



AKD Securities Limited

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Pakistan Stock Exchange

Equity Research / Pakistan



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Today's Daily

■ Pakistan Economy: Apr'17 CAD jumps to US\$1.13bn

Current account deficit for Apr'17 surged significantly to record at US\$1.13 bn compared to US\$546mn in the preceding month. Despite trade deficit shrinking by 2% on a MoM basis, CAD widened primarily on account of absence of CSF inflows in Apr'17 (vs. inflows of US\$200 mn in Mar'17), further aided by a sequential decline of 9%MoM in remittances. Consequently, the current account deficit for 10MFY17 reached US\$7.2bn (2.3% of GDP), up 205%YoY from US\$2.4 bn in the comparative period on the back of 1) rapidly growing trade deficit as imports accelerated (+16%YoY) while exports remained flat and 2) continuous decline in remittances (fall of 3%YoY vs. uptick of 5.3%YoY in 10MFY16) on the back of lower flows from GCC region (~62% of total remittances). Moving forward, as trade deficit continues to widen (FY17F: +34%YoY) along with a simultaneous decline in remittances (FY17F: -1.6%YoY), current account deficit is expected to continue its downward spiral keeping deficit above US\$8bn (~2.7% of GDP) in FY17F.

KSE100 - Index

Current 51,511.41
Previous 51,813.19
Chg. -0.58%

Mkt Cap. (PkRbn/US\$bn)

Current 10,161 / 96.91
Previous 10,197 / 97.25
Chg. -0.35%

Daily Turnover (mn)

Current 371.80
Previous 377.71
Chg. -1.6%

Value Traded (PkRmn/US\$mn)

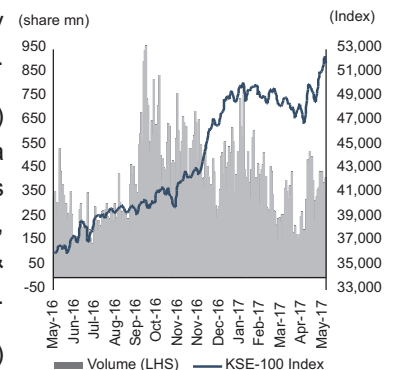
Current 18,133 / 172.95
Previous 23,385 / 223.03
Chg. -22.5%

AKD Daily

Thursday, May 18, 2017

News and Views

- The GoP has announced that it is expected to miss GDP growth target of 5.7%YoY as provisional GDP growth estimate for FY17 has been revised downward to 5.28%YoY. The downward revision was primarily due to lower than targeted growth in industrial and services sector.
- As per recent data released by PBS, Large scale manufacturing (LSM) sector registered 10.46%YoY/9.11%MoM growth in Mar'17. On a cumulative basis, LSM sector grew by 5.06%YoY in 9MFY17, with sectors leading manufacturing growth were iron & steel products (16.56%YoY), electronics (15.24%YoY), automobiles (11.3%YoY), food, beverages & tobacco (9.65%YoY) and Pharmaceutical (8.74%YoY).
- The GoP has raised US\$324.5mn from the 3rd auction (held on May'17) for sale of Next Generation Mobile Services spectrum (NGMS Spectrum: 3G/4G). Mobilink was the only cellular mobile company that showed interest and submitted its bid on the last day of the auction.



Ammar Suria

ammar.suria@akdsecurities.net

111-253-111 Ext: 602

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Pakistan Economy: Apr'17 CAD jumps to US\$1.13bn

