

Pakistan Economy

CAD narrowed to USD 50mn in Feb'21, down 75% YoY

22-Mar-2021

Sana Tawfik

D: +92 21 32462589

UAN: +92 21 111 245 111, Ext: 248

F: +92 21 32420742

E: sana.tawfik@arifhabibltd.com



Best Corporate & Investment
Bank: 2020

ASIAMONEY

Best Domestic Equity House



Top 25 Companies



**CFA Society
Pakistan**

Corporate Finance House of
the Year: 2020



**CFA Society
Pakistan**

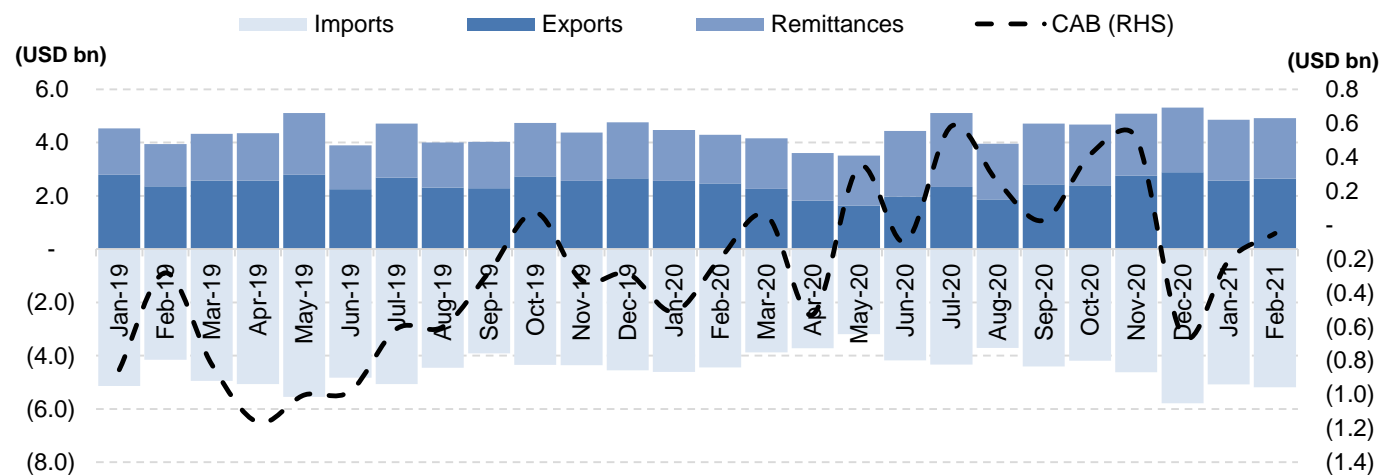
Best Equity Research
Analyst: 2020

Balance of Payments

Current Account Deficit narrowed during Feb'21 to USD 50mn

Current Account Deficit (CAD) for the month of Feb'21 was down by 75% YoY to USD 50mn or 0.2% of the GDP compared with deficit of USD 197mn during Feb'20. On YoY basis, the primary reason behind the decline in deficit was 8% YoY (USD 186mn) and 24% YoY (USD 441mn) rise in total exports and remittances, respectively. However, during the period under review, the trade deficit increased by 50% YoY to USD 2,349mn as against USD 1,568mn for the same period a year ago, with the jump largely being driven by higher imports (up 27% YoY). On MoM basis, the Current Account Deficit (CAD) was down by 76%, mainly due to 45% decline in primary income deficit followed by a 3% increase in total exports to USD 2,649mn. During 8MFY21, the country's surplus has clocked in at USD 881mn compared with a deficit of USD 2,741mn during the same period last year.

