

BALANCE OF PAYMENTS (7MFY20)

Current account deficit has massively shrunk by 72% in Jan-19

Wednesday, 19 February, 2020

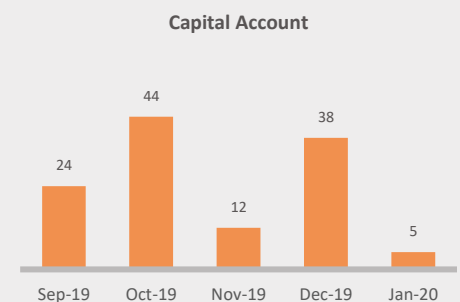
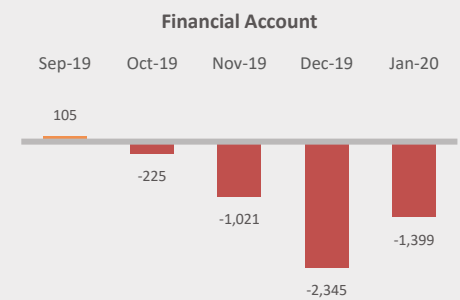
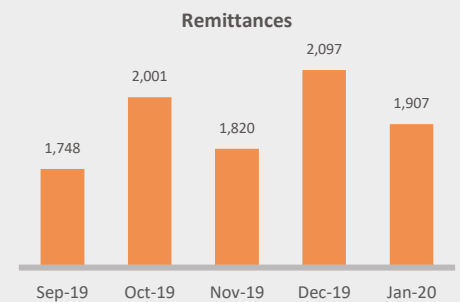
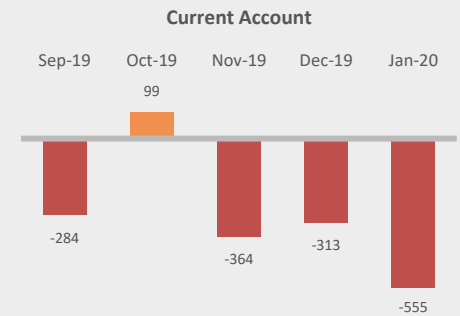
The current account deficit (CAD) has massively been reduced by 72% YoY to \$2.7bn in the first seven months of current fiscal year as compared to \$9.5bn in the same period last year. This was in line with the downward trend witnessed throughout 2018-19 when the deficit stood lower by 31% to \$13.58bn, 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 18% to \$31.3bn. Furthermore, the exports and remittances have witnessed a minor surge of 3% YoY and 4% 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)	Jan-20	Dec-19	MoM	7MFY20	7MFY19	YoY
Export	2,051	2,108	3% ▼	14,442	14,136	2% ▲
Import	3,921	3,817	3% ▲	26,086	32,489	20% ▼
Trade Balance	-1,870	-1,709	9% ▼	-11,644	-18,353	37% ▲
Services (USD' Mn)	Jan-20	Dec-19	MoM	7MFY20	7MFY19	YoY
Export	496	530	6% ▼	3,237	3,077	5% ▲
Import	678	766	11% ▼	5,211	5,455	4% ▼
Trade Balance	-182	-236	23% ▲	-1,974	-2,378	17% ▲
Trade Balance (USD' Mn)	Jan-20	Dec-19	MoM	7MFY20	7MFY19	YoY
Total Exports	2,547	2,638	3% ▼	17,679	17,213	3% ▲
Total Imports	4,599	4,583	0% ▲	31,297	37,944	18% ▼
Total Trade Balance	-2,052	-1,945	6% ▼	-13,618	-20,731	34% ▲
Current Account (USD' Mn)	Jan-20	Dec-19	MoM	7MFY20	7MFY19	YoY
Total Trade Balance	-2,052	-1,945	6% ▼	-13,618	-20,731	34% ▲
Balance on Primary Income	-460	-653	30% ▲	-3,578	-3,136	14% ▼
Balance on Secondary Income	1,957	2,285	14% ▼	14,542	14,388	1% ▲
Workers' Remittances	1,907	2,097	9% ▼	13,302	12,773	4% ▲
Current Account Balance	-555	-313	77% ▼	-2,654	-9,479	72% ▲
Financial Account (USD' Mn)	Jan-20	Dec-19	MoM	7MFY20	7MFY19	YoY
Direct Investment	-209	-473	56% ▲	-1,490	-936	59% ▼
Portfolio Investment	-1,390	686	303% ▼	-1,974	294	771% ▼
Other Investment	200	-2,558	108% ▲	-3,539	-7,371	52% ▲
Financial Account Balance	-1,399	-2,345	40% ▲	-7,003	-8,013	13% ▲
Capital Account (USD' Mn)	Jan-20	Dec-19	MoM	7MFY20	7MFY19	YoY
Credit	5	38	87% ▼	211	164	29% ▲
Debit	0	0	-	0	0	-
Capital Account Balance	5	38	87% ▼	211	164	29% ▲
As % of GDP	Jan-20	Dec-19	MoM	7MFY20	7MFY19	YoY
Current Account	-2.4%	-1.3%	1.0% ▼	-1.6%	-5.5%	3.9% ▲

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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- III. Relative Valuation Model
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