6 External Sector

6.1 Balance of Payments

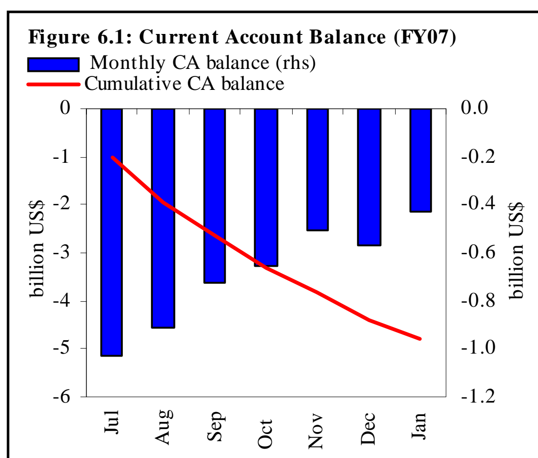
Pakistan's external account position further improved during Jul-Jan FY07 both with respect to the preceding quarter as well as the corresponding period last year, despite a worsening of the current account deficit (see **Table 6.1**).

Table 6.1: Summary of Balance of Payments
million US$

	Jul-Jan		Change
	FY06	FY07	
A. Current account balance	-3,381	-4,811	-1,430
1. Trade balance	-4,903	-6,106	-1,203
B. Capital account (net)	104	139	35
C. Financial account (net)	2,456	4,367	1,911
D. Errors and omission (net)	238	341	103
E. Overall balance (=A+B+C+D)	-583	36	619

Although the current account deficit widened to US$ 4.8 billion during Jul-Jan FY07, the monthly trend shows a distinct declining trend (see **Figure 6.1**). However, despite the slowdown in the monthly current account deficit during Jul-Jan FY07, on average the current account deficit has remained higher than during Jul-Jan FY06.

Figure 6.1: Current Account Balance (FY07)



The main cause for the rise in the current account deficit was the abnormal slowdown in exports, which has persisted since January 2006. This has offset part of the gains from the anticipated weakening in imports. The slowdown in exports, however, is still puzzling given the fact that the Pakistan's two major importers of textile products; EU and the US show healthy growth in their imports from Pakistan. Textiles imports from Pakistan by US during Jul-Dec FY07 have increased by 12.0 percent and by EU 8.0 percent for the period Jul-Oct FY07. [1]

[1] Source: US Census Bureau and Eurostat

Imports growth on the other hand, has declined predictably. In contrast to previous years when higher fuel prices and machinery imports had fueled the exceptional growth in total imports, during Jul-Jan FY07 lower growth in these two heads, along with others has been instrumental in bringing down the overall imports growth. Going forward, the oil imports are likely to remain subdued due to, lower oil prices as well as lower demand for furnace oil for power generation (courtesy of higher rainfalls). On the other hand, imports of power generation machinery may provide impetus to imports of machinery. Thus while import growth may continue to be low, boosting exports would remain key to containing the current account deficit

In the meantime, in addition to the visible decline in the monthly current account deficit, another point of comfort is the large capital and financial account surplus. Not only these surpluses more than offset the current account deficit, it is encouraging to note that almost half of the inflows in the capital and financial account comprised of equity flows.

FDI inflows during Jul-Jan FY07 increased to US$ 2.1 billion from US$ 1.2 billion recorded during the same period last year, indicating growing investor's confidence in Pakistan's economy. FDI is expected to cross US$ 5.0 billion by end of FY07. An encouraging aspect of the rise in the FDI inflows during Jul-Jan FY07 is the higher reinvested earnings, which increased to US$ 508 million during Jul-Jan FY07 as compared to US$ 313 million during Jul-Jan FY06. The reinvested earnings are expected to be around US$ 1.0 billion by end of FY07.

Portfolio investment of US$ 1.4 billion during Jul-Jan FY07 was also significantly higher than US$ 0.31 billion recorded in the corresponding period of FY06. The rise in both the portfolio and the foreign direct investment indicates that foreign investors view favorably the long-term economic prospects of the country despite a deterioration in some of the macroeconomic indicators in the recent years.

The impact of the strong financial account flows is evident on the exchange rate and the foreign exchange reserves of the country. The reserves increased to US$ 13.2 billion by end January FY07 from US$ 13.1 billion at the end of FY06, showing an increase of US$ 61.0 million during Jul-Jan FY07. The reserves held by SBP increased by US$ 31.5 million to US$ 10.8 billion whereas the reserves held by commercial banks increased by US$ 29.4 million to US$ 2.4 billion at the end of January FY07, compared to end-June FY06.

In the absence of any untoward pressure the Pak Rupee remained broadly stable vis-à-vis US Dollar throughout the Jul-Feb FY07 period, the Rupee depreciated

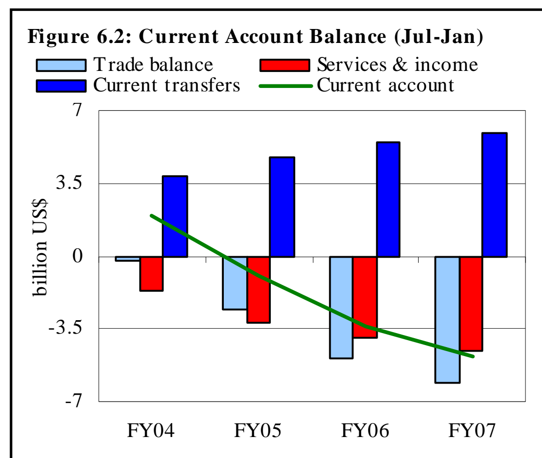
only slightly (0.80 percent) against the Dollar. The real effective exchange rate (REER), however, appreciated by 2.5 percent due to 5.2 percent growth in relative price index, despite 2.6 percent depreciation in nominal effective exchange rate (NEER) index, emphasizing once again the need for curtailing domestic inflation.

Current Account Balance

The current account deficit that re-emerged in May 2004 continued to swell; reaching US$ 4.8 billion during Jul-Jan FY07 (see **Table 6.2**). However, as stated earlier, the monthly trend in the current account deficit is quite encouraging, its growth rate appears to be tapering down. Monthly data reveals that since the re-emergence of the current account deficit, the monthly current account deficit reached its highest level at US$ 1.0 billion in July 2006, after which it has continuously declined. Although it is too early to make any strong conclusions, it appears that the current account deficit might have peaked; given the slowdown in imports and strong growth in current transfers (see **Figure 6.2**), if exports improve even moderately, the declining trend in the current account would continue.

This said, the fact that current account deficit is still growing and the average deficit of Jul-Jan FY07 is higher compared to Jul-Jan FY06, the annual FY07 current account deficit is still likely to be substantially higher than FY06.

Figure 6.2: Current Account Balance (Jul-Jan)



Trade Balance[2]

The trade balance during Jul-Jan FY07 recorded a deficit of US$ 6.1 billion against a deficit of US$ 4.9 billion in the corresponding period of the previous year. The declining trend in exports persisted through most of Jul-Jan FY07 with the exception of the month of November when YoY monthly exports growth jumped

[2] This section is based on exchange record compiled by SBP that does not tally with more detailed custom data used in **sub-section 6.2**. In BoP, the trade data is recorded on the realization of actual receipts and payments), while trade section is based on customs data, which records transactions on the basis of physical movement of goods.

