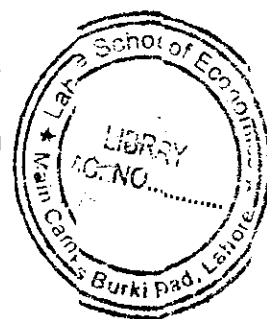


Pakistan

Economic Survey

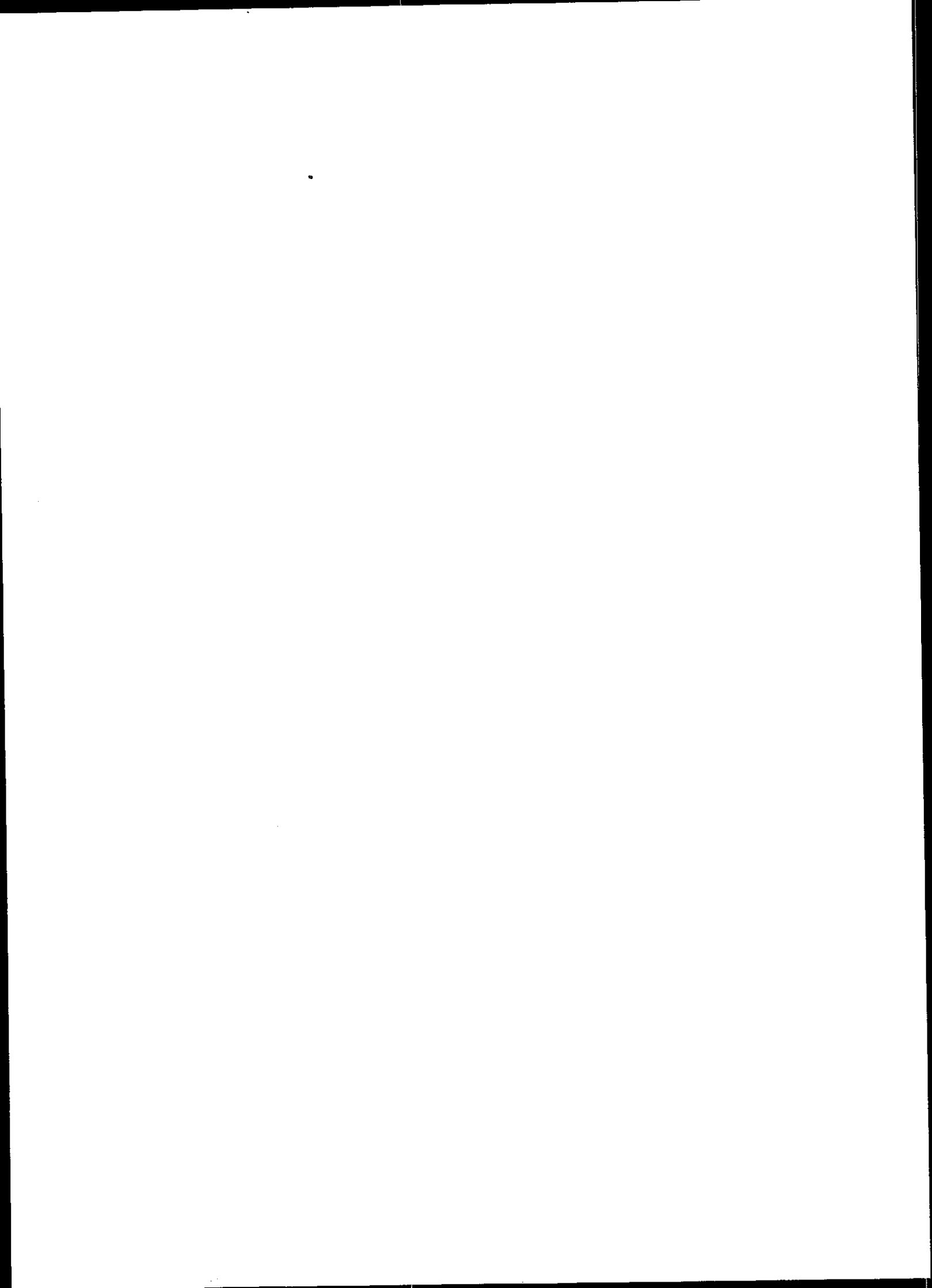
2004-05



Government of Pakistan, Finance Division, Economic Adviser's Wing, Islamabad

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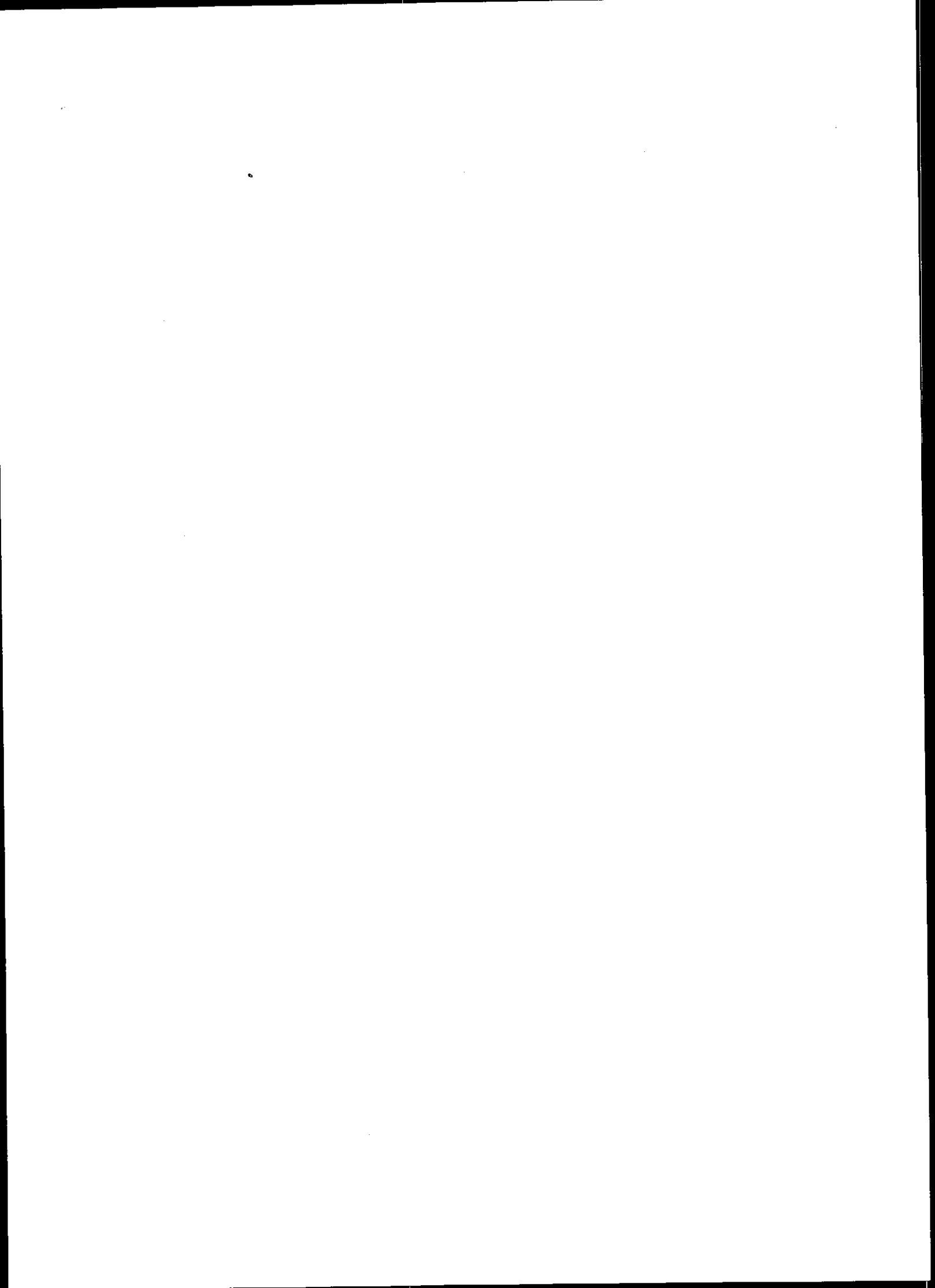
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FOREWORD

Pakistan's economic recovery has gained greater momentum during the fiscal year 2004-5, with the economy expanding at its fastest pace in two decades. This year's strong economic growth has been underpinned by supportive macroeconomic policies, growing domestic demand, renewed confidence of private sector, fiscal discipline and competitive exchange rates.

The most important achievements of the outgoing fiscal year include: the fastest pace in all GDP growth, also supported by a strong growth in manufacturing, a sharp pick up in agriculture, a continued robust performance in services; per capita income in dollar term crossing \$ 700 mark; investment upturn gaining stronger footing and sharp increase in the consumption of various components of energy, reflecting rising levels of economic activity. This year has also seen further reduction in public and external debt burden.

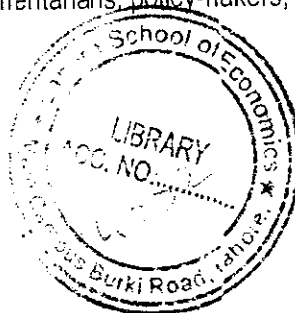
Besides improvement in macroeconomic indicators, this year has also seen major improvements in social sector and living condition indicators. Most importantly, literacy rate, gross and net enrolment in primary, middle and tertiary levels, access to safe drinking waters; use of electricity and gas as source of lighting and cooking fuel, respectively; various health indicators such as child immunization and treatment of diarrhea, have all shown marked improvements.

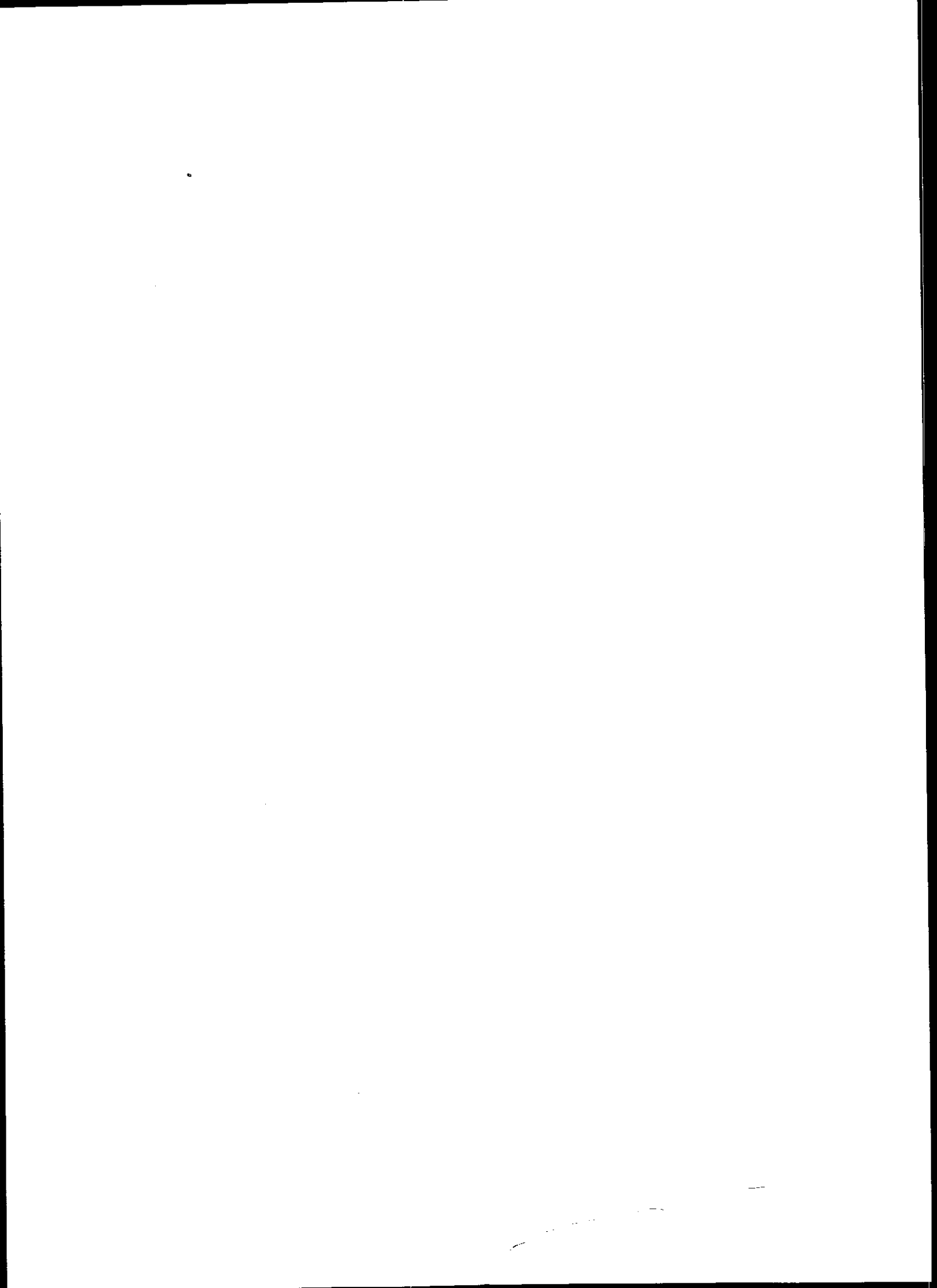
This is no time for complacency. Pakistan is in the midst of an economic upturn. Going forward, sound macroeconomic policies, financial discipline, continuity and consistency in policies, political and regional stability will be the key to sustain growth momentum. Although the social and living conditions indicators show marked improvement, much more effort will be required to improve the country's overall social indicators. Improvement thus far shows that the direction is right but the pace of improvement needs to be accelerated.

The *Pakistan Economic Survey 2004-05* has reviewed the progress and shortfalls in the light of major developments taking place on national and international scene. It has also highlighted the major challenges lie ahead. I wish to commend the Economic Adviser and his team for preparing this important document which will serve as a source of invaluable reference for all stakeholders including the parliamentarians, policy-makers, academia, and the international development partners.

Dr. Salman Shah
Adviser to Prime Minister on Finance, Revenue
Economic Affairs and Statistics

Islamabad, June 04, 2005







PREFACE

Fiscal year 2004-05 has been an eventful year for Pakistan's economy. This year has seen the economy growing at the fastest pace in two decades; the fifth time in the country's history that it is exceeding per cent growth mark; and positioning itself as the second fastest growing economy in Asia. One of the stellar occurrences of this year's performance has been the broad-based nature of economic growth as each sub-sector has recorded significant improvement. Wide-ranging structural reforms, prudent macroeconomic policies, financial discipline, and a consistency and continuity in policies have started yielding positive results.

There is no room for complacency. The growth momentum must be sustained for which, macroeconomic stability is a prerequisite. The centrality of economic growth in addressing the challenges of job creation, poverty alleviation, improving social indicators and strengthening the country's physical infrastructure is beyond doubt.

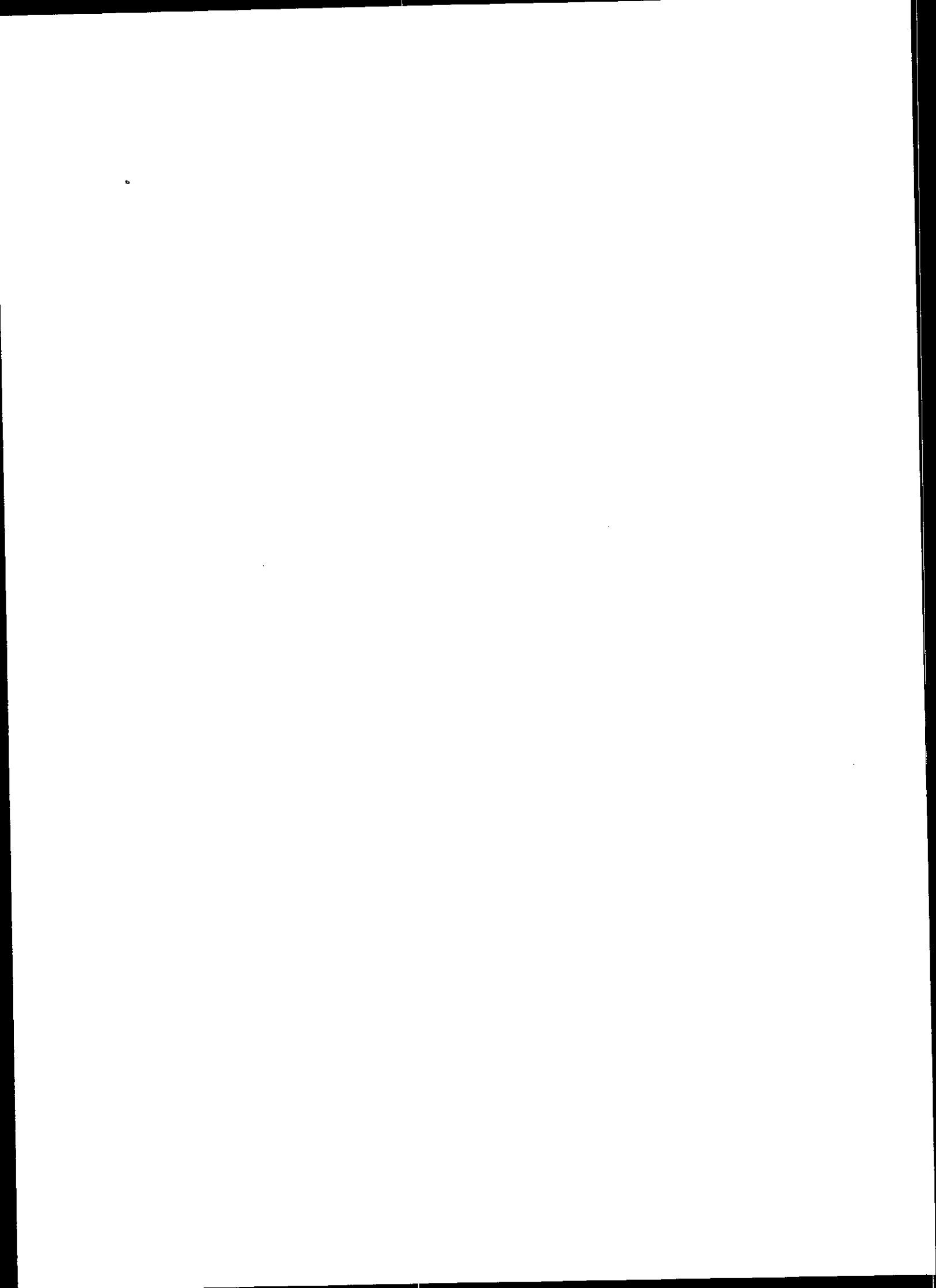
This year's *Pakistan Economic Survey* has reviewed the progress made in various sectors of the economy in the light of major developments that have taken place on the national and international scene. It has also highlighted the major challenges that lie ahead and areas that need government's attention. This year's *Survey* also includes the results of the Pakistan Social and Living Standards Measurement (PSLM) Survey.

The *Pakistan Economic Survey* has two parts: the analytical text and a detailed Statistical Appendix. The first part carries out a comprehensive analysis of the performance of various sectors of the economy. The second part contains time series data pertaining to different sectors of Pakistan's economy. The breadth of the analysis is, nevertheless, based on nine to ten months' data for the current fiscal year. We would, as always, welcome comment and suggestion for improving this document.

I would like to thank various Ministries/Divisions/Agencies and Departments for efficiently supplying the required data to the Economic Adviser's Wing. Without their help, it would not have been possible to release the *Survey* in time. I am also thankful to the Sustainable Development Policy Institute (SDPI), the Central Board of Revenue (CBR), the Pakistan Telecommunication Authority (PTA), the Centre for Research on Poverty and Income Distribution (CRPID), and the ABN Amro Bank for providing useful input to various chapters of the *Survey*. I would also like to thank the staff members of the Economic Adviser's Wing and Debt Office for their invaluable support and hard work that enabled me to complete the *Survey* in time.

Dr. Ashfaq Hassan Khan
Director General (Debt Office)
& Economic Adviser

Islamabad, June 04, 2005





OVERVIEW OF THE ECONOMY

Pakistan's economic recovery has gained further traction during the fiscal year 2004-05, with the economy expanding at its fastest clip in two decades. The exceptionally strong growth was underpinned by accommodative macroeconomic policies, growing domestic demand, renewed confidence of private sector, fiscal discipline and competitive exchange rates.

The outgoing fiscal year has indeed been an eventful year for Pakistan's economy. The year has posed several multi-year "firsts". Pakistan's real GDP growth of 8.4 percent in 2004-05 is the fastest pace in two decades; the fifth time in the country's history that it exceeded 8 percent growth mark; Pakistan positioned itself as the second fastest growing economy after China in 2004-05; its per capita income crossed \$ 700 mark; Pakistan achieved highest ever production of cotton (14.6 million bales) and wheat (21.1 million tons) in 2004-05; it has seen the largest ever expansion of private sector credit in 2004-05; exit from the IMF programme marks an important milestone; Pakistan became the fourth sovereign to issue an Islamic Bond (Sukuk), following Malaysia, Qatar and Bahrain; the country's public and external debt burden declined to their lowest in decades; current account balance slipped to the red after posting surpluses for three consecutive years; and inflation at 9.3 percent is the highest in 8 years.

Pakistan is in the midst of an economic upturn. Since 2002-03, the economy has mounted a strong recovery with a sustained improvement in prospects. During the fiscal year 2004-05, many of its macroeconomic indicators show marked improvement over last year. The most important achievements of the year include: a fastest pace in real GDP growth, powered by stellar growth in large-scale manufacturing, a sharp pick up in agriculture, continuing robust performance in services, and an extra-ordinary strengthening of consumer demand; double-digit growth in per capita income in dollar terms, reaching \$ 736; investment upturn gaining a stronger footing, particularly private sector investment which remained buoyant owing to a rare confluence of various positive developments; an unprecedented increase in credit to private sector for second year in a row; sharp increases in the consumption of oil, gas, electricity and coal reflecting rising level of economic activity; fiscal deficit remaining on target despite Rs.50 billion shortfall in revenue on account of lower collection of petroleum development levy (PD); higher than targeted collection of taxes; a high double-digit growth in exports and imports; workers' remittances maintain their momentum; a continued accumulation of foreign exchange reserves and stability in the exchange rate; a sharp decline in the public and external debt burden; privatization programme continued to maintain its robust momentum; launching of first ever Islamic Bond (Sukuk) in international capital markets; and the performance of Eurobond remained in line with the markets with the spread over US Treasury undergoing further compression.

It is not uncommon to see pressure building up on prices, trade and current account balances when economic activity accelerates. Pakistan's economy is undergoing structural shifts that are fueling rapid changes in consumer spending patterns. Three years of strong economic growth complemented by record-low interest rates and the ongoing structural shift of many households in Pakistan toward higher consumption have injected new life into domestic

spending. The extra-ordinary surge in domestic demand in conjunction with unprecedented rise in oil prices fueled import demand which more than offset the improved outcome for exports. Accordingly, this year has witnessed widening of trade deficit more than what was envisaged at the beginning of the year. With trade gap widening, the current account balance slipped into the red after posting surpluses for three consecutive years. This year has also seen inflation rising to 8 years high, hurting the poor and fixed income groups the most. In particular, food inflation at high double-digit has put extra-ordinary burden on poor segment of the society as they spend bulk of their income on food items. A surge in domestic demand on the one hand and supply side shocks emanating from rising commodity and oil prices on the other, have been responsible for the sharp pick up in inflation this year.

This year has seen improvements in many macroeconomic indicators along with improvements in social and living conditions indicators. Results from the recently concluded Pakistan Social and Living Standards Measurement (PSLM) Survey show a marked improvement in social and living conditions indicators. Key indicators such as literacy rate, gross and net enrolment in primary, middle and matric levels; access to sanitation and safe drinking water; use of electricity and gas as source of lighting and cooking fuel, respectively; various health indicators such as child immunization and treatment of Diarrhea, have all shown marked improvements over the last 4 – 7 years. While socio-economic and macroeconomic policies pursued during the year have had a strong influence on across-the-board improvement, an increasingly broad and dynamic global recovery has aided Pakistan in this endeavor.

Global Economic Environment From the developing countries' perspective, the global economic environment this year has been relatively less benign than last year. In terms of economic recovery, the world economy enjoyed one of its strongest years of growth (5.1%) in 2004 and this momentum is expected to continue this year, albeit at a more moderate pace (4.3%), owing to higher and volatile oil prices and rising interest rates. Although the global economy posted strong growth in 2004, the overall picture, however, hides growing divergence across regions. Growth in the United States was stronger than expected on the back of strong domestic demand but it was disappointing in Europe and Japan – the two major growth poles of the world economy, reflecting weak domestic demand and equally weaker export performance.

The story of emerging markets is altogether different. Real GDP-growth in 2004 exceeded expectations in almost all regions. In emerging Asia, China's growth momentum remained very strong while growth in India also remained robust. Pakistan's growth performance in emerging Asia has also been extra-ordinarily strong on the back of strengthening domestic demand and robust global economic expansion. In ASEAN region, Indonesia, Malaysia, Thailand and Philippines posted growth in the range of 5-6 percent. While South Asia remained a strong performer on account of sharp pick up in growth in Pakistan and India, Sri Lanka and Bangladesh also experienced growth of over 5 percent. Robust global growth of last two years has strengthened the external demand environment, which contributed to the sharp pick up in growth in developing countries via strong increases in exports. Pakistan also benefited from healthy external demand environment as its exports continued to grow at high double-digit during the last two years.

Notwithstanding strong global economic expansion supporting growth in developing countries, several other factors have impacted these countries adversely to varying degrees. These factors include: rising oil prices, sliding dollar, rising inflation and interest rates. This year has seen unprecedented rise in oil prices on the back of rising demand and a series of supply disruption including capacity constraints in raising supply. Although the main consumers of oil continue to be the industrialized world (US, OECD Europe, and Japan together consume about half of annual oil output) they have at the same time prepared themselves to face oil price volatility. Over the last 30 years, they have succeeded in reducing oil intensity or use of oil per unit of output by one-half. It is the oil-importing countries who are severely affected by the unprecedented rise in oil prices in several ways. Firstly, these countries are less oil efficient despite the fact that their oil intensity, on average, has declined by one-third; secondly, their foreign exchange reserves are relatively low and their balance of payments are fragile. Even a temporary period of higher oil prices can force substantial adjustment in domestic consumption at a considerable cost to growth and poverty reduction. The

fiscal impact can also be significant when domestic petroleum products prices are not adjusted accordingly. During the current fiscal year, Pakistan had to face serious difficulties in managing the cost of unprecedented rise in oil prices. In order to shield its domestic consumers and industries from higher oil prices, it absorbed a fiscal cost of Rs.50 billion in fiscal year 2004-05. Furthermore, it had to pay additional \$ 700 – 800 million oil import bills.

The sliding dollar as a result of widening US current account deficit, raised the debt burden of developing countries on account of valuation effect. During the first nine months of the current fiscal year Pakistan's external debt increased by \$628 million due to valuation effect alone. However given the present outlook of exchange rate movements, particularly weakening of Euro after France's rejection of the European Union constitution, a further decline in valuation effect is expected in the fourth quarter of the current fiscal year. In fact, after the French rejection, Euro was trading at a 7-month low of \$ 1.23; and Japanese Yen at 108.4. These are good signs for Pakistan as its external debt would decline further during the fourth quarter of the year if the decline in non-US dollar currencies continues.

The surge in international oil prices coupled with an unprecedented rise in world price of commodities combine to spark inflationary pressure not just in Pakistan, but in the global economy. Rising interest rates, reflecting a gradual tightening of monetary cycle to counter inflationary expectations, raised the cost of borrowing for developing countries. This cost is likely to adversely affect the balance of payments of developing countries, their fiscal position as well as prospects for growth.

GDP Growth Real GDP grew by 8.4 percent in 2004-05 as against 6.4 percent last year and surpassed the target (6.6%) by a wide margin. This is the third year in a row when Pakistan overshoot its growth target by wide margin. The sharp pick up in growth this year is aided by a stellar performance in large-scale manufacturing, impressive recovery in agriculture and a strong growth in services sector. This year's growth is truly broad-based as each sub-sector has recorded strong growth. Large-scale manufacturing grew by 15.4 percent against the target of 12.2 percent and last year's achievement of 18.2 percent. Growth in large-scale manufacturing is also broad-based as many sub-sectors registered a high double-digit growth. Agriculture posted a growth of 7.5 percent against the target of 4.0 percent and last year's achievement of 2.2 percent. The services sectors registered an equally strong growth of 7.9 percent, aided by remarkable growth in finance and banking sector (21.8%), wholesale and retail trade (12.0%); and a modest growth in transport and communication (1.6%). With 8.4 percent growth, Pakistan has joined Singapore to emerge as the second fastest growing economy of Asia after China in 2004-05 – an achievement for which every Pakistani should feel elated. This does not mean that Pakistan has joined the East Asia league, including China, in terms of prosperity and living standards. To join the league, it would require a rapid growth over a prolonged period for which, much more efforts would be required. This year's growth is however, underpinned by supportive macroeconomic policies and benign financial market conditions.

Agriculture After four years of weak and fragile growth, this year has seen agriculture stage a small recovery by posting a growth of 7.5 percent on the back of an unprecedented rise in the production of cotton (14.6 million bales) and wheat (21.1 million tons) crops. These two crops account for over 24 percent of the value added in agriculture. Stellar performance of these two crops helped agriculture stage an impressive recovery in 2004-05 with a 7.8 percent rise in area under the crop, higher bill bearing, use of improved quality of pesticides resulting in low pest pressures, and favourable weather conditions for growth and development of the crop are responsible for the unprecedented rise in cotton production. The rise in support price, adequate and timely supply of inputs including fertilizer, availability of certified seed and above all, the widespread and timely winter rains have helped in achieving higher than targeted wheat production. Sugarcane production was down by 15.2 percent on the back of severe water shortage during Kharif season. Rice, another water intensive crop, grew by 2.9 percent over last year. Major crops, accounting for 37.1 percent of agricultural value added, registered highest growth (17.3%) in decades as against 1.6 percent last year. Minor crops contributing 12.2 percent to overall agriculture, grew by 3.1 percent as against 2.6 percent last

year. The performance of livestock – the single largest contributor to overall agriculture (46.8%) – has remained lackluster at best on account of total neglect by every government all along.

Water situation improved considerably with the passage of time during the current fiscal year. The water availability for *Kharif* season (for crops such as rice, sugarcane and cotton) has been 12 percent less than the normal supplies. The water availability for *Rabi* season (for crops such as wheat) as of end March 2005 was 36.5 percent less than the normal availability. Water situation, however, improved after the widespread winter rain of January – March 2005. A higher than expected snowfall on the mountains during the same period is going to help fill the reservoirs during the summer time. This will further improve the water situation for *Rabi* and *Kharif* 2005-06.

Manufacturing Manufacturing sector in general and large scale manufacturing in particular, continued to maintain their impressive performance for the second year in a row. Overall manufacturing, accounting for 18.3 percent of GDP, registered an impressive growth of 12.5 percent against the target of 10.2 percent and last year's achievement of 14.1 percent. Large-scale manufacturing, accounting for 69.5 percent of overall manufacturing and 12.7 percent of GDP, registered a sharp pick up of 15.4 percent as against the target of 12.2 percent and last year's achievement of 18.2 percent. A 15.4 percent growth in large-scale manufacturing over a very high base of last year, is one of the important developments of fiscal year 2004-05. Various factors including accommodative monetary policy, financial discipline, consistency and continuity in policies, strengthening domestic demand, continuously improving macroeconomic environment, a stable exchange rate, continued global economic expansion fueling exports growth and a general "feel good" environment have been responsible for sustained high growth in large-scale manufacturing. Growth in this sector has been broad-based as many sub-sectors registered a high double-digit growth.

Construction Construction sector has been one of the star performers of the fiscal year 2004-05. As against a sharp down turn of 6.9 percent last year, this sector has recorded equally sharp upturn of 6.2 percent this year. Last year's decline was mainly caused by a massive global increase in the prices of iron and steel because of the 'China factor'. Implicit deflator for construction increased by 28.2 percent last year, resulting in decline of 6.9 percent in value added of construction at constant price of 1999-2000, despite the fact that this sector grew by 19.4 percent at current price that year. During the last two years, the government has taken various budgetary and non-budgetary measures which are now yielding positive results. Construction activity in Pakistan has gathered momentum; the demand for construction-related materials has surged. Many national and international real estate developers have launched or are launching construction projects in Pakistan.

Per Capita Income Per capita income is one of the main indicators of development. It simply indicates the average level of prosperity in the country or average standard of living of the people in a country. Per capita income defined as Gross National Product at market price in dollar term divided by the country's population, grew by an average rate of 13.5 percent per annum during the last three years – rising from \$579 in 2002-03 to \$736 in 2004-05. Per capita income in dollar term registered an increase of 12 percent over last year – rising from \$ 657 to \$ 736. The main factor responsible for the sharp rise in per capita income include: a sharp pick up in real GDP growth, stable exchange rate, and rise in inflow of workers' remittances.

Pakistan's economy is undergoing structural shifts that are fueling rapid changes in consumer spending patterns. In particular, the middle classes are becoming an increasingly dominant force. Pakistan's per capita real GDP has risen at a faster pace during the last two years (4.4% in 2003-04 and 6.5% in 2004-05), 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 two years. As opposed to an average annual increase of 1.4 percent during 2000-2003, real private consumption expenditure grew by 8.2 percent in 2003-04 and further by 16.8 percent in 2004-05. The extra-ordinary strengthening of domestic demand during the last two years points to the following facts. First, the higher consumer spending feeding back into economic activity is likely to support the on-going growth momentum. Second, it suggests the emergence of a strong middle class with buying powers – good for business expansion. Third, extra-ordinary rise

in consumer spending over the last two years appears to have contributed, in part to building inflationary expectations in Pakistan.

Investment Investment is a key determinant of growth. During the fiscal year 2004-05, gross fixed capital formation or domestic fixed investment grew by 5.6 percent as against a sharp rise of 17.4 percent last year. Although the growth in domestic investment was marginally slower than last year, the composition of investment between private and public has changed considerably. Private sector investment grew by 19.3 percent this year as against a growth of 9.6 percent last year. Public sector investment on the other hand registered marginal decline of 0.4 percent as against a hefty 36.1 percent increase last year. In other words, the growth in domestic investment was largely a public sector phenomenon last year but this year, it was entirely private sector driven.

As percentage of GDP, total investment is provisionally estimated at 16.9 percent - slightly lower than last year (17.3%). Fixed investment is estimated at 15.3 percent of GDP this year versus 15.6 percent last year. A marginal decline in the rate of fixed investment on the one hand and a sharp pick up in economic growth on the other, simply indicates the rise in efficiency of capital. In other words, it simply suggests an increase in capacity utilization or gains in productivity.

Inflation Inflation, as measured by the changes in the Consumer Price Index (CPI), averaged 9.3 percent during the first ten months (Jan – April) of the current fiscal year as against 1.9 percent in the same period last year. At 9.1 percent, inflation is its 8 year high in 2004-05. Food inflation recorded at 12.8 percent compared with 4.1 percent for the same period last year. Non-food inflation rose to 6.9 percent as against 3.3 percent in the same period last year. Core inflation, arrived at by excluding food and energy inflation, also indicated a rising trend for the period under review, increasing from 3.3 percent to 7.4 percent.

The sharp upturn in inflationary trend is caused by demand pressures on the one hand and supply shocks on the other. Three years of strong economic growth in succession have given rise to the income levels of various segments of society. The rising levels of income have strengthened domestic demand which contributed to the rise in inflationary pressure. Supply side pressures emanated from a combination of factors. Successive increases in the support price of wheat in the last two years (Rs. 100 per 40 kg), shortage of wheat owing to less than the targeted production (in 2003-04); and the mismanagement of wheat operation by two provinces, resulted in sharp increases in the prices of wheat and wheat-flour. The price of other food items registered sharp increases owing to 'pass-through effect' on the one hand and demand pressure on the other. The pass-through impact on CPI of a rise in wheat support price is not significant as well as empirically well established. In addition, a surge in international oil prices coupled with an unprecedented rise in world prices of commodities have combined to spark inflationary pressure.

House rent index also played an important role in building inflationary pressure this year. With the second largest weight in the CPI (23.4%) after food (40.3%) the persistent rise in this index has contributed substantially to the increase in CPI – inflation. From a level of 3.8 percent last year, the index recorded an increase of 11.1 percent.

Cognizant of the impact of inflation on the economy, most importantly its adverse and disproportionate effect on the poor and vulnerable segments of society as well as its deleterious effect on purchasing power of the fixed-income group, the government responded in a multi-pronged manner to the rise in the price level. A strategy of regular monitoring of domestic stocks of key commodities and their prices was adopted, by which the government was able to respond in a timely manner to shortages by importing substantial quantities of wheat and other essential commodities to augment supplies. To ease off the demand pressures generated by the rising level of economic activity, the State Bank of Pakistan began to tighten monetary cycle rather aggressively of late. The easing of demand pressure through monetary policy and improving the supply situation of food items, even through raising

their production (for example, wheat this year) or through imports, are likely to put downward pressure on general price level in coming months.

Monetary Policy A gradual shift in monetary policy stance has been observed for the last 15 -16 months as inflationary pressure kept on mounting. The State Bank of Pakistan changed its monetary policy stance from easy to 'measured' tightening and of late, it moved rather aggressively to tame inflation. Notwithstanding gradual tightening of monetary cycle, monetary policy has been largely supportive to growth momentum. The State Bank of Pakistan avoided a 'sledgehammer' policy to ensure that the current economic upturn is not derailed. As a result, the interest rate environment remained relatively investment-friendly for most part of the year under review as weighted average lending rate remained negative in real terms and private sector credit rose to a record Rs.370 billion during the period under review. The benchmark 6-months T-bill rate was hiked by 500 basis points since June 2004 to 7.08 percent by April 2005. Of late, the State Bank of Pakistan raised the discount rate by 150 basis points (bps) to 9.0 percent in April 2005 from 7.5 percent in November 2002, strongly signaling the increase in the lending rates.

It was not surprising to see credit plan undergoing revision on the back of exceptionally strong growth this year. Broad money (M_2) was originally targeted to grow by 11.3 percent on the basis of a 6.6 percent growth and 5 percent inflation for the year. Private sector credit was targeted to rise by Rs.200 billion. The monetary developments during the first half of the fiscal year as well as upward revision of both the real GDP growth and inflation targets, suggested higher monetary expansion. The Credit Plan was, therefore, revised with broad money growing by 14.5 percent (Rs.306 billion) during the fiscal year 2004-05. The target for private sector credit expansion was raised to Rs.350 billion and government borrowing for budgetary support was fixed at Rs.60 billion.

During the first nine months (July – March) of the fiscal year, broad money has registered a growth of 13.1 percent as against the full-year target of 14.5 percent and last year's growth of 12.3 percent in the same period. The growth of broad money is largely driven (84%) by expansion in net domestic assets (NDA) which was itself triggered by unprecedented rise in the credit to private sector (Rs.370 billion). The net foreign assets (NFA) contributed only 16 percent to monetary expansion.

The extremely buoyant attitude of the private sector can be viewed by the fact that the cumulative borrowing of this sector during the last three years amounted to Rs.863 billion as against the cumulative borrowing of Rs.580 billion in the previous ten years (1992-2002). More importantly, credit to private sector as percentage of GDP surged from almost 20 percent in 1999-2000 to over 25 percent in 2004-05 – almost 5 percentage point's increase in the last six years.

The distribution of credit to private sector was highly broad-based as almost all sectors of the economy availed substantial credit. Of course, manufacturing sector claimed 41 percent in the net credit expansion to private sector. Within manufacturing, textile sector received the lion share (62.8%). The commerce sector was another important sector which availed Rs.38.6 billion or 11.5 percent of the total private sector. Consumer loans consisting of auto finance (Rs.32.6 billion), personal loans (Rs.27.4 billion), housing finance (Rs.14 billion) and credit cards (Rs.3.2 billion), amounted to Rs.77.2 billion or 23 percent to total private sector credit expansion.

The gradual tightening of monetary policy is also reflected in the rise of the weighted average (WA) lending rate. The WA lending rate was 4.63 percent at the beginning of the current fiscal year and by end-March 2005, it moved to 6.57 percent – 194 basis points increase in the lending rate. The WA deposit rate, however, increased only by 23 basis points during the same period. This simply suggests that the spread has gone up from 3.43 percent to 5.14 percent. The rise in spread indicates an increase in the profit of the banking system but at the same time, it is an indicator of inefficiency. The yield on 6-month treasury bills moved upward rather sharply – increasing from 2.52 percent in July 2004 to 7.08 percent in April 2005 – an increase of 456 basis points in 10 months. The export refinance rate which is linked with 6-month treasury bills rate, was adjusted upward by 150bps to 6.5 percent in May 2005. The State Bank

of Pakistan will continue to monitor very closely the inflationary trend and its monetary policy stance will be influenced by the development on inflationary front.

Stock Market Stock market in Pakistan has witnessed extra-ordinary volatility during the year. The Karachi Stock Exchange (KSE) witnessed an accelerated rise during the year until March 15, 2005. The KSE-100 index rose from 5210 in July 2004 to peak at 10,303 on March 15, 2005 – an increase of 5093 points or 98 percent. More importantly, market moved in normal way until December 2004. The accelerated rise was witnessed since January 2005 and until March 15, 2005 when index rose by 65 percent in a short period of 2.5 months. Most of these increases were contributed by OGC, PTCL, PSO, IOL and NBP, of which three are on privatization list (CDC, PTCL and IOL) and their share prices jumped upward mainly on report of good buying interest from foreign strategic buyers. There has been a buying interest in NBP on account of good profitability.

The stock market turned bearish since March 16, 2005 as the KSE 100 index dropped to as low as 639 on April 12, 2005 from its peak of 10303 – showing a decline of 3364 points or 32.7 percent. Such a sharp rise in index and a subsequent steeper decline represented abnormal and unhealthy movements in the equity market. While the five scripts listed above caused unprecedented boom, the same scripts largely became the cause for this sharp downward turn. There are divergent views of the market players and outsiders on what caused abnormal behaviour of the equity market. The reasons that need to be fully investigated include: (i) delay in the privatization of government owned companies; (ii) withdrawal of funds by financiers; (iii) excessive buy positions by several brokers in the future market who were not able to get an exit opportunity due to the continuous decline in the market; (iv) sellers in the March futures contract were carrying hedged positions from ready market; (v) seller decided not to square up their positions in the March futures contract; and (vi) downward circuit breakers blocked the opportunity of exit from the market.

Fiscal Policy A sound fiscal management is essential for a stable macroeconomic environment. Weak fiscal balance has been the major source of macroeconomic difficulties in the 1990s. After six years of extensive efforts through the reform of the tax system and tax administration, Pakistan has succeeded in attaining fiscal stability. The overall fiscal deficit that averaged nearly 7.0 percent of the GDP in the 1990s has been reduced to 2.3 percent in 2003-04 but increased to 3.2 percent on account of substantial loss in revenue under Petroleum Development Levy (PDL). The revenue deficit (*total revenue minus current expenditure*) has been narrowed from 1.0 percent of GDP in the late 1990s to 0.2 percent or Rs.13.9 billion in 2004-05. The primary balance (*total revenue minus total non-interest expenditure*) has remained in surplus for the last many years. Public debt burden has also witnessed a sharp decline in recent years and is fast moving towards a sustainable level.

Pakistan continues to make gains on fiscal front during 2004-05. The overall fiscal deficit remained on the target (3.2 % of GDP) despite Rs.50 billion loss in Petroleum Development Levy (PDL) for not passing fully the ring cost of petroleum products to the domestic consumers. The Central Board of Revenue (CBR) is targeted to collect Rs.80 billion but it is more likely to collect Rs.590 billion – Rs.10 billion more than the target and 13 percent more than last year. Total revenue is targeted to increase by 7.6 percent while total expenditure is projected to grow by 9.9 percent, but most of the increase is coming from the Public Sector Development Programme (PSDP) up by 7.1 percent. Current expenditure is targeted to increase by 11.8 percent, of which, interest payment and defense – the two largest components of it, are projected to grow by 8.5 percent and 7.5 percent respectively. As a result of prudent fiscal management, the share of interest payment in total outlay has declined from almost 30 percent in 2001-02 to 2.2 percent in 2004-05 – almost 10 percentage points decline in just four years. While the share of defense stagnated at around 18 percent during the last four years, the share of PSDP increased from 15.3 percent to 19.2 percent during the same period. Thus, the saving from interest payments has been diverted towards the PSDP.

Another important development on the fiscal side has been the near elimination of the revenue deficit in the last two years. Revenue deficit stood at Rs.1 billion or 1.5 percent of GDP in 2002-03 but declined sharply to Rs.14.6 billion or 0.2 percent of GDP in 2004-05. The Fiscal Responsibility and Debt Limitation Law requires this deficit to be

eliminated by 2007-08. Pakistan has almost reached there to achieve the target much in advance. Most importantly, Pakistan continues to maintain a primary surplus for the last several years – so vital for the reduction of public debt burden.

Public debt burden continues to decline rather sharply over the last five years with significant improvement in fiscal situation. The public debt to GDP ratio, which stood at 85 percent in 1999-2000, has declined sharply to 59.4 percent in 2004-05 – almost 26 percentage points reduction in debt burden in just five years is one of the significant achievements of the government. During the year, public debt as percentage of GDP declined from 67.7 percent to 59.4 percent – an 8.3 percentage decline in one year is other stellar occurrences of the current year. Since public debt is a charge on the budget, its burden must be viewed in relation to government revenue. Public debt was 473.4 percent of total revenue last year but declined to 457 percent this year – a decline of 16 percentage points is not a mean achievement.

External Sector Pakistan's external sector is being affected both by structural and cyclical factors. Three years of strong economic growth, complemented by record low interest rate and the ongoing structural shift of many household in Pakistan towards higher consumption have injected new life into domestic spending. The strengthening of domestic demand triggering a pick up in investment spending after a multi-year lull has fueled Pakistan's import growth. Higher global oil prices further added to a massive surge in imports which more than offset the improved outcome from exports and accordingly emerged as a key factor in widening the trade gap this year. With trade gap widening, the current account balance slipped into the red after posting surpluses for three consecutive years.

Exports Exports were targeted to grow by 11.3 percent in 2004-05 – rising from \$12.3 billion last year to \$13.7 billion this year. During the first nine months of the current fiscal year exports were up by 14.6 percent, rising to \$10.2 billion from \$8.9 billion in the same period last year, thereby registering an increase of \$1.3 billion in absolute terms. One-half of the net increase in exports amounting to \$651 million has come from the non-traditional exports items, followed by 27 percent from other manufactures and 13.4 percent from primary commodities; exports. The textile manufactures contributed 9.4 percent towards additional export earnings. Sustaining a high double-digit growth in exports for three consecutive years is one of the major achievements of the outgoing fiscal year. Given the performance of the first nine months, exports are likely to touch \$14 billion mark by the end of this fiscal year. Unlike last year when exports growth was largely on account of higher unit values, this year's exports are driven mainly by substantial rise in volume. In other words, quantity effect has dominated the price effect for the surge in exports this year. With firming up of prices in the international market, exports are likely to rise further. The surge in exports is underpinned by a strong growth in primary commodities and other manufactures and a stellar growth in non-traditional items. Textile manufacturers, accounting for 58.5 percent of total exports registered a modest growth of 2.1 percent. However, within textile manufactures, knitwear, towels and made-up articles have registered an impressive growth of over 20 percent each. Their exports in quantity term also registered a sharp increase, ranging between 10 – 32 percent. Although bases were low, exports of engineering goods, petroleum products and chemicals and pharmaceutical products have exhibited impressive performance.

Notwithstanding impressive export performance, Pakistan's exports are still highly concentrated in few items. Five categories of exports namely, cotton, leather, rice, synthetic textiles and sports goods account for over 79 percent of total exports. Such a high degree of concentration of exports in a few items can serve as a major cause for instability in export earnings. Similarly Pakistan's exports are highly concentrated in few countries. About one-half of Pakistan's exports went to seven countries only. Such concentration in few markets can also become a source for instability in export earnings.

Imports Imports were targeted to grow by 7.1 percent in the current fiscal year – rising from \$15.6 billion to \$16.7 billion. Pakistan's imports are up by 37.8 percent in the first nine months of the current fiscal year – rising from \$10.5 billion to \$14.5 billion, showing an increase of almost \$4.0 billion this year. Major contributions to this year's

additional imports will have come from machinery, chemical and petroleum groups. Over one-half of the increases have come from machinery and chemicals and over 16 percent has come from petroleum group. The extra-ordinary increase in imports owes mainly to strengthening domestic demand and higher prices of crude and petroleum products. The surge in domestic demand has fueled an exceptional 41.5 percent increase in non-food non-oil imports. In particular, imports of machinery, chemicals and metals groups are up by 55 percent, 33 percent and 30 percent respectively as domestic investment has come back to life owing to stronger domestic and external demand. These three groups combined accounted for over one-half of total imports, clearly reflecting the growing level of domestic investment. Rising prices of international oil are a major negative for Pakistan.

The unprecedented rise in oil price has struck the economy at a time when domestic demand is showing signs of acceleration as imports of both crude and petroleum products are up by 18.8 percent and 4 percent, respectively in quantity terms pushing total oil import bill up 31 percent. Both quantity and prices are responsible for the surge in imports this year; quantity accounted for 69 percent and the remaining 31 percent to the rise in prices of major import items.

Like exports, Pakistan's imports are also highly concentrated in few items. Machinery, petroleum and petroleum products, chemicals, transport equipments, edible oil, iron and steel, fertilizer and tea account for over 70 percent of Pakistan's total imports. Within these few items, machinery, chemicals and metals group account for 18 percent of total imports. Considerable structural changes have taken place in the composition of imports during the last years in general and last three years in particular. The share of machinery, chemicals and metals group has increased from 36 percent in 1999-2000 to 39 percent in 2002-03. Thereafter, the composition of imports is undergoing sharp changes, mirroring the rising level of investment and economic activity in the country. The share of these three items jumped from 39 percent to 68 percent in a short period of three years.

Trade Balance Pakistan's trade deficit has widened beyond target for the current fiscal year owing to a much faster increase in imports compared with exports. Given the stronger than anticipated surge in domestic economic activity, the widening of trade gap in the short-run is quite normal. The widening of trade gap is not worrisome as long as it is caused by rising imports which is enhancing the production base of the economy. It should be a matter of concern if it is caused by rising imports of consumer durables and faltering exports. In the case of Pakistan, the trade gap has widened because of the extra-ordinary surge in investment driven imports, which is enhancing the production base of the economy.

Workers Remittances Workers remittances, the second largest source of foreign exchange inflow after exports, continue to maintain a rising trend. Against the full year target of \$ 3.8 billion, workers remittances totaled \$ 4.5 billion during the first ten months (July – April) of the current fiscal year, as against \$ 3.2 billion in the same period last year, showing an increase of 45 percent. The United States continues to be the single largest source of cash workers remittances accounting for 31 percent, followed by UAE (16.9%), Saudi Arabia (17%), UK (9.0%) and Kuwait (5.2%). Given the trend so far, it is likely that workers remittances may touch \$ 4.2 billion in 2004-05. Remittances have so far proved remarkably resilient and have hovered around \$ 4.0 billion since 2002-03. According to the recent *World Economic Outlook*, published by the IMF, remittances can help improve the country's development prospects, maintain macroeconomic stability, mitigate the impact of adverse shock and reduce poverty. The *Outlook* further states that remittances allow families to maintain or increase expenditure on basic consumption, housing, education, and small-businesses formation. To the extent, the poorer section of the society depends on remittances for their basic consumption needs, increase in remittances could be associated with reduction in poverty and possibly inequality. The *Outlook* also finds strong empirical evidence that suggests that construction activity is highly correlated with remittance inflow. Pakistan has been receiving, on average, \$ 4.0 billion or 0.0 percent of GDP per annum during the last three years. Such a massive inflow of remittances has helped Pakistan build up its foreign exchange reserves which in turn, has provided stability in exchange rate. For the families, the massive flow

of remittances helped increase their consumption spending, helped improve the housing facility and improve their overall hiring conditions.

Current Account Balance Pakistan's current account balance has slipped into red in 2004-05 after posting surpluses for three consecutive years. The deterioration in the current account is driven by substantially wider trade deficit owing to higher oil import bill and hefty rise in non-oil non-food imports, fueled by strong domestic demand. The current account deficit, excluding official transfers, stood at \$ 1358 million (1.2% of GDP) during July - March, 2004-05 as against a surplus of \$ 1505 million in the same period last year. Besides widening trade gap underpinned by a surge in investment-driven imports, higher freight charges by international shipping lines as a result of sharp increase in global trade and higher fuel cost and growth in personal travel due to the rising level of income of middle and high income groups, have also contributed in taking current account balance in deficit for the first time in three years. A deficit of this magnitude (1.2 - 1.5 % of GDP) is quite consistent with the growth target that Pakistan has set for itself in the next five years. If Pakistan succeeds in attracting foreign direct investment in the range of 1.2 - 1.5% of GDP, it can finance the gap in current account without adding to the country's debt burden, as FDI is a non-debt creating inflow.

Foreign Direct Investment Pakistan has succeeded in attracting \$ 891.5 million in FDI during July - April, 2004-05 as against \$ 760 million in the same period last year, showing an increase of 17.2 percent. By the end of the current fiscal year, FDI is expected to cross \$ 1.0 billion mark. Over 70 percent of FDI has come into power sector; telecom sector; chemicals, pharmaceutical and fertilizer; oil and gas; and banking and finance. Almost 70 percent of FDI has come from USA, UK, Switzerland, Japan, UAE and Netherlands. Significant improvement in the country's overall macroeconomic environment, performance of Euro and Islamic bond (*Sukuk*) and up-gradation of Pakistan's credit rating have helped attract relatively large inflows of foreign direct investment.

Foreign Exchange Reserves Pakistan's total liquid foreign exchange reserves, with some fluctuations, maintained an upward trend during the current fiscal year. By end April 2005, reserves touched all time high at \$ 13.0 billion — up from \$ 12.5 billion in the same period last year. Of which, reserves held by the State Bank of Pakistan amounted to \$ 10.23 billion and by bank stood at \$ 2.8 billion. Many factors contributed toward this comfortable position of reserves. The most important among those are private transfers that include remittances, higher export proceeds, floatation of Islamic bond (*Sukuk*) and higher FDI flows. With this build up in reserves Pakistan is in a position to meet any abnormal shock on external front. The continued build up in foreign exchange reserves has provided strength to the Pakistani rupee vis-à-vis US dollar. The inter bank exchange rate per US dollar averaged rupees 59.4 per US dollar on end - April 2005 as against Rs.57.5 averaging on the same period last year, reflecting a depreciation of 3.2 percent. In general, Pakistan's exchange rate vis-à-vis US dollar has remained stable during the period under review.

Privatization The privatization program has progressed at a much faster pace this year. Since 1990 and until mid-April 2005, Pakistan has completed or approved 146 transactions with gross proceeds of Rs.148.4 billion. Of this, a sum of Rs.13.6 billion was received during the first nine and a half months (July - mid April) of the current fiscal year. In addition, bidding for Karachi Electric Supply Corporation was held on February 4, 2005 the proceeds of which amounted to Rs.20.24 billion are still awaited. A new feature of the privatization program has been the offering of the shares to the general public through the stock market, which was well received.

External Debt Until a few years ago, Pakistan was facing serious difficulties in meeting its external debt obligations. Not only was the stock of external debt and foreign exchange liabilities growing at a breakneck pace, but the debt carrying capacity remained stagnant. Consequently, the debt burden (*external debt and foreign exchange liabilities as percentage of foreign exchange earnings*) reached an unsustainable level of 135 percent by 1998-99. Following a credible strategy of debt reduction, Pakistan has succeeded in reducing the rising trend in external debt and foreign exchange liabilities. Pakistan's external debt and liabilities have declined by \$ 1.14 billion—down from \$37.1 billion at the end of the 1990s to \$36.62 billion by end-March, 2005. The surplus in current account coupled with continued build up in foreign exchange reserves and the higher foreign exchange earnings pre-payment of expensive debt and debt write-off are the major factors responsible for the reduction in the total stock of debt. The country's debt burden has also declined at a much faster pace than anticipated. The country's debt burden defined as a ratio of external debt and liabilities to GDP stood at around 52 percent in end-June 2000, declined to 36.7 percent in end-June 2004 and further to 31.1 percent by end-March 2005. Similarly, the country's debt burden defined in a different way, that is external debt and liabilities as percentage of foreign exchange earnings was 297 percent in 1999-2000, declined to 164.6 percent in 2003-04 and further to 145.9 percent by end-March 2005. It may also be pointed out that Pakistan's external debt and liabilities were 2 times of its foreign exchange reserves in 1998-99 but declined sharply to 2.8 times in just six years. These statistics suggest that Pakistan's external debt burden has declined at a much faster pace than anticipated and that it is now on a solid downward footing.

Euro Bond On February 12, 2005, Pakistan made a successful return to the international capital market for the first time in more than five years. Pakistan issued \$ 500 million five years Regulation S Euro bond due 2009, led managed by J.P. Morgan, Deutsche Bank and ABN Amro Bank. This transaction attracted strong demand from high quality and diversified international investors resulting in four times over subscription and consequent tightest possible pricing of the bond in comparison to similar or better rated sovereign offering of five year new issues. The success of this transaction reflected a vote of confidence by the international investor's community in Pakistan's economic policies and reform agenda. Pakistan's Euro bond was priced at 370 bps above U.S. Treasury (3.46%) to yield 5.75 percent which looked very tight when compared with emerging market peers. Since the issue of Pakistan's Euro bond, due 2009, it has performed in line with the market with the spread over U.S. Treasury under going compression to about 100 basis points as on May 19, 2005. As compared to the issue spread of UST + 370 bps, the bond is currently trading at a spread of UST + 279 bps.

SWAP Deal for Euro Bond As part of a dynamic debt management process, Pakistan transacted an interest rate swap to lower the interest cost of its Euro bond. The deal was done with Standard Chartered Bank at a rate of 3.227 percent over 6-month LIBOR with protection against a sharp unexpected rise in interest rate. The transaction has yielded a positive carry of about \$ 8 million so far. In other words, Pakistan saved debt service payments to that extent. For the first time in the country's history, the government has undertaken such an exercise to reduce the country's debt burden and as such is building an in-house capacity to monitor global markets.

Islamic Bond (Sukuk) On January 18, 2005, Pakistan successfully closed its first Sukuk transaction in the international capital markets. Following on from its highly successful US\$500m Eurobond issue in February 2004, Pakistan issued a five-year floating rate note *Sukuk Al-Ijara*. The issue conformed to Regulation S Eurobond standards and was lead managed by Citigroup and HSBC. The order book was twice oversubscribed and in the light of such strong demand, Pakistan increased the issue size from US\$500 million to US\$600 million. The deal was also particularly successful from a pricing perspective; the transaction was priced at 220 bps over 6 months US\$ LIBOR, which was at the tightest end of the revised price guidance, on the back of the continued strengthening of the underlying economic fundamentals.

The development of the local Islamic banking market was also another strategic imperative for Pakistan. Last year, the State Bank of Pakistan commenced the issuing of new Islamic banking licenses, which paved the way for the establishment of several new Islamic banks as well as permitting conventional banks to open full-fledged Islamic

branches. The *Sukuk* issue would provide the spur for the creation of both the domestic Islamic capital and money markets. It was for this reason that Meezan Bank Limited was brought in as the local structuring advisor for the *Sukuk* issue.

The unique transaction appealed to both conventional as well as Islamic institutions, and attracted demand from both pools of liquidity in a wide geographic base. Pakistan was extremely encouraged by the quality of the order book. Central bank / Government Agencies accounted for 25 percent of the transaction, Asset managers 23 percent, Islamic Institutions 20 percent, banks 18 percent, Private Banks/ Retail intermediaries 11 percent and Insurance Companies/ Corporates approximately 2 percent. In the secondary market, the *Sukuk* has performed extremely well, underpinned by the strong demand and the robust performance of the Pakistan economy, consequently the yield has tightened by over 30bps and is currently trading at the LIBOR + 185bps range.

Social Sector and Living Conditions The discussion so far points to the fact that Pakistan's economy has gained more strength during the outgoing fiscal year. All its macroeconomic indicators with a few exceptions show marked improvements over last year. The macroeconomic policies and reform programmes pursued over the last six years have not only transformed Pakistan into a stable and resurgent economy, but have set the stage for the economy to grow more vigorously in the next five years. Have such policies and programmes improved the social indicators and living conditions of the people? These are valid and frequently asked questions. The government believes that the efforts to strengthen the economy will not be completed unless macroeconomic gains trickle-down to masses in terms of improved living conditions. The Federal Bureau of Statistics has recently completed the Pakistani Social and Living Standards Measurement (PSLM) Survey, designed to provide social and economic (poverty) indicators in the alternate year at provincial and district level for the assessment of development programme initiated by the government under Poverty Reduction Strategy Paper (PRSP). The first district level Survey, following the Core Welfare Indicators Questionnaire (CWIQ) approach, with a sample size of 76520 households (27144 urban and 49376 rural) from 5348 sample area, covering both urban and rural areas, has been conducted during the year 2004-05. The Survey was started in September 2004 and the entire field operations were completed in March 2005. The first report of the Survey covering national/provincial level indicators has been finalized and will be released shortly by the FBS. The remaining reports covering district level information will also be released soon by the FBS. The provincial level Survey of the PSLM, focusing on household consumption and expenditure will be completed by June 2005 and its report will be available in December 2005. The estimate of poverty for 2004-05 would be available to all of us.

This year's Economic Survey has reported result pertaining to some of the key indicators representing living conditions and social sector, obtained from the PSLM Survey. The detailed results will be released by the FBS. Social indicators and the indicators representing the living conditions of the people have exhibited marked improvement over 2000-01 as well as over 1998 census results. For example, the number of household living in one room homes decline from 38.1 percent according to 1998 census to 24.2 percent in 2004-05. Similarly, percentage of households living in 2 – 4 rooms homes increased from 55 percent to 68.7 percent during the same period. Number of household living in 5 and more rooms also show improvement from 6.9 percent to 7.1 percent. This trend simply reflects the improvement in the living conditions of the people. Another important finding is the percentage of households using electricity as a source of lighting and gas as cooking fuel has also registered sharp improvement. Several other indicators such as major source of drinking water and type of toilets used by household also show significant improvement in the last four years. The percentage of household using Tap water as major source of drinking water increased from 25 percent to 39 percent in the last four years. Gross enrolment at primary level, after stagnating at around 71 – 72 percent during 1998-99 and 2000-01, increased substantially to 86 percent in 2004-05. Net enrolment at primary level increased by 10 percentage points (from 42% to 52%) in four years. This simply suggests that the drop out rate has declined and cost effectiveness of educational expenditure has improved somewhat. Gross and net enrolment in middle and matric level also shows improvement during the last four years as against a total stagnation during 1998-99 and 2000-01. Most importantly literacy rate has increased from 45 percent

to 53 percent during the last four years with male literacy rate rising from 58 to 65 percent and female literacy rate rising from 32 to 40 percent. Adult literacy rate has also increased from 43 to 50 percent - seven percentage points increase across urban and rural areas in four years.

Health conditions of the population have also improved significantly during the last four years. The proportion of children immunized in the 12 – 23 months bracket at national level has risen from 53 to 75 percent while in rural areas it has shown an even faster increase from 46 to 72 percent. The practice and source of treatment of diarrhea in children under 10 years shows improvement. The percentage of cases where practitioners were consulted went up from 81 to 90 percent, while the percentage of cases where ORS was administered went up from 2 to 78 percent in rural areas. The wide spread use of ORS both in urban and rural areas suggest that mass campaign by the relevant ministries are paying healthy returns in the form of increased awareness and timely action at the household level. This will directly contribute in reducing the under-five mortality rate in the country.

Notwithstanding significant improvements in the social and living conditions indicators, much more effort will be required to improve the country's overall social indicators. Improvements thus far show that the directions are right but the pace of improvement needs to be accelerated.

Concluding Remarks This is no time for complacency. Pakistan is in the midst of an economic upturn. To sustain the momentum indeed a major challenge for the policy-makers. Linked with this are the challenges of job creation, poverty alleviation, improving social indicators and most importantly, strengthening the country's physical infrastructure to support 7 – 8 percent growth in the medium-term. Against the backdrop of the improved economic outlook, the focus of policy efforts should be on medium-term measures that would underpin the sustainability of the recovery while rebuilding room for maneuver to respond to possible future shocks.

An impressive recovery from an economic downturn is a good time to start implementing second generation reforms. Many economic problems are due to shortcomings in the markets, rather than to resource shortages or an excess or deficiency of overall demand. There is a broad consensus that where there are such problems, structural reforms — policy measures that change the institutional and regulatory frameworks governing market behavior — can lead to greater efficiency in the allocation of resources. Structural reforms can also boost growth in the short-run by increasing returns to investment and by providing scope for macroeconomic policies to allow the economy to run at higher levels of capacity utilization without inflationary pressures.

While the outcomes of the outgoing fiscal year have given sources of optimism some lessons from this year should form the guiding principles for going forward. First and foremost is that we should rely less on the support price mechanism and rely more on the free-price mechanism to enhance agricultural output. Second, livestock sector accounts for almost one-half of the agricultural value added — much more than major crops — therefore, proportionate attention must be given to this sector which has remained neglected for many decades. The policy of concentrating on four major crops is a self-defeating policy as far as overall agriculture is concerned. Livestock, minor crops, fishing and forestry need equal attention — they together account for 70 percent of agriculture.

Third, credit booms are difficult to foresee, therefore, we need to remain vigilant especially in situations where rapid credit growth is accompanied by current account deficit and higher inflation. Containment of credit booms usually requires strengthened surveillance of the banking system and close scrutiny of corporate borrowing during periods of rapid economic growth.

Pakistan's economy is no longer fragile and its balance of payments is no more vulnerable to external shocks. Wide-ranging structural reforms, prudent macroeconomic policies, financial discipline, and consistency and continuity in policies have transformed Pakistan into a stable and resurgent economy. Going forward sound macroeconomic

policies, financial discipline, continuity of policies, political and regional stability will be the key to sustain growth momentum.

EXECUTIVE SUMMARY

GROWTH AND INVESTMENT

Pakistan's economy extended its impressive expansion for the third year in a row in 2004-05 with economic growth reaching its highest annual rate of 8.4 percent in two decades, the fifth time in the country's history that it exceeded 8 percent growth mark. Economic recovery has raised the perceived wealth of households and thus boosted confidence, leading to higher consumption. The ensuing lifting of aggregate demand in turn has spurred credit demand. With increased lending, it has stimulated more demand, in turn feeding back into economic activity and thus, reflecting a broader virtuous circle. This positive prospect for consumer demand, if sustained, will be a crucial support for the government's major macroeconomic policy target for 2005-06.

Real GDP grew by 8.4 percent in 2004-05 as against 6.4 percent last year and surpassed the target (6.6%) for the year by a wide margin. The sharp pick up in growth this year is ably supported by a stellar performance in large-scale manufacturing (15.4%), impressive recovery in agriculture (7.5%) and a strong growth in services sector (7.9%).

The agriculture sector grew by 7.5 percent in 2004-05, which is higher than actual growth of 2.2 percent last year and a target of 4.0 percent. Major crops, accounting for 37 percent of agricultural value added, grew by 17.3 percent as against a mere 1.9 percent last year. Minor crops, which contribute 12 percent of value addition in agriculture, grew by 3.1 percent in 2004-05 over last year's 2.6 percent.

The overall manufacturing, accounting for 18.3 percent of GDP repeated stellar performance by registering a growth of 12.5 percent in 2004-05 as against 14.1 percent last year and surpassing its target by 2.3 percentage points. Accordingly, its share in GDP also increased by 0.7 percentage point over last year. The large scale manufacturing, accounting for 69.5 percent of overall manufacturing and 12.7 percent of GDP, recorded an impressive and broad-based growth of 15.4 percent in 2004-05 as against 18.2 percent last year and against the target of 12.2 percent – the second highest growth achieved in three decades. Small-scale manufacturing continued to grow at an estimated 6.3 percent rate in 2004-05. The Construction sector is provisionally estimated to grow by 6.2 percent in 2004-05 as against a decline of 6.9 percent last year. Services sector has registered an impressive growth of 7.9 percent in 2004-05 as against an equally robust growth of 6.0 percent last year and against the target of 6.2 percent for this year. The wholesale & retail trade, finance & insurance sub-sectors grew by 12.0 and 21.8 percent, respectively against 8.1 percent and 4.5 percent last year.

The commodity producing sectors (agriculture and industry) and service sector contributed equally to the real GDP growth of 8.4 percent. The commodity producing sector contributed 50 percent or 4.2 percentage point to this year's growth while the remaining 50 percent or 4.2 percentage points contribution came from services sector. Within the CPS, agriculture contributed 1.74 percentage points or 20.7 percent to overall growth while industry contributed 2.46 percentage points or 29.3 percent

The per capita income in dollar term has grown at an average rate of 13.5 percent per annum during the last three years rising from \$ 579 in 2002-03 to \$ 657 in 2003-04 and further to \$ 736 in 2004-05. The main factor responsible

for the sharp rise in per capita income include acceleration in real GDP growth, stable or even appreciation in exchange rate and four fold increase in the inflows of workers' remittances.

Total investment provisionally estimated at 16.9 percent – slightly lower than last year (17.1%). Fixed investment as percentage of GDP is estimated at 5.3 percent as against 5.6 percent last year. A 0.3 percentage point decline is mainly attributed to public sector investment, which declined from 4.8 percent to 4.4 percent. However, private sector investment as percentage of GDP rose marginally to 10.9 percent. Major growth in investment by private sector is witnessed in agriculture (10.2%), manufacturing (23.9%), mining and quarrying (13.2%), construction (79.9%), transport and communication (42.2%), and wholesale and retail trade (27.4%). Public sector investment registered a marginal decline of 0.4 percent. A major decline (26.6%) has taken place in manufacturing, mining and quarrying (5.0%) and transport and communication (3.3%).

AGRICULTURE

Agriculture accounts for nearly 23 percent of Pakistan's national income (GDP) and employs 42 percent of its workforce. Agriculture also supplies raw material to Pakistan's industries, notably textile industry, the largest industrial sub-sector of the economy. Most importantly, 67.5 percent of country's population living in rural areas are directly or indirectly dependent on agriculture for their livelihood. Given its importance to national economy, the Government attaches high priority to raising agricultural productivity with a view to promoting fast agricultural growth and hence, raising farmers' income.

Pakistan witnessed unprecedented draught during the first two years of the decade of 2000 (2000-01 and 2001-02) which resulted in contraction of agricultural value added. In other words, agriculture registered negative growth in these two years. The next two years (2002-03 and 2003-04) witnessed a modest recovery in agricultural growth at the back of improvement in the availability of water for irrigation purpose. A stronger – than – expected performance of agriculture has been one of the hallmarks of the fiscal year (FY) 2004-05 with growth reaching as high as 5.5 percent on account of unprecedented increase in cotton production (14.6 million bales) at a near bumper wheat crop of the size 1.1 million tons. Major crops, accounting for 77.1 percent of agricultural value added registered stellar growth of 7.3 percent as against 1.8 percent last year. Minor crops, contributing 12 percent to overall agriculture grew by 3.1 percent as against 2.6 percent last year. The performance of livestock – the single largest contributor to overall agriculture (4.8%); fisheries and forest – the two minor contributors have been lackluster at best as they grew by 2.3 percent, 1.1 percent and 0.4 percent respectively.

Pakistan's agriculture has been suffering, off and on, from severe shortage of irrigation water in recent years. During the last five years (2000-01 to 2004-05), against the normal surface water availability at canal head of 103.3 million acre feet (MAF) the overall (both for *Kharif* and *Rabi*) water availability has been less in the range of 5.9 percent (2003-04) to 29 percent (2001-02). Relatively speaking, *Rabi* season faced more shortage of water than *Kharif* during these periods. During the current fiscal year (2004-05) the availability of water for *Kharif* season (for crops such as rice, sugarcane and cotton) has been 12 percent less than the normal supplies at 10.3 percent less than last year's *Kharif*. The water availability during *Rabi* season (for major crop such as wheat) as of end of March, 2005 was estimated at 23.1 MAF which was 36.5 percent less than the normal availability and 1.7 percent less than last year's *Rabi*. Water situation for *Rabi* season, however, improved gradually as initially it was thought that the shortage will be around 30 percent. The well-spread spring rains of January – March 2005 however improved the water flows for irrigation purpose to a greater extent. Larger – than – expected snowfall on the mountains also helped fill the reservoirs during the summer time and as such water situation would improve further for *Rabi* and *Kharif* 2005-06. It is estimated that about 3 million acre feet of water will be carried over for *Kharif* 2005 (during last few years: was

negligible). Hence, there will apparently be no shortage of water and the full indents of all the four provinces will be met for the upcoming *Rabi* and *Kharif* crops 2005-06.

Amongst major crops, cotton production is estimated at 14.618 million bales for 2004-05, the highest ever record in the country's history, and up by 45.5 percent over the last year's production of 10.048 million bales. Wheat production is estimated at 21.109 million tons in 2004-05, as against 19.500 million tons last year, showing an increase of 8.2 percent. Rice production has increased by 2.9 percent in 2004-05 from 4.848 million tons last year to 4.991 million tons in 2004-05. Sugarcane production has however, decreased from 53.419 million tons in 2003-04 to 45.316 million tons in 2004-05, showing a decrease of 15.2 percent. As regards the minor crops, the production of chillies and onions increased by 34.7 and 25.4 percent respectively during 2004-05. The production of all the pulses, namely mash, masoor and mung are down by 25.6, 10.0, and 7.7 percent respectively. The production of potato also decreased by 2.7 percent. Lesser production over last year is due to shortfall in area. Excessive rains also damaged some minor crops. Agriculture credit disbursement of Rs.73.811 billion during July-March, 2004-05, is higher by 54 percent, as compared to Rs.47.937 billion over the corresponding period last year. The fertilizer off-take stood at 2811.4 thousand nutrient tons in July-March 2004-05 or higher by 10.2 percent, as compared to 2552 thousand nutrient tons for the corresponding period last year.

MANUFACTURING, MINING AND INVESTMENT POLICIES

Pakistan's economy, which grew at 6.4 percent in fiscal year 2003-04, achieved a broad-based growth of 8.35 percent in 2004-05, ably supported by an impressive growth in manufacturing sector. The overall manufacturing, accounting for 18.3 percent of GDP, registered an impressive growth of 12.5 percent against the target of 10.2 percent and last year's achievement of 14.1 percent. Overall manufacturing is growing at a much faster pace than agriculture and services and if this pace is sustained, its share in GDP is likely to rise even further in the medium-term.

The main contributors to this impressive growth of 15.4 percent in July-March, 2004-05 over last year are the textile and apparel group (24.5 %), chemicals (14.4%), petroleum group (11.8 %), tyres and tubes group (10.1%), non-metallic mineral products (15.1%), engineering goods group (11.3%), electrical items group (54.9%), and automobile group (30.1%). The items that registered positive growth are cotton yarn (18.2 %), cotton cloth (28.5 %), nitrogenous fertilizer (3.2 %), phosphatic fertilizer (59.7 %), cooking oil (27.8%), cement (15.3 %), cigarettes (10.5 %), jeeps and cars (26.1%), tractors (24.5 %), L.C.V's (62.3 %), motorcycles/scooters (47.6 %), paper and paper board (4.3 %), T.V sets (5.7 %), motor tyres (18.9 %), refrigerators (19.8 %) and caustic soda (11.1 %). The individual items exhibiting negative growth includes: sugar (21.0 %), vegetable ghee (1.9 %), bicycles (14.8 %) and billets (20.5 %).

The output of the mining and quarrying sector grew by 5.0 percent this year as against the rise of 3.8 percent last year. The principal minerals which have shown positive growth are: baryte (16.6 percent), limestone (19.3 percent), natural gas (19.3 percent), rock salt (2.88 percent), sulphur (11.5 percent) and chromites (183.3 percent). While negative growth was exhibited by dolomite (22.2 percent), gypsum (52.9 percent), and magnetite (12.5 percent).

Foreign direct investment has witnessed an increase of 17.2 percent in the first ten months (July-April, 2004-05), whereas, net foreign private investment stood at US \$ 1027 million against US \$ 629.1 million last year, thereby, showing increase of \$ 397.9 million. The increase in foreign private investment is because of the inflow of portfolio investment of \$ 135.5 million as compared to inflow of \$ 131.3 million in the comparable period last year.

The privatization program maintained its pace during 2004-05 and succeeded in privatizing some high-ticket items despite an inhospitable global environment. By end April 2005, Pakistan had completed or approved 146 transactions

at gross proceeds of Rs 148.3 billion. Of this, an amount of Rs 11.5 billion was received during the period July-April 2004-05 from the sale of the Government's shareholding in PIAC, Felleli's Hotel, Garibwalement, APCO and KESC.

POVERTY

Although poverty is still pervasive in most developing countries particularly those in Sub-Saharan Africa and South Asian countries, the past century has seen more advances in global prosperity and more people have come out of poverty than in all of human history. Standards of living have also improved. Infant mortality rates globally have been cut in half during 1970-1997, from 17 to 56 per thousand; and life expectancy has risen from 55 years to 67 years.

Like many other developing countries, Pakistan has also made significant efforts to integrate its economy with the rest of the world through foreign trade and investment. The Government of Pakistan adopted a strategy for poverty reduction in 2001 focusing on five areas which include i) accelerating economic growth and maintaining macroeconomic stability; ii) investing in human capital; iii) augmenting targeted intervention iv) expanding social safety nets and v) improving governance. This strategy has already started bearing its fruits. Economic growth has accelerated and the country has achieved macroeconomic stability. The long term growth trajectory of 6 percent per annum achieved during the last fiscal year and a real GDP growth of 8.4 percent during the current fiscal year have improved the living standards of the people and thus, may help reduce poverty among the lowest segment of population.

The first district level Pakistan Social and Living Standards Measurement (PSLM) Survey, with a sample size of 76520 households from 5348 sample areas, covering both urban and rural areas, has been conducted during the year 2004-05. The Survey was completed in March 2005. The first report of the Survey has been finalized and will be released shortly to the Federal Bureau of Statistics (FBS). The Survey indicates that most of the indicators like major source of drinking water, the type of toilet used, and enrolment in various levels in schools show a significant improvement over the last 4 years.

Pakistan's commitment to reducing poverty in the medium term was first reflected in Poverty Reduction Strategy Paper (PRSP) finalized in December 2003. The Medium Term Development Framework 2005-10 (MTDF) carries this assurance forward in more than one way. The MTDF's strategic thrust is for balanced growth that combines economic growth that progressively rises to 8 percent by 2009-10, with substantial rise in allocation to the social sector, so as to achieve the poverty reduction goal by the year 2015. Sound macroeconomic policies and implementation of structural reforms in almost all sectors of the economy have transformed Pakistan into a stable and resurgent economy in recent years. Agriculture, small and medium enterprises (SMEs), and housing construction have been prioritized in accordance with their potential to provide employment to the poor segments of the society. SMEs are an important conduit for labour absorption and thereby reducing unemployment and poverty.

Poverty and social sector related expenditures under the PRSP are the most important fiscal intervention to target the poor and vulnerable sections of the society; they have increased over 120 percent in the last four years—from Rs.114 billion in 1999-00 to 254 billion in 2003-04. An amount of Rs. 278 billion, an increase of 9.5 percent over the previous year, is budgeted for the current year. During the first nine months of 2004-05, the PRSP expenditure amounted to Rs.11 billion as against Rs.156 billion in the same period last year, thus registering a growth of 2 percent. This has been possible mainly due to government's medium-term fiscal strategy aiming to create fiscal space for higher levels of social sector and poverty-related spending.

FISCAL DEVELOPMENT

As a result of pursuance of prudent fiscal policy, Pakistan has succeeded in reducing fiscal deficit down from an average of 7 percent of the GDP in the 1990s to 2.3 percent last year and at around 3.0 percent in the current fiscal year. The associated public debt burden also declined sharply from over 100 percent of GDP to less than 60 percent in the current fiscal year. The revenue deficit has been narrowed from 3.0 percent of GDP in the late 1990s to 0.2 percent and the primary balance has remained in surplus for the last many years.

The wide-ranging tax and tariff reforms as well as reforms in the tax administration have started paying dividends. Tax collection by the Central Board of Revenue (CBR) has picked up, the overall budget deficit as percentage of GDP has declined, the revenue deficit has been narrowed, and the primary surplus has increased. Consequently, public debt as a percentage of GDP has declined and Pakistan is now moving towards fiscal consolidation. During the last six years, tax collection has increased by 70 percent and the overall fiscal deficit which averaged almost 7.0 percent of GDP during the 1990s has been reduced to 3.0 percent in 2004-05. The revenue deficit (the difference between total revenue and total current expenditure), has been narrowed from 3.0 percent of GDP to 0.2 percent in 2004-05, which will increase national savings, and thus reduce the country's dependence on foreign savings to finance domestic investment. The primary balance (total revenue minus non-interest total expenditure) remained in surplus for the last four years.

CBR has collected Rs 451.1 billion as net revenue receipts during July-April 2004-05. The target of Rs 444.4 billion set for the first ten months has not only been achieved but also exceeded by around Rs 7 billion. When compared with last year's collection of the corresponding period, this collection indicates a healthy growth of 13.6 percent, whereas the gross collection has increased by 14.5 percent.

Total expenditure is estimated at Rs.1050.4 billion in 2004-05 which is 9.9 percent higher than last year. Of this, current expenditure is estimated at Rs.866.0 billion (82.4 percent of total expenditure) while development expenditure is amounted to Rs.188.0 billion (17.6 percent of total outlay). The current expenditure which was 14.0 percent of GDP last year has declined to 13.2 percent in the current year. However, there was no change in development expenditure as percent of GDP which remained stagnant at 2.9% of GDP in 2003-04 and 2004-05.

The share of interest payments in total expenditure declined from 32.7 percent in 2000-01 to 20.2 percent in 2004-05 while that in current expenditure, dropped from 36.3 percent in 2000-01 to 25.3 percent in 2003-04 and further to 24.6 percent in 2004-05. In line with reduction in debt burden, the interest payments burden dropped from 3.5% last year to 3.3% of GDP in 2004-05.

Defense expenditure in 2004-05, amounting to Rs.194 billion is 7.5 percent higher than last year. However, as percentage of GDP, it has dropped from 3.3 percent last year to 3.0 percent this year. As percentage of the total outlay, defence spending has declined marginally from 18.8 percent last year to 18.5 percent this year. Similarly, as percentage of current expenditure, it has declined from 23.3 percent to 22.4 percent in the same period.

The public debt- to-GDP ratio, which stood at almost 85 percent in end June 2000, declined substantially to 59.4 percent in end March 2005 — 25 percentage points decline in country's debt burden in 5 years. In absolute terms, public debt grew by 3.8 percent during the first nine months (July-March) of the current fiscal year. The rupee component of the debt hardly registered any increase while the foreign exchange component rose by 7.6 percent. It is important to note that the growth in public debt has slowed considerably in recent years because of the prudent debt management. Public debt was 317 percent of total revenue in end June 1980, increased to 505 percent by the

end of the 1980s and further to 627 percent by the end of the 1990s. The public debt burden relative to total revenue has declined substantially to 457 percent as of end March 2005.

As a percent of GP, domestic debts expected to decline sharply from 36.4 percent to 30.0 percent—a decline of almost 6 percentage points in domestic debt burden. During the last 5 years (2000-05), the real cost of domestic borrowing averaged 4.1 percent, mainly on account of relatively low inflation. The real cost of borrowing for domestic debt declined substantially to 4.1 percent on average against 5.7 percent in the second half 1990. Accordingly the real cost of borrowing for public debt averaged 2.9 percent during the last five years (2000-05). The combined effect of growth in revenue and debt resulted in a sharp decline (6.4% per annum) in the country's debt burden. During the last five years, the debt servicing liabilities have declined sharply from 64 percent of revenue to 26 percent of revenue and from 4.4 percent to 2.5 percent of current expenditure in 2004-05.

MONEY & CREDIT

The financial services sector in Pakistan has been going through a major reform process for the last several years. The principal focus of such reform initiatives has been the consolidation of the various aspects of the financial services sector which included among others a strong framework for effective risk management. The State Bank of Pakistan (SBP) has also strengthened its regulatory capacity. It is now more proactive in aligning its regulatory profile in a rapidly changing domestic and global financial environment. The banking regulation and supervision are now fully compliant with the international standards and codes. As a consequence of such reform, Pakistani banks have been strengthened to compete with foreign banks both in the domestic market and internationally. As the first generation of reforms in the financial sector of Pakistan has been completed successfully, the SBP is planning for the second generation of reforms to further deepen the financial sector and integrate it into the global economy. Financial sector reforms have brought marked improvement in the financial health of the commercial banks in terms of capital adequacy, profitability and asset quality and also greater attention to risk management.

The broad-based economic growth experienced in the last couple of years has put the count on the path to greater economic recovery and set the stage for speedy credit and monetary expansion. The broad money, (M2) showed a growth of 13.1 percent (Rs 325.6 billion) during July-March 2004-05 compared with the full year revised target of 14.5 percent (Rs 360 billion) and the actual growth of 12.3 percent (Rs 254.8 billion) in the corresponding period of last year. Massive increase in NDA was mainly triggered by substantial private sector credit off-take (Rs 30.1 billion). NFA of the bank remained small as NFA expanded by Rs 5.6 billion during July-March 2004-05 compared with Rs 50.4 billion in the corresponding period of last year. However, the NFA of scheduled bank increased significantly by Rs 68.3 billion against the contraction of Rs 4.9 billion in the same period of last year. Butetary borrowings of the Government amounted to Rs 5.8 billion during July-March 2004-05 against the annual target of Rs 60 billion and the actual borrowings of Rs 53.6 billion in the same period last year.

The break-up of private sector credit utilization revealed that manufacturing was the major sector, claiming a share of 41 percent (Rs 159 billion) in the net credit expansion. Textile sector, the mainstay of the domestic activities, continued to get upgraded through imported machinery, and its credit off-take increased to Rs 94.8 billion; it constituted 25.6 percent of total credit off-take and 62.8 percent of the total credit utilized by the manufacturing sector.

The commercial banks in the private sector have so far given a satisfactory performance since their inception, registering an overall growth in the deposit base and profits and are maintaining healthy credit portfolio. The non-performing loans (NPLs) of commercial banks, specialized banks and DFIs have declined during the first nine months of 2004-05 from Rs 220 billion in Jun 2004 to Rs 203.7 billion in March 2005 - a reduction of 4 percent. The

process of privatization continued as fast track with the privatization of HBL in 2004. Shares of NBP were also offloaded through local stock exchanges. As a result of the privatization and restructuring, more than 80 percent of the banking assets are now owned and managed by the private sector. The government is also in the process of restructuring of IDBP, ZTBL and SME bank for their ultimate privatization.

Khushhali Bank's efforts over the past four years have been to develop an efficient distribution system capable of handling large volume of business across diverse operating environments while at the same time, developing an insight into the market. Today, Khushhali bank has a network of 130 service outlets across 64 districts of the country; has processed nearly 400,000 loans valuing about Rs 4.0 billion and with a predominantly rural portfolio. For 2005, the Bank plans to expand its network to 75 districts of the country, with projected annual disbursements of nearly Rs 3.0 billion, with a strategic focus on the rural areas of Pakistan. The SME bank continues to strengthen its position as a small but key player in the SME sector. Bank credit to SMEs sector continued to expand considerably as its share in total private sector credit rose from 7.9 percent (Rs 5.2 billion) during July-September 2004 to 18.1 percent (Rs 59.9 billion) during July-February 2004-05.

CAPITAL MARKET

As a result of successful implementation of the successive reform measures the capital market in Pakistan has been growing by leaps and bounds and has emerged as one of the important pillars of the economy. Under the new privatization strategy, the government is selling off its shares of state controlled enterprises by listing them on the bourses as well with a view to broadening and deepening the capital markets. During July-March 2004-05 the KSE 100-share index rose from 5279 points to 7770.3 points - an increase of 47.2 percent. During this period the AMC rose from Rs 1357.5 billion (or \$ 23.4 billion) to Rs 2114.8 billion (or \$ 36.6 billion), thus showing a growth of 55.8 percent. The Karachi Stock Market remained as one of the five best performing markets around the world with rate of returns in dollar term of 100 percent.

Total turnover of shares on the KSE was 71.7 billion in the first nine months of 2004-05 as compared to 65.2 billion in the same period last year. During the calendar year 2004, total profit before taxation of the 12 trading groups amounted to Rs 229.5 billion as compared to their before taxation profit of Rs 136.8 billion in 2003. The total funds mobilized during July-March 2004-05 in the three stock exchanges (KSE, LSE & ISE) amounted to Rs 90.1 billion, as compared to Rs 136.5 billion in the last fiscal year. The total turnover of shares in the three stock exchanges during the first three-quarters of the current fiscal year was 88.5 billion, compared to 100.8 billion shares in the same period last year.

In the early part of 2005, the Karachi Stock Exchange (KSE) witnessed an accelerated rise with KSE-100 index rising by 65 percent in a period of only 2.5 months to a record level of 10,303 on 15th March 2005. To add perspective, this increase was on top of the cumulative 388 percent rise in KSE-100 in the preceding three years. The stock market turned bearish since March 16, 2005 and the KSE 100 index dropped to as low as 6939 as on April 12, 2005 from its peak of 10,303 on 15th March 2005 showing a decline of 32.7 percent. Notwithstanding this sharp fall there were no broker defaults in the stock market and also market was not closed or suspended, as had been the case in some previous market falls.

Although market faced extreme volatility in the month of March 2005 however, for the period beginning January to March 2005 the KSE performed better than the other regional markets. The KSE 100-index increased by 24 percent from 1st January 2005 till 28 March 2005 as compared to the other regional markets. The Sensex-Mumbai Index during the same period declined by 2 percent and the Hong Kong Han Seng Index declined by 4 percent. The

Thailand SET and the all Singapore SES index during the same period increased by 3 percent and 5 percent respectively.

The Securities and Exchange Commission of Pakistan in consultation with the stock exchanges has introduced significant capital market reforms in the fields of risk management, governance, transparency and investor protection. The reform measures provided include the following: (i) measures for strengthening risk management at the exchanges, (ii) amendments in the listing regulations of the exchanges relating to rotation of auditors, (iii) prohibition on use of group account by central depository system participants, (iv) internet trading guidelines, 2005 and (v) demutualization of stock exchanges.

INFLATION

For the first ten months of the current fiscal year (July 2004 to April 2005), inflation as measured by the Consumer Price Index (CPI), averaged 9.3 percent, compared to 3.9 percent for the corresponding period last year. While food price inflation was recorded at 12.1 percent compared to 4.9 percent for the same period last year, non-food inflation increased to 6.1 percent versus 3.1 percent in the comparable period of last year. Core inflation, as indicated, has risen to 7.4 percent for the first ten months of 2004-05. The largest contributions to the acceleration in CPI have come from Food (weight: 40%), and House Rent (weight: 23%), with Fuel & Lighting (weight: 7.3%) and Transport & Communication (weight: 7.3%). Contributing factors to the rise in inflationary pressure in the economy point to the fact that a phenomenal increase in aggregate demand in the economy, on the one hand, as compounded by supply shocks of principal commodities, on the other. The adverse external developments which impacted the domestic price level included a surge in international oil prices coupled with an unprecedented rise in world rice of commodities due to demand from China.

The government responded in a multi-pronged manner to the rise in the price level. First high level committee was constituted to monitor the price situation on daily basis by keeping a close watch on the supply and demand conditions. The government also did not pass on the entire increase in the international price of oil to general consumers. To ease off the demand pressures generated by the rising level of economic activity, the State Bank of Pakistan began to tighten monetary policy rather aggressively. Like in Federal Government where rice situation is reviewed weekly, the provincial governments have been asked to do the same in their respective capitals and take necessary measures, if required, to stabilize prices of essential commodities. The easing of demand pressure through monetary policy and improving the supply situation of food items either through raising the production or through imports are likely to put downward pressure on general price level in coming months.

TRADE AND PAYMENTS

Pakistan's external sector is being affected both by structural and cyclical factors. Three years of strong economic growth, complemented by record low interest rate and the ongoing structural shift of major household in Pakistan towards higher consumption have injected new life into domestic spending. The strengthening of domestic demand triggering a pickup in investment spending after a multi-year lull, has fueled Pakistani import growth. Higher global oil prices further added to a massive surge in imports which more than offset the improved income from exports and accordingly were the key drivers of the widening trade gap.

Exports were up by 14.6 percent during the first nine months of the FY 2004-05 – rising \$ 1020.6 million from \$ 8905.2 million the same period last year. One-half of the net increase in exports amounting to \$50.7 million has

come from the non-traditional export items (other exports). Imports during this period were up by 37.8 percent – rising from \$ 10497.4 million to \$ 14468.6 million. The extra-ordinary increase in imports owes mainly to strengthening domestic demand and higher prices of crude oil and petroleum products. The surge in domestic demand fueled an exceptional 41.5 percent increase in non-food non-oil imports. In particular imports of machinery, chemicals and metal group were up by 54.9 percent, 32.9 percent and 79.6 percent, respectively. These three groups alone accounted for one-half of total imports, clearly reflecting the growing level of domestic investment. The unprecedented rise in oil prices pushed the oil import bill up by 30.9 percent to \$ 2760.5 million – caused a relatively larger increase in overall imports than exports. As a result trade deficit has widened to \$ 4262.0 million as against \$ 1592.2 million in the same period last year.

Pakistan's current account balance has slipped into red in 2004-05 after posting surpluses for three consecutive years. The current account deficit, excluding official transfers, stood at \$ 1358 million during July-March 2004-05 as against a surplus of \$ 1505 million in the same period last year. The deterioration in the current account was driven by substantially wider trade deficit owing to higher oil import bill and hefty gains in non-oil imports resulting from strong domestic demand. The net outflows under the services account surged to \$ 4238 million, showing an increase of 89.2 percent. Higher freight charges as a result of sharp increase in global trade and higher fuel cost; growth in personal travel; and exchange companies payments were mainly the contributing factors. Nevertheless, the inflows under private transfers depicted a significant increase of 42.6 percent and aggregated at \$ 6258 million. Buoyant trend in private transfers was largely attributed to rising workers remittances which during July-April 2004-05 were up by 7.5 percent to \$ 3451.5 million. By end April 2005, the foreign exchange reserves touched all time high at \$ 13,000.2 million. Since the beginning of the current fiscal year and until April 2005, Pak-rupee versus US dollar depreciated by only 1.8 percent, indicating stability in exchange rate environment.

EXTERNAL DEBT AND LIABILITIES

Over the last five years and in particular with the establishment of the Debt Office in the Ministry of Finance, a concerted effort has been made to achieve debt sustainability in the country. Following a credible strategy of debt reduction, Pakistan has succeeded in reducing the rising trend in external debt and foreign exchange liabilities which has declined by \$ 1.24 billion – down from \$ 37.86 billion in 1999-00 to \$ 36.62 billion by end-March 2005. However, the external debt and liabilities during July-March, 2004-05 amounted to \$ 36.62 billion are showing an increase of 3.9 percent over the last year. The rise in absolute amount of the stock of debt (\$ 1365 million) during this period is the result of valuation effect and the net inflow effect. About 46 percent or \$ 628 million increase in the stock of debt owes to valuation effect (exchange rate movements) and the remaining 54 percent or \$ 737 million is on account of higher net inflows. Given the present outlook of the exchange rate movements, we expect a further decline in valuation effect in the fourth quarter of the current fiscal year.

The surplus in current account coupled with a continued build up in foreign exchange reserves and the higher foreign exchange earnings, the pre-payment of expensive debt and debt write-off are the major factors responsible for the reduction in the total stock of debt during the last five years. As percentage of GDP, external debt and liabilities stood at 51.7 percent in end-June 2000, declined to 36.7 percent in end-June 2004 and further to 33.1 percent by end-March 2004-05. Similarly, external debt and liabilities as a percentage of foreign exchange earnings was 297.3 percent in 1999-2000, declined to 164.6 percent in 2003-04 and further to 145.9 percent by end-March 2004-05. It may also be pointed out that Pakistan's external debt and liabilities were 22 times of its foreign exchange reserves in 1998-99 but declined sharply to 2.8 times in six years.

The declining trend persisted during the current fiscal year (July-March 2004-05) and both the actual paid amount as well as rolled over amount further declined to \$ 2.172 billion and \$ 1.100 billion, respectively. The real cost of foreign

borrowing which include interest cost as well as the cost emanating from the depreciation of the Pa-rupee (*the capital loss on foreign exchange*) was on average, 3.4 percent and 2.7 percent per annum in the 1980s and 1990s, respectively. Petroleum swung to near extreme during 2000-01 when real cost of borrowing declined to negative 0.2 percent per annum on average owing to benign interest and inflation rates environment along with the appreciation of exchange rate during this period. During 2000-05, the real growth of external debt burden witnessed a massive decline (13.1% per annum) on account of almost 14.7 percent real growth in foreign exchange earnings, decline in real cost of borrowing (-0.1 percent) and marginal (1.6 %) rise in real growth of external debt.

Pakistan maintained a non-interest current account surplus (surplus in primary balance) on average of 2.9 percent per annum which helped reduce the country's debt burden at a relatively faster pace. These developments helped Pakistan to enter into the capital market by issuing Eurobond as well as Islamic bond (*Sukr*) worth \$ 500 million and \$ 600 million, respectively.

EDUCATION

Education is key change and progress, therefore, Government of Pakistan has adopted it as one of the pillars for poverty reduction and benefit of masses. Government is fully committed to provide best Education Facilities to its people within the minimum possible time. The reasons for Pakistan's low education status are varied but one important factor is that Pakistan's educational system has been highly fragmented and segmented. It has, therefore, created some intractable problems in the optimal utilization of human resources under the given labor market condition.

Existing National Education Policy 1998-2010 was formulated keeping in view the prevailing problems in the society. The Government has initiated major administrative reforms, such as Devolution of Power and Education Sector Reforms. Moreover, Millennium Development Goals (MDGs) and Education For All (EFA) are the international policy concerns announced in 2001, which need to be properly reflected in our Policy. As such, the Ministry of Education has taken in hand an exercise to review the National Education Policy 1998-2010 for its updating to bring it in line with the current needs of the country.

Overall literacy rate of 52 percent has increased by about two percentage points compared to that of Labour Force Survey (LFS), 2011-12. This improvement is of one and a half percentage points for males and more than two percentage points for females.

Major progress has been made in the first two years of the Higher Education Commission, with the establishment and execution of a transparent system for award of indigenous and foreign Ph.D. Scholarships with the aim of enhancing local research activities and developing future faculty members. Over eleven hundred indigenous Ph.D. Scholarships have been awarded. Furthermore, increased opportunities have been provided for Ph.D. scholars, selected via rigorous testing and screening process, to pursue their studies in industrially advanced nations such as China, France, Germany, UK, US and Austria. In-service teachers were supported through various teacher training programs. More than 200 faculty members benefited from these programs.

To bring the formal education and *Deeni Madaris* close to each other and to facilitate horizontal mobility of students with the ultimate aim of integrating the two systems, *Madaris reforms* have been initiated with the introduction of formal education in 8000 *Madaris*, Primary Education in 4000, Middle and Secondary Education in 1000, and Intermediate Education in 1000 *Madaris*. Formal subjects of English, Maths, Social/Pakistan Studies and General Science would be introduced at the Primary, Middle and Secondary levels while English, Economics, Pakistan Studies and Computer Science will be introduced at the intermediate levels.

Federal Government has decided to encourage the private sector to play its due role in the promotion and development of educational opportunities especially in the rural areas. This policy has resulted in the establishment of an estimated 30,000 private educational institutions at all levels with an enrolment of approximately 3 million students. Private schooling has now become important for the country. Enrolment in private primary schools is now in the order of 42 percent of total enrolment (2004). During 2004, at the middle school level, the private sector had a share of 37 percent of total enrolment. At the secondary and higher secondary level in the same year, the private sector share was 30 percent and 64 percent respectively of the total enrolment.

HEALTH AND NUTRITION

The public health sector is a priority area of Government activities. Under the commitment to achieve the goals of "Health for all" the agenda of Millennium Development Goals for health and human development is being implemented and a broad based strategy under the poverty reduction strategy paper (PRSP) to attend the imbalances in health sector has been prepared. The existing network of medical services consists of 916 hospitals, 4582 dispensaries 5301 basic health unit (BHUs), 552 rural health centres (RHCs) 906 Maternity and child health centers (MCHs) and 289 T.B centres (TBCs). In the calendar year 2004, there was one doctor for 1359 persons, one dentist for 25107 persons, one nurse for 3175 persons and one hospital bed for 1540 persons. The total outlay on health sector is budgeted at Rs. 38.0 billion which has increased by 15.8 percent over last year and as percent of GNP, it is 0.57 percent. The new health facilities added to the overall health services include construction of 45 new facilities (37 BHUs and 8 RHCs) upgrading of 40 existing facilities (27 BHUs of 13 RHCs) and addition of 3500 new doctors 1700 nurses and 17000 lady health workers. To reduce the incidence of diseases and promote the health status of people, various health programmes like Family Planning and Child Immunization Programme, Aids Prevention, Cancer treatment, Drug Abuse, T.B and Malaria Control Programmes had been carried out during the current year.

The caloric intake per person has increased from 2529 calories per day to 2534 calories and protein availability has reached to 65.8 gram in 2004-05.

POPULATION, LABOUR FORCE AND EMPLOYMENT

During the last 50 years, Pakistan's population has increased from 33 million to 152.53 million in 2004-05. Although the current population growth rate slowed to 1.9 percent per annum, overall population has increased by 2.75 million people as compared to last year.

Pakistan is on the favorable end of the demographic transition. In the next few decades there would be a massive influx of people in the working age group (around 60 million people). This trend can already be seen as over the last decade, the proportion of working age cohorts has increased from 53 percent in FY86 to 56 percent in FY93. As total labour force has also increased from 41.38 million in 2001 to 45.76 million in 2004. Of this, 93.25 million of work force is in the rural areas and 51.22 million is in the urban area.

According to the Labour Force Survey 2003-04 the overall labour force participation rate (CAR) is 30.41 percent (48.74 percent of males and 11.16 percent of females). CAR was 28.7 percent in 1996-97 increased to 29.4 percent in 1997-98 but later declined to 29 percent in 1999-00. It has increased to 29.61 percent in 2001-02 and finally to

30.4 percent in 200-04. Similarly, RR was 43 percent in 1996-97, increased to 43.3 percent in 1997-98, decreased to 42.8 percent in 1999-00 and has increased to 43.3 percent in 2002-03 and further to 43.7 percent in 2003-04.

The agricultural sector has absorbed 7.97 million of the total employed labour force. On the whole, an increase has been observed in most all-major industries/sectors gender neutrally. Sector wise break up of employed labour force shows that female labour force participation is on the up for most sectors especially agriculture and fishery workers. It is important to note that the employment of the rural females increased despite a considerable rise in female labour force participation rate. The increase in rural female employment was mainly in the category of unpaid family helpers, which may be due to enhanced growth rates in agriculture in recent years or due to the combined efforts of various NGOs. In addition, about 3.2 million people were estimated to be unemployed in fiscal year 2005 as compared to 3.72 million last year.

TRANSPORT AND COMMUNICATIONS

An efficient transport and communication network plays an important role in the socio-economic development of a country. Better road infrastructure is associated with greater agricultural output, higher income, better indicators of access to health services, and greater income opportunities. The development of rural infrastructure has important implications for the alleviation of poverty. A number of studies point to a significant impact of roads on poverty reduction through economic growth. The length of paved roads is also highly correlated with physical and human capital. Socio-economic benefits provided by roads and highway projects include all-weather reliability, reduced transportation costs and increased access to markets for local produce, access to new employment centers.

Pakistan's achievement in building high and low types of roads have been quite credible. As of March 2005, the total length of roads in the country was 25,758 Km, including 162,879 Km of high type (63 percent) and 9,879 Km of low type roads (37 percent). During 2004-05, the length of high type roads have increased by 2.7 percent. The construction work on Islamabad-Peshawar Motorway (M-1) is in progress.

During the first nine months of the current fiscal year, Pakistan Railways carried 61.1 million passengers and 4.1 million tons of freight. Its gross earnings stood at Rs. 13.2 billion, against 10.6 billion last year which was higher by 25 percent. FIA carried 3.828 million passengers during July-March 2004-05 as against 3.692 million in the same period last year. Both passenger capacity and traffic volume increased by 14.5 percent and 9.1 percent, respectively. Its fleet consists of 4 aircrafts of various types. There are presently three air lines operating in the country two of them are providing both domestic and international services. The third one is operating on domestic routes only. Karachi Port has handled 2,845 thousand tons of cargo during July-March, 2004-05, compared to 2500 thousand tons during the same period last year, showing an increase of 6.6 percent. The Port Qasim has handled 16 million tons of cargo during July-March 2004-05 as against 11.2 million cargo handled during corresponding period last year registering a growth of 43 percent. The Gwadar Port is being built with Chinese assistance and its first phase has almost completed.

In 1999-2000, there were only 0.3 million cellular mobile subscribers in Pakistan which jumped to 2.4 million by 2002-03 as a result of introduction of CPP regime and addition of another mobile operator (Ufone). Mobile subscriber continued to rise at an unprecedented pace, reaching 5.0 million by 2003-04. Major turnaround was witnessed when the mobile companies started giving free mobile connections and bearing the cost of government levies themselves. In a short period of 10 months in the outgoing fiscal year, more than 5 million new subscribers have been added to the list, reaching over 10.5 million by end April 2005. In other words more than 100 percent increase in subscribers in just 10 months was unprecedented. Accordingly, the teledensity with respect to cellular mobile has jumped from 0.2 percent in 1999-2000 to 7 percent in 2004-05.

For promotion of Information Technology, 1900 cities/towns/villages have been provided Internet facility, upto March, 2005. Total telephone lines installed by March 2005 were 5.5 million as against 4.4 million up to June 2004 last year.

ENERGY

It is universally recognized that energy is one of the most important inputs to economic growth and development. The consumption of energy is one of the critical indicators of the level of development of any country. Developed countries use more energy per unit of economic output and far more energy per capita than developing countries. At present, over a billion people in the industrialized countries use some 60 percent of the world's commercial energy supply, while 5 billion people living in the developing countries consume the remaining – a large number of them are poor. It is estimated that about two billion people around the world have access to modern energy services.

During July-March, 2004-05, the production of crude oil per day has increased to 66,508 barrels, from 62,122 barrels per day during the same period last year, showing an increase of 7.1 percent. The over all production of crude oil has increased to 18.1 million barrels during July-March, 2004-05, from 17.1 million barrels during the comparable period last year, showing an increase of 5.8 percent. On average the transport sector consumes 48.7 percent of the petroleum products, followed by power sector (31.1 percent) industry (12.1 percent), household (3.8 percent) other government (2.5 percent), and agriculture (1.8 percent) during last 14 years i.e. 1990-91 to 2003-04.

The production of natural gas per day has stood at 3,681 million cubic feet during July-March, 2004-05, as compared to 3,210 million cubic feet in the same period last year, showing an increase of 14.7 percent. Production of gas has increased to 1,003,198 million cubic feet during July-March 2004-05, as compared to 882,684 million cubic feet during the same period last year, showing an increase of 13.6 percent. On average the power sector consumes 35.4 percent of gas, followed by fertilizer (23.4 percent), industrial sector (18.9 percent), household sector (17.6 percent), commercial sector (2.8 percent), and cement (1.5 percent) during the last 14 years from 1990-91 to 2003-04.

The installed capacity of electricity (hydel and thermal) has increased by 0.7 percent during the first nine months of the current fiscal year and stood at 19,389 MW. Total installed capacity of WAPDA stood at 11,298 MW during July-March 2004-05 of which hydel generation was 6,463 MW (57.2 percent) and thermal was 4,835 MW (42.8 percent). During first three quarters of current fiscal year 61,759 GWh electricity has been generated as against 56,145 GWh were produced in the same period last year, showing an increase of 10 percent. The number of villages electrified has increased to 87,698 during July-March, 2004-05, from 78,820 in 2003-04, showing an increase of 11.3 percent.

Presently, some 700 CNG stations are operating in the country while 200 are under construction. By March 2005 about 700,000 vehicles were converted to CNG as compared to 450,000 vehicles during the same period last year, showing an increase of 56 percent. With these developments Pakistan has become the leading country in Asia and the third largest user of CNG in the world after Argentina and Brazil.

ENVIRONMENT AND HOUSING

I. Environment

Pakistan is conscious that pursuit of unbridled growth and development all over the world has laid a heavy burden on sustainability for the present and foreseeable future on the planet Earth. Sustainable development is, therefore, the cornerstone of all considerations by the government. Concern for environment- its protection, renewal and

enrichment – has been reckoned its obligation towards the betterment of all the citizens large. Presently, environmental situation has risen due to a number of factors including high population growth rate, lack of public awareness and education, mismanagement of water and other natural resources as well as unplanned urban and industrial expansion.

Draft of "National Environmental Policy 2005" which has been approved by the Prime Minister in principle and is being circulated to larger stakeholders for comments. Once approved, it would be country's first ever "Environmental Policy". This policy would complement the objectives of NEAPSP and will address the sectoral issues like (i) Water management and conservations, (ii) Energy efficiency and renewable, (iii) Agriculture and livestock, (iv) Forestry and plantation, (v) Biodiversity and protected areas, (vi) Climate change, air quality and noise and (vii) Pollution and waste management. In addition, the proposed policy aims to address other cross-sectoral issues such as (a) Population and environment, (b) Gender and environment, (c) Health and environment, (d) Trade and environment, (e) Poverty and environment and (f) Environment and local government.

The key factors contributing to air pollution in Pakistan are: (a) rapidly growing energy demand; and (b) a fast growing transport sector. In the cities, widespread use of low-quality fuel, combined with a dramatic expansion in the number of vehicles on roads, has led to significant air pollution problems. It may be mentioned here that the two-wheeler industry is performing very well in Pakistan. In the year 2003-04 motorcycle industry showed a visible sign of growth when the total market size achieved a figure of around 327,441 while during 2004-05 (Jul-March) was 346,788 units. Rickshaws have grown by more than 59%, while Motorcycles and scooters have almost doubled over the past ten years (This data does not include locally assembled diesel engine turned "auto Carts" used in rural areas). Motorcycles and rickshaws, due to their two-stroke engines, are the most inefficient in burning fuel and contribute most to emissions.

Pakistan is the largest user of CNG in Asia and presently, some 700 CNG stations are operating in the country while 200 are under construction. By March 2005, about 700,000 vehicles were converted to CNG as compared to 450,000 vehicles during the same period last year, showing an increase of 56 percent. Use of CNG as fuel in the transport sector has observed a quantum leap, replacing traditional fuels and has helped a lot in lowering the pollution level in many urban centers. After the successful CNG programme for petrol replacement, the government is now embarking upon a programme to replace the more polluting diesel fuel in the road transport sector. The government has planned to offer incentives to investors to introduce CNG buses in the major cities of the country. During July-March 2004-05, 3681 million cubic feet of natural gas was supplied per day as against 3210 million cubic feet per day during the same period last year, showing an increase of almost 14.7 percent. For the last five years the use of coal in the power sector has been decreasing. It may be due to the fact that a number of plants have now been converted to natural gas. Likewise, there has been a considerable reduction in coal usage for domestic purpose.

Per capita water availability in Pakistan has been decreasing at an alarming rate. In 1951 per capita availability was 5300 cubic meters, which has now decreased to 1105 cubic meter just touching water scarcity level of 1000 cubic meter. The productivity of fresh water is also decreasing due to losses in the movement (the water from the canal heads to the canals). The existing water resources are under threat due to rapid degradation, soil erosion, deforestation and untreated discharge of municipal and industrial wastes to rivers and other water bodies.

Government of Pakistan is committed to supply safe drinking water to its people and more importantly as well as preventive measures has been proposed in forthcoming national environmental policy to ensure supply of safe drinking water. Various bilateral and multilateral donors/aid/leading agencies have shown their willingness to support government's endeavor in this regard. Plans are underway to extend the coverage of clean drinking water from 63 percent in 2000-02 to 70 percent in 2005-06 and sanitation from 40 percent to 50 percent in the same period. It is targeted to provide 93 percent of population with access to clean drinking water by 2015 and 90 percent of the population with access to sanitation.

The productivity of soil is being lost due to water logging, salinisation and sodicity. It is estimated that about 38 percent of Pakistan's irrigated land is water logged, 14 percent is saline. In the urban areas, less than 60 percent of solid waste is collected. No city in Pakistan has proper waste collection and disposal system for municipal or hazardous wastes. Our Industries use about 525 types of chemicals and dyes/colour in different processing industries. Their processing generates wastes causing contamination of soil and pose potential risk to public health and damage the fertility of cropland.

The National Conservation Strategy (NCS) represents the broad national environment policy of Pakistan, within which a National Environment Action Plan (NEAP) has also been approved. The main objectives of NEAP are to safeguard public health, promote sustainable livelihood and enhance quality of life for the people of Pakistan. It focuses on clean air, clean water, solid waste management and eco-system management. The government has also formulated a comprehensive strategy to develop provincial capacity for implementing environmental protection laws and monitoring their effectiveness.

II. Housing Sector

The housing situation in Pakistan has steadily deteriorated over the past many years for a variety of reasons including ineffective policies, resulting in huge housing backlog. According to 1998 census, the total number of housing units throughout the country was 19.3 million. The housing backlog, as estimated according to the 1998 census, was 4.30 million units, which is now projected to 6.0 million units. The annual additional requirement is estimated around 570,000 housing units whereas the annual production is estimated around 300,000 housing units, resulting in a recurring shortfall of 270,000 housing units annually. It is estimated that in order to address the backlog and to meet the housing shortfall in the next 20 years the overall housing production will have to be increased to 820,000 housing units annually.

Recognizing the gravity of the situation and realizing the potentials of housing and construction as productive sector of the economy, the present Government has declared Housing and Construction as a priority industry and also formulated a pragmatic and workable National Housing Policy with a view to (a) Accelerate housing activity and contribute towards employment generation and economic development, (b) Facilitate provision of housing inputs including land, finance, building materials, institutional and legal framework, (c) Analyse the culture of poverty and the forces generating ever-increasing slums and katchi abadis including political, public, socio-economic, bureaucratic and environmental forces, (d) Promote ways and means for housing development by enhancing affordability, saving capacity, human tendencies and potential, (e) Provide safeguards against malpractices, bureaucratic in-efficiencies, institutional weaknesses and mafia assaults and (f) Particularly for the low income groups.

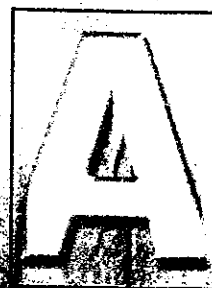
The Prime Minister has also announced "HOUSING FOR ALL" programme which includes: (a) Housing schemes for Government employees will be launched in all the districts of the country for which provincial governments and ICT will provide (100) acres of State Land immediately at affordable price (b) Housing schemes for Government employees will be developed on public private partnership basis in which Banks will participate through appropriate collaboration with the private sector developers. Such partnership will be secured on competitive basis through a transparent selection process, (c) Federal/Provincial/District Governments should facilitate and provide all necessary support to Banks/developers with a view to creating an enabling environment, (d) Federal Government will ensure provision of trunk infrastructure at project sites from National Utilities regarding electricity, gas and telephone. If required Banks may finance extra cost of such infrastructure, (e) Provincial/Federal Governments will ensure provision of trunk infrastructure for housing schemes, (f) To facilitate this process, Governments of Sindh, NWFP and Balochistan may emulate the housing development model recently formulated and adopted by the Government of Punjab for its employees, (g) Provincial Governments should identify lands, wherever available in their jurisdiction, and make it available for promotion for Government housing sector, (h) Provincial Government will rationalize the rates of Registration Fee, Stamp Duty and Property Tax to promote housing sector, (i) Provincial Governments, ICT Administration will ensure effective implementation of foreclosure laws, (j) Provincial Governments will make

necessary legislation, if required, for transfer to state land at realistic/affordable rates for the Government employees housing scheme and (k) Federal/Provincial Governments will submit proposals regarding grant of proprietary rights to dwellers of Kani Abadis located on the Federal Government land for consideration and decision.

The Prime Minister has inaugurated (Phase-V) Housing Scheme for Low Paid F.C. Employees (BP 1-16) on 11-4-2005 for construction of 1000 multi-storied flats in Sector G-1/4, Islamabad. The cost of the flats ranges from Rs. 1.2 - 1.8 million. The allottee will contribute 40% cost in installments and National Bank of Pakistan will provide the remaining 60% as loan. Flats will be handed over to the allottees in two years time. 90 apartments are earmarked for Federal Government employees of the Ministries/Divisions, Attached Departments and Subordinate offices and the remaining 10% apartments for the Employees of Autonomous Bodies/Corporations and other Federal Government Organizations.

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GROWTH, DISTRIBUTION & POVERTY



1. Growth and Investment
2. Agriculture
3. Manufacturing, Mining and Investment Policies
4. Income Distribution and Poverty



a) Major Crops

i) Cotton:

Cotton is an important non-food cash crop and a significant source of foreign exchange earning. It accounts for 10.5 percent of the value added in agriculture and about 2.4 percent to GDP. In addition to providing raw material to the local textile industry, the surplus lint cotton is exported. The area and production target for cotton crop during the current fiscal year were 3140 thousand hectares and 10720 thousand bales, respectively. The crop was however, sown on the area of 3221 thousand hectares – 2.6 percent more than the target and 7.8 percent more than last year (2989 thousand hectares). The production of cotton is provisionally estimated at 14.618 million bales for 2004-05, the highest ever recorded in the country's history, and up by 45.5 percent over the last year's production of 10.1 million bales. Factors responsible for the unprecedented rise in cotton production include: a 7.8 percent rise in area under the crop; higher rainfall; use of improved quality of pesticide resulting in low pest pressures; and favorable weather condition for growth and development of the crop. Area, production and yield of cotton for the last five years are given in Table 2.4.

Table 2.4: Area, Production and Yield of Cotton

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Bales)	% Change	(Kgs/Ha)	% Change
2000-01	2927	-1.9	10732	-4.5	62	-2.8
2001-02	3116	6.5	10613	-1.1	57	-7.2
2002-03	2794	-10.3	10211	-3.8	62	7.4
2003-04	2989	7.0	10048	-1.6	57	-8.0
2004-05 (P)	3221	7.8	14618	45.5	77	35.0

P=Provisional (July-March).

Source: Ministry of Food, Agriculture and Livestock
Federal Bureau of Statistics

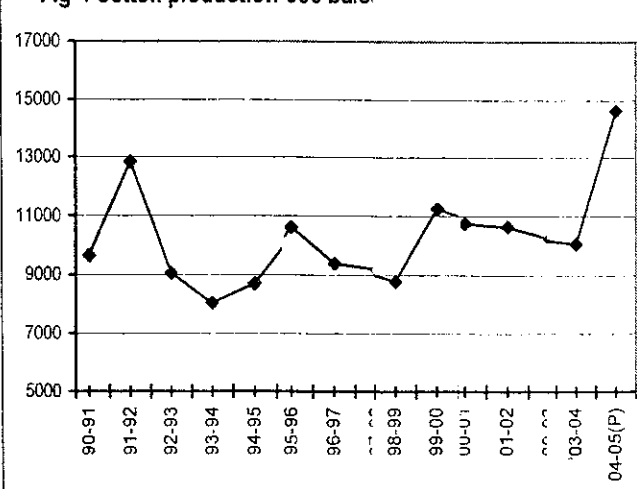
ii) Rice:

Rice is a high valued cash crop and is also a major export item. It accounts for 5.7 percent of the total value added in agriculture and 1.3 percent to GDP. Production of rice during 2004-05 is provisionally estimated at 4.51 thousand tons, which is 2.9 percent higher than last year. Rice was cultivated on an area of 203 thousand hectares, showing an increase of 1.7 percent over last year. The higher production is due to favourable weather condition. Area, production and yield of rice for the last five years are given in Table 2.5.

iii) Sugarcane

Sugarcane crop is highly water-intensive cash crop and serves as a major raw material for production of white sugar and gur. Its share in value added of agriculture and GDP are 3 percent and 0.8 percent, respectively. Sugarcane was cultivated on an area of 947 thousand hectares during the current fiscal year, which indicates a decline of 11.8 percent from last year. The size of the sugarcane crop is provisionally estimated at 45316

Fig.: Cotton production 000 bale



thousand tons which is lower by 15.2 percent compared to last year. Lesser production over last year is due to shortfall in area from 1074 thousand hectares to 947 thousand hectares. It may be pointed out that sugarcane is highly water - intensive crop and shortage of water during Kharif may have caused a decline in area under cultivation and the attendant decline in sugarcane production. It is also added that the payments to sugarcane growers for the last year's crop was delayed by the millers and eventually the growers moved to other crops like sunflower in Sindh, the area of which has increased substantially and some area of sugarcane was also taken by cotton crop being the major competing crop of Kharif season. The area, production and yield per hectare for the last five years are given in Table 2.6.

iv) Wheat:

Wheat is the leading food grain of Pakistan, and being staple diet of the people, it occupies a central position in agricultural policies. It contributes 13.8 percent to the value added in agriculture and 3.2 percent to GDP. Wheat was cultivated on an area of 8330 thousand hectares, showing a 1.4 percent increase over last year. The size of the wheat crop is provisionally estimated at 21109 thousand tons which is 8.2 percent higher than last year. The yield per hectare also increased by 6.7 percent. The higher growth in wheat production may be attributed to higher market prices of wheat last year which encouraged the farmers to bring more area under wheat crop; inputs were brought to the easy approach of the farmers as fertilizer availability was made satisfactory and shortages were met through the import of fertilizer and the availability of certified seed was higher by 2.4 percent against last year. Above all, the wide- spread and timely winter rains helped substantially in achieving the higher production. The area, production and yield for the last five years are given in Table 2.7.

v) Other Major Crops

Except bajra, jowar, tobacco and barley, all other major crops have registered increase over the last year's production. The production of bajra, Jowar and barley is provisionally estimated to have decreased by 29.6 percent, 21.8 percent 2.3 percent

Table 2.5: Area, Production and Yield of Rice

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Tons)	% Change	(Kgs/Hec.)	% Change
00-01	2377	-5.5	4803	-6.8	2021	-1.4
01-02	2114	-11.1	3882	-19.2	1836	-9.1
02-03	2225	5.2	4478	15.3	2013	0.6
03-04	2461	10.6	4848	8.3	1970	-2.1
04-05 (P)	2503	1.7	4991	2.9	1994	1.2

P: Provisional. (July-March)

Source: Ministry of Food, Agriculture and Livestock.
Federal Bureau of Statistics.

Fig-2: Rice production (000 Tons)

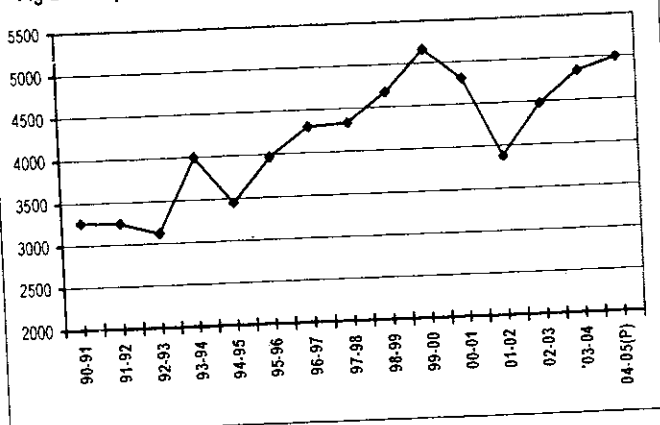


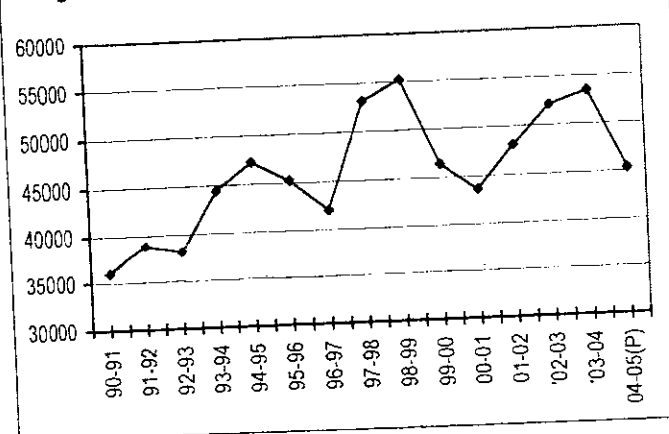
Table 2.6: Area, Production and Yield of Sugarcane

Year	Area		Production		Yield	
	(000 Hectare)	% Change	(000 Tons)	% Change	(Kgs/Hec.)	% Change
00-01	961	-4.9	43606	-5.9	45376	-1.1
01-02	1000	4.1	48042	10.2	48042	5.9
02-03	1100	10.0	52056	8.3	47324	-1.5
03-04	1074	-2.4	53419	2.6	49738	5.1
04-05 (P)	947	-11.8	45316	-15.2	47852	-3.8

P: Provisional. (July-March)

Source: Ministry of Food, Agriculture and Livestock.
Federal Bureau of Statistics.

Fig-3: Sugarcane Production (000 Tons)



and 2 percent respectively. The main reason of decline in production as compared to last year has been the shortage of respective area of these crops. The production of maize, gram and rapeseed/mustard grew by 46.3 percent, 24.5 percent and 2.7 percent respectively. The details are given in Table 3.

b) Minor Crops

i) Oilseed:

The major oilseed crops include cottonseed, rapeseed/mustard, sunflower and canola etc. The total availability of edible oils in 2003-04 was 2.437 million tons. Local production stood at 0.740 million tons which accounted for 30.4 percent of the total availability while the remaining 69 percent was made available through imports.

During 2004-05 (July-March), local production of edible oil is provisionally estimated at 0.842 million tons which is higher by 13.8 percent than last year. A more than a kharif cotton crop and cultivation of sunflower on record area of 0.77 million acres have been responsible for higher production of edible oil. During 2004-05 (July-December), 0.333 million tons of edible oil was imported and 0.14 million tons of edible oil was recovered from imported oilseeds. The total availability of edible oil from all sources amounted to 2.39 million tons during July-March (2004-05). The production of oilseed crops during 2003-04 and 2004-05 is given in Table 2.9.

ii) Other Minor Crops:

The production of all the pulses, namely mash, masoor and mung are down by 2.6, 10.0 and 7.7 percent respectively during 2004-05. The production of potato also decreased by 2.7 percent. Lesser production over last year is due to shortfall in area. Excessive rains also damaged some minor crops. Production of chillies and onion increased by 34.7 and 25.4 percent respectively. Details are given in Table 3.10.

Table 2.7: Area, Production and Yield of Wheat

Year	Area		Production		Yield	
	(000 hectares)	% Change	(000 tons)	% Change	(Kgs/He)	% Change
00-01	8181	-3.3	1902	-9.7	2325	-6.7
01-02	8058	-1.5	1822	-4.2	2262	-2.7
02-03	8034	-0.3	1918	5.2	2388	5.6
03-04	8216	2.3	1950	1.6	2375	-0.5
04-05 (P)	8330	1.4	2110	8.2	2534	6.7

P= Provisional (July-March).

Source: Ministry of Food, Agriculture and Livestock, Federal Bureau of Statistics

Fig-4: Wheat Production (000 tons)

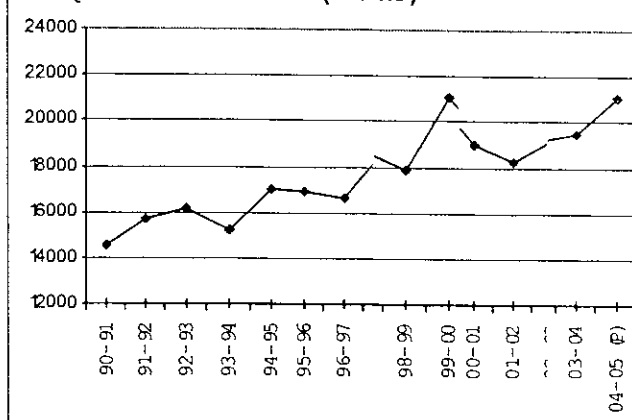


Table 2.8 : Area Production of Other Major Kharif and Rabi Crops

Crops	2003-04		2004-05 (P)		% Change in production
	Area (000 hectares)	Production (000 tons)	Area (000 hectares)	Production (000 tons)	
KHARIF					
Maize	947	1897	896	2775	46.1
Bajra	539	274	343	193	-29.6
Jawar	392	238	308	186	-21.4
RABI					
Gram	982	611	1038	761	24.1
Barley	102	98	97	96	-2.0
Rapeseed & Mustard	259	221	244	227	2.7
Tobacco	46	86	45	84	-2.3

P=Provisional (July-March), Source: Ministry of Food, Agriculture and Livestock, Federal Bureau of Statistics

Table 2.9: Area and Production of Major Oilseed Crops

Crops	2003-04			2004-05 (P)		
	Area (000 Acres)	Seed (000 Tons)	Oil (000 Tons)	Area (000 Acres)	Seed (000 Tons)	Oil (000 Tons)
Cottonseed	7386	742	9	779	440	55
Rapeseed/ Mustard	690	242	7	12	25	6
Sunflower	577	404	4	70	57	17
Canola	265	159	0	38	13	6
Total Oil			0			84

P: Provisional

Source: Pakistan Seed Development Board

Table 2.10: Area and Production of Other Minor Crops

Crops	2003-04		2004-05(P)		%Change in production
	Area (000 hectares)	Production (000 tons)	Area (000 hectares)	Production (000 tons)	
Masoor	51	31.1	49.0	28.0	-10.0
Mung	256	140.8	245.0	130.0	-7.7
Mash	48.7	24.6	45.0	18.3	-25.6
Potato	112.7	1938.2	111.0	1886.5	-2.7
Onion	106.3	1449.0	122.0	1817.4	25.4
Chillies	48.8	96.4	39.0	129.9	34.7

P= Provisional (July-March).

Source: Ministry of Food, Agriculture and Livestock.
Federal Bureau of Statistics.

II. Farm Inputs

i) Fertilizer:

Fertilizer is the major farm input for achieving higher agricultural production. The domestic production of fertilizer during the first nine months (July-March 2004-05) of the current fiscal year was up by 18.3 percent. On the other hand, the import of fertilizer also increased by 6.8 percent, hence, the total availability of fertilizer was increased by 15.6 percent in the current fiscal year. The off- take of fertilizer was therefore, higher by 10.2 percent due to improved cash flow with the farmers since market prices of wheat remained attractive last year. Furthermore, fertilizer was also brought to the easy approach of the farmers by importing it to meet the shortages. The details are given in Table 2.11.

Table 2.11: Production and Off-take of Fertilizer ('000' N/tons)

Year	Domestic Production	% Change	Import	% Change	Total	% Change	Off-take	% Change
2000-01	2298.0	1.5	579.1	-12.6	2877.1	-1.7	2966.0	4.7
2001-02	2286.0	-0.5	626.0	8.1	2912.0	1.2	2929.0	-1.2
2002-03	2315.0	1.3	766.1	22.4	3081.1	5.8	3020.0	3.1
2003-04	2539.0	9.7	764.1	-0.3	3303.1	7.2	3222.0	6.7
2003-04 (P)	1711.0	-	528.0	-	2239.0	-	2552.0	-
2004-05 (P)	2024.0	18.3	564.0	6.8	2588.0	15.6	2811.4	10.2

P= Provisional (July-March).

