OVERVIEW OF THE ECONOMY

The fiscal year 2012-13 started with continuous problems of power and gas shortages along with other internal and external challenges. The energy crisis deepened presenting paradoxical situation. While generating capacity is reported 20,000 MW, actual generation remains far below the demand resulting in nationwide long hours load shedding. The circular debt kept on increasing despite injections of the government, which built pressure on fiscal side. Similarly, the working of PSEs also deteriorated resulted in further supplementing the burden on budget. The adverse impact of these economic difficulties was further compounded by the ongoing war against extremism which continued unabated and not only on one hand caused irreparable loss to the economy but wiped out mental peace and harmony among the masses of the country. Karachi is the main hub of the economic activities, faced the series of attacks as well as similar incidence occurred in Punjab, KPK and Balochistan. In retaliation to these attacks and terrorists activities long and big sit down stage protests took place which sent a bad signal to outside world about the insecurity prevailing in the country. Investment which is the mirror image of the economy nosedived to 14.2% if to compare with 2008 when it was hovering around 19.21 % (base on year 2005-06). The resilience of economy was tested several times by one crisis than other. The financial global meltdown in 2008 which shocked the developed and developing economies of the world and its effects are still being felt, Pakistan in no exception to feel the heat. The GDP growth which was at 5.0 % in 2007-08 dropped to 0.4% in 2008-09 (base 2005-06). The inflation reached to highest level of 25 percent in October 2008. There was unprecedented surge in oil and commodities prices. In addition the behavior of natural climate during 2010 and 2011 further added to the overall economic suffering.

The economy on average grew since 2008-09 at 2.94%. During FY12 and FY13 the power shortage became so severe that it wiped out 2% from our GDP. Agriculture, Manufacturing as well as Services sector performed below their capacity. Though economy has the growth trajectory of more than 6%, but the worst energy crises, bleeding public sector enterprises, economic mismanagement and menace of informal economy hemorrhaged the system.

The other challenges to the macroeconomic environment emanated from the external front. After remaining in primarily surplus driven by inflows under Coalition Support Fund (CSF), strong remittances and a lower trade deficit, turned current account into deficit of US$ 1.4 billion in July-April 2012-13. Although the cumulative current account deficit was much lower than the same period of last year, the external outlook remains challenging with scheduled payments to the IMF in the rest of FY13. The liquid foreign reserves have declined to US$ 11.5 billion. On domestic front, the growth in FBR revenues remained sluggish, while expenditure on power subsides and debt servicing increased sharply. Finally the government had to resort increasingly to borrow from SBP to finance fiscal deficit. The fiscal deficit remained at 4.6 percent during July-March FY13 as compared to 6.4 percent of the GDP in the comparable period of last year. The improvement came on account of CSF inflows and provincial budget surpluses.

On a positive note, inflation fell significantly, and LSM showed signs of recovery. Fiscal year 2012-13 started with single digit inflation and likely to remains during the current financial year, food and non-food inflation as well as whole sale price index, sensitive price index and core inflation remained in single digit.

The growth in industrial sector increased on the back of recovery in large scale manufacturing, construction and mining and quarrying. Amid of severe energy crisis, the LSM performed well. The latest data of March FY13 suggests a growth 9.3% on YoY basis and 4.3% on average July-March FY 13. If this trend continues it may help in overall improvement in GDP. However, Services sector remained subdued due to decline in growth rates of transport, storage and communication. Thus overall recent growth of GDP (at new base 2005-06) is registered at 3.6 percent in FY13 as compared to 4.4 percent in FY12.

The economy received nominal support from farms income particularly from minor crop and livestock whereas the major crops particularly cotton and rice missed the target but to some extent compensated by the better crops of sugarcane and wheat. The Rabi crop has done well; as fertilizer prices remained relatively stable compared to last year, the government raised the support price for wheat, adequate irrigation water was available at the time of sowing (unlike the kharif season) the frequent rains and moderate temperatures throughout the season helped improving the crop productivity and finally, agri-credit disbursement were higher compared to last year. The kharif crops of rice and cotton, on the other hand, were adversely affected due to heavy rains and localized flooding. Therefore, the overall growth in major crops during FY13 has remained lower than last year.

The outgoing fiscal year has seen some improvement in foreign direct investment in third quarter of current fiscal year. The pace of foreign direct investment at the start of fiscal year was slow which continued till February, but from March it started picked up and in April reached to US$ 213.6 million posted a growth of 289 percent over last year US$ 59.6 million. During July-April FY13 the foreign direct investment witnessed a growth of 29.7% and stood at US$ 853.5 million compared to US$ 658.2 million in corresponding period of last fiscal year. The Foreign Private Investment registered a growth of 80.4 percent during the period under discussion on account of 445.5 percent growth in portfolio investment. The main contributions in foreign direct inflows, on average were from United States, UAE and United Kingdom having share 14.0, 12.6 and 10.2 percent, respectively. Oil and Gas Exploration remains the significant sector which attracted 23.5 percent foreign inflows followed by Financial Business and Communications which attracted 18.1 and 10.6 percent, respectively. The outflow was seen in communications and power sectors.

Despite the global slowdown, the uptrend in KSE-100 index encouraged foreign investment in stock market. The Karachi Stock Exchange (KSE) reached to historical height of 22000 plus points. This positivity of foreign portfolio investment further reinforced the confidence of investors. In capital market the major contribution came from USA, UK and Hong Kong.

This year the National Accounts have been rebased on 2005-06 and System of National Accounts improved from 1993 to 2008. Many countries in the world update their base year periodically, some after five years and some after 10 years or even every year. This become essential on account of continuous process of development and innovations as a number of new products appears in the market and at the sometime many products disappear. Moreover, on the demand side of the economy consumption and investment pattern also face structural changes. All these factors make it necessary and in conformity to international best practice the National Accounts have been rebased to 2005-06 from 1999 to 2000.

Under rebasing of 2005-06, new versions of International Classifications have been introduced. According to the latest international concepts, basic prices instead of factor cost valuation, double deflation, exploration costs, FISIM and many others have been adopted. The classifications applied are industrial, consumption, product, functions, occupation, etc, which are parallel to the latest available international classifications. The new base has expanded its coverage to include new economic activities. National accounts are now using more surveys, census and studies for the computation of value addition for different sectors. The growth rate recorded of small scale manufacturing has increased from 7.5 percent in the earlier base to 8.2 percent. This revision was made following results of the new survey of small household and manufacturing industries. The financial sector has been changed on the basis of SNA 2008. Since this sector's output was neither visible nor directly measurable. SNA 2008 was an indirect measurement method, called "Financial Intermediation Services Indirectly Measured" (FISIM).

A slight improvement in trade sector has been witnessed as the trade deficit contracted by 2.5 percent on July-April FY13. This improvement was due to 0.15 percent rise in export and 0.9 percent decline in import. During the first ten months of current FY13, exports stood at $20.5 billion as recorded the same in the comparable period of FY12, while imports amounted to

$33.0 billion against $33.3 billion during the same period of FY12. Trade deficit has been reduced to US$ 12.5 billion during July-April, FY13 as compared to US$12.9 billion in the comparable period of FY12. During July-April FY13, the worker's remittances stood at $11.6 billion against $10.9 billion last year, showing a growth of 6.4 percent.

