

BALANCE OF PAYMENTS (1QFY20)

Current account deficit has massively shrunk by 64% in first quarter

Monday, 21 October, 2019

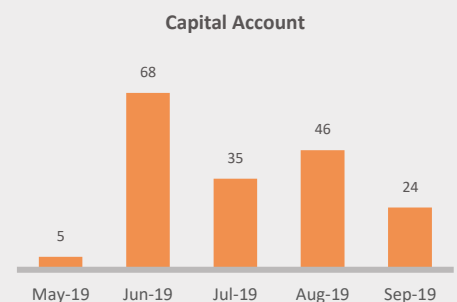
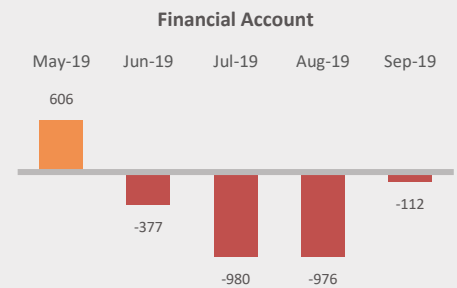
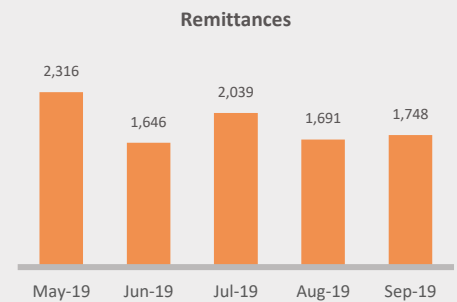
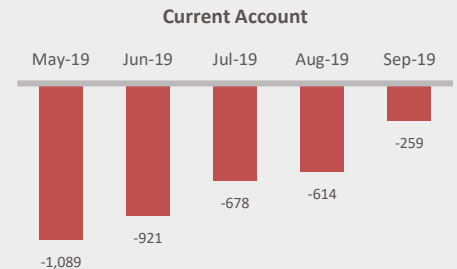
The current account deficit (CAD) shrank massively by 64% to \$1.5bn in the first quarter of this fiscal year, as compared to \$4.3 billion in the same period last year. This was in line with the downward trend witnessed throughout 2018-19 when the deficit stood lower by 31% to \$13.58bn, from \$19.8bn 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 \$13.5bn. Furthermore, the exports have remained almost flat at \$7.3bn while the remittances have slightly declined by 1% to \$5.5bn.

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) | Sep-19 | Aug-19 | MoM | 3MFY20 | 3MFY19 | YoY |
|-----------------------------|--------|--------|--------|--------|--------|--------|
| Export | 1,911 | 1,894 | 1% ▲ | 6,033 | 5,893 | 2% ▲ |
| Import | 3,327 | 3,523 | 6% ▼ | 11,032 | 14,275 | 23% ▼ |
| Trade Balance | -1,416 | -1,629 | 13% ▼ | -4,999 | -8,382 | 40% ▼ |
| Services (USD' Mn) | Sep-19 | Aug-19 | MoM | 3MFY20 | 3MFY19 | YoY |
| Export | 404 | 403 | 0% ▲ | 1,226 | 1,267 | 3% ▼ |
| Import | 588 | 938 | 37% ▼ | 2,429 | 2,343 | 4% ▲ |
| Trade Balance | -184 | -535 | 66% ▼ | -1,203 | -1,076 | 12% ▲ |
| Trade Balance (USD' Mn) | Sep-19 | Aug-19 | MoM | 3MFY20 | 3MFY19 | YoY |
| Total Exports | 2,315 | 2,297 | 1% ▲ | 7,259 | 7,160 | 1% ▲ |
| Total Imports | 3,915 | 4,461 | 12% ▼ | 13,461 | 16,618 | 19% ▼ |
| Total Trade Balance | -1,600 | -2,164 | 26% ▼ | -6,202 | -9,458 | 34% ▼ |
| Current Account (USD' Mn) | Sep-19 | Aug-19 | MoM | 3MFY20 | 3MFY19 | YoY |
| Total Trade Balance | -1,600 | -2,164 | 26% ▼ | -6,202 | -9,458 | 34% ▼ |
| Balance on Primary Income | -562 | -305 | 84% ▲ | -1,483 | -1,121 | 32% ▲ |
| Balance on Secondary Income | 1,903 | 1,859 | 2% ▲ | 6,138 | 6,292 | 2% ▼ |
| Workers' Remittances | 1,748 | 1,691 | 3% ▲ | 5,478 | 5,557 | 1% ▼ |
| Current Account Balance | -259 | -610 | 58% ▼ | -1,547 | -4,287 | 64% ▼ |
| Financial Account (USD' Mn) | Sep-19 | Aug-19 | MoM | 3MFY20 | 3MFY19 | YoY |
| Direct Investment | -385 | -80 | 381% ▲ | -540 | -558 | 3% ▼ |
| Portfolio Investment | -292 | -74 | 295% ▲ | -459 | 140 | 428% ▼ |
| Other Investment | 565 | -856 | 166% ▼ | -1,102 | -2,481 | 56% ▼ |
| Financial Account Balance | -112 | -1,010 | 89% ▼ | -2,101 | -2,899 | 28% ▼ |
| Capital Account (USD' Mn) | Sep-19 | Aug-19 | MoM | 3MFY20 | 3MFY19 | YoY |
| Credit | 24 | 46 | 48% ▼ | 105 | 106 | 1% ▼ |
| Debit | 0 | 0 | - | 0 | 0 | - |
| Capital Account Balance | 24 | 46 | 48% ▼ | 105 | 106 | 1% ▼ |
| As % of GDP | Sep-19 | Aug-19 | MoM | 3MFY20 | 3MFY19 | YoY |
| Current Account | -1.1% | -2.7% | 1.5% ▲ | -2.2% | -5.5% | 4.4% ▲ |

Key Statistics



Sources: ACPL Research, SBP

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DEFINITION OF TERMS

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

| Sector Rating | Sector Outlook |
|---------------|----------------|
| Overweight | Positive |
| Market Weight | Neutral |
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