

## HIGHLIGHTS:

- According to Moody's, "Remittances from overseas Pakistanis residing in the Gulf states accounted for around 60% of the total inflows, followed by the 13% from United Kingdom, 9% European Union and 9% from United States. According to World Bank estimates, Pakistan is 7<sup>th</sup> largest recipient of the remittances globally in 2020, with remittance inflows comprising approximately 9% of GDP".
- According to Pakistan Bureau of Statistics (PBS), Pakistan's Large Scale Manufacturing (LSM) grew by 11.40% in Dec 2020 on-year-on-year-basis
- Pakistan's cotton production plunged by 34.29% to 5.61 million bales vs. 8.54 million bales last year as of 18<sup>th</sup> Feb 2021.
- The outstanding stock of 'Hot Money' stood at negative \$409 million till 26<sup>th</sup> Feb 2021.
- According to the SBP, on year-on-year basis, Pakistan's Overseas Worker's Remittances surged by 19.22% from \$1.9 billion in Jan 2020 to \$2.27 billion in Jan 2021.
- According to official statistics, FBR has collected tax revenue of Rs.2,570 billion in July-Jan 2020-21 vs. Rs.2,416 billion last year. This FBR's tax revenue collection grew by 6.37 % or Rs.154 billion vs. last year
- The Broad Money (M2) growth stands at Rs. 710 billion as of 5<sup>th</sup> Feb 2021 vs Rs. 628 billion last year.
- According to the Pakistan Bureau of Statistics ("PBS"), CPI inflation surged by 5.65% on a year-on-year basis in Jan 2021 vs. 14.6% last year.
- According to the PBS, the country's exports have dropped by 9.30% to \$2.14 billion in Jan 2021 vs \$2.36 billion in Dec 2020 on a month-on-month basis.
- Pakistan's Current Account deficit has dropped by 65% from huge deficit of \$652 million in Dec 2020 to \$229 million in Jan 2021 mainly due to imports compressions, improvement in services and primary deficit on a month-on-month basis. This is 2<sup>nd</sup> consecutive month in which Pakistan's current account remained in deficit.
- During Jul-Jan 2020-21, Pakistan's net FDI depreciated by 27% or \$431 million to \$1.14 billion as compared to \$1.15 billion last year
- According to SBP, total Foreign Investment of the country has dropped by 78% to \$755 million during July-Jan 2020-21 compared to \$3.43 billion last year

The outlook of the economy of Pakistan is as follows;

