

Pakistan

Export Trends and Structure

and

Issues of Competitiveness

Dr. Shamshad Akhtar
Governor, State Bank of Pakistan

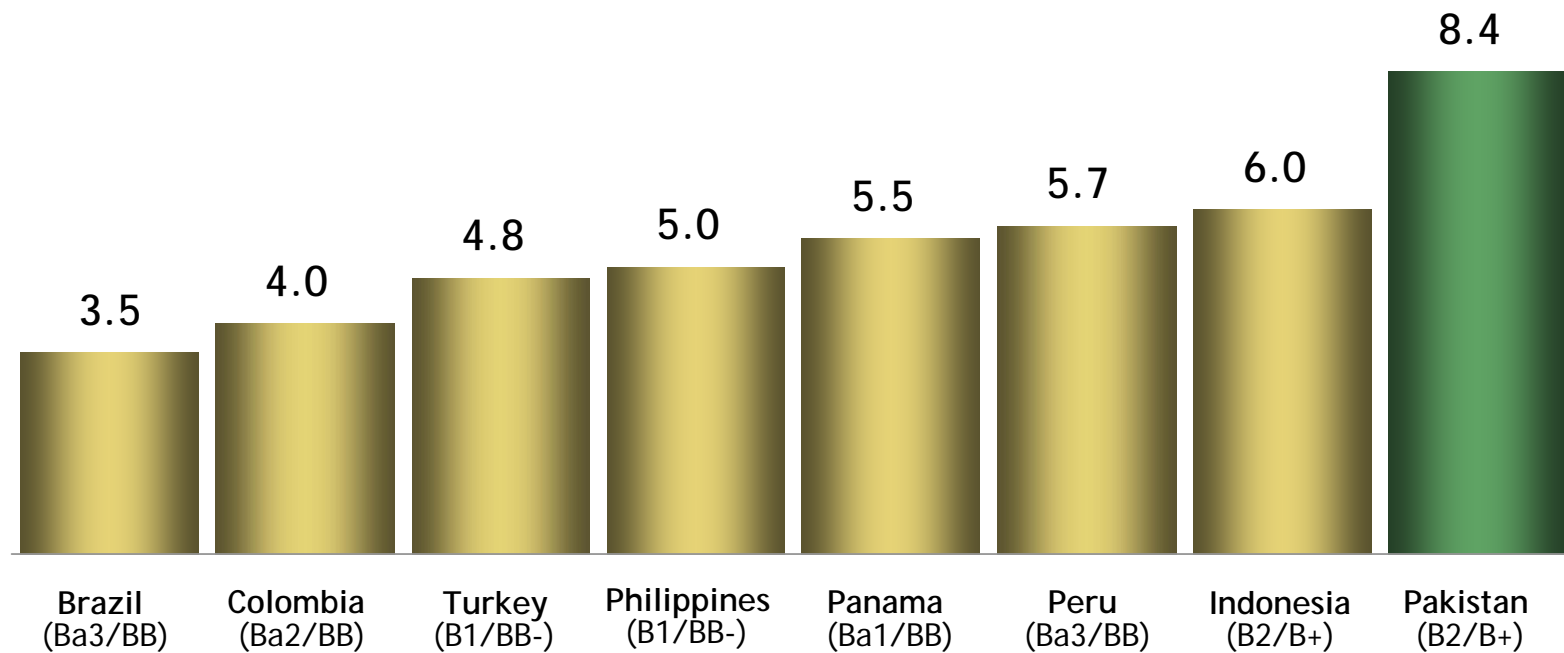


State Bank of Pakistan

Macroeconomic Stability is there to Stay

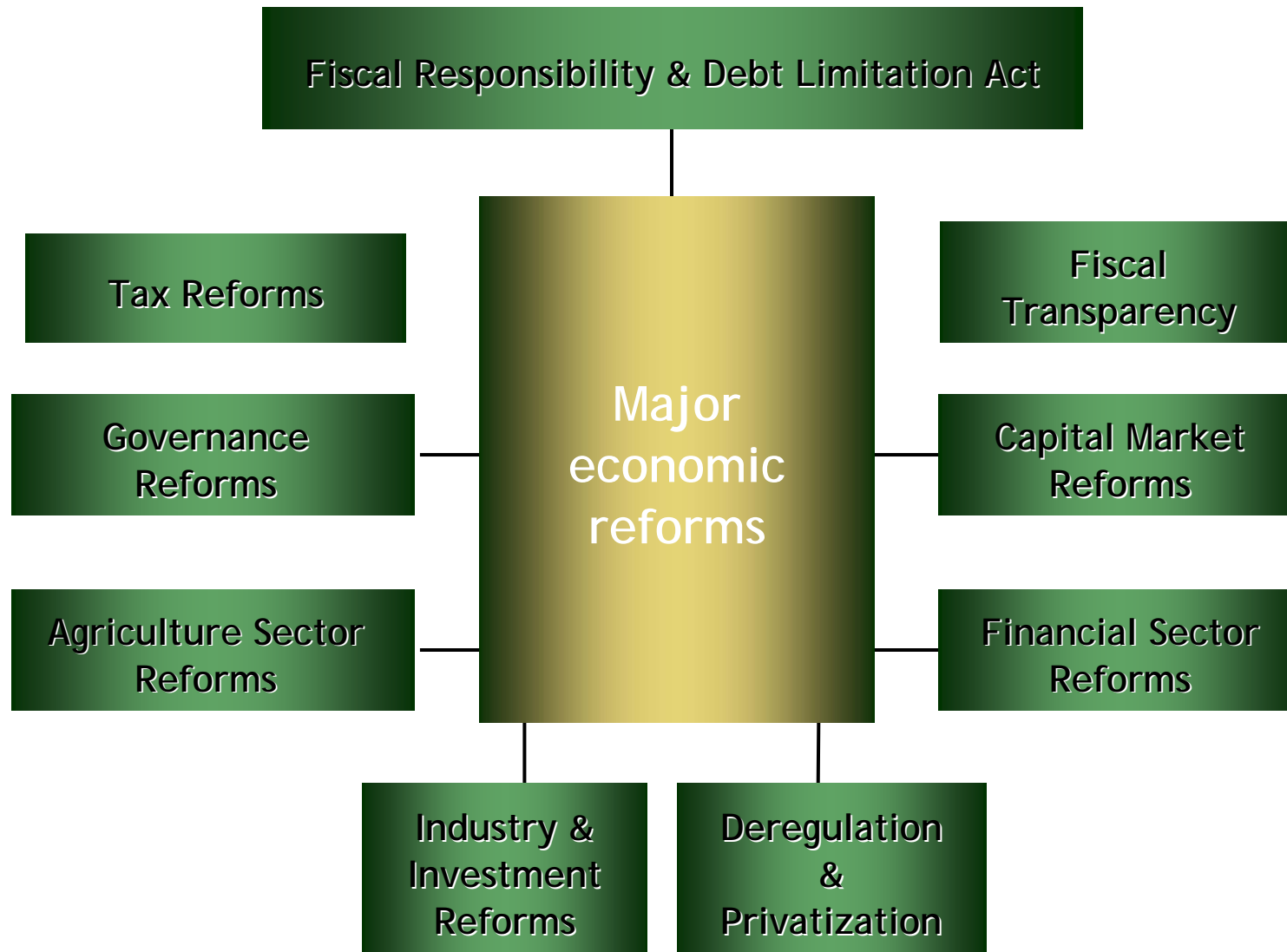
Pakistan compares favorably with peer-group sovereigns

