

Highlights

01. GROWTH AND INVESTMENT

- ✦ **Real GDP** grew by 5.8 percent in 2007-08 as against 6.8 percent last year and growth target of 7.2%. The economy has shown great resilience against internal and external shocks of extraordinary nature during the out going fiscal year. Pakistan's economy has grown at an average rate of almost 6.6 percent per annum during the last five years.
- ✦ **Agriculture sector** showed dismal performance and grew by 1.5 percent as against 3.7 percent last year and target of 4.8 percent. The poor show was mainly because of growth performance **Major crops** which registered negative growth of 3.0 percent as against an impressive positive growth of 8.3 percent last year and target for the year at 4.5 percent. **Livestock** a major component of agriculture exhibited some improvement in growth from 2.8 percent last year to 3.8 percent in 2007-08.
- ✦ **Overall manufacturing**, accounting for 18.9 percent of GDP registered a modest growth of 5.4 percent against 8.2 percent last year. This is really disappointing performance because the manufacturing sector was growing on average by 9.7 percent since 2002-03.
- ✦ **Large-scale manufacturing** registered a growth of 4.8 percent in 2007-08 against the target of 10.9% and last year's achievement of 8.6%., exhibiting signs of moderation on account of saturation in capacity utilization on the one hand and power shortages along with several other factors on the other hand.
- ✦ **Construction** continued its strong showing, partly helped by activity in private housing market, spending on physical infrastructure, and reconstruction activities in earthquake affected areas. The construction sector is estimated to grow by 15.2 percent in 2007-08 as against extraordinary growth of 17.9 percent last year.
- ✦ Pakistan's **per capita real GDP** has risen at a faster pace in real terms during the last six years (4.5% per annum on average in rupee terms) leading to a rise in average income of the people. Such increases in real per capita income have led to a sharp increase in consumer spending during the last three years. The **per capita income** in dollar term has grown at an average rate of 13.5 percent per annum during the last six years rising from \$ 586 in 2002-03 to \$ 1085 in 2007-08. The main factor responsible for the sharp rise in per capita income include acceleration in real GDP growth, stable exchange rate and four fold increase in the inflows of workers' remittances.
- ✦ As opposed to an average annual increase of 1.4 percent during 2000-03, **real private consumption expenditure** grew by 12.9 percent in 2004-05 but declined in the subsequent two years. Real private consumption expenditure bounced back and grew by 8.5 percent in 2007-08.
- ✦ **Total investment** could not sustain its record level of 22.9 percent of GDP of the last fiscal year and declined to 21.6 percent of GDP in 2007-08. However, total investment has increased from 16.9 percent of GDP in 2002-03 to 21.6 percent of GDP in 2007-08 — showing an increase of 5.7 percent of GDP in five years.
- ✦ **Fixed investment** has declined to 20.0 percent of GDP from 21.3 percent last year.
- ✦ **Fixed investment** grew, on average, by 16.5 percent in real terms and 30.3 percent in nominal terms per annum during the last three years (2004-07) preceding to current year. However, the loss of momentum during 2007-08 was visible from the real growth of just 3.4 percent and nominal growth of 12.5 percent.
- ✦ **Private investment** grew by 16.3 percent per annum in real terms and 30.7 percent per annum in nominal terms during the period (2004-07). However, it declined substantially to marginal 0.9 percent in real terms and 9.7 percent in nominal terms in 2007-08. The composition of investment between private and public sector has changed considerably during the last seven years. The share of private sector investment in domestic fixed investment has increased from less than two-third (64.2%) to

almost three-fourth (73.2%) in the last seven years clearly reflecting the growing confidence of private sector in the current and future prospects of the economy.

- ✦ **Private sector investment** grew by 9.7 percent this year as against 13.3 percent increase in last year in nominal terms. **Public sector investment** has also increased by 30.0 percent per annum during the last three years and 20.2 percent during the current fiscal year in nominal terms.
- ✦ Major nominal growth in private sector investment is witnessed in, mining & quarrying (15.3%), electricity & gas (11.0%), financial business (11.4%), and wholesale and retail trade (18.4%). **National Savings** at 13.9 percent of GDP has financed 65 percent of fixed investment in 2007-08 as against 77.7 percent last year. National savings as percentage of GDP stood at 13.9 percent in 2007-08 far lower than last year's level of 17.8 percent. **Domestic savings** has declined to 11.7 percent of GDP from 16.0 percent of GDP.
- ✦ **Overall Foreign Investment** during the first ten months (July-April) of the current fiscal year has declined by 32.2 percent and stood at \$ 3.6 billion as against \$5.3 billion in the comparable period of last year.
- ✦ **Foreign direct investment** (private) stood at \$3481.6 million during the first ten months (July-April) of the current fiscal year as against \$4180.8 million in the same period last year thereby showing a decline of 16.7 percent. Almost 57 percent of FDI has come from three countries, namely, the UAE, US, and UK. US investors with 33.4 percent investment are on the top during the first ten months (July-April) of 2007-08. Norway (4.4% or \$154.8 million), Switzerland (4.1% or \$141.3 million), Hong Kong (3.5% or \$121.3 million), Netherlands (2.9% or \$101.0 million) and Japan (2.9% or \$100.3 million) were other contributors to FDI inflows. Three groups namely; communication, financial business and oil & gas exploration accounted for almost 67 percent of FDI inflows in the country.
- ✦ **Private portfolio investment** witnessed massive decline of 91 percent by recording inflow of \$98.9 million as against \$1097.3 million during the comparable period of last year.
- ✦ **Public foreign investment** depicted modest inflow of only \$20.5 million as against outflow of \$66.6 million in the comparable period of last year.

