Estimation of Export Potential for Pakistan

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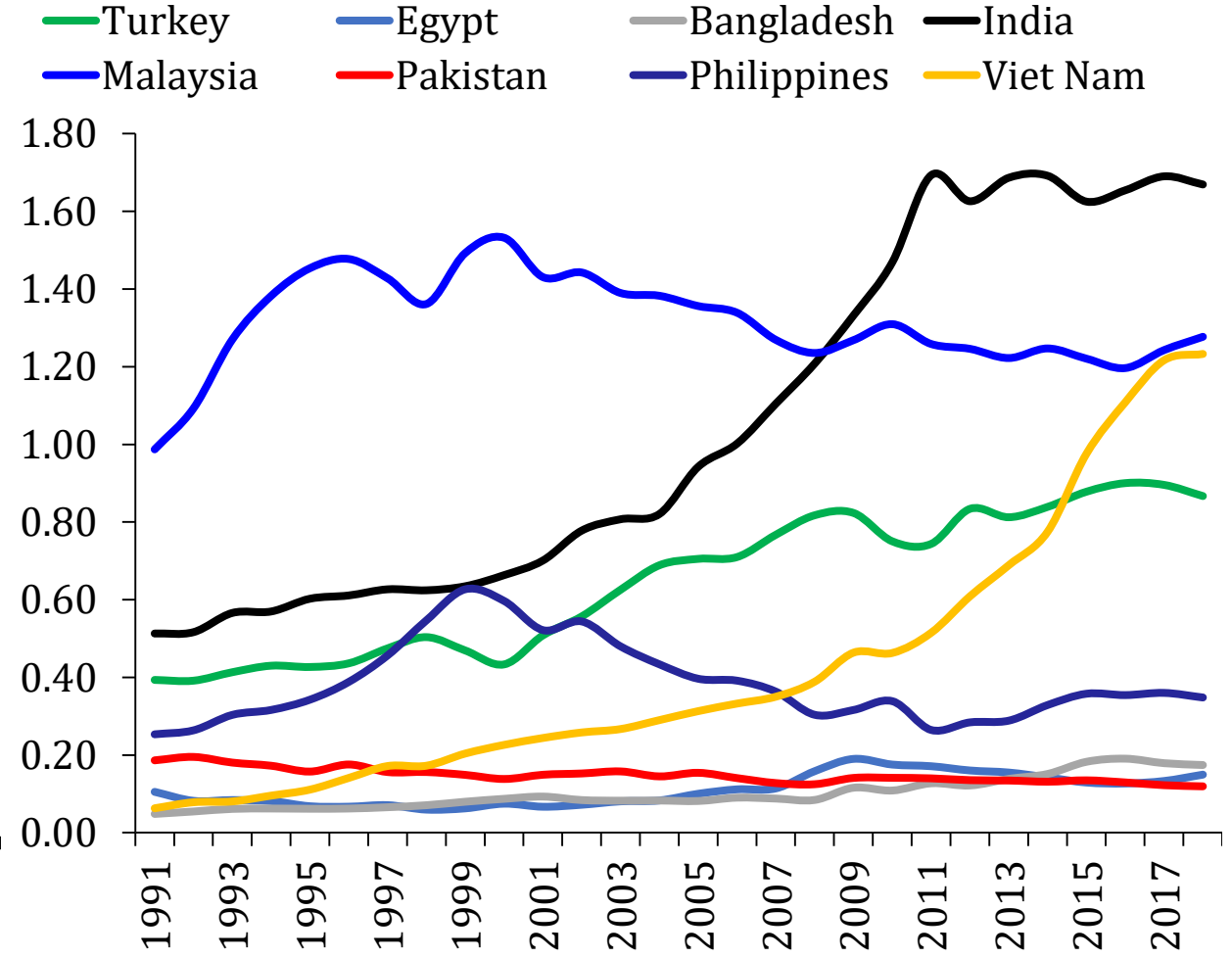# Pakistan's share in global exports is on decline

