Pakistan Trade Perspective

QUARTERLY TRADE ANALYSIS

JULY-SEPTEMBER (Q1: FY 2021-22)

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN

MINISTRY OF COMMERCE

www.tdap.gov.pk

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LIST OF ABBREVIATIONS

B/L	BILL OF LADING
CAGR	COMPOUND ANNUAL GROWTH RATE
CBU	COMPLETE BUILD-UP
CKD	COMPLETELY KNOCKED DOWN
COVID	CORONA VIRUS DISEASE
DLTL	DRAWBACK OF LOCAL TAXES & LEVIES
EBOPS	EXTENDED BALANCE OF PAYMENT SYSTEM
ECC	ECONOMIC COORDINATION COMMITTEE
EFS	EXPORT FINANCE SCHEME
FASTER	FULLY AUTOMATED SALES TAX E-REFUND
FY	FISCAL YEAR (JULY - JUNE)
GAIN	GLOBAL AGRICULTURAL INFORMATION NETWORK
GDP	GROSS DOMESTIC PRODUCT
G2G	GOVERNMENT-TO-GOVERNMENT
IT	INFORMATION TECHNOLOGY
ITES	IT ENABLED SERVICES
L/C	LETTER OF CREDIT
LNG	LIQUEFIED NATURAL GAS
LPG	LIQUEFIED PETROLEUM GAS
LSM	LARGE-SCALE MANUFACTURING
LSMI	LARGE-SCALE MANUFACTURING INDEX
LTFF	LONG-TERM FINANCING FACILITY
MMBTU	1 MILLION BTU (BRITISH THERMAL UNIT)
MMCFD	MILLION CUBIC FEET PER DAY
OD	OFFICIAL DELEGATION
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
Q1	FIRST QUARTER OF FISCAL YEAR (JULY - SEPTEMBER)
Q4	FOURTH QUARTER OF FISCAL YEAR (APRIL- JUNE)
QoQ	QUARTER-ON-QUARTER
SBP	STATE BANK OF PAKISTAN
SKD	SEMI KNOCKED DOWN
STPF	STRATEGIC TRADE POLICY FRAMEWORK
TCP	TRADING CORPORATION OF PAKISTAN
TDAP	TRADE DEVELOPMENT AUTHORITY OF PAKISTAN
TERF	TEMPORARY ECONOMIC REFINANCE FACILITY
USDA	US DEPARTMENT OF AGRICULTURE
YoY	YEAR-ON-YEAR

LIST OF TABLES

WORLD ECONOMIC AND TRADE REVIEW[1]

JULY-SEPTEMBER 2021

The global economic recovery is continuing, even as the pandemic resurges. The fault lines opened up by COVID-19 are looking more persistent near-term divergences are expected to leave lasting imprints on medium-term performance. Vaccine access and early policy support are the principal drivers of the gaps.

The global economy is projected to grow 5.9 % in 2021 and 4.9% in 2022, 0.1 %age point lower for 2021 than in the July forecast. The downward revision for 2021 reflects a downgrade for advanced economies in part due to supply disruptions and for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies. Rapid spread of Delta and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome. Policy choices have become more difficult, with limited room to maneuver.

Aggregate output for the advanced economy group is expected to regain its pre-pandemic trend path in 2022 and exceed it by 0.9 % in 2024. By contrast, aggregate output for the emerging market and developing economy group (excluding China) is expected to remain 5.5 % below the pre-pandemic forecast in 2024, resulting in a larger setback to improvements in their living standards.

The average price of oil will be $65.68 a barrel in 2021 and $64.52 a barrel in 2022 and will remain unchanged in real terms over the medium term; that the six-month London interbank offered rate on US dollar deposits will average 0.2% in 2021 and 0.4 % in 2022; that the three-month euro deposit rate will average –0.5 % in 2021 and 2022; and that the six-month Japanese yen deposit rate will yield, on average, –0.1 % in 2021.

The global trade volumes are expected to grow almost 10 % in 2021, moderating to about 7 % in 2022 in line with the projected broader global recovery. Trade growth is projected to moderate to about 3.5 % over the medium term. The overall trade recovery masks a subdued outlook for tourism-dependent economies and cross-border services more generally. The overall trade recovery masks a subdued outlook for tourism-dependent economies and cross-border services more generally.

Recent developments have made it abundantly clear that we are all in this together and the pandemic is not over anywhere until it is over everywhere. If Covid-19 were to have a prolonged impact into the medium term, it could reduce global GDP by a cumulative $5.3 trillion over the next five years relative to our current projection. It does not have to be this way. The global community must step up efforts to ensure equitable vaccine access for every country, overcome vaccine hesitancy where there is adequate supply, and secure better economic prospects for all.

References:

https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021

[1] World Trade data is available with a lag of a quarter. Data analyses for the first quarter 2021 are based on estimated values.

PAKISTAN ECONOMIC OUTLOOK
JULY-SEPTEMBER 2021

Pakistan's economy is on the path to recovery, supported by promising growth in the industry and services sectors. The continued rollout of the COVID-19 vaccination program, structural reforms, and the expansion of social protection (Ahsas) programs are all key to ensuring inclusive and sustainable growth. Fiscal incentives and policies to boost export competitiveness, bolster the performance of the manufacturing sector, and augment private investment are playing instrumental role in the economic growth of Pakistan.

Pakistan's economic growth in FY'21 was supported by improved COVID-19 containment strategies (vaccination programme) through the second and third waves of infections and continued accommodative fiscal and monetary policies that accelerated the recovery across all sectors. Growth in industry, predominantly construction and small-scale manufacturing, and services are forecast to improve in FY'22. Agriculture is also expected to continue supporting GDP growth. Additionally, industrial production growth ebbed notably in July, before picking up in August. On a more positive note, affordable housing loans under the government's flagship markup subsidy scheme generated a surge in lending activity in July–September. Turning to Q2 FY'22, economic growth should remain relatively upbeat as falling new Covid-19 cases should be sparking a recovery in business confidence, boding well for overall activity. In FY'23, our panel forecasts GDP growth of 4.5%.

Inflation surged by 8.4% in Q1 FY'22. Food price inflation remained high due to supply chain disruptions, increased prices for wheat and sugarcane, and an extended wet monsoon. Rising international oil prices boosted energy price inflation.

The State Bank of Pakistan, the central bank, maintained its policy rate at 7.25% to support the economic recovery. Investment is expected to strengthen as global sentiment improves and the International Monetary Fund-supported stabilization program continues to progress.

The growth target for FY'22 is set at 4.8 %. While in the medium term, it is expected to accelerate further to achieve the target between 6-7 %. To attain this higher inclusive and sustainable economic growth, the government has set its priorities in the current budget by enhancing the development budget from Rs 630 billion (revised) to Rs 900 billion with an aim to boost economic growth, reducing unemployment, and poverty.

Pakistan economy has shown significant signs of economic recovery with fast resumption of economic dynamism. In recent budget FY'22, government has taken growth-oriented initiatives and will continue to follow the positive reform momentum which will help to boost the competitiveness of Pakistan's economy and lay a strong foundation for a more robust, inclusive and sustainable recovery. Pakistan exports has also shown positive growth of 27 % in Q1 FY'22. This shows significant of exports further enhance economic growth of Pakistan in next quarter.

Asian Development Outlook (ADO) 2021 Update: Transforming Agriculture in Asia | Asian Development Bank (adb.org)

economic_update_September_2021.pdf (finance.gov.pk)

