



Understanding Macroeconomics, Financial sector and Banking

EXTERNAL SECTOR

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Determinants of External Sector Performance



Long-term Factors:

- Saving-Investment gap
- Domestic resource base
- Entrepreneurship
- Business strategies
- Marketing/distribution
- Public investment/Logistics
- Consistent policies
- Sovereign guarantees
- Stability

Short-term Factors

External:

- Global commodity prices
- Global demand
- Global currencies
- Competitors' policies

Domestic:

- Energy supplies
- Security
- Crop performance
- Prices



Gauging the Performance of External Sector

● FX reserves

- Adequacy
- Short-term drains
- NIR
- PKR (stability/volatility)
 - Sentiments
 - Market vs. official flows
- Current account balance
 - CAB as % of GDP
- Trade balance
- Export/Import growth

– Products

– Markets

● Remittances

– As % of trade deficit

● Debt servicing (interest + principal)

● FDI (% of CAB)

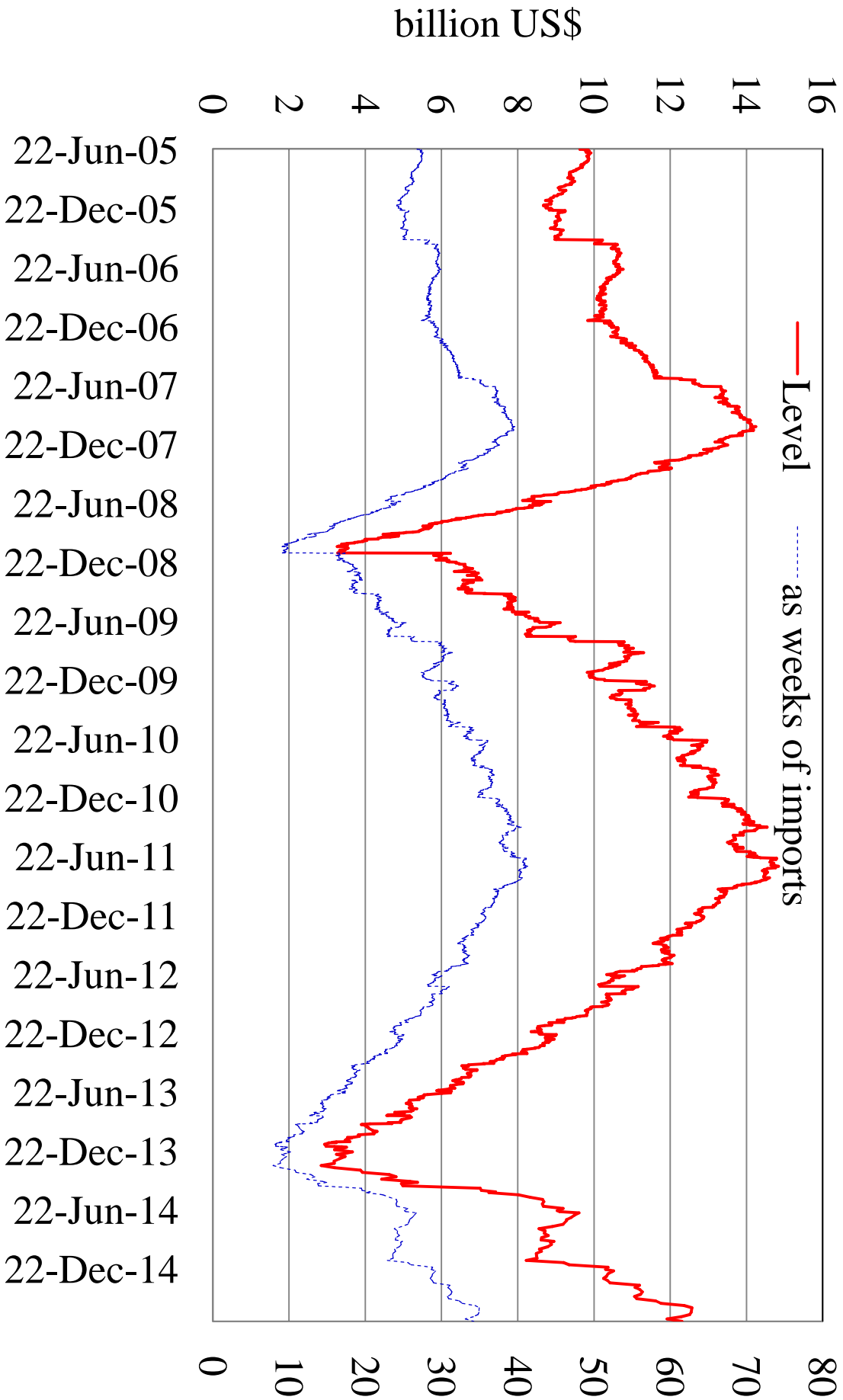
● Official loans

● External debt stock

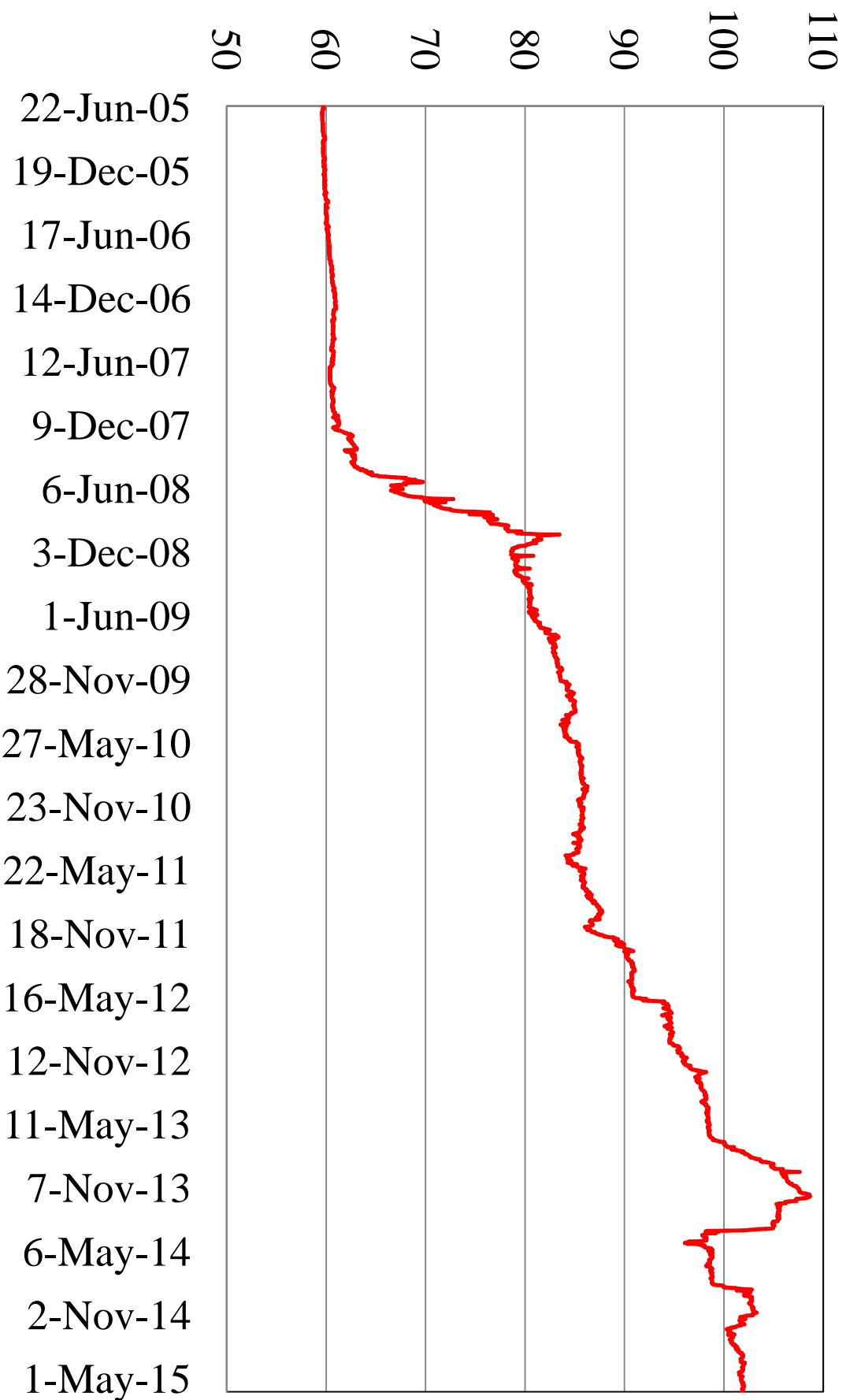
– % of GDP

– % of FEE

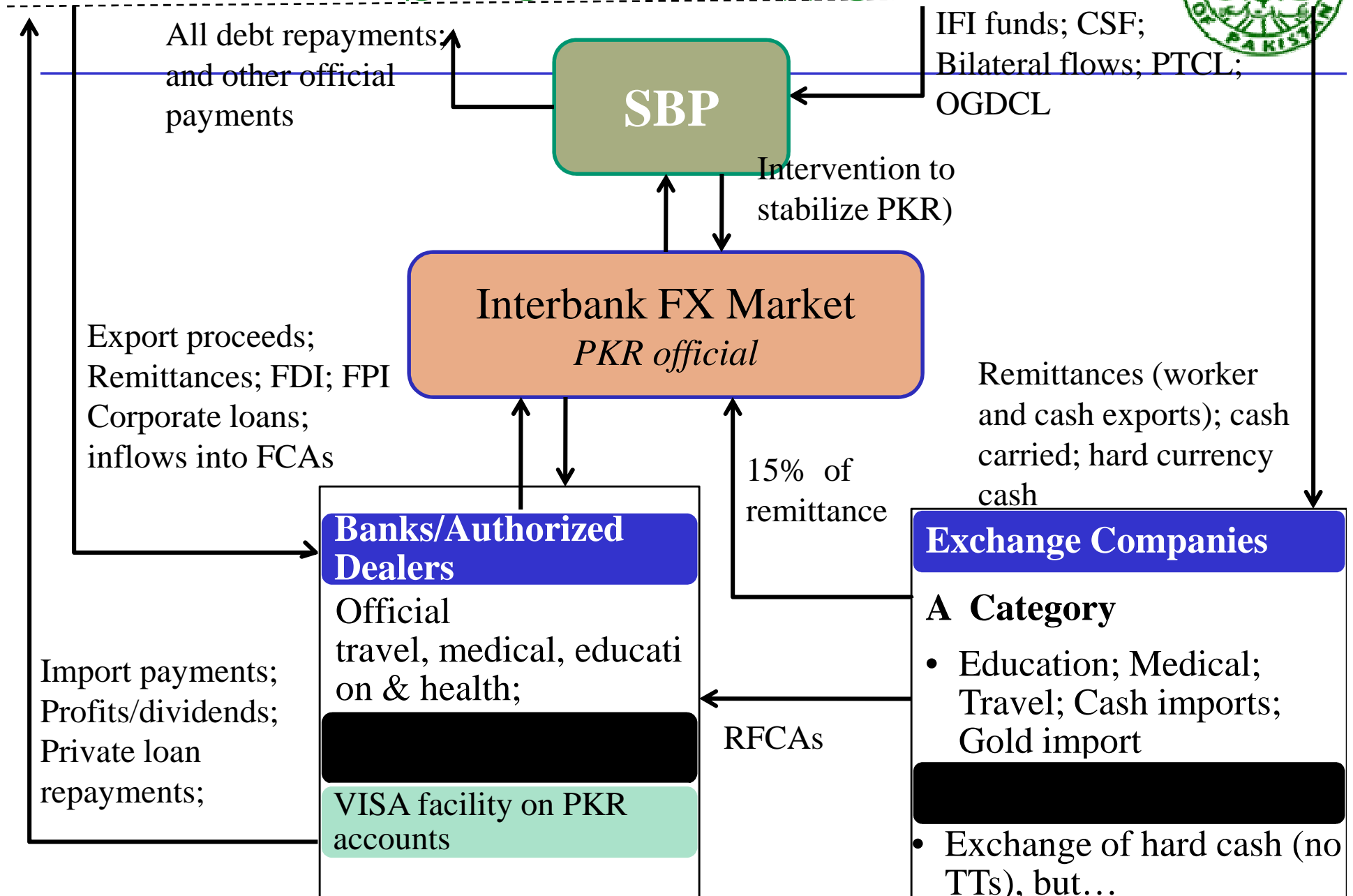
FX Reserves



Exchange Rate (PKR/USD)



REST OF THE WORLD





Current account balance

The balance of payments is a statistical statement that summarizes transactions between residents and nonresidents during a period. It consists of:

Goods and services accounts

The primary Income accounts

The secondary Income accounts

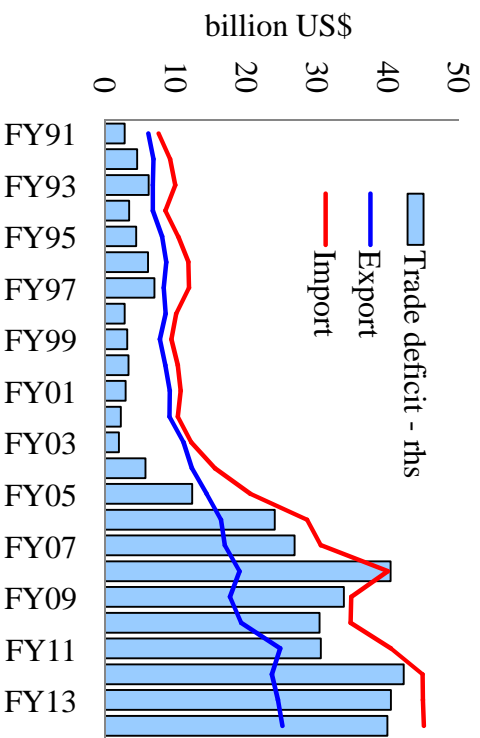
The Capital Accounts

The financial accounts

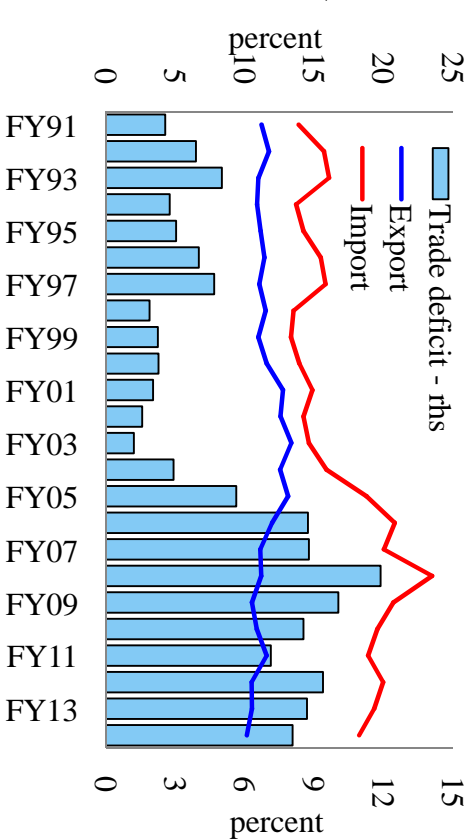
(Million US\$)	FY08	FY09	FY10	FY11	FY12	FY13	FY14 ^R
Current account (A+B+C+D)	-13.9	-9.3	-3.9	0.2	-4.7	-2.5	-3.1
Exports of goods	20.4	19.1	19.7	25.4	24.7	24.8	25.1
Imports of goods	35.3	31.7	31.1	35.8	40.4	40.2	41.7
A. Trade balance	-14.8	-12.5	-11.5	-10.4	-15.7	-15.4	-16.6
B. Services balance	-6.6	-3.5	-1.8	-2.0	-3.3	-1.6	-2.7
C. Primary income	-3.9	-4.4	-3.3	-3.0	-3.2	-3.7	-3.9
D. Secondary income	11.5	11.2	12.6	15.7	17.5	18.1	20.1
Workers' remittances	6.5	7.8	8.9	11.2	13.2	13.9	15.8
Capital account balance	0.1	0.5	0.2	0.2	0.2	0.3	1.9
Financial account (E+F+G)	-8.1	-5.6	-5.1	-2.1	-1.3	-0.5	-5.6
E. Direct investment	-5.3	-3.7	-2.1	-1.6	-0.7	-1.3	-1.6
F. Portfolio investment	0.0	1.1	0.1	-0.3	0.1	0.0	-2.8
G. Other Investment (i-ii)	-2.8	-3.0	-3.1	-0.2	-0.7	0.7	-1.2
i. Net acquisition of assets	0.0	-0.6	0.0	0.9	0.0	0.3	-0.2
ii. Net incurrence of liabilities	2.7	2.5	3.1	1.1	0.7	-0.4	1.0
Central Bank	0.5	0.0	1.3	0.0	-0.1	0.7	0.1
Deposit-taking corp.	0.1	0.3	-0.2	0.1	0.2	-1.1	-0.3
General Government	1.8	1.9	2.0	0.3	1.0	0.2	1.6
Other Sector	0.4	0.2	0.1	0.8	-0.4	-0.3	-0.5
Overall Balance	5.4	3.1	-1.3	-2.5	3.3	2.0	-3.9

