Growth and Investment

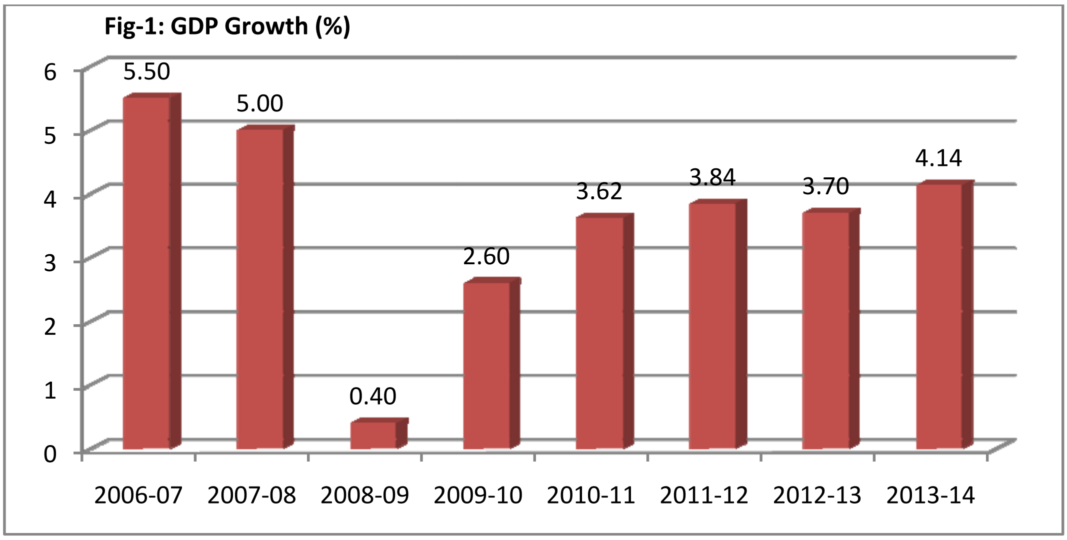
Introduction

After a period of slack growth during last few years, Pakistan's economy witnessed higher and broad based economic growth in outgoing fiscal year 2013-14 accompanied by significant recovery in industrial sector and moderate growth in services and agriculture sectors. Broad based economic recovery, strengthening of macroeconomic stability and elimination of external account vulnerability are major achievements of the outgoing fiscal year. The success includes: picking up in economic growth, inflation contained at single digit, improvement in tax collection, reduction in fiscal deficit, better growth in exports and imports, achievement of GSP plus status, remarkable improvement in workers' remittances, successful launching of Euro Bond, auction of long pending 3G and 4G licenses; significant improvement in country's foreign exchange reserves, Rupee strengthened, rise in foreign direct investment and stock market created new history.

The present government has introduced a comprehensive agenda of reforms which is highly focused on inclusive growth to reinvigorate the economy, spur growth, maintain price stability, provide more and decent jobs to the youth and rebuild the key infrastructure of the economy through removal of bottlenecks like, energy shortages, bleedings PSEs and circular debt along with creating conducive investment climate to boost exports and tax revenues, and bridge fiscal and current account deficits. The government has shown commitment to develop vibrant and competitive markets in order to accelerate and sustain economic growth through productivity, competitiveness, innovation and entrepreneurship.

Government has focused on number of initiatives to enhance productivity of all sectors of the economy. For agriculture efforts are being made to provide better supply of quality seeds including hybrid and high yielding varieties. Ensure timely availability of agriculture inputs including fertilizer, pesticides etc. Credit to agriculture sector reached at Rs.380 billion compared to Rs.336 billion last year with the growth of 13.1 percent. Eliminated subsidies which largely benefited interest groups rather than poor farmers in order to align incentives and relief to deserving population. Revamped vocational and technical education networks to provide more skilled labour to industry. Encouraged small and medium industries through the targeted loans; technical & extension facilities and better access to foreign markets by achieving the GSP plus status. Government also focused on providing better security conditions and business friendly environment in order to attract the foreign investment in the country with an aim to increase the investment-GDP ratio on fast track in coming years. Furthermore to facilitate the foreign investors, government planning to ease the procedural formalities, reducing cost of doing business, overcoming the energy shortages and ensure steady supply of energy to improve competitiveness. Recognizing the need to protect the poor and the vulnerable, government has focused on several safety net programs such as Benazir Income Support Program (BISP), Pakistan Poverty Alleviation Fund (PPAF), Pakistan Bait-ul-Mal (PBM), Zakat and Workers Welfare Fund (WWF). The Prime Minister also launched youth assistance package which comprises schemes: Interest Free Loan Scheme, Business Loan Scheme, Youth Training Scheme, Youth Skill Development Scheme, Fee Reimbursement Scheme for Students from less developed areas and provision of Laptops Scheme. Certainly these schemes are the efforts to increase the productivity of various sectors and also to involve youth more actively in the process of economic growth of the country at all level.

The GDP growth accelerated to 4.14 percent in 2013-14 against the growth of 3.70 percent recorded in the same period last year. The growth momentum is broad based and all the three major sectors namely agriculture, industry and services have provided support to improve economic growth. The agriculture sector grew at an estimated rate of 2.12 percent against the growth of 2.88 percent in the last year. The industrial sector expanded by 5.84 percent against the growth of 1.37 percent in last year, while large scale manufacturing posted growth of 5.31 percent against the growth of 4.08 percent in last year. The services sector grew at 4.29 percent as compared to 4.85 percent in last year. Overall the commodity producing sector is expanded at 3.94 percent as compared to 2.14 percent last year, which represents a significant turnaround from the anemic growth rate of the previous years. Fig-1 shows an overview of GDP growth over the previous years.



The GDP growth 4.14 percent achieved in the outgoing fiscal year 2013-14 as compared to 3.70 percent last year is higher from 2008-09 onwards. Achieving the higher GDP growth during 2013-14 is an indicator that government policies have started gaining the fruits and economic activities are picking up, which will boost further in coming years and potential level of the economy to grow at much higher rate will be achieved soon. Steps initiated by the government like comprehensive power policy, security policy, initiatives of privatization, youth training and employment program are improving business climate and creating more conducive environment for economic agents in the country.

In the contemporary world, the private sector has been recognized as the key player in economic development because it drives the economic growth through its contribution to investment, employment and business creation. The developed and developing countries have placed the private sector development at the top of their economic agenda because of its growing role in the provision of key services but at the same time, the importance of public sector cannot be over ruled because of its spillover effects through public sector development spending particularly on infrastructure. Over the years, Pakistan's private sector which remained the major contributor in economic growth, severely hampered due to various internal and external factors most significantly energy crisis and war against extremism. Recognizing the private sector as the engine of economic growth, present government is striving to tap private sector initiatives and investment in order to achieve the potential growth and alleviating poverty. In this context, the government is taking all possible efforts to create a conducive business environment by removing major bottlenecks like energy shortages, bleeding PSEs along with creating conducive investment climate to boost exports and tax revenues. Furthermore, government is highly committed to facilitate the sector through creating new businesses and opening new jobs. In its reform agenda, the present government has assigned a leading role to the private sector in the country's economic development through maximum utilization of country's physical and human resources, full exploitation of the technological potential in industry and agriculture and sound macroeconomic policies. Recently announced youth loan scheme is a landmark initiative in promoting small scale businesses and providing employment opportunities which in turn will boost the private sector. The government has also taken various other initiatives in order to facilitate the private sector. Most important of all is to create better security conditions and business enabling environment along with the revival of business confidence which will not only be helpful in attracting the foreign investment but will also supplement the growth process with forward and backward linkages. For a stable law and order situation the government has recently finalized the National Security Policy to help in reducing the prevailing militancy. For the permanent solution of energy crisis, National Energy Policy has also been approved, which will address energy problems, improve demand and supply management and also the governance of the sector. Government's commitment to resolve the energy related issues is evident from the successful clearance of circular debt of Rs.480 billion in just 47 days after coming into power as a result almost 1752 MW electricity has added in the system. In order to reduce the size of public expenditure as well as increasing the share of economy in private sector, the government is moving forward with the privatization of 31 public sector enterprises (PSEs). It will improve resource allocation; limit poor performance of PSEs and also increase the foreign direct investment. Government's initiatives are on the right way and there is a need to appreciate them as it will go a long way in boosting the country's economic growth.

Global Developments

The outgoing year witnessed the global recovery and the global outlook offers some optimism. The world economy started picking up in the second half of last year, driven by growth in advanced economies, especially in the US, and also recovery in some emerging economies. Growth is projected to accelerate for most advanced economies as well as in the EU. In US the headwinds from fiscal policy have been waning, private consumption is gaining speed, benefitting from robust job creation and rising house prices, while the Federal Reserve has initiated a gradual shift towards less accommodative monetary policy. In Japan, growth is expected to remain relatively stable in 2014. Among emerging economies, the picture is not smooth, as there are signs of weakness in Brazil, some stabilization at more sustainable growth rates in China. China is the second largest economy in the world; many commodity-based economies have risen in recent years with China's growth. Moreover, China's opportunities and challenges are similar to other emerging countries.

Economic activity outside the EU is expected to accelerate to about 4 percent this year and 4.5 percent in 2015. Forecast of global trade is encouraging, with world import growth doubling from 2.5 percent in 2013 to about 5 percent in 2014 and rising to 6 percent in 2015, reflecting both strengthening of the global recovery and the impetus from trade-intensive sectors. Over the forecast horizon, oil prices are forecasted to continue declining, supported by an adequate supply. The Euro Zone finally came out of a long and deep recession during the second half of 2013. This was a major relief for the global economy and it propelled stronger growth for most economies. The emerging markets mostly affected were India, Turkey, Indonesia, Brazil and South Africa. These economies experienced an immediate capital outflow, which resulted in negative shocks to their currency, stock and bond markets.

The positive news is echoed in the slightly more optimistic Global Economic Prospects report issued by the World Bank that states: "Global GDP is projected to grow better as compared to last year with much of the initial acceleration reflecting a pick-up in high-income economies." Inflation remains benign worldwide. It has decelerated in the United States and Euro-Zone, dropping to 2 percent in the former, and 1 percent in the latter. In the developing world, inflation rates are above 10 percent in about a dozen countries scattered throughout different regions. According to the UN report, there are major concerns for developing and emerging economies. First, there has been a measurable decline in private capital inflows to "emerging markets, a sub-group of developing countries". Second, volatility in these markets has increased with equity market sell-offs and local currency depreciation.

