

Review on Balance of Payments FY14

Pakistan's balance of payments showed a deficit of \$3,130 million in current account balance during FY14 as against of \$2,496 million during FY13. The increase of \$634 million in current account deficit was contributed by an increase \$1,235 million in trade in goods, \$1,086 million in trade in services mainly due to less receipts of \$1,032 million under government services.

Income account deficit widened to \$3,955 million from \$3,669 million in the previous year reflecting an increase of 7.8 percent. The huge deficit amount was offset by an increase in surplus of \$1,973 million under secondary income. Compensated by an amount of \$1,857 million received in capital account, the net borrowing during FY14 was \$1,273 million. The financial account showed a net inflow of \$5,553 million during FY14 with an increase of \$5,004 million over the previous year.

Items	Million US\$					
	FY14				FY14	FY13
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
Current Account Balance	-1,315	-688	-689	-438	-3,130	-2,496
Trade Balance (Goods)	-4,384	-4,266	-3,830	-4,110	-16,590	-15,355
Exports	6,257	6,210	6,279	6,332	25,078	24,802
Imports	10,641	10,476	10,109	10,442	41,668	40,157
Services (Net)	-908	-600	-620	-522	-2,650	-1,564
Primary Income (Net)	-821	-1,185	-860	-1,089	-3,955	-3,669
Secondary Income (Net)	4,798	5,363	4,621	5,283	20,065	18,092
Capital Account (Net)	45	118	1,603	91	1,857	264
Net lending (+)/Borrowing (-)	-1,270	-570	914	-347	-1,273	-2,232
Financial Account (Net)	-489	241	-1,072	-4,233	-5,553	-549
Errors and Omissions (Net)	-410	106	-338	220	-422	-309
Overall Balance	1,191	705	-1,648	-4,106	-3,858	1,992
Reserves and Related Items	-1,191	-705	1,648	4,106	3,858	-1,992

Merchandise Trade

Exports fetched \$25,078 million during FY14, increased by \$276 million (1.1%) from \$24,802 million during the previous year. Imports increased by \$1,511 million (3.8%) from \$40,157 million to \$41,668 million in FY14.

The general merchandise transactions reported through banks (export receipts) on a mixed f.o.b and c&f basis amounted to \$24,874 million as compared to \$24,789 million during previous fiscal year. The general merchandise exports at f.o.b

Items	Million US\$					
	FY14				FY14	FY13
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
Trade Balance	-4,384	-4,266	-3,830	-4,110	-16,590	-15,355
Exports (I+II)	6,257	6,210	6,279	6,332	25,078	24,802
I. General Merchandise Exports (f.o.b.)	6,216	6,156	6,225	6,277	24,874	24,789
(a) Exchange Record	6,118	6,011	6,183	6,536	24,848	23,693
(b) Goods Procured in Ports by Carriers	38	49	49	53	189	207
(c) Timing Adjustment	-77	56	-4	-76	-101	401
(d) Coverage Adjustment	175	89	47	-184	126	488
II. Merchanting	3	5	4	3	15	13
Imports	10,641	10,476	10,109	10,442	41,668	40,157
(a) Exchange Record	10,750	10,377	10,207	10,454	41,788	39,321
(b) Less Freight (6%)	645	623	612	627	2,507	2,359
(c) Goods Procured in Ports by Carriers	70	67	71	70	278	288
(d) Personal Baggage, NRI & Duty Free Shops	34	31	29	35	128	267
(e) Foreign Economic Assistance	242	239	221	262	965	1,525
(f) Others	190	384	193	248	1,016	1,116

are arrived at by deducting freight, adding goods procured in ports by carriers of \$189 million, negative outstanding export bills of \$101 million (timing adjustments) and other exports of \$126 million not covered through banking channel.

The general merchandise (imports) showed an increase of \$1,511 million over of the previous year. Of the total imports payments against general merchandise (f.o.b), \$41,668 million were reported by banks while

those under goods procured in ports by carriers, NRI, sale of duty free shops, personal baggage and foreign economic assistance and others taken together amounted to \$2,387 million.

