Overview of the Economy

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The revival of growth that started in 2013-14 has accelerated in 2014-15 as per latest indicators released by the National Accounts Committee. The factors contributing this momentum in growth include the reform initiatives, commitment to a calibrated fiscal and monetary management and an overall improvement in macroeconomic situation. The impact of these factors was strengthened by a steep decline in oil prices, rise in foreign exchange buffers, growth in remittances and proceeds from privatization.

Fiscal year 2014-15 registered some remarkable achievements. Inflation hit the lowest level at 2.1 percent on YoY in April since 2003-04. The policy rate decelerated at 7 percent which was lowest in last 42 years, capital market created history, grading by international rating agencies improved, historical agreement with Chinese Government on China Pak Economic Corridor (CPEC), successfully reviews with IMF, issuance of Ijara Sakuk Bond after a period of 9 year, decline in unemployment rate from 6.2 to 6.0 percent etc. These achievements must be viewed in the backdrop of severe downside risk that prevailed at international and national economic landscape, security challenges for which the government and people are paying heavy price both in cash and kind, along with unprecedented weather behaviour. The initial months of the current fiscal year braved some headwinds due to Dharna and political turmoil. However, the economy was put back on track and economic indicators showed positive results.

The year 2014-15 ended with sharp improvement in the external account, as the sudden fall in international oil prices along with strong growth in remittances helped contain the current account deficit. The disbursement of tranches from the IMF and successful issue of Sukuk Bond in the international market swelled the foreign exchange reserves to a comfortable level. Before the present government took office, the ratings of S&P and Moody’s were B- with stable outlook and Caa1 with negative outlook, respectively. Both credit rating agencies have upgraded rating on outlook from stable to positive.

Pakistan’s current account deficit narrowed around 50 percent in the first 10 months of the current fiscal year as the country received higher remittances from its citizens living abroad, while low oil prices helped cushion the cost of imports. The current account deficit was curtailed to $ 1.364 billion in July-April 2014-15 from $ 2.931 billion in the same period last fiscal year. If this trend continues, the country can add more foreign currency reserves during the remaining months of the current fiscal year. So the government had projected the current account deficit of $ 2.8 billion for the entire fiscal year.

In fact the latest numbers indicate that the current account deficit can further be reduced. In April, current account surplus was recorded as $ 275 million. The current account deficit was 0.6 percent of GDP in July-April FY 15 period as compared to 1.3 percent of GDP in the corresponding period. However, trade deficit, widened to 0.7 percent in the period under review. Pakistan exported $ 20.176 billion of products in the 10 months of this fiscal year as against $ 20.834 billion a year ago. Imports amounted to $ 34.086 billion versus $ 34.645 billion. Financial account stood at US $ 2.836 billion during the period under discussion compared to US $ 3.481 billion in same period last year. The major difference is due to realization of US $ 2 billion through sale of Euro bond last year. In FY 15, there was realization of $ 1.0 billion through the issuance of sovereign Sukuk bonds in the international market, disbursement of loan tranches from the IMF and other multilateral foreign inflows. A narrowing deficit stabilized the country's foreign exchange reserves, as well as the value of Rupee, which has been hovering at Rs. 101/US dollars since January this year. The country's foreign exchanges reserves reached a comfortable level of $ 17.739 billion, while the forex reserves of the State Bank stood at $ 12.550 billion as of May 8.

In 2008, Pakistan had entered into a Standby Arrangement (SBA) amounting to US$ 7.6 billion. However the programme was discontinued, as the government was unable to meet its conditionalities. This government had negotiated US$ 6.67 billion Extended Fund Facility (EFF) Arrangement with IMF. Seven quarterly reviews have been successfully completed and the program is on track.

Successful engagements with IMF, World Bank and Asian Development Bank have declared Pakistan eligible for program loans. In appreciation of the reforms program, the World Bank has recommenced its program lending to Pakistan which was stopped since 2009. The IBRD lending to Pakistan, which was put on hold for several years, given an adverse balance of payments situation and drop of foreign exchange reserves to less than 2.5 months of exports has also been resumed and Pakistan is now an IBRD eligible country.

Fiscal data indicates that the government was able to contain its deficit due to low growth in expenditure. Also, the financing mix improved as increased external funding reduced the burden on the banking system, particularly on the central bank. Consequently, for the first time in the current IMF program, the country met all the quantitative (performance) targets for end-December 2014.

A stable exchange rate, and the fact that the government passed on the benefits of lower global oil prices to domestic consumers, not only softened inflationary expectations but also pulled down headline CPI inflation to a decade-low.

On the privatization front, PC has successfully concluded three Capital Market Transactions, in June, 2014 i.e. UBL offering (fetching proceeds of –PKR 38,223 million, including foreign exchange of –US$315 million) & PPL Offering (fetching proceeds of –PKR 15,342 million) and in December 2014, ABL Offering (fetching proceeds of –PKR 14,440 million, including foreign exchange of –US$19 million), thus re-launching the privatisation programme after a lapse of six years. In April, 2015, the Commission has concluded one (01) capital market transaction of HBL fetching proceeds of PKR-102 billion (including foreign exchange of US$-764 million). Strategic Sale of Heavy Electrical Complex is also expected to generate cash proceeds of Rs 250 million besides clearance of its liabilities amounting to approx: Rs. 850 million.

Appointment of Financial Advisor (FAs) for privatisation of Islamabad Electric Supply Co. (IESCO), National Power Generation Co. LTD (NPGCL), National Power Construction Corp. (NPCC) and PIA has been completed. Process for appointment of FAs for remaining power sector companies has been initiated. Expression of Interest (EOL) for Acquisition of a minimum of 88 percent shares of National Power Construction (Private) Limited (NPCC) has also been launched.

Growth & Investment: The economic growth remained broad based. The Commodities Producing Sector along with services sector performed better than last year amid gas shortages, power outages along with security related challenges and untoward environment behaviour.

For the fiscal year 2014-15, the GDP growth target was set at 5.1 percent on the back of growth of 3.3 percent from agriculture, 6.8 percent from industry 5.2 percent from services sector. The growth targets were consistent with assumptions of better production from agriculture important crops, improvement in energy supplies, normal weather condition, and better investment prospects.

According to provisional estimates the GDP growth during 2014-15 remained at 4.24 percent as compared to last year 4.03 percent revised estimates. The Agriculture posted growth of 2.9, industry 3.6 and services 5.0 percent as compared to 2.7, 4.5 and 4.4 percent respectively.

The floods hit the kharif crops in Punjab and afterward wheat productivity was also affected due to unprecedented rains and prolonged winter. Despite this adverse development, overall performance of agriculture presented a mix trend in growth as it marginally improved to 2.9 percent as compared to 2.7 percent last year. The production of wheat was projected at record 26 million tons,- the highest in last five years but actual production was below expectation at 25.47 million tons. Sugar crop also could not hit the target. The rice crop performed much better over the last 5 years registering 3.0 percent growth over last year production and 2.92 percent higher than the target. Maize production was 8.03 percent above the target but remained 5 percent behind last year's production. Cotton production registered a remarkable improvement of 13.98 million bales depicting a growth of 9.5 percent as compared to last year. The cotton production also remained highest in last 5 years.

