



PAKISTAN

What's happening in this economy

Pakistan's economy is the third largest in South Asia. The World Bank and International Monetary Fund (IMF) see growth slowing to 2.4 per cent in 2020, down from 2.9 per cent in 2019. Current account and fiscal deficits have contributed to the slowdown. The currency has devalued, inflation has surged, and foreign reserves have fallen.

In July 2019 the IMF approved USD 6 billion in lending to help Pakistan restore macroeconomic stability and undertake structural reform. Government policy is focused on revamping poor revenue collections, tackling high inflation, growing exports, and improving savings and investment levels. In a positive sign, Pakistan climbed 28 places to 108 on the World Bank Doing Business ranking of 190 economies released in October 2019. Remittances, a key source of balance of payments support, rose 8.45 per cent to USD 21.2 billion in 2018–19.

Strong import growth and long-term decline in the export sector saw the trade deficit deepen to USD 31.8 billion (10.1 per cent of GDP) in 2018–19. Recent efforts to dampen non-essential imports saw the trade deficit contract by 35 per cent in the first quarter of 2019–20.

Pakistan's leading imports are fuel, machinery and transport equipment, and fertiliser. The main exports are textiles, rice and vegetables. The European Union countries – collectively – have the largest share of trade. After that the main bilateral import sources are China (23.25 per cent) and the United Arab Emirates (14.59 per cent), while the main export destinations are the United States (17.1 per cent) and China (7.53 per cent).

Pakistan enjoys a natural endowment in agriculture and minerals, and a young demographic (median age is 23.8 years). The large middle class has an appetite for imported goods and services. Foreign retail and franchise outlets are spreading. There is rapid urbanisation with 10 cities housing populations over one million. Foreign investment is closing the infrastructure gap, particularly in energy.

The largest sector of the economy – services – accounts for 61.2 per cent of GDP and 37.6 per cent of employment, led by wholesale, retail, transport and communications. Agriculture contributes 18.5 per cent to GDP and 38.5 per cent to employment, but the sector's shares of both are falling and farming is often small-scale, inefficient and subsidised. Manufacturing – led by textiles – accounts for 13 per cent of GDP and 16.1 per cent of employment. Despite its potential, mining contributes just 2.7 per cent to GDP.

China is Pakistan's senior economic partner, accounting for 31.2 per cent of foreign direct investment inflows in 2018–19, down from 60.5 per cent the previous year. The China Pakistan Economic Corridor is a multi-billion-dollar project to build power stations, special economic zones and transport links. Pakistan gained further access to the Chinese market under the second phase of their bilateral FTA signed in April 2019. After China, Pakistan's largest source of foreign direct investment is Britain. Early in 2019 Saudi Arabia announced a USD 20 billion investment in petrochemicals, power generation and mining.

Key facts and figures

- Population: 201 million (2018)
- GDP growth: 2.9 per cent (2019)
- GDP per capita: USD 1,358 (2019)
- Two-way trade: AUD 1.73 billion (2018)
- Key goods and services: pulses, fertiliser, education (2018)
- Two-way investment: AUD 274 million (2018)
- Aid relationship: AUD 32.2 million (2019–20)



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Trade, investment, and commercial opportunities and activities

Australia's trade and investment relationship with Pakistan has grown steadily over the past decade. Total merchandise trade was worth \$776 million in 2018.

Australia's major exports to Pakistan are pulses, fertiliser, scrap metals and oil seeds.

Major imports from Pakistan are textiles, crude petroleum and rice.

Services exports were worth \$770 million in 2018, up 12.7 per cent on the previous year, reflecting growth in the number of Pakistanis studying in Australia. Investment flows are low. Austrade assesses there are trade, investment and commercial opportunities in the following areas:

Education:

- Academic and research linkages between institutions
- PhD scholarships and training opportunities through the Pakistan Higher Education Commission, and
- TVET collaboration.