Trade Performance

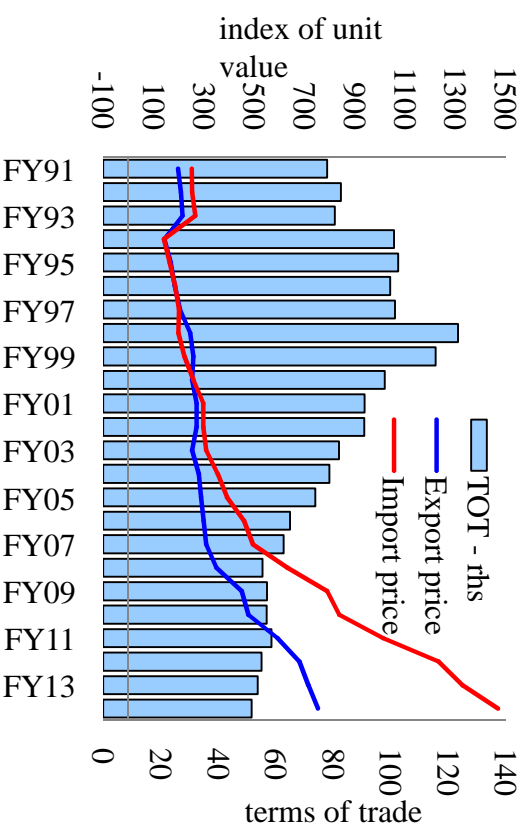
Pakistan's Trade Volumes



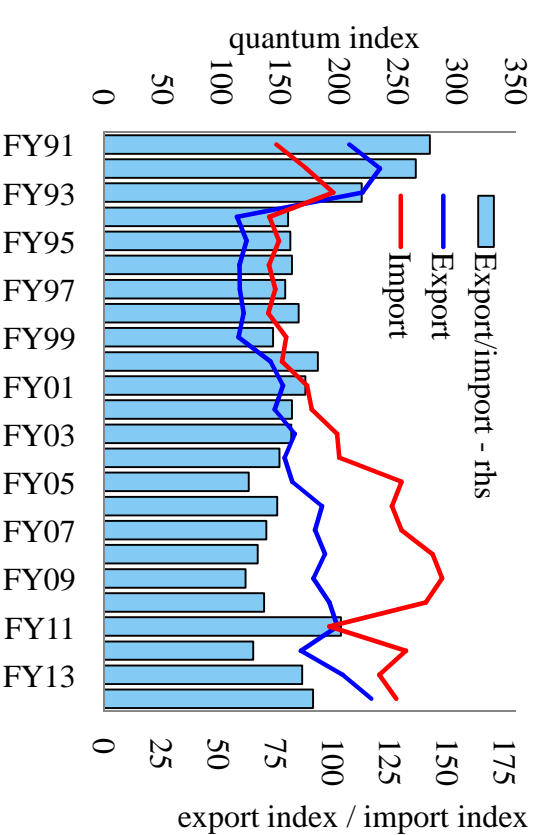
Pakistan's Trade Performance (% of GDP)



