

Growth and Investment

Introduction

Pakistan's economy continued to maintain its growth momentum in the fiscal year 2015-16. The gradual building up of the growth momentum suggests that investment recovery is more sustainable. The growth that the economy has sustained for last few years is underpinned by dynamism in industry, agriculture and services supported by strong growth in domestic demand. Government infrastructure development drive along with State Bank of Pakistan's expansionary monetary policy stance has boosted business activities. The prerequisites for sustained economic growth appear to have gained during the last few years on account of economic reform and improved security situation. Inflation significantly declined during the recent years, and current account deficit narrowed with favorable prices for oil and other commodities. Government launched a mega relief package for small farmers including direct cash support and provision of soft agriculture loans. The package is aimed to introduce progressive agriculture on scientific lines, reducing the cost of the production of crops and make the small farmers prosperous. The government approved a new Automobile Policy 2016-21, which offers tax incentives to new entrants to help them establish manufacturing units. This new Auto policy of Pakistan will attract new car manufacturers in the country and build a healthy car competition in the industry. It will also encourage business activities in the associated industrial units, its forward and backward linkages will improve socio-economic condition of common man in the country. Government has unveiled the Strategic Trade Policy Framework (STPF-2015-18) to promote regional trade particularly with Afghanistan, Central Asian Republics as well as Iran and China. The STPF 2015-18 aims to enhance annual exports to \$35 billion, improve export competitiveness, transition from factor-driven

economy to efficiency-driven and innovation-driven economy and increase share in regional trade by June 2018. The STPF 2015-18 identifies four pillars including product sophistication and diversification, market access, institutional development, and trade facilitation by 2017-18. On account of successes of Zarb-e-Azb, improvement in energy supply along with enabling and conducive environment, the confidence of investors both domestic and foreigners is rebuilding which can be seen by stock market, increase in domestic commerce in Karachi, uptick in foreign direct investment.

Pakistan remained focused and committed to implement China-Pakistan Economic Corridor (CPEC) which is a mega project of US \$ 46 billion with Chinese Government. Execution of the project as per planned components of the CPEC will provide major support for development of infrastructure including communication, energy, special economic zones and Gawadar development.

With proper planning and concrete efforts the country's economy is now stabilized and revived; the destination is to accelerate economic growth and maintained sustainability. Government is implementing a four point agenda which primarily focuses on energy, economic stability, education and elimination of extremism.

Pakistan's economy during last three years of the present government has witnessed higher and inclusive economic growth accompanied by significant recovery in commodity producing and services sectors. The FY2014 witnessed growth of 4.05 percent, this growth performance continued in FY2015 as GDP recorded a growth of 4.04 percent and in FY2016 GDP growth is estimated at 4.71 percent. This is the highest growth achieved since FY2009. Economic growth is projected to continue its upward acceleration in

coming years. The midterm budgetary framework has set timelines for achieving high growth rates gradually steering it over 7.0 percent through various infrastructure projects including building of roads, rail networks, telecommunications, development of Gawadar Port and major projects for additional power and improvement in power transmission sub-sector.

Pakistan has become the member of Asian Infrastructure Investment Bank (AIIB) & Shanghai Cooperation Organization (SCO). AIIB will provide funds for the development of road systems, telecommunications and other infrastructure projects while main objectives of the Shanghai Cooperation Organization (SCO) are to (i) strengthen relations among member states; (ii) promote cooperation in political affairs, economic and trade, scientific-technical, cultural, and educational spheres as well as in energy, transportation, tourism, and environmental protection; (iv) safeguard regional peace, security, and stability; and (v) create a democratic, equitable international political and economic order.

Government has improved relations with International Financial Institutions. The country has witnessed the resumption of policy lending from the World Bank and Asian Development Bank, which was suspended for lack of a stable macroeconomic framework before June 2013. The government's three-year Extended Fund Facility Program with the IMF effectively institutionalizes the government's economic policy objectives. Pakistan has successfully completed eleventh reviews with IMF. All international financial institutions are appreciating performance of the economy of Pakistan and forecasting improvement in economic situation over time.

Government has pursued actively to resolve the energy crisis and succeeded in improving the situation for all consumers in the country. Economic policies of the government also remained successful in maintaining price stability and smooth supply of the commodities. The benefits of decline in international oil prices were also passed on to general public which is widely recognized as a relief to the common man. Due to

investment and growth friendly policies of the government the economic situation continued improving and reflected better movement in key economic indicators. Overseas Pakistanis continued their confidence on government policies as the remarkable improvement in workers' remittances is also recorded during the FY 2016 which has played a significant role in building foreign exchange reserves of the country.

Economic environment during FY2016 continued facing number of challenges such as war against extremism, energy issues, settlement of IDPs along with slowdown in all major trading partners of the world. Moreover, rains and floods hit various areas of the country which impacted agriculture sector along with infrastructure and also damaged some agricultural crops like cotton and rice along with losses in other components of agriculture sector. It is also observed that the situations in eastern and western borders of the country along with geo-economic and geo-politics of the regions also affected business climate of the country.

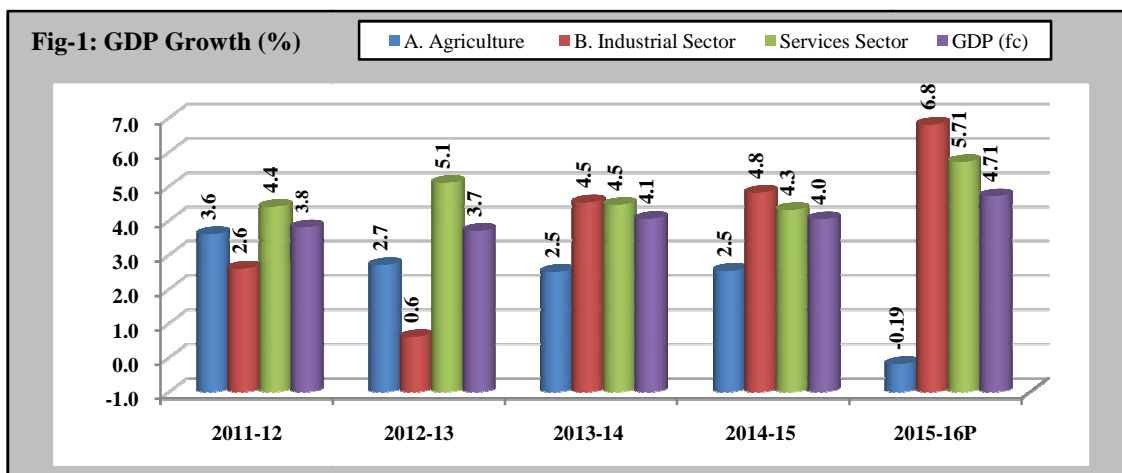
Government took various policy measures to boost economic activities in all major sectors of the economy. The agriculture sector faced challenge of decline in the prices of global commodity markets, which resulted slowdown in exports and damaged the profitability of the farmers. To mitigate this issue the government announced a package for the relief in the forms of duty and taxes as well as stabilized local market. Provincial governments also substantially enhanced the development expenditures with focus on construction of farms to market access roads. In Vision 2025 cluster based approach is adopted to transform agriculture in to a modern sector and Planning Commission is working on it to realize the planned objective. During first nine months of current fiscal year (Jul-March 2016) the banks have disbursed agriculture credit amounted to Rs. 385.54 billion which is 64.26 percent of the overall annual target of Rs. 600 billion and 18.26 percent higher than disbursement of Rs. 326.01 billion made during the corresponding period last year. State Bank of Pakistan has also reduced discount rate gradually and reached at 5.75 percent, which is also a major inducement for business and investor's community to increase

economic activities in the country. The credit to private sector have reached to Rs.311.7 billion during current fiscal year (July-6th May 2016) as compared to Rs. 171.2 billion of last year. In terms of growth, it witnessed expansion of 82.0 percent during the period under review compared to the contraction of 41.5 percent during same period last year. The achievement of GSP plus status is increasing our exports to EU, to facilitate traders and to make them competitive in the globe the Ex-Im Bank has been established. The bank will soon start business and would furnish a range of funding and non-funding instruments (e.g. guarantees) to those whose proposals are found to be feasible. State Bank of Pakistan has also reduced markup rate on Export Refinance from 6.00 percent to 4.5 percent and Long Term Financing Facility rates from 7.5 percent to 6.00 percent, which has reduced the financial cost of traders and will encourage exports and other business activities in coming months.

Under PSE Reform Strategy the government is focused on improvement in corporate governance, restructuring of PSEs and Strategic Partnership through Privatization. The government has appointed Financial Advisers for various public sector corporations. The efforts are under way to manage the existing PSEs in a more efficient manner and implementing a holistic PSEs Reform

Strategy. The strategy involves disinvestment of a mix of PSEs in the oil & gas, banking & finance, power, industrial, transport and real estate sectors.

Pakistan’s economy has continued the recovery path, GDP growth accelerated to 4.71 percent in 2015-16 against the growth of 4.04 percent recorded in the last year. The economy could not achieve the targeted growth rate 5.5 percent due to lower growth of agriculture sector (-0.19) percent mainly due to decrease in production of cotton, rice and maize as compared to previous year. The lower production of crops also affected the industrial as well as domestic commerce of the economy. However, the growth achieved in this fiscal year is higher as compared to previous years since 2008-09 and recorded growth momentum reflects improvement in economic activities of the country. Agriculture recorded negative growth of (-0.19) percent against the growth of 2.53 percent last year. Industrial sector recorded the growth of 6.80 percent against 4.81 percent in last year, large scale manufacturing posted growth of 4.61 percent against 3.29 percent last year. Services sector accelerated at the rate of 5.71percent as compared to 4.31 percent last year. The commodity producing sector on the whole grew by 3.29 percent as compared to 3.65 percent last year. Fig-1 presents an overview of GDP growth and its main sectors over the last five years.



Global Developments

Global economic growth continues increasing at slow pace with some continuing signs of progress in business activities. International Monetary Fund anticipates a slight acceleration in economic

growth in 2016 at 3.2 percent and the global growth will further accelerate at 3.5 percent in 2017. Emerging markets and developing economies are contributing significantly in the world growth of 2016 and it will continue to further accelerate the global GDP growth in next

year. The forecasted Global GDP growth reflects a combination of factors: weakness in oil exporting countries, a moderate slowdown in China, where growth continues to shift away from manufacturing and investment; and a still weak outlook for exporters of non-oil commodities. Oil-importing emerging market economies are benefiting from terms of trade gains but in some instances are facing weakness in external demand. The modest acceleration of growth in advanced economies to a large extent reflects support from lower energy prices and accommodative monetary policies.

The projected pickup in economic growth in 2017, in turn reflects stronger performance in emerging market economies. Among advanced economies, growth is projected to increase marginally. Growth is projected to continue in the United States at a moderate pace, supported by strengthening balance sheets, no further fiscal drag in 2016, and an improving housing market. As a result growth is projected at 2.4 percent in 2016, with a modest uptick in 2017. The modest Euro area recovery is projected to continue in 2016-17, with weakening external demand outweighed by the favorable effects of lower energy prices, a modest fiscal expansion and supportive financial conditions. Potential growth is expected to remain weak due to private and public debt, low investment, unemployment, aging effects and slow total factor productivity growth. Economic growth in Euro area is forecasted at 1.5 percent in 2016 and 1.6 percent in 2017 and it will remain around 1.5 percent in the medium term. Growth is expected to increase modestly in Germany from 1.5 percent to 1.6 percent by 2017. In the United Kingdom growth is forecasted at 1.9 percent in 2016 and 2.2 percent in 2017. The growth is expected to be driven by domestic private demand supported by lower energy prices and a buoyant property market. In Japan growth is projected to remain at 0.5 percent in 2016, and it may turn slightly negative to (-0.1) percent in 2017 as the scheduled increase in the consumption tax rate goes into effect. The recent appreciation of the yen and weaker demand from emerging economies are projected to restrain economic activities but lower energy prices and fiscal measures adopted through the supplementary budget are expected to help

growth. The Bank of Japan's quantitative and qualitative easing measures including negative interest rates on marginal excess reserve deposits adopted in February are expected to support private demand. Japan's medium to long term growth prospects remain weak, primarily reflecting a declining labour force.

China has been stabilized its economic growth and a weakening is expected in the industrial sector, as excess capacity continues to unwind, especially in real estate and related upstream industries, as well as in manufacturing. Services sector growth should be robust as the economy continues to rebalance from investment to consumption. High income growth, a robust labour market and structural reforms designed to support consumption are assumed to keep the balancing process on track up to 2017. China is the second largest economy in the world; it has forward and backward linkages with many economies who take direct and indirect benefits of its development. China has initiated infrastructure development drive in the region under one belt one road (OBOR) program. China and Pakistan have made agreements of \$46 billion to establish China Pakistan Economic Corridor between the two countries. The corridor will serve as a driver for connectivity in the region and international trade is expected to rise, which will bring benefits for Pakistan over medium to long term.

Middle East region has weakened because of further declines in oil prices and intensifying conflicts and security risks. Overall growth in the region is projected at 3.1 percent in 2016 and 3.5 percent in 2017. Saudi Arabia, Kuwait and Egypt are expected to accelerate their economies at higher rate in 2017 but Iran is forecasted to grow slightly lower rate at 3.7 percent. Kuwait's economic recovery will continue, its estimated growth is 2.4 percent in 2016 and forecasted to grow at 2.6 percent in 2017. Saudi Arabia is expected to continue investment in economic diversification and infrastructure and grow at 1.9 percent in coming year. Egyptian economy is also forecasted to grow at 3.3 percent in 2016 and continue acceleration with estimated growth of 4.3 percent in 2017.

Indonesia, Thailand and Philippines are picking

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up economic growth moderately mainly by strong domestic demand and a gradual increase in exports. The growth in these ASEAN economies is forecasted to pick up further in 2017. The economic growth of Hong Kong, Singapore, Malaysia and Vietnam is estimated to ease in 2016 but these economies will accelerate in coming year. Korea is also picking up economic growth and expected to perform better in 2017. South Asian economies are also accelerating in 2016 and in coming years.

African countries Tunisia and Kenya are picking up economic growth in 2016 and forecasted these

economies accelerate further in 2017. The region's medium term prospects remains favorable but many countries urgently need to reset their policies to reinvigorate growth and realize this potential. The country wise detail of projected GDP growth is presented in the Table 1.1. Developing countries need to continue and proactively implement the reform process to maintain development process and accelerate the growth pace. Growth momentum may derail if they slow down reform, investment in human capital, improvement in governance and technology up gradation.