Percentage Share in Global Exports
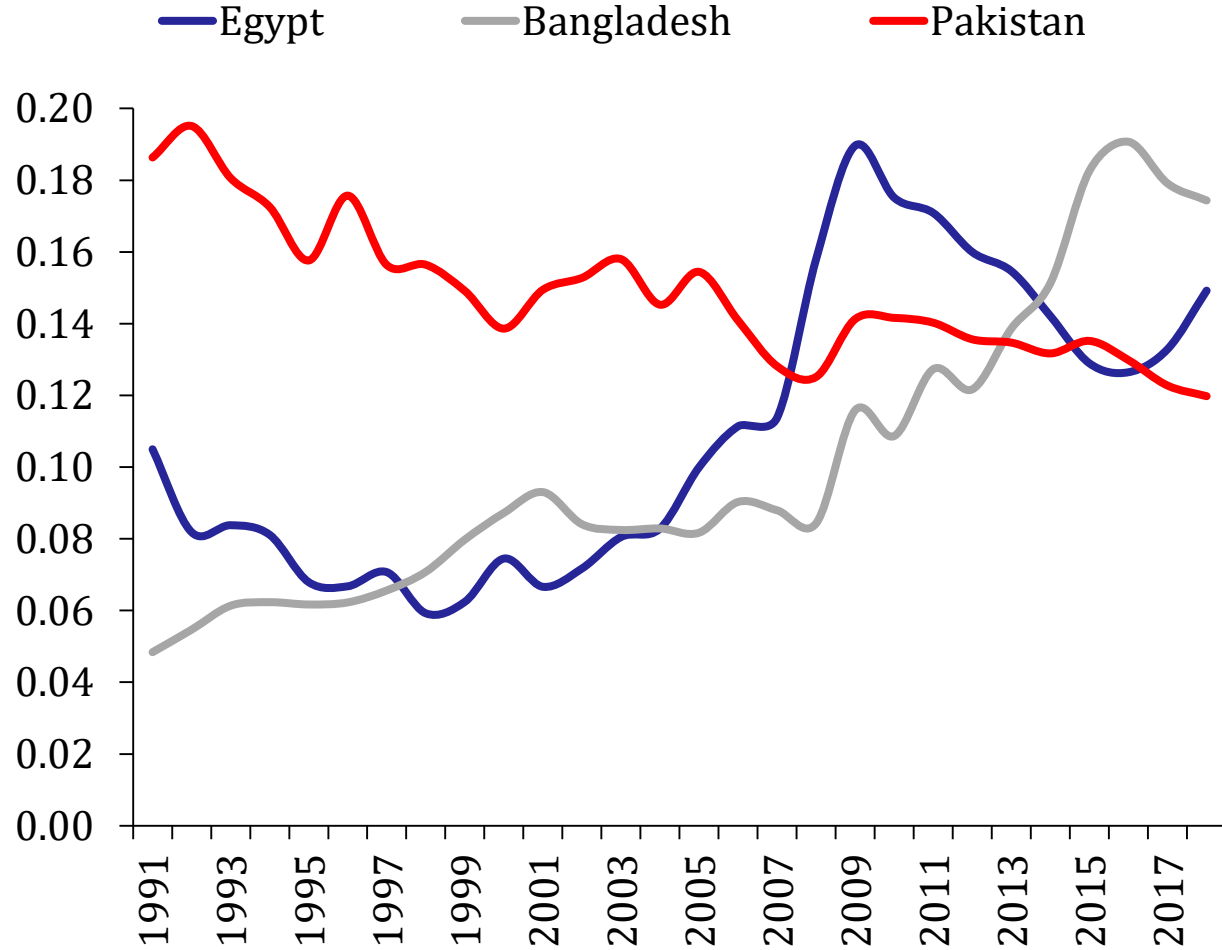
Percentage Share in Global Exports

Source: United Nations Comtrade Database

Product share of PK exports and their world counterpart

	% in Pakistan total exports				% in world total exports			
	2003-06	2007-10	2011-14	2015-18	2003-06	2007-10	2011-14	2015-18
Animal and vegetable oils, fats and waxes	0.5	0.6	0.7	0.2	0.4	0.5	0.6	0.6
Beverages and tobacco	0.2	0.1	0.2	0.1	0.8	0.8	0.8	0.9
Chemicals and related products, n.e.s.	2.5	3.4	4.2	4.3	10.5	10.8	10.6	11.5
Commodities and transactions not classified elsewhere	0.1	0.1	0.3	0.0	4.7	4.8	5.3	6.2
Crude materials, inedible, except fuels	1.9	2.8	4.4	2.9	3.2	3.6	4.0	3.7
Food and live animals	10.4	14.8	17.7	18.7	5.2	5.5	5.9	6.6
Machinery and transport equipment	2.2	3.1	1.6	1.6	37.9	35.0	32.7	36.4
Manufactured goods classified chiefly by material	50.2	43.9	42.8	41.4	14.0	13.4	12.4	12.3
Mineral fuels, lubricants and related materials	3.4	5.3	2.8	1.3	11.6	14.5	16.6	10.0
Miscellaneous manufactured articles	28.6	26.0	25.3	29.5	11.7	11.0	11.1	11.8