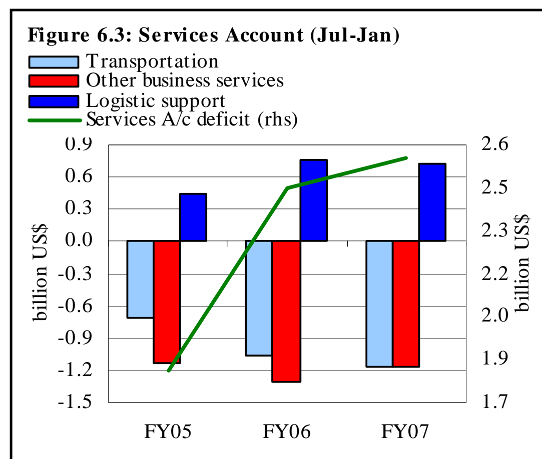
Table 6.2: Current Account Balance (Jul-Jan)
million US$

	FY06	FY07	Change
1. Trade balance	-4,903	-6,106	-1,203
Exports	9,166	9,705	539
Imports	14,069	15,811	1,742
2. Services (net)	-2,452	-2,557	-105
Transportation and travel	-1,797	-2,016	-219
Other business services	-1,307	-1,174	133
Government services	881	787	-94
of which logistic support	756	723	-33
Others	-229	-154	75
3. Income (net)	-1,497	-2,032	-535
Investment income(net)	-1,500	-2,036	-536
Direct investment	-1,135	-1,678	-543
of which: profit & dividend	-254	-354	-100
Purchase of crude oil & minerals	-577	-831	-254
Portfolio investment	-86	-113	-27
4. Current transfers (net)	5,471	5,884	413
Private transfers	5,242	5,666	424
Workers' remittances	2,446	2,959	513
FCA-residents	295	51	-244
Official transfers	229	218	-11
Current account balance (1+2+3+4)	**-3,381**	**-4,811**	**-1,430**

Source: Statistics and Data Warehouse Department, SBP

to 19.6 percent and revived hopes for achieving the annual exports growth target of 13.8 percent. Unlike exports, the slowdown in imports was largely according to expectations. Import growth fell to 12.4 percent during Jul-Jan FY07 sharply lower than the 32.1 percent growth in the corresponding period of last year, with all major heads except for "*others*" showing a deceleration (for details see ***Section 6.2** on **Foreign Trade***).

Figure 6.3: Services Account (Jul-Jan)



Services (Net)
The services account deficit marginally widened to US$ 2.6 billion during Jul-Jan FY07 as compared to US$ 2.5 billion in the same period last year showing only 4.0 percent growth as compared to 35 percent growth in the previous year (see **Figure 6.3**). The principal contribution to this deceleration was the corresponding slowdown in import growth. A smaller contribution was also due to the absence of one-off outflows for construction services. The payments for construction services declined by US$ 86 million during Jul-Jan FY07 as compared to the same period in FY06. The higher payments for construction services during Jul-Jan FY06 were related to the Ghazi Brotha Dam. Another factor responsible for the decline in services deficit during Jul-Jan FY07 is low deficit of US$ 1.2 billion recorded in *other business* services as compared to US$ 1.3 billion deficit in the corresponding period of last year.

Income (Net)
The income account deficit increased to US$ 2.0 billion during Jul-Jan FY07 from US$ 1.5 billion recorded in the corresponding period of FY06. The expansion of US$ 0.5 billion YoY income deficit during Jul-Jan FY07 was mainly due to higher repatriation of profits and dividends, purchase of crude oil and reinvested earnings. The data on profit and dividend outflows of top 30 companies generating these flows reveals that these were mainly by the telecommunication, oil, power, and banking sectors.

Current Transfers (net)
Current transfers recorded a US$ 413 million YoY increase during Jul-Jan FY07 to US$ 5.9 billion. However, the growth in these inflows declined to 7.5 percent YoY from 15 percent YoY in the corresponding period of FY06. The lower growth in current transfers was mainly contributed by fall in official transfers,[3] although the growth in private transfers also slowed to 8.1 percent during Jul-Jan FY07 against 10.7 percent in the corresponding period last year. The deceleration in the private transfers was mainly due to a US$ 244 million decline in resident FCAs. Workers' remittances on the other hand, showed impressive growth of 21 percent.

Workers' Remittances
Workers' remittances grew by 21.0 percent during Jul-Jan FY07, much higher than the 8.0 percent growth recorded during the same period last year (and FY06 growth of

[3] The decline in the official transfers was due to lower grant inflows on account of earthquake and budgetary support.

10.4 percent). The rise in the remittance at a time when exports growth is falling is indeed very welcome and has helped in reducing the growth in current account deficit.

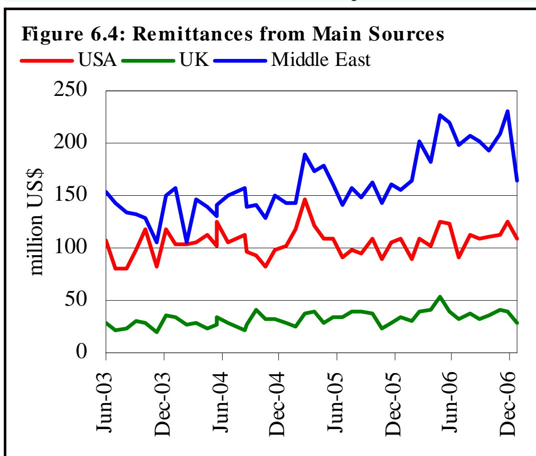
Country-wise data on remittances shows that USA, Saudi Arabia, UAE and UK remained the major source of remittances inflows (see **Table 6.3**). It is interesting to note that while the remittances have increased from all major source countries, the rise in remittances from the Middle East particularly stands out (see **Figure 6.4**). A particularly sharp jump in the remittances from the Middle East is evident in March 06 and volumes have sustained in ensuing months (except for January 07 when remittances registered a broad based decline). Average monthly remittances from the Middle East have jumped up from US$ 152.8 million in Jul-Jan FY06 to US$ 200.5 million during Jul-Jan FY07, while in the same period average monthly remittances from the USA has been more modest, rising from US$ 99.3 million to US$109.7.

Table 6.3: Workers' Remittances

million US$	July-Jan		Change
	FY06	FY07	
I. Gulf region	**710**	**960**	**250**
Bahrain	57	72	15
Kuwait	134	156	22
Qatar	61	90	29
Saudi Arabia	384	553	168
Sultanat-e-Oman	74	90	16
U.A.E.	360	444	84
II. U.S.A.	**695**	**768**	**73**
III. Other than Gulf & US	**1,031**	**1,230**	**199**
Canada	46	48	2
Germany	35	45	10
Japan	4	3	-1
Norway	9	11	2
U.K.	236	248	11
Other	701	876	175
Total	**2,436**	**2,958**	**522**
of which: exchange companies	358	500	142
Encashment of FEBCs & FCBCs	10	1	-9
Grand total	**2,447**	**2,959**	**513**

Source: Statistics and Data Warehouse Department, SBP

Figure 6.4: Remittances from Main Sources



Resident FCAs

During Jul-Jan FY07, resident FCAs show significantly lower net inflows of US$ 51 million as compared to net

inflows of US$ 295 million during Jul-Jan FY06. The lower inflow in FCAs is a result of the relatively stable Rupee and lower returns offered on FCAs as compared to the Rupee deposits (for details see **Section 4** on Money and Banking).

Financial Account

The financial account surplus recorded US$ 1.9 billion YoY increase to reach US$ 4.4 billion during Jul-Jan FY07 (see **Table 6.4**). The main contributing factor for increase in financial account surplus was higher net foreign investments of US$ 3.4 billion during Jul-Jan FY07 as compared to US$ 1.5 billion during Jul-Jan FY06.

Table 6.4: Financial Account

million US$

	July-Jan		Change
	FY06	**FY07**	
Financial account (1-4)	2,456	4,367	1,911
1. Direct investment abroad	-19	-47	-28
2. Direct investment in Pakistan	1,244	2,096	852
of which: equity capital	931	1,586	655
Reinvested earnings	313	508	195
3. Portfolio investment	311	1,371	1,060
Equity securities (private)	400	499	99
Equity securities (public)	0	731	731
Debt securities (private)	0	198	198
Debt securities (public)	-103	-53	50
Net private investment (**1+2+3**)	1,536	3,420	1,884
4. Other investment	920	947	27
Assets	373	-63	-436
Outstanding exports bills (exports)	-173	-87	86
Outstanding exports bills (DMBs)	62	57	-5
Currency and deposits	483	-33	-516
Liabilities	547	1,010	463

Source: Statistics and Data Warehouse Department, SBP

Net Foreign Investment

During Jul-Jan FY07, net foreign investment recorded a rise of US$ 1.9 billion YoY due to substantial rise in both FDI and portfolio investment inflows. The net foreign investment of US$ 3.4 billion included US$ 2.1 billion foreign direct investment inflows and US$ 1.4 billion portfolio investment inflows.

During Jul-Jan FY07, foreign direct investment inflows recorded an impressive growth of 68.5 percent YoY. This figure further improves to 98.5 percent if we exclude privatization proceeds which declined from US$ 255 million in Jul-Jan FY06 to US$ 133 million in Jul-Jan FY07. Thus while privatization proceeds accounted for 20.5 percent of the FDI in Jul-Jan FY06; their contribution was limited to 6.4 percent in Jul-Jan FY07 FDI.

