



# Economy | Update | CAD | NCPI | Preview | May'24



Date: 24<sup>th</sup> Jun'24

REP # 048



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# Pakistan records CAD of USD270mn during May'24

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- Post consecutive posting of surplus for last 3 Months, the Current Account records deficit of USD270mn during May'24, compared to the surplus of USD491mn and USD155mn respectively during Apr'24 and May'23. Despite MoM rise in exports and remittances respectively by c.14% and c.15% during May'24, the occurrence of the CAD was mainly the reason of the recording of higher BTD (Balance of Trade Deficit) during May'24, up by c.12%MoM to USD2.04bn when comparing the corresponding periods. The BTD was mainly witnessed during May'24 on the happening of drastic increase in imports during May'24 by c.13%/c.34% MoM/YoY when comparing the corresponding periods. The major sectors that recorded drastic rise in imports are mainly noticed as Transport, Petroleum Products, Textile, and Machinery sectors that respectively increased by c.42%MoM, c.29%MoM, c.28%MoM, and c.12%MoM during May'24 when compared to Apr'24 Imports.
- The multiplier effect of decreasing BTD has started to wane away with the easing off non-essential imports, thus, imports has slightly declined by c.2.3%YoY during 11MFY24 to drastic USD48.40bn. With the easing off LC constraints and improving Import cover to 55 days from merely average of 28 days recorded during 1QCY23, the imports of Machinery and Transport has drastically increased by c.63%YoY and c.19%YoY during 11MFY24. It is worthwhile to note here FX reserves have improved by c.USD4.66bn during FYTD.

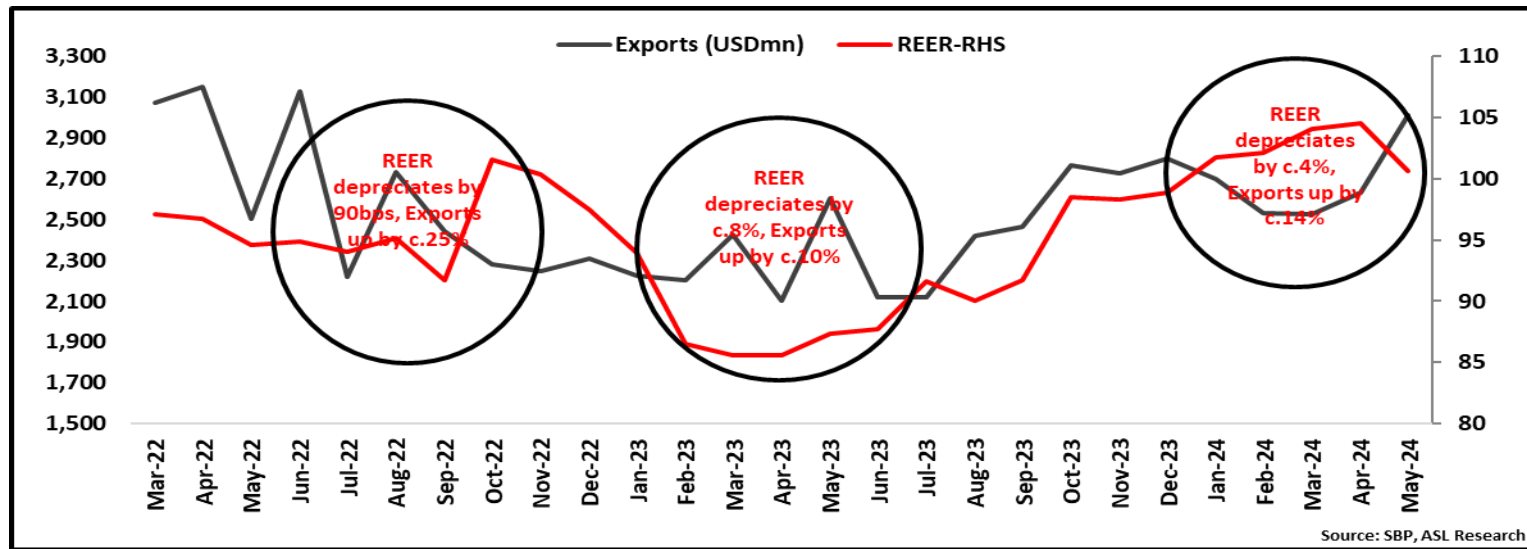
USDmn	May-24	MoM	YoY	11MFY24	YoY
<b>Current Account Balance</b>	(270)	-154.1%	-274.2%	(464)	-87.7%
<b>Exports of Goods FOB</b>	3,009	14.2%	17.3%	28,678	11.3%
<b>Imports of Goods FOB</b>	5,047	13.4%	34.5%	48,402	-2.3%
<b>Balance on Trade in Goods</b>	(2,038)	12.3%	71.7%	(19,724)	-17.0%
<b>Exports of Services</b>	688	6.5%	7.8%	7,130	1.8%
<b>Imports of Services</b>	881	5.8%	-10.1%	9,229	16.9%
<b>Balance on Trade in Services</b>	(193)	3.2%	-43.6%	(2,099)	136.6%
<b>Workers' Remittances</b>	3,243	15.3%	54.2%	27,093	7.7%
<b>Direct Investment in Pakistan</b>	271	-24.5%	73.7%	1,728	14.8%
<b>Portfolio Investment in Pakistan</b>	240	(1.25)	(17.00)	(558)	-45.4%
<b>Overall Balance</b>	38	-218.8%	-94.9%	(2,445)	-145.9%
<b>SBP Gross Reserves</b>	10,342	-0.3%	112.7%	10,374	113.3%
<b>Import Cover (x)</b>	1.74	(0.22)	0.72	0.18	0.10
<b>USDPKR</b>	278.32	0.1%	-2.2%	284.19	16.1%
<b>EURPKR</b>	301.73	1.7%	-1.0%	306.15	18.4%
<b>Arab Light (USD/bbl.)</b>	84.03	-5.8%	12.2%	84.39	-2.9%

