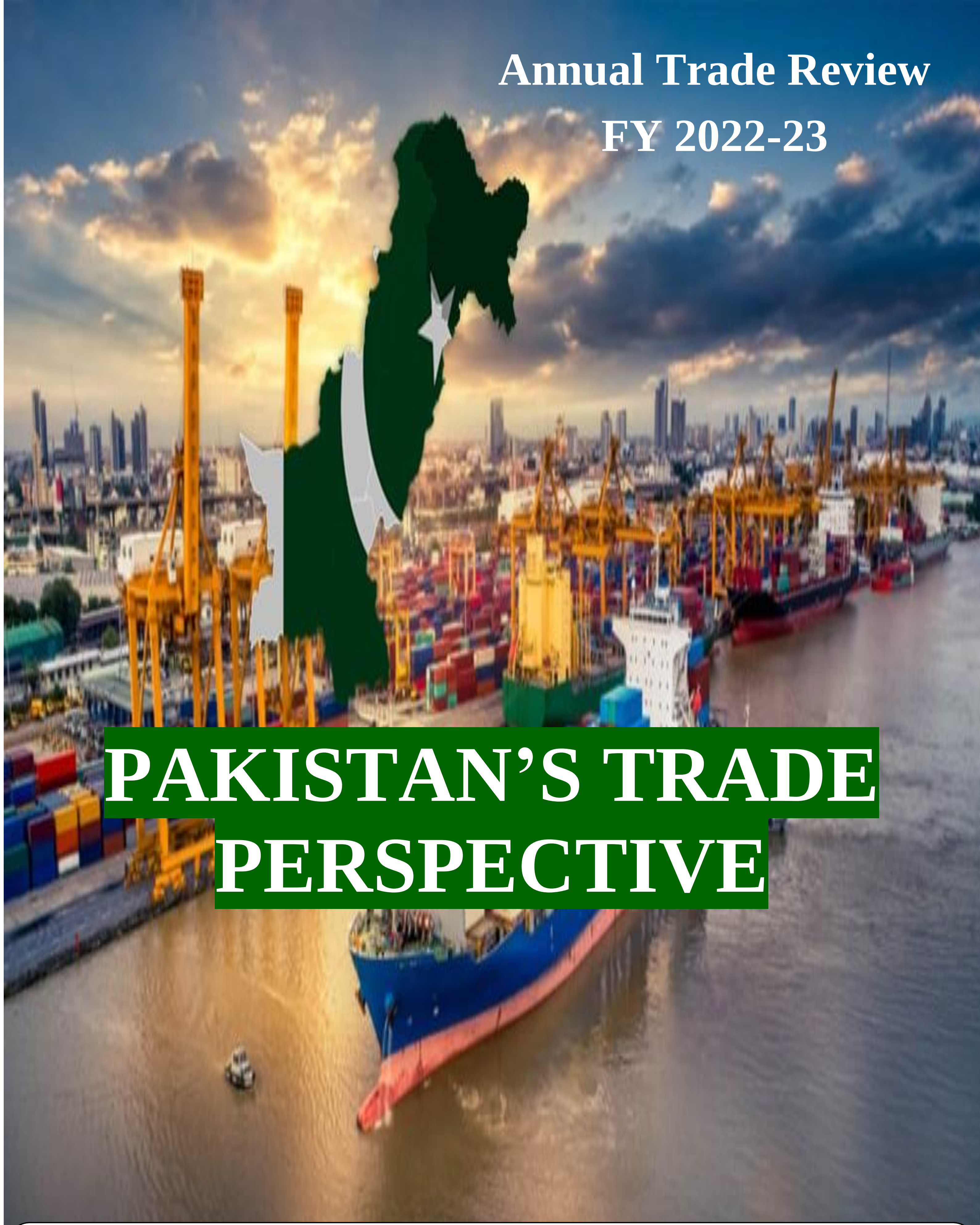

Annual Trade Review

FY 2022-23

PAKISTAN'S TRADE PERSPECTIVE

TRADE DEVELOPMENT AUTHORITY OF PAKISTAN
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B/L	BILL OF LADING
CAGR	COMPOUND ANNUAL GROWTH RATE
CBU	COMPLETE BUILD-UP
CKD	COMPLETELY KNOCKED DOWN
COVID	CORONA VIRUS DISEASE
DLTL	DRAWBACK OF LOCAL TAXES & LEVIES
EBOPS	EXTENDED BALANCE OF PAYMENT SYSTEM
ECC	ECONOMIC COORDINATION COMMITTEE
EFS	EXPORT FINANCE SCHEME
FASTER	FULLY AUTOMATED SALES TAX E-REFUND
FY	FISCAL YEAR (JULY - JUNE)
GAIN	GLOBAL AGRICULTURAL INFORMATION NETWORK
GDP	GROSS DOMESTIC PRODUCT
G2G	GOVERNMENT-TO-GOVERNMENT
IT	INFORMATION TECHNOLOGY
ITES	IT ENABLED SERVICES
L/C	LETTER OF CREDIT
LNG	LIQUEFIED NATURAL GAS
LPG	LIQUEFIED PETROLEUM GAS
LSM	LARGE-SCALE MANUFACTURING
LSMI	LARGE-SCALE MANUFACTURING INDEX
LTFF	LONG-TERM FINANCING FACILITY
OD	OFFICIAL DELEGATION
OECD	ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT
Q1	FIRST QUARTER OF FISCAL YEAR (JULY - SEPTEMBER)
Q2	SECOND QUARTER OF FISCAL YEAR (OCTOBER - DECEMBER)
QoQ	QUARTER-ON-QUARTER
SBP	STATE BANK OF PAKISTAN
SKD	SEMI KNOCKED DOWN
STPF	STRATEGIC TRADE POLICY FRAMEWORK
TCP	TRADING CORPORATION OF PAKISTAN
TDAP	TRADE DEVELOPMENT AUTHORITY OF PAKISTAN
TERF	TEMPORARY ECONOMIC REFINANCE FACILITY
USDA	US DEPARTMENT OF AGRICULTURE
YoY	YEAR-ON-YEAR

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SECTION – 1

1.1 WORLD ECONOMIC AND TRADE REVIEW

(JULY-JUNE 2022-23

Tentative signs in early 2023 that the world economy could achieve a soft landing with inflation coming down and growth steady have receded amid stubbornly high inflation and recent financial sector turmoil. Although inflation has declined as central banks have raised interest rates and food and energy prices have come down, underlying price pressures are proving sticky, with labor markets tight in a number of economies. Side effects from the fast rise in policy rates are becoming apparent, as banking sector vulnerabilities have come into focus and fears of contagion have risen across the broader financial sector, including nonbank financial institutions. Policymakers have taken forceful actions to stabilize the banking system. Debt levels remain high, limiting the ability of fiscal policymakers to respond to new challenges. Commodity prices that rose sharply following Russia's invasion of Ukraine have moderated, but the war continues, and geopolitical tensions are high. The baseline forecast, which assumes that the recent financial sector stresses are contained, is for growth to fall from 3.4 percent in 2022 to 2.8 percent in 2023, before rising slowly and settling at 3.0 percent five years out the lowest medium-term forecast in decades. The anemic outlook reflects the tight policy stances needed to bring down inflation, the fallout from the recent deterioration in financial conditions, the ongoing war in Ukraine, and growing geoeconomic fragmentation. Global headline inflation is set to fall from 8.7 percent in 2022 to 7.0 percent in 2023 on the back of lower commodity prices, but underlying (core) inflation is likely to decline more slowly. Inflation's return to target is unlikely before 2025 in most cases. Once inflation rates are back to targets, deeper structural drivers will likely reduce interest rates toward their pre-pandemic levels. Risks to the outlook are heavily skewed to the downside, with the chances of a hard landing having risen sharply. Financial sector stress could amplify and contagion could take hold, weakening the real economy through a sharp deterioration in financing conditions and compelling central banks to reconsider their policy paths. Pockets of sovereign debt distress could, in the context of higher borrowing costs and lower growth, spread and become more systemic. The war in Ukraine could intensify and lead to more food and energy price spikes, pushing inflation up. Core inflation could turn out more persistent than anticipated, requiring even more monetary tightening to tame. Fragmentation into geopolitical blocs has the scope to generate large output losses, including through its effects on foreign direct investment. Policymakers have a narrow path to walk to improve prospects and minimize risks. Central banks need to remain steady with their tighter anti-inflation stance, but also be ready to adjust and use their full set of policy instrumentsincluding to address financial stability concerns as developments demand. Fiscal

policymakers should buttress monetary and financial policymakers' actions in getting inflation back to target while maintaining financial stability. In most cases, governments should aim for an overall tight stance while providing targeted support to those struggling most with the cost-of-living crisis. In a severe downside scenario, automatic stabilizers should be allowed to operate fully and temporary support measures be utilized as needed, fiscal space permitting. Medium-term debt sustainability will require well timed fiscal consolidation but also debt restructuring in some cases. Currencies should be allowed to adjust to changing fundamentals, but deploying capital flow management policies on outflows may be warranted in crisis or imminent crisis circumstances, without substituting for needed macroeconomic policy adjustment. Measures to address structural factors impeding supply could ameliorate medium-term growth. Steps to strengthen multilateral cooperation are essential to make progress in creating a more resilient world economy, including by bolstering the global financial safety net, mitigating the costs of climate change, and reducing the adverse effects of geoeconomic fragmentation.[1]

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[1] https://www.imf.org/en/Publications/WEO/Issues/2023/04/11/world-economic-outlook-april-2023?cid=ca-com-compd-pubs_belt

1.2 PAKISTAN'S ECONOMIC & TRADE OUTLOOK

(JULY-JUNE 2022-23

The geopolitical situation, difficult financial environment, and high inflationary pressures have all had a substantial impact on the prospects for global growth. All these factors posed significant economic risks for Pakistan's economy as well. Devastating floods and political unrest further aggravated the situation. Thus, FY2023 has been a challenging year for Pakistan's economy. In FY2022, Pakistan's economy witnessed a high growth rate of 6.1 percent, however, it was unsustainable as it was largely driven by domestic demand, which was stimulated by expansionary fiscal policy and ended up with a high fiscal and current account deficit. Subsequently, the economy signaled excessive demand and overheating. At the beginning of the FY2023, the economy confronted four major challenges that posed threats to Pakistan's socio-economic growth. These challenges include regaining sustainable macroeconomic stability, reducing poverty, fiscal consolidation, and addressing weaknesses in the external account. The overall vision of the government is to achieve high and sustainable GDP growth with price stability over the medium term. The government is committed to implementing home-grown macroeconomic and structural reforms for creating job opportunities and reducing the poverty. The government is trying to rebuild confidence of investors by addressing macroeconomic imbalances through an optimal policy mix. At the same time, it is protecting poor people through adequately funded social safety nets and targeted subsidies. Pakistan received an unprecedented episode of torrential rains followed by flash flooding in July - August 2022 that affected 33 million people. Importantly, Sindh and Balochistan received six and seven times more rain than normal, respectively. With flood basins saturated with water, the natural drainage system was overwhelmed, and a vast area of rich farmland and human settlements was flooded, and the consequences were disastrous. The floods submerged one-third of the country in water, more than 1,700 people were dead and 8 million were displaced. An estimated 8.4 - 9.1 million more people could be forced into poverty as a direct consequence of this catastrophic. The losses amounted to 4.8 percent of GDP. The recovery and reconstruction needs are projected at 1.6 times the budgeted national development expenditure for FY2023. The present government came into power in April 2022 with a broad-based agenda for moving towards sustainable macroeconomic stabilization which is primarily focused on rationalization of expenditures, removing unproductive subsidies to reduce burden on the budget; significant cuts in expenditures to reduce the budgetary deficit; increasing the tax and nontax revenue of the government; and a tight monetary policy to fight inflation. The government has improved the Benazir Income Support Programme (BISP) and other programmes to enhance transparency so that the poor and vulnerable groups may be protected. Public-private partnerships have been encouraged as private investments are the main source of funding for economic development. The importance of sound governance, managerial and systemic mechanisms were also emphasized to ensure that the social sector investments remain cost-effective; thus, focusing on output-oriented service delivery. These measures along with recent trends in most macroeconomic variables suggest that the disciplined implementation of the macroeconomic stabilization program has started paying dividends in current fiscal year. The efforts contributed to containing the fiscal deficit at 3.6 percent of GDP during the first three quarters of FY2023, a decrease from the 3.9 percent of GDP recorded in the corresponding period last year. The current account turned to a surplus of US$ 750 million in March 2023 and US$18 million in April 2023 marking the first monthly current account surplus since 2020. The current account deficit is likely to decelerate from as high as US$ 17.5 billion in FY2022 to around US$ 3.7 billion by the end of the out-going fiscal year. However, Pakistan's economy still faces pressures from an uncertain global security situation, higher inflation driven by a spike in food prices, the bewildering stock market, perceptible contraction in large-scale manufacturing, lower than anticipated foreign inflows, and burgeoning absolute financing requirements. Resultantly, abatement of inflationary pressure remained persistent and depicting price stubbornness. The severe macroeconomic imbalances, flood damages, domestic supply shocks, and international economic slowdown have dampened the economic growth to just 0.29 percent in FY2023. Following the budget announcement in June 2022, positive economic expectations and the performance of key indicators resulted in the government projecting GDP growth of approximately 5.0 percent in FY2023. However, the economy lost momentum in the first quarter of the ongoing fiscal year due to the severe downturn in the global economy and flash floods of July-August 2022 and as a result the economy suffered from significant domestic supply disruptions. The flood damage is estimated at US$14.9 billion, the loss to GDP at US$15.2 billion, and recorded need for rehabilitation of damages at US$16.3 billion. On the international front, the prolonged Russia-Ukraine conflict adversely affected global growth and inflation remained unexpectedly high. In FY2023, Pakistan's GDP grew by 0.29 percent, with 1.55 percent growth in agriculture, -2.94 percent in industrial sector, and 0.86 percent in services sector. The GDP at current market prices recorded Rs 84,658 billion, showing a 27.10 percent growth over the previous year Rs 66,624 billion (US$ 341 billion). The per capita income decreased from US$ 1765 to US$ 1568 in FY2023. This deceleration was attributed to the significant depreciation of PKR and the contraction in economic activity. For FY2023, the Investmentto-GDP ratio stood at 13.6 percent as compared to 15.6 percent in FY2022. The estimates of Gross Fixed Capital Formation (GFCF) stood at Rs 10093.5 billion showing an increase of 8.1 percent compared to FY2022. The industry-wise disaggregation of GFCF by the general government suggests an increase of 17.7 percent, 89.2 percent, and 5.9 percent in public administration & social security, education, and human health & social work, respectively. The balance of payments position during July-March FY2023 remained under pressure mainly due to adverse global shocks and domestic developments. The international commodity prices are still above the pre-pandemic level, having weighed on the external account. Moreover, the tightening of the global financial environment has made it difficult for emerging markets like Pakistan to access international financial markets. Consequently, Pakistan’s foreign exchange reserves and exchange rate came under pressure. Furthermore, the devastating flood in JulyAugust 2022 has further aggravated the gloomy economic conditions. FY2023, a challenging year has ended. The government succeeded in ensuring the sustainability of the external and fiscal sectors through various tough decisions and stabilization measures. In FY2024, the government is gearing towards achieving higher growth of 3.5% through various measures like the Kissan package, industrial support, export promotion, encouragement of the IT sector, and resource mobilization, etc. To achieve higher and sustainable economic growth, it will require prudent and effective economic decisions, political and economic certainty, and continuation of friendly economic policies along with enough foreign exchange financing. The recent IMF approval of the Stand- By Arrangement and other bilateral and multilateral inflows will pave the way to further improve the macroeconomic environment and the confidence of economic agents.[2,3]

[2]https://www.finance.gov.pk/survey/chapters_23/Overview_of_the_Economy.pdf

[3]https://www.finance.gov.pk/economic/economic_update_July_2023.pdf

1.3 PAKISTAN'S ECONOMIC INDICATORS

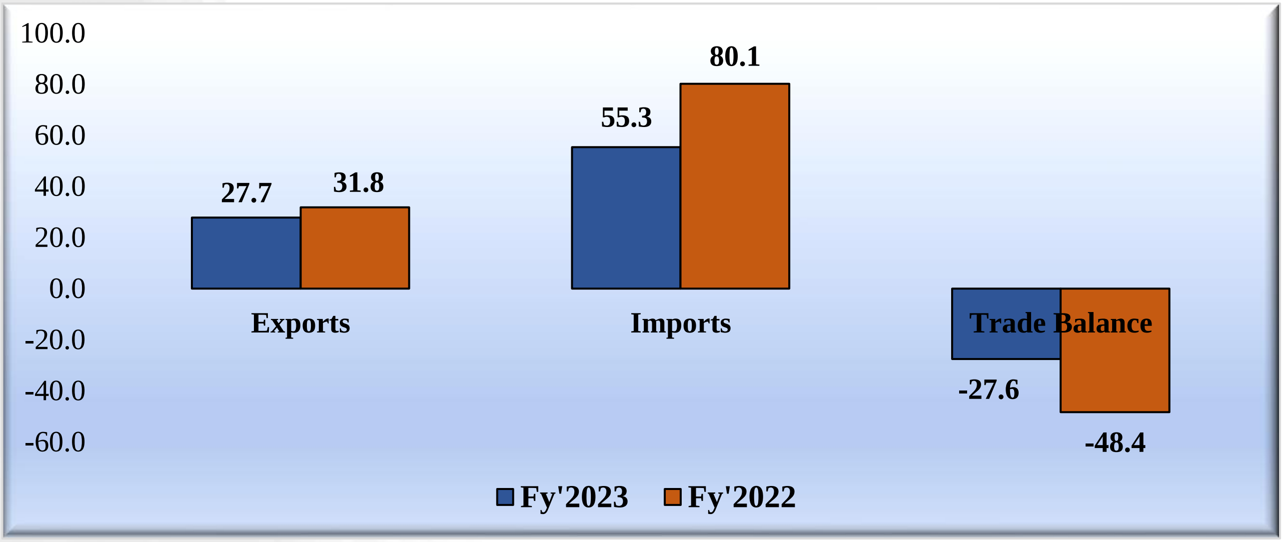
(JULY - JUNE FY 2022-23)[4]

Figure 1:Pakistan Economic Indicators

1.4 PAKISTAN'S TRADE OUTLOOK (GOODS)

YEARLY COMPARISON OF FY2022vs. FY2023)

Figure 2: Trade Values (July 2022-June 2023) In USD Billion



Source: PBS

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https://www.sbp.org.pk/ecodata/homeremit.pdf, https://www.sbp.org.pk/ecodata/forex.pdfhttps://www.sbp.org.pk/ecodata/NetinflowSummary.pdf

SECTION - 2

2.1 PAKISTAN'S EXPORT PROFILE (GOODS)

Exports of the country slipped to USD 27.7 billion after reporting decline by 12.7%during the current fiscal year 2022-23 as compared with USD 31.78 billion of the last fiscal year 2021-22against the target of $32 billion set last year. On the other hand, the country's imports plunged down by 30.96% with value of USD 24.8 billion, to USD 55 billion $24.8 billion during the period under review as compared with $80.1 billion of the last fiscal year. Therefore, the trade deficit of the country contracted toUSD 27.6 billion during the FY 2022-23, as compared to USD 48.4 billion during the same period of the last year.The government has set USD 30 billion as export target for next fiscal year 2023-24 which is lower than the current year's $32 billion target and USD 40 billion for 2024-25.

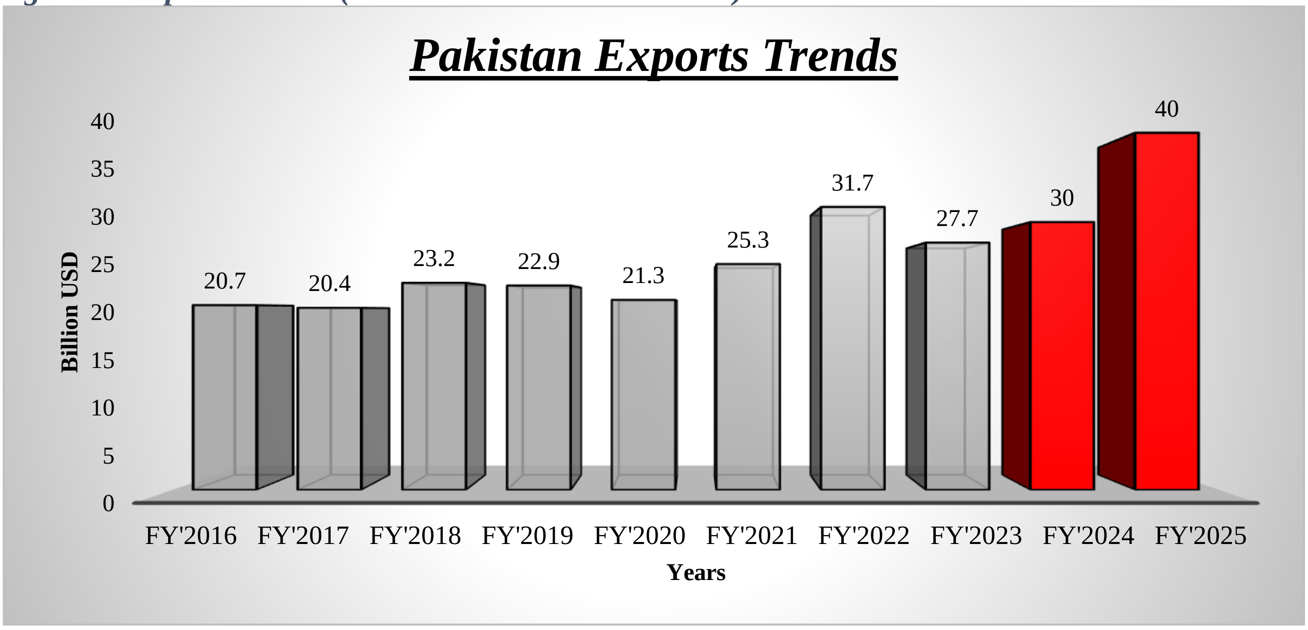
Pakistan is experiencing massive financial crisis after commercial banks refused to open letters of credit (LCs) due to a dollar liquidity crunch triggered. Additionally, the government also limited imports due to rapidly declining forex reserves and a depreciating rupee, reducing the overall production potential of the industrial sector and further exacerbated the economic slowdown in Pakistan.Pakistan has witnessed the highest inflation rate of about 38 percent in recent period.

Moreover, 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.

Country-wise exports trends have shown that top 5 major export destinations including USA, China, UK Netherland and Germany registered substantial decline by 22.6%, 16.4%, 11.4%, 5.2% and 11.5% respectively during FY 2022-23. United States of America (USA) remained the top export destination of the Pakistani products followed by China,United Kingdom (UK), Netherland, Germany, Spain, United Arab Emirates (UAE), Italy, Afghanistan and Belgium during FY 2022-23. These countries are major trading partners of Pakistan and shifting of demandfrom neighbouring countries to Pakistan and subsidies/facilitation provided by the Government in different export potential sectors. Country-wise export performance is depicted in the ***(Table- 1 & 2)***.Increase registered in the exports volume for the following countries during FY2022-23, Pakistan's exports to Spain showed positive growth by 14.6%, UAE (5.1%), Italy (3.2%), Afghanistan (34.2%), Saudi Arabia (32.8%), Kenya (17.8%), Tanzania (36.8%), Indonesia (18.7%), Greece (12%) and Mexico (20.9%). Pakistan's exports performance with Tanzinia, Afghanistan and Saudi Arabia during this period was notable.

2.1.1 **HISTORICAL EXPORTS TRENDS (FY 2016TO FY 2023)**

Figure 3: Exports Trends (Trade Values in USD Billion)



FY' 2016-23: Actual; Fy' 2024 & 25: Projected/targeted by Government of Pakistan

TOP EXPORT PARTNERS SHOWING INCREASE(FY 2023 V/S FY 2022)

Table 1: Top Export Destinations Showing Increase (Trade Values in USD Million)

Export Destinations	July-June Fy 2022-23	July-June Fy 2021-22	% Change
Spain	1,432	1,249	14.6%
United Arab Emirates	1,416	1,348	5.1%
Italy	1,173	1,137	3.2%
Afghanistan	984	733	34.2%
Saudi Arabia	562	423	32.8%
Kenya	311	264	17.8%
Tanzania	167	122	36.8%
Indonesia	152	128	18.7%
Greece	135	120	12%
Mexico	131	108	20.9%

Source: PRAL

2.2 TOP EXPORT PARTNERS SHOWING DECREASE (FY 2023 V/S FY 2022)

Pakistan's export to its top trading partners notably declined in the recent period. Similar trends appeared for the current year when compared with the previous year. Pakistan's export to USA decreased by 22.6%, export with china have shown decline of 16.4%, UK 11.4%, Netherlands 5.2%, Germany 11.5%, Belgium 11%, Bangladesh 26.1%, France 3.8%, Canada 20.3% and Malaysia 20.9%.

Table 2: Top Export Destinations Showing Decrease (Trade Values in USD Million)

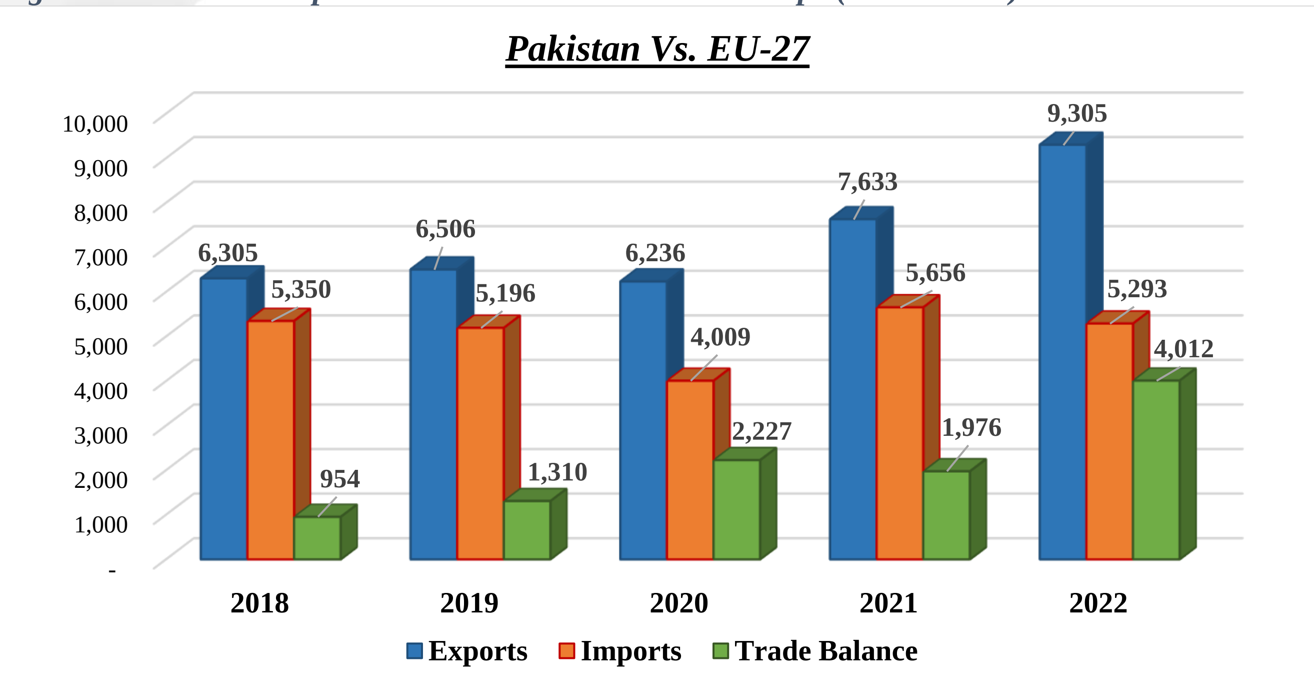
Export Destinations	July-June Fy'2022-23	July-June Fy'2021-22	% Change
United States	5,285	6,831	-22.6%
China	2,555	3,058	-16.4%
United Kingdom	1,920	2,167	-11.4%
Netherlands	1,576	1,662	-5.2%
Germany	1,567	1,771	-11.5%
Belgium	711	799	-11%
Bangladesh	705	953	-26.1%
France	493	512	-3.8%
Canada	370	464	-20.3%
Malaysia	369	467	-20.9%

Data Source: PRAL

The European countries (EU-27) have remained major trading partners of Pakistan. The major exports to EU include categories of Textile and Clothing (T&C), and Agricultural products. The T&C sector seems to get benefit from the GSP+ Scheme, as exports to the EU kept on rising annually and in year 2022 it achieve the peak of USD 9.3 billion. With positive trade balance of USD 4 billion.

Other partners groups like GCC, Africa and CARs analysis also stated in ***(Table-3).*** Trade deficit werereported for theGCC and Africa groups whereas with CARs Pakistan remained positive in term of trade deficate but unfortiunately Pakistan unable to tap huge potential to increase exports.

