ANNUAL TRADE REVIEW

JULY - JUNE FY2021

PAKISTAN
TRADE PERSPECTIVE

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN
MINISTRY OF COMMERCE

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ACKNOWLEDGEMENTS

TEAM

TEAM LEADER	AFSHAN UROOS
RESEARCH ASSOCIATES	SAJID ALI
	ASIMA SIDDIQUE

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For any queries or feedback regarding this publication, please contact at afshan.uroos@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
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

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SECTION – 1

1.1 WORLD ECONOMIC AND TRADE REVIEW[1]

(JULY-JUNE 2021)

The global economy is expected to grow at 5.6% in 2021, the fastest-growing post-recession rate in 80 years. This recovery is uneven and largely reflects strong rebounds in some major economies, especially in the United States, due to substantial budget support. COVID-19 cases have increased in many developing and emerging economies during FY 2021. Government of these economies partially withdraw macroeconomic support programs that resulted increased demand and the increase of commodity prices.

World output is expected to grow 2% in 2022 under pre-pandemic projections. The global outlook remains subject to significant downside risks, including the possibility of large waves of COVID19 in new strains of the virus and financial stress amid high debt in the EMDE. Controlling the pandemic worldwide will require more equitable distribution of vaccines, especially for low-income countries. The aftermath of the pandemic worsens the challenges to face as they strike a balance between need to support the recovery while preserving price stabilityand fiscal sutainbility. As the recovery continues, policymakers should also continue efforts to promote growth-enhancing reforms and steer their economies on a green, flexible, and inclusive development path. After a contraction of 3.5% due to the COVID19 pandemic in 2020, global economic activity has received a significant boost. However, the recovery is uneven, over from many poorer countries, and there is significant uncertainty away from durability.

The ongoing pandemic continues to set the path for global economic activity, with severe epidemics continuing to weigh on growth in many countries. The most recent wave of COVID19 is now concentrated in several emerging markets and developing economies (EMDEs), where access to the vaccine is still limited. Immunization remains, especially low in low-income countries (LIC). In contrast, advanced economies typically saw significant vaccination advances, which helped limit the spread of COVID19. Against the backdrop of continued vaccination, economic activity is strengthening in the main advanced economies, particularly in the United States, where the recovery is driven by substantial financial support.

Growth in China has remained solid but moderate as the authorities have reoriented their efforts from increasing activity to reduce risks to financial stability. Many other countries, mainly EMDEs, are experiencing a moderate recovery in addition to outbreaks of COVID19 cases, although recent waves of infections seem less disruptive to economic activity than the previous. Recovery in vulnerable and conflict-affected LICs is particularly low as the pandemic has exacerbated underlying challenges. While global manufacturing activity has increased and industrial production surpasses pre-pandemic levels, services activity, especially travel and tourism, remains weak. Global financial

[1] World Trade data is available with a lag of a quarter.

conditions have tightened somewhat, partly due to higher US bond yields amid heightened inflationary pressures. Product prices rose significantly, thanks to the improved global outlook and product-specific supply factors. The recovery of global activity and commodity prices contributes to a rise in inflation, especially in some EMDEs which have suffered a depreciation of the currency. Against this context, world output growth is expected to pick up to 5.6% in 2022.

Reference:

https://www.worldbank.org/en/publication/global-economic-prospects

1.2 PAKISTAN'S ECONOMIC & TRADE OUTLOOK

(JULY-JUNE 2021)

The Pakistani economy has already experienced a volatile growth pattern over the years, with regular boom and bust cycles facing challenges in achieving sustained and inclusive growth. The current Government has focused on an economic vision aimed at achieving sustainable economic growth through improved efficiency, lower operating costs, improved regulation, improved productivity, and increased investment.

Even before the COVID19 pandemic, the Government started implementing decisive and sweeping reforms in all sectors of the economy. Reforms have begun to address economic imbalances and have laid the foundation for improved economic performance in terms of strengthening fiscal and external accounts, stable exchange rates, and improving investor confidence.

The fiscal year 2021 began amid the worst global health crisis in modern history. The Pakistani economy, like the rest of the world, has struggled to combat the economic impact of the COVID19 shock by taking swift action to support the economy and save lives and livelihoods. In addition to measures to contain the virus, the Government has taken a wide range of measures, including the largest ever economic stimulus package of Rs. 340 billion, a construction plan, an extension of the social protection safety net to protect vulnerable segments of society and a supportive monetary policy, as well as targeted financial initiatives. These measures have helped the economy to mitigate the negative effects of the pandemic. Unlike other global economies, Pakistan started to experience a recovery in the first half of fiscal 2021.

While Pakistan successfully suppressed the first wave of COVID19 with effective containment measures in the summer of 2020, the country was hit by the second wave in the autumn of 2020. However, smart lockdowns and improved containment strategies had helped manage reported cases and the resumption of economic activity. Pakistan also experienced third wave of the pandemic.

The impact of timely and adequate Government action was visible in the form of a V-shaped economic recovery due to widespread growth in all sectors. The preliminary GDP growth rate for the fiscal year 2021 is estimated at 3.94%, above the growth target of 2.1% for the outgoing fiscal year. The Government was actively monitoring the situation in the country and has taken the necessary measures to facilitate the agricultural and industrial sectors and further accelerate the economic recovery.

During FY2021, the policy rate was 7.25%, the inflation rate was 8.6%, FDI reached USD 1.4 billion compared to USD 2.2 billion last year mainly due to a sharp increase in gross outflows, which reflects the repayment of intercompany loans by firms in the communication, electrical machinery, and power sectors during the period.

During July-March FY 2021 the current account posted a surplus with USD 959 million. Foreign exchange inflows into the Roshan Digital Account (RDA) surpassed the USD 1 billion mark. Workers' remittances increased by 29% during FY 2021 and reached to USD 24.2 billion.

The current Government has made efforts to provide an enabling environment for trade and businesses, reduce current account deficits, and achieve a positive balance of payment. The China-Pakistan Free Trade Agreement (FTA) entered into force on 1 December 2020. This grants Pakistan similar access to the Chinese market as that granted to the Association of Southeast Asian Nations (ASEAN) member states.

However, the COVID-19 outbreak resulted in widespread lockdowns, transport restrictions, and social distancing, which impacted supply chains and diminished business activities.

The economic growth of Pakistan is highly dependent on its exports. This is because access to foreign exchange enables Pakistan to finance its imports, stabilise its currency, service its debts, and resolve balance of payment issues. Pakistan's exports increased by 18% to USD 25.3 billion in FY 2021, compared to USD 21.3 billion for same period in the previous year.

Pakistan’s exports have shown remarkable performance during FY 2021. Export proceeds have grown by 18% during FY 2021 as compared to same period of FY 2020 and have reached USD 25.3 billion. Country-wise statistics have shown that all major export destinations registered substantial growth during FY 2021. United States of America (USA) remained the top export destination of the Pakistani products followed by China, United Kingdom (UK), United Arab Emirates (UAE), Germany, Netherlands, Afghanistan, Spain, Italy and Bangladesh during FY 2021.

The COVID-19 pandemic also reduced domestic demand, resulting in fewer imports in the second half of 2020. With the relaxing of lockdown measures, economic indicators are showing positive results bringing Pakistan's economy on the path of recovery. The earlier trend of falling imports has been reversed. This is because the Government reduced import tariffs on industrial raw materials in line with the National Tariff Policy (2019-2024) to enhance competitiveness of the local industry.

The overall recovery is attributed to two main factors one is the national strategy that contained the pandemic and second is the timely and well-calibrated support measures adopted by the Government.

Reference:

https://www.finance.gov.pk/survey_2021.html

1.3 PAKISTAN'S ECONOMIC INDICATORS

(JULY - JUNE FY 2020-21)

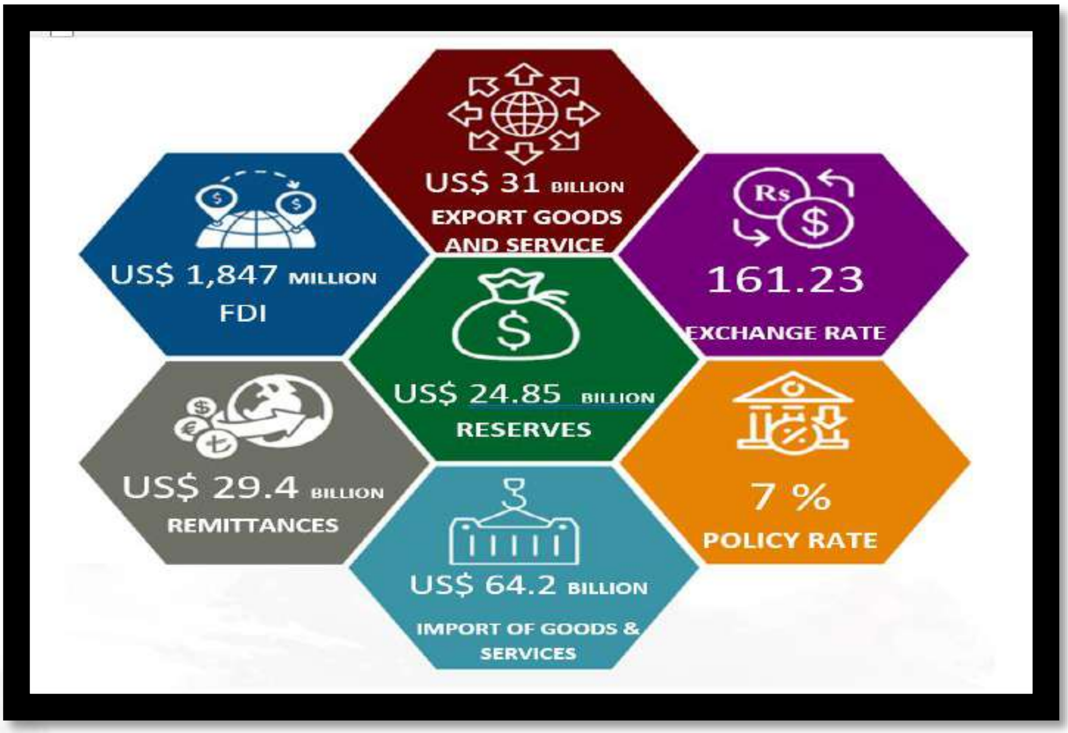


Figure 1: Pakistan Economic Indicators

1.4 PAKISTAN'S TRADE OUTLOOK (GOODS)

YEARLY COMPARISON OF FY 2020-21)

Figure 2: TRADE VALUES (JULY 2020-JUNE 2021) IN USD BILLION

Source: PBS

SECTION - 2

2.1 PAKISTAN'S EXPORT PROFILE (Goods)

Pakistan's exports have shown remarkable performance during FY 2021. Export proceeds have grown by 18% during FY 2021 as compared to same period of FY 2020 and have reached USD 25.3 billion. Country-wise statistics have shown that all major export destinations registered substantial growth during FY 2021. United States of America (USA) remained the top export destination of the Pakistani products followed by China, United Kingdom (UK), United Arab Emirates (UAE), Germany, Netherlands, Afghanistan, Spain, Italy and Bangladesh during FY 2021. The main reason of country wise enhancement in exports of Pakistan was the implementation of smart lockdowns, shifting of demand from neighbouring countries to Pakistan and subsidies/facilitation provided by the Government in different export potential sectors. Export related factories were operating during lockdowns to complete export orders. Government adopted policies and procedures to enhance exports of Pakistan. To improve the situation, Pakistani exporters proactively used latest research and forecasting as per industry/demand dynamics to diversify products and markets. For the current fiscal year, country-wise export performance is depicted in the table-I.

TOP EXPORT PARTNERS SHOWING INCREASE (FY 2021 V/S FY 2020)

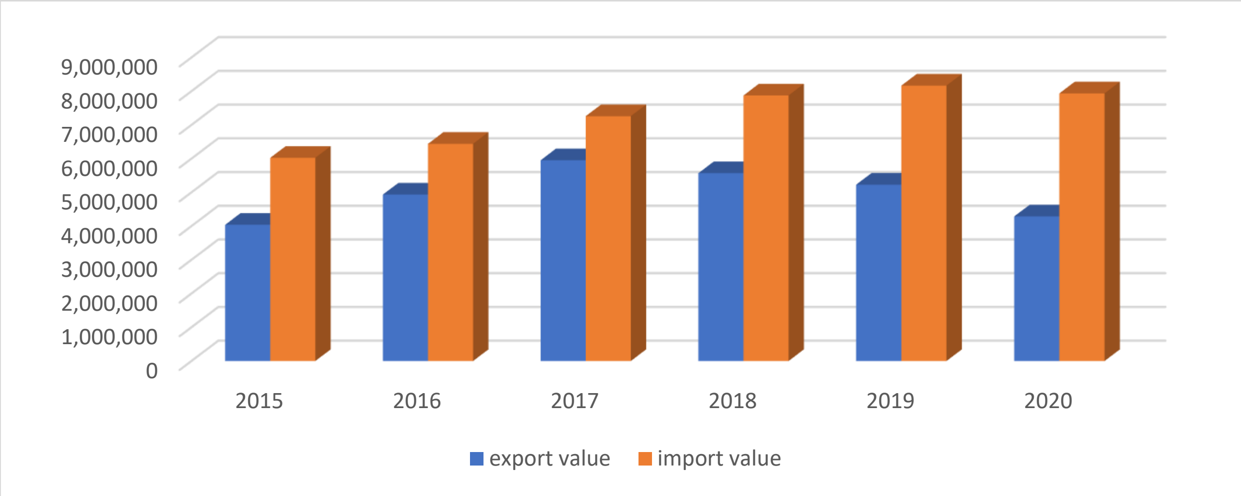
Table 1: Top export destinations showing increase (trade values in USD million)

EXPORT DESTINATIONS	JULY-JUNE FY 2021	JULY-JUNE FY 2020	% Change
United States	5,183	3,753	38%
China	2,355	1,704	38%
United Kingdom	2,076	1,546	34%
United Arab Emirates	1,877	1,042	80%
Germany	1,514	1,288	18%
Netherlands	1,253	1,032	21%
Afghanistan	945	711	33%
Spain	885	816	8%
Italy	798	722	11%
Bangladesh	668	648	3%

Source: Weboc

The European countries have remained major trading partners of Pakistan. The major exports to EU include categories of Textile and Clothing (T&C), and Agricultural products. The T&C sector seems to get benefit from the GSP+ Scheme, as exports to the EU kept on rising annually.

Figure 3 GSP plus impact on Pakistan's trade with Europe (USD Million)



Source: Trade Map

2.2 TOP EXPORT PARTNERS SHOWING DECREASE (FY 2021 V/S FY 2020)

Pakistan exports recorded a decline in Saudi Arabia, Sri Lanka, Kenya, Thailand, Oman, Mozambique, Tanzania, Yemen, Madagascar and Ghanna during FY 2021. Pakistan maily exported agro products to Saudi Arabia. Broken Rice registered decline in Kenya during FY 2021.

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

EXPORT DESTINATIONS	JULY-JUNE FY'21	JULY-JUNE FY'20	% Change
Saudi Arabia	412.4	444.2	-7%
Sri Lanka	283.8	295.1	-4%
Kenya	244.6	579.2	-58%
Thailand	153.6	172.0	-11%
Oman	152.2	158.7	-4%
Mozambique	109.5	121.4	-10%
Tanzania	89.6	107.5	-17%
Yemen	79.9	81.2	-2%
Madagascar	64.7	65.1	-1%
Ghana	45.9	55.0	-17%

Source: Weboc

2.3 SECTOR-WISE EXPORT PERFORMANCE (FY 2021)

Textile group has shown remarkable performance with 23% growth. The sector has earned export revenue of USD 15.1 billion during FY 2021. The share of Textile Sector was 61% in total exports of Pakistan during reported period was followed by Food group (USD 4.393 billion) with 17% share and 1% growth rate, Other Manufactures group (USD 3.466 billion) with 14% contribution and 14% growth rate in total export of the country. However, Petroleum and Coal group (USD 182 million) has shown 33% decline in the export value as compare to same period last FY 2020.

Table-3 (YOY Sector-wise Export Performance) (Trade values in USD Million)

	JULY-JUNE FY'21	JULY-JUNE FY'20	% CHANGE
Textile Group	15,400	12,527	23%
Food Group	4,393	4,361	1%
Manufactures Group	3,466	3,036	14%
All Other Items	1,862	1,197	56%
Petroleum Group & Coal	182.3	273.2	-33%
Total	25,304	21,394	18%

Source PBS

2.4 Textile Sector

The Textile sector in Pakistan has an overwhelming impact on the economy, contributing 61% to the country's exports. It is deemed as one of the most important sectors of Pakistan's trade. It fetched export revenue worth of USD 15 billion and registered an increase of 23% during FY 2021 as compared to same period last year. Major exports of the sector include Knitwear, Readymade Garments, Fabrics, Apparel, Home Textile, Textile madeups and Sports Garments. Despite the global economic slowdown and waning consumer demand, the export of the Textile sector has shown remarkable performance during FY 2021. The growth registered in all value-added Textile Goods while decline has been noticed in raw material like Raw Cotton and Cotton carded by 95% during reported period.

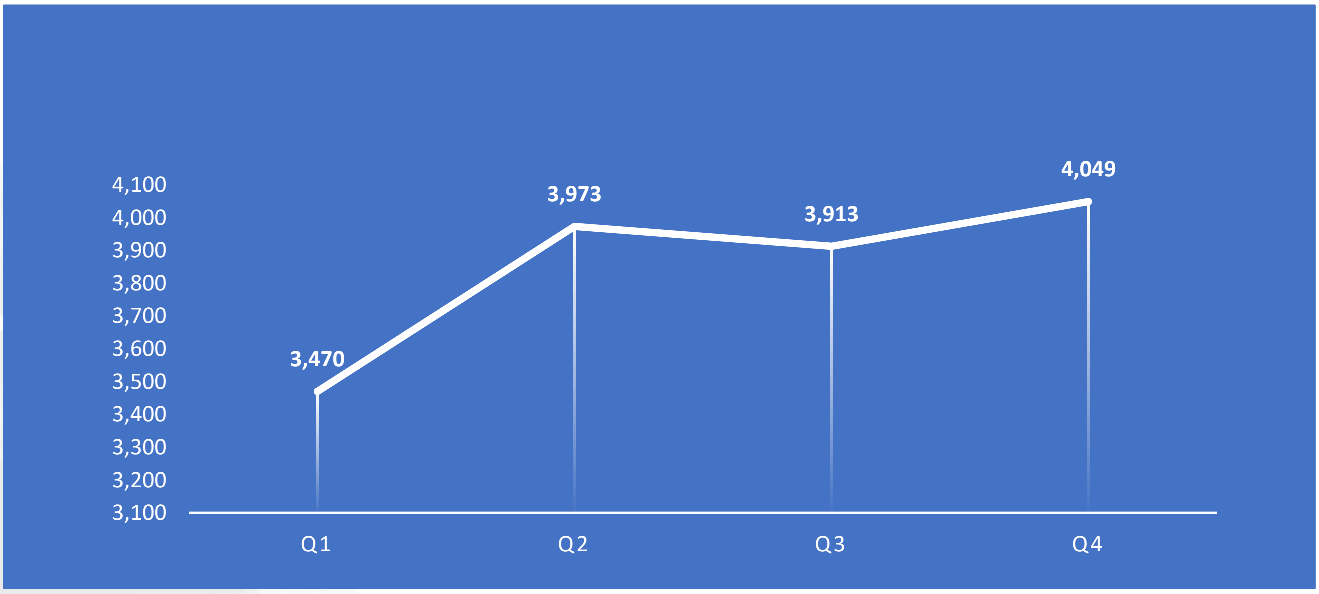
Table 4: Textiles group exports (Trade values in USD million)

	YOY FY 2021 V/S FY 2020		
SECTORS	**July-June FY 2021**	**July-June FY 2020**	**% Change**
TEXTILE GROUP	15,400	12,527	23%
RAW COTTON	0.8	17.0	-95%
COTTON YARN	1,017	984.9	3%
COTTON CLOTH	1,921	1,829.9	5%
COTTON CARDED OR COMBED	0.1	0.1	3%
YARN OTHER THAN COTTON YARN	33.4	25.7	30%
KNITWEAR	3,816	2,794	37%
BED WEAR	2,772	2,151	29%
TOWELS	937.5	711.3	32%
TENTS,CANVAS & TARPULIN	110.4	98.5	12%
READYMADE GARMENTS	3,033	2,552	19%
ART,SILK & SYNTHETIC TEXTILE	370.4	314.8	18%
MADEUP ARTICLES(EXCL.TOWELS & BEDWEAR.)	756.4	590.5	28%
OTHER TEXTILE MATERIALS	632.5	456.5	39%

Source:PBS

Quarterly Performance of exports of Textile sector have shown mixed trend in the FY 2021. A sharp increase has been noticed which was followed by a stagnant trend in next quarters. The sector has shown significant growth and recovery after relaxation of restriction imposed during Covid-19. A sharp surge has been noticed in exports during Q4 of FY 2021. Pakistan continues to receive export orders from global economies as competing countries like India, Bangladesh remains hampered by the COVID-19 outbreak. Pakistan got opportunity to capture new buyers due to severe pandemic conditions in the neighbouring countries however, the industry faced shortage of Raw Cotton – basic Raw material of Textile. The industry imported Raw Cotton (USD 447 million) and Synthetic & Artificial Silk Yarn (USD 156 million) during FY 2021.

Figure-4: Quarterly performance Textile Sector during FY 2021 (USD Million)



Source: Author's calculation based on PBS data

Readymade garments

The Readymade Garment is one of the most important sector, in Pakistan's Textile industry. Pakistan's Readymade Garments exports to world recorded USD 3.03 billion in FY 2021. The sub sector has shown growth of 19% in FY 2021 as compared to same period last year. One of the main reason for this growth was due to low-base last year when export-oriented industries remained closed and neighbouring countries faced lockdown measures restrictions imposed during Covid-19. Moreover, Pakistan received export orders from global economies as competing countries like India, Bangladesh were impacted by COVID-19 and lockdowns. The Textile companies worked on their full capacity to complete export orders. The growth in the sector increase demand of Textile Machinery. The demands of Machinery of Textile companies were increased as they have to complete new orders from international buyers. The import of Textile Machinery posted a growth of 35% to USD 592 million during reported period. This indicates that the industry imported Textile Machinery as part of expansion in the sector.

Knitwear

Knitwear (Hosiery) industry is playing a vital role in the value addition of Textile sector. Today, this industry is a source of direct employment to more than 20,000 workforce. Pakistan has exported 179 million dozens of knitted goods. The exports of Knitwear increased by 37% to USD 3.8 billion during FY 2021 as against USD 2.79 billion over the same last year. Government has announced several measures including reduction in duty on raw imports materials and tariff rationalization to promote exports of value-added Textile sectors. The growth of Knitted Garments was due to increase versatility of Knitting techniques, the compliance of many new manmade fibres. Moreover, an increase was due to the growth in the consumer demand for wrinkle resistant, stretchable, snug fitted garments, particularly in the areas of sportswear and other casual wear garments.

Bedwear

Bedwear industry contributes significantly to Pakistan's industry in general and to its Textile industrial output and exports in particular. The exports of Bedwear noticed significant increase in FY 2021. However, its key basis of competitive advantage has been low cost. Exports of Bedwear went up by 29% to USD 2.77 billion in FY 2021 as against USD 2.15 billion of FY 2020. The growth of Bedwear Industry in Pakistan from processing, printed and dyed goods transform into export due to its better qualities of printing. Pakistan exported Bedwear to Italy, France, Spain Germany & USA.

Cotton Yarn

The export of Cotton Yarn surged by 3% during FY 2021, crossing USD1 billion mark as compared to same last period 2020. Cotton yarn is sufficiently available in the country for consumption in the value-added sector for export purposes. Domestic production of cotton yarn is about 3.5 million tons and local consumption is 90% for value-added products while only 10% is being exported. The export of Cotton Yarn increased to China as a result of the implementation of CPFTA Phase-II since 2020.

It is pertinent tot mention that total world trade of cotton-rich Textile Yarns (comprising >/=85% cotton) stood at around USD 10 billion in 2020. With around USD 805 million worth of exports, Pakistan managed to get a share of 8% in the global trade of cotton-rich Yarns. Pakistan was the fourth largest cotton producer and the fourth largest cotton yarn exporter in 2020. India stood at the top of the list with 26% share in the global Cotton Yarn trade. The third largest exporter was Vietnam with a share of 22%, followed by Uzbekistan and China in 2020. Countries with higher growth rates in Textile sector arosed as challenge for Pakistan in the world market. Government is planning to impose regulatory duty on the export of Cotton Yarn in FY 2022 to regulate the export of the sector.

Textile Madeups - Towels

In made ups, Towel is the second largest sub sector after Bedwear in terms of production and exports. Pakistan has been ranked as the 12th largest exporter of Towel in 2020 . A growth of 32% was seen in export of Towels to USD 937 million in FY 2021 as against USD 711 million last year. Pakistan Towel Industry produces a complete range of Towels including Hand Towels, Bath Towels, Face Towels, Kitchen Towels, Wash Cloths, etc. available in rich assortment of patterns and designs in eye-catching colors. The towel manufacturers in Pakistan also produce a large range of allied products of Towels including, Terry Bar Mops, Terry Bathrobes, Terry Face Towels, Terry Wash Cloths, Shop Towels, Terry Gloves, Terry Pillow Covers, Terry Coverlets and all other terry made-ups as desired by the buyers. China has been a dominant player in this sector since 2001. China, with exports of USD 4.8 billion, dominated the global market for towels in 2020. The main export destinations of Pakistani Towel include mainly USA, UK, the Netherlands, Germany, Italy, Spain, Poland and Belgium.

