

## HIGHLIGHTS:

- “The development and distribution of effective vaccines, continued pandemic management and government policy support will determine the pace of the global economic recovery” says Moody’s.
- The overall Business Confidence Index reaches 2-year high from 52 in Aug 2020 to 55 in Oct 2020, which reflects growing optimism of business community over Pakistan economy – SBP/IBA Survey Oct 2020.
- The Large-Scale Manufacturing (“LSM”) growth stood at 5.46% during July-Oct 2020 vs. Last year. This growth in LSM is still below to Pre-Covid levels.
- The Currency in Circulation stood at Rs.6,376 billion as of 11th Dec 2020, which has increased by Rs. 58.5 billion per month from July 2020 to 11th Dec 2020.
- Pakistan’s cotton production plunged by 37.59% to 4.64 million bales vs. 7.44 million bales last year.
- The outstanding stock of ‘Hot Money’ stood at negative \$498 million till 18th Dec 2020.
- According to the SBP, on year-on-year basis, country’s remittances grew by 28.38% from \$1.821 billion in Nov 2019 to \$2.338 billion in Nov 2020.
- According to the official statistics, FBR has surpassed tax collection target during July-Nov 2020. FBR collected tax revenue of Rs.1,688 billion in July-Nov 2020 vs. Rs.1623 billion last year, which grew by 4.0% or Rs.65 billion compared to last year.
- The Broad Money (M2) growth stands at Rs. 468 billion as of 11th Dec 2020 vs Rs. 431 billion last year.
- According to the Pakistan Bureau of Statistics (“PBS”), CPI inflation surged by 8.30% on a year-on-year basis in Nov 2020 vs. 12.7% last year.
- According to the PBS, the country’s exports have appreciated by 3.47% to \$2.17 billion in Nov 2020 vs \$2.1 billion in Oct 2020 on a month-on-month basis.
- Pakistan’s textile exports grew by 4.88% to \$6.04 billion during July-Nov 2020 vs \$5.73 billion last year.
- The Current Account balance stood at \$1.64 billion during July-Nov 2020 vs. deficit of \$1.74 billion last year, mainly due to improvement in Services Balance by 38% (travelling imports services reduced to half, dropped by 52%), Primary income 10% and Overseas Worker’s remittances by 27% respectively.
- According to SBP, Pakistan’s net FDI depreciated by 17% to \$717.1 million during Jul-Nov 2020 vs. \$864.4 million last year.
- According to SBP, total Foreign Investment of the country has dropped by 81% to \$389 million during July-Nov 2020 vs. \$2.02 billion last year.

The outlook of the economy of Pakistan is as follows;

