

2021

Trade Analysis Series Information and Communication Technology (ICT) Services Sector



Turn Potential into Profit

Small & Medium Enterprises Development Authority (SMEDA)

Ministry of Industries & Production
Government of Pakistan

www.smeda.org.pk



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1 Description of Information and Communication Technology (ICT) Services

Information and Communication Technologies (ICT) is a broader term for Information Technology (IT), which refers to all communication technologies, including the internet, wireless networks, cell phones, computers, software, middleware, video-conferencing, social networking, and other media applications and services enabling users to access, retrieve, store, transmit, and manipulate information in a digital form. The services of ICT sector mainly comprise of following three major categories;

- i. Telecommunication Services: acceptance, transmission and delivery of the messages, e.g. Call Centers
- ii. Computer Services: consisting of specifying computer hardware configurations and evaluating technical processing characteristics, computer programming, and training of computer programmers and operators, e.g. Software Development, Games, Computer Applications and Mobile Apps etc.,
- iii. Information Services: primarily related to News Agency services

The Harmonized Commodity Description and Coding System (referred as HS Codes) designated for trade of ICT Services is 09. The brief description of sub categories falling with-in service category of HS 09 is provided in the following table:

Table 1: ICT Services HS Code Details

Service Category HS Code	Service Description
9	Telecommunications, Computer and Information Services
9.1	Telecommunications Services
9.2	Computer Services
9.2.1	Software's
9.2.2	Other than Software
9.3	Information Services
9.3.1	News Agency Services
9.3.2	Other than News Agency

Source: Trade Map

2 Global Trade of ICT Services

Telecommunication, Information and Computer Services, also referred as ICT Services, comprises as one of the most valuable components of the global economy with aggregate exports valued at US \$ 573.1 billion in 2019. The world trade of ICT Services has grown considerably during the last decade. There is an average cumulative growth of around 6% from 2015 ~ 2019, however there is slight decrease in 2019.

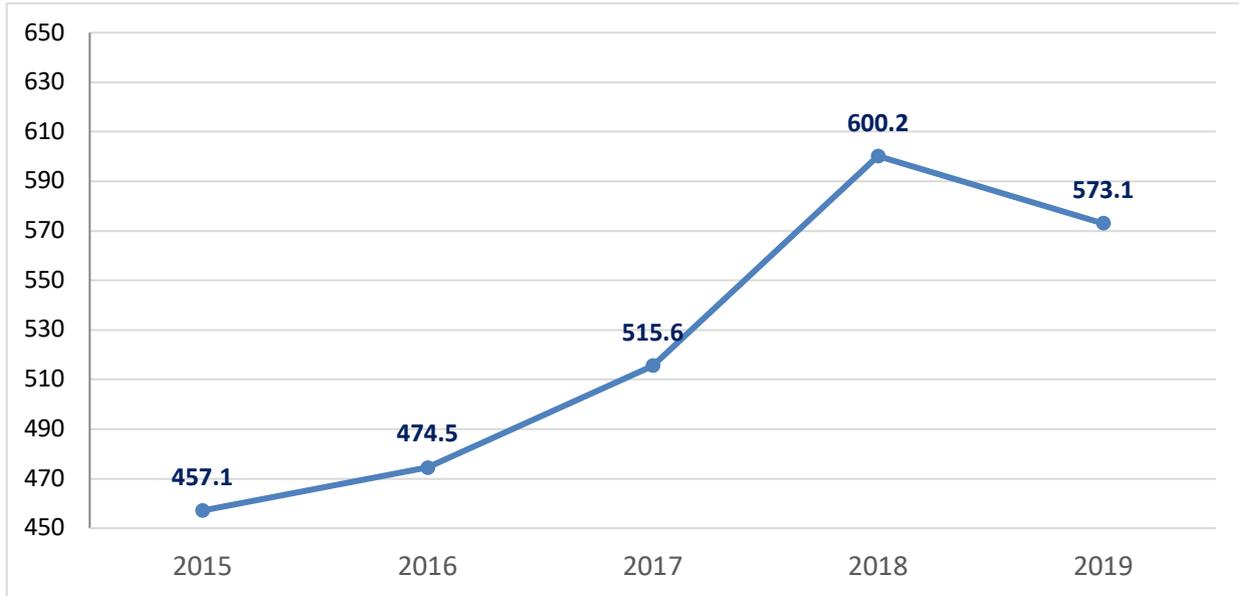


Table 2: Global Exports of ICT Services - Last 5 Years

Description	2015	2016	2017	2018	2019
World Exports (Value is US \$ Billion)	457.1	474.4	515.6	600.2	573.1
Growth (%age)	Base Year	3.8%	8.7%	16.4%	-4.5%