02. AGRICULTURE

- ✦ The agriculture growth this year is estimated at 1.5 percent as compared with 3.7 percent during 2006-07.
- ✦ Cotton production at 11.7 million bales in 2007-08 has decreased by 9.3 percent in comparison to 12.9 million bales of last year.
- ✦ Wheat production is estimated at 21.7 million tons in 2007-08 as against 23.3 million tons last year, showing a decrease of 6.6 percent.
- ✦ Rice production has increased from 5.4 million tons in 2006-07 to 5.6 million tons in 2007-08, showing an increase of 2.3 percent.
- ✦ Sugarcane production has increased by 16.8 percent in 2007-08 from 54.7 million tons in last year to 63.9 million tons in 2007-08.
- ✦ As regards the minor crops, the production of mung, mosoor and mash increased by 28.4 percent, 13.8 percent and 8.8 percent, respectively. The production of chillies and onion increased by 96.1 percent, 13.8 percent respectively. The production of potato crop declined by 3.8 percent.
- ✦ Agriculture credit disbursement of Rs 138.6 billion during July-March 2007-08 is higher by 24.6 percent, as compared to Rs 111.2 billion over last year.
- ✦ Total off-take of fertilizer remained flat (0.5 percent) mainly because offtake pattern of nutrients also changed as nitrogen offtake increased by 11.4 percent while that of phosphate and potash decreased by 25.3 and 33.3 percent, respectively during July - March 2007-08. Increased international prices of

phosphatic and potash fertilizers overshadowed the subsidy effect and eventually offtake could not increase and remained at almost last year's level.

03. MANUFACTURING & MINING

- ✦ Overall manufacturing posted a growth of 5.4 percent during the first nine months of the current fiscal year against the target of 10.9 percent and 8.1 percent of last year.
- ✦ Large-scale manufacturing, accounting for 70.0 percent of overall manufacturing registered a growth of 4.8 percent in the current fiscal year 2007-08 against the target of 12.5 percent and last year's achievement of 8.6 percent.
- ✦ Heightened political tension, deteriorating law and order situation, growing power shortages, cumulative impact of monetary tightening and rising cost of doing business are responsible for poor showing of manufacturing in 2007-08. Taking a longer term view, the manufacturing growth exhibits a moderating trend.
- ✦ The main contributors to the 4.8 percent growth during July-March 2007-08 were beverages (30.5%), sugar (34.0%), tea blended (10.4%) , beverages (30.5%), cigarettes (5.1%) , cotton yarn (3.3%) & cotton cloth (4.9%), upper leather (13.5%), petroleum products (6.0%) , cement (17.9%), pig iron (2.3%) , refrigerators (10.7%) , electric fans (18.3%), tv sets (19.3%), diesel engines (46.0%), trucks (1.6%) & buses (32.1%), motor cycles (28.1%), paints & varnishes (8.7%) and LCV'S (60.5%). The major receding items include: vegetable ghee (2.8%), cotton ginned (10.1%), sole leather (25%), paper & board (5.6%), phosphatic fertilizer (24.0%), motor tyres (12.8%) and tubes (7.6%), coke (13.9%), billets (17.1%), wheat thrasher (13.1%), deep freezers (11.2%), electric motors (16.0%), tractors (5.2%), vegetable ghee (2.8%) and jeeps and cars (3.9%).
- ✦ The *mining and quarrying* sector has registered a growth rate of 4.9 percent as against a target of 4.5 percent and actual achievement of 3.0 percent last year.
- ✦ The increased growth was propelled by strong growths in magnetite (20.5%), lime stone (17.8%) and Baryte (15.6%).
- ✦ With effect from January 1991 to February 2007, GoP has privatized around 166 units at Rs. 475.08 billion (approx US\$ 8.9 billion).

