GROWTH AND INVESTMENT

I. INTRODUCTION

In the face of adverse internal and external developments of an extraordinary nature, Pakistan's economy has shown great resilience against shocks of very high intensity. Domestic factors like heightened political tensions, an unstable law and order situation, supply shocks, coupled with external factors like a worsening of international financial crisis, and an unprecedented rise in global food and energy prices tested the strength of economic fundamentals but Pakistan's economy grew robustly at 5.8 percent in 2007-08, as against 6.8 percent last year and this year's target of 7.2 percent. When viewed in the backdrop of major disruptions of extraordinary nature, the economic growth in 2007-08 appears satisfactory. The economy has grown at an average rate of 6.6 percent per annum for the last six years which provides a source of optimism that regaining macroeconomic stability as well as reinvigorating the growth momentum through a combination of adjustments and reforms is a very plausible option.

The commodity producing sector, with agriculture (especially major crops) and manufacturing posting dismal performance, has contributed to less-than-targeted growth for the year 2007-08. The service sector has proved to be the main force driving economic growth in the country this year and surpassing the target.

The poor show of the agricultural sector is because of its heavy dependence on vagaries of mother-nature. However, this sector is also vulnerable to policy risks in the pricing of agri-products, lack of regulations and standards with regards to quality of inputs, and weak infrastructure facilities. A substantial reduction in output from the major crops sub-sector has influenced the below par performance of the agriculture in the outgoing fiscal year.

The other important component of CPS, manufacturing, has been deeply affected by a series of negative shocks. A price hike of unprecedented nature in international resource market, severe energy shortages at home, and political unrest and social disruptions at regular intervals have all played their part in hampering the growth performance of the manufacturing sector. The monetary tightening phase that started from April 2005 in order to curb domestic inflation has also played its role in dampening this year's manufacturing growth. Large-scale manufacturing failed to meet its growth target for the year, exhibiting not only signs of moderation but also fell victim to domestic and external shocks. The construction sector continued its high double-digit growth for fourth year in a row while electricity and gas distribution continued its dismal performance in as many years.

The services sector has more than compensated for the sluggish performance of the commodity producing sector and provided much needed support for sustaining a relatively higher growth rate for the economy. Exceptional performance of the financial sector has helped the economy to remain closer to higher growth trajectory. The wholesale retail & trade, and social services sectors have also posted healthy growth, contributing to exceptional growth performance of the services sector.

Consumer spending remained strong with real private consumption growing at a much higher rate than last year. However, gross fixed capital formation could not maintain its strong momentum and real fixed investment grew at a moderate rate.

Pakistan's real per capita income has risen at a faster pace during the last six years (4.5 percent per annum on average in rupee terms) leading to a rise in average income of the people. Such increases in real per capita income have led to a sharp increase in consumer spending during the year. Relatively slower growth in consumption in 2005-06 and 2006-07 was mainly attributed to the tight monetary policy pursued by the SBP but with rising inflation real interest rate actually declined and thus boosted private consumption in the current year. The consumption boom during the last six years points to the following facts. First, the higher consumer spending feeding back into economic activity has provided adequate support to the on-going growth momentum. Second, it suggests the emergence of a strong middle class with more purchasing power which is a healthy sign for business expansion and social transformation. Third, extra-ordinary rise in consumer spending over the last six years appears to be one of the driving forces behind building inflationary pressures in Pakistan.

The past few years of sustained economic growth have made Pakistan an attractive investment destination by an ever-wider set of investors and leading companies of the world. The foreign direct investment which had attained new heights at $ 6.5 billion last year has shown some signs of moderation but still FDI inflow of $3.0 billion in July-April 2007-08 as against $3.9 billion in the comparable period of last year augur well for investor confidence on Pakistan's economy. More importantly, almost the entire decline in FDI during Jul-Apr 07-08 has resulted from decline in cash investment, as reinvested earnings grew by 12.0 percent during the same period. Higher reinvested earnings mainly reflect profitability of these sectors and investors confidence in Pakistan's economy in the long run. Gross fixed investment by the private sector grew by 9.7 percent in nominal terms and by marginal 0.9 percent in real terms.

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

Region/Country	2004-05	2005-06	2006-07	2007-08
World GDP	**5.3**	**4.9**	**5.4**	**4.9**
Euro Area	2.0	1.4	2.6	2.6
United States	3.9	3.2	3.3	2.2
Japan	2.7	1.9	2.2	2.1
Germany	1.2	0.9	2.7	2.5
Canada	3.3	2.9	2.7	2.7
Developing Countries	7.7	7.5	7.9	7.9
China	10.1	10.4	10.7	11.4
Hong Kong SAR	8.6	7.5	6.8	6.3
Korea	4.7	4.2	5.0	5.0
Singapore	8.8	6.6	7.9	7.7
Vietnam	7.8	8.4	8.2	8.5
ASEAN				
Indonesia	5.0	5.7	5.5	6.3
Malaysia	7.2	5.2	5.9	6.3
Thailand	6.3	4.5	5.0	4.8
Philippines	6.2	5.0	5.4	7.3
South Asia				
India	7.8	9.2	9.2	9.2
Bangladesh	6.1	6.3	6.7	5.6
Sri Lanka	5.4	6.0	7.5	6.3
Pakistan	***9.0***	***5.8***	***6.8***	***5.8***
Middle East				
Saudi Arabia	5.3	6.6	4.6	4.1
Kuwait	10.5	10.0	5.0	4.6
Iran	5.1	4.4	5.3	5.8
Egypt	4.1	4.5	6.8	7.1
Africa				
Algeria	5.2	5.3	2.7	4.6
Morocco	4.2	1.7	7.3	2.2
Tunisia	6.0	4.0	5.3	6.3
Nigeria	6.0	7.2	5.3	6.4
Kenya	4.5	5.8	6.0	7.0
South Africa	4.8	5.1	5.0	5.1

Source: World Economic Outlook (IMF), April 2007.

Pakistan's strong economic growth of the last six year has also benefited from the buoyant global economic environment undeterred by the rising and volatile energy prices. In the current year, however, the global environment remained inhospitable and had its adverse impact felt on domestic macroeconomic environment. A brief overview of the major developments that have taken place on the global economic scene is documented in the ensuing pages.

The year 2007-08 has been a turbulent year for the world economy. A rollercoaster ride with record growth in China and India punctuating the highs, soaring energy prices, unprecedented hikes in food inflation and a financial markets crisis to match the Great Depression accentuating the lows. The year saw China and India account for more than half of world growth, but for many, the most pressing matter of the year has been the sub-prime meltdown in the US and the ensuing financial crisis and credit crunch around the world.

The collapse of the US sub-prime market, brought about by a correction in the housing sector, has had dire consequences not only for the world's largest economy but for the rest of the developed markets as well. The fallout has spread through an extensively interlinked global financial market and resulted in a tightening of credit and general drying up of liquidity as banks and other financial institutions looked to limit their losses. The impact of this crisis on developing and emerging economies is visible, but the extent of the damage caused is still not clear.

The general consensus is that the US Economy will dip into a mild recession in 2008. Growth in output for the year 2008 has been projected at 0.5percent, while growth for this year was at 2.2 percent, a significant reduction from the 2.9 percent posted in 2006. The United Kingdom became the next casualty of subprime with the collapse of Northern Rock and consumer confidence reaching its lowest ebb. Economic growth slowed by almost half during the first six months of 2008 by reaching at 1.6percent from 3.1 percent a year ago in 2007 [See Table 1.1].

The Euro Zone started to show strains towards the end of 2007 with fourth quarter GDP growth slowing down to 1.5 percent. Rising oil prices and the financial crisis has taken its toll on real disposable income, leading to a deterioration of consumer and business sentiment. Appreciation of the Euro in a sluggish export market also had a negative impact on growth. The Euro Zone economy grew by 2.6 percent for 2007, but is expected to slowdown to 1.4 percent by the end of 2008 [See Table 1.1].

Growth in the emerging economies, although still remaining strong, has decelerated from last year's high. For emerging economies as a group, the performance has been encouraging as foreign exchange inflows, international reserve growth, and foreign direct investment remained strong throughout the crisis. The loss of trade due to the financial crisis has been limited. Even with these strong fundamentals, emerging economies have seen the spreads on sovereign and corporate debt widening, and a retreat in equity prices as a result of the global crunch.

Against this backdrop, developing and emerging economies have outperformed advanced economies by growing at brisk pace of 7.9 percent in 2007 and projected moderation at 6.7 percent in 2008 [See Table 1.1]. The effects of adverse developments at global level have been felt unevenly and countries with weaker macroeconomic fundamentals taking a bigger hit. The impact from the global slowdown might be less than expected given the strong local demand and macroeconomic fundamentals coupled with diversified trade base. Pakistan has to diversify trade and review trade structure to narrow trade imbalance.

An international economic crisis of such a nature has not been witnessed in the past. The fallout has been complicated further by ever increasing globalization and inter-weaving connectivity of financial markets. Recent crisis reinforced the need to have a global surveillance body to ensure transparency in the financial markets. Policy responses to the global slowdown become harder to achieve amidst the recent trends in energy and food prices. There might be no quick fix to the current situation, but all efforts must be made through monetary and fiscal responses with reforms in the financial sectors. Although growing at above average rates, developing countries need to keep a close eye on inflation, while guarding against any spill-over effects from the slowdown.

After analyzing the overall growth, investment and consumption, and the international economic and financial environment, it is imperative to look into the growth performance of the various components of Gross National Product for the year 2007-08. The performance of the various components of national income over the last two and a half decades is summarized in Table 1.2.

II. Commodity Producing Sector (CPS)

Commodity Producing Sector (CPS) is comprised of production sectors such as agriculture and industry. It accounts for 46.8 percent stake in the GDP. Its less-than-satisfactory performance has been responsible for a relatively slower economic growth this year. The CPS registered a growth of 3.2 percent in 2007-08 as against 6.0 percent last year owing mainly to the lackluster performance of its critical components, namely agriculture and manufacturing. While agriculture grew by 1.5 percent, the manufacturing sector posted a modest growth of 5.4 percent in 2007-08 [See Table 1.2].

II.i. Agriculture

The share of agriculture in GDP has been falling persistently. It accounted for 24.1 percent in 2001-02 but subsequently has declined to 20.9 percent in 2007-08. However, it still remains the single largest sector of Pakistan's economy and an overwhelming majority of the population depends directly or indirectly on income streams generated by the agriculture sector. Apart from being a major source of foreign exchange earnings, the agriculture sector also provides employment to the 44 percent of the country's labour force.

The agriculture sector consists of crops, livestock, fishing and forestry sub-sectors. The crop sub-sector is further divided into major crops (primarily wheat, cotton, rice, sugarcane, maize and gram) and minor crops (such as pulses, potatoes, onions, chillies and garlic). Historically, the crops sub-sector has had the largest share of the agriculture sector, but the lackluster performance of this sub-sector over the years has reduced its contribution to 45 percent in 2007-08. The crop sector has enormous potential to influence not only the performance of overall agriculture but can serve as an anchor for food security of the country, particularly after the emergence of a food crisis on the global front. In order to do so, a shift in emphasis from price to yield is absolutely vital. Global integration and changing dietary patterns across regions have caused structural shift. The share of livestock in agriculture has increased from 27.2 percent in 1969-70 to 52.1 percent in the outgoing fiscal year. The contributions of fishing and forestry have historically been low and insignificant; therefore it remained so with a contribution of only 0.3 percent and 0.2 percent, respectively.

