

## HIGHLIGHTS:

- “Pakistan’s economic activity will remain below pre-outbreak levels, although the economy should return to modest 1.5% growth in fiscal 2021” says Moody’s.
- State Bank of Pakistan’s Monetary Policy Committee (MPC) kept Policy Rate unchanged at 7% for next two months.
- The Large-Scale Manufacturing (“LSM”) growth stood at 7.41% during July-Nov 2020 vs. Last year. Whereas, this LSM growth increased by 14.46% for Nov 2020 compared to negative 3.64% for Nov 2019.
- Pakistan’s cotton production plunged by 34% to 5.49 million bales vs. 8.33 million bales last year as of 18<sup>th</sup> Jan 2021.
- The outstanding stock of ‘Hot Money’ stood at negative \$436 million till 21st Jan 2021.
- According to the SBP, on year-on-year basis, Pakistan’s Overseas Worker’s Remittances surged by 16.2% from \$2.09 billion in Dec 2019 to \$2.43 billion in Dec 2020.
- According to official statistics, FBR has touched 99.7% of its six-monthly target of Rs.2,210 billion during July-Dec 2020. FBR collected tax revenue of Rs.2,204 billion during July-Dec 2020 vs. Rs.2,101 billion last year. This reflects 4.90% or Rs.103 billion higher tax collection compared to last year.
- According to the PBS, Pakistan’s exports have appreciated by 8.98% to \$2.36 billion in Dec 2020 vs \$2.17 billion in Nov 2020 on a month-on-month basis. The growth in imports stood at 16.61%, which is double than growth in exports in Dec 2020.
- Pakistan’s net Foreign Direct Investment (FDI) dropped by 30% to \$952.6 million during Jul-Dec 2020, vs. \$1,357.4 million last year.
- The Broad Money (M2) growth stands at Rs. 846 billion as of 25th Dec 2020 vs Rs. 586 billion last year.
- According to the Pakistan Bureau of Statistics (“PBS”), CPI inflation surged by 7.97% on a year-on-year basis in Dec 2020 vs. 12.6% last year.
- The Current Account balance stood at \$1.13 billion during July-Dec 2020 vs. deficit of \$2.03 billion last year mainly due to the improvement in Services Balance, Primary income, and remittances. On account of substantial 23% growth in imports of goods, 38% growth in imports of services (transport, travelling & other business services etc.) and drop in primary income turned Current account surplus into deficit in Dec 2020.

The outlook of the economy of Pakistan is as follows;