04. FISCAL DEVELOPMENTS

- ✦ *Total revenues* collected during the current year stood at Rs 1545.5 billion, higher than the targeted level of Rs 1476 billion. This increase of Rs 69.5 billion from the budgeted revenues was mainly due to higher than targeted non-tax collections. There are expectations that the FBR may fall short of its targeted level, and the year is most likely to end with total tax collections amounting to Rs 1.0 trillion—Rs. 25 billion less than the original target.
- ✦ Pakistan's tax revenue-to-GDP ratio stood at only 10 percent of GDP during 2007/08 as compared to an average of 18 percent for the developing countries indicating that substantial tax policy reforms are still needed to broaden the tax base. The indirect tax-to-GDP ratio stood at around 6 percent, while the direct tax-to-GDP ratio was calculated to be 4 percent.
- ✦ Gross and Net tax collection has increased by 12.3% and 16.3% respectively. In absolute terms, these collections have gone up by Rs. 89.9 billion and 107.1 billion, respectively. Among the four federal taxes, the highest growth of 28.9% was recorded in the case of federal excise receipts, followed by sales tax (19.5%), direct taxes (12.5%) and customs (11.4%). The collection of direct taxes has suffered a substantial shortfall during July-April FY 07-08.
- ✦ *The total expenditure* for 2007-08 was budgeted at Rs. 1875 billion — 11.9 percent higher than last year. According to revised estimates this figure stood at Rs 2228.9 billion. Two factors had a significant impact on the budgetary outlook. Firstly oil prices continued to rise at a greater pace, reaching as high as \$ 115 per barrel in May 2008— an increase of over 116 percent during the fiscal

year. Secondly, the lack of action on the part of the government aggravated the fiscal situation as the high international price of oil was not passed on to the domestic consumers. Consequently, the oil subsidy is projected to rise to Rs 175 billion— over shooting the targeted level by Rs 160 billion. Hoarding, smuggling and mismanagement of wheat operations forced the government to import 1.7 million tons of wheat at all time high prices.

- ✦ **Interest payments** surpassed their targeted level by a significant margin. A sum of Rs. 375 billion was budgeted for interest payments in 2007-08. The year is likely to end with interest payments of Rs. 503.2 billion--- surpassing the targeted level by Rs 128.2 billion mainly due to two reasons. Firstly there was a slippage on account of the National Savings Scheme (NSS) particularly with respect to Defence Savings Certificates (DSCs), amounting to Rs 54 billion. There was a massive maturity of DSCs that were issued in 1997-98 which were due for payment in 2007-08 (this is a ten year paper). Secondly there was a slippage on account of floating debt and permanent debt mainly due to the substantial rise in the volume of borrowing as well as the rising interest rates.
- ✦ The adverse developments on the revenue and expenditure sides resulted in massive slippages in the overall fiscal deficit for the year 2007-08. Against the target of Rs 398 billion or 4 percent of GDP the overall fiscal deficit is likely to be Rs 683.4 billion or 6.5 percent of GDP--- the highest in the last ten years. In order to counter massive gaps between budgeted and estimated targets in current expenditure, the government made efforts to mobilize more resources on the one hand, and postpone development spending on the other. An adjustment of Rs 100 billion was made in development expenditure.
- ✦ The domestic and external shocks not only increased the size of the fiscal deficit but they also changed the composition of financing. The borrowing requirements increased from Rs 324 billion (the net of privatization proceeds) to Rs 683.4 billion (with no privatization proceeds)—an increase of 111 percent. External resource inflows were adversely affected by these shocks and against the budgeted level of Rs 193 billion, only Rs 119.4 billion is likely to materialize. In addition to this, Pakistan could not complete the transaction of Global Depository Receipts (GDRs) of the National Bank of Pakistan and could not launch sovereign and exchangeable bonds. Furthermore, some of the lending expected from multilateral banks was not given.
- ✦ The brunt of adjustments on the financing side fell on domestic sources. Against the budgeted financing of Rs 131 billion from domestic sources, it increased to Rs 564 billion. Within domestic sources the bulk (82.2 percent) of financing came from banks while the remaining Rs 100 billion or 17.8 percent came from non-bank sources. Most importantly, the borrowings from the State Bank of Pakistan (SBP) reached an alarming level consequently; the money supply growth for the year 2007-08 is expected to breach the target of 13.7 percent.
- ✦ Public debt as a percentage of GDP (a critical indicator of the country's debt burden), stood at 85 percent in end-June 2000, has declined to 55.2 percent by end-June 2007 – a reduction of almost 30 percentage points of GDP in seven years. The declining trend in public debt is likely to be reversed in 2007-08, mainly on account of yawning fiscal and current account deficits and a sharp depreciation of the rupee vis-à-vis the US dollar. By end-March 2008 the public debt as percentage of full year GDP stood at 53.5 percent.
- ✦ By end-June 2007 total domestic debt stood at Rs. 2610.2 billion which was estimated at 30 percent of GDP. The outstanding stock of domestic debt rose by Rs 409.9 billion and stood at Rs. 3020.1 billion by end-March 2008 or 30.3 percent of GDP. The domestic debt has increased by 15.7 percent by end-March 2008 over end-June 2007. The increase in domestic debt mainly emanates from floating debt (27.1%) while the other two components, unfunded and permanent, witnessed a modest growth of 6.1 percent and 9.4 percent, respectively.