US Economy is expected to see solid but modest growth in 2014 with continuing improvement in labor market. Consumer sector is showing more strength and business investment in on upswing. The Federal Deficit gap is expected to narrow. Nevertheless, the economy faces the risks including: slower than expected growth among U.S. trading partners, winding down of Fed's bond buying program and disruption to global energy supplies

Europe's economic recovery, which began in the second quarter of 2013, is expected to continue spreading across countries and gaining strength while at the same time becoming more balanced across growth drivers. The recovery remains fragile, growth in the euro area, which was -0.5 percent in 2013 as a whole, is expected to be 1.2 percent in 2014 and 1.5 percent in 2015. The recovery in Europe is expected to be broad-based across EU Member States as activity has also started to strengthen in the vulnerable countries of the Euro-Area periphery. In 2014, only Cyprus and Slovenia are still expected to register negative annual GDP growth rates and by 2015 all EU economies are expected to be growing again.

Ireland has successfully completed its financial assistance programme in December 2013. Driven by strong exports, growth is significantly firming in Spain and Portugal, while a moderate rebound is expected in Greece. Among the bigger economies, a steady domestic demand-driven expansion is expected over the forecast horizon in Germany, while in France economic growth is recovering slowly, supported by a timid pick up in private consumption. Mild economic recoveries in the

Netherlands and Italy are set to be driven by net exports and investment. Strong growth is foreseen in the United Kingdom and in Poland on the back of increasingly robust domestic demand.

The Middle East has benefited from some of the world's strongest growth rates since the financial crisis of 2008. A further boost has been provided by significant investment in economic diversification. Particularly, Qatar's economy performed strongly with double-digit growth in most years adding up to a 66.7 percent expansion between 2008 and 2013, while Saudi Arabia's economy grew by 29.6 percent in the same period. A boost to living standards is also expected in GCC economies, as investment in downstream industries and diversification begins to bear fruit. The most remarkable improvements will be seen in Qatar, where low costs of producing natural gas and the country's hosting of the football world Cup may play the role to boost economic activities.

To maintain the growing pace and to accelerate it, developing countries need to continue the reform process. In case of any slackness in productivity enhancement, structural reforms, investment in human capital, improvement in governance and technology up gradation growth momentum may derail. In South Asia economic performance of Pakistan is improving quantitatively and qualitatively as the growth is broad based and touched almost all sectors of the economy. The growth recorded for 2013-14 is 4.14 percent, which is the highest level of achievement since 2008-09 and will further increase in coming years as business climate is improving.

China and Pakistan have entered into a comprehensive plan to establish economic corridor between the two countries. The list of projects to be completed in Pakistan is under consideration and joint working group have been formed. The corridor will serve as a driver for connectivity between South Asia and East Asia. The trade in the world is expected to increase and Pakistan will benefit from key export markets, and undoubtedly the Pakistan economy has a bright future.

The International Monetary Fund (IMF) has reflected in the forecasts that entire world economy growth is forecasted to reach 3.6 percent in 2014 and 3.9 percent in 2015. IMF has forecasted the Euro Area growth at 1.2 percent in 2014 and 1.5 percent in 2015. The forecast for improved growth in the Euro area reflects improvement in economic activities of the Euro area. Germany's growth is strengthening and is forecasted to be 1.7 percent in 2014. In contrast to this growth US is forecasted to be 2.8 percent in 2014 and 3.0 percent in 2015. Under such circumstances China has maintained its position as its growth rate is forecasted at 7.5 percent for the current year and 7.3 percent for the year 2015. Maintaining the growth momentum of China is encouraging for the world, which is providing support for commodities markets and growth in other countries.

IMF has forecasted the growth for Japan at 1.4 percent for the year 2014 and for the year 2015 it is projected at 1.0 percent. Growth in the developing Asian economies is projected at 6.7 percent in 2014 and 6.8 percent for the year 2015. The growth projected for the African and South Asian countries are better for the year 2014 and as well as for 2015. The country wise detail of forecasting of the GDP growth is presented below in the Table 1.1. The improving performance of Europe is good for the world and especially better impact on the economy of Pakistan. As the European Union has granted GSP plus status to Pakistan, which will certainly boost the exports and the industrial sector of the economy of Pakistan. The broad based recovery in Europe will also provide more avenues for Pakistan to attain respectable levels of growth, improve the external accounts and fiscal position as we have a significant volume of trade with Euro zone.

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

Region/Country	2009	2010	2011	2012	2013	2014	2015 (P)
World GDP	**-0.4**	**5.2**	**3.9**	**3.2**	**3.0**	**3.6**	**3.9**
Euro Area	-4.4	2.0	1.6	-0.7	-0.5	1.2	1.5
United States	-2.8	2.5	1.8	2.8	1.9	2.8	3.0
Japan	-5.5	4.7	-0.5	1.4	1.5	1.4	1.0
Germany	-5.1	3.9	3.4	0.9	0.6	1.7	1.6
Canada	-2.7	3.4	2.5	1.7	2.0	2.3	2.4
Developing Countries	7.7	9.7	7.9	6.7	6.5	6.7	6.8
China	9.2	10.4	9.3	7.7	7.7	7.5	7.3
Hong Kong SAR	-2.5	6.8	4.8	1.5	2.9	3.7	3.8
Korea	0.3	6.3	3.7	2.0	2.8	3.7	3.8
Singapore	-0.6	15.1	6.0	1.9	4.1	3.6	3.6

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

Region/Country	2009	2010	2011	2012	2013	2014	2015 (P)
Vietnam	5.4	6.4	6.2	5.2	5.4	5.6	5.7
				ASEAN			
Indonesia	4.6	6.2	6.5	6.3	5.8	5.4	5.8
Malaysia	-1.5	7.4	5.1	5.6	4.7	5.2	5.0
Thailand	-2.3	7.8	0.1	6.5	2.9	2.5	3.8
Philippines	1.1	7.6	3.6	6.8	7.2	6.5	6.5
				South Asia			
India	8.5	10.3	6.6	4.7	4.4	5.4	6.4
Bangladesh	5.9	6.4	6.5	6.1	5.8	6.0	6.5
Sri Lanka	3.5	8.0	8.2	6.3	7.3	7.0	6.5
Pakistan*	**0.4**	**2.6**	**3.7**	**3.8**	**3.7**	**4.14**	**5.1**
				Middle East			
Saudi Arabia	1.8	7.4	8.6	5.8	3.8	4.1	4.2
Kuwait	-7.1	-2.4	6.3	6.2	0.8	2.6	3.0
Iran	3.9	5.9	2.7	-5.6	-1.7	1.5	2.3
Egypt	4.7	5.1	1.8	2.2	2.1	2.3	4.1
				Africa			
Algeria	1.6	3.6	2.8	3.3	2.7	4.3	4.1
Morocco	4.8	3.6	5.0	2.7	4.5	3.9	4.9
Tunisia	3.1	2.9	-1.9	3.6	2.7	3.0	4.5
Nigeria	7.0	8.0	7.4	6.6	6.3	7.1	7.0
Kenya	2.7	5.8	4.4	4.6	5.6	6.3	6.3
South Africa	-1.5	3.1	3.6	2.5	1.9	2.3	2.7

Source: World Economic Outlook (IMF), April 2014.
* : Finance Division, Government of Pakistan
P : Projected.

In this global village the economy of Pakistan is closely associated to rest of the world due to its strategic position and high external sector exposure. As the global economy is picking up and the economies of major trading partners of Pakistan are improving, which will potentially have positive impact on the economy of Pakistan to improve further and uplift socio-economic condition of the country.

Box-1: Infrastructure Development and Economic Growth

Pakistan has a great potential to grow fast and Infrastructure development can plays a significant role in its growth journey. Construction of essential public infrastructure is an important ingredient for recovery, sustained economic growth and poverty reduction. Infrastructure involves fundamental structures that are required for functioning of a community & society; it contains structures like roads, rail links, electrical grids and transmission, telecommunications, energy, and so on. Historically, investment in infrastructure has provided a fillip to strong economic development. US and Western Europe are examples of solid infrastructure helping to lead the world economy, by encouraging innovation, allowing sustained development and inclusive growth. Our counterparts in Asia including China, Japan and South Korea, have an edge over us in terms of infrastructure and public amenities. For Pakistan to achieve developed level and to ensure sustainability, it is important to focus on infrastructure development.

The present government after coming into power focused on economic challenges and started preparing next Five year plan and the Vision 2025 with well coordinated efforts focusing on seven priority areas so that comprehensive development of infrastructure may be made on sustainable patterns and to turn around the national economy by putting it on fast track growth by harnessing the available resources.

Pakistan is making efforts to solve chronic energy crisis that crippled industry and other sectors. To combat the crisis, Pakistan has sought Chinese help for power generation projects. Chinese companies are working on major projects in energy, roads and technology which are expected to be completed in coming years. Initiatives which are planned and being implemented in energy sector include a number of projects like Power park infrastructure at Gadani, Jetty for coal supply to 10x660 MW coal based power stations at power park Gaddani, 2x660 MW coal power stations by Genco Holding Company at PPP Gadani, Transmission lines for evacuation from power park Gadani and Thar Block-2 (phase-I), 2x660 MW coal power projects by Government of Punjab at Sahiwal, Sindh- Engro Coal Mining (SECMC) open pit

Mining and Diamer Basha Dam.

The other priority area includes transport and communication. The concept involves improving road and rail networks to link China through Pakistan to the Arabian Sea and its benefits would also extend to other neighboring countries. Investing in such infrastructure is a chance to boost trade and economic activities in all related sectors of the economy, which will uplift socio-economic condition in the country. The major initiatives/plans for the development of road infrastructure includes Gawadar- Khunjerab Road link which is 2395 km long having section Railkot- Islamabad (486km), Islamabad- Darya Khan section (260km), Darya Khan-Dera Allah Yar section (480km), Dera Allah Yar- Nag (385km) and Nag- Gawadar (442km). Karachi-Lahore Motorway with length of 1100km having Karachi-Sukhur Section (395 km), Sukhur- Multan section (375km), Abdul Hakeem- Lahore section (229 km). Muzaffarabad- Mangla-Mirpur Expressway section (195km) and Peshawar- Torkham Expressway (E-1) section (50km). Along with other modes of communication the importance of railways cannot be ignored for industrial development and to remove regional disparity. Recognizing the importance of this means of transport, the effective measures to up-grade, rehabilitate and extend the railways networks are being under taken. A number of important projects are being initiated including; Up-gradation of existing railway track from Karachi to Peshawar (ML-1), Up-gradation/ Rehabilitation of Main Line (ML-2), Development of Dryport and Cargo handling facilities at Havelian, New rail link from Gawadar to Karachi (Length=700km), new rail link from Gwadar to Jacobabad via Besima and Khuzdar (Length=1050km), New Rail Link from Havelian to Khunjerab (Length=682km), Rehabilitation/ Improvement of Quetta- Taftan section (638km), Up-gradation of Peshawar to LandiKotal existing railway link (52km) and New High Speed railLink (250km/Hr) from Peshawar to Karachi along existing alignment of ML-1.