A major portion of the total FDI inflows of US$ 2.1 billion during Jul-Jan FY07 came in the months of September and December including: (1) US$ 197.6 million from Standard Chartered Bank's acquisition of Union Bank; (2) US$ 133 million installment of PTCL privatization proceeds; (3) US$ 170.8 million in the telecommunication sector, and (4) US$ 72.4 million from Habib Bank A.G Zurich's acquisition of Metropolitan Bank Ltd.

The major sources of FDI inflows during Jul-Jan FY07 were USA, UK, and UAE. The United States of America was the leading source of FDI with US$513 million or 24.5 percent, followed by United Kingdom with US$ 488 million or 23.3 percent and UAE with US$ 296 million 14.1 percent.

Sector wise distribution of FDI shows that financial sector, oil and gas exploration and communication sector remained the major recipients of FDI. FDI also increased in the construction, petroleum refining, textiles and trade, while it

Table 6.5: Top Ten Recipient Sectors of FDI

million US$

	Jul-Jan		Share in total FDI	
Economic group	**FY06**	**FY07**	**FY06**	**FY07**
Total FDI	**1,245**	**2,096**	**100**	**100**
of which:				
Construction	45	86	3.6	4.1
Financial business	128	554	10.3	26.4
Oil & gas explorations	174	328	14.0	15.7
Personal services	36	53	2.9	2.5
Petroleum refining	19	67	1.5	3.2
Power	292	102	23.5	4.9
Communications	346	546	27.8	26.1
Textiles	25	38	2.0	1.8
Trade	72	105	5.8	5.0
Transport equipment (automobiles)	19	28	1.5	1.3
Others	90	189	7.2	9.0

Source: Statistics and Data Warehouse Department, SBP

declined in the power sector (see **Table 6.5**).

The impact of the FDI on growth is well documented. FDI plays an important role in the growth process through direct capital formation and through its spill over effects. Unfortunately, in Pakistan FDI has remained scanty until recently and it is difficult to get meaningful results on the impact of FDI on growth. However now that the FDI has become significant it is important to evaluate various aspects of this development, so that appropriate polices in this regard can be drawn. **Box 6.1** gives review of the literature and developments in FDI in Pakistan.

Portfolio investment inflows also registered a substantial increase of US$ 1.1 billion during Jul-Jan FY07 over the corresponding period last year (see **Table 6.4**). The portfolio investment of US$1.4 billion during Jul-Jan FY07 included MCB Bank's (MCB's) Global Depository Receipts (GDRs) of US$150 million from UK, OGDC's GDR proceeds of US$ 731 million, and investment in Mobilink's TFCs and Bonds of US$ 198 million.

Currency and Deposits and Related Trade Financing

The currency and deposits assets during Jul-Jan FY07 recorded a rise of US$ 33 million as compared to US$ 483 million fall during Jul-Jan FY06. The rise in currency and deposit assets during Jul-Jan FY07 was mainly due to FE-25 nostro deposits of banks, which increased by US$ 22 million during Jul-Jan FY07 as compared to US$ 454 million decrease recorded during Jul-Jan FY06. This rise in FE-25 nostros was mainly due a fall in FE-25 trade finance loans, which rose by only of US$ 37.8 million in Jul-Jan FY07 as compared to US$ 672.4 million during Jul-Jan FY06. The low interest in FE-25 loans principally reflected the availbiltiy of cheap EFS loans.

Foreign Long-term Loans

The long-term official loans recorded a net inflow of US$ 661 million during first seven months of FY07 as compared to the US$ 332 million net inflow seen during Jul-Jan FY06. The inflows during Jul-Jan FY07 were mainly due to a 42 percent increase in program loan receipts to US$ 839 million as compared to US$ 591 million received in the corresponding period of FY06. The program loan, received from Asian Development Bank (ADB) amounted to US$ 671 million during Jul-Jan FY07 (See **Table 6.6**). The amortization of loans declined to US$ 528 million during Jul-Jan FY07 as compared to US$ 600 million in the corresponding period during FY06.

Short-term Loans[4]

Short-term loans registered a net outflow of US$ 58 million during Jul-Jan FY07, as the impact of new inflows of US$ 225 million from IDB were more than off set by repayments of US$ 116 million to commercial creditors and US$ 167 million to IDB. Repayments to commercial creditors include a US$100 million of loan rollover (with an offsetting entry in the exceptional financing).

Table 6.6: Profile of ADB Loans (Jul-Jan FY07)
million US$

Total ADB loans	671
of which:	
Agricultural sector program	110
Punjab resource management program	100
Private participation in infrastructure program loan	200
Baluchistan devolved social services	133.5

Source: Economic Affairs Division

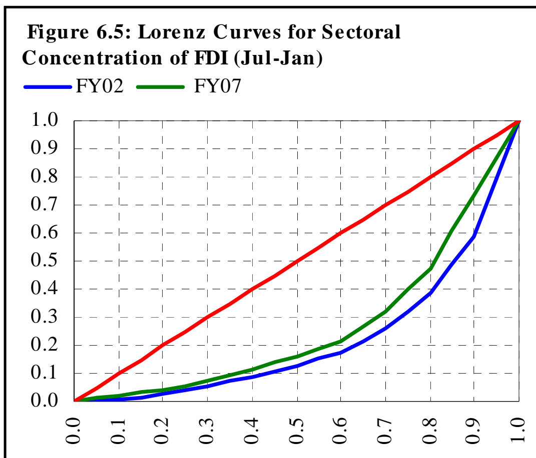
Private Loans

During Jul-Jan FY07, private loans witnessed net inflows of US$ 171 million, whereas, US$ 28 million net outflow was observed in this account during Jul-Jan FY06. Credit inflows of US$ 401 million included a US$ 211 million loan obtained by a domestic airline for the purchase of aircraft.

Box 6.1: Implications of FDI

The importance of foreign direct investment (FDI) as a source of direct capital financing in the economic development is well established. There is a vast literature which suggests foreign trade as one of the possible transmission channel from FDI to economic growth of the country. Indeed, the higher contribution of FDI in exportable industries leads to increase in the export capacity, while in case of imports, investment in import substitution industries can lower the demand for the imported goods by producing locally. In addition, FDI can be very important source of financing country's current account deficit, as in the case of Pakistan. Apart from direct source of financing, there are some spillover impacts of FDI such as transferring technology and market access in the economy. However, it is not necessary that all sectors may have the same potential to absorb technological changes, as pointed out by Hirschman (1958) "linkages are weak in agriculture and mining". Similarly, Kokko

Figure 6.5: Lorenz Curves for Sectoral Concentration of FDI (Jul-Jan)



[4] Short term loans contain commercial loans along with the IDB financing for oil imports.

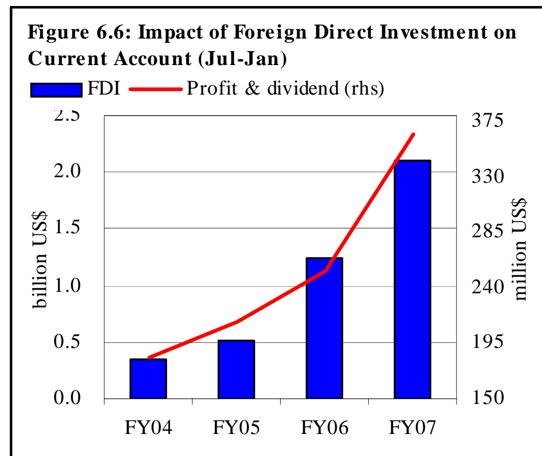
(1994)[5] argued that since some investments are classified as enclave investment[6] therefore there should not be the same spillover impact for all industries. Moreover, according to Findlay (1978) and Wang and Bloomstrom (1992)[7] the spillover impact of FDI, especially in terms of transferring technology, is more pronounced in manufacturing or services sector rather than the primary sector.

In this context, there are country experiences which are aligned with the above mentioned literature, and emphasize the importance of the sectoral composition of FDI in explaining the economic growth. Particularly, in case of India Chakraborty and Nunnenkamp (2006)[8] have found favorable growth effects of FDI for manufacturing sector and some transitory effects in services sector, while the relationship is weak for the primary sector. Similarly, in china many authors have documented that FDI has been beneficial to the country's economic development. For instance, Lardy (1996) stated that FDI has contributed to the rapid export growth of china.

