

Share of Imported Goods in Consumption of Pakistan

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Pakistan is a small open economy. Whenever there is depreciation of domestic currency the prices of the imported goods rise. Also Pakistan not only imports for domestic consumption but a reasonable portion of the imports go to investment in industries in the form of imported capital equipment and machinery and also the imported intermediate goods which are value added and are exported. Pakistan bureau of Statistics classify the imports data into imports for capital goods, consumer goods, raw material for consumer goods and raw material for capital goods. The average share of imported goods in total imports for consumption purposes is 15.4 percent over the period 1970-2011.² But this ratio only tells of the share of imports consumed directly; we need the share of imported goods in the consumption of Pakistan. The components of imports are very important in many aspects as depreciation/appreciation of the domestic currency leads toward the passing from imports to domestic goods prices and hence domestic inflation/deflation. Also it may lead towards the decreasing/increasing export competitiveness in terms of price as imported intermediate goods prices affect the production cost of exports in which these imports are used as inputs.

This study aims to estimate how much of imports are used for domestic consumption of Pakistan but to estimate this we have to find the share of imports that are used as intermediate goods for exports, and that are invested in the economy we will only then be able to estimate the share of imported goods in total consumption as a residual.

For Pakistan, Bader (2006) estimated that 37 percent of imports are value added and exported abroad. However we have re-estimated this ratio as a by-product of estimation of share of imported goods in consumption of Pakistan. According to this study 7.41 percent of the imports are value added and exported as a component of the exports.

Now I come to estimation of the share of imported goods in Pakistan. The number of total reporting manufacturing (industrial) establishments is 6,417 for year 2005-

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² Calculated from Economic Classification of imports data from Pakistan Bureau of Statistics.

06.³ Data from Pakistan Bureau of Statistics do not categorize imports in final consumption, intermediate goods for exports and for investment purpose. The input-output tables constructed by Pakistan Bureau of Statistics are quite helpful in this regard but the 1990-91 input-output tables are the latest available. Pakistan's economy had experienced structural changes from 1990-91 onward. Thus our focus is to estimate the mentioned ratio for at least some recent year.

The latest Census of Manufacturing Industries (CMI) pertains to year 2005-06. It provides the share of directly imported raw material in total raw material as 22.19 percent. The census also documents the input-output ratio of 0.69 and the total value of industrial output for year 2005-06 at factor prices is Rs 2,929 billion and at market prices is Rs 3,030.19 billion. From value given at market prices we can get the contribution of inputs (capital) which turned out to be Rs 2,121.13 billion⁴. As we know that 22.19 percent are imported inputs thus imported inputs' share in total industrial production turned out to be Rs 470.68 billion.

From the group-wise data of PBS we can calculate the ratio of manufactured items in total exports which is 84.1 percent. Our total exports for the year 2005-06 are Rs 984.84 billion and using the above ratio Rs 828.25 billion are manufactured exports for the same year. These manufactured exports are 27.33 percent of the total industrial output for year 2005-06.

Using a 0.69 input output ratio we get 571.49 billion as the share of capital inputs in manufactured exports and now of these 571.49 billion capital inputs 126.81 billion are imported inputs (taking 22.19 percent of the 571.49 billion imported capital inputs).

Pakistan's total imports for year 2005-06 are Rs 1,711.16 billion and if we take the ratio of these 126.81 billion imported inputs to the total imports for year 2005-06 we get 7.41 percent. Thus 7.41 percent of the imports are value added and exported as component of the exports.

Now we need the portion of imports which are imported for investment purpose. For this purpose we have treated the ratio of machinery group to total imports excluding those imports which are categorized in the machinery group and are imported for consumption such as cell/Mobile phones. Thus according to this criterion the investment ratio in total imports is 18.37 percent.

Having found both these ratios we can now find the ratio of consumption goods in total imports as a residual which turned out to be 74.22 percent. Thus 74.22 percent of goods are imported for consumption purpose. Accordingly Rs 1,313.98 billion of imports out of Rs 1,770.39 billion⁵ total imports are imported for consumption purposes and Rs 456.41 billion are imported for investment and inputs for

³ Latest available Census of Manufacturing Industries 2005-06.

⁴ 69 percent of total industrial output.

⁵ Imports data as per National Income Accounts.

manufacturing. The share of imported goods in total Consumption of Pakistan is 20.08 percent which is calculated as the ratio of imports for consumption purpose to that of total consumption for year 2005-06.⁶

⁶ 1313.98/6544.53 where 1313.98 is imports for consumption and 6544.53 is the total consumption as component of GDP-mp.

References

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Appendix

Table 1: Imported Inputs as Percentage of Total Imports

S.No		Ratio	(Rs Billion) 2005-06
1	Total imports		1,711.16
2	Total value of manufacturing production (at market prices)		3,030.19
3	Share of inputs (capital) in total industrial production	70%*	2,121.13
4	Imported inputs share in total industrial production by inputs (Capital)	22.19%	470.68

Note: Value of Manufacturing Production is taken from latest Census of Manufacturing industries of the year 2005-06

Source: Pakistan Bureau of Statistics

Table 2: Ratio of Imported Inputs (Content of Exports) to Total Imports

S.No		Ratio	(Rs Billion)
1	Total exports (2005-06)		984.84
2	Manufactured share in total exports	84.10%	828.25
3	Total Value of manufacturing production		3,030.19
4	Manufacturing exports ratio in total industrial production		27.33%
5	Capital share in manufactured exports	69%	571.49
6	Imported inputs share in manufactured exports (by Capital)	22.19%	126.81
7	Total imports		1,711.16
8	Imported inputs part of imports that are value added and exported		7.41%

Note: For export Buying rate of Rs per Dollar of 60.1305 for 2005-06 and for Imports selling rate of 60.2970 for 2005-06 is used

Source: Pakistan Bureau of Statistics

Table 3: Ratio of Consumption, Investment and Value Added Imports (Imported Content of Exports) to Total Imports

		2005-06
1	Investment ratio in imports	18.37%
2	Imported inputs part of imports that are value added and exported	7.41%
3	Consumption part of imports	74.22%

Table 4: Share of Imported Goods in Total Consumption

S.No		Ratio	(Rs Billion) 2005-06
a	Nominal GDP at market prices		7623.21
b	Total consumption		6544.53
c	Total imports		1770.39
d	Consumption part of the Imports	74.22%	1313.98
e	Investment and exports part of imports	25.78%	456.41
g	Share of imported goods in total consumption		20.08%

Source: Pakistan Bureau of Statistics