

Trade deficit contracts 15pc in January

ISLAMABAD: Trade deficit narrowed 15.03 percent year-on-year to \$2.067 billion in January as exports and imports fell during the month, official data showed on Friday.

Trade deficit amounted to \$2.433 billion in the corresponding month a year earlier, Pakistan Bureau of Statistics (PBS) data showed. In January, exports declined 3.17 percent year-on-year to \$1.970 billion and imports fell 9.63 percent to \$4.037 billion. However, trade deficit marginally widened 1.13 percent month-on-month from \$2.044 billion in December 2019.

In January, exports ratcheted down 1.15 percent from \$1.993 billion in December 2019 and imports remained flat. PBS data further showed that trade deficit sharply contracted 28.40 percent to \$13.751 billion in the first seven months of the current fiscal year of 2019/20.

Imports stood at \$27.249 billion in the July-January period compared to \$32.420 billion in the corresponding period a year earlier, depicting a sharp 15.95 percent decline. Exports, however, slightly rose 2.14 percent year-on-year to \$13.498 billion during the period under review, rekindling hope that exports are likely to recover by the yearend compared to the previous fiscal year. Exports fell to \$22.9 billion last fiscal year from \$23.2 billion a year earlier.

Analysts, however, are skeptic over the recovery in exports considering the economic slowdown and slump in imports that could hurt export-oriented industry relying on imported raw materials for production. Textile exports, which account for 60 percent of the total export revenue, are not showing any sign of recovery despite rupee depreciation. Rupee lost 35 percent against the dollar over a year.

Jawed Bilwani, chairman of Pakistan Apparel Forum attributed falling exports to liquidity crunch faced by local industries. "Textile exports may decline in the next two to three months," Bilwani said. "Hundreds of exporter-oriented SMEs (small and medium enterprises) have stopped their production owing to liquidity problems as they have not received their sales tax refund claims for the last seven months."

Bilwani said approximately Rs100 billion of tax refunds have been pending with the government for the last seven months despite introduction of automatic refund payment system, known as Faster (fully automated sales tax e-refund).

Under the new system, sales tax refund claims are to be settled within 72 hours after submission of goods declaration. The system was introduced last year following withdrawal of zero-rated regime. Now, exporters have to pay 17 percent sales tax, much like others.

Exporters demanded of the government to restore zero-rated facility as the government couldn't collect Rs185 billion in sales taxes as envisaged after abolishing of the facility from an estimated Rs1.2 trillion textile sector. In July-November 2019, the tax collection under the head was only Rs23.6 billion.