05. MONEY AND CREDIT

- ✦ Overall developments in the money and credit sector during the fiscal year 2007-08 have been satisfactory.

- ✦ During July-May 10, 2007-08, money supply (M2) grew by 9 percent against the annual target of 13.7 percent and last year expansion of 14 percent for the same period.
- ✦ Net domestic assets have increased to Rs.656.7 billion as compared to increase of Rs.395.5 billion in the same period of last year.
- ✦ Net foreign assets have recorded a contraction of Rs.289 billion against the increase of Rs.84.6 billion in the same period of last year.
- ✦ Government borrowing for budgetary support has recorded an increase of Rs.362 billion as compared to Rs.212 billion in the same period of last year.
- ✦ Credit to private sector amounted to Rs.369.8 billion during July-May 10,2007-08 as compared to Rs.263.4 billion in the same period last year.
- ✦ Credit to manufacturing sector recorded to be Rs.193 billion compared with Rs.119 billion in the same period of last year. During July-March, 2007-08, there was a substantial decrease in personal loans amounting Rs.21.2 billion as compared to Rs.38.8 billion during the same period last year.
- ✦ Weighted average lending and deposit rates increased to 10.9 percent and 4.2 percent in March 2008 while weighted average yields on 6 months T-bill increased to 9.4 percent in March 2008.
- ✦ The Islamic Financial Industry has grown substantially and its assets has reached to a level of Rs.200 billion.

06. CAPITAL MARKETS

- ✦ During the outgoing fiscal year 2007-08, the benchmarked stock exchange KSE-100 index demonstrated acute volatility owing to fluctuating outlook on political, macroeconomic and global grounds. The index closed at 12,130.5 points on May 30, 2008, down by 1,642 points (or 11.9 percent) from the end June position of the last year.
- ✦ Nevertheless, the year 2007-2008 can be fairly termed as a record breaking epoch for the local equity market as the index managed to broke the psychological barrier of 15,500 points for the first time in the history of Pakistan. The premier index reached its all-time high of 15,676 points on April 18, 2008 while punctuating to a low of 11,955 points on August 27, 2008.
- ✦ Aggregate Market Capitalization declined abruptly by Rs 273 billion, from Rs 4,019 billion in June 2007 to Rs 3,746 billion in May 2008.
- ✦ Key takeovers in banking, financial and telecommunication sectors together with a successful GDR offering by Lucky Cement, assisted in retaining the ongoing growth momentum for the past few years in the local bourses.
- ✦ Foreign portfolio investment showed a net outflow of US\$45 million during first nine months of the fiscal year 2007-08.
- ✦ Satisfactory performance by some major sectors of the economy (fuel & energy, banks and other financial institutions, chemicals and pharmaceuticals, and engineering) during 2007-08 kept the positive sentiments of investors alive in the stock market.
- ✦ The government carried out six government securities auction in the outgoing fiscal year and managed to issue Rs. 68.8 billion of PIBs with 3&5 years due maturities amounting to Rs. 14.5 billion, resulting in a surplus issuance of Rs. 54.3 billion.
- ✦ The cut-off yields on all tenors exhibited a rise in the range of 90-128 bps over July yields.
- ✦ The National Savings Schemes (NSS) attracted Rs. 67.4 billion in July-March 2007-08. Huge accruals were noticed in the case of Bahbood Savings Certificates, Pensioners' Benefit Accounts and Special Savings Certificates.

- ✦ The deposit rates on all schemes offered under the NSS umbrella have been revised in view of the rising interest rate scenario of the country.
- ✦ Five new floatation (corporate TFCs), all linked to 6-months KIBOR, were listed on KSE during the period under review.
- ✦ The Non Banking Finance Companies (NBFCs) sector has revealed striking growth in recent years especially the boom in mutual funds industry with net assets at Rs. 389 billion.
- ✦ Over the years, the Securities & Exchange Commission of Pakistan (SECP) has been proactive in instigating noteworthy capital market measures in the fields of risk management, surveillance and investor protection to refurbish confidence of both foreign and domestic investors.

