BUSINESS RECORDER
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Trade numbers: textile silver linings

Pakistan's trade deficit is down 10 percent year-on-year. That is as good as it gets on this front. Imports are down by 5 percent year-on-year based on 7M numbers. This is despite a 10 percent year-on-year jump in petroleum and gas imports – which accounts for one-fourth of total imports.

Signs of slowdown in the economy are evident. Look no further than the LSM numbers. The import data further asserts the point – as machinery imports have averaged $750 a month in FY19 to date – significantly down from nearly a billion dollar a month in the same period last year. The first phase of CPEC is done with – expect machinery imports to hover around the current levels for some time to come – as power projects in pipeline are far and few – and none on fast track agenda.

Petroleum and gas imports continue to pose a threat come summers. The crude and finished goods imports have both declined substantially in volume terms – but the total bill is still higher by 10 percent year-on-year. The use of furnace oil for power generation of late has been on the rise, by underutilizing RLNG plants. But that may not be the option in peak demand season – and the RLNG imports are all set to rise. It will all come down to where the international oil prices settle – as the drop in FO imports quantum alone won't cut the deal.

Food imports have gone down by 8 percent year-on-year – palm oil being chiefly responsible for the drop despite a volumetric increase of 11 percent year-on-year. The drop in transportation imports by 29 percent year-on-year is a result of multiple factors – but the fact that CKD imports have grown versus a sizeable drop in CBU imports, is a good sign for value addition at home.

The export front has not taken off yet. A meager 2 percent year-on-year increase in exports quantum despite 19 percent currency depreciation, is not exactly earth shattering. The largest export earner – textile has grown by far from inspiring 1.2 percent year-on-year.

But the textile export breakup is beginning to look heartening. The two biggest components within textile – knitwear and readymade garments have shown double digit volumetric increase in exports at 19 and 26 percent, respectively. The impact in value terms is limited to 11 and 2 percent respectively, as the unit price of readymade garments is down by 11 percent, and that of knitwear by 6 percent, year-on-year.

With many of the textile woes sorted out – and big players at different stages of expansion planning – one expects the value added sector to grow at a good pace going forward. The average price of a readymade garment piece is currently $4.76, down from $5.35 a year ago. Should there be a respite in garment prices, which for some inexplicable reason, move in good symmetry with international oil prices, the readymade garment sector along with knitwear and bed wear (35% of total exports) could be the saviour to Pakistan's exports in the times to come.