

## Economy: Current account deficit swells to USD 3.4bn in 1QFY22

- Some improvement was witnessed in the Current Account Deficit (CAD) on MoM during Sept-21, down 24% to USD 1.1bn, however, in the comparable Sept-20 the country posted a surplus of USD 27mn. CAD for 1QFY22 clocked in at USD 3.4bn (4.1% of GDP), compared to a surplus of USD 865mn (1.2% of GDP).
- The doubling trade deficit was the major reason for the Current Account Balance posting deficit for another quarter. The trade deficit surged 94% YoY in 1QFY22 to USD 10.2bn mainly driven by 64% YoY hike in the imports to USD 17.5bn as the export of goods grew at a lesser pace of 35% YoY to settle at USD 7.2bn. For Sept-21 alone, imports remained flat MoM while exports grew 13%, contracting trade deficit by 6%.
- Upbeat remittance flows of USD 8.0bn (+12% YoY) during 1QFY22 partially compensated for the burgeoning trade deficit. Robust inflows witnessed from EU and US. Worker remittances during Sept-21 were flat on MoM, while grew 17% YoY growth.

### External Account Highlights (USD mn)

	Sept-20	Aug-21	Sept-21	YoY	MoM	1QFY21	1QFY22	YoY
Balance on trade in Goods	-1,884	-3,650	-3,434	82%	-6%	-5,283	-10,232	94%
Exports	1,955	2,348	2,642	35%	13%	5,354	7,241	35%
Imports	3,839	5,998	6,076	58%	1%	10,637	17,473	64%
Balance on trade in Services	-95	-336	-117	23%	-65%	-533	-717	35%
Exports	476	544	551	16%	1%	1,276	1,572	23%
Imports	571	880	668	17%	-24%	1,809	2,289	27%
Primary Income - Net	-533	-372	-320	-40%	-14%	-1,489	-964	-35%
Secondary Income - Net	2,539	2,885	2,758	9%	-4%	8,170	8,513	4%
Worker Remittances	2,284	2,658	2,670	17%	0%	7,143	8,035	12%
<b>Current A/c Balance</b>	<b>27</b>	<b>-1,473</b>	<b>-1,113</b>	<b>NM</b>	<b>-24%</b>	<b>865</b>	<b>-3,400</b>	<b>NM</b>
% of GDP	0.1%	-0.5%	-4.1%	-	-	1.2%	-4.1%	-
<b>Capital A/C Balance</b>	<b>39</b>	<b>10</b>	<b>33</b>	<b>-15%</b>	<b>230%</b>	<b>77</b>	<b>62</b>	<b>-19%</b>
<b>Financial Account</b>	<b>503</b>	<b>-3,653</b>	<b>-819</b>	<b>NM</b>	<b>-78%</b>	<b>854</b>	<b>-5,767</b>	<b>NM</b>
<b>Net Errors and Omissions</b>	<b>14</b>	<b>119</b>	<b>-417</b>	<b>NM</b>	<b>NM</b>	<b>-263</b>	<b>-265</b>	<b>1%</b>
<b>Overall BoP</b>	<b>423</b>	<b>-2,309</b>	<b>678</b>	<b>60%</b>	<b>NM</b>	<b>175</b>	<b>-2,164</b>	<b>NM</b>
% of GDP	1.8%	-0.8%	2.5%	-	-	0.2%	-2.6%	-

Source: SBP, Akseer Research

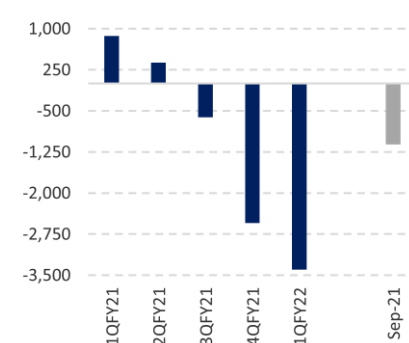
### Current Account posted deficit for the 2<sup>nd</sup> consecutive quarter

Current Account settled in deficit during 1QFY22 to USD 3.4bn (4.1% of the GDP) versus a surplus of USD 865mn during 1QFY21, and USD 2.5bn deficit posted in the prior quarter. The major deterioration in current account balance came from doubling of the trade deficit in goods coupled with 35% YoY surge in the trade deficit in services. Positive growth of 12% YoY in the remittances to some extent contained the CAD during 1Q. On MoM, in Sept-21, CAD improved by 24% to USD 1.1bn, however, in the comparable Sept-20 the country posted a surplus of USD 27mn.

