PAKISTAN TRADE PERSPECTIVE

JULY - SEPTEMBER 2020

PAKISTAN'S ECONOMIC OUTLOOK

QUARTERLY TRADE PERFORMANCE OF PAKISTAN (JULY - SEPTEMBER)

GOODS & SERVICES TRADE TRENDS

SECTORAL TRADE ANALYSIS

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN

TDAP

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CONTENTS

LIST OF ABBREVIATIONS

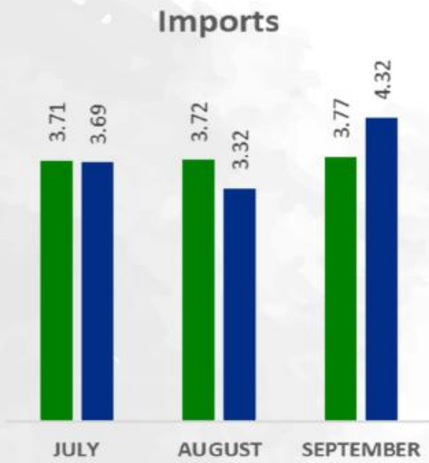
ADB	ASIAN DEVELOPMENT BANK
CBU	COMPLETELY BUILT UNITS
CKD	COMPLETELY KNOCKED-DOWN
DLTL	DRAWBACK OF LOCAL TAXES AND LEVIES
F.E.D	FEDERAL EXCISE DUTY
FAO	FOOD AND AGRICULTURE ORGANIZATION
FBR	FEDERAL BOARD OF REVENUE
FDI	FOREIGN DIRECT INVESTMENT
GDP	GROSS DOMESTIC PRODUCT
IOCO	INPUT OUTPUT COEFFICIENT ORGANIZATION
LNG	LIQUEFIED NATURAL GAS
MoC	MINISTRY OF COMMERCE
MOM	MONTH-ON-MONTH
PBS	PAKISTAN BUREAU OF STATISTICS
PCT	PAKISTAN CUSTOMS TARIFF CODES
PRAL	PAKISTAN REVENUE AUTOMATION LIMITED
Q1	FIRST QUARTER FY 2020-21 (JULY - SEPTEMBER)
SBP	STATE BANK OF PAKISTAN
SKD	SEMI-KNOCKED DOWN
SRO	STATUTORY REGULATORY ORDER
TDAP	TRADE DEVELOPMENT AUTHORITY OF PAKISTAN
WTO	WORLD TRADE ORGANIZATION

PAKISTAN'S ECONOMIC OUTLOOK

JULY - SEPTEMBER 2020

*Sources: Ministry of Finance

MONTH-ON-MONTH TRADE PERFORMANCE



*Sources: PBS

WORLD ECONOMIC & TRADE REVIEW

JULY - SEPTEMBER 2020

According to World Economic Outlook, global economic growth is projected at –4.4 percent in 2020 – a less severe contraction than the earlier forecasts in the June 2020. The revision reflects better than the envisaged GDP for the second quarter of the current calendar year, mostly in advanced economies, where activity began to improve ahead of schedule after lockdowns.

Following the contraction in 2020 and expected recovery in 2021, the global GDP in 2021 is expected to be 5.2 percent – a modest 0.6 percent growth above that of 2019. After the rebound in 2021, global growth is expected to gradually slowdown to about 3.5 percent in the medium term. This infers to a very limited progress towards catching up with the path of economic development and projections made before the pandemic for both the advanced & emerging markets and also the developing economies for 2020–25.

As far as the global trade prospects are concerned, WTO has estimated that global merchandise trade volume in 2020 will decline by 9.2%. The projected decline is less than the 12.9% drop (foreseen in the optimistic scenario from the April trade forecast). The trade decline in Asia (4.5% for exports and 4.4% for imports) in 2020 will be the smallest decline than the one witnessed in other regions for the coming year of 2021.

WTO has evaluated the trade volume growth to remain in-between 5 per cent and 20 per cent; depending on the pace of economic recovery, shaped by monetary, fiscal and trade policies. This rebound is still less than the pre-crisis growth rate.

9.2%

Decline in the volume of world merchandise trade for 2020

"WTO forecast"

Downside risks still pre-dominate, particularly if there is resurgence of COVID-19 cases in the coming months. The 14.3% quarter-on-quarter decline in world merchandise trade in the second quarter of calendar year was by far the largest dip on record, but high-frequency data points to a partial rebound in the third quarter.

PAKISTAN ECONOMIC & TRADE REVIEW

According to International Monetary Fund forecasts, economic growth in Pakistan is expected to plummet to 2.6% in 2020 (inflation rate is expected to average around 8.8 per cent, current account deficit has been projected around 2.5% of the GDP, and unemployment is likely to rise to 5.1%). Nonetheless, domestic economic activity is expected to recover, as lockdown measures have been lifted. On the other hand, The Asian Development Bank (ADB) report anticipated that economic growth in Pakistan is projected to remain below potential, at -0.4% for FY-2020-21. Economic growth rate is expected to remain below 2% averaging 1.3% for FY 2021-22.