07. INFLATION

- ✦ The inflation rate as measured by the changes in Consumer Price Index (CPI) stood at 10.3 percent during the first ten months (July-April) of the current fiscal year, 2007-08, as against 7.9 percent in the comparable period of last year.
- ✦ The food inflation is estimated at 15.0 percent and non-food 6.8 percent, against 10.2 percent and 6.2 percent in the corresponding period of last year.
- ✦ The Wholesale Price Index (WPI) during July-April, 2007-08 have increased by 13.7 percent, as against 6.9 percent of last year.
- ✦ The Sensitive Price Indicator (SPI) has recorded an increase of 14.1 percent during July-April, 2007-08, as against 11.1 percent of last year.
- ✦ The increase in inflation rate during the current year 2007-08 is attributable to the increase in food price inflation which has been due to increase in prices of wheat, edible oil, rice, pulses, milk, poultry, meat, fresh vegetables and fruits.

08. TARDE & PAYMENTS

- ✦ Exports were targeted at \$ 19.2 billion or 12.9 percent higher than last year. Exports during the first ten months (July-April) of the current fiscal year are up by 10.2 percent – rising from \$ 13847.3 million to \$ 15255.5 million in the same period last year. Pakistan's export performance has been impressive in recent years (2002-03 to 2005-06) with exports registering an average growth of 16 percent per annum on the back of strong macroeconomic policies pursued at home and international trading environment remaining hospitable. Pakistan's export performance was dismal in 2006-07 as it witnessed abrupt and sharp deceleration to less than 4 percent. However, when viewed in the back of last year's performance, exports managed to recover somewhat this year but its performance has remained far short of the average growth of 16 percent achieved during 2002-03 to 2005-06
- ✦ Imports were targeted to increase by 5.9 percent in 2007-08 to \$ 32.3 billion from last year's level of \$ 30.5 billion. Imports are up by 28.3 percent during July-April 2007-08 – rising from \$ 25.0 billion to \$ 32.0 billion, showing an increase of almost \$ 7.0 billion. The growth in imports increased substantially owing to unprecedented rise in oil and food prices. After growing at an average rate of 29 percent per annum during 2003-04, Pakistan's import growth slowed to a moderate level of 6.9 percent in the last fiscal year (2006-07). Import's growth exhibited a sharp pick up in 2007-08 in the back of extra ordinary surge in the imports of petroleum products as well as imports of food group and raw material. Non-oil imports were up by 22.5 percent and non-oil and non food imports surged by 18.8 percent during the first ten months (July-April) of the current fiscal year.
- ✦ Major contributions to this year's additional import bill have come from petroleum groups (40%). raw material (21%) and food groups (16.3). Almost three-fourth contribution came from three categories (petroleum, raw material and food group) to this year's rise in imports. Interestingly, consumer durables' contribution was negative (-0.4%) mainly on account of a decline in the import of road motor vehicles which registered a decline of 8.6 percent.

- ✦ The merchandise trade deficit widened to \$ 17 billion in the first ten months (July-April) of the current fiscal year as against \$ 11 billion in the same period last year. On the basis of existing trend, trade deficit is likely to touch \$ 20.5 billion or 12.3 percent of GDP during 2007-08.
- ✦ Workers' remittances totaled \$ 5.31 billion in the first ten months (July-April) of the fiscal year as against \$ 4.45 billion in the same period last year, depicting an increase of 19.5 percent. If this trend is maintained workers' remittances are likely to touch \$ 5.8 billion for the year – the highest ever in country's history.
- ✦ Pakistan's current account deficit further widen to \$ 11.6 billion (6.8% of GDP) in the first ten months (July-April) of the current fiscal year from 6.6 billion (4.6% of GDP) in the same period last year. The deterioration in current account deficit mainly emanated from the sharply widening trade deficit along with increase in net outflows from services and income amount. However, the strong growth in current transfers on the back of impressive growth in remittances almost entirely offset the deficit in services and increase amount, thereby leaving trade deficit as fundamental source of expansion in current account deficit.
- ✦ Pakistan's total foreign exchange reserves stood at \$ 12,344 million at the end of April 2008 significantly lower than end June 2007 level of \$ 15,646 million. During July-October 2007, reserves improved by 5.1 percent due to relatively lower current account deficit and substantial inflows in financial account. However, October onward, net outflows from portfolio investment and steep rise in the current account deficit led to a sharp decline in foreign exchange reserves of country.
- ✦ Pakistan rupee after remaining stable for more than 4 years, lost significant value against the US dollar, depreciating by 6.4% during July – April 2008.

09. EXTERNAL DEBT AND LIABILITIES

- ✦ External debt and liabilities (EDL) at the end of March FY08 were US\$ 45.9 billion. The net addition of \$ 5.4 billion represents a 13.3 percent increase over the stock at the end of FY07.
- ✦ Pakistan contracts loans in various currencies and but for reporting purpose, EDL is expressed in dollar terms. The effect of new disbursements in external debt is only \$1.2 billion while \$4.2 billion are added to the stock of external debt because of translation effect. The US dollar has depreciated at a brisk pace against major currencies of the world, hence, the debt outstanding in Euro, Japanese Yen and SDR witnessed increase in dollar terms without contracting fresh loans.
- ✦ EDL were 236.8 percent of foreign exchange earnings (FEE) but declined to 127.1 percent in the same period. The EDL were nearly 5.8 times foreign exchange reserves (FER) at the end of FY02 but have decline to 3.4 percent by end-March 2008.
- ✦ Interest payments on external debt were 7.8 percent of current account receipts but declined to 2.5 percent during the same period.
- ✦ Given the negative sentiment surrounding capital markets, Pakistan has not issued any new instruments in FY08. However, the country is still pursuing a comprehensive external borrowing strategy.

