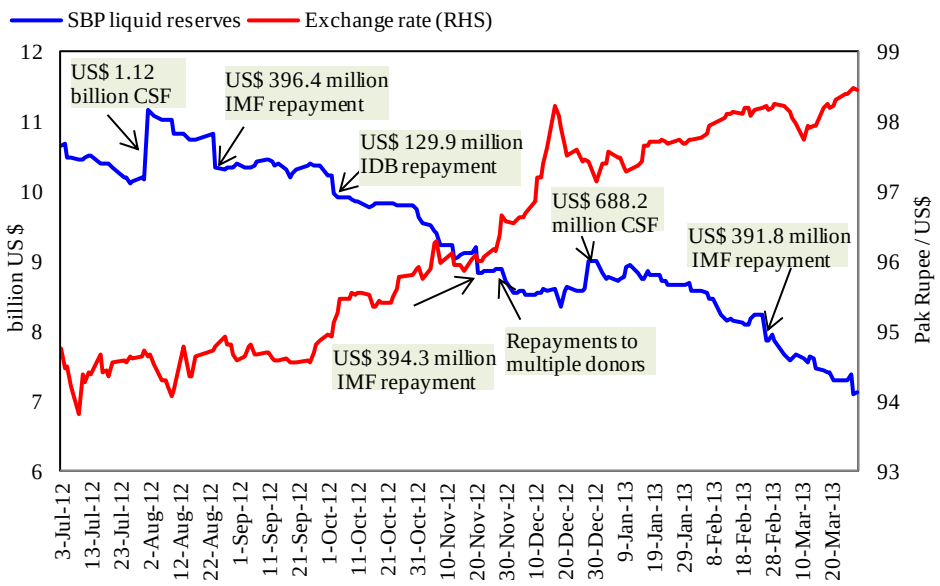
5 External Sector

5.1 Overview

Pakistan's overall external deficit was US$ 1.8 billion in Jul-Mar FY13 – an improvement of US$ 0.9 billion over the same period last year. However, SBP's foreign exchange (FX) reserves have been declining throughout FY13 (**Figure 5.1**). During Q3-FY13, IMF payments accounted for US$ 743.7 million decline in the level of reserves;[1] exports and foreign investments failed to recover; and worker remittances posted a 5.1 percent YoY decline, which appears to be one-off. Consequently, the current account deficit increased to US$ 1.3 billion in Q3-

Figure 5.1: Daily Position of SBP Liquid FX Reserves & Exchange Rate



Source: State Bank of Pakistan

FY13, and the exchange rate remained under pressure throughout FY13.

Presently, Pakistan's liquid FX reserves meet the international adequacy standards, in terms of import and short-term debt coverage (**Section 5.4**). However, lumpy IMF payments scheduled for the next few months will put

[1] The total principal repayments to IMF, after including budgetary support amount to US$ 720.1 million in Q3-FY13.

pressure on the country's reserves. Market sentiments have occasionally been unhinged as evident in erratic spikes in the kerb premiums (**Section 5.5**).

Any policy actions to stabilize the external account must realize that the problem stems from the financial account, not the current account. More specifically, in a scenario where the imbalances are emanating primarily from debt repayments and almost non-existent investment flows, orthodox stabilization policies may not work. Demand compression, especially when imports are already falling and exports are affected by a weak global economy, can undermine the already low level of economic growth, and increase the debt repayment burden on the country.

While external assistance may be required in the short run, long-term capital inflows (and robust current account surplus) will only be possible with structural adjustments to create the fiscal space needed to improve the provision of public services and infrastructure; promote competition, transparency and efficiency; and minimize the unproductive use of financial resources. SBP has been emphasizing the need for such decisive structural reforms to contain both fiscal and external imbalances.

5.2 Current Account – *Deficit soars as remittances weaken*

The current account, which had recorded a surplus in Q1-FY13 and a nominal deficit in Q2-FY13, swelled to a US$ 1.3 billion deficit during Q3-FY13 (**Table 5.1**). However, the cumulative current account deficit for Jul-Mar FY13 was US$ 1.1 billion, which is still less than half the deficit recorded last year. This improvement is mainly due to the CSF flows in H1-FY13.

The relatively large current account deficit in Q3-FY13 was caused by the decline in remittances. This was the first YoY decline in remittances in any quarter since Q2-FY05 (**Figure 5.2**), and can be attributed primarily to prolong delays in reimbursement of telegraphic transfer (TT) charges by the government to institutions on inward home remittances.[2]

[2] To encourage overseas Pakistanis to remit through official channels, the government of Pakistan partially reimburses the TT cost that banks have to bear in transferring money to Pakistan. For every inward remittance of over US$ 100, the government pays Saudi Riyal 25 to the bank, which partially covers their related expenses. For last 13 months, the government was unable to reimburse banks operating overseas.