Pakistan's Terms of Trade

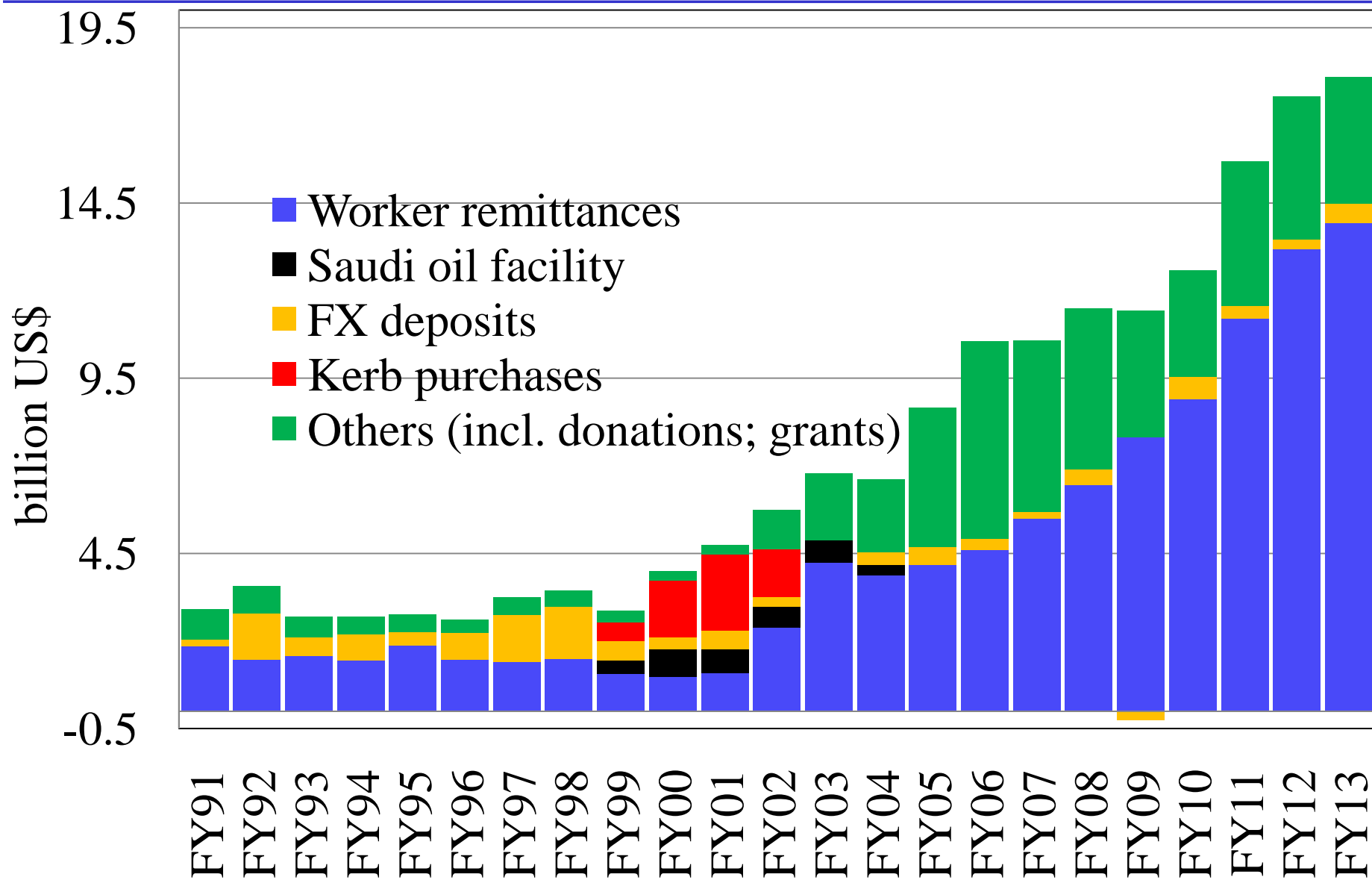


Quantum Indices of Exports / Imports





Composition of Secondary Income

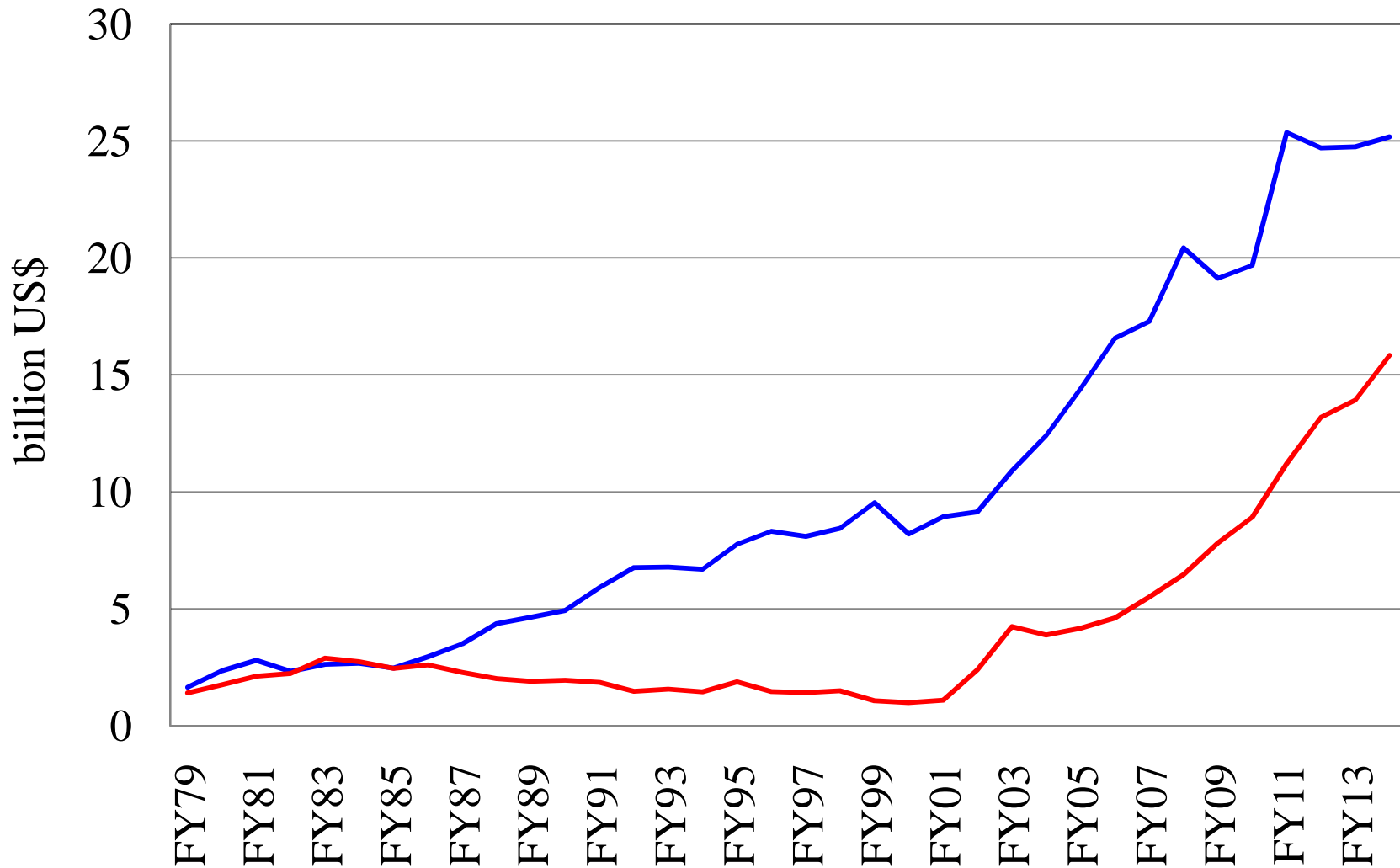


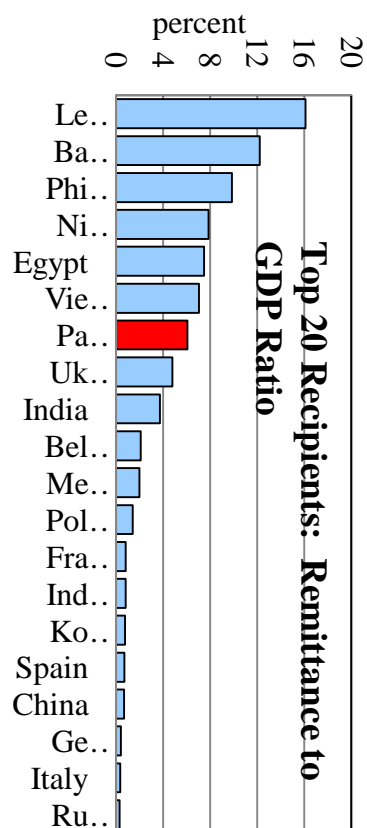
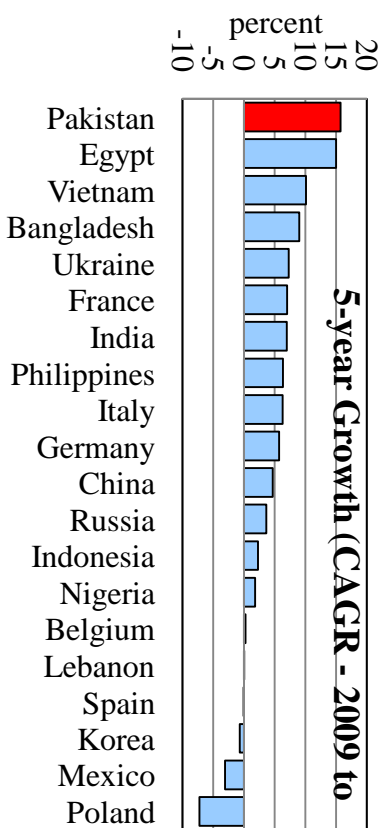
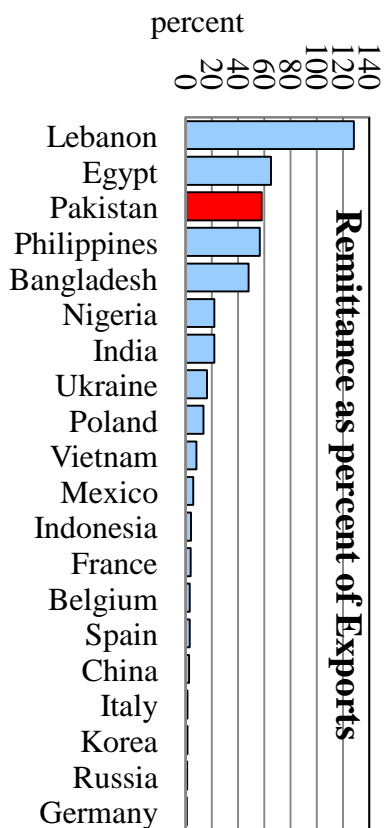
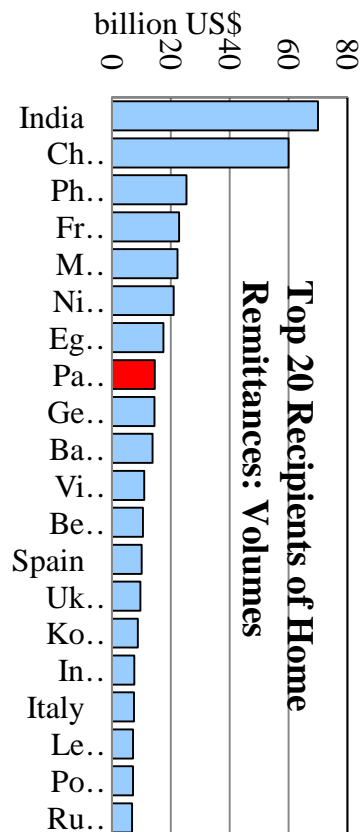
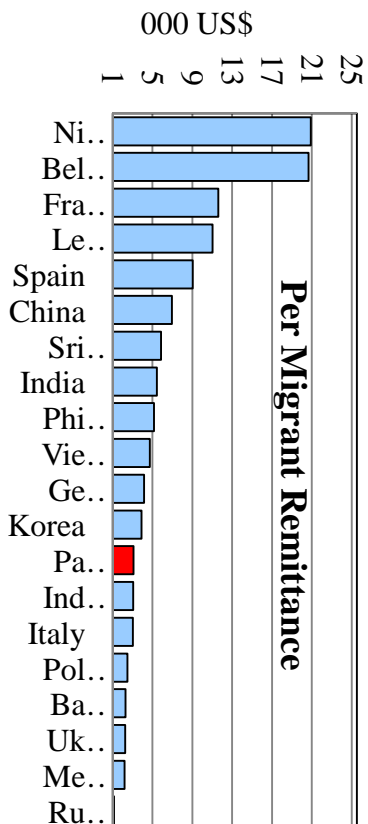