Tent and Canvas

Pakistan's exports of Tents and Canvas stood at USD 110 million during FY 2021 and went up by 12% as compared to same period last year. Exports increased in quantitative terms, from 37,748 MT in FY 2020 to 40,220 MT in FY 2021. The major destination for Tents and Canvas were Saudi Arabia. Other export destinations include Middle East countries such as Turkey, U.A.E and Jordan. The Middle East is a region where relief activities have been highly concentrated in recent years due to the prevalence of conflicts as well as the presence of large numbers of refugees. In addition, Pakistan exported Tent and Canvas to the United States for camping industry.

There are roughly more than 88 Tent manufacturers and exporters working in Pakistan. However, only few are engaged in exporting and delivering supplies for disaster relief. As per research report of an institute, Pakistan has capacity for production of up to 100 million square meters of canvas. Approximately 60% of canvas produced were exported while the remaining was consumed locally.

The other reason for declining of the sector was important raw material used in the production of Canvas, Tents and Tarpaulin is Polyvinyl Chloride (PVC). The price of PVC has witnessed significant increase in the last few years. The primary local producer of PVC is Engro Polymer & Chemical. Engro produces both rigid and flexible types of PVC, however, flexible PVC that is suitable for manufacturing of Tents is a relatively smaller component of its product portfolio. Additional demand is met through imports from countries such as China, Indonesia and United States of America.

Raw Cotton

The export of Raw Cotton declined by 95% this year over the same period last year. The production of Cotton registered decline from last few years. The falling production of cotton in the country has hampered its export to the partner countries. [2]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). The main reason for short supply of raw cotton is the cultivation of the product is no longer economically feasible for farmers.

Cotton is among the basic raw materials for the manufacturing of Textile Goods. Cotton production in Pakistan has witnessed a declining trend since 2018. There was a significant decline in the production during the FY 2020. Production during FY 2021 stood at 5.3 million bales as compared to 8.1 million bales during FY 2020.

The Cotton imports have been greatly helping the Textile inustry to cope up with challenges such as high production cost and compliance requirements. Cotton is the basic raw material consumed in the value-added Textile sector and the Government has also allowed duty-free import of Raw Cotton. The industry imported

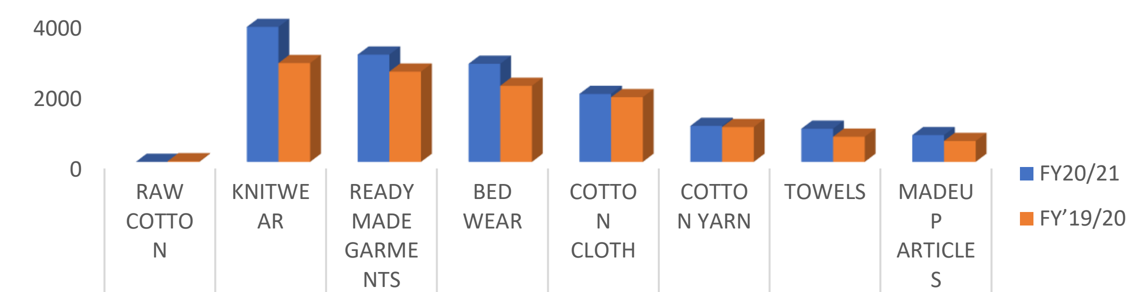
[2] FAO report

USD 1.4 billion of raw cotton in FY 2021 as against USD 880 million last year, showing an increase of 68%, to bridge the shortfall in the domestic sector. Exporters imported the product from the US, Brazil and Afghanistan, which has added to the import bill in FY 2021.

<u>Art Silk and Synthetic Textile</u>

Pakistan exported worth of USD 370 million of Art, Silk and Synthetic Textiles in FY 2021 showed an increase of 18% during the reported period. Pakistan was an importing country of silk Cloth & manufacturing at the time of independence. Only few looms were working at the time of independence. Art Silk production was limited due to shortage of raw material and higher prices. Now, Art silk and Synthetic Weaving industry has shown improvement and developed on cottage based power looms units. Now, Pakistan has become an exporter of Art Silk and Synthetic Textiles. However, the import of synthetic and artificial silk yarn stood USD 656 million at this year as against USD 504 million last year, showing an increase of 30%. Art silk & synthetic textile weaving industry in Pakistan is facing several challenges, which are needed to overcome for further development. The synthetic fiber industry is facing stiff competition, as raw material prices are rising continuously. A price hike in polyester fiber cost caused by the rise of international petroleum prices that forced the Textile mills in Pakistan to consume more cotton. Our country has the most advanced spinning and weaving mills operating on modern technology and is taking benefit of worldwide recognized technological advantage in basic textiles. However, we are unable to exploit true potential as World demand has been shifting to man-made fibre. Exports of major sub sector, including value-added textiles, posted double-digit growth in during FY 2021 as compared to same period last year. Growth in exports of value-added sectors contributed to an increase in overall exports from the sectors. The textile products exported by Pakistan account for 2% of world's exports only. World exports of Textile related products stood at USD 789 billion in 2020. Foreign buyers were increasingly turned towards Pakistan due to the severe COVID situation in the regional players of the Textile sector. Exporting firms of Pakistan have taken this as an opportunity to quote competitive prices and offer better quality products so that the new buyers could become their permanent customers. The industry is utilizing its 100 percent available production capacity to complete export orders. Almost all the major players in the country are expanding their capacity to create room for the growing number of export orders.

Figure 5 Export Performance of Sub Sectors of Textile and Clothing Sector (USD Million)



	RAW COTTON	KNITWEAR	READY MADE GARMENTS	BED WEAR	COTTON CLOTH	COTTON YARN	TOWELS	MADEUP ARTICLES
FY20/21	0.8	3,816	3,033	2,772	1,921	1,017	937.5	756.4
FY'19/20	17	2,794	2,552	2,151	1,829.90	984.9	711.3	590.5

2.5 AGRO-FOODS GROUP

Pakistan has semi-industrialised economy and consist of well-integrated agriculture sector. Out of the total area of 79.6 million hectares, 22.1 million hectares are cultivated; the rest is comprised of culturable waste, densely populated forests and rangelands[3]. The country has the world's largest irrigation system with almost 80 percent of the cultivated area irrigated. Pakistan is also amongst the world's top ten producers of Wheat, Cotton, Sugarcane, Mango, Dates and Kinnow Oranges, and is ranked 10th in Rice production.

Major crops (Wheat, Rice, Cotton and Sugar Cane) contribute about 4.9%, while minor crops contribute 2.1% to the country's total GDP. Livestock sector contributes 11% to the country's GDP (60.5% in agriculture sector) and employs approximately 35 million people. Fisheries and forestry sectors contribute an estimated 0.4 per cent to the GDP (2.1% in agriculture sector). Despite its impressive and continuously growing agricultural production, the country's agro exports are limited

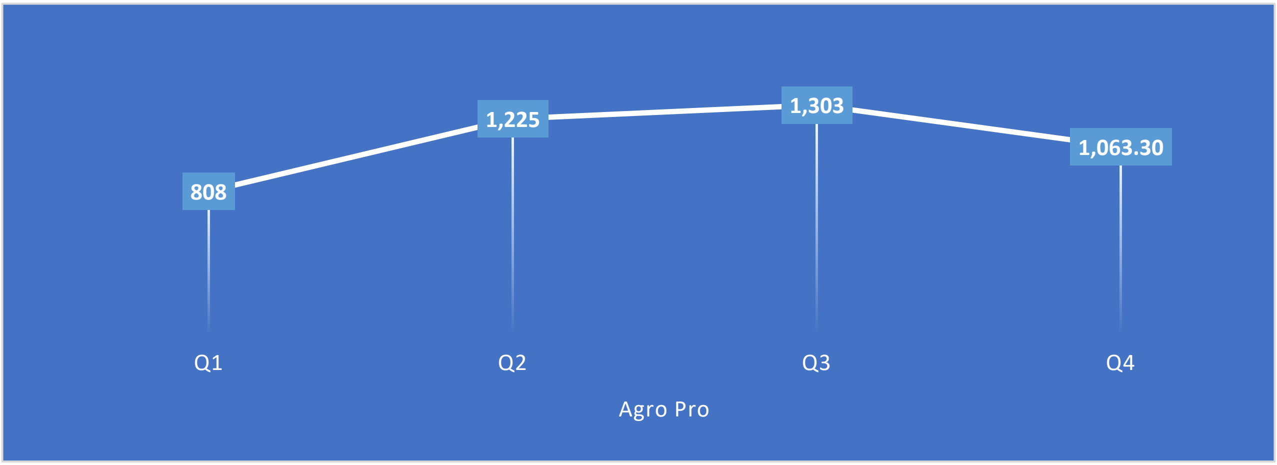
Table 5: Food Group Exports (trade values in USD Million)

	FY 2021 V/S FY 2020		
SECTORS	**July-June FY 2021**	**July-June FY 2020**	**% Change**
FOOD GROUP	4,393.5	4,361.2	1%
RICE	2,041.3	2,175.5	-6%
a) BASMATI	575.7	783.3	-27%
b) OTHERS	1,465.7	1,392.2	5%
FISH & FISH PREPARATIONS	414.2	406.7	2%
FRUITS	479.9	431.7	11%
VEGETABLES	319.9	298.6	7%
TOBACCO	36.0	35.8	0.8%
WHEAT	-	11.4	-100%
SPICES	93.0	88.3	5%
OIL SEEDS, NUTS AND KERNALS	94.1	30.1	213%
SUGAR	-	70.7	-100%
MEAT AND MEAT PREPARATIONS	333.4	304.2	10%
ALL OTHER FOOD ITEMS	581.6	508.3	14%
			Source:PBS

Agro-Food exports of Pakistan contributed 17% to the national export in FY 2021. The current structure of Agro-based exports mainly consists of Rice, Meat, Fruit & Vegetable, Tobacco, Spices, Horticulture, And Livestock with inconsistent exports of Sugar and Wheat. The exports of the Agro-Food were USD 4.3 billion and registered an increase of 1% in FY 2021 as against same period last year. Quarterly trade statistics shows that the growth in the sector is almost stagnant during FY 2021. However, exporters of Agro-Food sector have converted the challenges of pandemic into opportunities by enhancing exports and adopting realistic strategies.

[3] Fact related to production are taken from FAO reports

Figure- 6 Quarterly Performance of Agro Food Sector during FY 2021 (USD Million)



Source: PBS

Rice

Exports of Rice (Basmati and coarse varieties) have shown decline of 6% during FY 2021 as compared to same period last year. Pakistan exported USD 2.04 billion of Rice in FY 2021 compared to USD 2.17 billion during the same period last year. Basmati Rice showed decline of 27% in this year. The reason include increase in the freight rates by international shipping companies around 400% since last six months, without any increase in capacity of lifting goods or number of ships, as the international market has been opened for trade after a prolonged closure due to the pandemic. Shipping companies charged USD 300 per tonne and the rates were same in Europe and America.

Main reason for decreasing exports of Basmati Rice was lower rates of Indian Rice, exorbitant freight charges and bulk purchase by the importing countries last year. As Covid-19 hit the exports of Rice from Pakistan hard during current financial year. Moreover, the Indian Rice was USD 360 per ton while the price of Pakistani Rice was USD 450 per ton. The price difference has hampered the rice exports of Pakistan. Pakistan was not the only country hurt by heavily subsidized Indian rice exports. Thailand, Vietnam, Cambodia, Myanmar, and Nepal are all hit by the phenomenon. Other than rise in freight rates, there were ample stocks available with the destination countries imported during panic buying given one after another wave of coronavirus pandemic.

Moreover, Pakistan has received the Geographical Indicator (GI) tag for its Basmati under Geographical Indications Act 2020, paving the way for creating a local registry for the strain of Rice and making a case in the international market, as the country fights a case in the EU against India's move to get Basmati rice registered as its product. Despite this achievement, Basmati Rice has shown decline during this year However, it is expected that Pakistani exporters may fetch export orders in next year though effective marketing compaigns.

Fish

Fishery sector in Pakistan makes a significant contribution to the national economy, contributing about 1% to GDP and providing jobs to about 1% of the country's labour force. It is the most important economic activity in the coastal area of Pakistan. Pakistan exported worth USD 414 million of Fish and Fish preparations and posted growth of 2% during FY 2021. The growth was recorded in Thailand, Vietnam, Malaysia, and Taiwan, and the decline was recorded in the Chinese market. But

Pakistan is trying to capture Chinese market through prefential access of tariff lines under CPFTA-II. Priority 313 items include inter alia textiles and garments, seafood, meat and other animal products, prepared foods, leather, chemicals, plastics, oil seeds, footwear as well as engineering goods including tractors, auto parts, home appliances, machineries. The high priority items in the 313 list of fisheries products add greatly to the imports of China. These are the same products that China largely imports from US as well, therefore, in the on-going China-US trade war a glorious opportunity has come up for Pakistani exporters to increase their presence in Chinese markets. CPFTA-II included 13 tariff lines in the top priority list however due to NTBs we are unable to capture true potential of Chinese market. Different certification, requirements and inspections are imposed by Chinese government to import from Pakistan.

It is pertinent to mention that Pakistan is rich in marine fishery resources, where catching is done in the coastal areas of Sindh and Balochistan. The catch consists of more than 30 species of shrimp, ten species of crab, five species of lobster, and 70 commercial species of fish Including Sardine, Hilsa, Shark, Mackerel, Butter Fish, Pomfret, Sole, Tuna, Seabream, Jew Fish, Catfish and Eel. Fish and Fishery products are exported mainly to China, Japan, European Union and Persian Gulf countries. The Government is taking several measures to strengthen infrastructure, enhancement of fish production, increase in export earnings, diversification of fishing effort, exploitation of hitherto untapped resources and to improve socio-economic condition of the fishing communities.

By effective measures, Fish and Fish preparation exports have shown improvement during FY 2021. Good development possibilities exist for Cephalopod fishing, which is almost non-existent so far.

Fruits and Vegetables

Despite the outbreak of the coronavirus pandemic, Pakistan's exports of Fruits and Vegetables witnessed a modest jump of 11% and 7% during FY 2021. Exports of Fruits increased from USD 431 million to USD 480 million and vegetables increased from USD 298 million to USD 319 million in FY 2021. Despite serious issues of transportation and logistics arising from the pandemic exports of sector has shown surge in Afghanistan, Malaysia, Sri Lanka, and Russia. Exports of Fruits increased to UAE, UK, Kazakhstan, Uzbekistan, and Afghanistan during reported period.

Pakistan has a wide range of agro-climatic conditions, allowing the country to produce a wide variety of tropical and sub-tropical Fruits and Vegetables. Different climates result in the availability of many vegetable varieties in the markets around the year. Around 35 kinds of vegetables are grown in numerous ecosystems in Pakistan from the dry zone to the wet zone, low elevation to high elevation, rain-fed to irrigated, and low input to high input systems such as plastic houses.

Some of the major fruits and vegetables produce are Mangoes, Oranges, Apples, Onions, Tomatoes, Carrots, and Watermelons, among others. Out of the total production, the major contributing states for producing vegetables like Potato, Onion, and Tomatoes are Punjab, Sindh, and Baluchistan. Other vegetables like mushrooms and chillies are also produced on a larger scale for export purposes.

As an impact of COVID-19, the Pakistan fruits and vegetables market suffered from few challenges related to production, supply chain, and trade movement. Farmers got hit by the poor returns varying from one-third usual or a complete loss. Pakistan as one of the leading country to export variety of its fruit worldwide, faced export challenges that hampered the usual trade movements due to repeated lockdowns and related trade restriction protocols worldwide.

Dates

Total Dates exports of Pakistan were US$ 57.62 million with -20% decreasing rate in value during FY 2021 as against previous FY 2020. Fresh Dates exports of Pakistan were US$ 17.5 M with -13% decreasing rate in value and 22,492 tons in quantity with -0.6% decreasing rate against previous FY2020. Dry Dates exports of Pakistan were US$ 40 M with -23% decreasing rate in value and 113,092 tons in quantity with 59% growth rate against previous FY2020. The main reason was the constraints of Pak-India trade relation, as India was the major importer of Pakistani Dry Dates, Pandemic Covid-19 and high cost of sea freight, which has risen at least 5 to 6 times higher and that makes it impossible for the buyers to buy our dates. Our competitor Iran has lost the value of currency against the dollar so the prices of this origin dates are much lower than Pakistan, besides they have a very good logistic arrangement by road, and they can send one full reefer container by road to Turkey in merely US$1200. From Turkey, they can send the dates container to Europe with an added US$1800. Whereas, our transport cost in a dry container to Europe has risen to US$ 6000 and for reefer containers, it costs around US$7500 carrying just 18 MT of dates. In order to explore new and potential markets for Pakistani Dates, TDAP launched "Dates Promotion Campaign" in 2021, wherein the samples of different varieties of Pakistani Dates including the varieties of Baluchistan along with the marketing brochures have been sent to 31 Diplomatic and Commercial missions abroad.

Wheat

The export of wheat registered declined 100% during FY 2021 as compared to same period last year. Due to increasing price and less stock availability in October 2019, Government has banned Wheat export, and allowed duty-free Wheat import in March 2020 to meet the domestic demand to control the Wheat price and demand. In June of this year, the cabinet authorized the import of four million metric tonnes of Wheat to meet a shortfall in local consumption requirements. Wheat is one of Pakistan's four principal crops. Around 80% of the country's farmers cultivate it during the Rabi season.

On 17 June 2021, the Economic Coordination Committee (ECC) approved the import of 3 million tonnes of wheat. The measure, which follows the lifting of import duties for wheat in June 2020, aims to build up the national strategic reserves. Together with an above-average wheat output forecast in 2021, set at 26.2 million tonnes, the country expects to guarantee an adequate supply to contain the inflationary pressure caused by the increase in wheat prices since mid-2020. This has been due to a combination of high production costs and a lingering tight domestic supply situation, after lower than expected 2020 harvest, which followed below-average outputs in 2018 and 2019, and strong exports in 2019.

The planting season for wheat began on schedule in October of last year, with a total area planted of 9.2 million hectares (Mha), or around 40% of the country's arable land. However, rising production costs and a low assistance price by the Government deterred some farmers from planting, and the acreage was eventually reduced to roughly 8.5 million hectares. Due to favorable meteorological conditions, early crop development was great. However, heavy rains and localized hail in

March and April 2020 delayed harvesting operations and damaged standing crops in Punjab. The production was hampered and Pakistan imported substatial quantity in FY 2021.

Sugar

The export of sugar has declined 100% during the FY 2021 as against the last year. Pakistan is currently imported Sugar amounting to USD 128.7 million in FY 2021. Pakistan is currently ranked among the top 20 countries in terms of sugar cane crop area and output. Sugar appears to be Pakistan's second most important cash crop, after wheat.

Pakistan allowed the import of 300,000 metric tonnes of sugar to meet a shortage in production below consumption levels, a move that could support global prices. The price has risen sharply in the last few months, reaching as much as 90 rupee a kg.

To facilitate the availability of sugar to end users the government has eliminated all duties on sugar imports. Sugar prices increased 21 percent since last year due t shortage in supplies in the market. Instability in sugar availability for end users and sugar prices is expected to rise mainly due to pricing and management policies influencing the decisions of sugar producers to distribute product.

Meat

Pakistan exported worth of USD 333 million of Meat and Meat preparations in FY 2021. The sector registered growth of 10% in the reported period as compared to last year. However, the average per tonne price (APT) remained low as compared to FY 2020.

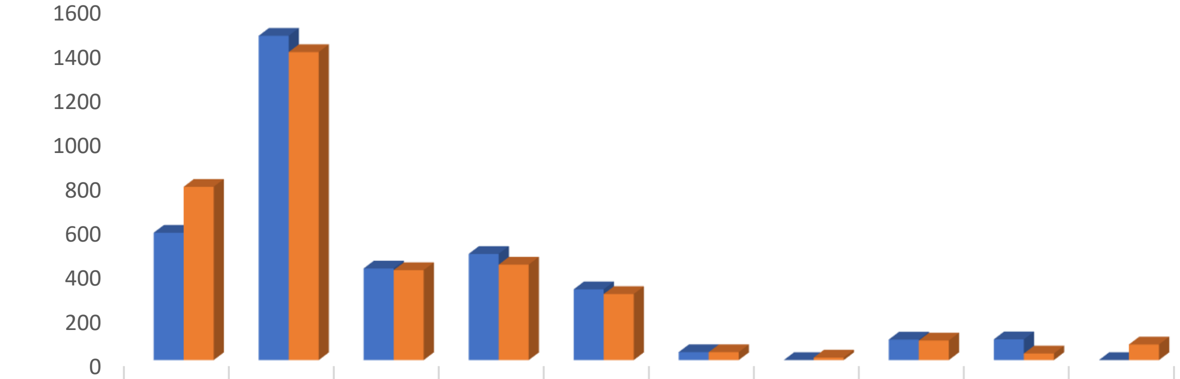
Pakistan exported 4% of its production of beef and veal produced in a year. The Foot and Mouth Disease (FMD) present in Pakistan limits its access to most global markets. The Government is undertaking a vaccination programme and making an animal quarantine zone in Cholistan. The intervention is expected to move Pakistan from the World Organization for Animal Health's (OIE) Stage 2 category for countries, (in which FMD is reduced to target areas) to Stage 3. In the third stage the FMD virus is curtailed through an organized national Official Control Programme.

Once Pakistan achieves the Stage 3 status, the opportunity to export frozen beef to larger markets such as China will open up. In order to compete in the international market for frozen beef, Pakistan needs to comply with the quality standards and phyto-sanitary standards of the importing countries.

Malaysian Government has allowed third Pakistani meat exporter after approving two others last year. This shows that international acceptability and demand of Pakistani meat is gradually increasing.

Meat export opportunities in Pakistan are expanding in response to the global market's consistently rising demand. To ensure the continued export of meat products to Saudi Arabia, two Halal Certifying Bodies and thirteen (13) companies have been registered with the Saudi Food and Drug Authority. The Middle East and Gulf markets offer tremendous opportunities for halal meat suppliers.

Figure - 7 Export Performance of Sub Sectors of Agro Food Sector(USD Million)



	BASMATI RICE	OTHERS RICE	FISH	FRUITS	VEGETABLES	TOBACCO	WHEAT	SPICES	OIL SEEDS, NUTS	SUGAR
FY20/21	575.7	1,465.70	414.2	479.9	319.9	36	0	93	94.1	0
FY'19/20	783.3	1,392.20	406.7	431.7	298.6	35.8	11.4	88.3	30.1	70.7

Source:PBS

2.6 OTHER MANUFACTURING GROUP EXPORTS

The manufacturing industries transforming goods, repair and install industrial equipment and involve in the subcontracting operations for other industries.

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 in the overall GDP in the country. As a whole, the manufacturing sector employs 16.1% of the labor force. The manufacturing sector was hard-hit by the COVID-19 outbreak and subsequent lockdown(s).

The share of other Manufacturing sectors in the exports of Pakistan was 14% during FY 2021. The manufacturing sector is the driver of economic growth due to its forward and backward linkages with other sectors of the economy.

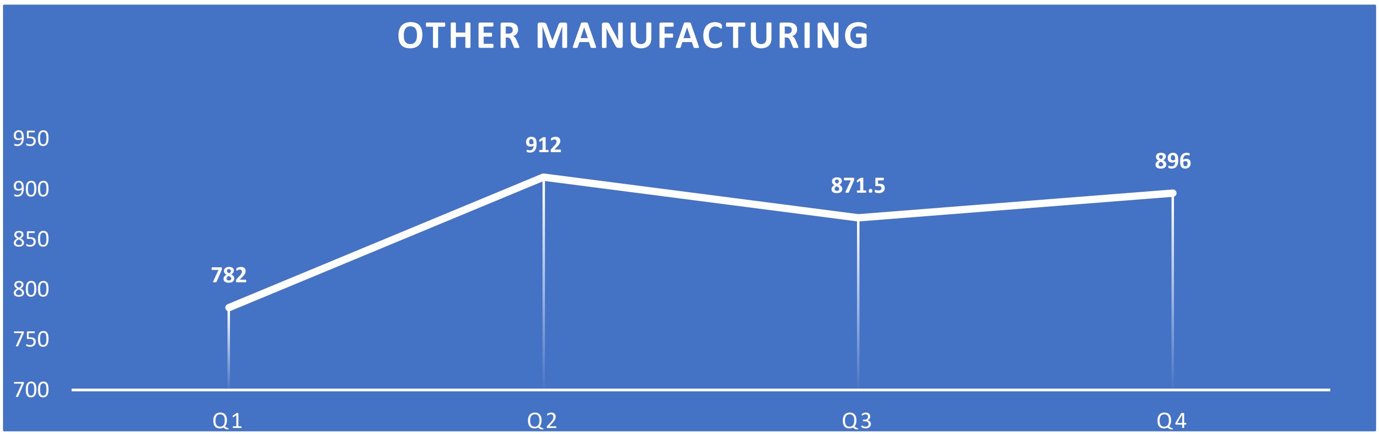
The export of other Manufacturing sectors has shown positive growth of 14% during FY 2021 as compared to the same period last year. Pakistan exported a worth of USD 3.46 billion manufactured and Engineering Goods during FY 2021. All commodities have shown positive growth except Tanned Leather, Guar and Guar products and Molasses, during reported period.