Figure 4: GSP Plus Impact On Pakistan's Trade With Europe (USD Billion)



Source: ITC Trade Map

Table 3: Regional Export/Imports of Pakitan (Trade Values in USD Million)

Pakistan's Trade Trends	2018	2019	2020	2021	2022
Exports to GCC	1,708	2,073	2,007	2,341	2,647
Imports to GCC	16,640	12,873	9,653	16,872	21,807
Trade Balance	(14,931)	(10,800)	(7,646)	(14,531)	(19,160)
Exports to Africa	1,503	1,423	1,401	1,489	1,508
Imports to Africa	3,179	2,928	2,656	4,527	4,329
Trade Balance	(1,676)	(1,505)	(1,255)	(3,038)	(2,821)
Exports to CARs	117	119	90	251	260
Imports to CARs	28	13	15	74	89
Trade Balance	88	106	75	177	171

Values in Million USD ***Source: ITC Trademap***

2.3 SECTOR-WISE EXPORT PERFORMANCE (FY 2022-23)

All the sectors haveshown significant decline in current FY 2022-23 when compared with the last FY 2021-22. Major contributing textile sector's exports decreased by 14.6%. The sector has earned export revenue of USD16.5 billion during FY 2022-23. The share of Textile Sector was 59.5% in total exports of Pakistan during reported periodwas followed by Food group (USD5.02 billion) with18.1% share and 7.2% decline rate,Other Manufactures group (USD3.8billion)with 13.8% contribution and 6.4% decline rate in total export of the country.Petroleum and Coal group (USD221 million) has shown33.9%decreasein the export value as compare to same period last FY 2021-22.

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

Sectors	July-June Fy 2022-23	July-June Fy 2021-22	% Change
Total Exports	27,735	31,782	-12.7%
Textile Group	16,502	19,330	-14.6%
Food Group	5,023	5,416	-7.2%
Manufactures Group	3,841	4,104	-6.4%
All Other Items	2,149	2,598	-17.3%
Petroleum Group & Coal	221	334	-33.9%

Source : PBS

2.4 Textile Sector

The Textile sector in Pakistan has an overwhelming impact on the economy, contributing 59.5% to the country's exports. It is deemed as one of the most important sectors of Pakistan's trade. The total textile exports stood at USD 16.5 billion compared to USD 19.3 billion in the same period last year. Pakistan's textile exports have experienced a significant slump of around 14.6% during FY 2022-23 as compared to same period last year. This decline can be attributed to the global recession, resulting in lower export orders, combined with a challenging domestic environment. 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 was 108th, and has likely fallen further. According to a recent global survey conducted by the World Trade Organisation 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 conclusion, the textile industry in Pakistan is facing significant challenges and the government needs to take urgent action to support the industry.

Furthermore; Exports of all major textile components, including cotton cloth, knitwear, bedwear, towels, and readymade garments, have witnessed a decrease.Among the value-added products, towels, ready-made garments, and knitwear witnessed respective year-on-yeardecreases of 10.1%, 10.6%, and 13.4%. bedwearalso have experienced an 18.3% decline. On the other hand, basic textiles Raw cotton saw a remarkable 104.8% year-on-year increase.Also Tent, Canvas &Tarpulinrecorded increasedof 24.9%.

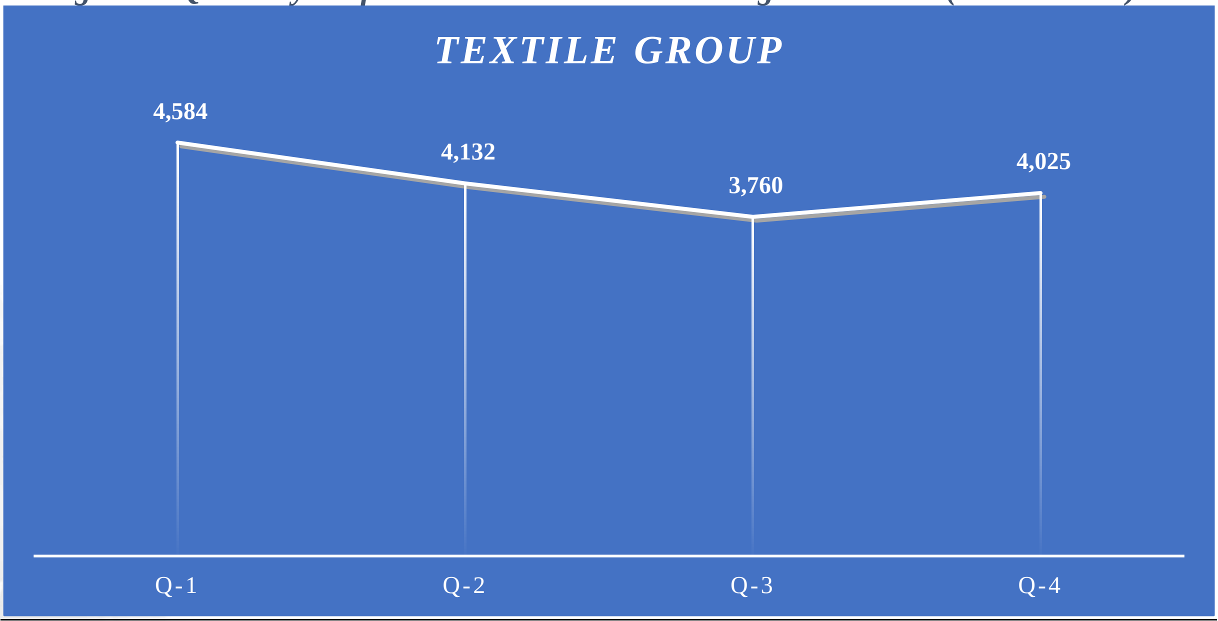
Table 4: Textiles Group Exports (Trade Values in USD Million)

YOY FY 2023 V/S FY 2022			
SECTORS	**July-June FY2022-23**	**July-June FY 2021-22**	**% Change**
Textile Group	**16,502**	**19,330**	**-14.6%**
Raw Cotton	13.5	6.6	104.8%
Cotton Yarn	844	1207	-30%
Cotton Cloth	2,022	2,438	-17.1%
Cotton Carded or Combed	1.1	1.6	-31.7%
Yarn Other Than Cotton Yarn	45.1	66.2	-31.9%
Knitwear	4,437	5,121	-13.4%
Bed Wear	2,692	3,293	-18.3%
Towels	1,000	1,111	-10.1%
Tents,Canvas&Tarpulin	137.9	110.4	24.9%
Readymade Garments	3,492	3,905	-10.6%
Art,Silk& Synthetic Textile	412	460	-10.4%
Madeup Articles	693	849	-18.4%
Other Textile Materials	713	761	-6.3%

Source:PBS

Quarterly Performance of exports of Textile sector have shown an unstable trend in the FY 2022-23. In Q1, textile exports were recorded at the highest value of USD 4.58 billion; in Q2, export values declined to USD 4.1 billion; in Q3, a further reduction to USD 3.7 billion was recorded; and in Q4, a recovery with amounts of USD 4 billion was recorded during FY 2022–23. The domestic economy continues to pose challenges for textile players, including issues such as the unavailability of locally produced cotton, delays in the clearance of imported cotton and other essential inputs, elevated gas and electricity tariffs, and increased finance costs. Overcoming these obstacles will be crucial for the recovery and growth of the textile sector in Pakistan.Furthermore; global economic recession due to Russia Ukrain war. The industry imported Raw Cotton and Synthetic & Artificial Silk Yarn during FY 2022-23.

Figure 4: Quarterly Performance Textile Sector during FY 2022-23 (USD Million)



Source: Author's calculation based on PBS data

Readymade Garments

The Readymade Garmentis one of the most important sector, in Pakistan's Textile industry.The global garments market, valued at approximately USD 490 billion, represents a missed opportunity for Pakistan. Traditionally, Pakistan has focused on home textile market worth around USD 80 billion, inadvertently neglecting the potential of the garments market,

Pakistan's Readymade Garments exports to world recorded USD 3.49 billion in FY 2022-23. The sub sector has shown decline of 10.6% in FY 2023 as compared to same period last year.The decline in exports can be partially attributed to reduced demand from key export destinations such as the United States, the United Kingdom, the Netherlands, Spain, and Germany. This reduced demand resulted from the withdrawal of concessions on gas and RLNG supplies, impacting the garment industry. Pakistan's garment export industry faces stiff competition from Bangladesh, a major player in the global market.The global economic slowdown has adversely affected textile exports for major supplier countries, including Pakistan. Additionally, political unrest within the country has disrupted daily life and economic activities. To maintain market share and competitiveness, Pakistan must address challenges effectively.The decline in the sector also decrease demand of Textile Machinery.The import of Textile Machinery posted a significant declineby 57% during reported period. This indicates that the industry imported Textile Machinery as part of shrinkage in the sector and showing a drop in new investment.

However, The devaluation of the Pakistani rupee is believed to have had a positive impact on these labour-intensive segments.

Knitwear

Knitwear (Hosiery) industry is playing a vital role in the value addition of Textile sector. Today, this industry is a source of direct employment to more than 20,000 workforce. The exports of Knitwear significantly year-on-year declined by 13.4% to USD 4.4 billionduring FY 2022-23 as against USD 5.1 billion over the same last year. Previous Governmenthad announced several measures including reduction in duty on raw imports materials and tariff rationalization to promote exports of value-added Textile sectors. The growth of Knitted Garments was due to increaseversatility of Knitting techniques, the compliance of many new manmade fibres.Moreover, an increase was due to the growth in the consumer demand for wrinkle resistant, stretchable, snug fitted garments, particularly in the areas of sportswear and other casual wear garments. During the current fiscal year Pakistan's Knitwear exports have been experiencing challenges including reduced demand, escalating gas prices and the removal of concessions on gas tariffs, global economic slowdown and political unrest within the country which have a negative impact on the textile sub-sector. The excessive costs incurred in production make the sector unsustainable, placing a heavy burden on export-oriented industries.

Bedwear

Bedwear industry contributes significantly to Pakistan's industry in general and to its Textile industrial output and exports in particular. The exports of Bedwear noticed significant decrease in FY 2022-23. However, its key basis of competitive advantage has been low cost. Exports of Bedwear went down by 18.3% to USD 2.69 billionin FY 2023 as against USD 3.29 billion of FY 2022.Pakistan exported Bedwearto Italy, France, Spain Germany & USA.

Cotton Yarn

The export of Cotton Yarn plunged by 30% during FY 2022-23, stood at USD 844million mark as compared to USD 1.2 billionsame last period 2022 . Cotton yarn is sufficiently available in the country for consumption in the value-added sector for export purposes. The export of Cotton Yarn increased to China as a result of the implementation of CPFTA Phase-II since 2020.

Textile Madeups- Towels

In made ups, Towel is the 2nd largest sub sector after Bedwear in terms of production and exports. Pakistan has been ranked as the 12th largest exporter of Towel in 2021.Due to the current economical conditions decline of 10.1% was seen in export of Towels to USD1 billion in FY 2022-23as against USD1.11 billion last year. Pakistan Towel Industry produces a complete range of Towels includingHand Towels, Bath Towels, Face Towels, Kitchen Towels, Wash Cloths, etc.available in rich assortment of patterns and designs in eye-catching colors. The towel manufacturers in Pakistan also produce a large range of allied products of Towels including, Terry Bar Mops, Terry Bathrobes, Terry Face Towels, Terry Wash Cloths, Shop Towels, Terry Gloves, Terry Pillow Covers, Terry Coverlets and all other terry made-ups as desired by the buyers. China has been a dominant player in this sector since 2001. The top 5 exporters consist of China, India, Pakistan Turkey and Vietnam and together they account for approximately 80% of the total export market.[5]The main export destinations of Pakistani Towel include mainly USA, UK, the Netherlands, Germany, Italy, Spain, Poland and Belgium.

Cotton Clothes and Raw Cotton

Cotton cloth, the exports of which decreased by 17.1% to USD 2.02 billion during FY 2022-23 as compared to the exports of USD 2.4 billion in FY2021-22.

The export of Raw Cotton increased by 104.8% this year over the same period last year.

Cotton production is forecast to rebound 36 percent to 5.3 million bales in FY2023-24. After the flood damaged FY 2022-23 crop, yields should return to trend, while better returns from competing crops will limit area expansion. Following the sharp decline in cotton use and textile exports in FY 2022-23, a modest rebound in both is forecast for Fy 2023-24. However, the increased domestic crop will limit expansion in cotton imports. Despite the many economic challenges facing the textile sector, cotton imports USD 1.97 billion was reported duringFY 2023-24. Lack of foreign exchange to import raw material and machinery, currency fluctuation, and rising energy prices will continue to constrain the textile sector’s growth through 2024.

Crop sowing in Punjab has been completed over 61.47 percent area over 1.241 million hectares against the set target of 2.019 million hectares to produce about 8.336 million bales during the current season. Meanwhile, Sindh has achieved over 71.43 percent of its assigned targets and completed crop sowing over 0.480 million hectares as compared to

[5] https://www.pacra.com/

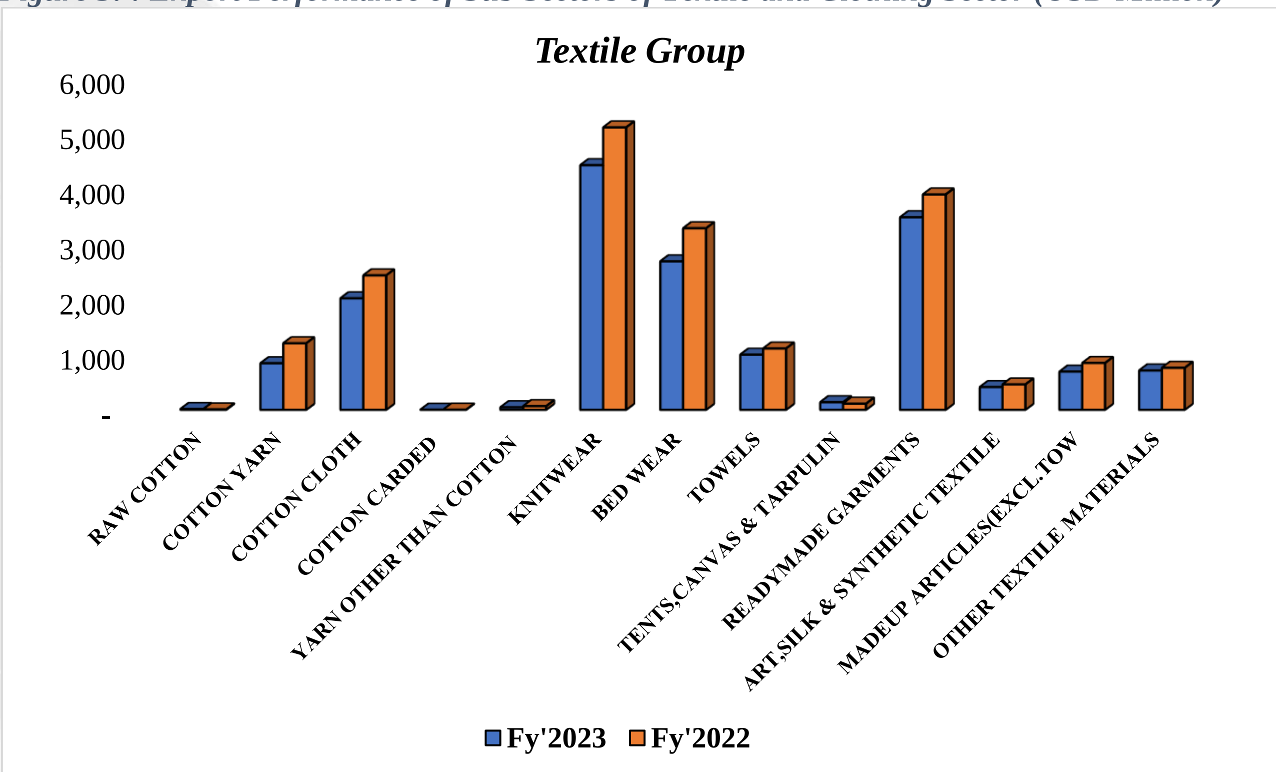
the set crop sowing targets of 0.672 million hectares while the cotton output targets for the province is fixed at 4 million bales. During the season, the cotton sowing observed upward momentum in Khyber Pakhtunkhwa (KP) and Balochistan provinces as both the provinces achieved their cultivation targets by 113 percent and 110 percent respectively. Growth in crop sowing in the two provinces was mainly attributed to the incentives introduced by the current government to revive crop production in the country.

The exporters of Pakistan are facing a very difficult situation due to the global economic slow down, continuous increase in cost of doing business due to hyper inflation in the country, the Ukraine war etc. It must be noted that the exporters also have liabilities to pay against their purchases which they have to pay in a timely manner in order to continue their business smoothly.

Synthetic and Artificial Silk Yarn

Pakistan exported worth of USD 412million of Art, Silk and Synthetic Textiles in FY 2022-23 showed an decrease of 10.4% during the reported period. Pakistan was an importing country of silk Cloth & manufacturing at the time of independence. Only few looms were working at the time of independence. Art Silk production was limited due to shortage of raw material and higher prices. Now,Art silk and Synthetic Weaving industry has shown improvement and developed on cottage based power looms units.Now, Pakistan has become an exporter of Art Silk and Synthetic Textiles.However, the import of synthetic and artificial silk yarn stood USD 583 million at this year as against USD 878 million last year, showing a significant decrease of 33%. Art silk & synthetic textile weaving industry in Pakistan is facing several challenges, which are needed to overcome for further development. The synthetic fiber industry is facing stiff competition, as raw material prices are rising continuously. A price hike in polyester fiber cost caused by the rise of international petroleum pricesthat forced the Textile mills in Pakistan to consume more cotton. Our country has the most advanced spinning and weaving mills operating on modern technology and is taking benefit of worldwide recognized technological advantage in basic textiles. However, we are unable to exploit true potential asWorld demand has been shifting to man-made fibre.Exports of major sub sector, including value-added textiles, posted double-digit growth in during FY 2022-23as compared to same period last year. Decline in exports of value-added sectors contributed to a decrease in overall exports from the sectors. The textile products exported by Pakistan account for around only 2% of world's exports.

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



Source:PBS

2.5 AGRO-FOODS GROUP

During FY2022-23, the agriculture sector also recorded a significantdecline of 7.3%which resulted fall of exported value from USD 5.4 billion to USD 5.02 billion as compared with the previous year.

Pakistan has semi-industrialised economy and consist of well-integrated agriculture sector. Out of the total area of 79.6 million hectares, 22.1 million hectares are cultivated; the rest is comprised of culturable waste, densely populated forests and rangelands[6]. The country has the world's largest irrigation system with almost 80 percent of the cultivated area irrigated.Pakistan is also amongst the world's top ten producers of Wheat, Cotton, Sugarcane, Mango, Dates and Kinnow Oranges, and is ranked 10th in Rice production.

During FY 2022-23, agriculture sector performance hit hard by Flash Floods 2022 that negatively impacted Kharif crops. The sector grew by 1.55% against last year's growth of 4.27%. Cotton production declined by 41% to 4.91 million bales as compared to 8.33 million bales last year. Rice production declined to 7.32 million tonnes from 9.32 million tonnes and recorded decline of 21.5 percent over last year. Sugarcane recorded production of 91.11 million tonnes over last year's production of 88.65 million tonnes showing increase of 2.8%. Maize production increased by 6.9% to 10.18 million tonnes against last year's production of 9.52 million tonnes. Wheat production recorded 27.63 million tonnes compared to 26.21 million tonnes last year, showing increase of 5.4%. Other crops having share of 14.49 percent in agriculture value addition and 3.32% in GDP, grew by 0.23% during 2022-23 due to increase in output of Oil seeds. Livestock having share of 62.68% in agriculture and 14.36% in GDP, grew at 3.78% in 2022-23 compared to 2.25% last year. Fishing sector having share of 1.39% in agriculture value addition and 0.32% in GDP, grew at 1.44 percent compared to 0.35% last year. During 2022-23, the productin of potato increased by 4.8%, while there is decrease in the production of moong (48.9%), chillies (43.1%), mash (31.1%), masoor (2.6%) and onion (18.3%). During 2022-23, gram production declined by 24.7% to 238 thousand tonnes compared to 316 thousand tonnes last year due to decrease in area sown. Similarly, the production of rapeseed & mustard, bajra and tobbaco recorded an increase of 98%, 13.3% and 0.1% respectively, however production of Jowar and barley declined to 23.4% and 2.6% respectively. During Jul-Mar FY 2023, about 655.9 thousand tonnes of improved seeds of various Kharif/Rabi crops were available.

Overall domestic production of fertilizers during Jul-Mar FY2023 decreased by 8.3% over the same period of FY2022. In addition, the import of fertilizer also decreased by 26.2%, therefore, total availability of fertilizer decreased by 11.2% during Jul-Mar FY2023. Total offtake of fertilizer nutrient witnessed decrease by 15%. Subsidy in the form of cheap natural gas and budgeted subsidy was given on RLNG for two urea plants and imported urea by the government during FY2023. During Jul-Mar FY2023, the agriculture lending financial institutions have disbursed Rs. 1,222 billion, which is 67.2% of the overall annual target and 27.5% higher than Rs. 958.3 billion disbursed during the same period last year. Despite the recent downward trajectory of food and fuel prices in international market, general price level is still higher than pre-pandemic level and pre-war (Russia-Ukraine). All countries have not benefitted from declining prices as the US dollar appreciated in value and currencies in many developing countries have depreciated.CPI national inflation, averaged at 29.2% during Jul-May, FY 2023 against 11.3% in the comparable period last year. Urban food inflation during Jul-May, FY 2023, is recorded at 37.3% and non-food 20.3% as against 12.5% and 10.2% in the corresponding period last year.

The inflationary pressures are emanating from weaker exchange rate, supply disruptions created by flood damages, higher global food prices and broader tariff reforms for both electricity and fuels.

Government is taking administrative actions, policy reforms and relief measures to control the prices of essential items. Government is committed to maintain the strategic reserves of wheat, sugar and pulses. District Price Control Committees are also monitoring the prices of essential items to ensure their availability at reasonable prices.[7]

Because of high vulnerability to climate change, Pakistan has experienced devastating calamity in monsoon 2022 caused by heavy rainfall and flash flooding that have severely affected onethird of the country. Flood disaster caused more than1,700 causalities, nearly 8 million people have reportedly been displaced and 33 million people have been affected (PDNA, 2022). Considering the emergency situation, besides tireless efforts of rescue and relief activates across the country, together with local,

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

[7]https://www.finance.gov.pk/survey/chapters_23/Highlights.pdf

national, and international partners, Government of Pakistan with the support of international humanitarian and financial agencies immediately intimated rehabilitation, reconstruction activities and taken policy decisions to recover from the impacts of this calamity.

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

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

YOY FY 2022-23 V/S FY 2021-22			
Sectors	**July-June FY2022-23**	**July-June FY 2021-22**	**% Change**
Food Group	5,023	5,416	-7.3%
Rice	2,149	2,513	-14.5%
A) Basmati	650	695	-6.4%
B) Others	1,499	1,818	-17.6%
Fish & Fish Preparations	496	431	15.2%
Fruits	283	477	-40.6%
Vegetables	300	310	-3.1%
Leguminous Vegetables	0.0	0.1	-28.5%
Tobacco	63.9	54.4	17.5%
Wheat	-	-	0%
Spices	93.6	107.1	-12.6%
Oil Seeds, Nuts And Kernals	189	193	-2.1%
Sugar	105	-	100%
Meat And Meat Preparations	427	341	25.1%
All Other Food Items	916	989	-7.4%
			Source:PBS

Agriculture sector, contributing 22.9 percent in GDP and 37.4 percent in employment generation, ensures food security and provide raw material to the industrial sector. It is also a source of foreign exchange earning and significant for sustainable growth. However, from last couple of years, the country observed climatic shocks which adversely affected agriculture sector. This sector's productivity is highly sensitive to the frequency of adverse climatic events like flood and drought along with abnormal heat waves, rain, and glacial melt. More severely, the prolonged precipitation patterns increase river and inland water levels, resulting in flash and seasonal river and urban flooding commonly experienced in the recent past. Thus, flood hazard remains highly susceptible to other climatic factors, as it badly influences humans' social-economic and politico-cultural domains. During July-August 2022, Pakistan witnessed an unprecedented episode of territorial rains followed by flash flooding that damaged primarily two main sub-sectors, i.e., crops (important and others) and livestock.[8]

Nationally, Pakistan's Sindh Province accounts for 42% of the rice production, 23% of the cotton production, and 31% of the sugarcane production. The 2022 Pakistan floods caused unprecedented damage to agriculture crops, livestock, and infrastructure, including storage facilities with millions of tons of grain, posing the risk of an unprecedented food security crisis in the country. The floods struck before the harvesting stage of key crops, including cotton, rice, and sugarcane. The economic losses in agriculture are much beyond the estimated direct losses to crop production and livestock. Direct damages and losses to agriculture tools and machinery, infrastructure in farms and rural areas, and trees are likely to compound the

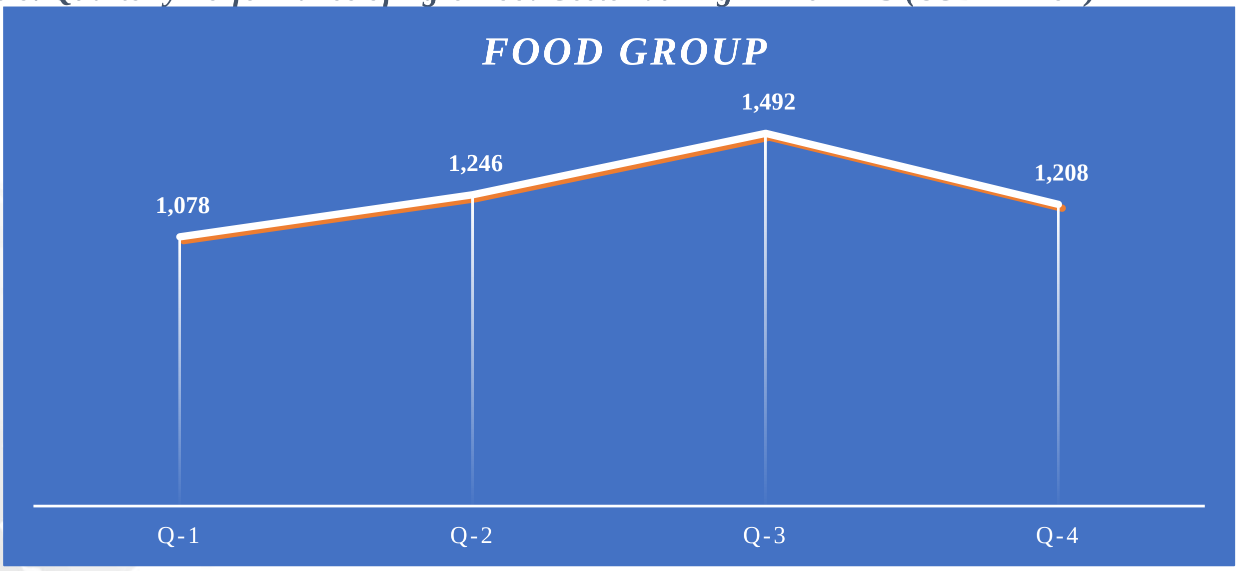
[8]https://www.finance.gov.pk/survey/chapters_23/02_Agriculture.pdf

economic losses. The indirect costs involved in draining and land rehabilitation, increased cost of transportation resulting from damaged roads and infrastructure, losses in successive crop cycles due to water logging and delays in sowing, and the government's rehabilitation and compensation support are likely to have deeper and long-term impacts on Pakistan's agriculture.

Pakistan's fruits, vegetables, and meat meet international export standards, and the country's exports to the world gradually improving. With the potential for exporting meat, Pakistan needs to utilise modern techniques, improve processing facilities, and invest in technology to grab this opportunity.

Agro-Food exports of Pakistan contributed 18% to the national export in FY 2022-23. The current structure of Agro-based exports mainly consists of Rice, Meat, Fish, Fruit & Vegetable, Tobacco, Spices, Horticulture, And Livestockwith inconsistent exports of Sugar and Wheat. The exports of the Agro-Food were USD 5.02 billion and registered an decrease of 7.3% in FY 2022-23 as against same period last year. Quarterly trade statistics shows that the growth in the sector during Jan- Sep of FY 2022-2, while a decline was reported in the last quarter . However, exporters of Agro-Food sector have converted the challenges of global stagflation into opportunities by enhancing exports and adopting realistic strategies.

Figure 6: Quarterly Performance of Agro Food Sector during FY 2022-23 (USD Million)



Source: PBS

Rice

Exports of Rice (Basmati and coarse varieties) have shown decline of 14.5% during FY 2022-23 as compared to same period last year. Pakistan exported USD 2.1 billion of Rice in FY 2022-23 compared to USD 2.5 billionduring the same period last year. Basmati Rice showeddecline of 6.4% in this year.

After wheat, rice is the second main staple food crop and second major exportable commodity after cotton. It contributes 1.9 percent of value added in agriculture and 0.4 percent in GDP. During the last few years, production of coarse types is increasing as the farmers are bringing more areas under coarse hybrid types. During FY 2022-23, the crop was cultivated on 2,976 thousand hectares, recorded decline of 15.9 percent over 3,537 thousand hectares last year. Its production declined from 9.323 million tonnes in FY 2021-22 to 7.322 million tonnes in FY 2022-23, registering a negative growth of 21.5 percent. Rice production, however, is lower than last year. This less production in combination with high input prices has caused increase in paddy price.[9]

The reason include a weak domestic currency makes a nation's exports more competitive in global markets, and simultaneously makes imports more expensive. Higher export volumes spur economic growth, while pricey imports also have a similar effect because consumers opt for local alternatives to imported products.

