



Economic Report 2023*

PAKISTAN

18 October 2023

*Pakistan's fiscal year runs from July to June.

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1 FOREIGN ECONOMIC POLICY

1.1 Host country's policy and priorities

In order to manage pressure on its foreign exchange reserves, Pakistan has been pursuing a foreign economic policy of **increasing exports** (through regionally competitive energy tariffs, rationalization of import customs tariffs of inputs used in the export sector, financial incentives, and ease of operating mechanisms), **curtailing imports** (through increasing cash margin requirements, compression exercises, and tightening the purchase of FX), **attracting foreign investment from friendly countries** (through the Special Investment Facilitation Council), **rescheduling and securing further foreign loans**, and **enhancing workers' remittances** (through incentive schemes to prevent pilferage due to the Hawala system).

The GSP+ status extended by the EU, Pakistan's largest export partner, has been extended by the European Parliament till the end of 2027. During the fiscal year 2023, Pakistan's exports to the EU constituted 30% of its total exports. Over the last 10 years, Pakistan has benefitted extensively under this scheme by exporting textiles, leather articles, and food items to the EU countries.

After Brexit, the UK has launched the **Developing Countries Trading Scheme (DCTS)**, for which Pakistan has qualified amongst 64 other countries. Under DCTS, Pakistan will be able to export its products to the UK on low tariffs.

In August 2022, Pakistan had signed a **Preferential Trade Agreement with Turkiye** offering concessions on 130 tariff lines including food items, engineering products and spare parts. Turkiye offered concessions on 261 tariff lines mainly on agro-products and industrial goods.

China Pakistan Economic Corridor (CPEC), aimed at receiving an investment of several billion USD from China, appears to be slowed down. So far, during the Phase-I of CPEC, out of USD 53 billion, investments of USD 25 billion have been materialized whereas USD 28 billion are under consideration. The first phase of the CPEC focused on developing energy outlook and infrastructure while the second phase of the project is said to be aiming at the development of various sectors including agriculture, manufacturing, industrialization, textiles, logistics and the construction of industrial parks.

1.2 Outlook for Switzerland (potential for discrimination or comparative advantage)

Swiss companies enjoy a very good reputation in Pakistan due to their quality products, although costly, and fair and transparent dealings. CPEC has brought opportunities for further investment and trade for Swiss companies in the fields of energy and construction, which have been undertaking projects under CPEC successfully.

2 FOREIGN TRADE

2.1 Developments and general outlook

2.1.1 Trade in goods

According to the data published by the State Bank of Pakistan, during the FY 2022-23, the overall trade deficit of Pakistan expanded by another 14% and was recorded at 85.7%. During the said period, imports showed a decrease of 27%. The exports also decreased by 14%.

USA (mainly textiles and food items), China (mainly copper articles and rice), UK (mainly textiles and cereals), Germany (mainly textiles, leather articles, surgical and dental instruments, and sports goods) and U.A.E (mainly textiles) remained the top five importers of the Pakistani products. In general, during this period, textiles, vegetable products (mainly cereals), base metals (mainly copper articles), mineral products (mainly salt and sulphur), and prepared

foodstuff and beverages were top five exports of Pakistan. The top five countries Pakistan imported from were China (mainly petroleum products and machinery), U.A.E. (mainly petroleum products), Saudi Arabia (mainly petroleum products), Singapore (mainly petroleum products, cotton and palm oil) and Indonesia (mainly palm oil). The top five products generally imported were crude petroleum and products thereof, chemicals and pharmaceuticals, textiles (mainly cotton and yarn), machinery (particularly nuclear and electrical), and vegetable products (mainly cereals).

Import of vegetable products and edible oils showed an upward trend and it is expected that it will continue in the future.

In the fiscal policy for the FY 2023-24, the government has announced tariff concessions on the import of quality seeds, saplings, combine harvesters, and rice planters and dryers. The tax rate on the import of goods by commercial importers has been increased by 0.5%. A regulatory duty of 15% to 30% has been imposed on the import of glass.

