Overview of the Economy

Global Economic Review

The global economy demonstrates remarkable resilience, characterized by steady growth as inflation gradually moves towards the target. This journey has been marked by significant events, including supply-chain disruptions in the wake of the pandemic, a Russian-Ukraine conflict leading to a global energy and food crisis, and a substantial surge in inflation. Furthermore, central banks worldwide have synchronized their monetary policy tightening efforts. Despite numerous pessimistic and gloomy forecasts, the global economy capably avoided a recession. The banking system demonstrated reasonable resilience, with major emerging market economies managing to avoid abrupt halts. Furthermore, the inflation surge, despite its severity and the resulting cost-of-living crisis, has now been on a downward trajectory.

Global economic growth has slowed down from 3.5 percent in 2022 to 3.2 percent in 2023 and is projected to continue at the same pace in 2024 and 2025, below the historical (2000–19) annual average of 3.8 percent. Global inflation is expected to fall from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025. In response to inflationary pressures, major central banks have implemented restrictive policy measures by raising interest rates. Consequently, mortgage expenses have surged, and credit accessibility has diminished, posing challenges for firms seeking to refinance their debt. This situation has contributed to subdued investment activities in both business and residential sectors across various economies.

In the United States, growth is projected to increase to 2.7 percent in 2024, as it is expected to maintain the strong momentum seen in 2023, when growth reached 2.5 percent. On other hand, China, amidst both domestic and international challenges, is forecasted to undergo a moderated growth rate, with projections dipping from 5.2 percent in 2023 to 5.0 percent in 2024. Meanwhile, both Europe and Japan are grappling with significant economic headwinds, with growth rates expected to hover around a modest 1.0 percent for both regions in 2024. Developing economies are struggling to recover from the impacts of the pandemic, grappling with high debt levels and investment shortfalls. Although Africa expects a slight improvement in growth from 3.4 percent in 2023 to 3.8 percent in 2024.

It is noteworthy that the Least Developed Countries (LDCs) are still falling short of the 7.0 percent growth target outlined in the SDGs. The persistent challenges of high debt and limited fiscal space highlight an urgent need for coordinated efforts to address these issues and foster sustainable and inclusive economic growth. The momentum of international trade as a catalyst for growth is waning, evidenced by a slowdown in global trade growth to 0.3 percent in 2023. However, resurgence is anticipated, with projections indicating a recovery to 3.0 percent in 2024. In 2023, severe weather conditions, notably the hottest summer on record since 1880, resulted in wildfires, floods, and droughts across the globe. These events impacted the economy, causing significant damage to infrastructure, agriculture, and livelihoods.

Geopolitical tensions have emerged as the predominant risk facing the global economic landscape. Presently, conflicts in Eastern Europe and the Middle East, critical hubs for global food and energy distribution, pose imminent challenges. The specter of escalating tensions in the Middle East evokes profound concern, particularly considering the region's pivotal role, accounting for nearly 30 percent of the world's oil production. Recent disruptions in the Red Sea have already hampered shipping via the Suez Canal, which facilitates almost 30 percent of global container traffic. The challenge for policymakers’ lies in securing macroeconomic stability and sustaining debt levels while navigating geopolitical hurdles and promoting growth in the medium term.

Heightened geopolitical tensions exacerbate market uncertainties, impeding investment flows and hindering economic growth. A surge in oil prices could ensue if tensions in the Middle East intensify. Such an occurrence would amplify global inflationary trends and impede global growth. Copper prices have recently reached a two-year peak due to supply concerns and indications of stronger global industrial output. The ongoing elevation of commodity prices, compared to pre-pandemic levels, amidst moderate global GDP growth, suggests multiple influencing factors: geopolitical tensions are driving prices upward, investments in clean energy are boosting metal demand, and China's increased industrial and infrastructure spending is mitigating weaknesses in its property market.

Generative AI made a notable entrance in late 2022, but its potential applications expanded rapidly throughout 2023. Economists have highlighted how AI could usher in significant shifts for businesses and policymakers. This accelerated deployment could aid advanced economies in mitigating labor shortages and assist emerging economies in elevating worker productivity and income levels. It is widely agreed that advanced economies will reap benefits sooner, particularly in terms of productivity gains, compared to their lower-income counterparts. The World Economic Forum views the rise of AI, particularly generative AI, as part of a multifaceted transformation heralding a new era of global economic expansion with a potential to increase automation, productivity growth, efficiency, and data analysis in economies and industries.

2024 rises above the usual label of 'an election year'; it emerges as 'the election year'. An unprecedented number of voters will participate in national elections, with at least 65 countries scheduled to hold them, encompassing nearly half of the world's population (4.2 billion people). These elections would offer a chance for nascent democracies to take hold and the outcomes of these polls will hold significant consequences for many years to come. Populist leaders, hyper polarization, and the proliferation of mis- and disinformation, accelerated by generative artificial intelligence, pose threats to democratic norms. While not every election may usher in substantial governmental or policy changes, collectively, their results will shape an increasingly precarious global landscape.

As the global economy approaches a soft landing, central banks prioritize a smooth reduction in inflation, emphasizing the need for timely policy adjustments while advocating for medium-term fiscal consolidation to ensure debt sustainability. Supply-enhancing reforms are urged to stimulate growth and accelerate convergence toward higher income levels. However, challenges persist, including geopolitical tensions, potential currency fluctuations, and financial sector vulnerabilities. Multilateral cooperation is essential to mitigate risks, particularly in addressing climate change and promoting green energy transition. Strengthening cross-border cooperation is vital to maintain stable trade policies and resolve debt issues effectively, while fostering innovation and ensuring responsible technology use.

