###### Review of Pakistan’s Balance of Payments- FY11

Current account balance turned positive with $214 million as surplus during FY11 with massive deficit of $3,946 million in the previous year. Exports fetched $25,356 million with an increase of $5,683 million (29 percent) over the last year. Imports also increased by $4,663 million (15 percent) to $35,872 million from $31,209 million. Services account deficit increased by $250 million to $1,940 million from $1,690 million in the preceding year. Income account deficit, however, narrowed to $3,017 million from $3,282 million in the previous year reflecting a decrease of 8 percent. Net current transfers with an impressive growth of 25 percent touched $15,687 million in FY11. Capital account balance slashed to $161 million from $175 million in FY10. Financial account surplus with a drastic cut of $2,996 million shrunk to $2,101 million (59 percent) from $5,097 million. The overall balance, however, tremendously improved to $2,492 million with a massive 97% increase from $1,266 million in FY10.

 **Merchandise Trade**

Exports surpassed $25 billion mark for the first time in the history, touching $25,356 million during FY11, improved by $5,683 million (29%) from $19,673 million. Imports also increased by $4,663 million (15%) and touched $35,872 million from $31,209 million. The general merchandise transactions reported through banks (export receipts) on a mixed f.o.b and c&f basis amounted to $24,568 million as compared to $19,404 million during previous fiscal year. The general merchandise exports at f.o.b are arrived at by deducting freight amounting to $659 million, adding outstanding export bills of $1,080 million (timing adjustments) and other exports of $151 million not covered through banking channel.

The general merchandise imports (f.o.b) recorded an increase of $4,571 million. Of the total imports payments against general merchandise (f.o.b), $34,252 million or 96 per cent were reported by banks while those under foreign economic assistance, personal baggage & non-repatriable investment (NRI), sale of duty free shops and others taken together amounted to $1,265 million or 4 percent.

Major commodity groups constituting 75 percent of total export receipts during FY11 in descending order except others group are shown in table along with export receipts during FY10.



The commodity-wise analysis of export receipts revealed that exports remained concentrated in cotton, clothing, textile articles, cereals and mineral fuels/oils and their distillation products as they earned $16,168 million i.e. 66 percent of total exports in the current year. Same groups earned $12,643 million i.e. 65 percent of over-all exports in the preceding year. Earning made from man-made staple fibers and articles of leather, travel goods and handbags improved by more than $403 million in FY11.

The country-wise comparison of export receipts by major countries during FY11 with FY10 is shown in Figure 1.



USA, Afghanistan, UAE, China, and UK remained major destinations of country’s exports. It has been observed that exports worth $11,466 million, 47 percent of total exports were destined for USA, Afghanistan, UAE, China, UK and Germany during FY11. Same countries bought export receipts worth $9,118 million (47% of total exports) during FY10.

 Major commodities groups constituting 83 percent of total import payments reported by banks during FY11 in descending order except other groups are shown in the following table.



A total of $12,941 million, 36 percent of total import payments, were made for group comprising minerals fuels, oil and their distillation products. Import payments for animal or vegetable oils and cleavage products jumped up by $692 million (52%) to reach $2,028 million. Payments made for purchase of sugars and sugar confectionaries witnessed a significant increase of 134 percent during FY11 from $304 million to $710 million.

The country-wise comparison of import payments including freight to major countries during FY11 with that of last year is shown in Figure 2.

Country-wise analysis shows that more than half of the payments i.e. 52 percent were made to UAE, China, Saudi Arabia, Kuwait and, Singapore in FY11. UAE, China, and Saudi Arabia maintained their position as top trade partners as they did in FY10. China, however, replaced Saudi Arabia to become 2nd major recipient of import payments from Pakistan. Likewise, Kuwait surpassed Singapore to become 4th main importer.

**Services**

The deficit in services account increased by $250 million from $1,690 million in FY10 to $ 1,940 million in FY11. The aggregate receipts of services transactions during FY11 registered an increase of $539 million, up by 10 percent as compared to previous year. Increase of $789 million (11percent) in aggregate payments ballooned services deficit.

Government, transportation and other business services accounted for 42 percent, 29 percent and 14 percent of total receipts respectively. More than half of the total payments i.e. 53 percent were made for transportation. 13 percent and 8 percent expenses were made on account of travel and government services.

**Income**

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The income deficit of $3,017 million in FY11 was lesser by $265 million (8%) as compared to $ 3,282 million during FY10. The net inflow of compensation of employees improved from $4 million to $25 million in the current year as compared with the previous year. The net outflow of direct investment income reduced to $2,037 million during FY11 as compared to $2,172 million in the last year. Portfolio investment income and other investment income posted net outflows of $235 million and $770 million respectively.