2005 Real GDP growth

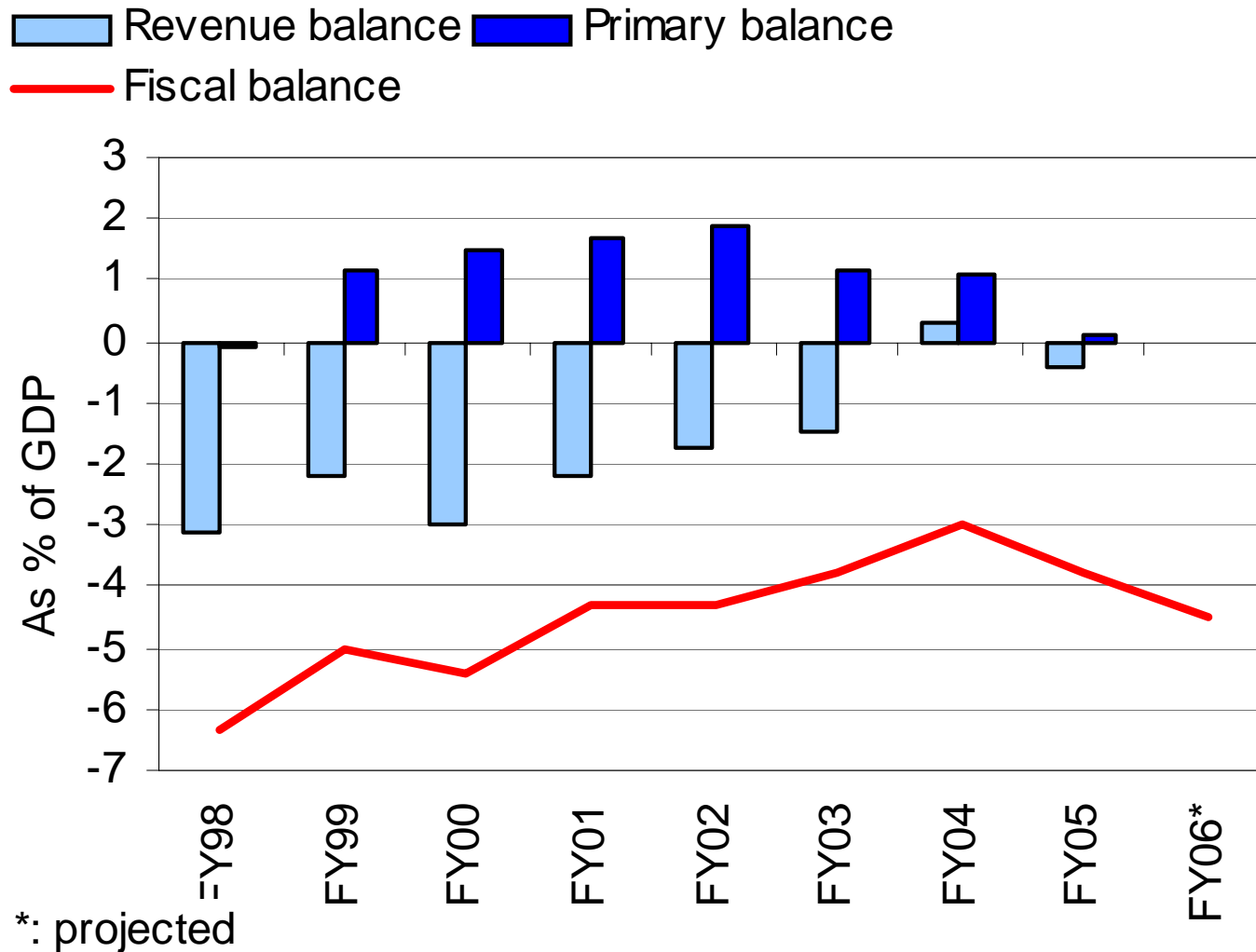


¹ Calendarized to December year end for comparison
Source: Moody's

Strong commitment to reform agenda

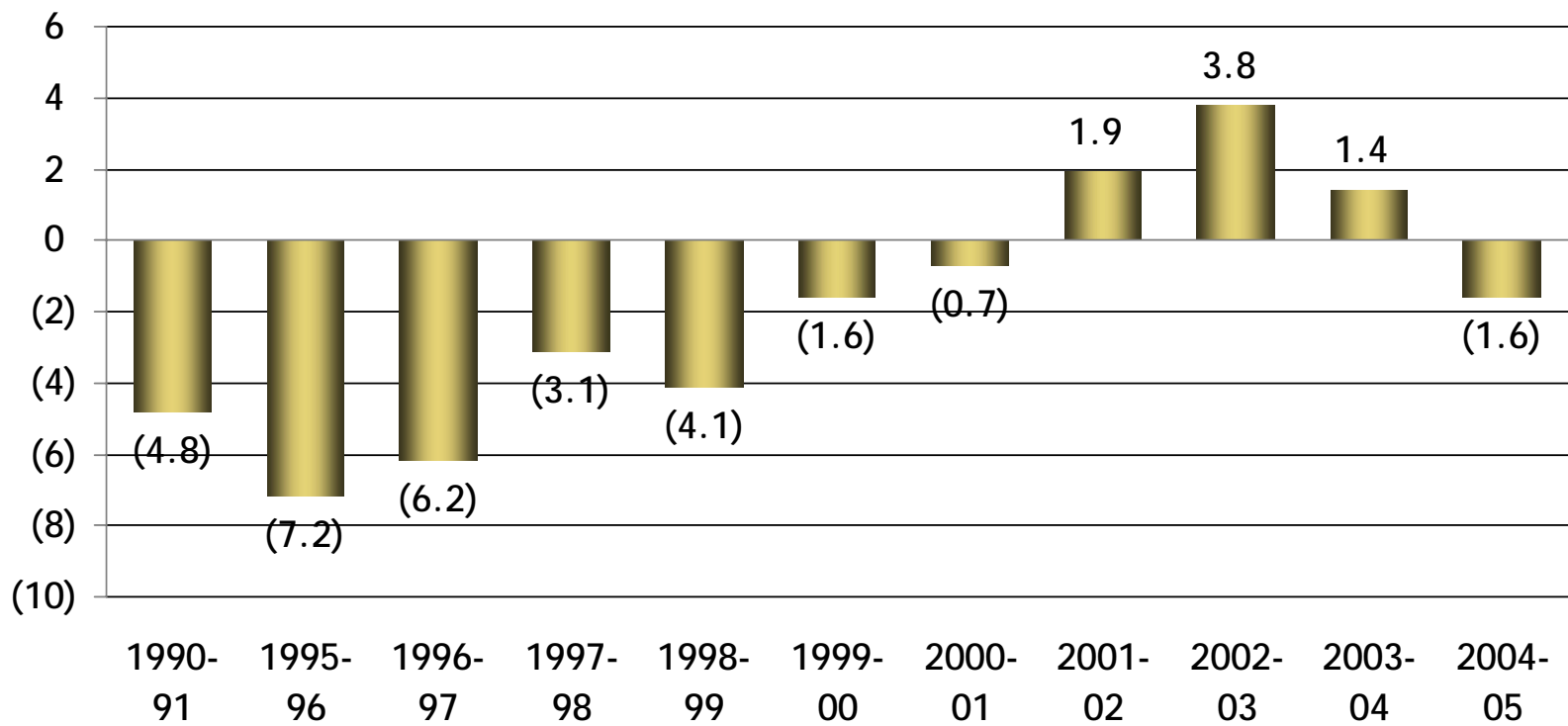


Fiscal performance is good



Current account deficit remains manageable

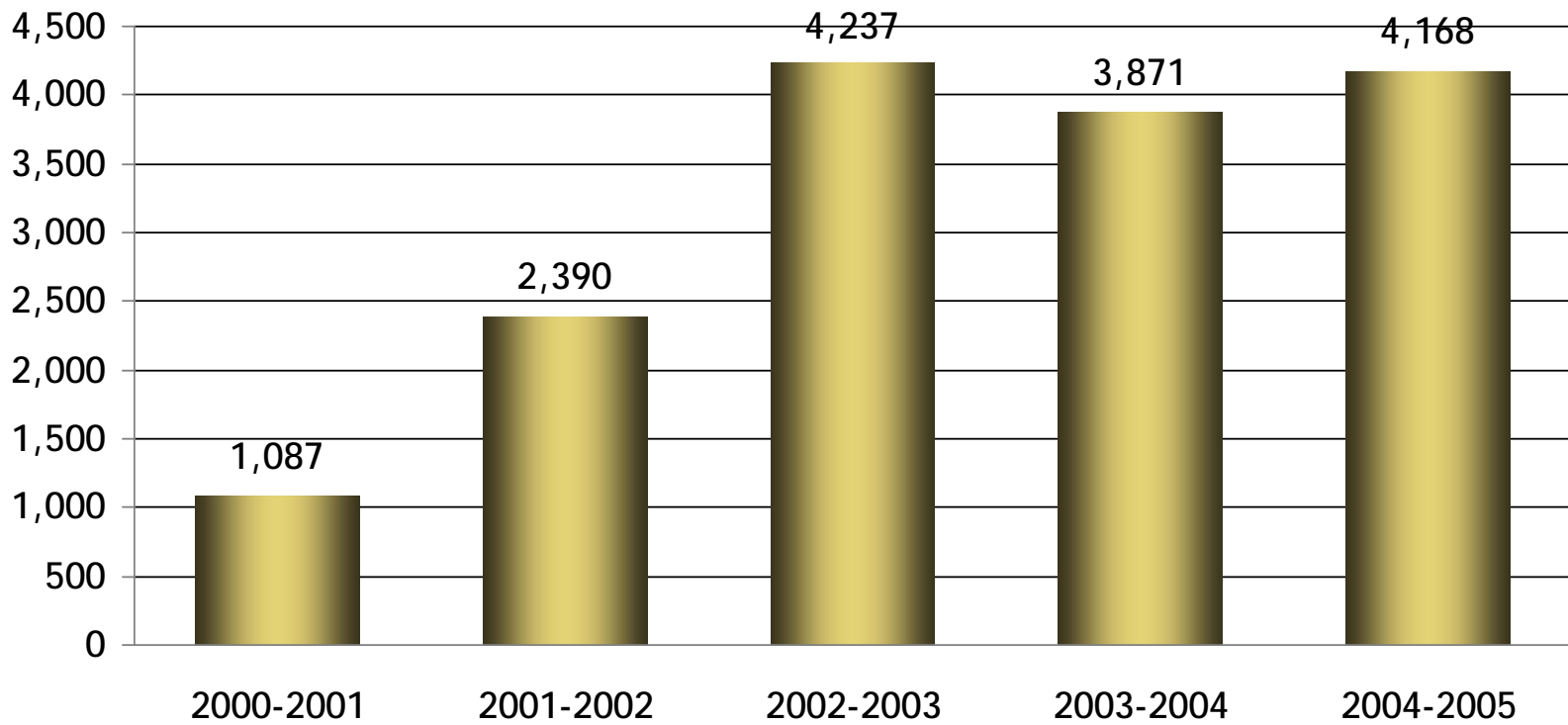
Current account balance excluding official transfers (% of GDP)