The industrial sector showed moderate growth of 3.62 percent during first three quarters of the current fiscal year. The Large Scale Manufacturing sector which has a share of 11 percent in industry and 80 percent in manufacturing could not perform better as compared to last year. The growth in LSM remained at 2.5 percent during first three quarters of current fiscal year as compared to 4.6 percent of the corresponding period last year. LSM started with the declining trend at the start of current fiscal year, however, improvement witnessed in the following months but overall growth remained subdued against the target of 7 percent. Despite the persistent energy shortages especially gas, the activities in textile sector which on account of its high weight correspondingly impacted the growth. On the positive side, despite the iron and steel products growth which was below 4 percent last year remarkably increased to 36 percent on account of government’s supportive policies particularly the bale out package for PSM followed by automobile sector which was at less than one percent last year improved by 17 percent, pharmaceutical which declined by 0.39 percent last year improved by more than 6 percent.

Better growth has also been witnessed in construction relating industry which suggests improvement in construction activities in the country.

Some positivity has been witnessed in the LSM on YoY growth as it posted a growth of 4.5 percent against a negative growth of 1.0 percent last year. If this trend continue LSM sector likely to pick up its growth momentum in the remaining months of current fiscal year which will help in stimulating full year growth of GDP in general and industrial sector in particular. The small and medium manufacturing sub-sector grew at a constant annual rate at 8.2 percent. The PBS have started survey which will depict better growth position of this sector once the survey is completed in the coming year.

The services sector registered a growth of 5 percent against the target of 5.2 percent but remained higher compared to the last year growth of 4.4 percent. In the services sector major growth came from finance and insurance which posted a growth of 6.2 percent against the target of 5.8 percent and growth of 4.2 percent of last year. The performance of the banking sector, which dominates the financial sector of Pakistan, was impressive. Its asset base has increased tremendously over the year. The alignments of regulatory capital requirements in Pakistan with best international practices coupled with high profitability helped in achieving strong solvency with an overall Capital Adequacy Ratio (CAR) of 17.4 percent as of end March 2015; much higher than the minimum required level of 10 percent.

The transport and communication performance remained moderate as compared to the target and performance of the last year. The general government services sector has also shown improved performance at 9 percent higher than the target of 4.3 percent and growth of 2.9 percent during last year on account of increase in pay & pension as well as low growth in deflator.

The wholesale and retail sector grew respectively at a rate of 3.4 percent compared to 3.9 percent of last year and against the target of 6.1 percent. This sector is depended on agriculture and industrial sector output and imports. The moderate growth in the commodity producing sector impacted whole sale and retails trade while other private services sector contributed positively.

The total investment to GDP improved at 15.1 percent (Provisional Estimate) as compared to 13.9 percent (Provisional Estimate) of last year which have been revised to 14.9 percent during current fiscal year. Savings improved to 14.5 percent of the GDP as compared to revised rate of savings to GDP of 13.7 percent. This year the margin between the targets was not as wide as last year thus showing improvement.

The provisional estimate of Gross Fixed Capital Formation (GFCF) for the year 2014-15 stands at Rs. 3702 billion which increased by 10.3 percent as compared to 2013-14. GFCF in private sector in 2014-15 is estimated at Rs. 2644.9 billion as against Rs. 2513.4 billion of 2013-14, showing an increase of 5.2 percent. In public sector GFCF remained at Rs. 301.6 billon against Rs. 251.6 billion last year showing a positive growth of 20 percent. GFCF by General Government stood at Rs. 755.1 billion against Rs. 590 billion showing growth of 28 percent.

In June 2013, the government had inherited a projected fiscal deficit of 8.8 percent, which was brought down to 8.2 percent. In the following year 2013-14, the government further reduced the deficit to 5.5 percent. In the current fiscal year, fiscal deficit is likely to be 5.0 percent on account of revised GDP.

On the revenue side, the biggest challenge was extremely adverse impact of the declining oil prices adversely affecting the most important contributor to revenues from the oil and gas sector and its numerous upstream and downstream activities. The rapidly falling inflation and consequent decline in the projected nominal GDP further compounded the tax revenue problems. The combined effect of these factors was an estimated shortfall in FBR collections of Rs. 205 billion – a fall from Rs. 2810 billion to Rs. 2605 billion.

There were other revenue challenges on the tax side, most notably GIDC, which for a long time was suspended by Court Orders. However, the Honourable Supreme Court of Pakistan has set-aside restraining order and it is expected to recover stuck-up revenues from this source.

Despite a series of unforeseen expenditures on account of floods, enhancement of security and hosting and resettlement of IDPs, the government has largely succeeded in containing current expenditure to the budgeted level, through tight budgetary controls.

Commodity Producing Sector: Commodity producing sector contains agriculture and industry, which are playing central role in the economy and growth. The commodity producing sector accounted for 41.2 percent of GDP during the outgoing fiscal year as compared to 41.6 percent last year. Its contribution was 44 percent in GDP in fiscal year 2005-06, which is decreasing over time as the share of non-commodity producing sector has increased. The commodity producing sector has performed slightly lower in outgoing fiscal year as compared to last year; it grew at 3.24 percent during outgoing year as compared to 3.55 percent last year. Main reasons are damages to major crops due to flood, energy and gas shortages etc.

Agriculture Sector: Government is making multiple efforts to improve the agricultural sector by introducing modern techniques and scientific methods to improve the quality and quantity of the yield. Agriculture accounts for 20.88 percent of GDP and 43.5 percent of employment. The sector has direct and indirect linkages with other sectors of the economy and play significant role in socio-economic development of the country. The agriculture sector has four sub sectors including: crops, livestock, fisheries and forestry.

Crops: It consists of 39.6 percent of agriculture and 8.3 percent of GDP. Crops grew at the rate of 1.00 percent in outgoing fiscal year as compared to 3.20 percent of last year. The performance of crops mainly depends on weather along with government steps and efforts of the farmers. This sub-sector is further divided into important crops, other crops and cotton ginning. **Important Crops:** Important crops contain 25.6 percent of agricultural value addition and its contribution in GDP is 5.3 percent. Important crops have 64.5 percent share in overall crops. This sub-sector has recorded a growth of 0.28 percent compared to a growth of 7.96 percent last year. The important crops include all major crops like wheat, maize, rice, sugarcane and cotton. **Other Crops:** Other crops having share of 11.1 percent to value addition in overall agriculture sector and contribute 2.3 percent in the GDP. This sub-sector has grew mildly at 1.09 percent against the decline of 5.38 percent last year. The mild growth of other crops is mainly due to extreme weather conditions and heavy rains/floods in crop areas which damaged production of cultivated crops. Among the other crops production of onion increased by 1.31 percent, gram increased by 21.26 percent, moong increased by 6.24 percent, chillies increased by 0.27 percent, water melon decreased by 3.17 percent, mash and masoor declined by 12.7 percent and 5.81 percent respectively. The production of potatoes increased by 6.31 percent, tomatoes, banana, kino, orange, apple, peaches, guava and tobacco maintained the production level of last year. **Cotton Ginning:** Cotton Ginning has 7.4 percent share in crops sub-sector and 2.9 percent contribution in agriculture sector and 0.6 percent in GDP of the country. Cotton Ginning has witnessed a significant growth of 7.38 percent against the growth of -1.33 percent in the previous year.

Livestock: Livestock share in the agriculture value added stood at 56.3 percent while it is contributing 11.8 percents to the GDP. Livestock consists of cattle, buffalos, sheep, goat, camel, horses, asses, mules and poultry and their products. Livestock performed better in outgoing fiscal year as it recorded a growth of 4.12 percent as compared 2.76 percent last year. The production of livestock products, milk, poultry products and other livestock items increased at the rate of 2.95 percent, 3.25 percent, 7.49 percent and 1.28 percent, respectively.