Pakistan Economic Review

The restoration of macroeconomic stability is imperative for establishing a platform to stimulate growth, enhance employment, and improve the overall quality of life for the people. Recent years have been characterized by exacerbated challenges that have persisted since FY 2022. Pakistan has encountered multiple global shocks, including supply chain distortions from the Russia-Ukraine conflict, elevated global inflationary pressures leading to monetary tightening, and oil price shocks due to heightened geopolitical tensions in the Middle East. In FY 2022, Pakistan's economy experienced an unsustainable 6.1 percent growth rate driven by domestic demand, leading to high fiscal and current account deficits, and signaling excessive demand and overheating. Additionally, the economy suffered a significant setback due to the catastrophic floods in FY 2023, which not only obliterated growth prospects but also inflicted extensive damages equivalent to 4.8 percent of GDP.

During previous year, i.e., FY 2023, the government confronted four critical challenges that threatened Pakistan's socio-economic growth: achieving sustainable macroeconomic stability, reducing poverty, ensuring fiscal consolidation, and addressing external account vulnerabilities. At the start of FY 2024, the overarching vision remains to attain sustainable GDP growth with price stability over the medium term to overcome these challenges. The elected government is putting its efforts into preparing and implementing home-grown macroeconomic and structural reforms, aimed at job creation and poverty alleviation. Efforts have been made to rebuild investor confidence by addressing macroeconomic imbalances through an optimal policy mix. Simultaneously, the government has strived to protect the most vulnerable populations with adequately funded social safety nets and targeted subsidies.

The economy of Pakistan embarked on a stabilization phase in FY 2024. Government's dedicated efforts to complete 2023 Stand-By Arrangement (SBA) have yielded significant progress in reinstating economic stability. The economy has experienced a resurgence in moderate growth and a reduction in external pressures. Although inflation remains high, it is now on a downward trend. Moving forward, the newly elected government is putting efforts to leverage this stability by maintaining robust macroeconomic policies and implementing structural reforms to achieve stronger, more inclusive, and sustainable growth. The performance of the government in revenue collection and disciplined federal expenditure control facilitated the generation of a substantial primary surplus in first three quarters of FY 2024.The State Bank of Pakistan adopted tight monetary policy stance to bring inflation to moderate levels.

These measures along with recent trends in most macroeconomic variables suggest that the disciplined implementation of the macroeconomic stabilization programme has started paying dividends in the current fiscal year. The efforts contributed to containing the fiscal deficit at 3.7 percent of GDP during the first three-quarters of FY 2024. Likewise, in July-March FY 2024, the primary balance achieved a surplus of Rs 1,615.4 billion (1.5 percent of GDP), against the surplus of Rs 503.8 billion (0.6 percent of GDP) experienced last year, attributed to a slowdown in the growth of non-markup expenditures. The current account balance posted a surplus of US $ 434 million in March 2024 and US $ 491 million in April 2024 marking that the efforts of the government are yielding fruitful results. The current account deficit is likely to decelerate from as high as US $ 17.5 billion in FY 2022 to around US $ 0.5 billion (0.1 percent of GDP) by the end of the out-going fiscal year.

The government is dedicated to driving the country towards robust, inclusive, and sustainable economic growth. This ambitious agenda involves reinforcing public finances through fair and efficient taxation while significantly increasing investments in education, healthcare, social safety nets, and climate resilience initiatives. To ensure a sustainable energy future, the government plans to implement reforms aimed at lowering energy costs and enhancing sector efficiency. Public service delivery will be improved through the restructuring and potential privatization of state-owned enterprises. Furthermore, the government is committed to creating a conducive environment for private sector investment by ensuring fair competition and enhancing governance. These comprehensive reforms underscore the government's commitment to building a resilient and prosperous Pakistan for its citizens.

Executive Summary

Growth and Investment: The real, fiscal, and external sectors, as well as financial markets, have demonstrated resilience and steady improvement. In fiscal year 2024, Pakistan's GDP increased by 2.38 percent, with strong growth in agriculture sector which expanded by 6.25 percent compared to 2.27 percent growth in last year. While both the industrial and services sectors grew by 1.21 percent. The GDP, valued at current market prices, reached Rs 106,045 billion (US $ 375 billion), with a 26.4 percent increase from the previous year's Rs 83,875 billion (US $338 billion). The per capita income rose to US $ 1,680, from US $ 1,551 in previous year, driven by the improved economic activity and a stable exchange rate. The investment-to-GDP ratio for FY 2024 remained 13.14 percent, a decrease from 14.13 percent in FY 2023, attributed to a global slowdown, political instability in the country along with restrictive macroeconomic policies. Gross Fixed Capital Formation (GFCF) stood at Rs 12,122.5 billion, an 11.4 percent increase over the FY 2023. Both private and public investments grew by 15.8 percent and 18.2 percent, respectively. Nevertheless, the national saving rate remained steady, recorded at 13.0 percent in FY 2024.

Agriculture: The agriculture sector has shown a growth of 6.25 percent in 2023-24 compared to 2.27 percent last year, driven by healthy growth in important crops. Specifically, there was a significant growth of 16.82 percent in the production of major crops. Wheat production has witnessed a record growth of 11.6 percent, reaching 31.4 million tonnes compared to 28.2 million tonnes last year. Cotton production, which was severely damaged by floods and rains last year, recorded 10.2 million bales compared to 4.9 million bales last year, growing by 108.2 percent. Rice production also saw a significant increase, reaching 9.9 million tonnes compared to 7.3 million tonnes last year, representing a growth of 34.8 percent.

