PAKISTAN TRADE PERSPECTIVE

OCTOBER - DECEMBER 2020

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ACKNOWLEDGEMENTS

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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)
Q2	SECOND QUARTER OF FISCAL YEAR (OCTOBER - DECEMBER)
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 - DECEMBER 2020

COVID-19 has changed the dynamics of global economics and trade, and the final quarter of 2020 was of no different. While the news of the vaccine has boosted global trade but the update of new Covid strains has led to new lockdowns and travel restrictions which is expected to curb economic activities yet again.

Global merchandise trade volume recovered in the third quarter of 2020 from COVID-19 crisis. In the third quarter, the volume of merchandise trade rose 11.6% as against previous quarter. In spite of the rebound, the trade volume between July and September was still 5.6% lower than in the same period last year. Developed countries registered stronger recoveries in their export proceeds, while the pace of growth was slow in the economies having export of natural resources. Double-digit export growth as against previous quarter was recorded in North America (20.1%), Europe (19.3%) and Asia (10.1%, from a higher base due to a smaller decline in the second quarter), while slow growth was noticed in South and Central America (3.1%). Though, on YOY basis exports in the third quarter were shown decline in North America (-9.0%), Europe (-5.4%), South and Central America (-3.4%) and Other regions (-11.4%). The only exclusion was recorded in Asia with positive growth of +0.4%, as compared to same period last year.

Merchandise import volume raised up significantly in North America (16.6%) and Europe (15.0%) in the third quarter as compared to second quarter. In contrast, Asia's merchandise imports registered growth of 2.1% in the third quarter. South and Central America recorded an additional 0.7% decline in the third quarter compared with the previous quarter while imports of other regions collectively increased by 3.2%.

The pick-up in merchandise trade volume growth in the third quarter coincided with the relaxation of lockdown measures in Europe and North America as their health situations improved in the summer months. Recovery was also supported by extensive fiscal and monetary policy interventions in major economies, as well as by adaptation in key sectors (notably online retail businesses and service providers in the United States and Europe) as businesses and households embraced technological solutions to facilitate working and shopping from home. In contrast, trade remained weak in South and Central America and Other regions due to surge of COVID-19 and a lack of fiscal and monetary policy capacity.

With the vaccines rolling out in many developed nations, the economic estimates seem achievable. More importantly, the handling of the Covid crisis will determine how the global trade framework is empowered in the following years. The exceptional fiscal and monetary policies given in the year 2020 will play a big role in how economies will sustain their balance of trade in the future.

Source: https://www.wto.org

[1] World Trade data is available with a lag of a quarter. Data analyses for the third quarter 2020 are based on estimated values.


CRONOS
CRONOS
CLOSED
TEMPORARILY
DUE TO COVID-19
PANDEMIC

PAKISTAN ECONOMIC OUTLOOK
OCTOBER - DECEMBER 2020

Pakistan economy is in progress to regain its pre-Covid path in the FY2021. There was a notable pickup in economic activity, and demand indicators recorded encouraging growth. The economic recovery is credited to the strategies adopted by the government and the timely support measures taken by the country. Following the easement in COVID induced lockdown after May 2020, economic activity in Pakistan has resumed to normal during October to December 2020. Pakistan's exports in the second quarter of fiscal year 2021 have posted a growth of 10.38% whereas foreign remittances increased by 19.3% for the same period. The inflation rate in the country has also seen relative sustainability as even after being hit by the pandemic; the economy has responded well on the average consumer price index which for Q2 FY'21 remained at 8.41% over 12.11% in Q2 FY'20.

The industrial sector is slowly but surely moving towards its rebuilding phase. During July-November FY 2020-21, LSM grew by 7.4 percent in October FY2021, on a year-on-year basis, Textile, Food Beverages & Tobacco, Non-Metallic Mineral Products, Iron & Steel Products, Fertilizer and Automobile grew by 3.1%, 57.6%, 12%, 3.4%, 9.2% and 44.5 percent, respectively.

The locust outbreak that had adversely impacted the crop production throughout the whole year, has also been efficiently been taken care of by the collaborated efforts from federal and provincial governments. As a result, during the current quarter, an increase in agricultural production was witnessed. The timely measures by the government and agricultural packages like the "Rabi Package" have contributed greatly to the surge in agricultural produce. It is estimated that during current FY2020-21, the agriculture sector is likely to surpass its growth target of 2.8%.

Furthermore, major economic measures for the industrial sector such as release of Rs. 1.77 billion under DLTL (Textiles), Rs. 100 billion under Temporary Economic Refinance Facility (TERF) to the business community to ensure liquidity, subsidized utility tariffs for industry, and the release of refunds from FBR have been taken to boost growth of industries, promote domestic production and therein increase exports. With all these measures, Pakistan's economy is showing resistance and recovery against the damage caused by the closure of economic activity and lockdown imposed during the first half of 2020.

From October-December 2020, the trade deficit grew by US$ 567 million (actual US$ 6.55 billion) from the trade deficit of US$ 5.98 billion in the matching period last year. The surge in import bill can be attributed towards the imports of food products and textile related inputs. Despite the negative trend in balance of trade, the YoY exports during the reported quarter grew by 10%.

With the new strain of the Covid virus having reached into Pakistan it is apprehended that this may dampen the efforts of stabilizing the economy. This new wave will in turn force the government into precautionary measures and will force their hand by closing of public spaces and educational institutes which will decrease economic activity as a whole. The third quarter of the fiscal year of 2020-21 will be very important also owing to the distribution of the vaccine around the world which will not only affect Pakistan's trade but also affect global trade too.