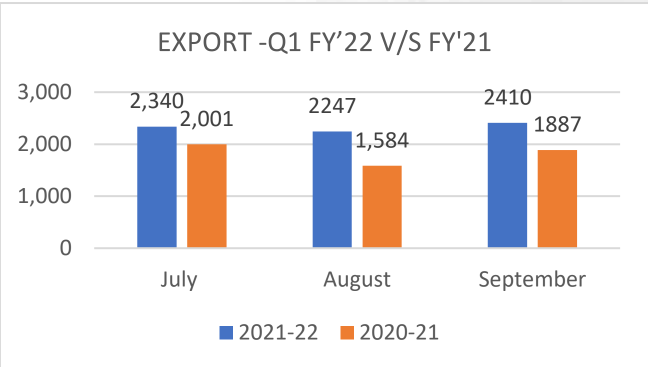
PAKISTAN'S ECONOMIC INDICATORS

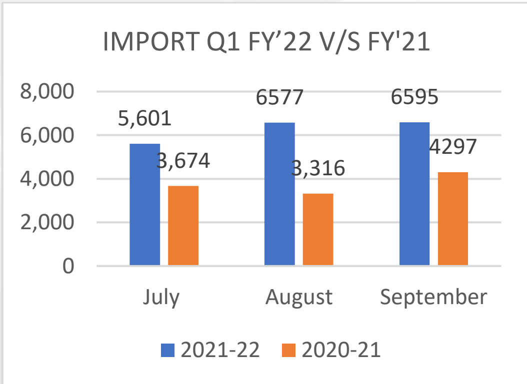
Q1: JULY-SEPTEMBER FY 2021-22

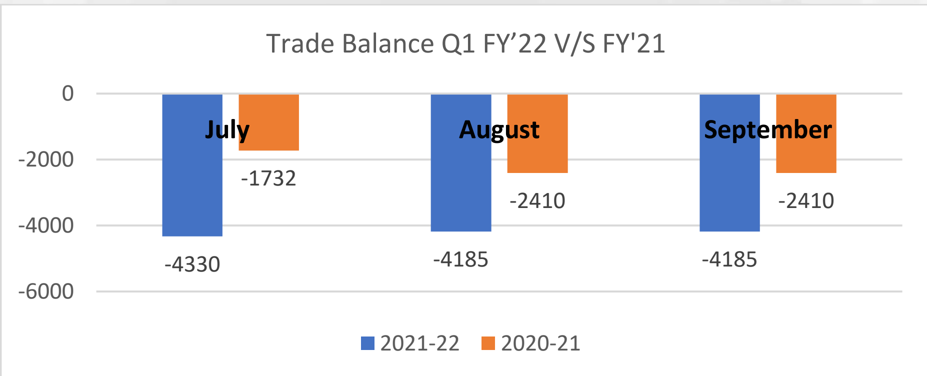
PAKISTAN'S TRADE OUTLOOK

QUARTERLY COMPARISON OF FY2022 WITH FY2021

TRADE VALUES IN USD MILLION







PAKISTAN'S EXPORT PROFILE (GOODS)

Pakistan's exports have surged by 28% to USD 6.99 billion from USD 5.4 billion in Q1 (July-September) FY'22 as against same period of FY'21. The growth comes amid a rebound in the global and regional economy, as countries are slowly opening up from the Covid-19 induced lockdown phase. Secondly, the Covid-19 situation in Pakistan has remained fairly under control, as compared to other countries in the region, which has allowed early resumption of economic activities in the country. The exports to partner countries showing increase and decrease have been detailed as follows:

TOP EXPORT PARTNERS SHOWING INCREASE (Q1 FY'22 V/S FY'21)

Table 1: Top export destinations showing increase (trade values in USD million)

Export Destinations	JULY-SEP FY'22	JULY-SEP FY'21	% Change
United States	1,575	1,172	34%
United Arab Emirates	889	213	318%
China	678	359	89%
United Kingdom	547	488	12%
Germany	420	378	11%
Netherlands	374	293	28%
Spain	280	208	35%
Bahrain	250	21	1119%
Italy	235	178	32%
Bangladesh	217	145	50%

Country wise statistics have shown that all major export destinations registered substantial growth during Q1 FY'22. United States of America (USA) remained the top export destinations of the Pakistani products during Q1 FY'22, followed by United Arab Emirates (UAE), China, United Kingdom (UK), Germany, Netherlands, Spain, Bahrain, Italy and Bangladesh and have shown positive growth as compared to same period last year. Pakistan exported mainly Textile and its products to major export destinations. Textile Sector has shown positive growth of 27% in Q1 FY'22.

Table 2: Top export destinations showing decrease (trade values in USD million)

TOP EXPORT PARTNERS SHOWING DECREASE (Q1 FY'22 V/S FY'21)

Export Destinations	JULY-SEP FY'22	JULY-SEP FY'21	% Change
Afghanistan	161.48	229.72	-30%
Denmark	45.38	61.48	-26%
Korea (South)	42.07	59.15	-29%
Indonesia	22.41	26.86	-17%
Slovenia	18.06	19.58	-8%
Czech Republic	11.07	16.18	-32%
Lithuania	8.37	9.43	-11%
Finland	7.08	7.27	-3%
Senegal	5.53	7.85	-30%
Congo	4.97	5.43	-8%

The above table shows Pakistan's export to the countries registered negative growth in Q1 FY'22. The bilateral trade between Pakistan and Afghanistan is disturbed due to unstable political and economic situation of Afghanistan however, it is expected that the country may regularize its multilateral trade in few months. The other destination shows negative growth was Denmark. Pakistan exported USD 45.3 million worth of goods to Denmark. Textile, Leather and cotton exports of Pakistan have shown negative growth in the Denmark market. The third export destination that has shown negative growth was South Korea. Pakistan's exports to South Korea during Q1 FY'22 was recorded USD 42.1 million. The exports of Leather, Cotton and fish registered decline from Pakistan to South Korea during the same period.

SECTOR-WISE EXPORTS PERFORMANCE

During Q1 July-September (FY'22), Textile group has shown notable performance and has earned export revenue of USD 4.4 billion, 27% more than that earned in the same period of last fiscal year, followed by food group (USD 1.02 billion), other manufactures group (USD 945 million) and petroleum and coal group (USD 58 million).

Table 3: Exports Sectors (Trade values in USD Million)

	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 v/s Q4 FY'21		
SECTORS	**July-Sep FY'22**	**July-Sep FY'21**	**% Change**	**July-Sep FY'22**	**April-June FY'21**	**% Change**
Total	6,997	5,472	28%	6,997	6,618	6%
TEXTILE GROUP	4,421	3,470	27%	4,421	4,049	9%
FOOD GROUP	1,020	807	26%	1,020	1,063	-4%
OTHER MANUFACTURES GROUP	945	782	21%	945	896	5%
ALL OTHER ITEMS	552	367	51%	552	543	2%
PETROLEUM GROUP & COAL	58	46	26%	58	66	-12%

Main commodities exported by Pakistan during July-September, FY'22 were Knitwear (USD 1.18 billion), Readymade garments (USD 861 million), Bedwear (USD 803 million), Rice (USD 423 million), Cotton yarn (USD 289 million), Chemical and Pharma products (USD 362 million), Towels (USD 241 million), Made-up articles (USD 197 million) and Other textile material (USD 185 million).

Instead of relying upon traditional five export-oriented sectors, including Textile, Leather, Sports Goods, Surgical Goods and Carpets, Pakistan now focusses upon diversifying both markets and products. In order to boost up exports, the Textile sector exports will fetch foreign exchange earnings of USD 4 billion in first quarter of the current fiscal year, while remaining non-traditional sectors, such as engineering, information technology and other sectors would be focused to achieve diversification in the export-oriented sectors.

TOP EXPORT COMMODITIES SHOWING INCREASE (Q1 FY'22 V/S FY'21)

Table 4: Top export commodities showing increase (trade values in USD million)

SUB-SECTORS	JULY-SEPT FY'22	JULY-SEPT FY'21	% Change
KNITWEAR	1,145	861	33%
READYMADE GARMENTS	861	701	23%
BED WEAR	803	651	23%
COTTON CLOTH	557	457	22%
RICE	423	360	18%
COTTON YARN	289	170	69%
RICE(Other than Basmati)	270	239	13%
TOWELS	241	205	18%
ALL OTHERS FOOD ITEMS	221	128	73%
OTHER CHEMICALS	202	104	94%
MADEUP ARTICLES(EXCL.TOWELS BEDWEAR.)	197	173	14%
OTHER TEXTILE MATERIALS	185	142	30%
BASMATI RICE	153	121	27%

TOP EXPORT COMMODITIES SHOWING DECREASE (Q1 FY'22 V/S FY'21)

Table 5: Top export commodities showing decrease (trade values in USD million)

SUB-SECTORS	JULY-SEPT FY'22	JULY-SEP FY'21	% Change
SURGICAL GOODS & MEDICAL INSTRUMENTS	98.15	104.51	-6%
FISH & FISH PREPARATIONS	56.96	78.42	-27%
CEMENT	55.20	72.30	-24%
CUTLERY	27.86	28.05	-1%
TENTS,CANVAS & TARPULIN	21.18	28.18	-25%
GUAR AND GUAR PRODUCTS	8.11	8.31	-2%
OTHER ELECTRICAL MACHINERY	6.93	9.97	-30%
PETROLEUM PRODUCTS(EXCL TOP NAPHTA)	6.05	8.09	-25%
ELECTRIC FANS	5.69	7.37	-23%

SECTOR-WISE EXPORTS ANALYSES

TEXTILE GROUP

The textile sector in Pakistan has an overwhelming impact on the economy, contributing 63% to the country's exports. It is deemed as one of the most important sectors for Pakistan's trade. It is a significant contributor to the country's exports fetched USD 4.4 billion from abroad during Q1 FY'22. The major exports of the sectors include knitwear, readymade garments, fabrics, weaved apparel, twisting, and processing sector. Despite global economic slowdown and waning consumer demand, export of Textile sector has shown remarkable performance during Q1 FY'22. All sub groups of Textile and Clothing has shown positive growth except Tent and Canvas during reported period.

