

PAK CHINA INVESTMENT COMPANY LIMITED

Economic Review

Current Account, Import, Export, Remittance, Reserves, Forex

CURRENT ACCOUNT, IMPORT, EXPORT, REMITTANCE, RESERVES, FOREX
ΕΚΘΕΣΗ ΟΙΚΟΝΟΜΙΚΗΣ ΚΑΤΑΣΤΑΣΗΣ



Current Account - Keeping the pace

As per the latest data released by the central bank, Pakistan's current account continued its upward momentum for the fifth consecutive month to clock in at USD 447M (1.90% of GDP). This takes the 5MFY21 balance of current account surplus of USD 1.6 billion compared to deficit of USD 1.7 billion in the same period last year.

On monthly basis, the improvement in the current account was mainly on the back of higher remittances which has kept its pace of over USD 2 billion and decline in service deficit which dropped by 65% MoM & 56% YoY.

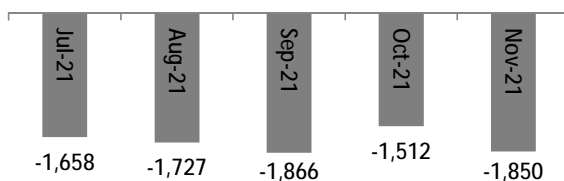
Exports of goods have recovered to their pre-covid mark of USD 2 billion (growth of 14% MoM and 5% YoY) mainly on the back of higher export orders in textile and cement sectors. Overall trade deficit increased by 22% MoM and 18% YoY.

Service deficit declined by 65% MoM and 56% YoY on back of higher export of service which increased by USD 77 million to close at USD 507 million compared to USD 430 million in October'20.

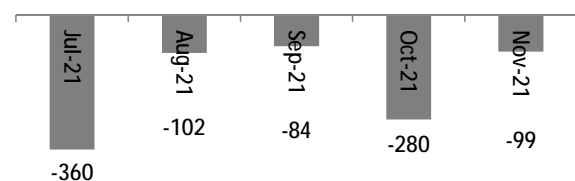
Balance of Payment								
	Nov-20	Oct-20	MoM	Nov-19	YoY	5MFY21	5MFY20	YoY
Export of Goods	2,227	1,960	14%	2,111	5%	9,550	10,285	-7%
Import of Goods	4,077	3,472	17%	3,682	11%	18,163	18,345	-1%
Trade Balance	(1,850)	(1,512)	22%	(1,571)	18%	(8,613)	(8,060)	7%
Export of Services	507	430	18%	449	13%	2,158	2,284	-6%
Import of Services	606	710	-15%	672	-10%	3,083	3,777	-18%
Service Balance	(99)	(280)	-65%	(223)	-56%	(925)	(1,493)	-38%
Balance on Primary Income	(278)	(413)	-33%	(455)	-39%	(2,217)	(2,469)	-10%
Balance on Secondary Income	2,674	2,620	2%	1,923	39%	13,395	10,277	30%
Remittance	2,339	2,284	2%	1,821	28%	11,770	9,274	27%
Current Account Balance	447	415	8%	(326)		1,640	(1,745)	
Current Account % of GDP	1.90%	1.80%		-1.50%		1.40%	-1.60%	

