

## HIGHLIGHTS:

- The Covid-19 pandemic continues to take a heavy economic toll on Southeast Asia says Moody's.
- The Large-Scale Manufacturing ("LSM") grew by 7.65% in Sep 2020 compared to negative 5.63% last year. The overall output of LSM increased by 4.81% during July-Sep 2020-21 compared to drop of 5.91% last year.
- Country's cotton production dropped by 41% to 4.02 million bales **as on Nov 18,2020 vs.** 6.85 million bales last year
- The outstanding stock of 'Hot Money' stood at negative \$467 million till 19<sup>th</sup> Nov 2020.
- According to the SBP, Pakistan's remittances have touched to \$2 billion mark for 5th consecutive month since June 2020.
- According to the official statistics of the Federal Board of Revenue ("FBR"), the FBR has collected tax revenue of Rs.1,337 billion which grew by meagre 3.80% during July-Oct 2020 vs. Rs.1288 billion last year
- The Broad Money (M2) growth stands at Rs. 76 billion as of 30<sup>th</sup> Oct 2020 vs. Rs. 115 billion last year.
- According to the Pakistan Bureau of Statistics ("PBS"), CPI inflation has appreciated by 8.90% on a year-on-year basis in Oct 2020 vs. 11.0% last year.
- According to PBS, during July-Oct 2020-21, Pakistan's exports remained muted at \$7.57 billion vs. \$7.52 billion last year
- Pakistan's Current Account Balance stands at surplus of \$382 million in Oct 2020 compared to the revised figure of surplus amounting at \$59 million in Sep 2020
- Pakistan's foreign direct investment only appreciated by 9.1% or \$61.1 million amounting to \$733.1 million in July-Oct 2020 compared to \$672 million last year.

The outlook of the economy of Pakistan is as follows;

## ECONOMY AT A GLANCE

Economic Indicators	Period	Status	Current Year	Last Year
<b>LSM</b>	Sep 2020	↑	7.65%	(5.63%)
<b>Cotton production (bales)</b>	<b>As on Nov 18,2020</b>	↓	4.02 million	6.85 million
<b>Credit to Private Sector</b>	As of 30th Oct 2020	↓	Rs.(49) billion	Rs. (6.5) billion
<b>SCRA inflows (Hot Money)</b>	As of 19 <sup>th</sup> Nov 2020	↓	US\$(467) million	US\$ 772 million
<b>Worker's Remittances</b>	Oct 2020	↑	US \$2.284 billion	\$2.001 billion
<b>M2</b>	As of 30th Oct 2020	↑	Rs 76 billion	Rs. 115 billion
<b>Net Government Sector borrowing</b>	As of 30th Oct 2020	↓	Rs. 142 billion	Rs. 296 billion
<b>CPI</b>	Oct 2020	↓	8.90%	11.0%
<b>FBR Tax Collection</b>	July-Oct 2020	↑	Rs. 1,337 Billion	Rs. 1288 Billion
<b>Foreign Exchange Reserves with SBP</b>	As of 13 <sup>th</sup> Nov 2020	↑	US\$ 12.931 billion	US\$ 8.442 billion
<b>Foreign Direct Investments</b>	July-Oct 2020	↑	US\$ 733.1 million	US\$ 672 million
<b>Trade Deficit in Goods</b>	July-Oct 2020	↑	US\$ (7.617) Billion	US\$ (7.722) Billion
<b>Balance of Payment</b>	July-Oct 2020	↑	US\$220 million	US\$ -1,230 Billion

### 1. LARGE SCALE MANUFACTURING:

As per the PBS, Pakistan's Large-Scale Manufacturing grew by 7.65% in Sep 2020 compared to negative 5.63% last year. 6 Out of 15 major broad-based industries, are still in red zone. On-month-on-month basis, LSM grew by 10.09% in Sep 2020 vs. Aug 2020. The overall output of LSM increased by 4.81% during July-Sep 2020-21 compared to drop of 5.91% last year.

