

HIGHLIGHTS OF PAKISTAN ECONOMIC SURVEY 2013-14

Growth and Investment

- ▶ The outgoing year witnessed global recovery as the world economy started picking up in the second half of last year and the global outlook indicates some signs of optimism.
- ▶ In South Asia economic performance of Pakistan is improving quantitatively and qualitatively as growth is broad based and touched all sectors of the economy and is the highest achievement since 2008-09.
- ▶ China and Pakistan have entered into a comprehensive plan of “economic corridor” between the two nations. It will serve as driver for connectivity between South Asia and East Asia.
- ▶ Major success of the outgoing fiscal year includes: picking up economic growth, inflation contained at single digit, improvement in tax collection, reduction in fiscal deficit, achieving of GSP plus status by EU, worker remittances touches new height, successful launching of Euro Bond, auction of long pending 3G and 4G licenses; foreign exchange reserves significantly rise, Rupee strengthened and stock market created new history.
- ▶ Government has introduced a comprehensive agenda of reforms which is highly focused on inclusive growth to reinvigorate the economy, spur growth, maintain price stability, provide jobs to the youth and rebuild the key infrastructure of the economy.
- ▶ The GDP growth accelerates to 4.14 percent in 2013-14 against the growth of 3.70 percent recorded in the same period last year. The growth momentum is broad based, as all sectors namely agriculture, industry and services have supported economic growth.
- ▶ The agriculture sector accounts for 21.0 percent of GDP and 43.7 percent of employment, the sector has strong backward and forward linkages. The agriculture sector has four sub-sectors including: crops, livestock, fisheries and forestry.
- ▶ Agriculture sector recorded a growth of 2.1 percent against the growth of 2.9 percent last year. The decline in its growth was due to drop in cotton production and other minor crops due to extreme weather but somehow compensated by the better output of rice, sugarcane, wheat and maize crops.
- ▶ Important crops account for 25.24 percent of agricultural value addition. This sub-sector has recorded a growth of 3.74 percent compared to a growth of 1.19 percent last year. The important crops includes all major crops like wheat, maize, rice, sugarcane and cotton which registered growth at 4.44 percent, 7.27 percent, 22.79 percent, 4.27 percent and (-) 2.00 percent respectively.
- ▶ Other crops have share of 11.65 percent to value addition in overall agriculture sector. This sub-sector has witnessed growth at (-) 3.53 percent against the growth of 6.05 percent last year. This decline in growth of minor crops is mainly due to 36.8 percent lower production in gram, 7.8 percent less production of Potatoes, 5.1 percent decline in production of masoor and 5.4 percent decrease in other pulses.
- ▶ Pakistan is one of the leading producers and consumers of cotton in the world market. Ginning is the procedure for separating lint from the seed to cotton. Cotton Ginning has witnessed a growth of (-) 1.33 percent against the growth of (-) 2.90 percent in the previous year due to reduction of the production of cotton as compared to last year.

- ▶ Livestock contributes 55.91 percent of agriculture value addition. Livestock consist of cattle, buffalos, sheep, goat, camel, horses, asses, mules and poultry and their products. It has registered a growth of 2.88 percent against 3.99 percent last year.
- ▶ Growth of the forestry sub-sector is witnessed at 1.52 percent as compared to the growth of 0.99 percent last year.
- ▶ Fisheries sub-sector has 2.03 percent contribution in agriculture registered a growth of 0.98 percent compared to the growth of 0.65 percent last year.
- ▶ The industrial sector contributes 20.8 percent in GDP; it is also a major source of tax revenues for the government and also contributes significantly in the provision of job opportunities to the labour force.
- ▶ Government planned and implemented comprehensive policy measures on fast track to revive the economy. As a result industrial sector started revival and recorded remarkable growth at 5.8 percent as compared to 1.4 percent in last year.
- ▶ The manufacturing is the most important sub-sector of the industrial sector containing 64.92 percent share in the overall industrial sector. Growth of manufacturing is registered at 5.55 percent compared to the growth of 4.53 percent last year.
- ▶ Manufacturing has three sub-components; namely the Large-Scale Manufacturing (LSM) with the share of 52.45 percent, Small Scale Manufacturing with the share of 7.97 percent and Slaughtering with the share of 4.49 percent.
- ▶ Small scale manufacturing witnessed growth at 8.35 percent against the growth of 8.28 percent last year and slaughtering growth is recorded at 3.51 percent as compared to 3.60 percent last year.
- ▶ LSM has registered an improved growth of 5.31 percent as compared to the growth of 4.08 percent last year.
- ▶ The share of construction in industrial sector is 11.48 percent and is one of the potential components of industries. The construction sector has registered a growth of 11.31 percent against the growth of (-) 1.68 percent of last year. This is also highest growth level achieved since 2008-09.
- ▶ Mining and quarrying sub-sector contains 14.45 percent share of the industrial sector. This sub-sector witnessed a growth of 4.43 percent as compared to 3.84 percent growth of last year.
- ▶ Electricity generation & distribution and Gas Distribution is the most essential component of industrial sector. This sub-sector has registered growth at 3.72 percent as compared to negative growth (-16.33) percent in last year.
- ▶ The share of the services sector has reached to 58.1 percent in 2013-14. Services sector contains six sub-sectors including: Transport, Storage and Communication; Wholesale and Retail Trade; Finance and Insurance; Housing Services (Ownership of Dwellings); General Government Services (Public Administration and Defense); and Other Private Services (Social Services).
- ▶ The Services sector has witnessed a growth rate of 4.3 percent as compared to 4.9 percent last year. The growth performance in services sector is broad based, all components contributed positively in growth, Finance and Insurance at 5.2 percent, General Government Services at 2.2 percent, Housing Services at 4.0 percent, Other Private

Services at 5.8 percent, Transport, Storage and Communication at 3.0 percent and Wholesale and Retail Trade at 5.2 percent.

