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ICMA Pakistan: What is the viewpoint of FPCCI on the present state of the economy, especially in the context of COVID-10 impact?

MAN: Pakistan, like other nations in the world, is facing COVID -19 pandemic since February 2020 which has increased uncertainty in economic and social life. The economic pattern of Pakistan is highly dependent on China, USA, EU, and Middle Eastern countries for trade and capital inflows. The economic slowdown in these countries ultimately affects the economy of Pakistan in terms of declining trade, workers' remittances, and foreign investments, etc.

COVID-19 has adversely affected the economic growth during FY 2019-2020 which has reduced to negative 0.4 (-0.4%) percent due to a decline in economic activities because of lockdowns.

Economic Growth				
Variables	2017	2018	2019	2020
GDP Growth rate (%)	5.2	5.5	3.3	- 0.4
Agriculture Growth (%)	3.46	3.9	0.9	2.6
Industry Growth (%)	5.8	5.4	-0.3	- 2.6
Services Growth (%)	6.5	6.3	4.7	- 0.59

The economic losses are about 10 percent of the GDP. The losses are in terms of declining industrial production, exports, remittances and tax revenue collection as well as disruption in supply chain and decline in demand for non-essential items. The fiscal deficit has increased to nearly 10 percent of GDP. Pakistan's exports stand nearly at US \$ 20 billion in the current fiscal year 2020.

S. #.	INDICATORS	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
1	Exports (US \$ Billion)	23.7	20.8	20.4	23.2	22.9	19.8 (Jul-May)
2	Imports (US \$ Billion)	45.8	44.8	53.0	60.9	54.7	40.9 (Jul-May)
3	Balance of trade (US \$Billion)	-22.2	-23.9	-32.58	-37.7	-31.8	-21.1(Jul-May)

ICMA Pakistan: What steps FPCCI has taken to support the trade and industry during the COVID-19 pandemic?

MAN: Before the spread of coronavirus in Pakistan, the FPCCI immediately organized a meeting on 11th March 2020 by inviting all the stakeholders from the medical profession, health department, commerce department, public administration, finance and banking (State Bank of Pakistan) to seek feedback and identify measures to be adopted for prevention of pandemic and economic progress.

Exclusive Interview

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FPCCI also established a 'Help Desk' to resolve problems and hurdles in the way of smooth functioning and movement of essential goods, medical equipment, medicines, port operation, etc. Regular meetings/liason with all concerned ministries/departments were also made. In addition, FPCCI also arranged video conference meetings to understand the issue faced by trade and industry.

ICMA Pakistan: Which industries are more susceptible to suffer most due to the pandemic? How FPCCI would come to their rescue?

MAN: As I earlier mentioned, COVID-19 pandemic is a global issue and due to slowdown in the global economy it would definitely affect other sectors, in particular trade. Nearly 70 percent of Pakistan's trade depends upon China due to imports of raw material and its further utilization in our export-oriented industry. Most of the textile items/raw material are imported from China. Similarly, Pakistan steel industry is dependent upon raw material imports from China and Japan. Pakistan also imports raw material for the packaging and paper industry. Imported RIM papers, usually, A4, have significant importance in daily-life consumption. Pakistan's chemical industry imports nearly 31% of organic chemicals and 24% of miscellaneous chemical products from China. China is a major manufacturer of low-cost generic drugs and raw material. Most of the pharmaceutical companies are fully or partially dependent upon the Chinese raw material. Pakistan relies on China for active pharmaceutical ingredients and other chemicals used in medicines.

Due to lockdown and shutdown, the textile sector is facing problems to fulfill foreign export orders. Many foreign textile importers are either delaying to receive imports or canceling their orders.

FPCCI is coordinating and raising this issue at the federal, provincial, and district levels. Alhamdulillah with our consistent efforts, a large number of textile and other manufacturing units are being allowed to open in order to complete their orders. We have been emphasizing upon opening the commercial sector, otherwise the Pakistan's economy will face great set back as we have observed in the current fiscal year that GDP grew negatively.

ICMA Pakistan: Are you satisfied with the initiatives so far taken by the Government and SBP to facilitate the business and industry? What more needs to be done to help out the industry to survive these difficult times?

MAN: We appreciate the measures taken by the government and State Bank of Pakistan to ease the

economy through economic relief packages and schemes, however, these are not sustainable as ultimately all consequences will have to be faced by the industry. Whatever, is being offered is for a temporary period whereas the trade and industry is suffering in both ways i.e. in terms of revenue and production. The government is pressuring for job continuation so presently the whole crisis is borne by the industry due to which they are in deep distress. Small and medium businesses are also suffering, particularly the small traders. Unfortunately, losses to trade and industry are higher than the relief and amount provided in these schemes. A large segment of trade and industry is stuck since long with the government in the form of income tax and sale tax refunds, desperately required by the industry, particularly by the SMEs.