Table 5.1: Summary of Balance of Payments
billion US$

	Q1		Q2		Q3		Jul-Mar		Abs. Δ
	FY12	FY13	FY12	FY13	FY12	FY13	FY12	FY13	
I. Current account balance	**-1.4**	**0.3**	**-1.0**	**-0.2**	**-0.6**	**-1.3**	**-3.0**	**-1.1**	**2.0**
A. Trade balance	**-4.2**	**-3.7**	**-3.8**	**-4.1**	**-3.8**	**-3.6**	**-11.8**	**-11.3**	**0.5**
Export	6.1	6.0	5.9	6.1	6.3	6.3	18.3	18.3	0.0
Imports	10.4	9.7	9.7	10.1	10.1	9.8	30.2	29.6	-0.6
B. Services	**-0.7**	**0.2**	**-0.6**	**0.0**	**-0.7**	**-0.6**	**-2.1**	**-0.4**	**1.7**
of which: Logistic support	0.0	1.1	0.0	0.7	0.0	0.0	0.0	1.8	1.8
C. Income account	**-0.7**	**-0.7**	**-0.9**	**-1.1**	**-0.7**	**-0.9**	**-2.3**	**-2.7**	**-0.4**
Payments include:									
Repatriation of profit by oil companies	0.3	0.4	0.4	0.4	0.4	0.5	1.1	1.3	0.2
Interest on off external debt, incl.IMF	0.2	0.1	0.3	0.2	0.1	0.1	0.5	0.5	0.0
D. Current transfers	**4.3**	**4.5**	**4.3**	**5.0**	**4.6**	**3.8**	**13.2**	**13.3**	**0.1**
of which: Worker remittance	3.3	3.6	3.0	3.5	3.4	3.2	9.7	10.4	0.6
II. Capital account	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.0**
III. Financial account	**0.6**	**0.0**	**-0.3**	**-0.6**	**0.1**	**0.0**	**0.4**	**-0.6**	**-1.0**
(i) Net foreign investment	0.2	0.2	0.1	0.4	0.1	-0.1	0.4	0.6	0.2
FDI (net)	0.2	0.1	0.3	0.4	0.1	-0.1	0.5	0.4	-0.1
Portfolio	0.0	0.1	-0.1	0.0	0.0	0.0	-0.1	0.2	0.3
(ii) Net debt flows	0.0	0.0	0.4	-0.1	-0.1	-0.2	0.3	-0.3	-0.6
Disbursement	0.5	0.4	0.8	0.6	0.4	0.4	1.7	1.4	-0.3
Amortization	0.5	0.5	0.4	0.6	0.5	0.6	1.4	1.7	0.3
(iii) Official assistance	-0.1	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	0.0
(iv) Others	0.5	-0.2	-0.8	-1.0	0.1	0.4	-0.2	-0.8	-0.6
IV. Errors and omissions	**0.0**	**-0.4**	**0.3**	**0.1**	**-0.4**	**0.1**	**-0.2**	**-0.3**	**-0.1**
V. Overall balance	**-0.8**	**0.0**	**-1.0**	**-0.6**	**-0.9**	**-1.2**	**-2.7**	**-1.8**	**0.9**

Source: State Bank of Pakistan

5.3 Financial and Capital Account

The financial and capital accounts remained under stress in FY13. Pakistan was unable to attract foreign investment due to the uncertainty associated with the elections, as well as the perceived macro-economic risks. The net FDI *outflow* in Q3-FY13 basically reflects disinvestment from one of the largest chemical manufacturers in Pakistan, and a lumpy loan repayment by a cellular firm (**Figure 5.3**).

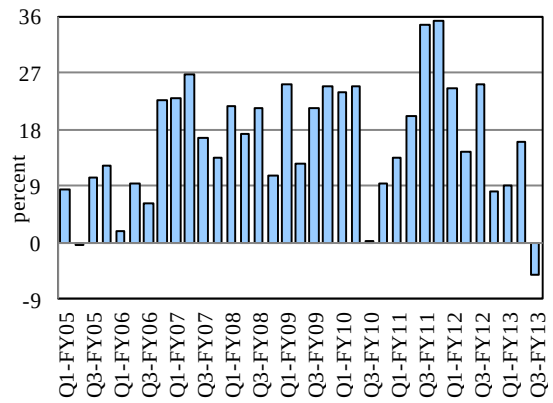
Portfolio investment also declined despite the boom in the equity market. A multinational FMCG – Unilever – has recently revealed plans regarding the buyback of its shares (worth over US$ 500 million), listed on the KSE during the

rest of the fiscal year. This is expected to support direct investment in the fourth quarter, but a part of this inflow is likely to be repatriated.