- ▶ Pakistan Bureau of Statistics released quarterly growth rate for the first time during the current fiscal year. Pakistan has shared its methodology for preparation of quarterly economic figures with international financial institutions like IMF. They have expressed complete satisfaction over the methodology.
- ▶ Three main drivers of economic growth are consumption, investment and export. Pakistani society like other developing countries is a consumption oriented society, having high marginal propensity to consume.
- ▶ The private consumption expenditure in nominal terms reached to 80.49 percent of GDP, whereas public consumption expenditures are 12.00 percent of GDP. Total consumption expenditures have reached to 92.49 percent of GDP in outgoing fiscal year compared to 92.14 percent of last fiscal year.
- ▶ Per capita income in dollar terms recorded a growth of 3.5 percent in 2013-14 as compared to 1.44 percent last year. The per capita income in dollar terms has reached to \$ 1,386 in 2013-14.
- ▶ Total investment is recorded at 13.99 percent of GDP, Fix investment is registered at 12.39 percent of GDP. Private investment witnessed at 8.94 percent of GDP. Investment has been hard hit by internal and external factors during the last few years.
- ▶ Total investment witnessed a growth of 8.5 percent as compared to 8.4 percent last year. Public investment recorded an impressive growth rate at 17.12 percent as compared to (-0.35) percent last year.
- ▶ Total investment which was recorded at Rs.3,276 billion in 2012-13 increased to Rs.3,554 billion for 2013-14.
- ▶ Public investment has recorded an impressive growth at 17.12 percent as compared to negative growth (-0.35) percent last year. Public investment which was recorded at Rs.748 billion in 2012-13 is reported at Rs.877 billion in 2013-14.
- ▶ Public investment as a percent of GDP increased to 3.45 percent against the 3.33 percent last year.
- ▶ During July-March, 2013-14 credit to private sector flows increased to Rs.335.8 billion against the expansion of Rs.139.8 billion in the comparable period last year.
- ▶ Government has launched a number of initiatives to create enabling environment in the country including steps to improve energy situation, law and order, auction of 3G and 4G licenses, and other investment incentives for the investors.
- ▶ National savings are 12.9 percent of GDP in 2013-14 compared to 13.5 percent in 2012-13. Domestic savings is witnessed at 7.5 percent of GDP in 2013-14 as compared to 8.3 percent of GDP in 2012-13. Net foreign resource inflows are financing the saving investment gap.
- ▶ Present government has launched comprehensive plan to create investment friendly environment and to attract foreign investors in the country. As is evident, the capital market has reached to new height and emitting positive signals for restoring the investor's confidence.
- ▶ Pakistan's policy trends have been consistent, with liberalization, de-regulation, privatization, and facilitation being its foremost cornerstones. Board of Investment (BOI)

under the Prime Minister's office has approved investment policy to provide more investment friendly environment to investors.

- ▶ Total foreign investment has reached to \$2979 million during July-April 2014 as compared to \$1277 million showing 133.3 percent higher as compared to last year. Out of total foreign investment, the FDI has reached to \$750.9 million.
- ▶ The major inflow of FDI is from US, Hong Kong, UK, Switzerland and UAE. Oil & gas exploration, financial business, power, communications and Chemicals remained major sectors for foreign investors.
- ▶ According to Migration and Remittances report 2014 of the World Bank, Pakistan is ranked on 7th number, in terms of the largest recipient of officially recorded remittances in the world. After India Pakistan is the second largest recipient of remittances in South Asian region.
- ▶ Pakistan is also one of the countries among 20 countries of the world where remittances cover more than 20 percent of imports and also remittances are equivalents to more than 30 percent of exports.
- ▶ The government is also aiming to explore new markets to export its manpower as well as incentives for the remittances to further enhance its growth. The available data suggest inflow of the remittances for the period of July-April 2013-14 stood at \$ 1,289.46 million compared to \$ 1,156.98 million during the corresponding period last year, which is 11.45 percent higher over the previous period.

Agriculture

- ▶ The agriculture growth stood at 2.1 percent during July-March, 2013-14 as compared to 2.9 percent during the last year.
- ▶ During 2013-14, Cotton production stood at 12,769 thousand bales as compared to 13,031 thousand bales in 2012-13, and registered a decline of 2.0 percent.
- ▶ Wheat production increased to 25,286 thousand tons in 2013-14, as compared to 24,211 thousand tons in 2012-13, showing an increase of 4.4 percent.
- ▶ Rice production has increased to 6,798 thousand tons in 2013-14, as compared to 5,536 thousand tons in 2012-13, showing an increase of 22.8 percent.
- ▶ Sugarcane production has increased to 66.5 million tons in 2013-14, as compared to 63.8 million tons last year, and registered an increase of 4.3 percent.
- ▶ Maize production has increased to 4,527 thousand tons in 2013-14, as compared to 4,220 thousand tons in 2012-13, showing an increase of 7.3 percent.
- ▶ Other crops that contributed 11.6 percent value addition in agriculture witnessed a negative growth of 3.5 percent in 2013-14, against positive growth of 6.1 percent during the same period last year.
- ▶ Gram production has decreased to 475 thousand tons in 2013-14, as compared to 751 thousand tons in 2012-13, showing a decline of 36.8 percent.
- ▶ During July-March, 2013-14, the production of Moong increased by 3.3 percent, while production of other pulses Mash and Masoor (Lentil) decreased by 6.4 and 5.1 percent, respectively. The production of potatoes and chillies witnessed a decline of 7.8 and 1.4 percent, respectively.

- ▶ During July-March, 2013-14 about 372.0 thousand tons of improved seeds of various Kharif/Rabi crops were procured.
- ▶ During July-March, 2013-14, the banks have disbursed agriculture credits of Rs. 255.7 billion, which is 67.3 percent of the annual target of Rs. 380.0 billion. The disbursement is 10.7 percent higher than Rs. 231.0 billion disbursed during the corresponding period last year. The outstanding portfolio of agriculture loans has increased by Rs. 39.1 billion (16 %) i.e. from Rs. 241.9 billion to Rs. 281.0 billion at end March, 2014 as compared to same period last year.
- ▶ During 2013-14, the availability of water for Kharif 2013, remained 13.5 percent more than Kharif 2012 and 2.4 percent less than the normal supplies of 67.1 MAF. The water availability during Rabi season 2013-14, was estimated at 32.5 MAF, which was 1.9 percent higher than last year's Rabi crop but 10.7 percent less than the normal availability of 36.4 MAF.
- ▶ Kharif 2013 started with inventory of 220 thousand tonnes of urea, making total availability of urea (including 325 thousand tonnes of imported supplies, 2496 thousand tonnes of domestic production) about 3041 thousand tonnes against the offtake of 2851 thousand tonnes, leaving an inventory of 175 thousand tonnes for Rabi 2013-14.
- ▶ Total availability of DAP during Kharif 2013, was 921 thousand tonnes comprising 197 thousand tonnes of inventory, 326 thousand tonnes of imported supplies and 398 thousand tonnes of local production. DAP offtake was 616 thousand tonnes leaving closing balance of 307 thousand tonnes for coming Rabi 2013-14.