Source: Trade Map

Figure 1: Growth Trend in World Exports of ICT Services (Value US \$ Billions)

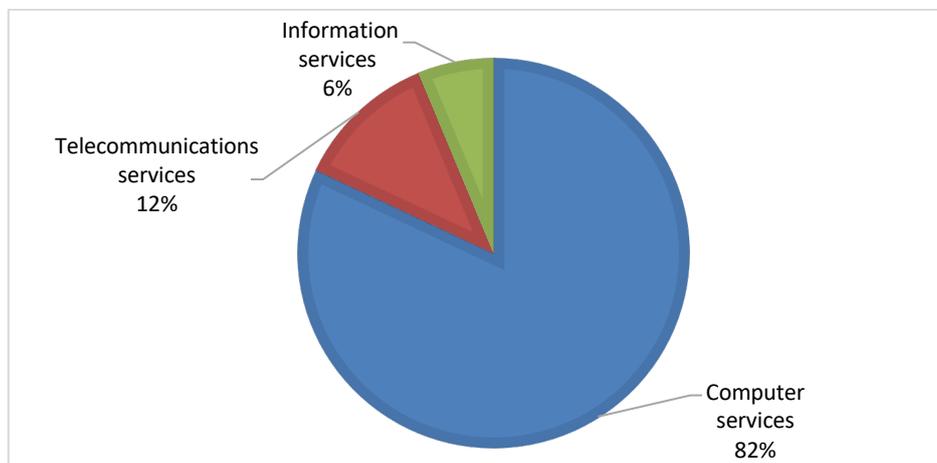


Source: Trade Map

Export Product Mix of ICT Services

The aggregate share of Computer Services including Software Service contributed 82% of the total export during 2018 vis-à-vis the 12% share of Telecommunication and 6% share of Information Service. The below graph breaks down the relative market share of all the stated HS Coode categories in the total global value exports of ICT Services.

Figure 2: Product Mix of ICT Services Exports in 2019



Major Exporters

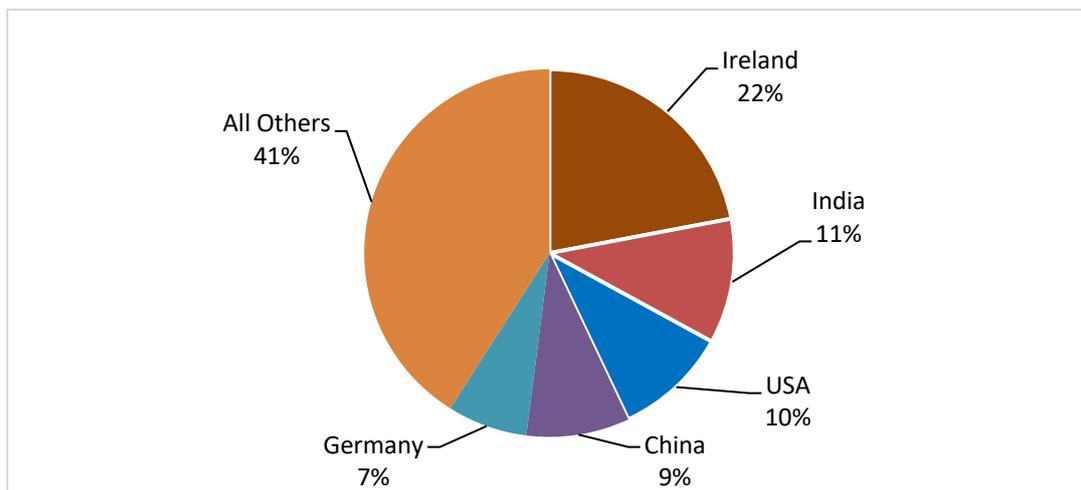
During the last 5 years, the exports of ICT Services have been dominated by Ireland followed by India and United States of America respectively. The export value and market share of the five largest exporting countries in 2019 are provided in the table and figure below.

