




DECEMBER 2019
TRADE PAK

ADDRESS

408, 4th Floor, Continental Trade Centre, Clifton
Block-8, Karachi 

Email: connect@tolaassociates.com 

Ph# 35303294-6 

Website: www.tolaassociates.com 

Page: twitter.com/tolaassociates 

facebook.com/tolaassociates 

<https://goo.gl/LFiWyx>

<https://goo.gl/QDM4ZM>



1. PROLOGUE:

The World Bank's (hereafter "WB") flagship report 'World Bank. 2020. Global Economic Prospects, January 2020: Slow Growth, Policy Challenges, Washington, DC' on recent developments in global economies and policies challenges facing the same, has revised Pakistan's real GDP growth projections from 2.7% to 2.4% for the current fiscal year, i.e. FY20. The contraction-based monetary policy, which was intended to restore domestic and external balances, has affected aggregate growth in a negative manner. Moreover, monetary tightening is the largest factor that has led to a sharp slowdown in fixed investment, increasing the cost of doing business, weakened the fiscal consolidation progress, restricted private sector credit access and private consumption. Hence, the State Bank of Pakistan (hereafter "SBP") needs to revisit the monetary policy which has led to a tightening regime, in order to revive demand and spur growth.

2. BALANCE OF TRADE IN GOODS – DECEMBER 2019 VS. NOVEMBER 2019:

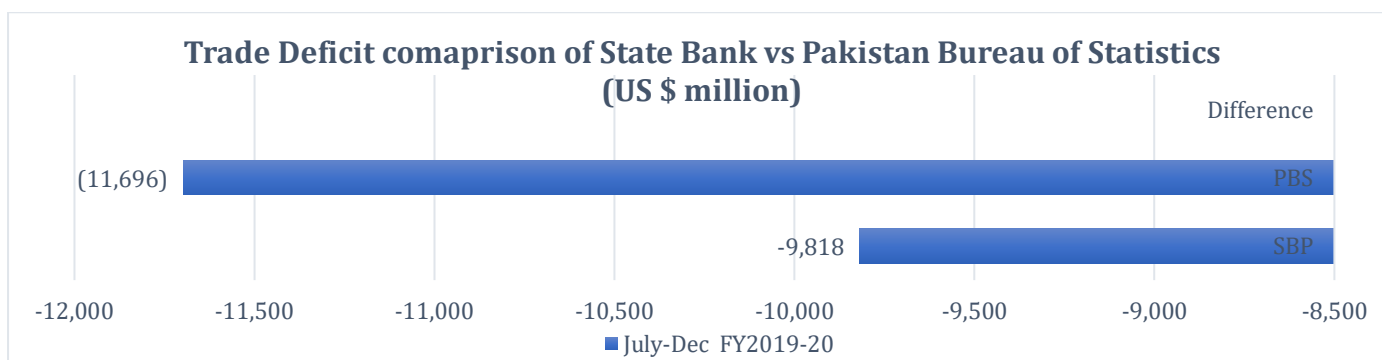
Balance of trade is the difference between a country's imports and exports over a period of time. In the wake of an economic slowdown in the country, coupled with weakening industrial activity and demand, policy uncertainty and overall increase in the level of tariffs, there has been a deceleration/decrease in manufacturing and trade within the country.

According to the latest data published by the Pakistan Bureau of Statistics (hereafter "PBS"), the exports of Pakistan have dropped by 3.8% on a year-on-year basis, and stood at \$1.99 billion in December 2019 as against \$2.072 billion last year. The overall exports of the country have faced the brunt of monetary and fiscal tightening coupled with other domestic and global economic issues, in so much so, that they have only grown by a meagre 3% during July-Dec 2019 that stood at \$11.53 billion as against \$11.18 billion last year.