Table-1.1: Comparative Real GDP Growth Rates (%)

Region/Country	2009	2010	2011	2012	2013	2014	2015	2016	2017(P)
World GDP	-0.1	5.4	4.2	3.5	3.3	3.4	3.1	3.2	3.5
Euro Area	-4.5	2.1	1.6	-0.9	-0.3	0.9	1.6	1.5	1.6
United States	-2.8	2.5	1.6	2.2	1.5	2.4	2.4	2.4	2.5
Japan	-5.5	4.7	-0.5	1.7	1.4	0.0	0.5	0.5	-0.1
Germany	-5.6	3.9	3.7	0.6	0.4	1.6	1.5	1.5	1.6
Canada	-2.9	3.1	3.1	1.7	2.2	2.5	1.2	1.5	1.9
Developing Countries	7.5	9.6	7.8	6.9	6.9	6.8	6.6	6.4	6.3
China	9.2	10.6	9.5	7.7	7.7	7.3	6.9	6.5	6.2
Hong Kong SAR	-2.5	6.8	4.8	1.7	3.1	2.6	2.4	2.2	2.4
Korea	0.7	6.5	3.7	2.3	2.9	3.3	2.6	2.7	2.9
Singapore	-0.6	15.2	6.2	3.7	4.7	3.3	2.0	1.8	2.2
Vietnam	5.4	6.4	6.2	5.2	5.4	6.0	6.7	6.3	6.2
ASEAN									
Indonesia	4.7	6.4	6.2	6.0	5.6	5.0	4.8	4.9	5.3
Malaysia	-1.5	7.5	5.3	5.5	4.7	6.0	5.0	4.4	4.8
Thailand	-0.7	7.5	0.8	7.2	2.7	0.8	2.8	3.0	3.2
Philippines	1.1	7.6	3.7	6.7	7.1	6.1	5.8	6.0	6.2
South Asia									
India	8.5	10.3	6.6	5.6	6.6	7.2	7.3	7.5	7.5
Bangladesh	5.3	6.0	6.5	6.3	6.0	6.3	6.4	6.6	6.9
Sri Lanka	3.5	8.0	8.4	9.1	3.4	4.5	5.2	5.0	5.0
Pakistan*	0.4	2.6	3.6	3.8	3.7	4.05	4.04	4.71	5.7
Middle East									
Saudi Arabia	-2.1	4.8	10.0	5.4	2.7	3.6	3.4	1.2	1.9
Kuwait	-7.1	-2.4	10.6	7.7	1.0	0.0	0.9	2.4	2.6
Iran	2.3	6.6	3.7	-6.6	-1.9	4.3	0.0	4.0	3.7
Egypt	4.7	5.1	1.8	2.2	2.1	2.2	4.2	3.3	4.3
Africa									
Algeria	1.6	3.6	2.8	3.3	2.8	3.8	3.7	3.4	2.9
Morocco	4.2	3.8	5.2	3.0	4.7	2.4	4.5	2.3	4.1
Tunisia	3.1	2.6	-1.9	3.9	2.4	2.3	0.8	2.0	3.0
Nigeria	9.0	10.0	4.9	4.3	5.4	6.3	2.7	2.3	3.5
Kenya	3.3	8.4	6.1	4.6	5.7	5.3	5.6	6.0	6.1
South Africa	-1.5	3.0	3.2	2.2	2.2	1.5	1.3	0.6	1.2

Source: World Economic Outlook (IMF), April 2016.

* : Finance Division, Government of Pakistan, P: Projected.

Global growth continues but at a sluggish pace that leaves the world economy more exposed to risk, which necessitates that policy makers should undertake growth oriented reforms. Financial sector strengthening is essential, including creating a context in which monetary, fiscal and structural policies can be most effective. Policy makers also need to make contingency plans and design collective measures for a possible future in case downside risks are materialized. Cooperation to enhance the global financial safety net and global regulatory regime is also central to resilient

international and financial system.

Sectoral Performance of Growth

Pakistan economy is broadly divided into three main sectors including agriculture, industry and services. Sectoral analysis recognizes performance of the various segment of the economy and also identifies interrelationship among various sectors and their significance in growth of the economy. The growth performance of all sectors and subsectors of GDP is presented in Table-1.2.

Table 1.2: Growth Rate (%)

Sectors/Sub-Sectors	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16P
A. Agriculture	3.5	0.2	2.0	3.6	2.7	2.50	2.53	-0.19
Crops	5.2	-4.2	1.0	3.2	1.5	2.64	1.04	-6.25
Important Crops	8.4	-3.7	1.5	7.9	0.2	7.22	-0.52	-7.18
Other Crops	0.5	-7.2	2.3	-7.5	5.6	-5.71	3.09	-0.31
Cotton Ginning	1.3	7.3	-8.5	13.8	-2.9	-1.33	7.24	-21.26
-Livestock	2.2	3.8	3.4	4.0	3.5	2.48	3.99	3.63
-Forestry	2.6	-0.1	4.8	1.8	6.6	1.88	-10.43	8.84
-Fishing	2.6	1.4	-15.2	3.8	0.7	0.98	5.75	3.25
B. Industrial Sector	-5.2	3.4	4.5	2.6	0.7	4.53	4.81	6.80
2. Mining & Quarrying	-2.5	2.8	-4.4	5.2	3.9	1.4	3.97	6.8
3. Manufacturing	-4.2	1.4	2.5	2.1	4.8	5.65	3.90	5.00
-Large Scale	-6.0	0.4	1.7	1.1	4.5	5.46	3.29	4.61
-Small Scale	8.6	8.5	8.5	8.4	8.3	8.29	8.22	8.21
-Slaughtering	3.8	3.2	3.7	3.5	3.6	3.38	3.35	3.63
Electricity Generation & Distribution & Gas Distt.	-12.1	16.7	63.9	1.4	-26.4	-0.74	11.98	12.18
4. Construction	-9.9	8.3	-8.6	3.1	1.1	5.96	6.24	13.10
Commodity Producing Sector (A+B)	-0.9	1.8	3.3	3.1	1.7	3.49	3.65	3.29
Services Sector	1.3	3.2	3.9	4.4	5.1	4.46	4.31	5.71
7. Wholesale & Retail Trade	-3.0	1.8	2.1	1.7	3.5	4.77	2.63	4.57
6. Transport, Storage and Communication	5.0	3.0	2.4	4.6	4.0	3.90	4.85	4.06
8. Finance & Insurance	-9.6	-3.3	-4.2	1.6	8.3	4.31	6.48	7.84
Housing Services (Ownership of Dwellings)	4.0	4.0	4.0	4.0	4.0	4.00	3.99	3.99
General Government Services	5.6	8.0	14.1	11.1	11.3	2.86	4.82	11.13
Other Private Services	6.5	5.8	6.6	6.4	5.3	6.22	5.96	6.64
GDP (fc)	0.4	2.6	3.6	3.8	3.7	4.05	4.04	4.71

Sources: Pakistan Bureau of Statistics

P: Provisional

Commodity Producing Sector

Commodity producing sector is the most important component of the economy, it comprises of agriculture and industry of the country. Commodity producing sector has stronger forward and backward linkages for economic growth and development of the country. The commodity producing sector accounted for 40.84 percent of GDP during this fiscal year as compared to 41.40 percent last year. It had a share of 43.4 percent in GDP in FY 2009, which is declining over time due to evolutionary stages of growth. Commodity producing sector has two main sectors agriculture and industry out of which share of agriculture sector reduced over time due to lower growth and share of industry remained stagnant as it also could not maintain increasing pace due to lack of modern infrastructure, as a result the share of services sector continued increasing trend. The commodity producing sector has performed slightly lower in outgoing fiscal year as compared to last year; it grew by 3.29 percent during this fiscal year as compared to 3.65 percent last year. Main reasons are the damages to major crops particularly cotton crop due to flood and rains, as well as slower pace global recovery.

Agriculture Sector

Agriculture accounts for 19.82 percent of GDP and 43.7 percent of employment. Government has taken a number of measures under agriculture package to enhance agriculture produce like support price for production, significant increase in credit to agriculture sector, better arrangements for the provision of inputs like seed, fertilizers, insecticides and better arrangements for marketing. Agriculture is a volatile sector as its performance is mostly weather dependent. Agriculture sector growth in FY 2016 decreased by (-0.19) percent as compared to the growth of 2.53 percent last year. The growth of crops during this year is (-6.25) percent. The production of cotton, rice and maize has decreased by (-27.8 percent, -2.7 percent and -0.3 percent respectively), whereas the production of wheat and sugarcane increased by 1.6 percent and 4.2 percent over previous year. Other crops decreased mildly by (-0.31) percent as compared to the growth of 3.09 percent last year. There is a no doubt unfavorable weather conditions along with

crash of commodity prices resulted in lower production of agriculture produce as compared to previous year. Agriculture has four sub sectors including: crops, livestock, fisheries and forestry.

Crops: The crops subsector is the basic driver of growth of the agriculture sector as well as GDP on the whole, it consists of 37.23 percent of agriculture and 7.38 percent of GDP. Crops sub sector recorded a negative growth of (-6.25) percent in FY 2016 as compared to the growth of 1.04 percent last year. Crops are the most sensitive component of agriculture with respect to weather and climate changes. This important sub-sector is further divided into important crops, other crops and cotton ginning.

Important Crops: In FY 2016 important crops have contributed 23.55 percent in agricultural sector and its share in GDP is 4.67 percent. Important crops have 63.26 percent share in overall crops. Important crops have recorded a negative growth of (-7.18) percent compared to (-0.52) percent last year. The important crops include all major crops like cotton, wheat, maize, rice and sugarcane. During current fiscal year the production of cotton declined by (-27.83) percent as compared to the growth of 9.33 percent of last year. Production of rice also declined by (-2.74 percent) during this fiscal year as compared to the growth of 3.01 percent of last year. The production of maize also declined by (-0.35) percent as compared to the decline of (-0.15) percent last year. However, the production of wheat increased by 1.58 percent as compared to the negative growth of (-3.44) percent last year. Production of sugarcane also grew by 4.22 percent against the decline of (-6.87) percent last year. Main cause for the negative growth of cotton and rice are the decline in area under cultivation by 1.48 percent and 4.92 percent respectively, on account of farmers' preference to other cash crop for better price as well as unfavorable weather conditions in growing areas of these crops.

Other Crops: Other crops have contributed 11.36 percent in agriculture sector and its share in GDP is 2.25 percent in FY 2016. This sub-sector also recorded a slight negative growth of (-0.31) percent against the positive growth of 3.09 percent last year. The other crops have been effected by

extreme weather conditions and heavy rains/floods which damaged production of cultivated crops. Among the other crops production of gram decline by (-17.85) percent during this year, potato increased by 3.43 percent, production of onion increased by 0.22 percent, mango declined by (-4.69) percent, banana increased by 8.81percent, dates declined by (-15.08) percent, water melon declined by (-1.45) percent. Tomatoes recorded slight increase of 0.07 percent, apple registered slight decline of (-0.18) percent, sunflower declined significantly by (-45.41) percent, chilies increased by 2.08 percent, while orange, kino, canola, garlic and tobacco maintained production level of last year.

Cotton Ginning: Pakistan is one of the leading producers and consumers of cotton in the global market. Ginning is the primary mechanical process involved in the processing of cotton. It is the procedure for separating lint from the seed to cotton. Cotton Ginning was included in agriculture sector under the rebasing of National Accounts 2005-06; before this, it was a part of manufacturing sector. Cotton Ginning has a 2.32 percent share in agriculture sector and 0.46 percent in GDP of the country. Cotton Ginning has recorded a major decline of (-21.26) percent against the growth of 7.24 percent last year. Bad performance of cotton ginning is due to decline in the production of cotton.

Livestock: Livestock is the largest component of agriculture sector, its contribution in the agriculture sector stood at 58.55 percent while it has share of 11.61 percent in the GDP. This sub sector is widely contributing in poverty reduction among the masses; this sub sector has great potential of growth as all necessary inputs for its development are available sufficiently in Pakistan. The livestock is relatively stable and have consistent growth trend as compared to other subsectors of agriculture. It is labour intensive and does not require heavy mechanical, energy and other developed infrastructure.

Livestock component consists of cattle, buffalos, sheep, goat, camel, horses, asses, mules and poultry and their products. The demand for livestock items have grown at an extraordinary

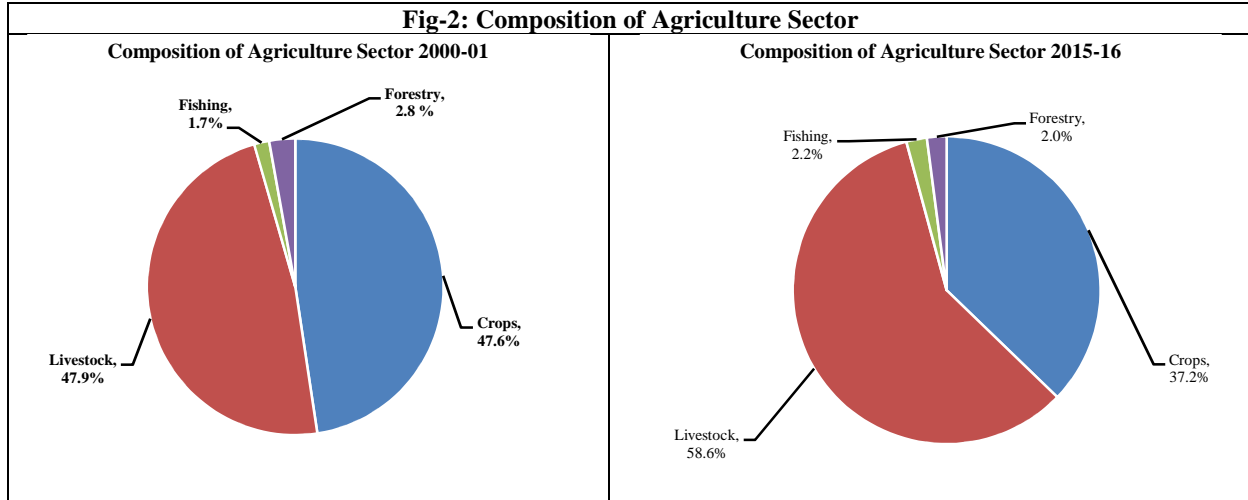
pace along with evolutionary stages of growth due to scientific and technological advancements. The increasing trend in prices of livestock has provided incentive for greater production activities in this sub-sector. This subsector has great importance in Pakistan as majority of people living in urban and rural areas directly or indirectly depend on this subsector to sustain their livelihood and to achieve socio-economic development.

Livestock performed better during current fiscal year and it recorded a growth of 3.63 percent as compared to 3.99 percent last year. The production of livestock products, milk, poultry products and other livestock items increased at the rate of 2.93percent, 3.21 percent, 7.59 percent and 1.33 percent, respectively.

Forestry: Forests are considered important for our safe and healthy environment as the degradation of forests may create severe socio-economic challenges for the human being. The contribution of this sub-sector in agriculture is 2.06 percent with main components of forestry, timber and fire wood. Forestry subsector has recorded significant growth 8.84 percent as compared to decline of (-10.43) percent last year.

