**Market Intelligence Report January to July 2019, Frankfurt**

As stated in earlier reports Germany is a very important trading partner for Pakistan. For Pakistani exports it is the fifth largest market by value. However it must be kept in mind that many of the German Brands are sourcing from Pakistan for their global market, which makes Germany all the more important.

In 2018, German growth slowed down to 1.5% compared to over 2% in 2017. This has hampered the imports in non-essential segments, where the demand is elastic. Txtile sector is one which has been hit by the slowdown and major textile exporting countries had to take a blow.

Alongside slowdown in German economy, a weak Euro also hurt Pakistani exports in Dollar terms. As most of the imports from Pakistan are in Euro, so despite increase in Euro value, same is not reflected in Dollar terms.

A drop in German imports and exports as percent of total economy was witnessed in 2018 compared to previous year. Its exports are 39% of its GDP while its imports are about 33% of its GDP.

PAKISAN’S EXPORTS TO GERMANY (Jan-June)

Table 1

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year | Net mass | Change over previous year | Value | Change over previous year |
|  | t |  | Tsd. EUR | % |
| 2017 | 98888.4 |  | 850144 |  |
| 2018 | 107769.5 | 8.98 | 854571 | 0.52 |
| 2019 | 114368.4 | 6.12 | 880920 | 3.08 |

[https://www-genesis.destatis.de](https://www-genesis.destatis.de/)

As shown in the above table, the first six months of current year witnessed more growth in terms of value than last year. It shows that compared to last year more valuable goods found their way in German market.

It is not very encouraging to know that only 12 Chapters of HS Code contribute to about 95% of Pakistan’s exports. Furthermore, out of these 12 chapters only 3 Chapters i.e. 61, 62 and 63 constitute about 65% of exports.

**TEXTILES**

Even with in these 3 Chapters, Pakistan’s share is less than desirable. Table 2

 below shows Pakistan’s share in each segment.

Table 2

|  |  |  |  |
| --- | --- | --- | --- |
| Commodity Class. Foreign Trade Stat.(2-digit cod.) | Total Imports: Value (Euro) | Total Imports: Value (Euro) | % of Total German Imports |
| Tsd. Euro | Tsd. Euro |   |
| **Jan-July 2019** |   | World | Pakistan |   |
| WA61 | Articles of apparel etc., knitted or crocheted | 9565076 | 237045 | 2.47 |
| WA62 | Articles of apparel etc., not knitted or crocheted | 9793319 | 304390 | 3.11 |
| WA63 | Other made-up textile articles etc. | 2359343 | 184553 | 7.82 |

Table 3 below shows the share of Pakistan’s exports in terms of mass imported by Germany.

|  |  |  |  |
| --- | --- | --- | --- |
| Commodity Class. Foreign Trade Stat.(2-digit cod.) | Imports: Net mass | Imports: Net mass | % of German Imports |
| t | t |
| **Jan-july 2019** |  | World | Pakistan |  |
| WA61 | Articles of apparel etc., knitted or crocheted | 439146.5 | 18962.7 | 4.32 |
| WA62 | Articles of apparel etc., not knitted or crocheted | 337247.9 | 19732.9 | 5.85 |
| WA63 | Other made-up textile articles etc. | 401700.8 | 30469.4 | 7.59 |

Comparison between the two tables brings to light some realities, which need to be addressed.

1. Pakistan exports 4.32% of mass of Chapter 61 items and gets only 2.47% of the value. This shows that Pakistan is competing in low value low margin products.
2. Pakistan exports 5.85% of Chapter 62 items and gets only 3.11% in terms of value. This difference is even more glaring. In all previous monthly reports, this weakness has been highlighted.
3. Only in Chapter 63, Pakistan’s value share corresponds to her mass share. However, in this segment too, we have restricted ourselves to bedroom and curtains only. Very few companies venture in upholstery, which is a major segment.

Overall German textile imports remained stagnant in previous year and this trend is most likely to continue in near future.

**SURGICAL SECTOR**

Pakistan’s surgical sector has been doing well in German market. However, a major ignored segment was the surgical instruments for Animals. Now the TDAP has started sponsoring exporters in Eurotier fair and Pakistan pavilion was established in the fair. New avenues for surgical manufacturers will be opened which will give boast to Pakistani exports. This year TDAP´s participation in Medica is larger than last year and will help surgical sector grow.

**LEATHER & SHOES**

TDAP has sponsored working glove and protective gear manufacturers for A+A fair in November. Protective gear is a growing market and more and more companies are entering the field. Pakistan unfortunately has concentrated on working gloves but other segments are yet to be explored. Now a few companies have ventured into work footwear and are participating in fairs in private capacity. Work headgear i.e helmets etc is another growing segment where Pakistan is missing out. We need to promote these segments in Pakistan and support the exporters if we want to get market share in the segment.

However it must be noted that German leather exports are shrinking and Pakistan is also feeling the pressure. Pakistan´s main exports are leather jackets which have lost favor with buyers and we need to diversify in ladies handbags and high end shoes.

**SPORTS GOODS**

In this segment, market is almost stagnant. Pakistan has experienced the slow down in market and have struggled to maintain its level. Pakistan’s strength in this segment are footballs, volleyballs, field hockey etc. A major segment of sports goods comprises of winter sports and water sports where Pakistan has a almost negligible share. Product diversification in this sector can yield positive results.

hhHowever, it is expected that during the second half of the year, sports goods may pick up due to Euro Football Cup in 2020.

**FRUITS and NUTS**

Fruits and Nuts was a growing segment for Pakistan. However in the previous year Pakistan’s exports in Germany experienced a negative trend which has continued during this year. Side by side the German market also showed negative tendencies Prime reason for this is the strict quality control mechanism implemented by German agencies at the post of discharge. Commercial Section received many reports regarding consignments not meeting EU phytosanitary requirements. Authorities destroy all such shipments immediately. Many of the exporters shifted their consignments to other countries, where authorities are less stringent and then they are brought into Germany. But this needs immediate attention at home as this not only brings bad name to country but may also cause more checks on Pakistani produce at other stations as the data is shared among EU members.

**CEARELS**

Pakistan has experienced good growth in this segment, primarily on the back of growing rice exports. Pakistan has outpaced the German market in this segment. However a lot more can be done if Pakistani exporters can tap the market of snacks, energy bars etc. There is a huge potential of such items both in saltish and sweet flavors. ISM is a major fair for confectionaries and sweets, in which exhibitors from around the world exhibit their produce. However only a handful of Pakistani companies participate in this fair in private capacity. This segment needs to be projected to manufacturers in Pakistan so that new product markets are tapped.

**GENERAL OBSERVATIONS**

General slowdown in Economy coupled with uncertainties arising out of US-China trade war and fear of US tariffs on EU has turned the consumer sentiments negative. People are holding back on items with elastic demand and saving money. This does not bode well for Pakistan as bulk of our exports are fashion garments, leather garments, shoes which can be hit in coming months.

We have already witnessed a slowdown in edible fruits and vegetables and it may linger on in near future. Pakistan´s compromised implementation of phytosanitary requirements on exports have already hurt us in the market with huge losses in imported quantity and value.

However, the stabilized exchange rate during the last few months has given a positive signal to both importers and exporters. This will positively affect the exports in coming months. On the other hand, Dollar to Euro parity is another factor, which may hurt exports. A strong Dollar at current exchange rate can easily erode away the gains made in Euro terms.

(**Khawaja Khurram Naeem)**

 **Commercial Counsellor**