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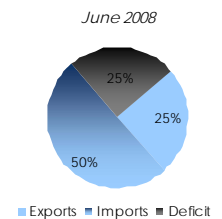
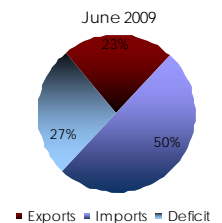
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Trade Deficit: Still Ambiguous

PAKISTAN MISSED THE EXPORT TARGET IN FINANCIAL YEAR 2009-09 WHICH IS ANOTHER ADDITION TO A LONG LIST OF DISAPPOINTMENT OF THE CURRENT ECONOMY.

FBS has recently revealed the trade figures which is adequately showing deficit by \$3.873 bn in 2008-09 and clogged at 17.040 bn weighed against to \$20.913 bn 2007-08. The YoY growth in the trade deficit has decreased by 18.52 % in the phase of July-June 2008-2009. Noteworthy decline in imports is the major reason for this development furthermore on the back of import firmness measures taken by government, immense drop off in international oil prices and commodity and downgrading in the rupee value that discourage imports during the year. In a FY 09, total exports cut down by \$17.781 bn, illustrates a pessimistic growth of 6.67 % as against \$19.052 bn in prior fiscal year while imports tapered by 12.87 %, to \$34.822 bn during the year under review from \$39.965 bn in FY08. Trade deficit during June 2009 placed at \$1.801 bn as compared with \$2.115 bn in June 2008 foretelling a decline of 14.83. Pakistan's exports during June 2009 decreased by 19.43 % amounted to \$1.537 bn as against the exports of \$1.908 bn in June 2008, while Imports figures decreased by 17.01 % recorded at \$3.339 bn in June 2009 as compared with \$4.023 bn imports in June 2008. Exports of the country during the month of June showed an insignificant increase of 2.52 % with total exports at \$1.537 bn as compared with exports of \$1.499 bn in May 2009. Import in the month of June 2009 showed an abrupt increase of 30.37 % with total imports at \$3.339 bn as against the imports of \$2.561 bn in May 2009. Trade deficit during June 2009 as compared with May 2009 increased by 69.72 % with total deficit at \$1.801 bn in June 2009 as against deficit of \$1.061 bn in May 2009.



The export growth is slowed down because of lack of branching out in export goods. The trend of Pakistan's export lingered more or less same having determined on five items namely cotton manufactures, leather, rice, synthetic textile and sports goods.

Perspective Glance

In the Federal budget 2008-09, the Federal government has taken some tough measures to reduce trade gap during current financial year. The government has obliged further regulatory duties and taxes on luxurious and non-essential items. For instance, Withholding Tax on the import of raw material used in consumer items has been increased in this budget. Further the Ministry of Commerce is set to announce the new trade policy by the end of this month. The upcoming policy is expected to improve the current account by curtailing import growth and accelerating exports. However, the trend in the growth of oil import bill could see upward movement in the coming months in anticipation of rising oil and other commodities' prices in international market. Given the expectation that the decline in imports will be much larger than the fall in exports, the trade deficit is expected to sustain to decline in the coming months of FY10. However, the increasing gape between demand supply structure of electricity may be the counter part on import deceleration phenomena due to further requirement of imported machinery for power generation.

