Trade and Payments

The global economy continued to expand during 2014 at a moderate and uneven pace, as the prolonged recovery process from the global financial crisis was still hindered with partial post-crisis adjustments. Global recovery was also hampered by some new challenges, including a number of unexpected shocks, such as the heightened geopolitical conflicts in various areas of the world. Six years after the global financial crisis, Gross Domestic Product (GDP) growth for a majority of the world economies has shifted to a noticeably lower path compared to pre-crisis levels.

According to UN report, Growth of World Gross Product (WGP) is estimated to be 2.6 per cent in 2014, marginally better than the growth of 2.5 per cent registered in 2013.The global economy is expected to strengthen in 2015 and 2016, with WGP projected to grow by 3.1 and 3.3 percent, respectively.

Slow and uneven recovery in major developed countries and moderate growth in developing countries have led to sluggish trade growth in the past few years. World trade is estimated to have expanded by 3.4 per cent in 2014, still well below pre-crisis trends. In the near future period, trade growth is expected to pick up moderately along with improvement in global output, rising to 4.5 percent, in 2015 and 4.9 percent, in 2016.

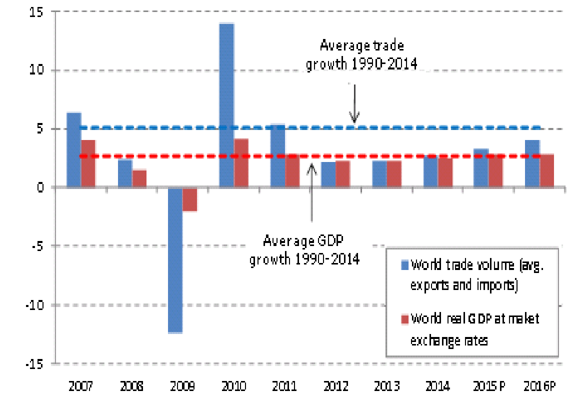
International prices of primary commodities have been on the slide for past two years, and no upturn is visible on the horizon. The Brent oil price is projected to continue its downward journey in 2015 and 2016, as the gap between demand growth and supply growth is not expected to be bridged. Oil demand growth has been slowing down throughout 2014, following sluggish economic growth in key economies, including Western Europe and Japan. The weaker-than-expected GDP growth in China has also weighed heavily on weaker demand, particularly during the second quarter of 2014. As a result, growth in oil demand was at its lowest level in more than two years. In 2015 and 2016, increasing demand in the United States is expected to partially offset the weaker demand from other developed economies. However, global demand growth for crude oil should continue at a moderate pace.

Non-oil commodity markets strengthened slightly during the first quarter of 2014, led by a surge in food prices, but eased thereafter. The Non-oil Nominal Commodity Price Index of UNCTAD increased from 245 points in January to 252 points in March 2014 and decreased afterwards by 3 per cent to reach 244 points in August. The average value of the index over the period of January–August was about 6 per cent lower than a year ago, but remains high relative to its long-term trend of the past decades. Compared to 2013, major commodity groups registered an overall decline in their prices.

International trade growth has been disappointing in recent years and it appears that recovery would continue to be slow. With economic growth still fragile and continued geopolitical tensions, this trend could easily be undermined. WTO has projected that growth in the volume of world merchandise trade will pick up only slightly over the next two years, rising from 2.8 percent in 2014 to 3.3 percent in 2015 and eventually to 4.0 percent in 2016, well below the annual average of 5.1 percent posted since 1990.The modest gains in 2014, marked the third consecutive year in which the trade grew less than 3 percent. Trade growth averaged just 2.4 percent between 2012 and 2014, the slowest rate on record for a three year period when trade was expanding (i.e. excluding years like 1975 and 2009 when world trade actually declined).

In the short-term at least, trade expansion is not expected to outstrip overall economic growth as had been the general pattern for decades. The 2.8 percent rise in world trade in 2014 barely exceeded the increase in world GDP for the year, and forecasts for trade growth in 2015 and 2016 only surpass expected output growth by a small margin (Fig-1).

Fig-1: Growth in volume of world merchandise trade and real GDP, 2007-16P (Annual % change)



Source: WTO

Several factors contributed to the sluggish output in 2014 and at the start of 2015, including slowing GDP growth in emerging economies, an uneven recovery in developed countries, and rising geopolitical tensions, among others. Strong exchange rate fluctuations, including a 14 percent appreciation of the US dollar against other currencies between July, 2014 and March, 2015 have further complicated the trade situation and outlook.

Geopolitical tensions and natural phenomena also weighed on trade growth last year. The crisis in the Ukraine persisted throughout the year, straining trade relations between Russia on the one hand and the United States and European Union on the other. Further, conflict in the Middle East also stoked regional instability.

In case of Pakistan, given continued energy shortfalls, overall security challenges, international regional currencies depreciation, sluggish world economic growth and trade, Pakistan's external sector performance remained satisfactory. Overall balance remained surplus despite slow export performance. Pak Rupee remained stable during July-April 2014-15 and FE reserves have been maintained equivalent to more than three months import bill and therefore restoring eligibility of IBRD concessional loans. This situation is admitted by the international agencies like S&P, Moody's Investors, Bloomberg and international donors like World Bank and ADB. The external sector performance is discussed in ensuing paras.

Balance of Payments

Thanks to marked improvement in the current account and substantial foreign exchange inflows, Pakistan's overall external account balance posted a surplus of US$ 2.12 billion during July-April, 2014-15 against US$ 1.95 billion in the corresponding period last year (Table:8.1).

The current account deficit almost halved to US$ 1.4 billion during July-April 2014-15 from US$ 2.9 billion in July-April 2013-14. A combination of factors helped this marked improvement including declining oil prices, larger inflows under Coalition Support Fund (CSF), lower freight charges on imports and steady growth in workers' remittances.

Capital and financial account, on the other hand, recorded a lower surplus of US$ 3.2 billion during July-April 2014-15 compared to US$ 5.3 billion during the same period last financial year. The financial account, also recorded a lower inflow during July-April 2014-15 compared to the last year, despite disbursement from the IMF under Extended Fund Facility (EFF); issuance of Sukuk bonds in international market; and disbursement of bilateral and multilateral flows.

Finally, this improvement in the external account helped country's FX reserves to reach around US$ 17.8 billion by end April, 2015 from end June 2014 level of US$ 14.1 billion and therefore, Pak rupee- dollar parity remained stable when compared with end June, 2014.

Table 8.1: Summary Balance of Payments US $ Million

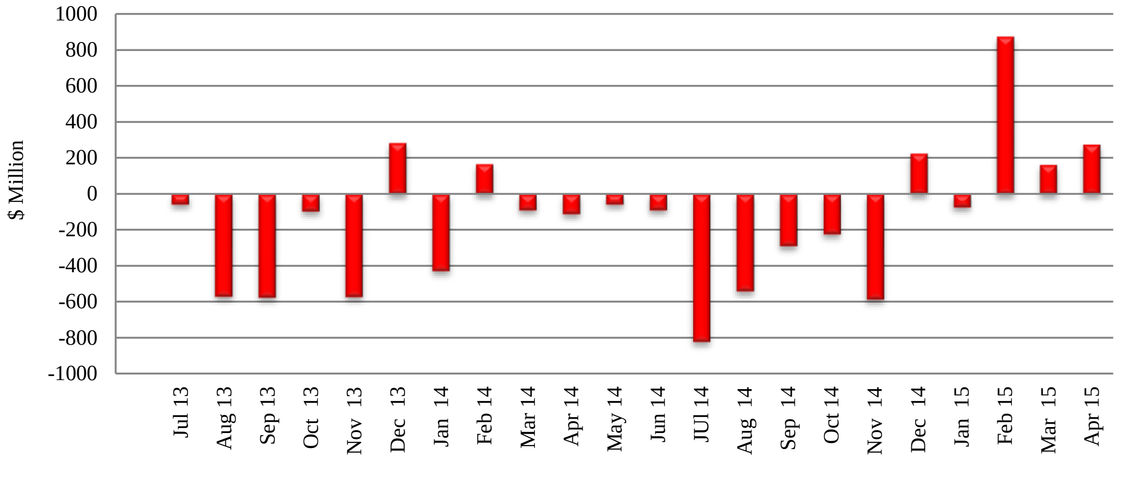
Items	July-June		July-April P	
	2012-13	2013-14	2013-14	2014-15
Current Account Balance	-2,496	-3,130	-2,931	-1,364
Trade Balance	-15,431	-16,701	-13,811	-13,910
Goods: Exports	24,795	25,068	20,834	20,176
Goods: Imports	40,226	41,769	34,645	34,086
Service Balance	-1,472	-2,551	-2,349	-1,632
Services: Credit	6,733	5,322	4,197	5,026
Services: Debit	8,205	7,873	6,546	6,658
Income Account Balance	-3,685	-3,943	-3,169	-3,576
Income: Credit	488	541	453	476
Income: Debit	4,173	4,484	3,622	4,052
Current Transfers Net	18,092	20,065	16,398	17,754
Of which:				
Workers' Remittances	13,922	15,837	12,898	14,970
Capital & Financial Account	813	7,379	5,263	3,182
Capital Account	264	1,857	1,782	346
Financial Account	549	5,522	3,481	2,836
Direct Investment in Pakistan	1,456	1,669	898	826
Portfolio Investment (net)	224	2,718	2,241	1,823
Other Investment	-107	799	438	247
Net Errors and Omissions	-309	-391	-382	300
Overall Balance	-1,992	3,858	1,950	2,118

Source: State Bank of Pakistan
P: Provisional

Current Account

The current account deficit stood at US$ 1.4 billion in July-April 2014-15, which was 53.5 percent less than the deficit of US$ 2.9 billion in July-April 2013-14. Although the major contribution came from the CSF inflows, the lower freight payments and a sustained growth in workers' remittances also helped towards improving the current account. Furthermore, monthly data shows the current account surplus in the months of December 2014, February, March and April 2015 (Fig-2).

