OVERVIEW OF THE ECONOMY

Global Economic Review

The world changed dramatically during the fiscal year FY2020; an attempt to amend Hong Kong's extradition law triggered the worst crisis in the Asia's biggest financial center since its handover to China in 1997. In August 2019, Indian government abolished decades-old laws that gave autonomy to the Indian-held Kashmir, leading to a suspension of trade between the two rival nuclear states: India and Pakistan. United Kingdom's exit from EU, which was mutually agreed, changed EU forever, also deepening the Euro crisis. Trade war between the US and China, which started in July 2018, rumbled on in FY2020 and oil prices crashed drastically on the back of increased supplies and lowering demands due to the global economic slowdown.

While the world players were trying to balance of above disruptions, a novel virus, (COVID-19), emerged in Wuhan, China, and WHO on March 11 declared COVID-19 a pandemic. Since then, the virus has engulfed the entire world, disrupting the supply chains and paralyzing the continents. The pandemic is not only inflicting unprecedented damage to human lives but it has also taken a heavy toll on global economic activity. In particular, various necessary measures to control the spread has brought much of the global economic activity to a halt. Consequently, countries are now facing multiple crises—a health crisis, a financial crisis, and a collapse in commodity prices.

On one hand, the pandemic has put the whole world in a Lockdown and changed the dynamics of ongoing and future economic activities, while on the other, the pandemic wiped out any mentionable economic performance of any economy. "**The Lockdown",** is shaping up into the worst crisis since **The Great Depression of 1930s**.

The economic impact of COVID-19 depends on the pathway of the pandemic, the effectiveness of containment measures, the magnitude of supply disruptions, the impact of tightening in global financial market conditions, changes in spending patterns, behavioral changes and unstable commodity prices. The World Economic Outlook (April, 2020) projects global growth to contract sharply by -3 percent in 2020 and the loss to global GDP over 2020 and 2021 could be around 9 trillion dollars due to the pandemic crisis. The global growth is projected to rebound to 5.8 percent in 2021. However, growth outcomes will be depending on the course pandemic will chart and therefore they have the potential to be much worse. Above forecasts are based on the assumption that the pandemic will peak during the second quarter of 2020 and fade in the second half of the year, with business closures and other containment measures gradually being relaxed.

In the advanced economies, most of the countries are experiencing widespread outbreaks and responding with stringent containment measures. As a result, their growth is being projected at negative 6.1 percent in 2020. A sharp contraction in economic growth is expected in countries like United States, Japan, United Kingdom, Germany, France, Italy and Spain. Within emerging markets and developing economies, the growth rate is projected to contract by negative 1.0 percent in 2020. Excluding China, the growth rate for the group is expected to be negative 2.2 percent. The economic growth in Emerging Asia is projected to be positive one percent in 2020: more than 5 percentage points below its average in the previous decade. Within the region, India and Indonesia are expected to witness a modest growth in 2020, while Pakistan is projected to experience contraction in growth during 2020.

Pakistan Economic Review

The fundamental weaknesses of Pakistani economy: low tax to GDP ratio, poor savings rate and minimal export growth with negligible value addition etc. were further attenuated by misaligned economic policies like loose monetary policy and overvalued exchange rate which have made it difficult to control twin deficits; the fiscal and the current account. This, in the short term, fueled demand and short-term growth, but has gradually eroded macroeconomic buffers, increased public debt and depleted international reserves. Moving along this path was unsustainable as it was moving the country towards ever slowing growth and eventual default.

The shift in economic policy undertaken by the present government, through its policy of adjustments and structural reforms, has changed the course entailing readjustment in the fiscal and monetary policies. The stabilization process gained momentum with the commencement of the IMF's 39-months Extended Fund Facility (EFF) arrangement program in July 2019. The stabilization measures implemented to reduce the twin deficits had a profound impact on economic activity during the year.

As the new fiscal year FY2020 began, the economy started to witness a remarkable turnaround which confirmed that the Government has taken appropriate policy actions to address the macroeconomic imbalances. The stabilization efforts paid off in terms of sustained adjustment in current account deficit and continued fiscal prudence. For the first time in many years, the current account deficit posted a surplus in October, FY2019. While primary balance continued to remain in surplus during the current fiscal year. During July-March, FY2020, fiscal deficit has been reduced to 4.0 percent of GDP, while current account deficit reduced by 71 percent during July-April, FY2020. In addition stable exchange rate, healthy growth in FDI (126.8 percent), improved ranking in World Bank's ease of doing business index, and 'Stable'' credit outlook to B3 from 'Negative' by Moody's, reaffirmed the successful policies of Government in stabilizing the economy and laying a foundation for robust growth.

Nevertheless, the government remained cognizant of painful impact of these stabilization measures in terms of economic slowdown, rising inflation, low pace of job opportunities and resultantly its impact on the lowest income groups of the society. In the wake of these challenges, the government initiated reforms in key sectors of the economy with bringing improvement in the real sector growth through inclusive growth in agriculture, industrial and services sectors.

