###### Current Account Balance (CAB) of Pakistan shows a deficit of $3,394 million (which is 1.2% of the GDP) during FY16 as compared to a deficit of $2,709 million during FY15. The increase of $685 million in current account deficit was mainly due to:



**REVIEW ON PAKISTAN’S BALANCE OF PAYMENTS – FY16**

1. An increase of $1,287 million in trade deficit as compared to corresponding period last year.
2. An increase of $740 million in primary income deficit was mainly due to reinvested earnings which stood at $744 million.
3. Secondary income witnessed a surplus of $23,383 increased by $1,343 million as compared to last year. The increase is due to workers’ remittances which increased by $1,196 million.

Net receipts of $273 million have been recorded in capital account during FY16 whereas net borrowing touched $3,121 million. Financial account showed a net inflow of $5,605 million during FY16 increased by 12.2% similarly, a net inflow of $4,996 million was witnessed a year earlier.

**TRADE IN GOODS**

###### Trade in goods balance shows a deficit of $18,478 million increased by 7.5% during FY16 as compared to $17,191 million a year earlier. Exports reached $21,972 million during FY16, decreased by 8.8% from $24,089 million a year earlier. Imports decreased by $830 million from $41,280 million in FY15 to $40,450 million during FY16. General Merchandise Exports[[1]](#footnote-1) decreased by $2,117 million to reach $21,960 million as compared to $24,077 million recorded during corresponding period last year. The imports payments reported by banks decreased by $1,893 million to reach $39,509 million during FY16 as compared to $41,403 million a year earlier. During FY16, Imports on FOB[[2]](#footnote-2) basis touched $40,450 million decreased by 2.0% as compared to $41,280 million recorded during FY15.



**EXPORTS BY COMMODITY AND COUNTRY**

Export receipts by commodity groups during FY16 along with FY15 are shown in Table 3.



The commodity-wise analysis of export receipts revealed that exports remained concentrated in textiles and textile articles which has the largest share of 59.3% of total exports receipts during FY16 as they earned $12,945 million with a negative growth of 5.3%. Vegetable products witnessed the second largest share of 12.3% of the total export receipts decreased by 13.4% from $3,098 million in FY15 to $2,684 million during FY16.

The country-wise comparison of exports receipts during FY16 with FY15 is shown in Figure 1. USA, China, UK, Afghanistan, Germany and UAE remained major destinations of country’s exports and witnessed 49.4% of total exports. Exports to USA shared 17.0% of total exports decreased by 6.1% as compared to last year, exports to China has the second largest share i.e. 8.7% of total exports decreased by 17.9% as compared to last year. However exports to UK shared 7.5% of total exports.



**IMPORTS BY COMMODITY AND COUNTRY**

Import payments by commodity groups during FY16 along with FY15 are shown in Table 4.



Commodity-wise analysis of import payments revealed that 22.5% of overall import payments were made to minerals products which decreased by 31.4% from $12,974 million in FY15 to $8,900 million in FY16. The decline in import payments during FY16 is mainly attributable to this group due to low oil prices. However, machinery and mechanical appliances group shared 15.2% of total import payments increased by 11.9% from $5,381 million in FY15 to $6,019 million in FY16. Minerals products, machinery and mechanical appliances and products of chemical or allied industries groups shared 50.3% of the total imports payments during FY16.



The country-wise comparison of import payments to major countries during FY16 with FY15 is shown in Figure 2. During FY16, major chunk of import payments i.e. $19,217 million (88.1% of total import payments) were made to China, UAE, Singapore and Saudi Arabia.

**TRADE IN SERVICES**

The trade in services balance showed a deficit of $2,964 million as against a deficit of $2,963 million a year earlier.



**EXPORT OF SERVICES**

Export of services decreased by 7.2% from $5,880 million in FY15 to $5,459 million in FY16. Sectoral analysis revealed that government goods and services shares 35.7% of overall export of services decreased by 18.2% as compared to last year. The second largest share of 20.6% is held by transport services which also decreased by $192 million with a negative growth of 14.6%. However, other business services performed better and increased by $198 million with a growth of 24.1%.