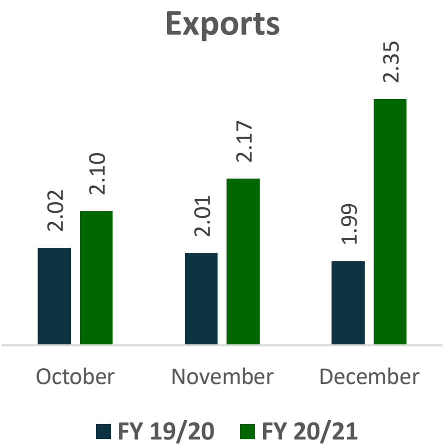
PAKISTAN'S ECONOMIC INDICATORS

Q2: OCTOBER - DECEMBER FY 2020-21

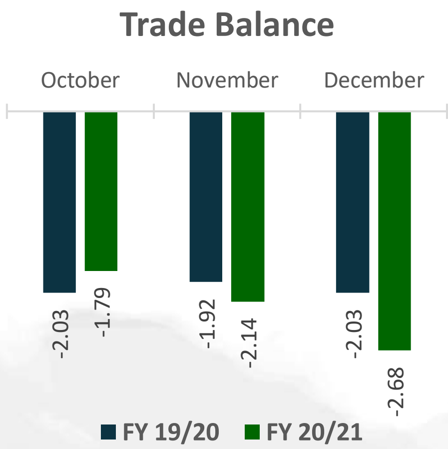
HALF-YEARLY: JULY - DECEMBER FY 2020-21

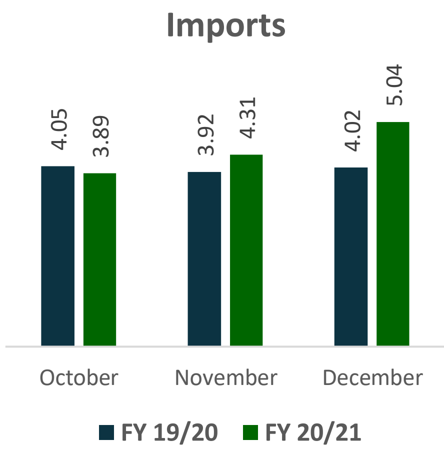
PAKISTAN'S TRADE OUTLOOK

OCTOBER – DECEMBER COMPARISON OF FY2019-20 WITH FY2020-21

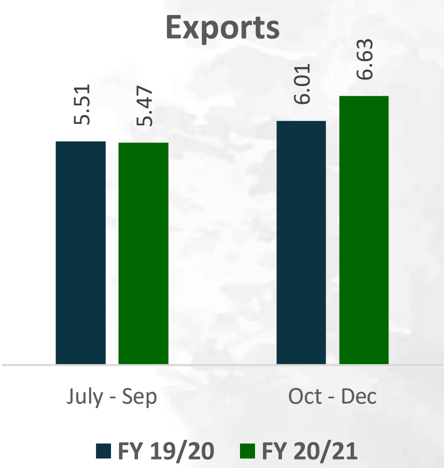


TRADE VALUES IN US$ BILLION

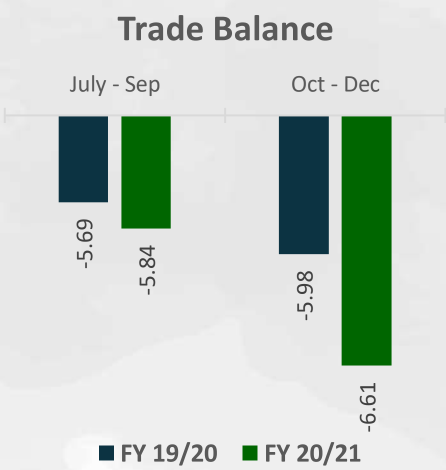


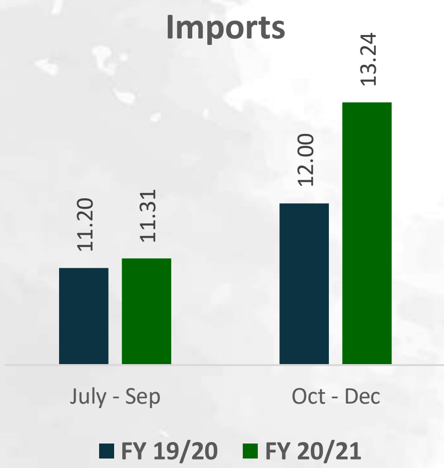


QUARTERLY COMPARISON OF FY2019-20 WITH FY2020-21



TRADE VALUES IN US$ BILLION





PAKISTAN'S EXPORT PROFILE (GOODS)

Pakistan's exports during October-December of FY2020-21 have escalated by 10% to US$ 6.64 billion from US$ 6.01 billion in October-December of FY2019-20. On cumulative basis, in the first six months of FY2020-21, export proceeds have grown by 5% over the same period of last fiscal year (FY 2019-20) and have reached to US$ 12.11 billion. For the current fiscal year, there is a notable pickup in export revenue in Q2 (FY2020-21) as against Q1 (FY2020-21). Export proceeds have surged by 21 % from US$ 5.4 billion in Q1 FY2020-21 to US$ 6.6 billion in Q2 FY2020-21.

The exports to partner countries showing increase and decrease have been detailed as follows:

TOP EXPORT PARTNERS SHOWING INCREASE (Q2: OCT-DEC FY 2020/21)

Export Destinations	Oct-Dec FY20/21	Oct-Dec FY19/20	% Change
United States	1,308	1,022	28%
China	721	514	40%
United Kingdom	555	422	32%
Netherlands	330	274	20%
Germany	408	358	14%
Indonesia	57	38	49%
Hong Kong	42	23	80%
Russian Federation	53	35	48%
Viet Nam	59	44	34%
Philippines	37	22	67%

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

TOP EXPORT PARTNERS SHOWING DECREASE (Q2: OCT-DEC FY 2020/21)

Export Destinations	Oct-Dec FY20/21	Oct-Dec FY19/20	% Change
Kenya	73	371	-80%
Bangladesh	171	200	-14%
Sri Lanka	73	96	-24%
United Arab Emirates	250	272	-8%
Thailand	39	57	-32%
Djibouti	8.5	23	-63%
Madagascar	10.6	25	-58%
Yemen	16.5	30	-45%
Malaysia	50	62	-19%
Afghanistan	223	234	-5%

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

SECTOR-WISE EXPORTS PERFORMANCE

During October-December, FY2020-21, textile group has shown remarkable performance and has earned export revenue of US$ 3.9 billion, 12% more than that earned in the same period of last fiscal year, followed by food group (US$ 1.23 billion), other manufactures group (US$912 million) and petroleum and coal group (US$ 46 million). Main commodities exported during October-December, FY2020-21 were Knitwear (US$ 989 million), Readymade garments (US$ 789 million), Bed wear (US$743 million), Rice (US$ 603 million), Cotton cloth (US$ 478 million), Chemical and Pharma products (US$ 327 million), Towels (US$ 241 million), Cotton yarn (US$230 million), Made-up articles (US$ 207 million), Other textile material (US$ 162 million) and Leather manufactures (US$ 147 million).

SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
TOTAL	**6,638**	**6,014**	**10%**	**12,110**	**11,524**	**5%**	**6,638**	**5,472**	**21%**
FOOD GROUP	1,225	1,215	1%	2,032	2,200	-8%	1,225	808	52%
TEXTILE GROUP	3,973	3,533	12	7,442	6,905	8%	3,973	3,470	14%
PETROLEUM GROUP & COAL	46	106	-56%	93	168	-45%	46	46	-
OTHER MANUFACTURES GROUP	912	933	-2%	1,694	1,620	5%	912	782	17%
ALL OTHER ITEMS	482	226	113%	849	632	0.3%	482	366	32%

Table 3: Exports Sectors (Trade values in US$ Million)

TOP EXPORT COMMODITIES SHOWING INCREASE (Q2: OCT-DEC FY 2020/21)

SUB-SECTORS	Oct – Dec FY'21	Oct – Dec FY'20	% Change
18.KNITWEAR	989	808	22%
22.READYMADE GARMENTS	788	746	5.8%
19.BED WEAR	742	597	24%
38.CHEMICALS AND PHARM.PRODUCTS	327	233	41%
20.TOWELS	241	199	21%
24.MADEUP ARTICLES (EXCL.TOWELS & BEDWEA	207	176	18%
25.OTHER TEXTILE MATERIALS	162	124	31%
33.LEATHER MANUFACTURES	147	143	2.4%
d) OTHER CHEMICALS	144	101	43%

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

TOP EXPORT COMMODITIES SHOWING DECREASE (Q2: OCT-DEC FY 2020/21)

SUB-SECTORS	Oct – Dec FY'21	Oct – Dec FY'20	% Change
15.COTTON CLOTH	478	514	-7%
14.COTTON YARN	230	247	-7%
12.ALL OTHER FOOD ITEMS	145	150	-3%
a) BASMATI	142	185	-23%
2.FISH & FISH PREPARATIONS	117	146	-20%
a) LEATHER GARMENTS	75	75	-
4.VEGETABLES	74	88	-16%
31.SPORTS GOODS	63	75	-16%
32.LEATHER TANNED	41	52	-21%
a) FOOTBALLS	32	42	-23%

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

SECTOR-WISE EXPORTS ANALYSES

TEXTILE GROUP

The share of textile industry in the economy along with its contribution to exports, employment, foreign exchange revenue, investment and value addition makes it the single largest manufacturing sector of Pakistan. Textiles trade is classified into two broad categories i.e. textile which include yarn, fabric and made-ups, and clothing which represents read-made garments.

SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
TEXTILE GROUP	**3,973**	**3,533**	**12%**	**7,442**	**6,905**	**8%**	**3,973**	**3,470**	**14%**
13.RAW COTTON	0.3	5	-93%	1	15	-96%	0	0	17%
14.COTTON YARN	230	247	-7%	401	544	-26%	230	170	35%
15.COTTON CLOTH	478	514	-7%	935	1,013	-8%	478	457	5%
16.COTTON CARDED OR COMBED	-	-	0%	-	0	-100%	-	-	0%
17.YARN OTHER THAN COTTON YARN	8	7	8%	13	15	-7%	8	6	41%
18.KNITWEAR	989	808	22%	1,850	1,587	17%	989	861	15%
19.BED WEAR	743	597	24%	1,394	1,198	16%	743	651	14%
20.TOWELS	241	199	21%	446	379	17%	241	205	18%
21.TENTS, CANVAS & TARPULIN	34	24	44%	62	40	58%	34	28	22%
22.READYMADE GARMENTS	789	746	6%	1,490	1,412	6%	789	701	12%
23.ART, SILK & SYNTHETIC TEXTILE	92	89	3%	168	167	0%	92	76	21%
24.MADEUP ARTICLES (EXCL.TOWELS & BEDWEAR	207	175	18%	379	323	17%	207	173	20%
25.OTHER TEXTILE MATERIALS	162	124	31%	304	211	44%	162	142	14%

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

Textile sector has contributed 60% to the total export earnings in second quarter of the current fiscal year (Q2 of FY 2020-21) and has shown year-on-year progress of 12% (actual US$ 3972 million) from Q2 of FY 2019-20. The top growing textile commodities during Q2 FY 2020-21 over Q2 FY2019-20 were Tents & Canvas (44%) followed by Other textile material (31%), Bed wear (24%), Knitwear (22%), Towels (21%), Made-up articles (18%) and Readymade garments (6%). Whereas, Raw cotton (-93%), Cotton yarn (-7%) and Cotton cloth (-7%) registered decline over the same period.The falling production of cotton in the country has hampered its export to the partner countries. Factors contributing to such decline include poor seed quality, lack of new seed technology, climate change, heat wave, cotton leaf curl virus, pink ball worm, white fly, and incresing trend of switching for other cash crops. In calender year 2020, cotton production fell by 16% (down to 8.6 million bales against 10.2 million bales in the last calendar year of 2019).

Bi-annual analysis indicate changing trend of value-added textile products for exports which is a positive indicator confirm country's preference for exports of value-added textile products. At aggregate level, textile based exports grew at the rate of 8% from US$ 6,904 million in July-Decmeber FY2019-20 to US$ 7,442 in July - December FY2020-21.

Comparison of second quarter (Q2 FY 2020-21) with the first quarter of the current fiscal year (Q1 FY 2020-21) exhibits that textile and clothing exports have largely recovered from the COVID-19 pandemic shock and have registered a positive growth of 14% from US$ 3,469 million (Q1 FY 2020-21) to US$ 3,973 million (Q2 FY 2020-21). The export recovery is prominent for both the value added and non-value added sub-sectors. In value terms, Knitwear appreciated by US$ 128.08 million followed by Bed wear (US$ 91.21 million), Readymade garments (US$ 87.50 million) and Cotton Cloth (US$ 20.89 million).

The trend is consistent with the contry's preference for value added products. Moreover, demand of home based textile remained strong than ready made garments largely due to pandemic attacks and imposed restrictions. Factors like policy support and facilitation from the Government in the form of energy package announced for export industry, release of Rs. 1.78 billion under Drawback of Local Taxes and Levies (DLTL) scheme by Ministry of Commerce, enhanced output of textile manufacturing industries and market-based exchange rates have helped exports become competitive. Output of large-scale manufacturing index (LSMI) for textile grew by 0.66 % during October FY2020-21 as compared to October in FY2019-20.

AGRO-FOODS GROUP EXPORTS

Agriculture sector is vital to Pakistan's economy, employment opportunities and food security. Agriculture employs 45% of total labour force and 60% of the rural population. Besides, it is a major source of employment, helps to meet food and nutritional requirements of population and provides raw-material to agro-based industries in general and to textile, clothing and agri-commodities exports in particular.

Export performance of food group in October-December FY 2020-21 enhanced by 0.8 % over October-December of FY 2019-20. During the said period, oil seeds have shown eminent growth of 124% from US$ 14.55 million in Q2 FY 2019-20 to US$ 32.52 million in Q2 FY 2020-21. The same rising trend has been noticed for Tobacco (44%), Rice other than basmati (22%) and Fruits (20%). While export earnings from Basmati, Fish and Vegetables fell by 23%, 20% and 16% respectively.

Exports of fishery products fell as people across the world refained from dining out amid COVID-19 pandemic. Outbound shipment of fish and fish products amounted to US$ 116 million in Q2 FY 2020-21; down by US$ 29 million from US$ 146 million in Q2 FY 2019-20. Exports of vegetables reduced considerably from US$ 88 million to US$ 74 million. This dip of 16% is due to the imposition of complete ban from the Ministry of National Food Security and Research on the export of potato. Only the export shipments of potato with confirmed L/C, B/L or airway bill were exempted from the proposed ban. On the other hand, a sharpe surge in tobacco exports has been witnessed on QoQ and YoY basis due to the removal of advance tax of Rs. 500 per kg on tobacco crop.

Agro-food exports from July to December FY 2020-21 caputured the share of 17% in the total world exports of Pakistan. Though the total value of bi-annual exports has reduced by 8 % from US$ 2,200 million in July-Decmeber FY 2019-20 to US$ 2,032 million in July-December FY 2020-21. Nonetheless, the export proceeds for tobacco and oil seeds maintained their upward momentum and successfully registered growth of 43% and 48% respectively.

The trade performance of Agro-food group has surged by 44 % in Q2 FY 2020-21 over Q1 FY 2020-21. In value terms, the export enhaced by US$ 417 million (from US$ 808 million in 1st quarter to US$ 1,225 million in 2nd of same fiscal yearFY2020-21). During October-December FY 2020-21, MoM growth has been witnessed for rice, tobacoo and oil seeds with CAGR of 5.68%, 9.07% and 9.79% respectively. In Q2 FY 2020-21, the leading agro products exported in value terms were Rice (US$ 603.30 million), Fruits (US$ 130.05 million), Fish (US$ 116.67 million) and Meat (US$ 86.83 million) .

SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
FOOD GROUP	**1,225**	**1,215**	**0.8%**	**2,032**	**2,200**	**-8%**	**1,225**	**808**	**52%**
1.RICE	603	562	7%	963	1,033	-7%	603	360	68%
a) BASMATI	142	185	-23%	263	381	-31%	142	121	17%
b) OTHERS	461	378	22%	701	652	7%	461	239	93%
2.FISH & FISH PREPARATIONS	117	146	-20%	195	225	-13%	117	78	49%
3.FRUITS	130	109	20%	223	219	2%	130	93	39%
4.VEGETABLES	74	88	-16%	117	126	-8%	74	42	76%
5.LEGUMINOUS VEGETABLES (PULSES)	-	-	0%	-	-	0%	-	-	0%
6.TOBACCO	15	10	44%	20	14	43%	15	5	171%
7.WHEAT	-	0	-100%	-	11	-100%	-	-	0%
8.SPICES	21	23	-7%	41	39	5%	21	19	9%
9.OIL SEEDS, NUTS AND KERNALS	33	15	123%	37	25	48%	33	4	675%
10.SUGAR	-	28	-100%	-	71	-100%	-	-	0%
11.MEAT AND MEAT PREPARATIONS	87	85	2%	162	156	4%	87	75	15%
12.ALL OTHER FOOD ITEMS	145	150	-3%	273	280	-2%	145	129	12%

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

OTHER MANUFACTURING GROUP EXPORTS

Engineering and Manufacturing sector is vital engine of growth for successful economies. Manufacturing group exports during October-Decemebr FY 2020-21 were reported at US$ 912 million against the US$ 933 million during October- December FY 2019-20. An overall, decline of 2% has been recorded. Exports fell largely for Sports goods, Leather tanned, Transport equipment and Gur and Gur products. Bi-annual analysis indicate the increasing trend amongst Chemical & Pharmaceuticals, Gems and jewellry, Surgical goods and Other Leather manufacuring sectors.

During October - December FY2020-21, exports of manufacturing group surged by 16% from the preceding quarter (July – September FY 2020-21). The total exported value of manufacturing group posted growth of US$ 130 million (from US$ 782.24 million in 1st quarter to US$ 912.29 million in 2nd quarter of FY2020-21).