To control the price hike, the government made efforts through ensuring smooth supply of commodities, checking hoarding, smuggling and undue profiteering. Further, vigilant monitoring of prices both at federal and provincial level was ensured. In addition, to check inflationary impact, borrowing from SBP has been discontinued and restriction has been imposed on supplementary grants to control aggregate demand and ease out inflationary pressures. The emphasis has been on price control through different policy, administrative and relief measures.

To cushion the impact of needed stabilization policies on the poor, targeted poverty reduction interventions have been made through Ehsaas program, BISP, SehatSahulat program and expanding coverage of Waseela-e-Taleem program etc.

Job creation is one of the key objectives of economic reform agenda of the Government for which National Agriculture Emergency Program, “KamyabJawan Program (low cost loans to youth for business)”, “Naya Pakistan Housing Program” to construct 5 million houses in 5 years and Ten Billion Tree Tsunami have been launched, which have the potential to create 1.5 to 2 million jobs by December, 2020. PSDP allocation has also been increased from Rs 561.7 billion to Rs 701 billion in FY2020 stimulating private manufacturing and construction sector.

Above Government policy actions and implementation of comprehensive economic reform agenda helped the economy in averting the otherwise imminent balance of payments crises and subsequently all macro-economic indicators moved towards stabilization. However, as the economy was transitioning from stabilization to growth, the outbreak of Coronavirus (COVID-19) during the second half of current fiscal year brought multifaceted challenges for Pakistan to preserve the economic gains achieved as a result of various efforts to improve the fundamentals of the economy.

Similar to the entire world, Pakistan’s economy has also been affected due to COVID-19 outbreak through various channels like decline in domestic as well as global demand, down turn in tourism and business travel, Trade and production linkages and Supply disruptions etc. The rapid spread of the COVID-19 virus since February 2020 has brought economic activity to a near-halt. However, magnitude of economic losses will depend on intensity and duration of COVID-19.

As the economy has been subjected to demand and supply shocks, the outgoing fiscal year 2020 has witnessed a contraction in economic activity. The provisional GDP growth rate for FY2020 is estimated at negative 0.38 percent on the basis of 2.67, -2.64 and -0.59 percent growth in agricultural, industrial and services sectors respectively. For FY2020, the negative performance of both Industry and Services overshadowed the growth in the agriculture sector. With the objective of reducing the propagation of COVID-19, social distancing was implemented which resulted in lockdown which severely affected activity in contact-intensive businesses. Thus, the negative impact of COVID-19 was so pronounced that the services sector posted negative growth of 0.59 percent.

To invigorate the growth, the government announced Rs 1.24 trillion relief package. The SBP has also taken various steps including reduction in interest rate to 8 percent, refinancing schemes for medical centers and various incentives for export-oriented industries etc.

There has been considerable support from the international lenders. The IMF has given a one-year relief to Pakistan amid the pandemic and a US$1.386 billion were given under the Rapid Financing Instrument to address the economic impact of the COVID-19. Aid packages from Asian Development and the World Bank, along with inclusion by G-20 in their debt relief program, will enable the economy to greatly make up for the projected loss.

As the economy slowly reopens, it is expected that the adverse impact of COVID-19 will be bottoming out. However, the framework for recovery will depend on various factors like extent of adverse impact on various sectors, duration as well as severity of lockdowns and the associated risks. The outlook therefore carries challenges due to uncertainties associated with it. However, fiscal stimulus package of Rs 1.24 trillion announced by the Government along with measures taken by State Bank of Pakistan for providing liquidity support to households and businesses will counteract the current economic downturn and provide much needed relief to the population in need.

EXECUTIVE SUMMARY

Growth and Investment

Although, provisional GDP growth rate for FY2020 is estimated at negative 0.38 percent, however, macroeconomic stabilization measures undertaken by the government over the past year resulted in significant reduction in Saving-Investment Gap which was mainly driven by reduction in trade deficit and increase in workers' remittances. It is also mentionable that fiscal deficit remained contained in first three quarters of FY2020.

Historically, Private Consumption had significantly contributed in Pakistan's economic growth. The pattern was likely to continue, however, due to COVID-19, private consumption suffered significantly. In percentage of GDP, it dropped to 78.5 percent in FY2020 compared to 82.9 percent in FY2019. Private Investment as a percentage of GDP dropped to 9.98 percent from 10.29 percent in FY2019 while Public Investment (including General Government investment) has shown improvement as it remained 3.8 percent compared to 3.7 percent last year. However, there was 13.2 percent growth in Public Investment (including General Government investment) during FY2020, while it declined by 21.6 percent last year.

The economy of Pakistan like other economies has a diverse structure with three main sectors -agriculture, industry and services. The agriculture sector, as mentioned earlier, grew by 2.67 percent. The crops sector has witnessed positive growth of 2.98 percent during FY2020 mainly due to positive growth of 2.90 percent in important crops.

