

HIGHLIGHTS:

- “Pakistan Economy was on road to grow 3.94% in the financial year 2020-21 that ends in June 2021”, says Government of Pakistan. Almost double the International Monetary Fund (IMF) projected GDP growth of 1.5% and World Bank's projections of 1.3%, as it recovers from the worst of the pandemic. Interestingly, there was a marginal change in the revised figures of the last fiscal year as the finalized GDP growth for financial year 2020 stood at negative 0.47 percent against provisional GDP growth figure of -0.38 percent.
- According to Pakistan Bureau of Statistics (PBS), “The provisional growth of GDP for the financial year 2020-21 based on upon growth estimates of the agricultural, industrial, and services sectors at 2.77%, 3.57%, and 4.43%, respectively”.
- Pakistan's Large Scale Manufacturing (LSM) growth stood at 9% during July-March 2021 vs. Last year. Whereas, this LSM growth plunged by 7.66% in March 2021 on month-on-month-basis vs. Feb 2021.
- The outstanding stock of ‘Hot Money’ stood at negative \$482 million till 20th May 2021.
- According to the SBP, on year-on-year basis, Pakistan's Overseas Worker's Remittances surged by 55.64% from \$1.78 billion in April 2020 to \$2.77 billion in April 2021.
- According to official statistics, FBR has collected tax revenue of Rs.3,780 billion in July-April 2020-21 vs. Rs.3,320 billion last year. This reflects FBR's tax revenue collection grew by 14% or Rs.460 billion vs. last year.
- The Broad Money (M2) growth stands at Rs. 1,665 billion as of 30th April 2021 vs Rs. 1,698 billion last year.
- According to the Pakistan Bureau of Statistics (“PBS”), CPI inflation surged by 11.10% on a year-on-year basis in April 2021 vs. 8.50% last year.
- According to the PBS, the country's exports have plunged by 7.23% to \$2.19 billion in April 2021 vs \$2.36 billion in March 2021 on a month-on-month basis.
- The country posted a current account deficit of \$200 million in April for the fifth month in a row, but the first nine months of FY21 remained in surplus territory, raising hopes the fiscal year would not end with an overall deficit. Whereas, Current account deficit depicting a decline of 61% when compared to April 2020.
- During Jul-April 2020-21, Pakistan's net FDI depreciated by 32.49% or \$748 million to \$1.55 billion as compared to \$2.30 billion last year.
- According to SBP, total Foreign Investment of the country has rose by 98% to \$3.73 Billion during July-April 2020-21 compared to \$1.88 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
LSM	March 2021	↑	22.39%	(22.95%)
Cotton production (bales)	As of 1 st May 2021	-	5.64 Million	Data not available for this period
Credit to Private Sector	As of 30 th April 2021	↑	Rs.454 billion	Rs.318 billion
SCRA inflows (Hot Money)	As of 20 th May 2021	↓	US\$(482) million	US\$ (189) million
Worker's Remittances	April 2021	↑	US \$2.77 billion	\$1.78 billion
Currency in Circulation	As of 30 th April 2021	↑	Rs 6.81 Trillion	Rs. 5.93 Trillion
Net Government Sector borrowing	As of 30 th April 2021	↓	Rs. 653 billion	Rs. 1092 billion
CPI (Base Year 2015-16)	April 2021	↑	11.10%	8.50%
FBR Tax Collection	July-April 2020-21	↑	Rs. 3,780 billion	Rs. 3,320 Billion
Foreign Exchange Reserves with SBP	As of 7 th May	↑	15.77 Billion	12.27 Billion
Foreign Direct Investments	July-Mar 2020-21	↓	1.55 Billion	2.30 Billion
Trade Deficit in Goods	July-April 2020-21	↑	US\$ (23.82) Billion	US\$ (19.59) Billion
Current Account Balance	July-April 2020-21	↑	773 million	(4,657) Million

1. LARGE SCALE MANUFACTURING:

According to Pakistan Bureau of Statistics (PBS), Pakistan's Large Scale Manufacturing (LSM) grew by 22.39% in March 2021 on-year-on-year-basis. Whereas, LSM declined by 7.66% on-month-on-month basis. Overall growth in LSM stood at 9.0% during July-March 2021 vs. negative growth of 5.40% last year.