Fig-2 Monthly Current Account



The trade deficit posted a marginal increase of around 0.7 percent during July-April FY15, primarily due to decline in exports. On the other hand, higher imports of metal, machinery, agriculture & other chemicals, and transport, nearly offset the gain in import bill from a sharp fall in international POL prices.

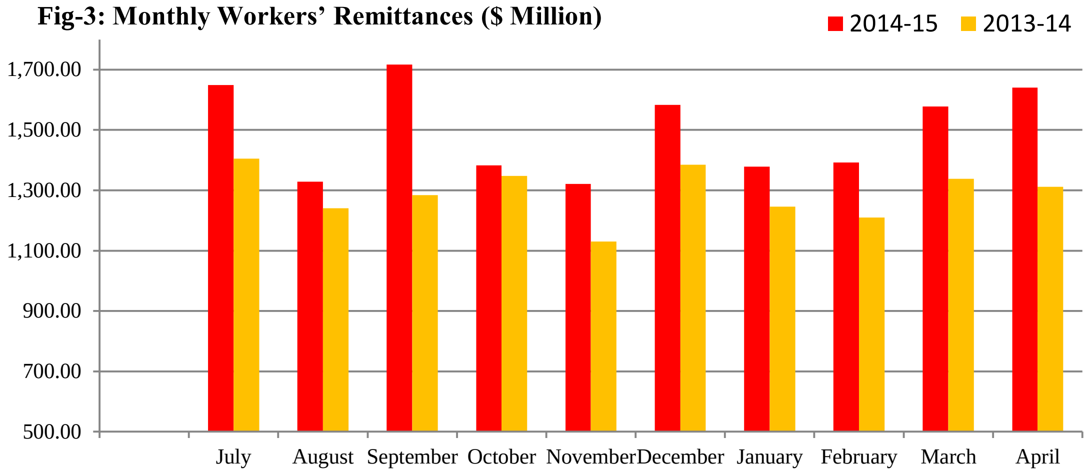
Due to inflows of US$ 1.5 billion under CSF, services account showed a lower deficit of US$ 1.6 billion during July-April 2014-15, compared to a deficit of US$ 2.3 billion during the corresponding period last year. Lower freight expenses (as shipping companies have apparently started passing on the impact of cheaper oil) also provided some relief.

In the case of income account, the deficit increased marginally from US$ 3.2 billion in July-April 2013-14 to US$ 3.6 billion during July-April 2014-15, mainly due to higher interest payments. Specifically, interest payments on external debt during July-April 2014-15 were US$252 million higher than that in the same period last year.

Workers' Remittances

Following the impressive growth of 13.7 percent during 2013-14, inflows under worker's remittances gained further momentum and recorded an increase of 16.1 percent during July-April 2014-15 when compared with corresponding period last year. Most of the rise came from the GCC countries, especially the UAE and Saudi Arabia, mainly reflecting the vibrant non-oil sector in this region. According to the IMF, the GCC is expected to post 4.4 percent growth during 2014, on the back of expansion in the infrastructure (Table: 8.2 and Fig-3 and 4).

Fig-3: Monthly Workers' Remittances ($ Million)



At the same time, Pakistan is making efforts to promote the use of formal channels for the remittance transfer. Besides banks, microfinance institutions (MFIs) are now being tied up with global money transfer organizations. Since MFIs are more agile and responsive to the need of customers, their inclusion would improve the remittance delivery mechanism. Moreover, under the Pakistan Remittance Initiative (PRI), opening of bank accounts by departing workers is mandatory. Having a bank account would also address the negative perception of migrants and their families about the financial sector, which is one of the major reasons behind the use of informal means to send money.

Fig-4: Worker's Remittances 2014-15

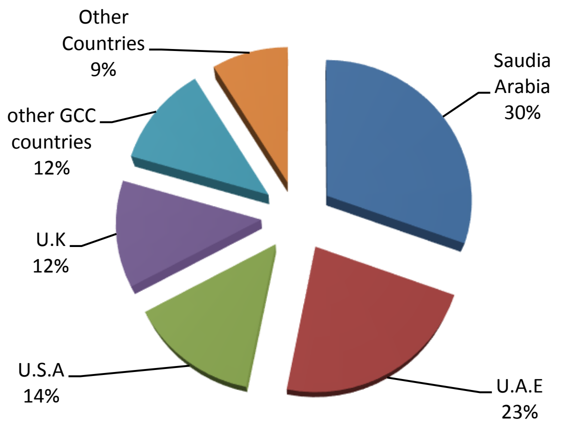


Table: 8.2 Country/Region Wise Cash workers' Remittances				($ Million)
Country/ Region	**July-April**			
	FY14	**FY15 P**	**% Change**	**% Share**
USA	2,028.5	2,105.5	3.8	14.1
U.K.	1,798.4	1,845.3	2.6	12.3
Saudi Arabia	3,806.4	4,565.4	19.9	30.5
UAE	2,523.0	3,384.3	34.4	22.6
Other GCC Countries	1,527.4	1,751.2	14.7	11.7
EU Countries	355.4	298.9	-15.9	2.0
Other Countries	858.8	1,019.1	18.7	6.8
Total	**12,897.9**	**14,969.7**	**16.1**	**100**

P: Provisional
Source: State Bank of Pakistan

Capital & Financial Account

Capital and financial accounts posted a surplus of US$ 3.2 billion during July-April 2014-15, compared to US$ 5.3 billion during the same period last year. Capital account showed a surplus of US$ 346 million during July-April 2014-15 as compared to corresponding period last year. The financial account, on the other hand, posted a surplus of US$ 2.8 billion during July-March 2014-15, compared to US$ 3.5 billion last year.

During July-April 2014-15, net foreign investment recorded US$ 2.6 billion inflow compared to US$ 3.1 billion last year (Table 8.3). The rise in foreign investment was largely explained by the foreign public investment that witnessed net inflows of US$0.94 billion during the period under review. Issuance of Sukuk by the government was the major contributory factor in higher public investment. In case of Foreign Direct Investment (FDI), telecom, power, textiles and food packing sectors recorded higher inflows during the period under review. On the other hand, pharmaceuticals, metal and food sector witnessed net outflows in FDI during July-April 2014-15. China, USA, UAE and Norway were the major contributors in net foreign investment in Pakistan.

Table 8.3: Foreign Investment			($ Million)
	July-April		**% Change**
	2013-14	**2014-15 P**	
A. Foreign Private Investment	1,050.3	1,666.2	58.6
Foreign Direct Investment	897.0	824.9	(8.0)
Portfolio Investment	153.4	841.3	448.5
B. Foreign Public Investment	2,059.9	936.9	(54.5)
Total Foreign Investment (A+B)	3,110.3	2,603.1	(16.3)

P : Provisional

Foreign Exchange Reserves and Exchange Rate

Pakistan's foreign exchange reserves reached US$ 17.8 billion by end-April 2015, from US$ 14.2 billion at end-June 2014, largely due to improvement in the current account, disbursement of IMF loan under the EFF, and mobilization of Sukuk by the government in the international capital market. The increase was mainly concentrated in reserves held by the central bank, as foreign exchange reserves of the commercial banks remained almost stagnant.

Quarterly data shows that the FX market remained under pressure during Q1-2014-15 when the country's FX reserves declined by US$ 630 million, and the PKR posted a depreciation of 3.7 percent. This was mainly due to turmoil on political front in the country and resultant delay in the conclusion of quarterly IMF review. However, after the successful conclusion of the 4th and 5th reviews of the IMF, the reserves improved to comfortable levels. The historical background of cash foreign reserves for the last 37 years is given in Box.1.