According to Pakistan Bureau of Statistics, fourth quarter has been estimated by keeping in view the lockdown situation faced by the industrial sector due to COVID-19. Significant impact has been observed in the manufacturing sector, particularly Large-Scale manufacturing and Small-Scale Manufacturing. The provisional growth in industrial sector has been estimated at -2.64 percent mainly due to a negative growth of 8.82 percent in mining and quarrying sector and decline of 7.78 percent in large-scale manufacturing sector. Due to lock down situation in the country, the growth estimates of Small-Scale Industry for FY2020 are 1.52 percent.

Similar to the industrial sector, services sector of the economy has also witnessed significant impact of the lock down situation in the country due to COVID-19, particularly in Wholesale and Retail Trade and Transport Sectors. The services sector has declined provisionally at 0.59 percent mainly due to 3.42 percent decline in Wholesale and Retail Trade sector and 7.13 percent decline in Transport, Storage and Communication sectors. Finance and insurance sector witnessed a slight increase of 0.79 percent. The Housing Services, General Government Services and Other private services have contributed positively at 4.02, 3.92 and 5.39 percent respectively.

Agriculture

The agriculture sector recorded strong growth of 2.67 percent, considerably higher than 0.58 percent growth achieved in last year. Regarding “Kharif” crops, Rice production increased by 2.9 percent to 7.410 million tonnes and Maize production by 6.0 percent to 7.236 million tonnes while Cotton production declined by 6.9 percent to 9.178 million bales and sugarcane production by 0.4 percent to 66.880 million tonnes. Wheat is the most important crop of “Rabi”, which showed growth of 2.5 percent to reach 24.946 million tonnes.

Other crops showed growth of 4.57 percent mainly due to increase in production of pulses, oilseeds and vegetables. Cotton ginning declined by 4.61 percent due to decrease in production of cotton crop. Thus, the crops sector experienced a remarkable growth of 2.98 percent due to increase in growth of important crops by 2.90 percent.

Livestock Sector achieved the growth of 2.58 percent. The Fishing sector grew by 0.60 percent, while Forestry sector increased by 2.29 percent.

During 2019-20, the total availability of water for the Kharif crops 2019 reached 65.2 million MAF showing an increase of 9.4 percent over 59.6 MAF of Kharif 2018. During Rabi season 2019-20, the total water availability reached 29.2 MAF, showing an increase of 17.7 percent over Rabi 2018-19 and 19.8 percent less than the normal availability of 36.4 MAF.

Fertilizers production during FY2020 (July-March) increased by 5.8 percent over the same period last year on the back of additional supply of gas for fertilizers. The fertilizer import decreased by 20.7 percent. During FY2020 (July-March), there was an uptick in agriculture credit disbursement, the banks have disbursed Rs 912.2 billion higher by 13.3 percent than the disbursement of Rs 804.9 billion made during the same period last year.

Manufacturing and Mining

The Large-Scale Manufacturing (LSM) declined by 5.4 percent during July-March FY2020 as compared to 2.34 percent decline during the same period last year. There are number of factors which contributed to negative growth of LSM. Pak rupee depreciated by 3.9 percent during July-March FY2020 which increased the cost structure of industries in general and for those relying on imported raw materials in particular. Furthermore, policy rate was kept high to contain inflation which discouraged investment. Subdued demand further hampered the overall production and performance of the industry. Certain sector-specific issues also contributed to the decline in LSM. Automobile sector alone accounted for major portion of contraction in LSM. Its prices witnessed multiple upward revisions due to PKR depreciation which held the potential buyers from making booking and purchases. Upward adjustment in electricity prices dented domestic steel producers’ margins.

The Mining and Quarrying sector showed negative growth of 8.82 percent during FY2020 as against 3.19 percent decline last year. This sector is lagging behind despite huge potential due to interconnected and cross cutting issues like poor regulatory framework, insufficient infrastructure at mines sites, outdated technology installed, semi-skilled labor, low financial support and lack of marketing. Minerals that witnessed negative growth are Coal 6.34 percent, Natural gas 6.36 percent, Crude Oil 10.55 percent, Chromite 54.5 percent, Magnesite 55.9 percent, Lime Stone 14.71 percent, Marble 3.62 percent and Iron Ore 32.73 percent. However, Barytes, Quartz, Ocher and Dolomite posted a positive growth of 241.6 percent, 130.8 percent, 68.8 percent and 16.27 percent, respectively.

Fiscal Development

The fiscal outcomes remained strong during the first nine months of current fiscal year after sharp deterioration in FY2019. Government’s stringent fiscal strategy to improve the revenues along with expenditure rationalization helped in improving all fiscal indicators. Particularly, the imbalances on fiscal side reverted to the path of fiscal discipline and fiscal consolidation.