Exhibit: Current Account Balance and its components over months



Source (s): SBP, AHL Research

Exhibit: Balance of Payments

(USD mn)	Feb-21	Feb-20	YoY	8MFY21	8MFY20	YoY
Exports	2,165	1,993	8.6%	16,066	16,439	-2.3%
Imports	4,514	3,561	26.8%	32,149	29,605	8.6%
Trade Balance	(2,349)	(1,568)	49.8%	(16,083)	(13,166)	22.2%
Services (Net)	(186)	(407)	-54.3%	(1,338)	(2,300)	-41.8%
Income (Net)	2,485	1,778	39.8%	18,302	12,725	43.8%
Remittances	2,266	1,825	24.2%	18,743	15,103	24.1%
CAB	-50	-197	-74.6%	881	-2,741	nm
FDI	(154)	(278)	-44.6%	(1,246)	(1,798)	-30.7%
Financial Account	(280)	(627)	-55.3%	(129)	(7,623)	-98.3%
Capital Account	10	10	0.0%	163	213	-23.5%
CAB as % of GDP	-0.2%	-0.9%		0.5%	-1.5%	
Overall Balance	(47)	(566)	nm	(764)	5,842	-113.1%

Source (s): SBP, AHL Research

Balance of Payments

Imports up by 4% YoY during 8MFY21

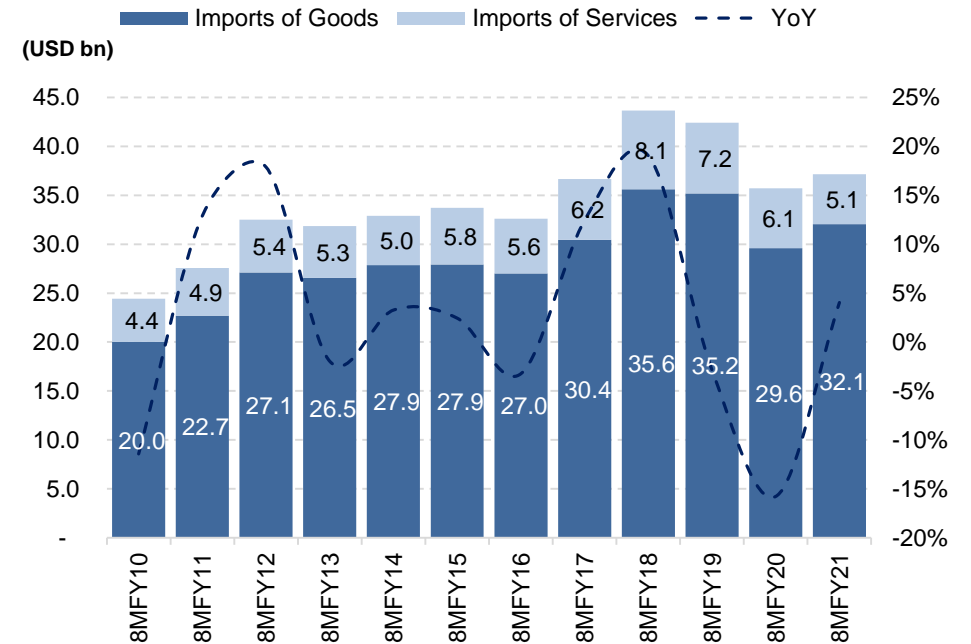
Total imports (goods and services) for the month of Feb'21 witnessed an increase of 2% MoM to USD 4,514mn compared to USD 4,433mn recorded in Jan'21. On a yearly basis, total imports increased by 17% in Feb'21 from USD 4,438mn recorded in Feb'20. The import of goods was up by 27% YoY | 2% MoM during Feb'21. However, the import of services was down by 23% YoY | up 4% MoM during the period under review. With this, 8MFY21 total imports recorded an increase of 4% YoY to USD 37,296mn.