5.4 Reserves

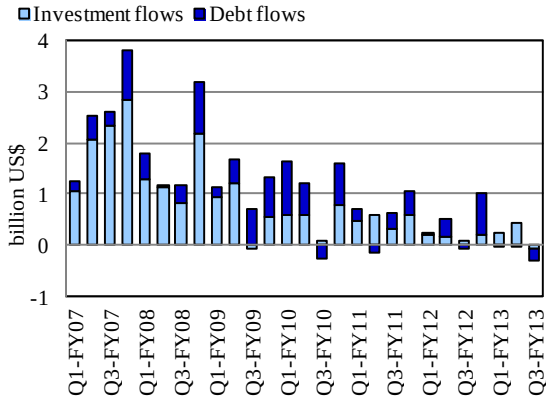
The decrease in the country's liquid foreign exchange reserves gathered pace in Q3-FY13. The country's reserves declined by US$ 3.04 billion during Jul-Mar FY13, out of which, a US$ 1.6 billion decline was observed in Q3-FY13 alone. The decline was concentrated in SBP reserves, as commercial banks' FX (liquid) holdings increased during the period (**Table 5.2**).

Figure 5.2: YoY Growth in Remittances



Source: State Bank of Pakistan

Figure 5.3: Quarterly Financial Flows



Source: State Bank of Pakistan

Most of the decline in SBP reserves can be traced to IMF repayments, which totaled to US$ 2.1 billion between Jul-Mar FY13 (**Figure 5.4**). The magnitude of the support that was required to calm market expectations, and for smooth functioning of markets, was also significant. However, it must be noted that despite the decline in foreign reserves, the measures of foreign reserve adequacy remain above international standards:

i) *Sufficient import cover*: According to international standards, a country's liquid FX reserves should be sufficient to cover three months of imports – Pakistan's liquid FX reserves seem adequate according to this criterion (**Table 5.3**). In fact, even after adjusting for IMF repayments for the next quarter, Pakistan will have adequate import cover.

Table 5.2: Reserves Composition
million US$

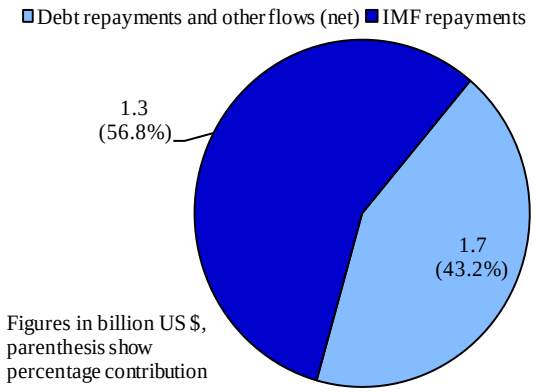
	FY12		FY13		
	Mar	**Jun**	**Sep**	**Dec**	**Mar**
A. Gold	3,442	3,311	3,679	3,433	3,311
B. SBP forex holding	12,075	10,856	10,410	9,028	7,147
B-i) SDRs	1023	966	953	924	875
B-ii) Cash forex holding	241	53	52	41	21
B-iii) Nostro (excl. CRR)	10,812	9,837	9,406	8,064	6,251
C. Commercial banks' forex holding	5,561	5,175	5,408	5,376	5,139
C-i) FE-25	5,707	5,557	5,618	5,608	5,764
C-ii) Trade nostros	-231	-456	-256	-264	-655
C-iii) Placement abroad (other than FE-25)	85	74	46	32	30
D. Commercial banks' forex utilizations	3,133	2,849	2,848	2,445	2,601
D-i) Trade finance	991	1072	1053	736	641
D-ii) FE-25 placements in Pakistan	78	81	90	88	107
D-iii) Others	2,064	1,696	1,705	1,621	1,853
E. SBP liquid reserves (Bi + Biii)	**11,835**	**10,803**	**10,359**	**8,988**	**7,126**
F. SBP liquid reserves and cash holdings	12,075	10,856	10,410	9,028	7,147
G. Commercial banks' liquid reserves (Ci - Di)	**4,716**	**4,485**	**4,564**	**4,872**	**5,124**
H. Commercial banks' total reserves (C - D)	2,428	2,326	2,559	2,931	2,538
I. Total liquid reserves (E + G)	**16,551**	**15,288**	**14,924**	**13,860**	**12,250**
J. Total reserves (A + F + H)	17,946	16,493	16,649	15,392	12,996