The fiscal deficit has substantially reduced to 4.0 percent of GDP during July-March, FY2020 against 5.1 percent of GDP in the comparable period last year. Similarly, a remarkable turnaround is visible in primary balance, which posted a surplus of Rs 194 billion during July-March, FY2020 against the deficit of Rs 463 billion. Overall, the improvement in fiscal account is largely attributed to higher provincial surplus and sharp rise in non-tax revenues.

FBR tax collection grew by 10.8 percent to Rs 3,300.6 billion during July-April, FY2020 against Rs 2,980.0 billion in the comparable period last year. Various policy measures such as charging sales tax on more items at retail price under 3rd Schedule, reinstatement of taxes on telecom services, an upward revision of tax rates on various salary slabs, an upward revision in the federal excise duty (FED) rates and end of preferential treatment for certain sectors provided impetus to tax collection were taken during FY 2020.

Non-tax revenues grew sharply during July-March, FY2020 on the back of SBP profit and rise in receipt of telecom licenses renewal fees. It stood at Rs 1,095.6 billion during July-March, FY2020 against Rs 421.6 billion in the same period of FY2019. Thus, total revenues grew by 30.9 percent during July-March, FY2020 against 0.04 percent growth in the comparable period of FY2019.

Total expenditures grew by 15.8 percent during July-March, FY2020 over the same period last year. Within total, current expenditure posted 16.9 percent growth in nine months of current fiscal on account of higher mark-up payments, grants for social spending and expenditures on social protection. Similarly, PSDP spending witnessed a significant rise both at federal and provincial levels. Overall PSDP expenditures grew by 24.9 percent during July-March, FY2020 over previous year.

Fiscal position till March, 2020 indicated improved fiscal performance, however, the COVID-19 pandemic has brought significant challenges for the economy; in particular, fiscal accounts are expected to come under significant pressure. At present, the government is increasing the expenditures on public health and strengthening social safety net programs, along with introducing various other measures to lessen the impact of the COVID-19 on economy. Similarly, achieving revenue targets of both tax and non-tax segments would be challenging due to disruption in economic activity. The short term economic impact of COVID-19 is expected to be significant creating large fiscal and external financing needs.

Money and Credit

In order to absorb the inflationary pressure and to contain an overheated economy through domestic demand, SBP increased the policy rate by 100 bps to 13.25 percent in the beginning of the fiscal year 2020. However, SBP has reversed its monetary policy stance due to improved outlook for inflation on the back of decreasing domestic food prices, sharp fall in global oil prices and decline in demand pressures due to COVID-19. It reduced the policy rate by cumulative 525 bps to 8 percent in four consecutive decisions between March 17th and May 15th.

In addition, SBP has introduced number of measures and some concessional refinance schemes to address both the demand and supply side conditions for businesses such as Temporary Economic Refinance Facility, Refinance Facility for Combating COVID-19 and Refinance Scheme for Payment of Wages and Salaries to the Workers and Employees of Business Concerns. These measures are aimed at facilitating the businesses to remain afloat during the crisis times.

Broad money has increased to Rs 1,481.3 billion during 01 Jul-24 Apr, FY2020 showing a sharp expansion in the Net Foreign Assets (NFA) of the banking system which reached to Rs 893.7 billion. Credit to private sector contained to Rs 304.7 billion during 01 Jul-24 Apr, FY2020 as compared to the expansion of Rs 581 billion in the corresponding period due to slowdown in economic activities.

Under the IMF’s Extended Fund Facility (EFF) program, the government had committed not to borrow from the SBP to finance its deficit and most of the demand has been met by scheduled banks. For budgetary support, government has borrowed Rs 1,023.91 billion during 01 Jul-24 Apr, FY2020 against the borrowing of Rs 990.87 billion last year. Government has retired Rs 736.47 billion to SBP against the borrowing of Rs 3,204.72 billion in last year. On contrary, Government has borrowed Rs 1,760.38 billion from scheduled banks against the retirement of Rs 2,213.85 billion last year.

Capital Markets & Corporate Sector

Capital markets help to channelize savings to the most productive investments. In FY2020, Pakistan's capital markets faced challenges on multiple fronts. High inflation, austerity measures, oil price crash and COVID-19 pandemic jolted the capital market. As a result, Pakistan's benchmark KSE-100 index recorded a modest growth of 0.61 percent in the first ten months of FY2020.

The index kicked-off with 33,901.58 points on July 1st, and reached the year's peak of 43218.67 points on January 13th, 2020. After the COVID-19 outbreak, capital began flowing out of the Pakistan stock market and the index plunged to 27228.8 points and market capitalization closed at Rs 5380.17 billion on March 25th. However, the Government's stimulus package provided relief to investors as KSE-100 index gained 6877.84 points (↑25.25 percent) since March 25th and index closed at 34111.64 points on April 30th. Similarly, Market Capitalization increased by Rs 991.54 billion (↑18.4 percent) since March 25th and closed at Rs 6376.71 billion on April 30th.