Forestry: The contribution of this sub-sector in agriculture is 2.0 percent with main components of forestry, timber and fire wood. Growth of the forestry is registered at 3.15 percent as compared to -6.74 percent last year.

Fisheries: Fisheries sub-sector has 2.1 percent share in agriculture sector, it has recorded a growth of 5.75 percent against the growth of 0.98 percent last year. The sub-components of fisheries such as marine fishing and in-land fishing contributed to an overall increase in the value addition of this sub-sector.

During 2014-15, the availability of water for Kharif 2014 stood at 69.3 (MAF) showing an increase of 5.8 percent more than Kharif 2013 and 3.3 percent more than the normal supplies of 67.1 MAF. The water availability during Rabi season 2014-15 is estimated at 33.1 MAF, which is 1.8 percent higher than Rabi 2013-14 but 9.1 percent less than the normal availability of 36.4 MAF.

During July- March 2014-15, the banks have disbursed Rs 326.0 billion which is 65.2 percent of the overall annual target of Rs 500 billion and 27.5 percent higher than disbursement of Rs 255.7 billion made during the corresponding period last year. The banks were able to achieve 65 percent of their annual indicative targets of Rs 500 billion.

Kharif 2014 started with inventory of 386 thousand tonnes of urea. Total availability of urea (including 122 thousand tonnes of imported supplies and 2451 thousand tonnes of domestic production) was about 2959 thousand tonnes against the offtake of 2716 thousand tonnes, leaving an inventory of 184 thousand tonnes for Rabi 2014-15. Total availability of DAP during Kharif 2014 was 1023 thousand tonnes comprising 99 thousand tonnes of inventory, 524 thousand tonnes of imported supplies and 400 thousand tonnes of local production. DAP offtake was 586 thousand tonnes leaving closing balance of 430 thousand tonnes for coming Rabi 2014-15.

Rabi 2014-15 started with an opening balance of 184 thousand tonnes of urea. Domestic production during Rabi 2014-15 was estimated at 2493 thousand tonnes. Urea offtake during current Rabi 2014-15 is expected to be 3100 thousand tonnes, against 3253 thousand tonnes of total availability, leaving a closing balance of 151 thousand tonnes for next season. DAP availability in current season of Rabi is estimated as 1260 thousand tonnes, which included 430 thousand tonnes of inventory, 498 thousand tonnes of imported supplies and domestic production of 332 thousand tonnes. Off take of DAP during current Rabi season was about 1140 thousand tonnes, leaving a balance of 118 thousand tonnes for next season.

Industrial Sector: Government initiated comprehensive policy measures for the revival of industrial sector on fast track. The industrial sector contributes 20.30 percent in GDP of the country and in outgoing year it grew at 3.62 percent as compared to 4.45 percent last year. Industrial sector in Pakistan has four sub-sectors including mining & quarrying, manufacturing, electricity generation & distribution and gas distribution and construction. Each sub-sector of the industrial sector has its own role and significance in the economy, performance of these subsectors is presented below.

Manufacturing Sector

Manufacturing sector accounts 13.3 percent of GDP and 14.2 percent of total employed labor force. Large Scale Manufacturing (LSM) contains 10.6 percent of GDP dominates the overall sector, accounting 80 percent of the sectoral share followed by Small Scale Manufacturing, which accounts for 1.7 percent of total GDP and 13.0 percent of Manufacturing. The third component of the sector is Slaughtering and account 7.0 percent of overall Manufacturing sector. The industry specific data shows that five sub sectors recorded negative growth during the period July-March FY 2014-15 over corresponding period of last year i.e. Wood Product declined by 78.46 percent, Engineering Products 10.68 percent , Paper and Board 7.26 percent, Food Beverage and Tobacco 1.03 percent and Rubber products 0.56 percent .The sector showing growth during July-March 2014-15 such as Iron and Steel Products 35.63 percent, Automobiles 17.02 percent, Leather Products 9.62 percent, Electronics 8.21 percent, Pharmaceuticals 6.38 percent , Chemicals 5.94 percent , Non Metallic mineral products 2.56 percent, Coke & Petroleum Products 4.73 percent , Fertilizers 0.95 percent and Textile 0.50 percent.

Construction Sector: The contribution of construction in industrial sector is 12.0 percent and in GDP it contributes 2.4 percent and provides employment opportunities to 7.33 percent of labor force. This sub-sector is considered one of the potential components of industries. The construction sector has recorded a growth of 7.0 percent against the growth of 7.2 percent last year.

Mining and Quarrying: Pakistan has abundance of economically exploitable reserves of coal, rock salt, limestone and onyx marble, china clay, dolomite, fire clay, gypsum, silica sand and granite, as well as precious and semi-precious stones. This sub-sector contains 14.4 percent share of the industrial sector and contribute 2.9 percent in GDP of the country. Mining and quarrying has recorded a growth of 3.8 percent against the growth of 1.6 percent last year.

Electricity generation & distribution and Gas Distribution: This sub-sector of industry plays an important role in development of the country and also directly and indirectly contributes in growth of all sectors of the economy. Its share in industrial sector is 8.2 percent and contribution in the GDP is 1.7 percent. This sub-sector has recorded a growth of 1.9 percent in outgoing year as compared to 5.6 percent last year.

Services Sector: The services sector grew at 4.95 percent against the commodity producing sector growth of 3.24 percent. The contribution of the services sector has increased from 56.0 percent of GDP in 2008-09 to 58.82 percent in 2014-15. 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). Services sector has recorded a growth of 4.95 percent in outgoing fiscal year as compared to 4.37 percent last year. The growth performance of services sector is broad based, all components of services contributed positively in growth as Wholesale and Retail Trade grew at 3.38 percent, Transport, Storage and Communication at 4.21percent, Finance and Insurance at 6.18 percent, Housing Services at 4.0 percent, General Government Services at 9.44 percent and Other Private Services at 5.94 percent.

Per Capita Income: Per capita income is an important economic indicator which is mostly used to measure economic development of the country and also make comparison of well-being among various countries of the world. Per Capita Income in dollar terms has registered a significant growth of 9.25 percent in 2014-15 as compared to 3.83 percent last year. The per capita income in dollar terms has increased from $ 1,333 in 2012-13 to $ 1,512 in 2014-15. The main contributing factors, of this rapid increase in per capita income include acceleration in real GDP growth, relatively lower growth in population and the consistent of Pak Rupee.

Investment and Savings: Investment indicators in outgoing years have also recorded improvement over the previous years. Total investment has reached to 15.12 percent of GDP as compared to 14.98 percent of GDP last years, while fixed investment is at 13.52 percent of GDP against the 13.38 percent of GDP last year. Private investment is recorded at 9.66 percent of GDP as compared to 10.03 percent of GDP last year. Total Investment which was recorded at Rs. 3,756 billion in 2013-14 increased to Rs. 4,140 billion for 2014-15. It is evident that total investment recorded a growth of 10.21 percent in outgoing fiscal year, which is an indicator that investment activities are taking place on fast track and confidence of investors is improving due to government policies. Public investment has registered an impressive growth of 25.56 percent as compared to the growth 6.82 percent last year which is an indicator that government expenditure strategy is development oriented. Public Sector Investment which was recorded at Rs. 842 billion in 2013-14 is reported at Rs. 1,057 billion in 2014-15. This huge increase reflected that Public investment as a percent of GDP increased to 3.86 percent against 3.36 percent last year. National savings are very important to maintain higher level of investment which is a key determinant of economic growth. The foreign savings are needed to finance saving investment gap, reflects the current account deficit in the balance of payments. National savings have witnessed 14.5 percent of GDP in outgoing fiscal year against 13.7 percent last year. Domestic savings are recorded at 8.4 percent of GDP in 2014-15 as compared to 8.0 percent of GDP in last year. Net foreign resource inflows are financing the saving investment gap. Private investment recorded in last year was Rs. 2,513 billion and it expanded to Rs. 2,645 billion for the fiscal year 2014-15. This increase in private investment is the reflection that private investors are showing confidence on government policies and situation is improving, which will further encourage economic agents to take maximum benefits from emerging opportunities in the country.

