

CAD Plunged by 59%MoM / 27%YoY During Feb'19 Amid Erosion in Trade Deficit

March 18, 2019

- As per the latest data released by SBP, Current Account Deficit (CAD) plunged by 59%MoM/72%YoY during Feb'19 to arrive at \$3.56mn
- Erosion in CAD is primarily attributed to reduction in Trade Deficit of 23%MoM/27%YoY (hitting 29 months low), induced by significant fall in imports (-20%MoM/-19%YoY)
- Going forward, as per our calculation CAD to arrive at ~\$14bn during FY19 on the back of measure taken by government to curtail imports

CAD plunged by 59%MoM/72%YoY

Current Account Deficit (CAD) declined by 59%MoM/72%YoY to arrive at \$3.56mn during Feb'19, primarily due to erosion in trade deficit (23%MoM/27%YoY) induced by contraction in imports (-20%MoM/-19YoY). Moreover, cumulatively 8MFY19 CAD reduced to \$8.844bn (-23%YoY) as compared to \$11.421bn SPLY apparently on the back of 11.8%YoY surge in remittances.

Trade Imbalance hitting 29 months low

A standalone analysis of trade imbalances for Feb'19, hitting 29 months low, suggests that exports declined by 18% MoM/9.6%YoY, while the import which is significant in value decreased by 20%MoM/19%YoY. According to latest data released by PBS, major segments in imports that witnessed erosion are: Food (-19%MoM), Transport (-36%MoM), Petroleum (-9%MoM), and Metal (-22%MoM).

Outlook

Going forward, as per our calculation CAD to arrive at ~\$14bn during FY19 on the back of measures taken by government to curtail imports. Moreover, expected bilateral inflows from friendly countries and an expected deal with IMF would ease some pressure on BoP front.

Current Account Balance—\$ Million

(Source: SBP & WE Research)

	Feb'19	Feb'18	YoY	Jan'19	MoM	8MFY19	8MFY18	YoY
C/A Balance	-356	-1,281	-72.2%	-873	-59.2%	-8,844	-11,421	-22.6%
Exports of Goods	1,862	2,059	-9.6%	2,272	-18.0%	15,975	15,987	-0.1%
Exports of Goods	3,513	4,334	-18.9%	4,403	-20.2%	35,257	35,826	-1.6%
Trade Balance - Goods	-1,651	-2,275	-27.4%	-2,131	-22.5%	-19,282	-19,839	-2.8%
Exports of Services	410	401	2.2%	455	-9.9%	3,472	3,548	-2.1%
Imports of Services	608	828	-26.6%	667	-8.8%	5,776	7,178	-19.5%
Trade Balance - Services	-198	-427	-53.6%	-212	-6.6%	-2,304	-3,630	-36.5%
Balance on Trade	-1,849	-2,702	-31.6%	-2,343	-21.1%	-21,586	-23,469	-8.0%
Bal. on Primary Income	-307	-267	15.0%	-511	-39.9%	-3,460	-3,269	5.8%
Worker's Remittances	1,577	1,450	8.8%	1,743	-9.5%	14,350	12,834	11.8%
Balance on Sec. Income	1,800	1,688	6.6%	1,981	-9.1%	143	134	6.7%

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- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Relative valuation (P/E, P/B, P/S)
- Equity & Asset return based (EVA, Residual income)

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- Interest Rate Risk
- Exchange rate risk

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