



Economic Report 2024*

PAKISTAN

16 January 2025

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

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1 PRIORITY SECTORS AND OPPORTUNITIES FOR SWISS COMPANIES

The **agriculture** sector of Pakistan contributes 24% to the GDP, employs 37.4% of the labour force, and ensures food security in the country. At the same time, the primary sector is one of the main contributors to the environment pollution (burning of crops residues by farmers) and the largest consumer of the depleting water resource in the country. Opportunities for Swiss companies are available in the fields of agriculture credit & insurance, high-yielding varieties of seeds, quality pests, and farm mechanization (better harvesting and water resource management) technologies. The **livestock**, a subsector of the agriculture sector, contributing 14.6% to the GDP and growing at 3.9%, also holds positive prospects for Swiss exporters. The dairy sector, which has been revolutionized by a Swiss company in Pakistan, also extends promising opportunities for more Swiss companies to enter the market.

The **manufacturing** sector, constituting 13.6% of the GDP, could record a nominal positive growth of 2.4% in the current fiscal year as compared to high negative growth in the last year. The growth can be attributed to a stable foreign exchange rate during the year. Nevertheless, the sector still faces challenges of high interest rates and rising energy prices. Despite challenges, the sector offers opportunities in the fields of renewable energy particularly for hydro and solar energy as thermal based energy is costlier and not environment friendly. Cleantech technology also holds a promising potential as populous cities of Pakistan are forced to impose lockdowns owing to pollution lead smog.

The **services** sector, establishing the largest share (58%) of the GDP, could register a paltry growth of 1.2%. The accommodating services offers investment opportunities for Swiss firms as major touristic destinations in Pakistan lack quality accommodation hotels for the tourists of local upper and upper middle classes as well as for foreigners. The elite of the country travels abroad particularly to the UK and the U.A.E. for their medical treatment. Setting up additional modern hospital with quality services in Pakistan by Swiss firms would be prospective.

2 FOREIGN ECONOMIC POLICY

2.1 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).

To meet its **energy needs** efficiently, Pakistan is strengthening its relations with **Russia**. Pakistan eyes Russia as a promising and cheap supplier of oil and gas.

In terms of **securing foreign loans**, Pakistan has recently managed to negotiate the **IMF's Extended Fund Facility of USD 7.6 billions** for a period of 3 years.

Pakistan is currently negotiating **Free Trade Agreements** with Iran and the GCC. As claimed by newspaper reports, the agreements are expected to be signed in the near future.

China Pakistan Economic Corridor (CPEC), aimed at receiving an investment of several billion USD from China, appears to be on a standstill. 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.

2.2 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. As the CPEC is first and foremost a Chinese undertaking, efforts to take a larger market share remain limited.

3 FOREIGN TRADE

3.1 Developments and general outlook

3.1.1 Trade in goods

According to the data published by the State Bank of Pakistan, during the FY 2023-24, the overall trade deficit of Pakistan was recorded at 71%. During the said period, imports showed a marginal increase of 1%. The exports increased by an impressive 11% due to better agricultural yield leading to an increase in food exports, mainly rice.

USA (mainly textiles and food items), China (mainly copper articles and rice), U.A.E (mainly textiles), UK (mainly textiles and cereals) and Germany (mainly textiles, leather articles, surgical and dental instruments, and sports goods) remained the top five importers of the Pakistani products. In general, during this period, textiles, vegetable products (mainly cereals), mineral products (mainly salt and sulphur), prepared foodstuff and beverages and base metals (mainly copper articles), 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, machinery (particularly nuclear and electrical), chemicals and pharmaceuticals, base metals (mainly Iron & steel), and textiles (mainly cotton and yarn).

Rates of customs duties on any trade item can be ascertained through the following web link: <https://fbr.gov.pk/duty-calculator/51149/152538>

3.1.2 Trade in services (if data available)

During the fiscal year 2023-24, the trade deficit in services was recorded at 37%. The exports of services were recorded at USD 7.8 billion, while the imports were at USD 10.7 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.