Highest ◼◼◼◼◼ Lowest

Source: United Nations Comtrade Database

Methodology: Demand and Supply

❖ We mapped Standard International Trade Classification (SITC) 3 digit codes with HS 6 digits spanning from 2003 to 2018 and categorized HS codes and added <u>technological classification Sanjaya Lall</u>, (2000) UN classification. Following the literature in international economics, <u>revealed comparative advantage</u> is used for assessing exports potential.

$$RCA = \frac{X_{Ai}/\sum_j X_{Aj}}{X_{Wi}/\sum_j X_{Wj}} \geq 1$$

❖ Based on RCA, we sorted the HS codes from highest comparative advantage to the least comparative advantage to identify the potential exports items from *supply side*.

❖ From the *demand side analysis*, we sorted HS codes based on world's fastest to slowest growing imports and then identified Pakistan's potential exports that matched with the world fast growing demand.

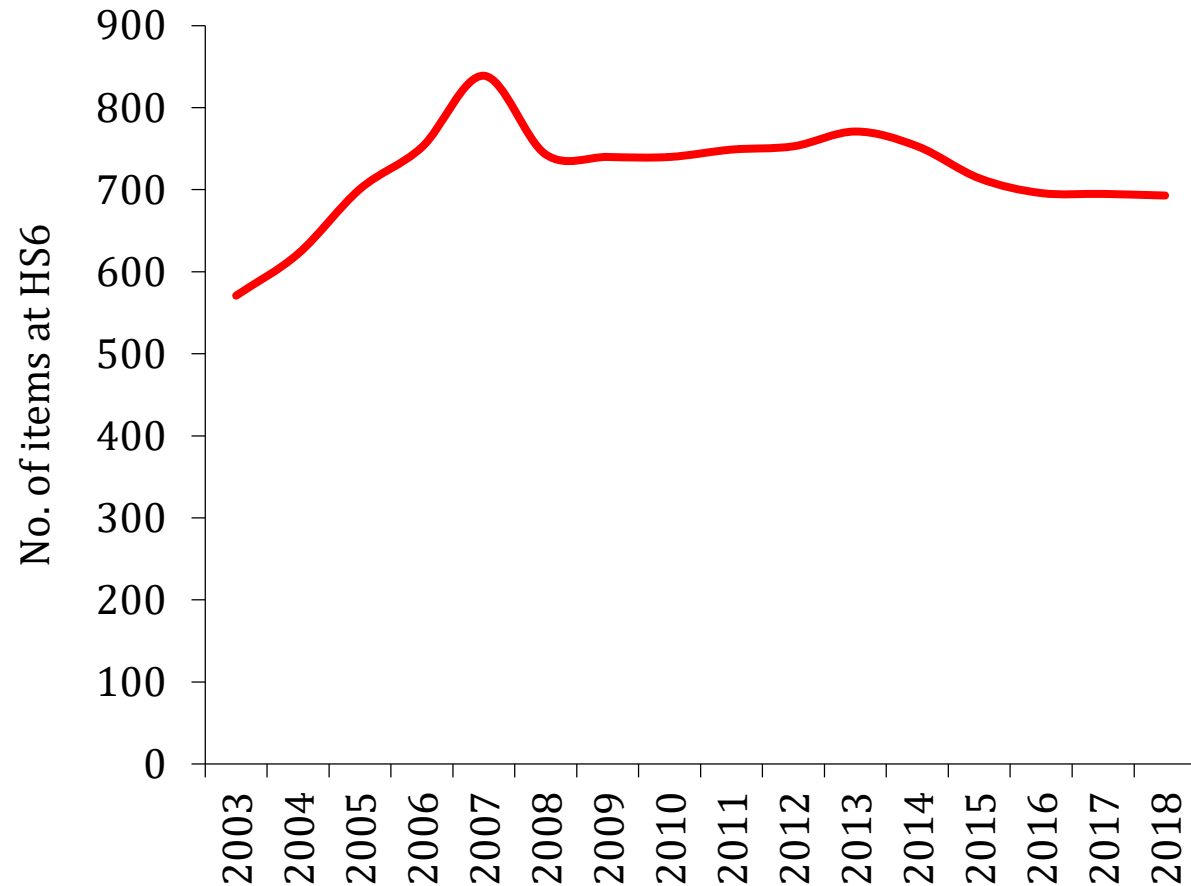Technological Classification of Pakistan's Exports
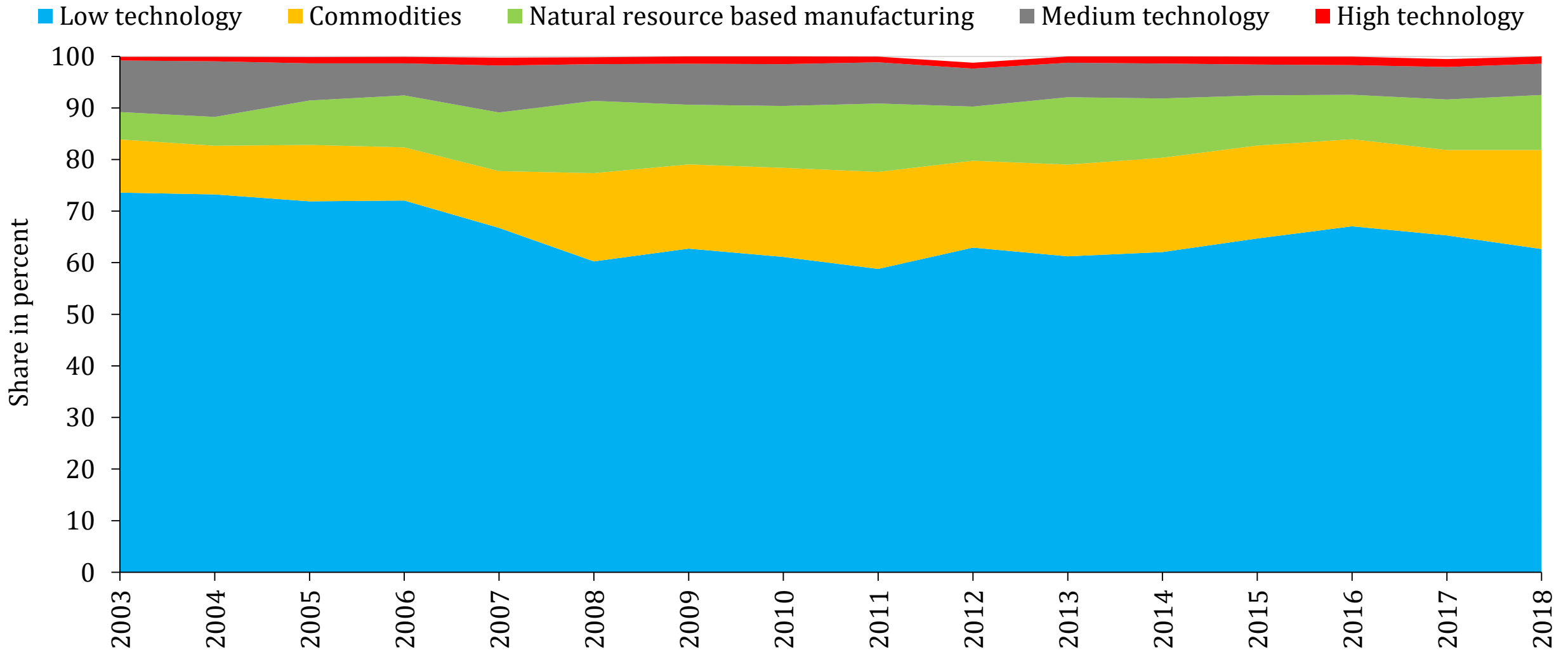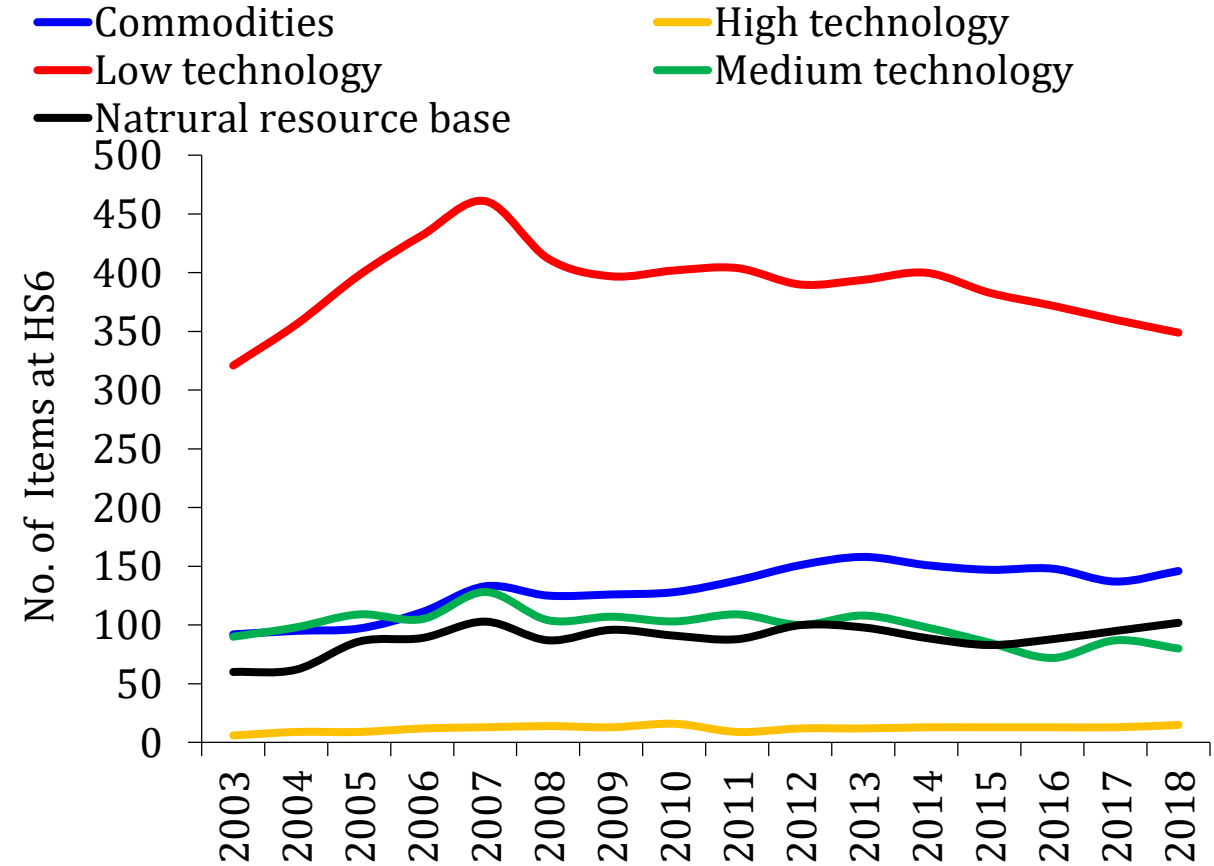
Source: State Bank of Pakistan