In contrast, sugarcane and maize production declined by 0.4 percent and 10.4 percent, respectively, with sugarcane production at 87.6 million tonnes compared to last year's 88.0 million tonnes, and maize production at 9.8 million tonnes compared to 11.0 million tonnes last year. The negative growth in sugarcane and maize has been offset by the substantial growth in wheat, cotton, and rice. Other crops have also shown growth, increasing by 0.90 percent compared to a decline of -0.92 percent last year. This growth is attributed to increase in the production of fruits (8.40 percent), vegetables (5.77 percent), and pulses (1.45 percent). Additionally, cotton ginning, which has a share of 0.32 percent in GDP and 1.34 percent in agricultural GDP, grew by 47.23 percent due to the significant increase in cotton production.

Livestock, which accounts for 60.84 percent of the agricultural sector and 14.63 percent of GDP, grew by 3.89 percent in 2023-24, up from 3.70 percent last year. The forestry sector, contributing 2.33 percent to agricultural value addition and 0.56 percent to GDP, grew by 3.05 percent, compared to a significant 16.63 percent growth last year. The fishing sector, which represents 1.30 percent of agricultural value addition and 0.31 percent of GDP, grew by 0.81 percent, up from 0.35 percent the previous year. Water availability, during Kharif 2023, increased to 61.9 Million Acre Feet (MAF) from 43.3 MAF in Kharif 2022, meeting the requirements for Kharif crops. For Rabi 2023-24, water availability was recorded at 30.6 MAF, showing an increase of 4.1 percent over Rabi 2022-23.

Overall domestic production of fertilizers during FY 2024 (July-March) increased by 17.3 percent to 3.253 million tonnes compared to 2.773 million tonnes in the same period of FY 2023. Fertilizer imports also increased by 23.7 percent, reaching 524 thousand tonnes. Consequently, the availability of fertilizer increased by 18.1 percent to 3.776 million tonnes. Total offtake of fertilizer nutrients also saw an 18.7 percent increase, reaching 3.957 million tonnes. This high offtake is attributed to the extraordinarily low offtake during the previous year due to floods. Although gas prices for urea plants increased, the rise in average prices of urea and other nitrogen-containing fertilizers was disproportionately high compared to the increase in gas prices.

During July-March FY 2024, agricultural lending by financial institutions totaled Rs 1,635.2 billion, achieving 72.7 percent of the overall annual target and marking a 33.8 percent increase from Rs 1,221.9 billion disbursed during the same period last year. The outstanding portfolio of agricultural loans increased by Rs 105.8 billion, reaching Rs 818.7 billion at the end of March 2024, compared to Rs 712.9 billion at the end of

March 2023, reflecting a 14.8 percent growth. The number of outstanding borrowers reached 2.70 million by the end of March 2024.

During FY 2024 (July-April), total fish production reached 720.9 million metric tonnes, comprising 410.9 million metric tonnes from marine fisheries and the remainder from inland waters fisheries. Pakistan's major fish buyers during FY 2024 (July-March) included China, Thailand, Malaysia, the Middle East, Sri Lanka, and Japan. A total of 206.970 thousand metric tonnes of fish and fish preparations were exported, earning approximately US $ 534.217 million.

Manufacturing and Mining: Large-Scale Manufacturing (LSM) remained in negative territory at -0.1 percent during July-March FY 2024, an improvement compared to the -7.0 percent growth in the corresponding period last year. During this period, 11 out of 22 sectors witnessed growth, including Food, Wearing Apparel, Leather, Wood Products, Coke & Petroleum Products, Chemicals, Pharmaceuticals, Rubber Products, Machinery & Equipment, Furniture, and Other Manufacturing (e.g., footballs). On a year-on-year (Y-o-Y) basis, LSM increased by 2.0 percent in March 2024 against a contraction of 26.4 percent in the same month last year. However, on a Month-on-Month (M-o-M) basis, LSM declined by 9.4 percent in March 2024 compared to a decrease of 3.1 percent in February 2024.

The Mining and Quarrying sector recorded at 4.9 percent during FY 2024 against a dip of 3.3 percent last year. During July-March FY 2024, production of major minerals such as Coal, Chromite, Iron Ore, Soapstone, Magnesite, and Marble witnessed growth of 37.7, 36.9, 63.9, 29.3, 34.4, and 23.2 percent, respectively. However, some minerals experienced negative growth, such as Natural Gas (-2.0 percent), Dolomite (-2.1 percent), Sulphur (-20.3 percent), Barytes (-10.9 percent), and Ocher (-24.8 percent).

Fiscal Development: In Pakistan, fiscal policy continues to grapple with the legacy of persistently high fiscal deficits and debt, resulting from unprecedented expenditures and moderate growth in revenues. These challenges have been exacerbated by various factors that emerged at the global and domestic levels over the past two years, such as rising flood-related expenditures, a global economic slowdown, geopolitical tensions, supply chain disruptions, high inflationary pressures, higher interest payments, import compression, and contraction in industrial activities. All these factors have created numerous challenges for the already struggling economy, especially in terms of fiscal sustainability.

To address these challenges, fiscal consolidation efforts were implemented in line with the budget for 2023-24. These efforts contributed to improving revenues; however, a significant challenge emerged from mounting pressure on expenditures, mainly caused by higher markup payments. However, the fiscal deficit during July-March FY 2024 recorded at 3.7 percent of GDP, the same as last year. Meanwhile, the primary balance posted a surplus of Rs 1615.4 billion (1.5 percent of GDP) during July-March FY 2024, compared to the surplus of Rs 503.8 billion (0.6 percent of GDP) last year.