Box-I: Trends in Foreign Exchange Reserves

End Period	Net Reserves With SBP	Total Liquid Reserve
FY 78	641.0	641.0
FY 79	317.0	317.0
FY 80	672.3	672.3
FY 81	1,000	1,000
FY 82	780	780
FY 83	1,735	1,735
FY 84	1,529	1,529
FY 85	561	561
FY 86	862	862
FY 87	796	796
FY 88	457	457
FY 89	389	389
FY 90	529	529
FY 91	583	583
FY 92	1,012	1,012
FY 93	461	461
FY 94	2,305	2,305
FY 95	2,743	2,743
FY 96	2,065	2,065
FY 97	1,219	1,219
FY 98	930	930

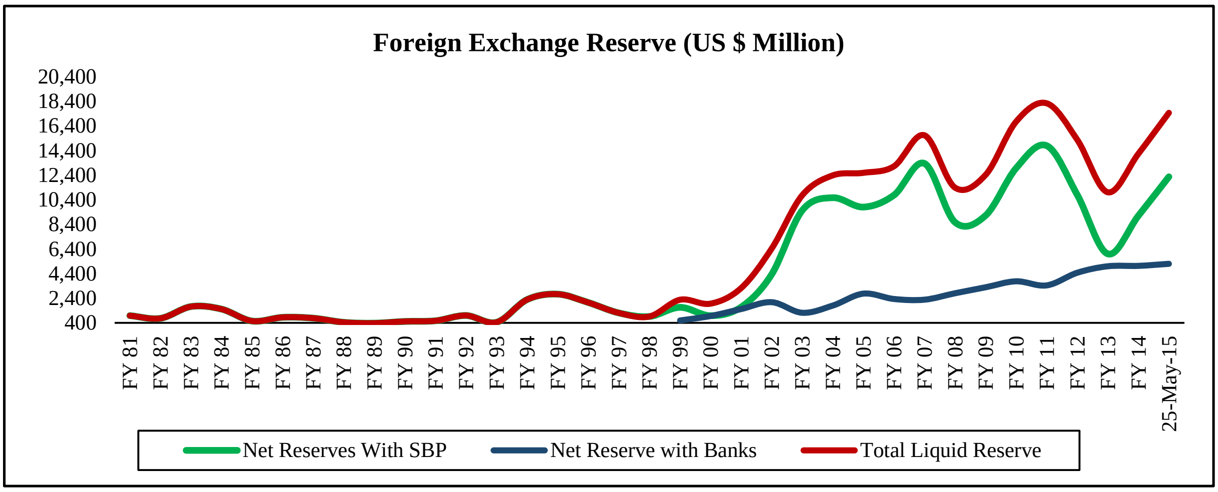
End Period	Net Reserves With SBP	Net Reserve with Banks	Total Liquid Reserve
FY 99[1]	1,672.7	616.5	2,289.2
FY 00	997.0	976.6	1,973.6
FY 01	1,688.9	1,542.6	3,231.5
FY 02	4,337.4	2,098.2	6,435.6
FY 03	9,529.1	1,240.0	10,769.1
FY 04	10,563.9	1,825.0	12,388.9
FY 05	9,804.7	2,792.9	12,597.6
FY 06	10,765.2	2,357.2	13,122.4
FY 07	13,345.4	2,301.8	15,647.2
FY 08	8,577.0	2,821.7	11,398.7
FY 09	9,117.9	3,307.3	12,425.2
FY 10	12,958.2	3,792.2	16,750.4
FY 11	14,783.6	3,460.2	18,243.8
FY 12	10,803.3	4,485.3	15,288.6
FY 13	6,008.4	5,011.2	11,019.6
FY 14	9,097.5	5,043.6	14,141.1
25-May-15	12,258.9	5,209.8	17,468.7

[1] The compilation of bank reserves started since FY 99. Earlier, banks accepting foreign currency were required to surrender the foreign exchange to SBP. On June 20, 1998, through a circular on FE-25, banks were exempted to surrender foreign exchange component to SBP.

Foreign Exchange Reserves are often taken as a yardstick to gauge a country's financial strength. Credit rating agencies like Moody's, S & P etc. give significant importance to country's foreign exchange reserves.

In Pakistan, a consistent volatility had seen in Net Reserves With SBP and thus in total Foreign Exchange Reserves. During FY 11, country's Foreign Exchange Reserves reached at US $ 18.2 billion. However unluckily these were not maintained and thus started depleting. By end June FY 12 and FY 13, these were depleted by 16 percent and 28 percent respectively thus entered into dangerous zone.

With consistent effort of the present government, in FY 14, there was 28 percent growth in foreign exchange reserves, thus entering safe territory and no longer existence of any risk to the economy. Both credit rating agencies Moody's and S & P has upgraded credit rating of the country. Due to better polices of the government foreign exchange reserves are continuously increasing and stood at US $ 17.5 billion and it is expected to increase more than $22 billion at the end of 2016-17.



Due to the improved current account position and higher foreign exchange inflows, average exchange rate remained at Rs 101.5 per US$ during July-April 2014-15, compared to Rs 104.7 per US$ last year. Monthly data shows that Pak rupee posted a depreciation of 3.1 percent during July-April 2014-15, compared to a depreciation of 0.9 percent during the same period last year. This pressure came from delays in the 4th review of the IMF program and the political uncertainty in the country since mid-August. However, after the disbursement of two tranches by IMF in December 2014, the pressure on PKR eased. The PKR appreciated in the second quarter of 2014-15, and then stabilized at just below Rs 102 per US$.

Trends in Exports

Pakistan's exports have been stagnant for the last few years, wavering around US$ 24-25 billion. During July-April, 2014-15, exports stood at US$ 19,926 million against US$ 20,979 million during corresponding period last year. Bangladesh's exports, for instance, surpassed the $30 billion-mark last year and is set to hit the current year's target of $34.5 billion. According to a UN study covering a 30-year period (1980-2011), India's share of world exports improved from 0.43 percent to 1.7 percent; Bangladesh's from 0.04 percent to 0.14 percent; Malaysia's from 0.74 percent to 1.34 percent, and Thailand's from 0.37 percent to 1.35 percent. Pakistan's share, however, remained stagnant at 0.15 percent. However, since January 2014, when duty-free access under the GSP Plus was granted, Pakistan's exports to Europe spiked 21 percent, but this was at the cost of other markets.

Pakistan's exports base and markets are extremely narrow. Over 55 percent of its exports earning are contributed by the cotton group alone. The other three items namely leather, synthetic made ups and rice contribute about 14 percent of total exports. Unfortunately, the above four items are relatively low value added product. Pakistan has not made much progress in increasing the number of products. Pakistan is also yet to enter in hi-tech exports. Similarly, in addition to diversification of products, new markets of our exports needs to be explored in African countries, South America, ASEAN region, Russia, Eastern Europe etc. Presently, our exports are concentrated to few markets in North America, European Union, and Middle East countries.

Experts assign number of reasons for the slowdown in exports which include:

- **Decrease in International prices of commodities:-**There has been a global trend of decrease in prices of cotton and rice. These commodities have seminal importance in Pakistan's exports and the decrease in prices has adversely affected Pakistan's exports. The average unit price (AUP) of non-basmati rice, which constitutes 70 percent of Pakistan's rice exports by value, declined by 2 percent; similarly, the AUP of cotton and yarn have declined by 78 percent and 10 percent respectively.[1]
- **Increase in Cost of Production:** While the prices of agricultural commodities have declined, the cost of production in Pakistan has increased due to increased energy and other input costs. Pakistan's ranking in Global Competitiveness Index decreased from 128th in 2013-14 to 129th in 2014-15.[2]
- **Energy Crises:-**The energy deficit and the bias in energy distribution policy in favour of domestic consumers vis-à-vis industrial consumers are seriously affecting the supply capacities of exporting enterprises.
- **Lack of Research & Development:-** Research and development has traditionally been a low priority both in the public and private sectors. For instance, there is near absence of development of new high yielding varieties of cotton and rice. India has developed many basmati and basmati-look-alike (non-basmati) varieties during the last few years whereas Pakistan has failed to develop any basmati variety during the last 30 years. Consequently, the traditional markets of basmati rice are being gradually grabbed by India with high yielding basmati varieties. Though lack of R&D is a long term issue, its adverse impact is becoming increasingly pronounced.