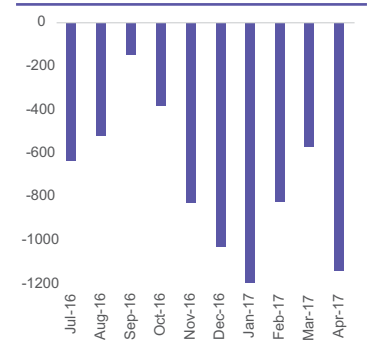
Current account deficit for Apr'17 surged significantly to record at US\$1.13 bn compared to US\$546mn in the preceding month. Despite trade deficit shrinking by 2% on a MoM basis, CAD widened primarily on account of absence of CSF inflows in Apr'17 (vs. inflows of US\$200 mn in Mar'17), further aided by a sequential decline of 9%MoM in remittances. Consequently, the current account deficit for 10MFY17 reached US\$7.2bn (2.3% of GDP), up 205%YoY from US\$2.4 bn in the comparative period on the back of 1) rapidly growing trade deficit as imports accelerated (+16%YoY) while exports remained flat and 2) continuous decline in remittances (fall of 3%YoY vs. uptick of 5.3%YoY in 10MFY16) on the back of lower flows from GCC region (~62% of total remittances). Moving forward, as trade deficit continues to widen (FY17F: +34%YoY) along with a simultaneous decline in remittances (FY17F: -1.6%YoY), current account deficit is expected to continue its downward spiral keeping deficit above US\$8bn (~2.7% of GDP) in FY17F.

CAD jumps to US\$1.13 bn: Worsening significantly, the current account deficit for Apr'17 surged to record at US\$1.13bn compared to US\$546mn in the preceding month, recording an uptick of 108%MoM. The growth in CAD can be primarily attributed to the absence of CSF inflows in Apr'17, unlike the preceding month that saw CSF inflows of US\$200mn, while sequential decline in remittances to US\$1.5 bn in Apr'17 (down 9%MoM) further added to the deficit that overshadowed positives from the 2%MoM decline in the trade deficit (exports: -13%MoM, imports: -7%MoM). Consequently, the cumulative current account deficit during 10MFY17 reached US\$7.2 bn (2.3% of GDP), up 205%YoY from US\$2.4 bn in the comparative period on the back: of 1) rapidly growing trade deficit as imports accelerated by 16%YoY while exports remained flat and 2) continuous decline in remittances (fall of 3%YoY vs. uptick of 5.3%YoY in 10MFY16).

No relief from remittances: Remittances continued to fall in Apr'17 (-9%MoM/-7.11%YoY) due to weak economic growth in GCC countries resulting in a decline of 10.0%MoM/7.4%YoY from the region. Cumulatively, remittances for 10MFY17 now total US\$15.6 bn, depicting a decline of 3%YoY in comparison to 10MFY16. That said, we expect a seasonal uptick in remittances with the month of Ramadan falling in May'17/Jun'17, restricting the decline for FY17F to 1.6%YoY.

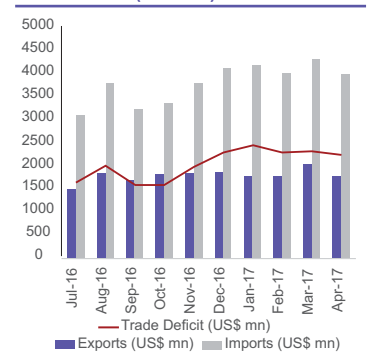
Outlook: In line with the growing trade deficit (expected growth of 34%YoY in FY17F) and declining remittances (likely to go down by 1.6%YoY in FY17F) amid the absence of CSF inflows in remainder FY17, current account deficit is expected to stay above US\$8bn (~2.7% of GDP in FY17F). This also becomes a source of added concern for the fx reserves position (US\$21.5 bn Mar'17 vs. peak of US\$24.0 bn in Oct'16) amid upcoming repayments of Eurobond (US\$750mn) and Paris Club (US\$400-500mn).

Apr'17: Current Account Deficit (us\$ mn)



Source: SBP & AKD Research

Trade Deficit (US\$ mn)



Source: SBP & AKD Research



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Neutral	≤ 5% to ≥ -5% potential
Reduce	< -5% to > -20% downside potential
Sell	≤ -20% downside potential



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