Source: Statistical Bulletin, SBP

Short-term debt is also covered: Pakistan's liquid FX reserves are 10 times the stock of short-term debt (both public and private). According to international standards, a country's reserves should be at least equal to the volume of short-term debt.

ii) *Hybrid coverage:* The IMF has recently proposed a metric to incorporate different potential FX outflows

Figure 5.4: Sources of Decline in SBP Reserves (Jul-Jan FY13)



Source: State Bank of Pakistan

(e.g., the risk of a decline in exports, short-term debt and other portfolio liabilities) to estimate reserves adequacy (**Box 5.1**). Pakistan's reserves lie within the recommended range of 100-150 percent of the proposed metric.

Table 5.3: Reserves Adequacy Indicators

	FY12		FY13		
	Mar	**Jun**	**Sep**	**Dec**	**Mar**
Import based adequacy					
Liquid forex reserves (LFR) as weeks of import	21.6	19.7	19.6	18.0	16.0
LFR as percent of **next 3-month projected imports***	160.8	158.3	147.2	141.4	109.9
After adjusting next 3-month IMF repayments	155.3	153.7	142.0	131.6	101.5
SBP LFR as percent of next 3-m projected imports	115.0	111.9	102.2	91.7	63.9
Commercial banks' LFR as % of next 3-m projected imports	45.8	46.4	45.0	49.7	46.0
Debt-based adequacy					
Short-term (ST) debt as percent of LFR	8.6	10.6	11.3	10.0	11.8
ST debt as percent of SBP LFR	12.1	14.9	16.3	15.4	20.3
IMF repayments next quarter as percent of SBP LFR	4.8	4.1	7.0	7.0	13.1
ST debt + IMF repayments as percent of SBP LFR	16.9	19.0	23.3	22.5	33.4
Hybrid indicators					
ST debt + current account deficit / LFR (percent)	12.5	21.1	9.0	11.1	21.8
ST debt + current account deficit / SBP LFR (percent)	17.5	29.9	13.0	17.2	37.4
LFR as percent of composite index (flexible)**	268.6	246.3	238.0	216.6	NA
SBP LFR as percent of composite index (flexible)**	192.0	174.0	165.2	140.4	NA
LFR as percent of composite index (fixed)**	141.8	130.6	126.5	114.2	NA

*Based on SBP projections; **See **Box 5.1**
Source: State Bank of Pakistan

Box 5.1: New Hybrid Indicators of Reserves Adequacy

A large number of countries are using traditional metrics to gauge their reserves adequacy. These measures include simple rules of thumb like three-month of import cover, or full coverage of short-term debt. Although these metrics are relevant and simple to follow, they focus on a particular source of external sector vulnerability. However, pressures on external account can stem from multiple sources, including imports, unanticipated decline in exports, capital flight and debt repayments. Therefore, there was a need to devise a metric that account for most vulnerabilities that countries are facing, and suggest a certain level of reserves against that metric.

Developing such metric was a two step process: first, the relative risk levels of different sources of balance of payments pressures were identified. And second, evidence was observed to assess how much reserves might be needed to cover this risk-weighted measure. Certainly, every country has different risk factors facing their balance of payments – depending upon the level of financial integration, trade openness, etc – and it may be arbitrary to assign a common weight to a particular risk for all countries.

To resolve this issue, separate metrics were developed for emerging economies, and low income countries. For identifying risk factors and assigning an appropriate weight, IMF followed a lengthy process: previous crisis episodes were reviewed, reserves managers were interviewed/surveyed, and evidence was considered from reserves demand regressions and range of metrics already in use by different countries. After going through this process, four key variables were identified to include in the risk metrics: export income (XE), short-term debt (STD), other portfolio liabilities (OPL), and liquid domestic assets, proxied by broad money (M2).

While short-term debt and other portfolio liabilities represent the potential drain from country's reserves, the decline in export earnings basically reflect the *source* of the crisis. Although imports are typically used in gauging reserves adequacy, technically this can be considered as a *symptom* of balance of payments crisis. Finally, M2 is used to represent the stock of domestic assets that can be sold and transferred during a crisis.

Finally, to assign weights, the approach uses tail event outflows (10^{th} percentile) observed during the periods of exchange market pressures, in the variables discussed above. Distributions are estimated separately for fixed and floating exchange rate regimes, based on which, following metrics were formed for the emerging economies:

Floating = 30%STD + 15%OPL + 10%XE + 10%M2
Fixed = 30%STD + 10% OPL +5% XE + 5%M2

It is recommended that country's reserves should lie within 100-150 percent range of the above metrics.

