

REVIEW ON PAKISTAN'S BALANCE OF PAYMENTS – FY16

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:

- An increase of \$1,287 million in trade deficit as compared to corresponding period last year.
- An increase of \$740 million in primary income deficit was mainly due to reinvested earnings which stood at \$744 million.
- 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.

Table 1: Summary Balance of Payments

Items	FY16				Million US\$	
	Q1	Q2	Q3	Q4	FY16	FY15
Current Account Balance	-540	-1,362	-449	-1,043	-3,394	-2,709
Trade Balance (Goods)	-4,734	-4,689	-3,933	-5,122	-18,478	-17,191
Exports	5,318	5,465	5,545	5,644	21,972	24,089
Imports	10,052	10,154	9,478	10,766	40,450	41,280
Services (Net)	-356	-931	-746	-931	-2,964	-2,963
Primary Income (Net)	-1,149	-1,607	-1,106	-1,473	-5,335	-4,595
<i>of which: Reinvested Earnings</i>	<i>-186</i>	<i>-186</i>	<i>-186</i>	<i>-186</i>	<i>-744</i>	<i>-252</i>
Secondary Income (Net)	5,699	5,865	5,336	6,483	23,383	22,040
<i>of which: Workers' Remittances</i>	<i>4,966</i>	<i>4,723</i>	<i>4,699</i>	<i>5,529</i>	<i>19,917</i>	<i>18,721</i>
Capital Account (Net)	89	77	47	60	273	375
<i>of which: Project Grants</i>	<i>87</i>	<i>78</i>	<i>46</i>	<i>55</i>	<i>266</i>	<i>151</i>
Net lending (+)/Net Borrowing (-)	-451	-1,285	-402	-983	-3,121	-2,334
Financial Account (Net)	-1,534	-1,945	107	-2,233	-5,605	-4,996
Errors and Omissions (Net)	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

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 Exports¹ decreased by \$2,117 million to reach \$21,960 million as compared to \$24,077

Table 2: Trade in Goods

Items	FY16				Million US\$	
	Q1	Q2	Q3	Q4	FY16	FY15
Trade Balance	-4,734	-4,689	-3,933	-5,122	-18,478	-17,191
Exports (I+II)	5,318	5,465	5,545	5,644	21,972	24,089
I. General Merchandise (f.o.b.)	5,314	5,463	5,541	5,643	21,960	24,077
(a) Exchange Record	5,490	5,460	5,366	5,501	21,817	24,612
(b) Goods Procured in Ports by Carriers	15	24	22	18	79	152
(c) Timing Adjustment	-122	9	181	144	212	-104
(d) Less Freight and Coverage	69	29	29	20	148	583
II. Merchandising	4	2	4	1	12	12
Imports	10,052	10,154	9,478	10,766	40,450	41,280
(a) Exchange Record	9,831	9,884	9,372	10,422	39,509	41,403
(b) Less Freight	344	346	328	365	1,383	2,484
(c) Goods Procured in Ports by Carriers	0	0	0	0	0	161
(d) Personal Baggage and NRI	33	38	50	45	166	141
(e) Foreign Economic Assistance	389	366	195	382	1,331	1,308
(f) Others	144	212	190	282	827	752

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.

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 FOB² basis touched \$40,450 million decreased by 2.0% as compared to \$41,280 million recorded during FY15.

EXPORTS BY COMMODITY AND COUNTRY

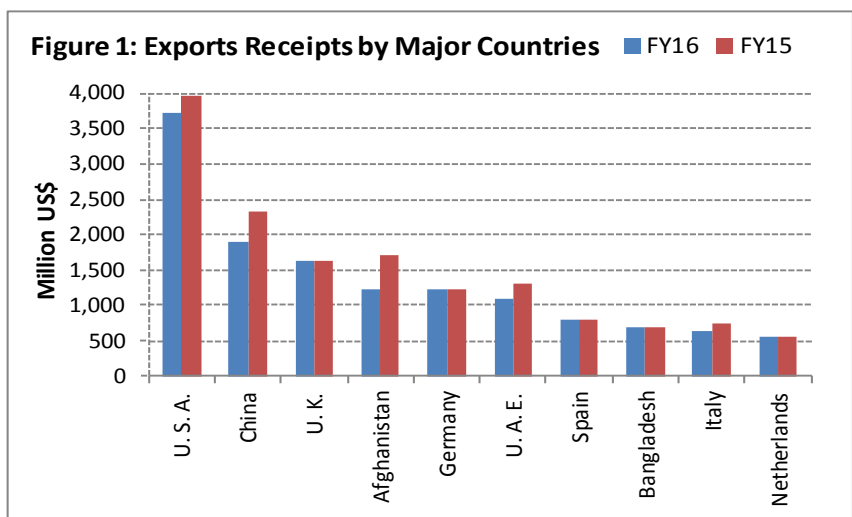
Export receipts by commodity groups during FY16 along with FY15 are shown in Table 3.

