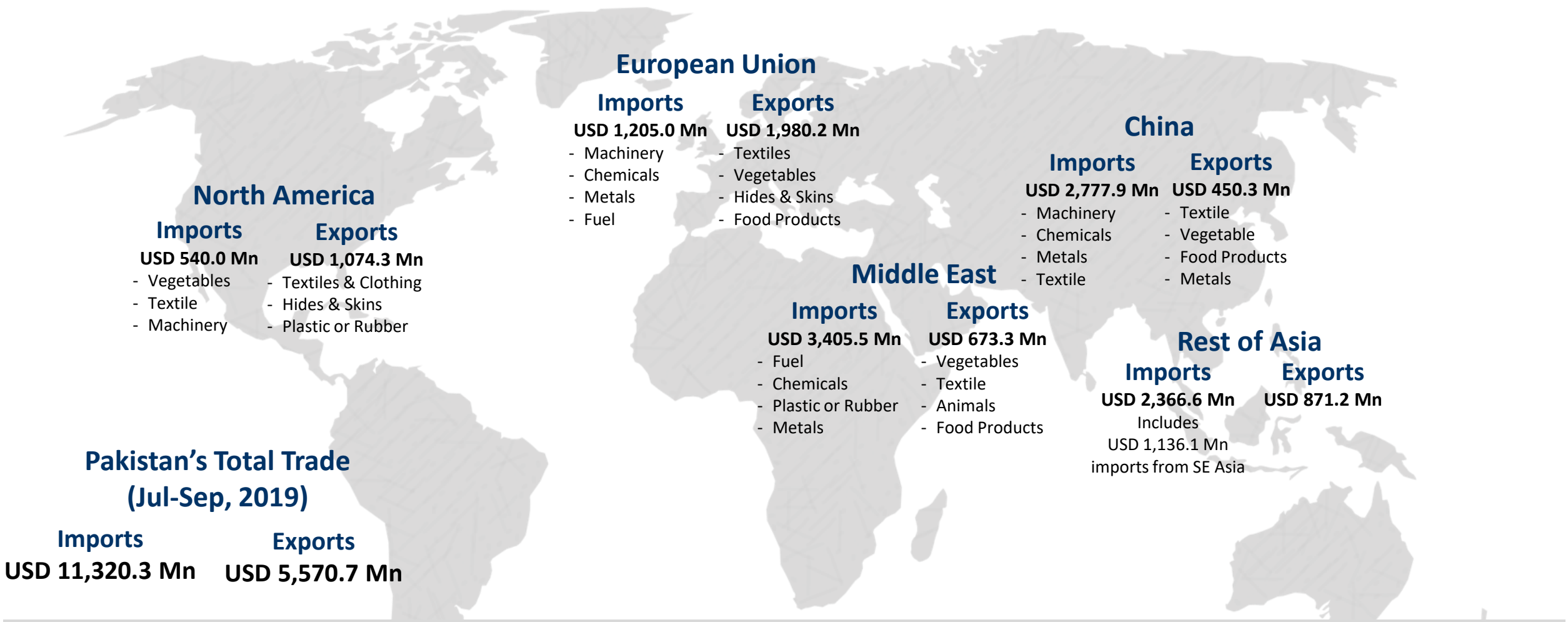


Coronavirus

Impact on Manufacturing Sector's Supply Chain

This document is intended to provide a snapshot of Pakistan's global trade volume and the impact any disruption may have on local manufacturing. This report does not discuss the economic consequences of the outbreak within Pakistan. Instead, this report attempts to understand the impact of disruption in global supply chains on Pakistan's manufacturing sector.

Quarterly Trade to Major Countries & Regions (Jul-Sep, 2019)



China is the single largest trade partner of Pakistan. The slowdown of manufacturing in China (followed by the rest of the world) due to COVID-19, may have significant impact on Pakistan's manufacturing industries which mostly rely on imported raw material for production. Imports from the Middle East, while large in value, mainly constitute fuel purchases. With the current fall in oil prices, outlook of trade from Middle East is positive. Pakistan's exports on the other hand, are predominantly to EU and North America and mostly comprise textile exports.

Break-up of Trade with China (July to January, 2019-20)

Textile & Allied	Amount USD Mn
Cotton & Cotton Yarn	110.9
Man-made filaments/fibers	398.6
Special yarn, ropes, cables	55.3
Fabrics (Knitted/Crotched)	48.5
Industrial Fabric	41.5
Apparel	22.8
Special Fabrics	18.8
Others (Misc.)	22.5
Total	719.0

Metals	Amount USD Mn
Iron & Steel	402.9
Other Metals	136.5
Total	539.4

Imports	Amount USD Mn	% Share
Machinery & Electrical	2,008.5	34.7%
Chemicals & Allied	1,005.7	17.4%
Textiles	719.0	12.4%
Metals	539.4	9.3%
Plastics & Allied	279.2	4.8%
Transportation	178.4	3.1%
Food Products	126.4	2.2%
Medical Equipment	104.0	1.8%
Paper & Packaging	85.1	1.5%
Stones, Ceramics, Glass	75.4	1.3%
Footwear, Headgear	31.1	0.5%
Minerals	14.2	0.3%
Others (Misc.)	627.7	10.8%
Total	5,794.1	

Exports	Amount USD Mn	% Share
Textile	561.5	53.1%
Food Products	128.5	12.2%
Animal / Animal Products	104.9	9.9%
Minerals	102.8	9.7%
Sugar & Confectionery	40.4	3.8%
Raw Hide, Leather	21.9	2.1%
Others (Misc.)	96.9	9.2%
Total	1,056.8	

China is a global manufacturing hub and our dependence on Chinese imports is not limited to a specific sector or industry. Any disruption in supply chain in China may disrupt the supplies of multiple sectors in Pakistan and resultantly the whole economy. Even in textile sector, which is the biggest export earner of Pakistan, production is not 100% indigenous and we are dependent on Chinese imports.