#### Current Transfers

#### Considerable receipts of $15,687 million were recorded under current transfers during FY11, up by $3,125 million (25 percent) from $12,562 million in FY10. Capital send by Pakistani living abroad crossed $11 billion mark first time in the history. Current transfers payments of $21 million and $155 million were made by general government and other sectors respectively.

**Capital & Financial Account**

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The net inflow in capital & financial account during FY11 reduced to $2,262 million as against $5,272 million during previous year. The net capital inflow declined to $161 million in current period from $175 million during FY10. The project grant slashed by $3 million to $160 million in FY11 as compared with grants received during previous year. Financial account recorded a surplus of $2,101 million during FY11, 59 percent lower than last year’s position ($5,097 million). Direct investment shrunk by 23 percent, to $1,591 million from $2,075 million. The portfolio investment, recorded net inflow of $338 million as compared with net outflow of $65 million in the previous year. The other investment substantially reduced by 94% from $3,087 million to $172 million.

 **Disbursement and Repayment of Loans**

The inflow of foreign loans/credits reduced to $2,866 million as compared to $7,166 million in the previous year. Of the total disbursement of long-term loans of $2,846 million, $925 million were for financing of various projects while $1,452 million were non-project loans. Short term loans came down to $20 million from $677 million a year ago.

The repayment of loans/credits reached $2,733 million during the current year as against $3,095 million in the previous year. $2,249 million, 82 percent of total repayments were made against long term loans, of which $1,557 million were for official loans. The repayment of short-term loans/credits stood at $484 million during FY11 as against $993 million in FY10.

**Reserves and related items**

Net reserve assets increased to $2,225 million during FY11. Last year’s high reserves assets were mainly contributed by Stand-By Arrangements of $2,060 million. Repurchases/repayments in current year increased to $267 million from $239 million. In the previous year the payments were made against the PRGF. However, quarter-wise payments of $52 million (SDR 34.456 Million), $ 79 million (SDR 51.686 Million), $ 54 million (SDR 34.456 Million) and $82 million (SDR 51.686 Million) were made on the account of ECF in the current year. The exceptional financing became flat from $623 million in the previous year.

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| --- |
| **Summary Balance of** |
|  |
|  |  |  |
| **ITEM** | **2010** |  | **2011** |  | **Jul - Jun** |
| Jul – Sep | Oct - Dec |  | Jan - Mar | Apr – Jun |  | 2010-11 | 2009-10 |
|  |  |  |  |  |  |  |
| **Current Account Balance** | **-542** | **564** | **-32** | **224** | **214** | **-3,946** |
| **Current Account Balance without off. transfers** | **-739** | **445** | **-200** | **-116** | **-610** | **-4,502** |
|  Goods: Exports fob | 5,266 | 5,846 | 6,780 | 7,464 | 25,356 | 19,673 |
|  Goods: Imports fob | 8,257 | 8,627 | 9,165 | 9,823 | 35,872 | 31,209 |
|  Trade Balance | -2,991 | -2,781 | -2,385 | -2,359 | -10,516 | -11,536 |
|  Services: Credit | 1,071 | 2,244 | 1,121 | 1,332 | 5,768 | 5,229 |
|  Services: Debit | 1,722 | 1,941 | 1,837 | 2,208 | 7,708 | 6,919 |
|  Balance on Goods & Services | -3,642 | -2,478 | -3,101 | -3,235 | -12,456 | -13,226 |
|  Income: Credit | 185 | 176 | 132 | 223 | 716 | 561 |
|  Income: Debit | 833 | 1025 | 842 | 1033 | 3733 | 3,843 |
|  Of which : Interest payments | 334 | 435 | 291 | 423 | 1483 | 1,467 |
|  Profit & Dividend | 104 | 161 | 143 | 192 | 600 | 661 |
|  Balance on Gds & Serv. & Inc | -4,290 | -3,327 | -3,811 | -4,045 | -15,473 | -16,508 |
| Current Transfers.: Credit | 3,795 | 3,924 | 3,825 | 4,319 | 15,863 | 12,672 |
|  Of which: |   |   |   |   |   |   |
|  Workers' Remittances | 2,646 | 2,645 | 2,725 | 3,185 | 11,201 | 8,906 |
|  FCAs Residents | 110 | 205 | -9 | 61 | 367 | 629 |
|  Current Transfers :Debit | 47 | 33 | 46 | 50 | 176 | 110 |
| **Capital Account,**  | **20** | **15** | **47** | **79** | **161** | **175** |
|  Capital Account, : Credit | 20 | 15 | 47 | 79 | 161 | 180 |
|  Project Grants | 20 | 15 | 47 | 78 | 160 | 157 |
|  Debt Forgiveness | 0 | 0 | 0 | 0 | 0 | 0 |
|  Others | 0 | 0 | 0 | 1 | 1 | 23 |
|  Capital Account... Debit | 0 | 0 | 0 | 0 | 0 | 5 |
| **Financial Account** | **713** | **266** | **735** | **387** | **2,101** | **5,097** |
|  Direct Investment Abroad | -2 | -23 | -19 | 0 | -44 | -76 |
|  Dir. Invest. In Rep. Econ. | 398 | 442 | 317 | 478 | 1,635 | 2,151 |
|  Portfolio Investment Assets | 0 | -3 | -4 | 0 | -7 | -1 |
|  Equity Securities | 0 | -3 | -4 | 0 | -7 | -1 |
|  Debt Securities | 0 | 0 | 0 | 0 | 0 | 0 |
|  Portfolio Investment Liab. | 66 | 156 | 13 | 110 | 345 | -64 |
|  Equity Securities | 120 | 113 | 72 | 61 | 366 | 588 |
|  Debt Securities | -54 | 43 | -59 | 49 | -21 | -652 |
|  Financial Derivatives Assets | 0 | 0 | 0 | 0 | 0 | 0 |
|  |  |  |  |  |  |  |

