Chapter 8

Trade and Payments

The unfavorable global environment has slowed down the world output and trade volume during 2011; world output which grew by 5.3 percent in 2010 decelerated to 3.9 percent in 2011. This slowing down of the global economic activity has caused a sharp decline in the growth of world trade. Against the strong pick up of nearly 13.0 percent in 2010 the growth of world trade dropped to 5.8 percent in 2011. The global economic slowdown and consequential decline in the growth of world trade has also depressed the international commodity prices. The prices of non-fuel commodities witnessed a deceleration from 26.3 percent in 2010 to 17.8 percent in 2011; and, are projected to grow negatively by 10.3 percent in 2012.

These developments can be attributed to the ongoing European Sovereign Debt Crisis, the turmoil in the Arab Countries and the natural disasters that hit Thailand and Japan which caused disruptions in the supply chain.

The growth in world output and trade volume is projected[1] to decelerate further during 2012 due to the downside risks of deepening of the sovereign debt crisis and worsening financial stress, increase in oil prices, and geo-political risks. It is projected that world output will grow by 3.5 percent and trade volume will increase by 4.0 percent during the period.

Amid the difficult global economic environment, the slowing down of the world trade, the drop in international commodity prices, and the energy shortages domestically, the exports from Pakistan remained higher by US$ 14.0 million during July-April 2011-12 over the same period last year and stood at $ 20,474 million. During the period July-April 2011-12, the growth of imports at 14.5 percent remained more or less the same as the corresponding period's growth in the previous period. So as exports declined imports continued to grow highlighting the dominant role of external developments. Pakistan's exports growth would have been in much better position had there been normalization in international prospects during the period. In fiscal year 2011-12, workers' remittances grew by $ 1.83 billion over the last year.

Current Account Balance

The current account deficit stood at $ 3,394 million during July-April 2011-12.This deficit in the current account was largely caused by the widening of trade and services account deficit. However, continued support from current transfers in the form of workers' remittances helped in containing further increase in the current account deficit during the period under review.

The trade deficit expanded mainly due to the 14.5 percent growth in imports and the 0.1 percent increase in exports; thereby widening the trade deficit by 49.2 percent during the period. The major factor behind the widening of the trade deficit was the sharp rise in the import bill during July-April 2011-12 which increased due to the higher international prices of crude oil

[1] : World Economic Outlook April 2012, IMF

Table 8.1: Summary Balance of Payments US$ Million

Items	July-June		July-April*	
	2009-10	2010-11	2010-11	2011-12
Current Account Balance	**-3,946**	**214**	**466**	**-3,394**
Trade balance	**-11,536**	**-10,516**	**-8,499**	**-12,683**
Goods: Exports	19,673	25,356	20,460	20,474
Goods: Imports	31,209	35,872	28,959	33,157
Services Balance	**-1,690**	**-1,940**	**-1,225**	**-2,347**
Services: Credit	5,229	5,768	4,917	4,101
Services: Debit	6,919	7,708	6,142	6,448
Income Account Balance	**-3,282**	**-3,017**	**-2,465**	**-2,655**
Income: Credit	561	716	563	668
Income: Debit	3843	3733	3028	3323
Current Transfers Net	**12,562**	**15,687**	**12,655**	**14,291**
of which:				
Workers remittances	8,906	11,201	9,046	10,877
Capital & Financial Account	**5,272**	**2,262**	**772**	**1,367**
Capital Account	**175**	**161**	**82**	**167**
Financial Account	**5,097**	**2,101**	**690**	**1,200**
Direct Investment In Pakistan	2,151	1,635	1,293	668
Portfolio Investment (Net)	-65	338	295	-126
Other Investment	3,087	172	-846	721
Net Errors and Omissions	**-60**	**16**	**-29**	**-515**
Overall Balance	**1,266**	**2,492**	**1,209**	**-2,542**

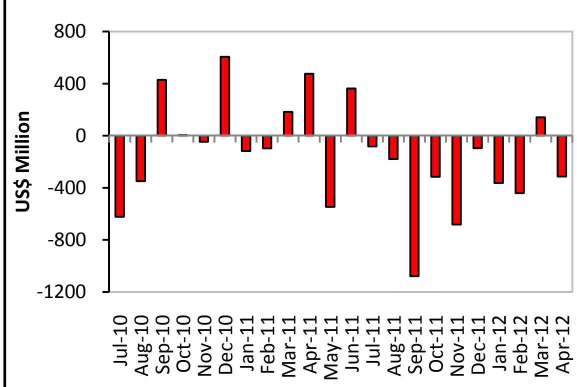
Source: State Bank of Pakistan
*: Provisional

Analysis on a comparative month to month basis shows that the current account balance remained under pressure during the months of September 2011, October 2011 and November 2011. The month of September 2011 witnessed the highest deficit in current account in the entire July-April 2011-12 period due to the fall in remittances and the increase in the trade deficit during the month. The current account deficit remained lower in the following months alongwith a surplus of $ 142 million in March 2012.

The monthly average exports increased by 0.1 percent during July-April 2011-12 and stood at $ 2,047 million per month as against the average of $ 2046 million per month during the comparable period last year.

