TOLA ASSOCIATES
TAX & CORPORATE ADVISORS

OCTOBER 2019

TRADE PAK

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1. PROLOGUE:

Through mitigating excess demand in the economy, Pakistan has been primarily focusing on accumulating foreign exchange reserves to grind through the balance of payment crisis. Moreover, tightening fiscal and monetary policies, aligning exchange rate policy with economic fundamentals and development expenditure has been curtailed for the time being, to achieve macroeconomic stabilization which shall provide for sustainable economic growth. External account risks have shown a sizeable reduction on the back of a massive drop in energy imports (crude oil and Petroleum products in quantitative terms) and non-energy imports (textile, transport and agriculture and other chemical group) have contributed in the downward trend of current account deficit.

In the wake of fiscal and monetary tightening, along with a cut in development expenditure, private sector has been crowded out, which slowed down the demand of imported raw materials during current fiscal year. In turn, what has happened is that consumer spending has been discouraged and expansion plans have been halted, thereby affecting the net output of our economy.

2. CURRENT ACCOUNT BALANCE:

Current account balance is the sum of following;

1. Balance of Trade in Goods;
2. Balance of Trade in Services;
3. Balance on Primary Income; and
4. Balance on Secondary Income

A glooming external account risk of our economy has been reduced during the current fiscal year through Hot Money at exorbitant rate of interest of 13%+ on the back of import compression and improved speculative capital flows in debt securities mainly in T-bills. Pakistan's current account balance, from a deficit, has resurged to a positive figure of $99 million in October 2019 on account of a 24% reduction in imports (f.o.b.) at a year-on-year basis, 7% improvement in exports (f.o.b.) at a year-on-year basis and relatively higher SCRA capital flows in debt securities as compared to $1.28 billion during same month last year. According to the State Bank of Pakistan (hereafter "SBP"), speculative SCRA inflows have reached to $774 million during 1st July to 19th Nov 2019.

Overall, the current account balance in terms of percentage to GDP improved to positive 0.4% in October 2019 as compared to negative 5.2% in October last year. Current account balance of the country has dropped by 74% to $1.474 billion in July-Oct of FY20 as compared to $5.567 billion during the same period last year. In absolute terms, the quantum of current account deficit is still high, and financing of current account deficit will be a key concern for the country in case of any external shock(s) in the near future.

Pakistan Balance of Payment comparison October 2019 vs. October 2018			
US$ in million Period	**Oct-19**	**Oct-18**	**% Change Y/Y**
Current Account Balance	*99*	*-1,280*	*-108*
Trade Balance	*-1,415*	*-2,681*	*-47*
Exports	*2,210*	*2,060*	*7*
Imports	*3,625*	*4,741*	*-24*
Service Balance	*-167*	*-291*	*-43*
Primary Income	*-588*	*-509*	*16*
Secondary Income	*2,269*	*2,201*	*3*
Worker's Remittances	*2,001*	*2,060*	*-3*
Capital Account Balance	*44*	*4*	*1000*
Financial Account Balance	*-225*	*-431*	*-48*
FDI in Pakistan	*108*	*-369*	*-129*
FPI in Pakistan	*115*	*0.0*	*NA*
Net incurrence of Liabilities	*126*	*762*	*-83*
Overall Balance	*-117*	*792*	*-85*
SBP Gross Reserve	*8,241*	*7,602*	*8*
Current Account % of GDP	*0.4*	*-5.2*	

(Source: SBP)

3. BALANCE OF TRADE IN GOODS – OCTOBER 2019 VS. SEPTEMBER 2019

Balance of trade is the key economic indicator of international trade that measures the difference between a country's exports of goods and services and imports of the same. For an import driven country like Pakistan, elevated persistence of a large trade deficit will remain the most daunting economic challenge, unless sustainable export-led strategy, import substitution and value addition that translates into sizeable incremental growth in exports, stabilizes and transforms the economy.

Pakistan's trade deficit has been narrowing on the back of import compression, regulatory interventions, and hike in interest's rates at the cost of economic slowdown. With the macroeconomic adjustments, external imbalances have improved and eased off pressure on the reserves, but such corrective actions have not translated into sizeable improvement in exports, which is the main concern.