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[1] Source: Pakistan Bureau of Statistics

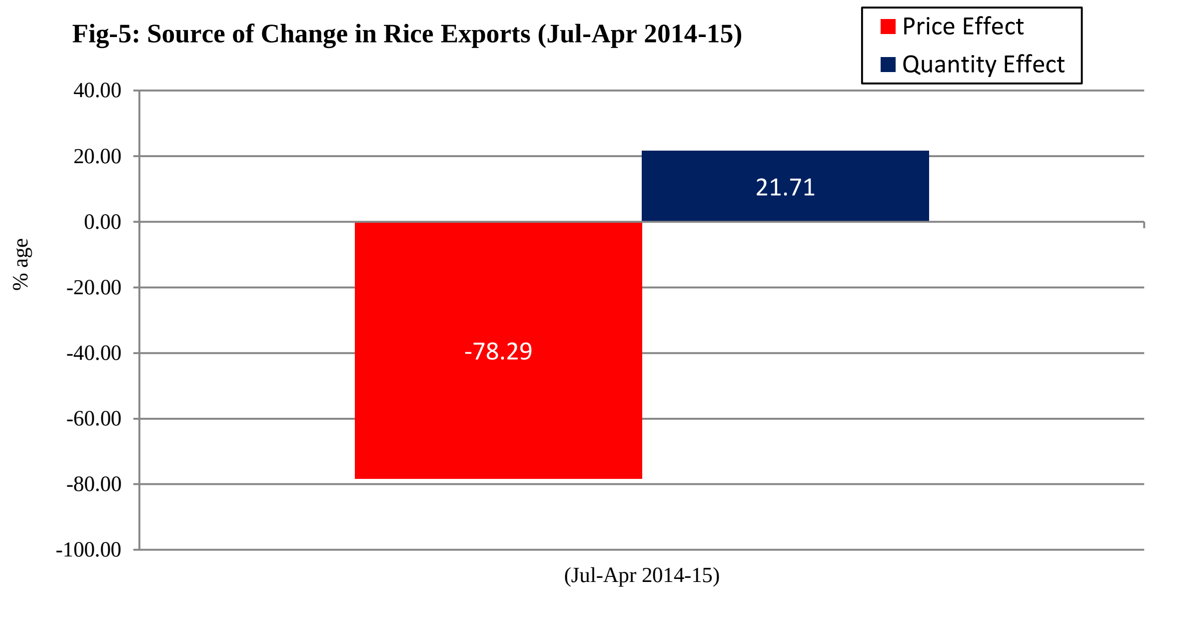
[2] The Global Competitiveness Report 2014-15 by World Economic Forum

- Pakistan's major export markets – the United States, the European Union, China and the Middle East are experiencing an economic slowdown. Further, ongoing energy situation is no doubt a severe impediment to various exports related industries in particular textile and causing exporters to struggle to meet the demand from importers. The international commodity price slump is another reason for the anemic export growth. Some experts are of the view that Preferential Trade Agreements (PTAs) and Free Trade Agreements (FTAs) with trading partners which were drafted in haste are another cause of stagnant export growth and did not help the economy either.

As per Annual Plan 2014-15, Exports were targeted to grow by 5.8 percent to reach to US$ 27.0 billion. The target was set on account of momentum building in exports due to GSP Plus status, underlying assumption of improvement in energy situation and increase in trade with regional partners, etc. Export, due to the factors discussed in preceding paras, remained sluggish during the current fiscal year (July-April 2014-15) and amounted to US$ 19,921.5 million as against US$ 20,979.1 million, thereby showing a decline of 5.0 percent. Security problems, non-availability of utilities at competitive rates, competitiveness in the international markets are the major problems for the Pakistani exporters, Pakistan's textile exports that constitute more than 50 percent of the total exports is effectively stagnant at around US$13 billion for the past many years because industrialists are busy producing raw-materials or basic unfinished products that do not fetch desired margins. With over $19 billion in textile exports, Bangladesh – Pakistan's main competitor in the textile industry – has already gone too far by investing in quality readymade garments. After China, Bangladesh is the second biggest textile exporter as it has doubled its exports in the last 10 years leaving both its traditional competitors – Pakistan and India – far behind in the competition.

Decline in exports has been observed across the board where all the major categories of exports registered a negative growth. Food group as a whole witnessed a decline of around 2.0 percent during July-April 2014-15 as compared to corresponding last year. Major decline within this group came from the export of Basmati rice which witnessed a decline of 22.5 percent in quantity term. However, due to favorable prices of Basmati rice its exported value remained 18.5 percent down. On the other hand export quantity of other brand of rice witnessed a growth of 7.1 percent but due to less favorable prices its earning could only grew by 1.0 percent. Export of rice as a whole, therefore grew negatively by 5.4 percent despite its export quantity improved by 2.2 percent. The negative price effect in case of rice export is so dominating over weak positive quantity effect that overall net effect on value of export of rice remained negative by 56.6 percent. Source in decline in export value of rice decomposed in quantity and price effects is described in Fig-5.

Fig-5: Source of Change in Rice Exports (Jul-Apr 2014-15)



All other major items in food group witnessed a positive growth except Fish & fish preparations which shows a nominal decline both in quantity and value terms. Export of sugar witnessed a growth of 1.6 percent despite its quantity export declined by 2.2 percent showing better international prices as compared to last year. However due to less surplus available in sugar export we could not be benefitted by the better prices. Similarly export earnings from fruits and vegetables grew positively. Specially fruits export earnings grew marginally by 0.5 percent despite marked decrease in its quantity exported by 13.9 percent showing strong positive price effect. Our fruit exporters could not take advantage of the favorable prices may be due to capacity lacking. On the other hand vegetables export increased by 20 percent in quantity and 5 percent in value term.(Tables 8.4 and 8.5)

Table 8.4: Source of Change in Exports (July-April, 2014-15)

#	Commodity	% Share in total Exports*	% Change in Quantity	% Change in $ Value	Price Effect in %*	Quantity Effect in %*
1	Rice	8.78	2.2	(5.4)	-78.29	21.71
	a) Basmati	2.52	(22.5)	(18.4)	16.60	-83.40
	b) Others	6.27	7.1	1.0	-45.96	54.04
2	Fish &Fish preparations	1.44	(3.5)	(2.4)	23.77	-76.23
3	Fruits	2.01	(13.9)	0.5	50.80	-49.20
4	Sugar	1.26	(2.2)	1.6	62.98	-37.02
5	Meat and Meat preparations	1.02	0.1	5.5	97.40	2.60
6	Raw Cotton	0.73	(14.2)	(26.2)	-49.59	-50.40
7	Cotton Yarn	7.97	0.8	(7.5)	-91.27	8.73
8	Cotton Cloth	10.48	(23.1)	(11.0)	35.82	-64.18
9	Knitwear	9.95	1.4	7.8	80.89	19.11
10	Bed wear	8.77	1.2	(1.1)	-66.52	33.48
11	Towels	3.26	(0.9)	3.2	81.19	-18.81
12	Readymade Garments	8.64	5.8	9.1	35.11	64.89
13	Carpets,Rugs &Mats	0.51	(21.6)	(3.7)	45.88	-54.12
14	Leather Tanned	2.05	(23.8)	(7.2)	42.16	-57.84
15	Leather Garments	1.55	(29.4)	(9.3)	41.99	-58.01
16	Leather Gloves	0.89	(16.5)	6.9	57.76	-42.24
17	Electric Fans	0.13	(20.3)	(8.5)	37.91	-62.09
18	Cement	1.92	(7.6)	(7.6)	-0.07	-99.94

Source: Pakistan Bureau of Statistics
*: Calculated by Economic Adviser's Wing, Finance Division, GoP

Though the Textile group's exports as a whole witnessed a decline of 1.2 percent during July-April 2014-15 as compared to same period last year, however its major value added items except cotton cloth witnessed a positive growth. The export of primary commodities like raw cotton, cotton yarn registered negative growth by 26.2 percent and 7.5 percent respectively. Negative growth in cotton cloth is highly alarming particularly after attaining GSP plus status from EU. Cotton cloth export declined by 23.1 percent in quantity and 11.0 percent in value term showing stronger negative quantity effect. In short decline in Textile sector exports comes from these two items i-e cotton yarn and cotton cloth. Export of bed-wear also declined during July-April 2014-15 marginally by 1.1 percent due to price effect though its export quantity increased by 1.2 percent. During July-April 2014-15, export earnings of readymade garments, knitwear, towels and other made-up articles grew handsomely by 9.1 percent, 7.8

percent, 3.2 percent and 1.0 percent, respectively over the same period last year. The strong price effect over quantity effect is the major reason for export growth of these items during current fiscal year (Tables 8.4 and 8.5).

