

Oct 21, 2019

- **Current Account Deficit (CAD) declined by 80%YoY/57%MoM to clock in at USD 259mn (-1.1% of GDP) during Sep'19.**
- **This hefty decline can be attributed to significant contraction in trade deficit (down by 38%YoY/13%MoM)**
- **Cumulatively, in 1QFY20 CAD declined by 64%YoY to USD 1,548mn (-2.2% of GDP) as compared to USD 4,287mn (5.5% of GDP) in SPLY.**

CAD Shrank Massively by 80%YoY/57%MoM in Sep'19

During Sep'19, CAD arrived at USD 259mn (1.1% of GDP) vs 610mn (-2.7% of GDP), down by 57%MoM/80%YoY. It takes 1QFY20 CAD to USD 1548mn (2.2% GDP) compared to USD 4,287mn (-5.5%of GDP) SPLY, declined by 64%YoY.

For Sep'19, the contraction in CAD led by 13%MoM decline in trade deficit wherein imports plunged by 6%MoM and meager growth of 1%MoM in exports witnessed. Moreover, the 3% MoM increment in remittance supported in narrowing CAD during the month under review.

The government has targeted the CAD between in range of USD 6.5bn to 7bn in FY20. We believe this target can be achieved if the CAD is curtailed to an average of USD 550mn in remaining 9 months of FY20.

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USDmn	Sep'19	Sep'18	YoY	Aug'19	MoM	1QFY20	1QFY19	YoY
C/A Balance	259	1,278	-79.7%	610	-57.5%	(1,548)	(4,287)	-63.9%
Exports of Goods	1,911	1,805	5.9%	1,894	0.9%	6,033	5,893	2.4%
Imports of Goods	3,327	4,088	-18.6%	3,523	-5.6%	11,032	14,275	-22.7%
Trade Balance in Goods	(1,416)	(2,283)	-38.0%	(1,629)	-13.1%	(4,999)	(8,382)	-40.4%
Trade Balance in Services	(184)	(245)	-24.9%	(535)	-65.6%	(1,203)	(1,076)	11.8%
Primary Income Balance	(562)	(372)	51.1%	(305)	84.4%	(1,483)	(1,121)	32.3%
Secondary Income Balance	1,903	1,622	17.3%	1,859	2.4%	6,138	6,292	-2.5%
Worker's Remittances	1,748	1,486	17.6%	1,691	3.4%	5,478	5,557	-1.4%
C/A Balance (% of GDP)	-1.11%	-4.87%		-2.70%		-2.24%	-5.53%	
SBP FX Reserves	7,937	8,409	-5.6%	8,280	-4.1%	7,937	8,409	-5.6%

Source: SBP & WE Research

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Potential to target price	
Buy Upside	More than +10% from last closing price
HOLD	In between -10% and +10% from last closing price
SELL	Less than -10% from last closing price

Equity Valuation Methodology

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

- 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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- Market Risk
- Interest Rate Risk
- Exchange rate risk

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