

P B I T



# China – A COVID Hit Giant

Economic Slowdown, Interconnectivity & Potential for Pakistan

A world map where China is highlighted in a bright red color. Numerous yellow circles of varying sizes are scattered across the map, primarily concentrated in East Asia, Southeast Asia, and the Indian subcontinent, representing trade flows or economic activity. A semi-transparent yellow rectangular box is overlaid on the left side of the map, containing text.

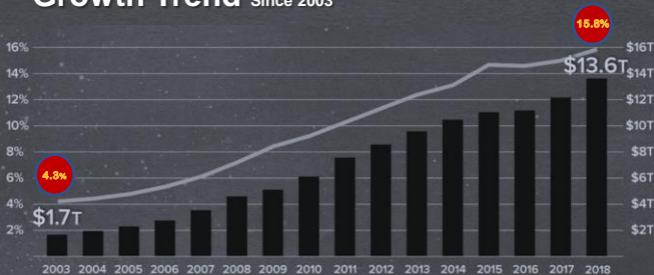
## Section 1

# Lion's Share in Global Economy

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PRE-PANDEMIC OUTLINE

# Growth Trend Since 2003



Source: World Bank/OECD, 2019

<b>\$1.4 Bn</b>	<b>\$2.4 Bn</b>	<b>\$1800</b>
<b>Total Population</b>	<b>Total Exports 2019</b>	<b>Exports Per Capita</b>

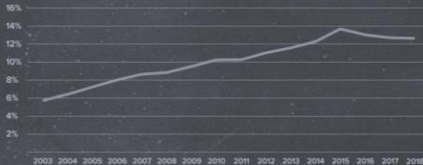
**\$9,771**

**GDP per capita  
2018**

Source: World Bank 2018

## Chinese Exports of Goods

PERCENTAGE SHARE OF GLOBAL EXPORTS



Source: World Trade Organization, 2020

# FORTUNE



## 3 Chinese Companies among Top 5 in 2018

Revenue Wise

# 118 Chinese Companies in Fortune 500 List

*Above 3 companies are State-owned Enterprises.*

Statistics released by the Chinese government last September, depicts the contribution of more than 60pc by small and medium sized businesses to the country's GDP. The tax collection accounts for more than half of the government's revenue, creating employment for more than 80% of China's workers.

## FOURTUNE 500

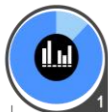
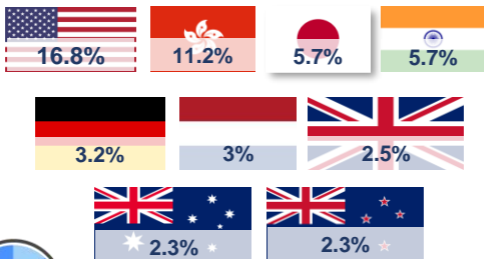
*In 2018, the revenue generation of world's 500 largest companies remained \$32.7 trillion whereas the profit generation remained \$2.15 trillion. This year, Fortune Global 500 companies employed 69.3Mn people globally, from 34 countries.*

# \$2.46 Tr

## Exports of China

In 1995, the EXIM value of China's goods remained 280.9Bn i.e. 3pc of the global trade. By 2018, its total trade of goods jumped to 4.6 trillion or 12.4pc of the global trade. USA is world's second largest trader at 11.5pc of the total global trade, followed by Germany at 7.7pc.

### Top Chinese Export Destinations - 2019



26.9%

Electrical machinery, equipment

\$671 Bn



16.7%

Machinery including computers

\$417 Bn



5.6%

Knit or crochet clothing, accessories

\$138 Bn



3.4%

Furniture, bedding, lighting, signs, prefab buildings

\$ 99.5 Bn



3.4%

Plastics, plastic articles

\$84.4 Bn

Top 5 Products

The background is a blurred image of a newspaper page. The most prominent feature is a large, bold headline in Chinese characters at the top, which reads "大学生忍饥挨饿并不少见" (It is not uncommon for university students to go hungry). Below the headline, there is a smaller image and several columns of text, all of which are out of focus. A dark grey rectangular box is overlaid on the left side of the page, containing white text.