There are also some concerns about potential costs of FDI such as profit outflows and effects on competition in the domestic market. Specifically, profit outflows that arise from FDI could further deteriorate the current account position by augmenting the investment income payments. According to UNCTAD (2002), "unregulated FDI flows can bring about serious difficulties to balance of payments owing to high import content and profit outflows related to multinational capital".

Pakistan's case: In Pakistan, FDI inflows have accelerated only recently, this can be gauged from the fact that from 1993 to 2003, i.e., in the ten years the FDI entering Pakistan totaled around US$ 6.0 billion and in the last 3 years, it has totaled US$ 8.1 billion. Since the rise in FDI in Pakistan is a recent phenomenon, therefore the overall sectoral contribution of FDI in the economic growth is still very limited. However, it is encouraging to note that the recent surge in FDI is mainly registered in the services and manufacturing sectors where the probability of positive effects on future economic prospects of the country is greater. Although the bulk of FDI flows appear to be concentrated in the three main sectors, the concentration has reduced perceptibly as evident from the Lorenz Curve [9](see **Figure 6.5**). Nevertheless, there is still need to

Figure 6.6: Impact of Foreign Direct Investment on Current Account (Jul-Jan)



[5] Kokko, A (1994). "*Technology, market characteristics and spillover*" Journal of Development Economics 43: 279-93
[6] These are investments which offer little scope for the local economy to benefit.
[7] Wang, J.Y and .Blomstrom (1992). "Foreign investment and technology transfers: A simple model." European Economic Review 36: 137-55.
[8] Chakraborty, C. and P.Nunnenkamp (2006). "Economic reforms, foreign direct investment and its economic effects in India." Kiel working paper No. 1272.
[9] The Lorenz curve for FDI is an effective way to measure the concentration of FDI flows among different sectors.

further diversify the FDI across various sectors.

As far as the cost of FDI is concerned, **Figure 6.6** clearly reflects the impact of increasing FDI on current account in form of rising profit and dividend outflow. Although in recent period the cost of FDI, in absolute terms, is as such not substantial but the rising trend of investment payments could raise some concerns in terms of contributing future current account deficit. In addition, it would also be pertinent to note, the amount repatriated against profit & dividend is growing faster in the preceding three years than the amount which is reinvested

6.2 Foreign Exchange Reserves & Exchange Rate

Country's foreign exchange reserves which peaked in June 2006 declined in the initial months of FY07 owing to record monthly current account deficit. However, a substantial rise in foreign inflows October 2006 onwards, and a downtrend in the monthly current account deficit, helped in increasing the reserves by US$ 229 million end-Feb FY07 over Jun-FY06 period (See **Figure 6.7**).

The increase in the reserves was principally due to the rise in the SBP reserves (excluding CRR), which increased by US$ 257 million during Jul-Feb FY07. The

Figure 6.7: Foreign Exchange Reserves

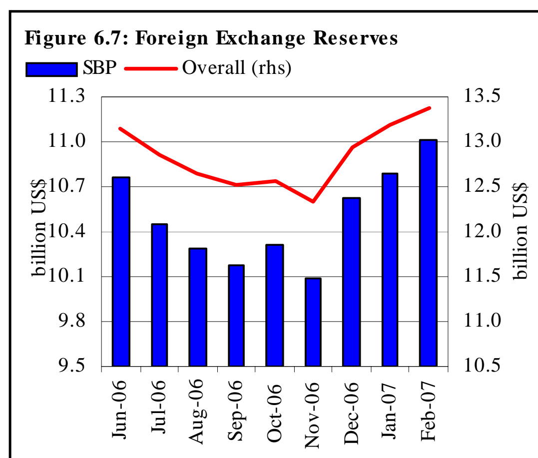


Table 6.7: Causative Factors of Changes in FE Reserve*

million US$

	Jul-Jan	
	FY06	**FY07**
SBP reserves as on end June	10,472.4	11,466.3
SBP reserves as on end Jan	9,791.2	11,531.8
Inflows	6,240.3	7,957.4
Purchases	3,660.7	2,988.1
Inter-bank purchases	3,660.7	2,988.1
Loans	759.6	1,231.0
ADB	350.1	789.3
Grants	122.6	61.7
Other receipts	1,697.4	3,676.6
USA-logistic support	756.1	658.9
Sale proceeds of KESC	255.0	-
OGDC	-	731.1
Pvt. proceeds of PTCL	200.0	133.2
Interest on dep./discount	168.4	323.8
Outflows	6,998.2	7,891.9
Sales	3,376.5	4,573.8
Inter-bank sales (ready)	93.0	174.0
Inter-bank sales (oil)	3,283.5	4,399.8
Debt servicing to donors	475.9	657.9
Other payments	3,145.8	2,660.2
Sugar LC - TCP	-	232.8
Change in SBP reserves	-757.9	65.5

* Including CRR

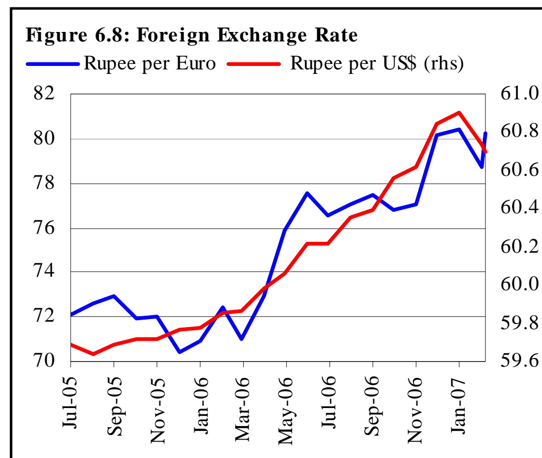
major inflows that contributed directly to the increase in the SBP reserves in this period came from the floatation of OGDC GDRs. In addition, part payment of PTCL privatization proceeds, ADB's support for various projects and payments received for the logistic support from USA and UK, FDI and other inflow also contributed to the rise in the SBP reserves. However, these were largely offset by outflows on account of oil and other payments which limited the rise in the SBP reserve to US$ 257 million (se7e **Table 6.7**).

Commercial bank's reserves on the other hand, did not show any significant change from end-June FY06 level and declined only marginally by US$ 27.4 million during Jul-Feb FY07.

Exchange Rate

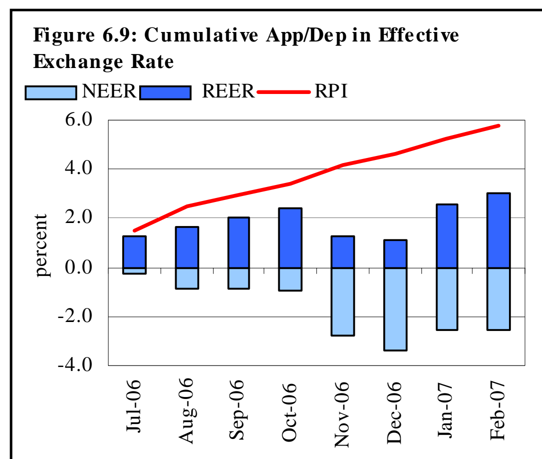
Pakistan's exchange rate vis-à-vis US Dollar remained broadly stable and the nominal depreciation of 0.80 percent during Jul-Feb FY07 appears to be driven more by expectations rather than a weakness in the fundamentals. As the expectations peaked, the Rupee depreciated 1.14 percent but then recovered much of the loss (see **Figure 6.8**).

Figure 6.8: Foreign Exchange Rate



The Real Effective Exchange Rate (REER) of Pak Rupee, on the other hand, showed an appreciation of 2.5 percent against the basket of currencies during Jul-Feb FY07. However, in nominal terms, it depreciated against most of the basket currencies because of the weakness of US Dollar against major currencies in international markets. Consequently, the NEER index showed a depreciation of 2.6 percent during Jul-Feb FY07

Figure 6.9: Cumulative App/Dep in Effective Exchange Rate



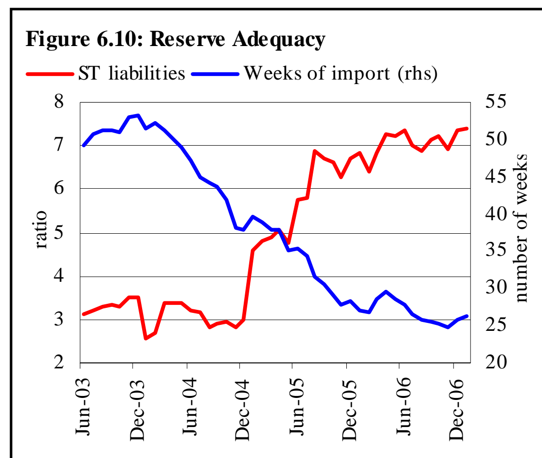
period. This gain in the form of nominal depreciation of the weighted index was offset due to relatively higher inflation in Pakistan compared to its primary trading partners and competitor countries. Therefore, the net result was the cumulative appreciation of the REER index by 2.5 percent during the first eight months of the current fiscal year which indicates the loss of external competitiveness of Pak Rupee and reinforces the need to bring down domestic inflation (See **Figure 6.9**).

