Overview of the Economy

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Pakistan succeeded in attaining 4.14 percent growth in the outgoing fiscal year which is the highest level achievement since 2008-09. The economy has taken a turnaround on account of following serious economic agenda and striving sincerely to implement it. Early positive results, particularly stabilizing foreign exchange reserves, appreciation of exchange rate, stability in prices despite heavy adjustments, remarkable industrial growth on account of improved energy supply, exceptional increases in remittances, historical heights of Karachi Stock Exchange, shift in market based (T-Bills and PIB), public debt toward medium to long term, successful launching of Euro Bond and auction of 3G/4G licenses reinforced this view. The international financial institutions are also acknowledging and appreciating the positive improvements in national economy.

A comprehensive agenda of reforms is highly focused on inclusive growth and to reinvigorate the economy, spur growth, maintain price stability, provide jobs to the youth and rebuild the key infrastructure of the economy through removal of bottlenecks like, energy shortages, privatization of bleeding PSEs, circular debt along with creating conducive investment climate to boost exports and tax revenues, and bridge fiscal and current account deficits. Government has shown commitment to develop vibrant and competitive market in order to accelerate and sustain economic growth through productivity, competitiveness, innovation and entrepreneurship.

Global Developments: The outgoing year witnessed global recovery, and the global outlook indicates some optimism in economic activities. The world economy after witnessing a moderate growth of 2.1 percent in 2013 experiencing 3.0 percent growth in 2014 and outlook is even stable with 3.3 percent growth. This is driven by stronger growth in advanced economies, especially in the United States and also recovery in some emerging economies. The economy of the United States registered moderate growth in the first quarter of 2013, after stagnation in 2012. In the outlook, GDP projected to grow by 2.6 percent in 2014. After experiencing 1.3 percent in 2013, Japan's GDP is projected to grow by 1.6 percent in 2014. Growth is projected to accelerate for most advanced economies of the world. China is recognized the second largest economy in the world; many commodity-based economies have risen in recent years with China's growth.

China and Pakistan entered into a comprehensive plan to create a new "economic corridor" between the two nations. The list of projects to be completed in Pakistan is under consideration and joint working groups have been formed. The corridor will serve as a driver for connectivity between South Asia and East Asia. These new trade linkages are expected to increase and Pakistan will benefit from key export markets, and undoubtedly the Pakistan economy has a bright future.

Europe's economic recovery, which began in the second quarter of 2013, is expected to continue spreading across countries and gaining strength while at the same time becoming more balanced across growth drivers. The Middle East has benefited from some of the world's strongest growth rates since the financial crisis hit in 2008. A further boost has been provided by significant investment in economic diversification. Qatar's economy performed strongly with double-digit growth in most years adding up to a 66.7 percent expansion between 2008 and 2013, and the Saudi Arabia's economy grew by 29.6 percent. A boost to living standards is also expected in Gulf Cooperation Council (GCC) economies, as investment in downstream industries and diversification begins to bear fruit.

In South Asia, performance of Pakistan is improving quantitatively and qualitatively as the growth is broad based and touched almost all sectors of the economy and the growth recorded for 2013-14 is the highest level of achievement since 2008-09, which will increase further in coming years as business climate is improving on fast track, which is reported and appreciated by the various national and international organizations.

With regard to world commodity prices, agriculture prices are projected to decrease by 2.5 percent in 2014 under assumptions that the existing crop condition will continue for the rest of the year. In agriculture commodity markets, the key risk is weather. According to global crop outlook assessment released by USDA, production and stock are expected to increase by 12 and 20.5 percent, respectively. Wheat will improve, price risk for rice is on the downside, edible oil and oil seed market have limited upside risk as well. The oil prices are also expected to average $103/bbl in 2014 and may fall in 2015. Natural gas prices is the US are expected to remain elevated during 2014 and strengthen even more in longer term while coal prices are expected to weaken in 2014 but will gain in 2015.

Pakistan economy has achieved some milestone during short period of 10 months which includes successful return to the international bond market after a long period. The positive response from international investor to Pakistan's first Sovereign Bond issuance has shown that the international market appreciated the economic direction of the country. This transaction is Pakistan's largest international sovereign bond which attracted significant investment. The transaction was closed successfully on April 08, 2014. Against the initial expectations of raising US $500 million, the investor response was overwhelmingly strong and the order-books were oversubscribed consisting of over 400 orders from high quality investors. After a careful consideration of the investors' order book, financing were raised to $2.0 billion including $1.0 billion each in 5 and 10 years tenor with coupon at the rate 7.25% and 8.25%, respectively. The transaction represents the largest ever international bond offering by Pakistan. The 5 years bonds are distributed across all major geographic regions: 59% in the US, 19% in UK, 10% Europe, 10% in Asia and 2% others. The success of the transaction highlights investor's confidence in the recent changes in country's leading economic indicators, external finances and structural reforms undertaken by the present government.

The other achievement is the successful auction of 3G/4G spectrum which has opened the new avenues of socio economic development in the country. The auction for 3G/4G spectrum licenses were carried out in a transparent manner and the new technology is expected to generate 900,000 new job opportunities in the next four years along with other direct and indirect benefits to the economy. Further achievement is the successful reviews by IMF. After every review the IMF scaled up the projections of economic growth and adjusted downward its inflation forecast for the country. Likewise World Bank, Asian Development Bank, Islamic Development Bank all have opened their windows to support the development agenda of the present government.

During the year some of the main reform programme focused on improvement in corporate governance, restructuring of PSEs and Strategic Partnership through Privatization. The government has formed a high level Commission for ensuring transparency in appointment of heads of key public sector organizations and bodies. In order to institutionalize corporate governance initiatives for PSEs, the Public Sector Companies (Corporate Governance) Rules 2013 have been approved by the government. The Rules help clarify roles of different stakeholders involved in the management of PSEs. A gradual shift towards majority of independent directors in the Board of Directors has been stipulated in the rules. Role and functions of the Board have been clarified and offices of Chairman and CEO have been separated.

The government is envisaging strategic partnership/ disinvestment of 31 PSEs representing the most viable transactions. The indicative mode of related divestments has been finalized. The Strategy is modeled around disinvesting a mix of PSEs in the oil & gas, banking & finance, power, industrial, transport and real estate sectors. A key element of the Strategy is Strategic Partnership, which entails transfer of management to investors through partial sale of shares. The government's strategy will also focus on disinvesting the government's shareholding in various entities especially in Oil & Gas, Power and Financial sectors through Capital Market Transactions, both on international and domestic markets. Direct sale of assets and units to investors is also envisaged. This will help in broadening and deepening domestic capital markets. It will facilitate foreign direct and portfolio investments as well as mobilize savings of individuals, households and institutional investors of Pakistan by providing them an opportunity to take ownership in the successful businesses, through public offering of shares.