Manufacturing and Mining

- ▶ During the first nine month period of 2013-14, Large Scale Manufacturing posted a growth of 4.3 percent as compared to growth of 3.5 percent during the same period last year.
- ▶ During July-March 2013-14 positive growth of LSM includes sectors: Fertilizers 21.64 percent, leather products 12.96 percent, Rubber Products 9.48 percent, Paper & Board 8.03 percent, Food Beverages & Tobacco 7.78 percent, Coke & Petroleum Products 7.48 percent, Chemicals 6.71 percent, Iron and Steel Products 3.38 percent, Electronics 2.91 percent, Textile 1.44 percent and Non metallic mineral Products 0.15 percent. Few sectors recorded negative growth including Engineering products 21.40, Wood products 8.91 percent, Pharmaceuticals 0.49 percent and Automobiles 0.01 percent.
- ▶ New initiatives including, capacity enhancement, upward trend in credit utilization, construction activities and use of alternate energy by various industries also helped in supporting LSM sector.
- ▶ In Automobiles, the sub items of automobile such as LCVs, Trucks, Buses and Motor Cycle posted a growth of 27.95 percent, 30.94 percent, 11.25 percent and 3.38 percent respectively while Tractors registered a negative growth of 33.57 percent.
- ▶ The Mining and Quarrying sector estimated to grow at 4.4 percent in 2013-14 as against 3.8 percent last year. Sulphur, Chromites, Bauxite, Dolomite, Coal, Lime Stone, Crude Oil and Rock Salt posted a positive growth rate of 74.7 percent, 70.8 percent, 53.3 percent, 40.7 percent, 16.0 percent, 14.3 percent, 11.6 percent and 10.7 percent, respectively. However few witnessed negative growth rate during the period under review such as the growth of Barytes declined by 41 percent followed by Magnesite 39.6 percent, Cooper 28.4 percent, Soap Stone 9.2 percent and Phosphate 9.1 percent respectively.

Fiscal Development

- ▶ Present government soon after coming into power in June, 2013, took instant measures to improve the fiscal situation through expenditure management strategy and raising tax and non-tax revenues during fiscal year 2013-14.
- ▶ Under prudent expenditure management strategy, various initiatives have been taken including 30 percent cut in current budget of Ministries/Divisions except pay and allowances, phasing out of electricity subsidies and announced restructuring of bleeding PSEs.
- ▶ In an effort to enhance resource mobilization efforts in the country and increase tax to GDP ratio from the lowest level of 8.7 percent to 15 percent in the next few years, a comprehensive strategy is being devised which comprises of three broad categories such as: a) broadening of tax base, b) removing anomalies in the taxation system and c) Improving tax compliance.
- ▶ As a result of these efforts, initial gains started to emerge as fiscal deficit reduced to 3.2 percent of GDP during July-March, 2013-14, against 4.7 percent in the comparable period of last year.
- ▶ Total expenditure of Rs. 5,297.2 billion was estimated for the full year, comprising of Rs. 3,963. 0 billion of current expenditure (74.8 percent of total) and Rs. 1,334.3 billion of development expenditure and net lending (25.2 percent of total).
- ▶ During July-March, 2013-14, total expenditures contained at 3.7 percent against 20.4 percent growth in the same period of 2012-13.
- ▶ Total revenue increased by 16.6 percent during July-March, 2013-14, and stood at Rs. 2,477.4 billion compared to Rs. 2,124.9 billion in the same period of 2012-13.
- ▶ Tax revenues amounted to Rs. 1,786.2 billion against Rs.1, 527.8 billion in the same period last year, thus posted a growth of 16.9 percent. Significant growth in tax revenues was mainly on account of considerable rise in federal tax collection by 16.3 percent
- ▶ While, non tax revenues posted a significant growth of 15.8 percent during July-March, 2013-14, which amounted to Rs. 691.2 billion against Rs.597.0 billion in the same period last year.
- ▶ Fiscal accounts witnessed some respite on account of reduced subsidies, which remained lower than last year as it reached to Rs. 201.8 billion during July-March, 2013-14 against Rs. 270.0 billion in the comparable period of 2012-13.
- ▶ Following a growth of 24.3 percent in provincial tax revenues and 13.9 percent in federal transfers, the provincial surpluses posted a higher growth and reached to Rs. 257.9 billion during July-March, 2013-14.
- ▶ During July-April, 2013-14, FBR collected an amount of Rs. 1,744.8 billion as provisional tax against Rs. 1,505.5 billion in the comparable period of 2012-13, reflecting a growth of around 15.9 percent.
- ▶ During the first ten months of current fiscal year, among the four federal taxes, highest growth has been witnessed in direct tax at 18.9 percent followed by sales tax at 18.8 percent and federal excise at 14.0 percent.
- ▶ During July-April, 2013-14, direct taxes remained a major source of FBR tax revenue collection, contributing 37.7 percent of total FBR revenues. Net collection was estimated

at Rs. 658.1 billion against Rs. 553.5 billion in the comparable period of fiscal year 2012-13.

- ▶ Indirect taxes increased by 14.2 percent in first ten months of current fiscal year and accounted for 62.2 percent of total FBR collection. Net collection was estimated at Rs. 1,086.7 billion against Rs. 951.9 billion in the same period last year.