Table 3: Major ICT Services Export Countries in 2019

Sr. No.	Country	Exports (Value in US \$ Billion)	CAGR % (2015 – 2019)
1	Ireland	124.4	21.7%
2	India	64.9	4.2%
3	United States of America	55.7	7.7%
4	China	53.8	20.2%
5	Germany	42.2	8.6%

Source: Trade Map

Figure 3: Market Share of Major World ICT Services Exporters in 2019



Major Importers

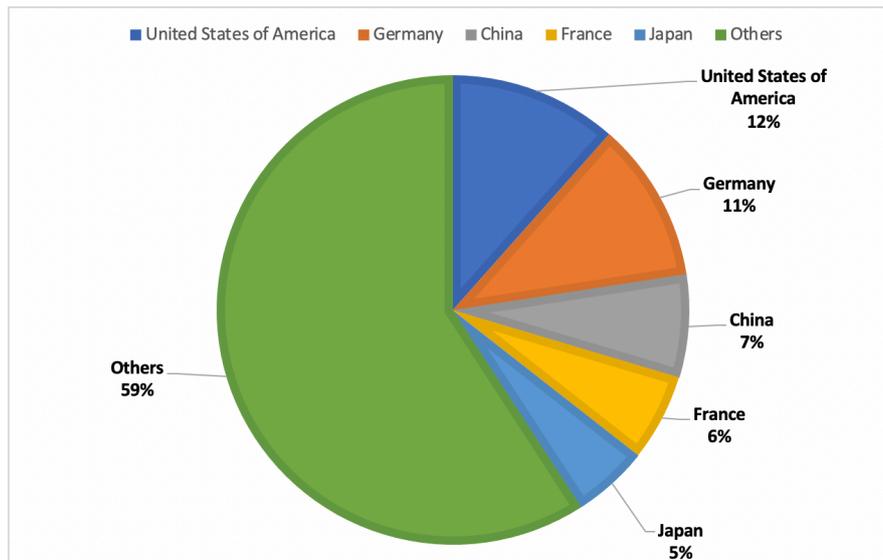
During the year 2019, the largest importer of ICT Services was United States of America followed by Germany and China. The import values and CAGR growth rates of the five largest importing countries in 2019 are provided in the below table and figure.

Table 4: Major ICT Services Importing Countries

Sr. No.	Country	Imports 2019 (Value in US \$ Billion)	CAGR % (2015 – 2019)
1	United States of America	43.7	3.0%
2	Germany	41.9	11.1%
3	China	26.9	24.5%
4	France	22.8	6.4%
5	Japan	19.9	10.4%

Source: Trade Map

Figure 4: Market Share of Major World ICT Services Importers in 2019



3 Pakistan’s Exports of ICT Services

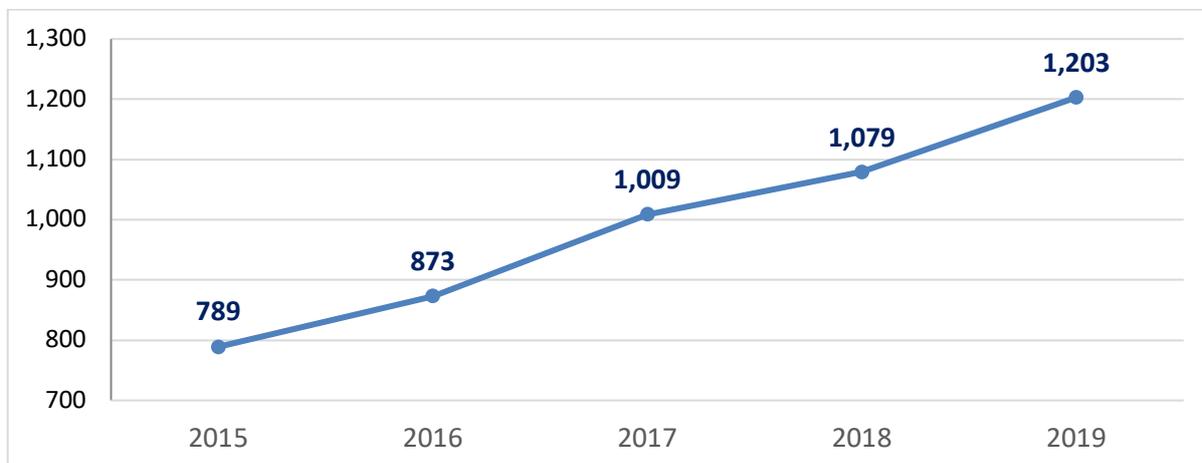
ICT Services is among one of those sectors in Pakistan, which showed continuous progress in last 5 years (i.e. 2015-19). Export in this sector increased by almost more than 50% comparing to the previous five years. The combined export value of the stated ICT HS Code category of Pakistan is provided in the table below.