Fisheries: This sub-sector has 2.17 percent share in agriculture; it has recorded a moderate growth of 3.25 percent against the growth of 5.75 percent last year. The sub-components of fisheries such as marine fishing and in-land fishing contributed to an overall increase in the value addition of this sub-sector. The Fig-2 provides variations in the composition of agriculture sector over the last fifteen years from FY 2001 to FY 2016. It is evident that during this period share of forestry reduced that is why we have become more vulnerable to climate changes, which necessitate to increase forest cover in the country to overcome environmental degradation, ensure sustainable development. Secondly the productivity of crops subsector is not picking up, which need to be taken care by better penetration of scientific and technological development in the subsector along with reforms for better market integration for commodities.

Fig-2: Composition of Agriculture Sector



Industrial Sector

Industry is the second main component of the commodity producing sector of the economy. It plays a major role in development of the economy due to its multi-dimensional direct and indirect linkages, and has spillovers effects on other sectors of the economy. Industrial sector creates demand for agriculture produce using it as raw materials and also provides latest machineries and tools to modernize crop cultivation process and also generate opportunities of investments to absorb surplus labor force. It also creates demand for various types of services and provides appliances and other equipments to modernize the services sector. Industrial sector of Pakistan is a major source of tax revenues and also contributes significantly in the provision of job opportunities to skilled, semi-skilled even unskilled labour. The industrial sector contributes 21.02 percent in GDP of our economy and this year recorded a growth of 6.80 percent as compared to 4.81percent last year. Industrial sector performance shows that it has surpassed the targeted growth of 6.4 percent, which is an indicator that industrial revival is taking place on fast track due to better policies of the government. Industrial sector has four sub-sectors including mining & quarrying, manufacturing, electricity generation & distribution and gas distribution and construction. Each sub-sector of the industrial sector has its own role and significance in the economy, performance of these subsectors are given below.

Manufacturing Sector: This subsector is the most dynamic component of the industrial sector

with 64.71 percent contribution in the industrial sector and in GDP it has a share of 13.6 percent. During the last few years manufacturing could not operate at its optimal level of installed capacity due to domestic and external factors like power crises, unstable law and order situation, and slowdown in global economy. The government in recent years took various monetary and fiscal measures along with improvement in energy situation to facilitate revival of manufacturing sector which has started picking up the manufacturing subsector. Manufacturing registered a growth of 5.00 percent during this fiscal year as compared to 3.90 percent last year.

Manufacturing has three components including large-scale manufacturing (LSM) with the share of 80.11 percent in manufacturing and 51.84 percent in industrial sector, small scale manufacturing share is 13.12 percent in manufacturing and 8.49 percent in industrial sector as a whole and Slaughtering having contribution of 6.77 percent in manufacturing and 4.38 percent in the industry. Small scale manufacturing registered a growth of 8.21 percent in outgoing fiscal year against the growth of 8.22 percent last year and slaughtering recorded a growth at 3.63 percent as compared to 3.35 percent last year. LSM has witnessed a growth of 4.61percent against the 3.29 percent last year. LSM performance remained low as compared to targeted growth because of poor performance of crops which provides necessary inputs to LSM. It is expected agriculture package will pick up crops and other subsectors of agriculture which will

support the LSM performance in coming month due to forward and backward linkages. The main components of LSM industries which witnessed growth during July-March 2015-16 include: yarn 1.54 percent (as compared to 1.09 percent last year), wool & worsted cloth 16.15 percent (as compared to -10.80 percent last year), knitting wool 12.20 percent (as compared to 1.52 percent last year), sugar 2.85 percent (as compared to -7.75 percent last year), cooking oil 8.44 percent (as compared to -2.46 percent last year), vegetable ghee 6.12 percent (as compared to -0.23 percent last year), tea blended 13.83 percent (as compared to 15.24 percent last year), petroleum products 4.32 percent (as compared to 5.93 percent last year), cement 10.41 percent (as compared to 2.44 percent last year), jeep and cars 29.73 percent (as compared to 30.75 percent last year), motorcycles 17.22 percent (as compared to 2.84 percent last year), buses 81.95 percent (as compared to 2.86 percent last year), nit fertilizer 16.31 percent (as compared to 3.92 percent last year), air conditioners 18.43 percent (as compared to 5.27 percent last year), motor tyres 12.01 percent (as compared to 2.91 percent last year), motor tubes 17.03 percent (as compared to 5.64 percent last year) and ply wood 22.23 percent (as compared to -38.02 percent last year). The sub sectors recorded negative growth during the period July-March 2015-16 over corresponding period of last year includes chip board declined by (-59.48) percent (as compared to -75.56 percent last year), diesel engine declined by (-75.81) percent (as compared to -3.40 percent last year), power looms declined by (-52.18) percent (as compared to 47.43 percent last year), electric fans declined by (-16.30) percent (as compared to 0.03 percent last year), tractors declined by (-38.63) percent (as compared to 41.59 percent last year) and jute goods declined by (-36.65) percent (as compared to -7.21 percent last year).

Construction Sector: This subsector has share of 12.29 percent in industrial sector and in GDP its contribution is 2.58 percent and absorbs 7.33 percent of labor force. Construction is considered as one of the potential components of industrial sector. This sector has recorded a growth of 13.10 percent against the growth of 6.24 percent last year. This sub sector has surpassed the targeted growth of 8.5 percent of the subsector. This

excellent growth achievement is due to the rapid execution of development work on various projects of federal and provincial governments along with improved law and order situation.

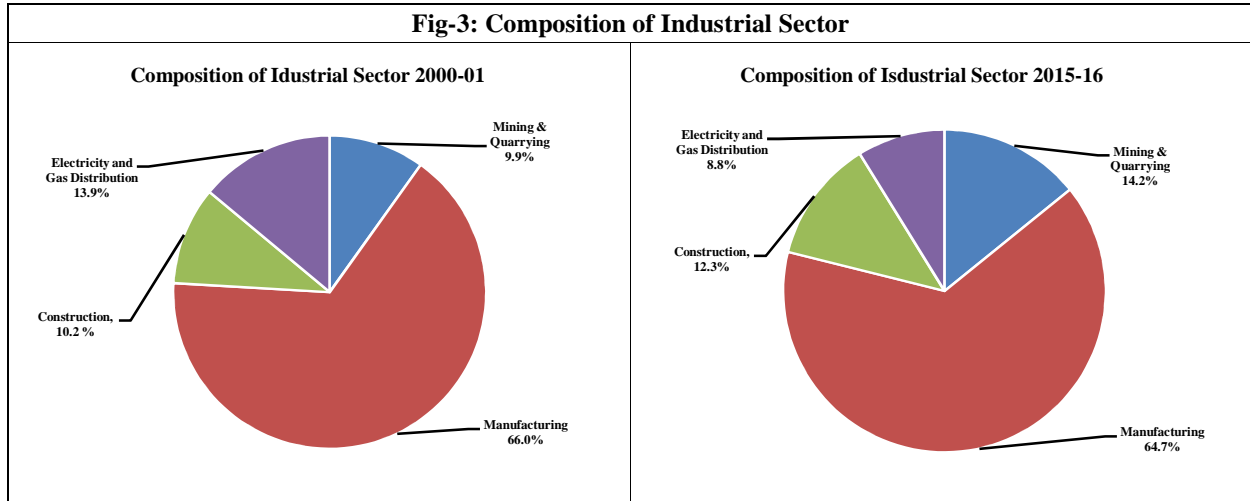
Mining and Quarrying: Almighty Allah has blessed Pakistan with lot of reserves of coal, rock salt, limestone and onyx marble, china clay, dolomite, fire clay, gypsum, silica sand and granite, as well as precious and semi-precious stones. Extraction of minerals and ores through efficient mining and quarrying provides convenient and economical access to raw materials and a competitive edge to the country. This sub-sector consists of 14.19 percent share of the industrial sector and contributes 2.98 percent in GDP of the country. Mining and quarrying has recorded a growth of 6.80 percent against the growth of 4.81 percent last year. This subsector of industry has also surpassed the targeted growth of 6.0 percent due to improving investment climate in the country. The output of iron ore, soap stone, marble, lime stone, silica sand, shale clay, phosphate and serpentine posted a positive growth of 156.83 percent, 26.09 percent, 50.49 percent, 23.19 percent, 72.95 percent, 6.41 percent, 53.96 percent and 108.7 percent respectively. However, some witnessed negative growth during this fiscal year such as the growth of chromite declined by (-3.85) percent, followed by chalk (-64.85) percent, and sulphur (-37.18), respectively. Much of the country's mining reserves exists in remote areas, infrastructure improvements are necessary to achieve and sustain higher growth rates in coming years. Improving security situation in the country is also supporting greater output from this subsector.

Electricity generation & distribution and Gas Distribution: Electricity generation & distribution and gas distribution is the most important sub-sector of industry, which plays a major role in development of the country and also directly and indirectly contributes in growth of all sectors of the economy. Its contribution in industrial sector is 8.81 percent and in GDP its share is 1.85 percent. This sub-sector has registered a growth of 12.18 percent during this fiscal year as compared to 11.98 percent growth last year. This component of industrial sector also surpassed the targeted growth, which is evident that government

succeeded in efforts to overcome the energy crises. The output of electricity of the WAPDA component recorded a growth of 8.53 percent as compared to decline of (-17.71) percent last year, whereas KESC registered a negative growth of (-11.53) percent as compared to negative growth

of (-13.51) percent last year. Fig-3 presents an overview of evolutionary process within industrial sector over the last fifteen years from FY 2001 to FY 2016. It is evident from the figure that share of electricity and gas distribution has reduced over the period under discussion.

Fig-3: Composition of Industrial Sector



Services Sector:

Services sector of our economy has great potential to grow at much higher rate and government is trying to tap this potential sector by providing an enabling environment to economic agents in the country. This sector contains six sub-sectors including: Transport, Storage and Communication; Wholesale and Retail Trade; Finance and Insurance; Housing Services (Ownership of Dwellings); General Government Services (Public Administration and Defense); and Other Private Services (Social Services).

Services sector of the economy has been growing at a much faster rate than commodity producing sector for quite some times. It has continued the same trend in FY 2016 and grew at 5.71 percent against the commodity producing sector growth of 3.29 percent. Services sector also met the planned target and has emerged as the most significant driver of economic growth and contributing a major role in augmenting and sustaining economic growth in the country. The share of the services sector has increased from 56.6 percent of GDP FY 2009 to 59.16 percent in FY 2016. Services sector has witnessed a growth of 5.71 percent in this fiscal year as compared to 4.31 percent last year. Services sector performance remained broad based, as all components of services contributed positively, as Wholesale and Retail Trade grew by 4.57 percent, Transport, Storage and

Communication by 4.06 percent, Finance and Insurance by 7.84 percent, Housing Services by 3.99 percent, General Government Services by 11.13 percent and Other Private Services by 6.64 percent.

Wholesale and Retail Trade Sector: This sub sector contributes 18.27 percent in GDP and is also the largest subsector of the services having share of 30.88 percent in the services sector. The wholesale and retail trade is based on the margins taken by traders on the transaction of commodities traded. The performance of this subsector depends on growth in agriculture and industrial sectors along with imports. This sub-sector recorded a growth of 4.57 percent as compared to 2.63 percent last year. Wholesale and retail trade has huge potential of growth, it is expected that its performance will further improve in coming years due to gradual increase in energy supply and improving law and order situation, which will create enabling environment in the country.

Transport, Storage and Communication: Transport, storage and communication is playing most significant role in boosting business activities in the country. The value added in this sub sector is based primarily on the profits and losses of Pakistan Railways, Pakistan International Airlines and other airlines, Pakistan posts and courier services, Pak telecom and motor vehicles of different kinds on the

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road. This subsector having a contribution of 13.29 percent in the GDP and a share of 22.46 percent in services sector, but directly and indirectly plays a major role in enhancement of economic activities in all sectors of the economy. The transport, storage and communication registered a growth of 4.06 percent as compared to 4.85 percent last year. The performance of various components of this subsector behaves differently depending on dynamics of the economic activities in the market. Air transport maintained growth in double digit and recorded at 10.05 percent against 20.94 percent last year. Communication recorded a significant growth at 10.92 percent in this year as compared to 2.58 percent last year. Similarly road transport and storage grew at 2.75 percent and 4.58 percent against the growth of 4.59 percent and 2.44 percent last year, respectively.

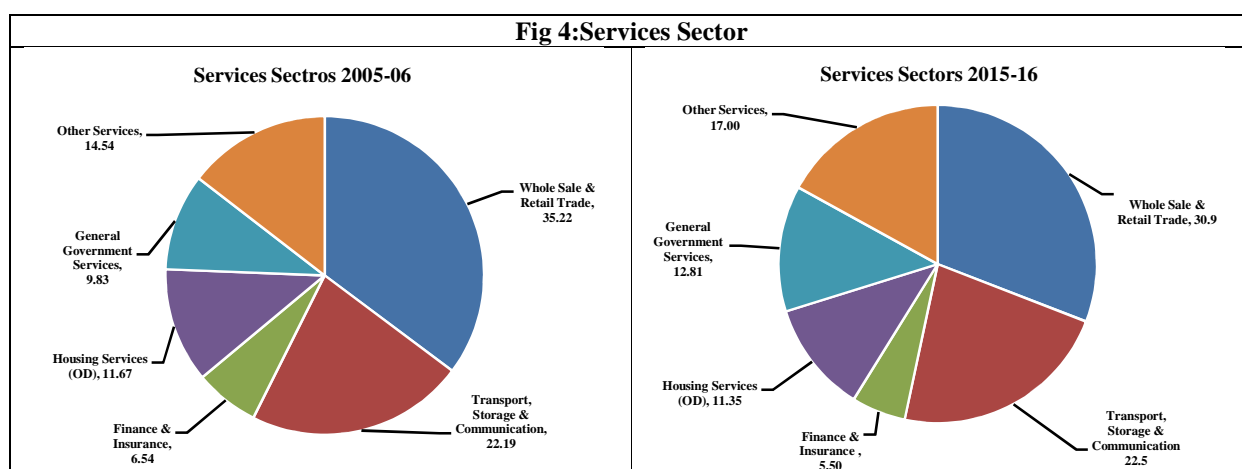
Finance and Insurance: Finance and Insurance having share of 5.50 percent in services sector and its contribution in GDP is 3.25 percent in outgoing fiscal year. Finance and Insurance comprises the State Bank of Pakistan; all scheduled banks (domestic and foreign), Development Financial Institutions (DFIs), all insurance (life and general) companies, Modaraba/Leasing companies, Money Changers and stock exchange brokers. The financial sub-sector consists of all resident corporations principally engaged in financial intermediations or in auxiliary financial activities related to financial intermediation. Finance and insurance registered a growth of 7.84 percent as compared to 6.48 percent last year. This impressive performance of finance and insurance sector is contributed by central bank at 6.8 percent, scheduled banks & non-scheduled banks by 8.3 percent and 20.6 percent respectively.

