###### Review on Balance of Payments FY13

 Pakistan’s balance of payments showed a deficit of $2,496 million in its current account balance during FY13 as against a deficit of $4,658 million during FY12. There has been a significant decline of $2,162 million in current account deficit contributed by a decrease of $1,720 million in trade in services deficit, mainly due to the receipt of $1,806 million as coalition support fund (CSF) under government services. A decline of $334 million is also observed in trade in goods deficit, however, **i**ncome account deficit widened to $3,685 million from $3,245 million in the previous year reflecting an increase of 14 percent. The capital and financial accounts showed a net inflow of $264 million and $ 549 million respectively during FY13. Financial account reflected a decrease of $731 million inflow over the previous year. There have been lower payments of $1,283 million in overall as compared with previous year.

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**Merchandise Trade**

Exports fetched $24,795 million during FY13, increased by $99 million (0.4%) from $24,696 million during the previous year. Imports decreased by $235 million (0.6%) from $40,461 million to $40,226 million in FY13. The general merchandise transactions reported through banks (export receipts) on a mixed f.o.b and c&f basis amounted to $23,693 million as compared to $23,493 million during previous fiscal year. The general merchandise exports at f.o.b are arrived at by deducting freight, adding outstanding export bills of $401 million (timing adjustments) and other exports of $488 million not covered through banking channel.

The general merchandise (imports) showed a decline by $140 million over of the previous year. Of the total imports payments against general merchandise (f.o.b), $ 39,321 million were reported by banks while those under foreign economic assistance, personal baggage & NRI, sale of duty free shops and others taken together amounted to $ 2,907 million.

Export receipts during FY13 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 $12,963 million i.e. 55 percent of total exports receipts in the current year. Food and food products shared 17 percent of the total export receipts. Same groups earned $13, 221 million and $3,683 million respectively of over-all exports in the previous year.

Country-wise comparison of export receipts by major countries during FY13 along with FY12 is shown in Figure 1. USA, China, UAE, Afghanistan, UK, and Germany remained major destinations of country’s exports. It has been observed that 68 percent of total exports were destined for these countries.



Import payments during FY13 by commodity groups are shown in descending order in Table 4 along with the corresponding period.

A total of $14,726 million, 37 percent of total import payments, were made for minerals products. Import payments for products of chemical or allied industries captured 12 percent of the total import payments. Machinery & mechanical appliances increased by $108 million and captured 16 percent of the total import payments. There is no significant decrease in import payments during FY13 as compared to previous year.

The country-wise comparison of import payments including freight to major countries during FY13 with corresponding year is shown in Figure 2. Major chunk of payments i.e. $23,503 million (60 percent) were made to UAE, Saudi Arabia, China, Kuwait Singapore and Malaysia in FY13. The order of the percentage share of these countries remained unchanged during FY13 as compared to FY12.

**Services**

The deficit in trade in services account significantly decreased by $1,720 million (54 percent) from $3,192 million in FY12 to $ 1,472 million in FY13. This notable decline is due to receipts of $1,806 million of CSF during the period which doubled the export of government services as compared with the corresponding period.

The aggregate receipts of services transactions during FY13 rose to $6,733 million, with an increase of $1,698 million (34 percent) as compared to previous year. A decrease of $22 million (0.3 percent) in aggregate payments of services was observed during FY13. Government services, transportation and other business services accounted for 82 percent of total receipts i.e. $ 5,493 million. Transportation and other business services consumed 62 percent of services payments.

**Income**

The income deficit of $3,245 million in FY12 increased by $440 million (14%) to reach $3,685 million during FY13. Net inflow of compensation of employees increased from $21 million to $24 million in the current year as compared with the previous year. The net outflow of direct investment income widened to $2,687 million during FY13 as compared to $2,112 million in the last year. Portfolio investment income and other investment income posted net outflows of $314 million and $708 million respectively during FY13.

**Current Transfers**

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Current transfers account remained affluent with $18,092 million during FY13, up by $548 million (3 percent) from $17,544 million in FY12. Pakistani expatriates, during FY13, sent approximately $14 billion, highest repatriation of all times in a fiscal year. Current transfers payments of $10 million and $81 million were made by general government and other sectors respectively.

**Capital & Financial Account**

The net inflow in capital & financial account during FY13 reduced to $650 million as against $1,463 million during previous year. The net capital inflow increased by $81 million touched $264 million during FY13.

Financial account recorded a surplus of $549 million during FY13, 57 percent lower than last year’s position ($1,280 million).

The inflow of foreign direct investment in Pakistan increased by $635 million (77percent) stood at $1,456 million against $821 million during the same period last year while the foreign direct investment abroad reflected $198 million as against $77 million during previous year.

