

HIGHLIGHTS:

- According to the Planning Commission of Pakistan, the country's future economic outlook for 2020-21 depends on how the evolution of the pandemic pans out in the coming months and how effectively containment measures are taken to minimize the loss(es) in the fight against COVID-19. It has also mentioned controlling of the locust outbreak to be vital for economic growth.
- The second-round impact of COVID-19 will also have its consequences which will affect economic growth of the country.
- The State Bank of Pakistan ("SBP") conducted a Treasury Bills auction on 17th June 2020, with an auction target of Rs.150 billion. The maturities amounted to Rs.270 billion. Moreover, the Government raised Rs78.89 billion through 3, 6, and 12 months T-bills papers, with a drop in the yields depicting a cut in the upcoming Monetary Policy of the State Bank of Pakistan.
- According to SBP, it has received \$1 billion; \$500 million each from the ADB and World Bank.
- Pakistan's Large-scale Manufacturing ("LSM") has dropped by -42% in Apr 2020, vs. a negative growth of 23% in March 2020.
- The leftover stock of 'Hot Money' stood at \$252 million as of 22nd June 2020.
- Pakistan's overseas worker's remitted \$1.87 billion, an appreciation of 4.63% in May 2020 vs. Apr 2020.
- Broad Money (M2) increased by 12.66% to Rs. 2,253 billion in FY20, vs. Rs1,290 billion last year. This is likely to fuel consumer prices going forward.
- The net borrowing of the Government has increased to Rs. 2,021 billion vs. Rs. 1,577 billion last year.
- CPI Inflation has increased by 8.20% in May 2020 vs. 8.40% over a year ago.
- The Federal Board of Revenue ("FBR") has thus far collected Rs.3,518 billion during July-May 2019-20 vs Rs.3,266 billion last year, which is 7.4% higher than last year.
- Pakistan's Current Account Deficit has dropped by 73.6%, to \$3.3 billion, during Jul-May FY20 from \$12.5 billion during the same period 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	Jul to Apr FY20	↓	(8.96%)	(2.82%)
Credit to Non-Government Sector	As of 12 th June FY20	↓	Rs.301 billion	Rs. 933 billion
SCRA inflows (Hot Money)	As of 17 th June FY20	↑	US\$241 million	US\$(457) million
Worker's Remittances	Jul to May FY20	↑	US \$20.65 billion	\$20.10 billion
M2	As of 12 th June FY20	↑	Rs.2,253 billion	Rs. 1,290 billion
Net Government Sector borrowing	As of 12 th June FY20	↑	Rs. 2,021 billion	Rs. 1,557 billion
CPI	May FY20	↑	8.20%	8.40%
FBR Tax Collection	Jul to May FY20	↑	Rs. 3,518 Billion	Rs. 3,266 Billion
Foreign Exchange Reserves with SBP	As of 12 th June FY20	↑	US\$ 10.10 billion	US\$ 7.60 billion
Foreign Direct Investments	July to May FY20	↑	US\$ 2.401 billion	US\$ 1.260 billion
Balance of Trade in Goods	July to May FY20	↓	US\$ (21.06) billion	US\$ (29.15) Billion
Balance of Payment	Jul to May	↓	US\$ (3.445) billion	US\$ 1.165 billion

1. LARGE SCALE MANUFACTURING:

According to the Pakistan Bureau of Statistics ("PBS"), the LSM sector dropped by -42% in Apr 2020, vs. a negative growth of 23% in Mar 2020. Whereas, the LSM sector dropped by 8.96% during July-Apr FY20 vs. a negative growth of 2.82% last year.

Pakistan Large Scale Manufacturing Performance					
Industries	Weight (%)	Impact Apr -20 (%)	Impact Mar -20 (%)	July-Apr % change	
				FY20	FY19
Textile	20.915	(64.20)	(26)	(8.68)	(0.18)
Food, Beverages & Tobacco	12.37	(23.24)	(20.55)	(4.13)	(6.21)
Coke & Petroleum Products	5.514	(51.5)	(47.41)	(21.15)	(6.34)
Pharmaceuticals	3.62	(5.31)	(6.47)	(5.31)	(7.72)
Chemicals	1.717	(20.77)	(11.91)	(3.71)	(4.23)
Automobiles	4.61	(96.94)	(49.45)	(41.90)	(9.45)
Iron & Steel Products	5.39	(88.96)	(16.44)	(15.68)	(10.97)
Fertilizers	4.44	6.16	4.38	5.84	5.17
Electronics	1.96	(80.92)	(57.69)	(19.74)	42.55
Leather Products	0.86	(94.62)	(31.49)	(4.44)	(0.45)
Paper & Board	2.31	(11.59)	(1.85)	(11.59)	(3.03)
Engineering Products	0.4	(71.32)	(35.52)	(14.55)	11.91
Rubber Products	0.26	(17.1)	(20.22)	(17.10)	3.65
Non-Metallic Mineral Products	5.36	(17.36)	(16.62)	(0.40)	(3.87)
Wood Products	0.59	(89.94)	(98.31)	(31.13)	2.43
Overall Growth		(-41.89%)	(22.95%)	(8.96)	(2.82)

