

Review of Pakistan's Balance of Payments July 2008 - June 2009

Pakistan's balance of payments showed a deficit of \$9,261 million in its current account balance during 2008-09 as against a deficit of \$13,874 million during 2007-08. There has been a significant decline of \$4,613 million in current account deficit contributed by a decrease of \$2,343 million in trade deficit, mainly due to reduction of \$3,650 million in import payments. A significant decline of \$3,076 million is also observed in services deficit, however, an increase of \$484 million is recorded in income deficit.

The capital and financial accounts showed a net inflow of \$6,087 million reflecting a decrease of \$2,165 million over the previous year. There has been a decrease of \$2,309 million in overall deficit balance as compared with previous year. On quarterly basis, the overall balance registered deficits of \$3,091 million, \$1,663 million in first and second quarter while surpluses of \$764 million and \$934 million were witnessed in third and fourth quarter of FY09.

Merchandise Trade

During 2008-09 exports and imports of goods (general merchandise, repairs of goods and goods procured in ports by carriers) were \$19,121 million and \$31,747 million respectively while the same were \$20,427 million and \$35,397 million in 2007-08. During current financial year, the trade deficit narrowed by \$2,343 million to reach \$12,627 million as compared

(Million US\$)

ITEM	2008-09 (QUARTERLY)				ANNUAL	
	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	2008-09	2007-08
Current Account Balance	-4,213	-3,625	-545	-878	-9,261	-13,874
Trade balance (Goods)	-4,519	-3,698	-2,045	-2,366	-12,627	-14,970
Exports f.o.b.	5,711	4,379	4,231	4,800	19,121	20,427
Imports f.o.b.	10,229	8,077	6,276	7,165	31,747	35,397
Services (net)	-1,259	-1,080	-612	-430	-3,381	-6,457
Income (net)	-1,125	-1,260	-967	-1,055	-4,407	-3,923
Current transfers (net)	2,690	2,413	3,079	2,972	11,154	11,476
General govt.	74	12	48	29	163	428
Other sectors	2,616	2,401	3,031	2,943	10,991	11,048
Capital account (net)	28	44	66	317	455	121
Financial account (net)	1,331	1,692	1,260	1,349	5,632	8,131
Errors and Omissions (net)	-238	226	-17	146	118	257
Overall balance	-3,091	-1,663	764	934	-3,056	-5,365
<i>Reserves and related items</i>	<i>3,091</i>	<i>1,663</i>	<i>-764</i>	<i>-934</i>	<i>3,056</i>	<i>5,365</i>
Reserves assets	3,227	-1,429	-730	-1,703	-635	5,538
Use of Fund Credits & Loans	-36	2,992	-34	769	3,691	-173
Exceptional financing	-100	100	0	0	0	0

(Million US\$)

ITEM	2008-09 (QUARTERLY)				ANNUAL	
	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	2008-09	2007-08
Trade Balance	-4,518	-3,698	-2,045	-2,366	-12,627	-14,970
Exports (I+II+III)	5,711	4,379	4,231	4,799	19,121	20,427
I. General merchandise exports (f.o.b.)	5,633	4,329	4,198	4,759	18,918	20,207
(a) Exchange record	5,226	4,039	4,035	4,101	17,401	18,123
i) F.o.b. & c.f. basis	5,342	4,264	4,121	4,160	17,887	18,483
ii) Freight adjustment	-117	-225	-86	-58	-486	-360
(b) Timing adjustment	-122	-147	-256	207	-318	577
(c) Coverage adjustment	529	438	419	451	1,836	1,507
II. Repairs of goods	0	2	2	2	7	2
III. Goods procured in ports by carriers	79	48	31	38	196	218
Imports (I+II+III)	10,229	8,077	6,276	7,165	31,747	35,397
I. General merchandise imports (f.o.b.)	10,124	7,964	6,215	7,107	31,410	35,027
(a) Exchange record	9,878	7,333	5,669	6,564	29,444	32,835
(b) Personal baggage, NRI & duty free shops	14	10	11	11	46	115
(c) Foreign economic assistance	173	570	506	503	1,752	1,638
(d) Others	59	50	29	30	168	439
II. Repairs of goods	11	31	14	26	82	115
III. Goods procured in ports by carriers	94	82	47	32	255	255

during the preceding financial

year. A decrease of \$3,650 million or 10.3 per cent in imports contributed significantly in narrowing trade gap.

