

## Insight—Economy—Aug'26 Balance of Payments (BOP)

### Aug'26 CAD falls sharply to USD 98Mn only

- Pakistan's Current Account (CA) posted a deficit of USD 98Mn only during Aug'26, falling sharply both on a YoY as well as sequential basis i.e. down 78%MoM/70%YoY, respectively. Cumulatively, 2MFY27 CAD clocked-in at USD 543Mn, down 36% over the corresponding period last year.
- For context, despite geo-political tensions and volatile energy prices, the impressive MoM reduction in CAD can be attributed to: i) 4%MoM decline in the balance of trade; ii) Stable flow of remittances; & iii) a 21%MoM reduction in net primary income.
- Nevertheless, petroleum imports surged 30%MoM owing to increase in global crude oil prices mainly. However, the impact was offset to a large extent by substantial decline in case of other segments like Food (lower palm oil imports etc.), Machinery, Transport (decline in both CBU & CKD imports) & Textile etc.
- Meanwhile, Goods Exports fell 18% on a sequential basis led by: Food (-15%MoM due to lower rice exports mainly), Textile (-12% MoM due to decrease in value added exports mainly), and 6% drop in other manufacturing exports. Further, Other Exports (non merchandize exports) also fell drastically i.e. 58%MoM. Consequently, Trade Deficit for Aug'26 was recorded at ~USD 6.2Bn, up 19% over the SPY.
- Moreover, Services Deficit went up ~4% during the month, arriving at USD 286Mn on the back of uptick in imports like Travel, while IT exports dipped 6% over the previous month. Finally, Workers' Remittances for the month stood at USD ~3.7Bn, up marginally over Jul'26 but were up 17% on a YoY basis. To note, the SBP estimates remittances for FY27 to touchdown at over USD 44Bn, a monthly average of ~USD 3.7Bn.
- Given the trends for trade in particular pressure on exports, we anticipate the CAD to worsen in Sep'26 mainly due to the potential jump in energy imports as crude oil prices have crossed the USD 100/bbl. level during the month, and continue to stay elevated. In addition, supply routes disruption coupled with the hike in freight rates remain key downside risks for exports in the coming months. Hence, if the remittances lose momentum, the balance of payments situation could worsen swiftly.
- For now our base case forecast for FY27 CAD stands at 0-1% of GDP; in line with the SBP's forecast.

### Aug'26 CAB posts a deficit of ~USD 98Mn

| USD Mn                   | Aug'26  | Aug'25  |
|--------------------------|---------|---------|
| Goods Exports            | 2,460   | 2,488   |
| Goods Imports            | (5,486) | (5,020) |
| Balance on trade         | (3,026) | (2,532) |
| Balance on services      | (286)   | (449)   |
| Bal. on Goods & Services | (3,312) | (2,981) |
| Primary Income - net     | (672)   | (693)   |
| Secondary Income - net   | 3,886   | 3,350   |
| Remittances              | 3,656   | 3,138   |
| Others                   | 230     | 212     |
| Current Account Bal.     | (98)    | (324)   |

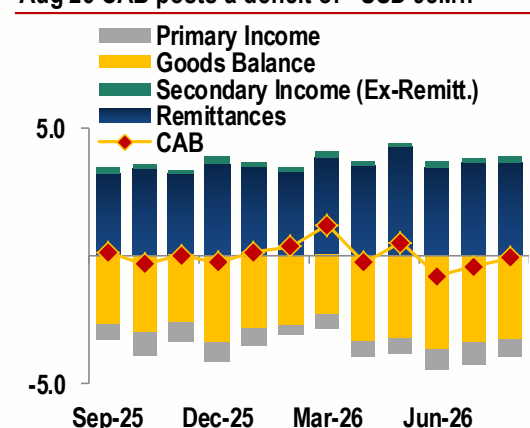
Source: SBP & TSL Research; Surplus / (Deficit)

### 2MFY27 CA posts a deficit of ~USD 543Mn

| USD Mn                   | 2MFY27   | 2MFY26   |
|--------------------------|----------|----------|
| Goods Exports            | 5,445    | 5,238    |
| Goods Imports            | (11,635) | (10,449) |
| Balance on trade         | (6,190)  | (5,211)  |
| Balance on services      | (562)    | (753)    |
| Bal. on Goods & Services | (6,752)  | (5,964)  |
| Primary Income - net     | (1,521)  | (1,569)  |
| Secondary Income - net   | 7,730    | 6,680    |
| Remittances              | 7,286    | 6,352    |
| Others                   | 444      | 328      |
| Current Account Bal.     | (543)    | (853)    |

Source: SBP & TSL Research; Surplus / (Deficit)

### Aug'26 CAB posts a deficit of ~USD 98Mn



Source: State Bank of Pakistan and TSL Research

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- Discounted cash flow (DCF, DDM)
- Justified price to book (JPB)
- Relative Valuation (P/E, P/B, P/S, EV/EBITDA, EV/Revenue etc.)
- Equity & Asset return based methodologies (EVA, Residual Income etc.)

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## Frequently Used Acronyms

|             |                           |             |                         |               |                         |
|-------------|---------------------------|-------------|-------------------------|---------------|-------------------------|
| <b>TP</b>   | Target Price              | <b>DCF</b>  | Discounted Cash Flows   | <b>FCF</b>    | Free Cash Flows         |
| <b>FCFE</b> | Free Cash Flows to Equity | <b>FCFF</b> | Free Cash Flows to Firm | <b>DDM</b>    | Dividend Discount Model |
| <b>SOTP</b> | Sum of the Parts          | <b>P/E</b>  | Price to Earnings ratio | <b>P/BVPS</b> | Price to Book ratio     |
| <b>P/S</b>  | Price to Sales            | <b>EVA</b>  | Economic Valued Added   | <b>BVPS</b>   | Book Value per Share    |
| <b>EPS</b>  | Earnings per Share        | <b>DPS</b>  | Dividend per Share      | <b>DY</b>     | Dividend Yield          |
| <b>ROE</b>  | Return on Equity          | <b>ROA</b>  | Return on Assets        | <b>JPB</b>    | Justified Price to Book |

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