Source: National Fertilizer Development Centre.

ii) Improved Seed:

Improved seed occupies unique position among the various agricultural inputs. In order to get volume in agricultural production, availability of quality seed of improved varieties plays a pivotal role, since improved seed is neutral to the size of the farm and therefore its advantage is equally realized by the large as well as the small farmers. The Federal Seed Certification & Registration Department regulates quality during the flow of seed from the breeder to the growers. The Department performs its functions through seventeen Seed Testing Laboratories and Field Offices, established in various ecological zones of the country.

To provide certified crop seeds to the growers in the public sector, the Seed Corporation (in Punjab and Sindh) and the Departments of Agriculture in Balochistan and NWFP have been entrusted the task of seed production, processing and marketing. In the private sector 510 seed companies including five multinationals have been allowed for certified seed production, processing and marketing.

During (July-April) 2004-05, 273.8 thousand tons of improved seed was procured while 196 thousand tons of improved seed was distributed.

iii) Mechanization:

Mechanization as a tool for modernization of agriculture has been well recognized. Mechanization generates greater cropping intensity and as such improves productivity. It also results in considerable saving of fodder and feed through a reduction in bullock population. Thus, a transition from subsistence farming to commercial farming can only be achieved through the transfer of the latest, most efficient and cost effective technology to the farming system. The efficient use of scarce agriculture resources and accelerated agriculture mechanization is, therefore, vital and demands comprehensive strategic planning for the future.

In consideration of the role of precision in farm operations, the use of machinery has been encouraged through the provision of credit availability by commercial banks. The demand for tractors has outstripped local production. Time lag in delivery of tractors is reported 3-4 months. As such shortage of 10,000 – 15,000 tractors per annum has been noted in the country against the existing production capacity of manufacturing units. In order to meet tractor's demand new investors have been engaged in order to enhance local production for meeting the rising demand of farming community. No significant increase in prices of locally manufactured tractors compared to last year has been noticed, except nominal increase of 0.9 percent in the price of universal U-530 tractor.

iv) Plant Protection:

Plant protection is an important factor amongst the agricultural inputs. Though it can not induce higher yields on its own but without effective protection against the attack of pests and diseases, the beneficial outcome of other inputs may not be realized either. In this regard, the Department of Plant Protection provides facilities such as, Locust Survey and Control, Aerial pest Control, Pesticide

Registration and testing etc. while the private sector carries plant protection measures including ground sprays. No aerial activity was undertaken during the period under review. During July-March (2004-05) 23.0 and 34.4 thousand tons of agricultural pesticides were imported and locally formulated.

v) Irrigation:

It is well-known that an efficient irrigation system is a pre-requisite for increasing agricultural production since water is a key input for agriculture. It provides food security against the vagaries of nature and enables the cropping intensity to be increased. Despite the existence of good irrigation canal network in the world, Pakistan still suffers from wastage of a large amount of water in the irrigation process.

During the monsoon season (July-September), the normal rainfall has been 137.5mm while during the monsoon season of 2004, the rainfall received stood at 86 mm, indicating a decrease of 37.4 percent. However, during winter

Table 2.12 : Price of Locally Manufactured Tractors (In Rs.)

Tractor Model	2003-04	2004-05	%Change
MF-240 (50 H.P)	320,000	320,000	0.0
MF-260 (60 H.P)	399,000	399,000	0.0
MF-375E (75 H.P)	499,000	499,000	0.0
MF-385 (85 H.P)	599,000	599,000	0.0
FIAT-480 (55 H.P)	320,000	320,000	0.0
FIAT-640 (75 H.P)	459,000	459,000	0.0
KOREAN LT-400D	435,000	435,000	0.0
UNIVERSAL U-440 (65 HP)	436,800	436,800	0.0
UNIVERSAL U-530 (53-HP)	317,000	317,000	0.9

Source: Ministry of Food, Agriculture and Livestock.

(January to March 2005), the actual rainfall received was 155.9 mm while the normal rainfall during this period has been 70.5 mm indicating a substantial increase of 121.2 percent over the normal rainfall. The details are in Table 2.13.

The canal head withdrawals in kharif 2004 (April-September) have decreased by 10.3 percent and stood at 59.12 million acre feet (MAF), as compared to 65.95 MAF during the same period last year. During the Rabi season 2004-05 (Oct-March), the canal head withdrawals also decreased by 26.7 percent, as it remained at 23.15 MAF compared to 31.55 MAF during the same period last year. Province-wise details are given in Table 2.14.

Table 2.13: Rainfall Recorded During 04-05 (In Millimeter)

	Monsoon Rainfall (Jul-Sep)	Winter Rainfall (Jan-Mar)
Normal	137.5	70.5
Actual	86.0	155.9
Shortage (-)/excess (+)	-51.5	+85.4
% Shortage (-)/excess (+)	-37.4	+121.2

Source: Pakistan Meteorological Department

Table 2.14: Canal Head Withdrawals (Below Rim Station) (Million Acre Feet (MAF))

Provinces	Kharif (Apr-Sep) 2004	Kharif (Apr-Sep) 2005	% Change in Kharif 2005 over 2004	Rabi (Oct-Mar) 2003-04	Rabi (Oct-Mar) 2004-05	% Change in Rabi 2004-05 over 2003-04
	35.80	30.33	-15.3	17.17	11.54	-32.8
Punjab	27.34	25.65	-6.2	12.87	10.41	-19.1
Sindh	1.92	2.18	13.5	0.87	0.72	-17.2
Baluchistan	0.89	0.96	7.9	0.64	0.48	-25.0
NWFP (CRBC)	65.95	59.12	-10.3	31.55	23.15	-26.7
Total						

Source: Indus River System Authority.

vi) Agricultural Credit:

Agricultural credit provides financial resources to the farming community particularly for purchase of primary inputs like fertilizer, seed, pesticides, machinery, equipment etc. Government considers it an important instrument for achieving higher production and attaches high priority to ensure its timely availability to the farmers. Credit requirements of the farming community have shown an increasing trend over the years. Therefore, government has enhanced agricultural credit allocation for the year 2004-05 to Rs.85 billion from 65.5 billion last year i.e. 2003-04. Institutional Credit to the farmers is being provided through Zarai Taraqiate Bank Limited (ZTBL), Commercial Banks, Cooperatives and Domestic Private Banks. The agricultural loans extended to the farming community during (July-March), 2004-05, are discussed below:

a) Production and Development Loans

Agricultural loans amounting to Rs.73.8 billion were disbursed during July-March, 2004-05, as against Rs.47.9 billion during the corresponding period last year, thereby registering a substantial increase of 54 percent. The share of ZTBL in supply of total agricultural credit by institutions decreased and was 34.1 percent during July - March, 2004-05 while it was 40.5 percent during the same period last year. However, the share of Commercial Banks has surpassed the share of ZTBL; it was 48 percent of the total agricultural credit disbursed during July - March 2004-05 whereas it was 34.1 percent in respect of ZTBL. The share of Cooperatives decreased and it was 7.6 percent as compared to the same period of last year while the share of Domestic Private banks was improved; it was 10.3 percent as compared to 3.4% in the period last year. Supply of agricultural credit by various institutions since 1999-00 to 2004-05 (July-March) is given in Table 2.15.

Table 2.15: Supp of Agricultural Credit by Institutions (Rs. in million)

Year	ZTBL	Commercial Banks	Cooperatives	Domestic Private Bank	Total	
					Rs. million	%Change
1999-00	24423.9	9312.5	59512	-	9687.6	-7.4
2000-01	27610.2	12055.0	51242	-	4789.4	12.8
2001-02	29108.0	17486.1	52737	578.5	2446.3	17.1
2002-03	29270.2	22738.6	54854	1424.5	8918.7	12.3
2003-04	29933.0	33248.0	76530	2726.0	3560.0	24.8
2003-04 (Jul-Mar)	19418.5	22065.1	47988	1654.6	7937.0	-
2004-05 (Jul-Mar)	25197.6	35391.7	56413	7580.2	3810.8	54.0

Source: Ministry of Food Agriculture and Livestock.
State Bank of Pakistan.

b) Purpose-Wise Disbursement of Loans

ZTBL disbursed short-term/seasonal loans amounting to Rs.21022 million (83%) of the total disbursement during July 2004 to March, 2005. Item-wise distribution of total disbursement shows that major share amounting to Rs.930 million was channeled for chemical fertilizers followed by Rs.7325 million for improved seeds and Rs.3550 million for pesticides. Disbursement for medium and long term development purposes amounted to Rs.4171 million (17% of total loans) during July 2004 to March, 2005. This included Rs.1744 million for purchase of tractors of various makes and Rs.24 million for farm equipments. All efforts were made to explore the potential of underground water resources through financing for tubewell installation. The Bank disbursed Rs.680 million for installation of tubewells in the country during the period under review.

Attention was also given to promote dairy, poultry and livestock sectors and accordingly, Rs.1123 million were disbursed for dairy farming, Rs.171 million for livestock and Rs.257 million for poultry farming (including working capital). The Bank also participates in the Crop Maximization Project of MINFAL. It disbursed an amount of Rs.72.479 million in 731 loan cases in the project villages during July 2004 to March, 2005.

c) Credit to Women Programme

The main objective of this programme of ZTBL is to make credit more accessible to rural women through female Mobile Credit Officer (MCOs). Under Credit to Women Programme, women can meet their credit needs through both Micro Credit and General Credit Schemes. Presently, 20 FMCOs are exclusively working for credit needs of women in 17 branches of the Bank, whereas female borrowers throughout the country may also obtain loans through male MCOs. During the period under review, loans of Rs.49.369 million have been disbursed in 83 loan cases under this programme.

d) Micro Credit Scheme

ZTBL has launched Micro Credit Scheme since 1st July, 2000 to engage rural poor in income generating activities/cottage industries. The scheme is operative in all the branches. Similarly, all the Mobile Credit Officers working in the branches process micro credit cases both for men and women. A maximum of Rs.25000/- can be advanced against both security & surety. Financing under this programme is provided for 36 loanable items. All loans are recoverable within 18 months of their advancement. During the period under review, loans of Rs.3.909 million were disbursed in 1398 loan cases.

III. Forestry

Forestry plays an important role in our economy. Forests are important for protection of land and water resources, particularly in prolonging the lives of dams, reservoirs and the irrigation network of canals. Forestry is also essential for maintaining a sustained supply of wood and wood products. Pakistan is a land of great diversity which has yielded a variety of vegetation. However, only 5 percent of its total land area is under forest which is very low as compared to other Asian countries. For example in Brunei, Bhutan, Korea, Philippines, Sri Lanka, Japan and India, natural forest area is 90.4, 50.4, 49.8, 43.6, 42.1, 36.4 and 24.2 percent, respectively of the total land area of these countries. Although Pakistan's forest cover is not high but the land area protected as national parks, wildlife sanctuaries or game reserves is nearly 11.3 percent of the total land area which is close to the recommended rough estimate of 12 percent. Out of 5 percent forest cover of total landmass, eighty five percent of this is public forest which includes 40 percent coniferous and scrub forests on the northern hills and mountains. The balance is made up of irrigated plantations and Riverain forests along major rivers on the Indus plains, mangrove forests on the Indus delta and trees planted on farmlands. Total forests area of Punjab, NWFP, Sindh and Balochistan is 0.51, 1.33, 0.84 and 1.36 million hectares respectively. This meager resource is insufficient to meet the timber and fire wood requirements of the country for a growing population. It is estimated that state forests contribute only 14% of timber and 10% of fuel wood whereas 46% of timber and 90% of fuel wood requirements are being met from farmlands.

During the year 2004-05, forests have contributed 456 thousand cubic meters of timber and 456 thousand cubic meters of firewood as compared to 464 thousand cubic meters of timber and 454 thousand cubic meters of firewood in 2003-04. In order to enhance tree cover in the country, tree planting campaigns are held each year. During spring and monsoon season year 2004, 119.33 million saplings (spring 58.62 and monsoon 60.71 million) were planted.

IV. Livestock and Poultry

a) Livestock

Rapid economic development is resulting in considerable pressure on the livestock sector to increase its output, as demand for meat and milk is increasing rapidly. Therefore, the production by the livestock sector needs to be increased substantially and the share of it which moves through the modern processing facilities and the commercial marketing channels may be increased also since a faster pace of development in the livestock sector would serve the important equity objective of improved income for small farmers and landless rural workers. Livestock accounts for 46.8 percent of agricultural value added and about 10.8 percent of the GDP. The role of livestock in rural economy may be realized from the fact that 30-35 million rural population is engaged in livestock raising, having household holdings of 2-3 cattle/buffalo and 5-6 sheep/goat per family which help them to derive 30-40 percent of their income from it. It is estimated that the country produces 28 billion liter of milk a year, whose value is more than that of the combined value of wheat and cotton. The livestock include: cattle, buffalos, sheep, goats, camels, horses, asses and mules. Population of livestock for the last five years is given in Table 2.16.

Table 2.16 Livestock Population (Million No.'s)

Species	2000-01	2001-02	2002-03	2003-04	2004-05(E)
Cattle	22.4	22.8	23.3	23.8	24.2
Buffalo	23.3	24.0	24.8	25.5	26.3
Sheep	24.2	24.4	24.6	24.7	24.9
Goat	49.2	50.9	52.8	54.7	56.7
Camel	0.8	0.8	0.8	0.8	0.8
Horses	0.3	0.3	0.3	0.3	0.3
Asses	3.9	3.9	4.1	4.1	4.2
Mules	-	0.2	0.2	0.2	0.3

Table 2.17: Livestock Products

Products	Units	2000-01	2001-02	2002-03	203-04	2004-5(E)
Milk	(000 Tons)	26284.0	27031.0	27811.0	286.0	29472
Beef	"	1010.0	1034.0	1060.0	10.0	1115
Mutton	"	666.0	683.0	702.0	7.0	740
Poultry Meat	"	339.0	355.0	370.0	3.0	416
Wool	"	39.2	39.4	39.7	.9	40
Hair	"	18.6	19.3	19.9	.7	21
Bones	"	331.4	339.4	347.6	3.2	365
Fats	"	123.5	126.5	129.7	1.9	136
Blood	"	41.8	42.9	44.0	.2	46
Eggs	Million No's.	7505.0	7679.0	7860.0	81.0	853
Hides	"	7.8	7.9	8.2	.4	8
Skins	"	38.2	39.2	40.3	.4	42

b) Poultry

Poultry production has emerged as a good substitute of beef and mutton. Its importance can be judged from the fact that according to Livestock Wing of the Ministry of Food, Agriculture and Livestock, almost every family in rural areas and every fifth family in urban areas is associated with poultry production activities in one way or the other. Government is providing all possible incentives to develop it at an accelerated pace. The production of commercial and rural poultry is given in Table 2.18.

The production of rural poultry for 2003-04 and 2004-05 are given in Table 2.19.

For promotion of livestock and poultry, the government has provided the following incentives:-

- Imported plant and equipment not manufactured locally shall be subject to custom duty of 10 percent, with complete exemption from sales tax.
- Capital structure of projects in agro-food industry will be entitled to debt-equity ratio of 70:30.
- Project will be entitled to financing by all banks and development finance institutions.
- Expatriate personnel of the Units will be allowed to import food items and other consumables, without any duty/tax, subject to maximum limit of \$2,000 per person per year.
- Import of breeding stock will be allowed, subject to the import duty of 10 percent.
- Locally manufactured machinery will be provided credit.

Table 2.18: Production of Commercial Poultry and Poultry Products

Production	Units	2003-04	2004-5(E)
Day Old Chick	Million No's	356.0	32.0
Layers	"	22.1	2.7
Broilers	"	280.1	20.1
Breeding Stock	"	6.5	6.8
Poultry Meat	(000 Tons)	303.0	35.0
Eggs	Million No's	850.0	492.0
E: Estimated	Source: Ministry of Food, Agriculture & Livestock (Livestock Wing).		

Table 2.19: Rural Poultry (Million Nos)

Production	2003-04	2004-05(E)
Day Old Chick	33.9	35
Cocks & Cockribs	9.9	11
Layers	34.0	35
E: Estimated	Source: Ministry of Food, Agriculture & Livestock (Livestock Wing).	

- Parts and components up to 5 percent of initial C&F value of imported plant and equipment shall be imported at 10 percent duty, if imported together with the plant. The export of livestock & livestock products has been allowed.

Following measures have also been taken to meet Sanitary and Phytosanitary (SPS) requirements under WTO for quality assurance and to improve exports of livestock and livestock products:

- Establishment of abattoirs is encouraged in the private sector;
- The National Veterinary Laboratory has been constructed for drug residue testing in the livestock products. This will ensure quality in exported products;
- Steps have been taken to improve sanitary and hygiene conditions of animal casing processing units in the country;

V. Fisheries

The share of fisheries in GDP, though small but it does contribute to the foreign exchange earnings through export besides providing proteins to the populace. The nutritional value of fish is very high, with a protein content of 15 to 20 percent, low cholesterol content and many useful dietary supplements. Fishery plays an important role in Pakistan's economy and is also considered to be an important source of livelihood for the coastal inhabitants. Apart from marine fisheries, inland fisheries (based in rivers, lakes, ponds, dams etc) is also very important activity throughout the country. During the year 2004, a total of 90,225 M. tons of fish and fishery products were exported, earning Rs.7.6 billion.

The Government is taking a number of steps to improve fisheries sector. A number of initiatives are also being taken by the Federal and Provincial Fisheries Departments which, inter-alia, include strengthening of extension services, introduction of new fishing methodologies, development of value added products, enhancement of per capita consumption and up-gradation of socio-economic condition of the fishermen's community. Marine Fisheries Department (MFD) is executing three development projects i.e. "Monitoring of Deep Sea Fishing Vessels Through Establishment of 03 Base Stations and Deputation of MFD Representative on each vessel" which is aimed for controlling poaching and management of deep sea fishing vessels. Another project entitled "Strengthening of Quality Control Laboratories" is also being implemented to improve quality control system in Pakistan. Whereas under "Acquisition of a Fisheries Research Vessel for Marine Fisheries Department", Marine Fisheries Department intends to acquire a vessel through Japanese grant for carrying out stock assessment in coastal and offshore waters of Pakistan.

During the year 2004-05, the total marine and inland fish production is estimated to be 573,600 M. tons of which, 403,500 M. tons is marine production and remaining 170,100 M. tons catch come from inland waters while during 2003-04, the total marine and inland fish production was 566200 M. tons. Out of which 400500 M. tons were marine production and 16700 M. tons were inland fish.

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MANUFACTURING, MINING AND INVESTMENT POLICIES

CHAPTER – 3

Pakistan's manufacturing sector holds the key to whether the country will succeed in regaining the lost ground in the extremely competitive race for development in emerging Asia. If the country had continued to maintain the pace of manufacturing growth it started out within the first two decades of development when it averaged over 12 percent per annum, it would easily have entered the ranks of East Asian economies league by now. But the neglect of many structural factors, specially inconsistent policies, senseless taxation, depreciating exchange rate adding to production cost, relatively higher utility charges, insufficient infrastructure, poor law and order situation in the major growth poles of the country and lack of serious attention on education and vocational training, prevented it from maintaining the momentum of those early decades. Political instability also played an important role in stagnation in industrial sector.

Pakistan's industrial sector remains a relatively small part of the total economy. The share of manufacturing in GDP has risen insignificantly, since 1968 while it has had a significant increase of 280 per cent in case of Malaysia; 170 percent in case of Thailand and 12 percent in case of Korea. In recent years, the share of manufacturing has however, increased considerably. It was 14.8 percent in 1999-2000 but increased to 18. percent in 2004-05 – almost 24 percent increase in six years.

Pakistan's economy, which grew at 6.4 percent in fiscal year 2003-04, achieved a record growth of 8.4 percent in 2004-05, ably supported by an impressive growth in manufacturing sector. The overall manufacturing, accounting for 18.3 percent of GDP, registered an impressive growth of 12.5 percent against the target of 10.2 percent and last year's achievement of 14.1 percent. Overall manufacturing is growing at a much faster pace than agriculture and services and if this pace is sustained, its share in GDP is likely to rise further in the medium-term.

Large-scale manufacturing, accounting for 69.5 percent of overall manufacturing, registered a growth of 15.4 percent in 2004-05 as against the target of 12.2 percent, the second fastest growth in the last three decades (1st year's growth of 18.2 percent was the highest). Various factors including accommodative monetary policy, financial discipline, consistency and continuity in policies, strengthening of domestic demand, continuously improving

Table 3.1: Group-Wise Growth Performance (Percent)

Group	2003	2004	2005*
Food, Beverages & Tobacco	5	5.64	-2.7
Textile and Apparel	6	3.66	24.5
Leather Products	5	1.69	-9.1
Paper & Board	6	3.07	4.2
Pharmaceutical	0	0.91	4.1
Chemicals	9	5.64	14.4
Petroleum Group	8	1.38	11.8
Tyres & Tubes	7	0.26	10.1
Non-Metallic Mineral Products	8	9.39	15.1
Basic Metal Industries	8	2.18	1.5
Light Engineering Goods	5	7.18	11.3
Electricals	3	3.59	54.9
Automobile	5	0.26	30.1
Overall Growth	2	18.2	15.4

* July-March Source: Economic Adviser Wing, Finance Division

macroeconomic environment, a stable exchange rate, continued global economic expansion fueling domestic export growth and a general "feel good" environment are responsible for sustained higher growth in large-scale manufacturing. The growth performance of various industrial groups as well as selected items of large-scale manufacturing are documented in Tables 3.1 & 3.2.

The main contributors to this impressive growth of 15.4 percent in July-March, 2004-05 over last year are the textile and apparel group (24.5 %), chemicals (14.4%), petroleum group (11.8 %), tyres and tubes group (10.1%), non-metallic mineral products (15.1%), engineering goods group (11.3%), electrical items group (54.9%), and automobile group (30.1%). The items that registered positive growth are cotton yarn (18.2 %), cotton cloth (28.5 %), nitrogenous fertilizer (3.2 %), phosphatic fertilizer (59.7 %), cooking oil (27.8%), cement (15.3 %), cigarettes (10.5 %), jeeps and cars (26.1%), tractors (24.5 %), L.C.V's (62.3 %), motorcycles/scooters (47.6 %), paper and paper board (4.3 %), T.V sets (5.7 %), motor tyres (18.9 %), refrigerators (19.8 %) and caustic soda (11.1 %). The individual items exhibiting negative growth includes: sugar (21.0 %), vegetable ghee (1.9 %), bicycles (14.8 %) and billets (20.5 %).

Table 3.2: Production of Selected Industrial Items of Large-scale

Item	Units	July-March				% Change
		2002-03	2003-04	2003-04	2004-05	
Cotton Yarn	000 tonnes	1915.1	1929.1	1446.8	1710.4	18.2
Cotton Cloth	Mln. Sq. Mtr	582.1	683.3	493.8	634.3	28.5
Sugar	000 tonnes	3685.9	4020.8	3746.9	2961.3	-21.2
Nitrogenous Fertilizer	000 N. tonnes	2198.9	2234.3	1681.1	1732.2	3.2
Phosphatic Fertilizer	000 N. tonnes	113.4	285.4	177.8	284.0	59.7
Soap & Detergent	000 tonnes	-	-	135.4	165.0	21.9
Vegetable Ghee	000 tonnes	771.5	888.0	666.2	653.6	-1.9
Cooking Oil	000 tonnes	143.0	189.8	126.3	161.4	27.8
Cement	000 tonnes	10845	12862	9307.0	10726.0	15.3
Cigarettes	Billion Nos.	49.3	55.39	39.9	44.1	10.5
Jeep & Cars	Nos.	63267	100070	69802	87992	26.1
Tractors	Nos.	26501	36103	25435	31663	24.5
L.C.V	Nos.	12174	14089	9219	14958	62.5
Motorcycles/Scooters	Nos.	176591	327446	232215	342678	47.6
Bicycles	000 Nos.	629.6	664.1	491.2	418.4	-14.8
Paper & Paper Board	000 tonnes.	376.1	404.6	303.6	316.5	4.3
T.V Sets	000 Nos.	764.6	843.0	615.7	650.5	5.7
Motor Tyres	000 Nos.	1082	1302	926	1101	18.9
Billets	000 tonnes	408.3	429.1	342.2	272.0	-20.5
Refrigerators	000 Nos.	375.8	617.4	427.5	512.1	19.8
Caustic Soda	000 tonnes	164.3	187.5	137.1	152.3	11.1

Source: Federal Bureau of Statistics

EVALUATION OF SELECTED LARGE-SCALE MANUFACTURING INDUSTRIES

A. Textile Industry

The Textile Sector is by far the most important sector of the economy contributing 67 percent to export earnings and engaging 35 percent of labour force. The entire value chain represents production of cotton, ginning, spinning, weaving, dying, printing and finally garment manufacturing. Pakistan has emerged as one of the major cotton textile product suppliers in the world with a market share of about 30 percent in world yarn trade and 8 percent in cotton cloth. The value addition in the sector accounts for over 9 percent of GDP and its weightage in the quantum index of large-scale manufacturing is estimated at one-fifth. During the last five years, the Government in collaboration with

private sector has been planning to address the challenges of the post-quota regime beginning in the calendar year 2005. In fact, Pakistan has been seeing the removal of these quota barriers for some time and its vertically integrated textile sector was all set to seize the moments in the post-quota regime.

Pakistan is one of the major producers of cotton and its textile sector is highly labour intense, which confers a price advantage upon its exports. This will certainly improve the productivity, quality of products and capital efficiency but equal attention needs to be given to the training and up-gradation of skills in the textile industry at all levels. The recent shift to value added goods within the textile sector requires developing capability in design, processing, inventory management, marketing and keeping track of the fashions and changing demand and adapting products to meet this demand on time while maintaining its quality. The investors have to also take advantage of high growth in the volume of trade in synthetic textiles. As the US and European firms become uncompetitive in the textile and apparel business, Pakistan firms should enter into joint venture agreements with them for technology transfer and marketing. The combination of natural comparative advantages, renewal of capital equipment, investment training and skill up-gradation, and joint ventures with the Western firms should enable Pakistan to move from its existing rank to become the 5th largest exporter of textiles and apparels as envisaged in the Textile Vision 2005.

Investment in Textile Sector

Pakistan's textile industry has been investing for the last five years in modernization and the improvement of its production base, and at the same time skill development has increased at a greater pace. The textile industry has taken the post-quota regime as an opportunity and has been preparing themselves to face the challenges. Accordingly, over the last five years this sector has invested \$ 5.0 billion in modernization and higher value addition.

As shown in Table 3.3, the bulk of investment has gone to the spinning sector accounting for 46 percent of total investment followed by weaving (24%), textile processing (12%), made-ups (8%) and knitwear & garments and synthetic textile (5% each). Higher investment in improving production, quality, and value addition is evident from \$2.8 billion worth of import of textile machinery during the last five years (see Table 4). Massive investment in this sector has also enhanced their capacity to consume about 4 million bales of cotton, up from 9.0-9.5 million bales in the late 1990s. Enhancement of capacity also resulted in approximately 45,000 job creation rise in production and exports. Major textile items of import in the current fiscal year (2004-05) include textile winding machines, cone winding machines, looms, dyeing machines, machinery for preparing fabric and bleaching and processing machines.

Table-3.3: Sectoral Share in Total Investment in the Sector (5.0 Billion \$) (1999-2004)

1.	Spinning	46.0%
2.	Weaving	24%
3.	Textile Processing	12%
4.	Knitwear & Garments	5%
5.	Made-Ups	8%
6.	Synthetic Textile	5%

Source: Textile Commissioner Organization

Increased investment in the textile sector has resulted in a substantial increase in production of yarn (18%), cloth (28.5%) and synthetic fibers (26%) in 2004-05. Textile exports on the other hand have increased from \$ 5.8 billion in 2001-02 to \$ 8.0 billion in 2003-04.

Addressing the structural weaknesses of the Pakistani textile and clothing industry may take time. The government and industry have, however, recognized the challenges that they face, and have started to implement reform. Furthermore, Pakistan has the real potential to become competitive due principally to its cheap labor, vast source of cotton and long established presence in EU and US markets.

Reforms in the Textile Sector

The government is providing support for the local production of textile machinery. A wide ranging campaign to produce contamination free cotton in the country to promote value addition has also been started. As a result, the cotton prices are now being quoted on a PSCI grade standard basis. To ensure an abundant supply within the country, cotton is allowed to be imported and exported freely. To stabilize prices in the domestic market, the Trading Corporation of Pakistan (TCP) has been intervening as and when required. These policies have led to the level of contamination declining from 26gm to 6 gm on average. The profiles of various components of the textile industry are given in the Table-3.5.

Table-3.4: Import of Textile Machinery

Year	Million Us \$	% Change
1999-2000	210.9	28.6
2000-01	370.2	75.5
2001-02	406.9	9.9
2002-03	531.9	30.7
2003-04	597.9	12.4
2004-05 (July-March)	697.4	66.3
Total	2815.2	

Source: Federal Bureau of Statistics

Textile City – Garment Cities

Recognizing the importance of textile and to meet the challenges of the post-quota regime the government has formed a company, namely the Pakistan Textile City Limited (PTCL) with a mandate to establish three textile cities, one each in Karachi, Lahore and Faisalabad.

The company has already been listed with the Security and Exchange Commission of Pakistan (SECP) as a limited company to make textile cities a reality. The first such city is being established near Port-Qasim, Karachi. Some 700 acres of land has been acquired in Port Qasim. The total cost of the project is Rs 1.1 billion with Rs 0.5 billion as Government equity. The rules and regulations of the Export Processing Zones (EPZs) would also be applicable to the Textile City. This City will have a number of supporting and ancillary industrial units in the area including knitting, bleaching and dyeing units, adequate infrastructure facilities like water supply, a better sewerage system and uninterrupted electricity supply etc.

Table 3.5: Installed Capacity of Textile Industry

	July-March		% Change
	2003-04	2004-05	
Number of Mills	399.0	426.0	6.7
Installed Capacity (000 Nos)			
- Spindles	9286.8	9815.5	5.6
- Rotors	145.6	151.6	4.1
- Looms	10.2	10.2	0
Working Capacity (000 Nos)			
- Spindles	7710.0	8531.0	10.6
- Rotors	67.3	75.1	11.5
- Looms	4.3	4.9	13.9

Source: Textile Commissioner Organization

Performance of the Ancillary Textile Industry

Textile production is comprised of cotton ginning, cotton yarn, cotton fabric, fabric processing (grey-dyed-printed), home textiles, towels, hosiery & knitwear and readymade garments. These components are being produced both in the large-scale organized sector as well as in unorganized cottage / small & medium units. The performance of these various ancillary textile industries is evaluated below:-

i) Cotton Ginning Sector

There are 1221 ginning factories in Pakistan, of which, 1075 are in the Punjab and the remaining 146 are in Sindh. The total capacity is approximately 20 million bales per year (assuming a 100 day ginning season). Against capacity, the total production of ginned cotton is 14.6 million bales suggesting an excess capacity of ginning in the country.

Ginning is the sector, which is first in the process of value addition leading to readymade garments and other textile products. Unfortunately, the ginning sector is out-dated and needs modernization.

ii) Cotton Spinning Sector

The spinning sector is the most important segment in the hierarchy of textile production. At present, it is comprised of 458 textile units (10 composite units and 408 spinning units) with 8.5 million spindles and 1 thousand rotors in operation with capacity utilization of 87 percent and 49 percent respectively, during July-March 2004-05. This year production of cotton yarn has increased to 1710.4 thousand tonnes from last year's production of 146.8 thousand tonnes showing an increase of over 9.2 percent.

iii) Weaving & Made-up Sector

The problems of the power loom sector revolve around access to credit facilities to modernize their equipment as well as purchase of yarn specially when the prices of yarn increase but the prices of cloth increase with time lag [See table 3.6].

Table 3.6: Installed and Capacity Worked in Weaving Sector (Nos.)

Category	Installed Capacity	Effective Capacity Worked
a) Integrated Textile Units	10249	4947
b) Independent Weaving Units	16034	25500
c) Power Loom Sector	15258	90000
Total	11541	120447

Source: Textile Commissioner Organization.

There is need for training facilities and guidance to diversify their products, especially to cater to the needs of the garment industry. However the performance of cloth sector remained better than last year.

iv) Cotton Cloth

The production of cotton cloth had increased substantially. This sector has registered a double-digit growth of 28.5 percent this year while the non-mill sector has registered a modest growth of 16.8 percent in the same period. The export of cotton cloth has witnessed an increase of 9.2 percent during July-March 2004-05 in value terms and a 4.72 percent in quantitative terms. Furthermore, the unit value of cotton cloth has increased by 3 percent this year. Thus, this sub-sector serves as the main engine for downstream sectors like Beewear, Made-ups and Garments.

v) Textile Downstream Industry

This is the most dynamic segment of textile industry. The major product groups are towels, tents & canvas, cotton bags, bed-wear, hosiery & knitwear and readymade garments including fashion apparels.

a) Hosiery Industry

There are about 10,000 knitting machines spread all over the country. The capacity utilization is approximately 60%. There is greater reliance on the development of this industry as there is substantial value addition in the form of knitwear. Besides locally manufactured machinery, liberal import of machinery under different modes is also being made and the capacity based on exports is being developed. This sector has tremendous export potential. This sub-sector has recorded positive export growth of 22.8 percent over the last fiscal year.

b) Readymade Garment Industry

The garment industry provides highest value addition in textile sector. It has exported readymade garments worth \$ 1265 million this year. The industry is distributed in small, medium and large-scale units, most of them having 50 machines and below; large units are now coming up in the organized sector of the industry.

c) Towel Industry

There are about 6500 towel looms in the country in both organized and unorganized sectors. This industry is dominantly export based and its growth depends on export outlets. Substantial increase in export of towels in the past indicate that tremendous possibilities exist for further expansion provided the existing towels manufacturing factories are geared to produce higher value towels. This sub-sector's exports increased by 31.6 percent in quantity terms and 22.4 percent in value terms, during July-March 2004-05.

d) Tarpaulin & Canvas

This is the highest raw cotton-consuming sector. The production capacity is more than 100 million sq. meters. This value added sector also has great potential for export. About 90 percent of its production is exported while 5-10 percent is consumed locally by Armed Forces Food Department. Exports of this sector have declined as compared to last year but are likely to pick up in the coming year as Pakistan is the cheapest source of supply of tents and canvas.

vi) Synthetic Fiber Manufacturing Sector

This sector has made progress in line with demand of the textile industry. Presently there are seven polyester fiber units with production capacity of 625,000 tons per annum, two acrylic fiber units of which one unit has started its commercial production in December 1999 with rated capacity of 25,000 tons per annum while other unit of crescent group is under installation. One unit of viscose fiber with a capacity of 10,000 tons has also gone into production. Besides, import of fibers is also permissible to supplement the local production.

vii) Filament Yarn Manufacturing Industry

There are 25 units engaged in the manufacturing of three kinds of filament yarn, namely, acetate rayon yarn (one unit with a capacity to manufacture 3 thousand tonnes), nylon filament yarn (3 units with an installed capacity of 2 thousand tonnes) and polyester filament yarn (21 units with an installed capacity of 95 thousand tonnes). The total installed capacity of all these units is 100 thousand tonnes, against which it produced approximately 78 thousand tonnes per annum. Recently, the hosiery sector has started consuming synthetic yarn for the export of knitted garments, which are contributing to a high value addition, as well as, diversification in exportable products

viii) Art Silk and Synthetic Weaving Industry

The art silk and synthetic weaving industry is mostly concentrated in the informal sector and is generally operated in the form of family owned power loom units, comprising of 8 to 10 looms. There are approximately 90,000 looms in operation of which 30,000 looms are working on blended cloth while 60,000 looms produce filament yarn. Besides there are some mobile looms which become operational on market demand. The production of this sub-industry has been registered at 900 million Sq. meters during July-March 2004-05.

B. Automobile Sector:

At present 18 automobile manufacturing units are involved in the assembling /manufacturing business with the support of downstream industry comprising 850 units of auto parts manufacturers.

The increasing trend touched almost every segment of the auto industry. During the current fiscal year the automobile industry has continued its growth momentum for the fourth consecutive year. The demand in the auto sector has been spurred, by low interest rates in the financial markets, a persistent inflow of home remittances,

cheaper and easy availability of car financing and frequent model changes induced by furious competition in the car industry. The production of cars registered a growth of 25.81 percent during July-April 2004-05, followed by trucks (19.77 %), LCV's (8.9 %), tractors (3.5 %) and motorcycles (6.9 %). The installed capacity of the major components of automobile sector and production are given in Table 3.7.

Table 3.7: Installed and Operational Capacity of Automobile Industry (Numbers)

Item	Inst. Capacity (Single Shift)	2003-04	Jul-April		% Change
			2003-04	2004-05	
Cars	16000	99263	79655	11213	281
Trucks	1500	2022	1669	999	177
Buses	1900	1380	1151	503	358
LCV's / Jeeps	2500	14896	11613	459	595
Tractors	9000	36103	28583	308	253
Motorcycles	73000	327446	263149	3589	491

Source: Pakistan Automobiles Manufacturers Association (PAMA).

C. The Fertilizer Industry

Fertilizer is one of the key inputs used in agricultural production. There are 11 fertilizer units operating in the country (six units in the Punjab, three in Sindh and two in NWFP) with an installed capacity of 6.0 million tonnes, out of which nitrogenous fertilizer has a capacity of 4.9 million tonnes and phosphatic fertilizer has a production capacity of 1.0 million tonnes. The production of fertilizer has witnessed an increase of 18.3 percent and stands at 4.8 million tonnes as against 4.2 million tonnes in the corresponding period last year. The production of all components of fertilizer, urea, ammonium nitrate, nitro phosphate, super phosphate and NPK witnessed an increase in production. Nitrogenous fertilizer witnessed an increase of 3.2 percent in July-March 2004-05 while the production of phosphatic fertilizer increased by 59.7 percent.

D. Paint and Varnish

There are around 22 units in the organized and over 400 units in the unorganized sector for the manufacturing of paints and varnishes. Around 50 percent of the domestic demand for paints and varnishes is met through production in the organized sector while the remaining comes from the unorganized sector. The per capita consumption of paints in Pakistan is very low at 0.8 kg per annum compared to 4 kgs in the South East Asian nations, 22 kg in the developed world and 15 kgs per capita for the overall world. The demand for paints and varnishes is rising due to the resurgence of housing and construction sector. During July-March, 2004-05, the production of paint and varnishes both solid and liquid grew by 59.36 percent and 60.10 percent, respectively.

E. Cement Industry

One of the industries, which has directly benefited from the boom in housing and construction, has been the cement sub-sector. It has recorded a growth of 15.2 percent in the first nine months of the current fiscal year. The renewed impetus in the cement sector comes from increased construction and housing activity, budgetary support in the form of reduced CED, import duty cuts on paints and building materials, consistent raw material prices for steel and cement, positive developments in construction of infrastructure projects, and opening of export markets of Afghanistan. In addition, conversion to coal firing system from the manufacturing process, used on a large scale, has also helped in cutting operating costs by over 50% this year. Hence, the cement sector has graduated from being a net borrower to a net lender in 2004 after retiring Rs7,528 million in debt. Roughly 2.39 million tonnes of capacity has been added to this sector so far this fiscal year.

Public Sector Industries

Performance review of operating units is carried out for corporations namely: NFC, PACO, SCCP, SEC and Pakistan Steel, while PIDC has liquidated all its units. Units under GCP are closed down. Key performance indicators present the following picture for July-June 2004-05 based on 8 months' actual figures and four months' projections. In case of NFC and SEC the performance is based on 9 months' actual figures and 3 months' projection.

Production Value

Production value (at constant prices of 1987-88) in aggregate of all corporations excluding Pakistan Steel increased by 16% against the same period last year. SEC showed an increase of 74%, National Fertilizer Corporation showed a decline of 3%, while PACO has shown an increase of 12%. State Cement Corporation of Pakistan (SCCP) has shown an increase of 19%.

Table 3.8: Performance of Public Sector Industries (Excluding Pak Steel) (Rs. in Million)

Details	2003-2004	2004-2005**	% Change
Production Value*	7148	8294	16
Net Sales	12516	14602	17
Pre-tax profit	2232	2213	0.86
Taxes and duties	2910	2778	(5)
No. of employees	7972	8964	12

Source: EAC, Ministry of Industry & Production

* At constant prices of 1992-93.

** Actual for 8 months (Jul-Feb) and expected for 4 months (Mar-Jun)

Net Sales

Net sales (excluding Pakistan Steel) increased to an estimated amount of Rs. 14602 million for July – June, 2004-05 as against Rs. 12516 million for the same period during last year showing an increase of almost 17%. All the corporations i.e. NFC, SCCP, PACO and SEC have shown an increasing trend in net sales. SCCP showed an increase in sales by Rs. 174 million. The increasing trend is also evident in SEC and NFC where sales improved by 54% and 5.6% respectively.

Pre-Tax Profit/(Loss)

During July-March 2004-05 the aggregate profit during 2004-05 is estimated at Rs 2213 million (excluding Pakistan Steel) as against an aggregate profit of Rs. 2232 million during the same period last year. Marginal decline in pretax profit was mainly due to the increase in the pretax loss of PACO to Rs. 64 million due to problems at Sindh Engineering. Profit of SEC also decreased to Rs. 48 million during July-June 2005 against Rs. 191 million pretax profit during 2003-04. Profit however increased in NFC by Rs 57 million (3%). SCCP also earned a pretax profit of Rs. 205.749 million during the period under review.

Employment

Total number of employees with all operating units (including daily wagers) excluding Pak Steel, as on 30th June, 2005 stands at 8964 as against 7972 as on 30th June, 2004. The number of employees in NFC, SEC and SCCP has increased. Decline was however observed at PACO. On overall basis there was an increase of 992 employees in the corporations under MOIP & SI.

Overall Performance of Operating Public Sector Industries (Including Pakistan Steel)

Overall Performance of public sector industries (including Pakistan Steel) is presented in the following table for July-June 2004-05 in comparison to same period last year.

Performance of Pakistan Steel

The Production capacity of Pakistan Steel is 1.1 million tons of raw steel per annum with built in potential to expand to over 3 million tonnes. The Steel Mill is producing like pig iron, billets, hot rolled coils/sheets, cold rolled coils/sheet, formed sections like channels, angles, Major performance indicator of Pakistan Steel during the period July-June (2004-05) is summarized in table below:

Table 1.9: Performance of Public Sector Industries (Overall) (Rs. Million)

Description	2003-04	2004-5**	%Change
Production value*	16978	1858	7.54
Net Sales	37470	4699	25
Pre-tax profit	9326	1155	27
Taxes and duties	8120	1187	37
No. of employees	24085	2538	6

Source: Expert Advisory Cell

* At constant prices of 1992-93

** Actual for 8 months July-Feb) and estimate for 4 months (Mar-June)

Small and Medium Enterprises (SMEs):

Historically, the Government has not distinguished between large and small enterprise in industry or trade. Industrial and Commerce policies have been uniform for all sizes of enterprises. As a consequence of high specific needs of Small and Medium Enterprises could not be addressed.

SMEDA is creating the sense of importance of SME within the Government for this crucial sector of the economy which provides low cost employment opportunities and helps the economy in two valuable ways: One for

boosting exports and two in poverty reduction. Also, a strong SME presence provides the resilience to the economy from global economic fluctuations that the large business enterprises are unable to respond quickly.

Table 1.10: Performance of Pak SBI (Rs Million)

Items	2003-04	2004-5 (Proj)	% Change
Production Value*	9830	991	1.33
Net Sales	24954	3227	29
Pre-tax profit	7094	962	36
Taxes and duties	5210	836	59
No. of employees	16113	1654	3

Source: Expert Advisory Cell, M/o In. & Prod.

* At constant prices of 92-93.

SMEDA has embraced upon aggressive SME development strategy by focusing on 7 priority sectors. These sectors are gems and jewellery, dairy and agro-processing, fisheries, furniture, sports goods, light engineering, marble and granite. These sectors have been selected with the intention of developing sector strategy and procuring regulatory reforms to stimulate growth on the sole criterion of SME presence.

The growth of SMEs has mainly been hampered by the non-availability of credit in the past. Realizing this constraint the government has opened two specialized non-credit banks namely, the SME Bank and Mushali Bank.

The SME Bank was established on 1st January 2002 with the primary objective of providing financial assistance and business support to small and medium enterprises. A large number of SMEs are being financed under its programme lending scheme namely "Hunar Mad Pakistan Scheme" in such businesses as fast manufacturing, utility manufacturing, surgical instruments, doctors and dentists clinics, women entrepreneurs, CNG stations, auto loans, auto parts manufacturing, furniture manufacturing, motorcycle rickshaws. Another step in this direction is the setting up of the Khushi Bank. The Bank's social sector services package includes women development, capacity building services for skill development and the provision of basic infrastructure services as: health, education, drinking water, sanitation and communication etc.

Foreign Investment:

Foreign investment in Asian economies continued to trend higher in 2004. As always, China stands out, but the recent surge of FDI across the rest of Asia has also been striking. In particular, Malaysia, Singapore, and Korea all experienced a round over the past two years: net FDI flows in three countries amounted to \$1.2 billion in 2004, compared to only \$2 billion, on average in 2001-02. In Indonesia, the Philippines, and Thailand, FDI recovered

modestly: rising to \$2.2 billion in 2004 from above zero in 2001-02. Also noticeable in recent inward FDI has been the shift away from traditional manufacturing investments, and towards services.

Table 3.11: Asia: Foreign Direct Investment

	US\$ Billion					% Of GDP
	1999-00	2001-02	2002-03	2003-04	2004-05	
Asia Total	82.2	64.5	79.2	80.4	90.0	1.0
China	38.6	46.8	52.7	51.0	54.9	3.4
Korea	9.3	3.0	0.2	5.9	8.2	1.2
Japan	11.9	7.5	9.2	6.5	7.4	0.2
Singapore	10.2	-2.9	1.7	5.5	5.4	5.0
India	2.9	5.5	3.6	5.0	5.3	0.8
Malaysia	3.8	1.9	1.2	3.5	5.6	3.9
Taiwan	9.3	2.8	1.4	1.2	1.9	0.6
Thailand	4.8	2.4	0.8	1.5	1.1	0.7
Pakistan	0.46	0.48	0.7	0.94	0.89	0.8
Indonesia	-3.6	-2.9	0.1	0.2	1.0	0.4
Philippines	0.4	0.4	1.0	0.1	0.1	0.1

Source: JPMorgan

While FDI in absolute dollar term do matter it must also be seen in relation to the size of the GDP of the recipient countries. Although Singapore attracted \$ 5.4 billion but in relation to it's GDP it is estimated at 5 percent, much more than China. Similarly, Malaysia attracted \$ 5.6 billion in FDI but in relation to its GDP it was higher than china. China on the other hand, attracted FDI to the extent of \$ 55 billion but in relation to its size of the GDP it was 3.4 percent – much less than Singapore and Malaysia. Although FDI in India amounted to \$ 5.3 billion but in relation to its GDP it is less than 1.0 percent. Pakistan also attracted FDI to the extent of almost 1.0 percent of GDP.

Table 3.12: Inflow of Net Foreign Private Investment (FPI) (Million US \$)

Country	2003-04			2003-04 (July-April)			2004-05 (July-April)		
	Direct	Portfolio	Total	Direct	Portfolio	Total	Direct	Portfolio	Total
USA	238.4	21.4	259.8	191.7	18.1	209.8	200.9	24.5	225.4
UK	64.9	-23	41.9	84.0	-53.8	30.2	150.9	7.8	158.7
UAE	134.6	11.9	146.5	76.7	-49.4	27.3	69.1	45.9	115.0
Germany	7	-3	4.0	4.9	-3.0	1.9	9.5	0	9.5
France	-5.6	0	-5.6	-5.5	0	-5.5	-3.1	0.1	-3.0
Hong Kong	6.3	-1.3	5.0	5.4	-2.8	2.6	18.7	24.2	42.9
Italy	1.9	-1.9	0.0	0.2	-1.9	-1.7	0.3	0	0.3
Japan	15.1	-3.5	11.6	13.4	-3.3	10.1	38.4	-3.4	35.0
Saudi Arabia	7.2	-1.9	5.3	3.5	-1.9	1.6	13.5	-0.2	13.3
Canada	0.5	0	0.5	0.3	0	0.3	4.3	0.1	4.4
Netherlands	14	-1.9	12.1	11.5	-2.0	9.5	32.5	24.9	57.4
Korea	1	-9.4	-8.4	0.9	-9.4	-8.5	1.2	0	1.2
Singapore	5.1	-5.6	-0.5	3.7	-5.0	-1.3	2.8	1.6	4.4
China	14.3	0	14.3	12.1	0	12.1	0.4	0	0.4
Australia	1.6	0	1.6	1.5	0	1.5	1.3	0	1.3
Switzerland	205.3	6	211.3	201.9	8.8	201.7	131.6	11.3	142.9
Others	237.8	-15.5	222.3	154.2	-25.7	128.5	219.2	-1.3	217.9
Total	949.4	-27.7	921.7	760.4	-131.3	629.1	891.5	135.5	1027.0

Source: State Bank of Pakistan

Pakistan has been introducing reforms to attract the inflow of foreign investment since the early 1980s but FDI has crossed the one billion dollar mark only once in 1995-96. During the last two years FDI is rising to approach the one billion dollar mark and this year is likely to cross that magic number. The improvement in the country's macroeconomic environment and the upward revision of the country's credit ratings have helped attract larger flows of foreign investment. Over the last three years the government has succeeded in removing various irritants, which affect the business and investment climate.

Foreign Direct Investment has registered an increase of 17.2 percent in the first ten months (July-April, 2004-5), rising from \$ 760. million to \$891.5 million (See Table 3.12).

Portfolio investment registered an inflow of \$135.5 million during the same period as against an outflow of \$11.3 million in the corresponding period of last year. Given the trend in FDI so far, it is expected to cross 1.0 billion mark by the end of the fiscal year 2004-05. Over 54 percent of FDI has come from the US, UK and Switzerland, amounting to \$ 483.4 million in the current fiscal year. FDI from UAE accounted for 7.7 percent followed by Japan (4.3 %) and Netherlands (3.6 %).

Table 3.12: Inflow of (FDI) Foreign Direct Investment (In Main Economic Group) (Million US)

Economic Group	2001-02	2002-03	2003-04	Jy-April	
				2003-04	2004-05
1. Power	36.4	32.8	(1.2)	14.9	6.8
2. Chemical, Pharmaceutical & Fertilizer	17.8	92.4	28.5	23.7	8.9
3. Construction	12.8	17.6	2.0	24.1	3.8
4. Mining & Quarrying, Oil and Gas	274.8	168.2	203.5	169.6	16.9
5. Petro-Chemicals & Refining	5.0	3.0	72.4	60.7	1.6
6. Food Beverages & Tobacco	(5.1)	7.0	4.5	4.1	15
7. Textile	18.4	26.1	35.4	26.8	2.4
8. Transport, Storage & Comm.	35.2	114.1	20.7	111.7	12.3
9. Machinery other than electrical	0.1	0.4	0.7	0.6	0.3
10. Electronics	15.9	6.7	7.5	5.5	1.2
11. Electrical Machinery	10.5	10.5	8.7	7.7	1.0
12. Financial Business	3.5	207.5	22.1	238.3	20.1
13. Trade	34.2	39.1	35.6	27.2	2.1
14. Tourism / Paper & Pulp	0.8	1.5	1.8	1.7	-
15. Cement / Sugar	0.5	1.3	2.3	1.9	0.7
16. Others	23.9	493.8	57.9	41.9	11.4
Total	484.7	798.0	99.4	760.4	89.5

Source: State Bank of Pakistan

The major sector which attracted FDI includes financial business (banking sector); oil and gas; telecom sector; chemicals; fertilizers and pharmaceuticals, and power sector (see table 3.12). FDI investment policy in a summarized form is reported in 3.13 and in box item 1.

The Privatization Programme:

Privatization in Pakistan is an important economic reform policy tool for generating growth and to reduce structural inefficiencies by removing false barriers and opening up the economy to competition. The privatization programme is part of the economic and structural reforms agenda of the Government of Pakistan that along with deregulation and good governance seeks to enhance the productivity of Pakistan's economy by harnessing the private sector as its engine of growth. The government acts to play the role of facilitator and regulator by providing an enabling environment to the entrepreneur to invest and carry out business. The government does not do business; rather facilitates business in the private sector.

Table -3.14 Policy Package of Pakistan

Policy Parameters	Manufacturing	Non-Manufacturing Sectors		
		Agriculture	Infrastructure	Services incld. IT & Tele. Services
Govt. Permission	Not required except 4 specified industries *	Not required except specific licenses from concerned agencies		
Remittance of capital, profits, dividends etc. **	Allowed	Allowed		
Upper Limit of foreign equity allowed	100%	60%	100%	100%
Minimum Investment Amount (M \$)	No	0.3	0.3	0.15
Customs duty on import of PME ***	5%	0%	5%	0.5%
Tax relief (IDA % of PME Cost)	50%	50%		
Royalty & Technical Fee	No restriction for payment of royalty & technical fee.	Allowed as per guidelines – Initial lump-sum upto \$ 100.00 - Max Rate 5% of net sales – Initial period 5 years		

Source: Board of Investment

Box Item 1:

The Salient features of Pakistan's Investment Policy are as under:

- The investment policy is liberal and business friendly as it has been designed in consultation with businessmen; investors and representative forums as well as the multinationals (MNCs).
- It provides equal investment for both domestic and foreign investors.
- All economic sectors open for FDI.
- 100 percent foreign equity allowed.
- No government sanction required.
- Remittance of Royalty, Technical and Franchise Fee, Capital, Profits, Dividends allowed.
- Minimum foreign equity for non-manufacturing including service sector has been reduced from \$ 0.3 million to \$ 0.15 million.
- To keep Pakistan competitive globally, tariff and tax incentives including 5 percent customs duty has been allowed on import of plant and machinery, which is not manufactured locally.
- No sales tax
- The investment policy is liberal and business friendly as it has been designed in consultation with businessmen; investors and representative forums as well as the multinationals (MNCs).
- It provides equal investment for both domestic and foreign investors.
- All economic sectors open for FDI.
- 100 percent foreign equity allowed.
- No government sanction required.
- Remittance of Royalty, Technical and Franchise Fee, Capital, Profits, Dividends allowed.
- Minimum foreign equity for non-manufacturing including service sector has been reduced from \$ 0.3 million to \$ 0.15 million.
- To keep Pakistan competitive globally, tariff and tax incentives including 5 percent customs duty has been allowed on import of plant and machinery, which is not manufactured locally.
- No sales tax
- Industry status has been given to tourism, housing and construction and I.T.
- Import of agriculture machinery is fully exempted from customs duty.
- In investment policy, priority has been shifted towards high value added, export oriented, hi-tech, engineering, chemicals, petro-chemicals, oil refining, minerals and minerals processing and agro based industries. Entrepreneurs should now consider these priorities while investing in industrial sector.
- Several measures have been taken in the area like domestic borrowing facility to foreign controlled companies, transfer of technology, immigration procedures, labour laws, incorporation of companies, taxes and improvement in quality of life.
- Foreign investment is fully protected by:
 - Foreign Private Investment (Promotion and Protection) Act, 1976.
 - Protection of Economic Reforms Act, 1992.
 - Foreign Currency Account (Protection) Ordinance, 2001

Privatization effort began in earnest after the creation of Privatization Commission on January 22, 1991. Although the PC mandate initially restricted to industrial transactions, by 1993, it had expanded to also include power, oil and gas, Transport (airline, railways, ports and shipping), Telecommunications, Banking and Insurance sectors. The progress was slow to begin with. The Government realized that the reasons for slow progress on privatization lay in an inhospitable enabling environment, legal challenges, public opposition, and lack of adequate regulatory frameworks for the privatization of utilities.

On September 28, 2000, the government promulgated the PC Ordinance 2000, which strengthened the PC's legal authority as a body cooperates for implementing the government's privatization policy. The measure increased PC's accountability and independence and has provided greater comfort to investors. The Ordinance also specified that 90 percent of privatization proceeds shall be utilized for retirement of Federal Government debt and 10 percent for poverty alleviation.

The government has used a variety of methods to implement its privatization programme. The primary model adopted by the government has been the sale of strategic interests, along with management control, to investors. Small to medium sized industrial operations have been privatized following an open bidding process without a pre-qualification process, whereas the government has used a pre-qualification stage and a more formal sealed bidding process for larger entities. Pakistan has also used to a lesser extent both domestic and international capital markets for divestment of OE's shares.

So far 143 transactions have been completed for proceeds of Rs. 148,365 billion during January 1991 to 15th April 2005. It has a heavy agenda for the current financial year as well. A number of state owned enterprises are being offered for privatization. Companies like FESCO, Pak Arab Fertilizer, Career Telephone Industries and KAPCO are also being offered for sale to private sector. This will not only generate economic activity but will also encourage more investment.

Table 3.15: Number of Privatized Transactions (Rupees in Million)

Sector	From 1991 to Jun 03		From Jul 03 to Jun 04		From Jul 04 to Mid April, 05		Total	
	No.	Amount	No.	Amount	No.	Amount	Number of Transaction	Amount
Banking	6	18614	1	22409			7	41023
Capital Market Transaction	11	9729	3	9707	3	1226	17	31700
Energy	12	20904					12	20904
Telecom	2	30558					2	30558
Automobile	7	1102					7	1102
Cement	11	7557	2	1049	1		14	8681
Chemical / Fertilizer	17	10198	1	6			18	10204
Engineering	7	183					7	183
Ghee Mills	21	756	1	81			22	837
Rice/Roll Plants	23	326					23	326
Textile	2	87					2	87
Newspapers	5	270					5	270
Tourism	3	594			1	12	4	1805
Others	6	685					6	685
Total	133	101561	8	33252	13552	1356	146	148365

During July 2004 to mid April 2005, transactions were completed for Rs. 13,552 million. Details are as under:

- 5.8 percent shares of PIA for Rs. 1,329 million.
- Sale of the Falletti's Hotel, Lahore for Rs. 1,211 million

- 15 percent shares of Pakistan Petroleum Limited (PPL) through capital market for Rs. 5, 655 million.
- 10 percent additional shares of Kohat, Dandot, Ittehad and Gharibwal Cement for Rs. 75 million.
- 20 percent shares of Kohat Addu Power Company (KAPCO) through Capital Market for Rs. 5, 282 million.
- In addition, bidding for KESC (73 percent GoP shares) was held on 4th February, 2005. proceeds of Rs. 20.240 billion are awaited.

List of Up-Coming Transactions for Privatization		
S. No.	Name of State Owned Entities/ Transaction	Privatisation Estimated/Expected, Remarks etc.
Telecommunications		
1.	Pakistan Telecom Co Ltd (PTCL)	3 rd qtr 2005
2.	Telephone Industries of Pakistan	Transaction structure is under review
3.	Carrier Telephone Industries	2 nd qtr, 2005
Oil and Gas		
4.	Pakistan Petroleum Ltd (PPL)	3 rd qtr 2005
5.	Oil and Gas Dev Corp Ltd (OGDCL)	After privatisation of PPL.
	Pirkoh Gas Company Limited. (PGCL)	3 rd qtr 2005
6.	Pakistan State Oil (PSO)	Under Review
7.	Sui Southern Gas Corp Ltd (SSGCL)	2 nd qtr 2005
8.	Sui Northern Gas Pipelines Ltd.	2 nd qtr 2005
9.	National Refinery Ltd (NRL)	
Banking and Finance		
10.	National Investment Trust (NIT)	2 nd qtr 2005
11.	Investment Corp. of Pakistan (ICP)	2 nd qtr 2005
Power		
12.	Faisalabad Electric Supply Co (FESCO)	2 nd qtr 2005
13.	Genco 1 (Jamshoro)	2 nd qtr 2005
14.	Peshawar Electric Supply Co.	1 st qtr 2006
15.	Karachi Electric Supply Co (KESC)	On Going
Insurance		
16.	State Life Insurance Corporation	To be decided
17.	Pakistan Re-Insurance Co. Ltd	To be decided
Capital Markets		
19.	Initial Public Offering of United Bank Limited (UBL)	To be decided
20.	Initial Public Offering of SLIC	To be decided
21.	Secondary Public Offering of OGDCL	To be decided
Industry and Real Estate		
22.	Pak-Arab Fertilizer Ltd.	2 nd qtr 2005
23.	National Construction Ltd. (NCL)	3 rd qtr 2005
24.	Malam Jabba	2 nd qtr 2005
25.	Pak-American Fertilizer Ltd.	2 nd qtr 2005
26.	Lyallpur Chemical	3 rd qtr 2005
27.	Hazara Phosphate	3 rd qtr 2005
28.	Republic Motors Ltd.	2 nd qtr 2005
29.	Bolan Textile Mills	2 nd qtr 2005
30.	Lasbella Textile Mills	2 nd qtr 2005
31.	Tomato Paste Plant	4 th qtr 2005
32.	Printing Corporation of Pakistan Private Limited (PCPL)	4 th qtr 2005

In short, despite some delays due to unavoidable factors and reasons beyond control, the government's privatization programme is large on track.

With an improving macro economic environment, the Government of Pakistan has reiterated its commitment to privatize Pakistan State Oil Company Limited (PSO) by selling 51% equity stake in PSO, together with management control to a qualified strategic investor, and has received encouraging responses from fifteen quality bidders, which is a larger group of bidders who are interested to explore investment opportunities in Pakistan.

The privatization of PSO will generate interest around the globe and will give impetus to Pakistan's Privatization Program and further accelerate the pace of privatization of other mega public sector entities. During the earlier attempt to privatize PSO two parties had come up while the fresh attempt confirmed that among 15 expressions of interest (EOIs) received this time, were from most of the committed and much better quality bidders.

The interested parties for PSO's strategic sale include, Kuwait Petroleum Corporation (Kuwait), Fauji Fertilizers (Pakistan) Abroad Capital Limited (UAE), consortium of Vitol S.A. Switzerland and Hasan Associates Pakistan, Lukoil International Trading and Supply Company (Russia), Dewair Mushtaq Group Pakistan, Dawood Hercules Chemicals Limited Pakistan, the Attock Oil Group (Pakistan), Abu Dhabi Group (UAE), PAF Group Companies (JAE) / A.T.N. Modasa (Pvt.) Ltd (Pakistan), Al-Jomaih Holding Co. (Saudi Arabia), Chevron Texaco (USA), Al Ghurair Investment LLC & Associates (UAE), United Bank Limited (Pakistan), and Trison O&E Energy (UK).

In addition, principal decision has also been made to privatize Pakistan Steel Mills Corporation on fast track basis and for this purpose Privatization Commission has invited EOI from reputable firms or consortiums of firms for pre-qualification to act as Financial Advisor for evaluating the privatization potential of Pakistan Steel Mills Corporation (PSMC) and to lead its privatization process. This privatization is targeted for the current financial year as well.

Pakistan Fertilizers would also be privatized prior to PSO and PTCL. Whereas, to determine the percentage for initial Public Offering (IPO) of United Bank Limited (UBL), schedule to be launched by end of May / early June 2005. Furthermore, privatization of PTCL is also underway and is slated to be completed before the end of this financial year.

Mining and Quarrying:

Pakistan is endowed with a diverse spectrum of minerals. In this regard, the province of Balochistan takes the lead in possessing the largest deposits of minerals and other stones in the country. One of the chief attractions of the Balochistan is its explored geological potential and its geological belt with known world-class mineral deposits. Minerals deposits usually occur with mineralogenic zones (of non-metallic minerals) and metallogenic zones (of metallic minerals). Of nine such zones in Pakistan, five are located in Balochistan.

Base metal deposits, such as copper, lead and zinc, are found in Chagai, Khuzdar and Lasbela Districts. Silver and gold in association with Saindak copper ore has recently been reassessed. Balochistan also hosts several sizable sub-bituminous coal fields in the Quea-Hamair-Duki region. The Chagai metallogenic belt, 40 km long and 50 km wide, offers the prospect of similar potential in Balochistan. A wide variety of non-metallic minerals and rocks occur all over Balochistan. Although these are being used in local industries and for other domestic purposes, the consumption is not commensurate with the available resources. Potential exists for large-scale export of certain mineral commodities like marble, magnesite and dimension/building stones (granite, agglomerate etc) provide export markets could be developed. Immense resources exist for local consumption in the form of cement raw material and aggregates for use in construction industry.

The industrial minerals, such as sulphur, silica sand and magnesite, construction materials, such as limestone, dolomite, sand and gravel deposit are also found in this province. Granite and other metamorphic rocks are abundant in Chagai District. Lead-zinc veins have been reported at several localities, including Ziarat Balanosh. Vermiculite exists in significant quantities about 15 km south of Dalbandin in the Ras Koh Hills.

Presently, the only major mine is at Saindak. Mines are generally not mechanized, and manual labour is used for trenching, open-pit mining and quarrying until these operations become too dangerous for further excavation. Coal and chromite mining requires digging and inclines. This method of mining is labour-intensive and comparatively inexpensive for small mines, allowing it to stay in production. It is estimated that the mining industry currently employs 40,000 people and could generate an additional 30,000 jobs.

Box Item 2:

Salient features of **national mineral policy** are:

- Investment in small-scale mining (capital employed less than Rs. 300 million) will be confined to Pakistani nationals.
- Corporate merger of small-scale mine operators will be encouraged.
- A Geodata Centre of Pakistan will be established as an autonomous body of the Ministry of Petroleum and Natural Resources to collect, store, update and manage geodata of the whole country.
- The Federal and Provincial Governments will provide grants to the respective corporations for the promotional tasks on priority minerals or priority areas.
- The Mining Concession Rules will provide for four types of mineral titles, namely; Reconnaissance License, Exploration License, Mineral Deposit Retention License and Mining Lease.

Incentives included in the policy are:

- 5 percent customs duty on import of plant, machinery and equipment (which is not manufactured locally).
- Except for royalty, there will be no other Provincial or local levies or taxes imposed on minerals or mining operations.
- No sales tax will be levied on minerals that are exported.
- Tax relief: Initial Depreciation Allowance (IDA) at 50 percent of machinery and equipment cost.

During the recent years, the mineral sector has gone through substantial transformation and efforts made have started bearing fruit. The Pakistan-China agreement on the development of lead and zinc in Balochistan has also opened avenues for economic exploitation and utilization of abundant mineral resources on modern lines.

Another milestone achieved by export processing zone authority (EPZP) during 2003 was Pakistan's entry into world market in metals. Saindak gold and copper export processing zone located in Changai

district in the Balochistan province started production by exporting substantial quantity of blister copper. Saindak export processing zone measuring 1284 acres in Changai district Balochistan was notified on October 13th 2001 and formally inaugurated on August 6th 2003. Saindak copper-gold project would produce 20,000 tons of blister copper per year containing about 1.5 tons of gold from indigenous ores generating foreign exchange revenues of \$40-45 million per year. The entire project product (blister copper) shall be essentially exported abroad. By the end of 2004 Saindak EPZ had exported blister copper valuing \$52.73 million and employing 1179 Pakistanis and 326 Chinese.

Table 3.16: FDI Inflow in Mining and Quarrying

Year	US \$ million	% Share FDI
1997-98	99.1	16.5
1998-99	112.8	23.9
1999-2000	79.7	17.0
2000-01	84.7	26.3
2001-02	274.8	54.7
2002-03	188.2	23.6
2003-04	203.5	22.3
2004-05*	165.9	18.6
* (July - April)		Source: Economic Advisor's Wing

Next mega project is at Reco Dig EPZ again in Chagai district. This project will be operated by an Australian company Massey Thyne Copper Company Ltd with investment of over \$170 million exporting over 4,000 tons of copper.

Table-3.1: Extraction of Principal Minerals

Minerals	Units of the quantity	Jul-March				% Change
		2002-03	2003-04	2003-04	20-05	
Coal	Million tonnes	3.6	3.3	2.3	2	-1.3
Natural Gas	000 MMCF	28.1	34.0	23.8	28	1.3
Crude Oil	M. Barrels	23.5	22.6	17.6	18	-1.8
Chromites	000 tonnes	31	29	18	5	-18.3
Dolomite	000 tonnes	340.9	297.4	214.1	165	-2.2
Gypsum	000 tonnes	424	467	285	41	-2.9
Limestone	000 tonnes	11.9	13.1	9.3	11	19
Magnetite	000 tonnes	2.6	6.0	3.2	2	-1.5
Rock Salt	000 tonnes	1426	1640	1180	124	28
Sulphur	000 tonnes	19.4	23.8	16.5	18	1.5
Baryte	000 tonnes	41	44	30	3	1.6

Source: Federal Bureau of Statistics

Fig-1: Mineral Production of Balochistan

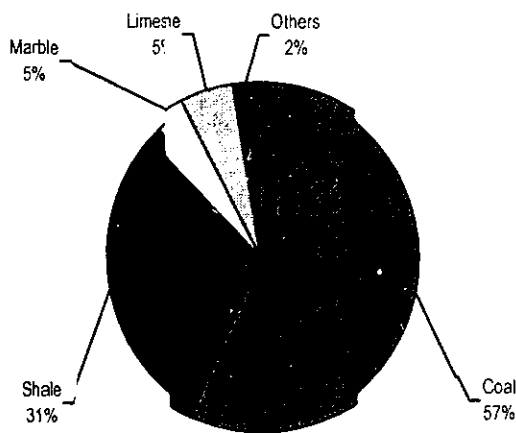
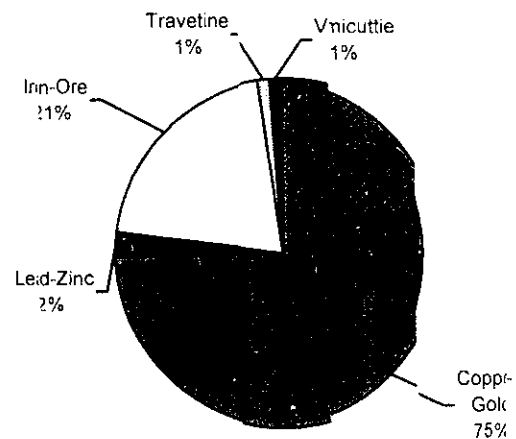


Fig-2: Mineral Reserves of Balochistan



It is imperative to adopt a modern mining strategy. Steps should be taken to promote public and private sectors cooperation with teamwork spirit, resolving obstacles faced by the mining sector. Sustainable mining strategy could be focused on modernizing the provincial mineral directorate with updated data on each and every mineral with maps for entrepreneurs.

Concluding Remarks

Pakistan is experiencing rapid growth in large-scale manufacturing for three years in a row, going forward in a highly competitive global environment Pakistan needs to diversify its industrial base. Other countries in Asia regions have undertaken diversification exercise. Pakistan needs to do the same.

It is in this context that Pakistan needs to take effective measures to reinvigorate and diversify its ossified industrial sector. Not only does it need to provide generalized support to its industrial sector in terms of a good macroeconomic environment and infrastructure, but also needs to attend to the specific needs of industries with high growth and

export potential. It also needs to take a closer look at its present industrial structure and see which industries have reached their saturation point and which newer industries need to be encouraged and developed with some selective state support

By prioritizing and deploying support in favour of dynamic industries in terms of access to resources available, the country can achieve a higher industrial growth trajectory. To do all this, the government will have to make full use of the opportunities available to implement an intelligent industrial strategy in a competitive global economy.

There is considerable inter-country statistical evidence to suggest that countries, which diversify their industries, grow richer than those, which don't. Achieving specialization at too early a stage and ossifying the country's comparative advantage in a few industries is detrimental to its growth. The acquisition of mastery over a broad range of products, rather than concentrating on a few products which it has become accustomed to exporting, seems to be the proper strategy for long-term growth. Such diversification does not have to be random, but should result from a systematic study of world demand for new goods and the country's ability to produce them at competitive prices. This is where industrial policy can play a critical role.

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Although poverty is still pervasive in most developing countries particularly those in Sub-Saharan Africa and South Asian countries, a number of developing countries have made significant progress in reducing poverty. The past century has seen more advances in global prosperity and more people have come out of poverty than in all of human history. One of the reasons for this achievement is the integration of societies and economies around the world. Integration is the result of reduced cost of transportation, lower trade barriers, faster communication (ideas, capital flows, and intensifying pressure for migration). Integration or globalization has also generated anxieties about rising inequality and there is a widespread perception that globalization is having a detrimental impact on the poor. In spite of the intense debate that is now underway, there is no precise or widely-accepted view of the adverse impact of global changes on poverty.

Nevertheless, evidence shows the share of the population in poverty has declined for developing countries as a whole (from 28.3% in 1970 to 24% in 1998 based on \$1/day and from 41% in 1987 to 36% in 1998 based on \$2/day and in all developing regions except Sub-Saharan Africa, Eastern Europe and Central Asia. Declines have been pronounced and sustained over a longer time period for the most populous developing countries. For example, the incidence of poverty in India measured by the official poverty line fell from 57% in 1973 to around 35% in 1999, whereas the incidence of poverty fell from 60% to 20% between 1985 and 1998 for Indonesia. Standards of living have also improved. Infant mortality rates globally have been cut in half during 1970-1997, from 107 to 56 per thousand; and life expectancy has risen from 55 years to 67 years.

It is often argued that economic integration or globalization has played an important role in reducing poverty in developing countries through its impact on growth. More open economies, and those who have been more successful in accelerating their pace of integration, have recorded the best growth performance, whereas developing countries with inward-oriented policies have suffered from poor growth rates. By stimulating higher growth, integration can have a strong positive impact on poverty reduction.

Like many other developing countries, Pakistan has also made significant efforts to integrate its economy with the rest of the world through foreign aid and investment. The performance of the economy remained dismal in the 1990s for a variety of reasons which caused poverty to rise in the decade. However, realizing the rising trends in poverty during the 1990s, the Government of Pakistan adopted a strategy for poverty reduction in 2001. The poverty reduction strategy of the government focuses mainly on the five areas which include i) accelerating economic growth and maintaining macroeconomic stability; ii) investing in human capital; iii) augmenting targeted interventions; iv) expanding social safety nets and v) improving governance. This strategy has already started bearing its fruits. Economic growth has accelerated and the country has achieved macroeconomic stability. The long-term growth trajectory of 6 percent per annum that has reduced poverty over a longer period has already been achieved during the last fiscal year. More importantly, the real GDP grew by 3.4% during the current fiscal year which seems to have improved the living standards of the people and thus, may help reduce poverty among the lowest segment of the population.

Although poverty encompasses various dimensions, such as income or consumption, lack of education or ill health and scarce job opportunities, the income or consumption is the most important determinant of welfare of an individual. According to the United Nations Millennium Development Goals (MDGs), Pakistan is required to reduce poverty by half by 2015 from the level of the 1990. The country is committed to pursue this target along other MDGs targets by means of the indicators defined under the Goal of the Millennium Declaration. Achieving MDG targets requires monitoring and analysis of poverty trends. To assess the state of poverty, Planning Commission, Government of Pakistan has already notified an official poverty line based on a caloric norm of 2350 calories per adult equivalence per day. This poverty line approximated to Rs.748.56 per month per adult equivalence in 2000-01.

To examine the impact of policies on poverty, the country-wide primary household data is essentially required. The Federal Bureau of Statistics (FBS) has been conducting household income-expenditure survey (HIES) over the last four decades. The last full HIES was conducted in 2000-01. In April 2004, the FBS had conducted a sample Survey of Household Consumption Expenditure (HCES) with the sample size of one-third of the full HIES with a view to gauging the impact of socio-economic and macroeconomic policies on the living conditions of the people of Pakistan. The findings of the Survey simply suggested that the rising trends in poverty have been arrested and that a reversal has begun to take shape. The results of the Survey also showed improvement in some key indicators of social sector since 2000-01.

The next HIES namely the Living Standards Measurement Survey (LSMS) is partly completed and partly nearing completion. This Survey, at the district and provincial level, covering 76,520 households [*Core Welfare Indicators Questionnaire (CWIQ) approach*] started in September 2004 and the field operation was completed in March 2005. The results of some of the key indicators pertaining to living conditions and social sector are reported in this Chapter. The detailed report has been finalized and will be released soon by the Federal Bureau of Statistics (FBS). The provincial level Survey, which is focusing on household consumption and expenditure, would be completed by end-June 2005 and its results would be available by December 2005. This Chapter would therefore report results pertaining to living conditions and social sector obtained from the PSLM Survey. Readers would have to wait till December 2005 to get estimates of poverty from the Provincial Level Survey of the PSLM which is focusing on household consumption and expenditure. This Chapter also discusses the poverty reduction strategy of the government and analyses the trends in poverty-related and social sector spending with a view to evaluating the impact of government policies and strategy to reduce poverty.

An Update on Social Indicators from PSLM Survey

Income and consumption based measures reflect only one dimension of poverty; lack of opportunities and capacity due to poor education, health and living conditions are some other dimensions in which poverty manifest and perpetuates itself in a society. The fiscal expenditure since 2000-01 under I-PRSP and PRSP are aimed at increasing access of the populace to social infrastructure and thereby enhancing the social capital of the nation and alleviate poverty by improving the living standards of the Pakistani society.

Before discussing the results obtained from the PSLM Survey it is pertinent to say a few words about the Survey itself. The Pakistan Social and Living Standards Measurement (PSLM) Survey is designed to provide social and economic (poverty) indicators in the alternate year at provincial and district levels for the assessment of development programs initiated by the government under Poverty Reduction Strategy Paper (PRSP). The first district level Survey, following the Core Welfare Indicators Questionnaire (CWIQ) approach, with a sample size of 76520 households (27144 urban and 49376 rural) from 5348 sample area, covering both urban and rural areas, has been conducted during the year 2004-05. The Survey was started in September 2004 and the entire field operations were completed in March 2005. The first report of the Survey covering national/ provincial level indicators has been finalized and will be released shortly by the Federal Bureau of Statistics (FBS). The remaining reports covering district level information will also be released soon by the FBS.

This Survey would provide information pertaining to demography, education, health, employment, household assets / amenities, population planning, water supply and sanitation, and satisfaction to services deliveries. These indicators will assist the government to have rapid assessment of development programs initiated under the PSP. As stated earlier, the provincial level Survey of the PSLM, focusing on household consumption and expenditure will be completed by June 2005 and its report will be available in December 2005. The estimates of poverty for 2004/05 would then be available for all of us.

This Chapter, however, reports some of the key social sector and living standards indicators. Table 4.1 compares the living conditions as revealed in the census 1981, 1998 and the recently completed PSLM survey 2004-05. Housing conditions as measured by the number of rooms has been improving consistently since the last two decades. The number of households living in one room homes show a significant decline and that of households living in 2 - 4 rooms has increased significantly.

The table shows that 51.5 percent households were living in one room homes in 1981, declined to 38.1 percent in 1998 and further declined to 24.2 percent in 2004-05. On the contrary, percentage of households living in 2 - 4 rooms homes increased from 44.3 percent to 68.7 percent in the same period. Number of households living in 5 and more rooms almost doubled in the same period. This trend simply reflects the rising level of prosperity in the country. Another important finding, as documented in Table 4.1, is that almost 87 percent household in Pakistan owned housing units as opposed to 81 percent in 1998 and 71.4 percent in 1981. Yet other indicators of the improvement in living conditions are the percentage of households using electricity as a source of lighting and gas as cooking fuel. Both indicators show marked improvement over the years. This also reflects the success of village electrification program and providing gas to the far flung areas of the country.

The current position of selected social indicators as indicated in PSLM 2004-05 is compared with the status of corresponding indicators for 1998-99 and 2000-01 PIS in Table 4.2. Most of the indicators like, major source of drinking water, the type of toilet used, and enrolment in various levels in schools show a significant improvement over the last 4 years.

The percentage of household using Tap water as major source of drinking water improved over the last four years – increasing from 5 percent to 39 percent. Gross enrolment at primary level, after stagnating at around 71/72 percent during 1998-99 and 2000-01, increased substantially to 86 percent in 2004-05. Net enrolment at primary level also increased by 10 percentage points (from 42% to 52%) in four years. This simply suggests that the drop out rate has declined and the cost effectiveness of educational expenditure has improved somewhat. Gross and net enrolment in middle and matric levels also show improvements during the last four years as against a total stagnation during 1998-99 and 2000-01. Notwithstanding these improvements, the pace of improvement needs to be enhanced by further raising the effectiveness of educational expenditure.

Table-4.1: Comparison of Living Conditions, census 1981, 1998 & PSLM

Major Indicators	CENSUS		PSLM
	1981	1998	2004-05
Housing units with one room (%)	51.5	38.1	24.2
Housing units with 2 – 4 rooms (%)	44.8	55.0	68.7
Housing Units with 5 & more rooms %	3.6	6.9	7.1
Owned Housing Units	78.4	81.2	86.6
Electricity (as source of lighting) (%)	31.0	70.5	83.9
Gas (as cooking fuel) (%)	6.0	20.2	29.5

Source: Federal Bureau of Statistics

Table-4.2: A Comparison of Selected Social Indicators (%)

Indicators	1999	2001	2005
	IHS	PIS	PSLM
Major Source of Drinking Water Tap Water	6.0	25	39.0
Type of Toilet Used by Household			
- Flush	1.0	45	54.0
- Non-Flush	2.0	12	20.0
- No toilet	6.0	43	26.0
Population Ever Attended School	0.0	51	55.0
Gross Enrolment at Primary Level (5 to 9 years)	71.0	72	86.0
Net Enrolment at Primary Level (5 to 9 Years)	42.0	42	52.0
Gross Enrolment at Middle Level (10 to 12 years)	0.0	41	46.0
Net Enrolment at Middle Level (10 to 12 Years)	6.0	16	18.0
Gross Enrolment at Matric Level (13 to 14 years)	0.0	42	44.0
Net Enrolment at Matric Level (13 to 14 Years)	9.0	9	11.0

Source: Federal Bureau of Statistics

Table 4.3 profile the trends in literacy rates of population 10 years and above and 15 years and above. In both indicators there is an improvement across gender as well as across urban and rural areas.

After remaining almost stagnant during 1998-2001, literacy rate has registered 8 percentage points increase during the last four years. Both male and female literacy rates have shown 7 to 8 percentage points improvement during the period. On average, literacy rate has risen relatively at a faster pace in rural areas as well as in female. Adult literacy has also increased from 43 percent to 50 percent – 7 percentage points increase across urban and rural areas. These are good signs but more efforts are required to accelerate the pace of improvement.

Health conditions of the population have also improved significantly as shown in Table 4.4.

The proportion of children immunized in the 12-23 months bracket at national level has risen from 53 to 77 percent while in rural areas it has shown even a faster increase from 46 to 72 percent. The practice and source of treatment of diarrhoea in children under 5 years shows improvement. The percentages of cases where practitioner was consulted went up from 81 percent to 90 percent, while the percentage of cases where ORS was administered went up from 52 to 78 percent in rural areas. The wide spread use of ORS suggests that media campaign by the relevant ministries are paying healthy returns in the form of increased awareness and timely action at the household level. This will directly contribute in reducing the under-5 mortality rate in the country.

Poverty Reduction Strategy

Pakistan's commitment to reducing poverty in the medium term was first reflected in Poverty Reduction Strategy Paper (PRSP) finalized in December 2003. The Medium Term Development Framework 2005-10 (MTDF) carries this assurance forward in more than one ways. First, by aligning its terminal 2009-10 targets with longer term Millennium Development Goals (MDGs) it reinforces its objective and vision for improvement in the human development indicators and sustainable development of the country in the medium-term. Secondly, the MTDF's strategic thrust of balanced growth that combines economic growth to progressively rise to 8 percent by 2009-10 with substantial rise in allocation to the social sector, provides a credible basis to the sincere intentions of the planners and policy makers to be on a fast track in achieving the poverty reduction goal by the year 2015. The MTDF poverty

Table 4.3: Literacy and Adult Literacy

	PIHS 1998- 99	PIHS 2000- 01	PSLM 2004- 05
i. Literacy Rate (Aged 10 years and older)			
- Overall	45	45	53
- Male	59	58	65
- Female	31	32	40
Urban Areas	65	64	71
- Male	73	72	78
- Female	56	56	62
Rural Areas	36	36	44
- Male	52	51	58
- Female	20	21	29
ii. Adult Literacy (Population 15 years and Older)			
- Overall	-	43	50
- Urban Areas	-	63	69
- Rural Areas	-	34	40

Source: Federal Bureau of Statistics

Table 4.4: Health Indicators

	PIHS 2000- 01	PSLM 2004- 05
i. Children Aged 12 – 23 Months Immunized		
- Overall	53	77
- Urban Areas	70	87
- Rural Areas	46	72
ii. Treatment of Diarrhea in Children 5 years and Under		
- Cases where a Practitioner was consulted		
- Overall	82.38	90.87
- Urban Areas	87.27	92.21
- Rural Areas	80.70	90.11
- Cases where ORS was Given to Child		
- Overall	53.56	77.75
- Urban Areas	57.02	78.17
- Rural Areas	52.37	77.51

Source: Federal Bureau of Statistics

reduction strategy is a continuation of the PRSP strategy. It consists of four basic themes: higher economic growth, social development, good governance and protection of vulnerable groups.

Over the past several decades, there has been increasing acceptance worldwide that rapid economic growth over a prolonged period is essential for poverty reduction. At the macro level, economic growth implies greater availability of public resources to improve the quantity and quality of education, health and other services. At the micro level, economic growth creates employment opportunities, increases the income of the people and therefore reduces poverty. Economic growth also benefits the poor. Evidence shows that the income of the poor tends to grow proportionately with mean per capita income growth. Therefore, rapid growth is vital, but has to be sustained for a meaningful reduction in poverty. Many developing countries have succeeded in losing growth for a short period. But only those that have achieved higher economic growth over a long period have seen lasting reduction in poverty – East Asia is a classic example of lasting reduction in poverty. Growth, however, does not come automatically. It requires policies that will promote growth. Macroeconomic stability is therefore, key to a sustained high economic growth.

Pakistan's growth performance over the last three years is enviable in many respects. Sound macroeconomic policies and implementation of structural reforms in almost all sectors of the economy have transformed Pakistan into a stable and resilient economy in recent years.

Agriculture (agribusiness, agri-business and livestock), small and medium enterprises (SMEs) and housing & construction have been prioritized in accordance with their potential to provide employment to the poor segments of the society. In agriculture, the emphasis is on bringing additional land under cultivation through provision of adequate and efficiently managed water resources. The government's investment in on-going water-related projects, will bring an additional 2.3 million acres of land under irrigation and 4.4 million feet of additional water in the next 23 years. This will boost agriculture output, productivity and employment in rural areas in a sustainable manner and will help reduce poverty, particularly in rural areas.

The housing and construction sector provides substantial additional employment opportunities as it contributes through a high multiplier effect with a host of beneficial forward and backward linkages to the economy. The sector through linkage effect with about 40 building material industries, supports investment and growth, and helps reduce poverty by generating income opportunities for poor households. During the last few years, the government has taken various budgetary and non-budgetary measures which are now yielding positive results. Construction activity in Pakistan is booming; demand for construction-related materials has surged. Many national and international real estate developers have launched or launching large construction projects in Pakistan which has further accelerated construction activity in the country.

The information technology and telecom sector is yet another sector which has enormous potential to create jobs for the educated unemployed youth in the country. This sector has witnessed unprecedented growth during the last five years. The extraordinary growth in the IT and telecom sector has created enormous employment opportunities, directly or indirectly, for educated unemployed youth in the wide range of areas like call centers, telecom engineering, telecom sales, customers' services, finance, accounting and jobs through franchises of telecom companies. This sector has created over 300 thousand direct and indirect jobs during the calendar year 2014. Two new cellular companies have entered the market recently and setting and expanding their operations in Pakistan, thereby creating more direct and indirect jobs for educated youth.

SMEs are an important conduit for labour absorption and thereby reducing unemployment and poverty. They are also better insulated from the external shocks, more resistant to the stresses, and more responsive to the demands of the fast-changing technology adoption, globalization and entrepreneurial development. A comprehensive package of venture capital, credit, liberalization of controls, technology training, marketing and management measures will

ensure expansion of this sector. The development of agro-processing sector (mainly for fruits, vegetables, dairy, and livestock) and initiatives for fair marketing, transportation, and handling of agricultural produce present wide range of opportunities for private sector growth in the agro-based rural economy. Rural based agribusiness SMEs are a natural source for exploiting these opportunities that will provide new avenues for employment and income generation for rural population. Under the poverty reduction strategy, SMEs are expected to play a crucial role in ensuring Pakistan's international competitiveness, rapid assimilation of new technologies and creation of new jobs.

Microfinance plays a critical role in improving the lives of the poor people. The impact it produces, go beyond just business loans. The poor use financial services not only for business investment in their micro-enterprises but also to invest in health and education, to manage household emergencies, and to meet the wide variety of other cash needs that they encounter. Evidence from the millions of microfinance clients around the world demonstrate that access to financial services enables poor people to increase their household income, build assets and reduce their vulnerability to the crises that are so much a part of their daily lives. Access to financial services also translates into better nutrition and improved health outcomes, such as higher immunization rate. It allows poor people to plan for their future and send more of their children to school for a longer duration. It has made women clients more confident and thus better able to confront gender inequalities. Microfinance client manage their cash flows and apply them to whatever household priority they judge most important for their own welfare. Access to flexible, convenient and affordable financial services empowers and equips the poor to make their own choices and build their way out of poverty in a sustained and self determined way.

Realizing the importance of microfinance in improving the lives of the poor people, the government has established Khushhali Bank in 2000 – a microfinance institution – under a public-private partnership program. It has also encouraged private sector to setup microfinance banks in Pakistan. So far three microfinance banks have become operational during 2001-04. Two applications for setting up microfinance banks in private sector are under process for licensing. The outreach of these four institutions has increased to half a million households in just 4-5 years. In the next five years the outreach will increase to three million households. The Khushhali Bank alone has so far disbursed Rs.4.5 billion and nearly 33 percent of its clients are women. The services of these institutions will be the most effective instruments in improving the lives of the poor people in both urban and rural areas.

The government fully recognizes that sustained growth is critical for poverty reduction; focus on growth alone is however, not enough. A high and sustained economic growth policy must be accompanied by other poverty alleviation measures, such as, investment in human capital like education, health and other human development activities, integrated small public works programs in both urban and rural areas, and other social safety net measures.

Poverty and social sector related expenditures under the PRSP are the most important fiscal intervention to target the poor and vulnerable sections of the society. The trends in Table 4.5 indicate that they have increased over 120 percent in four years — from Rs.114 billion in 1999-00 to 254 billion in 2003-04. An amount of Rs. 278 billion, an increase of 9.5 percent over the previous year, is budgeted for the current year. During the first nine months (July – March) of the current fiscal year, the PRSP expenditure amounted to Rs.191 billion as against Rs.156 billion in the same period last year, thus registering a growth of 22 percent. This has been possible mainly due to government's medium-term fiscal strategy aiming to create fiscal space for higher levels of social sector and poverty-related spending.

Sectoral and sub-sectoral pro-poor budgetary expenditures and their positive impact are discussed below.

Community Services Expenditures on roads and highways — the most labour-intensive area, constitute the major share in community services. They have grown less than three times in three years — from Rs. 6.34 billion in 2001-02 to Rs. 16.6 billion in 2004-05. This will contribute to mitigating transitory poverty in rural areas. However

investment in water and sanitation remain almost flat from Rs.1.64 billion in 2001-02 to Rs.1.88 billion in 2004-05. Going forward, provision of safe drinking water will emerge as a priority sector.

Table 45: Social Sector and Poverty Related Expenditures (Rs billion)

	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Budget	2005-06 Forecast
Community Services	10.98	16.57	21.63	21.4	23.85
i. Roads, Highways & Buildings (SAP)	6.34	13.15	15.45	16.8	18.40
ii. Water Supply and Sanitation	4.64	3.42	4.18	4.8	5.45
Human Development	90.67	105.81	134.13	147.7	179.38
i. Education	66.29	78.61	97.96	102.3	126.15
ii. Health	19.21	22.37	25.58	36.0	43.01
iii. Population Planning	1.33	3.12	4.91	4.8	5.45
iv. Social Security & welfare	3.66	1.30	4.14	3.9	4.09
v. Natural Calamities	0.19	0.41	0.54	0.4	0.68
Rural Development	24.30	34.18	45.30	43.0	95.42
i. Irrigation	10.13	15.54	22.94	32.7	36.12
ii. Land Reclamation	1.84	1.76	2.00	2.4	2.73
iii. Rural Development	12.33	16.88	18.38	7.3	8.18
iv. Rural Electrification			1.98	1.0	48.39
Safety Nets	8.33	13.75	11.46	19.0	6.37
i. Food Subsidies	5.51	10.86	7.84	14.6	1.36
ii. Food Support Program	2.02	2.24	2.80	3.9	0.42
iii. Tawana Pakstan	0.80	0.59	0.40	0.9	4.09
iv. Low Cost Housing		0.06	0.42	0.0	0.50
Governance	32.98	38.54	42.44	46.0	19.53
i. Administration of Justice	1.98	2.25	2.44	3.4	3.90
ii. Law and order	31.00	36.29	40.00	43.0	15.63
Total	167.25	208.84	253.96	278.0	324.55

Source: Policy Wing, Finance Division

Human Development It is a widely recognized fact that investment in human development is the most potent public intervention to mitigate chronic and inter-generational poverty. As such, PRSP allocates over one-half of the total resources under PRSP expenditure to human development, of which, education and health receive the lion's share. Education related expenditures have climbed steadily from Rs.66.29 billion in 2001-02 to Rs. 102. billion in 2004-05 — an increase of 54.5 percent in three years. The government continues to assign highest priority to improving the cost effectiveness of education expenditures and therefore aims to reduce the drop-out rates, specifically among females. A higher literacy rate of women in the country is a reliable guarantee for sustainable development of the nation. Providing access and affordable health care to its citizens is another dimension of human development to which the government is fully committed. These expenditures have already impacted social indicators which exhibited marked improvements in 2004-05 over 2000-01 and are documented in Tables 4 – 4.4.

Rural Development Rural development encompassing expenditures on irrigation and rural electrification remain the cornerstone of pro-poor expenditures to enhance the agriculture productivity and income of the rural poor. Expenditures under this head have increased from Rs.24.3 billion in 2001-02 to Rs. 43.6 billion in 2004-05. Going forward rural electrification and provisioning of gas in far flung areas will emerge as a priority sector.

Safety Nets The expenditures on food subsidies, food support program, Tawana Pakistan and low cost housing are aimed at the most vulnerable and poorest sections of the society. As compared to actual expenditure of Rs.11.46

billion in 2003-04 an amount of Rs.19.03 billion is budgeted under this head in the current fiscal year. Tawana Pakistan, a programme, specially targeted to improve the nutritional and attendance rates of females is being strengthened and its allocation is likely to rise further in coming years.

Good Governance Investing in improving governance, short as well long term have direct impact on reducing poverty. Access to justice facilitates in effective enforcement of property rights and overall improvement in law and order, encourages inflow of foreign and domestic investment, ultimately increasing job opportunities in the country. The expenditures on governance are projected to increase from actual Rs.42.44 billion in 2003-04 to Rs.46.80 billion in the current fiscal year.

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GROWTH AND INVESTMENT.

CHAPTER - 1

FARHAN BOOKS
 66-A, Ganga Road, Ferozpur
 F-77220, Lahore

Pakistan's economy extended its impressive expansion for the third year in a row in 2004-05. Economic growth at 8.4 percent reached its highest level in two decades, the fifth time in the country's history that it exceeded 8 percent growth mark. This momentum is underpinned by dynamism in industry, services and agriculture, and the emergence of a new investment role supported by strong credit growth. Over the last three years, the prerequisites for a sustained economic growth have gradually come into place. Economic recovery has raised the perceived wealth of households and thus boosted confidence, leading to higher consumption. The ensuing lifting of aggregate demand in turn has spurred credit demand. With increased lending, it has stimulated more demand, in turn feeding back into economic activity and thus, reflecting a broader virtuous circle. Its positive prospect for consumer demand backed by investment spending, if sustained, will be crucial support for the government's macroeconomic policy target for 2005-06.

Real GDP grew by 8.4 percent in 2004-05 as against 6.4 percent last year and surpassed the target (6.6%) for the year by a wide margin. The sharp pick up in growth this year is ably supported by a stellar performance in large-scale manufacturing, impressive recovery in agriculture and a strong growth in service sector. Large-scale manufacturing grew by 15.4 percent against the target of 12.2 percent and last year's achievement of 18.2 percent. Growth in large-scale manufacturing has been broad-based as many sub-sectors registered a high double-digit growth. Agriculture posted a growth of 7.5 percent against the target of 4.1 percent on the

Table 11: Regional Growth Performance Real GDP Growth (%)

Region/Country	2002-03	2003-04	2004-05
World GDP	3	4.0	5.1
Euro Area	0	1.5	2.0
United States	2	3.0	4.4
Japan	-0	1.4	2.6
Germany	0	3.1	1.7
Canada	3	2.0	2.8
Developing Countries	6	3.1	8.2
China	8	3.3	9.5
Hong Kong SAR	1	3.2	8.1
Korea	7	3.1	4.6
Singapore	2	1.4	8.4
Vietnam	7	1.3	7.7
ASEAN			
Indonesia	4	1.9	5.1
Malaysia	4	3.3	5.7
Thailand	5	3.9	6.1
Philippines	4	1.7	6.1
South Asia			
India	4	1.5	7.3
Bangladesh	4	3.4	5.4
Sri Lanka	4	3.9	5.2
Pakistan	5	3.4	8.4
Middle East			
Saudi Arabia	0	1.2	5.3
Kuwait	-6	3.7	7.2
Iran	7	3.6	6.6
Egypt	2	3.1	4.1
Africa			
Algeria	4	3.9	5.3
Morocco	2	3.2	3.5
Tunisia	1	3.6	5.8
Nigeria	1	0.7	3.5
Kenya	1	1.6	3.1
South Africa	3	2.8	3.7

Source: World Economic Outlook (IMF), April 2005.

back of an unprecedented rise in the production of cotton (14.6 million bales) and high growth in wheat production (21.1 million tons). The services sector registered an equally strong growth of 7.9 percent, aided by remarkable growth in finance and banking sector (21.8%), wholesale and retail trade (12.0%); and a modest growth in transport and communication (5.6%). As stated earlier, growth has been underpinned by supportive macroeconomic policies and benign financial market conditions.

Notwithstanding domestic demand fueling growth, external demand also contributed to the sharp pick up in growth in Pakistan through an impressive growth in exports. The world economy enjoyed one of its strongest years of growth in 2004 in the midst of rising oil prices. The robust growth is expected to continue in 2005, albeit at a more moderate pace (4.3%) owing to higher and volatile oil prices, rising interest rates and widening current account imbalances, particularly in the United States.

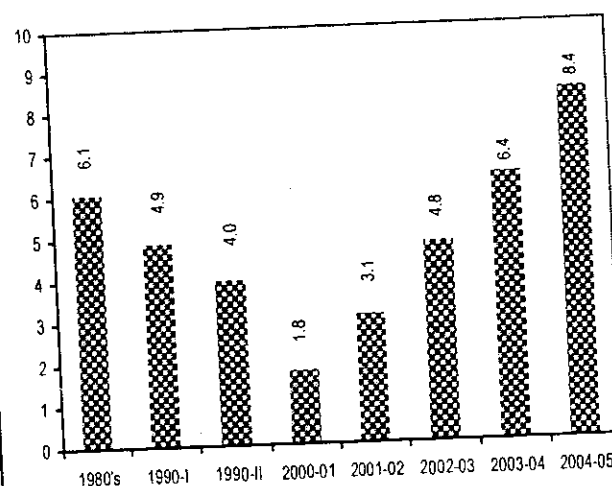
Table 1.1 reports the growth performance of selected regional economies in 2004-05. Although, the global economy posted strong growth in 2004, the overall picture, however, hides growing

divergence across regions. Growth in the United States was stronger than expected on the back of strong domestic demand but it was disappointing in Europe and Japan – the two major growth poles of the world economy, reflecting weak domestic demand and equally weaker export performance. The story of emerging markets is altogether different. Real GDP growth in 2004 exceeded expectations in almost all regions. In emerging Asia, China's growth momentum remained very strong and growth in India also remained quite robust. Pakistan's growth performance in emerging Asia has been extra-ordinarily strong on the back of strengthening domestic demand, and robust global economic expansion. In ASEAN region, Indonesia, Malaysia, Thailand and Philippines posted growth in the range of 5-6 percent. South Asia remained a strong performer on account of sharp pick up in growth in Pakistan and India, but Sri Lanka and Bangladesh also experienced a modest growth of over 5 percent. Growth performance has been strong in Kuwait and Iran while Saudi Arabia posted a modest growth of 5.3 percent despite rising oil revenues. With the exception of Algeria and Tunisia, however, African countries in general experienced weaker growth.

Table 1.1 reveals interesting facts. Pakistan has emerged as one of the fastest growing economies of Asia and is certainly looking to continue growing strongly. After China, Pakistan and Singapore emerged as the two fastest growing economies of Asia. In other words, Pakistan, Singapore and China have been the fastest growing economies of Asia in 2004-05 – an achievement for which every Pakistani should take pride, but must continue to work hard to sustain the momentum.

Stronger growth has been the hallmark of Pakistan's economic scene during the 1980s. Severe macroeconomic imbalances in the 1990s slowed investment and growth and brought the country to a near default on its external payment obligations. Wide-ranging structural reforms, sound macroeconomic policies, financial discipline, and consistency and continuity in policies for the last six years have transformed Pakistan into a stable and resurgent economy. Initially, it took three years to arrest the worsening trend but economic growth began to accelerate since 2002-03 – economy grew by 5.1 percent in 2002-03, 6.4 percent in 2003-04 and further to 8.4 percent in 2004-05. This trend is well depicted in Fig.1 and clearly show a U-shaped recovery during the last three/four years.

Fig-1: Real GDP Growth



Pakistan's economy is undergoing structural shifts that are fueling rapid changes in consumer spending patterns. In particular, the middle classes are becoming an increasingly dominant force. Pakistan's per capita real GDP has risen at a faster pace during the last two years (4.4% in 2003-04 and 6.5% in 2004-05 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 two years. As opposed to an average annual increase of 14 percent during 2000-2003, real private consumption expenditure grew by 8.2 percent in 2003-04 and further by 16.3 percent in 2004-05. The extraordinary strengthening of domestic demand during the last two years points to the following facts: First, the higher consumer spending feeding back into economic activity is likely to support the on-going growth momentum. Second, it suggests the emergence of a strong middle class with buying powers – good for business expansion. Third, extraordinary rise in consumer spending over the last two years appears to have contributed, in part, to building inflationary expectations in Pakistan.

Having discussed the overall growth and consumer spending, it is imperative to look into the growth performance of the various components of Gross National Product for the outgoing fiscal year 2004-05. The performance of the various components of national income over the last two and a half decades is summarized in Table 1.2.

Commodity Producing Sector (CPS)

Growth for 2004-05 is broad-based as both the commodity producing sector (CPS) as well as the service sector have registered impressive growth of 8.9 percent and 7.9 percent, respectively. Within the CPS, agriculture and manufacturing exhibited strong growth.

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

	1980's	1990's	2001-02	2002-03	2003-04	2004-05
Commodity Producing Sector	6.5	4.3	1.3	4.9	.9	8.9
1. Agriculture	5.4	4.1	0.1	4.1	.2	7.5
- Major Crop	3.4	3.5	-2.5	6.9	.9	17.3
- Minor Crop	4.1	4.5	-3.7	0.4	.8	3.1
- Livestock	5.3	6.1	3.7	2.8	.8	2.3
- Fishing	7.3	3.5	-12.3	3.4	.0	2.1
- Forestry	6.4	-5.2	-4.4	11.1	-.5	0.4
2. Mining & Quarrying	9.5	2.7	7.3	16.1	.8	5.0
3. Manufacturing	8.2	4.3	4.5	6.9	1.1	12.5
- Large Scale	8.2	3.5	3.5	7.2	1.2	15.4
- Small Scale *	8.4	7.8	7.5	7.5	.2	6.3
4. Construction	4.7	2.6	1.6	3.1	-.9	6.2
5. Electricity & Gas Distribution	10.1	7.4	-7.0	-2.6	2.1	2.1
Services Sector	6.6	4.6	4.8	5.3	.0	7.9
6. Transport, Storage and Communications	6.2	5.1	1.2	4.0	.5	5.6
7. Wholesale & Retail Trade	7.2	3.7	2.8	5.9	.1	12.0
8. Finance & Insurance	6.0	5.8	17.2	-3.2	-.5	21.8
9. Ownership of dwellings	7.9	5.3	3.5	3.9	.5	3.5
10. Public Administration & Defence	5.4	2.8	6.9	10.1	-.2	-0.9
11. Services	6.5	6.5	7.9	6.1	.2	5.4
12. GDP (Constant Factor Cost)	6.1	4.6	3.1	5.1	1.4	8.4
13. GNP (Constant Factor Cost)	5.5	4.0	5.1	7.1	1.3	8.1

* Slaughtering is included in small scale sector

Source: Federal Bureau of Statistics and Economic Adviser Wing

i) Agriculture

On the back of unprecedented rise in cotton crop and a near bumper wheat crop on account of widespread and timely winter rainfall as well as increase in its support price, agriculture surpassed its target of 4.0 percent for the year by a wide margin, registering an impressive growth of 7.5 percent in 2004-05. Some contribution to agricultural growth also came from rice production, which grew by 2.7 percent.

Major crops, Major crops, accounting for 37 percent of agricultural value added, grew by 17.3 percent in 2004-05 as against a mere 1.9 percent last year. Besides measuring from a low base, value added in major crops registered a sharp pick up primarily on account of a 45.5 percent increase in cotton production (14.6 million bales as against 10.0 million bales of last year) – a size of the crop never achieved in the country's history. Wheat is another major crop, grew by 8.2 percent (from 19.5 million tones to 21.1 million tones). Rice and maize, the two major crops, registered a growth of 2.9 percent and 46.3 percent, respectively and contributed handsomely to the rise in value addition of major crops. The production of sugarcane, however, has registered a 15.2 percent decline thereby contributing negatively to the rise in value added in major crops. It may be pointed out that these five crops account for over 90 percent of value addition in major crops.

Minor crops, Minor crops, accounting for 12 percent of value added in overall agriculture, grew by 3.1 percent – a slight improvement over last year's growth of 2.6 percent. Production of pulses such as masoor, mung, and mash registered a sharp decline in the range of 7.7 percent to 25.6 percent. Vegetables such as potatoes and onions exhibited mixed performance as the former registered a decline of 2.7 percent while the later posted a rise of 25.4 percent. Chillies, being an important minor crop, registered a sharp rise of 34.7 percent during the year under review.

Livestock Livestock sub-sector, which accounts for almost one half of overall value addition in the agricultural sector (46.8 percent), has witnessed a modest growth of 2.3 percent in 2004-05 as against 2.8 percent last year. The production of milk, eggs and mutton are estimated to have gone up by 2.9, 5.3 and 2.3 percent, respectively. The fisheries sector witnessed a growth of 2.1 percent against 2.0 percent last year. Components of fisheries such as marine fishing and inland fishing, contributed to an overall increase in value added in the fisheries sub-sector. The value addition in forestry sub-sector registered a marginal increase this year.

ii) Mining & Quarrying

Pakistan is endowed with rich mineral resources. However, due to lack of proper infrastructure, these mineral resources have not been utilized properly. The country has substantial deposits of iron ore, coal, copper ore, crude oil, etc but these deposits have not been tapped properly, mostly due to nonexistence of enrichment plants. Efforts are being made to change this scenario.

The output of the mining and quarrying sector grew by 5.0 percent this year as against the rise of 3.8 percent last year. The principal minerals which have shown positive growth are: baryte (16.6 percent), limestone (19.3 percent), natural gas (19.3 percent), rock salt (2.88 percent), sulphur (11.5 percent) and chromites (183.3 percent). While negative growth was exhibited by dolomite (22.2 percent), gypsum (52.9 percent), and magnetite (12.5 percent).

iii) Manufacturing

The overall manufacturing, accounting for 18.3 percent of GDP repeated stellar performance by registering a growth of 12.5 percent in 2004-05 as against 14.1 percent last year and surpassing the target by 2.3 percentage points. Accordingly, its share in GDP also increased by 0.7 percentage point over last year.

The large-scale manufacturing, accounting for 69.5 percent of overall manufacturing and 17 percent of GDP, recorded an impressive and broad-based growth of 15.4 percent in 2004-05 as against 12 percent last year and against the target of 12.2 percent – the second highest growth achieved in three decades. Two successive years of stellar growth owe a rare confluence of positive structural and cyclical factors. Rising levels of income, availability of cheap credit and a general 'feel good' mood fueling the ongoing boom in consumer spending helped sustain an impressive growth for two years in a row. Additionally, manufacturers on the other hand are capitalizing on the ongoing rebound in domestic demand by adding capacity. Industrial activity is also getting a boost from the current pick up in external demand as exports continue to register a double-digit growth.

The performance in large-scale manufacturing has been broad-based as most of the major industries have registered high double-digit growth. For example, the production of textile and apparel has registered a growth of 24.5 percent, production of chemicals is up by 14.4 percent; petroleum group production is up by 11.8 percent, engineering and electrical groups production are up by 11.3 percent and 54.9 percent, respectively. Automobile production continues to maintain its strong growth momentum, registering an increase of 36 percent. Production of cement, tractor, cooking oil, soap and detergents, paint and varnishes (both in solid and liquid form) are up in the range of 15 to 60 percent. Consumer durables such as refrigerators, deep freezers, TV sets also show an impressive growth, ranging between 6.0 to 60 percent (More details are available in Chapter 3).

Housing and construction has been identified as one of the major drivers of growth on account of its immense forward and backward linkages. In order to promote activities in this sector the government had announced various measures in the last two Federal Budgets. This sector has responded positively to the incentives in spite of higher input prices, such as iron and steel, cement etc. The construction sector is provisionally estimated to grow by 12 percent in 2004-05 as against a decline of 6.9 percent last year. Last year's decline was mainly caused by a massive global increase in the prices of iron and steel because of the China factor. Implicit deflator for construction increased by 28.2 percent last year, resulting in a decline of 6.9 percent in value added of construction at constant price of 1999-2000, despite the fact that this sector grew by 19.4 percent that year.

B. Services Sector

The services sector, accounting for 29 percent of GDP, will play a vital role in sustaining the current growth momentum going forward. This sector has registered an impressive growth of 19 percent in 2004-05 as against an equally robust growth of 16.0 percent last year and against the target of 16.2 percent for the year.

Table-13: Sectoral Contribution to Real GDP Growth (% Points)				
Sector	2001-02	2002-03	2003-04	2004-05
Agriculture	0.03	1.01	0.53	1.74
Industry	0.61	1.01	2.4	2.46
- Manufacturing	1.71	1.11	2.1	2.19
Services	2.47	2.71	3.6	4.16
Real GDP (YoY)	3.1	4.8	6.4	8.4

Source: Federal Bureau of Statistics.

This sector surpassed the growth target by a wide margin on account of robust growth in telecom sector, stellar performance in banking and insurance, and wholesale and retail trade.

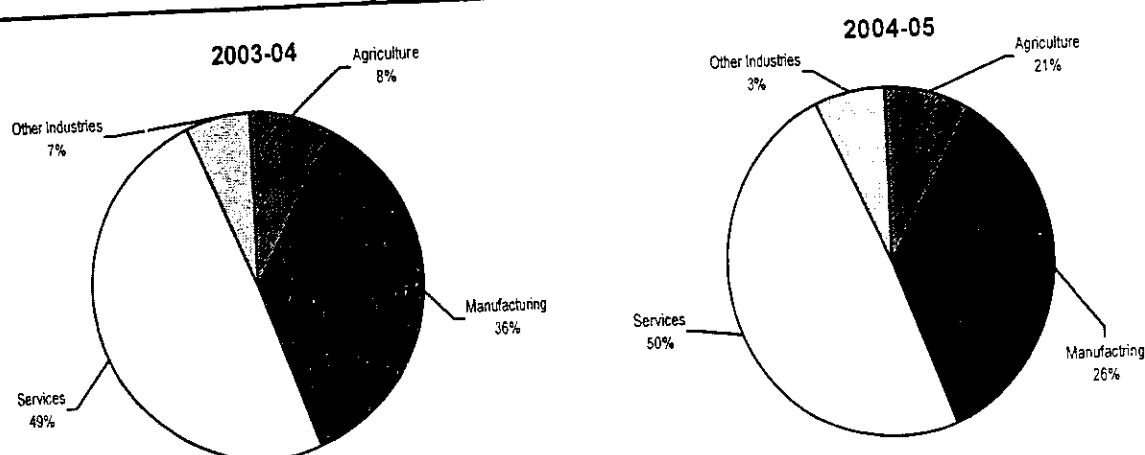
Public administration and defense posted a marginal decline of 1.8 percent while ownership of dwellings grew by 3.5 percent and social services sector maintained a growth rate of 54 percent. On the whole, services sector has emerged as a vibrant sector and astronomical growth in telecom sector as well as strong growth in banking and finance, and wholesale and retail trade will continue to provide greater impetus to the sector in the medium-term.

Sectoral Contribution to Real GDP Growth

As stated earlier, this year's growth is highly broad-based and is shared by all the major sectors of the economy. The commodity producing sectors (agriculture and industry) and service sector contributed equally to the real GDP growth.

of 8.4 percent. The CPS contributed 50 percent or 4.2 percentage point to this year's growth while the remaining 50 percent or 4.2 percentage points contribution came from services sector. Within the CPS, agriculture contributed 1.74 percentage points or 20.7 percent to overall growth while industry contributed 2.46 percentage points or 29.3 percent (See table 1.3 and fig. 2 for details). It is encouraging to note that the contribution of agriculture - a highly labour-intensive sector has jumped from 8.3 percent last year to 20.7 percent this year and may have contributed to rise in employment and income level of the people attached with the sector.

Fig-2: Contribution to the Real GDP Growth



Composition of the GDP

The composition or the structure of the GDP has undergone considerable changes during the last three and a half decades (see Table 1.4 for details). The commodity producing sector (CPS) which accounted for almost 62 percent of the GDP in 1969-70 its share declined to almost 48 percent in 2004-05 - a decline of 14 percentage points or 22.5 percent during the period. The decline in the share of CPS is fully accounted for by the equal rise in the share of services sector. Within the CPS, the contribution of agriculture is shrinking over the years. It has declined from almost 39 percent in 1969-70 to 23 percent in 2004-05 - a decline of 16 percentage points or 41 percent in three and a half decade. The share of agriculture in GDP has declined by 2.0 percentage points or 8.0 percent in the last 5 years alone.

The exclusive concentration of the successive governments to four major crops, namely, wheat, cotton, sugarcane and rice and no or little effort to increase yield per acre are mainly responsible for the decline in the share of this sector. These four major crops only account for one - third of agricultural value added while rest of the two - third have received almost no attention from all the governments. Most importantly, livestock, which accounts for almost one - half of the agricultural value added, has been the major victim of the total neglect of the governments all along. As long as the government continue to concentrate on four major crops and neglect the rest, the contribution of agriculture to overall GDP will shrink rapidly in the next five to ten year because industry has been growing two to three times faster than agriculture and services sector has outpaced the growth in agriculture.

The share of manufacturing in GDP has remained stagnant at around 16 percent for 33 years until 2002-03. Its contribution to GDP has surged only during the last two year - rising from 16.4 percent in 2002-03 to 17.6 percent in 2003-04 and further to 18.3 percent in 2004-05. Almost two percentage points or 11.6 percent increase in just two years is an impressive performance. Within the services sector, almost all the components have raised their contribution over the last three and half decades but remained more or less stagnant since 2000-01. This simply

suggests that the decline in the share of agriculture is fully compensated by the equal rise in the share of manufacturing with contribution from the services remaining more or less stagnant.

Table 1.4: Sectoral Share of Various Sectors in Gross Domestic Product (At Constant Factor Cost) (Percent)

	1969-70	2000-01	2001-02	2002-03	2003-04	2004-05
Commodity Producing Sector	61.6	48.2	47.3	47.1	47.	7.6
1. Agriculture	38.9	25.1	24.4	24.2	23.	3.1
- Major Crops	23.4	8.6	8.1	8.3	7.	8.6
- Minor Crops	4.2	3.4	3.2	3.1	3.	2.8
- Livestock	10.6	12.0	12.1	11.9	11.	0.8
- Fishing	0.5	0.4	0.3	0.3	0.	0.3
- Forestry	0.1	0.7	0.7	0.7	0.	0.6
2. Mining & Quarrying	0.5	1.3	1.4	1.5	1.	1.4
3. Manufacturing	16.0	15.9	16.1	16.4	17.	8.3
- Large Scale	12.5	10.5	10.5	10.7	11.	2.7
- Small Scale	3.5	4.0	4.1	5.7	5.	5.6
4. Construction	4.2	2.4	2.4	2.4	2.	2.0
5. Electricity & Gas Distribution	2.0	3.4	3.0	2.5	2.	2.7
Services Sector	38.4	51.8	52.7	52.9	52	2.4
6. Transport, Storage and Communication	6.3	11.7	11.5	11.5	11	1.1
7. Wholesale and Retail Trade	13.8	18.1	18.0	18.2	18	9.1
8. Finance and Insurance	1.8	3.1	3.6	3.3	3	3.7
9. Ownership of dwellings	3.4	3.2	3.2	3.2	3	2.9
10. Public Administration and Defence	6.4	6.3	6.5	6.7	6	6.0
11. Other Services	6.7	9.4	9.9	10.0	9	9.6
12. GDP (Constant Factor Cost)	100.0	100.0	100.0	100.0	100	100.0

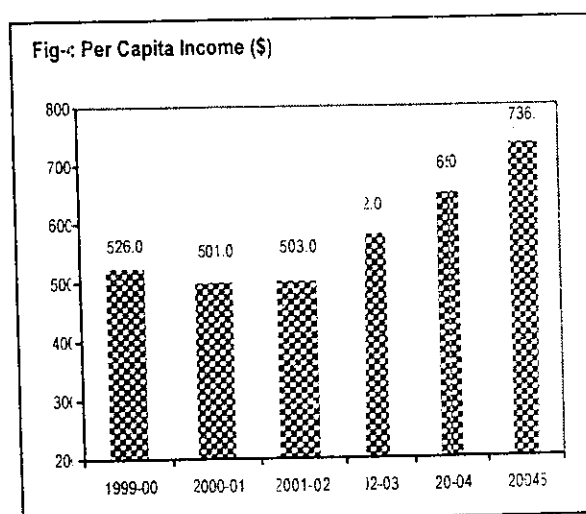
P) Stands for provisional.

Source: Economic Advisers' Wing, Finance Division

Per Capita Income

Per capita income is one of the main indicators of development. It simply indicates the **average** level of prosperity in the country or **average** standards of living of the people in a country. Per capita income, defined as Gross National Product at market price in dollar term divided by the country's population, grew at a much slower pace of 1.4 percent per annum in the 1990s, due mainly to slower economic growth, declining trend in workers' remittances and fast depreciating exchange rate.

The per capita income in dollar term has grown at an average rate of 3.5 percent per annum during the last three years rising from \$ 579 in 2002-03 to \$ 657 in 2003-04 and further to \$ 736 in 2004-05. The main factors responsible for the sharp rise in per capita income include acceleration in real GDP growth, stable or even appreciation in exchange rate and four fold increase in the inflows of workers' remittances. Per capita income in dollar term rose from \$ 657 last year to \$ 736 in 2004-05, depicting an increase of 12.0 percent. Fig 4 shows the improvement in per capita income during the last six years.



Investment and Savings

Fixed investment is the key to sustain growth momentum. In the fiscal year 2004-05, gross fixed capital formation or domestic fixed investment grew by 15.6 percent as against a sharp rise of 17.4 percent last year. Although the growth in domestic fixed investment slowed a little in 2004-05 as compared to last year, the composition of investment between private and public sector has changed considerably. Private sector investment grew by 19.3 percent this year as against 9.6 percent increase in last year. Public sector investment in fact registered a marginal decline of 0.4 percent in 2004-05 as against a massive increase of 36.8 percent last year. In other words, the growth in domestic investment last year was largely a public sector investment phenomenon while it is exclusively a private sector led initiative this year. The government has vacated space for the private sector, which responded positively to the government strategy.

Table 1.5: Structure of Savings and Investment (As Percent of GDP)

Description	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05 (P)
Total Investment	17.4	17.2	16.8	16.7	17.3	16.9
Changes in Stock	1.4	1.4	1.3	1.9	1.7	1.6
Gross Fixed Investment	16.0	15.8	15.5	14.8	15.6	15.3
- Public Investment	5.6	5.7	4.2	3.6	4.8	4.4
- Private Investment	10.4	10.2	11.3	11.2	10.8	10.9
Foreign Savings	1.6	0.7	-1.9	-3.8	-1.7	1.2
National Savings	15.8	16.5	18.6	20.6	17.7	15.7
Domestic Savings	17.1	17.8	18.1	17.4	17.6	13.7

P: Provisional

Source: Economic Adviser's Wing

Like growth, private sector investment was highly broad-based. Major growth in investment by private sector is witnessed in agriculture (10.2%), manufacturing (23.9%), mining and quarrying (15.2%), construction (79.9%), transport and communication (42.2%), and wholesale and retail trade (27.4%). As a result of the sharp rise in private sector investment its share in domestic fixed investment rose by 2.3 percentage points over last year, that is, from 69.1 percentage to 71.4 percent. Public sector investment registered a marginal decline of 0.4 percent. A major decline (26.6%) has taken place in manufacturing, mining and quarrying (5.0%) and transport and communication (3.3%), particularly, investment in PTCL and Post Offices. On the other hand, public sector investment rose sharply by 37.5 percent in railways – one component of transport and communication. General government investment was however, up by 15.7 percent in 2004-05.

As percentage of GDP, total investment provisionally estimated at 16.9 percent – slightly lower than last year (17.3 %). Fixed investment as percentage of GDP is estimated at 15.3 percent as against 15.6 percent last year. A 0.3 percentage point decline is mainly attributed to public sector investment which declined from 4.8 percent to 4.4 percent. However, private sector investment as percentage of GDP rose marginally to 10.9 percent. A marginal decline in fixed investment rate on the one hand and a sharp pick up in economic growth on the other simply indicates the rise in efficiency of capital. In other words, it simply suggests an increase in capacity utilization or gains in productivity.

The contribution of national savings to the domestic investment is indirectly the mirror image of foreign savings required to meet investment demand. The requirement for foreign savings simply reflects the current account deficit in balance of payments. National savings as percentage of GDP stood at 15.7 percent in 2004-05, down from 18.7 percent last year. Decline in national savings rate as compared to last year largely reflects the deficit in current account to the extent of 1.2 percent of GDP as opposed to a surplus of 1.4 percent of GDP last year.

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Agriculture accounts for nearly 23 percent of Pakistan's national income (GDP) and employs 42 percent of its workforce. Agriculture also supplies raw material to Pakistan's industries, notably textile industry, the largest industrial sub-sector of the economy. Most importantly, 67.5 percent of country's population living in rural areas are directly or indirectly dependent on agriculture for their livelihood. Given its importance to national economy, the Government attaches high priority to raising agricultural productivity with a view to promote faster agricultural growth and hence raising farmers' income.

Pakistan witnessed unprecedented drought during the first two years of the decade of 2000 (2000-01 and 2001-02) which resulted in contraction of agricultural value added. In other words, agriculture registered negative growth in these two years. The next two years (2002-03 and 2003-04) witnessed a modest recovery in agricultural growth at the backdrop of improvement in the availability of water for irrigation purpose. A stronger-than-expected performance of agriculture has been one of the hallmarks of the fiscal year (FY) 2004-05 with growth reaching as high as 7.5 percent on account of unprecedented increase in cotton production (14.6 million bales) and near bumper wheat crop (of the size of 21.1 million tons). Major crop, accounting for 37.1 percent of agricultural value added registered stellar growth of 1.3 percent as against 1.8 percent last year. Minor crops, contributing 2.2 percent to overall agriculture grew by 3.1 percent as against 2.6 percent last year. The performance of livestock – the single largest contributor to overall agriculture (46.8%); fisheries and forest – the two minor contributors, have been lackluster at best as they grew by 2.1 percent, 2.1 percent and 0.4 percent respectively. In ensuing pages we review the performance of various major and minor crops, livestock, fisheries, forest and agricultural inputs.

Table 2.1: Agriculture Growth (Percent)

Year	Agriculture	Major Crop	Minor Crops
1990-91	4.9	5.69	.51
1991-92	9.5	15.48	.37
1992-93	-5.2	15.60	.95
1993-94	5.2	1.24	1.62
1994-95	6.5	8.69	.91
1995-96	11.7	5.96	.89
1996-97	0.1	-4.33	.94
1997-98	4.5	8.27	.13
1998-99	1.9	-0.02	.23
1999-00	6.0	15.42	-1.10
Average of 1990s	4.5	4.08	.84
2000-01	-2.1	-9.9	3.2
2001-02	-0.1	-2.5	3.7
2002-03	4.1	6.9	0.4
2003-04	2.1	1.8	2.6
2004-05 (P)	7.5	17.3	3.1

P = Provisional.

Agriculture grew at an average rate of 4.5 percent per annum in the 1990s with growth fluctuating between a negative 5.2 percent (1992-93) to positive 11.7 percent (1995-96) (See Table 2.1). Agricultural growth rates of 1995-96 appear to have been overstated because of an upward adjustment to livestock population numbers used in the 1995-96 national accounts estimates that was not used to revise livestock value added in the previous years.

Pakistan's agriculture has been suffering, off and on, from severe shortage of irrigation water in recent years. As shown in Table 2.2, against the normal surface water availability at canal heads of 103.5 million acre feet (MAF), the overall (both for Kharif and Rabi) water availability has been less in the range of 5.9 percent (2003-04) to 29.4 percent (2001-02). Relatively speaking, Rabi season faced more shortage of water than Kharif during these periods.

During the current fiscal year (2004-05) the availability of water for Kharif season (for crops such as rice, sugarcane and cotton) has been 12 percent less than the normal supplies and 10.3 percent less than last year's Kharif (see Table 2.2). The water availability during Rabi season (for major crop such as wheat), as of end of March, 2005 was estimated at 23.1 MAF which was 36.5 percent less than the normal availability and 26.7 percent less than last year's Rabi. Water situation for Rabi season, however, improved gradually as initially it was thought that the shortage will be around 60 percent. The wide-spread spring rain of January-March 2005 however improved the water flows for irrigation purpose to a greater extent. Larger-than-expected snowfall on the mountains also helped fill the reservoirs during the summer time and as such water situation would improve further for Rabi and Kharif 2005-06. It is estimated that about 3 million acre feet of water will be carried over for Kharif 2005 (during last four years it was negligible). Hence, there will apparently be no shortage of water and the full indents of all the four provinces will be met for the upcoming Rabi and Kharif crops 2005-06.

Period	Kharif	Rabi	Total
Normal (1977-01)	67.1	36.4	103.5
2000-01	59.7	21.4	81.1
2001-02	54.7	18.4	73.1
2002-03	62.8	25.0	87.8
2003-04	65.9	31.5	97.4
2004-05	59.1	23.1	82.2

Source: Ministry of Food and Agriculture.

1. Crop Situation

There are two principal crop seasons in Pakistan, namely the "Kharif", the sowing season of which begins in April-June and harvesting during October-December; and the "Rabi", which begins in October-December and ends in April-May. Rice, sugarcane, cotton, maize, bajra and jowar are "Kharif" crops while wheat, gram, tobacco, rapeseed, barley and mustard are "Rabi" crops. Major crops, such as, wheat, rice, cotton and sugarcane account for 90.4 percent of the value added in the major crops. The value added in major crops accounts for 37.1 percent of the value added in overall agriculture. Thus, the four major crops (wheat, rice, cotton, and sugarcane), on average, contribute 33.6 percent to the value added in overall agriculture. The minor crops account for 12.2 percent of the value added in overall agriculture.

Table 2.3: Production of Major Crops (000 Tons)

Year	Cotton (000 bales)	Sugarcane	Rice	Maize	Wheat
2000-01	10732 (-4.5)	43606 (-5.9)	4803 (-6.8)	1643 (-0.5)	19024 (-9.7)
2001-02	10613 (-1.1)	48042 (10.2)	3882 (-19.2)	1664 (1.3)	18226 (-4.2)
2002-03	10211 (-3.8)	52056 (8.3)	4478 (15.3)	1737 (4.4)	19183 (5.2)
2003-04	10048 (-1.6)	53419 (2.6)	4848 (8.3)	1897 (9.2)	19500 (1.6)
2004-05(P)	14618 (45.5)	45316 (-15.2)	4991 (2.9)	2775 (46.3)	21109 (8.2)

P: Provisional (July-March)

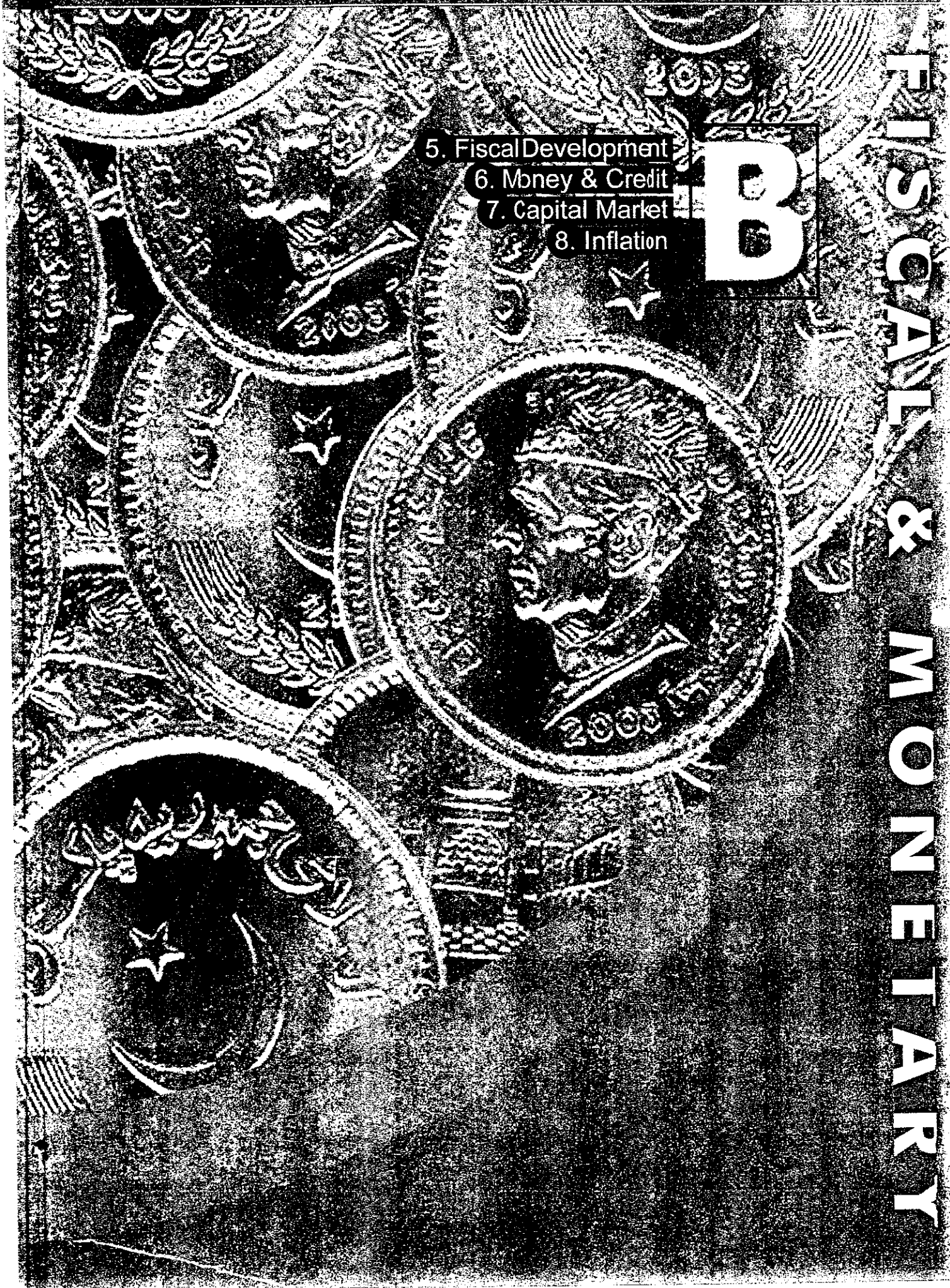
*: Figures in parentheses are growth rates

Source: Ministry of Food, Agriculture and Livestock.
Federal Bureau of Statistics.