Over the current fiscal year (FY 2020-21), Pharmaceutical products have maintained the export potential. Pharma industry has flourished at the back of growing demand for healthcare products amid the coronavirus pandemic and has registered an incresae of 23 % during July to December (FY2020-21) over July to Decemebr FY2019-20. Contrastingly, export performance of Sport goods have plummeted from US$ 75 million in Q2 FY 2019-20 to US$63 million in FY 2020-21 on account of order cancellation and fewer number of new orders due to global corona virus lockdown. The manufacturing commodities that contributed towards positive trade growth during Q2 of FY 2020-21 include Plastic materials (120%), Other chemicals (38%), Carpets (35%) and Leather tanned (32%). Export performance of only 5 out of 31 commodities of manufacturing group remain subdued during the October-December of FY2021. These commodities were Sports goods (-5%), Leather garments (-3%), Leather footwear (-13%), Electrical fans (-41%), and Cement (-2%).

SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
OTHER MANUFACTURES GROUP	**912**	**933**	**-2%**	**1,694**	**1,620**	**5%**	**912**	**782**	**17%**
30.CARPETS, RUGS & MATS	20	19	9%	36	35	1%	20	15	35%
31.SPORTS GOODS	63	75	-16%	130	151	-14%	63	67	-5%
a) FOOTBALLS	32	42	-23%	65	84	-23%	32	32	-1%
b) GLOVES	16	20	-21%	33	41	-19%	16	18	-11%
c) OTHERS	15	13	15%	32	26	23%	15	17	-7%
32.LEATHER TANNED	41	52	-21%	72	104	-31%	41	31	32%
33.LEATHER MANUFACTURES	147	143	2%	292	275	6%	147	146	1%
a) LEATHER GARMENTS	75	75	0%	153	151	1%	75	78	-3%
b) LEATHER GLOVES	66	65	3%	131	118	10%	66	64	3%
c) OTHER LEATHER MANUFACTURES	5	3	60%	9	6	55%	5	4	21%
34.FOOTWEAR	31.3	31	1%	65	68	-5%	31	33	-6%
a) LEATHER FOOTWEAR	26	26	-2%	55	58	-6%	26	29	-13%
b) CANVAS FOOTWEAR	0.12	0.20	-41%	0.19	0.23	-21%	0.12	0.07	69%
c) OTHER FOOTWEAR	6	5	18%	10	10	-2%	6	4	37%
35.SURGICAL GOODS & MEDICAL INSTRUMENTS	109	101	8%	213	207	3%	109	105	4%
36.CUTLERY	31	24	33%	59	47	25%	31	28	12%
37.ONYX MANUFACTURED	1.5	1.3	10%	2.38	2.35	1%	1.45	0.93	55%
38.CHEMICALS AND PHARM.PRODUCTS	327	233	41%	551	475	16%	327	224	46%
a) FERTILIZER MANUFACTURED	-	-	0%	-	-	0%	-	-	0%
b) PLASTIC MATERIALS	113	75	50%	164	152	8%	113	51	120%
c) PHARMACEUTICAL PRODUCTS	70	57	24%	139	112	24%	70	69	3%
d) OTHER CHEMICALS	144	101	43%	248	210	18%	144	104	38%
39.ENGINEERING GOODS	54	45	19%	102	85	19%	54	48	12%
a) ELECTRIC FANS	4.4	3.8	17%	12	10	12%	4	7	-41%
b) TRANSPORT EQUIPMENT	4	5	-27%	6	7	-14%	4	2	56%
c) OTHER ELECTRICAL MACHINERY	13	11	16%	23	19	19%	13	10	26%
d) MACHINERY SPECIALIZED FOR	15	13	17%	27	21	30%	15	12	18%

e) AUTO PARTS & ACCESSORIES	4	7	-35%	9.05	9.42	-4%	4.4	4.6	-5%
f) OTHER MACHINERY	14	7	109%	25	19	34%	14	11	27%
40.GEMS	2.15	1.55	39%	4	3	45%	2	2	35%
41.JEWELLARY	4	1	203%	6	3	123%	4	2	101%
42.FURNITURE	1	1	21%	2	2	-15%	1	1	40%
43.MOLASSES	0	0	-33%	0.05	0	-73%	0	0	-36%
44.HANDICRAFTS	-	28	-100%	0.01	-	0%	-	-	0%
45.CEMENT	71	54	30%	143	145	-2%	71	72	-2%
46.GUAR AND GUAR PRODUCTS	9	124	-92%	18	17	2%	9	8	12%

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

PETROLEUM GROUP & COAL EXPORTS

During October-Decemebr FY 2020-21 exported value for petroleum and coal group stood at US$ 46 million. Comparison with the same period of last fiscal year (Q2 FY2019-20) confirms the impact of COVID-19 on petroleum related exports as the performance has deteriorated by 56 % to US$ 46 million (Q2 FY2020-21) from US$ 106 million (Q2 FY2019-20).

In first six months of the current fiscal year 2020-21, export performance of Petroleum and coal products remained dismal against the performance exhibited during July-December FY 2019-20 (YoY decrease of US$ 45 million). However, QoQ exports from October to December 2020-21 and July to September remained the same.

SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
PETROLEUM GROUP & COAL	**46**	**106**	**-56%**	**93**	**168**	**-45%**	**46**	**46**	**-**
26.PETROLEUM CRUDE	29	73	-61%	44	110	-60%	29	15	90%
27.PETROLEUM PRODUCTS (EXCL TOP NAPHTA)	10	14	-33%	18	24	-26%	10	8	18%
28.PETROLEUM TOP NAPHTA	8	19	-56%	31	34	-7%	8	23	-65%
29.SOLID FUELS (COAL)	0.01	0.1	-83%	0	0.1	-84%	0	-	-

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

PAKISTAN'S IMPORT PROFILE (GOODS)

Imports into Pakistan during October-December, FY2020-21 amounted to US$ 13.186 billion as against US$ 11.99 billion in October-December FY2019-20 showing an increase of 10% over the last year. Imports during July –December, 2020 totaled around US$ 24.47 billion as against the US$ 23.19 billion during the corresponding period of last year showing an increase of 5.7%. Imports during the current quarter October-December, FY2020-21 over the preceding quarter July-September FY 2020-21 recorded an increase of 17%. The imports of partner countries showing increase and decrease have been detailed as follows:

TOP IMPORT PARTNERS SHOWING INCREASE (Q2: OCT – DEC FY2020/21)

PARTNER COUNTRIES	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change
China	3,352	3,290	2%
Indonesia	650	562	16%
Saudi Arabia	614	541	14%
Russian Federation	356	44	701%
Malaysia	320	219	46%
Korea (South)	282	157	80%
Japan	281	224	25%
Germany	266	204	30%
Ukraine	206	12	1609%
Egypt	128	22	470%

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

TOP IMPORT PARTNERS SHOWING DECREASE (Q2: OCT – DEC FY2020/21)

PARTNER COUNTRIES	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change
United Arab Emirates	1,029	1,519	-32%
United States	674	725	-7%
South Africa	284	341	-17%
Netherlands	86	219	-61%
Italy	121	191	-37%
Morocco	119	147	-19%
Denmark	24	65	-63%
Algeria	12	62	-81%
Nigeria	17	46	-63%
Bermuda	-	24	-100%

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

SECTOR-WISE IMPORTS PERFORMANCE

Of the total US$ 13.19 billion imports during October-December, FY2020-21, imports of the petroleum group ranked the highest with imports worth of US$ 2443 million followed by machinery group (US$ 2135 million), agriculture & chemicals group (US$ 2126 million), food group (US$ 2193 million), metal group (US$ 1207 million), textile group (US$ 988 million), transport group (US$ 719 million), and miscellaneous group (US$ 337 million). Main commodities of imports during October-December, FY2020-21 were Petroleum products (US$ 1,043 million), Wheat un-milled (US$ 559 million), Petroleum crude (US$ 630 million), Palm Oil (US$ 533 million), Plastic Material (US$ 600 million), Mobile phone (US$ 446 million), Natural gas, liquefied (US$ 632 million), Iron and Steel scrap (US$ 464 million), Raw cotton (US$ 324 million) and Power generating machinery (US$ 397 million).

SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
GRAND TOTAL	**13,186**	**11,995**	**10%**	**24,473**	**23,195**	**6%**	**13,186**	**11,311**	**17%**
PETROLEUM GROUP	2,443	2,972	-18%	4,771	6,142	-22%	2,443	2,328	5%
MACHINERY GROUP	2,135	2,401	-11%	4,240	4,433	-4%	2,135	2,106	1%
AGRICULTURAL AND OTHER CHEMICALS GROUP	2,126	2,007	6%	4,048	3,822	6%	2,126	1,923	11%
FOOD GROUP	2,193	1,469	49%	3,905	2,567	52%	1,712	2,193	-22%
METAL GROUP	1,207	1,067	13%	2,291	2,073	11%	1,084	1,207	-10%
TEXTILE GROUP	988	529	87%	1,665	980	70%	988	677	46%
TRANSPORT GROUP	719	299	140%	1,133	837	35%	719	414	73%
MISCELLANEOUS GROUP	337	209	61%	607	421	44%	270	59	356%

Table 12: Imports Sectors (trade values in US$ million)

TOP IMPORT COMMODITIES SHOWING INCREASE (Q2: OCT – DEC FY2020/21)

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change
34. PLASTIC MATERIALS	600	483	24%
16. TELECOM	565	470	20%
19. ROAD MOTOR VEH. (BUILD UNIT, CKD/ SKD)	548	218	152%
7. PALM OIL	533	480	11%
39. IRON AND STEEL	483	393	23%
38. IRON AND STEEL SCRAP	464	418	11%
11. POWER GENERATING MACHINERY	397	338	17%
27. RAW COTTON	324	50	554%
35. MEDICINAL PRODUCTS	260	258	1%
31. OTHR TEXTILE ITEMS	259	170	53%

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

TOP IMPORT COMMODITIES SHOWING DECREASE (Q2: OCT – DEC FY202/21)

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY20/21	% Change
22. PETROLEUM PRODUCTS	1,043	1,271	-18%
24.NATURAL GAS, LIQUIFIED	632	661	-4%
23. PETROLEUM CRUDE	630	948	-34%
10. ALL OTHERS FOOD ITEMS	558	627	-11%
18. OTHER MACHINERY	557	634	-12%
15. ELECTRICAL MACHINERY & APPARATUS	317	686	-54%
32. FERTILIZER MANUFACTURED	176	305	-42%
14. CONSTRUCTION & MINING MACHINERY	23	47	-51%
37. GOLD	3	5	-29%
6. SOYABEAN OIL	1	9	-83%

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

SECTOR-WISE IMPORTS ANALYSES

PETROLEUM GROUP

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
PETROLEUM GROUP	2,443	2,972	-18%	4,771	6,142	-22%	2,443	2,328	5%
22. PETROLEUM PRODUCTS	1,043	1,271	-18%	2,169	2,591	-16%	1,043	1,126	-7%
23. PETROLEUM CRUDE	630	948	-34%	1,323	1,771	-25%	630	693	-9%
24.NATURAL GAS, LIQUIFIED	632	661	-4%	1,052	1,627	-35%	632	420	51%
25. PETROLEUM GAS, LIQUIFIED	138	92	50%	228	153	49%	138	89	55%
26. OTHERS	0.04	0.02	105%	0.075	0.067	12%	0.043	0.032	34%

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

Petroleum sector has significant share in the import bill of Pakistan. The share of the sector in the imports of Pakistan is about 50% during second quarter of FY2020-21. Petroleum group imports into Pakistan stood at US$ 2,443 million during October- December FY 2020-21 as against US$ 2,972 million during same period over last year showing a decrease of 18%. Half yearly comparison shows that Pakistan imported Petroleum products worth of US$ 4,771 million during July – December, FY2020-21 as against US$ 6,142 million during the corresponding period of last year showing a decrease of 22%. Quarterly comparison showed that import payments in second quarter has shown positive growth of 5% in October-December FY2020-21 as compared to first quarter of July-September, FY2020-21.

All the sub sectors of Petroleum Group have shown decline except 'Petroleum Gas Liquified' that registered growth of 50% during second quarter of FY 2020-21 as compared to same period last year. The growth pattern is approximately same from last six months. Pakistan's total LPG consumption is close to 13 million tons per annum, out of which 7.5 million tons are produced locally and the rest is imported. At present, 5.5% withholding tax is charged on the import of LPG. LPG imports were exempted from regulatory duty and a preferential sales tax under which the tax was slashed from 17% to 10% from last two (02) years. Companies have preferred to import of LPG instead of purchasing from domestic producers as importing LPG often is cheaper than local production. This enhanced persistence has increased the import of LPG into Pakistan.

Petroleum products, Petroleum crude and Natural Gas liquified have registered a decline of 18%, 34%and 4% respectively during second quarter of FY 2020-21 as against same period of FY 2019-20. The declining trend has been noticed in Petroleum products and Petroleum crude in the last six months of FY 2020-21 as against same period FY 2019-20. Some of this decrease in value may owe to the fact of lower prices of oil in the global market. Although, imported quantity of petroleum has increased but the value has still gone down due to low price. This is in turn beneficial for the import bill of Pakistan as we are now able to buy more petroleum products at a low price. The reduction in oil imports is helping in easing pressure on the country's foreign exchange reserves. However, Natural Gas Liquified has shown positive growth in the second quarter of FY 2020-21 as compared to first quarter of same year.

LNG has emerged as necessary import particularly during winters when households utilize it to operate heater and geysers due to freezing temperatures in many parts of the country. Local fields are unable to provide production of LNG and with no new discovery in the sector, the country has seen an increase in the import of LNG in the second quarter of FY 2020-21 as compared to first quarter of the same year. The average import price of LNG for December 2020 stands at $6.34 mmBtu. TDAP mentioned in its previous report that government has decided to open LNG market for private sector during winter season of this year. However, the government has apparently issued the advertisement of offloading its capacity for six months, but for the first three months i.e., February, March and April of the calendar year 2021, the capacity to import LNG in the range of 100-250 mmcfd will be offloaded to the private sector as per the cabinet decision.

MACHINERY GROUP

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
MACHINERY GROUP	**2,135**	**2,401**	**-11%**	**4,240**	**4,433**	**-4%**	**2,135**	**2,106**	**1%**
11. POWER GENERATING MACHINERY	397	338	17%	821	650	26%	397	424	-6%
12. OFFICE MACHINE INCL.DATA PROC EQUIP	116	96	21%	211	196	8%	116	95	22%
13. TEXTILE MACHINERY	137	106	29%	231	232	-1%	137	94	45%
14. CONSTRUCTION & MINING MACHINERY	23	47	-51%	54	81	-33%	23	31	-26%
15. ELECTRICAL MACHINERY & APPARATUS	317	686	-54%	641	1,192	-46%	317	324	-2%
16. TELECOM	565	470	20%	1,155	845	37%	565	590	-4%
A. MOBILE PHONE	446	347	28%	939	616	52%	446	493	-10%
B. OTHER APPARATUS	119	123	-3%	217	229	-5%	119	97	22%
17. AGRICULTURAL MACHINERY & IMPLEMENTS	23	23	1%	44	52	-15%	23	21	13%
18. OTHER MACHINERY	557	634	-12%	1,083	1,185	-9%	557	527	6%

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

Import of Machinery Group is vital engine of growth for successful industrial and manufacturing sector development. Over the second quarter of FY 2020-21, the import performance of Machinery group has registered a decline of 11% as comapred to same period last year of FY 2019-20. Half yearly comparison shows that Pakistan imported Machinery worth of US$ 4,240 million during July – December, FY2020-21 as against US$ 4,433 million showing a decrease of 4%. during the corresponding period of last year. Quarterly comparison showed that import payments of Machinery Group in second quarter of FY 2020-21 has shown positive growth of 1% as compared to first quarter of FY2020-21.