Reserve Adequacy

Pakistan foreign currency reserves remained at comfortable levels both, in terms of weeks of imports and in terms of capacity to meet short-term liabilities. In terms of weeks of imports the reserve adequacy has come down from 53.2 weeks of imports in December 2003 to 26.3 weeks in February 2007 mainly due to a substantial rise in imports since December 2003 onwards. However, with slowdown in the import growth and with significant rise in reserves in recent months, the reserves adequacy has improved from 24.9 weeks of imports in November 2006 to 26.3 weeks of imports in February 2007.

Pakistan's capacity to pay short-term liabilities (all obligations falling within a year) has also improved, since most of the new debt comprises long-term loans with small current obligations (see **Figure 6.10**). However, going forward, this indicator could deteriorate if external flows fail to keep pace with the expected rise in short-term liabilities when grace period on old (rescheduled) debt ends.

Figure 6.10: Reserve Adequacy

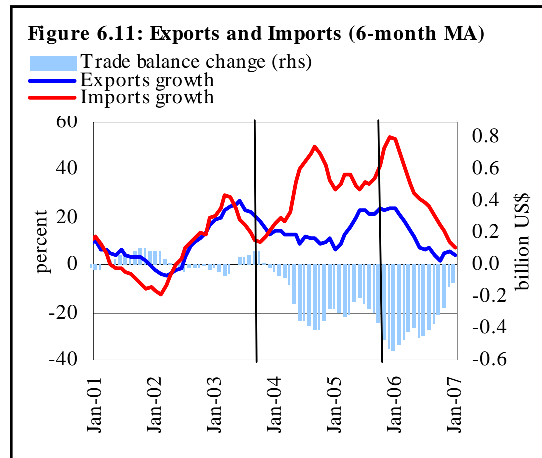


6.2 Foreign Trade[10]

Table 6.8: Summary of Trade Balance (US$ million)		
	Jul-Jan	
	FY06	FY07
Exports	9,271.9	9,630.0
% Growth	20.9	3.9
Imports	15,795.3	17,225.4
% Growth	50.0	9.1
Trade Balance	-6,523.4	-7,595.4
% Change	128.0	16.4

The slowdown in imports and exports growth rates that emerged in the second half of FY06 continued throughout FY07 as well (see **Table 6.8**). Unfortunately, despite a precipitous decline, the growth rate for imports remains higher than that of exports (and is on a larger base). Consequently, the trade deficit continued to widen, albeit at a much slower pace.

Figure 6.11: Exports and Imports (6-month MA)



The fall in the imports growth rate is largely in line with expectations. This is because the extraordinary imports growth had been the function of a steep rise in international oil prices and structural changes in the economy. For example, textile machinery imports rose as industry readied for post-MFA competition, telecom imports rose following expansions and increased competition, and consumer products imports rose as the consumer finance market blossomed.

However as oil prices fell and the one-off impact of structural changes was absorbed by the economy the extraordinary imports growth tapered off, broadly in line with expectations. Thus, if exports growth had remained at the relatively low average of 15.9 percent seen in the previous four years, the trade gap would have already begun to shrink. Unfortunately, the exports growth has dropped to a 4-year low (see **Figure 6.11**) and the trade deficit continued to widen, although at a much slower pace.

[10] The analysis is based on the provisional data provided by Federal Bureau of Statistics, which is subject to revisions. This data may not tally with the exchange record numbers reported in the section on *Balance of Payments*.

A part of the exports slowdown can be explained by factors such as the adverse impact on textile exports to the EU following the loss of Generalized System of Preference (GSP) and persistence of the discriminatory antidumping duty on bed linen exports from Pakistan. Similarly, rice exports have also dropped due to poor harvest, while exports of refined petroleum products, carpets and leather dropped due to industry dynamics. However, the broader deceleration in exports growth is still puzzling; this needs to be investigated in order to institute concrete policy measures.

The importance of sustaining strong exports growth cannot be overstated. It has to be recognized that import growth would have to remain in double digits if the economic growth is to be sustained at high levels, as this would require the buildup of infrastructure, [11] additions to industrial capacity as well as rising imports of inputs (particularly energy). Thus, in order to support this required imports growth, it is imperative to significantly boost exports and encourage imports substitution for products where Pakistan has competitive advantages (particularly in food commodities).

In the aforementioned situation there is need to delve on strategies for the promotion of exports by focusing on the issues of productivity enhancement, quality improvement, costs & scale economies, product & geographical diversification as well as creating a pro-industry and investment-friendly environment in the country.

For all of this, a key policy element is a competitive exchange rate, but one that is also stable. This combination is not possible without a low inflation environment, and therefore this is a key priority for the central bank. This essential pre-requisite needs then to be complemented by other supportive measures to reduce the cost of doing business (reducing red-tape and eliminating unnecessary regulations, ending multiplicity of taxes and agencies, etc.), facilitate supply chain improvements and provide a flexible labor force.

Exports

The growth of exports continued to decelerate during Jul-Jan FY07 (see **Figure 6.12**). Consequently, the actual exports of US$ 9.63 billion fell short of the target by US$ 0.67 billion during the period under consideration.[12] The slowdown in exports, which became noticeable from January 2006, continued showing a

[11] The approval process is underway for ten oil-based projects with a cumulative capacity of 2,355 MW and an estimated cost of US$ 1,766 million (Source: http://www.ppib.gov.pk).
[12] The target mentioned in the Annual Development Plan documents.

decelerating trend in the ensuing months. Moreover, although the textiles sector (which constitutes around 60 percent of exports) was the leading contributor to the overall exports deceleration, the slowdown in exports is also visible in other main categories (see **Table 6.9**).

Primary Commodities

The primary commodities exports declined by 9.1 percent during Jul-Jan FY07 as compared to 18.9 percent growth in the corresponding period last year (see **Table 6.10**). The decline in the exports of primary commodities is mainly due to decrease in rice, raw cotton and fruits exports. The Basmati rice exports have shown a substantial growth of 24.4 percent whereas exports of other varieties of rice declined significantly by 22.7 percent. The fall in exports under other categories of rice occurred because of damaged rice crop owing to adverse weather. The rise in exports of Basmati rice, despite damages to the crop, came from last year's stock because the Basmati rice requires seasoning/processing (for period of up to one year) before it is exported for the best price. Raw cotton exports declined due to lower production and as well as increased domestic prices. Similarly, a fall in the citrus fruit production owing to unfavorable weather conditions was the primary reason behind fall in fruit exports.

Figure 6.12: Export Growth (YoY)

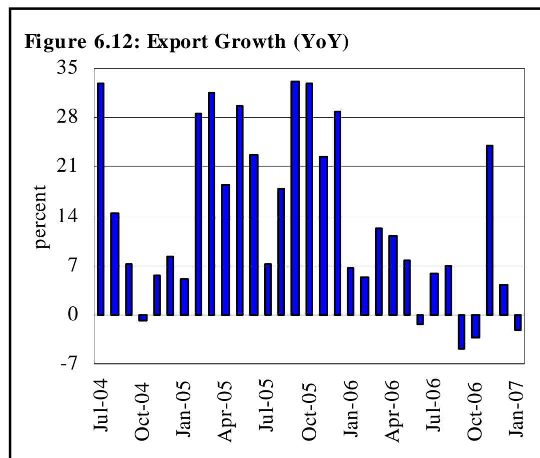


Table 6.9: Analysis of Exports (Jul-Jan)

percent

	FY06		FY07	
	Share	**Growth**	**Share**	**Growth**
Primary commodities	11.3	18.9	9.9	-9.1
Textile manufactures	61.2	24.2	61.3	4.1
Other manufactures	16.9	32.2	13.5	-17.1
Others	10.6	-5.0	15.3	50.2
Total exports		**20.9**		**3.9**

Textile Manufactures

There was a sharp deceleration in the exports of textiles manufactures during Jul-Jan FY07 as indicated by a marginal growth of 4.1 percent compared with an impressive growth of 24.2 percent in the corresponding period last year (see **Table 6.11**).

