



# KCCI - Country Wrap: UK (Apr.'19)

## Brief overview of UK

The United Kingdom comprises of four countries namely England, Scotland, Wales and Northern Ireland. The UK's form of government is a constitutional monarchy with a parliamentary system. The recessionary pressures after 2008 debilitated its economy eliciting widespread variations; however economic picture since 2013 has shown recovery.

Since inception of EU, UK has remained its crucial member. The UK has been an active member of the EU since its accession in 1973, although it chose to remain outside the Economic and Monetary Union. Although, Eurozone crisis of 2008 severely hurt the European economies, but UK and economies alike had been noticing advantages that came along it. However, as debate over leaving EU to remain safe from economic disparities raged over the passage of time, it made Britain to leave EU from its political and economic partnership after a referendum took place on Jun. 23, 2016. The UK was scheduled to officially leave EU on Mar. 29, 2019. However, after multiple disagreements over a Brexit plan in the British Parliament, the EU has agreed to let UK decide by 12<sup>th</sup> Apr'19 what it wants to do with respect to leaving EU.

Assuming that Brexit proceeds without a deal in place, UK might have to face MFN rates, UK's exports will drop drastically, products produced in across Europe, including UK, will become extremely expensive. Goods channeled in to the EU through UK will also come to a stop and overall inflation is expected to rise, considering the instability of the pound; industries are already slowing down and more are expected to decrease pace.

## Britain's Trade Partners and Commodities

Major export partners US (13.2%), Germany (10.5%), France (7.4%), Netherlands (6.2%), Ireland (5.6%), China (4.8%) and Switzerland (4.5%). Major export commodities include manufactured goods, fuels, chemicals, food, beverages and tobacco. While it imports from Germany (13.7%), US (9.5%), China (9.3%), Netherlands (8%), France (5.4%) and Belgium (5%). Major import commodities include manufactured goods, machinery, fuels and foodstuffs.

## Pakistan & UK: Bilateral Trade Linkages

The bilateral trade linkages between Pakistan and the UK are deep rooted; around 60 British companies have invested in Pakistan. During 2018, exports volume of Pakistan to UK increased to \$ 1.73Bn from \$ 1.63Bn in 2017 while Pakistan's import from UK was recorded at \$ 0.98Bn from \$ 0.88Bn in 2017. Trade balance in 2018 remained in Pakistan's favor at \$ 0.75Bn.

## Close coordination between Pakistan and Britain

In order to promote trade and business cooperation, the Pakistan Britain Trade & Investment Forum (PBTIF) was established on May 8, 2003. Its mission was to give momentum to the investment and commercial relationship of Pakistan and the UK by addressing operational and policy issues while enhancing bilateral trade activities at the same time. The United Kingdom-Pakistan Chamber of Commerce & Industry (UKPCCI) is another important joint venture of Pakistan and the United Kingdom that was established 30 years ago by a group of businessmen. The Chamber has been contributing in the enhancement of bilateral trade between the two countries by arranging training and networking events to facilitate the businessmen of both sides. The Chamber also provides logistic support to the businessmen of UK and help support in opening bank accounts, company registration and other such services.

Various MoUs have been signed between the governments of Pakistan and UK during the year 2012. These MoUs were signed by Port Qasim Authority (PQA), Karachi Port Trust (KPT), Karachi Metropolitan Corporation (KMC) and Karachi Water and Sewerage Board (KWSB) with UK companies. These MoUs aimed at attracting investment worth of \$ 775Mn in the water supply project which would supply 97Mn gallons of clean water to the citizens of Karachi city.