USD million

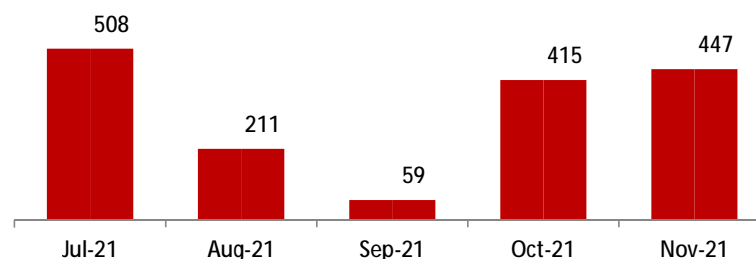
Trade Deficit



Service Deficit



Current Account Balance



Current Account - Import

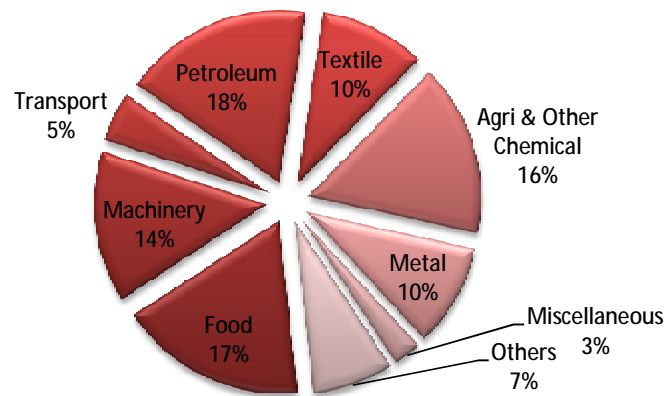
As per the latest data available released by the central bank, import of goods and commodities increased by 17% MoM and 11% YoY to close at USD 4 billion in the month of November compared to USD 3.4 billion in the month of October'20. Overall, import bill increased by USD 605 million which reflects pickup in economic activity. Food and Textile contributed the most in import bill which increased by 52% and 30% MoM.

Major contributor within the food group were Unmilled Wheat & Sugar which increased by 337% (from USD 28 million to USD 123 million) and 109% (from USD 25 million to USD 52 million). To recall, last month in order to curb shortage and to supplement domestic strategic reserves government had to import wheat after twelve years.

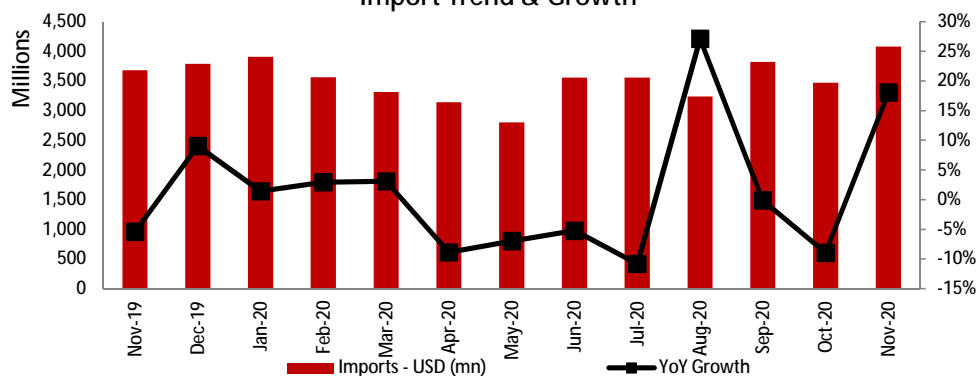
Import of Goods and Commodities					
	Nov-20	Oct-20	MoM	Nov-19	YoY
Total Imports	4,077,031	3,471,954	17%	3,682,030	11%
Food	683,684	451,059	52%	417,551	64%
Machinery	552,240	517,183	7%	488,112	13%
Transport	181,981	154,199	18%	97,201	87%
Petroleum	693,474	668,093	4%	866,628	-20%
Textile	388,963	298,585	30%	254,768	53%
Agri & Other Chemical	630,724	647,032	-3%	558,638	13%
Metal	378,177	339,650	11%	229,673	65%
Miscellaneous	104,705	99,955	5%	67,588	55%
All others	295,478	302,841	-2%	528,586	-44%

USD Thousands

Import Bill Composition



Import Trend & Growth



Current Account - Exports

As per the latest data released by the central bank, growth in exports crossed USD 2 billion mark after nearly a year (*last time exports crossed USD billion in Jan'20*). On monthly basis exports grew by 14% and 5% YoY.

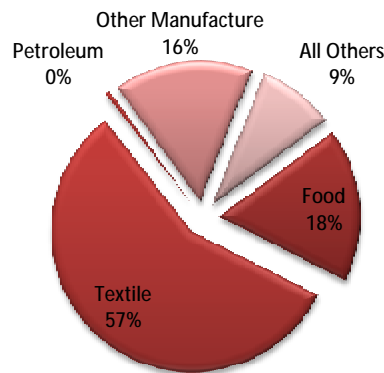
Food contributed the most which grew by 14% MoM and 2% YoY, within its category export of rice grew by USD 48 million (38% MoM increase), tobacco by USD 3.5 million (66% MoM Increase) followed by Oil Seed which grew by USD 2.3 million (74% MoM increase).

On the other hand, Petroleum exports continued its downward trajectory to close at USD 10.7 million compared to USD 22.3 million in the previous month. Major decliners within this category were petroleum crude and solid fuel (coal) reasons of which can be attributed to lower demand amid covid-19 lockdown and shift of energy mix from fossil fuel to alternative energy respectively.