Money and Credit

- ▶ Long standing structural issues posed multiple challenges for monetary management in Pakistan, however, current fiscal year witnessed significant improvement on account of contained government borrowings, increase in foreign exchange reserves and improvement in credit to private sector.
- ▶ Moreover, entering into 3-year arrangement under the Extended Fund Facility (EFF) with IMF, successful launch of Pakistan Sovereign Bonds worth \$ 2.0 billion and auction of 3G/4G license during 2013-14, are major developments, which will further support the financial and external sector.
- ▶ During the first half of current fiscal year, SBP reversed its policy stance from accommodative to tight policy to contained inflation to single digit, as the rate was increased by cumulative 100 bps, staggered in two stages of 50 bps each.
- ▶ However, SBP adopted a cautious stance by maintaining the policy rate at 10.0 percent in latest monetary policy announced on 16th May, 2014, keeping in view the risks of inflationary pressures.
- ▶ Broad Money (M2) witnessed an expansion of 7.3 percent during July-9th May, 2013-14, against the growth of 10.3 percent in the comparable period last year.
- ▶ Net Foreign Assets improved and reached to Rs. 236.9 billion during July-9th May, 2013-14 as compared to a net contraction of Rs. 181.4 billion last year.
- ▶ Net Domestic Assets during July-9th May, 2013-14, stood at Rs. 411.3 billion against Rs. 970.2 billion during the same period last year, reflecting an increase of 4.8 percent over the last year.
- ▶ The government borrowing from the banking system for budgetary support and commodity operations reduced to Rs.199.6 billion during July-9th May, 2013-14, against Rs. 992.9 billion in the comparable period last year. Significant decline in government borrowing from the banking system due to contained borrowing for budgetary support is largely a reflection of improved fiscal accounts.
- ▶ Within the banking system, government retired Rs.10.5 billion to SBP against a borrowing of Rs. 416.8 billion in the same period last year.
- ▶ On the other hand government has borrowed only Rs. 275.2 billion from Scheduled banks during July- 9th May, 2013-14, against the borrowing of Rs. 659.0 billion last year.
- ▶ During July-9th May, 2013-14, loan for commodity operations witnessed a net retirement of Rs. 65.0 billion against the retirement of Rs. 84.2 billion during the same period last year.
- ▶ Credit to private sector flows increased to Rs. 296.4 billion during July-9th May, 2013-14, as compared to the expansion of Rs. 92.5 billion in the comparable period of last year.
- ▶ Weighted average lending rate (including zero mark-up) on gross lending has increased from 10.46 percent in March, 2013 to 10.53 percent in March, 2014 while weighted

average deposit rate have declined to 5.80 percent in March, 2014 from 6.03 percent in the same period last year.

Capital Markets

- ▶ Pakistan equity market, the KSE was one of the best performing stock markets in 2013. During this period the KSE-100 Index gained 49% and closed at 25,260 levels by end of December, 2013.
- ▶ The KSE-100 Index improved by 45.2 percent , a gain of 8,998 points since 11th of May, 2013, General Elections and taking control of the PML(N) government till end-April, 2014.
- ▶ However, since 1st July-2013, the KSE 100 index increased by 7,907 points from 21,006 to 28,913 level (37.6 percent gain) till end April, 2014. This reflects the restoration of the confidence of the investors.
- ▶ Other reasons for outstanding performance of Karachi Stock Exchange includes better economic growth's estimates, improvement in industrial growth, reduction in load shedding, robust growth in remittances, single digit inflation and decline in the fiscal deficit etc.
- ▶ Pakistan Stock Markets has out performed during 2013-14 (July-April) among Global Stock Markets and remained at top of the list in percent gain (37.6 percent) surpassing China, India, Tokyo, Hong Kong, UK and USA markets.
- ▶ US S&P has registered an increase of 17.3 percent, while Bombay Sensex was up by 15.6 percent during the period under review. The UK FTSE 100 Index gained 9.1 percent, Hong Kong, Hang Seng market went up by 6.4 percent, Tokyo Nikkei increased by 4.6 percent and China Shanghai Composite was up by just 2. 4 percent during July-April 2013-14.
- ▶ The Index of KSE is primarily influenced by some blue chip companies. During the first ten months of the current fiscal year 2013-14, the combined paid-up capital of fifteen big companies was Rs. 91 billion, which constituted 13.17 percent of the total listed capital at KSE.
- ▶ During July-April, FY14 a total of 11 debt securities issued through private placement which includes two Privately Placed Term Finance Certificates of Rs. 9.827 billion, 6 Sukuk issues of Rs.19.000 billion, Listed Term Finance Certificates of Rs 2.770 billion and Commercial Paper of Rs. 0.150 billion.
- ▶ Small and Medium Enterprises (SMEs) plays vital role in the development of a country. SMEs are considered to be an important segment of the economy as they have the potential to create the economic as well as social growth. It is therefore essential to minimize the constraints and to provide a conducive environment for the growth and development of SMEs.
- ▶ The Securities and Exchange Commission of Pakistan (SECP) has approved the Regulations for listing of SMEs for the Islamabad Stock Exchange. The Regulations in addition to certain pre-requisite conditions provide a set of procedures for issue, listing and trading of shares of SMEs. Now SMEs can raise funds from the capital market, through listing, for meeting their financial needs for executing new projects and/or expansion of their existing businesses.

- ▶ In order to facilitate the general public during IPOs, SECP has introduced the concept of e-IPO, i.e. electronic submission of subscription form.
- ▶ The SECP in collaboration with the stock exchanges is in the process of introducing consequential reforms which are essential for taking the exchanges forward in the demutualized setup. The stock exchanges are in the process of bringing in strategic investors to benefit from their extensive expertise and technological knowhow, while at the same time bringing foreign investment, and broadening the investor base.