During July to 10th May FY13, money supply (M2) increased by 9.9 percent (Rs.753.2 billion) against the growth of 9.1 percent (Rs.606.8 billion) in the comparable period last year. The growth in M2 during July to 10th May FY13 was mainly contributed by the improvement in Net foreign assets (NFA), rise in Net domestic assets (NDA) and credit off take by the Public Sector Enterprises (PSEs). NDA of the banking sector increased by 13.4 percent (Rs.950.0 billion) as compared to net expansion of 14.8 percent (Rs.875.0 billion) in the same period last year. The PSEs borrowed Rs.48.9 billion during July to 10th May, FY13 against the retirement of Rs.142.6 billion during the same period last year. Net Foreign Assets (NFA) during the period under review reduced to Rs.196.8 billion as compared to the net contraction of Rs.268.7 billion last year. NFA remained under tremendous pressure due to decline in foreign exchange reserves on account of debt repayment to IMF since February 2012. Till 25th May, Pakistan has repaid $4.1 billion to IMF. The recent improvement to be compared last year is mainly on account of realization of $1.8 billion under the Coalition Support Fund (CSF) during the first half of FY13.

Alongside the above developments there have been some weak areas which require serious attention in the short to medium term. First, the foremost is the issue of handling energy crisis on a sustainable basis. The real outcome is to tap more hydel resources and to complete the ongoing along with revival of dormant hydel projects. Similarly, the PSEs issue also required urgent attention; efforts are underway but need to be put on fast track as it is a burden on fiscal side and putting government into problem in managing fiscal discipline. In the past five year the economy is growing at a slow pace and this slow growth contributed to other serious socio-economic problem, unemployment, social unrest, lawlessness. At the moment the unemployment rate is 6% and to absorb this rate at least 6-7% growth as well good economic governance is required.

Global Outlook:

Four years after eruption of the global financial crisis, the world economy is still struggling to recover. During 2012, global economic growth has weakened further. A growing number of developed economies have fallen into a double-dip recession. Those in severe sovereign debt distress moved even deeper into recession, caught in the downward spiraling dynamics from high unemployment, weak aggregate demand compounded by fiscal austerity, high public debt burdens and financial sector fragility. Growth in the major developing countries and economies in transaction has also decelerated notably, reflecting both external vulnerabilities and domestic challenges. Most low-income countries have held up relatively well so far, but now face intensified adverse spillover effects from the slowdown in both developed and major middle-income countries. The prospects for the next two years continue to be challenging, loaded with major uncertainties and risks inclined towards the downside.

The IMF has reflected in the forecast that entire world economy growth is forecasted to reach 3.3. per cent in 2013 and 4.0 percent in 2014. The growth projected for Euro areas is -0.3 percent for 2013 and for 2014, 1.1 percent. In contrast USA growth is forecasted to be 1.9 percent in 2013 and 3.0 percent in 2014, while for Japan 1.6 percent in 2013 and 1.4 for 2014. Growth in developing Asian economies is projected at 7.1 percent in 2013 and 7.3 percent for the year 2014. The IMF expects growth in oil exporting countries in the Middle East is also not encouraging. Unfortunately, Europe is now caught in a vicious cycle of high debt and low growth. Problems in this area can impact Pakistan's trade, however, emerging markets and developing economies, the expansion of output is expected to be broad based. In Asia, growth has already returned to a healthy pace. In China, external demand, high consumption will keep in its growth. The other economies of the world are expected to benefit from upturn in advance economies. With regard to global inflation it is slowdown, the FAO index suggests that prices are declining down and it will continue in stabilizing commodity prices.

But near term risk in Euro Area could re-emerge and other downside risk persists.

Growth and Investment: The framework for economic growth approved by the government in FY11 identified a coherent approach to growth that targets public service delivery, productivity, competitive markets, innovation and entrepreneurship. The strategy was based on sustained reform that builds efficient and knowledgeable governance structure, and markets in attractive and well-connected locations, however, the desired objectives are yet to be realized. Pakistan's economic problems are structural in nature. Major structural reforms which are needed contains tax legislation, trade reforms, privatization of State Owned Enterprises (SOEs), financial sector reforms, human resource development and social protection.

The real GDP growth for FY 13 has been estimated at 3.6 percent based on nine month data as compared to 4.4 percent (revised) in the previous year after rebasing the national accounts at constant prices of 2005-06. The Agriculture sector recorded a growth of 3.3 percent against the previous year's growth rate of 3.5 percent. The Large Scale Manufacturing sector grew by 2.8 percent as compared to the growth of 1.2 percent last year. The Services sector recorded a growth of 3.7 percent as compared to 5.3 percent in FY 12.

Commodity Producing Sector (CPS) consists of agriculture and industry. CPS accounted for 42.3 percent of GDP after rebasing of national accounts during the outgoing fiscal year. The commodity producing sector has performed better in outgoing fiscal year as compared to last year; its growth rate this year was 3.4 percent against the growth of 3.1 percent last year. However, the growth of the commodity producing sector remained far below its potential due to heavy rains, energy crises, law and order situation etc.

Agriculture provides food items and raw materials for industrial units and accounts for 21.4 percent of GDP, 45 percent of employment and also contributes in the development of other sectors as a supplier of raw materials to industry as well as a market for industrial products and is also the main source of foreign exchange earnings. The performance of the agriculture sector remained weak due to unfavorable weather conditions which resulted in lower production of cotton and rice. However, this sector posted a growth of 3.3 percent against the growth of 3.5 percent last year. The agriculture sector consists of various sub-sectors which include crops, livestock, fisheries and forestry. The crop sub-sector is further divided into important crops, other crops and cotton ginning.

The important crops account for 25.24 percent of agricultural value added and registered a growth of 2.3 percent compared to a growth of 7.4 percent last year. The important crops included wheat, maize, rice, sugarcane and cotton witnessed growth of 3.23 percent, 6.74 percent,-10.05 percent, 6.98 percent and -4.19 percent, respectively. The main reason for the negative growth of rice and cotton was unfavorable weather conditions and affects of rains in the rice and cotton growing areas.

Other crops contributed 12.34 percent to value addition in overall agriculture. Growth in the production of this sub-sector was recorded at 6.7 percent against the negative growth of -7.7 percent last year. Cotton Ginning has a 2.91 percent share in overall agriculture sector. Cotton Ginning has recorded a growth of -2.9 percent as compared to 13.8 percent growth last year. Previously it was a component of manufacturing sector, now under new base 2005-06; it is included in the agriculture sector.

Livestock is an important sub sector of agriculture, which accounts for 55.44 percent of agriculture value addition. Its share in GDP is 11.9 percent. This sub-sector is highly labour intensive. It has also emerged as a major source of income for the small farmers as well as the landless rural poor. Livestock has recorded a growth of 3.7 percent against the growth of 3.9 percent last year. The fisheries sector having 2.05 percent share in agriculture recorded a growth of 0.7 percent against the growth of 3.8 percent last year. The growth of the forestry sub-sector was recorded at 0.1 percent as compared to the growth of 1.7 percent last year. Forests are a key component of our environment and degradation of forests can pose severe socio-economic challenges for the coming generations.

The manufacturing sector is another important sector of the economy having much contribution in the progress of our economy. The manufacturing sector captured 63 percent share of the overall industrial sector. It has been hard hit by domestic and international factors. Power crises, unstable law and order situation, campaign against terrorism have created uncertain environment, resulted in loss of working hours. All these factors have caused slower growth in manufacturing sector. The growth was recorded at 3.5 percent compared to the growth of 2.1 percent last year.

