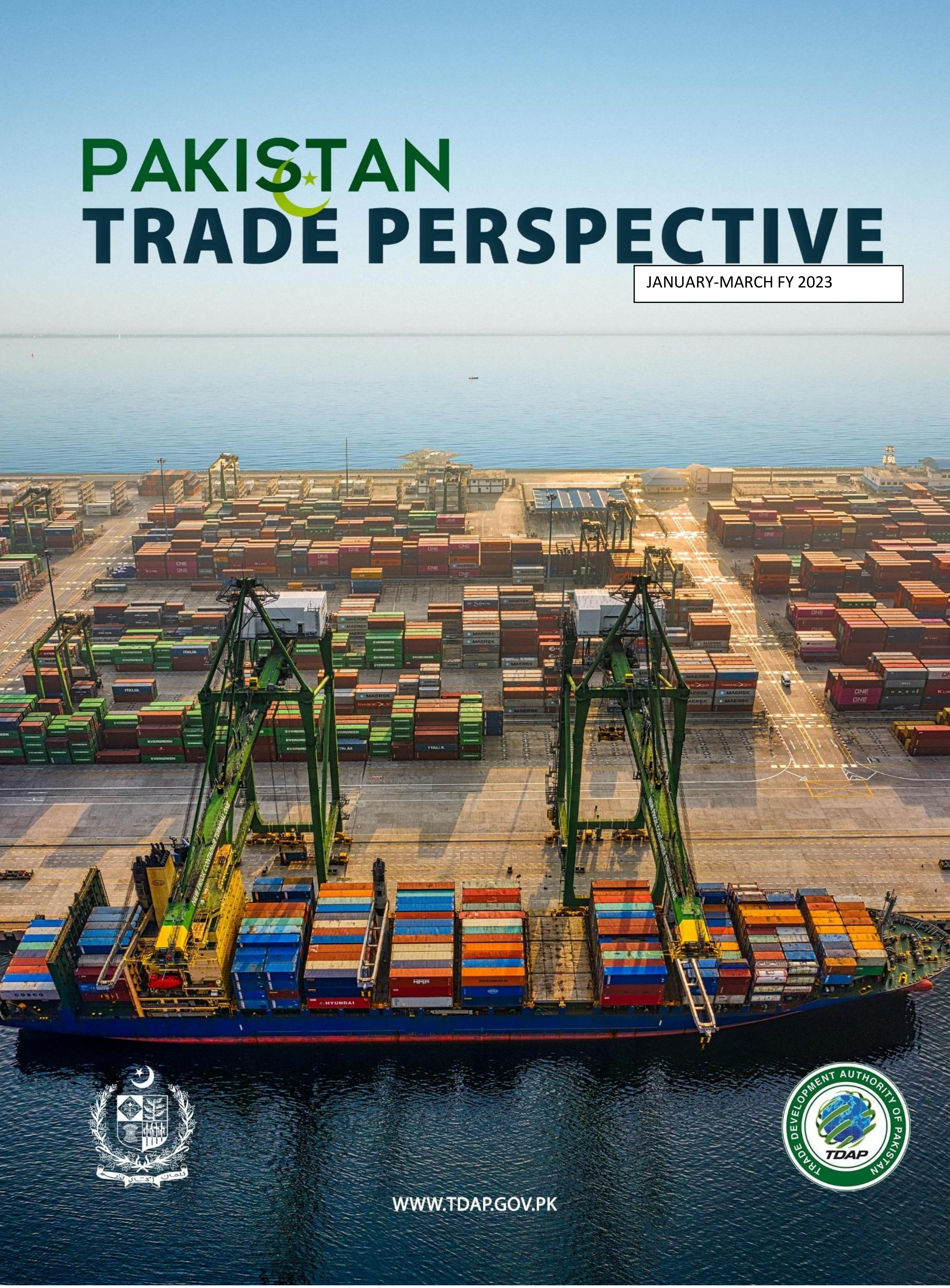
PAKISTAN TRADE PERSPECTIVE

JANUARY-MARCH FY 2023



WWW.TDAP.GOV.PK

ACKNOWLEDGEMENTS

TEAM MEMBERS

TEAM LEADER	AFSHAN UROOS
LEAD RESEARCHERS	ASIMA SIDIQUE MARYAM YOUNUS

DISCLAIMER

The findings, interpretations, and conclusions expressed do not necessarily reflect the views of the Board of Directors, Chief Executive, and Secretary of the Trade Development Authority of Pakistan.

Any conclusions and analyses based on the data from the Pakistan Bureau of Statistics (PBS), PRAL, State Bank of Pakistan (SBP), and World Bank are the responsibility of the author(s) and do not necessarily reflect the opinion of the PBS, PRAL, SBP or the World Bank. Although every effort has been made to cross-check and verify the authenticity of the data. Trade Development Authority of Pakistan (TDAP), or the author(s), does not guarantee the data included in this work. All data and statistics used are correct as of 20th May 2023 and may be subject to change.

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

CONTENTS

LIST OF ABBREVIATIONS

B/L	BILL OF LADING
CAGR	COMPOUND ANNUAL GROWTH RATE
CBU	COMPLETE BUILD-UP
CKD	COMPLETELY KNOCKED DOWN
COVID	CORONA VIRUS DISEASE
DLTL	DRAWBACK OF LOCAL TAXES & LEVIES
EBOPS	EXTENDED BALANCE OF PAYMENT SYSTEM
ECC	ECONOMIC COORDINATION COMMITTEE
EFS	EXPORT FINANCE SCHEME
FASTER	FULLY AUTOMATED SALES TAX E-REFUND
FY	FISCAL YEAR (JULY - JUNE)
GAIN	GLOBAL AGRICULTURAL INFORMATION NETWORK
GDP	GROSS DOMESTIC PRODUCT
G2G	GOVERNMENT-TO-GOVERNMENT
IT	INFORMATION TECHNOLOGY
ITES	IT ENABLED SERVICES
L/C	LETTER OF CREDIT
LNG	LIQUEFIED NATURAL GAS
LPG	LIQUEFIED PETROLEUM GAS
LSM	LARGE-SCALE MANUFACTURING
LSMI	LARGE-SCALE MANUFACTURING INDEX
LTFF	LONG-TERM FINANCING FACILITY
MMBTU	1 MILLION BTU (BRITISH THERMAL UNIT)
MMCFD	MILLION CUBIC FEET PER DAY
OD	OFFICIAL DELEGATION
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
Q2	FIRST QUARTER OF FISCAL YEAR (OCTOBER - DECEMBER)
Q3	SECOND QUARTER OF FISCAL YEAR (JAN - MARCH)
QOQ	QUARTER-ON-QUARTER
SBP	STATE BANK OF PAKISTAN
SKD	SEMI KNOCKED DOWN
STPF	STRATEGIC TRADE POLICY FRAMEWORK
TCP	TRADING CORPORATION OF PAKISTAN
TDAP	TRADE DEVELOPMENT AUTHORITY OF PAKISTAN
TERF	TEMPORARY ECONOMIC REFINANCE FACILITY
USDA	US DEPARTMENT OF AGRICULTURE
YoY	YEAR-ON-YEAR

LIST OF TABLES

WORLD ECONOMIC AND TRADE REVIEW[1]

JANUARY- MARCH FY 2022-23

The global economy continues to face steep challenges, shaped by the lingering effects of three powerful forces: the Russian invasion of Ukraine, a cost-of-living crisis caused by persistent and broadening inflation pressures, and the slowdown in China. The latest forecasts project global growth 2.7 percent in 2023 More than a third of the global economy will contract this year or next, while the three largest economies the United States, the European Union, and China will continue to stall. In short, the worst is yet to come, and for many people 2023 will feel like a recession.

Gas prices in Europe have increased more than four-fold since 2021, with Russia cutting deliveries to less than 20 percent of their 2021 levels, raising the prospect of energy shortages over the next winter and beyond. More broadly, the conflict has also pushed up food prices on world markets, despite the recent easing after the Black Sea grain deal, causing serious hardship for low-income households worldwide, and especially so in low-income countries.

Persistent and broadening inflation pressures have triggered a rapid and synchronized tightening of monetary conditions, alongside a powerful appreciation of the US dollar against most other currencies. Tighter global monetary and financial conditions will work their way through the economy, weighing demand down and helping to gradually subjugate inflation. So far, however, price pressures are proving quite stubborn and a major source of concern for policymakers.

We expected global inflation to peak in late 2022 but to remain elevated for longer than previously expected, decreasing to 4.1 percent by 2024. Given the size of China’s economy and its importance for global supply chains, this will weigh heavily on global trade and activity. The external environment is already very challenging for many emerging market and developing economies. The sharp

appreciation longer than previously expected, decreasing to 4.1 percent by 2024. Given the size of China’s economy and its importance for global supply chains, this will weigh heavily on global trade and activity. The external environment is already very challenging for many emerging market and developing economies. The sharp appreciation of the US dollar adds significantly to domestic price pressures and to the cost-of-living crisis for these countries. The 2022 shocks will re-open economic wounds that were only partially healed following the pandemic.

Downside risks to the outlook remain elevated, while policy trade-offs to address the cost-of-living crisis have become acutely challenging. The risk of monetary, fiscal, or financial policy mis-adjustment has risen sharply at a time when the world economy remains historically fragile and financial markets are showing signs of stress.

Central banks around the world are now laser-focused on restoring price stability, and the pace of tightening has accelerated sharply. There are risks of both under and over-tightening. Under tightening would entrench further the inflation process, erode the credibility of central banks, and de-anchor inflation expectations. As history repeatedly teaches us, this would only increase the eventual cost of bringing inflation under control.

Over-tightening risks pushing the global economy into an unnecessarily harsh recession. As several prominent voices have argued recently, over-tightening is more likely when central banks act in an uncoordinated fashion. Financial markets may also struggle to cope with an overly rapid pace of tightening. Yet, the costs of these policy mistakes are not symmetric. Misjudging yet again the stubborn persistence of inflation could.

References:

https://www.imf.org/en/Publications/WEO

[1] International Trade Statistics released on 18 December 2022 by WTO

PAKISTAN ECONOMIC OUTLOOK
JANUARY- MARCH FY 2022-23

Pakistan is experiencing severe economic challenges reflecting long-standing structural weaknesses. Pakistan made significant progress towards reducing poverty between 2001 and 2018 when the expansion of off-farm economic opportunities and increased inflow of remittances allowed over 47 million Pakistanis to rise out of poverty. However, this rapid poverty reduction has not fully translated into improved socio-economic conditions, as human capital outcomes have remained poor and stagnant, with high levels of stunting at 38 percent and learning poverty at 75 percent. In addition, reflecting a consumption-driven growth model, with limited productivity-enhancing investment and exports, strong economic growth often comes at a cost of economic imbalances and frequent macroeconomic crises. Long-term growth of real gross domestic product (GDP) per capita therefore has been low, averaging only around 2.2 percent annually over 2000-22

Pakistan's economy is expected to grow by only 0.4 percent in the current fiscal year ending June 2023. The slower growth reflects subdued private sector activity amid deteriorating confidence, import controls, belated fiscal tightening, and the impacts of the unprecedented floods of summer 2022

Over FY23, Pakistan faced devastating floods and increasing global commodity prices following Russia's invasion of Ukraine. An inconsistent policy response, involving monetary tightening, new subsidies, and an informal exchange rate cap, saw the depletion of foreign exchange reserves and undermined progress with planned fiscal consolidation. Rising macro risks and tighter global liquidity conditions curtailed Pakistan's access to international capital markets. Facing increasing debt, rapidly eroding foreign exchange reserves, and delays with the IMF-EFF 9th program review, the Government recently course-corrected. Over FY23, Pakistan faced devastating floods and increasing global commodity prices following Russia's. invasion of Ukraine. An inconsistent policy response, involving monetary tightening, new subsidies, and an informal exchange rate cap, saw the depletion of foreign exchange reserves and undermined progress with planned fiscal consolidation. Rising macro risks and tighter global liquidity conditions curtailed Pakistan's access to international capital markets. Facing increasing debt, rapidly eroding foreign exchange reserves, and delays with the IMF-EFF 9th program review, the Government recently course-corrected.

This is needed both to unlock fresh financing and avoid a balance of payments crisis and lay the foundation for a recovery of private investor confidence and higher growth over the medium term.

The IMF-EFF program is necessary for unlocking much-needed external refinancing and new disbursements from regional partners. Maintaining stability and a sustained recovery will require the development, communication, and effective implementation of a bold reform strategy, including: i) adherence to a flexible market-determined exchange rate and sound fiscal-monetary policies; ii) increased domestic revenue mobilization; iii) curtailing and improving the quality of public expenditures; iv) structural reforms to improve investment, competitiveness, and productivity; and v) urgent measures to restore the financial viability of the energy sector.