Pakistan's trade deficit has reduced by 30%, which stood at \$11.69 billion in July- Dec 2019 vs. \$16.77 billion last year, leading to an improvement in the current account. However, it may be noted that the primary reason for this is a compression in imports, rather than the subdued increase in exports that have been recorded. Pakistan's trade deficit has also exceeded its overall exports during July-Dec FY20. On the import front, Pakistan's overall imports dropped by 17% in terms of the US dollar in July-December 2019, which stood at \$23 billion vs. \$28 billion last year.

The trade deficit figures compiled and released by both, the State Bank (\$9.818 billion) and PBS (\$11.69 billion) are different. The reasons for these discrepancies are;

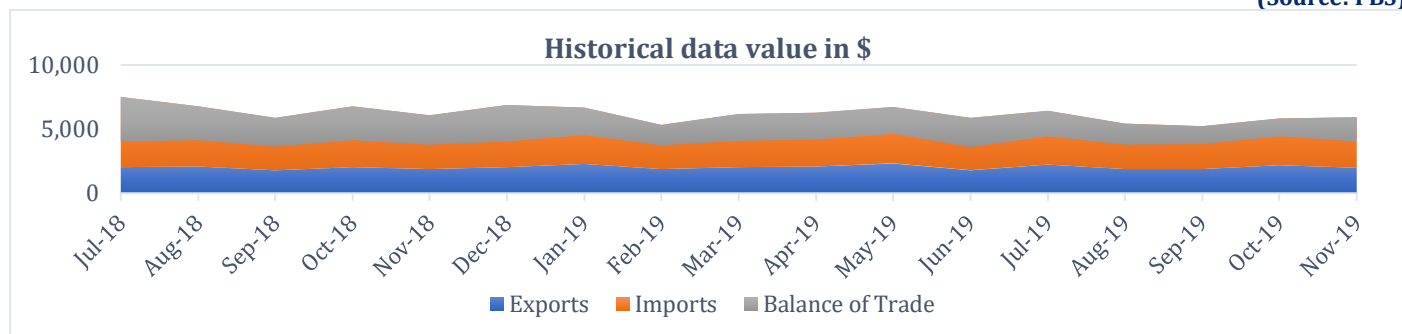
- i. That the SBP compiled trade statistics are based on the exchange record data, which depends on actual receipts and payments of foreign exchange, whereas, the data collection of PBS is based on physical movement of goods (pertaining to the customs record) and incorporates cost of freight and insurance unlike the SBP; and
- ii. The data coverage of both, SBP and PBS, have variations with respect to imports; and
- iii. For exports, the PBS does not incorporate short shipments and cancellations, while the SBP does not take into the account the land borne exports to Afghanistan and exports by Export Processing Zones.



We will now analyze the trend in imports and exports, both in quantitative and in value terms, for the months of December 2019 and November 2019, and the reasoning behind the contraction in imports, if any, along with the future consequences.

(\$ in Million)	Dec-19	Nov-19	% change M/M	Dec-19	Dec-18	% change Y/Y	July-Dec FY20	July-Dec FY19	% change Y/Y
Exports	1,993	2,011	-0.90%	1,993	2,072	-3.81%	11,533	11,181	3.15%
Imports	4,037	3,940	2.46%	4,037	4,405	-8.35%	23,229	27,952	-16.90%
Balance of Trade in Goods	(2,044)	(1,929)	5.96%	(2,044)	(2,333)	-12.39%	(11,696)	(16,771)	-30.26%

(Source: PBS)



3. IMPORTS:

The imports of Pakistan have increased by 2.46% in terms of both, in terms of the US Dollar and Rupee, from \$3.94 billion in Nov 2019 to \$4.0 billion in Dec 2019 due to a relatively increased demand of machinery and petroleum groups. The imports of the country, have, on a year-on-year basis, dropped by 8.34% in terms of the US dollar, sliding down from \$4.40 billion in December 2018, 2019 to \$4 billion in November 2019. On a quantum front; import of food grew by 1.24%, whereas import of petroleum dropped by 12%, textile imports reduced by 0.3%, and agriculture and other chemicals group etc. have contracted by 23% on a month-on-month basis.