Table 5: Pakistan ICT Services Exports – Last 5 Years (Value in US \$ Millions)

Description	2015	2016	2017	2018	2019
Pakistan’s Exports (Value is US \$ Millions)	789	873	1,009	1,079	1,203
Growth (%age)	Base Year	10.6	15.6	6.9	11.5

Source: Trade Map

Figure 5: Growth Trend of Pakistan’s ICT Services – Last 5 Years (Value in US \$ Millions)

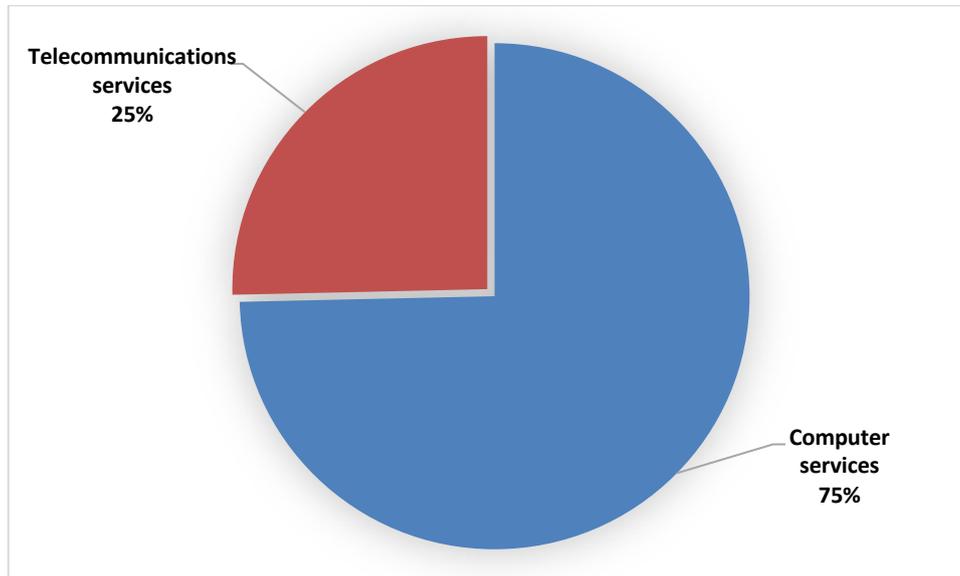


Source: Trade Map

Product Mix Export

Product mix of Pakistan export shows that share of export in Computer Services is around 75%.

Figure 6: Product Mix of ICT Services Pakistan Exports in 2019



Source: Trade Map

4 Pakistan's Import of ICT Services

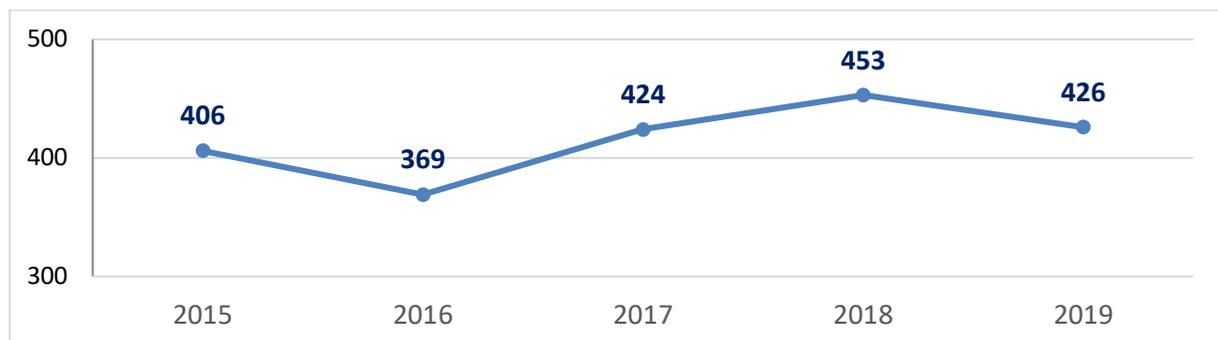
Pakistan's total value of imports of ICT Services in 2019 was US \$ 426 million. In last five years, highest import of services is during 2018 which is US \$ 453 million. The combined import figures of all HS code sub-categories of the Pakistan ICT Services sector is provided below.