Growth will remain below potential, however, while external adjustment continues. Due to higher energy and food prices, inflation is projected to rise to 29.5 percent in FY23, but moderate as global inflationary pressures decrease. With dampened imports, the current account deficit is projected to narrow to 2.0 percent of GDP in FY23 but widen to 2.1 and 2.2 percent of GDP in FY24-FY25 respectively as import controls ease. The fiscal deficit, excluding grants, is projected to narrow to 6.7 percent of GDP in FY23 and further over the medium term as fiscal consolidation takes hold.

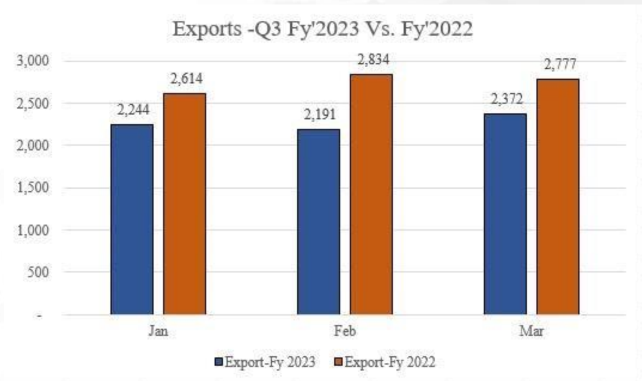
References:
worldbank.org/en/country/pakistanoverview

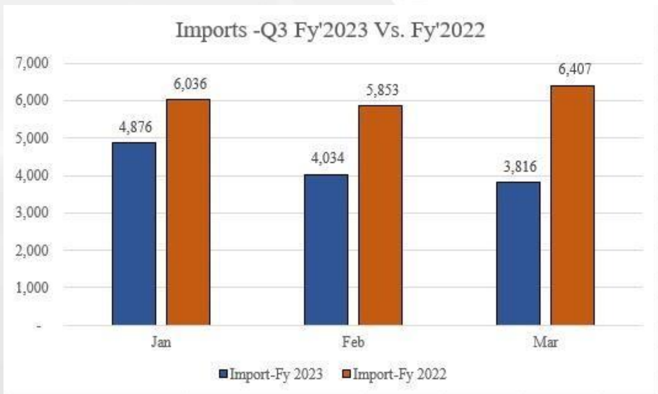
PAKISTAN'S ECONOMIC INDICATORS

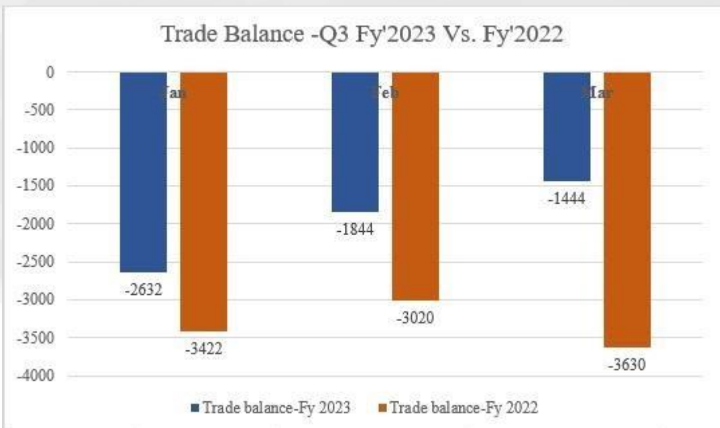
Q3: JANUARY-MARCH FY 2022-23

PAKISTAN'S TRADE OUTLOOK

QUARTERLY COMPARISON OF FY2023 WITH FY2022 (Values in million USD)







PAKISTAN'S EXPORT PROFILE (GOODS)

Pakistan's exports of goods declined by 17% during the 3rd Quarter of Fiscal year-2023 as compared with the corresponding quarter of last fiscal year. In spite of high target settings this year, Pakistan's exports has not been increased significantly in value and in volume. It is reflected in the fact that total exports registered $6.8 billion in Q3 of FY2023 compared to $8.2 billion in the same quarter of FY2022 and $7.07 billion exports during the last quarter of current year FY 2022-23 (October-December). Throughout the time span, there has been an evident decline in the exports of the country. The fall off trend of exports is likely to continue as there seems to be no signs of improvement in the near future given the economic conditions and political instability prevalent in the country. In fact, exports have been constantly declining in terms of its share in the Gross Domestic Product (GDP) of the corresponding period, represented as a percentage to the GDP that ranges from high 13.28% in 2013 to lowest 9.06% in 2021.

As Pakistan is struggling with its worst economic crisis in decades, the country's industry is stiffening itself for cuts in production and workforce, especially in the textile sector after it witnessed at least 17% decline in overall exports. During Q3 of FY2023, Pakistan's textile export stood at $3.76 billion, which was less as compared to Q3 FY 2022's $4.86 billion. On a Quarter-over-quarter (QoQ) basis, the country reported a decline of 23%. The 2022 floods washed away at least 45% of our cotton crop, leaving textile mills without an essential raw material. The other solution is to import raw material, but delays in LCs [letters of credit] opening have brought all operations to a halt, in January 2023, around 7 million workers in the textile sector and textile-related industries had been laid off since last summer. The industry is suffering due to regulation issues, including delays in LCs opening for the serious situation. In the intervening time, the Pakistan Association of Automotive Parts and Accessories Manufacturers also shared that around 25 -30 thousand workers in the auto sector had lost their jobs due to an unabated drop in annual sales. The current macroeconomic conditions have affected sectors in a different manner. Sectors that are more likely to get affected by the current economic conditions in Pakistan are those which depend heavily on import; import of raw materials or other products, like autos. Rising interest rates have allowed the banking sector to perform really well. But since this policy leads to demand compression, more mainstream companies are expected to default. And this assumption can be backed by the fact that almost all banks are taking more provisions for loan losses. Floods have already affected the agriculture sector. Companies that are not planning layoffs are likely to, at least, impose an unofficial freeze on hiring. Pakistan's unemployment rate is a little over 6%. And the problem has remained consistent for the country for years.

A noticeable shrinkage has been observed in trade deficit during the period. These contractions in trade deficit may be attributed to restrictions imposed by the government in May 2022 on import of luxury and non-essential items. Although the ban was lifted in August 2022. Currently, the government has partially lifted the import ban but the State Bank of Pakistan (SBP) put in place restriction on issuance of letter of credit (LC) for import payment.

The root causes of the export decline include working capital shortages, and refunds being stuck such as sales tax, deferred sales tax, income tax, drawbacks of local taxes and levies, technology upgradation fund, and duty drawback. Furthermore; the global economy has faced multiple headwinds. The post COVID growth rebound had contributed to higher consumer demand for many products and commodities, thereby stressing supply chains and leading to a commodity price 'super cycle'. From late February 2022 onwards, geopolitical tensions between two major commodity producers Russia and Ukraine significantly added onto the commodity price spiral, pushing up prices of energy and food commodities even further. Just as the higher commodity prices were pressuring external accounts of emerging markets (EMs), higher inflation outturns in the US and other advanced economies resulted in central banks adopting a tightening monetary policy stance.

Pakistan's major export destinations recorded sluggish growth and decline in the export value due to low global demand for Pakistani products. Pakistan faced issues of exchange rate fluctuation, currency crises and political instability. Exporters have tried to maximize benefits from the movement in Pakistani rupee against the US dollar and taken advantage of the shift in government policies. When the exchange rate fluctuates, it causes a spike in domestic inflation, first in terms of producer prices and subsequently in consumer prices. The government faced severe challenges on the economic front.

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

Table 1: Top export destinations showing increase -trade values in USD million (Q3: JAN-MARCH FY 2022-23)

COUNTRIES	Jan-Mar FY'23	Jan-Mar FY'22	% Change
China	1,033	745	39 %
United Arab Emirates	371	371	0 %
Spain	371	348	7 %
Afghanistan	248	88	182 %
Saudi Arabia	162	117	39 %
France	125	124	1 %
Poland	92	84	9 %
Kenya	82	64	27 %
Viet Nam	67	46	45 %
Thailand	64	47	35 %
Tanzania, United Republic Of	62	28	122%

SOURCE: PRAL

Pakistan's top export destinations during the 3rd quarter of FY2023 were USA, China, UK, Netherlands, UAE, Spain, Germany, Italy, Afghanistan, Italy, Bangladesh, Belgium, Saudi Arabia and France. With all these countries Pakistan exported volume reported more than $100 million. Increase in the exports volume reported for the following countries during Jan-Mar FY2023, Pakistan's export to China showed positive growth by 39%, Spain (7%), Afghanistan (182%), Saudi Arabia (39%), France (1%), Poland (9%), Kenya (27%), Viet Nam (45%), Thailand (35%) and Tanzania (122%). While UAE remained amonst the top exporting partners with the consistant trade volume of both year's same quarters. Pakistan's exports performance with Afghanistan and Tanzania during this period was remarkable. Other than that a notable increase observed for VietNam, China, Saudi Arabia and Thiland as well.

Major commdoties imported by China from Pakistan during Q3 FY 2023 were (HS code: 7402; Unrefined copper) $474 million, (HS code: 7403; Refined copper) $161 million, (HS code:5205; Cotton yarn) $124 million, (HS code:1006; Rice products) $40 million, (HS code:2610; Chromium ores and concentrates) $32 million. UAE imported (HS code:1006; Rice products) $72 million, (HS code:0201; Meat of bovine animals) $44 million, (HS code:2709; Pertroleum oils) $27 million, (HS code:6203; Men's Or Boy's Suits, Ensembles, Suit-type Jackets, Blazers, Trousers, Bib And Brace Overalls, Breeches, Etc) $16 million, (HS code:6302; Bed, table, toilet and kitchen linens) $12 million. Spain imported (HS code:6203; Men's Or Boy's Suits, Ensembles, Suit-type Jackets, Blazers, Trousers, Bib And Brace Overalls, Breeches, Etc) $94 million, (HS code:6302; Bed, table, toilet and kitchen linens) $53 million, (HS code:2207; Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher;) $33 million, (HS code:1006; Rice products) $35 million, (HS code:6103; Men's Or Boy's Suits, Ensembles,) $21 million. Pakistan exported to Afghanistan were (HS code: 0701; Potato) $33 million, (HS code:3004; Medicaments) $28 million, (HS code:1006; Rice products) $25 million, (HS code:2106; Food preparations) $18 million, (HS code:0805; Citrus fruit) $13 million. Pakistan exported commodities to Saudi Arabia were (HS code:1006; Rice products) $31 million, (HS code:0201; Meat of bovine animals) $17 million, (HS code:6203; Men's Or Boy's Suits, Ensembles, Suit-type Jackets, Blazers, Trousers, Bib And Brace Overalls, Breeches, Etc) $8 million, (HS code:6306; Tarpaulins, awning and sunblinds etc) $8 million, (HS code:6405; Footwear) $6 million. Commodities Pakistan exported to VietNam were (HS code:1005; Maize/Corn) $30 million, (HS code:5209; Woven fabrics of cotton) $5 million, (HS code:4107; Leather) $3 million. Commodities Pakistan exported to Tanzania were (HS code:1006; Rice products) $43 million, (HS code:6309; Worn clothings) $7 million, (HS code:2523; Cement) $3 million.

Moreover, Pakistan explored and focused on other destinations for its exports such as Haiti ($25 million) major export commodity was (HS code:1006; Rice products) with value $24 million, similarly for Guinea Bissau($14 million) where mainly (HS code:1006; Rice products) worth of $14 million exported by Pakistan, Tajikistan ($17 million) where mainly (HS code:1701; Cane or beet sugar sugar) worth of $15 million exported by Pakistan, Senegal ($32 million) where mainly (HS code:1006; Rice products) worth of $26 million exported by Pakistan, Cote D'Ivoire ($24 million) where mainly (HS code:1006; Rice products) worth of $21 million exported by Pakistan. Asignificant increase has been noticed in the exports for these countries.

Table 2: Top export destinations showing decrease-trade values in USD million
(Q3: JAN - MARCH FY 2022-23)

SUB-SECTORS	Jan-Mar FY'23	Jan-Mar FY'22	% Change
United States	1,181	1,614	-27%
United Kingdom	483	496	-3%
Netherlands	380	403	- 6%
Germany	358	441	- 19%
Italy	292	359	- 19%
Bangladesh	194	261	- 26%
Belgium	167	180	- 7%
Malaysia	88	129	- 32%
Turkey	85	111	- 24%
Canada	84	98	-15%

SOURCE: PRAL

Pakistan's export to its top trading partners notably declined in the recent period. Similar trends appeared for the current quarter when compared with the same period of previous fiscal year. Pakistan's export to US decreased by 27%, UK 3%, Netherlands 6%, Germany 19%, Italy 19%, Bangladesh 26%, Belgium 7%, Malaysia 32%, Turkey 24% and Canada 15%.