The general merchandise transactions reported through banks (export receipts) on a mixed f.o.b and c&f basis amounted to \$17,887 million as compared to \$18,483 million during last fiscal year. The general merchandise exports at a uniform f.o.b are arrived at by deducting freight amounting to \$486 million, adding timing adjustments (outstanding export bills) of - \$318 million and other exports of \$1,836 million not covered through banking channel in 2008-09.

Major commodities groups constituting 88 per cent of total export receipts during FY09 in descending order except others group are shown in table along with export receipts during FY08.

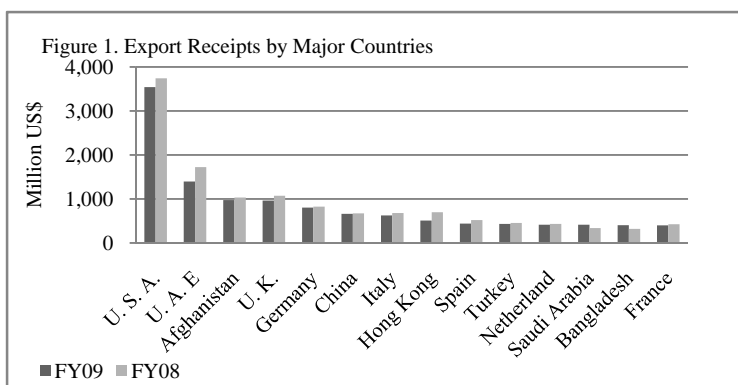
The commodity-wise analysis of export receipts revealed that cotton, clothing & textile and the cereal group maintained their status of earning higher foreign exchange for the country in FY09 as they did in FY08. The former group fetched \$8,876 million or 49.6 per cent of total export receipts during the current year and the later contributed an amount of \$1,785 or 9.9 per cent of total export receipts to the country's exchequer.

The country-wise comparison of export receipts by major countries during 2008-09 with 2007-08 is exhibited in Figure 1.

Country-wise pattern of export receipts showed that USA and UAE remained prominent trade partners in terms of exports receipts contributing to amounts of \$3,540 million and \$1,398 million respectively during FY09. However, Afghanistan replaced UK to become third important trade partner in terms of buying goods worth \$976 million from Pakistan as UK ordered goods valued \$964 million.

(Million US\$)

COMMODITY	2008-09 (QUARTERLY)				ANNUAL	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	2008-09	2007-08
Cotton, clothing & textile group:	2,495	2,254	2,076	2,051	8,876	9,232
Cotton	907	871	771	740	3,289	3,505
Other Made-up Textile Articles; Sets, Worn Clothin	691	648	600	608	2,547	2,388
Articles of Apparel & Clothing Accessories Knit/Cr	630	497	478	470	2,075	2,147
Articles of Apparel/Clothing Acces not Knited /Cro	267	238	227	233	965	1,192
Cereals	585	374	397	429	1,785	1,597
Mineral Fuels, Oils and Their Distillation Product	405	194	192	192	983	1,331
Salt, Sulfur, Earth's and Stones, Lime and Stone	183	163	156	158	660	393
Raw Hides, Skins and Leather other than Fur skins	154	122	102	103	483	566
Articles of Leather, Travel Goods and Handbags etc	127	108	100	82	416	418
Man-Made Staple Fibers	124	99	93	81	397	387
Toys, Games and Sports Requisites; Parts & Acces.	91	64	69	80	304	341
Plastics and Articles thereof	84	67	71	77	299	269
Optical, Photographic, Measuring and Medical Inst.	71	59	66	72	268	261
Special Woven Fabrics, Tufted Textiles Fabrics, Lace	74	49	45	62	230	332
Fish and Crustaceans	29	48	51	52	180	167
Carpets and other Textile Floor Coverings	51	43	40	35	170	241
Edible Fruits and Nuts	43	30	55	34	161	170
Nuclear Reactors, Boilers, Machinery and Appliance	47	26	28	58	159	133
Sugars and Sugar Confectionery	57	32	41	27	157	168
Beverages, Spirits and Vinegar	52	34	29	29	144	135
All Others	670	498	509	538	2,214	2,341
Grand Total	5,342	4,264	4,121	4,160	17,887	18,483