These initiatives will create conducive environment for investment and economic activities in the economy and as a result socio-economic condition of the people will improve over the medium to long term. It will also bring significant growth in tourism, transport and also help to harmonize the region. Pakistan has world's three largest and highest mountain ranges; world's largest salt mine and lots of other places to attract foreign tourists. Developing infrastructure will also create jobs for local people and also provide opportunities for entrepreneurs to establish business like hotels and restaurants etc; it will help to raise standard of living of local residents and reduce poverty from the region. The economy is showing significant signs of recovery, reforming and upgrading of infrastructure will certainly sustain growth.

Sectoral Analysis of Growth

Pakistan has a strong characteristic of diverse economy, which makes it essential to study the performance of various sectors and subsectors of Gross Domestic Product (GDP) to distinguish what is happening in different sub sectors and on the overall economic growth. The growth performance of all specified components of GDP over the last eight years is described below in Table-1.2. The presented data identified the relative importance of various sectors and sub-sectors of the economy and their inter- relationship.

Table 1.2: Growth Rate (%)

Sectors/Sub-Sectors	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (P)
A. Agriculture	**3.4**	**1.8**	**3.5**	**0.2**	**2.0**	**3.6**	**2.9**	**2.1**
Crops	4.4	-1.0	5.2	-4.2	1.0	3.2	2.3	1.2
Important Crops	6.5	-4.1	8.4	-3.7	1.5	7.9	1.2	3.7
Other Crops	2.1	6.0	0.5	-7.2	2.3	-7.5	6.1	-3.5
Cotton Ginning	-0.8	-7.0	1.3	7.3	-8.5	13.8	-2.9	-1.3
-Livestock	2.8	3.6	2.2	3.8	3.4	4.0	3.5	2.9
-Forestry	2.7	8.9	2.6	-0.1	4.8	1.8	1.0	1.5
-Fishing	0.4	8.5	2.6	1.4	-15.2	3.8	0.7	1.0
B. Industrial Sector	**7.7**	**8.5**	**-5.2**	**3.4**	**4.7**	**2.5**	**1.4**	**5.8**
2. Mining & Quarrying	7.3	3.2	-2.5	2.8	-4.4	5.2	3.8	4.4
3. Manufacturing	9.0	6.1	-4.2	1.4	2.5	2.1	4.5	5.5
-Large Scale	9.6	6.1	-6	0.4	1.7	1.1	4.1	5.3
-Small Scale	8.3	8.3	8.6	8.5	8.5	8.4	8.3	8.4
-Slaughtering	3.2	3.3	3.8	3.2	3.7	3.5	3.6	3.5
Electricity Generation & Distribution & Gas Distt	-12.8	37.2	-12.1	16.7	63.9	1.4	-16.3	3.7
4. Construction	12.9	15.4	-9.9	8.3	-8.6	3.1	-1.7	11.3
Commodity Producing Sector (A+B)	**5.5**	**5.1**	**-0.9**	**1.8**	**3.3**	**3.1**	**2.1**	**3.9**
Services Sector	**5.6**	**4.9**	**1.3**	**3.2**	**3.9**	**4.4**	**4.9**	**4.3**

Table 1.2: Growth Rate (%)								
Sectors/Sub-Sectors	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14 (P)**
7. Wholesale & Retail Trade	5.8	5.7	-3.0	1.8	2.1	1.7	3.4	5.2
6.Transport,Storage and Communication	6.9	5.5	5.0	3.0	2.4	4.6	2.9	3.0
8. Finance & Insurance	9.1	6.3	-9.6	-3.3	-4.2	1.6	9.0	5.2
Housing Services (Ownership of Dwellings	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
General Government Services	2.7	0.2	5.6	8.0	14.1	11.1	11.3	2.2
Other Private Services	4.6	5.4	6.5	5.8	6.6	6.4	5.2	5.8
GDP (fc)	**5.5**	**5.0**	**0.4**	**2.6**	**3.6**	**3.8**	**3.7**	**4.1**

Sources: Pakistan Bureau of Statistics
P: Provisional

Commodity Producing Sector

Commodity producing sector is base of the economy which consists of two major sectors including agriculture and industry. It is the most vital sector of the economy which has relatively stronger forward and backward linkages for economic wellbeing of the society and also key driver of improvement in all macroeconomic indicators. It accounted for 41.8 percent of GDP during the outgoing fiscal year which is decreasing over time due to evolutionary stages of growth. It has witnessed a decreasing trend from 44.0 percent of GDP in 2005-06, indicating the share of the non-commodity producing sector has enhanced. The commodity producing sector has performed much better in outgoing fiscal year as compared to last year; its growth rate during the outgoing year is recorded at 3.9 percent against the growth of 2.1 percent last year. The significant contribution in commodity producing sector is from industrial sector, which recorded impressive growth of 5.8 percent as compared to 1.4 percent last year. The performance of overall agriculture sector remained moderate due to lower growth of other crops while important crops including Wheat, Rice, Sugarcane witnessed better production except Cotton. Government has launched a number of initiatives to tap the potential growth of the commodity producing sector, which will bear fruits after some lag and enhance performance of commodity producing sector in coming years.

Agriculture Sector

Agriculture is the main source of livelihood for the rural population and ensures food availability to rural and urban inhabitants. Its a key sector of the economy as it provides raw materials to main industrial units of the country and also plays a major contribution in export earning of the country. The agriculture sector accounts for 21.04 percent of GDP and 43.7 percent of employment, the sector has strong backward and forward linkages. The agriculture sector has four sub sectors including: crops, livestock, fisheries and forestry. Growth of agriculture sector also contributes significantly in the improvement of rural community and to contain price hike in essential food items. Although scientific and technological innovations are playing their role in the improvement of agriculture sector but there is no doubt its performance is mostly weather dependent. Due to such characteristics of agriculture its performance remained volatile despite the supporting role of government as compared to other sectors of the economy. The performance of the agriculture sector in outgoing fiscal year remained moderate due to unfavorable weather conditions which results in lower production of cotton and other crops.

Agriculture sector recorded a growth of 2.1 percent against the growth of 2.9 percent last year. The decline in growth was due to drop in the estimated cotton production and other minor crops but somehow compensated by the better output of Rice, Sugarcane, Wheat and Maize crops. Livestock recorded a moderate growth.

Important Crops: Important crops account for 25.24 percent of agricultural value addition and its share in GDP is 5.4 percent. This sub-sector has recorded a better growth of 3.74 percent compared to a growth of 1.19 percent last year. The important crops includes all major crops like wheat, maize, rice, sugarcane and cotton which registered growth at 4.44 percent, 7.27 percent, 22.79 percent, 4.27 percent and -2.00 percent respectively. Main cause for the negative growth of cotton is 2.54 percent less area under cultivation for the crop on account of farmers preference to other cash crop for better price as well as unfavorable weather conditions of the cotton growing areas.

Other Crops: Other crops have a share of 11.65 percent to value addition in overall agriculture sector and contribute 2.5 percent in the GDP. This sub-sector of agriculture has witnessed a growth at -3.53 percent against the growth of 6.05 percent last year. This decline in growth of minor crops is mainly due to 36.8 percent lower production in gram, 7.8 percent less production of Potatoes, 5.1 percent decline in production of masoor and 5.4 percent decrease in other pulses. Moreover it is also recorded that production of rape& mustard, chilies, mango, water melon and guava declined by 11.5 percent, 1.4 percent, 1.3 percent, 2.7 percent and 0.9 percent, respectively. The extreme weather condition and heavy rains in these crops areas were the main factors responsible for the negative growth of this subsector as compared to last year.

Cotton Ginning: Pakistan is one of the leading producers and consumers of cotton in the world market. Ginning is the primary mechanical process involved in the processing of cotton. Ginning is the procedure for separating lint from the seed to cotton. Cotton Ginning has 2.81 percent contribution in agriculture sector and 0.6 percent share in GDP of the country. Cotton Ginning has witnessed a growth of -1.33 percent against the growth of -2.90 percent in the previous year due to reduction of the production of cotton as compared to last year. Cotton Ginning was included in agriculture sector after rebasing of National Accounts 2005-06; prior to this, it was a component of manufacturing sector.

Livestock: Livestock is the most significant component of agriculture sector, which contributes 55.91 percent of agriculture value addition. It is a sub-sector of agriculture which is relatively less volatile as compared to other subsectors. It is a good source of job creation and do not depend on heavy mechanical, energy and other developed infrastructure and contributing in socio-economic wellbeing of the rural population at large. Its share in agriculture is more than combined shares of all other subsectors of agriculture and contributes 11.8 percent in GDP. Livestock consist of cattle, buffalos, sheep, goat, camel, horses, asses, mules and poultry and their products. Scientific and technological advancements along with evolutionary stages of growth, the demand for livestock has grown at a phenomenal pace. The increasing trend in prices of livestock has provided incentive for greater production activities in this sub-sector. The significance of livestock may be acknowledged by the fact that the majority of people living in rural areas directly or indirectly depend on the livestock and dairy sector and is contributing in the wellbeing of small farmers and the landless rural poor.

Livestock has registered a growth of 2.88 percent against the growth of 3.99 percent last year. The production of milk, poultry products and other livestock items augmented at the rate of 2.96 percent, 7.38 percent and 1.12 percent, respectively.

Forestry: Growth of the forestry sub-sector is witnessed at 1.52 percent as compared to the growth of 0.99 percent last year. Forests are a key component of our environment and degradation of forests can create severe socio-economic challenges for the future generations. The contribution of this sub-sector in agriculture is 2.04 percent with main components of forestry, timber and fire wood.

Fisheries: Fisheries sub-sector has 2.03 percent contribution in agriculture registered a growth of 0.98 percent compared to the growth of 0.65 percent last year. The sub-components of fisheries such as marine fishing and in-land fishing contributed to an overall rise in value addition in this sub-sector.

Industrial Sector

Industry is the second main component of the commodity producing sector of the economy. The industrial sector contributes 20.8 percent in the GDP of the country; it is also a major source of tax revenues and also contributes significantly in the provision of job opportunities to the labour force. Industrial development is a pre-requisite for uplift of the economy and to improve socio-economic condition of the people due to its multi-dimensional forward and backward linkages, which spillovers benefits to agriculture and services sector of the economy. Industrial sector on one hand creates demand for agriculture produce by using it as raw materials and on the other hand provides latest machineries and tools to modernize crop cultivation process and provides room to reinvest surplus and absorb abundant labour from the economy. Industrial sector also creates demand of various types of services and also provides appliances and other equipments to further modernize the services sector of the economy. Industrial sector is relatively less volatile as compared to other sectors of the economy. When the present government came into power last year, comprehensive policy measures were planned and implemented on fast track to revive the economy. As a result industrial sector started revival and recorded remarkable growth at 5.8 percent as compared to 1.4 percent in last year. The performance of industrial sector is remarkable since 2008-09 onwards. Industrial sector in Pakistan has four sub-sectors including mining & quarrying, manufacturing, electricity generation & distribution and gas distribution and construction. Each sub-sector of the industrial sector has its own importance in GDP of the country, performance of these subsectors are described here.