Pakistan's top export commodities to US in the current quarter were mainly from textile and leather sector and all the products showed decline when compared with the corresponding period of previous year. (HS code: 6302; Bed, table, toilet and kitchen linens) contributed $247 million in total exports to USA followed by (HS code: 6303; Curtains) $178 million, (HS code: 6307; Made up articles) $77 million, (HS code: 6109; T-shirts) $70 million, and (HS code: 6105;Men's Boy's shirts) $61 million. Similar trends have been observed for the commodities exported to UK, (HS code: 6302; Bed, table, toilet and kitchen linens) contributed $122 million in total exports to UK followed by (HS code: 6203; Men's Or Boy's Suits, Ensembles, Suit-type Jackets, Blazers, Trousers, Bib And Brace Overall Breeches etc) $56 million, (HS code: 1006; Rice products) $37 million, (HS code: 6105; Men's or Boys shirts) $30 million, and (HS code: 6103; Men's Or Boy's Suits, Ensembles) $29 million.

Commodities exported to Netherlands were, (HS code: 6303; Curtains) contributed $74 million in total exports to followed by (HS code: 6202; Women's or girls overcoat etc) $73 million, (HS code: 2207; Undenatured ethyl alcohol of an alcoholic strength of >= 80%; ethyl alcohol and other spirits,) $50 million, (HS code: 6115; Hosiery) $17 million, and (HS code: 1006; Rice products) $15 million. Export diversification also observed for the same quarter of current and previous fiscal years.

Pakistan explored 197 countries during Q3 of FY2023, out of total only 02 countries have crossed the amount of $1 billion while 11countries exported values were between $100-500 million. Moreover, 54 countries exported values fall between $10-100 million and exports volume of 130 countries were less than $10 million. In FY 2022, Pakistan explored 192countries during Q3, out of total only one country (USA) crossed the amount of $1 billion. China was in the range of $1 billion to 500 million while 13 countries exported values were between $100-500 million and 53 countries exported values fall between $10-100 million, and exports volume of 122 countries were less than $10 million.

SECTOR-WISE EXPORTS PERFORMANCE

During Q3 (Jan-March) FY2023, sector-wise performances showed that the export of all group have shown negative growth in comparasion of the same period of FY2022 except Food group. The decline were recorded as17%, 23%, 58%, 10% and 24% in overall exported values of Textile group, Petroleum and coal group, other manufacturing group and other items respectively. Food group showed increase of 2% while when compared the current with the previous quarter of same FY2023 the increase was recorded as 20%. Major decline was reported in Petroleum group. The

Textile group which is considered back bone of Pakistan's export has also shown notable decline and has earned export revenue of $3.7 billion, which have reduced from $4.86 billion as compared with the same period of last fiscal year, followed by Food group ($1.49 billion) which showed increase by $1.46 billion, Other Manufactures group exported value was $954 million in this quarter with decline from $1.05 billion as compared to the same period of last fiscal year and Petroleum and Coal Group export reduced to $48 million from $113 million with 58% negative change. And other items ($554 million).

Comparison of Q3 FY2023 with the Q2 of the same FY2023 showed similar trends and only food group have positive impact of exports volume. Other sectors have negative but less impacted when compared with the same quarter of previous year.

Slowdown in global demand and restrictions on import of raw material for textile sector by the State Bank of Pakistan (SBP) were the prime reasons for the fall in textile exports, Besides, delay in export proceeds due to uncertainty about rupee-dollar exchange rate also played a role in reining in exports. Other than these issues, textile exports went down primarily due to curbs on opening letters of credit (LCs) for raw material import, gas shortage and slowdown in import orders from European countries amid inventory pile-up. Furthermore it is expected that Pakistan's textile exports to remain muted in the coming months amid inflationary pressures and global economic meltdown followed by energy crisis. The recent flood has damaged the Pakistan's agriculture exports severely; Agriculture, Livestock sectors suffered the most significant damage of more than USD 3 billion respectively. Sindh is the worst affected province with close to 70% of total damages and losses, followed by Balochistan, Khyber Pakhtunkhwa, and Punjab.

The main reason of this decline was due to political instability, exchange rate crisis, petroleum prices and recession in the global market.

Table 2: Exports Sectors (Trade values in USD Million)

SECTORS	Jan - Mar 2023	Jan - Mar 2022	% Change	July - Mar 2023	July - Mar 2022	% Change	Jan - Mar 2023	Oct-Dec 2023	% Change
Grand Total	6,807	8,225	-17%	21,051	23,350	-9.85	6,807	7,074	-4%
A: Food Group	1,492	1,467	2%	3,815	3,948	-3.36	1,492	1,246	20%
B: Textile Group	3,760	4,861	-23%	12,476	14,243	-12.4	3,760	4,132	-9%
C: Petroleum Group & Coal	48	113	-58%	216	236	-8.42	48	103	-54%
D: Other Manufactures Group	954	1,059	-10%	2,924	2,982	-1.95	954	993	-4%
Other Items	554	725	-24%	1,619	1,941	-16.6	554	599	-8%

SOURCE: PBS

Major commodities exported during Q3 of FY2022-23 were Knitwear ($925 million), Readymade garments ($824 million), Rice ($670 million), Bed wear ($604 million), Cotton cloth ($472 million), Chemical and Pharmaceutical Products ($368 million), Towels ($254 million), other food items ($220 million), and Cotton yarn ($192 million). All these items exports declined during the current quarter by 25%, 20%, 8%, 8.5%, 23%, 29%, 11%, 4% and 36%.

The following exported commodities; Fish & Fish preparations, Surgical goods and medical instruments, Meat and meat products, sports goods, Oil seeds, nuts and kernels, footwear and tents, canvas and tarpaulin showed increase by 19%, 10%, 29%, 2%, 184%, 6%, and 41% during Q3 FY2023 as compared to the same quarter of previous year.

The sugar exports were up to one million tons as the country has more than the locally required stocks of sugar. On January 11, 2023, ECC allowed 250,000 metric tons of sugar export and directed the provincial Cane Commissioners to allocate quota for export of sugar within seven working days: 61% to Punjab, 32% to Sindh and 7% to KPK by issuing EPD Circular Letter No. 04 of 2023. After this decision Sugar exported during this period worth of $83 million (172,182 MT) to Afghanistan, Central Asian states etc.

Majority of Textile sector's commodities export have shown a declining pattern throughout the period, Knitwear export reduced by 25%, likewise Readymade garments (20%) and bed wear (23%), Cotton cloths (29%), Towel (14%) and Cotton yarn(36%). Other than Textile sector export of rice also declined by 8%, Chemical & Pharma products and other food items also seen the reduction of 11% and 4%.

Instead of relying upon traditional five export-oriented sectors, including Textile, Leather, Sports Goods, Surgical Goods and Carpets, Pakistan now should focus upon diversifying both markets and products. In order to boost up exports of non-traditional sectors, such as engineering, information technology and other sectors would be focused to achieve diversification in the export oriented sectors.

Table 3: Top export commodities showing increase -trade values in USD million
(Q3: JAN - MARCH FY 2022-23)

SUB-SECTORS	Jan -Mar 2023	Jan -Mar 2022	%Change	Jan -Mar 2023	Oct-Dec 2022	%Change
Fish & Fish Preparations	130	109	19	130	145	-11
Surgical Goods & Medical Instruments	112	102	10	112	116	-3
Meat & Meat Products	110	86	29	110	98	13
Sports Goods	98	96	2	98	106	-8
Sugar	83	0	---	83	0	----
Oil Seeds, Nuts and kernels	60	21	184	60	70	-14
Footwear	47	44	6	47	43	9
Tents, Canvas and Tarpaulin	41	25	61	41	32	28

SOURCE: PBS

Table5: Top export commodities showing decrease -trade values in USD million
(Q3: JAN - MARCH FY 2022-23)

SUB-SECTORS	Jan -Mar 2023	Jan -Mar 2022	%Change	Jan -Mar 2023	Oct-Dec 2022	%Change
Knitwear	925	1,229	-25%	925	1,144	-19%
Readymade Garments	824	1,032	-20%	824	921	-11%
Rice	670	725	-8	670	525	28
Bed Wear	604	789	-23	604	648	-7
Cotton Cloth	472	661	-29	472	486	-3
Chemicals & Pharma Products	368	415	-11	368	360	2
Towels	254	295	-14	254	254	0
All other foods items	220	230	-4	220	227	-3
Cotton Yarn	192	298	-36	192	145	32

SOURCE: PBS

SECTOR-WISE EXPORTS ANALYSES

TEXTILE GROUP

The share of Textile industry in the economy along with its contribution to exports, employment, foreign exchange revenue, investment and value addition makes it the single largest manufacturing sector of Pakistan. Textiles trade is classified into two broad categories i.e. Textile which include Yarn, Fabric and another are Made-ups, and Clothing which represent Ready-made garments.

Pakistan is the 8th largest exporter of textile products in Asia. It is 4th largest producer and 3rd largest consumer of cotton. It comprises of 46% of the total manufacturing sector and provides employment to 40% of the total labor force. The textile sector in Pakistan has an overwhelming impact on the economy, contributing 3/5 to the country's exports. It is deemed as one of the most important sectors for Pakistan's trade. It is a significant contributor to the country's' exports fetched USD 3.7 billion from abroad during Q3 FY2023. The major exports of the sectors include knitwear, readymade garments, fabrics, weaved apparel, twisting, and processing sector. Despite global and local economic slowdown, declining consumer demand, political turmoil and energy crisis export of Textile sector has shown significant performance during Q2 FY2023. During this quarter, the exports decline were 23% when compared to the same period of FY2023 while comparison between current and previous quarter's exports declined by 9%. However; Textile sector plays a significant role in supporting the economy of Pakistan and continue to be in the spotlight owing to country's dependence on foreign exchange.

Table 3: Textiles group exports (Trade values in USD million)

SUB-SECTORS	Jan - Mar 2023	Jan - Mar 2022	% Change	July - Mar 2023	July - Mar 2022	% Change	Jan - Mar 2023	Oct-Dec 2022	%Change
Textile Group	3760	4861	-23	12,476	14,243	-12.4	3760	4132	-9
Raw Cotton	2	5	-64	13	7	97.46	2	5	-68
Cotton Yarn	192	298	-36	573	908	-36.92	192	145	32
Cotton Cloth	472	661	-29	1,538	1,795	-14.34	472	486	-3
Cotton Carded Or Combed	0	0	774	1	2	-38.99	0	1	-69
Yarn Other Than Cotton Yarn	10	20	-49	33	48	-31.69	10	11	-6
Knitwear	925	1229	-25	3,390	3,730	-9.1	925	1144	-19
Bed Wear	604	789	-23	2,032	2,449	-17.03	604	648	-7
Towels	254	295	-14	745	820	-9.07	254	254	0
Tents,Canvas&Tarpulin	41	25	61	103	82	25.1	41	32	28
Readymade Garments	824	1032	-20	2,657	2,864	-7.2	824	921	-11
Art,Silk& Synthetic Textile	100	119	-16	309	344	-9.94	100	101	-1
Made-Up Articles (Excl.Towels Bed wear.)	156	205	-24	535	627	-14.71	156	198	-21
Other Textile Materials	180	183	-2	547	568	-3.69	180	185	-3

SOURCE: PBS

The Textile Group contributes more than half share in the overall export. Textile group exports stood at USD 3.76 billion during Q3of FY' 2022-23 as against USD 4.86 billion during same period over last year showing a decrease of 23%. Almost all the commodities; Raw cotton, cotton yarn, cotton cloths, yarn other than cotton yarn, knitwear, Bed wear, towel, readymade garments, art, silk & synthetic textile, made up articles and other textile material showed major decline ranging 2 to64%. Furthermore, only Tents, canvas & tarpaulin showed notable increase by 61% in exports compared to the same period of last year. At a time of increased focus on giving boost to Pakistan's exports to earn more foreign exchange, the performance of textile sector has remained unimpressive in international markets, where exports of textile goods decreased approximately 1/4th . Lower demand in world market and import restrictions in Pakistan have been blamed for slack performance of textile industry, which has more than 50% share in Pakistan's exports.

Pakistan being the 5th largest producer of cotton means that global repercussions of the flooding in the country experienced and in return strangulate the cotton supply in the coming weeks as well as increase the price of cotton. According to estimates, the monetary losses to the agriculture sector have surpassed PKR 500 billion in Sindh alone, posing a serious threat to Pakistan's food security and livelihoods. While it is not easy to estimate the exact extent of damage to the cotton crops due to the flooding and rains this year, it is believed that 45% of cotton has been flooded which has sparked a serious concern amongst the local textile and cotton industry, global clothing brands, and retailers.