Section 2

# TREMORING THE CHINESE ECONOMIC ACTIVITY

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IMPACT OF COVID-19





Section 3

# INDUSTRIAL LOCKDOWN IN CHINA

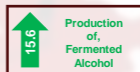
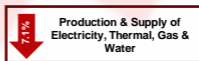
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PAKISTAN MEETING THE GLOBAL  
EXPORTS



# “National Economy Withstood the Impact of COVID-19 in the First Two Months”

Source: China Bureau of Statistics



*The global economic giant, China, shadowed the international economy due to COVID-19. An unforeseen halt of economic activity disrupted the global supply chain, critically. For its national GDP, China anticipates history's most severe down-gradation. Being 20pc of the global GDP, the Chinese economy might cease the industrial activity across the globe.*



Section 4

# FACILITATING THE GLOBAL SUPPLY CHAIN

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PRODUCTION EFFICIENCY OF  
PAKISTAN

# Chinese Centric Global Economy

**“An alarming 938 of the Fortune 1000 companies had one or more tier-two suppliers in impacted regions in China”**

Source: money.usnews.com

*China has become the main supplier of intermediate inputs for manufacturing companies abroad. As of today, about 20pc of global trade of manufacturing the intermediate products originate from China (up from 4 percent in 2002).*

Source: UNCTAD

**Textile & Apparel is on top of the list**

## **“LOCKDOWN & GLOBAL SUPPLY CHAIN”**

- o An alarming 938 of the Fortune 1000 companies had one or more tier-two suppliers in impacted regions in China
- o Every third company has major Chinese customers and 81% of companies rely on Chinese suppliers
- o China contributes 20pc to the global GDP
- o High-tech industry is severely hit by the Chinese economic slowdown.
- o Apple anticipates low earnings this quarter as compared to the previous one.
- o The number of departures from Chinese ports has decreased by 20% these days

**Countries most effected from a 2% reduction of China exports in intermediate inputs are:**



Source:

TradeMap.org

China Bureau of Statistics

Analysis by Transaction Team | PBIT

UNCTAD – United Nation Conference on Trade & Development



Section 5

# Backing the Chinese Economy : Teaming Against COVID-19

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Accelerating the Textile Production of  
Pakistan

# PAKISTAN: ALTERNATIVE GLOBAL SUPPLIER FOR TEXTILE PRODUCTS

## 36 Textile Units

Across Punjab Exempted From  
Lockdown, ensuring all precautionary  
measures against COVID-19

**In wake of COVID-19, Home Department-Government of the Punjab, exempted 36 textile industries in its notification under reference number SO(IS-II)1-1/2004 dated 03rd April, 2020. The industries have been exempted to efficiently maintain the supply chain and timely delivery of global manufacturing orders. During the Coronization of global economy and obstacles in production, Pakistan can offer its industrial/production facility to complete the international orders.**



Source:

TradeMap.org

China Bureau of Statistics

Analysis by TradeMap Team | PBIT

UNCTAD – United Nations Conference on Trade & Development

# Exploring Potential During COVID-19

60,61,62 & 63

Top HS codes to focus during COVID-19

According to UNCTAD, the economic lockdown in China has severely impacted the manufacturing sector, both locally and globally. A loss of worth USD50Bn in overall Chinese exports is being anticipated.

During 2019 **21%** of Chinese Textile were Exported to USA

During 2018 **34%** of Pakistan's Textile were Exported to USA

Total Textile Exports of Pakistan & China and its Percentage to Major Importing Countries:

Textile Importing Countries	USD'000			
	China Total Exports	China Export %	Pakistan Total Exports	Pakistan Export %
United States of America	39,548,355	21%	3,022,330	32%
Japan	17,363,072	9%	50,120	1%
Korea, Republic of	5,948,288	3%	20,817	0%
Germany	6,576,261	4%	840,327	9%
United Kingdom	6,066,561	3%	1,301,040	14%
Australia	4,449,766	2%	110,460	1%
Spain	3,894,426	2%	698,342	7%
France	4,087,161	2%	299,698	3%
Netherlands	3,942,334	2%	660,980	7%
Other Countries	92,951,785	50%	2,445,417	26%
Total Exports	184,828,009	100%	9,449,531	100%