Financial leasing contributed by 1.4 percent, Insurance, reinsurance and pension funding component recorded the growth of 8.7 percent where as other credit granting declined by (-9.1) percent. It is expected that this subsector will continue performing better as investment climate is improving and lending to private sector is also on increasing trend along with financial reforms of the State Bank of Pakistan.

General Government Services: This sub sector contributes 12.81 percent in services sector and its share in GDP has reached to 7.58 percent in FY 2016. General Government Services (Public Administration and Defense) recorded a growth of 11.13 percent as compared to 4.82 percent last year. It is mainly due to low level of inflation and increase in salaries of government servant.

Housing Services: Housing Services (Ownership of Dwellings) having share of 11.35 percent in services sector and its share in GDP is 6.71 percent during this FY 2016. This sub-sector has maintained the growth of 3.99 percent as per target of the FY 2016.

Other Private Services (Social Services): Other private services have contribution of 17.00 percent in services sector and its contribution in GDP is recorded 10.06 percent in FY 2016. Other private services recorded a growth of 6.64 percent as compared to 5.96 percent last year. Growth in this subsector is also above the target of this subsector at 6.4 percent. Better performance of this sub sector indicates that government plans and investment have positive externalities on various services and areas of the country. Figure-4 shows composition of services sector over last decade.



**Contribution to Real GDP Growth
(Production Approach)**

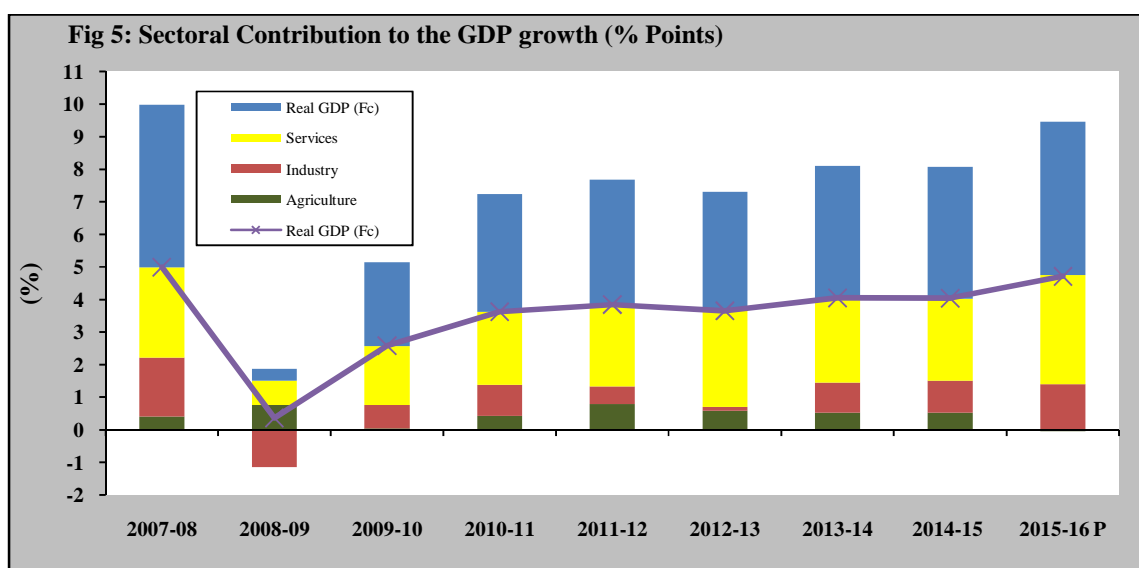
As per previous trend the services sector continued dominating role in the overall economic growth and the commodity producing sector maintained its supporting its role in growth magnitude of FY 2016. Commodity producing sector contributed 28.87 percent to overall economic growth, out of which agriculture contributed (-0.85) percent and the industrial contribution is 29.72 percent. The services sector contribution is 71.13 percent to the overall economic growth.

The GDP growth 4.71 percent is shared between the services and commodity producing

(agriculture and industry) sectors of the economy. Out of the commodity producing sector, agriculture sector shared (-0.04) percentage points to overall GDP growth as compared to 0.53 percentage points last year, while industry component contributed 1.40 percentage points in this year as compared to 0.98 percentage points of last year, which is an indicator that industrial sector is contributing positively whereas agriculture contribution is negative in overall economic growth. Services sector contributed most dominantly by 3.35 percentage points as compared to 2.52 percentage in last year. Under production approach the sectoral point contribution to the GDP growth is presented in Table-1.3.

Sector	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 P
Agriculture	0.76	0.05	0.43	0.79	0.57	0.53	0.53	-0.04
Industry	-1.15	0.71	0.95	0.54	0.13	0.92	0.99	1.40
- Manufacturing	-0.60	0.19	0.34	0.28	0.61	0.76	0.53	0.68
Services	0.75	1.81	2.24	2.51	2.95	2.6	2.52	3.35
Real GDP (Fc)	0.36	2.58	3.62	3.84	3.65	4.05	4.04	4.71

Source: Pakistan Bureau of Statistics



**Contribution to Real GDP Growth
(Expenditure Side Analysis)**

Expenditure approach considers consumption, investment and exports as main drivers of economic growth. This approach is also known as aggregate demand side of the economy. In all

economies of the world output is the sum of consumption (both private and public), investment (public and private) and net exports of goods and services. Economic literature has recognized consumption as the largest and relatively smooth component of aggregate demand, as compared to investment and exports. Pakistani society like

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other countries is a consumption oriented society, having high marginal propensity to consume; as a result consumption of private sector is recognized the largest component of aggregate demand of the economy.

Analysis of expenditure side provides more comprehensive and insight picture of growth drivers containing consumption, investment and exports. The private consumption expenditure in nominal terms reached to 80.1 percent of GDP in FY 2016 as compared to 80.0 percent of GDP last year, whereas public consumption expenditures are 11.8 percent of GDP as compared to 11.0 percent last year.

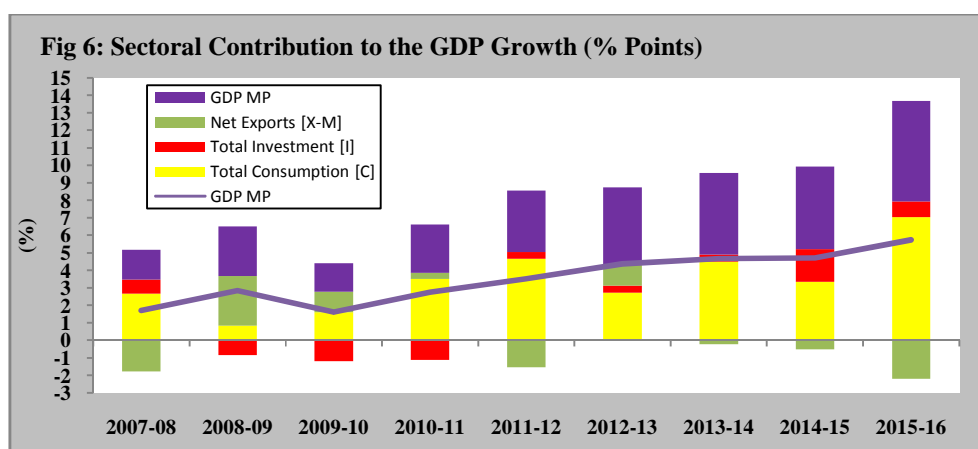
Growth in FY2016 continued the trend of previous years with major contribution by private consumption largely due to consistent growth in remittances, better growth in small scale

manufacturing and services sector. Consumption contributed 7.05 percentage points to overall economic growth, while the investment contributed 0.89 percentage points, and net exports contributed -2.20 percentage points. Consumption is the major contributing factor of economic growth on expenditure side, investment also continued supporting role in this regard. The contribution of net exports has been negative due to lower exports and higher imports growth. However, it is important to note that the imports of machineries have increased significantly, which will increase productive capacity of the economy and boost growth process in coming years. Domestic demand continued most significant driving force for economic growth just like previous years with major contribution from private consumption for sustaining aggregate demand. The point contribution to GDP growth is presented in the Table-1.4.

Table-1.4: Composition of GDP Growth

Point Contribution								
Flows	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16P
Private Consumption	-0.38	1.68	3.51	3.92	1.66	4.32	2.46	5.39
Public Consumption	1.21	-0.06	0.00	0.74	1.05	0.16	0.86	1.66
Total Consumption [C]	0.84	1.62	3.51	4.66	2.71	4.49	3.33	7.05
Gross Fixed Investment	-0.88	-1.21	-1.16	0.33	0.34	0.33	1.81	0.80
Change in Stocks	0.05	0.03	0.04	0.06	0.07	0.07	0.08	0.09
Total Investment [I]	-0.84	-1.18	-1.11	0.38	0.41	0.41	1.88	0.89
Exports (Goods & Serv.) [X]	-0.43	1.90	0.33	-2.05	1.53	-0.18	-0.73	-0.49
Imports (Goods & Serv.) [M]	-3.26	0.73	-0.02	-0.52	0.28	0.04	-0.24	1.71
Net Exports [X-M]	2.83	1.17	0.35	-1.54	1.24	-0.22	-0.50	-2.20
Aggregate Demand (C+I+X)	-0.43	2.34	2.73	2.99	4.65	4.71	4.48	7.45
Domestic Demand (C+I)	0.00	0.44	2.40	5.04	3.12	4.89	5.21	7.94
GDP MP	2.83	1.61	2.75	3.51	4.37	4.67	4.71	5.74

Source: Pakistan Bureau of Statistics



Composition of Gross Domestic Product

Economy of Pakistan has been experiencing structural transformation as its GDP structure has undergone considerable changes during last few decades. Scientific and technological developments contributed in picking up all sector of the economy but the pace of transformation varies among various sectors. Manufacturing and services sectors got relatively more benefits as compared to agriculture sector. Government's plans and policy measures also played their role in picking up all sectors of the economy. Agriculture sector has some structural, social and cultural obstacles due to which it could not grow consistently at higher rate in sustainable ways. In Pakistan manufacturing and services sectors performed better and benefitted more from government policies along with scientific and

technological developments as compared to agriculture because agriculture remained largely weather dependent, which makes it volatile and inconsistent in performance as surplus income and new investment focused on non-agriculture. Composition of the economy has changed over time, in 1969-70, agriculture was the largest commodity producing sector with 38.9 percent contribution in GDP, which has reduced to 19.82 percent indicating that the share of the agriculture has been declining over time in favor of the non-agriculture sector. The share of services sector has increased to 59.16 percent in FY 2016 showing an increasing trend in the services sector of the GDP over time. The share of all major sectors and associated sub-sectors of GDP in recent years is presented in Table-1.5.

Table 1.5: Sectoral Share in Gross Domestic Product (GDP)

Sectors/Sub-Sectors	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16P
Commodity Producing Sector (A+B)	43.4	43.1	42.9	42.6	41.8	41.6	41.4	40.8
Agriculture	22.5	22.0	21.7	21.6	21.4	21.10	20.80	19.82
1. Crops	9.7	9.1	8.8	8.8	8.6	8.5	8.2	7.4
Important Crops	5.8	5.4	5.3	5.5	5.4	5.5	5.3	4.7
Other Crops	3.3	2.9	2.9	2.6	2.6	2.4	2.4	2.3
Cotton Ginning	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.5
2. -Livestock	11.8	11.9	11.9	11.9	11.9	11.7	11.7	11.6
3. -Forestry	0.5	0.5	0.5	0.5	0.5	0.5	0.4	0.4
4. -Fishing	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.4
B. Industrial Sector	20.9	21.0	21.2	21.0	20.3	20.5	20.6	21.0
1. Mining & Quarrying	3.2	3.2	3.0	3.0	3.0	2.9	2.9	2.9
2. Manufacturing	13.8	13.6	13.4	13.2	13.4	13.6	13.6	13.6
-Large Scale	11.5	11.3	11.0	10.8	10.8	11.0	10.9	10.9
-Small Scale	1.3	1.4	1.5	1.5	1.6	1.7	1.7	1.8
-Slaughtering	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
3. Electricity Generation & Distribution & Gas Distt	1.3	1.5	2.4	2.4	1.7	1.6	1.7	1.9
4. Construction	2.5	2.7	2.4	2.4	2.3	2.3	2.4	2.6
C. Services Sector	56.6	56.9	57.1	57.4	58.2	58.4	58.6	59.2
1. Wholesale & Retail Trade	19.3	19.1	18.8	18.4	18.4	18.5	18.3	18.3
2. Transport, Storage and Communication	13.3	13.3	13.1	13.2	13.3	13.3	13.4	13.3
3. Finance & Insurance	3.5	3.3	3.0	2.9	3.1	3.1	3.2	3.3
4. Housing Services (Ownership of Dwellings)	6.6	6.7	6.7	6.7	6.8	6.8	6.7	6.7
5. General Government Services	5.4	5.7	6.2	6.7	7.2	7.1	7.1	7.6
6. Other Private Services	8.6	8.9	9.1	9.4	9.5	9.7	9.9	10.1
GDP (fc)	100.0	100.0	100.0	100.0	100.0	100	100	100

Source: Pakistan Bureau of Statistics

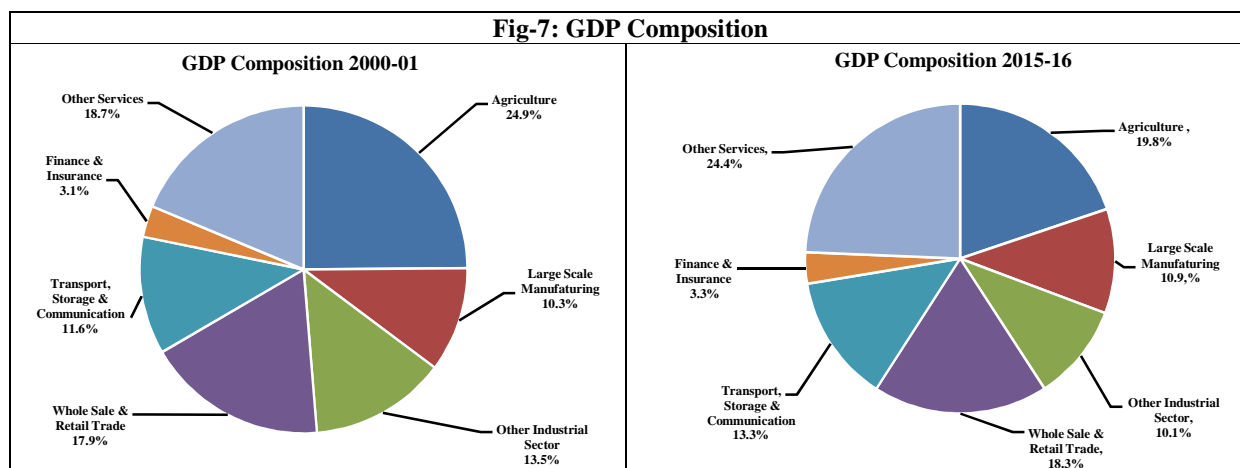
The following Fig-7 shows the structural shift in the economy. During last 15 years the sectoral share of the agriculture sector has declined from

24.9 percent to 19.8 percent. The sectoral share of the large scale manufacturing sector slightly increased from 10.3 percent to 10.9 percent and

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the share of other industries has declined from 13.5 percent to 10.1 percent of the GDP over the last 15 years. The share of the various components of services sector has increased over the period under discussion. The below figure indicates that

structural transformation has turned the economy with major shares of services components over time as compared to commodity producing sectors, which is a logical outcome of the process of evolution of economic development.