(Million US\$)

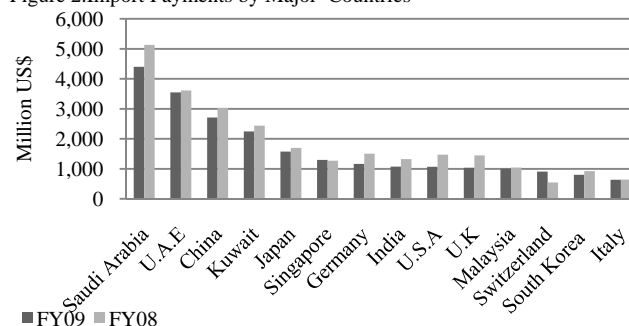
The general merchandise (imports) recorded a fall of \$3,650 million or 10.3 per cent over the previous year. Of the total imports payments against general merchandise (f.o.b), \$29,444 million or 93.7 per cent were reported by banks while those under foreign economic assistance, personal baggage & NRI, sale of duty free shops and others taken together amounted to \$1,966 million or 6.3 per cent.

Major commodities groups constituting 89 per cent of total import payments reported by banks during 2008-09 in descending order except other groups are shown in table together with import payments during 2007-08.

Country-wise analysis showed that 41 per cent of total imports payments were made to a group of countries including Saudi Arabia, UAE, China and Kuwait in FY 09. The country-wise comparison of import payments of major countries including freight during 2008-09 with 2007-08 is exhibited in the Figure 2.

COMMODITY	2008-09 (QUARTERLY)				ANNUAL	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	2008-09	2007-08
Mineral Fuels, Oils and Their Distillation Product	4,542	2,702	1,491	2,029	10,763	11,155
Nuclear Reactors, Boilers, Machinery and Appliance	749	717	613	540	2,620	2,822
Electrical Machinery & Equipment and Parts thereof	500	615	428	500	2,044	2,655
Organic Chemicals	513	382	296	366	1,557	1,687
Animal or Vegetable Fats, Oils & Cleavage Products	554	309	332	282	1,477	1,686
Iron and Steel	344	310	294	479	1,428	1,520
Plastics and Articles thereof	358	253	242	238	1,091	1,238
Cereals	243	458	159	89	949	636
Special Classification Provisions	218	136	219	351	924	1,202
Vehicles other than Railway /Tramway Rolling Stock	278	200	139	134	751	1,134
Cotton	171	182	84	209	646	1,139
Organic or Inorganic Compounds of Precious Metals	190	201	103	76	569	326
Fertilizers	152	56	141	102	451	720
Optical, Photographic, Measuring and Medical Inst.	106	108	97	95	407	451
Miscellaneous Chemical Products	98	103	95	109	404	396
Oil Seeds and Oleaginous Fruit	99	33	75	161	368	489
Paper and Paperboard, Articles of Paper Pulp	95	67	66	96	323	410
Man-Made Staple Fibers	97	67	59	93	316	286
Edible Vegetables	54	43	98	92	286	231
Pharmaceutical Products	83	78	58	56	275	240
All Others	1,015	809	874	866	3,564	3,670
Grand Total	10,458	7,830	5,963	6,963	31,213	34,090

Figure 2.Import Payments by Major Countries



(Million US\$)

Services

The deficit in services account decreased by \$3,076 million from \$6,457 million in 2007-08 to \$3,381 million in 2008-09. The aggregate receipts of services transactions during 2008-09 increased by \$517 million or 14.4 percent to \$4,106 million from \$3,589 million during 2007-08 and aggregate payments went down by \$2,559 million or 25.5 per cent to \$7,487 million from \$10,046 million during 2007-08.