Total expenditure increased by 36.6 percent in July-March FY 2024, compared to 18.7 percent last year. Within total expenditures, current expenditures grew by 33.4 percent due to a 54 percent increase in markup payments during the first nine months of FY

2024. In contrast, prudent expenditure management strategies led to non-mark-up current spending growth of 20.4 percent relative to mark-up expenditures.

Total revenues grew by 41.0 percent in July-March FY 2024, compared to the growth of 18.1 percent observed last year. The substantial increase in revenues has been primarily attributed to a sharp rise in non-tax revenues, which grew by 90.7 percent, driven by higher receipts from SBP profit, petroleum levy, markup (PSEs and others), and royalties on oil/gas, etc. Total tax collection (federal and provincial) grew by 29.3 percent during July-March FY 2024, compared to the growth of 16.5 percent last year.

FBR net provisional tax collection grew by 30.6 percent to Rs 7,361.9 billion in July-April FY 2024, compared to Rs 5,637.9 billion last year. Domestic tax collection registered a 32.3 percent increase, reaching Rs 6,464.3 billion up from Rs 4,886.1 billion last year. Considerable improvement in tax collection has been observed, supported by various tax-enhancing measures implemented under the Finance Act 2023.

Despite significant challenges, the fiscal performance during the first nine months of FY 2024 is a testament to the government's resolve to continue consolidation efforts to strengthen revenue mobilization and control expenditures. The government is making intensive efforts through various reforms and initiatives on both the revenue and expenditure sides. These reforms will not only reduce dependency on borrowing and mitigate debt-related risks but also create sufficient space for social assistance and development spending.

Money and Credit: The State Bank of Pakistan has maintained a tight monetary policy, keeping the policy rate at 22 percent from July to April of FY 2024, aiming to control inflationary pressures. During the period July-March FY 2024, Broad Money (M2) grew by 7.0 percent, reaching Rs 2,216.1 billion, compared to a 4.4 percent growth to Rs 1,211.5 billion during the same period last year. This expansion in M2 stemmed from both Net Foreign Assets (NFA) and Net Domestic Assets (NDA). Within M2, the NFA of the banking system expanded by Rs 529.7 billion, a significant improvement from the decline of Rs 2,073 billion last year. This expansion reflects an improved balance of payments position, with a significantly contained current account deficit and increased bilateral and multilateral FX inflows, contributing to the country's growing FX reserves. The current account deficit was reduced by 87.5 percent to US $ 0.5 billion during July-March FY 2024, compared to US $ 4.1 billion last year. Consequently, Pakistan's total FX reserves increased by US $ 3.6 billion during this period, in contrast to a depletion of US $ 6.3 billion during the same period last year.

The NDA of the banking system increased by Rs 1,686.5 billion, compared to Rs 3,284.5 billion last year. Private Sector Credit (PSC) expanded by Rs 188 billion, with a year-on-year growth of 1.0 percent, compared to an expansion of Rs 300 billion (5.0 percent growth) during the same period last year. The deceleration in PSC is attributed to slow economic activities, an uncertain economic environment, and high borrowing costs. Within PSC, the credit demand from private sector businesses increased by Rs 308.0 billion, compared to Rs 271 billion during the same period last year. The demand for working capital loans expanded by Rs 275.7 billion, compared to Rs 113.3 billion last year. However, the demand for fixed investment loans was lower at Rs 47.2 billion in July-March FY

2024, compared to an offtake of Rs 147.5 billion during the same period last year. Factors contributing to this sluggish trend include high borrowing costs, import restrictions on raw materials and plant machinery, weak medium-term business prospects, political uncertainty, and the rationalization of subsidized Long Term Financing Facility (LTFF) Bank deposit mobilization increased by Rs 2,703.0 billion, compared to Rs 512 billion last year, driven by favorable returns on bank deposits. Looking ahead, the Monetary Policy Committee expects to bring down inflation to the target range of 5-7 percent by September 2025.

Capital Markets and Corporate Sector: The performance of major world stock markets, including those of the US, France, India, China, and Pakistan, showed a positive trend, except for the Shanghai Stock Exchange (SSE) Composite Index of China. This exception was primarily attributed to the property sector crisis in China, which negatively impacted investor sentiments. In contrast, the KSE-100 index witnessed a significant increase of 62 percent during July-March FY 2024 compared to other indices. This surge in confidence indicates positive market sentiments and reflects investors' trust in the Pakistan Stock Exchange, largely due to the successful implementation of the IMF's programme under the SBA, the encouraging performance of the external sector, and the formation of a new political government. Similarly, the market capitalization of the Pakistan Stock Exchange was recorded at Rs 6,369 billion on June 30th, 2023, and closed at Rs 9,448 billion at the end of March 2024, marking a substantial increase of 48.3 percent.

In the debt market, there were 10 publicly issued and 26 privately placed debt securities, raising a total amount of Rs 1,282.9 billion and Rs 153 billion respectively during July-March FY 2024. As of March 31, 2024, 107 previous corporate debt securities worth Rs 1,175.3 billion remained outstanding. During July-March FY 2024, 3.39 million lots of different commodity futures contracts, including gold, crude oil, and US equity indices, worth Rs 4.08 trillion were traded on the Pakistan Mercantile Exchange Limited, which is 14.5 percent higher than the same period last year. SECP issued 02 certificates of Shariah-compliant companies and 52 certificates of Shariah-compliant securities to companies under the Shariah Governance Regulations, 2023, for the development of the Islamic Capital Market during July-March FY 2024. Similarly, SECP issued certificates of Shariah compliance for Shariah-compliant securities/sukuk worth Rs 213.4 billion, compared to Rs 107.7 billion during the same period last year. Out of the total 524 securities listed at PSX, 264 (50.38 percent) are Shariah-compliant, with a market capitalization of Rs 6,251.35 billion (66.17 percent) out of the total market capitalization of Rs 9,447.69 billion as of March 31, 2024.