A net inflow of $125 million was recorded in portfolio investment in Pakistan during FY13 as compared to net outflow of $112 million in the corresponding last year while the foreign portfolio investment abroad reflected $99 million as against $32 million during previous year. Other investment liabilities decreased by $421 million and assets increased by $314 million during FY13.

**Disbursement and Repayment of Loans**

 The inflow of foreign loans was $2,939 million in FY13 as compared to $3,191 million in the previous year. Of the total disbursement of long-term loans of $2,498 million, $2,136 million were for financing of various projects while $138 million for non-project loans of the general government. Inflow of short term loans stood at $441 million as against $121 million a year ago.

The repayment of loans reached $5,454 million during the current year as against $3,370 million in the previous year. A payment of $4,948 million was made against long term loans, of which $1,891 million payments made by general government including $361 million to IMF against Standby Arrangements (SBA). The repayment of short-term loans increased to $506 million during FY13 as against $294 million in FY12.

**Reserves and related items**

Reserve assets decreased by $4,530 million during FY13 contrary to decrease of $4,430 million in the preceding year. Use of fund credit repurchases/ repayments in current year increased to $2,538 million from $1,155million. Quarter-wise bifurcation of repurchases/repayments is $52 million (SDR 34.46 million), $53 million (SDR 34.46 million), $40 million (SDR 25.84 million) and $39 million (SDR 25.84 million) on account of ECF in the current year. An amount of $2,354 million was paid against Standby Arrangements by monetary authority from the total of $2,715 million (SDR 1,799.15 million).