FISCAL & MONETARY

- 5. Fiscal Development
- 6. Money & Credit
- 7. Capital Market
- 8. Inflation

B



FISCAL DEVELOPMENT

CHAPTER - I

FARHAN BOCKS

Govt. Gazette Notification

Ph: No: 042 - 7223077

The importance of a prudent fiscal policy cannot be overemphasized. A sound fiscal policy is essential for preventing macroeconomic imbalances and realizing the full growth potential. Pakistan has witnessed serious macroeconomic imbalances in the 1990s mainly on account of its fiscal profligacy. Persistence of large fiscal deficits resulted in unsustainable levels of public debt adversely affecting the country's macroeconomic environment. Pakistan accordingly paid a heavy price for its fiscal indiscipline in terms of deceleration in economic growth and investment, and the associated rise in the levels of poverty. Considerable efforts have been made over the last six years to inculcate financial discipline by pursuing a sound fiscal policy. Pakistan's hard earned macroeconomic stability is underpinned by fiscal discipline.

Over the past several decades, there has been increasing acceptance worldwide that financial discipline over a prolonged period is essential for maintaining macroeconomic stability. There is also a general consensus that a prolonged commitment to financial discipline can only come from a rule-based fiscal policy. What is a rule-based fiscal policy? The rule essentially presents the constraints and prevents governments taking fiscally irresponsible routes. International experience suggests that countries that have adopted well-designed fiscal rules and implemented effective operational mechanisms for enforcing them have made important credibility gains reflected by cheaper access to financial markets and greater electoral support.

Fiscal policy rules are of several types, however, they are broadly defined as rules that impose a permanent constraint on fiscal deficits or borrowing or debt or a combination of all three indicators of fiscal performance. The rationale for fiscal policy rules mainly rests on the need for achieving objectives of macroeconomic stability, long-term sustainability, support for other policies, and overall policy transparency and credibility. In theory, most of these objectives can be met with discretionary fiscal measures within the ambit of a medium-term budgetary framework. However, many fiscal consolidation plans undertaken to correct persistent budget deficits over the last two decades have not been successful, suggesting that well-designed fiscal policy rules may offer a useful second best solution to counter pressures on fiscal policymaking.

Though, discretionary fiscal policy can achieve the same outcomes as fiscal rules and should in theory be superior because it allows greater flexibility. However, that is not always the case in practice as discretionary fiscal policy has an inherent deficit bias. This is because benefits of a profligate fiscal stance accrue, entirely, today and to those only to the target group; while its costs show up after a lag and are borne by everyone in terms of higher taxes and lower spending.

Additionally, excessive borrowing of the past curtails the government's ability in the future to invest in important development programs relating to health, education, population planning, nutrition, and employment creation.

However, it has been observed that fiscal adjustment only comes when the cost of accruing more debt becomes inordinately high and there is no option but to make an adjustment. A fiscal policy rule can therefore be used as an instrument to get round this bias and encourage fiscal sustainability and macroeconomic stability, while leaving room for manoeuvrability in times of exigencies through the provision of safeguards or escape clauses.

The evidence is clear atleast in the Pakistani case: prudent fiscal policy is an essential pre-requisite for macroeconomic stability. High budget deficits and large and rising public debt burdens undermine growth, and crowd out the private sector investment, so important for growth. It is in this perspective that a considerable efforts were made over the last six years to bring fiscal deficit down to a sustainable path. Pakistan succeeded in reducing fiscal deficit down from an average of 7 percent of the GDP in the 1990s to 2.3 percent last year and at around 3.2 percent in the current fiscal year. The associated public debt burden also declined sharply from over 100 percent of GDP to less than 60 percent in the current fiscal year.

Notwithstanding these successes, the government believes that there is no alternative to a rule-based fiscal policy. Accordingly, a rule-based fiscal policy, enshrined in the Fiscal Responsibility and Debt Limitation Law, was presented to the Parliament last year as a Bill. This Law once approved by both Houses of the Parliament, would encourage responsible and accountable fiscal management by all government — the present and the future, and would ensure informed public debate about fiscal policy. It will require the government to be transparent about its short and long term fiscal intentions and impose high standards of fiscal disclosure. Given the difficult past that Pakistan's macroeconomic environment had reached by the end of the 1990s, a rule-based fiscal policy would be essential for maintaining macroeconomic stability and promoting growth on a sustained basis. The National Assembly has already passed the Bill and the Senate would take the Bill for discussion and voting soon. Once it is passed by the Senate it will become a Law.

II. Tax and Tariff Reforms

The tax policy is concerned with the design of a tax system that is capable of financing the necessary level of public spending in the most efficient and equitable way possible. An efficient tax system should raise enough revenue to finance essential expenditures without recourse to excessive public sector borrowing; and raise the revenue in ways that are equitable and that minimise its disincentive effects on economic activities.

In developing countries, including Pakistan, the establishment of effective and efficient tax system faces some formidable challenges. The first of these challenges is the structure of the economy that makes it difficult to impose and collect certain taxes. For example, the economy of Pakistan is often characterised by a large share of agriculture in total output and employment; by large informal sector activities and occupations¹ by many small establishments; by a small share of wages in total national income, and so on. All these characteristics reduce the possibility of relying on certain modern taxes such as income tax and, to a much lesser extent, on sales tax.

The structure of the economy in association with low literacy and low human capital make it difficult to develop a good tax administration. When the staffs of tax administration is not well educated and well trained, when resources to pay good salary and to buy necessary equipments are limited, when the tax payers have limited ability to keep accounts, when the use of modern communication network is limited, it is difficult to create an efficient tax administration. The consequence of this situation is that many developing countries, including Pakistan, often end up with too many small tax sources, too heavy reliance on foreign trade taxes, and a relatively insignificant use of personnel income taxes. The non-availability of reliable statistics from the businesses makes it even more difficult for tax administration to assess the potential taxes that need to be collected. As a consequence, marginal changes are

often preferred over major structural changes even when the latter would be clearly preferable. This perpetuates the inefficient tax structure.

Uneven income distribution is also a major constraint in developing an efficient tax system. To generate higher tax revenue, the top deciles are supposed to be taxed significantly more proportionately than the low deciles. But the economic and political powers are concentrated in the top deciles which makes the task of the tax administration rather more difficult to collect taxes from top deciles. This is one of the major reasons that the number of income tax payers in developing countries, including Pakistan, is abysmally low.

The above analysis clearly suggests that economic activity has had little relationship with the optimal tax collection in the developing countries. It is not surprising that Pakistan, like many other developing countries, has faced serious difficulties in mobilising resources. The above stated characteristics and the attendant difficulties presented Pakistan to raise its tax-to-GDP ratio in line with the average of developing countries (17%). Table 5 shows the stagnation of fiscal efforts over the last fifteen years. As a consequence, Pakistan sustained a large budget deficit throughout the 1990s.

Table 5.1: Fiscal Indicators as Percent of GDP

Year	GDP Real Growth	Overall Fiscal Deficit	Expenditure			Revenue		
			Total	Current	Development	Total Rev.	Tax	Non Tax
1990-91	5.4	8.8	25.7	19.3	6.4	16.9	12.7	4.2
1991-92	7.6	7.8	26.7	19.1	7.6	19.2	13.7	5.5
1992-93	2.1	8.1	26.2	20.5	5.7	18.1	13.4	4.7
1993-94	4.4	5.8	23.4	18.8	4.6	17.5	13.4	4.1
1994-95	5.1	5.8	22.9	18.5	4.4	17.3	13.8	3.5
1995-96	6.6	6.8	24.4	20.0	4.4	17.9	14.4	3.5
1996-97	1.7	6.4	22.3	18.8	3.5	15.8	13.4	2.4
1997-98	3.5	7.7	23.7	19.8	3.9	16.0	13.2	2.8
1998-99	4.2	6.7	22.0	18.6	3.4	15.9	13.3	2.7
1999-00	3.9	5.4	18.7	16.5	2.2	13.5	10.7	2.8
2000-01	1.8	4.7	17.2	15.5	1.7	13.3	10.6	2.7
2001-02	3.1	4.7	18.8	15.9	2.9	14.2	10.9	3.3
2002-03	5.1	3.7	18.6	16.4	2.2	14.9	11.5	3.4
2003-04	6.4	2.7	17.3	14.0	2.9	14.3	11.0	3.3
2004-05 (MBE)	8.4	3.1	16.0	13.2	2.9	13.0	10.1	2.9

Note: The base of Pakistan's GDP has been changed from 1980-81 to 1999-2000, therefore, wherever GDP appears in the denominator the numbers prior to 1999/2000 are not comparable.

Realizing the weaknesses of Pakistan's tax structure a concerted reform effort was launched in the early 2000. The government began wide-ranging tax and tariff reforms and worked on fiscal transparency, aimed at reducing tax rates, broadening the tax base to hitherto untaxed or under taxed sectors, and shifting the incidence of taxes from imports and investment to consumption and incomes. The reduction in tax rates was intended to stimulate investment and production and promote voluntary tax compliance. Broadening of the tax base was intended to ensure the fair distribution of the tax burden among various sectors of the economy. Among the various policy reforms, the most significant are the continuous raising of the basic threshold of income tax, reduction of corporate rate to ensure parity between the rate applicable to private, public, and banking companies, re-introducing uniformity of GST rate and continuous reduction and rationalization of tariff rates. Details of reforms are well-documented in BoI.

BOX-I FISCAL REFORMS INTRODUCED DURING THE LAST FIVE YEARS

TAX REFORMS

- All tax whitener schemes eliminated.
- Tax survey and documentation exercise undertaken. This exercise added 234,189 new income tax payers and 34000 sales tax payers to the tax base.
- Wealth tax abolished.
- To put an end to the multiplicity of taxes, the number of taxes at the federal and provincial levels has been reduced.
- Grass roots level reforms in tax administration started.
- A two-tier agricultural income tax introduced.
- GST broadened and streamlined by adopting uniform rate structure.
- In order to ensure expeditious Sales Tax refund payments, while ensuring no inadmissible payments, the Sales Tax Automated Refund Repository (STARR) has been set up. This has enabled the development of paper less (Electronic) receipt, processing and sanction of refund claims. The second phase of the project (STREAM) has been implemented since March 2005.
- To create a taxpayer friendly environment a new *Income Tax Ordinance* on a universal self-assessment basis with system-selected audits, minimal exemptions, and more equitable rates has been introduced.
- For an effective dispute resolution mechanism, tax ombudsman's office has been established.
- Developing an automated assessment and valuation system
- The Large taxpayer units have been established at Karachi and Lahore.
- Five Medium Taxpayer Units (MTUs) have started working in Lahore, Rawalpindi, Peshawar, Quetta and Karachi.
- Taxpayer Facilitation Centers (TFCs) will be setup at various locations across the country this year.
- The Custom Administration Reform Plan (CARE) to test the implementation of re-engineered automated procedures for the clearance of imports and exports has been initiated.

TARIFF REFORMS

- Public announcement of tariff rationalization, spread over 2001-04:
- Maximum tariff brought down to 25 percent in 2002-03 from 92 percent a decade ago.
- Number of tariff slabs reduced from 13 to 4 in the same period.
- Minimizing the use of excise duties in tariffs.
- Promulgation of anti-dumping law consistent with WTO.
- Import liberalization measures adopted for agricultural and petroleum products.
- Restrictions on agriculture exports removed.
- Customs duty reduced on a number of smuggling prone items.

FISCAL TRANSPARENCY

- The government is already on the road to an Accountable Fiscal Management Framework (AFMF) that specifies the accountability and transparency of fiscal management.

Pakistan has been introducing tax and tariff reforms since the early 1990s to address the structural weaknesses in its tax system. As a result of these reforms the structure of taxation began improving in the right direction but it did not

yield sufficient revenue. The reason why the reforms were not revenue yielding was that tax administration reforms were either not preceded by or were not accompanied by the reform in the tax system. It is well known that most tax administration systems are influenced by the structure of taxation in developing countries. In other words, the tax structure and tax administration are interdependent in developing countries, including Pakistan. Introducing reforms to improve the tax structure without addressing the weaknesses of the tax administration will undoubtedly yield a sub-optimal result. It is in this background that the government launched a major reform in tax administration along with the reforms in the tax system, some six years ago.

III. Tax Administration Reform

The tax administration plays a vital role in the success or failure of any attempt to reform the tax system and in developing countries. This process needs to focus on three main objectives. First, that it reduces the cost of tax compliance. Second, it raises the cost of tax non-compliance and third, it improves the efficiency of the tax system. To achieve these broad objectives, tax administration reforms must articulate a strategy that includes a comprehensive plan that focuses on key functional areas and supporting measures. These include taxpayer compliance, the enumeration of taxpayers, the estimation of taxable income, the collection of taxes, the enforcement of tax regulations and the organization of the tax authority. A brief discussion on these six key areas is documented below.

Tax administration reform usually aims to simplify the tax system so that it can be applied effectively. Moderating tax rates reduces compliance costs, while reducing the number of exemptions and discretionary elements in the tax code eliminates opportunities for tax evasion and thus increases compliance. Eliminating opportunities for collusion between taxpayer and tax collector by switching from an official assessment system to a self-assessment may increase compliance. Compliance can also be less burdensome if tax laws are simple and taxpayers do not need the help of tax specialists to file returns. Simplifying tax laws, forms, and procedures make tax administration simpler and more efficient. Compliance can also be increased by improving the taxpayer environment: treating the taxpayer as a client, becoming more service-oriented, providing amenities in tax offices, accelerating refunds, and providing easy access to the tax authorities for tax laws and advanced rulings on ambiguous regulations. A related area is taxpayer education: taxpayers need to be convinced that their taxes are being used effectively.

(i) Enumeration of Taxpayers:

Entities and individuals about whom the tax authorities have no information are unlikely to pay taxes. The first requirement of a good tax administration is thus to identify all those required to pay taxes and issue unique tax identification numbers (TINs) which can serve as the building blocks for the taxpayer masterfile. Self-assessment is one way to increase taxpayer enumeration and may result in an increase in the number of taxpayers; but chances are that under-assessment is high and it is therefore necessary to undertake selective checks, audit, and penalties.

(ii) Tax Collection

Improving tax collection requires providing numerous and easily accessible facilities where taxes can be voluntarily paid. It also requires an appropriate penalty structure which is rigorously enforced. Critical, too, is the record keeping capability of the tax authorities.

(iii) Enforcement of Tax Regulations

The first step in enforcement is identifying gaps between potential and declared taxes, declared and paid taxes, and taxes paid and payment received by the treasury. These gaps result from lapses in identification, filing, reporting of current income, payment, and the transfer of tax payments to the treasury.

(iv) Organization of the Tax Authority

In most developing countries, tax agencies are characterized by poor training, poor equipment, low salaries, and a low status. The development of a better management information system through computerization can help tax authorities identify the best uses of administrative resources.

Notwithstanding the above listed functional areas, no single approach can be applied everywhere successfully. Each country requires a unique strategy that fits its circumstances and makes the best use of its available administrative resources to minimize noncompliance. Fully cognizant of the fact that the success of tax reform will depend on the effectiveness/efficiency of the tax administration, the Government of Pakistan approved a medium-term program for reforming the tax administration in November 2001. Since then, major efforts have been made to improve the tax administration in the key six functional areas discussed above. Some of the milestones already achieved under tax administration reform are summarized below:

(v) Re-Organization Of CBR Headquarters On Functional Lines

The CBR was administrated on a cylindrical basis in the past where policy and operational functions were performed by the same Member. Five new Members from the private sector have been recruited to look after specialized skills like taxpayer education, audit, information technology, fiscal policy, and human resource management.

(vi) Establishment of Large Taxpayer Units

A Large Taxpayer Unit (LTU) has been established from July 1, 2002 at Karachi, encompassing all three domestic taxes i.e. sales tax, central excise duty, and income tax. The unit has been expanded to cover 600 Karachi based large taxpayers and covers more than 50% of the revenue of the country's largest city. LTU has started functioning in Lahore since July 2004. This is a mirror image of the Karachi LTU to cater for the needs of corporate taxpayers.

(vii) Medium Taxpayer Unit

A model Medium Taxpayer Unit (MTU) started working in Lahore w.e.f. October, 1, 2002 to facilitate medium and small taxpayers. The positive experience of MTU Lahore has given confidence to replicate the experience in other major cities. As a consequence, four MTUs in Karachi, Rawalpindi, Quetta and Peshawar have started functioning and the fifth in Faisalabad is in advance stages of completion.

(viii) Universal Self Assessment System

Universal Self-Assessment System (USAS) is the cornerstone of the reform strategy of the CBR. While the sales tax is already on a self assessment basis, income tax has also been brought under the USAS through the Income Tax Ordinance 2001. In USAS, all taxpayers automatically qualify for self assessment. The returns received are not subjected to detailed examination. Nonetheless, a certain percentage of returns would be selected for audit-based on risk assessments for various classes of taxpayers.

(ix) Customs Administration Reform (CARE)

The existing cumbersome manual system is highly personalized, involving 34 verifications and 62 steps. There is face to face contact between taxpayer and tax administrator and the taxpayer has to bear extra cost on account of the inefficiency of the system. The CBR has developed a Custom Administration Reform Plan (CARE) and has already launched its pilot project to test the new approach for imports and exports. The Karachi International Container Terminal (KICT) which clears 35% of the imports through the Karachi seaport has been the pilot site.

x) Sales Tax Automated Refund Repository (STARR) Project

The reengineering and automation of the sales tax refund system has been identified as an essential component of the reform of the sales tax. The successful implementation of the first phase has encouraged the authorities to develop and implement the second phase of the project STREAMS since March 2005. This system handles a kinds of refund cases and maintains a complete profile of the taxpayer based on multi tax data (the regular refund claimant and their suppliers).

(xi) Taxpayers Facilitation Centres

With a view to promoting voluntary tax compliance in a self assessment system of tax administration, taxpayer education and facilitation has been given a priority. All the laws, rules, and circulars have been placed on the website and the CBR is in the process of setting up of 7 Taxpayer Facilitation Centers (TFCs) at various locations across the country to address the queries/routine questions of the taxpayers. A large amount of literature has been prepared and widely circulated. The detailed analysis of tax collection is regularly published on quarterly and annual basis.

(xii) Income Tax Organization Structure

The existing structure of income tax, which is circle based where all administrative, judicial, legal and enforcement powers are exercised by one person is being replaced by a functional system. A new income tax organizational structure containing functions of taxpayer service, information processing, audit, enforcement, collection, legal information technology, HRM and internal control has been developed and is being presently tested in various MTUs in Lahore. A homegrown automated engineered Tax Management System has also been developed which is expected to drastically reduce the locations as well as the personnel in the income tax organization.

The strategy revolves around information technology based processes. The implementation of IT software and hardware, and the efficient use of technology is aimed at achieving the objective of minimum taxpayer interface and to allow the tax administration to be taxpayer friendly while reducing compliance costs. The reform of the tax administration is not only focusing on a change in skills but major efforts are underway to transform the organizational culture. Significant improvements in human resource management functions are on hand including: (i) HR audit, (ii) Implementing new and effective decision making processes, (iii) Competency skill enhancing training programs, (iv) Improved compensation packages, and (v) Redundancy planning and sequencing.

IV. Outcome of Reforms

The wide-ranging tax and tariff reforms as well as reforms in the tax administration have started paying dividends. Tax collection by the Central Board of Revenue (CBR) has picked up, the overall budget deficit as percentage of GDP has declined, the revenue deficit has been narrowed, and the primary surplus has increased. Consequently, public debt as a percentage of GDP has declined and Pakistan is now moving towards fiscal consolidation. During the last six years, tax collection has increased by 70 percent and the overall fiscal deficit which averaged almost 7.0 percent of GDP during the 1990s has been reduced to 3.0 percent in 2004-05 (of new GDP). The revenue deficit (the difference between total revenue and total current expenditure), has been narrowed from 3 percent of GDP to 0.2 percent in 2004-5, which will increase national savings, and this reduce the country's dependence on foreign savings to finance domestic investment. The primary balance (total revenue minus non-interest total expenditure) remained in surplus for the last four years. Pakistan is the only country in South Asia which is generating primary surpluses on sustained basis. An improved tax structure will reduce the deadweight loss associated with raising a given amount of revenue and a reduction in the relative share of trade taxes and increases the relative shares of taxes on income and consumption could be taken as evidence of an improvement in the tax system.

Because of reforms, the structure of taxes has undergone considerable changes since the 1990s. Firstly, the share of direct taxes in total taxes (collected by the CBR) has increased from 18 percent to over 31.0 percent in 2004-05.

Table 5.2: Structure of Federal Tax Revenue (Rs. Billion)

Year	Tax Revenue				Break-up of Indirect Taxes		
	Total (CBR)	As % of GDP	Direct Taxes	Indirect Taxes	Custom	Sales	Central Excise
1990-91	111.0	11.0	20.0 [18.0]	91.0 [82.0]	50.0 (54.9)	16.0 (17.6)	25.0 (27.5)
1991-92	142.0	12.0	29.0 [20.4]	113.0 [79.6]	62.0 (54.9)	21.0 (18.6)	30.0 (26.5)
1992-93	153.2	11.0	36.7 [24.0]	116.5 [76.0]	61.5 (52.7)	23.5 (20.2)	31.5 (27.1)
1993-94	172.5	11.0	43.4 [25.1]	129.1 [74.9]	64.2 (49.7)	30.4 (23.5)	34.5 (26.9)
1994-95	226.0	12.0	62.0 [27.4]	164.0 [72.6]	77.0 (47.0)	43.0 (26.2)	44.0 (26.8)
1995-96	268.0	13.0	78.0 [29.1]	190.0 [70.9]	89.0 (46.8)	50.0 (26.3)	51.0 (26.9)
1996-97	282.0	12.0	85.0 [30.1]	197.0 [69.9]	86.0 (43.7)	56.0 (28.4)	55.0 (27.9)
1997-98	293.7	11.0	103.3 [35.0]	190.4 [65.0]	74.5 (39.1)	53.9 (28.3)	62.0 (32.6)
1998-99	308.5	10.0	110.4 [35.8]	198.1 [64.2]	65.3 (33.0)	72.0 (36.3)	60.8 (30.7)
1999-2000	346.6	9.1	112.6 [32.5]	234.0 [67.5]	61.6 (26.4)	116.7 (49.9)	55.6 (23.7)
2000-01	392.3	9.4	124.6 [31.8]	267.7 [68.2]	65.0 (24.3)	153.6 (57.4)	49.1 (18.3)
2001-02	403.9	9.2	142.5 [35.3]	261.6 [64.7]	47.8 (18.3)	166.6 (63.7)	47.2 (18.0)
2002-03	460.6	9.6	148.5 [32.2]	312.2 [67.8]	59.0 (18.9)	205.7 (65.9)	47.5 (15.2)
2003-04 (BE)	518.8	9.4	165.3 [31.9]	353.6 [68.1]	89.9 (25.4)	219.1 (62.0)	44.6 (12.6)
2004-05 (MBE)	590.0	9.0	185.1 [31.4]	404.9 [68.6]	105.5 (26.1)	252.9 (62.5)	46.5 (11.5)

Source: Central Board of Revenue

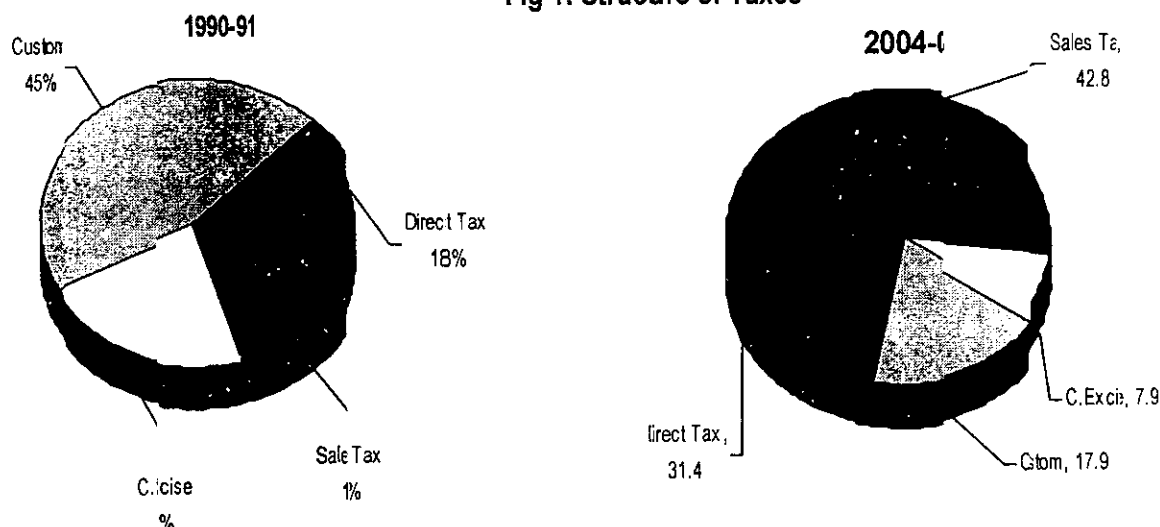
* Beginning from 1999-2000, Pakistan's GDP was re-based at 1999-2000 from a two decades old base of 1980-81. Therefore, wherever GDP appears in denominator the numbers prior to 1999-2000 are not comparable.

Note: Figures in square bracket are as percentage of tax revenue. Figures in parentheses are as percentage of indirect taxes.

Accordingly, the share of indirect taxes declined from 82 percent to 69 percent during the same period. Even within the indirect taxes, dramatic changes have taken place. The collection from custom duty used to account for 45 percent of total tax collection and 55 percent of indirect taxes in 1990-91, its share has now been reduced to 17 percent and 26 percent, respectively. This is the consequence of the tariff reform implemented by successive governments since 1990-91. The share of sales tax increased dramatically from 14.4 percent to 43 percent of total taxes and from 17.6 percent to 62.5 percent of indirect taxes during the same period. Central excise as a tax is

loosing its importance and gradually being faded out. Its shares in total taxes and indirect taxes were 2.5 percent and 27.5 percent, respectively in 199(91. These have now been reduced to 7.9 percent and 1.5 percent, respectively during the same period [See Table 5.2 and Fig-1].

Fig-1: Structure of Taxes



The pace of change in the tax structure, particularly in indirect taxes has gained considerable momentum over the last five years. The share of custom collection has declined from 43 percent to 26.1 percent while the share of central excise has declined from 31 percent to 11 percent since 1998-99. The share of sales tax increased from 36 percent to 62.5 percent. The basic philosophy of tax and tariff reform has been to move away from investment and production based taxes (indirect taxes) to income (direct taxes) and consumption (sales tax) based taxes. Pakistan has succeeded in changing the composition of its taxes but much more effort will be needed to change the share of direct taxes in total taxes.

V. Consolidate Budget (Federal & Provincial) in 2004-05

As a result of sustained efforts, the fiscal deficit has been on a declining trend since 1999-2000. It declined to 4.3 percent in 2000-01 and remained at that level in 2001-02 but declined again to 3.7 percent (GDP in 2002-03) and 2.3 percent in 2004-05. During fiscal year 2004-05, the fiscal deficit was targeted at 3.2 percent of GDP on account of anticipated loss in Petroleum Development Levy (PDL) due to the unprecedented rise in oil prices. The provisional estimates suggest that the budget deficit target would be achieved. As a result of prudent fiscal management and better tax enforcement, Pakistan succeeded in achieving fiscal consolidation as evident from persistent decline in fiscal deficit [Table 5.3]. Total revenue is estimated at Rs.851.4 billion in 2004-05 as against Rs.791.1 billion last year—an increase of 7.6 percent. A bulk of the revenues are coming from taxation sources—the increase in revenues is due to substantial rise in federal and provincial tax revenues which grew by 8.9 percent and 16.0 percent, respectively. The consolidated tax receipts grew by 8.9 percent while non-tax revenue increased by modest 3.3 percent [See Table 5.3].

V.1 Analysis of CBR Tax Collection

CBR has collected Rs 451.1 billion as net revenue receipts during July-April 2004-05. The target of Rs 444.4 billion set for the first ten months has not only been achieved but also exceeded by around Rs 7 billion. When compared with last year's collection of the corresponding period, this collection indicates a healthy growth of 13 percent. Whereas the gross collection has increased by 14.5 percent—raising the collection from Rs 66.5 billion to Rs 534.2 billion, an increase of Rs 67.7 billion—the net collection has jumped from Rs 397.2 billion to Rs 451.1 billion, reflecting

Table 5.3: Consolidated Budget (Federal and Provincial)				(Rs. Billion)
	2002-03 (P.A.)	2003-04 (R.E)	2004-05 (B.E)	% Change
A. Total Revenue	720.8	791.1	851.4	7.6
a) Tax Revenue	555.8	608.4	662.6	8.9
i) Federal	534.0	580.3	630.0	8.6
- CBR	461.6	518.8	590.0	13.7
- Surcharges	68.2	64.4	65.3	1.4
- Other	4.2	-2.9	-25.3	
ii) Provincial	21.8	28.1	32.6	16.0
b) Non-Tax Revenue	165.0	182.7	188.8	3.3
B. Total Expenditure	898.2	955.8	1050.4	9.9
a) Current Expenditure	791.7	774.9	866.0	11.8
i) Federal	599.8	556.5	623.3	12.0
- Interest	209.7	196.3	212.9	8.5
- Defense	159.7	180.4	194.0	7.5
- Civil Govt.	60.9	75.5	82.5	9.3
- All Others	169.5	104.3	133.9	28.4
ii) Provincial	191.9	218.4	242.7	11.1
b) Development Expenditure	106.5	180.9	184.4	1.9
PSDP**	129.2	160.5	202.0	17.1
Likely Operational Short-fall	-	-	14.0	
Net Lending	-22.7	20.4	-3.6	
c. Statistical Discrepancy	3.2	-35.4	-	-
C. Overall Fiscal Deficit	-180.6	-129.3	-199.0	-
Financing	180.6	129.3	199.0	-
i) External	113.0	-6.6	74.5	-
ii) Domestic	67.6	135.9	124.5	-
- Bank	-55.6	63.7	60.0	-
- Non-Bank	119.5	61.0	49.5	-
- Privatization Proceeds	3.7	11.2	15.0	-
As % of GDP (mp)				
Total Revenue	14.9	14.3	13.0	-
- Tax Revenue	11.5	11.0	10.1	-
- Non-Tax Revenue	3.4	3.3	2.9	-
Total Expenditure	18.6	17.3	16.0	-
Current Expenditure	16.4	14.0	13.2	-
- Interest Payment	4.3	3.5	3.3	-
- Defense	3.3	3.3	3.0	-
PSDP	2.7	2.9	3.1	-
C. Overall Fiscal Deficit	3.7	2.3	3.0	-
GDP at Market Price (Rs Bln)	4823.0	5533.0	6548.0	18.3

a difference of Rs 53.9 billion. The overall refund/rebate payments during first ten months of current fiscal year (CFY) have been Rs 83.1 billion, registering a growth of 20 percent [Table-5.4].

Table 5.4: Federal Gross and Net Revenue Receipts: A Comparison

	(Revenue Receipts in Rs. Billion)					
	FY 03-05		FY 04-05		Growth (%)	
	Gross	Net	Gross	Net	Gross	Net
July	31.1	23.4	38.4	30.7	23.8	31.3
August	36	30.1	41.5	34.2	14.7	13.5
September	45	40.6	38.5	60.8	49.4	50.0
October	47	42.0	48.0	40.9	0.4	-2.5
November	39	33.7	46.4	38.5	16.8	14.0
December	66	60.6	36.6	57.4	-0.6	-5.4
January	52	43.7	50.4	41.3	-3.1	-5.7
February	46	39.3	45.5	37.2	-2.4	-5.1
March	48	39.9	71.6	60.3	47.1	50.9
April	51	43.9	57.3	49.8	11.0	13.7
July - April	466.5	397.2	434.2	451.1	14.5	13.6

Note: (1) Figures are rounded to one decimal place

Detailed Analysis of Individual Taxes

It is reassuring that all the four federal taxes have performed well during the first ten months. In particular, the growth recorded in the direct taxes has been 12%, Central Excise Duties (CED) (17.9%), customs duties (27.8%) and sales tax (8%). The somewhat lower growth in sales tax collection has been due to wide-ranging budgetary measures especially the zero-rating of ginned cotton, introduction of uniformity in the sales tax rate by abolishing further tax @ 3% and higher rate of sales tax on selected items @ 20%, and the reduction of rate on plant and machinery to attract investment and boost economic activity¹. It was anticipated at the time of budget that the policy initiatives will have adverse revenue implication, at least in the short-run.

Direct Taxes The performance of direct taxes has been better than the last year in many respects. An amount of Rs 132.9 billion in net terms has been collected during the first ten months of C.Y., which is 12 percent higher than the corresponding period of last year.

The gross collection, on the other hand, has registered a growth of 18.1 percent. Obviously, this has been due to the reason that three fund payments have also registered a significant growth of 755 percent. Specifically stating, Rs 22.1 billion have been refunded during July-April of CFY against Rs 12.6 billion in FY 2003-04. It is encouraging that the three components of direct taxes, i.e., voluntary compliance, collection on demand, and withholding taxes have all recorded a double-digit growth over last year's collection during July-April period.

The growth in these components was 11.3 percent, 14.9 percent, and 17.7 percent respectively. The month-to-month comparison of collection given in table-5.5 may appear starting at first glance but it is for various seasons. Most significantly, there has been a change in the advance tax regime whereby the installment previously due in the months after the quarter is now due in the last months of the quarter. To elaborate further, the advance tax payment received previously in the month of October, January and April have now been received in September, December and March. Thus, the negative growth in other months is as per the *a priori* expectations.

¹ It may be recalled that out of Rs. 52 billion paid back as sales tax refunds, Rs. 37 billion (71.2%) were claimed and received by the textile sector alone. Thus the zero-rating of ginned cotton was an attempt not only to reduce these refund claims thereby reducing the difficulties of tax administration, but also to ease up liquidity position for the textile producer.

Table 5.5: Direct Taxes Gross & Net Revenue Receipts: A Comparison
(Revenue Receipts in Rs. Billion)

	FY 03-05		FY 04-05		Growth (%)	
	Gross	Net	Gross	Net	Gross	Net
July	7.1	6.1	7.0	6.2	-0.5	0.7
August	7.4	6.8	7.6	6.7	3.1	-1.8
September	12.9	12.6	30.4	28.9	134.9	128.6
October	13.5	12.3	8.6	6.7	-36.3	-45.1
November	9.8	8.5	9.7	7.4	-1.8	-13.2
December	24.2	23.6	25.6	22.5	5.8	-4.6
January	13.9	12.2	12.1	9.1	-13.3	-25.7
February	13.9	10.2	10.7	8.9	-22.9	-12.9
March	13.3	12.1	27.6	23.1	107.9	92.2
April	15.3	14.3	15.7	13.5	2.9	-5.8
July - April	131.3	118.7	155.0	133.0	18.1	12.4

Note: (1) Figures are rounded to one decimal place

Sales Tax: GST being one of the two major sources of federal tax receipts, has assumed great importance over the years. It has contributed 41.4 percent of the total net revenue collection during the July-April period of CFY. The gross and net sales tax collection have been Rs 234.7 billion and Rs 186.8 billion, respectively showing growth of 7.7 percent and 8 percent respectively over the corresponding period of PFY [Table-5.6].

Table 5.6: Sales Taxes Gross & Net Revenue Receipts: A Comparison
(Revenue Receipts in Rs. Billion)

	FY 03-05		FY 04-05		Growth (%)	
	Gross	Net	Gross	Net	Gross	Net
July	15.5	10.2	20.3	14.8	30.4	44.2
August	18.7	14.8	21.0	16.1	12.5	9.0
September	20.4	16.6	24.3	19.5	18.8	17.4
October	22.4	18.9	23.8	19.7	6.5	4.4
November	20.2	16.6	23.9	19.3	17.9	16.0
December	28.4	23.6	25.0	20.0	-11.8	-15.4
January	25.0	19.7	23.9	19.2	-4.5	-2.2
February	22.5	19.6	21.7	16.6	-3.8	-15.4
March	22.0	15.7	25.5	20.2	16.3	29.0
April	22.8	17.3	25.3	21.4	11.4	23.7
July - April	217.9	173.0	234.7	186.8	7.7	8.0

Note: (1) Figures are rounded to one decimal place

The refund payments have also increased by 6.7 percent during this period, which have been paid out almost completely from domestic ST receipts. Of the two components of sales tax, the growth in gross and net ST collection on imports has been around 15 percent, which is consistent with the growth in imports during CFY. On the other hand, the domestic sales tax collection has decreased by 2.4 percent in net terms mainly due to the factors mentioned above, especially the zero-rating of ginned cotton, abolition of further tax and reduction of rate from 20 percent to 15 percent on selected items. With proper adjustment for these factors, the growth in collection has been around 20 percent.

Customs Duties: The gross and net collection from customs duties has exhibited remarkable growth during July-April 2004-05. The gross collection of Rs 102.9 billion and net collection of Rs 89.7 billion shows a sizeable growth of

25.5 percent and 27.8 percent, respectively over the comparable period of PFY [Table-5]. At the same time, Rs 13.1 billion paid back as refunds/credits are 11.7 percent higher than last year. The extraordinary growth in collection is attributable to a number of factors including the record level of international trade transactions, incentives to investors and traders, and the continuous improvement in customs business processes and efficiency gains while at the same time continuous rationalization and reduction in tariff rates.

Table 5.7: Customs Duty Gross & Net Revenue Receipts: A Comparison

	FY 03-05		FY 04-05		Growth (%)	
	Gross	Net	Gross	Net	Gross	Net
July	3.4	4.9	8.0	3.5	24	32.7
August	3.9	5.4	8.9	7.6	30	41.0
September	3.7	7.6	9.6	3.3	10	9.1
October	3.1	6.9	11.3	0.2	40	47.0
November	3.6	5.6	9.1	3.0	37	43.3
December	0.8	9.8	11.6	0.6	8	7.6
January	3.5	8.2	10.2	3.7	8	5.9
February	7.0	6.3	9.4	3.1	33	28.4
March	3.2	8.1	13.6	2.1	47	50.0
April	3.8	7.4	11.0	3.6	25	31.0
July - April	2.0	70.2	102.7	19.7	25	27.8

Note: (1) Figures are rounded to one decimal place

Central Excise Despite being a taxing tax, the significant collection on account of central excise duties is a clear manifestation of improvement in industrial activity in the country. In fact, the gross and net collection during FY has been extraordinary. The net collection of CED during July-April 2005 has been Rs 41.6 billion against Rs 35.3 billion during the corresponding period of PFY, depicting a growth of 17.9 percent [Table-5.8]. While the vibrant performance of CED base remains restricted to only five major items that include petroleum products, cigarettes, cement, narcotics, and beverages including beverage concentrates.

Table 5.8: Central Excise Net Revenue Receipts

	(Revenue Receipt in Rs.Billion)		Growth (%)
	FY 03-04	FY 04-05	
July	2.0	3.1	56.6
August	3.2	3.9	20.2
September	3.8	4.2	11.9
October	3.9	4.3	10.4
November	3.0	3.8	25.8
December	3.6	4.3	20.2
January	3.6	4.2	16.4
February	3.2	3.7	16.3
March	4.2	4.8	15.4
April	4.8	5.3	8.7
July - April	35.3	41.6	17.9

Note: (1) Figures are rounded to one decimal place

V.2 Total Expenditure

Total expenditure is estimated at Rs.1050.4 billion in 2004-05 which is 9.9 percent higher than last year. Of this, current expenditure is estimated at Rs.866.0 billion (82.4 percent of total expenditure) while development expenditure is amounted to Rs.188.0 billion (17.6 percent of total outlay). As shown in Table-5.3, the current expenditure which was 14.0 percent of GDP last year has declined to 13.2 percent in the current year. However, there was no change in development expenditure as percent of GDP which remained stagnant at 2.9% of GDP in 2003-04 and 2004-05. However the allocation for development expenditure in absolute terms is higher in year 2004-05 which rose from Rs. 160.5 to 188.0 billion. There are three major components of current expenditure, namely, interest payments, defense, and expenditure on civil administration. Composition of current expenditure is discussed below:

Interest Payments

Interest payments is the single largest item of total, as well as, current expenditures. Its share in total expenditure declined from 32.7 percent in 2000-01 to 20.2 percent in 2004-05 while that in current expenditure, dropped from 36.3 percent in 2000-01 to 25.3 percent in 2003-04 and further to 24.6 percent in 2004-05. However, due to reduction in debt burden, the interest payments burden dropped from 3.5% last year to 3.3% of GDP in 2004-05. The reduction in interest payments burden is the outcome of careful design and implementation of debt reduction strategy and the prepayment of expensive debt amounting to US\$ 1.17 billion ahead of schedule, provided immediate relief in current expenditure, which beside other positive impacts on the economy, created additional fiscal space for development and social sector spending.

Defense Expenditure

Defense expenditure in 2004-05, amounting to Rs.194 billion is 7.5 percent higher than last year. Given the inflation rate of about 9 percent for the current year, the defence expenditure in real terms has declined by 1.5 percent. As percentage of GDP, the defence expenditure has also dropped from 3.3 percent last year to 3.0 percent this year. As percentage of the total outlay, defence spending has declined from 18.8 percent last year to 18.5 percent this year. Similarly, as percentage of current expenditure, it has declined from 23.3 percent to 22.4 percent in the same period.

General Administration

The third major component of current expenditure is expenditure on General Administration. The allocation under this head is estimated to be around Rs.82.5 billion, registering a growth of 9.3% compared to last year. Its share in current expenditure is estimated to be 9.5 % as compared to 9.7% last year. As percentage of GDP, this head of expenditure declined from 1.36 percent to 1.26 percent in the same period.

Provincial Current Expenditure

During 2004-05, the provincial current expenditure grew by 11.1%, increasing from Rs. 218.4 billion to Rs. 242.7 billion. However, this component was 22.8% of total expenditure in 2003-04, while it rose to 23.1% of total expenditure in 2004-05. As percentage of GDP, provincial current expenditure has declined from 3.9 percent to 3.7 percent in the same period.

Public Sector Development Programme (PSDP)

The size of the Public Sector Development Programme (PSDP) during the current fiscal year is estimated to increase by 17.1 percent over the last year. The approved size of the current year's PSDP is projected at Rs.202.0 billion with likely operational shortfall of Rs.14 billion as against actual expenditure of Rs.160.5 billion for 2003-04. At least 40

per cent of the resources have been provided for social sectors. PSDP also supports the revenue reform and reforms intended to improve public expenditure management in the social sectors. As percentage of GDP, the PSDP is rising upward; was 2.7 percent in 2002-03, increased to 2.9 percent in 2003-04 and further to 3.1 percent this year.

V.3 Federal Budget 2004-05

The budgeted federal gross revenue receipts of Rs.779.8 billion for 2004-05 are 5.2 percent higher than the revised estimates of Rs.741.0 billion for 2003-04. These revenue receipts comprise tax revenue (Rs.630.0 billion) and non-tax revenue (Rs.149.8 billion). Tax revenue is to increase by 8.5 percent mainly on account of better tax administration and reforms in the CBR. Total CBR revenue is estimated to grow by 13.7 percent (net basis). Total expenditure of Rs.753.7 billion is estimated to be 11.0 percent higher than last year. Non-tax revenue decelerated by 6.7 percent over last year because of decline in receipts from Public Sector Enterprises. The Public Sector Development Program (PSDP) is estimated at Rs.134.0 billion which is 31.0 percent higher than that of the previous year [See Table 4]. It is to be noted that the federal government distributes specified share of tax revenues to provinces and the remaining (net) revenue is being utilized by the federal government. Net revenue of the federal government increased by 2.1 percent, rising from Rs.529.6 billion to Rs.540.7 billion. The transfer to provinces increased by 13.1 percent to Rs.239.1 billion in 2004-05 from Rs.211.4 billion last year [See Table 9]. The share of tax revenue in total revenues increased from 78.3 percent to 80.8 percent while the share of current expenditure increased from 81.9 percent to 82.1 percent during the current fiscal year over last year.

Table 5.9: Federal Government Budget 2003-04 and 2004-05

Item	2003-04 (R.E)		2004-05 (M.B.E)		% Change 2004-05/ 2003-04
	Rs. Billion	% Share	Rs. Billion	% Share	
A. Tax Revenue	580.4	78.3	630.0	80.8	8.5
- CER Revenue	518.9	70.0	590.0	75.0	13.7
- Surcharges	61.4	8.3	35.8	4.5	-41.7
- Others	0.1	0.0	4.2	0.5	-
B. Non-Tax Revenue	160.6	21.7	149.8	19.2	-6.7
C. Total Revenue (A+B)	741.0	100.0	779.8	100.0	5.2
Less Transfer to Provinces	-211.4	36.4	-239.1	37.0	13.1
D. Net Revenue	529.6		540.7		2.1
Current Expenditure	556.5	81.9	623.3	82.1	12.0
- Interest Payments	196.3	28.9	212.9	27.0	8.5
- Defence	180.4	26.6	194.0	24.0	7.5
- Civil Administration	75.5	11.1	82.5	10.0	9.3
E. Development Expenditure	122.7	18.1	130.4	17.0	6.3
- PSDP	102.3	15.1	134.0	17.0	31.0
- Non-Lending	20.4	3.0	-3.6	-0.5	-
F. Total Expenditure (D+E)	679.2	100.0	753.7	100.0	11.0

R.E: Revised Estimates

M.B.E: Modified Budget Estimates.

Source: Finance Division (Budget Wing)

V.4 PROVINCIAL BUDGETS

The total outlay of the four provincial budgets for 2004-05 stood at Rs.408.4 billion, which is 10.6 percent higher than the outlay for last year (Rs.369.3 billion). NWFP witnessed the highest increase of 14.7 percent in budgetary outlay

followed by the Punjab (8.8%), Sindh (12.0%) and Baluchistan (9.0%). The overall provincial revenue receipts for 2004-05 are estimated at Rs. 353.9 billion, which is 11.5 percent higher than last year. Tax revenue accounting for 76.7 percent of overall revenue receipts, amounted to Rs.271.3 billion which is 12.3 percent higher than last year and non-tax revenue is estimated at Rs.27.4 billion which is 17 percent higher than last year. The total budget outlay of Rs. 408.4 billion is shared in the ratio of 77 percent and 23 percent between current and development expenditures, respectively. The allocations for development expenditure are 9.8 percent higher than last year and for current expenditure, they are higher by 10.8 percent. The main components of the Provincial budgets 2004-05 in comparison with revised estimates of last year are presented in Table-5.10.

Table 5.10: Overview of Provincial Budgets (Rs. billion)

Item	Sindh		N.W.F.P		Punjab		Baluchistan		Total	
	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05	03-04	04-05
	(R.E)	(B.E)	(R.E)	(B.E)	(R.E)	(B.E)	(R.E)	(B.E)	(R.E)	(B.E)
Provincial Taxes	9.5	11.1	1.7	1.9	18.2	18.4	0.7	0.8	30.1	32.2
Share in Federal Taxes	64.5	72.7	24.9	28.5	105.8	120.3	16.2	17.6	211.4	239.1
All Others	13.3	11.5	10.8	13.3	19.1	22.4	9.4	8.0	52.6	55.2
Total Tax Revenues	74.0	83.8	26.6	30.4	124.0	138.7	16.9	18.4	241.5	271.3
Non-Tax Revenues	3.4	5.4	2.0	2.2	17.3	19.0	0.7	0.8	23.4	27.4
Total Revenues	90.7	100.7	39.4	45.9	160.4	180.1	27.0	27.2	317.5	353.9
a) Current Exp.	93.1	104.9	36.0	39.9	130.9	141.9	24.4	28.5	284.4	315.2
b) Development Exp.	19.1	20.8	12.9	16.2	39.4	43.4	13.5	12.8	84.9	93.2
i) Rev.Account	2.7	2.7	2.1	3.4	25.8	20.6	0.0	0.0	30.6	26.7
ii) Cap.Account	16.4	18.1	10.8	12.8	13.6	22.8	13.5	12.8	54.3	66.5
Total Exp. (a+b)	112.2	125.7	48.9	56.1	170.3	185.3	37.9	41.3	369.3	408.4

Source: Finance Division, (PF Wing)

VI. TRENDS IN PUBLIC DEBT

Pakistan's public debt grew at an average rate of 18 percent and 15 percent per annum during the 1980s and 1990s, respectively – much faster than the growth in nominal GDP (11.9% and 13.9% respectively). Resultantly, public debt rose from 56 percent of GDP in 1979-80 to 92 percent by the end of the 1980s. In other words, it increased by 36 percentage points of GDP during the 1980s [See Table-5.11 and Figure-2]. Public debt stood at 85 percent of the GDP (on the basis of the new GDP series with the 1999-2000 base) by the end of the 1990s. A concerted effort was launched some five years ago to bring the country's public debt to a sustainable level. Reduction in the fiscal and current account deficits, lowering the cost of borrowing, raising revenue and foreign exchange earnings, and debt re-profiling from the Paris Club have been the key features of the debt reduction strategy. The public debt-to-GDP ratio, which stood at almost 85 percent in end June 2000, declined substantially to 59.4 percent in end March 2005 – 25 percentage points decline in country's debt burden in 5 years. In absolute terms, public debt grew by 3.8 percent during the first nine months (July-March) of the current fiscal year. The rupee component of the debt hardly registered any increase while the foreign exchange component rose by 7.6 percent. It is important to note that the growth in public debt has slowed considerably in recent years because of the prudent debt management.

It may be pointed out that public debt is a charge on the budget and therefore must be viewed in relation to government revenue. Public debt was 317 percent of total revenue in end June 1980, increased to 505 percent by the end of the 1980s and further to 627 percent by the end of the 1990s. Following the debt reduction strategy in which raising revenue was one of the key elements, the public debt burden in relation to total revenue has declined substantially to 457 percent as of end March 2005. Although Public debt is now on a solid downward footing, sustaining the momentum will be a continuing challenge.

Table-5.11: Trends in Public Debt Rs Billion)

	End June							
	1980	1990	1995	2000	2002	2003	2004	2005*
Debt Payable in rupees	59.8	373.6	789.7	1575.9	1715.2	153.7	1978.8	1982.3
As % of i) Pub: Debt	(38.5)	(46.6)	(47.5)	(48.5)	(46.4)	(49.5)	(52.3)	(50.5)
ii) GDI	[21.5]	[42.8]	[42.3]	[41.5]	[39.1]	38.4]	[35.8]	[30.3]
Debt Payable in Exchg.	95.6	427.6	872.5	1670.4	1934.1	191.3	1807.7	1944.4
As % of i) Pub: Debt	(61.3)	(53.4)	(52.5)	(51.5)	(53.6)	50.5)	(47.7)	(49.5)
ii) GDI	[34.0]	[48.9]	[46.1]	[44.0]	[51.1]	39.2]	[32.7]	[29.7]
Total Public Debt	155.4	801.2	1662.2	3246.4	3699.3	45.0	3786.6	3926.7
Grants				33.4	33.1	14.2	41.7	38.3
Net Public Debt				3213.0	3616.2	130.8	3744.9	3888.4
GDP (MP)	278.2	873.8	1865.3	3793.4	4401.7	121.3	5532.7	6547.6
Total Revenue	49.0	158.8	322.3	512.5	624.1	720.8	791.1	851.3
Public Debt (Net)								
As % of i) GD (MP)	55.9	91.7	89.1	84.7	32.2	75.3	67.7	59.4
ii) Tot Revenue	317.1	504.6	514.7	626.9	579.4	103.7	473.4	456.8

* July-March

Source: De Office, Ministry of Finance

Note: Beginning from 1999-2000, Pakistan's GDP was rebased at 1999-2000 Prices from two decades old base of 190-81. Therefore, wherever, GDP appears in denominator the number prior to 1999-2000 are not comparable.

Public debt consists of debt payable in rupees and debt payable in dollars. Over the last two decades, the share of public debt payable in rupees increased from 33.5 percent in 1980 to 48.5 percent by mid-2000. Accordingly, public debt payable in dollars declined from 66.3 percent to 51.5 percent during the same period [See Table-5.11]. By end-March 2005, both rupee and dollar component of public debt are evenly balanced.

VI.1: Dynamic of the Public Debt Burden

What are the main factors behind the increase in public debt over the last two decades? The rise appears to be largely accounted for by the high real cost of borrowing and stagnant government revenue. As stated earlier, public debt consists of debt payable in rupees and debt payable in foreign exchange. The real cost of borrowing for these two components of public debt is measured differently. As shown in Table-5.12, the real cost of Pakistan's domestic debt has varied greatly over the last two decades. During the 1980s, the real cost of domestic public debt was only 1.0 percent. To premature financial sector liberalization under the assistance of the World Bank in 1989 caused the interest rate on domestic debt to rise sharply to 11 percent in 1993-9. However, the much higher interest rate to a large extent was wiped out by the sharp acceleration in inflation in the 1990s. The average real cost of borrowing or the domestic component of the public debt was 3.2 percent because of double digit inflation over most of the 1990s. Further disaggregation of the

Table-5.12: Real Cost of Borrowing Public Debt

	Real Cost of Borrowing for		
	External Debt	Domestic Debt	Public Debt
1980s	3.4	1.0	2.3
1990s	2.7	3.2	2.9
1990-I	-3.0	-1.9	-2.4
1990-II	5.5	5.7	5.6
2000-05	-0.2	4.1	2.9

Table-5.13: Dynamics of Public Debt Burden

	Primary Fiscal Balance	Real Cost of Borrowing	Real Growth of Debt	Real Growth of Revenues	Real Growth of Debt Burden
	As % of GDP	% Per Annum	Per Annum	% Per Annum	% Per Annum
1980s	-3.7	2.3	10.6	7.6	3.0
1990s	-0.3	2.9	4.9	2.9	2.0
1990-I	-1.8	2.4	3.6	3.2	0.4
1990-II	1.1	5.6	6.2	2.5	3.7
2000-05	1.3	2.9	-0.7	5.7	-6.4

1990s suggests that the real cost of domestic borrowing was negative (1.9%) in the first half of the 1990s but rose sharply (5.7%) in the second half, mainly because of a decline in inflation. During the last 5 years (2000-05), the real cost of domestic borrowing averaged 4.1 percent, mainly on account of relatively low inflation.

The issue of measuring the real cost of foreign borrowing (debt payable in foreign exchange) is complex. In the case of the rupee component of debt only the interest cost is taken into account but in the case of foreign borrowing, interest cost as well as the cost emanating from the depreciation of the rupee (or capital loss on foreign exchange) are taken into account. Thus, the capital loss on foreign exchange is added to the real interest cost.

The average real cost of foreign borrowing was 3.4 percent and 2.7 percent per annum in the 1980s and 1990s respectively [See Table-5.12]. Further dis-aggregation reveals that the real cost of borrowing was much higher (5.5%) in the second half of the 1990s mainly on account of a sharp depreciation of the rupee viz the US dollar. Interestingly, the real costs of both the domestic and foreign debt averaged more or less the same in the second half of the 1990s. During the last 5 years (2000-2005), the average real cost of foreign borrowing remained negative (-0.2%) because of the appreciation of exchange rate on the one hand and lower implied cost of external borrowing on the other.

As a result of the sharp fluctuation in the real cost of borrowing for both domestic and foreign debt, the dynamics of the growth in public debt also changed over the last two decades. The changing dynamics of public debt is well-documented in Table-5.13. The growth in the public debt burden averaged 3.0 percent and 2.0 percent per annum during the 1980s and 1990s. Although, public debt grew in real terms at a very high rate of almost 11 percent per annum in the 1980s; it did not immediately lead to a sharp rise in debt burden because the debt carrying capacity (real growth in revenues) of the country was rising by around 8.0 percent per annum. However, it sowed the seeds for future difficulties because real growth in revenue continued to decelerate in the 1990s. Interestingly, the rate of real growth in public debt decelerated to 4.9 percent but the decline in the public debt burden was not substantial because of a slowdown in the real growth of revenues.

Real public debt grew at a faster pace of 6.2 percent during the second half of the 1990s as did the public debt burden which rose by 3.7 percent against a marginal rise of 0.4 percent during the first half of the 1990s. The real cost of borrowing was highest at 5.6 percent per annum, on average, during the second half of the 1990s. A sharp real depreciation in the exchange rate causing real cost of borrowing to rise, slower real growth in revenue and a low level of international as well as domestic inflation have been responsible for the rise in the public debt burden in the second half of the 1990s.

The pendulum swung to other extreme during 2000-05 when the real cost of foreign borrowing turned negative

Fig-2: Trends in Public Debt

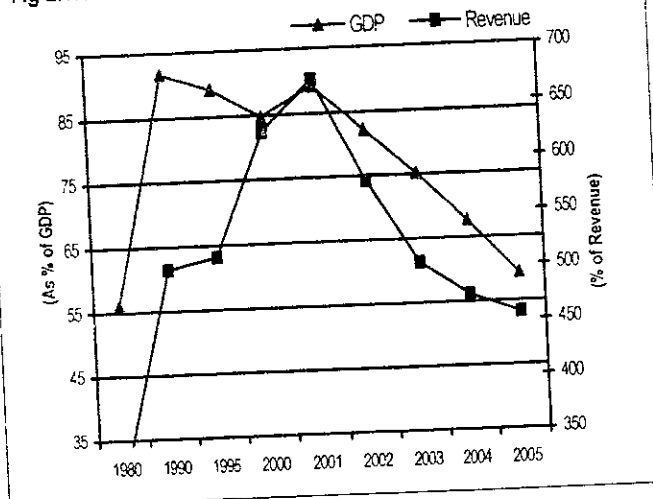
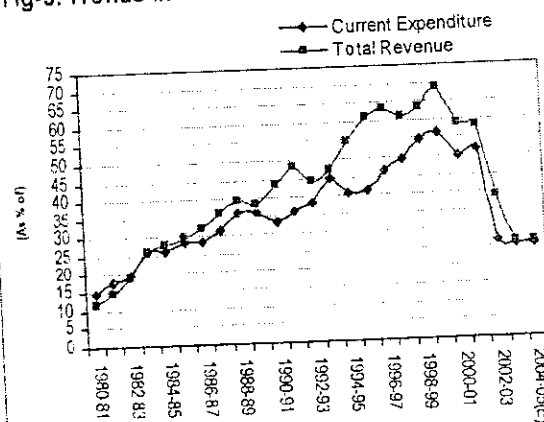


Fig-3: Trends in Debt Servicing



(-0.2%) on account of the benign interest and inflation rate environment along with the appreciation of exchange rate. The real cost of borrowing for domestic debt declined substantially to 4.1 percent on average against 17 percent in the second half of 1990, mainly on account of a sharp deceleration in inflation. Accordingly the real cost of borrowing for public debt averaged 2.9 percent during 2000-05. The improvement in the real cost of borrowing and the one and a half percent fiscal consolidation effort on the one hand resulted in a sharp decline in the debt burden during 2000-6. As shown in Table 5.13, the primary fiscal balance remained in surplus to the extent of over one percent of the GDP. The real growth of debt also registered a decline of almost 0.7 percent and at the same time revenue grew at an average rate of 5.7 percent per annum. The combined effect of growth in revenue and debt, resulted in a sharp decline (6.4% per annum) in the country's debt burden. An analysis of the dynamics of the public debt burden provides useful lessons for policy-makers to manage the country's public debt. First, every effort should be made to maintain a primary surplus in the budget. Second, the interest rate and inflation environment should remain benign. Third, the pace of revenue growth must continue to rise to increase the debt carrying capacity of the country. Other to these lessons is the pursuance of prudent monetary, fiscal and exchange rate policies.

The rising stock of public debt has had serious implications for debt service obligations. In 1980-81, almost 12 percent of total revenue were consumed by debt servicing and by 1989-90 this increased to almost 39 percent. By 1988-89, almost 64 percent of total revenues were being consumed by one budgetary item, namely, debt servicing, leaving only 36 percent to be spent on development programs, the social sector, civil administration, defence etc [See Fig-]. Quite naturally, it was highly inadequate to finance these budgetary items. The development budget faced the burden of adjustment as it continued to shrink from over 9.0 percent of GDP in 1981-82 to 6.5 percent in 1990-91 and further to less than 3.0 percent by the end of the 1990s. During the last five years, the debt servicing liabilities have declined sharply from 64 percent of revenue to 26 percent of revenue and from 54.4 percent to 25.6 percent of current expenditure in 2004-05.

Table 5.14 Domestic Debt (Rs billion)

	2000-01	2001-02	2002-03	2003-04	2004-05*
Total Domestic Debt	1799.2	1774.0	94.5	112.2	2018.1
- Permanent @	349.2 (19.4)	124.8 (23.9)	68.8 (4.7)	170.0 (28.3)	525.0 (26.0)
- Floating	737.8 (41.0)	157.8 (31.4)	16.3 (7.3)	142.9 (27.0)	607.9 (30.1)
- Unfunded	712.0 (39.0)	192.1 (44.6)	9.5 (8.0)	199.2 (44.7)	885.1 (43.8)
Total Debt as % of GDP	43.2	40.3	39.3	36.4	30.8

Source: Finance Division, (D.M section)

* Figures in parentheses () are percent share in total debt.

@ Including FEBC, FCBC, US dollar bear certificates and Special US dollar bonds.

VI.2. DOMESTIC DEBT

The domestic debt in Pakistan consists of permanent debt (medium and long-term) floating debt (short-term) and unfunded debt (medium and long-term, mostly national saving scheme-related). During the decade of the 1990s, domestic debt grew at an average rate of more than 16 percent per annum. Considerable improvement on the fiscal side during the last six years has succeeded in arresting the rising trend in domestic debt. As shown in Table 5.14, domestic debt is estimated at Rs 2018 billion by the end of 2004-05, against Rs 2012 billion in 2003-04 (an increase of only Rs 6 billion or 0.3%). However, during the first nine months (July-March) of the current fiscal year, the growth in domestic debt remained flat (there was a decline of Rs 1.0 billion). As a percent of GDP domestic debt is expected to decline sharply from 36.4 percent to 30.8 percent — a decline of almost 6 percentage points in domestic debt burden.

Table 5.15: Maturity Profile of Domestic Debt

As a % of Total	Short term (One Year or Less)	Short to Medium term (One to Three Years)	Medium Term (Three to Five years)	Long Term (Five to Ten Years)
1991-92	43.8	14.2	15	26.9
1994-95	43.9	7.4	17	31.1
1999-2000	44.9	0.1	23	31.6
2001-2002	37.7	1.7	27	33.6
2002-2003	34.6	2.1	30	33.3
2003-2004	35.0	2.4	26	35.9
2004-2005*	37.3	1.8	22	37.7

Source: Budget Wg, Ministry of Finance

* Up to February 28, 2005.

The structure of domestic debt has undergone considerable changes during the last six years. The share of unfunded debt in domestic debt has increased from 40.8 percent in 1999-2000 to 44.7 percent in 2003-04. By the end of 2004-05, its share is likely to decline to 43.9 percent, mainly because of the rationalization of interest rates in various instruments of the national savings schemes. The share of floating debt has declined sharply from 39 percent to 27 percent over the last five years and mostly consisting of short-term instruments. However, its share in 2004-05 is estimated to rise to 30 percent mainly on account of government's reliance on borrowing from the market related treasury bills (MRTBs). The share of permanent debt, mostly medium to long-run, increased almost 8 percentage points — from 20 percent to 28 percent in the last five years [Table 5.14]. Its share is likely to decline further to 26 percent in 2004-05.

Table 5.16: Domestic Debt & Interest Payment

Year	Domestic Outstanding Debt (Rs.blm)	Interest Payment (Rs.blm)	Interest Payment (As % of)				
			Tax Revenue	Total Revenue	Total Expenditure	Current Expenditure	GDP (mp)
1990-91	448.2	35.7	27.5	20.8	13.7	18.2	3.5
1991-92	531.5	50.3	30.6	21.7	15.6	21.9	4.2
1992-93	615.3	62.7	35.2	26.0	18.0	23.0	4.7
1993-94	711.0	77.5	37.2	28.4	21.3	26.4	5.0
1994-95	807.7	77.9	30.2	24.1	18.2	22.5	4.2
1995-96	920.3	104.5	34.2	27.5	20.2	24.7	4.9
1996-97	1056.1	126.5	39.0	32.9	23.4	27.3	5.2
1997-98	1199.7	167.5	47.2	39.0	26.4	31.6	6.3
1998-99	1452.9	175.3	44.9	37.4	27.1	32.0	6.0
1999-00	1642.4	210.2	51.8	41.0	29.6	33.5	5.5
2000-01	1799.0	183.5	41.6	33.2	25.6	28.4	4.4
2001-02	1774.7	184.6	38.6	29.6	22.3	26.4	4.2
2002-03	1894.5	160.5	28.9	22.3	17.9	20.3	3.3
2003-04*	2012.2	154.8	26.9	20.4	16.9	20.4	3.0
2004-05**	2018.1	170.3	25.7	20.0	16.2	19.7	2.8

Source: Finance Division (Budget wing)

* Provisional Actual

** Budget Estimates.

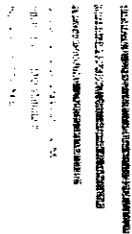
The maturity profile of domestic debt has also undergone considerable changes over the last six years. The share of short-term debt has declined by almost 8 percentage points — from 45 percent to 37 percent. Accordingly, the share of long-term debt has increased by the same margin. More importantly the maturity profile of domestic debt has shifted sharply from short term (less than one year) to longer term (5 to 10 years) during the last six years [See Table 5.15]. Changing the profile of debt from shorter-end maturity to longer-end has been the critical element of the debt reduction strategy. As stated above, Pakistan has made considerable progress towards this end.

As a result of prudent fiscal management over the last 6 years, the burden of interest payments on the domestic budget has declined sharply, thereby, releasing resources for development and social sector programs. The burden of interest payments is well documented in Table 5.16.

A cursory look at the table is sufficient to see that interest payments as a percentage of total revenue have been reduced to one-half (41 percent to 20 percent) over the last six years. Similarly, share in total expenditure declined from 30 percent to 16 percent during the same period. Most importantly, as percentage of GDP, interest payments declined from 6 percent to 2.6 percent in the last six years.

Pakistan has made considerable gains on the fiscal side. The overall budget deficit has been narrowed, the revenue deficit has almost been eliminated and a primary surplus has been maintained. Resultantly, Public debt is fast moving towards a sustainable level. However, much more remains to be done, and this is that critical juncture when maintaining the momentum is both vital and challenging. Reforms in the tax administration and efforts to broaden the tax base must be accelerated.

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MONEY AND CREDIT

CHAPTER – 6

The financial services sector in Pakistan has been going through a major reform process for the last several years. The principal focus of such reform initiatives has been the consolidation of the various aspects of the financial services sector which included among others a strong framework for effective risk management, emphasis on strategic direction and putting in place various regulations and measures for risk identification, assessment, measurement, monitoring, mitigating and controlling a variety of risks inherent in banking business. The State Bank of Pakistan (SBP) has strengthened its regulatory capacity. It is now more proactive in aligning its regulatory profile in a rapidly changing domestic and global financial environment. The banking regulation and supervision are now fully compliant with the international standards and codes. Commercial banks have been encouraged to adopt the best corporate governance practices. As a consequence of such reforms, Pakistan banks have been strengthened to compete with foreign banks both in the domestic market and internationally. As the first generation of reforms in the financial sector of Pakistan has been completed successfully, the SBP is planning for the second generation of reforms to further deepen the financial sector and integrate it into the global economy.

Financial sector reforms have brought marked improvement in the financial health of the commercial banks in terms of capital adequacy, profitability and asset quality and also greater attention to risk management. Privatization of public sector banks and the ongoing process of mergers/consolidation brought visible changes in the ownership structure and concentration within the sector. Banking sector concentration has declined, providing a level playing field for the participants. Further, the outreach of services to the underserved segments of population has increased. By mitigating the risk factor the banks have diversified their lending portfolios and have opened access to credit for a large number of people across the country.

During the last three years (2001-04) the growth in monetary assets has outstripped the rise in nominal GDP. The 19.6 percent growth in M2 during 2003-04 was the highest in the last 12 years. This easy monetary policy stance, adopted to kick start a stagnant economy in the absence of fiscal stimulus, was successful in inducing a massive increase in aggregate demand, leading to increased capacity utilization in the economy, especially in the manufacturing sector, and driving real GDP growth to over 8 percent for the first time since '84-85.

Fiscal years 2003/04 and 2004-05 have witnessed a gradual shift in monetary policy stance as rising inflation became a source of concern. Although the SBP raised interest rates steadily through the first 9 months of 2004-05, monetary policy largely remained accommodative; the weighted average lending rates remained negative in real terms and private sector credit rose by a record Rs 370 billion during the period. To counter the inflationary trend, SBP has raised the benchmark 6-months T-bill interest rate by 500 basis points since June 2004 to 7.8 percent by April 2005. The renewal of inflationary pressure, following the surge in food prices and hike in oil prices indicated that the tightening of monetary policy was needed. Accordingly, successive T-bill auctions saw a sharper increase in the

weighted average yields. The discount rate was also increased by 1.5 percentage points in April 2005 from 7.5 percent in November 2002 to 9.0 percent, strongly signaling the increase in the lending rates.

Credit Plan, 2004-05

The original Credit Plan for 2004-05 projected the broad money (M2) growth at 11.3 percent (Rs 280 billion) and the projection was made on the basis of the GDP growth target of 6.6 percent and inflation target of 5 percent. The growth rate of broad money was kept slightly less than the nominal GDP growth rate because of the monetary overhang for the last couple of years and rising inflation.

The dominant source of broad money growth was projected to be the build-up in the net domestic assets (NDA) of the banking system, which was targeted to grow by 13.13 percent (Rs 250 billion), primarily in view of continuation of strong demand for credit by the private sector. The net foreign assets (NFA) of the banking system were projected to increase by only 5.14 percent (Rs 30 billion) in view of expected deceleration in capital inflows. The non-government sector was projected to avail Rs 190 billion, while government borrowings from the banking system for budgetary support and commodity operations were targeted at Rs 45 billion and Rs 5 billion, respectively. The credit to the private sector was estimated to expand by Rs 200 billion while the public sector enterprises were expected to continue to perform well and retire Rs 5 billion during 2004-05.

The monetary developments during the first six months of 2004-05 and the estimates of GDP growth rate and inflation, which were revised upward to more than 7.0 percent each, suggested higher monetary expansion. The Credit Plan was therefore, revised and the broad money was estimated to grow by 14.5 percent (Rs 360 billion) during the current fiscal year mainly due to higher credit disbursement to the private sector. The build-up in NFA was expected to remain at the original estimate of Rs 30 billion while expansion in NDA was revised upward to Rs 330 billion. Within the NDA, the government was estimated to borrow Rs 65 billion (Rs 60 billion for budgetary support and Rs 5 billion for commodity operations). The non-government sector was expected to avail Rs 330 billion with the private sector credit growing by Rs 350 billion against the earlier estimate of Rs 200 billion. Original and revised estimates of Credit Plan are given in Table-6.4.

Monetary and Credit Development

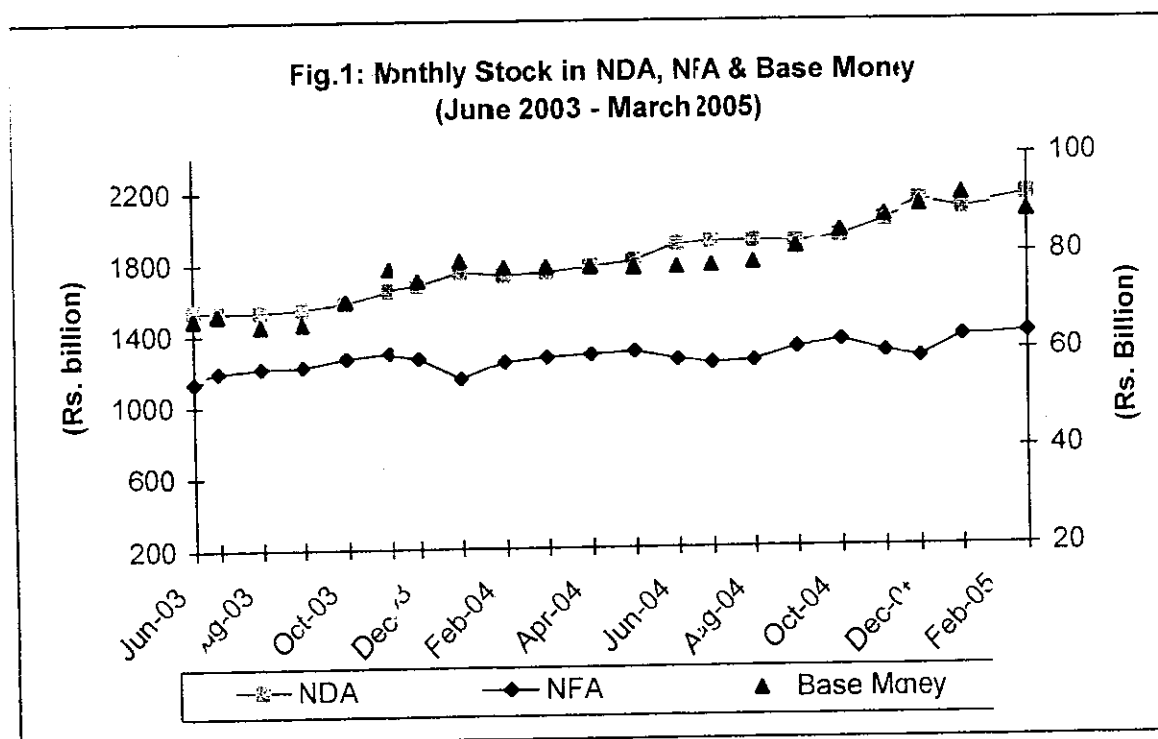
The broad-based economic growth experienced in the last couple of years put the country on the path to greater economic recovery and set the stage for speedy credit and monetary expansion. The broad money, therefore showed a growth of 13.1 percent (Rs 325.6 billion) during July-March 2004-05 compared with the full year revised target of 14.48 percent (Rs 360 billion) and the actual growth of 12.26 percent (Rs 254.8 billion) in the corresponding period of last year. The growth of broad money resulted from expansion in NDA of the banking system, which amounted to Rs 274.0 billion compared to the expansion of Rs 204.4 billion in the same period of last year. Massive increase in NDA was mainly triggered by substantial private sector credit off-take (Rs 370.1 billion) despite a significant decline in other items (net) of the banking system (Rs 80.2 billion). The absolute contribution of NFA of the banking system to monetary expansion remained smaller as NFA expanded by Rs 51.6 billion during July-March 2004-05 compared with the build-up of Rs 50.4 billion in the corresponding period of last year. The NFA of the SBP showed a contraction of Rs 16.7 billion against the increase of Rs 55.3 billion in the corresponding period of last year, primarily due to net outflows precipitated by oil payments. However, the NFA of scheduled banks increased significantly by Rs 68.3 billion against the contraction of Rs 4.9 billion in the same period of last year. The expansion in NFA of banks resulted from a significant rise in FE-25 deposits (\$ 439 million) and retirement of advances given against them (\$ 545 million).

Monthly trend in the growth of NDA, NFA and base money is shown in Table-6.1 and Figure:1 below:

Table : 6.1 Monthly Stock in NDA, IFA and Base Money

Year/Mon	En Monthly Stock (Rs billion)		
	NDA	NFA	Base Mney
June 2003	1539	540	669
July 2003	1528	561	678
August 2003	1530	569	655
September 2003	1547	572	659
October 2003	1579	589	706
November 2003	1645	599	772
December 2003	1678	588	747
January 2004	1749	546	787
February 2004	1732	580	773
March 2004	1746	589	773
April 2004	1776	594	773
May 2004	1809	600	772
June 2004	1903	583	773
July 2004	1915	576	776
August 2004	1919	580	781
September 2004	1912	607	812
October 2004	1943	621	845
November 2004	2031	597	877
December 2004	2145	586	896
January 2005	2096	629	920
February 2005	2129	629	892
March 2005	2173	635	884

Source: State Bank of Pakistan



Credit to Government

The budgetary position of the government improved phenomenally during July-March 2004-05. Principal factors that led to such a scenario included external borrowing from IFIs (\$ 1.4 billion), foreign inflows in respect of Islamic bonds (Sukuk: \$ 600 million) and improved tax collection. Budgetary borrowings amounted to Rs 5.8 billion during July-March 2004-05 against the annual target of Rs 60 billion and the actual borrowings showed a net retirement of Rs 4.8 billion compared to the substantial net retirement of Rs 36.8 billion during the same period last year.

Credit to Private Sector

The bank credit to the private sector took the lead and reached new heights as it touched yet another peak at Rs 370.1 billion during July-March 2004-05 compared with Rs 244.6 billion availed by the private sector in the same period last year. The private sector's appetite for bank credit was created by the on-going growth momentum and attractiveness of consumer loans supported by low average lending rates. Moreover, the bank credit for export finance stood at Rs 21.1 billion.

The distribution of credit was broad-based as almost all sectors of the economy availed substantial credit during July-March 2004-05. The break-up of private sector credit utilization revealed that manufacturing was the major sector, claiming a share of 41 percent (Rs 150.9 billion) in the net credit expansion. Textile sector, the mainstay of the domestic activities, continued to get upgraded through imported machinery, and its credit off-take increased to Rs 94.8 billion; it constituted 25.6 percent of total credit off-take and 62.8 percent of the total credit utilized by the manufacturing sector. The break-up of textile and textile products revealed that cotton financing stood at Rs 58.9 billion due to higher demand for funds by the textile millers and ginners in the backdrop of post-quota regime under the WTO agreements. The commerce sector was another important sector which availed Rs 38.6 billion compared to Rs 29.5 billion in the same period of last year. Other notable sectors that contributed significantly to credit growth were services (Rs 31.5 billion), transport, storage and communication (Rs 17.6 billion), and agriculture (Rs 14.0 billion). Consumer loans included credit for the acquisition of automobiles (Rs 32.6 billion), followed by personal loans (Rs 27.4 billion), housing finance (Rs 14.0 billion), and credit cards (Rs 3.2 billion).

The scheduled banks credit disbursement (on gross basis) to agriculture sector continued to show rising trend and grew by 54 percent to Rs 73.8 billion during July-March 2004-05. Production-related loans amounted to Rs 60 billion while Rs 13.8 billion were disbursed as development-oriented loans. The commercial banks disbursed the

(Rs. Million)

Table-6.2: Scheduled Banks' Credit to the private Sector

Sector	July-March 2003-04	July-March 2004-05
Overall Advances	244563	335137
A. Advances to Private Sector		
Business		
1. Agriculture	11470	14004
2. Mining and Quarrying	6162	-5865
3. Manufacturing	126351	150900
a. Manufacturing of Textiles and Textile Products	64371	60156
b. Manufacturing of Leather	6350	875
c. Non metallic mineral Manufactures	6056	15198
- Manufacturing of Cement	5049	11773
d. Miscellaneous	49574	75671
4. Commerce	8257	38596
a. Wholesale and retail trade	2051	30860
b. Exporters	4111	639
c. Importers	5591	7097
5. Transport, storage and communication	5142	17569
6. Services	28130	54659
7. Other private business	3863	66344
B. Credit to trust and NPOs	5104	-1505
C. Personal loans	50084	65906
D. Others	-	10974

Source : SBP

largest amount (Rs 42.9 billion or 5.2 percent) while the ZTBL extended a credit of Rs 25 billion or 34.1 percent. Sub-sectoral credit flow to the private sector is given in table-6.1.

During the last three years cumulative credit flow to the private sector amounted to Rs 863 billion which surpassed the total credit flow of Rs 580 billion in the previous ten years (1992-2002) by 49 percent. The private sector credit-to-GDP ratio has increased from 0.5 percent in 1999-2000 to 5.9 percent in 2003-04 (Table-3). In the first nine months of the outgoing fiscal year net private sector credit-to-GDP was 5.7 percent, which is expected to further increase by the end of 2004-5.

Table-6.3: Credit to Private Sector (PS) as percentage of GDP

Year	CPS (Stock)		CS (Net)	
	(Rs bln)	As % of GDP	(Rs bln)	As % of GDP
1999-2000	754	19.9	11	0.5
2000-01	750	18.0	41	1.2
2001-02	841	19.1	51	1.2
2002-03	949	19.7	161	3.5
2003-04	1274	23.0	321	5.9
2004-05	1624	25.1	370	5.7

* July-March 204-05

The main factors causing changes in monetary assets are given in Table-6.4.

(In billion)

Table-6.4: Factors Causing Changes in Monetary Assets

Sector/Factor	Credit Plan Target 2004-05		Actual	
	Original	Revised	2004-05 (July-March)	2003-04 (July-March)
Domesic Credit	250.0	330.0	27.0	204.4
i) Government Sector Borrowing (net)	47.0	65.0	3	17.5
- Net Budgetary Support	45.0	60.0	8	53.6
- Commodity Operations	5.0	5.0	-4.9	-36.8
- Effect of Zakat Fund	-3.0	0	3	0.7
ii) Non-Government Sector	190.0	330.0	31.0	207.4
- Net credit to Private Sector & PSCEs	195.0	335.0	31.2	226.2
a Private Sector	200.0	350.0	31.8	244.6
b PSCE	-5.0	-15.0	7	-31.1
c PSCEs P. A/C debt repayment with SBP	0	-5.0	0	-1.8
d Other financial Institutions SBP credit to NBFIs	-5.0	0	1	-4.3
iii) Other items (net)	13.0	-65.0	-1.2	-20.4
Foreign Assets (net)	30.0	30.0	6	50.4
Total Monetary Expansion (M2) - (AB)	280.0	360.0	31.6	254.8
(Growth Rate %)	(11.3)	(14.5)	(11)	(12.3)

Source: State Bank of Pakistan

Bank Credit to SMEs Sector

Bank credit to SMEs sector continued to expand considerably as its share in total private sector credit rose from 7.9 percent (Rs 5.2 billion) during July-September 2004 to 18.1 percent (Rs 59.9 billion) during July-February 2004-05. The break-up of bank credit to SMEs sector revealed that the commerce & trade sector obtained major share (56.4 percent or Rs 33.8 billion), reflecting a broad-based progress taking place in the economy. The share of manufacturing sector accounted for 21 percent or Rs 12.5 billion due to high requirements of textile millers and ginners. The other notable sectors, which obtained credit includes: real estate (10 percent or Rs 6 billion) and transport, storage & communications (3.9 percent or Rs 2.3 billion).

Components of Monetary Assets (M2)

The components of monetary assets (M2) include: (i) currency in circulation, (ii) demand deposits, (iii) time deposits, (iv) other deposits (excluding IMF A/C, counterpart), and (v) residents' foreign currency deposits. The developments in these components during the first nine months of the current fiscal year are presented below (Table-6.5, Fig:2).

Currency in Circulation: In the first nine months of the current fiscal year, currency in circulation increased by 15.0 percent (Rs 86.8 billion), against 16.8 percent (Rs 83.3 billion) in the same period last year. As of 31st March 2005, currency in circulation constituted 23.6 percent of the money supply (M2), compared to 24.8 percent in the same period of last year (Table-6.5). The growth in currency-in-circulation was thus stable and quite compatible with the currency requirement of the economy.

(Rs billion)

Table-6.5 : Stock of Components of Monetary Assets (M2)

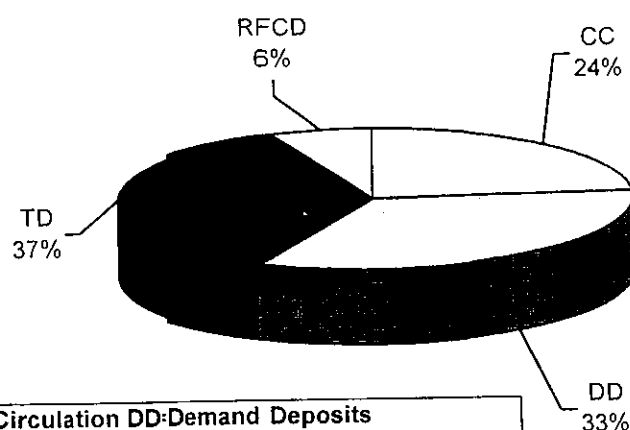
Items	End June			End March	
	2002	2003	2004	2004	2005
Currency in Circulation	433.8 (15.5)	494.6 (14.0)	578.1 (16.9)	577.9 (16.8)	664.9 (15.0)
Demand Deposits with banks(a)	429.2 (14.5)	608.2 (41.7)	791.4 (30.1)	719.7 (18.3)	932.7 (17.9)
Other Deposits(b) with SBP	13.8 (22.6)	3.5 (-74.7)	2.1 (-40.0)	2.1 (-40.3)	4.8 (128.1)
Time Deposits with banks(a)	727.1 (19.1)	846.3 (16.4)	969.2 (14.5)	895.2 (5.8)	1037.7 (7.1)
Residents Foreign Currency Deposit	157.4 (2.1)	126.1 (-19.9)	145.7 (15.5)	138.6 (9.9)	172.1 (18.1)
Money Supply (M2)	1761.4 (15.4)	2078.7 (18.0)	2486.6 (19.6)	2333.5 (12.3)	2812.2 (13.1)
As Percent of M2					
Currency in Circulation	24.6	23.8	23.2	24.8	23.6
Demand Deposits	24.4	29.3	31.8	30.8	33.2
Other Deposits	0.8	0.2	0.1	0.1	0.2
Time Deposits	41.3	40.7	39.0	38.4	36.9
Residents Foreign Currency Accounts (RFCD)	8.9	6.1	5.9	5.9	6.1
M2/GNP (MP)	35.4	36.8	37.3	41.2	42.1

Source: State Bank of Pakistan.

Note: Figures in parentheses represent growth in percent.

- a) Excluding inter-bank deposits, deposits of government and foreign constituents.
 b) Excluding IMF A/C No. 1 & 2 and SAF Loan Account, Counterpart Funds and Deposit of foreign governments, central banks, international organizations and deposits of money bank.

Fig-1 Composition of M2 in March 2005



CC = Currency in Circulation DD= Demand Deposits
 TD= Time Deposits RFCD= Resident Foreign Currency Deposits

Demand Deposits with Scheduled Banks: Scheduled banks demand deposits increased by 17.4 percent (Rs 141.3 billion) during July-March 2004-05, compared to 18.3 percent (Rs 111.6 billion) in the comparable period of last year. M1/M2 has increased from 5.2 percent in June 2004 to 7.0 percent in March 2005, which clearly suggests an increase in depositors' preference for demand deposits. Given the evident increase in net interest margins, banks are increasingly likely to focus on deposit mobilization by offering higher returns. Anecdotal evidence indicates that this trend is indeed gathering pace.

Time Deposits: Like the last fiscal year, the time deposits of scheduled banks continued to show subdued growth as they increased by 7.1 percent in the current fiscal year. During the same period last year, time deposits increased by 5.8 percent only. This may be due to the marked decline in fixed deposit rates. While the weighted average lending rate is gradually rising, the weighted average deposit rate increased only marginally during the current fiscal year ending March 2005. Another factor may be that the people were more inclined to invest in the stock markets which offered better investment opportunity. As of end March 2005, time deposits constituted 30 percent of M2, compared to 38.4 percent in the same period last year.

The liquid reserves to money supply ratio (LRM) is another measure of monetary stability and is used to assess the vulnerability of domestic interest rates to fluctuations in the country's external account. The LRM has been increasing since June 2000, which is an indication of a stable financial sector. It was only 5 percent in June 2000, increased to 28.8 percent in June 2004. LRM slightly came down to 27 percent in March 2005 (Table-6)

Percent

Table-6.6 : Key Indicators of Pakistan's Financial Development

Years	M2/GDI	M1/M2	DD+TD/M2	TD/M	LR1
1980-81	37.6	70.3	66.2	29.7	9.5
1981-82	35.9	69.5	67.2	30.5	7.1
1982-83	40.1	66.1	68.3	33.9	5.1
1983-84	38.9	63.4	67.7	36.6	2.6
1984-85	39.0	64.7	68.9	35.3	4.6
1985-86	41.0	63.9	69.6	36.1	6.6
1986-87	41.9	66.5	68.4	33.5	5.7

Table-6.6 : Key Indicators of Pakistan's Financial Development

Years	M2/GDP	M1/M2	DD+TD/M2	TD/M2	LRM
1987-88	33.7	68.7	67.0	31.3	3.0
1988-89	37.7	72.6	65.3	29.0	2.6
1989-90	39.9	70.0	65.6	29.6	3.3
1990-91	39.2	70.4	65.1	31.5	3.3
1991-92	41.7	66.2	69.3	31.6	5.0
1992-93	44.4	59.9	71.2	34.6	1.8
1993-94	44.7	55.1	73.0	35.9	9.9
1994-95	43.8	51.0	73.3	36.0	10.2
1995-96	43.3	51.3	74.3	36.7	7.4
1996-97	43.8	42.1	76.8	36.7	4.5
1997-98	45.1	39.8	77.4	37.1	3.3
1998-99	43.6	50.2	77.5	40.3	6.3
1999-00*	36.9	52.8	74.6	39.2	5.0
2000-01	36.7	49.9	75.4	40.0	7.9
2001-02	40.0	49.8	75.4	41.3	16.8
2002-03	43.1	53.2	76.2	40.7	29.9
2003-04	44.9	55.2	76.8	39.0	28.8
July-March					
2003-04	42.2	55.7	75.2	38.4	31.0
2004-05	42.9	57.0	76.4	36.9	27.0

Source: State Bank of Pakistan.

* It may be noted that from 1999-2000 onward, GDP at new base (1999-2000) is used in the denominator, therefore, the earlier numbers are not comparable as they are based on 1980-81.

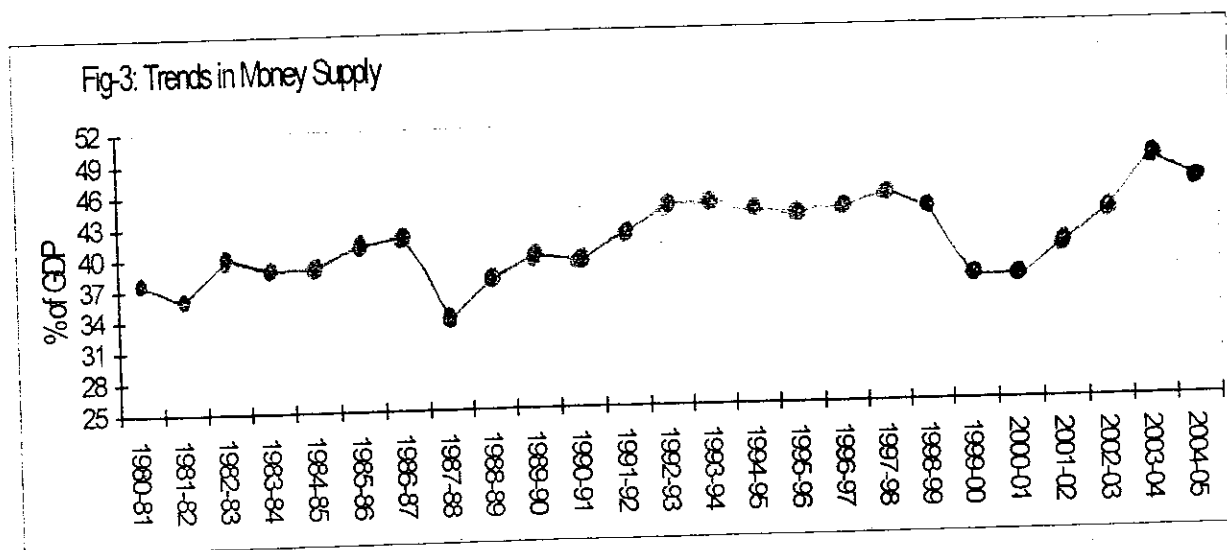
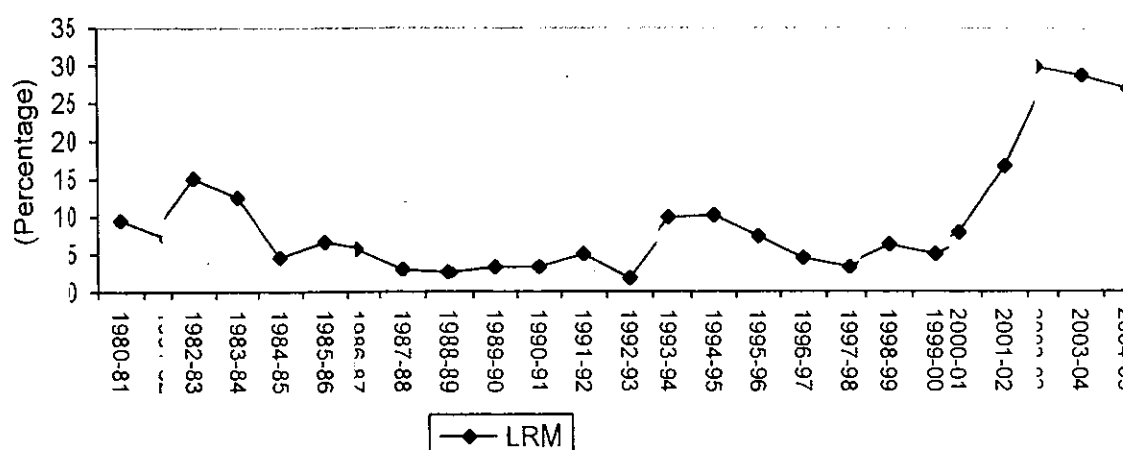


Fig-4: Trends in Liquid Reserves to M2 (LRM)



While there is no standard method to measure financial depth the most widely used indicator is the ratio of M2 to GDP. This ratio indicates how monetized an economy is and the importance of its banks. The M2/GDP ratio has increased significantly over the last 25 years – rising from 37.6 percent in 1980-81 to 32 percent in 1990-91. With the introduction of financial sector reforms in the early 1990s, the ratio has continued to increase every year, rising to 44.9 percent in 2003-04. As of 31st March 2005, the M2/GDP ratio was 42.1 percent. This clearly indicates that Pakistan's economy is more monetized and the banking sector is more important today than two decades ago. Other indicators of financial depth, such as, the ratio of total deposits to M2, have also improved over this period. (Table-6.5)

Measures of Money Supply and their Behavior

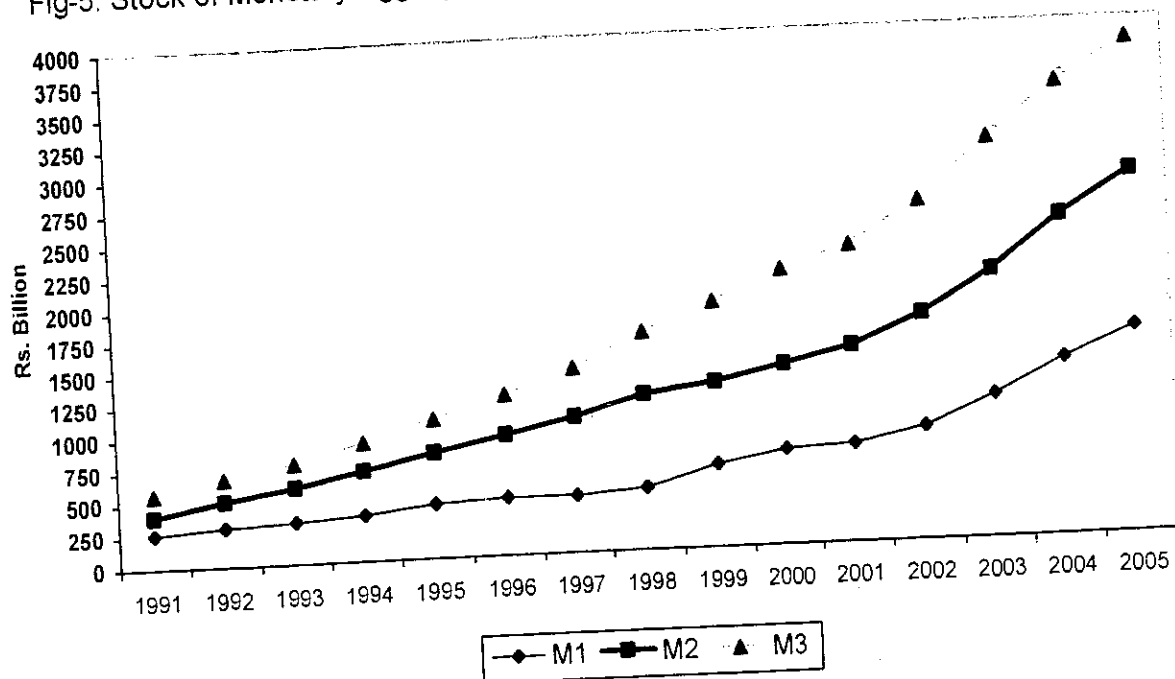
The annual trends of M1, M2 and M3 since June 1991 to March 2005 are given in Table-6.7: Fig-5.

Table-6.7 : Stock of Monetary Aggregates

End Period Stock	Money Supply & Monetary Assets			(Percentage change)		
	(M1)	(M2)	(M3)	(M1)	(M2)	(M3)
June 1991	265	400.6	569.40	0.4	7.4	1.9
June 1992	302	505.6	679.2	4.2	26.2	1.3
June 1993	327	595.4	777.3	8.2	17.8	1.4
June 1994	358	703.4	923.4	9.4	18.1	1.8
June 1995	423	824.7	1083.6	7.9	17.2	1.3
June 1996	448	938.7	1246.3	5.9	13.8	1.0
June 1997	443	1053.2	1430.1	1.0	12.2	1.8
June 1998	480	1206.3	1696.8	8.3	14.5	1.6
June 1999	643	1280.5	1913.4	3.9	6.2	1.8
June 2000	739	1400.6	2137.2	4.9	9.4	1.7
June 2001	761	1526.0	2313.9	3.0	9.0	3
June 2002	876	1761.4	2640.9	5.2	15.4	1.1
June 2003	1106	2078.7	3102.0	6.2	18.0	1.5
June 2004	1371	2486.6	3519.4	4.0	19.6	1.5
End March 2004	1299	2333.5	3362.4	7.5	12.3	4
2005	1602	2812.2	3833.7	6.8	13.1	9

Source: State Bank of Pakistan & E.A.Wing, Finance Division

Fig-5: Stock of Monetary Aggregates



M1 consists of the outstanding stock of currency in circulation, the demand deposits of scheduled banks and the other deposits with the State Bank of Pakistan. M2 is M1 plus the outstanding stock of time deposits of scheduled banks and the outstanding stock of the RFCs. M3 includes: the outstanding stock of the NSS, and outstanding deposits of the provincial cooperative banks of the Punjab, Sindh, NWFP, Baluchistan, AJK and the Northern Areas.

During the first nine months of the current fiscal year, M1 increased by 16.8 percent against 17.5 percent last year and M2 has recorded a growth of 13.1 percent compared to 12.3 percent last year. The broadest monetary aggregate, M3, has increased by 8.9 percent during the first 3 quarters of 2004-05, compared to 8.4 percent in the comparable period last year. It may be noted that during 2003-04 and 2004-05 (up to March 2005) growth in M3 was much slower than the growth in M1 and M2. This is mainly due to a negligible rise of the net accruals of NSS in 2003-04 (Rs 10.6 billion) and a contraction of Rs 10.9 billion in the first nine months of the current fiscal year. Thus it was the increase in the stock of M2 that was behind the growth of M3. Provincial Cooperative Banks added about Rs 2 billion in the outstanding stock of M3 during the period under review. Higher growth in M2 in the first nine months of the current fiscal year was attributed mainly to a higher than targeted growth in the NDA, caused by a larger flow of credit to the private sector.

The SBP has taken a number of proactive and forward looking steps to strengthen the prudential regulations and monitoring framework. These measures are also meant to facilitate the farming community, ensure participation of non-banks in the secondary market for government papers/bonds, induce private sector to invest in the infrastructure development projects, promote consumer and housing finance, SME sector and for improved governance of the financial system. Important policy measures taken by the State Bank during July-March 2004-05 are at Annexure-A.

Money Market

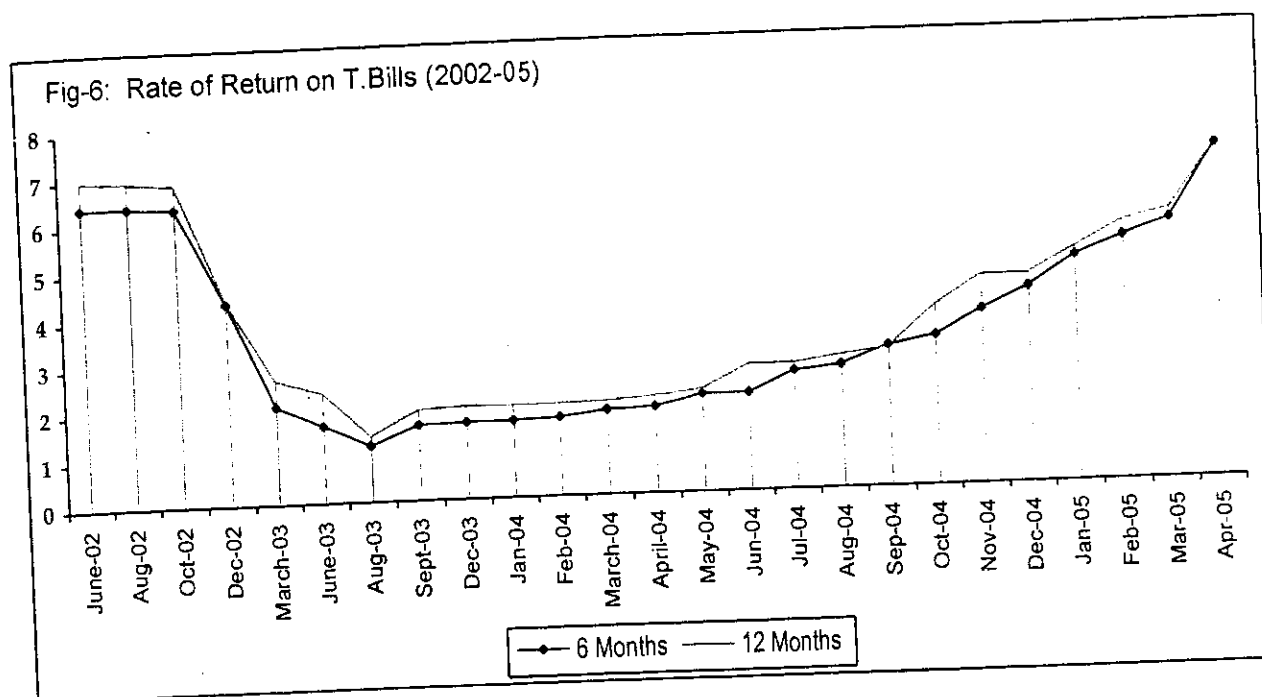
The current fiscal year started with a relatively higher inflation rate. The SBP, in order to reduce inflation, changed its monetary policy stance from an easy monetary policy to a measured tightening of monetary policy. During the current fiscal year, the SBP continued to tighten its monetary policy with measured pace. Accordingly, the yield of the 6-month T-bills and 12-month T-bills rose by 500 basis points (bps) and 441 bps respectively during July-March 2004/5. The measured tightening of the monetary policy is also reflected in the gradual rise of the weighted average lending rate. The lending rate has risen by 152 basis points while deposit rate increased upward by only 22 basis points. Despite gradual rise in interest rate the cost of capital is still low and therefore unlikely to deter private sector to continue to borrow at the current pace from the banking system. The gradual tightening of monetary policy and the attendant rise in interest rate is consistent with global rise in interest rate. The LIBOR has also started moving upward from as low as 1.94 percent in June 2004 to 3.42 percent in April 2005. The yields of T-bills are given in Table 6.3 and Fig-6.

(Percent)

Table-6.3 : Auction of Market Treasury Bills (W.A. Yield) 2002-05

Date	6 Months	12 Months
June 2002	6.41	6.91
August 2002	6.40	6.9
October 2002	6.34	6.8
December 2002	4.32	4.3
March 2003	2.09	2.6
June 2003	1.66	2.3
August 2003	1.21	1.4
September 2003	1.61	1.9
December 2003	1.64	1.9
January 2004	1.64	1.9
February 2004	1.68	1.9
March 2004	1.80	2.0
April 2004	1.84	2.0
May 2004	2.08	2.1
June 2004	2.08	2.6
July 2004	2.52	2.6
August 2004	2.62	2.8
September 2004	3.01	2.9
October 2004	3.19	3.8
November 2004	3.73	4.4
December 2004	4.16	4.4
January 2005	4.79	4.5
February 2005	5.18	5.4
March 2005	5.51	5.7
April 2005	7.08	7.1

Source: State Bank of Pakistan



Strong demand for T. bills continued in the current fiscal year also. The SBP accepted Rs 665.7 billion from the primary market of T. bills during the first nine months of the current fiscal year compared to Rs 416.7 billion in the same period last year (Table-6.9). During July-March 2004-05, about 59 percent of the bid amount (Rs 1135 billion) was accepted by the SBP, compared to 52 percent of the bid amount in the same period last year. In the case of PIBs there was lackluster trading as only Rs 8 billion was offered on the PIBs of 3, 5 and 10 years maturities, out of which Rs 0.8 billion was accepted to cover short selling positions of PDs as all their auctions were scrapped during the period under review.

(Rs billion)

Table-6.9 : Purchase and Sale of T-Bills

Market Treasury Bills (MTBs)	2003-04 (July-March)			2004-05 (July-March)		
	Offered	Accepted	W.A. Rate	Offered	Accepted	W.A. Rate
a) 3 Months	156.1	85.1	1.3	735.0	465.8	3.5
b) 6 Months	247.6	135.1	1.5	344.4	186.8	4.0
c) 12 Months	400.3	196.5	1.8	56.0	13.1	4.2
Total MTBs	804.0	416.7		1135.4	665.7	
2. Pakistan Investment Bonds(PIBs)						
a) 3 Years Maturity	27.6	9.4	4.0	2.4	0.1	-
b) 5 Years Maturity	38.5	16.2	5.0	2.6	0.4	-
c) 10 Years Maturity	58.8	26.4	6.2	3.0	0.3	-
d) 15 Years Maturity*	5.9	3.3	9.0	-	-	-

e) 20 Years Maturity*	6.0	3.2	10.0	-	-	-
Total (PBs)	136.8	58.5		8.1	0.8	
Grand Total	940.8	475.2		1113.4	666.5	

Source: State Bank of Pakistan

* PBs of 15 years & 20 years maturity were introduced in 2003-04

Interest Rate Environment

The SBP continued to raise interest rates to contain inflationary pressures and expectations. The cut-off yield on 6-month T-bill rose by 46 (basis points) to 5.69 percent during July-March 2004-05. The SBP (port re-finance rate, which is linked with 6-month T-bill rate) also rose by 300 bps to 5.0 percent by early April 2005. Effectively 11th April 2005 the discount rate was also raised from 7.5 percent to 9 percent; this further pushed up yields on 6-month, 12-month and 12-month T-bills by 237 bps, 150 bps and 230 bps to 7.38 percent, 7.19 percent and 8.25 percent, respectively. Similarly, SBP export re-finance was also adjusted upward by 150 bps to 6.5 percent in May 2005. The weighted average lending rates (on disbursement basis) showed a rise of 152 bps to 6.57 percent during July-March 2004-05. The weighted average deposit rates (on incremental basis) however, showed a smaller rise of 22 basis points to 1.43 percent. The spread between lending and deposit rates rose from 384 bps to 51 bps. (Table-6.1, Fig:7).

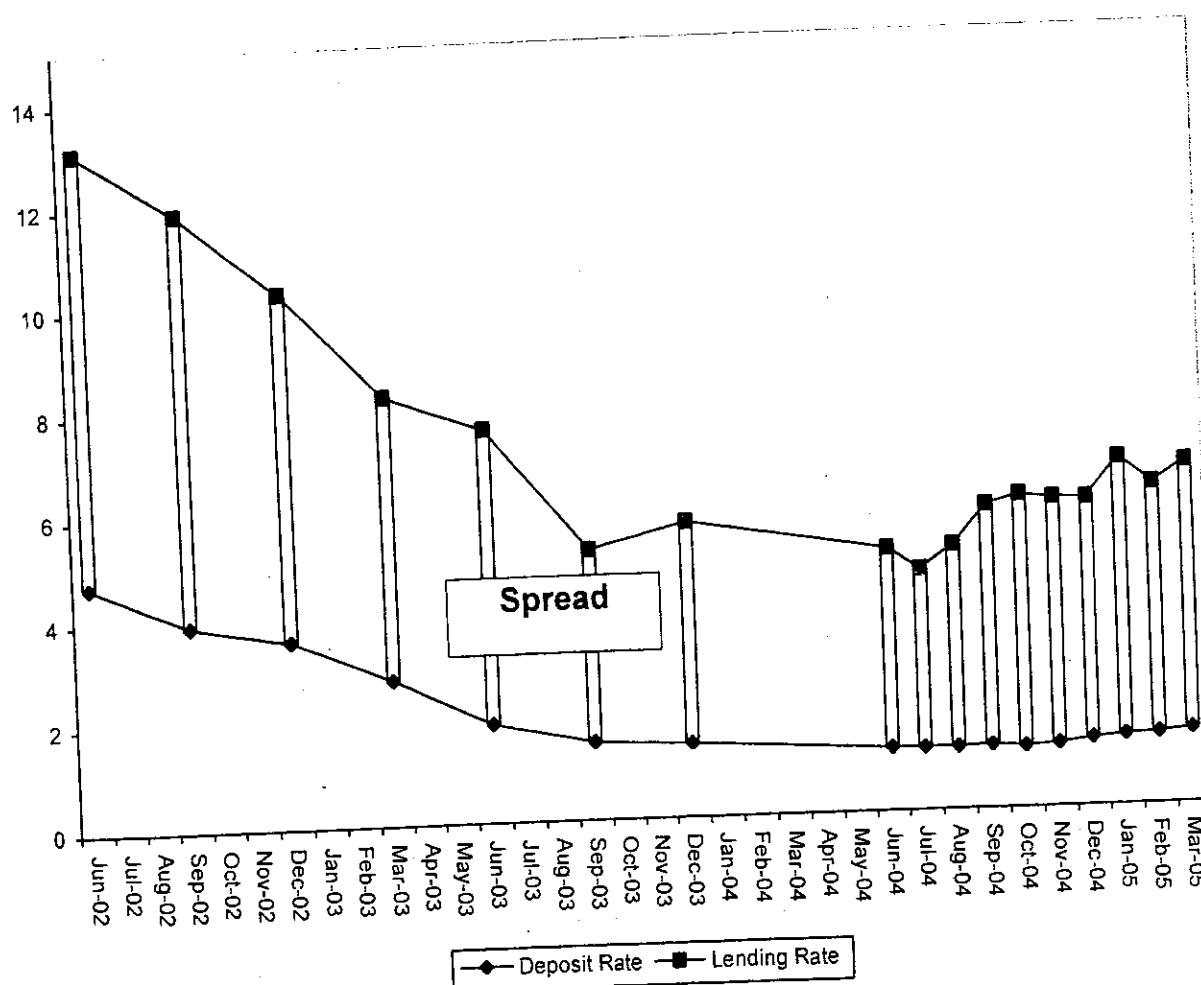
(Weighted average rate)

Table-6.10: Interest Rate Structure in the Country (Percent) (June 2002 to March 2005)

	Lending Rate	Deposit Rate	Spread	T-bills (Months)
June 2002	13.12	4.73	8.39	64
September 2002	11.96	3.93	8.03	67
December 2002	10.31	3.60	6.71	34
March 2003	8.26	2.81	5.45	14
June 2003	7.58	1.90	5.68	16
September 2003	5.20	1.50	3.70	11
December 2003	5.68	1.42	4.26	14
June 2004	5.05	1.21	3.81	28
July 2004	4.63	1.20	3.43	22
August 2004	5.08	1.20	3.88	22
September 2004	5.84	1.22	4.62	31
October 2004	6.01	1.18	4.83	39
November 2004	5.94	1.21	4.73	33
December 2004	5.92	1.30	4.62	46
January 2005	6.68	1.35	5.33	49
February 2005	6.17	1.37	4.80	58
March 2005	6.57	1.43	5.14	51
April 2005	-	-	-	78

Source: State Bank of Pakistan

Figure-7: Weighted Average Monthly Lending and Deposit Rates (June 2002 to March, 2005)



Performance of Banks

The financial sector in Pakistan is going through a fast-paced transitory process. New groups are buying out Pakistan operations of foreign banks and number of listed banks is also increasing. While the income from core banking activity is increasing due to higher business volume, earnings are also expected to further improve due to venturing into consumer finance, housing finance and enhanced lending to agriculture sector. In just four years the banking industry has expanded tremendously and now there are more than two dozen commercial and investment banks functioning in the country.

The financial sector in Pakistan comprises of commercial banks, foreign banks development finance institutions (DFIs), micro finance companies (NBFCs) (leasing companies, investment banks, discount houses, housing finance companies, venture capital companies, mutual funds), modarabas, stock exchange and insurance companies. At present there are 36 scheduled banks, 6 DFIs, and 2 MFBs operating in Pakistan whose activities are regulated and supervised by the State Bank of Pakistan. The commercial banks, comprises of 4 nationalized banks, 21 local private banks, 11 foreign banks, and 3 specialized banks.

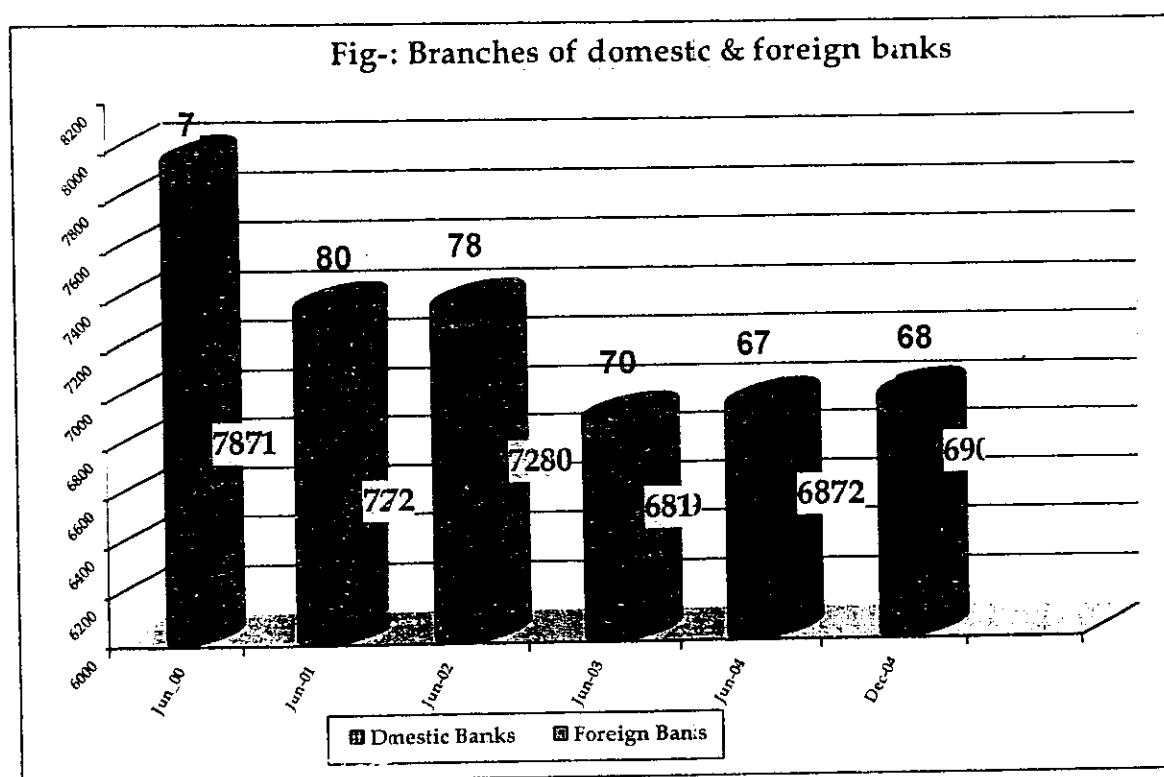
The commercial banks in the private sector have so far given a satisfactory performance since their inception, registering an overall growth in the deposit base and profits and are maintaining healthy credit portfolios. The challenge that needs to be answered is about future profitability of the industry in times of intense competition for chasing cheap deposits and risk worthy borrowers. The foreign banks have strong presence in all the major cities and are targeting high net worth individuals and blue chip companies. Their strategy is quite successful as they account for about 34 percent of total sector profit, despite having only 15 percent of deposits and 16 percent of advances.

Table-6.11 Branches of Domestic & Foreign Banks

	June 2000	June 2001	June 2002	June 2003	June 2004	December 2004
i) Domestic Banks	7871	7272	7280	6819	6872	6906
ii) Foreign Banks	78	80	78	70	67	68
iii) Total	7,949	7352	7358	6889	6939	6974

Source: State Bank of Pakistan.

The number of domestic bank branches which was 6872 in June 2004, increased to 6906 in December 2004. The number of foreign bank branches also increased from 67 in June 2004, to 68 in December 2004 (Table 6.11 and Fig. 8).



During the first six months of the ongoing fiscal year, total assets of all the scheduled banks increased by Rs 39 billion (85%) from Rs 2800 billion in June 2004 to Rs 3039 billion in December 2004. During the first six months of 2004-05 there was also an increase of Rs 277 billion (19.3%) in the net advances of the scheduled banks, from Rs 1437 billion in June 2004 to Rs 1714 billion in December 2004. Scheduled banks' deposits have increased by Rs 197 billion (90%) during July-December 2004-05 or from Rs 2196 billion in June 2004 to Rs 2393 billion in December 2004. Total investments of all the scheduled banks have however declined by Rs 101 billion during the first half of the outgoing fiscal year.

Non-Performing Loans

The non-performing loans (NPLs) of commercial banks, specialized banks, and DFIs have declined during the first nine months of 2004-05 from Rs 220 billion in June 2004 to Rs 203.7 billion in March 2005 - a reduction of 7.4 percent. The NPLs of commercial banks have declined from Rs 153.0 billion in June 2004 to Rs 142.8 billion in March 2005 and those of the public sector commercial banks have come down from Rs 43.2 billion to Rs 41.3 billion. The NPLs of the local private banks have come down from Rs 107.0 billion in June 2004 to Rs 99.0 billion in March 2005. The NPLs of the specialized banks and foreign banks have declined from Rs 54.8 billion in June 2004 to Rs 49.1 billion in March 2005 and from Rs 2.8 billion to Rs -0.2 billion respectively. The NPLs of the DFIs have also declined to Rs 11.8 billion in March 2005 from Rs 12.2 billion in June 2004.

Privatization and Restructuring

The process of privatization continued as fast track with the privatization of HBL in 2004. Shares of NBP were also offloaded through local stock exchanges. The SBP carried out reconstruction of ABL under section 47 of BCO to fill up the negative equity through issuance of 235 million additional shares by ABL. Bidding for issuance of 325 million additional shares was held on the 23rd July 2004. The consortium of M/S Ibrahim Leasing and Ibrahim Group offered the highest bid of Rs 14.2 billion. The management of ABL was formally handed over to them on August 20, 2004. As a result of the privatization and restructuring, more than 80 percent of the banking assets are now owned and managed by the private sector. The government is also in the process of restructuring of IDBP, ZTBL and SME bank for their ultimate privatization. The strict enforcement of prudential regulations by the SBP has improved the efficiency and profitability of banking sector. The ratio of non-performing loans to total advances has come down to less than 5 percent.

Khushali Banks (KB)

Pakistan fostered micro-finance at the national level with an ambition of sustained growth at the grass root level. This process was initiated in 1999 when the government announced a new economic dispensation that included reforming the country's financial system and making its orientation pro-poor as there was a large unmet demand at the grass-root oriented financial services sector.

The government considers microfinance as an important component of the country's financial system and recognizes the private sector's role in the poverty reduction strategy. The sustained commitment exhibited by the government to ensure a conducive policy environment for the development and growth of the sector has started yielding results in the form of gradually increasing outreach and the increased investor interest in the sector. The micro-finance sector development programme (MSDP) of the government continues to expand in terms of its territorial as well as client service outreach. The Khushali bank (KB) is the lead institution within the MSDP framework and continues to play an important role in the development of the sector.

Globally, industry trends have shifted the focus from providing support to narrowly defined micro credit programs to supporting the development of a comprehensive financial system for the poor, which includes the policy environment, financial infrastructure and viable institutions. Pakistan is one of the first countries in the developing world to have adopted the approach commonly known as the banking approach in micro-finance. Today, Pakistan has a conducive policy environment and a supportive supervisory and regulatory framework. Khushhalibank (KB) is the lead institution within the framework mandated to catalyze the environment for the growth of the sector besides undertaking its core responsibility of retailing micro-finance services across Pakistan.

Khushhali Bank's efforts over the past four years have been to develop an efficient distribution system capable of handling large volume of business across diverse operating environments while at the same time, developing an

insight into the market. Today, Khushalibank has a network of 30 service outlets across 6 districts of the country; has processed nearly 400,000 loans valuing about Rs 4.0 billion and with a predominantly rural portfolio.

Khushalibank has successfully bridged with bilateral and multilateral development agencies to simultaneously focus on highly marginalized territories in Sindh and Balochistan and route human and capital investment for sustained results with minimal lead-time. For 2005, the Bank plans to expand its network to 75 districts of the country, with projected annual disbursements of nearly Rs 3.0 billion, with a strategic focus on the rural areas of Pakistan.

SME Bank

The SME Bank is laying its role as pioneering bank for the development and promotion of small and medium enterprises in the country. The SME Bank continues to strengthen its position as a small but key player in the SME sector. Despite the difficult operating environment, the bank has posted a consolidated operating pre-tax profit of Rs 742 million compared to last year's pre-tax profit of Rs 74 million. After tax profit for 2004 was Rs 486 million compared with Rs 59 million in 2003. Apart from various reforms in SME sector policy matrix, the programme also involves financial and organizational restructuring of SME bank to improve its effectiveness and prepare for its privatization by June 2006.

Total income of the Bank in 2004 amounted to Rs 820 million of which treasury business generated Rs 428 million while performance of lending operations generated Rs 142 million. Rs 224 million were generated from recoveries of portfolio of defunct SBFC & RDFC. The earnings per share were Rs 4.17 in 2004 as compared to Rs 0.92 last year. Due to prudent funds management policies and utilization of surplus liquidity, the Bank was able to sustain its operation and still remain profitable. Markup rates on financial assistance extended also came under pressure due to low interest rate scenario and were adjusted appropriately. Average lending rate of the bank for the year 2004 was 13.8 percent. Gross advances extended by the bank could not show any growth and stood at Rs 1,09 million (Rs 1,094 million in 2003) due to low lending and higher recovery. Total disbursement of credit for the year 2004 stood at Rs 388 million disbursed to 642 customers. Recovery from the stuck up portfolio of defunct DFC and SBFC amounted to Rs 16 million and Rs 70 million respectively. The Board and the Government earlier approved a restructuring plan for the SME Bank.

Housing Finance

During the last couple of years the banking system has been steadily gearing up its efforts for providing housing finance to the general public. This can be gauged by the fact that couple of years ago only two foreign banks were offering housing finance products to a selective target market; however, presently, as many as twenty-four banks are offering housing finance to a larger cross section of the society. The scope of housing finance has not remained limited to selected areas of three cities i.e. Karachi, Lahore and Islamabad, but has expanded to a number of other cities such as Multan, Rawalpindi, Faisalabad, Gujranwala, Hyderabad, Quetta, Muzaffargarh, Peshawar, Sialkot etc. The banks have reviewed their criteria of minimum income so as to meet the demand of low and middle-income groups for acquiring their homeownership through housing finance. Accordingly banks have devised such housing finance products that can be availed by individuals with income as low as Rs 5,000/-; however, in most of the cases the minimum monthly income required for qualifying for the housing loan is between Rs 15,000-20,000.

Banks are gradually educating the general public regarding the benefits of housing finance through promotional material and advertisement campaigns. This is indicative of the fact that banking system during March 2003 and December 2004 has been able to increase its exposure to the housing finance from Rs 1931.6 million to Rs 16,290 million. Most of the banks, which have entered the housing finance market, are taking a strategic long-term view on housing finance in Pakistan and accordingly have formulated plans to expand their housing finance portfolio over time, besides negotiating with real estate developers (REDs) for the provision of financial arrangements for the development and construction of residential projects.

Monetary and Credit Control Measures, 2004-05

- ◆ The State Bank of Pakistan has issued new regulations for financing to brokers by banks/DFIs with a view to facilitate the transition from badla to margin financing in stock exchanges and others. The new regulations would be applicable for extending financing facilities (including margin financing) to brokers.
- ◆ The State Bank of Pakistan has instructed the banks/DFIs to revalue their investments in government security, TFCs, PTCs and provide for their diminution value. The SBP has also decided that banks/DFIs would classify their investment portfolio into 'Held to Maturity', 'Available for Sale' and 'Held for Trading' securities.
- ◆ The State Bank of Pakistan has imposed on banks/DFIs the capital charge for market risk in addition to the already applicable capital requirement on credit risk. Moreover, the minimum paid-up capital requirement (net of losses) of Rs 1 billion for banks/DFIs has been raised to Rs 2 billion with a view to strengthen the capital base of institutions.
- ◆ The State Bank of Pakistan has advised banks/DFIs to calculate their percentage of foreign currency deposits mobilized under FE-25 scheme after netting off deposits utilized to finance for the financing of trade related activities such as financing against import and export documents. The percentage should not at any point exceed 20 percent of the local currency deposits of the banks at the close of business on the last working day of the preceding quarter.
- ◆ The State Bank of Pakistan has implemented the Computerized Reporting System for Money Market. These statements included the daily statement on inter-bank repo/call money, weekly report on secondary market trading of treasury bills/PIBs/FIBs and statement of sale of PIBs.
- ◆ The State Bank of Pakistan has allowed banks/DFIs to undertake derivatives business with a view to develop an over the counter (OTC) financial derivatives market in the country. The State Bank has also issued the Financial Derivatives Business Regulations (FDBR), which inter-alia contained the regulatory framework for the OTC financial derivative transactions.
- ◆ In view of the importance of frauds prevention/mitigation strategy in overall operational risk framework and to improve the mechanism for active supervisory response, the State Bank has formulated the revised reporting requirement for banks/DFIs on frauds/forgeries/dacoities cases.
- ◆ The SBP has instructed the banks/DFIs to extend loans only for the ex-factory tax paid price fixed by the car manufacturers. The decision has been taken to discourage speculative activities on car purchases.
- ◆ In order to safeguard the interest of all stake holders and to ensure smooth transition from COT (Carry Over Transaction/Badla) to Marginal Financing, the SBP has instructed banks/DFIs to cap their COT exposure, in each share, at the existing level as of February 25, 2005.
- ◆ The SBP has made two amendments in the Prudential Regulations for Corporate/Commercial Banking and Small and Medium Enterprises Financing regarding preference shares and retention period.

- ◆ In order to facilitate the origination of housing loans and securitization of mortgage/construction/developer finance, the SBP has allowed some relaxations in the present regulatory framework to banks/DFIs.
- ◆ In order to enhance the scope of agriculture loans scheme and to ensure availability of adequate and timely credit to agriculture sector, the SBP has directed banks/DFIs to include poultry feed making industry in the list of items eligible for credit under SBP Supervised Agriculture Credit Scheme.
- ◆ The SBP has amended the BPD circular No.32 of 2004 on housing finance according to which banks/DFIs may allow housing finance facility or construction of houses against the security of land/plot already owned by their customers.
- ◆ Effective from April 9, 2005, the SBP has allowed the manufacture of local machinery and equipments to avail financing for setting up of projects for alternative/renewable energy development under the scheme for LMM.
- ◆ Effective from April 11, 2005, the SBP has decided to raise the discount rate of 3-day repo facility from 7.5 percent to 9.0 percent.
- ◆ The SBP has withdrawn the earlier instructions on interest rates" contained in BPD circular No.6 of 1997. Effective from April 14, 2005, the SBP has allowed the banks/DFIs to offer different rates of return to their depositors/investors in the same category based on the principle of openness, fairness.
- ◆ With a view to encourage the participation of the private sector in wheat procurement, the SBP has instructed banks to provide financing facilities to their eligible borrowers with effect from April 27, 2005 for the procurement of wheat under some terms and conditions. The commercial banks have also been allowed to provide facilities for wheat procurement by the seed processing plants.

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CAPITAL MARKETS

Capital markets play crucial role in the investment promotion and economic development of a country. To make Pakistan's capital market an attractive window for the potential investors the government has taken a number of initiatives to streamline the taxation system especially on dividend income of foreign investors, extension of tax exemption on capital gains and permission for the private sector to launch open ended mutual funds etc. As a result of successful implementation of the successive reform measures the capital market has been growing by leaps and bounds and has emerged as one of the important pillars of the economy.

Pakistan is in the midst of an economic upturn. Its economy has expanded at its fastest pace in the last two decades. Real GDP grew by 8.35 percent in fiscal year 2004-05 on the back of a stellar industrial performance, and robust growth in agriculture and services. The overall macroeconomic environment has gained more strength. The pace of the country's privatization program has gathered greater momentum as a number of public sector banks and corporations have been privatized while some others are in the pipeline. Under the new privatization strategy the government is selling off its share of state controlled enterprises by listing them on the bourses with a view to broadening and deepening the capital markets. The low interest rate environment of the last three years has been a positive development for the country's stock markets as investors seeking higher returns entered the markets with a bang, causing a boom in stock exchanges. With Pakistan's economy gaining strength and investment climate improving over the last few years the number of foreign investors delegations visiting Pakistan has jumped many fold. All these factors have strongly influenced the performance of Pakistan's stock market during the fiscal year 2004-05.

The buoyant mood in Pakistan's stock markets that prevailed during fiscal year 2003-04 continued during the current fiscal year. The Karachi Stock Exchange (KSE) share index and aggregate market capitalization (MC) recorded an increase of 55 percent and 81 percent respectively during 2003-04. During July-May 2004-05 the KSE 100-share index rose from 5279 points to 7770.3 points - an increase of 47.2 percent. During this period the AMC rose from Rs 1357 billion (or \$ 23.4 billion) to Rs 2114.8 billion (or \$ 36.6 billion), thus showing a growth of 55 percent. The Karachi Stock Market remained as one of the five best performing markets around the world with rate of returns in dollar terms of 100 percent.