Rates of customs duties on any trade item can be ascertained through the following web link:

<https://fbr.gov.pk/duty-calculator/51149/152538>

2.1.2 Trade in services (if data available)

During the fiscal year 2022-23, the trade deficit in services narrowed by 33.5% and was recorded at 9.4%. The exports of services were recorded at USD 7.3 billion, while the imports were at USD 8 billion. Transport, Travel, Telecommunication & IT, Government goods & services, and insurance & pension services were the top five services imported by Pakistan.

Telecommunication and IT, Government goods & services, Transport, Travel, and Construction were the top five exports of Pakistan.

2.2 Bilateral trade

2.2.1 Trade in goods

The bilateral trade balance between Switzerland and Pakistan has traditionally been in the favour of Switzerland.

Switzerland's Exports to Pakistan (in Mio CHF)

Description	2018	2019	2020	2021	2022	%
Pharmaceuticals	199.5	170.5	201.4	175	118.3	-32.4
Machines	63.3	78.9	49.1	58.2	44.2	-24
Dyeing Extracts and Colours	29.9	31.7	30	33	28.9	-12.4
Watches	22.9	21.2	19.3	27	28.2	4.4
Chemicals	27.7	19.1	35.7	33	24.5	-25.7
Others	55.1	52.2	31.1	37.8	35.3	-6.6
Total	398.4	373.7	366.6	364	279.4	-23.5
						% change from last year

Switzerland's Imports from Pakistan (in Mio CHF)

Description	2018	2019	2020	2021	2022	%
Textiles	122.3	127.2	151.5	195.7	198.6	1.5
Agricultural Products	13.8	11.1	19.2	13.3	24.1	81.2
Leather Articles	13.8	15.6	15	18.1	16.4	-9.4
Others	16.1	15.1	15.7	17.9	17.9	0
Total	166	169	201.4	245	257	5
% change from last year						

Source: Swiss Federal Customs Administration

According to the data of the Federal Office for Customs and Border Security, Switzerland's exports to Pakistan in calendar year (CY) 2022 have shown a considerable decrease of 23.5% from CHF 364 million in CY 2021 to CHF 279.4 million in CY 2022. With respect to the data available with the State Bank of Pakistan, Switzerland is the 19th largest exporter to Pakistan in the fiscal year 2022-23 as compared to 14 last year.

Switzerland's imports from Pakistan in CY 2022 witnessed a marginal increase of 5% from CHF 245 million in CY 2021 to CHF 257 million in CY 2022. Textiles are the largest item of Switzerland's import from Pakistan followed by agricultural products and leather articles. Items like sports goods, surgical equipment and carpets also have a minor import share. According to the data available with the State Bank of Pakistan, Switzerland is the 25th largest importer from Pakistan in the fiscal year 2022-23 as compared to 29 last year.