Slowdown in global demand and restrictions on import of raw material for textile sector by the State Bank of Pakistan (SBP) were the prime reasons for the fall in textile exports, Besides, delay in export proceeds due to uncertainty about rupee-dollar exchange rate also played a role in reining in exports, other than these issues textile exports went down primarily due to curbs on opening letters of credit (LCs) for raw material import, gas shortage and slowdown in import. Orders from European countries amid inventory pile-up. Furthermore, it is expected that Pakistan's textile exports to remain muted in the coming months amid inflationary pressures and global economic meltdown followed by domestic gas shortage. Textile exports fell in the wake of looming recession in the West and possible US economic slowdown, Import of goods meant for value-added textile exports has also dropped. More challenging times for textile exporters as International Monetary Fund (IMF) had pushed for increasing energy prices and jacking up export refinance rates. Dollar unavailability and polyester yarn containers stuck at ports may aggravate the situation, production activities had been disrupted by the unavailability of polyester yarn, a basic raw material.

Textile industry was heavily relying on subsidised financing schemes to meet its working capital needs as its production chain needed around six months before giving final output. In a recent circular, State Bank further reduced the spread between policy rate and rates for subsidised financing schemes; Export Finance Scheme (EFS) and Long Term Financing Facility (LTFF) from 5% to 3%, raising rates from 11% to 13% per annum. As of November 2022, aggregate outstanding loans under EFS and LTFF stood at PKR 714 billion and PKR 648 billion, respectively.

Of these, textile sector’s outstanding loans were calculated at Rs469 billion and Rs390 billion. That higher policy rate could further dent the growth of textile sector, which accounted for 66% and 60% of the total outstanding EFS and LTFF loans, respectively.

As Pakistan is struggling with its worst economic crisis in decades, the country's industry is bracing itself for cuts in production and workforce, "The 2022 floods washed away at least 45% of our cotton crop, leaving textile mills without an essential raw material. The other solution is to import raw material, but delays in LCs [letters of credit] opening have brought all operations to a halt," around 7 million workers in the textile sector and textile-related industries had been laid off since last summer. The government regulations, including delays in LCs opening are the main reasons for the serious situation.

Textile exporters in Pakistan have expressed concern over the state of the industry, claiming it is becoming increasingly unviable and on the verge of collapse. Due to the unavailability of gas, lack of uninterrupted supply electricity, restrictions on opening of Letters of Credit (LCs), and excessive delays in refunds to exporters, the government has imposed severe restrictions on the import of raw materials and machinery, making it harder for businesses to survive.

The industry has also been hit by increased energy charges, which have made units uncompetitive and caused some to close down. The sector is facing uncertainty due to two reasons: increased electricity tariffs and decreased global demand. The recent Silicon Valley Bank (SVB) episode has caused further panic in the United States and led to declined textile demand in Pakistan. While big companies like Gul Ahmed are surviving, stand-alone units are closing due to the global and domestic economic situation. The rupee-dollar parity has broken all-time records, and inflation is at 31.55%, with the policy discount rate at 20%. The government has discontinued the Regionally Competitive Energy Tariff, increased gas prices by 34.5%, and suspended DLTL under the Textile Policy, increasing the liquidity crunch. Sales tax refunds are also excessively delayed, causing a further liquidity crunch. In addition, the government’s restrictions on the import of materials have increased the cost of manufacturing, making it “unviable” to operate and export. Pakistan’s Ease of Doing Business Ranking in 2020 was 108th, and has likely fallen further. According to a recent global survey conducted by the World Trade Organization on textile manufacturing countries in Asia, India, China, and Vietnam rank in the top three for cheap manufacturing costs. Bangladesh is sixth, and Sri Lanka is tenth, while Pakistan is missing from the list due to the daily increasing cost of manufacturing amid instability in the local currency and economic indicators.

In summary, the textile industry in Pakistan is facing significant challenges and needs to take urgent action to support the industry. The sector t is currently operating at less than 50% capacity utilization.

FOOD GROUP EXPORTS

The agriculture sector of Pakistan plays a vital role in the country's economy. It contributes 1:5 to the GDP and provides employment to around 38 % of the labour force. It is also a significant source of foreign exchange earnings and provides raw-material to other industries that accelerates economic growth of the country.

The Agro Food Sector of Pakistan contributed 22% to the national export in the Q3 F2023. The increase of 2% has been reported in comparison of Q3 of FY2022 and 20% when compared with the last quarter of the same FY2023.

The current structure of Agro-based exports mainly consists of Rice, Fish, Meat, Fruits and Vegetables, Tobacco, Spices, Oil Seeds and Nuts, Horticulture, Livestock and inconsistent exports of Sugar and Wheat. All Agro product exports are decreased during Q3 FY 2023 except Fish and fish preparations, Tobacco, Oil seed, Nits and kernals, sugar Meat and Meat Preparations these commodities showed increase by 19%, 106%, 184%, 29% respectively.

Table 4: Food group exports (trade values in USD million)

SUB-SECTORS	Jan - Mar 2023	Jan - Mar 2022	%Change	July - Mar 2023	July - Mar 2022	% Change	Jan - Mar 2023	Oct-Dec 2022	%Change
Food Group	1492	1467	2	3,815	3,948	-3.36	1492	1246	20
Rice	670	725	-8	1,598	1,792	-10.79	670	525	28
A) Basmati	174	188	-7	456	492	-7.21	174	151	15
B) Others	497	537	-8	1,142	1,300	-12.15	497	375	33
Fish & Fish Preparations	130	109	19	355	309	14.81	130	145	-11
Fruits	70	147	-53	227	394	-42.57	70	78	-10
Vegetables	98	107	-9	235	240	-2.07	98	63	55
Leguminous Vegetables (Pulses)	0	0	-100	0	0	-25.52	0	0	-100
Tobacco	24	12	106	51	39	30.19	24	12	105
Wheat	0	0	--	-	-	0	0	0	--
Spices	26	30	-15	73	83	-12.36	26	28	-8
Oil Seeds, Nuts And Kernals	60	21	184	167	177	-5.53	60	70	-14
Sugar	83	0		83	-	100	83	0	--
Meat And Meat Preparations	110	86	29	302	249	21.4	110	98	13
All Other Food Items	220	230	-4	723	664	8.97	220	227	-3

SOURCE: PBS

If current quarter performance compared with the previous quarter of the same fiscal year, it was noticed that recovery phase can be observed as majority of the commodities exports recovered except fish, fruits, pulses, spices, oil seeds, and other food items.

Rice is the major contributor in Agro Food Sector with the exported amount of USD 670 million. Rice export was declined by 8% during the current quarter when compared with the same quarter of previous fiscal year. Rice export increased by 28% as it is reached to USD 670 million from USD 525 million as reported for the Q2 quarter of current FY2023. Pakistan is the 9th largest producer of world’s rice with annual volumes surpassing 8 million tons. In the FY2022, Pakistan’s annual rice production stood at 9.3 million metric tons. In terms of exports, Pakistan is the 4th largest exporter of semi- milled Rice. The global demand of Rice registered continues increase. In 2021/2022 about 510.25 million metric tons of rice was consumed globally. In the last decade, the global consumption of rice has spiraled by 87%. The top importers of rice include China, Philippines, Saudi Arabia, and United States. Farmers and SMEs in the sector are eligible to receive government supported credit programs. In addition, the State Bank of Pakistan (SBP) provides loans to traders under an Export Financing Scheme (EFS). The only other major government involvement in the rice sector is R&D on rice varieties, extension services, and promoting Pakistan branded basmati in overseas markets. With expectations for a growing exportable surplus, exports in 2022/2023 are projected at 5 MMT.

The recent flood has damaged the Pakistan’s economy severely, according to World Bank assessment estimates total damages to exceed USD 14.9 billion, and total economic losses to reach about USD 15.2 billion. Estimated needs for rehabilitation and reconstruction in a resilient way are at least USD 16.3 billion, not including much needed new investments beyond the affected assets, to support Pakistan's adaptation to climate change and overall resilience of the country to future climate shocks. Housing, Agriculture, Livestock, Transport and Communications sectors suffered the most significant damage, at USD 5.6 billion, USD 3.7 billion, and USD 3.3 billion, respectively. Sindh is the worst affected province with close to 70 percent of total damages and losses, followed by Balochistan, Khyber Pakhtunkhwa, and Punjab.

Fishery is the third largest trading sector in the world. Despite the issues faced by the sector, Pakistan export worth was USD 130 million of Fish and Fish preparations with growth of 19% during Q3 FY2023. Pakistan exported seafood mainly fish to about 45 countries of the world with China as the top market followed by Vietnam, Thailand, Malaysia and nations of Persian Gulf. However, a small volume of seafood is also imported by the EU. Pakistan's Seafood export was under-potential because of the ban placed on Pakistan's exporters in 2007 after the concerned authority failed to fulfill the requirements. Fishery is a big and emerging industry in Pakistan. It accounts for less than 1% of GDP but provides employment opportunities for the under-developed areas in Pakistan. Moreover, it is a promising means to earn foreign exchange. Since aquatic products enjoy tariff concession under the second phase of China-Pakistan Free Trade Agreement implemented in December 2019, Pakistan's fishery sector witnessed a boom in terms of exports. But unfortunately Pakistan's exports of Fish and Fish Preparation declined by 11% to USD 130million from 145 million during the Q3 of fiscal year 2022-23 compared with the last quarter but still, more is expected out of these abundant aquatic resources, especially amid the pandemic.

Pakistan Fruits &Vegetables exports are currently concentrated in a few commodities, with citrus fruit (Kinnow in particular), mangoes, dates, onions and potatoes constituting more than 80 % of the export revenues generated. The Pakistan fruits and vegetable market is projected to register a CAGR of 5.9% during the forecast period. Different climates in the country result in the availability of many vegetable varieties in markets around the year. Around 35 kinds of vegetables are grown across numerous ecosystems in Pakistan, ranging 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. Horticulture in Pakistan emerged as an important sector contributing over 18% to the national agriculture GDP. A large number of horticultural products are produced to fulfill the domestic demand for fruit and vegetables for the rapidly expanding population as well as to cater to the demand arising in potential export markets. Out of the total annual agriculture production of the country, the major contributors are Punjab, Sindh, Balochistan, and NWFP. Mango, kino, apple, dates, pine nuts, oranges, and guava are a few of the majorly exported fruits, and potato, onion, mushroom, garlic, chili, etc., are among the vegetables exported globally. Pakistan is heavily relying on one market for specific items. For example, UAE is the biggest market for Pakistani mango, followed by England and Saudi Arabia. Sri Lanka is the only biggest market for Pakistani fresh apples. Hence, all these aforementioned factors are anticipated to positively impact the fruits and vegetable market of Pakistan during the forecast period.

Exports of Fruits have declined by 53% during Q3 FY2023. Due to the serious issues of transportation and logistics. Pakistan's fruits exports unable to reach its potential mark. Mango exports are a good earner of foreign exchange for Pakistan. Pakistan produces around 1.8 million tonnes of mangoes per year, ranking fifth in the world after India, China, Thailand, and Indonesia. Out of total annual agriculture production of the country, the province of Punjab contributes 60%, Sindh 7%, Balochistan 27% and NWFP contributed 6%. Pakistani fruit and vegetables are being demanded in almost all over the world. Presently Pakistan is exporting fruits and vegetables to the USA, the Europe, Middle East, Far East, India and Sri Lanka. Mango, kino, apple, dates, pine nuts, oranges and guava are few well exported fruits and among vegetables are potato, onion, mushroom, garlic, chilly etc. It is observed by looking at the data, Pakistan is heavily relying on single market for each item. For example, UAE is the biggest market for Pakistani Mango following England and Saudi Arabia. Sri Lanka is the only biggest market for Pakistani fresh apple. In such situation, the buyer dictates his terms. Kinnow is the most exportable fruit of Pakistan major proportion of exports is being exported to the Middle East alone, followed by Indonesia, Philippines, Sri Lanka and remaining to other markets of the world. Fruits and vegetables exporters must explore new markets to catch up with high prices.

This season, Kinnow production has dropped by 36-50% due to acute canal water scarcity and unexpectedly high temperatures. Iranian market can absorb between 60,000 and 80,000 tons of kinnow, while the size of the Russian-Ukrainian-Belarus market (the largest citrus importing region in the world) for Pakistani citrus fruit may double from the current level of around 50,000 tons in no time. Kinnow export target will be fixed at a lower level at around

250,000 tons this season. Kinnow exports may not feel the pinch. Reasons for this were the reduction in sea freight rates, more availability of containers and weakening of Pakistani rupee versus global currencies. With average annual harvest of 2.4 million tons, the citrus fruit contributes about 30% to the total fruit production in Pakistan, which is increasing at an annual rate of 1.5% over the past two decades.