IMPORTS	Dec-19	Nov-19	% change M/M	Dec-19	Dec-18	% change Y/Y
	USD (000)	USD (000)	USD	USD (000)	USD (000)	USD
Food Group	477,585	505,503	-5.52%	477,585	498,280	-4.15%
Machinery Group	853,133	773,212	10.34%	853,133	750,999	13.60%
Road Transport Group	91,800	99,224	-7.48%	91,800	224,051	-59.03%
Petroleum Group	1,031,584	930,400	10.88%	1,031,584	1,130,204	-8.73%
Textile Group	185,811	189,841	-2.12%	185,811	237,922	-21.90%
Agriculture & other chemicals etc.	597,300	671,357	-11.03%	597,300	720,126	-17.06%
Grand Total	4,037,329	3,940,433	2.46%	4,037,329	4,404,819	-8.34%

(Source: PBS)

a) Food Group:

Due to a reduction in the imports of dairy products, palm oil, dry fruits, spices and pulses, Pakistan's overall food import bill shrunk by 5.52% in terms of the US dollar, and 5.79% in terms of the Rupee, amounting to \$477 million in Dec 2019 vs. \$505 million in Nov 2019. However, the country has, in quantitative terms, imported an additional stock of pulses, dry fruits and tea which has pushed the overall import quantity by 5,268 MT, to 430,022 MT of edible food items.

FOOD GROUP	UNIT	Dec-19		Nov-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
Milk, Cream & Milk Food for Infants	MT	4,178	13,030	4,860	15,640	-14.03%	-16.69%
Dry Fruits & Nuts	MT	3,240	4,784	3,081	4,917	5.16%	-2.70%
Tea	MT	18,117	44,567	17,865	41,791	1.41%	6.64%
Spices	MT	14,814	12,661	14,671	13,407	0.97%	-5.56%
Palm Oil	MT	285,679	165,442	301,171	170,390	-5.14%	-2.90%
Pulses (Leguminous Vegetables)	MT	103,994	48,749	83,106	41,868	25.13%	16.43%
All Other Food Items	MT	-	187,006	-	210,990	-	-11.37%
Total	MT	430,022	477,585	424,754	505,503	1.24%	-5.52%

(Source: PBS)

b) Machinery Group:

The country's manufacturing activity has been affecting its economy due to monetary and fiscal side cost pressures. The imports of power generating machinery, electrical machinery and telecom imports have pushed the overall imports of machinery by 10.34%, from \$773.21 million in Nov 2019 to \$853 million in Dec 2019 which is a good sign for the economy. On the other hand, imports of construction machinery and agricultural machinery have dropped substantially during the month, by 15% and 40% respectively. However, the gravity of the situation can be assessed by the deepening contraction of the LSM's, which seem to be fading the future prospects of our economy.

MACHINERY GROUP	Dec-19	Nov-19	% Change M/M
	USD		
Power Generating Machinery	102,473	61,422	66.83%
Office Machine Inc. Data Proc Equip;	33,320	32,954	1.11%
Textile Machinery	37,573	41,160	-8.71%
Construction & Mining Machinery	12,352	14,585	-15.31%
Electrical Machinery & Apparatus	334,130	302,277	10.54%
Telecom	161,895	147,650	9.65%
Agricultural Machinery & Implements	6,381	10,601	-39.81%
Other Machinery	165,009	162,563	1.50%
Total	853,133	773,212	10.34%

(Source: PBS)

c) Road Transport Group:

The auto sector of Pakistan has been affected negatively by a high cost of doing business, inflationary pressures and depressed demand. A subdued depressed demand in the auto sector has restricted imports in almost all the segments in terms of the US dollar; road motor vehicle imports dropping by 36%, the CBU segment by 20%, CKD/SKD by 66.55%, and parts and accessories by 36.59% in Dec 2019 as against Nov 2019. The overall imports of the road transport group have dropped by 7.48% in terms of the US dollar, and 7% in terms of the Rupee, that stood at \$91 million in Dec 2019 as against \$99 million in Nov 2019.