## ECONOMY AT A GLANCE

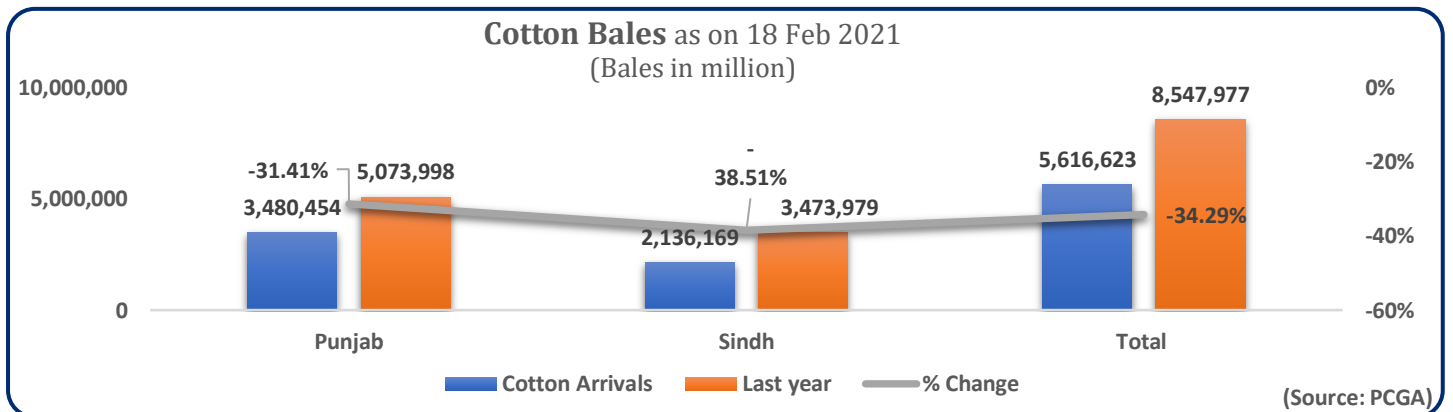
Economic Indicators	Period	Status	Current Year	Last Year
<b>LSM</b>	Dec 2020	↑	11.40%	9.96%
<b>Cotton production (bales)</b>	As of 18 <sup>th</sup> Feb, 2021	↓	5.61 million	8.54 million
<b>Credit to Private Sector</b>	As of 5 <sup>th</sup> Feb,2021	↑	Rs.315 billion	Rs.150 billion
<b>SCRA inflows (Hot Money)</b>	As of 26 <sup>th</sup> Feb 2021	↓	US\$(409) million	US\$ 2,862 million
<b>Worker's Remittances</b>	Jan 2021	↑	US \$2.27 billion	\$1.90 billion
<b>M2</b>	As of 5 <sup>th</sup> Feb,2021	↓	Rs 710 billion	Rs. 628 billion
<b>Net Government Sector borrowing</b>	As of 5 <sup>th</sup> Feb,2021	↓	Rs. 162 billion	Rs. (3.7) billion
<b>CPI</b>	Jan 2021	↓	5.65%	14.6%
<b>FBR Tax Collection</b>	July-Jan 2020-21	↑	Rs. 2,570 Billion	Rs. 2,416 Billion
<b>Foreign Exchange Reserves with SBP</b>	As of 19 <sup>th</sup> Feb, 2021	↑	US\$ 12.90 billion	US\$12.59 billion
<b>Foreign Direct Investments</b>	July-Jan 2020-21	↓	US\$ 1.145 billion	US\$ 1.577 billion
<b>Trade Deficit in Goods</b>	July-Jan 2020-21	↓	US\$ (15.01) Billion	US\$ (13.82) Billion
<b>Balance of Payment</b>	July-Jan 2020-21	↓	US\$ (717) million	US\$(5.276) Billion

### 1. LARGE SCALE MANUFACTURING:

According to Pakistan Bureau of Statistics (PBS), Pakistan's Large Scale Manufacturing (LSM) grew by 11.40% in Dec 2020 on-year-on-year-basis. Whereas, LSM grew by 13.51% on-month-on-month basis. Overall growth in LSM growth stood at 8.61% during July-Dec 2020 vs. negative growth of 2.82% Last year.

Industries	Weight (%)	Dec-20 (%)	Nov-20 (%)	Dec-19 (%)	Y/Y growth Cumulative
Textile	20.915	3.54	3.07	0.6	0.74
Food, Beverages & Tobacco	12.370	17.72	57.58	40.64	3.41
Coke & Petroleum Products	5.514	23.91	1.17	1.23	0.29
Pharmaceuticals	3.620	13.82	7.67	3.79	1.02
Chemicals	1.717	16.95	11.02	16.83	0.28
Automobiles	4.61	43.91	44.53	-28.53	0.57
Iron & Steel Products	5.39	11.76	3.39	-3.72	-0.05
Fertilizers	4.441	11.98	9.19	-2.86	0.48
Electronics	1.963	-35.59	2.91	49.55	-0.79
Leather Products	0.859	-40.55	-40.47	17.02	-0.69
Paper & Board	2.314	8.93	10.22	28.9	0.43
Engineering Products	0.400	-23.93	-26.67	-16.34	-0.08
Rubber Products	0.262	-29.09	7.86	5.03	0.01
Non-Metallic Mineral Products	5.364	17.52	12.00	7.89	2.54
Wood Products	0.588	-30.2	-58.84	-19.09	0
LSM Growth for Dec 2020 (Y/Y)					11.40%
LSM Growth for Dec 2020 vs Nov 2020(M/M)					13.51%
LSM Growth for July-Dec 2020					8.16%

## 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 26 <sup>th</sup> Feb 2021				
Description	Equity	T-Bills	PIBs	Total
	('000 USD')			
Inflows	368,343	391,123	137,602	897,068
Outflows	(678,404)	(628,181)	(104)	(1,306,689)
Balance Remaining	(310,061)	(237,058)	137,498	(409,621)