Source: Ministry of Finance

As confidence in the economy builds, remittances from abroad have risen sharply

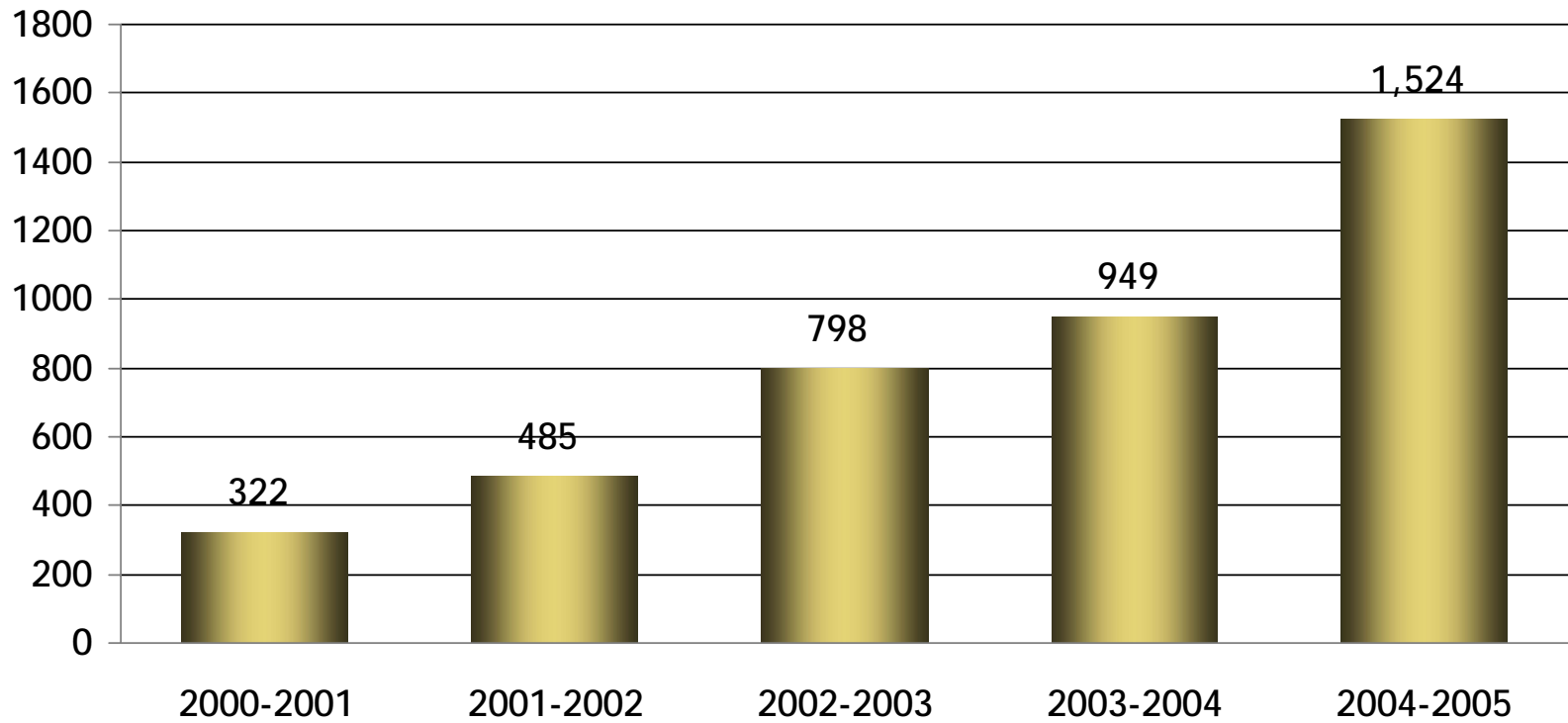
Remittances (US\$ million)



Source: Ministry of Finance

Foreign investment has started to recover

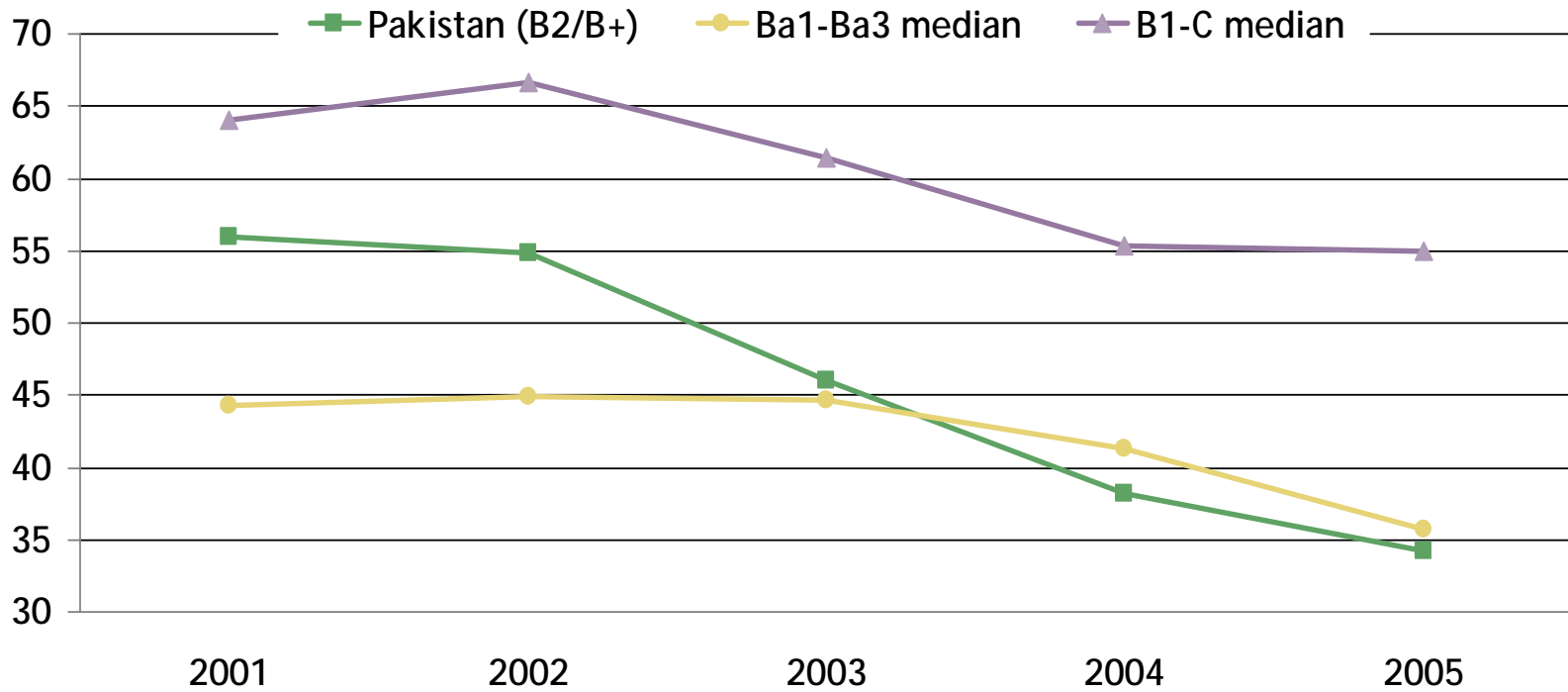
Foreign Direct Investment (US\$ million)