(Source: PBS)

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

Cumulative net inflows in Equity, T-Bills and PIBs				
During current fiscal year, July to 22 nd June 2020				
(thousand US \$)	Equity	T-Bills	PIBs	Total
Inflows	723,824	3,650,946	99,582	4,474,352
Outflows	(1,110,918)	(3,065,293)	(45,420)	(4,221,632)
Balance Remaining	(387,094)	585,653	54,162	252,720

3. WORKER'S REMITTANCES:

Pakistan's overseas workers have remitted an amount to the tune of \$1.87 billion, an increase of 4.63% in May 2020 vs. Apr 2020. During July-May 2019-20, overseas worker's remittances grew with nominal growth of 2.74%, which stood at \$20.65 billion vs \$20.10 billion last year. Remittances are targeted at \$ 21.53 billion in 2020-21, as per the Planning Commission's estimates.

Country-wise Worker's Remittances						
(\$ million)	May-20	Apr-20	M/M change	11MFY20	11MFY19	Y/Y change
USA	428.25	401.91	6.55%	3,710	3,041	22.00%
UK	284.79	226.61	25.67%	3,065	3,143	(2.48%)
Saudi Arabia	436.21	451.37	(3.36%)	4,813	4,669	3.08%
UAE	323.36	353.79	(8.60%)	4,229	4,261	(0.75%)
other GCC countries	155	153.35	1.08%	1,935	1,955	(1.02%)
EU countries	57.95	40.48	43.16%	573	556	3.06%
Others	188	162.49	15.70%	2,329	2,478	(6.01%)
Total	1,873	1,790	4.63%	20,654	20,103	2.74%

(Source: SBP)

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

(Base year 2015-16) Period	National CPI	Food		Core CPI	
		Urban	Rural	Urban	Rural
May-2020	8.20%	10.6%	13.70%	6.30%	8.40%
May-2019	8.40%	9.0%	9.70%	7.2%	6.80%

(Source: SBP)

5. TAX REVENUE COLLECTION:

(Rs. In Billion)	July-May 2019-20	July-May 2018-19	% change Y/Y
FBR's Tax collection	*3,518	3,266	7.71%

*FBR's actual tax Revenue during July-May 2019-20 is Rs. 3,293 billion [outstanding sales tax refunds are Rs.150 billion (accumulated due to rescinding of SRO 1125/2011), and advances are worth Rs.75 billion].

The FBR has so far collected Rs.3,518 billion during July-May 2019-20 vs Rs.3,266 billion last year, which is 7.4% higher than last year. As per the IMF, the FBR needs to collect Rs. 1,510 billion in June 2020 to achieve their Pre-COVID-19 tax collection target which stood at Rs. 4,803 billion as FBR's actual tax collection stood at Rs.3,293 billion. The FBR has to collect Rs. 615 billion in June vs post-COVID-19 tax collection estimates of the IMF which stood at Rs. 3,908 billion.

For the budget 2020-21, Federal Government has projected 27% growth in the FBR's tax revenue vs. current year projected figures of Rs.3,908 billion. With the projected GDP growth is 2.1% and inflation of 6.5% during 2020-21, FBR's projected tax revenues growth by 27% is unrealistic.

6. FOREIGN EXCHANGE RESERVES:

The SBP's reserves stand at \$10.10 billion as of 12th June 2020.

(\$ in million)	12th-June-20	14th-June19
Net Reserves with SBP	10,107	7,604
Private Banking Reserves	6,668	7,034
Total Forex Liquid Reserves	16,775	14,639

(Source: SBP)

Out of the \$10.10 billion worth Reserves of the SBP, \$5.5 billion are showcase deposits (which includes \$3 billion from Saudi Arabia, \$2 billion from UAE and \$500 million Qatar), \$1.5 billion are commercial loans from Chinese banks (total \$7 billion) and there is outstanding Hot Money worth \$252 million.