Inflation: The CPI inflation for the period July-April FY 2024 recorded at 26.0 percent as against 28.2 percent during the same period last year. The other inflationary indicators like Sensitive Price Indicator (SPI) recorded at 30.2 percent as against 31.7 percent last year. Wholesale Price Index (WPI) recorded at 22.4 percent in July-April FY 2024 compared to 34.1 percent same period last year.

The coordinated policy response in Pakistan has significantly reduced inflation to 17.3 percent in April 2024 from its peak of 38 percent in May 2023. Similarly, Food inflation (Urban) declined from 48.1 percent in May 2023 to 11.3 percent in April 2024. It is expected that inflation will continue to decrease in the upcoming months. The decline in inflation is broad-based, reflecting fiscal consolidation, smooth supplies of food items, favorable global commodity prices, and the base effect.

The government's top priority to address the inflation problem. The volume of the Ramadan Relief Package was increased from Rs 7.5 billion to Rs 12.5 billion. This package included support for USC, beneficiaries of BISP, and mobile units that provided low-cost food items. This has helped to ease the financial burden on the intended recipients. Additionally, administrative actions have been taken against illegal foreign exchange companies, and measures to curb smuggling and hoarding in the commodity market have contributed to the stability of exchange rates and the smooth supply of commodities. Provincial governments and the ICT administration are implementing strict administrative measures to ensure a smooth supply of goods in the market.

Trade and Payments: In the global context, the escalation of trade tensions and the shifting geo-economic landscape have created substantial challenges for international trade. Global merchandise trade witnessed a downturn, experiencing a 5 percent decline to US $ 24.01 trillion, while commercial service trade observed a surge of 9 percent, reaching US $ 7.54 trillion. Decline in merchandise exports was influenced by various factors including diminished commodity prices, decreased trade volumes, and fluctuations in exchange rates. Conversely, the surge in commercial services trade can be attributed to the recovery in international trade and the surging delivery of digital services. Within Pakistan, the external economic landscape showed signs of improvement during July-March FY 2024. This improvement was primarily driven by subdued domestic demand, a softening in global commodity prices, and the successful negotiation and execution of a nine-month SBA with the IMF. Notably, the current account deficit was substantially contained, decreasing by 87.5 percent to US $0.5 billion compared to US $4.1 billion recorded in the preceding year. This reduction resulted from a rise in exports coupled with a continued decline in imports. During July-March FY 2024, remittances were recorded at US $ 21.0 billion as against US $ 20.8 billion last year. However, it is important to note a sharp increase in interest payments on external debt and the repatriation of profits and dividends. Supported by the IMF's SBA and loans from other creditors, the financial account experienced a net inflow of US $ 4.2 billion during the period. Consequently, gross foreign exchange reserves swelled to US $ 8.0 billion by March 2024, marking a significant increase from US $ 4.4 billion recorded in June 2023. Additionally, the PKR appreciated by around 3.0 percent till March 2024 compared to end June 2023.

Public Debt: Total public debt was recorded at Rs 67,525 billion at end-March 2024. Domestic debt was recorded at Rs 43,432 billion while external public debt was recorded at Rs 24,093 billion (US $ 86.7 billion). Public debt portfolio witnessed various positive developments during first nine months of outgoing fiscal year which are highlighted as follows:

- Around 88 percent of financing of fiscal deficit was carried out through domestic markets, whereas 12 percent from external sources.

- Within domestic debt, the Government relied on long-term domestic debt securities (predominantly on: (i) floating rate Pakistan Investment Bonds (PIBs) and, (ii) Sukuk for financing of its fiscal deficit and repayment of debt maturities. The Government was able to retire Treasury Bills (T-bills) amounting to Rs 0.8 trillion which led to a reduction of short-term maturities.
- To make debt management operations more competitive and improve transparency in borrowing operations as well as diversify the investors base, government undertook amendments in the Treasury Bills Rules, 1998 and Ijara Sukuk Rules, 2008. Pursuant to these amendments, government carried out maiden auction of 1-year fixed rate Ijara Sukuk on PSX in December 2023. The whole Sukuk auction system has now been shifted to PSX.
- In addition to existing 3-year and 5-year Ijara Sukuk instruments, Government introduced a 1-year discounted Sukuk instrument with a target to diversify shariah compliant instrument base and give more options to investors with appetite towards Islamic investments. Government successfully issued Shariah Compliant Sukuk instruments amounting to around Rs 1.5 trillion
- External budgetary disbursements were recorded at US $ 6.3 bn, of which US $ 2.7 bn was received from multilateral sources, US $ 2.8 bn from bilateral development partners and US $ 0.8 bn was recorded as inflow from Naya Pakistan Certificates.
- In addition to above, government also received US $ 1.9 bn under the IMF's Stand-By Arrangement (SBA) and US $ 1.0 bn bilateral deposit from UAE for balance of payment support.

The Government's strategy to reduce its debt burden to a sustainable level includes commitment to run primary budget surpluses and follow an exchange rate regime based on economic fundamentals. Additionally, the Government is also committed to ensure fiscal discipline to maintain debt sustainability over the medium term. With a narrower fiscal deficit, public debt is projected to enter a firm downward path while the Government's efforts to improve maturity structure and expansion of debt instruments-base would help to meet the financing requirements efficiently.