The continuation of buoyancy in the stock markets could be attributed to a number of positive factors including: a continuation of pro-growth macroeconomic policies; a stable macroeconomic environment; a strong growth momentum taking firm hold; appropriate reforms initiated by the Securities and Exchange Commission of Pakistan (SEC); the availability of adequate liquidity in the market; and good operating financial results from the majority of blue chip companies. An additional factor affecting the market sentiment was the public offerings of a number of government-owned companies. These offerings attracted substantial investments, particularly from small investors, thereby generating additional trust that resulted in a sustained rise in equity prices. The positive sentiment was reinforced by developments on the political front including the improvement in Pak-dia relations and recognition of Pakistan as a Non-NATO ally by the USA. Pakistan's successful offering of Islamic bond (Sukuk) in the

international capital market also created excitement in the market. Government's policy of privatization has been most successful, attracting hundreds of thousands public investors under the programme of broad basing the shares ownership in the country. The monetary and the exchange policies of the State Bank of Pakistan have also contributed significantly, thereby increasing the appetite for listed securities. All the stock exchanges in Pakistan were able to handle the largest volumes of transaction very efficiently.

Karachi Stock Exchange: The March 2005 Episode

In the early part of 2005, the Karachi Stock Exchange (KSE) witnessed an accelerated rise with KSE-100 index rising by 65 percent in a period of only 2.5 months to a record level of 10,303 on 15th March 2005. To add perspective, this increase was on top of the cumulative 388 percent rise in KSE-100 in the preceding three years. The stock market turned bearish since March 16, 2005 and the KSE 100 index dropped to as low as 6939 as on April 12, 2005 from its peak of 10,303 on 15th March 2005 showing a decline of 32.7 percent. Such a sharp rise in index and a subsequent steep decline represented abnormal and unhealthy movements in the equity market. Notwithstanding sharp fall there were no broker defaults in the stock market and also market was not closed or suspended, as had been the case in some previous market falls.

An analysis of the market would reveal that the increase in index by 4085 points or 65 percent since January 2005 is mainly due to increase in share prices of OGDC, PTC, PSO, POL, & NBP respectively. The impact of OGDC was 2327 points, PTC was 775 points, PSO 158 points, NBP 180 points and POL 68 points. It may be relevant to mention that of the above five shares, three are on privatization list and their share prices jumped upward mainly on report of indications of good buying interest from foreign strategic buyers. In the past also, news reports about PSO & PTC by Government have greatly influenced the share prices of above two companies. As regards NBP, there has been buying interest on account of good profitability and huge investment in NIT units whose value has gone substantially high due to increased market prices.

An analysis of downfall in the market would reveal that the downfall in the index was due to substantial decline in shares prices of OGDC, PTC, PSO, POL, NBP. It would be observed that the total decline in KSE-100 index to the extent of 1,759 points out of total 2,600 points (68%) from its peak of 10,303 points as on 15 March 2005 was due to above-mentioned scripts. The market was at 6,218.40 as on December 31, 2004 and closed at 7,708.29 as on March 28, 2005, which is a net increase/gain of 1490 (24%). It is, therefore, apparent that there was a net increase in the index value since the beginning of the year 2005 till 28th March 2005.

Although market faced extreme volatility in the month of March 2005 however, for the period beginning January to March 2005 the KSE performed better than the other regional markets as shown in Table-7.1. The KSE 100-index increased by 24 percent from 1st January 2005 till 28 March 2005 as compared to the other regional markets. The Sensex-Mumbai Index during the same period declined by 2 percent and the Hong Kong Han Seng Index declined by 4 percent. The Thailand SET and the all Singapore SES index during the same period increased by 3 percent and 5 percent respectively.

Table 7.1 : Regional Indices

Index	Level	YTD Change (from 1 st Jan till 28 th March 2005)
KSE 100	7,708.30	24.0%
SENSEX-Mumbai	6,442.82	-2.0%
Hong Seng - Hong Kong	13,597.10	-4.0%
SET - Thailand	685.06	3.0%
SES All-Singapore	556.72	5.0%

Source: SECP

There are divergent views of market players and outsiders on what factors were responsible for the abnormal behavior of the equity market. Following appears to be the reasons under the circumstances that need to be fully investigated:

- ◆ Delay in the privatization of government-owned companies
- ◆ Withdrawal of funds by financiers.
- ◆ Excessive buy positions by several brokers in the future market who were not able to get an exit opportunity due to the continuous decline in the market.
- ◆ Sellers in the March future contract were carrying hedged position in the cash market.
- ◆ Sellers decided not to square up their positions in the March future contract
- ◆ Downward circuit breakers blocked the opportunity of exit from the market.

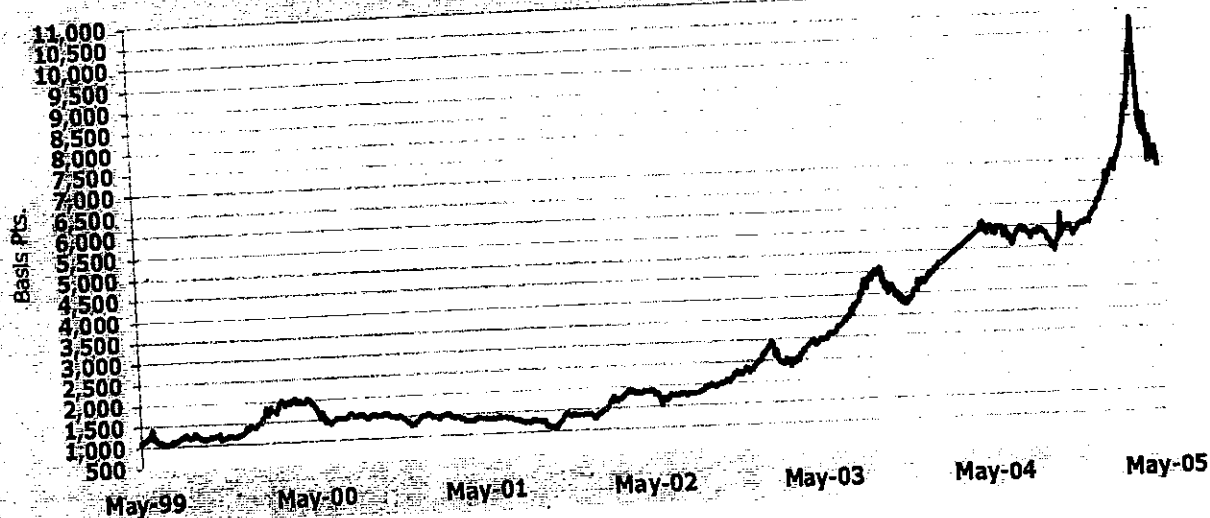
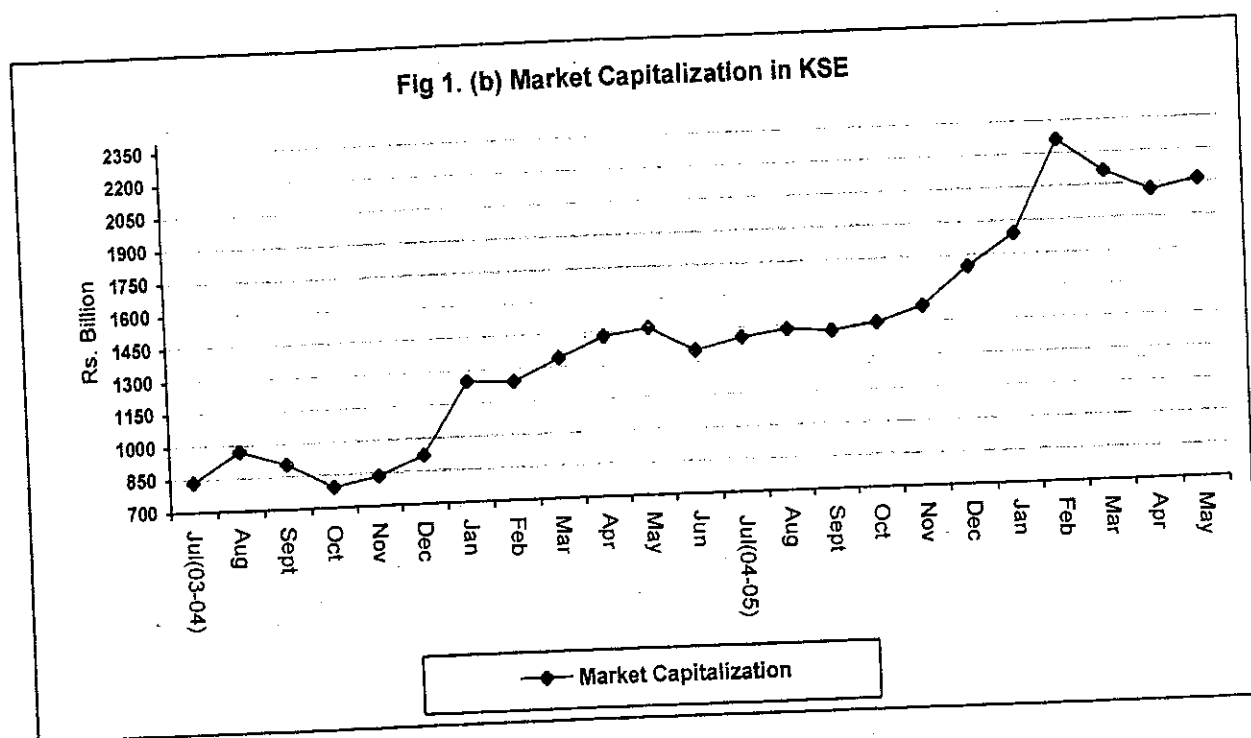
The monthly trends of the leading stock market indicators are given in Table 7.2 and Fig: (a) and (b).

Table-7.2 : Leading Stock Market Indicators on KSE (KSE Index: November 1991=100)

Months	2003-04			2005 (July-April)		
	KSE Index (end month)	Market Capitalization (Rs billion) end month)	Turnover of Shares (billion)	KSE Index (end month)	Market Capitalization (Rs billion) end month)	Turnover of Share (billion)
July	3933.4	836.2	10.3	5209.3	1410.2	5.4
August	4461.5	972.5	12.2	5346.2	1440.5	4.6
September	4027.3	907.3	9.8	5217.7	1425.8	4.7
October	3781.0	794.3	5.0	5332.2	1456.8	5.2
November	4068.3	837.2	2.1	5567.3	1524.2	3.9
December	4471.6	922.0	6.2	6218.4	1696.1	10.4
January	4841.3	1254.8	7.0	6747.4	1840.5	12.2
February	4840.4	1245.6	4.8	8260.1	2262.7	14.0
March	5106.7	1346.1	7.8	7770.3	2114.8	11.2
April	5430.4	1436.0	15.5	7104.7	2022.9	4.6
May	5497.8	1467.9	8.5	7413.1*	2065.8*	3.2*
June	5279.2	1357.5	7.8			

*May 13, 2005

Source: Karachi Stock Exchange

Fig-1(a): Trends in KSE Index**Fig 1. (b) Market Capitalization in KSE**

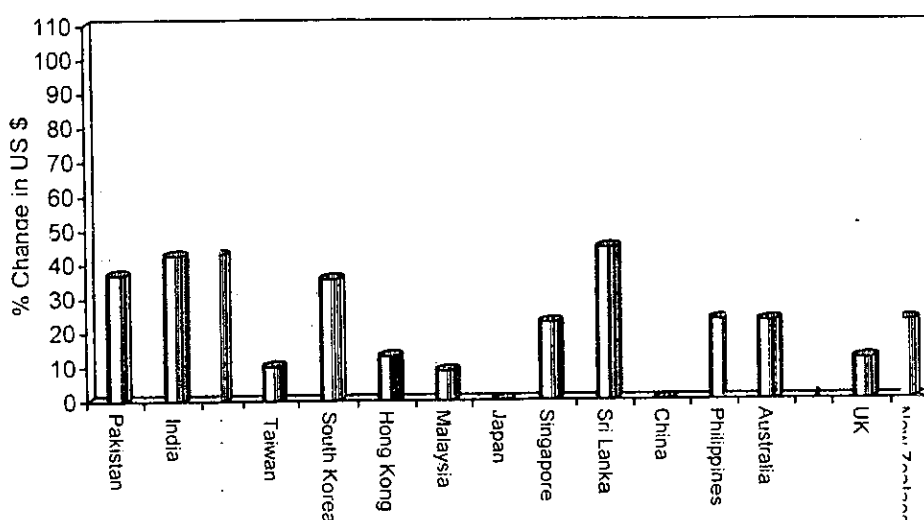
Out of the 16 leading stock markets in the world, the KSE share index increased by 37 percent in terms of US dollar during July-May 13, 2004-05, surpassed only by Sri Lanka, Indonesia and India (Table-7.3 and Fig-2). The KSE 100 has been one of the best performing emerging markets in the recent past. In the past four years, with compound annual growth rate (CAGR) of 56 percent, it has performed better than any of the selected 11 other emerging markets. It has so far increased by 25 percent for quarter one of the calendar year 2005, again making it one of the fastest growing emerging markets. It is pertinent to mention here that all the leading stock markets of the world except China and Japan posted positive growth in the current fiscal year, indicating that the world economic recovery continued in the year 2004-05.

Table-7.3 : Performance of Global Stock Markets during July-May 13, 2004-05

Country	Closing Index in Respective Currencies		% Change in US\$
	May 13, 2005	June 2004	
Pakistan	7,411.33	5,279.18	37.0
India	3,451.54	4,795.46	42.6
Indonesia	1,059.27	732.40	42.9
Taiwan	5,981.48	5,839.44	10.0
South Korea	923.19	785.79	35.7
Hong Kong	3,866.81	2,285.75	12.9
Malaysia	891.36	819.86	8.7
Japan	1,049.11	1,858.87	-4.9
Singapore	2,171.67	1,838.00	22.7
Sri Lanka	1,918.59	1,358.47	44.7
China	1,107.63	1,399.16	-20.9
Philippines	1,882.39	1,579.40	23.4
Australia	3,965.50	3,530.30	23.0
US	1,154.05	1,140.84	1.2
UK	4,886.50	4,464.10	11.9
New Zealand	2,942.64	2,696.07	22.9

Source: Investor Securities.

Fig-2: Performance of Global Markets during June-May 13, 2005



The Securities and Exchange Commission of Pakistan in consultation with the stock exchanges has introduced significant capital market reforms in the fields of risk management, governance, transparency and investor protection. The reform measures provided include the following; (i) Measures for Strengthening Risk Management at the Exchanges. (ii) Amendments in the Listing regulations of the Exchanges relating to rotation of auditors. (iii) Prohibition on use of Group Account by Central Depository System Participants. (iv) Internet Trading Guidelines, 2005. (v) Demutualization of Stock Exchanges. The details of capital markets reforms programs pursued by the SEC is given in the box below:

BOX

Policy Measures and Progress

The Securities and Exchange Commission of Pakistan (SEC) has actively pursued a capital market reform program geared towards the development of a modern and efficient corporate sector and capital market, based on sound regulatory principles that provide an impetus for high economic growth. Provided below are the major reform initiatives introduced during the year under review:

a) Capital Market Developments/Formulation of Securities Laws, Rules and Regulations

- ◆ The SECP has set up a special online investor complaints cell/facility so that investors may lodge their complaints immediately. These are responded to within one day. The SECP will fully take into account any genuine complaints from investors. In case it is found that an investor has been defrauded by a broker, strict enforcement action will be taken by the SECP. The SECP has also been conducting various road shows across smaller cities of Pakistan such as Sialkot, Peshawar and Faisalabad to educate the investors and increase their awareness about the stock market.
- ◆ The SECP, has constituted a Task Force to review the recent market situation with a view to identifying the factors that led to this situation and to suggest measures to further strengthen the regulatory regime. The Task Force is headed by a retired judge. The COT/badla market which is fraught with risk and has been identified as a major source of possible market abuse, is in the process of being phased-out and replaced with the internationally practiced system of margin financing.
- ◆ The SEC has initiated extensive consultative process with the three stock exchanges to a joint action plan for demutualization. The exchanges are in the process of identifying relevant issues, analysis of the results on international experiences and conducting valuation of the respective exchanges, were to be finalized by March, 2005.
- ◆ Clearing House (Registration and Regulation) Rules, 2004: The SEC has finalized the draft "Clearing House (Registered and Regulation) Rules, 2004", in consultation with the National Clearing Company of Pakistan Limited. The Rules were forwarded to the Ministry of Finance for concurrence and onward submission to the Law and Justice Division for approval. The Clearing House (Registration and regulation) Rules, 2004 are aimed at effectively governing and regulating the affairs of a clearing company acting as a clearing house as well as providing for an integrated national clearing system for the settlement of trades executed in respect of companies in the Central Depository System (CDS) on all three exchanges.

- ◆ Futures Market: The SEC approved the 'Eligibility Criteria for Futures Market' and the list of 30 companies eligible for futures trading for the Karachi Stock Exchange (KSE). Similarly, the SE has approved a list of 30 companies eligible for futures trading for the Lahore Stock Exchange (LSE) and 29 companies for the Islamabad Stock Exchange (ISE).
- ◆ Regulations on Proprietary Trading, 2004: In order to check market abuse arising from conflict of interest of brokers in the case of Proprietary trades, the SEC accorded approval to the Regulations for Proprietary Trading, 2004 under section 34(i) of the Securities and Exchange Ordinance, 1962, to ensure fair treatment to clients by brokers and thereby safeguarding investors' interests.

b) Risk Management Measures

- ◆ The Commission held a meeting with the three stock exchanges to implement various measures for strengthening the risk management system (RMS) on April 1, 2005. The exchanges agreed to implement the following: up to 30% profit distribution for the futures market to be reduced to 2%; netting should not be allowed across T+3 and futures positions to determine exposure of a member for the purpose of capital adequacy; pre-trade margin verification at KSE; collection of gross margin (mark to market difference) twice daily; percentage of initial margin in ready market to be collected in cash; collection of margin in form of 100% in cash beyond exposure of Rs 200 million; limit of capital adequacy in the futures market; orders in pre-open can not be changed; change in circuit breakers and shifting a stop to T+1; margins should be based on volatility and liquidity; review of methodology regarding composition and computation of the KSE-100 index; Central Depository Company (CDC) to develop a system for stock borrowing and lending.

c) Amendments in the Listing regulations of the Exchanges relating to rotation of auditors.

- ◆ In order to prohibit unfair trade practices, to prevent misuse in the handling of book entry securities owned beneficially by the investors and maintained by the participants in a group account of central depository system, to inculcate good governance in the business conduct to promote transparency and for investor protection in securities market and in the public interest, the Commission had directed the CDC to implement the following. (i) No book entry securities shall be permitted to be entered by any person in the Group Account w.e.f. April 30, 2005. (ii) Existing book-entry securities in the Group Accounts shall be transferred out of the group accounts by the participant only with due authorization in accordance with the requirements of law no later than April 30, 2005. (iii) The Central Depository Company will disable Group Account functionality after April 30, 2005.

d) Internet Trading Guidelines, 2005

- ◆ In order to address the regulatory concerns arising from the growth in internet trading, the SE/P vide letter dated March 14, 2005 issued the Internet Trading Guidelines, 2005 in accordance with international best practice, in order to provide an appropriate balance between measures that maintain market integrity, provide protection for investors and encourage market development and innovation.

e) Demutualization of Stock Exchanges

- ◆ Pursuant to the joint action plan agreed among three stock exchanges on December 11, 2004, Lahore Stock Exchange (LSE) and Islamabad Stock Exchange (ISE) have issued a joint declaration after the meeting held between ISE and LSE, wherein both exchanges have agreed in principle to support the creation of a unified stock exchange through the merger and integration of LSE and ISE respectively. In this connection, LSE and ISE submitted their reports, wherein both exchanges have given a time bound action plan for the establishing of an integrated stock exchange.

f) **Governance and Transparency Measures**

- ◆ Directive on implementation of Global/Universal ID for Brokers: In order to ensure effective risk management and to promote transparency and good governance in the business conduct of brokers in line with international best practices, the SEC has directed the stock exchanges to ensure that all brokers enter a unique global/universal ID number (representing each customer) at the time of placing an order to buy or sell securities of a customer. Further, the exchanges have constituted a Committee to recommend an appropriate model/strategy for the effective implementation of the Global/Universal Identification.

Sectoral Performance

During the first nine months of the outgoing fiscal year, the KSE 100-share index and aggregate market capitalization of 12 different sector's have increased by 47.2 percent and 55.8 percent respectively, as against their increase of 50.1 percent and 78.3 percent in the same period last year¹. Total turnover of shares on the KSE was 71.7 billion in the first nine months of 2004-05 as compared to 65.2 billion in the same period last year. Funds mobilized by the KSE during this period amounted to Rs 34.1 billion as compared to Rs 61.7 billion in the same period last year. All but two of the 12 major trading groups on the KSE (cotton and other textiles, pharmaceuticals & chemicals, auto & allied, cables and electric goods, paper and board, cement, fuel and energy, transport and communication, banks and other financial institutions, and miscellaneous) witnessed growth in their share indices, ranging from 0.5 percent (banks and other financial institution) to 63.7 percent (fuel and energy). Two sectors namely engineering and sugar & allied encountered slight declines in their share indices. During the calendar year 2004, total profit before taxation of the 12 trading groups amounted to Rs 229.5 billion as compared to their before taxation profit of Rs 136.8 billion in 2003. The performance of leading trading groups and companies for the first nine months of the outgoing fiscal year is discussed below (Table 7.4-7.6).

Table-7.4 : Sectoral Performance on Karachi Stock Exchange (Percent)

Sector	General Index		Market Capitalization		AMC (Rs billion)*	
	July-March (Growth%)		July-March (Growth %)		2004*	2005*
	2003-04	2004-05	2003-04	2004-05		
1. Cotton and other Textiles	34.3	19.3	27.8	34.3	84.0	119.2
2. Pharmaceuticals & Chemicals	49.7	-1.6	48.7	23.3	160.9	195.8
3. Engineering	47.9	46.1	42.3	70.4	6.1	11.5
4. Auto & Allied	51.0	28.7	44.0	22.2	44.0	47.3
5. Cables and Electrical Goods	52.6	-2.2	29.7	29.2	5.8	9.3
6. Sugar & Allied	17.5	41.2	19.0	33.4	8.6	14.8
7. Paper & Board	17.5	11.8	27.9	-7.8	15.3	15.1
8. Cement	67.7	2.5	69.9	16.0	57.0	75.5
9. Fuel & Energy	24.8	63.7	158.7	87.1	495.5	909.0
10. Transport & Communication	36.3	54.9	49.3	60.0	184.0	309.7
11. Banks other Financial Institutions	49.6	0.5	81.2	59.8	180.6	298.9
12. Miscellaneous	31.6	9.6	38.5	10.5	91.4	108.5
13. Overall/Total	38.7	22.8	78.6	55.8	1333.2	2114.8
14. KSE Share Index	50.1	47.2	0	0	0	0

Source: State Bank of Pakistan

* End March 2004 and 2005.

Sectoral information are available only for nine months of the fiscal year.

- ◆ **Cotton and Other Textiles:** In this group there are three sub-groups: (a) textile spinning, (b) textile weaving & composite, and (c) other textiles. There were 217 companies listed with the KSE under this group at the end of December 2004. The share index of cotton and other textiles recorded growth of 19.3 percent during the first nine months of the current fiscal year as compared to a growth of 4.3 percent in the same period last year. Its market capitalization increased by 34.3 percent by Rs 3.5 billion during July-March 2004-05 as compared to a rise of 7.8 percent (Rs 11.2 billion) in the same period last year.
- ◆ **Chemicals & Pharmaceuticals:** A total of 38 companies were listed with the KSE under this group at the end of December 2004. During the first nine months of the current fiscal year its share index has declined by 1.6 percent as compared to an increase of 49.7 percent in the comparable period of last year. Its market capitalization stood at Rs 195.8 billion on 31st March 2005, showing an increase of 3.3 percent over June 2004.
- ◆ **Auto and Allied:** A total of 25 companies were listed with the KSE under this group at the end of December 2004. Its share index increased by 28.7 percent, while its market capitalization increased by 22.2 percent during the first nine months of the current fiscal year.
- ◆ **Sugar and Allied:** Under this group, a total of 37 companies were listed with the KSE with a market capitalization of Rs 14.8 billion. During the first three quarters of the current fiscal year, this share index of sugar and allied posted a growth of 41.2 percent as compared to a rise of 17.6 percent in the comparable period last year.
- ◆ **Cement:** At the end of 2004, there were 21 cement companies listed with the KSE. The cement industry was one of the best performing sectors in the stock market. Its market capitalization increased to Rs 7.5 billion on March 31, 2005 from Rs 65.1 billion in June 2004, recording growth of 16 percent.
- ◆ **Fuel & Energy:** A total of 26 companies were listed with the KSE. It is the most dominant group in the stock market. Its share index grew by 63.7 percent during the first nine months of the current fiscal year, which was the highest among the 12 trading sectors. Its market capitalization increased by a huge Rs 423 billion to Rs 90.0 billion in March 2005 from Rs 485.8 billion in June 2004. Its market capitalization constituted 3.0 percent of the aggregate market capitalization in March 2005. In the corresponding date of the last year market capitalization of this group was 37.2 percent. As well as the fuel and energy sector continued to be one of the major market players in the current year along with transport and communication, banking and finance, and cement. The energy sector has been identified as an engine of growth along with 3 other sectors, (agriculture, small and medium enterprises and information technology) by the government. Companies like OGDC, PS, SNG (SSGC), Hub Power, and Pakistan Oil Fields Co. led the current year's upsurge in the stock market. These companies were the main drivers of the stock market.
- ◆ **Transport & Communication:** At the end of 2004, there were 14 companies of this group listed with the KSE. Its share index and market capitalization increased by 54.9 percent and 60.0 percent respectively during July-March 2004-05 as compared to their rises of 36.3 percent and 49 percent respectively in the same period last year. Its market capitalization at Rs 309.7 billion constituted 14.3 percent of the aggregate market capitalization (AMC) in March 2005 making it a major player on the KSE. The combined market capitalization of fuel and energy, and transport & communication was Rs 1218.0 billion on March 31, 2005, which constituted 57.6 percent of the AMC (Rs 2114.8 billion) as compared to their share of 51.0 percent on the corresponding date of last year.

- ◆ **Banks & Other Financial Institutions:** In December 2004, a total of 159 companies were listed with the KSE. There are 4 sub groups in this group: banks & investment companies, modarabas, leasing companies, and insurance. During the current fiscal year, the share index of this group has marginally increased by 0.5 percent. Its market capitalization however increased by 59.8 percent or from Rs 187.1 billion in June 2004 to Rs 299.0 billion in March 2005.
- ◆ **Miscellaneous:** The miscellaneous group includes five sub-groups: jute, food & allied, glass & ceramics, vanaspati & allied, and others. In December 2003, a total of 92 companies were listed with the KSE, which came down to 89 companies at the end December 2004. Its share index and market capitalization posted growth of 9.6 percent and 10.5 percent respectively in the first nine months of the current fiscal year, as compared to their growth of 31.6 percent and 38.5 percent respectively, in the same period last year.

In December 2004, a total of 663 companies were listed on the Karachi Stock Exchange, including 217 companies in cotton and other textile, 159 in banks and financial institutions, 89 in miscellaneous group etc. In December 2003 a total of 701 companies were listed with KSE. As per the annual report of the KSE 2004, a total of 64 companies were de-listed between 2000-04, including 5 companies in 2000, 12 companies in 2001, 24 companies in 2002, 8 companies in 2003 and 15 companies in 2004. During the same period a total of 68 companies were also merged including one companies in 200, 7 companies in 2001, 16 companies in 2002, 8 companies in 2003 and 36 companies in 2004. In the calendar year 2004, the number of dividend paying companies was 282. In 2004, 422 companies were profit making and 141 companies were shown as loss making. In 2003, the total before taxation profit of the 12 trading groups, listed with the KSE, amounted to Rs 136.8 billion, which increased to Rs 229.5 billion in 2004, showing a growth of 67.8 percent. In the year 2004 all the 12 trading groups earned profit ranging from Rs 1.1 billion (sugar & allied) to Rs 70.2 billion, (Fuel & energy). Fuel & energy, banks and other financial institutions and transport & communication groups, were the most important players in the stock market earning highest profits. Fuel and energy earned a pre-taxation profit of Rs 70.2 billion in 2004 as compared to Rs 20.5 billion it earned in 2003. Banks and other financial institutions with a pre-taxation profit of Rs 49.9 billion was the second biggest profit-earning group in 2004 while transport and communication earned a pre-tax profit of Rs 46.8 billion during 2004. As individual company technology and communication with a pre-taxation profit of Rs 44 billion topped the list followed by OGDC (Rs 43.9 billion). Other sectors, which earned higher pre-taxation profit during 2004, were pharmaceuticals and chemicals (Rs 22.9 billion) and cotton and other textiles (Rs 9.0 billion). The group-wise number of companies and their performance is given in Table 7.5.

Table-7.5 : Companies Listed on KSE and their Before Tax Profits

S. No	Name of Sector	No. of Companies		Before Taxation Profit (Rs billion)		Dividend Paying Companies		Profit Making Companies		Loss making Companies	
		2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
1.	Cotton & other Textile	229	217	6.8	9.0	79	62	120	111	74	69
2.	Pharmaceutical & Chemical	38	38	10.0	22.9	23	24	27	30	9	6
3.	Engineering	13	14	0.9	1.2	4	7	8	9	2	1
4.	Auto & Allied	25	25	9.2	9.8	15	13	21	19	1	3
5.	Cables & Electric Goods	11	10	0.9	1.2	4	4	5	6	2	0
6.	Sugar & Allied	38	37	-0.2	1.1	10	11	15	23	22	12
7.	Paper & Board	13	13	2.2	2.2	7	7	8	9	3	2

Table-7.5 : Companies Listed on ISE and their Before Tax Profits

S. No	Name of Sector	No of Companies		Before Taxation Profit (Rs billion)		Dividend Paying Companies		Profitmaking Companies		Loss making Companies	
		2003	2004	2003	2004	2003	2004	2003	2004	2003	2004
8.	Cement	22	21	-0.6	4.9	8	10	12	15	8	5
9.	Fuel & Energy	25	26	20.5	70.2	19	19	20	22	3	2
10.	Transport & Communication	11	14	41.4	46.8	4	4	7	9	2	3
11.	Bank & Financial Institution	184	159	37.1	49.9	116	81	149	118	21	18
12.	Miscellaneous	92	89	8.7	6.4	30	40	46	51	23	20
	Total	701	663	136.8	229.5	319	282	438	422	170	141

Source: Karachi Stock Exchange

The KSE is primarily influenced by some big blue chip companies including; OGDC, FCL, Pakistan State Oil etc. During the first three quarters of the current fiscal year the combined turnover of shares of ten big companies (OGDC, PTCL "A" Pakistan PTA Ltd, Sui Southern Gas, FF BirQasim, D.G. Khan cement, Fauji Fertilizer Bin Qasim, Fauji Cement and National Bank, Pakistan State Oil and TRG Pakistan Ltd was 12.59 billion which constituted 17.6 percent of the total turnover of the KSE. These ten companies earned profit after taxation of Rs 65.22 billion in the current fiscal year up to March 2005. Out of Rs 65.22 billion after taxation profit, the share of PTCL and OGDC was Rs 51.58 billion representing 79.1 percent of the ten big companies. In the first nine months of 2004-05, PTCL's after taxation profit was (Rs 29.2 billion). The price-earning ratio of the ten big companies ranged from -50.5 in the case of TRG Pakistan Ltd. to 1.4 in respect of OGDC. This indicates that the business environment in the current fiscal year has improved appreciably. (Details in Table 7.6), a profile of the KSE is shown in Table 7.7.

Table-7.6 : Price Earning Ratio July 2004 – March 2005

Company	No. of Shares (in billion)	Profit After Tax (Rs billion)	EPS	Rate	P/E Ratio
Oil & Gas Dev. Company	4.30	22.41	5.21	111.55	21.40
P.T.C.L. A"	3.77	29.17	7.73	70.25	9.09
D.G. Khan Cement	0.18	0.79	4.31	60.00	13.91
Fauji Fertilizer Bin Qasim	0.93	1.83	1.96	29.80	15.20
Fauji Cement	0.37	0.31	0.85	15.60	18.41
National Bank	0.49	4.20	8.53	115.90	13.59
Pakistan Telecom Authority Ltd.	1.51	1.36	0.90	13.40	14.94
Pakistan State Oil	0.17	4.21	24.56	398.00	16.21
TRG Pakistan Ltd.	0.20	-0.06	-0.27	13.85	-50.52
Sui Southern Gas	0.67	1.0	1.49	24.50	16.50
Total/Average	12.59	65.22	5.53	85.39	-

Source: Karachi Stock Exchange

Table-7.7 : Profile of Karachi Stock Exchange

	2001-02	2002-03	2003-04	2004-05 (July-March)
1. Number of Listed Companies	712	702	368	659
2. New Companies Listed	4	2	16	12
3. Furd Mobilizd (Rs Billion)	15.2	23.8	70.7	34.1
4. Listed Capital (Rs Billion)	291.2	300.9	374.1	421.9
5. Turnover of Share (Billion Nos.)	29.1	53.1	170	71.7
6. Average daily Turnover of Share (million)	158.6	257.0	470.7	113.5
7. Aggregate Market Capitalization (Rs Billion)	407.6	755.8	1377.5	2148

Source: Karachi Stock Exchange

The turnover of shares on the Lahore Stock Exchange (LSE) during July-March 2004-05 was 14.0 billion compared to 34.5 billion shares in the same period last year. Total paid up capital with the LSE increased from Rs 361.5 billion in June 2004 to Rs 387.6 billion in March 2005. The LSE index, which was 2828 points in June 2004, increased to 4011 points in March 2005. The market capitalization of the LSE has increased from Rs 1460 billion in June 2004 to Rs 2088 billion in March 2005. Seven new companies were listed with the LSE during July-March 2004-05, as compared to nine in the same period last year. The amount of funds mobilized at the LSE by way of subscription was Rs 37.2 billion in the first nine months of the outgoing fiscal year. A profile of LSE is given in Table-7.8.

Table-7.8 : Profile of Lahore Stock Exchange

	2001-02	2002-03	2003-04	2004-05 (July-March)
a) Number of Listed companies	581	561	534	524
b) New Companies Listed	3	2	19	7
c) Fund Mobilized (*Rs Billion)	14.2	4.1	51.3	37.2
d) Listed Capital (Rs Billion)	246.3	280.1	361.5	387.6
e) Turnover of Share (Billion Nos)	18.3	28.2	19.9	14.0
f) Average daily shares (in mln)	74.3	115.5	80.9	74.6
g) LSE Index	297.5	2034.6	2828.3*	4010.8*
h) Market Capitalization (Rs bln)	393.3	751.2	1406.2	2088.2

* The LSE launched the new LSE-25 index in December 2002.

Source: Lahore Stock Exchange

The turnover of shares on the Islamabad Stock Exchange (ISE) was 2.8 billion shares during July-March 2004-05 as compared to 1.5 billion during the same period last year. The ISE Network index has increased from 11894 points in June 2004 to 12894 points in March 2005, recording a growth of 8.4 percent. Eight new companies were listed and Rs 18.8 billion was mobilized on the ISE during the first nine months of the current fiscal year. The ISE started functioning in August 1992 and within 14 years; it has developed into a vibrant, efficient and stable market. Today, the ISE is one of the premier stock exchanges of the country known for the highest standard of transparency in its operations, excellent risk management, dynamic market technology and lowest overall costs of listing. A profile of the ISE is given in Table 7.9.

Table-7.9 : Profile of Islamabad Stock Exchange

	2001-02	2002-03	2003-04	2004-05 (July-March)
a) Number of Listed Companies	267	260	248	231
b) New Companies Listed	3	1	6	8
c) Fund Mobilized (Rs billion)	3.7	11.5	14.5	18.8
d) Listed Capital (Rs billion)	199.0	233.0	287.5	325.6
e) Turnover of Share (In Billion Nos)	2.7	2.1	1.5	2.8
f) Average Daily Turnover	11.0	8.4	6.0	10.1
g) ISE Network Index	4684.0	8210.1	11894.4	12893.6
h) Market Capitalization(Rs.blm)	292.0	547.0	1082.9	1619.0

Source: Islamabad Stock Exchange

The total funds mobilized during Jan-March 2004-05 in the three stock exchange: (KSE, LE & IS) amounted to Rs 90.1 billion, as compared to Rs 13.5 billion in the last fiscal year. The total turnover of shares in the three stock exchanges during the first three-quarters of the current fiscal year was 88.5 billion, compared to 10.8 billion shares in the same period last year.

During the period under review (Jan-March 2004-05) 17 FICs by 13 companies, amounting to Rs 5.48 billion were listed on the stock exchanges (3 on the Karachi Stock Exchange, one on Lahore Stock Exchange and one on Islamabad Stock Exchange). Furthermore, during the period under review, 12 companies with a paid-up capital of Rs 1.2 billion, 4 companies with a capital of Rs 12.0 billion and 4 companies with a capital of Rs 1.1 billion were listed on the Karachi, Lahore and Islamabad Stock Exchanges respectively.

Mutual Funds

Theoretically, a mutual fund is a pool of money belonging to a group of investors entrusted to a fund manager hired by the group. The fund manager invests the money on behalf of the investors. The fund manager is paid a management fee. If there is a profit on investments, it belongs to the investors. In case there is a loss, it is also borne by the investors. There are two types of mutual funds: 1) closed-end fund and 2) open-end fund. A closed-end fund has a fixed pool of money, which is collected when the fund is set up. An open-end fund does not have a fixed pool of money. Mutual funds invest in a variety of products, i.e. equities, debt instruments, and money market instruments. Such a diversification on the one hand minimizes the probability of losses and on the other hand allows the investors to choose a fund of their own choice.

At present a number of closed end as well as open end mutual funds are operating in Pakistan. Among the oldest are NIT and Investment Corporation of Pakistan (ICP). The largest number of listed mutual funds, twenty-six, are managed by the ICP. There are 11 closed end mutual funds operating in the private sector whereas NIT and ICP operates in the public sector. The Government of Pakistan intends to privatize both the entities.

The size of total mutual funds in India at present is estimated over five trillion Indian rupees. The largest investment in mutual funds in Pakistan, at present, pertains to institutional investors. Whereas in India mutual funds have grown in number and size mainly due to the keen interest of individual investors who have realized the advantage of investing in mutual funds. The mutual funds industry during the past one year has recorded tremendous growth rates where assets grew by 135 percent with introduction of reforms.

The total size of mutual funds in Pakistan is still less than 5 percent of bank deposits. In many developed countries the size of mutual funds is double or equal to the size of bank deposits. There is tremendous growth potential for mutual funds in the country. Most of the small investors in Pakistan have already started using mutual funds as a vehicle to maximize their earnings from the equities market. Commercial banks and insurance companies have also emerged as big institutional investors. The Government of Pakistan also provides safety net to the investors by regulating the mutual fund business. At the end of December 2004, there were 19 close-end Mutual Funds, which earned a profit of Rs 5.3 billion in 2004.

Development Finance Institution (DFIs)

During 2003-04, the DFIs disbursed Rs 3.1 billion and in the first six months of the current fiscal year, they disbursed an amount of Rs 1.9 billion. The loans disbursed by the special banks during 2003-04 amounted to Rs 14.0 billion, while, during the first six months of the current fiscal year, their disbursements amounted to Rs 21.0 billion. In the first nine months of the current financial year, sanctions and disbursements of the investment banks were recorded at Rs 8.4 billion and Rs 7.4 billion respectively. The Islamic Banks disbursed Rs 4.8 billion during 2003-04 while their disbursements were Rs 21.8 billion during the first six months of 2004-05. During 2003-04 the small bank disbursed

an amount of Rs 0.58 billion and during the first six months of 2004-05 its disbursement amounted to Rs 1.0 billion. Micro Credit Bank (FMFBL) disbursed Rs 0.11 billion only in 2003-04 while its disbursement during July-December 2004-05 amounted to Rs 0.26 billion. Total sanctions and disbursements of the housing finance companies (HFCs) amounted to Rs 0.44 billion and Rs 0.30 billion respectively in the first nine months of 2004-05. The leasing companies sanctioned an amount of Rs 17.80 billion out of which they disbursed Rs 16.51 billion while the modarabas sanctioned Rs 8.13 billion and disbursed Rs 7.28 billion, respectively in the first nine months of 2004-05.

National Savings Schemes (NSS)

The Central directorate of National Savings (CDNS) is an attached department of the Finance Division and perform deposit bank functions by selling government securities through a network of 366 savings centers, spread all over the country. There are about 4 million investors in national Saving Schemes (NSS). Presently, Defense Saving Certificates, Regular Income Certificates, Special Savings Certificates/Accounts, Bahbood Saving Certificates, Savings Account, Pensioners' Benefit Account and prize Bonds are in operation. Some of the popular schemes are discussed below:

Defense Savings Certificates: Defense Savings Certificates were introduced by the Government of Pakistan in the year 1966 and are available in denominations ranging from Rs 500 to Rs 1,000,000/-. These certificates are issued for 10 years but encashable any time after one month. The certificates purchased on or after 01-07-2004 earn a profit @ 8.15 percent per annum. The profits on the deposits exceeding Rs 150,000/- are subject to a withholding tax @ 10 percent. Zakat is collected only once at the time of actual encashment. These certificates are available at National Savings Centers, Pakistan Post Offices and the State Bank of Pakistan. The outstanding stock of the scheme was Rs 306.8 billion on March 31, 2005.

Bahbood Saving Certificates: This is a new scheme with 10 years maturity and has exclusively been launched for widows and senior citizens aged 60 years and above. It offers profit on monthly basis. Presently on an investment of Rs 100,000/- the investor gets a monthly profit of Rs 840/- per months. However, the profit earned through this scheme is exempt from the compulsory deduction of Zakat and with holding tax. Premature encashment before completion of one, two, three, and four years entails service charges. The certificates are available in the denominations of Rs 5000/-, 10,000/-, Rs 50,000/-, Rs 100,000/-, and Rs 500,000/-. The minimum deposit limit in this scheme is Rs 5000/- while the maximum limit is Rs 2,000,000/-. These certificates are available at National Saving Centers only. The outstanding stock of the scheme was Rs 72.6 billion on March 31, 2005.

Pensioners' Benefit Account: The PBA has specifically been launched for retired employees of government, autonomous bodies and armed forces. It offers profit on monthly basis. Presently on an investment of Rs 100,000/- the investor gets a monthly profit of Rs 840/-. The profit earned on this scheme is exempt from a compulsory deduction of Zakat and withholding tax. Premature encashment before completion of one, two, three, and four years entails service charges. A maximum of Rs 2,000,000/- can be invested in this scheme in two installments. The outstanding stock in the scheme is Rs 38.4 billion on March 31, 2005.

Prize Bonds: This is a bearer security available in denominations of Rs 200, Rs 750, Rs 500, Rs 7,500, Rs 15,000 and 40,000. No fixed return is paid but prize draws are held on a quarterly basis. Tax at the rate of 10 percent of the prize money is deducted at source. The outstanding stock in the scheme was Rs 158.0 billion on March 31, 2005.

During the fiscal year 2003-04, net deposits with National Saving Schemes marginally increased by Rs 10.6 billion only as compared to a huge net increase of Rs 143.2 billion in 2002-03. In 2003-04 the saving schemes recorded positive growth were Bahbood Saving Certificates (Rs 22.7 billion), Prize Bonds (Rs 22.8 billion), Defense Savings Certificates (3.2 billion) and Special Saving Accounts (Rs 2.9 billion). Net accruals in other saving schemes remained negative and a massive withdrawal was made in the case of Regular Income Certificate (Rs 49 billion) in 2003-04.

Table-7.10 : Net Accruals by National Saving Schemes (Rs Billion)

	2001-02	2002-03	2003-04	July-March	
				2003-04	2004-05
Defense Saving Certificates	22.0 (24.1)	220 (15.1)	3.2 (30.2)	3.8 6.7	-54 (49.)
Special Saving Certificates Registered	36.4 (39.8)	849 (59.3)	-13.2 (-124.5)	10.2 (-8.9)	-422 (387.)
Special Saving Accounts	4.3 (4.7)	51 (3.3)	2.9 (27.5)	0.4 7.0	-13 (16.)
Regular Income Certificates	11.0	-149 (-10.1)	-49.1 (-463.2)	35.1 (-65.8)	-341 (321.)
Pensioners Benefit Accounts	-	102 (7.1)	13.2 (124.5)	11.2 (6.5)	150 (-137.)
Bahbood Savings Certificates	-	-	22.7 (214.2)	13.3 (23.3)	499 (-470.)
National Prize Bonds	11.6 (12.7)	268 (18.7)	22.8 (215.1)	19.1 (5.1)	52 (-47.)
Others	6.1 (6.7)	91 (6.4)	13.1 (123.6)	3.2 6.1	25 (-22.)
Grand Total	91.4 (100)	1432 (100)	10.6 (100)	5.7 100	-109 (10)

Source: Directorate of National Savings

Note: Figures within brackets represent share to total.

Net accruals with the NSS during declined by Rs 10.9 billion during July-March 2004-05 as against the net receipts of Rs 5.7 billion in the same period last year. The Defense Savings Certificates, Special Saving Certificates, Regular Income Certificate, Savings Account and Special Saving Account have shown negative net receipts while the Bahbood Savings Certificates, Pensioners's Benefit Accounts and Prize Bonds have recorded positive net receipts. Massive withdrawals of funds from some aforesaid savings schemes during the current fiscal year is mainly due to lean on institutional investment & decline in rate of return on NSS. Moreover, the availability of better investment opportunities elsewhere, particularly in the stock market and real estate business also added to the decrease in investment in NSS.

The Government of Pakistan has reviewed the rate of return on National Savings Schemes in July 2004. The return on Defense Savings Certificates has been fixed at 8.15 percent per annum (on maturity). The nominal deposit rates for saving schemes which are presently in operation with the NSS ranged between 4.0 percent (Savings Account) to 10.41 percent, (Mehana Amdani) with a weighted average rate of 7.3 percent. With an inflation rate of only 9.1 percent, the real deposit rates in 2004-05 became negative in the case of most saving schemes except Bahbood Savings Certificates and Pensioners's Benefit Account.

Table-7.11 : Nominal and Real Deposit Rates on Savings Schemes During 2001-2005

Scheme (Maturity)	2001-02		2002-03		2003-04		2004-05	
	Nominal Rate(p.a.)	Real Rate	Nominal Rate(p.a.)	Real Rate	Nominal Rate(p.a.)	Real Rate	Nominal Rate(p.a.)	Real Rate
1. Defense Saving Certificates (10 Years)	14.1	10.6	10.03	6.93	7.96	3.36	8.15	-0.95
2. Special Savings Certificate, Registered (3 Years)	12.7	9.2	8.67	5.70	7.27	2.67	6.95	-2.15
3. Regular Income Certificates (5 Years)	12.5	9.0	9.12	6.02	6.96	2.36	6.84	-2.76
4. Mahana Amdani Accounts (7 Years)	12.3	8.8	10.41	7.31	10.41	5.81	10.41	1.31
5. Saving Accounts (Running Accounts)	7.8	4.3	5.00	1.90	4.00	-0.6	4.00	-5.1
6. Pensioners' Benefit Accounts (10 Years)	-	-	11.04	7.94	10.08	5.48	10.08	0.98
7. Bahbood Saving Certificates	-	-	-	-	10.08	5.48	10.08	0.98
8. Prize Bonds (Running Account)	6.0	2.5	6.00	2.90	5.0	0.4	5.00	-4.10
Weighted Average	12.3	8.8	8.8	5.7	7.2	2.6	7.29	-1.81

Source: Directorate of National Savings, Finance Division.

Average inflation was 3.5% during 2001-02; 3.1% during 2002-03; 4.6% during 2003-04 and 9.1% during July-March 2004-05.

The rates offered on the instruments of the NSS are increasingly becoming market based as these are reviewed bi-annually and are being aligned towards the yield on Pakistan Investment Bonds (PIBs) of relevant maturities. Due to declining yield on PIBs since January 2001, the rate on NSS have almost decreased by more than half as compared to those offered prior to May 1999. However, the government has launched two special schemes targeting the deserving segments of the society to protect them against the declining return on the NSS. The Pensioners' Benefit Account has been launched exclusively for retired government/semi government employees, whereas, the Bahbood Savings Certificates have been launched for widows and senior citizens (above the age of 60 years). Moreover, keeping in view the hardship faced by pensioners, senior citizens and widows; the Federal Government has allowed exemption from the deduction of withholding tax on both the schemes with effect from 1st July 2004. In order to provide small savers, an access to the stock market, the Government plans to give maximum administrative and operational autonomy to the CDNS enabling it to launch mutual funds and operates on more professional lines. The accounts of the Directorate are being computerized and National Savings Centers are being shifted to better and specious places. The aforesaid measures will help improve the customer services.

.....

Over the last five years, the government has diligently followed a path of economic reform, with two objectives of improving the country's macroeconomic environment prevailing at the end of the 1990s and also to prepare the economy structurally for global competition. This economic strategy delivered several years of low inflation by its emphasis on promoting macroeconomic stability. Hence, inflation as measured by the CPI, declined from an average of 9.7 percent in the 1990's to over three decades low of 3.1 percent in 2002-03. This price stability was reflected in the other measures of inflation used in Pakistan, the Wholesale Price Index (WPI) as well as the sensitive price index (SPI). However, with high rates of economic growth generated over the last three years in succession, in combination with negative exogenous shocks, price pressure built up noticeably over the course of fiscal year 2004-05. In terms of generating inflation, the phenomenal rise in aggregate demand in the economy, on the one hand was compounded by supply shocks on the other. The adverse external developments which impacted the price level for the fiscal year under review included a surge in international oil prices coupled with an unprecedented rise in world price of commodities due to demand from China. These two factors have combined to spark inflationary pressure not just in Pakistan but in the global economy.

Cognizant of the impact of inflation on the economy, most notably its adverse and disproportionate effect on the poor and vulnerable segments of society as well as its wider effect on purchasing power of the fixed-income group, the government responded in a multi-pronged manner to the rise in the price level. First and foremost a strategy of regular monitoring of domestic stocks of key commodities and their prices was adopted by which the government was able to respond in a timely manner to shortages by importing substantial quantities of wheat and other essential commodities. A high level committee was constituted to monitor the price situation on a daily basis keeping a close watch on the supply and demand conditions. The government also did not pass on the entire increase in the international price of oil to general consumers. To ease off the demand pressures generated by the rising level of economic activity, the State Bank of Pakistan began to tighten monetary policy rather aggressively. The easing of demand pressure through monetary policy and improving the supply situation of food items either through raising their production or through imports are likely to put downward pressure on general price level in coming months.

Price Indices

Four different price indices are published in Pakistan: the consumer price index (CPI), the wholesale price index (WPI), the sensitive price index (SPI) and the GDP deflator. The CPI covers the retail prices of 35 items in 35 major cities and reflects roughly the cost of living in the urban areas. The WPI is used to measure the price movement of selected items in the primary and wholesale markets. The items covered under the WPI are those which are offered in lots for sale. The WPI covers the wholesale price of 106 major items prevailing in the city of origin of the commodities. The SPI covers prices of 53 essential items consumed by those households whose monthly income ranges from Rs. 3000 to Rs. 1200 per month. In most countries, the main focus for assessing inflationary trends is placed on the CPI, because it most closely represents the cost of living. In Pakistan, the main focus is placed on the

CPI as a measure of inflation as it is more representative with a wider coverage of 375 items in 71 markets of 35 cities around the country. The details are documented in Table-8.1.

Table - 8.1: Price Indices in Pakistan Base Year 2000-01=100

Features	CPI	SPI	WPI
Cities covered	35	17	18
Markets covered	71	51	16
Items covered	375	53	106
Number of Commodity Groups	10	-	5
Number of Quotations	106,500	10,404	1550
Income Groups	Four	Rs. 3000/Month	-
Occupational Groups	All Categories combined	3 (Urban)	-
Reporting Frequency	Monthly	Weekly	Monthly

Source: Federal Bureau of Statistics

Inflation during the 1990s

Prices remained volatile during the decade of the 1990s, ranging between 5.7 percent and 13.0 percent mainly because of decelerating economic growth, expansionary monetary policies, output set-backs, higher duties and taxes, a depreciating Pak Rupee, frequent adjustments in the administered prices of gas, electricity and POL products, etc. The changes introduced in the economy added a major element of distortion in economic relations with an inevitable pressure on prices, GDP growth and the performance of the large-scale industrial sector. The pressure on prices intensified in 1994-95 when inflation went up to 13 percent. Both the food and non-food inflation contributed to the persistence of double digit inflation, averaging 12.2 and 10.7 percent respectively against the overall CPI inflation of 11.4 percent during 1990-97 (See Table 8.2). However, the inflation rate has started to decline over the last three years (1998-2000) because of an improved supply position, strict budgetary measures and depressed international market prices. The inflation rate which was at 5.7 percent in 1998-99, has been reduced to 3.6 percent in 1999-2000 and further to 3.1 percent in 2002-03 (the lowest in the last three decades). This low level of inflation has been achieved as a result of strict fiscal discipline, the lower monetization of the budget deficit, an output recovery, a reduction in duties and taxes, and appreciation of exchange rate. Inflation began to pick up after the first quarter of 2003-04, reaching as high as 8.5 percent in June 2004 (i.e. at the end of fiscal year 2003-04) for a variety of reasons including the rise in the support price of wheat, shortages of wheat owing to less than the targeted production, and mismanagement in wheat operations.

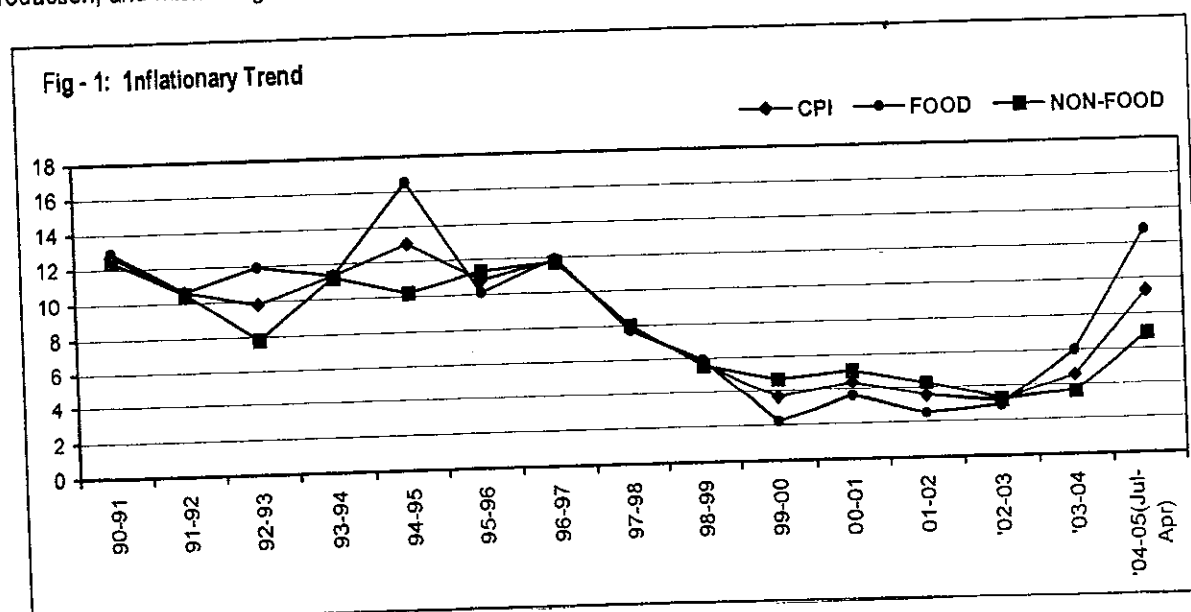


Table -8. 2: Inflationary Trends* (%Change)

Year	CPI				WPI	PI
	Overall Inflation (Headline Inflation)	Food Inflation	Non-Food Inflation	Non-Food Non-Energy (Core Inflation)		
1990-91	12.7	12.9	12.4	12.6	11.7	2.6
1991-92	10.6	10.6	10.5	10.5	9.8	0.5
1992-93	9.8	11.9	7.8	1.4	7.4	0.7
1993-94	11.1	11.3	11.2	10.6	16.4	1.1
1994-95	13.0	16.5	10.2	10.0	16.0	5.0
1995-96	10.1	10.1	11.3	11.0	11.1	0.7
1996-97	11.1	11.9	11.7	11.7	13.0	2.5
1997-98	7.8	7.7	8.0	7.1	6.6	1.4
1998-99	5.7	5.9	5.6	5.2	6.4	1.4
1999-00	3.6	2.2	4.7	4.9	1.8	0.8
2000-01	4.4	3.6	5.1	4.2	6.2	0.8
2001-02	3.5	2.5	4.3	3.6	2.1	1.4
2002-03	3.1	2.9	3.2	2.6	5.9	1.6
2003-04	4.6	6.0	3.6	3.7	7.9	1.8
2004-05(July-Apr)	9.3	12.8	6.9	7.4	6.9	2.0
Average of 1990	9.7	10.1	9.3	3.4	10.0	1.9
Average of 1990-97	11.1	12.2	10.7	3.5	12.2	2.0
Average of 1990-2000	5.7	5.3	6.1	3.0	4.9	1.2
Average of 2000-2005	4.1	5.5	4.6	1.3	5.8	1.1

* Inflation based on CPI, WPI and SPI are at 2000-01 base

Source: Federal Bureau of Statistics

Price developments during 200/05

For the first ten months of the current fiscal year (July 2004 to April 2005), inflation as measured by the Consumer Price Index (CPI, averaged 9.3 percent, compared to 3.9 percent for the corresponding period last year. While food price inflation was recorded at 12.8 percent compared to 4.9 percent for the same period last year, non-food inflation increased to 6.9 percent versus 3.6 percent in the comparable period of last year. Core inflation, arrived at by excluding food and energy costs from headline CPI, also indicated a rising trend for the period under review increasing from 3.3 percent in the July-April period of 2003/04 to 7.4 percent for the first ten months of 200/05 (See Table 8.3)

An analysis of the underlying contributing factors to the rise in inflationary pressure in the economy points to the fact that a phenomenal increase in aggregate demand in the economy, on the one hand, was compounded by supply shocks of principal commodities, on the other. Thus, while all sub-categories of the CPI basket depicted a rise over the period under review in the rate of inflation, the largest contributions to the acceleration in CPI have come from Food (weight: 4%), and House Rent (weight: 23%), with Fuel & Lighting (weight: 7.3%) and Transport & Communication (weight: 7.3%) also making significant, though lower, contributions.

The adverse external developments which impacted the domestic price level for the fiscal year under review included a surge in international oil prices coupled with an unprecedented rise in world price of commodities due to demand from China. Arrivication of the "China factor" in determining world commodity prices came had from the fact that during 2004, China accounted for 27 percent of world demand for steel, 31 percent of coal, and 7. percent of global imports of petroleum.

Table - 8.3: Changes in CPI According to Commodity Group (% Change)

Commodity Groups	Weight	July-April		% age Point Contribution (July-April)	
		2003-04	2004-05	2003-04	2004-05
CPI	100.0	3.9	9.3	3.9	9.3
Food	40.3	4.9	12.8	50.2	55.8
Non-Food	59.7	3.3	6.9	50.0	44.3
Non-Food Non-Energy	52.4	3.3	7.4	44.0	41.8
Apparel, Textile	6.1	3.1	2.6	4.8	1.7
House Rent	23.4	3.8	11.1	22.7	28.2
Fuel & Lighting	7.3	3.2	3.5	6.0	2.8
Household	3.3	3.2	6.0	2.7	2.1
Transport	7.3	2.6	7.6	4.9	6.0
Recreation	0.8	-1.1	-0.2	-0.2	-0.02
Education	3.5	4.2	2.6	3.7	1.0
Cleaning	5.9	3.5	4.4	5.2	2.8
Medicare	2.1	1.1	1.0	0.6	0.2

Source: Federal Bureau of Statistics

It should be noted that the contribution to overall inflation of Fuel & Lighting and Transport & Communication has been significantly dampened by the government's policy of absorbing a large part of the increase in international oil prices since July 2004. Hence, while world oil prices, as measured by the Arabian Gulf price, rose 40 percent over this period (from US\$ 34.5 per barrel to US\$ 48.3 per barrel), domestic prices have increased in a range of 16 percent to around 25 percent depending on product.

Independent econometric work on the pass-through of oil price increases into domestic inflation suggests a slope coefficient of 0.29. This implies that each rise of US\$5 per barrel in international prices, if passed on to domestic consumers completely, would cause an approximately 1.45 percentage point rise in the headline CPI, all other factors holding constant. In addition, the impulse response function generated indicates a high degree of "permanence" of the price shock – i.e. the effect of the pass-through lingers for a number of subsequent periods¹. Thus, it becomes clear from this analysis that if the government had passed on the full increase in world oil price since early 2004, year-on-year CPI inflation would have been significantly higher than the actual outcome.

Like in fiscal year 2003/04, the increase in the price of wheat made a substantial contribution to the rate of rise in food inflation. The mismanagement of wheat stocks by provinces in early 2004 combined with the cumulative effect of successive increases in the support price of wheat in the last two years (amounting to Rs.100 per 40 kg), led to a steep and persistent rise in food inflation. The pass-through impact to CPI inflation of an increase in wheat support price is both significant, as well as empirically well established. The prices of other food items such as beef, mutton, chicken etc. also registered sharp increase owing to 'sympathy effect' on the one hand and demand pressure on the other (See Table 8.4). In addition, clear evidence regarding the formation of producer cartels in key commodities such as sugar, led to a situation where consumers were denied the benefit of record levels of domestic production.

A cursory analysis of the underlying factors behind the build-up in inflationary pressure will point to the large role played by House Rent Index (HRI). With the second largest weight in the CPI basket (23%) after the food & beverage category, the persistent rise in HRI has contributed substantially to the increase in

¹ See ABN Amro Bank's *Economic Focus*, May 30, 2005

headline CPI inflation since July 2004. From a level of 3.8 percent in July-April 2004, the HRI was recorded at 11.1 percent for July-April 2004-05. One possible explanation for the large contribution of HRI to overall CPI comes from anecdotal evidence where it has been observed that a surge in house values has caused rental prices to move up accordingly. This is a natural phenomenon observed throughout the world, where rents move in accordance with the underlying asset value. The other causative factor, however, pertains to the composition of the HRI itself. Rather than measuring rent paid for residential accommodation- the original purpose of the HRI, the subindex, as composed, causes changes in the index of *construction costs*. The components of the HRI include prices of cement, iron and steel, paint and varnishes, brick sands & Bajri, timber, the wages of mason, carpenter, and labour. Hence it is felt that on the basis of the foregoing, it is possible that the HRI is overstating CPI inflation.

Cognizant of the impact of inflation on the economy, most notably its adverse and disproportionate effect on the poor and vulnerable segments of society as well as its wider effect on purchasing power of the fixed-income group, the government responded in a multi-pronged manner to the rise in the price level. First and foremost, a strategy of regular monitoring of domestic stocks of key commodities and their prices was adopted, by which the government was able to respond in a timely manner to shortages by importing substantial quantities of wheat and other essential items. Like in Federal Government where price situation is reviewed weekly, the provincial governments have been asked to do the same in their respective capitals and take necessary measures, if required, to stabilize prices of essential commodities.

Table - 8. 4: Prices of Essential Commodities (Rs.)

Items	Unit	20-02-03	2003-04	July 2004	April 2005	% Change April-05 Jul 04
Wheat	Kg	8.7	10.1	11.16	16.2	4.1
Wheat Flour	Kg	10.1	11.7	13.0	14.6	3.2
Rice Iri-6	Kg	12.2	13.0	14.75	15.2	11.9
Masur Pulse	Kg	35.4	35.4	37.11	43.6	27.2
Moong Pulse	Kg	30.5	28.0	28.20	34.0	21.9
Mash Pulse	Kg	37.6	35.7	36.02	38.3	10.3
Gram Pulse	Kg	31.2	24.7	27.03	30.7	26.6
Beef	Kg	61.2	75.4	89.38	91.4	9.8
Mutton	Kg	124.9	154.1	180.22	196.0	5.2
Sugar	Kg	20.0	19.0	19.38	27.7	38.1
Milk Fresh	Ltr	18.4	19.2	20.57	29.1	6.8
Milk Powder	400 Gr	95.9	94.7	100.12	113.35	3.2
Veg. Chee (Loot)	Kg	55.2	59.1	60.72	60.2	-2.1
Cooking Oil	2.5Ltr	199.6	205.3	211.0	25.00	-2.4
Chicken (Farm)	Kg	54.0	57.1	62.30	60.9	18.2
Eggs (Farm)	Dozen	30.6	30.1	35.84	38.1	-5.7
Red Chillies	Kg	75.9	73.4	78.97	67.9	-24.9
Onion	Kg	8.7	11.2	13.25	17.0	63.2
Potatoes	Kg	9.5	8.6	13.96	10.5	15.0
Tomato	Kg	13.3	19.1	20.40	19.0	-7.7
Garlic	Kg	34.0	32.3	36.50	46.1	24.6

Source: Federal Bureau of Statistics

Additionally, in response to persistent price pressure, the State Bank of Pakistan also began a measured tightening of monetary policy from around July/August 2004. Between 1st July 2004 and 20 May 2005, the State Bank of Pakistan has increased the yield on T-bills between 7.07 percent and 7.91 percent.

depending on instrument maturity. In addition, in order to signal a shift in its monetary policy stance, the central bank raised the discount rate on April 11 2005 by 150 basis points, from 7.5% to 9.0%. This was the first change in the key policy rate of the economy since November 2002.

With a near-record level of wheat production of 21.1 million tonnes in 2004/05, together with the build-up of strategic reserves by the government, it is expected that the price of wheat flour will begin to decline over the coming weeks. Already, the price of this essential commodity has declined from Rs.13.56 per kg in early April to Rs.12.88 per kg in May 27, 2005- a decline of almost 4 percent. With wheat and flour prices stabilizing and the supply of other essential commodities improving, food inflation is expected to decelerate in coming months. With demand pressure easing after tightening of monetary policy, the non-food inflation is also likely to slow down. Therefore, the overall inflation is projected to decline from the current level during 2005-06.

Monthly Inflation

The inflation rate on year to year basis (yoy) during July -April 2004 -05 has increased at a much faster pace in the range of 7-11 percent mainly because of higher increase in food price inflation which, barring December 2004, remained at double-digit level. This is attributed to substantial rise in prices of key consumable items such as sugar, wheat flour, meat, milk, vegetables and fruits etc owing to their deficient supply. However, the non-food inflation increased at a comparatively lesser rate than the food inflation because of not passing the entire increase in international prices of oil to domestic consumers (See Table 8.5).

Table - 8.5: Monthly Inflation Rate (% Change)

Period	2002-03			2003-04			2004-05		
	CPI	Food	Non Food	CPI	Food	Non Food	CPI	Food	Non Food
Jul	4.0	5.8	2.6	1.4	-0.5	2.9	9.3	14.9	5.7
Aug	3.7	4.7	2.8	1.8	0.4	2.7	9.2	14.4	5.9
Sep	3.7	4.7	2.8	2.2	1.4	2.7	9.0	13.1	6.3
Oct	3.5	3.6	3.4	3.5	4.6	2.8	8.7	12.3	6.3
Nov	3.1	2.6	3.5	4.2	5.4	3.5	9.3	13.6	6.3
Dec	3.3	2.6	4.0	5.3	9.0	3.1	7.4	7.9	7.0
Jan	3.4	2.6	4.0	5.3	7.8	3.4	8.5	10.4	7.2
Feb	3.5	2.6	4.1	4.3	5.8	3.3	9.9	12.9	8.0
Mar	2.2	0.5	3.5	5.4	7.6	3.9	10.2	13.3	8.2
Apr	2.2	1.2	3.1	6.0	7.6	4.9	11.1	15.7	8.0
May	2.6	2.6	2.6	7.1	10.2	4.9	-	-	-
Jun	1.9	0.9	2.7	8.5	13.4	5.0	-	-	-

Source: Federal Bureau of Statistics

Inflation by Income Group

To assess the impact of inflation across all income classes, the CPI is also computed for four income group with income limits of Rs.3000/- Rs.12000 per month. A review of inflationary trend during (July-April) across the four income groups indicates a higher incidence of inflation (10.4%) on lower income group's i.e. upto Rs.3000. The relatively higher inflation for low income group is due to higher food inflation. The share of monthly expenditure of this group is high on food items, therefore, higher food inflation has hurt this group proportionately more than to others (See Table 8.6 Fig-3).

Fig-2: Monthly Inflation Rate (CI)

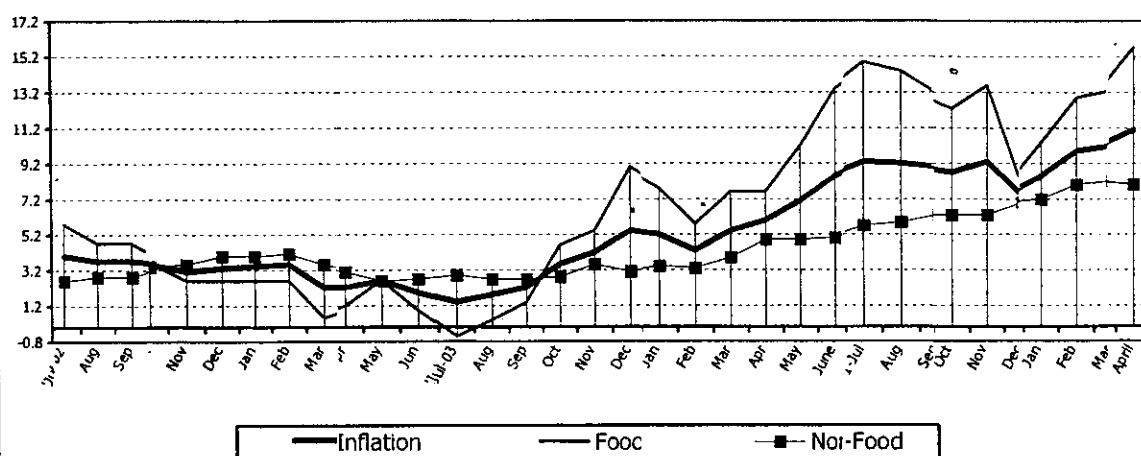
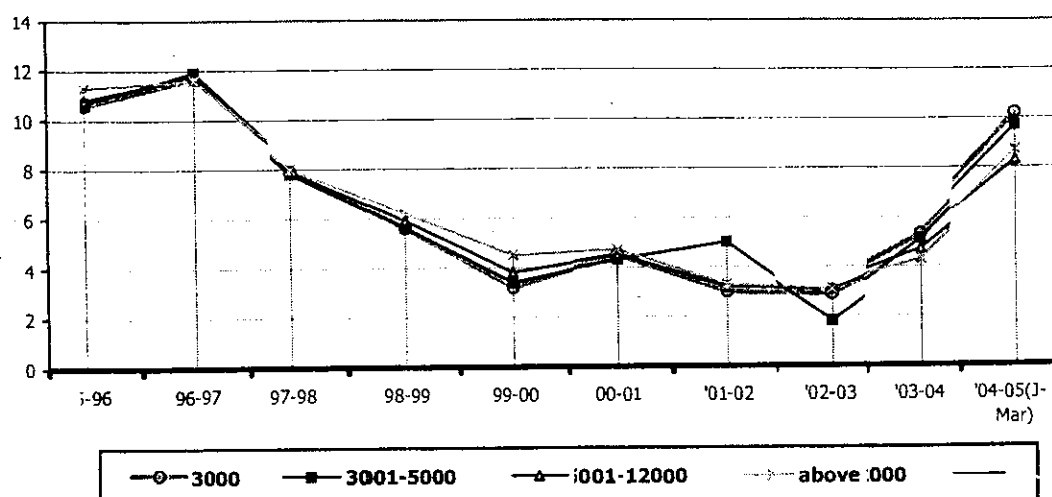


Table - 8.6: Inflation Rate by Income Groups

Period	Overl CP	Upto Rs.3000	Upto Rs.3001-5000	Up Rs.5001-2000	Above 1200
1995-96	10.1	10.6	10.7	10	11
1996-97	11.1	11.7	11.9	11	11
1997-98	7.8	7.9	7.8	7	8
1998-99	5.7	5.6	5.6	5	6
1999-00	3.6	3.2	3.4	3	4
2000-01	4.4	4.5	4.3	4	4
2001-02	3.5	3.0	4.9	3	3
2002-03	3.1	2.9	1.8	3	3
2003-04	4.6	5.3	5.1	4	4
2004-05 (Jul-pr)	9.3	10.4	9.9	9	8

Source: Federal Bureau of statistics

Fig-3: Inflation by Income Groups



Wholesale Price Index (WPI)

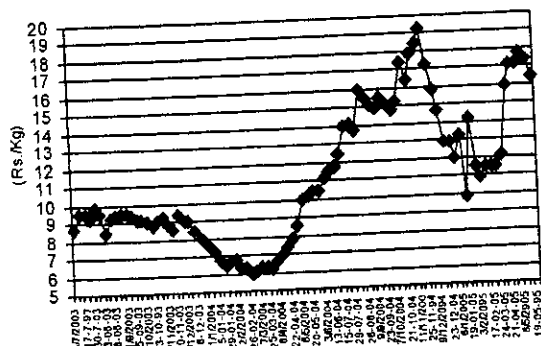
The Wholesale Price Index (WPI) has recorded an upward trend during 2004-05. It increased at a rate of 6.9 percent during (July-April) 2004-05 against an increase of 7.1 percent in the same period of last year. Significant features of wholesale price behaviour indicate that prices of building materials, and fuel, lighting and lubricants have increased over the last year. The higher increase in building materials (15.6%) as against 21.9% increase of last year was due to an increase in the prices of iron bar and sheet and cement owing to the greater demand because of increased construction activities. The increase in fuel and lubricants (14.6%) was mainly due to the rise in the prices of petroleum products. The decline in raw material group was due to the sharp decline in the prices of cotton and cotton related items. The trend in WPI and the contribution of individual groups toward the overall increase in the index are given in Table-8.7.

Table - 8.7: Components of WPI (% Change)

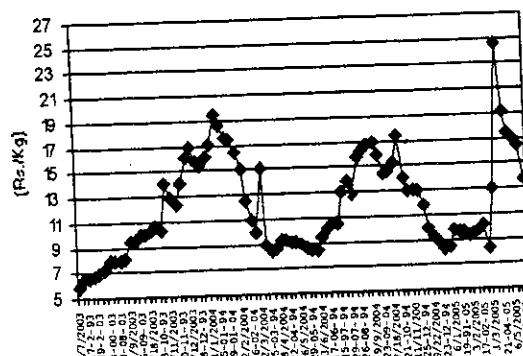
Commodity Groups	Weight	July-April		%age Point Contribution (July-April)	
		2003-04	2004-05	2003-04	2004-05
WPI	100.0	7.1	6.9	7.1	6.9
Food	42.12	6.0	11.0	35.6	67.0
Non-Food	57.88	7.8	4.1	64.2	34.2
Raw Material	7.99	17.6	-17.9	20.0	-20.8
Fuel & Lubricants	19.29	1.0	14.6	2.8	40.9
Manufacturers	25.87	7.7	1.6	28.1	6.1
Building Materials	4.73	21.9	15.6	14.7	10.7

Source: Federal Bureau of Statistics

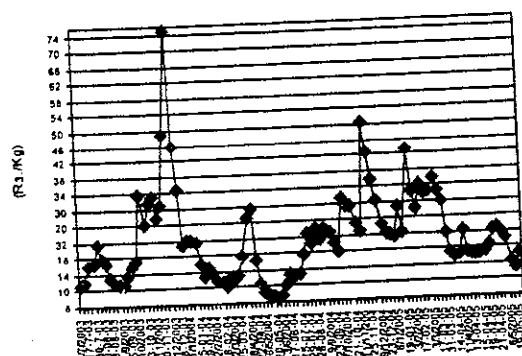
Potato Price



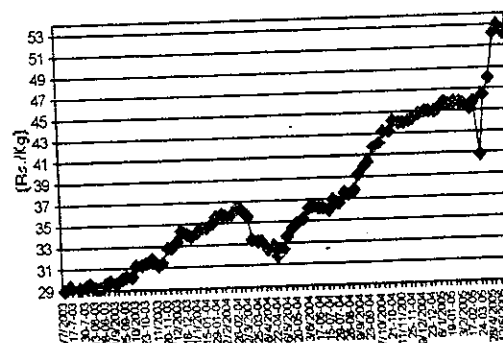
Onion Price



Tomatoes Price



Garlic Price



Sensitive Price Indicator (SPI)

The Sensitive Price Indicator (SPI) during July-April 2004-05, increased by 12.0 percent as against 5.1 percent in the same period last year. Food group alone accounts for 68.2 percent of SPI, therefore, over one-half increase in the SPI owes to the rise in food prices. A review of prices of essential items prevailing in July 2004 over April 2005 indicates the highest increase of 64% in prices of Onion, followed by Masoor pulse (28%), garlic (25%), chicken (19%) and Potato (15%). The increase in prices of potatoes, onion, tomato and garlic has been subject to seasonal variation. Usually, the prices of these items are up during November, start declining during December-March and are lowest in May. Weekly trend in the prices of these commodities are documented in Fig-5. Other items which have also shown a high increase in their prices during the period are sugar, beef, mutton, wheat flour, Moong Pulse and Milk fresh etc. However prices of some items like edible oils, chilies and eggs have declined against the price prevailing in July 2004 (See Table-8.4).

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CURRENT BALANCE OF PAYMENTS

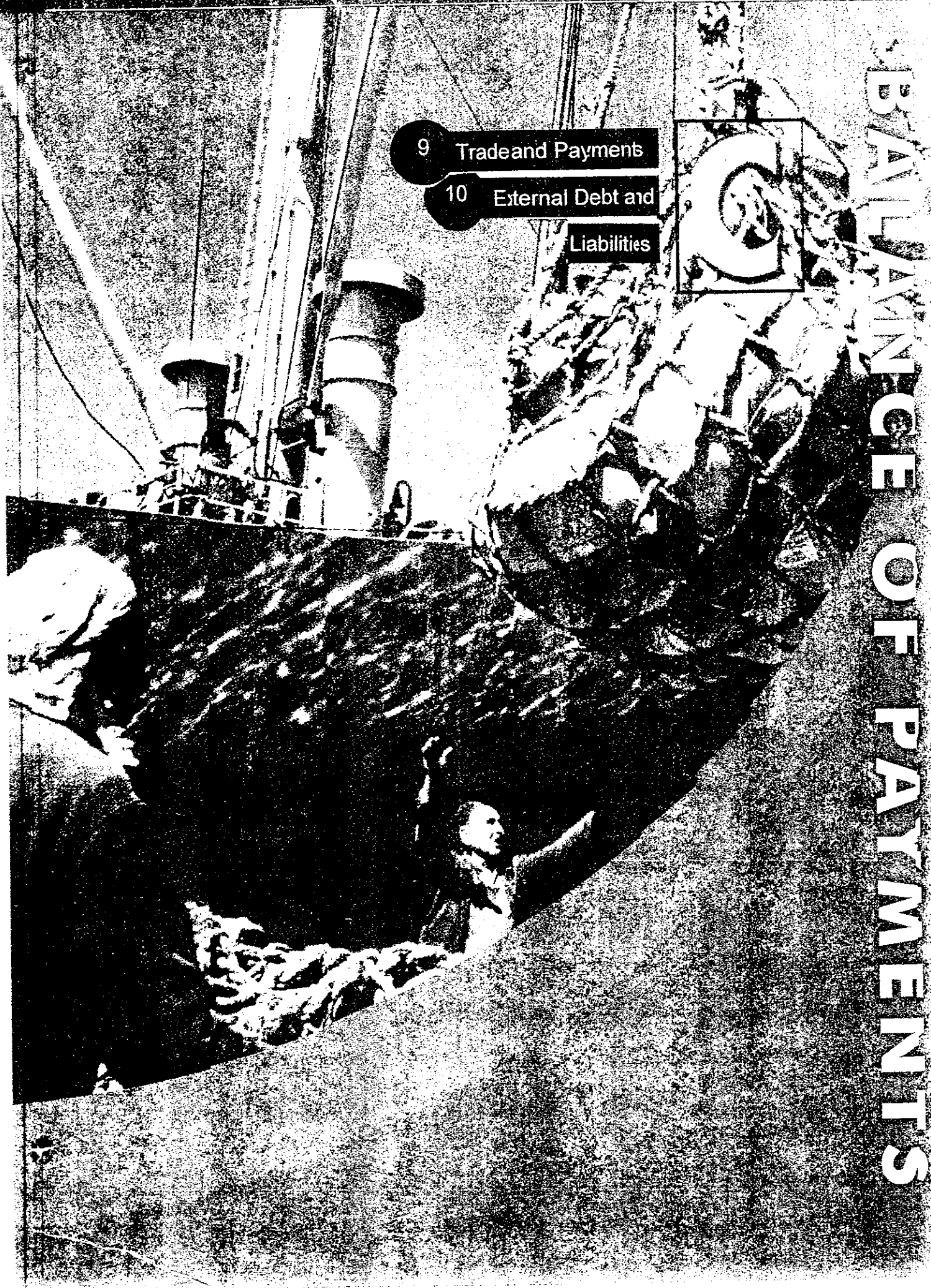
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Trade and Payments

10

External Debt and

Liabilities

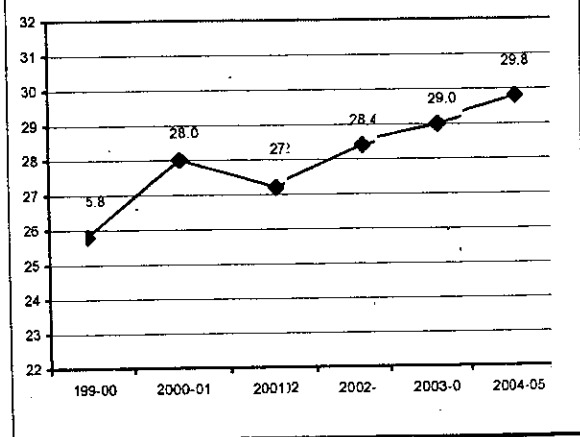


TRADE AND PAYMENTS

Pakistan's external sector is being affected both by structural and cyclical factors. Three years of strong economic growth, complemented by record low interest rate and the ongoing structural shift of many households in Pakistan towards higher consumption have injected new life into domestic spending. The strengthening of domestic demand triggering a pickup in investment spending after a multi-year lull, has fueled Pakistani import growth. Higher global oil prices further added to a massive surge in imports which more than offset the improved outcome from exports and accordingly were the key drivers of the widening trade gap.

Pakistan is gradually improving its international trade performance. While it still lags the merchandise trade-driven Asian economies, Pakistan is slowly getting its act together, with exports and imports graduating to a higher growth trajectory. Economic reforms in the last five years have done much to boost Pakistan's merchandise trade/GDP ratio [See Fig.1]. The share of total trade (exports plus imports) in GDP has jumped 4.0 percentage points in just five years – rising from almost 25 percent to 30 percent and underscoring the growing importance of merchandise trade for Pakistan's economy. In the ensuing pages we review the performance of external sector during the FY 2004-05.

Fig.1: Trade As Percent of GDP



Exports

Exports were targeted to grow by 1.3 percent in 2004-05 – rising from \$ 12.313 billion last year to \$13.7 billion this year. Exports were up by 14.6 percent during the first nine months of the FY 2004-05 – rising to \$ 1006.6 million from \$ 890.2 million in the same period last year, thereby registering an increase of \$ 1304 million in absolute terms. One-half the net increase in exports amounting to \$ 650.7 million has come from non-additional export items (other exports) followed by 2.2 percent (\$ 354.1 million) from other manufactures at 13.4 percent or 174.6

Exports for the month of April 2005 arrived after the finalization of the chapter. Exports during the month of April 2005 amounted to \$ 1301.8 million as against \$ 1095.8 million in the same month last year thus registering growth of 18.8 percent

million from primary commodities exports, while textile manufactures contributed 9.4 percent (\$ 122.0 million) towards additional export earnings [See Fig-2].

Further disaggregation of exports revealed that primary commodities exports during the period (July-March) grew by 23.4 percent to \$ 919.3 million. Within this group a significant rise was witnessed in the export of rice (30.4%) and raw cotton (171.4%) which together added \$ 200 million in net addition to overall exports due mainly to substantial increase in the exports of their quantity (31.0% and 190.3 % respectively). On the other hand, the export of fish & fish preparation declined by 15.4 percent or \$ 17.8 million, owing to 24.4 percent fall in its quantity. The export of textile manufactures, covering 58.5 percent of total exports, registered a modest growth of 2.1 percent and stood at \$ 5972.2 million. The more value added items in this group such as knitwear, towels and made-up articles registered an impressive growth of 22.8 percent, 24.5 percent and 19.2 percent, respectively. In quantity terms, the exports of knitwear and towels were also up by 10.1 percent and 31.6 percent, respectively. Exports of cotton yarn and bedwear on the other hand registered a decline on account of a decline in quantity and unit values. Other manufactures exports with 19.0 percent share in total exports posted a healthy growth of 22.3 percent to \$ 1943.8 million. Within this category, impressive growth was witnessed in the exports of petroleum products (90.2%), engineering goods (66.9%) and chemicals & pharmaceutical products (30.5%). Exports of carpets, leather tanned and leather manufactures also registered a substantial increase of 14.3 percent, 14.7 percent and 11.6 percent, respectively owing to significant increases in their quantity with total contribution to \$ 85.4 million in the overall export earnings [See Table 9.1]. It is important to note that the increase in the value of exports was driven mainly by substantial rise in volume. Thus, with firming up of prices in the international market, exports are likely to rise further.

Fig-2: Percent Contributors to Additional Export Earnings (Jul-Mar 04-05)

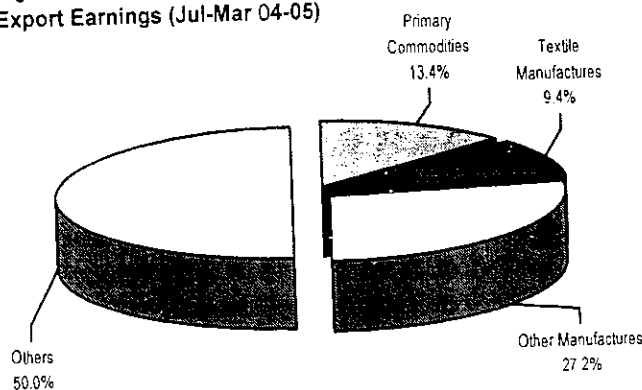


Table 9.1: Structure of Exports (\$ Million)

Particulars	JULY-MARCH		%
	2004-05*	2003-04	
A. Primary Commodities	919.3	744.7	23.4
Rice	601.7	461.4	30.4
Raw Cotton	93.9	34.6	171.4
Fish & Fish Preparation	97.6	115.4	-15.4
Fruits	71.0	77.1	-7.9
B. Textile Manufactures	5972.2	5850.2	2.1
Cotton Yarn	729.4	847.6	-13.9
Cotton Cloth	1333.0	1220.7	9.2
Knitwear	1265.0	1030.5	22.8
Towels	344.5	276.8	24.5
Bedwear	909.9	1007.5	-9.7
Readymade Garments	754.2	733.0	2.9
Made-up Articles	366.2	307.2	19.2
C. Other Manufactures	1943.8	1589.7	22.3
Carpets, Rugs & Mats	187.8	164.3	14.3
Petroleum Products	316.0	166.1	90.2
Sports Goods	211.8	229.2	-7.6
Leather Tanned	202.4	176.5	14.7
Leather Manufactures	347.2	311.2	11.6
Surgical Goods & Instruments	118.0	100.1	17.9
Chemicals & Pharm. Products	256.0	196.1	30.5
Engineering Goods	114.8	68.8	66.9
D. Others	1371.3	720.6	90.3
Total	10206.6	8905.2	14.6

* Provisional

Source: Federal Bureau of Statistics.

Pakistan lost \$ 245.3 million on the export of major items during July-March 2004-05 due to lower export prices prevailing in the international market. Had the unit values of these exports were remained at the last year's level the export growth would have been 17.4 percent instead of 14.6 percent as recorded in the first nine months of the current fiscal year [See Table 9.2].

Trends In Monthly Exports

The monthly export for the period Jul-March, 2004-05 remained consistently above the corresponding months of last year, with the exception of October 2004, averaging \$ 1134.1 million per month against an average of \$ 989.5 million last year. [See Table 9.3 & Fig 3]

Concentration of exports

Pakistan's exports are highly concentrated in a few items namely, cotton, leather, rice, synthetic textiles and sports goods. These five categories of exports

Table 9.2 Export Losses (Fall in Prices) (\$ million)

Commodity	Actual Exports	Export at Last Year's Prices	Losses
Raw Cotton	93.9	10.5	6.6
Cotton Yarn	729.4	73.3	43.9
Bedwear	909.9	93.8	89.9
Towels	344.5	34.3	19.8
Readymade Garments	754.2	82.9	58.7
Synthetic Textiles	221.2	23.3	9.1
Footwear	82.7	13.0	17.3
Total	3135.8	331.1	245.3

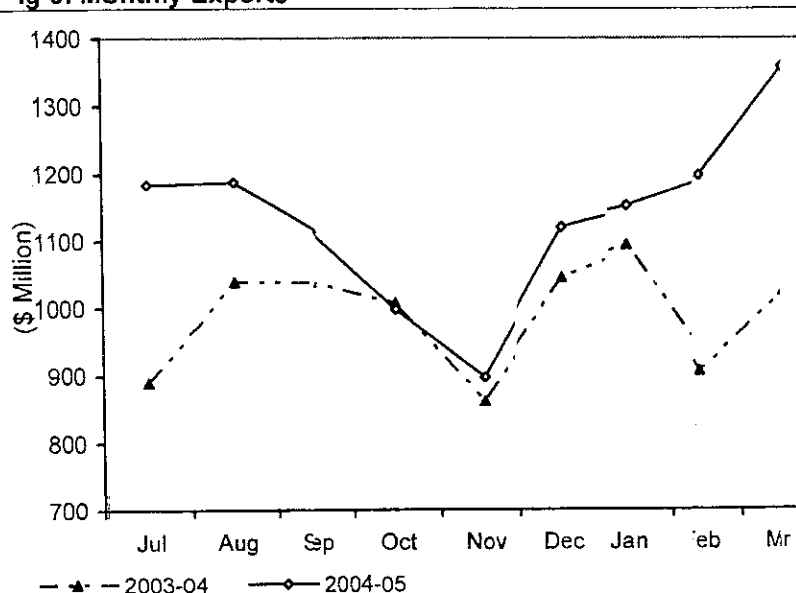
Source: Federal Bureau of Statistics

Table 9.3: Monthly Exports

Month	(\$ Million)	
	2003-04	2004-05
July	86.2	1183.8
August	101.7	1187.7
September	101.8	1113.4
October	101.6	997.8
November	81.6	897.4
December	101.1	1120.4
January	101.0	1151.9
February	95.2	1197.4
March	104.0	1356.8
Monthly Average	99.5	1134.1

* Provisional

Fig-3: Monthly Exports



Source: Federal Bureau of Statistics

accounted for 79. percent of total exports during 2003-04 with cotton alone contributing 63 percent, followed by leather (5.4%), rice (5.2%) and synthetic textiles (3.8%). The degree of concentration remained almost unchanged during the current fiscal year. Further disaggregation reveals that almost all the export earnings of cotton group have originated from textile and clothing. The same degree of concentration, by and large, persisted during 2004-05. Such a high degree of concentration of exports in a few items is a major cause of instability in export earnings. A poor cotton crop would thus seriously affect total export proceeds as has been the case in the past. The annual percentage share of the major export commodities are given in Table 9.4 as well as in Fig 4 & 5.

Exports of textile manufactures are undergoing structural transformation from low to higher value added items. Within the exports of Textile Manufactures the share of cotton yarn and cotton cloth, representing raw material exports, has declined from 19 percent to 12.2 percent and 22.4 percent to 12.3 percent, respectively during the last seven years. On the other hand, the shares of knitwear, bedwear and towels representing value added exports, showed a significant increase from 14.9 percent to 21.2 percent; from 12.1 percent to 15.2 percent; and from 3 percent to 5.8

percent, respectively. The remaining items of exports (readymade garments, made-up articles) did not show any appreciable improvement. Pakistan is therefore, gradually moving towards higher value addition. All available research suggest that Pakistan along with India and China may end up reaping the benefits of the quota free regime of textile trade. [See Table 9.5]

Table 9.4: Pakistan's Major Exports (Percentage Share)

Commodity	90-91	92-93	94-95	96-97	98-99	99-00	00-01	01-02	02-03	03-04	04-05 *
Cotton	61.0	59.8	58.7	61.3	59.1	61.0	58.9	59.4	63.3	62.3	57.3
Leather	9.1	9.3	8.0	7.7	6.9	6.3	5.7	4.9	5.0	5.2	5.9
Rice	5.6	4.7	5.6	5.6	5.1	5.3	5.9	4.5	5.1	3.8	2.2
Synthetic Textiles	5.7	7.4	7.1	6.1	3.3	3.3	2.9	3.3	3.0	2.6	2.1
Sports Goods	2.2	1.9	3.2	3.7	3.3	3.3	2.9	3.3	3.0	2.6	2.1
Sub-Total	83.6	83.1	82.6	84.4	81.3	82.2	80.9	78.9	82.6	79.3	72.9
Others	16.4	16.9	17.4	15.6	18.7	17.8	19.1	21.1	17.4	20.7	27.1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Commerce & FBS

* July-March (Provisional)

Fig-4: Pakistan's Major Exports (1990-91)
[% Share]

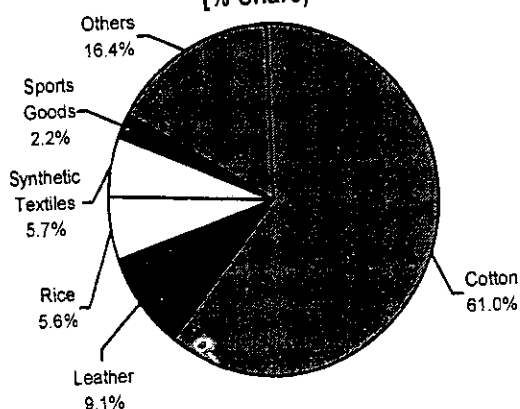


Fig-5: Pakistan's Major Exports (2004-05)
(July-March [% Share])

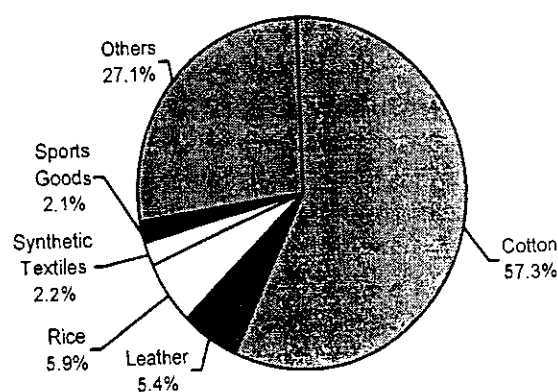


Table 9.5: Export of Textile Manufactures (% Share)

Item	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 *
Cotton Yarn	19.0	19.2	18.7	16.1	12.9	14.0	12.2
Cotton Cloth	22.4	19.6	17.9	19.6	18.6	21.3	22.3
Knitwear	14.9	15.9	15.8	14.6	15.9	18.1	21.2
Bedwear	12.3	12.7	12.9	15.9	18.4	17.2	15.2
Towels	3.6	3.5	4.2	4.6	5.2	5.0	5.8
Tents, Canvas & Tarpaulin	0.8	0.9	0.9	0.9	1.0	0.9	0.8
Readymade Garments	13.1	13.8	14.4	15.1	15.1	12.4	12.6
Synthetic Textiles	8.0	8.2	9.5	7.1	7.9	5.9	3.7
Madeup Articles	5.1	5.5	5.7	6.1	5.0	5.2	6.2
Others	0.8	0.7	-	-	-	-	-
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: FBS & Finance Division

* July-March (Provisional)

Composition of Exports

The composition of Pakistan's export has changed significantly over the years. The principal variations encompass a steep fall in the shares of Primary and Semi-manufactured exports with a corresponding increase in the share of Manufactured Goods. During July-December of the current fiscal year (2004-05), the share of Primary Commodities remained flat at 10 percent, Semi-Manufactures fell by two percentage points and the share of Manufactured Goods moved upward from 78 percent to 80 percent over the same period last year due to larger share of value added exports [See Table 9.6].

Table 9.6: Composition of Exports (% Share)

Year	Primary Commodities	Semi-Manufactures	Manufactured Goods	Total
1990-91	9	24	57	10.0
1992-93	5	27	64	10.0
1994-95	1	25	64	10.0
1996-97	1	27	68	10.0
1998-99	2	18	70	10.0
99-2000	2	18	73	10.0
2000-01	3	18	72	10.0
2001-02	1	18	75	10.0
2002-03	1	1	78	10.0
2003-04	0	18	78	10.0
July-December				
2003-04	0	18	78	10.0
2004-05 *	0	18	80	10.0

* Provisional

Source: Federal Bureau of Statistics

If Semi-Manufactures and Manufactured Goods are taken together, 90 percent of export earnings during 2003-04 and 2004-05 (July-December) originated from Manufactured Exports and only 10 percent from Primary Commodities. This suggests that Pakistan is no longer a country that relies heavily on the Primary Commodities exports for foreign exchange earnings.

Direction of Exports

Although Pakistan trades with a large number of countries its exports nevertheless, are highly concentrated in few countries. About one-half of Pakistan's exports went to seven countries namely, the USA, Germany, Japan, the UK, Hong Kong, Dubai and Saudi Arabia. Among these countries, the maximum export proceeds have come from USA making up approximately one-fourth of the total. Japan's share July-October 2004-05 has slightly picked up after exhibiting a continuous decline on account of a protracted recession in the Japanese economy. The share of exports to Germany, the UK, Hong Kong and Saudi Arabia remained relatively stagnant while that of Dubai has declined mainly due to textile manufactures [See Table 9.7].

Imports

Imports were targeted to grow by 71 percent for the FY 2004-05 – rising from \$ 15.592 billion to \$ 1.7 billion. Pakistan's imports were up by 37.6 percent in the first nine months of the current fiscal year – rising from \$ 1497.4

Table 9.7: Major Export Markets (Percentage Share)

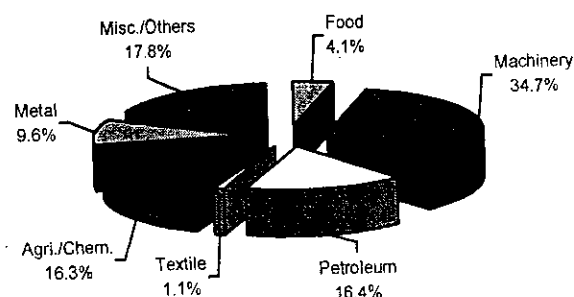
Country	90-91	92-93	94-95	96-97	98-99	99-00	00-01	01-02	02-03	03-04	04-05 *
USA	10.8	13.9	16.2	17.7	21.8	24.8	24.4	24.7	23.5	23.9	25.6
Germany	8.9	7.8	7.0	7.5	6.6	6.0	5.3	4.9	5.2	4.9	4.9
Japan	8.3	6.8	6.7	5.7	3.5	3.1	2.1	1.8	1.3	1.1	1.5
UK	7.3	7.1	7.1	7.2	6.6	6.8	6.3	7.2	7.1	7.6	7.0
Hong Kong	6.0	6.6	6.6	9.4	7.1	6.1	5.5	4.8	4.6	4.7	4.2
Dubai	2.8	5.9	4.0	4.6	5.4	5.7	5.3	7.9	9.0	7.3	2.4
Saudi Arabia	3.6	4.7	2.7	2.6	2.4	2.5	2.9	3.6	4.3	2.8	2.6
Sub-Total	47.7	52.8	50.3	54.7	53.4	55.0	51.8	54.9	55.0	52.3	48.2
Other Countries	52.3	47.2	49.7	45.3	46.6	45.0	48.2	45.1	45.0	47.7	51.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Commerce

million to \$ 14468.6 million, showing an increase of \$ 3971.2 million in absolute terms.[†] The major contributors to this additional import bill have been the machinery group (\$ 1379.5 million or 34.7%) followed by petroleum group (\$ 652.3 million or 16.4%) and agricultural/chemicals group (\$ 648.6 million or 16.3%). The details are given in Fig-6.

The extra-ordinary increase in imports during July-March 2004-05 owes mainly to strengthening domestic demand and higher prices of crude oil and petroleum products. The surge in domestic demand fueled an exceptional 41.5 percent increase in non-food non-oil imports. In particular, imports of machinery, chemicals and metal group were up by 54.9 percent, 32.9 percent and 79.6 percent, respectively as domestic investment has come back to life owing to stronger domestic and external demand. These three groups alone accounted for over one-half of total imports, clearly reflecting the growing level of domestic investment. Rising prices of international oil are a major negative for Pakistan. The unprecedented rise in oil prices has struck the economy at a time when domestic demand is showing signs of acceleration as imports of both crude and petroleum products are up by 18.8 percent and 8.4 percent, respectively in quantity terms pushing the total oil import bill up 30.9 percent. The share of oil imports in total imports remained at around 19 percent in the first nine months of the current FY 2004-05. Both quantity and prices are responsible for the surge in imports as 69 percent rise is accounted for quantity and the remaining 31 percent to the rise in prices of major import items [See Table 9.8].

Fig-6: Percent Contributors to Additional Import Bill (Jul-Mar 04-05)



[†] Imports for the month of April 2005 arrived after the finalization of the chapter. Imports for the month of April 2005 amounted to \$ 1903.3 million as against \$ 1508.7 million in the corresponding month of last year, thus registering a growth of 26.2 percent. Compared with import growth of the first nine months, growth in imports in April has slowed.

Table 9.3: Structure of Imports (\$Million)

Particulars	JULY-MARCH		Change
	2004-2005*	2003-2004	
A. Food Group	942.3	781.1	20.6
Wheat Unmild	56.1	15.1	271.5
Tea	175.0	151.2	15.7
Soyabean Oil	48.9	40.3	21.3
Palm Oil	477.7	465.9	2.5
Sugar	10.4	2.2	372.7
Pulses	82.8	52.8	56.8
B. Machinery Group	3892.1	2512.6	54.9
Power Generating Machinery	272.5	205.3	32.7
Textile Machinery	697.4	419.4	66.3
Const. & Mining Machinery	112.1	73.0	53.6
Electrical Mch. & Apparatus	228.4	179.9	27.0
Agri. Machinery	48.7	23.8	104.6
C. Petroleum Group	2760.5	2108.2	30.9
Petroleum Products	1149.4	935.5	22.9
Petroleum Crude	1611.1	1172.7	37.4
D. Textile Group	238.0	194.2	22.5
Synthetic Fibre	108.3	75.6	43.2
E. Agri/Other Chemicals Group	2620.7	1972.1	32.9
Fertilizer	262.3	190.8	37.5
F. Metal Group	857.2	477.4	79.6
Iron & Steel	625.4	351.2	78.1
G. Miscellaneous & Others	3157.8	2451.8	28.8
Total	14468.6	10497.4	37.8
Excluding Petroleum Group	11708.1	8389.2	39.6
Excluding Petroleum & Food Groups	10765.8	7608.1	41.5

* Provisional

Source: Federal Bureau of Statistics

Pakistan had spent \$ 536.7 million more on the import of major items during July-March 2004-05 due to higher import prices prevailing in the international market [See Table 9.3]. Had the unit values of these import items remained at the previous year's level, the imports would have been lower at 13931.9 million against \$ 10497.4 million and the import growth would have been 32.7 percent instead of 37.8 percent as achieved during the first nine months of the current fiscal year.

Trends in Monthly Imports

The monthly imports during July-March, 2004-05 remained consistently higher compared to the

Table 9.4: Additional Import Bill as Result of the Risen Import Prices July-March 2004-05* (\$ Million)

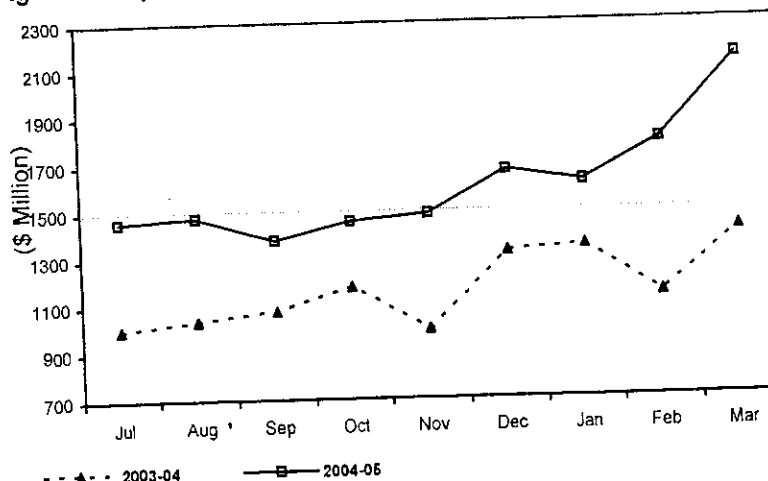
Commodity	Actual Imports	Imports at Last Year's Prices	Additional Bill
Dry Fruits	29.9	12	13.7
Soyabean Oil	48.9	34	17.5
Petroleum	1149.4	1017	135.7
Product:	1611.1	1390	218.1
Petroleum Crude	108.3	85	19.8
Synthetic Fibre	162.3	216	51.8
Fertilizer	262.3	514	66.5
Plastic Material	65.0	54	13.6
Rubber			
Total	3155.8	3311	536.7
* Provisional	Source: FB& E.A.Wg, Finance Division		

same months of last year. Imports averaged \$ 1607.6 million per month during this period as against \$ 1166.4 million for the comparable period last year. Thus, on average, imports have risen by \$ 441.2 million per month during this period. The monthly imports are tabulated in Table 9.10 and Fig-7.

Table 9.10: Monthly Imports

Month	(\$ Million)	
	2003-04	2004-05
July	999.8	1457.7
August	1035.1	1475.2
September	1077.6	1377.7
October	1176.5	1456.4
November	991.5	1483.4
December	1323.8	1667.1
January	1345.6	1617.3
February	1139.4	1790.8
March *	1408.1	2143.0
Monthly Average	1166.4	1607.6

Fig-7: Monthly Imports



Source: Federal Bureau of Statistics

* Provisional

Concentration of Imports

Like exports, Pakistan's imports are also highly concentrated in a few items namely, machinery, petroleum & petroleum products, chemicals, transport equipments, edible oil, iron & steel, fertilizer and tea. These eight categories of imports accounted for 70.3 percent of total imports during 2003-04. Among these categories machinery, petroleum & petroleum products and chemicals accounted for 54.2 percent of total imports. Considerable structural changes have also taken place in some subsets of these imports over the years. The declining trend in the share of machinery has reversed owing to higher level of investment in the country. The share of chemicals depicted a gradual rising trend till 2000-01 after which it tapered off but increased again during the current fiscal year due to higher imports of fertilizer, insecticides and plastic material. The share of edible oil and petroleum & petroleum products has started to decline – mainly on account of higher domestic production in the case of former and rising international prices as well as higher domestic production in case of latter [See Table 9.11].

Table 9.11: Pakistan's Major Imports (Percentage Share)

Commodities	90-91	92-93	94-95	96-97	98-99	99-00	00-01	01-02	02-03	03-04	04-05*
Machinery **	20.5	24.3	22.8	23.1	17.9	13.9	19.3	17.1	18.5	17.8	21.1
Petroleum & Products	22.2	15.5	15.3	19.0	15.5	27.2	31.3	27.1	25.1	20.3	19.1
Chemicals @	12.8	12.5	14.0	13.4	16.6	17.5	20.0	15.9	15.1	16.1	16.3
Transport Equipments	6.7	12.5	5.9	4.7	5.7	5.5	4.0	4.8	5.6	5.6	5.8
Edible Oil	5.3	5.9	9.6	5.1	8.7	4.0	3.1	3.8	4.8	4.2	3.6
Iron & Steel	3.3	3.2	3.6	3.9	3.1	3.0	2.6	3.3	3.3	3.3	4.3
Fertilizer	3.5	2.5	1.2	3.2	2.8	1.9	1.6	1.7	2.1	1.8	1.8
Tea	2.2	2.1	1.8	1.1	2.4	2.0	1.9	1.5	1.4	1.2	1.2
Sub-Total	76.5	78.5	74.2	73.5	72.7	75.0	83.8	75.2	75.9	70.3	73.2
Others	23.5	21.5	25.8	26.5	27.3	25.0	16.2	24.8	24.1	29.7	26.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Commerce & FBS

* July-March (Provisional)

** Excluding Transport Equipments

@ Excluding Fertilizer

Composition of Imports

The composition of Pakistan's imports has not witnessed any appreciable change over the years. The share of raw materials for consumer goods in the total imports continued to be high while that of capital goods remained low. The share of capital goods exhibited an upward trend — mainly because of higher level of investment in the country. The share of consumer goods has declined owing to higher domestic production. During the first half of the current fiscal year (July-December, 2004) the share of consumer as well as capital goods remained flat 10 percent and 11 percent, respectively, while that of raw material for consumer goods fell by one percentage point due to higher domestic production. The share of raw material for capital goods showed an improvement of one percentage point during this period owing to higher level of investment. The details are given in Table 9.12.

Table 9.12: Composition of Imports (% Share)

Year	Capital Goods	Raw Material for		Consumer Goods	Total
		Capital Goods	Consumer Goods		
1990-91	33	7	44	100.0	
1992-93	42	6	38	100.0	
1994-95	35	5	46	100.0	
1996-97	37	5	43	100.0	
1998-99	31	6	47	100.0	
99-2000	26	6	54	100.0	
2000-01	25	6	55	100.0	
2001-02	28	6	55	100.0	
2002-03	31	6	53	100.0	
2003-04	35	7	49	100.0	
July-December					
2003-04	31	7	52	100.0	
2004-05 *	31	8	51	100.0	
* Provisional				Source: Federal Bureau of Statistics	

* Provisional

Source: Federal Bureau of Statistics

Direction of Imports

Pakistan's major imports are highly concentrated in few countries. About one-half of them continue to originate from just seven nations namely, the USA, Japan, Kuwait, Saudi Arabia, Germany, the UK and Malaysia. By and large, the relative shares of imports have remained almost the same over the years. The shares of the USA and Japan, with some fluctuations, mostly exhibited a declining trend because of the shift in the import of machinery/capital goods and raw materials to other sources. On the other hand, the share of Pakistan's imports from Saudi Arabia has been rising due to higher imports of petroleum products. Malaysia's share has shown a rising trend, as well as a falling trend over the years mainly on account of fluctuations in palm oil prices. The same trends with some fluctuations continued during 2004-05 (July-October) [See Table 9.13].

Table 9.13: Major Sources of Imports (Percentage Share)

Country	90-91	92-93	94-95	96-97	98-99	99-00	00-01	01-02	02-03	03-04	04-05 *
U.S.A.	11.8	9.1	9.4	12.0	7.7	6.3	5.3	6.7	6.0	8.5	7.1
Japan	13.0	15.1	9.6	8.6	8.3	6.3	5.3	5.0	6.6	6.0	7.1
Kuwait	0.7	3.1	5.8	6.9	5.9	12.0	8.9	7.1	6.6	6.4	5.1
Saudi Arabia	6.2	5.1	4.9	6.0	6.8	9.0	11.7	11.6	10.7	11.4	12.1
Germany	7.3	7.1	6.8	5.6	4.1	4.1	3.5	4.3	4.6	3.9	3.1
U.K.	4.9	5.1	5.1	5.0	4.3	3.4	3.2	3.4	2.9	2.8	2.1
Malaysia	4.0	5.1	8.8	4.7	6.7	4.3	3.9	4.4	4.6	3.9	4.1
Sub-Total	47.9	51.1	50.4	48.8	43.8	45.4	41.8	42.5	42.0	42.9	42.1
Other Countries	52.1	48.9	49.6	51.2	56.2	54.6	58.2	57.5	58.0	57.1	57.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

* July-October

Source: Ministry of Commerce

Trade Balance

Pakistan's trade deficit has widened beyond target for the current fiscal year owing to a much faster increase in imports compared with exports. During July-March, 2004-05 trade deficit amounted to \$ 4262.0 million and was up sharply from \$ 1592.2 million in the same period last year.[†] An exceptionally strong growth of 41.5 percent in the non-food non-oil imports (basically represents imports of machinery, equipments, raw material), which was in line with robust growth in the economy, caused a relatively larger increase in over all imports than exports. Oil prices on the other hand are also very high which have also caused imports to grow much faster. Accordingly the trade deficit is high and likely to remain high during the remaining period of the current fiscal year. However, excluding oil import bill, trade deficit amounted to only \$ 1501.5 million in the first nine months of 2004-05.

Terms of Trade

The terms of trade with base year 1990-91 (equal to 100) aggregated to 78.7 during 2003-04 as compared to 82.1 of 2002-03, showing a deterioration of 4.1 percent. The increase in unit prices of petroleum, chemicals and metal groups caused terms of trade to deteriorate. This declining trend has persisted and the terms of trade during the first half of the current fiscal year worsened by 4.0 percent down to 76.5 over the level of 79.7 recorded in the same period last year. The increases in unit prices of major import items, especially edible oil, POL and chemicals, in the international market have adversely impacted the terms of trade. The export unit value index during this period was up by 5.3 percent while the import unit value index showed a rise of 9.7 percent. [See Table 9.14]. The trend depicted by the terms of trade is also shown in Fig. 8.

Table 9.14: Unit Value Indices and Terms of Trade (Base year 1990-91 = 100)

Year	Unit Value Indices		Terms of Trade
	Exports	Imports	
1991-92	119.9	131.9	90.9
1993-94	142.9	141.2	101.2
1995-96	185.4	185.5	99.9
1997-98	245.6	198.9	123.5
1998-99	258.4	223.3	115.7
99-2000	253.8	259.0	98.0
2000-01	271.5	298.4	91.0
2001-02	271.2	298.6	90.8
2002-03	254.0	309.5	82.1
2003-04	279.6	355.4	78.7
July-December			
2003-04	270.8	339.9	79.7
2004-05 *	285.2	372.8	76.5

Source: Federal Bureau of Statistics

* Provisional.

[†] Trade deficit for July-April 2004-05 arrived after the finalization of chapter. During the first ten months (July-April) of the current fiscal year, trade deficit stood at \$ 4842.6 million as against \$ 2005.1 million in the same period last year.

Trade Policy

Trade policy (2004-05) aims to enhance export proceeds by improving world market share of Pakistan's core exports in major markets. For this, the focus is on sustainable value addition through capacity building and capability enhancement of exporters. It also strives to achieve product and geographic diversification, besides reducing the cost of doing business in Pakistan. The policy facilitates regional as well as bilateral trade agreements for enlarging market access and endeavors to build international confidence on protection of intellectual property rights. Salient features of the existing trade policy are as follows:

- All goods are freely importable and exportable except for those very few categories which are prohibited for social, moral and security reasons or restricted for other similar requirements consistent with WTO
- Trade policy is not being used for protection of locally produced goods;
- Trade policy is being kept highly fine tuned to the felt needs of the business community. Litigations and bottlenecks are being regularly removed and participation of business community is extensively ensured;
- There are no import quotas except for those introduced for phasing out Chloro-Fluoro-Carbon gas and a few WTO compatible Tariff-Quotas allowed to SAARC countries;
- Unnecessary NOC requirements have been done away with.

Trade policy reforms have been duly supported by corresponding tariff policy reform. The top tariff rate has been reduced from 120 percent in 1985 to 25 percent since 2001 [See Fig-9]. The number of tariff bands has also been reduced from 42 in 1985 to only 4 since 2001. Ad-valorem method of taxation has been adopted instead of a mix of specific, composite and alternate tariff methods. There are no para-tariffs. The dutiable base of import regime has expanded to 6 percent in 2005 from 48 percent in 1985 while the exempt regime has shrunk to 5 percent in 2005 from 52 percent in 1985. The applied tariff of almost half of the import regime is zero percent to 5 percent. The simple average tariff is now only .5 percent on dutiable & exempt imports taken together and the SRO regime has been reduced to a bare minimum.

Fig-8: Terms of Trade (base year 90-91=100)

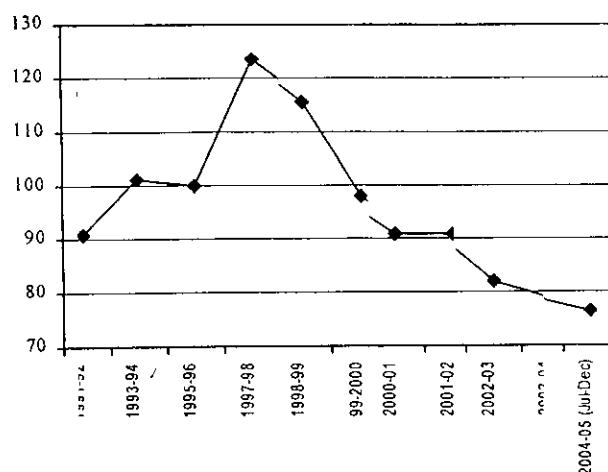
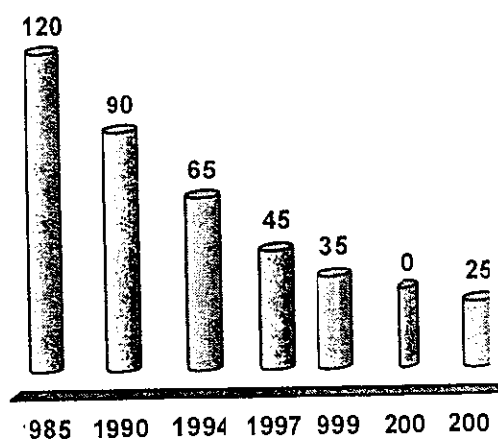


Fig-9: Tariff Rates Reduction (%)



The trade and tariff regimes have gradually been liberalized over the years. In the 1950s, Pakistan had a restrictive import regime and over-valued exchange rate. In the 1960s, Pakistan followed policies of import substitution. In the late 1970s, gradual liberalization of trade regime was initiated. During the 1980s, policies focusing on export-led growth were followed which included removal of anti export bias, reduction of non-tariff barriers, and moving towards a flexible exchange rate mechanism. During the 1990s, the trade regime was comprehensively liberalized.

Balance of Payments

Pakistan's current account balance has slipped into red in 2004-05 after posting surpluses for three consecutive years. The deterioration in the current account is driven by substantially wider trade deficit owing to higher oil import bill and hefty gains in non-oil imports fueled by strong domestic demand. The current account deficit, excluding official transfers, stood at \$ 1358 million during July-March 2004-05 as against a surplus of \$ 1505 million in the same period last year. The reversal from surplus to deficit was attributed mainly to widening of trade deficit and higher net outflows under services account. A marked increase of 41.5 percent in non-food non-oil imports (basically represents import of machinery, equipments and raw material) along with higher POL import bill of \$ 2760.5 million caused trade gap (f.o.b) to expand by \$ 2733 million in July-March, 2004-05. The net outflows under the services account surged to \$ 4238 million, showing an increase of 89.2 percent or \$ 1998 million. Higher freight charges by international shipping lines as a result of sharp increase in global trade and higher fuel cost; growth in personal travel due to the rising levels of income of middle and high income individuals; and exchange companies payments, etc., were the contributing factors to the deterioration in services account. However, the inflows under private transfers depicted a significant increase of 42.6 percent and aggregated at \$ 6258 million. Buoyant trend in private transfers was largely attributed to rising workers remittances and resident foreign currency accounts. Thus, despite sharp deterioration in trade balance the current account deficit remained modest at \$ 1,358 billion during the first nine months of the current fiscal year. The flow under long term capital (net) improved markedly and has risen to \$ 1775 million from a negative of \$ 291 million of the same period last year. Thus, the first three quarters of the current fiscal year ended with a built up of \$ 410 million in reserves. [See Table 9.15].

Table 9.15: Balance of Payments (\$ Million)

Components	2002-03	2003-04	July-March	
			2003-04	2004-05 (P)
Trade balance	-444	-1212	-645	-3378
Exports (fob)	10889	12395	9175	10572
Imports (fob)	-11333	-13607	-9820	-13950
Services (net)	-2128	-3585	-2240	-4238
Private transfers (net)	5737	6110	4390	6258
Workers remittances	4237	3871	2875	3051
Current account balance			1505	-1358
Excluding official transfers	3165	1313	-291	1775
Long term capital (net)	1035	-200	-1044	-410
Changes in reserves (- ve = Increase)	-5209	-826		

Source: State Bank of Pakistan.

P: Provisional

Workers' Remittances

Workers' remittances, the second largest source of foreign exchange inflow after exports, continue to maintain its rising trend. Workers' remittances totaled \$ 3451.5 million during the first ten months (July – April) of the current fiscal year as against \$ 3210.6 million in the same period last year, depicting an increase of 7.5 percent. The monthly average of remittances in the first ten months stood at \$ 345.2 million as against \$ 321.1 million in the same period last year, showing an increase of \$ 24.1 million every month [See Table 9.16].

The United States continues to be the single largest source of cash workers' remittances accounting for 33 percent or \$ 176.2 million, followed by the AE (\$ 580.9 million or 16.9%), Saudi Arabia (\$ 06.2 million or 1.7%), UK (\$ 310.0 million or 0%) and Kuwait (\$ 179.4 million or 5.2%). Given the trend so far it is likely that workers' remittances may touch \$.2 billion in 2004-05. Remittances have so far proved remarkably resilient and have hovered around \$ 4.0 billion since 2002-03.

A closer look at table 9.17 shows that remittances from Saudi Arabia, UAE and other Gulf countries amounted to \$ 151 million during July-April 2004-05 as against \$ 134.3 million in the same period last year, suggesting an increase of 12.7 percent during the period. Remittances from these countries/region accounted for 4 percent of cash remittance this year. Remittances from USA amounting to \$ 1076 million and accounting for 1 percent of cash remittances has increased by 7.8 percent. Similarly remittances from UK and other European countries amounting to \$ 393 million and accounting for 1.4 percent of cash remittances grew by 17.7 percent. Empirical evidence suggests that remittance have helped recipient countries maintain macroeconomic stability and mitigate the impact of adverse shocks.

Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves, with some fluctuations, maintained an upward trend during the current fiscal year. By end April 2005, reserves touched all time high at \$ 13,000.2 million. Of which, reserves held by the State Bank of Pakistan amounted to \$ 10,231.1 million and by bank stood at \$ 2,769.1 million. Since end-July 2004 and until end-April 2005, Pakistan has added \$ 96.5 million in its foreign exchange reserves. The rising trend depicted by the foreign exchange reserves is shown in Fig-10.

Many factors contributed toward this comfortable position of reserves. The most prominent among those are: private transfers that include remittance, higher export proceeds, flotation of bonds and higher FDI flow. With this build up in reserves, Pakistan is in a position to meet any abnormal shock on external front.

Table-9.6: Workers' Remittances (\$Million)

Monthly Cash Inflow *	2003-04	2004-05	% Change
July	307.23	336.1	7.6
August	280.87	337.0	20.9
September	318.38	312.4	-1.7
October	328.52	334.0	1.9
November	253.08	293.1	15.3
December	385.71	330.8	-12.8
January	382.31	323.8	-15.9
February	289.49	332.9	17.2
March	329.67	447.0	34.6
April	335.31	400.0	19.6
July-April	3210.57	3455.1	7.5
<i>Monthly average</i>	<i>321.1</i>	<i>345.2</i>	<i>7.5</i>

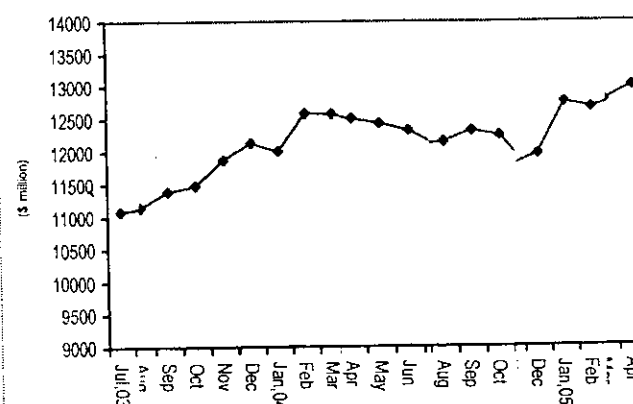
* Including FEBCs and FCBCs Source: State Bank of Pakistan

Table-9.17: Country/Region Wise Cash Workers' Remittances (\$ Mn)

Country/Region	July-April 2003-04	July-April 2004-05	% Change
USA	998.72	1076.22	7.8
UK	273.15	320.99	13.5
Saudi Arabia	468.83	520.22	8.0
UAE	500.31	580.87	16.1
Other GCC Countries	373.66	420.95	14.0
EU	60.85	70.25	36.8
Others	494.91	531.27	7.6

Source: State Bank of Pakistan

Fig 10: Foreign Exchange Reserves (End Period)



Exchange Rate

Pakistan has witnessed some pressure on exchange rate during the current fiscal year for a variety of reasons. First, as a result of acceleration in economic activity the demand for imported machinery, raw material and capital goods have surged. During the first nine months of the current fiscal year, imports of non-food non-oil were up by 41.5 percent. Therefore, such a massive increase in import of these items has increased the demand for US dollar and as such Rupee came under pressure. Second, the high oil price in international market caused 30.9 percent increase in the import of crude and petroleum products in value term. This has also increased the demand for US dollar and generated pressure on Rupee. Pre-payment of expensive external loan also put pressure on exchange rate. As such, the Rupee – Dollar parity in inter-bank market averaged at Rs.59.4 per US dollar on end-April, 2005 as against Rs.57.5 averaging on the same period last year, reflecting a depreciation of 3.2 percent. However, since the beginning of the current fiscal year, Rupee has depreciated by only 1.8 percent. In the meantime, Rupee – Dollar parity in the open market on end-April, 2005 was Rs.59.9, showing a premium of 0.8 percent [See Table 9.18]. As against the corresponding period of last year, Rupee depreciated in the open market by 3.5 percent. On the whole, exchange rate has remained stable in the current fiscal year.

The exchange rate of the Euro against the Rupee continued to gain strength. The Pak-rupee exchange rate in terms of one unit of Euro during July, 2004 averaged at Rs. 71.5 which rose to an average of Rs. 76.8 in April, 2005. Thus, the Pak-rupee depreciated vis-a-vis the Euro from the beginning of the current fiscal year till April, 2005 by 6.9 percent – mainly because the single Euro zone currency (Euro) dominated the international market against the US dollar and caused the average parity rate of the Pak-rupee to lose ground in terms of the Euro. The movement of the Pak-rupee exchange rate versus one unit of the US dollar and the Euro is given in Table 9.18 and Fig.11].

Real Effective Exchange Rate

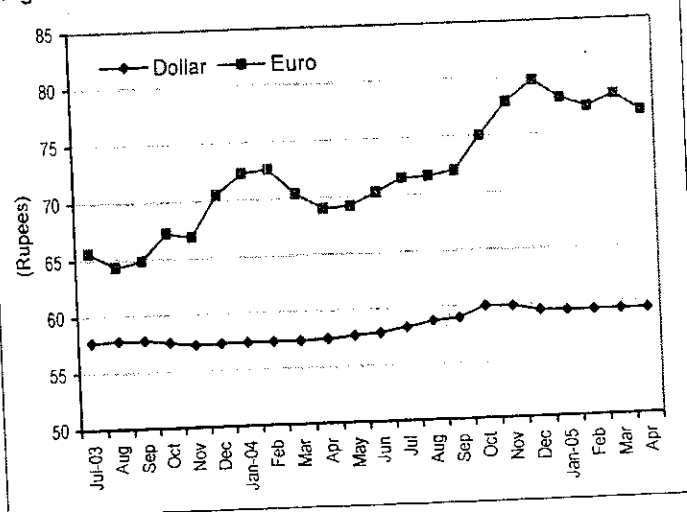
The Real Effective Exchange Rate (REER), which is an indicator of trade competitiveness and captures the behaviour of the Pak-rupee against a basket of currencies, showed a real depreciation of 2.9 percent during July-

Table 9.18: Average Exchange Rates and Premium

	Inter Bank Rate Rs / \$	Open Market Rate Rs/\$	Premium (%)	Rs/ Euro
July 2003	57.7	58.3	1.0	65.7
August	57.8	58.2	0.7	64.4
September	57.8	58.1	0.5	64.9
October	57.6	57.7	0.2	67.3
November	57.3	57.3	-	66.9
December	57.4	57.4	-	70.5
January, 2004	57.4	57.5	0.2	72.3
February	57.4	57.4	-	72.6
March	57.4	57.7	0.5	70.4
April	57.5	57.8	0.5	69.0
May	57.7	58.3	1.0	69.2
June	57.9	58.4	0.9	70.3
July	58.3	58.5	0.3	71.5
August	58.8	59.1	0.5	71.6
September	59.0	59.6	1.0	72.0
October	60.0	60.3	0.5	75.0
November	59.9	60.2	0.5	77.9
December	59.5	60.0	0.8	79.7
January, 05	59.4	59.7	0.5	78.1
February	59.4	59.6	0.3	77.3
March	59.4	59.6	0.3	78.3
April	59.4	59.9	0.8	76.8

Source: State Bank of Pakistan

Fig-11: Average Exchange Rate Rs/\$ and Rs/Euro



April, 2004-05. The real depreciation occurred mainly because the Pak-rupee depreciated in nominal terms against most of the basket currencies. Though Pakistan witnessed some pressure on exchange rate during the current fiscal year but Rupee/US dollar parity rate did not adversely impact the export market as Pakistan export competitiveness showed an improvement as reflected by the depreciation of the FEER.

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EXTERNAL DEBT AND LIABILITIES

CHAPTER – 11

Empirical evidence suggests a bidirectional causality between external debt and growth. Higher external debt lowers growth but at the same time low growth increases indebtedness. Higher debt operates through a strong negative effect on physical capital accumulation and on total factor productivity. Lower growth reduces revenues and primary surpluses and without adjustment, debt ratios explode. Reducing debt levels would therefore contribute to growth by boosting both capital accumulation and productivity growth. Lowering debt alone, however, may not be sufficient to jump-start growth; the absence of structural reforms that address the key bottlenecks to growth.

Pakistan's external debt and liabilities had reached unsustainable levels by the end of the 1990s, posing a serious danger to the economic future of the country. The causes of the rapid growth in the external debt were multifaceted and included: i) the persistence of a large current account deficit (almost 5% of GDP) for an extended period over a decade; ii) the imprudent use of borrowed resources; iii) the rising real cost of government borrowing and iv) stagnant exports and a declining flow of foreign exchange. Another source of rising debt was the changing nature of the debt, from being grant and soft term assistance oriented to hard term loans. Pressure on the exchange rate as a result of the weak external sector further accentuated the problems of rising debt.

