

Review of Pakistan's Balance of Payments July 2009- June 2010

Current account deficit dropped to \$3,946 million during 2009-10, posting a significant decrease of \$5,315 million from the massive deficit of \$9,261 million recorded in the previous year. Exports (fob) fetched \$19,673 million for the national exchequer, with an increase of \$552 million over the last year. Imports, however, slashed by \$538 million to \$31,209 million from \$31,747 million in FY09. Services account deficit was halved during the review period to \$1,690 million from \$3,381 million in the preceding year. Income account

deficit also narrowed to \$3,282 million from \$4,407 million in the previous year reflecting a decrease of 26 percent. Net current transfers with a growth of 13 percent touched \$12,562 million in 2009-10. Capital and financial accounts showed declines of \$280 million and \$535 million as compared with the last year. Overall surplus balances of \$1,796 million and \$774 million were witnessed during first and last quarter of 2009-10, however, overall deficit balance of \$704 million and \$600 million were registered during second and third quarter respectively. The overall balance, however, remained surplus with \$1,266 million in fiscal year 2010.

Merchandise Trade

Increased exports compounded with low imports reduced the trade deficit by 9 percent to \$11,536 million during 2009-10 compared to \$12,627 million last year. Exports earned \$19,673 million during 2009-10, expanded by

(Million US\$)

ITEMS	2009-10 (Quarterly)				Annual	
	Jul-Sep	Oct -Dec	Jan-Mar	Apr-Jun	2009-10	2008-09
Current Account balance	-981	-1,589	-536	-840	-3,946	-9,261
Trade balance (Goods)	-2,850	-3,010	-2,335	-3,341	-11,536	-12,627
Exports f.o.b.	4,635	4,681	5,032	5,325	19,673	19,121
Imports f.o.b.	7,485	7,691	7,367	8,666	31,209	31,747
Services (net)	-704	-822	-416	252	-1,690	-3,381
Income (net)	-699	-893	-694	-996	-3,282	-4,407
Current transfers (net)	3,272	3,136	2,909	3,245	12,562	11,154
General govt.	-4	125	228	207	556	163
Other sectors	3,276	3,011	2,681	3,038	12,006	10,991
Capital Account (net)	71	30	51	23	175	455
Financial Account (net)	2,422	527	-4	2,152	5,097	5,632
Errors and Omissions (net)	284	328	-111	-561	-60	118
Overall balance	1,796	-704	-600	774	1,266	-3,056
<i>Reserves and related items</i>	<i>-1,796</i>	<i>704</i>	<i>600</i>	<i>-774</i>	<i>-1,266</i>	<i>3,056</i>
Reserves assets	-2,224	-363	653	-2,129	-4,063	-635
Use of Fund Credits & Loans	428	744	-53	1,055	2,174	3,691
Exceptional financing	0	323	0	300	623	0

(Million US\$)

ITEMS	2009-10(Quarterly)				Annual	
	Jul-Sep	Oct -Dec	Jan-Mar	Apr-Jun	2009-10	2008-09
Trade Balance	-2,850	-3,010	-2,335	-3,341	-11,536	-12,627
Exports (I+II+III)	4,635	4,681	5,032	5,325	19,673	19,121
I.General merchandise exports (f.o.b.)	4,577	4,628	4,971	5,270	19,446	18,918
(a) Exchange record	4,362	4,675	4,764	5,120	18,921	17,401
i) F.o.b. & c.f. basis	4,443	4,776	4,895	5,290	19,404	17,887
ii) Freight adjustment	-81	-101	-131	-170	-483	-486
(b) Timing adjustment	147	-127	124	103	247	-318
(c) Coverage adjustment	68	80	83	48	279	1,836
II. Repairs of goods	1	1	1	1	4	7
III.Goods procured in ports by carriers	57	52	60	54	223	196
Imports (I+II+III)	7,485	7,691	7,367	8,666	31,209	31,747
I.General merchandise imports (f.o.b.)	7,418	7,626	7,304	8,598	30,946	31,410
(a) Exchange record	7,152	7,401	7,128	8,152	29,833	29,444
(i) F.o.b. & c.f. basis	7,268	7,804	7,463	8,654	31,189	31,213
(ii) Freight adjustment (8%)	-581	-624	-597	-692	-2,495	-2,497
(iii) Unclassified imports	466	221	262	190	1,139	729
(b) Personal baggage, NRI & duty free shops	11	14	11	20	56	46
(c) Foreign economic assistance	249	190	132	405	977	1,752
(d) Others	7	20	33	21	81	168
II. Repairs of goods	17	24	19	17	77	82
III.Goods procured in ports by carriers	50	41	44	51	186	255