Education: The cumulative education expenditures by the Federal and Provincial Governments in FY2023 amounted to approximately 1.5 percent of GDP. Expenditures on education-related activities during FY 2023 witnessed a 13.6 percent increase, reaching Rs 1,251.06 billion from Rs 1,101.7 billion. According to the Labor Force Survey 2020-21, the national literacy rate remained at 62.8 percent. Literacy rates increased in all provinces: Punjab from 66.1 percent to 66.3 percent, Sindh from 61.6 percent to 61.8 percent, Khyber Pakhtunkhwa from 52.4 percent to 55.1 percent, and Balochistan from 53.9 percent to 54.5 percent. In the Pakistan Social and Living Standards Measurement (PSLM) 2019-20, the Out-of-School Children (OOSC) rate was 32 percent in the country, with a higher rate of female OOSC (37 percent) than males (27 percent). Punjab had a 24 percent OOSC rate, Sindh 44 percent, Khyber Pakhtunkhwa 32 percent, and Balochistan 47 percent. In all provinces, more females were out of school than males. The government has taken various measures/initiatives to tackle the issue of OOSC and improve the overall situation.

According to the Higher Education Commission (HEC), there are 263 institutions (Public Sector: 154 and Private Sector: 109) in the country with 61,204 thousand teachers in both public and private sectors are functioning. During FY 2024, the government allocated Rs 69.7 billion (including Rs 10.0 billion for PM's Laptop Scheme) to HEC for the implementation of 169 development projects (139 ongoing & 30 newly approved projects) of Public Sector universities/HEIs. Moreover, skill development, a pivotal aspect of the educational framework, emerges as a top government priority, with notable achievements and ongoing projects. Central to this endeavor is the vital role of the National Vocational & Technical Training Commission (NAVTTC), in delivering professional training to the youth and skilled workforce, thereby bolstering national productivity, and facilitating manpower export abroad.

Federal as well as provincial governments have taken various initiatives to elevate education standards, aligning with their commitment to achieve Goal 4 of the SDGs. These measures encompass a spectrum of strategies aimed at enhancing access to quality education, including establishing new schools, upgrading existing ones, improving learning environments, digitizing educational institutions, enhancing resilience, promoting distance learning, and capacity building for teachers, particularly in science education. The present government is putting efforts and resources into the education sector, aiming to introduce a uniform curriculum, capacity building of teachers, establishment, renovation, and up-gradation of schools and colleges, mainstreaming religious education, skill development, and promoting awareness. Government resources are geared toward making the education sector more inclusive and effective and ensuring equitable access across the country.

Health and Nutrition: The government is committed to ensuring universal public health facilities, as evidenced by the Health Security summit held in February 2024 in Islamabad. The country is dedicated to meeting SDGs goal 3, specifically related to the health sector. key indicators of the health sector also depicting improvement in the health profile of the country. The PSDP allocation for the health sector for FY 2024 was Rs 25.3 billion, while total health expenditures decreased by 8.3 percent to Rs 843.2 billion in FY 2023 from Rs 919.4 billion in FY 2022. The government has launched several initiatives, including the PM National Program for the Elimination of Hepatitis C, the programme for prevention and control of diabetes, and the expanded programme on immunization. Additionally, in close coordination with the Provinces and Federal areas, the government rolled out a mobile application for the first time in Pakistan to digitize child-level data at the national level, a step toward promoting e-government.

Furthermore, for cancer treatment, Atomic Energy cancer hospitals are treating almost 80 percent of cancer patients in the country, while the Mental Health and Physiological Support programme is operating as a pilot project under the Ministry of Planning, Development, and Special Initiatives for addressing mental health issues. Initiatives have also been launched to address the nutritional profile of Pakistan, including the Pakistan Nutrition Initiative (PANI) and the National Multi-sector Nutrition Program to

Reduce Stunting & Other Forms of Malnutrition, with an allocation of Rs 8.5 billion. The Narcotics Control Division has launched the Precursor Information Management System (PIMS) to control the illegal transit of narcotics. These policies are expected to reduce disparity, improve accessibility and build resilience against emerging health challenges in the country.

Population, Labour Force, and Employment: The Population and Housing Census is a vital national exercise linked to providing data for key policy-making matters. Pakistan's Seventh Population and Housing Census, the largest digitization exercise in South Asia, began on March 1st, 2023. The Council of Common Interest (CCI) approved the results of the First Digital Census of Pakistan on August 5th, 2023. According to the 7th National Population and Housing Census, the total population is 241.5 million, showing an increase of 16.3 percent compared to the population in 2017 (excluding Azad Jammu and Kashmir and Gilgit-Baltistan). The population density increased from 260.88 persons per square km in 2017 to 303 persons per square km in 2023. At the national level, the population growth rate is 2.55 percent, while the growth rate in urban areas is 3.65 percent, higher than the population growth rate in rural areas, which is 1.90 percent. The urban population has also increased from 75.67 million to 93.75 million between 2017 and 2023 due to the availability of better education infrastructure, health facilities, and job opportunities.

According to the Labour Force Survey (LFS) 2020-21, the unemployment rate is 6.3 percent. Pakistan is a country with a young population; thus, there is a need to create enough employment opportunities to absorb the growing labour force, especially the educated youth. The government is offering skill-training programmes like the "Prime Minister's Youth Skill Development Programme" and facilitating access to finance through the "Prime Minister's Youth Business and Agriculture Loan Scheme" to encourage youth entrepreneurship. Moreover, the government is also exploring overseas employment opportunities, which will not only reduce the unemployment burden in the country but also enhance remittances.