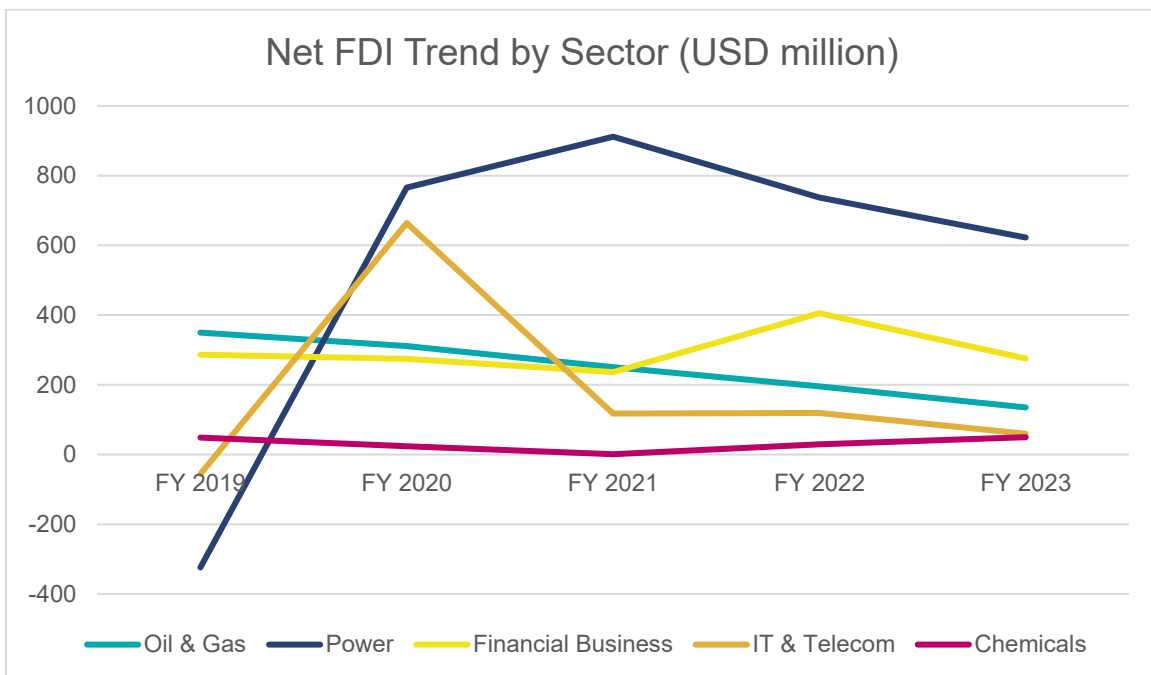
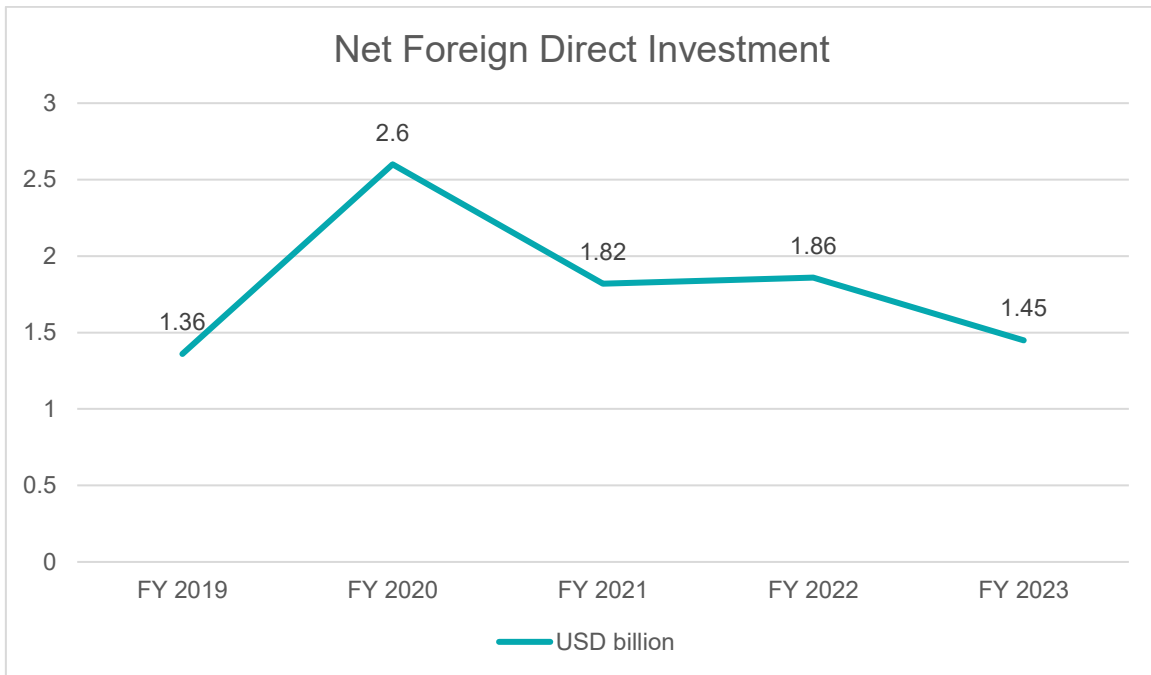
2.2.2 Trade in services

According to the data available with the State Bank of Pakistan, during FY 2023, exports of services from Switzerland to Pakistan decreased by 78% and amounted to USD 119.5 million while the exports from Pakistan to Switzerland decreased by 32% and were recorded at USD 117 million.

3 DIRECT INVESTMENTS

3.1 Developments and general outlook*

Net foreign direct investment in Pakistan witnessed a considerable decrease of 22.1% in the FY 2022-23 and was recorded at USD 1.4 billion as compared to USD 1.8 billion in the previous fiscal year.