Industries	Weight (%)	March-21 (%)	Feb-21 (%)	Mar -20 (%)	Y/Y growth Cumulative
Textile	20.92	40.41	2.95	(25.77)	1.56
Food, Beverages & Tobacco	12.40	(16.22)	3.45	(18.92)	2.56
Coke & Petroleum Products	5.50	76.85	42.66	(47.66)	0.66
Pharmaceuticals	3.60	16.05	10.55	(5.67)	0.98
Chemicals	1.70	26.44	15.47	0.34	0.29
Automobiles	4.60	123.27	26.00	(52.12)	1.10
Iron & Steel Products	5.40	31.46	(3.52)	(16.44)	0.07
Fertilizers	4.44	6.01	(2.62)	4.38	0.34
Electronics	2.00	26.68	(20.58)	(48.25)	(0.73)
Leather Products	0.90	(16.70)	(31.69)	(19.01)	(0.58)
Paper & Board	2.30	2.61	(5.24)	(1.29)	(0.02)
Engineering Products	0.40	22.70	(22.95)	(37.51)	(0.06)
Rubber Products	0.30	(30.36)	(44.78)	1.16	(0.07)
Non-Metallic Mineral Products	5.40	56.39	10.82	(16.23)	2.90
Wood Products	0.60	186.53	51.19	(92.19)	0.00
LSM Growth for March 2021 (Y/Y)					22.39%
LSM Growth for March 2021 vs Feb 2021 (M/M)					(7.66%)
LSM Growth for July-March 2021					9.0%

2. SCRA ("SPECIAL CONVERTIBLE RUPEE ACCOUNT") INFLOWS:

According to the official data from SBP, Global investors poured in \$255.6 million into Pakistan's currency bonds in the first 11 months of the current fiscal year as they were attracted to higher yields and economic recovery of country. However for the same period outflow is recorded in PIBs is \$21.5 million. Particularly reason is the low interest rate in United States. Around 45% or 115.2 million worth of inflow is from USA. Interest rate on 10 year paper is now trading close to 10% as it was 8.7% in the beginning of current fiscal year and rupee also shows some sign of strength. Investors' appetite for PIB's shows that they are not seeing pandemic effect as longer term potential for the economy. However short term treasury bills are not gaining so much appeal for foreign investors. Foreign investors bought \$535.0 million worth of T-bills as of 20th May during FY2021, while they sold \$876.5 million short-term papers. Foreign investors put \$790.06 million in Treasury Bills and PIBs as of July to date FY2021, while taking \$898 million out of these securities in the same period of this year. Foreigners sold net \$83.5 million in government securities in the current fiscal year to date.

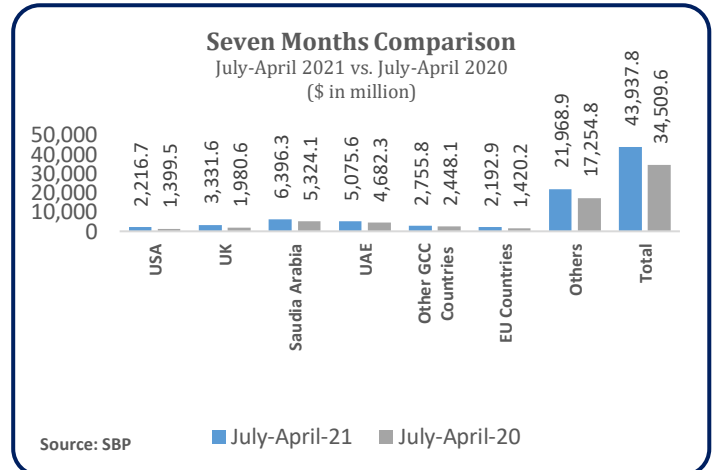
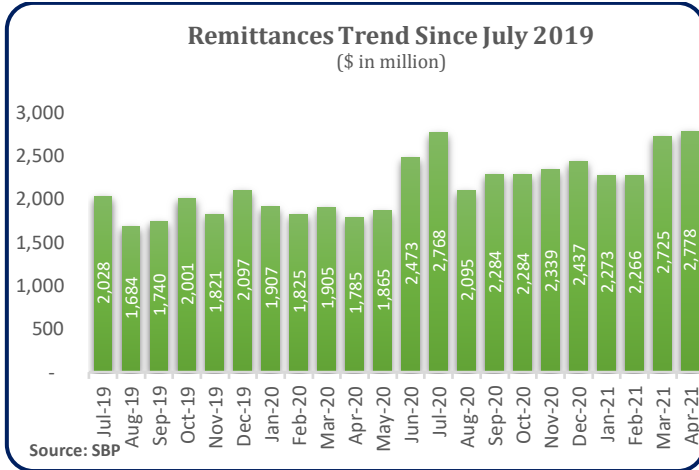
Cumulative net inflows in Equity, T-Bills and PIBs				
During current fiscal year, till 17 May 2021				
Description	Equity	T-Bills	PIBs	Total
	('000 USD')			
Inflows	545,741	535,022	255,621	1,336,384
Outflows	(920,696)	(876,507)	(21,553)	(1,818,756)
Balance	(374,955)	(341,485)	234,068	(482,372)