Since the elections held in May 2013, Government of Pakistan (GoP) has undertaken bold measures and interventions in the power sector. Firstly, payables of power sector entities against the Independent Power Producers (IPPs) and public sector power entities amounting to Rs. 480 billion (till 30th June, 2013) have been fully cleared. The clearance of stock of circular debt has added 1,700 MW of electricity to the national grid and eased load shedding considerably in the country. Secondly, the GoP has moved in the direction of providing targeted subsidy to power consumers (domestic up to 200 units) by moving towards better cost recovery leading to a financially stable power sector. In the first phase, tariffs of industrial, commercial and bulk consumers have been rationalized to recover full cost of service, while tariffs of other consumers have been rationalized in the second phase. This has significantly reduced the subsidy requirement of the power sector and eased burden on the national exchequer.

Government has developed National Power Policy (2013) which provides a roadmap for providing affordable energy in the country through efficient generation, transmission and distribution system. The policy envisages provision of affordable electricity in the country by replacing generation from expensive imported fuels by cheaper indigenous resources led by hydel, coal and renewable energy sources, respectively.

The agenda for improving Pakistan's business environment in order to attract higher foreign investment as well as to promote domestic entrepreneurship, has involved review of existing laws, rules and regulations that are obsolete, overlapping, and unduly add to the cost of doing business. Recent business related reforms initiated in key areas include

- Facilitating new business start-ups,
- Designing frameworks to improve contract enforcement,
- Rationalizing tariffs,
- Regulatory reforms to improve the regulatory quality and
- Increasing access to finance and facilitating business solvency.

The Economic Advisory Council has also been reactivated and recommendations made by the sub-group formed by EAC to bring development in these specific areas such as; industry, trade, resource utilization and expenditure management, energy, agriculture/food security and social sector. The specific recommendations focused on developing a framework for providing export insurance coverage, Up-gradation of Pakistan Standards and Quality Control Authority (PSQCA) and affiliated labs, Impact assessment of all free trade agreements (FTAs) and preferential trade agreements (PTAs), framework for providing export insurance coverage, finalization of National Engineering Exports Development Strategy, real estate transactions at realistic value, broaden the tax net in the retail sector development of agriculture promotion projects in Balochistan for dates, livestock and other cash crops and health insurance to be introduced.

The government is committed to bring reforms in real sector growth as well as to increase investment and saving to help in addressing the rising unemployment issue. The public investment has recorded a growth at the rate of 17.12 percent as compared to negative growth (-0.35) percent last year, which is a major shift in expenditure priorities of the government. It is also evident that total investment witnessed a growth of 8.46 percent as compared to 8.41 percent last year, which is an indicator that investor's confidence is improving in the country and government's measures are working in right directions. During July-9th May 2013-14, credit to private sector (flows) has improved and increased to Rs. 296.4 billion against the expansion of Rs.92.5 billion in the comparable period last year, showing a significant growth. The increase in flows will supplement and strengthen the investment in the private sector and its impact will be realized shortly.

The GDP growth accelerated to 4.14 percent in 2013-14, against the growth of 3.7 percent recorded in the same period last year, which is also highest as compared to last six years. The growth momentum is broad based, as it is recorded that all the three major sectors namely agriculture, industry and services have provided support to improve economic growth. The agriculture sector grew at the rate of 2.12 percent against the growth of 2.88 percent in the last year. The industrial sector expanded by 5.84 percent against the growth of 1.37 percent in last year, while large scale manufacturing posted a growth of 5.31 percent against the growth of 4.08 percent last year. The services sector grew at 4.29 percent as compared to 4.85 percent in last year.

Agriculture Sector: Agriculture is the main source of livelihood for the rural population as well as ensures food availability to rural and urban inhabitants. It is a key sector of the economy as it provides raw materials to main industrial units of the country and also plays a major contribution in export earning of the country. The agriculture sector accounts for 21.0 percent of GDP and absorb 43.7 percent of labour force, the sector has strong backward and forward linkages. The agriculture sector has four sub sectors including: crops, livestock, fisheries and forestry. The performance of this sector in the outgoing fiscal year remained moderate. Agriculture sector recorded a growth of 2.1 percent against the growth of 2.9 percent last year. Important crops such as, wheat, rice, sugar posted a remarkable growth of 3.74 percent as compared to 1.19 percent last year and has compensated the subdued growth in other crops.

During 2013-14, the availability of water for Kharif 2013 remained13.5 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

Agricultural credit is a vital input for leveraging the financial growth and ultimately leads to economic growth on sustainable basis. In line with the government priorities for development of agrarian economy, State Bank of Pakistan (SBP) has been striving for engaging the food security challenges in wake of various initiatives to support the government's objectives and goals. During 2013-14 (July-March), the banks have disbursed Rs. 255.7 billion which is 67.3 percent of the annual target of Rs. 380 billion as compared to last year target of Rs. 315.0 billion. The disbursement is 10.7 percent higher than Rs. 231.0 billion disbursed during the corresponding period last year.

Rabi 2013-14 started with an opening balance of 175 thousand tons of urea. Domestic production during Rabi 2013-14 was 2439 thousand tons. Urea off take during current Rabi 2013-14 was about 3099 thousand tons, against 3476 thousand tons of total availability, leaving a closing balance of 376 thousand tons for next season. DAP availability in current season of Rabi was 1125 thousand tons, which included 307 thousand tons of inventory, 526 thousand tons of imported supplies and domestic production of 292 thousand tons. Off take of DAP during current Rabi season was about 1075 thousand tons, leaving a balance of 56 thousand tons for next season.

Kharif 2013 started with inventory of 220 thousand tons of urea. Total availability of urea (including 325 thousand tons of imported supplies, 2496 thousand tons of domestic production) was about 3041 thousand tons against the off take of 2851 thousand tons, leaving inventory of 175 thousand tons for Rabi 2013-14. Total availability of DAP during Kharif 2013 was 921 thousand tons comprising 197 thousand tons of inventory, 326 thousand tons of imported supplies and 398 thousand tons of local production. DAP off take was 616 thousand tons leaving closing balance of 307 thousand tons for coming Rabi 2013-14.