China (mainly in the Power Sector), EU, Japan, U.A.E., Switzerland, and Hong Kong remained the top foreign direct investors in Pakistan during the FY 2023.

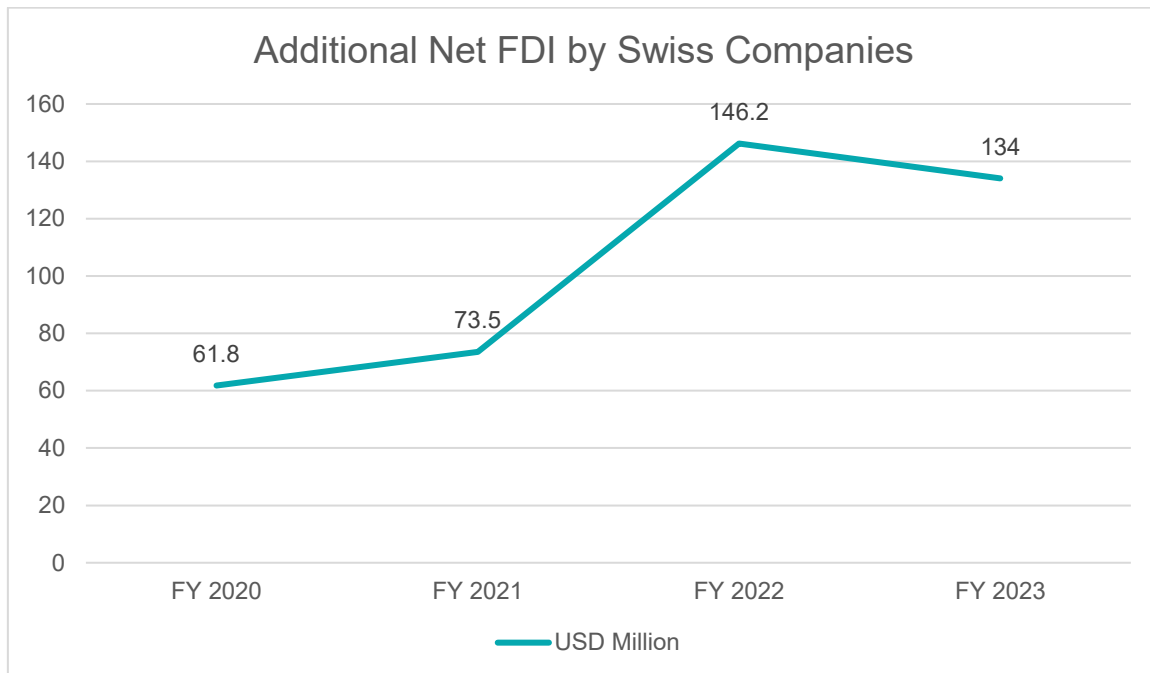
Special Investment Facilitation Council (SIFC) has been launched to attract / facilitate investment in particular from friendly countries mainly in the sectors of defence, agriculture, minerals, IT & telecommunications, and energy. After identifying opportunities in the respective sector, the main objective of the SIFC is to act as a 'Single Window' in order to remove bureaucratic hurdles, improve coordination amongst all stakeholders and fast tracking the implementation of investment projects.

The government intends to **privatize** 10 State Operating Entities (SOEs) including Pakistan Airlines, Pakistan Steel Mills, and Energy Distribution Companies. According to the caretaker Finance Minister of Pakistan, these SOEs have incurred an accumulated loss of USD 1.74 billion.

*Source: Pakistan's Board of Investment

3.2 Bilateral investment*

For many years, by virtue of Swiss companies, Switzerland has been one of the largest foreign direct investors in Pakistan. In FY 2022-23, Switzerland was ranked the 4th largest investor in Pakistan with an additional investment of USD 134 million. According to the IMF, Switzerland's net inward equity position as of 2021 stands at USD 3 billion. In FY 2019-20, Switzerland was the 6th largest foreign direct investor in Pakistan and it had invested another USD 61.8 million in the country. In FY 2020-21, Switzerland secured the 7th position by investing additional USD 73.5 million. During the FY 2021-22, Switzerland was ranked the 3rd largest investor in Pakistan with net FDI of USD 146.2 million.