Over the last five years and in particular with the establishment of the Debt Office in the Ministry of Finance, a concerted effort has been made to achieve debt sustainability in the country. Economic policies were directed towards reducing the current account deficit and increasing foreign exchange flows. As a result, Pakistan has witnessed a current account surplus over the last three years in a row, but turning to a low deficit in the current fiscal year. Due to high exports, a large increase in the inflow of remittances, the receipt of grant assistance and inflow of foreign direct investment, foreign exchange reserves have risen to \$ 13 billion and the government has been able to pre-pay some of the expensive external debt (\$ 1.17 billion). These developments helped Pakistan enter into the capital market by issuing Eurobonds as well as Islamic bonds (*Sukuk*) worth \$ 500 million and 600 million, respectively.

Trends in External Debt and Foreign Exchange Liabilities

Pakistan's total stock of external debt and foreign exchange liabilities grew at an average rate of 6.2 percent per annum during 1990-99 – rising from \$ 21.9 billion in 1990 to \$ 31.6 billion by end June 1999 and further to \$ 33.9 billion by 1999-2000 but thereafter exhibited a declining trend (See Table 10.1). Foreign exchange earnings on the other hand either remained stagnant or increased at a snail's pace during the same period. Despite the accumulation of almost \$ 16 billion debt in the 1990s, foreign exchange earnings rose by only \$ 4.0 billion. Consequently the debt burden – external debt and foreign exchange liabilities as a percentage of foreign exchange earnings, rose from 256.6 percent in 1989-90 to 335.4 percent in 1998-99.

Following a credible strategy of debt reduction, Pakistan has succeeded in reducing the rising trend in external debt and foreign exchange liabilities. Pakistan's external debt and liabilities have declined by \$ 14 billion – down from \$ 37.86 billion in 1999-00 to \$ 36.62 billion by end-March 2005 (See Table 10.1). The surplus current account

coupled with a continued build up in foreign exchange reserves and the higher foreign exchange earnings, the pre-payment of expensive debt and debt write-off are the major factors responsible for the reduction in the total stock of debt.

As percentage of GDP, external debt and liabilities stood at 51.7 percent in end-June 2000, declined to 36.7 percent in end-June 2004 and further to 33.1 percent by end-March 2004-05. Similarly, external debt and liabilities as a percentage of foreign exchange earnings was 297.3 percent in 1999-2000, declined to 164.6 percent in 2003-04 and further to 145.9 percent by end-March 2004-05 [See Table 10.2 and Fig-1]. It may also be pointed out that Pakistan's external debt and liabilities were 22 times of its foreign exchange reserves in 1998-99 but declined sharply to 2.8 times in six years.

Fig-1: External Debt & Liabilities

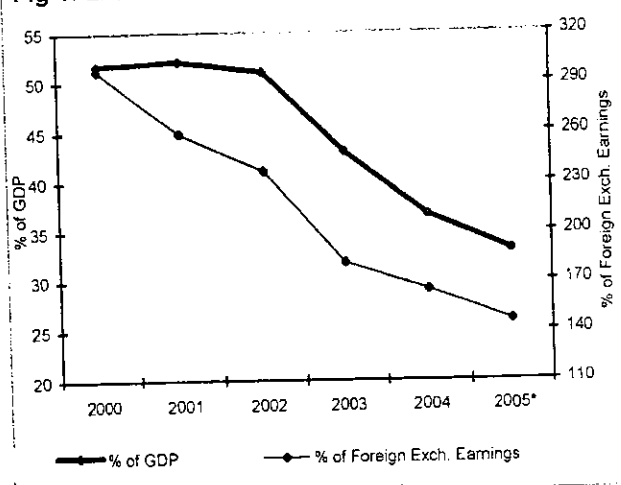


Table 10.1: External Debt and Foreign Exchange Liabilities (\$ Billion)

Item	End June							Mar 2005
	1990	1999	2000	2001	2002	2003	2004	
1. Public & Publicly Guaranteed Debt	18.2	28.3	27.804	28.165	29.24	29.23	29.875	31.587
A. Medium & long term (Paris Club, Multilateral and Other Bilateral > 1 Year)	14.7	25.4	25.301	25.606	27.28	28.07	28.627	29.711
B. Other medium & long term (Bonds, Military & commercial)	2.7	1.6	2.373	2.302	1.776	0.976	1.226	1.643
C. Short Term (IDB)	0.8	1.3	0.13	0.257	0.183	0.187	0.022	0.233
2. Private Non-guarantee- Debt	0.3	3.4	2.842	2.45	2.226	2.028	1.67	1.433
3. IMF	0.7	1.8	1.55	1.529	1.939	2.092	1.762	1.757
Total External Debt (1 through 3)	19.2	33.5	32.196	32.144	33.4	33.35	33.307	34.777
4. Foreign Exchange Liabilities	2.7	4.1	5.664	5.015	3.132	2.122	1.951	1.846
- Foreign Currency Accounts	(2.1)	(1.4)	1.733	1.1	0.406*	0	0	0
Total External Liabilities (1 through 4)	21.9	37.6	37.86	37.16	36.53	35.47	35.26	36.62

* Provisional

Source: Debt Management Committee Report & State Bank of Pakistan

The external debt and liabilities during July-March, 2004-05 amounted to \$ 36.62 billion and showing an increase of 3.9 percent over the level of \$ 35.258 billion recorded on end-June, 2004. In absolute dollar terms, the total stock of debt and liabilities increased by \$ 1365 million [See Table 10.1]. The rise in the stock of debt (\$ 1365 million) during this period is the result of valuation effect and the net inflow effect. About 46 percent or \$ 628 million increase in the stock of debt owes to valuation effect (exchange rate movements) and the remaining 54 percent or \$ 737 million is on account of higher net

Table 10.2: Trends in External Debt Burden

Year	External Debt & Liabilities as % of GDP	Net External Debt & Liabilities as % of GDP	External Debt & Liabilities as % of FEE *
1999-00	51.7	50.4	297.3
2000-01	52.1	49.8	259.5
2001-02	51.0	44.9	236.8
2002-03	43.1	39.1	181.2
2003-04	36.7	27.0	164.6
2004-05 +	33.1	22.4	145.9

* Foreign Exchange Earnings + July-March Source: SBP and Finance Division

flows. Given the present outlook of exchange rate movements, we expect a further decline in valuation effect in the fourth quarter of the current fiscal year.

Debt Servicing of External Debt and Liabilities

The continuous build up in foreign exchange reserves helped Pakistan retire its expensive debt. In 1999-2000, Pakistan paid \$ 3.756 billion on account of debt servicing and \$ 4.08 billion worth of payments were rolled over. With the gradual improvement in external liquidity position leading to build up in foreign exchange reserve the actual paid amount continued to rise while the rolled over amount continued to decline. By 2000-02, the actual paid amount on account of debt servicing reached as high as \$ 6.32 billion and the rolled over amount declined to \$ 2.243 billion. In 2002-03, the amount paid on account of debt servicing declined to \$ 4.349 billion and the rolled over amount shrank to \$ 1.908 billion. Last year the actual amount paid was \$ 5.274 billion while rolled-over amount further declined to \$ 1.3 billion. This trend persisted and during the current fiscal year (July-March) both the actual paid amount as well as rolled over amount further declined to \$ 2.172 billion and \$ 1.100 billion respectively [See Table-10.3 & Fig-2]

Table-10.3: Pakistan's External Debt and Liabilities Servicing (\$ Million)

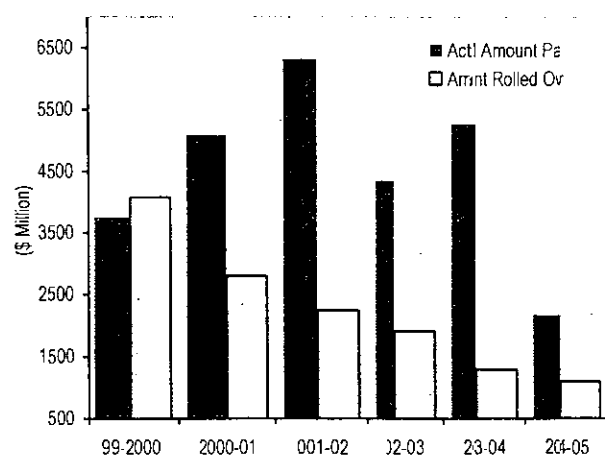
Years	Actual Amount Paid	Amount Rolled Over	Total
1999-00	3756	4081	7837
2000-01	5101	2795	7896
2001-02	6327	2243	8570
2002-03	4349	1908	6257
2003-04	5274	1300	6574
2004-05*	2172	1100	3272

* Provisional

Source: Stat Bank of Pakistan

* July-March

Fig-2: Pakistan's External Debt & Liabilities Servicing



Dynamics of External Debt Burden

The dynamics of external debt burden is well-documented in Table 10.4. The real cost of foreign borrowing which includes interest cost as well as the cost emanating from the depreciation of the Pakrupee (*capital loss on foreign exchange*) was on average, 3.4 percent and 2.7 percent per annum in the 1980s and 1990s respectively. Further

Table 10.4: Dynamics of External Debt Burden

Period	Non-Interest Current Account Deficit/Surplus (% of GDP)	Real Cost of Borrowing (%)	Real Growth of External Debt (%)	Real Growth Foreign Exchange Earnings (%)	Real Growth of External Debt Burden (%)
1980s	-1.2	3.4	6.4	4.3	2.1
1990s	-2.7	2.7	6.5	4.6	1.9
1990s-I	-2.7	-3.0	7.1	8.1	-1.0
1990s-II	-2.8	5.5	6.0	1.1	4.9
2000-05	2.9	-0.2	1.6	14.7	-13.1

Source: SBP & DIT Office, Finance Division

disaggregation however reveals that the real cost of borrowing declined, on average, by 3.0 percent per annum during the first half of 1990s mainly on account of relatively lower nominal implied interest rate (9.2%) and higher inflation rate (11.1%) leading to a negative real interest rate (2.6%). However, during the second half of the 1990s real interest rate turned a high positive (5.5%) and along with sharp depreciation of exchange rate, led to a substantial rise in real cost of borrowing. Pendulum swung to other extreme during 2000-05 when real cost of

borrowing declined to an average of 0.2 percent per annum on account of benign interest and inflation rates environment along with the appreciation of exchange rate.

As a result of the sharp fluctuation in the real cost of borrowing, the dynamics of external debt burden also changed over the last two decades. The changing dynamics of external debt burden as documented in Table 10.4 shows that external debt burden grew at average rates of 2.1 percent and 1.9 percent respectively during the 1980s and 1990s. Further disaggregation reveals that during the first half of the 1990s, although external debt in real term grew by 7.1 percent per annum it did not immediately lead to a sharp increase in external debt burden because the debt carrying capacity (*real growth in foreign exchange earnings*) of the country was rising by more than 8 percent per annum. Therefore, the real growth of external debt burden declined on average by one percent per annum in the first half of 1990s. However, it sowed the seeds of future difficulties because real growth in foreign exchange earnings slowed substantially to an average of 1.1 percent per annum in the second half of the 1990s causing debt burden to rise sharply to almost 5 percent per annum during the same period. Sharp real depreciation in exchange rate causing real cost of borrowing to rise and slower real growth in foreign exchange earnings have therefore been mainly responsible for the rise in real debt burden in the second half of the 1990s. As stated earlier, pendulum swung to other extreme during 2000-05 when real growth of external debt burden witnessed massive decline (13.1% per annum) on account of almost 14.7 percent real growth in foreign exchange earnings, decline in real cost of borrowing (-0.2 percent) and marginal (1.6 %) rise in real growth of external debt. It may also be noted that Pakistan maintained a non-interest current account surplus (surplus in primary balance) to an average of 2.9 percent per annum which helped reduce the country's debt burden at a relatively faster pace.

The analysis of dynamics of the external debt burden provides useful lesson for the policy-makers to manage country's external debt. First, the gap in current account should be minimal so as to limit external borrowing. Second, stability in exchange rate is critical for prudent debt management. Third, if there is need to borrow, the interest cost should be minimal. One way to keep interest rate low is to avoid going to bilateral and multilateral donors for large scale borrowing. Finally, the pace of foreign exchange earnings must continue to rise to increase the debt carrying capacity of the country. Centre to all these lessons is the pursuance of prudent monetary, fiscal and exchange rate policies.

Pakistan's Relations with International Capital Market

(i) Pakistan's Eurobond

With the successful implementation of first generation structural reforms and after gaining economic stability, Pakistan decided to give signal to the international capital markets through issuance of debt instruments. On February 12, 2004 Pakistan made a successful return to the international capital markets for the first time in more than five years. Pakistan issued \$ 500 million 5 year Regulation-S Eurobond due 2009, lead managed by JP Morgan, Deutsche Bank and ABN Amro Bank. This transaction attracted strong demand from high quality and diversified international investors resulting in four times over subscription and consequent tightest possible pricing of the bond in comparison to similar rated sovereign offering for 5 year new issues. The success of this transaction reflected a vote of confidence by the international investor community on Pakistan's economic policies and reform agenda. The issuance achieved the following objectives: (i) It was a strategic re-entry in the financial market; (ii) It helped established pricing benchmarks, something critical for next issue of debt instrument; (iii) From the emerging markets point of view, Pakistan's bond was very tightly priced. The reason for tight pricing was the rapidly improving Pakistan's economic story; and (iv) It helped in achieving investors diversification. Resultantly the issue was four times oversubscribed. The order book was to the tune of \$2.0 billion.

Pakistan's Eurobond was priced at 370 bps above US Treasury (3.046%) to yield 6.75 percent which looked very tight when compared with emerging market peers. Pakistani bond was priced some 50 bps inside the Philippines,

despite the fact that it is rated three notches lower. It also looked tight against Turkey (B3+) which is rate one notch above Pakistan. Turkey's bond was quoted at a yield of 7.72 percent, suggesting that Pakistan's pricing came 3 bps wider than Turkey. Given Turkey's rating, Pakistani bonds should have been priced 40 bps wider and not merely 3 bps. Pakistani paper was tightly priced when it is also compared with the weighted average spread of 435 bps for the merging Market Ends at the time of Pakistani deal [See Table 10.5].

(ii) SWAP Deal for Eurobond

As part of a dynamic debt management process, Pakistan transacted an interest rate swap to lower the interest cost of its Eurobond. The deal was done with Standard Chartered Bank at a rate of 3.2275 percent over 6-month LIBOR with protection against a sharp unexpected rise in interest rates. This transaction has yielded a positive carry of about \$ 8 million so far. In other words, Pakistan saved debt service payments to that extent. As a result of the flotation of the Eurobond and the execution of the interest rate swap, Pakistan has re-emerged on the radar screen of the international capital market. For the first time in the country's history the Government has undertaken such an exercise to reduce the country's debt burden and as such is building in-house capacity to monitor global market.

Table 10.5: Comparative Pricing of Pakistani Paper With Others

Issuer	Ratings	Spread Over 5 Yr. UST as on February 12, 2004	Yield as on February 12, 2004
Brazil	B2/B	41 bps	7.82%
Pakistan	B2/B	31 bps	7.75%
Philippines	Ba2/BB	40 bps	7.26%
Colombia	Ba2/BB	42 bps	7.14%
Turkey	B1/B+	32 bps	7.72%
Ukraine	B1/B	49 bps	7.68%

Source: P Morgan

(iii) Current Performance of Pakistan's Eurobond

Since the issue of Pakistan's Eurobond, due 2009, the emerging markets (EM) credit markets have been on a path of steady decline. The JPMorgan Emerging Market Bond Index (EMBI+) has declined by about 11% since the issue. The Pakistan 10 bond has performed in line with the market with the spread over UST undergoing compression by about 100 bps on May 19, 2005. As compared to the issue spread of UST+310bps, the bond is trading currently at a spread of UST+279bps, about 5% less. Volatility has been high during the past few weeks owing to the uncertainty about US economic growth, spikes in oil prices as well as poor financial performance of US Auto majors [See Table 10.]. The performance of Pakistan's Eurobond since its issuance and until May 19, 2005 is presented in Fig-3.

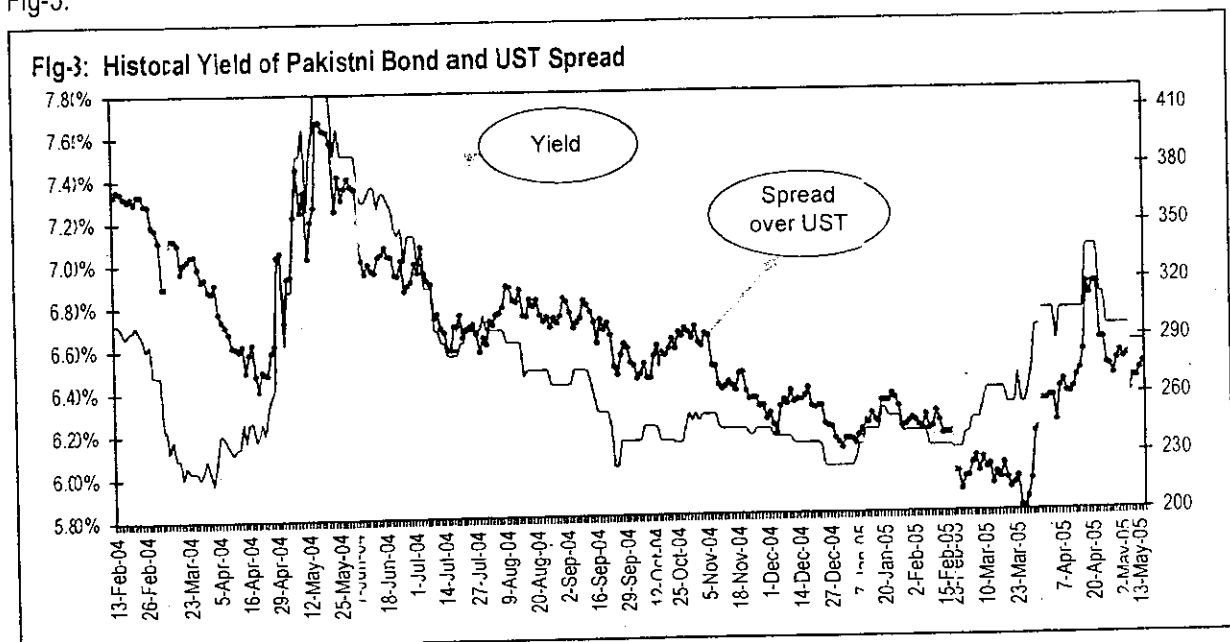


Table 10.6: Selected secondary market benchmarks (May 19, 2005)

Issuer	Ratings (Moody's/S&P)	Details (Coupon/Maturity)	Current spreads (bps)	YTM (%)
Pakistan	B2/B	6.750% / Feb 2009	279	6.557
Brazil	B2/B	14.500% / Oct 2009	303	6.794
Philippines	Ba2/BB	8.375% / Mar 2009	324	7.005
Columbia	Ba2/BB	9.750% / Apr 2009	263	6.390
Turkey	B1/B+	12.375% / Jun 2009	273	6.491
Brazil	B1/BB-	9.250% / Oct 2010	345	7.267
Turkey	B1/BB-	11.750% / Jun 2010	302	6.837

Source: JP Morgan

Pakistan's Islamic Bond (*Sukuk Al-Ijara*)

On January 18, 2005, Pakistan successfully closed its debut *Sukuk* transaction in the international capital markets. Following on from its highly successful US\$500m Eurobond issue in February 2004, Pakistan issued a five-year floating rate note *Sukuk Al-Ijara*. The issue conformed with Regulation S Eurobond standards and was lead managed by Citigroup and HSBC. The order book was twice oversubscribed and in the light of such strong demand, Pakistan increased the issue size from US\$500 million to US\$600 million. The deal was also particularly successful from a pricing perspective; the transaction was priced at 220bps over 6 month US\$ LIBOR, which was at the tightest end of the revised price guidance, on the back of the continuing strengthening of the underlying economic fundamentals.

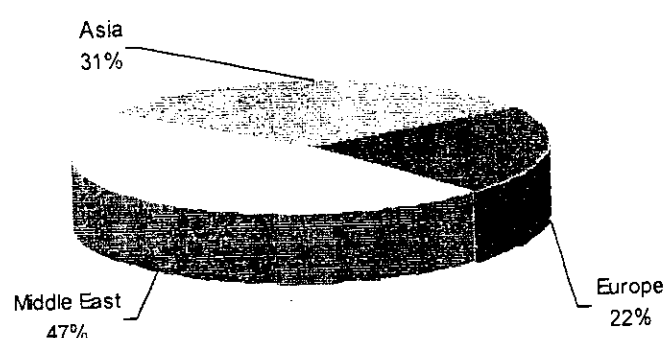
Pakistan became the fourth sovereign to issue an Islamic bond, following Malaysia (2002), Qatar (2003), and Bahrain (2004). Several key objectives underpinned Pakistan's decision to opt for a *Sukuk* issue. Firstly, Pakistan sought to tap the growing pool of Islamic liquidity in the Middle East and Asia. In Pakistan's Eurobond issue, conventional Middle Eastern investors were given significantly reduced allocations, as the issuer decided to capture demand from Europe and Asia. This time around, Middle Eastern investors, especially Islamic, were given a greater priority by the issuer.

The development of the local Islamic banking market was also another strategic imperative for Pakistan. Last year, the State Bank of Pakistan commenced the issuing of new Islamic banking licenses, which paved the way for the establishment of several new Islamic banks as well as permitting conventional banks to open full-fledged Islamic branches. The *Sukuk* issue would provide the spur for the creation of both the domestic Islamic capital and money markets. It was for this reason that Meezan Bank Limited was brought in as the local structuring advisor for the issue.

Pakistan will continue to build its credit profile with international investor, by tapping the bond market on an annual basis. This would give investors the opportunity to observe the country's economic performance over a sustained period and to benefit from reform program undertaken by the government.

Pakistan's February 2004 Eurobond was priced at 370bps over US Treasuries or 340bps over Libor. With the ratings momentum

Fig-4: Geographical Distribution



behind the credit moving from B to + by S&P last year, the conventional bond performed strongly and was quoted at around 219bps over Libor as the new issue was priced. By interpolation, this means that Pakistan was able to price the *Sukuk* ten 10bps inside the dollar curve. The rarity value in the transaction, led to strong demand from Middle Eastern investors, particularly Islamic, who bid at aggressive levels for the credit. Consequently as a result of this strong demand and appetite for risk in the market, Pakistan was able to price the transaction at the right end of the price guidance.

The pricing of the issue also compared extremely favourably to other emerging market credits. When Pakistan first came to market it priced its bond 4bps inside the Philippines curve, despite being rated three notches lower. This time the yield differential was 130bps. The bond was also sold to 86 investors, with a distribution that makes it the most widely distributed Islamic dollar bond on record. The geographical distribution was so very balanced. The Middle East accounted for 47% of the issue, Asia accounted for 31% (out of which Malaysia represented 16% and Europe accounted for 22% [See Fig-4].

Table 10.7: Selected Secondary Market Benchmarks

Issuer	Ratings	Coupon / Maturity	Spread of Libor
Pakistan	B+ / B2	2.220bps / Jan 201	35
Brazil	BB- / B1	2% / Apr 2010	34
Philippines	BB- / B1	1.875% / March 201	29
Colombia	BB / Ba2	0.5% / July 2010	25
Turkey	BB- / B1	1.75% / June 2010	29
Ukraine	B+ / B1	1.875% / April 2010	17

Source: HSBC

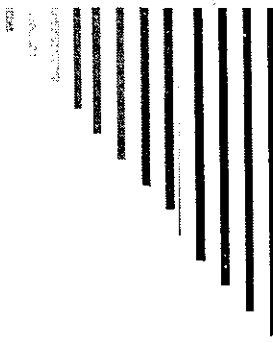
The unique transaction appealed to both conventional as well as Islamic institutions, and attracted demand from both pools of liquidity – a wide geographic base. Pakistan was extremely encouraged by the quality of the order book. Central Banks / Government Agencies accounted for 25% of the transaction, Asset Managers 23%, Islamic Institutions 20%, Banks 18%, Private Banks / Retail intermediaries 11% and Insurance Companies / Corporate approximately 2%. In the secondary market, the *Sukuk* has performed extremely well, underpinned by the strong demand and the robust performance of the Pakistan economy, consequently the yield has tightened by over 3bps and is currently trading at the L+18bps range.

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1. Education
12. Health & Nutrition
13. Population Labour
Force & Employment

POPULATION SECTION



EDUCATION

CHAPTER -11

FARHAN BOOKS
Govt. Gazette Notification
Ph: No: 342 - 7223473

Education is key to change and progress, therefore, Government of Pakistan has adopted this sector as one of the pillars for poverty reduction and benefit of masses. Government is fully committed to provide best educational facilities to its people within the minimum possible time. The reasons for Pakistan's low educational status are varied but one important factor is that Pakistan's educational system has been highly fragmented and segmented. This has, therefore, created some intractable problems in the optimal utilization of human resource under the given labor market conditions. Existing National Education Policy 1998-2010 was formulated keeping in view the prevailing problems in the society. The Government has initiated major administrative reforms, such as Devolution of Power and Education Sector Reforms. Moreover, Millennium Development Goals (MDGs) and Education for All (EFAs) are the international policy concerns announced in 2000, which need to be properly reflected in our Policy. As such, the Ministry of Education has taken in hand an exercise to review the National Education Policy (1998-2010) for its updating to bring it in line with the current needs of the country.

The National Education Policy is to make Pakistan's Education system more meaningful and relevant, aiming to create a knowledge-based society designed to support economic growth and poverty alleviation. The existing technical and vocational institutions do not meet the requirements of the market. New as well as emerging technologies have to be introduced and a more effective network with the private sector will have to be established for the benefit of Pakistan's efforts to alleviate poverty and raise the living standards of its people. To achieve desired outcomes, regular supervision and monitoring arrangements, achieving synergies in resources and capacities, governance related problems, tracking mechanisms, partnerships between planners and service providers, clarity of roles and responsibilities, fiscal devolution at the district, tehsil and union council level are also challenges that need to be addressed in an accelerated way.

For the year 2004-05, Ministry of Education had initially allocated Rs 3359.04 million in the PSDP for 72 development projects. During the mid-year review, this allocation was revised to Rs 2025.117 million. In the year 2005-06, an amount of Rs 1.2 billion has been demanded by this Ministry for PSDP. However, the Priorities Committee agreed to an amount of Rs 3.8 billion for major programs.

Literacy

Overall literacy rate of 52 percent has increased by about two percentage points compared to that of Labor Force Survey (LFS), 2001-02. The data shows that rural households are generally deficient in human capital. For instance, 70 percent urban literacy rate is 3 percentage points higher than that of rural. As expected, male population is more literate compared to female and male literacy level (64%) is about 25 percentage points higher than that of female's (39%). Comparatively high incidence of illiteracy among females may be due to their limited access to the available educational facilities. Obviously, the developed provinces of Punjab and Sindh are more literate compared to the less developed provinces of NWFP and Balochistan. A comparative picture of literacy rates of both sexes, male &

female by province and rural /urban areas for the two surveys, 2001-02 & 2003-04 and 1998 Census is given in table 11.1.

Table 11.1: Literacy Rates (10 Years And Above): Pakistan and Provinces (%)

Province/Area	Census 1998			2001-02			2003-04		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Pakistan	43.9	54.8	32.0	50.0	62.2	36.9	53.0	-	-
Rural	33.6	46.4	20.1	40.5	55.0	25.4	41.6	56.3	26.6
Urban	63.1	70.0	55.2	67.8	75.5	59.3	69.7	76.5	62.5
Balochistan	24.8	34.0	14.1	33.5	47.4	16.3	36.0	52.1	17.6
Rural	17.5	25.8	7.9	26.8	40.8	9.4	27.7	43.9	9.2
Urban	46.9	58.1	32.1	59.4	73.9	42.3	60.7	75.9	42.9
NWFP	35.4	51.4	18.8	39.3	58.4	19.9	43.0	61.8	25.2
Rural	31.3	47.7	14.7	35.9	55.9	15.9	39.8	59.2	21.7
Urban	54.3	67.5	39.1	56.6	70.4	41.3	58.3	74.0	42.6
Punjab	46.6	57.2	35.1	51.8	62.3	40.8	53.3	63.6	42.9
Rural	38.0	50.4	24.9	44.3	56.6	31.7	45.1	57.7	32.6
Urban	64.5	70.9	57.2	67.4	73.7	60.5	69.8	75.1	64.2
Sindh	45.3	54.5	34.8	54.9	67.0	41.0	55.3	66.9	42.2
Rural	25.7	37.9	12.2	36.0	52.9	16.3	35.6	53.3	15.7
Urban	63.7	69.8	56.7	71.0	79.1	61.8	72.4	78.8	65.3

Source: i) Population Census, 1998 wherein literate is a person who can read a newspaper and write a simple letter in any language.

ii) Derived from Statistical Appendix Tables 3 to 3.4 of LFS 2001-02 and 2003-04.

Level of Education

The profile of educational attainment has improved comparatively. As per Labour Force Survey 2003-04, 34 percent of the literate persons have received education less than matric, 10 percent matric but less than intermediate level, 4 percent intermediate but less than degree and only 4 percent degree and above level. Access to post-matric education appears to be restricted for, probably, (a) it puts, relatively, more squeeze on the purse; (b) the post-secondary institutions are concentrated in towns and cities; (c) expectation of employment is not strong enough to justify long years of education. Males are more educated compared to females. Further, an improvement picture of percentage distribution of population ten years of age and above by level of education for the Labour Force Survey 2001-02 and 2003-04 is given in table-1. Detailed position has been shown in Table 11. 2.

Table 11.2: Distribution Of Population 10 Years Of Age And Above By Level Of Education And Sex (%)

Level of Education	2001-02			2003-04		
	Total	Male	Female	Total	Male	Female
No formal education	0.5	0.6	0.5	0.6	0.7	0.5
Below matric	33.5	41.1	25.4	33.7	41.1	26.0
Matric but less than intermediate	9.3	11.9	6.5	9.7	12.3	7.0
Intermediate but less than Degree	3.6	4.4	2.6	3.9	4.7	3.1
Degree and above	3.1	4.2	1.9	3.8	4.9	2.6
Literate	50.0	62.2	36.9	51.6	63.7	39.2
Illiterate	50.0	37.8	63.1	48.4	36.3	60.8
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Population Census, 1998.

Elementary Education

The most challenging milestone for the Government of Pakistan is Universal Primary Education (UPE), which is a pre-requisite for Pakistan's integration in the global framework of human centered economic development. UPE has become a compelling national priority and a challenge that has been accepted at the highest level of the Government. UPE is targeted to be achieved through increase in access to education by 4 percent, reduction of gender disparity by 10 percent and enhancing primary completion rate by 5 percent per annum.

The country is making a major effort to expand access to primary education. It now has total of 54970 primary schools in 2003-04 with an enrolment of 19,794 million students and 432222 teachers. The rural-urban distribution of institutions in the public sector is given below:

Table 11.3: Total Primary Schools (2003-04)

Level	Urban	Rural	Total
Public Sector	12423	121529	13952
Private Sector	9072	8549	1621
Other Public Sector*	453	2944	397
Total	21948	133022	14970

Source: Pakistan School statistics 2004, published by Academy for Education Planning and Management, Ministry of Education, Islamabad.

Note: The figure of primary schools is inclusive of mosque schools.

* Other public sector means institutions managed by Ministries/Divisions/ Department other than the Ministry of Education/Education Departments

** Private sector data is estimated.

Both the Federal and the Provincial Governments recognize that universal primary education will not be achieved without eliminating gender disparity. Policy reforms are focusing on increasing girls enrolment in their retention. The following table contains the rural-urban availability of primary schools for girls in the public and private sector:

Table 11.4: Girls Primary Schools (Rural-Urban) 2003-04

Level	Urban		Rural		Total
	Girls	Mixed	Girls	Mixed	
Public Sector	4576	1776	38669	458	6016
Private Sector*	81	8910	483	77	1732
Other Public Sector*	46	311	58	26	330
Total	4703	10997	39210	281	8079

Source: Pakistan School statistics 2004, published by Academy for Education Planning and Management, Ministry of Education, Islamabad.

* Other public sector means institutions managed by Ministries/Divisions/Department other than the Ministry of Education/Education Departments

** Private sector data is estimated.

It is important to note that the private sector share in the total primary schools for girls increased by 5 percent over the figure of 3496 schools recorded in the year 2002-03.

The national enrolment at the primary level is contained in the following table 1.5.

Table 11.5: Total Primary Enrolment (2003-04)

Level	Urban	Rural	Total
Public Sector	2719122	10962503	13681625
Private Sector**	3837510	1990826	5828336
Other Public Sector*	147842	137553	285395
Total	6704474	13090882	19795356

Source: Pakistan School statistics 2004, published by Academy for Education Planning and Management, Ministry of Education, Islamabad.

* Other public sector means institutions managed by Ministries/Divisions/ Department other than the Ministry of Education/Education Departments

** Private sector data is estimated.

The enrolment at the primary level has increased in both the public and the private sector as compared to the enrolment figure for the year 2002-03 which was 18.220 million. The net increase in enrolment is 1.575 million.

Table 11.6: General disaggregated enrolment at primary level (2003-04)

Level	Urban		Rural		Total	
	Male	Female	Male	Female	Male	Female
Public Sector	1374988	1344134	6728937	4233566	8103925	5577700
Private Sector**	2116559	1720852	1229772	761054	3346331	2482006
Other Public Sector*	82359	65483	76093	61460	158452	126943
Total	3573906	3130569	8034802	5056080	11608708	8186649

Source: Pakistan School statistics 2004, published by Academy for Education Planning and Management, Ministry of Education, Islamabad.

* Other public sector means institutions managed by Ministries/Divisions/ Department other than the Ministry of Education/Education Departments

** Private sector data is estimated.

In case of urban area, the public sector has almost closed the gender gap where the proportion of female to male enrolment was 98 percent. In case of the private sector, the proportion of female to male enrolment was 81 percent. This gap in enrolment is expected to close with expansion in the private sector facilities.

In case of enrolment in the rural areas, the gender in both the public and private sector institutions is quite pronounced. In both the cases, the proportion of female to male enrolment is 62 percent. With policy emphasis on female enrolment and launching of free text books and scholarship schemes, the gender gap should close in the rural areas as well.

At the middle school level access to education has increased. The number of middle schools has increased upto 28728 both in rural and urban areas in the year 2003-04.

The total middle schools enrolment has increased from 3.918 million during the year 2002-03 to 4.318 million during the year 2003-04. The increase in enrolment has taken place in both rural and urban areas.

Table 11.7: Total Middle Schools (2003-04)

Level	Urban	Rural	Total
Public Sector	1897	11771	13668
Private Sector*	8853	6147	15000
Other Public Sector**	60	--	60
Total	10810	17918	28728

Source: Pakistan School statistics 2004, published by Academy for Education Planning and Management, Ministry of Education, Islamabad.

* Private sector data is estimated.

** Other public sector means institutions managed by Ministries/Divisions/ Departments other than the Ministry of Education/Education Departments

Table 11.8: Total Middle Enrolment (2003-04)

Level	Urban	Rural	Total
Public Sector	1229325	1846353	3075678
Private Sector*	851346	320129	1171475
Other Public Sector	70693	875	71568
Total	2151364	2167357	4318721

Source: Pakistan School statistics 2004, published by Academy for Education Planning and Management, Ministry of Education, Islamabad.

* Private sector data is estimated.

The gender-disaggregated enrolment at the middle level is given in the following table 11.9.

Table 11.9: Gender-disaggregated enrolment at middle level (2003-04)

Level	Urban		Rural		Total	
	Male	Female	Male	Female	Male	Female
Public Sector	65113	584212	1161284	585019	906397	116281
Private Sector*	45936	395410	79647	140412	335583	53892
Other Public Sector**	4764	29929	583	291	41347	8021
Total	111813	1009551	1141514	725813	1583327	173394

Source: Pakistan School statistics 2004, published by Academy for Education Planning and Management, Ministry of Education, Islamabad.

* Private sector data is estimated.

** Other public sector means institutions managed by Ministries/Divisions/ Departments other than the Ministry of Education/Education Departments.

The gap in public sector female enrolment in the rural areas is quite pronounced and points to the need for accelerating progress in the opening of new schools for girls and upgrading existing primary schools to middle level. The private sector needs to be encouraged to expand their presence in the rural communities with greater focus on female enrolment.

The strength of teachers at the middle school level has increased 2393:1 in the year 2000-04.

Table 11.10: Middle Schools teacher (urban – rural) 2003-04

Level	Urban	Rural	Total
Public Sector	21329	87998	109327
Private Sector	81303	45569	126872
Other Public Sector	3113	39	3152
Total	105745	133066	239351

* Private sector data is estimated.

Source: Pakistan School Statistics 2004, published by Academy for Educational Planning and Management, Ministry of Education, Islamabad.

The gender-disaggregated strength of middle school teachers is given in the following table 11.11.

Table 11.11: Gender disaggregated strength of Middle school teachers (urban – rural) 2003-04

Level	Urban		Rural		Total	
	Male	Female	Male	Female	Male	Female
Public Sector	9169	12160	47758	40240	56927	52400
Private Sector *	16203	65100	18094	27475	34297	92575
Other Public Sectors **	1526	1587	21	18	1547	1605
Total	26898	78847	65873	67733	92771	146580

* Private sector data is estimated.

** Other public sector means institutions managed by Ministries/Divisions/ Departments other than the Ministry of Education/Education Departments.

Source: Pakistan School Statistics 2004, published by Academy for educational Planning and Management, Ministry of Education, Islamabad.

Private sector has done well in the employment of female teacher at the middle schools level in both urban and rural areas. Public sector has not faced difficulties in employing female teachers in the urban. However, historically the difficult working conditions in the rural areas in some parts of the country may have kept female teacher away from accepting employment.

Under the Education Sector Reform (ESR) program, elementary schools lacking basic facilities were to be taken up for improvement. An amount of Rs. 1.5 billion was provided to the Provincial / Area Governments for the school improvement program resulting in the rehabilitation of 11231 schools and providing the following missing facilities:

Secondary and Higher Secondary Education

Pakistan has a total of 9819 secondary and higher secondary schools in the public sector including institution not managed by the Ministry of Education or the Education Departments.

Table 11.12

Project/Program	Number of Schools
Construction of building for shelter less schools	501
Provision of electricity	1245
Provision of drinking water facility	1458
Provision of toilets	995
Provision of boundary wall	82
Repair of school building	1121
Provision of furniture	1512

Table 11.13: Secondary and higher Secondary institutions in the public sector (2003-04)

Level	URBAN			RURAL			Total
	Boys	Girls	Mixed	Boys	Girls	Mixed	
High	1386	110	75	4589	1622	209	8991
Higher Secondary	129	162	37	324	155	20	828
Total	1515	1272	112	4913	1777	230	9819

Source: Estimated by Academy for Educational Planning and Management, Ministry of Education.

The private sector has also been unable to ensure gender parity in enrolment at the secondary and higher secondary level in the both urban and rural areas. The gender disaggregated enrolment in public sector institutions not in by the Ministry of Education and the Education Departments at the secondary and high secondary level of education is contained in the following table.

Table 11.14: Gender disaggregated enrolment in Secondary and High Secondary Institution in the public sector (2003-04)

Level	Urban		Rural		Total
	Boys	Girls	Boys	Girls	
High	389103	353609	473165	163241	137913
Higher Secondary	33070	42938	25992	16370	11837
Total	422173	396547	499157	179611	149745
Source	Pakistan School statistics 204, published by Academy for Education Planning and Management, Ministry of Education, Islamabad.				

While enrolment of girls in the urban centers could be termed as satisfactory, the huge disparity in case of rural areas needs policy intervention. Gender disaggregated enrolment in case of private sector institutions is priced at 21091. The breakup is given below:

Table 11.15: Gender disaggregated enrolment in Secondary and Higher secondary institutions in the private sector.

Level	Urban		Rural		Total
	Boys	Girls	Boys	Girls	
High	189661	157546	35369	33092	41566
Higher Secondary	37992	27708	5515	4208	7542
Total	227653	185254	40884	37300	49109
Source-	Pakistan School Statistics 204, published by Academy for Educational Planning and Management Ministry of Education, Islamabad.				

Higher Education

Since 2001, the Higher Education Sector in Pakistan has undergone a dramatic renaissance. The realization of the Government of Pakistan of the importance of higher education in contributing to sustainable socio-economic development, as well as poverty reduction, stimulated a chain of events that led to the establishment of the Higher Education Commission founded by Presidential Ordinance on September 11th, 2012. Following the recommendations of the Task Force on Higher Education concrete progress has been made in improving the state of higher education but an impact will only be possible the reform process that has been initiated, supported and strengthened further. The policies of the Government are placing greater stress on upgrading the skills of the various resources of human capital in the country through measures promoting access to education, with a focus on enhancing capacity to learn, enhancing the knowledge distribution power of the economy through collaborative network and the diffusion of technology, and providing the enabling conditions for change in the science system to maximize the benefits of technology.

The core function of the HEC, in its role to facilitate the transformation of Pakistan into a knowledge economy is that of strengthening the science system and the institutions of which it comprises, where the creation of knowledge takes place, and to identify mechanisms for the acceleration of this process, and ensuring the relevance of activities with national development objectives. According to the Report of the Steering Committee on Higher Education (2011) the total number of students in Pakistan's higher education system was approximately 475,000 (which translated to a higher education enrolment ratio of 2.6 percent for the age group of 17-23 years compared to 10 percent in India and

68 percent in South Korea. The strategy of the Higher Education Commission for improving the higher education system and its contribution to economic prosperity is geared towards facilitating development in key areas relating to faculty development, improving access and increased participation in higher education, promoting excellence in learning and research, and ensuring relevance to the economy through increased stakeholder participation. These core initiatives of the HEC are supported by the cross-cutting strategic themes of improvement of governance and management of universities, improvement of quality and benchmarking to international standards and finally technological infrastructure development for developing experimental equipment base to support and enhance the core initiatives.

Major progress has been made in the first two years of the Higher Education Commission, with the establishment and execution of transparent system for award of indigenous and foreign Ph.D. Scholarships with the aim of enhancing local research activities and developing future faculty member. Over eleven hundred indigenous Ph.D. Scholarships have been awarded, with measures taken to ensure that international standards of quality are met at every level. Furthermore, increased opportunities have been provided for Ph.D. scholars, selected via rigorous testing and screening process, to pursue their studies in industrially advanced nations such as China, France, Germany, UK, USA and Austria. In-service teachers were supported through various teacher training programs training and subject based training. More than 200 faculty member benefited from these programs. The final program of improving faculty resources involved hiring faculty members from abroad for short and long-term assignments to work in Pakistan. This program has successfully been implemented with the possibility of reversing the brain drain.

Education and gender equality

Pakistan's overall record in promoting and delivering gender equality is weak. There are, however, areas in which significant progress has been made and indicators point to a steady though slow improvement:

- The ratio of girls to boys at all levels of education has improved.
- The ratio of literate females to males has risen;
- The share of women in urban employment (as a proxy indicator for share of women in wage employment in non-agricultural sector) has improved marginally;
- The role of women in national decision-making has improved significantly.

Gender concerns are not fully mainstreamed in the overall educational planning and management. The situation of urban women is better than their rural counterparts where parents are unable to afford the cost of education and access to schools is limited. Public expenditures tend to benefit boys rather than girls. The lack of access to education is compounded by dogmatic attitudes and socio-economic factors that inhibit girls' education. The Provincial Governments are making substantial financial provisions on account of free textbooks and scholarships for girl students at the elementary level. This may lead to increase in enrolment and retention.

Improvement in teaching and learning environments Establishment of National Education Assessment System (NEAS)

The Government's Education Policy (1998-2010) and the Education Sector Reforms (ESR) Action Plan 2002-2006 recognize the fact that quality of education is an important contributory factor in national development. The monitoring of learning achievements of students is, therefore, one of the key components to assess and to improve the quality of education. National Education Assessment System (NEAS) is one of the key programs under the Education Policy. The program aims to develop national capacity for monitoring the learning achievements of elementary level students in order to improve the quality of services (curriculum, textual material, teachers' delivery, policy formulation, etc) in the education sector. The basic objective of NEAS is to establish and develop national

capacity for conducting assessment periodically to monitor student achievement. A five year project has been approved at a cost of Rs 319.4 million including Rs 273 million as external financial assistance for making national assessment a permanent feature of the education system.

National Commission for Human Development (NCHD)

Founded in June 2002, NCHD is itself a public private partnership formed under the direction of the President of Pakistan with a mission to promote development in the fields of health, education and microfinance. It is funded through the Pakistan Human Development Fund registered under the Companies Ordinance 1984. It has mobilized \$5.5 million from private donors and \$34 million from government resources. In education, NCHD aims to help the government achieve its Education For All (EFA) objectives by 2015. The NCHD is operating in 32 districts of the country and aims to cover all of Pakistan by the year 2007. The core strategy of the NCHD consists of: (a) public private partnership (b) capacity building of government's line department, community organization and elected officials.

Technical and Vocational Education

Ever since the establishment of polytechnics in the country shortage of appropriately structured textual material for the courses offered in these institutions has been badly felt. To overcome this acute shortage, to update and introduce emerging technologies and to train polytechnic teachers a Technical Education Project was launched. The target of developing 142 textbooks and technical manuals on subject areas of critical shortage has been achieved. Curricula of existing technologies have been revised and 23 new technologies have been introduced in different polytechnics. Teachers of polytechnic institutes are being trained to teach different technologies. A new pre-service technical teacher training program, three years technology degree at National Institute of Science and Technical Education Islamabad has been introduced.

Madaris Reform

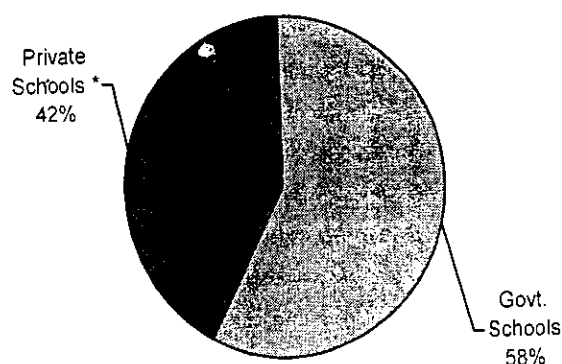
To bring the formal education and unani Madaris close to each other and to facilitate horizontal mobility of students with the ultimate aim of integrating the two systems, Madaris reforms have been initiated with the introduction of formal education in 8000 Madaris, Primary Education in 4000, Middle and Secondary Education in 1000, and Intermediate Education in 1000 Madaris. Selection of Madaris is made in consultation with the Provincial Governments including A&K, FATA, FANA and ICT. Madaris will be mainstreamed through provision of grants, salaries to teachers, cost of textbooks, teacher training and equipment. Formal subjects of English, Maths, Social/Pak Studies and General Science would be introduced at the Primary, Middle and Secondary levels while English, Economics, Pakistan Studies and Computer Science will be introduced at the intermediate levels. It may be pointed out that primary enrolment in Madaris accounts for only 0.9 percent of the total enrolment.

Private Sector Education

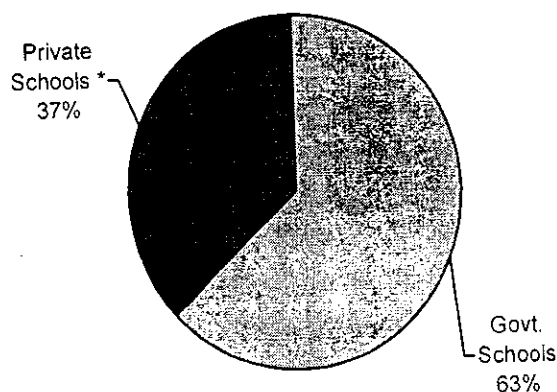
As a result of a review of the nationalization policy of educational institutions, the Federal Government decided that the public sector alone could not shoulder the responsibility of imparting education at all levels. It was, therefore, decided to encourage the private sector to play its due role in the promotion and development of education opportunities especially in rural areas. This policy has resulted in the establishment of an estimated 10,000 private educational institutions at all levels with an enrolment of approximately 3 million students. Most of these institutions impart education from playgroup to postgraduate level. Some schools have been established on a community basis, while others are individuals' own.

Private schooling has now become important for the country. Enrolment in private primary schools is now in the order of 42 percent of total enrolment (2004). During 2004, at the middle school level, the private sector had a share of 37 percent of total enrolment.

Enrolment at primary school level



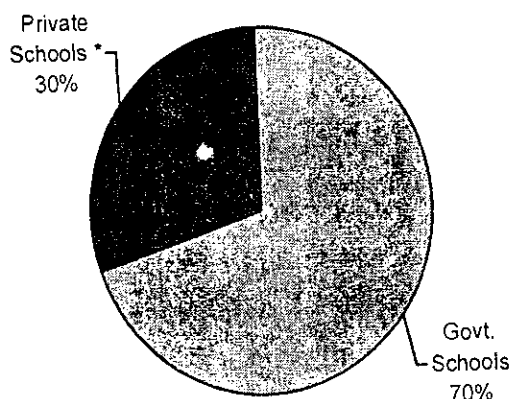
Enrolment at middle school level



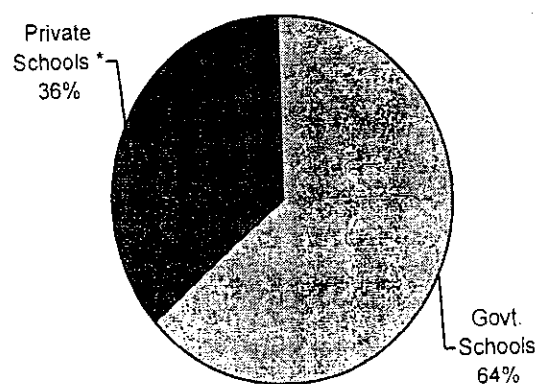
Note: Government schools include those managed by public sector organizations other than the Ministry of Education and the Provincial Education Departments.
Private Sector data is estimated.

At the secondary and higher secondary level in the same year, the private sector share was 30 percent and 64 percent respectively of the total enrolment.

Enrolment at secondary school level



Enrolment at higher secondary school level



Source: A study on "National Sample Survey of Private School in Pakistan, AEPAM, Ministry of Education, 2004
* Private Sector data is estimated.

Financing of Education in the public sector

The year 2004-05 continues to witness an overall growth in financing of education by the public sector. The breakup of investment in education by the /Federal government and the Provinces is contained in the following table 11.16.

Table 11.1i: Summary of Public Sector Budgetary Allocation For Education 2004-05 Federal Government (Rs in Million)

	Current	Development	Total
Ministry of Education	1824.426	312459	4946.85
Higher Education Commission	7045.608	916436	16150.44
Federal Government Education Institutions in ICT	1245.168	23581	1481.49
Federal Government Education Institution in Cantonment and Garrisons	862.829	5636	919.45
Federally Administered Tribal Areas	1820.900	88000	2700.90
Federally Administered Northern Areas	577.063	41000	988.03
AJ&K	2964.000	39000	3354.00
Federal Government Special Education Institutions	208.426	21352	423.78
Total (Federal)	16548.420	1441464	30969.84
Provincial Governments			
Government of Punjab	41178.125	11235.181	52413.30
Government of Sindh	17410.787	2211.040	9631.82
Government of NWFP	13280.365	3614.270	6975.23
Government of Baluchistan	5724.173	209.433	7774.10
Total (Provinces)	77594.550	1999.924	79594.47
G. Total	94142370	3316.388	27759.38

Important Recent Milestone

The restructuring of the Ministry of Education has been carried out for improved performance and service delivery. A monitoring and evaluation cell has been created. The need for technical and vocational education is being brought into sharper focus as a tool for poverty alleviation. As a result of this restructuring, the processes involved in formulation of schemes funded through the PSDP have been streamlined. The PSIP for the year 2004-05 included a portfolio of 20 unapproved projects with a total cost of Rs 228 million. The Policy and Planning Wing of the Ministry has successfully formulated PCIs of 8 schemes and 17 have been approved at a cost of Rs 200 million.

Against the revised allocation of Rs 225 million in the PSDP 2004-05, an amount of Rs 130 million had been utilized up to the quarter ending on March 31, 2005.

The Higher Education Commission (HEC) has released Rs 9104436 million for implementation of various development projects by public sector universities and degree awarding institutions. The HEC has also provided a recurring grant of Rs 6695.608 million during 2004-05 to these institutions.

A major step forwarded by HEC for quality control has been the establishment of Quality Assurance Agency (QA), which will be responsible for the implementation of recommendations of the Quality Assurance Committee (QC). It will plan, implement and evaluate the programs of quality assurance and enhancement in higher education institutions. Initially, ten public sector universities/Degree Awarding Institutions (DAIs) will provide financial and technical assistance by HEC for the establishment of Quality Enhancement Cells, followed by the rest of the universities in a phased manner.

The National Institute of Science and Technical Education (NISTE) has completed review of 34 textbooks for the newly introduced technical stream at the secondary level in 17 trades. The revised edited version of these books has been provided to the Urdu Science Board, Lahore for printing.

In order to expand enrolment and provide access to the disadvantaged communities, education up to matriculation has been made free in all Federal Government Institutions and by the Provinces of Punjab, Sindh and NWFP.

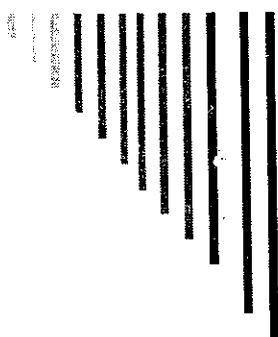
textbooks are also being provided by the Provincial Governments to elementary level students. It is proposed to expand this facility upto matriculation in all the Provinces. Steps have been taken to strengthen the delivery of education services through greater NGOs and private sector involvement. The NGOs are being assisted by the recently restructured National Education Foundation at the Federal level and by the Provincial Education Foundations. The grades and pay scale of teacher at various levels of education are being revised and will be made effective from the commencement of next financial year. Steps have been taken to introduce teaching of English from Class 1 in selected institutions to regain the lost comparative advantage, which Pakistan enjoyed after partition. Science will be taught in the English language in Urdu medium public schools. Necessary steps for training of teachers are being adopted.

In order to meet the challenge of adult literacy, the following progress has been made: -

- 11000 Literacy Centers have been established in the public sector against the target of 270,000 by 2015;
- Teaching / learning / supplementary material and teaching kits have been proved to all these Centers;
- Over a quarter of a million people, aged 10 +, have been made literate;
- National literacy curriculum has been developed;
- In addition, the National Commission for Human Development (NCHD) has established 6,602 Adult Literacy Centers where 160,533 neo-literates have become literate.

The achievement of the above targets is not an easy task. Pakistan will be increasing investment in education as a percentage of GDP from the current level of 2.5 percent to 4 percent within the next five years. Financial support will be necessary from Pakistan's Development Partners who have committed financial assistance of US\$ 1527.107 million between 2002-09 for various programs and projects in the country. This includes Canadian Debt Swap assistance of Rs 4.25 billion that will be available over a period of next five years for upgrading and revamping teachers training programs and institutions.

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HEALTH & NUTRITION

CHAPTER- 12

Access to essential health care is a basic human right. In Pakistan the public health sector has always been a subject of much attention because of its role in socio-economic development of the people. However, progress in this area at different levels is slow and the country is lagging behind in its human welfare indicators in comparison with other regional countries (Table-12.1). Such conditions are a product of various factors like poverty, malnutrition, unhealthy living environment, unequal distribution of health facilities, inadequate allocation for health, high population growth and infant mortality. To take care of these deficiencies, a national health policy was announced in June 2001. The key areas of policy reforms include reducing the prevalence of diseases, removing professional inefficiency in the health system, promoting gender equity and bridging basic nutrition gaps in targeted population. The overall aim of these reforms is to reduce mortality, eliminate malnutrition, particularly in infants and mothers and to increase health services. The policy has targeted the immunization coverage to increase to 85% and the Directly Observed Therapy (DOTS) coverage of T.B will be achieved in all the districts by 2005.

To materialize the policy's future directions into action, the Government of Pakistan has started giving top priority to the health sector with special focus on particular diseases. A broad-based strategy under Poverty Reduction Strategy Paper (PRSP) has been prepared which aims at reducing poverty, combating diseases and ensuring improved and equitable availability of services. Its focus in provision of health facilities is on primary health care, women and childhood illness.

Pakistan is a signatory to the Millennium Development Goals (MDGs). Three out of eight MDGs are directly related to health sector. The MDGs agenda in health sector is the creation of a society where women and children enjoy the highest attainable level of health and no family suffers the loss of mother or child due to preventable and treatable causes. The Government of Pakistan is committed to MDG as the global agenda for development and reducing the burden of poverty and diseases. To translate this commitment into action a number of initiatives in public sector programmes, new and ongoing, have been undertaken. The most notable ones include--- Women Health Project, National Nutrition Project, Reproductive Health Project, Special Immunization Activities, and National Maternal and Child Health Programme 2005-2011. These programmes with current and future interventions would help in reducing the premature deaths among women and children and make real progress towards Millennium Development Goals.

Table-12.1: Social Indicators

Country	Life Expectancy Year 2003	Infant Mortality Rate per 1000 Year 2003	Mortality Rate under 5 per 100 Year 2003	Population Growth Annual (%) Year 2003
Pakistan	64	74	98	1.9*
India	63	63	87	1.5
Sri Lanka	74	13	15	1.2
Bangladesh	62	46	65	1.7
Nepal	60	61	82	2.2
China	71	30	37	1.6
Bhutan	64	70	82	2.6
Thailand	69	23	28	1.6
Philippines	70	27	38	1.9
Malaysia	73	7	7	1.9
Indonesia	67	31	4	1.3

Source: World Development Report 2005

*Population growth for Pakistan is estimated 1.9 per cent for mid Year 2005

Health facilities

The medical coverage provided in the public health sector in the country consists of 916 Hospitals, 552 Rural Health Centers, 5,301 Basic Health Units and 4,582 Dispensaries. At present there are 113,206 doctors in the country which means there is one doctor for 1359 persons whereas the number of available dentists in the country is about 6127 which give a population-dentist ratio at 25107 persons per dentist. The number of trained nurses in public health sector is 48,446 which means, one nurse is available for 3175 persons. The numbers for doctors, dentists, and nurses should be taken with great caution as there are many bonafide doctors, dentists and nurses who are not registered with Pakistan Medical and Dental Council (PMDC) and yet practicing in hospitals and clinics. Since the majority of doctors and hospital are located in cities and town, the rural population has much lower access to health facilities. They get care from private practitioners, hakims, and homoeopaths, while minor ailments are treated by the people themselves. The analysis of health situation in the country reveals three problems which require an urgent attention. These include imbalance between rural and urban area in term of facilities, low utilization of medical facilities and a big gaps in the national health services.

Table -12.2: Health Facilities

Health Manpower	Up to 2002-03	Up to 2003-04	Up to 2004-05
Registered doctors	101,635	108,062	113,206
Registered dentists	5,068	5,530	6,127
Registered nurses	44,520	46,331	48,446
Population per Doctor	1,466	1,404	1,359
Population per Dentist	29,405	27,414	2,5107
Population per Nurse	3,347	3,296	3,175

Source: Ministry of Health

Physical Targets and Achievements during 2004-05

The targets of health sector during 2004-05 included the establishment of 13 Rural Health Centres (RHCs), 50 Basic Health Units (BHUs), up gradation of 17 RHCs, and 45 BHCs. The manpower targets covers the addition of 3700 new Doctors, 250 Dentists, 2300 Nurses, 5000 Paramedics and 500 Traditional Birth Attendants (TBAs). Under the preventive programme about 8.0 million children are targeted to be immunized and 20 million packets of Oral Dehydration Salt (ORS) are to be distributed during 2004-05.

The health programme during the current fiscal year has realized, on average, 80 percent of its physical targets. The highest achievement (100%) has been in the trained lady health worker (LHWs) followed by the output of Doctor (95%) and Immunization coverage (93%). The component-wise achievement of the programme was 76 percent for RHCs, and 62 percent for BHUs. Targets and achievement in health sector during 2004-05 are given in Table-12.3.

Table-12.3: Physical Targets and Achievements During 2003-04

Sub-Sector	Targets (Nos)	Estimated Achievements (Nos)	Achievements (%)
A. Rural Health Programme			
i. New Basic Health Units (BHUs)	50	37	74
ii. New Rural Health Centres (RHCs)	13	8	62
iii. Upgradation of existing RHCs	17	13	76
iv. Upgradation of existing BHUs	45	27	60
B. Beds in Hospitals/RHCs/BHUs	2000	1600	80
C. Health Manpower Development			
i) Doctors	3700	3500	95
ii) Dentists	250	200	80
iii) Nurses	2300	1700	74
iv) Paramedics	5000	4000	80
v) Training of TBAs	500	400	80
vi) Training of LHWs	17000	17000	100
D. Preventive Programme			
i. Immunization (Million Nos)	8.0	7.5	93
ii. Oral Rehydration Salt (ORS) (Million Packets)	20.00	18.00	90

Source: Planning & Development Division

In Pakistan the expenditure in health sector has been low as compared to other countries of the region due to macroeconomic difficulties which as proportion of GNP works out at 0.7% over the years. The World Health Organization (WHO) in its recent report on health and macroeconomic has recommended US\$ 34 per capita as a required package for essential health services in Pakistan. However, recently the Government has committed to

doubling of public expenditure on health by increasing it from 0.5% to 0.8% of the GDP in medium-term and 1% of the GDP in the long-run.

During the year 2004-05, the total expenditure on health is estimated at Rs.38.0 billion, of which Rs.1.0 billion for development and Rs. 27.0 billion for current expenditure which has increased by 16% over the year and work out to be 0.6% of GNP. It may be pointed out that as a result of improvement in fiscal front, the government has been allocating relatively more resources to health sector. During the last three years, public sector expenditure on health has increased on average, 14 percent per annum as against 6.7 percent per annum during the previous five years. In other words growth in public expenditure on health has been doubled in recent years.

Table - 11.4: Health and Nutrition Expenditure (Million Rs.)

Fiscal Year	Public Sector Expenditure (Federal Plus Provincial)			Change (%)	As % of OP
	Development Expenditure	Current Expenditure	Total Expenditure		
1995-96	5741	10614	16355	5.3	0.8
1996-97	6485	11857	18342	12.2	0.8
1997-98	6077	13587	19664	7.2	0.7
1998-99	5492	15316	20808	5.8	0.7
1999-00	5887	16190	22077	6.1	0.7
2000-01	5944	18337	24281	9.9	0.7
2001-02	6688	18717	25405	4.7	0.7
2002-03	6609	22205	28814	13.4	0.6
2003-04	8500	24305	32805	13.8	0.6
2004-05	11,000	27,000	38,000	15.8	0.6

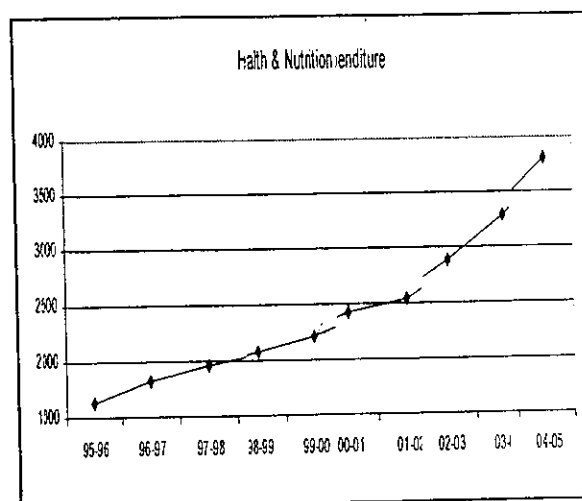
Source: Planning & Development Division

Health Programmes

Various health programs remained operative during the current year 2004-05 are discussed as follows:-

National Programme for Family Planning & Primary Health Care

The programme envisaged to address the problems being faced by the health sector, particularly the restrictions in women's mobility that impedes their access to health care. The programme now covers almost all districts of Pakistan where basic preventive, promotive and curative services are provided to the community through lady health workers (LHWs). The nationwide programme employing about 86,000 LHWs is reaching to about 75 million people in almost all districts of the country. Under the Programme, so far 55% of the total population has been covered. The Programme plans to employ 100,000 trained LHWs throughout the country by the end of year 2005 thereby covering approximately 80% of the target population. Out of 86,000 LHWs, 40,000 have been trained in giving EPI vaccine. Out of 30 million children about 16 million children have been immunized by LHW. A brief description of the Programme is presented below.



a. Expanded Programme of Immunization

This Programme aims at protecting children and mothers by immunizing them against preventable diseases. The routine immunization coverage is expanded through fixed centres, outreach teams and LHWs and through special immunization days and campaigns. The Programme is providing vaccination against six vaccine preventable diseases to 4.5 million children annually with 53% overall coverage and 50% expected mothers in childbearing age. A project assisted by Global Alliance for Vaccine Initiative (GAVI) costing Rs. 2478 million has been in operation to improve routine Expanded Programme of Immunization (EPI) over 5 years. GAVI support has led to the introduction of Hepatitis B for infants and support for injection safety. Three rounds of "High Risk Areas Approach" have been launched in 65 districts of the country where more than 5 million Childbearing Age (CBA) Ladies have been immunized against Tetanus. These activities were implemented in addition to the normal EPI Programme.

b. National Aids Control Programme

Although the incidence of HIV/AIDS is minimal in Pakistan, the government has been pro-active in creating awareness about the disease. Up to September 2004, the total number of reported HIV/AIDS cases has been at 2612. Modes of transmission include: infection through contaminated blood, blood products and mother to child transmission. Measures taken to date include the recent ordinance on safe blood transfusion services whereby any health worker transfusing blood or blood products will ensure that the blood is healthy and free from HIV. The programme is earmarked as a priority programme with enhanced budgets for the next decade. The Enhanced HIV/AIDS Control Programme (2003-2008) is being implemented with the assistance of the World Bank at a cost of Rs. 2.85 billion. The allocation for programme during the year (2004-05) is Rs. 277 million. The AIDS Control Programme is carrying out an extensive mass awareness campaign through the print and electronic media. About 47 surveillance centres have been established. A number of serological and behavioral studies have also been undertaken to establish a baseline for HIV/AIDS and to design appropriate interventions for the future.

c. Malaria Control Programme

The Malaria Control Programme aims at reducing the prevalence of Malaria in the country through detection mechanisms, diagnosis and treatment, biological and environmental management and introduction of highly selective indoor and mosquito larval control insecticide sprays. The Rollback Malaria Strategy (RBM) is being implemented in all high risk districts and additional expansion is envisaged. The Government of Pakistan is providing technical assistance in the form of equipment, financing, training and diagnostic facilities through a project costing Rs 273 million based on Roll Back Malaria Strategy. Implementation of Rollback Malaria strategy started in 19 districts in the year 2002-03 and expansion of RBM intervention in all districts is expected to be achieved by 2006. The current annual parasitic incidence (API) is 0.74 per 1000 population. A national focus on Malaria Research and Training has been reactivated.

d. **T.B. Control Programme**

People die every year due to tuberculosis in Pakistan. Malnutrition, overcrowding and unhygienic living conditions are the main factors. The T.B. Control Programme has made substantial progress. T.B. Directly Observed Therapy (DOTS) was integrated in the district health system. Under the DOTS programme medicines are administered to ailing persons at their doorsteps. Seventy-nine districts have been covered, so far raising DOTS coverage to 66% at present. The Government has taken several steps from time to time to prevent tuberculosis. T.B. Control Programme has included in the priority list of health programme whereby the disease would be reduced in the country through provision of technical assistance, training, monitoring/surveillance and development of health education materials. A Multi-year national strategic plan for country-wide implementation of DOTS has been prepared. The coverage of DOTS is rapidly increasing and training of doctors and paramedics has been enhanced. An amount of Rs. 58.997 million has been allocated for the National T.B. Control Programme during fiscal year 2005. Donor worth Rs. 1.44 million has been received from Global Drug Facility and distributed to different districts. Linkage with various local and international NGOs has been developed as public-private partnership. DOTS coverage has expanded and is to be 100% by the year 2005. The main targets of the programme include to cure 85% of the new positive detected cases and to detect 70% of the estimated positive cases. Hospital and Medical Institutes would be involved in implementation of DOT strategy.

e. **Women's Health Project**

The project aims at improving the health, nutrition and social status of women and girls by developing Women-Friendly Health Systems in 20 districts of Pakistan. Its specific objective are to expand basic women's health interventions to underserved population, develop women friendly district health systems and to provide quality health care to women from the community to first referral level. Main achievements include recruitment and training of 8,000 Lady Health Workers in 20 districts and procurement of Tetanus toxoid vaccine for 7 districts.

Cancer Treatment Programme

In the area of Health Care, Pakistan Atomic Energy Commission's (PAEC) 13 Cancer Hospitals in four provinces are located providing diagnosis and treatment facilities to cancer patients. These hospitals are equipped with modern facilities in the disciplines of (a) Nuclear Medicine and Radioimmunoassay and (b) Oncology and Radiotherapy. More than 34,000 patients were attended at these centres during 2004-05. Breast care clinics have been established at all the nuclear medical centres that provide breast cancer control and screening facilities. More clinics are being established to provide screening facilities for breast cancer and creating awareness in the public.

Drug Abuse

Drug abuse is a global problem, affecting the very fabric of the socio-economic structure of the country. According to the National Assessment Study on Drug Abuse in Pakistan-2010 there are about 500,000 chronic heroin users including 60,000 drug injectors in the age bracket of 15-45 years. 40% of the total heroin users fall in the age bracket of 25-35 years, which is a alarmingly high rate by international standards. Drug abuse is a problem of deep magnitude and with multiple dimensions with serious implications for the socio-economic well-being of the individual, family and society at large. A number of Projects, namely, Drug Abuse Prevention Project, Prevention of

Transmission Project of HIV/AIDS among Drug Users in SAARC Countries" "Enhanced Intelligence Capacity Project", and Drug Abuse Control Master Plan (2003-08) have been in operation during the current year. Besides, 16 treatment centres with total cost of US \$ 547000 provided by the United Nation Office for Drug Control (UNODC) for three years has been upgraded to streamline the treatment and rehabilitation facilities.

A district level drug abuse project costing \$ 277000 to be provided by UNODC for a period of three years in the eight districts of the country has been launched. A massive drive against drug traffickers was taken during the year which resulted in the seizure of 102585.48 Kgs of drugs during the year 2004-05 as shown in the Table 12.5:-

Table 12.5 : Seizure of Drugs

Drugs	Kgs
Opium	3786.973
Heroin	2425.037
Hashish	96373.471
Total	102585.48

Food and Nutrition

Source : Ministry of Narcotics Control

The prevalence of malnutrition is the result of inadequate food intake, poor health status, feeding practices and family size. Malnutrition is high among pregnant and lactating women. During the year, special programme with special aim to control micronutrient deficiencies, infant mortality, low birth weight, Iron deficiency, anemia as well as Iodine deficiency remain under implementation. Details of the programme implemented during the year are discussed.

A. Micronutrient Deficiency Control Programs:

The major micronutrients deficiencies are Iodine, Iron, Vitamin-A. Specific programs which remained under implementation during the period are;

(i) Control of Iodine Deficiency Disorder

Major proportion of the country's population appear to be at risk of iodine deficiency. The government of Pakistan in collaboration with the United Nation Children Emergency Fund (UNICEF) has launched a national iodine deficiency control program (IDDCP) using universal salt iodization (USI) as the key strategy. The recent utilization of iodized salt at household level is only 17% which is mainly due to less availability, higher prices and family planning related rumors.

(ii) Control of Iron Deficiency Anemia

Iron deficiency rates are higher at around 45% and so far no appreciable achievement has been made through public health measures. Iron supplementation is provided by the National programme of Family Planning and PHC (Primary Health Care) to targeted women within the catchments areas of the LHW. Other feasible alternates for sustainable wider coverage have been considered and fortification of wheat flour is one option.

(iii) Control of Vitamin A Deficiency

Vitamin A deficiency is a major cause of child mortality in Pakistan. However, there has been a reduction in the deficiency mainly due to twice a year vitamin A supplementation programme to the targeted children under 5 years of age. The government has linked vitamin A supplement with vaccination provided by the LHWs through the nutrition programme.

B. Nutrition in Primary Health Care (PHC)

The objective of improvement of nutrition through Primary Health Care is to improve in qualitative terms the nutritional status of women, girls and infants by providing and expanding PHC nutritional services. Primary health workers working at the village level provide services for micronutrient supplementation.

C. Tawan Pakistan Project (School Nutrition Package for Girls)

A nutrition targeted programme covering school girls in 5300 schools of the 29 provincial districts across the country is underway. This involves serving of fresh meal, micronutrient supplementation and defining and assessing their impact on the nutritional status of girls. The programme is under implementation since 2000. Feeding programme has been started in 379 schools by December 2004 against the target of covering 5300 schools. The implementation of the project is slow and incomplete compared with the envisaged targets.

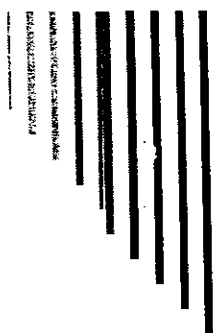
Food Availability

Availability of the major food items remained satisfactory and registered a marginal increase in supply over the previous year. Caloric availability increased from 2529 to 2534 and protein availability increased from 65.3 gm/capita per day to 65.8 gm/capita per day. The supply of calories and protein is well above the average Recommended Daily Allowance (RDA).

Table -12.5: Food Availability Per Capita

Items	Year	49-50	79-80	89-90	98-99	99-00	00-01	01-02	003*	3-04 (E)	04-05* (T)
Cereals	Kg	139.3	147.1	164.7	171.0	163.5	150.3	136.8	11.3	44.7	144.9
Pulses	Kg	13.9	6.3	5.4	6.8	7.2	7.1	7.0	5	.0	7.1
Sugar	Kg	17.1	28.7	27.0	31.2	26.4	30.9	30.3	38	0.5	30.75
Milk	Ltr	107.0	94.8	107.6	148.0	148.3	149.6	150.8	11.9	55.7	155.6
Meat	Kg	9.8	13.7	17.3	18.2	18.7	18.8	18.3	16	8.8	18.2
Eggs	Dozn	0.2	1.2	2.1	5.1	5.1	5.2	4.5	4	.6	4.6
Edible Oil	Ltr	2.3	6.3	10.3	12.3	11.1	11.4	11.3	19	1.5	11.7
Caloric & Protein Availability (Per Capita)											
Calories per day (Number)		2078	230	2534	2728	2621	2564	2417	216	529	2534
Protein per day (Gms)		62.8	61.1	65.47	71.85	70.0	67.6	64.1	63	5.3	65.8
E. Estimated											Source: Planning & Development Division

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POPULATION, LABOUR FORCE & EMPLOYMENT

CHAPTER -13

FARHAN FOOTIS
Govt. Gazette Notification
No: 642 - 22047

Pakistan's population has grown at an average rate of 3 percent per annum since 1951 and until mid 1980'. Population growth slowed to an average rate of 2.6 percent per annum during 1985-86 and until 199-2000. However, since 2000-01 Pakistan's population is growing at an average rate of almost 2 percent per annum. If Pakistan had succeeded in slowing its population growth rate to 2 percent per annum since 1959-0, Pakistan's population today would have been 103.4 million as against 152.53 million. In other words the country's population would have been 49.13 million less. Pakistan is relatively poorer today as a result of high population growth rate in the past. Had Pakistan's population grown at an average rate of 2 percent per annum since 1959-0, Pakistan's per capita income would have been Rs. 64366 today as against Rs. 43748. In other words, Pakistan would have been 52.02 percent richer than what it is today. Furthermore, Pakistan's per capita income in dollar terms would have been \$ 1083 rather than \$ 736.

History cannot be changed; those who are already born are part of the society. What is needed now is to educate them, to provide them skill through training and to make them productive members of the society. This is what the government of Pakistan is trying to do. It is trying to improve the quality of education. An extensive programme of vocational training is being developed to provide proper skills to the people so that they can become dynamic citizens of the country. During the last 50 years, Pakistan's population has increased from 33 million to 152.53 million in 2004-05. Thus making Pakistan the 7th most populous country in the world. Although the current population growth rate has slowed to 1.9 percent per annum, overall population has increased by 2.76 million people as compared to last year; this is still considerably high compared to the average of 0.9 percent for the developed countries and 1.7 percent for the developing countries.

According to the estimate, Pakistan's population will almost double in the next 12 years at the current growth rate of 1.9 percent. Higher population growth supplies more work force in the market and given the low economic growth in the past, it creates less jobs. Thus, it puts pressure on educational and health facilities on the one hand and gives birth to unemployment, land fragmentation, overcrowding, katchi abadis, poverty, crime and environmental degradation on the other.

The negative economic impact of high population growth over the decades is also reflected in the following comparative statistics between Pakistan and South Korea.

During the five decades from 1950 to 2001, the population of Pakistan has increased 4.3 times - from 33 million to 140.33 million, whereas the population of South Korea increased only 2.4 times - from 21 million to 47.7 million. Over the same period, the per capita income in Pakistan increased by only five times from \$74 in 1950 to \$503 in 2001, whereas South Korea's per capita income increased by 129 times from \$82 in 1950 to \$10,550 in 2001. It may be pointed out that in 1950 the difference in per capita income between the two countries was merely \$3 but this

difference widened to \$10,047 in 2001. While economic policies in the two countries determined these statistics, the rate of population growth must also have played a role.

Realizing this danger the government, has expressed its determination to further bring down the population growth rate, which has already declined from 3.06 per cent in 1981 to 2.0 percent in 2002 and further to 1.9 percent in 2005. Although the wisdom to check the population growth rate cannot be denied, it is felt that the increase in population may not be viewed in isolation. The factor on the other side of the population equation, namely the country's resources, also have to be given due weight. Growing population has put tremendous pressure on Pakistan's existing resources because of failure of concerned authorities to explore and exploit new resources.

Due to the above reasons, government is following a well-thought and practical population policy. The overall vision of the population policy is to achieve population stabilization by 2020 through the completion of a demographic transition. This would be possible by balancing resources and population, creating awareness of the adverse consequence of rapid population growth and reducing the fertility rate. The demographic scene in Pakistan clearly shows that while it appears to have made a breakthrough in achieving a declining trend in fertility and population growth rate, these changes are modest. Despite the fall in the population growth rate, it will take several decades to bring the country's population growth at par with rest of the developing countries.

Since, Pakistan is on the favorable end of the population spectrum. Thus, an increase in population consequently leads to an increase in labour force as well. This is evident from Pakistan's labour force figure of 45.76 million in 2004 as compared to total labour force figure of 40.49 million in 2000; there is an increase of 5.27 million working hands in Pakistan.

From the above current age structure it is clear that along with growing population, labour force has also registered nearly constant growth of around 2 percent over the years. Now the question is that how can this human wealth is optimally utilized so that it benefits both the individual and the society. Here the role of the government becomes prominent. As the caretaker of the society it is up to the government to initiate appropriate skill programmes in schools as well as colleges, to make the public aware of the benefits of obtaining technical education and to make as far as is possible investments in the technical skills sector. So that the bane of population can be changed into bone of population.

Due to demographic transition, the share of old age population has declined by 1.5 percentage points. This change in demographic structure owes heavily to a steady decline in population growth since 1981. With further slow down in population growth, Pakistan may see its shares of working-age population to rise while that of young age population decline. Demographic transition provides an opportunity for raising economic growth and increasing prosperity. Pakistan may succeed in mobilizing sufficient capital (investment) and use it efficiently with the rising working age population but this will depend largely on government's socio-economic policies. If the work force is better educated, it will be better placed to contribute to economic growth. If government's macro-economic policies are such that lead to job creation, the country will more likely to realize the potential benefits of demographic transition in terms of higher economic growth.

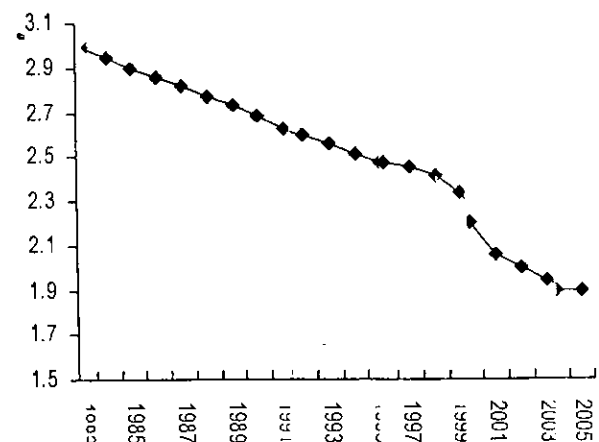
In case of Pakistan, export of skilled labour is essential for the economy. By exporting labour it can not only decrease unemployment resulting in decline in social frustration but also generate foreign exchange revenues through the pipeline of remittances for the country. Thus, the double-edged sword of overpopulation can be used for the country's advantage.

In case of Pakistan, remittances from expatriate citizens are the second largest source of foreign exchange earnings after exports. Pakistanis living abroad have sent more than \$ 4 billion remittances in the current fiscal year 2004-05 as compared to last fiscal year in which they remitted about \$ 3.8 billion. A little less than one-third of total

remittances came from Pakistanis based in America. Whereas, Pakistanis living in UAE, Saudi Arabia and UK also sent home a sizable amount of foreign exchange.

Middle Eastern countries have always been a big market for Pakistani unskilled and skilled labour. But due to easy availability and cheapness of Philippines, Sri Lanka, Bangladesh and Indian labour, the demand for Pakistani workers has somewhat declined. The need of the hour is to try and upgrade the skills of Pakistani workers or in other words to export highly skilled workers instead of semi-skilled or unskilled workers. This can be accomplished by raising awareness among people to enhance their skills, invest in polytechnic schools, sign memorandums of understanding with various governments for provision of labour etc.

Fig-1 Trends in Population Growth(%)



In this regard Government of Pakistan (GoP) has already taken a concrete step by signing memorandum of understanding (MOU) with Malaysia to send semi-skilled and unskilled workers to Kuala Lumpur. Malaysia has agreed to import manpower from Pakistan in four sectors including manufacturing, construction, agriculture and services. At least 100,000 Pakistani workers per year will benefit from this agreement. Pakistan's improved labour policies have also resulted in 85 percent increase in manpower export last year.

Fertility and Mortality

While mortality has been decreasing and fertility has shown a significant decline over the recent years, the crude death rate (CDR) of Pakistan is estimated at 8.1 (per thousand) in 2004-05. Maternal mortality ranges from 350-400 per hundred thousand, per year leading to about seventeen thousand newborn babies being born motherless. The life expectancy in Pakistan for the year 2004-05 is estimated at 64.10 for males and 63.0 for females. The decline in mortality rate has been slowed, when compared with those of many other developing countries.

Table-3.1 Selected Demographic Indicators	
Indicators	Current Year (200-05)
Total Fertility (TFR)	4.7
Crude Birth Rate (CBR)	28.0
Crude Death Rate (CDR)	8.1
Growth Rate	1.2
Infant Mortality Rate (IMR)	2
Maternal Mortality Rate (MMR)	350.40
Life Expectancy at Birth	Male: 64.00 years Female: 63.80 years
Source: Population Welfare Organization, Population Census Growth	

Despite a considerable decline in the total mortality in Pakistan infant mortality has remained high at 82 per thousand live births in 2004. The major reasons for this high rate of infant and child mortality are diarrhea and pneumonia. The reproductive health (RH) indicators i.e. Total Fertility Rate (TFR), Crude Birth Rate (CBR), Crude Death Rate (CDR), Infant Mortality Rate (IMR) and Maternal Mortality Rate (MMR), and life expectancy at birth are reported in table 3.1. The Total Fertility Rate (TFR) in Pakistan has declined from 4.8 children per woman in the year 2000-01 to 4.07 children per woman in 2004-05. This reduction is significant but the rate is still well above 2.1 children per woman, the long-term target of the population policy.

Population Welfare Programme

Population Welfare Programme is a strategic component of the Social Action Programme. The Family Planning Association of Pakistan, an NGO initiated it in 1953. During the 60's the Population Welfare Programme was taken over by the public sector but due to numerous difficulties it did not show promising results. Historically no significant efforts were made to slow down population growth.

As a result population grew at an average rate of 3 percent during 1951-85. However, some efforts were made in the mid 80's and early 90's, which slowed population growth to 2.6 percent. Recently serious efforts have been made from the government's side to tackle the issue of rapidly increasing population. These measures will be discussed in detail in the forthcoming pages.

To address population in holistic manner, the government has formulated Pakistan Population Policy, which was approved by the cabinet in July 2002. The policy calls for a sustained political commitment and need for mobilizing broader supports from all stakeholders in the public and private sectors. The policy aims for a swift demographic transition to achieve replacement level by 2020 through declining fertility. It focuses on addressing various dimensions of population size with national laws and developmental priorities while remaining within the national social and cultural norms.

Some of the major strategies being pursued by the programme with special attention to rural areas are:

- Expansion of family planning services in the rural areas through village based family planning workers;
- Mobile service units for covering the far flung villages having no access to family planning services;
- Expansion in service delivery through family welfare centers and reproductive health service centers in the public and private sectors for provision of contraceptive surgery;
- Effective and increased involvement of all health outlets in the public and private sectors by providing training/refresher courses, basic equipment, IEC material, sign boards and regular supply of contraceptives to paramedics;
- Introduction of family planning and MCH services in Federally Administered Tribal Areas (FATA) adjoining the NWFP through their health infrastructure;
- Reinforcement of family planning and MCH services in the Azad State of Jammu and Kashmir (AJK) and the Northern Areas;
- Encouragement and support to non-governmental organizations (NGOs) for undertaking innovative and cost-effective service delivery to cover specific urban and semi-urban areas like slums, katchi-abades, labour colonies, etc.;
- Involvement of registered medical practitioners, hakeems, homeopaths, traditional birth attendants, private clinics and hospitals for dispensation of family planning services through their infrastructure by way of training, orientation, contraceptive supplies, information, education and communication (IEC) material and signboards;
- Acceleration of training and orientation programmes for programme personnel, employees of other departments who are providing health services at different outlets and community based groups.

Table 13.2: Service Infrastructure:

Service Delivery Outlets	Planed 2004-05	Achieved as on 31-03-2005	Target for 2005-06
1. Family welfare centres (FWCS)	2054	1969	23500
2. Reproductive Health "A" centres	118	114	142
3. Mobile service units	214	177	290
4. Mole Mobilizers	2849	1285	5309

Unconventional Means of Raising Awareness

The population welfare programme is implemented by social marketing companies providing conventional hormonal contraceptives to low and middle groups of population in the urban areas of the country through about 76,70 outlets. Besides the provision of contraceptives, the private sector is also employing some unconventional means of population control. These unconventional means include intensification of motivational campaigns through television, radio, films and print media with the involvement of the private sector expertise. Special emphasis is being placed on participatory and inter-personal communication. Attractive publicity boards, hoardings, neon signs, display panels with appropriate messages are being installed at airports, railway stations, hospitals, busstands and other prominent places. All service outlets of the programme in public and private sectors are being made visible by fixing direction boards. Seminars, conferences, group meetings, walks, meet-the-press sessions are being organized at the federal, provincial and grassroots levels. Population education components are being filtered through formal and non-formal school system with the involvement of the Ministry of Education. Similarly, presentations on demographic facts and figures have been initiated for college and university students in the country as well as at all the national institutions.

Rejuvenating the Population Programme

The Government has decided to rejuvenate the population programme with new initiatives to reduce the growth rate and the main thrust in these initiatives will be to increase coverage and accessibility to reproductive health services with the focus on family planning through collaboration with Ministry of Health and NGOs including private sector etc.

The government has approved comprehensive programmes for providing Reproductive and Family Planning services through 2000 Family Welfare Centers and RHC Centers of the Ministry of Population Welfare (MoPW) throughout Pakistan. This network of services would be supported by the service infrastructure of Provincial Health Departments numbering 10,000 Basic Health Units (BHU), Dispensaries, Rural Health Centers (RHC), hospitals and one-lac lady Health Workers. Preventive and diagnostic services, both for health and family planning, would thus be available under one roof; people would not have to travel long distances looking for services. Those who were shy of seeing family planning services would no longer feel so.

Government has also approved the provision of at least one Mobile Service Units (MSU) per tehsil consisting of a mobile dispensary headed by a lady doctor to visit areas away from static Health or Population Welfare Department Units. The MSU would provide Primary Health Care, EPI, Reproductive Health and Family Planning services in that order. Provision of health services would in fact act as the entry point for voluntary family planning services. The objective is to provide access to those far-flung or deprived areas where services are not being provided by the government or the private sector.

Additional Measures

The following are some of the additional measures initiated by the government and private sector to slow the country's population growth.

- The revival and restructuring of the **National Trust for Population Welfare (NATPW)**, which is supposed to coordinate the activities of the government, the foreign donors, and the hundreds of NGOs working in population welfare who are attached with it. It is also responsible for providing financial and technical expertise to 650 NGOs and CBOs. Due to lack of assistance for the last four years, the role of NATPW has been curtailed to a large extent. The NGOs, which were getting financial support through NATPW, could not perform fully as well. However the larger NGOs like FPAP and Mari-Store etc. have been much effective during this period. Now Planning Commission has also committed Rs50 million for financing schemes of grass root level NGOs during 2004-05 through NATPW.

- The intention to begin construction of a **Population House** in Islamabad in mid-2005 to provide state-of-the-art facilities to those involved in promoting population and family welfare.
- **Population Commission** has been constituted at the federal and province level headed by chief ministers of respective provinces to view the problems caused by increased population and to implement the respective policies that have never been implemented as yet.
- Finally, the donor community consisting of USAID, DFID, KFW and the ADB have provided substantial support to two Social Marketing Companies — Green Star and Key — to provide supplies at low cost through nearly 50,000 retail outlets in the country. The Private Sector is involved in the Programme through Social Marketing (SM) activities with the aim of making Family Planning (FP) information and services available more widely at reduced rates. Currently SM Projects are funded by KFW (Development Bank of Germany) and Department for International Development (DFID), U.K. The Projects are executed outside Public Sector Development Programme (PSDP) by Social Marketing Pakistan, by adopting independent logo of "Green Star". The other Project is executed by Key Social Marketing by using an independent logo of "Key". The range of activities of SM includes advertisement/Promotional campaign, training of doctors, paramedic & chemists as well as dispensation of contraceptives through commercial distribution network of over 58,000 distribution/service points. In addition the services of private doctors and paramedics are also sought for this venture.

The next five years would be crucial in determining the effectiveness of the ongoing population programme. If the government can reach every household in the country within this period, the country will be able to fulfill its 2020 targets or even advance them by a few years.

Labour Force and Employment

Pakistan is on the favorable end of the demographic transition. In the next few decades there would be a massive influx of people in the working age group (around 60 million people). This trend can already be seen as over the last decade, the proportion of working age cohorts has increased from 53 percent in FY86 to 56 percent in FY03. As total labour force has also increased from 41.38 million in 2001 to 45.76 million in 2004. Of this, 99.25 million of work force is in the rural areas and 51.22 million is in the urban area.

From the table 13.3 we can decipher that Pakistan's total labour force has increased by 4.38 million in 2004-05 as compared to 2001-02. Similarly, the number of people employed has also registered an increased of 2.87 million (7.4 percent). Whereas unemployment has only increased by 0.3 million. This in fact points towards the successful employment generation policies of the government.

Table 13.3 Civilian Labor Force, Employed and Unemployed for Pakistan (No. in million)

	1999-2000	2001-02	2003-04
Labor Force	39.4	42.39	45.23
Employed	36.32	38.88	41.75
Unemployed	3.08	3.51	3.48

Source: Labor Force Survey 2001-02 and 2003-04

Labour Force Participation Rate

In Pakistan, labour force participation is estimated on the basis of the Crude Activity Rate (CAR) and the Refined Activity Rate (RAR). The CAR is the percentage of the labour force in the total population while RAR is the percentage of the labour force in the population of persons 10 years of age and above. According to the Labour Force Survey 2003-04 the overall labour force participation rate (CAR) is 30.41 percent (48.74 percent of males and 11.16 percent of females). CAR was 28.7 percent in 1996-97 increased to 29.4 percent in 1997-98 but later declined to 29 percent in 1999-00. It has increased to 29.61 percent in 2001-02 and finally to 30.4 percent in 2003-04.

Similarly, FAR was 3 percent in 1996-97, increased to 43.3 percent in 1997-98, decreased to 42.8 percent in 1999-00 and has increased to 43.3 percent in 2002-03 and further to 43.7 percent in 2003-04.

A comparison of male and female participation rates reveals that the labour force participation rates of females have been increasing over the years and it has increased from 13.72 percent in 1999-00 to 15.93 percent in 2003-04. Multiple factors like increased awareness, better educational opportunities, equal employment opportunities, changing social attitudes, etc are responsible for this. But it still remains less than the male activity rate which means that their participation in economic activities is also low. On the other hand, male participation rate has seldom wavered and has generally remained steady since the early 90's. The crude and refined labor force participation rates by area and sex for 1990-91 till 2003-04 are given in Table- 3.4.

Table 13.4 Labour Force Participation Rates by Area and Gender

Reference Year	Popoution (Million)		Labour Force (Million)	Participation/Activity rate(%)					
	Total	10 + Years		C/R			RA		
				Total	Male	Female	Total	Male	Female
1990-91	111.1	72.03	31.09	27.97	4636	8.23	43.16	71.7	1.76
1991-92	114.0	74.70	32.07	28.11	4635	9.15	42.93	70.7	1.98
1992-93	117.0	76.99	32.61	27.86	4537	8.59	42.35	69.4	1.15
1994-95	119.9	79.62	33.45	27.88	4574	8.86	42.01	69.7	1.32
1995-96	122.9	81.87	33.77	27.46	4533	7.59	41.25	69.1	1.39
1996-97	129.0	86.07	37.02	28.69	4636	9.04	43.01	70.1	1.63
1997-98	131.7	89.34	38.72	29.38	4738	9.40	43.34	70.3	1.92
1999-00	137.5	93.08	39.84	28.97	4733	9.29	42.80	70.3	1.72
2001-02	143.1	97.80	42.39	29.61	4804	9.86	43.34	70.2	1.44
2003-04	148.7	103.40	45.23	30.41	4874	11.16	43.74	70.1	1.93

Source: Labor Force Survey, 2003-04

Employment Situation

The employed labor force is defined as all persons of ten years and above who worked at last one hour during the reference period and were either "paid employees or "self-employed". Based on this definition, the total number of the employed labor force in 2005 is estimated at 43.22 million compared to 42.24 million in 2004. The total number of employed persons in rural areas has increased from 28.98 million in 2004 to 29.65 million in 2005. Similarly, urban employment increased from 14.63 million in 2004 to 15.03 million in 2005. The distribution of the employed labor force in urban/rural areas from 1990-91 to 2003-04 is given in Table 13.5. The above table also reflects a steady rise in the quantum of employment over the years for both rural and urban parts of Pakistan. In 2003-04, rural employment (1.98 million increase) has increased more than urban employment (0.89 million). Whereas total employment has also risen considerably from last year (0.7 million increase).

Table 13.5 : No. of Employed in Comparative LFS (Million)

Year	Pakistan	Rural	Urban	Increase
1990-91	29.14	20.66	8.48	
1991-92	30.19	21.82	8.37	1.05
1992-93	31.06	22.38	8.68	0.87
1993-94	31.83	23.42	8.41	0.77
1994-95	31.96	23.34	8.62	0.13
1996-97	34.75	24.24	10.51	2.79
1997-98	36.44	25.50	10.94	1.69
1999-00	36.72	26.08	10.64	0.28
2001-02	38.88	26.66	12.22	2.16
2003-04	41.75	28.64	13.11	2.87

Source: Labor Force Survey 2003-04

Employed Labour Force by Sectors

The agricultural sector has absorbed 17.97 million of the total employed labour force. On the whole, an increase has been observed in almost all major industries/sectors gender neutrally. Sector wise break up of employed labour force shows that female labour force participation is on the up for most sectors especially agriculture and fishery workers. It is important to note that the employment of the rural females increased despite a considerable rise in female Labour Force Participation Rate. The increase in rural female employment was mainly in the category of unpaid family helpers, which may be due to enhanced growth rates in agriculture in recent years or due to the combined efforts of various NGO. The distribution of female labour force by major sectors also supports the view that employment gains are concentrated in female unpaid workers, as the largest increase in the female employment is seen in Agriculture and allied industries. On the other hand, the increase in urban female employment is mainly in community services, manufacturing and construction industries. Similarly occupational distribution of urban females show employment increase in category of unskilled, craft and trade related workers.

Table 13.6 Employed Labour Force by Sectors (No in millions)

Industry/Sector	2001-02			2003-04		
	Total	Male	Female	Total	Male	Female
Agriculture,	16.37	12.69	3.68	17.97	13.22	4.75
Manufacturing & Mining	5.38	4.52	0.86	5.73	4.70	1.03
Construction	2.35	2.33	0.02	2.43	2.41	0.02
Wholesale & Retail trade	5.77	5.67	0.10	6.18	6.06	0.12
Transport	2.29	2.27	0.02	2.40	2.39	0.01
Financing, & Insurance	0.35	0.34	0.01	0.44	0.43	0.01
Community & Social services	6.03	5.04	0.99	6.27	5.15	1.12

Source: Labour Force Survey, 2003-04

Growth and the Informal Sector

Substantially large portion of the country's economic activity is in the hands of the informal sector; they employ 70 percent of Pakistan's total labour force. Proportion of employed person involved in rural informal sector (73 percent) is higher as compared to that of urban areas (67 percent). As expected informal activities are more concentrated in urban areas (33 percent) as compared to rural areas (27 percent). Since informal activities are predominantly non-agrarian, male workers are relatively more concentrated in informal sector both in rural and urban areas of the country. Informal sector's employment has surged by 5.0 percentage points from 65 percent in 2001-02 to 70 percent in 2003-04 as is represented in Table 13.7.

Table 13.7 Distribution of Labour Force (%)

Sector	2001-02			2003-04		
	Total	Male	Female	Total	Male	Female
Total	100.0	100.0	100.0	100.0	100.0	100.0
Formal	35.4	35.3	37.0	30.0	29.6	34.3
Informal	64.6	64.7	63.0	70.0	70.4	65.7
Rural	100.0	100.0	100.0	100.0	100.0	100.0
Formal	31.7	31.5	34.3	27.1	26.7	30.1
Informal	68.3	68.5	65.7	72.9	73.3	69.9
Urban	100.0	100.0	100.0	100.0	100.0	100.0
Formal	38.9	38.9	39.3	32.8	32.2	38.4
Informal	61.1	61.1	60.7	67.2	67.8	61.6

Source: Labour Force Survey 2003-04

Informal sector is, therefore, not only the main engine of growth but it is also the main source of employment generation. In this regard, the most prolific advancements in the private sector in Pakistan have taken place in the field of telecommunications.

Telecommunications Sector

The extraordinary growth in the telecom sector has created enormous employment opportunities, directly and indirectly, for educated unemployed youths in a wide range of areas like call-centers, telecom engineering, telecom sales customer services, finance and accounting etc. This is one of the fastest growing sectors of the economy and the pace is likely to accelerate even further in the next few years, creating more jobs, raising the income levels of people and hence, reducing poverty. From the following table it is observable that the pay phones sub sector has generated the largest number of employment opportunities in the telecom sector. Whereas, the total number of job opportunities created is equal to 33,939.

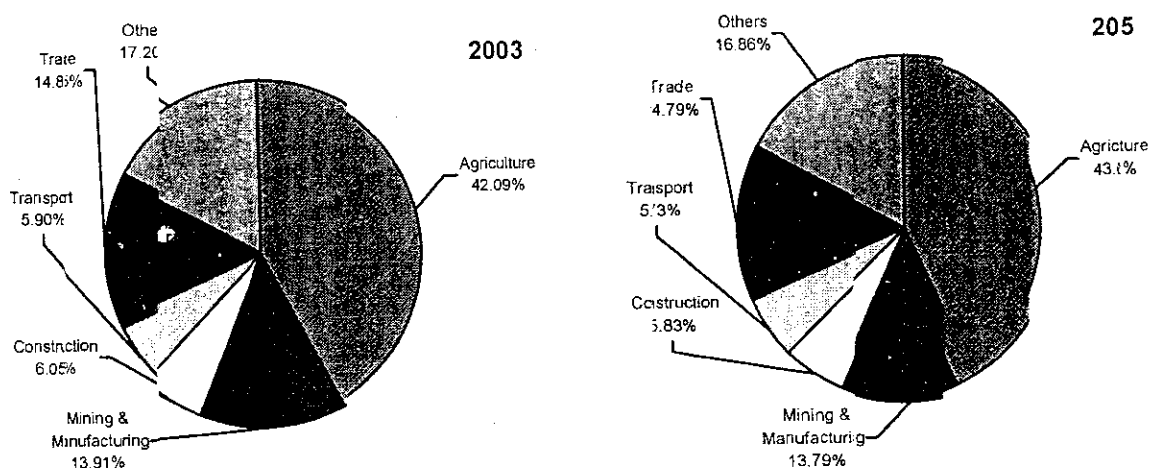
Table 13.: Employment in Telecom Sector

Service	Current status	
	Direct Employment In 2004	Indirect Employment
Cellular Mobile	3,309	18,289
Long distance International	313	6,780
Wireless Local Loop	628	4,032
Local Loop	69	70
Payphones	1,720	14,420
Manufacturing	1,133	2,320
ISPs	312	324
Sets & Accessories Sellers	3,000	120
Grand Total	11,484	17,455

Source: Pakistan Telecommunication Authority (PTA), Islamabad

The service sector tends to move in tandem with commodity sector growth. The increased investor interest and growth in telecommunications has shown that the sector has achieved its goal to meet the target growth of 6 percent for fiscal year 2004/05.

Fig-2: Distribution of Labour Force by Sector



Unemployment

Unemployment is defined as all persons ten years of age and above who during the period under reference were, (a) without work i.e., were not in paid employment or self-employed, (b) currently available for work i.e., were

available for paid employment or self-employment and (c) seeking work i.e., had taken specific steps in a specified period to seek paid employment or self-employment. According to this definition about 3.52 million people were estimated to be unemployed in fiscal year 2005 as compared to 3.72 million last year. The unemployed labour force by urban/rural areas from 1995 to 2005 is given in Table 13.9.

Table 13.9 unemployed Labour Force by Rural / Urban Areas (No in Million)

Mid Year	Unemployed Labour Force (In million)			Unemployment Rate (%)		
	Total	Rural	Urban	Total	Rural	Urban
1995	1.83	1.18	0.65	5.37	4.80	6.90
1996	1.88	1.22	0.66	5.37	4.80	6.90
1997	2.29	1.47	0.82	6.12	5.65	7.17
1998	2.31	1.36	0.95	5.89	4.98	7.95
1999	2.36	1.39	0.97	5.89	4.98	7.95
2000	3.16	1.98	1.18	7.82	6.94	9.92
2001	3.22	2.01	1.21	7.82	6.94	9.92
2002	3.55	2.20	1.35	8.27	7.55	9.80
2003	3.62	2.25	1.37	8.27	7.55	9.80
2004	3.52	2.09	1.43	7.69	6.74	9.70
2005	3.52	2.09	1.43	7.69	6.74	9.70

Source: Labour Force Survey 2003-04

The table reveals that overall unemployment rate has declined from 8.3 percent in 2001-02 to 7.7 percent in 2003-04, due mainly to steeper decline in women's unemployment vis-à-vis that of men. First take the decline in female unemployment in both rural and urban areas. This decline could be due to two reasons; females were able to get job opportunities or they withdrew from the labour force mainly because of "discourage phenomenon". But female participation in the labour force has increased considerably over the last few years thus it appears that female unemployment reduced primarily due to expansion in job opportunities for females. Microfinance facilities focusing on women particularly in rural areas could be the major contributing factor for reduction in female unemployment rate.

Age Specific Unemployment Rates

Age specific unemployment rates form a spectrum of two different hues. The 1st one encompasses three up-start age groups (10-24) with respect to size of unemployment. This is the group, which suffers from a high unemployment rate. One way of reducing this unemployment is through vocational training so that unskilled or semi-skilled labour can be converted into highly skilled labour. The 2nd part of the spectrum spans over seven age groups between 25 to 29 years. This grouping reflects mildly rising men-led profile of unemployment over time. For the last two (50-59) age intervals, women's unemployment has consistently been on the decline. The unemployment rates of beyond retirement age may partly be accrued by the re-entrance of the retired people into economically active life because of the

Table 13.10: Unemployment Rates: Sex And Age (%)

Age Groups	2001-02			2003-04		
	Total	Male	Female	Total	Male	Female
Ten years & above	8.3	6.7	16.5	7.7	6.6	12.8
10-14	16.5	16.1	17.7	12.8	13.6	10.4
15-19	16.2	15.3	20.5	13.2	12.8	14.9
20-24	10.9	9.1	20.5	10.3	9.3	15.0
25-29	6.3	5.1	12.9	7.1	6.1	12.5
30-34	4.2	3.2	9.6	4.5	3.8	7.4
35-39	2.6	1.5	8.2	2.9	2.0	7.2
40-44	3.2	2.2	8.2	2.9	2.5	4.8
45-49	3.3	2.5	7.9	3.5	2.3	9.5
50-54	6.0	4.0	18.2	5.1	3.5	12.2
55-59	8.0	4.6	31.8	7.1	4.5	20.7
60 years and above	13.6	8.9	45.5	12.8	8.9	36.1

Source: Labour Force Survey, 2003-04

absence of social securities for them. The lowest unemployment rate is for the age interval 30-39 which consequently is also prime working age for both the genders.

Employment Promotion Policies

The **Public Sector Development Programme (PSDP)** for the current fiscal year 2004-05 has been increased to Rs. 262 billion, a 26 per cent increase over last year's PSDP of Rs. 160 billion. Since the focus of GDP for 2004-05 has been on accelerating growth, increase funds for PSDP would mean enhancing public sector investment to generate employment thus raising overall growth.

Employer-led Skill Development Councils developed by Ministry of Labour Manpower and Overseas Pakistanis, have been established in all provinces to identify needs of geographical area, prioritize them in marked demand and to facilitate the training of workers through training providers in public and private sectors. These councils have met the diversified training needs of the industrial and commercial sectors and have trained 46,61 persons so far.

Technical and vocational training enhances the employability of the work force. There are 31 training institutes under NTE across Pakistan, which also includes all TEVTA institutions in Punjab. They offer vocational courses in 80 trades and the net output capacity of these institutions is 150,000 per year. At present the training capacity of 20,050 trainees is available under the **Technical Education and Vocational Training Authority (TEVTA)** Punjab and the other Provincial Directorates of Manpower and Training. Besides 1807 apprentices are being trained under the Apprenticeship Training Programme in the country.

A **Ten Year Perceptive Development Plan** for the period 2001-11 is under implementation and accelerating GDP growth and reducing unemployment are among its major goals. This plan envisages to create 1.3 million new job opportunities through investment of Rs. 11287 billion during the Plan period.

As a result of developmental efforts of the government, GDP growth rate has started picking up. It was 5.1 per cent in 2002-03, increased to 6.04 per cent in 2003-04 and is around 7 per cent in 2004-05. On the other hand, the population growth rate, which was 1.99 per cent in 2003-04, has declined to 1.9 per cent in 2004-05. Both the parameters have helped to make dent in the unemployment situation as result of which the unemployment rate has declined from 8.3 per cent in 2001-02 to 7.7 per cent in 2003-04.

Small and Medium Enterprises (SME) represents a significant component of Pakistan's economy in terms of value. They are highly labor intensive and provide employment to the bulk of the non-agricultural labor force. The growth of SMEs has mainly been hampered by the non-availability of credit in the past. Realizing this constraint the government has opened two specialized non-credit banks namely, the SME Bank and Khusali Bank. The Small and Medium Enterprises Development Authority (SMEDA) is also actively developing programme for managerial skill development and technical and informative support to the SMEs.

The SME Bank was established on 1st January 2002 with the primary objective of providing financial assistance and business support to small and medium enterprises. A large number of SMEs are being financed under its program lending scheme namely "Hunarman Pakistan Scheme" in such businesses as food manufacturing, dairy manufacturing, surgical instruments, doctors and dentists clinic, women entrepreneurs, CN stations, auto loans, auto parts manufacturing, furniture manufacturing, motorcycle rickshaws etc. Up to 31st January 2004, the SME Bank has financed 4522 SMEs and disbursed loans amounting to Rs. 3031.57 million and has been successful in creating 9044 employment opportunities in the country.

Realizing the importance of microfinance in improving the lives of the poor people, the government has established Khusali Bank in 2000 – a microfinance institution – under a public-private partnership program. It has also

encouraged private sector to setup microfinance banks in Pakistan. So far three microfinance banks have become operational during 2001-04. Two applications for setting up microfinance banks in private sector are under process for licensing. The outreach of these four institutions has increased to half a million households in just 4-5 years. In the next five years the outreach will increase to three million households. The Khushhali Bank alone has so far disbursed Rs.4.5 billion and nearly 33 percent of its clients are women. The services of these institutions will be the most effective instruments in improving the lives of the poor people in both urban and rural areas.

The **housing and construction sector** provide substantial additional employment opportunities as it contributes through a higher multiplier effect with a host of beneficial forward and backward linkages in the economy. The sector, through linkages effect with about 40 building material industries, supports investment and growth climate and help reduce poverty by generating income opportunities for poor households. During the last two years, the government has taken various budgetary and non-budgetary measures, which are now yielding positive results. Construction activity in Pakistan is booming; demand for construction-related materials has surged. Many national and international real estate developers have launched or launching large construction projects in Pakistan, which has further accelerated construction activity in the country.

Pakistan Poverty Alleviating Fund (PPAF) was set up in April 2000 with an endowment of \$ 100 million, as a wholesale lender to NGOs engaged in providing micro financing. PPAF, as of 31st Dec 2004, is present in 94 districts across Pakistan. Whereas, it has 52 partner organizations. So far it has made disbursements of Rs. 8.2 billion and it has around 7 million beneficiaries.

The government has so far spent one thousand billion rupees on pro-poor sectors in the last five years. Economic growth is the engine of employment generation and poverty alleviation. In order to sustain this spectacular pace of growth and maintain healthy and vigorous macroeconomic indicators would require a prolonged period of macroeconomic stability, financial discipline, and consistent and transparent policies. These, along with improved governance and better quality infrastructure would encourage private sector to play a leading role in promoting investment and growth. The government on its part must identify and promote sectors, which are considered not only to be the major drivers of growth but also have the greatest potential of creating more employment opportunities.

Since it took almost a decade for unemployment and poverty to reach at this level, it would be unreasonable to expect that both unemployment and poverty will decline in the short-run. But this does not mean that it is an unattainable objective.

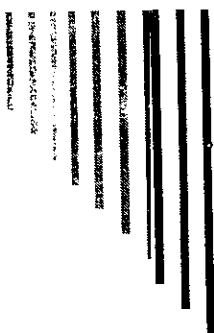
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TRANSPORT AND COMMUNICATIONS

CHAPTER – 14

One of the main obstacles to development in a rapidly growing economy like Pakistan has been, and still is, inadequate infrastructure. Since 2002/03, the economy has mounted a strong recovery with sustained growth in prospects. The acknowledgement that strengthening of the country's infrastructure is a basic imperative for sustaining growth momentum, has never been so loud, so vociferous. An efficient transport and communication network is a vital element of strong infrastructure. This chapter reviews the present state of transport and communication network in Pakistan.

An efficient transport and communication network plays an important role in socio-economic development of the country. Better road infrastructure is associated with greater agricultural output, higher income, better indicators of access to health services, and greater wage income opportunities. In other words, an efficient road network is a must to keep the wheels of a country's economy well-oiled. The development of rural infrastructure is an important implication for the alleviation of poverty. A number of studies point to a significant impact of roads on poverty reduction through economic growth. One of the studies suggest that use of fertilizer was 92 percent higher in those areas with good road network than in those with poor infrastructure facilities. The length of paved roads is also highly correlated with physical and human capital. Socio-economic benefits provided by roads and highway projects include all-weather reliability, reduced transportation costs and increased access to markets for local produce, access to new employment centers, employment of local workers on the project itself, better access to health care and other social services and strengthening of local economies.

Rapid development of Information and Communication Technology (ICT) infrastructure is a prerequisite for making progress in every sector of the economy. Modernization and development of telecommunication infrastructure has been correlated to increase economic activities. The Information Technology (IT) revolution is probably the most important force shaping communities today. The 21st Century can safely be named as IT Century as no institution could be run without the help of IT in future. The advancement of IT has brought enormous benefits to individuals, businesses and almost every organization. The world has developed into an information economy and the application of new technologies is a centerpiece of the activities.

Transport has always been a major factor in the economic development of regions. A well-developed and integrated infrastructure network is an essential pre-condition of higher economic growth on a sustainable basis. Regions with adequate means of communication and transportation have grown economically and those lacking in these vital fields have historically lagged behind. For meaningful economic cooperation amongst nations, particularly in the areas of trade and tourism and for attracting foreign investment and realizing the potentials from an outward-oriented trade strategy besides national integration, availability of efficient transport and communication network, that too at a relatively low cost, is an essential pre-requisite. Transport system broadly consists of roads, railways, air transport and port/shipping service. All these basic modes of transportation are available in Pakistan but road

transportation is not only the most popular and widely used, it is the only mode, which is available to the maximum of the population.

Comparison of road densities between Pakistan and other countries is shown in Fig-1. These densities are indeed the index of prosperity and development. Government is endeavouring to gradually increase this density at a sustainable/permissible pace – at least doubling the number from 0.32 km/sq km to 0.64 km/sq km.

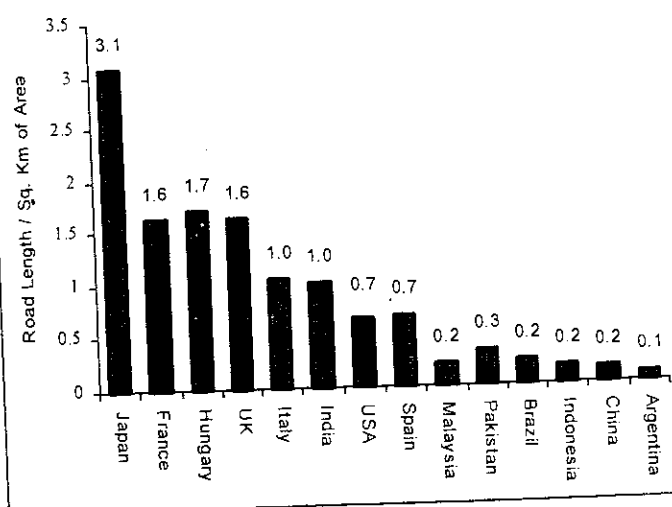
I. TRANSPORT

The government is endeavoured to develop an efficient, safe and convenient transportation and communication network to meet the growing needs of the country and to alleviate the poverty by converting low type to high type roads at a faster pace.

Road Network

Pakistan has a road network covering 259,758 kilometers including 162,879 km high type roads and 96,879 km low type roads. The total roads, which were 170,823 KM in 1990-91, increased to 259,758 km in 2004-05. During the out going fiscal year, the length of the high typed road network increased by 2.7 percent but the length of the low type road network declined by 0.7 percent. The length of high type road increased by 88 percent since 1990-91. This has been made possible under the Khushal Pakistan Program and also reflects the success of the devolution program. The annual growth of roads in Pakistan between 1990-91 and 2004-05 is given in Table-14.1 and Fig-2.

Fig-1 Road Density Comparison



Source: National Highway Authority

Table-4.1 : Length of Roads (Kilometers)

Fiscal Year	High Type		Low Type		Total	
	Length	%Change	Length	%Change	Length	% Change
1990-91	86,839	-	83,984	-	170,823	-
1991-92	95,374	9.8	87,335	4.0	182,709	7.0
1992-93	99,083	3.9	90,238	3.3	189,321	3.6
1993-94	104,001	5.0	92,816	2.9	196,817	4.0
1994-95	111,307	7.0	96,338	3.8	207,645	5.5
1995-96	118,428	6.4	99,917	3.7	218,345	5.2
1996-97	126,117	6.5	103,478	3.6	229,595	5.2
1997-98	133,462	5.8	107,423	3.8	240,885	4.9
1998-99	137,352	2.9	110,132	2.5	247,484	2.7
1999-2000	138,200	0.6	110,140	0	248,340	0.3
2000-01	144,652	4.7	105,320	-4.4	249,972	0.7
2001-02	148,877	2.9	102,784	-2.4	251,661	0.7
2002-03	153,225	2.9	98,943	-3.7	252,168	0.2
2003-04*	158,543	3.4	97,527	-1.4	256,070	1.5
2004-05*	162,879	2.7	96,879	-0.7	259,758	1.4

Source: Ministry of Communications

* Estimated

National Highway Authority (NHA)

The NHA is currently the custodian of 19 of Pakistan's major inter-provincial link called the national highway including the motorways. Total length of roads, under NHA, now stands at 9031 KM. These roads account for only 15 percent of Pakistan's entire road network but cater for 90 percent of the commercial road traffic in the country. The National Highway network is shown in box No.1.

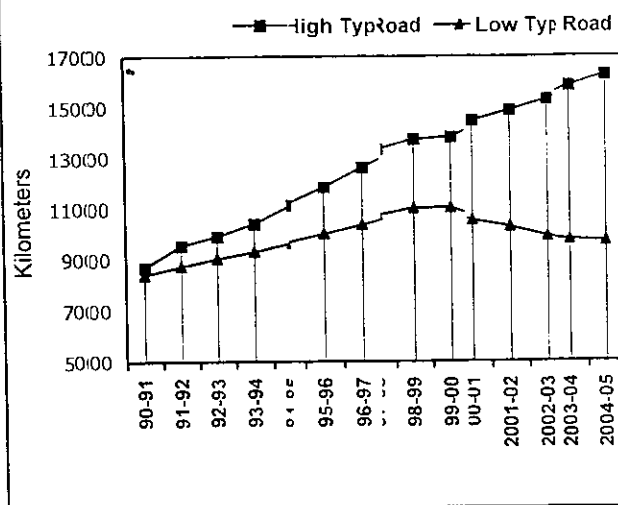
Major Ongoing Projects

The government in early 2000 assigned NHA to undertake the construction of Makran Coastal Highway (MCH, 53 KM) together with construction of Karachi Northern Bypass (56 KM) and Lyari Expressway (2x3 KM). NHA undertook the construction of these projects on priority basis. MCH has already been completed in three segments comprising Lyari-Ormara (248 KM), Ormara-Pasni (151 KM) and Pasni-Gwadar (153 KM). Similarly a large part of the Karachi Northern Bypass has also been completed. Work on Islamabad-Peshawar Motorway (M-1) was also restarted under revised arrangements through a consortium of local contractors for completion in phase. The Islamabad-Burhan and the Asnakai-Charsada sections have already been completed. The entire motorway will be completed and opened to traffic in 2007. Work on Islamabad-Munir Dual Carriageway has also entered in its final phase. The Manehra-Naran road has also been completed and work up to Jhalakhad is in progress.

a. Pakistan Railways

Pakistan Railways forms the life line of the country by catering to its needs for movement of passenger and freight traffic. Pakistan Railways has lost its near monopoly position due to priority changed by the government in favour of road. The growing road transport competition further imbalanced Pakistan Railways. During 1990-2005, the share of Railways, both in respect of passenger traffic and freight traffic, has declined from 13.5 percent to 9.5 percent and from 14 percent to 4.2 percent, respectively. However, Pakistan Railways did register an impressive recovery in 2000-01 when its freight traffic grew by over 20 percent, as against an average decline of 4.4 percent per annum in the 1990s. During the last three years (2000-2003), Pakistan Railways has been showing an increasing trend in both passenger and freight traffic, registering an average increase of 6.4 percent and 9 percent per annum, respectively. A positive growth of 8 percent and 1 percent has been recorded in passenger traffic and freight traffic, respectively during July-March, 2004-05. However, the passenger traffic carried by railways increased by 3.3 percent during 2003-04, whereas freight traffic showed a

Fig-2: length of Roads



BOX
NATIONAL HIGHLY NETWORK

No	ROUTE	(Km)
N-5	Karachi-Thatta-Hyderabad-Multan-Siwal-Lahore-Jhelum-Rawalpindi-Phawar-Tonam	1819
N-10	Lyari-Gwadar-Gaid (Makramastal Highway)	653
N-15	Manehra-Naran-Jhalakhad	240
N-25	Karachi-Bela-Khuzdar-Kalat-etta-Cham (RCD Highway)	813
N-35	Hasanabad-Abbottabad-Thal-Gilgit-Khujerab (Karakoram Highway, KKH)	806
N-40	Lakpass-Nokund-Taftan	610
N-45	Nowshera-Dir-Citral	309
N-50	Kuchlac-Zhob-DI Khan	531
N-55	Kotri-Shikarpur-DI Khan-DI an-Kohat-Ishawar (Indus Highway)	1264
N-65	Sukkur-Sibi-Sariab	385
N-70	Qila Saifullah-Loralai-DG Kh-Multan	447
N-75	Islamabad-Satra-Mile-Loweroppa (Murre-Kohala	90
N-80	Tumol-Fatehjang-Khushalga-Kohat	146
M-1	Peshawar - Islamabad	155
M-2	Islamabad - Pindi Bhattian - Lahore	367
M-3	Pindi Bhattian-Faisalabad	53
M-9	Karachi-Hyderabad	136
S-1	Jaglot (KKH)-Shangrila-Skar	167
S-2	Kohala - Muzaffarabad	40
TOTAL:-		9031

Legends: N: National Highway M: Motorway S: Strategic Road

marginal decline in this period. The positive growth trend for three successive years (2000-2003) can be attributed to the wide range of improvements made by the Pakistan Railways due to completion of a number of development projects. In addition, Pakistan Railways has improved the quality of services, timeliness and cleanliness. This trend is reported in Table-14.2 and Fig-3 & Fig-4.

Table-14.2 : Trend of Passengers Traffic and Freight Traffic (Road vs Rail)

Fiscal Year	Passenger Traffic (Million passenger Km)				Freight (Million Ton Km)			
	Road	%Change	Rail	%Change	Road	%Change	Rail	%Change
1990-91	128,000	-	19,964	-	35,211	-	5,709	-
1991-92	131,352	2.6	18,158	-9.0	41,536	18.0	5,962	4.4
1992-93	135,000	2.8	17,082	-5.9	53,719	29.3	6,180	3.7
1993-94	137,037	1.5	16,385	-4.1	71,596	33.3	5,938	-3.9
1994-95	146,132	6.6	17,545	7.1	75,770	5.8	5,661	-4.7
1995-96	154,566	5.8	18,905	7.8	79,900	5.5	5,077	-10.3
1996-97	163,751	5.9	19,114	1.1	84,345	5.6	4,607	-9.3
1997-98	173,857	6.2	18,774	-1.8	89,527	6.1	4,447	-3.5
1998-99	185,236	6.5	18,980	1.1	95,246	6.4	3,967	-10.8
1999-00	196,692	6.2	18,495	-2.6	101,261	6.3	3,753	-5.4
2000-01	208,370	5.9	19,590	5.9	107,085	5.7	4,520	20.4
2001-02	209,381	0.5	20,783	6.1	108,818	0.2	4,573	1.2
2002-03	215,872	3.1	22,306	7.3	110,172	1.2	4,820	5.4
2003-04	222,779	3.2	23,045	3.3	114,244	3.7	4,796	-0.5
(Jul-Mar)								
2003-04	166,761		16,692		85,025		3,348	
2004-05	171,749	3.0	18,029*	8.0	86,842	2.1	3,816*	14.0

* Provisional

Source: Ministry of Railways & Ministry of Communication

Fig-4: Trend of Freight Traffic

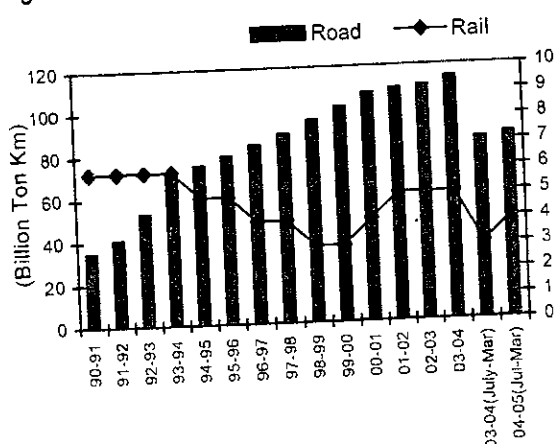
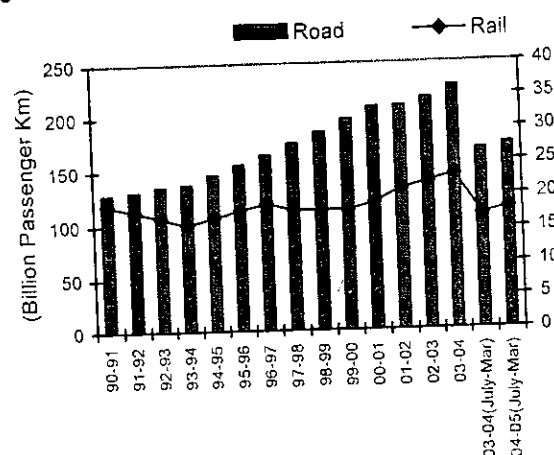


Fig-3: Trend of Passenger Traffic



The income of the Pakistan Railways stood at Rs. 13.2 billion during 2004-05 as against Rs. 10.6 billion in the same period last year, showing an increase of 24.5 percent. This remarkable achievement was mainly due to the completion of a number of development projects. Table 14.3 shows the earnings of Pakistan Railways.

An amount of Rs.128 billion has been allocated for Railways during 2004-05. The major developmental schemes include manufacturing of 3 diesel electric engines in Locomotive Factory, Risipur and manufacturing of 6 coaches in Pakistan Railway Carriage Factory Islamabad received from China in Semi Knock Down (SKD) condition. The work on replacement of old-aged sleepers and rails would continue. It has been programmed to replace 210 KM of old rails and 293 KM of old sleepers during 2004-05. The work of doubling of track from Lodhran-Khanew via Multan would continue for its completion in 2005-06. The upgradation of Mirpurkhas-Khotapar section from meter-gauge to broad-gauge up to international border to facilitate the divided families living in both sides of the borders. The work on strengthening of old bridges would also continue. The feasibility study of a link for Gwadar Port would be completed in near future.

Civil Aviation Authority (CAA)

After the completion of New Terminal Complex at Lahore Airport, construction of New Islamabad International Airport (NIA) has been given priority. The existing infrastructure at Gwadar International Airport is capable of handling only Lockheed F-27 operations. It has been planned to upgrade the infrastructure for Boeing B-737 operations with the financial assistance of Sultanate of Oman at a total cost of US\$ 6.64 million. The facilities at Peshawar International Airport have been expanded for accommodating large aircraft such as the Airbus A-300/A330. The expansion and renovation of existing terminal building has also been planned. The construction of a new airport at Skot is also under progress under a joint venture with a private firm. The airport is expected to commence operation by the end of year 2005.

Pakistan International Airlines (PIA)

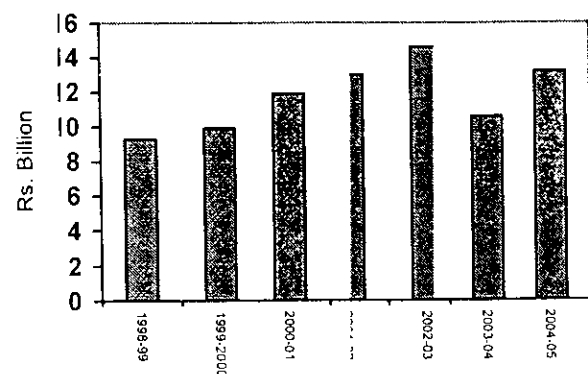
PIA recorded a growth of 3.7 percent in passenger traffic during July-March 2004/05 as against corresponding period of last year. A total of 3.828 million passengers were carried as compared to 3.662 million passengers in the same period of last year. Both passenger capacity and traffic volume increased by 14.8 percent and 9.1 percent, respectively as compared to the same period last year. The airline achieved 10,721 million RPKs (Revenue Passenger Kilo-meters) against 9,29 million RPKs generated in the corresponding period of last year showing an increase of 9 percent in the RPKs. During July-March 2004-05 freight traffic increased by 0.4 percent over the same period last year as the total freight carried increased to 19.15 million tonnes from 18.4 million tonnes. In terms of RFTKs (Revenue Freight Tonne Kilo-meters) there was an increase of 17.2 percent as it rose to 32 million during July-March 2004-05 from 27.3 million in the first nine months of 2003-04. The freight capacity increased to 52 million AFTKs (Available Freight Tonne Kilo-meters) during July-March 2004-05 as against 49.3 million AFTKs registered an increase of 20 percent.

Table-4.3 : Earnings of Pakistan Railways, Rs. Million

Year	Earning	% change
1998-99	9,310	—
1999-2000	9,889	6.1
2000-01	11,938	20.0
2001-02	13,046	9.2
2002-03	14,810	13.5
2003-04	14,478	-2.2
July-March 2003-04	10,592	—
2004-05	13,244	25.0

Source: Ministry of Railways

Fig-5: Earnings of Pakistan Railways



d. Ports & Shipping

i) Karachi Port Trust

Port of Karachi has made a steady progress on sound and scientific lines in various sectors to boost the national economy. Karachi Port is the premier port of Pakistan and handles about 75 percent of the entire national trade. It is a deep sea natural port with 11 km long approach channel providing safe navigation to 75,000 DWT tankers and modern container vessels. Karachi Port handled cargo volume of 27.8 million tones during fiscal year 2003-04. However, during the first nine months of the current fiscal year 2004-05, the port has handled a cargo volume of 21.8 million tons which is 6.6 percent higher than the corresponding period of the last year which was 20.5 million tons. Statistics of cargo handled during the last 14 years are given in table 14.4.

Karachi Port Trust intends to construct a symbolic monument that would be a landmark for Karachi city. The underlying concept is to achieve a conspicuous structure, conducive to the metropolitan skyline, which portrays the new visions, strength and unity of the nation. The Port Tower is envisaged to be the hub of social and economic activities of Karachi. To make the project economically viable a commercial centre is also planned to be co-located. The project has been launched on the basis of joint venture.