The growth rate of Pakistan's exports was on a positive track before COVID-19. Pakistan adopted an export and market diversification strategy to achieve a quantum leap in the exports of Pakistan. Despite the challenging external environment, Pakistan's exports were performing better than most of its competitors and registered a growth of 3.6 percent during July-February FY 2019-20. Due to the COVID-19 crisis, Pakistani exporters were faced with two major challenges: to cope up with the declining demand for Pakistani products in foreign markets and to ensure execution of export orders in time while lockdown was in place. In the face of these challenges, exports of Pakistan suffered a hit with exports going down during March – June 2019-20.

Contrary to the deficit in Balance of Trade, Pakistan rightly managed to have current account surplus in the first quarter. The overseas workers' remittances rose to US$ 7.15 billion during July – September, 2020 as compared to US$ 5.45 Billion in the same quarter last year. The inflows made on account of remittances led to the record current account surplus of US$ 792 million. Foreign Direct Investment (FDI) into Pakistan accumulated to US$ 415.7 million in the first quarter of the current FY. The power sector attracted the most FDI of US$ 113.3 million followed by financial businesses (US$ 102.5 million), and oil and gas exploration sector (US$ 67.2 million).

The exports during July – September, 2020 totaled US$ 5.47 billion against US $ 5.51 billion during the corresponding period of last year showing a decrease of 0.65%. The imports were US$ 11.31 billion as against US$ 11.19 billion during the last year; showing an increase of 1.00%. The trade deficit stood at $5.8 billion in the first quarter of the year 2020-21. On the export front, Foods group and Petroleum group registered decline. The exports of Agro-foods were badly affected by the unexpected heavy rainfall and locusts' attacks in Punjab and Sindh which destroyed the fully ripened crops and caused supply-demand disturbances. Moreover, the exports of rice also suffered a set-back in major markets. Another factor that fueled the expansion of trade deficit was the increase in import; highest growth was yet again in the Agro-Foods group followed by textiles group.

Economic growth in Pakistan during FY 2021-22 is expected to accelerate to

3.2%

"ADB forecast"

PERFORMANCE OF MAJOR TRADE SECTORS & DESTINATIONS

The reliance of international trade and foreign capital inflows is vital to enhance economic growth of the country. Realizing the importance of exports, Government of Pakistan remained committed to break through the COVID-19 induced economic depression and subsequently in Sept. 2020, Pakistan managed to post positive growth of 7% on exports front (US$ 1.9 billion) whereas imports for the same period were US$ 4.3 billion.

EXPORT PERFORMANCE

TOP EXPORT DESTINATIONS (% SHARE)

USA	UK	GERMANY	CHINA	NETHERLANDS
22%	9%	7%	6%	5%

TEXTILES
$ 3.5 b
2.9% growth

FOOD GROUP
$ 808 m
18% decline

OTHER MANUFACTURING
$ 782 m
3% decline

PETROLEUM GROUP & COAL
$ 46 m
26% decline

OTHER SECTORS
$ 367 m
28% growth

IMPORT PERFORMANCE

TOP IMPORT PARTNERS (% SHARE)

CHINA	UAE	INDONESIA	SAUDI ARABIA	USA
28%	10%	6%	5%	4%

PETROLEUM GROUP
$ 2.33 b
27% decline

MACHINERY GROUP
$ 2.1 b
3.7% growth

AGRO & OTHER CHEMICALS
$ 1.9 b
6% growth

FOOD GROUP
$ 1.7 b
56% growth

METAL GROUP
$ 1.08 b
8% growth

TEXTILES GROUP EXPORTS

JULY - SEPTEMBER 2020

The textile industry has significant share in Pakistan's exports. It is the largest manufacturing industry and the largest export earning sector in Pakistan. The industry contributes with 8.5 percent share to the Gross Domestic Product (GDP) and employs 45 percent of the labor force in the country. The exports of Textile and Clothing Sector have registered a positive growth of 3% from $3.4 billion to US$ 3.5 billion during first quarter of 2020-21 as compared to same quarter of the previous fiscal year. The main reason of sluggish growth of the sector is the induced recession (unemployment is rising, wages are decreasing, and there is a fall in purchasing power) faced by the EU countries which led to the decline in demand for non-essential imports of Textile and Clothing Sector.

TOP TEXTILE EXPORTS SHOWING GROWTH

Knitwear

$ 861 m
10% growth

RMG

$ 701 m
5% growth

Bed Wear

$ 651 m
8% growth

Towels

$ 205 m
13% growth

Made-up articles
excl. Towel & Bedwear

$ 173 m
17% growth

Garments, Cotton Yarn and other made-ups (including bedwear) account for more than 50% in total Textile and clothing exports. Knitwear remained the top export commodity with a growth rate of 10% followed by Readymade Garments, Bedwear, Towels, Made ups, and Tent & Canvas that have also shown positive growth during the reported period. Export of home textiles of Pakistan increased in the American and European region including Netherlands (32%), UK (14%), Germany (21%), and USA (6%). Exports of Woven Fabric of Cotton witnessed increase in the USA (117%), South Korea (68%), Portugal (49%), Spain (57%) and China (48%). The exports of Jersey, Pullovers and Cardigan have shown an increase in the USA (52%), China (276%), Belgium (88%), Germany (58%) and UK (11%). Other made ups of Textile followed the same trend and registered and increase in the USA and in the European market. The grant of GSP Plus status to Pakistan has considerably enhanced the trade in the Textile sector. One of the leading reasons for increase in Textile exports in Q1, FY 2020 is the dispatch of piled-up orders that were on hold over the preceding months due to the lockdowns.