**IMPORT OF SERVICES**

Import of services stood at $8,423 million decreased by 4.7% from $8,843 million reported in FY15. The analysis showed that reduction of $420 million in payments has mainly been due to negative growths of 21.6% in transport services, 23.2% in government goods and services and 4.8% in telecommunications, computer, and information services. On the other hand, a growth of 21.1% is witnessed in travel services. The percentage share of major import of services is presented in figure 4.



**PRIMARY INCOME**

Primary income account showed a deficit of $5,335 million during FY16 increased 16.1% from $4,595 million a year earlier. Net inflow of compensation of employees increased from $39 million in FY15 to $57 million in the current year. During the period under review, net payments to direct investors increased by $478 million from $3,308 million in FY15 to $3,786 million in FY16. Portfolio investment income and other investment income posted net outflows of $702 million and $943 million respectively during FY16.



**SECONDARY INCOME**



Secondary income (Net) recorded as $23,383 million during FY16, increased by 6.1% from $22,040 million reported in FY15. During current year, Pakistani expatriates sent an amount of $19,917 million to Pakistan increased by 6.4% as compared to corresponding period last year.

**FINANCIAL ACCOUNT**



The financial account shows net inflows of $5,605 million during FY16 as against $4,996 million in FY15 reflecting an increase of 12.2%. Foreign Direct Investment in Pakistan increased by $981 million (with a growth of 106.3%) to reach $1,904 million for the period under review as against $923 million recorded during the same period last year while the direct investment abroad decreased by 74.0% from $73 million in FY15 to $19 million during current period.

A net outflow of $329 million (including a principal repayment of $500 million under Euro Bonds) was recorded in portfolio investment in Pakistan during FY16 as compared to net inflow of $1,843 million (including $1,000 million under Sukkuk Bonds) in the corresponding period of last year. Portfolio investment abroad has been $100 million as against a decrease of $41 million recorded during the previous year. Other investment liabilities increased by 92.2% to reach $4,176 million from $2,173 million in FY15. Other investment assets have been $27 million recorded during FY16.

**DISBURSEMENTS AND REPAYMENTS OF LOANS**



During FY16, inflows of $9,361 million were recorded under foreign loans increased by $2,096 million as compared to $7,265 million in FY15. During current year, $4,498 million (increased by 45.7%) long term loans were disbursed to the government out of which $1,786 million was disbursed to finance various projects in Pakistan whereas $2,712 million disbursed as non-project loans. Inflows of short term loans increased from $1,391 million in FY15 to $1,953 million in FY16 with a growth rate of 40.4%. The major share to short term loans belongs to government which increased by $506 million with a growth of 43.8% during FY16 as compared to FY15.



During the period under review, $3,499 million loans were repaid as compared to $4,346 million repaid in FY15. Payments of $2,605 million were made against long term loans of which $1,980 million repaid by government including $53 million to IMF against Emergency Natural Disaster Assistance (ENDA). The short-term loan repayments increased by $175 million from $719 million in FY15 to $894 million during current year of which government short term repayments increased by $152 million.