The global demand of rice keeps on increasing. Annualy over 500 million metric tons of rice consums globally. In the last decade, the global consumption of rice has spiraled by 87%. The demand of global rice resulted in export of rice

[9] https://www.finance.gov.pk/survey/chapters_23/02_Agriculture.pdf

worth USD 29.2 billion in the global market. The top 5 exporters of rice include India, Thailand, Viet Nam, Pakistan and USA.The top 5 importers of rice include China, USA, Philippines, Saudi Arabia, and Iran. These 5 top importers have a share of 1/4th in the global rice imports.[10]

Pakistan is one of the top producers of rice. The Basmati rice of Pakistan due to its long grain size and aroma is the most sought-after type of rice. It exports to China, UAE, Afghanistan, Kenya, Malaysia, Saudi Arabia, Italy, UK and some of the African countries. IRRI is the most exported category of rice in Pakistan. In 2021, Pakistan faces competition in this category from India, Thailand, Vietnam, and USA. It exports to China, Malaysia, Afghanistan, Kenya, and Madagascar. However, if Pakistan increases its exports to other potential markets such as Philippines, Bangladesh, USA, Iraq, Mauritius, Morocco and Ivory Coast, then the trade flows will increase significantly.

The second most exported type of rice is Basmati. Pakistan and India together export 85% of world's Basmati. Pakistan exports to UAE, Kazakhstan, Kenya, Somalia, and KSA. The report identifies potential markets such as KSA, Iran, Yemen, Kuwait, Canada, and Jordan. Broken rice is the third type of rice which is exported from Pakistan. The competitors in this category are Thailand, India, Myanmar, and Vietnam.

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

Fish

Fisheries as a sub-sector of agriculture plays significant role in the economy and towards food security of the country as it reduces pressure on demand for mutton, beef, and poultry. Pakistan's major fish & fish preparations buyers are China, Thailand, Malaysia, Middle East, Sri Lanka, and Japan etc. During FY2022-23, a total of 214 thousand MT (US$ 496 million) of fish & fish preparations were exported compared to 116 thousand MT (US$ 430 million) during same period last year showing an increase of 29 percent in quantity and 15.2 percent in value terms. Since resumption of exports to the EU countries, different consignments of finfish and shellfish have been sent by 03 companies to the EU, which successfully cleared after 100 percent laboratory analysis at EU borders. Further, a number of initiatives are being taken by federal and provincial fisheries departments which include, inter alia, strengthening of extension services. Fishery sector in Pakistan makes a significant contribution to the national economy, contributing about 1% to GDP and providing jobs to about 1% of the country's labour force. It is the most important economic activity in the coastal area of Pakistan. The fishing sector having a share of 1.39 % in agriculture value addition and 0.32 % in GDP grew at 1.44 % compared to a growth of 0.35 % in the same period last year.

During FY2022-23 (July-March), total fish production was recorded at 696.0 thousand MT (marine: 468 thousand MT and inland: 228 thousand MT) witnessing an increase of 0.8 % over the same period of last year's fish production of 690.6 thousand MT (marine: 465.2 thousand MT and inland: 225.4 thousand MT).

By effective measures, Fish and Fish preparation exports have shown improvement during FY 2022-23. Good development possibilities exist for Cephalopod fishing, which is almost non-existent so far.

Fruits and Vegetables

Pakistan's exports of Fruits and Vegetables witnessed decline of 40.6% and 3.1% during FY 2022-23.Exports of Fruits reduced from USD 477 million to USD283 million and vegetables reduced from USD 310 million to USD 300 million in FY 2022-23. Due to serious issues of transportation and logistics arising from political instabilityand Russia Ukraine war exports of the sector has decreased in Afghanistan, Malaysia, Sri Lanka, and Russia. Exports of Fruits reducedto UAE, UK, Kazakhstan, Uzbekistan, and Afghanistan during reported period.

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

[10] https://tdap.gov.pk/wp-content/uploads/2022/08/Rice-Report

low input to high input systems such as plastic houses.

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

As an impact of current global recession due to Russia and Ukraine war and climate change recent flood situation have severely effectedthe Pakistan agro sector specially fruits and vegetables market suffered from few challenges related to production, supply chain, and trade movement. Farmers got hit by the poor returns varying from one-third usual or a complete loss. Pakistan as one of the leading country to export variety of its fruit worldwide, faced export challenges that hampered the usual trade movements due to repeated lockdowns and related trade restriction protocols worldwide.

Despite the heavy floods in 2022, construction activities remained in progress on both mega projects of national importance, that is, DiamerBasha Dam and Mohmand Dam projects. Owing to the dwindling water supplies in the country, both the dams are backbone of the agricultural economy of Pakistan. On completion, these dams will greatly mitigate water shortages by additional storage of 7.076 MAF and power shortages by adding 5,300 MW in the national grid.

As pe All Pakistan Fruit and Vegetable Exporters Association (PFVA) an extended winter and delayed arrival of summer had contributed in a decline in mango production, as well as a diminished ability to combat diseases in mango orchards. Mango crop in Pakistan is facing the adverse effect of climate change during the current mango season, leading a drop around 20 percent in production from 1.84 million tonnes to 1.78 million tonnes. Major buyers of Pakistani mangoes include Gulf countries, Iran, Central Asian countries, and the United Kingdom. Additional important markets encompass Europe, Canada, the United States, and Japan. The reduction in mango production, coupled with quality issues arising from climatic effects, has resulted in increased costs for exports. Factors such as higher freight expenses, packaging and transport costs, as well as the ongoing deteriorating law and order situation, political instability, and disruptions in delivery, are posing significant challenges to mango exports.

to promote Pakistan’s soft image across the world in order to tap more avenues and in this regard mango diplomacy is second to none.As South Asian countries like India, Pakistan and Bangladesh have been using this delicious fruit as a way to smoothen political relations by taking part in “mango diplomacy. For the uninitiated, mango diplomacy is a term coined for when the famed fruits are used as a gesture of friendship and goodwill and presented as gifts by national or political leaders to each other. Other than Mangos; Pakistan (GilgitBaltistan) produces approximately 5,000 metric tonnes of cherries per season. As local consumption is limited, growers primarily rely on exporting the fruit. Given the perishable nature of cherries, Pakistan has been seeking nearby destinations for export, with China being the most viable option due to its close proximity and growing demand for the fruit. A Pakistani logistics trader based in Kashgar, Doulart Karim expressed his readiness to import Pakistani cherries this year. He emphasised that exporting cherries to China would provide an opportunity for orchard owners and traders to earn higher profits. The availability of Pakistani cherries is expected to diversify the market and cater to China’s growing appetite for this fruit.

Dates

Pakistan is the 7th largest date producing country of the world with an annual production of 0.5

million tons. It is also ranked among the ten top date exporting country. The main producing clusters are in Khairpur, Sindh and Turbat in Baluchistan. The dates produced in Sindh are of Aseel, Fasli, Bhedir, Kupro varieties. Whereas in Baluchistan Mozawati, Begum Jangi, Kaharba and Sabzo are the predominant verities. In KPK Dhakki and Mazawati are cultivated. Aseel is considered the king of all the dates produced in Pakistan. It has a sweet taste and a delectable texture with a nice shiny surface. Good quality Aseel is traded as the fresh table date in local and international market. Pakistan is also the biggest exporter of dry dates to many countries of the world. Hundreds of small scale industries exists in the producing areas to convert the fresh harvest to dry dates. Dates from Pakistan are exported to 30 countries. The major exports are to United Kingdom, United Arab Emirates, Germany, Turkey, USA, Australia and Bangladesh. Several value added products are produced from dates viz; syrup, powder, sweets, energy bars, biscuits etc.

Pakistan is a major producer of the fruit, with annual production estimated at around 500,000 metric tons. But more than 80 percent of date crops in the South Asian country were destroyed in the floods that submerged a third of the country. “Local date crops were ruined in floods that affected Balochistan and Sindh. Pakistan cultivates most of its dates in Balochistan and Sindh provinces, which were the most affected by last year’s deluge. “The date crop was the first to suffer and in parts of Sindh’s growing belt it was entirely wiped out as it was the fruiting season. The lack of post-harvest storage and drying facilities also compounded the situation and added to the crop loss.

Total Dates exports of Pakistan were US$ 35 million with 35% decreasing rate in value during FY 2023as against previous FY2022. Major export destinations for the product are UAE, Germany, UK, Turkey, Australia and Canada . Fresh Dates exports of Pakistan were US$ 9.2Millionduring FY2022. Dry Dates exports of Pakistan were US$ 26 Millionduring FY2022. The main reason was the constraints of Pak-India trade relation, as India was the major importer of Pakistani Dry Dates, due to global recession and high cost of sea freight, which has risen at least 5 to 6 times higher and that makes it impossible for the buyers to buy our dates. Our competitor Iran has lost the value of currency against the dollar so the prices of this origin dates are much lower than Pakistan, besides they have a very good logistic arrangement by road, and they can send one full reefer container by road to Turkey in merely US$1200. From Turkey, they can send the dates container to Europe with an added US$1800. Whereas, our transport cost in a dry container to Europe has risen to US$ 6000 and for reefer containers, it costs around US$7500 carrying just 18 MT of dates. In order to explore new and potential markets for Pakistani Dates, TDAP launched“Dates Promotion Campaign” in 2021, wherein the samples of different varieties of Pakistani Dates including the varieties of Baluchistan along with the marketing brochures have been sent to 31 Diplomatic and Commercial missions abroad.

Wheat

During 2022-23, wheat was cultivated on 9,043 thousand hectares against last year’s area of 8,977 thousand hectares recorded increase of 0.7 percent. Wheat contributes 8.2 percent value added in agriculture and 1.9 percent to GDP. The production of wheat stood at 27.634 million tonnes compared to 26.208 million tonnes last year, a growth of 5.4 was observed in wheat production. Wheat production increased as government has announced Kissan Package-22 to mitigate the impact of Flood-2022 losses. The government has also increased Minimum Support Price (MSP) to Rs 3900/40 kg compared to Rs 2200/40 kg ensuring better economic returns to mitigate higher input cost.

Wheat is the staple crop and it ensures food security of the country. Self-sufficiency in wheat has been an objective of every Government and thus always challenges for the agriculture experts and policy makers. Wheat is a strategic crop and any shortfall in its production can create an awkward situation leading to political uncertainty, significant drainage of foreign reserves, rise in prices of wheat flour and pocket shortages in vulnerable areas. During 2021-22, area sown decreased to 8,976 thousand hectares (2.1 %) against last year’s of 9,168 thousand hectares. The production of wheat declined to 26.394 million tonnes (3.9 %) compared to 27.464 million tonnes production of last year. Wheat production declined due to decline in area sown, shortfall in irrigation water and drought conditions at sowing, less fertilizers offtake and heat wave in March/April, though the government has increased Minimum Support Price to Rs 3000/40 kg this year is aligned to the cost of production.

Pakistan imports significant amounts of wheat, pulses, and oilseeds from the Russia and Ukraine. Last year, imports from Russia and Ukraine contributed for 77.3 % of total wheat imports, 19.3 % of total pulses imports, and 10.4 % of total oilseed imports into the country. Moreover, although Pakistan is not primarily dependent on these two countries for fertilizers and fossil fuels, it is likely to bear the brunt of rising international prices for fertilizers and energy. Due to high fertilizer prices and drought in some parts of the country, Pakistan has missed its wheat production target. Therefore, Pakistan will most likely need to import wheat in the next few months. Wheat prices were already rising to historic levels, but with the ongoing conflict between the Russia and Ukraine, international wheat prices are now at their highest level in the last few decades. The increased cost of production domestically, due to increased fertilizer and energy prices, are expected to raise the price of wheat in the Pakistani market.

Pakistan import 2.7 million tonnes of wheat in FY 2022-23, up from a previous forecast of 2.5 million tonnes, based on the government's international procurement intentions, according to a Global Agricultural Information Network and Foreign Agricultural Service of the US Department of Agriculture (USDA).

No export of wheat registeredduring FY 2022 and 2023. Due to increasing price and less stock availability.

During FY 2023 Pakistan has imported the wheat amounting USD 1 million 34% more than previous year import of USD 795 million.

Pakistani wheat flour had always been in high demand across the world, though India had taken advantage of the situation since his country was no longer supplying the commodity internationally.

We can again cover the UAE and other Middle Eastern states, the African region, and the United States as well by processing imported wheat.

Meat

Pakistan exported worth of USD 427 million of Meat and Meat preparations in FY 2022-23. The sector registered growth of 25% in the reported period as compared to last year. Global meat industry is worth of USD 164 billion.

Pakistan has exported meat and meat preparations worth USD 427 million by the end of the current fiscal year FY 2022-23 after getting access to the Jordanian and Indonesian halal meat markets.

The veterinary and animal health directorate of Jordan's agriculture ministry allowed three Pakistani meat processing facilities to export bovine, sheep, goat and camel meat to the Arab country. Additionally Indonesia is also planinng to open its market to Pakistani halal meat as well.

Being the world's top-10 beef and veal producers,Pakistan has won China's approval for meat export after a private sector company established a heat treatment facility to remove virus. China is the largest producer and importer of meat in the world. Chinese authorities had imposed quarantine restrictions on Pakistan's Meat while our Prices were lowest as compared to other countries. Pakistan exported beef to Vietnam in bulk and from said country it enters into China without any restriction. Moreover, Malaysian Government has allowed third Pakistani meat exporter after approving two others last year. This shows that international acceptability and demand of Pakistani meat is gradually increasing.

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

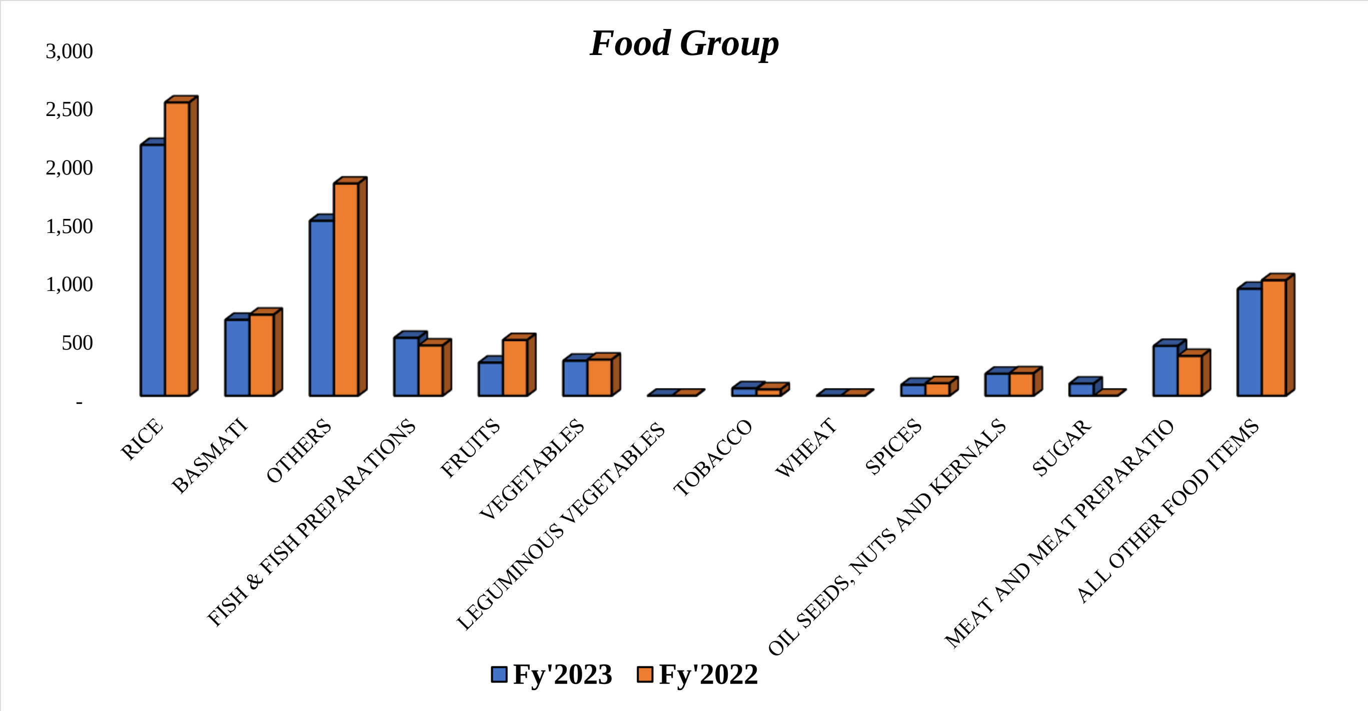
Pakistan has the potential to massively enhance its meat exports with diversification into the boneless and frozen category with a particular focus on gaining access to the Chinese market. Pakistan's export-oriented meat processors have a significant opportunity to tap into the Chinese market, which is the largest importer of frozen beef. To capitalise on this thriving market, Pakistani meat processors need to diversify into other meat segments, particularly frozen, boneless beef.

diversifying away from fresh carcasses is essential to gain a foothold in the Chinese market, as the China-Pakistan Free Trade Agreement-II (CPFTA-II) does not grant concessions for fresh or chilled bovine carcasses, which are subject to a prohibitive 20% tariff. Pakistani bovine meat processors enjoy duty-free access to all other market segments, including frozen bovine meat products, fresh boneless meat, and fresh bovine cuts with bone in. This provides Pakistan with a significant advantage over other major beef exporters. the need to shift towards the frozen beef market segment is also crucial to expand to other major markets in Asia, including Malaysia, Indonesia, and Vietnam, where similar consumption patterns are observed. Meat exports from Pakistan are largely concentrated in the fresh or chilled market segment, specifically in the carcasses and half carcasses category, with most exports going to Gulf Cooperation Council (GCC) countries. the industry presents an opportunity for growth, but is currently hindered by a lack of traceability of cattle stock, the presence of foot and mouth diseases (FMD), outdated methods and technologies used in aggregating, transporting, and slaughtering animals, and the lack of capacity to produce frozen de-boned beef cuts for international markets. the three largest meat exporting countries, including Australia, Brazil, and India, export frozen beef, which is considered lower quality and cheaper, but has a longer shelf life and can be transported by sea to far markets, improving marketability and providing better returns. To compete in the international market for frozen beef, Pakistan must comply with the quality and phytosanitary standards of importing countries. Pakistan currently limits access to most global markets, but the government is undertaking vaccination programs and making an animal quarantine zone in Cholistan to address the issue.

Pakistan is gearing up to export boiled meat to the Chinese market, Three processing plants, namely Fauji, Tata and Green, set up in Karachi have already been approved by the concerned authorities of China. These plants have good reputation and capacity.

The demand for meat in the Chinese market is vast. To meet the growing demand for meat in the Chinese market, Pakistan needs to work on the value chain and adopt corporate farming to enhance the quality of meat and increase exports. Currently, Pakistan exports about 66,000 tonnes of meat annually, and the export of boiled meat could play a significant role in achieving Pakistan's export target of $10 billion to China in the future.

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



Source:PBS

2.6 OTHER MANUFACTURING GROUP EXPORTS

The manufacturing industries transforming goods, repair and install industrial equipment and involve in the subcontracting operations for other industries. For the economic growth, the manufacturing sector plays their crucial role in the economy of Pakistan as well. It is known as the third largest sector in Pakistan after the agriculture and service sector and share of this sector is 13 to 16 % per annum in the overall GDP in the country. As a whole, the manufacturing sector employs 16% of the labor force.

The output of Large Scale Manufacturing Industries (LSMI) witnessed a decline of 25% year-on-year in 2023, the largest drop since 2020 (during the pandemic). The prudent measures and continuous support along with rising global demand, easy access to credit, and partially subsidized energy supplies bode well in boosting the business sentiments and achieving higher growth of LSM.

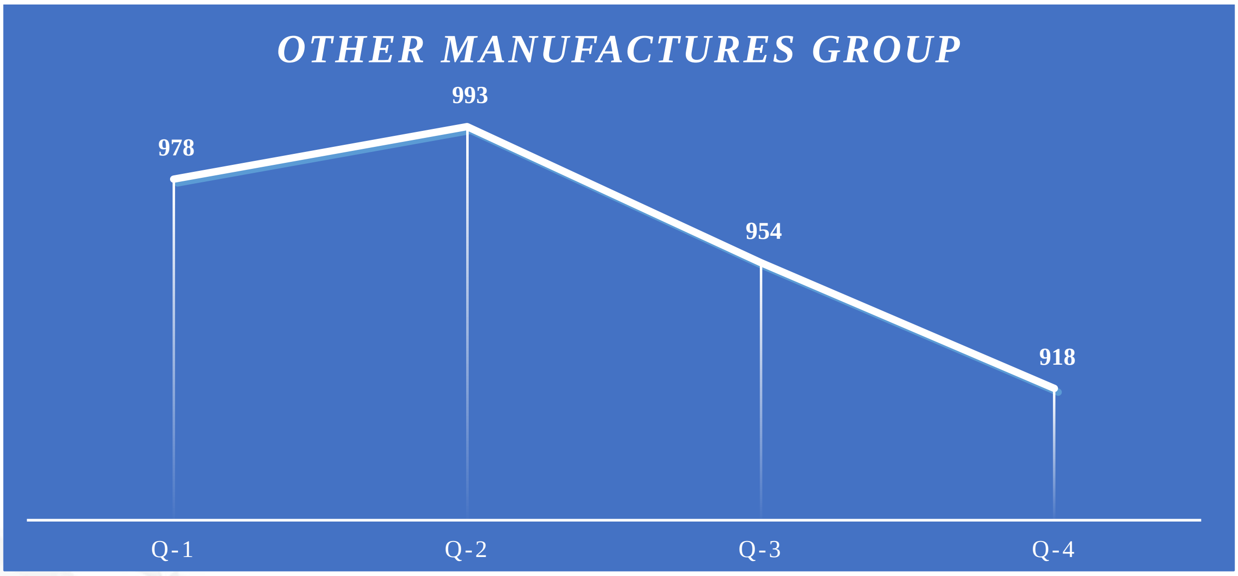
The share of other Manufacturing sectors in the exports of Pakistan was 13.8% during FY 2022-23. The manufacturing sector is the driver of economic growth due to its forward and backward linkages with other sectors of the economy. The export of other Manufacturing sectors has shown negative growth of 6.4% during FY 2022-23 as compared to the same period last year. Pakistan exported a worth of USD 3.8 billion manufactured and Engineering Goods during FY 2022-23. Majority of the commodities have shown negative growth except Sports goods, Footwear, Surgical Goods,Cutlery, Pharmaceutical Products, Transport equipments, Electrical machinery, and Furniture during reported period.

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

YOY FY 2022-23 V/S FY 2021-22			
Sectors	**July-June Fy2022-23**	**July-June Fy2021-22**	**% Change**
Other Manufactures Group	3,841	4,104	-6.4%
Carpets, Rugs & Mats	73	83	-12.7%
Sports Goods	405	365	10.9%
A) Footballs	237	191	24.3%
B) Gloves	67	76	-12.2%
C) Others	101	98	3.1%
Leather Tanned	168	208	-19.5%
Leather Manufactures	577	621	-7%
A) Leather Garments	281	315	-10.9%
B) Leather Gloves	281	287	-2.1%
C) Other Leather Manufactures	15	19	-18.1%
Footwear	179	157	13.7%
A) Leather Footwear	142	125	14.1%
B) Canvas Footwear	1	1	-2.4%
C) Other Footwear	35	31	13.1%
Surgical Goods & Medical Instruments	447	423	5.9%
Cutlery	62	96	-35.6%
Onyx Manufactured	4	6	-32.2%
Chemicals and Pharm.Products	1,387	1,569	-11.6%
A) Fertilizer Manufactured	-	-	0%
B) Plastic Materials	268	428	-37.4%
C) Pharmaceutical Products	328	269	22%
D) Other Chemicals	791	872	-9.3%
Engineering Goods	250	238	5.2%
A) Electric Fans	31	32	-5.4%
B) Transport Equipment	16	12	38.8%
C) Other Electrical Machinery	42	35	21.8%
D) Machinery Specialized forParticular Industries	44	63	-30%
E) Auto Parts & Accessories	22	28	-18.7%
F) Other Machinery	94	68	38%
Gems	8	8	-1.6%
Jewellary	8	14	-46.5%
Furniture	13	9	33.9%
Molasses	24	33	-28.7%
Handicrafts	1	-	100%
Cement	190	224	-15.2%
Guar and Guar Products	47	50	-4.4%
All Other Items	**2,149**	**2,598**	**-17.3%**
			Source: PBS

The export od the manufacturing Group showed declining trends due to the global recession because of Russia Ukraine war.The quarterly trend graph depicts the sharp decrease during the last 3quarters for FY 2022-23. The poor performance in the industrial sector reflects the overall economic slowdown across various sectors in the ongoing fiscal year. The inability of the industries to secure Letters of Credit in the wake of government's recent measures due to dollar shortage has dented production. The government remains engaged in trying to convince the International Monetary Fund (IMF) to revive the stalled Extended Fund Facility (EFF) programme, which if approved by its board would release a funding tranche of over $1 billion. The IMF has already revised downward the GDP growth rate projection for Pakistan from 2% to 0.5% for the current fiscal year, ie, 2023.

Figure 8: Quarterly Performance of Other Manufacturing Sector FY2022-23(USD Million)



Source: PBS

Sports Goods

The share of Pakistan Sports Goods in total exports of Pakistan is 1.46% in FY 2022-23 with football as major export product. The share of football in the sports goods was 58.5% FY 2022-23. The city of Sialkot is a centre of excellence for the production of sports goods for more than 100 years. The first record of manufacturing of Sports Goods in Sialkot can be traced back to 1883 with the products such as cricket bats, hockey sticks, polo sticks.

Pakistan's sports industry witnessed a steep increase in exports of sporting goods over the past fiscal year. Sports Goods export has shown the increase of 10.9% during the FY 2022-23 in terms of exported value as compared to same period last year. The export of Sports Goods was recorded USD 405 million in FY 2023 while same goods exported last year worth of USD 365 million. Major products of Sports Goods include Footballs having exported value USD 237 million and registered a growth of 24.3% in FY 2023. The increase was largely due to the football manufacturing industry, which saw an increase both in quantity and value by 36.5 percent and 33.7 percent, respectively. Pakistan's football industry witnessed a boom due to the FIFA World Cup held in Qatar last year, with made-in-Pakistan footballs being used for the mega event. Pakistan produces approximately 70% of the footballs used in various competitions around the world. Pakistan produces high-quality hand-stitched footballs with an uncompromised quality of the football, its price, and its performance. Previously, the footballing manufacturing industry witnessed an increase of 37.8 percent in the total exports of football in FY 2021-22 as compared to the FY 2020-21 fiscal year.Meanwhile, gloves exports witnessed a steep decline. Gloves exported value was USD 67 million with 12.2% decrease for the FY 2023. The Sports Goods industry, along with Surgical Goods and Medical industry and Engineering Goods were the best-performing industries over the past year, with many other manufacturing industries reporting a decrease in exports.

Pakistan has one of the world's largest and most renowned sports goods industries. It exports a significant portion of its sporting goods to some of the world's most recognizable brands, including Nike, Adidas, Puma, Umbro, Lotto, Wilson, Mitre, Micassa, Diadora, and Decathlon. Footballs and gloves account for 3/4th of all exported sports items.

There is a need for a one-window facility to assist small and medium-sized enterprises in enhancing their efficiency and boosting the sports goods industry's growth,and supporting the specific needs of SMEs in the sports goods sector. Providing SMEs with a comprehensive support system will help unleash their potential within the sports goods manufacturing and export domain, ultimately contributing to increased revenues and higher employment opportunities.

Leather & Leather Manufacturers

Exports of Leather tanned, Leather manufacturesand Footwear stood at USD 168 million, USD 577 million and USD 179 million during FY 2022-23, the sub sectors have recorded a decline by 19.5% and 7% while Footwear exports showed positive growth of 13.7%.

Pakistan's footwear industry is the 7th largest in the world**,** employing about one million people in the country. Focused primarily on the domestic market, its main destination markets are the US and some European and Arab countries. China is Pakistan's main supplier. This segment accounted for roughly 79% of footwear's total exports. Meanwhile, the canvas footwear segment recorded a decline of 2.4% in value, as compared to the same period of FY 2021-2022.

Pakistani tanning industry is highly dependent on imported chemicals. The tanning sector is the "mother industry" of downstream activities such as the manufacturing of garments, footwear, gloves and leather goods, so the ongoing economicalissues negatively affected this sector.

Pakistan's leather industry is largely export-oriented, but it has been facing challenges such as rising raw material costs, shortage of gas, and lack of government support. Resulting in the closure of tanning units, job losses for thousands of workers and decline in exports. The government needs to formulate specific policies for the leather sector, as was done for the textile industry, to boost exports. Furthermore; reducing customs duties and tariffs on raw materials, as well as providing concessions to industrialists on the consumption of electricity and gas were necessary, encouraging foreign investment in the industry could also help increase exports of leather garments.

However, in March 2023, the government terminated RCET of Rs19.99/kWh, announced in October 2022, while the RLNG tariff increased from $6.50/MMBTU to $9/MMBTU. These developments are likely to adversely impact the sector's profitability and increase the prices of finished products. Due to the gas shortage, leading manufacturers to seek alternative fuel sources. As a result, the increased reliance on alternative fuels led to a rise in input costs for the industry.

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

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

Surgical Goods&Medical Instruments

Surgical Goods & Medical Instruments export was recorded USD 447 million with a 5.9% increase during the FY 2022-23 compared to the corresponding year. The surge in exports was primarily driven by the increased demand for surgical and medical equipment. The noteworthy surge in exports of Pakistani medical equipment, especially during the challenging times of the COVID-19 pandemic. The demand for locally produced ventilators witnessed a significant rise, as Pakistan began manufacturing its own ventilators to address the critical needs during the health crisis.

Pakistan canuplift its exports volume of surgical instruments by exploring new exports destinations. As currently Pakistan's continued reliance ona limited number of export destinations. Nearly 80% of surgical instruments made in Pakistan are exported around 15countries only. This limits Pakistan's export potential and increases concentration risk.