The outstanding stock of 'Hot Money' stood at negative \$482 million.

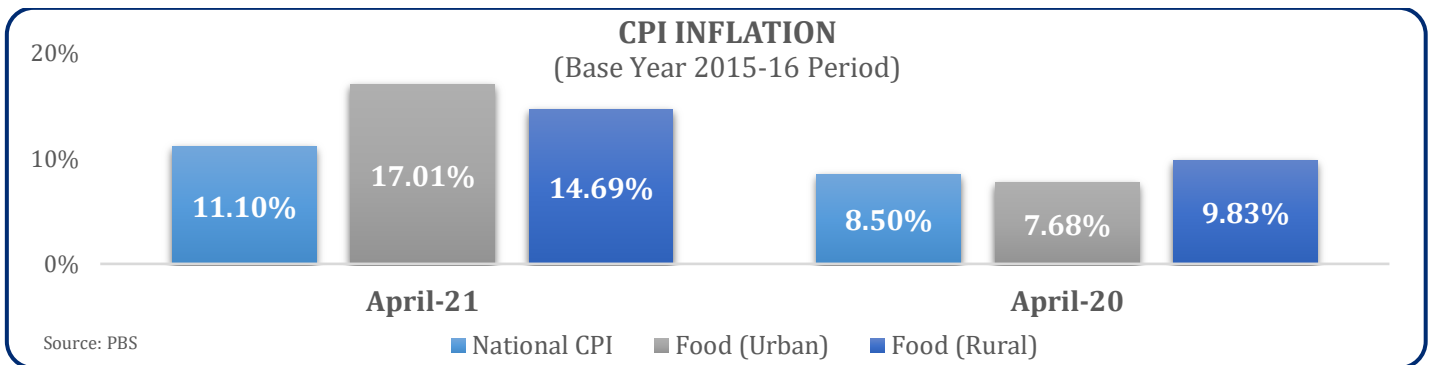
3. WORKER'S REMITTANCES:

According to the SBP, Pakistan's Overseas Worker's Remittances increased by 1.96% to \$2.77 billion in April 2021 vs. \$2.72 billion in March 2021 on-month-on-month basis. Pakistan's remittances have surpassed \$2 billion mark for 11th consecutive month since June 2020. On year-on-year basis, Pakistan's Overseas Worker's Remittances surged by 55.63% from \$1.7 billion in April 2020 to \$2.77 billion in April 2021.

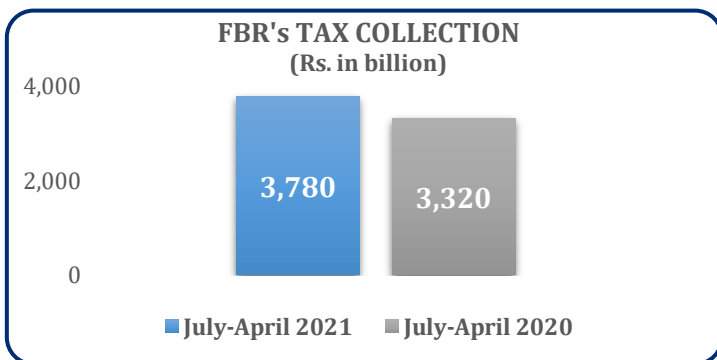
On a month-on-month basis, country's remittances surged by 16.13% from United Kingdom, whereas plunged by -3.75% from Saudi Arabia, -6.85% from United Arab Emirates and -5.30% from other GCC countries. On a cumulative basis, remittances stood at \$24.24 billion during July-April 2020-21, which grew by 29.01% compared to \$18.7 billion last year.