Manufacturing Sector: Manufacturing is another key sector of the economy playing a dominant role in socio-economic progress of the country. The manufacturing is the most important sub-sector of the industrial sector containing 64.92 percent share in the overall industrial sector. During the last few years, this sub-sector has been suffered by domestic and external factors. Power crises, unstable law and order situation, campaign against extremism remained main obstacles in the growth of this sub-sector. It has been badly affected by acute energy shortages which prevented industries from operating at their optimal capacity level. The proactive policy measures and their implementations on fast track facilitated the revival process and manufacturing sector started picking up with broad base. The growth of the manufacturing sector is registered at 5.55 percent compared to the growth of 4.53 percent last year.

Manufacturing which contribute 13.5 percent in the GDP with 64.92 percent share in overall industrial sector has three sub-components; namely Large-Scale Manufacturing (LSM) with the share of 52.45 percent, Small Scale Manufacturing with the share of 7.97 percent and Slaughtering with the share of 4.49 percent. Small scale manufacturing witnessed growth at 8.35 percent against the growth of 8.28 percent last year and slaughtering growth is recorded at 3.51 percent as compared to 3.60 percent last year. Large Scale Manufacturing (LSM) has registered a significant improvement. It has revealed a growth of 5.31percent as compared to the growth of 4.08 percent last year. The major LSM industries which witnessed impressive growth include: Jute goods 9.13 percent, Sugar 19.19 percent, Beverages 32.28 percent, Juices, syrups & squashes 16.34 percent, Glass plates & sheets 9.04 percent, Nitrogen fertilizer 28.19 percent, switch gears 126.38 percent, air conditioners 88.58 percent, Footwear 17.82 percent, Diesel engines 18.18 percent, cycle tyres 19.09 percent, upper leather 9.26 percent, trucks 26.49 and buses 17.14 percent etc. On the whole 63 major industries group recorded positive growth. The industries which reported negative growth include: LPG 21.13 percent, Coke 74.41 percent, tractors 37.82 percent, Woolen & worsted cloth 12.86 percent, knitting wool 25.58 percent, sole leather 11.01 percent, plywood 12.85 percent, metal drums 21.16 percent, sewing machines 44.83 percent, electric meters 22.24 percent and bicycles 9.82 percent etc.

Construction Sector: The share of construction in industrial sector is 11.48 percent and is one of the potential components of industries. Its contribution in GDP has increased to 2.4 percent as compared to 2.2 percent last year. The construction sector has registered a growth of 11.31 percent against the growth of -1.68 percent of last year. This is also highest growth level achieved since 2008-09. The increase in growth is due to rapid execution of work on various projects, increased investment in small scale construction and rapid implementation of development schemes and other projects of federal and provincial governments.

Mining and Quarrying: 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. Mining and quarrying sub-sector contains 14.45 percent share of the industrial sector and contribute 3.0 percent in GDP of the country. This sub-sector witnessed a growth of 4.43 percent as compared to 3.84 percent growth of last year. The output of Sulphur, Chromite, Bauxite, Dolomite, Coal, Lime Stone, Crude Oil and Rock Salt posted a positive growth of 74.7percent, 70.8 percent, 53.3 percent, 40.7 percent, 16.0 percent, 14.3percent, 11.6 percent and 10.7 percent, respectively. However some witnessed negative growth during the period under review such as the growth of Barytes declined by 41 percent followed by Magnesite 39.6 percent, Cooper 28.4 percent, Soap Stone 9.2 percent and Phosphate 9.1 percent, respectively.

Electricity generation & distribution and Gas Distribution: This is the most essential component of industrial sector and also directly and indirectly contributes in uplift of all sectors of the economy. Its contribution in industrial sector is 9.15 percent and the share in the GDP is 1.9 percent. This sub-sector has registered a growth at 3.72 percent as compared to negative growth (-16.33) percent last year. The output of electricity WAPDA component recorded a positive growth 10.46 percent as compared to -17.99 percent last year, whereas KESC has negative growth 11.90 percent as compared to positive growth of 24.48 percent growth last year.

Services Sector:

Services sector has emerged as the most significant driver of economic growth and contributing an essential role in augmenting and sustaining economic growth in Pakistan. Services sector has been growing at a faster rate as compared to the commodity producing sector of the economy from

2008-09 onward. The economy has experienced a major transformation in its economic structure like other economies of the world. The share of the services sector has increased from 56.6 percent of GDP in 2008-09 to 58.1 percent in 2013-14. In developed countries the contribution of services sector in GDP is around 75 percent. Its share is 73 percent in Singapore, 57 percent in Sri Lanka, 56 percent in India and 54 percent in Bangladesh.

Services sector contains six sub-sectors including: Transport, Storage and Communication; Wholesale and Retail Trade; Finance and Insurance; Housing Services (Ownership of Dwellings); General Government Services (Public Administration and Defense); and Other Private Services (Social Services). The Services sector has witnessed a growth rate of 4.3 percent as compared to 4.9 percent last year. The achieved growth performance in services sector is broad based, all components contributed in positive growth as Finance and Insurance at 5.2 percent, General Government Services at 2.2 percent, Housing Services at 4.0 percent, Other Private Services at 5.8 percent, Transport, Storage and Communication at 3.0 percent and Wholesale and Retail Trade at 5.2 percent. This sector of the economy has a great potential to grow at much higher rate and government is making best efforts to tap this potential and in this regard various initiatives have been launched to create an enabling environment.

Finance and Insurance: Finance and insurance has 3.1 percent share in GDP and contributes 5.38 percent in the services sector. This sub-sector comprises the State Bank of Pakistan; all scheduled banks (domestic and foreign), Development Financial Institutions (DFIs), all insurance (life and general) companies, Modaraba/Leasing companies, Money Changers and stock exchange brokers. The financial sub-sector consists of all resident corporations principally engaged in financial intermediations or in auxiliary financial activities related to financial intermediation. Finance and insurance registered a growth of 5.17 percent as compared to 8.98 percent last year. The main reasons of lower growth include negative growth (-43.61) percent of non-scheduled banks and negative growth (-19.71) percent in financial leasing. One possible reason of lower growth of this sub sector is that banks adopted risk averse stance, as a result profitability of banks declined and lower growth in money supply as compare to last year, which resulted decline in balance sheet growth of the banks. But outlook suggest that borrowing requirement of government will decline in coming months and lending to private sector is increasing, which suggest growth of this sub-sector will increase in next period.

Transport, Storage and Communication: Transport, Storage and Communication (TS&C) component of services sector is playing key role in boosting the economic activities of the country. The value added in this sub sector is based primarily on the profits and losses of Pakistan Railways, Pakistan International Airlines and other airlines, Pakistan posts and courier services, Pak telecom and motors vehicles of different kinds on the road. This subsector has a share of 13.0 percent in the GDP and contributes 22.35 percent in the services sector, but it directly and indirectly contributes in the growth of all sectors of the economy. The TS&C sub-sector recorded a growth of 2.98 percent as compared to 2.88 percent last year. Railways has registered a growth of 10.25 percent against the negative growth of (-47.54) percent last year. This impressive performance of Railways is an indicator that government policies are working to turn around the economy. Air transport recorded the growth of 6.07 percent and pipeline transport registered growth at 8.49 percent, road transport grew at 3.69 percent and storage witnessed growth at 5.17 percent against the growth of 3.24 percent in the last year.

Wholesale and Retail Trade Sector: Wholesale and retail trade having 18.6 percent contribution in GDP is the largest subsector of the services, with the share of 31.94 percent in the services. The wholesale and retail trade is based on the margins taken by traders on the transaction of commodities traded. This sub-sector recorded a growth of 5.18 percent as compared to 3.38 percent in the last year. Improving energy situation and achieving of GSP plus status are contributing in the uplift of this sub-sector, which will grow at faster rate as the situation is improving and more enabling environment is being provided.

General Government Services: General government contributes 7.0 percent in GDP and its share in services sector estimated at 12.10 percent. The General Government Services (Public Administration and Defense) witnessed a growth of 2.19 percent as compared to 11.32 percent last year. One reason of lower growth in real term for this sub sector is 10 percent increased in salary and almost 8.5 percent increase in inflation, accompanied with 30 percent cut on non development expenditures.

Housing Services: Housing Services (Ownership of Dwellings) has maintained the same rate of growth at 4.0 percent during the outgoing fiscal year as the same of last year. This sub-sector contributes 6.8 percent in GDP and having 11.63 percent share in the services sector.

Other Private Services (Social Services): This subsector has share of 9.7 percent in the GDP and 16.67 percent contribution in the services sector. Other private services grew by 5.85 percent as compared to the growth of 5.24 percent last year. The growth in the other private services is mainly the outcome of the fast track work by the government, and other stakeholders including private sector and various non-government organizations on construction and rehabilitation of rains affected areas.

Box-2: New Initiatives of Quarterly Growth

Pakistan Bureau of Statistics released quarterly growth rate for the first time during the current fiscal year and is making it a regular feature to release quarterly economic figures as this would help the government, academia, researchers and other stakeholders to know the direction of economy and trend of economic indicators for better future planning & economic management.

The first quarter data revealed quarterly results of national accounts, estimated economic growth during July-September, FY14 registered at 4.8 percent against 2.8 percent recorded in the same quarter of last year on the back of 2.3 percent growth in agriculture, 5.8 percent in industries and 5.2 percent in services against 2.7, 1.8, and 3.3 percent growth respectively during the same period last year. While during first half of current fiscal year, real GDP grew by 4.1 percent against 3.4 percent recorded in the same period of FY13 on the basis of contribution from agriculture, industry and services by 2.0 percent, 5.4 percent and 4.4 percent respectively. The agriculture growth for the same period of last year was recorded at 1.4 percent industry 2.5 percent & service 4.5 percent.

The data was collected & reviewed by using the production method which is the normal procedure to collect data. The same methodology had been used to prepare the quarterly data that was used for the collection of the National Accounts using 2005-06 as the base year, which is a comprehensive, coherent and integrated national accounting system. The 2008 system of national accounts was an improvement over its previous three versions. The 2008 SNA is applicable in all countries whether develop, or developing. The concepts of the 2008 SNA have been harmonized with data Balance of payments, Government Financial Statistics, Money & Banking Statistics of the IMF. Pakistan has shared its methodology for preparation of quarterly economic figures with international financial institutional like IMF. They have expressed complete satisfaction over the methodology.

