

Trade deficit is skyhigh

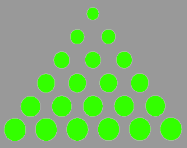
We consider the case of Pakistan which is facing major economic issue such as ballooning trade deficit given hurdles in doing exports that reached \$20bn.

Balance of trade represents country's difference in value between its imports and exports.

Period	Exports		Imports		Balance of Trade	
	Value	Cumulative	Value	Cumulative	Value	Cumulative
	a	b	c	d	a-c	b-d
	\$ mn	\$ mn	\$ mn	\$ mn	\$ mn	\$ mn
July-15	1,759	1,759	3,585	3,585	(1,826)	(1,826)
August-15	1,738	3,497	3,216	6,801	(1,478)	(3,304)
September-15	1,821	5,318	3,251	10,052	(1,430)	(4,734)
October-15	1,778	7,096	3,248	13,300	(1,470)	(6,204)
November-15	1,740	8,836	3,137	16,437	(1,397)	(7,601)
December-15	1,947	10,783	3,769	20,206	(1,822)	(9,423)
January-16	1,692	12,475	3,273	23,479	(1,581)	(11,004)
February-16	1,864	14,339	2,993	26,472	(1,129)	(12,133)
March-16	1,989	16,328	3,212	29,684	(1,223)	(13,356)
April-16	1,818	18,146	3,075	32,759	(1,257)	(14,613)
May-16	1,959	20,105	3,703	36,462	(1,744)	(16,357)
June-16	1,867	21,972	3,988	40,450	(2,121)	(18,478)
Ju,y-16	1,495	1,495	3,093	3,093	(1,598)	(1,598)
August-16	1,840	3,335	3,807	6,900	(1,967)	(3,565)
September-16	1,672	5,007	3,209	10,109	(1,537)	(5,102)
October-16	1,805	6,812	3,358	13,467	(1,553)	(6,655)
November-16	1,841	8,653	3,788	17,255	(1,947)	(8,602)
December-16	1,867	10,520	4,120	21,375	(2,253)	(10,855)
January-17	1,770	12,290	4,182	25,557	(2,412)	(13,267)
February-17	1,769	14,059	4,017	29,574	(2,248)	(15,515)
March-17	2,061	16,120	4,294	33,868	(2,233)	(17,748)
April-17	1,792	17,912	3,980	37,848	(2,188)	(19,936)

Source SBP

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Recently Pakistan recorded an all-time high trade deficit in its history with a trade deficit of \$20bn (table annexed). Pakistan recorded \$2.2bn alone in the month of April of 2017 (since January Pakistan is recording \$2bn deficit or above).

The deficit is mainly due to the imports of machinery and automobiles. Pakistan has heavily imported machinery and services for sole purpose of China Pakistan Economic Corridor (CPEC).

Considering development of CPEC, we expect Pakistan's import bill may reduce by 2025 as per economists.

Mainly Pakistan has been running consistent trade deficit since 2003 mainly due to high imports of energy. In FY13, the import bill stood at \$44.95bn. In FY16, imports of mineral fuels valued \$10.03 bn which is the highest of all time.

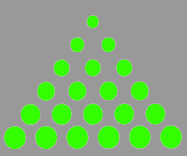
In FY16...

If we look more into category wise we see that in FY16 the largest increase occurred in the transport sector by 39.2 pc, followed by the petroleum group (15.5 pc), food items (18.9 pc), machinery and capital equipment (16.1 pc), textiles (7.7 pc), chemicals (4.3 pc) and metals (1.7 pc).

The total exports have gone down slightly from \$18.14 billion to \$17.91 billion by 1.3 pc. Exports fell in almost all important categories: textiles (3.2 pc), food items (4.5 percent), other manufactures, such as leather, sports and surgical goods (5.8 pc), petroleum (7.6 pc) and engineering goods (17.3 pc).

Interesting table...

In the table we can see that from the FY15-FY16 imports increased dramatically and continued to increase till April 17.



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