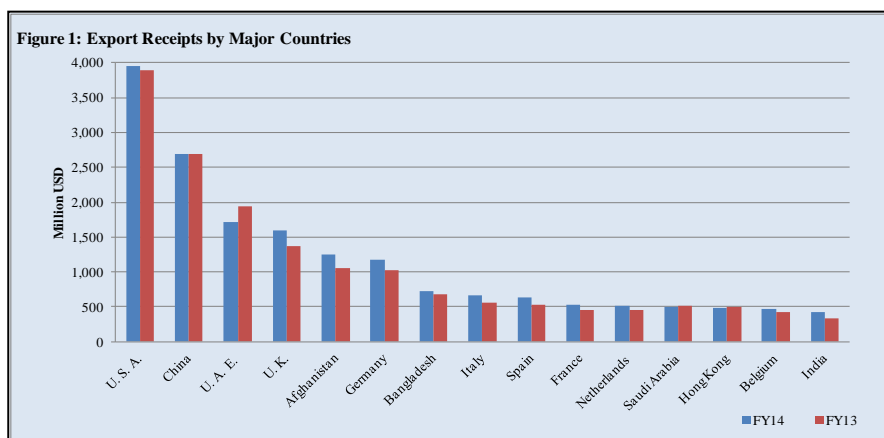
Export receipts during FY14 by commodity groups are shown in descending order in Table 3 along with the corresponding period.

The commodity-wise analysis of export receipts revealed that exports remained concentrated in textiles and textile articles as they earned \$13,790 million i.e. 55.5 percent of total exports receipts in the current year. Vegetable products shared 11.8 percent of the total export receipts. Same groups earned \$12,963 million and \$2,805 million respectively of overall exports in the previous year.

Commodity Group	FY14				FY14	FY13
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
Textiles and Textile Articles	3,492	3,448	3,347	3,504	13,790	12,963
Vegetable Products	602	657	881	801	2,940	2,805
Mineral Products	472	372	383	517	1,744	1,492
Raw Hide and Skins, Leather, Fur skins and Articles thereof	308	326	315	335	1,284	1,168
Prepared Foodstuffs; Beverages, Spirits, Vinegar and Tobacco	236	189	314	311	1,050	1,273
Live Animals and Animals Products	159	181	165	209	714	615
Base Metals and Articles or Base Metal	153	185	132	138	608	627
Miscellaneous Manufactured Articles	128	129	152	156	565	465
Plastics and Articles thereof; Rubber and Articles thereof	128	112	116	127	482	519
Products of Chemical or Allied Industries	110	107	92	122	431	412
Optical, Photographic, Cinematographer, Measuring, Checking, Precision	96	95	91	99	381	332
Machinery and Mechanical Appliances	52	56	47	72	227	240
Pulp of Wood or of other Fibrous Cellulosic Material	26	35	40	22	123	74
Footwear, Headgear, Umbrellas, Walking Sticks etc.	29	25	32	32	118	98
Animal or Vegetable Fats, Oils and Waxes	28	32	17	27	104	133
Articles of Stone, Plaster, Cement, Asbestos, Mica or similar Materials	21	23	20	23	87	80
Natural or Cultured Pearls, Precious or Semi Precious Stones, Metals	49	6	10	10	74	260
Vehicles, Aircraft, Vessels and Associated Transport Equipment	20	19	17	15	71	78
Wood and Articles of Wood	10	12	8	13	43	40
Arms and Ammunition, Parts and Accessories thereof	1	2	4	2	9	14
Works of Arts, Collectors, Pieces, Antiques and Special Transactions NES	0	1	1	1	3	3
Total	6,118	6,011	6,183	6,536	24,848	23,693

Country-wise comparison of export receipts by major countries during FY14 along with FY13 is shown in Figure 1. USA, China, UAE, UK, Afghanistan and Germany remained major destinations of country's exports.

It has been observed that 50 percent of total exports were destined for these countries.

