

Special Section 1

Differences in the Trade Data – FBS & SBP

Recently, the difference in trade data reported by the FBS and the SBP has begun to widen significantly. While exchange record data shows a rise of US\$ 2.47 billion in trade deficit during Jul-Feb FY06 over Jul-Feb FY05, the deficit based on FBS data depicts an increase of US\$ 3.96 billion during the same period. The major reason for this difference is that while the FBS records data on the physical movement of goods; the trade figures compiled by SBP are based on the exchange record data depending on actual payments of foreign exchange.

In order to address the confusion generated by these differences, this section provides explanation for the variance between the two datasets.¹

Imports

The imports reported by banks are a mixed of ‘free on board’ (f.o.b.) and ‘cost, insurance & freight’ (c.i.f.) basis. In order to make these imports comparable with the FBS imports, the cost of freight and insurance is subtracted from both the SBP record and FBS import data.²

The variance between custom record and exchange record arises also due to difference in coverage. Specifically some of imports which are reported in the customs data are not included in imports reported by banks. Such imports are *added* to imports based on exchange record. For example,

- The non-repatriable investment (NRI) that consists of (a) small investments made by expatriate Pakistanis transporting machinery into the country that has been bought and paid for abroad; and (b) the purchases made from the *duty-free shops*
- The imports of wheat, sugar, urea and some other commodities done by TCP are added to the SBP imports under the title of unclassified imports.
- FEA (foreign economic assistance) is project-specific and materializes as physical transfer of development or investment goods, such as machinery, rather than a direct inflow of foreign exchange.

¹ It may be pointed out that this section draws heavily from the *Special Section 3 of Q1-FY01*.

² In the case of exchange record, actual value of freight and insurance reported by banks is subtracted from imports. However, since the information on freight and insurance is not available for FBS data, a fixed proportion of 9 percent is subtracted from the FBS imports as the cost of freight & insurance.

- Goods carried over Pakistan's borders from Afghanistan are classified as *land borne imports*, which do not directly enter the exchange record, as cash payments made in Rupees do not go through authorized dealers.
- The purchases of spare parts and other imports made by Pakistan International Airlines (PIA) and Pakistan National Shipping Corporation (PNSC) at foreign airports or seaport for which payments are made are also added in the SBP import numbers.

Table S1.1: Reconciliation of Imports Compiled by FBS & SBP

million US\$

	FBS data		SBP data	
	Jul-Feb		Jul-Feb	
	FY05	FY06	FY05	FY06
FBS imports (c.i.f)	12,311	18,010	SBP imports (c.i.f)	12,007 15,444
Less freight & insurance	1,120	1,639	Less freight & insurance	960 1,236
FBS (adjusted)	11,191	16,371	SBP imports (adjusted)	11,047 14,209
			<i>Plus</i>	1,038 1,238
			a) Unclassified imports	338 484
			<i>of which wheat\sugar\urea</i>	212 228
			b) Imports NRI, sale of duty free shops	25 73
			c) Imports under foreign assistance	438 530
			d) Land borne imports with Afghanistan	16 44
			e) PIA & PNSC	104 54
			f) Imports through exchange companies	137 4
			g) Imports by EPZ	0 85
			h) Refund & rebate	-19 -36
FBS total imports	11,191	16,371	SBP total imports	12,085 15,446
Difference				894 -925

Source: Statistics Department, State Bank of Pakistan

- The value of imports for which forex is provided by the exchange companies and imports made by EPZ are also added in the SBP imports.

Finally the refunds and rebates made to importers are subtracted from the SBP imports.

Exports

In order to make export figures comparable, SBP figures are adjusted for freight and insurance, while FBS records are corrected for double counting (due to short shipments, cancellation, etc). *Short shipments* refer to customs-registered export shipments that are not shipped out in the total amounts recorded due to transport shortages, last-minute clearance issues, etc. In addition, FBS numbers must be adjusted for cancellations of registered export orders, as well as *ship stores*, which refers to export consignments that lie in warehouses after registration, due to unanticipated delays.

The SBP exports on the other hand are adjusted for the following factors:

- *Outstanding bills* are added to SBP fob numbers, comprising all unrealized exports for which there exist customs records but no currency inflows to date.
- *Crude oil* represents the percentage of oil extracted in Pakistan which, by agreement, belongs to the foreign investors drilling here and is transported out of the country upon extraction becoming a physical 'export' for which no foreign exchange is forthcoming.
- *Land-borne exports* are similar to the entry in imports and refer to exports made to Afghanistan.
- *Export credit* refers to one-time bilateral trade credit offered by GOP to certain countries. Another such transient item is *samples*, which are the samples given to prospective buyers by domestic exporters.
- Finally, the exports from EPZs are also added in the SBP data.

Despite these adjustments to rationalize the differences in FBS and SBP figures, discrepancies still exist. This is primarily on account of leads and lags in data. Discrepancies in exports also arise due to differences in valuations and commodity classification between SBP and FBS. Agency charges not remitted through ADs further interfere with SBP's tracking of export revenues. Efforts to harmonize classification differences between SBP & FBS are being made, while SBP is also trying to track agency charges more closely.

Table S1.2: Reconciliation of Exports Compiled by FBS & SBP					
million US\$					
FBS Data			SBP Data		
	Jul-Feb			Jul-Feb	
	FY05	FY06		FY05	FY06
FBS exports	8,836	10,578	SBP exports	9,037	9,753
			Less freight & insurance	315	335
			SBP exports (adjusted)	8,722	9,418
Less			Add	483	915
a) Shorts shipment	124	154.3	a) Outstanding export bills	181	170
b) Cancellation	50	42.3	b) Crude oil	0	0
c) Ship stores	0	0	c) Land borne exports	300	641
			d) Exports credit	-	-
			e) Export of sample	2	0
			f) Export by EPZ	0	104
FBS total exports	8,662	10,381	SBP total exports	9,205	10,333
Difference				543	-48

Source: Federal Bureau of Statistics