Board of Investment (BOI) under Prime Minister Office is taking policy measures to provide more investment friendly environment to investors. BOI's mandate covers both domestic and foreign private investment. The FDI Strategy sets out roadmap to promote FDI and proposes broadly defined action programs for attracting FDI into Pakistan. To maximize the contributions of FDI to Pakistan's economic development, this FDI Strategy furthermore envisages special programs to promote the linkages between domestically and foreign-owned private enterprises, such as local supplier, sub-contractor or joint venture programs.

Number of factors like long march/dharna, energy shortages, and war against extremism remained obstacles in attracting FDI against potential of the country. Now situation is improving as the present government has launched comprehensive plan to create investment friendly environment & to attract foreign investors in the country. Consequently, revival of investor's confidence has been captured in better returns on investment in the Karachi stock market. The market continued its upward trend reaching to all time high. KSE 100 witnessed its highest level in the history and presently it is trading above 32,500. In terms of market capitalization, it improved from $51.3 billion in May 2013 to $71.8 billion by 30th April, 2015. During July-April, FDI inflows posted a growth of 10.2 percent and reached to $2,057.3 million against $1,866.3 million in the same period of FY14. During July-April, FY 15, foreign private investment increased to $1,666.2 million against $1,050.3 million in the comparable period of FY14 thus showing a sign of restoring investor's confidence which has set back due to dharna in first quarter of FY15. The major FDI inflows are from China, US, UAE, UK & Italy. Communications, oil & gas exploration, financial business, power and chemicals remained the main recipient of sectors of FDI.

Workers' Remittances: Remittances to South Asia grew despite concerns that lower oil prices might dampen remittance flows from the GCC countries. This may reflect the concentration of migrant workers in the construction and services sectors, which are relatively less affected by falling oil prices. Remittances growth in South Asian Region is projected to remain flat at 3.7 percent in 2015, supported by large scale construction activities (including preparations for the 2022 FIFA World Cup in Qatar) and fiscal expansion in GCC countries, and improving economic prospects in the United States.

Government of Pakistan's program Pakistan Remittances Initiative has also played a significant role to encourage inflows from Pakistani Diaspora. There is a continuous increase in Workers' Remittances, which is an indicator that they are also playing significant contribution in the development of the country. Workers' Remittances reached at $ 14,969.66 million in July-April of the 2014-15, against the $ 12,897.91 million in the same period of last fiscal year showed a growth of 16.06 percent over the same period last year.

Fiscal Development

During July-March 2014-15, fiscal deficit was contained at 3.8 percent against 3.9 percent in the same period of fiscal year 2013-14. Pakistan has received $1,452 million under CSF during first and second quarter of current fiscal year. These inflows have not only provided further comfort to fiscal accounts but also helped in maintaining the country's reserve position. Moreover, a healthy provincial surplus to the tune of Rs. 194.0 billion has also helped in containment of fiscal deficit. Pakistan has not only successfully contained the fiscal deficit but has also met end of March performance criteria on the budget deficit with IMF. Encouragingly, it will help to restrict the overall budget deficit at 5.0 percent of GDP for the entire fiscal year 2014-15.

Total revenue grew by 8.3 percent during July-March, 2014-15 and stood at Rs. 2,682.6 billion against Rs. 2,477.4 billion in the same period of 2013-14. Total tax collection amounted to Rs. 2,063.2 billion during July- March, 2014-15 against Rs. 1,786.2 billion in the same period of 2013-14, thus posted a growth of 15.5 percent. While during July-March, 2014-15 non tax revenues witnessed a decline and reached to Rs. 619.5 billion from Rs. 691.2 billion in the comparable period of 2013-14.

During July-April, 2014-15, FBR has collected Rs. 1972.4 billion as provisional tax revenues against Rs. 1744.9 billion reflecting a growth of 13.0 percent. During the current fiscal year, a number of compensatory measures were introduced to maintain the tax revenues at modest level after the significant fall in international oil prices and resultant decline in domestic retail fuel prices which has affected the tax revenues. Increase in GST rate on petroleum products from 17 percent to 22 percent and then to 27 percent , introduction of additional revenue measures at federal level to meet the shortfall including levying regulatory duties on imports of more than 300 items and levying a 2 percent withholding tax on non-filers service providers and importers. However, to achieve the fiscal sustainability, present government is stringently focusing on wide-ranging resource mobilization strategy with an aim to increase the tax to GDP ratio to 15 percent in next few years.

On expenditure side, total expenditure amounted to Rs. 3,731.6 billion during July-March, 2014-15 against Rs. 3,446.2 billion. Of which, current expenditure grew by 10.1 percent and amounted to Rs. 3,199.1 billion against Rs. 2,904.6 billion in the comparable period last year. Development expenditure and net lending grew by 6.9 percent during July-March, 2014-15 and reached to Rs. 594.0 billion against Rs. 555.8 billion in the same period last year.

One of the important development is a remarkable increase in PSDP which has witnessed a growth of 27.1 percent and reached at Rs. 499.4 billion against Rs. 393.0 billion in the comparable period of fiscal year 2013-14. Overall development expenditures registered a remarkable growth of 23.4 percent during the same period. Within PSDP, Federal and Provincial ADP grew by 7.6 and 46.0 percent, respectively, during first nine months of current fiscal year against. One of the significant development was decline in current subsidies as during July-March, 2014-15 it remained lower than last year and stood at Rs. 185.9 billion from Rs. 201.8 billion in the comparable period of 2013-14.

Money and Credit

Currently, Pakistan is following an accommodative monetary policy stance in order to reinvigorate the economy. During the current fiscal year, SBP slashed the policy rate by cumulative 300 bps to 7.0 percent which is the lowest in 42 years. Current policy stance is the reflection of improved macroeconomic conditions on the basis of which international agencies have upgraded outlook for Pakistan's economy which in turn will further improve the investor's confidence. The impact of this decline will be realized with lagged effect.

Broad Money (M2) witnessed an increase of 7.33 percent during July-8th May,2014-15 to stand at Rs. 730.5 billion against the expansion of 7.05 percent (Rs. 624.3 billion) in the comparable period last year mainly due to increase in net government borrowing specially from scheduled banks. While year on year growth in M2 was recorded at 12.8 percent as on May 8, 2015.

Net Foreign Assets (NFA) of the banking sector witnessed an increase and reached to Rs. 220.1 billion during July-8th May, 2014-15 as against the net expansion of Rs. 243.7 billion in the comparable period of fiscal year 2013-14. NDA of the banking sector grew at 5.45 percent (Rs. 510.5 billion) during July-8th May, 2014-15 as compared to net expansion of 4.43 percent (Rs. 380.6 billion) in the same period last year. It is encouraging to note that SBP's NDA target for end-March 2015, limit agreed with the IMF was met due to government's efforts to improve financing mix of budget deficit and lower its reliance on SBP borrowing.

