



Economy | Current Account | Review | Aug'24



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REP # 048



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Current Account: Pakistan marks surplus of USD75mn during Aug'24

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- State bank of Pakistan (SBP) has announced Current Account numbers for the month of Aug'24. We have noticed, Pakistan has recorded, a surprise surplus of USD75mn, even when the imports have revived and parity is stabilized, averaging for the month of Aug'24 at Rs.278.6/USD when comparing the month earlier levels. Further, the improvement in Current Account has mainly been witnessed on the improvement in imports by c.2.2%MoM, significant rise in exports by c.4.8%MoM and a notable surge in FDI marked at c.57.4%MoM respectively during Aug'24 when comparing the Jul'24 numbers. It is to note here that, the decline in imports by c.2.2%MoM has mainly resulted in a notable revival of the Trade Deficit which declined by c.8.9%MoM to USD2.23bn during Aug'24 compared to Jul'24.
- With respect to 2MFY25 numbers, Current Account Deficit (CAD) drastically plunged by c.81%YoY to merely USD171mn, mainly on the i) robust rise in FDI by c.56%YoY, ii) remarkable recovery of the remittances to USD5.94bn, roaring by c.44%YoY and iii) significant rise in exports by c.7%YoY to USD4.86bn compared to 2MFY24.
- Despite, remarkable rise in exports during 2MFY25, the trade deficit remained a center of attentions with the elevated impact of c.22%YoY during 2MFY25 to USD4.67bn, the phenomenon of higher imports of c.14%YoY during 2MFY25, mainly on the drastic rise in Machinery, Petroleum and Textile sectors' imports that respectively increased by c.61%YoY, c.21%YoY and c.16%YoY during 2MFY25.

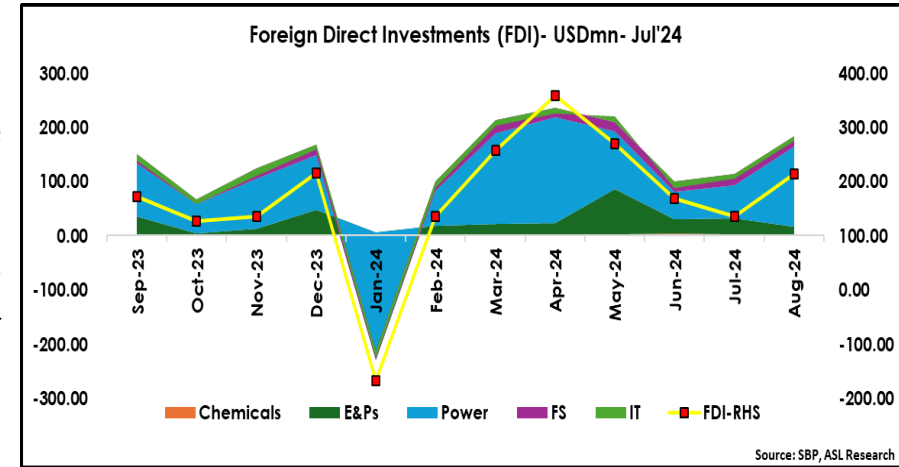
USDmn	Aug-24	MoM	YoY	2MFY25	YoY
Current Account Balance	75	-130.5%	-149.3%	(171)	-80.9%
Exports of Goods FOB	2,488	4.8%	2.9%	4,862	7.2%
Imports of Goods FOB	4,715	-2.2%	11.4%	9,534	13.8%
Balance on Trade in Goods	(2,227)	-8.9%	22.6%	(4,672)	21.7%
Exports of Services	620	-2.1%	-6.5%	1,253	0.2%
Imports of Services	900	9.2%	1.9%	1,724	-0.5%
Balance on Trade in Services	(280)	46.6%	27.3%	(471)	-2.1%
Workers' Remittances	2,943	-1.7%	40.5%	5,938	44.0%
Direct Investment in Pakistan	214	57.4%	50.7%	350	55.6%
Portfolio Investment in Pakistan	(66)	-139.1%	-1750.0%	103	296.2%
Overall Balance	(188)	-223.7%	-169.4%	(36)	-98.4%
SBP Gross Reserves	10,704	2.4%	18.5%	10,704	18.5%
Import Cover (x)	1.91	0.05	0.14	0.95	0.06
USDPKR	278.58	-0.2%	-9.0%	278.79	-5.9%
EURPKR	308.01	2.1%	-7.3%	304.86	-5.9%
Arab Light (USD/bbl.)	77.60	-7.4%	-10.3%	80.72	-3.3%

Source: SBP, ASL Research

FDI: Foreign Inflows rising c.51%YoY during Aug'24.

REP # 048

- It is another factor that should not be in the exclusion list, Foreign Direct Investment (FDI) has notably surged c.57%/c.51% MoM/YoY during Aug'24 to USD214mn when comparing the corresponding periods. Further, the rise in FDI during Aug'24 was mainly the reason of the higher inflows noticed in the Power sector that significantly surged by c.138%/c.156% MoM/YoY during Aug'24.
- On 2MFY25 analysis, we have noticed, FDI has notably surged by c.55%YoY to USD350mn mainly inflows witnessed from E&Ps, Power and Financial Services sectors, respectively rising by c.34%YoY, c.95%YoY and c.48%YoY to USD44mn, USD310mn and USD39mn recorded when comparing the year earlier levels.
- It is to note here that, Power sector has been the main stream where we have noticed a notable surge in inflows of USD210mn witnessed during 2MFY25, inflows mainly pouring in from Hydel Power sector where we have noticed, inflow of USD154mn noticed during 2MFY25 when comparing the 2MFY24 inflow of USD44mn. The rise in investment in the Hydel sector was mainly the reason of higher cost of production of electricity from FO and other unreliable sources that has been a burden on the masses. It is to remind here that, as of Jun'24, 4,729GWh of Electricity has been produced during Jun'24.
- Going ahead, we believe the continued investment in the Power sector along with the improving macroeconomic situation, more chances of rat cuts, may revive inflows to stabilize CAD in FY25.



USDmn	FDI-RHS	Chemicals	E&Ps	Power	FS	IT
31-Jan-24	-168.09	1.02	4.83	-235.85	17.35	-14.31
29-Feb-24	136.26	1.61	16.55	64.80	17.39	-11.46
31-Mar-24	258.04	2.11	19.95	167.47	25.08	-10.53
30-Apr-24	358.84	2.27	21.48	194.16	18.27	-9.84
31-May-24	269.87	3.54	84.72	104.92	17.94	9.62
30-Jun-24	168.75	1.90	26.35	50.68	20.25	-13.05
31-Jul-24	136.29	2.61	29.85	62.16	20.41	-9.66
31-Aug-24	213.96	1.41	14.35	148.02	19.02	-9.42

Source: SBP, ASL Research



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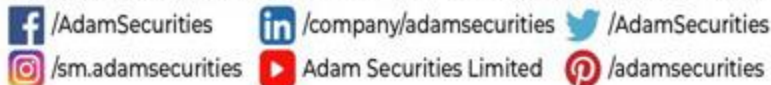
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