10. EDUCATION

- ✦ Education is essential for the maintenance and development of the quality of human life as well as for economic activities; therefore, the government has adopted this sector as one of the pillars for poverty reduction and benefit to masses.
- ✦ The government has decided to double the education budget (as percentage of GDP) as visualized in *Fiscal Responsibility and Debt Limitation (FRDL) Act, 2005*. This means an extra spending of 1.8 percent of GDP over and above the existing funding will be on hand during the next five years.
- ✦ The overall literacy rate (10 years & above) was 45 percent in 2001 which has increased to 55 percent in 2006-07, indicating a 10 percentage points increase over period of only six years.

- ✦ Male literacy rate (10 years & above) increased from 58 percent in 2001 to 67 percent in 2006-07 while it increased from 32 to 42 percent for female during the same period. Literacy remains higher in urban areas (72%) than in rural areas (45%) during 2006-07.
- ✦ Province wise literacy data for PSLM (2006-07) shows Punjab to be on the top (58 percent) followed by Sindh (55 percent), NWFP (47 percent) and Balochistan (42 percent).
- ✦ According to the PSLM Survey data 2006-07, the overall school attendance (age 10 years and above) is 57% (69% for male and 44% for female) in 2006-07 compared to 55% (68% for male and 42% for female) in 2004-05.
- ✦ According to the Ministry of Education, there are currently 231,289 institutions in the country. The over all enrolment is recorded at 34.84 millions with teaching staff of 1.37 million.
- ✦ National Textbook and Learning Materials Policy (2007) has been prepared to prop up the quality of education at all levels through better quality textbooks at affordable prices and other learning materials for promoting Pakistan as a knowledge based society.
- ✦ In view of spreading higher education to every area of Pakistan, over the past three years, 17 new universities have been granted Charters, with the majority opened in areas where higher education opportunities were previously unavailable.
- ✦ To promote research and development (R&D) activities, Higher Education Commission (HEC) has awarded 5,837 PhD scholarships (3,237 indigenous, 2,600 foreign) over the past three years.

11. HEALTH AND NUTRITION

- ✦ At Present there are 945 hospitals, 4755 dispensaries, 5349 basic health units & sub health centers and 903 maternity and child health centers in Pakistan.
- ✦ With the existing number of 127859 doctors, 8195 dentists ,62651 nurses and 103285 hospital beds ,the population and health facilities ratio turnout to be 1225 persons per doctor,19121 person per dentist, 2501 persons per nurse and 1517 persons per bed which shows an improvement over the last year.
- ✦ During the fiscal year 2007-08, 43 basic health units and 13 rural health centers have been constructed. While 65 rural health centers and 950 basic health units have been upgraded.
- ✦ Some 4500 new doctors, 400 dentists, 3350 nurses and 4900 paramedics have completed their academic courses.
- ✦ 80000 Lady Health Workers (LHWs) have been trained and deployed mostly in the rural areas. Moreover, some 7.5 million children have been immunized and 22 million packets of ORS distributed.
- ✦ Various health programs with a special focus on major public health problems have been carried out. These include the national programs for the prevention and control of tuberculosis, malaria, HIV/AIDS, hepatitis, blindness and program on maternal, neonatal and child health etc.
- ✦ The total outlay on health sector is budgeted at Rs.60 billion (Rs.27.3 billion development and Rs. 32.7 billion current expenditure) which is equivalent to 0.6 % of GNP.

12. POPULATION, LABOUR FORCE AND EMPLOYMENT

- ✦ Pakistan's current population is 160.9 million with a growth rate of 1.80 percent. The overall vision of the population policy is to achieve population stabilization by 2020.
- ✦ The life expectancy in Pakistan for males is 64 years and for females is 66 years.
- ✦ About 2.6 million labour force is estimated as un-employed in 2006-07 and unemployment rate is 5.3 percent.

- ✦ Agriculture remains the dominant source of employment in Pakistan. The share of agriculture in employment has increased from 43 percent in 2003-04 to 43.61 percent by the year 2006-07, with manufacturing (13.54%) and trade(14.43%) & services(14.41%) absorbing a growing share of the work force.
- ✦ To generate employment, the government has not only started President's Rozgar Scheme under which an average loan size of Rs.100,000 is given for a maximum period of five years with a grace period of three months but has also set up two banks (1) SME Bank, which has created 47,213 employment opportunities in the country and (2) Khushali Bank, which has so far created 1118,502 job opportunities.