Table 6: Other Manufacturing Group Exports (trade values in USD Million)

	FY 2021 V/S FY 2020		
SECTORS	**July-June FY20/21**	**July-June FY'19/20**	**% Change**
OTHER MANUFACTURES GROUP	3,466	3,036	14%
CARPETS, RUGS & MATS	74.2	54.2	37%
SPORTS GOODS	277.7	262.4	6%
a) FOOTBALLS	131.6	144.2	-9%
b) GLOVES	72.9	71.0	3%
c) OTHERS	73.1	47.1	55%
LEATHER TANNED	161.9	184.1	-12%
LEATHER MANUFACTURES	562.8	474.0	19%
a) LEATHER GARMENTS	286.1	250.9	14%
b) LEATHER GLOVES	260.1	212.8	22%
c) OTHER LEATHER MANUFACTURES	16.6	10.3	61%
FOOTWEAR	131.9	125.9	5%
a) LEATHER FOOTWEAR	108.4	107.2	1%
b) CANVAS FOOTWEAR	0.5	0.4	32%
c) OTHER FOOTWEAR	22.9	18.4	25%
SURGICAL GOODS & MEDICAL INSTRUMENTS	428.0	355.6	20%
CUTLERY	119.3	82.6	44%
ONYX MANUFACTURED	6.4	4.1	56%
CHEMICALS AND PHARM.PRODUCTS	1,148.9	1,008.4	14%
a) FERTILIZER MANUFACTURED	-	-	-
b) PLASTIC MATERIALS	322.7	296.0	9%
c) PHARMACEUTICAL PRODUCTS	270.1	210.3	28%
d) OTHER CHEMICALS	556.1	502.1	11%
ENGINEERING GOODS	226.0	172.7	31%
a) ELECTRIC FANS	32.4	23.6	38%
b) TRANSPORT EQUIPMENT	14.2	12.1	18%
c) OTHER ELECTRICAL MACHINERY	41.8	32.4	29%
d) MACHINERY SPECIALIZED FOR	-	-	-
PARTICULAR INDUSTRIES	66.1	44.5	48%
e) AUTO PARTS & ACCESSORIES	20.1	15.4	31%
f) OTHER MACHINERY	51.3	44.6	15%
GEMS	6.7	3.6	86%
JEWELLARY	13.7	3.2	323%
FURNITURE	5.2	3.5	48%
MOLASSES	0.1	5.3	-98%
HANDICRAFTS	0.0	-	#DIV/0!
CEMENT	267.9	259.4	3%
GUAR AND GUAR PRODUCTS	35.3	36.9	-4%
ALL OTHER ITEMS	1,862	1,196	56%
			Source: PBS

The export growth in the manufacturing Group is unusual due to the lockdown and global restrictions last years. The trend graph depicts the sharp increase in the first quarter then a steady growth is followed in the next quarter for FY 2021.

Figure-8 Quarterly Performance of Other Manufacturing Sector FY2021(USD Million)



Source: PBS

Sports Goods

The share of Pakistan Sports Goods in total exports of Pakistan is 1.1% in FY 2021 with football as major export product. The share of football in the sports goods was 47% FY 2021. The city of Sialkot is a centre of excellence for the production of sports goods for more than 100 years. The first record of manufacturing of Sports Goods in Sialkot can be traced back to 1883 with the products such as cricket bats, hockey sticks, polo sticks.

Sports Goods export has shown the increase of 6% during the FY 2021 in terms of exported value as compared to same period last year. The export of Sports Goods was recorded USD 277.7 million in FY 2021 while same goods exported last year worth of USD 262 million. Major products of Sports Goods include Footballs having exported value USD 131.6 million and registered decline of 9% in FY 2021. Gloves exported value was USD 71 million with 3% increase, and followed by others items USD 47.1 million with 55% for the FY 2021. Decline in the exports of Football has been noticed due to the shortage of demand as sport activities were not organized during pandemic.

Leather & Leather Manufacturers

Exports of Leather and Leather products stood around USD 1.22 billion in FY 2008 but the sector exports kept falling over the years before rising once again to USD 1.27 billion in FY 2014. That became possible after Pakistan was awarded the GSP Plus status by the European Union in 2014. However, in last five years, exports of Leather and Leather products declined gradually and slipped below USD 724 million in FY 2021. Data shows that declining trend had been visible throughout from last five years both in export earnings of leather and of leather products. Exports of the leather sector include Tanned Leather, Leather Apparel And Clothing, Leather Footwear And Leather Shoe Upper, and all other Leather Products Including Leather Bags, Wallets, etc.

The leather export consists of two major categories Leather Tanned with 12% decline amounting to USD 161.9 million during FY 2021 and Leather Manufacturing with 19% increase amounting to USD 562.8 million for the FY 2021.

It is encouraging that value added items of Leather have shown positive growth in this year. The main reason of declinig exports of Tanned Leather was the system of collection of animal hides and skins from markets is obsolete and lots of hides and skins go to waste. If the total animal casings collected throughout the year not gone to waste and supplied to tanneries in the best possible shape and condition, the export volume of tanned leather could have been higher.

Moreover, Pakistan does not have enough number of internationally recognised brands of leather products. Manufacturers of leather products do enjoy incentives in the form of duty drawback and export rebate but their claims of duty drawback are returned slowly. The investment in the latest technologies required by the industry for modernising leather manufacturing processes to increase exports of Leather articles from Pakistan. Due to environmental concern, leather exports were declined. Leather Group has shown serious concern about environmental hazards and its remedies for increasing exports.

Surgical Goods, Medical Instruments & PPE

Surgical Goods & Medical Instruments export was recorded USD 428 million with a 20% growth during the FY 2021. Due to pandemic situations around the world, the demand for Surgical and Medical instruments has increased. Over 10,000 different medical instruments, covering all basic and surgical segments, are manufactured in Pakistan. Over 99% of production is centred at Sialkot. A wide range of industries including Steel, Chemicals, and Machine parts also have strong linkages with the Surgical segment. Some international brands have also shut down manufacturing facilities in their home countries taking products from Pakistani world class artisans. USA, Germany, the UK, France, Italy, UAE, Japan, Brazil, Mexico, and Russia are the largest markets of the Sugical Goods.

The diversification of the Surgical industry has recorded during pandemic. Pakistan started to produce ventilators and the garments industry are making masks and PPE kits. These products can only be exported, however, if they meet the international quality standards of safety and those required by the WHO. At the start of the COVID-19 pandemic, Pakistan imported the majority of its personal protective equipment (PPE), at great expense, to shield its health care providers, frontline responders, and citizens from the highly contagious novel coronavirus. Today, local manufacturers in Pakistan produce most of the PPE the country needs in compliance with international quality standards, allowing the country to provide PPE for its front-line health care workers and increase the supply of quality masks for the population. They are also exporting their quality-assured PPE to eight countries - Canada, Germany, Poland, Saudi Arabia, Spain, Tunisia, the United Kingdom, and the United States.

Pharmaceutical Products

Pakistan exported USD 270 million worth of Pharmaceutical products to the world during FY 2021. It witnessed an increase of 14% during reported period as compared to the exports of the corresponding period of last year. Production of Pakistani medicines and Personal Protective Equipment have increased across the globe. Exports of Pharma products increased in Afghanistan, the Philippines, Myanmar, Sri Lanka, South Africa, Sudan, and Cambodia during the reported period. Global demand has also increased due to COVID19. Over the current FY 2021, Pharmaceutical products have maintained the export potential. Pharma industry has flourished at the back of growing demand for healthcare products amid the coronavirus pandemic since the pandemic, Pakistan has started manufacturing and exporting Remdesivir injections.

The Government focused to increase pharmaceutical exports through upcoming tariff rationalisation, trade-related investment, institutional reforms, and easing of business regulations. Following facilitation is already provided by Government to facilitate the sector:

1. Pharma raw materials exempt from sales tax. The sales tax on the import of raw materials for manufacture of Active Ingredients and pharmaceutical products are exempt from sales tax.
2. The sector has Zero percent duty on import of multiple drugs.
3. Zero percent Customs duty is available on import of multiple Active Pharmaceutical Ingredients for the Pharmaceutical Sector.
4. Low Customs duty on import of Plant and Machinery.
5. Low customs duty on import of Excipients/Chemicals.
6. Refinance facility under the Export Finance Scheme for Consultancy Services.
7. Exemption of Customs duty on import of pharma grade Gelatin.

Carpet

Carpet export has increased by 37% during the FY 2021 as compared to same period last year. The export of carpet was recorded at USD 74.2 million for the current year. In Pakistan, carpets are manufactured with fine wool yarn making these carpets very similar to silk carpets. The Pakistani carpets are mass-produced (in Lahore, Karachi and Rawalpind), are divided into Mori carpets and Persian where 90% of the Mori carpets have a Bochara-like pattern and other Turkmenistan patterns. Ziegler carpets, that are manufactured in Pakistan, have patterns that are copied from older traditions in the Arak district, Persia. Carpets are also being manufactured here that gathers inspiration from Caucasian carpets and are sold as "Kazak Fine".

Pakistan has a huge handmade carpet manufacturing market in the region. China and Pakistan have included handmade carpets to its free trade agreement to boost exports of Pakistan’s carpet industry. Pakistan’s exports of handmade carpets dipped due to rising freight fares, soaring tax duties, customs clearance and warehouse expenses. But now, with the inclusion of hand knotted carpets in the China-Pakistan Free Trade Agreement, and got duty-free access to China that may provide opportunities for carpet exporters.

Plastic

The exports of Plastic materials during FY 2021 grew by 9% as compared to the exports of the corresponding period of the previous year. During FY 2021, Plastic materials worth USD 322 million were exported as compared to USD 296 million of the same period of last year. Major importers of Pakistani plastic are United States of America, Afghanistan, Canada, Turkey, UAE, India, Italy, Tanzania, Belgium, Germany, Bangladesh, Qatar, UK and China.

The plastic industry of Pakistan has established with the world-class processing plants using technologies of international standard. This industry is not only meeting the domestic demand but also contributing significantly to the GDP of the country by exporting its products to various countries. The exports of plastic materials were calculated under the head Chemical and Pharmaceutical Products in total exports (SBP, 2020). In this head, plastic materials exports are second largest after the exports of Fertilizers Manufactured. Polymer is the main trading component of plastic industry. Export of Polymers has increased remarkably. Pakistan's plastic industry is using imported raw material mostly while it is exporting plastic products to many countries. China, Saudi Arabia and USA are the largest trading partners of Pakistan's plastic. The sector was badly hit by the coronavirus. Almost all of the countries have either postponed or cancelled their orders. This situation is very difficult for SME processing units who do not have much to bear the cost of lockdown. This scenario caused closing down of these units permanently, Despite the fact that it was one of those few industries which are rescuing the country being the major barrier against Covid-19. The plastic industry of Pakistan is under continuous and undue criticism by environmentalists and judiciary.

Fertilizer

Pakistan was net importer of urea till 2012 as the domestic manufacturers faced capacity constraints to meet the country's high urea demand. However, the Fertilizer Policy 2001 incentivized the local industry to invest in new plants and capacity expansions. As a result, the domestic production capacity increased and helped Pakistan attain self-sufficiency to meet its urea demand. However, exports of fertilizer was not recorded during FY 2021. Pakisan imported worth of USD 718 million fertilizer in FY 2021.

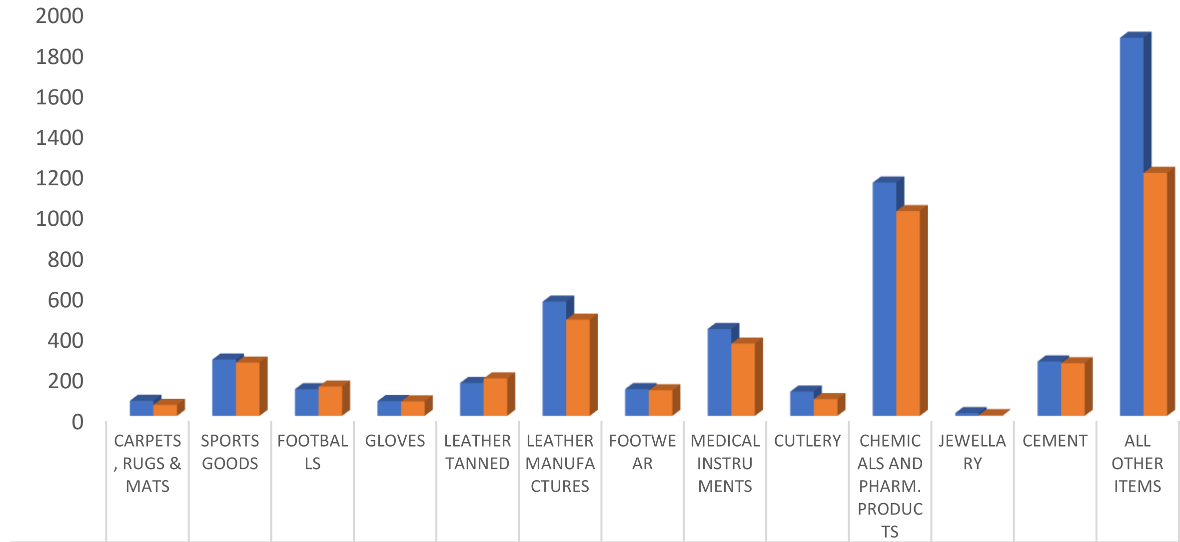
The pandemic hit global supply chains and urea prices touched record highest prices, which can be counted as a missed opportunity to earn export revenues as no additional investment is needed by the local players to produce exportable urea. Pakistan's fertiliser industry was internationally competitive and would thrive in a fully deregulated environment. The Government has not allowed export due to shortage to meet domestic demand. The farmers of Pakistan remained protected from Covid-induced shocks in global urea prices that surged 86 percent since last year. Currently the fertiliser industry was selling urea. The industry is introducing WACOG (weighted average cost of gas) for all manufacturers, including indigenous gas and imported RLNG-based plants.

Cutlery

The Cutlery industry contributes 0.11% to the country's GDP and has a share of 0.47% and 3.4% in total exports and other manufacturing exports respectively. The exports of Cutlery increased by 44% and exported worth of USD 119 million in the current financial year as compared to the exports of valuing USD 82 million in the same period of the previous year.

The cutlery industry is established side by side with the surgical industry and stainless-steel utensils in Wazirabad and Sialkot using the same kind of raw material. This industry manufactures spoons, forks, knives, swords, kitchen gadgets and utensils and other stainless-steel articles. The industry occupies the domestic market space (90 %) and very few items of cutlery, kitchenware and blades are imported.

Figure -9 Export Performance of Sub sectors of Other Manufacturing Sector(USD Million)



	CARPETS, RUGS & MATS	SPORTS GOODS	FOOTBALLS	GLOVES	LEATHER TANNED	LEATHER MANUFACTURES	FOOTWEAR	MEDICAL INSTRUMENTS	CUTLERY	CHEMICALS AND PHARM. PRODUCTS	JEWELLARY	CEMENT	ALL OTHER ITEMS
FY20/21	74.2	277.7	131.6	72.9	161.9	562.8	131.9	428	119.3	1,148.90	13.7	267.9	1,862.40
FY'19/20	54.2	262.4	144.2	71	184.1	474	125.9	355.6	82.6	1,008.40	3.2	259.4	1,196.70

Source:PBS

2.7 Engineering Goods

The export of engineering goods was USD 226 million with 31% growth during the FY 2021 as compared to same period last last year. The major products of Engineering Goods consist of Electric Fans amounting to 32.4 million USD with a 38% growth, Transport Equipment 14.2 million USD with an 18% raise, and followed by Other Electrical Machinery amounting to 41.8 million USD with an increase of 29% for the FY 2021.

Electric Fans

Electric Fans exports during the fiscal year 2020-21 was 32.4 million USD with a growth of 38% as compared to the exports of the corresponding period of last year.

Increase in the prices of basic raw materials needed for the production of electrical fans have significantly raised the costs of the manufacturers and brought upward pressure on retail market rates across the country. 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. But even in this situation, the electric fans export soared during this year as compared to the previous period.

Manufacturers of fans, utensils, electrical wires, autoparts, kitchenware, die casting, machining, and aluminium window frames had been facing shortages of aluminium and copper due to a sudden spike in exports of these materials, resulting in scarce supply and price surge in the domestic market

Tractors

Export of tractors has posted an impressive growth in the current fiscal year. Farm tractor may be seen on the path of revival with production and the sales up by 65.2 and 62.2 percent, respectively. The sales during July-April FY2021 were 41,456 units against 25,562 units last year. This pleasant upward surge was due to ample support prices to the farmers and the policy of revival of construction sector. Only one tractor manufacturing firm (MLT) exported 850 tractors in the first half of this year. However, these numbers are not even close to the highest numbers this industry had achieved in the past which indicates an ample room to grow. According to the data released by the Pakistan Bureau of Statistics.

The domestic tractor industry has played a significant role in fulfilling the requirements of tractors. The number of operational tractors in the country is around 612,000 resulting in availability of around 0.09 horsepower (HP) per acre against the required power of 1.4 HP per acre. During 2020-21 (July-March), total tractor production was 36,653 compared to 23,266 produced last year, a 57.5 percent increase. The production increase was largely due to an improved liquidity position of farmers.

Auto Parts

The Pakistan automobile industry is quite proportionate with the global GDP contribution with 3 percent of the total USD 297 billion GDP. It brought millions of lucrative jobs in the industry. Pakistan has entered the export market as well. Our major tractor producing unit alone exported 2,000 tractors in the last fiscal year worth $20 million of foreign exchange for the country. Spare parts export is also graphing up in the country.

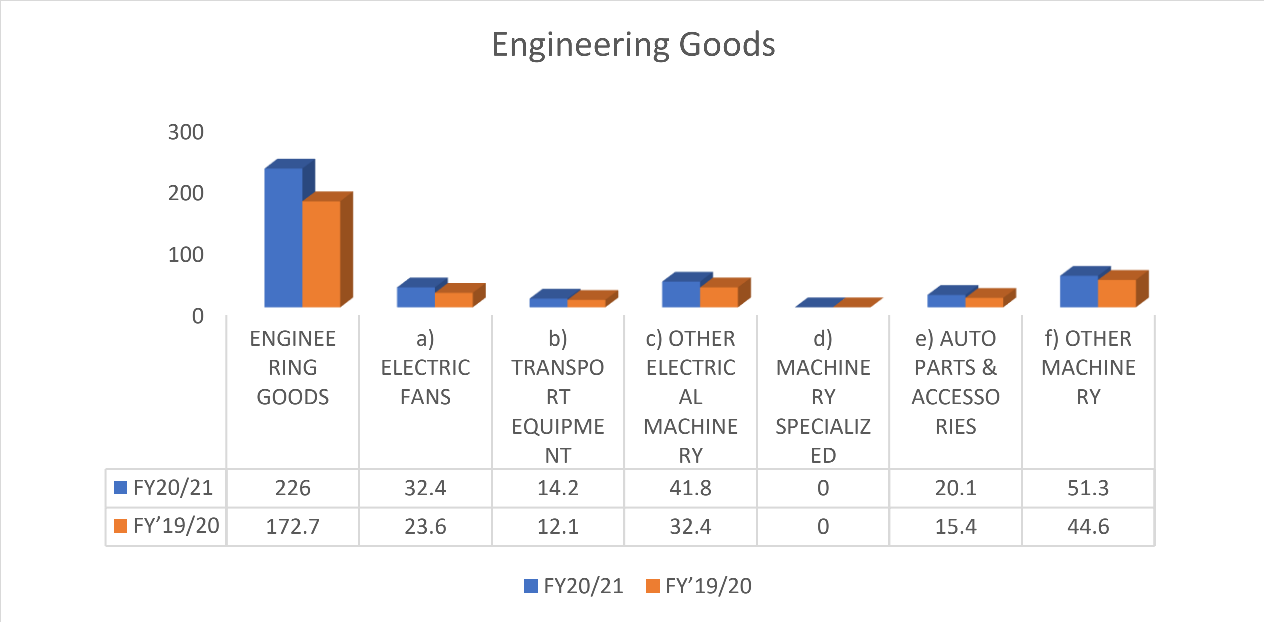
The automobile industry is presently providing direct and indirect employment to millions of people in the country, contributing about 3 percent of the total GDP of Pakistan. Alone, auto parts manufacturers are contributing to nearing 1 percent of GDP. The automobile industry was flourishing in the country; many new automobiles players entered into this growing market of 220 million. The government also announced some incentives not only to mainstream Original Equipment's Manufacturers (OEMs) but to aftermarket subsidiaries. Along with luxury automobiles, motorcycles, rickshaws and tractors are being produced locally to reduce our import bills.

The import reduction and export augmentation is the only solution that has been realized by our parts' producers. Although Pakistan's auto part industry is meeting this challenge very effectively to replace imported items with localization to bring the import bill down; a lot still has to be done. Pakistan has got a tremendous infrastructure to cater for OEMs and after-sale market needs.

Coming to exports of auto parts, we warmly welcome the 5 percent relief on additional custom duty the government has already introduced coupled with some other incentives which will positively impact the industry. It's also a very encouraging and appreciable step of the Engineering Development Board (EDB) to hold the three roadshows in potential areas of the globe. But still, we have to enhance our global market share. We desperately need to enhance the size of our export basket by introducing non-traditional markets and commodities. Auto parts and accessories are among the commodities that have great potential for exports. The only thing is to double the initiative to harness our available resources to expand our export base.

The two/three wheelers sector also showed satisfactory recovery with production and the sales up by 33.5 and 34.0 percent, respectively. Two/three wheelers offer most economical public transport alternate for the lower income group, however, at the same time, it is extremely price sensitive. Massive exchange rate losses kicked off inflationary conditions resulting inevitable price increase. It may be mentioned that there has been steady growth in the two/three wheelers for the potential demand they have; however, it succumbed to the adverse macroeconomic happening during the previous year. Still, this sector offers most preferred means of transport and best alternative in the absence of public transport in the cities and thus holds a dependable and continued potential for growth in the coming years.

Figure- 10 Export Performance of Sub Sectors of Engineering Goods (USD Million)



	ENGINEERING GOODS	a) ELECTRIC FANS	b) TRANSPORT EQUIPMENT	c) OTHER ELECTRICAL MACHINERY	d) MACHINERY SPECIALIZED	e) AUTO PARTS & ACCESSORIES	f) OTHER MACHINERY
FY20/21	226	32.4	14.2	41.8	0	20.1	51.3
FY'19/20	172.7	23.6	12.1	32.4	0	15.4	44.6

Source: PBS

The Government of Pakistan facilitated the Engineering and Manufacturing sector through different facilitating schemes during FY 2021.

SBP introduced Temporary Economic Refinance Facility (TERF) aimed at promoting investment both new and expansion and/or Balancing, Modernization and Replacement (BMR) except power sector where SBP's refinance facility for renewable energy projects already exists. For purchase of new imported and locally manufactured plant & machinery for the setting of new projects and for existing projects/ businesses to undertake Balancing, Modernization and Replacement (BMR) and/or expansion.

2.8 PETROLEUM GROUP & COAL EXPORTS

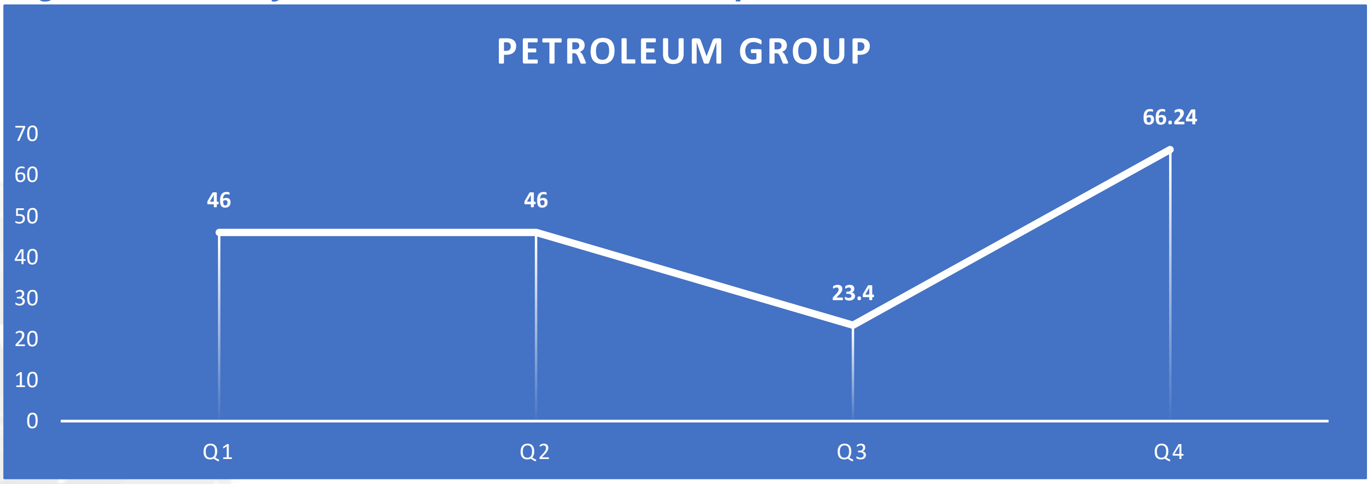
Petroleum and Coal group stood at USD 1.8 billion and posted negative growth of 33% during FY 2021 as compared to same period last year. The export of Petroleum-related sectors was severely affected by COVID-19 as export has faded in FY 2021. Currently, few oil refineries are functioning in the country, these refineries are operating on 40% production capacity due to the shortage of supply and storage capacity. The sector faced heavy losses from last two years. Pakistan's petroleum export basket consists of by-products. Quarterly comparasion showed different trends during FY 2021 in the first and second quarter. The trend was stationary then followed by a sharp decline in the third quarter but contrary there was a high-pitched growth in the fourth quarter of FY 2021.