3.2 Bilateral trade

3.2.1 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	2019	2020	2021	2022	2023	%
Pharmaceuticals	170.5	201.4	175	118.3	126.3	+6.8
Machines	78.9	49.1	58.2	44.2	31.4	-29
Dyeing Extracts and Colours	31.7	30	33	28.9	30.4	-12.4
Chemicals	19.1	35.7	33	24.5	23.5	-4
Watches	21.2	19.3	27	28.2	19.8	-4
Others	52.2	31.1	37.8	35.3	25.9	-26.6
Total	373.7	366.6	364	279.4	257.3	-8
% change from last year						

Switzerland's Imports from Pakistan (in Mio CHF)

Description	2019	2020	2021	2022	2023	%
Textiles	127.2	151.5	195.7	198.6	181	-9
Agricultural Products	11.1	19.2	13.3	24.1	23	-4.6
Leather Articles	15.6	15	18.1	16.4	12.7	-22.6
Others	15.1	15.7	17.9	17.9	16.9	-5.6
Total	169	201.4	245	257	233.6	-9.2
% 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) 2023 have shown a decrease of 8% from CHF 279.4 million in CY 2022 to CHF 257.3 million in CY 2023. With respect to the data available with the State Bank of Pakistan, Switzerland is the 23rd largest exporter to Pakistan in the fiscal year 2023-24 as compared to the 19th last year.

Switzerland's imports from Pakistan in CY 2023 witnessed a decrease of 9% from CHF 257 million in CY 2022 to CHF 233.6 million in CY 2023. 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 23rd largest importer from Pakistan in the fiscal year 2023-24 as compared to the 25th last year.

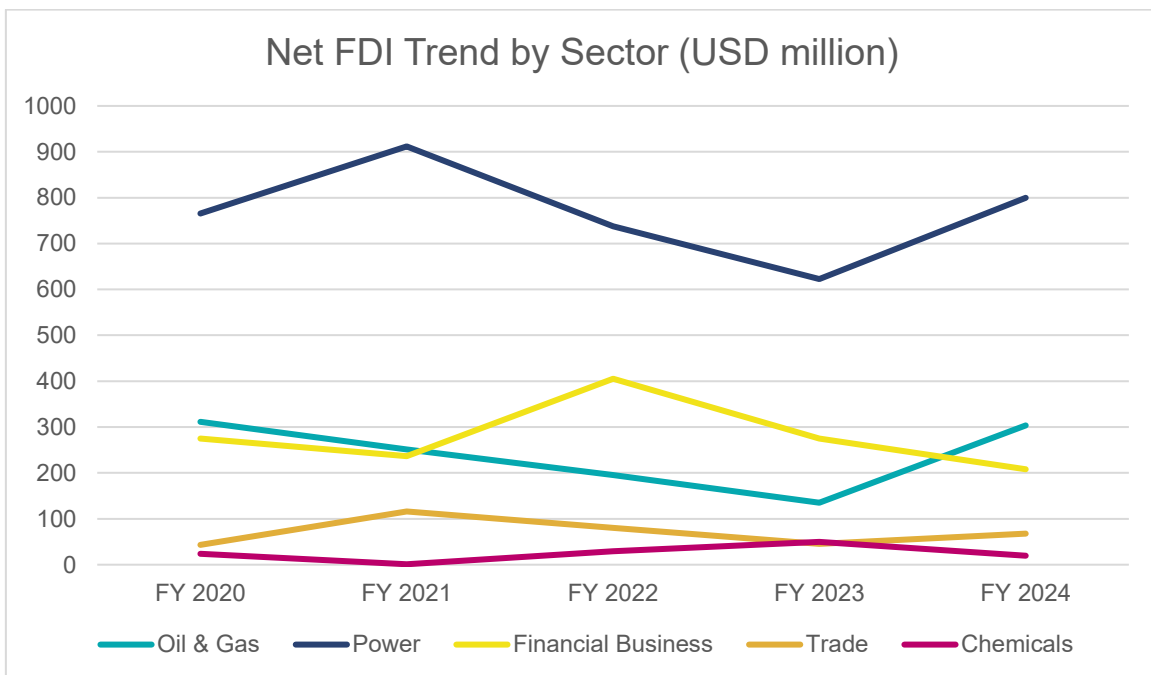
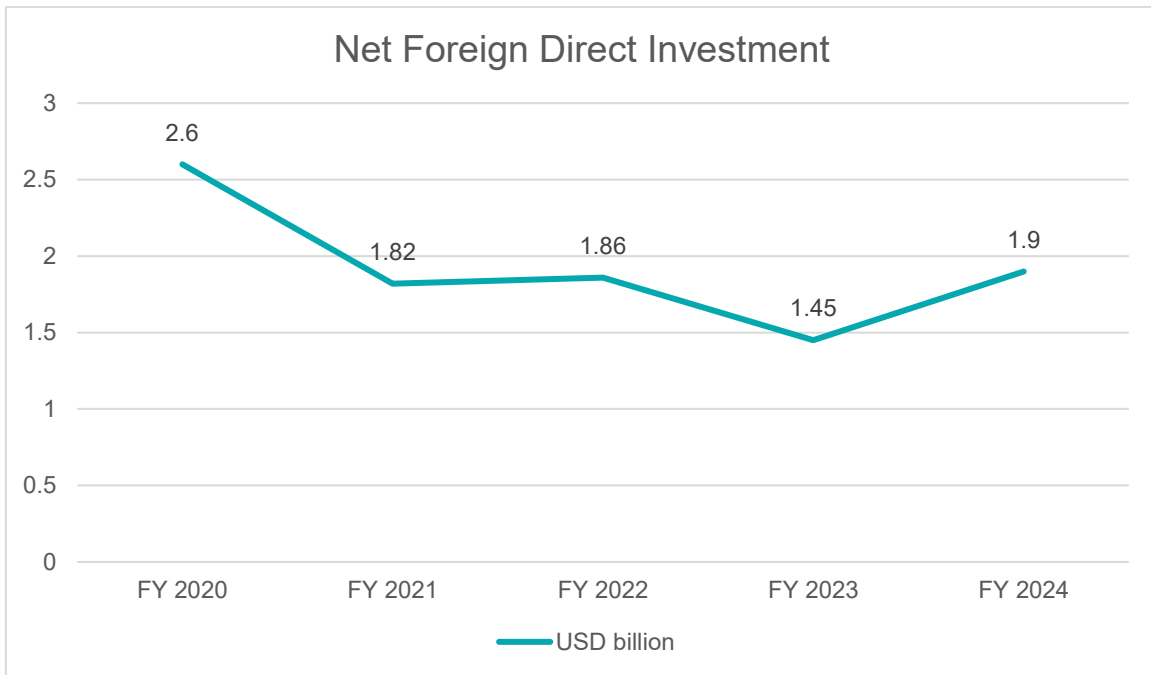
3.2.2 Trade in services

