THE EXPRESS TRIBUNE

4th July, 2020

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Trade deficit narrows to $23.2bd

ISLAMABAD: Pakistan's trade deficit narrowed down for the second consecutive year to $23.2 billion by the end of previous fiscal year on the back of a steep reduction in imports coupled with economic meltdown in the aftermath of the deadly respiratory disease.

However, exports, which were struggling even before the Covid-19 pandemic hit the world economy, fell to a four-year low at $21.4 billion in fiscal year 2019-20 that ended on June 30, reported the Pakistan Bureau of Statistics (PBS) on Friday.

Previously, in fiscal year 2015-16, the exports had been estimated at nearly $21 billion.

The Pakistan Tehreek-e-Insaf (PTI) government missed the original export target by $4.8 billion while it fell short of the revised projection in the wake of Covid-19 by nearly a billion dollars.

The good news was the contraction in trade deficit, which went down by about 39% in the past two years due to the squeeze on imports, first as part of the IMF programme and then due to the global trade coming to a grinding halt after February this year.

Overall, the trade deficit, which stood at $31.8 billion in the preceding fiscal year, shrank to $23.2 billion in the just ended fiscal year 2019-20, the PBS reported. In absolute terms, there was a reduction of $8.6 billion or 27.1% in the trade deficit in the last fiscal year.

The government wanted to cut the deficit to $27.4 billion in the last fiscal year but the reduction was steeper.

Overall, imports dropped 18.6% to $44.6 billion in the last fiscal year. In absolute terms, the imports contracted $10.2 billion, which provided a huge relief to the government that did not have sufficient foreign exchange reserves.

However, the real challenge remained the exports, which registered a negative growth of 6.8% and stood at only $21.4 billion in the previous fiscal year. In absolute terms, the exports shrank $1.6 billion, mainly because of the lockdown imposed by the global trade partners.

For its second year, the PTI government had set the export target at $26.2 billion, which it revised downwards to $22.4 billion a couple of months ago. The value of export goods was 208% less than the value of imports.

Exporters have long been getting subsidised loans, electricity and gas, and are exempted from the normal income tax.

For the new fiscal year, the government has set the export target at $27.7 billion, which will require only 6.2% growth, and it should not be an uphill task. Imports in the new fiscal year are projected to contract 4.8% to $42.4 billion.

The trade deficit is also targeted to go down to $19.7 billion in fiscal year 2020-21, a contraction of 15%.

Lately, imports have started picking up, which is evident from the fact that the government expected $42 billion worth of imports in the last fiscal year but the actual figure came in at $44.5 billion.

The revised trade figures and the new fiscal year's targets have been given in the Annual Plan 2020-21, published by the Ministry of Planning and Development along with the budget documents.

The trade gap in June 2020 as compared to the same month a year ago improved one-fifth from $2.7 billion to $2.1 billion. In absolute terms, there was a reduction of $537 million on an annual basis.

In June 2020, imports in dollar terms fell to $3.7 billion compared to $4.4 billion in the same month of last year, which reflected a contraction of nearly 15%. But exports also decreased 6.5% to $1.6 billion in June, a net reduction of $111 million.

On a month-on-month basis, the exports increased 14% in June over the preceding month. There was an increase of $196 million in export receipts as compared to the preceding month.

Imports posted growth of 29.8% to $3.7 billion last month. As a result, the trade deficit widened $2.1 billion or 44.7% in June over May.