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DAY BREAK

Friday May 22, 2009

Current Account deficit shrinks by 24%

According to 10mo FY09 SBP data the Current Account deficit narrowed by 24% over the same period last year to USD 8.5bn and is likely to range in 6-7% of GDP during FY09. The Current Account improved largely on account of an improved Trade Deficit outlook for FY09 with MoM imports on the decline from highs of USD 4bn in Aug08 to below USD 2.5bn in Mar09. However Export receipts also dwindled by more than 3% over the same period last year to just under USD 16bn.

Remittances up by 19% in Apr09

Although Remittances rose by 19% over the corresponding period last year, the worrying sign was a decline in inflows from the US by nearly 2% to USD 1.4bn. The decline is in line with the global economic slowdown and our estimates for 4Q FY09 however remittances from UK, Saudi Arabia, UAE and GCC countries still reflected double digit growth of more than 25%. Given the current recessionary trends however we are unlikely to see a sustained push in Remittances moving forward beyond the USD 7.5bn level.

FDI and Portfolio investment slide

In line with our estimates FDI also reflected a downward trend in 4Q FY09 with FDI shrinking by 14% to USD 3.2bn. Meanwhile Portfolio Investment presented a major drag on Net Foreign Investment (NFI) shaving off nearly USD 1bn and bringing NFI to USD 2.2bn.

Financial Account indicates 44% shrinkage in inflows

The slide in NFI and slower materialization of debt inflows has sustained pressure on the Financial Account. Net inflows have shrunk by 44% to USD 3.5bn against a Current Account Deficit of USD 8.5bn presenting a Financing gap of USD 4.5bn. This highlights the government's emphasis on foreign aid which hopes to garner USD 2.3bn in funds from US, UK, France, Libya and Japan before Jun09. Although the Friends of Democratic Pakistan have pledged USD 5.3bn over the next few years of which USD 1bn include aid and budgetary support we are unlikely to see the sum of those funds materialize in the immediate term.

Overall Balance still in vulnerable territory

The Balance of Payments deficit still remains in vulnerable territory with a USD 4.5bn gap, and is likely to weigh on the PKR and interest rates during FY10, unless substantial external inflows come through in Jun09. According to our estimates the country should expect upto USD 2.5bn in funds before the end of the fiscal period which could fill the financing gap but not close it. Although the government is in talks with the IMF to increase the SBA agreement amount to USD 12.1bn we do not expect the funds flow to come through before late FY10. The SBA guarantees funds amounting to USD 7.9bn over a 23mo period ending Nov10.

Current Account deficit (USD mn)

	FY08	10mo FY08	10mo FY09	% Change
Current Account balance	(14,036)	(11,173)	(8,547)	(24%)
Current account balance w/o Off Transfers	(14,463)	(11,600)	(8,693)	(25%)
Balance on G&S & Income	(25,511)	(20,896)	(17,629)	(16%)
Current Transfers	11,617	9,839	9,181	(7%)
Of which Worker's Remittances	6,451	5,319	6,356	19%
Capital Account	119	66	132	100%
Financial Account	7,657	6,224	3,476	(44%)
Net Errors and Omissions	503	409	290	(29%)
Overall Balance	(5,757)	(4,474)	(4,649)	4%

Source: SBP

Daily Summary

Equities

	KSE100	Turnover All Shares (mn)	Market Cap All Shares (PKR bn)
21.05.09	6,969.82	111.47	2,068.00
20.05.09	7,060.72	80.42	2,096.02
Change	**(90.90)**	**31.05**	**(28.02)**

Board Meetings

Date	Time	Company
22.05.09	4:00	Sindh Abadgar Sugar
25.05.09	10:30	Al Noor Sugar

Result Announcements

Company	Period	EPS(PKR)	Payout
HUBCO	9moFY09	2.56	-
Nishat (Chunian)	9moFY09	(0.51)	-

Forex (PKR/USD)

Bid	Offer
80.83	80.85

Money Market Repo (%)

O/N	6-month
10.50	13.10

KSE : Top Five Volume (mn)

Scrip	Volume	Chg.	Rate (PKR)	Chg.
AICL	8.48	3.91	83.47	2.72
DGKC	8.41	1.31	25.50	-0.02
JSCL	7.93	-1.41	24.13	-1.07
MLCF	4.60	4.28	4.04	-0.46
LUCK	4.51	0.11	53.37	-1.20

CFS MK-II

	Total Value (PKR mn)	Average Rate (%)
21.05.09	186.14	50.00
20.05.09	188.53	50.00

Commodity Prices

	Price	Change
WTI (USD/bbl)	60.55	(0.89)
Gold (USD/oz)	953.80	15.15

SCRA

	Balance (USD mn)	Net flow (USD mn)
20.05.09	(585.69)	(0.96)

Source: KSE, SBP, Bloomberg & IGI Research

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