###### Review on Balance of Payments FY12

###### Current account balance recorded deficit of $4,658 million in FY12, contrary to surplus of $214 million during the previous year. Cross border payments of goods & services (exports & imports) posted a whopping deficit of $18,957 million in FY12, compared to $ 12,456 million in the last year. The deficit is mainly attributed to 50 percent increase in trade (goods) deficit. Exports fetched $24,696 million with a decrease of $660 million (3 percent) over the last year. Imports increased by $4,589 million (13 percent) to $40,461million from35,872 million. Services account deficit increased by $1,252 million (65%) to $3,192 million from $1,940 million in the preceding year. Income account deficit widened to $3,245 million from $3,017 million in the previous year reflecting an increase of 8 percent. Net current transfers continued its upward stride with an impressive growth of 12 percent. Financial account surplus attenuated to $1,280 million with a cut of $821 million (39 percent) from $2,101 million.

**Merchandise Trade**

Exports remained below than $25 billion mark, touching $24,696 million during FY12, declined by $660 million (3%) from $25,356 million during the previous year. Imports increased by $4,589 million (13%) from $35,872 million in FY11. The general merchandise transactions reported through banks (export receipts) on a mixed f.o.b and c&f basis amounted to $24,427 million as compared to $25,141 million during previous fiscal year. The general merchandise exports at f.o.b are arrived at by deducting freight, adding outstanding export bills of $11 million (timing adjustments) and other exports of $922 million not covered through banking channel.



The general merchandise imports (f.o.b) recorded an increase of $4,492 million. Of the total imports payments against general merchandise (f.o.b) $37,252 million or 93 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 $2,758 million or 7 percent.

 Major commodity groups constituting 87 percent of total export receipts during FY12 are shown in descending order in table along with export receipts during FY11.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 $15,278 million i.e. 64 percent of total exports in the current year. Same groups earned $16,168 million i.e. 66 percent of over-all exports in the previous year. The country-wise comparison of export receipts by major countries during FY12 along with FY11 is shown in Figure 1.



USA, China, UAE, Afghanistan, UK, and Germany remained major destinations of country’s exports. It has been observed that 49 percent of total exports were destined for these countries in FY12 & FY11. Major commodities groups constituting 90 percent of total import payments reported by banks during FY12 in descending order except other groups are shown in the table 4.

 A total of $14,878 million, 38 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 $601 million (30%) to reach $2,629 million. Payments made for purchase of fertilizer witnessed a significant increase of $586 million (127 percent) during FY12 from $461 million in FY11 to $1,047 million.

The country-wise comparison of import payments including freight to major countries during FY12 with those of previous year is shown in Figure 2. Major chunk of payments i.e. $24,263 million (61 percent) were made to UAE, Saudi Arabia, China, Kuwait Singapore and Malaysia in FY12. The order of the percentage share of these countries remained unchanged during FY12 & FY11.

**Services**

The deficit in services account increased by $1,252 million (65 percent) from $1,940 million in FY11 to $ 3,192 million in FY12 the aggregate receipts of services transactions during FY12. declined to $5,035 million, down by $733 million (13 percent) as compared to previous year. Increase of $519 million (7percent) in aggregate payments ballooned services deficit.

Government, transportation and other business services accounted for 80 percent of total receipts i.e. $ 4,027 million. Transportation and other business services consumed 62 percent of services payments.

**Income**

The income deficit of $3,017 million in FY11 was increased by $228 million (8%) to reach $ 3,245 million during FY12.The net inflow of compensation of employees decreased by $4 million to $21 million in the current year as compared with the previous year. The net outflow of direct investment income widened to $2,112 million during FY12 as compared to $2,037 million in the last year. Portfolio investment income and other investment income posted net outflows of $374 million and $780 million respectively.

**Current Transfers**

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Current transfers account remained affluent with $17,544 million during FY12, up by $1,857 million (12 percent) from $15,687 million in FY11. Pakistani expatriates, during FY12, sent more than $13 billion, highest repatriation of all times in a fiscal year. Current transfers payments of $73 million and $69 million were made by general government and other sectors respectively.

**Capital & Financial Account**

The net inflow in capital & financial account during FY12 reduced to $1,463 million as against $2,262 million during previous year. The net capital inflow increased by $22 million touched $183 million during FY12.