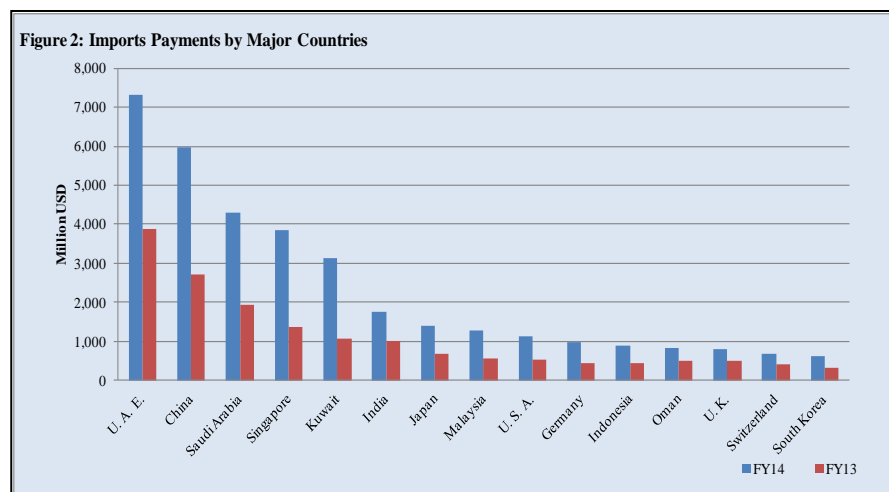


Import payments during FY14 by commodity groups are shown in descending order in Table 4 along with the corresponding period.

A total of \$15,446 million, 37 percent of total import payments were made for minerals products. Import payments for products of chemical or allied industries captured 12.5 percent of the total import payments. Machinery & mechanical appliances increased by \$933 million and captured 11.4 percent of the total import payments. There is a significant increase in import payments during FY14 as compared to previous year.

Commodity Group	FY14				FY14	FY13
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
Mineral Products	4,217	3,915	3,617	3,697	15,446	14,725
Products of Chemical or Allied Industries	1,246	1,425	1,302	1,248	5,220	4,826
Machinery and Mechanical Appliances	1,182	1,181	1,194	1,223	4,779	3,846
Base Metals and Articles or Base Metal	713	595	637	755	2,699	2,442
Textiles and Textile Articles	501	500	755	576	2,333	2,612
Animal or Vegetable Fats, Oils and Waxes	529	532	483	589	2,133	2,023
Plastics and Articles thereof; Rubber and Articles thereof	539	484	535	536	2,094	1,937
Vegetable Products	503	406	429	366	1,703	1,601
Vehicles, Aircraft, Vessels and Associated Transport Equipment	490	378	360	472	1,699	1,741
Works of Arts, Collectors, Pieces, Antiques and Special Transactions NES	177	302	251	307	1,037	1,303
Prepared Foodstuffs; Beverages, Spirits, Vinegar and Tobacco	127	142	197	205	672	591
Pulp of Wood or of other Fibrous Cellulosic Material	159	140	158	176	632	591
Optical, Photographic, Cinematographer, Measuring, Checking, Precision	179	139	103	111	532	390
Miscellaneous Manufactured Articles	47	38	43	45	173	125
Articles of Stone, Plaster, Cement, Asbestos, Mica or similar Materials	41	33	42	38	155	137
Live Animals and Animals Products	33	50	36	33	152	173
Raw Hide and Skins, Leather, Fur skins and Articles thereof	23	78	20	25	145	80
Wood and Articles of Wood	24	24	29	29	107	109
Footwear, Headgear, Umbrellas, Walking Sticks etc.	19	8	10	16	53	42
Arms and Ammunition, Parts and Accessories thereof	2	4	4	8	18	21
Natural or Cultured Pearls, Precious or Semi Precious Stones, Metals	0	1	1	1	4	4
Total	10,750	10,377	10,207	10,454	41,788	39,321

The country-wise comparison of import payments including freight to major countries during FY14 with corresponding year is shown in Figure 2. Major chunk of payments i.e. \$24,538 million (59 percent) were made to UAE, China, Saudi Arabia, Singapore and Kuwait in FY14. The order of the percentage share of these countries remained unchanged during FY14 as compared to FY13.



Services

The deficit in trade in services account increased significantly by \$1,086 million (69%) from \$1,564 million in FY13 to \$ 2,650 million in FY14. This notable increase is due to reduction in receipts of \$756 million of CSF during the period as compared with the corresponding period.

The aggregate receipts of services transactions during FY14 rose to \$5,345 million, with decrease of \$1,379 million (20.5%) as compared to previous year. A decrease of \$293 million (3.5%) in aggregate payments of services was observed during FY14. Government services, transportation and other business services, telecommunications, computer, and information services accounted for 90% of total receipts i.e. \$4,808 million. Transportation, travel and other business services consumed 81% of services payments.

