



# Economy | Update | CAD | Jul'24



Date: 19<sup>th</sup> Jul'24

REP # 048



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# Current Account Deficit improves c.78%YoY during Jul'24

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- Even the economic stability is still a matter of concern, we have noticed Current Account Deficit (CAD) reviving by c.51%MoM, regardless of i) Lower Export of Goods (↓c.2%MoM), ii) Imports (↑c.4%MoM), iii) Export of Services (↓c.3%MoM), iv) Remittances (↓c.5%MoM) and v) FDI (↓c.19%MoM) during Jul'24.
- The reason behind the decline in CAD was mainly on the minute and negligible decline in inflows that may have induced the CAD to decline significantly, prominently, due to Jun'24 base effect. Trade Deficit of Pakistan notably increased by c.10.5%MoM to USD2.43bn mainly on the higher Import numbers, that notably increased by c.4%MoM to USD4.82bn comparing the Jun'24 import numbers of USD4.63bn.
- On YoY basis, the CAD has notably improved by c.78%YoY from Jul'23 number of USD741. The improvement in CAD on YoY basis was mainly the resultant effect of improved macros, higher FX reserves that has revitalized the trading industry to open LCs, since the sufficient reserves have increased the capacity of SBP to allow more imports. Though, the trade deficit has increased drastically, by c.20%YoY, mainly on the higher imports followed by Machinery, Petroleum and Textile imports that notably increased by c.105%YoY, c.40%YoY and c.12%YoY respectively during Jul'24 comparing the year earlier levels of Jul'23. These imports have notably revived mainly in the improved economic sentiments.

USDmnn	Jun-24	Jul-24	MoM	Jul-23	YoY
<b>Current Account Balance</b>	(313)	(162)	-48.2%	(741)	-78.1%
<b>Exports of Goods FOB</b>	2,444	2,391	-2.2%	2,118	12.9%
<b>Imports of Goods FOB</b>	4,630	4,819	4.1%	4,142	16.3%
<b>Balance on Trade in Goods</b>	(2,186)	(2,428)	11.1%	(2,024)	20.0%
<b>Exports of Services</b>	637	622	-2.4%	588	5.8%
<b>Imports of Services</b>	1,045	781	-25.3%	849	-8.0%
<b>Balance on Trade in Services</b>	(408)	(159)	-61.0%	(261)	-39.1%
<b>Workers' Remittances</b>	3,158	2,995	-5.2%	2,029	47.6%
<b>Direct Investment in Pakistan</b>	169	136	-19.5%	83	63.9%
<b>Portfolio Investment in Pakistan</b>	175	169	-3.4%	22	668.2%
<b>Overall Balance</b>	(500)	152	-130.4%	(2,481)	-106.1%
<b>SBP Gross Reserves</b>	10,627	10,457	-1.6%	5,669	84.5%
<b>Import Cover (x)</b>	1.87	1.87	(0.01)	1.14	0.73
<b>USDPKR</b>	278.04	278.70	0.2%	286.25	-2.6%
<b>EURPKR</b>	298.77	301.71	1.0%	315.31	-4.3%
<b>Arab Light (USD/bbl.)</b>	82.55	83.83	1.6%	80.44	4.2%

Source: SBP, ASL Research

Months	Mar-24	Apr-24	May-24	Jun-24	Jul-24
<b>REER</b>	104.09	104.44	100.69	100.06	101.47
<b>MoM</b>	1.9%	0.3%	-3.6%	-0.6%	1.4%
<b>YoY</b>	21.6%	22.1%	15.3%	14.1%	10.8%

Source: SBP, ASL Research

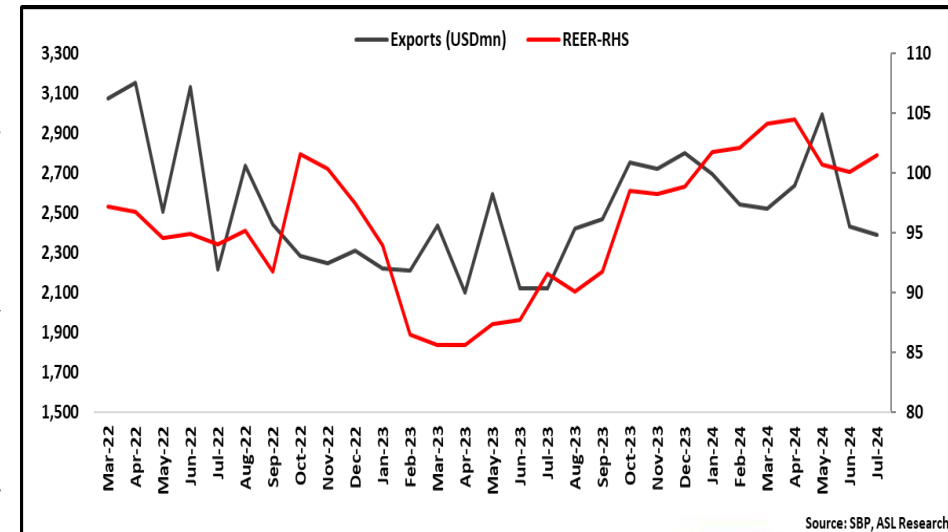
# Exports robustly surging by c.13%YoY during Jul'24

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- As predicted, the exports to decline in the following months of May'24, we have implicitly expressed our views on the reasons for decline in exports, post May'24, report titled "**Economy- Update- CAD- NCPI- Preview- May'24**" published on 24<sup>th</sup> Jun'24. We bluntly presented our views on the stability in REER which is not a good sign for Pakistan economy, as the competitiveness makes Pakistan exports more uncompetitive in the int'l markets. Thus, the phenomena has been in the making, the REER has marked notable stability during Jun'24 and Jul'24 respectively, where we have marked the average REER at 100.77 index levels. On the other side, the exports have plunged consecutively by c.18% and c.2% on MoM basis during Jun'24 and Jul'24 respectively.
- This time during Jul'24, we have noticed, exports have again slumped by c.2.2%MoM to USD2.39bn, compared to Jun'24 export numbers. The decline in exports from Sports and Footwear during Jul'24, respectively by c.17%MoM and c.28%MoM has mainly been the cause for the exports to slump. On the other exports, however, remained improved, with Textile and Food exports respectively surging notably by c.8%MoM and c.4%MoM to USD1.38bn and USD545mn during Jul'24 comparing the month earlier levels.
- With the more expensive exports, the higher REER, along with high cost of production may likely remain obstacles for the export sectors along with the nightmare of shutting factories.

Exports(USDmn)	Jun-24	Jul-24	MoM	Jul-23	YoY
Food Group	523	545	4.1%	374	45.9%
Textile Group	1,272	1,376	8.2%	1,320	4.2%
Sports Goods	45	37	-17.3%	37	-1.4%
Footwear	29	21	-28.5%	16	26.7%
Pharmaceutical Product	19	20	6.2%	17	15.1%
Cement	20	23	11.1%	19	20.9%
<b>Total Export as per BOP</b>	<b>2,444</b>	<b>2,391</b>	<b>-2.2%</b>	<b>2,118</b>	<b>12.9%</b>

Source: SBP, ASL Research



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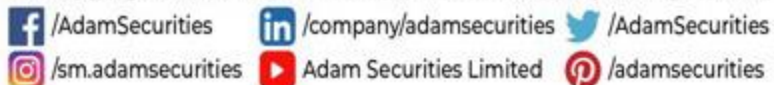
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