It is no secret that Pakistan is a net exporter of raw tobacco, with its export portfolio having over 43 countries and generating around $65 million. However, these past few years Pakistan has also managed to export tobacco in its finished form, with cigarettes now making up 20% of the tobacco export mix. Pakistan's exports of Tobacco stood at 24 million USD during the current quarter of FY2023 which is increase by 106% from 12 million USD when compared with the same quarter of last fiscal year. Belgium, Bulgaria, and Indonesia were the main destinations of unmanufactured tobacco exports from Pakistan, with a combined more than 50% share of total exports.

Agriculture, the backbone of Pakistan's rural economy, has been hit hard in 2022, especially due to the impact of the devastating floods. where climate change-induced flooding has endangered food security and people's livelihoods and caused disruptions to agricultural exports. The catastrophic floods have damaged more than 8 million acres of crops including rice, cotton, pulses, oil seeds and vegetables, and inflicted losses of over 320 billion rupees (1.34 billion U.S. dollars), said officials from the Ministry of National Food Security and Research, adding that the livestock sector also suffered huge losses as more than 1 million animals perished due to floods. All the major crops have been destroyed across the country. Pakistan is the world's fourth rice exporter and fifth cotton exporter, but the recent floods have destroyed these crops, affecting the country's export revenue generation and global supplies.

Recent flooding in Pakistan has damaged the rice crop and hindered wheat planting, according to a Global Agricultural Information Network report from the Foreign Agricultural Service of the US Department of Agriculture (USDA). The report said rice output for the 2022-23 marketing year was revised down to 8.3 million tonnes, well below last year's record total of 9.1 million. Projected rice exports also are reduced to 4.5 million tonnes in 2021-22, which would still be a record, and to 4.2 million tonnes in 2022-23.

In October this year, government announced a Kissan relief package of PKR 1,800 billion. The scope of this package is to provide farmers with subsidized fertilizer, urea and electricity, along with providing new loans and waving off interest payments on existing loans. Transformation, however, has rarely been observed in this sector due to such relief packages. inflation, high input prices, high electricity tariff and then floods have put a heavy dent on the country's agriculture sector. The same situation is likely to continue in 2023.

OTHER MANUFACTURING GROUP EXPORTS

The export of Other Manufactures group has also shown decline of 10% during Q3 FY2023 as compared to the same period of last year. The export volume reached up to 954 million USD. Similarly, for the 2 consecutive quarters of FY2023 4% exports decline in current quarter when compared with the last quarter of the same FY2023.

Comparison of current quarter of FY2023 and same quarter of FY2022 reported growth for the following exported commodities; sports goods 2%, Footwear 6%, surgical goods 10%, pharmaceutical products 32%, transport and other electrical equipment's 21%, Other machinery 47% while all other commodities including carpets, gloves, Leather tanned, Leather manufacturers, Cutlery, Marble, Chemical and Pharma products, Plastic, Electric fan, Machinery Specialized For Particular Industries , Auto parts and accessories, Gems, Jewelry, Furniture, Molasses, Handicraft, Cement and Guar and guar products exports declined by 25% , 23, 33%, 12%, 25%, 10%, 11%, 49%, 25%, 27%, 26%, 15%, 85%, 16%, 76%, 10%, 10%, 2% respectively. Other items also showed a decline of 24% while recovery phased can be observed while comparing current quarter by previous quarter of same FY2023 where exports decrease by 8% and stood at $554 million from $599 million.

Table 5: Other manufacturing group (trade values in USD million)

SUB-SECTORS	Jan - Mar 2023	Jan - Mar 2022	%Change	July - Mar 2023	July - Mar 2022	% Change	Jan - Mar 2023	Oct-Dec 2022	% Change
Other Manufactures Group	954	1059	-10	2,924	2,982	-1.95	954	993	-4
Carpets, Rugs & Mats	15	20	-25	57	61	-7.17	15	21	-27
Sports Goods	98	96	2	306	260	17.78	98	106	-8
A) Footballs	57	54	5	178	133	33.67	57	62	-7
B) Gloves	15	19	-23	52	57	-7.53	15	20	-25
C) Others	26	23	14	76	70	8.14	26	25	4
Leather Tanned	39	58	-33	127	155	-17.93	39	43	-9
Leather Manufactures	128	144	-12	442	464	-4.65	128	156	-18
A) Leather Garments	61	69	-12	217	237	-8.43	61	75	-19
B) Leather Gloves	63	70	-10	214	213	0.28	63	76	-17
C) Other Leather Manufactures	3	4	-28	12	14	-15.63	3	5	-30
Footwear	47	44	6	139	117	18.69	47	43	9
A) Leather Footwear	35	33	4	110	93	18.55	35	34	2
B) Canvas Footwear	0	1	-17	1	1	3.21	0	0	403
C) Other Footwear	12	10	17	28	23	19.72	12	9	32
Surgical Goods & Medical Instruments	112	102	10	336	308	9.11	112	116	-3
Cutlery	15	20	-25	45	79	-42.7	15	15	-3
Onyx Manufactured	1	1	-10	3	5	-32.56	1	1	20
Chemicals And Pharm.Products	368	415	-11	1,072	1,094	-1.96	368	360	2
A) Fertilizer Manufactured	0	0	--	-	-	0	0	0	--
B) Plastic Materials	59	117	-49	181	303	-40.19	59	53	13
C) Pharmaceutical Products	83	63	32	258	201	28.55	83	91	-9
D) Other Chemicals	226	236	-4	633	590	7.32	226	216	4
Engineering Goods	59	59	0	187	168	11.22	59	66	-9
A) Electric Fans	8	11	-25	19	21	-9.05	8	4	117
B) Transport Equipment	3	3	21	9	7	27.96	3	3	7
C) Other Electrical Machinery	10	8	21	34	24	42.93	10	13	-29
D) Machinery Specialized For Particular Industries	12	16	-27	30	46	-34.25	12	10	13
E) Auto Parts & Accessories	6	8	-26	17	21	-17.55	6	6	-12
F) Other Machinery	21	15	47	77	49	57.4	21	29	-26
Gems	1	2	-15	6	6	6.32	1	3	-49
Jewelry	1	5	-85	6	10	-43.68	1	1	-24
Furniture	3	3	-16	10	7	45.23	3	4	-29
Molasses	4	18	-76	19	18	2.32	4	9	-52
Handicrafts	0	0	--	1	-	100	0	0	-73
Cement	50	56	-10	135	199	-32.07	50	39	27
Guar And Guar Products	13	13	-2	34	33	3.05	13	10	29
Other Items	554	725	-24	1,619	1,941	-16.6	554	599	-8

SOURCE: PBS

For the economic growth, the manufacturing sector plays its crucial role in the economy of Pakistan. It is the third largest sector in Pakistan after agriculture and service sector. The share of this sector is 14 to 16 % per annum of overall GDP in the country.

Pakistan is focusing to encourage export-oriented sectors, particularly to new markets in Africa and Central Asia, as well as "non-traditional" Pakistani products, including pharmaceuticals, engineered products, and chemicals. These non-traditional markets, the main ones at this moment are Africa and the Central Asian.

The government has especial focus on pharmaceutical exports through tariff rationalization, trade-related investment, institutional reforms and easing of business regulations. The "Made in Pakistan" marketing drive is also designed to promote Pakistani products in new markets which will greatly help increase the volume of pharmaceutical sector exports. Large scale manufacturing (LSM) sector maintained a steady growth momentum in FY2023. Overall growth in the non-textile sector is mainly led by the value-added sectors.

The Sports Goods export has shown growth of 2% in Q3 FY2023 as compared to the export of corresponding period of last fiscal year. Footballs have major contribution in the exports of sports goods. Pakistan is exporting Sports goods from Sialkot to international famous brands like Adidas, Nike, Puma, Lotto, Umbro, Mitre, Micassa, Diador, Wilson and Decathlon. Due to better quality, Pakistan's sports goods gained good response. Pakistan's Football exports during the first six months of the fiscal year of 2022-23 increased by 53 percent as compared to the exports of the commodity during the corresponding period of last year. However, 7% decline reported in football exports when compared with the last quarter of current fiscal year.

The exporters of Tanned Leathers registered decrease of 9%, while exports of leather gloves declined by 25% during Q3 FY2022-23 as compared to quarter 2 of the same year.

Cement Exports also dropped from USD 56 million to USD 50 million compared with the corresponding quarter of FY2022 declined by 10%. During q3 FY2022-23 lower cement and clinker exports in value and volume terms declined during QoQ and YoY basis. Experts attribute the decline to the global economic slowdown, supply chain disruptions and higher sea freight charges. Low export prices coupled with increasing coal prices made exports unattractive during the new fiscal. The negative trend was also observed last year, and domestic producer Lucky Cement recently shared its concerns in an analyst briefing. Cement exports in FY22 fell significantly by 25.5 per cent YoY to 1.8Mt on account of higher input and freight costs, coupled with political instability in Sri Lanka and Afghanistan, which led to a massive decline.

Exports of electric fan from Pakistan to world have also shown decrease of 25% during Q3 FY2022-23. The industry is mainly located in Gujrat and partially in Gujranwala, there are 150-200 small to medium-sized electric fan manufacturing units, with their component suppliers also spread in the two cities. Manufacturers in the country produce ceiling and pedestal fans, with the former mostly being procured by domestic buyers. Made in Pakistan pedestal fans are currently being exported to Bangladesh, Afghanistan, Middle Eastern countries like Saudi Arabia, United Arab Emirates, Yemen, Iraq, etc. The main reason for steady growth is the increase of prices of basic raw materials needed for the production of electrical fans that have significantly raised the costs of the manufacturers and brought upward pressure on retail market rates across the country. The raw material market is quite volatile for the last six to eight months as the prices of electrical steel sheet, the most important material of a fan, with higher rates. Scrap, which is a second major source of getting steel for fan manufacturers, is hardly available as it is being exported to China. The industry is also facing a shortage of raw materials electrical steel sheet, copper, aluminum, and some plastic items in the domestic market. This along with poor sales owing to the shrinking buying powers of consumers amid the pandemic is leading to production cuts, fan manufacturers.

Moreover, the exports of cutlery have decreased by 25%. Surgical instrument exports have shown increase of 710% during Q3 FY223. Pakistan is one of the main suppliers of global surgical instruments. However, these instruments are re-marketed from western countries with famous brands. As a result, the export value of these products remains negligible.

Government of Pakistan facilitated Engineering and Manufacturing sector through different facilitating schemes during FY'22. Export Facilitation Scheme 2021 is effective from 14th August 2021, and it shall reduce cost of doing business and cost of tax compliance, improve ease of doing business, reduce liquidity problems of exporters by eliminating Sales Tax refunds and Duty Drawback for the users of Scheme and shall attract more users and shall ultimately promote exports. Pakistan manufacturing sector is mainly composed of SMEs including Surgical, Fans, Auto, Light engineering, footwear, plastics, and gloves. Keeping in view, the State Bank has introduced an innovative initiative to improve access to finance for Small and Medium Enterprises (SMEs) in collaboration with the Government of Pakistan with the express aim of enabling businesses who cannot offer security / collateral to access bank finance. This initiative has been brand named, 'SME Asaan Finance' or SAAF to emphasize the SME facilitation feature of this scheme to provide clean lending i.e. lending without collateral to SMEs.

PETROLEUM GROUP & COAL EXPORTS

Pakistan has proven oil reserves of 354 million barrels, ranking 52nd in the world on this count. Every year, it produces on an average 83,000 barrels per day of oil, which represents 8.5 per cent of its total proven oil reserves, and 19% of total yearly consumption of oil in the country. On the list of oil-consuming countries, Pakistan is ranked 33rd. Pakistan has consumed 79.8% of the total reserves. Pakistan's oil production stood at 27 million barrels in financial year 2020-21 compared to the target of 30 million barrels, showing 90% achievement of the goal.

The alarming trade deficit is boosted, primarily, by record increase in oil prices in the international market, and, generally, because of imports growing significantly higher than exports. Petroleum products, and mineral fuels, including oil are the main contributor to the massive trade deficit. Pakistan imports crude oil as well as refined oil since the domestic oil refining industry has limitations in terms of capacity and capability.