ITEM	2008-09			2007-08		
	Credit	Debit	Net	Credit	Debit	Net
Services	4,106	7,487	-3,381	3,589	10,046	-6,457
1. Transportation	1,231	3,633	-2,402	1,035	3,785	-2,750
1.1 Passenger	653	545	108	631	532	99
1.2 Freight	126	2,626	-2,500	131	2,959	-2,828
1.3 Other	452	462	-10	273	294	-21
2. Travel	314	1,002	-688	264	1,578	-1,314
2.1 Business	14	22	-8	20	38	-18
2.2 Personal	300	980	-680	244	1,540	-1,296
3. Communications services	196	144	52	117	107	10
4. Construction services	31	70	-39	37	56	-19
5. Insurance services	59	133	-74	54	152	-98
6. Financial services	63	166	-103	43	184	-141
7. Computer and information services	184	122	62	154	129	25
8. Royalties and license fees	11	93	-82	51	130	-79
9. Other business services	493	1,648	-1,155	450	3,432	-2,982
10. Personal, cultural, and recreational services	1	3	-2	4	2	2
11. Government services.	1,523	473	1,050	1,380	491	889

The higher receipts were recorded under government services, transportation services and other business services. The higher payments were, however, made against transportation, other business and travel services.

(Million US \$)

Income

The income deficit of \$4,407 million in 2008-09 increased by \$484 million as compared to \$3,923 million during 2007-08. The net outflow of direct investment income rose to \$3,153 million during 2008-09 as compared with \$3,065 million during 2007-08. Also net outflow of portfolio investment income and other investment income increased by \$77 million & \$323 million respectively during 2008-09 over 2007-08.

ITEM	2008-09			2007-08		
	Credit	Debit	Net	Credit	Debit	Net
Income	874	5,281	-4,407	1,613	5,536	-3,923
1. Compensation of employees	16	2	14	10	0	10
2. Investment income	858	5,279	-4421	1,603	5,536	-3,933
2.1 Direct investment	39	3,192	-3153	47	3,112	-3,065
2.1.1 Income on equity	39	3,192	-3153	47	3,112	-3,065
2.1.2 Income on debt (interest)	0	0	0	0	0	0
2.2 Portfolio investment	597	998	-401	889	1,213	-324
2.2.1 Income on equity (dividends)	3	174	-171	19	249	-230
2.2.2 Income on debt (interest)	594	824	-230	870	964	-94
2.3 Other investment	222	1,089	-867	667	1,211	-544
2.3.1. IMF charges	0	52	-52	0	18	-18
2.3.2. Interest on External debt	0	663	-663	0	741	-741
2.3.2.1 Civil	0	653	-653	0	737	-737
2.3.2.2. Military	0	10	-10	0	4	-4
2.3.3. Commercial (Medium & short)	0	7	-7	0	10	-10
2.3.4. IDB (Medium & short-term)	0	41	-41	0	11	-11
2.3.5. Interest on private sector debt	0	109	-109	0	184	-184
2.3.6. Other investment income	222	217	5	667	247	420

Current Transfers

The net inflow of current transfers amounted to \$11,154 million during 2008-09 as compared with \$11,476 million in the previous year showing a decrease of \$322 million. The net decrease in general government transfers was \$274 million during 2008-09 where the net inflows were \$210 million in current year as compared to \$484 million in 2007-08. There has been a significant decrease of \$267 million in cash grants in FY09. Workers' remittances, however, remained flamboyant with a 21 per cent growth rate to reach \$7,811 million in FY09 as compared with \$6,451 million in last fiscal year.

(Million US\$)

ITEM	2008-09 (Quarterly)				Annual	
	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	2008-09	2007-08
Current transfers (net)	2,690	2,413	3,079	2,972	11,154	11,476
Current transfers receipts	2,708	2,457	3,110	2,981	11,256	11,618
General government	76	36	64	34	210	484
Saudi oil facility	0	0	0	0	0	0
Cash grants for budgetary support	40	30	57	15	142	409
Others	36	6	7	19	68	75
Other sectors	2,632	2,421	3,046	2,947	11,046	11,134
Workers remittances	1,879	1,761	2,018	2,153	7,811	6,451
Residents FCAs	-27	-185	-7	-52	-271	444
Others	780	845	1,035	846	3,506	4,239
Current transfers payments	18	44	31	9	102	142
General government	2	24	16	5	47	56
Other sectors	16	20	15	4	55	86

Capital & Financial Account

The net inflow in capital & financial account during 2008-09 stood at \$6,087 million as against \$8,252 million during previous year. The net capital inflow amounted to \$455

(Million US\$)