Export of Goods and Commodities					
	Nov-20	Oct-20	MoM	Nov-19	YoY
Total Exports	2,227,036	1,960,015	14%	2,110,973	5%
Food	354,199	310,521	14%	347,710	2%
Textile	1,134,623	1,164,332	-3%	1,055,187	8%
Petroleum	10,712	22,390	-52%	34,757	-69%
Other manufactures	316,326	307,578	3%	340,988	-7%
All others	176,068	154,558	14%	113,405	55%

USD Thousands

Composition of Exports of Goods



Workers Remittance - Continued Momentum

As per the latest data released by the central bank, remittances for the month of November stood at USD 2.3 billion increase of 28% YoY, this marks the sixth consecutive month where the remittances maintained USD 2 billion mark and above.

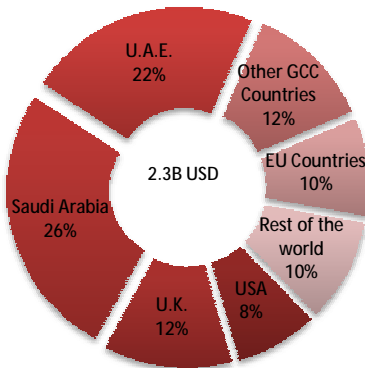
During the 5MFY21, remittances reached USD 11.7 billion (up by 27% YoY) compared to USD 9.2 billion in the same period. Continued government and central bank efforts to formalize remittance under Pakistan Remittance Initiative, increased use of formal channels and limited cross border travel have all contributed towards sustained improvement in workers remittances.

Going forward, assuming the trend to continue for the rest of fiscal year, workers remittance would set a record to close at USD 28 billion which would exceed total exports again in FY21. To recall, last year workers remittances exceeded exports by USD 639 million.

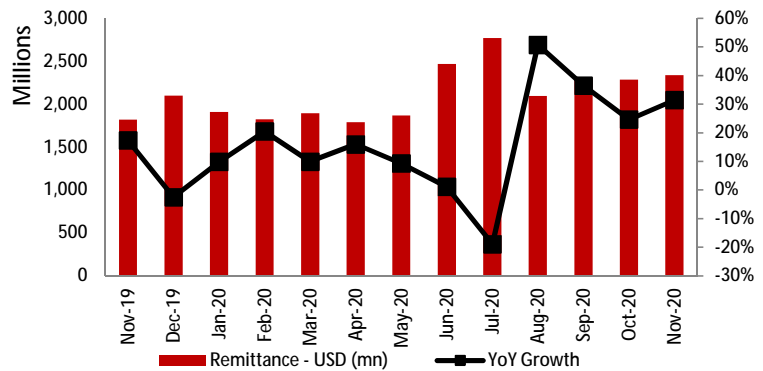
Major Countries/Region wise Remittances					
	Nov-20	Oct-20	MoM	Nov-19	YoY
Cumulative	2,338.64	2,284.25	2%	1,820.26	28%
USA	185.15	183.33	1%	298.74	-38%
U.K.	286.26	278.52	3%	285.56	0%
Saudi Arabia	615.11	634.76	-3%	407.48	51%
U.A.E.	519.54	504.09	3%	383.78	35%
Other GCC Countries	281.39	272.82	3%	172.25	63%
EU Countries	219.35	203.24	8%	52.78	316%

USD million

Country wise remittance



Remittance Trend & Growth

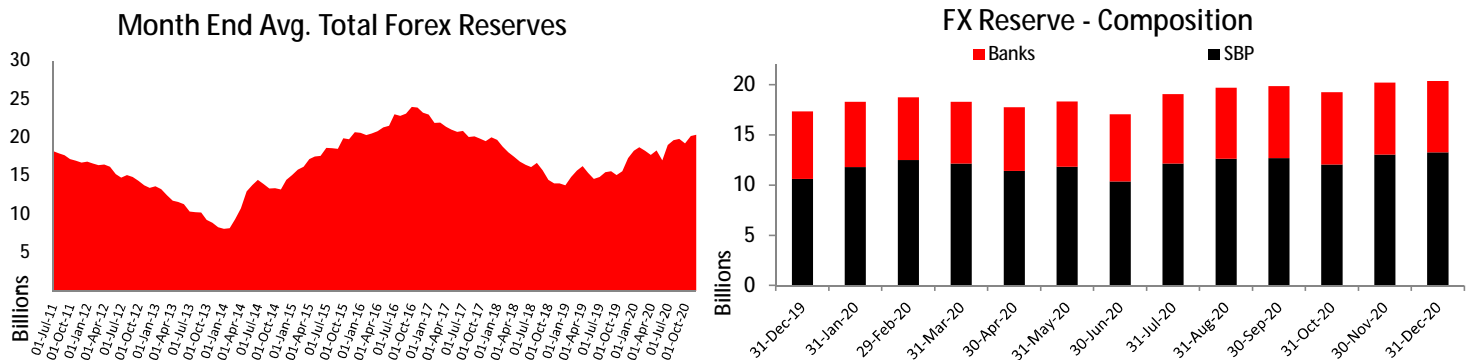


Forex Reserves - Import cover @ 3.25x

As per the latest data released by the central bank, country forex reserves for the month of December'20^a stood at USD 20.3 billion compared to USD 20.1 billion in the preceding month.