Industries	Weight (%)	Sep-20 (%)	Sep-19 (%)	Aug-20 (%)	Y/Y growth Cumulative
Textile	20.915	2.54	0.12	1.91	0.61
Food, Beverages & Tobacco	12.37	10.14	(7.37)	8.25	1.89
Coke & Petroleum Products	5.514	(2.84)	(7.82)	(5.36)	0.17
Pharmaceuticals	3.62	20.08	(7.86)	(0.40)	1.01
Chemicals	1.717	8.02	10.21	10.81	0.25
Automobiles	4.61	27.74	(42.11)	(13.08)	(0.33)
Iron & Steel Products	5.39	(3.20)	(17.97)	(9.64)	(0.35)
Fertilizers	4.44	7.85	15.85	3.47	0.14
Electronics	1.96	(13.48)	(3.48)	(25.41)	(0.88)
Leather Products	0.86	(40.90)	8.23	(30.19)	(0.72)
Paper & Board	2.31	12.20	2.10	9.77	0.41
Engineering Products	0.4	(34.22)	(1.35)	(33.45)	(0.10)
Rubber Products	0.26	15.40	1.23	6.45	0.04
Non-Metallic Mineral Products	5.36	20.66	5.58	15.81	2.65
Wood Products	0.58	(68.25)	49.25	(70.36)	0.00
<b>LSM Growth for Sep 2020 (Y/Y)</b>					7.65%
<b>LSM Growth for Sep 2020 vs. Aug 2020 (M/M)</b>					10.09%
<b>LSM Growth for July-Sep 2020</b>					4.81%

## 2. PAKISTAN'S COTTON PRODUCTION UPDATE

Cotton bales				
As on Nov 18,2020	Cotton Arrivals	Last year	Difference from last year	
			Quantity	% Change
Punjab	2,151,648	3,692,205	(1,540,557)	(41.72%)
Sindh	1,875,728	3,165,313	(1,289,585)	(40.74%)
<b>Total</b>	<b>4,027,376</b>	<b>6,857,518</b>	<b>(2,830,142)</b>	<b>(41.27%)</b>

Source: PCGA

## 3. SCRA ("SPECIAL CONVERTIBLE RUPEE ACCOUNT") INFLOWS:

Cumulative net inflows in Equity, T-Bills and PIBs				
During current fiscal year, till 19th Nov 2020				
Description	Equity	T-Bills	PIBs	Total
	('000 USD)			
Inflows	196,810	161,798	43,553	402,161
Outflows	(400,682)	(468,723)	-	(869,405)
Balance Remaining	(203,872)	(306,925)	43,553	(467,244)

- The outstanding stock of 'Hot Money' stood at negative \$467 million.

## 4. WORKER'S REMITTANCES:

According to the SBP, Pakistan's remittances touched to \$2 billion mark for 5th consecutive month since June 2020. On year-on-year basis, country's remittances grew by 14% from \$2.001 billion in Oct 2019 to \$2.284 billion in Oct 2020

On a month-on-month basis, country's remittances have dropped by 3.73% from UK, and 4.66% from Saudi Arabia and 1.99% from EU countries. Whereas, it grew by 1.64% from USA, 6.58% from UAE and around 4% from other GCC countries.

According to State Bank, sustained strength in remittances growth is supported by continued efforts under Pakistan Remittances Initiative (PRI) to formalize remittances, improvements in Pakistan's FX market, and the limited cross-border travelling.

According to Finance Ministry in its Monthly Economic Outlook for Oct 2020, "Pakistan economy is expected to recover in 2020-21". On account of deadly 2<sup>nd</sup> wave of Covid-19 pandemic, Pakistan has witnessed its highest single-day death toll in last four months. Consequently, lockdown and travelling restrictions across country to negatively affect business and economy going forward.