The month-wise imports averaged $ 3,316 million during July-April 2011-12 and remained higher than the average import of $ 2,896 million in the same period last year. With the exception of March 2012, monthly imports remained higher in all the remaining periods of the current fiscal year 2011-12, compared to the corresponding months of the previous year.

Fig-8.1: Monthly Current Account Balance



Source: State Bank of Pakistan

During July-April 2011-12, the services account deficit recorded an expansion of $ 1,122 million. This deterioration in the services account was primarily due to the 16.6 percent fall in services exports. In addition to this, the 5.0 percent increase in imports also contributed to the deterioration in the services account during the period under review.

Within services export, government services witnessed a major decline of 34.4 percent during July-April 2011-12 compared to the same period last year. This was the outcome of the absence of logistic support inflows during July-April 2011-12 as compared to $ 743 million in the corresponding period last year.

The other major categories of services export which showed a fall during July-April 2011-12 remained transportation, other business services and communication services; these services declined by $ 51.0 million, $ 68.0 million and $ 21.0 million respectively over the July-April 2010-11. On the other hand, the major service exports of insurance, computer and information and travel witnessed a major increase during July-April 2011-12.

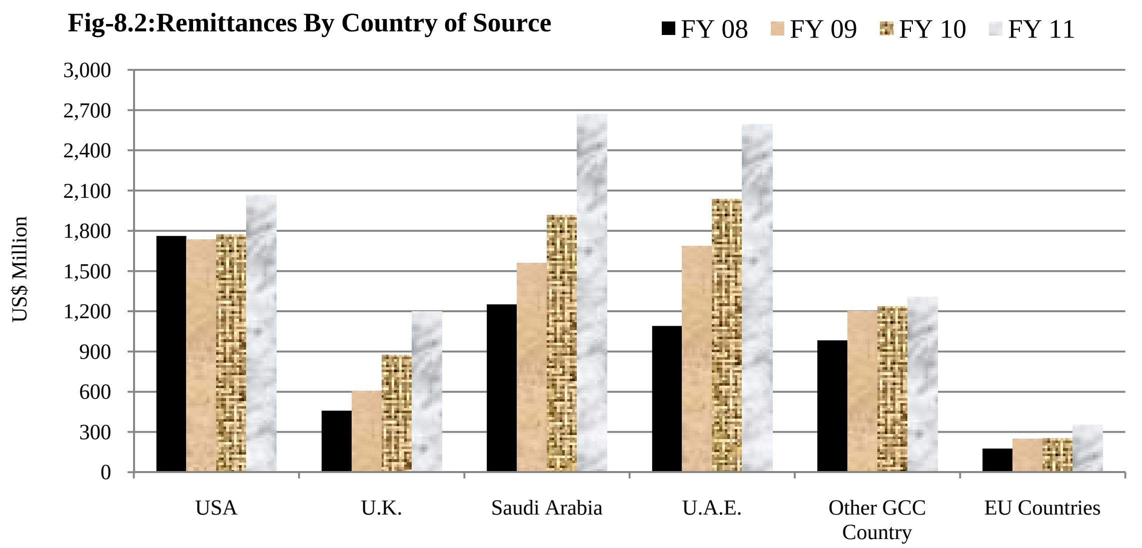
Government services and travel remains the major contributors to the overall increase in services imports during July-April 2011-12.

Workers' Remittances

According to World Bank estimates the remittances flows to developing countries in 2011 increased by 8.0 percent from $ 325 billion in 2010 and is forecast to grow at 7 to 8 percent annually till 2014.

Compared to the 10.1 percent growth in South Asia, remittances to Pakistan witnessed a strong growth of 25.8 percent in 2011 over previous year. Pakistan has become the fifth largest remittances recipient developing country in 2011. The general upward trend in remittances during the period under review was composed of a per annum average growth from U.A.E of 32.2 percent followed by U.K. (30.1 percent), Saudi Arabia (27.3 percent), EU countries (25.3 percent), Other GCC Countries (15.1 percent) and USA (9.5 percent) during the period 2007-08 to 2010-11.

Fig-8.2:Remittances By Country of Source

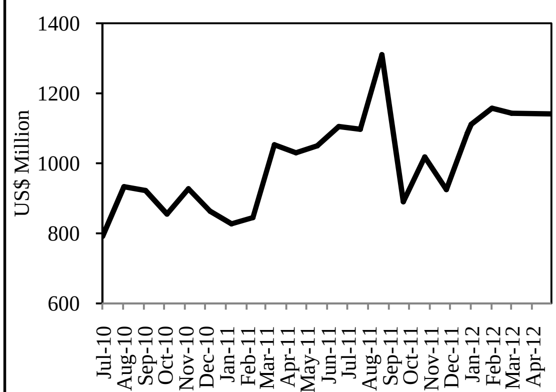


More recently, following the impressive performance of the last year, worker's remittances continued to provide strength to the current account. During July-April 2011-12, worker's remittances grew by 20.2 percent and stood at $ 10.9 billion. The cumulative increase of $ 1.83 billion during July-April 2011-12 over July-April 2010-11 is largely attributed to the government's efforts to divert remittances from the informal to the formal channel. Since the launch of the Pakistan Remittances Initiative (PRI), the share of worker's remittances coming through the banking channel has increased considerably, from 75 percent in 2009-10 to 91 percent in 2011-12. PRI has taken a number of steps to enhance the flow of remittances through formal channels which include: (a) preparation of national strategies on remittances (b) taking all necessary steps to implement the overall strategy (c) playing the advisory role for financial sector in terms of preparing a business case, relationship building with overseas correspondents, creating separate efficient remittance payment highways and (d) becoming a national focal point for overseas Pakistanis through round the clock call centre, separate web site etc.