Agriculture performed poorly this year, growing at a meager 1.5 percent as compared to 3.7 percent last year and against the target of 4.8 percent for the year. Such a dismal performance can be attributed to sharp deceleration in the growth of major crops sub-sector. Having grown at a healthy 8.3 percent last year, this sub-sector has posted a negative growth of 3.0 percent in 2007-08. Minor crops registered a growth of 4.9 percent as against the negative growth of 1.3 percent last year. Fishing and forestry exhibited robust growth of 3.8 percent and 11.0 percent, respectively. A detailed analysis of the performance of each of the sub-sectors of agriculture is given below:

II.i.a. Major crops accounting for 34 percent of agricultural value added, witnessed a contraction of 3.0 percent as against a positive growth of 8.3 percent last year and a target of 4.5 percent. Major decreases over last year's production have been observed in wheat (from 23.3 to 21.7 million tones), cotton (from 12.9 to 11.7 million bales) while minor decline has been witnessed in the production of gram, jowar and tobacco. Rice, sugarcane and maize registered positive growth.

II.i.b. Minor crops, accounting for 11.4 percent of value added in overall agriculture, grew by 4.9 percent, against the negative growth of 1.3 percent last year and growth target of 2.3 percent. Production of pulses such as masoor and mung registered a sharp increase of 13.8 percent and 28.4percent, respectively. Vegetables such as potatoes and onions exhibited mixed performance as the later registered an increase of 13.8 percent while the former posted a decline of 3.8 percent. Chillies, being an important minor crop, registered a sharp increase of 96.1 percent during the year under review. Edible oils also witnessed decline in production.

II.i.c. Livestock. With rising per captia income, the dietary patterns of households are changing globally, including in Pakistan, which, in turn, increasing the demand for livestock and dairy products across the globe. While livestock accounts for 52 percent of agriculture and 10.9 percent of GDP, its importance can be gauged by the fact that the livelihoods of about 30-35 million people in the rural areas depend directly or indirectly on livestock and dairy sector. It is highly labour–intensive and a good source of job creation. Its share in agriculture is more than combined shares of major and minor crops and most importantly its performance is not dependent on mother nature. Accordingly, it has emerged as a major alternative source of income, particularly for the landless rural poor. Livestock includes: cattle, buffalos, sheep, goats, camels, horses, asses and mules. The livestock sector grew by 3.8 percent during 2007-08 as against 2.8 percent last year. The higher growth is mostly due to an increase in livestock animals and the poultry sub sectors. [See Table 1.2]

Table 1.2: **Growth Performance of Components of Gross National Product**
(% Growth At Constant Factor Cost)

	1980's	1990's	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Commodity Producing Sector	**6.5**	**4.6**	**4.2**	**9.3**	**9.5**	**5.1**	**6.0**	**3.2**
1. Agriculture	5.4	4.4	4.1	2.4	6.5	6.3	3.7	1.5
- Major Crops	3.4	3.5	6.8	1.7	17.7	-3.9	8.3	-3.0
- Minor Crops	4.1	4.6	1.9	3.9	1.5	0.4	-1.3	4.9
- Livestock	5.3	6.4	2.6	2.9	2.3	15.8	2.8	3.8
- Fishing	7.3	3.6	3.4	2.0	0.6	20.8	0.4	11.0
- Forestry	6.4	-5.2	11.1	-3.2	-32.4	-1.1	-29.5	-8.5
2. Mining & Quarrying	9.5	2.7	6.6	15.6	10.0	4.6	3.1	4.9
3. Manufacturing	8.2	4.8	6.9	14.0	15.5	8.7	8.2	5.4
- Large Scale	8.2	3.6	7.2	18.1	19.9	8.3	8.6	4.8
- Small Scale *	8.4	7.8	6.3	-20.0	7.5	8.7	8.1	7.5
4. Construction	4.7	2.6	4.0	-10.7	18.6	10.2	17.9	15.2
5. Electricity & Gas Distribution	10.1	7.4	-11.7	56.8	-5.7	-26.6	2.5	-14.7
Services Sector	**6.6**	**4.6**	**5.2**	**5.8**	**8.5**	**6.5**	**7.6**	**8.2**
6. Transport, Storage and Comm.	6.2	5.1	4.3	3.5	3.4	4.0	6.5	4.4
7. Wholesale & Retail Trade	7.2	3.7	6.0	8.3	12.0	-2.4	5.4	6.4
8. Finance & Insurance	6.0	5.8	-1.3	9.0	30.8	42.9	15.0	17.0
9. Ownership of Dwellings	7.9	5.3	3.3	3.5	3.5	3.5	3.5	3.5
10.Public Administration & Defence	5.4	2.8	7.7	3.2	0.6	10.1	9.1	10.9
11.Services	6.5	6.5	6.2	5.4	6.6	9.9	8.8	9.4
12.GDP (Constant Factor Cost)	**6.1**	**4.6**	**4.7**	**7.5**	**9.0**	**5.8**	**6.8**	**5.8**
13.GNP (Constant Factor Cost)	5.5	4.0	**7.5**	**6.4**	**8.7**	**5.6**	**6.7**	**6.1**

** Slaughtering is included in small scale* *Source: FBS*

II.i.d. Fisheries: The fisheries sector account for only 0.3 percent of GDP and witnessed a growth of 11 percent against 0.4 percent last year. The growth figures posted for the fisheries sector are much higher than the targeted rate of 4.2 percent for 2007-08. Components of fisheries such as marine fishing and inland fishing, contributed to an overall increase in value addition in the *fisheries* sub-sector. Marine fisheries registered a growth of 11.0 percent against negative growth of 7.0 percent last year. Inland fish segment also registered a growth of 11.1 percent as against 2.5 percent last year.

II.i.e. Forestry: Forestry plays an important role in Pakistan's economy in spite of its meager share of 0.2 percent in the GDP. Forests are important for the protection of land and water resources, particularly in prolonging the lives of dams, reservoirs and the irrigation network of canals. Forestry is also essential for maintaining a sustained supply of wood and wood products. Pakistan has only 5 percent of its total land area under forest which is very low as compared to other Asian countries. Of the 5 percent of total landmass that has forest cover, 85 percent is under public forest which includes 40 percent coniferous and scrub forests on the northern hills and mountains. The balance is made up of irrigated plantations and river rain forests along major rivers on the Indus plains, mangrove forests on the Indus delta and trees planted on farmlands. The value addition in forestry sector witnessed a negative growth of 8.5 percent as against massive decline of 29.5 percent last year and much lower than the targeted level of 3.5 percent. The earthquake of

October 8, 2005 is partly responsible for destruction of considerable portion of forests during the last couple of years. However, the Forestry subsection has been posting negative growth rates since 2003-04. Forests are a key component of our environment, degradation of which will pose severe socio-economic challenges for the generations to come.

II.ii. Manufacturing

The manufacturing sector has witnessed healthy growth since the turn of the decade, growing at an average of 9.7 percent since 2002-03. The growth performance in 2007-08 has remained subdued. The process of deceleration in growth that started last year continued this year as well. Output from the manufacturing sector grew at a modest 5.4 percent as compared to 8.2 percent last year. The estimated growth rate is less than half of the targeted growth level of 10.9 percent. Both sub-sectors of manufacturing, i.e. large-scale and small-scale exhibited deceleration in growth momentum. The large scale manufacturing (LSM) witnessed a modest growth of 4.8 percent down from 8.6 percent last year. Growth in the small scale manufacturing sub-sector moderated to 7.5 percent in 2007-08 from 8.1 percent in 2006-07.

The manufacturing sector has been hard hit by domestic and international factors. Political instability and frequent eruptions of incidents detrimental to law and order have created uncertain environment, resulting in loss of working hours. Incidence of violence causing damage to property and forcing industries to remain closed for many days. This sector has also fallen victim to the acute energy shortages. Continuous power breakdowns are preventing industries from operating at their capacity level. In unison with increasing prices for fuel and energy, all these factors have caused slower growth in LSM.

The main contributors to the 4.8 percent growth during July-March 2007-08 were beverages (30.5%), sugar (34.0%), tea blended (10.4%) , beverages (30.5%), cigarettes (5.1%) , cotton yarn (3.3%) & cotton cloth (4.9%), upper leather (13.5%), petroleum products (6.0%) , cement (17.9%), pig iron (2.3%) , refrigerators (10.7%) , electric fans (18.3%), TV sets (19.3%), diesel engines (46.0%), trucks (1.6%) & buses (32.1%), motor cycles (28.1%), paints & varnishes (8.7%) and LCV'S (60.5%). The major receding items include: vegetable ghee (2.8%), cotton ginned (10.1%), sole leather (25%), paper & board (5.6%), phosphatic fertilizer (24.0%), motor tyres (12.8%) and tubes (7.6%), coke (13.9%), billets (17.1%), wheat thrasher (13.1%), deep freezers (11.2%), electric motors (16.0%), tractors (5.2%), vegetable ghee (2.8%) and jeeps and cars (3.9%).

II.iii. Mining and Quarrying

Natural reserves of ores and minerals are a vital asset to any economy. Extraction of these reserves through efficient mining and quarrying provide convenient and economical access to raw materials and provides a competitive edge to developing countries. Pakistan has economically exploitable reserves of coal, rock salt, limestone and onyx marble, china clay, dolomite, fire clay, gypsum, silica sand and granite, as well as precious and semi-precious stones. Mineral deposits which may have sizeable reserves but require greater exploration including gold, copper, tin, silver, antimony, the platinum group of elements, tungsten, lead, bauxite and fluorite. The mining and quarrying sector grew by 4.9 percent in 2007-08 as against 3.1 percent last year and target of 4.5 percent. However, the contribution of this sector towards GDP has remained low at around 2.5 percent. Within the sector, the output of crude oil and natural gas has increased by 8.5 percent and 2.4 percent, respectively. The production of coal has declined sharply by 5.9 percent. The minerals group exhibited mixed results, with an increase seen in agriclay, barites, china clay, chromite, dolomite, fluorite, fuller's earth, gypsum, iron ore, laterite, limestone, magnesite, phosphates, quartz, lake salt, slate stone, and sulphur. Significant reductions were seen in the production of agronite marble, ball clay, bentonite, chalk, fire clay, granite, and silica sand. Because much of the country's mining reserves exist in remote areas, infrastructure improvements are necessary to attract higher investment in this sector.

II.iv. Services Sector

The services sector has emerged as the main driver of economic growth around the world and it has remained the economic powerhouse of Pakistan for some time. The services sector has surpassed the growth target of 7.1 percent and grew by 8.2 percent in 2007-08 as against actual achievement of 7.6 percent last year. The services sector has made a contribution of 74 percent to the GDP growth. The services sector has been an important contributor to Pakistan's economic growth over the past five years growing at an average of 7.3 percent annually since 2003-04. The continuing buoyant trend, even while growth in the Agriculture and Manufacturing Sectors has been slowing, implies that the services sector in Pakistan has remained relatively insulated from the challenges faced by the rest of the economy and has been better able to cope with them.