Table 6: Textiles group exports (Trade values in USD million)

SECTORS	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 v/s Q4 FY'21		
	Jul-Sep FY'22	July-Sep FY'21	% Change	Jul-Sep FY'22	April-June FY'21	% Change
TEXTILE GROUP	4,421	3,469	27%	4,421	4,049.0	9%
RAW COTTON	-	271	-100%	-	0.2	-1
COTTON YARN	289	171	69%	289	295.8	-2%
COTTON CLOTH	557	457	22%	557	501.8	11%
COTTON CARDED OR COMBED	1,473	-	100%	1,473	-	-
YARN OTHER THAN COTTON YARN	12.4	5.6	123%	12.4	9.8	27%
KNITWEAR	1,145	861	33%	1,145	1,040.0	10%
BED WEAR	803	651	23%	803	719.5	12%
TOWELS	241	205	18%	241	245.4	-1.67%
TENTS,CANVAS & TARPULIN	21.2	28.2	-25%	21.2	21.2	0%
READYMADE GARMENTS	861	701.4	23%	861	764.4	13%
ART,SILK & SYNTHETIC TEXTILE	108	75.6	43%	108	101.2	7%
MADEUP ARTICLES(EXCL.TOWELS & BEDWEAR.)	197	173	14%	197	190.4	4%
OTHER TEXTILE MATERIALS	184.5	141.7	30%	184.5	159.3	16%

The rise in overall exports from the sectors was contributed by growth in value-added exports of textile and clothing. The above data has shown growth of all value-added textile goods and registered decline in Raw Cotton and Tent and Canvas by 100 & 25 % respectively during Q1 FY'22. It is pertinent to mention that a sharp surge of 64% has been noticed in the imports of raw cotton (USD 342 million) during the same period. Because of the COVID scenario last year in the region, international customers are increasingly resorting to Pakistan. Pakistani exporting companies have provided higher-quality products in order to convert new consumers into long-term customers. To accommodate the increased amount of export orders, almost all of the country's leading businesses are expanding their capacity. The same is reflected in the quantity growth of Textile products during this quarter. Export statistics have shown growth in the quantity of main commodities during Q1 FY22. The surge in the quantity were noticed in Knitwear (1%), Readymade garments (19%), Bed wear (23%), Cotton yarn (14%), Towels (13%).

Quarter to quarter comparison of exports of Textile sector has recorded positive growth of 9% in Q1 (July-September) FY'22 as against Q4 (April-June) FY'21. The products showing negative growth were Cotton Yarn (-2%), and Towel (-1.6%).

One of the reasons of the growth in the Textile exports is the rationalization of tariff lines of the Textile sector. The objectives of rationalization of the tariff lines of inputs and intermediate goods used by the textile sector, to remove tariff anomaly in the textile value chain, gradually remove excessive protection to remove anti-export bias and to improve consumer welfare. Moreover, Ministry of Commerce (MOC) released a total of Rs. 6 billion under DLTL schemes. This includes Rs. 5.6 billion for Textile's sector.

The growth momentum is steady in the export proceeds of Textile Sector on the back of rising demand from global market coupled with depreciation of the rupee as exports posted a growth in September from a year ago. In the last budget, the Government had drastically reduced duty and taxes on imports of several hundred raw materials to bring down the input cost of exportable products. Liquidity issues were also resolved to a large extent by timely releasing refunds as well as payment of cash subsidies.

Current conditions for Pakistan's Textile industry are very encouraging. The Government is also in process of finalization of Textile and Apparel Policy 2020-25, laden with cash subsidies and lower rates on utilities worth Rs. 960 billion to boost production and exports of value-added textile products[2]. The said policy will estimate three scenarios that lift the textile and clothing exports to a minimum of USD15.7 billion and a maximum of USD 20.8 billion by end of the year 2025. The government is also working on the recommendation of restoration of the zero-rated regime for the five export-oriented sectors.

AGRO-FOODS GROUP EXPORTS

The Agro Food Sector of Pakistan contributed 17% to the national export in the FY'22. The current structure of Agro-based exports mainly consists of Rice, Meat, Fruit and Vegetable, Fish, Tobacco, Spices, Oil Seeds and Nuts, Horticulture and Livestock with inconsistent exports of Sugar and Wheat.

Table 7: Food group exports (trade values in USD million)

SECTORS	Q1 FY'22 v/s Q1 FY'21			Q1'FY22 V/S Q4 FY'21		
	Jul-Sep FY'22	July-Sep FY'21	% Change	July-Sep FY'22	April-June'21	% Change
FOOD GROUP	1,019	806.7	26%	1,019	1,063.3	-4%
RICE	423.2	360.1	18%	423.2	480.9	-12%
a) BASMATI	153.3	120.8	27%	153.3	172.5	-11%
b) OTHERS	269.9	239.3	13%	269.9	308.4	-12%
FISH & FISH PREPARATIONS	57.0	78.4	-27%	57.0	110.1	-48%
FRUITS	114.4	93.2	23%	114.4	101.2	13%
VEGETABLES	50.1	42.1	19%	50.1	74.5	-33%
LEGUMINOUS VEGETABLES (PULSES)	0.0	0.0	-	0.0	-	-
TOBACCO	7.9	5.4	46%	7.9	11.2	-29%
WHEAT	0.0	0.0	-	0.0	-	-
SPICES	23.2	19.9	16%	23.2	22.3	4%
OIL SEEDS, NUTS AND KERNALS	44.7	4.1	983%	44.7	17.9	150%
SUGAR	0.0	0.0	-	0.0	-	-
MEAT AND MEAT PREPARATIONS	78.3	75.4	4%	78.3	87.7	-11%
ALL OTHER FOOD ITEMS	221.0	128.0	73%	221.0	157.5	40%

[2] https://www.dawn.com/news/1600133/new-textile-policy-envisions-trillion-rupee-subsidies-for-exporters-till-year-2025

The exports of Agro Food Sector were recorded USD 1.019 billion and registered an increase of 26% in Q1 July-September FY'22 as against the same period last year. All items of Agro Food sector have shown significant growth in exports during Q1 FY'22 except Fish and Fish Preparations. Export of Rice, Fruits, Vegetables, Spices, Oil seeds, Nuts, Meat and Meat Preparations surged by 18%, 22%, 19%, 16%, 983%, and 4% respectively.

The exports of Rice have shown significant increase by 18% in Q1 FY'22. Rice exports amounted to $360 million in the July-September Q1 FY'21 quarter a year ago and increased to USD 423 million in Q1 FY'22. Export quantity has shown increase and recorded 0.734 million tonnes in the period under review as compared to 0.619 million tonnes a year earlier. Due to efforts from the government, the volume of Basmati exports has also increased in this quarter despite stiff competition from India. Pakistan focused on better job of marketing its product globally by participating in international exhibitions and delegations. The origins of basmati Rice have historically been a source of dispute between Pakistan and India. Basmati Rice is produced in the Punjab region which was divided between the two countries in 1947.

In a significant development, Russia has allowed the import of Rice from Pakistan. [3]Russia banned the import of Rice from the country in May 2019 after Khapra beetle was detected in a Pakistani Rice consignment. Both governments were in negotiations for the past year on this issue. The Russian government has approved the import of Rice from four Pakistani establishments located in Karachi, Lahore and Chiniot. Moreover, China is emerging as a new market for Pakistani non-basmati Rice varieties. Other major export destinations include East Africa, Gulf region and EU.

Fruit and vegetables exports have also shown significant increase in this quarter. As an impact of COVID-19, the Pakistan fruits and vegetables market suffered from a few challenges related to production, supply chain, and trade movement. Farmers got hard hit by the poor returns varying from one-third the usual or a complete loss. Pakistan, one of the leading countries to export a variety of its fruit produce worldwide, faced export challenges that hampered the usual trade movements due to repeated lockdowns and related trade restriction protocols worldwide. The situation has been improved and exports of the sector has shown significant positive performance.

The exports of Fish and Fish preparation have shown decline in Q1 FY'22. There was major decrease in the value in US dollar term. It has slumped by 27% comparing to the seafood export in the same period last fiscal year. Major factors in decline are overfishing, decreased demand for some of seafood products and procedural difficulties in seafood export specially to China.