Table 7: Petroleum Group exports (trade values in USD Million)

	FY 2021 V/S FY 2020		
SECTORS	**July-June FY2021**	**July-June FY 2020**	**% Change**
PETROLEUM GROUP & COAL	182.30	273.23	-33%
PETROLEUM CRUDE	106.78	185.89	-43%
PETROLEUM PRODUCTS(EXCL TOP NAPHTA)	42.62	40.74	5%
PETROLEUM TOP NAPHTA	32.90	46.48	-29%
SOLID FUELS (COAL)	0.01	0.12	-90%

Source: PBS

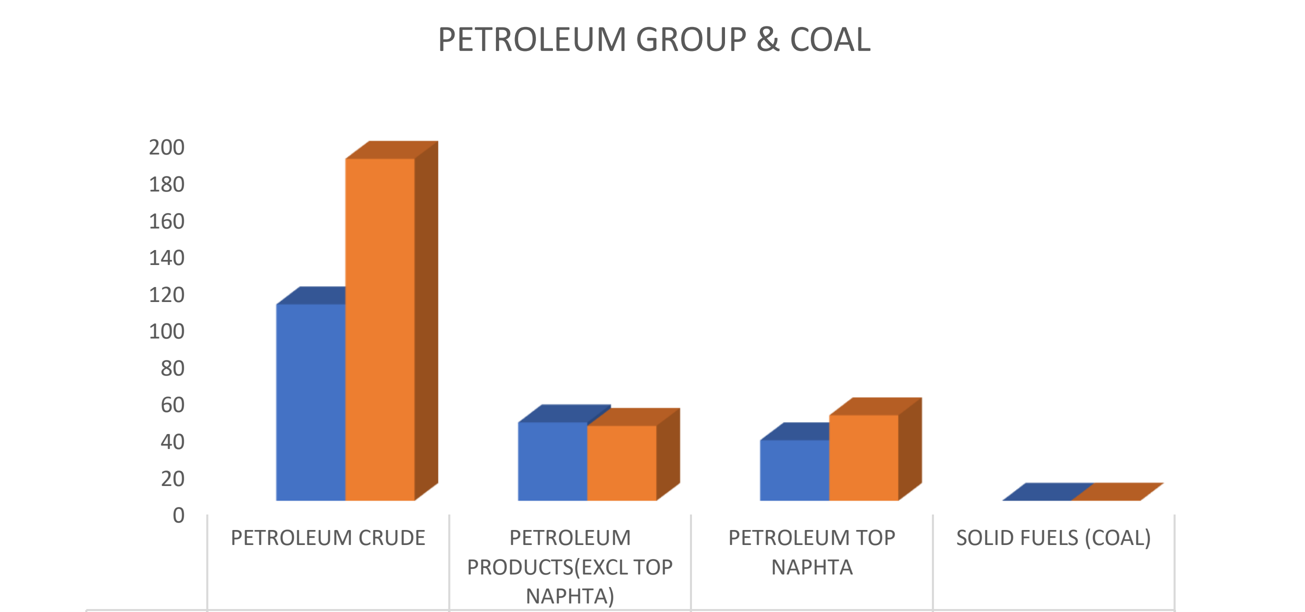
Figure-11 Quarterly Performance of Petroleum Group of Pakistan FY 2021 (USD Million)



Source : PBS

Petroleum Products (Excl Top Naphta) sector recovered during FY 2021 at the growth rate of 5% as compared to last year and other petroleum products such as Crude, Petroleum Top Naphta, and Solid Fuels (Coal) have shown the decline during the FY 2020. Pakistan exports have surplus gasoline and naphtha, and is self-sufficient in other petroleum products, such as kerosene and aviation fuels.

Figure-12 Export performance of Sub secors of Petroleum Group FY 2021 (USD Million)



	PETROLEUM CRUDE	PETROLEUM PRODUCTS(EXCL TOP NAPHTA)	PETROLEUM TOP NAPHTA	SOLID FUELS (COAL)
FY20/21	106.78	42.62	32.9	0.01
FY'19/20	185.89	40.74	46.48	0.12

The Government has finalised the Pakistan Oil Refinery Policy 2021 with huge package of tax incentives, including 20-year income tax holiday for all taxes under the Income Tax Ordinance 2001 and upgradation of existing and new deep conversion refineries from the date of commissioning of the project. However, there will be no product off-take and rate of return guarantee for new and existing refineries. The much-awaited oil refinery policy containing huge fiscal incentives and relaxation in duty structure with policy objectives to provide the enabling framework will lead to complete deregulation of the sector. Cabinet Committee on Energy (CCoE) is again set to take the new oil refinery policy 2021 on December 16, 2021 for formal approval and expected to approve soon.

SECTION - 3

3.1 PAKISTAN'S IMPORT PROFILE (GOODS)

The economic growth of Pakistan is highly dependent on its exports. This is because access to foreign exchange enables Pakistan to finance its imports, stabilise its currency devaluation, service its debts, and resolve the issue of balance of payment deficit. However, the trade imbalance that has been continuing for decades cannot be reduced without an effective import substitution strategy. Imports during FY 2021 totaled around USD 56 billion as against USD 44 billion during the corresponding period of last year showing an increase of 27%. Main import sources of Pakistan were China, UAE, USA, Saudi Arabia, Kuwait, Qatar, Brazil, South Africa Japan and Germany.

The earlier trend of falling imports has been reversed. This is because the Government reduced import tariffs on industrial raw materials in line with the National Tariff Policy (2019-2024) to enhance competitiveness of the local industry. This encourages manufacturers to import chaeaper raw material and amachinery to expand production. To encourage import substitution, the Government is pursuing its "Make in Pakistan" policy. The objectives of this policy are to create jobs, generate value-added exports, and encourage import substitution.

3.2 TOP IMPORT SOURCES SHOWING INCREASE (FY2021 V/S FY2020)

Table 8: Top import sources showing increase (trade values in USD million)

Import Sources	JULY-JUNE FY 2021	JULY-JUNE FY 2020	% Change
China	13,537	12,006	13%
United Arab Emirates	5,242	5,087	3%
United States	2,702	2,477	9%
Saudi Arabia	2,649	1,736	53%
Kuwait	1,543	1,125	37%
Brazil	1,260	752	67%
South Africa	1,169	1,003	17%
Japan	1,141	977	17%
Germany	985	778	27%
Korea (south)	881	699	26%

Source: Weboc

3.3 TOP IMPORT SOURCES SHOWING DECREASE (FY2021 V/S FY2020)

Country-wise statistics have shown those import sources that registered decline in the imports of Pakistan. Table below shows countries showing decline in imports during FY 2021:

Table 9: Top import sources showing decrease (trade values in USD million)

Import Sources	JULY-JUNE FY 2021	JULY-JUNE FY 2020	% Change
Qatar	1,411	1,680	-16%
Indonesia	764	2,115	-64%
Thailand	681	716	-5%
Malaysia	654	935	-30%
Singapore	551	630	-13%
Netherlands	499	613	-19%
Italy	485	520	-7%
Oman	472	589	-20%
Taiwan, Province Of China	437	604	-28%
Switzerland	323	267	21%

Source: wEBOC

3.4 SECTOR-WISE IMPORTS PERFORMANCE

Of the total USD 56 billion imports during FY 2021, imports of the Petroleum Group ranked the highest with imports worth of USD 11,358 million followed by Machinery Group (USD 10,144 Million), Agriculture & Chemicals Group (USD 9,300 Million), Food Group (USD 8,347 Million), Metal Group (USD 4,896 Million), Textile Group (USD 3,866 Million), Transport Group (USD 2,987 Million), and Miscellaneous Group (USD 1,218 Million

Table10: Top import sectors (trade values in USD million)

SECTORS	JULY-JUNE FY 2021	JULY-JUNE FY 2020	% change
Grand Total	56,405	44,552.9	27%
PETROLEUM GROUP	11,357.9	10,411.5	9%
MACHINERY GROUP	10,144.8	8,787.2	15%
AGRICULTURAL AND OTHER CHEMICALS GROUP	9,299.7	7,353.7	26%
FOOD GROUP	8,347.9	5,423.9	54%
METAL GROUP	4,896.9	4,057.6	21%
TEXTILE GROUP	3,866.1	2,529.4	53%
TRANSPORT GROUP	2,987.6	1,545.9	93%
MISCELLANEOUS GROUP	1,218.1	809.3	51%

Source: PB

3.5 PETROLEUM GROUP

The Petroleum Groups imports was USD 11,358 million in FY 2021 which is almost 9% higher than as compared to previous FY 2020. All import item in the Petroleum Group Increased including Petroleum Products (USD 5,160 Million), Petroleum Crude (USD 3,107 Million), Natural Gas Liquified (USD 2,617 Million), Petroleum Gas Liquified (USD 4,73 Million) and Others Item (USD 0.34 Million).

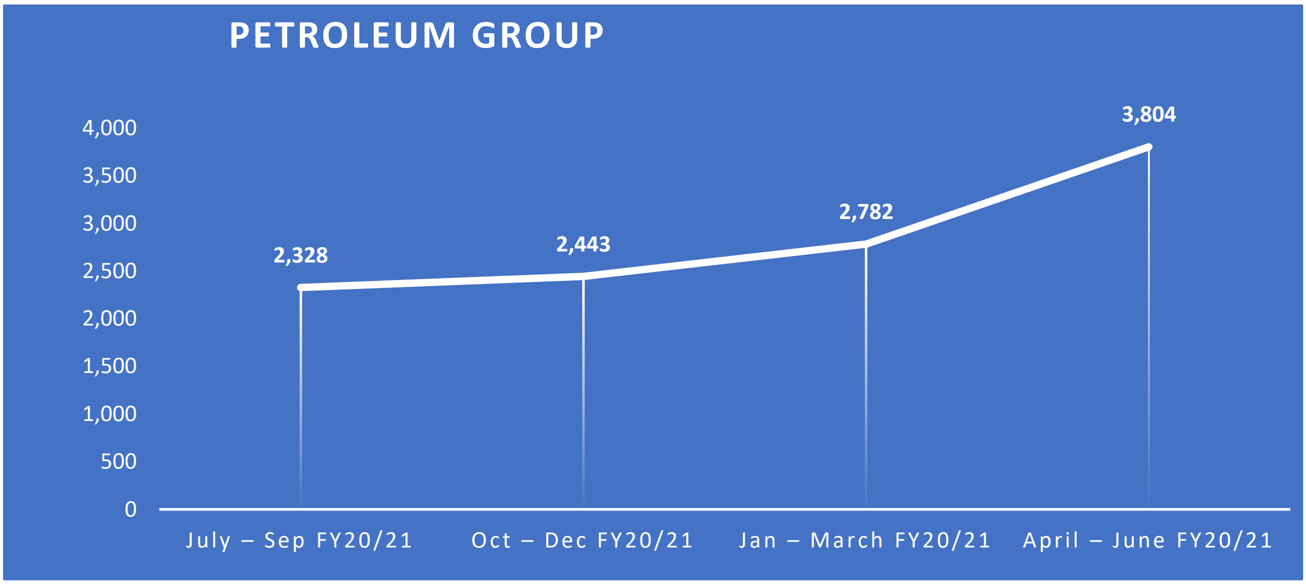
Pakistan's economy is growing and this growth is demanding higher energy consumption and thus putting a huge pressure over countries limited energy recourses. Oil, Natural gas and hydro are the three primary energy resources of the country which are being exploited for fulfilling energy demands of the economy. Due to limited reserves of oil and gas, the country needs to import large quantity of oil and oil related products from Middle East especially from Saudi Arabia

Table11: Petroleum import sector (trade values in USD million)

	YOY 2020 V/S YOY 2021		
SECTORS	**July-June FY20/21**	**July-June FY'19/20**	**% Change**
PETROLEUM GROUP	11,358	10,412	9%
PETROLEUM PRODUCTS	5,160	4,733	9%
PETROLEUM CRUDE	3,107	2,722	14%
NATURAL GAS, LIQUIFIED	2,617	2,662	-2%
PETROLEUM GAS, LIQUIFIED	473	294	61%
			Source: PBS

Pakistan's energy sector is heavily dependent on imported fuel (Oil and LNG) and will continue to rely on imports of both for the next 10-15 years. Pakistan remains a net importer of refined oil due to low capacity of domestic refineries to process crude oil. Total refining capacity of Pakistan is 19 million tons, however, the capacity could not be fully utilized owing to non-upgradation of refineries, technical and financial constraints. In 2019, the country produced 4.3 million metric tons of crude oil, enough to meet only 20% of the country's total petroleum requirements. The remaining 80 percent was met through imports of crude oil and refined petroleum products worth USD15-USD16 billion annually. There are currently five large oil refineries running mostly on imported crude oil, Natural gas contributes 38% of the country's total primary energy supply mix. Given depleting natural gas resources (in existing fields), Pakistan started importing LNG in FY 2015 to meet growing domestic demand. With growing demand of gas among private sector (power, cement, textile industry), Government opened up LNG sector for private firms where they can import LNG for respective industry's consumption.

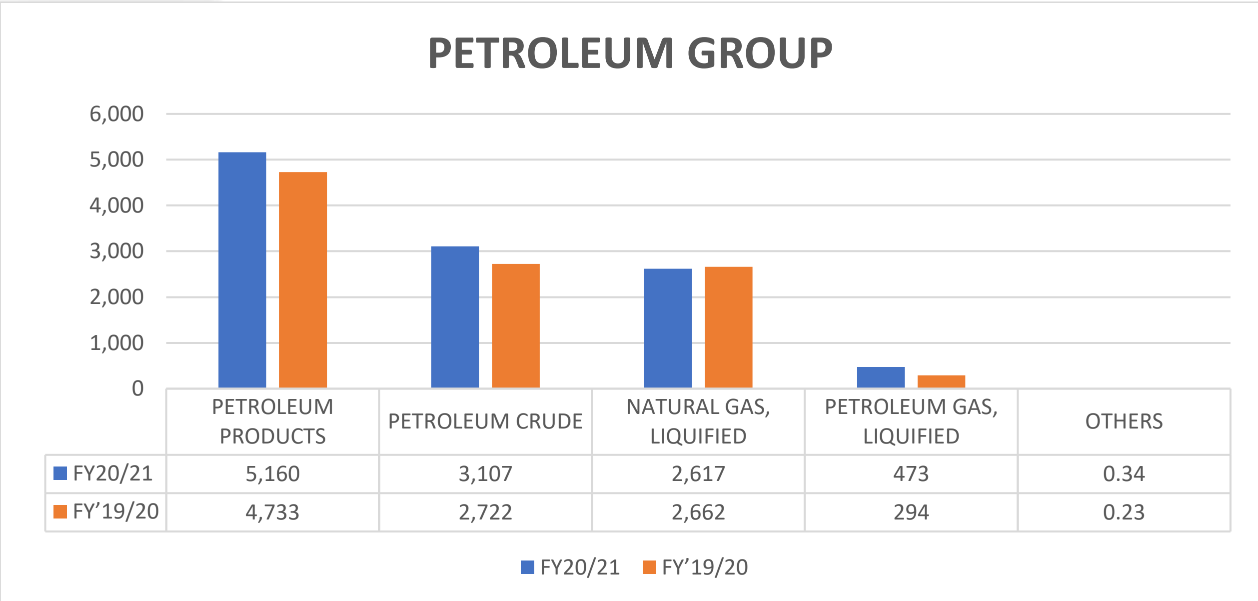
Figure – 13



Source: PBS

Quarterly analysis in FY 2021 showed that Pakistan's oil import stagnant in first three quarters however, imported value rapidly increased in fourth quarter due to surge in international oil prices. The share of Petroleum sector in the import bill of Pakistan was 22% during Q4 April-June 2021. Petroleum group imports into Pakistan stood at USD 3,804 million during April-June FY 2020-21 as against USD 1,511 million during same period over last year showing an increase of 152%. The unusual growth pattern shows that Pakistan recovered from the situation of pandemic and started economic activities.

Figure- 14 Import of Sub Sectors of Petroleum Sector FY 2021 (USD Million)



	PETROLEUM PRODUCTS	PETROLEUM CRUDE	NATURAL GAS, LIQUIFIED	PETROLEUM GAS, LIQUIFIED	OTHERS
FY20/21	5,160	3,107	2,617	473	0.34
FY'19/20	4,733	2,722	2,662	294	0.23

Source: PBS

Pakistan signed trade financing facility agreement worth of USD 1.1 billion however, it was not utilized due to lower international oil prices, depressed demand in Pakistan and limitations of the refineries in availing Arabian Crude. The facility provided relief in oil and gas import bill and ease pressure on foreign exchange reserves. Under the facility, funds do not come into Pakistan's account but ease pressure on foreign exchange reserves. Moreover, the import growth of petroleum and its products were mainly due to the low import payments of Q4 of last year when complete lock down was imposed in the world.

3.6 MACHINERY GROUP

Machinery Group is the vital engine of growth for successful industrial and manufacturing sector development of Pakistan. It is commonly known phenonmena that increased investment in machinary item leads to increase in domestic good production and increased capital inflow from the sales revenue earned from domestic goods. Pakistan's local machinery manufacturing sector is relatively small in size and a majority of the demand for machinery emanating from large industries such as Construction, Textile, Energy etc are met through imports. Imports of machinery have grown consistently in recent years and stood at USD 10.4 billion in FY 2021. Demand for locally produced machinery is low as imported machinery has more advance in technology and quality. During FY21, machinery imports accounted for 18% of the country's total import bill.

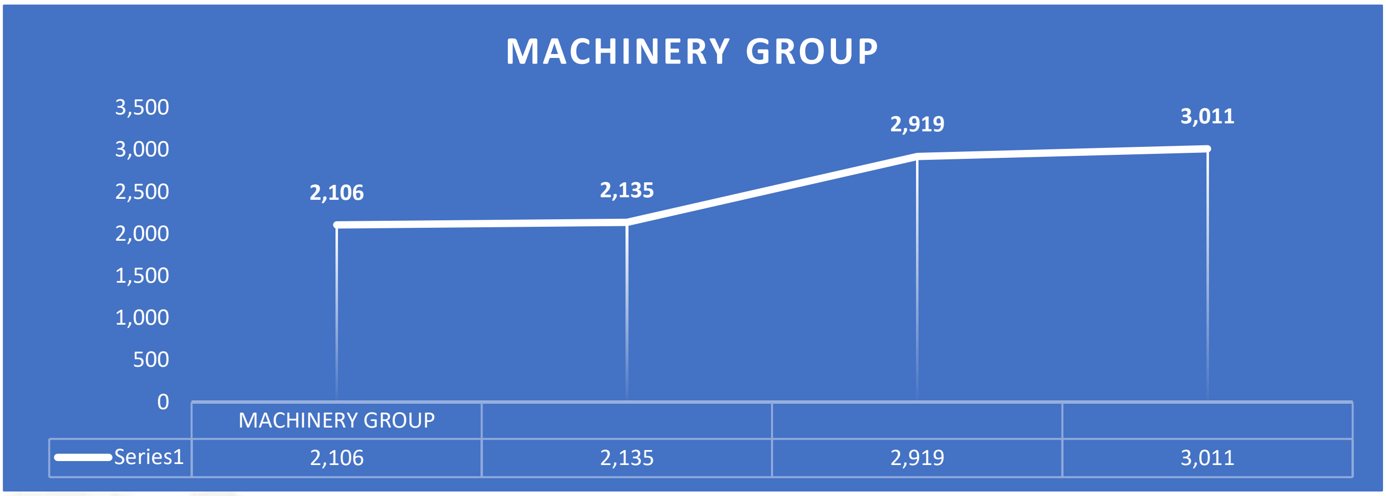
Table12: Machinery import sector (trade values in USD million)

	FY 2021 V/S FY 2020		
SUB-SECTORS	**July-June FY2021**	**July-June FY 2020**	**% Change**
MACHINERY GROUP	10,145	8,787	15%
POWER GENERATING MACHINERY	1,914	1,373	39%
OFFICE MACHINE INCL.DATA PROC EQUIP;	460.1	376.4	22%
TEXTILE MACHINERY	592.1	437.4	35%
CONSTRUCTION & MINING MACHINERY	141.3	192.3	-27%
ELECTRICAL MACHINERY & APPARATUS	1,680	2,251	-25%
TELE COM	2,593	1,861	39%
A. MOBILE PHONE	2,065	1,370	51%
B. OTHER APPARATUS	527.9	491.2	7%
AGRICULTURAL MACHINERY & IMPLEMENTS	94.6	93.8	1%
OTHER MACHINERY	2,670.0	2,201.9	21%

The increase in import of machinery was due to increase in economic activity in the country. Moreover, SBP introduced Temporary Economic Refinance Facility (TERF) which offered discounted rates of borrowing for new plants, expansion and BMR activities in the aftermath of COVID-19. Due to this investments and import of machinery increased during FY 2021. Moreover, the Government has given various incentives, such as sales tax and custom duty exemptions on imported machinery for the Special Technology Zones and Export Processing Zones to encourage investments and new ventures.

The first two quarters of FY 2021 registered decline in the import of Machinery however, last two quarters (Q3-Q4) showed significant increase in the import of Machinery. Over the Q4 (April June) FY 2021, the import performance of Machinery group has registered an increase of 40% as comapred to same period last year of FY 2020.

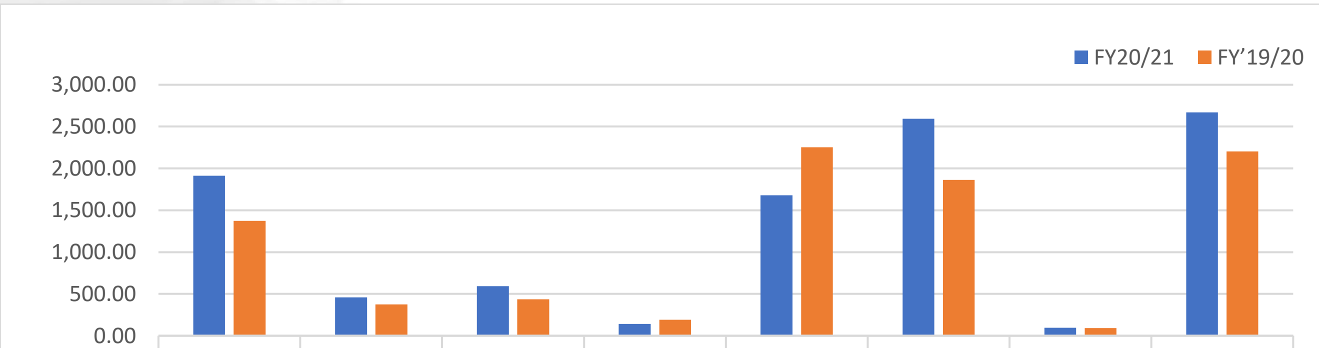
Figure- 15 Quarterly Import of MachineryGroup FY 2021 (USD Million)



Source: PBS

All imported items of Machinery Group registered significant increase including Power Generating Machinery (USD 1,913 million), Office Machine Incl. Data Proc Equip (USD 4,60 million), Textile Machinery (USD 5,92 million), Construction & Mining Machinery (USD 1,41 million), Electrical Machinery & Apparatus (USD 1,680 million), Telecom (USD 2,593 million), Agricultural Machinery & Implements (USD 94 million), and others machinery item (USD 2,670 million.

Figure- 16 Import of Sub Sector of Machinery Group FY 2021 USD Million)



	POWER GENERATING MACHINERY	OFFICE MACHINE INCL.DATA PROC EQUIP	TEXTILE MACHINERY	CONSTRUCTION & MINING MACHINERY	ELECTRICAL MACHINERY & APPARATUS	TELE COM	AGRICULTURAL MACHINERY & IMPLEMENTS	OTHER MACHINERY
FY20/21	1,913.60	460.1	592.1	141.3	1,680.10	2,593.00	94.6	2,670.00
FY'19/20	1,372.90	376.4	437.4	192.3	2,251.30	1,861.10	93.8	2,201.90

Power Generation Machinery

Another large segment was power generating machinery, which accounts for 19% of total machinery imports. During FY 2021, this segment had the highest growth of 40%. The imports of power Generating Machinery in terms of USD in FY 2021 were 1,913 million as compared to USD 1,372 million in FY 2020 registered an increase of 39% .

Electrical Machinery and Apparatus

Electrical machinery accounts for16% of total imports and stood at USD1,680 million during FY 2021. Moreover, the Government has introduced incentives for various sectors such as the construction sector, the technology sector as well as export oriented sectors which are likely to boost investments and thus increase demand for machinery. In addition, the introduction of Temporary Economic Refinance Facility (TERF) at discounted rates for the purpose of investments and BMR activities is also likely to have a positive impact on demand for machinery.