SECP took a number of measures to facilitate the market and to absorb the prevailing shocks. The duration of index-based market halts has been increased from 45 minutes to 60 minutes; securities brokers have been allowed to activate and operate the Disaster Recovery terminals for trading purposes during normal operations of PSX. SECP has also notified Corporate Rehabilitation Regulations, 2019 and Corporate Restructuring Companies Rules, 2019.

Inflation

To correct the macroeconomic imbalances, Government made difficult decisions of upward adjustment in overdue gas and electricity prices, market-based exchange rate adjustments etc. Furthermore increase in commodity prices in international market also pushed up the domestic prices. During first seven months of CFY, inflationary pressures were observed and headline inflation rose to 14.6 percent in January 2020.

The inflation rate started easing out due to government policies after January and for the period July-April FY2020 recorded at 11.2 percent against 6.5 percent during the same period last year. The other inflationary indicators like Sensitive Price Indicator (SPI) recorded at 14.3 percent against 4.2 percent over the same period last year. Wholesale Price Index (WPI) recorded at 12.2 percent during Jul-April FY2020 compared to 16.2 percent same period last year.

The government is making all out efforts to ensure smooth supply of essential items and is also committed to taking strict actions against anti-competitive practices. Economic Stimulus Package, Ehsas Emergency Relief Programme, Subsidies to USC and reduction in petroleum prices, etc., will provide multidimensional positive impacts to all segments of society especially poor families. All these measures helped in contracting the CPI to single digit which fell to 8.5 percent in April 2020. This was third successive month showing decline in inflation, whereas it dropped more than 6 percent in last three months.

Trade and Payments

Exports during July-April, 2019-20 remained \$ 19.7 billion compared to \$ 20.1 billion during July-March, 2018-19, posting a decline of 2.4 percent. A sharp decline in REER due to market based exchange rate and the government's initiative to provide cheaper electricity to the textile sector have enhanced the competitiveness of the Pakistani products in the global market. The total imports during July-April FY2020 declined to \$ 36.1 billion as compared to \$ 40.3 billion same period last year, thus registered a decline of 16.9 percent.

During Jul-April FY2020, remittances increased to \$ 18.8 billion as compared to \$ 17.8 billion during same period last year, with a growth of 5.5 percent. During July-March FY2020, current account deficit (CAD) reduced by 73.1 percent to US\$ 2.8 billion (1.1 percent of GDP) against US\$ 10.3 billion last year (3.7 percent of GDP). The significant reduction in CAD reflected mainly the impact of macroeconomic stabilization measures taken by the government.

Pakistan's total liquid foreign exchange reserves increased to US\$ 17.1 billion by end March 2020, up by US\$ 2.6 billion over end-June 2019. The improvement in the Foreign Exchange reserves led to 3.6 percent appreciation of Pak rupee against US dollar during Jul-February FY2020.

The COVID-19 pandemic has generated both demand and supply shocks across the global economy and has posed significant challenges for exports to increase further in coming months. Pakistan, as net oil importer, would benefit from the decline in global oil prices in terms of reduced import bill and contraction in CAD. Despite adverse impact of pandemic on economy the overall external account liquidity has actually improved due to decline in oil and other international commodity prices.

Public Debt

Pakistan's strategy to reduce its debt burden to a sustainable level includes commitment to run primary surpluses, maintain low and stable inflation, promote measures that support higher long-term economic growth and follow an exchange rate regime based on economic fundamentals.

Total public debt was recorded at Rs 35,207 billion at end March 2020 compared with Rs 32,708 billion at end June 2019, registering an increase of Rs 2,499 billion during first nine month of current fiscal year while Federal Government borrowing for financing of its deficit was Rs 2,080 billion. This differential is mainly attributable to depreciation of Pak Rupee, increase in cash balances of the Federal Government and difference between face value (which is used for recording of debt) and the realized value (which is recorded as budgetary receipt) of PIBs issued during the period.

Public debt portfolio witnessed various positive developments during the ongoing fiscal year. Most of the net domestic debt raised was through medium-to-long-term government securities (Pakistan Investment Bonds) and National Saving Schemes. The cost of borrowing through long term government bonds declined. No new borrowing was made from SBP during ongoing fiscal year. To diversify investor base in government securities and capitalize liquidity available with Islamic Financial Institutions, government has started issuance of 5-Year Floating Rate Sukuk. All of the net external debt raised during first nine months of current fiscal year was from multilateral and bilateral sources on concessional terms.

Domestic debt was recorded at Rs 22,478 billion at end March 2020. Domestic borrowing operations remained quite successful during ongoing fiscal year despite challenging macroeconomic situation. External public debt stock reached US$ 76.5 billion (Rs 12,729 billion), witnessing an increase of US$ 3.0 billion during first nine months of current fiscal year. Interest expense is expected to remain significantly less than the budgeted amount in 2019-20 owing to re-profiling of short-term debt into long-term debt and sharp decline in cost of borrowing in longer tenor.