Inflation

- ▶ The inflation rate measured by the changes in CPI, averaged at 8.7 percent during July-April, 2013-14 against 7.7 percent in the comparable period last year.
- ▶ The increase in food inflation during the current year has driven up the overall inflation upward.
- ▶ The food inflation on average basis in July-April, 2013-14, is estimated at 9.3 percent and non-food 8.2 percent, as against 7.1 percent and 8.2 percent in the corresponding period last year.
- ▶ CPI food items have declining trend in prices of gram pulse, mash pulse, vegetable ghee, cooking oil and mustard oil.
- ▶ Core inflation on average basis during July-April, 2013-14, stood at 8.3 percent against 9.9 percent last year.
- ▶ WPI during July-April, 2013-14, on annual average basis has recorded an increase of 8.3 percent against 7.9 percent last year.
- ▶ The wholesale prices of food and non-food items, whose prices decreased from previous year are spices, pulses, vegetable ghee, other oil seed, furnace oil, synthetic carpets, radio and television related items.
- ▶ SPI recorded an increase of 9.8 percent during July-April, 2013-14 against 7.9 percent last year.
- ▶ Inflation has been contained during current fiscal year due to better supply position of major and minor crops, and regular monitoring of prices and supply chain by the National Price Monitoring Committee.
- ▶ National Price Monitoring Committee chair by Federal Finance Minister, monitor prices of essential commodities in consultation with provincial governments and concerned Federal Ministries/Divisions and organization.
- ▶ The government is finalizing the Food Security Policy, which will ensure production and availability of food items and minimize dependence on the import of essential food items.

Trade and Payments

- ▶ Exports during the first ten months (July-April) of the current fiscal year reached to US\$ 20,997 million rising from US\$ 20,143 million in the same period last year thereby witnessing a growth of 4.24 percent.
- ▶ Imports during the first ten months (July-April), showed a growth of 1.2 percent compared with the same period of last year and reached to \$37,105 million against \$36,665 million same period last year.

- ▶ Trade account balance recorded a marginally higher deficit during Jul-April, FY14, compared to same period last year. Trade account deficit increased by 2.8 percent in Jul-April, FY14.
- ▶ Services account deficit remained higher and stood at \$2,171 million during July-April, 2013-14, as compared to \$931 million during the same period last year. Higher services account deficit was the result of lower receipts under coalition support fund during Jul-April, 2013-14, compared to the same period last year. However, it is expected that receipt of CSF amount of \$375 million in May, 2014, will improve the current account deficit.
- ▶ Worker's remittances showed a handsome growth of 11.5 percent and reached to \$12,894.6 million during July-April, 2013-14, as against \$11,569.8 million in the comparable period of last year.
- ▶ Current account deficit gradually widened during current financial year (Jul-Apr) to \$ 2,162 million (0.9 percent of GDP) from \$1,574 million during Jul-Apr, FY13 (0.7 percent of GDP) due to higher deficit in the services account.
- ▶ Capital and financial account improved and turned to surplus by a substantial amount of \$4,998 million during July-April, 2013-14, as compared to a deficit of \$440 million in the corresponding period last year.
- ▶ Foreign investment during Jul-Apr, FY14, increased by 133.3 percent compared to same period last year due to public investment in debt securities comprising special US dollar bonds Euro bonds, FEBC, DBC, T-bills and PIBs.
- ▶ Pakistan's foreign exchange reserves improved substantially and remained around \$13.6 billion as on 21st May, 2014, an improvement of more than 28 percent.
- ▶ Pak Rupee recorded an appreciation of 1.1 percent in Jul-Mar FY14, compared to 3.8 percent depreciation in the same period last year. As a result, the exchange rate by end of June, 2014 is worked out to be Rs.98.77 against Rs.99.66 per US \$ at end-June, 2013.

Public Debt

- ▶ Public debt stock reached at Rs.15,534 billion at the end of March, 2014, representing an increase of Rs.1,168 billion or 8 percent higher with that of last fiscal year.
- ▶ The primary source of increase in public debt during first nine months of current fiscal year was domestic debt that stood at Rs.10,823 billion representing an increase of 14 percent over end June 2013.
- ▶ External debt posed at Rs. 4,711 billion by end March, 2014, representing a decrease of Rs.138 billion as compared to end June 2013. This decline in external debt during first nine months of current fiscal year is mainly attributed to net repayments and appreciation of Pak Rupee against US Dollar.
- ▶ Government took following measures to effectively manage its public debt during first nine months of current fiscal year:
 - Developed its first Medium Term Debt Management Strategy (2014-18) to take informed financing decisions based on the evaluation of cost-risk tradeoffs.
 - Trading of government debt instruments was launched to broaden the investor base and have a liquid government securities market.

- Pakistan successfully tapped international capital markets after a gap of 7 years and raised US\$ 2 billion against the initial expectations of US\$ 500 million. This transaction represented the largest ever international bond offering for Pakistan.
- With increased external inflows, the government was able to reduce the pressure on domestic resources while strengthening the foreign exchange reserves vis-à-vis improving exchange rate parity which also contributed towards reduction in public external debt.
- ▶ Public debt servicing was Rs.1,155 billion during July-March, 2013-14, against the annual target of Rs.1,561 billion, thereby, consumed nearly 47 percent of total revenues.
- ▶ External Debt and Liabilities (EDL) stock was recorded at US\$ 61.8 billion as at end March, 2014, out of which public external debt amounted to US\$ 47.8 billion. IMF has approved three years Extended Fund Facility Program for Pakistan on September 04, 2013, of SDR 4.4 (US\$ 6.64) billion against which US\$ 1,657 million was disbursed in the first nine months of current fiscal year. Total disbursements excluding IMF were US\$ 2,301 million during first nine months of current fiscal year compared to US\$ 1,782 million during the same period last year.
- ▶ The servicing on EDL was recorded at US\$ 5,388 million during first nine months of current fiscal year. An amount of US\$ 4,747 million was paid against principal, out of which, US\$ 2,519 million was against IMF loans.