Textile Machinery

Import of Textile Machinery has been registered significant increase eof 35% from USD 437.4 in FY 2020 million to USD 592 million in FY 2021. The main reason of increase in imports were the enhancement in exports of Textile and clothing sector. The sector operated at 100% capacity and completed export orders fetched during FY 2021. Anaother main reason includes that Textile Sector allowed to import Machinery & Equipment without paying duties & taxes, if it is not manufactured locally. For the purpose of this Part the expression “excluding those manufactured locally” means the goods which are not included in the list of locally manufactured goods specified in General Order issued by the Federal Board of Revenue or as the case may be, certified as such by the Engineering Development Board.

Construction and Mining Machinery

Pakistan imported worth of USD 141 million Construction Machinery during FY 2021 and registered a decline of 27%. Construction Machinery includes bulldozers, excavators, cranes, graders and drilling machines. Despite different facilitation schemes announced by the Government for the Construction [4] sector, investors and businessmen had not availed these schemes. Government has also allowed import of second hand Construction Machinery in the Import Policy Order 2020. However, the import has declined since FY20 when the COVID-19 pandemic caused disruption to various industries.

Telecom Machinery- Mobile Phones

Telecom was the largest sector in the import of Machinery bill during FY 2021 which accounts for 26% of total machinery imports and stands at USD 2,593 million. Import of Mobile phone were the significant portion of import of telecom machinery.Import of mobile phones recorded consistent growth during FY 2021. Even though the Government has withdrawn the facility of duty-free mobile handset under the baggage rules from abroad, a consistent increase (51%) has been noticed in the import of mobile phones during of FY 2021. One of the main reasons of import surge of mobile phones is because now any non-duty paid/smuggled phone cannot be used in Pakistan without payment of due taxes and registration with the Pakistan Telecommunication Authority (PTA). COVID-19 and Smart Lockdown generated demand for communication devices and networks. Although the increase in import

[4] https://www.fbr.gov.pk/declaration-for-builders-developers/152336

figures is attributed to the regularization of mobile phones under DIRBS (a Mobile Device Identification, Registration and Blocking System), the continuous quarter to quarter increase suggests that there is more to this trend. It was due to increased need for digitalization during the pandemic and the soaring growth of exports in the IT sector may be a contributing factor in this trend.

Agriculture Machinery

Agricultural machinery comprises of chaff cutters, sugarcane machinery and wheat thrashers. It also includes tractors, cultivators, ploughs, harvesters, threshers and many other types of machinery employed by the agriculture industry in order to assist in various processes such as cultivating, planting and harvesting. Pakistan imported worth of USD 93 million of Agriculture Machinery in FY 2021 with 1% growth as compared to same period last year.

3.7 AGRICULTURE AND CHEMICAL GROUP

Pakistan's agriculture sector plays a central role in the economy as it contributes 19% to GDP and absorbs 42% of labor force. It is also an important source of foreign exchange earnings and stimulates growth in other sectors. Pakistan is mainly the exporter of agriculture production but the major contribution of agriculture and chemical imports is medical product. The total imports of agriculture and chemical groups items in FY 2021 was USD 9,300 million which is almost 26 % higher as compared to previous FY 2020.

Table13: Agriculture and Chemical import sector (trade values in USD million)

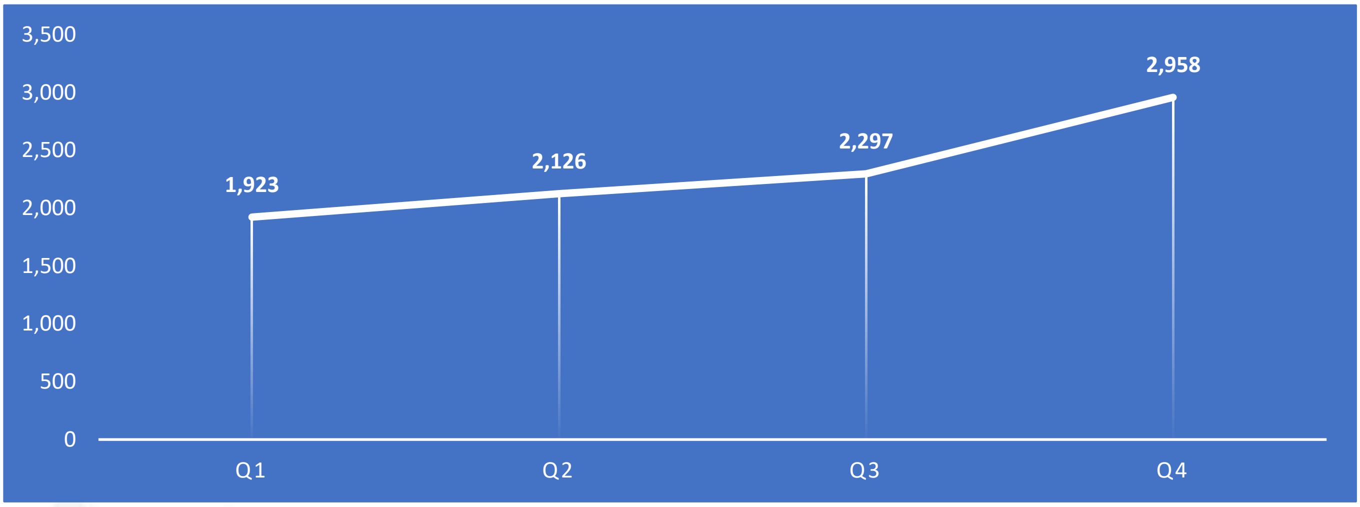
	FY 2021 V/S FY 2020		
SUB-SECTORS	**July-June FY 2021**	**July-June FY 2020**	**% Change**
AGRICULTURAL AND OTHER CHEMICALS GROUP	9,300	7,354	26%
FERTILIZER MANUFACTURED	718.8	569	26%
INSECTICIDES	189	186	2%
PLASTIC MATERIALS	2,473	1,907	30%
MEDICINAL PRODUCTS	1,390	997	39%
OTHERS	4,529	3,694.5	23%

Source : PBS

Import of Agriculture and Chemical Group has relatively stable and stagnant trend in the first three quarters of FY 2021. However, the Group has shown significant increase of 66% in the import bill during Q4 FY 2021. All imported items of Agriculture and Chemical Group registerded surge including Fertilized Manufactured (USD 7,18 million), Insecticides

(USD 1,89 million), Plastic Materials (USD 2,473 million), Medical product (USD 1,390 million), and others (USD 4,6529 million). It is pertinent tot mention that 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).

Figure- 17 Quartelry import of Agriculture and Chemical Group FY 2021(USD Million)



Source : PBS

Medicinal Products

The import of Medicinal products increased by 39% from USD 997 million in FY 2020 to USD 1,390 in FY 2021. The import of medicinal products into the country witnessed an increase. The import of medicine increase due to surge in international market prices. In terms of quantity, medicinal imports decreased by 0.56% during FY 2021. The main contribution of surge in the medicianla products included vaccines of COVI-19. Nearly 7 million people have received two doses of COVID-19 vaccine, and more than 24 million have received one dose in Pakistan so far. The country, which launched its COVID-19 vaccination campaign, administered over one million doses of vaccine in a day.

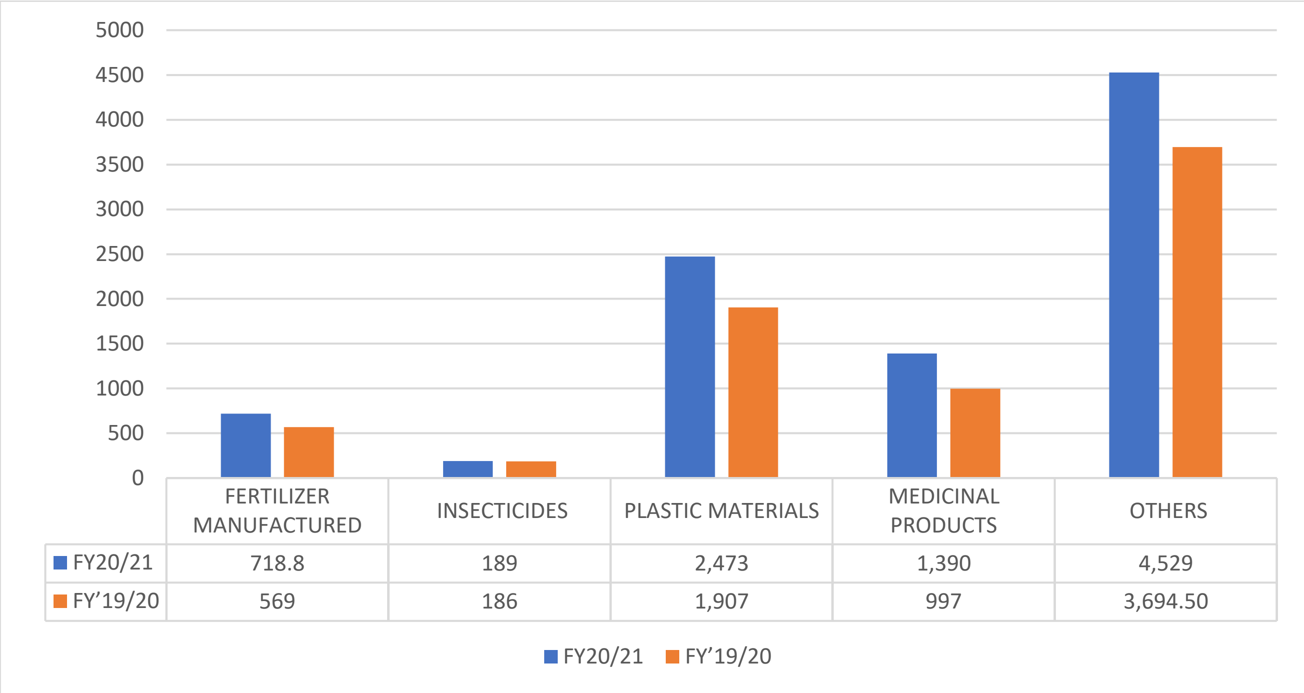
Insecticides

Insecticides imports has increased 23% in FY 2021 by 2%. Pakistan largely depends upon imports to meet the local demand of the pesticides industry. Pesticides import can be divided into two categories, pesticides products -manufactured pesticides and pesticide active ingredients. Total pesticides imports were recorded at USD 186 million in FY 2021. Owing to reduction in international prices of pesticides, average price of pesticides at import stage is reduced. Currently, China is the single largest exporter of pesticides to Pakistan as it accounts for more than 90% of the total pesticides products and PAIs imports. Significant reliance on a single country increases the risk of supply chain disruptions. The risk is further amplified by the nature of the products, as prior registration and approval is required for the import of each pesticides product.

Plastic Material:

Plastic materials have shown increase of 30% during FY 2021 as compared to of FY 2020. Pakistan imported USD 2,473 worth of Plastic material during reported period

Figure- 18 Import of sub-sectors of Agriculture and Chemcial Group FY 2021 (USD Million)



Source: PBS

Fertilizer

Fertilizer requirements in the country are met from both domestic production and imports. Major fertilizer production units are playing an important role in fulfilling the demand for fertilizer.

Some major kinds of inorganic fertilizers (DAP, CAN, NP, UREA) are b used in the production of major crops on a large scale. Pakistan Imports of Fertilizers was USD 718 Million during FY 2021 registered an increase of 26%. .

Diammonium phosphate (DAP) - import was 1.25 million tonnes in 2019. Though Pakistan diammonium phosphate import fluctuated substantially in recent years, it tended to increase through 2005 – 2021.

Fertilizer consumption has increased threefold during the past 30 years. Fertilizer requirements in the country are met from both domestic production and imports.

FOOD GROUP

Pakistan's food import bill grew by 54% during FY 2021 mainly due to bridge the shortfall in domestic production of agriculture produce. Year on Year comparison shows that Pakistan imported food products worth of USD 8,347 million during FY 2021 as against USD 5,423 million during FY 2020. As a result of this huge food imports, trade deficit is widening as the overall import bill of the country has been on the rise mainly due to an increase in the import bill of eatables.

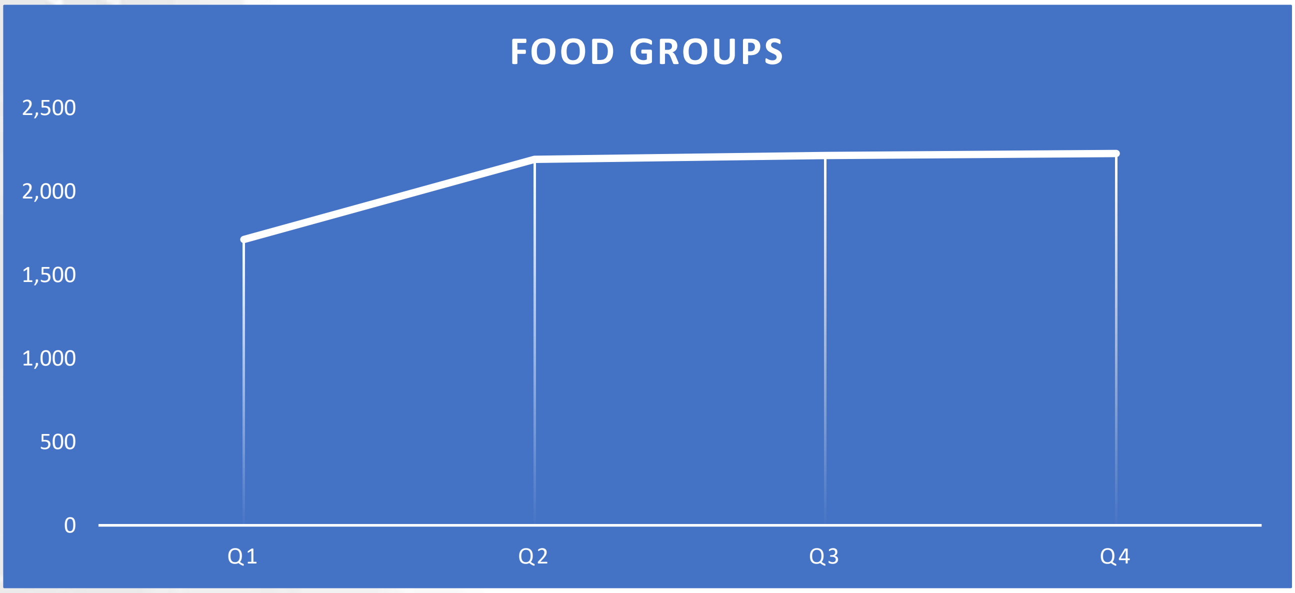
Table14: Food Group (trade values in USD million)

	FY 2021 V/S FY 2020		
SUB-SECTORS	**July-June FY 2021**	**July-June FY 2020**	**% Change**
FOOD GROUP	8,347.9	5,423.9	54%
MILK,CREAM & MILK FOOD FOR INFANTS	191.5	162.9	18%
WHEAT UNMILLED	983.3	-	
DRY FRUITS & NUTS	78.4	34.2	129%
TEA	580.5	532.8	9%
SPICES	224.7	173.8	29%
SOYABEAN OIL	95.5	57.6	66%
PALM OIL	2,668.6	1,841.5	45%
SUGAR	128.7	3.8	3266%
PULSES (LEGUMINOUS VEGETABLES)	709.7	614.6	15%
ALL OTHERS FOOD ITEMS	2,686.8	2,002.7	34%

Source: PBS

The rising food import bill also triggered trade deficit, The share of Food items in the total import bill reached 15% this year, compared to 12% last year, making the country dependent on imports to ensure food security. Quarterly comparasion depicted a sharp increasing trend during Q2, while Q3 and Q4 has shown slightly positive trend.

Figure- 19: Quarterly Imports of Food items FY 2021 (usd Million)



Imports of Food Group has shown increasing trend in all products including Milk, Cream & Milk Food for Infants (USD 191 million), Wheat Unmilled (USD 983 million), Dry Fruits & nuts (USD 78 million), Tea (USD 580 million), Spices (USD 224 million), Soybean Oil (USD 95 million), Pulses (USD 709 million), Sugar (USD 128 million) and Palm Oil (USD 2,668 million). 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.

Palm Oil:

Pakistan is the 4th largest importer of palm oil globally.Main imported item in the in Food groups is plam oil. Import of palm oil recorded a growth of 45% in value in FY 2021 to USD 2,668 million from USD 1,841 million over the corresponding period of last year. The palm oil bill increased owing to increase in international price of palm oil. Pakistan imported Palm Oil mainly from Indonesia and Malaysia.

Wheat & Sugar:

Pakistan imported USD 983 million wheat and USD 128.7 million Sugar in FY 2021 as compared to zero imports last year. The bulk import of wheat was made to bridge the gap between supply and demand of staple food in the market.

Wheat

The export of wheat has declined 100% during FY 2021 as compared to last year. Due to increasing price and less stock availability in October 2019, Government has banned Wheat export, and allowed duty-free Wheat import in March 2020 to meet the domestic demand to control the Wheat price and demand. In June of this year, the cabinet authorized the import of four million metric tonnes of Wheat to meet a shortfall in local consumption requirements., Wheat is one of Pakistan's four principal crops. Around 80% of the country's farmers cultivate it during the Rabi season.The planting season began on schedule in October of last year, with a total area planted of 9.2 million hectares (Mha), or around 40% of the country's arable land. However, rising production costs deterred some farmers from planting, and the acreage was eventually reduced to roughly 8.5 million hectares. Due to favorable meteorological conditions, early crop development was great. However, heavy rains and localized hail in March and April 2020 delayed harvesting operations and damaged standing crops in Punjab.

Sugar

The export of sugar has declined 100% during the FY 2021 as against the last year. Pakist imported Sugar amounting to USD 128.7 million in FY 2021. Pakistan is currently ranked among the top 20 countries in terms of sugar cane crop area and output. Sugar appears to be Pakistan's second most important cash crop, after wheat.

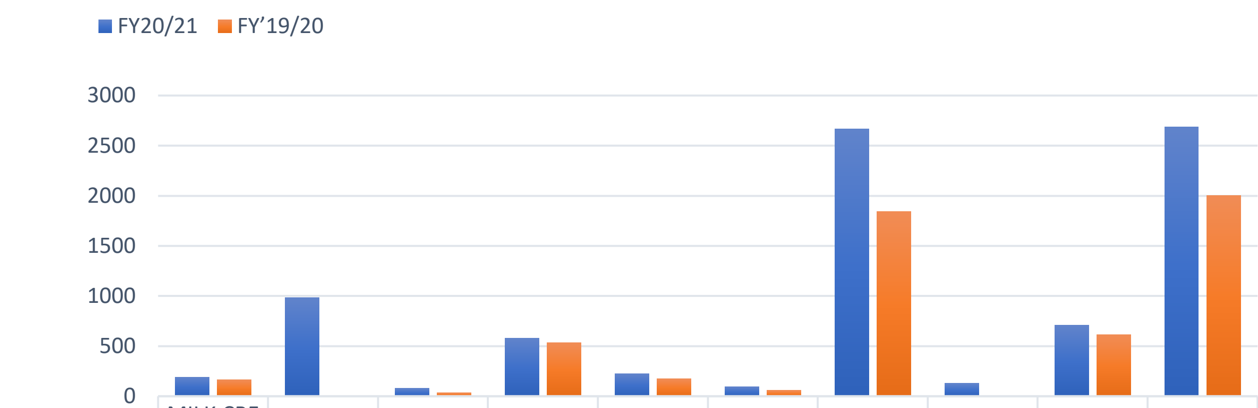
Tea

Year on year comparison shows that import of tea posted growth of 9% while spices increased by 29% during FY 2021. The growth is mainly due to a drop in import of these products under transit trade and controlling of smuggling at border areas. In 2020, Pakistan was the leading tea importing country in the world, with imports valued at approximately 590 million U.S. dollars. Pakistan imported Tea primarily from Kenya, Vietnam, Rwanda, Tanzania and Brundi.

Dry Fruits :

Imports of Dry fruits surged by 129% during FY 2021 as compared to the last year. The imports of tea, dry fruits and nuts actually went up because their purchases were fully documented and smuggling of these items into the country was effectively checke

Figure- 20 Imports of Sub Sectors of Food Group FY 2021 (USD Million)



	MILK,CREAM & MILK FOOD FOR INFANTS	WHEAT UNMILLED	DRY FRUITS & NUTS	TEA	SPICES	SOYABEAN OIL	PALM OIL	SUGAR	PULSES (LEGUMINOUS VEGETABLES)	ALL OTHERS FOOD ITEMS
FY20/21	191.5	983.3	78.4	580.5	224.7	95.5	2,668.60	128.7	709.7	2,686.80
FY'19/20	162.9	0	34.2	532.8	173.8	57.6	1,841.50	3.8	614.6	2,002.70

Source: PBS

3.8 METAL GROUP

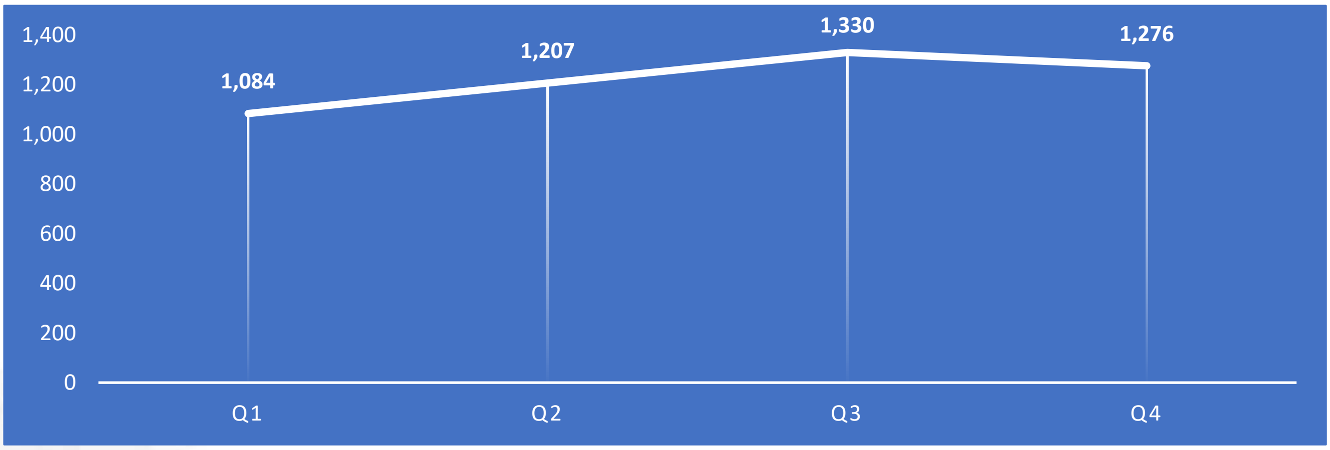
The metal group imports have shown an overall increase of 21% in FY 2021 as compared to the same period FY 2020. Imports during reported period stood at USD 4,896 million as against USD 4,057 million. All other sub sectors in the Metal Group have shown growth during FY 2021 except Gold.

Table15: Metal sector (trade values in USD million)

	FY 2021 V/S FY 2020		
SUB-SECTORS	**July-June FY 2021**	**July-June FY 2020**	**% Change**
METAL GROUP	4,896.9	4,057.6	21%
GOLD	9.0	11.6	-23%
IRON AND STEEL SCRAP	1,857.6	1,522.0	22%
IRON AND STEEL	1,960.0	1,538.0	27%
ALUMINIUM WROUGHT & WORKED	175.2	143.1	22%
ALL OTHER METALS & ARTICALS	895.2	842.9	6%

The Iron and steel scrap (USD 1857 million), Iron and steel (USD 1,960 million), Aluminum wrought & worked (USD 175 million), and others Metals item (USD 895 million) in FY2021. Government announced a special incentive package for the construction. Iron and steel is basic raw material of the construction industry. Metal group has relatively stable and stagnant trend in the first two quarters of financial year FY2021. Then from Q3 registered an increasing trend.

Figure- 21 Quarterly imports of Metal Group FY 2021 (USD Million)



Source: Author's calculation based on PBS data

Iron and Steel

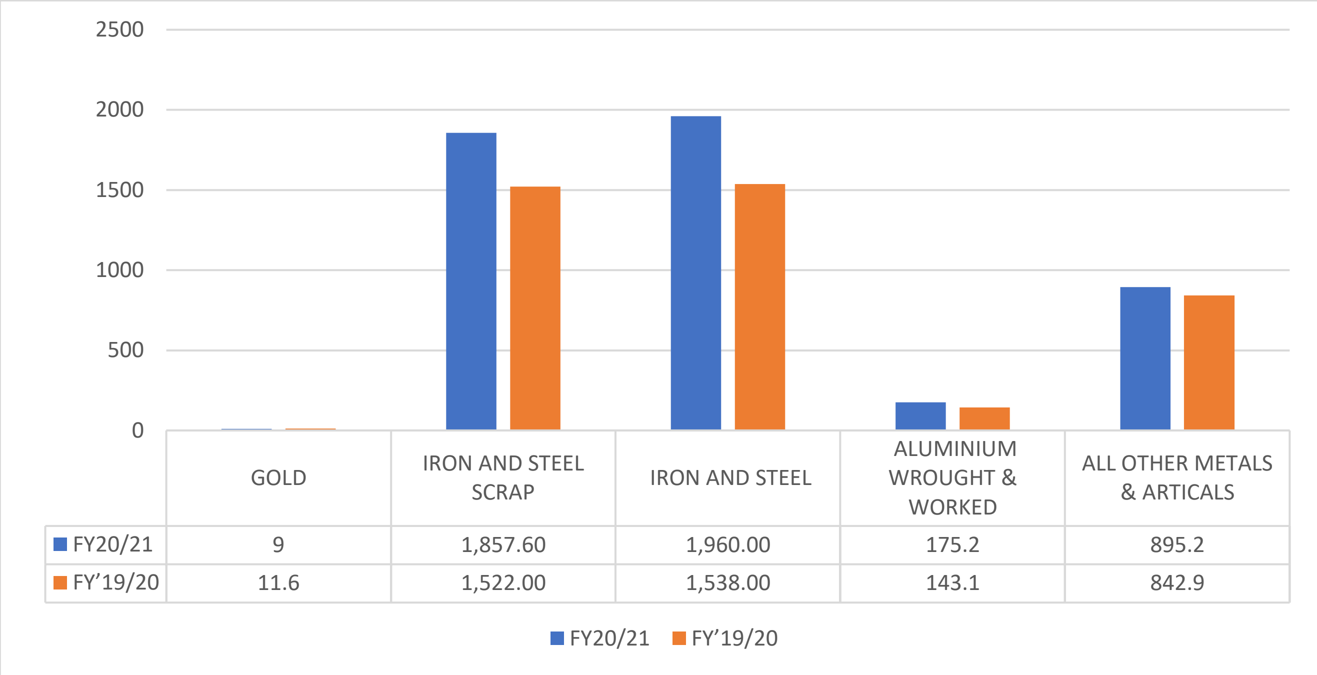
Iron, steel and scrap imports surged during FY 2021 by 22%. Pakistan is the world's fourth-largest steel scrap importer, according to figures from the Bureau of International Recycling (BIR). Pakistan is the second-largest buyer of UK-origin steel scrap. The pandemic created a shortage of scrap material in markets around the world, including the UK, where for the past six months scrap collection has fallen. Additionally, the domestic steel demand in Pakistan is growing as a result of continuing renewals and additions to infrastructure following investment from China.