Source:
"Assessing Reserves Adequacy", Prepared by Monetary and Capital Markets, Research, and Strategy, Policy, and Review Departments, International Monetary Fund. Approved by Reza Moghadam, Jonathan D. Ostry and Robert Sheehy, February 14, 2011.

5.5 Exchange Rate

Stable Q3 but expectations remain pessimistic

The foreign exchange market remained calmer in Q3-FY13, compared to the previous quarter. Not only did the pace of Rupee depreciation slow, volatility also declined considerably (**Table 5.4).** On a cumulative basis, the Pak Rupee depreciated by 3.9 percent during Jul-Mar FY13, which is lower than the 5.2 percent depreciation in the same period last year.

Table 5.4: Rupee-Dollar Parity during FY13

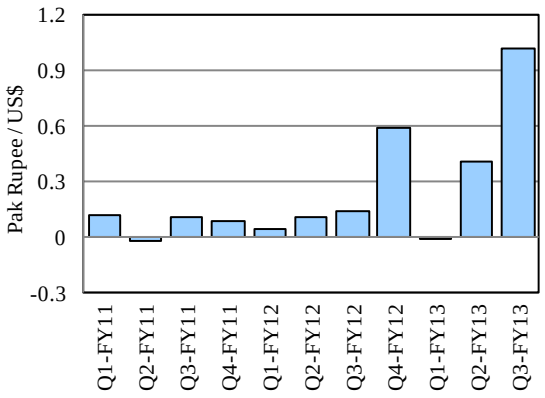
	Q1	Q2	Q3
Exchange rate (end-period)	94.87	97.14	98.47
Dep/App during the quarter (percent)	-0.25	-2.34	-1.36
Co-efficient of variation (percent)	0.22	0.87	0.33
Cumulative dep/app (percent)	-0.25	-2.58	-3.91
Increase/decrease in total liquid reserves (billion US$)	-0.37	-1.06	-1.61

Source: State Bank of Pakistan

We are, however, concerned with the resurgence of the kerb premium during the quarter (**Figure 5.5**). In our view, the disproportionate increase in demand for FX

reflects the expectation of further depreciation in the Pak Rupee that encourages people to hold US Dollars *outside* the banking system.

Figure 5.5: Average Kerb Premium



Source: State Bank of Pakistan

5.6 Trade Account[3]

Pakistan's trade deficit contracted by 8.9 percent YoY during Jul-Mar FY13, in contrast to an expansion of 43.6 percent during the same period last year. This improvement was due to a 5.4 percent YoY rise in exports and 1.6 percent decline in imports (**Table 5.5**).

However, after YoY decline in the first two quarters of FY13, the trade deficit recorded a 2.8 percent YoY increase during Q3-FY13. This deterioration was mainly caused by a slowdown in exports.

5.6.1 Exports

The growth in textile and food exports led to a modest 5.4 percent rise in overall exports during Jul-Mar FY13; the exceptional jewelry exports during July-Oct 2012, also contributed to this overall growth (**Figure5.6**). Although the rise in textile exports is a result of improved external demand and higher price of yarn and fabric, the growth in food exports was largely due to better prices in the international market.

Table 5.5: Foreign Trade

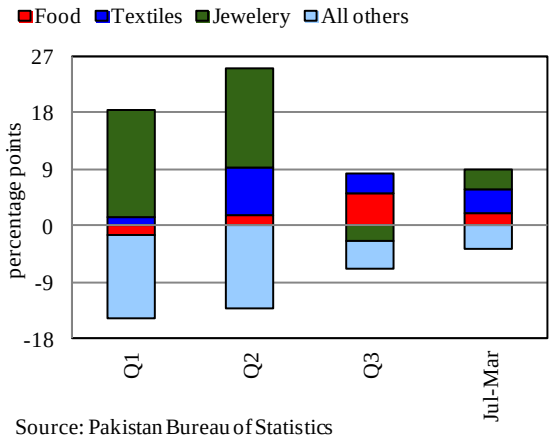
	Exports	Imports	Trade deficit
		Value in billion US$	
Q1-FY13	6.1	10.9	4.7
Q2-FY13	5.9	11.1	5.2
Q3-FY13	6.0	10.8	4.8
Jul-Mar FY12	17.1	33.3	16.2
Jul-Mar FY13	18.0	32.8	14.7
		YoY growth in %	
Q1-FY13	3.5	-2.4	-9.2
Q2-FY13	11.6	-4.2	-17.5
Q3-FY13	1.6	2.1	2.8
Jul-Mar FY12	-3.7	14.7	43.6
Jul-Mar FY13	5.4	-1.6	-8.9

Source: Pakistan Bureau of Statistics

[3] The analysis in this section is based on the data from the Pakistan Bureau of Statistics (PBS), which differs from the exchange record data prepared by the SBP. For details, see Data Explanatory Note. 5(d), **Annexure A**.