On Monthly basis total forex reserves increased by USD 168 million an increase of 0.8% compared to the previous month; however on yearly basis total forex reserves increased by approx. USD 3 billion increase of 17.41%.

Reserves held by the central bank stood at USD 13.2 billion comfortably covering the import bill by international benchmark of 3

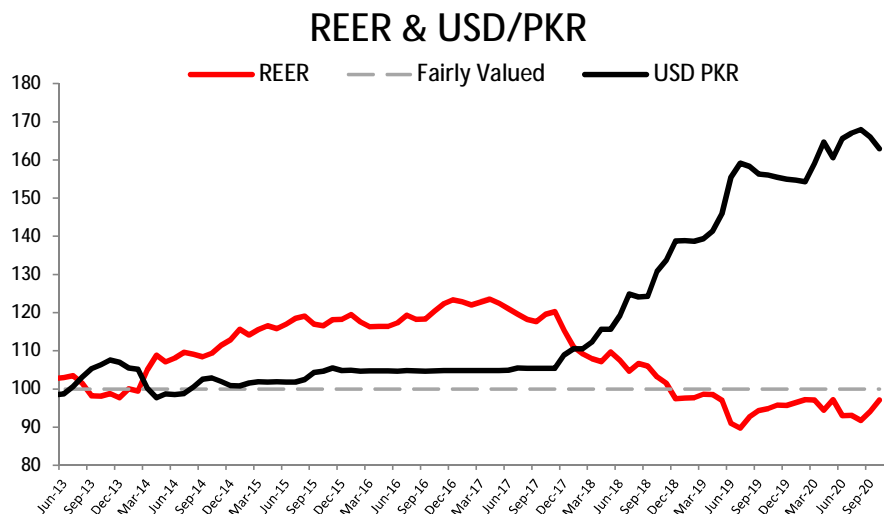


Exchange Rate

As per the latest data released by the central bank, Pak Rupee 25-currency basket REER (for the month of Oct'20) stands at 97.1128 compared to 94.1174 in September'20.

During the month of December'20^a PKR depreciated by 0.57% from the preceding month to close at RS 160.29/USD. To recall, during CY'20 USD/PKR touched high of 168 (on average) during the month of August'20. Gradual buildup of reserves, lower import bill & unprecedented growth in remittances have all contributed towards the stability of PKR parity against USD.

Month	REER	USD PKR
Sep-19	94.3617	156
Oct-19	94.8143	156
Nov-19	95.7936	155
Dec-19	95.7183	155
Jan-20	96.4636	155
Feb-20	97.2227	154
Mar-20	97.1535	159
Apr-20	94.4370	165
May-20	97.2076	161
Jun-20	93.0417	166
Jul-20	93.1023	167
Aug-20	91.7888	168
Sep-20	94.1174	166
Oct-20	97.1128	163



Note: REER only captures inflation differentials and trade competitiveness among the basket of currencies, whereas quantum of FX flows also contributes towards the determination of market determined exchange rate which is not captured by REER.

^a till 18 Dec 2020

Disclaimer

This report is for information purpose only. The material is based on information we believe to be reliable but we do not guarantee its accuracy. While every effort has been made to ensure the accuracy and completeness of the information, no guarantee is given nor responsibility taken for errors or omission in the database. PCICL Treasury Department will not be responsible for the consequence of reliance upon any option or statement herein or for any omission.

Difference in different data sources (SBP vs. PBS)

The trade figures reported by SBP in the balance of payments do not match with the information provided by the Pakistan Bureau of Statistics. This is because the trade statistics compiled by SBP are based on exchange record data, which depends on the actual receipt and payment of foreign exchange, whereas the PBS records data on the physical movement of goods (custom records). Furthermore, SBP reports both exports and imports as free on board (fob), while PBS records exports as free on board (fob) and imports include the cost of freight and insurance (cif).