The sector consists of the following sub-sectors: Transport, storage and communication; Wholesale & Retail Trade; Finance and Insurance; Ownership of Dwellings; Public Administration and Defence; and Social Services. These sectors collectively absorb approximately one-third of workforce in Pakistan. Growth in the services sector is mainly attributed to the robust performance of the finance & insurance, wholesale and retail trade, public administration and defence, and social services sector. A brief analysis of each sub-sector is given below:

Finance and insurance sector displayed a stellar growth performance by posting a growth of 17.0 percent during 2007-08 which is higher than 15 percent growth of 2006-07 and target of 15.0 percent. The performance of this sector shows that it is relatively insulated from the financial crisis plaguing international markets and that Pakistan has not suffered from first round effects of the sub-prime crisis in the US. Gross value added (GVA) by the State Bank of Pakistan has increased by 61.1 percent in nominal terms; foreign commercial banks saw an increase in GVA by 17.4 percent, while cooperative banks, development finance institutions, investment banks and leasing companies saw a combined increase of 24.6 percent. A reduction in GVA was witnessed for specialized domestic banks, discount and guarantee houses, housing finance companies, and venture capital. The ***Transport, Storage and Communication*** sub-sector saw a deceleration in growth to 4.4 percent in 2007-08 as compared to 6.5 percent of last year. Value added in this ***sector*** is based primarily on the profits and losses of Pakistan Railways, Pakistan International Airlines and other airlines, Pakistan Posts & Courier Services, Pak Telecom and motor vehicles of different kinds on the road. Mechanized road transport has depicted a growth of 7.0 percent, communication sector by 7.8 percent while the value added by Pakistan Railways declined significantly by 51.5 percent. Other sectors that showed a decline are; water transport (11.1%), air transport (10.1%), and pipeline transport (7.8%). Value added in the ***wholesale and retail trade sector*** is based on the margins taken by traders on the transaction of commodities traded in the wholesale and retail market. In 2007-08, this sector grew at 6.4 percent as compared to 5.4 percent in last year and target for the year of 7.8 percent.

Public administration and defense posted a growth of 10.9 percent as compared to 9.1 percent in 2006-07. The estimates of this sector are based on budgeted figures of expenditures incurred on administration of federal, provincial, district and local governments. The performance of this sector far outstripped the target of 4.0 percent. This increase was mainly due to a positive change in the wage component of public sector employees, and an increase in development and defense expenditures. Growth in the ***Ownership of Dwellings*** has remained constant at 3.5 percent for the past 5 years. However, the growth of 3.5 percent this year was below the targeted level of 4.0 percent. ***Social Services Sector*** improved its growth performance to 9.4 percent from 8.8 percent last year. Along with Finance and Insurance, this sub-sector has remained a stalwart of growth for the services sector, easily surpassing the targeted level of 5.0 percent for the fiscal year.

III. Contribution to Real GDP Growth (Production Approach)

The contribution to economic growth is dominated by the services sector with almost three-fourth stake. Just over one-fourth contribution came from Commodity Producing Sector (CPS) which accounts for 46.8 percent of the GDP. The contribution of CPS to GDP growth has declined to 26.6 percent from 42.4 percent last year. The decline in contribution was caused primarily by a comparatively slower growth in manufacturing and major crops-led-agriculture sectors [See table 1.3 and fig 2 for details] Agriculture sector contributed only 0.3 percentage points or 5.6 percent to GDP growth in 2007-08 as against 0.8 percentage points or 12 percent contribution last year. The reliance on the agriculture sector has declined with the passage of time. The manufacturing sector contributed 1.0 percentage point or 17.7 percent to GDP growth as against 1.5 percentage points or 22.2 percent last year. Industry contributed 1.2 percentage points or 20.9 percent to this year's real GDP growth.

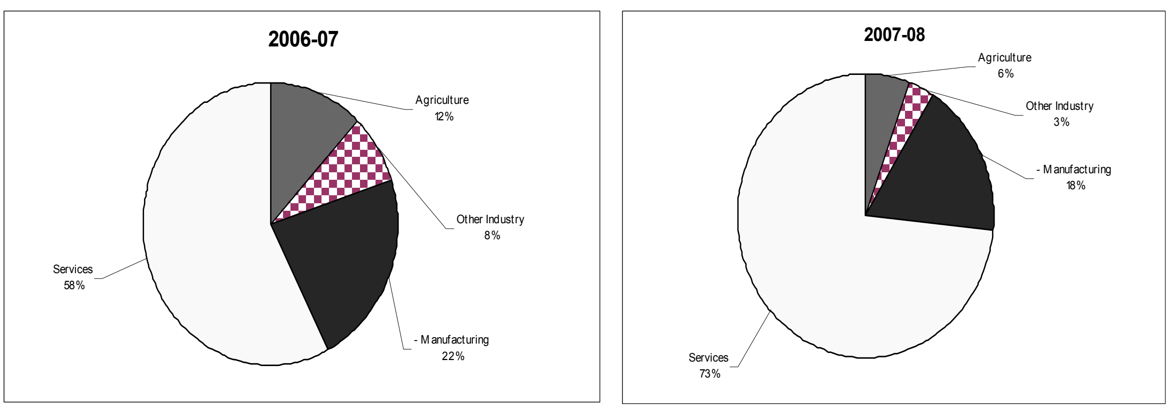
Commodity Producing Sectors has been overshadowed by another year of exceptional growth in the Services sector which contributed 4.2 percentage points or 73.4 percent to overall growth this year. It is encouraging to note that the contribution of wholesale and retail trade is increasing. It has contributed 18.7 percent or 1.1 percentage points to GDP growth in 2007-08. This sector is highly labour-intensive and higher growth in the sector may have contributed to the rise in employment and income level of the people attached with the sector. Construction with many forward and backward linkages is also making impact on the economic growth by contributing 6.4 percent or 0.4 percentage points to this year's real GDP growth. Less labour intensive sector such as finance and insurance has also contributed 18.7 percent or 1.0 percentage point to this year's growth.

Table-1.3: Sectoral Contribution to the GDP growth (% Points)

Sector	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Agriculture	**1.0**	**0.6**	**1.5**	**1.4**	**0.8**	**0.3**
Industry	**1.0**	**3.8**	**3.1**	**1.1**	**2.1**	**1.2**
- Manufacturing	1.1	2.3	2.7	1.6	1.5	1.0
Services	**2.7**	**3.1**	**4.4**	**3.3**	**3.9**	**4.2**
Real GDP (Fc)	**4.7**	**7.5**	**9.0**	**5.8**	**6.8**	**5.8**

Source: Federal Bureau of Statistics.

Fig-1.2: Contribution to the Real GDP Growth



IV. Contribution to Economic Growth (Aggregate Demand Side Analysis)

Consumption, investment, export are figuratively described as the 'three horses of Troika' that drives economic growth. In all economies the expansion of output is the sum of consumption (both private and government) plus investment (public and private) plus net exports of goods and services. Consumption comprises a major chunk of economic growth in almost all economies. Pakistan's economic growth is historically characterized as consumption-led growth and this is true for the year 2007-08. The consumption has driven the growth and its contribution of 108 percent to the GDP growth is only neutralized by negative contribution by net exports to the extent of 21 percent. The contribution of net exports has traditionally been negative for the most part of our history, with the exception of a brief interval

(2000-04) when net exports contributed positively. During 2007-08, the contribution of investment has declined substantially from as high as 47.6 percent in 2005-06 to 11.7 percent in 2007-08. Massive rise in the macroeconomic imbalances is responsible for lower contributions from net exports and investment. The balance between investment and consumption which had improved during 2004-05 and 2006-07, disturbed significantly in 2007-08. Consumption has accelerated in early phase of recovery starting from 2001-02 moderated in 2006-07 but bounced back in 2007-08. Higher growth in consumption allowed the firms to use their excess capacity in the first phase but continued strong growth in consumption encouraged firms to undertake new investment over the last four years [See Table 1.4 and Fig. 1.3].

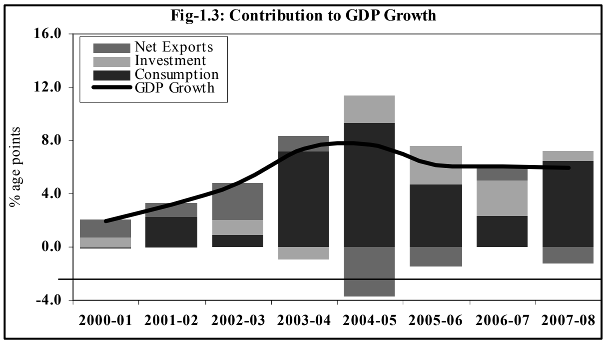
Table-1.4: Composition of GDP Growth

Point Contribution

Flows	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	Average 2003-07
Private Consumption	0.4	1.0	0.3	7.1	8.7	0.8	3.4	6.0	5.2
Public Consumption	-0.5	1.2	0.6	0.1	0.1	3.9	-1.1	0.5	0.7
Total Consumption [C]	**-0.1**	**2.2**	**0.9**	**7.2**	**9.4**	**4.7**	**2.3**	**6.5**	**6.0**
Gross Fixed Investment	0.7	-0.1	0.6	-1.0	1.8	2.9	2.6	0.6	1.4
Change in Stocks	0.0	0.0	0.4	0.1	0.1	0.1	0.1	0.1	0.1
Total Investment [I]	**0.7**	**0.0**	**1.1**	**-0.9**	**2.0**	**2.9**	**2.7**	**0.7**	**1.5**
Exports (Goods & Serv.) [X]	1.6	1.5	4.5	-0.3	1.7	1.8	0.4	-1.6	0.4
Imports (Goods & Serv.) [M]	0.3	0.4	1.6	-1.3	5.4	3.2	-0.5	-0.4	1.3
Net Exports [X-M]	**1.3**	**1.0**	**2.8**	**1.0**	**-3.7**	**-1.5**	**1.0**	**-1.2**	**-0.9**
Aggregate Demand (C+I+X)	2.3	3.7	6.5	6.0	13.0	9.4	5.5	5.6	7.9
Domestic Demand (C+I)	0.7	2.2	2.0	6.3	11.3	7.6	5.0	7.2	7.5
GDP MP	**2.0**	**3.2**	**4.8**	**7.4**	**7.7**	**6.2**	**6.0**	**6.0**	**6.6**

Source: Federal Bureau of Statistics.

Fig-1.3: Contribution to GDP Growth



Economy has maintained a steady and rapid growth for the last six years in a row. Given its lion's share in GDP, consumption mainly supported the on-going growth momentum has contributed in the range of 80 – 83 percent to overall economic growth over the last 7 years. In 2007-08 consumption accounted for 108.8 percent or 6.5 percentage points to economic growth and while investment accounted for 11.7 percent or 0.7 percentage points to growth. Last year was unique because of the fact that major contribution was coming from investment, however, Net exports appear to have been a drag on overall growth in 2006–07. The investment rate was rising since 2004-05, and reached at peak 22.9 percent of GDP in 2006-07, however, amidst extraordinary headwinds the investment-to-GDP ratio declined to 21.6 percent. This year's economic growth is largely consumption driven and support from investment declined substantially. National savings have shown their inadequacy for financing the new emerging investment cycle. The national savings rate has nose-dived to 13.9 percent of GDP in 2007-08 as against 17.8 percent of GDP.