The Pakistan scrap market has grown in prominence this year, as a result of the global Covid-19 pandemic. This resulted strict lockdown in nearby India from late March, which brought that country to a total standstill. Iron and steel are raw materials used in the construction industry. The surge in imports shows higher local demand of the products that used in the local construction industry. Large scale manufacturing posted double digit growth which reflects increased industrial activity.

Gold

Import of Gold registered a decline of 23% during FY 2021 from USD 12 million to USD 9 million. The decline in import of gold has mainly been poised by the consistent increase of gold prices in the international market. SRO 760 states that exporter may apply for import authorizationfor 50% or less of gold as export proceeds to TDAP only after custom has authenticatedthat actual exports have been affected.

Figure- 22 Imports OF Sub Sectors of Metal Group FY 2021 (USD Million)



Source: PBS

3.9 TEXTILES GROUP

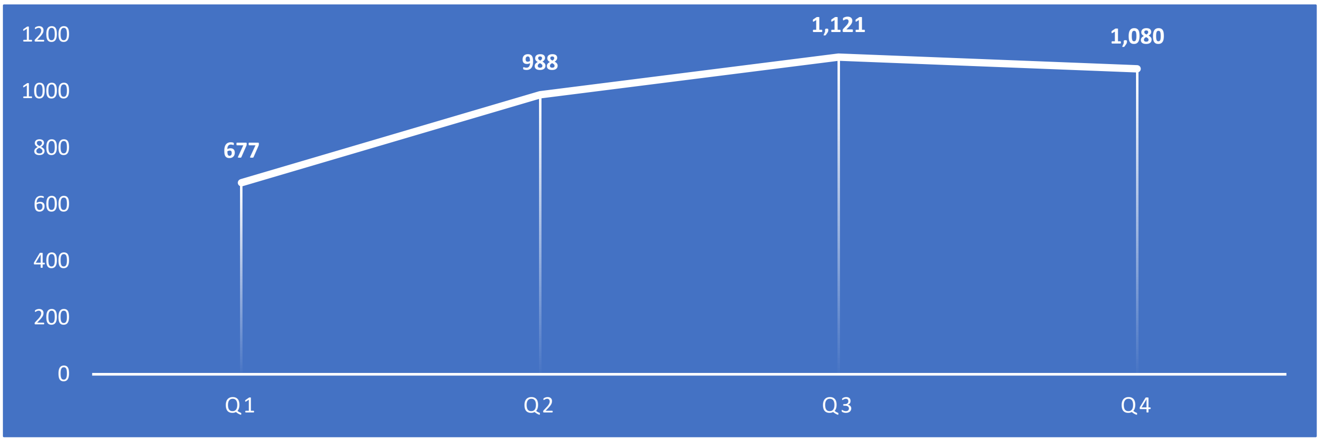
Textile is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments. Year on year comparsion shows that Pakistan imported Textile Group worth of USD 3,866 million during FY 2021 as against USD 2,529 million during FY2020 showing an increase of 53%.

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

	FY 2021 V/S FY 2020		
SUB-SECTORS	**July-June FY20/21**	**July-June FY'19/20**	**% Change**
TEXTILE GROUP	3,866.1	2,529.4	53%
RAW COTTON	1,479.7	880.1	68%
SYNTHETIC FIBRE	629.1	427.4	47%
SYNTHETIC & ARTIFICIAL SILK YARN	655.7	503.6	30%
WORN CLOTHING	309.6	168.8	83%
OTHR TEXTILE ITEMS	792.0	549.6	44%

Quarterly comparasion shows that the textile imports depicted a sharp surge during Q2, Q3 quarters, while Q4 has shown slightly negative trend.

Figure- 23 : Quarterly Imports of Metal Group FY 2021 (usd Million)



Source: Author's Calculation based on PBS data

Raw Cotton

In FY 2021, import of raw cotton has increased by 68% as against same period of FY 2020. 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 FY 2021. 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 noticed from Brazil, Turkey, USA and Afghanistan. The cotton crop has lost its competitiveness relative to other major crops, in particular sugarcane. The pricing dynamics have tended to give sugarcane an edge over cotton, which has manifested in the switching of area away from the cotton in favor of sugarcane. In the second half of 2020, heavy rains badly damaged cotton crop. Cotton production fell for the third consecutive year as area under production declined while yields failed to reach targeted levels. Resultantly, Pakistan imported raw cotton for producing value added products.

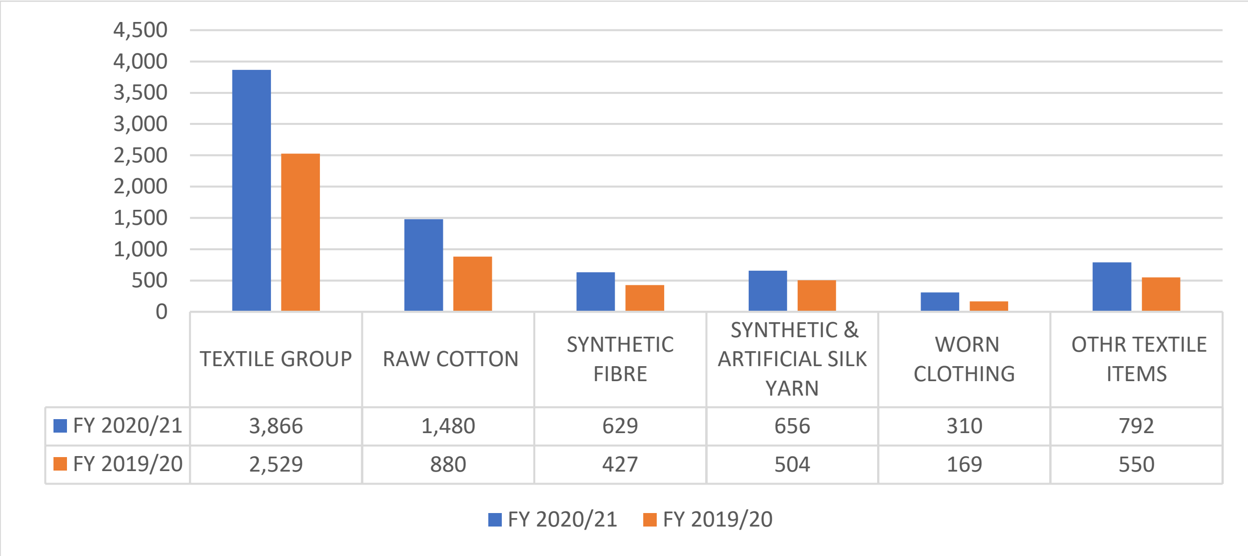
Worn Clothing:

Import of worn clothing increased by 83% during FY 2021. The import of worn clothing (6309) registered an increase from China (183%), USA (76%), Korea (42%) and Germany (44%).

Synthetic Fiber And Synthetic & Artificial Silk Yarn

An increase of 47% and 30% have been registered in the import Synthetic Fiber And Synthetic & Artificial Silk Yarn respectively. Pakistan produced and export world class Cotton products globally.

Figure- 24 Imports of Sub Sectors of Textile sectors FY 2021 USD Million)



Source: PBs

3.10 TRANSPORT GROUP

The import of transport group has shown significant increase of 93% in FY 2021 as compared to same period last year. Pakistan spends a handsome amount on bringing in auto parts from abroad for the auto making every year. However, the imports of completely and semi-knocked down (CKD) kits for the local assembly of cars surged to an all-time high of over USD 1 billion in FY 2021.

Table 17: Transport group imports (trade values in USD million)

	FY 2021 V/S FY 2020		
SUB-SECTORS	**July-June FY2021**	**July-June FY2020**	**% Change**
TRANSPORT GROUP	2,987.6	1,545.9	93%
ROAD MOTOR VEH. (BUILD UNIT,CKD/SKD)	2,458.4	1,279.1	92%
19.1 CBU	385.8	217.9	77%
A.BUSES,TRUCKS & OTH. HEAVY VEHICLES	126.2	117.7	7%
B.MOTOR CARS	256.2	99.0	159%
C.MOTOR CYCLES	3.5	1.2	196%
19.2 CKD/SKD	1,584.6	727.5	118%
A.BUSES,TRUCKS & OTH. HEAVY VEHICLES	389.0	186.2	109%
B.MOTOR CARS	1,120.5	478.1	134%
C.MOTOR CYCLES	75.0	63.2	19%
19.3 PARTS & ACCESSORIES	405.1	263.3	54%
19.4 OTHERS	82.9	70.3	18%
AIRCRAFTS, SHIPS AND BOATS	513.6	251.0	105%
OTHERS TRANSPORT EQUIPMENTS	15.5	15.9	-0.02406

Source:PBS

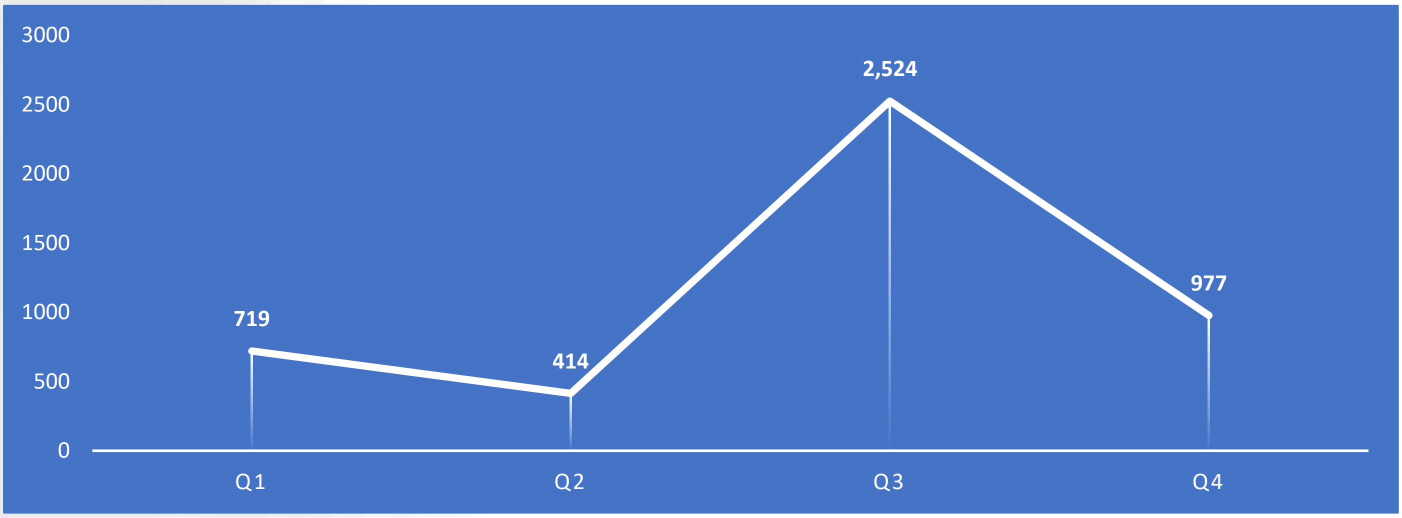
CKD/SKD import bill in FY 2021 hit USD 1.12 billion from USD 478 million in FY 2020, up by 118% owing to almost 100% increase in arrivals under a Government concessionary package in Auto Policy 2016-2021. To some extent, existing players are also importing CKD/SKD kits for new models being rolled out with low volume of locally made parts. However, car assemblers claim to have achieved higher localisation.

Pakistan has witnessed all time high import of vehicles in FY 2021. The jump has been observed after record breaking spending of foreign exchange on highest-ever of new automobiles in 2021 on strong demand. It was followed by revival of used cars import. Furthermore, the entry of new Chinese and Korean players in the local market coupled with low interest rates boosted the auto industry and imports. Meanwhile, used imported vehicles and locally assembled vehicles by old players also enjoy high demand. Entry of new players from Korea and China in the local assembly of new models coupled with low interest rates have injected new life in the auto sector while used imported vehicles and locally assembled vehicles by old players also enjoy robust demand.

The Road Motor Veh Build Unit (USD 2,458 million), CKD/SKD (USD 1,584 million),, CBU (USD3,85 million), Part & Accessories (USD2458 million), others (USD 82 million), Aircrafts, Ships and Boats (USD 513 million), and other transport equipment (USD 16 million) in FY2021. Both CBU and CKD transport vehicles have increased by 77% and 118% in FY 2021 as compared to the FY2020.

Government has announced new import policy wherein terms for the import of cars has been revised which contributed greatly to the increase in imports. The export of Transport Group registered positive growth of 93% in FY 2021 wherein all components have shown positive growth except buses and trucks decline by 11%. Motor cars imports increased by 172% and motor cycle imports were increased by 168% during Q4 FY 2021. New auto policy 2021-26 has announced by the Government with following features:

Figure- 25 Quartely Import of Transport Group FY 2021 (USD Million)



Source : Author'S calculation based on PBS data

The Government has introduced measures to increase the production of vehicles to approximately 300,000 (3 Lac) in the current fiscal year and up to 500,000 (5 Lac) by 2025.

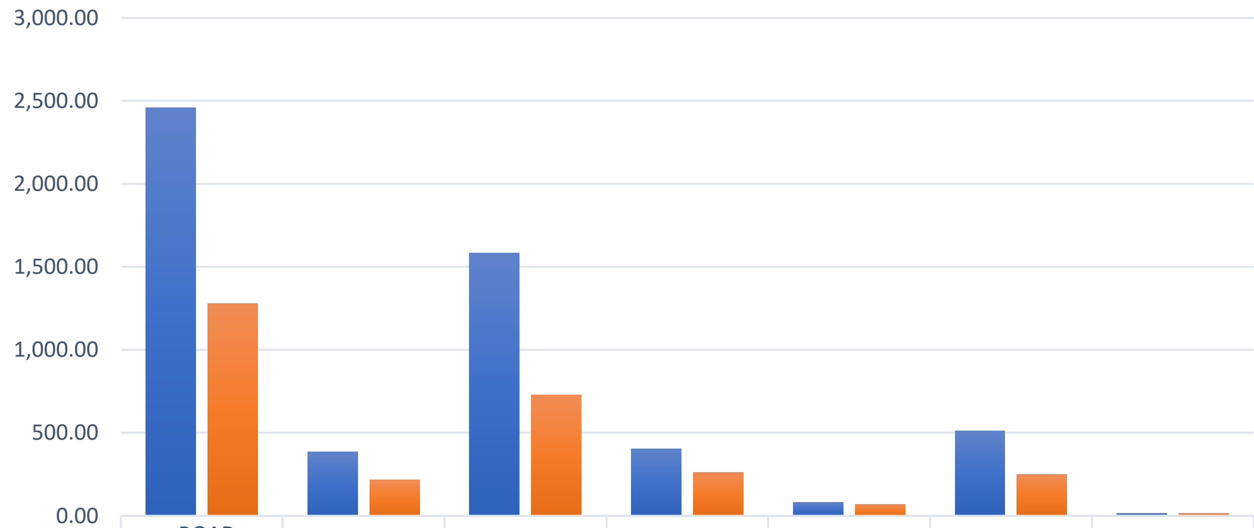
Furthermore, localization of auto parts shall be heavily incentivized.

Electric Vehicles:

The Government had recently announced new Electric Vehicle (EV) Policy, which would create competition among auto sector players besides pollution-free environment. The Policy envisaged targeting a robust electric vehicle market having a 30 percent and 90 percent share in passenger vehicles and heavy duty trucks by 2030 and 2040.

- A higher number of EVs in the local market would encourage auto companies to invest in the relevant infrastructure in Pakistan to facilitate EVs. To that interest, the following incentives have been provided to the said vehicle segment:
- Customs Duty (CD) on Specific Parts for electric vehicles to attract 1 %
- 10% CD on import of CBUs of EVs

Figure- 26 Import of Sub Sectors of Transport Group FY 2021 (USD Million)



	ROAD MOTOR VEH. (BUILD UNIT,CKD/SKD)	CBU	CKD/SKD	PARTS & ACCESSORIES	OTHERS	AIRCRAFTS, SHIPS AND BOATS	OTHERS TRANSPORT EQUIPMENTS
FY20/21	2,458.40	385.8	1,584.60	405.1	82.9	513.6	15.5
FY'19/20	1,279.10	217.9	727.5	263.3	70.3	251	15.9

FY20/21 FY'19/20

Source: PBS

3.11 MISCELLANEOUS GROUP

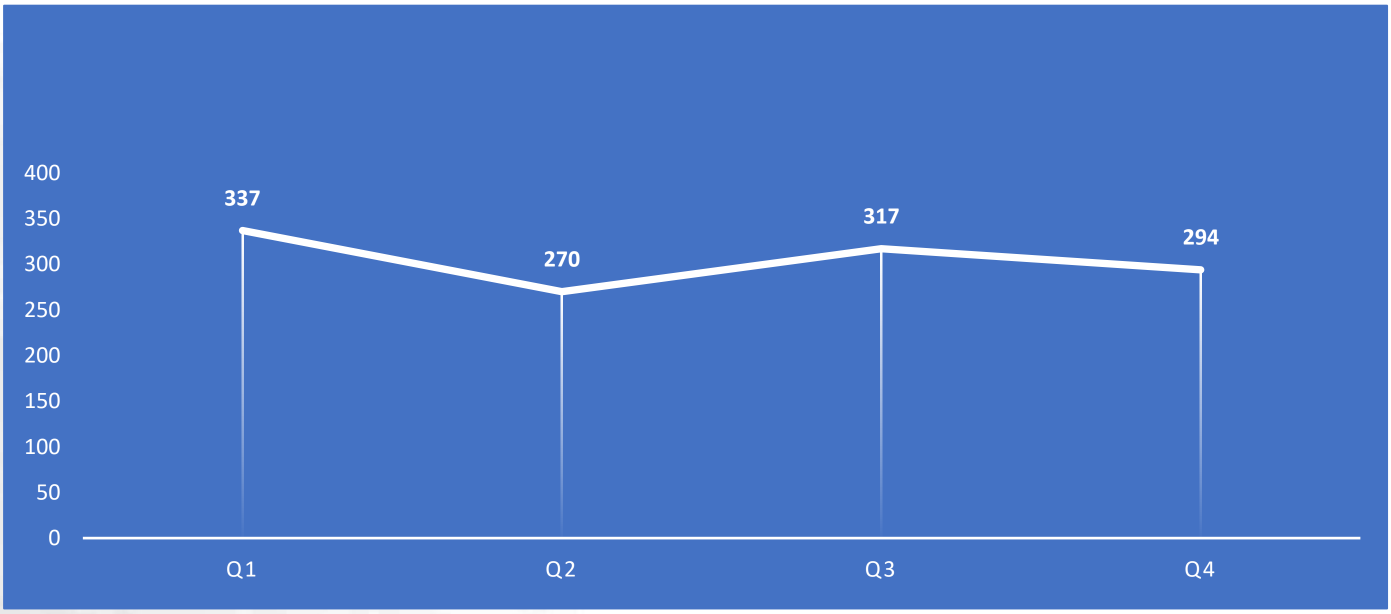
The miscellaneous group imports have seen an overall 51% increase with increase in imports of all sub sectors. Crude rubber, rubber tires, jute and paper & paper board all have increased by 45%, 247%, 73% and 13% respectively.

Table 18 Miscellaneous group imports (USD million)

	YOY 2020 V/S YOY 2021		
SUB-SECTORS	**July-June FY20/21**	**July-June FY'19/20**	**% Change**
MISCELLANEOUS GROUP	1,218.1	809.3	51%
RUBBER CRUDE INCL. SYNTH/RECLAIMED	230.5	159.2	45%
RUBBER TYRES & TUBES	374.8	108.0	247%
WOOD & CORK	117.2	118.7	-1%
JUTE	53.3	30.8	73%
PAPER & PAPER BOARD & MANUF.THEREOF	442.3	392.6	13%
ALL OTHERS ITEMS	4,286.2	3,634.3	18%

The Miscellaneous Group of FY 2021 showed declining trend during 2nd quarter, while Q3,Q4 has shown slightly positive trend.

Figure- Quarterly imports of Miscellaneous Group (USD Million)



SECTION 4

4.1 TRADE IN SERVICES

Exports of Services during July-June FY2021 registered positive growth in FY 2021. 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 21% during FY 2021.

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 FY 2020-21 stood around USD 5.9 billion increased by 9% from the previous year exports of USD 5.47 billion in the FY2020.

Table 19: Services exports (trade values in USD million)

SERVICES	FY21	FY20	% Change
Exports of Services	5,937	5,437	9%
1. Manufacturing Services on Physical inputs owned by Others	0	0	-
2. Maintenance and Repair Services n.i.e.	3	7	-57%
3. Transport	567	741	-23%
4. Travel	500	490	2%
5. Construction	116	166	-30%
6. Insurance and Pension Services	47	42	12%
7. Financial Services	99	135	-27%
8. Charges for the use of Intellectual Property n.i.e.	13	4	225%
9. Telecommunications, Computer, and Information Services	2,123	1,440	47%
10. Other Business Services	1,421	1,328	7%
11. Personal, Cultural, and Recreational Services	11	8	38%
12. Government Goods and Services n.i.e.[5]	1.037	1.076	-4%

Table 20: Services imports (trade values in USD million)

SERVICES	FY21	FY20	% Change
Imports of Services	7,812	8,753	-11%
1. Manufacturing Services on Physical input	0	0	-
2. Maintenance and Repair Services n.i.e.	48	65	-26%
3. Transport	2,949	3,036	-3%
4. Travel	825	1,229	-33%
5. Construction	0	77	-100%
6. Insurance and Pension Services	240	276	-13%
7. Financial Services	185	468	-60%
8. Charges for the use of Intellectual Property n.i.e.	254	181	40%
9. Telecommunications, Computer, and Information	550	385	43%
10. Other Business Services	2,399	2,560	-6%
11. Personal, Cultural, and Recreational Services	0	1	-100%
12. Government Goods and Services n.i.e.	362	475	-24%

[5] N.i.e : Not included elsewhere

4.2 SECTORAL ANALYSES OF TRADE IN SERVICES

The most recent statistics shows that export of services trade registered an increase of 9% in FY 2021. The statistics shows that the export services of Travel, telecommunication, charges for the use of intellectual property n.i.e and maintenance have increased. Travel by 16%, telecommunication by 21%, maintenance by 17% and charges for the use of intellectual property n.i.e by 6%. Meanwhile the export services of transport, Construction, Insurance and Pension Services, Financial Services, Other Business Services, Personal, Cultural, and Recreational Services and Government Goods and Services n.i.e. have decreased. Transport by 14%, Construction by 64%, Insurance and Pension Services by 7%, Financial Services by 2%, Other Business Services by 15%, Personal, Cultural, and Recreational Services by 27% and Government Goods and Services n.i.e. by 14%. Pakistan earned USD 2,123 million by providing different information technology (IT) services in various countries during the fiscal year 2021, showing a growth of 47.44% compared to USD 1439.9 million earned during the corresponding period of FY2020.

The import services trade registered an decrease of 20% in FY 2021. The statistics shows that the import services of Insurance and Pension Services, Financial Services and Charges for the use of Intellectual Property n.i.e. have increased. Insurance and Pension Services by 17%, Financial Services by 12%, Charges for the use of Intellectual Property n.i.e by 6%, Other Business Services by 3% and Government Goods and Services n.i.e. by 1%. Meanwhile the import services of Maintenance and Repair Services n.i.e., Transport, Travel, Construction Telecommunications, Computer, and Information Services and Personal, Cultural, and Recreational Services have decreased.Maintenance and Repair Services n.i.e. by 57%, Transport by 17%, Travel by 28%, , Construction Telecommunications, Computer, and Information Services by 13% and Personal, Cultural, and Recreational Services by 50%.