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.

Table 3: Export Receipts by Commodity Group

Commodity Group	FY16				Million US\$	
	Q1	Q2	Q3	Q4	FY16	FY15
Textiles and Textile Articles	3,336	3,248	3,158	3,202	12,945	13,666
Vegetable Products	550	712	707	714	2,684	3,098
Mineral Products	304	301	236	269	1,109	1,699
Products of Chemical or Allied Industries	181	185	181	219	767	489
Raw Hide and Skins, Leather, Fur skins and Articles thereof	228	155	149	160	691	1,238
Prepared Foodstuffs; Beverages, Spirits, Vinegar and Tobacco	156	115	245	154	671	961
Live Animals and Animals Products	147	189	159	171	666	757
Base Metals and Articles or Base Metal	122	123	111	120	475	531
Plastics and Articles thereof; Rubber and Articles thereof	118	117	110	123	468	506
Miscellaneous Manufactured Articles	129	100	100	120	449	572
Vehicles, Aircraft, Vessels and Associated Transport Equipment	73	101	104	120	398	46
Arms and Ammunition, Parts and Accessories thereof	17	23	26	26	92	6
Pulp of Wood or of other Fibrous Cellulosic Material	18	20	19	31	88	68
Machinery and Mechanical Appliances	23	21	16	13	72	219
Animal or Vegetable Fats, Oils and Waxes	15	17	12	18	62	76
Optical, Photographic, Cinematographer, Measuring, Checking,	40	6	7	8	61	388
Natural or Cultured Pearls, Precious or Semi Precious Stones,	6	10	8	15	38	27
Footwear, Headgear, Umbrellas, Walking Sticks etc.	13	9	7	8	37	117
Articles of Stone, Plaster, Cement, Asbestos, Mica or similar	10	9	8	9	36	71
Wood and Articles of Wood	3	1	1	1	5	46
Works of Arts, Collectors, Pieces, Antiques and Special	2	0	1	0	3	31
Total	5,490	5,460	5,366	5,501	21,817	24,612

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.



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.

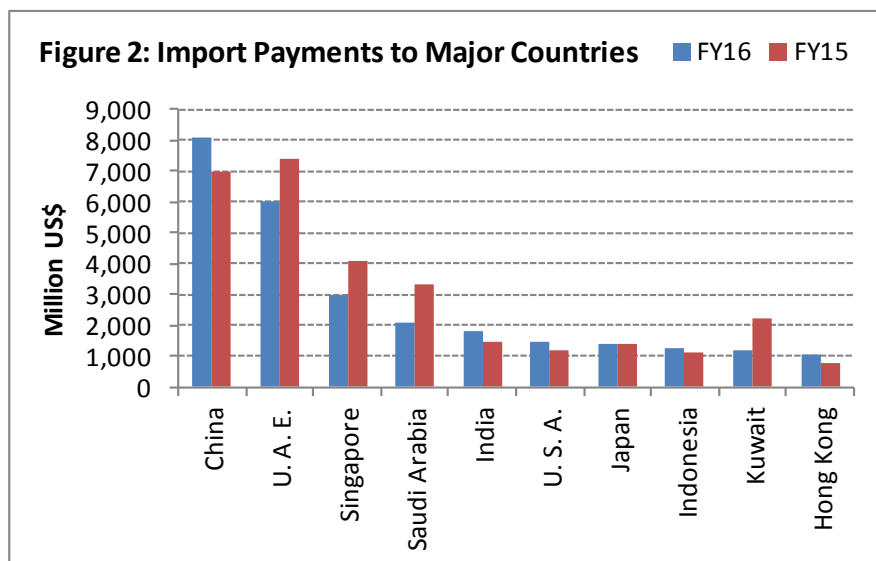
IMPORTS BY COMMODITY AND COUNTRY

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.