Apart from this, there is little marketing activity for promotion of exports. Very few manufacturers brand theirinstruments/goods. Most Surgical Instruments are sold to foreign buyers who then use their own brand to sell at a premiumin international markets. It is not known whether final buyers are aware of Pakistani manufacturers. German andAmerican buyers buy from Pakistani manufacturers and ensure quality. After providing quality assurance, German andAmerican importers sell within or in other countries.

Foreign buyers place emphasis on quality and provide access to technical knowledge. In contrast, independentPakistani sales agents have weak quality standards, rarely provide technical feedback for support, and are highly pricefocused. Trading patterns and marketing channels vary by firm size. Large firms are more likely to trade with technicallyadvanced foreign manufacturers, leading US kit packers or major international buyers. Small firms sell to lessspecialized and less quality-conscious foreign buyers and foreign-based Pakistani agents, foreign clients are the mostimportant sources of technical and market related information. Many producers obtain technical insights and abilityfrom visits to surgical instrument manufacturers abroad.

The Pakistani Surgical Instruments industry will face a new challenge in the form of Medical Devices Regulation (MDR)compliance beginning 2024. All instruments manufactured will have to be compliant with new European regulationson biocompatibility. The new regulations are expected to impact exports of Surgical Instruments. The industry is asking

The government to help with MDR compliance by providing consultants for five years who would help in meetingregulatory standards. They also want a publicly-funded testing lab established for the purpose of complying with theseregulations.

The establishment of a surgical city in Sialkot, boosting surgical instrument exports, and taxation issues should be included in the planning process concerning the surgical industry.

Highlighting the tremendous potential for increasing surgical instrument exports, there is a need to make joint efforts by government authorities and the associations to achieve an annual export target of one billion dollars for surgical goods.

PharmaceuticalProducts

Pakistan exported USD 328 million worth of Pharmaceutical products to the world during FY 2022-23. It witnessed a remarkable boost of 22% during reported period as compared to the exports of the corresponding period of last year. the pharmaceutical industry in Pakistan has witnessed a remarkable boost in exports, reaching a record high of $713 million during the fiscal year 2022-23. The surge in exports was primarily driven by the increased demand for surgical and medical equipment, as well as pharmaceutical products. the volume of pharmaceutical exports experienced an outstanding rise of 98.6 per cent during the fiscal year 2022-23. Approximately 51,964 metric tons of medicines and medical devices were exported, demonstrating the industry’s expanding reach.

Pakistan exported 26,054 metric tons of medicines and medical equipment, contributing to the impressive growth in the pharma sector’s export value. The significant growth of 25.3 per cent in pharma export value further highlights the industry’s success in the international market. The pharma industry has set an ambitious export target of $1 billion for the fiscal year 2024-25, indicating the industry’s determination to continue its upward trajectory. This substantial increase in exports to the incentives provided to the pharmaceutical sector. The government’s support and facilitation have played a crucial role in boosting the industry’s growth and enabling it to compete effectively on the global stage.

Major destinations for Pakistan’s Pharma products are Afghanistan, Philippines, Myanmar, Sri Lanka, South Africa, Sudan, and Cambodia.

The Government focused to increase pharmaceutical exports through upcoming tariff rationalisation, trade-related investment, institutional reforms, and easing of business regulations.

Carpet

Carpets, Rugs and Mats export has decreased by 12.7% during the FY 2022-23 as compared to same period last year. The export of carpet was recorded at USD 73 million for the current year. In Pakistan, carpets are manufactured with fine wool yarn making these carpets very similar to silk carpets. The Pakistani carpets are mass-produced (in Lahore, Karachi and Rawalpind), are divided into Mori carpets and Persian where 90% of the Mori carpets have a Bochara-like pattern and other Turkmenistan patterns. Ziegler carpets, that are manufactured in Pakistan, have patterns that are copied from older traditions in the Arak district, Persia. Carpets are also being manufactured here that gathers inspiration from Caucasian carpets and are sold as "Kazak Fine".

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

Exporters of handmade carpets are trying to increase exports despite the fluctuations in the value of the dollar, increase in production cost and other difficulties and government and other related institutions including State Bank. However, sometimes issuance of policies and circulars without consultation of stakeholders leads to difficulties and complications.

Carpets have been the unique identity and heritage of Pakistan in the world that's why urgent steps are needed to rebuild it as a proud national industry. This sector could become the new potential sixth export industry of the country but it was completely neglected and due to which Pakistan has failed to receive its required share in the global export trade of more than USD 30 billion. Due to lack of infrastructure support, lack of attractiveness for skilled workers and other similar problems, the industry has come on ventilator. It is suggested that if the government and the private sector support, which will not only create immense employment opportunities for the people but also boost our exports.

Plastic

The exports of Plastic materials during FY 2022-23 declined by 37.4% as compared to the exports of the corresponding period of the previous year. During FY 2022-23, Plastic materials worth USD 268 million were exported as compared to USD 428 million of the same period of last year.

In term of quantity, the plastic export however decreased by 13.32 %, from 246 thousands metric tons to 213 thousands metric tons. Major importers of Pakistani plastic are United States of America, Afghanistan, Canada, Turkey, UAE, India, Italy, Tanzania, Belgium, Germany, Bangladesh, Qatar, UK and China.

The plastic industry of Pakistan has established with the world-class processing plants using technologies of international standard. This industry is not only meeting the domestic demand but also contributing significantly to the GDP of the country by exporting its products to various countries. Polymer is the main trading component of plastic industry. Export of Polymers has decreased. Pakistan's plastic industry is using imported raw material mostly while it is exporting plastic products to many countries. China, Saudi Arabia and USA are the largest trading partners of Pakistan's plastic.

Pakistan's plastic import is expected to reach a staggering USD 3 billion by 2026, growing at a CAGR of 2.5% year-on-year since 2021. In 2021, Pakistan ranked 40th in the world, with Norway overtaking it at USD 2.6 billion. The US, Germany and France held the second, third, and fourth positions respectively. Meanwhile, the country ranked 66th as an exporter, with Bosnia and Herzegovina leading with $277 million. The US, Germany and South Korea held the second, third and fourth positions respectively.

Cutlery

The exports of Cutlery decreased by 35.6% and exported worth of USD 62 million in the current financial year as compared to the exports of valuing USD 96 million in the same period of the previous year. The annual demand of cutlery products in the world market is USD 80 billion. The main destination of Cutlery exports from Pakistan are; Netherlands, Germany, Spain, United States, and Saudi Arabia. The fastest growing export markets for Cutlery of Pakistan between 2020 and 2023 are Spain United States, and Germany. For the past five years, the cutlery industry has been showing a declining trend. Total international trade in table cutlery is worth overUSD 5 billion and Pakistan's share in it is less than 0.5 per cent.

The declining trend in cutlery export has been due to a rise in petroleum and diesel prices. The rise in prices of oil has further increased the input cost of the industry and made it difficult for them to survive in the international market.

Cutlery exports have reported decline due to increased freight cost and lack of value addition.It has also become challenging to meet the international standards to compete in the market. However,Amazon started operations in Pakistan for small manufacturers and it is good opportunity tomarket Pakistan's cutllery in the international market through E-Commerce platform.

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

The sector, whereas, has achieved reasonable export performance growth in the recent years has suffered from intense competition from China. The major impediments of the sector are low levels of productivity, inadequate technology upgrade and shortage of skilled staff. Moreover, most of the companies operate without any brands with only a couple moving to branding of their products. Furthermore, the industry in the years to come will face higher compliance requirements, especially the cutlery manufacturers, who would be required to meet standards on use of 'food grade materials'. Currently not much compliance or testing requirement exists and only a few companies adhere to ISO standards. As a result of the UNIDO's benchmarking exercise we have also identified that firms have indigenously developed products for the export markets. Additionally, the surveys conducted also suggest that current export is much below potential due to low levels of education and lack of understanding to export. The scale of operations is also a problem and firms find it harder to compete with competitors especially China.

The country's exports can be increased with the proper support of government to this sector. Government is planning to build a "Cutlery Art and Craft Village" in Wazirabad to boost the production of cutlery.

The cutlery export industry has a lot of potential to develop and provide jobs to millions of unemployed people and contribute a larger share to economic growth. The government should come forward to increase labour productivity through job training, skill up-gradation, dispersion of modern knowledge and sophisticated techniques. It needs to improve physical and financial infrastructure, cargo clearance, space handling, etc. It should ensure regular and low-cost supplies of power, water, gas and telecommunications to the export industries. It should sponsor trade delegations. In this context, commercial consulates should be asked to put in more sincere efforts to explore new markets. Joint ventures with foreign firms can bring benefits of transfer of technology and marketing expertise. The Trade Development Authority and trade commissioners can play an active role as individual exporters would not be able to deal with large enterprises.

Cement

The exports of Cement during FY 2022-23 declined by 15.2% as compared to the exports of the corresponding period of the previous year. During FY 2022-23, cement worth USD 190 million was exported as compared to USD 224 million of the same period of last year. Pakistan has been exporting clinker and cement to Bangladesh, Sri Lanka, Afghanistan, Madagascar, South Africa, Tanzania, and the USA.The local cement industry has the capacity of 65 million tons and domestic consumption is just 40 million tons while exports are just 4 to 5 million tons. The country needs to expand its exports to big markets like the USA as the demand for construction materials in the USA has increased manifold with buyers looking for new sources of supply following President Biden's $6 trillion infrastructure package.

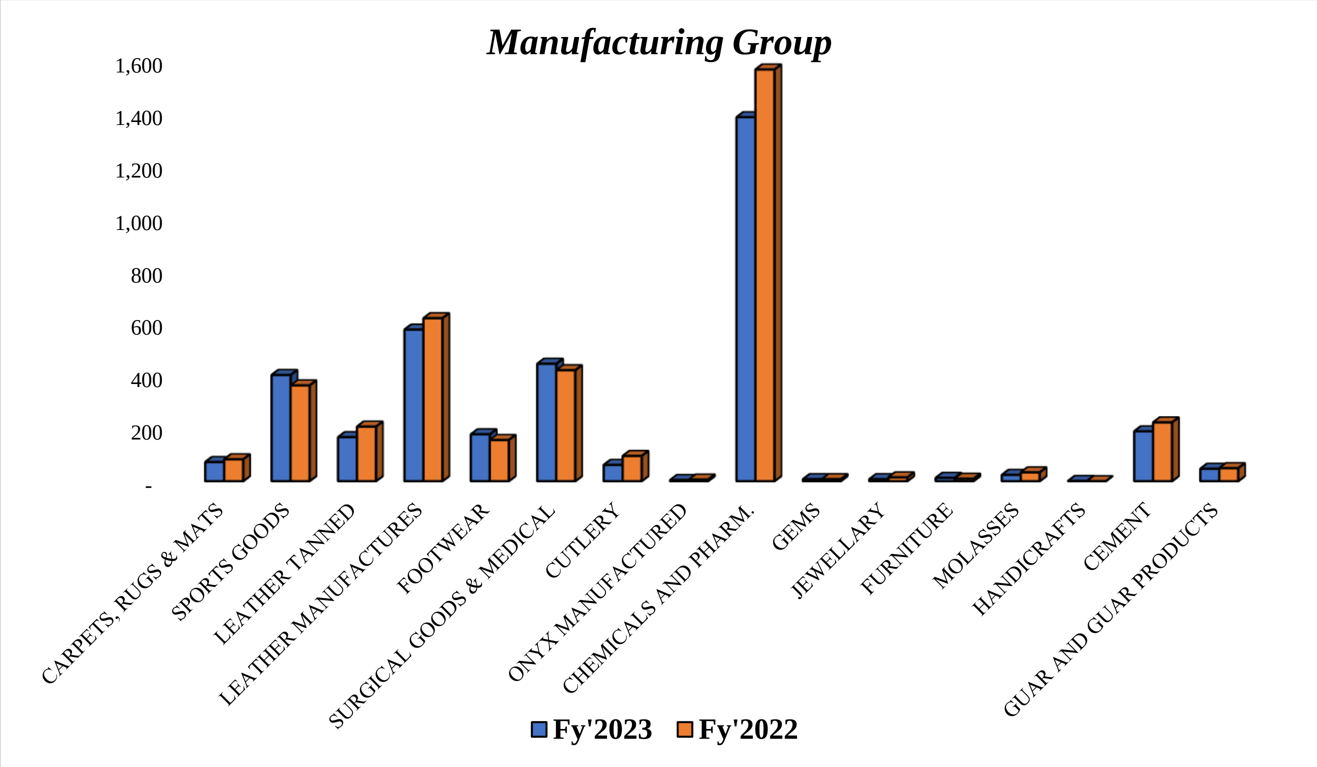
Pakistan has lots of surplus cement and as the supply is much greater than the demand, manufacturers are not utilizing their full capacity, hence we need to explore new markets

The cement has industry is going through difficult times due to the historical high prices of fuel, electricity, severe hike in interest rates, increasing construction costs, political instability discouraging investors in the construction sector, global economic slowdown and uncompetitive export prices coal and other raw materials. Due to the high cost of production, the prices of cement will continue to increase in the local market while export has already declined massively due to high cost of production. This was largely attributed to rising international freight rates, political and economic instability in country and a trade ban with India. It is recommended that the industry take necessary steps to stabilize the market and improve conditions to promote growth and investment in the sector.

It expects flattish local cement sales in FY24 due to higher cost of production, restricted government spending and poor purchasing power. Economic distress in Sri Lanka and restricted market access to India have pushed local manufacturers to look for alternate exporting destinations. DG Khan Cement, for example, has initiated exports to the US and is also exploring options in South America and Europe. Furthermore, stability in Afghanistan is also a welcome sign.

Manufacturers also focusing on maintaining an Eco – friendly environment by making a significant contribution to reduce carbon footprints by using renewable energy, waste heat recovery and alternate fuels.

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



Source:PBS

2.7 Engineering Goods

The export of engineering goods was USD 2 millionwith 5.2%decline during the FY 2022-23 as compared to same period last year. The major products of Engineering Goods consist of Industrial machinery USD 44 million, Electrical machinery USD 42 million and Electric Fans amounting to 31million USD with growth pattern of-30%, 21.8 and -5.4%respectively. Transport Equipment export recorded at 16 million USD with 38.8% growth for the FY 2022-23. Auto parts also showed decline by 18.7%, with the exported value reported USD 22 million during FY 2023 as compared to USD 28 million of corresponding year.

Tractors

The production of farm tractors in the country witnessed a decrease of 46.11 percent to 31,726 units during the fiscal year 2022-23, against the production of 58,880 units during the last year 2021-22.

During July-June 2022-23, the production of trucks also witnessed decreasing trend as it went down from 5,659 units as compared to 3,072 units, showing a decline of 45.71 percent, according to Pakistan Automobile Manufacturing Association (PAMA). Production of pickups, Light Commercial Vehicle (LCVs) and Jeeps also dipped by 19.58 percent to 31,333 units during the period under review from 44,421 units during fiscal year 2021-22. However, the production of buses witnessed an increase of 6.05 percent from 661 units to 701 units during fiscal year 2023.

The tractor industry is a success story of Pakistan's manufacturing sector. The industry has establisheditself on firm footing by achieving more than 90 percent localization in the production of tractors. Thecountry is not only meeting the local demand for tractors effectively but producing exportable surplusas well. Given the fact that Pakistan was a net importer of tractors a few years ago and imported US$195 million worth of tractors in 2017, it is a commendable feat that the country exported tractors to the tune of USD 47 million in FY2021. During FY2022 and FY2023, Pakistan's exports of tractors have been USD 56 million and USD 34 million respectively.

Pakistan manufactures the world-renowned Massey Fergusson and New Holland Fiat Tractors underlicense from the parent companies. Due to high level of localization achieved, Pakistan's low-pricedtractors are well- received in Afghanistan and African countries. Botswana, Nigeria and Kenya haveemerged as the largest export destinations for tractors. Most of the tractors manufactured in Pakistan have engine power between 50-100 HP.

The burgeoning demand in the local market has spearheaded the production of tractors in Pakistan. The tractor industry has also promoted the growth of allied industries. For example, the iron and steel sector are the major supplier of raw material to the tractor industry and its growth hinges on tractor production in Pakistan. Furthermore, tractor parts and raw material are also being exported worldwide as the allied industries are gradually finding their own feet.

In recent years, the Agricultural Tractor market has experienced substantial growth due to the expansion of the industry and the rising demand for related products and services. The market size has been increasing due to several factors, such as advancements in technology, growing consumer awareness, and the emergence of new applications for technology. The government has announced the imposition of customs duty (CD) on the import of agricultural tractors as part of the new fiscal budget. The CD rates vary based on the engine power of the tractors, with the aim of promoting domestic tractor manufacturing and supporting the local industry.

According to the details, the government has set a customs duty of 15% on tractors with an engine power between 26 kW and 75 kW. For agricultural tractors falling outside this range, the customs duty is set at 10%. The differentiated CD rates are intended to encourage the production and purchase of tractors that align with the specific needs of the local agriculture sector.

It is important to note that tractor manufacturing in Pakistan has witnessed a localization rate of up to 90%. However, the budget document does not specify whether the customs duty applies to completely built-up (CBU) units or completely knocked down (CKD) kits used for assembly in the country. In the case of CBUs, the customs duty is expected to have a significant impact on the final price of the tractor, potentially influencing affordability for buyers. On the other hand, for CKDs, where tractors are mostly manufactured locally and indigenized, the impact on prices is expected to be relatively lower. The government's decision to impose customs duty on agricultural tractors aims to promote the domestic manufacturing industry, create employment opportunities, and reduce dependency on imported machinery. By encouraging the purchase of locally produced tractors, the government seeks to support the agriculture sector, which plays a vital role in the country's economy. These measures are in line with the government's broader strategy to enhance self-sufficiency, boost local industries, and foster sustainable economic growth in Pakistan. The imposition of customs duty on agricultural tractors is expected to contribute to the overall development and progress of the agriculture sector, ensuring a more robust and self-reliant future.

The tractor industry is also encouraging the development of small and medium enterprises (SMEs) in the engineering sector, which produces agricultural machinery such as front loaders. These tools are considered complementary parts of the tractor and are essential for harvesting and tillage.

During the Engineering and Healthcare Show 2022, which was organized by the Ministry of Commerce and Trade Development Authority of Pakistan (TDAP), Pakistan's tractors and agricultural machinery were displayed to attract customers. Several deals were closed on the spot, indicating the interest of foreign visitors. Over the next few years, Pakistan is expected to increase its tractor exports.

Auto Parts

The Pakistan automobile industry is quite proportionate with the global GDP contributionwith 3 percent of the total GDP. It brought millions of lucrative jobs in the industry. Pakistan has entered the export market as well.

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

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

It's also a very encouraging and appreciable step of the Engineering Development Board (EDB) to hold the three roadshows in potential areas of the globe. But still, we have to enhance our global market share. We desperately need to enhance the size of our export basket by introducing non-traditional markets and commodities. Auto parts and accessories are among the commodities that have great potential for exports. The only thing is to double the initiative to harness our available resources to expand our export base.

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

Indus Motor Company (IMC) has achieved a historic feat by becoming the first Pakistani auto manufacturer to join the global supply chain. The company has inked a deal with Toyota Egypt to export semi-processed parts, opening new avenues for the country's automotive sector. the Government of Pakistan's "Look Africa" policy, which seeks to enhance connectivity and trade links between the two regions. However, more importantly, the deal with Toyota Egypt aligns with the Auto Industry Development and Export Policy (AIDEP) 2021-2026. AIDEP outlines the objectives for bolstering the export capabilities of the Pakistani auto industry.

AIDEP mandates that OEM contracts that restrict exports from Pakistan must be revised to permit exports to desired destinations and establish Pakistan as an export base for auto parts and vehicles. Under AIDEP, manufacturers will be required to export. The exports by the OEM have to be a ratio of their total import bill.

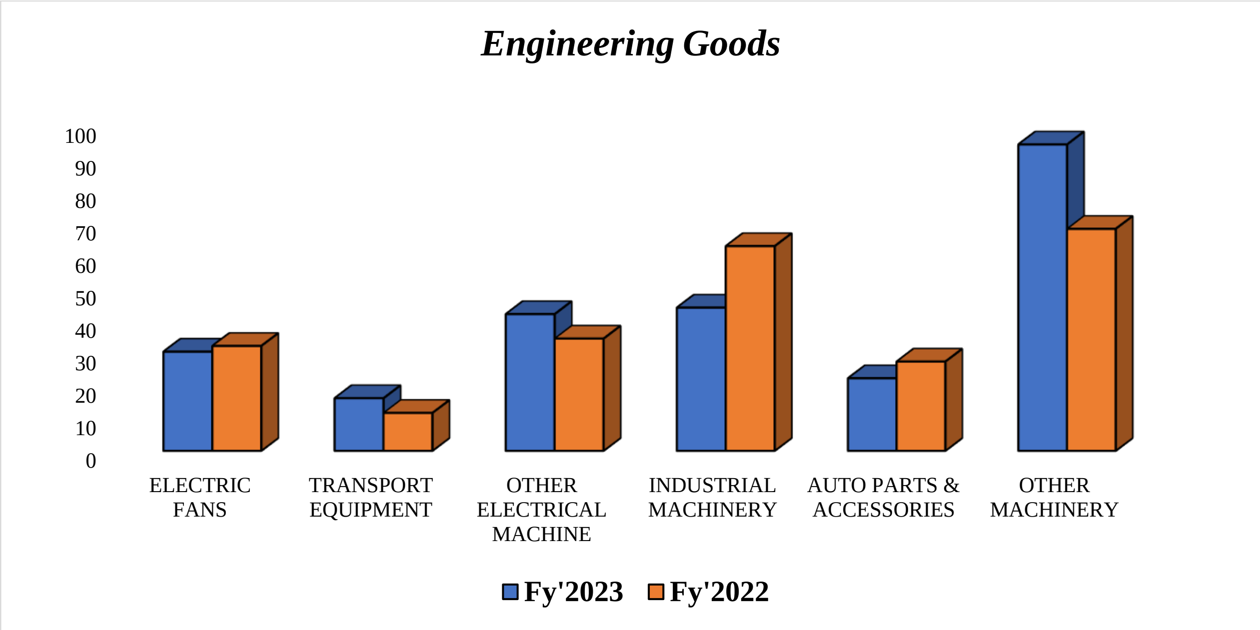
The auto parts and accessories export industry has proven to be one of the most resilient sectors in Pakistan. The Rs 4.9 billion earned by the industry was a notable increase from the Rs 4.45 billion earned through June 2021 to May 2022, despite the entire FY 2022-23 period being subject to capital controls in Pakistan.

There is a need for scaling up bilateral trade with the international market, especially focusing on Africa and other non-traditional markets to find more customers for our auto parts exports from Pakistan.

Pakistan desperately needs to enhance the size of its export basket by introducing non-traditional markets and commodities. Auto parts and accessories are among the commodities that have great potential for exports. The only thing is to give the initiative to harness our available resources to expand our export base. Africa, Latin America, Russia, and Central Estates are fertile areas for Pakistani auto products. The logistic barriers, banking issues, trust deficit, and fear of the unknown may be bridged up by creating a corporate presence in these markets.

The government should support the auto parts industry, which has great potential to earn huge foreign exchange through exports. Given a supportive environment, the automobile industry has the potential to spearhead the country's economic growth and contribute, in a major way, towards job creation and industrial investment. We hope that the government will formulate policies that support the local auto industry, as this industry is the mother of all industries.

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



Source: PBS

In the Engineering and Healthcare Show, organized by the MOC and TDAP in February 2022, Pakistan’s tractors and agriculture machinery were in the limelight. The interest of foreign delegates could begauged from the fact that two deals worth more than US$ 200,000 were finalized on the spot. It is expected that Pakistan’s tractor exports will grow in the near future.

Government of Pakistan facilitated Engineering and Manufacturing sector through different facilitating schemes during FY'22.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 initiativeto improve access to finance for Small and Medium Enterprises (SMEs) with the aim of enablingbusinesses who cannot offer security / collateral to access bank finance. This initiative has been brandnamed, 'SME Asaan Finance' or SAAF to emphasize the SME facilitation feature of this scheme toprovide clean lending i.e. lending without collateral to SMEs.

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

2.8 PETROLEUM GROUP & COAL EXPORTS

Petroleum and Coal group stood at USD 220 millionand reported a decrease of 33.9% during FY 2022-23 as compared to same period last year. Year-on-Year decline amid economic slowdownand rise in prices. The decline in sales “is majorly attributable to higher petroleum prices, economic slowdown, an increase in smuggled petroleum products from Iran, and lower furnace oil (FO)-based power generation

The sector faced heavy losses from last two years. Pakistan's petroleum export basket consists of by-products. Quarterly comparison showed an initially increase from 65 USD million (Q1) to USD 103 million (Q2) and from Q2 to Q4 a shaft decline from USD 103 million to USD 4 million reported during FY 2022-23.

Currently, there are five organizations operating in the oil refining sector in Pakistan: Pak-Arab Refinery Limited (PARCO), Attock Refinery Limited (ARL), National Refinery Limited (NRL), Pakistan Refinery Limited (PRL) and CnergyicoPk Limited (CPL). All of the refineries except PARCO are based on old, hydroskimming, technology. PARCO is a mild-conversion refinery and even that is now more than 20 years old. The product slate of all the existing local refineries typically comprises of Naphtha, Motor Gasoline (MS), High Speed Diesel (HSD), Furnace Oil (FO), Kerosene, Jet fuel (JP-1 & JP-8), High-Octane Blending Component (HOBC), Liquefied Petroleum Gas (LPG) and

Light Diesel Oil (LDO). Pakistan’s oil refining capacity is about 450,000 barrels per day (bpd), equivalent to 20 million tons per annum. Compared to the 20 million ton of refining capacity, the actual capacity utilization is at around 11 million tons. This is mainly due to the decreasing FO demand in the country as a result of a change in the energy mix in the power sector. It may be noted that in essence the production slate for refineries is fixed. i.e., They cannot produce just MS or HSD, all products are produced simultaneously. Thus, as FO demand declines, refineries have to lower their overall production and struggle to maintain their throughput at optimal levels. As per the forecast by an international consultant, Pakistan’s demand for MS and HSD is expected to reach 33 million tons per annum (mtpa) by 2035. Pakistan has been importing significant volumes of petrochemicals, worth more

than USD 2 billion annually, as there is no primary petrochemical production facility in Pakistan. Petrochemical consumption includes thermoplastics and thermosetting resins. Among the thermoplastics category, bulk consumption is of Polyethylene (PE) and Polypropylene (PP). At present, the petrochemical industry of Pakistan is limited to production of Polyvinyl Chloride (PVC), Polystyrene (PS), Synthetic Fibers, (i.e. polyester), and Purified Terephthalic Acid (PTA) and Polyethylene Terephthalate PET resins. There is no production of any basic petrochemicals i.e. ethylene, propylene etc. in the country. Keeping in view the demand-supply gap, it is imperative that investment is made in new deep conversion refineries, including petrochemical complexes, to meet the growing demand of petroleum products.

However, without anincentive package, such high capital investment may not materialize. [11] The refining sector of Pakistan is currently phasing the following challenges; Lack of investment due to high capital intensive, low return on equity, consistent need of up gradation, unavailability of domestic crude, Ploicyvaccum, prices. The lack of investment in the refinery sector not only puts additional burden on the foreign exchange reserves, but it also creates a significant dependency on imports.

In order to attract new investment in the sector, the Government of Pakistan has prepared this Policy as presented in subsequent sections. The objective is to provide optimal tariff protection to the refining

sector, as is available to other local industries, to attract investment in new refineries and associated infrastructure projects.

Pakistan has received its first shipment of Russian crude oil under an agreement signed between the two countries in April 2023, but experts believe it will be too soon to say if the deal will provide significant benefit to domestic consumers.

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.

[11] https://petroleum.gov.pk/SiteImage/Downloads/Pakistan%20Oil%20Refining%20Policy%202023%20For%20New%20Greenfield%20Refineries%20160523.pdf

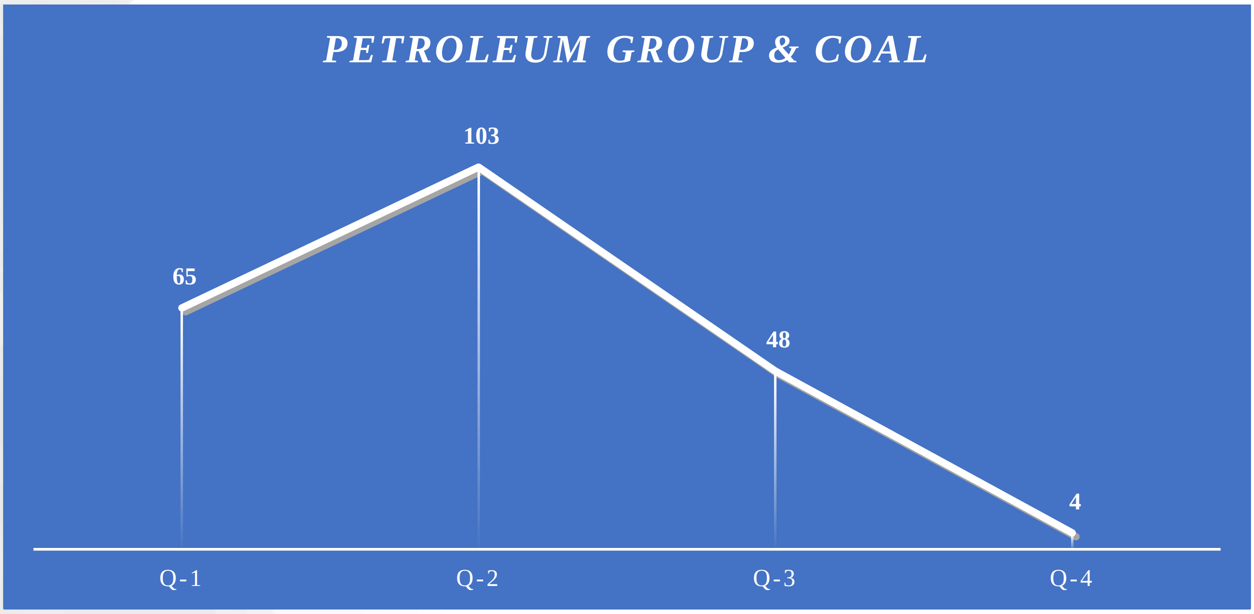
Pakistan primarily meets approximately 80% of its oil requirements, around 154,000 barrels per day, through traditional suppliers from the Gulf and Arab countries, particularly Saudi Arabia and the United Arab Emirates.