Government borrowing for budgetary support stood at Rs. 601.1 billion during July-8thMay, 2014-15 against Rs. 240.2 billion in the same period of fiscal year 2013-14. Within the banking system, government has retired Rs. 532.4 billion to SBP during July-8thMay, 2014-15 against the retirement of Rs. 10.5 billion in the same period last year.

Credit to private sector increased to Rs. 161.7 billion during July- 8th May, 2014-15 against the expansion of Rs. 292.9 billion in the same period of last year, thus posted a growth of 4.3 percent as compared to 8.7 percent in the comparable period of last year. However, despite low expansion, credit to private sector posted a growth of 6.6 percent on year on year basis as on 8th May,2014-15 against the growth of 5.2 percent recorded in the same period last year. However, demand for credit to private sector is likely to pick up with lagged impact of cutting in cumulative discount rate by 300 bps in coming months.

Financial system indicators also remained robust as asset quality has slightly improved with a decline in the non performing loan (NPL) ratio to 12.3 percent and the capital adequacy ratio (CAR) increased to 17.1 percent by end-December 2014 due to accumulation of profits and fresh equity injection by some banks. While CAR increased to 17.4 percent as of end March, 2015.

Capital market

The year will also be remembered in the Pakistan capital market history for mega public offerings led by sale of shares by the Government of Pakistan, and in terms of money raised through these offerings. In 2014, the KSE-100 Index gained 6,870 points from 25,261 to 32,131 level, generating a handsome return of 27 percent (31 percent return in US$ terms) for the investors. During the first ten months (Jul-Apr, 2014-15) of current fiscal year, the Karachi Stock Exchange (KSE) benchmark-100 Index increased by 4,077 points and closed at 33,729.96 points on 30th April against 29,652.53 on June 30, 2014 showing a gain of 13.75 percent during first ten months of current fiscal year despite political turmoil during first half of the current year.

Auto sector remained top performer amid the list of top ten performing sectors in terms of market capital. "Automobile sector remained a standout performer in 2014 as its market capital increased by 133 percent during the year to date, depreciating Yen against US-Dollar and Pak-Rupee, introduction of new models by car assemblers and initiations of Punjab Taxi scheme were some of the key triggers driving sector performance during the year. China Shanghai Composite index showed a robust growth of 117 percent, Japan Nikkei improved by 28.7 percent while Hong Kong Hang Seng increased by 21.3 percent during the period under review. Whereas, India's Sensex increased only by 6.3 percent, US S&P by 6.4 percent and UK FTSE by 3.2 percent during July-April 2014-15. KSE growth of 13.7 percent during this period remained better than the regional and international markets.

During the period July 2014 to December 2014, five debt securities were issued which include two domestic Sukuk amounting of Rs. 26 billion, one international Sukuk of Rs. 100 billion (US$ one billion) and two Privately placed Term Finance Certificates amounting Rs. 6 billion. The total size of the Mutual Fund industry stood at Rs. 510.920 billion as of February 28, 2015 as compared to Rs. 447.62 billion on July 31, 2014, showing an increase of Rs. 63.3 billion or 14% over the period. The total number of funds stood at 165 on February 28, 2015 as compared to 160 on July 31, 2014.

The Central Directorate of National Savings (CDNS) is playing vital role of promoting savings culture in Pakistan side by side supporting the Government of Pakistan to finance the fiscal deficit through non bank borrowing. As of 31st March, 2015, the portfolio of NSS is Rs. 2,938,920.21 million which constitute the 25 percent share of overall domestic debt of GoP.

Inflation

Price stability remained a high priority of the government due to socio-economic cost of inflation. Inflation rate measured through Consumer Price Index (CPI) averaged at 4.8 percent during July-April 2014-15 against 8.7 percent in the same period of last year. This is the lowest level of inflation after 2003. Food and non-food inflation during July-April FY15 have been estimated at 3.6 percent and 5.7 percent as compared to 9.3 percent and 8.2 percent in the same period last year. The slower increase in food inflation over the last year is due to moderate increase in prices of major consumable food items. Such as wheat, wheat flour, edible oil and fresh vegetables and lower prices of oil and other commodities in international market. However, the core inflation remained quite subdued on account of pursuance of appropriate fiscal policy, exchange rate and monetary policies.

To contain inflation, the government has taken various measures. Throughout the year, the National Price Monitoring Committee (NPMC) kept a constant watch over prices and the supply of essential commodities in its regular meeting. Provincial Governments also took proactive measure during the year to maintain price stability through better price check. The appropriate fiscal and monetary policies persuaded by the government during the year also helped in maintaining price stability.

Trade and Payments

Pakistan’s overall external account balance posted a surplus of US$ 2.12 billion during Jul-Apr, 2014-15 against US$ 1.95 billion in the corresponding period of last year due to marked improvement in the current account and substantial foreign exchange inflows. The current account deficit stood at US$ 1.4 billion in Jul-Apr 2014-15, which was 53.5 percent less than the deficit of US$ 2.9 billion in Jul-Apr 2013-14 showing marked improvement. Services account deficit remained lower and stood at $1,632 million during July-April 2014-15 as compared to $ 2,349 million during the same period last year. Lower services account deficit was due to inflows of US $ 1.5 billion under CSF. Lower freight expense (as shipping companies have started passing on the impact of cheaper oil) also provided some relief.

Pakistan’s foreign exchange reserves improved by US$ 3.6 billion since July, 2014 and remained around US$ 17.8 billion at end April, 2015, a change of more than 25 percent. In respect of exchange rate, Pak Rupee recorded a depreciation of 3.1 percent during Jul-Apr 2015 due to delays in the 4th review of the IMF program and the political uncertainty in the country since mid-August. Pakistan’s exports to EU have increased from US$ 6.21 billion during 2013 to US$ 7.54 billion in 2014. Pakistan’s exports to EU registered an increase of US$ 1.32 billion in one year. This represents an increase of 21 percent.

Public Debt

Public debt was recorded at Rs. 16,936 billion or 61.8 percent of GDP as at end-March 2015 compared with 62 percent during the same period last year. Public debt recorded an increase of Rs. 940 billion during first nine months of current fiscal year as compared with Rs. 1,272 billion during the same period last year. The primary source of increase in public debt was in domestic debt that positioned at Rs. 11,932 billion representing an increase of Rs. 1,012 billion, whereas, external debt posed at Rs. 5,004 billion representing a decrease of Rs. 72 billion as compared to end June 2014. The external debt declined despite net external inflows which is mainly attributed to huge translational gain of around US$ 4.3 billion on account of appreciation of US Dollar against other major currencies.

Similar to the last year's trend, Pakistan's public debt dynamics continued to witness positive developments during first nine months of current fiscal year. An improvement was observed in most of the public debt sustainability indicators. In addition, composition of public debt further improved due to increased mobilization through medium to long term domestic debt instruments and higher disbursements from external sources. Some of the positive developments are as follow:

- Pakistan successfully returned to the International Islamic Bond market in

November 2014 with the issuance of US$ 1 billion Pakistan International Sukuk.

- Pakistan has become eligible for concessional IBRD funding which will be used to fund priority infrastructure / development projects.
- Government made progress in achieving the targets set under Pakistan's first Medium Term Debt Management Strategy (2013/14 - 2017/18) as the government was able to reduce its refinancing risk by re-profiling its domestic debt and increasing the external inflows.