Commodity Group	FY16				Million US\$	
	Q1	Q2	Q3	Q4	FY16	FY15
Mineral Products	2,905	2,181	1,738	2,076	8,900	12,974
Machinery and Mechanical Appliances	1,294	1,664	1,471	1,589	6,019	5,381
Products of Chemical or Allied Industries	1,340	1,263	1,134	1,225	4,962	4,961
Base Metals and Articles or Base Metal	792	800	951	1,100	3,643	3,247
Textiles and Textile Articles	550	900	959	776	3,185	2,451
Vegetable Products	483	584	634	659	2,360	2,261
Plastics and Articles thereof; Rubber and Articles thereof	545	558	511	591	2,205	2,151
Vehicles, Aircraft, Vessels and Associated Transport Equipment	428	444	471	542	1,885	1,993
Animal or Vegetable Fats, Oils and Waxes	490	456	427	467	1,840	1,953
Works of Arts, Collectors, Pieces, Antiques and Special Transacti	260	317	347	620	1,544	1,037
Pulp of Wood or of other Fibrous Cellulosic Material	158	153	194	198	703	694
Prepared Foodstuffs; Beverages, Spirits, Vinegar and Tobacco	224	129	143	149	645	791
Optical, Photographic, Cinematographer, Measuring, Checking, f	119	180	145	148	593	530
Miscellaneous Manufactured Articles	55	70	53	84	262	251
Live Animals and Animals Products	60	46	58	62	226	230
Articles of Stone, Plaster, Cement, Asbestos, Mica or similar Mat	50	53	56	59	218	188
Wood and Articles of Wood	34	35	45	41	155	124
Raw Hide and Skins, Leather, Fur skins and Articles thereof	22	28	17	13	80	97
Footwear, Headgear, Umbrellas, Walking Sticks etc.	17	17	12	13	59	53
Arms and Ammunition, Parts and Accessories thereof	4	4	3	9	21	31
Natural or Cultured Pearls, Precious or Semi Precious Stones, Mκ	1	2	1	2	6	5
Total	9,830	9,884	9,372	10,422	39,509	41,403



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.

Table 5: Trade in Services

Items	Million US\$					
	FY16			FY15		
	Credit	Debit	Net	Credit	Debit	Net
Services	5,459	8,423	-2,964	5,880	8,843	-2,963
1. Manufacturing Services on Physical Inputs owned by Others	0	0	0	0	0	0
2. Maintenance and Repair Services n.i.e.	2	100	-98	7	87	-80
3. Transport	1,125	3,257	-2,132	1,317	4,155	-2,838
4. Travel	323	1,839	-1,516	301	1,518	-1,217
5. Construction	42	119	-77	45	4	41
6. Insurance and Pension Services	52	255	-203	68	263	-195
7. Financial Services	111	204	-93	106	228	-122
8. Charges for the use of Intellectual Property	20	183	-163	5	159	-154
9. Telecommunications, Computer, and Information Services	789	377	412	821	396	425
10. Other Business Services	1,019	1,610	-591	821	1,411	-590
11. Personal, Cultural, and Recreational Services	29	8	21	8	9	-1
12. Government Goods and Services n.i.e.	1,947	471	1,476	2,381	613	1,768

Figure 3: Major Export of Services during FY16 (% Share)

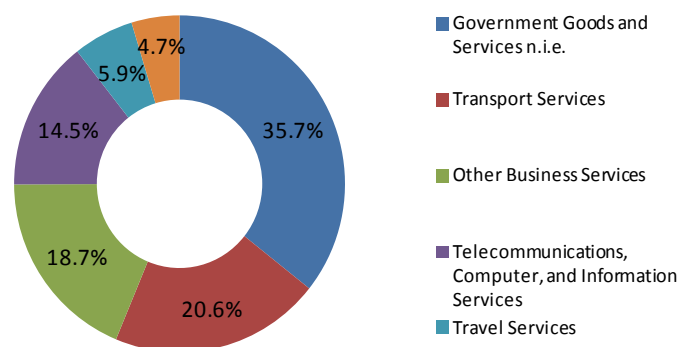
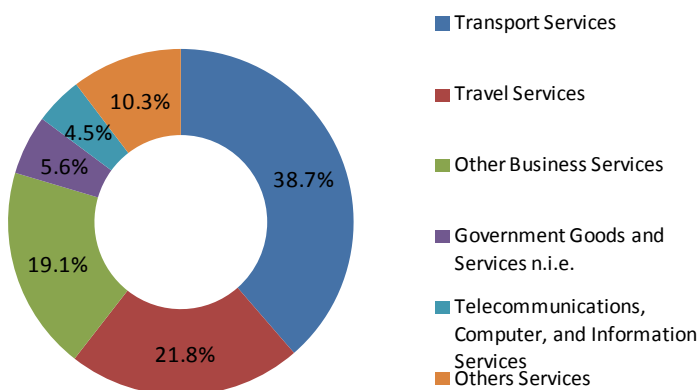