ITEM	2008-09 (Quarterly)				Annual	
	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	2008-09	2007-08
Capital and Financial Account (net)	1,359	1,736	1,326	1,666	6,087	8,252
Capital Account (net)	28	44	66	317	455	121
<i>Of which</i>						
-Debt Forgiveness	0	0	0	0	0	0
-Project Grant	24	23	64	316	427	111
Financial Account (net)	1,331	1,692	1,260	1,349	5,632	8,131
1- Direct Investment	1,117	1,234	691	678	3,720	5,410
2-Portfolio Investment	-184	-19	-750	-120	-1,073	32
3-Other Investment	398	477	1319	791	2,985	2,689

million in current period as against \$121 million in 2007-08. The project grant increased by \$316 million in 2008-09 as compared to previous year. The net inflow in financial account during 2008-09 stood at \$5,632 million as against \$8,131 million in the previous year.

The inflow of foreign loans/credits including short-term loans stood at \$8,656 million as compared with \$4,131 million last year. Of the total disbursement of long-term loans of \$7,922 million, \$841 million were for financing of various projects while \$2,115 million were non-projects loans. The repayment of long-term loans/credits stood at \$2,708 million during the current year as against \$1,606 million in the previous year. The repayment of short-term loans/credits stood at \$857 million during current year as against \$141 million during the previous year.

(Million US\$)

ITEM	2008-09	2007-08
1. Utilization of foreign loans / credits	8,656	4,131
I) Long-term	7,922	3,431
Official	2,956	2,354
a) Project loans	841	1,250
b) Non-project loans	2,115	1,104
i) Food	0	0
ii) Non-food	2,115	1,104
Private un-guaranteed	4,966	1,077
II) Short-term	734	700
Official	734	700
Private un-guaranteed	0	0
2. Repayment of foreign loans /credits	2,708	1,606
I) Long-term	1,851	1,465
Official	1,389	1,131
Civil	1,309	1,090
Military	80	41
Private un-guaranteed	462	334
II) Short-term	857	141
Official	857	141
Private un-guaranteed	0	0

The interest paid on public and publicly guaranteed loans amounted to \$711 million whereas interest on un-guaranteed private loans stood at \$109 million. An amount of \$52 million was paid to International Monetary Fund (IMF) as charges.

(Million US\$)

ITEM	2008-09	2007-08
1. Medium and long-term(civil)	653	737
2. Military	10	4
3. Commercial	7	10
4. IDB	41	11
Total public and publicly guaranteed	711	762
5. Private un-guaranteed debt	109	184
6. IMF charges	52	18
7. Other Interest	424	455
Total Interest	1,296	1,419

Reserves and related items

Foreign exchange reserves held by State Bank of Pakistan (SBP) including SDR decreased by \$2,309 million during the year. The purchases/drawings of \$3,050 million (SDR 2,068 million) and \$852 million (SDR 264 million) were taken place in second and fourth quarter of fiscal year 09. On the other hand, the repurchases/repayments of \$211 million (SDR138 million) were made to IMF during the year as against \$173 million (SDR109 million) in last year.

(Million US\$)

ITEM	2008-09 (QUARTERLY)				ANNUAL	
	Jul - Sep	Oct - Dec	Jan - Mar	Apr - Jun	2008-09	2007-08
1. Reserves -SBP (net)	3,191	1,563	-764	-934	3,056	5,365
1.1 Foreign Exchange	3,227	-1,429	-730	-1,703	-635	5,538
1.2 Reserves position in the Fund	0	0	0	0	0	0
1.3 Use of Fund credit	-36	2,992	-34	769	3,691	-173
i) Purchases/drawings	0	3,050	0	852	3,902	0
ii) Repurchases/repayments	-36	-58	-34	-83	-211	-173
a) Extended fund facility	-3	-5	-2	-5	-15	-25
b) PRGF	-33	-53	-32	-78	-196	-148