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| **Payments –Overall** |
|  |
|  |  | (Million US Dollars) |
| **ITEM** | **2010** |  | **2011** |  | **Jul - Jun** |
| Jul – Sep | Oct - Dec |  | Jan - Mar | Apr – Jun |  | 2010-11  | 2009-10 |
|  |  |  |  |  |  |  |
|  Financial Derivatives Liabilities | 0 | 0 | 0 | 0 | 0 | 0 |
|  Other Investment Assets | -142 | -275 | -79 | -424 | -920 | -11 |
|  Monetary Authorities | 0 | 0 | 0 | 0 | 0 | 0 |
|  General Government | 1 | -2 | -3 | 1 | -3 | -6 |
|  Banks | -160 | -137 | 314 | -80 | -63 | 386 |
|  Other Sector | 17 | -136 | -390 | -345 | -854 | -391 |
|  Other Investment Liabilities | 393 | -31 | 507 | 223 | 1,092 | 3,098 |
|  Monetary Authorities | -11 | 0 | 1 | 0 | -10 | 1,257 |
|  General Government | 162 | -225 | 333 | 28 | 298 | 1,961 |
| Disbursements | 622 | 276 | 643 | 836 | 2,377 | 4,134 |
|  Long-term | 622 | 276 | 643 | 836 | 2,377 | 3,564 |
|  Project loans | 152 | 272 | 224 | 277 | 925 | 1,048 |
|  Program loans | 470 | 4 | 419 | 559 | 1,452 | 2,516 |
|  Short-term | 0 | 0 | 0 | 0 | 0 | 570 |
|  Commercial loans | 0 | 0 | 0 | 0 | 0 | 0 |
|  IDB loans | 0 | 0 | 0 | 0 | 0 | 570 |
| Amortization | 438 | 501 | 310 | 708 | 1,957 | 2,250 |
|  Long-term | 438 | 426 | 310 | 383 | 1,557 | 1,360 |
|  Short-term | 0 | 75 | 0 | 325 | 400 | 890 |
| Other Liabilities | -22 | 0 | 0 | -100 | -122 | 77 |
|  Banks | 14 | -20 | -126 | 184 | 52 | -226 |
|  Other Sector | 228 | 214 | 299 | 11 | 752 | 106 |
| Disbursements | 170 | 75 | 118 | 126 | 489 | 619 |
| Amortization | 124 | 111 | 125 | 149 | 509 | 606 |
| Other Liabilities | 182 | 250 | 306 | 34 | 772 | 93 |
| Net Errors and Omissions | -104 | 43 | 95 | -18 | 16 | -60 |
|  **Overall Balance** | **87** | **888** | **845** | **672** | **2,492** | **1,266** |
| Reserves and Related Items | -87 | -888 | -845 | -672 | -2,492 | -1,266 |
|  Reserve Assets | -35 | -809 | -791 | -590 | -2,225 | -4,063 |
|  Use of Fund Credit and Loans | -52 | -79 | -54 | -82 | -267 | 2,174 |
|  Purchases  | 0 | 0 | 0 | 0 | 0 | 2,413 |
|  Repurchases | 52 | 79 | 54 | 82 | 267 | 239 |
| **Exceptional Financing** | **0** | **0** | **0** | **0** | **0** | **623** |
| **SBP Reserves** | **14,262** | **15,041** | **15,977** | **16,614** | **16,614** | **13,953** |
|  |  |  |  |  |  |  |