\$552 million (3%) from \$19,121 million. Imports, however, contracted by \$538 million (2%) reduced to \$31,209 million from \$31,747 million. Trade deficit, on quarterly basis, hovered around \$3 billion. The general merchandise transactions reported through banks (export receipts) on a mixed fob and c&f basis amounted to \$19,404 million as compared to \$17,887 million during last fiscal year. The general merchandise exports at fob are arrived at by deducting freight amounting to \$483 million, adding timing adjustments (outstanding export bills) of \$247 million and other exports of \$279 million not covered through banking channel.

The general merchandize imports (fob) recorded a fall of \$464 million. Of the total imports payments against general merchandise (fob), \$29,833 million or 96 per cent were reported by banks while those under foreign economic assistance, personal baggage & non-repatriable investment (NRI), sale of duty free shops and others taken together amounted to \$1,113 million or 4 percent.

Major commodities groups constituting 86 percent of total export receipts during FY10 in descending order except others group are shown in table along with export receipts during FY09.

The commodity-wise analysis of export receipts revealed that cotton, clothing & textile and the cereal group remained the major export earners for the country. The traditional export sector comprising cotton, clothing and textile remained the mainstay, posting an increase of \$403 million to \$9,278 million from \$8,875 million. Exports of cereals crossed \$2,000 million mark touching \$2,173 million from \$1,785 million in the previous year, up by \$388 million. Similarly, group comprising minerals fuels, oils and distillation products registered exports of \$1,192 million up by 21 percent, from \$983 million reported during the last year.

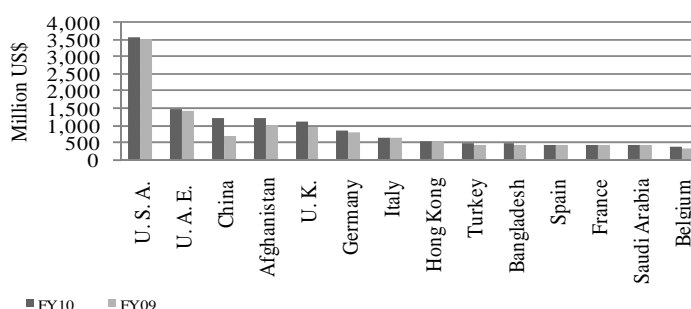
The country-wise comparison of export receipts by major countries during 2009-10 with 2008-09 is shown in Figure 1.

USA, UAE, China, Afghanistan and UK remained major destinations of

(Million US\$)

COMMODITY	2009-10(Quarterly)				Annual	
	Jul-Sep	Oct -Dec	Jan-Mar	Apr-Jun	2009-10	2008-09
Cotton, clothing & textile group:	2,233	2,361	2,271	2,412	9,278	8,875
Cotton	764	954	888	858	3,464	3,289
Other Made-up Textile Articles; Sets, Worn Clothin	639	683	676	746	2,744	2,547
Articles of Apparel & Clothing Accessories Knit/Cr	573	507	491	568	2,139	2,075
Articles of Apparel/Clothing Acces not Knited /Cro	257	218	216	240	931	965
Cereals	380	502	672	619	2,173	1,785
Mineral Fuels, Oils and Their Distillation Product	253	301	306	331	1,192	983
Salt, Sulfur, Earth's and Stones, Lime and Stone	150	145	138	149	582	660
Raw Hides, Skins and Leather other than Fur skins	116	113	110	140	479	483
Man-Made Staple Fibers	86	94	89	126	395	397
Articles of Leather, Travel Goods and Handbags etc	91	94	84	99	368	416
Plastics and Articles thereof	68	78	102	110	358	299
Toys, Games and Sports Requisites; Parts & Acces.	68	74	74	101	317	304
Optical, Photographic, Measuring and Medical Inst.	71	67	62	67	267	268
Special Woven Fabrics, Tufted Textiles Fabrics, Lace	55	53	53	71	232	230
Edible Fruits and Nuts	53	50	78	48	229	161
Iron and Steel	64	49	30	73	217	31
Fish and Crustaceans	25	44	39	52	161	180
Carpets and other Textile Floor Coverings	35	40	38	42	156	170
Ores Slag and Ash	23	25	47	60	154	84
Furniture; Bedding, Mattresses, Lamps and lighting	38	31	36	36	141	130
All Others	633	652	666	755	2,706	2,430
Grand Total	4,443	4,776	4,895	5,290	19,404	17,886

Figure 1. Export Earnings by Major Countries



country's exports. It has been witnessed that exports worth \$9,406 million, 48 percent of total exports were destined for USA, UAE, China, Afghanistan, UK and Germany during 2009-10. Same markets provided 47 percent of total export receipts in previous year. Exports to China took a leap in FY10, touching \$1,211 million from \$661 million in the previous year reflecting an increase of \$550 million (83%).