Education

- ▶ According to the latest Pakistan Social and Living Standards Measurement Survey 2012-13, the literacy rate (10 years and above) is estimated at 60 percent as compared to 58 percent in 2011-12.
- ▶ Literacy remained much higher in urban areas than in rural areas and higher among male.
- ▶ Province-wise data suggest that Punjab leads with 62 percent, followed by Sindh with 60 percent, Khyber Pakhtunkhwa with 52 percent and Balochistan 44 percent.
- ▶ Government of Pakistan is currently spending 2.0 percent of its GDP on education sector and is fully committed to 2.0 percent of GDP to 4.0 percent of GDP by 2018.
- ▶ The federal government is spending huge amount of Rs. 59.28 billion during current year 2013-14, in addition to the provincial allocation of Rs. 59,440 billion to accelerate the pace of education at all levels and to achieve the MDGs targets.
- ▶ Gross Enrolment Rates (GER) at the primary level excluding Katchi (prep) for the age group 5-9 years at national level during 2012-13, remained 91 percent.
- ▶ Amongst the provinces, Punjab remains stable with Primary level GER at 98 percent; Sindh shows improvement to 81 percent in 2012-13 from 79 percent in 2011-12 and Khyber Pakhtunkhwa also improved to 91 percent in 2012-13 from 89 percent in 2011-12 while Balochistan witnessed improvement of 70 percent in 2012-13 from 69 percent in 2011-12.
- ▶ Net Enrolment Rates (NER) at the national level during 2012-13 remained at 57 percent.
- ▶ At national level, the total number of enrolments during 2012-13, stood at 41.1 million as compared to 40.3 million during the same period last year. This shows an increase of 2.0 percent. It is estimated to increase to 42.2 million during 2013-14.

- ▶ At national level, the overall number of institutes stood at 240.3 thousands during 2012-13, as compared to 234.5 thousands during the last year. This shows an increase of 2.5 percent. However, the number of institutes is estimated to increase to 243.8 thousands during 2013-14.
- ▶ During July-March 2013-14, a total of 6,677 youth received Vocational & Technical training under the President' Fanni Maharat Programme and Prime Minister's Hunermand Pakistan Programme and 2,687 are still under training.
- ▶ HEC is also contributing to play its role in running different scholarship programmes to enhance academic qualification at various levels on merit basis in line with specified criteria. During the period 2008-13, a total number of 7,731 scholarships were awarded under different programmes of HEC.
- ▶ The federal government, on the direction of the Prime Minister of Pakistan has launched a scheme to support the students from less developed areas. Under this innovative and special scheme, apart from tuition fee, the federal government have paid other academic, incidental, or mandatory fees charged by educational institutions as one-off or on a per semester basis of Masters, MS/ M. Phil and Ph.D. students of selected/backward areas. Under the programme, Rs.1200 million will be paid as fee for 35,000 students.
- ▶ The development portfolio of HEC, includes 129 on-going development projects in the Federal PSDP 2013-14 and Government of Pakistan has included 33 new development projects at an estimated cost of Rs. 26.3 billion, having an allocation of Rs. 2.6 billion for current year 2013-14.

Health & Nutrition

- ▶ In the whole country, there are 1,096 hospitals, 5,310 dispensaries, 5,527 basic health units and 687 maternity and child health centre's in Pakistan as compared to 1,092 hospital, 5,176 dispensaries, 5,478 basic health units and 628 maternity and child health centre's in the same period of last year.
- ▶ The number of doctors has increased to 167,759, dentists 13,716, nurses 86,183 and hospital beds 111,953 in the country during 2013-14 compared to 160,880 doctors, 12,692 dentists, 82,119 nurses and 111,726 hospital beds last year. The population and health facilities ratio worked out 1,099 persons per doctors, 13,441 persons per dentist and 1,647 persons per hospital bed. It was 1,123 persons per doctor, 14,238 per dentist and availability of one bed for 1617 person in 2012-13.
- ▶ During July-April, 2013-14, 32 basic health units and 7 rural health centre's have been constructed, while 10 rural health centre's and 37 basic health units have been upgraded.
- ▶ During nine months of 2013-14, 5,000 doctors, 500 dentists, 3,150 nurses and 4,500 paramedics have completed their academic courses and 3,600 new beds have been added in the hospitals compared to 4,400 doctors, 430 dentists, 3,300 nurses, 4,500 paramedics and 4,200 beds over last year.
- ▶ Moreover, some 6 million children have been immunized and 21 million packets of ORS have been distributed.
- ▶ A number of health program are implemented, which include Malaria, TB, AIDs and Food and Nutrition program.
- ▶ For the current year a total outlay for health sector is budgeted at Rs.102.3 billion which included Rs.27.8 billion for development and Rs.74.5 billion for current expenditure which is equivalent to 0.40 percent of GDP during 2013-14 as compared to 0.35 percent in 2012-13.

Population, Labour force and Employment

- ▶ Population growth rate has shown improvement and it decreased from 1.97 percent in 2013 to 1.95 percent in 2014.
- ▶ Total population is projected at 188.02 million during the year 2014.
- ▶ Fertility Rate (TFR) declined to 3.2 children per women in 2014 as compared to 3.3 in 2013.
- ▶ Contraceptive Prevalence Rate has improved from 30 percent in 2013 to 35 percent in 2014.
- ▶ Life expectancy has also increased from 66.5 (female) and 64.6 (male) in 2013 to 66.9 (female) and 64.9 (male) in 2014.
- ▶ Crude Birth Rate has improved from 26.8 per thousand in 2013 to 26.4 per thousand and Crude Death Rate has decreased from 7.0 per thousand in 2013 to 6.9 per thousand in 2014.
- ▶ Infant Mortality Rate decreased to 66.1 per thousand in 2014 from 67.0 per thousand in 2013.
- ▶ Urban population has increased to 72.5 million in 2014 from 69.8 million in 2013, while rural population has increased to 115.5 million in 2014 from 114.4 million in 2013.
- ▶ Total labour force has increased from 57.2 million in 2010-11 to 59.7 million in 2012-13.
- ▶ Total number of people employed during 2012-13 was 56.0 million.
- ▶ Unemployment rate has increased to 6.2 percent in 2012-13 as compared to 6.0 percent in 2010-11.
- ▶ The share of employment in agriculture sector has decreased to 43.7 percent in 2012-13 as compared to 45.1 percent in 2010-11.
- ▶ The employment share by manufacturing sector has increased to 14.1 percent in 2012-13 from 13.7 percent in 2010-11.
- ▶ The share of wholesale and retail trade has decreased to 14.4 percent in 2012-13 as compared to 16.2 percent in 2010-11.
- ▶ The share of community/social and personal service has increased to 13.3 percent in 2012-13 from 10.8 percent in 2010-11.
- ▶ Prime Minister launched youth assistance package which comprises schemes: Interest Free Loan Scheme, Business Loan Scheme, Youth Training Scheme, Youth Skill Development Scheme, Fee Reimbursement Scheme for Students from less developed areas and Provision of Laptops Scheme.