Pakistan is loosing its comparative advantage overtime

Total Exports: Items Count having comparative advantage (RCA >1)

Technological classification: Items Count having comparative advantage (RCA >1)

Source: State Bank of Pakistan

Potential Export Items from Supply Side

Comparative advantage revealed in low tech and commodities

Supply Side

High Tech, Commodities, Medium tech, Low Tech, Natural Resource

Bubble size represents share in world trade

World demand change (last 5 years)

RCA(last 10 years)

T-shirts, singlets and other vests

Women's or girls' suits, ensembles...
Men's or boys' suits, ensembles, ...
Babies' garments and clothing accessories

Articles for exercise, other sports, ...

Made-up articles of textile materials
Gloves, mittens, etc

Woven fabrics, mixed principally ...

Woven fabrics, other...

Matches

Mattress supports ...

Bedlinen and related items

Men's or boys' underpants,and similar ...

Leather apparel and accessories

Cotton yarn
Woven fabrics of cotton

Leather prepared after tanning or crusting

Source: State Bank of Pakistan

Potential Export Items from Demand Side

World demand is rising faster for high and medium tech exports

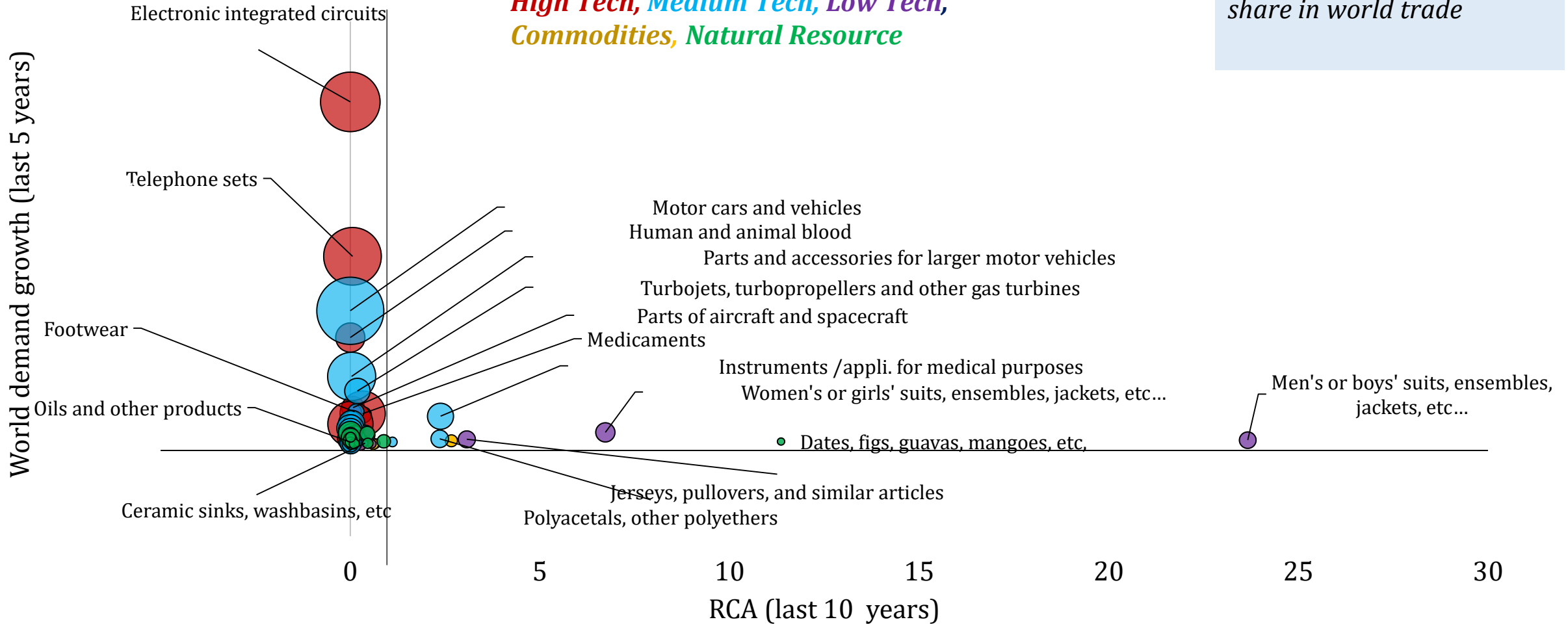

Demand Side

High Tech, **Medium Tech**, **Low Tech**,
Commodities, **Natural Resource**

Bubble size represents share in world trade

Electronic integrated circuits

Telephone sets

Footwear

Oils and other products

Motor cars and vehicles
Human and animal blood
Parts and accessories for larger motor vehicles
Turbojets, turbopropellers and other gas turbines
Parts of aircraft and spacecraft
Medicaments
Instruments /appli. for medical purposes
Women's or girls' suits, ensembles, jackets, etc…

Men's or boys' suits, ensembles, jackets, etc…

Dates, figs, guavas, mangoes, etc,

Ceramic sinks, washbasins, etc

Jerseys, pullovers, and similar articles
Polyacetals, other polyethers

World demand growth (last 5 years)

RCA (last 10 years)

0   5   10   15   20   25   30

Source: State Bank of Pakistan

Conclusion

➢ With the given production structure, Pakistan has the potential to double its exports

➢ Most of this potential lies in labor intensive low tech products- good for employment

Thank You