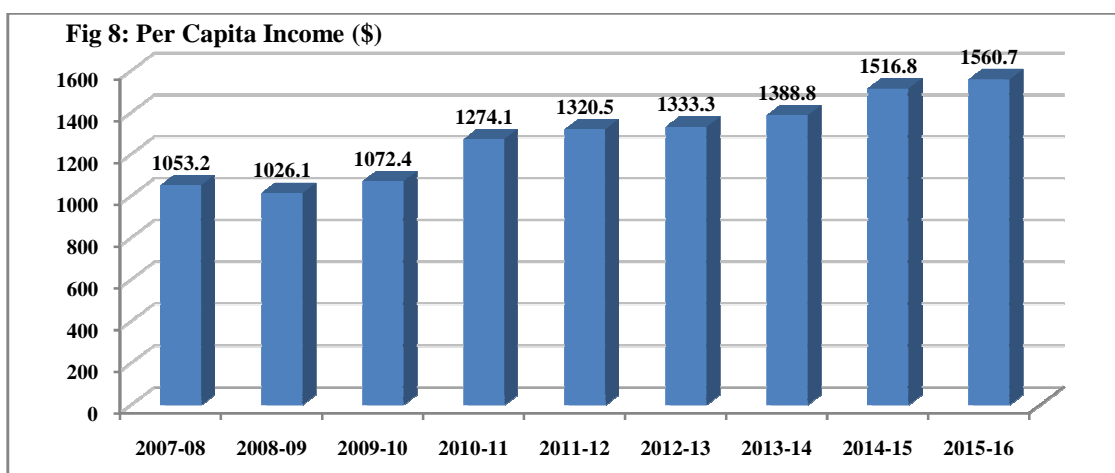


Per Capita Income:

Per capita income is one of the most commonly used economic indicator which captures the level of economic development of the country and also compares well-being among different countries of the world. Per capita income reflects average standards of living of people in the country. It is calculated as Gross National Product at market prices in dollar term divided by the country's population size. Per Capita Income in dollar terms

has recorded a growth of 2.9 percent in FY 2016 as compared to 9.2 percent last year.

The per capita income in dollar terms has increased from \$ 1,516.8 in FY 2015 to \$ 1,560.7 in FY 2016. The contributing factors for the increase in per capita income include acceleration in real GDP growth, lower growth in population and stability of Pak Rupee. Fig-8 shows improvement in per capita income since FY 2008.



Investment and Savings

Pakistan is blessed with lot of minerals and natural resources along with varying terrains ranging from snow covered peaks, fiery deserts, fertile mountain

valleys and irrigated plains and the four seasons. These resources make Pakistan suitable for all types of the business. Pakistan welcomes foreign investors with comprehensive and most friendly investment

policy and investment supportive regulatory framework. The government is well aware with needs of the foreign investors and welcomes foreign investors with feasible and friendly investment options in many sectors of the economy.

Investment is the second important component of aggregate demand, it raises productive capacity of the economy, increase employment level and promotes technological progress through embodiment of new techniques. Investment spending is usually volatile, it depends on multiple factors and responsible for much fluctuations of the business activities in the country. Investment had been effected by international and domestic factors during last few years. Now due to better policies and effective measures on various dimensions the situation for investors has improved and macroeconomic environment has become more investment oriented. Investment indicators during this year have also recorded improvement over the last year. Total investment has reached to the level of Rs 4502 billion as compared to the Rs 4256 billion last year, showing the growth of 5.78 percent in FY 2016. Investment to GDP ratio has reached to 15.21 percent in FY 2016. Fixed investment have increased to Rs. 4028 billion as compared to Rs 3816 billion last year, it has recorded growth of 5.57 and fixed investment as percentage of GDP is recorded at 13.61 percent. Private investment has recorded a growth of 3.71 percent and private investment as percentage of GDP reached to 9.79 percent. Whereas public investment grew by 10.63 percent and as percentage of GDP it has increased from 3.72 percent to 3.82 percent, which is an indicator that government expenditure strategy is development oriented. Certainly, it will encourage private sector to invest more to reap benefits in the economy. It has spillover effects on private sector investment as private sector development is facilitated through public sector development spending particularly on infrastructure. Public Sector Investment increased by Rs.1132 billion in FY 2016 compared to Rs. 1023 billion in FY 2015.

Board of Investment with the co-ordination of provincial investment boards organized the second Pakistan investment conference in November, 2015 to enhance the confidence of investors and other economic agents in the country. The conference highlighted huge potential and vast investment opportunities available in the country and projected soft image of Pakistan. The conference was inaugurated by the Prime Minister of Pakistan, sixty

seven diplomats including commercial counselors of foreign missions in Islamabad participated in the conference. The conference provided a great opportunity to 650 foreign and local businessmen and investors of 29 participating countries to gather information and interact with each other to explore joint venture business and investment opportunities in the country.

Saving is a key determinant of achieving higher level of investment in the country. Increase in savings ensures more funds for investment and to enhance productive capacity which consequently brings higher and sustainable growth in the economy. Savings mainly depends on will to save and ability to save of the economic agents; household savings are considered the largest component of national savings in most countries. Domestic savings contribute a dominant role in increasing investment and economic growth in a sustainable way in the country. Economic growth depends on investment which may be financed through domestic savings or from foreign capital inflows, these activities certainly help to alleviate poverty in the country and boost socio-economic status of the general public.

National savings play a dominant role in achieving desired level of investment to attain the planned target of economic growth. Contribution of national savings to domestic investment is the mirror image of foreign savings required to meet the investment demand. The foreign savings are needed to finance saving investment gap, reflects the current account deficit in the balance of payments. National savings increased to 14.6 percent of GDP in this fiscal year against 14.5 percent last year. Domestic savings are recorded at 8.3 percent of GDP in this fiscal year as compared to 8.4 percent of GDP the last year. Net foreign resource inflows finance the saving investment gap. It is essential for the sustainable growth that saving investment gap should be filled in a prudent way. There are two options for minimizing the savings investment gap. One is by rising savings and the other is through declining investment. The option of declining investment is not acceptable for growing country because it has serious implications on economic growth and employment. The government is trying best to gear up both savings and investment to increase required growth and to absorb surplus labor force in development process of the country. Table 1.6 presents saving and investment level over time; it is

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clear that saving-investment gap is reducing overtime as depicted by the table and graph.

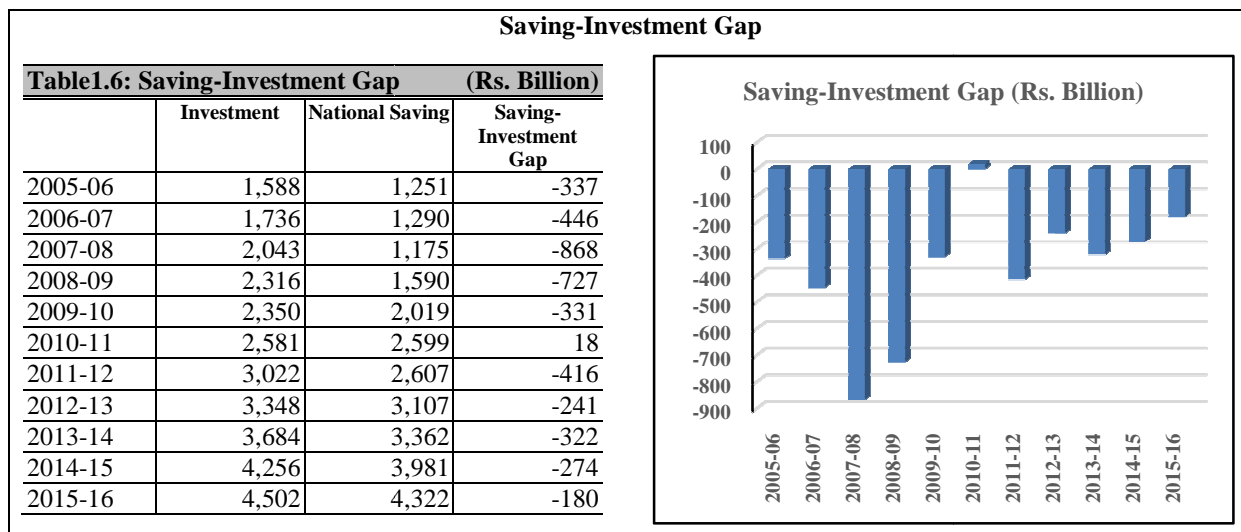


Table 1.7 shows saving and investment as percentage of GDP and Fig-9 indicates saving investment behaviour. Private investment recorded last year was Rs. 2793 billion and it expanded to Rs. 2896 billion during this fiscal

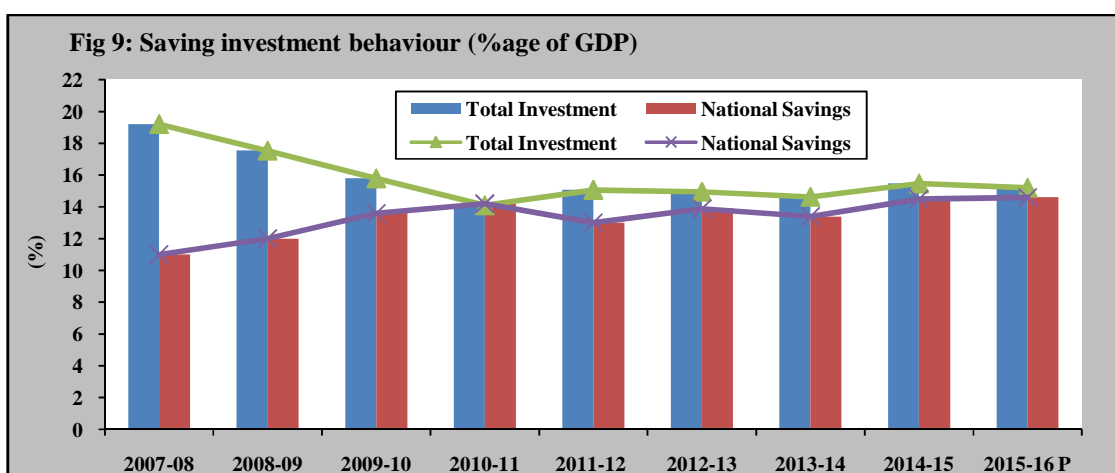
year. This increase in private investment is an indicator that investment climate is improving in the country and private investors are showing confidence on government policies.

Table 1.7: Structure of Savings and Investment (As Percent of GDP)

Description	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 P
Total Investment	17.55	15.80	14.11	15.08	14.96	14.64	15.48	15.21
Changes in Stock	1.60	1.60	1.60	1.60	1.60	1.60	1.60	1.60
Gross Fixed Investment	15.95	14.20	12.52	13.48	13.36	13.04	13.88	13.61
-Public Investment	4.29	3.73	3.23	3.75	3.52	3.17	3.72	3.82
-Private Investment	11.66	10.48	9.29	9.73	9.84	9.87	10.16	9.79
Foreign Savings	5.51	2.22	-0.10	2.07	1.08	1.28	1.00	0.61
National Savings	12.0	13.6	14.2	13.0	13.9	13.4	14.5	14.6
Domestic Savings	9.4	9.8	9.7	7.84	8.7	7.7	8.4	8.3

Source: EA Wing Calculations

P: Provisional



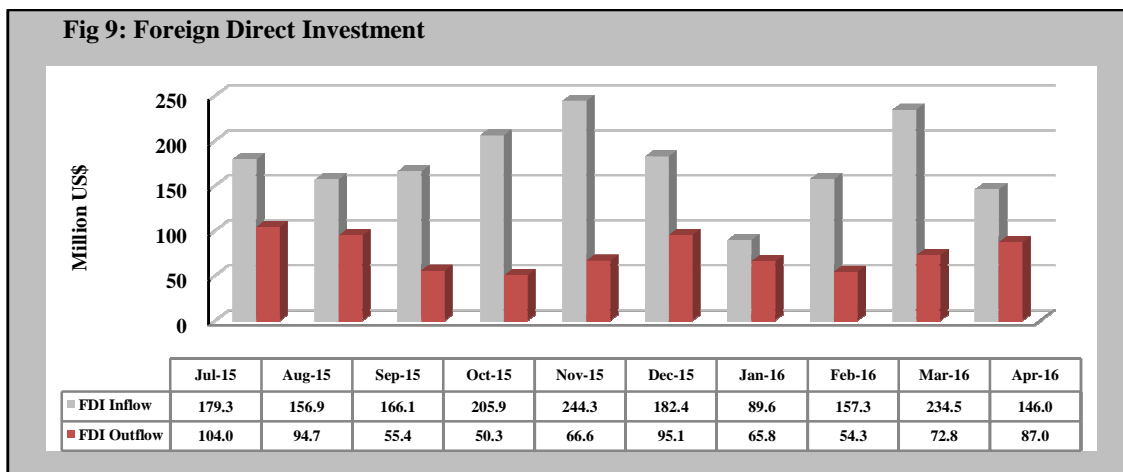
Foreign Direct Investment

During last three decades most economies are trying its best to attract investment inflows from rest of the world. They have liberalized their foreign direct investment regime and pursued investment friendly economic policies to attract investment. Global economic integration have also induced developing countries to establish Special Economic Zones to gain attraction in foreign direct investment. Pakistan has a great potential to attract foreign investment due to abundant resources, large market with growing middle class and better geographical location relative to other countries. But Pakistan could not attract FDI as per potential due to number of internal and external factors during last few years. Now situation is improving on fast track due to better policies of the government to attract foreign investors and improvement in investment climate of the country.