Pakistan's Meat exports have increased over the last year from USD 75 million in Q1 to USD 78 million in FY'22. The export of Meat and Meat preparations has grown by 3.8%. The exports of the Meat sector have had gradual growth over a period, with new markets being opened through market players who are working to comply with the food standards of various exporting countries coupled with bringing advanced machinery and new practices to Pakistan. The Meat exports include raw and frozen beef, mutton, lamb, and chicken. The export of by-products includes casing, bones, horns and hooves, gelatin, etc. Pakistan's exports of Meat and Meat preparations are gradually penetrating different countries in terms of volume and value as it recorded a sustained increase. The exports of Meat and Meat products are largely concentrated to Gulf countries including Saudi Arabia, United Arab Emirates,

[3] https://apps.fas.usda.gov/newgainapi/api/Report

Kuwait, Qatar, Bahrain. Export of Meat is also increasing to countries such as Hong Kong, Maldives, and Vietnam. Recently, Malaysian government has allowed a third Pakistani Meat exporter after approving two others last year.

Quarter to Quarter comparasion show that the export of Agro Food sector recorded decline of 5% during Q1 (July-September) FY'22 as against Q4 (April-June) FY'21. The decline has been noticed in Rice, Fruits, Vegetables, Spices and Oil Seeds.

OTHER MANUFACTURING GROUP EXPORTS

For the economic growth, the manufacturing sector plays their crucial role in the economy of Pakistan as well. It is known as the third largest sector in Pakistan after the agriculture and service sector and share of this sector is 14 to 16 % per annum of overall GDP in the country. According to provisional data of PBS, the export of other Manufacturing sector has shown positive growth of 21% during Q1 (July-September) FY'22 as compared to the same period last year. Pakistan exported Engineering goods worth of USD 53 million and registered positive growth of 11%. All commodities have shown positive growth except Canvas Footwear, Electric Fan and specialized machinery during Q1 FY'22.

Table 8: Other manufacturing group (trade values in USD million)

SECTORS	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 v/s Q4 FY'21		
	Jul-Sep FY'22	July-Sep FY'21	% Change	July-Sep FY'21	April-June FY'21	% Change
OTHER MANUFACTURES GROUP	945.3	782.1	21%	945.3	896.0	5%
CARPETS, RUGS & MATS	18.0	15.2	19%	18.0	19.9	-9%
SPORTS GOODS	77.9	66.7	17%	77.9	81.8	-5%
a) FOOTBALLS	37.2	32.4	15%	37.2	36.9	1%
b) GLOVES	18.0	17.7	2%	18.0	21.2	-15%
c) OTHERS	22.7	16.6	37%	22.7	23.7	-4%
LEATHER TANNED	44.4	31.0	43%	44.4	48.6	-9%
LEATHER MANUFACTURES	154.5	145.7	6%	154.5	134.2	15%
a) LEATHER GARMENTS	80.5	77.6	4%	80.5	66.3	21%
b) LEATHER GLOVES	69.4	64.2	8%	69.4	63.6	9%
c) OTHER LEATHER MANUFACTURES	4.6	4.0	15%	4.6	4.3	7%
FOOTWEAR	38.5	33.4	15%	38.5	32.9	17%
a) LEATHER FOOTWEAR	32.2	29.3	10%	32.2	26.6	21%
b) CANVAS FOOTWEAR	0.0	0.1	-63%	0.0	0.1	-75%
c) OTHER FOOTWEAR	6.3	4.1	56%	6.3	6.3	1%
SURGICAL GOODS & MEDICAL INSTRUMENTS	98.1	104.5	-6%	98.1	103.6	-5%
CUTLERY	27.9	28.1	-1%	27.9	27.9	0%
ONYX MANUFACTURED	1.9	0.9	103%	1.9	2.0	-6%
CHEMICALS AND PHARM.PRODUCTS	362.5	223.9	62%	362.5	304.7	19%

a) FERTILIZER MANUFACTURED	0.0	0.0	-	0.0	-	-
b) PLASTIC MATERIALS	87.0	51.4	69%	87.0	89.3	-3%
c) PHARMACEUTICAL PRODUCTS	73.4	68.4	7%	73.4	62.8	17%
d) OTHER CHEMICALS	202.1	104.0	94%	202.1	152.7	32%
ENGINEERING GOODS	53.0	47.8	11%	53.0	63.1	-16%
a) ELECTRIC FANS	5.7	7.4	-23%	5.7	11.2	-49%
b) TRANSPORT EQUIPMENT	2.3	2.3	1%	2.3	5.0	-53%
c) OTHER ELECTRICAL MACHINERY	6.9	10.0	-30%	6.9	9.1	-24%
d) MACHINERY SPECIALIZED FOR			-		-	-
PARTICULAR INDUSTRIES	15.5	12.5	24%	15.5	17.8	-13%
e) AUTO PARTS & ACCESSORIES	6.2	4.6	34%	6.2	5.9	5%
f) OTHER MACHINERY	16.4	11.1	48%	16.4	14.0	17%
GEMS	1.3	1.6	-20%	1.3	0.8	60%
JEWELLARY	1.8	1.9	-4%	1.8	7.2	-75%
FURNITURE	2.1	0.6	221%	2.1	1.8	15%
MOLASSES	0.0	0.0	-67%	0.0	0.0	-
HANDICRAFTS	0.0	0.0	-100%	0.0	-	-
CEMENT	55.2	72.3	-24%	55.2	57.9	-5%
GUAR AND GUAR PRODUCTS	8.1	8.3	-2%	8.1	9.6	-16%
ALL OTHER ITEMS	552.4	366.9	51%	552.4	543.2	2%

The exports of Pharmaceutical products witnessed an increase of 7.3% during Q1 FY'22 as compared to the exports of corresponding period of last year. Pakistani medicines and personal protective equipment have increased across the globe. The government has especially focus to increase pharma exports through tariff rationalization, trade-related investment, institutional reforms and easing of business regulations. The "Made in Pakistan" marketing drive is also designed to promote Pakistani products in new markets which will greatly help increase the volume of pharma sector exports. The government is making all efforts in removing the obstacles hindering Pharmaceutical sector's growth. Large scale manufacturing (LSM) sector maintained a steady growth momentum in Q1 FY'22 as the lifting of pandemic restrictions had a positive impact on demand and production both at home and abroad.

Overall growth in the non-textile sector is mainly led by the value-added sectors. The non-textile sector has yet to receive full orders to pre-Covid levels. The sector has shown positive growth of 16% in Q1 FY'22. Pakistan is exporting a large portion of its Sports goods from Sialkot to international famous brands like Adidas, Nike, Puma, Lotto, Umbro, Mitre, Micassa, Diador, Wilson and Decathlon.

Exports of Electric Fan from Pakistan to world has shown decline in Q1 FY'22 by 22%. The industry is mainly located in Gujrat and partially in Gujranwala, there are 150-200 small to medium-sized electric fan manufacturing units, with their component suppliers also spread in the two cities. Manufacturers in the country produce ceiling and pedestal fans, with the former mostly being procured by domestic buyers. Made in Pakistan pedestal fans are currently being exported to Bangladesh, Afghanistan, Middle Eastern countries like Saudi Arabia, United Arab Emirates, Yemen, Iraq, etc. The main reason for decline is the increase of prices of basic raw materials needed for the production of electrical fans that have significantly raised the costs of the manufacturers and brought upward pressure on retail market rates across the country. The raw material market is quite volatile for the last six to eight months as the prices of electrical steel sheet, the most important material of a fan, with higher rates. Scrap, which is a second major source of getting steel for fan manufacturers, is hardly available as it is being exported to China. The industry is also facing a shortage of raw materials electrical steel sheet, copper, aluminum, and some plastic items in the domestic market. This along with poor sales owing to the shrinking buying powers of consumers amid the pandemic is leading to production cuts, fan manufacturers.

The exporters of Tanned Leathers registered growth of 43%, while Leather manufacturer has positive growth of 6 % including leather gloves and leather garments. Investors from Italy has shown positive response for Pakistan's priority sector – Leather for investment to grow the bilateral investment portfolio at a sustainable pace.

The exports of footwear have shown positive growth of 15% with 10% growth of leather footwear and 63% decline in Canvas footwear. It is pertinent to mention that all of the subgroups included in Engineering sector have shown positive growth except electric fan and electrical machinery in Q1 FY22 as compared to same period last year. Moreover, the exports of cutlery have decreased by 1%, worth USD 27.8 were exported as compared to the exports of USD 28.05 of the same period of last year.

Surgical instrument exports have shown decline of 6% during Q1 FY'22. Pakistan is one of the main suppliers of global surgical instruments. However, these instruments are re-marketed from western countries with famous brands. As a result, the export value of these products remains negligible.

Quarter to Quarter comparsion show growth of 5% during Q1 (July-September) as compared to Q4 (April-June) FY'21. The total exported value of other manufacturing group was USD 945 million in Q1 as compared to USD 896 million in Q4 of FY'21. The same trends were noticed in the sub sectors of Engineering and manufacturing as reported above during Q1 FY'22.