Figure 4: Major Import of Services during FY16 % Share



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.

Items	Million US\$					
	FY16			FY15		
	Credit	Debit	Net	Credit	Debit	Net
Primary Income	608	5,943	-5,335	647	5,242	-4,595
1. Compensation of Employees	71	14	57	41	2	39
2. Investment Income	537	5,929	-5,392	606	5,240	-4,634
2.1. Direct Investment	21	3,807	-3,786	19	3,327	-3,308
2.2. Portfolio Investment	315	1,017	-702	246	852	-606
2.3. Other Investment	162	1,105	-943	325	1,061	-736
2.4. Reserve Assets	39	0	39	16	0	16
3. Other Primary Income	0	0	0	0	0	0

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.

Items	Million US\$					
	FY16				FY16	FY15
	Q1	Q2	Q3	Q4		
Secondary Income (Net)	5,699	5,865	5,336	6,483	23,383	22,040
Secondary Income Receipts	5,726	5,897	5,373	6,528	23,524	22,304
General Government	95	230	88	200	613	340
<i>of which: Budgetary Grants</i>	67	154	28	139	388	151
Other Sectors	5,631	5,667	5,285	6,328	22,911	21,964
<i>of which: Workers Remittances</i>	4,966	4,723	4,699	5,529	19,917	18,721
Secondary Income Payments	27	32	37	45	141	264
General Government	1	1	3	25	30	14
Other Sectors	26	31	34	20	111	250

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.

Items	Million US\$					
	FY16				FY16	FY15
	Q1	Q2	Q3	Q4		
Financial Account	-1,534	-1,945	107	-2,233	-5,605	-4,996
1. Direct Investment	-397	-574	-436	-478	-1,885	-850
Direct Investment Abroad	7	1	10	1	19	73
Direct Investment in Reporting Economy	404	575	446	479	1,904	923
2. Portfolio Investment	-381	173	616	21	429	-1,884
Assets	10	2	3	85	100	-41
Liabilities	391	-171	-613	64	-329	1,843
3. Financial Derivatives and ESOs*	0	0	0	0	0	-2
4. Other Investment	-756	-1,544	-73	-1,776	-4,149	-2,260
Assets	-349	390	-330	316	27	-87
Liabilities	407	1,934	-257	2,092	4,176	2,173

* Employee Stock Options

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 Sukuk 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.

Table 8: Loan Disbursements

Items	Million US\$	
	FY16	FY15
Utilization of Foreign Loans	9,361	7,265
I) Long-term	7,408	5,874
Monetaries Authorities	2,009	2,611
Government	4,498	3,088
a) Project Loans	1,786	2,248
b) Non Project Loans	2,712	840
Banks	0	0
Other Sector	901	175
II) Short-term	1,953	1,391
Government	1,661	1,155
Other Sector	292	236

Table 9: Loan Repayments - Principal

Items	Million US\$	
	FY16	FY15
Repayment of Foreign Loans	3,499	4,346
I) Long-term	2,605	3,627
Monetary Authorities	0	662
Government	1,980	2,259
Banks	0	15
Other Sector	625	691
II) Short-term	894	719
Government	734	582
Other Sector	160	137

Table 10: Reserves

Items	Million US\$					
	FY16				FY16	FY15
	Q1	Q2	Q3	Q4		
Reserves and Related Items	1,245	214	-315	1,508	2,652	2,646
1.1 Reserve Assets	1,750	714	188	2,009	4,661	4,595
1.2 Use of Fund Credit and Loans	505	500	503	501	2,009	1,949
i) Purchases/Drawings	505	500	503	501	2,009	2,611
ii) Repurchases/Repayments	0	0	0	0	0	662
1.3 Exceptional Financing	0	0	0	0	0	0

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