## ECONOMY AT A GLANCE

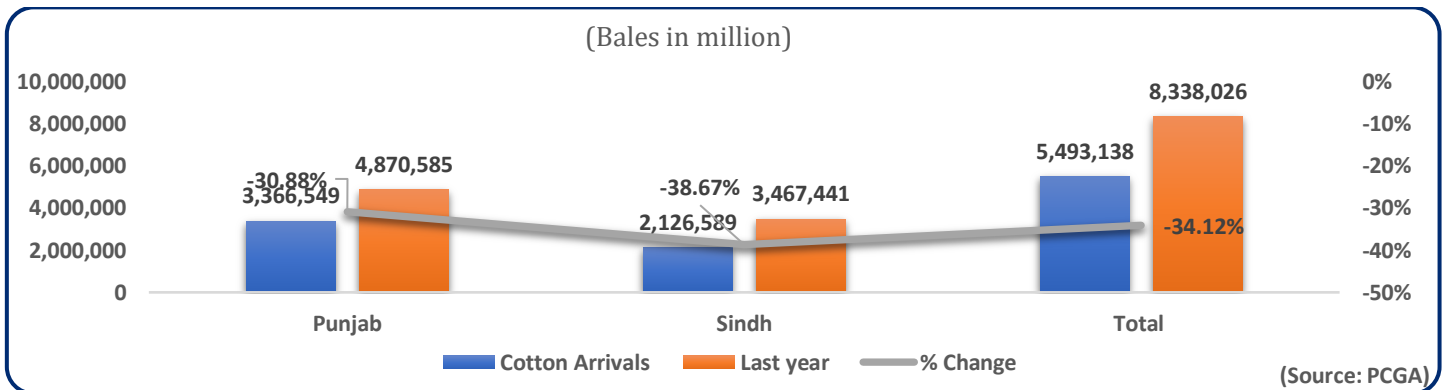
Economic Indicators	Period	Status	Current Year	Last Year
<b>LSM</b>	Nov 2020	↑	14.46%	(3.64%)
<b>Cotton production (bales)</b>	As of 18th Jan,2021	↓	5.49 million	8.33 million
<b>Credit to Private Sector</b>	As of 8 <sup>th</sup> Jan,2020	↑	Rs.215 billion	Rs. 130 billion
<b>SCRA inflows (Hot Money)</b>	As of 21 <sup>st</sup> Jan 2021	↓	US\$(436) million	US\$ 2,325 million
<b>Worker’s Remittances</b>	Dec 2020	↑	US \$2.43 billion	\$1.82 billion
<b>M2</b>	As of 8 <sup>th</sup> Jan,2020	↑	Rs 846 billion	Rs. 586 billion
<b>Net Government Sector borrowing</b>	As of 8 <sup>th</sup> Jan,2020	↑	Rs. 273 billion	Rs. (18) billion
<b>CPI</b>	Dec 2020	↓	7.97%	12.6%
<b>FBR Tax Collection</b>	July-Nov 2020	↑	Rs. 2,204 Billion	Rs. 2,101 Billion
<b>Foreign Exchange Reserves with SBP</b>	As of 15 <sup>th</sup> Jan, 2020	↑	US\$ 13.03 billion	US\$12.27 billion
<b>Foreign Direct Investments</b>	July-Dec 2020	↓	US\$ 952 million	US\$ 1,374 million
<b>Trade Deficit in Goods</b>	July-Dec 2020	↓	US\$ (12.36) Billion	US\$ (11.67) Billion
<b>Balance of Payment</b>	July-Dec 2020	↓	US\$ (1.27) billion	US\$(4.35) Billion

### 1. LARGE SCALE MANUFACTURING:

According to Pakistan Bureau of Statistics (PBS), Out of 15 major broad-based industries, 12 or 80% of them have recorded positive growth in Nov 2020. Whereas, 3 or 20% of them recorded negative growth in Nov 2020. On-year-on-year basis, Pakistan’s Large-Scale Manufacturing (LSM) grew by 14.44% in Nov 2020 vs. negative growth of 3.64% last year. This is the highest growth rate in more than 12 years which is good omen for economy. On a month-on-month-basis, LSM grew by only 1.35% in Nov 2020 compared to Oct 2020. Overall growth in LSM growth stood at 7.41% during July-Nov 2020 vs. Last year.

Industries	Weight (%)	Nov-20 (%)	Nov-19 (%)	Oct-20 (%)	Y/Y growth Cumulative
Textile	20.915	3.07	0.54	2.39	0.70
Food, Beverages & Tobacco	12.370	57.58	2.29	8.61	3.08
Coke & Petroleum Products	5.514	1.17	-5.45	-1.67	0.09
Pharmaceuticals	3.620	7.67	-0.12	11.29	1.02
Chemicals	1.717	11.02	13.68	5.97	0.27
Automobiles	4.61	44.53	-45.30	10.72	0.32
Iron & Steel Products	5.39	3.39	-8.74	2.76	-0.16
Fertilizers	4.441	9.19	-2.86	18.53	0.45
Electronics	1.963	2.91	-51.55	-30.47	-0.71
Leather Products	0.859	-40.47	14.99	-39.66	-0.71
Paper & Board	2.314	10.22	30.91	9.09	0.44
Engineering Products	0.400	-26.67	-22.87	-25.45	-0.08
Rubber Products	0.262	7.86	-3.11	-11.30	0.04
Non-Metallic Mineral Products	5.364	12.00	8.08	24.48	2.66
Wood Products	0.588	-58.84	36.62	-57.14	0.00
<b>LSM Growth for Nov 2020 (Y/Y)</b>					14.46%
<b>LSM Growth for Nov 2020 vs Oct 2020(M/M)</b>					1.35%
<b>LSM Growth for July-Nov 2020</b>					7.41%

