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Exports constant, but quality improves

Exports did not vote for change it appears. Eleven months into FY19, and they continue to be stubborn, refusing to move an inch form where they were a year ago. At $21.3 billion, separated at the second decimal. For May alone, exports actually dipped by 1.7 percent. This, after near 25 percent currency depreciation till May 2019 and also after the industrial support package, with all the power and gas at competitive rates.

The government had expected exports to show results from April onwards. One wonders if the April they referred was April of some other year in the future. Not all the exporters' fault though. The global trade has not exactly hit the roof in the meanwhile, especially for Pakistan's major export destinations, where demand has also remained stagnant.

Expansions are reportedly underway in the textile industry. Refunds aside, the issue of regional competitiveness in terms of power pricing was addressed to a large extent in January 2019. In all fairness, it has not been much time to start expecting massive results from the onset. And it is not that exports have not grown at all. Only that the rise in volume has been offset by a similar dip in average unit prices. The market is smart enough to keep track of currency rates, and the rates have been adjusted accordingly.

But the quality of exports has surely improved from a year ago. The volumetric jump has mostly been seen in value added products in the textile category. And in the case of readymade garments, knitwear, and bed wear, the increase is in double digits. At the same time, unit prices in these categories are at an all-time or multi year low, suggesting that any adjustment in currency would by and large be taken care by the competitive nature of the export market.

No major export earner has undergone a volumetric increase simultaneously with higher unit price. And the quantum of change on either end is uncannily similar. In the food export category, the flagship Basmati has shown good signs of resurgence with volumes expected to be at a six year high by year end.

The unit prices have historically shown strong inverse relationship with currency value and a direct one with that of international crude oil. Should oil and the rupee both strengthen or at least consolidate, Pakistan can expect to yield much better results from similar quantities delivered. The results of capacity expansions will also start being visible in 12 months time, and that is where exports could resurface, and $25 billion could become a reality.

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