## Potentials to enhance Bilateral Trade between Pakistan & UK

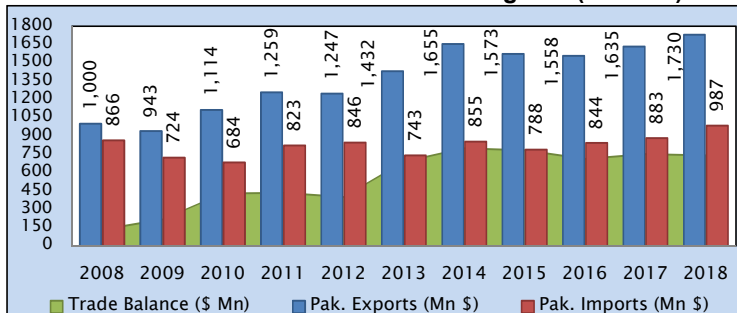
- Impact of Brexit on Pakistan's trade can be neutralized if government works on securing a similar tariff concession deal with UK enabling it to secure its market access after Brexit.
- Important sectors for UK businesses in Pakistan include: professional services, energy, infrastructure, healthcare, education, defence, security and consumer goods.
- Opportunities for UK companies include: infrastructure planning and development, expertise in Intelligent Transport Systems (ITS), logistics technology for the expected growth in road infrastructure, automated payment systems in cities, solid waste management.

## Economic Indicators

Indicators	Unit	2016	2017	Change
GDP (PPP)	\$ Bn	2,877	2,925	1.67%
GDP per Capita	\$	43,800	44,300	1.14%
GDP growth	%	1.80	1.70	-0.10%
Forex Reserves	\$ Bn	N/A	150.8	N/A
External Debt	\$ Bn	8,642	8,126	-5.97%
Exports of Goods	\$ Bn	407.3	441.2	8.32%
Imports of Goods	\$ Bn	591.0	615.9	4.21%
Trade Balance	\$ Bn	-183.7	-174.7	4.90%
Current Account	\$ Bn	-139.3	-99.21	28.78%
FDI - at Home	\$ Bn	1,858	2,078	11.84%
FDI - at Abroad	\$ Bn	1,611	2,110	30.97%
CPI	%	0.7	2.7	2.00%
Prime Lending Rate	%	4.44	4.38	-0.06%
Population	Mn	64.4	65.11	1.05%
Unemployment	%	4.9	4.4	-0.50%
Litarcy Rate	%	99.0	N/A	N/A

Sources: KCCI Research, CIA Factbook

## Trade between Pakistan & United Kingdom (2008-18)



2018: Pak Exports: \$ 1,729.8Mn      Pak Imports: \$ 986.8Mn  
Balance: \$ 742.9Mn

Source: KCCI Research, Trademap

## United Kingdom's Trade - Commodity Wise (2018)

Top 10 Exports Items	(\$ Bn)	Top 10 Imports Items	(\$ Bn)
Machinery & apps.	72.46	Machinery & apps.	86.99
Vehicles, not railway	55.40	Vehicles, not railway	75.07
Natural or cultured pearls	47.48	Electrical mach. & equip.	69.00
Mineral fuels & oils	45.07	Mineral fuels & oils	66.92
Pharma. products	30.14	Natural or cultured pearls	40.24
Electrical machinery & equip.	29.36	Pharma. products	30.35
Aircraft & parts	19.66	Plastics & articles	19.45
Optical, photo. or surgical	19.23	Optical, photo. or surgical	18.77
Plastics & articles	12.78	Articles of iron or steel	12.14
Organic chemicals	12.37	Furniture & bedding	11.78

Sources: KCCI Research, Trademap

## UK's Trade with Pakistan - Commodity Wise (2018)

Pakistan's Exports	(\$ Mn)	Pakistan's Imports	(\$ Mn)
Other made-up textiles	549.88	Iron & steel	388.71
Apparel, knitted	439.40	Machinery & apps.	116.95
Apparel, not knitted	309.95	Other made-up textiles	64.41
Cereals	96.85	Pharma. products	35.63
Cotton	56.55	Aircraft & parts	29.82
Articles of leather	51.08	Electrical mach. & equip.	27.05
Optical, photo. or surgical	36.95	Misc. chemical products	26.99
Man-made staple fibres	23.19	Optical, photo. or surgical	26.59
Edible fruit & nuts	21.73	Mineral fuels & oils	25.43
Furniture & bedding	21.31	Vehicles, not railway	19.14

Sources: KCCI Research, Trademap