Exhibit: Historical Trend of Monthly Imports



Source (s): SBP, AHL Research

Exhibit: Imports increased by 4% YoY During 8MFY21



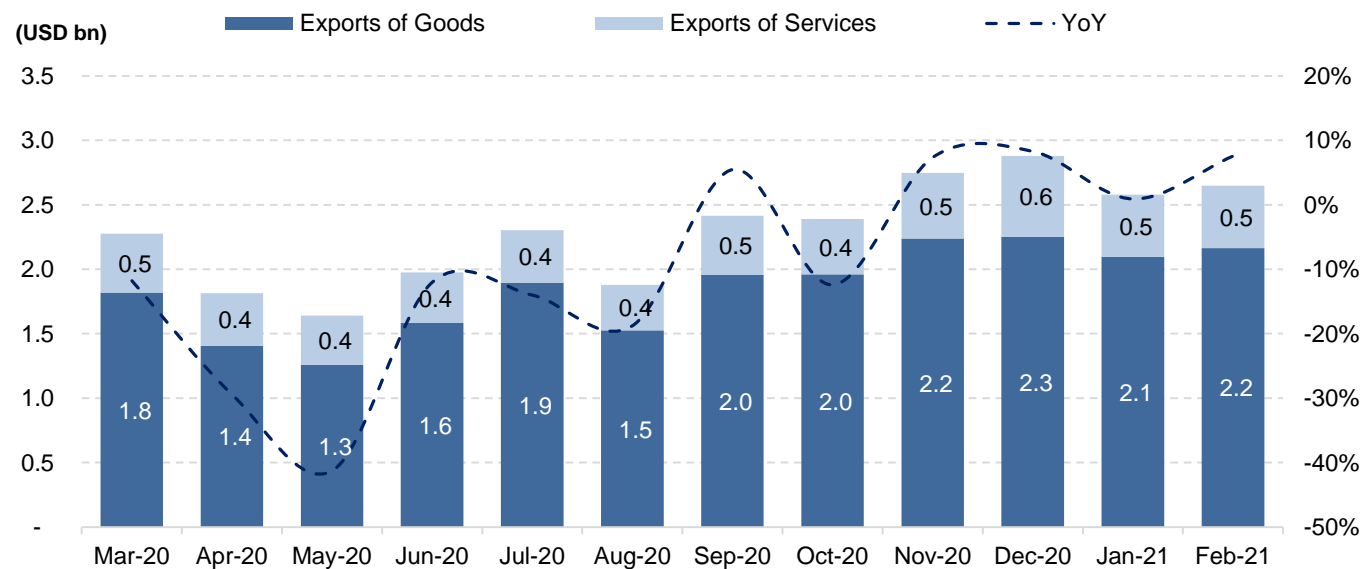
Source (s): SBP, AHL Research

Balance of Payments

Exports down by 2% YoY during 8MFY21

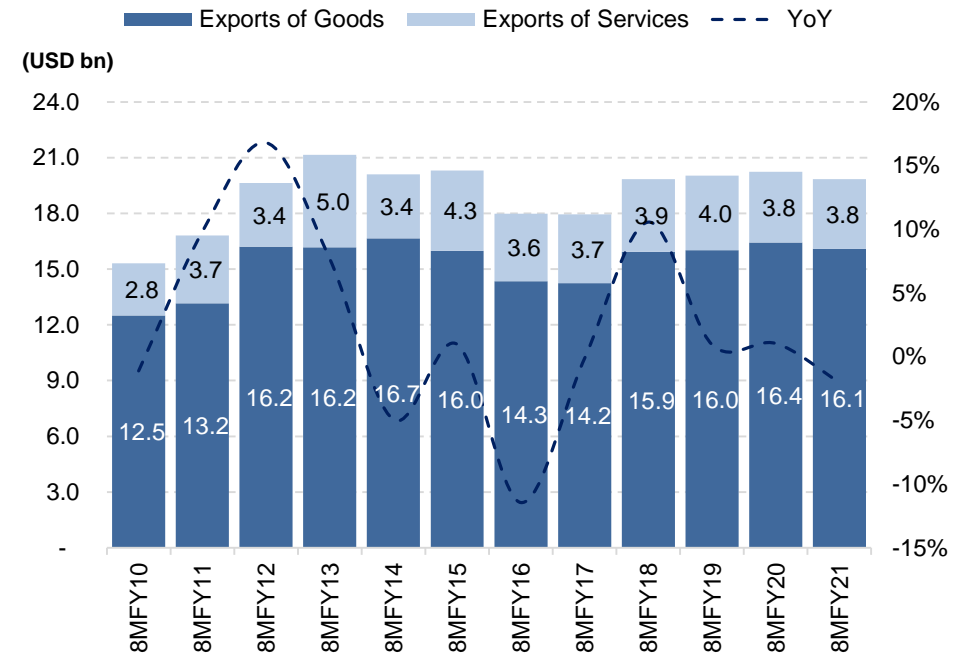
Total exports (goods and services) increased by 3% MoM during Feb'21 to USD 2,649mn compared with USD 2,578mn recorded in the previous month. On a yearly basis also, total exports registered an increase of 8% in Feb'21 which stood at USD 2,463mn in Feb'20. The export of goods was up 9% YoY | 3% MoM during Feb'21. Moreover, the export of services too recorded a jump of 3% YoY | 1% MoM during the period under review. With this, total exports during 8MFY21 stood at USD 19,875 mn posting a decline of 2% YoY.