## ECONOMY AT A GLANCE

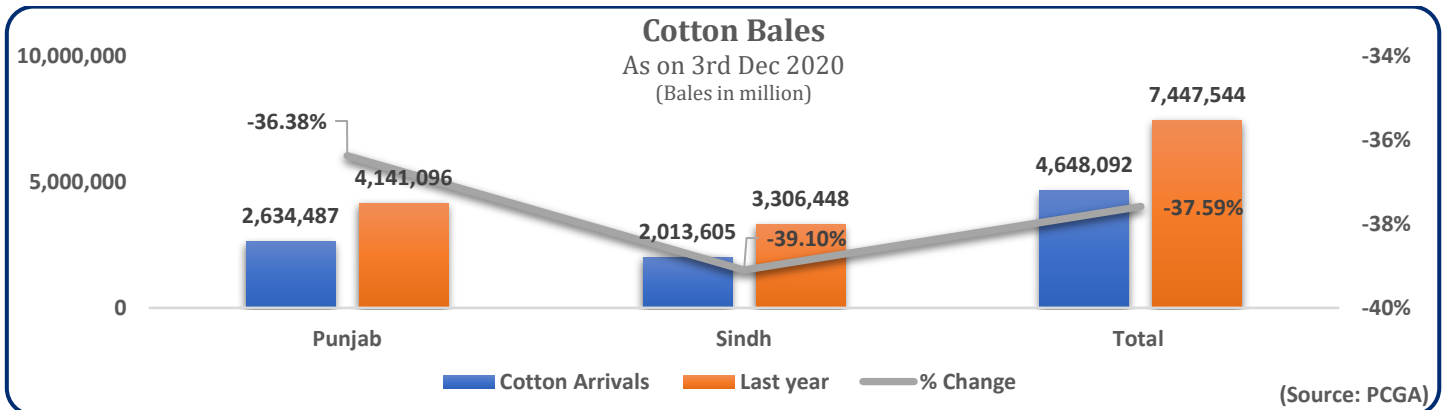
Economic Indicators	Period	Status	Current Year	Last Year
<b>LSM</b>	Oct 2020	↑	6.66%	(5.56%)
<b>Cotton production (bales)</b>	As of 3 <sup>rd</sup> Dec,2020	↓	4.64 million	7.44 million
<b>Credit to Private Sector</b>	As of 11 <sup>th</sup> Dec,2020	↓	Rs.10 billion	Rs. 88 billion
<b>SCRA inflows (Hot Money)</b>	As of 18 <sup>th</sup> Dec 2020	↓	US\$(498) million	US\$ 1,210 million
<b>Worker’s Remittances</b>	Nov 2020	↑	US \$2.33 billion	\$1.82 billion
<b>M2</b>	As of 11 <sup>th</sup> Dec,2020	↑	Rs 468 billion	Rs. 431 billion
<b>Net Government Sector borrowing</b>	As of 11 <sup>th</sup> Dec,2020	↓	Rs. 177 billion	Rs. 252 billion
<b>CPI</b>	Nov 2020	↑	8.30%	12.7%
<b>FBR Tax Collection</b>	July-Nov 2020	↑	Rs. 1,668 Billion	Rs. 1,623 Billion
<b>Foreign Exchange Reserves with SBP</b>	As of 11 <sup>th</sup> Dec, 2020	↑	US\$ 13.29 billion	US\$7.08 billion
<b>Foreign Direct Investments</b>	July-Nov 2020	↓	US\$ 717.1 million	US\$ 864.4 million
<b>Trade Deficit in Goods</b>	July-Nov 2020	↓	US\$ (9.74) Billion	US\$ (9.63) Billion
<b>Balance of Payment</b>	July-Nov 2020	↓	US\$ (601) million	US\$(2.035) Billion

### 1. LARGE SCALE MANUFACTURING:

According to Pakistan Bureau of Statistics (PBS), Out of 15 major broad-based industries, 9 or 60% of them recorded positive growth, which is good omen for economy. Whereas, 40% of them recorded negative production despite monetary easing. On-month-on-month basis, Pakistan’s Large-Scale Manufacturing (LSM) grew by 3.95% in Oct 2020 vs. Sep 2020. On year-on-year-basis, LSM grew by 6.66% in Oct 2020 compared to Oct 2019. Overall growth in LSM stood at 5.46% during July-Oct 2020 vs. Last year. This growth in LSM is still below to Pre-Covid levels.

Industries	Weight (%)	Oct-20 (%)	Oct-19 (%)	Sep-20(%)	Y/Y growth Cumulative
Textile	20.915	2.39	0.37	2.54	0.65
Food, Beverages & Tobacco	12.370	8.61	(5.08)	10.14	1.76
Coke & Petroleum Products	5.514	(1.67)	(11.73)	(2.84)	0.10
Pharmaceuticals	3.620	11.29	(5.58)	20.08	1.03
Chemicals	1.717	5.97	13.72	8.02	0.24
Automobiles	4.61	10.72	(42.97)	27.74	(0.09)
Iron & Steel Products	5.39	2.76	(7.91)	(3.20)	(0.23)
Fertilizers	4.441	18.53	(2.49)	7.85	0.41
Electronics	1.963	(30.47)	(6.82)	(13.48)	(0.97)
Leather Products	0.859	(39.66)	16.06	(40.90)	(0.70)
Paper & Board	2.314	9.09	(4.15)	12.20	0.43
Engineering Products	0.400	(25.45)	(7.32)	(34.22)	(0.09)
Rubber Products	0.262	(11.30)	(0.58)	15.40	0.02
Non-Metallic Mineral Products	5.364	24.48	3.41	20.66	2.91
Wood Products	0.588	(57.14)	44.89	(68.25)	0.00
<b>LSM Growth for Oct 2020 (Y/Y)</b>					6.66%
<b>LSM Growth for Oct 2020 vs Sep 2020 (M/M)</b>					3.95%
<b>LSM Growth for July-Oct 2020</b>					5.46%