According to the data available with the State Bank of Pakistan, during FY 2024, exports of services from Switzerland to Pakistan increased by 27% and amounted to USD 152.3 million while the exports from Pakistan to Switzerland increased by 12% and were recorded at USD 131 million.

4 DIRECT INVESTMENTS

4.1 Developments and general outlook*

Net foreign direct investment in Pakistan witnessed a considerable increase of 30.6% in the FY 2023-24 and was recorded at USD 1.9 billion as compared to USD 1.4 billion in the previous fiscal year.



China (mainly in the Power Sector), Hong Kong, UK, EU, USA and the U.A.E. remained the top foreign direct investors in Pakistan in the FY 2024.

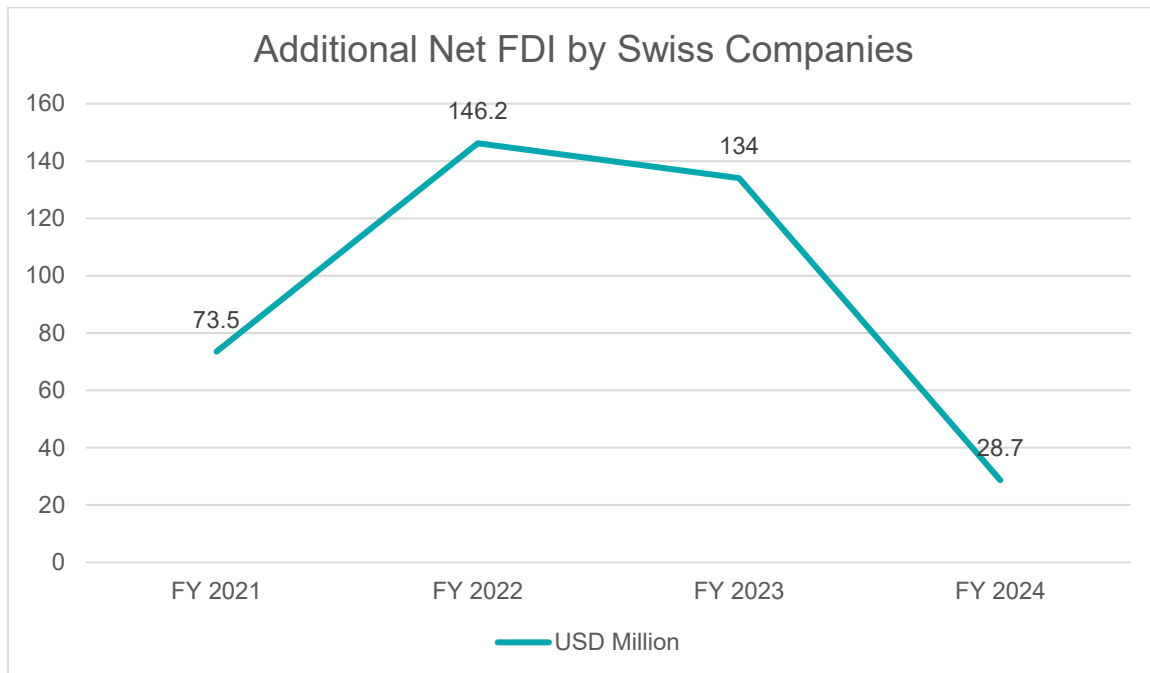
Special Investment Facilitation Council (SIFC) had been launched to attract / facilitate investment in particular from friendly countries mainly in the sectors of defence, agriculture, minerals, IT & telecommunications, and energy. After identifying opportunities in the respective sector, the main objective of the SIFC was 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 (PIA), Pakistan Steel Mills, and Energy Distribution Companies. These SOEs have incurred an accumulated loss of around USD 2 billion.

*Source: Pakistan's Board of Investment

4.2 Bilateral investment*

For many years, by virtue of Swiss companies, Switzerland has been one of the largest foreign direct investors in Pakistan. In FY 2023-24, Switzerland was ranked the 7th largest investor in Pakistan with an additional investment of USD 28.7 million. According to the IMF, Switzerland's net inward equity position as of 2021 stands at USD 3 billion. In FY 2020-21, Switzerland was the 7th largest foreign direct investor in Pakistan and it had invested another USD 73.5 million in the country. In FY 2021-22, Switzerland secured the 3rd position by investing additional USD 146.2 million. During the FY 2022-23, Switzerland was ranked the 4th largest investor in Pakistan with net additional FDI of USD 134 million.



Currently, 27 Swiss based multinational companies are operating in the country in the sectors of agriculture (growth 1.5%*), food (growth 1.7%*), beverages (growth -2.1%*), tobacco (growth -23%*), pharmaceuticals (growth 15.7%*), textile (growth -5.2%*), chemicals (growth 5.3%*), energy/electricity generation (growth 0.37%*), and banking (growth of asset base in calendar year 2023 at 27%*). 15 companies have their headquarters in Karachi while 7 companies are based in Lahore, three companies are headquartered in Islamabad while 1 company each has its main office in Faisalabad and Rawalpindi. 12 companies also have their manufacturing facilities in Pakistan; the number of these manufacturing units currently stands at 19. 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. The companies relying heavily on imports might be facing issues but they have devised strategies to minimize the challenge as communicated by them during their interaction with the Embassy. The ones producing locally have reported expansion in their production capacity by virtue of their unique and quality products.

*Source: Pakistan Board of Investment and Pakistan Bureau of Statistics

5 ECONOMIC AND TOURISM PROMOTION

5.1 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.

S-GE has organized a ‘Pakistan Roadshow’ in collaboration with the SBC in Switzerland in August this year. Three events were organized, one each at the S-GE office in Zürich, the Geneva Chamber of Commerce, and the residence of the Pakistani Ambassador in Bern. The events were attended by more than 100 participants. Subsequent to the events, around 10 Swiss companies are showing interests in initiating business relations with Pakistan.