Important 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:** Other crops have share of 11.65 percent to value addition in overall agriculture sector. This sub-sector of agriculture has witnessed a growth at 3.53 percent against the growth of 6.05 percent last year. This decline in growth of minor crops was mainly due to 36.8 percent lower production of gram, 7.8 percent less production of Potatoes, 5.1 percent decline in production of masoor and 5.4 percent decrease in other pulses.

Cotton Ginning: Pakistan is one of the leading producers and consumer of cotton in the world market. Ginning is the procedure for separating lint from the seed to cotton. Cotton Ginning has 2.81 percent contribution in agriculture sector. 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: Livestock is the most significant component of agriculture sector, which contributes 55.91 percent of agriculture value addition. It is a sub-sector of agriculture which is relatively less volatile as compared to other subsectors. Its share in agriculture is more than combined shares of all other subsectors of agriculture and contributes 11.8 percent in GDP. Livestock consists of cattle, buffalos, sheep, goat, camel, horses, asses, mules and poultry and their products. Livestock has registered a growth of 2.88 percent against the growth of 3.99 percent last year.

Forestry: Growth of the forestry sub-sector is witnessed at 1.52 percent as compared to the growth of 0.99 percent last year.

Fisheries: Fisheries sub-sector has 2.03 percent contribution in agriculture and registered a growth of 0.98 percent compared to the growth of 0.65 percent last year. The sub-components of fisheries such as marine fishing and in-land fishing contributed to an overall increase in value addition in the fisheries sub-sector. The growth is expected to rise further in coming year due to lifting the ban by EU in fish export from Pakistan.

Industrial Sector: The industrial sector contributes 20.8 percent in the GDP of the country; 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. It is relatively less volatile sector as compared to other sectors of the economy. When the present government came into power last year, a comprehensive policy measures were planned and implemented on fast track to revive the economy. As a result industrial sector started revival and has recorded remarkable growth at 5.8 percent as compared to 1.4 percent in last year, which is the highest level achieved since 2008-09. Industrial sector in Pakistan has four sub-sectors including mining & quarrying, manufacturing, electricity generation & distribution and gas distribution and construction.

Manufacturing Sector: Manufacturing is the key component playing a dominant role in the socio-economic progress of the economy. Manufacturing is the most important sub-sector of the industrial sector containing 64.92 percent share in the overall industrial sector. The growth of the manufacturing sector registered at 5.55 percent compared to the growth of 4.53 percent last year. Manufacturing which contribute 64.92 percent in overall industrial sector, having 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 a 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 a significant improvement. It has witnessed a growth of 5.31percent as compared to the growth of 4.08 percent last year. The realization of growth in industrial sector is due to improvement in energy and gas supply, which has supplemented the growth of industrial sector higher as compared to previous six years.

It is evident from the sector specific data that most sub-sectors performed well during the period July-March 2013-14, over corresponding period of last year. Major contribution was made by Fertilizer 21.64 percent, Leather Products 12.96 percent , Food Beverages & Tobacco 7.78 percent, Rubber Products 9.48, Chemicals 6.71 percent, Paper & Board 8.03 percent, Coke & Petroleum Products 7.48 percent, Electronics 2.91 percent, Iron and Steel Products 3.38 percent, Textile 1.44 percent and Non Metallic Mineral Products 0.15 percent. There are only few sectors which recorded negative growth including Engineering Products 21.40 percent, Woods Products 8.91 percent, Pharmaceuticals 0.49 percent and Automobiles 0.01 percent.

The Mining and Quarrying sub-sectors estimated the growth 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 of 74.7 percent, 70.8 percent, 53.3 percent, 40.7 percent, 16.0 percent, 14.3percent, 11.6 percent and 10.7 percent, respectively.

Construction Sector: 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. The increase in growth is due to rapid execution of work on various projects, increased investment in small scale construction and rapid implementation of performance based development schemes and other projects of federal and provincial governments.

Mining and Quarrying: Mining and quarrying sub-sector contains 14.45 percent share of the industrial sector and contribute 3.0 percent in GDP of the country. 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: This is the most essential component of industrial sector which also directly and indirectly contributes in uplift of all sectors of the economy. Its contribution in industrial sector is 9.15 percent and the share in the GDP is 1.9 percent. This sub-sector has registered growth at 3.72 percent as compared to negative growth of 16.33 percent during last year.

Services Sector: Services sector has emerged as the most significant driver of economic growth in the economy and is contributing a lead role in augmenting and sustaining economic growth in Pakistan. The share of the services sector has increased from 56.6 percent of GDP in 2008-09 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 of 4.3 percent as compared to 4.9 percent last year. The moderate growth performance in services sector is broad based, all components contributed in positive growth as Finance and Insurance grew by 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 & Retail Trade at 5.2 percent. This sector of the economy has a great potential to grow at much higher rate and government is making best efforts to tap this potential and in this regard various initiatives have been launched to create an enabling environment.

During last 8 years the sectoral share of the agriculture sector has declined from 23.0 percent to 21.0 percent. The sectoral share of the manufacturing sector also decreased from 13.8 percent to 13.5 percent and the share of other industries has remained more or less stagnant around 7.1 to 7.3 percent of the GDP over the last 8 years. The share of the services sector has increased from 56.0 percent to 58.1 percent in the same period.

On the expenditure side three main drivers of economic growth are consumption, investment and export. In most of the economies consumption is the largest and relatively smooth component of aggregate demand, the other two components investment and exports are volatile as compared to consumption. Pakistani society like other developing countries is a consumption oriented society, having a 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. The same trend was observed in data analysis in the real terms. Total consumption has increased 0.35 percent of GDP, private consumption decreased by 0.69 percentage points as it declined from 81.18 percent of GDP to 80.49 percent of GDP. While public consumption increased by 1.04 percentage points as it increased from 10.96 percent of GDP to 12.00 percent of GDP.

Per Capita Income: Per capita income is defined as Gross National Product at market prices in dollar term divided by the country's population. 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. The main factors, which are responsible for increase in per capita income, include acceleration in real GDP growth, relatively lower growth in population and the appreciation of Pak Rupee.

