

Faysal Asset Management

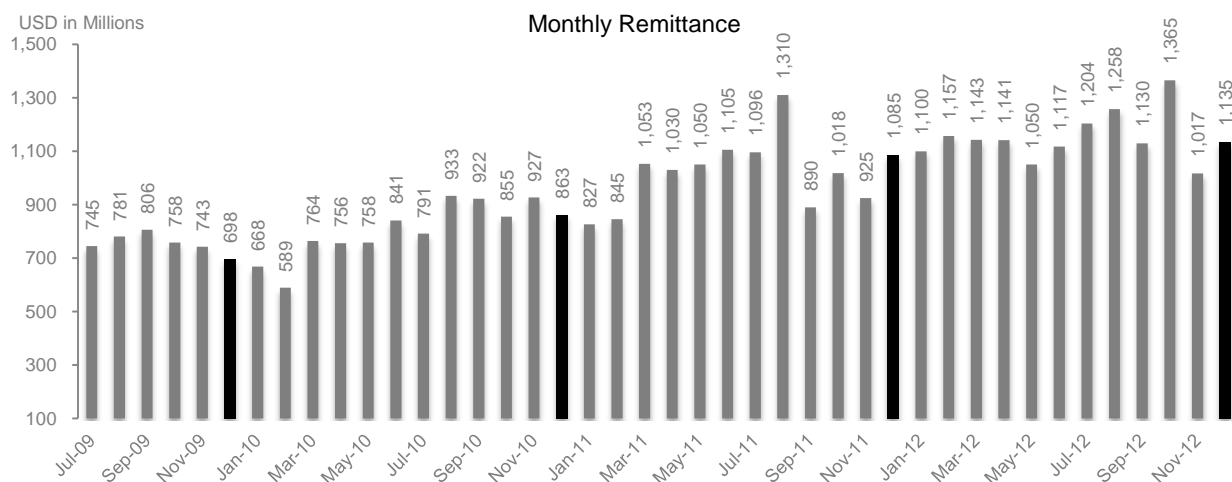
Research Note – Remittances-Silver lining on CAD

January 11, 2013

Remittances - Silver lining on Current Account Balance

Yet again, unrelenting workers' remittances have come to rescue Pakistan's Current Account Balance (CAD) by depicting MoM and YoY growth of 11.5% and 4.5% respectively for the month of Dec'12 when all the other variables in CAD appears to be choppy. Accomplishing the historically highest mark for the last month of any calendar year, the monthly absolute figure now stands at USD 1.13bn consolidating the 1HFY13 position at USD 7.12bn, depicting impressive YoY growth of 12.5% or USD 791mn in absolute terms. The average monthly number for FY13TD stands at USD 1.19bn versus USD 1.05bn in the corresponding period last year, a growth of USD 132mn per month.

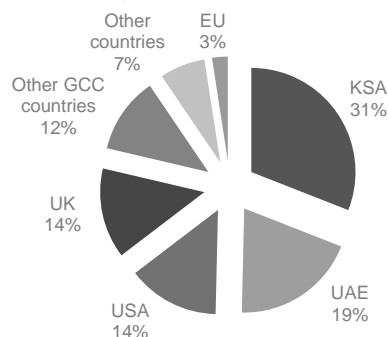
Pakistan, being the fifth largest remittances recipient developing country in the world, continues to show unabated growth in this macroeconomic variable, putting aside all the concerns on slowing global economic growth. Digging into the numbers reveals that contribution of GCC countries in the pie stands at 62% for the month of Dec'12 against the cumulative average of 59% for 1HFY13, a growth of 3 percentage points for the month whereas UK and EU lost 1 percentage point each in the pie.



Thanks to Pakistan Remittance Initiative (PRI) program initiated by the SBP and MoF, the trajectory of remittances for Pakistan continues to beat the World Bank's estimates wherein the later was of the view that remittances flows to developing countries would grow between the ranges of 7 to 8 percent annually till 2014.

With the resilience and pace shown by the strong remittance numbers, despite the gloomy outlook on global growth, it is expected that the trend will continue for the remaining half of FY13.

Country-wise Remittances Dec'12



Disclaimer: The information provided in this section are views of Faysal Asset Management Limited only and do not constitute a recommendation, solicitation or offer by Faysal Asset Management Limited or its affiliates to buy or sell any investment schemes, securities or other financial instruments or provide any investment advice or service. The information contained in this website has been prepared for investor education purposes only and may not pertain to any particular user's investment requirements or financial situation. Prior to the execution of any transaction involving information received from this website, investment advisor, attorney and tax and accounting advisors should be consulted with respect to the price, suitability, value, risk or other aspects of any stock, mutual fund, security or other investment.