13. POVERTY

- ✦ The latest estimates for poverty available are for the year 2005-06 when economic conditions were altogether different as of today. For 2005-06 inflation-adjusted poverty line used is Rs.944.47 per adult equivalent per month, up from Rs.878.64 in 2004-05.
- ✦ Headcount ratio, i.e., percentage of population below the poverty line has fallen marginally from 23.94 percent in 2004-05 to 22.32 percent in 2005-06, an improvement of 1.62 percentage points. Poverty in rural areas declined from 28.13 percent to 27.0 percent, showing an improvement of 1.13 percentage points between 2004-05 and 2005-06.
- ✦ Poverty in Urban areas also registered a decline from 14.94 percent to 13.1 percent during 2004-05 and 2005-06, thereby, depicting an improvement of 1.84 percentage points in the period.
- ✦ The poverty estimates of 2005-06 are consistent with ground realities of that particular year and it is yet to be seen how far the recent upsurge in food prices has impacted the poverty profile in the country.
- ✦ Government's commitment to follow a sustained poverty reduction strategy and adhere to Fiscal Responsibility and Debt Limitation Act stipulation of allocating a minimum of 4.5 of GDP to social and poverty related expenditures is clearly reflected in the allocations for 2007-08. Expenditures on pro-poor sectors in 2006-07 at 5.7 percent of GDP were well above the requirement under the Law. These expenditures are projected to grow in nominal terms by roughly 20 percent over the 2006-07 levels and be 6.0 percent of GDP in 2007-08. If the entire subsidy on imported wheat during the current year is considered as pro-poor expenditure, and off-setting cuts are not made in education and health, the final figure is expected to be even higher than the projected one.

14. TRANSPORT AND COMMUNICATION

- ✦ The total road network is about 260,000 km of which around 60% is paved. Road density is 0.32 km/km² which is low and compares unfavorably with other South Asian countries (Bangladesh-1.7 km/km², Sri Lanka-1.5 km/km² and India-1.0 km/km²). The Government intends to generate/ mobilize all possible resources to double road density to 0.64 km/km². Total roads, which were 229,595 KM in 1996-97, increased to 264,853 KM by 2007-08 — an increase of 15.4 percent. During the out-going fiscal year, the length of the high typed road network increased by 3.2 percent but the length of the low type road network declined by 2.8 percent
- ✦ During the first six months of FY 2007-08, Karachi Port had handled a total of 20.5 million tonnes of cargo. From July to March of the current financial year, 2007-08, Port Qasim handled 19.76 million tonnes of cargo depicting a growth rate of 10% over the same period last year.
- ✦ Pakistan Railways (PR) suffered heavy losses and damage to property owing to violence and rioting around the country this year. The network carried 59.74 million passengers and 5.2 million tons of freight during July-March of the outgoing fiscal year. Pakistan Railway's earnings stood at 13,954 million during the first nine months of FY 2007-08.
- ✦ PIA carried 5.415 million passengers in 2007 as against 5.732 million in 2006 showing a decrease of 5.5 percent. While having to deal with challenges of rising fuel costs and imposition of a ban placed by the European Union, the Airline suffered losses of 13.4 billion in the outgoing fiscal year. Along with PIA, there are three private sector airlines operating in Pakistan.

- ✦ Telecom sector continued to show a stellar growth in last few years. Tele-density in the country has jumped from a mere 6% to 57% (Mar- 08) in few years. On average, more than 2 million subscribers are being added on cellular mobile networks per month which is an exemplary growth in the region. Pakistan has become one of the fastest growing mobile markets among the emerging telecom markets. This year the sector grew by 80% whereas average growth rate in last 4 years is more than 100%. Today total subscriber base stands at 82.5 million (Mar 2008) whereas it was 34.5 million in 2006. Pakistan's broadband market has been slow despite the fact that services have been available since almost five years.
- ✦ Currently there are a total of almost 12,689 Broadband subscribers. According to estimates by the Internet Service Providers Association of Pakistan (ISPAK), currently there are about 3.5 million internet subscribers all across in Pakistan where total users crossed 17 million marks. Currently around 3,008 cities are connected to internet cities.

15. ENERGY

Crude Oil

- ✦ Production of crude oil per day has increased to 70,166 barrels during July-March 2007-08 from 66,485 barrels per day during the same period last year, showing an increase of 5.54 percent.
- ✦ The overall production of crude oil has increased to 19.3 million barrels during July-March 2007-08 from 18.2 million barrels during corresponding period last year, showing an increase of 5.9 percent.
- ✦ On average, the transport sector consumes 50.9 percent of the petroleum products, followed by power sector (32.8 percent), industry (11.0 percent), household (1.9 percent), other government (2.2 percent), and agriculture (1.2 percent) during last 10 years i.e. 1997-98 to 2006-07.