Investment and Savings: During the last few years investment could not pick up due to internal and external factors and is considered as a key concern for economic growth. Total investment is recorded at 13.99 percent of GDP as compared to 14.57 percent of GDP last years, while fixed investment is registered at 12.39 percent of GDP against the 12.97 percent of GDP last year. Private investment is witnessed at 8.94 percent of GDP as compared to 9.64 percent of GDP in last year. There is encouraging evidence that the total investment witnessed a growth of 8.45 percent as compared to 8.41 percent last year which is an indicator that investment activities are taking place on fast track as compared to last year and confidence of investors is improving due to better government policies. Public investment has recorded an impressive growth rate at 17.12 percent as compared to negative growth (-0.35) percent last year, which is a major shift in government expenditure priorities. Public sector investment is vital for catalyzing economic development. It generates spillover effects for private sector investment as private sector development is facilitated through public sector development spending particularly on infrastructure. Public investment as a percent of GDP increased to 3.45 percent against the 3.33 percent last year. Moreover, the credit to private sector flows during the period July-May 2014 remained significantly higher than last year, which provides a reason to believe that private sector will be supplemented and strengthen. The resolve of the government is to address the issue of lower investment and create an enabling environment to revive the confidence of the investors and other stakeholders. The positive development of the trends will be realized in investment growth. Saving is key determinant of economic growth, as higher saving brings out more investment, employment generation, stable prices and finally higher growth in the economy. Over the last three decades, saving rates have fallen sharply in many countries contributing to the emergence of large current account imbalances in these countries. National savings are 12.9 percent of GDP in 2013-14 compared to 13.5 percent in 2012-13. Domestic savings 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. There are two ways of improving the savings investment gap. One is through rising savings and the other is through declining investment. Present government is gearing up both savings and investment to augment the employment generating ability of the economy as well as raise resource availability for productive use in the economy.

Foreign Direct Investment: Most countries have liberalized their foreign direct investment (FDI) regimes during more than last two decades and pursued investment-friendly economic policies to attract investment. Pakistan is also following a liberalize investment policy. The FDI over the past five years remained slow due to number of internal and external factors. The present government's resolve is to restore investor confidence and create an enabling environment for foreign investment. Significant signs of recovery can be seen in the capital market growth which has reached to new height and emitting positive signals. The Investment Policy has been designed to provide a comprehensive framework for creating a conducive business environment for the attraction of FDI. 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-April2014 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 recipient of foreign investment.

Workers' Remittances: Remittances remained a key source of external resource flows for developing countries, for official development assistance and more stable than private investment flows. 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 the 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. Remittances in Pakistan grew rapidly in the second half of 2013, and continue to provide essential support to the balance of payments.

Remittances flows are usually the second largest source after FDI. However, in July-April, 2013-14, foreign direct investment stood at US$ 750.9 million while workers' remittance was US$12,895 million. Hence, in the recent years the remittances have become more important in terms of external funding for Pakistan. The Pakistan Remittances Initiative, which was launched in 2009, remained a central part of the government's efforts to encourage inflows from Pakistani Diaspora. SBP resolve is to further bring additional remittances through its PRI scheme through continuous improvement in payment system, infrastructure, market research, tapping Pakistani Diaspora as well as strengthening PRI core team. 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 further suggests monthly average 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. Remittances from Saudi Arabia recorded a substantial growth of 12.90 percent, U.K. 11.62, USA 11.39 percent and UAE 9.12 percent during the period under review.

Fiscal Development: Pakistan's fiscal sector is confronted with challenges in the past on account of structural weaknesses in tax system. Consequently, the economy has witnessed low tax to GDP ratio. On the other hand expenditure overrun surpassed the revenue increase due to high interest payments, untargeted subsidies and less than expected revenues. However, during the current fiscal year, situation has started to improve on account of reform agenda initiated by the present government soon after coming into power in June 2013. Main aspiration is to resolve long standing structural issues, particularly in energy sector. Consequently, fiscal deficit reduced to 3.2 percent during first nine months of current fiscal year against 4.7 percent of deficit in the comparable period of last year. This has also resulted in a significant decline in government borrowing for budgetary support.

During first ten months of current fiscal year, FBR's collection amounted to Rs.1,744.8 billion as provisional tax against Rs.1,505.5 billion in the comparable period of fiscal year 2012-13, posting a growth of around 15.9 percent. During July-April, 2013-14 FBR tax revenues as percent of GDP rose by 6.9 percent as compared to 6.7 percent of GDP during the same period of 2012-13. Present government has devised a comprehensive strategy with the aim 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. It comprises three-pronged measures, such as broadening of tax base, removing anomalies in the taxation system and improving tax compliance while non tax revenues on the other hand, posted significant growth of 15.8 percent on account of $ 674 million under Coalition Support Fund. Total expenditures contained at 3.7 percent during July- March, 2013-14 against 20.4 percent growth in the same period of fiscal year 2012-13 and reached to Rs.3,289.0 billion against Rs.3,171.1billion in the same period of 2012-13. One of the significant development was decline in untargeted subsidies as during July-March, 2013-14 it remained lower than last year and stood at Rs.201.8 billion from Rs.270.0 billion in the comparable period of 2012-13. Of which electricity subsidies stood at Rs.192.0 billion against 265.5 billion in the same period of fiscal year 2012-13, hence reduced by 27.7 percent.

On the other hand provincial resource mobilization performed remarkably well during the first nine months of fiscal year 2013-14 with the growth rate of 24.3 percent. Consequently, provincial surplus posted a healthy growth and reached to Rs.257.9 billion during the same period. After the announcement of 7th NFC award, provinces received a significant amount of the federal government tax as their share from the divisible pool along with additional grants.

On the basis of above development, IMF has described this improvement as “strong” and agreed that government’s reform program is on right track and economy is moving into right direction.

Money and Credit: Present government inherited difficult macroeconomic challenges due to volatile economic conditions on account of energy crisis, persistently high fiscal deficit, and security related issues and inflationary pressures in confluence with ongoing structural issues which brought plethora of challenges for monetary management in Pakistan. Situation further aggravated due to continuous decline in foreign and domestic investment and insufficient external inflows. At the same time, high government borrowing for budgetary purpose significantly affected the balance sheet of scheduled banks. Despite all these issues, banking sector of Pakistan showed strong resilience and emerged as a highly profitable financial backbone of the country.

During the current FY positive developments have been witnessed on monetary side, as government not only contained its borrowing from SBP for budgetary support but was also able to achieve the target set under IMF condition by end March, 2014.