ROAD TRANSPORT GROUP	Dec-19	Nov-19	% Change M/M
	USD		
Road Motor Veh. (build unit, CKD/SKD)	48,980	76,491	-35.97%
CBU	9,604	11,979	-19.83%
CKD/SKD	12,041	35,992	-66.55%
Parts & Accessories	14,296	22,547	-36.59%
Others	13,039	5,973	118.30%
Aircrafts, Ships and Boats	41,751	22,353	86.78%
Others transport Equipment	1,069	380	181.32%
Total	91,800	99,224	-7.48%

(Source: PBS)

d) Petroleum Group:

On account of a substantial rise in the import of Petroleum gas liquefied and natural gas liquefied, the total petroleum import bill of Pakistan has increased by 11% in terms of the US dollar, and 10.56% in terms of the Rupee, amounting to \$1 billion in Dec 2019 as against \$930 million Nov 2019. However, the import of petroleum products by Pakistan has dropped by 9.45%, from \$459.82 million in Nov 2019 to \$416.38 million in Dec 2019, which is in line with the declining trend since FY19. Similarly, petroleum crude imports dropped by 5.27%, from \$300 million in Nov 2019 to \$284 million in Dec 2019. A drop in the volume and quantum of petroleum products, and petroleum crude imports, have contributed towards the improvement of the current account deficit of the country.

PETROLEUM GROUP	UNIT	Dec-19		Nov-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
Petroleum Products	MT	758,487	416,382	871,244	459,826	-12.94%	-9.45%
Petroleum Crude	MT	594,206	284,502	670,183	300,333	-11.34%	-5.27%
Natural Gas, Liquefied		-	292,594	-	142,771	-	104.94%
Petroleum Gas, Liquefied		-	38,095	-	27,470	-	38.68%
Total		1,352,693	1,031,584	1,541,427	930,400	-12.24%	10.88%

(Source: PBS)

e) Textile Group:

Within the textile group, import of raw cotton has increased by 45%, both in terms of the US dollar and Rupee, from \$16.41 million in Nov 2019 to \$24 million in Dec 2019. This has occurred mainly because of the shortage of cotton in the country. Moreover, owing to cotton crop losses, the ministry of commerce has had to rely on imports to meet the gap of 5 million bales, which will effectively cost billions to the exchequer. The imports of the textile group have experienced an overall downfall of 2% in terms of the US dollar, amounting to \$186 million in Dec 2019 as against \$189 million in Nov 2019.

TEXTILE GROUP	UNIT	Dec-19		Nov-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
Raw Cotton	MT	14,620	23,902	8,990	16,419	62.63%	45.58%
Synthetic Fiber	MT	28,573	39,098	29,832	40,736	-4.22%	-4.02%
Synthetic & Artificial Silk Yarn	MT	27,896	52,885	26,933	56,370	3.58%	-6.18%
Worn Clothing	MT	31,295	13,839	36,976	16,580	-15.36%	-16.53%
Other Textile Items	MT	-	56,087	-	59,736	-	-6.11%
Total	MT	102,384	185,811	102,731	189,841	-0.34%	-2.12%

(Source: PBS)

f) Agriculture and Other Chemicals:

Within the 'agricultural and chemical groups etc.', the country's agricultural and other chemical group imports, have dropped by 11%. Moreover, imports within the metal group imports grew by 8%, while miscellaneous group imports contracted by 5% during Dec 2019 vs. previous months. In quantitative terms, imports of the following experienced a downfall by the stated percentages; fertilizer products by 56%, rubber products by 7%, tyres/tubes by 31%, plastic by 10%, and iron and steel by 8%. This indicates the problematic situation due to depressed demand within the economy.