Contribution to Real GDP Growth

(Production Approach)

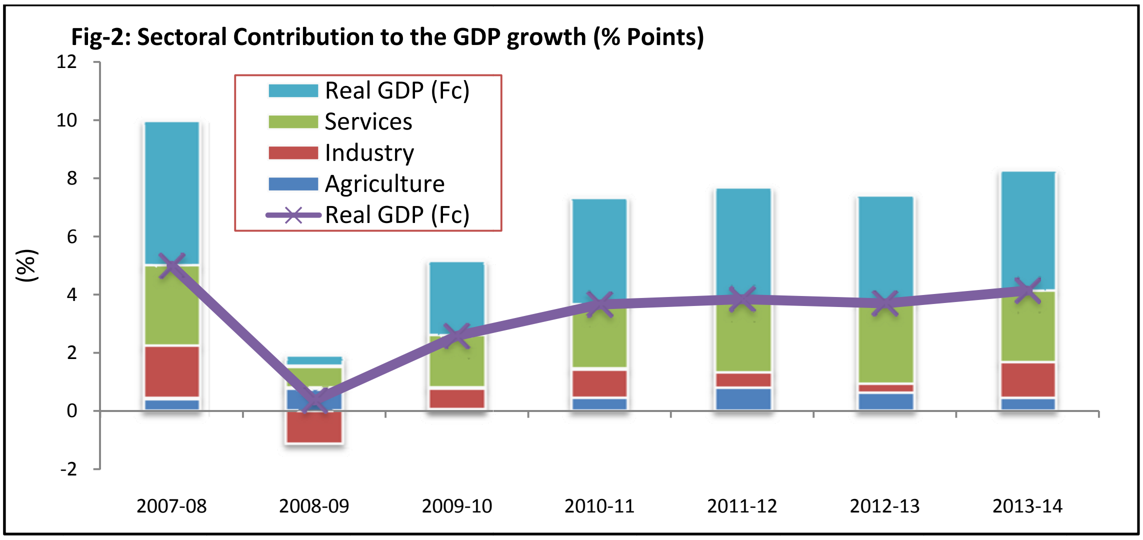
The previous trend as evident from 2009-10 onwards indicates that the contribution to economic growth is dominated by the services sector and the contribution of commodity producing sector also remained supporting to overall growth. The commodity producing sector contributed 39.86 percent to overall economic growth, out of which agriculture shared 10.87 percent and the industry 28.99 percent. The services sector shared the major chunk of 60.14 percent to the overall economic growth.

The overall growth of 4.14 percent is shared between the Commodity producing and Services sectors of the economy. Within the commodity producing sector, agriculture component contributed 0.45 percentage points to overall GDP growth as compared to 0.62 percentage points last year, while industry contributed 1.20 percentage points as compared to 0.29 percentage points previous year, which is an indicator that industrial revival is on fast track due to government policies. Services sector contributed most significantly 2.49 percentage points. The sectoral point contribution to the GDP growth is presented below in Table-1.3.

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

Sector	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Agriculture	**0.41**	**0.76**	**0.05**	**0.43**	**0.79**	**0.62**	**0.45**
Industry	**1.81**	**-1.15**	**0.71**	**0.95**	**0.54**	**0.29**	**1.20**
- Manufacturing	0.87	-0.60	0.19	0.34	0.28	0.60	0.74
Services	**2.77**	**0.75**	**1.81**	**2.24**	**2.51**	**2.79**	**2.49**
Real GDP (Fc)	**4.99**	**0.36**	**2.58**	**3.62**	**3.84**	**3.7**	**4.14**

Source: Pakistan Bureau of Statistics



Contribution to Real GDP Growth

(Aggregate Demand Side Analysis)

In aggregate demand consumption, investment and exports are three main drivers of economic growth. Most of the economies have consumption as the largest and relatively smooth component of aggregate demand, the other two components investment and exports are volatile as compared to consumption. In all economies of the world output is the sum of consumption (both private and public), investment (public and private) and net exports of goods and services. Pakistan's economic growth mostly recognized as consumption-led growth historically. Pakistani society like other developing countries is a consumption oriented society, having a high marginal propensity to consume. As a result private consumption is the major sub-component of aggregate demand; aggregate demand is the sum of consumption, investment and net exports (exports minus imports) of the goods and services.

Demand side analysis provides more comprehensive analysis and insight of growth drivers including consumption, investment and exports. The private consumption expenditure in nominal terms reached to 80.49 percent of GDP, whereas public consumption expenditures are 12.00 percent of GDP. Total consumption expenditures have reached to 92.49 percent of GDP in outgoing fiscal year as compared to 92.14 percent of last fiscal year. The same trend is observed in data analysis in the real terms. Total consumption has increased 0.35 percent of GDP, private consumption decreased by 0.69 percentage point as it declined from 81.18 percent of GDP to 80.49 percent of GDP. While public consumption increased by 1.04 percent of GDP as it increased from 10.96 percent of GDP to 12.00 percent of GDP.

Economic growth in outgoing fiscal year largely contributed by the private consumption on account of sustained growth in remittances, increase in rural income due to higher production of crops, better growth in small scale manufacturing and other services. Consumption contributed 6.00 percentage points to overall economic growth, while the investment contributed 0.15 percentage point, and net exports contributed -0.74 percentage points. A positive aspect is that point contribution of investment is increasing in the overall growth. A number of improving factors like recovery in global business, improving energy supply and improving law and order situation along with other proactive government measures are contributing in this regard. The contribution of net exports has been negative; one of the reasons is higher imports growth. On the positive note, it is observed that 14 percent of imports consists of machineries which will certainly increase productive capacity of the economy and boost economic growth in coming period. As per previous years domestic demand continued to be the most significant driving force for economic growth, with private consumption being the major contributor for sustaining aggregate demand. The point contribution to GDP growth is presented below in the Table-1.4.

Table-1.4: Composition of GDP Growth

Point Contribution

Flows	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Private Consumption	3.30	2.69	-0.56	1.32	3.37	3.92	1.98	4.62
Public Consumption	-0.11	-0.09	1.21	-0.06	0.00	0.74	1.06	1.39

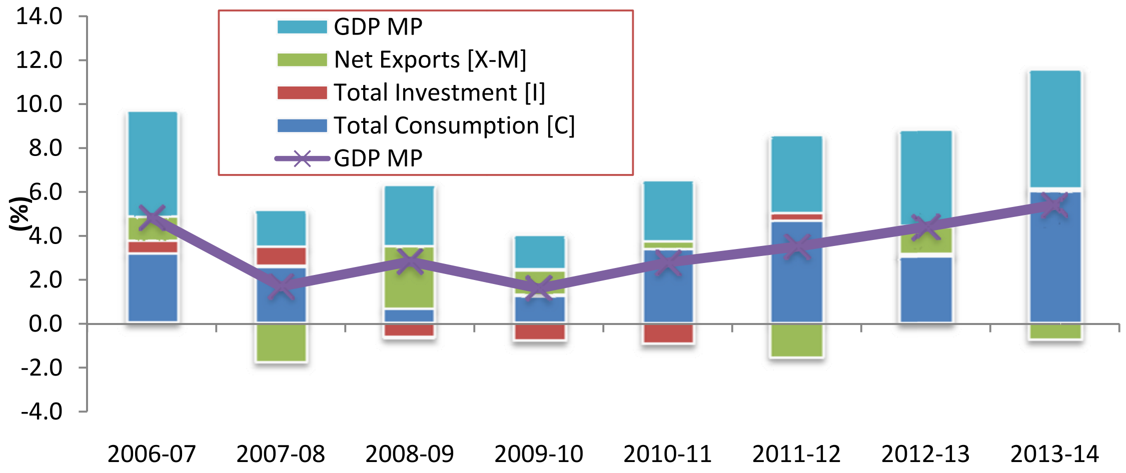
Table-1.4: Composition of GDP Growth

Point Contribution

Flows	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**
Total Consumption [C]	**3.18**	**2.60**	**0.66**	**1.26**	**3.37**	**4.66**	**3.04**	**6.00**
Gross Fixed Investment	0.48	0.85	-0.70	-0.85	-0.98	0.33	0.02	0.06
Change in Stocks	0.08	0.03	0.05	0.03	0.04	0.06	0.07	0.09
Total Investment [I]	**0.56**	**0.88**	**-0.66**	**-0.82**	**-0.94**	**0.38**	**0.09**	**0.15**
Exports (Goods & Serv.) [X]	0.21	-0.62	-0.43	1.90	0.33	-2.05	1.53	-0.17
Imports (Goods & Serv.) [M]	-0.88	1.16	-3.26	0.73	-0.02	-0.52	0.25	0.57
Net Exports [X-M]	**1.09**	**-1.78**	**2.83**	**1.17**	**0.35**	**-1.54**	**1.28**	**-0.74**
Aggregate Demand (C+I+X)	**3.96**	**2.86**	**-0.43**	**2.34**	**2.77**	**2.99**	**4.66**	**5.98**
Domestic Demand (C+I)	**3.74**	**3.48**	**0.00**	**0.44**	**2.44**	**5.04**	**3.13**	**6.16**
GDP MP	**4.83**	**1.70**	**2.83**	**1.61**	**2.79**	**3.51**	**4.41**	**5.41**

Source: Pakistan Bureau of Statistics

Fig-3: Sectoral Contribution to the GDP growth (% Points)



Box-3: Vision 2025 and Economic Growth

The draft vision prepared by Planning Commission aims to transform the country into a higher middle income country by 2025. The vision will be realized through strategies and programs defined in associated five year and annual plans. In the vision 2025 the focus is being made in following priority areas:

Development of Human and Social Capital: The vision recognizes the fact that citizens must contribute to the development of the country and lays foundation for the needed economic growth through investment in education, health, youth and development of the citizens. This will not only help in creating an able society but help in the economic growth of the country and taking the country to the category of developed nation. The government has set major investment and efforts for the Youth, Gender equality, Inclusion of vulnerable segments, interfaith harmony, Arts, culture and sports. These efforts are being taken to boost the economy, especially to reap the demographic dividend through better and able society.

Sustained Indigenous and Inclusive growth: The Vision 2025 envisages a stable macroeconomic environment with high saving and investment to maintain sustained economic growth. The Vision has planned a number of initiatives to promote an inclusive higher growth. Some of the initiatives are as follows:

- Documenting the parallel /informal economy: The informal sector provided employment to 73.5% of non-agricultural workforce in 2010-11 and trending upward. The inclusion of this informal economy will help in recording the economic activities and to better channelize them. The initiatives and regulations will be realigned for the informal to enable them to be coherent with the economic policies of the country.
- Tax, investment and exports nexus: TIE as percent of GDP has declined substantially in previous years and thus caused lower growth. In order to channelize investment in priority sub-sectors identified as potential drivers of growth. Public sector investment will be prioritized and attract private investment to boost business activities, which will enhance investment, exports and tax revenues.
- Urban development: Vision 2025 aims at transforming our urban areas into creative, eco-friendly sustainable cities through improved city governance, effective urban planning, efficient local mobility infrastructure (Metros and better roads) and better security situation.

- Social protection framework: The government has number of plans to help the citizens at all level to gain employment, skill/experience and provide income support.
- Rural enterprise development: The aim is to utilize multiple channels including the provincial agriculture extension services, electronic media and expert advisory services through help-lines to educate and incentivize farmers to make efficient use of inputs, adopt best available farming techniques, optimize crop selection and maximize their yield.