(Million US\$)

Major commodities groups constituting 87 percent of total import payments reported by banks during 2009-10 in descending order except other groups are shown in table.

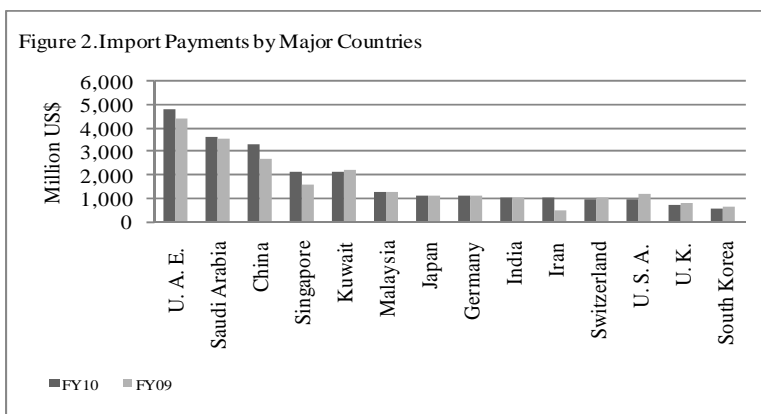
A total of \$10,998 million, 35 percent of total import payments, were made to group comprising minerals fuels, oil and their distillation product. Import payments for fertilizers jumped up by \$417 million (92%) to touch \$868 million. Payments made for purchase of vehicles other than railway/tramway rolling witnessed a significant increase of 26 percent during 2009-10.

COMMODITY	2009-10(Quarterly)				Annual	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	2009-10	2008-09
Mineral Fuels, Oils and Their Distillation Product	2,713	2,712	2,418	3,155	10,998	10,763
Nuclear Reactors, Boilers, Machinery and Appliance	539	457	562	582	2,140	2,620
Electrical Machinery & Equipment and Parts thereof	362	504	471	398	1,735	2,044
Organic Chemicals	395	394	384	431	1,603	1,557
Iron and Steel	303	325	316	434	1,378	1,428
Animal or Vegetable Fats, Oils & Cleavage Products	309	333	352	341	1,336	1,477
Plastics and Articles thereof	258	262	306	300	1,127	1,091
Special Classification Provisions	144	353	243	207	948	924
Vehicles other than Railway /Tramway Rolling Stock	186	230	240	288	944	751
Fertilizers	286	348	89	144	868	451
Cotton	99	97	200	226	622	646
Oil Seeds and Oleaginous Fruit	88	115	183	158	543	368
Miscellaneous Chemical Products	129	125	127	124	505	404
Man-Made Staple Fibers	85	91	94	123	392	316
Ships, Boats and Floating Structures	46	46	154	143	388	230
Optical, Photographic, Measuring and Medical Inst.	80	129	69	83	362	407
Man-Made Filaments	74	77	94	106	351	266
Organic or Inorganic Compounds of Precious Metals	84	75	81	100	341	569
Pharmaceutical Products	84	87	93	71	336	275
Paper and Paperboard, Articles of Paper Pulp	79	82	76	84	321	323
All Others	925	963	907	1,155	3,951	4,303
Grand Total	7,268	7,804	7,463	8,654	31,189	31,213

The country-wise comparison of import payments to major countries including freight during 2009-10 with that of last year is shown in Figure 2.

Country-wise analysis showed that more than half of the payments, were made to UAE, Saudi Arabia, China, Singapore, and Kuwait in 2009-10. The same group received 46 percent of total imports in last fiscal year. UAE, Saudi Arabia, and China maintained their position as top trade partners as they did in FY09. Singapore, however, replaced Kuwait to become the 4th major recipient of import payments.