AGRICULTURE & OTHER CHEMICALS ETC.	UNIT	Dec-19		Nov-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
Fertilizer Manufactured	MT	45,610	15,884	264,515	97,022	-82.76%	-83.63%
Insecticides	MT	1,825	11,783	1,842	14,224	-0.92%	-17.16%
Plastic Materials	MT	131,715	157,765	146,480	172,005	-10.08%	-8.28%
Medicinal Products	MT	1,986	87,683	1,980	80,017	0.30%	9.58%
Others		-	324,185	-	308,089	-	5.22%
Sub-Total		181,136	597,300	414,817	671,357	-56.33%	-11.03%
Metal Group							
Gold	KG	39	1,725	43	1,796	-9.30%	-3.95%
Iron and Steel Scrap	MT	373,854	145,296	333,167	130,227	12.21%	11.57%
Iron and Steel	MT	179,434	124,113	195,250	127,813	-8.10%	-2.89%
Aluminum Wrought & Worked			13,408		10,820		23.92%
All Other Metals & Articles			72,721		57,367		26.76%
Sub-Total		553,327	357,263	528,460	328,023	4.71%	8.91%
Miscellaneous Group							
Rubber Crude Incl. Syth/Reclaimed	MT	8,870	14,145	9,582	14,752	-7.43%	-4.11%
Rubber tyres & tubes	NO	198,125	8,042	288,070	11,669	-31.22%	-31.08%
Wood & Cork			10,858		11,276		-3.71%
Jute	MT	4,887	3,033	4,370	2,568	11.83%	18.11%
Paper & Paper Board & Manufacture	MT	37,044	32,060	33,772	31,351	9.69%	2.26%
Sub-Total		248,926	68,138	335,794	71,616	-25.87%	-4.86%
All Other Items		-	374,715	-	371,257		0.93%
Grand Total		983,389	1,397,416	1,279,071	1,442,253	-23.12%	-3.11%

(Source: PBS)

4. EXPORTS:

The export sector of Pakistan has been unable to revive thus far during the current fiscal year. It is yet to pick up despite the commitments given to the exporters at the highest levels. Pakistan's overall exports have dropped by 3.8% on a year-on-year basis amounting to \$1.99 billion in Dec 2019 as against \$2 billion in Dec 2018. The drop has occurred on account of a decrease in the exports of food, petroleum group and coal, other manufacturing group and stagnant textile group exports. On a month-on-month basis, the country's exports have also dropped by 0.91% in US dollar terms, and 1.19% in Rupee terms, mainly because of lower exports of the following; textile group, petroleum group and coal, and other manufacturing group in Dec 2019 as compared to Nov 2019.

EXPORTS	Dec-19	Nov-19	% change M/M	Dec-19	Dec-18	% change Y/Y
	USD (000)	USD (000)	USD	USD (000)	USD (000)	USD
Food Group	442,073	397,708	11.16%	442,073	482,399	-8.4%
Textile Group	1,142,196	1,177,260	-2.98%	1,142,196	1,138,126	0.4%
Petroleum Group & Coal	28,266	41,064	-31.17%	28,266	52,786	-46.5%
Other Manufactures Group	264,666	275,252	-3.85%	264,666	291,103	-9.1%
Grand Total	1,992,622	2,010,846	-0.91%	1,992,622	2,072,380	-3.8%

(Source: PBS)

a) Food Group:

On account of an incremental export growth of basmati-rice, fruits and vegetables, the overall exports of the food group increased by 11% in terms of the US dollar, and 10% in terms of the Rupee, amounting to \$442 million in Dec 2019 as against \$397 million in Nov 2019. In quantitative terms, the food exports of Pakistan have not shown a sizeable improvement because of inadequate industrial capacity and lack of exportable surplus. As a consequence thereof, the country exported less quantum exports of non-basmati rice, fish products, tobacco, oil nuts and sugar in Dec 2019 as against Nov 2019.