TOP TEXTILE EXPORTS SHOWING DECLINE

Cotton Cloth

$ 457 m
8% decline

Cotton Yarn

$ 170 m
43% decline

Article of Silk & Synthetic Tex.

$ 76 m
3% decline

Yarn other than Cotton yarn

$ 6 m
23% decline

Raw Cotton

$ 0.3 m
97% decline

Raw Cotton Cloth, Cotton Yarn, Synthetic Textile and Yarn other than Cotton have witnessed negative growth of 97%, 8%, 43%, 3%, and 22% respectively. The main export destination of Raw Cotton of Pakistan were Vietnam and Bangladesh and its export declined substantially. Cotton is a major cash-crop of the country. The export declined as the country produced around 8.5 million bales against total requirement of around 15-16 million bales from textile exporters in the previous FY2020. Moreover, Cotton Cloth decline was noticed in the Bangladesh (-23%), Egypt (-43%) and China (-31%). Whereas, Cotton Yarn decrease was registered in China (-45%), Portugal (-46%), Bangladesh (-26%) and Turkey (-31%). Heavy rainfalls that devastated Cotton Crops caused decline in the exports of the Cotton products. While the export of intermediate good like cotton fabrics and yarn has declined due to the fact that the factories are opening worldwide gradually and most of them are using their previous inventories.

AGRO-FOODS GROUP EXPORTS

JULY - SEPTEMBER 2020

Pakistan is amongst the world's top ten producers of Wheat, Cotton, Sugarcane, Mango, Dates and Oranges, and is ranked 10th in Rice production. The sector alone accounts for 21% of Pakistan's GDP. Major crops contribute around 4.9 per cent, while minor crops contribute 2.1 percent to the country's GDP. Despite being a significant sector of Pakistan's economy, the sector has shown decline in trade performance during July-September 2020-21 by 17% as compared to the same period last year. At the aggregate level, the exported value has fallen from US$ 984 million to US$ 808 million during first quarter of 2020-21.

TOP AGRO-FOODS EXPORTS SHOWING GROWTH

Meat & meat preparations
$ 76 m
8% growth

Vegetables
$ 42 m
12% growth

Spices
$ 20 m
18% growth

Tobacco
$ 4.7 m
22% growth

Export performance of Agro commodities like Meat, Vegetable, Spices and Tobacco have registered positive growth of 8%, 12%, 18%, and 22% respectively. The major export markets which registered positive growth in the exports of Meat were UAE, Kuwait and Saudi Arabia. Whereas, the main export markets of vegetables were Afghanistan, UAE and UK but surge was noticed in UAE only. Trade of agricultural products has been more robust than overall trade. This reflects the essential nature of Agro-Foods group and the relative in-elasticity of demand therein. As per FAO, international grain prices registered strong increase in September on production concerns and diminishing inventories, while international rice prices fell across the board amid slowdown in export demand and sales as well as the approaching main harvests in the Northern Hemisphere.

TOP AGRO-FOODS EXPORTS SHOWING DECLINE

Rice
$ 360 m
23% decline

All other food items
$ 130 m
1% decline

Fruits
$ 93 m
16% decline

Fish & Fish preparations
$ 78 m
2% decline

Oil, Seeds, Nuts & Kernals
$ 4.7 m
54% decline

In terms of exported value, Rice has recorded a decline of 23%. The fall in Rice exports has contributed to the negative performance of Agro sector in this quarter. The decline in export of Rice was noticed in the UAE (-75%), Kenya (-47%), Senegal (-84%) and Yemen (-66%). The loss in export revenue of Rice mainly came from the price decline in the international market. Pakistani rice exporters faced payment issues in Yemen, as the country's banking channel was disturbed in the Post-COVID period, many export receipts were pending. Pakistani rice also faced competition from Tanzania as the country has established its own plant for Par boiled rice. Kenya brought rice in bulk quantities as a surviving strategy against COVID. The slow-paced exports of Pakistani Rice are expected to continue through October-November this year due to higher prices at the mill-gate level in Pakistan as compared to India. Indian Rice is holding around USD 850-930/ Metric Ton FOB while Pakistani rice is around USD 1000-1100/ Metric Ton FOB Karachi. The major cause of rise in prices is the unavailability of shipping containers which have raised the average shipping cost of a container.

Moreover, commodities like all other Food items, Fruits, Fish, Oil Seeds, and Sugar, posted negative growth of 1%, 16%, 2%, 54% and 100% respectively. Due to shortage of production of wheat and sugar, its export during this period was zero. The decline in the export of Food Group also contributed by the exports of fruits which recorded decline in the UAE (-13%) and Afghanistan (put %age here). Exports of Fish from Pakistan registered decline during the reported period due to low price in international markets thus its value decreased by 1.5%. Our main export destinations for the product are Asian countries as Pakistani Fish has traditionally been unwelcomed in European Markets due to Hygiene and Sanitary concerns. Pakistan has managed to get a 6-year ban lifted from the EU in 2013 yet the achievement is being eroded by Phytosanitary deficiencies in Pakistani Harbors.