Government of Pakistan facilitated Engineering and Manufacturing sector through different facilitating schemes during FY'22. Export Facilitation Scheme 2021 is effective from 14th August 2021, and it shall reduce cost of doing business and cost of tax compliance, improve ease of doing business, reduce liquidity problems of exporters by eliminating Sales Tax refunds and Duty Drawback for the users of Scheme and shall attract more users and shall ultimately promote exports.

Pakistan manufacturing sector is mainly composed of SMEs including Surgical, Fans, Auto, Light engineering, footwear, plastics, and gloves. Keeping in view, the State Bank has introduced an innovative initiative to improve access to finance for Small and Medium Enterprises (SMEs) in collaboration with the Government of Pakistan with the express aim of enabling businesses who cannot offer security / collateral to access bank finance. This initiative has been brand named, 'SME Asaan Finance' or SAAF to emphasize the SME facilitation feature of this scheme to provide clean lending i.e. lending without collateral to SMEs.

PETROLEUM GROUP & COAL EXPORTS

During Q1 (July-September) FY'22 exported value for petroleum and coal group stood at USD 58.4 million positive growth of 26% as comapred to same period of last fiscal year. The different trend was recorded in Q1 FY'22 as compare to Q4 FY'22 of the sector and registered negative growth of 12% .

Table 9: Petroleum group exports (trade values in USD million)

SECTORS	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
	Jul-Sep FY'22	July-Sep FY'21	Jul-Sep FY'22	July-Sep FY'22	April-June FY'21	% Change
PETROLEUM GROUP & COAL	58.4	46.3	26%	58.4	66.2	-12%
PETROLEUM CRUDE	52.4	15.1	247%	52.4	44.0	19%
PETROLEUM PRODUCTS (EXCL TOP NAPHTA)	6.1	8.1	-25%	6.1	21.8	-72%
PETROLEUM TOP NAPHTA	0.0	23,177.0	-100%	0.0	0.4	-100%
SOLID FUELS (COAL)	0.0	0.0	0%	0.0	-	-

Quarter to quarter comparison shows that Petroleum sector has shown decline during Q1 FY'22 as compared to same period last year. Petroleum & Coal data was reported at USD 58 million during Q1 FY'22. Petroleum crude has shown positive growth while petroleum products and petroleum top naphtha have shown negative growth in Q1 FY'22.

PAKISTAN'S IMPORT PROFILE (GOODS)

Imports into Pakistan during Q1 (July-September) FY'22 amounted to USD 18.7 billion as against USD 11.2 billion as against same period of last FY'21 showing an increase of 66% over the last year. Imports during the current Q1, FY'22 over the preceding quarter April-June FY'21 also recorded an increase of 11%. The imports of partner countries showing increase and decrease have been detailed as follows:

TOP IMPORT PARTNERS SHOWING INCREASE (Q1: JULY-SEP FY'22 V/S FY'21)

Table 10: Top import destinations showing increase (trade values in USD million)

PARTNER COUNTRIES	JULY-SEP FY'22	JULY-SEP FY'21	% Change
China	5,050	3,041	66%
United Arab Emirates	2,227	1,167	91%
Saudi Arabia	1,135	569	99%
Indonesia	1,082	605	79%
United States	767	484	59%
Qatar	654	358	83%
Japan	503	191	164%
Kuwait	494	265	87%
Brazil	451	266	69%
Thailand	430	127	239%

One of the major reasons in the surge of import bill was the import of imports of raw materials. Oil prices have also increased substantially, which pushed up import bill because of high demand for energy in the domestic market. Moreover, Pakistan imported COVID-19 vaccines in bulk from China and it is reflected in the increase in imports of Pharmaceutical or Medicinal products.

TOP IMPORT PARTNERS SHOWING DECREASE (Q1: JULY-SEP FY'22 V/S FY'21)

Table 11: Top import destinations showing decrease (trade values in USD million)

PARTNER COUNTRIES	JULY-SEP FY'22	JULY-SEP FY'21	% Change
Kenya	129.1	130.3	-1%
Oman	123.1	136.3	-10%
Viet Nam	112.8	114.8	-2%
Netherlands	108.5	149.2	-27%
Canada	88.7	126.1	-30%
Switzerland	88.3	106.6	-17%
Austria	42.5	48.1	-12%
Mexico	12.2	20.9	-42%
Hong Kong	9.1	46.5	-80%

The Q1 of the current fiscal year FY'22 posted a rise of more than 100 per cent in trade deficit driven largely by an almost triple increase in the country's imports compared to exports. The merchandise trade deficit reached $11.664 billion in July-September FY'22 from USD 5.814 billion over the corresponding Quarter 1 of last year. The trade deficit poses a serious threat of causing pressure on the external side. However, increase in remittances, growth in export proceeds and Roshan Digital Account may help mitigate the pressure to a large extent.

The imports of China to Pakistan have registered an increase in the Petroleum oils and oils obtained from bituminous minerals (excluding crude), Human blood; animal blood prepared for therapeutic, prophylactic, Mineral or chemical fertilizers containing two or three of the fertilizing elements nitrogen, Polymers of propylene or of other olefins, in primary forms and Electric generating sets and rotary converters in Q1 FY'22. The imports of Petroleum oils and oils obtained from bituminous minerals (excluding crude), Petroleum oils and oils obtained from bituminous minerals, crude, Vessels and other floating structures for breaking up, Polymers of propylene or of other olefins, in primary forms, Ferrous waste and scrap; remelting scrap ingots of iron or steel (excluding slag, scale and Petroleum oils and oils obtained from bituminous minerals, crude have shown increase from UAE during reported period. The import surge has been noticed in Petroleum oils and oils obtained from bituminous minerals, crude, Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives, Mineral or chemical fertilizers containing two or three of the fertilizing elements nitrogen and Polymers of ethylene, in primary forms from Saudi Arab and the import of Coal; briquettes, ovoids and similar solid fuels manufactured from coal , Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, cold-rolled "cold-reduced, Apparatus based on the use of X-rays or of alpha, beta or gamma radiations, Slag, dross, scalings and other waste from the manufacture of iron or steel during Q1 FY'22 as compared to same period last year.

SECTOR-WISE IMPORTS PERFORMANCE

Of the total USD 18.7 billion imports during Q1 (July-September) FY'22, imports of the Petroleum Group ranked the highest with imports worth of USD 4,592 million followed by Machinery group (USD 2,845 million), agriculture & chemicals group (USD 2,958 million), food group (USD 2,363 million), metal group (USD 1,542 million), textile group (USD 1,187 million), transport group (USD 1,117 million), and miscellaneous group (USD 289 million). Main importing items of Pakistan during Q1 (July-September FY'22) were Petroleum products (USD 2,175 million), Petroleum crude (USD 1,254 million), Natural gas, liquefied (USD 1,024 million), Palm Oil (USD 891 million), Plastic Material (USD 754 million), Mobile phone (USD 494 million), Iron and Steel (USD 710 million), Raw cotton (USD 342 million) and Power generating machinery (USD 529 million).

Table 12: Imports Sectors (trade values in USD million)

	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
SECTORS	**Jul-Sep FY'22**	**July-Sep FY'21**	**% Change**	**July-Sep FY'22**	**April-June FY'21**	**% Change**
Grand Total	18,747	11,286	66%	18,747	16,934	11%
FOOD GROUP	2,364	1,713	38%	2,364	3,804	-38%
MACHINERY GROUP	2,846	2,105	35%	2,846	3,011	-6%
TRANSPORT GROUP	1,118	414	170%	1,118	2,958	-62%
PETROLEUM GROUP	4,593	2,328	97%	4,593	2,227	106%
TEXTILE GROUP	1,188	677	76%	1,188	1,276	-7%
AGRICULTURAL AND OTHER CHEMICALS GROUP	3,416	1,923	78%	3,416	1,080	216%
METAL GROUP	1,542	1,084	42%	1,542	977	58%
MISCELLANEOUS GROUP	289	270	7%	289	294	-2%
ALL OTHERS ITEMS	1,392	772	80%	1,392	1,307	7%

TOP IMPORT COMMODITIES SHOWING INCREASE (Q1: JULY-SEP FY’22 V/S FY’21)

Table 13: Top import commodities showing increase (trade values in USD million)

SUB-SECTORS	JULY-SEP FY’22	JULY-SEP FY’21	% Change
PETROLEUM PRODUCTS	2,176	1,126	93.21
PETROLEUM CRUDE	1,255	692	81.15
OTHERS	1,220	928	31.41
MEDICINAL PRODUCTS	1,147	279	310.96
NATURAL GAS, LIQUIFIED	1,024	419	144.02
ROAD MOTOR VEH. (BUILD UNIT,CKD/SKD)	897	325	175.45
CKD/SKD	599	180	231.76
PALM OIL	891	579	53.91
ALL OTHERS FOOD ITEMS	771	588	31.04
PLASTIC MATERIALS	754	518	45.50
OTHER MACHINERY	745	525	41.84
IRON AND STEEL	710	375	89.27
TELE COM	637	590	8.06
POWER GENERATING MACHINERY	529	424	24.94