FOOD GROUP	UNIT	Dec-19		Nov-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
Rice	MT	403,923	197,185	440,488	202,069	-8.30%	-2.42%
Basmati	MT	73,204	67,002	58,421	54,522	25.30%	22.89%
Others	MT	330,719	130,183	382,067	147,547	-13.44%	-11.77%
Fish & Fish Preparations	MT	19,548	40,776	22,956	54,638	-14.85%	-25.37%
Fruits	MT	167,002	65,492	33,222	19,824	402.68%	230.37%
Vegetables	MT	93,450	44,397	67,852	27,020	37.73%	64.31%
Tobacco	MT	860	2,492	1,411	3,984	-39.05%	-37.45%
Spices	MT	2,079	7,378	1,716	6,404	21.15%	15.21%
Oil Seeds, Nuts and Kernels	MT	1,960	2,563	2,920	3,778	-32.88%	-32.16%
Sugar	MT	10,788	3,821	16,230	5,928	-33.53%	-35.54%
Meat and Meat Preparations	MT	8,501	29,331	8,326	29,208	2.10%	0.42%
All Other Food Items	MT	-	486,838	-	44,855	-	985.36%
Total	MT	1,112,034	442,073	1,035,609	397,708	7.38%	11.16%

(Source: PBS)

b) Textile Group:

On account of; high cost pressures, contraction in the large-scale manufacturing sector in the wake of economic slowdown within and outside of the country, Pakistan's share of textile exports has been decreasing, which is posing a serious challenge to the incumbent Government. The textile exports of Pakistan have dropped by 3% in terms of both the US dollar and Rupee in Dec 2019, that stood at \$1.142 billion as against \$1.177 billion in Nov 2019. This is mainly because of drop in exports of raw cotton, cotton yarn, cotton cloth, yarn other than yarn, and the value-added sector.

Within the value-added exports of textile group, the country's knitwear exports have dropped by 0.04%, bed wear by 5.67%, towels by 6%, in terms of the US Dollar, amounting to \$266 million, \$184 million and \$61 million in Dec 2019 in comparison to the previous month.

On a quantum front, almost all value and non-value segments of the textile group have posted a dismal performance. Hence, the quantum exports of raw cotton have dropped by 48%, cotton yarn by 41%, yarn other than cotton yarn by 34%, bed wear by 10%, towels by 6% and readymade garments by 8% during the month of Dec 2019 vs. the previous month.

TEXTILE GROUP	UNIT	Dec-19		Nov-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
Raw Cotton	MT	806	1,052	1,544	2,066	-47.80%	-49.08%
Cotton Yarn	MT	23,702	58,359	41,788	98,508	-43.28%	-40.76%
Cotton Cloth	TH.SQM	180,524	166,273	184,112	168,324	-1.95%	-1.22%
Yarn Other than Cotton Yarn	MT	750	1,859	1,141	2,716	-34.27%	-31.55%
Knitwear	TH.DOZ	11,302	266,744	10,400	266,851	8.67%	-0.04%

Bed Wear	MT	35,232	184,379	39,439	195,459	-10.67%	-5.67%
Towels	MT	14,633	61,361	15,601	65,374	-6.20%	-6.14%
Tents, Canvas & Tarpaulin	MT	3,454	7,810	3,295	7,524	4.83%	3.80%
Readymade Garments	TH.DOZ	5,121	255,997	5,563	250,651	-7.95%	2.13%
Art, Silk & Synthetic Textile	TH.DOZ	34,707	31,365	31,036	27,367	11.83%	14.61%
Made up articles (excl. towels & Bedwear)	-	-	57,100	-	56,994	-	0.19%
Other textile materials	-	-	49,897	-	35,426	-	40.85%
Total		310,231	1,142,196	333,919	1,177,260	-7.09%	-2.98%

(Source: PBS)

c) Petroleum Group and Coal:

Petroleum group exports have dropped by 31% in terms of the US dollar, Rupee, and in terms of quantum as well, amounting to \$28 million in Dec 2019 vs. \$41 million in Nov 2019. This was mainly due to a drop in exports of petroleum crude and products. However, the exports of petroleum Top Naphtha and coal grew substantially on account of low base effects during Dec 19 as against the previous month.

