



Economy | Remittances | Incremental Revenues



Date: 10th Oct'24

REP # 048



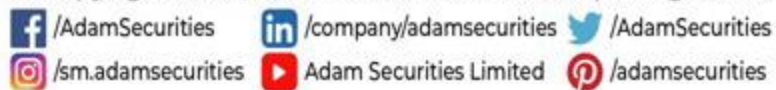
Hafiz Muhammad Saeed Khalid Siddiqui

Email: saeed.khalid@adamsecurities.com.pk

Tel: +92-21-32440519 EXT: 117

Cell: +92-331-1326666

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Room# 806-814, 8th Floor,
Main Pakistan Stock Exchange Building,
Stock Exchange Road, Karachi.

info@adamsecurities.com.pk
adamsecurities145@yahoo.com
sm.adamsecurities@gmail.com

+9221 32444315-16, 32420909,
32413580, 32437380



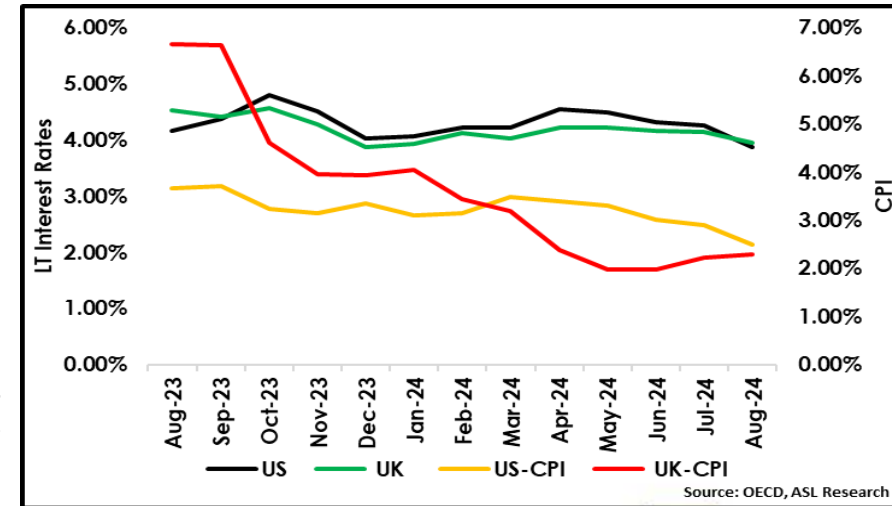
Remittances down by c.3.2%MoM during Sept'24

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- With the implementation of FX reforms along with the stabilizing G20 economies, Pakistan has started to witness improvement in remittances. Pakistan has recorded robust rise in remittances during Sept'24, where the numbers have remarkably improved by c.29%YoY to USD2.85bn, mainly a remarkable inflows from recorded from UAE, UK, EU, KSA and GCC countries where the remittances have notably rose respectively by c.40%YoY, c.36%YoY, c.35%YoY, c.27%YoY and c.17%YoY when compared to Sept'23.
- On the flip side, the remittances drastically slumped during Sept'24 by c.3.2%MoM when comparing the month earlier levels. The notable decline in remittances on MoM basis was mainly the reason of the revival of the economies around the world, stimulating aggregate demand to recover consumption in the G20 countries. It is to note here that, CPI during Sept'24, has mainly been eased off by c.40bpsMoM, c.50bpsMoM, c.50bpsMoM, and c.60bpsMoM respectively in US, Canada, France, and Germany when compared to Aug'24. During Sept'24, remittances slipped by c.15%MoM, c.11%MoM, c.5%MoM and c.3%MoM correspondingly from US, UK, KSA and EU.
- It is to remember here that, since FY25, Pakistan has been recording remittances of USD2.9bn on average mainly on the improving macroeconomic scenarios along with the expats discouraging hawala-hundi system that has mainly given sanctuaries to the parallel economy on the borders of the country. This has widely created higher spreads for the illegal market where the USDPKR reached to Rs.336/USD.