During the first half of current fiscal year, SBP reversed its policy stance from accommodative to tight policy as the rate was increased by cumulative 100 bps, staggered in two stages of 50 bps each. This policy stance was largely a reflection of expected inflationary pressures in the medium term on account of high growth in monetary aggregates and upward adjustment in administered prices of electricity and gas. However, during the second half of current fiscal year, SBP maintained the policy rate at 10.0 percent keeping in view the positive development of almost all major economic indicators

Recent data shows that during July – 9th May, 2013-14, growth in money supply (M_2) remained 7.32 percent which is less than 10.32 percent recorded in the same period last year. Contained growth in money supply was possible on account of decline in net government borrowing in particular for budgetary purpose as compared to the previous level.

Contained growth in government borrowing has contributed to decline in growth of Net Domestic Assets of the banking sector. Growth in NDA stood at 4.79 percent (Rs.411.3 billion) during July-9th May, 2013-14 as compared to net expansion of 13.65 percent (Rs.970.2 billion) in the same period last year. On the other hand, Net Foreign Assets (NFA) has improved on account of availability of external financing from International financial institutions (IFIs) and immediate efforts of SBP to increase liquid reserves. It has increased to Rs.236.9 billion during July-9th May, 2013-14 as compared to the net contraction of Rs.181.4 billion in the comparable period last year.

During the period under review, government sector borrowing for budgetary support squeezed only to Rs.264.7 billion against Rs.1, 075.8 billion in the same period of FY 13. Within the banking system, government retired Rs.10.5 billion to SBP against the borrowing of Rs.416.8 billion in the same period last year.

Capital Market: Capital Market is one of the significant aspects of every financial market. Broadly speaking the capital market is a market for financial assets which have a long or indefinite maturity. The financial institutions play the role of lenders in the capital market. Business units and corporate are the borrowers in the capital market. Capital market involves various instruments which can be used for financial transactions. Capital market provides long term debt and equity finance for the government and the corporate sector. Capital market can be classified into primary and secondary markets. The primary market is a market for new shares, where as in the secondary market the existing securities are traded. Capital market institutions provide rupee loans, foreign exchange loans, consultancy services and underwriting.

Pakistan stocks market consists of Karachi Stock Exchange (KSE), Lahore and Islamabad Stock exchanges. The Karachi Stock Exchange (KSE) is Pakistan's largest and most liquid stock exchange, was incorporated in 1949 as a Company Limited by Guarantee. As a result of demutualization KSE stood corporatized and demutualised as a public company limited by shares under the name of 'Karachi Stock Exchange Limited', with effect from August 27, 2012.

Pakistan’s Stock Market has achieved enormous growth during the current fiscal year as demonstrated by sharp and impressive rise in KSE-100 index as compared to Global Stock Markets including China, India, Tokyo, Hong Kong, UK and USA. The healthy growth of earnings and improvement in business sentiments after the 11th May, 2013 general elections were the main triggers for the market appreciation that attracted foreign and domestic investors.

The KSE 100 index which was at the level of 21,005.69 at the end of last financial year crossed first the barrier of 25,000 level mark at the end of December, 2013 and was trading around 28,913 level by the end of April, 2014. The Index reached the maximum points level of 29,458.15 during the first 10 months on 16th April, 2014. the KSE 100 index in cumulative terms increased by 38 percent during Jul-April 2013-14. However, when compared with 11th May, 2013, the KSE index improved by more than 44.4 percent by the 21st May, 2014 as it reached to 28760 and total market capitalization reported as 21st May $70.4 billion with growth of 37.2 percent.

KSE-100 index remained World's 5th Best Performing Index in 2013, which was up 49.4% (37% in US$ terms) in 2013, beating all but four stock indices in the world. It handily beat Morgan Stanley's MSCI emerging market index which remained essentially flat. By comparison, India's main stock index rose just 8.99% in the same period. Further, Pakistan Stock market performed outstandingly during current fiscal year as compared to regional and international stock markets. In global scenario, the US S&P 500 has registered an increase of 17.3 percent while the UK FTSE 100 was up by 9.1 percent during Jul-April, FY14. The Index of Tokyo NIKKEI 225 increased by 4.68 percent The Hong Kong market went upward by 6.4 percent but China Shanghai Composite could not perform well and increased only by 2.4 percent. Beside this, Bombay Sensex Index increased by 15.6 percent.

It has been observed over the years that Pakistan’s economy mostly relied on the banking system to meet the financing needs of the economy whereas capital markets relatively developed slowly. During the past few years, the significance of debt markets and in particular of bond markets has been realized as a complimentary source of finance. The major drivers of financial assets in Pakistan are deposits and government bonds, whereas corporate bonds remain a very small portion.

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.

There are about 3.6 million investors in National Saving Schemes (NSS). Presently, Defence Saving Certificates, Regular Income Certificates, Special Savings Certificates/Accounts, Bahbood Saving Certificates, Savings Account, Pensioners’ Benefit Account and Prize Bonds are in operation.

Inflation: Overview of inflationary trends during ten months of the current FY (July-April) 2013-14, indicates that inflation moved at slow pace on account of improved supply position of essential items and declining trend in major global commodities prices. Due to this slow trend the inflation rate was recorded at 8.7 percent on average basis during July-April, 2013-14, over an increase of 7.7 percent of corresponding period. The one percentage point increasing trend in inflation can be attributed to many factors but domestic food prices were the major stimulant to drive the head line inflation. The increase in food items prices was on account of demand/supply fundamentals happened owing to cyclical conditions and also increase in the prices of imported food items due to increase in global market. Some variations in price movement of other measures of inflation were also observed. The Sensitive Price Indicator (SPI) measuring the movements in prices of 53 essential items increased to 9.8 percent. Meanwhile Wholesale Price Index (WPI) based inflation was 8.3 percent during the period which is slightly higher over 8.0 percent in comparable period of last year. Core inflation plays an important role in fluctuation of inflation rate. The government borrowing is one of the key factors, influencing the trend in inflation because of their positive relationship. However, this relationship holds with period lag. The present government low level of borrowing i.e. by 15.7 percent during July-April, 2013-14, against 29 percent increase in borrowing in the comparable period last year has resulted in the decline of core inflation to 8.3 percent during the period under review as against 9.9 percent during July-April last year, which shows that at policy level government took effective measures to contain inflation.

The measures adopted by the government to control inflation includes tightening of money supply, close watch on regular basis on prices of essential items in the ECC meetings and it took necessary measures to control prices and ensure smooth supply of essential items to contain core inflation. The National Price Monitoring Committee (NPMC) headed by Federal Finance Minister also monitored prices of essential commodities in consultation with provincial governments and concerned federal ministries/ divisions and organizations and reviewed the supply position of essential items and recommended measures to enhance availability of essential commodities in the market to keep the inflation rate in single digit.