PETROLEUM GROUP AND COAL	UNIT	Dec-19		Nov-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
Petroleum crude	MT	37,582	18,364	68,840	31,281	-45.41%	-41.29%
Petroleum products (excl top Naphtha)	MT	1,113	691	9,894	6,520	-88.75%	-89.40%
Petroleum Top Naphtha	MT	20,299	9,153	6,940	3,257	192.49%	181.03%
Solid Fuels (Coal)	MT	253	58	18	6	1305.56%	866.67%
Total	MT	59,247	28,266	85,692	41,064	-30.86%	-31.17%

(Source: PBS)

d) Other Manufacturing Group:

OTHER MANUFACTURING GROUP	UNIT	Dec-19		Nov-19		% Change M/M	
		Qty	USD	Qty	USD	Qty	USD
Carpets, Rugs & Mats	TH.SQM	150	5,900	175	7,254	-14.29%	-18.67%
Sports Goods	TH.DOZ	390	24,652	379	24,027	2.90%	2.60%
Leather Tanned	TH.SQM	1,453	16,273	1,726	17,204	-15.82%	-5.41%
Leather Manufactures	TH.DOZ	675	47,611	612	45,808	10.29%	3.94%
Footwear	TH. Pairs	1,327	11,148	1,360	11,025	-2.43%	1.12%
Surgical Goods & Medical Instruments	-	-	32,268	-	35,040	-	-7.91%
Cutlery	-	-	7,404	-	8,464	-	-12.52%
Onyx Manufactured	MT	190	465	135	354	40.74%	31.36%
Chemicals and Pharm. Products	-	30,765	76,485	17,662	76,617	74.19%	-0.17%
Engineering Goods	TH.NOS	-	17,422	-	15,486	-	12.50%
Gems	MT	1	323	1	508	0.00%	-36.42%
Jewelry	-	-	290	-	669	-	-56.65%
Furniture	TH.NOS	20	478	15	251	33.33%	90.44%
Molasses	MT	123	13	125	13	-1.60%	0.00%
Cement	MT	528,923	21,062	800,143	29,794	-33.90%	-29.31%
Guar and Guar Products	MT	1,900	2,872	2,015	2,678	-5.71%	7.24%
All Other Items	-	-	115,421	-	119,562	-	-3.46%
Total	-	565,917	264,666	824,348	275,252	-31.35%	-3.85%

(Source: PBS)

Pakistan's exports of carpets, rugs and mats, leather tanned, surgical goods, chemicals, cutlery, gems, jewelry, cement and guar products have dropped substantially in Dec 2019 vs the previous month. Overall, the total exports of other manufacturing group have also depreciated by 4% in terms of the US dollar and Rupee, amounting to \$264 million in Dec 2019 as against \$275 million in Nov 2019.



5. TAKEAWAY:

1. A crucial meeting of the Asia-Pacific Joint Group of FATF's (Financial Action Task Force) has been held at Beijing. All eyes will now be on FATF Plenary meeting in Paris next month, whereby, Pakistan is seeking aggressive diplomatic support from United States of America against tough conditions of FATF, to get itself removed from FATF's grey list.
2. Import compression is to remain the key driver of the narrowing trade deficit, while exports are expected to grow modestly from a low base.
3. Cotton crop elevated losses, contraction of Large-Scale Manufacturing, private sector's restricted credit offtake, and cost pressures will remain the key concern going forward for macroeconomic stability.

DISCLAIMER:

The views expressed in our report are based on our judgment of the present economic scenario. This report is not a Solicitation and we disclaim accuracy of outcome scribed in the report; hence, we extend no implied or express warranties and/or guarantees, financial or otherwise.

The redistribution of this report, without express permission, is strictly prohibited.



OFFICES IN PAKISTAN

Karachi Address:

**Office no. 408, 4th Floor, CTC
Building, Clifton Block-8,
Karachi**

Tel #: +92 21 3530 3293-6

Islambad Address:

**144, 1st Floor, Street No.82
Sector E-11 / 2 FECHS
Islamabad 44000,**

Tel #: +92 51-835 1551

Lahore Address:

**202-E, 2nd Floor, Sadiq Plaza
69-The Mall Road, Lahore**

Tel #: +92 42 3628 0403