However, most of these gains were realized during the first half of the year, and exports decelerated in subsequent months; as a result, the YoY growth in exports was only 1.6 percent in Q3-FY13.

Figure 5.6: Contribution to Export Growth (FY13)



Source: Pakistan Bureau of Statistics

Textiles

Textile exports grew by 7.2 percent during Jul-Mar FY13, in contrast to a *fall* of 9.7 percent in the same period last year. The expansion was quite broad-based with visible increases in yarn, fabric, hosiery, towel and readymade garments (**Table 5.6**). Moreover, while the recovery in textile exports was largely because of low value-added items in H1-FY13, the growth in the third quarter was driven by high-value added segment (**Figure 5.7**).[4] The increase in low-value exports was due to both higher quantum and prices, with higher demand for yarn and fabrics coming from China.[5] The growth in high-value textile exports was largely due to higher quantum, after the announcement of duty-free access for 75 categories by the EU from November 15,

Table 5.6: Textile Exports (Jul-Mar FY13)

	% Growth (YoY)	million US$		
		Absolute Δ	Quantum Impact	Price Impact
Textiles	**7.2**			
Raw cotton	-65.1	-236.0	-222.8	-13.2
Cotton yarn	29.7	379.9	457.0	-77.1
Cotton fabrics	11.7	208.4	-65.8	274.2
Hosiery	2.9	42.6	62.8	-20.2
Bed wear	0.5	7.0	95.0	-88.0
Towels	17.5	85.4	114.8	-29.5
Readymade garments	10.2	121.5	131.5	-9.9
Low value-added	10.0	352.3	168.4	184.0
High value-added	6.0	256.4	404.1	-147.7

Source: Pakistan Bureau of Statistics

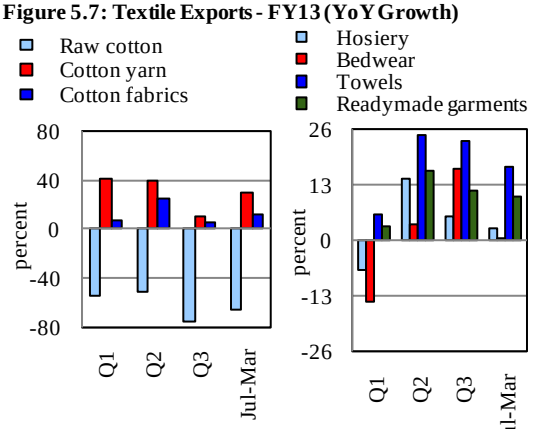
[4] About 60 percent of total textile export consist of high value added goods, while remaining is low value added.

[5] This transformation is due to the continuously rising labor wages in China that have increased production cost there. Pakistan could benefit substantially from this opportunity, as it possesses an abundance of low-cost labor and a large cotton production base, backed by some level of vertical integration in the weaving, ginning and spinning sectors.

2012 onwards;[6] and a slight improvement in the US economy during the second half of 2012 (**Table 5.7**).

Anecdotal evidence suggests that textile exporters are installing their own power generating units to overcome power shortages. Having said this, issues like liquidity constraints and the shortage of raw material have adversely impacted production numbers.

Figure 5.7: Textile Exports - FY13 (YoY Growth)



Source: Pakistan Bureau of Statistics

Non-textile sector

Non-textile exports increased by 3.4 percent on a YoY basis during Jul-Mar FY13 (**Figure 5.8**). This increase is largely because of higher prices as the quantum for most non-textile exports declined during this period.