Currently, 25 Swiss based multinational companies are operating in the country in the sectors of agriculture (growth 1.5%*), food (growth -8.7%*), beverages (growth -3.4%*), tobacco (growth -23.8%*), pharmaceuticals (growth -23.2%*), textile (growth -16%*), chemicals (growth -6.3%*), energy/electricity generation (growth -1%*), and banking (growth of asset base in calendar year 2022 at 19.1%*). 16 companies have their headquarters in Karachi while 8 companies are based in Lahore, and two companies are headquartered in Islamabad. 11 companies also have their manufacturing facilities in Pakistan; the number of these manufacturing units currently stands at 18. These companies provide direct employment to about 15,000 persons and a multiple number of third-party contract workers in Pakistan.

Despite challenging times in the economy, Swiss companies, in general, are steering well in Pakistan.

*Source: Pakistan Board of Investment and Pakistan Economic Survey 2022-23

4 ECONOMIC AND TOURISM PROMOTION

4.1 Swiss foreign economic promotion instruments

The commercial services of the Swiss Embassy in Islamabad and the Swiss Business Council (SBC) are the main channels of business and economic promotion for Switzerland in Pakistan. Questions and requests are handled directly by these institutions or forwarded to respective partners in Switzerland. The cooperation between the two entities with "Switzerland Global Enterprise" (S-GE) is good.

The SBC, founded in 2008, unites all Swiss companies with a subsidiary in the country or otherwise active in Pakistan. This representative in the country is an important partner for the Embassy in organizing events to promote Switzerland as an economic partner as well as business-2-business trips to Pakistan and Switzerland. The Council since 2014 has a mandate from S-GE to provide market studies (and to organize trips) for its interested members. SBC, over the period of more than one decade, has become a strategic and important partner for the Embassy allowing an important exchange of information with the management of Swiss companies active in Pakistan.

4.2 The host country's interest in Switzerland

Tourism, education, other services:

Switzerland enjoys in general a very good reputation in Pakistan. Beside chocolate, cheese, landscape and banks, Switzerland is known for its political stability, its neutral stance in world politics and as host country of "la Genève internationale".

Investments:

As per the information available with the Embassy, there are no Pakistani companies active in Switzerland. A small but growing "investment" in Switzerland comes from the small businesses of Pakistani living (3000 to 4000 Pakistanis are living in Switzerland) and working in our country, mainly in the hospitality (restaurants) business.

Switzerland as a financial centre:

As a financial centre, Switzerland enjoys a positive image in business circles. The recent developments and changes of practices in the Swiss banking sector including the modifications of the legal framework have remained, certainly with the general public, almost unnoticed in Pakistan. Mainly investors take interest in Swiss financial institutes due to Switzerland's stable political and economic environment. The Automatic Exchange of information (AEI) on tax matters between Switzerland and Pakistan has become effective since January 2020 whereby both countries have started sharing data from October 2021.

ANNEX 1 – Economic structure

Economic structure of the host country

	2018	2019	2020	2021	2022	2023
Distribution of GDP						
Primary sector	22.9%	22.4%	23.5%	23%	22.7%	22.9%
Manufacturing sector	12.2%	12.3%	11.5%	12%	12.4%	12%
Services	57%	58.1%	57.9%	58.1%	58.2%	58.6%
- of which public services	5.1%	5.1%	5.3%	5%	4.6%	4.4%

Distribution of employment						
Primary sector	38.7%	N.A.	N.A.	37.7%	N.A.	N.A.
Manufacturing sector	16%	N.A.	N.A.	14.9%	N.A.	N.A.
Services	45.3%	N.A.	N.A.	57.4%	N.A.	N.A.
- of which public services	2.5%	N.A.	N.A.	2.9%	N.A.	N.A.