The import of Machinery Group include Power Gnerating Machinery, Office Equipment Machinery, Textile Machinery, Construction Machinery, Electrical Machinery, Telecom Agriculture Machinery and other Machinery. Construction, electrical and other machinery have shown decline of 51%, 54% and 12% respectively in second quarter of FY 2020-21 as compared to their corresponding value from FY2019-20.

Power generating machinery sector has shown a significant increase of 17%, Office Equipment Machinery import surged by 21%, Textile Machinery import increased by 29% and import of telecom sector grew by 20% in the second quarter of FY 2020-21 as compared to same period of FY 2019-20. Machinery imports are capital goods used for industrial production. Moreover, increase in imports may facilitate the production of other goods. The biggest contributor to the import bill of Machinery Group, in terms of value, remained the mobile phones, imports of which increased 28% to US$ 446 million during first six month of FY 2020-21.

In Pakistan, schools have been closed since March due to the coronavirus outbreak, the students are bound to continue learning through digital platforms and applications. Consequently, the demand for mobile phones has increased drastically which is reflected in the import statistics of mobile phones.

AGRICULTURE AND CHEMICAL GROUP

Agriculture and Chemical Group has shown significant increase in the import bill. Th import surged by 6% during the second quarter of FY 2020-21 for the same period as compare to FY 2019-20. Half yearly comparison shows that Pakistan imported Agriculture and Chemical products worth of US$ 4,048 million during July –December FY2020-21 as against US$ 3,822 million during the corresponding period of last year - showing a decrease of 22%.

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
AGRICULTURAL AND OTHER CHEMICALS GROUP	**2,126**	**2,007**	**6%**	**4,048**	**3,822**	**6%**	**2,126**	**1,923**	**11%**
32. FERTILIZER MANUFACTURED	176	305	-42%	325	433	-25%	176	150	17%
33. INSECTICIDES	41	38	6%	87	77	13%	41	47	-13%
34. PLASTIC MATERIALS	600	483	24%	1,119	948	18%	600	519	16%
35. MEDICINAL PRODUCTS	260	258	1%	539	515	5%	260	279	-7%
36. OTHERS	1,049	922	14%	1,978	1,848	7%	1,049	929	13%

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

All sub sector of Agriculture and Chemical Group have shown positive growth except import of fertilizer manufactured. Imports of fertilizer manufactured into the country reduced by 42 percent valuing US$ 176 million during second quarter of FY 2020-21 as against the import of $305 million of the same period in FY 2019-20. Half yearly comparison shows that import of fertilizer manufacturers reduced by 25% in the first six month of FY 2020-21 as compare to FY2019-20 while other import sectors have shown positive growth in the agriculture and chemical group.

Medicinal products, insecticides and plastic materials have shown increase by 1%, 6% and 24% respectively. Quarter to quarter comparison shows that the import of insecticides has decreased by 13% in the second quarter as compared to first quarter of FY 2020-21. Medicinal products also decreased by 7%.

FOOD GROUP

Import of Food Group has shown positive growth of 49% in the second quarter of FY2020-21 as comapred to the same period of FY 2019-20. The main items imported in the Food group were wheat (US$ 559 million) and Milk & Cream for infants with imported value of US$ 50 million followed by dry fruit (US$34 million), Tea(US$ 144 million), Spices (US$144 million), Palm oil (US$533 million), sugar(113 million) and pulses (152 million). Quarterly comparison showed increase in the import of Food Group in second quarter of FY 2020-21 by 49% as compared to second quarter of FY2019-20. Half yearly comparison shows that Pakistan imported food products worth of US$ 3,905 million during July – December, FY2020-21 as against US$ 2,567 million showing an increase of 52% during the corresponding period of last year. Imports in the current quarter have increased by US$ 481 million from the import of preceding quarter of FY 2020-21 – an overall increase of 28% has been witnessed.

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
FOOD GROUP	**2,193**	**1,469**	**49%**	**3,905**	**2,567**	**52%**	**2,193**	**1,712**	**28%**
1. MILK, CREAM & MILK FOOD FOR INFANTS	50	46	9%	92	77	20%	50	41	22%
2. WHEAT UNMILLED	559	-	-	661	-	-	559	102	449%
3. DRY FRUITS & NUTS	34	15	130%	49	19	153%	34	15	134%
4. TEA	144	127	14%	286	229	25%	144	142	1%
5. SPICES	47	38	23%	97	79	23%	47	50	-5%
6. SOYABEAN OIL	1	9	-83%	48	41	18%	1	47	-97%
7. PALM OIL	533	480	11%	1,112	842	32%	533	579	-8%
8. SUGAR	113	1	12389%	127	2	8190%	113	13	760%
9. PULSES (LEGUMINOUS VEGETABLES)	152	127	20%	288	246	17%	152	135	13%
10. ALL OTHERS FOOD ITEMS	558	627	-11%	1,146	1,032	11%	558	589	-5%

Table 18: Food group imports (trade values in US$)

Mainly, all sub-sectors of food group have registered an increase in imports except soyabean. Soya beans have registered a decline of 83% in imports of second quarter of FY 2020-21 from the corresponding quarter of FY 2019-20. However, according to a Global Agricultural Information Network (GAIN) report from the US Department of Agriculture (USDA), it is estimated that soyabean imports will surge in the following year of 2021. The existing fall in soyabean imports can be attributed to a decrease in the demand of feed.

Infant Milk, Dry fruits, Tea, Spices, Palm Oil and Pulses show growth of 9%, 130%, 14%, 23%, 11% and 20% respectively. Sugar import has seen a massive growth of 12,389%, mainly because of the persistent issues in the sugar industry. Government in lieu of steep price rise in sugar, owing to gap between the demand and supply of sugar in Pakistan's economy , filled this gap through import of sugar in large quantities. Import of sugar surged from UAE, Egypt, Brazil and Algeria. The surge in import of sugar is due to the decision of the

ECC decision proposed by the Ministry of Industries and Production for the import of refined sugar by the Trading Corporation of Pakistan (TCP) to maintain buffer stocks, and allow import of up to 300,000 tons of white sugar.

Wheat import has also seen massive growth from Russia, Ukraine and Germany.The Economic Co-ordination Committee (ECC) of the cabinet has allowed additional import of more than 250,000 tons of wheat to maintain buffer stock ahead of new produce. Pakistan's Economic Coordination Committee (ECC) of the cabinet on June 22, 2020 gave approval to the private sector to import 2.5 million tonnes of wheat to control prices in the domestic market. Bad weather in Pakistan this year has lowered wheat production estimates to less than 25 million tonnes compared with earlier estimates of 27 million tonnes.

The Ministry of National Food Security and Research and provinces assessed that demand of wheat production would be over 27 million tons in FY 2019-20. The country was struck by heavy rainfall in May and June; the time when wheat is being harvested. This inflicted a loss of one to 1.5 million tons wheat. Thus, Pakistan could not meet its envisaged wheat target of 27 million tons. Prices of wheat have continued to escalate in the last few months. Wheat shortfall was hovering around two to 2.2 million tons. The Ministry of National Food Security and Research sent out OD to Ukraine, Russian Federation and Iran to find out the possibility of importing wheat. The Russian Federation showed their interest in sending wheat to Pakistan and Ministry recommended the import of 180,000 metric tons of wheat from Russia on G2G Basis at a rate of $279/ton. The ECC was informed that about five million tons of wheat was available with the public sector in stocks. In terms of import 430,000 tons has already been imported by December 2020 which is reflected in the import bill of wheat during December 2020.

From the first quarter to the second quarter of FY 2020-21, only soya bean and palm oil saw a decrease of 97% and 8% respectively whereas the other sub-sectors have amplified.

METAL GROUP

The metal group imports have shown an overall increase of 13% in the second quarter of FY 2020 - 21 as compared to the same period last FY 2019-20. Imports during the last six-months from July-December FY 2020-21 stood at US$ 2,291 million for the said group which grew by 11% against the previous year import for July – December FY 2019-20 (US$ 2,073 million). In comparison with the first quarter of FY 2020-21, the import bill of metal group surged by US$ 123 million in the second quarter of FY 2020-21.