Over the course of the previous year, prices of oil and consequently petroleum products have risen steeply which has had a huge impact on the demand for these products globally. This has particularly affected domestic demand especially after considering the increases in levies and taxes on these products under an International Monetary Fund (IMF). Pakistan's economy is currently in one of its worst cycles as our foreign reserves continue to fall and inflation remains high. Due to increase in prices, the overall demand for the commodity has shrunk. This can simply be attributed to the fact that people are careful about their own consumption of petroleum products. Smuggling of Iranian diesel has also increased drastically which has a direct impact on the sales of domestic companies.

A downtrend has been seen in Pakistan's oil consumption in the current fiscal year (July 2022-June 2023), led by sluggish industrial activity, weak auto sales and lofty product prices, is likely to spill over to early 2023. Amid oil consumption falling by 19% on the year over July-June followed by a drop in transportation fuels demand in July-September stemming from devastating floods, Pakistan saw a slower economic recovery in October-December. This exacerbated by higher oil prices owing to economic woes likely led to a contraction in oil demand in 2022 from 2021 levels. Oil sales during the first six months of the country's fiscal year were at 9.03 million mt, compared with 11.10 million mt in the same period of the previous year, during these months industrial activity slowed substantially, resulting in relatively lower movement of heavy transportation commercial vehicles. Additionally, many factories were either partially or fully closed as the shortage of foreign exchange reserves was prompting the country's central bank, the State Bank of Pakistan, to be cautious in making overseas payments, restricting the ability of industries to import raw materials in time to run their operations.

Motor gasoline sales during the six-month period that ended Dec. 31, 2022, dropped 15% on the year to 3.83 million mt. At the same time, diesel and fuel oil consumption dropped 23% on the year to 3.36 million mt and 24% on the year to 1.45 million mt, respectively. The trend of import of oil, crude as well as refined, is likely to continue. According to a JP Morgan forecast, global oil prices could reach as high as $380 per barrel if Russia cuts its crude oil output in the wake of the Western sanctions due to the ongoing war with Ukraine. These challenging times provide an excellent opportunity for the government to accelerate oil exploration and production in the country, which will result in the reduction in oil imports. Inviting new investments in the oil and gas sector is the need of the hour.

Table 6: Petroleum group exports (trade values in USD million)

SUB-SECTORS	Jan - Mar 2023	Jan - Mar 2022	%Change	July - Mar 2023	July - Mar 2022	% Change	Jan - Mar 2023	Oct-Dec 2022	%Change

Petroleum Group & Coal	48	113	-58	216	236	-8.42	48	103	-54
Petroleum Crude	28	72	-61	170	179	-4.74	28	87	-68
Petroleum Products(Excl Top Naphta)	20	42	-53	46	57	-19.94	20	16	22
Petroleum Top Naphta	0	0	--	-	-	0	0	0	--
Solid Fuels (Coal)	0	0	--	0	-	100	0	0	13

SOURCE: PBS

Pakistan's petroleum exports for the current quarter registered a huge dip of 58% when compared with the same quarter of the last fiscal year. The exported value dropped from 113 million USD to 48 USD million. Mainly; Pakistan's exports to this sector depends on crude oil and products of petroleum both commodities showed the same level of reduction with 61% and 53%. When compared the exports of current quarter with the last quarter petroleum crude exports declined by 68% while petroleum products showed an increase of 22%. Other than a negligible amount of coal also exported.

PAKISTAN'S IMPORT PROFILE (GOODS)

Imports into Pakistan during Jan-March, FY2022-23 amounted to USD 12.72 billion as against USD 18.31 billion as against same period of last FY2021-22 showing a decrease of 31% over the last year. Imports during July–March FY 2023 were around USD 43.9 billion as against the USD 58.9 billion during the corresponding period of last year showing decrease of 25%. Imports during the current quarter Jan-March, FY2023 over the preceding quarter October-December FY 2023 also recorded a decrease of 15%. The imports of partner countries showing increase and decrease have been detailed as follows:

TOP IMPORT PARTNERS SHOWING INCREASE (Q2: OCT – DEC FY2022-23)

Table 7: Top import destinations showing increase (trade values in USD million)

PARTNER COUNTRIES	Jan– March FY22/23	Jan– March FY21/22	% Change
Qatar	799	797	0.2%
Russian Federation	395	166	138%
Singapore	281	144	95%
Canada	266	92	189%
Iran, Islamic Republic of	247	226	9%
Switzerland	72	54	32%
Nigeria	72	64	12%
India	68	67	1%
Sweden	60	60	1%
Tanzania	51	30	70%

SOURCE: PBS

The unusual import growth has been noticed from Qatar, Russian Federation, South Africa, Singapore, Canada, Iran, Switzerland, Nigeria, India, Sweden, and Tanzania. The main importing items from Qatar registered growth during reported period were Natural Gas, Plastic, Chemical and Mineral Fuels.

TOP IMPORT PARTNERS SHOWING DECREASE (Q3: JAN – MARCH FY2022/23)

Table 8: Top import destinations showing decrease (trade values in USD million)

PARTNER COUNTRIES	Jan– March FY22/23	Jan– March FY21/22	% Change
China	2,558	4,944	-48%
United Arab Emirates	1,186	1,634	-27%
Saudi Arabia	1,022	1,040	-2%

Indonesia	919	1,170	-21%
United States	550	986	-44%
Kuwait	476	646	-26%
Japan	256	536	-52%
Brazil	240	246	-3%
Thailand	205	450	-54%

SOURCE: PBS

SECTOR-WISE IMPORTS PERFORMANCE

Of the total USD 12.72 billion imports during Q3 (Jan-March) FY 2023, imports of the Petroleum group ranked the highest with imports worth of USD 3,798 million followed by Food group (USD 2,419 million), Agriculture & Chemicals group (USD 1,819 million), Machinery Group (USD 1,261 million), Metal group (USD 964 million), Textile group (USD 904 million), Transport group (USD 373 million), and Miscellaneous group (USD 191 million). Main increasing importing items of Pakistan during Q3 (Jan-March FY 2023) were raw cotton (USD 472 million), wheat unmilled (USD 388 million), pulses (USD 224 million), soyabean oil (USD 92 million), and gold (USD 9 million).

The sector wise analysis Q3 of FY'23 as compared with Q3 of FY'22 showed that all import sectors depict declining trend except food group. Overall 31% decrease in imports was observed. Where major decline was reported in Transport group by 64%, followed by Machinery group 54% and Agricultural & other Chemicals group 43%. The decline in imports is attributed to the extreme shortage of dollar liquidity, Pakistani banks are reportedly hesitant to open letters of credit (LCs) for goods imports, and political issues in the country. Also, many major industries have shut down their production plants due to a shortage of imported raw materials during this period.

Table 9: Imports Sectors (trade values in USD million)

SECTORS	Jan-March FY22/23	Jan-March FY21/22	% Change	July – March FY22/23	July – March FY21/22	% Change	Jan-March FY22/23	Oct-Dec FY21/22	% Change
Grand Total	12,726	18,314	-31%	43,934	58,877	-25%	12,726	15,046	-15%
PETROLEUM GROUP	3,798	4,631	-18%	13,083	14,813	-12%	3,798	4,420	-14%
MACHINERY GROUP	1,261	2,769	-54%	4,496	8,685	-48%	1,261	1,468	-14%
AGRICULTURAL AND OTHER CHEMICALS	1,819	3,165	-43%	6,995	11,098	-37%	1,819	2,540	-28%
FOOD GROUP	2,419	2,269	7%	7,334	7,068	4%	2,419	2,191	10%
METAL GROUP	964	1,613	-40%	3,344	5,012	-33%	964	1,137	-15%
TEXTILE GROUP	904	1,105	-18%	3,013	3,500	-14%	904	1,135	-20%
TRANSPORT GROUP	373	1049	-64%	1,536	3,367	-54%	373.027	561	-34%
MISCELLANEOUS	191	294	-35%	694	911	-24%	191.25	250	-24%
ALL OTHERS ITEMS	996	1,420	-30%	3,440	4,423	-22%	996	1,345	-26%

SOURCE: PBS

Pakistan's trade deficit narrowed by 33.22 percent during the first half (July-December) of the current fiscal year and stood at $16.987 billion compared to $25.438 billion during the same period of the last fiscal year.

TOP IMPORT COMMODITIES SHOWING INCREASE (Q3: JAN-MARCH FY2022/23)

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

SUB-SECTORS	Jan – March FY22/23	Jan – March FY21/22	% Change
RAW COTTON	472	384	23%
WHEAT UNMILLED	388	325	19%
PULSES (LEGUMINOUS VEGETABLES)	224	132	70%
SOYABEAN OIL	92	57	62%
GOLD	9	5	80%

SOURCE: PBS

TOP IMPORT COMMODITIES SHOWING DECREASE (Q3: JAN-MARCH FY2022/23)

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

SUB-SECTORS	Jan – March FY22/23	Jan-March FY21/22	% Change
PETROLEUM PRODUCTS	1,634	2,233	-27%
PETROLEUM CRUDE	1,085	1,277	-15%
NATURAL GAS, LIQUIFIED	902	922	-2%
PALM OIL	835	887	-6%
PLASTIC MATERIALS	483	800	-40%
IRON AND STEEL	468	648	-28%
OTHER MACHINERY	425	917	-54%
ELECTRICAL MACHINERY & APPARATUS	390	474	-18%

SOURCE: PBS

SECTOR-WISE IMPORTS ANALYSES

Table 12: Petroleum group imports (trade values in USD million)

PETROLEUM GROUP

SUB-SECTORS	Jan-March FY22/23	Jan-March FY21/22	%	July – MarchFY22/23	July – MarchFY21/22	%	Jan-March FY22/23	Oct-Dec FY22/23	%
PETROLEUM GROUP	3,798	4,631	-18%	13,083	14,813	-12%	3,798	4,420	-14%
PETROLEUM PRODUCTS	1,634	2,233	-27%	5,837	7,290	-20%	1,634	1,813	-10%
PETROLEUM CRUDE	1085	1277	-15%	3,861	3,688	5%	1085	1421	-24%
NATURAL GAS, LIQUIFIED	902	922	-2%	2,852	3,321	-14%	902	980	-8%

PETROLEUM GAS, LIQUIFIED	176	198	-11%	533	514	4%	176	205	-14%
OTHERS	0.10	0.04	143%	0.28	0.22	26%	0.10	0.11	-12%

SOURCE: PBS

The petroleum group contributed over 30% of the overall import bill during third quarter of FY2022-23. Petroleum group imports into Pakistan stood at USD 3,798 million during Jan- March FY 2022-23 as against USD 4,631million during same period over last year showing decrease of 18%. Quarterly comparison showed that import payments in Q3 FY2023 has shown decrease of 14% in Jan-March FY2022 as compared to Q2 of October-December FY2023. Nine months comparison shows that Pakistan imported Petroleum products worth of USD 5,837 million during July–March, FY2023 as against USD 7,290 million during the corresponding period of last year showing a decrease of 12%. A downtrend seen in the import of petroleum group in the first six months of the FY 2022-23, led by sluggish industrial activity, weak auto sales and lofty product prices, is likely to spill over to early 2023.

All import item in the Petroleum Group showing decreasing trend including Petroleum products (USD 1,634 Million), Petroleum Crude (USD 1,085 Million), Natural Gas (USD 902 Million), Petroleum Gas Liquefied (USD 176 Million) during Q3 of FY22/23. The import of other items decreased 143 % in Q3 (Jan-March) FY 2023 as compared to Q2 (OCT-DEC) FY 2023. As Pakistan is a net importer of petroleum products to meet its domestic demand, the significant depreciation of the Pakistani rupee decrease the purchasing power. The highest-ever increase in prices led to lower consumption of petroleum products.

The government is also working on a scheme to provide petroleum products at subsidized rates to lower-income groups. Various suggestions were under consideration, including using the Benazir Income Support Program (BISP) network, issuing specific subsidy cards, or generating a one-time password (OTP) for eligible citizens' ease. The ministry is reviewing all suggestions and will finalize the most viable and practical one with the help of all stakeholders, including petroleum dealers' associations and trade bodies, to ensure effective implementation and relief to citizens. The government is also working to ensure sufficient supply of petroleum, discourage black marketing, and hoarding of fuel. More recently, Pakistan has placed its first order for discounted Russian crude oil under a deal struck between Islamabad and Moscow. Discounted crude offers respite as Pakistan faces an acute balance of payments crisis, risking a default on its debt obligations. The foreign exchange reserves held by the central bank are scarcely enough to cover four weeks of controlled imports. Energy imports make up the majority of the country's external payments. So, this deal gives relief for the Pakistani economy.