Table-14.4 : Cargo Handled at Karachi Port (000 Tonnes)

Year	Imports	%Change	Exports	%Change	Total	% Change
1990-91	14,714	-	3,995	-	18,709	-
1991-92	15,266	3.8	5,186	29.8	20,453	9.3
1992-93	17,256	13.0	4,914	-5.2	22,170	8.4
1993-94	17,610	2.1	4,959	0.9	22,566	1.8
1994-95	17,526	-0.5	5,572	12.4	23,098	2.3
1995-96	18,719	6.8	4,862	-12.7	23,581	2.1
1996-97	18,362	-1.9	5,113	5.2	23,475	-0.4
1997-98	17,114	-6.8	5,570	8.9	22,684	-3.4
1998-99	18,318	7.0	5,735	3.0	24,053	6.0
1999-00	18,149	-0.9	5,613	-2.1	23,762	-1.2
2000-01	20,064	10.5	5,918	5.4	25,981	9.3
2001-02	20,330	1.3	6,362	7.5	26,692	2.7
2002-03	19,609	-3.5	6,273	-1.4	25,852	-3.1
2003-04	21,732	10.8	6,081	-3.1	27,813	7.6
July-March						
2003-04	16,000	--	4,500	--	20,500	--
2004-05	16,996	6.2	4,849	7.8	21,845	6.6

Source: Karachi Port Trust

ii) Port Qasim

Port Qasim is Pakistan's second deep sea port and meeting more than 40 percent of the shipping requirements of the country. The port has now transformed itself into a bustling hub of international trade. Currently a diverse range of commodities i.e. furnace oil, chemicals, edible oil, coal, wheat, fertilizer, molasses, machinery, iron ore, crude oil, containers are handled at the port. A cargo volume of 16 million tones was handled at the port during the period July-March 2004-05 as against 11.2 million tones in the same period last year, registering an increase of 43 percent. A conducive and user friendly atmosphere has been developed to boost box trade at the port. Consequently, port has become the busiest terminal of the country. Box trade showed a growth of more than 29 percent during July-March 2004-05 over the corresponding period last year. A cargo volume of more than 21 million tones is expected to be

handled at the port during financial year 2004-05. Parallel to cargo handling, ship callings per the period has also consistently increased at the port. Ship callings during July-March 2004-05 stood at 740 compared to 590 during the corresponding period of the previous year.

iii) Gwadar Port

Gwadar deep seaport presently under construction is the third port of Pakistan. Situated on the Baluchistan coast, it is at a distance of about 460 km from Karachi. Gwadar Port, located at the mouth of Persian Gulf and outside the straits of Hormuz enjoys high commercial and strategic importance. The development of Gwadar deep water port is being undertaken in two Phases. Phase-I presently under construction, comprises three multipurpose berths of 602m length, which will also accommodate roll-on roll-off vessels, a 110m service berth, 4.25 km approach channel dredged to 11.6m–12.5m & demarcated with buoys & leading lights, turning circle, berthing area, cargo handling/operating facilities. The ancillary buildings and operating equipment and floating craft is required for a functional port. Phase-II will include six berths for container handling (total length 1010m), one grain and one bulk handling berth (35m each), two berth oil terminal (688m length) and breakwater. On the completion of Phase-I, the next phase will be offered to private sector/international investors on BOO/BOT basis. The construction of the coastal highway has boosted the life of the people of Gwadar and turned it into an important destination. In near future, Gwadar will emerge as a vibrant city on the map of Pakistan. It will not only generate the additional economic activities but will be connected with an efficient communication network in the backward area of the Baluchistan. After opening of coastal highway the Gwadar Port will be given a new look. Hotels, restaurants, gas stations, auto parts and other civil activities are roaring and construction of a five star hotel has also started.

iv) Pakistan National Shipping Corporation (PNSC)

Presently PNSC group of companies operates a fleet of 14 vessels with a total dead weight carrying capacity of 570,466 tons (DWT). The PNSC group now owns 4 tankers which have been purchased entirely from its own resources. The PNSC now manages 14 companies owning one ship each under a separate legal entity. These ships are not only serving the national trade but also trading world wide and earning foreign exchange for the country. Further plan includes purchase of additional tankers and bulk carriers to enhance its capacity to handle future growth in trade.

II. COMMUNICATION

Telecom Sector of Pakistan

Telecom sector has emerged as the fastest growing sector in Pakistan. After moving at a snail's pace, the domestic telecom sector took a turn for the better few years ago when it threw its doors open to private sector. Competition brought in lower tariffs and cheaper handsets, which saw Pakistani people jumping on to the mobile bandwagon with vengeance. From a mere 2.3 percent in 1999-2000 the country's tele-density currently stands at 10. percent with the gross subscriber base of fixed as well as mobile subscribers touching 15.4 million. Realizing the growth potential of telecom sector in Pakistan, various international big players have already entered the country to take advantage of a rapidly growing sector of cell phone. Realizing the benefits achieved from the telecom deregulation around the world, Pakistan has moved from the monopolized structure to the deregulated one. The year 2001 witnessed enormous growth in Pakistan telecom sector with huge investments, which brought momentous changes in socio-economic scenario of the country. This was however, made possible with initiatives taken by the present government and the regulator – the Pakistan Telecom Authority (Box-2).

BOX-2

PTA Incentives to Industry

- Royalty on Mobile operators reduced from 1.5% to 0.5% of annual gross revenue
- Annual license fee of Card Payphone reduced to 1.5% of annual gross revenue or 10% of initial license fee which ever is higher.
- Royalty of Internet Service Providers (ISP) abolished and replaced with annual license fees of 0.66% of annual gross revenue
- A liberal, transparent and non-discriminatory licensing policy followed by PTA
- Implementation of Calling Party Pay regime for mobile Users
- Mobile Number Portability to be implemented by January 2006.

The PTA was established in January 1997 under the Pakistan Telecommunication (Re-organization) Act, 1996 to regulate the establishment, operation and maintenance of telecommunication systems, and the provision of telecom services. It protects the interests of telecommunication service providers and users, ensuring that the consumers get high quality services at competitive prices, with a reasonable range of choice.

Liberalization of Telecom Sector

Government of Pakistan announced deregulation policies for both fixed & cellular and made PTA responsible for the award of the licenses. The PTA, in the first phase of deregulation, received 33 applications in response to Expression of Interest (EOI) for award of mobile cellular license. Out of 33 only 9 applicants qualified for participation in the bidding of mobile cellular licenses. Mobile licenses were awarded to two companies namely Telenor Norway and Warid Telecom against auction winning price of US\$ 291 million each. Similarly, the PTA auctioned spectrum for award of Wireless Local Loop (WLL) licenses. A sum of Rs. 14.12 billion was collected by the PTA from the auction of WLL spectrum. The PTA also awarded Local Loop (LL) and Long Distance & International (LDI) licenses in accordance with the laid down criteria to various companies. With the licensing of LDI and LL, a sum of Rs. 1.7 billion was received as initial license fee.

Table-14.5 : Licenses Issued after Deregulation of Telecom Sector (2004)

	Wireless Local Loop	Local Loop	Long Distance & International	Cellular Mobile	Total
Number of Licenses	92	76	12	2	182
Number of Companies	17	35	12	2	66

Source: PTA

Table 14.5 shows that the PTA issued 92 WLL licenses to 17 telecom companies for operations in different telecom regions. Similarly, a total of 76 licenses were issued to 35 companies for provision of Fixed Local loop services. Also, PTA issued 12 licenses to 12 telecom companies for provision of Long Distance & international services in the country.

Calling Party Pay (CPP) Regime for Mobile Operators

The PTA provided several initiatives to boost the mobile industry. A significant milestone in Pakistan's mobile sector was the implementation of the CPP regime in 2001. Resultantly, a tremendous boost was observed in the market, as

the affordability of mobile reached the public at large. Earlier the Mobile Party Pays (MPP) regime was being followed, which was a hurdle to growth of mobile service.

Reduction in Tariffs and Royalties

Various incentives extended by the PTA to industry for further growth which included a reduction in fee and royalty on mobile telephony, fixed line and other value added services. Royalty on mobile operators has been reduced from 1.5 percent to 0.5 percent of annual gross revenue minus inter operators payments. Cord pay phones industry also experienced reduction in royalty and cense fees over the years. In the year 2002, annual royalty was abolished and replaced with annual license fee of 2 percent of gross revenue or 50 percent initial license fee, whichever is higher. In the year 2004, the PTA has further reduced annual license fee to 1.5 percent of annual gross revenue or 10 percent of initial license fee whichever is higher. Royalty of Internet Service Providers (ISP) has also been abolished and replaced with annual license fee of 0.6 percent of annual gross revenue. Additionally, PTAs also reduced annual license fees of other services including Voice Mail Services (VMS), Non Voice Communication Network Service (NVCNS), Audiotex Services (ATS) etc.

Reduction in Telecom Services Prices

Initiatives taken by the PTA for consumer safeguard resulted in increased consumer choices and significant reduction in prices of telecom services. In order to make basic telephony service more affordable to common man in particular, and to increase access and tele-density in general, the installation charges have been reduced by 44 percent. Similar reductions have been made in national and international long distance call charges and the tariffs for national and international long distance are as low as Rs. 2.50 and Rs. 3.99 per minute. In cellular telephony, the market forces have started playing their role and as a result the cellular mobile operators are offering free long distance and roaming services to their subscribers. The outgoing airtime tariffs have also been reduced by 48 percent. The summary of reductions in 2004/05 is given in Table 14.6

Mobile Number Portability

Mobile Number Portability (MNP) enables a mobile subscriber to retain their number when changing the network operator. The absence of MNP may give the existing cellular operators a significant competitive advantage over new entrants into the market. For the sake of competition and better choice for consumers, the PTA is obliged to implement this policy in Pakistan by January 2006. It has already prepared regulations and strategy roadmap for implementation of MNP.

Table-14.6 : Reduction in Telecom Tariffs (2004-05)

S. No.	Service	Previous Tariff (Rs)	Current Tariff (Rs)	% Decrease
FTCL Tariffs				
1.	Installation Charges			
	Urban	1,300	750	44.44
2.	Long Distance Tariffs			
a.	Zone 1	3.00	3.00	1.4
b.	Zone 2	4.00	3.50	1.7
c.	Zone 3	5.00	4.60	2.4
3.	ISD Tariffs	20.00	3.00	10
Landline Tariffs				
1.	Long Distance		2.50	
2.	International Long Distance		3.99	
Cellular Mobile Tariffs				
1.	Airtime Tariffs	55	2.99	48%
2.	Long Distance Charges*	90	Free	
3.	Roaming Charges*	60	Free	
WLL Tariffs				
1.	Line Rent		171	
2.	Free Minutes		125	
3.	Local Call Charges (2 min pulse)		0.80	

Source: PTA

Universal Access Fund

The Universal Service Fund is being developed with the basic objective of providing convenient and affordable telecommunication services in un-served and underserved (i.e. rural and remote) areas of the country, with no or little telecom access. The disbursement of USF to Telecom operators would be done in accordance with the policy to be issued by the Government of Pakistan. The Ministry of Information Technology & Telecom is formulating the policy on USF and will build a framework for its implementation. According to the Deregulation Policy for the Telecommunication Sector, once the policy is approved, Pakistan Telecommunication Authority (PTA) will administer the USF on an on-going basis. An account has been opened by PTA for this purpose and contribution by telecom operators has been proposed at 1.5% of their revenues minus inter operator and related regulator mandated payments. The USF may also receive contributions from the Government, international or bilateral development agencies.

Government Policies for Growth of Telecom Sector

The present government has accorded highest priority to the development of the telecom sector in Pakistan and declared telecom as priority area for the provision of employment and reduction in poverty. Realizing its importance, the Government has given number of incentives to telecom sector. This has resulted in tremendous growth of the telecom services in Pakistan. Various initiatives taken by the Government are described in Box-3.

BOX-3

Government Incentives

- Announcement of Telecom Deregulation Policy in July 2003
- Announcement of Mobile Cellular Policy in January 2004
- Announcement of Broadband Policy in December 2004
- Activation tax on mobile connection reduced from PKR 2000 to PKR 1000.
- Award of Industry Status to Telecom Sector
- FAB placed under administrative control of PTA in April 2004.

Telecom Reforms

The Government has launched comprehensive reforms for Telecom sector that will ultimately lead to modern and fast growing economy. Some of the key sector reforms which spurred growth in the sector are documented in Box-3. With the announcement of these policies, number of licenses have been issued to various national and international companies. Two new licenses have been awarded for operation of mobile cellular telephony, for a period of 15 years. Similarly 76 Local Loop (LL) and 12 Long Distance and International (LDI) licenses are issued respectively under the telecom deregulation policy. With the deregulation and licensing of new operators, competition is induced in all the services of telecom sector.

Reduction in Taxes and Duties

Government of Pakistan has provided a number of incentives in terms of reduction in taxes and duties for further growth of telecom sector. This year, government has reduced activation charges on new mobile connection from Rs. 2000 to Rs. 1000 and further to Rs. 500 recently to boost the mobile sector. The bandwidth rates have been reduced drastically for affordable internet services across the country.

Regulatory Facility

Frequency Allocation Board (FAB) was established under the Pakistan telecommunication (Re-organization) Act, 1996 to assign and manage Frequency Spectrum in Pakistan. Previously, the organization was working under the

Ministry of Information Technology. However, to make the regulatory mechanism more simple, efficient and to follow one window concept, the FAB was placed under administrative control of the PTA in April 2004 by the Government.

Status of Industry

The Government has awarded status of industry to telecom sector in year 2003-04. Benefit that accrue to a declared industry is now available to Telecom as well which include availability of soft loans, total or partial exemption/concession from duties and taxes.

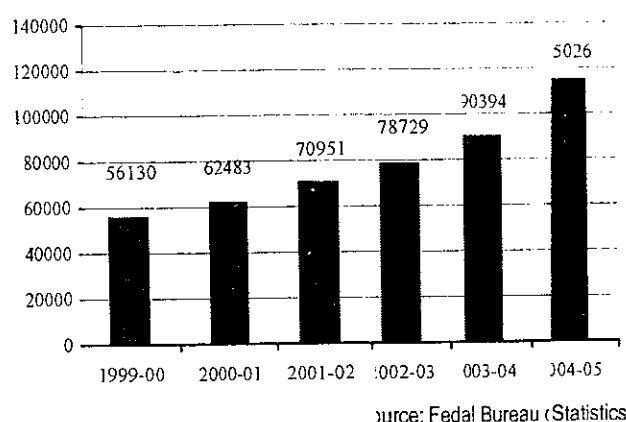
Role of Telecommunication in Economic Development

Telecommunication has now become one of the prime services which an economy needs for rapid growth, development and modernization of its various sectors. As the economy grows, more telecommunication facilities are needed to conduct the increased number of economic transactions in the expanding economy. The role played by the telecom sector, in recent years, in revitalization of the economy is auster;

Contribution in GDP Growth

Fig-6 depicts the contribution of telecom sector in GDP. The share of telecom sector in GDP has increased from 1.5 percent to 18 percent in the year 2004-05. The value addition of this sector at current prices has more than doubled in the last six years. Given the rising pace of its growth the contribution of the telecom sector in GDP is likely to reach 3 percent in the medium-term.

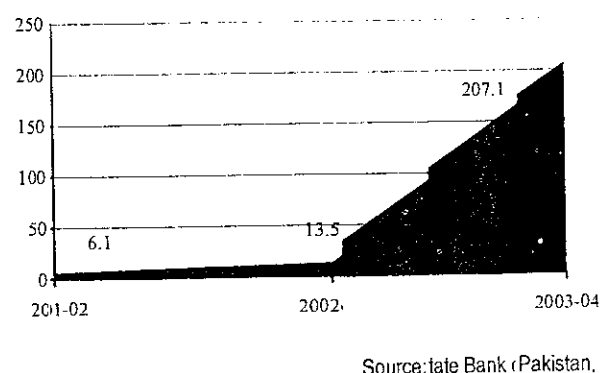
Fig-6 : Contribution of Telecom Sector in GDP (Rs. Milln)



Investment Inflows

Telecom sector has been able to attract huge investment during the year 2003-04. Fig-7 depicts the inflow of FDI in telecom sector. This sector has attracted approximately US\$207.1 million as FDI in 2003-04, in which major contribution is of mobile sector. Over US\$ 2 billion investment is expected by major telecom companies in 2004-05. Mobile cellular operators Telenor and Warid are investing US\$ 400 million and US\$92 million, respectively in the year 2004-05. Similarly existing mobile operators plan to invest a total of US\$ 645.5 million in the year 2004-05. LD operators, DV Com and Rd Tone are planning to make investment of about US\$ 76 million in the year 2004-05.

Fig-7 : FDI in Telecom Sector (US Million)



Revenues to Government

Telecom sector has also emerged as a major contributor to Government revenues. Total collections from the telecom sector in terms of ST/CE rose from Rs.

10.76 billion in 2001-02 to Rs. 17.36 billion in 2003-04, showing an increase of 61.3 percent in just two years. During the first ten months (July-April) of the fiscal year 2004-05, this sector has paid a sum of Rs. 23.36 billion in duties and taxes (see Fig-8).

Employment Generation

Telecom sector has also emerged as a major employment generation sector. During the calendar year of 2004, that is, after the deregulation of the sector, the telecom sector has generated 341,622 direct and indirect employment opportunities, the details of which are documented in Table 14.7. Addition of 72,000 payphones and franchises vendors and distributors of the telecom companies (for example Telcel and Warid) have also generated number of direct and indirect employment opportunities in the country. It is expected that in the calendar year of 2005 this sector would generate 460,000 direct and indirect employment opportunities. (Table 14.7)

Growth of Cellular Mobile in Pakistan

Pakistan mobile cellular industry has witnessed phases of dramatic changes over the years. Initially, licenses for operating mobile cellular services in Pakistan were awarded to M/s Pakcom Pvt. Ltd. (Instaphone) and Paktel simultaneously in 1990. Mobile Technology, being new in the country, made mobile phone a luxury till the late 1990's. However, with the introduction of Mobilink in Pakistan's telecom sector that introduced GSM technology gave mobile users a choice to switch over from AMPS to GSM. Major changes in the mobile industry however, took place with the introduction of fourth mobile operator U-fone by the incumbent PTCL in 2001 and introduction of CPP regime. Currently, there are seven mobile operators in the country and with healthy competition resulting in the decline of mobile service prices, increased coverage and better quality of service.

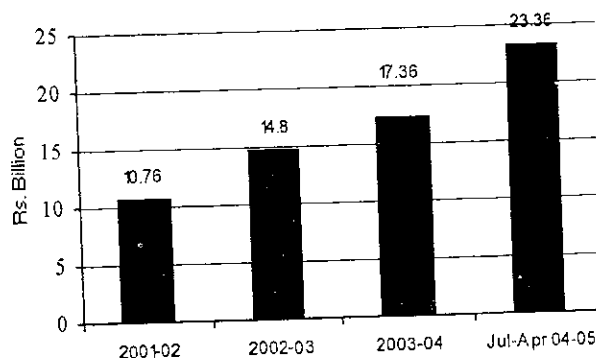
Fig-9 shows yearly increase in number of mobile subscribers. In 1999-2000, there were only 0.3 million cellular mobile subscribers but jumped to 2.4 million by 2002-03 as a result of introduction of CPP regime and addition of another mobile operator (Ufone). Mobile subscribers continued to rise at an unprecedented

Table-14.7 : Employment Status

S. No.	Sector	After Deregulation 2004	
		Direct	Indirect
1	Cellular Mobile	2,267	21,989
2	WLL	653	9,032
3	LDI	313	6,780
4	Local Loop	69	70
5	Manufacturers	1,133	2,820
6	Card Payphones	144,720	144,720
7	ISPs	312	624
8	Sets & Accessories Sellers	6,000	120
Total Employees		155,467	186,155

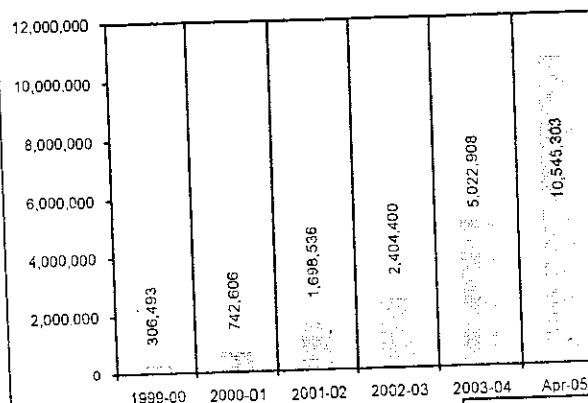
Source : PTA

Fig-8 : GST/CED Collected from Telecom Sector



Source : CBR

Fig-9 : Cellular Mobile Subscribers in Pakistan



Source : PTA

pace, reaching 5.0 million by 2003-04. Major turnaround is witnessed when the mobile companies started giving free mobile connection and bearing the cost of government levies themselves. In such a short period of 1 month, more than 5 million new subscribers added to the list, reaching over 105 million by end April 2004. In other words more than 100 percent increase in subscriber in just 10 months is unprecedented. Accordingly, the tendency with respect to cellular mobile has jumped from 0. percent in 1999-2000 to 7 percent in 2004-05 – a many fold increase in just 5 years.

Fig-10 : Market Share of Mobile Operation (April 2005)

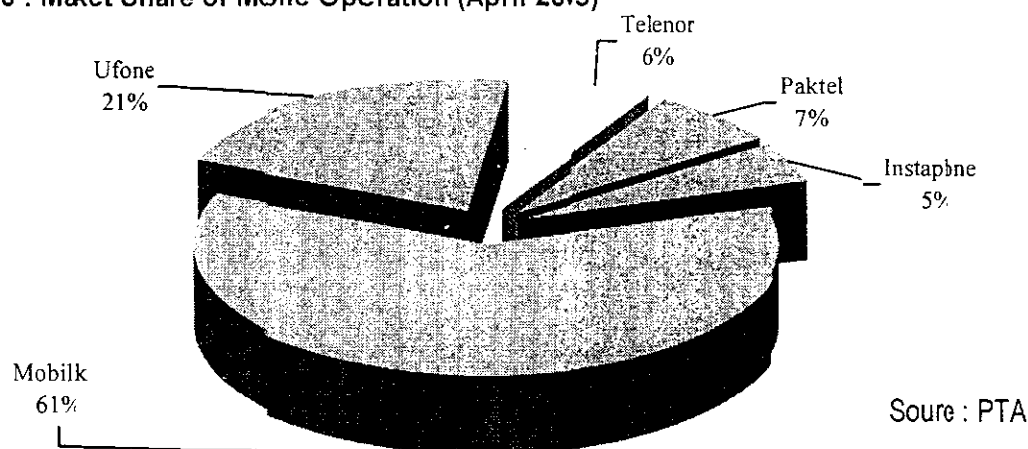


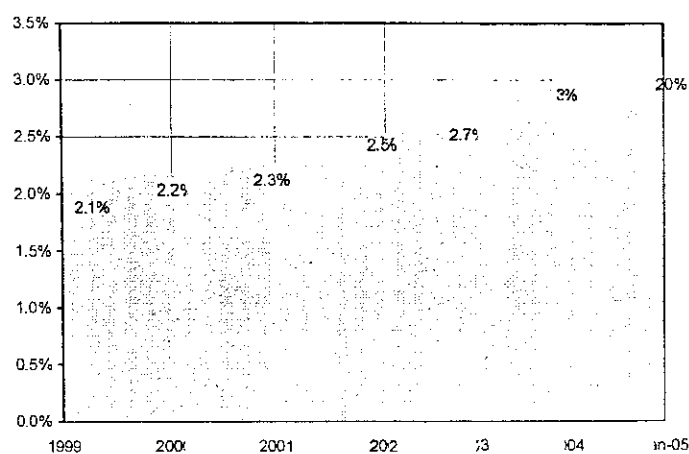
Fig-10 depicts the market share of five mobile operators in Pakistan's mobile market. Mobitel appears to be the market leader with 61.04 percent market share, followed by 20.73 percent share of Ufone. Instaphone and Paktel have 4.93 percent and 7.0 percent market shares, respectively. Telenor, the new entrant in the market has a share of 6.20 percent with subscriber base of 53,170 in just 2 months. Another new entrant (Warid) opened its account on May 23, 2005 and likely to capture market soon.

The mobile cellular sector is experiencing a shift towards highly competitive, customer-oriented market structure. Considerable efforts have been made to extend mobile services in the rural areas. According to an international research firm, the mobile penetration rate in Pakistan is likely to cross 20 percent by the year 2007 from current 7 percent. By the end of the current fiscal year (June 2005) the subscriber base is likely to touch 12 million.

Basic Telephony

Over the past two decades, the institutional and regulatory framework of the telecommunications industry has changed radically. In most of the countries, public telecommunications operators (PTOs) have been fully or partially privatized and regulations

Fig-11 : Teledensity Trend of Basic Telephony



concerning access to telecommunication markets, provision of services to users and pricing mechanisms have been overhauled.

Pakistan telecommunications market for the fixed-line services was dominated by the monopoly operator – the Pakistan Telecommunication Limited (PTCL). The PTCL's monopoly has ended in 2003. PTA being the regulator has the responsibility of implementing the telecom deregulation policy. Fig-11 shows teledensity pertaining to fixed line subscriber alone. The low teledensity (3.2 percent) clearly reflects the long area of monopoly operation of the PTCL which created a digital divide in the country. Far a long time, Pakistan lagged behind in the region as far as telecom access is concerned (see Table 14.8). With cellular mobile revolution taking place, Pakistan's teledensity currently stands at 10.2 percent, with gross subscribers base of fixed (5.05 million) as well as mobile subscribers (10.54 million) touching 15.59 million for a population of 152.53 million. Being a virtual monopolist in telecom services until recently, it has built the largest telecom infrastructure in Pakistan. Its monopoly, however, has been abolished in the year 2003 with the announcement of a deregulation policy by the Government. The government still owns 88 percent of PTCL, but has a plan to divest 26 percent share with management control shortly.

Year	Working Connections	Installed Capacity	Growth Rate Working Connections (%)	Growth Rate Installed Capacity (%)
1996-97	2,557,619	3,159,447	---	7.80
1997-98	2,660,898	3,405,968	4.03	8.26
1998-99	2,874,234	3,687,610	8.01	5.30
1999-00	3,053,460	3,883,086	6.23	5.08
2000-01	3,252,518	4,080,552	6.51	7.54
2001-02	3,655,474	4,388,478	12.38	12.57
2002-03	3,982,781	4,940,154	8.95	6.73
2003-04	4,460,957	5,273,091	12.0	5.4
Mar-2005	5,051,937	5,556,375	13.2	---

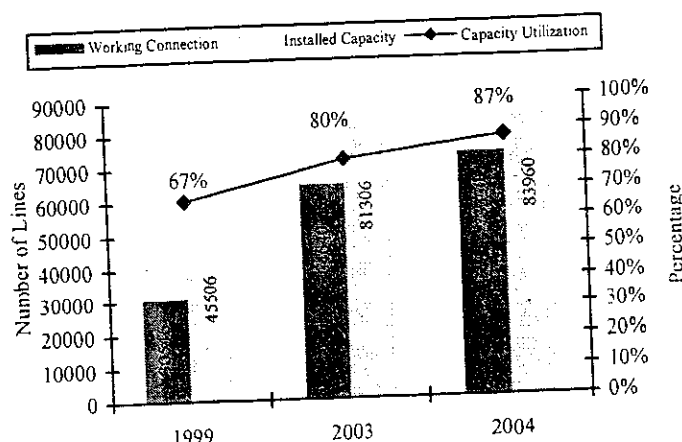
Source: PTCL

PTCL has a revenue base of Rs. 74.124 billion (US\$ 1.2 billion) where revenue from domestic segment account for 61 percent, from international outgoing calls 12 percent and from International incoming calls 27 percent as of June 2004. The remaining revenues are generating through interconnect, line rent and other activities.

National Telecommunication Corporation (NTC)

NTC carries a definite mandate to provide basic telecommunication services to its designated customers, which include Federal and Provincial Governments, their departments, autonomous organizations and defence services throughout the country. During the last five years (1999-2004) the number of subscribers increased from 30 thousand to 73 thousand – an increase of 140 percent. Its capacity utilization also surged from 67 percent to 87 percent during the same period (see Fig-12). Presently, the NTC owns 71 exchanges in 36 cities all over

Fig-12 : Installed Capacity Vs Working Connection 1999-2004



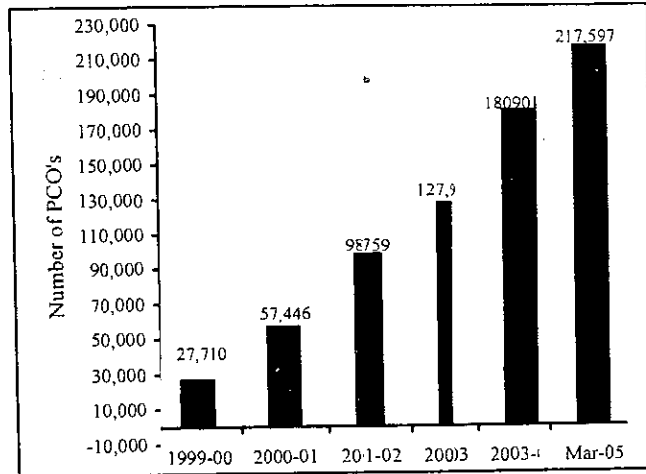
Source: PTA

Pakistan. The company recently has installed 2 International Gateway Exchanges at Karachi and Islamabad.

Card Payphones Services

Public payphones play an important role in the telecommunication sector. Despite the increasingly widespread use of mobilephones, there will still be a need for public payphones both for people who do not have access to network. Card Payphone industry of Pakistan is also showing a robust growth over the years. During the year 2004-05, more than 8 thousand PCO's were added in the total number of PCO's across the country. Today there are 217,597 COs working across Pakistan (Fig-13).

Fig-13 : Growth in PCO's

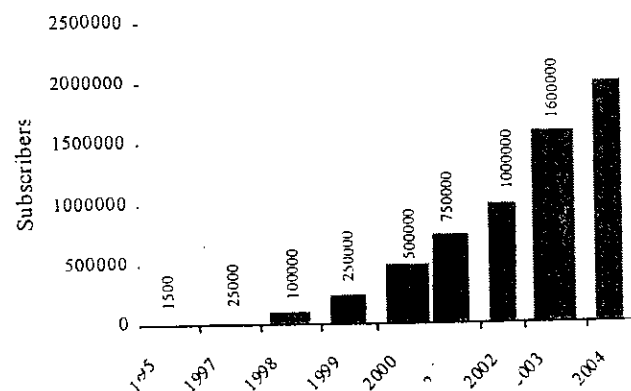


Source : PTL

Growth of Internet

Information Communication Technologies (ICTs) have been completely revolutionized with recent developments and innovations. Internet industry is growing rapidly across the country. There are 27 licensees for internet service, out of which, 70 are operational in 1900 cities and towns with internet subscribers reaching 2 million in 2004. Fig-14 shows the growth of internet subscribers from 1997 to 2004. Under the Bandwidth policy approved by government, bandwidth rates will be reduced drastically for high-speed internet service across the country. By effective implementation of the policy, the number of broadband subscribers is expected to grow from 40,000 to 200,000 in the next two years (Fig-1).

Fig-14 : Internet Subscribers in Pakistan 1995 to 2004



Source : TA

Pakistan Software Export Board (PSEB)

PSEB continues to play a facilitative role for the promotion of IT and software companies of Pakistan. These companies deal in various areas ranging from software development services to IT enablement services. PSEB undertakes various projects for the promotion of IT in the country. Amongst these, projects of Industrial Automation of SME Units resulted in automation of 54 industrial units, while more than 100 companies got ISO certification due to the support of PSEB. Also, 5 companies of CMM certification and more than 1500 interns were placed in various IT companies as a result of PSEB's Internship Program. Another important initiative that was taken, was the establishment of Software Technology Park in Lahore where IT companies and software houses can provide low-cost facilities for their operations. Additionally, in order to provide alternative means to the highly-priced proprietary software, PSEB has established Open Source Resource Center.

III. Electronic Media

a) Pakistan Electronic Media Regulatory Authority (PEMRA)

The government has established the PEMRA in 2002. It aimed at improving the choice available to the people of Pakistan in different modes of electronic media, promotion of healthy competition and discouraging undue monopolies in this vital sector and thus regulate the operations of electronic media. The PEMRA is mandated to issue licenses for the establishment and operation of the broadcast or re-broadcasting stations including those of radio, television, cable TV and all other such modes of electronic media as may emerge by virtue of technological advancement. The Licensees are obliged to adhere to the code of conduct in their broadcasts and re-broadcasts. The PEMRA launched the process to award licenses to establish FM radio broadcast station in private sector – the first ever initiative in the country's history that has since covered 48 cities with 72 FM radio broadcast licenses, including 9 specialized subject licenses for universities to promote education standard in the country. As many as 22 FM radio broadcast stations have already gone on-air, the rest are expected to start their broadcast operations in the near future. After the award of 16 FM radio broadcast licenses on March 15, 2005, another seven are at an advance stage of implementation. PEMRA also initiated the process for award of licenses to establish International standard TV stations to be operated through satellite communication and so far satellite TV licenses to operate 15 channels including four educational purposes channels have been issued to the desired parties. Nine (9) satellite TV channels have started their operations.

b) Pakistan Television Corporation Limited (PTV)

PTV is operating with four channels in the country, namely PTV-1, PTV-2 (PTV-World), PTV-3 and PTV-National. The rebroadcast centres, extending the TV signal to remote areas, are 49 for PTV-1, 30 for PTV-2 and 13 for PTV-3, in addition to TV Centre Muzaffarabad with 3 RBCs. The present government is giving priority towards socio-economic up-lift to lesser-developed areas and has planned to extend the TV signal by setting up additional rebroadcast centres in Balochistan at Qilla Saifullah and Ziarat; in Sindh at Umerkot and in AJ&K TV boosters at Bhimber and Mirpur; in Punjab at Shakargarh; in NWFP at Buneer, Besham, Kund Bangla and Pooran, and in Northern Areas at South Waziristan (Wana), Orakzai (Samana) and Mohmand Agency during the year 2004-05.

c) Pakistan Broadcasting Corporation (PBC)

Radio is the fastest, mobile and cheapest source of electronic media which is capable of reaching the masses spread over the country. The PBC is the main instrument conveying message of the Government to the people at home. It has 25 broadcasting houses, 30 medium-wave and 10 short-wave transmitters which broadcast programmes for listeners at home and abroad. Radio Pakistan launched an exclusive entertainment channel FM-101. The FM transmissions are being broadcasted from Islamabad, Lahore, Karachi, Peshawar, Quetta, Faisalabad, Hyderabad and Sialkot. During the current fiscal year another FM transmitter was commissioned at Gwadar. More new FM stations are being established at Bannu, Kohat, Mainwali, Sargodha and Mithi, which are expected to be commissioned by the end of fiscal year 2004-05. To update the current affairs knowledge of its listener many news bulletins of different durations are being transmitted in 31 languages in a day.

IV. Pakistan Post Office

Pakistan post office has a vast network of 12107 post offices across the country. Electronic transfer money from 196 countries to Pakistan has been established at Pakistan post offices with the collaboration of the Western Union. During the period July-March 2004-05, valuable foreign exchange equivalent to Rs. 2.7 billion has been received against 80,000 transactions through this legal channel of money remittance. A fully computerized saving bank has been established at the GPO Lahore to facilitate the account holders in maintaining their accounts and getting prompt

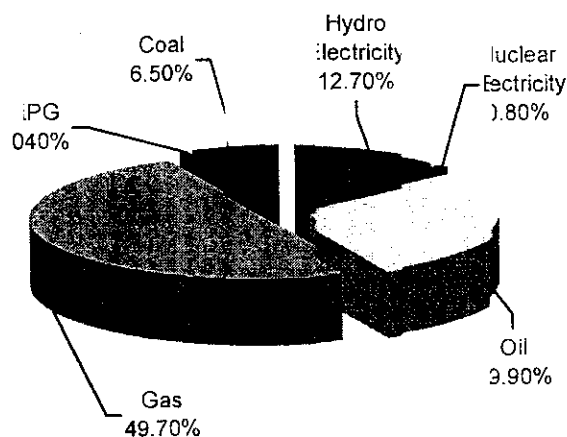
payments and making deposits. Keeping in view the difficulties of the general public for depositing their utility bills, collection service was also started at all major post offices throughout the country. The accounts with the foreign postal administrations are settled. As a result of settlement, Pakistan received Rs. 162.12 million in foreign exchange on account of terminal dues during July-March 2004-05 and paid Rs. 22.265 million in foreign exchange to the other foreign administration during this period. Hence the net earning of the Pakistan Post Office in foreign exchange during the aforementioned period was Rs. 139.858 million. During July-March 2004-05 Pakistan Post Office received a amount of Rs. 1.3 million on account of remittances in foreign exchange in the shape of money orders.

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It is universally recognized that energy is one of the most important inputs to economic growth and development. The consumption of energy is one of the critical indicators of the level of development of any country. Developed countries use more energy per unit of economic output and far more energy per capita than developing countries. Energy use per unit of output does seem to decline over time in the more advanced stage of industrialization, reflecting the adoption of increasingly more efficient technologies for energy production and utilization as well as changes in the composition of economic activity. At present, over a billion people in the industrialized countries use some 60 percent of the world's commercial energy supply, while 5 billion people living in the developing countries consume the remaining – a large number of them are poor. It is estimated that about two billion people around the world have access to modern energy services and as a result, struggle to meet their basic daily needs. Economic growth is the key to changing this situation, and for economic growth we need energy.

Pakistan's economy is undergoing significant structural changes since 1999-2000. The real GDP growth is accelerating over the last three years – rising from 5.1 percent in 2002-03 to 6.4 percent in 2003-04 and further to 8.35 percent in 2004-05. Over the next five years, 7-8 percent growth per annum is targeted to be sustained which will demand a commensurate rise in the energy use. In order to sustain growth momentum, rising levels of income, and increased availability of goods and services Pakistan needs an integrated National Energy Plan that not only increases the supply but also to conserve energy with efficient technologies. The per capita energy consumption in Pakistan is currently low at 14 Mtoe as compared to 92 Mtoe for Malaysia and 3 Mtoe for China. The Government is making concerted efforts to ensure that the development of energy resources continue to contribute to the nation's development.

Fig-1 : Primary Energy Supplies by Source (2003-04)



Source: HDE

Energy sector Pakistan comprises power, gas, petroleum and coal. The total primary energy supplies measured in terms of tonnes of oil equivalent (toe) stood at 50.8 million toe in 2003-04. The primary energy supplies have been rising steadily over the last several years. It was 45.2 million toe in 2001-02, increased by 4 percent in 2002-03 and further grew by 3 percent in 2003-04 to stand at 50.8 million toe. Oil, natural gas, electricity, coal and LPG contribute

29.9 percent, 49.7 percent, 13.5 percent, 6.5 percent and 0.4 percent, respectively to primary energy supplies in 2003-04 (see Fig-1 for detail).

Oil and gas drilling activity remained slow in 2003-04 as compared to 2002-03 and accordingly, 29 exploratory wells and 24 development wells were drilled in 2003-04 as against 32 and 45 were drilled in 2002-03. In 2003-04 11 new discoveries including 4 oil and 7 gas/condensates were made. Average oil production dropped from 64,268 barrels per day in 2002-03 to 61,817 barrels per day in 2003-04 while natural gas production increased to an annual average of 3,295 million cubic feet per day from 2,719 million cubic feet per day in 2002-03 showing an increase of 21.2 percent.

The government is providing an investment-friendly environment for the energy sector to attract local and foreign investors and as a result of these financial and structural reforms, the energy sector has already emerged as one of the most attractive sectors in the country. Recently, Pakistan has signed six agreements for US\$ 42 million with various international companies to carry out exploration activities in the oil and gas sector.

I. Energy Consumption

During the last fourteen years (1990-91 to 2003-04), the consumption of petroleum products has increased by an average rate of 2.5 percent per annum. The consumption of gas, electricity and coal has increased at an average rate of 4.9 percent, 5.1 percent and 5.2 percent per annum. The annual trend of energy consumption for the period 1990-91 to 2003-04 is given in Table 15.1. It is important to note that a structural shift is taking place in energy consumption in Pakistan since 2000-01. While consumption of petroleum product is declining the consumption of

Table 15.1: Annual Energy Consumption

Fiscal Year	Petroleum Products		Gas		Electricity		Coal	
	(000 tones)	% Change	(mmcf)	% Change	(Gwh)	% Change	(000 M.T)	% Change
1990-91	9,961	-0.1	465,338	-17.6	31,534	9.6	3,054	
1991-92	10,983	10.3	486,631	4.6	33,878	7.4	3,099	1.5
1992-93	12,012	9.4	511,526	5.1	36,493	7.7	3,267	5.4
1993-94	13,225	10.1	550,769	7.7	37,381	2.4	3,534	8.2
1994-95	13,960	5.6	546,788	-0.7	39,448	5.5	3,043	-13.9
1995-96	15,601	11.8	582,868	6.6	41,737	5.8	3,638	19.6
1996-97	15,606	0.0	597,799	2.6	42,914	3.4	3,553	-2.3
1997-98	16,624	6.5	607,890	1.7	44,572	3.9	3,159	-11.1
1998-99	16,647	0.1	635,891	4.6	43,296	-2.9	3,461	9.6
1999-00	17,768	6.7	712,101	12.0	45,586	5.3	3,168	-8.5
2000-01	17,648	-0.7	768,068	7.9	48,584	6.6	3,095	-2.3
2001-02	16,960	-3.9	824,604	7.4	50,622	4.2	3,492	12.8
2002-03	16,452	-3.0	872,264	5.8	52,656	4.0	3,768	7.9
2003-04	13,421	-18.4	1,051,418	20.5	57,491	9.2	5,284	40.2
Avg. 14 years		2.5		4.9		5.1		5.2
Jul-Mar								
2003-04	9,512		773,457		41,836		3,751	
2004-05	11,129	17.0	851,653	10.1	46,295	10.7	4,345	15.8

Source: Hydrocarbon Development Institute of Pakistan & D.G Oil

other components of energy is rising. Consumption of oil in cement industry as well as in electricity generation has declined substantially as the former has shifted to gas as well as on coal while gas is increasingly being used to generate electricity. While average consumption of petroleum products has registered an average decline of 6.5 percent per annum since 2000-01 consumption of gas, electricity and coal has grown at an average rates of 10.4 percent, 6.0 percent and 14.6 percent, respectively. The higher consumption of electricity correlated with higher

supply of electricity from Ghazi Bara hydro power project. The consumption of petroleum products, gas, electricity and coal during the first nine months (July-March 2004-05) of the current fiscal year increased by 17 percent, 10.1 percent, 10.7 percent and 15.8 percent respectively over the corresponding period of last year. The acceleration in growth of energy consumption during 2004-05 is not surprising when seen against a 15.4 percent increase in large scale manufacturing and 8.35 percent growth in real GDP. Higher consumption of energy simply reflected the rising level of economic activity in the country.

A. Petroleum Products

During the first three quarters of the current fiscal year the consumption of petroleum products in household and agriculture exhibited sharp declines to the extent of 16.8 percent and 16.2 percent respectively. The decline in the use of petroleum products in household and agriculture was mainly on account of the availability of alternative and

Table-15.2 : Consumption of Petroleum Products (000 tones) (Percentage Change)

Year	Households	% Change	Industry	% Change	Agriculture	% Change	Transport	% Change	Power	Other Govt.	% Change	Total	
90-91	94	-15.4	1,148	-11.5	265	-7.6	4,841	3.4	1,434	2	3	-17.1	9,961
91-92	67	-35.0	1,369	19.3	281	6.0	5,619	16.1	1,775	10	3	-1.1	10,983
92-93	62	1.3	1,480	8.1	287	2.1	6,107	8.7	1,158	18	3	10.1	12,012
93-94	58	-5.1	1,653	11.7	308	7.3	6,414	5.0	1,902	16	7		13,226
94-95	58	-0.8	1,889	14.3	269	-12.7	6,646	3.6	1,215	10	5	-0.1	13,960
95-96	58	1.9	2,416	27.9	250	-7.0	7,136	7.4	1,786	15	7	17.1	15,601
96-97	57	-14.4	2,141	-11.4	269	7.6	7,172	0.5	1,110	18	4	-3.1	15,606
97-98	48	-2.2	2,081	-2.8	245	-8.9	7,364	2.7	1,054	15	1	-5.1	16,624
98-99	48	-1.2	2,140	2.8	249	1.6	7,864	6.8	1,526	17	5	-1.1	16,648
99-00	47	-3.2	2,116	-1.1	293	17.8	8,308	5.6	1,228	17	5	-8.1	17,768
00-01	48	-5.5	1,924	-9.1	255	-13.0	8,158	-1.8	1,488	12	2	7.1	17,648
01-02	38	-25.7	1,612	-16.2	226	-11.4	8,019	-1.7	1,305	18	4	24.1	16,960
02-03	28	-15.5	1,604	-0.5	197	-12.8	8,082	0.8	1,020	15	6	-42.1	16,452
03-04	2	-18.4	1,493	-6.9	184	-6.6	8,464	4.7	2,740	15	9	16.1	13,421
Jul-Mar 03-04	1		1,086		136		6,111		1,781		4		9,512
04-05	1	-16.8	1,212	11.6	114	-16.2	6,553	7.2	2,686	10	29	7.1	11,129

Source: Hydrocarbon Development Institute of Pakistan & D.G. Oil

Table 15.3: Consumption of Petroleum Products (Percentage Change)

Year	Households	Industry	Agriculture	Transport	Power	Other Govt.
1990-91	9.5	11.5	2.7	48.6	24.4	1.3
1991-92	5.6	12.5	2.6	51.2	25.3	1.9
1992-93	5.2	12.3	2.4	50.8	26.3	1.9
1993-94	4.5	12.5	2.3	48.5	29.5	1.7
1994-95	4.2	13.5	1.9	47.6	30.2	1.5
1995-96	3.8	15.5	1.6	45.7	30.7	1.7
1996-97	3.3	13.7	1.7	45.9	32.7	1.6
1997-98	3.0	12.5	1.5	44.3	36.4	1.3
1998-99	2.9	12.9	1.5	47.2	33.2	1.3
1999-00	2.7	11.9	1.6	46.8	35.0	1.9
2000-01	2.6	10.9	1.4	46.2	36.8	2.1
2001-02	2.0	9.5	1.3	47.3	37.2	2.7
2002-03	1.7	9.7	1.2	49.1	36.5	1.6
2003-04	1.7	11.12	1.4	63.1	20.4	2.3
Avg. 14 Years	3.8	12.15	1.8	48.7	31.1	2.5
Jul-Mar 2003-04	1.9	11.4	1.4	64.2	18.7	2.3
2004-05	1.4	10.9	1.0	58.9	25.8	2.1

Source: Hydrocarbon Development Institute of Pakistan

relatively cheaper fuels in the form of natural gas and LPG. The consumption of petroleum products, however, has increased in industrial, transport, power and other government sectors. The annual growth in the consumption of petroleum products by major sectors and their relative shares since 1990-91 to 2004-05 are given in Tables 15.2 & 15.3, respectively. During 1990-2004 transport sector was the largest user of petroleum products accounting for 48.7 percent, followed by the power sector (31 percent), industry (12.1 percent), households (3.8 percent), other Govt. (2.5 percent) and agriculture (1.8 percent).

Consumption of Gas

As a fuel, natural gas has been gaining importance around the world. This is partly due to the increasing thirst for energy and partly because it is cleaner fuel than coal or oil. In 2003, natural gas accounted for about 24 percent of the world's primary energy consumption.

Table 15.4 : Consumption of Gas (Billion cft)

Year	Household	% Change	Commercial	% Change	Cement	% Change	Fertilizer	% Change	Power	% Change	Industrial	% Change	Total
1990-91	67	11.1	12	10.4	13	62.9	108	-0.6	176	4.3	89	2.9	465
1991-92	71	6.0	13	8.3	12	-7.7	101	-6.5	194	10.2	96	7.9	487
1992-93	76	7.0	14	7.7	12	0.0	119	17.8	187	-3.6	103	7.3	511
1993-94	82	7.9	15	7.1	10	-16.7	144	21.0	198	5.9	101	-1.9	551
1994-95	97	18.3	16	6.7	7	-30.0	142	-1.4	181	-8.6	104	3.0	547
1995-96	110	13.4	17	6.3	8	14.3	150	5.6	186	2.8	111	6.7	583
1996-97	115	4.5	18	5.9	9	12.5	150	0.0	194	4.3	110	-0.9	598
1997-98	134	16.5	19	5.6	12	33.3	148	-1.3	179	-7.7	115	4.5	608
1998-99	131	-2.2	21	10.5	8	-33.3	167	12.8	184	2.8	121	5.2	636
1999-00	139	6.1	22	4.6	9	12.8	177	6.0	227	23.3	135	11.6	712
2000-01	141	1.4	21	-4.5	7	-22.2	175	-1.1	281	23.8	139	3.0	768
2001-02	144	2.1	22	4.8	7	0.0	178	1.1	315	12.1	151	8.6	825
2002-03	154	6.9	23	4.5	3	-57.1	181	1.7	336	6.7	165	9.3	872
2003-04	155	0.6	24	4.3	8	166.7	185	2.2	470	39.9	193	17.0	1,051
Jul-Mar							139		316		142		773
2002-03	142		19		8	100	138	-0.7	355	12.3	164	15.5	852
2003-04	147	3.5	21	10.5									

Source: Hydrocarbon Development Institute of Pakistan

Table 15.5 : Consumption of Gas (Percentage Change)

Year	Households	Commercial	Cement	Fertilizer	Power	Industrial
1990-91	14.3	2.6	2.8	23.2	37.9	19.1
1991-92	14.5	2.7	2.4	20.8	39.8	19.7
1992-93	14.8	2.8	2.3	23.4	36.5	20.1
1993-94	14.9	2.8	1.8	26.2	35.9	18.3
1994-95	17.8	2.9	1.2	25.9	33.1	19.0
1995-96	18.9	2.9	1.3	25.8	32.0	19.1
1996-97	19.3	3.1	1.5	25.2	32.4	18.4
1997-98	22.1	3.1	2.0	24.3	29.4	18.9
1998-99	20.7	3.4	1.3	26.3	28.9	19.1
1999-00	19.6	3.0	1.2	24.8	32.2	18.9
2000-01	18.2	2.7	0.9	22.6	37.0	17.8
2001-02	17.5	2.7	0.9	21.6	38.2	18.5
2002-03	17.6	2.6	0.4	20.7	38.5	18.9
2003-04	14.8	2.3	0.7	17.6	44.7	18.4
Average (14 Years)	17.6	2.8	1.5	23.4	35.4	18.9
Jul-Mar						
2003-04	18.4	2.4	0.5	17.9	40.9	18.4
2004-05	17.3	2.5	1.0	16.3	41.7	19.2

Source: Hydrocarbon Development Institute of Pakistan.

Table 15.4 gives the annual change in the consumption of gas by various users since 1990-91 to 2004-05. Household, commercial, cement, power sector and industrial sectors registered a sharp rise in the consumption of gas. The consumption of gas in cement industry increased by 100 percent during July-March 2004-05 while industrial consumption grew by 15.5 percent followed by the power sector (12.3 percent), commercial sector (10.5 percent) and household sector (3.5 percent) (see Table 15.4). The relative shares of gas consumption by various users during the last fourteen years are documented in Table 15.5. The Power sector has emerged as the largest consumer of gas (35.4 percent), followed by fertilizer (23.4 percent), industrial (11.9 percent), households (7.6 percent), commercial (2.8 percent) and cement (1.5 percent). It may be noted that the share of the power sector gas consumption has been rising continuously since 1990-91. The power sector is gradually reducing its dependency on imported fuel oil because of its ever escalating price.

C. Electricity Consumption

Tables 15.6 and 15.7 show the position of electricity consumption from 1990-91 to 2003-04. On average, the household sector has been the largest consumer of electricity, accounting for 41.4 percent of total electricity consumption, followed by industrial (31.1 percent), agriculture (14.1 percent), other government sector (7 percent), commercial (6 percent), and street lights (0.7 percent). Substantial increase in the consumption of electricity has also been witnessed during the first 9 months of the current fiscal year (Fig-2).

Table 15.6 : Consumption of Electricity by Sectors (000 GWh) (Percentage Change)

Year	Household		Commercial		Industrial		Agriculture		Street Light (Total)		Other Govt.		Total
	Gwh	% Change	Gwh	% Change	Gwh	% Change	Gwh	% Change	Gwh	% Change	Gwh	% Change	
1990-91	10.4	1.2	2.1	5	11.2	8.8	5.6	11.8	-	-	2.1	19.2	31.5
1991-92	11.4	9.6	2.1		12.3	9.8	5.8	3.6	-	-	2.1	00	33.9
1992-93	13.2	5.8	2.3	5	13.0	5.7	5.6	-3.4	297	-	2.0	-4.8	36.5
1993-94	14.0	5.1	1.8	-2.9	12.6	-3.1	5.8	3.6	298	0.3	2.8	10.0	37.4
1994-95	15.6	1.4	2.6	44	12.5	-0.8	6.2	6.9	324	8.7	2.1	25.0	39.5
1995-96	17.1	9.6	2.2	-1.4	12.1	-3.2	6.7	8.1	378	16.7	2.4	14.3	41.7
1996-97	17.8	4.1	2.2		11.9	-1.7	7.0	4.5	390	3.2	3.4	3.0	42.9
1997-98	18.8	5.6	2.3	5	12.3	3.4	6.9	-1.4	387	-0.8	3.9	14.7	44.6
1998-99	19.4	3.2	2.4	3	12.0	-2.4	5.6	-18.8	224	-42.1	3.6	-7.7	43.3
1999-00	21.4	0.3	2.5	2	13.2	10.0	4.5	-19.9	239	6.7	3.6	0	45.6
2000-01	22.8	6.5	2.8	10	14.3	8.3	4.9	8.9	213	-10.9	3.5	-2.8	48.6
2001-02	23.2	1.8	3.0	1	15.1	5.6	5.6	14.3	212	-0.5	3.5	0.0	50.6
2002-03	23.7	2.2	3.2	7	16.2	7.3	6.0	7.1	244	15.1	3.4	-2.9	52.7
2003-04	25.8	8.9	3.7	16	17.4	7.4	6.7	11.7	262	7.4	3.7	8.8	57.5
Jul-Mar													
2003-04	18.5		2.6		12.8		4.9		361		2.6		41.8
2004-05	19.9	7.6	2.9	15	13.8	7.8	5.2	6.1	225	-37.7	4.3	35.4	46.3

- not available

* KESC's figure not included.

Source: Hydrocarbon Development Institute of Pakistan

Table 15.7 : Consumption of Electricity (Sectoral Shares) (Percentage Share)

Year	Households	Commercial	Industrial	Agriculture	Streetlight	Other Govt.
1990-91	33.0	6.6	35.6	17.8	-	0.0
1991-92	33.8	6.3	36.3	17.3	-	5.3
1992-93	36.1	4.7	35.7	15.4	0.8	5.5
1993-94	37.7	4.8	33.8	15.4	0.8	7.4
1994-95	39.3	4.9	31.6	15.8	0.8	5.4
1995-96	40.9	5.2	29.1	15.9	0.9	5.7
1996-97	41.4	5.2	27.9	16.5	0.9	3.0
1997-98	42.1	5.2	27.6	15.5	0.9	3.7
1998-99	44.8	5.5	27.9	12.9	0.5	3.3
1999-2000	47.1	5.6	28.9	9.9	0.5	7.9
2000-01	46.9	5.7	29.5	10.1	0.4	7.3
2001-02	45.9	5.8	29.9	11.1	0.4	3.9
2002-03	44.9	6.1	30.7	11.4	0.5	3.4
2003-04	45.0	6.4	30.2	11.6	0.7	3.4
Average (14 Years)	41.4	6.0	31.1	14.1	0.7	7.0
Jul-Mar						
2003-04	44.2	6.3	30.7	11.7	0.9	3.2
2004-05	42.9	6.4	29.7	11.2	0.5	3.3

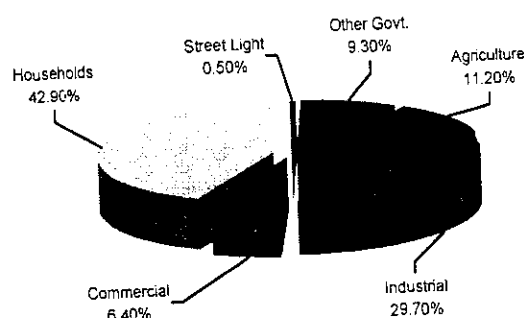
Source: Hydrocarbon Development Institute of Pakistan

II. Energy Supply

The annual trends of primary energy supplies and their per capita availability, measured in tons of oil equivalent (TOE) from 1990-91 to 2004-05 are given in Table (15.8) and Fig-3 & Fig-4. The supply of primary energy increased by 78.5 percent in the last 14 years. The per capita availability rose from 0.253 TOE in 1990-91 to 0.340 TOE in 2003-04 –an increase of 34.4 percent in the last 14 years. Because of the increase of primary energy supplies, per capita availability recorded a rising trend over the decade of the 1990s. At the macro level higher primary energy supply indirectly impacts on poverty, through the trickle down effect. It also helps consumers to meet their ever-growing annual demand for energy. The energy supplies during the first 9

months of the current fiscal year increased to 41.617 million TOE from 37.158 million TOE in the same period last year or by 12 percent. The per capita availability on the other hand has increased by 9.9 percent. This increase in primary energy supplies is mainly due to appropriate and timely measures taken by the government to provide an investment-friendly environment for the energy sector to attract more local and foreign investors. The supply of primary energy by various sources of energy as well as their rates of increases are given in Table 15.9.

Fig-2 : Consumption of Electricity (Sectoral Shares) (04-05)



Source: HDPI

Table 15.8 : Primary Energy Supply and Per Capita Availability

Year	Energy Supply		Per Capita	
	Million TOE	%Change	Availability (TOE)	% Change
1990-91	28.469		0.253	
1991-92	30.475	7.0	0.264	4.4
1992-93	32.953	8.1	0.278	5.4
1993-94	34.778	5.5	0.286	2.9
1994-95	36.062	3.7	0.290	1.2
1995-96	38.746	7.4	0.304	4.9
1996-97	38.515	-0.6	0.295	(3.0)
1997-98	40.403	4.9	0.305	3.3
1998-99	41.721	3.3	0.313	2.7
1999-00	43.223	3.6	0.317	1.2
2000-01	44.456	2.9	0.319	0.6
2001-02	45.237	1.8	0.318	(0.4)
2002-03	47.061	4.0	0.321	0.9
2003-04	50.820	8.0	0.340	5.9
Jul-Mar			0.248	
2003-04	37.158		0.273	9.9
2004-05	41.617	12.0		

Source: Hydrocarbon Development Institute of Pakistan

TOE- Tons of Oil Equivalent

Fig-3: Energy Supply (Million TOE)

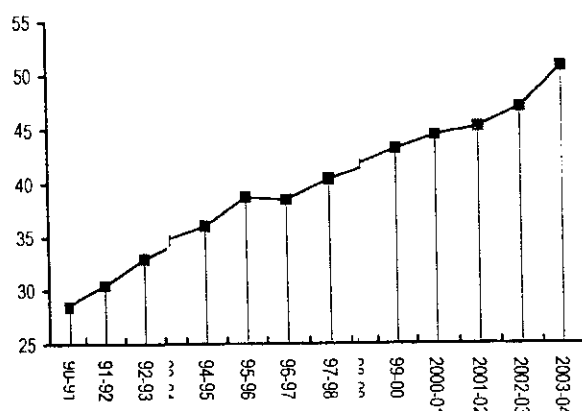


Fig-4: Per Capita Availability (OE)

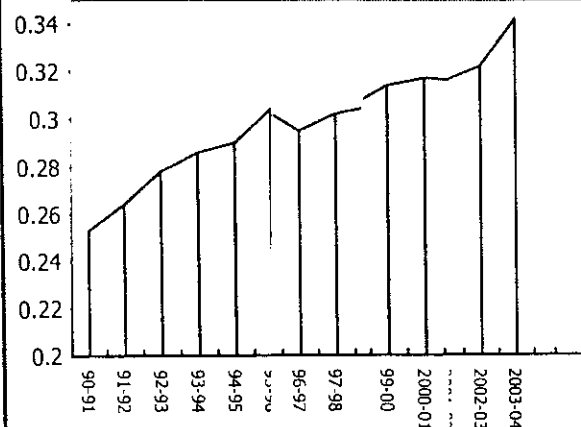


Table 15.9: Composition of Energy Supplies

Year	Crude Oil Million Barrels	%Change	Gas (billion cu ft)*	%Change	Petroleum Products (Million Tons)	%Change	Coal (Million Tons)	%Change	Electricity (000 GWh)(a)	%Change
1990-91	51	13.3	53.5	4.1	10.3	6.3	3.9	8.9	4.0	9.1
1991-92	52	1.8	53.7	6.2	11.2	8.7	4.6	17.9	4.4	10.7
1992-93	51	-2.3	53.5	6.0	12.3	9.8	4.3	-6.1	4.7	7.3
1993-94	51	0.3	64.2	7.0	13.7	11.4	4.6	7.0	4.6	3.9
1994-95	48	-6.2	68.2	0.6	14.2	3.6	4.1	-10.9	3.5	5.7
1995-96	52	8.0	66.6	6.1	16.0	12.7	4.7	14.0	3.9	6.4
1996-97	49	-4.3	67.8	4.7	15.9	-0.6	4.4	-6.4	3.1	3.9
1997-98	50	1.2	70.0	0.3	16.9	6.3	4.1	-6.8	2.1	5.1
1998-99	52	4.5	74.9	6.4	16.8	-0.6	4.4	7.3	3.4	5.3
1999-00	53	1.3	88.3	9.9	17.9	6.5	4.1	-6.8	3.7	0.5
2000-01	73	38.0	87.4	4.8	18.4	4.5	4.0	-2.4	3.1	3.7
2001-02	75	2.0	93.8	7.7	18.0	-1.6	4.4	10.0	2.4	6.3
2002-03	70	-1.2	92.6	7.5	17.5	-3.8	4.9	11.1	3.7	4.5
2003-04	88	5.7	102.7	21.2	14.9	-14.9	6.0	22.1	3.8	6.8
Jul-Mar										
2003-04	57		82.7		10.8		3.7		56 ^e	
2004-05 ^p	68	12.1	103.2	13.7	12.5	15.7	4.3	16.1	1.8	9.2

*: Billion cubic feet

a: Giga Watt hour

p: Provisional

e: Estimated

Source: Hydrocarbon Development Institute of Pakistan.

a) Crude Oil

The balance recoverable reserves of crude oil as on January 1, 2005 have been estimated at 307.42 million barrels in the country. The average crude oil production during July-March 2004-05 was 65,508 barrels per day as against 62,122 barrels per day during the corresponding period of last year, showing an increase over 7.1 percent. The increase in oil production is mainly due to increase in production from OGDC and Orient Petroleum Co.'s (OP) fields. The production of crude oil and its percentage increase/decrease during July-March 2004-05 as against corresponding period of the last year is reported table 15.10.

Table 15.10 : Production of Crude Oil (Barrels per day)

Region	2003-04	July-March 2003-04	July-March 2004-05	% change
Northern Region	22,913	23,300	26,168	12.3
OGDCL	7,634	7,475	11,371	52.1
OPI	1,001	1,111	821	-26.1
POL	10,375	10,556	10,059	-4.7
PPL	3,903	4,158	3,546	-14.7
MOL	--	--	371	--
Southern Region	38,905	38,822	40,340	3.9
OGDCL	13,688	13,512	19,589	45.0
BP(Pakistan)	22,305	22,978	17,245	-25.0
PPL	122	128	135	5.5
BHP	1,647	1,665	1,766	6.1
OMV-Eni	302	261	425	62.8
OPI	841	278	1,180	324.5
Total:	61,817	62,122	66,508	7.1

Source: Ministry of Petroleum & Natural Resources

b) Natural Gas

On 1st January 2005 the balance recoverable natural gas reserves have been estimated at 30.130 trillion cubic feet. The average production of natural gas during July-March 2004-05 was 3,681 million cubic feet per day (mmcf) as against 3,210 mmcf during the corresponding period of last year, showing an increase of 14.7 percent. Table 15.11 shows the production of natural gas during July-March 2004-05 and its percentage changes over the same period last year.

Table- 15.11 : Production of Natural Gas (mmcf)

Company	2003-04	July-March 2003-04	July-March 2004-05	% change
BHP	247	250	265	6.0
ENI	344	339	396	16.8
MGCL	434	440	446	1.4
OGDCL	696	662	841	27.0
OMV	416	389	556	42.9
OPI	21	16	64	300.0
POL	42	42	39	-7.1
PPL	826	818	788	-3.7
TULLOW	15	15	10	-33.3
PEL	16	17	16	-5.9
BP(Pakistan)	225	222	229	3.1
MOL	--	--	31	--
Total:	3,282	3,210	3,681	14.7

Source: Ministry of Petroleum & Natural Resources

c) Drilling Activities

During July-March 2004-05 a total of 34 wells have been drilled, including 13 wells in the public sector and 21 in the private sector as against 35 in the same period last year. Investment of US\$26.409 million has so far been made in the current financial year in the upstream petroleum sector. A comparison of the number of wells drilled during July-March 2004-05 with the corresponding period last year is given in table 15.12.

Table 15.12 : Drilling Activities (Achievements) (No. of Wells)

Sector	200-04	July-March 2003-04	July-March 2004-05	%Change
Public Sector (OGDCL)	17	9	13	44.4
Exploratory	8	4	5	25.0
Appraisal/Dev	9	5	8	60.0
Private Sector	36	26	21	-19.2
Exploratory	21	15	8	-46.7
Appraisal/Dev	15	11	13	18.2
Total:	53	35	34	-2.9

Source: Ministry of Petroleum & Natural Resources

d) Liquefied Petroleum Gas (LPG)

Being economic, clean and environmental friendly fuel, LPG is the most popular domestic fuel in areas where the supply of natural gas is not available. As a result of government's investment friendly policies, production of LPG has increased by 50 percent in the first three quarters of the outgoing fiscal year. Increased availability of LPG to the consumers will bring down the price of LPG and thus reduce household fuel bills. During July-March 2004-05 a new LPG field of OGDCL has started production. This field has a capacity of producing around 120 MT per day of LPG. Its current production is around 80 MT per day. Similarly, Jamshoro LPG Extraction Plant has also started producing around 200 MT per day of LPG and is expected to produce around 500 MT by the end of the outgoing fiscal year. This will enhance the supply of LPG up to 1500 MT per day in the current fiscal year as against 100 MT per day in the corresponding period last year. This production of LPG will meet the energy needs of about 0.5 million households.

e) Compressed Natural Gas (CNG)

The government is promoting the use of Compressed Natural Gas (CNG) in a big way to reduce the pollution level being caused by vehicles using motor gasoline and to improve the ambient air quality. Presently, some 700 CNG stations are operational in the country while 200 are under construction. By March 2005, about 700,000 vehicles were converted to CNG as compared to 450,000 vehicles during the same period last year, showing an increase of 56 percent. With these developments, Pakistan has become the leading country in Asia and the third largest user of CNG in the world after Argentina and Brazil. Investment of Rs. 17 billion has already been made in CNG sector and Rs. 2 billion investment is expected in near future. Moreover, the CNG industry has created 15,000 new jobs. In view of short supply of indigenous liquid fuels, a great scope exists in the country for development of alternate fuels, especially natural gas that is locally available at low price, while at the same time a widespread infrastructure for transmission and distribution of gas is already in place. There is a strong need for replacing diesel with CNG, as it is possible with CNG for reducing the level of air pollution. The techno-economics of converting diesel engines to CNG, however, are not very attractive due to high conversion cost, little differential in the price of diesel oil and CNG, and several engineering and management problems related to conversion of bus fleets. In order to address these problems, the government is working on a programme which will initially start in the federal and provincial capitals, where dedicated CNG city-buses will be put on road.

Performance of major oil and gas companies

The operational performance of the three major oil and gas companies in the public sector is reviewed in the following paragraphs.

a. Oil and Gas Development Company Limited (OGDCL)

During the last 44 years OGDCL has grown into a technically and commercial viable organization in the country. It was listed in the stock exchange of the country w.e.f. January 2004. The OGDCL has so far drilled 195 exploratory wells and 242 development wells and has produced about 150.1 million barrels of oil and about 3.2 trillion cubic feet of gas upto March 2005. The company holds 139.9 million barrels of oil and 9.6 TCF of gas as remaining recoverable reserves as on 1st January 2005. These constitute 46 percent and 32 percent of the total oil and gas reserves respectively of the country. OGDCL's average oil and gas production during the period July-March 2004-05 remained at 30,939 barrels per day and 841 MMscfd per day respectively as against 21,064 barrels and 664 MMscfd per day during the corresponding period of last year, showing a growth of 47 percent of oil and 27 percent of gas over the same period last year. The average LPG and sulphur production remained 257 Metric Ton and 55 Metric Ton per day respectively during July-March 2004-05. The company had drilled 8 appraisal wells and 5 exploratory wells in 2004-05 upto March 2005. During the corresponding period last year 5 appraisal wells and 4 exploratory wells were drilled (Table 15.12). The physical progress of OGDCL is given in table 15.13.

S. No	Name of Activity	Unit	July-March 2003-04	July-March 2004-05	% Change
1.	Oil	US Barrels	5,771,700 (21,064)	8,477,183 (30,939)	47
2.	Gas	MMcft	182,036 (664)	230,379 (841)	27
3.	LPG	Tonnes	56,050 (205)	70,318 (257)	25
4.	Sulphur	Tonnes	14,915 (54)	15,142 (55)	2

(Figures in bracket show daily average production)

Source: OGDCL

A remarkable achievement was recorded in the gross sales of Rs. 52,976 million during July-March 2004-05 as compared to Rs. 36,863 million over same period last year showing an increase of 44 percent.

b. Sui Northern Gas Pipelines Limited (SNGPL)

SNGPL has so far supplied gas to 667 towns/villages of the Punjab and NWFP. During July-March 2004-05 they connected 237 industrial, 2,130 commercial and 114,205 domestic consumers bringing the total number of consumers to 2,423,986 as on 31st March 2005 (3,106 industrial, 40,515 commercial and 2,380,365 domestic consumers). The target for 2005-06 is 300 industrial, 3,500 commercial and 185,000 domestic consumers.

c. Sui Southern Gas Pipelines Limited

During the first three quarters of 2004-05 Sui Southern Gas Company Limited has provided gas connection to 970 towns/villages of Sindh and Balochistan. During this period the company has connected 175 industrial, 1,120 commercial and 55,175 domestic consumers bringing the total number of consumers to 1,777,321 as on 31st March 2005 (including 2,762 industrial, 18,898 commercial and 1,755,661 domestic consumers). Targets for 2005-06 are 225 industrial, 921 commercial and 74,919 domestic consumers.

III. Power Sector

a. Private Power & Infrastructure Board

The present government promotes a strategic plan for attracting investment in the power sector, as well as its restructuring and rapid privatization. The plan envisages three clear objectives; removal of the financial burden from

exchequer; improvement and the systems efficiency and rationalization of prices and social subsidies. In line with government's objective to relieve the public sector from heavy budgetary allocation, the independent power policies were devised to achieve the required capacity additions, besides attracting foreign investment in the power generation sector. Another important achievement was announcement of the policy for power generation projects. Power policy-2002. As a result PPII received 67 expressions of interest based on gas, coal, hydro and oil with a total capacity of 1320 MW for different raw-sites at various locations of the country till April 2005. A advertisement had been made for 450 MW coal-fired project at Lakhra. In order to ensure that only serious, credible, financially sound and technically experienced sponsors come forward PPII has issued letters of interest (LOI) for 13 projects worth 2406 MW out of which seven are gas based (1148 MW), five hydro (1108 MW), and one oil based project (150 MW).

Future Plan

The double-digit growth of Large Scale Manufacturing has resulted in the higher demand of power in some industrial belts of Pakistan. The power demand is projected to grow at an annual average rate of 7.3 percent during next five years (2005-10) and will increase from about 15,500 MW in 2005 to about 21,500 MW in 2010. Sector-wise total power demand worked out on regression based load forecast, incorporating economic factors such as GDP, population, tariff and active power etc. (self generation) is given at Table 15.4.

Table 15.14 : Sector Wise Power Demand (2005-10)

Year	Domestic	Commercial	Agriculture	Industrial	Other	Total
2005-06	7,199	1,216	1,761	1,911	1,035	13,122
2006-07	7,585	1,251	1,821	1,981	1,086	13,724
2007-08	8,127	1,312	1,891	2,052	1,159	14,441
2008-09	8,783	1,354	1,971	2,181	1,243	15,332
2009-10	9,531	1,408	2,071	2,367	1,341	16,718

Source: Planning Commission

b) Electricity Generation

Installed Capacity

Pakistan inherited only 60 MW of power generation capacity at the time of independence. Only Maankand htel power station in North West Frontier Province and Shahdara thermal station near Lahore were the pre-partition power generation centres. The pace of power infrastructure development gained momentum by the year 1970 and within five years the installed generating capacity rose from 636 MW in 1970 to 1,331 MW in 1975 with setting up of a number of hydroelectric and thermal power units. In the year 1980, the system capacity touched 1,000 MW and thereafter it rapidly grew to over 7,000 MW in 1990-91. At present, the total installed generation capacity from hydroelectric and thermal sources plus independent power producer (IPP) linked to the system, stands at 19,39 MW.

Table 15.15 : Total Installed Generation Capacity

Name of Power Company	Installed Capacity 2003-04	% Share	Installed Capacity 2004-05	% Share	% Change
WAPDA	11201	58.2	12988	58.3	0.9
Hydel	6460	57.7*	6463	57.2*	0
Thermal	4741	42.3*	4835	42.8*	2.0
IPPs	5835	31.3	5873	30.3	0.7
Nuclear	462	2.4	462	2.4	0
KESC	1756	1.1	1756	9.0	0
Total	19254	100	19389	100	0.7

* Share in WAPDA system Source: Hydrocarbon Development Institute of Pakistan

The total installed capacity of electricity generation increased to 19,389 MW in 2004-05 from 19,254 MW last year, showing a marginal increase of 0.7 percent. The Water and Power Development Authority (WAPDA) Karachi Electric Supply Corporation (KESC), Karachi Nuclear Power Plant (KANUPP) and Chashna Nuclear Power Plant are the four main public sector organizations, involved in power generation, transmission and distribution of electricity in the country. The independent power projects (IPPs) are involved in power generation only. The total installed capacity of

WAPDA stood at 11,298 MW during July-March 2004-05. Of which, hydel accounts for 57.2 percent or 6,463 MW, thermal accounts for 42.8 percent or 4,835 MW, followed by the IPPs 5,873 MW or 30.3 percent, KESC's (1,756 MW) or 9.0 percent and nuclear 462 MW of the total installed capacity. The share of WAPDA system stood at 58.3 percent followed by the IPPs at 30.3 percent, KESC at 9.0 percent, and nuclear at 2.4 percent. The details are given in Table 15.15.

c) WAPDA

The composition of electricity generation shows that hydel power potential of the country has not been fully exploited. The hydro potential, which is located in Northern areas and NWFP still largely remains untapped. The hydro generation accounted for 39.8 percent of the total electricity produced by WAPDA in the year 2003-04. The share of hydro generation is 32.7 percent of the total electricity generated by WAPDA during the period from July-March 2004-05. The trend of electricity generation by WAPDA since 1992-93 is documented in Table 15.16.

Table 15.16 : Electricity Generation by WAPDA (Million kWh)

Year	Hydel	Percentage share	Thermal	Percentage share	Total
1992-93	21,111	51.8	19,680	48.2	40,791
1993-94	19,436	45.8	22,960	54.2	42,396
1994-95	22,858	49.6	23,268	50.4	46,126
1995-96	23,206	47.5	25,653	52.8	48,859
1996-97	20,858	41.1	29,924	58.9	50,782
1997-98	22,060	41.4	31,199	58.6	53,259
1998-99	22,448	41.8	31,235	58.2	53,683
1999-2000	19,287	34.3	36,585	65.7	55,872
2000-01	17,259	29.5	41,196	70.5	58,455
2001-02	19,056	31.3	41,804	68.7	60,860
2002-03	22,348	34.9	41,690	65.1	64,040
2003-04	27,477	39.8	41,617	60.2	69,094
(July-March)					
2003-04	20,873	42.0	28,792	58.0	49,665
2004-05	17,362	32.7	35,783	67.3	53,145

Source: Water and Power Development Authority

Includes purchase from IPPs.

Table 15.17: Consumers by Economic Groups (Million)

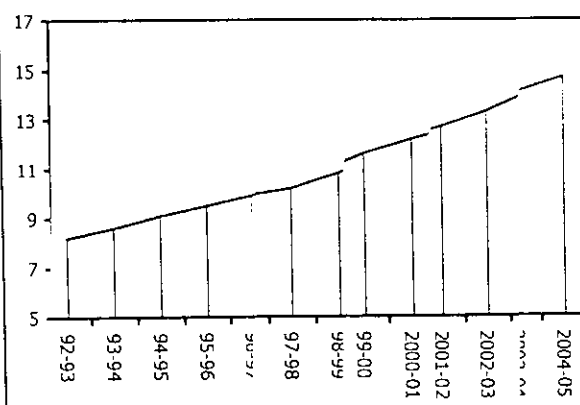
Year	General	Industrial	Agriculture	Total
1992-93	7.9	0.2	0.1	8.2
1993-94	8.3	0.2	0.1	8.6
1994-95	8.7	0.2	0.2	9.1
1995-96	9.1	0.2	0.2	9.5
1996-97	9.5	0.2	0.2	9.9
1997-98	9.9	0.2	0.2	10.2
1998-99	10.4	0.2	0.2	10.8
1999-00	11.2	0.2	0.2	11.6
2000-01	11.8	0.2	0.2	12.2
2001-02	12.3	0.2	0.2	12.7
2002-03	12.9	0.2	0.2	13.3
2003-04	13.7	0.2	0.2	14.1
(July-March)				
2003-04	13.5	0.2	0.2	13.9
2004-05	14.3	0.2	0.2	14.7

Source: Water and Power Development Authority

) Growth in Electricity Consumer

The number of consumers has increased over the years mainly on account of rapid urbanization, extension of electricity grid supply to un-electrified areas and village electrification. The number of consumers has increased to 14.7 million by March 2005 as against 13.9 million in the same period last year, showing an increase of 6 percent over the last year and a growth of 79 percent in the last 13 years. Table-15.17 & Fig-1 indicates the trend since 1992-93.

**Fig 5: Total Electricity Consumers
(Million Nos.)**



ii) Village Electrification

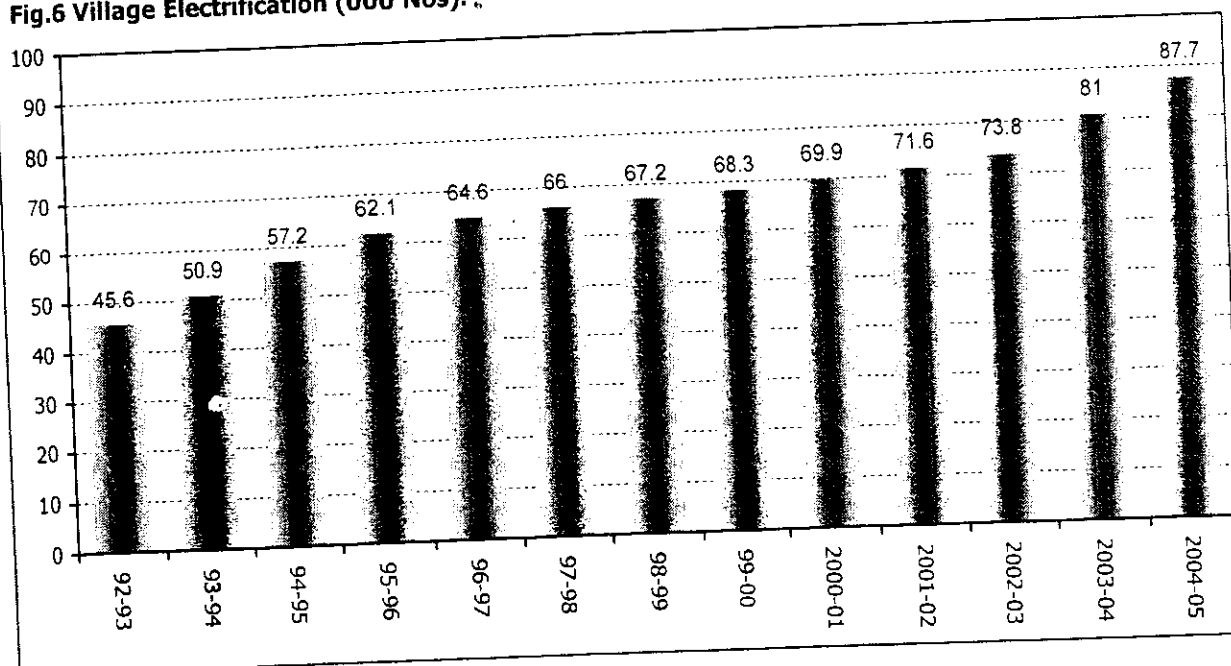
The village electrification programme is an integral component of the power sector development which is aimed at increasing productive capacity and the socio-economic standard of 68 percent of Pakistan's population living in the rural areas. The number of villages electrified has increased to 7,698 by March 2005 or 11.3 percent over 2003-04 (Table-15.18 & Fig-6).

Table 15.18 : Village Electrification

Year	Target	Realization *	Progressive Total	% Growth
1992-93	2,07	4,824	45,344	-
1993-94	4,50	5,283	50,327	11.6
1994-95	2,00	6,243	57,170	12.3
1995-96	5,00	4,957	62,127	8.7
1996-97	4,00	2,441	64,568	3.9
1997-98	4,00	1,383	65,951	2.1
1998-99	4,00	1,232	67,183	1.9
1999-2000	1,80	1,109	68,292	1.6
2000-01	-	1,595	69,887	2.3
2001-02	-	1,674	71,561	2.4
2002-03	-	2,246	73,807	3.1
2003-04	-	7,193	81,000	9.7
(July-March)				
2003-04		5,013	76,820	-
2004-05		6,698	83,698	11.3

*including FATA

Source: Water and Power Development Authority

Fig.6 Village Electrification (000 Nos).

Source: Water and Power Development Authority

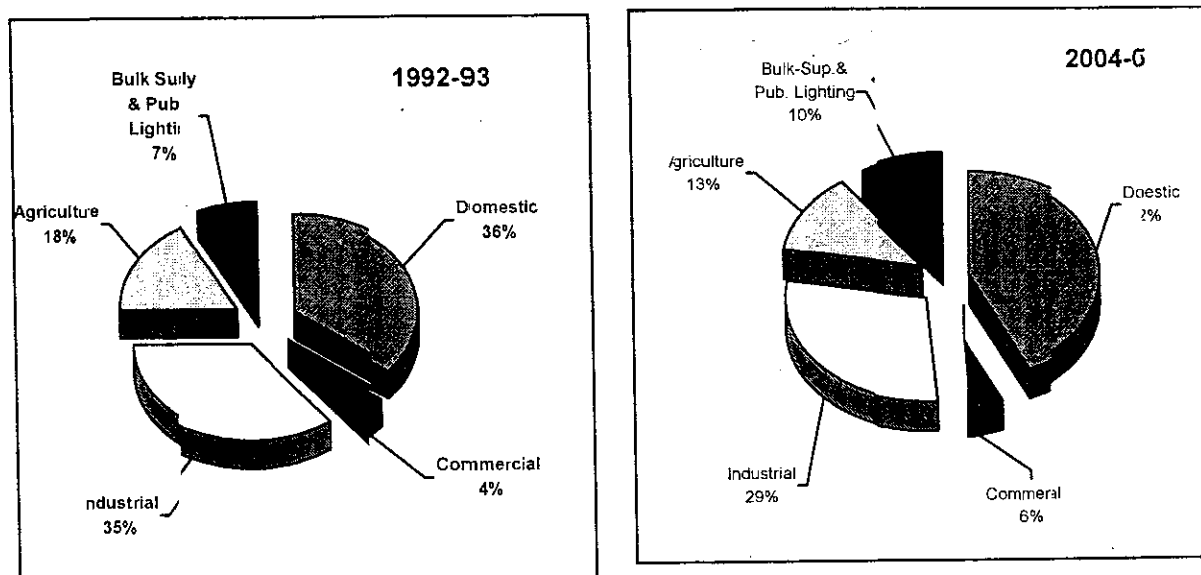
iii) Electricity Consumption by Economic Groups

The sectoral consumption of electricity by economic groups identifies the domestic group as the largest consumer of electricity during July-March 2004-05, accounting for 43.2 percent of total consumption; followed by industry (28.7 percent), agriculture (12.7 percent), bulk supply & public lighting (9.6 percent), commercial (5.7 percent) and traction (0.02 percent). Table-15.19 & Fig-7 show electricity consumption by economic groups since 1992-93.

Table 15.19 : Electricity Consumption by Economic Groups						(% Share)
Year	Domestic	Commercial	Industrial	Agriculture	Bulk Supply & Public Lighting	Traction
1992-93	35.9	4.2	34.9	17.9	7.1	0.1
1993-94	37.2	4.1	32.8	17.9	7.9	0.1
1994-95	38.4	4.3	30.3	17.8	9.3	0.1
1995-96	40.1	4.5	28.7	18.0	9.4	0.1
1996-97	40.5	4.6	26.3	18.2	10.4	0.1
1997-98	41.5	4.5	26.0	17.5	10.5	0.04
1998-99	43.6	4.7	25.6	14.3	11.8	0.04
1999-2000	46.3	4.9	26.3	11.0	11.4	0.04
2000-01	46.1	4.9	27.1	11.3	10.6	0.04
2001-02	45.5	5.1	28.0	12.3	9.2	0.03
2002-03	44.0	5.3	28.4	12.6	9.7	0.02
2003-04	44.0	5.6	28.1	12.9	9.4	0.02
(July-March)						
2003-04	43.6	5.6	28.7	13.0	9.1	0.02
2004-05	43.2	5.7	28.7	12.7	9.6	0.02

Source: Water and Power Development Authority

Fig-7: Electricity Consumption by Economic Groups (% Share) WAPDA



iv) Power Losses

WAPDA has undertaken some appropriate technical and administrative measures to improve operational and management efficiency in its system to reduce power losses and theft. These measures have resulted both in the increase in revenues and reduction in electricity theft. The programme of renovation, rehabilitation, installing capacitors and strengthening consumer-end distribution supply network will further reduce power losses. The transmission and distribution (T&D) losses were 24.2 percent during July-March 2004-05 as compared with 25.1 percent last year. In order to bring further improvement in the system power losses would be decreased from 24.2 percent in 2004/5 to 21.5 percent in 2009-10. Table-15.20 shows the trend in WAPDA power losses since 1992-93.

Table 15.20 : WAPDA Power Losses (Percent)

Year	Auxiliary Consumption	T&D Losses*	Total
1992-93	2.3	21.1	23.4
1993-94	2.6	21.6	24.2
1994-95	2.6	21.4	24.0
1995-96	2.9	21.5	24.4
1996-97	2.4	21.7	24.1
1997-98	2.0	23.9	25.9
1998-99	1.7	25.8	27.5
1999-2000	2.1	24.6	26.7
2000-01	2.0	23.8	25.8
2001-02	2.2	23.6	25.8
2002-03	2.1	23.8	25.9
2003-04	2.0	23.5	25.5
(July-March)			
2003-04	2.0	23.1	25.1
2004-05	2.0	22.2	24.2

* T&D = Transmission and Distribution

Source: Water and Power Development Authority

v) Power Development Programme

The optimal utilization of the country's hydroelectric potential is accorded priority in the future power development strategy. The government has accorded approval for construction of hydroelectric projects under the Vision-2025 Programme. Moreover, Pehur 18 MW is planned to be commissioned in 2005-06. Malakand-III 81 MW and additional gas turbines from UAE at Faisalabad of 120 MW are planned to be commissioned in 2006-07. Addl. Combined Cycle (C.C.) at Faisalabad 44 MW, Star/Jarwar Thermal Power Project 123 MW, Muridke Power Project 200 MW and Balloki Thermal Project Phase-I 200 MW are expected to be completed in 2007-08, Khan Khwar 72 MW, Allai Khwar 121 MW, Duber Khwar 130 MW, Jinnah Low Head Hydro 96 MW, New Bong Escape 79 MW and Rajdhani 132 MW, and Mari Power Project 175 MW, Attock Power Project 150 MW, Intergen Power Project 150 MW, C.C at Faisalabad 450 MW, Uch Phase-II 450 and Balloki Thermal Project Phase-II 200 MW are expected to be completed by 2008-09. Golan Gol 106 MW, Kotli HPP 97 MW, Thar Coal # 1&2 600 MW are expected to be completed by 2009-10, Kayal Khwar 130 MW, Gulpur 60 MW and Chshma nuclear 325 MW are expected to be completed in 2010-11

d. Karachi Electric Supply Corporation Ltd (KESC).

The main objectives of the KESC are generation, transmissions and distribution of electric power for consumers falling within the areas of Karachi, some parts of Thatta and a small part of Baluchistan i.e. district Bella. KESC's licensed area covers approximately 6,000 square kilometer. As against a demand of over 2000 MW of power, the existing installed power generation capacity of the KESC is estimated at 1,756 MW. During July-March 2004-05 KESC's actual generation was 6,875 million KWH including auxiliary consumption of 484 million KWH. The main cause behind the shortfall of the power in Karachi is that two or three KESC units always remained under services as most of the generating units have already come to their age. The gap in demand and supply is bridged from different sources including 1,044 million KWH from two IPPs, 1,754 KWH from the KANUPP, PASMIC and WAPDA. The total energy made available to KESC system after taking into accounts the import from various agencies stood at 9190 million KWH during July-March 2004-05 as against 9113 million KWH in the same period last year, thus, showing a growth of merely 0.8 percent. The KESC has successfully achieved the target for reduction of T&D losses from 40 percent in 2003-04 to 37 percent in the current fiscal year. The rising trend of T&D losses has been effectively checked and for the first time in many years a reduction of 3 percent has been achieved due to effective implementation of the project for System Improvement and Reduction of the T&D losses. Although the KESC has succeeded in overcoming the power theft, yet a major chunk of power produced is drained out in the name of transmission and distribution losses, which is now estimated to the tune of 37 percent. The total paid up capital of KESC is Rs. 30.801 billion out of which 97.98 percent shares was held by the government. On February 4, 2005, the corporation has been privatized and government has sold its 73 percent shares to M/S Kanooz-Al-Watan. After privatization, the government will be holding 24.98 percent shares while M/S Kanooz-Al-Watan will give 7.3 percent shares to the KESC's employees out of its holding shares of 73 percent. The privatization of KESC is expected to bring marked improvement in its efficiency.

e. Nuclear Power Energy

Nuclear Power is safer modes of electric energy generation with the inherited advantages of being environmental friendly and cost effective. At present two nuclear power plants (KANUPP at Karachi and CHASNUPP Unit-1 at Chshma) are in operation, while project for installation of second unit of CHASNUPP is in progress since July 2004. After partial refurbishment of KANUPP for extending its life by 15 years, and getting the necessary approval from the government, KANUPP is operating at a reduced power level of 50 MW. The KANUPP has generated 253.49 million kWh of electricity during the period July-March 2004-05, raising its lifetime generation to 11.06 billion kWh. CHASNUPP Unit-1, having a gross capacity of 325 MW, which was connected to the national grid, has generated 1,806.15 million kWh of electricity during the period July-March 2004-05, raising its lifetime generation to 8.49 billion kWh.

f. National Electric Power Regulatory Authority (NEPRA)

The National Electric Power Regulatory Authority (NEPRA) is a regulatory body which is involved in granting generation, transmission and distribution licenses and determining tariffs for the electric power companies. Action is taken on petitions filed by power companies and on complaints by electric power consumers to address their grievances. During July-March 2004-05, generation licenses were granted to one Independent Power Producer (IPP) and 9 small isolated generation companies. This was the first step towards the development of a bilateral competitive market. Under the automatic tariff adjustment formula, twenty seven tariff adjustments were allowed. Public hearings were held in connection with the granting of generation licenses and determination of tariffs of the Orient Power Company Limited. Hearing was also held for the grant of distribution licenses to 7 Small Power Producers.

IV. Coal

The coalfield in Sindh province has huge coal resources of 175 billion tons. Due to import high cost energy resources, government has decided to enhance the share of coal in the overall energy mix from 5 percent to 18 percent by 2010. Almost 80 percent of cement industry has now switched over to indigenous coal from furnace oil that has saved considerable foreign exchange which was being spent on the import of furnace oil. The conversion of all cement industry to coal would generate demand for 2.5 million tons of coal per annum by 2010. In view of anticipated shortfall of electricity and other energy resources during the next 10 years the maximum utilization of the indigenous coal could be required for power generation and gasification. A Chinese company has completed mining feasibility study and commissioning of two power plants of 300 MW each and is finalizing its feasibility study for power generation. To ascertain techno-economic viability of Thar coal for gasification and extraction of chemicals, Ministry of Petroleum and Natural Resources has launched another project. There is sufficient demand in the country for coal briquettes due to existing high prices of other conventional fuels. Therefore, efforts are being made to coal briquetting study. The total annual coal production from operational coal mines during 2004-05 remained at around 5 million tons and 80 percent of it was consumed by the brick kiln industry. Total coal production during the period from July-March 2004-05 remained around 3 million tons. Its demand is expected to grow by 4 to 5 percent per annum, which can be met by the existing mines. Utilization of coal has been considered for the production of town gas in areas having coal deposits. In pursuance of a Presidential directive, SNGPL is in the process of preparing a feasibility report for the commissioning of town gas plant at Bhakkar (Punjab). In view of big shortfall in electricity and other energy sources during the next 10 years maximum utilization of coal will be most appropriate for power generation and gasification. The present share of coal in the overall energy mix is only about 5 percent, which needs to be increased to 2-30 percent by 2020. It may be noted that in India the share of coal was as high as 51.5 percent in the total energy mix in 2002. Power generation accounts for about 70 percent of India's total coal consumption. Despite the fact that Indian coal is of poor quality with low calorific content and high ash and located far from major consumption centers its coal consumption is estimated to increase to 510 million short tons by 2020 from 393 short tons in 2002. China is producing more than half of her electricity through thermal power stations run by coal. Pakistan should acquire expertise and technology to eliminate hazards and pollution from coal fired thermal power stations.

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ENVIRONMENT AND HOUSING

CHAPTER – 16

I. ENVIRONMENT

Pakistan is conscious that pursuit of unbridled growth and development all over the world has laid a heavy burden on sustainability for the present and foreseeable future on the planet Earth. Sustainable development is, therefore, the cornerstone of all considerations by the government. Concern for environment- its protection, renewal and enrichment – has been reckoned as obligation towards the betterment of all the citizens at large. Presently, environmental situation has arisen due to a number of factors including high population growth rate, lack of public awareness and education, mismanagement of water and other natural resources as well as unplanned urban and industrial expansion.

During the last decade, Pakistan has made diligent progress in the institutional strengthening and capacity building of policy and planning institutions, environmental awareness, and the promulgation of environmental legislation, National Environment Quality Standards (NEQS), and the establishment of environmental tribunals. The energy sector introduced lead-free petrol and since July 2002, all refineries in the country are supplying lead-free petrol and promoting clean fuels including CNG.

National Environment Action Plan (NEAP) that was initiated in 2001 after the approval of the Pakistan Environment Protection Council and UNDP funded, NEAP Support (NEAP-SF) has overcome its teething problem and the tangible results from these initiatives are visible. The major objectives of NEAP-SF are to achieve a healthy environment and sustainable livelihood by improving the quality of air, water and and with civil society cooperation. In this regard, the initial Environmental Examination (IEE) and the Environment Impact Assessment (EIA) have already been made mandatory for public sector development projects. One of the major achievements of NEAP-SF during 2004-05 was preparation of draft "National Environmental Policy 2005" which has been approved by the Prime Minister in principle and is being circulated to larger stakeholders for comments. Once approved, it would be country's first ever "Environmental Policy". This policy would complement the objectives of NEAP-SF and will address the sectoral issues like (a) Water management and conservations, (b) Energy efficiency and renewable, (c) Agriculture and livestock, (d) Forests and plantation, (e) Biodiversity and protected areas, (Climate change, air quality and noise and (g) Pollution and waste management.

In addition, the proposed policy aims to address other cross-sectoral issues such as (a) Population and environment, (b) Gender and environment, (c) Health and environment, (d) Trade and environment, (e) Poverty and environment and (f) Environment and local government.

In this globalized regime it is hard to void the issue of "genetically modified substances". This proves to be one of contention between the EU and the US as far as their international trade is concerned. So far there were no res and

regulations to import, export, sell, purchase or trade living modified organisms, substances, and products thereof for any purposes. Keeping in view its importance for public safety as well as for international trade, Ministry of Environment has framed and enacted "Pakistan Biosafety Rules 2005" under Pakistan Environment Protection Act 1997. These rules would provide guidelines and regulate trade in genetically modified substances.

Government of Pakistan is also in the process of consultations/ cost-benefit analysis, of accession to the Kyoto Protocol, with the major stakeholders from the public as well as private sector, regarding their preparedness for taking advantage of accession to the Protocol.

Impact of Pollution

a. Air

The key factors contributing to air pollution in Pakistan are: a) rapidly growing energy demand; and b) a fast growing transport sector. In the cities, widespread use of low-quality fuel, combined with a dramatic expansion in the number of vehicles on roads, has led to significant air pollution problems. Air pollution levels in Pakistan's most populated cities are among the highest in the world and climbing, causing serious health issues. The levels of ambient particulates – smoke particles and dust, which cause respiratory disease – are generally twice the world average and more than five times as high as in industrial countries and Latin America (Energy Information Administration, 2004). Although Pakistan's energy consumption is still low by world standards, lead and carbon emissions are major air pollutants in urban centers such as Karachi, Lahore, Rawalpindi and Peshawar.

It may be mentioned here that the two-wheeler industry is performing very well in Pakistan. In the year 2003-04 motorcycle industry showed a visible sign of growth when the total market size achieved a figure of around 327446 while during 2004-05 (July-March) it was 342678 units. Rickshaws have grown by more than 59%, while Motorcycles and scooters have almost doubled over the past ten years (This data does not include locally assembled diesel engine turned "auto Carts" used in rural areas). Motorcycles and rickshaws, due to their two-stroke engines, are the most inefficient in burning fuel and contribute most to emissions.

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. Presently, some 700 CNG stations are operating in the country while 200 are under construction. By March 2005, about 700,000 vehicles were converted to CNG as compared to 450,000 vehicles during same period last year, showing an increase of 56 percent. Use of CNG as fuel in transport sector has observed a quantum leap, replacing traditional fuels and has helped a lot in lowering the pollution load in many urban centers. After the successful CNG programme for petrol replacement, the government is now embarking upon a programme to replace the more polluting diesel fuel in the road transport sector. The government has planned to offer incentives to investors to introduce CNG buses in the major cities of the country.

Table 16.1: Index of Motor Vehicles on the Road (1993-94=100)

Year	Total	Motorcycle/Scooter	Rickshaws
1994-95	110	115	106
1995-96	112	115	117
1996-97	119	122	130
1997-98	127	131	148
1998-99	136	142	112
1999-00	149	156	119
2000-01	166	172	158
2001-02	170	178	158
2002-03	182	187	158
2003-04(E)	184	194	159

Note: Base year numbers of motorcycles/scooters, rickshaws and total vehicles on the road in thousands were 1287.3, 50.5 and 2690.4)

Source: SDPI

During July-March 2004-05, 3681 million cubic feet of natural gas was supplied per day as against 3210 million cubic feet per day during the same period last year, showing an increase of almost 14.7 percent. For the last five years, the use of coal in the power sector has been increasing. It may be due to the fact that a number of plants have not been converted to natural gas. Likewise, there has been a considerable reduction in coal usage for domestic purposes (Table 6.2).

b. Water

Per capita water availability in Pakistan has been decreasing at an alarming rate. In 1951, per capita availability was 500 cubic meters, which has now decreased to 110 cubic meter just touching water scarcity level of 100 cubic meter. The productivity of fresh water is also decreasing due to losses in the movement of the water from the canal heads to the crop lands. The existing water resources are under threat due to rapid degradation, soil erosion, deforestation and untreated discharge of municipal and industrial wastes to rivers and other water bodies. Municipal water is treated only in two cities viz. Karachi and Islamabad though the capacity of these treatment plants is much less than the actual quantity of wastewater. Over-fishing and polluted water are reducing the productivity of the marine and inshore fisheries. This situation is precarious, in particular, for mangroves in the coastal zone and certain aquatic wildlife, such as the Indus freshwater dolphin. All of these activities are contributing to the destruction of habitats and, more generally, to loss of biodiversity.

The investigation study conducted by Pakistan Council of Research in Water Resources indicates that water in many cities of Pakistan is unsafe for human consumption due to both bacterial and chemical contamination. The overall deteriorating quality of water can be attributed to a continuous drop in the water table due to high industrial and agricultural demands. It has been observed that the water table has been decreasing at a rate of 10 feet per year.

Government of Pakistan is committed to supply safe drinking water to its people and many preventive as well as preemptive measures have been proposed in forthcoming national environmental policy to ensure supply of safe drinking water. Various bilateral and multilateral donors/aid/lending agencies have shown their willingness to support government's endeavor in this regard. Plans are underway to extend the coverage of clean drinking water from 63 percent in 2001-2 to 70 percent in 2005-06 and sanitation from 40 percent to 55 percent in the same period. It is targeted to provide 93 percent of population with access to clean drinking water by 2015 and 90 percent of the population with access to sanitation.

c. Land

The productivity of soil is being lost due to water logging, salinization and sodicity. It is estimated that about 3 percent of Pakistan's irrigated lands are water logged, 14 percent are saline and the application of agricultural chemicals

Table 6.2: Index of Consumption of indigenous coal by sector (1990-91=100)

Year	Power	Brick Kilns	Domestic
1991-92	160	101	10
1992-93	190	106	6
1993-94	177	115	7
1994-95	165	99	6
1995-96	1621	107	2
1996-97	1430	105	25
1997-98	1408	93	3
1998-99	1688	101	4
1999-00	1415	93	5
2000-01	837	95	3
2001-02	773	70	5
2002-03	732	76	1
2003-04 (E)	581	76	1
E: Estimated			Source (SDPI)

(Note Base Year Consumption value was 24.6; 3/25.5; and 1785 (000, metric tonnes) for power, brick-kilns & domestic respectively).

has increased by a factor of almost 10 since 1980. Forest is being lost every year, and Balochistan's Juniper forests, unique in the world, continue to be cut beyond their capacity to regenerate.

In the urban areas, less than 60 percent of solid waste is collected. No city in Pakistan has proper waste collection and disposal system for municipal or hazardous wastes. Our Industries use about 525 types of chemicals and dyes/colour in different processing industries. Their processing generates wastes causing contamination of soil and pose potential risk to public health and damage the fertility of cropland.

Policies and Programmes

The National Conservation Strategy (NCS) represents the broad national environment policy of Pakistan, within which a National Environment Action Plan (NEAP) has also been approved. The main objectives of NEAP are to safeguard public health, promote sustainable livelihood and enhance quality of life for the people of Pakistan. It focuses on clean air, clean water, solid waste management and eco-system management. The government has also formulated a comprehensive strategy to develop provincial capacity for implementing environmental protection laws and monitoring their effectiveness. The following strategies and plans are envisaged:

National Resettlement Safeguard Policy (NRSP): The NRSP will be promulgated to minimize negative environmental and social impacts of land acquisition and rehabilitation for national projects, and displacement of native people.

National Response Strategy on Climate Change: This policy-guiding document is also nearing completion, which envisages policies and action plans to combat adverse impacts of climate change on different sectors of economy, with existing sources of technical and financial cooperation.

National Land Use Programme: Other Plans: These include Forest Sector Master Plan, National Forest Policy, Biodiversity Action Plan and Desertification Combat Action Plan, Maritime Policy is currently under preparation, which will be finalized and implemented. Integrated Coastal Zone management Plan will be formulated.

Conservation will focus on the following areas:

Energy Efficiency and renewable energy: Energy efficiency will be significantly improved by implementing an efficiency plan. Conventional sources of energy will be conserved. The proportion of renewable sources will be increased incrementally in the coming decades. Pakistan Council for Renewable Energy Technology (PCRET) would undertake a comprehensive implemental action plan for development of non-conventional technology.

Land and Water: Irrigation and water management systems need both short-term and long-term rectification to minimize water distribution losses. The overriding principle of the ongoing National Drainage Programme (NDP) is not to pollute Indus Basin System and fresh water reservoirs by discharging saline effluents. The on-farm water management (OFWM) programme will line and renovate existing 90,000 watercourses to enhance irrigation efficiency up to 70%. Efficient irrigation methods along with lining of existing canal networks will be adopted to economize water use and to control water logging and salinity.

Forests: State-owned forests will be regenerated and protected with intimate involvement of local communities in forests management. Local governments and union councils would bring in more private marginal lands under forest cover within a defined legal framework to avoid alienation of land use. State-owned wastelands may be leased out to tenants for expansion of forest cover.

Production systems and consumption patterns will be rationalized through the following measures:

Rational pricing system: The input and output prices will be rationalized to achieve minimum cost of production ensuring sustainability of agriculture sector. Agricultural and industrial pricing systems will be reformed to consider the costs of natural resources (land, water and air), for estimating the real cost of production per unit.

Environmental accounting and auditing: In industrial sector, environmental economics, accounting and auditing would be introduced which on the one hand would ensure cleaner production and standard certification e.g. ISO 14000 series, and on the other, determine actual cost of production including hidden environmental costs.

Agro-eco-zoning: The under-preparation land use plan will facilitate agro-eco-zoning of Pakistan in relation to comparative advantages of crops. Production of high water demanding and susceptible crops will be discouraged; environmentally viable crops will be promoted.

Air and water pollution will be managed in the following ways:

Fuel switching and clean fuels: Emissions of air pollutants will be gradually brought within safe limits, through promoting unleaded gasoline, low sulphur fuel oil/diesel, and gradual switching to natural gas/CNG. Consequently, health hazards and cost of air pollution will be gradually reduced. Promoting energy-efficient and clean technologies will bring emission levels well within permissible limits of 114,000 Gigagrams (Base Year 1990 level for developing countries), and greenhouse gases (GHGs).

Water quality monitoring: Environment Protection Agency (EPA) with the collaboration of strict and local governments will effectively monitor urban wastewater and industrial effluent discharge into rivers/water bodies to check water pollution.

Governance will be improved and institutions strengthened through the following set of actions:

Legislation enforcement: Strengthening of Pakistan Environmental Protection Agency (PEPA) and provincial Environment Protection Department in order to enable them to perform the mandated functions. Local governments under the new setup will be strengthened and administratively empowered to enforce legislation and monitor natural resources. Enabling institutional and legal frameworks for National Environment Quality Standards (EQS) enforcement, implementing Environment Impact Assessment (EIA) and Strategic Environment Assessment (SEA) will be established.

Environmental tribunals: Currently, two tribunals are functioning in Lahore and Karachi. During the coming three years full financial and manpower support will be extended to make them fully functional to prosecute environmental violations.

Institutional strengthening: Strengthening of institutions in public, private and NGO sectors, concerned with planning, project formulation and implementation of projects through training and capacity building programmes. The district and local governments under the new setup will be specifically focused for capacity building programmes on environment.

Awareness and education: Electronic and print media will be used for enhancing environmental awareness dissemination of government policies, plans and programmes for invoking participation of strict and local institutions in implementing them. Formal environmental education will also be promoted through building human resources capacities, and technological support of national academia.

Participation of NGOs and communities: Programmes for community mobilization for sustainable management of natural resources, through active involvement of custodian communities in planning, implementation, and monitoring and evaluation processes.

II. HOUSING SECTOR

The housing situation in Pakistan has steadily deteriorated over the past many years for a variety of reasons including ineffective policies, resulting in huge housing backlog. According to 1998 census, the total number of housing units throughout the country was 19.3 million. The housing backlog, as estimated according to the 1998 census, was 4.30 million units, which is now projected to 6.0 million units. The annual additional requirement is estimated around 570,000 housing units whereas the annual production is estimated around 300,000 housing units, resulting in a recurring shortfall of 270,000 housing units annually. It is estimated that in order to address the backlog and to meet the housing shortfall in the next 20 years the overall housing production will have to be increased to 820,000 housing units annually.

Recognizing the gravity of the situation and realizing the potentials of housing and construction as productive sector of the economy, the present Government has declared Housing and Construction as a priority industry and also formulated a pragmatic and workable National Housing Policy with a view to (a) Accelerate housing activity and contribute towards employment generation and economic development, (b) Facilitate provision of housing inputs including land, finance, building materials, institutional and legal framework, (c) Analyse the culture of poverty and the forces generating ever-increasing slums and katchi abadis including political, public, socio-economic, bureaucratic and environmental forces, (d) Promote ways and means for housing development by enhancing affordability, saving capacity, human tendencies and potential, (e) Provide safeguards against malpractices, bureaucratic in-efficiencies, institutional weaknesses and mafia assaults and (f) Particularly for the low income groups.

In the banking and finance sector the measures already implemented include: (i) Bank's exposure to housing finance has been enhanced from 5% to 10% of their net advances, (ii) The maximum per party limit has been increased from Rs.5 million to Rs.10 million, (iii) The maximum debt-equity for housing loans has been increased from 70:30 to 80:20, (iv) Banks have been allowed to deduct up to 3% of the income arising out of consumer loans for creation of reserve to off-set bad debts in this segment, (v) The maximum loan tenure for housing finance has been increased from 15 years to 20 years, (vi) Banks and DFIs are extending credit facilities for balancing, modernization and replacement (BMR) of machinery used for housing and construction industry, (vii) House Building Finance Corporation (HBFC) has introduced bridge financing and bulk financing for housing projects through escrow accounting together with appropriate safeguard and (viii) HBFC and other financial institutions have formulated packages of preferential/concessional rates with affordable system of instalments for repayment to provide affordable credit to low income groups.

In the fiscal area the measures already implemented include: (a) Tax credit on borrowing under housing loans from financial institutions has been enhanced from Rs.100,000/- or 25% of the income of the mortgagor, to Rs.500,000 or 40% of the income of the mortgagor whichever is less, (b) The limit of property income for withholding tax has been raised from Rs.100,000/- to Rs.200,000/-, (c) The rate of withholding tax on property income has been reduced from 7.5% to 5%, (d) CED on wires and cables has been withdrawn and excise duty on cement has been reduced by 25% to lessen cost of construction, (e) Stamp duties and registration fees, which were exceptionally high as compared to other countries, have been rationalized to enhance registration, improve documentation and increase revenue receipts and (f) All new construction of housing on plots, measuring up to 150 sq. yds and flats/apartments having an area of 1000 sq. ft, have been exempted from all types of taxes for the period of 5 years.

Other measures relating to strengthening of institution and legal frame work which have been implemented by the provinces include: (i) Government of Punjab has established Punjab Housing and Town Planning Agency for

effective implementation of National Housing Policy in the province. It is also creating New Town Development Department for development of intermediate and secondary towns. (ii) In Punjab amendment in the Land Acquisition Act, 1984 and Land Acquisition Rules, 1995 are under process. Process for development of a comprehensive Land Information System has been initiated in Punjab. Disposal of Land by Development Authorities (Regulation) Act 1998 has been amended to the extent of providing 3/4 marla plots by ballot instead of auction. (iii) The Provincial Governments have initiated the process for identifying and providing land to development agencies and the private sector builders and developers on concessionary rates for housing development for low-income groups and the rural population. (iv) Financial Institutions (Recovery of Finances) Ordinance has been promulgated to ensure effective recovery of loans from defaulters and (v) Government of Sindh has promulgated the Sindh Disposal of Urban Land Ordinances, 2002. In the Punjab Province, amendments in the Land Acquisition Act, 1984 and Land Acquisition Rules, 1995 are under process.

The Prime Minister has also announced "HOUSING FOR ALL" programme which includes:-

- ❖ Housing schemes for Government employees will be launched in all the districts of the country for which provincial governments and ICT will provide (100) acres of State Land immediately at affordable price.
- ❖ Housing schemes for Government employees will be developed on public private partnership basis in which banks will participate through appropriate collaboration with the private sector developers. Such partnership will be secured on competitive basis through a transparent selection process.
- ❖ Federal/Provincial/District Governments should facilitate and provide all necessary support to Banks/developers with a view to creating an enabling environment.
- ❖ Federal Government will ensure provision of trunk infrastructure at project sites from National Utilities regarding electricity, gas and telephone. If required Banks may finance extra cost of such infrastructure.
- ❖ Provincial/Federal Governments will ensure provision of trunk infrastructure for housing schemes.
- ❖ To facilitate this process Governments of Sindh, NWFP and Balochistan may emulate the housing development model recently formulated and adopted by the Government of Punjab for its employees.
- ❖ Provincial Governments should identify lands, wherever available in their jurisdiction, and make it available for promotion for Government housing sector.
- ❖ Provincial Government will rationalize the rates of Registration Fee, Stamp Duty and Property Tax to promote housing sector.
- ❖ Provincial Governments/CT Administration will ensure effective implementation of foreclosure law.
- ❖ Provincial Governments will make necessary legislation, if required, for transfer of state land at realistic/affordable rates for the Government employees housing schemes.
- ❖ Federal/Provincial Governments will submit proposals regarding grant of proprietary rights to dwellers of Katchi Abadis located on the Federal Government land for consideration and decision.

Housing Scheme for Low Paid Federal Government (F.G) Employees

The prime Minister has inaugurated (Phase-V) Housing Scheme for Low Paid F.G. Employees (BPS 1-16) on 11-4-2005 for construction of 1000 multi-storeyed flats in Sector G-11/4, Islamabad. The cost of the flats ranges from Rs.1.2 – 1.8 million. The allottee will contribute 40% cost in instalments and National Bank of Pakistan will provide the remaining 60% as loan. Flats will be handed over to the allottees in two years time. 90% apartments are earmarked for Federal Government employees of the Ministries/Divisions, Attached Departments and Sub-ordinate offices and the remaining 10% apartments for the Employees of Autonomous Bodies/Corporations and other Federal Government Organizations. Details of the scheme are given in Table 16.3.

Table: 16.3

Type	BPS	Accommodation	Area	Flats	Cost
"C"	14-16	Two bedrooms with attached bath, Drawing, TV Lounge, Kitchen.	1100 SFT	240	Rs.1,800,000
"D"	7-13	Two bedrooms, 2 baths, Living Room, Kitchen.	900 SFT	312	Rs.1,450,000
"E"	1-6	Two rooms, Living Room, one bath/w.c., Kitchen.	700 SFT	448	Rs.1,200,000

Pakistan Housing Authority (PHA)

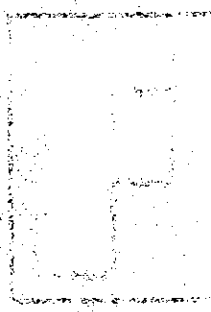
Pakistan Housing Authority is presently constructing 4,476 apartments for the low-income groups. The construction work re-commenced in November 2000 and the Housing Programme was formally put up for sale on January 29, 2001. Presently the sale status is 78.7% excluding remaining apartments committed to Pakistan Railways, Government of Sindh and NWFP. The project is scheduled to be completed in the year 2004-05.

National Construction (Pvt) Ltd (NCL)

During the period from July 2004 to March 2005, work done by NCL amounted to Rs.220 million. Projects with a total contract value of Rs.527.128 million have been acquired for completion within the next 24 months. Total value of contract works in hand stands at Rs.1531 million, out of which 37% work has already been completed. The remaining work will be completed within next 6-12 months.

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CONTINGENT LIABILITIES

Anexue-1

Contingent liabilities are costs which the government will have to pay if a particular event occurs. These are obligations triggered by a discrete but uncertain event. Relative to government policies, the probability of a contingency occurring and the magnitude of the required public outlays are exogenous (such as natural disasters) or endogenous (such as implications of market institutions and government programs for moral hazard in the markets). Contingent liabilities are therefore not recognized as direct liabilities. However, contingent government liabilities are associated with major hidden fiscal risks. A common example of a contingent liability is a government-guaranteed loan. At the time a guarantee is entered into there is no liability for the government, since it is contingent upon the borrower failing to repay the loan as contracted. However, in the event of default the lender can invoke the guarantee and the government will be obliged to repay the amount of the loan still outstanding. At that point the contingent liability will become an actual liability of the government, and a payment must be made. These liabilities support specific policy objectives by creating financial incentives, without an immediate financial outlay. However, when these contractual guarantees or non-contractual commitments are realized, the government faces significant fiscal costs at the expense of other outlays. Thus an analysis of the country's fiscal position is incomplete if it skips over obligations made by the government outside the budget.

The following framework highlights the two types of contingent liabilities. Contingent liabilities grow with weaknesses in the financial sector, macroeconomic policies, regulatory and supervisory system, and formatin disclosure.

Explicit Contingent Liabilities: These are specific government obligations defined by a contract or law. The government is legally mandated to settle such an obligation when it becomes due.	• Guarantees for borrowing and obligations of provincial governments and public or private entities. • Umbrella guarantees for various loans (SME loans, agriculture loans) • Guarantees for trade & exchange rate risks • Guarantees for private investment • State insurance schemes
Implicit Contingent Liabilities: These represent a moral obligation or expected burden for the government not in the legal sense, but based on public expectations and political pressures.	• Defaults of provincial government and public or private entities on non-guaranteed debt and other obligations. • Liability clean-up in entities being privatized • Bank failures • Disaster and relief financing. • Failure on other non-guaranteed loans.

Explicit Contingent Liabilities:

Explicit contingent liabilities legally oblige the government to make a payment if a specific event occurs. Because their fiscal cost is invisible until they are triggered, contingent explicit liabilities represent a hidden subsidy, blur fiscal analysis, and can drain future government finances. Nevertheless, government guarantees and financing through government guaranteed institutions are more politically attractive than budget support even if they are more expensive later. The budgetary cost of these legal obligations during FY 2002-03 amounted to Rs.15.79 billion, in FY 2003-04 Rs.13.18 billion and are estimated at Rs. 15.02 billion during FY 2004-05. These comprise payments made on account of contractual guarantees issued on Ghee Corporation of Pakistan (GCP), Rice Export Corporation of Pakistan (RECP), Trading Corporation of Pakistan (TCP), Cotton Export Corporation (CEC) and Saindak bonds; Pakistan Steel Mills Corporation's liability payments contractually assumed by the Government; and payments to Fouji Fertilizer Company Bin Qasim on account of 1989 Investment Policy pertaining to the fertilizer industry. Key organizations with explicit and implicit guarantee structures have been discussed below. The following table analyse the trend.

PIA: During FY 2004-05, an amount of Rs1.43billion was paid out as an interest (equity) to the restructured loans and Term Finance Certificates to PIA. GOP has guaranteed interest payments (restructured loans and TFCs) for five years starting in FY 2001-02.

Railways: During FY 2004-05, an amount of Rs.3.24 billion has been paid on account of debt servicing liability (Government guaranteed loans).

Table-1 : Explicit Liabilities (Cash outflow streams from federal budget) Rs. In billion				
Enterprise		2002-03	2003-04	2004-05
1.	GCP, RECP, TCP & CEC (GOP's guaranteed)	5.20	4.70	3.76
2.	Saindak Metal Limited (GOP's guaranteed)	2.30	1.68	1.50
3.	GOP Bonds for Saindak Metal Limited (SML) liability	-	-	2.16
4.	GOP's Bond for the HEC, POB; and the USC's liability	-	-	0.15
5.	Pakistan Steel Mills (GOP's guaranteed)	0.80	0.35	0.25
6.	Re-payment of Bank's loans of the USC	-	0.30	-
7.	PIA (Interest on GOP's guaranteed TFCs and loans)	1.70	1.44	1.43
8.	FFC Jordan (GOP guaranteed)	0.70	1.05	1.02
9.	SOPREST/GIK guaranteed)	-	0.08	0.13
10.	Pakistan Engineering Company (GOP's guaranteed)	0.19	0.18	0.16
11.	Peoples Steel Mills (GOP's guaranteed)	0.31	0.05	0.02
12.	Pakistan Railways (GOP's guaranteed debt Servicing)	4.59	3.25	3.24
13.	National Construction Ltd.	-	0.10	-
14.	CEC/TCP liability	-	-	0.58
15.	Repayment of loans against HEC's liabilities	-	-	0.62
Total:		15.79	13.18	15.02

Source: Ministry of Finance. Figures for FY 2004-05 are budget estimates.

In consonance with the Macroeconomic and the Medium Term Budgetary Framework adopted by the Government and containing risk exposure, a policy of limiting guarantees and the risk analysis of contingent liabilities has been institutionalized. During FY 2004-05, the Government has issued guarantees equivalent to Rs.15.02 billion which is up by 14 percent on account of GOP Bond for Saindak Metal Limited amounting to RS 2.16 billion. Additionally, the Government's Fiscal Responsibility Law, pending in the Senate, but already passed by the National Assembly, proposes specific limits on contractually binding guarantees (i.e. explicit contingent liabilities) including those in rupee

lending, bonds, res of return, outpt purchase agreements and other claims that may threaten the future fiscal stance of the Government.

Implicit Contingent Liabilities:

Implicit contingent liabilities are not officially recognized until failure occurs. The triggering event, the amount at risk, and the required government outlay are uncertain. In most countries the financial system is the most serious contingent implicit government liability.

Markets expect government support far beyond its legal obligation financial stability is at risk. These include the government's quasi-fiscal activities including mainly the bail-outs of strategically important State owned Enterprises and the non-performing loans of the banking sector. Through robust financial sector reforms, prudent monetary management and the strengthening of the State Bank of Pakistan's regulatory role, the non-performing loans of the banking sector stand at Rs203.72 billions of March 2005. These were Rs 220.03 billion as on June 30, 2004.

It can be inferred from the Table 2 that the Water and Power Development Authority (WAPDA), the Karachi Electric Supply Corporation (KESC), Pakistan Railways and Pakistan International Airlines (PIA's jet renewal) have been the largest

Table-2: Impact of implicit contingent liabilities on the federal budget Rs. in billion)

Enterprise	2002-3	2003-04	2004-05
WAPDA's Subsidy	28.1	3.6	26.56
WAPDA's non-recovery of loans	21.1	1.0	21.61
WAPDA's new loans	3.5	.6	3.60
KESC's Equity (An injection of fresh equity)	6.1	-	9.20
KESC's subsidy against an adjustment of additional surcharge against GST	1.7	.5	2.20
KESC's Loans	9.2	-	-
KESC's subsidy (Cash shortfall)	-	.6	6.48
Utility stores Corporation	0.1	20	0.04
Subsidy to commodity operations	3.6	68	1.90
Pakistan Railways (Other operational shortfalls)	3.1	.01	3.95
Equity in Government Holdings Private Ltd.	4.1	-	-
PIA (Fleet Renewal)	1.1	3.5	3.56
GOP's Equity in Pakistan Textile City Ltd.	-	-	0.25
Subsidy to KS & EW	-	-	0.20
Total	83.1	2.69	79.55

Source: Ministry of Finance. Figures for '2004-05' are budget estimates.

drain on the budget. Financial Improvement Plans of the two power utilities are currently under implementation to curtail these outflows. The privatization of KESC and the successful corporatization of WAPDA will eventually plug these financial leakages.

Table-3 : Guarantees Issued (Explicit and Implicit Liabilities)

Fiscal Year	Rs in billion	As % of GDP
2002-03	103.52	2.3%
2003-04	75.93	1.3%
2004-05(P)	94.57	1.4%

P=Provisional

.....

[illegible]

It is essential to distinguish between those provisions of the tax code that represent tax expenditures and those that are part of the "basic structure" of a given tax. The basic structure is the set of rules that defines the tax; tax expenditure is an exception to those rules. In general, most taxes have a series of features that define their basic structure. These features are a basis on which the tax is levied, such as net income or a particular class of transactions; a taxable unit, such as a person or a corporation; a rate, to be applied to the base; a definition of the geographic limits of the state's exercise of its tax jurisdiction; and provisions for the administration of the tax.

Income Tax

- i) Exemption related to pensions, provident funds and superannuation funds;
- ii) Exemption of interest on borrowings from external sources;
- iii) Exemption to non-profit charitable, religious and welfare activities;

- iv) Exemption to non-profit educational institutions;
- v) Exemption relating to electric power generation; and
- vi) Un-expired period to tax holidays for industrial undertaking.

The total number of exemptions under the aforesaid categories contained in Part-I of Second Schedule to the Ordinance, 2001 is 100. The cost of these exemptions amounts to about Rs.4.6 billion. It may be noted that exemption expenditure mainly relates to allowances, capital gains, pensions, provident fund and superannuation fund. Furthermore, exemptions related to charitable activities and non-profit educational institutes are common in both developed and developing countries. The position with regard to the basic threshold of income for charging taxes is similar.

The following is the estimated cost of exemptions in fiscal year, 2004-05 as compared to fiscal year 2003-04:-

Sales Tax

Key exemptions of Sales Tax are food items (wheat, grain, pulses, and edible oils excluding palm oil and soyabean oil). In addition to food items, exemptions also include phosphatic fertilizer, information technology equipment, and pharmaceutical products. As per international practices, the bulk of such items cannot be taxed. The cost of Sales Tax exemptions is estimated to be Rs.7.85 billion for the fiscal year 2004-05, against Rs.9.25 billion last year.

The Following are the main exemptions in Sales Tax allowable in fiscal year 2002-03 compared to fiscal year 2001-02 [Table 2]

Central Excise

Tax expenditure involved on account of Central Excise is minimal when compared with other taxes being administered by the CBR. The cost of Central Excise exemptions for the fiscal year 2003-2004 is around Rs.19.5 million. This exemption was granted to Aga Khan Development Network for Aga Khan Hospital and Medical College, Karachi on purchase of cement for the construction of Oncology and Laboratory Building.

Table 1: Income Tax Expenditure (Rs. in billion)

No.	Major Income Tax Expenditure Items	Estimated Revenue Loss	
		2003-04	2004-05
1.	Pensions	0.70	0.70
2.	Allowances	1.10	1.10
3.	Income from funds (e.g. NIT units)	0.60	0.60
4.	NSS interest income	2.00	0.50
5.	Other interest income	0.10	0.05
6.	Capital gains	0.95	0.95
7.	Sector and enterprise specific exemptions	0.70	0.70
TOTAL:		6.15	4.60

Table 2: Sales Tax Expenditure (Rs. in billion)

No.	Major Income Tax Expenditure Items	Estimated Revenue Loss	
		2003-04	2004-05
1.	Retailers (including those in turnover scheme)	0.20	0.0
2.	Turnover Manufacturers.	0.35	0.0
3.	Domestically produced edible oils.	0.85	0.0
4.	Pharmaceutical (excluding life saving drugs)	4.60	4.60
5.	Tractors and other agriculture machinery.	1.75	1.75
6.	Fertilizers.	0.69	0.69
7.	Pesticides.	0.50	0.50
8.	Others (e.g. agri seeds, cattle feed.	0.10	0.10
9.	Exemption on supply of locally manufactured machinery to petroleum sector.	0.21	0.21
TOTAL:		9.25	7.85

Customs

Customs exemptions are mainly given on raw materials and components; plant, machinery and equipment imported by high-tech, priority and value added industries; imports for energy sector projects and exemptions to exploration and production companies. Some of these exemptions are due to international contractual obligation.

The following is the break-up of main exemptions in customs duties allowable in fiscal year 2004-05 compared to fiscal year 2003-04 [Table 3].

Table 3: Exemptions in Customs Duties (Rs. in Million)

Sr #	SFO No. & Date	Description	Estimated Revenue Loss	
			2003-04	2004-05
1.	438(I)/2001 dated 18.6.2001	Exemption of customs duty on machinery and equipment and construction materials.	60	151
2.	439(I)/2001 dated 18.6.2001 Superseded by 455(I)/2004, dated 12-06-2004	Concession of customs duty for import of plant, machinery and equipment by the manufacturing industry, tourism related projects, hotels and relocated industrial plants.	74	193
3.	357(I)/2001 dated 15.6.2002 Superseded by 456(I)/2004, dated 12.6.2004	Conditional concession of customs duty on import of raw materials and components etc for manufacture of certain goods (Survey based)	31	98
4.	358(I)/2001 dated 15-6-2001 Superseded by 457(I)/2004, dated 12.6.2004	General and conditional concessions of customs duty (non survey)	3,013	7,29
5.	558(I)/2001, dated 12.6.2001	Concession of customs duty on goods imported from SAARC and ECO countries.	3	22
6.	678(I)/2001, dated 12.6.2001	Concession of customs duty and sales tax to Exploration and Production E&P companies on import of machinery.	16	109
7.	46(I)/2001 dated 11.01.2001	Duty Free Import of Sugar	-	59
Total			4,397	1384

Following is the consolidated summary of tax expenditures showing percentage increase/decrease in the fiscal year 2004-05 compared to FY 2003-04 [Table-4]

Table 4: Summary of Tax Expenditures (Rs. in billion)

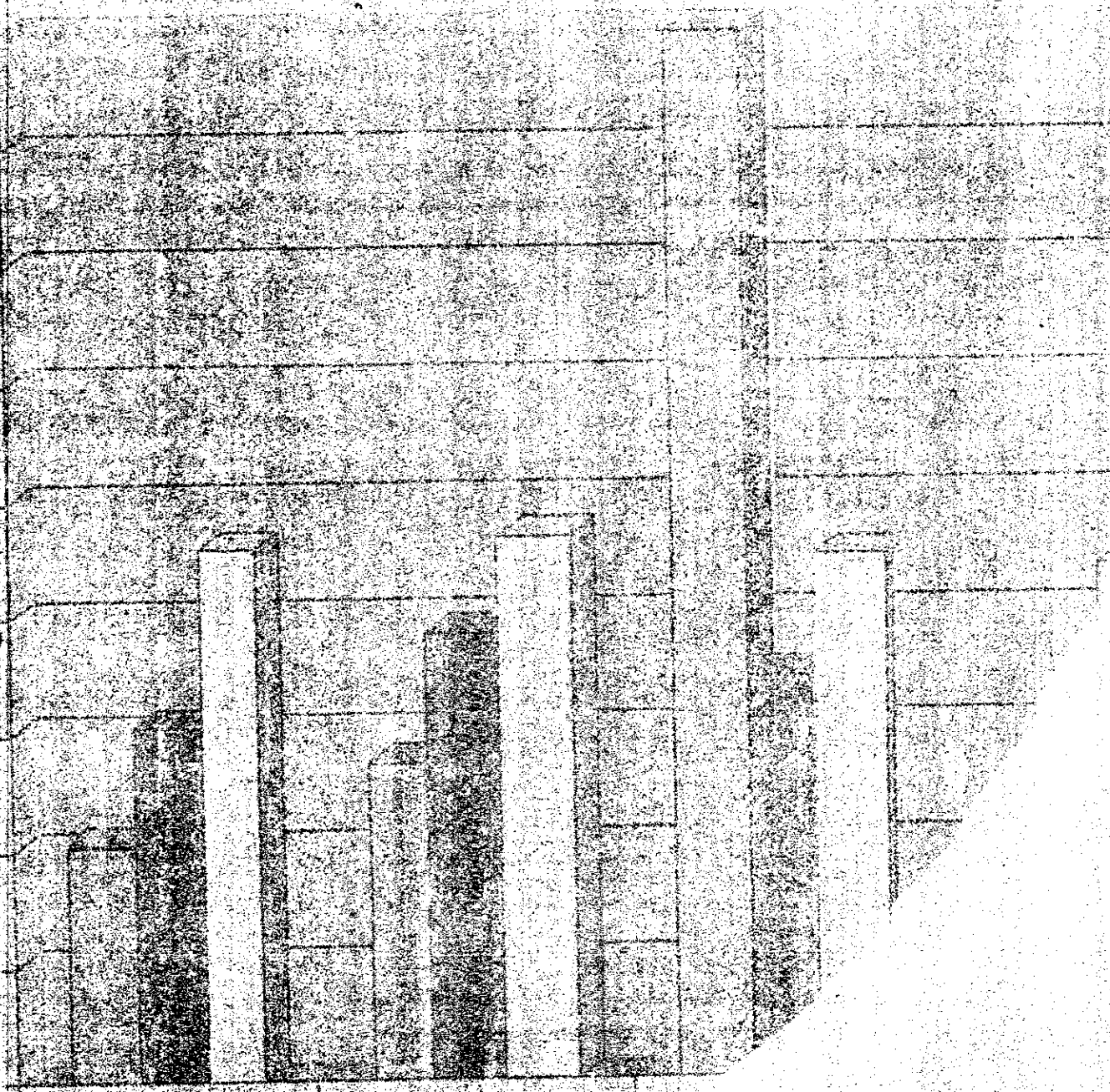
Type of Tax	Cost of Exemptions		% Change
	2003-04	2004-05	
1. Income Tax	3.150	4.600	-2.2
2. Sales Tax	9.250	7.850	-1.1
3. Customs Duties	4.400	2.38	11.4
4. Central Excise	0.002	1.021	90.0
Total	19.802	14.851	2.5

A summary of the projected major tax expenditure items for the fiscal year 2004-05 is as under [Table 5]

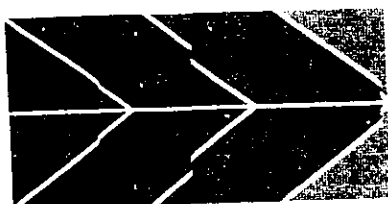
Table 5: Summary of Major Tax Expenditures for 2004-05 (Rs. in billion)	
Major Tax expenditure items	Estimated Revenue Loss 2004-05
1. General Conditional exemption	7.429
2. Pharmaceutical (excluding life saving drugs)	4.60
3. Import of Machinery, equipment materials etc.	1.976
4. Tractors and other agriculture machinery	1.75
5. Allowances	1.10
6. Capital Gains	0.95
7. Pensions	0.70
8. Sector and Enterprise Specific Exemptions	0.70
9. Fertilizers	0.69
Total	19.895

.....