OTHER MANUFACTURING GROUP EXPORTS

JULY - SEPTEMBER 2020

Engineering and Manufacturing sector is a vital engine of growth for successful economies. The value of Pakistan's exports of other Manufacturing group stood at US $ 782 million during July-September 2020-21 registering a decline of 3% as compared to the exports for the same period last year.

TOP ENGINERING & MINERALS EXPORTS SHOWING GROWTH

Leather Manufactures
$ 146 m
11% growth

Cement
$ 72 m
8% growth

Engineering Goods
$ 47.8 m
19% growth

Cutlery
$ 28 m
18% growth

Jewellery
$ 1.92 m
113% growth

Leather Manufactures, Cutlery, Engineering Goods, Gems, Jewellery, Pharmaceuticals and Cement have shown positive growth of 11%, 18%, 19%, 11%, 113%, 23% and 8% respectively as compared to the last year's exports, but their contribution in export growth in value terms were not sufficient which is why, the sector could not made impact significantly on the overall performance of Exports. The exports of pharmaceutical products from the country witnessed an increase of 22 percent during the first three months of current financial year. In term of quantity, the pharmaceuticals exports rose by 14 percent, by going up from 3,754 metric tons to 4,278 metric tons during the period under review. The increase in the export of Pharma products was due to the increase in demand of different items internationally due to COVID.
COVID-19 caused by SARS-COV-2, lacks any definitive vaccine or antiviral treatment. Thus only supportive care and secondary infection prevention/management remains as the only viable option. This supportive care involves transfusions, fever reduction, expectorants, and other symptomatic management medicines which are manufactured in Pakistan. Secondary Infections that include lower and upper respiratory bacterial infections require antibiotics which are also in increased demand due to Covid19. The Engineering Group has also registered a positive growth of 19% including Electric Fan by 9%, Transport Equipment by 20%, Electrical machinery by 23%, Auto parts by 3% and other machinery by 24.7%.

TOP ENGINERING & MINERALS EXPORTS SHOWING DECLINE

Chemical & Pharma products
$ 224 m
8% decline

Surgical Goods & Medical Instuments
$ 105 m
1% decline

Sports Goods
$ 67 m
12% decline

Footwear
$ 33 m
10% decline

Leather Tanned
$ 31 m
40% decline

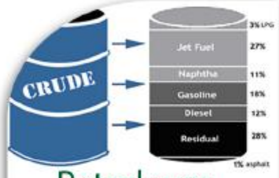
The decline in other manufacturing sector has witnessed in Chemicals (8%), Surgical goods &Medical instruments (1%), Sports Goods (12%), Footwear (10%), and Tanned Leather (40%), Carpets& Rugs (9%), and Onyx manufactures (10%), and Furniture (16%). The Chemical Group has shown decline including plastic products by -33% and other chemicals by -5%.The demand of Surgical Goods of Pakistan is also decreasing day by day as Pakistan specializes in manufacturing invasive metal Surgical Instruments, and are exporting it to the developed countries, where demand is now moving towards precision non-invasive robotic instruments. Molasses is a by-product of sugar, and due to decrease in the sugar export the export molasses is also affected.

PETROLEUM GROUP & COAL EXPORTS

JULY - SEPTEMBER 2020

Export receipts from Petroleum group & coal have recorded a considerable decline of 26%. Cumulatively, during the first quarter of FY2020-21, the overall exports of the group stood at $46 million against the exports of 62 million in Q1 FY 2019-20. The reduction in exports was due to slowdown in economic activities and lockdowns across the globe and price crash in international market.

TOP PETROLEUM GROUP EXPORTS SHOWING GROWTH



Petroleum Top Naphtha
$ 23 m
53% growth

The main exportable products during Q1 FY21 were petroleum crude and petroleum naphtha. The exports of petroleum Top Naphtha showed a notable increase of 53% to $23 million as against US$ 15 million last year. Petroleum Naphtha is an intermediate hydrocarbon liquid stream derived from refined crude oil which is used as solvents, cleaning fluids and dry-cleaning agents, paint and varnish diluents, asphalt diluents, rubber industry solvents, recycling products, and cigarette-lighter, portable-camping-stove and lantern fuels. 19 million USD worth of Natpha was exported to South Korea compared to last year's 6 million USD, which halted import of petroleum from Iran after the Persian Gulf crisis. This shows a demand shift in which Pakistan has benefitted from.

TOP PETROLEUM GROUP EXPORTS SHOWING DECLINE

Petroleum Crude
$ 15 m
60% decline

Petroleum Products
$ 8 m
16% decline

Petroleum Crude, Petroleum products, and Solid Fuels recorded a decline of 60%, 16% and 100% respectively during the first quarter of FY 2020-21. UAE and Thailand didn't import Petroleum oils & oils obtained from bituminous minerals, and crude oil from Pakistan which titled the balance in the petroleum group.