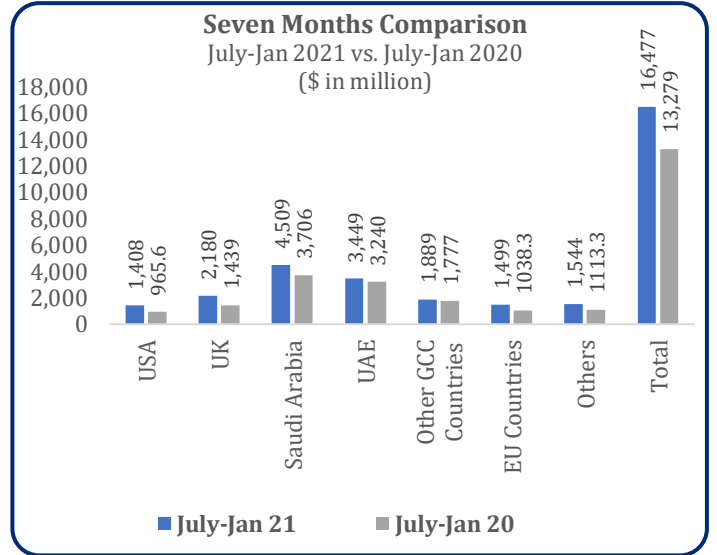
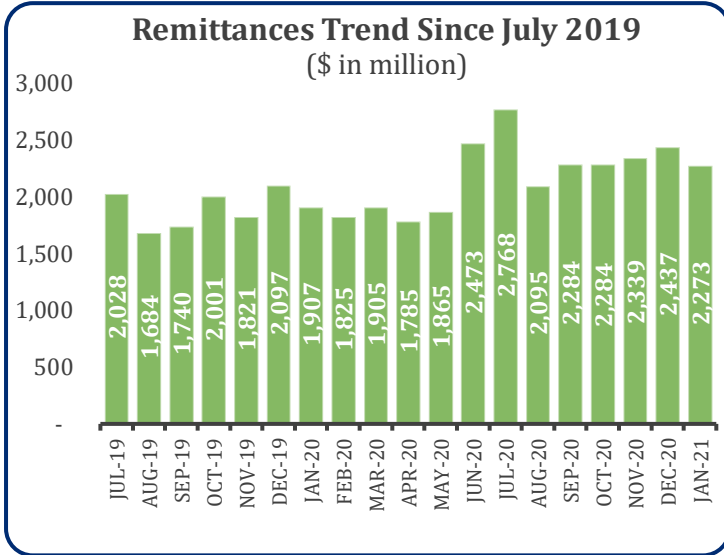
The outstanding stock of 'Hot Money' stood at negative \$456 million.

## 4. WORKER'S REMITTANCES:

According to the SBP, Pakistan's Overseas Worker's Remittances dropped by 6.70% to \$2.27 billion in Jan 2021 vs. \$2.43 billion in Dec 2020 on-month-on-month basis. Pakistan's remittances have surpassed \$2 billion mark for 8th consecutive month since June 2020. On year-on-year basis, Pakistan's Overseas Worker's Remittances surged by 19.22% from \$1.9 billion in Jan 2020 to \$2.27 billion in Jan 2021.

