

SALIENT FEATURES OF PAKISTAN'S ECONOMY

Source: *Pakistan Economic Survey 2007-08* issued on 10th June 2008

- **GDP** grew by 5.8 percent in 2007-08 as against 6.8 percent last year and growth target of 7.2%. The economy has shown great resilience against internal and external shocks of extraordinary nature during the out going fiscal year. Pakistan's economy has grown at an average rate of almost 6.6 percent per annum during the last five years.
- **Agriculture sector** showed dismal performance and grew by 1.5 percent as against 3.7 percent last year and target of 4.8 percent..
- Overall **manufacturing**, accounting for 18.9 percent of GDP registered a modest growth of 5.4 percent against 8.2 percent last year.
- Pakistan's per capita real GDP has risen at a faster pace in real terms during the last six years (4.5% per annum on average in rupee terms). The per capita income in dollar term has grown at an average rate of 13.5 percent per annum during the last six years rising from \$ 586 in 2002-03 to \$ 1085 in 2007-08.
- The main factor responsible for the sharp rise in per capita income include four fold increase in the inflows of workers' remittances, acceleration in real GDP growth, and stable exchange rate.
- Fixed **investment** has declined to 20.0 percent of GDP from 21.3 percent last year.
- Overall **Foreign Investment** during the first ten months (July-April) of the current fiscal year has declined by 32.2 percent and stood at \$ 3.6 billion as against \$5.3 billion in the comparable period of last year.
- The **agriculture growth** this year is estimated at 1.5 percent as compared with 3.7 percent during 2006-07.
- The main **contributors to manufacturing sector**, the 4.8 percent growth during July-March 2007-08 were beverages (30.5%), sugar (34.0%), beverages (30.5%), upper leather (13.5%), cement (17.9%), refrigerators (10.7%) , electric fans (18.3%), TV sets (19.3%), diesel engines (46.0%), buses (32.1%), motor cycles (28.1%), and LCV'S (60.5%).
- **Total revenues** collected during the current year stood at Rs 1545.5 billion, higher than the targeted level of Rs 1476 billion. However, there are expectations that the FBR may fall short of its targeted level, and the year is most likely to end with total tax collections amounting to Rs 1.0 trillion—Rs. 25 billion less than the original target.

- **Total expenditure** for 2007-08 was budgeted at Rs. 1875 billion. According to revised estimates this figure stood at Rs 2228.9 billion. Two factors had a significant impact on the budgetary outlook. Firstly oil prices continued to rise at a greater pace, reaching as high as \$ 115 per barrel in May 2008— an increase of over 116 percent during the fiscal year. Secondly, the high international price of oil was not passed on to the domestic consumers. Consequently, the oil subsidy is projected to rise to Rs 175 billion— over shooting the targeted level by Rs 160 billion. Wheat shortage forced the government to import 1.7 million tons of wheat at all time high prices.
- By end-June 2007 **total domestic debt** stood at Rs. 2610.2 billion which was estimated at 30 percent of GDP. The outstanding stock of domestic debt rose by Rs 409.9 billion and stood at Rs. 3020.1 billion by end-March 2008 or 30.3 percent of GDP. The domestic debt has increased by 15.7 percent by end-March 2008 over end-June 2007.
- **Inflation Rate** stood at 10.3 percent during the first ten months (July-April) of the current fiscal year, 2007-08, as against 7.9 percent in the comparable period of last year. The food inflation is estimated at 15.0 percent and non-food 6.8 percent, against 10.2 percent and 6.2 percent in the corresponding period of last year.
- **Exports** were targeted at \$ 19.2 billion or 12.9 percent higher than last year. Exports during the first ten months (July-April) of the current fiscal year are up by 10.2 percent – rising from \$ 13847.3 million to \$ 15255.5 million in the same period last year.
- Pakistan's **export performance** has been impressive in recent years (2002-03 to 2005-06) with exports registering an average growth of 16 percent per annum. Pakistan's export performance was dismal in 2006-07 as it witnessed abrupt and sharp deceleration to less than 4 percent. However, when viewed in the back of last year's performance, exports managed to recover somewhat this year but its performance has remained far short of the average growth of 16 percent achieved during 2002-03 to 2005-06
- **Imports** were targeted to increase by 5.9 percent in 2007-08 to \$ 32.3 billion from last year's level of \$ 30.5 billion. Imports are up by 28.3 percent during July-April 2007-08 – rising from \$ 25.0 billion to \$ 32.0 billion, showing an increase of almost \$ 7.0 billion. The growth in imports increased substantially owing to unprecedented rise in oil and food prices.
- Major **contributions to import bill** have come from petroleum groups (40%), raw material (21%) and food groups (16.3). Almost three-fourth contribution came from three categories (petroleum, raw material and food group) to this year's rise in imports. Interestingly, consumer durables' contribution was negative (-0.4%) mainly on account of a decline in the import of road motor vehicles which registered a decline of 8.6 percent.