The construction sector is one of the potential components of industrial sector having 11.42 percent share in overall industrial sector. The construction sector has recorded 5.2 percent growth as compared to 3.2 percent growth last year. The increase in growth is due to rapid execution of work on the rehabilitation of the flood affected areas, increased investment in small scale construction and rapid implementation of PSDP schemes and other development projects of Federal and Provincial Governments. The mining and quarrying component contains 14.74 percent share of the overall industrial sector. Pakistan has 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. The mining and quarrying sector recorded a growth of 7.6 percent during the year 2012-13 against the growth of 4.6 percent last year. Much of the country's mining reserve exists in remote areas. Infrastructure improvements are necessary to sustain and achieve higher growth rates in future. The electricity generation & distribution and gas distribution contains 10.86 percent share in overall industrial sector. This sub-sector has recorded a negative growth at 3.2 percent as compared to 2.7 percent last year.

The services sector has emerged as the main driver of economic growth and playing a vital role in sustaining economic activities in Pakistan. The share of the services sector has increased from 56 percent of GDP in 2005-06 to 57.7 percent in 2012-13. The services sector consists of the sub-sectors: Transport, Storage and Communication; Wholesale and Retail Trade; Finance and Insurance; Housing Services (Ownership of Dwellings); General Government Services (Public Administration and Defense); and Other Private Services (Social Services). The services sector has recorded a growth rate of 3.7 percent in 2012-13. This performance was mainly contributed by Finance and Insurance at 6.6 percent, General Government Services at 5.6 percent, Housing Services at 4.0 percent, Other Private Services at 4.0 percent, Transport, Storage and Communication at 3.4 percent and Wholesale and Retail Trade at 2.5 percent. Services sector in our economy has a great potential to grow at a rapid pace. In order to develop the services sector, the government has recognized the needs to liberalize operating rights and has separated regulators from operators.

The expansion of output is the sum of consumption (both private and public), investment (public and private) and net exports of goods and services. Pakistan's economic growth is historically characterized as consumption-led growth like other developing countries. The growth driven by the private consumption expenditure reached to 76.98 percent of GDP, whereas public consumption expenditures were 10.68 percent of GDP. Total consumption expenditure has reached to 87.66 percent of GDP in 2012-13 compared to 88.86 percent last fiscal year. Total consumption has declined 1.2 percent of GDP, private consumption decreased by 1.55 percent of GDP as it declined from 78.53 percent of GDP to 76.98 percent of GDP. While public consumption increased by 0.35 percent of GDP as it increased from 10.33 percent of GDP to 10.68 percent of GDP. Decline in consumption expenditure might be positive thing if consumption is diverted to investment expenditure.

Per capita income is regarded as one of the key indicators of economic well-being over a period of time. Per Capita Income in dollar terms grew at a nominal rate of 3.4 percent in 2012-13 and increased to $ 1,368 in 2012-13.

Investment plays the key role in the determination of economic growth of a country. Investment has been hard hit by internal and external factors during the last few years and is considered as a key concern. Total investment has decreased from 19.21 percent of GDP in 2007-08 to 14.22 percent of GDP in 2012-13. Fixed investment has declined to 12.6 percent of GDP in 2012-13 from 17.61 percent of GDP in 2007-08. Private investment recorded a contraction of 8.7 percent in 2012-13 compared to 12.8 percent of GDP in 2007-08. Public investment as a percent of GDP also decreased to 3.9 percent in 2012-13 against the 4.8 percent in 2007-08. The resolve of the government is to address this issue and create an enabling environment to revive the confidence of the investors. National savings were 13.5 percent of GDP in 2012-13 compared to 11.0 percent in 2007-08. Domestic savings have also decreased from 9.1 percent of GDP in 2007-08 to 8.7 percent of GDP in 2012-13. Net foreign resource inflows are financing the saving investment gap.

Foreign direct investment (FDI) has emerged as a major source of private external flows for developing countries. Pakistan during last few years could not attract FDI as per potential of the country due to number of reasons as explained above. Some signs of improvements have been seen in March and April suggesting improvement in investor's confidence and also due to peaceful transition of democracy the investment is likely to pick up. As is evident that post 2013 election, the capital market crossed 22,000 plus points emitting positive signals to the investor's confidence. The new government has a comprehensive plan to create investment friendly environment and to attract foreign investors in the country.

Workers' remittances from overseas have been a major source of foreign exchange earnings during the last few years. Inflows of remittances also improving the standard of living of recipient household and increase domestic demand and indirectly play a role to reduce unemployment. SBP resolve is to further bring additional remittances through its PRI scheme. The new elected government is also aiming to explore more markets to export its manpower as well as incentives for the remittances to further enhance its growth. The approval of National Policy for Overseas is a welcome development. According to which legal rights of overseas Pakistanis & their families abroad and in Pakistan are restored and protected. There is motivations and encouragement for overseas Pakistanis to save and send their remittances through legal channels. Workers' Remittances totaled $ 11569.82 million in July-April of 2012-13, as against $ 10876.99 million in the comparable period of last year, which indicate an increase of 6.37 percent over the period. Remittances from Saudi Arabia and UK recorded massive growth of 12.84 percent and 27.49 percent during the period under review.

Agriculture: Agriculture is central to economic growth and development in Pakistan. Being the dominant sector it contributes 21.4 percent to GDP, employs 45 percent of the country's labour force and contributes in the growth of other sectors of the economy. Overall agriculture development strategy revolves to foster private sector-led development with public sector providing enabling environment through policy interventions and play capacity building role to improve agriculture related practices.

During 2012-13, agriculture sector exhibited a growth of 3.3 percent on the back of nominal growth in agriculture related sub sectors, Crops grew at 3.2 percent, Livestock 3.7 percent, Forestry 0.1 percent and fishing 0.7 percent. The agriculture subsector which included important crops, other crops, grew by 2.3 percent and 6.7 percent, cotton ginning declined by 2.9 percent. Important crops accounted for 25.2 percent of agricultural value added and has experienced a growth of 2.3 percent in fiscal year 2012-13 against growth of 7.4 percent in 2011-12. The lower growth in important crops is attributed to decline in production of rice and cotton by 10.0 percent and 4.2 percent, respectively.

Other crops that contributed 12.3 percent value addition in agriculture witnessed a positive growth of 6.7 percent in 2012-13 against negative growth of 7.7 percent during the same period last year. The cotton ginning under new base 2005-06 has been included in agriculture value addition showed a negative growth of 2.9 percent in 2012-13 against the positive growth of 13.8 percent during the same period last year. The Livestock sector which has a 55.4 percent share in the agriculture grew by 3.7 percent in 2012-13. The Fishing sector grew by 0.7 percent as against last year's positive growth of 3.8 percent. Forestry sector posted a nominal growth of 0.1 percent this year as compared to growth of 1.7 percent last year.

Keeping in view the increasing demand of credit has provisionally set an indicative agriculture credit disbursement target of Rs 315.0 billion during 2012-13 as against Rs. 285.0 billion fixed last year. Out of which Rs. 220.2 billion was allocated to Commercial Banks, Rs. 72.0 billion to Zarai Taraqiati Bank Limited (ZTBL), Rs. 13.8 billion to Microfinance Banks (MFBs), and Rs. 9.0 billion to Punjab Provincial Cooperative Bank Limited (PPCBL).During (July-March), 2012-13, banks' disbursement to the agriculture sector surged by 17 percent year-on-year basis i.e. Rs 231.0 billion or 73.0

percent of the target, Rs. 315.0 billion as compared to the disbursement of Rs 197.4 billion of last year.