Figure 2.Import Payments by Major Countries



Services

(Million US \$)

The deficit in services account substantially contracted by \$1,691 million (50%) from \$3,381 million in 2008-09 to \$ 1,690 million in 2009-10. The aggregate receipts of services transactions during 2009-10 registered an increase of \$1,123million, up by 27 percent as compared to last year. Decrease of \$568 million in aggregate payments also contributed to slash services deficit. Government,

ITEMS	2009-10			2008-09		
	Credit	Debit	Net	Credit	Debit	Net
Services (Net)	5,229	6,919	-1,690	4,106	7,487	-3,381
1. Transportation	1,279	3,577	-2,298	1,231	3,633	-2,402
1.1 Passenger	725	445	280	653	545	108
1.2 Freight	111	2,649	-2,538	126	2,626	-2,500
1.3 Other	443	483	-40	452	462	-10
2. Travel	286	878	-592	314	1,002	-688
2.1 Business	4	28	-24	14	22	-8
2.2 Personal	282	850	-568	300	980	-680
3. Communications services	246	159	87	196	144	52
4. Construction services	16	29	-13	31	70	-39
5. Insurance services	42	146	-104	59	133	-74
6. Financial services	90	95	-5	63	166	-103
7. Computer and information services	188	168	20	184	122	62
8. Royalties and license fees	6	111	-105	11	93	-82
9. Other business services	536	1,103	-567	493	1,648	-1,155
10. Personal, cultural, and recreational services	5	19	-14	1	3	-2
11. Government services.	2,535	634	1,901	1,523	473	1,050

transportation and other business services accounted for 48 percent, 24 percent and 10 percent of total receipts respectively. More than half of the total payments i.e. 52 percent were made to transportation, of which 38 percent were paid on the account of freight charges.

Income

(Million US \$)

The income deficit of \$3,282 million in 2009-10 was reduced by \$1,125 million (26%) as compared to \$ 4,407 million during 2008-09. The net outflow of direct investment income reduced to \$2,172 million during 2009-10 as compared to \$3,153 million in the last year. Portfolio investment income and other investment income posted an net outflows of \$318 million and \$796 million respectively. The receipt on other investment income dropped to \$101 million during 2009-10 as compared to \$222 million during the previous year.

ITEMS	2009-10			2008-09		
	Credit	Debit	Net	Credit	Debit	Net
Income (Net)	561	3,843	-3,282	874	5,281	-4,407
1. Compensation of employees	17	13	4	16	2	14
2. Investment income	544	3,830	-3,286	858	5,279	-4,421
2.1 Direct investment	8	2,180	-2,172	39	3,192	-3,153
2.2 Portfolio investment	435	753	-318	597	998	-401
2.2.1 Income on equity (dividends)	0	196	-196	3	174	-171
2.2.2 Income on debt (interest)	435	557	-122	594	824	-230
2.3 Other investment	101	897	-796	222	1,089	-867
2.3.1. IMF charges	0	120	-120	0	52	-52
2.3.2. Interest on External debt	0	598	-598	0	663	-663
2.3.2.1 Civil	0	598	-598	0	653	-653
2.3.2.2. Military	0	0	0	0	10	-10
2.3.3. Commercial (Medium & short)	0	3	-3	0	7	-7
2.3.4. IDB (Medium & short-term)	0	19	-19	0	41	-41
2.3.5. Interest on private sector debt	0	89	-89	0	109	-109
2.3.6. Other investment income	101	68	33	222	217	5

Current Transfers

Considerable receipts of \$12,672 million were recorded in current transfers during 2009-10, up by \$1,416 million from \$11,256 million in 2008-09. Capital remitted by Pakistani expatriates reached all-time high of \$8,906 million. Current transfers payments of \$50 million and \$60 million were made by general government and other sectors respectively.

(Million US\$)

ITEMS	2009-10(Quarterly)				Annual	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	2009-10	2008-09
Current Transfers (Net)	3,272	3,136	2,909	3,245	12,562	11,154
Current transfers receipts	3,311	3,150	2,924	3,287	12,672	11,256
General government	24	127	231	224	606	210
Saudi oil facility	0	0	0	0	0	0
Cash grants for budgetary support	0	112	204	175	491	142
Others	24	15	27	49	115	68
Other sectors	3,287	3,023	2,693	3,063	12,066	11,046
Workers remittances	2,331	2,199	2,021	2,355	8,906	7,811
Residents FCAs	199	177	150	103	629	-271
Others	757	647	522	605	2,531	3,506
Current transfers payments	39	14	15	42	110	102
General government	28	2	3	17	50	47
Other sectors	11	12	12	25	60	55

Capital & Financial Account

The net inflow in capital & financial account during 2009-10 stood at \$5,272 million as against \$6,087 million during previous year. The net capital inflow declined to \$175 million in current period from \$455 million during 2008-09. The project grant slashed by \$270 million to \$157 million in 2009-10 as compared with previous year. Financial account recorded a surplus of \$5,097 million during FY10 slightly lower than last year's flows of \$5,632 million. Direct investment in Pakistan shrunk by 42 percent, to \$2,151 million. The net outflow in portfolio investment, however, witnessed a massive reduction of \$1,008 million to \$65 million as compared to last year.