## 2. PAKISTAN'S COTTON PRODUCTION UPDATE



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

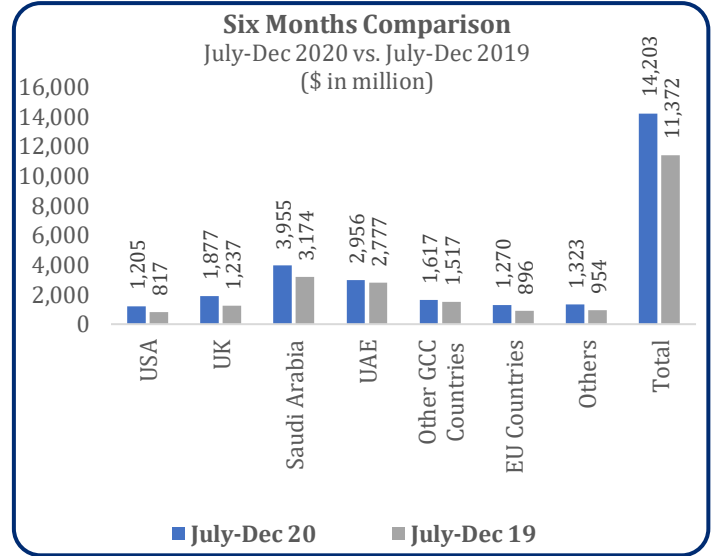
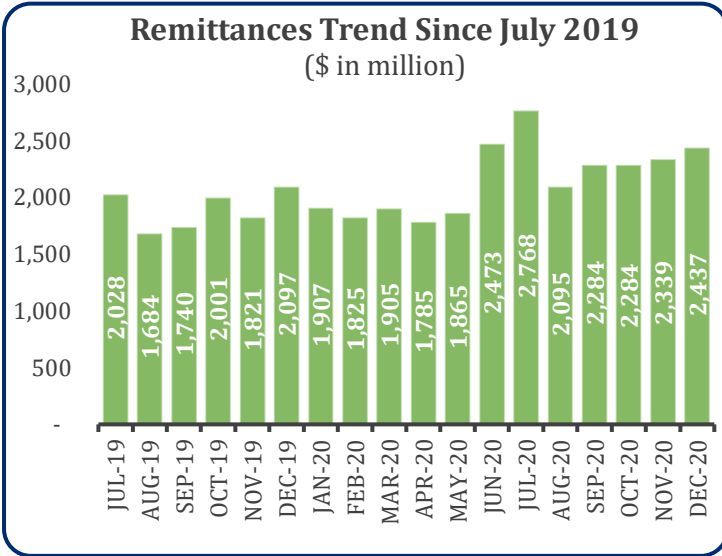
Cumulative net inflows in Equity, T-Bills and PIBs				
During current fiscal year, till 21 <sup>st</sup> Jan 2021				
Description	Equity	T-Bills	PIBs	Total
	('000 USD')			
<b>Inflows</b>	296,916	266,883	104,866	668,665
<b>Outflows</b>	(584,146)	(520,741)	(52)	(1,104,939)
<b>Balance Remaining</b>	(287,230)	(253,858)	104,814	(436,274)

The outstanding stock of 'Hot Money' stood at negative \$448 million.

## 4. WORKER'S REMITTANCES:

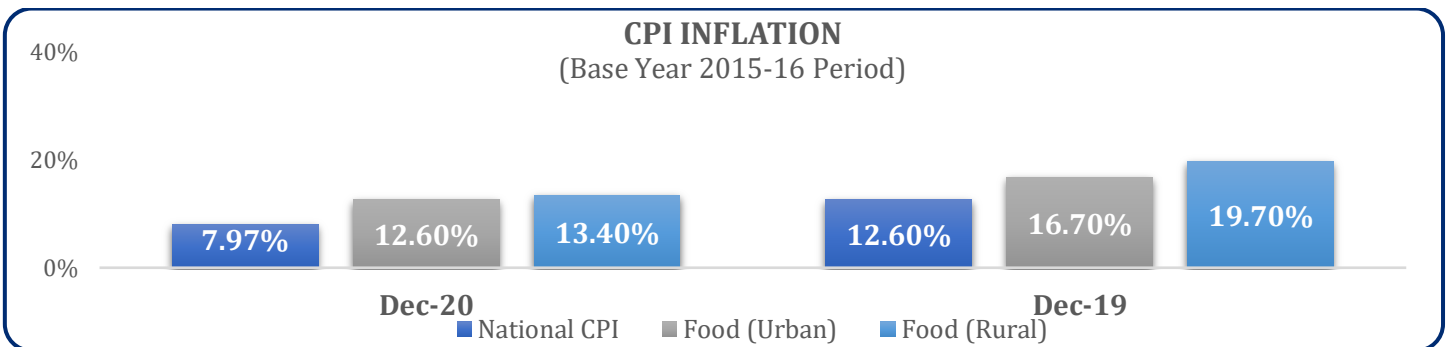
According to the SBP, Pakistan's Overseas Worker's Remittances appreciated by 4.23% to \$2.43 billion in Dec 2020 vs. \$2.33 billion in Nov 2020. Pakistan's remittances have touched \$2 billion mark for 7th consecutive month since June 2020. On year-on-year basis, Pakistan's Overseas Worker's Remittances surged by 16.2% from \$2.09 billion in Dec 2019 to \$2.43 billion in Dec 2020.