Kharif 2012 started with inventory of 800 thousand tons of urea. Total availability of urea (including 511 thousand tons of imported supplies, 2068 thousand tons of domestic production) was about 3379 thousand tons against the off-take of 2689 thousand tons, leaving inventory of 684 thousand tons for Rabi 2012-13. Availability of DAP was 773 thousand tons comprising 177 thousand tons of inventory, 243 thousand tons of imported supplies and 353 thousand tons of local production. DAP off-take was 544 thousand tons leaving an inventory of 227 thousand tons to meet the requirements of the Rabi 2012-13.

Rabi 2012-13 started with inventory of 684 thousand tons of urea. Total availability of urea (including 288 thousand tons of imported supplies, 2114 thousand tons of domestic production) was about 3086 thousand tons against the off-take of 2855 thousand tons, leaving inventory of 220 thousand tons of Kharif 2013. Availability of DAP was 903 thousand tons comprising of 227 thousand tons of inventory, 327 thousand tons of imported supplies and 349 thousand tons of local production. DAP off-take was 700 thousand tons leaving an inventory of 197 thousand tons. The leftover of this season is transferred to next season to meet the requirements of the Kharif 2013.

Manufacturing Sector: Manufacturing sector having forward and backward linkages with other sectors of the economy is considered as the main source of economic growth. Manufacturing sector accounts 13.2 percent of GDP and employ 13.8 percent of the labor force. The Manufacturing sector is further divided into three sectors namely Large Scale Manufacturing, Small Scale Manufacturing and Slaughtering. Large Scale Manufacturing (LSM) accounts 10.6 percent of GDP followed by Small Scale Manufacturing 1.6 percent and Slaughtering 0.9 percent.

Large Scale Manufacturing (LSM) witnessed a positive growth of 9.32 percent during March 2013 as compared to negative growth 1.19 percent in the comparable period of last year. On average July-March 2012-13 LSM registered a growth of 4.26 percent as compared to 1.49 percent in the comparable period of last year.

The production data of Large Scale Manufacturing (LSM) received from the Oil Companies Advisory Committee (OCAC) comprising 11 items, Ministry of Industries and Production 36 items and Provincial Bureau of Statistics 65 items have contributed in LSM growth as 0.73 percent, 1.35 percent and 2.18 percent, respectively.

The LSM group wise increase witnessed in Paper & Board (21.97 percent), Rubber Products (17.61 percent), Pharmaceuticals (16.35 percent), Coke & Petroleum Products (13.31 percent), Iron and Steel Products (13.24 percent), Food Beverages & Tobacco (7.30 percent), Non metallic mineral Products (5.86 percent) and Textile (0.92 percent). Most energy intensive sectors recorded negative growths including Engineering Products (15.60 percent), Wood Products (18.98 percent), Automobiles (11.84 percent), Electronics (6.43 percent), Fertilizers (5.03 percent), Leather Products (2.33 percent) and Chemicals (1.08 percent). The recovery in LSM was broad based such as improved producer's margin on account of falling raw material prices, better sugarcane crop, capacity enhancement in iron & steel and paper & board, strength in construction activities and higher external demand for cotton yarn. The government is also making efforts to improve energy situation to boost industrial growth as the improvement in gas supplies to fertilizers industries helped to enhance their capacity utilization. The industries like paper & board and steel production constraint eased out by investing in alternate energy arrangement i.e. coal and furnace oil. However, consumer durables continued to struggle with import competition as production of automobiles and electronics declined. The pickup in private construction activities also depict in higher cement dispatches and import of iron and construction machinery that helped to spur overall manufacturing growth. All these positive factors may support to achieve the planned target but until and unless the energy situation is not improved to the required level, the energy intensive industries will continue to suffer.

During July-March 2012-13, in automotive industry only jeeps and tractors managed a significant growth at 67.1 percent and 34.5

percent respectively as compared to same period last year. The other sub items of automobile sector such as buses, cars and LCVs registered a negative growth of 8.8 percent, 23.2 percent and 30.2 percent, respectively. The growth in cars suffered on account of amnesty scheme as well second hand imported cars. The Mining and Quarrying sector estimated to grow at 7.6 percent in 2012-13 as against 4.6 percent last year.

Fiscal Development: During the past five years the economy faced numerous challenges on external and internal front on account of power crisis, persistent inflationary pressures, unprecedented floods, low tax to GDP ratio, high fiscal deficit, mounting public debt, high interest payments, high growth in subsidies on account of circular debt and resource drain through PSEs. Consequently, the expenditure overrun surpassed the revenue increases, thereby resulted pressure on the fiscal deficit.

However, it is worth noting that amid mounting pressures on public spending, government's various corrective measures during the past five years to rationalize expenditure and broadening of tax base have brought fiscal deficit to 6.8 percent in 2011-12 from 7.3 percent in 2007-08. Fiscal deficit during the first nine months of 2012-13 stood at 4.6 percent against 6.4 percent of GDP (including debt consolidation of Rs 391 billion arrears of electricity).

On the other hand provincial resource mobilization performed remarkably well during the first nine months of fiscal year 2012-13 with the growth rate of 20.8 percent. After the announcement of 7th NFC award, provinces received a significant amount of the federal government taxes as their share from the divisible pool along with additional grants.

Government continued its efforts to broaden the tax base and simplifying the tax structure. During the current fiscal year various measures to increase the revenues expected to generate additional tax revenues of Rs 41 billion e.g, the sectors with zero rating facility have been brought under tax as 2.0 percent sales tax was imposed on local supplies of five leading export sectors (Sports, Surgical, Carpet, Textile and Leather, standardized withholding tax regime at the import stage by imposing a uniform rate of 5 percent tax on the imports of commercial and industrial importers, mobile telephone sets, silver, all fibers, yarns, fabrics and goods covered by the five leading export sectors, broadening of sales tax, withholding regime, withdrawal of concessionary rate of 5 percent on tea.

FBR tax collection for the fiscal year 2012-13 was targeted at Rs.2,381 billion which was 26.4 percent higher over the actual collection of Rs.1883.0 billion during 2011-12. During first ten months of current fiscal year, FBR tax collection reached to Rs.1505.2 billion against Rs 1,426.2 billion in the same period last year, posting a growth of 5.5 percent.

Money and Credit: Monetary policy in Pakistan has undergone substantial changes in tandem with volatile economic conditions within the country. The current policy stance has been largely supportive of the dual objective of promoting economic growth and price stability along with the revival of credit to private sector. SBP has adopted relatively an expansionary policy stance for the past two years as the policy rate has been reduced by cumulative 400 basis points from 13.5 percent in August 2011 to 9.5 percent in December 2012.

During July-10th May 2012-13, money supply (M_2) increased by 9.9 percent against the growth of 9.1 percent in the comparable period last year on account of improvement in Net foreign assets (NFA), rise in Net domestic assets (NDA) and credit off take by the Public Sector Enterprises (PSEs). The improvement in NFA however, was mainly on account of realization of $1.8 billion under the Coalition Support Fund (CSF) during the first half of 2012-13. Despite some improvement, NFA remained under great pressure due to decline in foreign exchange reserves on account of debt repayment to IMF since February 2012 and drying up of external financial inflows. Till 25th May, 2013 Pakistan has repaid $ 4.1 billion to IMF.

