

## **INTRODUCTION**

An important category of Trade Balance in Pakistan's Balance of Payments is mainly based on proceeds of exports received through banking channel. The money value against export of goods abroad is either realized in foreign exchange or in non-resident rupees. Both forms of settlement tend to improve the country's international position: the former by increasing its reserves and the latter by decreasing its liabilities to foreigners. The banks authorized to deal in foreign exchange report each transaction in the currency of settlement. For the purposes of aggregation, the amounts received in foreign currencies are converted to Pakistani Rupees at the prevailing rates during the respective periods. Consequent upon delinking of Pakistani Rupee from US\$ w.e.f. 8<sup>th</sup> January, 1982 transactions are converted at monthly average of midpoint of buying and selling rates.

The timing of transactions is related to the realization of money and not the time of actual shipment. For example, if a foreign buyer makes an advance payment for purchase of cotton ahead of the normal export season, the amount is reported as export receipt by the concerned bank although the actual shipment may take place later. Similarly, if Pakistan enters into a deferred payments agreement with a foreign country, the shipment or goods will precede the receipt of their money value. For majority of export transactions, the amount has to be realized within 180 days of the physical shipments of goods, therefore export proceeds lag behind the physical movement of commodities being exported.

For purposes of exchange record, the valuation depends on the terms of contract. Most of the agreements are on "free on board" (fob) basis but in some cases goods are shipped on "cost and freight" (c & f) contracts. The recorded proceeds are, therefore, on a mixed basis. The figures of Exports f.o.b. are arrived at uniform valuation by deducting the element of freight and adjustment of coverage and timing from the total recorded figure of exports. This sophistication is, however, not possible for individual commodities and as such the figures presented in this publication are on a mixed basis.

Owing to differences in coverage, timing, valuation and classification of exchange record vis-à-vis customs record; the statistics in this publication are likely to differ from those released by the Federal Bureau of Statistics Government of Pakistan. Over longer period, however, these differences may tend to minimize.

Up to June, 1965, the State Bank of Pakistan compiled and released figures of export proceeds for Cotton, Cotton Manufactures, Jute, Jute Manufactures, Hides and Skins, Tea, Wool and Others. From July, 1965 the export list was considerably enlarged to include the amount realized against 86 other commodities. The list was again enlarged in July, 1967 and further elaborated in July, 1970 to cover 141 commodities. From July, 1972 a three digit modified form of the Pakistan Standard Trade Classification (PSTC) was adopted for compilation of export receipt. From July, 1984 the commodity list was further expanded by adopting four digit commodity codes in accordance with the Standard International Trade Classification (SITC) Volume-II Revision 2(1981).

From April 2003 data of export receipts have been compiled according to Harmonized System of Classification (HS). The revised system is intended to serve as a universally accepted classification system for goods, which facilitates to compare export and import data across different countries of the world. Harmonized System is a

commodity classification system in which articles are grouped largely according to the nature of the materials of which they are made. The commodities are classified in the following 21 sections as under:-

<u>Section</u>	<u>Description</u>
1	Live animals; animals products
2	Vegetable products
3	Animal or vegetable fats, oils & waxes
4	Prepared foodstuffs; beverages, spirits, vinegar & tobacco
5	Mineral products
6	Products of chemical or allied industries
7	Plastics and articles thereof; rubber and articles thereof
8	Raw hide and skins, leather, fur skins and articles thereof
9	Wood and articles of wood
10	Pulp of wood or of other fibrous cellulosic material
11	Textiles and textile articles
12	Footwear, headgear, umbrellas, walking sticks etc,
13	Articles of stone, plaster, cement, asbestos, mica or similar materials
14	Natural or cultured pearls, precious or semi precious stones, metals
15	Base metals and articles of base metal
16	Machinery and mechanical appliances, electrical equipment & appliances
17	Vehicles, aircraft, vessels and associated transport equipment
18	Optical, photographic, measuring, checking, precision medical or surgical instruments
19	Arms and ammunition; parts and accessories thereof
20	Miscellaneous manufactured articles
21	Works of arts, collectors, pieces and antiques and special transaction nes

HS commodity classification is available on SBP website at [http://www.sbp.org.pk/fe\\_returns/Custom-tariff-07-08.pdf](http://www.sbp.org.pk/fe_returns/Custom-tariff-07-08.pdf) and the website of CBR at <http://www.cbr.gov.pk/>

The export receipts data is based on export proceeds realized through banking channel for goods being exported. The export receipts reported by the banks are on a mixed fob (free on board) and cif (cost, insurance and freight) basis and include payments on account of freight and insurance of goods being shipped. The exports for which payments are not received during the reference month are not covered in reporting by banks. Moreover, export through land borne trade, export from EPZ, repair on goods, goods procured at ports and proportionate share of the foreign companies in exported crude oil extracted in Pakistan are not covered in export receipts of banking channel. To arrive at the actual exports used in balance of payments statistics, the component of freight is subtracted; outstanding export bills and other items unaccounted for are added to the export receipts realized by the banks during the reference year. From FY06, the publication provides information on actual exports used in balance of payments. From FY07 the information of services added to goods. However, commodity-wise and

country-wise details are provided only for export receipts in the relevant statements and the remaining exports are reported as lump sum amount.

This publication provides figures of export for the current year both in Pak. Rs. and US \$ as compared with the previous years. Last column in statements shows the difference in Exports of two years. The publication provides a complete series of the twelve months from July, 2006 through June, 2007.

Major findings regarding export of goods and services have been summarized in the 1<sup>st</sup> chapter “Summary”. The chapter provides a synopsis of major export of goods and services, receipts of payments for goods and services from major trading partners, regions, group of countries illustrated with the help of various graphs.

Statement 1 shows export of goods by commodities and services from all countries, OIC, Middle East, EEC, Eastern Europe, ASEAN and SAARC Countries. For each group freight on exports, other export unaccounted for by banks, repair on goods and goods procured at ports are estimated by taking the proportionate share in total.

Statements 2 provides country-wise, Statement 3 gives country / commodity & country / type of services and statement 4 shows commodity / country & types of services / country data of export of goods and services. Statement 5 is a simplified as “Country-Commodity” matrix of export of goods and services for the financial year 2007-2008.

Details of countries included in different groups of countries are provided in Appendix ‘A’ where Appendix ‘B’ shows geographical groups of countries.

The figures are rounded to million in the “Summary” and to thousand in other statements in the publication. Totals and Subtotals may show slight difference due to rounding of figures. The columns “% Share to Total”, “Growth” and “% Change” are based on complete values. “NES” and “..” stands for not elsewhere specified and negligible amount respectively.

Export figures are also compiled on monthly basis and disseminated through monthly publication titled “Export of Goods and Services” and website at <http://www.sbp.org.pk/publications/export/index.htm>.