Over the medium term, government objective is to reduce its "Gross Financing Needs (GFN)" through various measures mainly including (i) better cash flow management through a treasury single account; (ii) lengthening of maturities in the domestic market keeping in view cost and risks trade-off; (iii) developing regular Islamic based lending program and (iv) availing maximum available concessional external financing from bilateral and multilateral development partners to benefit from concessional terms and conditions.

Government also aims to bring and maintain its Debt-to-GDP and Debt Service-to-Revenue ratios to sustainable levels through combination of greater revenue mobilization, rationalization of current expenditure and efficient/productive utilization of debt.

Education

Government has formulated National Education Policy Framework to overcome multiple challenges facing the education sector that includes: decreasing out of school children and increasing school completion; achieving uniformity in education standards; improving the quality of education; and enhancing access to and relevance of skills training.

According to PSLM Survey 2018-19, the literacy rate of the population (10 years and above) is 60 percent as compared to 58 percent in 2015-16. Province wise analysis suggests that Punjab leads with 64 percent followed by Sindh and Khyber Pakhtunkhwa (Excluding Merged Areas) with 57 percent, Khyber Pakhtunkhwa (Including Merged Areas) with 55 percent and Balochistan with 40 percent.

Public Expenditure on education was estimated at 2.3 percent of GDP in 2018-19, as compared to 2.4 percent in 2017-18. The education-related expenditure increased by 4.7 percent (to Rs 868.0 billion) in 2018-19 as compared to last fiscal year .

The Federal PSDP 2019-20 allocated an amount of Rs 4.8 billion for 11 on-going and 21 new development projects under Ministry of Federal Education & Professional Training. An amount of Rs 1.1 billion had also been allocated for 8 on-going & new education related projects being handled by Finance, Defence, Interior and Kashmir Affairs & Gilgit Baltistan Division.

During Fiscal Year 2019-20, the government has allocated Rs 29.047 billion to HEC for implementation of 138 development projects (128 ongoing & 10 new projects) of Public Sector Universities/ Higher Education Institutions. During July-March, FY2020 an amount of Rs 22.738 billion (around 80 percent of the total allocation) has been authorized to HEC for meeting expenditure against ongoing projects activities.

The present government is making efforts to introduce Single National Curriculum all over the country. The phase-I of Single National Curriculum for class 1 to 5 has been developed and its implementation would be completed by March 2021. Similarly, the phase-II of Single National Curriculum for class 6 to 8 would be ready by March 2021 and implemented by March 2022, while phase-III curriculum for class 9 to 12 would be ready by March 2022 and enforced by March 2023.

Health and Nutrition

Access to good health can contribute positively to the economic and social development of a country. Good nutrition has a direct impact on overall health and quality of life. According to the National Nutrition Survey (NNS) 2018 of Pakistan; 40 percent under five children are stunted and another 29 percent are underweight. NNS further revealed that almost 18 percent (38 million) of our population is severely food insecure. The economic costs of malnutrition are very high and persistent in terms of loss of GDP which is 3 percent ($7.6 billion) every year in Pakistan.

Government is keen for increasing health spending to fight against fatal diseases like malaria, tuberculosis, HIV/Aids, diabetes, cancer, heart diseases etc. Cumulative health expenditures by federal and provincial governments during FY2019 increased to Rs 421.8 billion from Rs 416.5 billion last year showing a growth of 1.3 percent. As a percent of GDP, it is 1.1 percent. Various programs and projects have been supported by the Government through PSDP during FY2020 in fulfillment of the Global commitment of Sustainable Development Goals (SDG) agenda to improve the health status of the people and to reduce the burden of communicable and Non-Communicable Diseases. During FY2020, PSDP allocations of Rs 24 billion were made for 62 health sector projects and Rs 11.5 million were released up to 10-04-2020.

The COVID-19 pandemic was confirmed to have reached Pakistan on 26th February 2020, when first patient in Karachi tested positive upon returning from Iran. Cognizant of the situation, the government has constituted a high-level National Coordination Committee (NCC) that evaluates the evolving situation on day to day basis to prevent the spread of pandemic. A Command and Control Center has also been established to ensure effective coordination among the federal and provincial governments to control COVID-19. Due to timely measures taken by the government in collaboration with the provinces, the outbreak has so far been prevented from getting worse. Present government is committed to improve the health care facilities and provision of good nutrition for effectively utilizing the human potential of the country.

Population, Labour Force, and Employment

Pakistan is the fifth most populated country in the world. According to the National Institute for Population Studies, population projected for 2019 is 211.17 million. Hence, population density stands at 265 per Km.

Presently, population composition of the country is skewed towards working age population. 61.4 percent of population is falling in the age group 15-64 while 12.1 percent of population is between the ages of 0-4 years and 22.1 percent is between 5-14 years. If this demographic dividend is harnessed and equipped with desired skills to meet domestic and international market requirements, the youth bulge would yield increased industrial productivity and higher foreign remittances. The government, being well aware, is stringently focusing on various employment generation programs for youth.