First quarter of FY 2020-21 had started with a conflict between Saudi Arabia and Russia whereby Saudi Arabia lobbied for cut in production and supply of crude oil. The prolonged conflict coupled with reduced international demand amid COVID lockdowns around the globe led to sharp decline in oil prices which still stands around 38-45USD/ barrel. This international wave of low demand and decreasing international prices also had a ripple effect on Pakistan's exports.

SERVICES EXPORTS

JULY - SEPTEMBER 2020

The exports of Services during July to August 2020 totalled at US$ 758 million. Although during this period, Services sector exports suffered a decline of 14% yet the shortfall was not unexpected since most of the export destinations for services (i.e. USA, UAE, UK, Saudi Arabia, and Singapore) remained under lockdowns.

TOP SERVICES EXPORTS SHOWING GROWTH

IT and ITeS
$ 286 m
36% growth

Insurane & Pension Services
$ 6 m
41% growth

Information Technology and IT enabled Services showed the growth of 36%, whereby contributing US$ 286 million to the exports in Services. Amongst IT services exports; Telecom Services grew by 30%, Computer Services grew by 37%, and Information Services posted growth of 66%. Pakistan is the 4th biggest freelance market in the world and during COVID 19, when the whole world turned to work from home. The opportunity emerged for Pakistani IT firms to outsource IT enabled Services at very competitive rates. At a time, when lay-offs around the world are common, Pakistan's IT firms are aggressively recruiting IT and software experts for upcoming projects. Another sub-sector, Insurance & Pension Services also registered positive growth and recovery in the post COVID-19 months.

TOP SERVICES EXPORTS SHOWING DECLINE

Other Business Services
$ 199 m
13% decline

Transport Services
$ 68 m
49% decline

Travel Services
$ 49 m
41% decline

Construction Services
$ 23 m
32% decline

Financial Services
$ 8 m
47% decline

Except IT and Pension Services, the rest of the services posted declines. Since the remaining services require people to people mobility and connectivity for exports to take effect, COVID-19 induced lockdowns around the globe have badly affected the exports. Resultantly, other business services, transport services, travel services, construction services and financial services posted decline of 13%, 49%, 41%, 32%, and 47% respectively against the exports for the same period in 2019.

PETROLEUM GROUP IMPORTS

JULY - SEPTEMBER 2020

Petroleum and its products have significant share in Pakistan total imports bill. The share of oil and petroleum products in the total import bill shrank to 21% both in quantity and value during July-September 2020-21 from 28% in the corresponding quarter of 2019-20.

TOP PETROLEUM GROUP IMPORTS SHOWING GROWTH

Petroleum Gad Liquified
$ 89.4 m
47% growth

TOP PETROLEUM GROUP IMPORTS SHOWING DECLINE

Petroleum Products
$ 1,126 m
15% decline

Petroleum Crude
$ 693 m
16% decline

Natural Gas Liquefied
$ 420 m
57% decline

At disaggregate level, petroleum gasses marked positive growth in import value by 47 %, whereas imports bill of products like natural gas, petroleum products and crude went down by 57%, 15% & 16% respectively during reported period. Import of Petroleum oils and oils obtained from bituminous minerals, other than crude decreased in UAE, Singapore, Kuwait and Iran by 22%, 63%, 17% and 93% respectively. Petroleum oils and oils obtained from bituminous minerals, crude noticed decrease in UAE and Saudi Arabia by 36% and 30% respectively. Coal; briquettes and similar solid fuels manufactured from coal registered decline in import from South Africa, Afghanistan and Indonesia by 16%, 57% and 11% respectively during reported period of first quarter. The main reason behind this decline was a result of refineries shut down temporarily due to storage reservoirs filling to capacity in the wake of required demands due to Covid-19. The other reason was crash of international petroleum prices which significantly impacted Pakistan over all import bill. Due to lockdown the transportation was also limited, therefore the comparison with of July-September 2019, the decline is very obvious. Moreover, the refineries are increasingly using condensate with low-gravity imported crude.

Pakistan has decided to open up the LNG market for the private sector by November in an attempt to reduce financial risks and to enhance gas supplies during the winter season. The private sector will be authorized to import LNG from November 2020 to February 2021. For this purpose, the excess capacity of 150 mmcfd at the Pakistan Gasport Terminal will be offered to private LNG importers for 90 days. The total storage capacity of the Pakistan Gasport terminal is 750 mmcfd and current utility is 600 mmcfd. The imports of LNG is poised to increase substantially in the quarter 2 of 2020-21.

MACHINERY GROUP IMPORTS

JULY - SEPTEMBER 2020

Machinery, both electrical and non-electrical, was the second most imported group of Pakistan. Imports related to machinery of various industries reduced by 4 per cent during first quarter of current fiscal year 2020-21 as compared the corresponding period of the last fiscal year.