Monthly analysis shows that with the exception of September and November 2011, the growth in workers' remittances remained higher during July-April 2011-12 compared to the corresponding years. It also crossed the one billion mark during these months.

Country-wise data shows that remittances from almost all major traditional sources increased. The share of Saudi Arabia in overall remittances was the largest; with UAE and USA having the second and third largest shares. Other countries like UK and Other GCC Countries also contributed to the increase in remittances during the period under review

Fig- 8.3: Monthly Workers' Remittances



Source: State Bank of Pakistan

Table:8.2. Country/Region Wise Cash Workers' Remittances ($ Million)

Country/ Region	**Jul-Apr**			
	2010-11	**2011-12***	**% Change**	**% Share**
USA	1,677.9	1,922.4	14.6	17.7
U.K.	990.9	1,263.7	27.5	11.6
Saudi Arabia	2,085.8	2,987.9	43.2	27.5
UAE	2,091.3	2,386.3	14.1	21.9
Other GCC Countries	1,063.5	1,226.6	15.3	11.3
EU Countries	290.8	304.6	4.8	2.8
Other Countries	846.4	785.7	-7.2	7.2
Total	9,046.6	10,877.0	20.2	100.0

Source: State Bank of Pakistan
* Provisional

Financial Account

The financial account posted a surplus of $ 1,200 million during July-April 2011-12 against a surplus of $ 690 million in the corresponding period last year. Foreign direct investment declined by $ 625 million and portfolio investment witnessed a fall of $ 126 million. Other investment stood at $ 721 million during July-April 2011-12.

During the period July-April 2011-12, Foreign Direct Investment (FDI) declined by 48.3 percent. This decline was primarily due to lower investment in the telecommunication, financial business and power sector during the period. The fall in FDI in Pakistan appears to be the result of factors such as energy crises and circular debt. However, the Oil & Exploration remained the major attraction during current fiscal year as its share in overall FDI stood at 69.8 percent with 37.9 percentage points increase during the period.

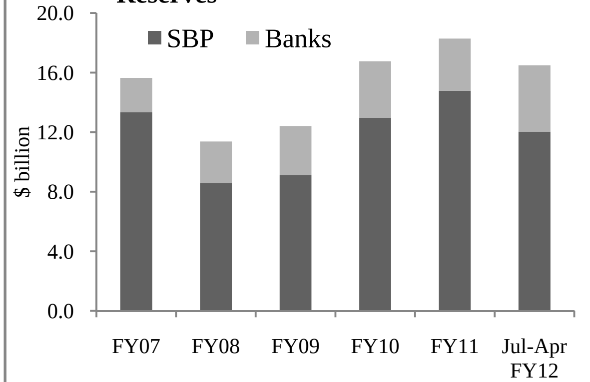
Foreign Exchange Reserves

In current fiscal year 2011-12, Pakistan's foreign exchange reserves reached by $ 16.49 billion at the end-April 2012 compared to $ 17.05 billion in corresponding period last year.

This was mainly due to current account deficit and repayment of $ 400 million to the IMF.

On the other hand, the rising inflows of scheduled banks reserves on account of healthy rise in FE-25 deposits and trade NOSTROs helped increase reserves in scheduled banks by $ 1.10 billion.

Fig 8.4: Gross Foreign Exchange Reserves



Source: State Bank of Pakistan

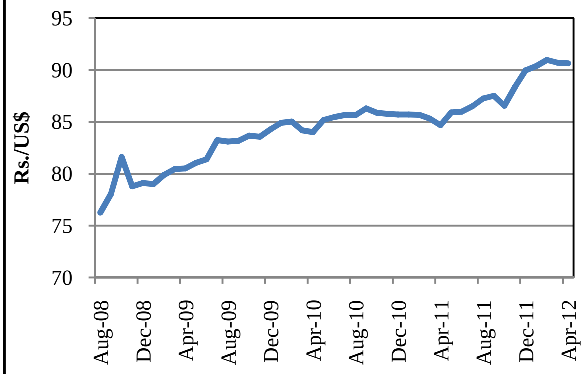
Exchange Rate

After witnessing the continuous decline in depreciation of average annual exchange rates during 2009-10 and 2010-11, the domestic currency remained under pressure through most of fiscal year 2011-12. This pressure is emerging from the deficit in the overall external account of the country during July-April 2011-12. As a result Pakistan's currency vis-à-vis the US dollar depreciated during July-April 2011-12.

In absolute terms, the exchange rate averaged Rs. 85.50/US$ during July-April 2010-11, whereas it averaged at Rs. 88.55/US$ during July-April 2011-12. The Pak Rupee depreciated by 3.4 percent during July-April 2011-12 over the depreciation of 2.2 percent in July-April 2010-11 period due to the widening current account deficit and speculations on account of the repayment of IMF loan during the period.

Apart from the deficit in the current account balance during July-April 2011-12 other domestic factors as well as the speculative environment in the foreign exchange market added volatility to the exchange rate.