Board of Investment (BOI) is facilitating investors through a comprehensive facilitation package of investment. Recently BOI organized the second Pakistan investment conference to highlight huge potentials of the country. BOI has been receiving a large number of business proposals and quarries from participants and potential investors. The FDI Strategy has comprehensively sets out roadmap to

encourage FDI and provide action plans for attracting FDI into Pakistan with special programs to promote the linkages between domestically and foreign-owned private enterprises, such as local supplier, sub-contractor or joint venture programs in the country. Investment policy of Pakistan provides a comprehensive framework for creating a conducive business environment to attract FDI. The policy is consistent with liberalization, de-regulation, privatization and facilitation trends of globalization.

During July-April of FY 2016 net foreign direct investment crossed US \$1 billion with the growth of 5.4 percent. It is recorded that during July-April of this fiscal year FDI inflows reached to \$1762.3 million and in the same period out flows are registered at \$746.0 million. The major FDI inflows are from China, US, UAE, Hongkong, UK, Switzerland, Italy, Austria, Norway, Luxembourg, Saudi Arabia, Japan and Singapore. Power, oil & gas exploration, financial business, tobacco cigarettes, communications, beverages, chemicals, personal services, electronics, construction, petroleum refining and transport remained the main recipient sectors. FDI inflows and outflows are presented in Fig-10.



Workers’ Remittances

Remittances have been considered a major source of foreign exchange inflows to support external sector of the economy in many developing countries. It remained a key source of funds for developing countries, far exceeding official development assistance and even foreign direct investment. The fall in oil prices could not reduce remittances from

GCC countries, due to the substantial financial resources and long-term infrastructure development plans of the GCC countries.

Worker’s Remittances is the largest source of foreign exchange earnings after exports. Pakistan is one of the largest labor exporting countries in the region. Worker’s remittance in FY 2015 reached to 18.7 billion dollars registering remarkable growth of

Pakistan Economic Survey 2015-16

18.2 percent. During July-April FY 2016, the remittances have reached to \$16.034 billion as compared to \$15.235 billion in same period last year, recorded a growth of 5.25 percent over the last year.

The growth in remittances is due to number of initiatives taken by the present government which are helping in increasing the inflow of remittances such as reducing the cost of sending remittances, strengthening Pakistan Remittance Initiative (PRI) and skill matching according to demand in world market. It has been observed that impact of declining oil prices on remittances is not a sign of worry. Crude oil prices fell sharply during last two years from \$ 110 per barrel in December 2013 to \$42 in December 2015, almost 160 percent whereas no negative impact has been realized on working labor force of Pakistan in Middle East and other GCC countries. It also witnessed that 72204 new workers were registered in 2014, and during 2015, 919458 fresh workers were registered in GCC countries.

Going forward the development activities in Saudi Arabia, Expo 2020 and FIFA World Cup in 2022 will further generate the demand of workers.

Pakistan Remittances Initiative (PRI) is playing a significant role in facilitating, faster, cheaper, convenient and efficient flow of remittances in the country. SBP has made best efforts to bring additional remittances through PRI scheme through continuous improvement in payment system, infrastructure, tapping Pakistani Diaspora as well as strengthening PRI core team. All PRI efforts are aimed at bringing structural changes in the remittance system of the country with a long term vision about these flows. PRI is geared up to achieve its objectives of maximizing the flow of remittances through formal channels. Increase in remittances is mainly due to higher demand of Pakistani workers in the world due to worldwide acknowledgement of the skill and practical wisdom of the manpower. Country wise inflow of remittances is presented in Table 1.8.

Table-1.8: Country Wise Workers' Remittances US\$ Million

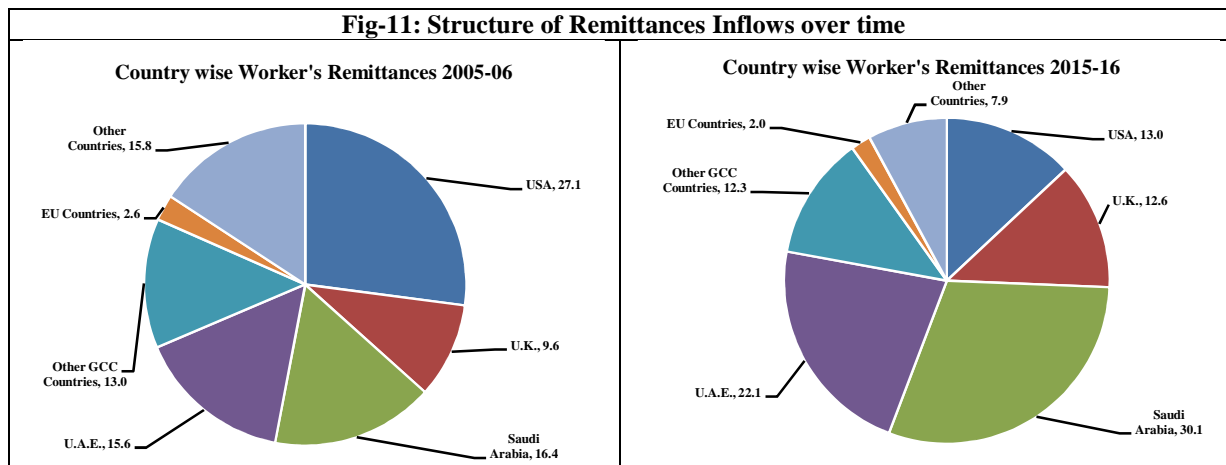
Country	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16 Jul-Apr*
USA	1,735.87	1,771.19	2,068.67	2,334.47	2,186.24	2,467.65	2,702.7	2,087.6
U.K.	605.59	876.38	1,199.67	1,521.10	1,946.01	2,180.23	2,376.2	2,022.4
Saudi Arabia	1,559.56	1,917.66	2,670.07	3,687.00	4,104.73	4,729.43	5,630.4	4,833.4
U.A.E.	1,688.59	2,038.52	2,597.74	28,48.86	2,750.17	3,109.52	4,231.8	3,545.3
Other GCC Countries	1,202.65	1,237.86	1,306.18	1,495.00	1,607.88	1,860.03	2,173.0	1,966.1
EU Countries	247.66	252.21	354.76	364.79	357.37	431.85	364.1	315.6
Other Countries	771.51	812.08	1003.88	935.40	969.26	1,059.00	1,241.7	1,264.0
Total	7,811.43	8,905.90	11,200.97	13,186.62	13,921.66	15,837.71	18,719.8	16,034.4

Source: SBP. * : Provisional

The remittances data provide clear evidence that these Pakistanis are playing significant contribution in socio-economic development of the country. On average Pakistan is receiving \$1.603 billion remittances per month in this fiscal year as

compared to \$1.523 billion monthly in last year, which is an encouraging trend. The below figure provide variations in the remittances from various countries over a period of one decade.

Fig-11: Structure of Remittances Inflows over time



Conclusion and the Way forward

Present government inherited a vulnerable economy facing severe energy crises, poor law and order situation, huge fiscal deficit with low investment and economic growth. The government initiated reforms on multiple dimensions with comprehensive execution plan for all sectors of the economy. All macroeconomic policies including monetary, fiscal and external sectors has been designed and coordinated to reinforce all sectors of the economy and created incentives for domestic and external resource mobilization on sustainable basis. As a result the economy has achieved macroeconomic stability, as all major economic indicators have recorded significant improvement as compared to previous years.

Along with achieving macroeconomic stability, economy also succeeded in achieving higher growth with price stability and declining unemployment in the country. The ‘Vision 2025’ is a road map for future economic policies with the socio-economic destination of high middle income country. The government is making all

efforts to achieve the planned targets by taking all stakeholders on board. The execution work on China Pakistan Economic Corridor (CPEC) continued in this fiscal year as per planned time line on all components of the project. Initiatives undertaken by the government under CPEC will make it possible to achieve the potential growth rate to absorb the annual addition to the labor force. Attention is being paid to agriculture sector through the agriculture package which will ensure to achieve robust and sustainable pro-poor growth in coming years.

Multilateral donors and international financial organizations have acknowledged that the economy of Pakistan is moving in right direction and they have reposed tremendous confidence in Pakistan’s economic future with a strong welfare state. The completion of regional connectivity projects like CPEC, CASA1000 and TAPI projects will turn around the economic outlook of Pakistan and will prove to be game changer for the entire region. An economically strong Pakistan will not only defeat extremism at home but would also contribute immensely to stability of the region.



GROWTH AND INVESTMENT

TABLE 1.1

GROSS NATIONAL PRODUCT AT CONSTANT BASIC PRICES OF 2005-06

Sectors	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	(Rs. in Million)	
									% Change	
									2014-15 / 2013-14	2015-16 / 2014-15
A AGRICULTURE	1,934,691	1,939,132	1,977,178	2,048,794	2,103,600	2,156,117	2,210,647	2,206,357	2.5	-0.2
1. Crops	832,916	798,244	806,162	832,128	844,860	867,133	876,147	821,358	1.0	-6.3
Important Crops	497,113	478,540	485,722	523,936	524,839	562,707	559,792	519,579	-0.5	-7.2
Other Crops	279,273	259,054	264,934	245,007	258,670	243,890	251,435	250,658	3.1	-0.3
Cotton Ginning	56,530	60,650	55,506	63,185	61,351	60,536	64,920	51,121	7.2	-21.3
2. Livestock	1,013,286	1,051,755	1,087,406	1,130,740	1,169,712	1,198,671	1,246,525	1,291,836	4.0	3.6
3. Forestry	40,237	40,207	42,121	42,874	45,695	46,555	41,699	45,384	-10.4	8.8
4. Fishing	48,252	48,926	41,489	43,052	43,333	43,758	46,276	47,779	5.8	3.2
B. INDUSTRIAL SECTOR	1,790,263	1,851,564	1,935,022	1,984,316	1,999,207	2,089,776	2,190,345	2,339,241	4.8	6.8
1. Mining & Quarrying	274,710	282,269	269,798	283,727	294,727	298,856	310,715	331,853	4.0	6.8
2. Manufacturing	1,180,964	1,197,163	1,227,091	1,252,670	1,313,365	1,387,556	1,441,679	1,513,752	3.9	5.0
Large Scale	986,887	990,928	1,007,331	1,018,706	1,064,185	1,122,266	1,159,231	1,212,650	3.3	4.6
Small Scale	113,474	123,083	133,556	144,713	156,691	169,677	183,628	198,695	8.2	8.2
Slaughtering	80,603	83,152	86,204	89,251	92,489	95,613	98,820	102,407	3.4	3.6
3. Electricity Generation & Distribution & Gas Distribution	115,812	135,098	221,379	224,490	165,275	164,054	183,700	206,067	12.0	12.2
4. Construction	218,777	237,034	216,754	223,429	225,840	239,310	254,251	287,569	6.2	13.1
COMMODITY PRODUCING SECTOR (A+B)	3,724,954	3,790,696	3,912,200	4,033,110	4,102,807	4,245,893	4,400,992	4,545,598	3.7	3.3
C. SERVICES SECTOR	4,855,033	5,010,698	5,208,136	5,437,145	5,716,248	5,971,163	6,228,669	6,584,437	4.3	5.7
1. Wholesale & Retail Trade	1,652,874	1,682,465	1,718,014	1,746,511	1,808,124	1,894,410	1,944,253	2,033,100	2.6	4.6
2. Transport, Storage & Communication	1,136,990	1,170,612	1,198,896	1,254,126	1,304,697	1,355,570	1,421,265	1,479,021	4.8	4.1
3. Finance & Insurance	296,427	286,775	274,674	279,171	302,392	315,428	335,854	362,187	6.5	7.8
4. Housing Services (Ownership of Dwellings)	567,941	590,718	614,460	639,003	664,542	691,093	718,673	747,354	4.0	4.0
5. General Government Services	462,193	499,038	569,191	632,130	703,717	723,823	758,746	843,211	4.8	11.1
6. Other Private Services	738,608	781,089	832,901	886,204	932,776	990,839	1,049,878	1,119,564	6.0	6.6
GDP (fc) (Total GVA at basic Prices)	8,579,987	8,801,394	9,120,336	9,470,255	9,819,055	10,217,056	10,629,661	11,130,035	4.04	4.7
Indirect Taxes	611,768	509,152	504,829	533,424	519,054	556,679	616,350	716,693	10.7	16.3
Subsidies	183,930	157,993	221,063	269,772	176,255	136,844	107,861	69,134	-21.2	-35.9
GDP(mp)	9,007,825	9,152,553	9,404,102	9,733,907	10,161,854	10,636,891	11,138,150	11,777,594	4.7	5.7
Net Factor Income from Abroad	201,584	310,494	372,728	386,559	403,132	474,006	548,902	687,849	15.8	25.3
GNP(fc)	8,781,571	9,111,888	9,493,064	9,856,814	10,222,187	10,691,062	11,178,563	11,817,884	4.6	5.7
Gross National Income	9,209,409	9,463,047	9,776,830	10,120,466	10,564,986	11,110,897	11,687,052	12,465,443	5.2	6.7
Population (in million)	168.18	171.73	175.31	178.91	182.53	186.19	189.87	193.56	2.0	1.9
Per Capita Income(fc-Rs)	52,215	53,059	54,152	55,094	56,003	57,420	58,875	61,055	2.5	3.7
Per Capita Income(mp-Rs)	54,759	55,104	55,770	56,567	57,881	59,675	61,553	64,401	3.1	4.6

F : Final, R : Revised, P : Provisional

Source : Pakistan Bureau of Statistics

TABLE 1.2

SECTORAL SHARE IN GDP (%)

Sector	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14		2014-15		(%)
						F	R	R	P	2015-16
A. AGRICULTURE	22.5	22.0	21.7	21.6	21.4	21.10		20.80		19.82
1. Crops	9.7	9.1	8.8	8.8	8.6	8.5		8.24		7.38
Important Crops	5.8	5.4	5.3	5.5	5.3	5.5		5.27		4.67
Other Crops	3.3	2.9	2.9	2.6	2.6	2.4		2.37		2.25
Cotton Ginning	0.7	0.7	0.6	0.7	0.6	0.6		0.61		0.46
2. Livestock	11.8	11.9	11.9	11.9	11.9	11.7		11.73		11.61
3. Forestry	0.5	0.5	0.5	0.5	0.5	0.5		0.39		0.41
4. Fishing	0.6	0.6	0.5	0.5	0.4	0.4		0.44		0.43
B. INDUSTRIAL SECTOR	20.9	21.0	21.2	21.0	20.4	20.45		20.61		21.02
1. Mining & Quarrying	3.2	3.2	3.0	3.0	3.0	2.9		2.92		2.98
2. Manufacturing	13.8	13.6	13.5	13.2	13.4	13.6		13.56		13.60
Large Scale	11.5	11.3	11.0	10.8	10.8	11.0		10.91		10.90
Small Scale	1.3	1.4	1.5	1.5	1.6	1.7		1.73		1.79
Slaughtering	0.9	0.9	0.9	0.9	0.9	0.9		0.93		0.92
3. Electricity Generation & Distribution & Gas Distribution	1.3	1.5	2.4	2.4	1.7	1.6		1.73		1.85
4. Construction	2.5	2.7	2.4	2.4	2.3	2.3		2.39		2.58
COMMODITY PRODUCING SECTOR (A+B)	43.4	43.1	42.9	42.6	41.8	41.6		41.40		40.84
C. SERVICES SECTOR	56.6	56.9	57.1	57.4	58.2	58.44		58.60		59.16
1. Wholesale & Retail Trade	19.3	19.1	18.8	18.4	18.4	18.5		18.29		18.27
2. Transport, Storage & Communication	13.3	13.3	13.1	13.2	13.3	13.3		13.37		13.29
3. Finance & Insurance	3.5	3.3	3.0	2.9	3.1	3.1		3.16		3.25
4. Housing Services (Ownership of Dwellings)	6.6	6.7	6.7	6.7	6.8	6.8		6.76		6.71
5. General Government Services	5.4	5.7	6.2	6.7	7.2	7.1		7.14		7.58
6. Other Private Services	8.6	8.9	9.1	9.4	9.5	9.7		9.88		10.06
GDP (fc)	100.0	100.0	100.0	100.0	100.0	100.0		100.00		100.00