TOP MACHINERY IMPORTS SHOWING GROWTH

Telecom (Mobile phone)
$ 590 m
58% growth

Power Generation Machinery
$ 424 m
36% growth

Telephone sets and Power Generating machines showed an increase of 58% and 36% respectively. There has been an increasing prominence of mobile phones and powered generating machinery sets in the imports into Pakistan. China is a major global manufacturing hub and an important supplier of several capital and consumer goods. Approximately, US$ 358 million worth of mobile phones were imported from China. Electric Generating sets were also imported from China that has shown positive growth of 81% during first quarter of FY 2020-21.

TOP MACHINERY IMPORTS SHOWING DECLINE

Electrical Machinery & appliances
$ 324 m
36% decline

Office Machines
$ 95 m
5% decline

Textile Machinery
$ 94 m
25% decline

Construction & Mining Machinery
$ 31 m
7% decline

Agricultural Machinery & implements
$ 21 m
28% decline

The machinery showing decline in imports include office machinery & data processing equipment that fell by 5 per cent as it reduced to $95 million from $100 million during the same period last year. Textile machinery imports dropped by 25 per cent (stood at $94 million). Import of Textile machinery has shown decline from Germany by 88%, Switzerland by 91% and Japan by 44% respectively. Textile machinery imports are capital inputs which are used for Modernization and expansion of the industrial base, the decline shows that expansion/ modernization process slowed down due to issues related to COVID-19 including lowering of demand, lockdowns, liquidity etc.

Imports of Electrical machinery & appliances came down by 36%, valuing $324 million during July-September of FY2020-21 as compared to imports of $506 million. This can be attributed to falling demand for consumer electronics/ electrical appliances during the quarter. The major countries which recorded decline were Japan by 63%, Sweden by 77% and Netherlands by 87%. The import of Construction Machinery also declined by 7% (-31% decrease from China, -91% from Thailand, and -99% from Philippine).

AGRICULTURE & CHEMICALS IMPORTS

JULY - SEPTEMBER 2020

TOP AGRICULTURE & CHEMICALS IMPORTS SHOWING GROWTH

Plastic Materials

$ 519 m
12% growth

Medicinal Products

$ 279 m
9% growth

Manufactured Fertilizers

$ 150 m
17% growth

Insecticides

$ 47 m
21% growth

The imports of Agriculture and Other Chemicals witnessed an increase of 6% in the first quarter of 2020-21 to $ 1.9 billion during the period under review against $1.8 billion in Jul-Sept FY2020-21. Agriculture & Chemicals imported to Pakistan mainly include Plastic material from Saudi Arabia (17%), UAE (16%), and USA (15%), Manufactured Fertilizer from China, Morocco and Saudi Arabia, Insecticides from Singapore, USA, Japan, and Medicinal Products. The major chunk of imports under the Agriculture & Chemical Products was from Plastic Materials which contributed with a total of 27% share to the entire group's imports. Total Plastic Material imports during the period under review were recorded at $519 million, depicting an increase of 12% from $465 million in Jul-September FY2020-21.

TEXTILES GROUP IMPORTS

TOP TEXTILES IMPORTS SHOWING GROWTH

Raw Cotton

$ 208 m
456% growth

Other textile items

$ 149 m
6% growth

Synthetic Fibre

$ 142 m
25% growth

Synthetic & Artificial Silk Yarn

$ 141 m
19% growth

The imports of Textiles group grew by 50% during first quarter of 2020-21. Raw Cotton, Synthetic Fiber, Synthetic & Artificial Silk Yarn have shown positive growth during first three months of this fiscal year. Owing to the unavailability of high-quality cotton in Pakistan, the country's textile industry is becoming increasingly reliant on imported fibre.

The cotton imports have been greatly helping the textile industry cope up with challenges such as high production costs and compliance requirements etc. Consequently, the cotton import from the US is rapidly increasing. Demand of Synthetical Textile is increasing globally day by day and in order to stay competitive, Pakistan imports Synthetic Yarn and Fibre. Pakistan's textile industry is adapting new technologies into synthetics at a snail's pace which is why Pakistan's imports of synthetic fibre and silk yarn are constantly growing.

FOODS GROUP IMPORTS

JULY - SEPTEMBER 2020

Imports for the Agro commodities registered an increase of 56% during first quarter of FY 2020-21. Palm oil, Milk Cream and milk food for infants, Dry fruits, Tea, Spices, Soya Bean Oil, Sugar and Pulses increased unprecedentedly which contributed to deteriorating current account condition further.

TOP AGRO-FOODS IMPORTS SHOWING GROWTH

Palm Oil
$ 579 m
60% growth

Tea
$ 142 m
39% growth

Pulses (Leguminous vegetables)
$ 135 m
14% growth

Wheat Unmilled
$ 102 m

Spices
$ 50 m
22% growth

In Agro-Foods groups, all the sub-sectors recorded growth in imports. Imports of Palm oil at US$ 579 million alone constituted around 34% of the total import bill in Agro-Foods Group. Imports of Palm Oil and Soybean Oil showed growth of 60% and 46% respectively. Since palm oil, soya bean oil and other oils are used as raw materials in the production of cooking oil, ghee, animal feed and in other fertilizer industries, the import adds value for the country.