Fig-8.5: Monthly Exchange Rate

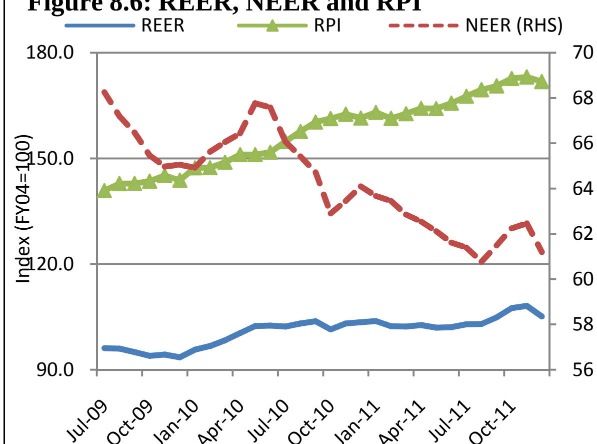


Source: State Bank of Pakistan

Real Effective Exchange Rates

Conceptually, the REER is defined as the weighted average of nominal exchange rates adjusted for relative price differential between the domestic and foreign countries. Given the weakness against the US dollar, the Pak Rupee depreciated by 8.8, 5.7 and 3.7 percent, against Yen, Euro and Great Britain Pound, respectively. Despite the depreciation against the US dollar and other major currencies in nominal terms, the Pakistan currency appreciated by 0.51 percent in real terms during Jul-Dec 2011-12 against an appreciation of 0.16 percent during Jul-Dec 2010-11. The appreciation in real terms was due to the sharp and persistent rise in the relative price index (RPI).

Figure 8.6: REER, NEER and RPI



Source: State Bank of Pakistan

Commodity-Wise Performance of Exports and Imports[2]

Exports

Group-wise analysis of exports growth suggests that the exports of the "other manufacturers" witnessed an impressive growth of 19.9 percent during July-April 2011-12 over the same period last year. Its share in overall exports also increased by 3.9 percentage points and stood at 20.0 percent during current fiscal year 2011-12. Jewelry, chemicals and pharmaceutical products, surgical goods & medical instruments, guar and guar products and engineering goods remained the prominent categories among the positive contributors to the overall increase in "other manufactures" group. Furthermore, these five items collectively added $ 668.6 million in the overall exports during July-April 2011-12. Jewelry exports have witnessed a significant $ 335.6 million increase over the last year and its share in "other manufactures" group also increased from 10.0 percent to 17.0 percent during July-April 2011-12. Moreover, cement exports also increased by 3.5 percent during July-April 2011-12 against the fall of 9.9 percent during July-April 2010-11. This increase in cement export receipts is mainly the outcome of higher unit values, which increased by 12.9 percent during the period. The decline in quantum exports of cement which witnessed a fall by 8.3 percent during the period tampered the increase in cement export receipts.

However, the overall increase in "other manufactures" group was offset to some extent by the negative growth of carpets (5.9 percent), leather garments (15.6 percent) and cutlery (6.3 percent) during July-April 2011-12. The export category of carpets, rugs and mats declined due to increased competition from the neighboring countries of Pakistan.

The value of exports from the food group stood at $ 3509.7 million during July-April 2011-12 compared to $ 3597.6 million in the corresponding period last year, thereby showing a negative growth of 2.4 percent. In absolute terms this represents a fall of $ 87.9 million during the period. Further details reveal that the lower quantity of exports of most of the food items remains the major reason behind the overall decline. The unit values of different food items remained largely positive during the period. The major factors behind the overall fall in food exports remain wheat, rice and vegetables. In absolute terms these three items fell by $ 442.3 million during the first ten months of the current fiscal year 2011-12. Rice exports followed last year's trend and declined by 3.2 percent during July-April 2011-12. This fall in rice export is due to the overall quantum exports of rice by 9.1 during the period. The major reason behind the fall in rice exports remained the higher availability of rice internationally. The other reason for the fall in rice exports was the higher proportion of non-basmati rice in the overall export quantum of rice.

Wheat exports declined due to the internationally lower demand and prices as quantity and unit value of wheat both witnessed a negative growth of 70.6 percent and 8.3 percent, respectively.

On the other hand, fruits exports witnessed a major increase during 2011-12; in absolute terms fruit exports increased by $ 70.5 million during July-April 2011-12 over the same period last year.

In contrast to the 32.1 percent growth in July-April 2010-11 textile exports declined by 9.6 percent during July-April 2011-12. This fall in textile is mainly attributed to decline in quantity exports; the majority of the textile categories show a negative growth in the quantities exported. The major reason behind this phenomenon is the energy crisis hitting the textile sector and the fall in international demand. Owing to this, the share of the textile sector in overall exports declined from 55.8 percent in July-April 2010-11 to 52.4 percent during July-April 2011-12 and on absolute term it fell by $ 1076 million during the period.