Remittances (USDmn)	Sep-24	MoM	YoY	1QFY25	YoY
USA	275	-14.7%	4.2%	897	16.9%
U.K.	424	-10.8%	36.1%	1,342	41.6%
KSA	681	-4.5%	26.6%	2,155	42.1%
U.A.E.	560	4.1%	40.1%	1,710	67.0%
Dubai	450	5.4%	49.3%	1,349	72.7%
Abu Dhabi	104	-1.0%	8.8%	342	48.2%
GCC	291	3.6%	17.4%	861	19.4%
EU	365	-2.8%	35.5%	1,092	29.4%
Other Countries	61	-8.8%	18.6%	205	48.2%
Total	2,849	-3.2%	29.0%	8,786	38.8%

Source: SBP, ASL Research



Source: OECD, ASL Research

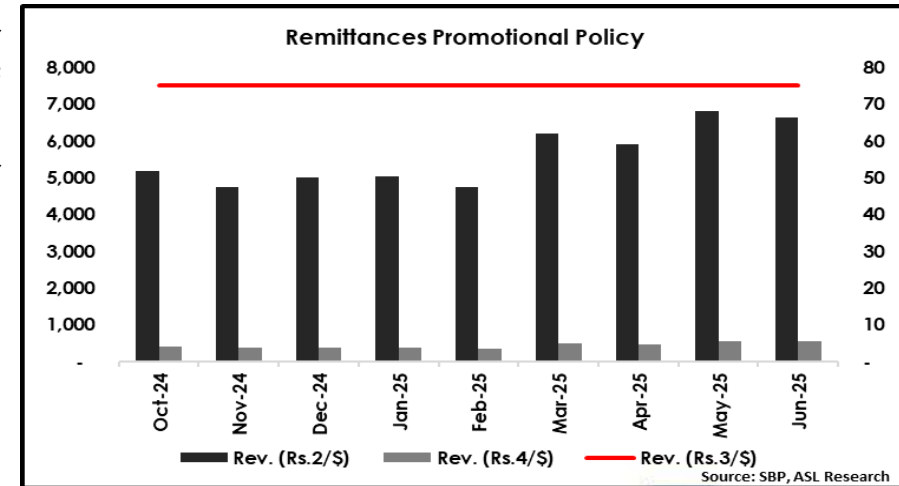
Remittances boosting Promotion Policy to incentivize ECs

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- State Bank of Pakistan has an introduced remittances boosting Promotional Policy for the Exchange Companies (ECs). As per our calculations the ECs will likely make the most of this policy and will likely giving their best in improving remittances for Pakistan during FY25. The ECs will likely generate Rs.5-6/USD for the incremental remittances they will generate for the country and surrendering to the SBP-designated banks. We believe, the incremental revenues from the remittances boosting policy may likely improve profitability of the ECs of the banking system, thus, enhancing the multiplier effect of the banking system profitability for the year CY24-25.
- According to the Policy:
 - The Exchange Companies will get the base of Rs.2/USD for the remittances they surrender to the SBP-designated banks, for that the system must be getting inflows within the range of Rs.5.5bn-6.8bn during CY24-25.
 - Addition to this, the system will get incremental Rs.3/USD for increasing YoY rise in remittances of 5% or USD25mn whichever is lower. We believe they will get Rs.75mn for the incremental remittances @Rs.3/USD.
 - Furthermore, the system will likely be incentivized within the range of Rs.350mn-550mn for the remittances they generate over and above 5%YoY or USD25mn during that month, which may enhance the remittances to rise above USD31bn for FY25.

Incremental Incentives for ECs							
USDmn	Remit-FY24)	5% Incre.	chg.	USD25 mn	Rev. (Rs.2/\$)	Rev. (Rs.3/\$)	Rev. (Rs.4/\$)
Oct-24	2,463	2,586	123	25	5,172	75	393
Nov-24	2,259	2,372	113	25	4,744	75	352
Dec-24	2,381	2,500	119	25	5,000	75	376
Jan-25	2,398	2,518	120	25	5,036	75	380
Feb-25	2,250	2,363	113	25	4,725	75	350
Mar-25	2,954	3,102	148	25	6,203	75	491
Apr-25	2,812	2,952	141	25	5,905	75	462
May-25	3,243	3,405	162	25	6,810	75	549
Jun-25	3,158	3,316	158	25	6,632	75	532

Source: SBP, ASL Research



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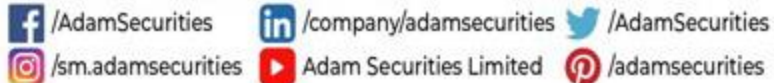
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Main Pakistan Stock Exchange Building,
Stock Exchange Road, Karachi.



info@adamsecurities.com.pk
adamsecurities145@yahoo.com
sm.adamsecurities@gmail.com



+9221 32444315-16, 32420909,
32413580, 32437380





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Room# 806-814, 8th Floor,
Main Pakistan Stock Exchange Building,
Stock Exchange Road, Karachi.



info@adamsecurities.com.pk
adamsecurities145@yahoo.com
sm.adamsecurities@gmail.com



+9221 32444315-16, 32420909,
32413580, 32437380



سرمایہ کاری مسجد اری کے ساتھ
www.jamapunji.pk