Source: Ministry of Finance

Pakistan's external debt to GDP is lower than comparables

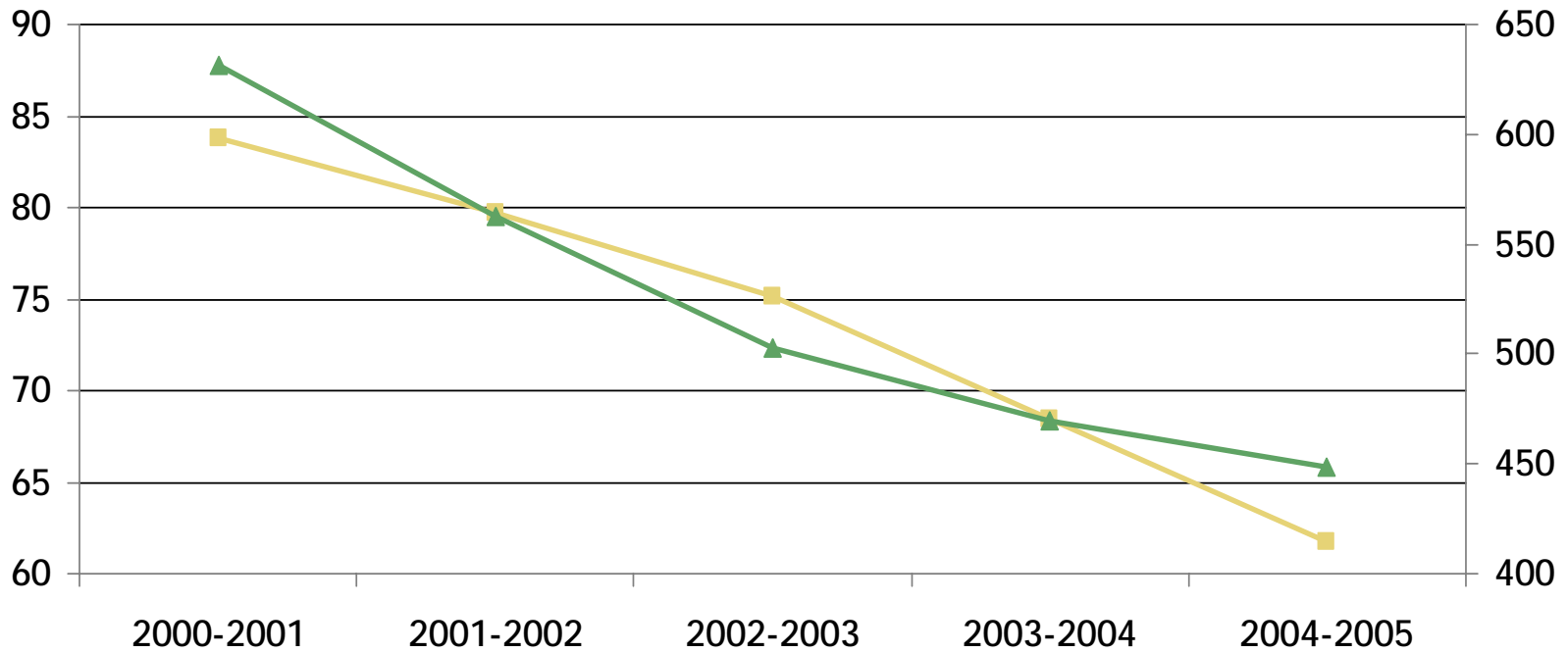
External debt¹ as a % of GDP



¹ Calendarized to December year end for comparison
Source: Moody's

Significant decline in public debt

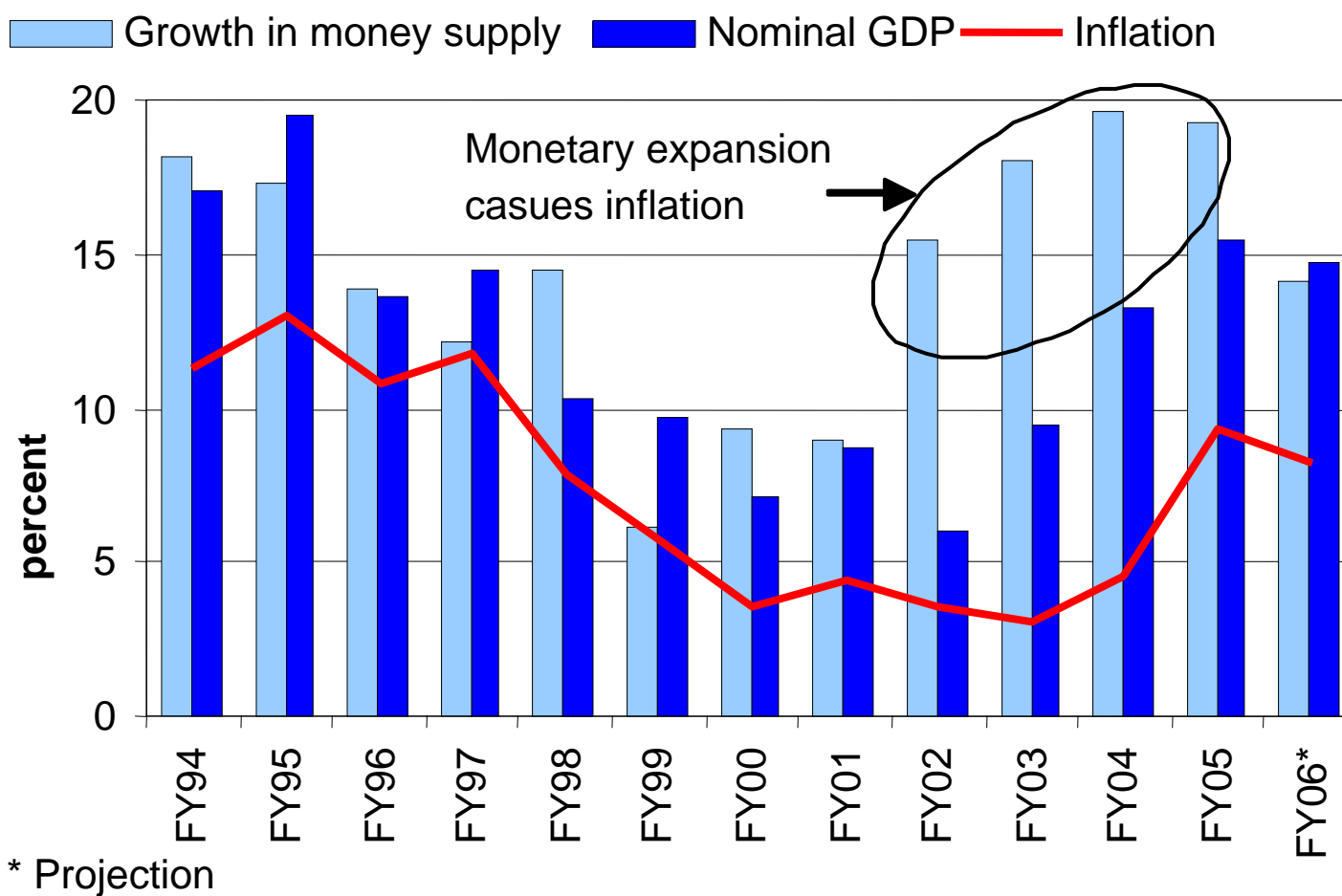
Public debt as % of GDP and Revenue



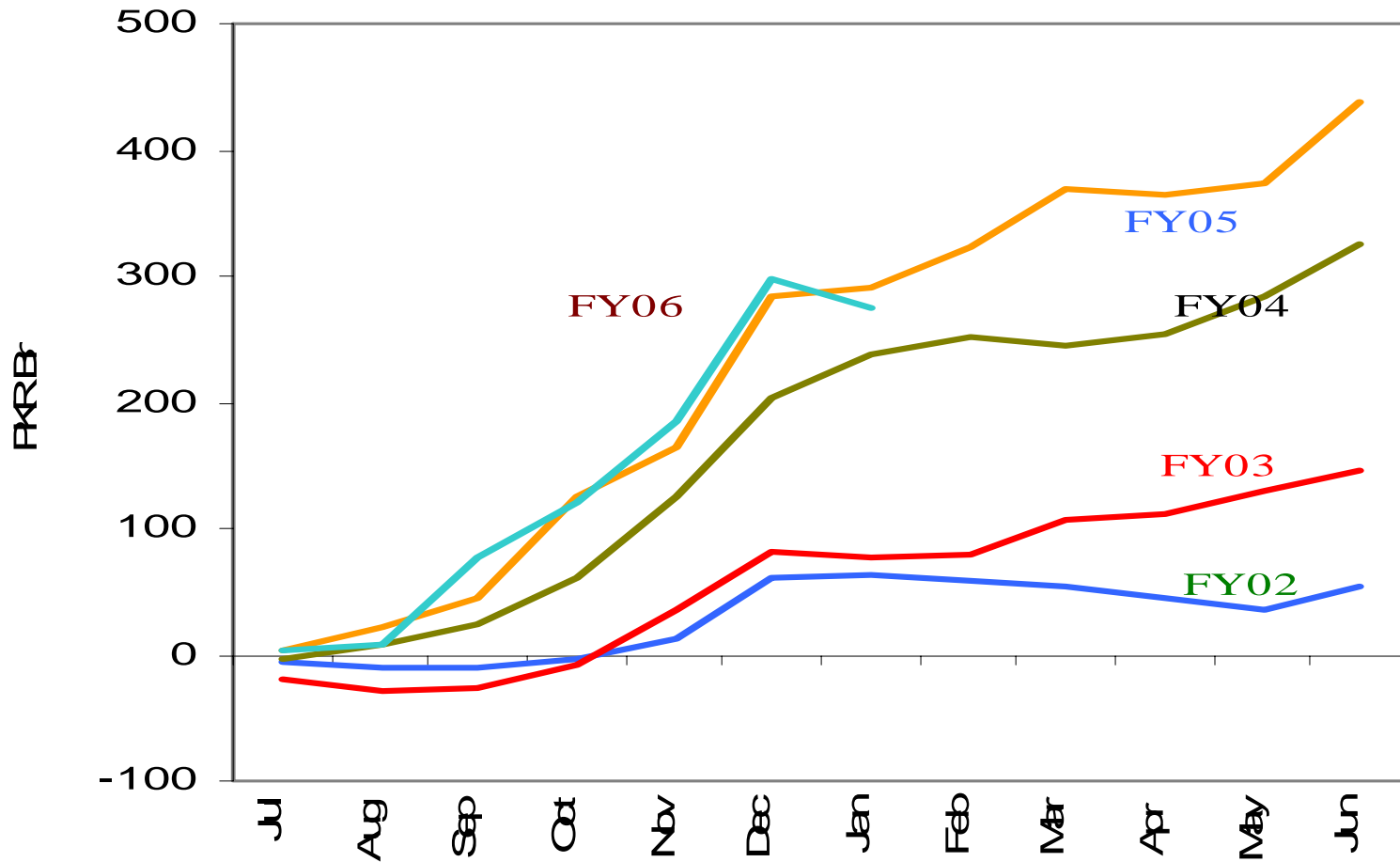
Source: Ministry of Finance