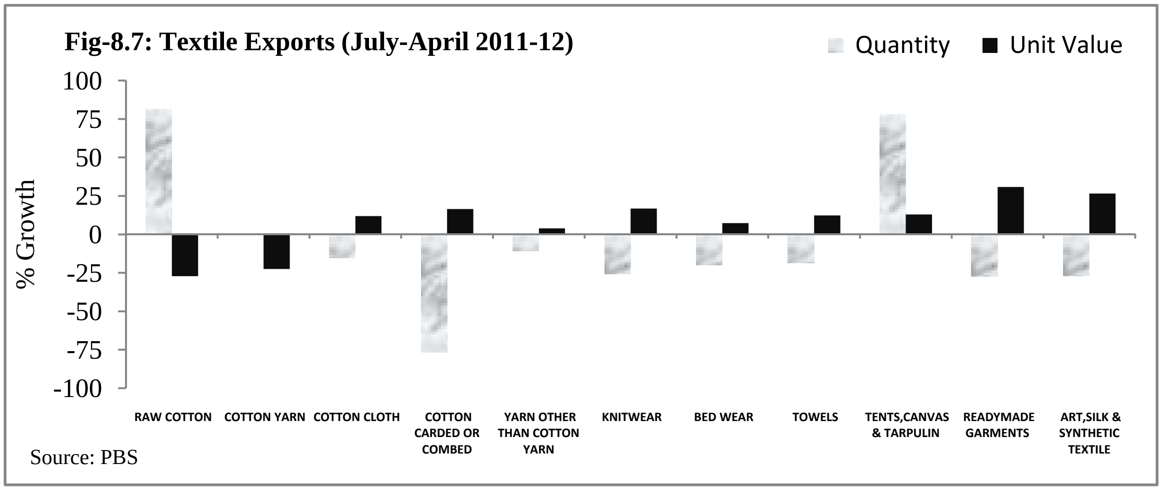
[2]: The analysis of exports and imports is based on trade data released by Pakistan Bureau of Statistics (PBS) on Customs basis which differs from exchange record data by SBP.

Table 8.3: Structure of Exports ($ Millions)

Particulars	July-April		% Change	Absolute Change
	2011-12*	2010-11*		
A. Food Group				
Rice	1,735.2	1,792.2	-3.2	-57.0
Fish & Fish Preparation	259.3	234.4	10.6	24.9
Fruits	322.4	252.0	28.0	70.5
Vegitables	131.9	211.7	-37.7	-79.8
Wheat	112.7	418.2	-73.0	-305.5
Spices	38.6	38.7	-0.3	-0.1
Oil Seeds, Nuts & Kernels	23.4	14.5	60.6	8.8
Meat & Meat Preparation	141.6	122.0	16.0	19.6
B. Textile Manufactures				
Raw Cotton	433.1	327.3	32.3	105.8
Cotton Yarn	1,451.7	1,880.0	-22.8	-428.3
Cotton Cloth	1,969.8	2,081.2	-5.4	-111.4
Knitwear	1,624.5	1,870.1	-13.1	-245.6
Bed Wear	1,453.1	1,686.0	-13.8	-232.9
Towels	556.5	607.8	-8.4	-51.3
Readymade Garments	1,326.6	1,396.5	-5.0	-69.9
Made-up Articles	472.7	509.0	-7.1	-36.3
C. Petroleum Group				
Petroleum Products	291.9	752.9	-61.2	-461.0
Petroleum Top Naptha	518.4	388.5	33.4	129.9
D. Other Manufactures				
Carpets. Rugs & mats	104.3	110.9	-5.9	-6.6
Sports Goods	269.2	262.9	2.4	6.2
Leather Tanned	358.7	370.8	-3.3	-12.2
Leather Manufactures	435.3	450.3	-3.3	-14.9
Surgical Goods & Medical.Inst.	249.6	212.6	17.4	37.0
Chemicals & Pharma. Pro.	909.0	725.5	25.3	183.5
Engineering Goods	230.1	196.4	17.2	33.7
Jewellary	649.7	314.1	106.9	335.6
Cement	387.3	374.2	3.5	13.1

Source: PBS
* Provisional

The negative effects of the energy shortages domestically and the slowdown of global demand are especially visible in the decline in the quantity of exports despite the increase in the unit values of the majority of items during the period July-April 2011-12. Due to this phenomenon, the quantum exports of high value added items such as knitwear, bed wear, towels and readymade garments have shown negative growth during the period under review.



Notwithstanding the higher international prices, the petroleum group export receipts declined by 29.0 percent during the first ten months of the current fiscal year compared to the same period last year. This decline in the petroleum group is due to the decline in quantum export as petroleum products and naptha fell by 68.4 percent and 13.9 percent respectively causing a decline of $ 331.0 million in net absolute terms in export receipts from petroleum group over the corresponding period last year. The circular debt problem in the country remained the major reason for the decline in the petroleum group exports during July-April 2011-12. Moreover, the share of the petroleum group also declined by 1.50 percentage points during the period under review.

Concentration of Exports

The process of decrease in concentration of exports items continued in the current fiscal year (July-April 2011-12) as the share of other items in overall exports increased to 39.0 percent against the 28.5 percent during 2006-07, a 10.5 percentage points increase during the period. Moreover, the share of the other items category witnessed a 6.2 percentage points increase during July-April 2011-12 compared to the same period last year. In spite of this structural change in exports of the country, the major share of Pakistan's export is still concentrated in a few items with only three items (cotton manufactures, leather and rice) making up 61.0 percent of total exports during July-March 2011-12.