### Goods trade deficit increased twofold in 1QFY22

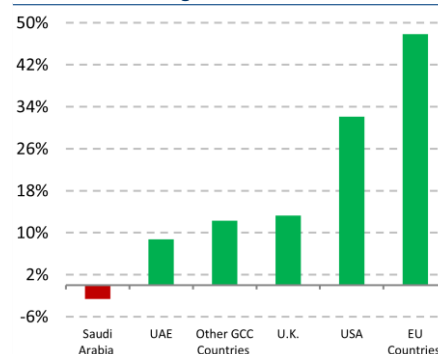
Deficit in trade of goods during 1Q grew 94% YoY to USD 10.2bn, on the back of unabated surge in the imports bill of 64% YoY to USD 17.5bn. Export of goods, on other hand grew by 35% YoY to USD 7.2bn. Major contribution in the imports came from 'petroleum group', up 91% YoY as international oil prices rallied 70% YoY during the quarter. Food imports also grew 43% YoY on the back of significant rise in international commodity prices due to supply-demand imbalance. Alone in Sept-21, import bill stood at USD 6.0bn (up 58% YoY, flat on MoM) where highest growth was witnessed in petroleum, metal and food group of 99%, 71% and 40% YoY, respectively.

Current Account Balance (USD mn)



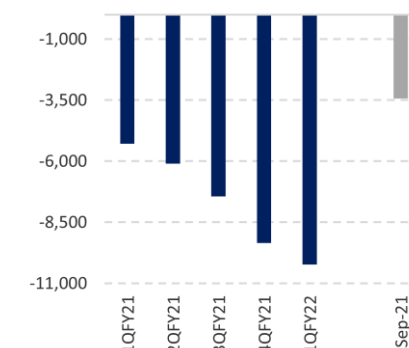
Source: Akseer Research

1QFY22 YoY change in Remittances



Source: Akseer Research

Balance in trade of Goods (USD mn)



Source: Akseer Research

Saqib Hussain

[saqib.hussain@akseerresearch.com](mailto:saqib.hussain@akseerresearch.com)

On the exports front, textile exports during 1QFY22 grew by 31% YoY to USD 1.5bn on account of 41% YoY and 42% YoY growth in export of Knitwear and readymade garments respectively. Similarly, Food group contribution also remained noteworthy primarily on the back of 21% YoY growth in basmati rice exports. Sept-21 witnessed USD 2.6bn worth exports (up 35%/13% YoY/MoM) wherein textile and food group posted growth of 31% YoY and 28% YoY, respectively. The robust monthly exports led to 6% MoM contraction in the trade deficit.

Imports & Exports Breakup (USD mn)								
	Sept-20	Aug-21	Sept-21	YoY	MoM	1QFY21	1QFY22	YoY
<b>Imports</b>	<b>3,839</b>	<b>5,998</b>	<b>6,076</b>	<b>58%</b>	<b>1%</b>	<b>10,637</b>	<b>17,473</b>	<b>64%</b>
<i>Petroleum Group</i>	775	1,393	1,544	99%	11%	2,076	3,974	91%
<i>Agri. &amp; Other Chemical</i>	661	825	826	25%	0%	1,794	2,435	36%
<i>Machinery Group</i>	605	815	723	20%	-11%	1,932	2,303	19%
<i>Food Group</i>	497	690	695	40%	1%	1,379	1,979	43%
<i>Metal Group</i>	316	441	541	71%	23%	922	1,403	52%
<i>Others</i>	986	1,834	1,747	77%	-5%	2,534	5,380	112%
<b>Exports</b>	<b>1,955</b>	<b>2,348</b>	<b>2,642</b>	<b>35%</b>	<b>13%</b>	<b>5,354</b>	<b>7,241</b>	<b>35%</b>
<i>Textile Group</i>	1,152	1,352	1,509	31%	12%	3,070	4,218	37%
<i>Food Group</i>	281	346	360	28%	4%	865	1,016	17%
<i>Others</i>	521	651	773	48%	19%	1,419	2,007	41%