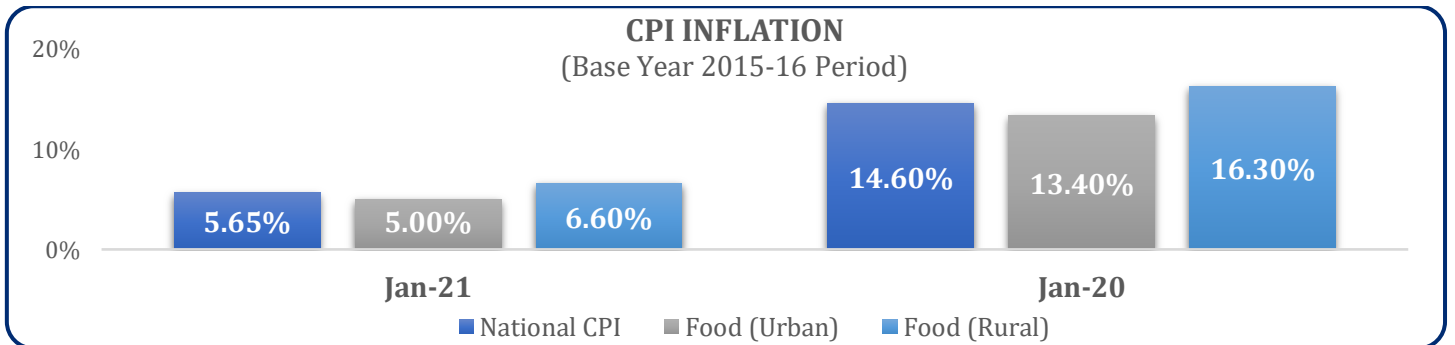
On a month-on-month basis, country's remittances dropped by 7.3% from United Kingdom, 11.4 % from Saudi Arabia, 3.3% from United Arab Emirates and 2.2% from other GCC countries. On a cumulative basis, remittances stood at \$16.47 billion during July-Jan 2020-21, which grew by 24% compared to \$13.27 billion last year.

According to SBP, “the sustained increase in workers’ remittances largely reflects growing use of banking channel that is attributed to continuous efforts by Government, and SBP to attract inflows through official channel, limited cross border travel amid second wave of COVID-19 and flexible exchange rate regime”.

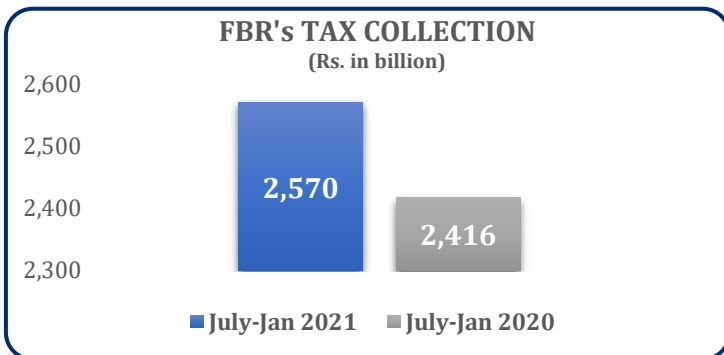


(Source: SBP)

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



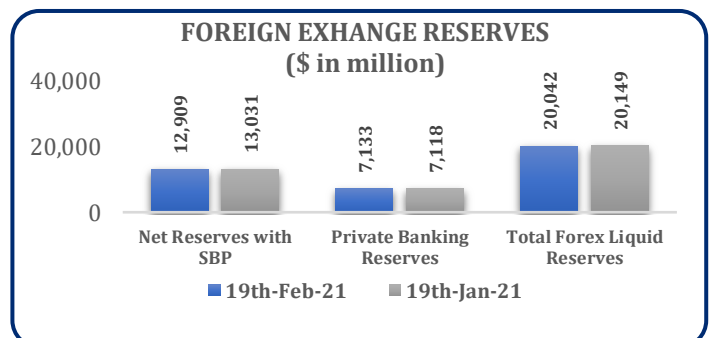
### 6. TAX REVENUE COLLECTION:



According to official statistics, FBR has surpassed tax provisional revenue collection figures during July-Jan 2020-21. FBR has collected tax revenue of Rs.2,570 billion in July-Jan 2020-21 vs. Rs.2,416 billion last year. FBR’s tax revenue grew by 6.37 % or Rs.154 billion vs. last year. On average, FBR needs to collect additional tax revenue of Rs. 478.6 billion per month during next 5 months to accomplish annual tax revenue target of Rs4,963 billion for 2020-21.

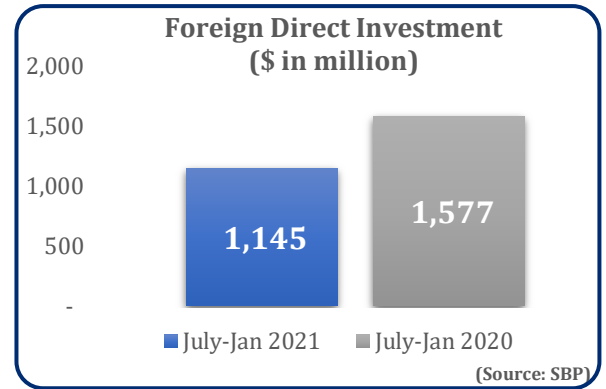
### 7. FOREIGN EXCHANGE RESERVES: (update graph)

SBP reserves stood at \$12.90 billion as of 19<sup>th</sup> Feb 2021.