On account of a drop in nonessential imports and government's regulatory interventions, country's trade deficit has contracted by 33.5% amounting to $7.77 billion during July-Oct FY2019-20 as compared to $11.69 billion during last year. Imports of the country have declined by 19% during the same period which recorded at $15.323 billion as compared to $18.96 billion last year. Despite devaluation of the Rupee, country's exports grew only by 3.81% to $7.54 billion during July-Oct FY2019-20 as compared to $7.27 billion during last year.

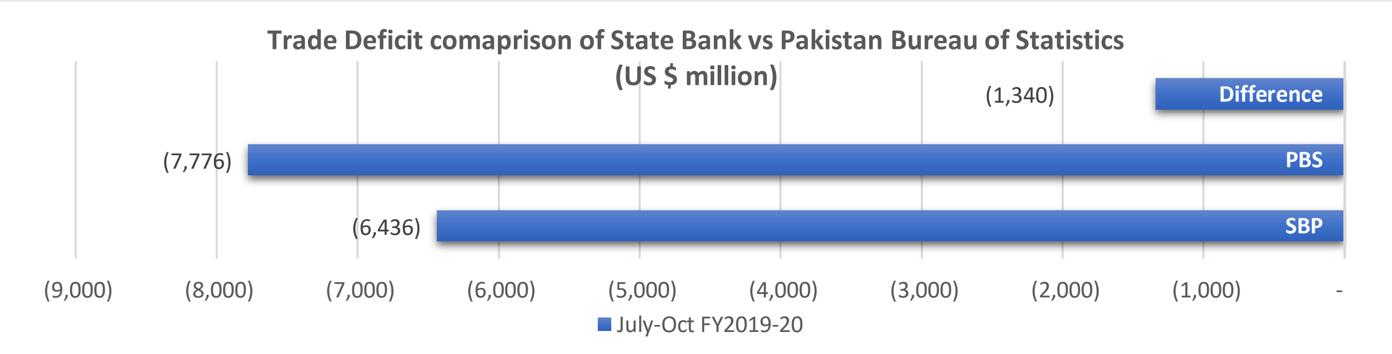
Pakistan's trade deficit on a month-on-month basis grew by 1.52% amounting to Rs. 319,614 million during October 2019 as compared to Rs. 314,835 million during September 2019. Whereas, on year-on-year basis, trade deficit has dropped by 30% in October 2019 mainly because of sizeable drop in imports.

Trade figures reported by SBP of the Balance of payment **($6.43 billion)** do not match with the ones reported by the Pakistan Bureau of Statistics (hereafter "PBS") (**$7.77 billion**) because of three main reasons;

a) trade statistics compiled by the SBP are based on exchange record data, which depends on the actual receipts and payments of foreign exchange, whereas, PBS records data on the physical movement of goods (customs record) and incorporates cost of freight and insurance while SBP does not do so;

b) SBP and PBS also have data coverage variations with respect to imports;

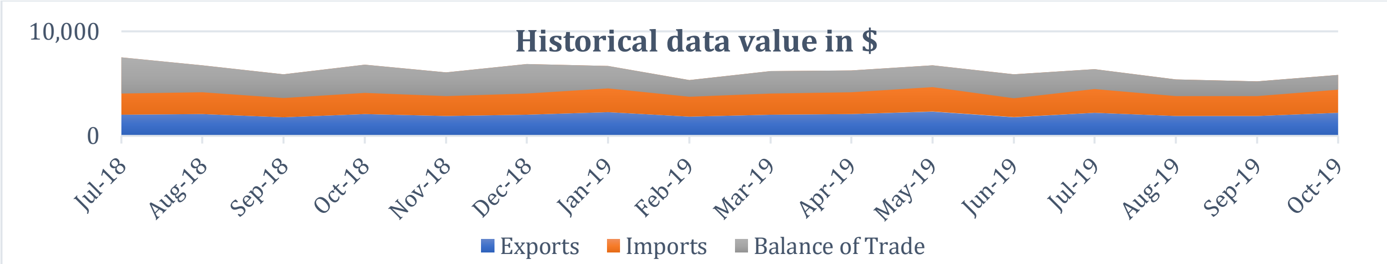
c) In exports, PBS do not incorporate short shipments and cancellations while SBP does not take into account land borne exports to Afghanistan and exports by Export Processing Zones.