During July-March, 2014-15, public debt servicing was recorded at Rs. 1,193 billion against the annual budgeted estimate of Rs. 1,686 billion. Public debt servicing consumed nearly 44.5 percent of total revenues during first nine months of current fiscal year against a ratio of 47 percent during the same period last year.

EDL stock was recorded at US$ 62.6 billion as at end March 2015 out of which external public debt was US$ 49.1 billion. Public external debt witnessed a decline of US$ 2.3 billion during first nine months of current fiscal year. The disbursements including loans and grants stood at US$ 4,001 million compared with US$ 2,301 million during the same period last year. Pakistan also received US$ 2,106 million from the IMF.

Servicing of EDL fell by US$ 1,282 million in first nine months of current fiscal year as compared to the same period last year and recorded at US$ 5,303 million. Out of this total, principal repayments were US$ 3,291 million and interest payments were US$ 812 million, whereas an amount of US$ 1,200 million was rolled over. Among the principal repayments, US$ 935 million of multilateral debt and US$ 1040 million of IMF accounted for most of the share.

Education

According to the latest Pakistan Social and Living Standards Measurement (PSLM) Survey 2013-14, literacy remained higher in urban areas (74 percent) than in rural areas (49 percent), and is more prevalent for men (81.0 percent) as compared to women (66.0 percent) in urban areas. Province wise data suggests that Punjab leads with 61 percent followed by Sindh with 56 percent, Khyber Pakhtunkhwa with 53 percent and Balochistan with 43 percent.

GER at the primary level excluding Katchi (prep) for the age group 5-9 years at national level during 2013-14 recorded at 90.0 percent as compared to 91 percent in 2012-13 while NER at the national level during 2013-14 remained at 57 percent.

The overall education situation based on key indicators such as likely enrolments, number of institutes and teachers, has depicted a slight improvement. The total number of enrolments during 2013-14 was recorded at 42.1 million as compared to 41.1 million during the same period last year, an increase of 2.4 percent. Under Prime Minister’s “Hunarmand Pakistan Program” short-term skill development training up to six-month duration courses was conducted in collaboration with public and private sector training institutes. It covers four priority sectors including: Construction, Agriculture (Dairy & Livestock), IT & Telecommunication and Skills for Women. So far, 116,776 trainees have been trained.

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 2008-14, a total number of 10,376 Scholarships were awarded under different programmes of HEC. Under Prime Minister’s Fee Reimbursement Scheme for less developed areas, Reimbursement to around 50,000 students of less developed areas is being carried out during 2014-15. The Government of Pakistan has allocated Rs. 20.021 billion in PSDP 2014-15 for 191 development projects (136 ongoing and 55 new) with main focus on Human Resource Development through merit and Need based scholarships.

Health and Nutrition

The government is trying to improve the health and nutrition status of people through enhanced coverage and access to essential health services so as to translate the economic success into social benefits in Pakistan. The coverage of health facilities has improved over years and the present network of health services consists of 1,142 hospital, 5,499 dispensaries, 5,438 Basic Health Units (BHUs), 669 Rural Health Centres (RHCs) and availability of 118,041 beds in hospital. Apart from these, there are 175,223 doctors, 15,106 dentist and 90,276 nurses in the country. During the year the population and medical facilities ratio in term of doctor is estimated at 1,073 person per doctor, 12,447 persons per dentist and availability of one hospital bed for 1,593 persons.

The total expenditure on health during (Jul-March) 2014-15 is estimated Rs. 114.2 billion which works out as 0.4 percent of GDP. The new health facilities added to the overall health services system during 2014-15 include 3500 doctors, 350 dentists, 3,300 nurses and 3,900 hospital beds. To control the diseases and alleviate the suffering of various diseases, various health programs like TB, Malaria and AIDs control programs have been carried out. The calories intake per day person has increased from 2,484 to 2,490 in 2014-15 showing an increase of 0.24 percent over last year.

Population, Labour force and Employment

Pakistan is currently the sixth most populous country in the world with an estimated population of 191.71 million in 2015 and the population growth rate is 1.92 percent.

Pakistan has remarkable young age structure, which puts a considerable stress on the economy. These young people if not properly trained will only add marginally to the productive resources of the country but will put a large burden on health, education and jobs. This will worsen both the economic and social situation. Conversely with effective government policies for their education and training, these youth can become a powerful force for economic development.

According to the Labour Force Survey 2013-14, Pakistan has 60.09 million labour force. Out of this labour force, only 56.52 million people got employment and 3.58 million people are unemployed. The government is highly committed to improve employment level in the country and as a result unemployment rate has decreased from 6.24 percent in 2012-13 to 6.0 percent in 2013-14. 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 43.7 percent in 2012-13 to 43.48 percent in 2013-14. In manufacturing sector the labour force participation rate has remained unchanged in 2013-14 and the share in transport sector has increased from 4.98 percent in 2012-13 to 5.44 percent in 2013-14.

Overseas employees are one of the most important features in national economic development and the government has never neglected this aspect. The government is committed on producing skilled workers in order to send them abroad to ensure higher foreign exchange. During 1971 - 2014 periods, almost 7.8 million Pakistanis proceeded abroad for employment through the Bureau of Emigration. The main concentration of Overseas Pakistanis is in the Middle East 49 percent, Europe 28.2 percent and United States of America 16 percent. More than two thousand licensed Overseas Employment Promoters are perpetually working to procure more and more manpower demands from man power importing countries. Resultantly, manpower export has increased from 0.622 million in 2013 to 0.752 million in 2014.

Transport and Communication

Modernized and efficient Transport and communication infrastructure is considered as a backbone for economic integration of different regions of the country, rural-urban links and market accessibility to the agriculture raw materials. It has direct as well indirect links among different sectors of the economy which ensure social and economic prosperity of the people. To achieve an accelerating growth targets National Highways Authority has spread over the country a sizable network of highways, expressways and motorways of about 12,131 km with active project portfolio of 72 projects costing Rs. 1,342 billion.

In the current year 2014-15 PSDP, the government has allocated Rs. 111.56 billion for these development projects which would add a sizable portion of roads to the existing network. Similarly Pakistan Railways have taken many new initiatives in line with the government's Vision 2025 objectives for development of railways infrastructure to increase its share in the overall transport sector from 4 percent to 20 percent by the end of 2025. Railway Board has been made functional, tariff is being regularly rationalized based on the market dynamics to improve occupancy and increase revenue of Pakistan Railways to transform it into a profitable organization.

HSD oil reserves availability has been enhanced to 12 days to streamline trains operation, public private partnership initiative has been taken, new air-conditioned train called Green Train Service with free meal, bedding, Wi-Fi and newspaper has been started from Islamabad to Karachi.

Under the new policy initiative of ‘Revival of PIA’ the PIA management has signed an agreement with the financing facility of EXIM Bank of USA and General Electronics to overhaul and carry out maintenance of the engines of PIA Boeing Air Crafts. Despite an over increasing financial cost, the Airline has been involved in taking various steps to reduce costs and improve productivity. These measures includes contracts re-negotiation, route rationalization by discontinuing loss making routes, re-deploying aircraft on more profitable routes and additional flights on high yield strategic international routes and additional flights on primary domestic routes have been operated after the addition of narrow body aircrafts acquired on lease basis. These steps under taken not only reduced PIA losses from Rs. 44.3 billion to Rs. 32.0 billion in 2014 but also increased its operating revenue from Rs. 95.771 billion in 2013 to Rs. 99.519 in 2014.