Table 5: Services							Million US\$
Items	FY14			FY13			
	Credit	Debit	Net	Credit	Debit	Net	
Services	5,345	7,995	-2,650	6,724	8,288	-1,564	
1. Manufacturing Services on Physical Inputs owned by Others	0	0	0	0	0	0	
2. Maintenance and Repair Services n.i.e.	6	101	-95	6	69	-63	
3. Transport	1,315	3,874	-2,559	1,269	3,297	-2,028	
4. Travel	286	1,073	-787	298	1,233	-935	
5. Construction	30	41	-11	29	10	19	
6. Insurance and Pension Services	89	224	-135	42	260	-218	
7. Financial Services	104	203	-99	57	136	-79	
8. Charges for the use of Intellectual Property n.i.e.	13	157	-144	5	142	-137	
9. Telecommunications, Computer, and Information Services	817	348	469	803	403	400	
10. Other Business Services	771	1,512	-741	781	1,788	-1,007	
11. Personal, Cultural, and Recreational Services	9	7	2	6	4	2	
12. Government Goods and Services n.i.e.	1,905	455	1,450	3,428	946	2,482	

Primary Income

The primary income deficit of \$3,669 million in FY13 increased by \$286 million (7.8%) to reaches \$3,955 million during FY14. Net inflow of compensation of employees increased from \$24 million to \$34 million in the current year as compared with the previous year.

Table 6: Primary Income							Million US\$
Items	FY14			FY13			
	Credit	Debit	Net	Credit	Debit	Net	
Primary Income	508	4,463	-3,955	488	4,157	-3,669	
1. Compensation of Employees	34	0	34	31	7	24	
2. Investment Income	474	4,463	-3,989	457	4,150	-3,693	
2.1. Direct Investment	15	2,932	-2,917	27	2,714	-2,687	
2.2. Portfolio Investment	158	461	-303	223	537	-314	
2.3. Other Investment	289	1,070	-781	192	899	-707	
2.4. Reserve Assets	12	n.a.	12	15	n.a.	15	
3. Other Primary Income	0	0	0	0	0	0	

The net outflow of direct investment income widened to \$2,917 million during FY14 as compared to \$2,687 million in the last year. Portfolio investment income and other investment income posted net outflows of \$303 million and \$781 million respectively during FY14.

Secondary Income

Secondary income account remained affluent with \$20,065 million during FY14, up by \$1,973 million (10.9%) from \$18,092 million in FY13. Pakistani expatriates, during FY14, sent approximately \$15,837 million, highest repatriation of all times in a fiscal year. Current transfers payments of \$46 million and \$111 million were made by general government and other sectors respectively.

Table 7: Secondary Income							Million US\$
Items	FY14				FY14	FY13	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun			
Secondary Income (Net)	4,798	5,363	4,621	5,283	20,065	18,092	
Secondary Income Receipts	4,818	5,379	4,655	5,370	20,222	18,183	
General Government	91	100	38	151	380	412	
Budgetary Grants	55	73	1	14	143	120	
Others	36	27	37	137	237	292	
Other Sectors	4,727	5,279	4,617	5,219	19,842	17,771	
Workers Remittances	3,929	3,863	3,794	4,251	15,837	13,922	
Residents FCAs	126	315	170	283	894	564	
Others	672	1,101	653	685	3,111	3,285	
Secondary Income Payments	20	16	34	87	157	91	
General Government	4	3	13	26	46	10	
Other Sectors	16	13	21	61	111	81	

Financial Account

The financial account recorded a deficit of \$5,553 million during FY14 as against \$549 million during previous year.

The inflow of foreign direct investment in Pakistan increased by \$244 million (16.7%) stood at \$1,700 million against \$1,456 million during the same period last year while the foreign direct investment abroad reflected \$128 million as against \$198 million during previous year.

A net inflow of \$2,739 million was recorded in portfolio investment in Pakistan including the euro bonds of \$2,000 million during FY14 as compared to net inflow of \$125 million in the corresponding last year while the foreign portfolio investment abroad reflected decrease of \$23 million as against increase of \$99 million during previous year. Other investment liabilities increased by \$1010 million and assets decreased by \$211 million during FY14.