Table 8.5 : Structure of Exports ($ Million)

	Particulars	July-April			
		2013-14	2014-15 P	% Change	Absolute Change
	Total	**20,979.1**	**19,921.5**	**-5.0**	**-1057.6**
A.	**Food Group**	**3,942.5**	**3,862.1**	**-2.0**	**-80.4**
	Rice	1,850.3	1,749.7	-5.4	-100.6
	Sugar	247.5	251.5	1.6	4.0
	Fish & Fish Preparation	294.1	287.0	-2.4	-7.1
	Fruits	398.0	399.9	0.5	1.9
	Vegetables	186.7	196.0	5.0	9.3
	Wheat	7.0	3.0	-57.4	-4.0
	Spices	45.1	54.0	19.7	8.9
	Oil Seeds, Nuts & Kernels	76.9	61.5	-20.0	-15.4
	Meat & Meat Preparation	191.8	202.3	5.5	10.5
	Other Food items	645.0	657.2	1.9	12.2
B.	**Textile Manufactures**	**11,420.1**	**11,281.6**	**-1.2**	**-138.6**
	Raw Cotton	196.1	144.7	-26.2	-51.4
	Cotton Yarn	1,715.8	1,587.1	-7.5	-128.7
	Cotton Cloth	2,345.8	2,088.1	-11.0	-257.7
	Knitwear	1,839.2	1,981.9	7.8	142.7
	Bedwear	1,767.3	1,747.4	-1.1	-20.0
	Towels	629.9	650.1	3.2	20.2
	Readymade Garments	1,577.9	1,722.1	9.1	144.2
	Made-up articles	542.1	542.6	0.1	0.5
	Other Textile Manufactures	806.0	817.7	1.4	11.6
C.	**Petroleum Group**	**601.3**	**538.6**	**-10.4**	**-62.7**
	Petroleum Products	58.6	302.3	415.8	243.7
	Petroleum Top Neptha	542.7	236.3	-56.5	-306.4
D.	**Other Manufactures**	**3,867.3**	**3,213.1**	**-16.9**	**-654.2**
	Carpets, Rugs & Mats	106.5	102.6	-3.7	-3.9
	Sports Goods	290.4	271.9	-6.4	-18.5
	Leather Tanned	439.3	407.9	-7.2	-31.5
	Leather Manufactures	520.5	498.2	-4.3	-22.3
	Surgical G. & Med. Inst.	284.9	284.1	-0.3	-0.8
	Chemical & Pharma. Pro.	968.8	809.2	-16.5	-159.6
	Engineering Goods	255.6	188.7	-26.2	-66.9
	Jewellery	318.3	5.8	-98.2	-312.5
	Cement	413.7	382.4	-7.6	-31.3
	Guar & Guar Products	58.3	49.9	-14.5	-8.5
	All Other Manufactures	210.8	212.4	0.8	1.6
E.	**All Other items**	**1,147.9**	**1,026.1**	-10.6	-121.8

P : Provisional
Source : PBS

Petroleum & Coal Group’s exports witnessed a decline of 10.4 percent during July-April 2014-15 over corresponding period of 2013-14 mainly due to the 56.5 percent decline in the export of Petroleum top Naphta from US$ 542.7 million during July-April 2013-14 to US$ 236.3 million during July-April 2014-15. Export of crude oil during July-April 2014-15 brought a handsome earning of US$ 237.8 billion against no export of this item during corresponding period last year.

Other Manufactures Group also registered a marked 16.9 percent decline in exports during July-April 2014-15 against same period last year. Almost all major and mentionable items in this group witnessed negative growth both in terms of quantity and value earning. Export value of Leather Tanned declined from US$ 439.3 million during July-April 2013-14 to US$ 407.9 million (7.2 percent) in current year July-April period mainly due to quantity effect despite higher international price of this item. Other leather manufacturing items also witnessed negative growth including leather garments (9.3 percent decline). However, export growth of leather gloves and leather footwear remained positive by 6.9 percent and 14.4 percent, respectively, mainly due to price effect.

Export of chemical & pharmaceutical Products witnessed a decline of 16.5 percent and engineering goods by 26.2 percent. All items in these sub group witnessed decline mostly due to quantity effect. Export of jewellary came down from US$ 318.3 million during July-April 2013-14 to just US$ 5.8 million during current year. Whereas export of Cement declined by 7.6 percent during this period mostly due to less demand abroad. (Tables 8.4 and 8.5)

Trends in Monthly Exports

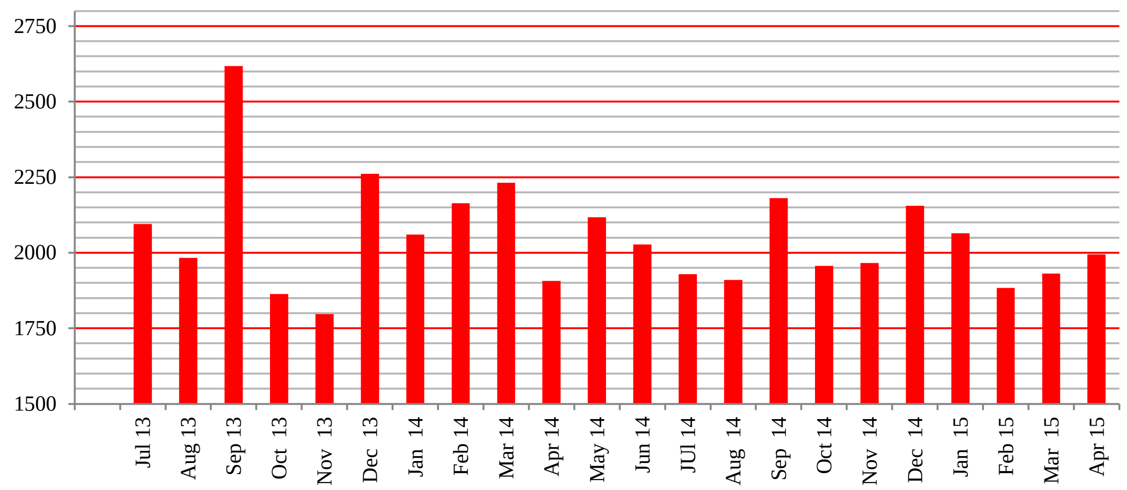
The monthly exports for the period July-April, 2014-15 shows mostly mixed trend and remained for some months above the corresponding months of last year and for some months below the corresponding month of last year, averaging $ 1,997 million per month as against an average of $ 2,098 million during July-June last year. (See Table 8:6 and Fig-6)

Table 8.6: Monthly Exports

Month	($ million)	
	2013-14	2014-15 P
July	2,095	1,930
August	1,983	1,910
September	2,617	2,181
October	1,864	1,957
November	1,796	1,966
December	2,261	2,156
January	2,061	2,064
February	2,163	1,884
March	2,232	1,932
April	1,907	1,995
May	2,117	
June	2,027	
Monthly Average	**2,098**	**1,997**

Source: PBS
P : Provisional

Fig-6: Monthly Exports ($ million)



Concentration of Exports

Pakistan's exports are highly concentrated in few items namely, cotton and cotton manufactures, leather, rice, chemicals & pharma products and sports goods. These five categories of exports accounted for about 69.3 percent of total exports during July-March 2014-15 with cotton manufactures alone contributing 55.4 percent, followed by rice (8.8 percent) and leather (5.1 percent). The degree of concentration further increased in favour of these items during current financial year.

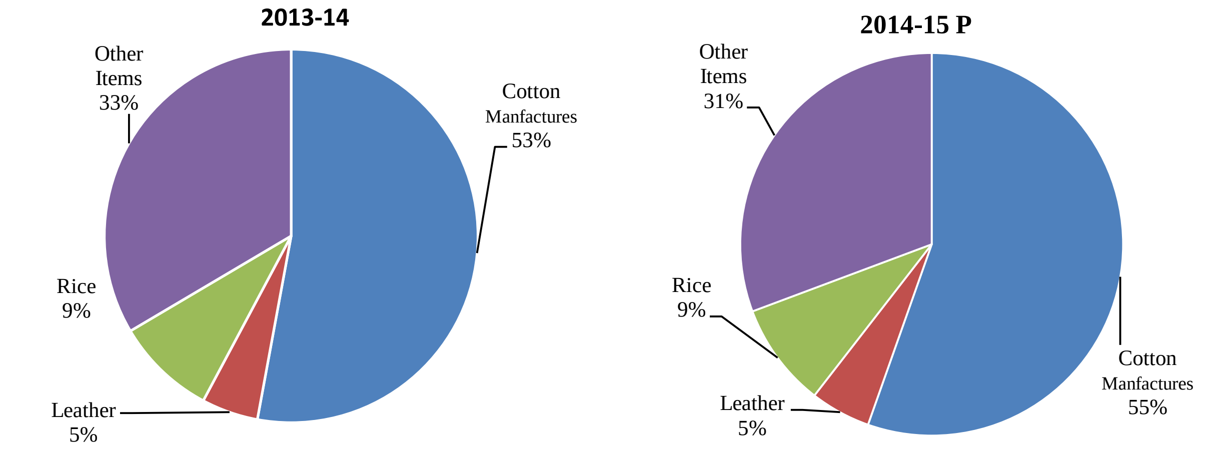
Further disaggregation reveals that products exports in a few items are a major cause of instability in export earnings. The annual percentage shares of the major export commodities are given in Table 8.7 as well as in Fig-7.