Source: SBP, Akseer Research

### Remittances witnessed double digit growth in 1QFY22

Remittance inflows have been a positive support in containing the burgeoning current account deficit as they grew 11% YoY to USD 2.7bn in Sept-21, taking the cumulative number to PKR 8.0bn during 1QFY22, +12% YoY. Saudi Arabia and UAE remained the top contributors during 1Q with 25% and 19% share in the total mix respectively despite 4pps and 1pp YoY decline in their shares correspondingly. EU countries (+48% YoY) and US (+32% YoY) gained weight in the total mix and stood at 11% and 10% respectively. The monthly average for 1QFY22 settled at USD 2.68bn, which is 22% higher than the monthly average during the preceding two fiscal years.

### CAD to remain elevated during FY22

With the recent austerity measures taken by the government to control the unabated rise in imports might help in containing the deficit to some extent. However, with the ongoing global supply-demand disruptions and commodities prices peaking to all time high, we expect the overall deficit to remain elevated. We estimate the CAD to settle around 4.2% of the GDP, surpassing the GoP's target of 2-3% for FY22.

**Disclaimer**

This report has been prepared by Akseer Research and is provided for information purposes only. Under no circumstances this is to be used or considered as an offer to sell or solicitation of any offer to buy. While reasonable care has been taken to ensure that the information contained therein is not untrue or misleading at the time of publication, we make no representation as to its accuracy or completeness and it should not be relied upon as such. From time to time, Akseer Research and/or any of its officers or directors may, as permitted by applicable laws, have a position, or otherwise be interested in any transaction, in any securities directly or indirectly subject of this report. This report is provided only for the information of professional advisers who are expected to make their own investment decisions without undue reliance on this report. Investments in capital markets are subject to market risk and Akseer Research accepts no responsibility whatsoever for any direct or indirect consequential loss arising from any use of this report or its contents. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors, who should seek further professional advice or rely upon their own judgment and acumen before making any investment. The views expressed in this report are those of Akseer's Research Department and do not necessarily reflect those of the company or its directors. Akseer Research as a firm may have business relationships, including investment- banking relationships, with the companies referred to in this report. Akseer Research or any of its officers, directors, principals, employees, associates, close relatives may act as a market maker in the securities of the subject company, may have a financial interest in the securities of the subject company to an amount exceeding 1% of the value of the securities of the subject company, may serve or may have served in the past as a director or officer of the subject company, may have received compensation from the subject company for corporate advisory services, brokerage services or underwriting services or may expect to receive or intend to seek compensation from the subject company for the aforesaid services, may have managed or co-managed a public offering, take-over, buyback, delisting offer of securities or various other functions for the subject company.

All rights reserved by Akseer Research. This report or any portion hereof may not be reproduced, distributed or published by any person for any purpose whatsoever. Nor can it be sent to a third party without prior consent of Akseer Research. Action could be taken for unauthorized reproduction, distribution or publication.

**Research Dissemination Policy**

The Akseer Research endeavours to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as email, fax mail etc.

**Analyst Certification**

The research analyst, denoted by 'AC' on the cover of this report, has also been involved in the preparation of this report, and is a member of JV's Equity Research Team. The analyst certifies that (1) the views expressed in this report accurately reflect his/her personal views and (2) no part of his/her compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed in this report.

**Contact Details****Akseer Research (Pvt) Limited**

1st Floor, Shaheen Chambers, KCHS block 7 & 8, off. Shahrah-e-Faisal

T: +92-21-34320359 -60

E: [info@akseerresearch.com](mailto:info@akseerresearch.com)

**Alfa Adhi Securities (Pvt) Limited**

3rd Floor, Shaheen Chambers, A-4 Central Commercial Area, KCH Society, Block 7 & 8, Near Virtual University, Karachi

T: +92-21-38694242

E: [info@alfaadhi.net](mailto:info@alfaadhi.net)