MACHINERY GROUP

Table 13: Machinery group imports (trade values in USD million)

SUB-SECTORS	Jan- March FY22/23	Jan-March FY21/22	%	July – MarchFY22/23	July – MarchFY 21/22	%	Jan-March FY22/23	Oct-Dec FY22/23	%
MACHINERY GROUP	1,261	2,769	-54%	4,496	8,685	-48%	1,261	1,468	-14%
POWER GENERATING MACHINERY	107	245	-56%	399	1,236	-68%	107	153	-30%
OFFICE MACHINE INCL.DATA PROC EQUIP;	82	162	-49%	249	461	-46%	82	102	-19%
TEXTILE MACHINERY	46	187	-75%	285	622	-54%	46	96	-52%
CONSTRUCTION & MINING MACHINERY	24	43	-45%	67	139	-52%	24	20	18%

ELECTRICAL MACHINERY & APPARATUS	390	473.6	-18%	1249	1515	-18%	390	346	13%
TELE COM	179	713	-75%	745	2,137	-65%	179	317	-43%
A. MOBILE PHONE	100	506	-80%	463	1,596	-71%	100	203	-51%
B. OTHER APPARATUS	79	208	-62%	282	540	-48%	79	115	-31%
AGRICULTURAL MACHINERY & IMPLEMENTS	9	29	-70%	30	91	-67%	9	6	46%
OTHER MACHINERY	425	917	-54%	1472	2485	-41%	425	428	-1%

SOURCE: PBS

Import of Machinery Group is necessary for the growth of manufacturing sector of Pakistan. Over the Q3 (Jan-March) FY'23, the import volume of Machinery group has reported decline by 54% as compared to same period of last of FY'22. The comparison shows that Pakistan imported Machinery worth of USD 1.26 billion during Q2 (October-December) FY'23 which was reported USD 2.77 billion for the same quarter in the FY'22. All the sub-sector's import volume decreased when compared to the same period of FY'22. Major decline were reported for the following sub-sectors where 80% reduction was reported for mobile phone, 75% decline in the value of telecom, and 56% import value reduced in account of power generating machinery, respectively.

Import of machinery item showing downward trend mainly because of dollar outflows to protect the country's declining foreign exchange reserves as well as stem the rupee's freefall. Import restrictions were in place even on items required as raw material for exports. Few companies also closing their operations in Pakistan due to the uncertain scenario, all items of machinery import showed decline trends. Another noticeable point is that textile machinery import dropped to 75 percent as compared to the previous year quarter. Textile industry maintains its ranking of the single largest manufacturing sector in Pakistan. Unfortunately, the reduction of import machinery of textile hinder the production and export of textile sector.

Few months back, the federal government and SBP had imposed several resections on the luxury goods including mobile phones to control the soaring imports of the country. The government's plan has worked as the import bill of mobile phones has significantly reduced in the nine months of the current financial year. The imposition of restrictions has increased the prices of the phones in the country. However, the government has recently withdrawn the restrictions, which might reduce prices of mobile phones.

AGRICULTURE AND CHEMICAL GROUP

Agriculture and Chemical Group has shown significant reduction with 43% in the import bill during Q3 FY'23. The comparison shows that Pakistan imported Agriculture and Chemical products worth of USD 1.81 billion during Q2 FY'23 as against USD 3.16 billion during the corresponding period of last year FY'22.

Table 14: Agriculture & other chemicals imports (trade values in USD million)

SUB-SECTORS	Jan-March FY22/23	Jan-March FY21/22	%	July – MarchFY22/23	July – MarchFY21/22	%	Jan-March FY22/23	Oct-Dec FY22/23	%

AGRICULTURAL AND OTHER CHEMICALS GROUP	1,819	3,165	-43%	6,995	11,098	-37%	1,819	2,540	-28%
FERTILIZER MANUFACTURED	69	152	-55%	536	675	-21%	68.947	351	-80%
INSECTICIDES	47	50	-6%	147	136	8%	46.835	42	12%
PLASTIC MATERIALS	483	800	-40%	1,766	2325	-24%	482.791	624	-23%
MEDICINAL PRODUCTS	343	634	-46%	1,079	3733	-71%	342.635	364	-6%
OTHERS	878	1529	-43%	3,466	4229	-18%	878	1,160	-24%

SOURCE: PBS

All Sub-sectors of Agriculture and Chemical Group; fertilizer manufactured, insecticides, medicinal products and plastic material and other product imports have shown decrease. Fertilizer manufactured decline 55 percent as compared to the same period of the previous year. The prices of fertilizers goes down in the international market. This could be one of the potential reasons of the low imports of fertilizers. Moreover, Import of medicinal products showed significant decline with 46% in imports followed by plastic material 40% and insecticides 6%. There is a huge difference of USD 317 million has observed in the imported value of medicinal products when compared to the same period of FY'22. The sharp decline in the Medicinal products is due to the decline the import of Covid-19 vaccination as vaccination process of Pakistani citizens almost completed.

FOOD GROUP

Import of Food Group has shown positive growth of 7% in Q3 (Jan-March) of FY2023 as compared to the same period of FY 2022. The comparison shows that Pakistan imported Food products worth of USD 2.4 billion during Q2 FY'23 as against USD 2.2 billion during the corresponding period of last year FY'23. The main items imported in the Food group were Palm Oil (USD 887 million) wheat (USD 325 million), and Tea with imported value of USD 186 million, Soybean oil (USD 57 million), Spices (USD 53 million), Milk & Cream for infants (USD 50 million) followed by dry fruit (USD21 million), Tea(USD 149 million), Sugar (USD 2 million), and other food items (USD 560 million).

Quarterly comparison showed decrease in the import of Food Group in Q3 of FY 2022 by 7% as compared to second quarter of FY2022. Nine-month comparison shows that Pakistan imported food products worth of USD 7068 million during July – March, FY2022 as against USD 6,121 million. Imports in the current quarter have increased by 15% from the import of preceding nine months of FY 2022.

Table 15: Food group imports (trade values in USD)

SUB-SECTORS	Jan- March FY22/23	Jan-March FY21/22	%	July – MarchFY22/23	July – MarchFY21/22	%	Jan-March FY22/23	Oct-Dec FY22/23	%
FOOD GROUP	2,419	2,269	7%	7,334	7,068	4%	2,419	2,191	10%
MILK,CREAM & MILK FOOD FOR INFANTS	38	50	-24%	120	122	-2%	38	48	-21%
WHEAT UNMILLED	388	325	19%	998	795	25%	388	201	93%
DRY FRUITS & NUTS	7	18	-59%	29	54	-46%	7	13	-43%
TEA	116	186	-38%	435	487	-11%	116	184	-37%
SPICES	38	53	-28%	116	176	-34%	38	40	-4%
SOYABEAN OIL	92	57	62%	247	103	140%	92	77	20%
PALM OIL	835	887	-6%	2,917	2,731	7%	835	946	-12%
SUGAR	1	2	-49%	4	191	-98%	1	2	-49%

PULSES (LEGUMINOUS VEGETABLES)	224	132	70%	758	478	59%	224	287	-22%

SOURCE: PBS

The agricultural sector is one of the largest contributors to the economy. While declining as a proportion of GDP, agriculture still contributes one-fifth of Pakistan's wealth and almost half the population depends directly or indirectly on agriculture for their livelihoods. With 79.6 million acres of arable land, there is a great potential for improving efficiencies and productivity of the agriculture sector.

Six import items / sub-sectors in the Food Group showing decreasing trend including MILK,CREAM & MILK FOOD FOR INFANTS (USD 38 Million), dry fruits & nuts (USD 7 Million), Tea (USD 116 Million), spices (USD 36 Million), Palm oil (USD 835 Million), and sugar (USD 1Million), during Q3 of FY22/23. The negative trend of import items related to food group is a good sign for Pakistan economy. It means the comparatively less shortage or production of these food items are increased as compared to previous years and country is now less dependent of these food items import

Mainly, wheat, Soybean oil, Pluses and other food items have registered an increase in. Soybean oil have registered a increase of 62% in imports of Q3 of FY 2023 from the corresponding quarter of FY 2021. However, the import of Soya bean was surged in the current quarter as against last year. Pakistan's growing reliance on palm and soybean oil is not out of sync with global consumption patterns of edible oil and meal, which is also dominated by palm oil and soybean oil in the edible oil category, and soybean in the meal category. At the one end, the demand for edible oil and oilseed products has been rising due to increasing population, growing income levels, and the gradual modernization of livestock industry, particularly poultry. At the other end, local oilseed production has been unable to keep pace with increasing domestic demand for edible oil and oilseed products (including meals for animal feed), the report added.

Wheat continues to be one of Pakistan's four main agricultural crops, along with rice, cotton, and sugarcane. In terms of its contribution to food security and area grown, wheat is Pakistan's most important crop. The 8.9 million hectares of wheat area is about 40 percent of total field crop land. In irrigated areas, wheat is planted after cotton, rice, and sugarcane, while in rain fed areas wheat is grown at the same time as maize and millet. Wheat sowing occurs October/December., Pakistan's wheat production has not increased at a rate to suffice local demand shifting the country from a wheat exporter to a wheat importer. The change is due to climate change (floods), lack of high-yielding research and minimal increase in support prices as mentioned in the report of USDA. Pakistan has regularly imported wheat from global market last few months in moves to improve local supplies.

METAL GROUP

The metal group imports have shown an overall decrease of 40% with the imported value USD 964 million in Q3 (Jan-March) of FY'23 as compared to the same period last FY'22. Nine months comparison also shown that Pakistan imported Metal group products worth of USD 3,344 million during Jan –March FY2022-23 as against USD 5,012 million during the corresponding period of last year - showing an decrease of 33%. In comparison with the Q2 of FY'23, the import bill of metal group decreased by 15% during the Q3 of FY 23.

All import items / sub-sectors except gold in the Metal Group showing decreasing trend including IRON AND STEEL SCRAP (USD 267 Million), IRON AND STEEL (USD 468 Million), ALUMINIUM WROUGHT & WORKED (USD 42 Million), and ALL OTHER METALS & ARTICles (USD 42 Million), during Q3 of FY22/23. The remarkable increase in the import of gold (80 percent) during the Q3 FY 2023 as compared to the same period of the last year.

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

SUB-SECTORS	Jan-March FY22/23	Jan-March FY21/22	%	July – March FY22/23	July – March FY21/22	%	Jan-March FY22/23	Oct-Dec FY22/23	%
METAL GROUP	964	1,613	-40%	3,344	5,012	-33%	964	1,137	-15%
GOLD	9	5	80%	23	15	56%	9	8	12%
IRON AND STEEL SCRAP	267	625	-57%	972	1,856	-48%	267	330	-19%
IRON AND STEEL	468	648	-28%	1,493	2,187	-32%	468	505	-7%
ALUMINIUM WROUGHT	42	75	-44%	179	179	-0.10%	42	67	-38%
ALL OTHER METALS & Articles	178	259	-31%	677	774	13%	178	227	-21%

SOURCE: PBS

Gold import soar in Pakistan, in line with a surge in international prices, which sparked concerns over expensive imports and raised demand for safe-haven assets. Analysts suggest that gold may be an effective defense against inflation over long periods of time, the inflation-adjusted price of gold tends to swing wildly over shorter periods, making it less of a strong near-term hedge for inflation. Due to the reason Gold demand in Pakistan has skyrocketed, with traders setting rates in the country according to its international price. Jewelers import the metal against the US dollar and UAE dirham before converting its price into rupees.

TEXTILES GROUP

The textile imports have decreased by 18% during Q3 FY 2023 as compared to same period of FY 2022. Nine-month comparison shows that Pakistan imported textiles worth of USD 3,013 million during July- March, FY2023 as against USD 3500 million during the corresponding period of last year showing an increase of 14%. Textile group imports during Jan-March 2022 remained at USD 904 million, decrease 18% from the corresponding quarter of October-December FY 2023.

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

SUB-SECTORS	Jan-March FY22/23	Jan-March FY21/22	%	July – MarchFY 22/23	July – MarchFY 21/22	%	Jan-March FY22/23	Oct-Dec FY22/23	%
TEXTILE GROUP	904	1,105	-18%	3,013	3,500	-14%	904	1135	-20%
RAW COTTON	472	384	23%	1,402	1,205	16%	472	551	-14%
SYNTHETIC FIBRE	95	158	-40%	358	562	-36%	95	114	-17%
SYNTHETIC & ARTIFICIAL SILK YARN	123	223	-45%	448	650	-31%	123	169	-27%
WORN CLOTHING	87	128	-32%	288	341	-15%	87	100	-13%
OTHR TEXTILE ITEMS	127	213	-40%	516	740	-30%	127	202	-37%

SOURCE: PBS

In the Q3 of FY 2023, all import items / sub-sectors except cotton in the textile Group showing decreasing trend including IRON AND STEEL SCRAP (USD 267 Million), IRON AND STEEL (USD 468 Million), ALUMINIUM WROUGHT & WORKED (USD 42 Million), and ALL OTHER METALS & ARTICles (USD 42 Million), during Q3 of FY22/23.