TOP IMPORT COMMODITIES SHOWING DECREASE (Q1: JULY-SEP FY’22 V/S FY’21)

Table 14: Top import commodities showing decrease (trade values in USD million)

SUB-SECTORS	JULY-SEP FY’22	JULY-SEP FY’21	% Change
SOYABEAN OIL	21	47	-54.61
RUBBER TYRES & TUBES	70	96	-26.94
DRY FRUITS & NUTS	11	15	-25.67
INSECTICIDES	37	47	-20.23
MILK,CREAM & MILK FOOD FOR INFANTS	33	41	-18.51

SECTOR-WISE IMPORTS ANALYSES

The share of Petroleum sector in the import bill of Pakistan was 24% during Q1 July-September FY' 22. Petroleum group imports into Pakistan stood at USD 4,592 million Q1 as against USD 2,328 million during same period over last year showing an increase of 97%. Quarterly comparison showed that import payments in Q1 FY'22 has shown growth of 21% in Q1 as compared to Q4 of April-June FY'21 showing recovery of economy.

PETROLEUM GROUP

Table 15: Petroleum group imports (trade values in USD million)

SUB-SECTORS	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
	Jul-Sep FY'22	July-Sep FY'21	% Change	July-Sep FY'22	April-June FY'21	% Change
PETROLEUM GROUP	4,593	2,328	97%	4,593	3,804	21%
PETROLEUM PRODUCTS	2,176	1,126	93%	2,176	1,712	27%
PETROLEUM CRUDE	1,255	693	81%	1,255	1,084	16%
NATURAL GAS, LIQUIFIED	1,025	420	144%	1024.60 2	886	16%
PETROLEUM GAS, LIQUIFIED	138	89	54%	137.639	122	13%
OTHERS	0	0	197%	0.104	0	-

Pakistan's oil import bill has faced increased amount in this quarter because of increasing trend in the international oil prices. Pakistan's dependence on imported energy is on the rise due to low production of oil and gas from local fields. The continuing increase in import bill of oil is triggering trade deficit and may cause uneasiness on the current account. The unprecedented increase in prices of petroleum products for domestic users was seen in the first quarter of the current fiscal year. The unprecedented spike in the LNG imports is due to high prices of gas in the international market. The surge in global gas prices due to shortages in Europe has pushed Asian LNG to records for the time of year. That's forced Pakistan to pay the most ever for spot shipments to top up supply under long-term contracts, or even forgo them altogether.

MACHINERY GROUP

Import of Machinery Group is necessary for the growth of manufacturing sector of Pakistan. Over the Q1 (July-September) FY'22, the import performance of Machinery group has registered an increase of 35% as comapred to same period last year of FY'21. The comparasion shows that Pakistan imported Machinery worth of USD 2.8 billion during Q1 (July-September) FY'22 as against USD 2.1 billion wherein Power Generating Machinery has registered an increase of 24%. Quarterly comparison showed that import payments of Machinery Group in Q1 FY'22 has shown negative growth of 5% as compared to Q4 (April-June) of FY'22.

Table 16: Machinery group imports (trade values in USD million)

SUB-SECTORS	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
	Jul-Sep FY'22	July-Sep FY'21	% Change	July-Sep FY'22	April-June FY'21	% Change
MACHINERY GROUP	2,845	2,105	35%	2,845	3,011	-5%
POWER GENERATING MACHINERY	530	424	25%	530	556	-5%
OFFICE MACHINE INCL.DATA PROC EQUIP;	141	95	48%	141	129	9%
TEXTILE MACHINERY	231	94	145%	231	214	8%
CONSTRUCTION & MINING MACHINERY	39	31	23%	39	37	4%
ELECTRICAL MACHINERY & APPARATUS	492	324	52%	492	590	-17%
TELE COM	638	590	8%	638	670	-5%
A. MOBILE PHONE	495	493	0%	495	529	-6%
B. OTHER APPARATUS	143	97	47%	143	141	1%
AGRICULTURAL MACHINERY & IMPLEMENTS	31	21	47%	31	28	9%
OTHER MACHINERY	746	526	42%	746	788	-5%

The import of Machinery Group has shown growth, Power Generating Machinery, Office Equipment Machinery, Textile Machinery, Construction Machinery, Electrical Machinery, Telecom, Agriculture Machinery and other Machinery have shown increase of 25%, 48%, 145, 23%, 52%, 8%, 47% and 42% respectively during Q1 FY'22. Machinery imports are capital goods used for industrial production. Moreover, increase in imports may facilitate the production of other goods. Growth of exports in Textile sector and engineering sector explain the import growth of Textile Machinery during reported period.

The import of Mobile Phones has registered stagnant trend in Q1 FY'22 as against trend noticed in the last fiscal year 2021. The import of Mobile Phones is expected to reduce in next quarters as Pakistan became exporter of Mobile Phones. The first consignment of 5,500 mobile sets of 4G smartphones manufactured by Inovi Telecom was exported to the UAE in October 2021. An export supportive policy on the export of mobiles may allow Pakistan to beat competitors in the Middle East region.

AGRICULTURE AND CHEMICAL GROUP

Agriculture and Chemical Group has shown significant increase of 78% in the import bill during Q1 FY'22. The comparison shows that Pakistan imported Agriculture and Chemical products worth of USD 3,416 million during Q1 FY'22 as against USD 1,923 million during the corresponding period of last year.

All sub sector of Agriculture and Chemical Group have shown growth except insecticides and import of medicinal products showed considerable increase in imports. Vaccines imported under heading of Medicinal Products. Pakistan imported vaccines of COVID-19 in bulk from China and Europe. UNICEF has supported the Government's efforts to reduce virus transmission by promoting adherence to public safety health measures and is now supporting the COVID-19 vaccination campaign. Doses of COVID-19 vaccines have arrived in Pakistan through COVAX so far, and more are on the way. This includes doses of AstraZeneca, Pfizer and Moderna, the latter donated by the United States under COVAX' dose-sharing mechanism. Despite constraints on global vaccine availability, the Government of Pakistan has procured doses of COVID-19 vaccines licensed in China through bilateral agreements. The country started bottling PakVac, a one-dose COVID-19 vaccine licensed from China.

Imports of fertilizer manufactured into the country surged by 71 % valuing USD 256 million during Q1 of FY'22 as against the import of USD150 million of the same period in FY'21.

Table 17: Agriculture & other chemicals imports (trade values in USD million)

	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
SUB-SECTORS	**Jul-Sep FY'22**	**July-Sep FY'21**	**% Change**	**July-Sep FY'22**	**April-June FY'21**	**% Change**
AGRICULTURAL AND OTHER CHEMICALS GROUP	3,416	1,923	78%	3,416	2,958	15%
FERTILIZER MANUFACTURED	256	150	71%	255.848	279	-8%
INSECTICIDES	37	47	-20%	37.145	59	-37%
PLASTIC MATERIALS	755	519	45%	754.968	702	8%
MEDICINAL PRODUCTS	1,148	279	311%	1147.541	556	106%
OTHERS	1,220	928	31%	1,220	1,364	-11%

Some major fertilizer production units of Pakistan are playing an important role in fulfilling the demand for fertilizer including inorganic fertilizers (DAP, CAN, NP, UREA). Inorganic fertilizer increases the growth of crops used in the production of major crops on a large scale. However, some major inorganic fertilizers are used to import from the international market due to excessive demand. All other import sectors have also shown growth in the agriculture and chemical group except insecticides.

Insecticides imports reduced by 20% in Q1 and same trend has been notices in the quarterly comparison. Plastic materials have shown increase of 45% during Q1 of FY'22. Quarter to quarter comparison shows that the import of plastic has increased by 8% in the Q1 FY'22 as compared to Q4 of FY'22.

FOOD GROUP

Import of Food Group has shown positive growth of 38% in Q1 (July-September) of FY'22 as compared to the same period of FY'21. The main items imported in the Food group were Palm Oil (USD 891 million) and Milk & Cream for infants with imported value of USD 33 million followed by dry fruit (USD 11 million), Tea(USD 151 million), Spices (USD 69 million), Soya Bean (USD 21) and pulses (USD 274 million).