While growth in the non-textile sector was largely due to jewelry exports during the first half of FY13, food exports led the way in Q3-FY13. After declining in Q1-FY13, food exports rebounded strongly, growing by 28.7 percent during Q3- FY13. On the other hand, jewelry exports declined by 54.0 percent during Q3-FY13. The surge in exports during the first half of FY13 was attributed to a higher price differential between domestic and international prices, and the deprecation of Pak Rupee.[7]

Table 5.7: US Textile and Apparel Imports (Jul-Feb FY13)

YoY change in percent

	Quantity	Value
Bangladesh	26.0	14.0
China	17.3	12.8
India	17.5	10.2
Pakistan	15.2	7.8
Vietnam	22.6	21.5

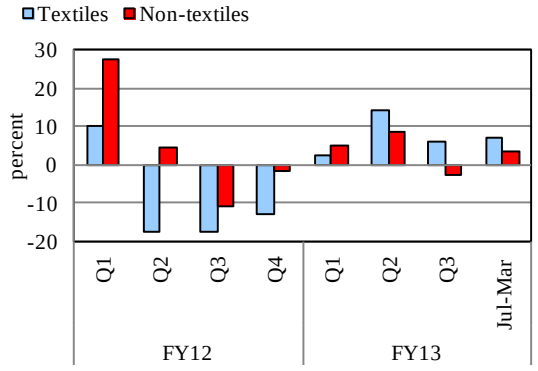
Source: US Department of Commerce

[6] Pakistan is expected to gain US$ 350 to US$ 500 million from the duty free access to exports of 75 categories during FY13. Pakistan has the price advantage over its competitors (mainly India and Bangladesh) in 19 categories.

[7] Specifically, price differential with respect to UAE gold market has remained on higher side during the past few months. Pakistan exports more than 90 percent of jewelry to UAE.

Rice exports declined by 7.0 percent (YoY) due to fall in domestic production and delay in harvesting due to late monsoon rains (**Figure 5.9)**. The export of basmati rice recorded a significant 22.4 percent decline due to a lower quantum of exports,[8] whereas non-basmati rice exports rose by 2.8 percent, entirely due to higher unit values. Rice exports did, however, rebound strongly in Q3-FY13 and grew by 11.8 percent during the quarter.

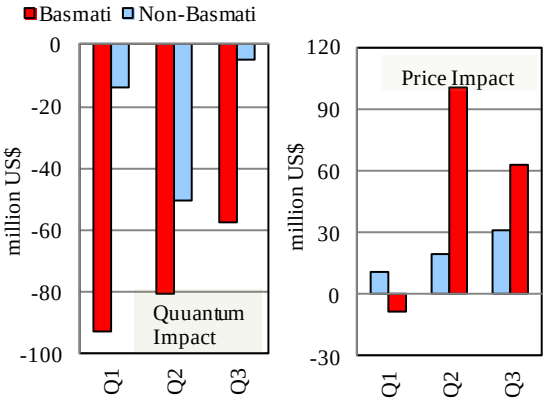
Figure 5.8: Textile and Non-Textile Exports (YoY change)



Source: Pakistan Bureau of Statistics

In ***other manufactures***, the export of jewelry, cement, electric fans and onyx products recorded a rise; however, this was partially offset by a decline in the export of sports goods, chemicals and pharmaceuticals, and leather. The rise in cement exports was led by strong demand from African markets and relatively better export prices. The export of molasses remained subdued due to its increased use domestically to produce energy in some industries.

Figure 5.9: Rice Exports (FY13)



Source: Pakistan Bureau of Statistics

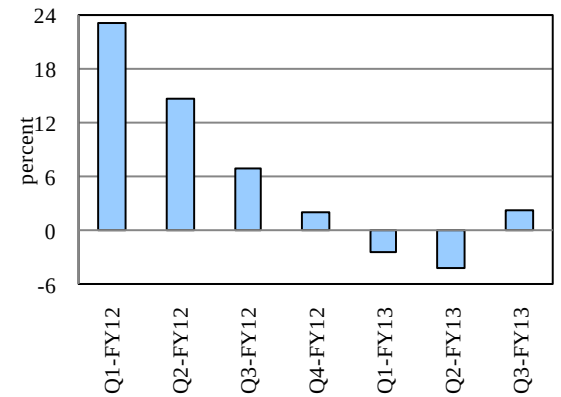
5.6.2 Imports

After declining during Q1 and Q2-FY13, imports increased in Q3 (**Figure 5.10**). Imports picked up during Q3-FY13 with the rise

[8] The introduction of a new high-yield basmati rice variety in India last year captured a substantial portion of the international rice market. Iran was the second-largest market for rice exports two years ago for Pakistan, but, according to the rice exporters association of Pakistan (REAP), the loss of Iranian market was due to the absence of currency swap arrangements from Pakistan, which India had in place, along with the India-Iran 'food-for-oil' swap agreement.

in machinery, raw cotton and metal imports outpacing the significant decline in food, transport and agricultural imports (**Table 5.8**).

