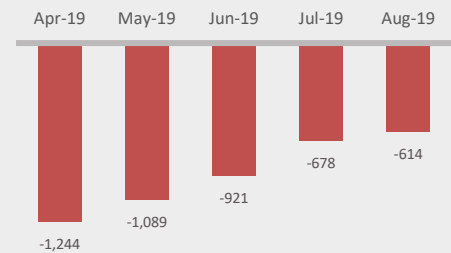
This must be a relief for the government which has been struggling to plug the deficit through borrowing from donor agencies, commercial banks, and friendly countries. The primary contributor to the noticeable decline was the governmental measures aimed at curbing the imports which declined by 19% to \$9.56bn. Furthermore, the exports have remained almost flat at \$4.95bn while the remittances have declined by 8% to \$3.73bn.

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.

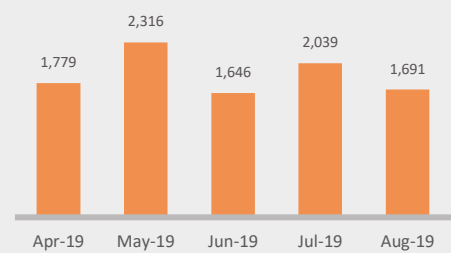
Commodities (USD' Mn)	Aug-19	Jul-19	MoM	2MFY20	2MFY19	YoY
Export	1,914	2,228	14% ▼	4,142	4,084	1% ▲
Import	3,522	4,182	16% ▼	7,704	10,063	23% ▼
Trade Balance	-1,608	-1,954	18% ▼	-3,562	-5,979	40% ▼
Services (USD' Mn)	Aug-19	Jul-19	MoM	2MFY20	2MFY19	YoY
Export	390	419	7% ▼	809	871	7% ▼
Import	948	903	5% ▲	1,851	1,674	11% ▲
Trade Balance	-558	-484	15% ▲	-1,042	-803	30% ▲
Trade Balance (USD' Mn)	Aug-19	Jul-19	MoM	2MFY20	2MFY19	YoY
Total Exports	2,304	2,647	13% ▼	4,951	4,955	0% ▼
Total Imports	4,470	5,085	12% ▼	9,555	11,737	19% ▼
Total Trade Balance	-2,166	-2,438	11% ▼	-4,604	-6,782	32% ▼
Current Account (USD' Mn)	Aug-19	Jul-19	MoM	2MFY20	2MFY19	YoY
Total Trade Balance	-2,166	-2,438	11% ▼	-4,604	-6,782	32% ▼
Balance on Primary Income	-310	-616	50% ▼	-926	-739	25% ▲
Balance on Secondary Income	1,862	2,376	22% ▼	4,238	4,671	9% ▼
Workers' Remittances	1,691	2,039	17% ▼	3,730	4,071	8% ▼
Current Account Balance	-614	-678	9% ▼	-1,292	-2,850	55% ▼
Financial Account (USD' Mn)	Aug-19	Jul-19	MoM	2MFY20	2MFY19	YoY
Direct Investment	-80	-75	7% ▲	-155	-376	59% ▼
Portfolio Investment	-74	-93	20% ▼	-167	124	235% ▼
Other Investment	-822	-812	1% ▲	-1,634	-2,773	41% ▼
Financial Account Balance	-976	-980	0% ▼	-1,956	-3,025	35% ▼
Capital Account (USD' Mn)	Aug-19	Jul-19	MoM	2MFY20	2MFY19	YoY
Credit	46	35	31% ▲	81	91	11% ▼
Debit	0	0	-	0	0	-
Capital Account Balance	46	35	31% ▲	81	91	11% ▼
As % of GDP	Aug-19	Jul-19	MoM	2MFY20	2MFY19	YoY
Current Account	-2.7%	-3.0%	0.3% ▲	-2.8%	-5.5%	2.8% ▲

Key Statistics

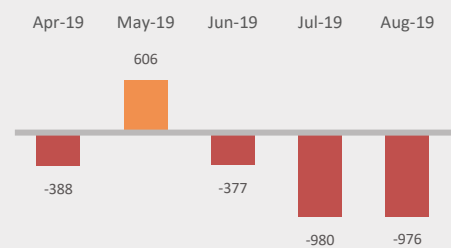
Current Account



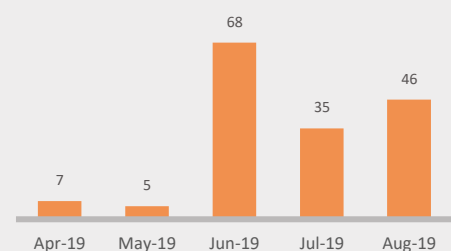
Remittances



Financial Account



Capital Account



Sources: ACPL Research, SBP

M. Fawad Naveed

Phone: (+92) 42 38302028; Ext: 117
Email: fawad@abbasiandcompany.com

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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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- I. Discounted Cash Flow Model
- II. Dividend Discount Model
- III. Relative Valuation Model
- IV. Sum of Parts Valuation

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HOLD	Between -5% to 15%
SELL	Less than and equal to -5%

Sector Rating	Sector Outlook
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Market Weight	Neutral
Underweight	Negative

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RESEARCH DEPARTMENT

6 - Shadman, Lahore

Phone: (+92) 42 38302028; Ext 116, 117

Email: research@abbasiandcompany.com

web: www.abbasiandcompany.com

HEAD OFFICE

6 - Shadman, Lahore

Phone: (+92) 42 38302028

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com

BRANCH OFFICE

42 - Mall Road, Lahore

Phone: (+92) 42 37320707

Email: info@abbasiandcompany.com

web: www.abbasiandcompany.com