Source(s): Pakistan Economic Survey 2022-23

ANNEX 2 – Main economic data

Host country's main economic data

	2022	2023	2024
GDP- constant prices (PKR bn)*	38,815	38,630	39,596
GDP – constant prices per capita (PKR)*	170,971	168,833	167,662
Growth rate (% of GDP)*	6	-0.5	2.5
Inflation rate (%)*	12	29	23.5
Unemployment rate (%)*	6.2	8.5	8
Fiscal balance (% of GDP)**	-7.8	-7.6	-7.5
Current account balance (% of GDP)*	-4.6	-0.7	-1.8
Total external debt (% of GDP)**	32.1	36.4	37.3
External Debt-service ratio (% of exports)**	37.7	57.6	41
Reserves (months of imports)**	1.9	0.7	1.4

1 USD = PKR 277.5 as of 16 October 2023

* Source: IMF, World Economic Outlook (October 2023)

▪ www.imf.org/external/pubs/ft/weo

** Source: IMF Country Report 2023/260

▪ <https://www.imf.org/en/Publications/CR/Issues/2023/07/17/Pakistan-Request-for-a-Stand-by-Arrangement-Press-Release-Staff-Report-Staff-Statement-and-536494>

ANNEX 3 – Trade partners

Trade partners of the host country Year: FY 2022-23

Exports from Pakistan

Rank	Country	Exports (Thousand US Dollars)	Share%	Change%
	EU	8'322'484	29.83	-1.4
1	U. S. A.	5'929'176	21.25	-13
2	China	2'029'104	7.27	-27
3	U. K.	1'966'479	7.05	-11
4	Germany	1'600'172	5.73	-9
5	United Arab Emirates	1'475'808	5.29	-20
6	Netherlands (Holland)	1'446'927	5.19	-4
7	Spain	1'373'804	4.92	19
8	Italy	1'151'448	4.13	6
9	Bangladesh	768'547	2.75	-12
10	Belgium	700'931	2.51	-2
11	France	570'127	2.04	7
12	Afghanistan	521'999	1.87	-6
13	Saudi Arabia	503'409	1.80	20
14	Canada	426'513	1.53	6
15	Turkiye	323'329	1.16	-9
16	Australia	305'273	1.09	1
17	Malaysia	299'013	1.07	-31
18	Singapore	290'557	1.04	-23
19	Sri Lanka	283'777	1.02	-24
20	Kenya	242'092	0.87	19
21	Denmark	207'961	0.75	-29
22	Japan	204'572	0.73	2
23	South Africa	199'560	0.72	0
24	South Korea	197'152	0.71	-4
25	Switzerland	180'426	0.65	36
26	Hong Kong	179'493	0.64	-46
27	Thailand	164'123	0.59	12
28	Sweden	156'481	0.56	-19
29	Kuwait	127'445	0.46	-5
30	Indonesia	127'393	0.46	4
31	Greece	124'730	0.45	15
32	Mexico	115'313	0.41	13
33	Tanzania	110'940	0.40	77
34	Egypt	110'156	0.39	-14
35	Brazil	106'780	0.38	4
36	Russian Federation	88'565	0.32	-34
37	Romania	65'315	0.23	20
38	Bahrain	64'275	0.23	-8
39	Norway	51'246	0.18	-13

40	New Zealand	47'805	0.17	-7
41	Argentina	47'033	0.17	-1
42	Jordan	40'917	0.15	-1
43	Finland	33'934	0.12	11
44	Morocco	26'772	0.10	-11
45	Mauritius	24'744	0.09	-6
46	Hungary	20'790	0.07	-22
47	Ukraine	11'070	0.04	-75
48	Uruguay	7'328	0.03	-22
49	India	329	0.001	-75
50	Iran	28	0.0001	100
	Total	27'903'044	100	-14