(Million US\$)

ITEMS	2008-09 (Quarterly)				Annual	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	2009-10	2008-09
Capital and Financial Account (Net)	2,493	557	47	2,175	5,272	6,087
Capital Account (net)	71	30	51	23	175	455
<i>Of which</i>						
-Debt Forgiveness	0	0	0	0	0	0
-Project Grant	60	25	50	22	157	427
Financial Account (net)	2,422	527	-4	2,152	5,097	5,632
1- Direct Investment in Pakistan	429	540	535	647	2,151	3,720
2-Portfolio Investment (Net)	201	61	-453	126	-65	-1,073
3-Other Investment	1792	-74	-86	1379	3,011	2,985

Disbursement/Repayment of Loans/Credit

The inflow of foreign loans/credits stood at \$7,166 million as compared to \$8,656 million in the last year. Of the total disbursement of long-term loans of \$6,489 million, \$2,413 million were received by the monetary authorities, \$1,048 million were for financing of various projects while \$2,516 million were non-projects loans. Short term loans came down to \$677 million from \$740 million a year ago.

The repayment of loans/credits reached

(Million US\$)

ITEMS	2009-10	2008-09
1.Disbursement of foreign loans / credits	7,166	8,656
I) Long-term	6,489	7,916
Monetary authorities	2,413	3,902
Government	3,564	2,956
a) Project loans	1,048	841
b) Non-project loans	2,516	2,115
i) Food	0	0
ii) Non-food	2,516	2,115
Banks	0	0
Other Sector	512	1,058
II) Short-term	677	740
Government	570	734
<i>of which</i>		
IDB	570	684
Other Sector	107	6
2. Repayment of foreign loans /credits	3,095	2,919
I) Long-term	2,102	2,062
Monetary authorities	239	211
Government	1,360	1,389
Civil	1,319	1,309
Military	41	80
Banks	0	0
Other Sector	503	462
II) Short-term	993	857
Government	890	857
Other Sector	103	0

\$3,095 million during the current year as against \$2,919 million in the previous year. \$2,102 million, 68 percent of total repayments, were made against long term loans, of which \$1,360 million were for official loans. The repayment of short-term loans/credits stood at \$993 million during 2009-10 as against \$857 million in 2008-09.

Reserves and related items

There has been considerable increase in net reserve assets of \$4,063 million during 2009-10. This has mainly been due to Stand-By Arrangements, of which \$455 million (SDR 291 million), \$826 million (SDR 529 million), and \$779 million (SDR 529 million) in first, second and

(Million US\$)

ITEMS	2009-10(Quarterly)				Annual	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	2009-10	2008-09
1. Reserves and related items	-1,796	704	600	-774	-1,266	3,056
1.1 Reserve Assets	-2,224	-363	653	-2,129	-4,063	-635
1.2 Use of Fund credit	428	744	-53	1,055	2,174	3,691
i) Purchases/drawings	455	826	0	1,132	2,413	3,902
<i>of which:</i>						
Stand by Arrangements	455	826	0	779	2,060	3,902
ii) Repurchases/repayments	27	82	53	77	239	211
PRGF	27	82	53	77	239	196
1.3 Exceptional financing	0	323	0	300	623	0

fourth quarter of FY10 contributed towards balancing imbalances in balance of payments whereas a total of \$1,465 million (SDR 951 million) was transferred to government for budgetary support. Allocation of SDR of \$1,281 million (SDR 818.5 million) in the first quarter also caused increase in reserve assets. On the other hand, the repurchases/repayments of \$239 million (SDR 155 million) were made to IMF during the year as against a repayment of \$211 million (SDR138 million) in last year.

