###### Review on Pakistan’s Balance of Payments

Pakistan’s balance of payments recorded a deficit of $2,709 million in current account balance during FY15 as against deficit of $3,130 million during FY14. The decrease of $421 million in current account deficit was mainly due to higher net receipts of $1,975 million under secondary income. However, an increase of $601 million in trade in goods deficit, $313 million in trade in services, and $640 million primary income could not be compensated through this increase.

Primary income account deficit widened to $4,595 million from $3,955 million in the previous year reflecting an increase of 16.2 percent. Compensated by an amount of $375 million received in capital account, the net borrowing during FY15 was $2,334 million. The financial account showed a net inflow of $4,996 million during FY15 against of $5,553 million of previous year.

**Merchandise Trade**



Exports fetched $24,089 million during FY15, decreased by $989 million (3.9%) from $25,078 million during the previous year. Imports decreased by $388 million (0.9%) from $41,668 million to $41,280 million in FY15.

The general merchandise transactions reported through banks (export receipts) on a mixed f.o.b and c&f basis amounted to $24,612 million as compared to $24,848 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 $152 million, negative timing adjustment of $104 million and other exports of $583 million as freight and coverage adjustment.

The imports payments reported by banks (exchange record) decreased by $386 million to $41,403 million as compared to $ 41,788 million a year earlier. Goods procured on ports by carriers, NRI, personal baggage and foreign economic assistance and others taken together amounted to $2,362 million. After subtracting freight component and incorporating these adjustments, imports (fob) arrived at $ 41,403 million during FY15.

Export receipts during FY15 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 $13,666 million i.e. 55.5 percent of total exports receipts in the current year with a negative growth of 0.9 percent. Vegetable products shared 12.6 percent of the total export receipts with a positive growth of 5.4 percent. Same groups earned $3,098 million and $2,940 million respectively of over-all exports in the previous year.

Country-wise comparison of exports receipts by major countries during FY15 along with FY14 is shown in Figure 1. USA, China, Afghanistan, UK, UAE, and Germany remained major destinations of country’s exports.

It has been observed that 49 percent of total exports were destined for these countries as against 50 percent a year earlier. Exports to USA witnessed a nominal increase of 0.2 percent, and to Afghanistan a substantial increase of 36.5 percent. The other destinations with mentionable growth are Singapore 31.3 percent, Spain 23.1 percent, Italy 9.1 percent and Netherlands 7.9 percent. The exports to UAE declined 24.4 percent and to China by 13.6 percent.

Imports payments during FY15 by commodity groups are shown in descending order in Table 4 along with the corresponding period.

A total of $12,974 million, 31 percent of total import payments were made for minerals products with a negative growth of 16%. The share of the group was 37% in FY14. The decline in imports during FY15 is mainly attributable to this group. Imports payments for machinery and mechanical appliances captured 13.0 percent of the total imports payments while the share was 11.4 percent a year earlier. The group witnessed a positive growth of 12.6 during FY15. Products of chemical or allied industries decreased by $259 million and captured 12.0 percent of the total imports payments.

The country-wise comparison of import payments to major countries during FY15 with corresponding year is shown in Figure 2. Major chunk of payments i.e. $23,991 million (58 percent) were made to UAE, China, Singapore, Saudi Arabia and Kuwait in FY15. The order of the percentage share of these countries (59 percent) in FY14.

**Services**

The trade in services account deficit increased by $313 million at 11.8% from $2,650 million in FY14 to $ 2,963 million in FY15. The increase in deficit mainly is due to higher payments of $430 million in travel and $279 million in transport during the period as compared with the corresponding period. The higher receipts $476 million on account of government goods and services however, reduced the services account deficit.

The aggregate receipts of services transactions during FY15 rose to $5,880 million, with increase of $535 million (10%) as compared to previous year. An increase of $848 million (10.6%) in aggregate payments of services was observed during FY15. Government services, transport and other business services, telecommunications, computer, and information services accounted for 91% of total receipts i.e. $5,340 million. Transportation, travel and other business services consumed 80% of services payments.

**Primary Income**

The primary income deficit of $3,955 million in FY14 increased by $640 million (16.0%) and reached to $4,595 million during FY15. Net inflow of compensation of employees increased from $34 million to $39 million in the current year. The net payments on direct investment widened to $3,308 million during FY15 as compared to $2,917 million in the last year. Portfolio investment income and other investment income posted net outflows of $606 million and $736 million respectively during FY15.

**Secondary Income**

Secondary income account remained affluent with $22,040 million during FY15, up by $1,975 million (9.8%) from $20,065 million in FY14. Pakistani expatriates, during FY15, sent an amount of $18,721 million to Pakistan, highest repatriation of all times in a fiscal year. Secondary income payments of $14 million and $250 million were made by general government and other sectors respectively during FY15.