Governance, Institutional reforms and Modernization of Public Sector: Institutional reform and democratic governance will enable an efficient and transparent government which operates under the rule of law and provides security of life and property to its people. While developing a skilled, motivated and results focused civil service, an effective regulatory framework and an infrastructure that leverages supporting technology and global best practices is one of the goal. The Vision aims to take following actions,

- Civil Services Reform
- Accountability for performance at all three tiers of the government
- Restructuring and/or privatization of selected SOEs aimed at making the public sector more effective
- Strengthening e-government infrastructure.
- Police and judicial reforms
- Bureau of Infrastructure Development establishment to coordinate and oversee the program for private sector participation in infrastructure development and develop financing schemes, acting as single window facilitation for project financing and mobilizing commercial equity and debt
- Establishment of a Pakistan Business and Economic Council, chaired by the Prime Minister, to build confidence of private sector, with equal membership of public and private sector for guiding the direction of economy, growth and monitoring performance

All of these proposals will provide a friendly environment to the investors and they can thereby invest with confidence. Hence, it is expected that the Foreign Direct Investment will increase and with these initiatives, trickledown effect can be envisaged, such as job creation, increase in productive activities, and increase in per capita income along with improvement in socio-economic condition of the people at large.

Energy, water and food security: Vision 2025 focusing on the energy, water and food crisis in the country. The supply side of the economy is mainly suffering by the energy shortfall, which has been hampering the growth in the recent years. The proposed actions are as follows,

- Close the effective supply-demand imbalance (approx. 4,000 MW) by 2018.
- Address institutional fragmentation of the sector
- Optimize energy generation mix between oil, gas, hydro, coal, nuclear, solar, wind and bio-mass–with reference to its indigenousness, economics, scalability, risk factors and environmental impact.
- Maximize distribution efficiency and cut wasteful losses through investment in infrastructure and effective enforcement of controls; and ensure access to commercial energy for all sections of the population.
- Focus on demand management and conservation to ensure prioritization in allocation, elimination of wasteful use, incentives to use more energy efficient equipment and appliances, achieve better balance between peak and off-peak hours, etc.

With the availability of electricity along with cheap electricity will reduce the cost of production, making Pakistan more competitive in the world. Beside energy, government has various plans regarding water conservation, food security and climate change, which will make the economic growth sustainable.

Private led growth: Vision 2025 opens doors for the private led growth. Privatization and Infrastructure development are the major initiative in this regard. By private led growth, the people will not only have to rely on jobs but they will be able to start their own business. The job opportunities will increase and help the country in achieving the economic growth. The government enterprises will not be the only drivers of economic activity but the private sector will take the lead.

Developing a competitive Knowledge Economy through Value addition: Vision 2025 envisages fundamental improvements in competitiveness across the industrial/manufacturing, services and agricultural sectors. The strategy to achieve competitiveness mainly focus on enterprises across all sectors will be made viable and sustainable without requiring long-term protection and/or subsidies and these enterprises will be developed to compete successfully in the regional and global markets. The National Productivity Council (NPC) will be revived under the chairmanship of the Prime Minister with relevant experienced professional members. Regular capacity and competitiveness audits will be conducted by the NPC and published in annual competitiveness reports. The knowledge and capacity for the NPC will be acquired in collaboration with domestic and international leaders in competitiveness.

Modernizing Transportation Infrastructure & Greater Regional Connectivity: Efficient and integrated transportation system will be established that will facilitate the development of a competitive economy. Targets are to ensure reduction in transportation costs, safety in mobility, effective connectivity between rural areas and markets/urban centers, inter- provincial high-speed connectivity, integrated road/rail networks between economic hubs (including air, sea and dry ports) and also high capacity transportation corridors connecting major regional trading partners.

The vision accommodates both the supply and demand side of the economy. All of these initiatives will give a kick start to the slowing economy by creating an environment conducive for growth. Hence, it is imperative that when these action plans will be implemented, the output will increase and GDP growth will be accelerated. The Vision 2025 aims to have an inclusive growth with income equality and these initiatives will help all the citizens.

Composition of Gross Domestic Product

Economy of Pakistan, like other developing economies has been experiencing structural transformation. The structure of the GDP has undergone considerable changes during last few decades. Scientific and technological developments contributed in picking up all sectors of the economy but the manufacturing and services sectors got relatively more benefits as compared to agriculture sector. Agriculture sector has some structural, social and cultural obstacles due to which it could not grow consistent and sustainable manner. Furthermore, this sector always face higher risk and vulnerable to natural calamities which normally induce investors to switch towards the non-agriculture sectors, which may have more certain and higher profit, it is an unavoidable outcome of the process of growth and development.

It is evident that the commodity producing sector contributed almost 62 percent of the GDP in 1969-70 which has come down to 41.8 percent in outgoing fiscal year. Further analysis of the CPS indicates that the share of the agriculture has been declining over time. In 1969-70, agriculture accounted for 38.9 percent of GDP, which has decreased gradually to 21.0 percent in outgoing fiscal year. The turn down in the share of CPS means that over time services sector grew more rapidly and its share increased in the GDP. Within the services sector, almost all sub-sectors have raised their contributions. The share of all sectors and associated sub-sectors of GDP is presented in Table-1.5 overtime.

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

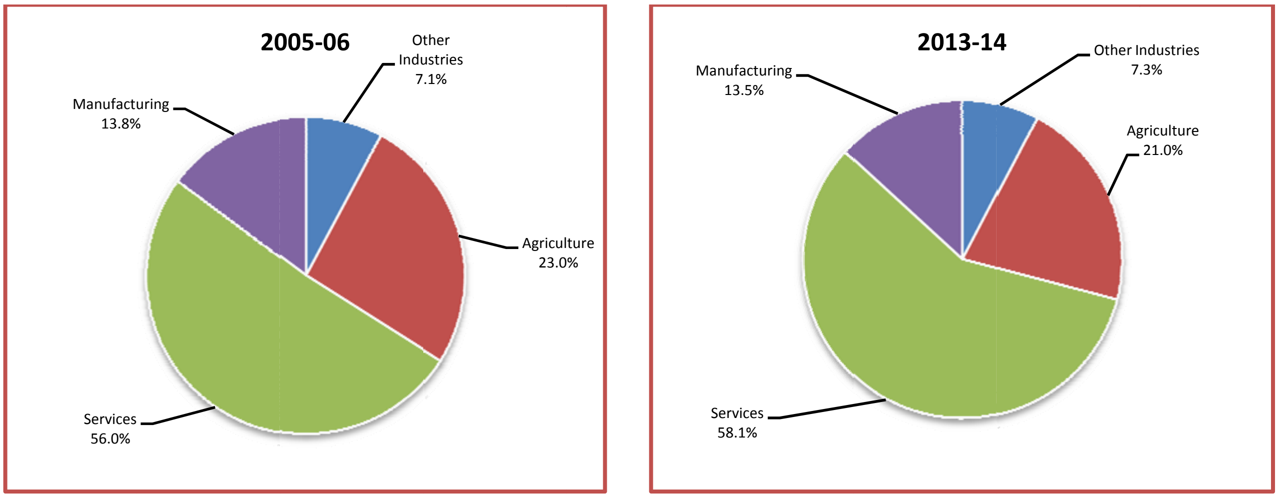
Sectors/Sub-Sectors	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Commodity Producing Sector (A+B)	**44.0**	**43.9**	**44.0**	**43.4**	**43.1**	**42.9**	**42.6**	**42.0**	**41.8**
Agriculture	**23.0**	**22.5**	**21.9**	**22.5**	**22.0**	**21.7**	**21.6**	**21.5**	**21.0**
1. Crops	9.9	9.8	9.3	9.7	9.1	8.8	8.8	8.7	8.4
Important Crops	5.8	5.9	5.4	5.8	5.4	5.3	5.5	5.4	5.4
Other Crops	3.3	3.2	3.2	3.3	2.9	2.9	2.6	2.6	2.5
Cotton Ginning	0.8	0.7	0.7	0.7	0.7	0.6	0.7	0.6	0.6
2. –Livestock	12.1	11.7	11.6	11.8	11.9	11.9	11.9	11.9	11.8
3. –Forestry	0.5	0.4	0.5	0.5	0.5	0.5	0.5	0.4	0.4
4. –Fishing	0.6	0.5	0.6	0.6	0.6	0.5	0.5	0.4	0.4
B. Industrial Sector	**20.6**	**21.4**	**22.1**	**20.9**	**21.0**	**21.2**	**21.0**	**20.5**	**20.8**
1. Mining & Quarrying	3.3	3.4	3.3	3.2	3.2	3.0	3.0	3.0	3.0
2. Manufacturing	13.8	14.3	14.4	13.8	13.6	13.4	13.2	13.3	13.5
-Large Scale	11.7	12.2	12.3	11.5	11.3	11.0	10.8	10.8	10.9
-Small Scale	1.2	1.2	1.2	1.3	1.4	1.5	1.5	1.6	1.7
-Slaughtering	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
3. Electricity Generation & Distribution & Gas Distt	1.4	1.2	1.5	1.3	1.5	2.4	2.4	1.9	1.9
4. Construction	2.4	2.6	2.8	2.5	2.7	2.4	2.4	2.2	2.4
C. Services Sector	**56.0**	**56.1**	**56.0**	**56.6**	**56.9**	**57.1**	**57.4**	**58.1**	**58.1**
1. Wholesale & Retail Trade	19.7	19.8	19.9	19.3	19.1	18.8	18.4	18.4	18.6
2.Transport,Storage and Communication	12.4	12.6	12.7	13.3	13.3	13.1	13.2	13.1	13.0
3. Finance & Insurance	3.7	3.8	3.8	3.5	3.3	3.0	2.9	3.1	3.1
4.Housing Services (Ownership of Dwellings	6.5	6.4	6.4	6.6	6.7	6.7	6.7	6.8	6.8

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

Sectors/Sub-Sectors	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
5. General Government Services	5.5	5.4	5.1	5.4	5.7	6.2	6.7	7.2	7.0
6. Other Private Services	8.1	8.1	8.1	8.6	8.9	9.1	9.4	9.5	9.7
GDP (fc)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

The following Fig-4 shows the structural shift in the economy. During the last 8 years the sectoral share of the agriculture sector has declined from 23.0 percent to 21.0 percent. The sectoral share of the manufacturing sector also decreased from 13.8 percent to 13.5 percent and the share of other industries has remained more or less stagnant around 7.1 to 7.3 percent of the GDP over the last 8 years. The share of the services sector has increased from 56.0 percent to 58.1 percent in the same period. It may be concluded that on the whole structural transformation has remained moderate during the period under discussion.