A faster growth in exports is needed to make total demand less sensitive to rising domestic real market, and relax the foreign exchange constraints

Table 1.5: Sectoral Share in Gross Domestic Product(GDP)
(At Constant Factor Cost) (In %)

	1969-70	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08
Commodity Producing Sector	**61.6**	**47.9**	**47.6**	**48.4**	**48.7**	**48.3**	**47.9**	**46.8**
1. Agriculture	38.9	24.1	24.0	22.9	22.4	22.5	21.8	20.9
- Major Crops	23.4	8.0	8.2	7.8	8.4	7.6	7.7	7.1
- Minor Crops	4.2	3.1	3.0	2.9	2.7	2.6	2.4	2.4
- Livestock	10.6	12.0	11.7	11.2	10.6	11.6	11.1	10.9
- Fishing	0.5	0.3	0.3	0.3	0.3	0.3	0.3	0.3
- Forestry	0.1	0.7	0.7	0.6	0.4	0.4	0.2	0.2
2. Mining & Quarrying	0.5	2.4	2.5	2.6	2.7	2.6	2.5	2.5
3. Manufacturing	16.0	15.9	16.3	17.3	18.3	18.8	19.0	18.9
- Large Scale	12.5	10.4	10.6	11.7	12.9	13.2	13.4	13.3
- Small Scale	3.5	5.6	5.6	4.2	4.1	4.3	4.3	4.4
4. Construction	4.2	2.4	2.4	2.0	2.1	2.2	2.5	2.7
5. Electricity & Gas Distribution	2.0	3.0	2.5	3.7	3.2	2.2	2.1	1.7
Services Sector	**38.4**	**52.1**	**52.4**	**51.6**	**51.3**	**51.7**	**52.1**	**53.2**
6. Transport, Storage and	6.3	11.4	11.4	10.9	10.4	10.2	10.2	10.0
7. Wholesale and Retail Trade	13.8	17.8	18.0	18.2	18.7	17.2	17.0	17.1
8. Finance and Insurance	1.8	3.5	3.3	3.4	4.0	5.5	5.9	6.5
9. Ownership of Dwellings	3.4	3.2	3.1	3.0	2.9	2.8	2.7	2.6
10. Public Admn. & Defence	6.4	6.4	6.6	6.3	5.9	6.1	6.2	6.5
11. Other Services	6.7	9.8	9.9	9.7	9.5	9.9	10.1	10.4
12.GDP (Constant Factor Cost)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

P Provisional

Source: Economic Adviser's Wing, Finance Division

interest rates and indebtedness, secure productivity gains as a result of competition in the international for imports.

V. Composition of the GDP

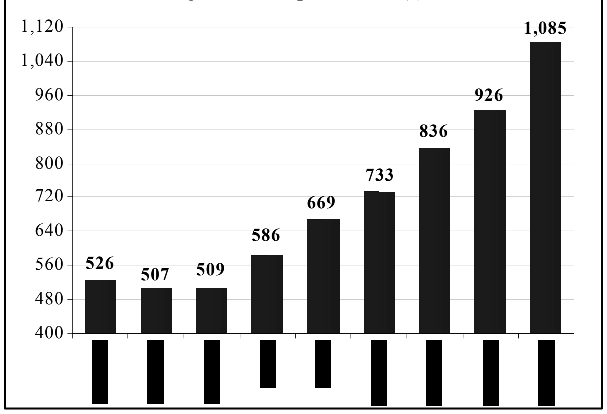
For all developing countries, accelerating economic growth is accompanied by a process of structural transformation. A growing economy witnesses a shift in sectoral patterns, analysis of which provides further insight into a country's growth dynamics. This process of transformation has accelerated in Pakistan in recent years. The structure of the GDP has undergone substantial change during the last three and a half decades (see Table 1.5 for details). There has been a marked shift away from the commodity producing sector (CPS) which accounted for almost 62 percent of the GDP in 1969-70, its share has declined to 46.8 percent in 2007-08 — a decline of 15.2 percentage points. The decline in the share of CPS is fully accounted for by the equal rise in the share of services sector. A further breakdown of the CPS shows that the share of the agriculture sector has been falling with time. In 1969-70, agriculture accounted for 38.9 percent of GDP, but steadily declined to 20.9 percent in 2007-08. The share of agriculture in GDP has declined by 3.2 percentage points in the last 7 years (from 24.1 in 2001-02 to 20.9 percent in 2007-08) alone and the share of the manufacturing sector has increased by the same percentage points during the period. It implies that the space created by the agriculture sector is occupied by the manufacturing sector which signals a move away from an agriculture based economy to an increasing reliance on industry and manufacturing- a pre-requisite for the first phase of structural transformation.

Beside compulsions imposed by the theory of economic development that with higher level of economic development the share of agriculture has to shrink, the other determining factor is the exclusive preoccupation of the successive governments in the past to four major crops, namely, wheat, cotton, sugarcane and rice in policy making and little or no efforts to increase yield per acre or no policy support to diversification of agriculture sector. These four major crops only account for one-third of agricultural value addition while rest of the two-third has received very little attention from all the governments. Most importantly, livestock, which accounts for more than one-half of the agricultural value added, has been the major victim of the total neglect of the governments all along until few years ago that this sector started receiving some attention. A continued emphasis on four major crops and neglect to the other sub-sectors of agriculture and stagnant yields, the contribution of agriculture to overall GDP is bound to shrink further in the coming years as rapid growth in industry and services sector has outpaced the growth in agriculture. During the last seven years, the major impetus to growth has come from services and manufacturing sectors. The service sector has emerged as the main engine of the growth, contributing a massive 4.2 percentage points and helping maintain an overall growth rate of 5.8 percent despite a slowdown in agriculture and manufacturing. The share of manufacturing in GDP has remained stagnant at around 16 percent for 33 years until 2002-03. Its contribution to GDP has increased only during the last five years - rising from 16.3 percent in 2002-03 to 18.9 percent in 2007-08. Within the services sector, almost all the components have raised their contribution over the last three and half decades. Recently, the finance and insurance sub-sector has been growing at a rapid pace, increasing its share from 3.5 percent in 2001-02 to 6.5 percent in 2007-08. The emergence of these sectors as growth engines means that growth momentum can be sustained in the economy even while the share and contribution made by agriculture is falling.

VI. Per Capita Income

Per capita income is treated as one of the foremost indicators of the depth of growth and general well-being of an economy. Despite the array of recent and more sophisticated tools to measure growth, development, and economic advancement, none match the historical importance and the simplicity of per capita income as a measure of the average level of prosperity of an economy. Per capita income, defined as Gross National Product at market price in dollar term divided by the country's population, has grown at an average rate of above 13.0 percent per annum during the last five years rising from $ 586 in 2002-03 to $ 925 in 2006-07 and further to $ 1085 in 2007-08 [See Fig-1.4]. The main factor responsible for the sharp rise in per capita income include acceleration in real GDP growth, and four fold increase in the inflows of workers' remittances. Per capita income in dollar term rose from $ 925 last year to $ 1085 in 2007-08, depicting an increase of 18.4 percent. Fig. 1.4 shows the improvement in per capita income during the last seven years. Real per capita income in rupee terms has also increased by 4.7 percent, on average, for the last three years. The real per capita income grew by 4.2 percent as compared to 4.9 percent last year.

Fig-1.4: Per Capita Income ($)



VII. Investment and Savings

After reaching at record level of 22.9 percent of GDP in 2006-07, the total investment moderated to 21.6 percent of GDP in 2007-08. Fixed investment has decreased to 20.0 percent of GDP from 21.3 percent last year. Investment is a key determinant of growth. Total investment has increased from 16.9 percent of GDP in 2002-03 to 22.9 percent of GDP in 2006-07— showing an increase of 6.0 percent of GDP in five years. However, it has declined by 1.3 percentages points in 2007-08. Fixed investment grew, on average, by 13.2 percent in real terms and 25.9 percent in nominal terms per annum during the last four years (2004-08). Private investment grew by 12.5 percent per annum in real terms and 25.4 percent per annum in nominal terms during the same period. In the fiscal year 2007-08, gross fixed capital formation or domestic fixed investment grew by 12.5 percent in nominal terms as against 18.6 percent last year. In real terms it grew by 3.4 percent as against 16.0 percent last year. The composition of investment between private and public sector has changed considerably during the last three years. Private sector investment grew by 9.7 percent this year as against 13.3 percent last year in nominal terms. Public sector investment has also increased by 15.7 percent per annum during the last four years and 9.7 percent during the current fiscal year in real terms. Public sector investment has created spillovers effects for private sector investment through massive increase in development spending particularly on infrastructure [See Table-1.6]. The other interesting development that has taken place on investment scene is that the share of private sector investment in domestic fixed investment has increased from less than two-third (64.2percent) to more than three-fourth (76.0percent) in the last seven years clearly reflecting the growing confidence of private sector in the current and future prospects of the economy.

Table 1.6: Structure of Savings and Investment (As Percent of GDP)

Description	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08P
Total Investment	***17.2***	***16.8***	***16.9***	***16.6***	***19.1***	***22.1***	***22.9***	***21.6***
Changes in Stock	1.4	1.3	1.7	1.6	1.6	1.6	1.6	1.6
Gross Fixed Investment	***15.8***	***15.5***	***15.3***	***15.0***	***17.5***	***20.5***	***21.3***	***20.0***
- Public Investment	5.7	4.2	4.0	4.0	4.3	4.8	5.7	5.7
- Private Investment	10.2	11.3	11.3	10.9	13.1	15.7	15.6	14.2
Foreign Savings	0.7	-1.9	-3.8	-1.3	1.6	3.9	5.1	7.6
National Savings	***16.5***	***18.6***	***20.8***	***17.9***	***17.5***	***18.2***	***17.8***	***13.9***
Domestic Savings	17.8	18.1	17.6	15.7	15.4	16.3	16.0	11.7

P: Provisional

Source: EA Wing Calculations

Private sector investment was broad-based. The energy sector has played key role in attracting private sector investment. The overall fixed investment destined to energy sub-sectors, namely, mining & quarrying, and electricity & gas distribution witnessed highest increase by growing at 41.0 percent and 22.1 percent, respectively. The investment in mining & quarrying sector grew by 29.4 percent in real terms while in electricity & gas distribution it grew by 12.0 percent. Other major contributors to private sector investment growth are manufacturing (8.1%), transport and communication (8.6%), and wholesale and retail trade (18.4%). The construction sector is the only sector which registered negative investment growth of 11.0 percent. The public sector and general government investment collectively grew by 20.2 percent while the public sector investment grew by 27.9 percent. Barring transport & communication and agriculture, investment in all other sectors rose sharply by high double digits, thus enabling overall public sector investment to grow by 27.9 percent.

