Balance Of Trade:

Introduction:

Balance:

A state of equalibrium or equal distribution of weight,amount etc.

Trade:

The act or process of buying ,selling or exchange commodities at either wholesale within country or between countries.Also called domestic trade or foreign trade.

Types of Trade:

1. Domestic trade:

Wholesale:

The sale of good in large quantities.

Retail:

The sales of good to ultimate consumers usually in small quantities.

1. International trade:

Export:

Send goods to another country for sale.

Imports:

to bring a product into a country for trade or sale.

Entrepot trade:

Trade in which imported goods are re-exported with or without any additional processing or repackaging.

Balance Of Trade:

- Balance Of Trade:
- It is the difference between a country's imports and exports over a period of time.
- It is the largest component of the balance of payments for all nations.
- Balance of trade is one of the indicators of economy.

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Debit:

Items includes:

a) Foreign aid
b) Imports and domestic spending
c) Investments abroad

Credit:

Items include:

a) Exports
b) Foreign spending
c) Investments in domestic economy

Importance of balance of trade:

- It shows how a country competes in a global marketplace.
- It determines the health of the economy and its relationship with the rest of the world.
- It includes physical goods and intangible services.
- It is very important piece of understanding the global puzzle of international trade.

Positive and negative balance of trade:

- Positve Balance Of Trade Or Favourable:

When the exports are greater than imports than balance of trade is positive or favourable.

- Negative Balance Of Trade Or Unfavourable:

When the imports are greater than exports then balance of trade is negative or unfavourable.

Exports

Send (goods or services) to another country for sale.

Produce goods or services within country and sale it out to other countries.

Advantages and challenges to Exports

Advantages	Challenges
• Earning more money • Increased Sales and Profits • Un wastage of things • Gain Global shares • Lower per unit costs	• High Transportation fees • Entering an export and business requires careful planning • Market Information • Financial Risk • Security reasons

Import

- To bring or carry in from an outside source, especially to bring in (goods or materials) from a foreign country for trade or sale.

- to bring a product into a country to be sold

Advantages and Challenges to Imports

Advantages	Challenges
• Lower Price rate • High Quality • Consumer Benefits	• Needs Funds to Importing • Risk To Sale • Transport Costs

- Methods of export include a product or good or information being mailed, hand-delivered, shipped by air, shipped by vessel, uploaded to an internet site, or downloaded from an internet site.

- Exports also include the distribution of information that can be sent in the form of an email, an email attachment, a fax or can be shared during a telephone conversation.


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Balance of Trade in Pakistan

Export Goods	Import Goods
✓ **Food Group**	✓ **Food Group**
– Rice	– Wheat
– Meat	– Milk food
– Fruits	– Dry Fruits
– Spices	– Spices
– Fish	– Sugar
✓ **Textiles**	✓ **Machinery**
– Raw Cotton	– Textile Machinery
– Cotton Cloth	– Aircrafts, Ships etc
– Garments	– Agro Machines
– Towels	✓ **Telecom**
	– Mobiles, Computers etc

Balance of trade in pakistan:

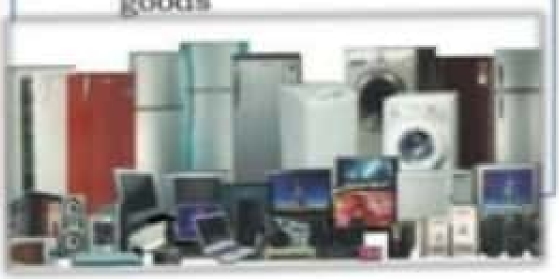
Balance of Trade in Pakistan

Export Goods

- ✓ **Petroleum**
  - Petroleum Products
  - Solid Fuel (Coal)
- ✓ **Other Manufactures**
  - Sports Goods
  - Carpets
  - Chemical & Pharma
  - Engineering Goods

Import Goods

- ✓ **Petroleum**
  - Petroleum Products
  - Petroleum Cruds
- ✓ **Consumer Durables**
  - Motor Vehicles, Electricity goods

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Foreign trading partners of pakistan:

Foreign Trading Partners of Pakistan

Export Partners		Import Partners	
✓ USA	13.6%	✓ USA	3.2%
✓ European Union	18.2%	✓ European Union	10.4%
✓ China	11.1%	✓ China	19.7%
✓ UAE	8.5%	✓ UAE	12.1%
✓ Saudi Arabia	8.5%	✓ Saudi Arabia	12.2%
✓ Afghanistan	7.6%	✓ Afghanistan	0.3%
✓ India	2.1%	✓ India	3.4%
✓ Kuwait	1%	✓ Kuwait	6.3%
✓ Japan	1.6%	✓ Japan	3.6%

History of balance of trade in pakistan:

HISTORY OF BALANCE OF TRADE IN PAKISTAN

PKR

	Export	Import	
Year	Amount	Amount	(-) Difference Deficits
2005-06	1,657,200,000,000	2,489,400,000,000	832,200,000,000
2006-07	1,730,100,000,000	2,687,300,000,000	957,200,000,000
2007-08	2,044,800,000,000	3,528,200,000,000	1,483,400,000,000
2008-09	1,912,500,000,000	3,166,500,000,000	1,254,000,000,000
2009-10	1,968,000,000,000	3,113,200,000,000	1,145,200,000,000
2010-11	2,536,900,000,000	3,579,600,000,000	1,042,700,000,000
2011-12	2,471,800,000,000	4,037,100,000,000	1,565,200,000,000
2012-13	2,480,200,000,000	4,015,700,000,000	1,535,500,000,000
July-Feb 2013-14	1,677,600,000,000	2,857,500,000,000	1,179,900,000,000

Factors affecting balance of trade:

- Cost of production in exporting economy compared to that in importing economy.
- Exchange rates.
- Restrictions on trade.
- Cost and avalibility of inputs like raw materials.
- Price of locally manufactured goods.
- Avalibility of sufficient foreign exchange to be used for payment for inputs.

Conclusion:

- Balance of trade usually differs across business cycle.
- Where exports are more than imports,there will be improvement of balance of trade.
- This is during expansion of the economy. A country that is characterized with high domestic or import demand will experience an unfavourable balance of trade.
- This is when it gets to a similar stage in the business cycle.