100
90
80
70
60
50
40
30
20
10
0



1st Qtr 2nd Qtr



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Economic and Social Indicator



ECONOMIC AND

Indicators	1960's Average (Annual)	1970's	1980's	1990's	1980-81	1984-85	1988-89	1990-91	1991-92
GROWTH RATE (%) (Constant fc)									
GDP	6.8	4.8	6.5	4.6	6.4	8.7	4.8	5.6	7.7
- Agriculture	5.1	2.4	5.4	4.4	3.7	10.9	6.9	5.0	9.5
- Manufacturing	9.9	5.5	8.2	4.8	10.6	8.1	4.0	6.3	8.1
- Commodity Producing Sector	6.8	3.9	6.5	4.6	6.3	9.5	5.8	5.9	8.6
- Services Sector	6.7	6.3	6.7	4.6	6.6	8.2	3.8	5.2	6.8
GROWTH RATES (%) (Current MP)									
Total Investment		21.8	4.2	12.5	9.8	12.8	19.7	19.4	26.2
- Fixed Investment	14.8	20.5	3.7	12.4	4.8	12.6	19.7	20.0	26.9
- Public Investment	14.0	25.3	2.6	11.5	-1.2	11.4	16.0	20.9	23.2
- Private Investment	20.9	17.0	5.1	13.7	13.1	14.1	23.9	19.2	30.3
As % of Total Investment									
- National Savings		67.5	22.6	74.3	80.6	70.6	74.5	74.8	84.7
- Foreign Savings		32.5	7.4	25.7	19.4	29.4	25.5	25.2	15.3
As % of GDP (Current MP)									
Total Investment		17.1	18.7	18.3	18.8	18.3	18.9	19.0	20.1
- Fixed Investment		15.9	17.0	16.6	17.2	16.5	17.3	17.4	18.5
- Public Investment		10.3	9.2	7.5	9.4	8.9	9.0	8.5	8.7
- Private Investment		5.6	7.8	9.1	7.8	7.6	8.3	8.5	9.8
National Savings		11.2	14.8	13.8	15.1	12.9	14.1	14.2	17.0
Foreign Savings		5.8	3.9	4.5	3.6	5.4	4.8	4.8	3.1
Domestic Savings		7.4	7.7	14.0	7.0	4.8	10.4	9.9	11.8
			2.3	10.4	10.4	4.5	8.6	13.1	10.1
GDP DEFLATOR (GROWTH %)									
CONSUMER PRICE INDEX (CPI)									
(Growth %)	3.2	12.5	7.2	9.7	13.9	5.7	10.4	12.7	10.6
FISCAL POLICY									
As % of GDP (MP)									
Total Revenue	13.1	16.8	17.3	17.1	16.9	16.4	18.1	16.9	19.2
- Tax Revenue	-	-	13.8	13.4	14.0	11.9	14.3	12.7	13.7
- Non-Tax Revenue	-	-	3.5	3.7	2.9	4.5	3.7	4.2	5.5
Total Expenditure	11.6	21.5	24.9	24.1	22.9	24.7	26.1	25.7	26.7
- Current Expenditure	-	-	17.6	19.4	13.6	17.7	19.9	19.3	19.1
Defence	-	-	6.5	5.6	5.5	6.7	6.6	6.4	6.3
Interest Payment	-	-	3.8	6.8	2.1	3.5	5.0	4.9	5.2
General Admn	-	-	1.3	1.9	1.0	1.4	1.3	1.3	1.5
- Development Expenditure#	-	-	7.3	4.7	9.3	7.0	6.3	6.4	7.6
Overall Deficit	2.1	5.3	7.1	6.9	5.3	7.8	7.4	8.8	7.5
MONEY & CREDIT (Growth Rates %)									
- Monetary Assets (M2)	16.3	21.0	13.2	21.7	13.2	12.6	7.8	17.4	26.2
- Domestic Assets	15.0	20.5	15.4	17.3	16.5	25.0	9.7	16.8	22.6
STOCK EXCHANGE MARKET									
(Growth rates)									
- General Index for Share Prices	-	-	0.1	12.37	-1.0	-3.3	4.9	42.6	88.5
- Aggregate Market Capitalization	-	-	2.5	37.54	-1.9	11.7	15.2	40.7	219.1

P: Provisional

M.B.E. Modified Budget Estimates.

*: Also include Federal Law & Order, Social, Economic and Community Services.

: From 1998-99 onward also include net lending to PSEs.

SOCIAL INDICATORS

1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	20012	20023	200-04	200-05
(P)												
2.1	4.4	5.1	6.0	1.7	3.5	42	3.9	1.8	.1	1.1	6.4	3.4
-5.3	5.2	6.6	11.1	0.1	4.5	19	6.1	-1.2	.1	1.1	2.2	7.6
4.4	4.5	2.5	3.1	-0.1	6.9	41	1.5	1.3	.5	1.9	4.1	2.5
0.1	4.8	5.7	8.1	0.4	5.3	34	3.0	1.5	.3	1.9	6.9	3.9
4.6	4.2	4.8	5.1	3.6	1.6	50	4.8	1.1	.8	1.3	6.0	7.9
13.8	10.0	13.4	16.1	8.0	9.0	-36	10.2	1.6	.2	1.7	7.4	5.0
13.9	9.4	13.3	16.1	7.7	1.5	16	10.5	1.5	.2	1.2	7.4	5.6
14.5	7.1	18.8	13.1	-5.3	-14.9	258	5.5	1.1	-2	1.0	9.6	7.1
13.4	11.6	8.5	18.1	19.6	13.3	-114	14.3	1.2	.3	1.8	9.6	9.3
65.5	80.6	77.9	61.1	65.7	82.7	752	91.0	91.8	1.7	13.1	18.0	2.9
34.5	19.4	22.1	38.1	34.3	17.3	248	9.0	1.2	-7	3.1	8.0	7.1
20.7	19.4	18.4	18.1	17.7	17.3	156	17.4	11.2	.8	3.9	7.3	6.8
19.1	17.9	16.9	17.1	16.2	14.7	139	16.0	11.8	1.5	5.3	5.6	5.3
9.1	8.1	8.2	8.1	6.8	5.2	61	5.6	1.7	.2	4.0	4.8	4.4
10.1	9.1	8.7	9.1	9.4	9.6	79	10.4	11.2	.3	1.3	10.8	0.9
13.6	15.1	14.3	11.1	11.6	14.3	11.7	15.8	11.5	1.6	0.8	18.7	5.6
7.1	3.1	4.1	7.1	6.1	3.0	1.9	1.6	1.7	.9	3.8	1.4	1.2
12.8	15.1	13.6	12.1	12.8	15.7	11.9	17.1	11.8	1.1	7.6	16.4	3.7
8.9	12.1	13.8	8.1	14.6	6.6	1.9	2.8	1.8	1.5	4.4	7.8	0.0
9.8	11.1	13.0	10.1	11.8	7.8	1.7	3.6	1.4	1.5	3.1	4.6	9.3
18.1	17.1	17.3	17.1	15.8	16.0	159	13.5	11.3	.2	1.9	14.3	3.0
13.4	13.1	13.8	14.1	13.4	13.2	132	10.7	11.6	.9	1.5	11.0	10.1
4.7	4.1	3.5	3.1	2.4	2.8	26	2.8	1.7	.3	1.4	3.3	2.9
26.2	23.1	22.9	24.1	22.3	23.7	220	18.7	11.2	.8	3.6	17.3	16.0
20.5	18.1	18.5	20.1	18.8	19.8	116	16.5	11.5	.9	1.4	14.0	13.2
6.6	5.1	5.6	5.1	5.2	5.1	49	4.0	1.2	.4	1.3	3.3	3.0
5.9	5.1	5.2	6.1	6.6	7.6	13	6.7	1.6	.6	1.3	3.5	3.3
1.5	1.1	1.8	2.1	1.9	2.3	13	2.4	1.4	.1	2.1	2.2	1.9
5.7	4.1	4.4	4.1	3.5	3.9	13	2.5	1.2	.9	2.7	2.9	2.9
8.1	5.1	5.6	6.1	6.4	7.7	61	5.4	1.3	.3	3.7	3.0	3.0
17.1	18.1	17.2	18.1	12.2	14.5	11.2	9.4	11.0	1.4	8.0	19.6	13.1
23.1	11.1	13.1	18.1	15.3	15.0	11.5	9.0	11.7	1.2	0.5	23.7	14.4
-14.2	79.1	-35.6	-8.1	-15.9	-30.5	1.8	22.4	5.3	.9	1.2	53.2	22.8
-1.1	88.1	-27.5	26.1	28.5	-44.7	11.4	36.9	-3.4	1.2	3.1	81.9	55.8

ECONOMIC AND

Indicators	Average (Annual)									
	1960's	1970's	1980's	1990's	1980-81	1984-85	1989-90	1990-91	1991-92	
BALANCE OF PAYMENTS (Growth rates %)										
- Exports (fob)	-	13.5	8.5	5.6	19.6	-7.9	6.3	19.8	14.6	
- Imports (fob)	-	16.6	4.5	3.2	14.5	0.3	2.8	13.1	7.3	
- Trade Deficit	-	20.5	0.9	-0.6	9.9	6.9	-3.4	-0.1	-9.9	
- Private Transfers (net)	-	-	2.3	5.9	18.3	-11.7	5.2	-4.9	48.1	
- Workers Remittances	-	-	1.9	-5.3	21.3	-10.6	2.4	-4.8	-20.6	
- Current Account Deficit	-	-	21.2	12.2	-9.0	68.5	-2.2	14.8	-38.0	
As % of GDP (MP)	-	-	9.8	13.0	10.0	7.9	12.4	13.0	13.9	
- Exports(fob)	-	-	18.7	17.4	19.8	19.3	18.6	18.5	18.6	
- Imports(fob)	-	-	8.9	4.4	9.8	11.4	6.2	5.5	4.6	
- Trade Deficit	-	-	3.9	4.5	3.7	5.4	4.7	4.8	2.8	
- Current Account Deficit	-	-	-	-	-	-	-	-	-	
COMMODITY SECTORS										
Agriculture										
Total Cropped Area	Mln. Hect	-	-	20.3	22.4	19.3	19.9	21.5	21.8	21.7
Wheat Production	Mln. Ton	-	-	12.5	17.0	11.5	11.7	14.3	14.6	15.7
Rice	"	-	-	3.3	3.9	3.1	3.3	3.2	3.3	3.2
Sugarcane	"	-	-	33.1	44.6	32.4	32.1	35.5	36.0	38.9
Cotton	Mln.Bales	-	-	6.31	9.7	4.2	5.9	8.6	9.6	12.8
Fertilizer Offtake	Mln.N/Ton	-	-	1.4	2.3	1.1	1.3	1.9	1.9	1.9
Credit Disbursed	Bln. Rs	-	-	11.2	23.8	4.0	10.3	13.8	14.9	14.5
Manufacturing										
Cotton Yarn	Mln. Kg.	5.6	3.4	10.0	2,150	375	432	912	1,041	1,171
Cotton Cloth	Mln.Sq.M	3.1	(5.2)	(1.1)	558	308	272	295	293	308
Fertilizer	Mln. Ton	27.5	13.2	10.7	5.6	1.6	2.7	3.0	3.0	2.8
Sugar	"	34.3	2.2	14.4	4.1	0.9	1.3	1.9	1.9	2.3
Cement	"	10.7	2.5	8.6	13.1	3.5	4.7	7.5	7.8	8.3
Soda Ash	000 Tonn	12.0	2.6	6.7	310.3	96.0	122.0	150.0	147.0	186.0
Caustic Soda	000 Tonn	24.4	5.0	6.6	165.3	39.0	46.0	74.0	79.0	82.0
Cigarettes	Bln.Nos.	10.7	4.9	(0.4)	62.0	36.0	39.0	32.0	30.0	30.0
Jute Goods	000 Tonn	-	3.4	9.5	123.2	50.0	78.0	96.0	97.0	101.0
INFRASTRUCTURE										
Energy										
Crude Oil Extraction	Mln. Barr.	-	2.8	10.9	31.0	3.6	9.5	19.5	23.5	22.5
Gas (supply)	Bln.CF	-	165.4	385.2	1,034.0	299.8	361.9	498.1	518.5	550.7
Electricity (Installed Capacity)	000 MW	-	1.3	3.1	12.9	4.1	5.6	7.4	8.7	9.4
Transport & Communications										
Roads	000 Km	70.5	74.1	123.8	320.7	94.0	118.5	162.4	170.8	182.7
Motor Vehicles on Road	Mln.Nos.	-	0.4	1.4	5.2	0.8	1.3	2.0	2.1	2.5
Post Offices	000 Nos.	7.1	9.0	11.8	18.8	11.2	11.9	12.2	13.4	13.4
Telephones	Mln.Nos.	0.1	0.2	0.6	3.6	0.4	0.6	0.9	1.2	1.5
Mobile Phones	Mln.Nos.	-	-	-	-	-	-	-	-	-
Not available										

SOCIAL INDICATORS

1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04 (July-March)	2004-05
0.3	-1.4	16.1	1	-2.6	4.2	-10.7	8.8	9.	3	9.1	13.8	5.2
11.7	-13.6	18.6	1.7	-6.4	-8.4	-6.7	-0.1	6.	-5	3.1	20.1	2.1
46.1	-38.8	26.9	4.0	-15.1	-40.6	11.7	-32.3	-10.	-78	1.0	73.0	43.7
-25.3	2.7	2.0	-4	24.4	8.5	-29.2	34.7	27.	0	5.0	6.5	2.6
6.5	-7.5	29.1	-2.7	-3.5	5.7	-28.8	-7.2	10.	118	7.3	-8.6	3.7
174.0	-46.7	26.4	8.2	-15.9	-50.1	26.4	-52.9	-55.	368	16.5	-58.5	-10.7
13.2	12.	12.8	3.2	13.0	13.6	12.8	11.2	12.	17	3.2	12.9	
19.6	16.	17.0	9.0	18.0	16.6	16.4	13.1	14	12	3.7	14.2	
6.4	3.	4.2	5.9	5.0	3.0	3.5	1.9	1	4	0.5	1.3	
7.2	3.	4.1	7.2	6.2	3.1	4.1	1.6	0	+9	3.8	+1.4	
22.4	21.5	22.1	2.6	22.7	23.0	23.1	22.7	22.	21	1.8	22.9	2.5
16.2	15.	17.0	3.9	16.7	18.7	17.9	21.1	19.	12	3.2	19.5	1.
3.1	4.	3.4	4.0	4.3	4.3	4.7	5.2	4.	3	1.5	4.8	5
38.1	44.	47.2	5.2	42.0	53.1	55.2	46.3	43.	40	2.1	53.4	5.
9.1	8.	8.7	0.6	9.4	9.2	8.8	11.2	10.	16	0.2	10.0	4.
2.1	2.	2.2	2.5	2.4	2.7	2.6	2.8	2.	3	3.0	3.2	2.
16.2	15.	22.4	9.2	19.5	33.4	42.8	39.7	44.	54	8.9	73.6	3.
1,219	1,31	1,403	1195	1,521	1,533	1,540	1,672	1,72	1,89	1,115	1929	1,0.
325	31	322	327	334	340	385	435	4	38	582	683	63
3.2	3	3.8	4.2	4.0	3.9	4.2	4.4	3.	8	5.3	5.6	4
2.4	2	3.0	2.5	2.4	3.6	3.5	2.4	2	2	3.7	4.0	2.
8.6	8	8.5	9.5	9.5	9.4	9.6	9.3	9	9	0.8	12.8	0.
186.0	187	185.0	14.0	247.0	239.3	239.4	248.9	218	212	20.3	286.5	13.
81.0	89	92.7	19.0	118.2	115.7	120.4	141.3	145	153	14.4	187.5	12.
30.0	36	30.7	15.5	46.1	48.2	51.6	47.0	58	51	9.4	55.3	14.
98.0	76	67.3	10.6	68.7	92.0	85.5	85.5	89	87	5.5	103.9	18.
21.9	20	19.9	11.1	21.3	20.5	19.7	20.4	21	1.2	23.5	22.6	18
583.5	624	628.2	66.6	697.6	699.7	744.9	818.1	851	91.8	92.6	202.7	103
10.6	13	12.1	13.0	14.7	15.6	15.6	17.4	15	1.7	17.8	19.2	19
189.3	198	207.7	18.3	229.6	240.9	247.5	248.1	251	25.7	22.2	256.0	150
2.7	8	3.0	3.3	3.5	3.7	4.0	4.1	5	1	5.3	5.7	1
13.2	13	13.3	13.4	13.4	13.2	12.8	12.1	12	1.3	2.3	12.3	11
1.3	1.8	2.1	2.4	2.6	2.8	2.9	3.	3	1.7	4.0	4.5	1
-	-	-	-	-	-	-	-	7	1.7	2.4	5.0	11

ECONOMIC AND

Indicators		Average (Annual)									
		1960's	1970's	1980's	1990's	1980-81	1984-85	1988-89	1989-90	1990-91	1991-92
HUMAN RESOURCES											
Population(End June)											
Population	Million	-	-	96.32	122.49	84.87	94.93	105.35	108.04	110.79	113.61
Labour Force	Million	-	-	11.59	34.49	26.33	28.06	30.37	31.15	31.53	31.94
Employed Labour Force	Million	-	-	11.20	32.54	25.40	27.02	29.42	30.18	29.57	30.07
Un-employed Labour Force	Million	-	-	0.39	1.95	0.93	1.04	0.95	0.97	1.96	1.87
Un-employment Rate	% per annum	-	-	1.35	5.65	3.55	3.72	3.13	3.13	6.22	5.85
Crude Birth Rate	Per 1000 Persons	-	-	-	-	-	43.30	40.50	-	-	-
Crude Death Rate	Per 1000 Persons	-	-	-	-	-	11.80	10.80	-	-	-
Infant Mortality Rate	Per 1000 Persons	-	-	-	-	-	126.70	107.70	107.70	107.70	108.00
SOCIAL DEVELOPMENT											
Education											
Primary Schools	000 Nos.	-	-	34.7	137.7	59.2	73.8	103.7	110.5	114.1	112.4
Male	"	-	-	25.0	96.0	40.6	52.3	76.2	80.5	84.0	80.8
Female	"	-	-	9.8	41.8	18.6	21.5	27.4	30.0	31.1	31.6
Middle Schools	"	-	-	2.7	13.1	5.3	6.1	7.8	8.1	8.8	9.0
Male	"	-	-	1.8	7.6	3.9	4.3	4.9	5.0	5.4	5.5
Female	"	-	-	0.9	5.5	1.4	1.8	2.9	3.1	3.4	3.5
High Schools	"	-	-	2.2	9.6	3.5	4.6	6.6	7.2	8.2	8.4
Male	"	-	-	1.6	6.6	2.5	3.3	4.8	5.3	6.2	6.3
Female	"	-	-	0.6	3.0	1.0	1.3	1.8	1.9	2.0	2.1
Secondary/Vocational Institutions	Nos.	-	-	245	578	231	290	999	929	725	608
Male	"	-	-	138	316	143	186	544	510	380	297
Female	"	-	-	107	257	88	104	455	419	345	311
Expenditure as % of GNP	Percent	-	-	0.8	2.3	1.4	1.8	2.4	2.2	2.1	2.2
Literacy Rate	Percent	-	-	29.5	39.8	26.2	28.8	32.7	33.8	34.9	36.0
Male	"	-	-	39.0	50.6	35.0	38.1	42.6	43.9	45.1	46.4
Female	"	-	-	18.7	27.8	16.0	18.1	21.5	22.4	23.3	24.3
Health											
Registered Doctors	(000 Nos.)	2.0	6.3	28.1	68.9	10.8	25.6	42.9	47.3	51.9	55.6
Registered Nurses	"	-	2.9	9.9	24.1	5.3	8.3	14.0	15.9	16.9	18.2
Registered Dentists	"	0.2	0.7	1.4	2.8	0.9	1.3	1.8	1.9	2.1	2.2
Hospitals	Numbers	380	521	651.0	823.0	602	633	710	719	756	776
Dispensaries	(000 Nos.)	1.7	2.8	3.5	4.3	3.5	3.4	3.6	3.7	3.8	3.9
Rural Health Centres	"	-	0.1	0.3	0.5	0.2	0.3	0.4	0.4	0.5	0.5
TB Centres	Numbers	-	90	122.0	245.0	98	96	211	211	220	219
Beds in Hospitals and Dispensaries	000 Nos.	25.5	38.4	55.6	83.8	47.4	53.6	64.5	66.4	73.0	75.8
Expenditure on Health as % of GNP		-	0.6	0.8	0.7	0.6	0.7	0.9	0.8	0.7	0.7

- Not available

E Estimated

Note: Population have been estimated as on 30th June of the year

SOCIALINDICATORS

1992-93	1993-94	1994-95	1995-9	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05 (P)
116.47	119.39	122.36	125.31	128.42	131.51	134.11	137.51	140.47	145.96	146.75	149.65	52.53
32.45	33.29	33.60	34.41	36.84	37.73	38.39	40.40 E	41.20	41.84	43.18	44.12	46.82
30.92	31.68	31.78	32.51	34.59	35.42	36.13	38.02	38.80	38.57	39.80	40.47	43.22
1.53	1.61	1.82	1.8	2.25	2.31	2.6	2.35	-2.4	3.27	3.38	3.72	3.60
4.73	4.84	5.41	5.4	6.12	6.12	6.2	6.00 E	6.0	7.8	7.8	8.27	7.69
-	-	-	35.1	-	32.70	-	32.70	-	28.70	27.3	27.30	27.80
-	-	-	8.7	-	9.10	-	9.10	-	8.20	8.0	8.10	8.70
100.90	-	-	85.5	-	85.00	-	85.00	-	85.00	83.0	83.00	79.90
130.6	134.0	139.6	143.	149.7	156.3	158.3	162.5	147.7	149.1	150.8	155.0	-
92.5	94.0	97.6	99.	107.7	105.1	102.8	103.8	104.8	105.6	106.9	111.9	-
38.1	40.0	42.0	43.	42.0	51.2	50.5	58.7	42.9	43.5	43.9	43.9	-
11.8	12.1	12.6	13.	14.5	17.4	11.0	18.4	25.5	26.8	28.0	28.7	-
6.7	6.9	7.0	7.	8.7	10.2	11.1	10.3	19.6	20.5	21.5	22.1	-
5.1	5.2	5.6	5.	5.8	7.2	7.9	8.1	5.9	6.3	6.5	6.6	-
8.7	9.2	9.5	9.	9.9	11.1	12.3	12.6	14.8	15.1	15.6	16.1	-
6.0	6.3	6.4	6	6.7	7.3	7.8	8.0	12.0	12.3	12.8	13.1	-
2.7	2.9	3.1	3	3.2	3.8	4.5	4.6	2.8	2.8	2.8	3.0	-
602	474	487	57	578	574	530	612	630.0	807	58.5	6.4	-
286	256	263	31	353	302	352	379	379.0	394	368.0	355.0	-
316	211	221	21	225	223	228	233	233.0	239	230.0	252.00	-
2.2	2.1	2.4	2	2.5	2.3	1.2	2.1	1.6	1.9	1.7	-	-
37.2	38.4	39.6	40	42.2	43.6	44.0	47.1	49.0	50.5	51.6	53.00	-
47.7	49.1	50.5	51	53.4	54.9	56.5	59.0	-	-	-	66.25	-
25.4	26.1	27.6	28	30.0	31.3	31.6	35.4	-	-	-	41.75	-
60.0	63.1	66.2	69	74.2	78.5	81.7	87.1	91.8	96.2	101.7	108.1	113.2
19.4	20.1	21.4	22	24.8	28.7	31.9	36.0	37.6	40.0	44.5	46.3	48.4
2.3	2.1	2.6	2	2.9	3.2	1.4	3.9	4.2	4.6	5.0	5.5	6.1
778	791	822	87	858	865	872	879	876	907	906.0	906.0	916
4.1	4.	4.3	4	4.5	4.5	1.6	4.6	4.6	4.6	4.6	4.6	4.6
0.5	0.	0.5	0	0.5	0.5	1.5	0.5	0.5	0.5	0.6	0.6	0.6
228	23	242	21	262	262	263	264	274.0	272	285.0	289.0	289
76.9	80.	84.9	85	88.5	89.9	91.7	92.2	93.9	97.9	98.3	98.7	99.9
0.7	0.	0.6	0	0.7	0.7	1.7	0.7	0.7	0.7	0.7	0.6	0.6

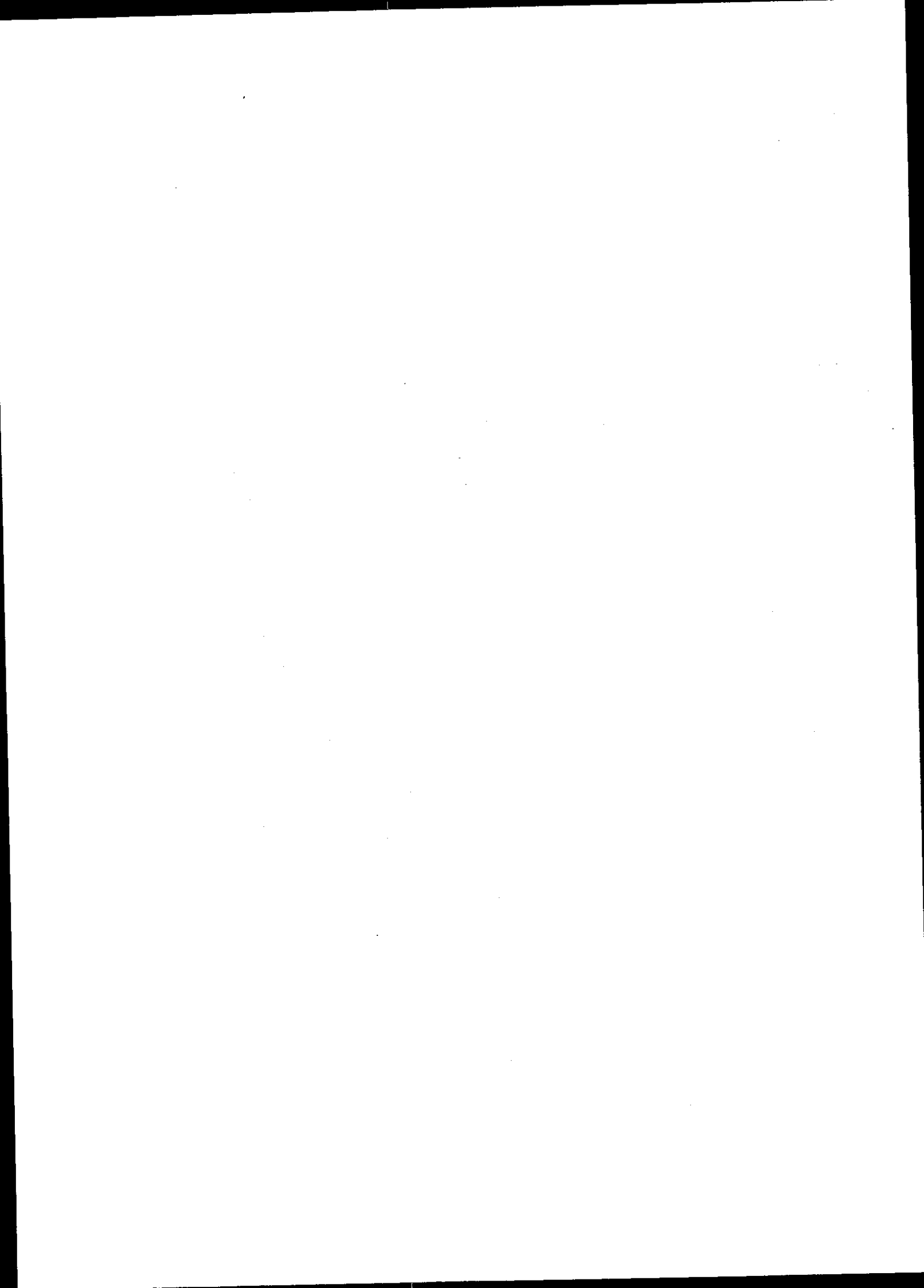


TABLE 1.1

GROSS NATIONAL PRODUCT AT CONSTANT FACTOR COST OF 1999-2000

Sectors	199-00	2000-01	2001-02	2002-03	2003-04	2004-05	(Rs million)	
							% Change	
					R		2003-04/ 200-03	2004-05/ 203-04
COMMODITY PRO. SECTOR	1,72,799	1,730,728	1,753,571	1,830,973	1,957,980	2,131,411	1.9	8.9
1 Agriculture	92,609	903,499	904,431	941,942	962,527	1,034,221	1.2	7.5
Major Crop:	34,200	308,474	300,911	321,505	327,463	384,211	1.9	17.3
Minor Crop:	12,679	121,673	117,211	119,446	122,583	126,311	1.6	3.1
Livestock	41,120	433,066	448,968	460,495	473,202	484,011	1.8	2.3
Fishing	1,163	14,715	12,901	13,346	13,611	13,811	1.0	2.1
Forestry	2,447	25,571	24,431	27,150	25,668	25,711	1.5	0.4
A1. INDUSTRIAL SECTOR	79,190	827,229	849,131	889,031	995,453	1,097,111	2.0	10.2
2 Mining & Quarrying	4,377	47,561	51,011	59,266	61,509	64,611	1.8	5.0
3 Manufacturing	52,801	571,357	596,811	638,044	727,733	818,411	1.1	12.5
Large Scale	33,602	375,687	388,811	416,955	492,937	568,911	1.2	15.4
Small & Household	13,369	142,310	152,911	221,089	234,796	249,411	1.2	6.2
Slaughterer	5,830	53,360	54,911					
4 Construction	8,386	87,846	89,211	92,789	86,402	91,711	1.9	6.2
5 Electricity & Gas Distribution	13,626	120,465	112,011	98,932	119,809	122,311	1.1	2.1
SERVICES SECTOR	1,80,546	1,863,396	1,952,146	2,053,979	1,176,564	2,348,311	1.0	7.9
6 Transport, Storage & Communication	40,983	422,195	427,211	445,552	470,015	496,111	5.5	5.6
7 Wholesale & Retail Trade	61,842	649,564	667,611	707,665	764,688	856,511	8.1	12.0
8 Finance & Insurance	12,454	112,455	131,711	130,081	135,972	165,511	4.5	21.8
9 Ownership of Dwellings	11,425	114,593	118,611	122,466	126,764	131,211	3.5	3.5
10 Public Adm & Defence	22,291	225,152	240,511	259,148	269,959	267,711	4.2	-0.8
11 Services	31,551	339,437	366,211	389,067	409,166	431,111	5.2	5.4
12 GDP (fc)	3,53,345	3,594,124	3,705,711	3,884,952	1,134,544	4,479,811	6.4	8.4
13 Indirect Tax	25,815	301,920	312,811	355,323	372,029	383,811	4.7	3.2
14 Subsidies	1,724	32,050	30,211	54,451	53,488	63,511	1.8	19.6
15 GDP(mp)	3,73,436	3,863,994	3,988,311	4,185,824	1,453,085	4,799,711	6.4	7.8
16 Net Factor Income from abroad	-7,956	-47,285	22,511	127,050	90,721	86,111	-8.6	-5.1
17 GNP(fc)	3,41,389	3,546,839	3,728,311	4,012,002	1,225,265	4,565,811	5.3	8.1
18 GNP (mp)	3,73,480	3,816,709	4,010,911	4,312,874	1,543,806	4,885,811	5.4	7.5
19 Population in million	137.9	140.9	141.8	146.8	149.7	155	2.0	1.9
20 Per Capita Income(fc,s)	5,244	25,176	25,911	27,339	28,234	29,411	3.3	6.0
21 Per Capita Income(mRs)	7,159	27,092	27,811	29,389	30,363	32,411	3.3	5.5

R: Revised

P: Provisional

Source: Federal Bureau of Statistics

TABLE 1.2
SECTORAL SHARE IN GDP

		(%)					
Sector		1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05
					R	P	P
COMMODITY PROD. SECTOR		48.8	48.2	47.3	47.1	47.4	47.6
1.	Agriculture	26.2	25.1	24.4	24.2	23.3	23.1
	Major Crops	9.7	8.6	8.1	8.3	7.9	8.6
	Minor Crops	3.6	3.4	3.2	3.1	3.0	2.8
	Livestock	11.8	12.0	12.1	11.9	11.4	10.8
	Fishing	0.4	0.4	0.3	0.3	0.3	0.3
	Forestry	0.7	0.7	0.7	0.7	0.6	0.6
A1. INDUSTRIAL SECTOR		22.6	23.0	22.9	22.9	24.1	24.5
2.	Mining & Quarrying	1.4	1.3	1.4	1.5	1.5	1.4
3.	Manufacturing	14.8	15.9	16.1	16.4	17.6	18.3
	Large Scale	9.6	10.5	10.5	10.7	11.9	12.7
	Small & Household	3.8	4.0	4.1	5.7	5.7	5.6
	Slaughtering	1.5	1.5	1.5	0.0	0.0	0.0
4.	Construction	2.5	2.4	2.4	2.4	2.1	2.0
5.	Electricity and Gas Distribution	4.0	3.4	3.0	2.5	2.9	2.7
SERVICES SECTOR		51.2	51.8	52.7	52.9	52.6	52.4
6.	Transport, Storage & Communication	11.4	11.7	11.5	11.5	11.4	11.1
7.	Wholesale & Retail Trade	17.6	18.1	18.0	18.2	18.5	19.1
8.	Finance & Insurance	3.8	3.1	3.6	3.3	3.3	3.7
9.	Ownership of Dwellings	3.1	3.2	3.2	3.2	3.1	2.9
10.	Public Admn. & Defence	6.2	6.3	6.5	6.7	6.5	6.0
11.	Services	9.1	9.4	9.9	10.0	9.9	9.6
12.	GDP (fc)	100.0	100.0	100.0	100.0	100.0	100.0

Source: Federal Bureau of Statistics.

R: Revised

P: Provisional

TABLE 1.3

REAL GDI/ GNP GROWTH RATES

Sector	2000-01	2001-02	2002-03	2003-04	
				(%) R	P
COMMODITY PROD. SECTOR	0.5	1.3	4	6.9	1.9
1. Agriculture	-2.2	0.1	1	2.2	1.5
Major Crops	-9.9	-2.5	8	1.9	1.3
Minor Crops	-3.2	-3.7	9	2.6	1.1
Livestock	3.8	3.7	6	2.8	1.3
Fishing	-3.0	-12.3	4	2.0	1.1
Forestry	9.1	-4.4	11	-5.5	1.4
MANUFACTURING SECTOR	3.6	2.6	7	12.0	1.2
2. Mining & Quarrying	-1.7	7.3	11	3.8	1.0
3. Manufacturing	9.3	4.5	9	14.1	1.5
Large Scale	11.0	3.5	2	18.2	1.4
Small & Household	7.5	7.5	45	6.2	1.2
4. Construction	0.5	1.6	0	-6.9	1.2
5. Electricity and Gas Distribution	-13.7	-7.0	-17	21.1	1.1
SERVICES SECTOR	3.1	4.8	2	6.0	1.9
6. Transport, Storage & Communication	5.3	1.2	3	5.5	1.6
7. Wholesale & Re- tail Trade	4.5	2.8	0	8.1	1.0
8. Finance & Insurance	-15.1	17.2	3	4.5	1.8
9. Ownership of Dwellings	3.8	3.5	3	3.5	1.5
10. Public Admin. & Defense	2.2	6.9	7	4.2	1.8
11. Services	5.6	7.9	2	5.2	1.4
12. GDP (c)	1.8	3.1	8	6.4	1.4

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.4

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

Flows	(Rs million)							
	1999-2000	2000-01	2001-02	2002-03	2003-04 R	2004-05 P	% Change	
							2003-04/ 2002-03	2004-05/ 2003-04
Private Consumption							8.18	16.82
Expenditure	2,791,346	2,856,556	2,891,057	2,915,436	3,153,903	3,684,438		
General Govt. Current							2.11	2.27
Consumption Expenditure	390,691	312,070	358,968	384,825	392,957	401,864		
Gross Domestic Fixed							-4.45	1.55
Capital Formation	607,410	634,423	632,134	658,070	628,796	638,537		
Change in Stocks	51,700	58,138	62,515	71,051	77,006	79,065	8.38	2.67
Export of Goods and							-1.53	7.57
Non-Factor Services	514,280	576,936	634,399	814,425	801,982	862,717		
Less Imports of Goods							-8.58	44.11
and Non-Factor Services	561,990	574,130	591,602	657,983	601,559	866,898		
Expenditure on GDP at							6.38	7.78
Market Prices	3,793,437	3,863,993	3,987,471	4,185,824	4,453,085	4,799,723		
Plus Net Factor income							-28.59	-5.06
from the Rest of the World	-47,957	-47,284	23,500	127,050	90,721	86,135		
Expenditure on GNP at							5.35	7.53
at Market Prices	3,745,480	3,816,709	4,010,971	4,312,874	4,543,806	4,885,858		
Less Indirect Taxes	295,815	301,920	312,886	355,323	372,029	383,827	4.70	3.17
Plus Subsidies	31,724	32,050	30,227	54,451	53,488	63,954	-1.77	19.57
GNP at Factor Cost	3,481,389	3,546,839	3,728,312	4,012,002	4,225,265	4,565,985	5.32	8.06

Source: Federal Bureau of Statistics.

R: Revised

P: Provisional

TABLE 1.5

GRCSS NATIONAL PRODUCT AT CURRENT FACTOR COST

Sectors	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	Rs million	
							% Change	
							2003-04/ 2000-03	2004-05/ 2003-04
1. Agriculture	923,60	945,301	968,291	1,059,316	1,149,129	1,322,61	8.	15.1
Major Crops	342,20	325,579	316,857	370,117	427,837	496,15	15	16.0
Minor Crops	125,67	130,679	133,136	130,450	131,476	145,30	0.	10.6
Livestock	417,12	446,058	476,310	512,976	542,242	628,35	5	15.9
Fishing	15,16	16,546	16,377	16,625	16,728	17,40	0.	4.6
Forestry	23,44	26,439	25,611	29,148	30,846	35,31	5	14.6
2. Mining & Quarrying	48,37	59,151	65,997	84,238	107,990	121,85	202	12.8
3. Manufacturing	522,80	608,132	642,850	725,434	902,870	1,118,21	2.5	23.9
Large Scale	338,60	410,879	424,089	481,374	622,283	790,12	2.3	27.0
Small & Household	132,30	143,463	161,734	244,060	280,587	328,29	1.0	17.0
Slaughtering	51,83	53,790	57,027	0	0	0		
4. Construction	87,36	94,670	95,197	100,880	120,487	143,56	1.4	19.4
5. Electricity and Gas Distribution	139,63	133,091	134,350	120,556	150,707	156,11	2.0	3.7
6. Transport Storage & Communication	400,93	512,997	542,828	609,929	699,782	902,17	1.7	28.9
7. Wholesale & Re- tail Trade	621,82	691,854	720,812	785,776	922,667	1,107,16	1.4	20.0
8. Finance & Insurance	132,44	116,997	142,424	144,989	158,476	210,13	3	32.9
9. Ownership of Dwellings	110,45	124,359	126,454	135,139	146,293	165,06	3	13.1
10. Public Admn. & Defence	220,21	235,039	260,042	285,854	312,105	337,30	12	8.2
11. Services	321,51	354,434	395,967	429,301	472,104	543,19	1.0	15.1
12. GDP (fc)	3,529,35	3,876,025	4,095,212	4,481,412	5,142,610	6,129,16	1.8	19.2
13. Indirect Taxes	295,15	320,669	339,267	403,221	455,549	501,70	1.0	10.1
14. Subsidies	31,74	34,040	32,771	61,791	65,496	83,36	0	27.6
15. GDP(mp)	3,793,46	4,162,654	4,401,691	4,822,842	5,532,663	6,547,30	1.7	18.3
16. Net Factor Income from abroad	-47,96	-54,482	23,661	151,812	124,478	125,24	-3.0	0.6
17. GNP(fc)	3,481,39	3,821,543	4,118,871	4,633,224	5,267,088	6,254,00	1.7	18.8
18. GNP (mp)	3,745,40	4,108,172	4,425,361	4,974,654	5,657,141	6,672,14	1.7	18.0
19. Population (in million)	12.9	140.9	143.1	146.8	149.7	151.5	0	1.9
20. Per Capita Income(fc-Rs)	25,14	27,126	28,631	31,572	35,196	4108	1.5	16.5
21. Per Capita income(mp-Rs)	27,59	29,161	30,771	33,899	37,802	4348	1.5	15.7
22. Per Capita Income(mp-US \$)	26	501	501	579	657	36	3.3	12.2
23. GDP Deflator Index	1000	107.84	110.5	115.35	124.38	1383	-	-
Growth		7.84	2.4	4.38	7.83	101	-	-

R: Revised

P: Provisional

Source : Federal Bureau of Statistics

TABLE 1.6**EXPENDITURE ON GROSS NATIONAL PRODUCT AT CURRENT PRICES**

Flows								(Rs million)
	1999-2000	2000-01	2001-02	2002-03	2003-04 R	2004-05 P	% Change	
							2003-04/ 2002-03	2004-05/ 2003-04
Private Consumption Expenditure	2,851,346	3,163,874	3,278,905	3,548,157	4,052,901	5,235,382	14.2	29.2
General Government Current Consumption Expenditure	330,691	327,562	388,446	428,689	462,462	512,926	7.9	10.9
Gross Domestic Fixed Capital Formation	607,410	659,325	680,373	736,433	864,701	999,306	17.4	15.6
Change in Stocks	51,700	56,200	58,000	80,629	94,294	103,299	16.9	9.5
Export of Goods and Non-Factor Services	514,280	617,148	677,855	815,158	883,704	1,001,011	8.4	13.3
Less Imports of Goods and Non-Factor Services	561,990	661,455	681,880	786,224	825,399	1,304,334	5.0	58.0
Expenditure on GDP at Market Prices	3,793,437	4,162,654	4,401,699	4,822,842	5,532,663	6,547,590	14.7	18.3
Plus Net Factor Income from the rest of the world	-47,957	-54,482	23,665	151,812	124,478	125,224	-18.0	0.6
Expenditure on GNP at Market Prices	3,745,480	4,108,172	4,425,364	4,974,654	5,657,141	6,672,814	13.7	18.0
Less Indirect Taxes	295,815	320,669	339,262	403,221	455,549	501,470	13.0	10.1
Plus Subsidies	31,724	34,040	32,775	61,791	65,494	83,556	6.0	27.6
GNP at Factor Cost	3,481,389	3,821,543	4,118,877	4,633,224	5,267,086	6,254,900	13.7	18.8

Source: Federal Bureau of Statistics.

R: Revised

P: Provisional

Note: Private Consumption Expenditure has been taken as residual

TABLE 1.7

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

Sector	1999-200	2000-01	2001-02	2002-03	2003-04 L	2004-05 P	(Rs million) % change	
							2003-04 2002-03	2004-05/ 2003-04
GFCF (A+B+C)	607,110	659,325	680,373	736,433	854,701	999,306	1.4	15.6
A. Private Sector	394,449	423,097	496,464	545,104	597,591	713,157	1.6	19.3
B. Public Sector	146,912	169,242	113,523	104,051	142,324	141,781	3.8	-0.4
C. General Govt.	67,749	66,986	70,386	87,278	24,786	144,368	4.0	15.7
Private & Public (A+B)	541,361	592,339	609,987	649,155	739,915	854,938	1.0	15.5
SECTOR-WISE:								
1. Agriculture	7,434	67,147	69,604	75,681	78,081	86,212	1.2	10.4
2. Mining and Quarrying	1,221	33,694	48,996	77,430	58,812	62,484	-1.0	6.2
3. Manufacturing (A+B)	143,445	151,020	168,051	164,920	86,772	22,977	3.3	-87.7
A. Large Scale	12,532	128,826	143,001	136,066	47,415	179,931	3.3	22.1
B. Small Scale*	1,813	22,194	25,050	28,854	39,357	49,831	3.4	26.6
4. Construction	1,117	13,589	15,161	7,130	10,112	15,881	1.8	57.1
5. Electricity & Gas	6,354	67,628	56,861	57,562	47,565	38,731	-7.4	-18.6
6. Transport and Communication	8,081	104,679	86,361	82,864	139,234	154,771	8.0	11.2
7. Wholesale and Retail Trade	1,111	8,589	10,371	12,533	14,517	18,491	5.8	27.4
8. Finance & Insurance	1,992	5,104	10,151	23,366	27,224	26,931	6.5	-1.1
9. Ownership of Dwelling	7,973	87,448	87,831	91,379	111,032	115,501	1.5	4.0
9. Services	1,033	53,441	56,571	56,290	74,852	91,381	3.0	22.1

P: Provisional

R: Revised

* Slaughtering is included in small scale sector

(Contd.)

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

Sector							(Rs million)	
	1999-2000	2000-01	2001-02	2002-03	2003-04 R	2004-05 P	% Change	
							2003-04/ 2002-03	2004-05/ 2003-04
PRIVATE	394,749	423,097	496,464	545,104	597,591	713,157	9.6	19.3
SECTORS								
1. Agriculture	72,513	66,468	65,636	74,293	76,281	84,077	2.7	10.2
2. Mining and Quarrying	13,108	13,230	26,710	48,252	32,716	37,696	-32.2	15.2
3. Manufacturing	119,158	137,127	166,657	163,520	183,362	227,268	12.1	23.9
Large Scale	99,345	114,933	141,607	134,666	144,005	177,433	6.9	23.2
Small Scale*	19,813	22,194	25,050	28,854	39,357	49,835	36.4	26.6
4. Construction	12,373	11,360	11,689	4,178	6,607	11,885	58.1	79.9
5. Electricity & Gas	15,169	15,258	35,141	26,417	7,071	7,164	-73.2	1.3
6. Transport & Communication	23,868	31,697	31,476	51,381	71,409	101,544	39.0	42.2
7. Wholesale and Retail Trade	7,111	8,589	10,375	12,533	14,517	18,497	15.8	27.4
8. Ownership of Dwellings	77,973	87,448	87,833	91,379	111,032	115,500	21.5	4.0
9. Finance & Insurance	6,312	2,827	7,996	20,897	25,111	24,695	20.2	-1.7
10. Services	47,164	49,093	52,951	52,254	69,485	84,831	33.0	22.1

(Contd.)

R: Revised

P: Provisional

* Slaughtering is included in small scale sector

TABLE 1.7

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

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04 R	04-05 P	(Rs billion)	
							%Change	
							2003-04/ 2002-03	2004-05/ 2003-04
Public Sector and General Govt. (A+B)	21261	236,228	183,909	191,329	27,110	286,149	3.6	7.1
A. Public Sector	14612	169,242	113,523	104,051	12,324	141,781	3.8	-0.4
1. Agriculture	221	680	3,968	1,388	1,800	2,135	2.7	18.6
2. Mining and Quarrying	513	20,463	22,285	29,178	16,096	24,788	-1.6	-5.0
3. Manufacturing	2187	13,893	1,398	1,400	3,410	2,502	14.6	-26.6
Large Scale	2187	13,893	1,398	1,400	3,410	2,502	14.6	-26.6
Small Scale	-	-	-	-	-	-	-	-
4. Construction	744	2,229	3,474	2,952	3,505	4,002	1.7	14.2
5. Electricity & Gas	5285	52,370	21,724	31,145	17,333	38,900	1.9	4.2
6. Transport and Communication	5213	72,982	54,884	31,483	12,700	60,660	9.2	-3.3
Railways	369	2,473	5,376	3,133	3,305	4,543	.5	37.5
Post Office & PTC	2138	31,239	26,440	6,699	5,835	1,436	-1.9	-75.4
Others	2106	39,270	23,068	21,654	13,560	51,981	14.3	-2.9
7. Wholesale and Retail Trade	-	-	-	-	-	-	-	-
8. Finance & Insurance	580	2,277	2,162	2,469	2,113	2,242	-1.4	6.1
9. Services	869	4,348	3,628	4,036	5,367	6,552	3.0	22.1
B. General Govt.	6749	66,986	70,386	87,278	24,786	144,368	4.0	15.7
Federal	2980	24,029	29,657	31,581	41,304	49,331	3.8	19.4
Provincial	3763	31,371	17,729	26,689	50,059	57,252	8.6	14.4
Local Bodies	006	11,586	23,000	29,008	33,423	37,785	1.2	13.1

Source: Federal Bureau of Statistics.

R: Revised

P: Provisional

- Nil

.. Not available

TABLE 1.8

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

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04 R	2004-05 P	(Rs million)	
							% Change 2003-04/ 2002-03	2004-05/ 2003-04
GFCF (A+B+C)	607,410	634,422	632,133	658,070	628,796	638,538	-4.4	1.5
A. Private Sector	394,749	406,003	459,634	485,849	432,409	453,215	-11.0	4.8
B. Public Sector	146,912	163,175	105,388	91,475	98,631	84,739	7.8	-14.1
C. General Govt.	65,749	65,244	67,111	80,746	97,756	100,584	21.1	2.9
Private & Public (A+B)	541,661	569,178	565,022	579,767	531,040	535,281	-8.4	0.8
SECTOR-WISE:								
1. Agriculture	75,434	64,965	64,953	66,762	53,664	50,779	-19.6	-5.4
2. Mining and Quarrying	18,221	32,610	45,169	66,738	38,470	34,457	-42.4	-10.4
3. Manufacturing	140,345	142,550	153,417	149,275	161,944	141,565	8.5	-12.6
Large Scale	120,532	120,952	129,781	120,969	103,638	113,259	-14.3	9.3
Small Scale*	19,813	21,598	23,636	28,306	28,306	28,306	0.0	0.0
4. Construction	15,117	12,283	13,347	6,606	7,919	12,289	19.9	55.2
5. Electricity & Gas	67,354	65,582	52,804	50,119	29,753	26,110	-40.6	-12.2
6. Transport and Communication	80,081	101,023	80,582	74,151	95,499	100,281	28.8	5.0
7. Wholesale and Retail Trade	7,111	8,369	9,925	11,692	11,619	13,266	-0.6	14.2
8. Finance & Insurance	9,992	4,957	9,552	21,265	21,456	19,041	0.9	-11.3
9. Ownerships of Dwellings	77,973	84,926	82,596	83,163	87,509	81,643	5.2	-6.7
10. Services	50,033	51,915	53,006	49,996	53,105	55,851	6.2	5.2

(..Contd.)

R: Revised

P: Provisional

• Not available

* Slaughtering is included in small scale sector

TABLE 1.8

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

Sector	1999-2000	2000-01	2001-02	2002-03	2003-04 R	04-05 P	(Rsillion)	
							% Change 2003-04 2002-03	2004-05/ 2003-04
PRIVATE SECTOR	394,749	406,003	459,634	485,849	432,409	453,213	-1.0	4.8
1. Agriculture	72,513	64,307	61,250	65,537	52,427	49,521	-0.0	-5.5
2. Mining and Quarrying	13,108	12,805	24,624	41,589	11,456	20,787	-8.4	-3.1
3. Manufacturing	119,158	129,506	151,822	145,588	139,547	142,662	-1.0	10.1
Large Scale	99,341	107,908	128,186	119,724	111,241	111,684	-5.4	10.3
Small Scale*	19,817	21,598	23,636	25,864	28,306	30,978	9.4	9.4
4. Construction	12,371	10,268	10,289	3,871	5,174	9,193	3.7	77.7
5. Electricity & Gas	15,161	14,796	32,632	23,001	4,738	4,061	-9.4	-14.3
6. Transport & Communication	23,861	30,590	29,370	45,979	10,850	62,778	0.6	23.5
7. Wholesale and Retail Trade	7,111	8,369	9,925	11,692	1,619	13,266	0.6	14.2
8. Ownership of Dwellings	77,971	84,926	82,596	83,163	17,509	81,643	5.2	-6.7
9. Finance & Insurance	6,311	2,745	7,519	19,018	19,791	17,456	4.1	-11.8
10. Services	47,111	47,691	49,607	46,411	49,298	51,841	6.2	5.2

(Contd.)

R: Revised

P: Provisional

- Nil

* : Slaughtering is included in small scale sector.

TABLE 1.8
**GROSS FIXED CAPITAL FORMATION (GFCF) IN PUBLIC AND GENERAL GOVERNMENT SECTORS
AT CONSTANT MARKET PRICES OF 1999-2000**

Sector	(Rs million)							
	1999-2000	2000-01	2001-02	2002-03	2003-04 R	2004-05 P	% Change	
							2003-04/ 2002-03	2004-05/ 2003-04
Public and General Government (A+B)	212,661	228,419	172,499	172,222	196,386	185,323	14.0	-5.6
1. Agriculture	2,921	658	3,703	1,224	1,237	1,258	1.0	1.6
2. Mining and Quarrying	5,113	19,805	20,545	25,149	17,114	13,669	-31.9	-20.1
3. Manufacturing	21,187	13,044	1,265	1,245	2,397	1,575	92.6	-34.3
4. Construction	2,744	2,015	3,058	2,735	2,745	3,096	0.4	12.8
5. Electricity & Gas	52,185	50,785	20,173	27,118	25,015	22,050	-7.8	-11.9
6. Transport and Communication	56,213	70,433	51,212	28,173	44,649	37,502	58.8	-16.0
Railways	369	2,387	5,016	2,804	2,353	2,809	-16.1	19.3
Post Office & T&T	27,438	30,148	24,671	5,992	4,155	2,557	-30.7	-38.5
Others	28,406	37,898	21,525	19,377	38,140	32,137	96.8	-15.7
7. Wholesale and Retail Trade	-	-	-	-	-	-	-	-
8. Finance & Insurance	3,680	2,211	2,033	2,247	1,665	1,585	-25.9	4.8
9. Services	2,869	4,224	3,399	3,585	3,808	4,004	6.2	5.2
B. General Govt.	65,749	65,244	67,111	80,746	97,756	100,584	21.1	2.9
Federal	24,980	23,404	28,277	29,217	32,357	34,370	10.7	6.2
Provincial	31,763	30,555	16,904	24,691	39,216	39,889	58.8	1.7
Local Bodies	9,006	11,285	21,930	26,837	26,183	26,326	-2.4	0.5

Source: Federal Bureau of Statistics.

R: Revised

P: Provisional

TABLE 2. (A)**INDEX OF AGRICULTURAL PRODUCTION**

Fiscal Year	980-81 Base				99-2000 base			
	All major crops	Food crops	Fibre crops	Other crops	All major crops	Food crops	Fibre crops	Other crops
1991-92	143.7	125	305.9	120.3	-	-	-	-
1992-93	141.0	124	216.0	118.1	-	-	-	-
1993-94	155.0	123	191.8	137.3	-	-	-	-
1994-95	165.4	131	207.5	146.1	-	-	-	-
1995-96	163.3	137	252.8	140.1	-	-	-	-
1996-97	155.3	135	223.6	130.3	-	-	-	-
1997-98	186.2	152	219.1	164.3	-	-	-	-
1998-99	189.8	145	209.7	170.1	-	-	-	-
1999-00	178.4	167	268.2	143.1	-	-	-	-
2000-01	165.9	153	256.0	135.1	93.0	91	95.5	94.
2001-02	172.1	143	253.2	148.1	96.5	81	94.4	103.
2002-03	185.4	153	243.6	160.1	104.0	91	91.0	112.
2003-04	190.7	156	239.7	165.1	107.0	91	89.0	115.
2004-05 P	-	-	-	-	104.0	101	130.0	102.

P. Jul-Mar

Source: Federal Bureau of Statistics.

TABLE 2.1 (B)**BASIC DATA ON AGRICULTURE**

Fiscal Year	Crop-ped Area (million hectares)	Improved seed dis-tribution (000 Tonnes)	Water ^a Availa-bility (MAF)	Fertilizer off-take (000 N/T)	Credit disbursed (Rs million)
1990-91	21.82	83.27	119.62	1892.90	14,915.29
1991-92	21.72	65.93	122.05	1,884.00	14,479.31
1992-93	22.44	63.93	125.12	2,147.61	16,198.11
1993-94	21.87	63.27	128.01	2,146.50	15,674.05
1994-95	22.14	76.87	129.65	2,183.06	22,373.27
1995-96	22.59	145.10	130.85	2,515.05	19,187.31
1996-97	22.73	137.67	132.05	2,413.01	19,547.67
1997-98	23.04	130.50	122.15	2,646.00	33,392.30
1998-99	23.07	167.38	133.78	2,583.00	42,852.00
1999-00	22.74	194.30	133.28	2,833.50	39,687.60
2000-01	22.04	233.05	134.77	2,966.03	44,789.40
2001-02	22.12	177.65	134.63	2,929.00	52,446.30
2002-03	21.85	190.00	134.48	3,020.00	58,918.70
2003-04	22.94	189.00	134.78	3,222.00	73,560.00
2004-05 P	22.94	196.60	135.68	2,811.00	73,810.82

(Contd.)

.. not available
P: Provisional, Jul-Mar
*: At farm gate

TABLE 2.1 (B)**BASIC DATA ON AGRICULTURE**

Fiscal Year	Number of Tubewells (a)	Production of Tractors (Nos)	Production of meat (000 Tonnes)	Milk Produc-tion (000 Tonnes)	Fish Produc-tion (000 Tonnes)	Total Forest Pro-duction (000 cu.mtr.)
1990-91	339,840	13,841	1,581	15,481	483.0	1,072
1991-92	355,840	10,077	1,685	16,280	518.7	491
1992-93	374,099	16,628	1,872	17,120	553.1	691
1993-94	389,493	15,129	2,000	18,006	621.7	703
1994-95	463,463	17,063	2,114	18,966	558.1	684
1995-96	485,050	16,218	1,841	22,970	541.9	720
1996-97	489,601	10,417	1,908	23,580	555.5	557
1997-98	531,699	14,144	1,841	24,215	589.7	490
1998-99	531,692	26,885	1,906	24,876	597.0	383
1999-00	541,839	35,038	1,957	25,566	654.5	670
2000-01	545,569	32,553	2,015	26,284	629.0	736
2001-02	680,473	24,311	2,072	27,031	654.5	726
2002-03	762,902	17,617	2,132	27,811	562.0	823
2003-04	768,270	25,417	2,188	28,624	566.2	918
2004-05 P	-	32,012	2,271	29,472	573.6	912

Source: 1. Federal Bureau of Statistics.
2. Ministry of Food, Agriculture and Livestock.

.. not available
P: Provisional (July-March)
(a) Public and private tubewells.

TABLE :2

LAND UTILIZATION

Fiscal Year	Total Area	Reported Area	Forest Area	Not Available for Cultivation	Cultivated Area				Area Sown more than once	Total Cropped Area (8+10)
					Culturable Waste	Current Fallow	Net Area Sown	Total Area Cultivated (+8)		
1	2	3	4	5	6	7	8	9	10	11
1990-91	79.61	57.61	3.46	24.34	8.81	4.85	16.11	20.96	5.71	282
1991-92	79.61	57.87	3.47	24.48	8.81	4.87	16.19	21.06	5.53	272
1992-93	79.61	58.06	3.48	24.35	8.81	4.95	16.45	21.40	5.95	244
1993-94	79.61	58.13	3.45	24.43	8.71	5.29	16.22	21.51	5.61	287
1994-95	79.61	58.50	3.60	24.44	8.91	5.42	16.13	21.55	6.01	214
1995-96	79.61	58.51	3.61	24.35	8.81	5.18	16.49	21.68	6.11	259
1996-97	79.61	59.23	3.58	24.61	9.01	5.48	16.50	21.98	6.21	273
1997-98	79.61	59.32	3.60	24.61	9.11	5.48	16.48	21.96	6.51	204
1998-99	79.61	59.27	3.60	24.52	9.21	5.35	16.58	21.93	6.41	207
1999-00	79.61	59.28	3.78	24.45	9.01	5.67	16.29	21.96	6.41	274
2000-01	79.61	59.44	3.77	24.37	9.11	6.73	15.40	22.13	6.61	204
2001-02	79.61	59.33	3.80	24.31	8.91	6.60	15.67	22.27	6.41	212
2002-03	79.61	59.47	4.04	24.32	9.01	6.53	15.58	22.11	6.21	285
2003-04	79.61	59.44	4.04	24.20	9.01	6.05	16.07	22.12	6.81	294
2004-05 P	79.61	59.44	4.04	24.20	9.01	6.05	16.07	22.12	6.81	294

P: Provision

Source: Ministry of Food, Agriculture & Livestock

Note:

TOTAL AREA REPORTED is the total physical area of the villages/dah, tehsils or districts etc.

FOREST AREA is the area of any land administered as forest under any legal enactment (excluding wastelands) which may exist within such forest is shown under leading cultivated area.

AREA NOT AVAILABLE FOR CULTIVATION is that uncultivated area of the farm which is under farm home stays, farm roads and other connected purposes and not available for cultivation.

CULTURABLE WASTE is that uncultivated farm area which is fit for cultivation but was not cropped during the year under reference or in the year before that.

CURRENT FALLOW (ploughed but uncropped) is that area which is vacant during the year under reference but was sown at least once during the previous year.

CULTIVATED AREA is that area which was sown at least during the year under reference or during the previous year.

Cultivated Area = Net Area sown Current Fallow.

NET AREA SOWN is that area which is sown at least once during (Kharif & Rabi) the year under reference.

AREA SOWN MORE THAN ONCE: the difference between the total cropped area and the net area sown.

TOTAL CROPPED AREA means the aggregate area of crops raised on a farm during the year under reference including the area under fruit trees.

TABLE 2.3**AREA UNDER IMPORTANT CROPS**

(000 hectares)

Fiscal Year	Wheat	Rice	Bajra	Jowar	Maize	Barley	Total Food Grains	Gram	Sugar-cane	Rapeseed and Mustard	Sesamum	Cotton	Tobacco
1990-91	7,911	2,113	491	417	845	157	11,934	1,092	884	304	53	2,662	44
1991-92	7,878	2,097	313	383	848	149	11,667	997	896	287	70	2,836	54
1992-93	8,300	1,973	487	403	868	160	12,191	1,008	885	285	82	2,836	58
1993-94	8,034	2,187	303	365	879	151	11,919	1,045	963	269	73	2,805	57
1994-95	8,170	2,125	509	438	890	165	12,297	1,065	1,009	301	80	2,653	47
1995-96	8,376	2,162	407	418	939	171	12,473	1,119	963	320	90	2,997	46
1996-97	8,109	2,251	303	370	928	152	12,113	1,100	965	354	100	3,149	49
1997-98	8,355	2,317	460	390	933	163	12,618	1,102	1,056	340	96	2,960	53
1998-99	8,230	2,424	463	383	962	137	12,599	1,077	1,155	327	71	2,923	57
1999-00	8,463	2,515	313	357	962	124	12,734	972	1,010	321	72	2,983	56
2000-01	8,181	2,377	390	354	944	113	12,359	905	961	273	101	2,927	46
2001-02	8,058	2,114	417	358	942	111	12,000	934	1,000	269	136	3,116	49
2002-03	8,034	2,225	349	338	935	108	11,989	963	1,100	256	88	2,794	47
2003-04	8,216	2,461	539	392	947	102	12,657	982	1,074	259	60	2,989	46
2004-05 P	8,330	2,503	343	308	896	97	12,470	1,038	947	244	66	3,221	45

Note 1 ha = 2.47 acres
(P) Provisional (Jul-Mar).

Source: 1. Ministry of Food, Agriculture and Livestock
2. Federal Bureau of Statistics

TABLE 2.4**PRODUCTION OF IMPORTANT CROPS**

(000 tonnes)

Fiscal Year	Wheat	Rice	Bajra	Jowar	Maize	Barley	Total Food Grains	Gram	Sugar-cane	Rapeseed and Mustard	Sesamum	Cotton 000 tonnes	(000 Bales)	Tobacco
1990-91	14,565	3,261	196	239	1,185	142	19,588	531	35,989	228	21.4	1,637	9,628	75
1991-92	15,684	3,243	139	225	1,203	140	20,634	513	38,865	220	28.7	2,181	12,822	97
1992-93	16,157	3,116	203	238	1,184	158	21,056	347	38,059	207	34.0	1,540	9,054	102
1993-94	15,213	3,995	138	212	1,213	146	20,917	411	44,427	197	32.3	1,368	8,041	100
1994-95	17,002	3,447	228	263	1,318	164	22,422	559	47,168	229	36.2	1,479	8,697	81
1995-96	16,907	3,966	162	255	1,504	174	22,968	680	45,230	255	39.5	1,802	10,595	80
1996-97	16,651	4,305	146	219	1,491	150	22,962	594	41,998	286	44.9	1,594	9,374	92
1997-98	18,694	4,333	211	231	1,517	174	25,160	767	53,104	292	42.5	1,562	9,184	99
1998-99	17,858	4,674	213	228	1,665	137	24,773	698	55,191	279	32.1	1,495	8,790	109
1999-00	21,079	5,156	156	220	1,652	118	28,380	565	46,333	297	35.4	1,912	11,240	108
2000-01	19,024	4,803	199	219	1,643	99	25,987	397	43,606	230	50.7	1,826	10,732	85
2001-02	18,226	3,882	216	222	1,664	100	24,311	362	48,042	221	69.6	1,805	10,613	94
2002-03	19,183	4,478	189	202	1,737	100	25,889	675	52,056	215	19.3	1,737	10,211	88
2003-04	19,500	4,846	274	238	1,897	98	26,855	611	53,419	221	25.0	1,709	10,048	86
2004-05 P	21,109	4,991	193	186	2,775	96	29,350	761	45,316	227	30.0	2,486	14,618	84

P: Provisional (Jul-Mar)

Source: 1. Ministry of Food, Agriculture and Livestock.
2. Federal Bureau of Statistics

TABLE 2.:**YIELD PER HCTARE OF MAJOR AGRICULTURAL CROPS**

Fiscal Year	(Kg/Hectare)					
	Wheat	Rice	Sugarcane	Maize	Gram	Cotton
1990-91	1,841	1,543	40,720	1,401	486	15
1991-92	1,990	1,546	43,371	1,419	514	69
1992-93	1,946	1,579	43,024	1,364	344	43
1993-94	1,893	1,826	46,144	1,380	393	88
1994-95	2,081	1,622	46,747	1,481	524	57
1995-96	2,018	1,835	46,968	1,602	607	01
1996-97	2,053	1,912	43,521	1,607	540	06
1997-98	2,238	1,870	50,288	1,626	696	28
1998-99	2,170	1,928	47,784	1,731	648	11
1999-00	2,491	2,050	45,874	1,717	581	41
2000-01	2,325	2,021	45,376	1,741	439	24
2001-02	2,262	1,836	48,042	1,766	388	79
2002-03	2,388	2,013	47,324	1,858	701	22
2003-04	2,375	1,970	49,738	2,003	622	72
2004-05 P	2,534	1,994	47,852	3,097	733	72

P: Provisional

Source: Ministry of Food & Agriculture and Livestock
Federal Bureau of Statistics.**TABLE 2.6****PRODUCTION AND EXPORT OF FRUIT**

Fiscal Year	Production of Important Fruit (000 tonnes)								Export	
	Citrus	Mango	Apple	Banana	Apricot	Almonds	Grapes	Guava	(00 tonnes)	Value (In. Rs)
1990-91	1,609	76	243	202	8	32	33	355	12	935
1991-92	1,630	17	295	44	10	38	36	373	25	966
1992-93	1,665	74	339	52	12	40	38	384	21	1,179
1993-94	1,849	89	442	53	13	45	40	402	27	1,324
1994-95	1,933	84	533	80	17	49	43	420	39	1,256
1995-96	1,960	98	554	82	19	49	72	442	35	1,487
1996-97	2,003	15	568	83	18	49	74	448	19	2,776
1997-98	2,037	17	573	94	18	49	74	455	32	2,793
1998-99	1,861	16	589	95	19	50	76	468	31	2,773
1999-00	1,943	98	377	125	12	32	40	494	40	4,130
2000-01	1,865	90	439	139	12	33	51	526	30	4,586
2001-02	1,830	1,87	367	150	12	26	53	538	30	5,097
2002-03	1,702	1,85	315	143	13	24	52	532	33	4,861
2003-04	1,760	1,66	334	175	21	24	51	550	54	5,912
2004-05	1,670	1,89	380	189	20	23	49	532	36	4,202

P: Provisional (Jul-Mar)

Source: Ministry of Food, Agriculture and Livestock
Federal Bureau of Statistics

TABLE 2.7
CROPWISE COMPOSITION OF VALUE ADDED OF MAJOR AGRICULTURAL
CROPS (AT CONSTANT FACTOR COST-BASE 1999-2000)

	(%age share)					
Fiscal Year/ Crops	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
All Major Crops	100.00	100.00	100.00	100.00	100.00	100.00
Food Crops	63.30	62.32	60.34	62.66	63.52	60.85
Rice	15.40	15.62	14.54	15.85	16.94	15.35
Wheat	41.30	40.39	39.48	39.26	38.98	37.18
Barley	0.20	0.20	0.21	0.19	0.19	0.16
Jowar	0.40	0.44	0.46	0.39	0.46	0.31
Bajra	0.30	0.45	0.50	0.41	0.59	0.36
Maize	2.80	3.10	3.21	3.13	3.32	4.16
Gram	2.80	2.11	1.95	3.41	3.05	3.32
Fibre Crops	24.00	24.89	25.26	22.98	22.06	28.18
Cotton	24.00	24.89	25.26	22.98	22.06	28.18
Cash Crops	11.00	11.27	12.63	12.95	13.00	9.67
Sugarcane	11.00	11.27	12.63	12.95	13.00	9.67
Other Crops	1.60	1.52	1.77	1.41	1.43	1.30
Sesamum	0.20	0.34	0.47	0.12	0.15	0.16
Rape Seed & mustard	0.80	0.70	0.75	0.81	0.81	0.74
Tobacco	0.60	0.84	0.55	0.48	0.46	0.40

Source: Federal Bureau of Statistics

TABLE 2.8
CREDIT DISBURSED BY AGENCIES

						(Rs million)
Fiscal Year	ZTBL(a)*	Taccavi	Domestic Private Banks	Cooperatives	Commercial Banks (b)	Total
1990-91	8,323.95	56.30		3,017.45	3,517.59	14,915.29
1991-92	6,996.44	56.80		3,247.01	4,179.56	14,479.31
1992-93	8,643.40	50.80		2,978.00	4,525.91	16,198.11
1993-94	8,989.26	..		2,621.49	4,063.30	15,674.05
1994-95	14,575.74	..		3,756.74	4,040.79	22,373.27
1995-96	10,339.27	..		3,803.38	5,044.66	19,187.31
1996-97	11,687.11	..		3,431.13	4,429.43	19,547.67
1997-98	22,353.60	..		4,928.93	6,109.70	33,392.30
1998-99	30,175.96	..		5,439.97	7,236.00	42,852.00
1999-00	24,423.89	..		5,951.23	9,312.50	39,687.60
2000-01	27,610.20	..		5,124.20	12,055.00	44,789.20
2001-02	29,108.00	..	578.50	5,273.70	17,486.10	52,446.30
2002-03	29,270.10	..	1,424.50	5,485.40	22,738.60	58,918.70
2003-04	29,933.00	..	2,726.00	7,653.00	33,248.00	73,560.00
2004-05 P	25,197.60	..	7,580.20	5,641.30	35,391.70	73,810.80

.. not Available

a: Including Agribusiness

b: including Tobacco Marketing

P: Provisional(Jul-Mar)

*: Zarai Taraqiate Bank Limited, formerly Agriculture Development Bank of Pakistan

Source

i) State Bank of Pakistan

ii) Ministry of Food, Agriculture & Livestock

TABLE 2.1**FERTILIZER OFF-TAKE AND IMPORTS OF PESTICIDES**

Fiscal Year	Fertilizer off-take (000 N/Tonnes)				Import of fertilizers (000 N/T)	Import of Insecticides	
	N	P	K	total		Quantity (Tons)	Value (Mln Rs)
1990-91	1,471.63	388.50	32.75	1,892.88	65.00	1330.14	1,489.3
1991-92	1,462.60	398.02	23.30	1,883.92	62.00	1558.30	1,945.9
1992-93	1,635.34	488.20	24.07	2,147.61	79.10	1434.80	1,730.0
1993-94	1,659.36	464.24	23.17	2,146.77	93.00	1200.40	1,706.0
1994-95	1,738.12	428.40	16.54	2,183.06	51.00	2176.10	2,978.0
1995-96	1,990.90	494.45	29.70	2,515.00	51.00	3079.00	5,080.0
1996-97	1,985.40	419.51	8.40	2,413.01	88.10	3055.90	5,272.9
1997-98	2,075.00	551.00	20.00	2,646.00	74.00	2924.90	4,801.9
1998-99	2,097.00	465.00	21.00	2,583.00	66.00	3193.40	5,515.2
1999-00	2,217.80	597.16	18.50	2,833.50	62.80	2623.90	4,691.1
2000-01	2,264.49	676.73	22.75	2,966.03	59.10	2155.00	3,476.0
2001-02	2,285.30	624.54	18.75	2,928.60	65.70	3183.20	5,320.9
2002-03	2,349.11	650.17	20.49	3,019.76	76.10	2242.00	3,420.3
2003-04	2,526.73	673.46	21.79	3,221.98	74.10	4106.00	7,145.0
2004-05 P	2,144.09	647.92	19.38	2,811.39	53.60	3368.00	6,303.0

P: Provisional, (J-Mar)

Source: 1. Federal Bureau of Statistics.

2. National Fertilizer Development Centre.

TABLE 2.2**AVERAGE RETAIL SALE PRICE OF FERTILIZERS**

Fiscal Year	Rs per bag of 50 Kg (10 lbs)							
	Urea (46% N)	AN/CAN (3% N)	AS (21% N)	NP (23:23)	SP(G) (18%)	DAP (18:46)	SOP (50%)	PK (10:20)
1990-91	195.0	90.0	85.0	173.0	93.0	249.	10.0	176.0
1991-92	195.0	95.0	90.0	173.0	93.0	272.	10.0	176.0
1992-93	205.0	109.0	96.0	196.0	93.0	264.	15.0	247.0
1993-94	210.1	..	125.3	202.6	95.8	269.	15.0	247.0
1994-95	235.0	150.0	164.0	250.0	150.0	379.	15.0	247.0
1995-96	267.0	172.0	172.0	320.0	183.0	479.	31.0	..
1996-97	340.0	209.0	197.0	384.0	211.0	553.	52.0	..
1997-98	341.0	223.6	232.5	396.6	200.0	564.	50.0	..
1998-99	346.0	231.0	275.0	457.0	234.0	665.	51.0	..
1999-00	327.0	231.0	286.0	464.0	298.0	649.	53.0	..
2000-01	363.0	233.0	300.0	468.0	253.0	670.	62.0	..
2001-02	394.0	268.0	308.0	519.0	280.0	710.	75.0	..
2002-03	411.0	282.0	344.0	539.0	287.0	765.	70.0	..
2003-04	420.0	208.0	373.0	622.0	329.0	913.	89.0	..
2004-05 P	462.0	342.0	394.0	703.0	372.0	993.	94.0	..

..: Not available

P: Provisional (Jul-Apr)

AN/CAN: Ammonium nitrate/calcium ammonium nitrate.

ASN: Ammonium super nitrate.

AS: Ammonium sulphate.

NP: Nitrophosphate.

Source: Federal Bureau of Statistics.

National Fertilizer Development Centre.

SP: single super phosphate.

DAP: Diammonium phosphate.

SOP: Sulphate of potash.

PK: Nitrogen phosphate and potash.

TABLE 2.11**AREA IRRIGATED BY DIFFERENT SOURCES**

(Million hectares)

Fiscal Year	Canals	Wells	Canal Wells	Tubewells	Canal Tubewells	Others	Total
			0.08	2.56	5.87	0.22	16.75
1990-91	7.89	0.13	0.11	2.59	5.93	0.21	16.85
1991-92	7.85	0.16	0.10	2.67	6.23	0.24	17.33
1992-93	7.91	0.18	0.09	2.78	6.22	0.17	17.13
1993-94	7.73	0.14	0.10	2.83	6.41	0.18	17.20
1994-95	7.51	0.17	0.11	2.89	6.58	0.22	17.58
1995-96	7.60	0.18	0.11	2.88	6.61	0.26	17.85
1996-97	7.81	0.18	0.13	3.00	6.74	0.18	18.00
1997-98	7.79	0.16	0.09	2.98	6.88	0.16	17.95
1998-99	7.67	0.17	0.09	3.11	6.99	0.18	18.11
1999-00	7.56	0.18	0.09	3.11	7.22	0.17	17.82
2000-01	6.98	0.16	0.10	3.19	7.24	0.18	18.04
2001-02	6.81	0.20	0.16	3.45	7.21	0.20	18.22
2002-03	7.06	0.21	0.17	3.37	7.50	0.21	18.78
2004-05 P	7.22	0.22	0.15	3.48			

Source: Ministry of Food, Agriculture and Livestock

P: Provisional

TABLE 2.12(A)**PROCUREMENT/SUPPORT PRICES OF AGRICULTURAL COMMODITIES**

(Rs per 40 kg)

Fiscal Year	Rice			Paddy		Sugarcane			
	heate	Basmati 385	Irri-6 (F.A.Q)	Basmati 385	Irri-6 (F.A.Q)	NWFP	Pijab	Sindh	Baluchistan
1990-91	112	283.00	127.00	143.50	73.00	5.25	5.25	15.75	..
1991-92	124	308.00	140.00	155.00	78.00	6.75	6.75	17.75	17.0
1992-93	130	340.00	150.00	175.00	85.00	7.50	7.50	17.50	14.7
1993-94	160	360.00	157.00	185.00	90.00	8.00	8.00	18.25	18.2
1994-95	160	389.00	170.00	210.90	102.60	20.50	0.50	20.75	20.7
1995-96	173	419.80	183.00	222.00	112.00	1.50	1.50	21.75	21.7
1996-97**	240	461.78	210.45	255.30	128.80	4.00	4.00	24.50	24.5
1997-98	240	..	..	310.00	153.00	5.00	5.00	36.00	36.0
1998-99	240	..	..	330.00	175.00	5.00	5.00	36.00	36.0
1999-00	300	..	..	350.00	185.00	5.00	5.00	36.00	36.0
2000-01	300	..	..	385.00	205.00	5.00	5.00	35.00	36.0
2001-02	300	..	..	385.00	205.00	2.00	2.00	43.00	43.0
2002-03	300	..	..	385.00	205.00	2.00	2.00	43.00	43.0
2003-04	350	..	..	400.00	215.00 #	2.00	2.00	43.00	..
2004-05	400	..	..	415.00	..	..	..	..	..

FAQ Fair Average Quality

(Contd)

.. Not applicable

** Rs.240/- v.f. April 3, 1997.

Indicative prices announced by the Government for 2003-04 crop.

! Prices of sugarcane for 2002-03 has been repeated, since the Federal Government has not fixed price in these years. However, Government of the Punjab and Sindh had fixed the minimum prices of sugarcane at Rs. 40 and Rs. 41 per 40 Kgs for 2001-02, the same are being continued so far.

TABLE 2.12(B)**PROCUREMENT/SUPPORT PRICES OF AGRICULTURAL COMMODITIES**

(..Contd.)

(Rs per 40 Kg)

Fiscal Year	Cotton Lint				Seed Cotton (Phutti)				Potato	Onion
	Desi	AC-13 NT	B-557 149-F	Sarmast Qallan-dri Delta-pine MS-39-40	Desi	AC-134, NT	B-557 F149 Niab-78	Sarmast Qallan-dri Delta-pine MS-39-40		
1990-91	550	615	645	690	120	235	145	260	55	52
1991-92	662	685	715	745	155	270	180	290	65	60
1992-93	695	..	770	800 *	175	..	200 *	310	67	65
1993-94	726	..	801	831 *	190	..	115 *	325	77	78
1994-95	795	..	986	1055 *	140	..	200 *	423	84	78
1995-96	795	..	986	1055 *	140	..	200 *	423	84	85
1996-97	..	..	..	..	140	..	200 *	540	115	100
1997-98	..	..	..	..	140	..	200 *	620	145	112
1998-99	..	..	..	..	..	..	225 *	..	145	140
1999-00	..	..	..	..	..	..	225 *	..	145	..
2000-01	..	..	..	..	..	..	225 *	..	145	..
2001-02	..	..	..	..	..	..	280 **	..	..	..
2002-03	..	..	..	..	..	..	200 **	..	..	..
2003-04	..	..	..	..	..	..	250 **	..	..	..
2004-05	..	..	..	..	..	..	225	..	..	..

.. not applicable

Source: Ministry of Food, Agriculture & Livestock (APCOM)

Niab-78, CIM-109

** An intervention price of seed cotton (Phutti Crop) or the base grade 3 with staple length 1-1 1/2" and micronaire range of 3.8 - 4.9 NCL fixed.

TABLE 2.13**PROCUREMENT, RELEASES AND STOCKS OF WHEAT AND RICE**

Fiscal Year						(000 tonnes)	
	Wheat(May-April)		Stocks (on 1st May)	Rice Procured		Stocks Balance (on 1st July)	
	Procurement	Releases		Basmati	Others	Basmati	Others
1990-91	4,412.4	5,417.0	1,492.0	142.7	673.8	719.3	117.5
1991-92	3,159.0	5,293.0	969.0	121.6	370.3	486.8	314.7
1992-93	3,249.0	5,044.0	504.0	500.5	454.0	285.2	540.5
1993-94	4,120.0	5,809.0	1,007.0	144.9	681.4	224.8	541.2
1994-95	3,644.0	6,004.0	776.0	284.0	..	236.4	848.5
1995-96	3,740.0	5,434.0	385.0	50.8	154.6	494.3	117.7
1996-97	3,448.0	6,006.0	396.0	..	..	159.4	187.9
1997-98	2,725.0	6,212.0	327.0	..	..	..	..
1998-99	3,984.0	6,165.0	841.0	..	..	..	..
1999-00	4,070.0	6,131.0	1,174.0	..	..	..	..
2000-01	8,582.0	5,537.0	702.0	..	..	..	..
2001-02	4,081.0	3,376.0	3,683.0	..	..	..	..
2002-03	4,045.0	5,137.8	992.0	..	..	..	..
2003-04	3,514.0	4,104.0	161.0	..	..	..	..
2004-05	4,730.0	4,480.5	373.9	..	..	..	..

Source: Ministry of Food, Agriculture and Livestock.

.. not available

* Stocks as on 1st May 2004.

TABLE 2.14**LIVESTOCK POPULATION**

Fiscal Year	(million numbers)								
	Braloes	Cattle	Goats	Sheep	Poultry	Camels	Asses	Horses	Mules
1990-91	17.8	17.7	37.0	26.3	146.9	1.1	3.5	0.4	0.1
1991-92	18.3	17.7	38.7	27.4	156.2	1.1	3.8	0.5	0.1
1992-93	18.7	17.8	40.2	27.7	182.6	1.1	3.8	0.4	0.1
1993-94	19.2	17.8	42.0	28.3	250.0	1.1	3.9	0.4	0.1
1994-95	19.7	17.8	43.8	29.1	318.8	1.1	4.0	0.4	0.1
1995-96	20.3	20.4	41.2	23.5	350.0	0.1	3.6	0.3	0.1
1996-97	20.8	20.8	42.6	23.7	382.0	0.1	3.6	0.3	0.1
1997-98	21.4	21.2	44.2	23.8	276.0	0.1	3.2	0.3	0.1
1998-99	22.0	21.6	45.8	23.9	278.0	0.1	3.8	0.3	0.1
1999-00	22.7	22.0	47.4	24.1	282.0	0.1	3.8	0.3	0.1
2000-01	23.3	22.4	49.1	24.2	292.4	0.1	3.9	0.3	0.1
2001-02	24.0	22.8	50.9	24.4	330.0	0.1	3.9	0.3	0.1
2002-03	24.8	23.3	52.8	24.6	346.1	0.1	4.1	0.3	0.1
2003-04	25.5	23.8	54.7	24.7	352.6	0.1	4.1	0.3	0.1
2004-05 P	26.3	24.2	56.7	24.9	366.0	0.1	4.2	0.3	0.1

P: Estimated (Jul-Mar)

Source: Livestock Division

TABLE 2.1**LIVESTOCK PRODUCTS**

Fiscal Year	(00 tonnes)											
	Milk	Beef	Mutton	Poultry Meat	Wool	Hair	Bones	Fat	Blood	Eggs (ln.Nos.)	Hides (Min.Nos.)	Skins (Min.l.os.)
1990-91	15,481	765	65	151	48.1	7.9	259.0	101.8	40.1	4,490	5.9	32.7
1991-92	16,280	803	73	169	49.3	8.3	265.0	104.5	42.5	4,914	6.0	33.9
1992-93	17,120	844	73	265	50.5	8.1	271.0	107.2	45.1	5,164	6.1	36.0
1993-94	18,006	887	77	296	51.7	9.0	277.0	110.0	47.3	5,740	6.2	37.8
1994-95	18,986	931	75	308	53.1	9.4	283.0	113.0	50.7	5,927	6.3	39.3
1995-96	22,970	898	37	355	38.1	15.6	295.7	110.1	32.0	5,757	7.0	32.7
1996-97	23,580	919	02	387	38.3	16.2	302.3	112.6	32.8	6,015	7.1	34.5
1997-98	24,215	940	17	284	38.5	16.7	309.2	115.2	33.6	5,737	7.3	35.3
1998-99	24,876	963	83	310	38.7	17.2	316.3	117.8	34.4	8,261	7.5	36.3
1999-00	25,566	986	49	322	38.9	17.9	324.0	120.6	40.9	7,321	7.6	37.2
2000-01	26,284	1,010	66	339	39.2	18.6	331.4	123.5	41.8	7,505	7.8	38.2
2001-02	27,031	1,034	83	355	39.4	19.2	339.4	126.5	42.9	7,679	7.9	39.2
2002-03	27,811	1,060	12	370	39.7	19.9	347.6	129.7	44.0	7,860	8.2	40.3
2003-04	28,624	1,087	23	402	39.9	20.7	356.2	132.9	45.2	8,102	8.4	41.4
2004-05 P	29,472	1,115	10	416	40.2	21.2	365.1	136.3	46.4	8,529	8.6	42.6

P: Provisional (Jul-Mar)

Source: Livestock Division

Note: Livestock Population and Products have been revised from 1995-96 onwards due to livestock census held in 1995-96.

TABLE 3.1
RESERVES AND EXTRACTION OF PRINCIPAL MINERALS

Reserves/ Years	(000 tonnes)										
	Anti- mony (tonnes)	Argonite/ Marble Very large Deposits	Chin Clay 4.9 million tonnes	Celestite (tonnes) ..	Chromite fairly large Deposits	Coal 85 billion tonnes	Dolomite (tonnes) Very large Deposits	Fire Clay over 100 million tons	Fullers Earth fairly large Deposits	Gypsum Anhydrite 350 million tons	Limestone Stores Very large Deposits
1990-91	128	281	44	1773	24	3154	154591	120	23	468	309
1991-92	-	321	42	1069	28	327	180987	139	21	471	528
1992-93	5	388	37	1682	23	356	220241	132	23	533	315
1993-94	3	460	48	4398	11	334	228090	116	17	666	125
1994-95	-	467	31	1403	13	343	227079	152	15	620	582
1995-96	-	458	43	762	27	365	185115	112	18	420	740
1996-97	-	459	66	812	35	396	215556	110	12	522	491
1997-98	-	345	68	961	35	345	116046	94	18	307	1166
1998-99	-	403	67	642	18	378	198831	153	16	242	467
1999-00	-	579	63	802	26	364	347583	139	19	355	589
2000-01	95	620	47	807	22	385	352689	164	13	364	1870
2001-02	37	685	54	382	24	512	312886	171	16	402	1820
2002-03	-	1066	40	402	31	609	340864	117	15	424	1880
2003-04	-	994	25	570	29	325	297419	193	14	467	1150
<u>Jul-Mar</u>											
2003-04	-	703	13	323	20	384	195761	137	11	307	964
2004-05	-	839	27	1157	51	444	166589	173	12	436	1109

- Nil or Insignificant

P Provisional

(Contd.)

TABLE 3.1

RESERVES AND EXTRACTION OF PRINCIPAL MINERALS

	(000 tonnes)										
	Magne- site (tonnes)	Rock Salt	Silica Sand	Ochre (tonnes)	Sulphur (tonnes)	Soap Stone	Baryte	Bauxite/ Laterite (tonnes)	Iron Ore (tonnes)	Crude Oil (m. barrels)	Natural Gas (000 m.cu.mtr.)
	Over 100 million tons	Very large deposits	..	0.8 million tons	0.6 million tons	5 million tons	Over 74 million tons	Over 430 million tons	184 million US barrels	492 billion cu. metre	
Reserves/ Years											
1990-91	4,242	736	143	1,285	295	32	26	24,644	318	23.49	14.66
1991-92	6,333	833	132	1,001	215	37	30	21,818	937	22.47	15.57
1992-93	5,047	895	158	1,000	510	48	26	18,682	1,922	21.90	16.50
1993-94	7,000	916	169	745	715	44	18	34,984	3,792	20.68	17.65
1994-95	5,227	890	152	4,623	510	34	20	32,214	8,103	19.86	17.77
1995-96	14,981	958	184	8,081	20	40	14	19,554	6,046	21.05	18.85
1996-97	6,679	1,066	154	2,047	640	45	30	33,583	4,575	21.27	19.76
1997-98	3,397	971	135	3,147	22,458	49	30	28,366	5,500	20.54	19.82
1998-99	3,455	1,190	158	4,080	19,103	61	18	41,362	38,151	19.95	20.92
1999-00	4,513	1,358	167	4,793	22,812	48	26	48,237	45,980	20.40	23.17
2000-01	4,645	1,394	155	4,691	17,428	47	28	35,114	24,765	21.08	24.78
2001-02	4,637	1,423	157	5,064	22,580	39	21	37,182	4,942	23.19	26.16
2002-03	2,645	1,426	185	6,733	19,402	66	41	67,536	11,483	23.46	28.11
2003-04	6,074	1,640	259	7,861	23,873	52	44	88,044	84,946	22.62	34.06
Jul-Mar											
2003-04	5,330	1,238	195	5,914	17,272	45	33	64,292	42,324	17.09	24.99
2004-05 (P)	2,836	1,214	236	6,090	18,426	29	35	69,816	78,816	18.18	28.41

Source: 1. Federal Bureau of Statistics.

Source: 1. Federal Bureau of Statistics.

TABLE 1.2

PRODUCTON INDEX OF MINING AND MANUFACTURING

Year	Mining			Manufacturing
	1969-7=100	1975-76=00	1980-81=10	198081=100
1990-91	468	40.3	275.	202.5
1991-92	472.1	42.8	277.	218.5
1992-93	478	42.6	278.	227.5
1993-94	483.4	47.1	275.	237.2
1994-95	461.8	47.6	270.	240.8
1995-96	504.8	45.3	296.	248.4
1996-97	520.1	46.3	305.	243.1
1997-98	512.3	49.5	302.	261.6
1998-99	509.1	48.7	283.	270.8
			1999-200=100	
1999-00	545.6	48.8	100.	100.0
2000-01	576.7	47.6	98.	101.0
2001-02	611.3	52.8	105.	114.8
2002-03	655.7	52.4	122	123.1
2003-04	709.8	57.2	134	-
<u>Ju-Mar</u>				
2003-04		..	101	121.4
2004-05		..	110	142.2
..	Not available			
P	Provisional			

Source: Federal Bureau of Statistics

TABLE 3.3

COTTON TEXTILES STATISTICS

Year	No. of Mills	Installed Capacity		Working at the end of the period		Spindle Hours Worked (Million)	Loom Hours Worked (Million)	Consumption of Cotton (mln kg)	Total Yarn Produced (mln.kg)	Surplus Yarn (mln. kg)	Total Production of Cloth (mln. sq mtr.)
		No. of Spindles (000)	No. of Looms (000)	No. of Spindles (000)	No. of Looms (000)						
1990-91	247	5,493	15	4,754	8	39,542	60.2	1,197.5	1,041.2	1,001.0	292.9
1991-92	271	6,141	15	5,260	8	43,606	58.8	1,342.8	1,170.7	1,134.7	307.9
1992-93	284	6,768	14	5,433	6	46,364	55.5	1,427.0	1,219.0	1,148.6	325.4
1993-94	320	8,182	14	5,886	6	47,221	44.0	1,483.4	1,309.6	1,272.8	314.9
1994-95	334	8,307	14	5,991	5	49,734	41.8	1,558.9	1,369.7	1,340.6	321.8
1995-96	349	8,493	13	6,356	5	52,239	37.1	1,661.9	1,495.1	1,434.7	327.0
1996-97	357	8,137	10	6,465	5	53,625	36.4	1,670.1	1,520.8	1,473.9	333.5
1997-98	353	8,274	10	6,556	4	55,005	37.7	1,751.0	1,532.3	1,478.9	340.3
1998-99	348	8,298	10	6,594	5	55,802	35.2	1,839.6	1,540.3	1,482.4	384.6
1999-00	351	8,383	10	6,750	4	57,205	34.3	1,961.6	1,669.9	1,604.4	437.2
2000-01	353	8,594	10	7,105	4	59,219	34.1	2,070.1	1,721.0	1,652.7	490.2
2001-02	354	8,967	10	7,078	5	61,267	36.3	2,155.2	1,808.6	1,731.2	568.4
2002-03	363	9,216	10	7,623	5	64,274	38.7	2,371.3	1,934.9	1,855.4	576.6
2003-04	363	9,592	11	8,009	4	70,214	32.6	2,407.6	1,938.9	1,845.8	683.4
2004-05 P	426	9,815	10	8,531	5	54,451	22.4	1,967.1	1,717.7	1,639.6	688.4

P: Provisional

Source: Federal Bureau of Statistics
Textile Commissioner Organization

TABLE 3.4**PRODUCTION OF FERTILIZERS, VEGETABLE GHEE, SUGAR AND CEMENT**

(000 tonnes)

	Fertilizers					Vegetal Ghee	Sugar	Cement
	Urea	Super Phosphate	Ammonium Sulphate	Ammonium Nitrate	Nitro Phosphate			
1990-91	2050.3	75.1	318.8	92.3	321.0	656	1,934	7,762
1991-92	1,898.0	94.0	300.0	92.9	309.8	639	2,322	8,321
1992-93	2,306.1	05.0	302.2	92.9	297.3	725	2,384	8,558
1993-94	3,103.8	95.1	242.7	82.0	251.4	671	2,841	8,100
1994-95	3,000.2	47.0	313.9	79.6	285.0	711	2,964	7,913
1995-96	3,260.1	03.7	383.5	83.7	336.5	733	2,426	9,567
1996-97	3,258.7	0.1	330.2	80.9	350.3	714	2,383	9,536
1997-98	3,284.2	0.0	316.3	-	293.2	719	3,555	9,364
1998-99	3,521.7	21.6	338.8	-	285.0	773	3,542	9,635
1999-00	3,785.0	45.8	386.5	-	261.3	695	2,429	9,314
2000-01	4,005.1	59.6	374.4	-	282.5	835	2,956	9,674
2001-02	4,259.6	161.0	329.4	-	305.7	797	3,247	9,935
2002-03	4,401.9	147.2	335.3	-	304.9	743	3,686	11,020
2003-04	4,431.6	167.7	350.3	-	363.4	888	4,020	12,862
<u>July-March</u>								
2003-04	3,336.8	124.9	263.9	-	269.7	166.2	3,746	9,307
2004-05	3,453.9	122.4	239.8	-	249.0	153.6	2,961	10,726

- Nil

Source: Federal Bureau of Statistics

P Provisional

TABLE 35**PRODUCTION OF SELECTED INDUSTRIAL ITEMS**

Year	Food and Tobacco		Jute Textiles		Rubber		Cycle Tubes (100 Nos.)
	Beverages (000 doz. bottles)	Cigarettes (million Nos.)	Textiles (000 tones)	Rubber Tyres (000 Nos.)	Motor Tubes (000 Nos.)	Cycle Tyres (000 Nos.)	
1990-91	67,607	29,887	96.9	952	146	381	5,468
1991-92	85,266	29,673	100.9	784	118	3,71	5,757
1992-93	139,823	29,947	97.5	712	150	3,81	5,612
1993-94	113,704	35,895	76.4	783	106	3,81	6,191
1994-95	143,019	32,747	68.5	912	133	3,51	5,146
1995-96	131,114	45,506	70.6	1003	109	3,91	5,594
1996-97	115,817	46,101	68.7	525	143	4,11	5,205
1997-98	149,848	48,215	95.4	767	165	1,41	4,978
1998-99	185,014	51,578	85.5	845	186	3,61	5,529
1999-00	194,336	46,976	85.5	856	190	3,77	5,937
2000-01	211,798	58,259	89.4	884	520	4,01	5,891
2001-02	207,646	55,318	81.7	908	555	4,51	6,938
2002-03	190,442	49,365	95.4	1082	516	5,31	8,942
2003-04	224,238	55,399	95.4	1302	587	4,73	8,270
<u>July-Mar</u>							
2003-04	147,258	39,900	78.6	926	406	3,60	5,900
2004-05 P	120,975	44,100	78.6	1101	427	3,70	7,200

P Provisional

(Contd.)

TABLE 3.5**PRODUCTION OF SELECTED ITEMS**

Year	Chemicals					Polishes & Creams for Footwear (min. Grams)	Transport, Machinery & Electrical Appliances		
	Soda Ash	Sulphuric Acid	Caustic Soda	Chlorine Gas	Paints & varnishes		Bicycles	Sewing Machines	Total TV Sets
	(000 tonnes)	(000 tonnes)	(000 tonnes)	(000 tonnes)	(toones)		(000 Nos.)	(000 Nos.)	(000 Nos.)
1990-91	147.2	93.5	78.5	6.7	14,308	651.1	428.8	81.3	181.7
1991-92	185.9	97.6	82.0	6.1	18,950	682.5	478.4	85.1	145.5
1992-93	196.2	99.8	81.5	5.9	16,626	638.1	588.6	72.3	162.2
1993-94	197.0	102.3	89.0	5.8	9,373	602.8	563.7	76.7	112.5
1994-95	196.1	80.4	92.7	7.8	6,865	719.5	473.4	68.1	101.1
1995-96	221.2	69.2	109.0	9.1	8,030	836.8	545.1	84.1	277.6
1996-97	247.0	30.8	118.2	9.4	8,005	861.1	432.4	61.1	185.6
1997-98	240.3	28.1	115.7	9.7	5,917	869.7	452.1	36.2	107.4
1998-99	239.4	27.0	120.4	11.3	6,500	888.8	504.0	29.7	128.3
1999-00	245.7	57.7	141.3	14.2	7,347	897.7	534.1	27.6	121.3
2000-01	217.9	57.1	145.5	14.5	10,922	877.4	569.6	26.9	97.4
2001-02	215.2	59.4	150.3	15.1	10,341	920.9	553.4	24.0	450.0
2002-03	280.2	55.9	164.3	15.9	3,899	935.3	629.6	30.5	764.6
2003-04	286.5	64.6	187.5	17.2	5,406	950	664.1	34.9	843.0
<u>Jul-Mar</u>									
2003-04	219.4	45.6	137.1	12.7	7,100	660.6	491.2	27.5	615.7
2004-05 P	223.6	67.1	152.3	14.4	11,200	687.4	418.4	25.1	650.5

Contd.

TABLE 3.5**PRODUCTION OF SELECTED INDUSTRIAL ITEMS**

Year	Electrical Appliances		Papers & Board		Steel Products		
	Electric Bulbs	Electric Tubes	Paper Board	Paper (All Types)	Coke	Pig Iron	Billets
	(Min. Nos.)	(000 metres)	(000 tonnes)	(000 tonnes)	(000 tonnes)	(000 tonnes)	(000 tonnes)
1991-92	43.2	4,460	111.0	66.0	737.2	1048.1	306.7
1992-93	41.3	4,205	154.8	109.0	716.4	1098.2	338.4
1993-94	42.7	5,307	133.2	129.3	771.6	1252.7	403.9
1994-95	41.6	5,352	106.2	208.4	701.5	1044.7	343.5
1995-96	45.8	5,417	110.0	193.4	685.6	1002.2	332.7
1996-97	56.4	7,598	197.6	149.0	663.0	1068.6	378.5
1997-98	62.5	8,354	166.5	178.3	667.7	1015.8	350.1
1998-99	66.8	7,991	173.6	186.8	588.7	989.3	276.1
1999-00	63.2	7,137	228.0	206.2	675.5	1106.6	345.2
2000-01	55.2	10,542	246.3	254.8	717.3	1071.2	414.7
2001-02	52.8	10,441	325.4	291.8	694.6	1042.9	412.0
2002-03	58.2	10,844	205.2	154.3	775.1	1140.1	408.3
2003-04	139.3	14,614	248.5	158.0	785.5	1179.9	408.3
<u>Jul-Mar</u>							
2003-04	105.8	10,200	185.0	118.5	591.0	886.9	342.2
2004-05 P	106.6	11,300	195.6	120.9	624.5	913.4	272.0

Source: Federal Bureau of Statistics
Ministry of Industries

P Provisional

TABLE 36

PERCENT GOWTH OF SELETED INDUSTRIAL ITEMS

	Cotton Yarn	Cotton Cloth	Jute Goods	Veg.Ghee	Cigarettes	Fertilizes	Cermt	Soa Ash	Caustic Soda	Sugar
1991-92	14.22	(0.6)	1.15	(3.93)	(7.41)	(236)	.66	1.53	6.01	4.11
1992-93	12.44	512.0	4.13	(2.59)	(0.72)	(552)	.20	26.29	4.49	20.06
1993-94	7.43	(3.2)	(21.64)	(7.45)	19.86	2036	.35)	(0.41)	9.20	19.17
1994-95	4.59	2.1	(10.34)	5.96	(8.77)	(127)	.31)	(0.46)	4.16	4.35
1995-96	9.16	1.8	3.07	3.09	38.96	839	.90	12.80	17.58	(18.11)
1996-97	1.72	1.9	(2.69)	(2.59)	1.31	(353)	.32)	11.66	8.44	(1.71)
1997-98	0.76	2.6	38.86	0.70	4.54	(315)	.80)	(2.71)	(2.12)	49.11
1998-99	0.52	13.8	(10.38)	7.95	6.98	637	.30	(0.37)	4.06	(0.41)
1999-00	8.41	13.3	(1.87)	(9.65)	(8.92)	462	.33)	2.63	17.36	(31.41)
2000-01	3.06	12.1	4.56	19.59	24.02	921	.87	(11.30)	2.97	21.71
2001-02	5.09	20.9	(8.61)	7.24	(5.05)	(038)	.70	(1.23)	3.85	9.81
2002-03	6.18	1.5	14.03	(6.75)	(10.42)	1211	.11	10.09	9.34	13.41
2003-04	0.73	17.3	8.87	15.10	12.22	780	.60	2.22	14.11	9.01
2004-05 P	18.22	28.5	(0.08)	(1.89)	10.50	586	.25	1.90	11.08	(20.91)

P July-March

Source: Fedal Bureau of Statists

Note: Figures in parentheses represent negative growth.

TABLE 3.7

FOREIGN INVESTMENT

		(Million US \$)						
Fiscal Year		USA	UK	UAE	Germany	France	HongKong	Italy
1991-92	Direct	213.4	20.8	10.5	21.4	8.5	..	2.0
	Portfolio	50.9	-1.2	47.6	0.5	..	83.7	0.3
	Total	264.3	19.6	58.1	21.9	8.5	83.7	2.3
1992-93	Direct	136.9	25.7	9.5	36.2	5.7	12.4	0.6
	Portfolio	25.7	19.7	0.9	..	-	48.8	-
	Total	162.6	45.4	10.4	36.2	5.7	61.2	0.6
1993-94	Direct	114.5	32.0	7.5	92.6	9.1	11.1	1.2
	Portfolio	34.0	50.0	2.6	..	3.3	-	-19.2
	Total	148.5	82.0	10.1	92.6	12.4	11.1	-18.0
1994-95	Direct	176.4	38.7	46.8	17.6	13.5	2.2	0.3
	Portfolio*	370.2	243.9	34.9	11.2	37.1	173.1	8.7
	Total	546.6	282.6	81.7	28.8	50.6	175.3	9.0
1995-96	Direct	319.8	331.7	52.8	26.0	14.0	33.9	0.5
	Portfolio	35.9	68.1	-22.3	3.3	..	-4.3	-
	Total	355.7	399.8	30.5	29.3	14.0	29.6	0.5
1996-97	Direct	246.2	240.1	54.9	17.6	10.2	7.5	1.8
	Portfolio	111.3	77.9	-5.2	19.7	..	-20.6	-
	Total	357.5	318.0	49.7	37.3	10.2	-13.1	1.8
1997-98	Direct	256.6	135.3	19.2	24.0	4.9	2.1	0.9
	Portfolio	64.2	-106.2	22.1	0.3	0.4	229.6	0.1
	Total	320.8	29.1	41.3	24.3	5.3	231.7	1
1998-99	Direct	16.4	81.6	6.9	19.3	7.0	1.0	0.2
	Portfolio	11.4	-30.5	25.4	0.0	7.3	0.5	0.0
	Total	175.3	51.1	32.3	19.3	14.3	1.5	0.1
1999-00	Direct	166.9	169.0	5.7	10.5	1.6	0.8	0.5
	Portfolio	-20.0	28.7	25.2	0.0	0.2	9.7	0.0
	Total	146.9	197.7	30.9	10.5	1.8	10.5	0.5
2000-01	Direct	92.7	90.5	5.2	15.5	0.7	3.6	1.3
	Portfolio	-37.8	-33.8	-10.9	-	-	-16.3	-
	Total	54.9	56.7	-5.7	15.5	0.7	-12.7	1.3
2001-02	Direct	326.4	30.3	21.5	11.2	-6.9	2.8	0.1
	Portfolio	-1.7	-32.4	-4.2	-	0.3	20.6	-
	Total	324.7	-2.1	17.3	11.2	-6.6	23.4	0.1
2002-03	Direct	211.5	219.4	119.7	3.7	2.6	5.6	0.2
	Portfolio	15.1	-34.6	0.7	0.1	-	-0.4	0.2
	Total	226.6	184.8	120.4	3.8	2.6	5.2	0.4
2003-04	Direct	233.4	64.9	134.6	7	-5.6	6.3	1.9
	Portfolio	21.4	-23	11.9	-3.0	0	-1.3	-1.9
	Total	259.8	41.9	146.5	4	-5.6	5	0
2004-05*	Direct	200.9	150.9	69.1	9.5	-3.1	18.7	0.3
	Portfolio	24.5	7.8	45.9	0	0.1	24.2	0
	Total	225.4	158.7	115	9.5	-3	42.9	0.3

* July-April

TABLE 3.7

FOREIGN INVESTMENT

(Cid.)		(Millio US \$)						
Fiscal Year		Japan	Saudi Arabia	Canada	Netherland	Korea	Others	Total
19-92	Direct	17.7	0.1	3.0	0.8	-	38	335.1
	Portfolio	..	1.1		1.3	-	34	218.5
	Total	17.7	1.2	3.0	2.1	-	72	553.6
19-93	Direct	22	8.2	0.3	5.6	-	43	306.4
	Portfolio	6.3	0.4	4.0	5.3	-	27	136.8
	Total	28.3	8.6	4.3	10.9	-	69	443.2
19-94	Direct	0.3	29.7	1.9	1.2	-0.1	51	354.1
	Portfolio		0.8		8.8	0.1	202	288.6
	Total	0.3	30.5	1.9	10	0	263	642.7
19-95	Direct	16.3	0.9	0.4	4.5	40.8	80	442.4
	Portfolio	4.6	1.2	-17.2	11.5	-	217	1089.9
	Total	20.9	2.1	-16.8	16	40.8	297	1532.3
19-96	Direct	82.1	26.9	0.8	11.9	31.1	168	1101.7
	Portfolio	13.1	-1.1	..	..	-	113	205.0
	Total	95.2	25.8	0.8	11.9	31.1	281	1306.7
19-97	Direct	36.6	-17	1.7	7.7	7.1	65	682.1
	Portfolio	6.9	..	0.8	3.5	-	1.1	267.7
	Total	43.5	-17	2.5	11.2	7.1	1.6	949.5
97-98	Direct	17.8	1.2	0.5	26.9	5.1	11.0	601.3
	Portfolio	-1.2	1.3	-	-	-	1.7	221.3
	Total	16.6	2.5	0.5	26.9	5.1	1.7	822.6
98-99	Direct	57.4	1.1	0.3	5.7	4.1	1.0	376.0
	Portfolio	0.0	0.0	0.0	0.6	0.1	1.4	27.3
	Total	57.4	1.1	0.3	6.3	4.1	1.4	403.3
99-00	Direct	17.7	28.6	0.2	10.7	9.1	1.4	469.9
	Portfolio	0.2	-5.9	0.0	9.4	0.1	1.0	73.5
	Total	17.9	22.7	0.2	20.1	9.1	1.4	543.4
2000-01	Direct	9.1	56.6	0.1	4.8	3	3.6	322.4
	Portfolio	-	-1.7	0.5	-1.3	-	3.1	-140.4
	Total	9.1	54.9	0.6	3.5	3	3.5	182.0
2001-02	Direct	6.5	1.3	3.5	-5.1	0	2.6	484.7
	Portfolio	0.2	0.1	2.7	-0.8	-	5.2	-10
	Total	6.7	1.4	6.2	-5.9	0	7.8	474.7
2002-03	Direct	14.1	43.5	0.5	3.0	0	14.0	798.0
	Portfolio	-	0.1	-	-	-6	7.7	22.1
	Total	14.1	43.6	0.5	3.0	-6	11.7	820.1
2003-04	Direct	15.1	7.2	0.5	14	-	14.1	949.6
	Portfolio	-3.5	-1.9	0.0	-1.9	-1	5.1	-27.7
	Total	11.6	5.3	0.5	12.1	-1	449	921.7
2004-05*	Direct	38.4	13.5	4.3	32.5	-	15.3	891.5
	Portfolio	-3.4	-0.2	0.1	24.9	-	11.6	135.5
	Total	35.0	13.3	4.4	57.4	-	16.9	1021

Stands for amount less than \$ 0.05 million

Source: State Bank of Pakistan

Not Available

Direct investment consists of cash, capital equipment brought in and reinvested earnings.

July-March

TABLE 4.
FEDERAL GOVERNMENT OVERALL BUDGETARY POSITION

		(Rs Million)	
Fiscal Year/ Item		2003- (R)	2004/5 (M.E)
A. REVENUE			
1	Direct Taxes	165.3	185.30
2	Indirect Taxes	353.6	404.30
	i. Customs	89.9	105.30
	ii. Sales Tax	219.1	252.30
	iii. Federal Excise	44.6	46.30
3	Total Tax Revenue	518.9	590.30
	(1+2)	580.3	625.30
4	Surcharges	61.4	35.30
	i. Natural Gas	16.8	17.30
	ii. Petroleum	44.6	18.30
5	Non-tax Revenue	160.0	149.30
6	Total Revenue Receipts	740.9	775.30
	Gross (3+4+5)		
B. EXPENDITURE			
9	Current Expenditure	556.9	675.30
	i. Defence	180.4	194.30
	ii. Debt Servicing	196.3	265.30
	iii. Grants	34.3	29.00
	iv. General Administration	75.9	82.00
	v. Subsidies	37.0	53.00
	vi. Other	33.0	51.00
10	Development Expenditure (SDP)	102.0	134.00
11	Total Expenditure (9+10)	658.9	809.30

RE- Revised Estimate

Source: Budgeting, Finance Division, Islamabad

M.B.E.- Modified Budget Estimate

@ : Include Law and Order, Social, Economic and Community Services

TABLE 4.2

SUMMARY OF PUBLIC FINANCE

Fiscal Year/ Item	(Rs Million)								% Change 2004-05/ 2003-04
	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04 R.E.	2004-05 (M.B.E)	
Total Revenues (I+ii)	429,454	468,601	512,500	553,000	624,100	720,800	791,100	851,300	7.6
Federal	400,342	429,691	477,600	514,000	584,000	673,600	740,900	779,800	5.3
Provincial	29,112	38,910	34,900	39,000	40,100	47,200	50,200	71,500	42.4
I) Tax Revenues	354,754	390,726	405,600	441,600	478,100	555,800	608,400	662,600	8.9
Federal	338,042	375,078	386,800	422,500	459,300	534,000	580,300	630,000	8.6
Provincial	16,712	15,648	18,800	19,100	18,800	21,800	28,100	32,600	16.0
ii) Non-Tax Revenues	74,700	77,875	106,900	111,400	146,000	165,000	182,700	188,700	3.3
Federal	62,400	54,613	90,800	91,500	124,700	139,600	160,600	149,800	-6.7
Provincial	12,300	23,262	16,100	19,900	21,300	25,400	22,100	38,900	76.0
Total Expenditures (a+b+c)	634,014	647,778	709,100	717,900	826,250	898,200	955,800	1,050,400	9.9
a) Current	529,919	547,279	626,400	645,700	700,200	791,700	774,900	866,000	11.8
Federal	407,219	424,443	477,900	479,000	524,600	599,800	556,500	623,300	12.0
Provincial	122,700	122,836	148,500	166,700	175,600	191,900	218,400	242,700	11.1
b) Development(PSDP)	104,095	98,286	95,600	89,800	126,250	129,200	160,500	188,000	17.1
c) Net Lending to PSE's	-	2,213	-12,900	-17,600	-200	-22,700	20,400	-3,600	-
d) Statistical Discrepancy	-	-	9,700	14,800	-11,700	3,200	-35,400	-	-
Overall Deficit	-204,560	-179,177	-206,300	-179,700	-190,450	-180,600	-129,300	-199,100	-
Financing (net)	204,992	179,177	206,300	179,700	190,450	180,600	129,300	199,000	-
External (Net)	38,761	97,070	69,700	120,700	83,100	113,000	-6,600	74,500	-
Domestic (i+ii)	166,231	82,108	136,600	59,000	107,350	67,600	135,900	124,500	-
i) Non-Bank	118,202	155,919	96,700	92,000	85,000	119,500	61,000	49,500	-
ii) Bank	48,029	-73,611	39,900	-33,000	14,000	-55,600	63,700	60,000	-
iii) Privatization Proceeds	-	-	-	-	8,350	3,700	11,200	15,000	-
Memorandum Item	2,678	2,938	3,793	4,163	4,402	4,823	5,533	6,548	18.3
GDP (mp) in Rs. Billion									
									(As Percent of GDP at Market Price)£
Total Revenue	16.0	15.9	13.5	13.3	14.2	14.9	14.3	13.0	
Tax Revenue	13.2	13.3	10.7	10.6	10.9	11.5	11.0	10.1	
Non-Tax Revenue	2.8	2.7	2.8	2.7	3.3	3.4	3.3	2.9	
Expenditure	23.7	22.0	18.7	17.2	18.8	18.6	17.3	16.0	
Current	19.8	18.6	16.5	15.5	15.9	16.4	14.0	13.2	
Development @	3.9	3.3	2.5	2.2	2.9	2.7	2.9	2.9	
Overall Deficit	7.7	6.1	5.4	4.3	4.3	3.7	2.3	3.0	

Source: Budget Wing, Finance Division, Islamabad

M.B.E: Modified Budget Estimates

R.E: Revised Estimates

@ From 1998-99 onward, also include lending to PSEs

£ Beginning from 1999-2000, Pakistan's GDP was rebased at 1999-2000 Prices from two decades old base of 1980-81

Therefore, wherever, GDP appears in denominator the number of prior to 1999-2000 are not comparable.

TABLE 4.3**CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENTS REVENUES**

Fiscal Year/ Item	197-98	1998-99	1999-00	2000-01	2001-02	2002-03 (P.A.)	2003-04 (F.)	2004-05 (M.B.E.)	% change 201-05/ 203-04
Total Revenue (I+II)	42,454	468,601	512,500	553,000	624,100	720,8	791,0	85300	.6
Federal	40,442	429,691	477,600	514,000	584,000	673,6	740,0	77300	.3
Provincial	2,012	38,910	34,900	39,000	40,100	47,2	50,0	7500	4.4
I. Tax Revenues (A+)	35,754	390,726	405,600	441,600	479,335	555,8	608,0	66200	.9
Federal	33,042	375,078	386,800	422,500	460,224	534,0	580,0	63000	.6
Provincial	1,712	15,648	18,800	19,100	19,111	21,8	28,0	3200	1.0
A. Direct Taxes (12)	10,098	105,588	115,672	128,556	147,403	157,8	169,38	19758	1.1
Federal	10,182	103,476	112,600	124,585	142,649	151,5	165,0	18100	1.0
Provincial	,916	2,112	3,072	3,971	4,754	5,9	4,38	658	5.0
B. Indirect Taxes (3+4-5+6+7)	24,656	285,138	289,931	315,732	331,932	396,0	439,36	46549	.0
3. Excise Duty	8,922	62,691	56,934	50,325	48,572	45,4	46,28	4328	.5
Federal	8,011	60,572	55,600	49,000	47,189	44,0	44,0	4500	.3
Provincial	911	2,119	1,334	1,325	1,383	1,5	1,28	828	1.3
4. Sales Tax*	3,942	68,680	116,767	153,500	166,618	195,8	219,0	25300	1.4
5. Taxes on Interna- tional Trade	1,496	78,654	61,600	65,000	47,817	68,5	89,0	10200	1.8
6. Surcharges	2,911	61,927	38,912	30,200	54,854	68,2	61,0	3800	-1.7
6.1 Gas	3,364	9,855	13,500	12,300	18,867	21,3	16,0	1800	.0
6.2 Petroleum	3,547	52,072	25,400	17,900	35,987	46,2	44,0	1000	-3.6
7. Other Taxes*	5,385	13,186	15,718	16,707	14,071	18,9	23,38	2321	1.6
7.1 Stamp Duties	1,814	5,287	6,397	5,230	5,721	6,0	7,34	1093	1.3
7.2 Motor Vehicle Taxes	2,113	2,368	2,803	3,121	3,195	3,8	4,38	230	1.8
7.3 Foreign Travel Tax*	1,464	1,769	1,350	1,048	1,097	4,0	2,38	216	11.9
7.4 Others	5,994	3,762	5,168	7,308	4,058	3,0	9,78	882	-5.2
II. Non-Tax Revenue	4,700	77,875	106,900	111,400	146,000	165,0	182,0	18700	.3
Federal	2,400	54,613	90,800	91,500	124,700	139,0	160,0	14800	1.7
Provincial	2,300	23,262	16,100	19,900	21,300	25,0	22,0	3900	3.0

* Revenues under these heads are exclusively Federal.

Source: Budget Wing Finance Division, Islamabad

** Mainly include Provincial Revenues

M.B.E. Modified Budget Estimate

R.E. Revised Estimates.

TABLE 4.4

CONSOLIDATED FEDERAL AND PROVINCIAL GOVERNMENTS EXPENDITURES

Fiscal Year/ Item	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03 (P.A)	2003-04 RE	2004-05 (M.B.E)
Current Expenditure	529,911	547,279	626,400	645,700	700,200	791,700	774,900	866,000
Federal	407,211	424,443	477,900	479,000	524,600	599,800	556,500	623,300
Provincial	122,700	122,836	148,500	166,700	175,600	191,900	218,400	242,700
Defence	136,164	143,471	150,400	131,200	149,254	159,700	180,400	193,926
Interest	202,356	220,100	262,247	249,252	273,894	235,304	226,256	247,948
Federal	196,251	213,259	245,100	234,500	245,300	209,700	202,500	214,249
Provincial	6,105	6,841	17,147	14,752	28,594	25,604	23,756	33,699
Current Subsidies	8,840	15,035	23,239	29,028	29,221	57,114	67,920	68,405
Federal	6,268	9,533	14,700	19,900	25,488	50,000	62,500	59,532
Provincial	2,572	5,502	8,539	9,128	3,733	7,114	5,420	8,873
Gen. Administration*	61,431	66,950	92,108	100,981	91,024	100,210	120,023	121,631
Federal	27,344	26,650	47,500	70,700	56,300	60,900	75,500	82,500
Provincial	34,087	40,300	44,608	30,281	34,724	39,310	44,523	39,131
All Others**	121,120	101,723	98,406	135,239	156,807	239,372	180,301	234,090
Development Expenditure	104,095	98,286	95,600	89,800	126,200	129,202	160,500	188,000
Net Lending to PSEs	-	2,213	-12,900	-17,600	-200	-33,472	20,500	-3,621
Total Expenditure	634,006	647,778	709,100	717,900	826,200	887,430	955,900	1,050,379
(Percent Growth over Preceding period)								
Memorandum Items:								
Current Expenditure	16.4	3.3	14.5	3.1	8.4	13.1	-2.1	11.8
Defense	6.8	5.4	4.8	-12.8	13.8	7.0	13.0	7.5
Interest	25.6	8.8	19.1	-5.0	9.9	-14.1	-3.8	9.6
Current Subsidies	-25.8	70.1	54.6	24.9	0.7	95.5	18.9	0.7
General Administration#	33.8	9.0	37.6	9.6	-9.9	10.1	19.8	1.3
All Others	11.2	-16.0	-3.3	37.4	15.9	52.7	-24.7	29.8
Development Expenditure	21.7	-5.6	-2.7	-6.1	40.5	2.4	24.2	17.1
Total Expenditure	17.2	2.2	9.5	1.2	15.1	7.4	7.7	9.9
As % of Total Expenditure								
Current Expenditure	83.6	84.5	88.3	89.9	84.7	89.2	81.1	82.4
Defense	21.5	22.1	21.2	18.3	18.1	18.0	18.9	18.5
Interest	31.9	34.0	37.0	34.7	33.2	26.5	23.7	23.6
Current Subsidies	1.4	2.3	3.3	4.0	3.5	6.4	7.1	6.5
General Administration	9.7	10.3	13.0	14.1	11.0	11.3	12.6	11.6
All Others	19.1	15.7	13.9	18.8	19.0	27.0	18.9	22.3
Development Expenditure@	16.4	15.5	11.7	10.1	15.3	10.8	18.9	17.6
Total Expenditure	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Budget Wing, Finance Division.

* Include Law & Order.

** Include mainly Provincial Expenditures.

Also include law & order, social, Economic and Community Services.

@ Include net lending

Note: Variation in figures of interest payments of table 4.4 and 4.5 is on account of different methodology and sources of data collection used by Budget Resource Section and Debt Management Section of Finance Division.

MBE: Modified Budget Estimates

RE: Revised Estimates

TABLE 4.5

DEBT SERVICING

Fiscal Year/ Item	1997-98	1998-99	1999-00	2000-01	2001-02	20-03	203-04 (R)	204-05 (M.E)	%change 2004-05/ 2003-04
A. <u>Interest Payments</u>	202,356	220,100	273,901	254,233	278,771	2478	25,639	27,948	6.6
A.1 <u>Federal</u>	196,251	213,259	256,761	239,481	250,777	2174	19,730	24,249	7.8
Interest on Domestic Debt	167,513	175,273	210,151	188,481	189,777	1674	16,540	17,090	5.4
Interest on Foreign Debt	28,738	37,986	46,601	51,000	60,900	490	3,190	4,040	18.4
Foreign Loans	24,836	30,335	34,691	40,355	68,34	471	5,437	7,956	24.7
MF Drawings	1,555	1,707	2,511	2,909	2,83	10	840	0	0.0
Food Credit Short									
Short Term Borrowings	2,347	3,133	6,161	4,187	2,83	40	875	1,081	23.5
Euro Bonds	-	2,811	3,231	4,690	4,112	39	609	4,769	32.1
Denomination Bonds						29	429	234	45.5
A.2 <u>Provincial</u>	6,105	6,841	17,141	14,752	28,94	204	5,909	3,699	-0.6
B. <u>Repayments/Amortization of Foreign Debt</u>	83,961	122,980	97,07	96,160	164,05	634	5,304	3,172	38.8
Foreign Loans	59,327	77,431	78,601	74,623	68,34	407	4,571	1,081	12.1
Food Credits	24,634	45,549	18,46	21,537	96,71	127	1,733	7,091	52.4
C. <u>Total Debt Servicing (A+B)</u>	286,317	343,080	370,981	350,393	443,76	3012	28,943	33,120	12.9
	1,677,656	2,938,379	3,793,431	4,162,654	4,401,99	4,8242	5,51,663	6,17,590	
MEMORANDUM ITEMS									
Interest on Domestic Debt (Federal)	6.3	6.0	5.1	4.5	1.3	1.5	2.9	2.6	
Interest on Foreign Debt	1.1	1.3	1.1	1.2	1.4	1.0	0.7	0.7	
Repayment of Foreign Debt	3.1	4.2	2.1	2.3	1.7	1.3	1.0	1.2	
Total Debt Servicing	10.7	11.7	9.1	8.4	10.1	1.3	5.2	5.0	

nil

Source: D.M. Seion, Finance Division, Islamabad

B.E: Budget Estimates

R.E: Revised Estimates

Note: Variation in figures of interest payments of table 4.4 and 4.5 is on account of different methodology and sources of data collection used by Budget Resource Section and Debt Management Section of Finance Division.

2 Beginning from 1999-2000, Pakistan's GDP is rebased at 1999-2000 Prices from two decades old base of 1980-81. Therefore, wherever GDP appears in denominator the number of prior to 1999-2000 are not comparable.

TABLE 4.6

INTERNAL DEBT OUTSTANDING

INTERNAL DEBT OUTSTANDING									(Rs million)
Fiscal Year/ Type of Debt	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04 R.E.	2004-05 (M.B.E)	% Change 2004-05/ 2003-04
Permanent Debt	286,637	317,195	325,569	349,212	424,767	468,768	570,009	525,030	-7.9
Floating Debt	473,850	561,590	647,428	737,776	557,807	516,268	542,943	607,943	12.0
Un-funded Debt	439,187	573,945	671,783	712,010	792,137	909,500	899,215	885,127	-1.6
Total	1,199,674 2,677,656	1,452,730 2,938,379	1,644,780 3,793,436	1,798,998 4,162,654	1,774,711 4,401,699	1,894,536 4,822,842	2,012,167 5,532,663	2,018,100 6,547,590	0.3
(Percent Share in Total Debt)									
Memorandum Items:									
Permanent Debt	23.9	21.8	19.8	19.4	23.9	24.7	28.3	26.0	
Floating Debt	39.5	38.7	39.4	41.0	31.4	27.3	27.0	30.1	
Un-funded Debt	36.6	39.5	40.8	39.6	44.6	48.0	44.7	43.9	
Total Debt as % of GDP (mp)	44.8	49.4	43.4	43.2	40.3	39.3	36.4	30.8	
Source: D.M. Section, Finance Division, Islamabad									
R.E: Revised Estimates BE: Budget Estimates									

Source: D.M. Section, Finance Division, Islamabad

R.E: Revised Estimates
BE: Budget Estimates

TABL 5.1**COMPOENTS OF MONEARY ASSETS**

	(Rsnillion)						
Stocks at 1d June (a)	1994	1995	1996	197	98	1999	2000
1. Curren/ Issued	199,070	232,589	253,908	262,59	29,63	31,542	376,997
2. Curren/ held by SBP	624	647	470	6.7	172	,955	1,851
3. Curren/ in tills of Schedud Banks	13,738	16,363	19,328	17,8.1	1169	1,870	19,468
4. Curren/ in circu- lation (2-3)	184,708	215,579	234,110	244,1.1	27,22	2,717	355,677
5. Scheded Banks demand deposits (b)	168,554	202,505	207,108	192,2'5	20(97	31,115	375,397
6. Other Dosits with SBP (c)	5,506	5,055	6,791	7,115	(12	1,212	7,959
7. M1 (4+6)	358,768	423,139	448,009	443,51	48(31	61,044	739,033
8. Scheded Banks Time Dosits (b)	252,497	296,521	344,713	386,81	44:33	51,586	549,124
9. Residit Foreign Curren/ Deposits	92,134	105,073	145,958	222,82	27:56	1,917	112,475
10. Total onetary Assets(M2) (7+8+9)	703,399	824,733	938,680	1,053,24	1,20120	1,21,547	1400,632
11. Grow Rate (%)	18.1	17.2	13.8	1.2	4.5	6.2	9.4
Memorandum Items							
1. Curren/ Money Ratio	26.3	26.1	24.9	2.2	2.6	22.5	25.4
2. Demai Deposits/Money Rio	24.0	24.6	22.1	1.3	6.7	27.3	26.8
3. Time Deposits/Money Ratio	35.9	36.0	36.7	3.7	7.1	40.3	39.2
4. Other eposits/Money Ratio	0.8	0.6	0.7	1.7	0.5	0.5	0.6
5. RFCDloney ratio	13.1	12.7	15.5	2.2	3.1	9.4	8.0
6. Incom Velocity of Money (i)	2.4	2.4	2.5	1.4	2.4	2.3	2.4

(Contd.)

TABLE 5.1

COMPONENTS OF MONETARY ASSETS

					(Rs million)	
					End March	
	2001	2002	2003(P)	2004	2004	2005
Stocks at end June (a)						
1. Currency Issued	396,548	462,095	527,557	617,508	612,175	711,997
2. Currency held by SBP	1,905	1,865	2,565	2,960	2,726	3,188
3. Currency in tills of Scheduled Banks	19,178	26,414	30,415	36,432	31,570	43,914
4. Currency in circulation (1-2-3)	375,465	433,816	494,577	578,116	577,879	664,895
5. Scheduled Banks demand deposits (b)	374,675	429,175	608,219	791,413	719,740	93,272
6. Other Deposits with SBP (c)	11,292	13,847	3,499	2,116	2,088	4,826
7. M1 (4+5+6)	761,432	876,838	1,106,295	1,371,645	1,299,708	1,602,423
8. Scheduled Banks Time Deposits (b)	610,458	727,076	846,336	969,217	895,243	1,037,678
9. Resident Foreign Currency Deposits	154,154	157,465	126,138	145,694	138,585	172,074
10. Total Monetary Assets(M2) (7+8+9)	1,526,044	1,761,370	2,078,769	2,486,556	2,333,536	26,121
11. Growth Rate (%)	9.0	15.4	18.0	19.6	12.3	13.1

Memorandum Items

1. Currency/Money Ratio	24.6	24.6	23.8	23.2	24.8	23.6
2. Demand Deposits/Money Ratio	24.6	24.4	29.3	31.8	30.8	33.2
3. Time Deposits/Money Ratio	40.0	41.3	40.7	39.0	38.4	36.9
4. Other Deposits/Money Ratio	0.7	0.8	0.2	0.1	0.1	0.2
5. RFCD/Money ratio	10.1	8.9	6.1	5.9	5.9	6.1
6. Income Velocity of Money (d)	2.4	2.3	2.3	2.2	2.2	2.3

Source: State Bank of Pakistan

a. Last working day.

b. Excluding inter-bank deposits and deposits of federal and provincial governments and foreign constituents.

c. Excluding IMF A/C Nos 1&2, SAF Loans, deposits money banks, counter-part funds, deposits of foreign central banks, Foreign governments and International organizations.

d. Income velocity of money is defined by the State Bank as GDP at current factor cost/quarterly average of Monetary Assets.

