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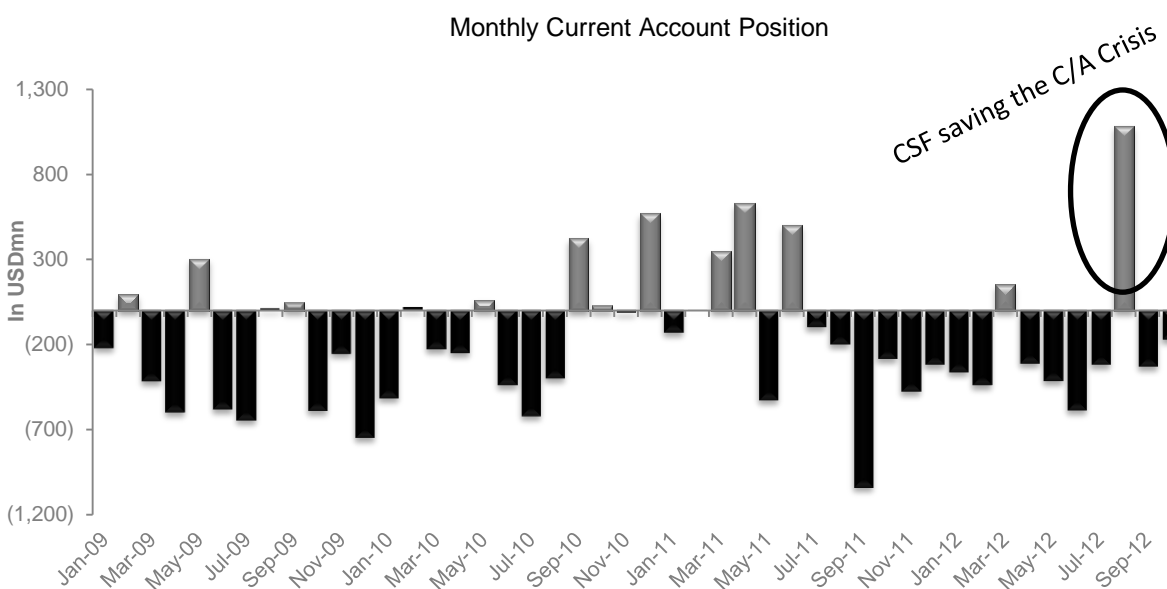
Research Note – Coalition funds supporting C/A

November 20, 2012

Coalition funds supporting Current Account - but not for long

Current account crisis clearly envisaged by the economic gurus at the start of Fiscal Year 2013 has been procrastinated so far – thanks to the materialization of coalition support funds of worth USD 1.1 billion in August 2012. The fund, which is designed to reimburse Pakistan for the cost of counter-insurgency operations, has paid \$8.8 billion to Pakistan between 2002 and 2011.

The flow of funds swelled the current account which has remained in surplus since then. Contrarily, the scheduled IMF repayments under Stand By agreement have shrunk the size of the surplus since Pakistan has to repay USD 1.2 billion in FY13 alone with 4MFY13 current account surplus standing at USD 258 mn as against a deficit of USD 1,655 mn last year.



Going forward, we see current account to remain under pressure against the backdrop of continued payments and non-materialization of payments from Etisalat, 3G Auction and financial support from international bodies. However, financial loan from Iran of USD 250mn and USD 500mn support from China for budgetary support provide some breather given the countries fulfill the commitment.

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