Table 8.4:Pakistan's Major Exports (Percentage Share)

Commodity	06-07	07-08	08-09	09-10	10-11	Jul-Mar*	
						10-11	11-12
Cotton Manufacturers	59.7	51.9	52.6	50.6	52.9	53.7	50.1
Leather**	5.2	5.8	5.4	4.5	4.4	4.5	2.2
Rice	6.6	9.8	11.2	11.3	8.7	9.0	8.7
Sub-Total of three Items	**71.5**	**67.5**	**69.2**	**66.4**	**66**	**67.2**	**61.0**
Other Items	28.5	32.5	30.8	33.6	34.0	32.8	39.0
Total	100	100	100	100	100	100	100

Source: Pakistan Bureau of Statistics
*Provisional, ** Leather & Leather Manufactured

Direction of Exports

Despite being concentrated in a few markets, Pakistan has witnessed some geographical diversification in exports. During 2005-06, 47.2 percent of the country's exports were concentrated in five markets (USA, UK, Germany, Hong Kong and U.A.E.) of the world and remaining share of all other countries was 52.8 percent. This concentration is on continuous decline since 2005-06 and recently the share of these five market stood at 35.2 percent whereas the share of all other countries increased to 64.8 during July-March 2011-12 compared to 52.8 percent share during 2005-06. This improvement in geographical diversification was mainly the result of the Strategic Trade Policy Framework (STPF-2009-12) introduced by the government and the resulting increase in exports to China, Afghanistan and Bangladesh.

Table 8.5: Major Exports Markets **(Percentage Share)**

Country	**05-06**	**06-07**	**07-08**	**08-09**	**09-10**	**10-11**	**Jul-Mar**	
							10-11	**11-12***
USA	25.5	24.6	19.5	18.9	17.4	16.0	15.9	14.7
UK	5.4	5.6	5.4	4.9	5.3	4.9	5.0	5.1
Germany	4.2	4.1	4.3	4.2	4.1	5.1	5.0	4.8
Honk Kong	4.1	3.9	2.7	2.1	2.2	2.0	2.2	1.6
U.A.E.	8.0	8.2	10.9	8.2	8.9	7.3	7.3	9.0
Sub-Total	**47.2**	**46.4**	**42.8**	**38.3**	**37.9**	**35.3**	**35.4**	**35.2**
Other Countries	52.8	53.6	57.2	61.7	62.1	64.7	64.6	64.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Pakistan Bureau of Statistics
*Provisional

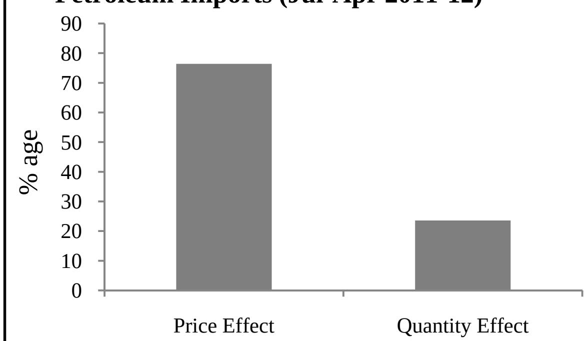
Imports

Structure of imports indicates that food group imports accounted for 11.4 percent of total imports and showed a negative growth rate of 1.7 percent during July-April 2011-12 compared to last year. This fall in the overall food import bill is the result of a decline in the quantity of imports of most of the food items despite the increase in the unit values of food group items.

Within food group imports, the major contribution came from sugar as its import bill declined by $ 665.0 million in absolute terms during July-April 2011-12 compared to the same period last year. This fall in sugar imports came on the back of improved sugar production domestically due to higher crop production of sugarcane during the fiscal year under review. Moreover, the import bill of spices and pulses also witnessed a fall during the period.

The import bill for edible oil increased by 16.5 percent and has added $ 273 million to this year's import bill. Palm oil imports surged in quantity, value and per unit value as it increased by 5.1 percent, 18.3 percent and 12.5 percent, respectively. The higher import bill of palm oil is the result of higher international prices and higher domestic demand during the period, resulting in an increase in the palm oil import bill in absolute terms by $ 292 million. In addition, the import bill for tea during 2011-12 also increased by 4.8 percent on the back of higher import prices during the period.

Fig-8.8: Sources of Change in Petroleum Imports (Jul-Apr 2011-12)



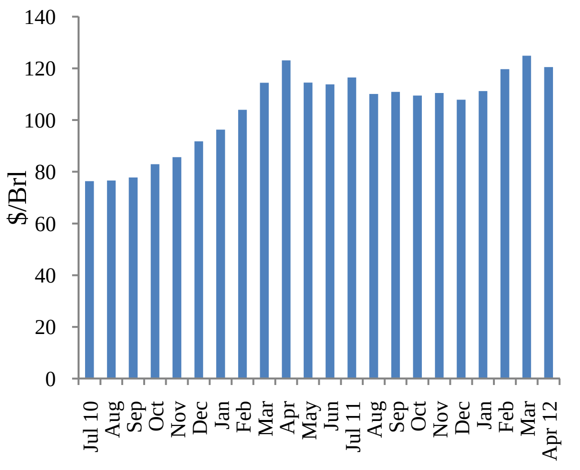
Source: PBS

The Import of petroleum group products grew by 43.5 percent during July-April 2011-12 against the 8.4 percent growth in the corresponding period last year reflecting mainly the impact of higher international oil prices since per unit values of petroleum products and petroleum crude increased by 28.9 percent and 36.6 percent, respectively. Moreover, during July-April 2011-12, the petroleum group import bill increased by $ 3,815.3 million over the same period last year. Nearly 76.4 percent of this increase in the import bill is contributed by the price impact and 23.6 percent by the quantum impact.