Table 18: Food group imports (trade values in USD million)

	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
SUB-SECTORS	**Jul-Sep FY'22**	**July-Sep FY'21**	**%CHNG**	**July-Sep FY'22**	**April-June FY'21**	**% Change**
FOOD GROUP	2,364	1,713	38%	2,364	2,227	6%
MILK,CREAM & MILK FOOD FOR INFANTS	34	41	-19%	34	45	-25%
WHEAT UNMILLED	99	102	-2%	99	0	-
DRY FRUITS & NUTS	11	15	-26%	11	9	21%

TEA	151	142	6%	151	145	4%
SPICES	70	50	40%	70	67	4%
SOYABEAN OIL	21	47	-55%	21	47	-55%
PALM OIL	891	579	54%	891	808	10%
SUGAR	92	13	593%	91	1	9050%
PULSES (LEGUMINOUS VEGETABLES)	224	135	65%	224	261	-14%
ALL OTHERS FOOD ITEMS	772	589	31%	772	842	-8%

Quarterly comparison has shown increase in the import of Food Group by 6% as compared to fourth quarter of FY'21. The sub-sectors of food group have registered an increase in imports in Q1 included Tea, Spices, Palm Oil, Sugar and pUlses. The import of Food products have shown decline included Milk crea, Wheat Unmilled, Dry fruits, wheat and Soya Bean oil in Q1 of FY'22 from the corresponding quarter of FY'21.

The surge in import bill of Tea, Spices and Palm oil in value during the period under review indicate non availability of domestic production in these products. Within the food group import, the major contribution came from Wheat, Sugar, edible oil, Spices, Tea and Pulses. Edible oil import witnessed a substantial increase. Import of Palm oil recorded a growth of 54% in value over the corresponding quarter of last year. The Palm oil bill increased owing to increase in international price of Palm oil.

Pakistan imported USD 99 million worth of Wheat and USD 92 million worth of Sugar in the Q1 FY'22 and registered decline of 2% in wheat and increase of 593% in Sugar compared to imports last year. The import of Wheat was made to bridge the gap between supply and demand of staple food in the market.

Pakistan's surge in import bill of Food products were due to the domestic shortages of food and agricultural commodities - unavoidable for reasons of food security, controlling domestic inflation and securing inputs for textile exports - is one of the major reasons behind surge in the imports. Global demand escalation and supply chain disruptions caused by container shortages appear to be responsible for escalation in costs. Higher tariffs on imports of essential items, however, will further acerbate inflation.

METAL GROUP

The metal group imports have shown an overall increase of 42% in Q1 (July-September) of FY'22 as compared to the same period last FY'21. In comparison with the Q4 of FY'22, the import bill of metal group decreased by 21% USD 1,542 million in Q1 of FY'22.

Table 19: Metal group imports (trade values in USD million)

SUB-SECTORS	Q4 FY'22 v/s Q1 FY'21			Q1 FY22 V/S Q4 FY'21		
	Jul-Sep FY'22	July-Sep FY'21	% Change	July-Sep FY'22	April-June FY'21	% Change
METAL GROUP	1,542	1,084	42%	1,542	1,276	21%
GOLD	4	1	307%	4.301	3	43%

IRON AND STEEL SCRAP	501	485	3%	500.527	439	14%
IRON AND STEEL	710	375	89%	710.03	532	33%
ALUMINIUM WROUGHT & WORKED	54	33	61%	53.502	54	-1%
ALL OTHER METALS & ARTICALS	274	190	44%	273.841	247	11%

Import of Gold during Q4 was surged and reached upto USD 4 million. All sub sectors in the Metal Group have shown growth during Q1 of FY'22. Government announced a special incentive package for the construction sector on April 3, 2020 and Promoted construction as an industry. The incentive package is extended for another year, along with an amnesty for another three months. The adverse impact of the coronavirus outbreak was recorded in the Construction industry during COVID-19. Pakistani builders benefitted from the concessions given by the government through subsidies provided during pandemic. It attracted a good number of builders and contractors, who started investing in this sector, and generated healthy competitive economic activity. Iron and steel are raw materials used in the construction industry. The surge in imports shows higher local demand of the products that will be used in the local construction industry.

TEXTILES GROUP

The Textile imports have increased by 75% during Q1 FY'22 as compared to same period of FY'21. The comparison shows that Pakistan imported textiles worth of USD 1,188 million during FY'22 as against USD 677 million during the corresponding period of last year. Quarter to Quarter comparison show that Textile group imports during July-September FY'22 surge by 10% from the corresponding quarter of April-June FY'21.

Table 20: Textiles group imports (trade values in USD million)

	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
SUB-SECTORS	**Jul-Sep FY'22**	**July-Sep FY'21**	**% Change**	**July-Sep FY'22**	**April-June FY'21**	**% Change**
TEXTILE GROUP	1,188	677	75.5%	1,188	1,080	10%
RAW COTTON	343	208	65%	343	448	-23%
SYNTHETIC FIBRE	244	142	72%	244	188	30%
SYNTHETIC & ARTIFICIAL SILK YARN	226	141	61%	226	156	45%
WORN CLOTHING	113	37	208%	113	105	7%
OTHR TEXTILE ITEMS	262	149	75%	262	183	43%

In the Q1 of FY'22, import of raw cotton has increased by 65% as against same period of FY'21. Cotton production in the country witnessed decline Moreover, import of Worn clothing increased by 208% whereas Synthetic Fibre and Synthetic & Artificial Silk Yarn had an increase of 72% and 61% respectively. The import of worn clothing registered an increase from China, USA, Australia, Korea and Germany. The growing import of textile group are a matter of concern for our domestic Textile industry as over-reliance on import of Raw Cotton and Fibres can be damaging for the sustainability of local Textile industry.

Increase in the import of Raw Cotton (5201) noticed from USA, Brazil, Turkey, Tanzania. On other aspect, the increase in imported inputs provides an opportunity for Textile producers to source its inputs from otherwise cheaper but higher quality alternatives.

TRANSPORT GROUP

The import of transport group has shown significant increase of 170% in Q1 (July-September) of FY'22 as compared to same period last year. The statistics reveal that around USD 1,117 million worth of goods under transport group were imported during Q1 FY'22. Quarterly comparison shows a growth of 14% during Q1 of FY'21.

Both CBU and CKD transport vehicles have increased by 132% and 232% in Q1 of FY'22 as compared to same quarter of FY'21. Government has announced new import policy for the Auto sector of Pakistan wherein terms for the import of cars has been revised which contributed greatly to the increase in imports. The biggest driver of this increase was the CKD and SKD units of motor cars. Consequently, there has been a significant increase in production of locally assembled cars in Pakistan.

The number of cars sold in Pakistan soared by 114% to 24.918 units in July 2021 (compared to 11.659 units in July 2020) due to a decline in auto financing mark up and a reduction in car prices in the budget. During the last financial year car financing also increased by 46%.

Table 21: Transport group imports (trade values in USD million)

	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
SUB-SECTORS	**Jul-Sep FY'22**	**July-Sep FY'21**	**% Change**	**July-Sep FY'22**	**April-June FY'21**	**% Change**
TRANSPORT GROUP	1117.6	414.3	170%	1117.6	977	14%
ROAD MOTOR VEH. (BUILD UNIT,CKD/SKD)	897.2	325.7	175%	897.2	827	8%
a. CBU	153.1	65.9	132%	153.1	140	9%
A.BUSES,TRUCKS & OTH. HEAVY VEHICLES	56.2	26.3	113%	56.2	46	22%
B.MOTOR CARS	95.5	39.2	144%	95.5	93	3%
C.MOTOR CYCLES	1.4	0.4	256%	1.4	1	37%
b. CKD/SKD	599.6	180.7	232%	599.6	551	9%
A.BUSES,TRUCKS & OTH. HEAVY VEHICLES	174.0	45.2	285%	174.0	141	23%
B.MOTOR CARS	407.5	124.8	227%	407.5	389	5%
C.MOTOR CYCLES	18.2	10.7	70%	18.2	21	-13%
c. PARTS & ACCESSORIES	119.1	61.6	93%	119.1	111	7%
d. OTHERS	25.4	17.5	45%	25.4	25	2%
AIRCRAFTS, SHIPS AND BOATS	218.0	86.7	151%	218.0	140	56%
OTHERS TRANSPORT EQUIPMENTS	2.4	1.9	26%	2.4	10	-76%

The import of Transport Group registered positive growth wherein all components have shown positive growth. Motor cars imports increased by 227% and motorcycle imports were increased by 70% during Q1 FY'22. Demand for cars, SUVs, pickups and vans remained upbeat despite rising prices on account of vulnerable exchange rate from August 2020 to date, high freight charges, chip shortage and late arrivals of parts and accessories owing to port congestion, late delivery period extending up to first quarter of 2022 and high own money on spot buying at the showrooms. However, the federal budget FY22 provided a little price relief owing to relaxation in duties and taxes in vehicles.