The trend analysis of the trend in imports and exports both in quantitative and value terms during the months of October 2019 and September 2019 and will discuss the real reasons behind contraction in imports, if any, and the future consequences.

Balance of Trade	October-19	Sep-19	% change M/M	October-19	October-18	% change Y/Y
	USD (000)	USD (000)	USD	USD (000)	USD (000)	USD
Exports	2,024	1,769	14.41	2,024	1,896	6.75
Imports	4,074	3,785	7.64	4,074	4,801	-15.14
Balance of Trade	(2,050)	(2,016)	1.69	(2,050)	(2,905)	-29.43

(Source: PBS)



4. IMPORTS

The Import bill has increased by 7.63% to $4.07 billion in October 2019 from $3.78 billion in September 2019 on account of sizeable growth in imports of food, machinery group, textile and agricultural products which has diluted the impact of lower imports of petroleum products during the same month. Import bill in terms of the PKR also grew by over 7% from Rs.591,111 million in September 2019 to Rs.635, 282 million in October 2019.

On a year-on-year basis, in terms of the US Dollar, imports of the country dropped by 15% in October 2019 as compared to the previous year, on account of lower imports of food, petroleum, and the same in the road transport group and textile sector.

Imports	October-19	Sep-19	% change M/M	October-19	October-18	% change Y/Y
	USD (000)	USD (000)	USD	USD (000)	USD (000)	USD
Food Group	486,088	399,606	21.64	486,088	528,826	-8.08
Machinery Group	774,804	619,723	25.02	774,804	732,777	5.74
Road Transport Group	108,350	217,785	-50.25	108,350	246,988	-56.13
Petroleum Group	1,010,542	1,149,695	-12.10	1,010,542	1,393,459	-27.48
Textile Group	153,141	127,732	19.89	153,141	212,257	-27.85
Agriculture & other chemicals	744,171	584,525	27.31	744,171	768,417	-3.16
Grand Total	4,073,650	3,784,893	7.63	4,073,650	4,801,472	-15.16

(Source: PBS)

a) Food Group

FOOD GROUP	UNIT	October-19		September-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
MILK, CREAM & MILK FOOD FOR INFANTS	MT	5,353	17,557	3,316	9,323	61.43	88.32
DRY FRUITS & NUTS	MT	3,087	5,245	1,601	2,644	92.82	98.37
TEA	MT	17,778	40,340	16,128	36,971	10.23	9.11
SPICES	MT	12,155	12,139	10,844	13,709	12.09	-11.45
PALM OIL	MT	257,557	144,156	261,736	140,661	-1.60	2.48
PULSES (LEGUMINOUS VEGETABLES)	MT	79,144	36,345	62,770	29,742	26.09	22.20
ALL OTHER FOOD ITEMS	MT		228,498		157,431		45.14
TOTAL	MT		486,088		399,606		21.64

(Source: PBS)

Pakistan food imports have started showing sizeable growth which has started impacting the overall trade deficit of the country and has led to an increased import inflation. On a month-on-month basis, import of milk, cream and milk food for infants saw a substantial increase by 60% amounting to Rs.5353 MT in October 2019 as compared to Rs.3,316 MT the previous month. In quantitative terms, import of dry fruits and nuts grew by 93% on a month-on-month basis primarily on account of revival in demand due to winter season. Similarly; imports of tea, palm oil, pulses have increased by 9%, 2.48% and 22% respectively.

b) Machinery Group

MACHINERY GROUP	October-19	September-19	% Change M/M
	USD	USD	USD
POWER GENERATING MACHINERY	174,538	93,209	87.25
OFFICE MACHINE INCL.DATA PROC EQUIP;	29,946	31,714	-5.57
TEXTILE MACHINERY	27,291	43,835	-37.74
CONSTRUCTION & MINING MACHINERY	21,635	10,443	107.17
ELECTRICAL MACHINERY & APPARATUS	163,124	106,252	53.53
TELECOM	160,424	135,879	18.06
AGRICULTURAL MACHINERY & IMPLEMENTS	6,072	8,522	-28.75