The contribution of national savings to the domestic investment is indirectly the mirror image of foreign savings required to meet investment demand. The requirement for foreign savings needed to finance the saving-investment gap simply reflects the current account deficit in the balance of payments. National Savings at 13.9 percent of GDP is the lowest ever level since 1999-2000 and has financed 64.5 percent of fixed investment in 2007-08 as against 77.7 percent last year. National savings as percentage of GDP stood at 13.9 percent in 2007-08 which is far below than last year's level of 17.8 percent. Domestic savings has also declined substantially from 16.0 percent of GDP to 11.7 percent of GDP.

VII. Foreign Investment

With rising macroeconomic imbalances and rising investment needs to grow at a faster pace in the developing countries, foreign investment has played crucial role in providing much needed macroeconomic stability. Foreign direct investment (FDI) has emerged as a major source of private external flows for Pakistan as well amidst widening savings-investment gap. Since current account deficits has generated need for financing, the FDI inflows has provided important source of non-debt creating inflows. During the last two decades countries have liberalized their FDI regimes and pursued investment- friendly economic policies to attract investment to maximize the benefits of foreign presence in the host economy. In many developing countries, FDI has triggered technology spillovers, assisted human capital formation, contributed to international trade integration, helped in creating a more competitive business environment and promoted enterprise development. These developments contributed positively to higher economic growth in many developing countries, which is the most potent tool for alleviating poverty. Another contribution of FDI in recent years to developing countries has been its crucial role of preventing economies from ill-effects of exploding debt accumulation to finance their development needs and thus enabled exchange rate stability. Inflow of foreign investment has remained subdued in emerging markets in FY 08, however, the case of Pakistan was more acute because the political economy many headwinds at continuous intervals.

Table 1.7: Inflow of Net Foreign Private Investment (FPI)

(Million US $)

				July-April					
	2006-07			2006-07			2007-08		
Country	**Direct**	**Portfolio**	**Total**	**Direct**	**Portfolio**	**Total**	**Direct**	**Portfolio**	**Total**
USA	913.3	853.4	1766.8	682.3	669.8	1352.1	1161.7	520.6	1682.3
UK	860.0	960.1	1820.1	718.8	382.2	1101.0	303.1	-137.6	165.4
UAE	662.2	14.9	677.0	368.0	19.7	387.7	535.4	17.8	553.2
Germany	78.9	7.0	85.9	30.0	6.9	36.9	61.7	-0.5	61.2
Kuwait	65.9	17.0	82.9	46.4	18.3	64.7	31.7	27.9	59.6
Hong Kong	32.6	-72.6	-40.0	30.2	-93.8	-63.6	121.3	-227.4	-106.1
Norway	25.1	0.0	25.1	25.1	0.0	25.1	154.8	0.0	154.8
Japan	64.4	3.9	68.4	51.7	0.2	51.9	100.3	10.9	111.2
Saudi Arabia	104.9	0.1	105.0	91.6	0.1	91.8	37.0	-1.6	35.4
Canada	10.7	0.1	10.9	10.5	0.1	10.6	13.0	0.3	13.3
Netherlands	771.8	6.2	778.0	753.4	5.7	759.1	101.0	39.7	140.7
Mauritius	77.6	13.0	90.6	65.2	9.7	74.9	81.7	5.3	87.0
Singapore	20.9	118.2	139.1	15.3	118.3	133.6	23.5	-19.5	4.0
China	712.1	0.0	712.1	708.9	0.0	708.9	13.2	0.0	13.2
Australia	72.0	-6.4	65.6	60.5	-5.9	54.6	56.9	-64.8	-7.9
Switzerland	175.0	-127.4	47.6	157.8	-85.7	72.1	141.3	-79.3	62.1
Others	492.2	32.7	524.9	365.1	51.7	416.8	543.8	7.1	551.0
Total	**5139.6**	**1820.4**	**6959.9**	**4180.8**	**1097.3**	**5278.1**	**3481.6**	**98.9**	**3580.5**

Source: State Bank of Pakistan

Higher foreign direct investment levels in recent times has relaxed the foreign exchange constraint for imports to a greater extent, and supported the increase in the investment-to-GDP ratio, necessary to deliver the higher growth rates. Pakistan has become an attractive destination for foreign investors and even during the crisis ridden current fiscal year Pakistan managed to get $3.6 billion worth of foreign investment. The overall foreign investment during the first ten months (July-April) of the current fiscal year has declined by 32.2 percent and stood at $ 3.6 billion as against $5.3 billion in the comparable period of last year.

The overall foreign investment has two components – foreign direct investment (FDI) and portfolio investment i.e., investment in the equity market. Foreign direct investment (private) shown more resilience and stood at $3481.6 million during the first ten months (July-April) of the current fiscal year as against $4180.8 million in the same period last year thereby showing a decline of 16.7 percent (See Table 1.8). Private portfolio investment on the other hand witnessed massive decline of 91 percent by recording inflow of $98.9 million as against $1097.3 million during the comparable period of last year. Public foreign investment depicted modest inflow of only $20.5 million as against outflow of $66.6 million in the comparable period of last year [See Table 1.8].

Table-1.8: Net Inflow of Foreign Investment

Million US$

		July-Apr		%
	2006-07	**2006-07**	**2007-08**	**Change**
Foreign Private Investment	**6960.0**	**5278.1**	**3580.5**	**-32.2**
Foreign Direct Investment	***5139.6***	***4180.8***	***3481.6***	***-16.7***
of which Privatisation Proceeds	*266.4*	*133.2*	*133.2*	*0.0*
Portfolio Investment	***1820.4***	***1097.3***	***98.9***	***-91.0***
Equity Securities	1570.4	847.3	98.9	-88.3
Debt Securities	250.0	250.0	0.0	-
Foreign Public Investment	***1468.3***	***671.4***	***20.5***	***-96.9***
Portfolio Investment	***1468.3***	***671.4***	***20.5***	***-96.9***
Equity Securities	738.0	738.0	0.0	-
Debt Securities *	730.3	-66.6	20.5	-130.8
Total	**8,428.3**	**5,949.5**	**3,601.0**	**-39.5**

* *Encashment of Special US$ bonds, FEBC, DBC and Receipts of Eurobonds*

Table-1.9: Net Inflow of Foreign Direct Investment (Group-Wise)

Million US$

								July-March	
S.N	**ECONOMIC GROUP**	**2001-02**	**2002-03**	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2006-07**	**2007-08**
1	Food, Beverages & Tobbaco	-5.1	7.0	4.6	22.8	61.9	515.8	489.8	33.3
2	Textiles	18.4	26.1	35.5	39.3	47.0	59.4	46.8	22.3
3	Sugar, Paper & Pulp	0.9	2.3	2.1	4.3	5.1	17.4	15.8	9.6
4	Leather & Rubber Products	0.8	1.2	3.5	6.5	8.2	7.3	6.2	4.6
5	Chemicals & Petro Chemicals	12.9	86.9	16.8	52.1	72.4	52.5	31.8	85.3
6	Petroleum Refining	2.8	2.2	70.9	23.7	31.2	155.2	98.7	61.7
7	Minning & Quarrying	6.6	1.4	1.1	0.5	7.1	23.7	20.5	22.0
8	Oil & Gas Explorations	268.2	186.8	202.4	193.8	312.7	545.1	421.9	465.5
9	Pharmaceuticals & OTC Products	7.2	6.2	13.2	38.0	34.5	38.4	25.7	38.6
10	Cement	0.4	-0.4	1.9	13.1	39.0	33.7	13.4	89.5
11	Electronics & Other Machinery	26.4	17.6	17.0	16.5	21.0	22.0	15.7	36.5
12	Transport Equipment(Automobiles)	1.1	0.6	3.3	33.1	33.1	50.4	36.7	73.3
13	Power	36.4	32.8	-14.2	73.3	320.6	204.6	125.1	39.8
14	Construction	12.8	17.6	32.0	42.7	89.5	157.1	114.4	69.7
15	Trade	34.2	39.1	35.6	52.1	118.0	173.4	130.9	148.4
16	Communications	12.7	24.3	221.9	517.6	1937.7	1898.7	1411.6	923.0
	1) Telecommunications	6.0	13.5	207.1	494.4	1905.1	1824.3	1350.0	811.6
17	Financial Business	3.5	207.6	242.1	269.4	329.2	930.1	696.0	685.6
18	Social & Other Services	10.2	19.7	16.4	24.7	64.7	88.4	72.3	86.1
19	Others	12.7	28.8	33.1	78.9	65.5	166.1	85.7	144.1
TOTAL		**484.7**	**798.0**	**949.4**	**1,524.0**	**3,521.0**	**5,139.6**	**3,859.1**	**3,038.8**

Source: SBP

Almost 57 percent of FDI has come from three countries, namely, the UAE, US, and UK. US investors with 33.4 percent investment are on the top during the first ten months (July-April) of

2007-08. Norway (4.4% or $154.8 million), Switzerland (4.1% or $141.3 million), Hong Kong (3.5% or $121.3 million), Netherlands (2.9% or $101.0 million) and Japan (2.9% or $100.3 million) were other contributors to FDI inflows [See Table 1.7].

The communication sector (including Telecom) spearheaded the FDI inflows by accounting for 30.4 percent stake during July-April 2007-08 followed by financial business (22.6 percent), energy including oil & gas and power (16.6 percent), and trade (4.9 percent). Three groups namely; communication, financial business and oil & gas exploration accounted for almost 67 percent of FDI inflows in the country [See Table-1.9]. The pace of both FDI and portfolio investment clearly indicators that foreign investors are still upbeat on Pakistan's current and future economic prospects. The current wave of slowdown in economic activity could be short-lived if consistency and continuity in economic policies is ensured. A better macroeconomic management could yield dividends which can enhance prospects of the economy. There is need to maintain macroeconomic stability by introducing corrective measures and continue to pursue structural reforms in different sectors of the economy.

Notwithstanding the decline in the FDI inflow, the re-invested earnings have increased by 12.0 percent in July-March 2007-08 by moving to $751 million as against $ 671 million in the comparable period of last year [See Table-1.10].

Table-1.10: Sector wise Reinvested Earnings in FDI (Million US dollar)

	July-March		
	FY 07	FY 08	% Change
Chemical	36.8	33.3	-9.5
Petroleum Refining	84.8	50.6	-40.3
Oil & Gas Exploration	95.8	159.3	66.3
Cement	16.1	31.6	96.3
Trade	15.2	36.2	138.2
Cars	28.3	48.1	70.0
Power	77.9	4.5	-94.2
Telecommunication	51.7	65.8	27.3
Financial Busienss	171.5	241.9	41.0
Other	92.9	80.0	-13.9
Total	**671.0**	**751.2**	**12.0**

Source: SBP

It may be indicative of growing confidence of existing foreign investors in long-term prospects of Pakistan economy that the amount of reinvested earning has been on the increase over the last four years in most of the sectors. Major sectors which registered increase in reinvested earning during Jul-Mar 2007-08 include: financial business, oil & gas exploration, cement and trade. Higher reinvested earnings mainly reflect profitability of these sectors and investors confidence in Pakistan economy in the long run.