Credit to private sector increased to Rs. 92.9 billion during July-10th May 2012-13 as compared to the expansion of Rs. 235.1 billion in the comparable period of last year

During the current fiscal year, following a decline in policy rate by 250 bps points, weighted average lending rates of commercial banks also reduced by 267 bps points to 10.5 percent in March, 2013 against 13.1 percent in June, 2012. Weighted average lending rate (including zero mark-up) on outstanding loans stood at 10.46 percent, while weighted average deposit rate (including zero mark-up) stood at 5.21percent. Banks have also cut the deposit rates from its peak level of 7.11percent in July, 2012 to 5.21percent in March 2013, in order to avoid fall in their profits.

A declining trend has been witnessed in the banking spread, as it reduced to 4.45 percent in February, 2013, while it rose to 5.25 percent in March, 2013. Lending rate is expected to reduce further due to low level of investment and fresh disbursements by the banks. On the other hand, deposit rate is likely to increase from April, 2013 onwards, because the banks will start paying interest on average balance of saving accounts instead of minimum as per directives issued by the SBP.

Capital Market: The capital market not only reflects the general condition of the economy, but also smoothens and accelerates the process of economic growth. Various institutions of the capital market like nonbank financial intermediaries allocate the resources rationally in accordance with the development needs of the country. The proper allocation of resources results in the expansion of trade and industry in both public and private sectors, thus promoting balanced economic growth in the country. In Pakistan, Capital Market mainly consists of stock (equity) and Debt Markets.

Pakistan Stock Markets has outperformed during current fiscal year among Global Stock Markets including India, China, Hong Kong, Tokyo, USA and UK. Participation of foreign investment was the main reason behind the better performance of Karachi Stock Exchange (KSE). In addition, the better return on Pakistan Stocks has also attracted the foreigners which they did not find in the other Global Markets, Beside this, the local investors has found the best avenue in the capital market because of consecutive decline in the discount rate.

Pakistan's stock markets showed robust growth during current financial year mainly due to the pre and post election political environment of the country. The KSE 100 index which was at the level of 13,801.41 at the end of last financial year crossed first the barrier of 19,000 level mark at the end of April, 2013 and was trading around 19,900 level on 10th May before election and then broke all previous records and reached all time high level of above 22,000. The KSE 100 index in cumulative terms increased by 57 percent during current fiscal year (Jul-May). Other factors which contributed to this bullish trend include implementation of long awaited Capital Gain Tax Rules, Demutualization of the stock exchanges, considerable decline in the discount rate by SBP which was brought down to 9.5% in December 2012, substantial foreign interest in stocks and declining inflation.

In global scenario, the US S&P 500 has registered an increase of 15.2 per cent while the UK FTSE 100 was up by 15.1 per cent during Jul-March, FY13. The Index of Tokyo NIKKEI 225 , however, stood at 12,397.91 with an impressive increase of 37.7 per cent The Hong Kong market went upward by 14.7 per cent but China Shanghai Composite could not perform and increased only by 0.5 percent. Beside this, Bombay Sensex Index stood at 18,835.77. It may be noted that as compared with the other world indices, Pakistan Stock market performed well during current fiscal year.

It has been observed over the years that Pakistan's economy mostly relied on the banking system to meet the financing needs of the economy whereas capital markets relatively developed slowly. During the past few years, the significance of debt markets and in particular bond markets has been realized as a complimentary source of finance. The major drivers of financial assets in Pakistan are deposits and government bonds, whereas corporate bonds remain a very small portion. During July-March, FY13 a total of 6 debt securities issued through private placement which also included two Sukuk issues of Rs.108.393 billion by Pakistan Domestic Sukuk Company Ltd.

Inflation: The inflationary trend in the economy subdued during 2012-13. The annualized inflation rate measured in terms of Consumer Price Index (CPI) for (July-May) 2012-13 averaged at 7.5 percent as against 10.9 percent recorded in the same period of 2011-12. Food and non-food inflation followed almost the overall inflationary trends. Food inflation averaged at 6.6 percent against 11.1 percent last year and non-food inflation at 8.1 percent as compared to 10.9 percent in the same period of last year. Similarly, the Sensitive Price Indicator (SPI) and Wholesale Price Index (WPI) each increased by 7.8 percent and 7.6

percent during the period under review. The slower increase in inflation is the result of better supply situation domestically and decline in international commodity prices.

The CPI headline inflation on year on year (YoY) basis dropped to 5.1 percent in May 2013 as compared to 12.3 percent last year. WPI stood at 4.1 percent and SPI inflation 6.8 percent as compared to 7.1 percent and 8.1 percent, respectively during the same period last year. Food inflation down to 6.5 percent on year on year (YoY) basis and that of non food 4.1 percent while core inflation stood at 8.1 percent as compare to 11.3, 13.1 and 11.1 percent, respectively last year. Food inflation in this fiscal year is much slower than a year earlier, reflecting improved supply while deceleration in non-food inflation stemmed mainly from decreased prices of gas and fuel related component. The lower trend in Wholesale Price Index (WPI) inflation was mainly due to a decrease in wholesale prices of sugar, pulses, fertilizers, fuel and cotton related items while the downward trend in Sensitive Price Index inflation was due to decrease in retail prices of chicken, potatoes, sugar, pulses and fresh vegetables.

Trade and Payments: The world trade statistics reflect weakening demand that originated in the euro area transmitting to the rest of the word during 2^{nd} half of 2011 and further declined in 2012. As a result, imports of the United States and Japan also slowed significantly in the second half of 2012. East Asian economies that trade significantly with the major developed countries have experienced commensurate declines in exports.

The EU and the US represent the most important destinations of Pakistan exports and their markets absorb 31 percent and 23 percent of exports. While China represents the third most important destination with an 11.5 percent share. UAE, Afghanistan, Oman and Turkey have recently become important destinations. Therefore, slow down in US and European economies and weak demand have significant impact on Pakistan's export growth.

The government started the three year policy cycle and presented its first Strategic Trade Policy Framework 2009-12 in September 2009. STPF 2009-12 achieved its export targets at the end of 2010-2011. In spite of various challenges faced by economy, our trade has shown consistent improvement. Our exports increased by 27 percent in the year 2010-11 and touched a record level of US $ 25.4 billion. There was a slight fall of 4.7 percent in exports during 2011-12, due to external factors like shrinkage in global demand in wake of the global financial crisis and lower prices of cotton in the international market etc.

The second Strategic Trade Policy Framework (STPF) for next three-year period, 2012-15 essentially build on the STPF 2009-12 and seeks to identify those aspects of Pakistan's export competitiveness which have been relatively less attended such as focusing on regional trade, promotion of export of services sector, facilitating export industry by over-coming energy crises and many more.

For the promotion of regional trade between India and Pakistan, both governments have in the past two years shown courage and taken steps to follow up. Pakistan took the initiative in November 2011 by announcing that it would apply Most Favored Nation (MFN) treatment to goods coming from India by the end of 2012 (India granted Pakistan MFN in 1996). In February 2012, both countries announced the conclusion of agreements on customs cooperation, mutual recognition of standards, and redressal of trade grievances. In September 2012, both governments announced a new visa agreement that included provisions designed to facilitate business travel and build an atmosphere of confidence and trust and for that the only way is economic partnership. It is expected that outcomes and benefits of these measures will emerged shortly.