Transport and Communications

- ▶ Pakistan's total road network is around 263,775 Kms which carries over 96 percent of inland freight and 92 percent of passenger traffic.
- ▶ Length of NHA road network is around 12,131 kms comprises of 39 national highways, motorways, expressway and strategic roads.

- ▶ During current financial year 2013-14, NHA executed 83 development projects costing Rs. 615.2 billion. Government of Pakistan has allocated Rs. 63.04 billion in the Federal PSDP for construction of roads, river bridges, tunnels, flyovers and interchanges.
- ▶ Government of Punjab and the Federal government have jointly started twin cities Rawalpindi-Islamabad Metro-Bus service project on 23rd March, 2014 with a total cost of Rs. 44.21 billion. Metro bus project will be completed in next 10 months.
- ▶ The entire length of 8.6 Km of Metro Bus corridor in Rawalpindi area shall be of elevated structure where as 14 Km in Islamabad shall be at grant.
- ▶ The network of Pakistan Railway comprises of 7,791 route kilometers, 423 Locomotives, 1,700 passenger coaches and 16,179 freight wagons.
- ▶ Government is taking new initiatives to improve the performance of Pakistan Railways by repairing/purchasing of locomotives, enhanced HSD oil reserves up to 12 days to streamline the train operation.
- ▶ During financial year 2013-14, 63 Kms of track has been rehabilitated besides doubling of 57 kms track.
- ▶ During 2013-14, Pakistan Railway executed 33 development projects costing 241.7 billion. Government of Pakistan has allocated 30.964 billion for the continuation of its on-going projects.
- ▶ Since 2002, the performance of Pakistan International Airlines (PIA) has been on downward trend. Government is taking initiatives/steps to improve the performance of PIA by contracts re-negotiation, route rationalization, re-deploying aircrafts on more profitable domestic and international routes.
- ▶ Pakistan National Shipping Corporation (PNSC) provides transportation services for crude oil requirements of the country comprises of nine vessels of various types/size with a total deadweight capacity of 642,207 tonnes.
- ▶ During July-March, 2013-14, PNSC companies earned a revenue of Rs.11.37 billion as against Rs. 8.21 billion over the corresponding period of last year showing a growth of 38.5 percent.
- ▶ During July-March 2013-14, Port Qasim Authority handled 0.632 million TEUs (Twenty Equal Units) of container traffic which is 17.5 percent higher over the corresponding period of last year.
- ▶ At Gawadar Port, 563.2 tons Urea import was handled during July-March 2013-14.
- ▶ During July-March 2013-14, the total cargo handled at Gawadar Port stood at 5764.4 thousand tons against 5064.8 thousand tons over the corresponding period of last year showing a growth of 13.8 percent.
- ▶ Telecom revenues during Jul-Mar 2013-14, was amounting to Rs.345.5 billion which made this sector very attractive for further investment.
- ▶ Teledensity has been improved and facilities have reached to 78 percent of population and cover 92 percent of the total land area of the country which is better in comparison with the regional countries.
- ▶ The introduction of 3G/4G spectrum would help in expediting socio-economic progress of the country. Auction of 3G /4G spectrum is the major achievement of the government in Telecom Sector and has earned revenue of \$1112.8 million.

- ▶ PTA has issued a license to CM Pak for Long distance International (LDI), Local Loop in all 14 Telecom regions of Pakistan and Trans World Infrastructure Services for Infrastructure development.
- ▶ During July-March, 2013-14, Telecom sector earned revenue of Rs.345.5 billion against Rs. 323.0 billion during July- March 2012-13
- ▶ Investment in Telecom Sector has been amounted to US \$ 530 million during July-March 2013-14 against US \$ 251 million during July-March 2012-13 invested in telecom infrastructure development and new technologies.
- ▶ Cellular Mobile subscribers reached to 136.5 million at the end of March, 2014.
- ▶ During the period July-March 2013-14, an amount of Rs. 161.37 billion has been collected through National saving Schemes and Pakistan post has earned commission amounting to Rs.806.8 million.

Pakistan's Energy Sector

- ▶ Government retired the circular debt (Rs 480 billion) immediately after taking oath which added 1752 MW of electricity into the system.
- ▶ In order to resolve the issue on permanent basis, the government prepared National Power Policy (2013) which was announced to provide an affordable energy in the country through efficient generation, transmission and distribution system. It is expected that the policy will set Pakistan on a trajectory of rapid economic growth and social development.
- ▶ The main targets of this Policy for year 2017 are:
 - i. To fully eliminate load shedding;
 - ii. To decrease cost of generation from 12c/unit to 10c/unit;
 - iii. To decrease transmission losses from 25 percent to 16 percent
 - iv. To improve collection of bills to 95 percent
- ▶ Presently, IPPs are around 50% of the country's present installed generation capacity thus efforts are made to attract leading international/local investors and lenders to the Pakistan Power Sector. In this regard, an investment of around US\$ 9.4 billion has been attracted during 2013-14.
- ▶ 84 MW New Bong Hydropower Project, the first hydro IPP in Pakistan/AJ&K has been commissioned.
- ▶ 10.5 MW Gas Based Davis Energen Project at Jhang started producing electricity and is contributing to FESCO's Network.
- ▶ 2 x 660 MW Imported Coal based Power Project at Port Qasim, Karachi has been inaugurated.
- ▶ To increase the hydel capacity of electricity generation proposals have been invited for the construction of:
 - 590 MW Mahl Hydro Power Project
 - 132 MW Rajdhani Hydro Power Project, AJ&K,
 - 350 MW Athmuqam Hydro Power Project, AJ&K,
 - 80 MW Neckeherdim-Paur Hydro Power Project, Chitral, KPK,