Trade and Payments: The world economy experienced subdued growth at 2.1 percent in 2013. While most developed economies continued to tackle with the challenges and taking appropriate fiscal and monetary policy actions in the aftermath of the financial crisis. World Gross Product has been forecasted to grow at a pace of 3.0 and 3.3 per cent in 2014 and 2015, respectively.

Unlike imports, which are closely related to domestic business activity, exports are more dependent on developments outside the domestic economy. A statistically significant link exists between world exports and world GDP and it is therefore worthwhile to see the impact on Pakistan's exports due to changes in the world GDP. For most of the period, the elasticity remained greater than one.

The European Union (EU) was not only Pakistan's largest export destination in FY13, but Pakistan's exports to the EU were valued at around US$5.7 billion) but it is also engaged in multiple levels of social and economic development activities in the country. It is expected that with the grant of GSP plus status, Pakistan exports to EU countries will gain momentum in coming months. The 10 year GSP plus status for Pakistan by the European Union is a blessing for the country. It will revive industrial sector of Pakistan and create thousands of new jobs for the people. Prior to GSP Plus our exports were facing stiff competition from countries like China, India, Brazil, and Bangladesh. After GSP Plus status to Pakistan these will now be duty free and thus, more than 90 percent of our exports to EU will be eligible for duty free access. It is estimated that due to GSP Plus there will be an increase of more than US$ 1.0 billion worth of exports to EU during FY 14.

During July-April, 2013-14, overall exports recorded a growth of 4.24 percent against a growth of 4.23 percent in the same period last year. In absolute terms, exports have increased from $ 20,143 million to $ 20,997 million. Whereas Pakistan imports were up only by 1.2 percent in the first ten months of the current fiscal year, rising from $ 36,664.94 million during FY 13 (Jul-Apr) to $ 37,104.50 million during first ten months of current financial year. According to the PBS data trade deficit reduced from $ 16,522 million during July-April, FY 13 to $ 16,107 million during July-April, 2013-14. USA, China, UAE and Afghanistan have emerged as our major trading partners in terms of both exports and imports.

Pakistan's balance of payments shows an increase in capital flows that has substantially offset a gradual widening of the current account deficit during current financial year. External account turned into surplus during July-April, 2013-14, compared to the same period last year. Overall external account balance posted a surplus of US$ 1,938 million during July-April, 2013-14, compared to a deficit of US$ 2,090 million in the corresponding period of last year.

Worker's remittances registered commendable growth during July-April, 2013-14, growing by 11.5 percent against 6.4 percent growth recorded in the corresponding period of last year. The consistent growth in remittances reflects a shift from informal to formal avenues to remit funds from overseas Pakistanis. The Government and SBP have focused on promotion of formal channel for international remittances through banks and different money transfer services under the Pakistan Remittances Initiatives (PRI).

Foreign investment during July-April, 2013-14, increased by 133.3 percent compared to same period last year, due to Foreign Public Investment in debt securities comprising special US dollar bonds Euro bonds, FEBC, DBC, T-bills and PIBs.

Public Debt: Prudent public debt management can help countries reduce their borrowing cost, contain financial risk and develop their domestic debt market. It can also facilitate countries in maintaining their financial stability and help to develop their domestic financial systems. The inadequate debt management and an unlimited and permanent growth of debt to GDP ratio may result in negative tendencies and negative impact on key macroeconomic indicators, like crowding out of investment, financial system instability, inflationary pressures, exchange rate fluctuation etc. Prudent utilization of debt leads to higher economic growth and it also helps the government to accomplish its social and developmental goals.

The stock of public debt stood at Rs.15, 534 billion at the end March, 2014 representing an increase of Rs.1, 168 billion or 8 percent higher over last fiscal year. The primary source of increase in public debt during July-March, 2013-14 was in domestic debt that positioned at Rs.10,823 billion, representing an increase of Rs.1,306 billion, whereas, external debt posed at Rs.4,711 billion representing a decrease of Rs.138 billion as compared to end June 2013. The 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. Public debt servicing reached at Rs.1,155 billion against the annual budget estimates of Rs.1,561 billion, thereby, consuming nearly 47 percent of total revenues.

The composition of domestic debt portfolio has itself undergone a transformation from a high dominance of unfunded debt to an increasing dependence on short term floating debt which is a source of vulnerability as it entailed high rollover and refinancing risk. Besides, the cost and stock of external public debt witnessed increase due to depreciation of Pak Rupee. The present 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 by Pakistan.
- With increased external inflows, the government was able to reduce the pressure on domestic resources while strengthening the foreign exchange reserves vis-a'-vis improving exchange rate parity which also contributed towards reduction in public external debt.

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. EDL stock is increased by US$ 906 million during July-March, 2013-14. Out of this total increased, US$ 275 million was contributed by translational loss on account of cross-currency movement against US Dollar. The IMF approved three years Extended Fund Facility program for Pakistan on September 04, 2013 for 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 with US$ 1,782 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: The present government focuses strongly on primary education and endeavour to resume the compendium on education from 2.0 percent of its GDP to 4.0 percent by 2018 on education sector.

To achieve the MDGs targets on education to improve literacy rate the federal government has allocated in the budget 2013-14 a substantial amount of Rs. 59.28 billion and Rs. 5.72 billion in PSDP 2013-14 for expansion and development of Basic and College education. In addition, the provincial governments have also allocated Rs. 59.440 billion to accelerate the pace of education at all levels to achieve the MDGs targets.

Currently, the literacy rate of the population (10 years and above) is 60 percent while the Millennium Development Goals (MDGs) target is 80 percent literacy rate till 2015. Literacy remained much higher in urban areas than in rural areas and higher among male than female. Province wise data suggests that Punjab leads with 62 percent followed by Sindh with 60 percent, Khyber Pakhtunkhwa with 52 percent and Balochistan have the lowest literacy rate of 44 percent.

The overall education situation based on key indicators such as likely enrolments, number of institutes and teachers, has shown a slight improvement. At national Level, the total number of enrolments during 2012-13 was estimated at 41.1 million as compared to 40.3 million during the same period last year. Under President's Fanni Maharat Program & Prime Minister's Hunarmand Program, individuals across the country are provided opportunities to gain skills development & training enabling the labor force to enhance their productivity and employability through training institutes/centres. During July-March 2013-14, a total of 6,677 youths received vocational & technical training under the President' Fanni Maharat Programme and Prime Minister's Hunermand Pakistan Programme and 2,687 are under training.