On a month-on-month basis, country's remittances appreciated by 9.73% from United States, 14.33% from United Kingdom, and 1.59% from Saudi Arabia. Whereas, it dropped by 1.43% from United Arab Emirates and around 1% from other GCC countries. On a cumulative basis, remittances reached to \$14.2 billion during July-Dec 2020, which grew by 24.9% higher than same period last year. This half yearly growth in remittances is the highest since 2007.

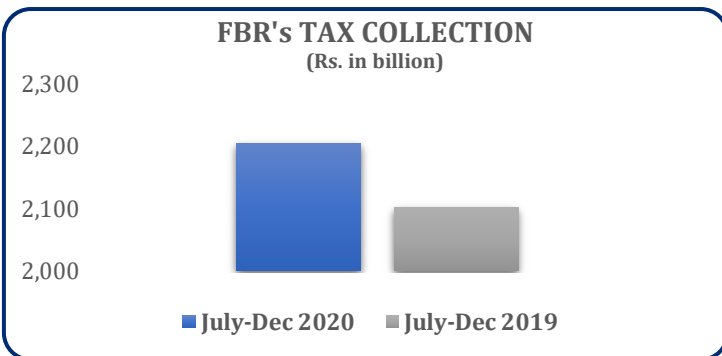


(Source: SBP)

## 5. CONSUMER PRICE INDEX (“CPI”) INFLATION:



## 6. TAX REVENUE COLLECTION:

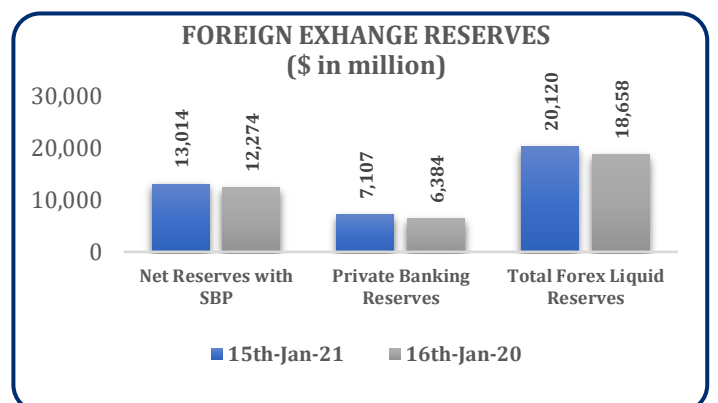


According to official statistics, FBR has touched 99.7% of its six-monthly target of Rs.2,210 billion during July-Dec 2020. FBR collected tax revenue of Rs.2,204 billion during July-Dec 2020 vs. Rs.2,101 billion last year. This reflects 4.90% or Rs.103 billion higher tax collection compared to last year. However, this growth of 4.9% is almost half than average inflation of 8.63% during July-Dec 2020. On average, FBR needs to collect additional tax revenue of Rs. 459.84 billion per month during next

6 months to fulfill its annual tax revenue target of Rs4,963 billion in 2020-21.