Soybean Oil
$ 47 m
46% growth

Milk & Cream
$ 41 m
36% growth

Dry Fruits & Nuts
$ 14.6 m
230% growth

Sugar
$ 13 m
2031% growth

Apart from oils; Tea, Pulses (Rape seed/ dried leguminous vegetables), Spices, Milk & Cream, and Dry Fruits & Nuts also posted growth of 39%, 14%, 22%, 36%, and 230% respectively. The increase in the import of Dry Milk Powder was witnessed from USA by 103%, Germany by 156% and Canada by 337%. The rise in the import of Dry Milk Powder was due to the surge in prices as most of the products shown decline in the quantity imported. The rise in imports of Agro-Foods group can be correlated with the seasonal flooding and the subsequent locusts' attacks that destroyed millions of acres of standing crops during this quarter. Pakistan being the producer of Wheat and Sugar Cane, yet decided to import unmilled wheat and sugar as a government policy to strategically tackle the artificial shortage created by hoarders and mafias amid COVID-19 lockdowns. The import bill of Agro-Foods Group is usually dependent on international prices and the changing global scenario. Since Pakistan doesn't have the production base of Dry Milk Powder, Tea and Palm oil; the import bill in this quarter suffered from the hike caused by the increasing global prices. The surge in the import quantity of these products also made a positive impact on import bill of the country. However, by enhancing the production and exports in potential sectors of dry fruits, spices and honey, the country can make up for the foreign exchange spent on the imports of tea, dry milk powder, and oils etc. Similarly, we may accelerate efforts to increase average yield of pulses to reduce their imports thereon.

METALS GROUP IMPORTS

JULY - SEPTEMBER 2020

Metal Group imports surged by 8% during the Jul-Sept FY2020-21 as compared to the corresponding period last fiscal year. Metal Group imports increase from $ 1.01 billion in first three months of last financial year to $1.08 billion of the same period of the current financial year.

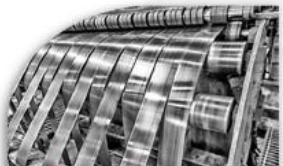
TOP METALS IMPORTS SHOWING GROWTH

Iron & Steel Scrap
$ 484 m
25% growth

Iron & Steel
$ 375 m
1% growth

During the period under review, iron and steel imports increased by 25% valued at $ 484 million as compared the imports worth $388 million of the same period of last year. Iron and steel are used as raw material of construction industry. Due to the incentive package of Construction industry by Prime Minister of Pakistan, the need of the iron and steel import witnessed the surge in the reported period.

TOP METALS IMPORTS SHOWING DECLINE



Aluminium Wrought
$ 33 m
0.74% decline

Gold
$ 1.2 m
73% decline

The major imports of Metal Group have shown decline were Gold that is reduced by 73% worth 1.2 million as compared to the imports valuing $4.4 million of the same period of last year. Gold is imported in Pakistan through the Entrustment scheme; decline was due to restriction of international flight operations during COVID. The import of Gold in January 2020 was not exported as per SRO 766 due to quarantines in the major markets. The normal process was disturbed and the new permissions were granted in the month of August 2020 by the government. Those importers secured orders of Gold import were unable to value added for exports. The delayed processes were the main reason for the import decline of Gold. Aluminum wrought imports decreased by 1%, to $33.3 million as compared to the imports of valuing $33.6 million of the corresponding period of last year.

TRANSPORT GROUP IMPORTS

JULY - SEPTEMBER 2020

The Transport group imports during the third quarter of current financial year reduced by 23 per cent as compared to the corresponding period of the last year. The transport group imports came down from the US 538 million in the third quarter of last financial year to the US $ 414 million of the same period of the current financial year.

TOP TRANSPORT IMPORTS SHOWING GROWTH

Motor Cars (CBU)
$ 39 m
166% growth

Buses, Trucks & Heavy Vehicles (CBU)
$ 26 m
84% growth

Motor Cycles (CBU)
$ 0.4 m
27% growth

TOP TRANSPORT IMPORTS SHOWING DECLINE

Motor Cars (CKD/ SKD)
$ 125 m
29% decline

Aircrafts, Ships and Boats
$ 87 m
34% decline

Parts & Accessories
$ 62 m
32% decline

Buses, Trucks & Heavy Vehicles (CKD/ SKD)
$ 45 m
33% decline

The import of Completely Built Units (CBU) has shown increase of 125% during first quarter including Buses, Motor Car and Motor Cycles whereas the imports of road Motor Vehicle (Build Unit, CKD/SKD) reduced by 18% worth $325 million as compared the imports valuing $397 million of the same period of last year. During the period under review, the imports of CKD/SKD including buses, trucks and other heavy vehicles imports also came down by 31%. The reason of decline in the import of Transport Group is the shrinking of economic activities around the globe due to COVID. Moreover, following measures related to Transport Group has been announced in the import policy order on 25th September 2020:

- Second-hand or used passenger transport vehicles, including buses (PCT heading Nos. 87.02 and 87.03), trucks (PCT heading No. 87.04) and static road rollers of 10-12 tons capacity, 55 HP (PCT heading No. 8429.4000) shall not be allowed

- Transport vehicles are compliant with Euro-II equivalent or higher emission standards as notified by Pakistan Standard and Quality Control Authority, manufactured as such by Original Equipment Manufacturer and not older than five years.