Figure 11: Petroleum Group exports (trade values in USD Million)

YOY FY 2022 V/S FY 2021			
Sectors	**July-June Fy2022-23**	**July-June Fy 2021-22**	**% Change**
Petroleum Group & Coal	220.5	333.8	-33.9%
Petroleum Crude	170.3	259.0	-34.3%
Petroleum Products(Excl Top Naphta)	50.3	74.8	-32.8%
Petroleum Top Naphta	-	-	-
Solid Fuels (Coal)	0.01	-	100%

Source: PBS

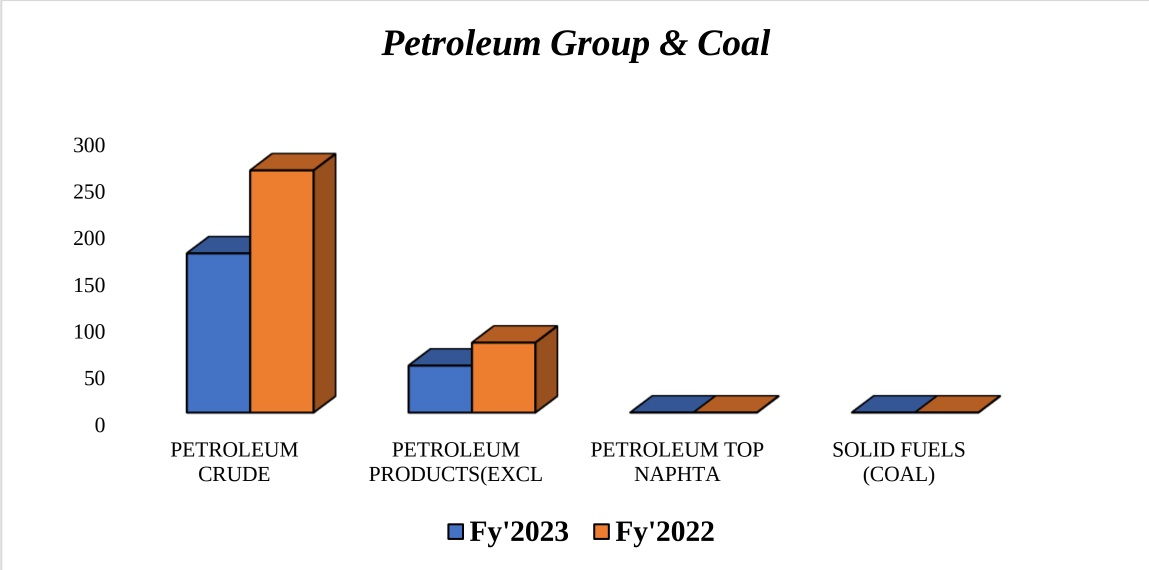
Figure 12: Quarterly Performance of Petroleum Group of Pakistan FY 2022-23 (USD Million)



Source : PBS

Petroleum crude export during the FY 2022-23 was reported USD 170.3 million with a decline of 34.3% as compared to the valued exported USD 259 million during last FY 2021-22 Products(Excl Top Naphta) sector during FY 2022-23also showed a decline in exports worth of USD 24.5 million (32.8%) as compared to last year and Solid Fuels (Coal) exported on USD 0.01 million during the FY 2022-23.

Figure 13: Export Performance of Sub-sectors of Petroleum Group FY 2023 (USD Million)



Source:PBS

Pakistan Refinery Limited (PRL) has begun relocating its 24,000 metric tons FO stock to a storage facilityit rented in Karachi's Port Qasim area. PRL is the second refinery to store FO near Port Qasim for exportpurposes after PARCO, which has already stored 58,000 metric tonnes there. Despite months of efforts,Pakistan Refinery Limited (PRL) has decided to begin exporting its massive furnace oil (FO) inventoriesin the first week of February.The company has been unable to find local clients for its massive furnaceoil (FO) stocks.

PARCO exports 50,000 metric tonnes of furnace oil. Faced with a storage crisis caused by low demand,Pak-Arab Refinery Company (PARCO) exported 50,000 tonnes of furnace oil (FO) to Coral Energy, aDubai-based oil trader. Although refineries attempted to sell their furnace oil supply in the last twomonths, they could not do so due to low global demand, despite floating low-priced tenders. Thefurnace oil storage situation has subsided slightly as domestic demand has increased. The currentaverage price of furnace oil at local refineries is Rs95,000 per tonne, while the import parity price (IPP)is Rs107,000 per tonne. The significant disparity between local and import parity pricing had made itimpossible for refineries to sell their output.

The government of Pakistan has finalised the Pakistan Oil Refinery Policy 2021, which includes significant tax incentives - such as a 20-year income tax holiday for all taxes under the Income Tax Ordinance 2001, no import duties and sales tax on import of crude oil by refineries as of 1 July 2022, for existing refineries investing in upgrades and for new deep-conversion refinery projects. The new policy will apply to existing refineries committing to upgrade or modernise their facilities and to potential investors seeking to set up a world-scale (100,000 bbl/d and above) deep conversion refinery and petrochemical complex worth US$10-15bn in Pakistan.

SECTION - 3

3.1 PAKISTAN'S IMPORT PROFILE (GOODS)

The economic growth of Pakistan is highly dependent on its exports. This is because access to foreign exchange enables Pakistan to finance its imports, stabilise its currency devaluation, service its debts, and resolve the issue of balance of payment deficit. However, the trade imbalance that has been continuing for decades cannot be reduced without an effective import substitution strategy. Imports during FY 2023 totaled around USD 55.33 billion as against USD 80 billion during the corresponding period of last year showing de increase of 31%. Top import showing increasing trend of Pakistan were Singapore, , Afghanistan, Iran, Russian Federation, oman, Australia, Canada, Argentina, Romania and Nigeria.

The country's exports and imports have posted a negative growth during FY 2023due to global slowdown after the health crisis period. The decline in imports is attributed to the government restrictions on the issuance of Letters of Credit (LCs), dollar shortage, and political issues in the country. Other factors fuelling inflation are currency devaluation and increase in utility tariffs.Other factors fuelling inflation are currency devaluation and increase in utility tariffs.Also, many major industries have shut down their production plants due to a shortage of imported raw materials during this period.

3.2 TOP IMPORT SOURCES SHOWING INCREASE(FY2023 V/S FY2023)

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

Import Sources	JULY-JUNE FY 2023	JULY-JUNE FY2022	% Change
Singapore	965	904	7%
Afghanistan	893	801	11%
Iran, Islamic Republic of	881	774	14%
Russian Federation	846	458	85%
Oman	812	796	2%
Australia	772	477	62%
Canada	492	307	61%
Argentina	261	199	31%
Romania	237	68	249%
Nigeria	211	154	36%

Source: PRAL

3.3 TOP IMPORT SOURCES SHOWING DECREASE (FY2023 V/S FY2022)

Country-wise statistics have shown those import sources that registered decline in the imports of Pakistan. Table below shows countries showing decline in imports during FY 2023:

Table 9: Top Import Sources Showing Decrease (Trade Values in USD Million)

Import Sources	JULY-JUNE FY 2023	JULY-JUNE FY 2022	% Change
China	11702	20839	-44%
United Arab Emirates	5501	8663	-37%
Indonesia	4319	4619	-6%
Saudi Arabia	4190	5148	-19%
Qatar	3567	3582	0%
Kuwait	2254	3081	-27%
United States	2033	3764	-46%
Japan	1053	2194	-52%
Thailand	1010	1798	-44%
Malaysia	890	1302	-32%

Source: PRAL

3.4 SECTOR-WISE IMPORTS PERFORMANCE

Of the total USD 55.33 billion imports during FY 2023, imports of the Petroleum Group ranked the highest with imports worth of USD 17,015 million followed by Food Group (USD 8,937 Million), Agriculture & Chemicals Group (USD 8,929 Million), Machinery Group (USD 5,808 Million), Metal Group (USD 4,152 Million), Textile Group (USD 3,742 Million), Transport Group (USD 1,758 Million), and Miscellaneous Group (USD 869 Million). The government has been able to slash its trade deficit by a significant amount of $27.6 billionduring FY 2023, driven down by strict restrictions on imports in a bid to avoid default by choking the economy and stoking inflation.

Table 8: Top import sectors (trade values in USD million)

SECTORS	JULY-JUNE FY 2023	JULY-JUNE FY 2022	% change
Grand Total	55,330	80,136	-31%
PETROLEUM GROUP	17,015	23,319	-27%
MACHINERY GROUP	5,808	10,920	-47%
AGRICULTURAL AND OTHER CHEMICALS GROUP	8,929	14,086	-37%
FOOD GROUP	8,937	9,016	-1%
METAL GROUP	4,152	6,524	-36%
TEXTILE GROUP	3,742	4,787	-22%

TRANSPORT GROUP	1,758	4,454	-61%
MISCELLANEOUS GROUP	869	1,191	-27%
ALL OTHER ITEMS	4,121	5,839	-29%

Source: PBS

3.5 PETROLEUM GROUP

The Petroleum Groups imports was USD17,015million in FY 2023 which is almost 27% lower than as compared to previous FY 2022. All import items (except PETROLEUM GAS, LIQUIFIED) in the Petroleum Group decreased including Petroleum Products (USD 7,628Million), Petroleum Crude (USD 4,947Million), Natural Gas Liquified (USD 3,764 Million). Two item showing increasing trends including Petroleum Gas Liquified (USD 6,75 Million) and Others Item (USD 0.34 Million).

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

Table 9: Petroleum import sector (trade values in USD million)

	YOY 2023V/S YOY 2022		
SECTORS	**July-June FY22/23**	**July-June FY'21/22**	**% Change**
PETROLEUM GROUP	17,015	23,319	-27%
PETROLEUM PRODUCTS	7,628	12,069	-37%
PETROLEUM CRUDE	4,947	5,599	-12%
NATURAL GAS, LIQUIFIED	3,764	4,990	-25%
PETROLEUM GAS, LIQUIFIED	675	661	2%
OTHERS	0.34	0.28	21%
			Source: PBS

Pakistan's energy sector is heavily dependent on imported fuel (Oil and LNG) and will continue to rely on imports of both for the next 10-15 years. Pakistan remains a net importer of refined oil due to low capacity of domestic refineries to process crude oil.

During FY 2023 the comparatively low spending has been witnessed on the import of petroleum products. This decline can be attributed to sluggish industrial activity, reduced local transport fuel consumption, weak auto sales and high product prices. These factors are expected to continue impacting oil consumption in Pakistan

The country spent $7.63 billion on importing petroleum products in FY23, compared to $12.07 billion in the preceding fiscal year. The petroleum products are mainly finished goods imported to meet the domestic demand as Pakistan relies on imports to meet its petroleum needs.

Petroleum product prices rose sharply on account of the devaluation of the [Pakistan] rupee and imposition of taxes on diesel and petrol, commonly known as petroleum development levy. Petrol and diesel prices in the past 13 months rose by an average of 45% to Pakistan Rupee 262 and Rupee 253/liter, respectively.

The rise in prices came as the government, in an effort to improve tax collections and convince the International Monetary Fund to disburse more loans, imposed a petroleum tax of Rupee 50/liter on petrol and diesel. Due to all these factors the demand of petroleum products reduced.According to oil companies and Oil Companies Advisory Council data, Consumption of petroleum products fell to 16.61 million mt in 2022/23 (July-June) from 22.6 million mt in the previous year.

The transport sector alone consumes about 78.5 percent of petroleum products. As such, the outgoing fiscal year mainly witnessed a decrease in demand for motor spirit, high-speed diesel, and furnace oil, comprising about 95 percent of total demand. To meet this demand, petroleum products, and crude oil imports remained at 6,118.3 thousand MT and 5858.4 thousand tonnes, respectively during the July – March FY 2023.

Moreover, during FY 2023 refining sector in Pakistan had faced credit issues as refiners import crude oil based on their credit lines in rupees, which are insufficient due to high oil import costs and local currency depreciation caused by dwindling forex reserves. The ongoing energy crisis has forced the nation to import Russian oil for the first time ever, which it purchased at a discount due to ongoing western sanctions imposed following Russia's invasion of Ukraine.

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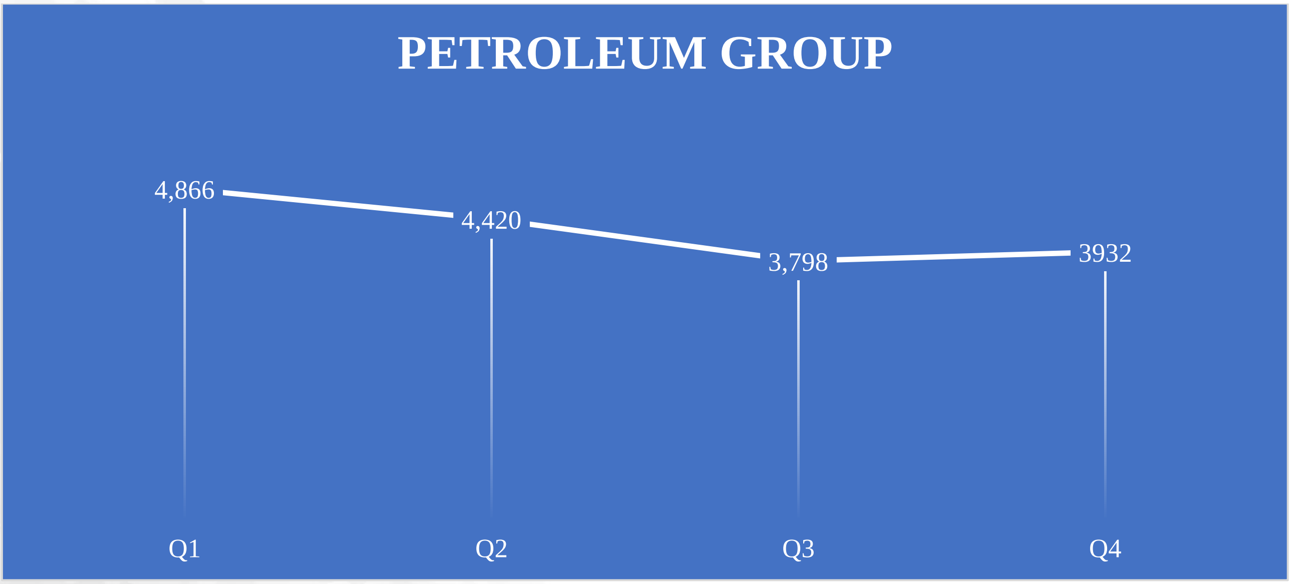
Figure 14: Quarterly performance PetrolumGroup during FY 2023 (USD Million)

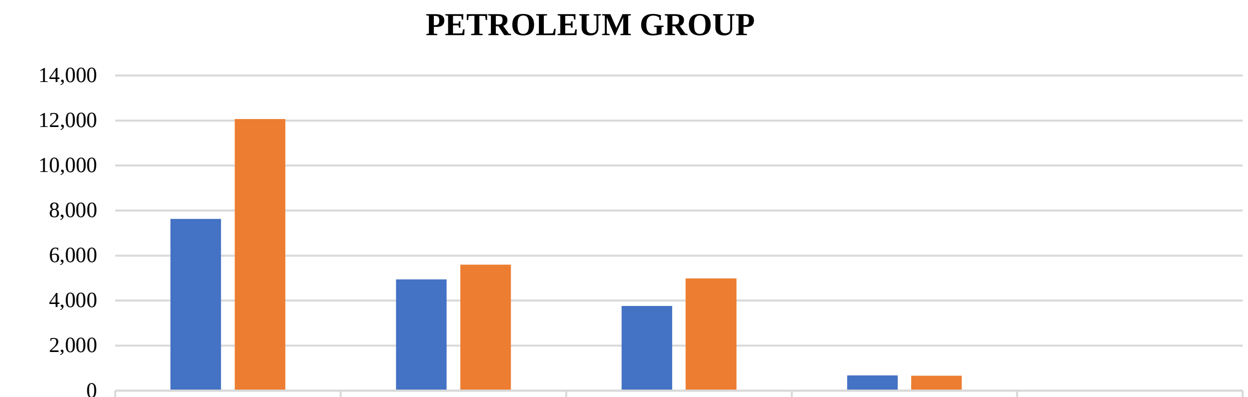


Source: PBS

The quarterly comparisions also shows that petroleum groups products showing sluggish trend due to high prices of these products. The highest ever import has been witnessed Q1 FY 2023 stood at 4,866 million and lowest import noticed during Q4 FY 2023.

Pakistan's oil and gas market has also seen a major shakeup as Shell recently announced plans to sell its entire Pakistani arm and divest entirely from the market. The move came after Shell made several announcements about its global operations and after Shell Pakistan (SPL) suffered losses in 2022 due to exchange rates, the devaluation of the Pakistani rupee, and overdue receivables, and as the country faces a financial crisis and economic slowdown

Figure 15: Import of Sub Sectors of Petroleum Sector (USD Million)



	PETROLEUM PRODUCTS	PETROLEUM CRUDE	NATURAL GAS, LIQUIFIED	PETROLEUM GAS, LIQUIFIED	OTHERS
FY22/23	7,628	4,947	3,764	675	0.34
FY'21/22	12,069	5,599	4,990	661	0.28

■ FY22/23 ■ FY'21/22

Source: PBS

Pakistan relies on gas for a third of its electricity output, but is grappling with dwindling foreign exchange reserves to pay for energy imports. NATURAL GAS, LIQUIFIED import in FY 2023 fell 25 as compared to the FY 2022. The natural gas consumption amounted to around 3,267 MMCFD from JulyMarch FY2023, which included 626 MMCFD RLNG. From total coal consumption of 15,416.5 thousand tonnes, power, brick kilns, and cement/other sectors consume 47.3, 21.5, and 31.1 percent, respectively.Pakistan's natural gas shortage is hurting its most important export industry, putting even more stress on an economy already struggling with accelerating inflation and a weakening currency. Recently, Pakistan approved a framework agreement for the import of Liquefied Natural Gas (LNG) from the State Oil Company of Azerbaijan Republic (SOCAR), which is expected to arrange a $120 million credit line for the for LNG import and $100 million for oil import.

3.6 MACHINERY GROUP

Machinery Group is the vital engine of growth for successful industrial and manufacturing sector development of Pakistan. It is commonly known phenonmena that increased investment in machinary item leads to increase in domestic good production and increased capital inflow from the sales revenue earned from domestic goods. Pakistan's local machinery manufacturing sector is relatively small in size and a majority of the demand for machinery emanating from large industries such as Construction, Textile, Energyetc are met through imports. Imports of machinery have declining trend in recent years and stood at USD 5.8 billion in FY 2023. All of item in the machinery groups showing declining trend during FY 2023 as compared to the FY 2022.

Table 10: Machinery Import Sector (Trade Values in USD Million)

	FY 2023 V/S FY 2022		
SUB-SECTORS	**July-June FY2023**	**July-June FY 2022**	**% Change**
MACHINERY GROUP	5,808	10,920	-47%
POWER GENERATING MACHINERY	500	1,473	-66%
OFFICE MACHINE INCL.DATA PROC EQUIP	340	590	-42%
TEXTILE MACHINERY	329	765	-57%
CONSTRUCTION & MINING MACHINERY	85	175	-51%
ELECTRICAL MACHINERY & APPARATUS	1,667	1,929	-14%
TELE COM	957	2,684	-64%
A. MOBILE PHONE	570	1,979	-71%
B. OTHER APPARATUS	387	705	-45%
AGRICULTURAL MACHINERY & IMPLEMENTS	41	112	-63%
OTHER MACHINERY	1,889	3,192	-41%

Source: PBS

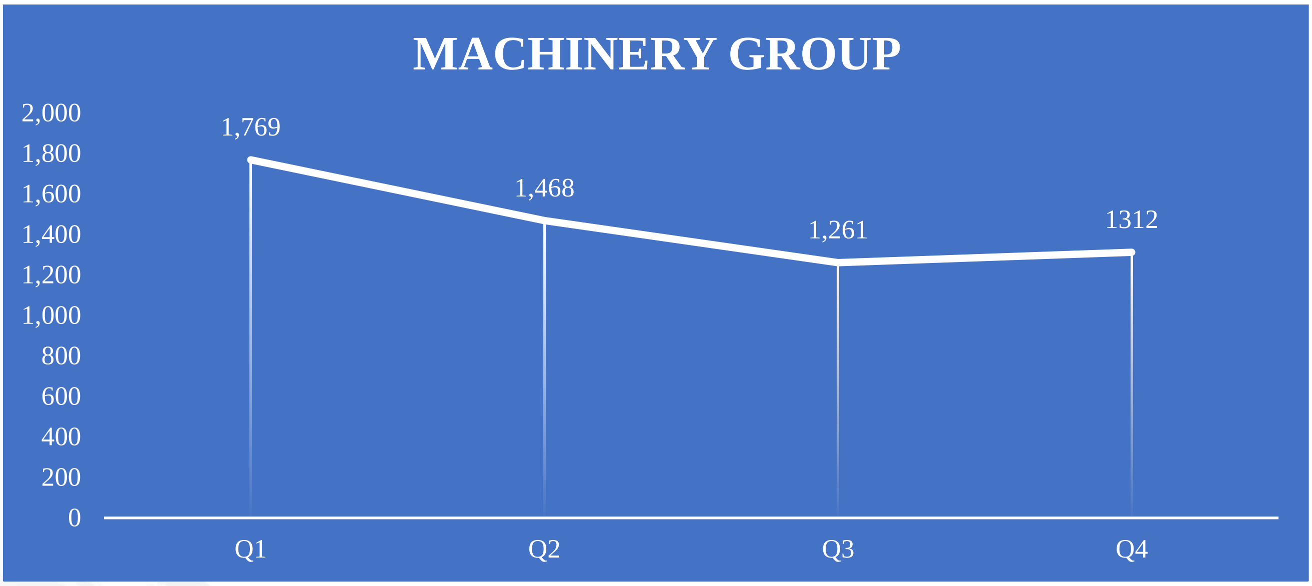
Imported machinery is bundled with "knowledge" in various forms: blueprints, electric city machinery, textile machinery, installation support, quality control software, and services of trained engineers and supervisors. There is direct relationship between machinery import and industrial products.

The declining trends in all item import in the machinery group leads to lower industrial productions and hence also adversely effect the export of the country.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.

The worst decreasing trend has been observed in the import of Mobile phones and power generating machinery to 71% and 66% resepectively during FY 2023 as compared to the FY 2022. The declining trends has been noticed in all quarter (except quarter 4) of FY 2023. The highest import of machinery has been witnessed during Q1 FY 2023 1,769 USD million.

In the quarter fourth showing the increasing trends as compared to the quarter three of FY 2023. The lowest import figure of machinery has been record during Q3 for the amount of 1,261 USD million.

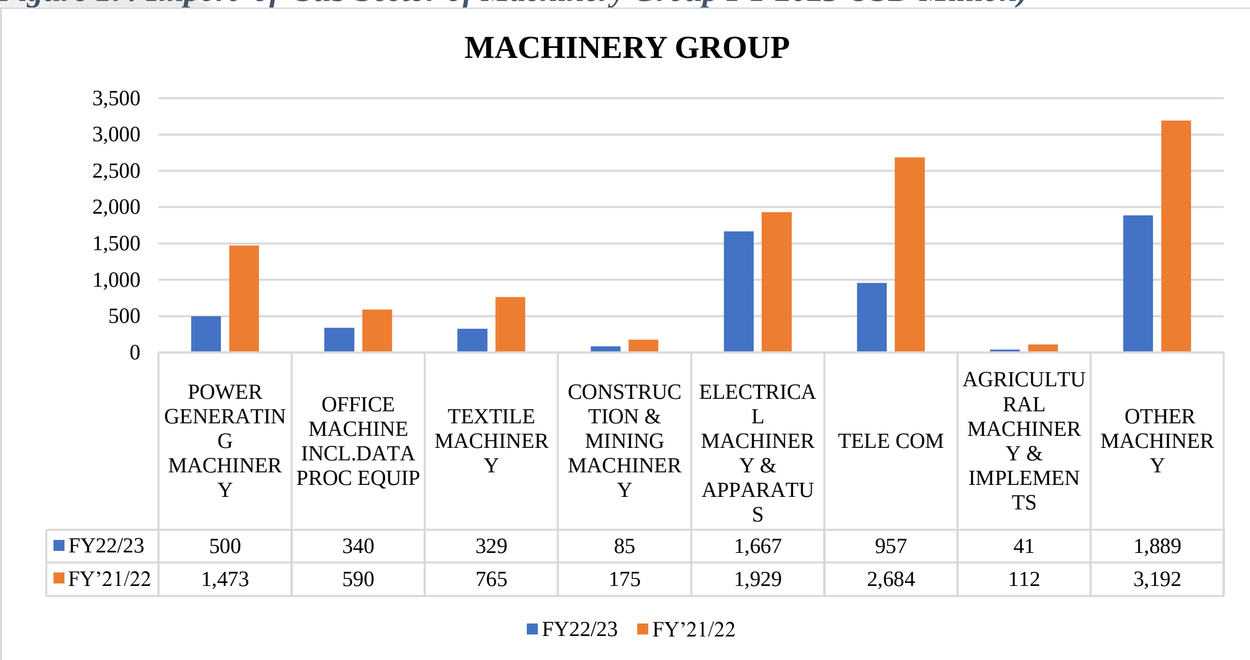
Figure 16: Import of Sub Sectors of Machinery Group (USD Million)



Source: PBS

Majority imported items of Machinery Group registered significant decrease including, power generating machinery (USD 500 million), Office Machine Incl. Data Proc Equip (USD 3,40 million), Textile Machinery (USD 3,29 million), Construction & Mining Machinery (USD 85 million), Electrical Machinery & Apparatus (USD 1,667million), Telecom (USD 957 million), Agricultural Machinery & Implements (USD 41 million), and others machinery item (USD 1,889 million.

Figure 17: Import of Sub Sector of Machinery Group FY 2023 USD Million)



	POWER GENERATING MACHINERY	OFFICE MACHINE INCL.DATA PROC EQUIP	TEXTILE MACHINERY	CONSTRUCTION & MINING MACHINERY	ELECTRICAL MACHINERY & APPARATUS	TELE COM	AGRICULTURAL MACHINERY & IMPLEMENTS	OTHER MACHINERY
FY22/23	500	340	329	85	1,667	957	41	1,889
FY’21/22	1,473	590	765	175	1,929	2,684	112	3,192

Source: PBS

Electrical Machinery and Apparatus

Electrical machinery was the first sector in the import of Machinery bill during FY 2023 which accounts for 29% of total machinery imports and stands at USD 1,667 million. The top five import items are 8541.4300, 8517.1310, 8504.4090, 8517.6290 and 8529.9090.

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

Telecom Machinery- Mobile Phones

Telecom was the second sector in the import of Machinery bill during FY 2023 which accounts for 16.47% of total machinery imports and stands at USD 957million. Alothough import of Mobile phone were showing registered decrease of 64% as comapred to same period last year of FY22.

The telecom industry consists of digital infrastructure (such as fiber, telecommunications towers, active networks, and data centers), operators (mobile and fixed broadband, data centers, and cloud computing), and applications (broadband connections, telephony, video, e-commerce, and others). The telecom services industry bears the brunt of a 34.5% tax on telecom services, coupled with a 29% corporate income tax and a 4% super tax imposed last year, with further proposed increases in the budget. The devaluation of the Pakistani rupee has severely affected the sector, as spectrum prices, renewals, and even instalment interest are linked to the US dollar. Due to all these reasons the import bill of telecom sector during FY 2023 is comparatively to the last year.

Power Generation Machinery

Another large segment was power generating machinery, which accounts for 9% of total machinery imports. During FY 2023, this segment had the negative import of 66%. The imports of power Generating Machinery in terms of USD in FY 2023 were 500million as compared to USD 1,473 million in FY 2022. Currently, no investor is willing to start a new venture in the country after the free fall of the dollar and high interest rates. Importers have no idea when to plan imports due to the presence of political instability. If they import now, the machinery and components would be very costly. If they delay, their delivery plans would be disturbed.

Textile Machinery

Import of Textile Machinery has been registered significant decrease of 57% from USD 592 in FY 2022 million to USD 7,64 million in FY 2023. Textile sector is currently experiencing a shortage of raw material and unavailability of foreign currency for the import of essential machinery, which is hindering production. In that backdrop, many textile firms had suspended operations, therefore, exports would remain under pressure until the situation normalised. The fast decline in textile machinery imports signals the stagnation-like situation of the economy where the growth is low while inflation is much higher and loss of jobs in the textile sector.

Construction and Mining Machinery

Pakistan imported worth of USD 85 million Construction Machinery during FY 2023 and registered decrease of 51%. Construction Machinery includes bulldozers, excavators, cranes, graders and drilling machines. The construction sector is an important engine of employment and economic activity generating Industry, offering job opportunities to millions of skilled and un-skilled labour force. ,ore than 40 allied industries depended on construction industry

But construction industry in Pakistan has faced significant challenges in recent months, including a decrease in demand due to the impact of floods on infrastructure and political uncertainty.