Higher Education Commission (HEC) is also contributing its role in running different scholarship programmes to enhance academic qualification of professionals at various levels on merit basis in line with the national requirements. During the period 2008-13, a total of 7731 scholarships were awarded under different programmes of HEC. The federal government, on the initiative of the Prime Minister of Pakistan has launched a scheme to support the students from less developed areas. Under this innovative and special scheme, along with 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 areas. Under the programme, Rs.1200 million will be paid as fee for 35,000 students. In the development portfolio of HEC, there are 129 on-going development projects in the Federal PSDP 2013-14 and Government of Pakistan has included 33 new development projects at an overall estimated cost of Rs. 26.3 billion with an allocation of Rs. 2.6 billion for 2013-14. During 2013-14, Government of Pakistan has allocated Rs.18.49 billion to HEC for the development of higher education sector and so far, Rs. 14.36 billion has been released up till May 2014.

Health and Nutrition: Significant progress toward achieving better health outcome has been made as is evident from its vast health infrastructure and medical facilities across the country.

The existing national public health network in Pakistan has extended to 167,759 Doctors, 13,716 Dentists and 86,183 Nurses. Rapid population growth is resulting in the inadequacy of health care facilities despite reasonable expansion in number of hospitals, doctors, nurses and other health care facilities. The inadequacy of healthcare facilities is reflected as there are estimates of 1,099 persons against one Doctor and one Dentist versus 13,441 persons, while the current ratio of population and availability of hospital beds works out at 1,647 persons per bed. The government's commitment toward attaining better health outcomes is reflected by the progressive nature of health spending which has increased by 29 percent from Rs.79.46 billion in 2012-13 to current Rs.102.33 billion

The current fiscal year saw tremendous increase in health care facilities which includes an increase of 5,000 Doctors, 500 Dentist, 3,150 Nurses, 4,500 Paramedics and provision of 3,600 Hospital Beds. This together with construction of 7 new Rural Health Centres (RHCs) and 32 Basic Health Units (BHUs) and immunization of 6 million children is an encouraging effort by the government to provide better health facilities to the general public. To effectively address the health problems, a number of health programs are carried out. These include TB, Malaria, AIDs, Cancer Treatment and Food and Nutrition Programs. Adequate food translates itself into improved nutrition which improves the productivity of the labor force. Pakistan per capita food intake is estimated at 2,450 calories per day for 2013-14 which is at the level of last year, while Protein intake is 72 gram.

Population, Labour force and Employment: Population growth rate has decreased from 1.97 percent in 2013 to 1.95 percent in 2014 due to timely and effective measures adopted by the government. Although a population of 188.2 million projected for the year 2014 is well above the carrying capacity of its resources and creating population resource imbalance. Youth population, according to population projections of planning commission, is approximately 56 percent of the total population in the year 2014. To emancipate the country from problems associated with population-resource imbalance, increasing number of unemployed and least productive youth population, the present government is working on both population control and capacity building of youth population under the concept of inclusive growth. Family planning program of the government encompasses Family Welfare Center, Reproductive Health Services Centers, Regional Training Institutes and Mobile Services Units. These family programs will help in reducing population growth rate, fertility rate, infant mortality rate and maternal mortality rate in the country.

The government has started a number of schemes under the umbrella of Prime Minister Youth Initiative for creating livelihood opportunities for unemployed youth and to make them an engine of growth for Pakistan economy. Social safety nets of Pakistan have also been devised with special focus on reaping the potential of bulging youth population and capturing the population dividend. These programs include Interest Free Loan Scheme, Business Loan Scheme, Youth Training Scheme, Youth Skill Development, Provision of Laptop Scheme, Fee Re-imbursement Scheme for the students from the less develop areas.

According to the Labour Force Survey 2012-13, Pakistan has 59.74 million labour force, around 2.5 million people added in labour force as compared to 2010-11.Out of this labour force only 56.01 million people got employment and resultantly 3.73 million people are unemployed. Most of the labour force in Pakistan works in the rural areas where agriculture is the dominant activity. The total labour force working in the agricultural sector decreased from 45 percent in 2010-11 to 43.7 percent in 2012-13. In manufacturing sector the labour force participation rate has increased from 13.7 percent in 2010-11 to 14.1 percent in 2012-13 and the share of community/social and personal sector has increased from 10.8 percent to 13.3 percent in 2012-13. Overall unemployment rate has increased from 6.0 percent in 2010-11 to 6.2 percent in 2012-13 with rural unemployment increasing from 4.7 percent in 2010-11 to 5.5 percent in 2012-13 and urban unemployment is stable at 8.8 percent in 2012-13. This rise in unemployment is on account of rise in population, low growth and less job opportunities created in the past for power shortages resulting in lower production.

Policy makers in Pakistan are identifying overseas employment opportunities for the unemployed youth, providing them appropriate trainings and bridging the gap between employer and employee in the global labor market. Ministry of Overseas Pakistanis and Human Resource Development has been entrusted with the task of aligning labor supply with the changing global market requirements which is making serious efforts for achieving this objective. Since 1971 up to March 2014 around 7.4 million overseas Pakistanis working /living around the globe. The main concentration of Overseas Pakistanis is in Middle East 49.2 percent, Europe 28.3 percent and America 16.2 percent. Manpower export has dropped significantly from 0.638 million in 2012 to 0.622 million in 2013. In 2013 UAE has hired almost 0.1 million more people as compared to the last year. However, the situation is different in Saudi Arabia, where the number of emigrants decreased from 0.3 million in 2012 to 0.2 million in 2013. The reason for this decrease is that Kingdom of Saudi Arabia has launched Nitaqat programme.

Transport and Communication: Pakistan is on the crossroad of most effective, economical and viable transit routes viable throughout the seasons to the land locked Central Asian Countries and other neighboring countries providing trade corridor. World Bank estimates that poor performance of the transport sector is costing Pakistan about five percent of its GDP. Furthermore thirty percent of agriculture output is currently wasted due to its inefficient farm to market channels, lack of cold storage facilities and an obsolete underpowered trucking fleet. Pakistan's total road network is around 263,775 Kms which carries over 96 percent of inland freight and 92 percent of passenger traffic. During current financial year 2013-14, NHA has 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 Federal Government have jointly launched 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.