## 2. PAKISTAN'S COTTON PRODUCTION UPDATE



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

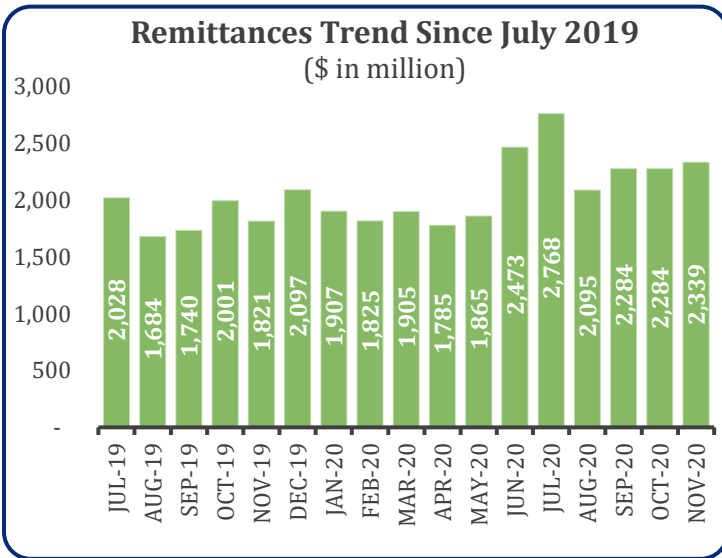
Cumulative net inflows in Equity, T-Bills and PIBs				
During current fiscal year, till 18 <sup>th</sup> Dec 2020				
Description	Equity	T-Bills	PIBs	Total
	('000 USD')			
<b>Inflows</b>	244,212	168,639	77,189	489,940
<b>Outflows</b>	(511,540)	(476,434)	-	(988,274)
<b>Balance Remaining</b>	(267,328)	(307,795)	77,189	(498,334)

The outstanding stock of 'Hot Money' stood at negative \$498 million.

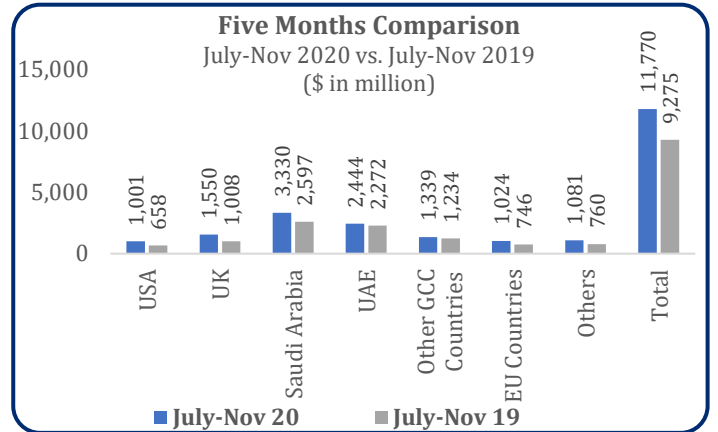
## 4. WORKER'S REMITTANCES:

According to the SBP, Pakistan's Overseas Worker's Remittances appreciated by 2.38% to \$2.339 billion in Nov 2020 vs. \$2.284 billion in Oct 2020. Pakistan's remittances touched to \$2 billion mark for 6th consecutive month since June 2020. On year-on-year basis, country's remittances grew by 28.38% from \$1.821 billion in Nov 2019 to \$2.338 billion in Nov 2020.

On a month-on-month basis, country's remittances have dropped by 3.10% from Saudi Arabia. Whereas, it grew by 1.01% from USA, 2.79% from UK, 3.06% from UAE and 7.95% from EU countries. During July-Nov 2020, Pakistan's remittances surged by 26.90% to \$11.770 billion vs \$9.275 billion last year.