Table 8.7 : Pakistan's Major Exports (Percentage Share)

Commodity	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	July-March	
							2013-14	2014-15 P
Cotton Manufactures	52.6	50.6	52.9	49.6	51.6	53.1	52.9	55.4
Leather**	5.4	4.5	4.4	4.4	4.7	5.1	4.9	5.1
Rice	11.2	11.3	8.7	8.7	7.8	7.6	8.7	8.8
Sub-Total of three Items	**69.2**	**66.4**	**66.0**	**62.7**	**64.1**	**65.8**	**66.5**	**69.3**
Other items	30.8	33.6	34.0	37.3	35.9	34.2	33.5	30.7
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

P : Provisional
** Leather & Leather Manufactured.
Source: Pakistan Bureau of Statistics

Fig-7: Concentration of Exports



Direction of Exports

Although Pakistan trades with a large number of countries, its exports nevertheless are highly concentrated in few countries. About 60 percent of Pakistan's exports' destinations are to ten countries namely, USA, China, UAE, Afghanistan, UK and Germany, France, Bangladesh. Italy and Spain. Further, among these countries, the maximum export earnings come from USA (15 percent) and European countries (20 percent) making up approximately one-third of the total. China with its share (9 percent) in total exports has become our regional trading partner. The share of export to Afghanistan in total exports, however, witnessed a decline in recent years from 10 percent in 2011-12 to 8 percent during current year. The share of exports to EU countries like France, Italy, Spain, etc. remained relatively stagnant. However, it is expected that with the grant of GSP plus status, Pakistan exports to EU countries will gain momentum in coming days. Pakistan exports to Bangladesh, UAE and some other Asian countries also could not show much growth despite existence of FTAs (Table 8.8, Fig-8).

Fig-8: % Share of Exports 2014-15

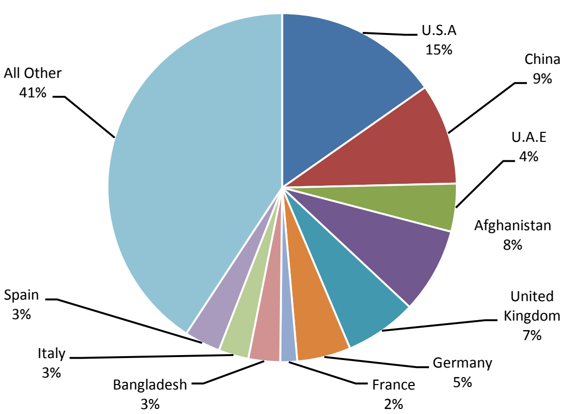


Table 8.8 : Major Exports Markets (Rs. billion & Percentage Share)

Country	2009-10		2010-11		2011-12		2012-13		2013-14		July-March 2014-15 P	
	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share
U.S.A	281.7	17	338.3	16	315.3	15	341.3	14	381.5	15	276.5	15
China	96.7	6	139.7	7	195.9	9	252.5	11	249.0	10	169.9	9
U.A.E	144.2	9	154.6	7	205.6	10	205.4	9	180.0	7	80.5	4
Afghanistan	131.7	8	199.6	9	200.6	10	200.0	8	192.5	7	143.6	8
United Kingdom	86.1	5	103.1	5	105.7	5	121.2	5	161.5	6	120.7	7
Germany	66.5	4	108.8	5	94.0	4	93.6	4	117.9	5	90.1	5
France	26.7	2	34.1	2	29.8	1	93.7	4	42.7	2	28.3	2
Bangladesh	40.6	3	86.8	4	56.6	3	68.7	3	71.8	3	53.2	3
Italy	50.8	3	67.6	3	51.6	2	52.2	2	75.6	3	50.6	3
Spain	36.4	2	48.9	2	43.7	2	51.0	2	72.0	3	60.6	3
All Other	655.9	41	839.3	51	811.9	38	887.0	37	1,039.0	40	738.8	41
Total	**1,617.5**	100	**2,120.8**	100	**2,110.6**	100	**2,366.5**	100	**2,583.5**	**100.0**	**1,812.8**	100

Source: Pakistan Bureau of Statistics
P: Provisional

Box-II: Evaluation of Pakistan's exports to European Union (EU) under the GSP Plus regime

Pakistan's exports to EU Calendar year 2005 – 2014

Pakistan's exports to EU member states increased from US$ 4.25 billion in 2005 to US$ 6.21 billion in 2013. The Compound Annual Growth Rate (CAGR) of exports to EU has been 4.85 % only. However as a result of grant of GSP Plus to Pakistan by EU, Pakistan's exports to EU during the year 2014 amounted to US$ 7.54 billion.

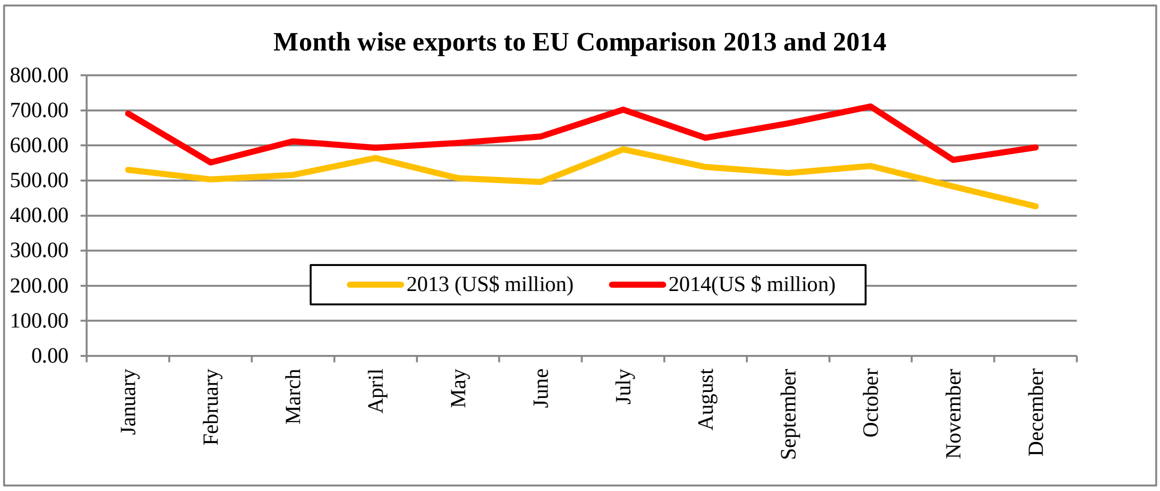
(US$ billion)

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	**2014**
Exports	4.25	4.55	4.76	5.00	4.59	5.31	6.40	5.67	6.21	**7.54**

Impact of GSP Plus on Pakistan's exports to EU

As a result of GSP Plus Pakistan's exports to EU have increased from US$ 6.21 billion during 2013 to US$ 7.54 billion in 2014. Thus as a result of GSP Plus Pakistan's exports to EU registered an increase of US$ 1.32 billion in one year. This represents an increase of 21 percent.

Month/Year	**Pak exports to EU 2013 (USD million)**	**Pak exports to EU 2014 (USD million)**	**Increase in exports to EU in 2014 (USD million)**	**%age increase**
January	533.88	694.98	161.10	30.17
February	502.65	552.21	49.57	9.86
March	514.63	611.48	96.85	18.82
April	564.52	593.45	28.94	5.13
May	506.03	606.79	100.76	19.91
June	495.73	625.42	129.68	26.16
July	588.48	703.29	114.81	19.51
August	538.72	622.44	83.72	15.54
September	521.12	664.14	143.02	27.44
October	541.62	711.29	169.67	31.33
November	483.37	558.37	75.00	15.52
December	426.61	594.06	167.45	39.25
Total	**6,217.36**	**7,537.93**	**1,320.57**	**21.24**



Analysis of Competitors

Countries	Exports to EU 2013 (US$ million)	Exports to EU 2014 (US$ million)	Increase or Decrease (US$ billion)	Increase/Decrease (%)
Pakistan	**6.22**	**7.54**	**1.32**	**21.24**
India	50.47	50.78	0.31	0.61
Turkey	69.40	74.34	4.94	7.13
Vietnam	29.12	30.24	1.12	3.85
Bangladesh	14.93	16.86	1.93	12.95