Country-wise Worker's Remittances				(USD in million)		
Country	Oct-20	Sep-20	M/M change	July-Oct 20	July-Oct 19	Y/Y change
USA	183	180	1.64%	816	527	54.91%
UK	279	289	(3.73%)	1264	812	55.70%
Saudi Arabia	635	666	(4.66%)	2715	2,106	28.91%
UAE	504	473	6.58%	1925	1,813	6.18%
other GCC countries	273	261	4.36%	1057	991	6.70%
EU countries	203	207	(1.99%)	805	605	33.12%
Others	207	207	0.00%	849	601	41.26%
<b>Total</b>	<b>2,284.2</b>	<b>2,283.9</b>	<b>0.02%</b>	<b>9,431</b>	<b>7,454</b>	<b>26.53%</b>

(Source: SBP)

## 5. CONSUMER PRICE INDEX ("CPI") INFLATION:

(Base year 2015-16) Period	National CPI	Food		Core CPI	
		Urban	Rural	Urban	Rural
Oct-20	8.90%	13.90%	17.70%	5.60%	7.60%
Oct-19	11.0%	13.70%	14.60%	7.70%	8.60%

## 6. TAX REVENUE COLLECTION:

(Rs. In Billion)	July-Oct 2020	July-Oct 2019	change
<b>FBR's Tax collection</b>	1,337	1288	3.80%

According to the official statistics of the FBR, FBR has collected tax revenue of Rs. 1,337 billion which grew by meagre 3.80% in July-Oct 2020 vs. Rs.1288 billion last year. FBR's tax collection target for July-Oct 2020 was Rs1322 billion. Despite hitting FBR's tax revenue target, in absolute terms, FBR's tax revenue increased by Rs.49 billion vs. last year. On average, FBR needs to collect Rs. 453.25 billion per month during next 8 months to accomplish the tax collection target of Rs. 4,963 for 2020-21.

## 7. FOREIGN EXCHANGE RESERVES:

SBP reserves stood at \$12.93 billion as of 13<sup>th</sup> Nov 2020. SBP paid substantial external debt servicing of over \$1 billion since Sep 2020 till first week of Oct 2020.

(\$ in million)	13th-Nov-20	15th-Nov-19
<b>Net Reserves with SBP</b>	12,931.2	8,442.1
<b>Private Banking Reserves</b>	7,154.4	7,020.2
<b>Total Forex Liquid Reserves</b>	20,085	15,462.3

\*SBP reserves provide the import cover of 3.40 months.

## 8. FOREIGN DIRECT INVESTMENT

(US \$ million)	July-Oct 2020	July-Oct 2019	% Change
<b>Foreign Direct Investment</b>	733.1	672	9.10%

(Source: SBP)

\*Hot Money outflows during July-Oct 2020 stood at \$445 million.

Pakistan's foreign direct investment only appreciated by 9.1% or \$61.1 million amounting to \$733.1 million in July-Oct 2020 compared to \$672 million last year. Portfolio investment nosedived to negative \$145 in July-Oct 2020 compared to \$15.6 million last year. Consequently, foreign private investment dropped by 14.6% amounting to \$587.5 million in July-Oct 2020 compared to \$687.6 million last year. Foreign public investment of country deteriorated to negative \$162 million in July-Oct 2020 compared to \$436.7 million last year mainly due to the Hot Money outflows. Overall, foreign investment has dropped by a whopping 137% to \$425.5 million in July-Oct 2020 compared to \$1.124 billion last year. This overall foreign investment was \$4.99 billion in a single year in 2017-18.

## 9. BALANCE OF TRADE IN GOODS:

According to the PBS, the country's exports have appreciated by 11.5% to \$2.10 billion in Oct 2020 vs. \$1.887 billion in Sep 2020 on a month-on-month basis. Whereas, exports only grew by 4.21% in Oct 2020 vs. \$2 billion last year. During July-Oct 2020-21, Pakistan's exports remained muted at \$7.57 billion vs. \$7.52 billion last year. On account of low economic activities, trade deficit also remained lower, which is dropped by 1.36% during July-Oct 2020 vs. last year.