Performance of Ports and Shipping is also encouraging despite a depressed trading scenario worldwide. Pakistan National Shipping Corporation with a total deadweight capacity of 681,806 metric tons has improved its profitability and earned Rs. 11.424 billion during July-March, 2014-15, against Rs. 11.370 billion during corresponding period last year. Karachi Port Trust is operating on 11.5 km long approach channel, a depth of 12 meters and a turning basin of 600 meters. KPT provides safe navigation for vessels up to 75000 metric tons deadweight and handled 32.133 million tons of cargo during July-March, 2014-15 as compared to 30.677 million tons in the same period last year.

Total volume of import handled at Port Qasim was 15.198 million tons in July-March, 2014-15 against import of 13.084 million tons last year. The volume of export handled was also 6.420 million tons during July-March 2014-15, which was 9.1 percent higher than the same period last year. Gwadar port is the future centre piece of China Pakistan strategic partnership with its strategic location and potential for becoming the future economic and industrial hub. Phase-1 of it has been made operational in 2006 and in May, 2013 the Ports Concessional Rights were transferred from Port of Singapore Authority to the new operator viz, China Overseas Ports Holding Company Ltd. Currently all bulk cargo comprising urea, wheat and coal is imported/handled through Gwadar Port.

Due to rapidly changing landscape technology in telecom sector the cellular mobile and smart phone has been pinnacle of regulatory success in Pakistan. Today, total subscribers have reached to the level of 134 million by end of March, 2015 as compared to just 5 million in 2004. The proposed telecom policy envisages a boost of export in telecom sector from current level of US$ 1.4 billion to the level of US$ 4.0 billion by 2020 and an increase in telecom revenue to the tune of Rs. 800 billion in next five years.

Energy

The present government has attached high priority to energy sector. The government retired the circular debt (Rs. 480 billion) immediately after taking oath which added 1700 MW of electricity into the system. In FY 15, the current level of circular debt is around Rs. 250 billion including Current Payable. Further a long awaited National Power Policy 2013 focused on the current and future energy needs of the country.

Energy sector always remained a key component of dialogue between the government and multilateral and bilateral development partners. During the recent visit of the Prime Minister to Turkmenistan, apart from mutual cooperation on various fields like trade, education, etc., the review of Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline and energy security remained main focus of the meeting. As a major progress, the laying down of US $ 10 to 12 billion TAPI gas pipeline project is expected to be materialized by end of 2017 will be providing the gas of 1.3 billion cubic feet to Pakistan. Turkmenistan, Afghanistan, India and Pakistan linked the Transaction Advisory Services Agreement (TASA) with Asian Development Bank (ADB) to find leading, technically and financially sound company that could form a consortium to generate the finances for the project.

Asian Development Bank (ADB) has approved assistance packages to help Pakistan to undertake key reforms in the power sector. This included funding to ensure energy delivery to industrial and private consumers, and to build two vital power generation plants in Sindh Province. The Jamshoro Power Generation Project, which on completion in 2018, will add 1,300 megawatts (MW) to the country's electricity grid. Reliability of the power distribution network is also being enhanced through the investment of $167.2 million to upgrade 284 grid stations. The World Bank also approved a financing package from the International Development Association (IDA) to help expand hydro-electricity generation in Pakistan through the development of the Dasu Hydropower Stage-I Project (DHP-I). The package consists of an IDA Credit of $588.4 million and an IDA Partial Credit Guarantee (PCG) of $460 million to help mobilize commercial financing for the project. DHP-I would have 2,160 megawatt (MW) hydropower plant on the main Indus River, which can be expanded to 4,320 MW in future with less additional cost.

The government kept itself bound with its timelines related to energy projects, however undue sit-in by two political parties in August 2014 and disastrous flood witnessed by Kashmir region in September 2014 became significant hindrance. Many planned engagements with multilateral and bilateral donors were delayed, most importantly the visit of President of China was rescheduled. Floods delayed Neelum-Jhelum hydropower which is now expected to be complete in 2016.

During the recent visit of President of China, Pakistan and China signed 51 Memorandums of Understanding (MoUs) relating to diverse aspects of bilateral relations, including the Pakistan China Economic Corridor and series of energy projects. Thus almost $15.5 billion worth of coal, wind, solar and hydro energy projects will come online by 2017 and when mature will add 10,400 megawatts of energy to Pakistan's national grid.

The energy issue is top priority of the government and intend to fulfill its commitments realizing the fact that good governance and regulation will contribute to a sustainable, affordable and reliable energy system. The government is sincerely committed to add electricity generation of 10,400 megawatts to Pakistan's national grid by 2017-18 along with reduction in the cost of generation and transmission losses. Under the vision 2025, the government is committed in power generation to 45,000 MW with provision of uninterrupted, affordable and clean 'energy for all'. Thus the government is encouraging private investment to achieve power generation mix through development of indigenous energy resources particularly hydel, coal, shale gas, etc. to achieve zero load-shedding along with the reduction in average electricity rates

Social Safety Nets

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 2010-11 stood at 13.24 percent of GDP. In 2011-12, these were 11.55 percent of GDP and in 2012-13, 13.10 percent of GDP. During 2013-14, total expenditures for these sectors were slightly increased and amounted to Rs. 1,934.095 billion, which was 14.16 percent of GDP. During July-December of the current fiscal year 2014-15, Rs 667.47 billion expenditures have been made in these sectors.

BISP is continuing to eradicate extreme poverty through provision of cash transfers. Present government has not only continued the Benazir Income Support Programme (BISP) but has also increased the cash grant to Rs. 1200/ month and then to Rs 1500/month and also increased BISP budgetary allocation to Rs. 97 billion in 2014-15 from Rs. 75 billion in 2013-14. Total expenditure of BISP during the current fiscal year is projected to cross Rs. 90 billion. The number of BISP beneficiaries is expected to increase from 4.6 million in 2013-14 to 5.0 million by the end of this financial year. BISP is expected to enroll 500,000 children in school during the current financial year under its Waseela-e-Taleem initiative. The government has increased the monthly stipend under the Waseela-e-Taleem initiative to Rs. 250 per month per child from Rs. 200.

Pakistan Poverty Alleviation Fund (PPAF) also provides assistance in microcredit, water and infrastructure, drought mitigation, education, health and emergency response interventions. During the period of July 2014 to March 2015, Pakistan Poverty Alleviation Fund has managed to disburse an amount of Rs 9.8 billion to its various on-going projects. Under the 18th constitutional Amendment, the subject of Zakat has been devolved to the Provinces/Federal Areas. A total amount of Rs. 4778.18 million is distributed in bulk amongst the provinces and other administrative areas for the year 2014-15. 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. During July 2014 to March 2015, Pakistan Bait-ul-Mal (PBM) has managed to disburse an amount of Rs 2.28 billion to its core projects.

Environment

Sustainable use of resources and environmental concern has become increasingly important. The inability to address the situation will result in extremely high environmental and economic cost in future. Environmental factors are changing drastically and if left unchecked, pollution and environmental degradation will pose a monumental threat to social and economic growth of the country. Pollution on a wide scale is damaging the land, water, and air as unchecked economic activity has decreased the availability of fresh water resources along with clean air.

Air & Water

The key factors responsible for air pollution in Pakistan are rapidly growing energy demand due to relatively higher population growth rates, fast growing transport sector, unplanned infrastructure, and widespread use of low-quality fuel and above all are the alarming level of particulate matters (PM10 and PM25). National Impact Assessment Program (NIAP) conducted by Pakistan Environment Protection Agency is aimed to contribute to sustainable development in Pakistan through strengthening the environmental impact assessment process introducing Strategic Environmental Assessment (SEA) in national development planning.