Fig-4: Contribution to GDP



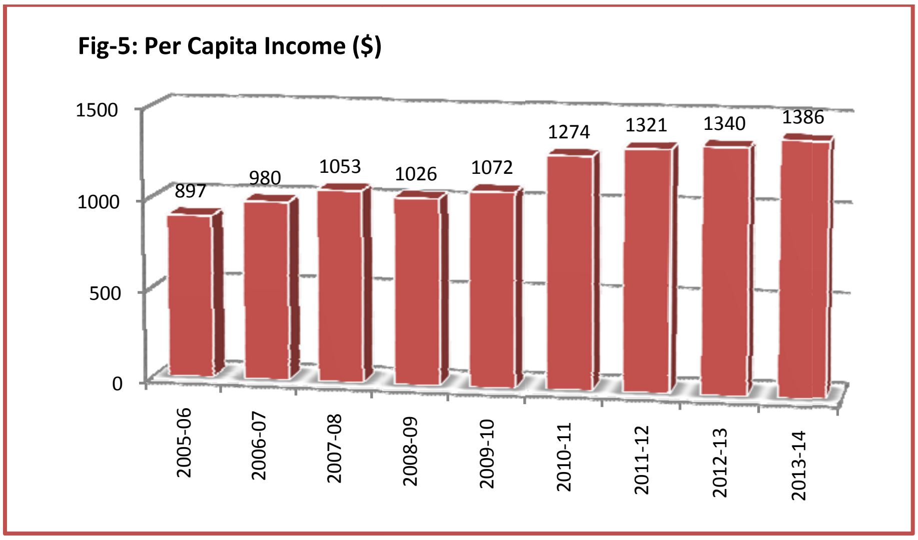
Per Capita Income:

Economic literature considers per capita income one of the key indicators to measure and compare economic well-being. Although a number of analytical tools and sophisticated indicators for measurement of well being were introduced over time, but none of them could undermine the importance of per capita income in providing simple reflection of the average standards of living of the people in a country. Per capita income is defined as Gross National Product at market price in dollar term divided by the country's population. Per Capita Income in dollar terms recorded a growth of 3.5 percent in 2013-14 as compared to 1.44 percent last year.

The per capita income in dollar terms has increased from $ 897 in 2005-06 to $ 1,386 in 2013-14. The main factors, which contributed in this increase, may be acceleration in real GDP growth, relatively lower growth in population and the appreciation of Pak Rupee. Fig-5 shows the improvement in per capita income during the last eight years.

Investment and Savings

Pakistan is blessed with varying terrains ranging from snow covered peaks, fiery deserts, fertile mountain valleys and irrigated plains along with enjoyment of all the four seasons. These factors make Pakistan friendly to all types of the businesses. Pakistan welcomes foreign investors with comprehensive and most friendly Investment Policy and regulatory framework. Present government is well aware with needs of the Foreign Investors and very much supportive in this regard.



Pakistan is providing great potential opportunities to investors; the macroeconomic environment is conducive for growth, profit making opportunities and capital appreciation are the encouraging factors. There are many sectors in which profitable ventures can be pursued. Hence, Pakistan has the fundamentals of the investment attraction and investors are trying to hold these opportunities.

Investment had been suffered by internal and external factors during last few years and is considered as a key concern for economic growth. Total investment is recorded at 13.99 percent of GDP as compared to 14.57 percent of GDP last years, while fixed investment is registered at 12.39 percent of GDP against the 12.97 percent of GDP last year. Private investment is witnessed at 8.94 percent of GDP as compared to 9.64 percent of GDP in last year. Total Investment which was recorded at Rs.3,276 billion in 2012-13 increased to Rs.3,554 billion for 2013-14. It is an evident that total investment witnessed a growth of 8.5 percent as compared to 8.4 percent last year which is an indicator that investment activities are taking place on fast track as compared to last year and confidence of investors is improving due to government policies. Public investment has recorded an impressive growth rate at 17.12 percent as compared to negative growth (-0.35) percent last year which is a major shift in government expenditure strategy. Certainly it will encourage private sector to invest more to reap benefits in the economy. Public sector investment is vital for catalyzing economic development. It generates spillover effects for private sector investment because private sector development is facilitated through public sector development spending particularly on infrastructure. Public Sector Investment which was recorded at Rs.748 billion in 2012-13 is reported at Rs.877 billion in 2013-14. This huge increase reflected that Public investment as a percent of GDP increased to 3.45 percent against 3.33 percent last year. Furthermore, the credit to private sector during the period July-March 2014 increased by 10 percent as compared to 4 percent last year. It will further supplement private sector investment in the country. Present government has launched a number of initiatives to create enabling environment in the country including steps to improve energy situation, law and order, auction of 3G and 4G licenses, and other investment incentives for the investors. The resolve of the government is to address the issue of low investment and create an enabling environment to revive the confidence of the investors and other stakeholders.

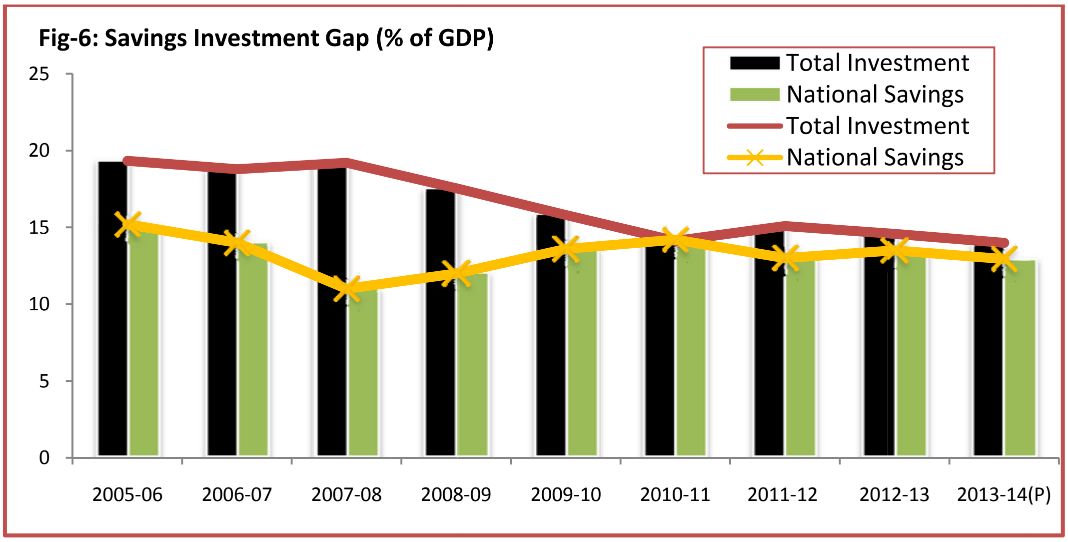
Saving is a key determinant of maintaining a higher level of investment and economic growth. Higher saving brings out more investment, employment generation, stable prices and finally higher growth in the economy. Household savings are the largest component of national savings in most of countries. Domestic savings contribute a dominant role in the economic growth and stability of the country. Economic growth requires investment and it can be financed through domestic savings or from abroad through foreign capital inflows. Higher investment financed by domestic savings is necessary to guarantee the sustained rates of economic growth which is also required for the alleviation of poverty in developing countries. Over last three decades, saving rate has fallen sharply in many countries contributing to the emergence of large current account imbalances in these countries.

National savings are very much important to maintain higher level of investment which is a major determinant for economic uplift. Contribution of national savings to domestic investment is indirectly the mirror image of foreign savings required to meet the investment demand. The foreign savings are needed to finance saving investment gap, reflects the current account deficit in the balance of payments. National savings are recorded at 12.94 percent of GDP in outgoing fiscal year against 13.50 percent in last year. Domestic savings are witnessed at 7.54 percent of GDP in 2013-14 as compared to 8.33 percent of GDP in the last year. Net foreign resource inflows are financing the saving investment gap. There are two possible ways for improving the savings investment gap. One is through increasing savings and the other is through decrease investment. Present government is making best efforts to gear up both savings and investment to raise resource availability for productive use to create more employment opportunities in the country. Table 1.6 shows saving and investment as percentage of GDP and Fig-6 indicates saving investment gap. It is important to mention that during July-March 2013-14 credits to private sector flows has improved and increased to Rs. 335.8 billion against the expansion of Rs. 139.8 billion in the comparable period last year. This will support further private investment in coming months. Private investment recorded in last year was Rs.2,168 billion and it expanded to Rs.2,271 billion for the fiscal year 2013-14. This increase in private investment is an indicator that investors are showing confidence on government policies and outlook is much optimistic, which will further improve macro-economic environment.

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

Description	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14 (P)
Total Investment	**19.33**	**18.79**	**19.21**	**17.55**	**15.80**	**14.11**	**15.08**	**14.57**	**13.99**
Changes in Stock	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6
Gross Fixed Investment	**17.73**	**17.19**	**17.61**	**15.9**	**14.20**	**12.51**	**13.48**	**12.97**	**12.39**
-Public Investment	4.2	4.6	4.8	4.3	3.7	3.2	3.75	3.33	3.45
-Private Investment	13.5	12.6	12.8	11.7	10.5	9.3	9.73	9.64	8.94
Foreign Savings	-4.11	-4.83	-8.16	-5.51	-2.22	0.10	2.07	1.07	1.05
National Savings	**15.2**	**14.0**	**11.0**	**12.0**	**13.6**	**14.2**	**13.00**	**13.50**	**12.94**
Domestic Savings	13.4	12.3	9.1	9.4	9.8	9.7	7.84	8.33	7.54

Source: EA Wing Calculations
P: Provisional



Foreign Direct Investment

Most countries have liberalized their foreign direct investment (FDI) regimes during more than last two decades and pursued investment-friendly economic policies to attract investment. FDI impacted host countries through a number of positive ways including triggered technology spillovers, assisted human capital formation, contributed to international trade integration, helped in creating a more competitive business environment and promoted enterprises development. In this way FDI contributed to achieve higher economic growth and also helped in alleviating poverty.

Pakistan could not attract FDI as per potential due to number of internal and external factors during last few years. Now the situation is improving, new government has launched comprehensive plan to create investment friendly environment and to attract foreign investors in the country. As is evident, the capital market has reached to 28913 points as compared to 21006 points, reflecting the growth of 38 percent emitting positive signals for restoring the investor's confidence. In the report of "ease of doing business" Pakistan has ranked at 107 out of 185 countries ahead of both India and Bangladesh in the region. The Investment Policy has been designed to provide a comprehensive framework for creating a conducive business environment for the attraction of FDI. Pakistan's policy trends have been consistent, with liberalization, de-regulation, privatization, and facilitation being its foremost cornerstones. The Board of Investment (BOI) under the Prime Minister's office has approved new investment policy to provide more investment friendly environment to investors.