Table 6.10: Major Exports (Jul-Jan)

value: million US$; unit value: US$

			FY06		FY07p		Absolute change. in value	% change in Jul-Jan FY07/Jul-Jan FY06		
		Unit	Value	Unit value	Value	Unit value		Qty	Value	Unit value
A	**Primary commodities**		**1,051.2**		**955.8**		**-95.3**		**-9.1**	
1	Rice	MT	620.9	314.5	603.1	366.0	-17.8	-16.6	-2.9	16.4
2	Raw cotton	MT	40.0	1,073.3	31.5	1,066.6	-8.5	-20.7	-21.2	-0.6
3	Raw wool (excl wool tops)	MT	0.7	815.8	0.6	635.9	-0.2	0.0	-22.0	-22.0
4	Fish & fish preparations	MT	106.2	1,522.5	107.1	1,706.0	0.9	-10.0	0.9	12.0
5	Leather	SQM	163.7	16.9	136.0	16.8	-27.7	-16.4	-16.9	-0.7
6	Guar and guar products	MT	13.8	1,149.9	9.9	1,173.1	-4.0	-30.0	-28.6	2.0
7	Fruits	MT	71.8	301.8	34.3	201.7	-37.5	-28.5	-52.2	-33.2
8	Vegetables	MT	17.9	282.4	20.6	454.2	2.7	-28.4	15.2	60.8
9	Crude animal material	MT	9.9	3,365.9	4.1	2,847.7	-5.8	-51.1	-58.7	-15.4
10	Oil seeds & nuts etc.	MT	6.3	632.5	8.8	705.2	2.5	25.4	39.8	11.5
B	**Textile manufactures**		**5,671.0**		**5,901.2**		**230.3**		**4.1**	
1	Cotton yarn	MT	756.1	2,020.5	799.3	2,089.6	43.2	2.2	5.7	3.4
2	Cotton fabrics (woven)	SQM	1,217.4	0.8	1,089.3	0.8	-128.1	-17.8	-10.5	8.8
3	Hosiery (knitwear)	DOZ	1,021.7	21.9	1,191.2	22.8	169.5	12.0	16.6	4.1
4	Bedwear	MT	1,190.5	5,435.2	1,103.0	5,416.9	-87.5	-7.0	-7.4	-0.3
5	Towels	MT	330.4	3,740.5	337.4	3,772.3	6.9	1.2	2.1	0.8
6	Cotton bags and sacks	MT	8.2	4,117.3	3.0	3,050.6	-5.2	-50.4	-63.3	-25.9
7	Readymade garments	DOZ	766.4	34.7	809.7	37.3	43.3	-1.7	5.6	7.5
8	Tarpaulin & other canvas goods	MT	15.9	2,249.4	46.8	2,350.6	30.9	182.2	194.9	4.5
9	Tule, lace, embroidery etc.	(-)	5.2	-	1.2	-	-4.0	-	-76.8	-
10	Synthetic textiles	SQM	111.5	0.7	277.8	0.8	166.3	122.5	149.1	12.0
11	Other textile made up	(-)	240.4	-	239.2	-	-1.2	-	-0.5	-
12	Waste material of textile fibres/fabrics	MT	7.3	712.9	3.5	756.4	-3.8	-55.1	-52.3	6.1
C	**Other manufactures**		**1,571.0**		**1,302.8**		**-268.2**		**-17.1**	
1	Carpets, rugs & mats	SQM	153.4	60.7	132.0	64.0	-21.4	-18.5	-13.9	5.6
2	Petro and petro products	MT	436.3	505.4	429.1	705.4	-7.2	-29.5	-1.6	39.6
3	Sports goods	(-)	170.6	-	139.9	-	-30.7	-	-18.0	-
4	Leather manufactures	(-)	435.2	-	290.7	-	-144.5	-	-33.2	-
5	Surgical & medical instrument	NO	93.7	-	61.1	-	-32.6	-	-34.8	-
6	Cutlery	GR	19.7	22.9	19.3	57.9	-0.5	-61.5	-2.5	153.0
7	Onyx manufactured	MT	7.3	1,565.8	8.1	1,748.4	0.7	-1.4	10.1	11.7
8	Chemicals & pharmaceuticals	(-)	223.9	-	206.1	-	-17.8	-	-8.0	-
9	Molasses	MT	14.4	79.7	16.5	76.2	2.1	20.0	14.9	-4.3
10	Sugar	MT	16.4	404.4	0.0	--	-16.4	-	-	-
D	**Others**		**978.8**		**1,470.2**		**491.4**	**-**	**50.2**	
	Total		**9,271.9**		**9,630.0**		**358.1**		**3.9**	

Source: Federal Bureau of Statistics

p : Provisional

It may be pertinent to mention here that last year's remarkable textile exports growth was basically driven by increases in exports volumes that offset decline in unit prices. However, during the current year, the reduction occurred mostly because of the plunge in the quantum of fabrics and bedwear exports.

Table 6.11: Analysis of Textile Exports (Jul-Jan)
percent

	FY06		FY07	
	Share	**Growth**	**Share**	**Growth**
Cotton yarn	13.3	36.0	13.5	5.7
Cotton fabrics (woven)	21.5	22.6	18.5	-10.5
Hosiery (knitwear)	18.0	1.8	20.2	16.6
Bedwear	21.0	77.6	18.7	-7.4
Towels	5.8	17.2	5.7	2.1
Readymade garments	13.5	38.8	13.7	5.6
Others	6.8	-23.8	9.7	47.1
Total		**24.2**		**4.1**

The cotton fabrics and bedwear, which together constitute almost 37 percent of the group exports, were the major categories that contributed in slowdown of the textile exports growth. During Jul-Jan FY07, the exports of these two items declined by 10.5 percent and 7.4 percent respectively against the strong growths in the corresponding period of last year. The exports under this head declined despite the Research and Development (R&D) subsidy of 5 percent and 3 percent for bedwear and fabrics respectively which was initiated at the start of the current fiscal year. [13] The rise in the prices of Pima cotton[14] (a genetically modified version), which is imported form the USA and is a critical input for producing high quality bedwear and fabrics, has made these items less competitive compared to India. Further, the discriminatory anti-dumping duty of 5.8 percent on the bed linen exports to the EU also adversely affected Pakistan's competitiveness.

The cotton yarn, knitwear and towels were the only categories which recorded visible increase in both the volumes and values (see **Table 6.12**). The cotton yarn exports were able to record 5.7 percent growth during Jul-Jan FY07, compared to 36.0 percent increase in the same period of last year. The relatively lower demand at home due to slowdown in the down stream industry and higher demand by China to feed its fast growing textile industry appears to have caused the exports growth of cotton yarn.

[13] As per S.R.O number 803 (1)/ (2006) dated August 04, 2006.
[14] According to anecdotal evidence the price of Pima Cotton has gone up by 30 to 40 percent in recent months.

However, 7.5 percent average increase in the average local cotton prices during Jul-Jan FY07 along with a relatively poor cotton quality, on account of cotton contamination issue, is adversely affecting the exports of spinning industry. Contrary to other categories, knitwear exports recorded a double-digit growth of 16.6 percent during Jul-Jan FY07, as compared to a nominal growth of 1.8 percent during the same period last year.

Table 6.12: Impact of Price and Volumes on the Major Textile Exports
million US$

	FY06			FY07		
	Total change	Due to		Total change	Due to	
		Quantum	Price		Quantum	Price
Cotton yarn	200.0	225.2	-25.3	43.2	16.7	26.4
Cotton fabrics (woven)	224.4	225.0	-0.6	-128.1	-216.2	88.1
Hosiery (knitwear)	18.0	148.4	-130.3	169.5	122.5	47.0
Bed wear	520.2	512.9	7.4	-87.5	-83.8	-3.7
Towels	48.5	47.5	1.1	6.9	4.1	2.8
Readymade garments	214.2	126.8	87.5	43.3	-13.4	56.7

The readymade garments recorded 5.6 percent growth during Jul-Jan FY07 as compared to 38.8 percent growth in the same period of last year despite reduced quantum of exports, which was more than offset by increase in unit prices. The continuation of R&D subsidy of 6 percent, and political turmoil in Bangladesh, seem to have provided support to the readymade garment exports.