Source: State Bank of Pakistan

Imports to Pakistan

Rank	Country	Exports (Thousand US Dollars)	Share%	Change%
1	China	9'662'452	18.59	-44
2	United Arab Emirates	7'438'922	14.31	-15
	EU	4'111'068	7.9	-22
3	Saudi Arabia	3'324'307	6.40	-21
4	Singapore	2'762'906	5.32	-19
5	Indonesia	2'643'948	5.09	-1
6	Kuwait	2'545'609	4.90	10
7	U. S. A.	2'214'839	4.26	-28
8	Malaysia	1'021'887	1.97	-33
9	Germany	905'858	1.74	-28
10	Japan	889'110	1.71	-55
11	South Korea	807'705	1.55	-48
12	Netherlands (Holland)	745'211	1.43	-1
13	Brazil	718'354	1.38	-36
14	Thailand	711'917	1.37	-52
15	Australia	700'997	1.35	97
16	Morocco	664'847	1.28	28
17	Russian Federation	645'196	1.24	154
18	U. K.	638'757	1.23	-27
19	Switzerland	539'995	1.04	-52
20	Italy	526'930	1.01	-32
21	Turkey	477'599	0.92	-49
22	Kenya	442'569	0.85	-12
23	South Africa	427'164	0.82	-73
24	Canada	398'915	0.77	40
25	France	395'101	0.76	-23
26	Belgium	392'681	0.76	-29
27	Hong Kong	382'027	0.73	-40
28	Bahrain	379'665	0.73	-57
29	Spain	201'007	0.39	-39
30	Sweden	194'862	0.37	-22
31	India	189'615	0.36	1
32	Argentina	174'150	0.34	24
33	Romania	151'307	0.29	152
34	Egypt	115'537	0.22	-55
35	Greece	106'153	0.20	185
36	Tanzania	99'207	0.19	19
37	Bangladesh	77'006	0.15	-21
38	Denmark	64'537	0.12	-28
39	Finland	61'850	0.12	-39
40	Mexico	57'550	0.11	-14
41	Ukraine	49'935	0.10	-93
42	Sri Lanka	47'974	0.09	-41
43	Norway	32'394	0.06	-22
44	New Zealand	24'526	0.05	-36
45	Afghanistan	15'277	0.03	-90

46	Jordan	15'111	0.03	-16
47	Hungary	11'268	0.02	-25
48	Uruguay	8'926	0.02	-26
49	Mauritius	4'982	0.01	-55
	Total	51'978'971	100	-27

Source(s): State Bank of Pakistan

ANNEX 4 – Bilateral trade

Bilateral trade between Switzerland and the host country

	Export (CHF million)	<i>Change (%)</i>	Import (CHF million)	<i>Change (%)</i>	Balance (in million)	Volume (in million)
2017	373.3	+4.1	145.4	+18.1	227.9	518.7
2018	398.4	+6.7	166	+14.2	232.4	564.4
2019	373.7	-6.2	166.7	+0.4	206.6	540.4
2020	366.6	-1.9	201.4	+19.2	165.2	568
2021	365.1	-0.4	245	+21.6	120.1	610.1
<i>(Total 1)*</i>						
2022	279.4	-23.5	257	+5	22.4	536.4
<i>(I-VI)**</i>	-23.5%		+5%		-81.3%	-12.1%

*) 'Economic' total (total 1): not including gold bars and other precious metals, currencies, precious stones and gems, works of art and antiques

***) Change (%) from the previous year

Exports	2021 (% of total)	2022 (% of total)
1. Pharmaceuticals	48.1	42.3
2. Machines	16	15.8
3. Dyeing Extracts & Colours	9	10.3
4. Watches	7.4	10
5. Chemicals	9	8.8
6. Others	10.5	12.6

Imports	2021 (% of total)	2022 (% of total)
1. Textiles	79.9	77.3
2. Agro Products	5.4	9.4
3. Leather Articles	7.4	6.4
4. Others	7.3	7

Source: Federal Office for Customs and Border Security

ANNEX 5 – Main investing countries

Main investing countries in the host country

Year: 2023

Rank	Country	Direct investment (USD, million)	Share	Variation (stock)	Inflows over past year (USD million)
1	China	432.2	29.7%	-18.7%	-99.4
	EU	194.9	13.4%	-37.1%	-115.2
2	Japan	183	12.6%	+1587.8%	+195.3
3	U.A.E.	180.1	12.4%	+25.2%	+36.2
4	Switzerland	134	9.2%	-8.3%	-12.2
5	Hong Kong	101	6.9%	-26.7%	-36.7
6	USA	89.3	6.1%	-64.2%	-160.3
7	Netherlands	71.9	4.9%	-30.9%	-32.2
8	UK	65	4.5%	+104.4%	+33.2
9	Turkey	17.6	1.2%	+5966.7%	+17.3
10	Italy	8.6	0.6%	-75.3%	-26.2
	Total	1,455.8	100%	-22.1%	-412

Source(s): Board of Investment of Pakistan and State Bank of Pakistan