Figure 5.10: Imports FY13 (YoY change)



Source: Pakistan Bureau of Statistics

Textile imports grew by 8.0 percent during Jul-Mar FY13, with Pakistan importing a significantly higher quantity of raw cotton in order to meet its demand for cotton yarn and fabric in the wake of a sharp fall in domestic production.[9] Pakistan's cotton import bill would have been much higher, had the international price of cotton not declined.[10]

Table 5.8: Import Performance (Jul-Mar FY13)

	YoY Growth (%)		% Contribution to Growth	
	H1	**Q3**	**H1**	**Q3**
Total	**-3.3**	**2.1**		
of which				
Food	-17.3	-3.6	59.9	-19.2
Transport	9.7	-3.9	-18.8	125.3
Petroleum	1.3	-4.4	-13.2	-68.2
Textile	-9.4	45.4	15.4	115.0
Agri. & chem.	-13.9	-13.7	69.7	-100.4
Metals	11.8	20.3	-21.5	59.1

Source: Pakistan Bureau of Statistics

Similarly, the import of *metals* – (gold, iron and steel) – also rose during Jul-Mar FY13 (**Figure 5.11**). The rise in gold is linked to higher exports of jewelry, while iron and steel imports increased due to an increase in steel production capacity.[11]

In contrast, a decline in food imports in Jul-Mar FY13 was led by decreasing *palm oil* imports. However, *palm oil* imports picked up in Q3-FY13 and increased by US$ 64.4 million, with an increase in palm oil demand due to lower prices compared to other edible oils.[12]

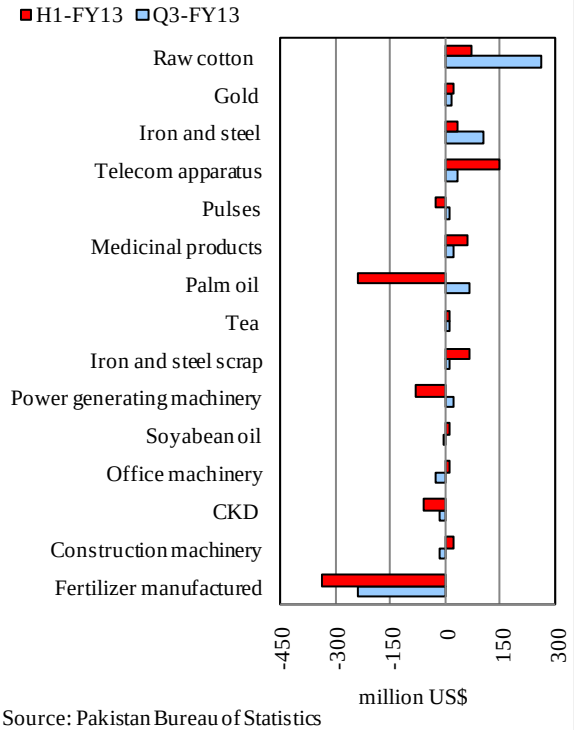
[9] Estimates indicate that cotton production will not only fall short of target, but will also be less than the last year level.
[10] Cotton prices in global market are down by 23 percent YoY in Jul-Mar FY13 compared to last year;
[11] According to reports, three new steel plants were commissioned in Karachi during 2012 (one in H2-FY12, and two in H1-FY13).
[12] Malaysia – the largest producer and exporter of palm oil in the world – has reduced tax on palm oil exports that brought down price in international market.

In transport group, imports of CKD kits group fell by 14.5 percent during Jul-Mar FY13. Car production has also suffered, as the production of various models (i.e., Suzuki Alto and Daihatsu Cuore), was discontinued in the country after July 2012. Total production of cars during Jul-Mar FY13 stood at 84,489 units, compared to 110,059 units last year.[13] The import of cars also declined as a result of change in import policy, which reduced the age limit for used cars.[14]

With Pakistan processing a higher quantity of crude oil, (especially during Q2 and Q3 of FY13), and lower international prices of crude oil, Pakistan's import bill for *petroleum* declined during Jul-Mar FY13.[15]

Fertilizer imports recorded a 53.6 percent fall in Jul-Mar FY13. This was due to increased domestic production and carryover stocks from last year.

Figure 5.11: Import Performance (YoY change)



Source: Pakistan Bureau of Statistics

[13] Last year 20,000 units were produced under the Yellow Cab Scheme of the Punjab government.
[14] The Commerce Ministry issued statutory regulatory order (SRO) for reduction in the age limit from five to three years for used cars import in December 2012.
[15] Pakistan's average monthly crude oil processing is 880 thousand MT during Oct-Mar FY13 compared to 800 thousand MT for the last three years. Average crude oil price during Jul-Mar FY13 remained at US$ 103.3 per barrel as compared with average price of US$ 106.2 per barrel during FY12.