1. Impact of GSP Plus on exports of Textile products to EU

Pakistan's exports of Textile products to EU in 2014 amounted to US$ 5.33 billion. This represents an increase of US$ 1.02 billion as Pakistan's exports of Textiles to EU as in 2013 it amounted to US$ 4.31 billion. This represents an increase in exports by 23.61%. Sector wise break up is given below:

Sector	Pak exports to EU 2013 (US$ million)	Pak exports to EU 2014 (US$ million)	Increase (US$ million)	Increase (%)
Total Textiles increase	**4,312.19**	**5,330.16**	**1,017.97**	**23.61**
Textile Garments	1,915.96	2,501.26	585.30	30.55
Home Textiles	1,141.35	1,489.44	348.09	30.50
Towels	201.23	250.01	48.79	24.24
Cotton and intermediate goods of Textiles	1,012.13	1,046.10	33.97	3.36
Carpets and Rugs	41.51	43.34	1.83	4.40

2. Impact of GSP Plus on exports of Footwear to EU

Sector	Pak exports to EU 2013 (US$ million)	Pak exports to EU 2014 (US$ million)	Impact of GSP Plus (US$ million)	%change increase
Footwear	77.12	99.73	22.61	29.32

3. Impact of GSP Plus on exports of Leather to EU

Sector	Pak exports to EU 2013 (US$ million)	Pak exports to EU 2014 (US$ million)	Impact of GSP Plus (US$ million)	%change increase/decrease
Leather	573.41	628.73	55.32	9.65

Impact of GSP Plus on exports of Intermediary goods of Leather to EU

Sector	Pak exports to EU 2013 (US$ million)	Pak exports to EU 2014 (US$ million)	Impact of GSP Plus (US$ million)	%change increase/decrease
Raw Hides and Intermediary goods of Leather	136.28	151.92	15.64	11.48

Impact of GSP Plus on exports of articles of Leather to EU

Sector	Pak exports to EU 2013 (US$ million)	Pak exports to EU 2014 (US$ million)	Impact of GSP Plus (US$ million)	%change increase/decrease
Articles of Leather	437.13	476.81	39.68	9.08

4. Impact of GSP Plus on exports of Plastics to EU

Sector	Pak exports to EU 2013 (US$ million)	Pak exports to EU 2014 (US$ million)	Impact of GSP Plus (US$ million)	%change increase/decrease
Plastics	44.45	77.68	33.23	74.76

Imports

Pakistan like other developing countries benefited by the sharp decline in global oil prices during current financial year as far as their import bill is concerned. Almost one third of Pakistan import bill constituted by petroleum products including crude oil. Between July, 2014 and April, 2015, International crude oil price has been dropped around 44 percent from US$ 107 per barrel to US$ 60 per barrel in April, 2015. Similarly international prices of some of the important commodities have fallen down. For instance palm oil prices is on declining side. Same for tea prices. This trend of international prices impacted the import bill of Pakistan during July-April, 2014-15 considerably. The imports target for current financial year was set at US$44.2 billion for 2014-15. Pakistan imports were up by only 1.8 percent in the first ten months of the current fiscal year compared to corresponding period last year, rising from US $37,084.81 million during 2013-14(July-April) to 37,763.08 million during first ten months of current financial year, showing an increase of US$ 678.27 million in absolute term (Table:8.9).

The curtailment of import bill mainly comes from Petroleum group which as a whole down by US $ 2,366.1 million (19.4 percent). Import of Petroleum crude declined by 24.3 percent (US $ 1,150.9 million) during July-April 2014-15 compared to corresponding period last year. While import of Petroleum products remained down by16.2 percent (US$ 1,215.2 million). It is expected that by the end of the current financial year, in absolute term, the import bill of petroleum group would remain US$ 3.0 billion down what it was in 2013-14 due to decline in petroleum prices. It is worth mentioning to note that despite considerable decrease in prices of Petroleum products including crude oil and closure of CNG sector during current year, the imported quantity of petroleum products did not increase. In fact import of Petroleum crude declined by 6.3 percent in quantity terms as compared to corresponding period last year.

The major chunk of saving of US$ 2,366.1 million realized from import of petroleum group is paid off by increase in import bill of the machinery group (US$ 880.9 million), Food group (US$ 751.4 million), Transport Group (US$ 275.7 million) followed by Agriculture and Chemicals (US$587.4 million) and Textile group (US$558.3 million), etc However, the worrisome indicator is that there is a dip in imports of textile related machinery, suggesting that the sector is not expanding. As against $493.4 million textile machinery import in July-April period of the previous fiscal year, the imports amounted to $367.8 million, showing 25.8 percent decline in dollar terms. Similarly Textile Group imports, which mostly consists of raw material items also witnessed declining trend by 7.1 percent during July-April 2014-15 compared to same period last year down from US$ 2,252.6 million during July-April 2013-14 to US$ 2,091.9 million during same period current year (Table:8.9)

Table 8.9 : Structure of Imports ($ Million)

	Particulars	July-April		% Change	Absolute Change
		2013-14	2014-15 P		
	Total	**37,084.8**	**37,763.1**	**1.8**	**678.3**
A.	**Food Groups**	**3,454.0**	**4,205.4**	**21.8**	**751.4**
	Milk & Milk food	134.3	218.7	62.8	84.4
	Wheat Unmilled	107.2	185.4	72.9	78.2
	Dry Fruits	84.2	94.9	12.4	10.4
	Tea	248.0	290.9	17.3	42.9
	Spices	71.6	87.3	21.9	15.7
	Edible Oil (Soyabean& Palm)	1,608.6	1,494.9	-7.1	-113.7
	Sugar	5.1	5.7	11.3	0.6
	Pulses	239.8	322.0	34.3	82.2
	Other food items	954.9	1,505.6	57.7	550.7
B.	**Machinery Group**	**4,035.1**	**4,626.5**	**14.7**	**591.4**
	Power generating Machines	872.9	1,098.3	25.8	225.3
	Office Machines	176.4	338.4	91.8	162.0
	Textile Machinery	493.4	367.8	-25.4	-125.5
	Const. & Mining Machines	230.3	220.1	-4.4	-10.2
	Aircrafts, Ships and Boats	754.4	655.9	-13.1	-98.5
	Agriculture Machinery	57.1	90.5	58.4	33.4
	Other Machinery items	1,450.6	1,855.4	27.9	404.8
C.	**Petroleum Group**	**12,221.1**	**9,855.0**	**-19.4**	**-2366.1**
	Petroleum Products	7,482.4	6,267.2	-16.2	-1215.2
	Petroleum Crude	4,738.7	3,587.8	-24.3	-1150.9
D.	**Consumer Durables**	**1,951.1**	**2,239.3**	14.8	288.2
	Road Motor Vehicles	1,031.1	1,280.8	24.2	249.8
	Electric Mach. & Appliances	920.0	958.4	4.2	38.4
E.	**Raw Materials**	**5,146.8**	**5,923.3**	15.1	776.5
	Raw Cotton	516.3	267.7	-48.1	-248.6
	Synthetic Fibre	351.7	441.6	25.6	90.0
	Silk Yarn (Synth &Arti)	517.6	552.5	6.8	35.0
	Fertilizer Manufactured	595.4	743.1	24.8	147.6
	Insecticides	96.0	114.1	18.9	18.1
	Plastic Material	1,357.2	1,468.7	8.2	111.6
	Iron & steel Scrap	589.5	847.6	43.8	258.1
	Iron & steel	1,123.2	1,487.9	32.5	364.7
F.	**Telecom**	**1,026.9**	**1,179.5**	**14.9**	**152.6**
G.	**All other items**	**9,249.8**	**9,734.0**	**5.2**	**484.2**

P : Provisional
Source : PBS

Food Group imports stood at US $ 4,205.4 million during first ten months of current fiscal year as against import of US$ 3,454.0 million during comparable last year. The import bill growth of Palm Oil, the heaviest item in this group, however witnessed a decline 4.7 percent despite its imported quantity increased by 4.1 percent showing lower international prices of this item as compared to last year. Other mentionable items in this group are the import of pulses, tea and milk & related items whose import surged by 34.3 percent, 17.3 percent and

62.8 percent, respectively. Pakistan's import of pulses surged to US$322.0 million from July 2014 to April 2015, higher by over 34 percent. A weak local production last year may be the reason that pushed the country for more import of pulses to satisfy local demand. Pakistan depends on Australia, Burma, Tanzania and Ethiopia for its pulses import. The country demand for pulses stands at about 0.6 million metric tons a year. Traders believe the good local crop always helps the country to reduce its import. Import value of pulses increased due to higher import quantity of this item by 34 percent where there prices mostly remained at last year’s level. Surge in import bill of tea also comes from demand side rather than price effect. In value terms it increased by 17.3 percent against rise in import quantity by 21.1 percent showing some stability or rather downward trend in its international prices. Import bill of Milk products, however, increased mostly due to higher international prices as import bill went up to US$ 218.7 million during July-April 2014-15 from US$ 134.3 million during corresponding period of 2013-14, a rise of 62.8 percent, whereas in quantity term it rose to 27.6 percent (Table 8.9)

Growth in Import of all types of machinery shows the acceleration of economic activity in the country. Despite slow growth in overall import bill, import of Machinery group remained higher at 16.9 percent during July-April, 2014-15 over the same period last fiscal year. Import bill of power generating machinery witnessed a growth of 25.8 percent when compared with July-April 2013-14 showing activity in power sector. Import of telecom machinery remained higher 14.9 percent during July-April 2014-15 compared to corresponding period last year. Similarly import growth of Electrical machinery & Apparatus and Office machinery remained higher by 4.2 percent 91.8 percent, respectively during this period. However, import of textile machinery remained sluggish and witnessed a decline of 25.4 percent during July-April 2014-15 showing a deceleration in textile industry of the country.