Summary Balance of

ITEM	2009		2010		Jul - Jun	
	Jul – Sep	Oct - Dec	Jan - Mar	Apr – Jun	2009-10	2008-09
Current Account Balance	-981	-1,589	-536	-840	-3,946	-9,261
Current Account Balance without off. transfers	-977	-1,714	-764	-1,047	-4,502	-9,424
Goods: Exports fob	4,635	4,681	5,032	5,325	19,673	19,121
Goods: Imports fob	7,485	7,691	7,367	8,666	31,209	31,747
Trade Balance	-2,850	-3,010	-2,335	-3,341	-11,536	-12,627
Services: Credit	881	1,070	1,166	2,112	5,229	4,106
Services: Debit	1,585	1,892	1,582	1,860	6,919	7,487
Balance on Goods & Services	-3,554	-3,832	-2,751	-3,089	-13,226	-16,008
Income: Credit	99	142	187	133	561	874
Income: Debit	798	1,035	881	1,129	3,843	5,281
Of which : Interest payments	267	446	356	398	1,467	1,915
Profit & Dividend	112	189	118	242	661	757
Balance on Gds & Serv. & Inc	-4,253	-4,725	-3,445	-4,085	-16,508	-20,415
Current Transfers.: Credit	3,311	3,150	2,924	3,287	12,672	11,256
Of which:						
Workers' Remittances	2,331	2,199	2,021	2,355	8,906	7,811
FCAs Residents	199	177	150	103	629	-271
Current Transfers :Debit	39	14	15	42	110	102
Capital Account,	71	30	51	23	175	455
Capital Account, : Credit	71	35	51	23	180	460
Project Grants	60	25	50	22	157	427
Debt Forgiveness	0	0	0	0	0	0
Others	11	10	1	1	23	33
Capital Account... Debit	0	5	0	0	5	5
Financial Account	2,422	527	-4	2,152	5,097	5,632
Direct Investment Abroad	-49	-5	-15	-7	-76	-25
Dir. Invest. In Rep. Econ.	429	540	535	647	2,151	3,720
Portfolio Investment Assets	-7	-3	1	8	-1	-41
Equity Securities	-7	-3	1	8	-1	-41
Debt Securities	0	0	0	0	0	0
Portfolio Investment Liab.	208	64	-454	118	-64	-1,032
Equity Securities	248	62	146	132	588	-511
Debt Securities	-40	2	-600	-14	-652	-521
Financial Derivatives Assets	0	0	0	0	0	0

Payments –Overall

ITEM	(Million US Dollars)					
	2009		2010		Jul – Jun	
	Jul – Sep	Oct – Dec	Jan-Mar	Apr – Jun	2009-10	2008-09
Financial Derivatives Liabilities	0	0	0	0	0	0
Other Investment Assets	-132	-13	-109	243	-11	560
Monetary Authorities	0	0	0	0	0	0
General Government	-3	-1	0	-2	-6	8
Banks	61	94	1	230	386	346
Other Sector	-190	-106	-110	15	-391	206
Other Investment Liab.	1,973	-56	38	1,143	3,098	2,450
Monetary Authorities	1,245	0	0	12	1,257	-1
General Government	839	100	137	885	1,961	1,948
Disbursements	1,369	890	559	1,316	4,134	3,690
Long-term	1,369	890	237	1,068	3,564	2,956
Project loans	208	296	220	324	1,048	841
Program loans	1,161	594	17	744	2,516	2,115
Short-term	0	0	322	248	570	734
Commercial loans	0	0	0	0	0	50
IDB loans	0	0	322	248	570	684
Amortization	507	990	422	331	2,250	2,246
Long-term	323	289	417	331	1,360	1,389
Short-term	184	701	5	0	890	857
Other Liabilities	-23	200	0	-100	77	504
Banks	-51	-111	-104	40	-226	291
Other Sector	-60	-45	5	206	106	212
Disbursements	165	111	92	251	619	1,064
Amortization	160	134	162	150	606	462
Other Liabilities	-65	-22	75	105	93	-390
Net Errors and Omissions	284	328	-111	-561	-60	118
Overall Balance	1,796	-704	-600	774	1,266	-3,056
Reserves and Related Items	-1,796	704	600	-774	-1,266	3,056
Reserve Assets	-2,224	-363	653	-2,129	-4,063	-635
Use of Fund Credit and Loans	428	744	-53	1,055	2,174	3,691
Purchases	455	826	0	1,132	2,413	3,902
Repurchases	27	82	53	77	239	211
Exceptional Financing	0	323	0	300	623	0
SBP Reserves	12540	12863	12033	13953	13953	10257