5.2 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

	2019	2020	2021	2022	2023	2024
Distribution of GDP						
Primary sector	22.4%	23.5%	23%	22.7%	22.9%	24%
Manufacturing sector	12.3%	11.5%	12%	12.4%	12%	13.6%
Services	58.1%	57.9%	58.1%	58.2%	58.6%	58%
- of which public services	5.1%	5.3%	5%	4.6%	4.4%	4.4%

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

Source(s): Pakistan Economic Survey 2023-24

ANNEX 2 – Main economic data

Host country's main economic data

	2023	2024	2025
GDP- constant prices (PKR bn)*	38,763	38,684	40,954
GDP – constant prices per capita (PKR)*	167,480	168,191	170,262
Growth rate (% of GDP)*	-0.2	2.4	3.2
Inflation rate (%)*	29.2	23.4	9.5
Unemployment rate (%)*	8.5	8	7.5
Fiscal balance (% of GDP)**	-7.7	-6.7	-6
Current account balance (% of GDP)*	-0.1	-0.2	-0.9
Total external debt (% of GDP)**	40.2	31.4	33.6
External Debt-service ratio (% of exports)**	47.7	43.1	42.7
Reserves (months of imports)**	0.8	1.6	2.1

1 USD = PKR 277.7 as of 29 November 2024

* Source: IMF, World Economic Outlook (October 2024)

▪ www.imf.org/external/pubs/ft/weo

** Source: IMF Country Report 24/310

▪ <https://www.imf.org/en/Publications/CR/Issues/2024/10/10/Pakistan-2024-Article-IV-Consultation-and-Request-for-an-Extended-Arrangement-under-the-556152>

ANNEX 3 – Trade partners

Trade partners of the host country Year: FY 2023-24

Exports from Pakistan

Rank	Country	Exports (Thousand US Dollars)	Share%	Change%
	EU	8'189'836	26	-3
1	U. S. A.	5'442'945	17.58	-8
2	China	2'708'060	8.74	34
3	United Arab Emirates	2'082'204	6.72	41
4	U. K.	2'014'768	6.51	2
5	Germany	1'515'116	4.89	-5
6	Spain	1'449'802	4.68	5
7	Netherlands (Holland)	1'385'210	4.47	-4
8	Italy	1'122'092	3.62	-3
9	Saudi Arabia	710'293	2.29	41
10	Bangladesh	660'746	2.13	-14
11	Malaysia	582'430	1.88	96
12	Belgium	556'949	1.80	-21
13	Afghanistan	556'339	1.80	7
14	Indonesia	533'779	1.72	319
15	France	508'690	1.64	-11
16	Sri Lanka	392'026	1.27	38
17	Canada	389'164	1.26	-9
18	Turkiye	335'308	1.08	4
19	Kenya	313'952	1.01	30
20	Australia	276'893	0.89	-9
21	Singapore	256'537	0.83	-12
22	Denmark	230'022	0.74	11
23	Switzerland	189'001	0.61	3
24	South Africa	188'941	0.61	-5
25	South Korea	184'646	0.60	-6
26	Japan	183'806	0.59	-9
27	Hong Kong	159'326	0.51	-12
28	Thailand	149'352	0.48	-9
29	Sweden	141'460	0.46	-10
30	Tanzania	140'662	0.45	27
31	Brazil	139'647	0.45	31
32	Mexico	134'655	0.43	17
33	Kuwait	130'687	0.42	3
34	Greece	129'896	0.42	4
35	Egypt	120'404	0.39	9
36	Russian Federation	78'904	0.25	-11
37	Bahrain	68'686	0.22	7
38	Romania	65'853	0.21	1
39	Norway	58'655	0.19	14

40	Argentina	46'670	0.15	-1
41	New Zealand	45'493	0.15	-5
42	Jordan	41'021	0.13	0
43	Finland	31'384	0.10	-8
44	Hungary	31'240	0.10	50
45	Morocco	27'652	0.09	3
46	Mauritius	19'883	0.06	-20
47	Ukraine	10'655	0.03	-4
48	Uruguay	8'151	0.03	11
49	India	3'447	0.01	947
50	Iran	35	0.00	-53
	Total	30'967'073	100	11

