

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.

Items	2010-11				(Million US\$)	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	FY11	FY10
	Current Account balance	-542	564	-32	224	214
Trade balance (Goods)	-2,991	-2,781	-2,385	-2,359	-10,516	-11,536
Exports f.o.b.	5,266	5,846	6,780	7,464	25,356	19,673
Imports f.o.b.	8,257	8,627	9,165	9,823	35,872	31,209
Services (net)	-651	303	-716	-876	-1,940	-1,690
Income (net)	-648	-849	-710	-810	-3,017	-3,282
Current transfers (net)	3,748	3,891	3,779	4,269	15,687	12,562
General govt.	197	119	168	340	824	556
Other sectors	3,551	3,772	3,611	3,929	14,863	12,006
Capital Account (net)	20	15	47	79	161	175
Financial Account (net)	713	266	735	387	2,101	5,097
Errors and Omissions (net)	-104	43	95	-18	16	-60
Overall balance	87	888	845	672	2,492	1,266
<i>Reserves and related items</i>	-87	-888	-845	-672	-2,492	-1,266
Reserves assets	-35	-809	-791	-590	-2,225	-4,063
Use of Fund Credits & Loans	-52	-79	-54	-82	-267	2,174
Exceptional financing	-	-	-	-	-	623

Items	2010-11				(Million US\$)	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	FY11	FY10
	Trade Balance	-2,991	-2,781	-2,385	-2,359	-10,516
Exports (I+II+III)	5,266	5,846	6,780	7,464	25,356	19,673
I. General merchandise exports (f.o.b.)	5,221	5,793	6,723	7,404	25,141	19,446
(a) Exchange record	5,064	5,425	6,350	7,071	23,910	18,921
(b) Timing adjustment	91	324	363	302	1,080	247
(c) Coverage adjustment	67	43	10	31	151	279
II. Repairs of goods	0	1	5	2	8	4
III. Goods procured in ports by carriers	45	52	52	58	207	223
Imports (I+II+III)	8,257	8,627	9,165	9,823	35,872	31,209
I. General merchandise imports (f.o.b.)	8,177	8,532	9,090	9,718	35,517	30,946
(a) Exchange record	7,952	8,268	8,816	9,216	34,252	29,833
(b) Personal baggage, NRI & duty free shops	13	12	20	39	85	56
(c) Foreign economic assistance	186	217	239	409	1,051	977
(d) Others	27	34	14	54	129	81
II. Repairs of goods	20	18	12	26	76	77
III. Goods procured in ports by carriers	60	77	63	79	279	186

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

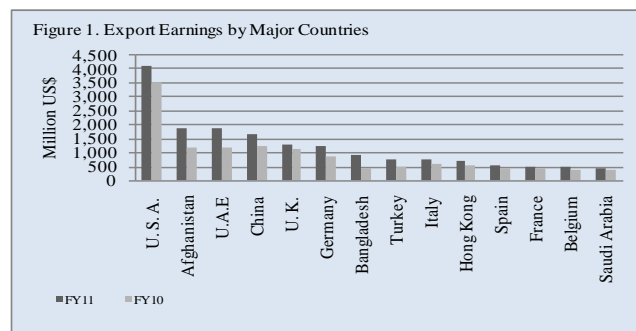
Commodity	FY11				FY 11	FY 10
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
	(Million US\$)					
Cotton	851	1,142	1,306	1,460	4,759	3,464
Other Made-up Textile Articles; Sets, Worn Clothin	747	783	785	916	3,232	2,744
Articles of Apparel & Clothing Accessories Knit/Cr	654	665	695	722	2,736	2,139
Cereals	525	490	775	868	2,658	2,173
Mineral Fuels, Oils and Their Distillation Product	333	360	516	498	1,707	1,192
Articles of Apparel/Clothing Acces not Knited /Cro	248	241	271	316	1,076	931
Man-Made Staple Fibers	129	140	146	184	599	395
Salt, Sulfur, Earth's and Stones, Lime and Stone	132	144	137	172	586	582
Articles of Leather, Travel Goods and Handbags etc	126	137	150	153	567	368
Raw Hides, Skins and Leather other than Fur skins	137	131	128	152	549	479
All Others	1,340	1,354	1,606	1,800	6,101	4,937
Grand Total	5,222	5,588	6,516	7,243	24,568	19,404

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.



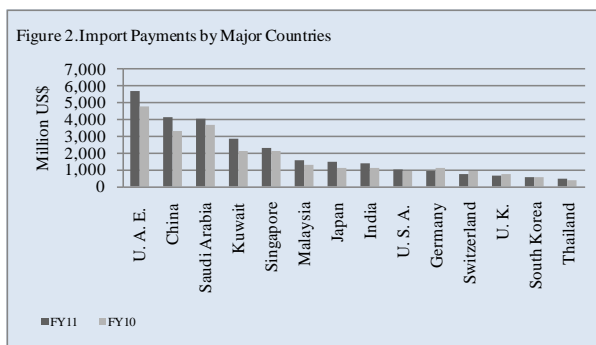
Major commodities groups constituting 83 percent of total import payments reported by banks during FY11 in descending order except other groups are shown in the following table.