Exhibit: Historical Trend of Monthly Exports



Source (s): SBP, AHL Research

Exhibit: Exports decreased by 2% YoY during 8MFY21



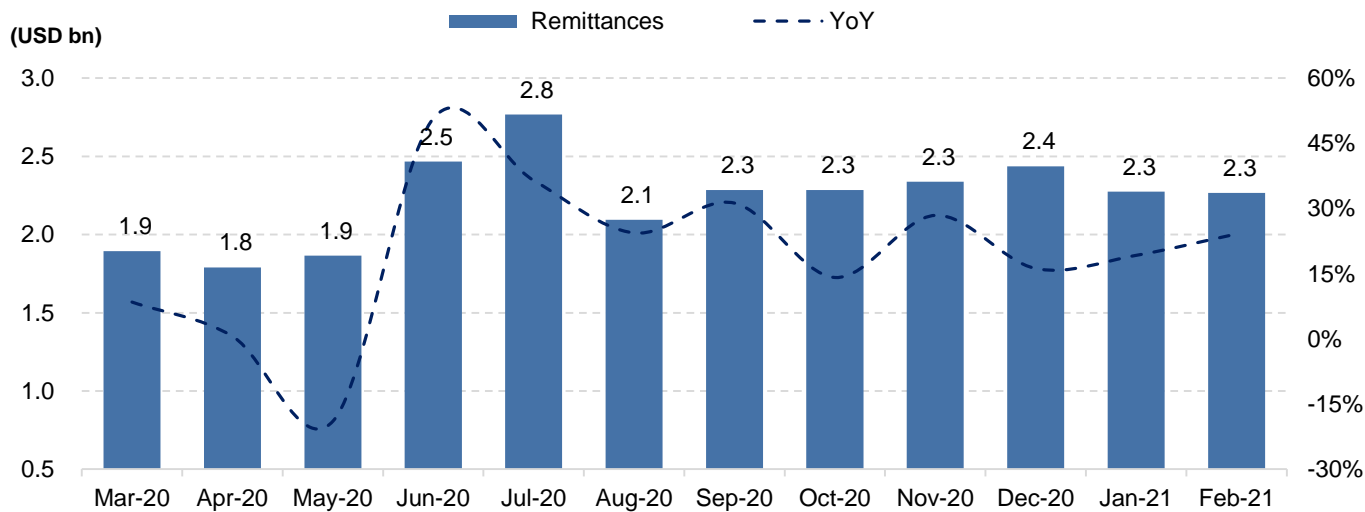
Source (s): SBP, AHL Research

Balance of Payments

Remittances increased by 24% YoY during 8MFY21

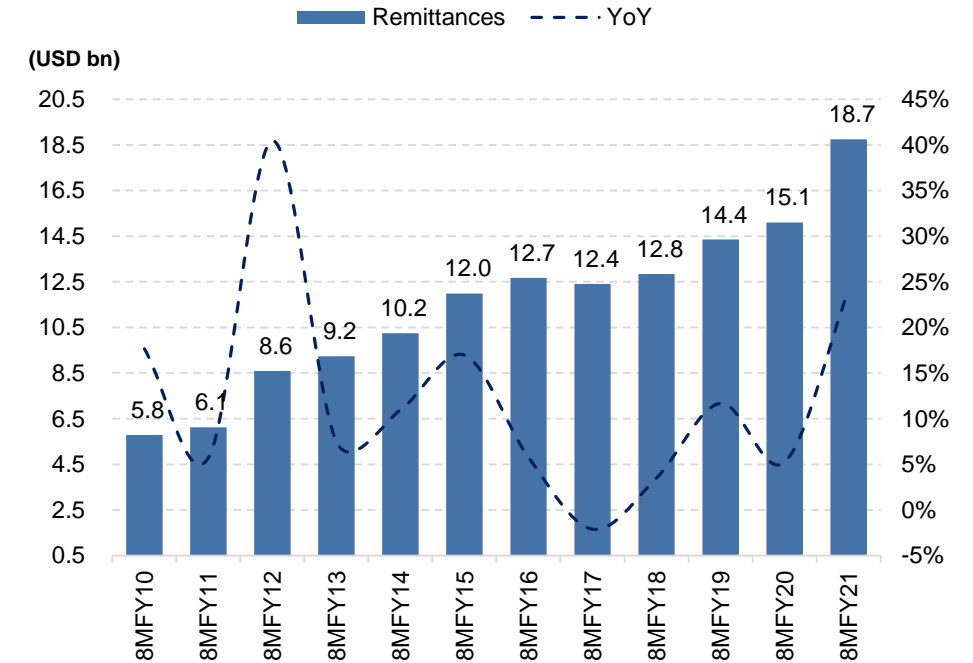
During 8MFY21, remittances were up by 24% YoY to USD 18,743mn as the strong momentum of inflows continued to take the cumulative figure to an unprecedented level. Remittances by overseas Pakistanis registered an increase of 24% YoY to USD 2,266mn during Feb'21 compared to USD 1,825mn during Feb'20. The country-wise data reveals that inflows from KSA, UAE, UK and USA amounted to USD 533mn (+4% YoY, -4% MoM), USD 488mn (+4% YoY, -1% MoM), USD 349mn (+101% YoY, +15% MoM) and USD 211mn (+53% YoY, +4% MoM), respectively.