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 2013-14, Pakistan Railways 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. Present government has taken various initiatives/steps to improve the performance/cost reduction 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 a service for crude oil requirements of the country comprises of nine vessels of various types/size with a total deadweight capacity of 642,207 tons. During July-March, 2013-14, PNSC companies earned 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. Karachi Port Trust operation comprised upon 11.5 Kilometers long approached channel, a depth of 12 meters and a turning basin of 600 meters provides safe navigation of vessels up to 75,000 metric tons deadweight. 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 Gwadar Port, 563.2 tons Urea import was handled during July-March 2013-14. During July-March 2013-14, the total cargo handled at Gwadar Port is 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.

Telecommunication sector of Pakistan has proved itself versatile and dynamic with the adoption of next generation advanced technology. 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 $1112.8 million by auction of 3G/4G spectrum. Telecom revenues during Jul-Mar 2013-14, were amounting to Rs.345.5 billion, which made this sector very attractive for further investment. Tele density has been improved and facilities have reached to 77 percent of the population and cover 92 percent of the total land area of the country, which is at par in comparison with the regional countries. During July-March 2013-14, Telecom sector earned revenue of Rs.345.5 billion and over US$ 0.53 billion have been 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 Savings Schemes and Pakistan Post has earned commission amounting to Rs.806.8 million.

A gigantic collaboration extended by the Chinese Government in construction of infrastructure projects like; China-Pak Economic Corridor and High Priority Early Harvest Projects will pave multi dimensional socio-economic and geo-political benefits to both the countries. The advancement in Telecommunication sector would create 900,000 new jobs into the country, increase data penetration up to 10 percent in next three years and will increase GDP growth by 1.5 to 1.8 percent.

Energy: Pakistan's primary energy supply heavily depends upon the imported crude oil & petroleum products because of low production capacity of crude oil and natural gas. Energy is being one of the main inputs in industrial and commercial activities as well as important household commodity. Much of our modern lifestyle depend on availability of energy i.e. electricity, fuel and gas. No wonder, energy shortage results in loss of economic activities with a drag on investment, and impacts negatively society's social cohesion.

Energy crisis in Pakistan had been brewing since 2007 and deepened in 2012, which not only affected the economic growth and employment but also consumed major portion of foreign exchange reserves. Absence of effective planning, an economically and financially viable strategy, and a set of right incentive package to attract investment in the oil exploration sector combined with a weak and incapacitated regulator resulted in supply-demand gap. The situation has been further compounded due to high transmission and distribution losses on the thermal electricity side as well as declining revenue collection. In order to keep this inefficient system running, government has been facing huge losses due to increased quantum of subsidies and accumulation of circular debt.

Realizing the gravity of situation and importance of energy for economic activities, the present government has taken this issue on top of its economic reform agenda by pursuing a comprehensive plan to address above mentioned problems. In this context, government retired the circular debt (Rs 480 billion) immediately after taking oath which added 1700 MW of electricity into the system. In order to sustain, government developed National Power Policy (2013) which was announced to provide an affordable energy in the country through efficient generation, transmission and distribution system.

Poverty and Social Safety Nets: Poverty is measured traditionally in terms of ability to meet a minimum number of calories intake or to have a minimum level of income to satisfy basic needs of an adult per day because poor spend sixty percent of their income on food related expenditures. Official poverty line in Pakistan is calorie based and is defined as per capita food and non-food expenditure per month to support food consumption yielding 2350 calories per adult equivalent per day.

According to Pakistan's Millennium Development Goal Report 2013, the incidence of absolute poverty decreased from 22.3 percent in 2005-06 to 12.4 percent of population living below official poverty line in 2010-11*. Government of Pakistan is committed to improve the livelihood and earning capabilities of the poor to eradicate extreme poverty, the government has started a spectrum of social safety net programs for creating opportunities for the poor to escape poverty and to increase their resilience to crises. The commitment of the government for eradicating poverty is translated into pro-poor expenditure of Rs.588,105 million during the period July-December, 2013-14 for improving the quality of life.

Banazir Income Support Programme is one of the most popular and well thought interventions of the government. Present government has continued the program with total disbursements Rs.48.18 billion up to March 2014, in terms of cash grants and the number of beneficiaries increased to 5.25 million. The programme has four closely associated and complementary components including Waseela-e-Rozgar (Technical and Vocational Training), Waseela-e-Haq (Microfinance), Waseela-e-Sehat (Life and Health Insurance) and Waseela-e-Taleem (Primary Education).

International donor agencies have acknowledged the targeting mechanism and wide coverage of BISP by providing generous assistance to execution of schemes under these programs. Various donor agencies including USAID, ADB, IDA and UK have committed an amount of US $1436.63 million (approx. Rs. 143663 millions) for BISP, since its inception. Out of these allocations, total disbursements of loans and grants for BISP up to 30.04.2014 stood at US $ 589.15 million (approx. Rs. 58915 million). IMF Mission during a review meeting held in Dubai in April-May, 2014, has also appreciated BISP and showed their support for continuation and further improvement in the programme.

Pakistan Poverty Alleviation Fund (PPAF) is also contributing a large amount of funds and different interventions are being made for reducing poverty and hunger, enhancing gender equality and women empowerment, improving maternal health and child mortality and increasing community participation. PPAF's role in microcredit, water and infrastructure, drought mitigation, education, health, and emergency response interventions has been widely appraised. Total disbursement through PPAF during the period July to December 2013-14 is Rs. 8414 million.

Environment: Pakistan is facing rapid population growth coupled with unplanned industrial expansion which has placed enormous pressure on country's natural resource base and have significantly increased the level of air, water and land pollution. The environment protection cannot be achieved without underpinning economic activity with sustainable development. Government of Pakistan has Climate Change Division and entrusted it with the mandate to protect environment of the country. While climate change is a global phenomenon, its impacts is felt more severely by the developing world due to their greater vulnerabilities and lesser capacity to manage the effects of climate change, and similarly, within society, by marginal and vulnerable groups including women and children. Pakistan's emissions of greenhouse gases (GHGs) are much lower than those of the rest of the world. Environmental degradation along with poor home hygiene, lack of basic sanitation and unsafe drinking water has a huge impact on the health of the population, particularly children under five.

Government of Pakistan has devised Climate Change Policy to ensure that climate change is mainstreamed in the economically and socially vulnerable sectors of the economy and to steer Pakistan towards climate resilient development. Efforts are underway to attain goals of sustainable social and economic development, ensuring water, food, energy and environment securities, without over-exploiting forests and ecosystems, to meet the needs of present and future generations.

* The figures may be considered interim indication of poverty situation in the country. A technical group on poverty is reviewing official methodology and to find out possible causes of variance in poverty numbers and recommend final official estimates