Agriculture Machinery

Agricultural machinery comprises of chaff cutters, sugarcane machinery and wheat thrashers. It also includes tractors, cultivators, ploughs, harvesters, threshers and many other types of machinery employed by the agriculture industry in order to assist in various processes such as cultivating, planting and harvesting. Pakistan imported worth of USD 41 million of Agriculture Machinery in FY 2023 with 63% decline as compared to FY22. Recently, The government has announced the imposition of customs duty (CD) on the import of agricultural tractors as part of the new fiscal budget. The CD rates vary based on the engine power of the tractors, with the aim of promoting domestic tractor manufacturing and supporting the local industry.the government has imposed 15% CD on tractors with engine power between 26 kW and 75 kW. For agricultural tractors other than those mentioned above, the CD is 10%.

3.7 AGRICULTURE AND CHEMICAL GROUP

Pakistan's agriculture sector plays a central role in the economy and absorbs 37.4% of labor force. During FY2023, the agriculture sector contributing 22.9 percent in GDP and 1.55 percent growth. It is also an important source of foreign exchange earnings and stimulates growth in other sectors. Pakistan is mainly the exporter of agriculture production but the major contribution of agriculture and chemical imports isplastic materials. The total imports of agriculture and chemical groups items in FY 2023 was USD 8,929million which is almost 37% lower as compared to previous FY 2022.

Table 11:Agriculture and Chemical import sector (trade values in USD million)

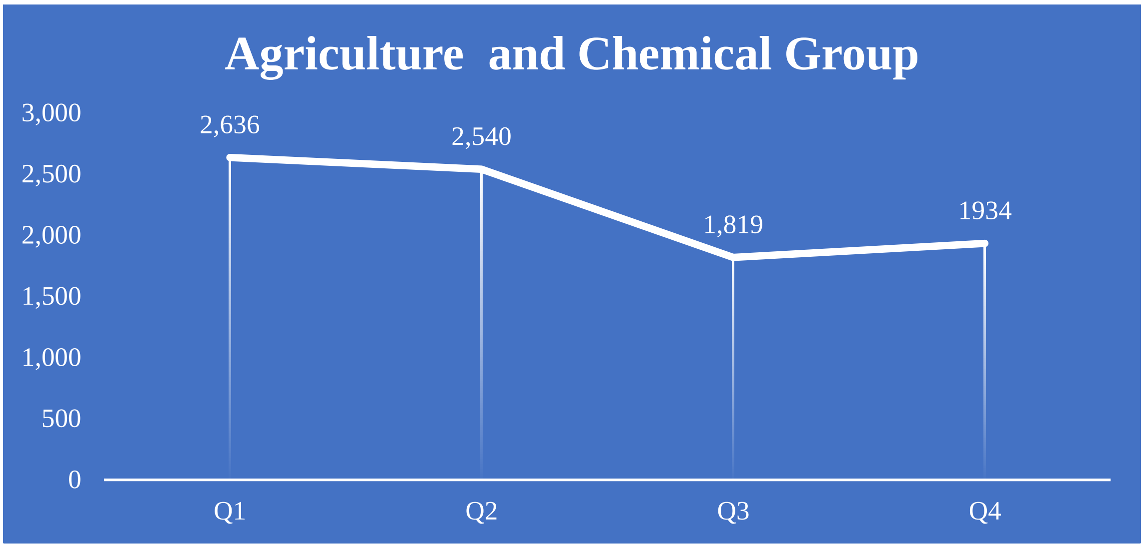
	FY 2023 V/S FY 2022		
SUB-SECTORS	**July-June FY 2023**	**July-June FY 2022**	**% Change**
AGRICULTURAL AND OTHER CHEMICALS GROUP	8,929	14,086	-37%
FERTILIZER MANUFACTURED	604	846	-29%
INSECTICIDES	205	202	1%
PLASTIC MATERIALS	2,273	3,136	-27%
MEDICINAL PRODUCTS	1,329	4,063	-67%
OTHERS	4,517	5,840	-23%

Source : PBS

Import ofAgriculture and Chemical Group drastically decreased three quarters. But slightly increasing during Q3. During Q2 FY23, the imports have increased 4% as compared to the Q1 FY 23.

All imported items of Agriculture and Chemical Group registerdeddecline (except INSECTICIDES) including Fertilized Manufactured (USD 8,46 million), Insecticides (USD 2,02 million), Plastic Materials (USD 3,136 million), Medical product (USD 4,063 million), and others (USD 5,837 million.

Figure 18: Quartelry import of Agriculture and Chemical Group FY 2023(USD Million)



Source : PBS

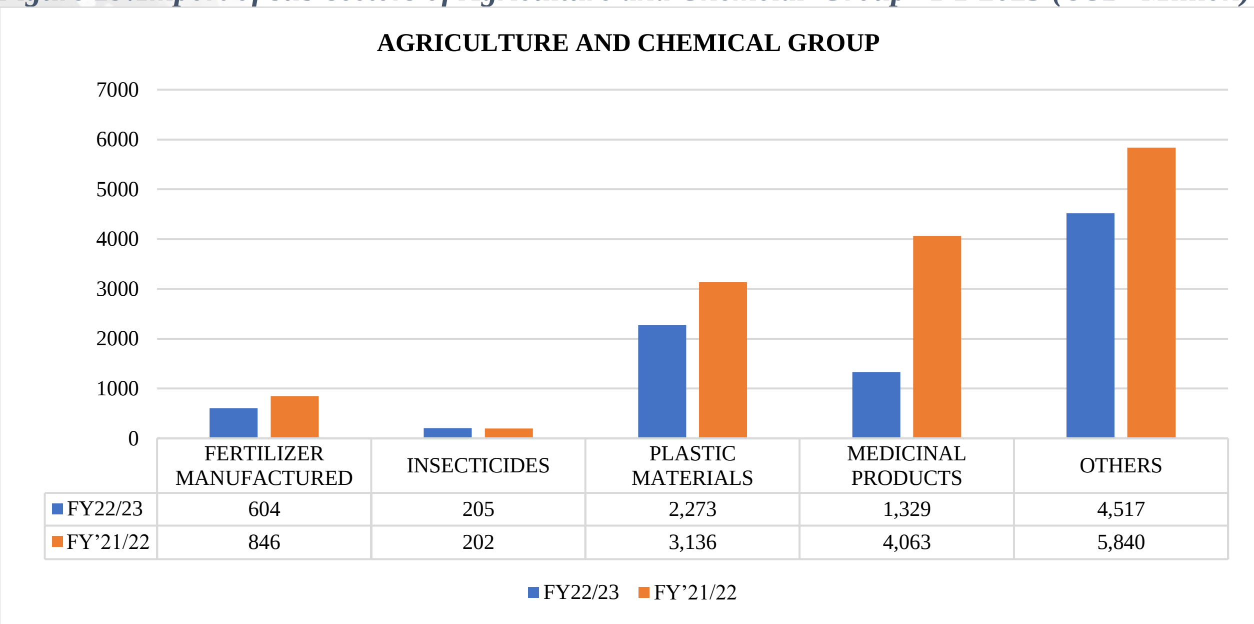
Plastic Material:
Plastic materials have shown decrease of 27% during FY 2023 as compared to of FY 2022. Pakistan imported USD2,273worth of Plastic material during reported period.

Medicinal Products
The import of Medicinal products decreased by 67% from USD 4,063 million in FY 2022 to USD 1,329 in FY 2023. The import decrease in medicinal products is due to decrease in import of COVID-19 vaccine.

Insecticides

Insecticides imports has increased 1% in FY 2023 as compared to FY 2022. Pakistan largely depends upon imports to meet the local demand of the pesticides industry. Pesticides import can be divided into two categories, pesticides products - manufactured pesticides and pesticide active ingredients.

Figure 19:Import of sub-sectors of Agriculture and Chemcial Group FY 2023 (USD Million)



	FERTILIZER MANUFACTURED	INSECTICIDES	PLASTIC MATERIALS	MEDICINAL PRODUCTS	OTHERS
FY22/23	604	205	2,273	1,329	4,517
FY’21/22	846	202	3,136	4,063	5,840

Source: PBS

Fertilizer

Fertilizer, one of the key inputs in determining the crop productivity, contributes on an average 30 to 50 percent towards crop's yield. Share of fertilizer in cost of production of major crops in Pakistan is 10 to 15 percent. Urea and Diammonium Phosphate (DAP) are the major fertilizers used in Pakistan.Other fertilizers in use are Calcium Ammonium Nitrate (CAN), Nitrophos (NP), Mono-Ammonium Phosphate (MAP), Single Super Phosphate (SSP), Ammonium Sulfate (AS), NPKs, Sulfate of Potash (SOP) and Muriate of Potash (MOP). There are nine urea manufacturing plants: one DAP, two CAN and NP each, four SSP and one SOP in the country. Overall domestic production of fertilizers during July-March 2023 decreased by 8.3 percent over the same period of previous fiscal year.

Fertilizer Manufactured have shown decrease of 29% during FY 2023 as compared to of FY 2022. Pakistan imported USD604worth of Fertilizer Manufactured during reported period.

FOOD GROUP

Food group imports into the country during fiscal year ended on June 30, 2023, decreased by 1percent as compared to the imports of the corresponding period of last year. During the period from July-June, 2022-23, the country spent $8.936 billion on the import of different food commodities as compared to the imports of $9.016 billion in the same period last year in order to fulfil the local requirements.

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.

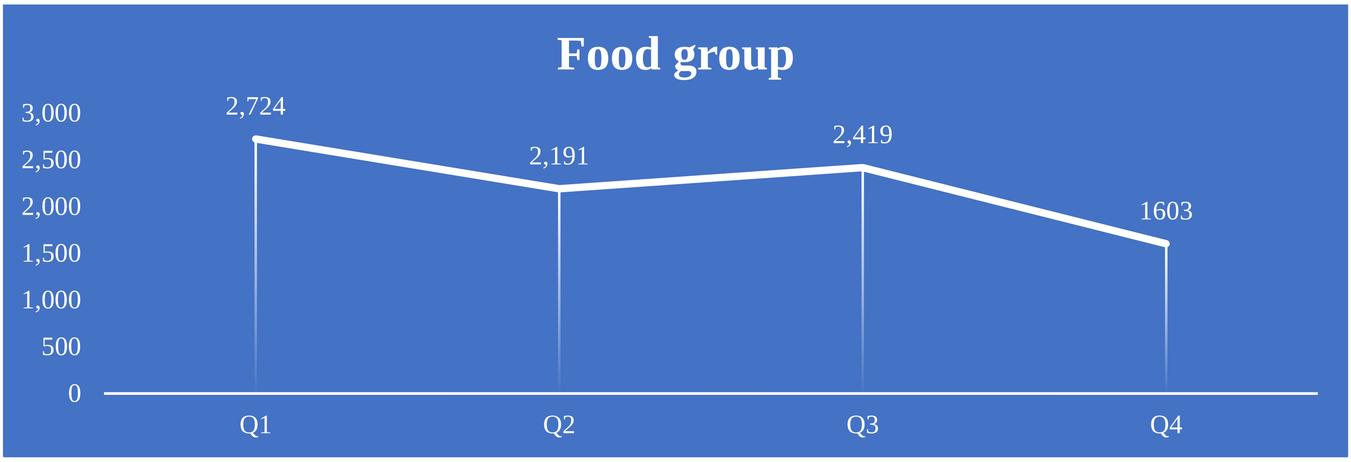
Table 12: Food Group (trade values in USD million)

	FY 2023 V/S FY 2022		
SUB-SECTORS	**July-June FY 2023**	**July-June FY 2022**	**% Change**
FOOD GROUP	8,937	9,016	-1%
MILK,CREAM & MILK FOOD FOR INFANTS	144	162	-11%
WHEAT UNMILLED	1072	795	35%
DRY FRUITS & NUTS	40	65	-39%
TEA	569	626	-9%
SPICES	151	216	-30%
SOYABEAN OIL	316	197	60%
PALM OIL	3641	3549	3%
SUGAR	6	192	-97%
PULSES (LEGUMINOUS VEGETABLES)	946	611	55%
ALL OTHERS FOOD ITEMS	2,052	2,602	-21%

Source: PBS

Quarterly comparasions shows asymmetric through the FY 23 depicted a sharp increasing trend during Q3, while Q2 and Q4 has shown negative trend. Imports in Q1 of FY 23 have increased by USD 2,724 .During Q2 and Q4 ofFY 23 showing decreasing trend in the import of Food group.

Figure 20: Quarterly Imports of Food items FY 2023 (USD Million)



Source: PBS

Imports of Food Group has shown increasing trend in few products including Wheat Unmilled (USD 1072 million), Soybean Oil (USD 316 million), Palm Oil (USD 3641million) and Pulses (USD 964). Within the food group import, few products showing decreasing trend including Milk, Cream & Milk Food for Infants (USD 144 million), Dry Fruits & Nuts(USD 40 million), Tea (USD 569 million),Spices (USD 151 million), Sugar (USD 6 million), and All Others Food Items(USD 2,052).

Palm Oil and Soybean Oil:

Palm and soybean are the world's most used crops for edible oil and oilseed meals because of their high resource-use-efficiency, measured in terms of oil yield per hectare for oil, and protein yield in the case of meals. The former is important to meet the requirements of a growing human population and rising per capita consumption. Pakistan's reliance on imports of edible oil and oilseed meals to meet domestic demand has been increasing over the past two decades. The import of Soybean Oil, and Palm Oil increased by 60% and 3% in FY 2023 as compared to FY22.

Sugar:

ugarcane is a tropical crop cultivated mainly in Punjab, Sindh and Khyber Pakhtunkhwa. It provides raw material to the 2nd largest agro-based sugar industry over the country. It provides employment to millions of rural farming and non-farming community. In addition, it is a major source of livestock fodder during winter season. Its production accounts for 3.7 percent in agriculture's value addition and 0.9 percent in GDP.During 2022-23, sugarcane was cultivated on 1,319 thousand hectares showing increase of 4.7 percent compared to 1,260 thousand hectares last year.The main factor contributed to more area sown were lucrative market prices of last year. Its production increased by 2.8 percent to 91.111 million tonnes over last year (88.651 million tonnes).

Year on year comparison shows that import of sugar decrease 97%. Pakistan is currently imported Sugar amounting to USD 6 million in FY 2023. The decrease in import of sugar is due to increase the domestic production.

Tea

Pakistan, one of the biggest importers of tea in the world. a imports into the country during financial year ended on June 30, 2023 reduced by 9percent as compared the imports of the corresponding period of last year.

During the period from June-July, 2022-23 about 231,449 metric tons of tea costing $569 million were imported as against the imports of 253,748 metric tons valuing $626 million of same period last year

Wheat and Pluses

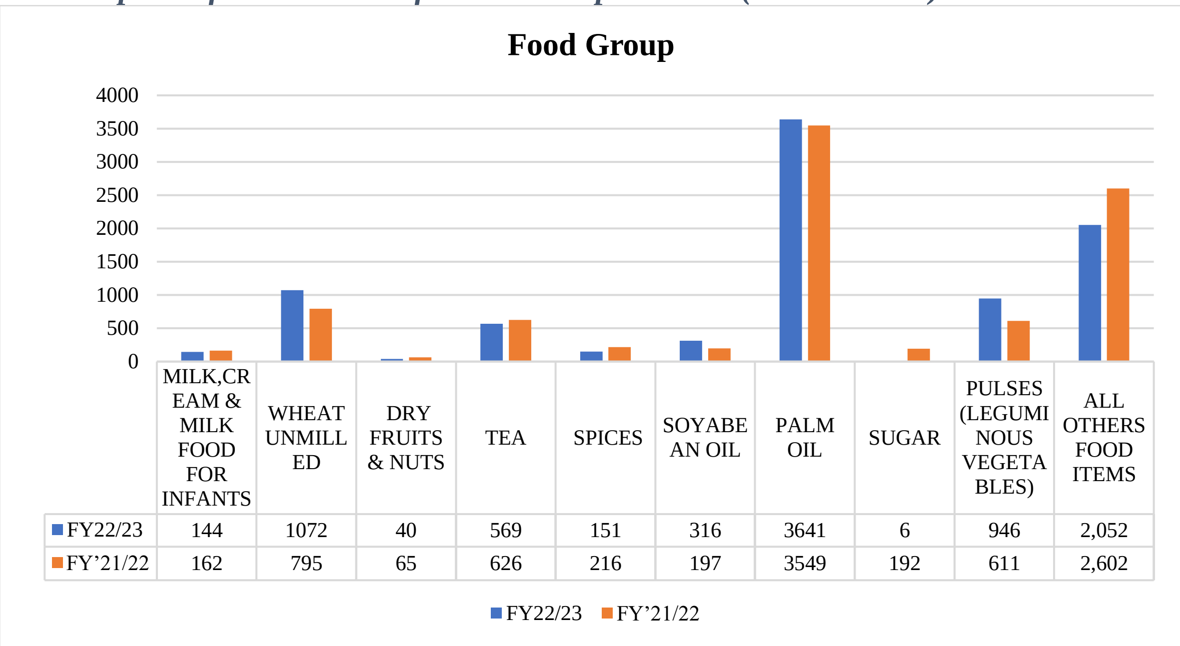
Within the food group import, few products showing increasing trend in FY 23 including Wheat Unmilled 35%, and Pulses 55%.

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 FY 2023., 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.

Dry Fruits, Nuts And Other Food Items

Within the food group import, few products showing decreasing trend including Milk, Cream & Milk Food for Infants 11%, Dry Fruits & Nuts39%,Tea (USD 569 million),Spices 30%, and All Others Food Items21%.

Figure 21: Imports of Sub Sectors of Food Group FY 2023 (USD Million)



	MILK,CREAM & MILK FOOD FOR INFANTS	WHEAT UNMILLED	DRY FRUITS & NUTS	TEA	SPICES	SOYABEAN OIL	PALM OIL	SUGAR	PULSES (LEGUMINOUS VEGETABLES)	ALL OTHERS FOOD ITEMS
FY22/23	144	1072	40	569	151	316	3641	6	946	2,052
FY'21/22	162	795	65	626	216	197	3549	192	611	2,602

Source: PBS

3.8 METAL GROUP

The metal group imports have shown an overall decrease of 36% in FY 2023 as compared to the same period FY 2023. Imports during reported period stood at USD 4,152million as against USD 6,524million. All other sub sectors in the Metal Group (except Gold) have shown decline during FY 2023

Table 13: Metal sector (trade values in USD million)

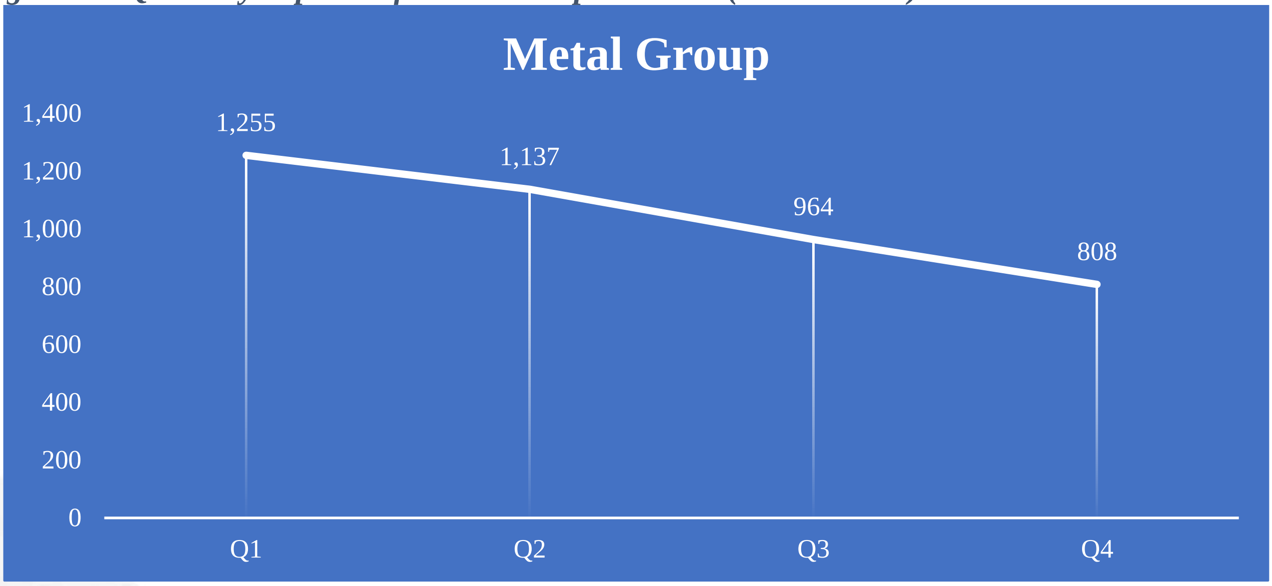
	FY 2023 V/S FY 2022		
SUB-SECTORS	**July-June FY 2023**	**July-June FY 2022**	**% Change**
METAL GROUP	4,152	6,524	-36%
GOLD	31	23	35%
IRON AND STEEL SCRAP	1,152	2,305	-50%
IRON AND STEEL	1,890	2,937	-36%
ALUMINIUM WROUGHT & WORKED	230	261	-12%
ALL OTHER METALS & ARTICALS	850	999	-15%

Source: PBS

The Gold (USD 31 million), Iron and steel scrap (USD 1,152million), Iron and steel (USD 1,890million), Aluminum wrought & worked (USD 230 million), and others Metals item (USD 850million) in FY2023.

Metal group has decreasing trend in the all quarters of financial year FY2023. The highest ever import has been witnessed Q1 FY 2023 stood at 1,255 million and lowest import noticed during Q4 FY 2023.

Figure 22: Quarterly imports of Metal Group FY 2023 (USD Million)



Source: Author's calculation based on PBS data

Gold

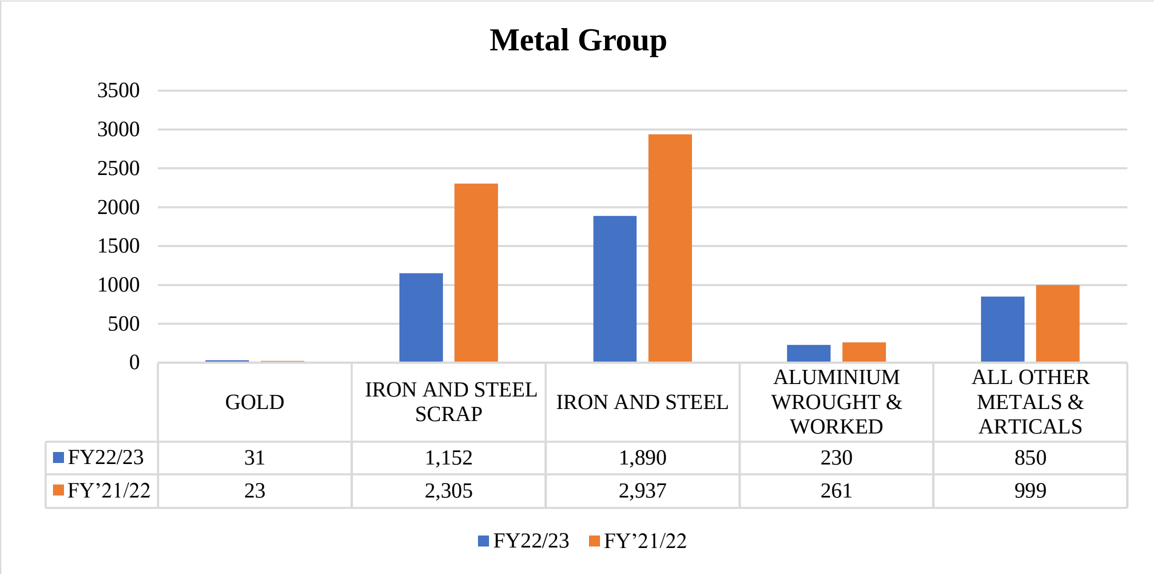
The imports of gold increased by 35 percent during the fiscal year 2022-23 as compared to last year.The gold imports during the July-June (2022-23) were recorded at $31 million as compared to the imports of $23 million during July-June (2021-22), according to the data.In terms of quantity, Pakistan imported 496 kilograms of gold during the months under review as compared to the imports of 361 kilograms last year, showing growth of 37.40 percent.

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.

Iron and Steel

Iron and Steel Metal group imports decreased by 36 percent and reached US$ 1,890 million. The imports of iron and steel declined both in quantity and value.

Figure 23: Imports OF Sub Sectors of Metal Group FY 2023 (USD Million)



Source: PBS

3.9 TEXTILES GROUP

Textile is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments. Year on year comparsion shows that Pakistan imported Textile Group worth of USD 3,742 million during FY 2023 as against USD 4,787million during FY2022 showing an decrease of 22%.

Table 14: Textiles group imports (trade values in USD million)

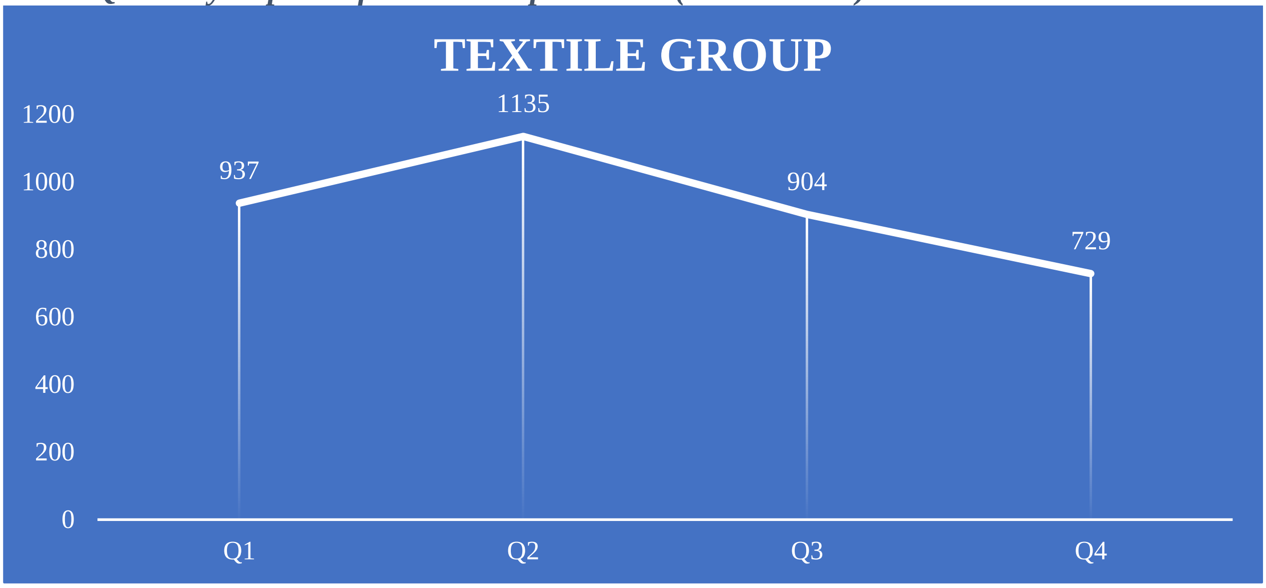
	FY 2023 V/S FY 2022		
SUB-SECTORS	**July-June FY22/23**	**July-June FY’21/22**	**% Change**
TEXTILE GROUP	3,742	4,787	-22%
RAW COTTON	1,679	1,828	-8%
SYNTHETIC FIBRE	485	743	-35%
SYNTHETIC & ARTIFICIAL SILK YARN	583	879	-34%
WORN CLOTHING	371	434	-15%
OTHR TEXTILE ITEMS	624	903	-31%

Source: PBS

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

The textile sector is an important contributor to the country's GDP, and any adverse expansions in this industry have a ripple effect on the broader economy. Due to decline in the import sectors raw material , the export of texile sector decreased dramatically.

Figure 24: Quarterly Imports of Metal Group FY 2023 (USD Million)



Source: Author's Calculation based on PBS data

Raw Cotton

Pakistan is the fifth largest cotton producing country with tremendous potential in further improvement in its world share. But still unable to meet its own domestic demand. In FY 2023, import of raw cotton has decreased by 8% as against same period of FY 2022. 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.

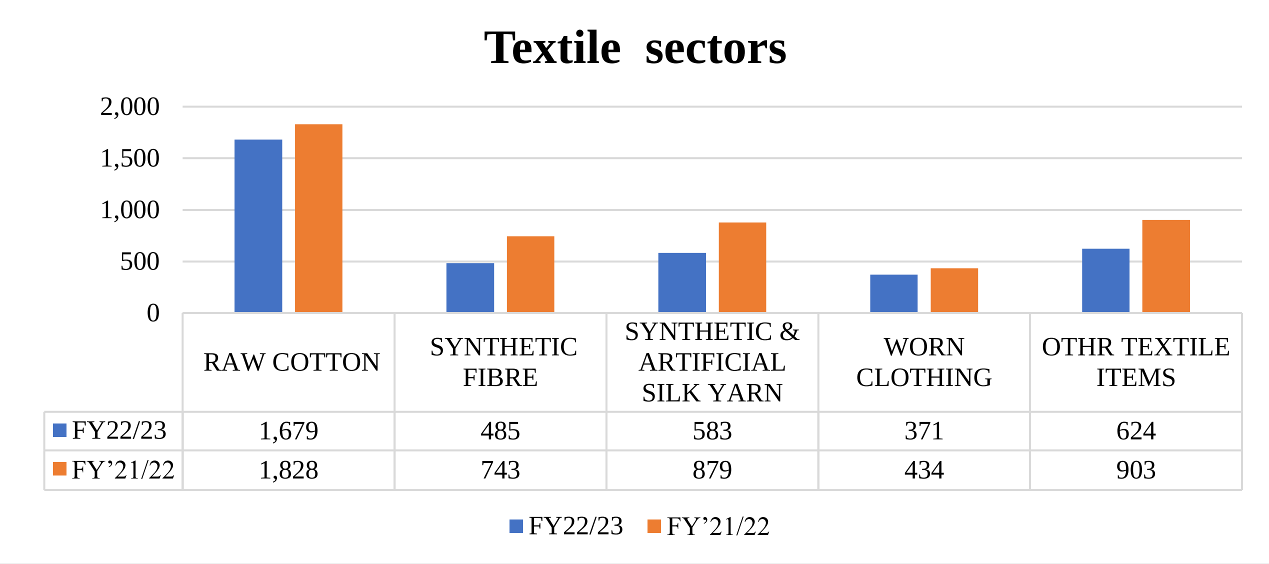
Worn Clothing

Import of worn clothing decreased by 15% during FY 2022. . The worn clothing imports during the July-June (2022-23) were recorded at $371 million as compared to the imports of $434 million during July-June (2021-22).

