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Pakistan's Trade Deficit Soars 44.16% in July FY26

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— Categories: Economics



Pakistan's trade deficit jumped 44.16% in July 2025, reaching \$2.75 billion, as imports outpaced a 17% rise in exports, signaling economic strain.

Pakistan's trade deficit widened significantly by 44.16% year-on-year in July 2025, the first month of the fiscal year 2025-26 (FY26), despite a robust 17% growth in merchandise exports, according to data from the Pakistan Bureau of Statistics (PBS), as reported by Business Recorder. The deficit reached \$2.752 billion, up from \$1.91 billion in July 2024, driven by a sharp 29.25% increase in imports, which totaled \$5.449 billion compared to \$4.2 billion the previous year. This growing imbalance underscores mounting pressure on Pakistan's external finances, raising concerns about economic stability.

Exports in July 2025 climbed to \$2.697 billion, a 16.91% increase from \$2.31 billion in July 2024, and an 8.9% rise from June 2025's \$2.48 billion, per The Express Tribune. Key sectors like knitwear, garments, and bedwear saw gains of 13.7%, 15.9%, and 11.1%, respectively, reflecting improved global demand, according to The Nation. However, imports surged at a faster pace, growing 12.37% month-on-month from \$4.85 billion in June 2025, with significant increases in palm oil (22.1%) and electrical machinery (16.6%), though petroleum imports dropped by 10.3%, as noted by Daily Times. This disparity highlights structural challenges in balancing trade dynamics.

The widening deficit threatens Pakistan's recent economic gains, including a \$2.11 billion current account surplus in FY25, the first in 14 years, driven by strong remittances and export growth, per Business Recorder. Economists, cited by The News International, warn that unchecked import growth could erode these achievements, impacting foreign exchange reserves and the Pakistani Rupee. Commerce Minister Gohar Ijaz emphasized the need for stringent import controls and enhanced export strategies to curb the deficit, according to Geo.tv. The government's focus on sectors like textiles, which constitute over 70% of exports, remains critical, especially with U.S. interest in Pakistan's copper sector offering potential diversification, per Daily Times.

As Pakistan navigates these challenges, policymakers face tough decisions to stabilize the economy. The government's ability to implement effective trade policies will be crucial to sustaining growth and preventing further strain on the nation's financial health.