Source: State Bank of Pakistan

Imports by Pakistan

Rank	Country	Imports (Thousand US Dollars)	Share%	Change%
1	China	13'506'324	25.46	-14
2	United Arab Emirates	6'329'122	11.93	0
3	Saudi Arabia	4'492'909	8.47	-12
	EU	3'776'232	7.1	-8
4	Singapore	2'443'395	4.61	-9
5	Indonesia	2'418'313	4.56	-15
6	U. S. A.	1'875'646	3.54	-30
7	Kuwait	1'785'043	3.36	38
8	Russian Federation	1'020'170	1.92	14
9	Japan	1'009'328	1.90	-7
10	Malaysia	948'387	1.79	3
11	Germany	930'502	1.75	9
12	South Korea	880'860	1.66	22
13	U. K.	781'996	1.47	1
14	Thailand	719'109	1.36	81
15	Hong Kong	692'295	1.30	-3
16	Australia	683'219	1.29	39
17	Kenya	614'139	1.16	-9
18	Morocco	603'941	1.14	-26
19	Netherlands (Holland)	551'247	1.04	-5
20	Italy	503'058	0.95	3
21	Turkey	491'395	0.93	10
22	South Africa	471'066	0.89	-19
23	Switzerland	436'550	0.82	-50
24	Brazil	358'057	0.67	-20
25	Belgium	315'452	0.59	-32
26	France	268'156	0.51	424
27	Ukraine	261'841	0.49	17
28	Spain	234'410	0.44	45
29	Romania	219'957	0.41	-43
30	Bahrain	217'324	0.41	10
31	Sweden	214'566	0.40	9
32	India	206'892	0.39	75
33	Egypt	202'504	0.38	-59
34	Canada	162'481	0.31	28
35	Tanzania	126'570	0.24	-45
36	Argentina	95'197	0.18	9
37	Denmark	70'301	0.13	9
38	Finland	67'662	0.13	22
39	Sri Lanka	58'302	0.11	-2
40	Mexico	56'557	0.11	-27
41	Bangladesh	56'555	0.11	-62
42	Greece	40'395	0.08	-17
43	Norway	26'858	0.05	58
44	Hungary	17'792	0.03	-30
45	New Zealand	17'216	0.03	35

46	Uruguay	12'092	0.02	-22
47	Afghanistan	11'960	0.02	-34
48	Jordan	10'032	0.02	-9
49	Mauritius	4'513	0.01	40
	Total	53'056'054	100	1

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)
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
2022	279.4	-23.5	257	+5	22.4	536.4
<i>(Total 1)*</i>						
2023	257.3	-8	233.6	-9.2	23.7	490.9
<i>(I-VI)**</i>					+5.8	-8.5%

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

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

Exports	2022 (% of total)	2023 (% of total)
1. Pharmaceuticals	42.3	49
2. Machines	15.8	12.2
3. Dyeing Extracts & Colours	10.3	11.8
4. Chemicals	8.8	9.1
5. Watches	10	7.7
6. Others	12.8	10

Imports	2022 (% of total)	2023 (% of total)
1. Textiles	77.3	77.5
2. Agro Products	9.4	9.8
3. Leather Articles	6.4	5.4
4. Others	7	7.2

Source: Federal Office for Customs and Border Security

ANNEX 5 – Main investing countries

Main investing countries in the host country

Year: 2024

Rank	Country	Direct investment (USD, million)	Share	Variation (stock)	Inflows over past year (USD million)
1	China	568.2	22.7%	+31.5%	+136
2	Hong Kong	358.5	18.9%	+255%	+257.5
3	UK	268.2	14.1%	+312.6%	+203.2
	EU	258.7	13.6%	+32.7%	+63.8
4	USA	137.3	7.2%	+53.7%	+48
5	U.A.E.	87.3	4.6%	-51.5%	-92.8
6	Netherlands	71	3.7%	-1.2%	-0.9
7	Switzerland	28.7	1.5%	-78.5%	-105.3
8	Turkey	11.1	0.5%	-37%	-6.5
9	Japan	10.9	0.5%	-94%	-172
10	Italy	1.9	0.1%	-78%	-6.7
	Total	1,901.6	100%	+30.6%	+445.8

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