Transport and Communication: The transport and communication sectors are a vital component of a country's infrastructure and economy, facilitating the movement of people and goods. It plays a crucial role in economic growth, trade facilitation, job creation, social connectivity, access to education and healthcare, emergency services, environmental sustainability, and national security. Modernizing infrastructure and enhancing regional connectivity have been key priorities for the government, as outlined in Pakistan Vision 2025. Significant investment is allocated annually to this sector to achieve these objectives.

Pakistan's exclusion from the World Bank's Logistics Performance Index (LPI) in its latest edition in 2023 is attributed to inadequate assessments by logistics providers. The LPI ranks only 139 countries. However, the World Bank's LPI 2018 ranked Pakistan 122ndout of 160 countries in terms of ease of moving goods with speed and reliability. This underscores the need for Pakistan to intensify efforts to enhance its logistics services, transport, and trade-related infrastructure. In FY 2024, the transport and communication sector contributed 20.51 percent to GDP of country, with a share of 23.0 percent in the services sector. The government has been investing significantly in this sector to develop a modern and well-integrated transportation and communication system. An allocation of Rs 264.8 billion has been earmarked for the sector in the FY 2024.

The transport sector and road infrastructure have a lasting impact on a country's economic prosperity. NHA has played a leading role in the development of Pakistan's road infrastructure, with a network comprising 48 National Highways, Motorways, and Strategic Roads, totaling 14,480 km. In the PSDP 2023-24, NHA has a total budget of Rs 156.50 billion for 123 projects, including 68 ongoing projects with an allocation of Rs 99.36 billion and 52 new schemes with an allocation of Rs 48.12 billion. Additionally, three Build Operate Transfer (BOT) Schemes included in the PSDP 2023-24, with an allocation of Rs 9.02 billion.

Energy: Pakistan’s energy sector is paving the way towards the transition from imported fossil fuel to renewable energy sources, as demonstrated by substantial investments in wind and solar power. According to Indicative Generation Capacity Expansion Plan (IGCEP-2022), no new power plants based on imported fossil fuels will be inducted. Existing fossil fuel plants, particularly those using furnace oil, are expected to be phased out by 2031. The share of electricity from hydel, wind, and solar sources is projected to rise from 28 percent, 4 percent, and 1 percent, respectively, to 39 percent, 10 percent, and 10 percent, respectively, increasing the total share of green electricity in the generation mix to approximately 59 percent. Accordingly, the government has been focusing on strengthening the regulatory framework and incentivizing private sector investment in renewable energy to help ensure energy security and climate change mitigation. The Private Power Infrastructure Board is facilitating twenty-four (24) power generation projects (including 22 renewable projects), having an installed capacity of 7,460 MW, which will be completed by 2032.

As of end March 2024, electricity’s total installed capacity is 42,131 MW, wherein 59.4 percent relies on thermal sources. On the other hand, out of total electricity generation of 92,091.0 GWh, the share of hydel, nuclear, and renewable is combined as 54.1 percent during July-March FY 2024, The monthly share of nuclear in the generation mix remained between 12.8 to 25.8 percent. Moreover, the consumption of petroleum products has shown a decline of 7.2 percent (from 13.3 million tonnes to 12.3 million tonnes), during the same period, which can be attributed to the decline in economic activity and increase in product prices. For instance, the transport sector alone has witnessed a decline in consumption of petroleum products from around 10.2 million tonnes to 9.8 million tonnes (a decline of 4.8 percent). Total imports of petroleum products also declined to 11,047 thousand MT at a value of US $ 8.36 billion. The average natural gas consumption was about 3,207 million Cubic Feet per day (MMCFD) including 695 MMCFD volume of RLNG from July to March FY 2024. The total coal consumption, for the first nine months of the current fiscal year, stands at 17,279 thousand MT.

Information Technology and Telecommunication: The Information Technology and Telecommunication sector in Pakistan plays a pivotal role in driving economic growth and improving the quality of life for citizens through digital transformation. Sustained investment and robust policy support are imperative to fully leverage the potential of this dynamic sector. The Vision of Digital Pakistan is driving comprehensive digital transformation across various sectors, promising to unlock new opportunities for economic growth, innovation, and inclusive development in the economy. The China-Pakistan Digital Corridor and investments in the digital economy, along with the Joint Working Group (JWG), are fostering innovation, boosting investment cooperation, and promoting the deployment of new digital technologies.

According to Kearney's 2023 Global Services Location Index, Pakistan is the most financially attractive IT&ITeS outsourcing destination in the world. The development of Pakistan's ICT sector can be gauged from the fact that over 20,000 IT&ITeS companies are registered with the SECP, comprising both domestic and export-oriented enterprises. During FY 2024 (July-March), ICT sector exports reached US $ 2.283 billion, the highest among all Services (39.31 percent of the total export of services), with 'Other Business Services' trailing at US $ 1.205 billion. Pakistan-based freelancers contributed foreign exchange earnings to the economy through remittances of US $ 350.15 million during FY 2024 (July-March). PSEB launched its first-ever women's software technology park at the Women's University of Bagh AJK during FY 2024. Till 31st March, 2024, the NICs have incubated over 1,480 startups, with more than 710 graduated successfully, generating over 128,000 jobs, receiving a total investment of Rs 23 billion plus and generating a combined revenue of more than Rs 16 billion. Over 2,800 women entrepreneurs have been empowered through the programme.