F : Final, R : Revised, P : Provisional

Source : Pakistan Bureau of Statistics

TABLE 1.3

Growth Rates (%)

Sector	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14			2014-15			2015-16		
						F	R	P	F	R	P	F	R	P
A. Agriculture	3.50	0.23	1.96	3.62	2.68	2.50	2.53	-0.19						
1. Crops	5.16	-4.16	0.99	3.22	1.53	2.64	1.04	-6.25						
Important Crops	8.42	-3.74	1.50	7.87	0.17	7.22	-0.52	-7.18						
Other Crops	0.54	-7.24	2.27	-7.52	5.58	-5.71	3.09	-0.31						
Cotton Ginning	1.31	7.29	-8.48	13.83	-2.90	-1.33	7.24	-21.26						
2. Livestock	2.25	3.80	3.39	3.99	3.45	2.48	3.99	3.63						
3. Forestry	2.57	-0.07	4.76	1.79	6.58	1.88	-10.43	8.84						
4. Fishing	2.57	1.40	-15.20	3.77	0.65	0.98	5.75	3.25						
B. INDUSTRIAL SECTOR	-5.21	3.42	4.51	2.55	0.75	4.53	4.81	6.80						
1. Mining & Quarrying	-2.46	2.75	-4.42	5.16	3.88	1.40	3.97	6.80						
2. Manufacturing	-4.18	1.37	2.50	2.08	4.85	5.65	3.90	5.00						
Large Scale	-6.04	0.41	1.66	1.13	4.46	5.46	3.29	4.61						
Small Scale	8.57	8.47	8.51	8.35	8.28	8.29	8.22	8.21						
Slaughtering	3.82	3.16	3.67	3.53	3.63	3.38	3.35	3.63						
3. Electricity Generation & Distribution & Gas Distribution	-12.11	16.65	63.87	1.41	-26.38	-0.74	11.98	12.18						
4. Construction	-9.88	8.35	-8.56	3.08	1.08	5.96	6.24	13.10						
<u>COMMODITY PRODUCING SECTOR (A+B)</u>	<u>-0.88</u>	<u>1.76</u>	<u>3.21</u>	<u>3.09</u>	<u>1.73</u>	<u>3.49</u>	<u>3.65</u>	<u>3.29</u>						
C. SERVICES SECTOR	<u>1.33</u>	<u>3.21</u>	<u>3.94</u>	<u>4.40</u>	<u>5.13</u>	<u>4.46</u>	<u>4.31</u>	<u>5.71</u>						
1. Wholesale & Retail Trade	-2.99	1.79	2.11	1.66	3.53	4.77	2.63	4.57						
2. Transport, Storage & Communication	5.04	2.96	2.42	4.61	4.03	3.90	4.85	4.06						
3. Finance & Insurance	-9.65	-3.26	-4.22	1.64	8.32	4.31	6.48	7.84						
4. Housing Services (Ownership of Dwellings)	4.03	4.01	4.02	3.99	4.00	4.00	3.99	3.99						
5. General Government Services	5.59	7.97	14.06	11.06	11.32	2.86	4.82	11.13						
6. Other Private Services	6.54	5.75	6.63	6.40	5.26	6.22	5.96	6.64						
GDP (fc)	0.36	2.58	3.62	3.84	3.68	4.05	4.04	4.71						

F : Final, R : Revised, P : Provisional

Source: Pakistan Bureau of Statistics

TABLE 1.4

EXPENDITURE ON GROSS NATIONAL PRODUCT AT CONSTANT PRICES OF 2005-06

Flows	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	(Rs million)	
									% Change	
									2014-15 / 2013-14	2015-16 / 2014-15
Household Final										
Consumption Expenditure	6,858,767	7,010,190	7,331,681	7,700,707	7,865,407	8,304,881	8,566,925	9,167,259	3.16	7.01
General Government Final										
Consumption Expenditure	946,713	941,250	941,446	1,010,601	1,112,404	1,129,117	1,220,931	1,405,639	8.13	15.13
Gross Fixed										
Capital Formation	1,482,823	1,374,205	1,268,315	1,299,089	1,332,648	1,366,257	1,558,296	1,647,268	14.06	5.71
A. Private Sector	1,100,380	1,041,102	971,509	964,142	1,005,526	1,062,261	1,169,195	1,207,931	10.07	3.31
B. Public Sector	93,963	94,651	82,860	74,993	122,621	82,094	108,697	116,708	32.41	7.37
C. General Govt.	288,480	238,452	213,946	259,954	204,501	221,902	280,404	322,629	26.36	15.06
Change in Inventories	144,125	146,441	150,466	155,743	162,590	170,190	178,210	188,442	4.71	5.74
Export of Goods and										
Non-Factor Services	1,087,323	1,258,116	1,287,961	1,094,756	1,243,433	1,225,028	1,147,318	1,092,691	-6.34	-4.76
Less Imports of Goods										
and Non-Factor Services	1,511,926	1,577,649	1,575,767	1,526,988	1,554,628	1,558,582	1,533,530	1,723,704	-1.61	12.40
Expenditure on GDP at										
Market Prices	9,007,825	9,152,553	9,404,102	9,733,907	10,161,854	10,636,891	11,138,150	11,777,594	4.71	5.74
Plus Net Factor Income										
from the Rest of the World	201,584	310,494	372,728	386,559	403,132	474,006	548,902	687,849	15.80	25.31
Expenditure on GNP at										
at Market Prices	9,209,409	9,463,047	9,776,830	10,120,466	10,564,986	11,110,897	11,687,052	12,465,443	5.19	6.66
Less Indirect Taxes	611,768	509,152	504,829	533,424	519,054	556,679	616,350	716,693	10.72	16.28
Plus Subsidies	183,930	157,993	221,063	269,772	176,255	136,844	107,861	69,134	-21.18	-35.90
GNP at Factor Cost	8,781,571	9,111,888	9,493,064	9,856,814	10,222,187	10,691,062	11,178,563	11,817,884	4.56	5.72

F : Final, R : Revised, P : Provisional

Source: Pakistan Bureau of Statistics of Statistics

TABLE 1.5

GROSS NATIONAL PRODUCT AT CURRENT PRICES

Sectors	(Rs. in million)									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	% Change	
									2014-15 / 2013-14	2015-16 / 2014-15
A. Agriculture	2,998,621	3,461,273	4,592,720	4,753,075	5,334,976	5,976,217	6,562,832	7,040,873	9.8	7.3
1. Crops	1,460,713	1,604,816	2,309,517	1,966,610	2,192,554	2,612,933	2,713,832	2,624,689	3.9	-3.3
Important Crops	985,311	1,058,365	1,532,889	1,236,453	1,411,388	1,760,329	1,754,847	1,726,961	-0.3	-1.6
Other Crops	392,163	423,866	552,499	586,669	639,078	695,138	774,213	734,096	11.4	-5.2
Cotton Ginning	83,239	122,585	224,129	143,488	142,087	157,467	184,772	163,632	17.3	-11.4
2. Livestock	1,417,555	1,717,446	2,131,579	2,610,408	2,933,384	3,129,682	3,611,958	4,146,136	15.4	14.8
3. Forestry	65,526	72,423	89,390	113,103	136,500	153,722	146,169	166,196	-4.9	13.7
4. Fishing	54,827	66,588	62,234	62,954	72,538	79,880	90,873	103,852	13.8	14.3
B. INDUSTRIAL SECTOR	2,533,221	2,931,695	3,746,997	4,269,666	4,525,694	5,040,094	5,217,366	5,347,977	3.5	2.5
1. Mining & Quarrying	413,256	475,366	494,739	642,205	696,976	741,022	700,419	650,480	-5.5	-7.1
2. Manufacturing	1,679,072	1,943,839	2,527,651	2,809,684	3,037,311	3,408,468	3,507,017	3,552,798	2.9	1.3
Large Scale	1,427,213	1,644,117	2,144,831	2,362,410	2,519,037	2,824,463	2,850,224	2,844,358	0.9	-0.2
Small Scale	145,946	167,383	208,611	241,951	283,107	327,030	373,317	405,187	14.2	8.5
Slaughtering	105,913	132,339	174,209	205,323	235,167	256,975	283,476	303,253	10.3	7.0
3. Electricity Generation & Distribution & Gas Distribution	146,983	209,936	406,156	439,637	368,040	406,192	474,335	552,105	16.8	16.4
4. Construction	293,910	302,554	318,451	378,140	423,367	484,412	535,595	592,594	10.6	10.6
COMMODITY PRODUCING SECTOR (A+B)	5,531,842	6,392,968	8,339,717	9,022,741	9,860,670	11,016,311	11,780,198	12,388,850	6.9	5.2
C. SERVICES SECTOR	7,010,423	7,855,579	9,307,836	10,338,770	11,642,671	13,012,586	14,359,575	15,516,241	10.4	8.1
1. Wholesale & Retail Trade	2,479,758	2,824,137	3,568,178	4,006,835	4,369,465	4,924,462	5,085,934	5,203,573	3.3	2.3
2. Transport, Storage & Communication	1,693,847	1,834,476	1,923,433	1,905,704	2,311,796	2,474,818	3,105,780	3,570,442	25.5	15.0
3. Finance & Insurance	481,308	474,733	536,345	570,503	522,327	584,074	605,108	542,289	3.6	-10.4
4. Housing Services (Ownership of Dwellings)	707,261	789,220	886,370	984,148	1,092,749	1,229,110	1,371,444	1,506,452	11.6	9.8
5. General Government Services	654,144	778,002	1,009,433	1,244,687	1,486,115	1,660,434	1,818,477	2,080,066	9.5	14.4
6. Other Private Services	994,105	1,155,011	1,384,077	1,626,893	1,860,219	2,139,688	2,372,832	2,613,419	10.9	10.1
GDP (fc) (Total of GVA at bp)	12,542,265	14,248,547	17,647,553	19,361,511	21,503,341	24,028,897	26,139,773	27,905,091	8.8	6.8
Indirect Taxes	919,059	870,853	1,046,915	1,221,540	1,275,990	1,480,099	1,633,881	1,876,016	10.4	14.8
Subsidies	261,617	252,404	418,028	536,551	393,674	340,191	280,549	183,202	-17.5	-34.7
GDP(mp)	13,199,707	14,866,996	18,276,440	20,046,500	22,385,657	25,168,805	27,493,105	29,597,905	9.2	7.7
Net Factor Income from Abroad	346,281	566,247	820,225	1,035,707	1,161,607	1,428,227	1,674,811	1,868,679	17.3	11.6
Gross National Income (fc)	12,888,546	14,814,794	18,467,778	20,397,218	22,664,948	25,457,124	27,814,584	29,773,770	9.3	7.0
Gross National Product (mp)	13,545,988	15,433,243	19,096,665	21,082,207	23,547,264	26,597,032	29,167,916	31,466,584	9.7	7.9
Population (in million)	168.18	171.73	175.31	178.91	182.53	186.19	189.87	193.56	2.0	1.9
Per Capita Income(fc-Rs)	76,635	86,268	105,347	114,008	124,171	136,727	146,493	153,822	7.1	5.0
Per Capita Income(mp-Rs)	80,545	89,869	108,934	117,837	129,005	142,849	153,620	162,568	7.5	5.8
Per Capita Income(mp-US \$)	1,026.1	1,072.4	1,274.1	1,320.5	1,333.7	1,388.8	1,516.8	1,560.7	9.2	2.9
GDP Deflator Index	146.2	161.9	193.5	204.4	219.0	235.2	245.9	250.7	4.6	2.0
GDP Deflator (Growth %)	20.7	10.7	19.5	5.7	7.1	7.4	4.6	2.0		

F : Final, R : Revised, P : Provisional

Source: Pakistan Bureau of Statistics

TABLE 1.6

EXPENDITURE ON GROSS NATIONAL PRODUCT AT CURRENT PRICES

Flows	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	(Rs. in million)	
									% Change	
									2014-15 / 2013-14	2015-16 / 2014-15
Household Final										
Consumption Expenditure	10,455,752	11,851,316	14,831,293	16,527,831	18,091,829	20,391,214	21,995,133	23,698,864	7.87	7.75
General Government Final										
Consumption Expenditure	1,388,459	1,533,713	1,779,421	2,102,628	2,463,120	2,708,918	3,011,195	3,506,665	11.16	16.45
Gross Fixed										
Capital Formation										
A. Private Sector	1,539,444	1,557,909	1,697,795	1,950,349	2,202,307	2,483,817	2,792,865	2,896,454	12.44	3.71
B. Public Sector	132,458	146,033	146,849	155,813	285,094	207,012	279,632	287,236	35.08	2.72
C. General Govt.	433,383	407,849	443,681	595,296	502,725	589,993	743,325	844,512	25.99	13.61
Change in Inventories	211,195	237,872	292,423	320,744	358,171	402,701	439,890	473,566	9.23	7.66
Export of Goods and										
Non-Factor Services	1,636,203	2,009,463	2,552,610	2,485,097	2,972,178	3,081,312	2,910,171	2,573,396	-5.55	-11.57
Less Imports of Goods										
and Non-Factor Services	2,597,187	2,877,159	3,467,632	4,091,258	4,489,767	4,696,162	4,679,106	4,682,788	-0.36	0.08
Expenditure on GDP at										
Market Prices	13,199,707	14,866,996	18,276,440	20,046,500	22,385,657	25,168,805	27,493,105	29,597,905	9.23	7.66
Plus Net Factor Income										
from the Rest of the World	346,281	566,247	820,225	1,035,707	1,161,607	1,428,227	1,674,811	1,868,679	17.27	11.58
Expenditure on GNP at										
at Market Prices	13,545,988	15,433,243	19,096,665	21,082,207	23,547,264	26,597,032	29,167,916	31,466,584	9.67	7.88
Less Indirect Taxes	919,059	870,853	1,046,915	1,221,540	1,275,990	1,480,099	1,633,881	1,876,016	10.39	14.82
Plus Subsidies	261,617	252,404	418,028	536,551	393,674	340,191	280,549	183,202	-17.53	-34.70
GNP at Factor Cost	12,888,546	14,814,794	18,467,778	20,397,218	22,664,948	25,457,124	27,814,584	29,773,770	9.26	7.04