- **Workers' remittances** totaled \$ 5.31 billion in the first ten months (July-April) of the fiscal year as against \$ 4.45 billion in the same period last year, depicting an increase of 19.5 percent. If this trend is maintained workers' remittances are likely to touch \$ 5.8 billion for the year – the highest ever in country's history.
- Pakistan's **current account deficit** further widened to \$ 11.6 billion (6.8% of GDP) in the first ten months (July-April) of the current fiscal year from 6.6 billion (4.6% of GDP) in the same period last year. The deterioration in current account deficit mainly emanated from the sharply widening trade deficit.
- Pakistan's total **foreign exchange reserves** stood at \$ 12,344 million at the end of April 2008. However, October 2007 onward, draining of investment and rise in the current account deficit led to a sharp decline in foreign exchange reserves of country.
- **Pakistan rupee** after remaining stable for more than 4 years, lost significant **value** against the US dollar, depreciating by 6.4% during July – April 2008.
- **External debt** at the end of March 2008 was US\$ 45.9 billion.
- **Male literacy** rate increased from 58 percent in 2001 to 67 percent in 2006-07 while it increased from 32 to 42 percent for females during the same period.
- There are currently 231,289 **educational institutions** in the country. Their over all enrolment is recorded at 34.84 millions with teaching staff of 1.37 million.
- To promote research and development (R&D) activities, Higher Education Commission (HEC) has awarded 5,837 **PhD scholarships** (3,237 indigenous, 2,600 foreign) over the past three years.
- At present there are **945 hospitals**, 4755 dispensaries, 5349 basic health units & sub health centers and 903 maternity and child health centers in Pakistan.
- With the **existing number of 127859 doctors**, 8195 dentists ,62651 nurses and 103285 hospital beds, the population and health facilities ratio turns out to be 1225 persons per doctor,19121 person per dentist, 2501 persons per nurse and 1517 persons per bed .
- Eighty thousand (80,000) **Lady Health Workers** (LHWs) have been trained and deployed mostly in the rural areas.
- Some 7.5 million children have been **immunized** and 22 million packets of ORS distributed.
- Various health programs with a special focus on major public health problems have been carried out. These include the national programs for the **prevention of tuberculosis, malaria, HIV/AIDS, hepatitis, blindness** and program on mother-child health.

- The total outlay of **health sector** budget is Rs.60 billion which is equivalent to 0.6 % of GNP.
- Pakistan's current **population** is 160.9 million with a growth rate of 1.80 percent. The overall vision of the population policy is to achieve population stabilization by 2020.
- The **life expectancy** in Pakistan for males is 64 years and for females is 66 years.
- About 2.6 million **workers** are estimated as **un-employed** in 2006-07 and unemployment rate is 5.3 percent.
- **Agriculture** remains the dominant source of employment in Pakistan. The share of agriculture in employment has increased from 43 percent in 2003-04 to 43.61 percent by the year 2006-07, with manufacturing (13.54%) and trade(14.43%) & services(14.41%) absorbing a growing share of the work force.
- The **total road network** is about 260,000 km of which around 60% is paved..
- **Telecom sector** continued to show a stellar growth in last few years. Today total subscriber base stands at 82.5 million (Mar 2008) whereas it was 34.5 million in 2006.
- Currently there are about 3.5 million **internet subscribers** in Pakistan where total users crossed 17 million marks. Currently around 3,008 cities are connected to internet cities.
- **Production of crude oil per day** has increased to 70,166 barrels during July-March 2007-08.
- **Production of natural gas per day** stood at 3,966 million cubic feet during July-March, 2007-08. The overall production of gas has increased to 1,090,620 million cubic feet during July-March 2007-08 as compared to 10,62,124 million cubic feet in the same period last year, showing an increase of 2.7 percent.
- The total installed **Electricity** generation capacity has increased to 19,566 MW during July-March 2007-08 from 19,440 MW during the same period last year, showing a marginal increase (0.65 percent).
- The number of **villages electrified** increased to 126,296 by March 2007 from 113,605 upto 2005-06, showing an increase of 11.2 percent.

 For the full text of the *Economic Survey*, please visit:
http://www.finance.gov.pk/finance_economic_survey.aspx