Inflationary pressures are easing: monetary tightening and supply measures yielding impact

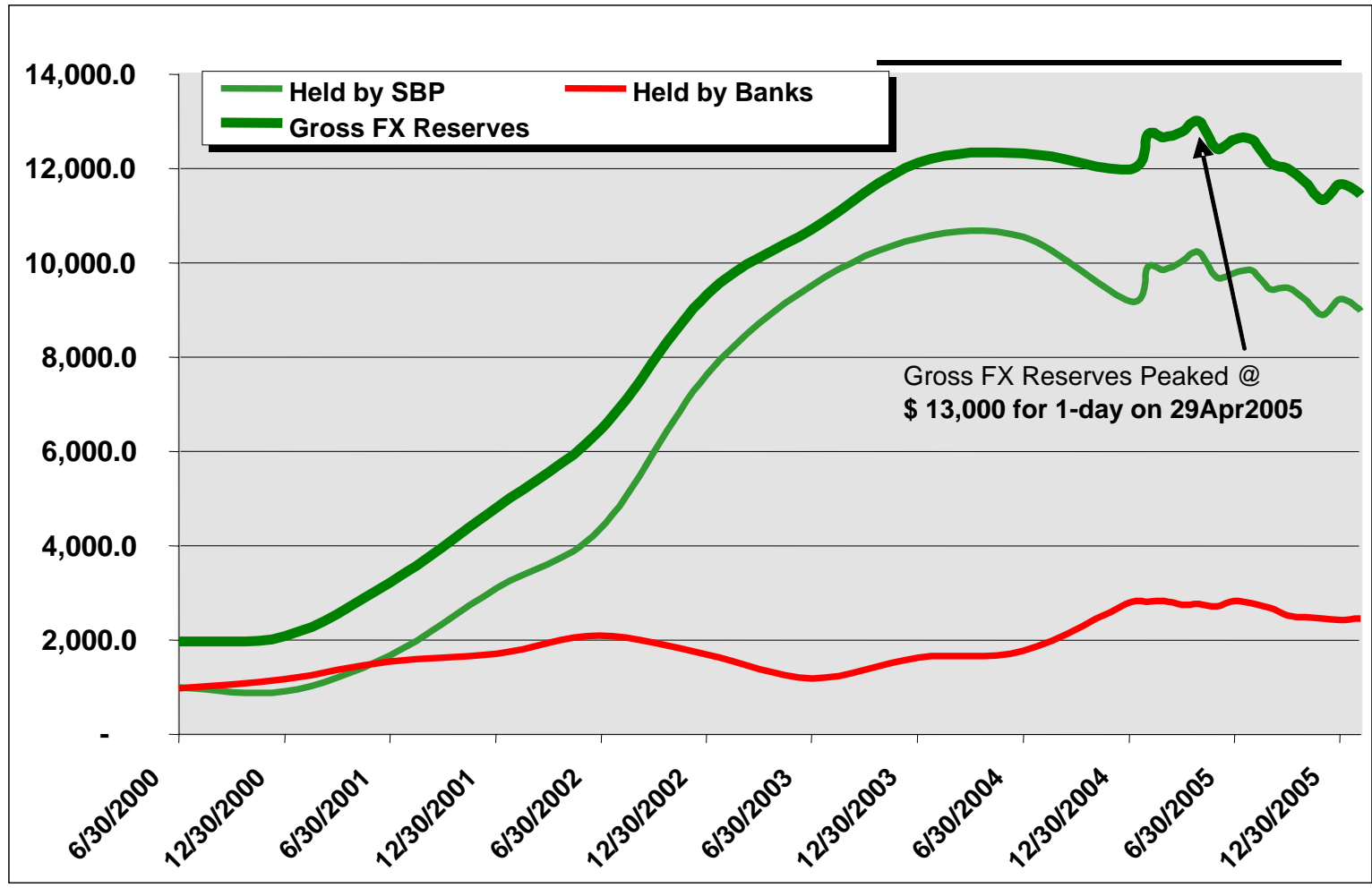
M2, Nominal GDP and Inflation



Trends in Private Sector Credit

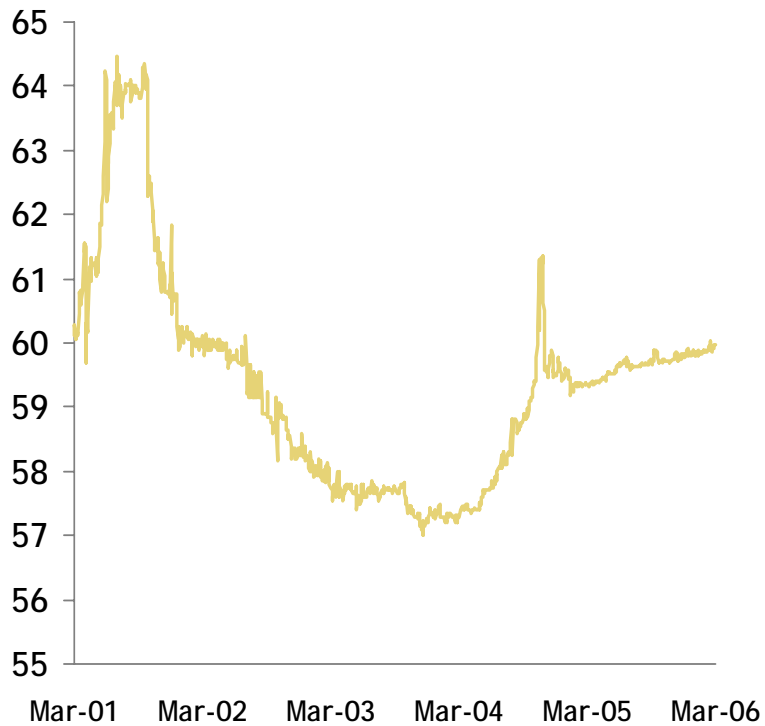


Foreign Exchange Reserves Trends

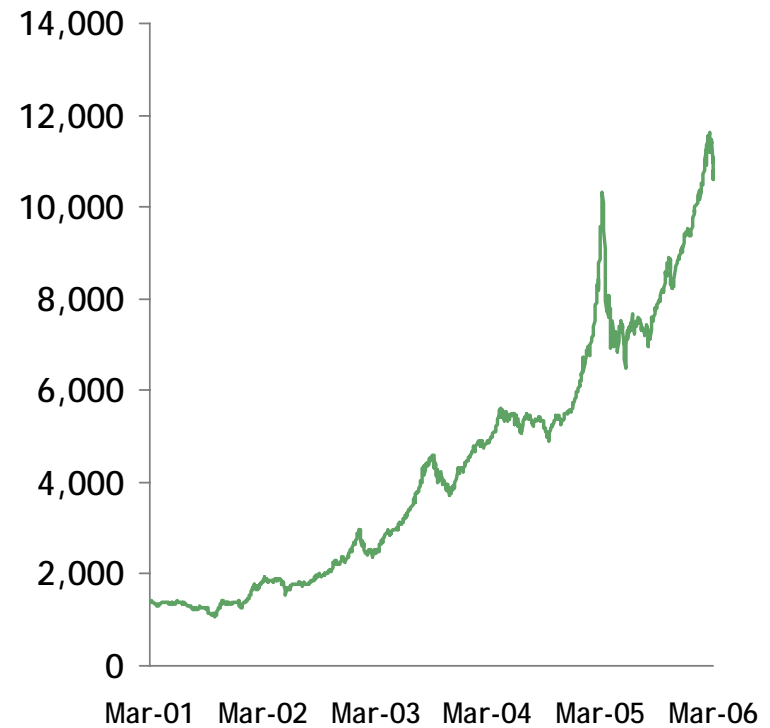


Currency stabilization and buoyant stock market

Exchange rate (PKR/USD)