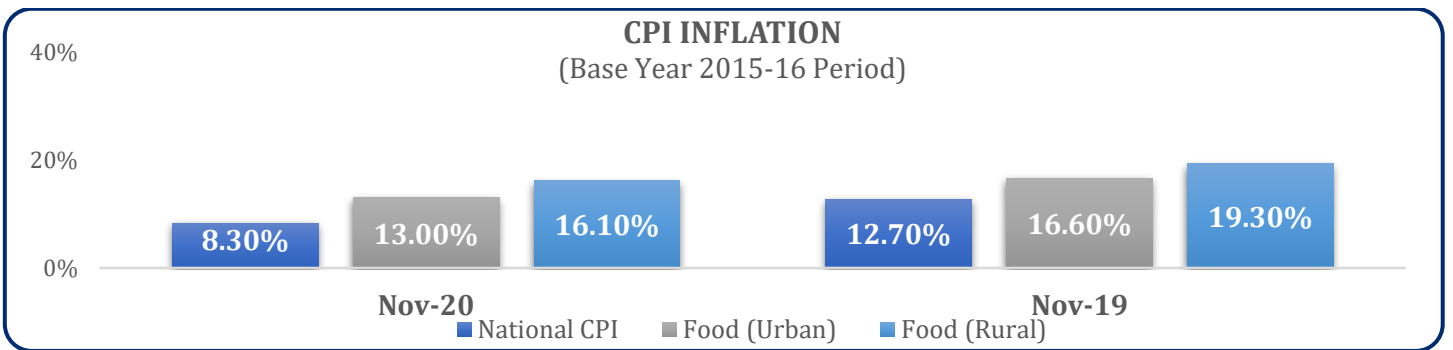


On average, workers' remittances remained \$499 million higher in each month during July-Nov 2020 compared to July-Nov 2019.

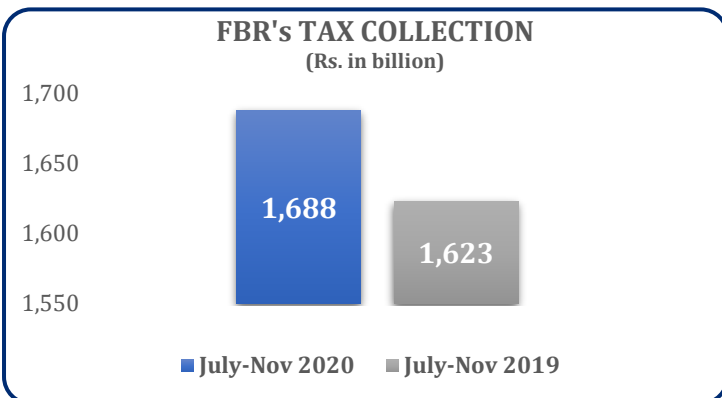


(Source: SBP)

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



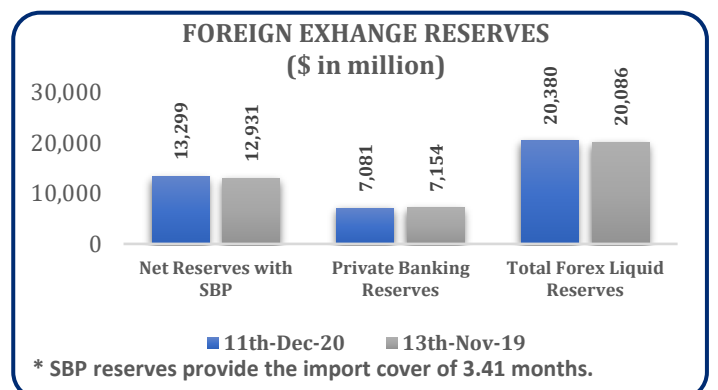
## 6. TAX REVENUE COLLECTION:



According to official statistics, FBR has surpassed tax collection target during July-Nov 2020. FBR has collected tax revenue of Rs.1,688 billion in July-Nov 2020 vs. Rs.1,623 billion last year. Despite pandemic effects on Pakistan economy, FBR's tax revenue grew by 4.0% or Rs.65 billion vs. last year. On average, FBR needs to collect additional tax revenue of Rs. 467.85 billion per month during next 7 months to accomplish annual tax revenue target of Rs4,963 billion for 2020-21.