SBP's scheme provides loans/ financing with certain mark-ups for the period when business is totally lockdown and there is no participation of workers/labor in the production process. While this loan will be paid back with mark-up, I think the government should also contribute so that businesses/SMEs would not bear the whole burden. I think the loans from SBP to trade and industry under the prevailing circumstances should be made interest free or spread be absorbed by the government so it would be more attractive to the SMEs.

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ICMA Pakistan: What are the major demands of FPCCI in the Federal Budget 2020-21 and how many have been accepted by the Government?

MAN: The Federal Budget 2020-21 has been presented in the most challenging times being faced by our country. Almost every developed and developing economy is dealing with an all-pervasive crisis of COVID-19 and global slowdown. Wisdom suggests bailout/stimulus packages to keep the economic progress sustainable to ensure employment. We, in Pakistan need to come out of the ' growth paralysis' and need to generate enough revenue to support the development process that could ultimately engage all sectors of the economy, therefore, the FPCCI followed a path to serve both Government and trade and industry and adopted "Simplify Rules, Earn Revenue" strategy.

Agriculture is the primary supplier of raw materials to downstream industries and contributing significantly to Pakistan's export. It is the largest market for industrial manufactured goods such as pesticides, fertilizers, tractors, and agriculture equipment.

We recommended that the government must supported the agricultural sector. we also proposed to support SMEs sector, some changes in Alternate Dispute Resolution, CNIC condition, revamping of WHT, fixed tax regime for builders, revision of wealth statement, discrimination of commercial and industrial importers of plant and machinery, etc. so far

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our 30 percent proposal have been accepted in the budget and we are now trying to remove some anomalies in the committee constituted for addressing anomalies arising from budget 2020-21.

ICMA Pakistan: It is quite certain now that Pakistan's GDP growth rate would go down in the next 2 years? What would be its repercussions on the business and industry, especially on our exports?

MAN: The economic growth rate for the fiscal year 2020 is negative 0.38 percent against the target of 3.3 percent. All three sectors of economy i.e. agriculture, industry, and services sector missed their growth targets and showed drastic performance due to low economic activities and pandemic COVID-19. The decline in economic growth will directly impact the labor market which will increase unemployment and poverty in Pakistan. The economy of Pakistan is basically an agrarian economy due to its significant contribution to GDP and employment generation.

Economic growth demonstrates itself in the accumulation of factors and technical progress. Such changes create an impact on trade through the variations in the pattern of production, consumption, and trade. As the process of economic growth facilitates the increased supplies of factor inputs, there can be some change in the domestic output of exportable commodities. The increased production of exportable goods brings about an expansion in the volume of trade.

ICMA Pakistan: What new opportunities in the shape of new exportable products and domestic supplies are emerging as a result of the pandemic and how our industry is ready to seize these opportunities?

MAN: Global economic dynamics would change after the end of this crisis that is when the global economy will normalize. Hence, to compete in the world market, we have to realize our dependence more on domestic economic resources. We will have to ensure availability of raw materials to our major industries at a competitive price, that could be only possible when our system is fully compatible

to cater to the smooth functioning of the industry to ensure employment. Encourage those industries which provide import substitution and the role of the agriculture sector would definitely be enhanced and therefore, the agriculture sector requires more attention. The value addition of agriculture produce and international branding of our products can make us self-sufficient in both financially as well as in domestic economics.

After recovery from coronavirus, the world is likely to reconsider the global supply chains to avoid the concentration of industries in one country, China, which will create opportunities for the relocation of some industries to Pakistan. Food security, pharmaceutical, medicines, healthcare, medical, Surgical equipment would be preferred that is people will prefer to protect and save their lives they would allocate more funds on such products, whereas Pakistan has already established. though not up to larger scale producing all such products, will gain from the production, export and domestic supply.

ICMA Pakistan: How ICMA Pakistan and FPCI can work together to minimize the impact of COVID-19 on the manufacturing sector?

MAN: ICMA Pakistan is a leading institution that can identify or conduct a study on cost-benefit analysis of COVID-19 pandemic on various sectors of Pakistan's economy whereas FPCI, being the representative of trade and industry, can suggest and identify industries that are facing issues, emerging out of this crisis.

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ICMA Pakistan: Can FPCI, ICMA Pakistan, and relevant Industry Associations jointly undertake research on the 'Economic Impact of COVID-19 on Industries in Pakistan and the Way Forward'? What are your views on this proposal?

MAN: Various think tanks and organizations are conducting research to find out the severity of COVID-19 on the economy, trade, and industry. However, this crisis has not yet entered its peak or extreme in Pakistan rather, it is moving towards an alarming position. Pakistan will have to face more critical circumstances if the spread of coronavirus becomes extreme. The study with the support of others' experience would be helpful to our trade and industry to decrease the consequences of this virus.

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