Public Debt: Pakistan's public debt reached to Rs.13,626 billion by end-March 2013 that is 59.5 percent of GDP as compared with 59.8 percent during the same period last year. The composition of public debt has witnessed major changes over past few years with increasing reliance on domestic debt due to non-availability of sufficient funds from external sources i.e. domestic borrowings increased in share from 50.5 percent of total public debt in 2008-09 to 64.5 percent at end-March 2013. As at end-March, 2013, the domestic debt was positioned at Rs.8,796 billion represented an increase of Rs.1,159 billion, whereas, external debt posed at Rs.4,831 billion represented a decrease of Rs.200 billion as compared to end-June 2012. This decline in external debt is mainly attributed to repayments against IMF loans, translational gain on account of US Dollar appreciation against other major currencies and marginal fresh disbursements. The servicing of the public debt reached at Rs.936 billion against the annual budgeted estimate of Rs.1,142 billion, thereby, consumed nearly 44 percent of total revenues during first nine months of ongoing fiscal year.

The total domestic debt increased by Rs.1,159 billion or 15 percent during first nine months of the current fiscal year. This increase stems from net issuance of market debt namely Treasury Bills (Rs.528 billion), Special Savings Certificate and Accounts (Rs.159 billion), Pakistan Investment Bonds (Rs.144 billion), Market Related Treasury Bills (Rs.105 billion) and Ijara Sukuk (Rs.76 billion). The composition of major components shaping the domestic debt portfolio has undergone a transformation from dominance of unfunded debt to an increasing dependence on short term floating debt that led to shortening of maturity profile of public debt. The unfunded category comprising about 45 percent of the aggregate domestic debt stock in 2001-02 has declined to 23 percent by end-March 2013. Contrary to this, the share of floating debt to total domestic debt has reached 54 percent by end-March 2013 as compared with 31 percent in 2001-02 indicating an over reliance on shorter duration instruments.

External Debt and Liabilities (EDL) stock was recorded at US$ 60.9 billion by end-March 2013, represented a decrease of US$ 5 billion. As at end-March, 2013, EDL has been dominated by Public and Publically Guaranteed Debt having share of 73 percent owing to current account deficit which is financed through loans from multilateral and bilateral donors. Borrowing from IMF contributed 9 percent in EDL Stock as compared with 11 percent at the end of 2011-12 owing to hefty repayment during first nine months of ongoing fiscal year.

As a percentage of GDP in dollar terms, EDL stock was down by 362 basis points in first nine months of current fiscal year as compared to end-June 2012 and approximated to 25.5 percent of GDP. The servicing on EDL was recorded at US$ 5.3 billion during first nine months of current fiscal year. Out of total external debt servicing, an amount of US$ 3.9 billion was repaid out of which around US$ 2.0billion was against IMF loans. During first nine months of 2012-13, appreciation of the US Dollar against other major currencies caused the foreign currency component of public debt to decrease by US$ 1.5 billion.

Education: National Education policy (2009) aims to address the issues of access, equity and quality of education at all levels. Under this policy, the government is committed to allocate 7 percent of GDP to education and provide free universal primary education by 2015. Under the 18th Constitutional Amendment, the education sector has been devolved to provinces. Now provinces are committed to implement National Education Policy in letter and spirit.

According to Pakistan Social and Living Standard Measurement (PSLM) survey 2011-12, the literacy rate for the population (10 years and above) remained 58 percent during 2011-12.Literacy remained much higher in urban areas than in rural areas and much higher for men than women. Province wise data suggests that Punjab and Sindh leads with 60 percent literacy followed by Khyber Pakhtunkhwa with 52 percent and Balochistan with 46 percent. The GER at the primary level excluding Katchi (prep) for the age group 5-9 years at national level during 2011-12 decreased to 91 percent from 92 percent in 2010-11. Amongst the provinces, Punjab and Khyber Pakhtunkhwa remained stable with 98 and 89 percent in 2011-12 while Balochistan and Sindh declined from 69 percent to 74 percent and 79 percent to 84 percent in 2011-12.

The NER at the national level during 2011-12 slightly increased to 57 percent from 56 percent in 2010-11. Punjab witnessed an increase of 64 percent in 2011-12 as compared to 61 percent in 2010-11. Sindh data suggests a decline from 53 percent in 2010-11 to 50 percent in 2011-2012; Khyber Pakhtunkhwa witnessed a slight improvement from 51 percent in 2010-11 to 53 percent in 2011-12 while Balochistan witnessed a prominent decline from 47 percent in 2010-11 to 39 percent in 2011-12 due to unstable law and order situation.

The overall number of enrolments during 2011-12 was 40.1 million as compared to 38.5 million last year. This shows an increase of 4.2 percent. It is estimated to increase to 41.3 million during 2012-13.The overall number of institutes stood at 231.2 thousands during 2011-12 as compared to 227.4 thousands last year. This shows an increase of 1.7 percent. However, the number of institutes is estimated to increase to 233.2 thousands during 2012-13.The overall number of teachers during 2011-12 was 1.44 million compared to 1.41 million last year showing an increase of 2.1 percent. This number of teachers is estimated to increase further to 1.50 million during the year 2012-13.

An amount of Rs 1429.64 million has been allocated in the Federal PSDP for the expansion and development of basic and college education. In Provincial Annual Development Programmes (ADPs) 2012-13, the Government of Punjab has allocated Rs 15000/- million for 62 new and ongoing development projects of School Education, whereas the Government of Sindh has allocated Rs 12000/- million for 157 new and on-going development projects. The Government of Khyber Pakhtunkhwa has allocated Rs 7116/- million for 57 new and on-going development projects of Elementary and Secondary Education. The Government of Balochistan has allocated Rs.2150.394 million for 163 new and on-going development projects.

During July-March 2012-13, a total of 6,755 youth received vocational & technical training under the President's Fanni Maharat Programme and Prime Minister's Hunermand Pakistan Programme and 9,837 youth are under training.

HEC is also playing its role in running different scholarship programmes to enhance academic qualification at various levels on merit basis in line with requirements. During the period 2008-13, a total of 6081 scholarships were awarded under different programmes. In the development portfolio of HEC, there are 168 development projects having allocation of Rs.15.590 billion.

Health and Nutrition: The government is committed to improve the quality of health care and to achieve the better health outcomes. The health sector in Pakistan has improved and the number of registered doctors has increased to more than 160,289, 12,544 dentists, while 82,119 nurses and 13,678 lady health visitors (LHV) have been registered. The current ratio of population density versus health facilities is 1,127 person against one doctor, 14,406 per dentist and one hospital bed for 1,786 person.

The achievements of health sector during 2012-13 included an addition of 4,200 hospital beds, establishment of 7 Rural Health Centers (RHCs), 32 Basic Health Units (BHUs) and up gradation of 10 existing RHCs and 37 BHUs along with the addition of 4,400 new doctors, 430 dentists, 3,300 Nurses, 4,500 paramedics and 450 Traditional Birth Attendants. To improve the health status of people and to reduce burden of disease a series of programs and projects are on track. These included T.B, Malaria and AIDS Control Programmes. Improvements in nutrition and food adequacy are important for a healthy productive life. Various programmes remained in progress to address the micro nutrient deficiencies through food fortification and supplementation while a National Zero Hunger Program is being finalized to address hunger and malnutrition in the country. The per capita food intake has increased from 2410 calories daily in 2011-12 to 2450 calories in 2012-13. The per capita protein availability has also increased from 71.5 grams per day in 2011-12 to 72.5 grams in 2012-13.