Within machinery group import, telecom sector import increased by 14.9 percent during first ten months of current fiscal year compared with corresponding period last year. The imports of mobile handsets increased to reach to US$ 595.8 million during the period of July-April 2014-15 from US$ 516.2 million during same period last year, a surge of 15.4 percent. Import bill of other apparatus of telecom sector also increased by 14.3 percent during this period from US$ 510.7 million during July-April 2012-13 to US$ 583.8 million during current year. The rapid development of 3G/4G infrastructure and rising demand of smart phone may have hiked the imports of telecom sector. Import of Power generating machinery and Electrical machinery & apparatus also witnessed an increase of 25.8 percent and 4.2 percent respectively during current financial year over last financial year. Energy and electricity shortfall in the country is the major cause of constant rise in import bill of power generating machinery which mostly consist of power generators. Other sub items in machinery group such as office machinery, agricultural machinery, etc. also witnessed positive growth in their imports. However, import of construction & mining machinery witnessed a decline during July-April 2014-15 against import during corresponding period last year (Table 8.9).

Transport group import bill remained higher by 14.8 percent rising to US$ 2,138.1 million during July-April 2014-15 from US $ 1,862.4 million during July-April 2013-14.Import of road motor vehicle, CKD/SKD of buses, motor cars and motor cycles and CBU of buses, motor cars and motor cycles increased by 24.2 percent, 40.6 percent and 12.1 percent respectively during first ten months of current fiscal year over corresponding period last year showing manufacturing activity in the country. Import bill of all other major items in this group also remained on higher side except import of aircraft, boats & ships which decreased by 13.1 percent during July-April 2014-15 period against corresponding period last year.

Import of Metal group has also surged by 22.6 percent from US$ 2,466.3 million during July-April 2013-14 to US$ 3,024.6 million during July-April 2014-15 mainly due to surge in the import of iron & steel and iron & steel scrap which increased by 32.5 percent and 43.8

percent respectively showing rising construction activity in the country (Table:8.9).

Trends in Monthly Imports

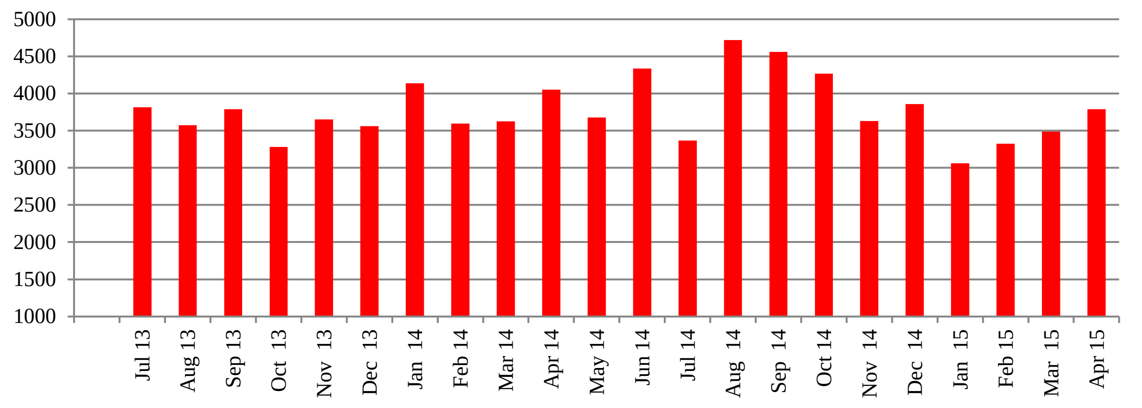
The monthly imports during July-April, 2014-15 witnessed mostly flat with the exception for the months of August, September and October. Imports averaged $ 3,806 million per month during this period as against $ 3,758 million during July-June 2013-14. Thus, on average, imports have risen only by US $ 48.0 million per month during the period. The monthly imports are tabulated in Table 8.10.and Fig-9.

Table 8.10: Monthly Imports

Month	($ Million)	
	2013-14	2014-15 P
July	3,814	3,365
August	3,572	4,718
September	3,791	4,561
October	3,281	4,266
November	3,651	3,630
December	3,561	3,859
January	4,137	3,063
February	3,597	3,323
March	3,621	3,488
April	4,053	3,790
May	3,675	-
June	4,338	-
Monthly Average	**3,758**	**3,806**

P: Provisional
Source : PBS

Fig-9: Monthly Imports ($ Million)



Direction of Imports

Like exports, Pakistan's imports are also highly concentrated in few countries. Based on current year data, around 50 percent of Pakistan imports originate from just few countries like China, Kuwait, Saudi Arabia, UAE, India, Indonesia, etc. It is worth mentioning to note that during current fiscal year, share of imports from China has sharply increased from 17 percent in last fiscal year to 23 percent during July-March 2014-15. The imbalance of trade in favour of China is highly alarming. The FTAs signed with some of the countries appears to have been playing their role for this imbalance. By and large, the relative shares of imports from other countries have remained almost same over the years. However, share of imports from Malaysia has witnessed a decline to only 2 percent which was 5-6 percent few years back. Whereas share of imports from Indonesia have been increased gradually from 2 percent few years back to around 5 percent during 2014-15. It shows some change in Pakistan's imports patterns. (Table 8.11)

Table 8.11 : Major Imports Markets (Rs. billion & Percentage Share)

Country	2009-10		2010-11		2011-12		2012-13		2013-14		July-March 2014-15 P	
	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share
U.A.E	422.0	14	469.5	14	685.1	17	837.4	19	757.1	16	515.1	15
China	370.2	13	494.9	14	685.1	17	642.4	15	793.0	17	776.0	23
Kuwait	201.8	7	284.8	8	358.8	9	392.5	9	346.7	7	196.0	6
Saudi Arabia	283.6	10	388.8	11	449.6	11	334.5	8	459.1	10	262.1	8

Table 8.11 : Major Imports Markets (Rs. billion & Percentage Share)

Country	2009-10		2010-11		2011-12		2012-13		2013-14		July-March 2014-15 P	
	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share	Rs	% Share
Malaysia	146.3	5	210.3	6	216.9	5	202.9	5	174.4	4	70.7	2
Japan	128.8	4	142.2	4	171.4	4	197.3	5	182.6	4	123.2	4
India	102.9	4	149.0	4	134.8	3	175.5	4	210.5	5	134.1	4
U.S.A	135.0	5	154.7	4	132.0	3	156.6	4	180.1	4	127.9	4
Germany	98.7	3	80.2	2	100.1	2	131.0	3	126.1	3	71.5	2
Indonesia	53.8	2	68.8	2	104.4	3	125.3	3	162.7	4	157.1	5
All Other	967.9	33	1,012.2	29	970.9	24	1,154.4	27	1,238.2	27	1,004.3	29
Total	**2,911.0**	100	**3,455.3**	100	**4,009.1**	100	**4,349.9**	100	**4,630.5**	**100.0**	**3,438.0**	**100.0**

Source: Pakistan Bureau of Statistics
P: Provisional

Conclusion

After initial gains in external sector during last financial year 2013-14, Pakistan balance of payments further improved considerably during July-April 2014-15. Current account narrowed by more than 50 percent against corresponding period last year. Country's foreign Exchange reserves posted an increase of around US$ 3.6 billion during July-April 2014-15. Exchange rate remained stable. While workers' remittances during this period posted remarkable growth of 16.1 percent. Due to a slump witnessed in international petroleum prices and some other commodities, country's import bill remained within the target. However, our exports faced many challenges during current financial year due to in-competitiveness of our exporters in regional competition, slow-down in international trade, energy shortfalls in the country, falling international prices of commodities, etc. Despite sluggish performance of exports, trade deficit remained within limits and witnessed marginal increase.