OTHER MACHINERY	191,774	189,869	1.00
TOTAL	774,804	619,723	25.02

(Source: PBS)

In the machinery group, import of power generating machinery sharply increased by 87% amounting to $174 million and construction and mining machinery grew by 107% amounting $21.63 million in October 2019 as compared to September 2019. In order to boost industrial sector of the country, it is very important to revive the sustainable demand in power and construction sector. However, incremental growth in imports of power and construction and mining machinery are a good omen for the economy. On a month-on-month basis, textile machinery import has dropped by 37% amounting to $27 million in October 2019 as compared to $43 million in September 2019, indicating non-willingness of investors to further invest in textile sector.

c) Road Transport Group

ROAD TRANSPORT GROUP	October-19	September-19	% Change M/M
	USD	USD	USD
ROAD MOTOR VEH. (BUILD UNIT, CKD/SKD)	92,229	120,453	-23.43
CBU	12,588	9,278	35.68
CKD	50,696	78,475	-35.40
PARTS & ACCESSORIES	23,418	28,743	-18.53
OTHERS	5,527	3,957	39.68
AIRCRAFTS, SHIPS AND BOATS	15,544	93,727	-83.42
OTHERS TRANSPORT EQUIPMENTS	577	3,605	-83.99
TOTAL	108,350	217,785	-50.25

(Source: PBS)

Depressed demand in auto sector has led to an overall drop of 50% drop in the road transport group amounting to $108 million in October 2019 as compared to $217 million in September 2019. Moreover, the effects of slow domestic car production have a cascading effect and consequences for allied industries including rubber, tires and tubes, iron and steel sheets, accessories etc. which have witnessed lower demand impacting the overall sector. Auto-mobile sales have dropped by 39% during July-Sept FY2019-20 on account of low demand, high prices and overall slowdown in economy leading to sharp fall in the imports of CBU, parts and accessories and aircrafts, ships and boats. During second quarter of FY2019-20, revival of demand of auto sector primarily depends on macroeconomic fundamentals, prices and interest rates.

d) Petroleum Group

PETROLEUM GROUP	UNIT	October-19		September-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
PETROLEUM PRODUCTS	MT	713,171	395,033	778,268	422,497	-8.36	-6.50
PETROLEUM CRUDE	MT	824,120	363,093	764,134	343,477	7.85	5.71
NATURAL GAS, LIQUIFIED			225,862		364,761		-38.08
PETROLEUM GAS, LIQUIFIED			26,541		18,947		40.08
TOTAL		1,537,291	1,010,542	1,542,402	1,149,695	-0.33	-12.10

(Source: PBS)

Import of petroleum crude grew by 7.85% in quantitative terms which has offset the impact of drop in petroleum products by 8% during in October 2019 vs. September 2019. On a month-on-month-basis, imports pertaining to the petroleum group have dropped by 12% in October 2019 and has contributed in improvement of current account deficit. Country has posted $99 million current account surplus in October 2019 as compared to $1.4 billion in October 2018 indicating sizeable improvement in external account.

e) Textile Group

TEXTILE GROUP	UNIT	October-19		September-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
RAW COTTON	MT	5,548	9,234	2,142	3,771	159.01	144.87
SYNTHETIC FIBRE	MT	18,067	30,818	15,079	24,312	19.82	26.76
SYNTHETIC & ARTIFICIAL SILK YARN	MT	18,754	45,092	18,780	45,730	-0.14	-1.40
WORN CLOTHING	MT	31,690	14,133	25,217	11,589	25.67	21.95
OTHR TEXTILE ITEMS	MT		53,864		42,330		27.25
Total	MT		153,141		127,732		19.89

(Source: PBS)

Import of raw cotton substantially dropped on account of massive cotton crop losses in Punjab and Sindh. According to Pakistan Cotton Ginners Association (PCGA) figures as of 1st November 2019, Pakistan cotton crop production has dropped by 21% amounting to 6.097 million bales as compared to 7.706 million bales produced in the same period last year. On account of climate changes, drop in cotton cultivation area, heavy rains and policy issues, around 1.7 million shortfall of cotton crop should be a key concern for government and the textile industry. A Substantial downfall in cotton crop production may not only increase the cost of exporters but also increase the import bill of the country going forward.