4.3 Telecom Sector

The telecom sector is one of the fastest growing segments of Pakistan's economy and is a key driver for growth. There are an estimated more than 100 Million cellular users and the sector directly or indirectly employs approximately 1.36 Million people. Pakistan exported USD 2.1 billion worth of telecom services (including IT services) to the world in FY 2021. Government introduced several measures in services sector. Few steps are reported below for Telecom sector.

i. **Measures for introduction of 5G in Pakistan[6]:** Introduction of 5G PTA has unveiled 5G roadmap incorporating the testing of 5G technology and allied services during the FY2021. PTA permitted tests and trials of 5G services under limited environment and on non-commercial basis. Successful trials have been conducted by CMPak, Jazz, Telenor, Ufone and PTCL. During the trials, operators conducted demo test cases including, remote surgery for the first time in Pakistan, Cloud gaming and overview of other 5G technology applications. These were among the first trials of 5G services in any South Asian country, with a recorded

[6] Schemes related to Services sector are taken from State Bank of Pakistan for the information of exporters.

download speed of more than 1 Gigabits per second (Gbps). Pakistan was thus recognized as a pioneer of 5G trials in the region. PTA foresees 5G technology operating in a highly heterogeneous environment and providing ubiquitous connectivity for a wide range of devices, new applications and use cases.

ii. **National Cyber Security Policy (NCSP):** Cyber Security is one of the highest priority area. Extensive efforts were undertaken to draft Pakistan's first National Cyber Security Policy. The policy aims to develop secure and resilient cyber systems and networks for national cyber security and to protect private, public and critical infrastructure. It will be uploaded on the Ministry of Information Technology & Telecom's website for consultations after requisite approvals have been accorded.

iii. **National Cloud Policy Draft:** Cloud computing offers a wide variety of potential benefits including reduced costs, improved responsiveness to citizens' needs, increased transparency and enhanced public service delivery. The policy will, therefore, play an important role in the achievement of the targets set in the Digital Pakistan policy. It constitutes a tool in support of the efforts to promote mass adoption of emerging digital technologies and innovative applications to enable cross-sector socio-economic development and transformation of economic activities, governance models, social interaction and achievement of sustainable development goals. The first draft of National Cloud Policy, prepared in consultation with all relevant stakeholders, is currently being deliberated upon by the Ministry of Information Technology and Telecom. It will be put up for public consultation after the internal deliberation process is complete. Through this policy, the Ministry of Information Technology and Telecom aims to contribute to the government's goal to promote eGovernance through IT enablement at all levels.

iv. Right of Way: Right of Way (RoW) is one of the major impediments towards the growth of the Telecommunication sector of Pakistan. Clause 27-A of the Pakistan Telecommunication (Re-organization) Act, 1996 (Amendment) 2006, as well as Section 7.1 of the Telecommunications Policy 2015 mandate the procurement of RoW as an inherent right of telecom licensees to build networks. Accordingly, the government is considering a policy directive drafted by Ministry of Information Technology & Telecom that has already been deliberated by all stakeholders.

v. **Local Manufacturing of SIMs/Smart Cards:** Evidence suggests that approximately 07 million SIM cards and 10,000 banking cards are being imported every month as the current import regime incentivizes such imports. A multi-stakeholder 'Committee on Local Manufacturing of SIMs/Smart Cards', constituted by the Prime Minister, is deliberating on the matter to save foreign exchange.

vi. National Broadband Policy 2021: The Telecommunications Policy 2015 was subject to review after 05 years of its launch i.e. January 2021. With the support of the World Bank a comprehensive review of the Policy has been completed and a draft National Broadband Policy 2021 has been formulated keeping in view the global trends and emerging technologies. Once approved, the Policy will be uploaded on Ministry of Information Technology & Telecom's website for consultation.

B. Infrastructure Development in Unserved and Underserved Areas of the Country: Through the Universal Service Fund (USF), Ministry of Information Technology & Telecom is committed to minimize the Information and Communication gap between rural and urban communities. Several projects are being designed to connect the unconnected in the unserved and underserved areas of the country.

i. Broadband for Sustainable Development (BSD) Programme: It is a flagship programme to establish telecommunication infrastructure that provides coverage of Voice and Broadband Internet Services to unserved mauzas across the country. USF has launched various projects to provide telecommunication coverage to approximately 12,000 unserved mauzas with a population of around 15 million across all provinces of Pakistan. More than 8,364 unserved mauzas across the country have already been provided with coverage through USF. In the current Fiscal Year, 203 mauzas have been served by USF under previously running projects, whereas, Rs 46.97 million have been disbursed upon completion of different project milestones.

ii. Next Generation – Broadband for Sustainable Development (BSD) Programme: BSD programme has now been transformed into NG-BSD programme which targets provision of enhanced Broadband Services (at minimum rate of 512 kbps) along with Voice Services to the unserved and underserved mauzas. Projects are gradually being launched in 108 districts approved by the Federal Government.

4.4 Information Technology Sector

IT/ITeS Sector is one of the fastest growing sectors of Pakistan contributing about 1% of GDP of Pakistan at about USD 3.5 billion USD. IT exports reached USD 2.12bn in 2020-21 as against USD 1.44bn in the preceding year.

- Pakistan's IT & ITeS-BPO exports at present are estimated to exceed US$5 billion. The IT & IT' enabled Services (ITeS) export remittances, as reported by SBP, comprising of computer services and call center services despite current global economic challenges thereby demonstrating the resilience of Pakistan's IT sector.
- The domestic market accounts for over US$1 billion in annual revenue and growing rapidly as ICT adoption in Pakistan is increasing across verticals. The government considers the startup community, freelancers, developers and IT students as an important pillar of government strategy. As mentioned before, the IT industry is growing at a phenomenal rate, earning valuable foreign exchange for the country, creating high paying jobs, improving nation's productivity and quality of life in general through innovative technology solutions.

4.5 E-Commerce

Pakistan's first ever e-commerce policy was approved by the Federal Cabinet in October 2019. The policy aims to facilitate holistic growth of e-commerce in Pakistan by creating an enabling environment, reducing cost of doing business and lowering the threshold for enterprises to become part of the ecommerce. The policy outlines targeted interventions in key areas of regulation, payment infrastructure, taxation, consumer protection, logistics, data protection and SME growth among others. According to SBP report, Pakistan's e-commerce market size rose to Rs 96 billion upto Q1-2021 from Rs 71 billion in Q1-2020 with cash on delivery assumed at 60 percent of value, whereas in terms of prepayment it rose from Rs 29 billion to Rs 39 billion during the same period. E-Commerce merchants with prepayment have increased to 2,164 from 1,410 in the past 12 months. E-commerce merchants registered with Banks are increasing i.e. more than 8,600 in number during Q3-2020 while the average order value is decreasing as there is decrease in 1,000 points from 4,000 to 3,000 approximately in the same quarter.

Prepayment orders per day have increased to 43,333 orders/day in Q3-2020.

4.6 Transport Services

Transport services (% of service exports, BoP) in Pakistan was reported at 10 % in FY 2021. Pakistan exported worth of USD 567 million to world. Transport services exports showed decline of 14% as compare to same period last year. Transport covers all transport services (sea, air, land, internal waterway, pipeline, space and electricity transmission) performed by residents of one economy for those of another and involving the carriage of passengers, the movement of goods (freight), rental of carriers with crew, and related support and auxiliary services. Also included are postal and courier services. Excluded are freight insurance (included in insurance services); goods procured in ports by nonresident carriers (included in goods); maintenance and repairs on transport equipment (included in maintenance and repair services n.i.e.); and repairs of railway facilities, harbors, and airfield facilities (included in construction). The sector was hit by COVID-19 and travel ban reduced import and due to travel ban exports hampered.

4.7 Travel Services

travel services exports for Pakistan was USD 825 million. Travel services exports of Pakistan decreased from USD 1,229 million in FY 2020 to USD 825 million in FY 2021. It includes services acquired from an economy by non-resident travelers during visits shorter than one year.

4.8 Construction Services

Construction services exports for Pakistan was USD 116 million showing a decline of -16%. Though Pakistan construction services exports fluctuated substantially in recent years

SECTION 5

GOVERNMENT INITIATIVES FOR EXPORT FACILITATION

5.1 Exports Facilitation Measures

Pakistan Single Window[7]:

Pakistan Single Window (PSW) program an amount of Rs 100 million has been allocated and will be launched in March 2022. The initiative is an important initiative of the government of Pakistan. It led by Pakistan Customs aims at reducing the time and cost of doing business by digitalizing Pakistan's cross border trade and eliminating paper based manual processes. The PSWC, a public sector company incorporated under Section 42 of the companies Act, 2017 by Pakistan Customs has been notified as the 'Operating Entity' of the PSW system by the Federal Government under the provisions of the PSW Act, 2021. PSW aims to provide an integrated electronic platform that allows parties involved in international trade and transport to lodge standardized information and documents with a single-entry point to fulfill all import, export, and transit regulatory requirements. In order to ensure optimal benefits of the PSW system to the traders as well as public sector regulators, Section 3(3) of the PSW Act 2021 makes it mandatory upon Customs and Other Government Agencies (OGAs), as listed in the schedule to the Act, to align their respective laws, regulations, procedures, processes and other information requirements related to regulation of imports, exports, transit trade and associated transport with Pakistan Single Window. [8]PSW to bring all activities connected with the clearance of imports and exports on a single portal in order to reduce the time span of cargo clearance. The portal will be launched in March 2022.

Facilitation to the Pharmacutical Sectors

The Government has special focus to increase pharmaceutical exports through upcoming tariff rationalisation, trade-related investment, institutional reforms, and easing of business regulations. Following facilitation is already provided by Government to facilitate the sector:

1. Pharma raw materials exempt from sales tax. The sales tax on the import of raw materials for manufacture of Active Ingredients and pharmaceutical products are exempt from sales tax.
2. The sector has Zero percent duty on import of multiple drugs.
3. Zero percent Customs duty is available on import of multiple Active Pharmaceutical Ingredients for the Pharmaceutical Sector.
4. Low Customs duty on import of Plant and Machinery.
5. Low customs duty on import of Excipients/Chemicals.
6. Refinance facility under the Export Finance Scheme for Consultancy Services.
7. Exemption of Customs duty on import of pharma grade Gelatin.

5.2 Tariff Rationalization

The tariff rationalisation is introduces by the government to improve industrial production competitiveness in the global market and ease of doing business. The government rationalised duty/tariff structure for more than 30,000 raw materials and intermediary goods in the budget

[7] https://docs.psw.gov.pk/

[8] https://www.fbr.gov.pk/pr/6484-companies-registered-with-fbr-through-on/131247

for fiscal 2020/21. The government abolished additional customs duty and regulatory duty on 30,000 items of raw materials and this would have negative annual revenue impact of Rs14 billion.

Tariff Rationalization during FY 2021

- Additional Customs Duty of 2% on 1623 Tariff Lines, consisting of basic raw materials, was removed.
- Customs Duty on 90 Tariff Lines, consisting of intermediate goods/inputs, not manufactured locally, was reduced from 11% to 3% and 0%.
- As per individual request received from the public and private sector, tariffs were rationalized on 50 Tariff Lines.
- In order to implement the "Make in Pakistan Initiative" of the Government, tariffs were rationalized on 112 Tariff Lines.
- Regulatory Duty on 36 Tariff Lines of Iron & Steel Sector was reduced to ensure cheap raw materials for manufacturing sector.

5.3 Agriculture Reform[9]

The National Agriculture Emergency Programme with a cost of Rs 277 billion is already underway. Under this programme, 13 mega projects are under execution. During FY2021, the government also announced the "Rabi Package" of Rs 5.4 billion to reduce the input cost for the farmers with the special intent to increase the production of wheat in the country. In addition, the Minimum Support Price of wheat has been further enhanced from Rs 1,400 to Rs 1,800 per 40 kg to encourage wheat cultivation. Similarly, the agriculture credit disbursement target for the current fiscal year has been set at Rs 1,500 billion. These measures have borne the fruit in terms of significant growth in major and minor crops.

SBP's Initiatives for the Promotion of Agriculture Financing For promotion of agricultural financing, some of the major initiatives taken by SBP in collaboration with federal and provincial governments are as under:

1. **Loan repayment relief to dampen the effects of COVID-19:** The banks have been instructed to defer principal amount of agricultural loans for one-year on borrowers' request. Regulatory space is also provided to facilitate banks in rescheduling/ restructuring of loans for borrowers who cannot service markup or need deferment exceeding one year. In this regard, as of April 16, 2021, MFBs provided relief in terms of deferred/restructured/rescheduled loans of Rs 121.3 billion to 1.72 million microfinance borrowers and relief of Rs 11.6 billion to 27,216 agricultural borrowers.
2. **Crop Loan Insurance Scheme (CLIS):** In 2008, the Government of Pakistan (GoP) introduced the mandatory crop loan insurance scheme for five major crops i.e. wheat, rice, cotton, sugarcane and maize to mitigate the risk of losses of farmer in case of calamities. The insurance premium is borne by the government up to maximum of 2 percent per crop per season for the farmers having land holding up to 25 acres in all provinces except Balochistan where the eligibility of land holding is 32 acres. During the period July 2008 to December 2020, banks have submitted premium claims of Rs 9.4 billion against 6.54 million beneficiaries.
3. **Livestock Insurance Scheme for Borrowers (LISB):** To minimize the risk of disease or death of animals due to accidents and natural calamities in livestock & dairy sector, the farmers'

[9] https://www.finance.gov.pk/survey_2021.html

have improved access to LISB since 2013. The scheme covers small farmers having up to 10 animals and the government bears premium subsidy up to 4 percent per annum. During the period July 2014 to December 2020, banks have submitted premium claims of Rs 2.84 billion against 0.82 million beneficiaries.

4. **Adoption of Automation of Land Record for Agriculture Financing:** SBP facilitated in creating partnerships between Punjab Land Revenue Authority (PLRA) and banks for integration of the Land Record Management Information System (LRMIS) with the banks to enable online assessment and charge creation on agricultural land for loans to farmers. As many as 35 agriculture lending banks have signed MOUs with PLRA, of which 25 banks have been brought on board and are verifying revenue documents and also generating 'Fard' (title document) through this integrated online system. Further, to help other provinces gear up their land record automation efforts, SBP has facilitated peer learning of provincial and regional land revenue authorities by organizing online knowledge sharing sessions.
5. **Regulatory Space for Innovative Financing:** Relevant Prudential Regulations have been amended to allow Electronic Warehouse Receipt (EWR) as acceptable collateral for bank financing. Further, the maximum tenure for agriculture development loans have been increased to 10 years to encourage development and mechanization for efficiency, resource conservation and yield enhancement. Additionally, Report on Indicative Credit Limits and Eligible Items for Agriculture Financing has also been revised to allow banks to provide loans to farmers as per their internal policies. This will also facilitate provincial planning departments in estimating the total financial and credit requirements of provinces/regions for agriculture sector.
6. **Government of Punjab E-Credit Scheme:** SBP has facilitated the Government of Punjab in designing and implementing the E-Credit scheme wherein E-Passbook and other automated land revenue records, accessible through an online portal, are being used by participating financial institutions (ZTBL, NBP, Telenor Microfinance Banks, Akhuwat and NRSP) to provide interest free loans to small farmers. Up to Rabi 2019- 20, total loan amount of around Rs 62 billion had been disbursed to 890,000 small farmers.
7. **Workshops/Trainings/Capacity & Awareness Building:** SBP regularly organizes various training programmes and awareness sessions both on-field and virtual to meet demand and supply side capacity building requirements of agriculture finance stakeholders including banks and farmers. These training programmes include Farmers Financial Literacy Programmes and awareness sessions on Agricultural Value Chain Financing, Job Fairs for Agriculture Graduates, Warehouse Receipt Financing, Islamic Agricultural Financing etc.

5.4 Climate Change [10]

The climate change was recorded around fifty years back due to speedy industrialization with

[10] http://www.mocc.gov.pk/Policies

substantial geopolitical consequences. As things stand, we are at a crossroads for a much warmer world. According to German Watch, Pakistan is among the top ten countries most affected by climate change in the past 20 years. The reasons behind this include the impact of back-to-back floods since 2010, the worst drought episode (1998- 2002) as well as more recent droughts in Tharparkar and Cholistan, the intense heat wave in Karachi (and Southern Pakistan generally) in July 2015, severe windstorms in Islamabad in June 2016, increased cyclonic activity and increased incidences of landslides and Glacial Lake Outburst Floods (GLOFs) in the northern parts of the country.

To revive the forest cover and wildlife resources in Pakistan the government has launched the Ten Billion Tree Tsunami Programme. The programme has achieved a plantation of 350 million plants in the first three quarters of FY2021 and about 100,000 daily wagers have been employed till March 2021. Cumulatively, more than 800 million plants have been regenerated / planted in the last two years with a target to reach one billion by June 2021. To mitigate the negative impacts of the automobile sector emissions on the environment and giving a boost to the economy, the Government has approved its National Electric Vehicle Policy targeting a 30 percent shift to electric by 2030.

5.5 Subsidies and Refunds to Exporters (FY2021)

Export Finance Scheme (EFS)

SBP has formulated Export Finance Scheme (EFS), Islamic Export Refinance Scheme (IERS), Scheme for Long-Term Financing for the Export Oriented Projects (LTF-EOP) and Islamic Long Term Financing Facility (ILTFF) providing refinance to banks under these schemes. Six months additional period was allowed for making shipment/performance under EFS with a 1.5 times export performance (2 times earlier). Eligibility criteria for availing LTFF relaxed from US$ 5 million or 50% exports of total sales to US$ 4 million or 40% exports of total sales from Jan-Sep 2020.

Export Facilitation Scheme[11]

Under the EFS, commercial banks after disbursing the loan to the exporter approach the field office of BSC for reimbursement of the same loan. This financing facility is provided for a period of 180 days to direct exporter and up to 120 days for indirect exporter. SBP has formulated IERS keeping in view recent developments relating to introduction of specialized Islamic banking institutions. This scheme is being utilized by the dedicated branches of the commercial banks providing the Islamic banking products and services. These branches are availing refinance from the BSC field offices against finance provided by them to exporters for eligible commodities.

In order to help exporters in import of machinery and up-grading existing technology, the SBP has introduced LTF-EOP in recent past. The scheme allows eligible financial institutions to provide financing facilities to borrowers on attractive terms and conditions for import of plant, machinery, equipments and accessories by export-oriented units. Field offices of BSC also undertake random on-site verification of export refinance cases and examine the entire documents in their respective jurisdiction. The purpose of this exercise is to verify that the funds availed by the commercial banks from the SBP have been used for the purpose they were disbursed to them and the banks are observing the terms and conditions laid down in the scheme while extending the loan.

Long-Term Financing for the Export Orientation Projects

[11] Export Facilitation Schemes - Federal Board Of Revenue Government Of Pakistan (fbr.gov.pk)

The State Bank has formulated a scheme for Long-Term Financing for the Export Orientation Projects (LTF-EOP). The scheme envisages provision of long-term financing for the establishment of the export-oriented projects and for the import of new machinery.The exporters have been consulted before the scheme and the industrialists said that the new scheme would be widely welcomed by the exporters.

Islamic Long Term Financing Facility (ILTFF)

Participating Financial Institutions (PFIs) can provide long term local currency finance for imported and locally manufactured new plant and machinery to be used by the export oriented projects (Sectors allowed as per the Export Policy Order issued by Ministry of Commerce from time to time are eligible under the scheme). The facility will be available to the export oriented projects with at least 50% of their sales constituting exports or if their annual exports are equivalent to US$ 5 million, whichever is lower. It has been decided that mark-up rates for end users under SBP's Long Term Financing Facility (LTFF) will be 6.00% for a maximum period of financing up-to 10 years, with effect from July 01, 2015 till further instructions. The latest World Bank data shows that EFS provided $3.18 billion per annum or 17.4 per cent of Pakistan's total exports between 2015 to 2017. In the same period, the FTFF outstanding loans were equivalent to 1.3pc of the country's exports. This trend is still continuing. Textile exports jumped up by 14.4% in July after a sharp fall in virus-hit international demand but the import of textile machinery dropped by 33.9%

5.6 COVID-19 Specific Refinance Scheme

Temporary Economic Refinance Facility (TERF)

TERF was launched to stimulate investment both new and expansion/Balancing, Modernization and Replacement (BMR) of existing units. Financing under the facility is available for all sectors across the board except power sector. Maximum loan limit per project is Rs 5 billion @5% p.a. As of April 01, 2021 Rs 690 billion has been requested under TERF against which Rs 435.7 billion has been approved. The scheme has been ended in March 31, 2021.

SBP Rozgar Scheme

The Scheme aimed at preventing layoff by financing wages and salaries of employees (permanent, contractual, daily wagers as well as outsourced) for six months (April-September 2020) for all kind of businesses except for Government entities, public sector enterprises, autonomous bodies and deposit taking financial institutions. Financing under this scheme was provided @3% p.a. for taxpayers and 5% p.a. for nontax payers. Under this scheme, Government of Pakistan provided 60% risk sharing for SMEs with sales turnover up to Rs 800 million and 40% risk sharing for small corporates with sales turnover up to Rs 2 billion. Under this scheme, more than Rs 212 billion has been disbursed. The scheme helped to prevent layoff of 1,677,806 employees of 2,683 businesses, wherein 382,673 employees of SMEs and small corporates were prevented from layoffs.

5.7 Refinance Schemes for Export Promotions

To facilitate export-oriented industries during COVID-19, SBP introduced some relaxations under Export Finance Scheme (EFS) and Long-Term Financing Facility (LTFF). Six months additional period was allowed for making shipment/performance under EFS with a 1.5 times export performance (2 times earlier). Eligibility criteria for availing LTFF relaxed from US$ 5 million or 50% exports of total sales to US$ 4 million or 40% exports of total sales from Jan-Sep 2020.

5.8 FBR Schemes [12]

Federal board of revenue is created to deal with three different types of taxes 1) sales tax 2) custom duty and 3) income taxes. FBR has introduced four different schemes such as Manufacturing Bond Rules, DTRE, and EOU and Export Facilitation Scheme (2021).

The Manufacturing Bond Rules (MB) 2001 scheme provide sense of ease to a manufacturer-cum-exporter who already has a license to serve a manufacturing for merchandise imported of tariff duties/taxes cost-free input goods utilized in the manufacturing of final/finished goods for following exports. The input goods foreign imports under the same scheme are not bounded to a specific sectors, rather than all sectors of exports can use the scheme facilities.

Duty and Tax Remission for Exporter (DTRE) scheme invovle non-payment of taxes/duties at stage of import on input goods, so, no drawback of duty can be claimed on succeeding exports. DTRE scheme is rendered either on the basis of previous or current contract orders or performance of export. Therefore, it can be utlize by producers, "commercial exporters", "indirect exporters", "contracted vendors of foreign producers or foreign customers. Under action based DTRE, the consent in the base year is given on the exports forecasted anticipated as acknowledged by the trader/exporter in the application.

Temporary Importation Scheme exempts from sales tax and customs-duty on temporary importation of input materail for consecutive exportation. The input goods incorporate accessories utlized in electronic equipment, kitchen utensils and cutlery, ready-made garments, surgical instruments, textile made ups and footwears,aluminum-ware, vacuum flasks, components (subcomponents) for assembly of machinery, games, bicycles, dolls, steel ware, toys, and materials necessary for the manufacture of stationery items and decorative items connote for packing materials and exports. The present scheme can be availed by any manufacturer-cum-exporter.When we compare the temporary scheme with the past schemes, we got know that the present scheme is easy and simple to avail.

THE EXPORT ORIENTED UNITS (EOUs) RULES
The underlying scheme tries to enhance the growth in Small & Medium Enterprises (SMEs) and allows Export Oriented Units (EOUs) duty exempt import all input material/goods including the capital goods like machinery etc. Regulatory Authority can issue a license to manufacturer cum-exporters in order to operate as EOU can avail this scheme. However, the exporter also needs to obtain an analysis certificate as well. The imported input goods are not limited to a certain sector, rather all exporting sectors can avail this scheme. The scheme facilities EOUs by allowing 20% sells of their annual production in the local market on payment of duties and taxes, while this provision is further relaxed for engineering units where they can sell up to 50% of their production in the local markets for the first three years and 20% of their production in the subsequent years on payment of duties and taxes.

FBR has issued the SRO-957 (1)/2021 on 9th July 2021 to announce **the Export Facilitation Scheme**-2021 for exporters, including manufacturers-cum-exporters and commercial exporters, merging all schemes into a single unified procedure. The scheme is implemented from 14th August 2021 and minimize the documents requirement through simplified single window operation and enhance the accessibility to encourage the exporters. As contrary to the previous scheme which have some specific export target, EFS has no fixed target. The EFS allows two different different types of vender 1) direct venters, and 2) toll manufacturer. The present scheme more towards focus audits and post-clearance compliance checks . More importantly, time utilization is fixed according to exporters

[12] https://www.fbr.gov.pk/

category.Present Government's incentives for IT industry include:

- Zero income tax on IT exports till June 2025
- Three-year tax holiday for Pakistan Software Export Board registered IT startups
- 100 percent equity ownership allowed to foreign investors
- 100 percent repatriation of capital and dividends allowed
- Tax holiday for venture capital funds till 2024
- Accelerated depreciation of 30 percent on computer equipment
- Foreign currency account permitted for receipt of export remittances

Subsidies and Refunds to Exporters (FY2021)[13]

The government has provided subsidies and refunds to the exporters which are as follows:

I. Table 21 - DTRE

FY 2022	CD Exempted	FED Exempted	IT Exempted	RD Exempted	ST Exempted	Total Cost of Exemptions
Rs in million (Releases)	5,941	393	7,449	927	11,388	**26,098**

II. Drawback of Local Taxes and Levies (DLTL)

The total Budgeted amount is Rs 10 billion, then Rs 8 billion is allocated through technical supplementary grant and then Rs 285 million is allocated through re appropriation. An amount of Rs 133 million is surrendered by Ministry of Commerce. There is an issue between FTO (Federal Treasure office) Karachi and SBP on its reconcilement of the total disbursement.