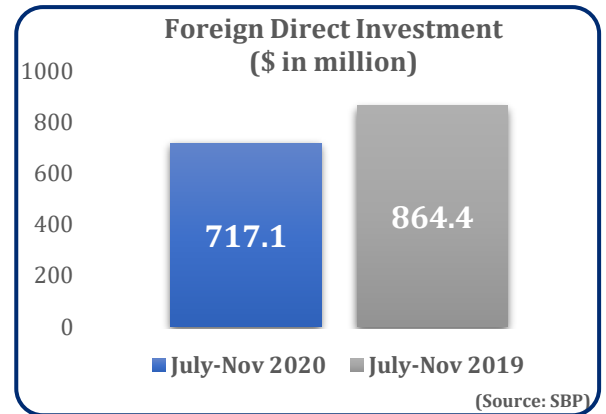
## 7. FOREIGN EXCHANGE RESERVES:

SBP reserves stood at \$13.29 billion as of 11<sup>th</sup> Dec 2020.

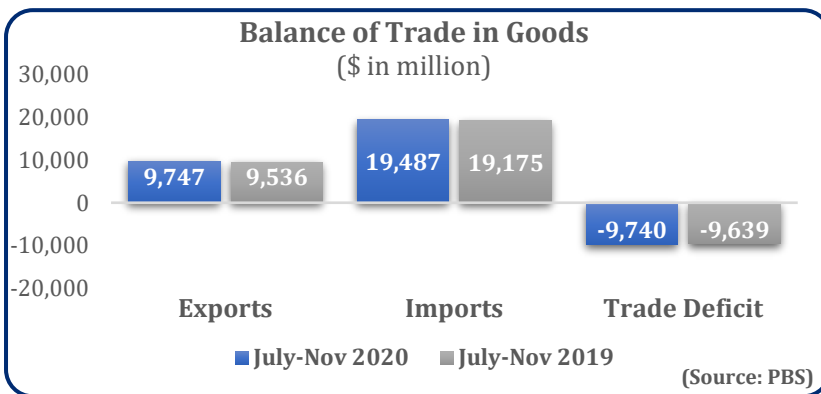


## 8. FOREIGN DIRECT INVESTMENT

During Jul-Nov 2020, Pakistan's net FDI depreciated by 17% to \$717.1 million as compared to \$864.4 million last year. According to SBP, total Foreign Investment of the country has dropped by 81% to \$389 million during July-Nov 2020 vs. \$2.02 billion last year. Pakistan's net Foreign Direct Investment (FDI) has turned into negative to \$16 million in Nov 2020 after a gap of 25 months since Oct 2018, which is mainly because of repatriation by foreign investors in Power, Communications and Electronics sectors. According to Planning Commission, Pakistan's net FDI is projected at \$3 billion in 2020-21 vs. \$2.56 billion last year.



## 9. BALANCE OF TRADE IN GOODS:



According to the PBS, the country's exports have appreciated by 3.47% to \$2.17 billion in Nov 2020 vs \$2.10 billion in Oct 2020 on a month-on-month basis. Whereas, exports only grew by 8.32% in Nov 2020 vs \$2.0 billion last year. During July-Nov 2020-21, Pakistan's exports posted marginal growth of just 2% to \$9.74 billion vs. \$9.53 billion last year.

The growth in LSM and exports, is encouraging. It needs double digit growth which could create sustainable exportable surplus in long run.