- USA being the top market imported 21pc of Chinese textile products, accessories and articles of apparel followed by Japan importing 9pc worth c.17Bn. Chinese exports of textile sector to Germany remained USD 6.5Bn which is 4pc of the total textile exports of China.
- The textile sector exports of Pakistan for these four codes were recorded at c.USD9.5Bn in the recent year. For these codes Pakistan's exports were 32pc to USA, worth c.USD3.02Bn.

Source:  
TradeMap.org

# Additional Window for Pakistan's Exports

*As per UNCTAD, the Chinese annual exports might experience a fall of 2pc due to Corona pandemic i.e. textile exports of **USD184Bn** might go down by **c.USD3.69Bn**.*

Pakistan's Textile Industry operates at c. **60-70%** of its potential

The major textile export destinations of both Pakistan and China are similar.

USD'000 Textile Importing Countries	Estimated China	Potential Increase in Exports			
	Loss in Export- 2%	Scenario-1	Scenario-2	Scenario-3	Scenario-4
		100%	75%	50%	25%
United States of America	790,967	790,967	593,225	395,484	197,742
Japan	347,261	347,261	260,446	173,631	86,815
Korea, Republic of	118,966	118,966	89,224	59,483	29,741
Germany	131,525	131,525	98,644	65,763	32,881
United Kingdom	121,331	121,331	90,998	60,666	30,333
Australia	88,995	88,995	66,746	44,498	22,249
Spain	77,889	77,889	58,416	38,944	19,472
France	81,743	81,743	61,307	40,872	20,436
Netherlands	78,847	78,847	59,135	39,423	19,712
Other Countries	1,859,036	n/a	n/a	n/a	n/a
Total Estimated loss- Exports	3,696,560				

The anticipated decrease in production capacity of China can somehow be smoothed by Pakistan's textile sector for facilitating the global supply chain.

Optimistically, if the local textile sector starts operating on maximum efficiency, Pakistan can grab the international orders of worth c.USD1.8Bn.

If in case, Pakistan grabs 75pc share of reduced textile sector exports of China, the national export graph would go up to c.USD1.37Bn for textile.

If Pakistan explores the opportunity of securing 25pc or 50pc loss from the reduced Chinese textile exports, the national exchequer can unlock c.USD459Mn and c.USD918Mn, respectively.

# ABOUT US

Punjab board of investment & trade is a provincial trade and investment promotion agency established by the Government of Punjab in 2009. In today's global economy, trade and investment play an increasingly important role in generating means for transformative change. At PBIT, we strive to ensure that this transformative change is sustainable and more impactful. PBIT is committed to enhancing the global competitiveness of Punjab and its business. To this end, we work to attract new investments in the region and strengthen the existing ones by promoting local investment opportunities, facilitating businesses and highlighting the distinct advantages of Punjab as a business location.

## Transactions Department

Punjab Board of Investment and Trade targets a socio-economic growth through its Transactions Department. The department plans to fortify its deep roots, both locally and internationally, by reaching out to leading businesses for discussing the panoramic commercial opportunities. As per the initiative of inventiveness, the department plans to provide a transaction advisory as defined in its role to bring-in the investments and establish new businesses. For this purpose, Pitch books of different identified sectors are a new resourcefulness of this department which would target to develop the in-house capacity of production by connecting the local and international market players. This would not only ensure the technology transfer but also create several jobs in the province. The department plans to connect through the regional IPAs, financial institutions, the embassies in different countries and local chambers as well so as to fast-track the process of economic growth and industrialization in Punjab in regard to its recognition as 'The Land of Opportunities

## Investment Associates

Mafaz Ahsan

Ghazi Asad Ali

Bilal Ansir

## Deputy Manager

Samad Rasheed

## Head of Transactions Dept

Rana Waqas

