

DEC 20, 2019

- **Current Account Deficit (CAD) declined by 73%YoY to clock in at USD 319mn (-1.4% of GDP) during Nov'19.**
- **This massive decline can be attributed to significant contraction in trade deficit (down by 33%YoY/6%MoM)**
- **Cumulatively, in 4MFY20 CAD declined by 73%YoY to USD 1,821mn (-1.6% of GDP) as compared to USD 6,733mn (-5.3% of GDP) in SPLY.**

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

During Nov'19, CAD arrived at USD 319mn (-1.4% of GDP) vs 1,166mn (-4.9% of GDP), down by 73%YoY SPLY. It takes 4MFY20 CAD to USD 1,821mn (-1.6% GDP) compared to USD 6,733mn (-5.3%of GDP) SPLY, declined by 73%YoY.

For Nov'19, the contraction in CAD led by 33%YoY/7%MoM decline in trade deficit wherein imports plunged by 13%YoY and impressive growth of 11%YoY in exports witnessed. Moreover, the 9%YoY 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 7 months of FY20.

USDmn	Nov'19	Nov'18	YoY	Oct'19	MoM	5MFY20	5MFY19	YoY
C/A Balance	(319)	(1,166)	-72.6%	70	NM	(1,821)	(6,733)	-72.9%
Exports of Goods	2,110	1,897	11.2%	2,189	-3.6%	10,309	9,850	4.7%
Imports of Goods	3,648	4,202	-13.2%	3,632	0.4%	18,311	23,218	-21.1%
Trade Balance in Goods	(1,538)	(2,305)	-33.3%	(1,443)	6.6%	(8,002)	(13,368)	-40.1%
Trade Balance in Services	(250)	(367)	-31.9%	(168)	48.8%	(1,203)	(1,734)	-6.6%
Primary Income Balance	(588)	(467)	25.9%	(588)	0.0%	(2,526)	(2,097)	20.5%
Secondary Income Balance	1,922	1,973	-2.6%	2,269	-15.3%	10,326	10,466	-1.3%
Worker's Remittances	1,820	1,664	9.4%	2,001	-9.0%	9,299	9,281	0.2%
C/A Balance (% of GDP)	-1.4%	-4.9%		-1.20%		-1.6%	-5.3%	
SBP FX Reserves	9,112	7,502	21.5%	8,241	10.6%	9,112	7,502	21.5%

Source: SBP & WE Research

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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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- Interest Rate Risk
- Exchange rate risk

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