**Financial Account**

The financial account (net) shows net inflows of $4,996 million during FY15 as against $5,553 million during previous year.

The inflow of direct investment in Pakistan decreased by $777 million (46%) stood at $923 million against $1,700 million during the same period last year while the direct investment abroad reflected $73 million as against $128 million during previous year.

A net inflow of $1,841 million was recorded in portfolio investment in Pakistan including the euro bonds of $1,000 million during FY15 as compared to net inflow of $2,739 million including the euro bonds of $2,000 million in the corresponding last year while the portfolio investment abroad reflected decrease of $41 million as against decrease of $23 million during previous year. Other investment liabilities increased by $2,173 million and other investment assets decreased by $89 million during FY15.

**Disbursement and Repayment of Loans**

The inflow of foreign loans was $7,265 million in FY15 as compared to $6,509 million in the previous year. The disbursement of long-term loans to the general government was of $3,238 million out of which $2,248 million were for financing of various projects while $990 million for non-project loans. Inflow of short term loans stood at $1,241 million as against $657 million a year ago. The major part of short term loans ($1,005 million) belonged to Government.

The repayment of loans was $4,346 million during the current year as against $5,989 million in the previous year. A payment of $3,627 million was made against long term loans, of which $2,259 million payments made by general government including $563 million to IMF against Stand-by Arrangements (SBA) and Emergency Natural Disaster Assistance (ENDA).The quarter-wise breakup of repurchases/repayments is $237 million (SDR 156 million), $141 million (SDR 97 million), $93 million (SDR 67 million) and $93 million (SDR 67 million) in the current year. The repayment of short-term loans increased to $719 million during FY15 as against $474 million in FY14.

**Reserves and related items**

 Reserve assets increased by $4,595 million during FY15 compared to increase of $3,285 million in the preceding year. Use of fund credit repurchases/ repayments in current year decreased to $661 million from $2,230 million. An amount of $661.4 million was paid against Standby Arrangements by monetary authority from the total of $1,225.5 million (SDR 670.86 million) including the payments made by government.

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| **Summary Balance of Payment – Overall** |
|  |
| **ITEM** | **2014** | **2015** | **Jul - Jun** |
| Jul – Sep | Oct - Dec | Jan - Mar | Apr – Jun | 2014-15 | 2013-14 |
|  |  |  |  |  |  |  |
| **Current account balance** | **-1,651** | **-838** | **518** | **-738** | **-2,709** | **-3,130** |
| **Current account balance without official transfers** | -1,738 | -929 | 428 | -796 | -3,035 | -3,464 |
| Exports of goods FOB | 5,960 | 6,206 | 5,865 | 6,058 | 24,089 | 25,078 |
| Imports of goods FOB | 12,024 | 10,079 | 9,108 | 10,069 | 41,280 | 41,668 |
| **Balance on trade in goods** | **-6,064** | **-3,873** | **-3,243** | **-4,011** | **-17,191** | **-16,590** |
| Exports of services | 1,743 | 1,170 | 1,842 | 1,125 | 5,880 | 5,345 |
| Imports of services | 2,404 | 2,009 | 2,101 | 2,329 | 8,843 | 7,995 |
| **Balance on trade in services** | **-661** | **-839** | **-259** | **-1,204** | **-2,963** | **-2,650** |
| **Balance on trade in goods and** **services** | **-6,725** | **-4,712** | **-3,502** | **-5,215** | **-20,154** | **-19,240** |
| Primary income credit | 100 | 166 | 180 | 201 | 647 | 508 |
| Primary income debit | 950 | 1,672 | 1,044 | 1,576 | 5,242 | 4,463 |
| **Balance on primary income** | **-850** | **-1,506** | **-864** | **-1,375** | **-4,595** | **-3,955** |
| **Balance on goods, services and****primary income** | **-7,575** | **-6,218** | **-4,366** | **-6,590** | **-24,749** | **-23,195** |
| Secondary income credit | 5,986 | 5,465 | 4,948 | 5,905 | 22,304 | 20,222 |
| General government | 89 | 95 | 96 | 60 | 340 | 380 |
| Current internationalcooperation | 51 | 50 | 47 | 3 | 151 | 143 |
| Other official currenttransfers | 38 | 45 | 49 | 57 | 189 | 237 |
| Financial corporations, NFC\*, households and NPISHs | 5,897 | 5,370 | 4,852 | 5,845 | 21,964 | 19,842 |
| Workers' remittances | 4,775 | 4,387 | 4,434 | 5,125 | 18,721 | 15,837 |
| Other personal transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current transfers | 1,122 | 983 | 418 | 720 | 3,243 | 4,005 |
| Secondary income debit | 62 | 85 | 64 | 53 | 264 | 157 |
| **Balance on secondary income** | **5,924** | **5,380** | **4,884** | **5,852** | **22,040** | **20,065** |
| **Capital account balance** | **59** | **208** | **55** | **53** | **375** | **1,857** |
| Capital account credit | 59 | 208 | 55 | 53 | 375 | 1,857 |
| Capital account debit | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net lending (+) / net borrowing (–)** | **-1,592** | **-630** | **573** | **-685** | **-2,334** | **-1,273** |
| **Financial account**  | **-1,169** | **-1,445** | **-67** | **-2,315** | **-4,996** | **-5,553** |
| **Direct investment**  | **-178** | **-379** | **-215** | **-78** | **-850** | **-1,572** |
| Direct investment abroad | 23 | 33 | 5 | 12 | 73 | 128 |
| Equity and investmentfund shares\*\* | 23 | 33 | 5 | 12 | 73 | 128 |
| Debt instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct investment in Pakistan | 201 | 412 | 220 | 90 | 923 | 1,700 |
| Equity and investmentfund shares\*\* | 192 | 1,118 | 192 | 78 | 1,580 | 1,086 |
| Debt instruments | 9 | -706 | 28 | 12 | -657 | 614 |
| **Portfolio investment**  | **-174** | **-1,005** | **79** | **-782** | **-1,882** | **-2,762** |

