

# Overview of Pakistan's Economy

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## Introduction (FY 2013-14)

- Pakistan succeeded in attaining 4.14 percent growth in the 2013-14 fiscal year which is the highest level achievement since 2008-09
- China and Pakistan entered into a comprehensive plan to create a new “economic corridor”
- The corridor will serve as a driver for connectivity between South Asia and East Asia
- New trade linkages are expected to increase and Pakistan will benefit from key export markets

- Pakistan economy achieved some milestone which includes successful return to the international bond market after a long period
- Against the initial expectations of raising US \$500 million
- After a careful consideration of the investors' order book, financing were raised to \$2.0 billion including \$1.0 billion each in 5 and 10 years tenor with coupon at the rate 7.25% and 8.25%, respectively

- The transaction represents the largest ever international bond offering by Pakistan
- The other achievement is the successful auction of 3G/4G spectrum which has opened the new avenues of socio economic development in the country

- In order to institutionalize corporate governance initiatives for PSEs, the Public Sector Companies (Corporate Governance) Rules 2013 have been approved by the government

- Government has developed National Power Policy (2013) which provides a roadmap for providing affordable energy in the country through efficient generation, transmission and distribution system

# Agriculture Sector

- Agriculture is the main source of livelihood for the rural population as well as ensures food availability to rural and urban inhabitants.
- It is a key sector of the economy as it provides raw materials to main industrial units of the country and also plays a major contribution in export earning of the country.
- The agriculture sector accounts for 21.0 percent of GDP and absorbs 43.7 percent of labour force

- The agriculture sector has four sub sectors including: crops, livestock, fisheries and forestry
- Agriculture sector recorded a growth of 2.1 percent against the growth of 2.9 percent last year

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

- Livestock has registered a growth of 2.88 percent against the growth of 3.99 percent last year.
- Growth of the forestry sub-sector is witnessed at 1.52 percent as compared to the growth of 0.99 percent last year
- Fisheries sub-sector has 2.03 percent contribution in agriculture and registered a growth of 0.98 percent compared to the growth of 0.65 percent last year

# Industrial Sector

- The industrial sector contributes 20.8 percent in the GDP of the country
- Major source of tax revenues for the government and also contributes significantly in the provision of job opportunities to the labour force
- Industrial sector started revival and has recorded remarkable growth at 5.8 percent as compared to 1.4 percent in last year, which is the highest level achieved since 2008-09

- Industrial sector in Pakistan has four sub-sectors
- Mining & quarrying, manufacturing, electricity generation & distribution and gas distribution and construction

# Services Sector

- Services sector has emerged as the most significant driver of economic growth in the economy and is contributing a lead role in augmenting and sustain in economic growth in Pakistan
- The share of the services sector has increased from 56.6 percent of GDP in 2008-09 to 58.1 percent in 2013-14
- The Services sector has witnessed a growth of 4.3 percent as compared to 4.9 percent last year

# Per Capita Income

- Per capita income is defined as Gross National Product at market prices in dollar term divided by the country's population.
- Per Capita Income in dollar terms recorded a growth of 3.5 percent in 2013-14 as compared to 1.44 percent last year.
- The per capita income in dollar terms has reached to \$ 1,386 in 2013-14.
- The main factors, which are responsible for increase in per capita income, include acceleration in real GDP growth relatively lower growth in population and the appreciation of Pak Rupee

# Foreign Direct Investment

- Most countries have liberalized their foreign direct investment (FDI) regimes during more than last two decades
- And pursued investment-friendly economic policies to attract investment.
- Pakistan is also following a liberalized investment policy

- Total foreign investment reached to \$2979 million during July-April 2014 as compared to \$1277 million showing 133.3 percent higher as compared to last year.
- Out of total foreign investment, the FDI has reached to \$750.9 million.
- The major inflow of FDI is from US, Hong Kong, UK, Switzerland and UAE

# Workers' Remittances

- Remittances remained a key source of external resource flows for developing countries, for official development assistance and more stable than private investment flows.
- According to Migration and Remittances report 2014 of the World Bank, Pakistan is ranked on 7<sup>th</sup> number, in terms of the largest recipient of officially recorded remittances in the world

# Fiscal Development

- Pakistan's fiscal sector is confronted with challenges in the past on account of structural weaknesses in tax system.
- Consequently, the economy has witnessed low tax to GDP ratio.
- On the other hand expenditure overrun surpassed the revenue increase due to high interest payments, untargeted subsidies and less than expected revenues

- Present government has devised a comprehensive strategy with the aim to enhance resource mobilization efforts in the country and increase tax to GDP ratio from the lowest level of 8.7 percent to 15 percent in the next few years

- It comprises three-pronged measures, such as broadening of tax base, removing anomalies in the taxation system and improving tax compliance

# Trade

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

- During July-April, 2013-14, overall exports recorded a growth of 4.24 percent against a growth of 4.23 percent in the same period last year
- Trade deficit reduced from \$ 16,522 million during July-April, FY 13 to \$ 16,107 million during July-April, 2013-14.
- USA, China, UAE and Afghanistan have emerged as our major trading partners in terms of both exports and imports.

# Public Debt

- The stock of public debt stood at Rs.15, 534 billion at the end March, 2014 representing an increase of Rs.1, 168 billion or 8 percent higher over last fiscal year.
- The primary source of increase in public debt during July-March, 2013-14 was in domestic debt that positioned at Rs.10,823 billion, representing an increase of Rs.1,306 billion, whereas, external debt posed at Rs.4,711 billion representing a decrease of Rs.138 billion as compared to end June 2013.
- The decline in external debt was mainly attributed to net
- repayments and appreciation of Pak Rupee against US Dollar

# Education

- The present government has focussed on primary education and endeavours to resume the compendium on education from 2.0 percent of its GDP to 4.0 percent by 2018 on education sector.

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

# Health

- The existing national public health network in Pakistan has extended to 167,759 Doctors, 13,716 Dentists and 86,183
- The inadequacy of healthcare facilities is reflected as there are estimates of 1,099 persons against one Doctor and one Dentist versus 13,441 persons, while the current ratio of population and availability of hospital beds works out at 1,647 persons per bed.