Pakistan is entering in the manufacturing of proton vehicles. Engineering Development Board (EDB) – Ministry of Industries and Production after verification, has issued certification in-house assembling/manufacturing facilities to Al-Haj Automotive (Pvt.) Ltd. making it qualified to assembled Proton vehicles in Pakistan. The company adopted the industry-best technology in state-of-the-art assembly plant.

MISCELLANEOUS GROUP

The miscellaneous group imports in Q1 (July-September) of FY'22 have seen an overall 7% increase in total and all the sub sectors have shown increase in imports. Crude rubber, wood and cork, jute and paper & paper board increased by 4%, 23%, 51% and 38% respectively. The import trend of the Q1 of FY'22 indicates a growing trajectory over the preceding quarter of Q FY'21. Quarterly comparison statistics show that the import of miscellaneous group decreased by 2 % during FY'22 as compared to FY'21 with the increase in all the sectors except rubber tyres and wood cork have registered a negative growth of 17%.

Table 22: Miscellaneous group imports (USD million)

	Q1 FY'22 v/s Q1 FY'21			Q1 FY'22 V/S Q4 FY'21		
SUB-SECTORS	Jul-Sep FY'22	July-Sep FY'21	% Change	July-Sep FY'22	April-June FY'21	% Change
MISCELLANEOUS GROUP	289	270	7%	289	294	-2%
RUBBER CRUDE INCL. SYNTH/RECLAIMED	56	54	4%	56	49	15%
RUBBER TYRES & TUBES	70	96	-27%	70	85	-17%
WOOD & CORK	28	23	23%	28	34	-17%
JUTE	11	7	51%	11	9	26%
PAPER & PAPER BOARD & MANUF.THEREOF	123	89	38%	123	117	5%
ALL OTHERS ITEMS	1392	772	80%	1392	1,307	7%

TRADE IN SERVICES

EXPORT PERFORMANCE OF SERVICES

Exports and imports of Trade in Services during July-September FY'22 registered positive growth of 23% during Q1 of FY'22. All Service exports have shown surge except Construction and Maintenance

Service. The complete impact of the pandemic may not be calculated through provisional statistics. The real impact will be quantified in coming months. Trade statistics of Services are based on a balance of payments recorded by State Bank of Pakistan. Export of IT Services has shown remarkable performance like Textile Sector and registered growth of 43% during Q1 FY'22.

As per Extended Balance of Payments Services Classification (EBOPS 2010), Trade in Services has been divided into 12 categories. The cumulative exports of Services in the first quarter FY'22 stood around USD 1.57 billion increased by 23% from the previous corresponding quarter exports of USD 1.27 billion in the FY'21.

Table 23: Services exports (trade values in USD million)

SERVICES	JULY-SEP FY'22	JULY-SEP FY'21	% Change
Exports of Services	**1,572**	**1,276**	23%
Manufacturing Services on Physical inputs owned by Others	0	0	#DIV/0!
Maintenance and Repair Services n.i.e.	1	0	#DIV/0!
Transport	118	159	-26%
Travel	141	82	72%
Construction	36	30	20%
Insurance and Pension Services	10	8	25%
Financial Services	19	14	36%
Charges for the use of Intellectual Property n.i.e.	4	3	33%
Telecommunications, Computer, and Information Services	635	445	43%
Other Business Services	394	304	30%
Personal, Cultural, and Recreational Services	3	2	50%
Government Goods and Services n.i.e.	211	229	-8%
of which: Logistic Support			

IMPORT PERFORMANCE OF SERVICES

Table 24: Services imports (trade values in USD million)

SERVICES	JULY-SEP FY'22	JULY-SEP FY'21	% Change
Imports of Services	**2,289**	**1,809**	27%
Manufacturing Services on Physical inputs owned by Others	0	0	-
Maintenance and Repair Services n.i.e.	15	15	0%
Transport	915	554	65%
Travel	253	180	41%
Construction	29	0	#DIV/0!
Insurance and Pension Services	73	47	55%

Financial Services	46	30	53%
Charges for the use of Intellectual Property n.i.e.	71	37	92%
Telecommunications, Computer, and Information Services	137	138	-1%
Other Business Services	641	752	-15%
Personal, Cultural, and Recreational Services	0	0	-
Government Goods and Services n.i.e.	109	56	95%

SECTORAL ANALYSES OF TRADE IN SERVICES

The most recent statistics shows that import of services trade registered an increase of 23% in the Q1 (July-September FY'22). The statistics shows that all services of Travel, Telecommunication and Maintenance, Construction, Financial and IT are increased except Transport and Government good and services.

More importantly, there are significant spillover effects into other complementary sectors that can receive a boost from a rapidly developing ICT sector. The growth in the ICT sector accompanies increasing demand for related goods and services, including but not limited to office machinery, computer equipment, telecommunication equipment as well as internet and e-commerce services.

GOVERNMENT INITIATIVES FOR EXPORT FACILITATION

I. For the month August 2021, Ministry of Commerce (MOC) released a total of Rs. 6 billion under DLTL schemes. This includes Rs. 5.6 billion for Textiles sector & Rs. 400 million for Non-Textile sector.
II. The facilitation of manufacturers of non-sterile Personal Protective Equipment (PPEs) for medical use, the Drug Regulatory Authority of Pakistan (DRAP) has notified new guidelines, in line with international standards. These are more business-friendly & eliminate unnecessary requirements (e.g. HVAC systems, area, etc). The collaborative effort of BOI & DRAP in formulation of the guidelines will support manufacturers to cater to local demand as well as entertain export orders for PPEs.
III. In August 2021, State Bank Pakistan notified changes in Foreign Exchange Manual for local and foreign companies operating in Pakistan. This will promote FDI and export digital services and will contribute to Ease of Doing Business.
IV. For the month September (2021) MOC released the new refunds worth Rs. 6,000 million under the DLTL schemes. It included Rs. 5,400 million for textile sector and Rs. 600 million for non-textile sectors, and the cabinet approved the proposal related to contract manufacturing for the Pharmaceutical sector. It opened new avenues for export and joint venture opportunities for our Pharmaceutical industry. Contract Manufacturing enables SME's to begin selling their products without obtaining a large amount of capital necessary to build and run a factory. This will bring new job opportunities.
V. Export Facilitation Scheme 2021 is effective from 14^{th} August 2021 and it shall reduce cost of doing business and cost of tax compliance, improve ease of doing business, reduce liquidity problems of exporters by eliminating Sales Tax refunds and Duty Drawback for the users of Scheme and shall attract more users and shall ultimately promote exports.

VI. The State Bank has introduced an innovative initiative to improve access to finance for Small and Medium Enterprises (SMEs) in collaboration with the Government of Pakistan with the express aim of enabling businesses who cannot offer security / collateral to access bank finance. This initiative has been brand named, 'SME Asaan Finance' or SAAF to emphasize the SME facilitation feature of this scheme to provide clean lending i.e. lending without collateral to SMEs.

FUTURE TRADE OUTLOOK

Pakistan's economic growth rebounded to 3.9 % in fiscal year FY'21 and is expected to reach 4% in FY'22. Pakistan's exports to China, Afghanistan, Iran, Turkey, and the Central Asian Republics expanded to USD 938 million in the first three months of the FY'22 compared to USD 694 million in the same quarter last year. FBR has exceeded the target of revenue collection by approx. Rs. 180 billion during Q1 FY'22. Similarly, our exports are likely to cross USD 30 billion by the end of FY'22 forecasted *(Asian Development Outlook, 2021)*. This growth forecast assumes recovery in private investment as consumer confidence and business activity improves amid the ongoing vaccination rollout and various economic stimulus measures announced in the budget for FY'22.

In the first quarter of the current financial year, Pakistan's information technology exports grew by 43% year on year. During Q1 FY'22 exports of Goods and Services grew by 28 % to USD 8.8 billion and imports surged by 65.08 % to USD 19 billion. Moreover, the remittances have registered an increase of USD 2.7 billion during the month of September 2021 and reached USD 8 billion during the first quarter of FY'22. Pakistan is back on growth trajectory due to pro-growth policies of the Government.

Government is firmly committed to provide an enabling environment for the foreign investors and businessmen. Exports will further benefit from continued initiatives to reduce the cost of doing business and especially from the government's newly introduced export facilitation scheme, which allows the duty- and tax-free acquisition of inputs: intermediate goods, plant, and machinery. American enterprises to take advantage of ample opportunities offered by the Special Economic Zones (SEZs) and affirmed full support and facilitation on the occasion. Pandemic had uncovered new roles for digital remote services, while new inventions have created growth opportunities for the supply of services. Moreover, digital technologies make services more tradable and enable services to increase productivity of other sectors including manufacturing. Digital platforms open up new markets for firms, and our export sector is joined to continue with this momentum.