Synthetic Fiber And Synthetic & Artificial Silk Yarn

An decrease of 35% and 34% have been registered in the import Synthetic Fiber And Synthetic & Artificial Silk Yarn respectively.

Figure 25: Imports of Sub Sectors of Textile sectors FY 2023 USD Million)



Source: PBS

3.10 TRANSPORT GROUP

The import of transport group has shown significant decrease of 61% in FY 2023 as compared to same period last year. The Imports of a wide range of non-essential luxury goods have been banned by the Pakistani government. The Ministry of Commerce (MOC), imposed the ban through SRO No. 598(I)/2022, effective from 19 May 2022. Among the many imports listed in the SRO are products such as cellular phones, cars, cosmetics, home appliances, shoes, lighting, pet food, sanitary and bathroom ware, luxury leather apparel, shampoos, kitchenware and carpets except those from Afghanistan. The ban is imposed to reduce the import bill of different sectors including Transport Group. The ban is uplifted later on but the ban help to reduce the import bill of transport group.

Table 15: Transport Group Imports (Trade Values in USD Million)

	FY 2023 V/S FY 2022		
SUB-SECTORS	**July-June FY2023**	**July-June FY2022**	**% Change**
TRANSPORT GROUP	1,758	4,454	-61%
ROAD MOTOR VEH. (BUILD UNIT,CKD/SKD)	1,565	3,681	-57%
19.1 CBU	177	651	-73%
A.BUSES,TRUCKS& OTH. HEAVY VEHICLES	105	336	-69%
B.MOTOR CARS	70	310	-77%
C.MOTOR CYCLES	1.58	4.17	-62%
19.2 CKD/SKD	1,083	2,400	-55%
A.BUSES,TRUCKS& OTH. HEAVY VEHICLES	290	652	-56%
B.MOTOR CARS	752	1671	-55%
C.MOTOR CYCLES	41	77	-46%
19.3 PARTS & ACCESSORIES	281	527	-47%
19.4 OTHERS	24	103	-77%
AIRCRAFTS, SHIPS AND BOATS	134	761	-82%

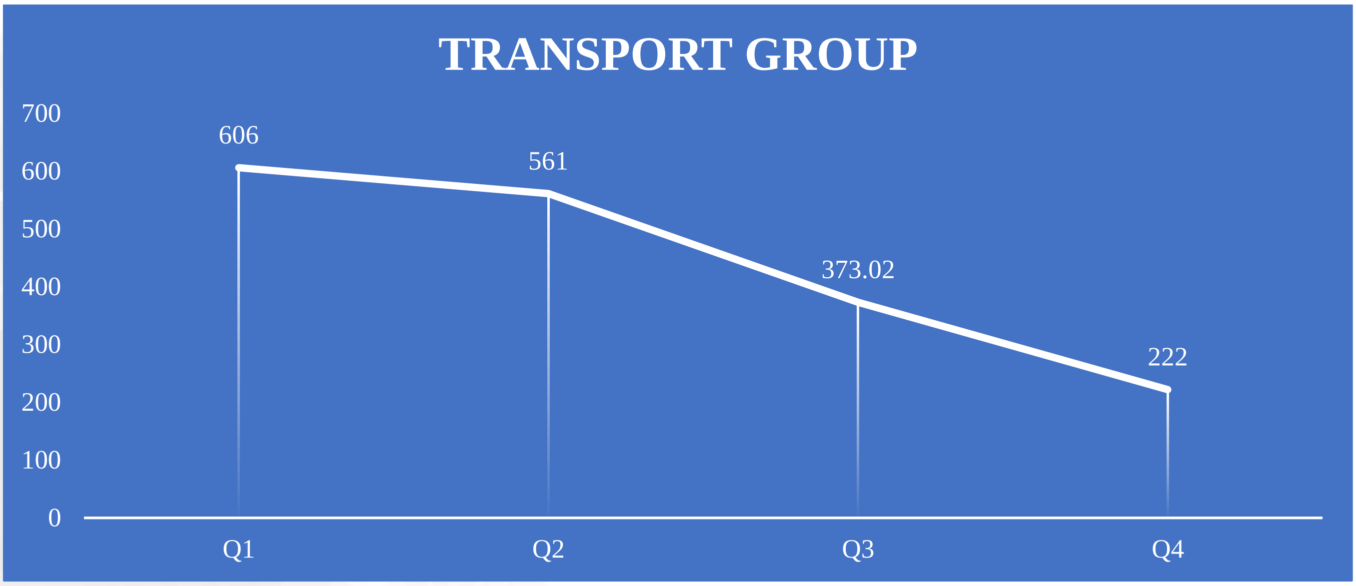
OTHERS TRANSPORT EQUIPMENTS	59	11	442%

Source:PBS

Furthermore; Pakistan has raised the rate of regulatory duty to 100% on import of motor vehicles into the country. The Federal Board of Revenue (FBR) issued SRO 1571(I)/2022 to increase the rate of regulatory duty from 90 to 100% on import of motor vehicles. In order to apply the new rate of regulatory duty the FBR through instant notification amended the SRO 966(I)/2022 issued on June 30, 2022. The regulatory duty at the rate of 100% has been imposed on imported vehicles included: mini vans in completely build units (CBU); 4X4 vehicles CBU; vehicles of a cylinder capacity exceeding 1000CC but not exceeding 1300CC; sports utility vehicles. The regulatory duty on import of motor vehicles has been enhanced in the wake of high outflow of foreign exchange reserves.. he government was discouraging the import of luxury cars by increasing taxes on them. In order to discourage the import of luxury items a customs duty of 100%, along with regulatory duty and 35% additional customs duty has been imposed on the import of luxury cars. Due to all these measures the transport group import decreasd.

The Road Motor Veh Build Unit (USD 1,565million), CKD/SKD (USD 1,083 million), CBU (USD 177 million), Part & Accessories (USD 2,81 million), others (USD 24 million), Aircrafts, Ships and Boats (USD 1,34 million), and other transport equipment (USD 59 million) in FY2022.

Figure 26: Quartely Import of Transport Group FY 2023 (USD Million)



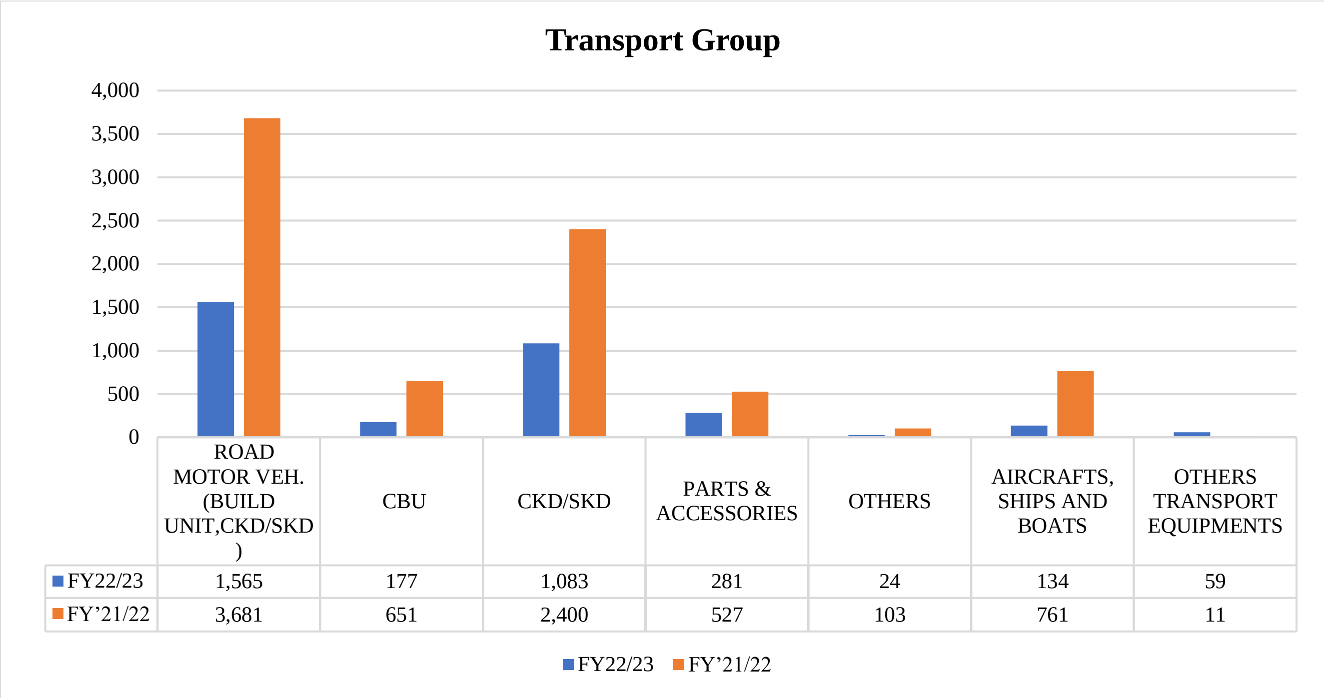
Source :Author'S calculation based on PBS data

Electric Vehicles:

The Government had recently announced new Electric Vehicle (EV) Policy, which would create competition among auto sector players besides pollution-free environment.

- Customs Duty (CD) on Specific Parts for electric vehicles to attract 1 %
- 10% CD on import of CBUs of EVs

Figure 27: Import of Sub Sectors of Transport Group FY 2023 (USD Million)



Source: PBS

3.11 MISCELLANEOUS GROUP

The miscellaneous group imports have seen an overall -27% decrease with decrease in imports of all sub sectors. Crude rubber, rubber tires &tubes,Wood & cork ,jute and paper & paper board all have decreased by 18%, 62%, 38%, 1%, and 16% respectively.

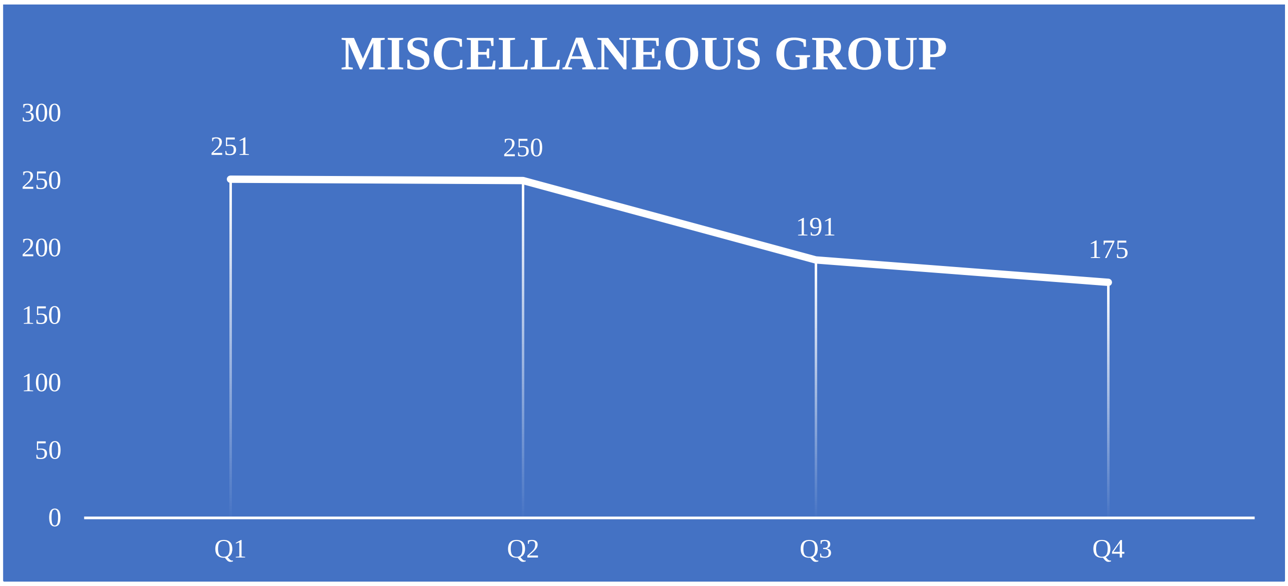
Table 16:Miscellaneous Group Imports (USD million)

	YOY 2023 V/S YOY 2022		
SUB-SECTORS	**July-June FY22/23**	**July-June FY'21/22**	**% Change**
MISCELLANEOUS GROUP	869	1,191	-27%
RUBBER CRUDE INCL. SYNTH/RECLAIMED	209	255	-18%
RUBBER TYRES & TUBES	92	239	-62%
WOOD & CORK	84	135	-38%
JUTE	58	58	-1%
PAPER & PAPER BOARD & MANUF.THEREOF	426	505	-16%
ALL OTHERS ITEMS	869	1,191	-27%

Source: PBS

The Miscellaneous Groupof FY 2023 showed showed negative trend during all quarter except 2nd quarter, while Q2, has slightly increasing trend.

Figure 28: Quarterly Import of Miscellaneous Group


MISCELLANEOUS GROUP
300
250
200
150
100
50
0
251
250
191
175
Q1
Q2
Q3
Q4

Source: PBS

SECTION 4

4.1 TRADE IN SERVICES

Overall exports of Services during July-June FY2023 registered positive growth. Trade statistics of Services are based on a balance of payments recorded by State Bank of Pakistan. Export of Travel Services has shown remarkable performance andregistered growth of 75 % during FY 2023.

As per Extended Balance of Payments Services Classification (EBOPS 2010), Trade in Services has been divided into 12 categories. The cumulative exports of Services in FY 2022-23 stood around USD 7.3 billion increased by 3% from the previous year exports of USD 7.1 billion in the FY2022.

Table 17: Services Exports (Trade Values in USD Million)

SERVICES	FY23	FY22	%Change
Total Export of Services	7,300	7,102	3%
Charges for the use of intellectual property n.i.e.	12	13	-9%
Construction	36	94	-62%
Financial services	61	201	-70%
Government goods and services n.i.e.	1102	1071	3%
Insurance and pension services	61	42	45%
Maintenance and repair services n.i.e.	0.78	2.86	-73%
Other business services	1567	1690	-7%
Personal, cultural, and recreational services	15	13	14%
Telecommunications, computer, and information services	2,605	2,619	-1%
Transport	893	814	10%
Travel	947	542	75%

Source: PBS

Figure 29: Services imports (trade values in USD million)

SERVICES	FY23	FY22	% Change
Total Import of Services	8020	12942	-38%
Maintenance and repair services n.i.e.	62	38	63%
Transport	3883	7405	-48%
Travel	1869	1413	32%
Construction	15	40	-62%
Insurance and pension services	261	293	-11%
Financial services	211	420	-50%
Charges for the use of intellectual property n.i.e.	55	209	-74%
Telecommunications, computer, and information services	298	612	-51%
Other business services	1153	1957	-41%
Personal, cultural, and recreational services	1.6	1.67	-4%
Government goods and services n.i.e.	209	554	-62%

Source: SBP

4.2 SECTORAL ANALYSES OF TRADE IN SERVICES

The most recent statistics shows that export of services trade registered an increase of 3% in FY 2023. The statistics shows that the export services of Government goods and services, Insurance and pension services, Personal, cultural, and recreational services, Transport, and Travel have increased. Travel by 75%, Insurance and pension services by 45%,Personal, cultural, and recreational services by 14%, Transport by 10%, and Government goods and services by 3%. Pakistan earned USD 2,605 million by providing different information technology (IT) services in various countries during the fiscal year 2023, showing negative trend of 1% as compared to USD 2,619 million earned during the corresponding period of FY2022.

The import services trade registered an decrease of 38% during FY 2023 as compared to previous year. The import of services shows that out of eleven categories, ten categories depict negative trend during FY 2023 as compared to FY 2022.onlyMaintenance and repair services showing remarkable 63% during FY 2023 as compared to FY 2022.The trade deficit in services contained by 87.7 percent to $0.7 billion as against $ 5.8 billion same period last year.

4.3 Travel Services

Travel services exports for Pakistan was reported USD 947 million during FY 2023. Travel services exports of Pakistan has recorded growth of 75% in FY 2022. It includes services acquired from an economy by non-resident travelers during visits shorter than one year. Pakistan has relaxed restrictions on international travel and revenue mainly increased due to these reasons. Recently, the Civil Aviation Authority (CAA) has announced that the requirements regarding COVID-19 vaccination and testing proof when traveling to Pakistan have been removed.

4.4 Insurance and pension services

Insurance and pension servicesexports for Pakistan was reported USD 61 million during FY 2023. Insurance and pension services exports of Pakistan has recorded growth of 45% in FY 2023.Government introduced several measures in services sector. Few steps are reported below for Telecom sector.

i. **Roshan Pension Plan Roshan Pension Plan**

Roshan Pension Plan Roshan Pension Plan (RPP) has been introduced as another useful addition in the product suite of Roshan Digital Account (RDA). RPP is an exclusive product for the Non- Resident Pakistanis (NRPs) and Pakistani Origin Card (POC) holders to digitally and remotely contribute in RPP financially securing their post retirement life.

ii. **Roshan Digital Business Account (RDBA)**

In order to facilitate the business entities incorporated abroad with majority shareholding of NRPs, the authorized dealers/banks have been given general permission to open and maintain RDBAs of such entities. This landmark initiative taken by SBP will strengthen the business alliances of NRP owned entities abroad with their homeland Pakistan.

4.5 Personal, Cultural and recreational services

Personal, cultural, and recreational servicesexports for Pakistan was reported USD 15 million during FY 2023. Personal, cultural, and recreational services exports of Pakistan has recorded growth of 14% in FY 2023.

4.6 Transport Services

Transport export has reported at 10% growth during FY 2023 as compare to same period last year. Pakistan exported worth of USD 893 million in FY2023. Transport covers all transport services (sea, air, land, internal waterway, pipeline, space and electricity transmission) performed by residents of one economy for those of another and involving the carriage of passengers, the movement of goods (freight), rental of carriers with crew, and related support and auxiliary services. Also included are postal and courier services. Excluded are freight insurance (included in insurance services); goods procured in ports by nonresident carriers (included in goods); maintenance and repairs on transport equipment (included in maintenance and repair services n.i.e.); and repairs of railway facilities, harbors, and airfield facilities (included in construction).

4.7 Telecom Sector

The telecom sector is one of the fastest growing segments of Pakistan's economy and is a key driver for growth. There are an estimated more than 100 Million cellular users and the sector directly or indirectly employs approximately 1.36 Million people. Pakistan exported USD 2.6 billion worth of telecom services (including IT services) to the world in FY 2023. Although the export of telecom sector is 1% low as compared to FY 2022. But government introduced several measures in services sector. Few steps are reported below for Telecom sector.

i. **Measures for introduction of 5G in Pakistan[12]:**Pakistan has targeted to commercially launch the most advance internet 5G by December 2022. The government has set the target of increasing IT exports to $5 billion by the time it completes its elected five-year tenure in 2023.

Introduction of 5G PTA has unveiled 5G roadmap incorporating the testing of 5G technology and allied services during the FY2022. PTA permitted tests and trials of 5G services under limited environment and on non-commercial basis. Successful trials have been conducted by CMPak, Jazz, Telenor, Ufone and PTCL. During the trials, operators conducted demo test cases including, remote surgery for the first time in Pakistan, Cloud gaming and overview of other 5G technology applications. These were among the first trials of 5G services in any South Asian country, with a recorded download speed of more than 1 Gigabits per second (Gbps). Pakistan was thus recognized as a pioneer of 5G trials in the region. PTA foresees 5G technology operating in a highly heterogeneous environment and providing ubiquitous connectivity for a wide range of devices, new applications and use cases.

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

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

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

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

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

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

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

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

4.8 Other business services

Personal, cultural, and recreational services exports for Pakistan was reported USD 1,567 million during FY 2023. Personal, cultural, and recreational services exports of Pakistan has recorded decline of 7% in FY 2023. But government has taken different steps to increase the export of other business servies;

- National Business Development Program for SMEs (NBDP)
- SMEDA ONE WINDOW (SOW) – A Step towards Creating a Hassle-Free Business Environment for SMEs
- Technology Up-gradation, Common Facility Centers & Business Facilitation Centers

4.9 Construction Services

Construction services exports for Pakistan was USD 36 million showing a decline of 62%. Though Pakistan construction services exports fluctuated substantially in recent years due to increasing cost of raw materials and higher inflation.

SECTION 5

GOVERNMENT INITIATIVES FOR EXPORT FACILITATION

5.1Exports Facilitation Measures

Pakistan Vision 2025

The Pakistan Vision 2025 “One Vision One Nation” lays down a foundation for the country to transform into one of the top ten economies in the world by 2047. The country envisions to become an upper middle-income country with balanced development. Furthermore, both the Pakistan Vision 2025 and the Strategic Trade Policy Framework (STPF) 2020-2025 identify foreign direct investment (FDI) as one of the key elements to support the development of Pakistan’s economy, especially in facing a more challenging international environment due to health, food, energy and geo-political crises. Pakistan has largely managed to put the challenge of the pandemic behind it, where according to World Bank data, private consumption and investment have recovered to pre-pandemic levels.

Pakistan Investment Policy 2023

The Pakistan Investment Policy 2023 (PIP 2023) takes into consideration the current global economic challenges and changes resulting from the post Covid-19 pandemic environment and regional and global political and economic challenges. While focus sectors and activities may have changed, supply-chains are shortening, the geo-political situation alters the source of investments, and investment climate reforms move towards investment retention, investment facilitation and investment aftercare, what has not changed is the need to attract more investments, especially in sectors which could bring value addition activities, jobs and export earnings to Pakistan. Hence, PIP 2023 adopts a bold, radical, and implementable multi-pronged policy approach to attract more high-quality investments into the country.

PIP 2023 identifies new growth areas, including activities identified in the STPF 2020- 25. New growth areas include: a) Engineering goods, b) Mines and minerals, c) Low Carbon related activities, Electric Vehicles and their components. d) Electronics and ICT and relevant services, including in the latest technologies, e) Chemicals, renewable energy and oil and gas, f) Pharmaceuticals, surgical instruments and medical devices g) High-value textiles focused on the production of innovative products, h) Agriculture and food processing, including fruits and vegetables and fishery products, high value agriculture and advanced services, which will assist downstream activities of Pakistan’s agriculture products, i) Financial services, j) Logistics and transportation, k) Tourism, l) Soft infrastructure like the education, human resources and technology development to be less dependent on third countries. It is very important for 10 Pakistan to invest in human capital, which could yield important returns when paired with efficiency-seeking, high technology, high value-added activities.

Textiles and Apparel Policy, 2020-25

To fully utilize potential of home-grown Cotton augmented by Manmade Fibers/Filaments to boost value-added exports and become one of the major players in global textiles and apparel supply chain. To provide conducive business environment, consistent, predictable and foreseeable measures and level playing field for the domestic and export-oriented textiles and apparel value-chain.

Strategic Objectives:

a. To leverage advantage of complete textiles and apparel supply chain by encouraging value-addition at each stage of processes, especially in the finished products

b. To restore profitability of Cotton farmers by increasing yield, improving quality and decreasing cost of production

c. To strengthen MMF sector, to make this chain export oriented

d. To support textiles and apparel value-chain not only for BMR but importantly for new capacities

e. To facilitate in manufacturing by carrying out an exercise to review temporary importation schemes and role of regulatory organizations

f. To provide level playing field to make this sector export competitive and increase share in the domestic market

g. To give priority to SMEs for infrastructure, compliance, energy efficiency, quality assurance, productivity and E-Commerce related projects.[13]

National Freelancing Facilitation Policy 2023 – Draft

To establish Pakistan as a leading global freelance market and increase exports and foreign exchange for the country.

Business Development• Provide access to freelancers to international markets, projects, and clients. • Introduce a robust marketing strategy and promotional plan for freelancers.

Facilitation• Create a registry of freelancers through a registration portal and facilitate them by providing a platform to interact with the local and international market. • Facilitate freelancers in interfacing with governing/regulatory authorities. • Create transparent governance model, framework, and policies. • Introduce digital banking, e-payments, access to financial instruments, and capital, especially lowinterest loans for freelancers. • Provide income tax holiday to registered freelancers. • Facilitate access to health insurance, life insurance, and employee liability insurance through subsidies and government incentives. iii. HR Development and Entrepreneurship • Enable a digital-ready environment across the country and increase adoption rate for learning, upscaling, and skill practice. • Strengthen and build qualified human resources through capacity building and skill training programs.

Legislations• Designating policy stakeholders and the policy review board's formulation to create a legal and litigation framework suited to the freelancers. v. Women, Differently Abled, Remote Areas .[14]

National Tariff Policy 2019-24

National Tariff Policy aims to achieve the following objectives: i) To improve competitiveness of manufacturing, including the export sector, through duty free access to imported raw materials by rationalizing the tariff structure; ii) To increase employment opportunities by attracting efficiencyseeking investment in the manufacturing sector by making tariff regime transparent and predictable; iii) To lessen the distortions in the domestic price structure and improve consumer welfare by reducing the burden of excessive protection; iv) To remove anomalies in the tariff structure, which is causing distortions between sectors and in the value chain of the same sectors.

The Policy is based on the following principles: a) Tariffs as trade policy instrument The tariff policy will be employed as an instrument of trade policy rather than revenue. The tariffs will be leveraged for creating the right balance between trade liberalization and timebound protection. b) Simplification The tariff structure will be simplified by reducing exemptions and concessions. c) Cascading The principle of vertical consistency through cascading tariff structures (increasing tariff with stages of processing of a product) will be retained so that at any point in time, tariffs on inputs are lower than (or at least equal to) the tariff on the finished product. Besides, the steepness in escalation of tariffs will be reduced. d) Strategic Protection The domestic industry will be provided 'strategic protection' against the foreign competition during the infancy phase keeping in view the cost of doing business. The protection will be time-bound and phased out, so as to make the industry globally competitive. e) Competitive Import Substitution The size of domestic market will be leveraged for development of competitive import substitution industry. The time-bound protection will be provided in the domestic market, which will be phased out to make the industry competitive for export-oriented production.[15]

Strategic Trade Policy Framework (STPF) 2020-25

The Vision of the STPF 2020-25 is for "Pakistan to become a dynamic and efficient domestic market as well as a globally competitive export driven economy". The Mission is to "transform Pakistan from a factor-driven to an efficiency-driven economy integrated into the regional and global value chains".

[13]https://www.commerce.gov.pk/wp-content/uploads/2022/02/Textiles-and-Apparel-Policy-2020-25.pdf

[14]https://moitt.gov.pk/SiteImage/Misc/files/National%20Freelancing%20Facilitation%20Policy%20Updated%20July%202023%20UPLOAD%20VERSION.pdf

[15]https://www.commerce.gov.pk/wpcontent/uploads/2019/11/National-Tariff-Policy-2019-24.pdf

Based on the analysis of past trade policies and diagnosis of the causes of suboptimal export performance and gaps in implementation of the policy measures, it has been decided to revisit the policy framework. This Policy document will be a living document with option to periodically review the proposed policy interventions after six months and introduce new initiatives where needed. In order to achieve a sustainable rapid export growth a comprehensive strategy has been devised to (a) optimize the growth of existing sectors in the short term, (b) diversify into the new sectors to be identified through stakeholders' engagement in the medium term, and (c) identify the innovation-driven export sectors for support interventions in the long term.

This Strategic Trade Policy Framework is based on the following pillars: i) Rendering exports, a national priority and the primary driver of economic growth, that is both inclusive and sustainable, and is the main viable source of foreign exchange earnings; ii) Enhancement of exports via a collaborative and cohesive national effort engaging all relevant ministries, departments, government agencies and private sectors so as to ensure policy coherence; iii) Introduction of strategic interventions in priority sectors under 'Make in Pakistan' initiative. These interventions have been identified in the Action Matrices; iv) Alignment of Trade Policy in tandem with macro-economic framework and other national policies such as Taxation, Revenue, Textiles & Industrial Policy, etc.[16]

Look Africa Policy Initiative

The Ministry of Commerce has launched "Look Africa Policy Initiative" in August 2017, which has already been made operational and is reflective four broader policy towards Africa. To enhance connectivity between Africa and Pakistan, the 'Look Africa' Plan include measures that can help boost trade between Pakistan and Africa. Africa is moving towards economic integration through a number of sub-regional organizations. Under the 'Look Africa Plan' Pakistan is seeking to negotiate preferential trade agreements with three African trading blocs. These blocs include Southern African Customs Union (SACU) comprising Botswana, Lesotho, Namibia, South Africa and Swaziland; East African Community (EAC) comprising Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda; and Economic Community of West African States (ECOWAS) which consists of Benin, Burkina Faso, Cabo Verde, Cote d'Ivoire, Gambia, Ghana, Guinea, Guinea Bissau, Liberia, Mali, Niger, Nigeria, Senegal, Sierra Leone, and Togolese.