Break-up of Exports with EU and North America (July to January, 2019-20)

NORTH AMERICA

Exports	Amount USD Mn	% Share
Textile & Allied	2,140.0	82.01%
Hides & Skins	99.2	3.88%
Plastic or Rubber	77.5	2.97%
Vegetable	53.2	2.04%
Food Products	35.7	1.37%
Others	201.7	7.73%
Total	2,609.4	

EUROPEAN UNION (Incl. UK)

Exports	Amount USD Mn	% Share
Textile & Allied	3,584.8	76.0%
Vegetable	334.9	7.1%
Hides & Skins	283.0	6.0%
Food Products	108.5	2.3%
Footwear	47.2	1.0%
Plastic or Rubber	42.5	0.9%
Metals	33.0	0.7%
Others	287.7	6.1%
Total	4,716.9	

On the export side, Textile sector has the largest share of exports followed by Hides and Skins. Pakistan's exports are concentrated mostly in North America and European Union, where demand drivers have not been significantly affected by Coronavirus as of yet. However, with the epicenter of the outbreak moving from Asia to Europe, this may change and adversely impact Pakistan's exports in the coming months.

Major Sectors with Trade Volumes

FY 2019 (USD in Mn)			Supply Chain Outlook
	Imports	Exports	
Textile	3,888.5	13,657.7	Textile is the largest export contributor of Pakistan, however production is still reliant on imported raw material to an extent. Major categories of import include cotton, which is mostly being imported from the USA and Brazil where supply chain is secure for now. From China, textile imports mainly constitute synthetic filaments and fibers. On the demand side, our exports are concentrated in North America and the European Union with a lesser portion also exported to China. As the epicenter of the outbreak shifts from East Asia to Europe and North America, textile sector exports may suffer.
Chemical & Allied	6,166.2	372.0	Petrochemicals: Raw materials are derivatives of crude oil and are sourced from the Middle East, especially Saudi Arabia. Hence, no disruption in supply chain is expected at present. The demand for white oils used by textile and other industries have increased, as companies are sourcing these oils from local vendors. The prices of the oils have also increased due to supply concerns. Pharmaceutical: The pharmaceutical industry is heavily reliant on imports, with almost all of Active Pharmaceutical Ingredients (API) being imported, mostly from China.
Steel	3,163.2	107.5	Scrap and crude steel is being imported from various countries and likelihood of impact is calculated to stay neutral. Raw material of flat steel pipes (HRC) is imported mostly from China, however, imports from China are not being materially delayed as per discussions with industry players.
Plastics & Rubber	2,645.7	458.9	Tyres: Major raw materials are sourced from the Far East. Supply disruptions in China may create opportunities for local players in four wheel segment. However, this may also hinder local players' ability to capitalize on demand.
Food & Beverages	540.6	1,022.3	Most of the raw materials is procured locally. i.e. wheat, sugar, corn, potatoes etc. Some key ingredients are imported but major suppliers are in South East Asia. e.g. Indonesia, Malaysia. The Industry's top-line is mainly derived from local sales and local demand could be negatively impacted by the outbreak.
Auto & Allied	1,961.8	32.4	The sector is heavily dependent on imports and there have been some supply chain disruptions as most OEMs import directly from parent/sister concerns located in Far East Region. Spare parts are also sourced from China and Japan mostly. However, passenger cars availability is unlikely to be impacted immediately as most Companies already hold adequate inventory in hand.
Paper & Packaging	785.1	97.3	Paper: Main raw material, wood pulp, is mostly imported from China. Some players have shifted to suppliers from Spain or Germany at higher prices. However, with Europe also now in the grip of the outbreak, further supply chain disruptions are expected. Packaging: No immediate impact as supply chain is dominated by the Middle East. Since demand from China has fallen, prices of raw materials have also gone down, benefitting local players.

Trade Figures have been taken from State Bank of Pakistan report "Import Payments by Commodities and Groups" and "Export Receipts by all Commodities".



The Pakistan Credit Rating Agency Limited

The Pakistan Credit Rating Agency Limited (PACRA) was created on August 18, 1994. PACRA was Pakistan's first credit rating agency and has been responsible for introducing credit ratings at a time when even the concept of free capital market was not well-rooted in the country. PACRA has gained a recognition on the perceived value and integrity of its opinion. Today, PACRA is recognized as a national rating agency by apex regulators of the country, the Securities and Exchange Commission of Pakistan and an external credit assessment institution (ECAI) by the State Bank of Pakistan. PACRA is one of founding members of Association of Credit Rating Agencies in Asia (ACRAA). It has a vibrant presence in the region, providing technical collaboration to regional partners.