Pakistan's Karachi Stock Exchange Index - 100



Source: Bloomberg

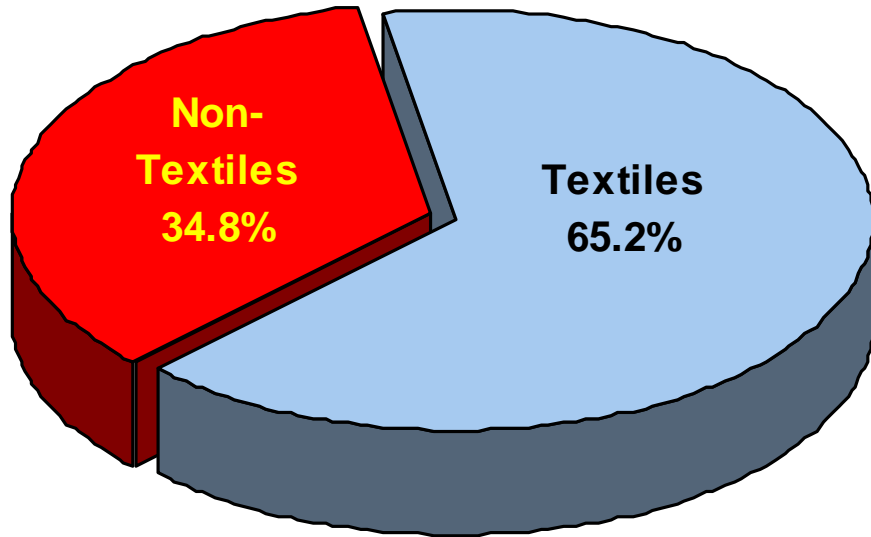
Firms response to appropriate macroeconomic and trade policies in turn depends on

- Whether the country has comparative advantage in sectors/products
- Whether country has been able to eliminate/reduce anti-export bias that exist for some decades in South Asia where import substitution was nurtured across industry behind protective high tariffs
- Their ability to attract foreign investment and technology
- Whether there is appropriate overall business environment
- If the firms can line up right management and skill mix and technological capacities to deliver high quality product on time.

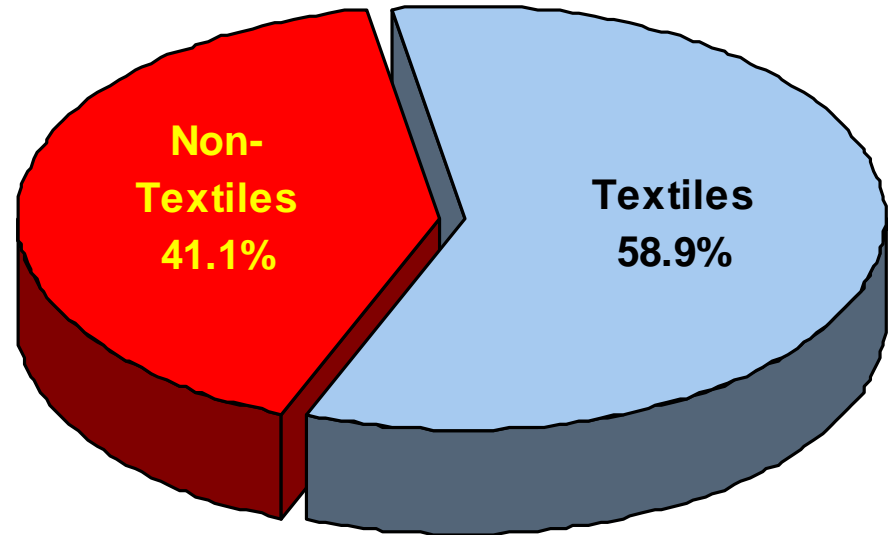
Export Trends and Shifts in Structural Composition