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| **Summary Balance of Payment – Overall** |
| (Million US Dollars) |
| **ITEM** | **2014** | **2015** | **Jul – Jun** |
| Jul – Sep | Oct - Dec | Jan - Mar | Apr – Jun | 2014-15 | 2013-14 |
| Portfolio investment abroad | -41 | -14 | -5 | 19 | -41 | -23 |
| Equity and investment fund shares | -1 | 1 | 0 | -2 | -2 | -1 |
| Debt securities  | -40 | -15 | -5 | 21 | -39 | -22 |
| Portfolio investment in Pakistan | 133 | 991 | -84 | 801 | 1,841 | 2,739 |
| Equity and investment fund shares | 170 | -19 | -66 | 828 | 913 | 735 |
|  Debt securities  | -37 | 1,010 | -18 | -27 | 928 | 2,004 |
| **Financial derivatives and employee** **stock options**  | **0** | **0** | **0** | **-2** | **-2** | **2** |
| **Other Investment**  | **-817** | **-61** | **69** | **-1,453** | **-2,262** | **-1,221** |
| Net acquisition of financial assets | -413 | 204 | 96 | 24 | -89 | -211 |
| Central Bank | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposit-taking corporations | -199 | 120 | 129 | 18 | 68 | -8 |
| General Government | -1 | 2 | 26 | 8 | 35 | -5 |
| Other Sector | -213 | 82 | -59 | -2 | -192 | -198 |
| Net incurrence of liabilities | 404 | 265 | 27 | 1,477 | 2,173 | 1,010 |
| Central Bank | 0 | -1 | 12 | 552 | 563 | 146 |
| Deposit-taking corporations | 173 | 197 | 18 | 91 | 479 | -293 |
| General Government | 304 | 111 | 175 | 810 | 1,400 | 1,610 |
| Disbursements | 1,114 | 934 | 693 | 1,502 | 4,243 | 4,349 |
| Credit and loans with the IMF | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Long-term | 767 | 438 | 621 | 1,262 | 3,088 | 3,617 |
| Short-term | 347 | 496 | 72 | 240 | 1,155 | 732 |
| Amortization | 809 | 822 | 518 | 692 | 2,841 | 2,734 |
| Credit and loans with the IMF | 237 | 140 | 93 | 93 | 563 | 900 |
| Other Long-term | 439 | 372 | 425 | 460 | 1,696 | 1,834 |
| Short-term | 133 | 310 | 0 | 139 | 582 | 0 |
| Other Liabilities (net) | -1 | -1 | 0 | 0 | -2 | -5 |
| Other Sector | -73 | -42 | -178 | 24 | -269 | -453 |
| Disbursements | 63 | 101 | 113 | 134 | 411 | 498 |
| Amortization | 194 | 173 | 282 | 179 | 828 | 975 |
| Other Liabilities (net) | 58 | 30 | -9 | 69 | 148 | 24 |
| **Net Errors and Omissions** | **88** | **5** | **88** | **-197** | **-16** | **-422** |
| **Overall Balance** | **335** | **-820** | **-728** | **-1,433** | **-2,646** | **-3,858** |
| **Reserves and Related Items** | **-335** | **820** | **728** | **1,433** | **2,646** | **3,858** |
| Reserve Assets | -62 | 1,678 | 1,132 | 1,847 | 4,595 | 3,285 |
| Use of Fund Credit and Loans | 273 | 858 | 404 | 414 | 1,949 | -573 |
| Exceptional Financing | 0 | 0 | 0 | 0 | 0 | 0 |
| SBP Gross Reserves | 10,362 | 11,943 | 12,991 | 14,836 | 14,836 | 10,509 |