Table 22 DDT & LTLD

	Rs in Billion
Name of Schemes	**Disbursement (FY2021)**
DDT 2017-18 (Textile)	2.01
DDT 2018-21 (Textile)	11.04
LTLD 2017 (Non-Textile)	0.44
LTLD 2018 (Non-Textile)	4.49
Total	17.97

- DDT: Duty Drawback of Taxes
- LTLD: Duty Drawback on Local Taxes and Levies (DLTL)

Source: Ministry of Commerce (Textile Wing)

III. Export Finance Scheme (EFS) at subsidized rate (LTFF 5%, EFS 3%);

EFS (FY2021): Rs.91.1 billion

Source: SB

IV. Long-term Trade Financing (LTFF) at subsidized rate (LTFF 5%)

Loans under LTFF (FY2021): Rs. 176.3 billion

Source: SBP

V. Subsidy on electricity & Gas Charges for export Industry

The total allocation for zero rated Industries is Rs 20 billion, and the releases were Rs. 26.9 billion and the difference is covered by taking technical supplementary grant.

Table 23 - Power sector subsidy

Description	Release 2020-21 (Rs Billion)
Zero Rated Industries	26.9
Subsidy to LNG Sector for provision of Gas on low rate to Industries	10.0
Total	**36.9**

[13] https://www.fbr.gov.pk/pakistan-doing-business-reforms/131265

SECTION – 6

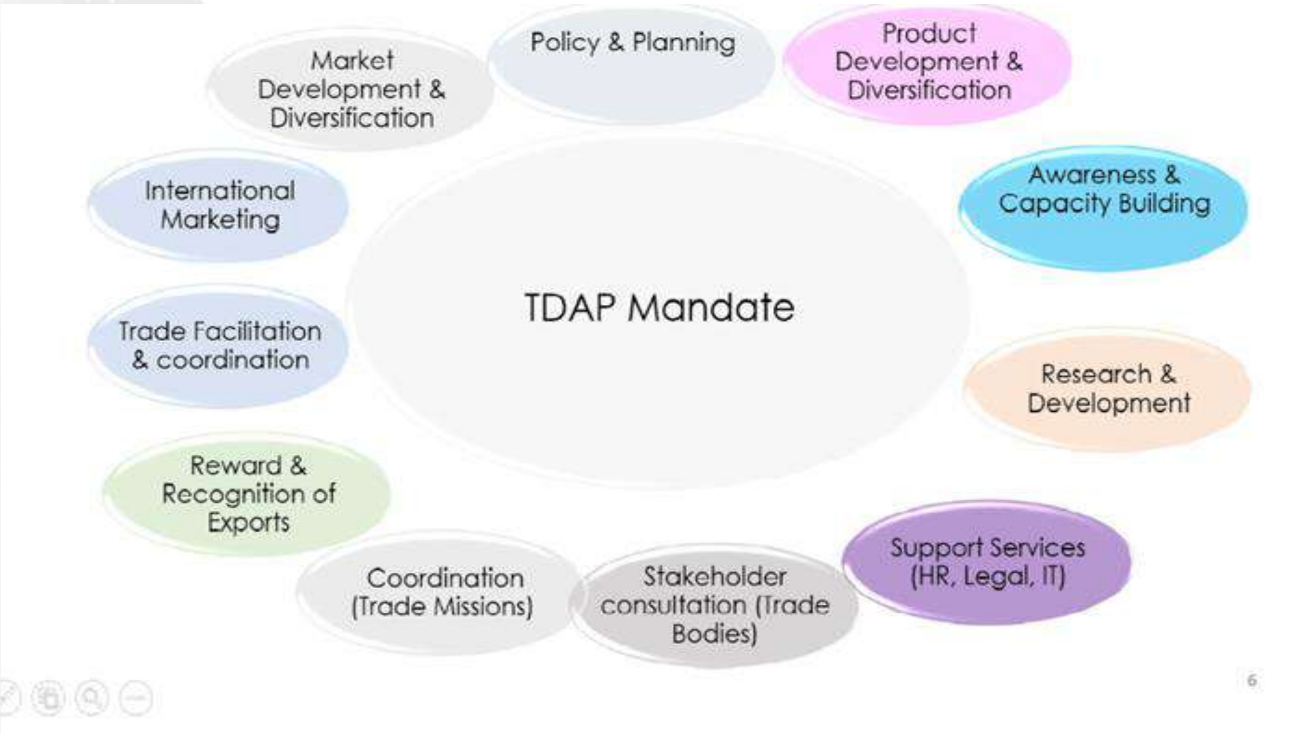
6.1 TDAP ACHIEVEMENTS

TDAP's Vision & Mission

The Trade Development Authority of Pakistan (TDAP) is mandated to develop and promote export holistically, through focus, synergy, and with collective wisdom and counsel of its stakeholders. In addition to aggressive , innovative and proactive marketing and promotional efforts. It achieve the objective of rapid export growth through interaction and coordination with respective public and private–sector stakeholders, and enhancing value of products and services by broadening the export base of our products; enhancing capability and capacity of the supply base of goods and services; by fostering supportive export culture and facilitation; and by encouraging export oriented foreign investment and joint ventures. TDAP also help improve market access through advising the Government on matters of trade diplomacy and promoting the "business" image of Pakistan in the key export markets for Pakistani products and services, the world over.

TDAP's mission is to achieve a quantum-leap in Pakistani exports. To fulfill such a mission, TDAP employ the right skills and competencies, professional management techniques, advanced international marketing strategy backed by competent market research and trade analysis, supported by use of latest technology.

TDAP create a high level of motivation amongst its staff as they see themselves embark on upwardly mobile career paths within a TPO environment. It persuade them to significantly enhance their capabilities and skills, and thus assure their personal growth along well-defined career paths. TDAP strive to achieve a role model status for a TPO in the developing countries.



Initiatives/projects undertaken by TDAP for the realization of the vision

TDAP set targets in terms of activities like arranging exporters' participation in international trade fairs, organization of foreign trade delegations, holding of single country exhibitions abroad to showcase Pakistan and its products, holding of mega domestic expositions, etc. We participate in over 120 international trade fairs annually. Similarly, we send and receive around 40 trade delegations annually to/ from all countries of the world based on our strategic plans. TDAP organizes single country exhibitions and road shows in priority countries that include Sri Lanka, Chile, Thailand, Qatar, Kenya, Kazakhstan, India, and some other countries, particularly in Africa, Middle East, and the Central Asia. TDAP works in close collaboration with the Ministry of Commerce and trade bodies, including FPCCI, Regional Chambers, Trade Associations, as well as individual exporters. The objective of this collaborative effort is to produce optimum impact with the available resources through development of synergies and avoidance of unnecessary duplication of effort.

TDAP has taken following initiatives to facilitate exporters during FY 2021

- Trade promotion (Exhibitions and delegations)
- International Market access
- Research (Product & market)
- Online Trainings and seminars/webinars
- International cooperation & collaborations

Trade Promotion – International Exhibitions

TDAP has taken various initiatives for export promotion during FY 2021 which includes participation in 03 physical exhibitions internationally, 2 international virtual exhibitions, and organized 190 webinars. Whereas first virtual exhibition of Textile -TEXPO was organized by TDAP in February 2021. TDAP participated in limited exhibition due to COVID-19

i. Textile and Leather (1 virtual exhibition)
ii. Agro and Food (1 physical exhibition)
iii. International Marketing Development Division (1 virtual and 02 physical)

Trade Promotions – Delegations

TDAP send and receives delegations regularly. During FY 2021,following delegations were sent and received by TDAP

Trade Delegations (Outgoing)

- Textile and Leather (2)
- Services and Halal (1)
- International Marketing Development Division (4)

Trade Delegations (incoming)

- International Marketing Development Division (4)

Product Promotional activities

Mango Promotion

- Dispatched to 30 Trade Mission Mango shows organized by Trade Missions in leading super stores

Dates Promotion

- Dispatched different varieties of Dates to 34 countries
- Trade and Investment Counsellor distributed the samples among Dates buyers

Kinnow Promotion

- TDAP in collaboration with Sargodha Chamber organized Citrus/Kinnow Show at President House on 28th February 2021
- TDAP organized Citrus/Kinnow promotions in our Trade Missions at London, UK, Riyadh and Jeddah Saudi Arabi

• Webinars

TDAP organized 190 seminars/webinars during July 2020 to June 2021. TDAP, Trade mIssions, Stakeholders, leading exporters and trade associations participated in the webinars

Market Access – Look Africa Plan

In order to penetrate in the non-traditional markets, TDAP has revised its subsidy policy in Africa and increased its subsidy to 80% for exhibitors in these regions. Africa Desk has been established at TDAP HQs which has been looking after all activities performed in the region. TDAP concentrates on top ten African Economies to enhance trade; i.e Nigeria, Kenya, South Africa, Morocco, Algeria, Egypt, Sudan, Kenya, Tanzania and Angola as they constitute 78% of Total African GDP, in the first phase of enhancing engagement

- South Africa (03)
- Egypt (02)
- Kenya (01)
- Nigeria (01)
- Ethiopia (01)
- Morocco (01)

TEXPO – First virtual exhibition of Textile products (February 2021)

Trade Development Authority of Pakistan (TDAP) Karachi organized first virtual Textile exhibition - TEXPO from 1st to 5th February, 2021. 54 leading Textile companies of Pakistan participated in the event with following sideline activities:

- 05 webinars
- Total B2B click 120
- Total unique visitors 2017

- Total registered visitors 5393
-

Product Range

- Home Textiles, Carpets & Rugs, Martial Art Products, Fabric & Apparel, Men's, Women & Children Wear, Sportswear, Fashion Accessories, Knitwear, Hosiery, Towel, leather and any other exportable merchandise of textile sector

SPECIAL INITIATIVES

- TDAP has taken special initiatives to develop infrastruction of the organization. Following initiatives have been taken by TDAP during reported period.
- E-Display Centre
- B2B Matchmaking platform
- Pakistan Trade Mission Abroad- online reporting
- Virtual Exhibitions
- E-Commerce Platform/E-Market Place
- Research Section
- MyTDAP – Internal Dtabase
- Infrastructure Development
  - E-filing
  - Day Care
  - Research section @ 8th floor

MARKET DIVERSIFICATION

In order to penetrate in the non-traditional marketsTDAP concentrates on CARs and African Economies to enhance trade. Following events were organize by TDAP:

38th International Khartoum Fair Sudan - 21-28 January 2021.

TDAP participated in 38th International Khartoum Fair Sudan with 17 companies from 21-28 January 2021.

Uzbekistan Business forum -15th July, 2021

Ministry of Commerce and Trade Development Authority of Pakistan organised Pak-Uzbek Business Forum in Tashkent, Uzbekistan on 15th July, 2021. Prime Minister of Pakistan, Mr. Imran Khan inaugurated the business forum. The purpose of this initiative was to bring the businessmen of Pakistan and Uzbekistan under one roof to explore ways to enhance trade and investment. Advisor to the Prime Minister on Commerce Mr. Abdul Razak Dawood presented bilateral trade opportunities and signed MOUs and Transit Trade Agreement. He emphasized the importance of cooperation in enhancing trade and investment. He also met with different Uzbek and Pakistani delegates, chambers and associations and discussed the possible ways to increase bilateral trade and investment. He highlighted importance of Pakistan’s geo-strategic location, a market of 220 million people and access to Central Asian states through Uzbekistan.

The Pakistan Business delegation comprised leading business representatives from sectors including Textile, Fruit and vegetables, Pharmaceuticals, Engineering, Tourism, Construction, Chemicals, I.T. etc. More than 100 prominent businessmen from Pakistani sectors, leading trade bodies like FPCCI and Sarhad Chamber of Commerce & Industry etc. and government organisations including FBR, BOI, MOFA from Pakistan side and Uzbek Chamber of Commerce and Industry from Uzbek side were present on the occasion. TDAP organized fruitful B2B Meetings of the Business Delegation with their Uzbek business counterparts. Textile, Chemical, Fruit and Vegetables and Rice sector got export orders from this business forum.

An exclusive interactive session of Prime Minister of Pakistan, Mr. Imran Khan with Pakistani delegates were organized to discuss trade issues and possible ways to enhance bilateral trade of Pakistan to Uzbekistan. Business community expressed great enthusiasm regarding the enhancement of trade and economic relations between the two nations and the visit of the delegation was generally remarked upon as a milestone for the opening of best possible avenues of cooperation in trade and investment ties between Pakistan and Uzbekistan.

Sri Lanka Business Forum (24th February 2021)

The Pakistan - Sri Lanka Trade and Investment Conference 2021 provided an invaluable opportunity for effective and meaningful engagement between the business communities of the two countries. The Prime Minister of Pakistan led a high level 38-member business delegation representing high potential trade and investment sectors with Sri Lanka, identified by Trade & Investment Wing in consultation with TDAP, which included textiles, apparel, pharmaceuticals, agricultural commodities & food, construction materials, minerals, auto parts, footwear, Information & Communications Technology (ICT) and tourism.

The business delegates from Pakistan held B2B meetings with counterpart Sri Lankan business representatives invited by the Trade & Investment Wing, Colombo. It is pertinent to note that the Conference and B2B session were held under strict regulations and restrictions prescribed by the Government of Sri Lanka due to the ongoing Covid-19 pandemic. These entailed restricted venue arrangements, social distancing protocols (maximum 250 participants approved by Host Government) and stipulated health guidelines, coupled with high security concerns with regards to the state visit. Nevertheless, in order to have a successful B2B session and a well-rounded of event, Trade & Investment Wing Colombo made all out efforts in line with the stipulated guidelines to ensure attendance of around 200 prominent business representatives of Sri Lanka and local dignitaries and relevant senior government functionaries, members of the diplomatic corps in Colombo and local and international media representatives. Around 350 invitations were sent out by the Trade & Investment Wing for the Conference and B2B session.

Women Entrepreneurs

- WEs are beneficiary of all the programs being under taken by TDAP
- 15% quota for women entrepreneurs and new exporters in exhibitions and delegations
- 50% subsidy on the normal stall charges
- Consultative Sessions on Trade Delegations
- WEXNET for women Entrepreneurs (02 successful editions at Lahore)
- Women Entrepreneur page and Directory

REX System

- 7000+ Exporters registered to EU database
- 36 Countries were required to complete REX switchover in 2017; only 5 countries achieved timely completion including Pakistan
- Exporters' orientation on EU Rules of Origin & Support Documentation; EDE (electronic data Exchange), and establishment of TDAP's field monitoring system in hand

- Monitoring Meeting held at the European Commission (Brussels, May 14-17, 2019) where Pakistan's performance on successful implementation of the REX system and origin certification for EU GSP was appreciated.

POST Brexit Seminar

- 04 seminars in Karachi, Lahore, Sialkot and Faisalabad

Information and Communication (July-June 2020-21)

- TDAP issued Press Releases, arranged media briefings and release advertisements of above mention activities during July 2020 to June 2021)
- TDAP prepared Digital product brochure
- TDAP managed a user-friendly web portal for the facilitation of exporters and importers (www.tdap.gov.pk)
- TDAP developed online exporters directory for foreign buyers
- TDAP has official Twitter and Face book accounts (@tdap_official)

Data & Research Initiatives

Trade Statistics

- 08 Monthly Reports of Trade Statistics are published
- December 2020 to July 2021

Quarterly Trade Analysis

- Pakistan's Trade Perspective (July-September 2021)
- Pakistan's Trade Perspective (October-December 2021)
- Pakistan's Trade Perspective (January-March 2021)
- Pakistan's Trade Perspective (April-June 2021)

Policy Briefs

- Post-Brexit Pakistan UK Trade
- Impact of EU Vietnam FTA on Pakistan

Research Publication

TDAP prepared following research studies and policy briefs for the information of stakeholders of Pakistan and all publications are available on TDAP portal. https://tdap.gov.pk/research

- How to do business in Pakistan (Trade & Investment guide)
- Step-by-step guide for new exporters (part A: export procedures)
- Step-by-step guide for new exporters (part B: certification requirements for textiles & leather exports to European Union)
- Guide to avail export finance scheme of State Bank of Pakistan
- Manual for export facilitation under FBR schemes (A step by step guide for exporters)
- An easy guide for exporters to file claims duty drawback of local taxes and levies (DLTL) order (Textile) Ministry of Commerce notification 1(42-b) tid/18-tr-ii
- Guide to avail long-term financing facility of state bank of Pakistan
  An easy guide for exporters to file claims duty drawback of local taxes and levies (DLTL) order (non-textile) MOC SRO

Market & Product Reports

- TDAP has produced 50 Market Reports which are placed on the web portal of the Authority and circulated to the Missions & Associations
- TDAP prepared 10 Product Reports for different product sectors which have been uploaded

Trainings & Seminars (2020)

National Exporters Training Program

TDAP initiated National Exporters Training Program (NETP) to train exporters into the art of exports. This program mainly focuses upon SMEs and new exporters with a view to create a pool of exporters who have detailed knowledge of exporting and are in a position to convert export inquiries into export orders. The program comprises of four distinct modules:

I. **Module-I: Export process & practices**
II. **Module-II: Export procedures & documentation**
III. **Module-III: Export financing, payment methods & terms**
IV. **Module-IV: Export marketing & product promotion**The first session of the program was organized at FPCCI, Karachi on 17th September, 2019 by IBA. The second session was organized on 15th October, 2019 in Lahore at Lahore Chamber of Commerce and Industry by IBA. The third session was organized on 7th January, 2020 in Islamabad by IBA team at Rawalpindi Chamber of Commerce and Industry. The fourth session was organized on 8th January, 2020 at Sarhad Chamber of Commerce and Industry by IBA team. The fifth session was organized on 12th March 2020 in Sukkur at Circuit House, Sukkur by TDAP officers. The webinar of sixth session of NETP is organized on 22nd July, 2020 through zoom meeting for the exporters of Sialkot by TDAP and IBA team.

Seminars CPFTA-II (2020-21)

S#	Name of the City	Date	Targeted Sectors as per 313 items list
1.	Gilgit	June 2021	All sectors

Pakistan Africa Trade Development Conference (PATDC)

In order to enhance trade and increase outreach to major African economies, the Ministry of Commerce launched "Look Africa Initiative", which envisaged various measures to enhance trade with Africa. In 2019, the Ministry of Commerce relocated/opened six new Commercial Sections in Africa taking the total number to ten, to cover the top ten economies of Africa. Under the "Look Africa Policy initiative", MOC in collaboration with TDAP organized the Pakistan – Africa Trade Development Conference (PATDC) in Nairobi, Kenya, which is first of its kind.

The objective of this initiative was to bring the businessmen from Africa & Pakistan under one roof to explore ways to enhance trade and remove trade barriers. The PATDC comprised of two parts - the conference and the B2B meetings, which was to facilitate interactions of Pakistani delegates with African buyers through dedicated collaborative endeavors. business to business meetings were scheduled on the 30th and 31st of January 2020 at the Kenyatta International Convention Centre (KICC). From Pakistan, eighty-nine (89) companies across the following sectors participated in the B2B sessions and More than two hundred and forty-six (246) African delegates from across 26 countries African countries took part in B2B meetings with their counterparts from Pakistan.

Automation of TDAP: 2020

- Trade Facilitation Centers
- Databank & Automation of TDAP
- Trainings of GTAP and Trade Sift

TDAP initiatives

TDAP has also been acting as a bridge in development of linkages between international organizations, overseas chambers and trade bodies, foreign trade promotional organizations, etc. and respective counterpart institutions in Pakistan. Such events have contributed to development of our institutions and exporters, in particular SMEs and enhancement of their knowledge about the dynamics of international markets and prevailing best practices in different fields.

TDAP is collaborating with the following national and international companiesin FY 2021:

I. Amazon - TDAP is organizing Training and Information Dissemination Sessions about Amazon Model
II. Alibaba- TDAP is consulting with stakeholders for Alibaba
III. B2B Match making Platform – TDAP is in process of developing B2B Matchmaking platform
IV. TDAP and SMEDA have signed an MoU to train SMEs, Women Entrepreneurs and Startups on E-Commerce

TDAP's initiatives during COVID-19

- Export orders verifications (summary tables are as following) *April 2020-June 2020*

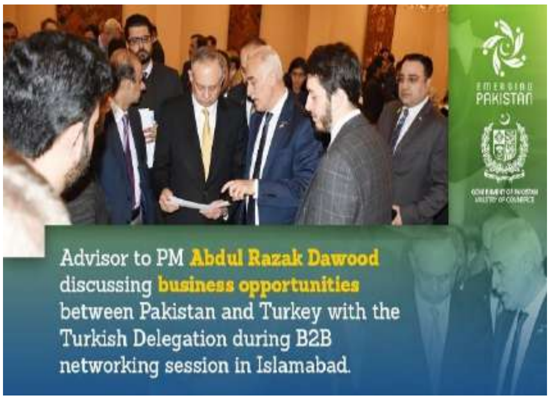
Summary of export order verification

SUMMARY OF EXPORT ORDER VERIFICATION	
Total verified case till 10th June 2020	2587
Cases verified by Sindh Region	891
Cases verified by Punjab Region	1691
Cases verified by KPK	04
Cases verified by Gilgit	01

SUMMARY OF EXPORT ORDER VERIFICATION

	PUNJAB						SINDH		BALOCHISTAN		KP		GB	ISD	AJK	TOTAL
	Lahore	Faisalabad	Multan	Sialkot	GUJRAW	Others	Karachi	others	Quetta	others	Peshawar	others				
SECTOR	262	298	46	925	160	0	891	0	0	0	3	0	0	1	1	2587
Textile	190	295	42	92	10	0	758	0	0	0	1	0	0	0		1388
Leather &Leather Garments	30	0	2	225	0	0	49	0	0	0	0	0	0	0		306
Engineering	8	2	0	0	100	0	66	0	0	0	0	0	0	0		174
Pharmacuticals	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Autoparts	6	0	0	0	2	0	0	0	0	0	0	0	0	0		8
Surgical Goods	0	0	0	352	0	0	0	0	0	0	0	0	0	0		352
ports Goods	4	0	0	243	3	0	0	0	0	0	0	0	0	0		250
Machinery and Transport equipment	1	0	0	0	0	0	0	0	0	0	0	0	0	0		1
Chemicals	0	1	0	0	0	0	0	0	0	0	0	0	0	0		1
Mineral&Metals	1	0	0	0	24	0	0	0	0	0	1	0	0	0		26
Other	18	0	0	13	18	0	0	0	0	0	1	0	0	0		50
Agro Food	2	0	0	0	0	0	3	0	0	0	0	0	0	0		5
Rice	0	0	0	0	0	0	0	0	0	0	0	0	0	0		0
Sea Food/Meat	0	0	0	0	0	0	2	0	0	0	0	0	0	0		2
Fruit & Vegetable	0	0	1	0	0	0	8	0	0	0	0	0	0	0		9
others	2	0	1	0	3	0	7	0	0	0	0	0	0	0		13
Total	262	298	46	925	160	0	891	0	0	0	3	0	0	1	1	2587

Pakistan Africa Trade Development Conference



SECTION 7

7.1 FUTURE TRADE OUTLOOK

Pakistan has played its part in the global trade recovery as total exports have been increased by 18% during July-June FY2021 with the corresponding period in FY2020. Amongst all the exports, textile group registered remarkable increase by 27% in value during reported period. The remarkable performance of Textile sector is the support and facilitation provided by the Government in previous year to enhance exports from Pakistan during pandemic. The another reason of Textile export growth is the shifting of demand from neighboring countries as they are facing stiff competition due to delta variant of COVID19. Apart from the Textile sector both Food sector (1%) and other manufacture sector (14%) saw an increase in value which is encouraging for future export prospects. The growth of exports is due to the promising policies from the Government. Export of Services trade registered an increase of 9% in FY 2021. Telecommunication & IT services has shown remarkable performance during FY 2021.

On the import front, Pakistani recorded an increase in value of imports by 27% in which Petroleum group saw the highest increase of Transport group with 93% followed by Food Group (54%), Textile Group (53%), miscellaneous group (51%), %), Agricultural & Chemical group (26%), Metal group (21%) and machinery group (15%). The surge in imports were recorded in Petroleum Products, Power generating machinery, telecom, mobile phones, LNG, fertilizers, medicinal products, iron and steel, Raw cotton, vehicles, motor cars and motorcycles during July-June FY 2021)

For the FY 2022, economic and trade prospects seem favorable as Pakistani economy looks to be on the road to recovery. However, the recent rise in COVID cases- Delta variant, Pakistan has been showing signs of a fragile recovery. The economy needs to be wary of the new waves of the pandemic which can hamper growth and needs to focus on mass vaccination to create a healthy economic environment.

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN | MINISTRY OF COMMERCE
FTC Building, Block - A, Shahrah-e-Faisal, Karachi - Pakistan
Tel: +92-21-99206487 - 90 UAN: 111-444-111
URL: www.tdap.gov.pk /tdapofficial /tdap_official