###### 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.

**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 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 over-all exports in the previous year.

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.

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.

**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. 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.

**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.

**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.

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).

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| **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 internationalcooperation | 55 | 73 | 1 | 14 | 143 | 120 |
| Other official currenttransfers | 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 investmentfund 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 investmentfund 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** |

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| **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 |