External pressures ease as exports rise, trade deficit subdued

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ISLAMABAD: The government's difficulties on the external front eased further as export data released on Tuesday showed exports continuing to grow. Merchandise exports posted over eight per cent increase in August from a year ago, the Pakistan Bureau of Statistics said on Tuesday.

In rupee terms, export proceeds rose 27.4pc in the second month of the current fiscal year, owing in significant part to the 17pc depreciation in the exchange rate since last year.

The export proceeds rose to $2.02 billion in July FY19 from $1.86bn over the corresponding month of last year. The monthly volume again crossed the psychological barrier of $2bn.

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The data came a day after remittances showed a 13.5pc increase from last year. Exports and remittances are the key foreign exchange earners for Pakistan's economy. Depleting stocks of foreign exchange, currently sufficient for barely two months worth of imports, are at the heart of the immediate economic challenge facing the incoming government. The depletion owes itself mainly to a galloping trade deficit.

Since the start of the current fiscal year, data that reflecting health of the external sector has been showing a positive trend. Remittances jumped 25pc year on year in July as well, while the trade deficit flattened out. The month of August has seen that trend continue, with remittances and exports both showing healthy growth, while imports and the trade deficit have are largely flat.

Between July-August FY19, the export proceeds reached $3.66bn from $3.48bn over the corresponding months of last year, reflecting an increase of 5.05pc.

On the other hand, a paltry growth was recorded in imports and trade deficit with the latter going up by 1.2pc to $4.99bn in August versus $4.93bn from same period last year. In the first two months, the import bill edged up 1.01pc to $9.83bn from $9.73bn the year before.

The trade deficit fell by 1.25pc to $6.167bn in the first two months of the fiscal year, July-August FY19.

The data suggests that the growing trade deficit might have hit a peak. If subsequent months show similar tepid growth in the trade deficit, the incoming government's fortunes on external sector could see a turnaround.

It is worth mentioning that in the last 18 months, the federal government has released nearly Rs32bn in cash support for promoting textile and clothing exports. This was doled out under a special prime minister's package and textile policy for the sector.

The last fiscal year saw the trade deficit rise to an all-time high of $37.6bn, representing a year-on-year growth of 15.8pc. When the PML-N came to power in 2013, the country's annual trade deficit was $20.44bn which has been continuously on the rise since then.

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