Table 8: Financial Account (Net)					Million US\$	
Items	FY14				FY14	FY13
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
Financial Account	-489	241	-1,072	-4,233	-5,553	-549
1. Direct Investment	-160	-224	-268	-920	-1,572	-1,258
Direct Investment Abroad	80	-18	27	39	128	198
Dir. Invest. in Rep. Econ.	240	206	295	959	1,700	1,456
2. Portfolio Investment	-107	2	-20	-2,637	-2,762	-26
Assets	1	-28	1	3	-23	99
Liabilities	108	-30	21	2,640	2,739	125
3. Financial derivatives and employee stock options	0	2	0	0	2	0
4. Other Investment	-222	461	-784	-676	-1,221	735
Assets	-235	175	-262	111	-211	314
Liabilities	-13	-286	522	787	1,010	-421

Disbursement and Repayment of Loans

The inflow of foreign loans was \$6,509 million in FY14 as compared to \$2,939 million in the previous year. Of the total disbursement of long-term loans of \$3,617 million, \$1,935 million were for financing of various projects while \$1,682 million for non-project loans of the general government. Inflow of short term loans stood at \$807 million as against \$441 million a year ago.

Table 8: Loan Disbursements		Million US\$	
		FY14	FY13
Utilization of Foreign Loans		6,509	2,939
I) Long-term		5,702	2,498
Monetaries Authorities		1,657	-
Government		3,617	2,274
a) Project Loans		1,935	2,136
b) Non-project Loans		1,682	138
Banks		5	-
Other Sector		423	224
II) Short-term		807	441
Government		732	256
Other Sector		75	185

Table 9: Loan Repayments		Million US\$	
		FY14	FY13
Repayment of Foreign Loans		5,989	5,454
I) Long-term		5,515	4,948
Monetary Authorities		2,230	2,538
Government		2,734	1,891
Banks		50	16
Other Sector		501	503
II) Short-term		474	506
Government		-	391
Other Sector		474	115

The repayment of loans reached \$5,989 million during the current year as against \$5,454 million in the previous year. A payment of \$5,515 million was made against long term loans, of which \$2,734 million payments made by general government including \$900 million to IMF against Stand-by Arrangements (SBA). The repayment of short-term loans increased to \$474 million during FY14 as against \$506 million in FY13.

Reserves and related items

Reserve assets increased by \$3,285 million during FY14 contrary to decrease of \$4,530 million in the preceding year. Use of fund credit repurchases/ repayments in current year decreased to \$2,230 million from \$2,538 million.

Quarter-wise breakup of repurchases/repayments is \$26 million (SDR 17.23 million), \$84

million (SDR 54.35 million), \$84 million (SDR 54.35 million) and \$57 million (SDR 37.12 million) on account of ECF and ENDA in the current year. An amount of \$1,979 million was paid against Standby Arrangements by monetary authority from the total of \$3,130 million (SDR 1,880.10 million).

Table 10: Reserves					Million US\$	
Items	FY14				FY14	FY13
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
Reserves and Related Items	-1,191	-705	1,648	4,106	3,858	-1,992
1.1 Reserve Assets	-1,319	-1,049	1,918	3,735	3,285	-4,530
1.2 Use of Fund Credit	-128	-344	270	-371	-573	-2,538
i) Purchases/Drawings	547	554	556	0	1,657	0
ii) Repurchases/Repayments	675	898	286	371	2,230	2,538
ECF	26	84	84	57	251	184
SBA	649	814	202	314	1,979	2,354
1.3 Exceptional Financing	-	-	-	-	-	-