TABLE 1.1

GROSS NATIONAL PRODUCT AT CONSTANT FACTOR COST OF 1999-2000

(Rs million)

	Sectors	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P	% Change 2006-07/ 2005-06	% Change 2007-08/ 2006-07
	COMMODITY PROD. SECTOR	1,754,472	1,768,695	1,792,972	1,868,125	2,041,661	2,234,671	2,348,925	2,489,589	2,569,336	6.0	3.2
1	Agriculture	923,609	903,499	904,433	941,942	964,853	1,027,403	1,092,098	1,132,041	1,148,871	3.7	1.5
	Major Crops	342,200	308,474	300,911	321,505	327,057	385,058	370,005	400,798	388,904	8.3	-3.0
	Minor Crops	125,679	121,673	117,217	119,446	124,121	125,993	126,457	124,857	130,967	-1.3	4.9
	Livestock	417,120	433,066	448,968	460,495	473,771	484,876	561,500	577,378	599,217	2.8	3.8
	Fishing	15,163	14,715	12,901	13,346	13,611	13,691	16,540	16,606	18,431	0.4	11.0
	Forestry	23,447	25,571	24,436	27,150	26,293	17,785	17,596	12,402	11,352	-29.5	-8.5
	A1. INDUSTRIAL SECTOR	*830,863*	*865,196*	*888,539*	*926,183*	*1,076,808*	*1,207,268*	*1,256,827*	*1,357,548*	*1,420,465*	*8.0*	*4.6*
2	Mining & Quarrying	81,050	85,528	90,431	96,418	111,473	122,621	128,288	132,254	138,777	3.1	4.9
3	Manfacturing	522,801	571,357	596,841	638,044	727,439	840,243	912,953	987,576	1,040,863	8.2	5.4
	Large Scale	338,602	375,687	388,859	416,955	492,632	590,759	639,585	694,777	728,401	8.6	4.8
	Small & Household	184,199	195,670	207,982	221,089	176,841	190,121	206,656	223,352	240,126	8.1	7.5
	Slaughtering					57,966	59,363	66,712	69,447	72,336	4.1	4.2
4	Construction	87,386	87,846	89,241	92,789	82,818	98,190	108,195	127,616	146,962	17.9	15.2
5	Electricity and Gas Distrubution	139,626	120,465	112,026	98,932	155,078	146,214	107,391	110,102	93,863	2.5	-14.7
	SERVICES SECTOR	1,807,546	1,863,396	1,952,146	2,053,979	2,173,947	2,358,559	2,511,551	2,702,861	2,923,452	7.6	8.2
6	Transport, Storage & Communication	400,983	422,195	427,296	445,552	461,276	477,171	496,073	528,465	551,809	6.5	4.4
7	Wholesale & Re-tail Trade	621,842	649,564	667,615	707,665	766,693	858,695	838,426	883,487	939,752	5.4	6.4
8	Finance & Insurance	132,454	112,455	131,761	130,081	141,768	185,501	265,056	304,855	356,811	15.0	17.0
9	Ownership of Dwellings	110,425	114,593	118,604	122,466	126,764	131,214	135,820	140,587	145,521	3.5	3.5
10	Public Admn. & Defence	220,291	225,152	240,585	259,148	267,321	268,826	295,959	322,981	358,116	9.1	10.9
11	Social and Community Services	321,551	339,437	366,285	389,067	410,125	437,152	480,217	522,486	571,443	8.8	9.4
12	GDP (fc)	3,562,018	3,632,091	3,745,118	3,922,104	4,215,608	4,593,230	4,860,476	5,192,450	5,492,788	6.8	5.8
13	Indirect Taxes	295,815	301,920	312,886	355,323	372,029	358,455	395,440	400,977	413,717	1.4	3.2
14	Subsidies	31,724	32,050	30,227	54,451	53,488	69,889	72,545	98,300	84,377	35.5	-14.2
15	GDP(mp)	3,826,109	3,901,961	4,027,777	4,222,976	4,534,149	4,881,796	5,183,371	5,495,127	5,822,128	6.0	6.0
16	Net Factor Income from abroad	-47,956	-47,285	22,594	127,050	90,721	88,766	84,343	82,878	103,961	-1.7	25.4
17	GNP(fc)	3,514,062	3,584,806	3,767,712	4,049,154	4,306,329	4,681,996	4,944,819	5,275,328	5,596,749	6.7	6.1
18	GNP (mp)	3,778,153	3,854,676	4,050,371	4,350,026	4,624,870	4,970,562	5,267,714	5,578,005	5,926,089	5.9	6.2
19	Population (in million)	137.5	140.4	143.2	146.8	149.7	152.5	155.4	158.2	161.0	1.8	1.8
20	Per Capita Income(fc-Rs)	25,551	25,540	26,316	27,592	28,776	30,696	31,826	33,352	34,769	4.8	4.2
21	Per Capita Income(mp-Rs)	27,471	27,463	28,291	29,642	30,905	32,587	33,904	35,266	36,815	4.0	4.4

R: Revised

P: Provisional

Source : Federal Bureau of Statistics

TABLE 1.2

SECTORAL SHARE IN GDP

(%)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P
COMMODITY PROD. SECTOR	49.3	48.7	47.9	47.6	48.4	48.7	48.3	47.9	46.8
1. Agriculture	25.9	24.9	24.1	24.0	22.9	22.4	22.5	21.8	20.9
Major Crops	9.6	8.5	8.0	8.2	7.8	8.4	7.6	7.7	7.1
Minor Crops	3.5	3.3	3.1	3.0	2.9	2.7	2.6	2.4	2.4
Livestock	11.7	11.9	12.0	11.7	11.2	10.6	11.6	11.1	10.9
Fishing	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Forestry	0.7	0.7	0.7	0.7	0.6	0.4	0.4	0.2	0.2
A1. INDUSTRIAL SECTOR	*23.3*	*23.8*	*23.7*	*23.6*	*25.5*	*26.3*	*25.9*	*26.1*	*25.9*
2. Mining & Quarrying	2.3	2.4	2.4	2.5	2.6	2.7	2.6	2.5	2.5
3. Manfacturing	14.7	15.7	15.9	16.3	17.3	18.3	18.8	19.0	18.9
Large Scale	9.5	10.3	10.4	10.6	11.7	12.9	13.2	13.4	13.3
Small & Household	5.2	5.4	5.6	5.6	4.2	4.1	4.3	4.3	4.4
Slaughtering	0.0	0.0	0.0	0.0	1.4	1.3	1.4	1.3	1.3
4. Construction	2.5	2.4	2.4	2.4	2.0	2.1	2.2	2.5	2.7
5. Electricity and Gas Distrubution	3.9	3.3	3.0	2.5	3.7	3.2	2.2	2.1	1.7
SERVICES SECTOR	50.7	51.3	52.1	52.4	51.6	51.3	51.7	52.1	53.2
6. Transport, Storage & Communication	11.3	11.6	11.4	11.4	10.9	10.4	10.2	10.2	10.0
7. Wholesale & Re- tail Trade	17.5	17.9	17.8	18.0	18.2	18.7	17.2	17.0	17.1
8. Finance & Insurance	3.7	3.1	3.5	3.3	3.4	4.0	5.5	5.9	6.5
9. Ownership of Dwellings	3.1	3.2	3.2	3.1	3.0	2.9	2.8	2.7	2.6
10. Public Admn. & Defence	6.2	6.2	6.4	6.6	6.3	5.9	6.1	6.2	6.5
11. Social Services	9.0	9.3	9.8	9.9	9.7	9.5	9.9	10.1	10.4
12. GDP (fc)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.3

REAL GDP / GNP GROWTH RATES

(%)

Sector		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P
COMMODITY PROD. SECTOR		0.8	1.4	4.2	9.3	9.5	5.1	6.0	3.2
1.	Agriculture	-2.2	0.1	4.1	2.4	6.5	6.3	3.7	1.5
	Major Crops	-9.9	-2.5	6.8	1.7	17.7	-3.9	8.3	-3.0
	Minor Crops	-3.2	-3.7	1.9	3.9	1.5	0.4	-1.3	4.9
	Livestock	3.8	3.7	2.6	2.9	2.3	15.8	2.8	3.8
	Fishing	-3.0	-12.3	3.4	2.0	0.6	20.8	0.4	11.0
	Forestry	9.1	-4.4	11.1	-3.2	-32.4	-1.1	-29.5	-8.5
A1. INDUSTRIAL SECTOR		4.1	2.7	4.2	16.3	12.1	4.1	8.0	4.6
2.	Mining & Quarrying	5.5	5.7	6.6	15.6	10.0	4.6	3.1	4.9
3.	Manfacturing	9.3	4.5	6.9	14.0	15.5	8.7	8.2	5.4
	Large Scale	11.0	3.5	7.2	18.1	19.9	8.3	8.6	4.8
	Small & Household	6.2	6.3	6.3	-20.0	7.5	8.7	8.1	7.5
4.	Construction	0.5	1.6	4.0	-10.7	18.6	10.2	17.9	15.2
5.	Electricity and Gas Distrubution	-13.7	-7.0	-11.7	56.8	-5.7	-26.6	2.5	-14.7
SERVICES SECTOR		3.1	4.8	5.2	5.8	8.5	6.5	7.6	8.2
6.	Transport, Storage & Communication	5.3	1.2	4.3	3.5	3.4	4.0	6.5	4.4
7.	Wholesale & Retail Trade	4.5	2.8	6.0	8.3	12.0	-2.4	5.4	6.4
8.	Finance & Insurance	-15.1	17.2	-1.3	9.0	30.8	42.9	15.0	17.0
9.	Ownership of Dwellings	3.8	3.5	3.3	3.5	3.5	3.5	3.5	3.5
10.	Public Admn. & Defence	2.2	6.9	7.7	3.2	0.6	10.1	9.1	10.9
11.	Social Services	5.6	7.9	6.2	5.4	6.6	9.9	8.8	9.4
12.	GDP (fc)	2.0	3.1	4.7	7.5	9.0	5.8	6.8	5.8

R: Revised

P: Provisional

Source: Federal Bureau of Statistics. of Statistics.