Under this policy, African countries prioritized for trade promotion are; Nigeria, Kenya, South Africa, Morocco, Senegal, Algeria, Egypt, Sudan, Tanzania, and Ethiopia being top ten Economies of Africa. These ten countries comprise 78% of the total GDP of Africa as per 2017-18.

The highlights of the Policy include:

- Granting accreditations, appointing TDOs and opening six new commercial sections in Africa including Algeria, Egypt, Ethiopia, Senegal, Sudan, and Tanzania in the first phase.
- Organization of Look Africa Trade Forums in major cities in Pakistan to create awareness among the private sector.
- To initiate negotiations on bilateral/multilateral trade agreements for market access in Africa, Formation of Joint Working Groups (JWGs) on trade;
- Establishment of Africa Cell in TDAP Karachi;
- Special facilitation to delegations to/from Africa;
- Enhanced facilitation by the government for the Pakistani companies' participation in trade fairs in Africa; and
- 2% additional duty draw back on selected items exports to Africa.[17]

Pakistan Single Window:

The Pakistan Single Window initiative led by Pakistan Customs aims at reducing the time and cost of doing business by digitalizing Pakistan's cross border trade and eliminating paper based manual processes. The PSWC, a Public Sector Company incorporated under Section 42 of the Companies Act, 2017, by Pakistan Customs has been notified as the 'Operating Entity' of the PSW system by the Federal Government under the provisions of the PSW Act, 2021. PSW aims to provide an integrated

[16] https://www.commerce.gov.pk/wp-content/uploads/2021/12/Final-STPF-2020-25-1.pdf

[17] https://www.commerce.gov.pk/look-africa-policy/

electronic platform that allows parties involved in international trade and transport to lodge standardized information and documents with a single-entry point to fulfill all import, export, and transit regulatory requirements. In order to ensure optimal benefits of the PSW system to the traders as well as public sector regulators, Section 3(3) of the PSW Act, 2021, makes it mandatory upon Customs and Other Government Agencies (OGAs), as listed in the schedule to the Act, to align their respective laws, regulations, procedures, processes and other information requirements related to regulation of imports, exports, transit trade and associated transport with Pakistan Single Window.[18]

Ease of Doing Business

Indicators relating to "Trading across Border" improved by 31 ranks from 142 to 111 in 2021, showing a remarkable improvement in simplification and automation of international trade.

Automated Duty Drawback Payment System

To facilitate exporters, the manual rebate approval system has been replaced with Risk Management System (RMS) based, fully automated processing of duty drawback and payments.

WeBOC

This is a fully automated customs clearance system implemented at all seaports, dry ports, and land border stations, including the features of paperless processing and online payments for traders.

Risk Management System

It is part of WeBOC clearance which is continuously upgraded from time to time. Currently, about 57 percent of the import declarations are being cleared through the green channel, while about 85 percent of the export consignments are allowed clearance through the green channel.

Enhancing Regional Connectivity of Pakistan with Central Asian Republics

This has been achieved through the signing of agreements, simplification of Transit Procedures, and Automated Clearance. Pak-Uzbekistan Transit Agreement was finalized and operationalized. Recently, three more agreements have been signed with China, Russia, and Tajikistan.

Focused Administrative Effort for Revenue Mobilization

This includes action against mis-invoicing through better valuation, auctions, recoveries, etc.

Control of Smuggling

For the first time, a counter-smuggling policy was laid out with collaborative arrangements with other Federal and Provincial Law Enforcement Agencies. This has resulted in huge seizures of smuggled goods and contraband. Moreover, a countrywide operation against illegal POL outlets (sealing of illegal outlets/ petrol pumps with criminal proceedings against owners), through which legitimate imports of POL products increased with a corresponding increase in revenue collection.

Greater Facilitation of Trade at the Borders

FBR has been able to reduce the percentage of imports and exports that undergoes documentary and/or physical inspection through a yellow or red channel by customs at the border.

Risk-Based Audit

The selection of cases for Tax Year 2019 is in a process that is based upon a scientific approach through the Risk Based Audit Management System (RAMS) which covers all segments of taxpayers. The purpose of RAMS is to identify and select non-compliant taxpayers and improve compliance behavior across taxpayer segments. This would enable FBR to not only focus on non-compliant taxpayers but also ensure that the audit process is effective, fair, and conducted with integrity; thus, building the confidence of compliant taxpayers in the Audit system.

Automation of Audit Monitoring System / Audit Dashboard

A software solution has been designed to provide continuous monitoring of the audit cases with sufficient documentation and assistance to the auditors. FBR has conducted and completed several cases of comprehensive field audits of large taxpayers selected through the Audit Policy 2019 by the risk-based selection tool and monitored by the Compliance Unit through this software.

Track and Trace System (TTS)

Currently, the TTS has been implemented in sugar, fertilizer, and tobacco sectors. Phase-1 of cement sector implementation is planned for June 2023 onwards. It has currently been implemented in 81 facilities in the sugar sector, 15 facilities in the

[18] https://www.psw.gov.pk/admin/storage/app/media//Legal/Compliance/Annual-Report-FY-2022.pdf

fertilizer sector, and 9 facilities in the tobacco sector. **Inland Revenue Enforcement Network (IREN)**IREN has also been established for curbing the illicit tobacco and sugar movement in different areas of the country. IREN enforcement measures have led to the seizure of illicit tobacco and raids have been conducted for the enforcement of a track and trace system.

Automated Issuance of Refunds

To facilitate taxpayers, a centralized automated refund system is functioning successfully with no requirement for manual application and verification. This system issues refunds directly to the bank accounts of the taxpayers without any face-to-face interaction with tax authorities.

Reduction in Withholding Lines

FBR has been following a rigorous agenda to analyze different withholding lines with respect to their yield and impact on taxpayers. Consequently, the number of withholding lines has been reduced to 31 from 58 since FY 2019-20.

Fostering a Culture of Interprovincial Coordination and Data Sharing

FBR has been working together with provincial authorities to standardize and harmonize tax management to the extent possible. Consequently, FBR has signed memorandums of understanding on data sharing and Immovable property valuation tables.

Broadening of the Tax Base (BTB)

Devoted BTB units have been established at Regional Tax Offices for the registration of new taxpayers based on information received. Field formation-wise targets have been assigned for the financial year 2022-23. The aim is to expand the tax base from the existing 1.2 million paid filers to 3.5 million paid filers up to the fiscal year 2023-24. FBR has registered 912,392 new taxpayers during the current year as of 31 st March FY2023, against the target of 700,000 new taxpayers.

Facilitation to the PharmacuticalSectors

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

Pharma raw materials exempt from sales tax. The sales tax on the import of raw materials for manufacture of Active Ingredients and pharmaceutical products are exempt from sales tax.

The sector has Zero percent duty on import of multiple drugs.

Zero percent Customs duty is available on import of multiple Active Pharmaceutical Ingredients for the Pharmaceutical Sector.

Low Customs duty on import of Plant and Machinery.

Low customs duty on import of Excipients/Chemicals.

Refinance facility under the Export Finance Scheme for Consultancy Services.

Exemption of Customs duty on import of pharma grade Gelatin.

Prime Minister Youth Business & Agriculture Loan Scheme

Uptill March 2023, the government has disbursed Rs. 6,965 million under Prime Minister Youth Business & Agriculture Loan Scheme for businesses.

bilateral Agreement/ MoU on Manpower Export

Ministry of Overseas and Human Resources Development is working to sign bilateral agreements/MoUs with destination countries. In this regard, a bilateral Agreement/ MoU on Manpower Export has been signed with Azerbaijan in 2022.

Greenfield Industrial Policy

Government has approved the "Greenfield Industrial Policy," waiving of custom duties on the import of plant and machinery to reduce costs for industrial development and promote the adoption of new technologies.

Power Sector Indigenization Plan (PSIP)

Government is focusing on addressing energy-related issues through initiatives such as the Solar Policy, Power Sector Indigenization Plan (PSIP), and improved tariff structures to attract investors in petrochemical production and other related sectors.

Government has implemented various initiatives to foster the growth of the industrial sector which includes ensuring reliable energy supply to export-oriented sectors, rationalizing tariff headings for industrial and manufacturing sectors, and granting sales tax exemptions for solar panel import and local supply.

Agriculture Loans

During Jul-Mar FY2023, the agriculture lending financial institutions have disbursed Rs. 1,222 billion, which is 67.2% of the overall annual target and 27.5% higher than Rs. 958.3 billion disbursed during the same period last year.

SBP Financing Scheme for Renewable Energy

The Green Banking initiative of State Bank of Pakistan is designed to inculcate environmental considerations in banking products, services and operations. As part of this initiative, State Bank has issued Revised SBP Financing Scheme for Renewable Energy on June 20, 2016 with a view to promote renewable energy projects in the country. The Scheme has generated interest among banks and DFIs as well as sponsors of renewable energy projects. The SBP Financing Scheme for Renewable Energy has been further revised with a view to streamline features and incentives and expand scope of the Scheme to make it more attractive to borrowers and financing banks/DFIs.

Pakistan's economy is facing the dual challenge of energy shortage and climate change. The inadequate supply of energy has severely impacted the growth of industries/businesses and the welfare of public in general. Similarly, the effects of climate change have been observed in the form of devastating floods, droughts, heat waves and changing weather patterns. These changes essentially inhibit our ability to develop sustainably. In order to support in overcoming these challenges, SBP decided to promote green banking i.e. use of indigenous resources especially renewable energy in order to ensure sustainable banking and development. For this purpose, the scheme has been amended based on the feedback received from various stakeholders. The scheme will provide concessionary financing for large renewable energy power projects as well as for small scale renewable energy solutions. The Scheme also facilitates installation of renewable energy based solutions/ projects under net metering system introduced by National Electric Power Regulatory Authority (NEPRA).

SBP Refinance Schemes

Refinance facilities are targeted loans from State Bank of Pakistan (SBP) to support exports and industrial growth with the ultimate objective of promoting overall economic development of the country. Over the years, SBP has introduced special schemes under its refinance window to ensure adequate supply of financing to the value added industries at competitive rates for enhancing their production capacity and meeting working capital requirements. These schemes mainly include Export Finance Scheme (EFS) to ensure short term credit availability for exporters and Long Term Financing Facility (LTFF) for encouraging export led growth on the long term basis. In addition to promoting exports of the country, SBP has also introduced some special medium to long term refinance facilities at subsidized rates for other sectors such as schemes on renewable energy, establishment of silos, warehouses & cold storages for storing agricultural produce and purchase of machinery for SMEs. These schemes are regularly reviewed to effectively achieve the desired objectives.

Agriculture Credit Schemes

SBP developed a credit guarantee scheme, funded by the Federal Government, for small & marginalized farmers which would facilitate flow of credit to small and marginalized farmers who do not have any collateral. The objective of the guarantee scheme is to encourage financial institutions to lend to small farmers who do not have adequate collateral (acceptable to bank) in order to meet their working capital requirements.

To improve access to finance to Livestock & dairy sector and to mitigate risk of loss of livestock due to disease, natural calamities & accidents, SBP, in collaboration with SECP, banks, insurance companies and provincial livestock & dairy departments has developed Livestock Insurance Scheme for borrowers. The Livestock Insurance Scheme is an essential risk mitigating tool encouraging banks to enhance flow of credit to this highly potential and underserved sector.

Financing Scheme for Small Farmers

SBP in consultation with stakeholder has developed a group based financing scheme for the small farmers. The scheme will target farming community involved in small agri related activities like livestock, dairy, poultry, fisheries, horticulture etc. and do not have any tangible security to offer to banks as collateral. The scheme has been structured on group based lending approach wherein banks can finance to individuals through Small Farmer Groups (SFG).

Islamic Export Refinance Scheme

The State Bank has been striving to ensure that the credit requirements of the genuine exporters from the banking system are not effected. In order to ensure smooth flow of credit to the genuine exporters the SBP has already put in place necessary mechanism under its Export Finance Scheme (EFS), which has been in operation since 1978. The recent developments relating to the introduction of specialized Islamic banking institutions have made it imperative for us to formulate a Scheme to enable the exporter to avail SBP's refinance through the newly established Islamic Commercial Banks against eligible commodities. Accordingly, we have designed a new Scheme styled as Islamic Export Refinance Scheme (the Scheme). The said Scheme shall also be utilized by the dedicated branches of the commercial banks that would work as standalone branches for providing the Islamic Banking Products and Services, for availing refinance against financing facilities provided by them to exporters for eligible commodities.

SME Asaan Finance (SAAF) Scheme

Enhancing access to finance to Small and Medium Enterprises (SMEs) is one of the priority areas of the State Bank of Pakistan (SBP). SMEs face a number of challenges in getting credit from banks; lack of collateral and high delivery costs are considered the biggest challenges. In order to overcome these challenges in an innovative manner, SBP is now adopting a new approach wherein interested banks will bid for a subsidized facility with risk coverage. Banks winning the bid will invest in human resource, technology and processes to successfully develop expertise, capacity and capability to cater SME finance market. Accordingly, SBP is offering a 'SME Asaan Finance' (SAAF) scheme, wherein refinance and risk coverage both are being offered together.

Under the scheme, SBP will provide time bound refinancing for three years to the banks selected through a transparent bidding process. After three years, banks will repay the refinanced amount in ten equal yearly installments. The risk coverage will, however, be valid for a period of four years starting from launch of the scheme, in order to suitbly cover loans extended during third year of the scheme.

Refinancing Facility for Modernization of Small and Medium Enterprises (SMEs)

Financing shall be available to wide range of SME Clusters / Sectors. ii) Only SME borrowers, with number of employees up to 250 and sales turn-over up to Rs 800 million shall be eligible to avail financing facilities under the Scheme. iii) Financing shall be available for purchase of new imported/local plant & machinery for BMR of existing units and setting up of new SME units. iv) Financing shall be available for import/ local purchase of new generators up to a maximum capacity of 500 KVA under the Scheme. The capacity of generator shall, however, not be in excess of SME Unit's in-house energy requirements or up-to 500 KVA, whichever is less. v) Financing shall also be available for carrying out civil works up-to 20% of total project cost for conversion of conventional brick kiln and up-to 50% of total project cost for establishment of new zigzag technology based brick kiln.

Agriculture Reform

Government of Pakistan and Government of the Punjab have initiated this mega project under Prime Minister Agriculture Emergency Program for enhancing productivity and profitability through increase in yield up to 7 mounds / acre to reduce cost of production, ensure food security, export for surplus and retrieve area for oilseed and high value crops to minimize import bills on edible oil. Under this project, subsidy on 216,457 ton certified wheat seed, 259,832 ton of gypsum, 99,900 hectare of jantar sowing and incorporation in soil, 15,435 agriculture implements / machinery and weedicides for 4,793,400 hectare will be provided to farmers up to 2023-24 leading to productivity enhancement of wheat.Through implementation of these project interventions, per acre wheat yield would increase by 7 mounds / acres. In this way, net profit and income of farmers will increase and area retrieved from wheat will be utilized for sowing of oilseed crops.[19]

Crop Loan Insurance Scheme (CLIS)

In 2008, the Government of Pakistan (GoP) introduced the mandatory crop loan insurance scheme for five major crops i.e. wheat, rice, cotton, sugarcane and maize to mitigate the risk of losses of farmer in case of calamities. The insurance premium is borne by the government up to maximum of 2 percent per crop per season for the farmers having land holding up to 25 acres in all provinces except Balochistan where the eligibility of land holding is 32 acres. During the period July 2008 to December 2020, banks have submitted premium claims of Rs 9.4 billion against 6.54 million beneficiaries.

Livestock Insurance Scheme for Borrowers (LISB)

[19]https://ext.agripunjab.gov.pk/wheat_project#:~:text=Government%20of%20Pakistan%20and%20Government,for%20surplus%20and%20retrieve%20area

To minimize the risk of disease or death of animals due to accidents and natural calamities in livestock & dairy sector, the farmers' have improved access to LISB since 2013. The scheme covers small farmers having up to 10 animals and the government bears premium subsidy up to 4 percent per annum. During the period July 2014 to December 2020, banks have submitted premium claims of Rs 2.84 billion against 0.82 million beneficiaries.

Regulatory Space for Innovative Financing

Relevant Prudential Regulations have been amended to allow Electronic Warehouse Receipt (EWR) as acceptable collateral for bank financing. Further, the maximum tenure for agriculture development loans have been increased to 10 years to encourage development and mechanization for efficiency, resource conservation and yield enhancement. Additionally, Report on Indicative Credit Limits and Eligible Items for Agriculture Financing has also been revised to allow banks to provide loans to farmers as per their internal policies. This will also facilitate provincial planning departments in estimating the total financial and credit requirements of provinces/regions for agriculture sector.

Government of Punjab E-Credit Scheme: SBP has facilitated the Government of Punjab in designing and implementing the E-Credit scheme wherein E-Passbook and other automated land revenue records, accessible through an online portal, are being used by participating financial institutions (ZTBL, NBP, Telenor Microfinance Banks, Akhuwat and NRSP) to provide interest free loans to small farmers. Up to Rabi 2019- 20, total loan amount of around Rs 62 billion had been disbursed to 890,000 small farmers.

Workshops/Trainings/Capacity & Awareness Building: SBP regularly organizes various training programmes and awareness sessions both on-field and virtual to meet demand and supply side capacity building requirements of agriculture finance stakeholders including banks and farmers. These training programmes include Farmers Financial Literacy Programmes and awareness sessions on Agricultural Value Chain Financing, Job Fairs for Agriculture Graduates, Warehouse Receipt Financing, Islamic Agricultural Financing etc.

Climate Change[20]

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

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

Subsidies and Refunds to Exporters

Export Finance Scheme (EFS)

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

Export Facilitation Scheme[21]

Under the EFS, commercial banks after disbursing the loan to the exporter approach the field office of BSC for reimbursement of the same loan. This financing facility is provided for a period of 180 days to direct exporter and up to 120 days for indirect exporter. SBP has formulated IERS keeping

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

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

in view recent developments relating to introduction of specialized Islamic banking institutions. This scheme is being utilized by the dedicated branches of the commercial banks providing the Islamic banking products and services. These branches are availing refinance from the BSC field offices against finance provided by them to exporters for eligible commodities.

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

Long-Term Financing for the Export Orientation Projects

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

Islamic Long Term Financing Facility (ILTFF)

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

FBR Schemes[22]

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

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

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

Temporary Importation Scheme exempts from sales tax and customs-duty on temporary importation of input materail for consecutive exportation. The input goods incorporate accessories utlized in electronic equipment, kitchen utensils and cutlery, ready-made garments, surgical instruments, textile made ups and footwears,aluminum-ware, vacuum flasks, components (subcomponents) for assembly of machinery, games, bicycles, dolls, steel ware, toys, and materials necessary for the manufacture of stationery items and decorative items connote for packing materials and exports. The present scheme

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

can be availed by any manufacturer-cum-exporter.When we compare the temporary scheme with the past schemes, we got know that the present scheme is easy and simple to avail.

The Export Oriented Units (EOUS) Rules

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

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

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

SECTION – 6

6.1TDAP ACHIEVEMENTS

TDAP's Vision & Mission

The Trade Development Authority of Pakistan (TDAP) is mandated to develop and promote export holistically, through focus, synergy, and with collective wisdom and counsel of its stakeholders. In addition to aggressive, innovative and proactive marketing and promotional efforts. It achieve the objective of rapid export growth through interaction and coordination with respective public and private–sector stakeholders, and enhancing value of products and services by broadening the export base of our products; enhancing capability and capacity of the supply base of goods and services; by fostering supportive export culture and facilitation; and by encouraging export oriented foreign investment and joint ventures. TDAP also help improve market access through advising the Government on matters of trade diplomacy and promoting the "business" image of Pakistan in the key export markets for Pakistani products and services, the world over. TDAP's mission is to achieve a quantum-leap in Pakistani exports. To fulfill such a mission, TDAP employ the right skills and competencies, professional management techniques, advanced international marketing strategy backed by competent market research and trade analysis, supported by use of latest technology. TDAP create a high level of motivation amongst its staff as they see themselves embark on upwardly mobile career paths within a TPO environment. It persuade them to significantly enhance their capabilities and skills, and thus assure their personal growth along well-defined career paths. TDAP strive to achieve a role model status for a TPO in the developing countries

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

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

TDAP has taken following initiatives to facilitate exporters during FY 2023

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

6.1 Trade Promotional activities 2022-23

TDAP organized 74 exhibitions in different sectors during 2022-23.

Sectors	2022-23
Textile & Leather	17
Agro – Food	17
Engineering & Manufacturing	17
Services	17
Others	13
Total	74

6.2Expo Dubai 2020

- Over 1.4 Million Visitors
- Burj CEO Award for Best Exterior
- Silver Award for best Interior by Jury of Bureau International des Exposition
- Pakistan Pavilion chosen as "Specially Venerated Pavilion"
- Audio/Visual Award
- 112 MoUs signed
- 15 billion USD investment through these MoUs

6.3 Market access initiatives

- Meat: Jordan, Egypt, Uzbekistan, China
- Fisheries: China (resolution of GACC issue)
- Fruits: cherry exports to China
- Rice: Russia (16 companies)
- Lifting of ban on Qatari imports of frozen seafood

6.4 Mou Signed by TDAP

To create common leveraging factors between TDAP's of SMEDA for Promotion of common international, development of SME & Women Entrepreneur (W.E)**,** MoU was signed between TDAP and SMEDA ON 17 September 2023,

6.5 3rd Pakistan-Africa Trade Development Conference (PATDC) & Single Country Exhibition (SCE)

The key points of 3rd Pakistan-Africa Trade Development Conference (PATDC) & Single Country Exhibition (SCE) were organized in South Africa on 29th November 2022. The event focussed on Southern Africa Development Community (SADC). Moreover, One-day Conference followed by two-day Exhibition. Federal Minister for Commerce, Mr Syed NaveedQamar inaugurated event and Chief Guest: Ms. Stella TembisaNdabeni-Abrahams, Minister for Small Business Development of South Africa graced the event. Other high level government delegates and business leaders from SADC attended the event. More than 120 Pakistani companies participated in the exhibition and business deals worth of US$ 2.4 million+ were signed. More than 20 MOUs were signed signed during event.

6.6Trade fairs organized by TDAP in Pakistan

2nd edition of Engineering & Healthcare show 23-25 February 2023

2nd edition of EHCS 2023 was organized by TDAP. More than 300 foreign delegates from Africa, CARs and Middle East countries visited the expo at Lahore.More than 200 exhibitors from 19 manufacturing and engineering sectors exhibited their stalls to attract investment and trade. Approximately, 1900 sectors specific B2B meetings were organized and 17 sector specific MOU's were signed. As a result, worth of USD 62 Million business deals were finalized during the event. Expo Pakistan's primary focus is on displaying all the major exportable merchandise products under one roof. Special theme was developed with a motto of showcasing the true potential of our Engineering sector especially to African and CARs countries to emphasize that Engineering & Healthcare sector binds all Pakistan and its overall contribution in the economy of Pakistan in terms of employment generation and a source of major foreign exchange earner. Furthermore, special representation of value added sector like Plastic, Furniture, Surgical Instruments, Agri-Machinery, Mobile Phones etc. All respective associations encouraged their members to participate in the event. Like previous mega events, TDAP provided and arranged special meeting places for Federation of Pakistan Chamber of Commerce & Industry (FPCCI) and Lahore Chamber of Commerce and Industry (LCCI), Sialkot Chamber of Commerce and Industry (SCCI), Gujranwala Chamber of Commerce and Industry (GCCI). Pakistan Trade & Tourism stall was also established showcasing that Pakistan is rich in its tourist destinations offering a diverse range of choices for different types of tourists. Pakistan is home to one of the oldest civilizations in the world, has innumerable locations of scenic beauty, world's highest mountains, many religious and historic places, unique arts and crafts and a rich culture and heritage.

Expo Hyderabad 6-7th March 2022

A two-day exhibition showcased handicrafts and bangles at Hyderabad Expo Centre. More than 60 stalls of handicrafts, and 3 stalls of glass bangles were set up for businesses opportunities.The venet provided opportunity to women entrepreneurs of internal Sindh for business networking. Moreover, footfall from universities, organizations and general public were tremendous.

Her Hunar" – 4-5 March, 2023

To encourage women entrepreneurs - Chitral, Swat, Hazara, DI Khan, GB and AJK, TDAP organized a trade show "Her Hunar". Accompanied by sideline activities. Seminars / training on product development, IPR, financial inclusion were organized by TDAP to provide awareness to local manufacturers.

Strong presence of diplomatic community - increased awareness of Women entrepreneurial spirit even in under-developed areas. Cultural performances from the participating regions were also arranged to showcase art and music of our country.

TEXPO 2023 26th- 28th of May, 2023 at the Karachi Expo Centre

Hon'ble Prime Minister of Pakistan Mr Shahbaz Sharif graced the inauguration of TEXPO 2023. More than 500+ buyers from 60 countries visited TEXPO. More than 250+ exhibitors showcased their product range during event. Worth of USD 500 million deals were finalized. Buyers from 24 non-traditional markets also visited TEXPO diversifying the textile market base for Pakistani products.

FoodAg 2023 10th to 12th August, 2023

1st International Food and Agriculture Exhibition-FoodAg-2023 organized from 12-14 August 2023.

Theme “Growing a sustainable future" -Pakistan's contribution towards global food security More than 221 exporters including SMEs and women entrepreneurs from all provinces of the country exhibited their products for 600 plus international delegates and buyers from 60 countries. To kick off the event, TDAP has organized Agri Investment Conference, in collaboration with Boi, and other stakeholders to attract investment in the Agriculture and Food Sector. Worth of USD 410 million deals were finalized during the event with more than 5000 business meetings. Global Food Cuisine was organized as sideline activities of FoodAg 2023. Seminars on TIR, EU regulation, Fisheries and WTO laws were organized.

6.7 Pakistan Trade Portal

Pakistan Trade Portal isInaugurated by President of Islamic republic of Pakistan on 26 February, 2022 at LahorePakistan Trade Portal is an initiative of TDAP to fulfill the need of Pakistan’s Businesses to have a free of cost, cross border business to business matchmaking postal. The portal shall enlist sellers and verify them through various measures. The portal shall help international buyers to make instant sourcing decisions as the portal provides photos, videos, FOB prices, instant quotation, online meeting platforms and above all TDAP’s support and verification of the sellers and their products. The portal shall also help TDAP and Ministry of Commerce to take policy decisions keeping in view the live data of traffic and interest of the buyers region wise. So far, more than 1900+ companies selling around 6,000 products have been listed with TDAP portal.

SECTION 7

7.1 FUTURE TRADE OUTLOOK

FY2023, a challenging year has ended. The government succeeded in ensuring the sustainability of the external and fiscal sectors through various tough decisions and stabilization measures. In FY2024, the government is gearing towards achieving higher growth of 3.5% through various measures like the Kissan package, industrial support, export promotion, encouragement of the IT sector, and resource mobilization, etc. This resulted in muted performance of LSM as industrial production is mainly dependent on global prospects, import of capital goods, and subsidized financing. Thus, the future prospects of industrial sector are moderate as the strength and duration of the recovery in commodity prices will be a function of many factors, such as the supply chain resilience, and the pace of global economic recovery.

Exports of the country slipped to USD 27.7 billion after reporting decline by 12.7% during the current fiscal year 2022-23 as compared with USD 31.78 billion of the last fiscal year 2021-22 against the target of $32 billion set last year. On the other hand, the country's imports plunged down by 30.96% with value of USD 24.8 billion, to USD 55 billion $24.8 billion during the period under review as compared with $80.1 billion of the last fiscal year. The government has set USD 30 billion as export target for next fiscal year 2023-24 which is lower than the current year's $32 billion target and USD 40 billion for 2024-25.Although exports of all sectors were declined when compared with the subsequent period of the last year FY 2022.

On the import front, Pakistani recorded an decrease in value of imports by 31% in which 55.33 billion imports during FY 2023, imports of the Petroleum Group ranked the highest with imports worth of USD 17,015 million followed by Food Group (USD 8,937 Million), Agriculture & Chemicals Group (USD 8,929 Million), Machinery Group (USD 5,808 Million), Metal Group (USD 4,152 Million), Textile Group (USD 3,742 Million), Transport Group (USD 1,758 Million), and Miscellaneous Group (USD 869 Million). The government has been able to slash its trade deficit by a significant amount of $27.6 billion during FY 2023, driven down by strict restrictions on imports in a bid to avoid default by choking the economy and stoking inflation.

Looking at the upside, once the global shocks of the war in Ukraine, supply chain disruptions, and the resultant spike in commodity prices fade away, the road to global growth and trade prospects would be smoother. Further, china's reopening may provide fresh impetus. Concurrently, on the domestic front, government stabilization measures started reaping its benefits in the form of controlled current account and fiscal deficits, resultantly the policy stance may shift to normalization after gaining full stability in balance of payments. Accommodative policies may give impetus to the stagnant industrial growth will have widespread spillover benefits to other sectors of the economy. In addition, the government has implemented various initiatives to foster the growth of the industrial sector. Firstly, the government is ensuring a reliable energy supply to exportoriented sectors, particularly the textile industry, by exempting industrial feeders from loadshedding. Additionally, tariff headings for the industrial and manufacturing sectors have been rationalized. Furthermore, sales tax exemptions have been granted for the import and local supply of solar panels, encouraging the adoption of renewable energy sources.

To achieve higher and sustainable economic growth, it will require prudent and effective economic decisions, political and economic certainty, and continuation of friendly economic policies along with enough foreign exchange financing. The recent IMF approval of the Stand- By Arrangement and other bilateral and multilateral inflows will pave the way to further improve the macroeconomic environment and the confidence of economic agents.

In FY2023, 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. 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. 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.