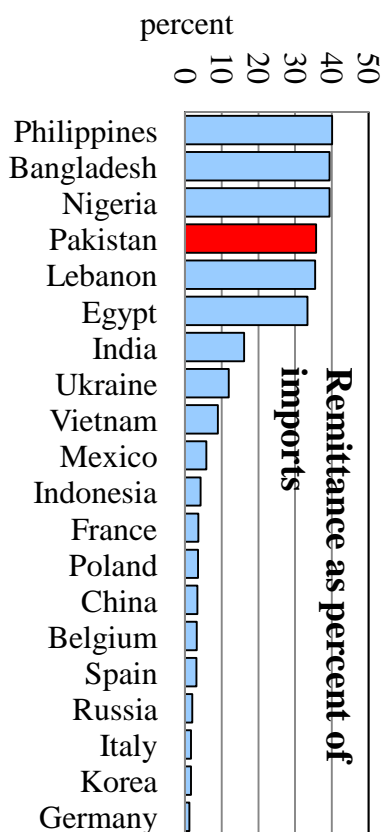
Remittances vis-à-vis Export Receipts



Pakistan's Major FX Earnings

— Exports — Remittances







External Debt

Indicators of External Debt Sustainability					
percent					
	FY10	FY11	FY12	FY13	FY14
Solvency Indicators					
<i>Debt bearing capacity</i>					
ED/GDP	33.3	29.9	28.1	24.9	25.2
EDL/GDP	34.7	31.1	29.2	26.2	26.6
<i>Debt servicing capacity</i>					
EDS/FEE	11.0	7.5	9.0	12.0	13.3
EDS/XE	21.0	13.8	17.4	24.0	26.9
Liquidity indicators					
STD/EDL	1.4	1.0	0.6	0.0	1.1
RES/STD (ratio)	19.7	29.9	40.3	---	20.3
ED: Total external debt; EDL: External debt and liabilities; EDS: External debt servicing; STD: Short term debt; FEE: Foreign exchange earnings; XE: Exports earnings; RES: Total liquid reserves					
Source: SBP calculations					



Thank You