Other Manufactures

The other manufactures exports declined by 17.1 percent during Jul-Jan FY07, as against 32.2 percent growth in the corresponding period of FY06 (see **Table 6.13**). Specifically, within the other manufactures, petroleum and petroleum products, sports goods, leather manufactures, chemical & pharmaceutical products, and carpets (which form around 90 percent of total other manufactures), were the main contributory items behind decline in the group's exports during the period under consideration. The sharp reversal in the exports of other manufactures is attributable to industry specific issues.

The decline in the petroleum and petroleum products exports is attributable partly to the increase in the international oil prices and partly to the refineries' inability to market the product mix domestically, which is necessary for their profitable

operations.[15]

The decline in sports goods exports was primarily on account of lower exports of footballs which constitute more than 60 percent of the total sports goods exports. In FY06, Pakistan received large exports order for hand stitched footballs for the World cup tournament; in the absence of these large orders FY07 exports have recorded a sharp decline.

Table 6.13: Analysis of Other Manufactures Exports (Jul-Jan)
percent

	FY07	
	Share	**Growth**
Carpets, carpeting rugs & mats	10.1	-13.9
Petroleum & petroleum products	32.9	-1.6
Sports goods	10.7	-18.0
Of which: Football	6.6	-20.7
Leather manufactures	22.3	-33.2
Of which: Leather garments	16.0	-32.3
Surgical and medical Instruments	4.7	-34.8
Cutlery	1.5	-2.5
Onyx manufactured	0.6	10.1
Chemicals and pharmaceuticals	15.8	-8.0
Of which: Plastic material	4.7	-24.8
Other Chemicals	7.8	4.8
Molasses	1.3	14.9
Total other manufactures (with **13 %** share in exports)		**-17.1**

The Pakistan Sports Goods Manufacturing & Exports Association (PSMEA) also claims that tough competition from relatively cheaper machine-made football manufactured in the EU area as compared with Pakistan's hand-stitched footballs and a rise in the domestic cost of production, have also contributed to lower exports. Moreover, decision by Nike (a major buyer) to pull out of Pakistan on the issue of child labor may also affect the exports of sports goods in the coming months.[16]

The lower leather manufacture exports were attributed to (1) increased cost of key production inputs such as hike in fuel prices and utility charges; (2) competitive pressures from China and India; (3) relatively lesser demand from US and EU.

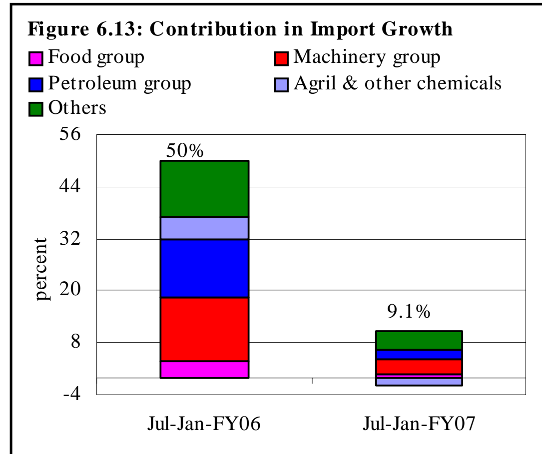
[15] Specifically, domestic demand for the furnace oil and diesel has increased while that for petrol and kerosene has gone down; however, refining produces each in fixed amounts, leaving domestic refineries with stock of products with low demand which they cannot sell profitably. Refineries have responded by reducing capacity utilization and importing refined products. Also, prices of petroleum products exports are lower.

[16] According to anecdotal evidence, Nike has asked the Saga sports to complete its market orders until March-07.

Imports

Import growth decelerated significantly during Jul-Jan FY07, primarily on account of lower oil prices, slowdown in consumer credit, improved domestic production of some food items and slowdown in the imports of machinery compared with last year's phenomenal growth. Specifically, the imports growth dropped to 9.1 percent during Jul-Jan FY07 compared with 50.0 percent growth in the corresponding period last year (see **Figure 6.13**).

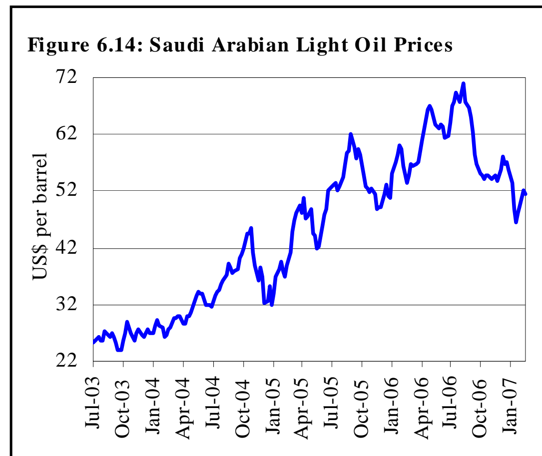
Figure 6.13: Contribution in Import Growth



In fact, the rise in the price of imported oil contributed to US$ 0.14 billion to the import bill during Jul-Jan FY07 as compared to US$ 1.34 billion in the same period last year (see **Table 6.15**). [17]

Specifically, the unit price of *petroleum group* increased by only 4.3 percent during Jul-Jan FY07 as compared to 61.0 percent increase in the same period of last year (see **Figure 6.14**).

Figure 6.14: Saudi Arabian Light Oil Prices



Food Group

The improved supply conditions of food items, particularly of sugar, led the food group to register a low growth of 8.8 percent during Jul-Jan FY07 as compared

[17] The increase in Saudi Arabian light oil prices decelerated to 7.6 percent during Jul-Jan FY07 from 45 percent in the same period last year.

with 57.0 percent growth in the corresponding period last year.[18] The sugar imports growth of 15.8 percent was due to 50.5 percent quantum fall which was partially offset by over 133.7 percent rise in unit price. The imports of the pulses increase substantially by 62.4 percent during Jul-Jan FY07, mainly due to short falls in production for the second consecutive year.

Machinery Group

The growth in machinery group imports dropped to 13.8 percent during Jul-Jan FY07 compared with a 55.4 percent increase during the corresponding period of last year. The decline in imports of road motor vehicles and textile machinery along with slowdown in the telecom group imports (which together constitute around 50 percent of the overall machinery imports), were the driving forces behind the deceleration in the overall machinery imports.

The imports of power generating machinery showed a growth of 52.0 percent and are expected to grow further as Pakistan needs to urgently add power generating capacity.[19] The telecom imports with a share of about 25.9 percent continued growing fast with much of the imports arising due to the strong demand for mobile phones. The aircraft import was due to the purchase of new aero plane by a domestic airline. Similarly, imports in the category of ships & boats and electrical machinery and apparatus rose considerably during the period under consideration.

Road Motor Vehicles

During Jul-Jan FY07, the imports of road motor vehicles declined by 9.3 percent as compared with a substantial growth of 70 percent in the same period of last year. Almost all the decrease can be explained by 8.25 percent fall in the imports of Completely Knocked-Down System (CKDs/SKDs), as the completely built up units (CBUs) recorded marginally positive growth. The fall under this category was principally because of 14.7 percent decline in the CKDS/SKDs of motor cars, which constitutes almost 73.0 percent of the total CKDs/SKDs imports. Regarding CBUs imports, the 7.3 percent increase in motor cars and 17.2 percent increase in motorcycles were partially offset by 14.3 decline in the imports of buses, trucks and heavy vehicles.

---

[18] During Jul-Dec FY07, sugar production increased by 15.6 percent as compared to 40.5 percent decline in the corresponding period last year. The wheat production during the current year is estimated to grow by 3.6 percent.

[19] A large number of cases are under process with the Private Power and Infrastructure Board (PPIB) for setting up of power projects with a cumulative capacity of 13,399 MW and an estimated cost outlay of US$ 12.85 billion. Source: http://www.ppib.gov.pk/list.htm

Textile Machinery
A substantial 34.1 percent YoY fall in the imports of textile machinery, probably reflects a base effect following the surge in imports in the past years as the industry prepared for the increased competition post-MFA.

Telecom Group
After showing extraordinary growth since last couple of years following the opening up of telecommunication sector, the group imports moderated to 23.3 percent during Jul-Jan FY07 against 154.7 percent in the corresponding period last year. The relatively modest growth in the group imports was contributed by both the cellular phones and other telecommunication apparatus. This suggests that the economic agents might have absorbed the impact of the policy changes in the sector to a large extent and imports would now continue at moderate levels (see **Table 6.14**).