4. CONSUMER PRICE INDEX ("CPI") INFLATION:



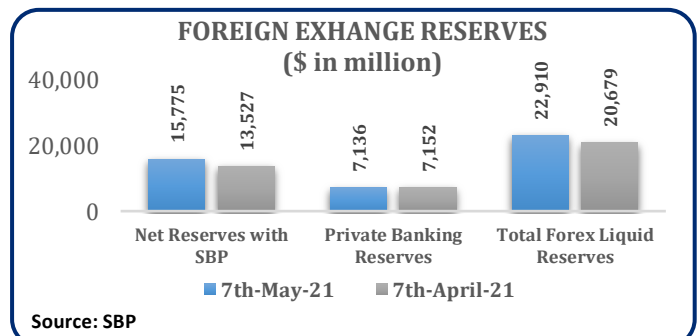
5. TAX REVENUE COLLECTION:



According to official statistics, FBR collected tax revenue of Rs.3,780 billion in July-April 2020-21 vs. Rs.3,320 billion last year. FBR's tax revenue grew by 14% or Rs.460 billion vs. last year. FBR needs to collect Rs. 1,183 billion to achieve actual tax revenue collection target of Rs. 4,963 billion for Tax Year 2020-21.

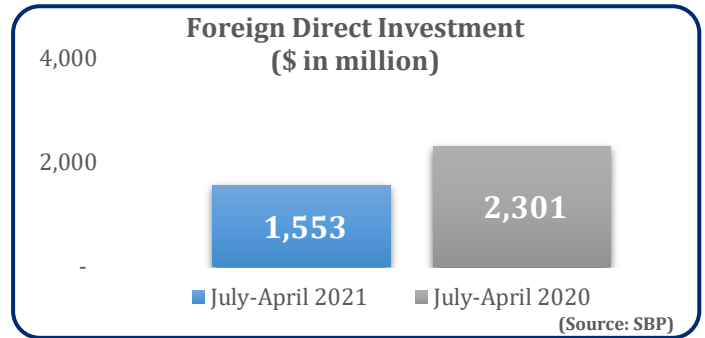
6. FOREIGN EXCHANGE RESERVES:

SBP reserves stood at \$15.77 billion as of 7th May 2021. The country's forex reserves had been rising from \$15.59 billion in the previous week boosted by inflows from Eurobonds, workers' remittances and financial assistance coming from multilateral institutions.



7. FOREIGN DIRECT INVESTMENT:

During Jul-April 2020-21, Pakistan's net FDI depreciated by 32.49% or \$748 million to \$1.55 billion as compared to \$2.30 billion last year. During April 2021, Pakistan's FDI stood at \$158.4 million compared to \$151.2 million in April 2020 last year. According to SBP, total Foreign Investment of the country has increased by 98% to \$3.73 billion during July-April 2020-21 compared to \$1.88 billion last year.