Commodity	FY11				FY 11	FY 10
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun		
	(Million US\$)					
Mineral Fuels, Oils and Their Distillation Product	2,979	2,646	3,541	3,775	12,941	10,998
Nuclear Reactors, Boilers, Machinery and Appliance	687	519	564	479	2,249	2,140
Animal or Vegetable Fats, Oils & Cleavage Products	470	540	494	524	2,028	1,336
Organic Chemicals	411	420	517	618	1,966	1,603
Electrical Machinery & Equipment and Parts thereof	382	383	375	402	1,542	1,735
Iron and Steel	424	324	297	355	1,400	1,378
Plastics and Articles thereof	306	336	371	378	1,392	1,127
Special Classification Provisions	108	425	270	396	1,199	948
Cotton	183	202	469	237	1,091	622
Vehicles other than Railway /Tramway Rolling Stock	255	256	229	249	989	944
Sugars and Sugar Confectionery	204	411	82	13	710	304
Oil Seeds and Oleaginous Fruit	99	190	177	117	583	543
Man-Made Staple Fibers	123	135	169	155	582	392
Ships, Boats and Floating Structures	113	133	116	207	569	388
Miscellaneous Chemical Products	128	114	143	143	528	505
Man-Made Filaments	108	132	143	143	526	351
All others	1,491	1,426	1,525	1,643	6,084	5,875
Grand Total	8,471	8,592	9,482	9,834	36,379	31,189

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.

Items	(Million US\$)					
	2010-11			2009-10		
	Credit	Debit	Net	Credit	Debit	Net
Services (Net)	5,768	7,708	-1,940	5,229	6,919	-1,690
1. Transportation	1,648	4,072	-2,424	1,279	3,577	-2,298
2. Travel	351	972	-621	286	878	-592
3. Communications services	226	176	50	246	159	87
4. Construction services	18	83	-65	16	29	-13
5. Insurance services	54	148	-94	42	146	-104
6. Financial services	70	121	-51	90	95	-5
7. Computer and information services	217	177	40	188	168	20
8. Royalties and license fees	6	122	-116	6	111	-105
9. Other business services	781	1,193	-412	536	1,103	-567
10. Personal, cultural, and recreational services	3	10	-7	5	19	-14
11. Government services.	2,394	634	1,760	2,535	634	1,901

Income

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.

Items	(Million US\$)					
	2010-11			2009-10		
	Credit	Debit	Net	Credit	Debit	Net
Income (Net)	716	3,733	-3,017	561	3,843	-3,282
1. Compensation of employees	28	3	25	17	13	4
2. Investment income	688	3,730	-3,042	544	3,830	-3,286
2.1 Direct investment	28	2,065	-2,037	8	2,180	-2,172
2.2 Portfolio investment	420	655	-235	435	753	-318
2.3 Other investment	240	1,010	-770	101	897	-796
2.3.1. IMF charges	-	123	-123	-	120	-120
2.3.2. Interest on External debt	-	714	-714	-	598	-598
2.3.2.1 Civil	-	685	-685	-	598	-598
2.3.2.2. Military	-	-	-	-	-	-
2.3.2.3 Commercial (Medium & short)	-	-	-	-	3	-3
2.3.2.4. IDB (Medium & short-term)	-	29	-29	-	19	-19
2.3.3. Interest on private sector debt	-	95	-95	-	89	-89
2.3.4. Other investment income	240	78	162	101	68	33

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 sent 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.

Items	2010-11				(Million US\$)	
	Jul-Sep	Oct -Dec	Jan-Mar	Apr-Jun	FY11	FY10
	Current Transfers (Net)	3,748	3,891	3,779	4,269	15,687
Current transfers receipts	3,795	3,924	3,825	4,319	15,863	12,672
General government	198	120	172	355	845	606
Saudi oil facility	-	-	-	-	-	-
Cash grants for budgetary support	138	60	60	258	516	491
Others	60	60	112	97	329	115
Other sectors	3,597	3,804	3,653	3,964	15,018	12,066
Workers remittances	2,646	2,645	2,725	3,185	11,201	8,906
Residents FCAs	110	205	-9	61	3207	629
Others	841	954	937	718	3,450	2,531
Current transfers payments	47	33	46	50	176	110
General government	1	1	4	15	21	50
Other sectors	46	32	42	35	155	60

Capital & Financial Account

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.

Items	2010-11				(Million US\$)	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	FY11	FY10
	Capital and Financial Account (Net)	733	281	782	466	2,262
Capital Account (net)	20	15	47	79	161	175
Financial Account (net)	713	266	735	387	2,101	5,097
1- Direct Investment	396	419	298	478	1,591	2,075
2-Portfolio Investment	66	153	9	110	338	-65
3-Other Investment	251	-306	428	-201	172	3,087

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.

Items	(Million US\$)	
	FY11	FY10
1. Utilization of foreign loans / credits	2,866	7,166
I) Long-term	2,846	6,489
Monetaries Authorities	-	2,413
Government	2,377	3,564
a) Project loans	925	1,048
b) Non-project loans	1,452	2,516
Banks	-	-
Other Sector	469	512
II) Short-term	20	677
Government	-	570
Other Sector	20	107
2. Repayment of foreign loans /credits	2,733	3,095
I) Long-term	2,249	2,102
Monetary Authorities	267	239
Government	1,557	1,360
Civil	1,525	1,319
Military	32	41
Banks	-	-
Other Sector	425	503
II) Short-term	484	993
Government	400	890
Other Sector	84	103

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.

Items	2010-11				(Million US\$)	
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	FY11	FY10
	1. Reserves and related items	-87	-888	-845	-672	-2,492
1.1 Reserve Assets	-35	-809	-791	-590	-2,225	-4,063
1.2 Use of Fund credit	-52	-79	-54	-82	-267	2,174
i) Purchases/drawings	-	-	-	-	-	2,413
ii) Repurchases/repayments	52	79	54	82	267	239
1.3 Exceptional financing	-	-	-	-	-	623

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

Payments –Overall

(Million US Dollars)

ITEM	2010		2011		Jul - Jun	
	Jul – Sep	Oct -	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