Raw cotton imports grew by 16.33% to $1.4023 billion during July-March 2022-23 from $1.2054 billion during the same period of the last fiscal year. Raw cotton trade surged by 6.10%, as imports increased from 536,059 metric tons to 568,736 metric tons in the nine months of the current fiscal year 2023. Higher cotton pricing in the international market dragged up the import bill. The growing import of cotton in the textile group are a matter of concern for our domestic textile industry. Pakistan fell to the fifth spot globally in cotton consumption, most certainly falling below Bangladesh, and potentially also below Viet Nam. Sector watchers would recall that Pakistan has remained the world's third-largest cotton spinner for at least the last six decades, only smaller than China and India. However, years of a secular decline in local cotton production have slowly shrunk the processing industry as well.

TRANSPORT GROUP

The import of transport group has shown significant decrease of 64% in Q3 (Jan-March) of FY'23 as compared to same period last year. The statistics reveal that around USD 373 million worth of goods under transport group were imported during Q3 FY'23. Quarterly comparison shows a reduction of 34% during Q3 of FY'23 as compared to the Q2 of FY'23. All the sub-sectors of transport group showed decrease in the imported values where massive decline of 86% reported in the imported value of buses, trucks & other heavy vehicles 85% in motor cars and CBU during the Q3 FY'23 when compared with the same period of FY'22. Road motors vehicles and CKD/SKD have the major import shares of worth USD 321 million an USD 373 million in transport sector. Nine month comparisons also showed the decline in the transport group import 54 percent during the FY'23 as compared to the same period of the last year.

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

SUB-SECTORS	Jan-March FY22/23	Jan-March FY21/22	% Change	July – March FY22/23	July – MarchFY 21/22	% Change	Jan-March FY22/23	Oct-Dec FY22/23	% Change
TRANSPORT GROUP	373	1049	-64%	1,536	3,367	-54%	373	561	-34%
ROAD MOTOR VEH. (BUILD UNIT,CKD/SKD)	321	955	-66%	1,355	2,826	-52%	321	494	-35.06%
CBU	24	162	-85%	139	471	-70%	24	30	-21%
A.BUSES,TRUCKS & OTH. HEAVY VEHICLES	12	88	-86%	90	223	-59%	12	17	-29%
B.MOTOR CARS	11	73	-85%	47	244	-81%	11	12	-6%
C.MOTOR CYCLES	0.41	1	-59%	1	3	-56%	0.41	1	-59%
CKD/SKD	235	632	-63%	951	1,854	-49%	235	375	-37%
A.BUSES,TRUCKS & OTH. HEAVY VEHICLES	62	146	-57%	256	521	-51%	62	115	-46%
B.MOTOR CARS	167	464	-64%	661	1,272	-48%	167	246	-32%
C.MOTOR CYCLES	7	22	-70%	34	60	-43%	7	14	-52%
PARTS & ACCESSORIES	57	131	-57%	245	416	-41%	57	81	-30%
OTHERS	5	30	-83%	20	85	-76%	5	9	-44%

AIRCRAFTS, SHIPS AND BOATS	42	93	-54%	130	533	-76%	42	28	51%
OTHERS TRANSPORT EQUIPMENTS	10	1	889%	51	9	463%	10	39	-75%

SOURCE: PBS

Pakistan spent $1.5 billion on the import of transportation items, including luxury cars, high-end electric vehicles, and their parts, during the last six months amidst sinking reserves and fear of default. This country is the middle of financial crunch with foreign reserves depleting to as low as $10 billion (4.4 billion SBP reserves), forcing the central bank to slow down the import of even essential items. Despite the over reduction in imports of transportation vehicles and other items compared with last year, the economy was still burdened with heavy outflows for buying expensive luxury vehicles and useless items.

During the Q3 of FY 2023, the country imported completely built units (CBU), completely knocked down/semi knocked down (CKD/SKD) of $235 million decreased of 63 as compared to the same period of the last year. . Since CKD kits are not allowed to be imported, yet millions of dollars of these kits are being imported, harming the local industry and their production. The economy is suffering, but hefty spending on cars and other vehicle imports is raising a lot of questions about the government's policy of halting imports related to the industrial and commercial sectors.

MISCELLANEOUS GROUP

The miscellaneous group imports in Q3 (Jan-March) of FY2022-23 have seen an overall 35% decrease with all the sectors showing decrease in imports Rubber crude, sectors Rubber tyres and tubes, wood and cork, Jute, wood and cork, paper & paper board & manufacturing. All other items have shown decrease by 29%, 66%, 37%, 8%, 29% and 30% 32%, respectively. The import trend of the Q3 of FY’23 indicates a decline over the preceding quarter of Q2 of FY’23. Nine months comparison statistics show that the import of miscellaneous group decreased by 24 % during (July-March) of FY 23 as same period of last year.

Table 19: Miscellaneous group imports (USD million)

SUB-SECTORS	Jan-March FY22/23	Jan-March FY21/22	% Change	July – March FY22/23	July – MarchFY21/22	% Change	Jan-March FY22/23	Oct-Dec FY22/23	% Change
MISCELLANEOUS GROUP	191	294	-35%	694	912	-24%	191	250	-24%
RUBBER CRUDE INCL. SYNTH/RECLAIMED	41	58	-29%	154	188	-18%	41	49	-16%
RUBBER TYRES & TUBES	15	45	-66%	82	195	-58%	15	30	-49%
WOOD & CORK	29	46	-37%	73	105	-30%	29	26	11%
JUTE	13	14	-8%	46	49	-6%	13	16	-19%

PAPER & PAPER BOARD & MANUF.THEREOF	93	131	-29%	338	375	-10%	93	129	-28%
ALL OTHERS ITEMS	996	1,420	-30%	3440	4,423	-22%	996	1,345	-26%

SOURCE: PBS

TRADE IN SERVICES

EXPORT PERFORMANCE OF SERVICES

As per Extended Balance of Payments Services Classification (EBOPS 2010), Trade in Services has been divided into 11 categories. The cumulative exports of Services in the third quarter FY 2022-23 reported around USD 1,789 million, increase 4% from the previous corresponding quarter exports of USD 1724 million in the FY2022.

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

SERVICES	Jan – March FY22/23	Jan – March FY21/22	% Change	July – March FY22/23	July – March FY' 21/22	% Change
Exports	1789	1724	4%	5529	5278	5%
Maintenance and repair services n.i.e.	0	0	-	0.69	2.86	-76%
Transport	169	187	-10%	600	584	3%
Travel	358	137	161%	837	419	100%
Construction	5	9	-44%	23	78	-71%
Insurance and pension services	15	10	50%	45	32	41%
Financial services	10	21	-52%	52	131	-60%
Charges for the use of intellectual property n.i.e.	3	3	0%	9.95	10.13	-1.78%
Telecommunications, computer, and information services	609	646	-6%	1941	1950	-0.40%
Other business services	359	417	-14%	1172	1239	-5%
Personal, cultural, and recreational services	3	3	0%	11	9	21%
Government goods and services n.i.e.	258	291	-11%	837	823	2%

Table 21: Services imports (trade values in USD million)

IMPORT PERFORMANCE OF SERVICES

SERVICES	Jan – March FY22/23	Jan– March FY21/22	% Change	July – March FY22/23	July – March FY'20/21	% Change
Imports	1827	2,764	-34%	5758	9545	-40%
Maintenance and repair services n.i.e.	10	9	11%	32	25	28%

Transport	880	1647	-47%	3025	5536	-45%
Travel	375	277	35%	1069	852	25%
Construction	0	4	-100%	0.24	39	-99%
Insurance and pension services	68	79	-14%	193	224	-14%
Financial services	50	54	-7%	163	314	-48%
Financial intermediation service charges indirectly measured (FISIM)	-	-	-	0	167	-100%
Charges for the use of intellectual property n.i.e.	5	0	100%	33	177	-81%
Telecommunications, computer, and information services	54	146	-63%	221	476	-54%
Other business services	318	371	-14%	866	1544	-44%
Personal, cultural, and recreational services	0	1	-100%	2	1	7%
Government goods and services n.i.e.	67	125	-46%	154	356	-57%

SECTORAL ANALYSES OF TRADE IN SERVICES

Trade in Services take place via four modes that are cross border supply, consumption abroad, commercial presence, and presence of persons. Due to restrictions on the issuance of Letters of Credit (LCs), dollar shortage, and political issues in the country the import and export of services showing decreasing trend during Q2 FY 2023 as compared to the same period of the last year.

Given the circumstances, services exports such as travel (USD 358 million), and Insurance and pension services (USD 15 million) have registered the positive growth of 161%, and 50% respectively in the third quarter of FY2023. The largest contributor to the services export is IT services recorded decline of (2%) as compared to the Q2 FY 22. The declining trend of l IT services is a serious concern to the services exports due to volatility of PKR compared to the US$ and companies not bringing complete dollar flows in the country. Hence, currency stability going ahead will remain vital for improvement in headline export numbers going ahead. Going forward, training of IT professionals, removal of key sector bottlenecks and revival of global economy will remain key to the future of IT exports All remaining export services showing declining trend.

The cumulative imports of Services in the third quarter FY 2022-23 reported around USD 1827 million, decrease of 34% from the previous corresponding quarter exports of USD 1115 billion in the FY2022. Except these three services, all import services showing negatively performance during Q3 FY 23 as compared to the same period of the last year. The services import such as Maintenance and repair services (USD 10 million), Travel (USD 375 million) and of Charges for the use of intellectual property (USD 5 million) have registered the positive growth of 11%, 35% and 100% respectively in the third quarter of FY2023.

FUTURE OUTLOOK

Pakistan’s economic growth is expected to slow significantly in FY2023 (ends 30 June 2023) in the wake of last year’s devastating floods, ballooning inflation, a current account deficit, and an ongoing foreign exchange crisis. Pakistan’s gross domestic product (GDP) growth is projected to slow to 0.6% in FY2023 from 6% last fiscal year as the economy struggles to recover. Growth is forecast to rise to 2% in FY2024, assuming the resumption of macroeconomic stability, implementation of reforms, post-flood recovery, and improving external conditions. Pakistan’s economy continues to face strong headwinds while last year’s catastrophic floods have exacerbated the economic and financial challenges, with a history of resilience in the face of adversity and depending on a fast return to stability twinned with robust macroeconomic and structural reforms, Pakistan can bounce back.

In FY2023, industrial growth is forecast to continue decelerating, which reflects fiscal and monetary tightening, a significant depreciation of the local currency, and higher domestic oil and electricity prices. Average inflation is projected to more than double from 12.2% in FY2022 to 27.5% this fiscal year. Headline consumer inflation jumped to 25.4% in the first 7 months of the fiscal year on higher domestic energy prices, a weaker currency, flood-related disruptions to supply, and restraint on imports caused by the balance of payment crisis. As a net importer of oil and gas, Pakistan will continue experiencing strong inflationary pressures for the rest of FY2023.

As in many other countries, Pakistan's economic activity remains currently below potential, implying a negative output gap. At the same time, again as in many other countries, inflation remains substantially above targets. Furthermore, as is also the case in several other emerging economies, the global energy crises, which has pushed up global commodity prices, also puts downward pressure on international official reserves.

Pakistan’s overall exports for this quarter declined but still showing the signs of recovery in compassion of current quarter performance with the same quarter of last year and last quarter of same fiscal year. 17% decline reported when comparison done with previous year’s same quarter while the decline in exports reports reported by 4% when compared with the previous quarter of the same year. Although exports of all sectors were declined except minor increase of 2% reported in food sector when compared with the subsequent period of the last year FY 2022.

On the import front, Pakistani recorded decrease in value of imports by 31% in which petroleum group ranked the highest with imports worth of USD 3,798 million followed by Food group (USD 2,419 million), Agriculture & Chemicals group (USD 1,819 million), Machinery Group (USD 1,261 million), Metal group (USD 964 million), Textile group (USD 904 million), Transport group (USD 373 million), and Miscellaneous group (USD 191 million). Main increasing importing items of Pakistan during Q3 (Jan-March FY 2023) were raw cotton (USD 472 million), wheat unmilled (USD 388 million), pulses (USD 224 million), soyabean oil (USD 92 million), and gold (USD 9 million).

Fiscal consolidation is key to saving official reserves and exchange rate stability. This may temporarily be costly in terms of growth prospects in the short term, but long-run prosperity and growth can only be achieved by augmenting the country's long-term equilibrium growth path by expanding production capacities and productivity. This is a shared responsibility of both the private and public sectors.