Agribusiness:

- Commodity exports including chickpeas, lentils and canola oilseeds
- Supply chain services
- Water management services
- Feedlot and animal fattening
- Meat supply
- Dairy cattle and dairy products
- Farm management services, training and capacity building, particularly in dairy, and
- Forage seeds such as Rhodes grass, alfalfa, sorghum and oats.

Food and beverage:

- Franchising
- Packaged foods and food services, and
- Exports of meat and seafood.

Infrastructure:

- Transport links associated with the China Pakistan Economic Corridor
- Upgrades to aging infrastructure, particularly in railroads
- Major design changes in oil refineries, and
- LNG terminals.



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Resources

- Mining equipment, technology and services
- LNG supplies
- Consultancy services in mine planning and safety
- Resource estimation and sampling, and
- Contracts for overburden removal, coal handling, and de-watering mines.

Australian commercial presence

A number of Australian companies are active in the Pakistani market, mostly through local distributors. These include:

Education

Universities and education groups with in-country managers

- The Navitas Group
- The Study Group
- Deakin University
- La Trobe University
- Edith Cowan College
- Monash University
- Macquarie University
- Murdoch University
- Flinders University, and
- IDP Education.

Large education agents with an in-country presence

- AEO Pakistan
- HR Consultants
- Auspak International, and
- RMT Enterprises.

Agribusiness

- Grain exporters from Western Australia, NSW, Queensland, Victoria and South Australia
- Olam: almond sales
- S&W Seeds Pty Ltd: forage seeds



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- Heritage Seeds Pty Ltd: Rhode Grass and alfalfa seeds (through Matra Asia Ltd)
- Blue Ribbon Seeds Pty Ltd: Grass seed (through Farm Dynamics Ltd)
- Selected Seeds Pty Ltd: Grass seed (through Maxim International)
- Austrex Pty Ltd: Dairy livestock (through distributor Matra Asia Ltd)
- NASNA Livestock Pty Ltd: dairy livestock (through Dairy Solution Ltd)
- Atlas Exports Pty Ltd: dairy livestock (through Pro-Farm Limited)
- Genetics Australia Cooperative Pty Ltd: dairy cattle genetics (through Matra Asia Ltd)
- CE Bartlett Pty Ltd: water management equipment (through Farm Dynamics Ltd)
- Sentek Technologies: irrigation technology (through Farm Dynamics Ltd), and
- Elders International Pty Ltd: dairy livestock (through Maxim International).

Food and beverage

- Ballantyne: dairy ingredients (through Far Eastern Impex), and
- Heat & Control: snack manufacturing equipment (through Far Eastern Impex).

Others

- C-Cor Pty Ltd: information technology
- Blackmores: health supplements (through Base-6 Ltd)
- Alluvium Consulting: water management consultancy (Shah Murad Alliani former IUCN – Pakistan)
- Pierlite Pty Ltd: light fittings and assembly
- Cochlear: hearing implants
- The Smith Family: used clothing, and
- SMEC International: project management, roads, construction.

Trade policy and negotiations

Pakistan uses tariff and non-tariff barriers to protect domestic industries from foreign competition. It subsidises exports of commodities such as sugar. According to the World Bank, Pakistan's tariff posture generates an anti-export bias, giving local firms strong incentives to sell domestically where they are sheltered from competition. Pakistan's government of released a draft national tariff policy for public comment in 2019. The draft acknowledges that higher tariffs render Pakistan's industrial production less competitive internationally, however it defends their role in protecting industry and employment, improving the balance of payments, raising revenue and safeguarding developing sectors.

Pakistan has bilateral free trade agreements with China, Malaysia, Sri Lanka, Iran, Mauritius and Indonesia, but Pakistan's use rates are low. Pakistan is a member of the regional South Asian Free Trade Area (2006). It joined the WTO on 1 January 1995 and GATT on 30 July 1948. It extends Most Favoured Nation (MFN) status to all WTO members except India and Israel.



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