During FY 2024 (July-March), the telecom sector showed resilience, expanding its services, and generating telecom revenues estimated at Rs 735 billion. As of March 2024, total telecom subscriptions (Mobile and Fixed) reached 194 million, with the total teledensity in the country reaching 80.7 percent. During FY 2024 (July-March), the telecom sector contributed Rs 213 billion directly to the GDP. Information Technology and telecom enable digital transformation in sectors like finance, healthcare, education, agriculture and government services, leading to improved service delivery, greater accessibility, and efficiency gains, thereby driving economic development.

Social Protection: BISP, a cash transfer programme, targets impoverished women, aligning with SDGs. With headquarters in Islamabad and 16 zonal offices, it operates through 154 district offices and 257 sub-divisional offices nationwide. The government allocated Rs 466 billion in FY 2024, out of which Rs 328.96 billion has been released to execute BISP conditional and unconditional Cash Transfer programmes. Under the Kafalat Unconditional Cash Transfer Program, Rs 257.47 billion has been disbursed to 9.4 million beneficiaries, while Rs 55.97 billion has been disbursed under the Conditional Cash Transfer programme.

PPAF persists in aiding communities through interest-free loans and improved access to infrastructure, energy, healthcare, education, livelihoods, and disaster resilience. Its services extend to 149 districts nationwide, encompassing all provinces and regions of the country. PPAF disbursed an amount of Rs 1.99 billion during July-March

FY 2024 through its Partner Organizations across the country for various programmes funded by donors and its own resources.

Pakistan Bait-ul-Mal plays a vital role in alleviating poverty through targeted assistance for the most vulnerable. It supports needy individuals, widows, orphans, and people with disabilities, with a focus on rehabilitation. This includes educational assistance for orphans, stipends for outstanding students, residential accommodations, free medical treatment, and funding for charitable institutions. For FY 2024, Rs 7.67 billion is allocated, of which Rs 4.32 billion was utilized from July to March for the execution of its core projects and schemes.

The Zakat system promotes fair wealth distribution, serving as a safeguard against poverty and reducing community inequality. Zakat funds aid the needy, orphans, widows, and disabled individuals, providing sustenance and rehabilitation. The federal government manages Zakat collection and distribution, as per the approved formula by the Council of Common Interests (CCI) across provinces and federal territories. In FY 2024, a total of Rs 7.39 billion was distributed.

During July-March FY 2024, expenditures amounting to Rs 1.37 billion were incurred on 12,303 scholarship cases under the Workers Welfare Fund. Additionally, Rs 660.14 million was given out as marriage grants, with each worker receiving a payment of Rs 400,000 benefiting the families of 4,107 workers. Furthermore, the WWF has paid out a death grant of Rs 575.5 million at Rs 800,000 for each worker, covering 1,060 incidents of accidents nationwide. During July-March FY 2024, an amount of Rs 42.53 billion has been disbursed by EOBI on various pension schemes.

Pakistan's social protection system holds significant potential in addressing poverty and vulnerability, necessitating enhanced coordination among various agencies. Establishing a national social protection framework is crucial to harmonize federal and provincial efforts, minimizing resource duplication and wastage.

Climate Change: Pakistan has been recognized as one of the top ten nations most affected by climate change globally, according to German Watch’s Climate Risk Index. The country is experiencing unpredictable weather patterns, leading to occurrences such as flash floods, severe droughts, glacial lake outbursts, intense heat waves, and erratic rainfall. Consequently, its ecosystems and landscapes are steadily deteriorating. Forest fires are on the rise, plant and animal species are migrating, and water bodies and wells are depleting due to increased human activities. Additionally, the rise in sea level and increased storm intensity can lead to coastal inundation and erosion and the loss of critical coastal habitats such as mangroves, which serve as important nurseries for many fish species. The Sixth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) indicates that climate change is likely to exacerbate the frequency and intensity of such extreme events.

The government has devised a strategy to address the challenges posed by climate change, incorporating policy interventions and climate-related measures such as the National Clean Air Policy (NCAP), Nationally Determined Contributions (NDCs), Pakistan Policy Guideline for Trading in Carbon Markets, National Adaptation Plan (NAP), and Climate Budget Tagging Initiative, among others. The 2023

United Nations Climate Change Conference convened from November 30th to December 13th, 2023, in Dubai, United Arab Emirates (UAE). Pakistan actively engaged as a responsible member of the global community, dedicated to upholding the principles outlined in the UN Framework on Climate Change (UNFCCC). Pakistan played a significant role in the COP 28 process and achieved several milestones.

The Ministry of Climate Change and Environmental Coordination, being the National Designated Authority (NDA) and the Focal point for international climate funds, serves as an interface between the Government of Pakistan and these funds, namely Global Environment Facility (GEF) and Green Climate Fund (GCF). The Ministry is working with these Funds and convening regular steering committee meetings to facilitate projects aimed at reducing and minimizing the carbon footprint and achieving sustainable climate resilience, as well as sustainable socioeconomic growth in line with NDCs. Different projects/programmes being undertaken through these funds include the Community Resilience Partnership Program, Distribution of Solar Products, Transforming the Indus Basin, Recharge Pakistan, and Scaling up of Glacial Lake Outburst Flood (GLOF) Risk Reduction in Northern Pakistan, among others. To enhance forest area, The Green Pakistan-Upscaling Program, Phase-I, has achieved a plantation target of 2.12 billion, and the programme is undergoing revision for the next four years (2024-2028), expanding its scope to include carbon finance mechanisms, scientific resource assessments, livelihood creation, and biodiversity conservation.