**RESERVES AND RELATED ITEMS**

Reserve assets increased by $4,661 million during FY16 as against increase of $4,595 million in previous year. The use of fund credit and loans from IMF in current year also increased by $2,009 million in FY16 as compared to $2,611 million in FY15. Resultantly reserves and related items increased by $2,652 million during current year.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Summary Balance of Payments** | | | | | | |
|  | | | | | | |
| **ITEM** | **2015** | | **2016** | | **Jul - Jun** | |
| **Jul - Sep** | **Oct - Dec** | **Jan - Mar** | **Apr – Jun** | **2015-16** | **2014-15** |
|  |  |  |  |  |  |  |
| **Current account balance** | **-540** | **-1,362** | **-449** | **-1,043** | **-3,394** | **-2,709** |
| **Current account balance without official transfers** | **-634** | **-1,591** | **-534** | **-1,218** | **-3,977** | **-3,035** |
| Exports of goods FOB | 5,318 | 5,465 | 5,545 | 5,644 | 21,972 | 24,089 |
| Imports of goods FOB | 10,052 | 10,154 | 9,478 | 10,766 | 40,450 | 41,280 |
| **Balance on trade in goods** | ***-4,734*** | ***-4,689*** | ***-3,933*** | ***-5,122*** | ***-18,478*** | ***-17,191*** |
| Exports of services | 1,767 | 1,165 | 1,152 | 1,375 | 5,459 | 5,880 |
| Imports of services | 2,123 | 2,096 | 1,898 | 2,306 | 8,423 | 8,843 |
| **Balance on trade in services** | ***-356*** | ***-931*** | ***-746*** | ***-931*** | ***-2,964*** | ***-2,963*** |
| **Balance on trade in goods and services** | ***-5,090*** | ***-5,620*** | ***-4,679*** | ***-6,053*** | ***-21,442*** | ***-20,154*** |
| Primary income credit | 110 | 166 | 129 | 203 | 608 | 647 |
| Primary income debit | 1,259 | 1,773 | 1,235 | 1,676 | 5,943 | 5,242 |
| **Balance on primary income** | ***-1,149*** | ***-1,607*** | ***-1,106*** | ***-1,473*** | ***-5,335*** | ***-4,595*** |
| **Balance on goods, services and primary**  **income** | ***-6,239*** | ***-7,227*** | ***-5,785*** | ***-7,526*** | ***-26,777*** | ***-24,749*** |
| Secondary income credit | 5,726 | 5,897 | 5,373 | 6,528 | 23,524 | 22,304 |
| General government | 95 | 230 | 88 | 200 | 613 | 340 |
| Current international cooperation | 67 | 154 | 28 | 139 | 388 | 151 |
| Other official current transfers | 28 | 76 | 60 | 61 | 225 | 189 |
| Financial corporations, NFC\*, households and  NPISHs | 5,631 | 5,667 | 5,285 | 6,328 | 22,911 | 21,964 |
| Workers' remittances | 4,966 | 4,723 | 4,699 | 5,529 | 19,917 | 18,721 |
| Other personal transfers | 0 | 0 | 0 | 0 | 0 | 0 |
| Other current transfers | 665 | 944 | 586 | 799 | 2,994 | 3,243 |
| Secondary income debit | 27 | 32 | 37 | 45 | 141 | 264 |
| **Balance on secondary income** | ***5,699*** | ***5,865*** | ***5,336*** | ***6,483*** | ***23,383*** | ***22,040*** |
| **Capital account balance** | ***89*** | ***77*** | ***47*** | ***60*** | ***273*** | ***375*** |
| Capital account credit | 89 | 83 | 47 | 60 | 279 | 375 |
| Capital account debit | 0 | 6 | 0 | 0 | 6 | 0 |
| **Net lending (+) / net borrowing (–)** | **-451** | **-1,285** | **-402** | **-983** | **-3,121** | **-2,334** |
| **Financial account** | **-1,534** | **-1,945** | **107** | **-2,233** | **-5,605** | **-4,996** |
| **Direct investment** | -397 | -574 | -436 | -478 | -1,885 | -850 |
| Direct investment abroad | 7 | 1 | 10 | 1 | 19 | 73 |
| Equity and investment fund shares\*\* | 7 | 1 | 10 | 1 | 19 | 73 |
| Debt instruments | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct investment in Pakistan | 404 | 575 | 446 | 479 | 1,904 | 923 |