GOVERNMENT INITIATIVES FOR EXPORT FACILITATION

JULY - SEPTEMBER 2020

1 FBR revised upwards rates of Duty Drawback for the Leather sector under Prime Minister's vision of "Make in Pakistan" to increase the global competitiveness of leather products that will contribute towards export-led growth. the rates have been revised in accordance with the factual determination by Input Output Coefficient Organization (IOCO) after revision in valuations of input items.

2 SBP has enhanced the financing limit under its Refinance and Credit Guarantee Scheme for Women Entrepreneurs from Rs1.5 million to Rs 5 million to encourage women participation in the economy. Under this scheme, SBP will provide refinance to participating financial institutions at 0% on their financing to women entrepreneurs at maximum end user rate of 5%. Moreover, 60% risk coverage is also available to the participating institutions.

3 The government has announced the special electricity and gas tariffs in order to enhance the country's exports and approved special power, gas rates for erstwhile 5 zero-rated industries. Special Gas rate at $6.5/mmbtu and power at 7.5cents/KwH for July and August and 9cents/KwH till 30 June, 2020, for the 5 zero rated industries i-e Textile, Carpet, Surgical, Leather and Sport Goods.

4 Government extended cut off dates for submission and resubmission of DLTL Claims for 2018-19 extended till 30 Aug 2020, and 15 September 2020 respectively, for non-textile and textile sectors (31st July 2020).

5 SBP announced that Duty Drawbacks will be credited directly to exporter accounts from September 1st, 2020. Exporters have always required for their refunds directly into their accounts from the SBP.

6 Government revised duty drawback rates from 4.39% to 1.7% for electric fans after 11 years to enhance domestic production and exports of electric fan from Pakistan.

7 The federal cabinet lifted the ban on export of Tyvek suits and anti-malarial drugs, including chloroquine and hydroxychloroquine. Chloroquine and Hydroxychloroquine are used as a part of COVID-19 treatment around the world. The Committee constituted by the Cabinet will continue to monitor the stock positions and requirements in the country.

8 Government has given tax free facility to Gawadar to improve the export and stopped charging Sales Tax and Federal Excise Duty on exportS from Gwadar.

9 Government has decided to allocate the unutilized capacity of a liquefied natural gas (LNG) terminal to private firms on a short-term basis (for a period of six month, starting 1st October 2020). Private sector may provide it to their consumers to avoid looming gas crisis in the upcoming winter season.

10 The national food security and research ministry has launched a "mark-up subsidy scheme" under the fiscal package announced by the prime minister for the agriculture sector to mitigate the impact of the coronavirus pandemic. The government would bear mark-up of 10% on agricultural loan for the fiscal year 2020-21 (July 1, 2020, to June 30, 2021), and an individual farmer shall bear the balance mark-up as per the agreed terms.

FUTURE OUTLOOK

JULY - SEPTEMBER 2020

The world markets are opening up after lockdown situation. Therefore, world demand and consequently exports from the developing countries are increasing. Pakistan is also striving hard for its export growth. The world import demand is also rising and new world trade scenario is shaping a different competitive environment and trade diversification. Pakistan is so far successful in maintaining its export level in the shrunk world import markets. The exports of the first quarter for the year 2020-21, are showing a hope of export recovery. As mentioned above that during this period the exports remain stagnant and growth rate found to be slightly negative or almost zero. The reasons for noticeable commodities are as under:

FOOD GROUP EXPORTS: Almost every commodity has shown a decline, specially rice, whose export decreased by US$ 100 million, which is due to the decrease in consumer demand in our traditional markets. Due to shortage of production of wheat and sugar, its export during this period was zero and was adversely affected by almost US$ 54 million. Fish's export quantity though increased by 13% but due to low price in international markets its value decreased by 1.5%.

TEXTILE GROUP: The export value has increased, specially the export of value added (finish products) have increased due to opening up of world markets. While the export of intermediate good like cotton fabrics and yarn has declined. It is due to the fact that the factories are opening worldwide gradually and most of them are using their previous inventories.
Petroleum Group: Due to lockdown the transportation is become limited, therefore the comparison with of July - September 2019, the decline is very obvious.

OTHER MANUFACTURING GROUP: Leather clothing sector has shown significant improvement, whose demand is associated with the demand of textile garments. Same is the case with footwear and to some extent with the cutlery. Molasses is a by-product of sugar, and due to decrease in the sugar export the export molasses is also affected.

Pakistan's export performance in the next quarters will largely depend on the direction COVID-19 takes internationally as well as within Pakistan, if the 2nd wave become severe in the US and EU, it will adversely effect Pakistan's exports in textile. A severe 2nd wave within Pakistan may also effect Pakistan's manufacturing and production in the export sector making it a challenge to fullfill the supply order commitment. Pakistan's rice exports have faced competition in African market due to new local players like Tanzania, Pakistan in order to retain and expand its market in rice needs to resolve Phyto-sanitary issue with Russia and Mexico on war footing. Expanding fruit and Vegetable exports also face major challenges on Phyto-sanitary domain.

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