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Summary Balance of** | | | | | | | | | | |
|  | | | | | | | | | | |
|  |  | | | |  | | | | | |
| **ITEM** | **2012** | |  | **2013** | |  | | **Jul - Jun** | | |
| Jul – Sep | Oct - Dec |  | Jan - Mar | Apr – Jun | |  | | 2012-13 | 2011-12 |
|  |  |  |  | |  | |  | | |  |
| **Current Account Balance** | **439** | **-522** | **-1,172** | | **-1,241** | | **-2,496** | | | **-4,658** |
| **Current Account Balance without off. transfers** | **372** | **-654** | **-1,284** | | **-1,332** | | **-2,898** | | | **-5,243** |
| Goods: Exports fob | 6,148 | 6,001 | 6,192 | | 6,454 | | 24,795 | | | 24,696 |
| Goods: Imports fob | 9,809 | 10,296 | 9,886 | | 10,235 | | 40,226 | | | 40,461 |
| Trade Balance | -3,661 | -4,295 | -3,694 | | -3,781 | | -15,431 | | | -15,765 |
| Services: Credit | 2,176 | 2,060 | 1,202 | | 1,295 | | 6,733 | | | 5,035 |
| Services: Debit | 2,028 | 2,198 | 1,917 | | 2,062 | | 8,205 | | | 8,227 |
| Balance on Goods & Services | -3,513 | -4,433 | -4,409 | | -4,548 | | -16,903 | | | -18,957 |
| Income: Credit | 111 | 143 | 63 | | 171 | | 488 | | | 826 |
| Income: Debit | 807 | 1,166 | 915 | | 1,285 | | 4,173 | | | 4,071 |
| Of which : Interest payments | 284 | 343 | 251 | | 362 | | 1,240 | | | 1,633 |
| Balance on Gds & Serv. & Inc | -4,209 | -5,456 | -5,261 | | -5,662 | | -20,588 | | | -22,202 |
| Current Transfers.: Credit | 4,666 | 4,967 | 4,097 | | 4,453 | | 18,183 | | | 17,686 |
| Of which: |  |  |  | |  | |  | | |  |
| Workers' Remittances | 3,599 | 3,518 | 3,237 | | 3,568 | | 13,922 | | | 13,186 |
| Resident’s FCAs | 67 | 276 | 142 | | 79 | | 564 | | | 289 |
| Current Transfers :Debit | 18 | 33 | 8 | | 32 | | 91 | | | 142 |
| **Capital Account** | **30** | **68** | **94** | | **72** | | **264** | | | **183** |
| Capital Account : Credit | 30 | 68 | 95 | | 73 | | 266 | | | 186 |
| Project Grants | 23 | 64 | 93 | | 70 | | 250 | | | 180 |
| Debt Forgiveness | 0 | 0 | 0 | | 0 | | 0 | | | 0 |
| Others | 7 | 4 | 2 | | 3 | | 16 | | | 6 |
| Capital Account : Debit | 0 | 0 | 1 | | 1 | | 2 | | | 3 |
| **Financial Account** | **-406** | **-156** | **115** | | **996** | | **549** | | | **1,280** |
| Direct Investment Abroad | -23 | -25 | -143 | | -7 | | -198 | | | -77 |
| Dir. Invest. In Rep. Econ. | 125 | 444 | 62 | | 825 | | 1,456 | | | 821 |
| Portfolio Investment Assets | -5 | -17 | -63 | | -14 | | -99 | | | -32 |
| Equity Securities | 0 | -2 | 0 | | 2 | | 0 | | | -37 |
| Debt Securities | -5 | -15 | -63 | | -16 | | -99 | | | 5 |
| Portfolio Investment Liabilities  . | 114 | 12 | 69 | | -70 | | 125 | | | -112 |
| Equity Securities | 96 | 34 | 69 | | -79 | | 120 | | | -60 |
| Debt Securities | 18 | -22 | 0 | | 9 | | 5 | | | -52 |
| Financial Derivatives Assets | 0 | 0 | 0 | | 0 | | 0 | | | 0 |
| Financial Derivatives Liabilities | 0 | 0 | 0 | | 0 | | 0 | | | 0 |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Payments –Overall** | | | | | | | | | | | | | |
|  | | | | | | | | | | | | | |
|  | | | | |  | | | | | | | (Million US Dollars) | |
| **ITEM** | | **2012** | | | | |  | **2013** | |  | **Jul – Jun** | | |
| Jul – Sep | | Oct - Dec | | |  | Jan - Mar | Apr – Jun |  | 2012-13 | | 2011-12 |
|  | |  | |  | | |  | |  |  | | |  |
| Other Investment Assets | | -420 | | -624 | | | 442 | | 288 | -314 | | | 9 |
| Monetary Authorities | | 0 | | 0 | | | 0 | | 0 | 0 | | | 0 |
| General Government | | 4 | | -2 | | | -3 | | -1 | -2 | | | 3 |
| Banks | | -285 | | -418 | | | 453 | | 124 | -126 | | | -91 |
| Other Sector | | -139 | | -204 | | | -8 | | 165 | -186 | | | 97 |
| Other Investment Liab. | | -197 | | 54 | | | -252 | | -26 | -421 | | | 671 |
| Monetary Authorities | | 0 | | -2 | | | -3 | | 715 | 710 | | | -105 |
| General Government | | 17 | | 312 | | | -172 | | 91 | 248 | | | 998 |
| Disbursements | | 398 | | 1,008 | | | 499 | | 625 | 2,530 | | | 2,633 |
| Long-term | | 398 | | 752 | | | 499 | | 625 | 2,274 | | | 2,633 |
| Project loans | | 364 | | 700 | | | 490 | | 582 | 2,136 | | | 1,781 |
| Program loans | | 34 | | 52 | | | 9 | | 43 | 138 | | | 852 |
| Short-term | | 0 | | 256 | | | 0 | | 0 | 256 | | | 0 |
| Commercial loans | | 0 | | 0 | | | 0 | | 0 | 0 | | | 0 |
| IDB loans | | 0 | | 256 | | | 0 | | 0 | 256 | | | 0 |
| Amortization | | 381 | | 696 | | | 671 | | 534 | 2,282 | | | 1,577 |
| Long-term | | 381 | | 435 | | | 541 | | 534 | 1,891 | | | 1,477 |
| Short-term | | 0 | | 261 | | | 130 | | 0 | 391 | | | 100 |
| Other Liabilities | | 0 | | 0 | | | 0 | | 0 | 0 | | | -58 |
| Banks | | -310 | | -28 | | | -1 | | -778 | -1,117 | | | 220 |
| Other Sector | | 96 | | -228 | | | -76 | | -54 | -262 | | | -442 |
| Disbursements | | 153 | | 136 | | | 82 | | 38 | 409 | | | 558 |
| Amortization | | 87 | | 273 | | | 107 | | 151 | 618 | | | 638 |
| Other Liabilities | | 30 | | -91 | | | -51 | | 59 | -53 | | | -362 |
| **Net Errors and Omissions** | | **-91** | | **7** | | | **-169** | | **-56** | **-309** | | | **-80** |
| **Overall Balance** | | **-28** | | **-603** | | | **-1,132** | | **-229** | **-1,992** | | | **-3,275** |
| **Reserves and Related Items** | | **28** | | **603** | | | **1,132** | | **229** | **1,992** | | | **3,275** |
| Reserve Assets | | 472 | | 1,323 | | | 1,716 | | 1,019 | 4,530 | | | 4,430 |
| Use of Fund Credit and Loans | | 472 | | 1,323 | | | 1,716 | | 1,019 | 4,530 | | | 4,430 |
| Purchases | | 0 | | 0 | | | 0 | | | 0 | 0 | | | 0 |
| Repurchases | | -444 | | -720 | | | -584 | | | -790 | -2,538 | | | -1,155 |
| Exceptional Financing | | 0 | | 0 | | | 0 | | 0 | 0 | | | 0 |
| SBP Reserves | | 444 | | 720 | | | 584 | | 790 | 2,538 | | | 1,155 |
|  | |  | |  | | |  | |  |  | | |  |