f) Agriculture and Other Chemicals; and Other items

AGRICULTURE AND OTHER CHEMICALS	UNIT	October-19		September-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
FERTILIZER MANUFACTURED	MT	526,561	192,460	159,143	57,064	231	237
INSECTICIDES	MT	1,504	12,440	2,023	12,108	-25.65	2.74
PLASTIC MATERIALS	MT	127,296	154,595	120,616	146,757	5.54	5.34
MEDICINAL PRODUCTS	MT	2,279	90,606	2,280	90,475	-0.04	0.14
OTHERS			294,070		278,121		5.73
METAL GROUP							
GOLD	KG	27	1,173	29	1,178	-6.90	-0.42
IRON AND STEEL SCRAP	MT	360,624	142,027	327,253	131,531	10.20	7.98
IRON AND STEEL	MT	190,120	141,052	154,011	108,205	23.45	30.36
ALUMINIUMWROUGHT & WORKED			13,613		10,232		33.04
ALL OTHER METALS & ARTICALS			85,906		69,159		24.22
MISCELLANEOUS GROUP							
RUBBER CRUDE INCL.SYTH/ RECLAIMED	MT	10,188	16,005	8,901	13,613	14.46	17.57
RUBBER TYRES & TUBES	NO	264,101	11,023	178,012	7,408	48.36	48.80
WOOD & CORK			8,426		8,439		-0.15
JUTE	MT	3,445	2,231	2,272	1,434	51.63	55.58
PAPER & PAPER BOARD & MANUF.THEREOF	MT	33,532	32,087	41,397	38,847	-19.00	-17.40
ALL OTHER ITEMS			343,011		295,781		15.97
TOTAL		1,519,677	744,171	995,937	584,525	52.59	27.31

(Source: PBS)

In the agricultural and other chemical group(s), imports of manufactured fertilizers, insecticides and plastic material grew by 237%, 2.74% and 5% respectively. In quantitative terms, imports of Iron and steel scrap and iron and steel have shown incremental growth in October 2019 by 10% and 23% respectively. A revival in the steel industry may boost the industrial sector and would also revive the latest demand.

5. EXPORTS

Exports	October-19	Sep-19	% change M/M	October-19	October-18	% change Y/Y
	USD (000)	USD (000)	USD	USD (000)	USD (000)	USD
Food Group	375,466	333,014	12.75	375,466	306,498	22.50
Textile Group	1,214,978	1,068,701	13.69	1,214,978	1,130,851	7.44
Petroleum Group & Coal	36,390	13,549	168.58	36,390	41,734	-12.80
Other Manufactures Group	274,076	255,584	7.24	274,076	318,309	-13.90
Grand Total	2,024,366	1,769,000	14.44	2,024,366	1,896,079	6.77

(Source: PBS)

Pakistan exports increased by 14.41% amounting to $2 billion in October 2019 as compared to $1.76 billion in September 2019 whereas, on a year-on-year basis, exports witnessed a meagre rise of 6.77% in October 2019 as compared to October 2018. Despite the increase in exports in 'value terms', Pakistan has so far not witnessed a healthy increase in quantum exports of major products, particularly in the textile exports that contribute 60% in overall exports.

a) Food Group

FOOD GROUP	UNIT	October-19		September-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
RICE	MT	301,488	163,155	249,803	137,748	20.69	18.44
BASMATI	MT	66,384	62,148	64,101	59,420	3.56	4.59
OTHERS	MT	235,104	101,007	185,702	78,328	26.60	28.95

FISH & FISH PREPARATIONS	MT	20,087	50,106	17,438	43,156	15.19	16.10
FRUITS	MT	31,348	23,117	45,787	34,608	-31.54	-33.20
VEGETABLES	MT	53,128	17,980	59,709	15,354	-11.02	17.10
TOBACCO	MT	1,169	3,770	275	884	325	326
WHEAT	MT	1,887	410	2,060	442	-8.40	-7.24
SPICES	MT	2,202	8,304	1,350	5,327	63.11	55.89
OIL SEEDS, NUTS AND KERNALS	MT	7,405	8,201	6,540	7,748	13.23	5.85
SUGAR	MT	45,593	18102	62,469	25,458	-27.01	-28.89
MEAT AND MEAT PREPARATIONS	MT	7,510	26675	6,894	23,006	8.94	15.95
AIL OTHER FOOD ITEMS	MT		55646		39,283		41.65
TOTAL	MT	773,305	375,466	702,128	333,014	10.14	12.75