Financial account recorded a surplus of $1,280 million during FY12, 39 percent lower than last year’s position ($2,101million). Direct investment shrunk by 53 percent, to $744 million from $1,591 million in the previous year. The portfolio investment, recorded net outflow of $144 million as compared with net inflow of $338 million in the previous year. The other investment increased by $508 million from $172 million to $680 million.

**Disbursement and Repayment of Loans**

The inflow of foreign loans/credits increased to $3,191 million as compared to $2,866 million in the previous year. Of the total disbursement of long-term loans of $3,070 million, $1,781 million were for financing of various projects while $852 million was non-project loans. Short term loans stood at $121 million from $20 million a year ago.

The repayment of loans/credits reached $3,370 million during the current year as against $2,733 million in the previous year. An amount of $3,076 million, 91 percent of total repayments was made against long term loans, of which $1,445 million were for official loans. The repayment of short-term loans/credits decreased to $294 million during FY12 as against $484 million in FY11.

**Reserves and related items**

Net reserve assets decreased by $4,430 million during FY12 contrary to an increase of $2, 225 million in the preceding year. Use of fund credit repurchases/repayments in current year increased to $1,155 million from $267million. Quarter-wise bifurcation of repurchases/repayments is $55 million (SDR 34.46 million), $81 million (SDR 51.69 million), $53 million (SDR 35 million) and $66 million (SDR 43 million) on the account of ECF in the current year. $399 million (SDR 258 million) & 501 million (SDR 330 million) were paid against Stand by Arrangements.



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| --- |
| **Summary Balance of** |
|  |
|  |  |  |
| **ITEM** | **2011** |  | **2012** |  | **Jul - Jun** |
| Jul – Sep | Oct - Dec |  | Jan - Mar | Apr – Jun |  | 2011-12 | 2010-11 |
|  |  |  |  |  |  |  |
| **Current Account Balance** | -1,367 | -1,032 | -639 | -1,620 | -4,658 | 214 |
| **Current Account Balance without off. transfers** | -1,452 | -1,207 | -844 | -1,740 | -5,243 | -610 |
|  Goods: Exports fob | 6,149 | 5,923 | 6,262 | 6,362 | 24,696 | 25,356 |
|  Goods: Imports fob | 10,390 | 9,699 | 10,082 | 10,290 | 40,461 | 35,872 |
|  Trade Balance | -4,241 | -3,776 | -3,820 | -3,928 | -15,765 | -10,516 |
|  Services: Credit | 1,230 | 1,440 | 1,227 | 1,138 | 5,035 | 5,768 |
|  Services: Debit | 1,976 | 2,059 | 1,959 | 2,233 | 8,227 | 7,708 |
|  Balance on Goods & Services | -4,987 | -4,395 | -4,552 | -5,023 | -18,957 | -12,456 |
|  Income: Credit | 224 | 267 | 138 | 197 | 826 | 716 |
|  Income: Debit | 874 | 1,189 | 828 | 1,180 | 4,071 | 3,733 |
|  Of which : Interest payments | 370 | 506 | 331 | 426 | 1,633 | 1,483 |
|  Balance on Gds & Serv. & Inc | -5,637 | -5,317 | -5,242 | -6,006 | -22,202 | -15,473 |
|  **Current Transfers.: Credit** | 4,287 | 4,344 | 4,622 | 4,433 | 17,686 | 15,863 |
|  Of which: |  |  |  |  |  |  |
|  Workers' Remittances | 3,297 | 3,028 | 3,411 | 3,450 | 13,186 | 11,201 |
|  FCAs Residents | -78 | 167 | 149 | 51 | 289 | 367 |
|  Current Transfers :Debit | 17 | 59 | 19 | 47 | 142 | 176 |
| **Capital Account,**  | 31 | 59 | 54 | 39 | 183 | 161 |
|  Capital Account, : Credit | 31 | 61 | 55 | 39 | 186 | 161 |
|  Project Grants | 31 | 59 | 54 | 36 | 180 | 160 |
|  Debt Forgiveness | - | - | - | - | - | - |
|  Others | - | 2 | 1 | 3 | 6 | 1 |
|  Capital Account... Debit | - | 2 | 1 | - | 3 | - |
| **Financial Account** | 602 | -326 | 145 | 859 | 1,280 | 2,101 |
|  Direct Investment Abroad | -33 | -10 | -13 | -21 | -77 | -44 |
|  Dir. Invest. In Rep. Econ. | 263 | 268 | 68 | 222 | 821 | 1,635 |
|  Portfolio Investment Assets | - | 3 | -16 | -19 | -32 | -7 |
|  Equity Securities | - | - | -18 | -19 | -37 | -7 |
|  Debt Securities | - | 3 | 2 | - | 5 | - |
|  Portfolio Investment Liab. | -44 | -116 | 29 | 19 | -112 | 345 |
|  Equity Securities | -45 | -63 | 26 | 22 | -60 | 366 |
|  Debt Securities | 1 | -53 | 3 | -3 | -52 | -21 |
|  Financial Derivatives Assets | - | - | - | - | - | - |
|  Financial Derivatives Liabilities | - | - | - | - | - | - |