TABLE 1.4

EXPENDITURE ON GROSS NATIONAL PRODUCT AT CONSTANT PRICES OF 1999-2000

(Rs million)

Flows	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P	% Change 2006-07/ 2005-06	% Change 2007-08/ 2006-07
Private Consumption Expenditure	2,884,021	2,899,747	2,940,387	2,952,588	3,251,947	3,670,749	3,708,073	3,885,557	4,214,024	4.79	8.45
General Govt. Current Consumption Expenditure	330,691	312,070	358,968	384,825	390,319	396,818	588,576	532,147	559,507	-9.59	5.14
Gross Domestic Fixed Capital Formation	607,410	634,423	632,134	658,070	617,731	701,392	840,977	975,734	1,008,715	16.02	3.38
Change in Stocks	51,700	52,914	53,491	71,051	73,703	79,085	82,934	87,922	93,154	6.01	5.95
Export of Goods and Non-Factor Services	514,280	576,936	634,399	814,425	801,982	878,896	965,863	988,537	900,617	2.35	-8.89
Less Imports of Goods and Non-Factor Services	561,990	574,130	591,602	657,983	601,559	845,144	1,003,052	974,770	953,889	-2.82	-2.14
Expenditure on GDP at Market Prices	3,826,112	3,901,960	4,027,777	4,222,976	4,534,123	4,881,796	5,183,371	5,495,127	5,822,128	6.01	5.95
Plus Net Factor Income from the Rest of the World	-47,957	-47,284	22,594	127,050	90,721	88,750	84,343	82,878	103,961	-1.74	25.44
Expenditure on GNP at at Market Prices	3,778,155	3,854,676	4,050,371	4,350,026	4,624,844	4,970,546	5,267,714	5,578,005	5,926,089	5.89	6.24
Less Indirect Taxes	295,815	301,920	312,886	355,323	372,029	358,455	395,440	400,977	413,717	1.40	3.18
Plus Subsidies	31,724	32,050	30,227	54,451	53,488	69,889	72,545	98,300	84,377	35.50	-14.16
GNP at Factor Cost	3,514,064	3,584,806	3,767,712	4,049,154	4,306,303	4,681,980	4,944,819	5,275,328	5,596,749	6.68	6.09

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.5

GROSS NATIONAL PRODUCT AT CURRENT FACTOR COST

(Rs million)

Sectors	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P	% Change 2006-07/ 2005-06	% Change 2007-08/ 2006-07
1. Agriculture	923,609	945,301	968,291	1,059,316	1,164,751	1,314,234	1,457,222	1,698,000	2,016,950	16.5	18.8
Major Crops	342,200	325,579	316,857	370,117	411,836	497,556	464,276	564,184	696,117	21.5	23.4
Minor Crops	125,679	130,679	133,136	130,450	126,372	154,218	168,461	194,636	221,520	15.5	13.8
Livestock	417,120	446,058	476,310	512,976	578,218	621,170	766,448	881,657	1,031,851	15.0	17.0
Fishing	15,163	16,546	16,377	16,625	16,728	17,490	30,492	35,071	44,340	15.0	26.4
Forestry	23,447	26,439	25,611	29,148	31,597	23,800	27,545	22,452	23,122	-18.5	3.0
2. Mining & Quarrying	81,052	106,370	116,952	137,044	208,290	182,051	219,682	251,725	306,696	14.6	21.8
3. Manfacturing	522,801	608,132	642,850	725,434	902,486	1,136,634	1,370,793	1,566,123	1,892,778	*14.2*	*20.9*
Large Scale	338,602	410,879	424,089	481,374	621,899	814,657	1,003,062	1,148,398	1,404,211	14.5	22.3
Small & Household	132,369	143,463	161,734	244,060	280,587	222,176	245,962	279,928	331,590	13.8	18.5
Slaughtering	51,830	53,790	57,027			99,801	121,769	137,797	156,977	13.2	13.9
4. Construction	87,386	94,670	95,197	100,880	115,497	153,333	179,885	213,655	277,141	18.8	29.7
5. Electricity and Gas Distrubution	139,626	133,091	134,350	120,556	190,713	187,267	153,338	165,154	158,617	7.7	-4.0
6. Transport, Storage & Communication	400,983	512,997	542,828	609,929	675,623	759,711	908,409	1,029,582	1,174,090	13.3	14.0
7. Wholesale & Retail Trade	621,842	691,854	720,812	785,776	896,357	1,093,114	1,262,001	1,433,337	1,760,491	13.6	22.8
8. Finance & Insurance	132,454	116,997	142,424	144,989	165,230	236,254	364,320	451,573	582,620	23.9	29.0
9. Ownership of Dwellings	110,425	124,359	126,454	135,139	146,264	165,441	184,812	206,166	235,838	11.6	14.4
10. Public Admn. & Defence	220,291	235,039	260,042	285,854	312,105	343,348	404,628	475,871	577,554	17.6	21.4
11. Social Services	321,551	354,434	395,967	429,301	473,211	551,181	653,437	766,208	923,324	17.3	20.5
12. GDP (fc)	3,562,020	3,923,244	4,146,167	4,534,218	5,250,527	6,122,568	7,158,527	8,257,394	9,906,099	15.4	20.0
13. Indirect Taxes	295,815	320,669	339,262	403,221	455,549	468,573	569,077	617,104	718,667	8.4	16.5
14. Subsidies	31,724	34,040	32,775	61,791	65,496	91,359	104,399	151,283	146,572	44.9	-3.1
15. GDP(mp)	3,826,111	4,209,873	4,452,654	4,875,648	5,640,580	6,499,782	7,623,205	8,723,215	10,478,194	14.4	20.1
16. Net Factor Income from abroad	-47,957	-54,482	23,665	151,812	124,478	134,461	149,901	158,481	233,986	5.7	47.6
17. GNP(fc)	3,514,063	3,868,762	4,169,832	4,686,030	5,375,005	6,257,029	7,308,428	8,415,875	10,140,085	15.2	20.5
18. GNP (mp)	3,778,154	4,155,391	4,476,319	5,027,460	5,765,058	6,634,243	7,773,106	8,881,696	10,712,180	14.3	20.6
19. Population (in million)	137.53	140.36	143.17	146.75	149.65	152.53	155.37	158.17	160.97	1.8	1.8
20. Per Capita Income(fc-Rs)	25,551	27,563	29,125	31,932	35,917	41,022	47,039	53,208	62,994	13.1	18.4
21. Per Capita Income(mp-Rs)	27,471	29,605	31,266	34,259	38,524	43,495	50,030	56,153	66,548	12.2	18.5
22. Per Capita Income(mp-US $)	526	507	509	586	669	733	836	926	1,085	10.8	17.1
23. GDP Deflator											
Index	100.00	108.02	110.71	115.61	124.55	133.30	147.28	159.03	180.35	-	-
Growth		8.02	2.49	4.42	7.74	7.02	10.49	7.98	13.41	-	-

R: Revised

P: Provisional

Source : Federal Bureau of Statistics

TABLE 1.6

EXPENDITURE ON GROSS NATIONAL PRODUCT AT CURRENT PRICES

(Rs million)

Flows	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P	% Change 2006-07/ 2005-06	% Change 2007-08/ 2006-07
Private Consumption Expenditure	2,884,021	3,211,093	3,329,860	3,600,963	4,184,717	5,001,499	5,720,225	6,549,875	8,346,206	14.50	27.43
General Government Current Consumption Expenditure	330,691	327,562	388,446	428,689	462,462	509,864	824,300	796,204	926,101	-3.41	16.31
Gross Domestic Fixed Capital Formation	607,410	659,325	680,373	736,433	844,847	1,134,942	1,565,838	1,857,628	2,090,540	18.63	12.54
Change in Stocks	51,700	56,200	58,000	80,629	90,249	105,298	121,971	139,571	167,651	14.43	20.12
Export of Goods and Non-Factor Services	514,280	617,148	677,855	815,158	883,704	1,019,783	1,161,257	1,231,025	1,267,078	6.01	2.93
Less Imports of Goods and Non-Factor Services	561,990	661,455	681,880	786,224	825,399	1,271,604	1,770,386	1,851,088	2,319,382	4.56	25.30
Expenditure on GDP at Market Prices	3,826,112	4,209,873	4,452,654	4,875,648	5,640,580	6,499,782	7,623,205	8,723,215	10,478,194	14.43	20.12
Plus Net Factor Income from the rest of the world	-47,957	-54,482	23,665	151,812	124,478	134,461	149,901	158,481	233,986	5.72	47.64
Expenditure on GNP at Market Prices	3,778,155	4,155,391	4,476,319	5,027,460	5,765,058	6,634,243	7,773,106	8,881,696	10,712,180	14.26	20.61
Less Indirect Taxes	295,815	320,669	339,262	403,221	455,549	468,573	569,077	617,104	718,667	8.44	16.46
Plus Subsidies	31,724	34,040	32,775	61,791	65,496	91,359	104,399	151,283	146,572	44.91	-3.11
GNP at Factor Cost	3,514,064	3,868,762	4,169,832	4,686,030	5,375,005	6,257,029	7,308,428	8,415,875	10,140,085	15.15	20.49

R: Revised

P: Provisional

Note: Private Consumption Expenditure has been taken as residual

Source: Federal 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

(Rs million)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	% Change	
										2006-07/	2007-08/
								R	P	2005-06	2006-07
GFCF (A+B+C)	607,410	659,325	680,373	736,433	844,836	1,134,942	1,565,838	1,857,628	2,090,540	18.6	12.5
A. Private Sector	394,749	423,097	496,464	545,104	616,514	852,424	1,197,740	1,356,830	1,488,556	13.3	9.7
B. Public Sector	146,912	169,242	113,523	104,051	103,536	129,482	162,022	194,724	248,983	20.2	27.9
C. General Govt.	65,749	66,986	70,386	87,278	124,786	153,036	206,076	306,074	353,001	48.5	15.3
Private & Public (A+B)	541,661	592,339	609,987	649,155	720,050	981,906	1,359,762	1,551,554	1,737,539	14.1	12.0
SECTOR-WISE:											
1. Agriculture	75,434	67,147	69,604	75,681	81,159	135,308	145,575	150,829	156,322	3.6	3.6
2. Mining and Quarrying	18,221	33,694	48,996	77,430	18,651	33,378	49,569	78,164	110,243	57.7	41.0
3. Manfacturing (A+B)	140,345	151,020	168,055	164,920	203,929	247,166	326,797	352,673	384,218	7.9	8.9
A. Large Scale	120,532	128,826	143,005	136,066	164,572	195,655	261,023	278,556	295,572	6.7	6.1
B. Small Scale*	19,813	22,194	25,050	28,854	39,357	51,511	65,774	74,117	88,646	12.7	19.6
4. Construction	15,117	13,589	15,163	7,130	10,113	17,824	26,106	34,316	32,910	31.4	-4.1
5. Electricity & Gas	67,354	67,628	56,865	57,562	25,261	40,050	69,795	71,777	87,658	2.8	22.1
6. Transport and Communication	80,081	104,679	86,360	82,864	148,646	224,974	392,651	423,088	460,693	7.8	8.9
7. Wholesale and Retail Trade	7,111	8,589	10,375	12,533	17,192	21,381	29,157	37,227	44,092	27.7	18.4
8. Finance & Insurance	9,992	5,104	10,158	23,366	27,945	31,580	41,009	82,705	92,397	101.7	11.7
9. Ownership of Dwellings	77,973	87,448	87,833	91,379	110,398	129,247	149,167	158,719	173,846	6.4	9.5
9. Services	50,033	53,441	56,579	56,290	76,754	101,065	129,936	162,056	195,160	24.7	20.4

P: Provisional

(Contd.)