## 10. BALANCE OF PAYMENT:

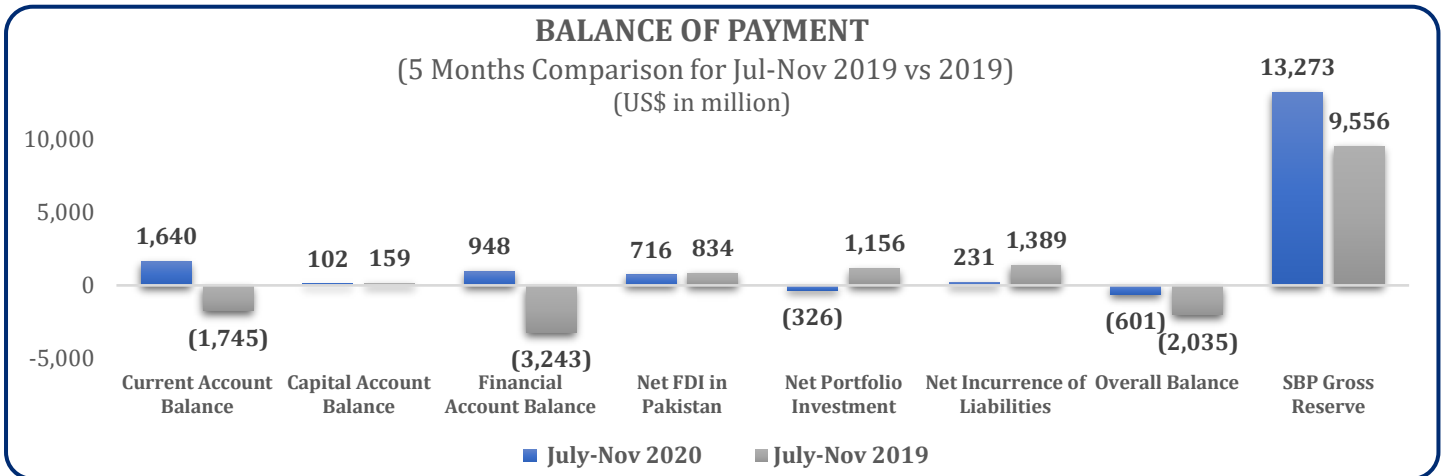
Pakistan's Current Account Balance stands at surplus of \$447 million in Nov 2020 compared to the revised figure of surplus amounting at \$415 million in Oct 2020. This current account surplus has been witnessed for 5th successive month. The Current Account balance stood at \$1.64 billion during July-Nov 2020 vs. deficit of \$1.74 billion last year, mainly due to improvement in Services Balance by 38% (travelling imports services reduced to half, dropped by 52%), Primary income 10% and Overseas Worker's remittances by 27% respectively.

On services exports front, telecommunications & IT export services grew by 39% during July-Nov 2020 compared to last year. Whereas, exports of travelling has dropped by 22% and Govt. Goods & Services dropped by 15% during July-Nov 2020 vs. last year. On services imports front, the travelling services dropped by 52%, telecommunications & IT services dropped by 32% and other business services dropped by 0.70% during July-Nov 2020 compared to last year.

According to SBP, "in contrast to previous 5 years, current account has been in surplus throughout FY21 due to an improved trade balance and a sustained increase in remittances". State Bank further revealed that "this turnaround in the current account, together with improvement in financial inflows, raised SBP's Foreign Exchange reserves by around \$1 billion in Nov 2020". SBP Reserves increased to \$13.1 billion, which is highest in 3 years. External account likely to remain relatively stable compared to last year.

(\$ in million)	Nov 2020 (Provisional)	Oct 2020 (Revised)	% change
<b>Current account Balance</b>	447	415	8%
<b>Capital Account Balance</b>	20	5	300%
<b>Financial Account Balance</b>	(380)	585	(165%)
<b>Net FDI in Pakistan</b>	(16)	317	(105%)
<b>Net Portfolio investment</b>	(20)	(281)	NA.
<b>Net incurrence of Liabilities</b>	680	(480)	Na.
<b>Overall Balance</b>	(821)	45	NA.
<b>SBP Gross Reserve</b>	13,273	12,345	8%

(Source: SBP)



### OUTLOOK:

- Pakistan to return another \$1 billion to Saudi Arabia in next month in January 2021. Out of \$3 billion soft loan, Pakistan has already paid back \$2 billion to Saudi Arabia. Once again, China has rescued Pakistan as it agreed to provide \$1.5 billion additional trade facility under Currency-Swap Agreement (CSA). This will increase overall trade facility to \$4.5 billion.
- Increase in petroleum prices by (Diesel & Petrol) Rs. 3/liter and monthly fuel adjustment charges by Rs. Rs1.1138 per unit, governance, and supply-side shocks to drive overall inflation going forward.
- Pakistan entered into negotiations with 21 bilateral creditors for the Debt Suspension amounting to \$1.7 Billion, which includes \$1.4 billion principal repayments and around \$300 million interest repayments. Out of these 21 bilateral creditors, Pakistan has negotiated and concluded rescheduling agreements with 19 bilateral creditors says Ministry of Economic Affairs. Pakistan locked \$873 million debt relief from G-20 platform, which is 24% or 1/4th of the total potential debt service suspension amounting to \$3.645 billion.
- On account of debt relief, low travelling due to pandemic and growth in remittances, external account likely to remain stable going forward.
- The deadliest 2<sup>nd</sup> wave of Covid-19 pandemic to remain a serious risk for the healthcare and Pakistan Economy.

### DISCLAIMER

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