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| **Payments –Overall** |
|  |
|  |  | (Million US Dollars) |
| **ITEM** | **2011** |  | **2012** |  | **Jul – Jun** |
| Jul – Sep | Oct - Dec Dec |  | Jan-Mar | Apr – Jun |  | 2011-12 | 2010-11 |
|  |  |  |  |  |  |  |
|  Other Investment Assets | 334 | -550 | 94 | 131 | 9 | -920 |
|  Monetary Authorities | - | - | - | - | - | - |
|  General Government | 1 | - | -2 | 4 | 3 | -3 |
|  Banks | 200 | -224 | -60 | -7 | -91 | -63 |
|  Other Sector | 133 | -326 | 156 | 134 | 97 | -854 |
|  Other Investment Liab. | 82 | 79 | -17 | 527 | 671 | 1,092 |
|  Monetary Authorities | -8 | 1 | 2 | -100 | -105 | -10 |
|  General Government | -48 | 305 | -37 | 778 | 998 | 298 |
| Disbursements | 371 | 647 | 322 | 1,293 | 2,633 | 2,377 |
|  Long-term | 371 | 647 | 322 | 1,293 | 2,633 | 2,377 |
|  Project loans | 294 | 641 | 322 | 524 | 1,781 | 925 |
|  Program loans | 77 | 6 | - | 769 | 852 | 1,452 |
|  Short-term | - | - | - | - | - | - |
|  Commercial loans | - | - | - | - | - | - |
|  IDB loans | - | - | - | - | - | - |
| Amortization | 419 | 341 | 344 | 473 | 1,577 | 1,957 |
|  Long-term | 319 | 341 | 344 | 473 | 1,477 | 1,557 |
|  Short-term | 100 | - | - | - | 100 | 400 |
| Other Liabilities | - | -1 | -15 | -42 | -58 | -122 |
|  Banks | 378 | -68 | 166 | -256 | 220 | 52 |
|  Other Sector | -240 | -159 | -148 | 105 | -442 | 752 |
| Disbursements | 131 | 213 | 114 | 100 | 558 | 489 |
| Amortization | 160 | 234 | 129 | 115 | 638 | 509 |
| Other Liabilities | -211 | -138 | -133 | 120 | -362 | 772 |
| Net Errors and Omissions | -25 | 266 | -419 | 98 | -80 | 16 |
|  **Overall Balance** | -759 | -1,033 | -859 | -624 | -3,275 | 2,492 |
| Reserves and Related Items | 759 | 1,033 | 859 | 624 | 3,275 | -2,492 |
|  Reserve Assets | 814 | 1,114 | 1,311 | 1,191 | 4,430 | -2,225 |
|  Use of Fund Credit and Loans | -55 | -81 | -452 | -567 | -1,155 | -267 |
|  Purchases  | - | - | - | - | - | - |
|  Repurchases | 55 | 81 | 452 | 567 | 1,155 | 267 |
| **Exceptional Financing** | - | - | - | - | - | - |
| **SBP Reserves** | 15,614 | 14,451 | 13,167 | 11,905 | 11,905 | 16,614 |
|  |  |  |  |  |  |  |