7. FOREIGN DIRECT INVESTMENT

(US \$ million)	July-May FY20	July-May FY19	% Change
FDI	2,401	1,260	90.60%

(Source: SBP)

The amount of foreign direct investment in Pakistan grew by 90.60% to \$2.40 billion during July-May FY20 vs \$1.26 billion last year. The projected FDI is estimated at \$2.680 billion till June 2019-20. Whereas, for the next fiscal year, the Planning Commission expects that Pakistan to receive \$3 billion FDI in 2020-21.

8. BALANCE OF TRADE IN GOODS:

Pakistan's exports dropped by 33.40% to \$1.39 billion in May 2020 vs last year mainly due to the tight Monetary and Fiscal regime under IMF program and the effects of the pandemic. Overall, Pakistan's exports have plunged by 7% to \$19.80 billion during July-May 2019-20 vs \$21.25 billion last year. The Planning Commission expects Pakistan's projected exports to be \$ 22.71 billion, while imports are projected at \$42.41 billion, implying trade deficit of \$19.69 billion in 2020-21.

(\$ in Million)	May-20	Apr-20	% change M/M	May-20	May-19	% change Y/Y	July-May FY20	July-May FY19	% change Y/Y
Exports	1,396	957	45.87%	1,396	2,096	(33.40%)	19,801	21,256	(6.85%)
Imports	2,863	3,204	(10.64%)	2,863	5,017	(42.93%)	40,866	50,410	(18.93%)
Balance of Trade in Goods	(1,467)	(2,247)	(34.71%)	(1,467)	(2,921)	(49.78%)	(21,065)	(29,154)	(27.75%)

(Source: SBP)

9. BALANCE OF PAYMENT:

Pakistan's Current Account Deficit dropped by 73.6% to \$3.3 billion during Jul-May FY20 from \$12.5 billion during the same period last year mainly due to depreciation of 18% in imports and 7% in exports. Whereas, Pakistan's current account reported into surplus of \$13 million in May 2020 vs. a revised deficit of \$530 million in Apr 2020.

(\$ in million)	May-20 (Provisional)	Apr-20 (Revised)	% change	Jul-May FY20 (Provisional)	July-May FY19	% Change
Current account Balance	13	(530)	(102%)	(3,288)	(12,453)	(73.60%)
Capital Account Balance	11	11	0%	258	177	46%
Financial Account Balance	2,062	(1,440)	(243%)	(5,322)	(11,233)	(53%)
Net FDI in Pakistan	120	133	(10%)	2,401	1,260	91%

Net Portfolio investment	(111)	(645)	(83%)	(528)	(1,393)	(62%)
Net incurrence of Liabilities	(2,034)	1,697	(220%)	3,284	11,071	(70%)
Overall Balance	1,945	(1,144)		(3,445)	1,165	
SBP Gross Reserve	10,362	12,329		10,362	7,863	

(Source: SBP)

10. TREASURY BILL AUCTION:

The SBP conducted an auction of the Treasury Bills on 17th June 2020, with an auction target of Rs.150 billion, whereas, the maturities amounted to Rs. 270 billion. The Government raised Rs. 78.89 billion through 3, 6, and 12 months T-bills papers, with a drop in yields depicting a cut in the upcoming Monetary Policy of the SBP.

T-Bill Auction					(Rs. in Million)
Tenors	Face Value	Previous Cut-Off Yield	Cut-Off Yield	Weighted. avg yield	Change
3-Months	10,672	8.13%	7.79%	7.68%	34 bps
6-Months	18,163	7.98%	7.48%	7.47%	50 bps
12-Months	50,060	7.71%	7.36%	7.28%	35 bps
Total	78,896	-	-	-	-

OUTLOOK:

- \$2.424 billion of Pakistan's debt will be rescheduled under the Debt Service Suspension Initiative (DSSI), which has been endorsed by the World Bank's development committee and the G20 Finance Ministers. This debt-service suspension is aimed to help poorest countries to manage the severe impact of the COVID-19 pandemic.
- Pakistan has also signed agreements worth \$1.5 billion with the World Bank, ADB and Asian Infrastructure Investment Bank, to help Pakistan fight against the Covid-19 pandemic. The amount will be disbursed soon.
- The Private sector credit growth deteriorated by 68% to Rs.301 billion till 12th June 2020 vs. Rs. 933 billion last year and will remain under pressure.
- 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.
- The locust shock is likely to determine the future growth prospects of the country.
- On account of the COVID-19, a global recession and a drop in the oil prices, inflows of remittances have slowed down and likely to remain under pressure going forward.
- On account of the ongoing effects of the pandemic, Pakistan's exports are likely to remain weak going forward.

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