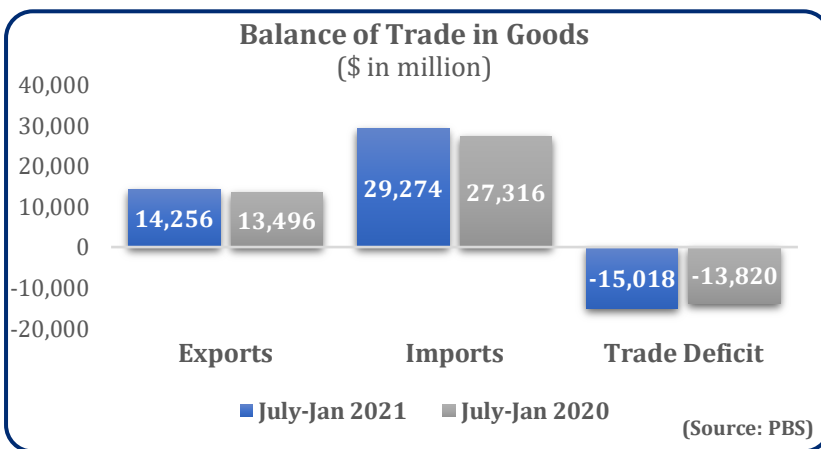


## 8. FOREIGN DIRECT INVESTMENT

During Jul-Jan 2020-21, Pakistan's net FDI depreciated by 27% or \$431 million to \$1.14 billion as compared to \$1.15 billion last year. During Jan 2021, Pakistan's FDI stood at \$240 million compared to \$1.60 billion last year. According to SBP, total Foreign Investment of the country has dropped by 78% to \$755 million during July-Jan 2020-21 compared to \$3.43 billion last year. 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, country's exports have dropped by 9.30% to \$2.14 billion in Jan 2021 vs \$2.36 billion in Dec 2020 on a month-on-month basis.

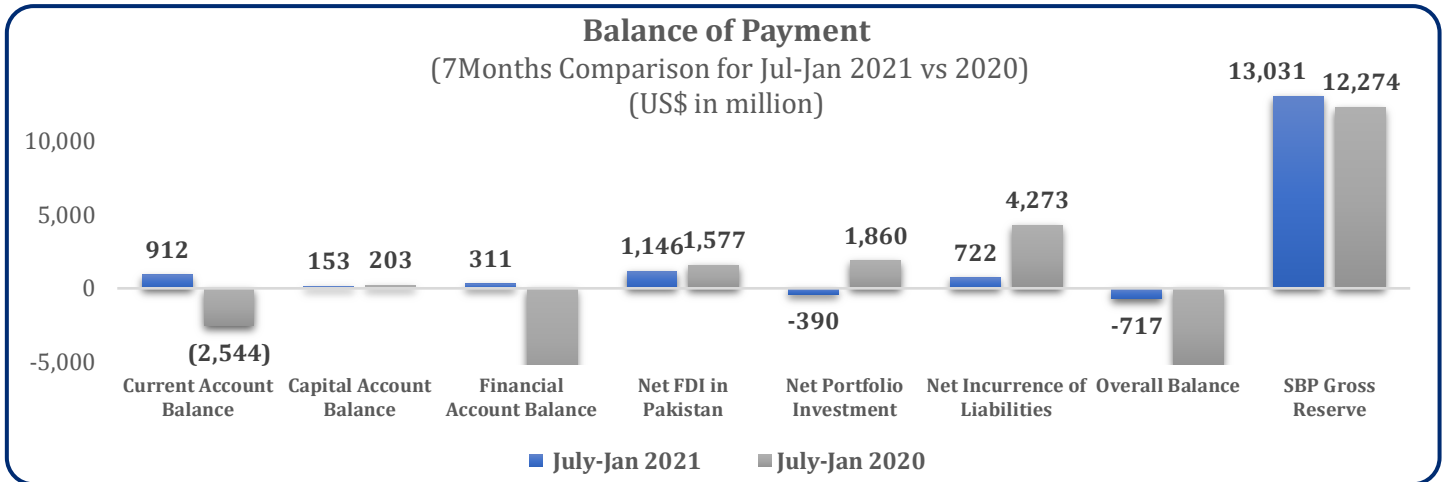
Whereas, exports only grew by 8.82% in Jan 2021 vs \$1.97 billion last year on a year-on-year basis. During July-Jan 2020-21, Pakistan's exports have appreciated by 5.63% to \$14.25 billion vs. \$13.49 billion last year. The decent growth in LSM and exports is inevitable for sustainable economic growth going forward.