Population, Labour force and Employment: Pakistan is sixth most populous country in the world with an estimated population of 184.35 million in 2012-2013. The growth rate of population during 2012-2013 is 2.0 percent. Under current circumstances, it is expected that Pakistan will attain fifth position in the world in terms of total population in 2050. Government is making efforts to control the population growth rate through various population welfare programmes and by creating awareness among people. In this regard, the population welfare program has established 2891 family welfare centres (FWC), 340 reproductive health centres and 292 mobile service units during 2011-12. These Population welfare programmes are contributing significantly in controlling population growth rate, fertility rate, infant mortality rate and maternal mortality rate.

According to the Labour Force Survey 2010-11, Pakistan has a labour force of 57.24 million people which is 0.91million more than the last year. Out of which, total number of people employed during 2010-11 were 53.84 million. 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 remained unchanged during the period 2008-2011. In manufacturing sector the participation rate has increased from 13.2 percent in 2009-10 to 13.7 percent in 2010-11and the share of community/social and personal sector has decreased from 11.2 percent to 10.8 percent.

Unemployment is the central problem being faced by every developing country in the 21st century. The unemployment rate has increased to 6.0 percent in 2010-11. The unemployment rate in rural area has decreased from 4.8 percent in 2009-10 to 4.7 percent in 2010-11 while in urban area the unemployment rate has increased from 7.2 percent 2009-10 to 8.8 percent in 2010-11. Often it is perceived that the unemployment rate in rural areas is greater because in rural areas there is a lower chance of employment as compared to the urban areas where employment opportunities are relatively better due to greater economic activities. The apparent reason of this hard reality is that the industrial sector is facing an acute shortage of energy resources and therefore there was a reduction in job opportunities.

The government is committed in producing skilled workers in order to send them abroad to ensure higher foreign exchange. In this regard, MOUs have been signed with a number of labour importing countries e.g. Qatar, Malaysia and Saudi Arabia. The number of emigrant which was 0.45 million in 2011 increased to 0.63 million in 2012 which included 0.26 million unskilled, 0.26 million skilled, 0.1 million semi skilled workers.

Social Safety Nets: The government's commitment to follow a sustained poverty reduction strategy and to allocate a minimum of 4.5 percent of GDP to social and poverty related expenditures is clearly reflected in the allocations to the pro-poor sectors. The government prioritized 17 pro-poor sectors through the Medium Term Expenditure Framework (MTEF) in the PRSP-II, which provided a link between the policy priorities and the budget reality. Expenditure on pro-poor sectors in 2008-09 stood at 7.4 percent of GDP. During 2011-12, total expenditures for these sectors were increased further and amounted to Rs 1,980.819 billion, which was 9.9 percent of GDP. During July-December of the current fiscal year 2012-13, Rs.775.620 billion expenditures have been made.

Pakistan Poverty Alleviation Fund (PPAF) is the lead institution in the country with the aim to provide assistance in microcredit, water and infrastructure, drought mitigation, education, health and emergency response interventions. The overall disbursements for its ongoing core operations during the period July-December were Rs.7.5 billion.

Benazir Income support program launched by the government with the primary objectives to provide immediate relief to poor. BISP has made progress and provided relief to over 4.7 million beneficiaries including flood affectees and bomb blast victims across the country. As of March 1, 2013, BISP since its inception has spent almost Rs. 165 billion on various activities including cash transfers, graduation program and emergency relief along with conducting a nationwide poverty scorecard survey. BISP has an allocation of Rs.70.00 billion for the fiscal year 2012-13. It has launched a number of programmes including (i) Payment to Recipients, (ii) Waseela-e-Haq, (iii) Waseela-e-Rozgar, (iv) Waseela-e-Sehat and (v) Waseela-e-Taleem to help the needy, and vulnerable segment of the society.

Pakistan Bait-ul-Mal (PBM) is also making a significant contribution towards poverty reduction through its various poorest- of- the poor focused services by providing assistance to destitute, widow, orphan, invalid, infirm and other needy persons irrespective of their gender, caste, creed and religion through its on-going core projects/schemes. During July to March FY 13, an expenditure of Rs.1504.713 million has been incurred to support programs activities.

Zakat plays an important role in poverty alleviation. Zakat funds are utilized to assist the needy, indigent, poor, orphans, widows, handicapped and disabled. Under the 18th Constitutional Amendment, the subject of Zakat has been devolved to the provinces/federal areas. Upto March, 2013 an amount of Rs.3,951.667 million has been distributed in bulk amongst the provinces and other administrative areas.

Peoples Works programme (PWP) I & II are the welfare programmes comprising of small development schemes for provision of electricity, gas, farm to market roads, telephone, education, health, water supply, and sanitation facilities to the rural poor. During July-December 2012-13, Rs.32.8 billion has been provided to PWP-I and PWP-II.

EOBI provides monetary benefits to old age workers through various programmes such as Old Age Pension on attaining superannuation, Invalidity Pension on sustaining Invalidity affecting insured person's earning more than one third of the normal, Survivors Pension in case of death of insured person/pensioner and Old Age Grant not meeting the benchmark for old-age pension. During the period July to December 2012-13, an amount of Rs. 6,603.492 million has been utilized for 373,433 beneficiaries.

Workers' Welfare Fund is also facilitating the poor labourers in industrial sector by providing funds for scholarships, marriage grant, death grant and housing facilities etc. During July-March 2012-13, Rs.1727.091 million has been incurred on these schemes.

Transport and Communications:

Performance of Pakistan Railway and Pakistan International Air Lines were not encouraging mainly due to the heavily burdened administrative and management expenditure like in Railway; huge pension payments, over staffing, increased fuel cost, subsidized fares resultantly revenue earning have dropped by 25% and working expenses have increased by 33%. PIA performance also remained sluggish; revenues have declined by 4.7% during 2012 as compared to 2011. Government of Pakistan supported these two organizations and made plans to revitalize their performance and allocated Rs.23 billion in PSDP 2012-13 as a grant to Pakistan Railway.

To drag out PIA from its financial crisis, GoP has approved a bailout package amounting to Rs.49 billion. In addition, GoP is also facilitating PIA in extension of guarantees which are being expired and issuing fresh guarantees against loans taken by PIA. GoP is also supporting PIA for induction of five A320 narrow body aircrafts with guarantee amounting to $46 million for security deposit, spare parts / materials and training.

Pakistan Electronic Media, Telecommunication Sector and Pakistan Post Office performed well in 2011-12. There has been a cumulative investment of approximately US$ 4.0 billion in the electronic media industry in Pakistan. New jobs more than 200,000 people of diversified skills and qualifications have been provided. Pakistan Television is operating 6 multiple channels in the country, one TV Channel has been established in Azad Jammu and Kashmir, PTV has also launched English News Channel in January 2013. Pakistan Broadcasting Corporation has started work to transfer precious audio material of historical value from magnetic tapes to computer in MP-3 via Digitalization Project. During the first nine months of current fiscal year, Pakistan Post has received the foreign remittances amounting to US $ 78.7 million equivalent to Rs. 7,551.2 million. During the period July 2012 to December 2012 an amount of Rs.85,490.0 million has been collected through National Savings Schemes and earned commission amounting to Rs.538.725 million during this period. Teledensity of the country has increased by 71.95 percent at the end of March 2013. The cellular mobile network is covering 92 percent of the land of Pakistan. Cellular industry has shown a healthy growth of 8.4 percent in cell sites during 2012. Mobile penetration rose 64.9 percent in 2011-12 against 60.4 percent in 2010-11. Total mobile subscribers have reached 122.13 million by the end of March 2013 as compared 118.32 million in the same period last year, which is 3.2 percent increase. Revenues of the telecom sector during 2012 stood at Rs.411.4 billion registering a growth of 13 percent over the same period last year.