The increase in the petroleum import bill is also evident from the international monthly average prices of oil. These surged from $ 76.4 per barrel in July 2010 to $ 120.5 per barrel in April 2012.

Moreover, the quantity of petroleum product imports increased by 31.7 percent while quantum imports of crude oil declined by 19.5 percent during July-April 2011-12. This phenomenon in quantum imports results from the effect of the circular debt problem in the country faced by refineries.

Fig-8.9: International Monthly Oil Prices (Average)



The import of consumer durables added $ 229.8 million to the overall import bill for July-April 2011-12. The contribution to the increase in consumer durables imports remained road motor vehicles. Their import bill increased by $ 229.3 million. Moreover, the import of electric machinery and appliances also increased by 0.1 percent during the period. During July-April 2011-12, the increase in road motor vehicle imports was the outcome of higher import of CBU (complete build-up unit) which increased by $ 234.3 million over the last year due to the import of cars and buses, trucks and other heavy vehicles categories increasing by 161.0 percent and 91.3 percent respectively during the current fiscal year period under review. Moreover, the complete knocked down-down (CKD)/semi-knocked-down (SKD) category of road motor vehicles also increased by 6.8 percent during July-April 2011-12. Within this category, motor cycles and buses, trucks and other heavy vehicles contributed positively during the period. Due to these developments, the import quantum and value of rubber tyres and tubes witnessed an increase of 25.4 percent and 14.4 percent respectively during July-April 2011-12.

Increase in the overall import bill of consumer durables is generally the outcome of the fall in duties on automobiles, deep freezers, air conditioners and beverages along with the cut in taxes announced by government.

Telecom imports grew by 22.9 percent during the first ten months of the current fiscal year. In absolute terms the import in the telecom sector witnessed an increase of $ 195.2 million. Out of the total increase in telecom imports, 65.4 percent has been contributed by mobile phone imports which grew by 29.0 percent and added $ 127.7 million to the import bill during July-April 2011-12 as compared to the corresponding period last year. This increase may be the result of increased availability of cheaper mobile phones in the country.

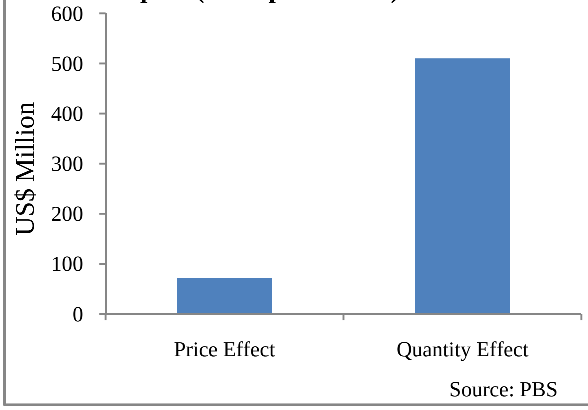
The machinery group imports decreased to $ 3148.4 million during the first ten months of the current fiscal year 2011-12 as against $ 3595.9 million in the corresponding period last year. Among the different items of the machinery group, textile machinery, air crafts, ships and boats and other machinery witnessed a decline during the period under review. The decline in textile machinery import may be attributed to the fall in external demand; decline in export prices; and, energy problems faced by textile sector.

Table 8.6: Structure of Imports				($ Million)
Particulars	**July-April**		**% Change**	**Absolute Change**
	2010-11	**2011-12**		
A. Food Group				
Milk & milk food	129.5	134.3	3.7	4.9
Wheat Unmilled	5.2	0.0	-100.0	-5.2
Dry fruits	74.4	72.3	-2.8	-2.1
Tea	288.3	302.0	4.8	13.7
Spices	91.3	86.6	-5.2	-4.7
Edible Oil (Soyabean & Palm Oil)	1,660.3	1,933.6	16.5	273.3
Sugar	679.9	14.4	-97.9	-665.5
Pulses	344.6	320.3	-7.1	-24.3
B. Machinery Group				
Power Gen. Machines	865.6	877.2	1.3	11.6
Office Machines	195.6	239.8	22.6	44.2
Textile Machinery	399.4	339.0	-15.1	-60.4
Const. & Mining Mach.	98.6	111.0	12.6	12.4
Aircraft Ships and Boats	713.5	305.8	-57.1	-407.7
Agriculture Machinery	77.6	103.0	32.7	25.4
C. Petroleum Group				
Petroleum Products	4,919.9	8,354.8	69.8	3,434.8
Petroleum Crude	3,847.6	4,228.1	9.9	380.5
D. Consumer Durables				
Electric Mach. & App.	674.8	675.3	0.1	0.5
Road Motor Vehicles	1,082.8	1,312.1	21.2	229.3
E. Raw Materials				
Raw Cotton	852.8	369.5	-56.7	-483.4
Synthetic fibre	464.2	434.6	-6.4	-29.5
Silk yarn (Synth & Arti)	444.7	503.9	13.3	59.2
Fertilizer	499.6	1,081.7	116.5	582.1
Insecticides	122.3	110.4	-9.8	-11.9
Plastic material	1,263.8	1,287.5	1.9	23.7
Iron & steel and Scrap	423.9	446.8	5.4	22.9
Iron & steel	993.9	1,119.0	12.6	125.1
F. Telecom	854.3	1,049.5	22.9	195.2
Source: Pakistan Bureau of Statisics				