Summary Balance of

ITEM	2013		2014		Jul - Jun	
	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	2013-14	2012-13
Current account balance	-1,315	-688	-689	-438	-3,130	-2,496
Current account balance without official transfers	-1,402	-785	-714	-563	-3,464	-2,898
Exports of goods FOB	6,257	6,210	6,279	6,332	25,078	24,802
Imports of goods FOB	10,641	10,476	10,109	10,442	41,668	40,157
Balance on trade in goods	-4,384	-4,266	-3,830	-4,110	-16,590	-15,355
Exports of services	995	1,440	1,396	1,514	5,345	6,724
Imports of services	1,903	2,040	2,016	2,036	7,995	8,288
Balance on trade in services	-908	-600	-620	-522	-2,650	-1,564
Balance on trade in goods and services	-5,292	-4,866	-4,450	-4,632	-19,240	-16,919
Primary income credit	150	117	124	117	508	488
Primary income debit	971	1,302	984	1,206	4,463	4,157
Balance on primary income	-821	-1,185	-860	-1,089	-3,955	-3,669
Balance on goods, services and primary income	-6,113	-6,051	-5,310	-5,721	-23,195	-20,588
Secondary income credit	4,818	5,379	4,655	5,370	20,222	18,183
General government	91	100	38	151	380	412
Current international cooperation	55	73	1	14	143	120
Other official current transfers	36	27	37	137	237	292
Financial corporations, NFC*, households and NPISHs	4,727	5,279	4,617	5,219	19,842	17,771
Workers' remittances	3,929	3,863	3,794	4,251	15,837	13,922
Other personal transfers	0	0	0	0	0	0
Other current transfers	798	1,416	823	968	4,005	3,849
Secondary income debit	20	16	34	87	157	91
Balance on secondary income	4,798	5,363	4,621	5,283	20,065	18,092
Capital account balance	45	118	1,603	91	1,857	264
Capital account credit	45	118	1,603	91	1,857	266
Capital account debit	0	0	0	0	0	2
Net lending (+) / net borrowing (-)	-1,270	-570	914	-347	-1,273	-2,232
Financial account	-489	241	-1,072	-4,233	-5,553	-549
Direct investment	-160	-224	-268	-920	-1,572	-1,258
Direct investment abroad	80	-18	27	39	128	198
Equity and investment fund shares**	80	-18	27	39	128	193
Debt instruments	0	0	0	0	0	5
Direct investment in Pakistan	240	206	295	959	1,700	1,456
Equity and investment fund shares**	240	257	279	310	1,086	1,711
Debt instruments	0	-51	16	649	614	-255
Portfolio investment	-107	2	-20	-2,637	-2,762	-26

Payments – Overall

(Million US Dollars)

ITEM	2013		2014		Jul – Jun	
	Jul – Sep	Oct – Dec	Jan – Mar	Apr – Jun	2013-14	2012-13
Portfolio investment abroad	1	-28	1	3	-23	99
Equity and investment fund shares	1	-2	-1	1	-1	139
Debt securities	0	-26	2	2	-22	-40
Portfolio investment in Pakistan	108	-30	21	2,640	2,739	125
Equity and investment fund shares	39	82	27	587	735	120
Debt securities	69	-112	-6	2,053	2,004	5
Financial derivatives and employee stock options	0	2	0	0	2	0
Other Investment	-222	461	-784	-676	-1,221	735
Net acquisition of financial assets	-235	175	-262	111	-211	314
Central Bank	0	0	0	0	0	0
Deposit-taking corporations	-212	298	-195	101	-8	126
General Government	-2	1	-1	-3	-5	2
Other Sector	-21	-124	-66	13	-198	186
Net incurrence of liabilities	-13	-286	522	787	1,010	-421
Central Bank	245	1	0	-100	146	710
Deposit-taking corporations	19	-129	422	-605	-293	-1,117
General Government	-185	158	32	1,605	1,610	248
Disbursements	591	750	670	2,338	4,349	2,530
Credit and loans with the IMF	0	0	0	0	0	0
Other Long-term	458	513	447	2,199	3,617	2,274
Short-term	133	237	223	139	732	256
Amortization	776	592	638	728	2,734	2,282
Credit and loans with the IMF	180	239	240	241	900	361
Other Long-term	596	353	398	487	1,834	1,530
Short-term	0	0	0	0	0	391
Other Liabilities (net)	0	0	0	-5	-5	0
Other Sector	-92	-316	68	-113	-453	-262
Disbursements	89	123	218	68	498	409
Amortization	174	479	168	154	975	618
Other Liabilities (net)	-7	40	18	-27	24	-53
Net Errors and Omissions	-410	106	-338	220	-422	-309
Overall Balance	1,191	705	-1,648	-4,106	-3,858	1,992
Reserves and Related Items	-1,191	-705	1,648	4,106	3,858	-1,992
Reserve Assets	-1,319	-1,049	1,918	3,735	3,285	-4,530
Use of Fund Credit and Loans	-128	-344	270	-371	-573	-2,538
Exceptional Financing	0	0	0	0	0	0
SBP Reserves	128	344	-270	371	573	2,538