Employment is considered as key mechanism through which the benefits of the growth can be trickled down to the vulnerable segments of the society. With population growth rate of 2.4 percent, a large number of young labor force is adding every year. According to Labour Force Survey 2017-18 the total labour force was 65.5 million, while unemployment rate is 5.8 percent. According to that survey, the highest unemployment (11.56 percent) was prevalent among the age 20-24 indicating youth unemployment.

According to the preliminary estimates conducted by Pakistan Institute of Development Economics (PIDE), the COVID-19 pandemic can have adverse impact on employment generation during the last quarter of 2019-20. In case of limited restrictions, about 1.4 million jobs will be lost, under moderate restrictions employment loss could reach to 12.3 million and 18.53 million people will be unemployed in case of a complete shutdown .

Pakistan‘s youth bulge has tremendous energy and talent and the government is making sincere efforts to provide them ample opportunities to harness their potential. Accordingly, Kamyab Jawan Program and Hunermand Jawan Programme (Skills for All) launched by the government is helping the youth to enhance their skills which will, thus, play a pivotal role in the socio-economic reconstruction of the society.

Transport and Communication

Pakistan’s Highway network comprises of 39 national highways, motorways, expressways and strategic roads. The existing portfolio of National Highway Authority (NHA) consists of 40 on-going projects with an allocation of Rs 117,514.836 million in PSDP 2019-20. Pakistan ranks at 22nd position worldwide for the size of its road network as per road length of 263,775 Km. The country is likely to improve its ranking significantly with the construction of new mega projects under the China Pakistan Economic Corridor.

Pakistan Civil Aviation Authority (PCAA) has been spending substantial amount on undertaking various projects all over the country. PIAC has managed recovery of B-777, A 320 and ATR grounded for last 13-22 months using own resources without funding from GoP. Profitable routes have also been started which include: Sialkot- Paris – Barcelona, Peshawar- Sharjah, Peshawar-Al-Ain and Multan-Sharjah.

During FY2020 (July-February), gross earnings of Pakistan Railways grew by 8.4 percent and amounted to Rs 36,916.85 million against Rs 34,066.12 million during the same period last year.

PNSC Group has managed to achieve 6 percent increased profit of Rs 1,411 million for July 2019-March 2020 as against Rs 1,332 million in the corresponding period last year. Cumulatively, Group achieved a turnover of Rs 9,621 million as compared to Rs 7,859 million for the corresponding period last year.

As per Ministry of IT & Telecom, 07 million SIM Cards and 10,000 Banking Cards are being imported in Pakistan every month. There has been a consistent growth in IT & IT enabled Services (ITeS) remittances over the last 5 years, with a compound annual growth rate of 19.5 percent, the highest growth rate in comparison with all other industries, and the highest in the region. Pakistan's IT&ITeS exports have crossed $4.1 billion during FY2019 with export remittances nearing $1 billion. Micro enterprises, independent consultants and freelancers have contributed an estimated $500 million in IT&ITeS exports, whereas annual domestic revenue exceeds $1billion. IT&ITeS export remittances have surged to US$ 550.503 million at a growth rate of 24.71 percent during July-December 2019, in comparison to US$441.435 million during the same period last year.

During July 2015 to Dec-2019, telecom sector has attracted over US$ 1.5 billion FDI Inflow, whereas a total of US$ 8.5 billion have been invested by telecom players in Pakistan since 2002. During the first two quarters of the FY2020, telecom sector contributed Rs 142 billion to the national exchequer. Annual revenues from telecom sector have reached an estimated Rs 551.9 billion during FY2019, up from Rs 440 billion last year, registering an annual growth of 12.9 percent. Revenues from telecom sector have reached an estimated Rs 132.3 billion in the first quarter of FY2020. Pakistan Electronic Media Regulatory Authority (PEMRA) has issued 254 Licenses for FM Radio and 4,062 Cable TV Licenses. PEMRA collected advance tax from license issuances and their renewal and has deposited over Rs 1.0 billion in national exchequer.

Energy

The consumption of petroleum products in Pakistan is 19.68 million tons per annum against the supply of 11.59 million tons per annum from local refineries, while rest of the 8.09 Million tons per annum is being imported. Refineries in Pakistan are old version except PARCO and produce more than 40 percent of Furnace Oil, the lowest price value product.

The total supply of LPG during July - March 2019-20 was 739,785 Metric Ton. Currently, there are 11 LPG producers and 200 LPG marketing companies operating in the country having more than 7,000 authorized LPG distributors. During July-March 2019-20, an investment of Rs 3.72 billion approximately has been made in LPG infrastructure. LPG accounts for only 1.2 percent of the total primary energy supply in the country due to supply constraints and higher price of LPG in relation to competing fuels like natural gas, wood etc. The current size of LPG market is around 1,061,447 MT/Annum. Around 76 percent of the LPG consumed is met with Local Production in Pakistan, whereas the rest is imported.