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sept FY20/21	% Change
METAL GROUP	**1,207**	**1,067**	**13%**	**2,291**	**2,073**	**11%**	**1,207**	**1,084**	**11%**
37. GOLD	3	5	-29%	4	9	-52%	3	1	176%
38. IRON AND STEEL SCRAP	464	418	11%	949	806	18%	464	485	-4%
39. IRON AND STEEL	483	393	23%	859	763	12%	483	375	29%
40. ALUMINIUM WROUGHT & WORKED	41	38	9%	74	71	4%	41	33	23%
41. ALL OTHER METALS & ARTICALS	215	214	0%	405	422	-4%	215	190	13%

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

Import of Gold during October – December FY2020-21 decreased by 29% as just the 89 kg of gold was imported against the imported volume of 113 kg in the previous quarter of FY 2019-20. The decline in import of gold has mainly been poised by the consistent increase of gold prices in the international market. Iron and steel, its scrap, aluminum wrought & worked have increased by 23%, 11% and 9% respectively during second quarter of FY 2020-21 as against same period of last year. Import growth of iron & steel, aluminum wrought, scrap, and other metals can be attributed to the resumption of relevant industries.

TEXTILES GROUP

The textile imports have increased by 87% during second quarter of FY 2020-21 as compared to same period of FY 2019-20. Quarterly comparison shows 46% surge in the import bill during October-December 2020-21 as compared to the same period FY 2019-20. Half yearly comparison shows that Pakistan imported textiles worth of US$ 1,665 million during July –December, FY2020-21 as against US$ 980 million during the corresponding period of last year showing an increase of 70%. Textile group imports during October-December 2020-21 remained at US$ 988 million, grew 46% from the corresponding quarter of July – September FY 2020-21.

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
TEXTILES GROUP	**988**	**529**	**87%**	**1,665**	**980**	**70%**	**988**	**677**	**46%**
27. RAW COTTON	324	50	554%	532	87	512%	324	208	56%
28. SYNTHETIC FIBRE	140	111	27%	283	225	26%	140	142	-1%
29. SYNTHETIC & ARTIFICIAL SILK YARN	180	154	17%	320	273	17%	180	141	28%
30. WORN CLOTHING	85	45	90%	121	84	44%	85	37	132%
31. OTHR TEXTILE ITEMS	259	170	53%	409	311	32%	259	149	74%

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

In the second quarter of FY 2020-21, the import of cotton carded or combed increased from USA, Brazil and Afghanistan. Import of raw cotton has increased by 554% during second quarter of FY 2020-21 as against same period of FY 2019-20. Cotton production in the country witnessed an alarming decline of 2.8 million bales, according to a report released by Pakistan Cotton Ginners Association. During the last calendar year, more than 5 million bales were produced in the country which is 35.67 percent less as compared to more than 7 million bales produced till December 15, 2020 mainly due to a 10 percent decrease in area planted, crop damage from heavy monsoon rains, and severe pest infestation. The shortfall in domestic supplies has be bridged by with import of raw cotton, recorded at US$ 324 million with a year-on-year growth of 554% during the second quarter of FY2020-21.

Moreover, import of worn clothing increased by 90% whereas synthetic fibre and synthetic & artificial silk yarn had an increase of 27% and 17% respectively. 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.

TRANSPORT GROUP

The import of transport group has shown significant increase of 140% in the second quarter of FY 2020-21 as compared to same period last year. Half-yearly statistics reveal that around US$ 1.13 billion worth of goods under transport group were imported during FY 2020-21. The imports under transport group posted a year-on-year increase of 35% over half yearly imports of FY 2019-20. Quarterly comparison shows a growth of 73% during first and second quarter of FY 2020-21.

Both CBU and CKD transport vehicles have increased by 111% and 265% in second quarter of FY 2020-21 as compared with the 2nd quarter of FY2019-20. Government has announced new import policy wherein terms for the import of cars has been revised which contributed greatly to the increase in imports. Moreover, prices of motor cars have increased massively in the first six months of FY 2020-21.

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
TRANSPORT GROUP	**719**	**299**	**140%**	**1,133**	**837**	**35%**	**719**	**414**	**73%**
19. ROAD MOTOR VEH. (BUILD UNIT, CKD/SKD)	548	218	152%	874	615	42%	-	326	-
19.1 CBU	72	34	111%	138	64	117%	72	66	10%
A. BUSES, TRUCKS & OTH. HEAVY VEHICLES	16	17	-3%	43	31	37%	16	26	-38%
B. MOTOR CARS	55	17	222%	94	32	196%	55	39	40%
C.MOTOR CYCLES	1	0	336%	1	1	161%	1	0	165%
19.2 CKD/SKD	361	99	265%	541	360	50%	361	181	99%
A. BUSES, TRUCKS & OTH. HEAVY VEHICLES	93	30	212%	138	97	42%	93	45	106%
B. MOTOR CARS	248	54	360%	373	229	63%	248	125	99%
C.MOTOR CYCLES	20	15	30%	30	34	-10%	20	11	82%
19.3 PARTS & ACCESSORIES	99	60	65%	161	152	6%	99	62	61%
19.4 OTHERS	16	24	-35%	33	40	-17%	16	18	-10%
20.AIRCRAFTS, SHIPS AND BOATS	170	80	113%	257	211	22%	170	87	96%
21.OTHERS TRANSPORT EQUIPMENTS	1	2	-54%	3	11	-75%	1	2	-59%

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

MISCELLANEOUS GROUP

The miscellaneous group imports in the second quarter of FY2020-21 have seen an overall 61% increase with all the sectors showing increase in imports. Crude rubber, rubber tires, wood & cork, jute and paper & paper board all have increased by 32%, 266%, 4%, 142% and 20% respectively. The import trend of the corresponding first and the second quarters of FY 2020-21 indicates a growing trajectory (35% change recorded in Q2 FY 2020-21 over the preceding quarter of Q1 FY 2019-20). Half yearly statistics show that the import of miscellaneous group surged by 44 percent during FY 2020-21 as compared to FY 2019-20 with the increase in all the sectors except wood & cork that has registered a negative growth of 4.5%.

SUB-SECTORS	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change	Oct – Dec FY20/21	July – Sep FY20/21	% Change
MISCELLANEOUS GROUP	**337**	**209**	**61%**	**607**	**421**	**44%**	**337**	**270**	**25%**
42. RUBBER CRUDE INCL. SYNTH/RECLAIMED	59	45	32%	113	89	27%	59	54	10%
43. RUBBER TYRES & TUBES	112	31	266%	209	62	238%	112	96	17%
44. WOOD & CORK	32	31	4%	55	57	-5%	32	23	39%
45. JUTE	19	8	142%	26	10	164%	19	7	153%
46. PAPER & PAPER BOARD & MANUF.THEREOF	115	95	20%	204	203	1%	115	89	-
ALL OTHERS ITEMS	1,039	1,042	0%	1,811	1,921	-6%	1,039	795	31%

Table 22: Miscellaneous group imports (US$ million)

TRADE IN SERVICES

EXPORT PERFORMANCE OF SERVICES

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 second quarter FY 2020-21 stood around US$ 1.57 billion, up 2% from the previous corresponding quarter exports of US$ 1.54 billion in the FY2020.