Table 6: Pakistan ICT Services Imports – Last 5 Years (Value in US \$ Millions)

Description	2015	2016	2017	2018	2019
Pakistan's Imports (Value is US \$ Millions)	406	369	424	453	426
Growth (%age)	Base Year	-9.1	14.9	6.8	-6.0

Source: Trade Map

Figure 7: Growth Trend of Pakistan's ICT Services Imports – Last 5 Years (Value in US \$ Millions)

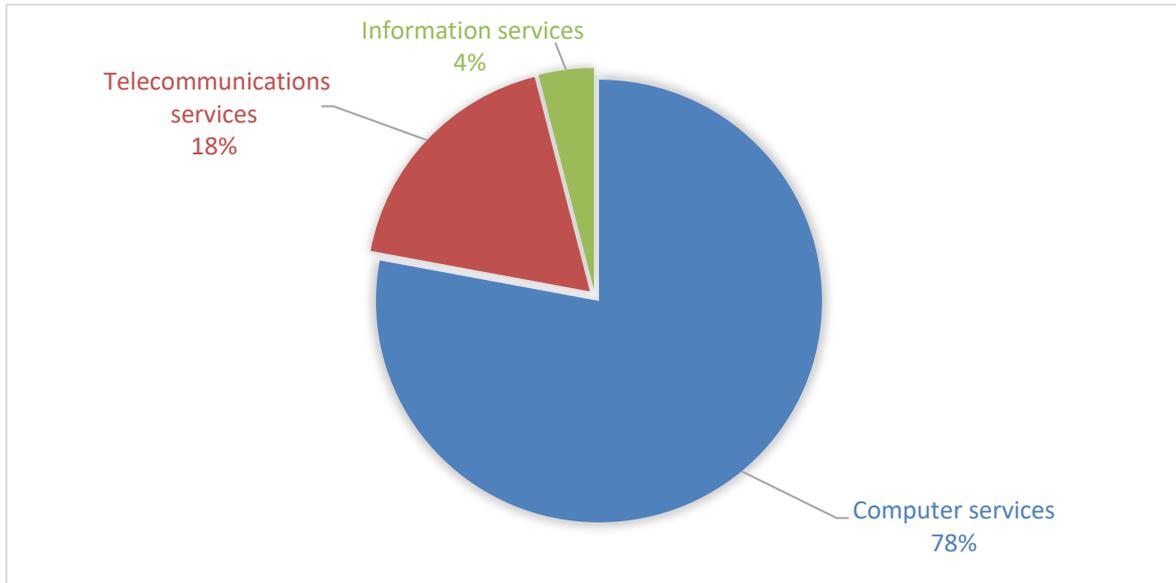


Source: Trade Map

Product Mix Import

Product mix of imports of ICT Services in Pakistan indicates that 78% share of imports relates to Computer Services followed by Telecommunication (12%) and Information Services (4%). It is completely aligned with global export and import trends.

Figure 8: Product Mix of ICT Services Pakistan Imports in 2019



Source: Trade Map

5 Taxes ICT Services in Pakistan

There are certain taxes applicable to ICT Services in Pakistan, mainly as follow;

- Current applicable rates of sales tax in Punjab, Sindh, Khyber Pakhtunkhwa and Baluchistan are 16%, 13%, 5% and 15% respectively.
- In the recent E-commerce policy, it is proposed that should also follow the KPK Govt and reduce the GST on ICT business to 5 percent.
- A federal excise duty of 15% on Telecommunication services.
- Provincial Revenue Authorities will also harmonize GST collection system to avoid double taxation.
- A Simplified filing procedure will be applied to e-Commerce companies including the return of GST for the damaged and returned goods through introduction of one-page sales tax return form.

6 Prominent International Trade Fairs

Name of Trade Show	Location	Frequency	Web Links
International Conference on Telecommunications (ICT)	Virtual	Annual	https://ict-21.org/
International Symposium on Networks, Computers and Communications (ISNCC)	Virtual	Annual	http://www.isncc-conf.org/
IEEE CTW	Canada	Annual	https://ctw2020.ieee-ctw.org/
Soft COM 2020	Virtual	Annual	http://softcom2020.fesb.unist.hr/
IEEE HPSR	Paris	Annual	https://hpsr2021.ieee-hpsr.org/