Composition of Exports

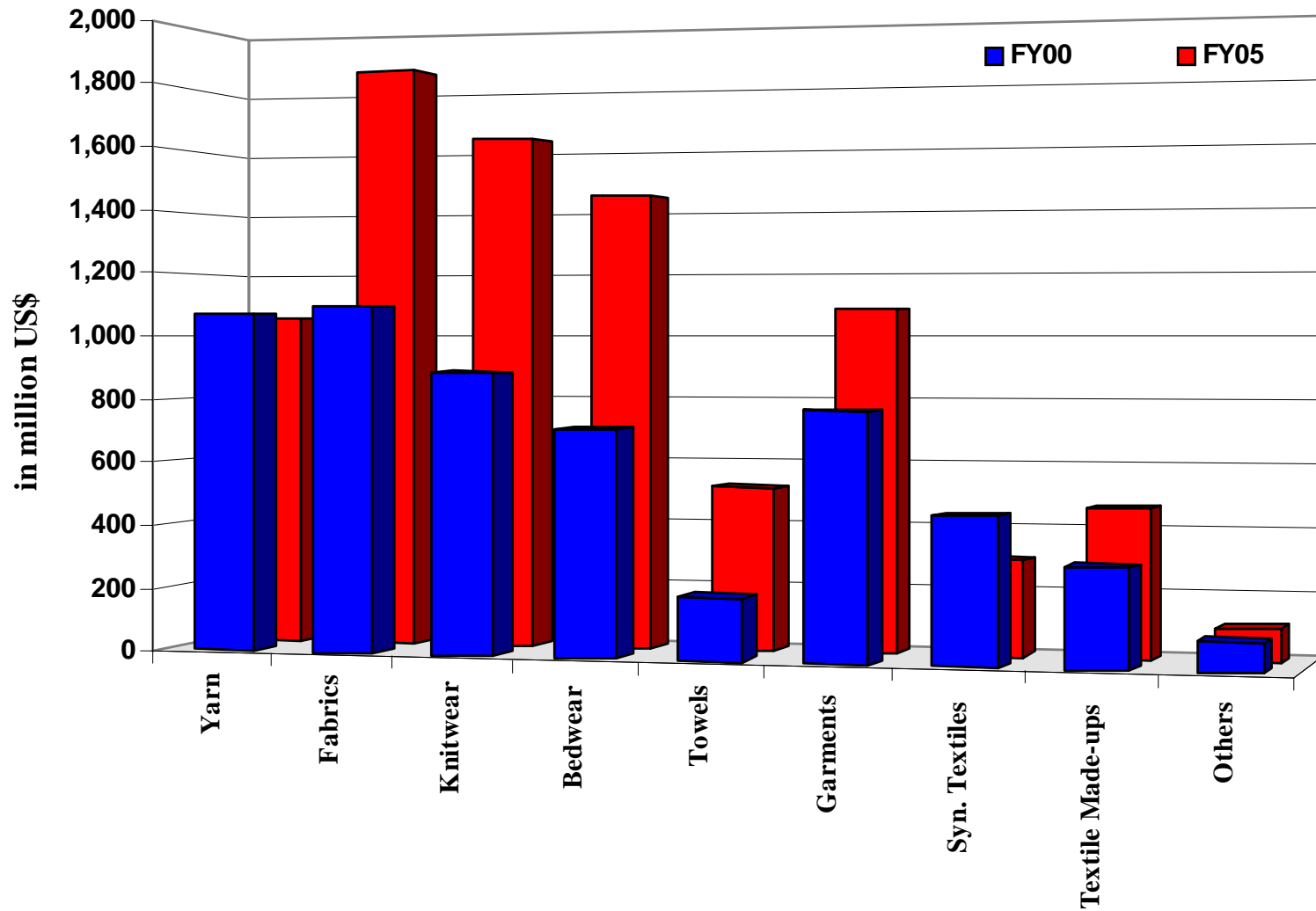
FY00



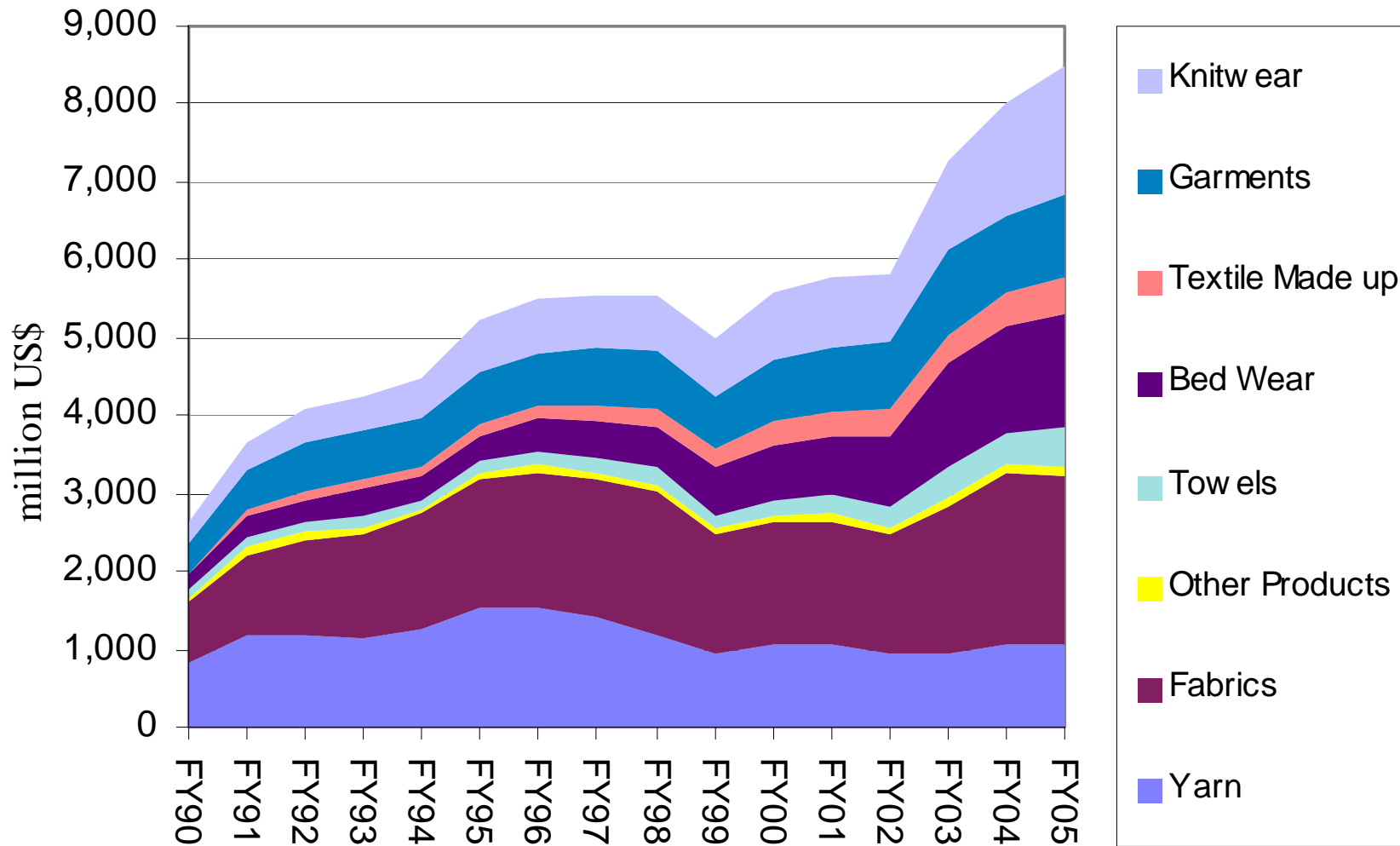
FY05



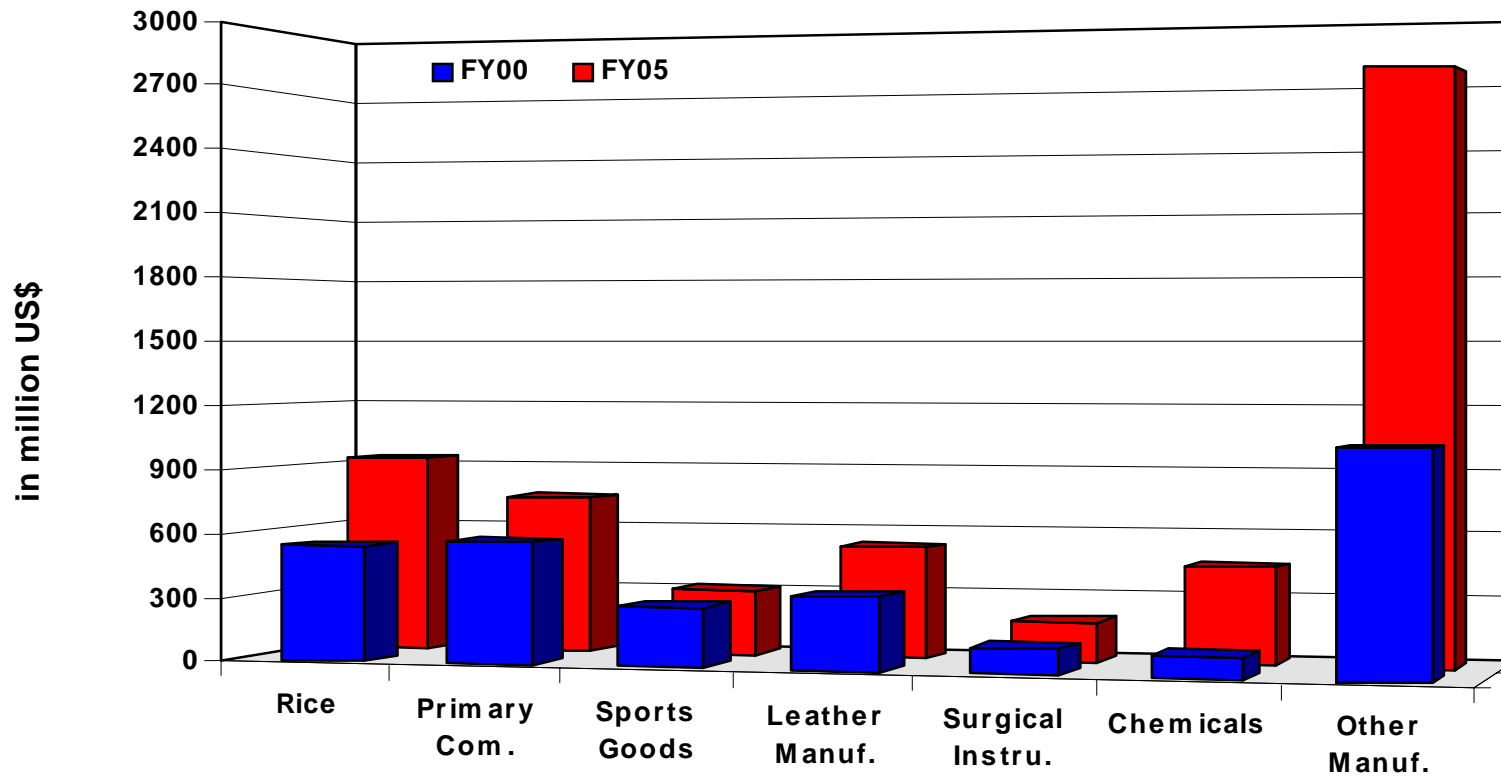
Composition of Textile Exports



Textile Exports by Categories

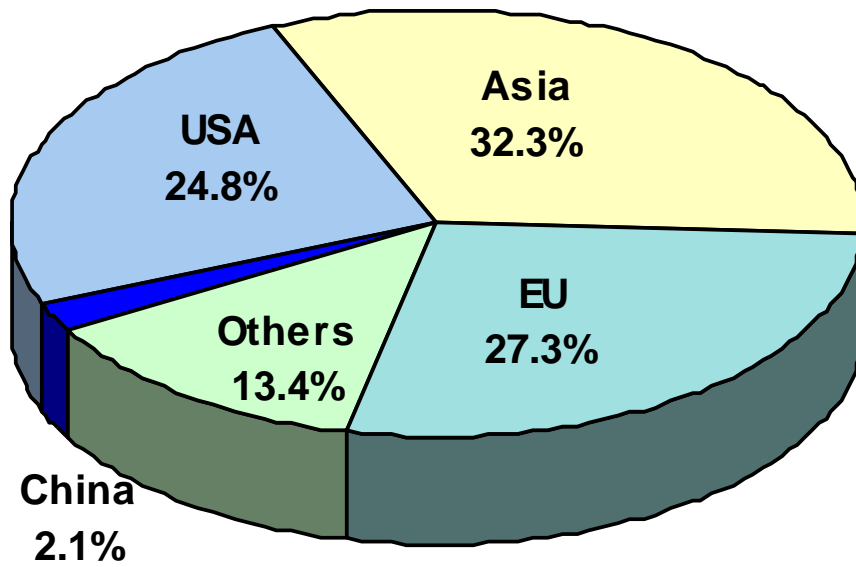


Composition of non-Textile Exports

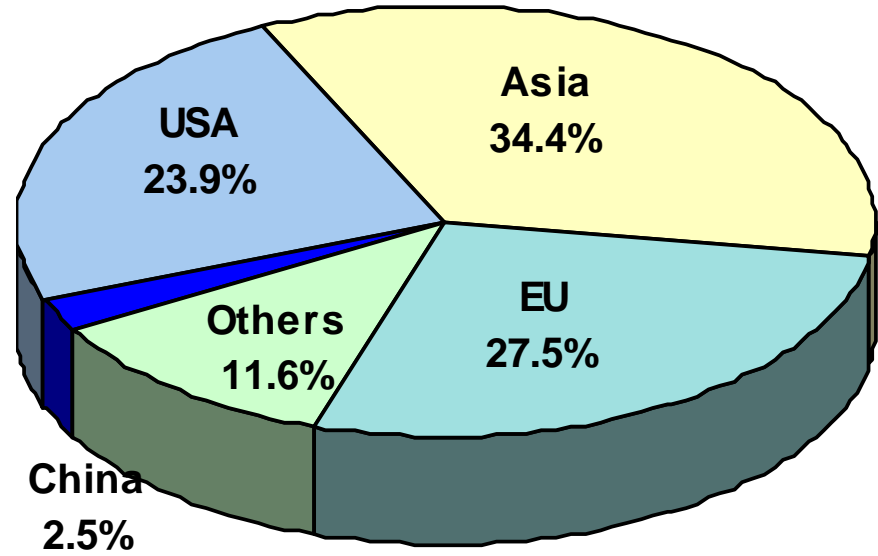


Pakistan's Major Export Markets

FY00



FY05



Ease of doing business

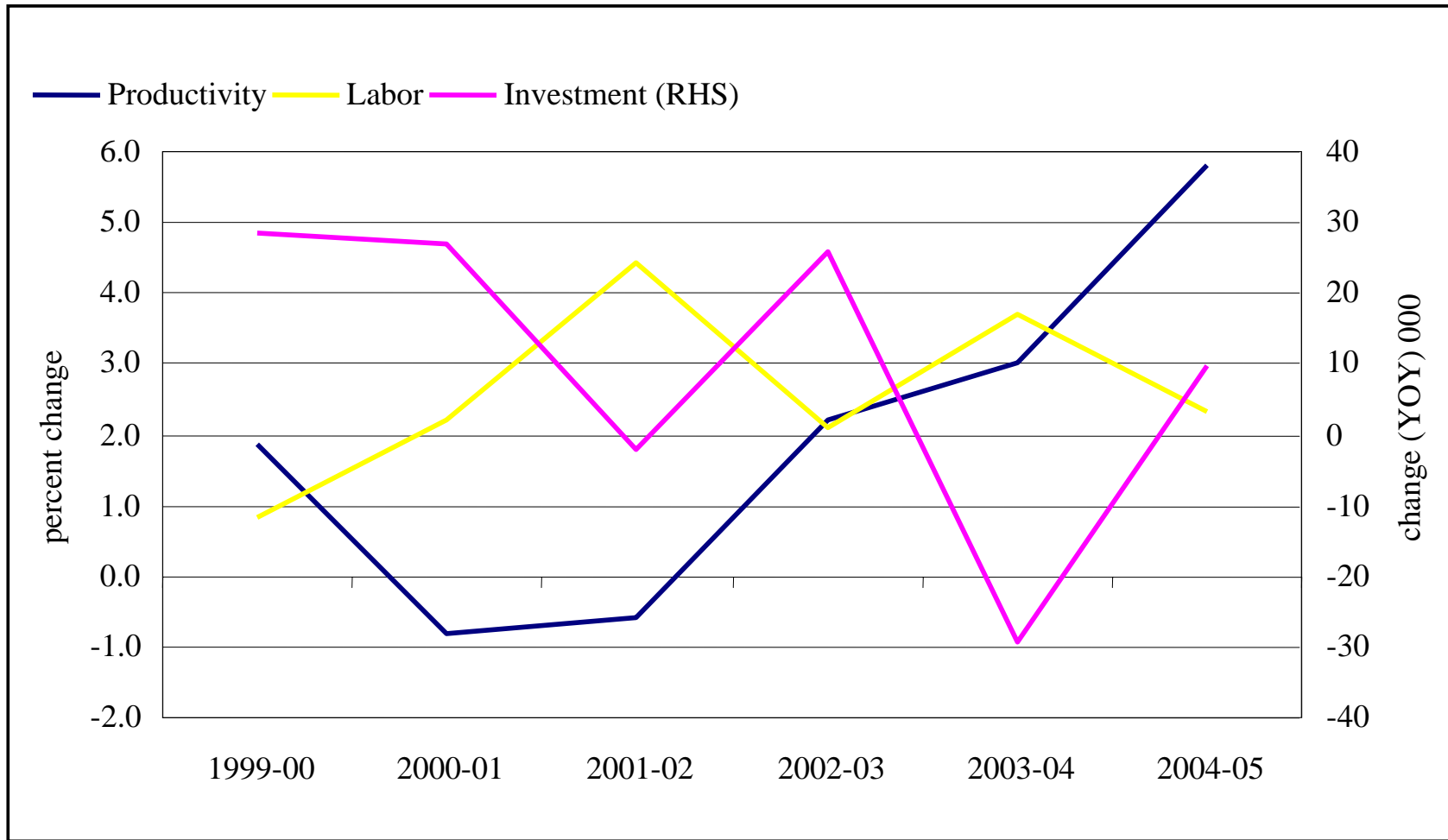
Sr. No.	Country	Rank
1	Pakistan	60
2	India	116
3	Bangladesh	65
4	Sri Lanka	75
5	Thailand	20
6	Indonesia	115
7	Iran	108
8	Philippines	113
9	Turkey	93
10	Vietnam	99

Source: Doing Business in 2006, World Bank & IFC

Capacity Utilization in Large Scale Manufacturing Industries

Industry	Weight in LSM	Capacity Utilization				
		FY02	FY03	FY04	FY05	Jul-Sep FY06
<i>Textiles</i>	24.49	53.5	55.9	54.2	55.9	55.9
Spinning (spindles & rotors)		62.3	64.2	65.7	68.4	68.4
Spindles		79.1	82.0	85.4	85.6	85.6
Rotors		45.4	46.4	46.1	51.2	51.2
Weaving		44.8	47.6	42.6	43.4	43.4
<i>Edible oil & ghee</i>	5.56	34.7	33.0	39.9	42.0	48.6
<i>Sugar</i>	5.53	56.5	64.3	67.2	49.4	49.4
<i>Automobiles</i>	3.95	41.9	54.9	67.0	65.4	69.7
Cars, jeeps	2.53	35.5	54.5	74.7	83.9	87.0
LCVs	0.44	30.3	43.5	50.3	78.7	87.0
Motorcycles/auto rickshaws	0.14	47.3	62.6	96.3	59.0	65.9
Trucks & Buses	0.14	22.9	33.6	23.6	18.0	17.7
Tractors	0.70	73.7	80.3	90.3	87.5	90.8
<i>Electronics</i>	2.49	28.5	35.2	59.8	31.4	26.8
Airconditioners	0.07	1.9	6.0	32.2	29.3	19.8
Refrigerators	0.59	55.1	64.3	102.9	39.2	38.6
Deep Freezer	0.40	0.0	0.0	44.4	25.6	21.9
<i>Cement</i>	4.14	58.8	63.0	75.9	84.0	73.7
<i>Steel (Pak Steel)</i>	3.50	80.9	91.0	93.6	89.0	34.0