Natural Gas

- ✦ The average production of natural gas per day stood at 3,966 million cubic feet during July-March, 2007-08, as compared to 3,876 million cubic feet over the same period last year, showing an increase of 2.3 percent. The overall production of gas has increased to 1,090,620 million cubic feet during July-March 2007-08 as compared to 10,62,124 million cubic feet in the same period last year, showing an increase of 2.7 percent.
- ✦ On average, the power sector consumer 36.8 percent of gas, followed by fertilizer (20.7 percent), industrial sector (19.8 percent), household (17.4 percent), commercial sector (2.7 percent) and cement (1.1 percent) during last 10 years i.e. 1997-98 to 2006-07.

Electricity

- ✦ The total installed generation capacity has increased to 19,566 MW during July-March 2007-08 from 19,440 MW during the same period last year, showing a marginal increase (0.65 percent).
- ✦ Total installed capacity of WAPDA stood at 11,654 MW during July-March 2007-08 of which, hydel accounts for 55.6 percent or 6,474 MW, thermal accounts for 44.4 percent or 5,180 MW. During first three quarters of current fiscal year 74,032 GWh electricity has been generated as against 71,033 GWh in the same period last year, showing an increase of 4.22 percent.
- ✦ The number of villages electrified increased to 126,296 by March 2007 from 113,605 upto 2005-06, showing an increase of 11.2 percent.

CNG

- ✦ Presently, some 2,068 CNG stations are operating in the country. By March 2008 about 1.7 million vehicles were converted to CNG as compared to 1.35 million vehicles during the same period last year, showing an increase of 26 percent. With these developments Pakistan has become the leading country in Asia and the third largest user of CNG in the world.

16. ENVIRONMENT

- ✦ According to a recent assessment made by the World Bank (WB)¹, the cost of environmental neglect and degradation to Pakistan's economy has amounted to Rs. 365 billion during the current year.
- ✦ The latest red-list of endangered species in Pakistan, released by the World Conservation Union (IUCN), includes the *Blue Whale*, Fin Whale, Hotson's Mouse-like Hamster, *Indus River Dolphin*, *Markhor*, Urial, *Snow Leopard*, Woolly Flying Squirrel, Brown Grizzly Bear, Western tragopan, Hobara Bustard, Siberian White Crane, Olive ridly turtle, Green turtle, Marmot, Blackbuck and Sand Cat.
- ✦ In order to address environmental concerns at the national level a multifaceted programme, National Environment Action Plan (NEAP) was launched by the government in 2001. In March 2007, NEAP-SP programme entered its second phase. Pakistan has also shown its commitment to numerous non-legally binding instruments and Multilateral Environmental Agreements (MEAs), at the international level.
- ✦ Pakistan is likely to achieve many of the Medium Term Development Framework (MTDF) 2009-10 and Millennium Development Goals (MDGs) 2015 Targets in advance. For instance, the protected area for conservation of wildlife (%age of total area) was estimated at 11.3% during 2007-08 while according to MTFD and MDG targets the targeted levels were 11.6% and 12.0%, respectively.
- ✦ Pakistan is the largest user of CNG in Asia and has become the third-leading country in the world to use CNG to fuel vehicles after Argentina and Brazil. The number of petrol & diesel vehicles using CNG fuel stood at 1,700,000 for 2007-08, whereas the targeted levels were estimated at 800,000 in case of MTFD and 920,000 in case of MDGs.
- ✦ To promote sustainable conservation of natural resources the government has launched numerous projects during the recent years, in collaboration with international agencies, targeting major areas of environment i.e. Air, Water, Land, Forests and Biodiversity. These initiatives mainly include, Pakistan Wetlands Programme (PWP), Self Monitoring and Reporting tool (SMART), Sustainable Land Management (SLM) and 'Mainstreaming biodiversity in Juniper forest ecosystem'.
- ✦ The Government in collaboration with various concerned organizations has recently initiated the Technical Advisory Panel (TAP) on Climate Change. The official launch of the TAP was held on February 15, 2008. Funded by the Royal Norwegian Embassy and the Department for International Development, U.K., and TAP is a joint initiative of the Ministry of Environment, Government of Pakistan, and The World Conservation Union (IUCN).
- ✦ The Kyoto Protocol was adopted by Pakistan, under the United Nations Framework Convention on Climate Change (UNFCCC) at the 3rd Meeting of the Parties held in Kyoto, Japan, which entered into force on 16th February 2005. Under the Protocol, developed countries, agreed to reduce their combined Greenhouse Gas emissions by 5.2% below the 1990 level during the period 2008-2012.

¹ Pakistan: Strategic Country Environment Assessment by WB (Sep, 2007)