Summary Balance of

ITEM	2008		2009		Jul - Jun	
	Jul – Sep	Oct - Dec	Jan - Mar	Apr – Jun	2008-09	2007-08
Current Account Balance	-4,213	-3,625	-545	-878	-9,261	-13,874
Current Account Balance without off. transfers	-4,287	-3,637	-593	-907	-9,424	-14,302
Goods: Exports f.o.b	5,711	4,379	4,231	4,800	19,121	20,427
Goods: Imports f.o.b	10,229	8,077	6,276	7,165	31,747	35,397
Trade Balance	-4,519	-3,698	-2,045	-2,365	-12,627	-14,970
Services: Credit	1,133	941	777	1,255	4,106	3,589
Services: Debit	2,392	2,021	1,389	1,685	7,487	10,046
Balance on Goods & Services	-5,778	-4,778	-2,657	-2,795	-16,008	-21,427
Income: Credit	210	298	185	181	874	1,613
Income: Debit	1,335	1,558	1,152	1,236	5,281	5,536
Of which : Interest payments	440	656	384	435	1,915	2,175
Profit & Dividend	221	221	121	194	757	921
Balance on Gds & Serv. & Inc	-6,903	-6,038	-3,624	-3,850	-20,415	-25,350
Current Transfers.: Credit	2,708	2,457	3,110	2,981	11,256	11,618
Of which:						
Workers' Remittances	1,879	1,761	2,018	2,153	7,811	6,451
FCAs Residents	-27	-185	-7	-52	-271	444
Saudi Oil Facility	0	0	0	0	0	0
Current Transfers :Debit	18	44	31	9	102	142
Capital Account,	28	44	66	317	455	121
Capital Account, : Credit	28	48	66	318	460	128
Project Grants	24	23	64	316	427	111
Debt Forgiveness	0	0	0	0	0	0
Others	4	25	2	2	33	17
Capital Account... Debit	0	4	0	1	5	7
Financial Account	1,331	1,692	1,260	1,349	5,632	8,131
Direct Investment Abroad	-6	-2	-3	-14	-25	-75
Dir. Invest. In Rep. Econ.	1,117	1,234	691	678	3,720	5,410
Portfolio Investment Assets	-10	-15	8	-24	-41	-5
Equity Securities	-10	-15	8	-24	-41	-5
Debt Securities	0	0	0	0	0	0
Portfolio Investment Liab.	-174	-4	-758	-96	-1,032	37
Equity Securities	-171	7	-254	-93	-511	20
Debt Securities	-3	-11	-504	-3	-521	17
Financial Derivatives Assets	0	0	0	0	0	0

Payments –Overall

(Million US Dollars)

ITEM	2008		2009		Jul – Jun	
	Jul – Sep	Oct - Dec	Jan-Mar	Apr – Jun	2008-09	2007-08
Financial Derivatives Liabilities	0	0	0	0	0	0
Other Investment Assets	448	-30	174	-32	560	32
Monetary Authorities	0	0	0	0	0	0
General Government	-1	3	3	3	8	5
Banks	457	-224	93	20	346	525
Other Sector	-8	191	78	-55	206	-498
Other Investment Liab.	-44	509	1,148	837	2,450	2,732
Monetary Authorities	0	0	-1	0	-1	490
General Government	5	196	1,087	660	1,948	1,761
Disbursements	715	1,011	883	1,081	3,690	3,054
Long-term	715	410	795	1,036	2,956	2,354
Project loans	222	187	162	270	841	1,250
Food loans	0	0	0	0	0	0
Program loans	493	223	633	766	2,115	1,104
Short-term	0	601	88	45	734	700
Commercial loans	0	50	0	0	50	0
IDB loans	0	551	88	45	684	700
Amortization	687	815	322	422	2,246	1,272
Long-term	525	273	269	322	1,389	1,131
Short-term	162	542	53	100	857	141
Other Liabilities	-23	0	526	1	504	-21
Banks	244	63	-110	94	291	66
Other Sector	-293	250	172	83	212	415
Disbursements	145	409	313	197	1,064	1,027
Amortization	112	103	131	116	462	334
Other Liabilities	-326	-56	-10	2	-390	-278
Net Errors and Omissions	-238	226	-17	146	118	257
Overall Balance	-3,091	-1,663	764	934	-3,056	-5,365
Reserves and Related Items	3,091	1,663	-764	-934	3,056	5,365
Reserve Assets	3,227	-1,429	-730	-1,703	-635	5,538
Use of Fund Credit and Loans	-36	2,992	-34	769	3,691	-173
Purchases /	0	3,050	0	852	3,902	0
Repurchases	36	58	34	83	211	173
Exceptional Financing	-100	100	0	0	0	0
SBP Reserves	6,286	7,833	8,453	10,257	10,257	9,539