## 10. BALANCE OF PAYMENT:

Pakistan's Current Account deficit has dropped by 65% from huge deficit of \$652 million in Dec 2020 to \$229 million in Jan 2021 mainly due to imports compressions, improvement in services and primary deficit on a month-on-month basis. This is 2<sup>nd</sup> consecutive month in which Pakistan's current account remained in deficit. According to SBP, "compared to Jan 2020, exports grew steadily while remittances continued their record expansion. Imports of wheat and sugar to address domestic shortages, and palm oil, were significantly higher. Machinery imports continued to grow at double-digits, reflecting economic recovery". The Current Account balance stood at surplus figure of \$912 million during July-Jan 2020 vs. deficit of \$2.54 billion last year mainly due to improvement in Services Balance, Primary income and sustained growth in remittances. According to IMF, "external current account has improved mainly due to stronger-than-expected remittances, import compression, and a mild export recovery." SBP expects that Pakistan's current account deficit for FY21 is now projected to remain below 1% of GDP.

(\$ in million)	Jan 2021 (Provisional)	Dec 2020 (Revised)	% change
<b>Current account Balance</b>	<b>-229</b>	<b>-652</b>	-65%
<b>Capital Account Balance</b>	<b>21</b>	<b>30</b>	-30%
<b>Financial Account Balance</b>	<b>338</b>	<b>-1,230</b>	-127%
<b>Net FDI in Pakistan</b>	193	194	-1%
<b>Net Portfolio investment</b>	7	9	-22%
<b>Net incurrence of Liabilities</b>	<b>-538</b>	<b>1,064</b>	Na.
<b>Overall Balance</b>	<b>565</b>	<b>-681</b>	NA.
<b>SBP Gross Reserve</b>	13,031	13,415	-3%

(Source: SBP)



### OUTLOOK:

- IMF and Pakistan have reached to a Staff-Level Agreement to complete 2nd to 5th reviews of authorities' reform program under IMF's Extended Fund Facility (EFF). This has 'revived' Pakistan's suspended IMF program. In addition to this, this agreement is subject to the approval of IMF's Executive Board, which would subsequently release around \$500 million 3rd tranche to Pakistan. The IMF has already disbursed \$1.45 billion in two tranches to Pakistan.
- According to IMF, "Pakistan is projected to grow by 1.5% in 2020-21. The 2nd wave of Covid-19 pandemic which is still unfolding around the world, outlook is subject to a high level of uncertainty and downside risks".
- According to IMF, "Pakistan's International reserves to improve further which is reflecting in current account developments, the EFF's resumption, and international partners' support going forward".
- According to Moody's, "Greater use of digital channels, combined with Pakistan Remittances Initiative, which facilitates faster/cheaper remittance flows, have increased remittances in recent years. While, pandemic-related limitations on travelling, including reduced travel to Saudi Arabia for annual Hajj pilgrimage, aided sharp increase in remittances in recent months. In addition to this, overseas Pakistani workers saved more money and traveled less to Pakistan. This has increased their capacity to remit via official sources."
- FATF keeps Pakistan on Grey-List. Despite acknowledging that Pakistan has made significant progress on 24 out of 27 Action Plans to combat Anti-Money Laundering and combating Financing of Terrorism, FATF has strongly urges Pakistan to swiftly implement on its remaining 3 Action Plans before June 2021.

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