Balance of Trade in Goods							(Amount in \$ Million)		
	Oct-20	Sep-20	% change M/M	Oct-20	Oct-19	% change Y/Y	July-Oct 2020	July-Oct 2019	% change Y/Y
<b>Exports</b>	2,104	1,887	11.50%	2,104	2,019	4.21%	7,576	7,529	0.62%
<b>Imports</b>	3,907	4,297	(9.08%)	3,907	4,052	(3.58%)	15,193	15,251	(0.38%)
<b>Trade Deficit</b>	(1,803)	(2,410)	(25.19%)	(1,803)	(2,033)	(11.31%)	(7,617)	(7,722)	(1.36%)

(Source: PBS)

The present govt. must revive substantial growth in imports and exports to speed up the pace of economic activities and creating value addition in economy.

#### 10. BALANCE OF PAYMENT:

Pakistan's Current Account Balance stands at surplus of \$382 million in Oct 2020 compared to the revised figure of surplus amounting at \$59 million in Sep 2020. This current account surplus has been witnessed for the fourth successive month. On month-on-month basis, large quantum of C/A surplus grew by 6.5 times in Oct 2020 compared to Sep 2020. Whereas, the Current Account balance, dropped by 182%, which stands at a surplus of \$1.162 billion during July-Oct 2020 vs. deficit of \$1.41 billion last year, mainly due to improvement in services balance, remittances and other current transfers. Without official transfers, Current Account balance stood at \$1 billion during July-Oct 2020 vs. deficit of \$1.62 billion last year. On account of Covid-19, low travelling, consumerism and relatively low oil prices, are significantly contributing in improvement in external account of the country. On a cumulative basis, the Current Account surplus as percentage of the GDP stands at 1.3% during July-Oct 2020 vs. a deficit of 1.6% last year. The Asian Development Bank expects that Pakistan's Current account deficit to remain around 2.4% of GDP in FY2020-21.

(\$ in million)	Oct 2020 (Provisional)	Sep 2020 (Revised)	% change	July-Oct FY21	July-Oct FY20	% Change
<b>Current account Balance</b>	382	59	547%	1,160	(1,419)	(182%)
<b>Capital Account Balance</b>	15	39	(62%)	92	147	(37%)
<b>Financial Account Balance</b>	592	513	15%	1,336	(2,242)	(160%)
<b>Net FDI in Pakistan</b>	317	189	68%	732	672	9%
<b>Net Portfolio investment</b>	(281)	(10)	NA.	(307)	452	(168%)
<b>Net incurrence of Liabilities</b>	(515)	(569)	NA.	(484)	1,079	(145%)
<b>Overall Balance</b>	45	423	NA.	220	(1,230)	(118%)
<b>SBP Gross Reserve</b>	12,183	12,154	0%	12,183	8,241	48%

(Source: SBP)

#### 11. OUTLOOK:

- SBP to announce its Monetary Policy decision through its press release on Monday, Nov 23, 2020. Policy Rate is likely to remain unchanged.
- According to media sources, govt. is planning to introduce new legislation to meet IMF conditionality, which is to withdraw income tax exemptions to restore IMF's suspended program. If executed, this would generate incremental taxes worth Rs.200 billion, which will facilitate FBR to accomplish annual tax target of Rs. 4,963 billion for 2020-21.
- Ongoing recurrent waves of Covid-19 pandemic if prolonged — could disrupt economic activities, and trigger economic crisis. Given the possible effects of a second and/or third wave of the pandemic in the future, the COVID-19 pandemic will remain a serious risk for the fiscal space of the government during current fiscal year going forward
- On account of the ongoing effects of the pandemic, Pakistan's exports are likely to remain stagnant.
- Textile sector faces basic raw material shortages as Pakistan's cotton production dropped by 41% to 4.02 million bales as of 18th Nov 2020. on account of possible large cotton shortfall this year, it will likely to be bridged through sizeable raw material imports, which will increase cost of production for exporters and negatively affect country's value added textile exports.
- On account of weak demand, governance and supply-side shocks, food inflation to surge in short term due to supply chain disruptions, hoarding and mismanagement and will keep on driving overall inflation.

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