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Economic reforms begin paying desired results: finance ministry

ISLAMABAD: Ministry of finance on Thursday said macroeconomic policies, such as monetary tightening, exchange rate adjustments and cuts in development spending, have started paying the desired results with stability and growing strength visible in many sectors of the economy.

“Current account deficit declined significantly by 32.1 percent to $13.508 billion (4.8 percent of GDP) during FY2019 as compared to $19.897 billion (6.3 percent of GDP), which widened by 57.6 percent in last year,” the ministry said in a statement. “This trend is continued during July-August FY2020. Current account deficit was reduced by 54.7 percent to $1.292 billion as compared $2.85 billion during the same period last year.”

The ministry said exports fell one percent to $22.979 billion during the last fiscal year as “strong negative price effect dominated the positive quantity effect”.

Exports recovered by 2.79 percent to $3.753 billion in the July-August period of FY2020. Exports from textile sector, which constitutes more than 60 percent share of total exports, increased 2.3 percent year-on-year in value over during the first two months of the current fiscal year.

Value-added exports of textile items like knitwear, which comprises 14.4 percent of total exports, increased both in quantity and value by 10.7 and 12.8 percent, respectively. Readymade garments, constituting share of 12.5 percent in exports, increased both in quantity and value by 34.6 and 7.5 percent, respectively. “Value-added exports increased due to growing demand and improvement in export competitiveness after exchange rate adjustment,” the ministry said. Bedwear with a share of 10.7 percent in exports, increased both in quantity and in value by 20.4 percent and 1.2 percent, respectively.

Food group, which has 17.3 percent share in exports, increased in value by 17.3 percent of which rice with considerable share of 8.9 percent in exports increased in both quantity and value by 47.6 and 48.6 percent, respectively. Basmati rice registered a growth in both quantity and value by 49.8 and 32.8 percent, respectively. Others rice also increased both in quantity and value by 61.9 and 47.9 percent, respectively.

The finance ministry further said stabilisation efforts dragged imports down 9.86 percent in the last fiscal year. “The government imposed up to 60 percent regulatory duties on 570 luxury and non- essential imported goods to curtail the rising imports.”

Imports amounted to $54.799 billion in FY2019 compared with $60.795 billion in FY2018. In July-August, imports decreased 21.41 percent year-on-year to $7.677 billion.

In July-August, import of machinery group, having share of 22.4 percent in total imports, increased 8.2 percent year-on-year. “This signifies an impressive picture ahead in terms of dwindling situation of LSM (large scale manufacturing),” the ministry said. Textile, telecom and electrical machinery imports increased 17.3, 11.1 and 20.3 percent, respectively. Other machinery import increased 20.1 percent. Import of food group that constitutes 9.1 percent of total imports declined 26.8 percent in July-August FY2020.

“Minor and major crops of domestic agriculture have been improved during the current fiscal year, which has lessened the dependency on imported food,” the ministry said.

Among the food group, tea imports decreased in both quantity and value by 26.8 percent and 35.4 percent, respectively. Palm oil imports fell in both quantity and value by 14.1 percent and 29.8 percent, respectively.

The finance ministry said workers’ remittances surpassed the target of $21.2 billion in FY2019, which increased 9.7 percent to $21.846 billion, “on the back of initiatives taken by the government”.

“Though remittances during the first two months of FY2020 declined, ongoing scenario of overseas employment will be helpful in achieving remittances target thisyear.” The ministry, citing overseas employment statistics, said 373,000 people went abroad during the first eight months of 2019, whereas total 380,000 persons were registered as overseas employed in the whole year 2018. “This will positively impact foreign exchange inflows in terms of remittances.”

The finance ministry said Pakistan Remittance Initiative (PRI) has intensified its efforts by launching campaigns in local and destination specific foreign media to encourage overseas Pakistanis to remit through legal means. PRI facilitated local exchange companies to increase their tie-ups with the international money transfer operators. “This may be supporting the higher remittances inflows in the ongoing fiscal year,” the ministry added.