R: Revised

* Slaughtering is included in small scale sector

TABLE 1.7

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

(Rs million)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P	% Change 2006-07/ 2005-06	% Change 2007-08/ 2006-07
PRIVATE SECTORS	394,749	423,097	496,464	545,104	616,514	852,424	1,197,740	1,356,830	1,488,556	13.3	9.7
1. Agriculture	72,513	66,468	65,636	74,293	81,050	135,086	143,538	148,645	154,109	3.6	3.7
2. Mining and Quarrying	13,108	13,230	26,710	48,252	12,701	18,384	31,323	48,649	56,092	55.3	15.3
3. Manufacturing	119,158	137,127	166,657	163,520	200,521	244,959	320,501	348,009	376,191	8.6	8.1
Large Scale	99,345	114,933	141,607	134,666	161,162	193,448	254,727	273,892	287,545	7.5	5.0
Small Scale*	19,813	22,194	25,050	28,854	39,359	51,511	65,774	74,117	88,646	12.7	19.6
4. Construction	12,373	11,360	11,689	4,178	6,608	13,418	19,248	24,200	21,531	25.7	-11.0
5. Electricity & Gas	15,169	15,258	35,141	26,417	3,039	11,612	32,372	29,519	32,776	-8.8	11.0
6. Transport & Communication	23,868	31,697	31,476	51,381	86,951	153,558	312,549	331,317	359,826	6.0	8.6
7. Wholesale and Retail Trade	7,111	8,589	10,375	12,533	17,192	21,381	29,157	37,227	44,092	27.7	18.4
8. Ownership of Dwellings	77,973	87,448	87,833	91,379	110,398	129,247	149,167	158,719	173,846	6.4	9.5
9. Finance & Insurance	6,312	2,827	7,996	20,897	26,599	30,520	38,692	79,313	88,336	105.0	11.4
10.Services	47,164	49,093	52,951	52,254	71,455	94,259	121,193	151,232	181,757	24.8	20.2

R: Revised

(Contd.)

P: Provisional

* Slaughtering is included in small scale sector

TABLE 1.7

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

(Rs million)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	% Change	
								R	P	2006-07/ 2005-06	2007-08/ 2006-07
Public Sector and General Govt. (A+B)	212,661	236,228	183,909	191,332	228,322	282,518	368,098	500,798	601,984	36.1	20.2
A. Public Sector	146,912	169,242	113,523	104,054	103,536	129,482	162,022	194,724	248,983	20.2	27.9
1. Agriculture	2,921	680	3,968	1,388	109	222	2,037	2,184	2,213	7.2	1.3
2. Mining and Quarrying	5,113	20,463	22,285	29,178	5,950	14,994	18,246	29,515	54,151	61.8	83.5
3. Manufacturing	21,187	13,893	1,398	1,400	3,410	2,140	6,296	4,664	8,027	-25.9	72.1
Large Scale	21,187	13,893	1,398	1,400	3,410	2,140	6,296	4,664	8,027	-25.9	72.1
Small Scale	-	-	-	-	-	-	-	-	-	-	-
4. Construction	2,744	2,229	3,474	2,952	3,505	4,406	6,858	10,116	11,379	47.5	12.5
5. Electricity & Gas	52,185	52,370	21,724	31,145	22,222	28,438	37,423	42,258	54,882	12.9	29.9
6. Transport and Communication	56,213	72,982	54,884	31,486	61,695	71,416	80,102	91,771	100,867	14.6	9.9
Railways	369	2,473	5,376	3,133	3,336	3,439	4,754	3,680	3,913	-22.6	6.3
Post Office & PTC	27,438	31,239	26,440	6,699	5,834	10,763	15,232	12,672	9,489	-16.8	-25.1
Others	28,406	39,270	23,068	21,654	52,525	57,214	60,116	75,419	87,465	25.5	16.0
7. Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
8. Finance & Insurance	3,680	2,277	2,162	2,469	1,346	1,060	2,317	3,392	4,061	46.4	19.7
9. Services	2,869	4,348	3,628	4,036	5,299	6,806	8,743	10,824	13,403	23.8	23.8
B. General Govt.	65,749	66,986	70,386	87,278	124,786	153,036	206,076	306,074	353,001	48.5	15.3
Federal	24,980	24,029	29,657	31,581	41,304	38,938	53,522	78,862	106,138	47.3	34.6
Provincial	31,763	31,371	17,729	26,689	50,059	71,567	113,512	156,261	148,047	37.7	-5.3
Local Bodies	9,006	11,586	23,000	29,008	33,423	42,531	39,042	70,951	98,816	81.7	39.3

R: Revised

P: Provisional

\- Nil

.. Not available

Source: Federal Bureau of Statistics.

TABLE 1.8

GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE, PUBLIC AND GENERAL GOVERNMENT SECTORS BY ECONOMIC ACTIVITY AT CONSTANT MARKET PRICES OF 1999-2000

(Rs million)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P	% Change 2006-07/ 2005-06	% Change 2007-08/ 2006-07
GFCF (A+B+C)	607,410	634,422	632,133	658,070	617,731	701,392	840,976	975,734	1,008,715	16.0	3.4
A. Private Sector	394,749	406,003	459,634	485,849	447,212	521,326	635,894	702,142	708,570	10.4	0.9
B. Public Sector	146,912	163,175	105,388	91,475	72,763	75,153	81,809	95,154	110,502	16.3	16.1
C. General Govt.	65,749	65,244	67,111	80,746	97,756	104,913	123,273	178,438	189,643	44.8	6.3
Private & Public (A+B)	212,661	228,419	172,499	172,221	170,519	180,066	205,082	273,592	300,145	33.4	9.7
SECTOR-WISE:											
1. Agriculture	75,434	64,965	64,953	66,762	55,779	76,389	70,285	70,553	66,953	0.4	-5.1
2. Mining and Quarrying	18,221	32,610	45,169	66,738	12,232	17,482	22,021	33,680	43,574	52.9	29.4
3. Manfacturing	140,345	142,550	153,417	149,275	144,010	148,129	171,302	180,780	181,107	5.5	0.2
Large Scale	120,532	120,952	129,781	120,969	115,700	117,147	140,320	143,674	140,401	2.4	-2.3
Small Scale*	19,813	21,598	23,636	28,306	28,310	30,982	30,982	37,106	40,706	19.8	9.7
4. Construction	15,117	12,283	13,347	6,606	7,919	13,155	19,378	24,017	21,532	23.9	-10.3
5. Electricity & Gas	67,354	65,582	52,804	50,119	16,934	21,659	32,056	31,983	35,807	-0.2	12.0
6. Transport and Communication	80,081	101,023	80,582	74,151	105,851	133,953	202,033	211,069	211,037	4.5	0.0
7. Wholesale and Retail Trade	7,111	8,369	9,925	11,692	13,760	15,165	18,123	22,578	24,667	24.6	9.3
8. Finance & Insurance	9,992	4,957	9,552	21,265	22,025	21,835	25,196	49,060	50,854	94.7	3.7
9.Ownerships of Dwellings	77,973	84,926	82,596	83,163	87,010	89,213	91,648	94,151	95,683	2.7	1.6
10. Services	50,033	51,915	53,006	49,996	54,455	59,499	65,661	79,424	87,858	21.0	10.6

R: Revised

(..Contd.)

P: Provisional

- Not available

* Slaughtering is included in small scale sector

TABLE 1.8

GROSS FIXED CAPITAL FORMATION (GFCF) IN PRIVATE SECTOR
AT CONSTANT MARKET PRICES OF 1999-2000

(Rs million)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P	% Change 2006-07/ 2005-06	% Change 2007-08/ 2006-07
PRIVATE SECTOR	394,749	406,003	459,634	485,849	447,213	521,326	635,893	702,142	708,570	10.4	0.9
1. Agriculture	72,513	64,307	61,250	65,537	55,704	76,264	69,302	69,532	66,005	0.3	-5.1
2. Mining and Quarrying	13,108	12,805	24,624	41,589	8,330	9,629	13,915	20,962	22,171	50.6	5.8
3. Manufacturing	119,158	129,506	151,822	145,588	141,613	146,847	167,917	178,375	177,294	6.2	-0.6
Large Scale	99,345	107,908	128,186	119,724	113,303	115,865	136,935	141,269	136,588	3.2	-3.3
Small Scale*	19,813	21,598	23,636	25,864	28,310	30,982	30,982	37,106	40,706	19.8	9.7
4. Construction	12,373	10,268	10,289	3,871	5,175	9,903	14,287	16,937	14,087	18.5	-16.8
5. Electricity & Gas	15,169	14,796	32,632	23,001	2,044	6,280	14,868	13,153	13,388	-11.5	1.8
6. Transport & Communication	23,868	30,590	29,370	45,979	61,918	91,431	160,818	165,287	164,831	2.8	-0.3
7. Wholesale and Retail Trade	7,111	8,369	9,925	11,692	13,760	15,165	18,123	22,578	24,667	24.6	9.3
8.Ownership of Dwellings	77,973	84,926	82,596	83,163	87,010	89,213	91,648	94,151	95,683	2.7	1.6
9. Finance & Insurance	6,312	2,745	7,519	19,018	20,964	21,102	23,772	47,048	48,619	97.9	3.3
10.Services	47,164	47,691	49,607	46,411	50,695	55,492	61,243	74,119	81,825	21.0	10.4

R: Revised

P: Provisional

- Nil

* : Slaughtering is included in small scale sector.

(..Contd.)

TABLE 1.8

GROSS FIXED CAPITAL FORMATION (GFCF) IN PUBLIC AND GENERAL GOVERNMENT SECTORS
AT CONSTANT MARKET PRICES OF 1999-2000

(Rs million)

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07 R	2007-08 P	% Change 2006-07/ 2005-06	% Change 2007-08/ 2006-07
Public and General Government (A+B)	212,661	228,419	172,499	172,221	170,518	180,066	205,084	273,594	300,145	33.4	9.7
A. Public Sector	146,912	163,175	105,388	91,476	72,762	75,153	81,810	95,156	110,502	16.3	16.1
1. Agriculture	2,921	658	3,703	1,224	75	125	983	1,022	948	4.0	-7.2
2. Mining and Quarrying	5,113	19,805	20,545	25,149	3,902	7,853	8,106	12,718	21,404	56.9	68.3
3. Manufacturing	21,187	13,044	1,265	1,245	2,397	1,282	3,385	2,406	3,813	-28.9	58.5
4. Construction	2,744	2,015	3,058	2,735	2,745	3,252	5,091	7,080	7,445	39.1	5.2
5. Electricity & Gas	52,185	50,785	20,173	27,118	14,890	15,379	17,188	18,830	22,418	9.6	19.1
6. Transport and Communication	56,213	70,433	51,212	28,173	43,933	42,522	41,215	45,783	46,205	11.1	0.9
Railways	369	2,387	5,016	2,804	2,376	2,048	2,446	1,836	1,792	-24.9	-2.4
Post Office & T&T	27,438	30,148	24,671	5,992	4,154	6,408	7,837	6,322	4,347	-19.3	-31.2
Others	28,406	37,898	21,525	19,377	37,403	34,066	30,932	37,625	40,066	21.6	6.5
7. Wholesale and Retail Trade	-	-	-	-	-	-	-	-	-	-	-
8. Finance & Insurance	3,680	2,211	2,033	2,247	1,061	733	1,424	2,012	2,235	41.3	11.1
9. Services	2,869	4,224	3,399	3,585	3,759	4,007	4,418	5,305	6,034	20.1	13.7
B. General Govt.	65,749	65,244	67,111	80,745	97,756	104,913	123,274	178,438	189,643	44.7	6.3
Federal	24,980	23,404	28,277	29,217	32,357	26,694	32,017	45,976	57,021	43.6	24.0
Provincial	31,763	30,555	16,904	24,691	39,216	49,062	67,902	91,098	79,535	34.2	-12.7
Local Bodies	9,006	11,285	21,930	26,837	26,183	29,157	23,355	41,364	53,087	77.1	28.3

R: Revised
P: Provisional

Source: Federal Bureau of Statistics.