<i>Industrial chemicals</i>	0.85	66.3	80.7	88.8	90.3	91.6
<i>Fertilizer</i>	3.38	89.3	93.4	100.6	104.1	110.1
<i>Petroleum refining</i>	5.23	90.6	92.3	88.8	85.2	85.6
<i>Paper & paper board</i>	0.60	82.7	90.3	97.2	100.8	117.9
<i>Overall Capacity Utilization</i>		58.0	62.2	65.5	63.7	61.1

TFP Growth in Pakistan



Prospects for Export Growth and Diversification

Prospects for Export Growth and Diversification

- Pakistan Medium Term Plan and export strategy have advocated for almost doubling of export levels from nearly \$18 billion in FY06 to \$28.0 billion by 2010.
- While this is an ambitious goal it is not out of range given that in the last five years Pakistan raised export earnings by \$8.6 billion and another \$10 billion is not inconceivable given the rate at which economy is set to grow.

Why is our Confidence level high

- Foreign flows to help stimulate exports: Pakistan is expected to close the year with nondebt creating flows of close to \$8 billion including FDI of \$2 billion, Remittances of \$4.2 billion and privatization proceeds of \$2 billion
- Pakistan has and will continue to launch strong infrastructure development—transport and communication, roads and highways, power, well-functioning ports etc. Over 48% of public investment during FY06-FY10 is directed for strengthening of the infrastructure linkages
- Pakistan is now entering into preferential free trade agreements
- Pakistan is fast developing special export zones and clusters
- Pakistan has a road map for further deepening reforms and addressing any policy, legal and regulatory distortions

Policy roadmap for the next five years