Performance of Ports and Shipping is also encouraging, despite a depressed shipping scenario worldwide, Pakistan National Shipping Corporation and three ports namely Karachi Port, Port Qasim and Gawadar Port have also performed well. PNSC has improved its profitability and earned a profit of Rs.2,558.2 million during July-March 2011-12 against Rs.1466.0 million of same period last year which is 74.5% increase. Similarly total cargo lifted during July-March 2012-13 was 8,730 thousand tonnes against 6009.7 thousand tonnes last year that is 45% increase. KPT handled 28.8 million tonnes of cargo during the first nine months of the current fiscal year against 27.8 million tonnes during the same period last year. Port Qasim handled 18.57 million tonnes of total cargo during the financial year 2012-13 (July-March) as compared to 19.7 million tonnes during the same period last year. At Gwadar Port, 341.0 tonnes Urea import handled during July-March 2012-13.The total cargo handled at the port up till now is 5.0

million tonnes. Total 145 Ships were called at Gawadar Port since 2008.

Energy: Energy outages hampered economic growth of Pakistan for last few years. Since early 2000s, the energy sector (especially its sub sector electricity) received greater attention because of the faster rate of growth in its demand. The crisis has affected every one, thus resolving energy crisis got immediate priority in manifestos of all political parties which competed in the election 2013. There is no doubt that there exists high correlation between growth rate of GDP and that of energy consumption.

During calendar year 2012, net primary energy supply remained 64,727 thousand TOEs compared to 64,522 thousand TOEs last year thus posting growth of 0.32 percent, however, on average the growth rate of net primary energy supply remained 1.8 percent for last six years. The final energy use during current year became 40, 026 thousand TOE as almost 29 percent (18,462 thousand TOEs) was used in transformation while 10 percent (6,239 thousand TOEs) was used in diversion which included 3 percent transport and distribution losses (1,999 thousand TOE). Statistics on energy consumption by source revealed that gas and oil were holding largest share.

In Pakistan oil and gas are two key components of energy mix contributing almost 65 percent (oil 15% and gas 50%) share to the 64.7 million TOE of energy supplies during 2012 while share of coal and nuclear is almost 7 percent and 2 percent, respectively.

The total oil resource potential is 27 million barrels with production of 66,032 barrels per day. 24, 573 thousand barrels (67,140 barrels per day) of crude oil is extracted or produced locally while almost double of it 47, 104 thousand barrels was imported during 2012. Likewise, 8,395 thousand tonnes of petroleum was produced domestically while 11, 507 thousand tonnes was imported. In 2012 the import bills increased to US$ 10,292 million. The main users in the consumption of petroleum products remained transport and power which jointly have almost ninety percent share in total consumption. Almost 65 percent electricity is generated by thermal in which contribution from furnace oil and diesel was 52 percent in power generation.

During 2012 total production of gas remained 1,559 billion cubic feet that is equivalent to 32 million TOEs which shows a growth of 6 percent when compared to last year in billion cubic feet while in TOEs it shows a growth of 4.5 percent. The highest share in consumption of gas was in power sector (27.5 %) followed by industry (22.6 %) during July-March 2012-13 while the transport sectors posted negative growth of 16 percent during period under discussion. Two Gas utility companies (SNGL & SSGCL) have invested Rs. 1513 million on Transmission Projects, Rs. 11,925 million on Distribution Projects and Rs.1, 898 million on other projects bringing total investment to about Rs. 15,336 million. 237588 additional gas connections included 236997 Domestic, 221 Commercial and 370 Industrial were provided across the country during the period under discussion.

Despite 3,377 MW was added since 2008-09, the generation capacity could not be operated at full due to constraints in fuel availability. The installed capacity in the PEPCO system was 20,986 MW as of June 2011; with hydro 6627 MW and thermal 14,359 MW. During the period July-March 2012-13 its consumption increased to 57,754 GWh from 56,930 GWh in corresponding period 2011-12 posted a growth of 1.4 percent. The number of consumers has been increasing due to rapid expansion of electric network to villages and other un-electrified areas. During the period under discussion, the progressive number of electrified villages was 8995. By March 2013, the number of consumers has been increased to 21.704 million.

The government in its bid to diversify its energy mix, has been giving due attention towards fast track development of Alternative / Renewable Energy (ARE) resources in the country. 50 MW project in Jhampir developed by M/s Fauji Fertilizer Company is completed and providing electricity to National Grid (HESCO) since December 2010 and another project of capacity 56.4 MW developed by M/s Zorlu Enerji Ltd (Turkish company) has also been completed, however, it will achieve commercial operation soon. 3000 Solar Home Systems have been installed in 49 villages of district Tharparkar, Sindh. Likewise 15000 units of Solar Water Heaters have been imported. These heaters have been deployed all over the country especially in Balochistan, Gilgit Baltistan, Khyber Pakhtunkhawa and Northern Punjab. Also 1429 units of Solar Water Pumping System have been imported and these will be installed for community drinking and agriculture purpose all over Pakistan.

Environment: Like other developing countries, Pakistan is also facing environment problems mainly due to demographic growth, lack of public awareness and education, catastrophic mismanagement of water and other natural resources and ill planned urban and industrial expansion. Air pollution, inadequate water supply, sanitation, agricultural soil degradation, deforestation and rangeland degradation are other core environmental challenges. Vehicle emissions represent the greatest source of air pollution in the country. Indoor air pollution in Pakistan is also very high and poses a serious problem. Biomass burnt in poorly ventilated homes has severe health consequences, particularly for women, young children and the elderly who are most likely to be exposed to indoor pollutants.

Pakistan faces serious deterioration of surface and ground water quality because of unabated industrial, municipal, and agricultural pollution. The associated adverse health and productivity impacts are significant, with the poor bearing the brunt. Hence, polluted water is the cause of a rising incidence of water borne diseases such as diarrhea, dysentery, cholera, pneumonic, and hepatitis. Commercial and household plastic bags are another spreading menace in the country. Due to lack of resources and weak planning at the implementation level of local bodies, only about 60 percent of urban solid waste can be transported to final disposal sites, which generally are open dumping system.

The International Union for Conservation of Nature and other partners are jointly implementing National Impact Assessment Programme (NIAP) in the country. The programme involves interventions at the policy level through introduction of Strategic Environmental Assessment (SEA), capacity building at all levels and sectors, development of tools, procedures and mechanisms, improved understanding of impact assessment processes, for “Integration of the principles of sustainable development into country’s policies and programmes.”

Pakistan Environmental Protection Agency (Pak-EPA), with the approval of the Ministry of Climate Change and after obtaining consent of the Law and Justice Division, notified a regulation effective from April,2013 prohibiting manufacturing, import, sale and use of non degradable plastic bags and other plastic products within the limits of Islamabad Capital Territory. This landmark step taken by the Ministry of Climate Change will have long term benefits to control spread of waste.

The concept of Green Economy, still under defining debate at the global level, can become a reality in Pakistan by tackling the resource inefficiencies within the water, energy and agriculture sectors as well as addressing the damaging trends of unregulated urbanization and rising unemployment.

The Government of Pakistan has also made institutional arrangements to handle climate change issues, which among others include the Prime Minister’s Committee on Climate Change (PMCCC) and a multi stakeholder and inter-ministerial Core Advisory group on climate change.