(Source: PBS)

On account of incremental export growth of rice, fish and fish preparations and spices, country's overall food group exports increased by 12.75% in terms of the US Dollar and 12.58% in terms of the PKR. In quantitative terms, Pakistan food exports including fruits, vegetables, wheat, and sugar have once again not picked up, and has offset the impact of incremental growth of rice, fish and fish preparations and spices in October 2019 vs. September 2019. On a month-on-basis, fruits, wheat and sugar exports have dropped by 33%, 7% and 29% respectively

Pakistani basmati and non-basmati rice remained in demand and posted a growth of 18% in terms of the US dollar and the PKR to $163 million in October 2019 which has accumulated overall exports to $633 million exports during July-Oct FY2019-20 as compared to $440 million during previous year.

b) Textile Group

TEXTILE GROUP	UNIT	October-19		September-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
RAW COTTON	MT	974	1,385	1,643	2,529	-40.72	-45.24
COTTON YARN	MT	35,372	90,273	34,173	87,523	3.51	3.14
COTTON CLOTH	TH.SQM	192,938	179,392	194,825	174,661	-0.97	2.71
YARN OTHER THAN COTTON YARN	MT	1,118	2,712	918	2,311	21.79	17.35
KNITWEAR	TH.DOZ	10,300	274,660	9,215	238,064	11.77	15.37
BED WEAR	MT	44,432	217,103	41,287	200,568	7.62	8.24
TOWELS	MT	16,531	71,478	12,852	55,066	28.63	29.80
TENTS, CANVAS and TARPULIN	MT	3,230	8,484	2,104	5,481	53.52	54.79
READYMADE GARMENTS	TH.DOZ	5,182	239,302	4,336	199,877	19.51	19.72
ART, SILK & SYNTHETIC TEXTILE	TH.DOZ	35,038	30,593	29,926	25,868	17.08	18.27
MADEUP ARTICLES (EXCL. TOWELS & BEDWEAR)			60,250		47,632		26.49
0THER TEXTILE MATERIALS			39,346		29,121		35.11
TOTAL		345,115	1,214,978	331,279	1,068,701	4.18	13.69

(Source: PBS)

Country's overall textile exports grew by 13.69% amounting to $1.21 billion but have not shown sizeable incremental growth in quantitative terms during October 2019 as against September 2019. On account of liquidity constraints, a drop in the country's cotton crop production and overall economic slowdown, raw cotton exports saw a dip of 45% each in terms of both the US dollar and PKR and 40% in quantitative terms. Similarly, cotton cloth exports also declined during October 2019 as compared to September 2019.

Knitwear exports, which is the largest export contributor within the textile group, grew by 15% amounting to $274 million in October 2019 as against September 2019. In quantitative terms, Knitwear exports increased only by 11%, and stood at 10,300 TH.DOZ as compared to 9,215 TH.DOZ during the same period of last year. Readymade garments are the second biggest contributor in textile exports followed by Knitwear exports which have increased by 19% each in terms of the US Dollar and quantitative terms. Exports of Readymade garments during the month grew by 20% both in US dollar terms and in terms of the PKR. In terms of quantity, on a month-on-month basis, readymade garments grew by 19.51% to 5,182 TH.DOZ as compared to 4,336 TH.DOZ during previous month. Overall, in quantitative terms, textile exports only grew by 4% in October 2019 as compared to September 2019.