F : Final, R : Revised, P : Provisional

Source: Pakistan Bureau of Statistics

TABLE 1.7

GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE, PUBLIC, AND GENERAL GOVERNMENT SECTORS BY ECONOMIC ACTIVITY AT CURRENT MARKET PRICES

Sector	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	(Rs. in million)	
									% Change	
									2014-15 / 2013-14	2015-16 / 2014-15
GFCF (A+B+C)	2,105,285	2,111,791	2,288,325	2,701,458	2,990,126	3,280,822	3,815,822	4,028,202	16.3	5.6
A. Private Sector	1,539,444	1,557,909	1,697,795	1,950,349	2,202,307	2,483,817	2,792,865	2,896,454	12.4	3.7
B. Public Sector	132,458	146,033	146,849	155,813	285,094	207,012	279,632	287,236	35.1	2.7
C. General Govt.	433,383	407,849	443,681	595,296	502,725	589,993	743,325	844,512	26.0	13.6
Private & Public (A+B)	1,671,902	1,703,942	1,844,644	2,106,162	2,487,401	2,690,829	3,072,497	3,183,690	14.2	3.6
SECTOR-WISE:										
1. Agriculture	371,908	442,507	537,050	624,512	698,903	725,388	820,800	868,675	13.2	5.8
2. Mining and Quarrying	46,855	59,068	42,757	51,993	44,417	70,138	65,062	94,827	-7.2	45.7
3. Manufacturing (A+B)	354,565	270,379	259,307	285,010	372,582	381,421	422,768	429,365	10.8	1.6
A. Large Scale	345,013	258,293	243,309	266,844	351,715	357,556	396,371	400,148	10.9	1.0
B. Small Scale (including Slaughtering)	9,552	12,086	15,998	18,166	20,867	23,865	26,397	29,217	10.6	10.7
4. Electricity Generation & Distribution & Gas Distribution	101,529	96,967	129,720	132,760	162,755	104,926	217,718	166,256	107.5	-23.6
5. Construction	36,441	24,200	16,626	24,453	30,220	49,042	39,700	49,632	-19.0	25.0
6. Wholesale and Retail Trade	36,003	41,716	51,616	57,954	64,422	73,000	74,741	77,204	2.4	3.3
7. Transport & Communication	267,784	298,998	252,884	268,177	351,980	436,682	501,819	478,626	14.9	-4.6
8. Finance & Insurance	35,716	30,873	28,704	36,096	47,461	40,770	47,676	51,713	16.9	8.5
9. Housing Services (Ownership of Dwellings)	288,378	285,256	341,565	408,562	468,463	525,816	568,524	624,205	8.1	9.8
10. Other Private Services	132,723	153,978	184,415	216,645	246,198	283,646	313,689	343,187	10.6	9.4

F : Final, R : Revised, P : Provisional

(Contd.)

TABLE 1.7 a
GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE SECTOR BY ECONOMIC ACTIVITY
AT CURRENT MARKET PRICES

Sector	(Rs. in million)									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	% Change	
									2014-15/ 2013-14	2015-16/ 2014-15
PRIVATE SECTOR	1,539,444	1,557,909	1,697,795	1,950,349	2,202,307	2,483,817	2,792,865	2,896,454	12.4	3.7
1. Agriculture	371,853	442,429	536,980	624,418	698,810	725,292	820,674	868,415	13.2	5.8
2. Mining and Quarrying	32,195	46,404	30,606	33,919	29,214	48,205	38,208	54,344	-20.7	42.2
3. Manufacturing (A+B)	352,415	268,947	256,693	282,127	366,804	375,567	421,114	426,969	12.1	1.4
A. Large Scale	342,863	256,861	240,695	263,961	345,937	351,702	394,717	397,752	12.2	0.8
B. Small Scale (including Slaughtering)	9,552	12,086	15,998	18,166	20,867	23,865	26,397	29,217	10.6	10.7
4. Electricity Generation & Distribution & Gas Distribution	36,518	19,027	49,866	61,388	9,590	20,855	54,739	14,430	162.5	-73.6
5. Construction	21,716	14,251	8,836	13,076	14,219	29,122	30,128	43,341	3.5	43.9
6. Wholesale and Retail Trade	36,003	41,716	51,616	57,954	64,422	73,000	74,741	77,204	2.4	3.3
7. Transport & Communication	237,193	259,350	211,803	223,175	267,704	366,473	429,381	402,037	17.2	-6.4
8. Finance & Insurance	30,450	26,551	25,415	29,085	36,883	35,841	41,667	42,322	16.3	1.6
9. Housing Services (Ownership of Dwellings)	288,378	285,256	341,565	408,562	468,463	525,816	568,524	624,205	8.1	9.8
10. Other Private Services	132,723	153,978	184,415	216,645	246,198	283,646	313,689	343,187	10.6	9.4

F : Final, R : Revised, P : Provisional

(Contd.)

TABLE 1.7 b

GROSS FIXED CAPITAL FORMATION (GFCF) IN PUBLIC AND GENERAL GOVERNMENT SECTORS BY ECONOMIC ACTIVITY AT CURRENT MARKET PRICES

Sector	(Rs. in Million)									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	% Change	
									2014-15 / 2013-14	2015-16 / 2014-15
Public Sector and										
General Govt. (A+B)	565,841	553,882	590,530	751,109	787,819	797,005	1,022,957	1,131,748	28.4	10.6
A. Public Sector (Autonomous & Semi Auto-Bodies)	132,458	146,033	146,849	155,813	285,094	207,012	279,632	287,236	35.1	2.7
1. Agriculture	55	78	70	94	93	96	126	260	31.3	106.3
2. Mining and Quarrying	14,660	12,664	12,151	18,074	15,203	21,933	26,854	40,483	22.4	50.8
3. Manufacturing	2,150	1,432	2,614	2,883	5,778	5,854	1,654	2,396	-71.7	44.9
4. Electricity Generation & Distribution & Gas Distribution	65,011	77,940	79,854	71,372	153,165	84,071	162,979	151,826	93.9	-6.8
5. Construction	14,725	9,949	7,790	11,377	16,001	19,920	9,572	6,291	-51.9	-34.3
6. Transport & Communication	30,591	39,648	41,081	45,002	84,276	70,209	72,438	76,589	3.2	5.7
Railways	1,907	10,874	2,136	4,265	24,478	8,767	6,196	7,210	-29.3	16.4
Post Office & PTCL	7,774	8,373	11,336	14,146	12,600	18,137	18,232	17,422	0.5	-4.4
Others	20,910	20,401	27,609	26,591	47,198	43,305	48,010	51,957	10.9	8.2
7. Finance & Insurance	5,266	4,322	3,289	7,011	10,578	4,929	6,009	9,391	21.9	56.3
8. Other Private Services										
B. General Govt.	433,383	407,849	443,681	595,296	502,725	589,993	743,325	844,512	26.0	13.6
Federal	115,100	130,342	130,832	144,806	147,751	164,736	208,953	237,164	26.8	13.5
Provincial	213,290	219,840	242,542	372,721	288,464	358,791	442,650	528,753	23.4	19.5
District Governments	104,993	57,667	70,307	77,769	66,510	66,466	91,722	78,595	38.0	-14.3

F : Final, R : Revised, P : Provisional

Source: Pakistan Bureau of Statistics

TABLE 1.8

GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE, PUBLIC, AND GENERAL GOVERNMENT SECTORS BY ECONOMIC ACTIVITY AT CONSTANT PRICES (2005-06)

Sector	(Rs. in million)									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	% Change	
									2014-15/ 2013-14	2015-16/ 2014-15
GFCF (A+B+C)	1,482,823	1,374,205	1,268,315	1,299,089	1,332,648	1,366,257	1,558,296	1,647,268	14.1	5.7
A. Private Sector	1,100,380	1,041,102	971,509	964,142	1,005,526	1,062,261	1,169,195	1,207,931	10.1	3.3
B. Public Sector	93,963	94,651	82,860	74,993	122,621	82,094	108,697	116,708	32.4	7.4
C. General Govt.	288,480	238,452	213,946	259,954	204,501	221,902	280,404	322,629	26.4	15.1
Private & Public (A+B)	1,194,343	1,135,753	1,054,369	1,039,135	1,128,147	1,144,355	1,277,892	1,324,639	11.7	3.7
SECTOR-WISE:										
1. Agriculture	277,113	295,484	297,865	289,469	301,042	296,850	315,736	316,339	6.4	0.2
2. Mining and Quarrying	33,165	37,484	23,831	25,235	18,656	25,880	23,508	34,175	-9.2	45.4
3. Manufacturing (A+B)	236,819	158,703	125,581	125,388	152,586	144,695	160,489	164,641	10.9	2.6
A. Large Scale	229,657	151,013	117,325	116,526	143,072	134,480	149,523	152,868	11.2	2.2
B. Small Scale (including Slaughtering)	7,163	7,690	8,255	8,863	9,514	10,215	10,966	11,773	7.4	7.4
4. Electricity Generation & Distribution & Gas Distribution	71,864	61,535	72,300	64,438	68,359	38,716	78,667	59,916	103.2	-23.8
5. Construction	27,025	18,869	11,260	14,398	16,140	24,268	18,896	24,197	-22.1	28.1
6. Wholesale and Retail Trade	23,965	24,390	24,890	25,308	26,206	27,456	28,195	29,494	2.7	4.6
7. Transport & Communication	189,689	195,846	144,110	122,203	153,081	180,484	225,791	248,082	25.1	9.9
8. Finance & Insurance	23,774	18,050	13,841	15,762	19,307	15,334	17,985	19,756	17.3	9.8
9. Housing Services (Ownership of Dwellings)	213,867	222,422	231,319	240,571	250,194	260,202	270,610	281,434	4.0	4.0
10. Other Private Services	97,062	102,969	109,374	116,362	122,576	130,470	138,015	146,605	5.8	6.2

F : Final, R : Revised, P : Provisional

(Contd.)

TABLE 1.8 a
GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE SECTOR BY ECONOMIC ACTIVITY
AT CONSTANT PRICES (2005-06)

Sector	(Rs. in million)									
	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	% Change	
									2014-15 / 2013-14	2015-16 / 2014-15
PRIVATE SECTOR	1,100,380	1,041,102	971,509	964,142	1,005,526	1,062,261	1,169,195	1,207,931	10.1	3.3
1. Agriculture	277,068	295,422	297,817	289,415	300,990	296,800	315,671	316,204	6.4	0.2
2. Mining and Quarrying	22,788	29,448	17,058	16,463	12,270	17,787	13,805	19,585	-22.4	41.9
3. Manufacturing (A+B)	235,388	157,866	124,320	124,130	150,236	142,493	159,865	163,726	12.2	2.4
A. Large Scale	228,225	150,176	116,065	115,267	140,722	132,278	148,899	151,953	12.6	2.1
B. Small Scale (including Slaughtering)	7,163	7,690	8,255	8,863	9,514	10,215	10,966	11,773	7.4	7.4
4. Electricity Generation & Distribution & Gas Distribution	25,848	12,075	27,793	29,796	4,028	7,695	19,779	5,200	157.0	-73.7
5. Construction	16,105	11,112	5,984	7,699	7,594	14,411	14,340	21,130	-0.5	47.4
6. Wholesale and Retail Trade	23,965	24,390	24,890	25,308	26,206	27,456	28,195	29,494	2.7	4.6
7. Transport & Communication	168,019	169,876	120,699	101,697	116,428	151,467	193,197	208,385	27.6	7.9
8. Finance & Insurance	20,269	15,523	12,255	12,701	15,004	13,480	15,718	16,168	16.6	2.9
9. Housing Services (Ownership of Dwellings)	213,867	222,422	231,319	240,571	250,194	260,202	270,610	281,434	4.0	4.0
10. Other Private Services	97,062	102,969	109,374	116,362	122,576	130,470	138,015	146,605	5.8	6.2

F : Final, R : Revised, P : Provisional

(Contd.)

TABLE 1.8 b
GROSS FIXED CAPITAL FORMATION (GFCF) IN PUBLIC AND GENERAL GOVERNMENT SECTORS BY ECONOMIC ACTIVITY
AT CONSTANT PRICES (2005-06)

Sector	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 F	2014-15 R	2015-16 P	(Rs. in Million)	
									% Change	
									2014-15 / 2013-14	2015-16 / 2014-15
Public Sector and										
General Govt. (A+B)	382,443	333,103	296,806	334,947	327,122	303,996	389,101	439,337	28.0	12.9
A. Public Sector (Autonomous & Semi Auto-Bodies)	93,963	94,651	82,860	74,993	122,621	82,094	108,697	116,708	32.4	7.4
1. Agriculture	45	62	48	54	52	50	65	135	30.0	107.7
2. Mining and Quarrying	10,377	8,037	6,772	8,772	6,386	8,093	9,703	14,590	19.9	50.4
3. Manufacturing	1,431	837	1,260	1,259	2,350	2,202	624	915	-71.7	46.6
4. Electricity Generation & Distribution & Gas Distribution	46,016	49,461	44,507	34,642	64,331	31,021	58,888	54,716	89.8	-7.1
5. Construction	10,920	7,758	5,276	6,699	8,546	9,857	4,556	3,067	-53.8	-32.7
6. Transport & Communication	21,670	25,970	23,411	20,506	36,653	29,017	32,594	39,697	12.3	21.8
Railways	1,351	7,123	1,217	1,943	10,646	3,623	2,788	3,737	-23.0	34.0
Post Office & PTCL	5,507	5,484	6,460	6,446	5,480	7,496	8,204	9,030	9.4	10.1
Others	14,812	13,363	15,733	12,117	20,527	17,898	21,602	26,930	20.7	24.7
7. Finance & Insurance	3,505	2,527	1,586	3,061	4,303	1,854	2,267	3,588	22.3	58.3
8. Other Private Services										
B. General Govt.	288,480	238,452	213,946	259,954	204,501	221,902	280,404	322,629	26.4	15.1
Federal	76,616	76,206	63,088	63,234	60,103	61,959	78,823	90,604	27.2	14.9
Provincial	141,976	128,531	116,955	162,760	117,343	134,945	166,981	201,999	23.7	21.0
District Governments	69,888	33,716	33,902	33,960	27,055	24,998	34,600	30,026	38.4	-13.2

F : Final, R : Revised, P : Provisional

Source: Pakistan Bureau of Statistics