

## INTRODUCTION

The credit entry for general merchandise in Pakistan's Balance of Payments is based mainly on proceeds of exports, major portion of which is reported through monthly ITRS (International Transactions Reporting System) or Exchange Records of Banks. The money value against shipments of goods abroad is either realized in foreign exchange or through non-resident's Pak. Rupee accounts. 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 (i.e., the authorized dealers in foreign exchange) report each transaction in the currency of settlement. For purposes of aggregation, the amounts received in foreign currencies have been converted to Pak. Rupees at the monthly average rates prevailing during the respective periods. Consequent upon de-linking of Pak. Rupee from U.S. Dollars effective from 8th February 1982 transactions have been converted at midpoint of buying and selling rates.

The timing of transactions is related to the realization of money and not the movement/ transfer of ownership of goods across Pakistan's international borders. For example, if a non-resident buyer makes an advance payment for purchase of cotton ahead of the normal export season, the Statistics & DWH Department records it a receipt from exports as soon as a bank account is credited although the actual shipment(s) may take place later. Similarly, if Pakistan enters into a deferred payments agreement with a non-resident, the shipment of goods will precede the receipt of their money value. Here again, the sale proceeds will be recorded at the time when the money is received. Between these two extremes, majority of transactions are financed by usance bills that can have maturity within 180 days and accordingly the export proceeds lag behind the physical movement of commodities. This also holds good for merchandise sold on consignment basis.

For purposes of exchange record, the valuation depends on the terms of contract. Most of the deals are on f.o.b. basis but in some cases goods are shipped on cif basis. The recorded proceeds are, therefore, on a mixed basis. The balance of payments entry is arrived at a uniform f.o.b. valuation by deducting the element of freight and adjustment of coverage and timing from the total recorded figures of exports. This sophistication is, however, not possible for individual commodities and as such the figures presented here are on a mixed basis.

Up to June 1965 the Bank compiled and released figures of export proceeds for 8 commodities viz.; Cotton, Cotton Manufactures, Jute, Jute Manufactures, Hides and Skins, Tea, Wool and Miscellaneous. In July 1965, the list was elaborated to include 86 commodities. From July 1967, 12 more commodities were added to the list, which was further enlarged to cover 141 commodities from July 1970.

From July 1972, three digit commodity codes based on the Pakistan Standard Trade Classification (PSTC) were introduced for categorization of exported commodities and the previous group classification, i.e. primary products, semi-manufactured commodities and manufactured goods was replaced by the 10 sections of PSTC as under:-

- 1 Foods & Live Animals
- 2 Beverages & Tobacco
- 3 Crude Materials
- 4 Mineral Fuels
- 5 Oils & Fats

- 6 Chemicals
- 7 Manufactured Goods
- 8 Machinery
- 9 Misc. Manufactures
- 10 Misc. Commodities

From July 1984, the commodity list was further expanded by adoption of 4-digit commodity codes in accordance with the Standard International Trade Classification (SITC) Volume II Revision 2 (1981).

From April 2003 data of export receipts is compiled according to Harmonized System of classification. 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. HS Coding System was developed under the auspices of the Customs Cooperation Council (CCC) now known as the World Customs Organization (WCO). The complete list of HS classification can be accessed through website [http://www.sbp.org.pk/fe\\_manual/HS/index.htm](http://www.sbp.org.pk/fe_manual/HS/index.htm). Previous ten sections of Pakistan Standard Trade Classification (PSTC) have been replaced by 21 sections of HS codes as under: -

- 1 Live Animals; Animals Products
- 2 Vegetable Products
- 3 Animal or Vegetable Fats, oils & Waxes
- 4 Prepared Foodstuffs; Beverages, Spirits, Vinegar and 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 or 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, Antiques and Special Transaction NES

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 and proportionate share of the foreign companies in exported crude oil extracted in Pakistan is not covered in export receipts of banking channel.

To arrive at the exports of general merchandise used in balance of payments statistics, the component of freight and insurance is subtracted, outstanding export bills and other items unaccounted for are added to the export receipts realized by the banks during the reference month. The category of general merchandise in BOP is comparable with the “Exports” released by Federal Bureau of Statistics based on data provided by customs authorities. However, under BPM5 export of goods for processing, repair and purchase of goods at ports are added to arrive at the exports for goods. Up to December 2005, the monthly export receipts were based on export receipts for which detailed data is available on HS classification. From January 2006, the publication provides information on actual exports used in balance of payments for the reference month. 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.

Due to the increasing tendency of trade agreements to cover services as well as goods and the need for statistics to support implementation of these agreements, it was decided to include data on export of services in the publication from July 2006. The data will help the government and policy makers in planning and promoting trade in services. The data on trade in services that take place between residents and non-residents is compiled according to the definitions and classification of the 5th Manual of Balance of Payments (BPM5) of IMF. The classification provides a coherent structure of the services sector which facilitates analytical studies and bilateral comparisons of particular components or overall transactions in the sector. The BPM5 classification of services sector has the following 11 standard components.

1. Transportation
2. Travel
3. Communication Services
4. Construction Services
5. Insurance Services
6. Financial Services
7. Computer & Information Services
8. Royalties and License fees
9. Other Business Services
10. Personal, Cultural & Recreational Services
11. Government Services.

From July 2006 data of services has been included in export of Pakistan. The chapter of summary is changed accordingly. The detail of goods and services is given in the table 1(a) of Summary. The details of services are also added in other statements of the publication. The name of the publication Export Receipts has been changed to Export of Goods and Services. Structure of the publication is as following:-

Statement-I shows the overall figures of Export of Goods by Commodities & Services by Type in equivalent Pak. Rupees and U.S. Dollars.

Statement-II shows the overall figures of Export of Goods and Services by Countries.

Statement-III shows the overall export and commodity-wise break-up of export receipts and services from each country. The data of “Export Receipts by Commodity / Country is available electronically at SBP website.

Owing to differences in coverage, timing, valuation and classification of exchange record vis-à-vis customs record; the monthly figures in this publication are likely to differ from those released by the Federal Bureau of Statistics, Statistics Division of the Ministry of Economic Affairs and Statistics. Over longer intervals, however, these differences will tend to minimize.