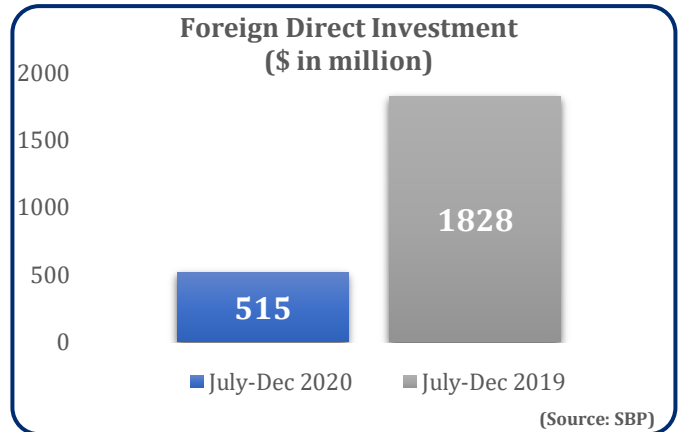
## 7. FOREIGN EXCHANGE RESERVES:

SBP reserves stood at \$13 billion as of 15<sup>th</sup> Jan 2020.

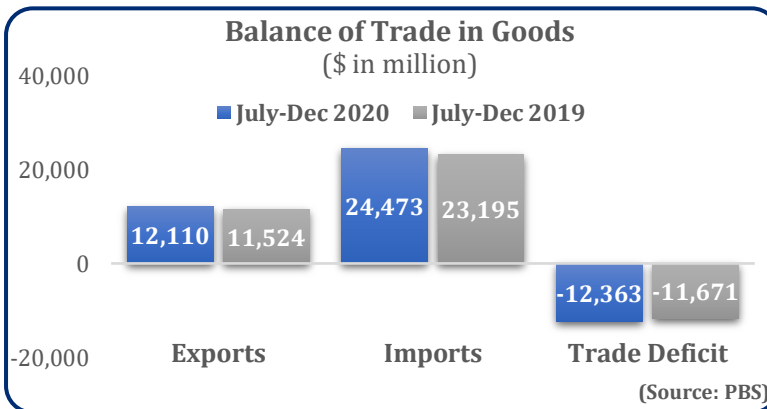


## 8. FOREIGN DIRECT INVESTMENT

Pakistan's net Foreign Direct Investment (FDI) dropped by 30% to \$952.6 million during Jul-Dec 2020, vs. \$1,357.4 million last year. According to the SBP, total Foreign Investment of the country has deteriorated by 72% from \$1,828.4 million during July-Dec 2019 to \$514.5 million during July-Dec 2020. Pakistan's net FDI turned into positive to \$194 million in Dec 2020 vs. negative \$16 million in Nov 2020. 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, Pakistan's exports have appreciated by 8.98% to \$2.36 billion in Dec 2020 vs \$2.17 billion in Nov 2020 on a month-on-month basis. Whereas, imports also started to pick up, which is an encouraging trend for the growing economy. This growth in the imports stood at 16.61%, which is double than growth in exports in Dec 2020.

Pakistan's exports have posted substantial growth of 19% in Dec 2020 vs \$1.98 billion last year. During July-Dec 2020-21, Pakistan's exports grew by 5% to

\$12.11 billion vs. \$11.52 billion last year.

According to Adviser to PM for Commerce and Investment, Mr. Abdul Razak Dawood, "SBP's Temporary Economic Refinance Facility (TERF) providing long-term concessionary refinance at 5% for manufacturers & exporters has shown excellent results." This growth in exports likely to touch \$25 billion if it continued with this pace.