According to Pakistan Council of Research in Water Resources (PCRWR), the majority of the population in the country is exposed to the hazards of drinking unsafe and polluted water from both surface and ground water sources. To address this issue of national importance, federal government through PCRWR has implemented several national water quality monitoring and surveillance activities. Access to an adequate supply of water is also one of the absolute priorities of Vision 2025. Top five goals for water security are:

- Increase water storage capacity, applicable to the requirements of each province in line with defined strategic needs and international benchmarks: from currently 30 days to 45 days by 2018, and 90 days by 2025.
- Invest in proven methods and technologies to minimize wastage (e.g. in the agriculture sector), promote conversation and gain efficiencies through rationalization of pricing.
- Enable more effective allocation with direct reference to national & provincial priorities and related social and economic considerations.
- Establish institutional mechanisms e.g. a National Water Commission to effectively manage all resources of water (surface, subsurface ,rain) and their sectoral and regional allocations
- Provision of access to a minimum baseline of suitable water to every person in Pakistan.

Solid Waste & Sanitation

The absence of a proper solid waste disposal system and huge amount of uncollected waste poses great threat to the public health. Only 30 percent of solid waste quantities generated are generally collected by government services. The recommendations that can be considered regarding solid waste management are:-

- Raising awareness about consequences caused by solid waste pollution.
- Collective role of government sector, NGO's, Private sector for solid waste management.
- Legislation should be done which would be effective and find ways to implement its effectively application of 3 R's (Reduce,

Recycle and Reuse) concept in solid waste management system.

- House to house collection of solid waste should be organized.
- Littering of solid waste should be prohibited in cities, towns and urban areas. Proper segregation would be vital for scientific disposal of waste.
- Developing legal framework and national guidelines for solid waste management that includes waste management and basic recycling rules.

Sanitation is one of the basic necessities of human life as it saves lives, resources and let human being live with dignity. In order to build the momentum and accelerate the progress on sanitation and hygiene in the country, Pakistan Conference on Sanitation (PACOSAN) was held in February, 2015. Pakistan government is committed to save its children from death, living with disabilities or not achieving their potential physical and mental growth to compete with other nations in the world.

Forest

Under Millennium Development Goals (Goal-7) Pakistan had committed to increase forest cover to 6% by the year 2015, which could not be achieved mainly due to financial constraints of federal and provincial governments. Slow Overseas Development Assistance (OSA) from bilateral or multilateral sources impedes government policies and plans to bring additional lands under tree cover. The developing countries need uninterrupted flow of pledged financial resources from developed countries to adapt to a changing global climate and reduce carbon emission to boost forest growth. However, in order to increase the forest cover, significant programs of forestation are operational in the country.

Climate Change

Further to national Climate Change policy-2012, its framework for implementation is developed keeping in view the current and future anticipated climate change threats to Pakistan's various sectors. Numbers of measures are in focus to address both mitigation and enhancing various ongoing efforts and initiating new activities such as Adaptation Strategies, Mitigation Strategies, Clean Development Mechanism and Nationally Appropriate Mitigation Actions.

- Green Climate Fund (GCF) is the future financial mechanism for the United Nations Framework Convention on Climate Change (UNFCCC). Ministry of Climate Change has started readiness activities. The Ministry is foreseeing to tap the GCF at an appropriate level.
- Technology Needs Assessments (TNA) is a systematic approach for conducting technology needs assessments in technological means for both mitigation and adaptation. It also provides processes and methodologies for uncovering gaps in enabling frameworks and capacities for formulating a national action plan to overcome them as part of overall climate change strategies.
- Project proposal of Pakistan's Second National Communication (SNC) on Greenhouse Gases (GHG) emission has been finalized and the same is under process with the United Nations Environment Program (UNEP) for funding.
- United Nations Conference of Parties on Climate Change (COP-21) to be held in Paris in December 2015 is supposed to produce a global agreement to cut greenhouse gas (GHG) emissions. It is likely to bring a Protocol with binding commitments on developing countries such as cutting down or at least slowing down their GHG emission.

Outlook:

Given the above macro stabilization achievements, it is expected better energy supply that with import of LNG likewise, some energy related fast track projects under CPEC are expected to be completed during next fiscal year. Based on these two factors, it is assumed that improved energy availability will play significant rule in the industrial growth during next year. The better energy supplies completed with historically low discount rate would encourage the private sector investors to expand their business and maximize capacity utilization. This will have a direct impact on investment to GDP ratio. The performance of industrial sector has not been impressive this fiscal year as it missed the growth target. It is expected that the industrial sector will grow on the back of better energy supply and planned investment under CPEC. The LSM will also benefit from the backward and forward linkages of huge infrastructure projects under CPEC and increasing demand for housing triggering sharp demand for iron, cement and related construction industries. Besides, private sector investment is expected to rise with improved energy availability, improving security situation and economy's stabilised international standing. The PSDP funding on real sector particularly agriculture, industry will further supplement the growth. The government on this score has already initiated number of agriculture related initiatives to help this sector which is the backbone of our economy.

Global Development:

The global economic environment appears poised for a change for the better with the recent sharp fall in the international prices of crude petroleum, which is expected to boost global aggregate demand, and the sharp recovery in the US economy in the face of gradual withdrawal from monetary accommodation. Following the global crisis of 2008, the global economy came under a cloud of uncertainty and the prolonged weakness in the euro area, particularly since 2011, led to the often revising global growth. Compared with the June 2014 Global Economic Prospects, global growth was revised down by 0.2 percentage point in 2014 to 2.6 percent, 0.4 percentage points to 3 percent in 2015. Downward revision are primarily due to a major GDP decline in Russia (from +0.8 to -3.5 percent) and moderate declines in the Euro Area (1.6 to 1.4 percent), Japan (1.1 to 0.6 percent), and Brazil (1.5 to 0.5 percent). Upward revisions include the United States (2.6 to 2.9 percent), Mexico (2.8 to 3.5 percent) and India (5.5 to 5.9 percent). High income countries are likely to see growth of 2.2 percent in 2015-17, up from 1.8 percent in 2014, on the back of gradually recovering labor markets, ebbing fiscal consolidation, and still low financing costs. In developing countries, as the domestic headwinds that held back growth in 2014 ease and the recovery in high-income countries slowly strengthen, growth is projected to gradually accelerate, rising from 4.4 percent in 2014 to 4.8 percent in 2015 and 5.4 percent by 2017.

Risks to this slow-moving global recovery are significant and tilted to the downside. Financial market volatility could sharply raise developing countries, borrowing costs, a unwelcome development after several years of heavy capital market issuance by some developing countries. Intensifying geopolitical tensions, bouts of volatility in commodity markets, or financial stress in a major emerging market could lead to a reassessment of risk assets. If the Euro Area or Japan slips into a prolonged period of stagnation or deflation, global trade could weaken even further. Although it is a low probability event given China's substantial policy buffers, a sharper decline in growth could trigger a disorderly unwinding of financial vulnerabilities and would have considerable implications for the global economy.

Growth remained robust in low income countries at about 6 percent in 2014 on the back of rising public investment, strong capital inflows, good harvests, and improving security conditions in a number of conflict countries. It is expected to remain around 6 percent in 2015-17. Soft commodity prices, especially for oil exporters, as well as weak growth in the Euro Area, an important trading partner are expected to hold back growth in many low-income countries. However, strong government consumption and investment growth is expected to mitigate these headwinds.