It is estimated that almost fifty five percent of our population is below the age of 19, which bodes well for long- term sustainable economic growth. Pakistan has a strong middle class, which is presently above 63 million. A large part of the workforce is proficient in English, hardworking and intelligent. Pakistan possesses a large pool of trained and experienced engineers, bankers, lawyers and other professionals with many having substantial international experience. The consumer market in Pakistan is growing at a very fast pace as reflected by tele-density which has now reached to 77 percent of the population. Pakistan has a very fruitful market for foreign investors having its very large consumer base of more than 186 million people. People need food, energy and other amenities to live and thrive. There is a great potential in the power and infrastructure sector and in natural resources. Foreign investors can exploit all such opportunities.

Total foreign investment has reached to $2979 million during July-April 2014 as compared to $1277 million showing 133.3 percent higher as compared to last year. Out of total foreign investment, the FDI has reached to $750.9 million. The major inflow of FDI is from US, Hong Kong, UK, Switzerland and UAE. Oil & gas exploration, financial business, power, communications and Chemicals remained the main recipient sectors.

Workers' Remittances

The world has witnessed a surge in international remittances flow over the last few decades. Remittances remained a key source of external resource flows for developing countries, far exceeding official development assistance and more stable than private investment flows. According to Migration and Remittances report 2014 of the World Bank, Pakistan is ranked on 7th number, in terms of the largest recipient of officially recorded remittances in the world. After India Pakistan is the second largest recipient of remittances in the South Asian region. Pakistan is also one of the countries among 20 countries of the world where remittances cover more than 20 percent of imports and also remittances are equivalents to more than 30 percent of exports. The remittances are providing significant support to the balance of payments and also helping in stimulating the domestic economy and also supporting to maintain the foreign exchange reserve and debt payments. Furthermore, it is also contributing in reducing unemployment and improving standard of living of the recipient households.

The Pakistan Remittances Initiative, which was launched in 2009, remained a central part of the government's efforts to encourage inflows from Pakistani Diaspora. The flow of remittances is free of cost, documented, secure and efficient. The SBP resolve is to bring additional remittances through its PRI scheme through continuous improvement in payment system, infrastructure, market research, tapping Pakistani Diaspora as well as strengthening PRI core team. The government is also aiming to explore new markets to export its manpower as well as incentives for the remittances to further enhance its growth. Increase in remittances is mainly the result of the higher demand of Pakistani workers in rest of the world due to worldwide acknowledgement of the skill, honesty and devotion to the assigned work of Pakistani workers. An overview of country wise remittances is presented in Table 1.7.

Table-1.7: Country Wise Workers' Remittances **US$ Million**

Country	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14 July-April*
USA	1,242.49	1,459.64	1,762.03	1,735.87	1,771.19	2,068.67	2,334.47	2,186.24	2,027.06
U.K.	438.65	430.04	458.87	605.59	876.38	1,199.67	1,521.10	1,946.01	1,798.28
Saudi Arabia	750.44	1,023.56	1,251.32	1,559.56	1,917.66	2,670.07	3,687.00	4,104.73	3,806.36
U.A.E.	716.30	866.49	1,090.30	1,688.59	2,038.52	2,597.74	28,48.86	2,750.17	2,522.89
Other GCC Countries	816.87	757.33	983.39	1,202.65	1,237.86	1,306.18	1,495.00	1,607.88	1,527.00
EU Countries	761.98	149.00	176.64	247.66	252.21	354.76	364.79	357.37	355.31
Total	4,600.12	5,493.65	6,451.24	7,811.43	8,905.90	11,200.97	13,186.62	13,921.66	12,894.61

Source: SBP
* : Provisional

Workers' Remittances reached at $ 12894.61 million in July-April of the 2013-14, against the $ 11569.82 million in the comparable period of last fiscal year, which shows a significant increase of 11.45 percent over the period. The available data further suggest monthly average inflow of the remittances for the period of July-April 2013-14 and stood at $ 1,289.46 million compared to $ 1,156.98 million during the corresponding period last year. Remittances from Saudi Arabia recorded substantial growth of 12.90 percent, U.K. 11.62, USA 11.39 percent and UAE 9.12 percent during the period under review.

Box-4: Branchless Banking

Branchless banking is doing wonders in developing and less developed countries like Pakistan, India, Bangladesh, Kenya and South Africa. Under the system the network agents, mostly operating in retail markets, use mobile phones to pay utility bills and transfer money for individuals from one place to another and even to and from bank accounts. The branchless banking has made headway in Pakistan and outlets of network agents can be found in a number of retail markets, around Pakistan. The activity is regulated by the SBP. The most pro-growth plus pro-poor activity that the branchless banking can do right now in Pakistan is to bring the unbanked entrepreneurs into the banking fold. This would not only increase financial deepening in the economy but is also likely to increase the access of the credit constrained micro and small entrepreneurs to formal finance, which may contribute to the private sector led growth of the economy. With the increase in financial deepening, the loanable funds available with the banks would increase and they would be able to lend. The increased availability of credit in the economy will alleviate the credit constraint and thereby help economic growth.

A study reports that at the aggregate level only 14 percent of the Pakistanis enjoy any kind of interface with the formal financial system, as against 32, 48 and 59 percent respectively in Bangladesh, India and Sri Lanka. More than half the population of Pakistan saves but only 8 percent entrust their saving to formal financial institutions. One third of the population borrows but only 3 percent borrow from the formal financial system. Clearly the financial inclusion is low in Pakistan. A study being undertaken at PIDE finds that 38 percent of the micro and small entrepreneurs in the populous city of Rawalpindi do not have a bank account i.e. they do not even have the most preliminary nature of interface with a bank, let alone borrowing from a bank.

Possible reasons for remaining unbanked include but are not limited to; inconvenience or inability of the entrepreneurs to visit a bank during banking hours and low literacy level of the entrepreneurs.

How branchless banking can be used by the banks to reach to such unbanked entrepreneurs who cannot make it to the bank branches to deposit cash. The small entrepreneurs can use the branchless banking network agents present in their market, may be just a few shops away, to deposit money into their bank accounts. If the banks reach out to the unbanked entrepreneurs more aggressively, they can even manage to send the network agent to entrepreneurs' outlets. Thus the entrepreneur will be saved of the trouble and time to visit the network agent. The banker having observed the daily inflows from an entrepreneur X can also offer him/her a loan on the strength of regular inflows. This would help alleviate the credit constraint faced by small and micro entrepreneurs.

In all likelihood the entrepreneurs will not be willing to bear any charges for the transfer of money to their bank accounts. What's the solution? The increase in scale of business that the banks would experience shall allow them to bear the charges. The banks will also experience decrease in cost, in terms of cut in staff strength and lesser branches, with the cut in need to have face-to-face interaction with the customers. The increase in scale of branchless banking and the decrease in traditional intermediation cost of the banks will allow them bear the charges of transfer imposed by the network agent on the remitter.

To promote financial inclusion, SBP has adopted a bank-led approach for promotion of Branchless Banking (BB) with flexibility for inclusion of large players such as Telecoms to partner with banks and Micro Finance Banks (MFBs) to develop innovative banking solution especially for deprived economic segments. The outcome of these efforts is quite encouraging. The agent network under branchless banking models has already crossed 125,000 agents which are offering basic banking services (such as deposits, bills payments, money transfer, G2P payments, etc) to the largely previously unbanked population. Specially, the Branchless Banking channels have played a significant role in recent years in making payments to the beneficiaries of various social welfare schemes under the sponsorship of the Government of Pakistan.

During Oct-Dec, 2013, number of BB transactions grew to reach 54.1 million in number with total value of Rs.234 billion. On an annual basis, 192 million BB transactions worth Rs.802 billion were recorded in the year 2013, reflecting 59 percent more volume and 63 percent higher value in comparison to the year 2012. Currently 3.47 million BB accounts exist which have access to a host of services including fund transfer, utility bill payments, domestic remittance, mobile top ups, loan repayments and saving account features.

In sum branchless banking has opened up new avenues which if tapped can give a boost to growth by improving the state of financial intermediation.

Conclusion and the Way forward

Present government inherited number of problems affecting the economy include energy shortages, weak law and order situation, and a host of other structural impediments that held back investment and growth. Present government after coming into power initiated a number of steps for removal of bottlenecks like energy shortage, bleedings PSEs, create conducive investment climate, boost exports and tax revenues, and to bridge fiscal and current account deficits. It is worth mentioning that during out going fiscal year the economy has achieved initial gains in restoring macroeconomic stability, as major economic indicators have shown significant improvements.

Pakistan has succeeded in securing the Generalized System of Preferences (GSP) plus status from EU, which is likely to boost the country's exports and initially help to increase export worth an additional $ 1 billion. Government is making efforts to improve supply side arrangements, to meet more demand for the products in EU & elsewhere. There are opportunities for Pakistan to push its exports and diversify its products and markets. Strengthening of trade relations with neighboring countries is another major initiative of the government which will contribute towards higher economic growth by availing greater market access as well as cheaper availability of raw materials for domestic producers. In order to have sustainable economic growth, the government has developed a holistic national power policy, which provides a roadmap to overcome the present energy crisis and fully meet the future needs of power in the country. The goal is to provide affordable energy in the country through efficient generations, transmission and distribution system to improve the supply side.

FDI is a major component of GDP & plays an important role in determining the overall GDP growth rate. The economic growth cannot be maximized without attracting sizeable foreign direct investment every year. The government has lunched various steps to go for structural changes in the economy and introduce massive reforms to enhance inflow of the FDI. Privatization is also important and necessary to run enterprise efficiently. Privatization results in better utilization of resources, which eventually leads to higher growth. Government is also making efforts for market development and launching excellent regulations along with Privatization Process. Under PSEs reform strategy the government is focused on improvement in corporate governance, restructuring of PSEs and strategic partnership through privatization and has formed a high level commission for ensuring transparency in appointment of heads of key public sector organizations and bodies.

A vibrant and expanding middle class of Pakistan is creating demand of goods and services as well as providing savings to fund productive investments and also breeding the professional and skilled labour force. Such human capital plays a vital role to gain a strong momentum in economic growth. Youth entrepreneurship in Pakistan with rising trend has great potential to put the economy on sustainable and broad base growth. Government is making best efforts to facilitate youth and providing them decent opportunities to play their vital role in economic growth.

Government's efforts for the fundamental solutions to our longer term economic problems to be continued for better governance, rule of law, restoring high growth of manufacturing and agriculture, achieving higher productivity through investment in human capital, reducing cost of doing business and accelerating domestic savings. Efforts are underway to bring shadow economy into tax net including eliminating SRO culture and appointing professionals in key Economy Ministries and board of Directors. Present government is committed to liberalization, deregulation and privatization, these initiated reforms will enable Pakistan to further enhance its export competitiveness, augment its foreign exchange reserves, improvement in trade facilitation and logistics.

In view of above progress towards right direction, the multilateral donors and international markets have also responded positively and reposed tremendous confidence in Pakistan's economic future which will go a long way in building up a strong economy and welfare state.