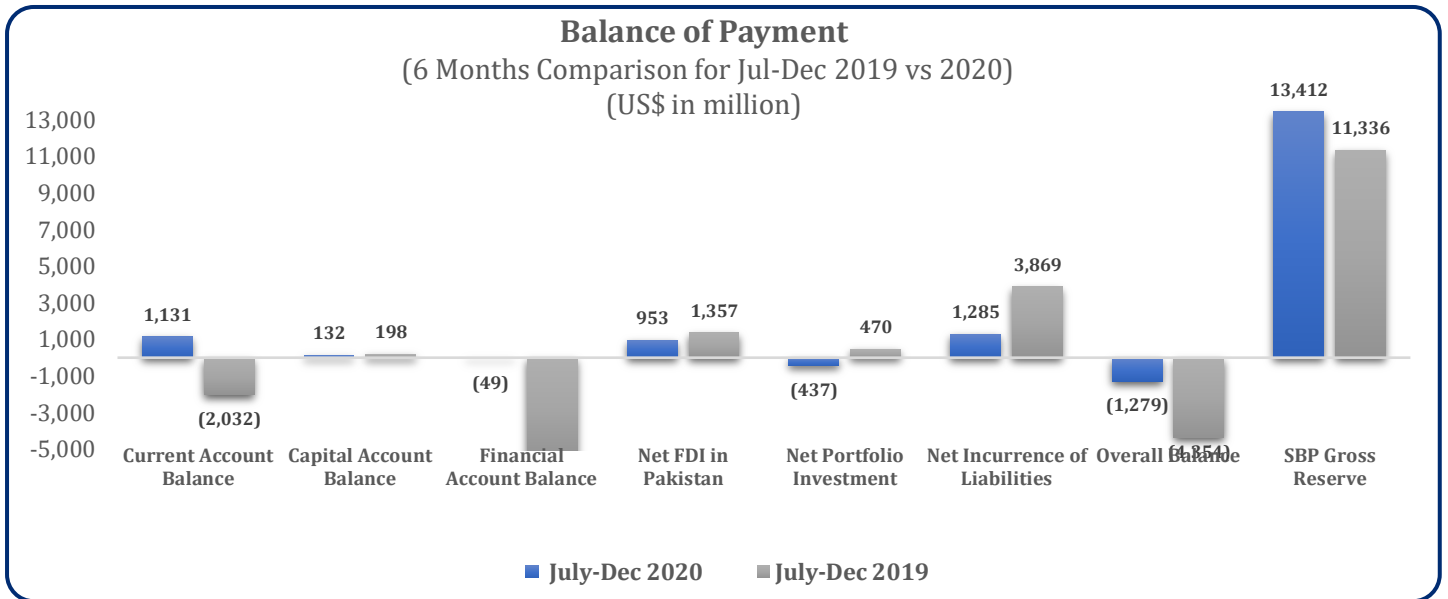
## 10. BALANCE OF PAYMENT:

Pakistan's Current Account Balance stands at deficit of \$662 million in Dec 2020 compared to the revised figure of surplus amounting at \$513 million in Nov 2020. The Current Account Balance turned into deficit which remained in surplus for 5th successive month. The Current Account balance stood at \$1.13 billion during July-Dec 2020 vs. deficit of \$2.03 billion last year mainly due to the improvement in Services Balance, Primary income, and remittances. On account of substantial 23% growth in imports of goods, 38% growth in imports of services (transport, travelling & other business services etc.) and drop in primary income turned Current account surplus into deficit in Dec 2020.

This higher growth in imports of goods which crossed over \$5 billion in Dec 2020 includes; imports of essential food items, machinery imports, petroleum and industrial raw material, reflecting revival of economic activities. However, overall, external account likely to remain stable compared to last year.

(\$ in million)	Dec 2020 (Provisional)	Nov 2020 (Revised)	% change
<b>Current account Balance</b>	-662	513	-229%
<b>Capital Account Balance</b>	30	20	50%
<b>Financial Account Balance</b>	-1,258	-230	447%
<b>Net FDI in Pakistan</b>	194	-16	NA.
<b>Net Portfolio investment</b>	-59	-20	195%
<b>Net incurrence of Liabilities</b>	1,089	656	66%
<b>Overall Balance</b>	-678	-821	NA.
<b>SBP Gross Reserve</b>	13,412	13,112	2%

(Source: SBP)



#### OUTLOOK:

- According to SBP, “the trajectory of the pandemic is difficult to predict, given still-elevated global cases, the emergence of new strains, and lingering uncertainties about roll-out of vaccines worldwide. Such external shocks could slow the recovery.” Therefore, threats of the Covid-19 pandemic to remain serious risk for the Pakistan’s smooth economic recovery.
- Federal Government increased Power tariffs by Rs.1.95 per unit. NEPRA to notify the changes soon.
- SBP expects that the “inflation is expected to fall within the previously announced range of 7-9% for FY21, and trend toward the 5-7% target range over the medium-term”.
- After 2 & a half year, Pakistan’s imports skyrocketed to over \$5 billion in Dec 2020. This includes imports of essential food items, machinery, petroleum and industrial raw materials etc. which grew on account of Pakistan’s domestic economic recovery. It is expected that imports to remain higher in coming months due to imported sugar stocks to contain prices, and pick up in domestic demand.

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