Source: SBP, ASL Research

# REER depreciation to improve export competitiveness

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- Real Effective Exchange Rate (REER) has been the center of attention for the last many Fiscal Years. During FYTD, the REER in current FY has notably appreciated by c.5.5% which has been an alarming situation of for the Exports of any country. It has mainly been witnessed; the competitive REER has mainly been the phenomenon of improving exports of any country. With Pakistan's scenario, we have also witnessed, during 5MCY23, REER depreciated on average by c.2.1% and exports on average surged by c.3.2%. Further, during 1QCY24, the REER appreciated by c.1.8% on average, while exports declined by c.3.3%. Phenomenally, during last 2-months of the 2QCY24, REER depreciated on average by c.1.6% compared to the exports which are up by c.9% during the same time span. It is historically proven, the decline in REER normally improves exports in the following months which mainly revives economy in the later months. Going forward, we believe, the improving exports will likely be dependent on the competitiveness of REER which may further, revive import cover of Pakistan , thus, stabilizing currency parity in the year FY25.



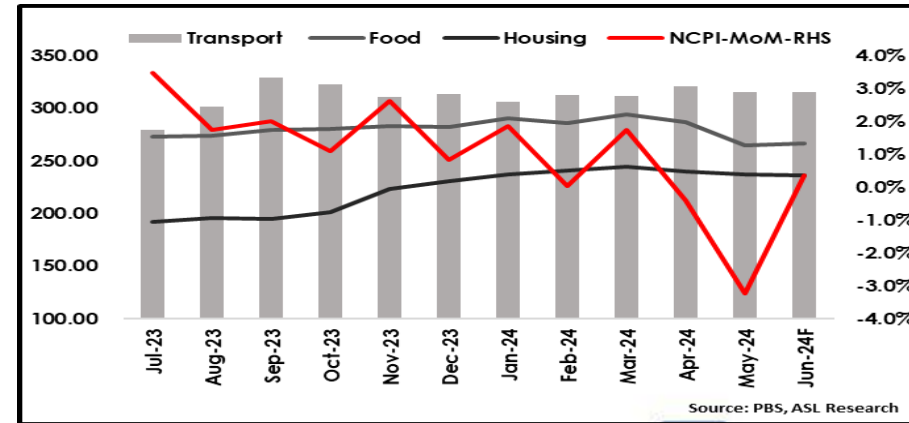
# NCPI: Perishable food prices, inducing NCPI to 12.4% during May'24

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- National Consumer Prices Index (NCPI) to record c.12.4%YoY during May'24, rising 40bpsMoM during May'24 comparing the previous month levels of c.11.8%YoY, down c.3.2%MoM. Further, drastic impact of higher inflationary pressures during May'24 was mainly the resultant effect of higher perishable food prices which is expected to increase Perishable food index by c.11.4%MoM during May'24. Amongst the perishable food basket, we have noticed, Meat, Dairy, Fresh Fruits, and Fresh Vegetable prices have respectively increased by c.1.6%MoM, c.1.2%MoM, c.9.7%MoM and c.35%MoM during May'24. It is worth to note here that Fresh Vegetable prices have drastically increased during May'24 by c.35%MoM mainly on the Eid effect along with the lingering Geopolitical enrage with neighboring countries has caused the multiplier effect for the already encumbered nation.
- On the transportation index side, we believe the index to remain eased off mainly on the MoM decline in POL products which has eased off on average by c.4.3%MoM during May'24 mainly the stability in USDPKR along with the depreciating Crude Oil prices in the Int'l markets which has notably eased off by c.3.0%MoM to average USD83.4/bbl. compared to May'24 average USD86.1/bbl.
- In the absence of significant base effect, NCPI will likely remain within double digits during 1QFY25 mainly on the imposition of budgetary measure on POL and universal GST across the board.

Key NCPI Drivers	Weights	May-24	Jun-24F	Jun-23	MoM	YoY
<b>General</b>	<b>100%</b>	<b>254.8</b>	<b>255.7</b>	<b>227.4</b>	<b>0.4%</b>	<b>12.4%</b>
Food & Non-alcoholic Bev.	34.6%	264.0	266.2	261.8	0.8%	1.7%
Alcoholic Bev. & Tobacco	1.0%	366.7	373.5	356.8	1.9%	4.7%
Clothing & Footwear	8.6%	239.5	240.1	205.2	0.3%	17.0%
Housing, Elect. & Gas	23.6%	236.6	235.5	177.5	-0.5%	32.7%
Furnishing & Household	4.1%	267.4	267.4	238.8	0.0%	12.0%
Health	2.8%	241.2	242.4	204.1	0.5%	18.8%
Transport	5.9%	315.1	314.6	279.2	-0.1%	12.7%
Communication	2.2%	134.3	133.3	118.3	-0.7%	12.7%
Recreation & Culture	1.6%	262.3	265.2	244.6	1.1%	8.4%
Education	3.8%	199.0	205.0	172.3	3.0%	19.0%
Restaurants & Hotels	6.9%	267.2	267.7	238.2	0.2%	12.4%
Miscellaneous Goods	4.9%	282.8	283.1	249.1	0.1%	13.7%

Source: PBS, ASL Research



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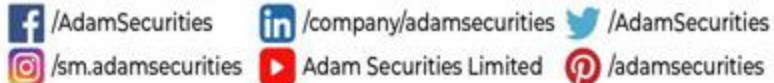
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