Pakistan produces around 4 Billion Cubic Feet Per Day (Bcfd) of indigenous natural gas**.** Pakistan has an extensive gas network of over 12,971 Km Transmission 139,827 KM Distribution and 37,058 Services gas pipelines to cater the requirement of more than 9.6 million consumers across the country. Pakistan Atomic Energy Commission supplied about 7,143 million units of electricity to the national grid during 1st July 2019 to 31st March 2020.

The volume of import cargo during July-December 2019 stood at 21.878 million ton, as against the 20.125 million ton handled during corresponding period last year, showing an increase of 8.7 percent. The major non-containerized imports were Coal, LNG, POL, Chemicals, Palm oil and Grain. The Coal imports were the largest imported cargo which represented over 34 percent of total imported cargo.

Government is focusing on exploiting the abundant potential of wind, solar and other Alternate Renewable Energy resources for power generation whilst benefiting with the declining prices of RE technologies through optimum mode of development.

Social Protection

Pakistan is committed to alleviate poverty as per SDGs targets. In the wake of COVID-19, the government approved a relief package of Rs 144 billion to provide immediate cash relief of Rs 12,000 to 12 million poor families under Ehsaas. BISP budgetary allocation has also been increased from Rs 102 billion in FY2016 to Rs 180 billion in FY2020 to support unconditional cash transfer to the poorest segments of the society. Number of beneficiaries now stands at 4.5 million who are being paid through biometric based payment solution developed by BISP.

Unconditional Cash Transfer Programme is now improved and strengthened as Kafaalat Programme, through which monthly cash stipends of Rs 2000 will be given to at least 7.0 million most deserving and poorest women all over the country. At first, 4.2 million women of BISP beneficiaries have been included in Kafalat program and further approximately 3.0 million deserving women will be added this year and total number of beneficiaries will increase to 7.0 million by the end of 2020. Pakistan Poverty Alleviation Fund since April 2000 to March, 2020 has disbursed Rs 224.64 billion to its Partner Organizations in 144 districts across the country.

Pakistan Bait-ul-Mal (PBM) is providing assistance to destitute, widows, orphans and other needy persons irrespective of their gender, caste, creed and religion through its establishment at the district level. During July to March FY2020, PBM has disbursed an amount of Rs 2.705 billion through its core projects/Schemes.

Workers Welfare Fund during July-March, FY2020 utilized Rs 2,426.31 million on 35,594 scholarship cases while Rs 432.27 million have been disbursed as Marriage Grant (@100,000/- which benefitted 4,323 workers' families. WWF has also disbursed Rs 476.00 million as Death Grant (@500,000/-) to 952 cases of mishaps of workers all over the country. In addition to other programme Zakat, Employees Old Age Benefits (EOBI) and Microfinance Institutions are contributing in alleviating poverty from the country.

Climate Change

Pakistan has been consistently ranked as one of the most affected countries by climate change. The population is facing natural hazard challenges like floods, droughts, and cyclones. The policy makers, scientists, developers, engineers and many others around the world are using geographic information system technology to better understand this complex situation and offer tangible solutions in different climate change scenarios.

To improve the forest cover the government has countrywide launched Ten Billion Tree Tsunami Programme to combat the adverse effects of global warning. This umbrella project covers all the provinces including AJK and GB with provincial budgetary share. All segments of society such as students, youth, and farmers have been actively involved in this mega afforestation activity.

Government has also launched the Eco-system Restoration Initiative for facilitating transition towards environmentally resilient Pakistan by main streaming adaptation and mitigation through ecologically targeted initiatives that includes afforestation, biodiversity conservation and enhancing policy environment etc.

Way forward

The Coronavirus outbreak is a human tragedy, affecting hundreds of thousands of people globally. It is also having a growing adverse impact on the global economy including Pakistan. In the current situation the government has dual challenge; to contain the spread of the COVID-19 pandemic and to mitigate the socio-economic losses to protect the most vulnerable. This is the first time in hundred years that the world is facing a rapidly spreading fatal virus for which there is no authentic prevention /treatment to overcome the pandemic. A cure is the only sure way to move forward, but "until such medical interventions become available, no country is safe from the pandemic".

Global value chains have been disrupted. Stock and commodity prices are falling around the world. Long term bond yields are heading south in fear of global recession. Airlines and tourism businesses are fearing massive losses. Most of these businesses are SMEs, there will be loss of employment and small business owners will face reduced liquidity. Many businesses face problem in managing cash flows. Strategic interventions in specific industries are being undertaken to safeguard the common man and accelerate economic activities.

Under the current crisis top priority of the government is to protect the vulnerable segments of the society. Therefore, prime focus areas of the government are health, social safety, industry, farming, trade etc. The government is constantly monitoring the COVID-19 situation in the country and accordingly taking all out measures to mitigate its adverse effects on the economy and general public.