

### **Trade deficit contracts 15.3pc to \$31.8bln in FY2019**

ISLAMABAD: Trade deficit contracted 15.3 percent to \$31.8 billion during the last fiscal year as the government managed to compress imports through administrative restrictions and duties on non-essential products, but exports continued to remain subdued.

Pakistan Bureau of Statistics (PBS) data on Friday showed trade deficit amounted to \$37.5 billion in the preceding fiscal year of 2017/18. In July-June FY2019, imports stood at \$54.7 billion, down 9.8 percent year-over-year. The import bills of FY2018 were recorded at \$60.7 billion.

Exports inched down one percent to \$22.9 billion. The figure was \$23.2 billion a year earlier. In June, trade deficit significantly narrowed 29.8 percent year-on-year to \$2.6 billion. Monthly imports dipped 22.8 percent year-on-year to \$4.3 billion in June, but exports too dropped 8.7 percent to \$1.7 billion.

Trade deficit contracted 9.9 percent in June from \$2.9 billion in May. Imports fell 13.4 percent month-on-month from \$5 billion, while exports were down 18.3 percent in June from \$2.1 billion in May, according to the PBS.

The government made imports restrictive in a bid to plug external account gap. Regulatory duties on non-essential imports led to reduction in import bills. Analysts said the government couldn't meet its financing requirements through just relying on curtailing import bills.

"It has to jack up exports to at least double-digit to meet the gigantic external financing needs." Exports sector couldn't get a boost despite a series of rupee depreciation against the US dollar.

The rupee has lost more than half of its value since earlier last year. But, the real effective exchange rate has been promoted as a recipe to improve competitiveness of Pakistani goods and services in the international market.

The International Monetary Fund (IMF) projected 8.2 percent growth in exports during the current fiscal year of 2019/20, leading to lower current account deficit of 2.6 percent of GDP compared to projected 4.6 percent in the last fiscal year.

"The current account deficit is expected to quickly adjust and narrow to less than 2 percent of GDP by FY2024," the IMF said in a latest country report.

"Initially, import demand will be contained by tighter fiscal and monetary policies, while a gradual export recovery will take hold, underpinned by competitiveness gains from the real depreciation and new investment."

Pakistan last week reached a \$6 billion worth of three years loan agreement with the IMF to stave off balance of payment crisis, triggered by depletion of foreign exchange reserves to the level sufficient to cover two months of imports bill.

The government also committed with the IMF to eliminate the existing administrative restrictions, which have been imposed to support the balance of payments.

These measures include regulatory duties on imported intermediate, consumer, and luxury goods, as well as import restrictions for balance of payments purposes and multiple currency practices (MCP)—in the form of a requirement to fully pre-fund letters of credit, imposed in early 2017 and restrictions on advance payment for imports against letters of credit, imposed in July 2018.

“During the program period, they will not introduce or tighten exchange restrictions, MCPs, or import restrictions for balance of payments purposes (continuous performance criterion),” the IMF said in the report.

Our Correspondent