Power Generating Machinery
As a result of the 52.0 percent increase in the imports of power generating machinery during Jul-Jan FY07 on the top of 39.4 percent increase in the same period of last year, the group's share in the overall machinery imports has increased from 6.6 percent during Jul-Jan FY06 to 8.9 percent during Jul-Jan FY07. The foreign direct investment in power generating sector was the dominant

Table 6.14: Analysis of Machinery Imports (Jul-Jan)
Percent

	FY06		FY07	
	Share	**Growth**	**Share**	**Growth**
Machinery group		**55.4**		**13.8**
Power generating machinery	6.7	39.4	8.9	52.0
Office machinery	3.6	9.7	3.6	12.0
Textile machinery	11.2	-9.2	6.5	-34.1
Construction & mining machinery	2.1	3.3	2.1	10.0
Electrical machinery & apparatus	6.3	58.8	7.2	30.6
Telecom	23.9	154.7	25.9	23.3
a) Mobile phones	8.5	247.0	10.0	33.6
b) Other apparatus	15.4	122.1	15.9	17.6
Railway vehicles	1.2	36.6	0.1	-86.9
Road motor vehicles	19.6	69.6	15.6	-9.3
Aircraft, ships and boats	1.7	106.1	7.3	385.1
Agricultural machinery & implements	2.1	267.7	2.1	16.1
Other machinery	21.6	47.2	20.6	8.6

contributor behind this substantial imports growth.

Petroleum Group

The growth in the aggregate imports of petroleum products during the first seven months of FY07 fell sharply to 18.4 percent, substantially lower than 66 percent rise in the corresponding period of FY06. Unlike Jul-Jan FY06 period when the growth was mostly price driven (95 percent), the growth during the current fiscal year is mainly driven by increase in volumes (79 percent). Within the group, all the increase was driven by refined petroleum products (furnace oil & diesel), whereas the imports of petroleum crude declined by 3.2 percent during the period under review mainly because of lower demand by oil refineries (see **Table 6.15).** The oil refineries are operating below capacity as they are not able to market their product mix, which is necessary for their profitable operations. As a result, the increased demand for furnace oil (for the oil based power generation) and diesel is being met through imports which caused 59.8 percent rise in the quantum of petroleum products.

Table 6.15: Impact of Price and Volumes on Petroleum Group Imports (Jul-Jan)

million US$

	FY06			FY07		
	Total change	Due to		Total change	Due to	
		Quantum	Price		Quantum	Price
Petroleum group	**1,406.2**	**67.9**	**1,338.4**	**651.9**	**512.7**	**139.2**
Petroleum product	489.2	-63.8	553.0	720.3	830.0	-109.7
Petroleum crude	917.1	127.9	789.2	-68.3	-261.6	193.3

Metal Group

The metal group imports declined by 14.6 percent during Jul-Jan FY07 as against a 75.6 percent increase in the corresponding period of last year (see **Table 6.16**). Iron & steel and iron & steel scraps were major items that led to a decline in the group's imports. The contributory factors behind this decline were substantial increases in the metal prices in international market, improvement in domestic steel production as Pakistan Steel Mills resumed production and large imports in the preceding year in anticipation of the jump in demand emanating from the construction activity in the earthquake affected areas.

Table 6.16: Major Imports during Jul-Jan (value in million US$, unit value US$)

Commodities	Units	Jul-Jan FY06		Jul-Jan FY07P		YoY change in			
		Value	Unit value	Value	Unit value	Absolute value	percent		
							Qty	Value	Unit value
A. Food group		**1,075.0**		**1,169.9**		**94.8**		**8.8**	**-**
1. Milk & cream incl. milk food	MT	30.3	1,738.2	43.0	2,549.9	12.7	-3.3	41.9	46.7
2. Wheat un milled	MT	86.4	162.4	32.6	254.0	-53.8	-75.9	-62.2	56.4
3. Dry fruits	MT	32.0	553.6	34.4	456.4	2.4	30.5	7.6	-17.6
4. Tea	MT	130.2	1,660.4	129.8	1,915.9	-0.4	-13.6	-0.3	15.4
5. Spices	MT	30.9	633.3	31.9	701.4	1.1	-6.6	3.4	10.7
6. Edible oil	MT	455.6	434.3	494.4	460.2	38.8	2.4	8.5	6.0
Soya bean	MT	9.7	681.2	*20.6*	*806.8*	10.9	79.8	112.9	18.4
Palm oil	MT	445.9	430.9	*473.8*	*451.8*	27.9	1.3	6.2	4.8
7. Sugar	MT	212.8	339.2	246.4	792.9	33.6	-50.5	15.8	133.7
8. Pulses	MT	96.9	367.4	157.3	502.0	60.5	18.9	62.4	36.6
B. Machinery group		**4,318.5**		**4,912.6**		**594.1**		**13.8**	
1. Power generating machinery		287.4		436.9		149.5		52.0	
2. Office machinery		156.8		175.6		18.9		12.0	
3. Textile machinery		484.3		319.2		-165.1		-34.1	
4. Construction & mining machinery		92.1		101.4		9.2		10.0	
5. Electrical machinery & apparatus		270.9		353.8		82.9		30.6	
6. Railway vehicles		50.7		6.6		-44.0		-86.9	
7. Road motor vehicles		846.1		767.0		-79.1		-9.3	
8. Aircraft, ships and boats		74.4		360.8		286.4		385.1	
9. Agricultural machinery & implement		90.8		105.3		14.6		16.1	
10. Other machinery		1,965.0		2,285.8		320.8		16.3	
C. Petroleum group	**MT**	**3,533.6**	431.1	**4,185.5**	445.9	**651.9**	14.5	**18.4**	3.4
1. Petroleum products	MT	1,386.8	456.5	2,107.0	433.9	720.3	59.8	51.9	-4.9
2. Petroleum crude	MT	2,146.9	416.2	2,078.5	458.8	-68.3	-12.2	-3.2	10.3
D. Textile group	**MT**	**324.2**		**301.1**		**-23.1**		**-7.1**	
1. Synthetic fiber	MT	148.1	1,594.0	132.9	1,847.0	-15.3	-22.6	-10.3	15.9
2. Synthetic & artificial silk yarn	MT	148.2	1,617.9	136.6	2,150.1	-11.7	-30.7	-7.9	32.9
3. Worn clothing	MT	27.8	332.9	31.7	335.0	3.8	13.1	13.8	0.6
E. Agricultural and other chemicals group	**MT**	**2,627.6**		**2,359.3**		**-268.3**		**-10.2**	
1. Fertilizer	MT	508.4	279.0	249.7	304.6	-258.7	-55.0	-50.9	9.2
2. Insecticides	MT	79.4	3,585.8	58.7	3,583.2	-20.7	-26.0	-26.1	-0.1
3. Plastic materials	MT	604.1	1,211.3	649.9	1,381.1	45.8	-5.7	7.6	14.0
4. Medicinal products	MT	191.0	30,961.4	226.4	34,583.0	35.4	6.1	18.5	11.7
5. Others	-	1,244.7	-	1,174.7	-	-70.0		-5.6	
F. Metal group	**MT**	**1,084.3**	**-**	**926.5**	-	**-157.8**		**-14.6**	
1. Iron and steel scrap	MT	212.3	255.8	154.8	277.8	-57.5	-32.9	-27.1	8.6
2. Iron and steel	MT	805.2	486.6	671.9	618.1	-133.3	-34.3	-16.6	27.0
3. Aluminum wrought & worked	-	66.8	-	99.8		33.1		49.6	
G. Miscellaneous group		**339.3**	**-**	**369.1**	-	**29.8**		**8.8**	**-**
1. Rubber crude	MT	62.1	1,213.8	63.8	1,289.9	1.8	-3.2	2.9	6.3
2. Rubber tyres & tubes	No.	94.7	21.0	91.4	23.5	-3.3	-13.8	-3.4	12.0
3. Wood & cork	**-**	20.5		22.2		1.7		8.3	
4. Jute	MT	24.4	348.0	26.1	407.0	1.6	-8.7	6.7	16.9
5. Paper, paper board & manufacture	MT	137.7	709.5	165.5	722.0	27.9	18.2	20.3	1.8
H. Others		**2,492.6**		**3,312.9**		**820.3**		**32.9**	
Total imports		**15,795.3**		**17,225.4**		**1,430.1**		**9.1**	

Source: Federal Bureau of Statistics P: provisional