On the other hand, the items which grew positively continued to be the power generating machinery, office machines, construction and mining machinery and agri machinery. Power generating machinery imports increased due to energy shortfalls in the country. As a result the import bill stood at $ 877.2 million during July-April 2011-12. The increase in import of construction and mining machinery reflects the increase in construction activities in the country. This improvement can be attributed to the start of public projects and is also the result of the increase in remittances which went primarily into the construction sector. The higher demand for agricultural machinery imports ($ 25.4 million) is mainly the outcome of remarkable improvement in the agriculture sector.

The import of products in the raw material group surged by 7.4 percent and accounted for 22.4 percent of total imports during the period of July-April 2011-12. Within raw material imports, raw cotton declined in absolute terms by $ 483.4 million mainly due to increased availability of the crop domestically. The prominent increase witnessed in the imports of fertilizer is due to decline in domestic production owing to gas shortages. As a result the import bill of fertilizer increased by $ 582.1 million over the last year. Of this total increase around 87.6 percent was due to increase in quantity and the remaining 12.4 percent due to higher prices.

Fig-8.10 Source of Change in Fertilizer Import (Jul-Apr 2011-12)



Direction of Imports

Despite being fairly concentrated in a few markets, Pakistan's import sources are witnessing a change in direction since 2007-08. The combined share of Pakistan's major imports markets (Saudi Arabia, Kuwait, Japan, U.S.A., Germany and U.K.) has been declining from the 36.7 percent in 2007-08 to 30.2 percent at present thereby showing a 6.5 percentage points fall during the period under review.

Table-8.7: Major Sources of Imports (Percentage Share)

Country	07-08	08-09	09-10	10-11	Jul-Mar	
					10-11	11-12*
U.S.A.	6.1	5.4	4.6	4.5	4.3	3.3
U.K.	1.9	2.6	1.7	1.6	1.6	1.2
Germany	3.2	3.8	3.4	2.3	2.3	2.5
Japan	4.6	3.6	4.4	4.1	4.2	4.2
Kuwait	7.5	6.6	6.9	8.2	6.8	8.4
Saudi Arabia	13.4	12.3	9.7	11.3	11.7	10.6
Sub-Total	**36.7**	**34.3**	**30.7**	**32.0**	**30.9**	**30.2**
Other Countries	63.3	65.7	69.3	68.0	69.1	69.8

Source: Pakistan Bureau of Statistics
*Provisional

Measures/steps taken by the government regarding exports and imports

- In July, 2009 the Federal Cabinet approved complete zero-rating of exports.
- Incentives have been given to boost exports such as concessionary financing, duty free imports of raw material under temporary importation scheme/Duty Tax Remission on Exports (DTRE), duty drawback scheme, concessions in duty/taxes on import of machinery and raw material of priority export sectors, development of export clusters.
- Through active trade diplomacy, Government is trying its level best to get better market access for the local businesses in international markets by concluding Free Trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) with different countries.
- Trade Development Authority of Pakistan (TDAP) is undertaking various export promotional activities through trade exhibitions and delegations in the new markets viz China, Hong Kong, Russia, Malaysia, Africa region, America and Eastern Europe etc.
- The following measures have been taken during 2011-12 in the import / export regime, through Amendments in the Import Policy and Export Policy Orders:

Amendments in Exports – Imports Policy orders during 2011-12		
Sr. No.	**Gist of Amendment**	**Rationale/Justification**
1.	Allowing export of organic brown sugar.	To encourage local production of organic brown sugar.
2.	Allowing units registered under DTRE scheme also to import inputs given in restricted list of the Import Policy Order (IPO), subject to fulfillment of conditions mentioned therein.	To bring DTRE users at par with normal importers.
3.	Restricting import of exhausted batteries to industrial consumers only subject to a fool proof mechanism.	To safeguard environment.
4.	Restricting disposal of ambulances before ten years imported as a donation in secondhand used condition by imposing duty taxes applicable at the time of import.	To avoid misuse of ambulances as commercial vehicle after import.
5.	Importer duly registered with Oil and Gas Regulatory Authority for importing automotives engine/gear oil etc.	To safeguard consumers interest.
6.	Another 17 categories were included in the positive list of items importable from India.	To reduce cost of doing business.
7.	Allowing export oriented textile and leather sector to import accessories on import cum export basis from India.	To facilitate export sector.
8.	Allowing raw material/inputs including polythene, polypropylene, newsprint and pure terephtalic acid from India through Wagha via land route.	To reduce cost of doing business.
9.	Banning import of CNG cylinders and conversion kits. The ban shall however not apply in the following cases: a) For which letters of credit established prior to 15-12-2011. b) Public transport vehicle i.e. buses and vans.	To check fast depletion of existing gas resources.
10.	Positive List with India has now been replaced with a Negative List of 1209 items.	To normalize Pakistan's trade relations with India.