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(International Trade and Finance Section)
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Highlights on External Sector Performance

Global Developments

- **The world economic upswing that began around mid-2016 has become broader and stronger.** The global output recorded strong growth of 3.8 percent in 2017 compared to 3.2 percent in 2016, thus the global GDP reached to US$ 79.865 trillion
- **The global output growth** will further accelerate during 2018 and is projected to expand by 3.9 percent.
- **World trade volume** recorded an increase of 4.9 percent in 2017 compared to 2.3 percent in 2016 while it is projected to increase by 5.1 percent in 2018.
- **The advanced economics imports volume** recorded an increase of 4 percent in 2017 compared to 2.7 percent in 2016 while it is projected to increase by 5.1 percent in 2018.

Pakistan Performance

- **Global economic and trade prospects** have an inevitable impact on Pakistan's economy and hence trade. Decline in exports in last few years is mainly attributed to slow economic growth in our trading partners, which has now started picking up as global economic environment has started improving.
- **Our major export destinations** Euro Area and United States has shown improved growth of 2.3 percent each in 2017 and is projected to grow by 2.9 percent and 2.4 percent in 2018, respectively.
- **Crude oil prices on average** stood at US$ 52.81 per barrel in 2017 compared to US$ 42.84 per barrel in 2016 and is projected to remain at US$ 62.31 per barrel in 2018. During 1st quarter 2018, actual crude oil price on average stood at US$ 64.62 per barrel.
- **Our exports** during July-Mar FY18 reached to US$ 18.3 billion as against US$ 16.3 billion in corresponding period last year, and registered a positive growth of 12 percent.
- **The disaggregated analysis of merchandise exports** trade data suggests that our major exports commodities are growing both in quantum and value terms. Among the food group exports, rice which comprises 8 percent of total exports and 43 percent of food group recorded an increase in both quantity and value by 16.9 and 28.1 percent, respectively during the period under review.

- **Textile group,** value added exports of items like knitwear which comprises 10.6 percent of total exports and 19.4 percent of textile group increased in both quantity and value by 3.5 and 14.1 percent, respectively. Readymade garments with share of 10.2 percent in exports and 18.6 percent share in textile group increased in quantity by 12.9 percent and in value by 12.6 percent.
- **Imports** during July-Mar FY18 remained at US$ 40.6 billion as compared US$ 34.8 billion during corresponding period last year and registered a growth of 16.6 percent.
- **The analysis of merchandise imports data** suggests that the Machinery group which has share of 16 percent in total imports increased by 22 percent of which; Power generating machinery, Construction & mining machinery, Electrical Machinery & Apparatus, Telecom, Agricultural machinery and Other machinery increased by 31.8, 41, 45.9, 42.7, 49.5 & 7.2 percent, respectively during the period under review. Imports of machineries will ultimately lead to increase in productive capacity of the economy, setting the country on long term growth trajectory.
- **The Petroleum group** with 24.3 percent share in imports increased by 26.8 percent in value, of which import of petroleum crude increased by 59.4 percent in value and 31.1 percent in quantity implying price effect of 21.5 percent owing to surge in world crude oil prices.
- **The average global crude oil prices** in July-March 2017-18 stood at $ 57.8 per barrel compared to $ 48.9 per barrel in corresponding period last year. In March, 2018 average crude oil price per barrel remained at $ 64.2 against $50.9 in March, 2017.
- **Total foreign Investment** reached to $ 4.4 billion during July-Mar FY18 compared to $2.6 billion during same period last year, posting a growth of 69.2 percent. Inflow of foreign direct investment (FDI) in Pakistan during Jul-Mar FY18 was recorded at US$ 2.1 billion as compared to US$ 1.9 billion during corresponding period of last year, showing an increase of 8.4%. The enabling environment has attracted foreign investment on the whole.
- **Workers' Remittances** increased to US$ 14.6 billion during Jul-Mar FY18 from US$ 14.1 billion during corresponding of last year thus showing growth of 3.6% for FY18 whereas in last FY during the same period it registered a decline of -2 percent.
- **The current account deficit** during July-March, FY18 is recorded at $12 billion compared to $8 billion over the corresponding period of last year showing a widening of 50.6 percent.

- **Initiatives of the government** for the promotion and facilitation of exports, such as mark-up rates have been reduced on Export Re-finance Facility (ERF) to 3.0 percent also aiding to ailing export sector. The Prime Minister's "Trade Enhancement Package," which mainly gives an increase in rebate on FOB values to ease exporters' cash-flow constraints, has started to bear the fruits. The relaxation in customs duty and sales tax on the import of cotton, man-made and textile machinery is providing some relief to textile exporters. The impact of the Package is visible in the value-added textile and other non-traditional export items.
- **With the Exchange rate depreciation**, exports have become competitive in international markets making it easy for exports to come at par with global competitors. Monthly average floating exchange during March FY18 stood at Rs112.07 per US$ compared to Rs 104.74 per US$ in March 2017 showing depreciation of 6.5 percent. Real effective exchange rate (REER) has depreciated by 9.3 percent in Feb. 2018 over June 2017. The situation will further improved after taking into rupee deprecation in March 2018.
- **Outlook:-** The estimated 5.8% real GDP growth during FY18 has enhanced exportable surplus, further acceleration in exports growth, improvement in international competitiveness due to adjustment in Rupee vis-à-vis dollar parity and rebound in workers' remittances is likely to be helpful in containing the current account deficit at estimated level of 4.9% of GDP during FY18.