SERVICES	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change
Exports	**1,568**	**1,540**	**2%**	**2,844**	**2,835**	**0.3%**
2.Maintenance and repair services n.i.e.	0	3	-96%	0	5	-96.1%
3. Transport	133	212	-37%	292	408	-28.5%
4. Travel	142	154	-8%	224	275	-18.5%
5.Construction	36	71	-49%	66	111	-40.5%
6. Insurance and Pension services	15	13	15%	23	19	19.9%
7. Financial services	30	17	77%	44	35	26.0%
8. Charges for the use of intellectual property n.i.e.	4	0	3,518%	7	0	2242.4%
9. Telecommunications, Computer and information services	513	369	39%	958	684	40.1%
10. Other business services	390	351	11%	694	680	2.1%
11. Personal, cultural, and recreational services	3	2	43%	5	6	-18.5%
12. Government goods and services n.i.e.	302	348	-13%	531	612	-13.2%

Table 23: Services exports (trade values in US$ million)

IMPORT PERFORMANCE OF SERVICES

SERVICES	Oct – Dec FY20/21	Oct – Dec FY19/20	% Change	July – Dec FY20/21	July – Dec FY'19/20	% Change
Imports	**2,012**	**2,139**	**-6%**	**3,821**	**4,532**	**-16%**
2.Maintenance and repair services n.i.e.	12	3	309%	27	15	83%
3. Transport	714	830	-14%	1,268	1,668	-24%
4. Travel	211	372	-43%	391	775	-50%
5.Construction	0	10	-99%	0	20	-99%
6. Insurance and Pension services	72	81	-11%	119	146	-19%
7. Financial services	55	40	38%	85	75	14%
8. Charges for the use of intellectual property n.i.e.	75	46	63%	112	110	2%
9. Telecommunications, Computer and information services	171	109	57%	309	197	57%
10. Other business services	632	562	12%	1,384	1,340	3%
11. Personal, cultural, and recreational services	0	0	13%	0	1	-84%
12. Government goods and services n.i.e.	70	86	-19%	126	185	-32%

Table 24: Services imports (trade values in US$ million)

SECTORAL ANALYSES OF TRADE IN SERVICES

Trade in Services takes place via four modes that are cross border supply, consumption abroad, commercial presence, and presence of natural persons. Due to the on-going travel restrictions and precautions poised by COVID-19 measures, trade in services through all modes of services delivery except cross border supply have taken a toll. The worst affected have been the services provided via Cross Border Consumption.

Given the circumstances, services exports such as insurance services (US$ 14.96 million), financial services (US$ 30 million), charges for use of intellectual property (US$ 75 million), IT & IT enabled services (US$ 513 million), and other business services (US$ 390 million) have registered the positive growth of 15%, 77%, 100%, 39%, and 11% respectively in the second quarter of FY2021. In this regard, the work from home phenomenon has been the key driving factor in export growth. Transport & Logistics services (down 8%) and Travel & Tourism (declined 8%) services have suffered badly due to the Covid crisis.

The charges for the use of intellectual property services have taken a leap during this quarter. The growth came at the back of Intellectual Property Protection awareness campaigns and thereon enforcement of IP right in the country. The initiatives such as 'Make in Pakistan', along with an active drive for Trade Mark registration of sports equipments & other export products, and copyrights protection of Pakistani softwares have helped the Intellectual Property yields grow exponentially.

The IT & ITeS have effectively bucked the overall down trend of exports in services as US$ 513 million (39% YoY growth) have been remitted to Pakistan in the second quarter of FY 2021 in lieu of IT services exports. Personal, cultural, and recreational services is another arena where exports grew by 43% from US$ 2.07 billion in Q2 FY 2020 to US$ 3 billion in FY 2021. The emergence of entertainment industry in Pakistan and thereon collaborations with foreign counterparts especially with China under BRI's socio-cultural vision' have boosted gains for the personal, cultural, and recreational services.

GOVERNMENT INITIATIVE FOR EXPORT FACILITATION

1 The government has provided a Temporary Economic Refinance Facility (TERF) of Rs. 100 billion to the business community for the import of machinery to achieve sustainable industrialization. Many industrialists have started importing machinery under the initiative. The industrialists can avail TERF initiative till March 31, 2021, under which they can avail financing at a 5 percent interest rate.

2 In the last six months (July – Dec 2020), the government has paid out Rs. 96.2 billion as subsidy (Rs 95 billion on account of electricity bills and Rs. 1.2 billion on the supply of gas) to the exporters. The subsidies helped in extending concessionary energy tariffs to the industry while maintaining their competitive cost of production amid COVID 19 strains.

3 During the first two quarters of FY2020-21 (July to Dec), a total of Rs. 109 billion have been released in lieu of tax refunds to exporters. The refunds were sanctioned through the through the Fully Automated Sales Tax e-Refund (FASTER) system which will help exporters combat the impact of coronavirus on their businesses and liquidity issues.

4 The government has released Rs 1.78 billion for textile sector under Drawback of Local Taxes and Levy (DLTL) scheme in December.

5 During the last five months (July – November 2020), the government has loaned out Rs. 56.32 billion under Export Finance Scheme (EFS) and Rs. 58.54 billion under Long Term Financing Facility (LTFF) to private sector businesses. The EFS and the LTFF are export finance support initiatives offered by the State Bank of Pakistan with the objective of providing access to finance liquidity needs in the short term and investment in machinery and equipment in the long run for exporters in Pakistan. As per statistics released by SBP:

a. Amongst the eligible sectors, around 93% (Rs. 52.45) of the total financing under EFS and around 77% (Rs. 45.25 billion) of the total financing under LTFF were loaned out to the manufacturing sector.

b. Textiles manufacturers remained the biggest recipients of financing under export facilitation schemes; availed 52% financing under EFS and 53% financing under LTFF.

FUTURE OUTLOOK

In the year 2020, global trade has suffered the biggest fall in both merchandise trade since 2009 (YoY decrease of 5.6% reported) and trade in services since 1990 (YoY down by 15.4%).

Pakistan also suffered contractions on the trade front as Covid induced lockdowns halted economic activity during Q4 (April - June) of FY2019-20 but fortunately the economic shutdown was short lived. Since then, Pakistan's exports have rebounded strongly especially during Q2 (October - December) of FY2020-21as exports record year-over-year growth of 10%. Throughout the second quarter, trade deficit has maintained an upward trajectory on account of higher import volume. The deficit enhanced by 19.45 % in November and then by 25.55 % in December 2020 on month-to month and by 32.04 % year-on-year basis.

During the second quarter, there was a notable pickup in export performance of food group and textiles group as compared to the same period of last fiscal year. Textile and clothing were the leading export group in October-December FY2020-21 in value terms, contributed over 60% to the total exports followed by Agro-food group (18%), manufacturing group (14%), and petroleum group (0.92%). Exports rebounded largely at the back of export facilitation extended by government of Pakistan during the said period. Rs. 100 billion were provided under Temporary Economic Refinance Facility (TERF) to the business community, Rs. 96.2 billion were given as subsidy on gas & electricity to industry, Rs. 109 billion were released in lieu of tax refunds to exporters, Rs 1.78 billion were released for textile sector under Drawback of Local Taxes and Levy (DLTL) scheme, and a total of Rs. 56.32 billion under Export Finance Scheme (EFS) and Rs. 58.54 billion under Long Term Financing Facility (LTFF) were loaned out to private sector businesses.

On the import front, accelerated volumes have been reported for transport group, textile group, miscellaneous group and food group. Petroleum group ranked the highest with share of 19% in the total import during 2nd quarter FY2020-21, followed by food group (17%), machinery group (16%), agricultural and other chemical group (16%), metal group (9%), textile group (7%), and transport group (5%). Factors contributed largely for the increase in imports include high CPI inflation mainly for food prices, coronavirus-related induced demand for mobile phones, reduction of 7% in sales tax for the imported LPG and reduced cotton production.

The outlook of exports and imports largely remained unchanged from their earlier levels. The improvement in export volume during Q2-FY 2020-21 is encouraging. However, its continuation in the short term depends on the trajectory of the pandemic and the impact of the emerging strains of coronavirus.

For the 3rd quarter of current FY 2020-21, greater export volumes are expected for value added textile products, tobacco and electric fans. Moreover, the newly approved STPF 2020-25 has included 11 new products of non-traditional sectors (i.e., engineering products, pharmaceutical, auto parts, processed food and beverages, footwear, gems and jewelry, chemicals, meat and poultry, fruits and vegetables, sea food, marbles and granite). This frames a boosting picture for the country's export in the coming months. In the long term, exports growth will require efforts for less costly inputs, more value addition and research-based strategies for market diversification.

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