Exhibit: Remittances up by 24% YoY during Feb'21



Source (s): SBP, AHL Research

Exhibit: Remittances increased by 24% YoY during 8MFY21



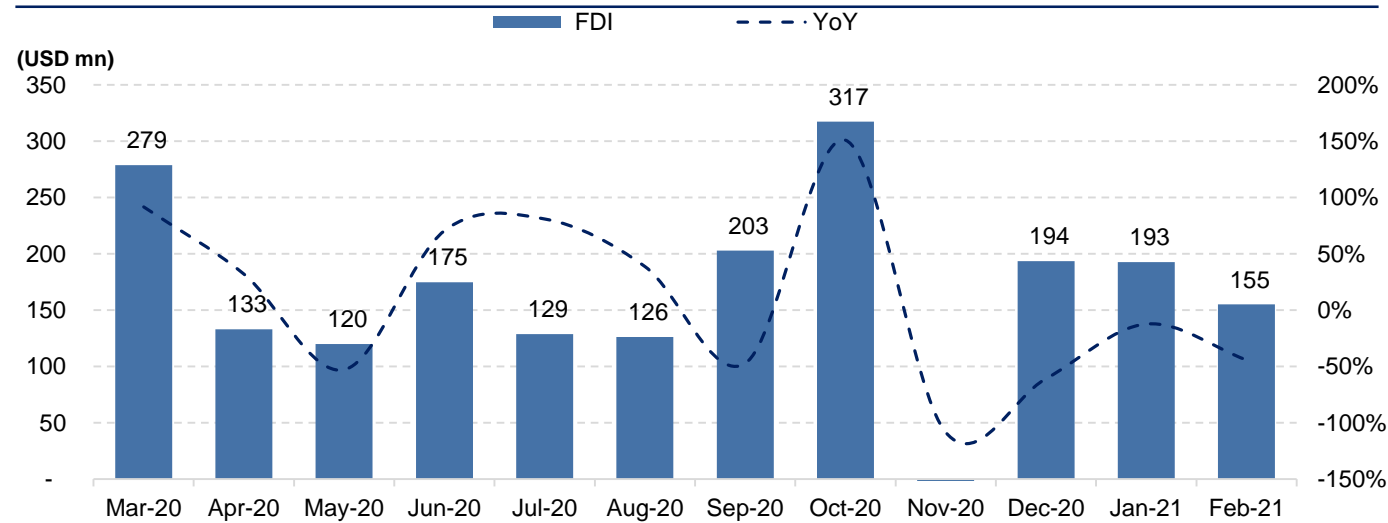
Source (s): SBP, AHL Research

Balance of Payments

FDI decreased by 30% YoY during 8MFY21

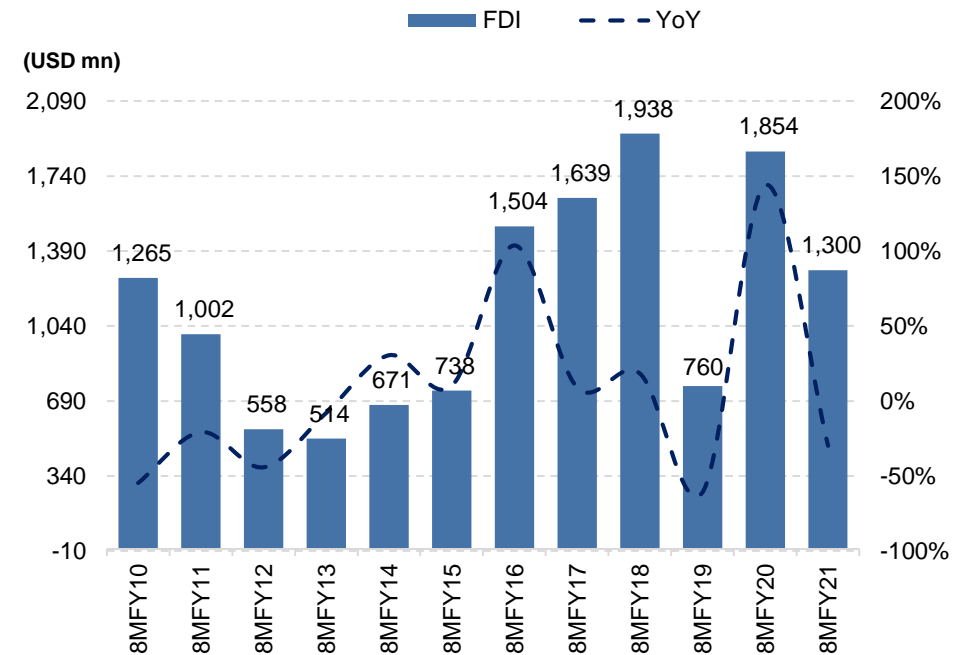
Foreign direct investment (FDI) during Feb'21 witnessed net inflows of USD 155mn (-44% YoY) compared to net inflows of USD 277mn during Feb'20. During 8MFY21, FDI has witnessed a decrease of 30% YoY to USD 1,300mn. China remained the largest investor with net FDI of USD 494mn during 8MFY21 compared with USD 655mn during same period last year. Netherlands remained the second largest investor with net FDI of USD 118mn during 8MFY21 compared with USD 74mn during same period last year. During 8MFY21, major investment poured into the Power sector (USD 537mn) followed by Financial Business Sector (USD 197mn) and Oil & Gas Explorations Sector (USD 142mn).

Exhibit: FDI decreased by 44% YoY during Feb'21



Source (s): SBP, AHL Research

Exhibit: FDI down by 30% YoY During 8MFY21



Source (s): SBP, AHL Research

Disclaimer

Analyst Certification: The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun'21 for Target Price. In addition, return excludes all type of taxes. For more details kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -10% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -10% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discounted Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (Rbv)

Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.

© 2020 Arif Habib Limited: Corporate Member of the Pakistan Stock Exchanges. No part of this publication may be copied, reproduced, stored or disseminated in any form or by any means without the prior written consent of Arif Habib Limited. Please remove the below footer.