c) Petroleum Group and Coal

PETROLEUM GROUP AND COAL	UNIT	October-19		September-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
PETROLEUM CRUDE	MT	301,488	163,155	249,803	137,748	20.69	18.44
PETROLEUM PRODUCTS (EXCL TOP NAPHTA)	MT	66,384	62,148	64,101	59,420	3.56	4.59
PETROLELIM TOP NAPHTA	MT	235,104	101,007	185,702	78,328	26.60	28.95
SOLID FUELS (COAL)	MT	20,087	50,106	17,438	43,156	15.19	16.10
TOTAL	MT	31,348	23,117	45,787	34,608	-31.54	-33.20

(Source: PBS)

Petroleum group exports have dropped significantly by 33% each in terms of US dollar and PKR terms and 31.5% in quantitative terms. They were recorded at $23 million in October 2019 as compared to $34 million in September 2019. In quantitative terms, exports of petroleum crude grew by 20% on a month-on-month basis amounting to 301,488 MT as compared to 249,803 MT in previous month. However, exports of petroleum products excluding naphtha increased by 4.59% while top naphtha appreciated by 29% during the month under review.

d) Other Manufacturing Group and Other Items

OTHER MANUFACTURING GROUP	UNIT	October-19		September-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
CARPETS, RUGS & MATS	TH.SQM	137	5,547	135	5,455	1.48	1.69
SPORTS GOODS	TH.DOZ	409	24,854	368	22,449	11.14	10.71
LEATHER TANNED	TH.SQM	1,649	18,827	1,195	15,150	37.99	24.27
LEATHER MANUFACTURES	TH.DOZ	727	50,125	531	40,864	36.91	22.66
FOOTWEAR	TH.Pairs	1,027	8,124	1,202	11,269	-14.56	-27.91
SURGICAL GOODS & MEDICAL INSTRUMENTS	-	-	33,440	-	32,233	-	3.74
CUTLERY	-	-	7,701	-	6,973	-	10.44
ONYX MANUFACTURED	MT	153	391	123	314	24.39	24.52
CHEMICALS AND PHARM, PRODUCTS	-	24,185	79,905	23,770	79,724	1.75	0.23
ENGINEERING GOODS	TH.NOS	-	12,728	-	12,281		3.64
GEMS	MT	1	321	2	1,076	-50.00	-70.17
JEWELLARY	-	-	712		467	-	52.46
FURNITURE	TH.NOS	19	308	18	282	5.56	9.22
MOLASSES	MT	180	19	305	26	-40.98	-26.92
CEMENT	MT	757,839	27,637	625,166	24,626	21.22	12.23
GUAR AND GUAR PRODUCTS	MT	2,508	3,437	1,697	2,395	47.79	43.51
ALL OTHER ITEMS	-		123,456		98,152	-	25.78
TOTAL	-	788,834	274,076	654,512	255,584	20.52	7.24

(Source: PBS)

Other manufacturing groups grew by 7.24% amounting to $274 million during month of October 2019 as compared to $255 million during September 2019. Non-textile exports, particularly cement exports, have shown a wonderful performance on account of increase in cement dispatches in the Southern Region. According to All Pakistan Cement Manufacturers Association, cement exports increased by 16.48 % in July-Oct 2019 to 2.81 million tons from 2.41 million tons last year. Exports of Sports Goods increased by 11% each in US dollar and in terms of the PKR and booked 11% higher orders in terms of quantitative exports.

6. TAKEAWAY:

1) In relation to the external account, an improvement in the current account is encouraging for the country on the back of import compression. However, lack of a sizeable incremental growth in exports remains a key concern considering the devaluation of the PKR.

2) Sustainability of the current account will largely depend on the export growth, worker's remittances and capital flows going forward.

3) Reduction in trade account by import compression isn't a viable long-term solution for the country to come out of elevated deficit syndromes and finance heavy imports of the country. An import substitution policy needs to be put into action to take advantage on the softening international oil prices and enhance production capacity.

4) There are signs of macroeconomic recovery, but it may take more than a year for macroeconomic stability with consistent inflows, and improvement in external account of the country, being the main challenge for the incumbent Government.

5) Massive stimulus package by the government worth Rs.200 billion to subsidize exports and releasing Rs.30 billion liquidity in cash may boost exports with timely disbursement of funds.

6) Pakistan must address acute economic structural challenges to exploit its tremendous export potential which can be done through integrated action plans, prudent policies and by enhancing exports through improving productivity of the country to bring the economy back on track.

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