- 58 MW Turtonas-Uzghor Hydro Power Project, Chitral, KPK,
- ▶ During 2013-14 energy consumption was 40,185 million TOEs compared to 40,026 million TOEs in 2012-13 showing a growth of 0.4 percent. The current fiscal year has witnessed so far, much improvement in economic activity due to better available energy for usage on account of relatively less losses in transformation and distribution as compared to last year
- ▶ During July-March 2013-14, local crude extraction remained 23 million barrels while almost 44.9 million barrels were imported.
- ▶ Transport and power sectors remained the highest sector in the usage of oil / petroleum products. During July – March 2013-14, share of power in oil consumption is increased by 1.7 percentage points while share of transport and industry decreased by 0.8 and 0.6 percentage point respectively when compared to July – March, 2012-13.
- ▶ During July-March, 2013-14, the share of fertilizer industry in gas consumption increased to 19 percent, which was 15 percent in corresponding period last year. This major upturn was due to commitment of the government to provide gas to household, power industry and fertilizer industry on priority basis. Till 2013-14, there was increase in the use of gas (CNG) as input in transport, however due to load management in gas sector, there were prescribed hours/days for supplying CNG that had caused decline in the share of transport in gas consumption.
- ▶ During July-March, 2013-14, the total domestic production of coal remained 2,125 million tons, while 1,712 million tons of coal was imported.
- ▶ Pakistan’s coal generally ranks from lignite to sub-bituminous. Coal consumption is varying since 2000. About 39.1 percent of total coal consumed in the country has been utilized by brick kilns industry and 56.1 percent by cement factories, showing decrease of 3.46 percent and increase of 1.83 percent, respectively. Almost whole cement industry has been switched over from furnace oil to coal based heating, hence utilization of ingenious coal is gaining momentum.
- ▶ During July–March 2013-14, the installed capacity of electricity was 23,048 MW with hydro 6,858 MW, thermal 15,440 MW and nuclear 750 MW. Thus the hydropower capacity accounts for 29.7 percent, thermal 67.0 percent and nuclear 3.3 percent. However, electricity generation is almost 50 percent of installed capacity.
- ▶ There was an increase of 11 percent in electricity generation during July-April, 2013-14, compared to same period last year.
- ▶ 35 wind power IPPs holding LOIs issued by AEDB are at various stages of project development, while 49.5 MW by FFC Energy Limited and 56.4 MW by ZorluEnerji (Pvt.) Ltd in Jhampir, Distt. Thatta, Sindh have achieved Commercial Operations Date.
- ▶ In Solar Energy, 24 LOIs for cumulative capacity of approximately 792.99 MW On-Grid Solar PV power plants have been issued. Solar Village Electrification Program was initiated under PM’s directive. 3000 Solar Home Systems have been installed in 49 villages of district Tharparkar, Sindh. Another 51 villages in Sindh and 300 villages in Baluchistan have been approved for electrification using solar energy and will be implemented shortly.
- ▶ Framework for power Co-Generation has been approved by ECC for bagasse/biomass based sugar industry projects. 1500-2000 MW of power is expected to be generated in next 2-3 years.

Poverty and Social Safety Nets

- ▶ The official poverty line adopted by Planning Commission from Pakistan's Millennium Development Goal Report 2013 in Pakistan is estimated by using consumption based methodology, and the report provisionally shows that poverty has declined from 22.3 percent in 2005-06 to 12.4 percent in 2010-11.
- ▶ The decline in poverty can be attributed due to substantial allocations for social safety net programmes like tracking of pro-poor expenditures, BISP, PPAF, better support prices of agriculture/food products etc.
- ▶ Poverty reduction is one of the top priorities of present government. The government is fully committed to follow a sustained poverty reduction strategy and allocate a minimum of 4.5 percent of GDP to social and poverty related expenditures. The government prioritized 17 pro-poor sectors through the Medium Term Expenditure Framework (MTEF) in the PRSP-II.
- ▶ Expenditure on pro-poor sectors in 2009-10 stood at 13.4 percent of GDP, in 2010-11, 12.1 percent of GDP and in 2011-12, 10.4 percent of GDP. These expenditures were well above the requirement under the MTEF. During 2012-13, total expenditures for these sectors were amounted to Rs 1,911.300 billion, which was 12.0 percent of GDP.
- ▶ During July-December, 2013-14, Rs.588.105 billion expenditures have been made on these pro-poor sectors.
- ▶ BISP has been kept continued to eradicate extreme poverty through provision of cash transfers of Rs.1200/month to eligible families.
- ▶ BISP has allocation of Rs. 75 billion for 2013-14 and launched a number of programmes including (i) Waseela-e-Haq (Micro-finance), (ii) Waseela-e-Rozgar (Vocational & Technical Training), (iii) Waseela-e-Sehet (Life & Health Insurance), (iv) Waseela-e-Taleem to mitigate the impact of stabilization program as well as inflation.
- ▶ During July-March, 2013-14, Rs.48.18 billion has been disbursed to 5.25 million beneficiaries' families through Benazir Smart Card and Mobile Phone Banking across the country as compared to the beneficiaries of 4.8 million families same period last year.
- ▶ Pakistan Poverty Alleviation Fund (PPAF) also provide assistance in microcredit, water and infrastructure, drought mitigation, education, health and emergency response interventions. During the period of July-December of 2013-14, Pakistan Poverty Alleviation Fund has managed to disburse an amount of Rs 8.42 billion to its various on-going projects.
- ▶ Under the 18th constitutional Amendment, the subject of Zakat has been devolved to the Provinces/Federal Areas. Up to March, 2013 a total amount of Rs.4.05 billion has been distributed to the provinces and other administrative areas for onward distribution to the needy and deserving people.
- ▶ Pakistan Bait-ul-Mal (PBM) is also making efforts for eradication of poverty by providing assistance to destitute, widows, orphans, invalid, infirm and other needy persons through different initiatives.

Environment

- ▶ Government is making efforts for developing of Early Warning System to redress the adverse impacts of climate change.

- ▶ Level of suspended particulate matter PM 10 and PM 2.5 shall be brought within limits of Ambient Air Quality Standards.
 - ▶ Measures are being taken for major cities to install sewerage treatment plants and the treated water will be used for agriculture and horticulture purposes.
 - ▶ Cleaner Production Techniques will be adopted by industry to minimize pollution generation ensuring that at least 70% industrial waste-water is treated before discharge into water bodies.
 - ▶ Integrated solid waste management system shall be promoted.
 - ▶ Cloth bags, paper bags and biodegradable plastic bags will only be allowed.
-