

By Salman Siddiqui

### **Trade deficit shrinks 35% to \$1.46b**

KARACHI: The return of world to normal life from the widespread lockdown and the gradual reopening of businesses around the globe have positively impacted Pakistan's balance of trade.

The country's import payments declined to a decade low of \$2.85 billion and export earnings rose from multi-year lows to \$1.39 billion in May 2020.

The significant change in the import and export of goods helped to narrow the trade deficit to \$1.46 billion in May compared to the 12-month high deficit of \$2.25 billion in the previous month, according to the Pakistan Bureau of Statistics (PBS).

"Imports have apparently declined due to a significant reduction in oil prices in the world market," BMA Capital Executive Director Saad Hashmi said while talking to The Express Tribune.

"Exports enhanced after demand for commodities surged around the world with the ease in global lockdown," he said. "Such low imports have been witnessed after September 2010," he pointed out while quoting the PBS.

Imports dropped 11.02% to \$2.85 billion in May compared to \$3.20 billion in April. On the other hand, exports increased 45.35% to \$1.39 billion in May compared to \$957 million in the prior month.

Accordingly, the trade deficit narrowed 35.02% to \$1.46 billion in May compared to \$2.25 billion in April, according to the PBS.

On a year-on-year basis, exports declined 33.64% while imports dropped 43.17%. The trade deficit contracted 50.02% in May 2020 compared to the same month of previous year. Cumulatively, in the first 11 months (July-May) of the current fiscal year, the trade deficit shrank 27.77% to \$21.05 billion compared to \$29.15 billion in the same period of previous fiscal year.

Imports declined 18.96% to \$40.85 billion in the 11-month period FY20 compared to \$50.41 billion in the corresponding period of last year. Exports dropped 6.87% to \$19.79 billion compared to \$21.25 billion last year.

The 11-month trade deficit stood at \$21.25 billion, which was higher than the International Monetary Fund's full-year projection of \$20 billion. "Going forward, both imports and exports will increase with the return of world to normal life from the lockdown," Hashmi remarked.

He said imports dropped to a decade low in the month under review mainly due to a drop in crude oil prices.

Pakistan relies heavily on energy imports. It meets over 70% of domestic demand through imports. The share of energy, however, fell to one-fifth of total imports in recent months following the oil price crash.

Besides, the recent petroleum product crisis in Pakistan suggested that at least three oil marketing companies (OMCs) did not import oil, meaning imports remained low in terms of volumes as well in May.

The analyst, however, expressed concern over a significant drop in imports as around 60% of imports were made by the export sector.

The improvement in exports came after the country's textile sector received new orders, including from the global health sector in the wake of Covid-19 pandemic.