| Equity and investment fund shares\*\* | 345 | 582 | 465 | 371 | 1,763 | 1,580 |
| Debt instruments | 59 | -7 | -19 | 108 | 141 | -657 |
| **Portfolio investment** | **-381** | **173** | **616** | **21** | **429** | **-1,884** |
|  | | | | | | |
| **Summary Balance of Payments** | | | | | | |
| **ITEM** | **2015** | | **2016** | | **Jul-Jun** | |
| **Jul-Sep** | **Oct-Dec** | **Jan-Mar** | **Apr-Jun** | **2015-16** | **2014-15** |
| Portfolio investment abroad | 10 | 2 | 3 | 85 | 100 | -41 |
| Equity and investment fund shares | 0 | 2 | -1 | -1 | 0 | -2 |
| Debt securities | 10 | 0 | 4 | 86 | 100 | -39 |
| Portfolio investment in Pakistan | 391 | -171 | -613 | 64 | -329 | 1,843 |
| Equity and investment fund shares | -91 | -145 | -114 | 30 | -320 | 913 |
| Debt securities | 482 | -26 | -499 | 34 | -9 | 930 |
| **Financial derivatives and employee stock options** | **0** | **0** | **0** | **0** | **0** | **-2** |
| **Other Investment** | **-756** | **-1,544** | **-73** | **-1,776** | **-4,149** | **-2,260** |
| Net acquisition of financial assets | -349 | 390 | -330 | 316 | 27 | -87 |
| Central Bank | 0 | 0 | 0 | 0 | 0 | 0 |
| Deposit-taking corporations | -262 | 317 | -486 | 304 | -127 | 68 |
| General Government | 2 | -2 | 44 | 1 | 45 | 35 |
| Other Sector | -89 | 75 | 112 | 11 | 109 | -190 |
| Net incurrence of liabilities | **407** | **1,934** | **-257** | **2,092** | **4,176** | **2,173** |
| Central Bank | 3 | 1 | 0 | 1 | 5 | 563 |
| Deposit-taking corporations | 264 | 503 | -871 | 516 | 412 | 479 |
| General Government | **55** | **1,305** | **551** | **1,534** | **3,445** | **1,400** |
| Disbursements | **966** | **2,122** | **1,116** | **1,955** | **6,159** | **4,243** |
| Credit and loans with the IMF | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Long-term | 364 | 1,677 | 792 | 1,665 | 4,498 | 3,088 |
| Short-term | 602 | 445 | 324 | 290 | 1,661 | 1,155 |
| Amortization | **911** | **817** | **565** | **421** | **2,714** | **2,841** |
| Credit and loans with the IMF | 53 | 0 | 0 | 0 | 53 | 563 |
| Other Long-term | 645 | 367 | 494 | 421 | 1,927 | 1,696 |
| Short-term | 213 | 450 | 71 | 0 | 734 | 582 |
| Other Liabilities (net) | 0 | 0 | 0 | 0 | 0 | -2 |
| Other Sector | **85** | **125** | **63** | **41** | **314** | **-269** |
| Disbursements | 309 | 358 | 209 | 317 | 1,193 | 411 |
| Amortization | 190 | 182 | 154 | 259 | 785 | 828 |
| Other Liabilities (net) | -34 | -51 | 8 | -17 | -94 | 148 |
| **Net Errors and Omissions** | **162** | **-446** | **194** | **258** | **168** | **-16** |
| **Overall Balance** | **-1,245** | **-214** | **315** | **-1,508** | **-2,652** | **-2,646** |
| **Reserves and Related Items** | **1,245** | **214** | **-315** | **1,508** | **2,652** | **2,646** |
| Reserve Assets | 1,750 | 714 | 188 | 2,009 | 4,661 | 4,595 |
| Use of Fund Credit and Loans | 505 | 500 | 503 | 501 | 2,009 | 1,949 |
| Exceptional Financing | 0 | 0 | 0 | 0 | 0 | 0 |
| **SBP Gross Reserves** | 16,548 | 17,220 | 17,464 | 19,446 | 19,446 | 14,836 |

\* Non Financial Corporations.

\*\* Including Reinvested Earnings

1. General Merchandise exports at f.o.b are obtained by adding in exports receipts (transactions reported through banks on mixed (FOB & C&F) basis, goods procured in ports by carriers, timing adjustment and subtracting freight and coverage adjustment. [↑](#footnote-ref-1)
2. Imports at f.o.b are obtained by subtracting freight component from imports payments through banks and adding goods procured on ports by carriers, NRI, personal baggage and foreign economic assistance. [↑](#footnote-ref-2)