8. BALANCE OF TRADE IN GOODS:



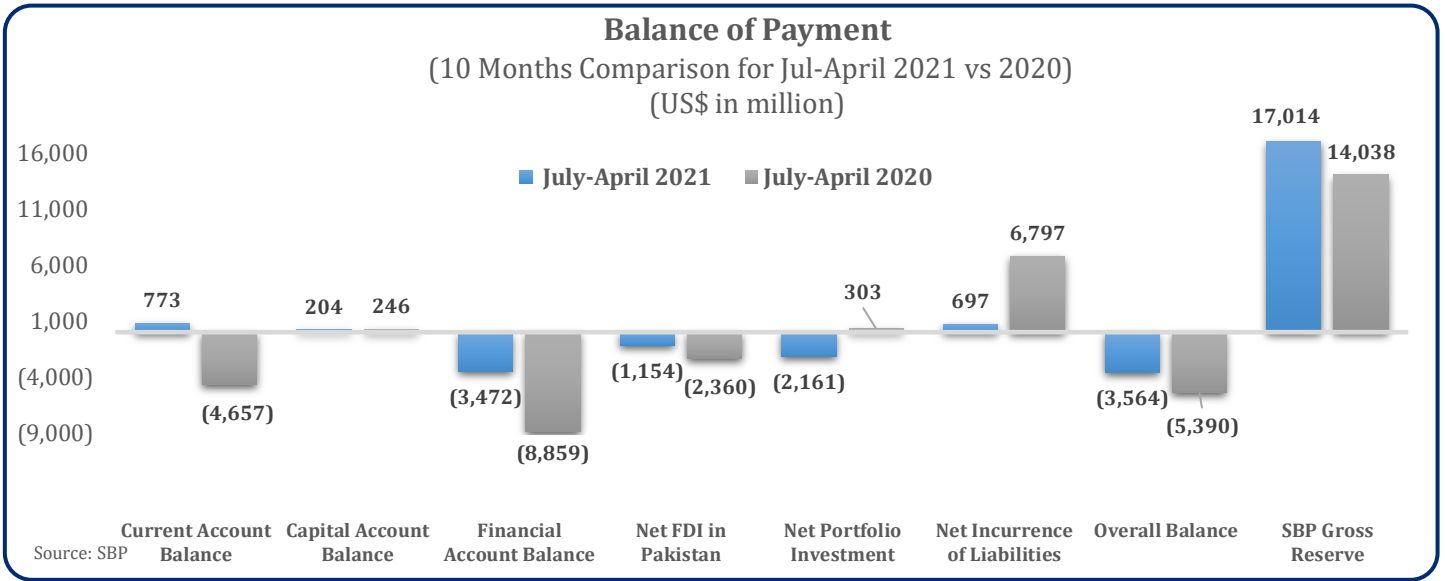
According to the PBS, country's exports have deteriorate by 7.23% to \$2.19 billion in April 2021 vs \$2.36 billion in March 2021 on a month-on-month basis.

Whereas, exports increased by 129.7% in Feb 2021 vs \$955 Million last year on a year-on-year basis. During July-Mar 2020-21, Pakistan's exports have appreciated by 13.48% to \$20.88 billion vs. \$18.39 billion last year. The decent growth in LSM and exports is inevitable for sustainable economic growth going forward.

9. BALANCE OF PAYMENT:

Pakistan's Current Account deficit has increased by a large 506% from revised deficit of \$33 million in March 2021 to \$200 million in April 2021 on a month-on-month basis. According to SBP, "the current account posted a marginal deficit of \$200 million". On a cumulative basis, it remains in surplus of around \$773 million in Jul-April FY21 against a deficit of \$4.6 billion in Jul-April FY20". Current Account deficit particularly rise due to decline in Export by 7.23% on going month of April 2020-21. The declining trend of 7.23% in growth of exports on month on month basis is particularly reason behind sharp rise in deficit for the month of April 2020-21. As clearly shows government should need to focuses to enhance export by upgrading value chain in the LSM sector to capture Global market.

(\$ in million)	April 2021 (Provisional)	March 2021 (Revised)
Current account Balance	(200)	(33)
Capital Account Balance	21	20
Financial Account Balance	(2,106)	(874)
Net FDI in Pakistan	(159)	(167)
Net Portfolio investment	(2,452)	(115)
Net incurrence of Liabilities	(918)	278
Overall Balance	(2,027)	(773)
SBP Gross Reserve	17,014	14,906



10. OUTLOOK:

- According to IMF, “The Pakistani authorities remain committed to ambitious policy actions and structural *reforms* to strengthen economic resilience, advance sustainable growth, and achieve the economic reform program medium-term objectives”.
- Minister of Finance and Economic Affairs said, “GDP growth at 3.94% during the current fiscal year 2020-21 was calculated in a transparent manner, predicting that based on the current trend, the economy would grow by 5% in 2021-22 and 6% during 2022-23”
- The inflow of total foreign investment into Pakistan has surged by over 98 percent particularly due to rise in the foreign public investment in debt securities which is increased to \$2.463 billion during the period under review as compared with the outflow of \$234 million in the same period of the last fiscal year.
- On a cumulative basis, remittances have surpassed previous records. At \$24.2 billion in July-April FY21, remittances grew by 29% over the same period last year and have already crossed the full FY20 level by more than \$1 billion, Pakistani emigrants had sent home \$23.1 billion during the last fiscal year. It will rise further in current fiscal year given prolongation of travel restrictions amid resurgence of COVID. Whereas, Normalization of air travel would be a key risk to remittances.
- Proactive policy measures by the Government and SBP to encourage more inflows through formal channels, curtailed cross border travel in the face of COVID-19, altruistic transfers to Pakistan amid the pandemic, orderly foreign exchange market conditions and, more recently, Eid-related inflows have contributed to record levels of remittances this year.

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