P. Provisional

Note: Totals may not tally due to rounding.

TABLE 5.2

CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS

	(Rs million)				
	1992	1993	1994	1995	1996
			A. Stock End June		
1 Public Sector Borrowing (net) (i+ii+iii+iv+v+vi+vii)	270,165	345,167	373,133	426,520	45,047
i Budgetary Support	257,074	322,772	345,317	382,336	44,062
ii Commodity Operations	22,869	30,204	36,786	41,519	7,377
iii Zak Fund etc.	(9,778)	(7,809)	(9,270)	(11,465)	(2,522)
iv Utilization of privatization proceeds by Govt./WAPDA					
v Use of Privatization proceeds/ NDP Fund for Debt Retirement				14,130	16,130
vi Payment to HBL on A/C CHC&EB					
vii Others					
2 Non-Government Sector	292,381	352,954	392,320	462,357	51,064
i Autonomous Bodies	10,661	14,594	13,744	16,955	10,121
ii Net credit to Private Sector & PCEs	281,720	338,360	379,176	445,402	50,943
a. Private Sector	251,311	309,595	352,363	416,094	48,701
b. Public Sector Corp. other than 2(i)	30,409	28,765	26,713	29,308	12,242
3 Counterpart Funds	(151)	(546)	388	(464)	(617)
4 Other Items (Net)	(41,500)	(52,846)	(46,537)	(74,705)	(8,844)
5 Domestic Credit (1+2+3+4)	520,895	644,729	719,328	813,705	96,650
6 Foreign Assets (Net)	(15,326)	(49,339)	(15,330)	11,027	(7,971)
7 Monetary Assets (5+6)	505,569	595,390	703,998	824,732	98,679
			B. Changes over the year (July-June)		
8 Public Sector Borrowing (net) (i+ii+iii+iv+v+vi+vii)	68,991	75,002	28,266	53,087	18,527
i Budgetary Support	62,573	65,698	23,145	36,419	17,726
ii Commodity Operations	4,194	7,335	6,582	4,732	5,858
iii Zak Fund etc.	2,224	1,969	(1,161)	(2,195)	(1,057)
iv Utilization of privatization proceeds by Govt./WAPDA					
v Use of Privatization proceeds/ NDP Fund for Debt Retirement				14,130	2,000
vi Payment to HBL on A/C CHC&EB					
vii Others					
9 Non-Government Sector	31,419	60,573	39,866	69,537	13,429
i Autonomous Bodies	1,287	3,933	850	3,211	3,166
ii Net credit to Private Sector & PCEs	30,132	56,640	40,716	66,326	10,263
a. Private Sector	30,249	58,284	42,768	63,731	17,329
b. Public Sector Corp. other than 2(i)	(117)	(1,644)	(2,052)	2,595	2,934
10 Counterpart Funds	179	(395)	158	(76)	(153)
11 Other Items (Net)	(4,643)	(11,346)	6,309	(28,168)	1,139
12 Domestic Credit Expansion (8+9+11)	95,946	123,834	74,599	94,380	12,942
13 Foreign Assets (Net)	8,979	(34,013)	33,409	26,957	(8,998)
14 Monetary Expansions (13+14)	104,925	89,821	108,008	121,337	13,944

(contd.)

TABLE 5.2

CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS

CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS									End March	
	End June								2004	2005 P
	1997	1998	1999	2000	2001	2002	2003	2,004		
A. Stock End June										
1 Public Sector Borrowing (net) (i+ii+iii+iv+v+vi+vii)	574,023	630,745	583,598	661,832	601,870	677,054	598,623	656,729	616,074	659,989
i Net Budgetary Support	504,562	552,580	505,887	545,850	499,888	567,208	511,186	574,886	564,754	580,665
ii Commodity Operations	53,079	63,664	67,309	107,403	95,311	100,642	74,047	65,873	37,223	61,083
iii Zakat Fund etc.	(15,392)	(18,518)	(21,793)	(23,616)	(25,524)	(22,991)	(18,805)	(16,224)	(18,098)	(13,954)
iv Utilization of privatization proceeds by Govt./WAPDA	36,434	37,657	37,657	37,657	37,657	37,657	37,657	37,657	37,657	37,657
v Use of Privatization proceeds/ NDRP Fund for Debt Retirement	(4,660)	(5,749)	(5,749)	(5,749)	(5,749)	(5,749)	(5,749)	(5,749)	(5,749)	(5,749)
vi Payment to HBL on A/C of HC&EB		287	287	287	287	287	287	287	287	287
2 Non-Government Sector	602,828	696,672	816,710	842,752	902,603	921,596	1,048,262	1,363,669	1,255,656	1,714,637
i Autonomous Bodies	29,196	28,302	41,351	68,637	75,240	60,159	55,370	34,293	36,518	33,085
ii Net Credit to Private Sector & PSCEs	573,632	668,370	775,359	774,115	827,363	861,437	992,892	1,329,376	1,219,138	1,681,552
a. Private Sector	546,814	632,025	735,887	754,198	750,211	883,188	949,030	1,274,245	1,193,593	1,642,018
b. Public Sector Corp. other than 2(i)	26,818	36,345	43,124	28,826	37,036	35,563	32,386	53,852	20,161	45,319
c. PSCEs Special Account Debt Repayment	0	8	(3,652)	(8,901)	(12,241)	(15,183)	(18,802)	(22,108)	(20,574)	(23,108)
d. Other Financial Institutions	0	0	8	8	52,357	37,877	30,278	23,387	25,958	17,323
3 Counterpart Funds	(736)	(650)	(589)	(611)	(562)	(536)	(586)	(628)	(618)	(530)
4 Other Items (Net)	(61,621)	(45,290)	(73,544)	(59,087)	(6,204)	(67,463)	(107,285)	(116,405)	(127,682)	(196,739)
5 Domestic Credit (1+2+3+4)	1,114,494	1,281,477	1,326,175	1,444,886	1,497,707	1,530,651	1,539,041	1,903,367	1,743,430	2,177,358
6 Foreign Assets (Net)	(61,260)	(75,157)	(45,629)	(44,254)	28,338	230,718	539,664	583,190	590,105	634,818
7 Monetary Assets (5+6)	1,853,234	1,206,320	1,280,546	1,400,632	1,526,046	1,761,370	2,078,706	2,486,556	2,333,535	2,812,176
B. Changes over the year (July-June)										
8 Public Sector Borrowing (net) (i+ii+iii+iv+v+vi+vii)	80,933	56,722	(74,824)	78,234	(46,731)	22,177	(78,361)	58,106	17,451	3,260
i Net Budgetary Support	72,457	48,018	(75,193)	39,963	(32,315)	14,313	(55,952)	63,700	53,568	5,780
ii Commodity Operations	5,702	10,585	3,645	40,094	(12,508)	5,331	(26,595)	(8,174)	(36,824)	(4,790)
iii Zakat Fund etc.	(2,870)	(3,126)	(3,275)	(1,823)	(1,908)	2,533	4,186	2,581	707	2,271
iv Utilization of privatization proceeds by Govt./WAPDA	10,304	1,223	0	0	0	0	0	0	0	0
v Use of Privatization proceeds/ NDRP Fund for Debt Retirement	(4,660)	287	0	0	0	0	0	0	0	0
vi Payment to HBL on A/C of HC&EB	0	0	0	8	0	0	0	0	0	0
9 Non-Government Sector	61,879	83,414	119,214	26,044	69,194	18,993	148,539	315,407	207,394	350,968
i Autonomous Bodies	(242)	(894)	13,049	3,125	11,573	(15,081)	(4,789)	(21,077)	(18,852)	(1,208)
ii Net Credit to Private Sector & PSCEs	62,121	84,308	106,165	22,916	57,628	34,074	153,328	336,484	226,246	352,176
a. Private Sector	59,987	74,781	103,038	18,303	48,633	52,969	167,723	325,215	244,563	367,773
b. Public Sector Corp. other than 2(i)	2,214	9,527	6,779	9,862	12,327	(1,473)	(3,177)	21,466	(12,225)	(8,533)
c. PSCEs Special Account Debt Repayment	0	8	(3,652)	(5,249)	(3,340)	(2,942)	(3,619)	(3,306)	(1,772)	(1,000)
d. Other Financial Institutions	0	0	0	0	8	(14,480)	(7,599)	(6,891)	(4,320)	(6,064)
10 Counterpart Funds	(119)	86	61	(22)	49	26	(50)	(42)	(32)	98
11 Other Items (Net)	5,152	26,761	246	14,457	30,863	(12,040)	(61,674)	(9,147)	(20,424)	(80,334)
12 Domestic Credit Expansion (8+9+10+11)	147,845	166,983	44,697	118,711	53,374	29,156	8,454	364,326	204,389	273,992
13 Foreign Assets (Net)	(33,289)	(13,897)	29,529	1,375	72,654	206,168	308,946	43,526	50,441	51,628
14 Monetary Expansions (13+14)	114,556	153,086	74,226	128,086	128,028	235,324	317,400	487,852	254,831	325,619

Source: State Bank of Pakistan

Source: State Bank of Pakistan

1 Till end June 1996 autonomous bodies consisted of WAPDA, OGDC, PTC, NFC, and PTV, thereafter their composition has been changed as WAPDA, OGDC, PTC, SSGC SNGPL, KESC and Pakistan Railways.

2 Adjusted for SAF loans amounting to Rs 7371 million

3 Adjusted for Rs 5278 million to exclude the impact arising due to mark up debited to the borrowers account.

4 Adjusted for Rs 8207 million being mark up debited to the borrowers account

5 The difference in flow data is due to change in the composition of autonomous bodies since June 2001 it includes WAPDA, OGDC, KESC, PTCL, PIA and Pak Steel

6 Adjusted for funds placed in special debt repayment account

7 Adjusted for banking sector restructuring & privatization account etc.

@ The difference in flow data is due to change in the total number of PSEs

2. Figures in the parentheses represent negative signs.

P : Provisional

TABLE 5.3

**SCHEDULED BANKS POSITION BASED ON WEEKLY RETURNS:
LIABILITIES AND ASSETS**

		(Rs million)							
Outstanding Amount end June		1992	1993	1994	1995	1996	199	198	1999
LIABILITIES									
1.	Capital (paid-up) and Reserves	31,227	36,011	4,770	50,533	56,255	60,935	91,00	75,632
2.	Demand liabilities in Pakistan								
2.1	Inter-banks Demand Liabilities	13,440	12,822	4,532	16,787	13,281	13,722	10,91	7,968
2.2	Borrowing	(5,740)	(1,436)	2,878	(5,104)	(115)	(40)	(8)	(61)
2.3	Deposits	(7,700)	(11,386)	(1,654)	(11,683)	(13,166)	(13,31)	(10,53)	(7,907)
3.	Deposits (General)	186,353	217,711	26,188	296,739	339,408	358,45	411,31	54,072
4.	Other Liabilities	7,665	9,112	2,578	16,500	19,224	21,65	25,10	38,491
5.	Total Demand Liabilities (2+3+4)	207,458	239,645	23,298	330,026	371,913	393,83	447,42	100,531
TIME LIABILITIES IN PAKISTAN									
6.	Inter-banks Time Liabilities	5,059	4,937	7,181	9,059	5,509	5,42	10,68	8,633
6.1	Borrowing	(4,695)	(3,976)	(3,333)	(5,998)	(2,965)	(3,61)	(7,14)	(5,845)
6.2	Deposits	(364)	(961)	(3,848)	(3,061)	(2,544)	(1,80)	(2,54)	(2,788)
7.	Time Deposits (General)	219,980	270,343	32,368	405,882	495,677	571,57	628,66	61,401
8.	Other Liabilities	4,348	3,920	4,812	3,388	4,737	5,36	7,11	8,329
9.	Total Time Liabilities (6+7+8)	229,387	279,200	34,361	418,329	505,923	582,36	645,75	78,363
10.	Total Demand and Time Liabilities	436,845	518,845	57,659	748,355	877,836	976,19	1,093,17	178,894
11.	Borrowing from SBP	57,267	64,577	70,583	82,668	56,914	77,99	113,19	42,147
12.	Borrowing from Banks Abroad	13,471	14,614	14,217	14,280	13,424	14,62	16,18	22,089
13.	Money at Call and Short Notice in Pakistan	6,405	6,584	6,721	8,350	8,070	5,37	7,58	17,528
14.	Other Liabilities	418,012	505,570	40,164	743,430	897,892	993,96	264,81	198,019
15.	Total Liabilities	963,227	1,146,201	1,113,114	1,647,616	1,910,391	2,129,08	1,587,93	1,734,309
16.	Total Statutory Reserves	22,163	26,271	32,219	37,835	44,295	49,07	55,56	59,821
16.1	On Demand Liabilities	(10,693)	(12,311)	14,501	(16,919)	(18,999)	19,96	(22,62)	(25,903)
16.2	On Time Liabilities Assets	(11,469)	(13,960)	17,718	(20,916)	(25,296)	(29,11)	(32,94)	(33,918)
ASSETS									
17.	Cash in Pakistan	8,962	11,301	13,959	16,363	19,328	17,8	18,69	18,870
18.	Balances with SBP	48,827	48,745	63,746	78,503	63,502	89,73	84,40	100,335
19.	Other Balances	5,325	8,920	14,814	11,012	14,516	16,84	18,10	19,116
20.	Money at Call and Short Notice in Pakistan	6,719	7,002	7,062	8,814	8,989	5,7	8,03	18,095
21.	17+18+19+20 as % of 10	16.0	14.6	15.6	15.3	12.1	12	1.9	13.3
FOREIGN CURRENCY									
22.	Foreign Currency held in Pakistan	909	2,194	4,261	3,017	3,667	4,67	2,06	2,981
23.	Balances with Banks Abroad	10,844	6,190	7,899	8,163	16,545	10,93	21,98	39,019
24.	Total Foreign Currency	11,753	8,384	12,160	11,180	20,212	15,55	24,04	42,000
BANK CREDIT ADVANCES									
25.	To Banks	13,314	7,830	8,616	13,482	5,445	3,60	587	4,402
26.	To Others	227,000	308,992	347,868	413,811	474,73	552,52	640,49	725,852
27.	Total Advances	240,314	316,822	356,484	427,293	480,18	556,22	647,36	730,254
28.	Bills Purchased and Discounted	46,631	44,149	52,483	59,649	62,51	70,65	63,73	63,774
29.	Total Bank Credit	286,945	360,971	408,967	486,942	542,69	626,87	712,09	794,028
30.	29 as % of 10	65.7	69.6	64.1	65.1	61.1	62	55.2	67.4
INVESTMENT IN SECURITIES AND SHARES									
31.	Central Government Securities	102,535	140,124	147,076	166,687	144,92	134,47	12,647	115,671
32.	Provincial Government Securities	3,892	3,727	3,345	3,340	3,33	2,39	1,48	1,969
33.	Treasury Bills	38,768	35,660	83,443	90,059	137,11	167,15	23,388	204,160
34.	Other Investment in Securities (Shares)	51,873	31,331	32,632	35,210	42,51	39,83	4,900	69,069
35.	Total Investment in Securities and Shares	197,068	210,842	266,496	295,296	327,88	343,34	40,119	390,869
36.	35 as % of 10	45.1	40.6	41.8	39.5	37	32	36.8	33.2
37.	Other Assets	397,628	490,036	625,910	739,506	913,271	1,012,15	25,970	255,378
38.	Advances in Paid							4,332	69,564
39.	Fixed Assets							1,237	26,054
40.	Total Assets	963,227	1,146,201	1,113,114	1,647,616	1,910,391	2,129,34	1,585,93	1,734,309
41.	Excess Reserves (18-16)	26,665	22,474	31,523	40,668	19,20	40,78	2,684	40,514

Contd

TABLE 5.3

SCHEDULED BANKS POSITION BASED ON WEEKLY RETURNS: LIABILITIES AND ASSETS

Outstanding Amount at end June	2000	2001	2002	2003	2004	July-March	
						2,004	2,005
LIABILITIES							
1. Capital (paid-up) and Reserves	79,648	88,581	85,886	112,230	131,225	132,717	177,015
2. Demand liabilities in Pakistan							
2.1 Inter-banks Demand Liabilities	8,580	12,282	13,261	9,937	20,755	7,802	11,577
2.2 Borrowing	(43)	(34)	(10)	(1)	(15)	(1)	(42)
2.3 Deposits	(8,537)	(12,248)	(13,251)	(9,936)	(20,740)	(7,801)	(11,535)
3. Deposits (General)	475,281	527,672	609,657	785,333	1,014,947	923,465	1,169,700
4. Other Liabilities	47,420	42,870	47,333	53,352	56,532	54,976	65,469
5. Total Demand Liabilities (2+3+4)	531,281	582,824	670,251	848,622	1,092,234	986,243	1,246,746
TIME LIABILITIES IN PAKISTAN							
6. Inter-banks Time Liabilities	6,300	4,705	2,104	3,991	4,806	4,408	10,085
6.1 Borrowing	(5,674)	(3,668)	(659)	(621)	(1,878)	(2,332)	(1,338)
6.2 Deposits	(626)	(1,037)	(1,445)	(3,370)	(2,928)	(2,076)	(8,747)
7. Time Deposits (General)	652,279	712,978	803,749	903,153	1,026,919	952,346	1,103,382
8. Other Liabilities	10,759	9,494	12,808	16,020	20,703	17,934	19,310
9. Total Time Liabilities (6+7+8)	669,338	727,177	818,661	923,164	1,052,428	974,688	1,132,777
10. Total Demand and Time Liabilities	1,200,619	1,310,001	1,488,912	1,771,786	2,144,662	1,960,931	2,379,523
11. Borrowing From SBP	141,016	139,367	135,556	137,882	162,335	151,772	179,138
12. Borrowing from Banks Abroad	16,657	15,169	12,642	21,243	9,872	5,196	7,693
13. Money at Call and Short Notice in Pakistan	42,469	30,293	31,877	28,551	27,479	27,560	31,988
14. Other Liabilities	321,224	400,517	546,159	468,312	527,452	513,012	608,926
15. Total Liabilities	1,801,633	1,983,928	2,301,032	2,540,004	3,003,025	2,791,188	3,384,283
16. Total Statutory Reserves	59,287	64,651	73,677	87,893	105,955	97,436	117,893
16.1 On Demand Liabilities	(26,135)	(28,527)	(32,850)	(41,934)	(53,574)	(48,922)	(61,758)
16.2 On Time Liabilities Assets	(33,152)	(36,124)	(40,828)	(45,959)	(52,381)	(48,514)	(56,135)
ASSETS							
17. Cash in Pakistan	19,468	19,178	26,414	30,415	36,432	31,570	43,914
18. Balances with SBP	153,371	147,962	124,883	140,077	151,406	160,498	171,635
19. Other Balances	18,250	18,033	27,268	31,306	36,762	25,671	32,544
20. Money at Call and Short Notice in Pakistan	43,509	31,179	32,831	28,686	30,444	30,471	31,471
21. 17+18+19+20 as % of 10	19.5	16.5	14.2	13.0	12.0	12.7	11.7
FOREIGN CURRENCY							
22. Foreign Currency held in Pakistan	2,222	4,788	5,003	5,435	4,806	5,070	6,384
23. Balances with Banks Abroad	46,619	70,856	89,416	68,578	60,976	60,521	127,079
24. Total Foreign Currency	48,841	75,644	94,419	74,013	65,782	65,591	133,463
BANK CREDIT ADVANCES							
25. To Banks	5,788	3,657	1,626	253	63	175	135
26. To Others	801,154	866,490	894,524	988,572	1,258,022	1,124,861	1,594,874
27. Total Advances	806,942	870,147	896,150	988,825	1,258,085	1,125,036	1,595,009
28. Bills Purchased and Discounted	69,554	75,504	75,588	80,687	99,924	93,081	116,036
29. Total Bank Credit	876,496	945,651	971,738	1,069,512	1,358,009	1,218,117	1,711,045
30. 29 as % of 10	73.0	72.2	65.3	60.4	63.3	62.1	71.9
INVESTMENT IN SECURITIES AND SHARES							
31. Central Government Securities	115,536	101,161	154,292	191,709	240,842	213,141	187,977
32. Provincial Government Securities	1,730	1,836	1,728	1,234	77	182	77
33. Treasury Bills	103,790	123,889	231,507	412,449	408,438	413,971	328,800
34. Other Investment in Securities & Shares	65,993	70,048	83,493	118,234	132,026	128,422	141,375
35. Total Investment in Securities and Shares	287,049	296,934	471,020	723,626	781,383	755,716	685,229
36. 35 as % of 10	23.9	22.7	31.6	40.8	36.4	38.5	27.7
37. Other Assets	252,114	340,220	456,377	353,842	442,162	404,280	499,086
38. Advance Tax Paid	72,941	78,205	64,270	49,789	53,879	54,087	43,987
39. Fixed Assets	29,594	30,922	31,812	38,738	46,766	45,187	58,909
40. Total Assets	1,801,633	1,983,928	2,301,032	2,540,004	3,003,025	2,791,188	3,384,283
41. Excess Reserves (18-16)	94,048	83,311	51,206	52,184	45,451	63,062	53,742

*: Excluding Contra Items

Source: State Bank of Pakistan

Note: Figures in the parentheses represent negative sign.

TABLE 5.4**INCOME VELOCITY OF MONEY**

End line Stock	Money Supply	Monetary	(l million)
	(M1) (Rs million)	Assets (M2) (Rs million)	Income Velocity of Monetary Assets (M2)
19801	73,560	104,621	2.7
19812	80,926	116,510	2.7
19823	96,542	146,025	2.7
19834	103,445	163,267	2.7
19845	118,968	183,905	2.7
19856	134,831	211,111	2.6
19867	159,625	240,023	2.5
19878	185,080	269,514	2.6
19889	206,359	290,457	2.7
19890	240,157	341,251	2.7
19991	265,141	400,644	2.7
19992	302,908	5,055,569	2.7
19993	327,822	595,390	2.3
19994	358,768	703,399	2.4
19995	423,139	824,733	2.4
19996	448,009	938,680	2.4
19997	443,551	1,053,234	2.5
19998	480,331	1,206,320	2.3
19999	643,043	1,280,546	2.4
1992000	739,033	1,400,632	2.7
2002001	761,833	1,526,044	2.6
2002002	876,838	1,761,370	2.5
2002003	1,106,246	2,078,705	2.3
2002004	1,371,645	1,972,573	2.2
JulMarch			
2004	1,299,708	2,333,536	2.2
2005 P	1,602,423	2,812,176	2.3

P: Provisional

Source: State Bank of Pakistan

TABLE 5.5**MONEY SUPPLY (M1, M2, M3)**

End Period Stocks (last working day)	(Rs billion)					
	Narrow Money (M1)*	% Change	Monetary Assets (M2)*	% Change	Broad Money (M3)*	% Change
1980-81	73.56	18.7	104.62	13.2	116.80	13.2
1981-82	80.93	10.0	116.51	11.4	133.87	14.4
1982-83	96.54	19.3	146.03	25.3	176.68	32.0
1983-84	103.45	7.2	163.27	11.8	206.90	17.1
1984-85	118.97	15.0	183.91	12.6	238.87	15.5
1985-86	134.83	13.3	211.11	14.8	277.63	16.2
1986-87	159.63	18.4	240.02	13.7	330.87	19.2
1987-88	185.08	15.9	269.51	12.3	392.67	18.7
1988-89	206.36	11.5	290.46	7.8	432.19	10.1
1989-90	240.16	16.4	341.25	17.5	504.16	16.6
1990-91	265.14	10.4	400.64	17.4	569.40	12.9
1991-92	302.91	14.2	505.57	26.2	679.17	19.3
1992-93	327.82	8.2	595.39	17.8	777.37	14.4
1993-94	358.77	9.4	703.4	18.1	922.22	18.6
1994-95	423.14	17.9	824.73	17.2	1083.73	17.5
1995-96	448.01	5.9	938.68	13.8	1254.23	15.7
1996-97	443.55	(1.0)	1053.23	12.2	1435.48	14.5
1997-98	480.33	8.3	1206.32	14.5	1669.23	16.3
1998-99	643.04	33.9	1280.55	6.2	1921.47	15.1
1999-2000	739.03	14.9	1400.63	9.4	2137.19	11.7
2000-2001	761.43	3.0	1526.04	9.0	2313.87	8.3
2001-2002	876.84	15.2	1761.37	15.4	2640.94	14.1
2002-2003	1,106.25	26.2	2078.71	18.0	3102.10	17.5
2003-2004	1,371.64	24.0	2486.56	19.6	3517.00	13.4
End March						
2004	1,299.71	17.5	2333.54	12.3	3362.40	8.4
2005 P	1,602.42	16.8	2812.18	13.1	3833.69	8.9

Source: Finance Division/SBP

a: Definition of M1, M2 and M3 are given in the chapter on Money and Credit of the Economic Survey.
(P) Provisional

TABLE 6**DOMESTIC & FOREIGN FINANCIAL INSTITUTIONS (As on 31-12-2004)**

A. Nationalized Scheduled Banks 1 First Women Bank Ltd. 2 National Bank of Pakistan	E. Development Financial Institutions 1 Pakistan Industrial Credit and Investment Corp. Ltd. 2 Pak Kuwait Investment Company (Pvt) Ltd. 3 Pak Libya Holding Company (Pvt) Ltd. 4 Pak-Oman Investment Company (Pvt) Ltd. 5 Saudi Pak Industrial & Agricultural Investment Company (Pvt) Ltd.
B. Specialized Banks 1 Zira Taraqqiati Bank (ZTL) 2 Industrial Development Bank of Pakistan 3 Injaf Provincial Cooperative Bank Limited	F. Investment Banks: 1 Crescent Investment Bank Ltd. 2 First International Investment Bank Ltd. 3 Atlas Investment Bank Ltd. 4 Security Investment Bank Ltd. 5 Fidelity Investment Bank Ltd. 6 Prudential Investment Bank Ltd. 7 Islamic Investment Bank Ltd. 8 Asset Investment Bank Ltd. 9 Al-Tawfeeq Investment Bank Ltd. 10 Jahangir Siddiqui Investment Bank Ltd. 11 Franklin Investment Bank Ltd. 12 Orix Investment Bank (Pak) Ltd. 13 Trust Investment Bank Ltd. 14 Escorts Investment Bank Ltd.
C. Private Scheduled Banks 1 Akari Commercial Bank Ltd. 2 Bank Al-Falah Ltd. 3 Al-Falah Bank Ltd. 4 Faysal Bank Ltd. 5 Bank Al-Habib Ltd. 6 Metropolitan Bank Ltd. 7 ASB Commercial Bank Ltd. 8 Time Commercial Bank Ltd. 9 CIC Commercial Bank Ltd. 10 Pioneer Bank Ltd. 11 Union Bank Ltd. 12 Iqbal Bank Ltd. 13 Saudi-Pak Commercial Bank Ltd. 14 Crescent Commercial Bank Ltd. 15 Rawood Bank Ltd. 16 DLC-IFIC Bank Ltd. (IB) 17 Allied Bank of Pakistan Limited 18 Muslim Commercial Bank Limited 19 United Bank Limited 20 Habib Bank Limited 21 ME Banks	G. Discount & Guarantee Houses 1 First Credit & Discount Corp. (P) Ltd. 2 Prudential Discount Guarantee House Ltd. 3 National Discount Services Ltd. 4 Speedway Fordmat (Pak.) Ltd.
D. Foreign Banks 1 ABN Amro Bank N.V. 2 Al-Baraka Islamic Bank BSC (EC) 3 American Express Bank Ltd. 4 Bank of Tokyo-Mitsubishi Ltd. 5 Citibank N.A. 6 Deutsche Bank A.G. 7 Habib Bank A.G. Zurich 8 Hongkong & Shanghai Banking Corp. Ltd. 9 Oman International Bank S.O.A.G. 10 Rupali Bank Ltd. 11 Standard Chartered Bank Ltd.	H. Housing Finance Companies 1 Citibank Housing Finance Co. Ltd. 2 House Building Finance Corporation 3 Asian Housing Finance Ltd. 4 International Housing Finance Ltd. I. Venture Capital Companies 1 Pakistan Venture Capital Ltd. 2 Pakistan Emerging Ventures Limited J. Micro Finance Banks 1 Khushali Bank 2 The First Micro Finance Bank Ltd. 3 Network Micro Finance Bank

Source: State Bank of Pakistan
and Finance Division.

TABLE 5.7

SCHEDULED BANKS IN PAKISTAN (Weighted Average Rates of Return on Advances)

(Percent)

As at the End of		Precious Metal	Stock Exchange Securities	Merchan- dise	Machinery	Real Estate	Financial Obli- gations	Others	Total Advances@
I. INTEREST BEARING									
1997	Jun	11.55 (11.55)	15.35 (15.43)	13.21 (13.39)	14.44 (14.48)	12.73 (13.11)	13.95 (13.94)	13.15 (13.96)	13.53 (13.85)
	Dec	12.25 (12.85)	13.20 (13.92)	13.79 (13.58)	15.35 (15.42)	13.11 (14.26)	12.35 (12.19)	12.59 (13.39)	13.72 (14.25)
1998	Jun	14.47 (14.77)	16.38 (17.33)	14.84 (14.54)	16.12 (16.15)	16.23 (16.32)	16.32 (16.45)	16.49 (17.79)	16.09 (16.37)
	Dec	13.75 (13.46)	15.17 (17.60)	14.52 (14.60)	15.48 (15.53)	14.19 (13.94)	15.76 (16.75)	15.53 (15.52)	15.00 (15.03)
1999	Jun	13.39 (15.57)	14.15 (14.16)	13.89 (13.91)	15.19 (15.18)	14.08 (14.49)	14.95 (15.13)	14.29 (16.11)	14.47 (14.88)
	Dec	11.41 (16.50)	13.79 (13.44)	14.56 (14.35)	14.17 (14.30)	13.75 (14.78)	13.14 (13.25)	14.07 (16.29)	14.09 (14.75)
2000	Jun	11.10 (11.81)	13.76 (13.45)	13.67 (13.83)	13.15 (13.15)	12.23 (13.73)	13.65 (14.03)	13.34 (13.98)	13.25 (13.77)
	Dec	11.53 (12.73)	13.57 (12.82)	12.88 (13.68)	13.82 (13.74)	12.90 (13.62)	13.49 (13.56)	12.93 (13.36)	13.08 (13.58)
2001	Jun	11.75 (13.87)	13.54 (14.06)	13.69 (13.59)	13.50 (13.55)	12.84 (13.86)	13.07 (13.00)	12.05 (13.87)	13.07 (13.64)
2002	Jun	8.10 (8.14)	11.27 (11.70)	13.12 (13.13)	13.56 (13.67)	12.72 (12.98)	13.88 (13.81)	12.47 (13.39)	13.00 (13.29)
2003	Jun	12.01 (12.01)	11.97 (11.82)	9.39 (9.67)	15.66 (15.68)	12.63 (12.86)	7.74 (7.66)	10.66 (11.49)	11.87 (12.35)
2004	Jun	9.20 (9.20)	6.01 (6.01)	6.89 (7.08)	11.21 (11.77)	9.08 (9.08)	7.08 (7.03)	9.04 (9.05)	8.41 (8.54)
2005	Dec	10.55 (10.55)	6.42 (6.40)	6.74 (7.09)	4.66 (4.66)	7.42 (7.42)	7.76 (7.76)	4.51 (4.43)	5.60 (5.64)
II. ISLAMIC MODES OF FINANCING									
1997	Jun	11.68 (11.68)	16.57 (16.73)	16.01 (16.26)	13.87 (13.91)	12.42 (14.29)	15.99 (15.98)	13.64 (15.04)	14.65 (15.34)
	Dec	12.47 (12.95)	16.77 (16.95)	15.19 (15.86)	14.58 (14.69)	13.75 (14.78)	15.44 (15.48)	14.68 (15.71)	14.79 (15.43)
1998	Jun	15.87 (16.15)	16.61 (16.49)	15.97 (16.19)	16.39 (16.49)	14.50 (15.16)	15.21 (14.89)	15.45 (16.16)	15.59 (15.91)
	Dec	15.05 (14.85)	16.32 (16.77)	15.94 (16.29)	15.85 (16.10)	14.08 (15.01)	15.20 (15.87)	15.76 (17.21)	15.47 (16.11)
1999	Jun	11.27 (10.01)	15.69 (15.39)	15.12 (15.03)	15.75 (15.92)	13.76 (14.92)	14.49 (14.57)	15.00 (15.87)	14.82 (15.23)
	Dec	10.91 (16.28)	14.42 (14.51)	14.82 (14.68)	15.41 (15.45)	13.57 (14.84)	13.89 (13.86)	14.74 (15.82)	14.49 (14.96)
2000	Jun	10.61 (11.10)	13.12 (13.48)	13.48 (14.07)	14.31 (14.39)	13.08 (14.39)	13.42 (13.40)	13.83 (14.94)	13.54 (14.27)
	Dec	11.24 (11.32)	13.51 (13.68)	13.54 (14.01)	14.48 (14.53)	12.97 (14.24)	13.15 (13.09)	14.07 (15.09)	13.59 (14.24)
2001	Jun	11.02 (11.28)	13.47 (13.57)	13.39 (13.88)	14.53 (14.42)	13.31 (14.52)	13.84 (13.86)	14.03 (14.78)	13.65 (14.24)
2002	Jun	9.30 (9.50)	13.09 (13.33)	12.85 (12.73)	13.70 (13.81)	13.47 (14.05)	13.32 (13.22)	13.32 (14.00)	13.20 (13.52)
2003	Jun	11.43 (11.43)	5.92 (5.77)	7.50 (7.95)	9.39 (9.54)	11.47 (12.08)	7.79 (8.62)	10.31 (10.84)	9.19 (9.71)
2004	Jun	10.86 (10.86)	4.86 (5.28)	5.73 (5.96)	6.61 (6.81)	9.27 (9.68)	5.88 (5.82)	8.34 (9.01)	7.19 (7.60)
2005	Dec	9.64 (9.64)	5.49 (5.97)	5.92 (6.11)	6.17 (6.22)	8.93 (9.12)	7.11 (7.08)	8.02 (8.55)	7.11 (7.40)

Source: State Bank of Pakistan

@: Weighted average rates shown in parentheses represent Private Sector.

TABLE 58

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs Million)							
Fiscal Year/ Securities	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-2000 2000-01
MARKET TREASURY BILLS*							
A. Three Month Maturity							
Amount Offered							
i) Face Value	-	-	-	-	-	147,735	82,245
ii) Discount Value	-	-	-	-	-	143,719	80,670
Amount Accepted							
i) Face Value	-	-	-	-	-	45,985	21,085
ii) Discount Value	-	-	-	-	-	44,893	20,725
Weighted Average Yield Accepted							
i) Minimum % p.a.	-	-	-	-	-	6.660	6.931
ii) Maximum % p.a.	-	-	-	-	-	14.616	8.958
B. Six Months Maturity							
Amount Offered							
i) Face Value	-	-	-	-	-	143,937	205,980
ii) Discount Value	-	-	-	-	-	122,564	197,165
Amount Accepted							
i) Face Value	-	-	-	-	-	102,669	85,515
ii) Discount Value	-	-	-	-	-	96,161	81,909
Weighted Average Yield Accepted							
i) Minimum % p.a.	-	-	-	-	-	10.599	7.092
ii) Maximum % p.a.	-	-	-	-	-	15.740	10.355
C. Twelve Months Maturity							
Amount Offered							
i) Face Value	-	-	-	-	-	183,038	181,014
ii) Discount Value	-	-	-	-	-	147,934	164,416
Amount Accepted							
i) Face Value	-	-	-	-	-	78,960	51,200
ii) Discount Value	-	-	-	-	-	69,148	46,514
Weighted Average Yield Accepted							
i) Minimum % p.a.	-	-	-	-	-	10.098	7.584
ii) Maximum % p.a.	-	-	-	-	-	16.000	10.871
2 Pakistan Investment Bonds (PIBs)**							
A. Amount Offered							
03 Year Maturities	-	-	-	-	-	-	58,64
05 Year Maturities	-	-	-	-	-	-	8,64
10 Year Maturities	-	-	-	-	-	-	43,66
B. Amount Accepted							
a) 3 Yrs Maturities							46
i) Amount Accepted (Face Value)	-	-	-	-	-	-	-
ii) Weighted average Yield #							
a) Minimum % p.a.	-	-	-	-	-	-	12.4
b) Maximum % p.a.	-	-	-	-	-	-	12.48
b) 5 Yrs Maturities							
i) Amount Accepted (Face Value)	-	-	-	-	-	-	5,37
ii) Weighted average Yield #							
a) Minimum % p.a.	-	-	-	-	-	-	12.94
b) Maximum % p.a.	-	-	-	-	-	-	13.00
c) 10 Yrs Maturities							
i) Amount Accepted (Face Value)	-	-	-	-	-	-	36,19
ii) Weighted average Yield #							
a) Minimum % p.a.	-	-	-	-	-	-	13.95
b) Maximum % p.a.	-	-	-	-	-	-	14.00

Note *: MTB was introduced in 198-99

**: PIBs were introduced in 200-01

(Contd)

Table 5.8**SALE OF GOVERNMENT SECURITIES THROUGH AUCTION**

		(Rs. million)			
No.	Securities	2001-02	2002-03	2003-04	2004-05 upto March
1	Market Treasury Bills				
A	Three Month Maturity				
	Amount Offered				735,001
	i) Face value	128,358	109,106	216,637	730,273
	ii) Discounted value	125,693	108,332	214,315	
	Amount Accepted				465,751
	i) Face value	72,862	29,231	115,575	462,070
	ii) Discounted value	71,429	29,042	115,174	
	Weighted Average Yield				2.017
	i) Minimum % p.a.	5.362	1.658	0.995	4.936
	ii) Maximum % p.a.	12.150	5.815	1.702	
B	Six Month Maturity				
	Amount Offered				344,381
	i) Face value	287,853	747,018	328,990	338,477
	ii) Discounted value	276,882	731,354	326,114	
	Amount Accepted				186,811
	i) Face value	163,665	349,009	158,430	183,695
	ii) Discounted value	157,934	341,225	157,256	
	Weighted Average Yield				2.523
	i) Minimum % p.a.	5.645	1.639	1.212	5.507
	ii) Maximum % p.a.	12.555	12.404	2.076	
C	Twelve Month Maturity				
	Amount Offered				55,988
	i) Face value	202,984	695,425	476,719	54,081
	ii) Discounted value	187,339	665,337	466,729	
	Amount Accepted				13,138
	i) Face value	84,568	264,938	241,019	12,652
	ii) Discounted value	78,444	253,908	236,421	
	Weighted Average Yield				2.961
	i) Minimum % p.a.	6.383	2.356	1.396	5.721
	ii) Maximum % p.a.	11.984	6.941	2.187	

(Contd.)

Tabl 5.8
SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

					(Rs. million)
No.	Securities	2001-02	2002-03	2003-04	2004-05 up to March
2	Pastan Investment Bond				
A.	Amount Offered	238,360	211,963	21,291	8,016
	03 years Maturity	46,124	26,074	8,514	2,400
	05 years Maturity	47,346	45,620	8,840	2,603
	10 years Maturity	144,890	140,268	13,041	3,013
	15 years Maturity	-	-	4,316	-
	20 years Maturity	-	-	6,579	-
B.	Amount Accepted	107,695	74,848	17,658	771
	(a) 3 Years Maturity.				
	(i) Amount Accepted	24,819	9,651	4,533	100
	(ii) Weighted Average Yield #				
	(1) Minimum % p.a.	8.356	1.792	3.734	-
	(2) Maximum % p.a.	12.475	7.952	4.235	-
	(a) 5 Years Maturity.				
	(i) Amount Accepted	24,382	14,369	17,765	627
	(ii) Weighted Average Yield #				
	(1) Minimum % p.a.	9.392	3.119	4.867	-
	(2) Maximum % p.a.	12.994	8.887	5.270	-
	(a) 10 Years Maturity.				
	(i) Amount Accepted	58,194	50,828	11,606	244
	(ii) Weighted Average Yield #				
	(1) Minimum % p.a.	10.420	4.014	6.168	-
	(2) Maximum % p.a.	13.981	9.587	7.127	-
	(a) 15 Years Maturity. *				
	(i) Amount Accepted	-	-	6,996	-
	(ii) Weighted Average Yield #				
	(1) Minimum % p.a.	-	-	7.683	-
	(2) Maximum % p.a.	-	-	8.994	-
	(a) 20 Years Maturity. *				
	(i) Amount Accepted	-	-	6,757	-
	(ii) Weighted Average Yield #				
	(1) Minimum % p.a.	-	-	8.706	-
	(2) Maximum % p.a.	-	-	8.993	-

* 15 & 20 Years Maturity PIB launched on Jan 20, 2004

** These are the amount given to cover short selling positions of PDS, as auctions were rapped

TABLE 6.1

SECTORAL INDICES OF SHARE PRICES (2000-01 = 100)

	End June											(Indices)	
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	End March 2004	2005
1 Cotton and Other Textiles	107.70	89.14	84.44	74.39	72.81	93.62	89.31	13.45	1.8	257.		219.1	306.90
2 Pharmaceuticals Chemical	311.76	11.74	252.20	208.94	189.61	213.23	203.68	29.59	2.3	340.		310.1	335.30
3 Engineering	147.44	44.03	107.52	101.99	94.71	116.99	113.34	30.31	2.9	430.		368.1	628.80
4 Auto & Allied	140.56	21.71	104.95	101.40	100.01	128.25	123.63	40.52	3.5	572.		547.3	736.90
5 Cables and Electric Goods	201.12	41.92	142.12	126.13	112.11	123.42	116.96	18.22	2.6	374.		319.3	366.10
6 Sugar and Allied	98.73	86.06	80.27	69.13	70.71	69.50	84.45	03.62	1.8	374.		213.9	586.90
7 Paper and Board	161.17	43.82	125.13	108.80	92.71	125.40	114.27	26.99	2.5	280.		269.3	313.40
8 Cement	496.82	20.17	144.71	67.27	68.41	106.22	87.17	10.05	2.7	434.		365.3	444.90
9 Fuel and Energy	315.77	89.03	266.27	146.37	156.01	217.55	190.75	100.23	1.8	233.		243.9	382.50
10 Transport and Communication	105.94	96.22	82.40	53.46	72.51	68.59	53.04	94.17	2.0	348.		272.3	540.00
11 Banks and Other Financial Institutions	172.19	04.82	104.97	78.10	76.61	84.51	77.56	102.72	2.3	346.		325.1	348.60
12 Miscellaneous Sectors	159.55	22.29	209.58	190.31	191.61	217.88	243.08	122.19	2.2	331.		293.2	362.90
General Index of share Price	186.85	70.19	143.02	99.47	105.21	128.83	118.72	106.74	2.1	312.		283.5	384.02
Change (%)	(35.60)	(8.90)	(16.00)	(30.50)	5.8	22.40	(7.85)	6.74	2	53		38.4	22.81

Figures in the parentheses represent negative sign.

Source: State Bank of Pakistan

* Base of share index has been changed from 1990-91 to 2000-01 and index figures from 2000-01 onward are based on new base year

TABLE 6.2

MARKET CAPITALIZATION OF ORDINARY SHARES

	(Rs billion)										End March	
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2004	2005
1 Cotton and Other Textiles	46.24	7.70	35.28	25.13	27.41	43.78	38.40	41.09	65.68	88.78	83.91	119.25
2 Pharmaceuticals	50.86	3.23	75.57	47.33	48.01	56.05	47.97	50.75	108.2	158.74	160.91	195.78
3 Engineering	2.12	2.34	1.58	1.48	1.31	1.53	1.52	2.06	4.3	6.75	6.11	11.50
4 Auto & Allied	5.24	8.16	7.59	6.23	6.51	8.02	7.93	10.19	30.55	38.72	43.91	47.31
5 Cables and Electric Goods	4.84	5.58	2.68	2.02	1.61	2.10	2.12	2.36	4.45	7.20	5.71	9.30
6 Sugar and Allied	6.12	5.21	4.77	4.19	4.11	3.83	4.53	4.52	7.22	11.08	8.51	14.78
7 Paper and Board	5.00	4.57	3.45	2.50	2.81	3.94	4.54	6.54	12.0	16.40	15.31	15.14
8 Cement	22.20	8.23	14.45	6.51	6.11	10.21	10.21	15.76	33.54	65.11	57.01	75.51
9 Fuel and Energy	59.78	11.77	116.62	46.52	51.51	87.45	79.68	104.48	191.54	485.75	495.51	909.01
10 Transport and Communication	23.86	9.59	140.47	64.00	80.21	106.17	70.77	70.09	123.29	193.62	184.01	309.71
11 Banks and Other Financial Institution	43.51	1.77	41.68	28.67	29.21	36.10	38.38	55.01	99.67	187.11	180.61	298.91
12 Miscellaneous Sectors	23.56	7.08	24.99	24.74	26.71	32.69	33.20	44.79	65.99	98.20	91.41	108.41
Aggregate Market Capitalization	293.33	55.24	469.15	259.28	286.21	391.86	339.25	407.64	746.43	357.48	1333.11	2114.71
Change (%)	(27.50)	4.50	28.40	(44.73)	10.3	36.91	(13.42)	20.16	83.1	81.86	78.6	55.71

Figure in the parentheses represent negative signs

Source: State Bank of Pakistan

TABLE 6.3
NUMBER OF LISTED COMPANIES, FUND MOBILISED AND TOTAL TURNOVER OF SHARES IN VARIOUS STOCK EXCHANGES

	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Jul-Mar 2004-05
KARACHI STOCK EXCHANGE										
i) Total Listed Companies	-	-	773	765	762	747	712	702	668	659.0
ii) New Companies Listed	38	14	2	-	1	4	4	2	16	12.0
iii) Fund Mobilized (Rs billion)	20.77	15.5	2.2	1.6	0.4	3.6	15.2	23.8	4.2	34.1
iv) Total Turnover of Shares (In billion)	5.20	8.1	15.0	25.5	48.1	29.2	29.1	53.1	97.0	71.7
LAHORE STOCK EXCHANGE						614	581	561	647	524.0
i) Total Listed Companies	-	-	-	-	-	3	3	2	18	7.0
ii) New Companies Listed	24	10	2	1	2	3	3	2	18	7.0
ii) Fund Mobilized (Rs billion)	19.67	0.7	0.3	-	0.4	2.5	14.2	4.1	3.1	37.2
iv) Total Turnover of Shares (In billion)	2.6	2.8	5.6	9.8	1.6	7.8	18.3	28.2	19.9	14.0
ISLAMABAD STOCK EXCHANGE*						281	267	260	251	231.0
i) Total Listed Companies	-	-	-	-	-	5	3	1	8	8.0
ii) New Companies Listed	28	12	2	1	0	5	3	1	8	8.0
ii) Fund Mobilized (Rs billion)	11.95	3.3	11.3	5.0	0	0.8	3.7	11.5	2.6	18.8
iv) Total Turnover of Shares (In billion)	0.2	0.1	0.5	3.3	3.1	1.4	2.7	2.1	1.4	2.8

Source: SECP, KSE, LSE, ISE.

* Technical listing
Nil

TABLE 6.4**NATIONAL SAVING SCHEMES (NET INVESTMENT)**

Name of Scheme	Rs Million									
	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	July-March 2004-05
1 Defence Savings Certificates	20,143.1	31,405.3	32,271.9	38,339.8	41,212.3	16,580.3	2037.3	2990.4	3,238.3	-5,414.0
2 National Deposit Scheme	-1,266.1	-932.3	-115.8	-12.4	-17.2	-21.5	-6.3	-5.7	-2.4	-2.1
3 Khas Deposit Scheme	-360.1	-219.8	-48.0	-0.5	-52.9	-51.1	-12.1	-13.5	-2.1	-1.1
4 Special Savings Certificates (R)	12,344.1	14,902.5	20,194.7	24,916.7	19,395.8	4,431.1	3,443.2	8,899.1	13,199.3	-42,157.0
5 Special Savings Certificates (B)	-727.1	-1,266.5	-1,670.7	-813.0	-507.3	196.3	203.3	-11.1	-2.6	-2.1
6 Regular Income Certificates	4,732.1	16,472.1	54,408.6	59,019.4	26,111.6	1,643.2	1,046.3	1,923.9	49,090.5	-34,064.1
Pensioners Benefit Account	0.1	0.0	0.0	0.0	0.0	0.0	0.0	1,170.0	13,209.3	15,034.1
7 Savings Accounts	4,672.1	-5,588.9	-6,699.7	2,216.6	-196.7	-1,105.0	329.8	638.1	-1,729.6	-2,745.1
8 Special Savings Accounts	2,139.1	3,849.9	2,607.1	5,819.9	5,450.9	1,626.5	266.9	135.0	2,894.2	-1,768.1
9 Bahubod Savings Certificates									22,691.0	49,946.1
10 Mahana Andani Accounts	204.1	149.6	48.1	6.5	13.8	52.8	92.8	129.5	120.9	91.1
11 Prize Bonds	6,305.1	9,546.6	10,510.9	10,115.7	-32.3	1,390.6	1,588.0	2,840.1	22,841.9	5,210.1
12 Postal Life Insurance	1,093.1	1,464.0	2,138.9	2,518.1	4,131.0	1,377.4	448.3	1,367.7	8,668.7	5,037.1
Grand Total	49,280	69,782.4	113,647.4	142,211.2	95,508.9	5,120.5	1,371.3	14,215.8	10,612.0	-10,860.1

Source: Directorate of National Saving

Table 6.5**Loans Sanctioned and Disbursed by DFIs and Other Financial Institutions**

Name of Institutions	(Rs. Billion)							
	2001-02		2002-03		2003-04		2004-05 (Jul-Nov)	
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed
1 DFIs	4.6	2.9	12.4	8.7	N/A	6.0	NA	11.9 *
2 Special Banks	11.4	11.3	25.7	25.2	N/A	22.1	NA	21.0 *
3 Islamic Banks	4.0	2.5	6.2	11.1	N/A	10.1	NA	21.8 *
4 Khushadi Bank	N/A	0.2	N/A	1.6	N/A	0.9	NA	1.0 *
5 Micro Credit Bank	N/A	0.0	N/A	0.1	N/A	0.2	NA	0.3 *
6 Leasing Companies	16.1	15.9	16.2	16.0	19.4	18.6	17.8	16.5
7 Investment Banks	4.8	4.4	8.2	7.6	8.4	7.5	8.4	7.4
8 Mocarabas	4.9	4.8	6.3	6.1	7.2	6.5	8.1	7.3
9 Housing Finance	0.2	0.1	1.2	0.8	3.0	2.4	0.4	0.3
10 Discount House	0.2	0.1	0.2	0.2	2.7	2.7	2.6	2.6

* July-December 2004-05

Source: SBP & ECP.

TABLE 6.6
MARK UP RATE/PROFIT RATE ON DEBT INSTRUMENTS CURRENTLY AVAILABLE IN THE MARKET

S.No. Schemes	Markup/Profit Rate	Maturity Period	Tax Status
1. Foreign Exchange Bearer Certificate (FEBC)			
a. If Certificate of Rs 1000 encashed before 1 year investor will get Rs 1000 (face value)			
b. If Certificate of Rs 1000 encashed after 1 year investor will get Rs 1145			
c. If Certificate of Rs 1000 encashed after 2 year investor will get Rs 1310			
d. If Certificate of Rs 1000 encashed after 3 year investor will get Rs 1520			
e. If Certificate of Rs 1000 encashed after 4 year investor will get Rs 1740			
f. If Certificate of Rs 1000 encashed after 5 year investor will get Rs 1990			
g. If Certificate of Rs 1000 encashed after 6 year investor will get Rs 2310			Sale under this scheme has already been discontinued, from December 1999 however, on outstanding balance till maturity, rate will be applicable
2. Foreign Currency Bearer Certificate (FCBC), 5 years	Scheme has already been discontinued w.e.f. February 1999. Only repayment is made		
3. Special US\$ Bonds			
a) 3 year maturity	LIBOR+1.00%		
b) 5 year maturity	LIBOR+1.50%		
c) 7 year maturity	LIBOR+2.00%		
		The rates are effective from Sept. 1999. If bonds are encashed before one year no profit will be paid.	
4. Pakistan Investment Bonds: As on 30th June 2001			
<u>Tenor</u>	<u>Rate of Profit</u>		
3-Year Maturity	6.0% p.a		
5-Year Maturity	7.0% p.a		
10-Year Maturity	8.0% p.a		
15-Year Maturity	9.0% p.a		
20-Year Maturity	10.0% p.a		
		These coupon rates are effective from October, 2003 for PIBs of 3.5 X 10 years maturity while PIBs of 15 and 20 years maturity launched on Jan 20, 2004 the respective coupon rates will effective since then	
5. Unfunded Debt			
Defence Saving Certificates	8.15% p.a (m)	10 Years	Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002
National Deposits Schemes	13.00% p.a.	7 Years	Taxable and discontinued
Special Saving Certificates (R)		3 Years	Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002
- For each of 1st five profit	6.80% p.a.		
- For the last one profit	7.70% p.a.		
Special Saving Certificates (B)	12.36% p.a.(m)	3 Years	Taxable and discontinued
Regular Income Certificates	6.84% p.a	5 Years	Taxable
Khas Deposit Scheme	13.42% p.a.	3 Years	Taxable and discontinued
Mahana Amdani Accounts	10.41% p.a.(m)	7 Years	Taxable on installment exceeding Rs.1000.
Saving Accounts	4.00% p.a.	Running account	Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002
Bahbood Savings Certificate	10.08% p.a.	10 Years	Taxable for deposits exceeding Rs 150,000
Pensioners' Benefit Account	10.08% p.a.		
Prize Bonds	5.00% p.a.		
p.a. Per annum			
B Bearer			
R Registered			
m on maturity			

Source: SBP and Directorate of National Savings

TABLE 7.1 (A)**PRICE INDICIES**

A. COMBINED CONSUMER PRICE INDEX BY GROUP:											
Groups/ Fiscal Year	General Food Beverages & Tobacco	Apparel Textile & Footwear	House Rent	Fuel & Lighting	Household fur- niture, Equip- ments etc	Transport & Commu- nication	Recreation Enter- tainment	Education	Cleaning, Lun- ry & Personal Appearance	Medicare	
(Base: 2000-01 = 100)											
1990-91	43.20	42.14	46.42	45.15	38.95	4782	41.72	48.68	-	4.54	2.73
1991-92	47.41	46.33	51.97	48.46	43.10	5197	46.25	51.82	-	4.25	6.77
1992-93	52.07	51.84	56.46	54.60	45.21	5596	47.80	53.31	-	5.55	9.75
1993-94	57.94	57.72	60.29	59.76	52.64	5863	53.58	56.48	-	5.25	4.27
1994-95	65.48	67.24	67.64	66.19	55.68	6525	56.66	61.37	-	6.50	9.61
1995-96	72.55	74.05	75.59	72.37	63.90	7392	62.20	71.00	-	7.01	6.26
1996-97	81.11	82.86	82.82	79.71	71.75	8447	71.84	80.49	-	6.38	6.10
1997-98	87.45	89.20	86.50	87.38	82.30	9122	75.70	88.09	-	7.67	0.57
1998-99	92.46	94.46	92.27	93.21	83.69	9457	82.00	92.20	-	8.81	2.02
1999-00	95.78	96.56	97.31	97.15	88.69	9728	89.03	96.46	-	7.79	3.14
2000-01	100.00	100.00	100.00	100.00	100.00	10000	100.00	100.00	100.00	10.00	10.00
2001-02	103.54	102.50	103.23	102.80	109.47	10193	105.96	106.30	104.97	12.50	12.37
2002-03	106.75	105.40	106.75	103.80	117.81	10090	111.60	107.21	109.72	18.37	15.59
2003-04	111.63	111.74	109.69	108.20	121.30	11068	115.43	106.08	114.19	11.29	16.89
Jul-Apr											
2003-04	110.89	110.75	109.66	107.34	121.21	11105	114.57	106.09	113.90	11.73	16.77
2004-05	121.17	124.95	112.46	119.29	125.45	11169	123.25	105.85	116.95	15.65	17.88

Note: The CPI 1990-01 base year series has been converted into series with a base of 2000-01.

(1) The Recreation, Entertainment and Education Group has been split into two groups namely
(i) Recreation & Entertainment group; (ii) Education

(2) The nomenclature of Medicine group has been changed to Medicine Group.

(bntd.)

TABLE 7.1 (B)**HEADLINE & CORE INFLATION**

Year	Indices				Headline & Core Inflation			
	General	Food	Non-Food	Non-Food Non-Energy	General	Food	Non-Food	Non-Food Non-Energy
1991-92	47.41	46.33	48.52	48.84	10.58	164	10.52	10.5
1992-93	52.07	51.84	52.31	53.26	9.83	174	7.81	9.0
1993-94	57.94	57.72	58.18	58.97	11.27	134	11.22	10.7
1994-95	65.48	67.24	64.09	65.49	13.02	167	10.17	11.0
1995-96	72.55	74.05	71.36	72.59	10.79	113	11.34	10.8
1996-97	81.11	82.86	79.73	81.07	11.80	189	11.73	11.6
1997-98	87.45	89.20	86.07	86.82	7.61	65	7.94	7.0
1998-99	92.46	94.46	90.89	92.15	5.74	90	5.61	6.1
1999-00	95.78	96.56	95.16	96.16	3.58	23	4.69	4.3
2000-01	100.00	100.00	100.00	100.00	4.41	56	5.09	3.9
2001-02	103.54	102.50	104.28	103.59	3.54	44	4.28	3.5
2002-03	106.75	105.40	107.66	106.25	3.10	89	3.24	2.5
2003-04	111.63	111.74	111.55	110.19	4.57	01	3.62	3.7
Jul-Apr								
2003-04	110.89	110.75	110.98	109.56	3.93	89	3.29	3.3
2004-05	121.17	124.95	118.62	117.67	9.27	82	6.88	7.4

Source: Federal Bureau of Statistics

Note: Overall CPI Inflation is the Headline inflation and Non-Food Non-Energy Inflation is termed as Core Inflation.

TABLE 7.1 (C)**PRICES INDICES**

Groups/ Fiscal Year	B. Wholesale Price Index by Groups						3. Sensitive Price Indi- cator	4. GDP Deflator
	General	Food	Raw Materials	Fuel, Lighting & Lubricants	Manufac- tures	Building Materials		
1991-92	44.84	45.42	43.78	34.09	52.38	56.72	46.26	224.33
1992-93	48.14	50.24	48.67	34.83	54.63	57.97	51.22	244.28
1993-94	56.03	57.23	62.55	40.81	63.67	66.47	57.26	274.73
1994-95	65.00	67.50	72.16	44.90	73.40	81.04	65.85	312.60
1995-96	72.22	75.44	75.95	52.95	79.88	87.33	72.90	338.48
1996-97	81.62	84.37	87.01	62.17	89.41	98.63	81.98	388.00
1997-98	86.99	90.45	93.81	69.65	91.62	98.62	88.01	413.39
1998-99	92.51	96.55	103.21	75.81	94.45	99.62	93.68	437.59
1999-00	94.15	97.09	92.39	83.16	98.76	97.15	95.39	100.00
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	107.84
2001-02	102.01	101.95	100.31	103.14	101.87	101.10	103.37	110.51
2002-03	107.77	105.62	115.51	115.95	103.67	102.90	107.06	115.35
2003-04	116.29	112.99	135.12	119.23	111.83	126.48	114.38	124.38
<u>Jul-Apr</u>								
2003-04	115.22	111.91	134.21	117.91	111.06	124.56	113.40	-
2004-05	123.16	124.18	110.15	135.11	112.87	144.00	126.98	136.88

Source: Federal Bureau of Statistics

- Note: 1) WPI and SPI 1990-91 base year series have been converted into series with a base of 2000-01
 2) GDP Deflator base year 1980-81 = 100 has been changed with 1999-2000 = 100 as new base year

TABLE 7.

MONTHLY PERCENT CHANGES IN CPI, WPI AND SPI

(Percent)												
Months	1993-4	1994-95	1995-6	1996-97	1997-98	1998-9	1999-00	2000-1	2001-2	2002-3	2003-4	2004-5
CONSUMER PRICE INDEX (C.P.I.) converted into Base year 2000-01												
Jul	15	1.59	1.8	1.40	0.62	0.6	0.69	0.6	0.1	1.1	0.5	1.8
Aug	15	0.95	2.2	1.30	0.65	0.7	0.47	-0.16	0.7	0.1	0.6	0.8
Sep	03	1.49	0.0	1.16	0.63	0.1	0.38	0.8	0.7	0.1	0.6	0.8
Oct	15	1.50	0.1	1.20	0.40	0.9	0.92	0.5	0.1	0.1	1.2	1.9
Nov	05	1.40	1.7	1.21	0.74	0.8	0.09	0.9	0.1	0.1	0.6	1.2
Dec	-03	1.00	0.7	0.87	0.11	0.4	-0.11	-0.5	-0.1	-0.2	0.9	-0.5
Jan	03	1.46	0.7	2.17	-0.05	-0.8	0.2	-0.6	0.1	0.1	-0.0	0.7
Feb	19	-0.06	0.0	1.09	0.36	0.8	-0.02	-0.8	0.1	0.7	-0.3	0.9
Mar	05	0.88	1.5	-0.45	1.77	0.5	0.88	0.8	1.1	0.1	1.0	1.9
Apr	23	0.12	0.1	2.39	0.45	0.7	0.56	0.4	0.1	0.3	0.5	1.4
May	-05	0.59	0.7	-0.20	0.15	-0.7	-0.11	-0.5	-0.1	-0.2	0.8	-
Jun	13	0.55	0.1	-0.31	0.47	-0.6	1.05	0.1	0.1	-0.2	1.1	-
B. WHOLESALE PRICE INDEX (W.P.I.) with Base 1990-91												
Jul	19	-1.06	0.9	1.59	0.33	1.4	0.07	-0.8	1.1	1.1	1.3	-1.0
Aug	28	1.46	1.7	1.82	0.14	1.9	0.18	0.5	0.1	1.1	0.9	-1.8
Sep	12	1.15	0.2	-0.05	0.33	-0.3	0.52	1.5	0.1	0.9	0.3	0.0
Oct	02	0.60	-0.1	0.27	0.42	0.4	-0.29	0.0	-1.1	0.1	2.2	1.2
Nov	09	2.42	0.8	2.38	0.53	0.9	-1.44	1.8	-0.1	1.1	1.1	0.9
Dec	05	1.68	0.5	1.39	0.30	0.3	-0.31	1.5	-0.1	0.1	1.3	-0.5
Jan	43	2.02	1.2	2.30	0.01	0.9	0.30	-0.4	0.1	0.3	0.1	1.3
Feb	38	-0.55	0.0	0.65	0.34	0.0	1.05	-0.9	0.1	2.1	0.4	1.2
Mar	08	1.18	1.1	-0.29	1.73	0.8	2.12	-0.6	1.1	0.1	1.7	1.9
Apr	43	-0.12	0.5	1.48	0.50	-0.3	0.38	0.6	0.1	-1.1	0.2	1.1
May	01	0.86	-0.9	0.35	0.50	0.2	-0.18	-1.3	-0.1	-1.1	0.9	-
Jun	01	1.38	1.7	-0.41	0.08	0.2	1.01	1.8	1.1	-0.1	0.9	-
C. SENSITIVE PRICE INDICATOR (S.P.I.) converted into Base year 2000-01												
Jul	14	1.53	3.0	1.72	0.15	0.1	0.33	0.7	1.1	1.3	1.3	2.3
Aug	12	0.70	7.3	0.98	0.14	1.3	0.49	0.7	1.1	1.3	0.1	1.8
Sep	26	1.05	0.2	1.42	0.48	-0.1	0.16	0.9	0.1	1.1	0.1	0.9
Oct	03	1.70	-0.2	0.99	0.36	0.5	-0.45	0.3	0.1	-0.1	2.1	0.3
Nov	47	1.52	0.6	1.46	0.94	1.3	0.13	0.9	0.1	1.3	2.4	1.4
Dec	-44	1.14	0.3	0.78	0.08	-0.3	-0.94	-1.1	-0.1	-0.1	1.1	-0.8
Jan	72	1.36	-1.2	1.50	-0.24	-0.7	-0.23	0.15	0.1	0.3	-0.9	0.1
Feb	77	-0.36	0.5	1.38	0.30	0.5	0.30	-0.35	1.1	0.2	-0.1	0.4
Mar	73	0.86	2.4	-1.36	0.51	-0.25	0.24	0.27	0.1	-0.1	1.3	1.7
Apr	23	0.72	1.8	3.78	0.69	-0.45	0.77	-0.13	-0.1	-0.3	-0.1	1.9
May	78	1.68	0.5	0.47	0.13	0.73	0.92	-0.75	-1.1	-0.1	2.4	-
Jun	35	1.19	8.2	-0.19	2.01	0.57	1.59	0.70	1.1	0.1	1.1	-

Source: Federal Bureau of Statistic.

Note: CPI, SPI and WPI 1990-91 base year series converted into Base Year 2000-01.

TABLE 7.3 (A)**PRICE INDICES BY CONSUMER INCOME GROUPS**

Income Group/ Fiscal Year	All Income Groups	Upto Rs 3000	Rs 3001 to 5000	Rs 5001 to 12000	Above Rs 12,000
Spliced with Base Year 2000-01 = 100					
1990-91	43.20	42.43	42.85	43.18	43.09
1991-92	47.41	47.03	47.40	47.70	47.51
1992-93	52.07	52.03	52.13	52.11	51.62
1993-94	57.94	57.80	58.00	58.05	57.61
1994-95	65.48	65.86	65.73	65.16	64.18
1995-96	72.55	72.86	72.76	72.22	71.42
1996-97	81.11	81.37	81.41	80.71	79.71
1997-98	87.45	87.81	87.43	87.07	86.05
1998-99	92.46	92.71	92.67	92.18	91.41
1999-00	95.78	95.66	95.85	95.70	95.50
2000-01	100.00	100.00	100.00	100.00	100.00
2001-02	103.54	102.97	104.88	103.44	103.64
2002-03	106.75	105.95	106.70	106.68	106.83
2003-04	111.63	111.61	112.18	111.72	111.39
Jul-Apr					110.66
2003-04	110.89	110.79	111.41	110.98	110.66
2004-05	121.17	122.30	122.46	121.50	120.47

Source: Federal Bureau of Statistics.

Note: CPI 1990-91 Base Year series have been converted into Base Year 2000-01.

TABLE 7.3 (B)**ANNUAL CHANGES IN PRICE INDICES AND GDP DEFLATOR**

Fiscal Year	Consumer Price Index*	Wholesale Price Index*	Sensitive Price Indicator*	Annual GDP Deflator*
1990-91	12.66	11.73	12.59	10.07
1991-92	10.58	9.84	10.54	8.89
1992-93	9.83	7.36	10.71	12.47
1993-94	11.27	16.40	11.79	13.78
1994-95	13.02	16.00	15.01	8.28
1995-96	10.79	11.10	10.71	14.63
1996-97	11.80	13.01	12.45	6.55
1997-98	7.81	6.58	7.35	5.85
1998-99	5.74	6.35	6.44	2.78
1999-00	3.58	1.77	1.83	7.84
2000-01	4.41	6.21	4.84	2.47
2001-02	3.54	2.08	3.37	4.38
2002-03	3.10	5.57	3.58	7.83
2003-04	4.57	7.91	6.83	
Jul-Apr				
2003-04	3.93	7.05	5.80	10.05
2004-05	9.27	6.89	11.98	

Source: Federal Bureau of Statistics

* Provisional

WPI, CPI & SPI Base Year = 1990-91 series have been converted into Base Year 2000-01.

3. GDP Deflator Base Year 1980-81=100 has been changed with 1999-2000 = 100 as new base year.

TABLE 7.4**AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS**

Fiscal Year	Wheat (Av.Qty) Kg	Wheat Flour (Av.Qty) Kg	Basmati Rice (Bracen) Kg	Moong Pulse (Washed) Kg	Gram Pulse (Av.Qty) Kg	Beef (Cow/ Buffalo with bone) Kg	Chicken (Farm) Kg	Mutton (Goat) (Av.Qty) Kg	Egg/Hen (Fm) Kg	Potato (Av.Qty) Kg	Lentils (Av.Qty) Kg	Tomato (Av.Qty) Kg	(Rs/Unit)
1990-91	37	3.66	3.10	12.64	7.85	5.51	..	0.39	3.28	3.19	7.70	12.52	
1991-92	32	4.20	3.97	16.16	8.70	9.62	..	3.86	3.95	3.32	4.17	8.75	
1992-93	35	4.44	3.06	17.09	11.35	2.49	..	0.09	3.96	3.77	7.16	11.64	
1993-94	48	4.93	3.77	17.09	11.72	5.63	..	9.94	3.69	3.81	6.88	14.64	
1994-95	57	5.78	3.09	20.24	21.77	0.68	..	1.68	3.64	3.32	7.76	18.22	
1995-96	54	5.90	3.27	21.86	21.67	7.29	..	1.71	3.37	3.45	7.65	14.05	
1996-97	69	7.32	2.85	21.80	15.00	4.01	..	9.42	3.90	3.08	9.22	14.35	
1997-98	76	8.64	3.40	28.45	20.22	5.44	57.24	13.37	3.73	3.31	0.45	20.34	
1998-99	72	8.35	3.50	32.95	22.08	5.83	54.20	16.46	3.98	3.74	5.32	19.60	
1999-00	89	8.92	3.71	30.05	25.07	6.78	50.90	18.64	3.27	3.38	6.85	15.25	
2000-01	87	9.80	3.35	30.30	29.52	6.01	50.65	19.38	3.35	3.74	0.72	17.24	
2001-02	89	9.67	3.49	34.36	34.89	5.19	52.04	11.53	3.57	3.43	9.59	17.12	
2002-03	83	10.14	3.07	30.46	31.13	1.21	54.01	14.95	3.69	3.43	8.70	13.30	
2003-04	105	11.71	3.04	27.98	24.17	5.45	57.50	14.31	3.03	3.58	1.09	19.10	
Jul-Apr													
2003-04	109	11.53	3.00	28.05	23.94	3.33	54.69	19.24	3.17	3.11	1.58	20.91	
2004-05	178	13.32	3.08	30.31	29.50	3.15	64.68	13.02	3.48	3.28	4.10	28.71	

.. Not Available

(Contd.)

Note: Data for period: 1990-91 - 2000-01 is based on 12 centres while data 2001-02 onward is based on 7 centres.

TABLE 7.4**AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS**

Fiscal Year	Mustard Oil (Mill) Kg	Vegetable Ghee (Loose) Kg	Rock Salt (Powder) Kg	Red Chillies (Av.Qty) Kg	Sugar (Open Market) Kg	Ghee (S. Q) Kg	Milk (Fresh) Ltr	Tea in Packet (Sup.Qty) 250 Gram	(Rs/Unit)
1990-91	20.93	19.00	2.00	24.38	11.26	24	7.71	20.0	
1991-92	25.85	20.53	2.17	31.05	11.62	67	8.82	20.0	
1992-93	30.26	24.08	2.22	41.08	12.29	103	9.90	23.6	
1993-94	33.18	29.09	2.25	39.33	12.91	149	11.07	27.8	
1994-95	43.93	38.99	2.40	70.12	13.74	107	12.18	29.1	
1995-96	46.50	39.38	2.79	82.32	16.76	154	13.67	30.3	
1996-97	47.27	42.76	3.13	74.15	21.26	167	15.12	38.3	
1997-98	49.65	45.78	3.17	62.55	19.54	191	16.27	49.8	
1998-99	63.43	54.00	3.22	89.05	19.06	119	17.71	51.8	
1999-00	61.13	49.14	3.35	82.72	21.11	181	17.91	48.9	
2000-01	56.92	44.82	3.43	66.75	27.11	131	18.23	53.7	
2001-02	59.01	49.20	3.19	78.34	22.87	112	17.92	57.0	
2002-03	60.80	55.25	3.21	75.87	20.77	145	18.35	61.3	
2003-04	63.51	59.84	3.22	73.80	19.01	179	19.21	64.6	
Jul-Apr									
2003-04	63.30	59.23	3.21	72.59	18.96	185	18.99	65.2	
2004-05	65.63	59.98	3.47	75.64	22.73	165	20.91	60.6	

Note: Data for Period: 1990-91-2000-01 is based on 12 centres while data for period 2001-02 onward is based on 17 centres.

(Cont)

TABLE 7.4**AVERAGE RETAIL PRICES OF ESSETIAL ITEMS**

								(Rs/unit)
(Contd.)								
Fiscal Year	Cigarettes (Pkt)	Coarse Latha (Mtr.)	Voil Printed (Mtr.)	Shoes Gents Concord (Bata)	Firewood (Kikar/ Babul) (40 Kgs.)	Match Box (40/ 50 Sticks) (Each)	Washing Soap 707/555 (Cake)	Life-buoy Soap (Cake)
1990-91	3.48	10.71	25.24	429.95	50.07	0.35	2.49	4.02
1991-92	3.56	12.08	27.65	149.95	55.68	0.44	2.72	4.10
1992-93	3.60	13.46	27.18	149.95	62.31	0.49	3.01	4.64
1993-94	3.61	14.14	28.56	185.78	67.51	0.49	3.52	6.00
1994-95	3.75	15.76	29.26	224.95	71.83	0.50	4.14	6.35
1995-96	3.69	18.31	27.90	299.95	78.54	0.50	5.03	7.29
1996-97	3.90	20.89	30.01	337.70	88.88	0.50	5.95	8.53
1997-98	3.79	22.24	31.34	339.00	95.00	0.50	6.18	8.58
1998-99	4.19	23.20	31.63	342.96	97.65	0.50	6.57	9.21
1999-00	5.04	23.76	32.20	381.29	99.93	0.50	6.81	9.50
2000-01	5.01	24.11	33.04	399.00	104.04	0.50	6.90	9.50
2001-02	5.82	26.81	33.30	399.00	99.30	0.51	7.37	10.02
2002-03	6.06	26.84	33.74	428.17	104.20	0.51	7.48	11.00
2003-04	6.08	28.80	34.52	499.00	118.40	0.51	7.48	10.82
<u>Jul-Apr</u>								
2003-04	6.06	28.39	34.16	397.50	115.90	0.51	7.51	10.21
2004-05	6.84	31.75	35.94	499.00	112.98	0.51	7.48	13.98

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 is based on 17 centres.

TABLE 7.4**AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS**

									(Rs/unit)
(Contd.)									
Fiscal Year	Electric Bulb (60-W)	Cooked Beef Plate	Cooked Dal Plate	Rice Irri-6 Kg	Masoor Pulse Kg	Mash Pulse Kg	Garlic Kg	Cooking Oil Dalda 2.5 Ltr	Vegetable Ghee 2.5 Kg
1990-91	11.03	8.22	5.52	4.84	18.77	14.19	36.02	57.71	49.07
1991-92	11.98	9.35	6.08	5.66	23.70	15.75	23.15	62.83	51.74
1992-93	12.00	10.51	6.59	6.41	21.75	14.95	18.01	70.74	62.07
1993-94	12.28	11.59	7.28	6.62	19.87	14.91	27.02	87.22	77.95
1994-95	13.00	13.17	8.36	7.07	20.20	23.93	31.65	116.83	104.62
1995-96	13.29	14.48	9.43	9.09	28.01	32.79	27.14	122.50	109.82
1996-97	14.94	15.84	9.95	9.99	30.79	31.82	34.34	134.64	119.06
1997-98	14.96	16.44	10.40	10.48	34.49	28.59	36.85	148.95	131.98
1998-99	15.42	17.85	11.12	12.09	35.84	30.40	38.67	168.27	157.94
1999-00	16.00	18.30	11.35	12.51	36.03	38.38	30.16	166.93	164.95
2000-01	14.10	18.53	11.87	11.56	36.97	48.38	28.07	155.64	153.43
2001-02	14.00	18.58	12.42	11.51	38.41	44.25	39.93	170.97	169.24
2002-03	13.30	18.88	13.09	12.23	38.41	37.56	34.11	199.68	196.77
2003-04	12.69	20.95	13.86	13.06	35.40	35.57	32.82	203.98	200.28
<u>Jul-Apr</u>									
2003-04	12.70	20.51	13.75	12.79	35.21	35.49	31.97	203.79	199.54
2004-05	11.94	24.20	14.81	15.28	30.69	37.85	42.29	205.59	204.17

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data for Period 2001-02 is based on 17 centres.

TABLE 7.4**AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS**

(Contd.)									(R/Unit)
Fiscal Year	Curd Kg	Tea Prepare Cup	Banana Doz.	Lawn Hussain Mtr.	Shirting Hussain Mtr.	Shoes Lady Bata	Chappi Gent Span	Bread Pla M.Se	Milk Powder Nido 500 gms
1990-91	9.98	35	11.66	33.65	30.98	156.20	33	.34	17.27
1991-92	11.22	54	14.71	37.64	35.79	174.95	36	.01	74.59
1992-93	12.49	72	19.06	39.42	39.54	174.95	36	.78	34.96
1993-94	13.86	99	19.28	42.38	41.90	181.68	46	.55	30.40
1994-95	15.25	20	21.04	44.63	45.08	191.95	55	.40	35.47
1995-96	17.16	55	21.36	46.25	50.59	211.90	63	.99	79.01
1996-97	18.74	02	20.37	52.03	53.58	248.03	78	.09	31.00
1997-98	19.91	30	20.18	56.02	55.25	249.00	79	1.31	32.40
1998-99	21.75	61	21.25	72.17	56.85	269.42	79	1.39	35.82
1999-00	21.87	74	20.88	76.27	58.28	319.00	79	1.96	10.00
2000-01	22.43	03	22.11	77.77	59.10	319.00	79	1.17	14.03
2001-02	21.90	18	22.14	70.79	55.17	319.00	79	1.14	16.00
2002-03	23.35	46	21.96	69.92	55.59	342.21	79	1.16	88.00
2003-04	23.33	72	23.01	69.96	56.78	364.00	79	1.77	94.75
Jul-Apr									
2003-04	23.02	74	22.17	69.53	56.41	397.00	79	1.62	93.79
2004-05	25.44	08	23.92	71.95	59.57	202.71	85	1.09	02.20

Note: Data for Period 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 is based on 17 centres. Source: Federal Bureau of Statistics.

* The unit has been changed from 50 GM to 400 GM

TABLE 7.4**AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS (Average of 12 Centres)**

(Contd.)					
Fiscal Year	Kerosene (per r.)	Gas Charges (100 cf)	Elect Charges (upto 50 units)	Pet Sur (per.)	Tel Loca Call Charges (per all)
1990-91	2.7	-	-	-	-
1991-92	5.0	-	-	-	-
1992-93	5.5	-	-	-	-
1993-94	7.1	-	-	-	-
1994-95	7.5	-	-	-	-
1995-96	8.7	-	-	-	-
1996-97	10.6	-	-	-	-
1997-98	11.0	-	-	-	-
1998-99	11.2	-	-	-	-
1999-00	13.0	231.44	1.28	28	2.1
2000-01	16.4	248.55	1.46	29	2.2
2001-02	18.8	259.26	2.18	31	2.1
2002-03	22.8	259.35	2.45	33	2.1
2003-04	24.5	79.45 *	2.54	33	2.1
Jul-Apr					
2003-04	24.3	79.36	2.55	32	2.1
2004-05	28.3	84.45	2.41	38	2.1

Note: Data for Period 1990-91 - 2001-01 is based on 12 centres while data for 2001-02 is based on 17 centres. Source: Federal Bureau of Statistics

- : Not Available

* : The unit has been changed from 100 CM to 100 CF

TABLE 7.5

INDICES OF WHOLESALE PRICES OF SELECTED COMMODITIES (Base Year 1990-91 = 100)

Fiscal Year	Wheat	Rice	Gram (Whole)	Sugar Refined	Vegetable Ghee	Tea	Meat	Vegetables	Fresh Milk	Cotton	Motor Fuels
1991-92	116.48	110.40	116.50	103.64	105.52	100.82	110.71	96.82	110.71	106.04	102.50
1992-93	122.77	122.28	148.18	110.57	123.78	119.10	121.02	107.36	126.15	119.20	103.37
1993-94	136.04	130.94	220.32	115.96	151.04	136.40	140.28	143.43	142.92	168.20	123.39
1994-95	161.26	141.25	313.71	123.67	205.90	148.50	162.40	155.19	163.96	207.62	124.80
1995-96	163.26	167.12	303.57	152.97	208.27	157.91	162.86	173.71	190.39	210.57	139.42
1996-97	206.13	185.50	199.41	192.12	224.41	197.75	201.85	188.93	218.18	242.89	173.35
1997-98	246.80	197.08	260.78	175.98	241.78	255.96	210.00	231.40	216.25	245.84	188.14
1998-99	241.28	239.88	307.41	173.03	285.78	266.35	214.95	196.69	245.85	261.55	204.46
1999-00	258.66	245.11	370.24	191.58	249.13	254.60	218.60	195.92	252.28	213.72	239.48
2000-01	270.76	227.63	430.67	250.69	231.63	270.93	220.17	201.60	252.86	253.59	317.82
(Base Year 2000-01 = 100)											
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2001-02	96.10	109.64	84.23	82.36	114.12	99.28	102.04	107.57	99.79	91.31	102.90
2002-03	101.12	126.09	71.40	75.32	130.34	96.93	111.10	101.65	100.50	110.46	106.80
2003-04	191.89	138.50	74.17	67.72	141.44	96.94	137.55	116.00	105.41	144.44	111.03
Jul-Apr											
2003-04	119.36	136.53	73.56	67.48	140.21	97.13	133.51	115.93	104.75	143.09	109.21
2004-05	138.49	151.77	93.45	88.36	137.60	93.91	167.50	149.33	112.48	94.77	130.98

(Contd.)

TABLE 7.5

INDICES OF WHOLESALE PRICES OF SELECTED COMMODITIES Base Year (1990-91 = 100)

Fiscal Year	Other Oils	Fire Wood	Cotton Yarn	Matches	Soaps	Fertilizers	Transport	Leather	Timber	Cement
1991-92	100.39	111.43	105.40	107.59	105.27	109.71	103.24	109.57	114.90	108.00
1992-93	101.23	124.16	103.44	117.63	116.70	113.37	116.55	109.58	130.28	114.13
1993-94	120.72	133.68	137.83	120.69	140.04	153.70	135.89	115.54	144.50	137.61
1994-95	122.47	142.95	173.62	120.73	146.33	178.99	167.72	124.50	161.57	169.92
1995-96	141.59	153.83	184.24	122.99	171.03	198.95	216.71	138.98	175.41	166.18
1996-97	209.46	175.15	201.58	184.13	209.33	247.69	234.60	162.65	202.36	200.32
1997-98	228.68	190.80	199.64	208.14	200.54	256.19	234.81	152.12	220.08	212.05
1998-99	229.82	199.33	203.63	208.14	212.66	277.59	236.57	128.27	227.06	216.99
1999-00	272.45	207.73	200.74	205.67	222.75	316.24	255.29	133.20	239.02	212.65
2000-01	383.08	214.21	207.98	206.29	224.58	302.96	265.68	140.07	253.52	215.14
Base Year 2000-01 = 100										
2000-01	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2001-02	103.59	101.33	95.35	100.55	103.89	102.26	106.66	100.00	101.45	100.42
2002-03	128.10	103.94	98.06	100.55	109.00	113.59	106.82	95.23	101.25	102.77
2003-04	139.86	115.41	121.03	105.61	110.68	123.64	108.70	93.64	121.75	102.45
Jul-Apr										
2003-04	137.34	114.15	120.08	105.27	110.59	122.13	107.99	93.64	117.85	102.04
2004-05	165.00	126.70	106.72	107.66	122.62	140.19	110.55	101.92	140.96	104.41

Source: Federal Bureau of Statistics

TABLE 1.1

BALANCE OF PAYMENTS

Items	(U \$ Million)										
	Jul-March										
	199-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2003	2003-4	2003-0	2004-0
										(P)	
1. Trade Balance	-304	-3145	-1867	-2085	-1412	-1269	-294	44	-122	-64	-3378
Exports (i.b)	811	8096	8434	7528	8190	8933	3140	189	125	913	10572
Imports (i.b)	-1215	-11241	-10301	-9613	-9602	-10202	-434	-133	-1367	-983	-13950
2. Services (It)	-349	-3659	-3264	-2618	-2794	-3142	2617	-28	-355	-224	-4238
Receipts	200	1840	1708	1409	1501	1464	2027	67	254	232	2660
Payments	-349	-5499	-4972	-4027	-4295	-4606	-4644	195	-639	-462	-6898
Shipmit	(145)	(978)	(921)	(844)	(802)	(877)	(809)	51	(1,21)	(88)	(1,266
Investment Income	(237)	(2,322)	(2,454)	(1,903)	(2,135)	(2,274)	(,430)	(281)	(2,32)	(169)	(1,884
Others	(267)	(2,199)	(1,597)	(1,280)	(1,358)	(1,455)	(,405)	(163)	(2,16)	(204)	(3,748
3. Private Unrequited Transfs (net)	178	2958	3210	2274	3063	3898	4249	37	60	439	6258
(Workers emittances)	(161)	(1,409)	(1,490)	(1,060)	(983)	(1,087)	(,389)	(437)	(3,11)	(287)	(3,051
4. Current Account Balance	-475	-3846	-1921	-2429	-1143	-513	1338	65	13	156	-1358
5. Long-term Capital (net)	199	2018	1707	1836	525	171	1280	35	-20	-25	1775
Private Capital (net)	134	1293	617	466	277	-68	-177	25	11	35	582
Official Capital (net)@	165	725	1090	1370	248	239	1457	10	-11	-65	1193
6. Basic Balance	-176	-1828	-214	-593	-618	-342	2618	00	13	121	417
7. Errors and Omissions (net)*	196	605	-514	-1375	-2282	313	961	09	-8	-14	-526
8. Balance Requiring Official Financing	180	-1223	-728	-1968	-2900	-29	3579	09	15	108	-109
9. Official Assistance & Debt Relief	149	191	422	-1174	-996	338	-925	20	4	1	574
Medium and Short-Term Capital	141	-446	390	-863	-221	431	-334	80	-17	-25	106
Other Short-Term Assets/Liabilities FEBC, DBC											
FEBC, Eo & Special											
US \$ Bors (Net)	108	637	32	-311	-775	-93	-591	40	13	31	468
10. Exceptional Financing	0	0	0	3966	3966	692	138	20	-5	-5	-55
11. Change in Reserves (-ve = increase)	131	1032	306	-824	-71	-1001	2792	-09	-16	-104	-410

@ Includes Official Unrequited Transfers

Source: State Bank of Pakistan

* Includes Private Short-term Capital

(P) Provisional

TABLE 8.2**COMPONENTS OF BALANCE OF PAYMENTS (AS PERCENT OF GDP)**

Year *	Exports ^	Imports ^	Trade Deficit ^	Worker's Remittances #	Current Account Deficit #
1980-81	10.5	19.3	8.7	7.5	3.7
1981-82	8.0	18.3	10.3	7.2	5.0
1982-83	9.4	18.7	9.3	10.1	1.8
1983-84	8.9	18.3	9.4	8.8	3.2
1984-85	8.0	19.0	11.0	7.9	5.4
1985-86	9.6	17.7	8.0	8.1	3.9
1986-87	11.1	16.1	5.1	6.8	2.2
1987-88	11.6	16.7	5.0	5.2	4.4
1988-89	11.7	17.6	5.9	4.7	4.8
1989-90	12.4	17.4	4.9	4.9	4.7
1990-91	13.5	16.7	3.3	4.1	4.8
1991-92	14.2	19.1	4.8	3.0	2.8
1992-93	13.3	19.4	6.1	3.0	7.2
1993-94	13.1	16.6	3.4	2.8	3.8
1994-95	13.5	17.2	3.7	3.1	4.1
1995-96	13.8	18.7	4.9	2.3	7.2
1996-97	13.4	19.1	5.7	2.3	6.2
1997-98	13.9	16.3	2.4	2.4	3.1
1998-99	13.3	16.1	2.8	1.8	4.1
1999-00	11.7	14.1	2.4	1.3	1.6
2000-01	12.9	15.1	2.1	1.5	0.7
2001-02	12.8	14.4	1.7	3.3	+1.9
2002-03	13.5	14.8	1.3	5.1	+3.8
2003-04	12.8	16.2	3.4	4.0	+1.4

^ Based on the data compiled by FBS.

Based on the data compiled by SBP.

Source: FBS, SBP & E.A.Wing, Finance Division.

TABLE 8.3

EXPORTS, IMPORTS AND TRADE BALANCE

Year	(Rs million)			Growth Rate (%)			(US \$ million)			Growth Rate (%)		
	Current Prices						Current Prices					
	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance	Exports	Imports	Balance
1980-81	29,28	53,544	-2426	25.07	14.10	317	2,958	5409	-51	5.07	4.11	1.20
1981-82	26,27	59,482	-3321	-10.28	11.09	31.88	2,464	5622	-58	16.70	3.94	8.85
1982-83	34,44	68,151	-3370	31.11	14.57	.50	2,694	5357	-63	9.33	-4.71	5.67
1983-84	37,33	76,707	-3936	8.41	12.55	11.79	2,768	5685	-17	2.75	6.12	9.54
1984-85	37,97	89,778	-5179	1.71	17.04	3.58	2,491	5906	-15	10.01	3.89	7.07
1985-86	49,59	90,946	-4135	30.58	1.30	-21.16	3,070	5634	-64	23.24	-4.61	4.92
1986-87	63,35	92,431	-2907	27.75	1.63	-21.69	3,686	5380	-94	20.07	-4.51	3.93
1987-88	78,44	112,551	-3410	23.82	21.77	11.30	4,455	6391	-36	20.86	18.79	4.29
1988-89	90,18	135,841	-4565	14.96	20.69	31.87	4,661	7034	-73	4.62	10.06	2.57
1989-90	106,46	148,853	-4235	18.06	9.58	-1.17	4,954	6935	-81	6.29	-1.41	6.52
1990-91	138,28	171,114	-3282	29.88	14.96	-21.54	6,131	7619	-88	23.76	9.86	4.89
1991-92	171,72	229,889	-5815	24.19	34.35	7.15	6,904	9252	-48	12.61	21.43	7.80
1992-93	177,02	258,643	-8161	3.09	12.51	41.33	6,813	9941	-28	-1.32	7.45	3.22
1993-94	205,45	258,250	-5271	16.08	-0.15	-35.37	6,803	9564	-61	-0.15	13.85	3.70
1994-95	251,17	320,892	-6971	22.23	24.26	32.17	8,137	10394	-57	19.61	21.37	8.17
1995-96	294,74	397,575	-10281	17.35	23.90	41.50	8,707	11805	-98	7.01	13.58	7.26
1996-97	325,31	465,001	-13968	10.37	16.96	35.84	8,320	11894	-74	-4.44	0.75	5.36
1997-98	373,16	436,338	-6313	14.71	-6.16	-41.77	8,628	10118	-90	3.70	14.93	8.31
1998-99	390,31	465,964	-7562	4.60	6.79	9.70	7,779	9432	-53	-9.84	-6.78	0.94
1999-00	443,61	533,792	-9011	13.66	14.56	9.16	8,569	10309	-40	10.15	9.30	5.26
2000-01	539,01	627,000	-8790	21.50	17.46	2.42	9,202	11729	-127	7.39	4.07	2.24
2001-02	560,91	634,530	-7363	4.06	1.22	-6.20	9,135	11340	-105	-0.73	-3.63	11.09
2002-03	652,21	714,372	-6203	16.28	12.57	-5.75	11,160	11,220	-60	22.17	18.18	2.03
2003-04	709,01	897,825	-18879	8.70	25.68	24.12	12,313	11,592	-79	10.33	27.59	19.34
July-March												
2003-04	512,41	603,880	-9143	11.04	13.91	3.24	8,905	11,497	-92	13.35	16.25	15.65
2004-05 (P)	604,91	858,170	-25324	18.06	42.11	16.82	10,207	11,469	-262	14.62	37.84	17.71

P: Provisional

Source: FBS & E.A. Wing, Finance Division.

TABLE 8.4

UNIT VALUE INDICES AND TERMS OF TRADE (T.O.T) (1990-91 = 100)

Groups	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	(Indices)	
							July-December	
							2003-04	2004-05*
All Groups								
Exports	258.40	253.77	271.47	271.18	254.02	279.65	270.83	285.19
Imports	223.32	259.03	298.44	298.56	309.52	355.43	339.93	372.76
T.O.T.	115.71	97.97	90.96	90.83	82.07	78.68	79.67	76.51
Food & Live Animals								
Exports	221.84	234.95	249.32	260.55	258.11	267.55	258.75	293.78
Imports	225.64	248.38	278.82	277.41	259.76	282.18	256.57	296.49
T.O.T.	98.32	94.59	89.42	93.92	99.36	94.82	100.85	99.09
Beverages & Tobacco								
Exports	106.30	143.34	171.44	169.82	146.52	175.33	188.16	162.22
Imports	561.35	532.21	698.92	790.14	598.00	521.88	560.35	519.51
T.O.T.	18.94	26.93	24.53	21.49	24.50	33.60	33.58	31.23
Crude Materials (inedible except fuels)								
Exports	214.68	169.85	192.12	158.90	171.58	218.86	203.22	203.01
Imports	198.56	198.06	218.95	228.14	232.37	245.01	239.77	277.92
T.O.T.	108.12	85.76	87.75	69.65	73.84	89.33	84.76	73.05
Minerals, Fuels & Lubricants								
Exports	166.47	283.63	373.65	314.40	365.14	416.09	380.37	460.79
Imports	108.55	206.30	276.87	249.66	297.20	306.38	284.65	345.84
T.O.T.	153.36	137.48	134.96	125.93	122.86	135.81	133.63	133.24
Chemicals								
Exports	263.37	276.51	282.36	281.54	270.05	265.61	257.74	261.57
Imports	196.20	208.54	228.06	239.29	245.60	313.15	294.88	314.36
T.O.T.	134.23	132.59	123.81	117.66	109.96	84.82	87.41	83.21
Animal & Vegetable								
Oils, Fats & Waxes								
Exports	-	-	-	-	-	-	-	-
Imports	326.86	229.68	195.10	224.82	300.36	347.94	325.80	372.88
T.O.T.	-	-	-	-	-	-	-	-
Manufactured Goods								
Exports	275.59	266.96	279.04	281.83	248.93	274.02	262.04	284.13
Imports	226.26	224.61	251.50	244.97	240.82	287.80	255.49	286.61
T.O.T.	121.80	118.86	110.95	115.05	103.37	95.21	102.56	99.13
Machinery and Transport								
Equipment								
Exports	291.07	396.34	453.20	579.13	572.31	396.09	485.50	346.01
Imports	355.79	417.87	470.20	481.18	450.67	537.55	542.88	550.13
T.O.T.	81.81	94.85	96.38	120.36	126.99	73.68	89.43	62.90
Miscellaneous Manufac- tured Articles								
Exports	259.80	263.04	292.47	298.40	294.67	318.55	320.60	316.16
Imports	240.08	278.99	323.02	320.35	299.60	333.22	320.75	315.83
T.O.T.	108.21	94.28	90.54	93.15	98.35	95.60	99.95	100.10

Source: Federal Bureau of Statistics.

- Not applicable

* Provisional

TABLE 8.5

ECONOMIC CLASSIFICATION OF EXPORTS AND IMPORTS (A. EXPORTS)

(Rs million)

Year	Primary Commodities		Semi-Manufactures		Manufactured Goods		Total Value
	Value	Percentage Share	Value	Percentage Share	Value	Percentage Share	
1970-71	650	33	472	24	876	4	1,98
1971-72	1,510	45	914	27	947	3	3,37
1972-73	3,366	39	2,583	30	2,602	3	8,51
1973-74	4,007	39	2,294	23	3,860	3	10,11
1974-75	4,933	48	1,308	13	4,047	3	10,36
1975-76	4,902	44	2,068	18	4,283	3	11,33
1976-77	4,622	41	1,888	17	4,783	3	11,34
1977-78	4,633	36	1,912	15	6,433	3	12,30
1978-79	5,475	32	3,489	21	7,963	3	16,25
1979-80	9,838	42	3,519	15	10,053	3	23,40
1980-81	12,824	44	3,320	11	13,136	3	29,30
1981-82	9,112	35	3,507	13	13,653	3	26,70
1982-83	10,326	30	4,618	13	19,491	3	34,42
1983-84	10,789	29	5,172	14	21,371	3	37,39
1984-85	10,981	29	6,664	17	20,333	3	37,79
1985-86	17,139	35	7,892	16	24,563	3	49,32
1986-87	16,796	26	13,214	21	33,343	3	63,55
1987-88	22,163	28	15,268	20	41,013	3	78,45
1988-89	29,567	33	16,937	19	43,673	3	90,33
1989-90	21,641	20	25,167	24	59,663	3	106,59
1990-91	25,820	19	33,799	24	78,663	3	138,32
1991-92	32,645	19	36,731	21	102,353	3	171,28
1992-93	26,133	15	36,507	21	114,383	4	177,28
1993-94	21,321	10	48,748	24	135,433	3	205,99
1994-95	28,113	11	62,624	25	160,433	4	251,73
1995-96	47,852	16	63,802	22	183,083	2	294,41
1996-97	36,452	11	66,889	21	221,973	8	325,13
1997-98	47,357	13	64,683	17	261,123	0	373,60
1998-99	45,143	12	70,288	18	274,913	0	390,42
1999-00	53,833	12	68,208	15	321,633	3	443,78
2000-01	67,783	13	81,288	15	389,993	2	539,70
2001-02	60,346	11	80,438	14	420,163	5	560,47
2002-03	71,194	11	71,323	11	509,773	8	652,94
2003-04	70,716	10	83,361	12	554,953	8	709,36
<u>July-December</u>							
2003-04	35,222	10	38,505	12	265,073	8	338,06
2004-05	38,924	10	38,170	10	309,043	0	386,43

(Cont.)

TABLE 8.5

ECONOMIC CLASSIFICATION OF EXPORTS AND IMPORTS (B. IMPORTS)

(Rs million)

Year	Capital Goods		Industrial Raw Material For				Consumer Goods		Total Value
	Value	Percentage Share	Capital Goods		Consumer Goods				
			Value	Percentage Share	Value	Percentage Share			
1970-71	1,885	52	382	11	950	26	385	11	3,602
1971-72	1,482	42	367	11	851	24	795	23	3,495
1972-73	2,499	30	830	10	2,584	31	2,485	30	8,398
1973-74	3,975	30	904	7	5,386	40	3,214	24	13,479
1974-75	6,152	29	1,802	9	8,257	40	4,714	23	20,925
1975-76	7,158	35	1,261	6	7,709	28	4,337	21	20,465
1976-77	8,750	38	1,463	6	9,148	40	3,651	16	23,012
1977-78	9,316	34	1,921	7	11,023	40	5,555	20	27,815
1978-79	10,970	30	2,160	6	15,416	42	7,842	22	36,388
1979-80	16,679	36	2,916	6	19,834	42	7,500	16	46,929
1980-81	14,882	28	4,055	8	26,832	50	7,775	15	53,544
1981-82	17,504	30	4,861	8	28,710	48	8,407	14	59,482
1982-83	21,135	31	4,040	6	33,383	49	9,593	14	68,151
1983-84	24,419	32	4,525	6	37,017	48	10,746	14	76,707
1984-85	28,968	32	4,859	6	41,579	46	14,372	16	89,778
1985-86	33,195	37	4,966	5	36,353	40	16,432	18	90,946
1986-87	33,841	37	6,150	7	36,227	39	16,213	17	92,431
1987-88	40,350	36	8,021	7	48,153	43	16,027	14	112,551
1988-89	49,498	37	9,929	7	53,055	39	23,359	17	135,841
1989-90	48,420	33	10,439	7	61,562	41	28,432	19	148,853
1990-91	56,303	33	11,621	7	76,290	44	26,900	16	171,114
1991-92	96,453	42	15,167	7	88,791	38	29,478	13	229,889
1992-93	108,993	42	14,304	6	99,290	38	36,056	14	258,643
1993-94	97,301	38	15,692	6	110,291	43	34,966	13	258,250
1994-95	112,305	35	16,754	5	148,419	46	43,414	14	320,892
1995-96	140,405	35	22,541	6	180,539	45	54,090	14	397,575
1996-97	169,774	37	22,259	5	202,379	43	70,589	15	465,001
1997-98	139,618	32	23,344	5	195,528	45	77,848	18	436,338
1998-99	146,450	31	25,646	6	220,563	47	73,305	16	465,964
1999-00	140,045	26	30,712	6	287,801	54	75,234	14	533,792
2000-01	157,091	25	34,371	6	345,770	55	89,768	14	627,000
2001-02	176,702	28	39,038	6	346,865	55	72,025	11	634,630
2002-03	220,942	31	41,216	6	380,035	53	72,179	10	714,372
2003-04	316,082	35	57,310	7	441,586	49	82,847	9	897,825
July-December									
2003-04	119,934	31	25,890	7	196,690	52	37,878	10	380,392
2004-05	161,835	31	42,089	8	269,369	51	55,255	10	528,548

Source: Federal Bureau of Statistics.

Source: Federal Bureau of Statistics.

TABLE 8.6

MAJOR IMPOTS

Items	Rs. Million									
	1997-9	1998-99	1999-00	2000-01	2001-02	2002-03	03-04	July-December		
								2003-04	2004-5	
1. Chemicals	51,77	57,613	72,797	80,106	82,263	10,953	19,683	53,312	81,01	
2. Drugs and medicines	10,74	13,027	13,429	13,965	13,988	12,964	15,812	7,611	7,62	
3. Dyes and colours	5,91	6,535	6,950	7,346	7,775	8,419	9,218	4,433	5,51	
4. Chemical Fertilizers	9,01	13,311	10,227	9,842	10,904	14,068	16,405	9,997	14,02	
5. Electrical goods	13,23	7,435	8,026	7,695	7,835	12,661	14,862	6,921	8,03	
6. Machinery (non-electrical)	69,31	75,703	66,206	81,551	96,832	19,256	40,907	59,549	96,71	
7. Transport equipments	20,83	27,208	29,202	29,918	30,587	39,984	87,374	25,430	26,73	
8. Paper, board and stationery	5,45	5,880	6,352	7,646	8,608	10,451	12,138	4,511	5,31	
9. Tea	9,88	11,150	10,895	11,030	9,611	10,095	11,078	5,429	6,13	
10. Sugar-refine	1,66	153	769	1,488	1,485	153	189	68	7	
11. Art-silk yarn	1,66	2,241	2,460	2,509	5,054	5,375	6,793	3,540	4,11	
12. Iron, steel & manufactures thereof	19,13	18,370	18,864	21,267	24,633	28,813	35,942	16,561	25,62	
13. Non-ferrous metals	4,20	4,502	5,016	5,964	6,757	8,430	10,544	4,540	6,45	
14. Petroleum & products	67,17	68,896	145,238	191,611	172,578	79,317	182,332	78,098	110,87	
15. Edible oils	33,34	40,536	21,402	11,045	24,034	34,288	37,917	19,134	21,81	
16. Grains, pulses & flours	32,87	22,274	19,639	7,987	11,636	9,290	6,338	2,311	16,34	
17. Other imports	80,18	91,130	96,320	101,030	120,050	29,855	190,293	78,947	91,61	
Grand Total	436,38	465,964	533,792	627,000	634,630	14,372	397,825	380,392	528,58	

Source: Federal Bureau of Statistics

TABLE 8.7**DESTINATION OF EXPORTS AND ORIGIN OF IMPORTS**

(% Share)

REGION	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
1. Developed Countries							60.0
Exports	60.8	56.7	57.1	60.3	58.9	55.6	48.7
Imports	58.3	62.2	58.6	52.6	49.3	49.9	
a. OECD							59.7
Exports	57.2	54.9	56.7	60.0	58.6	55.3	48.1
Imports	55.7	58.7	57.0	52.1	48.5	49.0	
b. Other European Countries							0.3
Exports	0.6	0.3	0.4	0.3	0.3	0.3	0.6
Imports	0.8	0.5	0.3	0.5	0.8	0.9	
2. CMEA*							0.7
Exports	3.0	1.5	1.0	0.5	0.4	0.5	1.3
Imports	1.8	3.0	1.3	1.6	2.1	1.9	
3. Developing Countries							39.3
Exports	39.2	44.3	41.9	39.2	40.7	43.9	50.0
Imports	41.7	37.8	41.4	45.8	48.6	48.2	
a. OIC							11.8
Exports	12.7	14.6	16.0	13.7	12.9	12.9	26.0
Imports	17.9	16.5	16.9	20.9	21.3	22.4	
b. SAARC							2.5
Exports	3.5	4.7	3.8	3.1	3.4	2.7	2.4
Imports	1.5	1.5	1.5	1.6	1.4	1.5	
c. ASEAN							2.5
Exports	5.1	5.6	5.2	3.7	4.0	5.3	9.0
Imports	8.9	7.3	8.5	9.5	12.6	11.2	
d. Central America							0.5
Exports	0.1	0.2	0.3	0.5	0.4	0.3	0.2
Imports	0.2	0.1	0.1	0.1	0.1	0.2	
e. South America							1.2
Exports	0.2	0.5	0.5	0.9	1.0	1.4	1.7
Imports	1.6	1.3	1.6	1.0	1.4	1.2	
f. Other Asian Countries							15.6
Exports	14.6	14.3	13.0	14.0	14.9	17.1	8.7
Imports	9.6	9.5	11.1	10.8	9.5	9.4	
g. Other African Countries							4.4
Exports	3.0	4.4	3.0	2.9	3.6	3.8	1.9
Imports	2.0	1.6	1.7	1.9	2.2	2.3	
h. Central Asian States							0.8
Exports	-	-	0.1	0.4	0.5	0.9	0.1
Imports	-	-	-	-	0.1	-	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

(Contd..)

TABLE 87

DESTINATIONS OF EXPORTS AND ORIGIN OF IMPORTS

REGION	1997-98	198-99	1999-00	2000-01	2001-02	2002-03	23-04	July-December	
								2003-04	2004-05
								(% Share)	
1. Developed Countries									
Exports	59.4	59.9	61.0	56.7	58.1	56.1	58.2	57.4	58
Imports	46.5	42.2	36.7	31.0	34.3	34.4	35.5	35.9	38
a. OECD									
Exports	59.5	59.6	60.6	56.3	57.6	55.6	57.5	56.8	57
Imports	46.1	41.6	36.1	30.5	33.7	33.5	34.7	35.2	34
b. Other European Countries									
Exports	0.3	0.3	0.4	0.4	0.5	0.5	0.7	0.6	0
Imports	0.4	0.6	0.6	0.5	0.6	0.9	0.8	0.7	3
2. CMEA*									
Exports	0.6	0.4	0.4	0.4	0.5	0.6	0.7	0.7	0
Imports	0.9	1.0	1.2	0.9	1.1	0.8	1.2	1.5	2
3. Developing Countries									
Exports	39.6	39.7	38.6	42.9	41.4	43.3	41.1	41.9	42
Imports	52.6	56.8	62.1	68.1	64.6	64.8	63.3	62.6	59
a. OIC									
Exports	12.5	12.7	14.1	16.5	19.2	22.3	20.7	21.0	19
Imports	23.3	24.3	35.2	35.3	36.0	35.2	33.7	31.0	28
b. SAARC									
Exports	3.5	5.0	3.2	2.9	2.5	2.4	3.2	3.1	3
Imports	2.3	2.2	1.9	2.9	2.4	1.9	3.1	2.8	2
c. ASEAN									
Exports	3.2	3.2	2.8	2.6	2.7	2.9	2.7	3.4	3
Imports	12.6	14.1	10.2	10.6	11.7	12.2	11.1	12.8	13
d. Central America									
Exports	0.7	0.8	0.9	0.8	1.0	0.9	0.9	0.9	9
Imports	0.1	0.3	0.2	0.2	0.1	0.1	0.1	0.1	1
e. South America									
Exports	1.6	1.2	1.1	1.2	0.9	0.7	0.8	0.7	0
Imports	1.1	2.1	1.0	0.6	0.7	0.6	0.6	0.6	9
f. Other Asian Countries									
Exports	12.9	12.8	12.4	10.0	11.4	9.9	9.4	9.1	2
Imports	10.7	10.3	10.3	10.6	10.9	12.5	12.3	13.1	10
g. Other African Countries									
Exports	4.3	3.5	3.8	4.3	3.5	4.0	3.2	3.1	5
Imports	2.5	2.8	3.0	2.8	2.7	2.3	2.3	2.1	3
h. Central Asian States									
Exports	0.9	0.5	0.3	0.3	0.2	0.2	0.2	0.1	1
Imports	--	0.7	0.3	0.1	0.1	--	0.1	--	1
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

-- not available

Source: Federal Bureau of Statistics

* Council for Mutual Economic Assistance.

TABLE 8.8**WORKERS REMITTANCES**

(US\$ Million)

COUNTRY	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
I. Cash Flow	1,626.92	1,252.45	1,238.51	1,093.36	1,317.73	1,227.28	1,078.05
Bahrain	37.20	27.75	25.42	25.92	35.90	33.23	29.16
Canada	11.26	9.86	7.54	5.65	4.91	5.67	3.59
Germany	32.62	33.12	40.64	28.88	27.71	26.06	18.98
Japan	26.84	12.96	11.62	7.13	6.90	3.65	3.05
Kuwait	15.12	44.24	60.22	47.85	57.86	45.43	38.38
Norway	21.28	16.25	15.18	11.85	13.40	11.72	7.97
Qatar	24.27	12.87	10.91	7.57	11.52	14.08	9.68
Saudi Arabia	681.97	516.16	525.94	493.65	554.08	503.22	418.44
Sultanat-e-Oman	74.98	60.35	51.67	46.07	61.49	64.44	46.11
U.A.E.	172.03	105.07	97.76	99.36	178.26	161.93	164.39
Abu Dhabi	75.71	38.74	32.47	29.32	51.99	48.98	44.91
Dubai	68.72	49.07	47.79	51.12	90.09	81.19	93.07
Sharjah	27.60	17.26	17.50	16.73	28.96	28.95	22.90
Others	-	-	-	2.19	7.22	2.81	3.51
U.K.	180.05	137.02	114.02	101.19	109.96	109.74	97.94
U.S.A	190.23	150.34	157.80	122.49	141.09	141.92	146.25
Other Countries	159.07	126.46	119.79	95.75	114.65	106.19	94.11

II. Encashment*	221.37	215.03	323.73	352.20	548.37	233.89	331.42
Total (I+II)	1,848.29	1,467.48	1,562.24	1,445.56	1,866.10	1,461.17	1,409.47

* Encashment and Profit in Pak Rs. of Foreign Exchange Bearer
Certificates (FEBs) & Foreign Currency Bearer Certificates (FCBCs)

(Contd.)

TABLE 8.8**WORKERS REMITTANCES**

(% Share)

COUNTRY	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Cash Flow	2.29	2.22	2.05	2.37	2.72	2.71	2.70
Bahrain	0.69	0.79	0.61	0.52	0.37	0.46	0.33
Canada	2.01	2.64	3.28	2.64	2.10	2.12	1.76
Germany	1.65	1.03	0.94	0.65	0.52	0.30	0.28
Japan	0.93	3.53	4.86	4.38	4.39	3.70	3.56
Kuwait	1.31	1.30	1.23	1.08	1.02	0.95	0.74
Norway	1.49	1.03	0.88	0.69	0.87	1.15	0.90
Qatar	41.92	41.21	42.47	45.15	42.05	41.00	38.81
Saudi Arabia	4.61	4.82	4.17	4.21	4.67	5.25	4.28
Sultanat-e-Oman	10.57	8.39	7.89	9.09	13.53	13.19	15.25
U.A.E.	4.65	3.09	2.62	2.68	3.95	3.99	4.17
Abu Dhabi	4.22	3.92	3.86	4.68	6.84	6.62	8.63
Dubai	1.70	1.38	1.41	1.53	2.20	2.36	2.12
Sharjah	-	-	-	0.20	0.55	0.23	0.33
Others	11.07	10.94	9.21	9.25	8.34	8.94	9.08
U.K.	11.69	12.00	12.74	11.20	10.71	11.56	13.57
U.S.A	9.78	10.10	9.67	8.76	8.70	8.65	8.73
Other Countries	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Contd.

TABLE 88**WORKERS' EMITTANCES**

COUNTRY	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	(US \$ Mion)	
								Jly-April	2003/4 2004-05
I. Cash Flow	1,236.8	875.55	913.49	1021.59	2,340.79	4,190.73	3,826.1	3,170.3	3,437.7
Bahrain	331	33.31	29.36	23.87	39.58	71.46	80.5	67.1	7.81
Canada	14	3.46	3.86	4.90	20.52	15.19	22.9	18.4	3.97
Germany	162	11.93	10.47	9.20	13.44	26.87	46.5	38.5	4.34
Japan	65	3.09	1.58	3.93	5.97	8.14	5.2	4.5	.58
Kuwait	540	106.36	135.25	123.39	89.66	221.23	177.0	144.6	17.42
Norway	16	5.26	5.60	5.74	6.55	8.89	10.1	8.2	1.74
Qatar	1.17	12.94	13.29	13.38	31.87	87.68	88.6	74.6	7.90
Saudi Arabia	47.86	318.49	309.85	304.43	376.34	580.76	565.2	468.3	50.22
Sultanat-e-Onn	6.97	44.67	46.42	38.11	63.18	93.65	105.2	87.3	9.82
U.A.E.	20.70	125.09	147.79	190.04	469.49	837.87	597.4	500.1	58.87
Abu Dhabi	7.13	38.07	47.30	48.11	103.72	212.37	114.9	97.2	11.13
Dubai	10.01	70.57	87.04	129.69	331.47	581.09	447.4	373.3	44.80
Sharjah	2.54	14.69	12.80	12.21	34.05	42.60	34.6	29.4	2.23
Others	.02	1.76	0.65	0.03	0.25	1.81	0.4	0.2	.71
U.K.	9.83	73.59	73.27	81.39	151.93	273.83	333.9	273.5	30.99
U.S.A.	16.29	81.95	79.96	134.81	778.98	1,237.52	1,225.0	998.2	1,072.2
Other Countries	9.58	55.41	56.79	88.40	293.28	727.64	567.9	485.0	43.89
II. Encashment	25.87	184.64	70.24	64.98	48.26	46.12	45.4	40.4	17.4
Total (I+II)	1,485.55	1,060.19	983.73	1,086.57	2,389.05	4,236.85	3,871.5	3,210.7	3,455.1

* Encashment and Profit in Pak Rs of Foreign Exchange Bearer
Certificates (EBCs) & Foreign Currency Bearer Certificates (FCBs)

Source: State Bank of Pakistan

TABLE 18**WORKERS' EMITTANCES**

COUNTRY	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	(% Share)	
								Jly-April	2003-04 2004-05
Cash Flow									
Bahrain	.77	3.80	3.21	2.34	1.69	1.71	2.1	2.4	23
Canada	.33	0.40	0.42	0.48	0.88	0.36	0.6	0.9	10
Germany	.34	1.36	1.15	0.90	0.57	0.64	1.2	1.2	32
Japan	.21	0.35	0.17	0.38	0.26	0.19	0.1	0.4	16
Kuwait	.23	12.15	14.81	12.08	3.83	5.28	4.6	4.7	22
Norway	.58	0.60	0.61	0.56	0.28	0.21	0.2	0.7	46
Qatar	.98	1.48	1.45	1.31	1.36	2.09	2.3	2.4	06
Saudi Arabia	3.37	36.38	33.92	29.80	16.08	13.86	14.7	14.6	172
Sultanat-e-Onn	.01	5.10	5.08	3.73	2.70	2.23	2.7	2.4	87
U.A.E.	1.78	14.29	16.18	18.60	20.06	19.99	15.6	15.3	189
Abu Dhabi	.07	4.35	5.18	4.71	4.43	5.07	3.0	3.8	32
Dubai	.16	8.06	9.53	12.69	14.16	13.87	11.7	11.7	190
Sharjah	.31	1.68	1.40	1.20	1.45	1.02	0.9	0.2	65
Others	.24	0.20	0.07	0.00	0.01	0.04	0.0	0.1	02
U.K.	.99	8.41	8.02	7.97	6.49	6.53	8.7	8.1	01
U.S.A.	1.44	9.36	8.75	13.20	33.28	29.53	32.0	31.0	329
Other Countries	.96	6.33	6.22	8.65	12.53	17.36	14.8	15.1	167
Total	10.00	100.00	100.00	100.00	100.00	100.00	100.0	100.0	1000

Source: State Bank of Pakistan

TABLE 8.9**GOLD AND CASH FOREIGN EXCHANGE RESERVES HELD AND CONTROLLED BY STATE BANK OF PAKISTAN**

(US \$ Million)

Period	Total		Cash		Gold	
	June*	December*	June*	December*	June*	December*
1960	246	272	194	220	52	52
1961	257	238	204	185	53	53
1962	237	249	184	196	53	53
1963	302	279	249	226	53	53
1964	259	219	206	166	53	53
1965	200	208	147	155	53	53
1966	265	197	212	144	53	53
1967	167	159	114	106	53	53
1968	182	239	128	185	54	54
1969	299	311	245	257	54	54
1970	287	184	233	130	54	54
1971	199	171	144	116	55	55
1972	285	286	225	226	60	60
1973	463	489	396	422	67	67
1974	403	472	336	405	67	67
1975	486	418	419	351	67	67
1976	614	539	546	471	68	68
1977	431	534	363	466	68	68
1978	1010	832	696	444	314	388
1979	904	1210	414	279	490	931
1980	2019	1815	831	627	1188	1188
1981	1866	1589	1080	803	786	786
1982	1460	1527	862	971	598	598
1983	2758	2770	1975	2010	783	760
1984	2489	1715	1788	1074	701	641
1985	1190	1452	585	847	605	605
1986	1638	1446	968	793	670	653
1987	1784	1405	919	545	865	860
1988	1326	1258	479	440	847	818
1989	1227	1419	502	705	725	714
1990	1451	958	766	277	685	681
1991	1390	1208	674	500	716	708
1992	1761	1629	1069	950	692	679
1993	1369	2061	604	1371	765	690
1994	3337	3922	2545	3132	792	790
1995	3730	2758	2937	2039	793	719
1996	3251	1780	2465	1092	786	688
1997	1977	2200	1287	1567	690	633
1998	1737	1737	1125	1122	612	615
1999	2371	2080	1828	1536	543	543
2000	2149	1998	1547	1396	602	603
2001	2666	4161	2100	3595	566	566
2002	5439	8569	4772	7902	667	667
2003	10700	11532	9975	10807	725	725
2004 **	11883	10756	11052	9925	831	831

Source: State Bank of Pakistan

* Last day of the month.

** December 2004

TABLE E10

EXCHANGE RATE POSITION Pakistan Rupees in Terms of One Unit of Foreign Currency)

Country	Currency	(Average During the Year)							
		1990-91	1991-92	1992-93 ^a	1993-94	1994-95	19-96	1996-97	1997-98
Australia	Dollar	17.614	19.1123	18.2623	20.8851	22.983	14912	30.5300	29.342
Austria	Schilling	2.077	2.1433	3.3550	2.5433	2.958	2639	3.4694	3.422
Bangladesh	Taka	0.631	0.6518	0.6628	0.7536	0.773	8204	0.9128	0.951
Belgium	Franc	0.660	0.7327	0.8061	0.8559	1.045	1185	1.1854	1.163
Canada	Dollar	19.407	21.3864	20.7982	22.5554	22.350	16581	28.5449	30.480
China	Yuan	4.467	4.5781	4.5996	4.3316	3.603	10354	4.6988	5.211
Denmark	Krone	3.652	3.8958	4.3059	4.5298	5.234	19354	6.3775	6.330
France	Franc	4.119	4.4402	4.8939	5.2027	5.523	16921	7.2196	7.183
Germany	Mark	14.148	15.0838	16.5751	17.9039	20.604	19718	24.4163	24.095
Holland	Guilder	12.133	13.3928	14.7394	15.9401	18.547	15247	21.7451	21.393
Hong Kong	Dollar	2.628	3.2047	3.3574	3.9011	3.902	13345	5.0391	5.572
India	Rupee	1.180	0.9611	0.9405	0.9609	0.914	19783	1.0894	1.125
Iran	Rial	0.357	0.3699	0.3507	0.0179	0.0176	0.0192	0.0225	0.026
Italy	Lira	0.189	0.0201	0.0190	0.0185	0.0198	0.0212	0.0250	0.026
Japan	Yen	0.139	0.1896	0.2177	0.2843	0.277	13281	0.3376	0.341
Kuwait	Dinar	-	86.4030	87.2127	101.5740	104.749	15264	129.6859	141.716
Malaysia	Ringgit	5.163	9.3259	10.1692	11.5288	12.848	12905	15.5861	12.525
Nepal	Rupee	0.143	0.5832	0.5741	0.6121	0.178	16102	0.6837	0.704
Norway	Krone	3.301	3.8505	4.0096	4.1305	4.915	13528	6.0509	5.815
Singapore	Dollar	12.347	14.8944	15.9865	19.0212	21.485	16411	27.4575	27.017
Sri Lanka	Rupee	0.539	0.5831	0.5660	0.6120	0.201	16281	0.6823	0.708
Sweden	Krona	3.414	4.1506	3.9886	3.8009	4.543	10484	5.5230	5.510
Switzerland	Franc	16.698	16.9154	18.3825	20.8077	24.362	10734	28.8164	29.388
S. Arabia	Riyal	5959	6.6442	6.9407	8.0642	8.475	10606	10.4440	11.518
Thailand	Baht	0.627	0.9626	1.0028	1.1567	1.174	1.2176	1.2176	1.132
UAE	Dirham	6231	6.7874	7.0923	8.2415	8.214	12329	10.6639	11.713
UK	Pound	41.778	43.7454	42.0315	45.1600	48.951	1.9192	63.0683	71.110
USA	Dollar	22.228	24.8441	25.9598	30.1638	30.517	3.5684	38.9936	43.158
EMU	Euro	-	-	-	-	-	-	-	-
IMF	SDR	31.323	34.1379	35.6217	42.2162	46.1616	9.6416	55.2477	58.454

(Cont...)

TABLE 8.10**EXCHANGE RATE POSITION (Pakistan Rupees in Terms of One Unit of Foreign Currency)**

Country	Currency	(Average during the Year)						Average	
		1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	July-March	
								2003-04	2004-05
Australia	Dollar	29.3962	32.5665	31.3747	32.1607	34.2101	41.0626	41.0117	44.3708
Austria	Schilling	3.8557	3.7715	3.7942	3.9960	na	na	na	na
Bangladesh	Taka	0.9686	1.0285	1.0794	1.0826	1.0108	0.9842	0.9862	0.9903
Belgium	Franc	1.2952	1.2866	1.2934	1.3633	na	na	na	na
Canada	Dollar	31.0445	35.1611	38.4434	39.1719	38.8234	42.8526	42.9945	47.4517
China	Yuan	5.6548	6.2470	7.0601	7.4149	7.0613	6.9497	6.9445	7.1611
Denmark	Krone	7.0348	6.9724	6.9916	7.3987	8.2524	9.2250	9.1883	10.1803
France	Franc	7.9685	7.9156	7.9536	8.3867	na	na	na	na
Germany	Mark	26.7081	26.5372	26.6543	28.1084	na	na	na	na
Holland	Guilder	23.7008	23.5571	23.6655	24.9556	na	na	na	na
Hong Kong	Dollar	6.0440	6.6573	7.4906	7.8720	7.4990	7.3970	7.3971	7.6093
India	Rupee	1.0935	1.1862	1.2529	1.2787	1.2219	1.2682	1.2621	1.3124
Iran	Rial	0.0266	0.0295	0.0332	0.0307	0.0073	0.0069	0.0069	0.0067
Italy	Lira	0.0271	0.0268	0.0269	0.0284	na	na	na	na
Japan	Yen	0.3797	0.4809	0.5109	0.4884	0.4888	0.5203	0.5183	0.5564
Kuwait	Dinar	153.8993	169.4791	190.4592	200.7861	194.5677	194.3681	193.9611	201.8714
Malaysia	Ringgit	12.1327	13.6289	15.3871	16.1621	15.3944	15.1532	15.1432	15.6096
Nepal	Rupee	0.6858	0.7503	0.7893	0.8033	0.7515	0.7802	0.7760	0.8088
Norway	Krone	6.1371	6.3421	6.4483	7.0288	8.1021	8.2191	8.1564	9.1464
Singapore	Dollar	27.6043	30.5305	33.1605	33.9503	33.3406	33.5098	33.3802	35.6058
Sri Lanka	Rupee	0.6869	0.7144	0.7026	0.6624	0.6057	0.5920	0.5953	0.5766
Sweden	Krona	5.8006	6.0786	5.9379	5.9117	6.6910	7.5195	7.4946	8.3408
Switzerland	Franc	32.5174	32.5626	34.1098	37.1824	41.4643	44.2489	43.9238	49.2191
S.Arabia	Riyal	12.4882	13.8125	15.5868	16.3792	15.5961	15.3488	15.3390	15.8125
Thailand	Baht	1.2313	1.3490	1.3438	1.4000	1.3742	-	1.4350	1.4738
UAE	Dirham	12.7583	14.0979	15.9133	16.7231	15.9261	15.6727	15.6632	16.1437
UK	Pound	76.8085	82.4937	84.7395	88.5691	92.7433	100.1672	98.7966	110.2106
USA	Dollar	46.7904	51.7709	58.4378	61.4258	58.4995	57.5745	57.5378	59.3014
EMU	Euro	(50.0546) *	-	-	54.9991	61.3083	68.6226	68.3312	75.7235
IMF	SDR	63.6850	70.1077	74.7760	78.0627	79.3198	83.2470	82.9213	88.5056

* Composite Rate

na : Common currency Euro is in use of these countries

Source: State Bank of Pakistan

TABLE 9.1**NUMBER OF EDUCATIONAL INSTITUTIONS BY KIND, LEVEL AND SEX**

Fiscal Year	Numbers													
	Primary		Middle		High		Secondary Voca-		Arts and		Professional		Unive-	
	School (000)		Schools (000)		Schools (000)		tional Institutions		Science Colleges		Colleges		rsity	
	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female
1990-91	4.1	31.1	8.7	3.4	8.2	2.1	725	345	112	22	9	8	22	-
1991-92	2.4	31.6	9.1	3.5	8.4	2.1	608	311	133	33	13	9	23	-
1992-93	0.6	38.1	11.1	5.1	8.7	2.7	602	316	149	43	17	9	23	-
1993-94	4.1	40.0	12.1	5.2	9.2	2.9	474	218	151	48	15	10	25	-
1994-95	9.6	42.0	12.1	5.6	9.5	3.1	487	221	178	57	17	10	25	-
1995-96	3.1	43.4	13.1	5.7	9.5	3.1	577	224	115	76	20	16	25	-
1996-97	9.7	42.0	14.1	5.8	9.9	3.2	578	225	137	87	24	16	25	-
1997-98	6.3	51.2	17.1	7.2	11.1	3.8	574	223	187	09	23	19	26	1
1998-99	9.3	56.5	18.1	8.0	12.3	4.5	580	228	140	39	38	18	26	1
1999-00	12.5	58.7	18.1	8.1	12.6	4.6	612	233	189	58	34	19	26	1
2000-01	17.7	42.9	25.1	5.9	14.8	2.8	630	236	116	80	32	18	26	1
2001-02	19.1	43.5	26.1	6.3	15.1	2.8	607	239	139	94	34	20	29	1
2002-03	10.8	43.9	28.1	6.5	15.6	2.8	585	230	164	14	32	19	29	1
2003-04	15.0	43.9	28.1	6.6	16.1	3.0	636	252	1,166	58	NA	NA	51*	3

* : Includes data of seven degree awarding institutes.

Source: Federal Bureau of Statistics

NA : Not available

TABLE 9.2**ENROLMENT IN EDUCATIONAL INSTITUTIONS BY KIND, LEVEL AND SEX**

Fiscal Year	Primary Stage (I-V)		Middle Stage (VI-VIII)		High Stage (IX-X)		Secondary Vocational		Arts and Science Colleges		Professional Colleges		Universities	
	(000 No)		(000 No)		(000 No)		(000 No)		(000 No)		(Number)		(Number)	
	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female
1990-91	1,837	3,675	2,81	842	1,004	285	10	19	630	211	1,786	1,902	11,857	11,667
1991-92	1,736	3,714	2,91	858	1,079	295	10	21	679	232	1,249	1,003	15,944	12,727
1992-93	1,726	4,596	3,01	994	1,168	357	13	24	703	251	1,726	1,125	18,301	14,856
1993-94	1,288	5,055	3,36	1,123	1,315	421	14	18	675	249	1,197	2,705	77,119	19,342
1994-95	1,264	5,638	3,81	1,347	1,525	514	16	15	704	276	1,969	2,715	30,651	21,174
1995-96	1,527	5,702	3,66	1,270	1,447	480	16	14	734	299	1,621	3,403	32,955	23,105
1996-97	1,395	6,156	3,73	1,357	1,521	520	12	15	762	319	1,503	3,082	31,883	25,050
1997-98	1,063	6,997	4,02	1,532	1,658	605	10	18	796	335	1,239	4,659	33,780	24,848
1998-99	1,169	6,450	4,08	1,586	1,702	638	15	17	780	351	1,445	4,078	31,637	25,469
1999-00	1,148	7,044	4,12	1,615	1,726	653	11	17	792	372	1,985	4,036	14,010	27,369
2000-01	1,135	6,893	3,73	1,455	1,565	597	13	14	763	374	1,828	3,580	24,944	36,699
2001-02	1,529	7,167	3,81	1,506	1,574	644	13	15	751	370	1,349	4,540	17,863	39,682
2002-03	1,220	7,519	3,98	1,551	1,589	658	14	19	802	396	1,852	4,932	26,870	43,668
2003-04	1,781	8,179	4,31	1,737	1,800	709	11	23	905	442	1A	1A	18,275	83,127

NA : Not available

Source: Federal Bureau of Statistics

TABLE 9.3**NUMBER OF TEACHERS IN EDUCATIONAL INSTITUTIONS IN PAKISTAN, BY KIND, LEVEL AND SEX**

Fiscal Year	Primary Schools		Middle Schools		High Schools		Secondary Voca- tional Institutions		Arts and Science Colleges		Professional Colleges		Universities	
	(Thousands)		(Thousands)		(Thousands)		(Number)		(Number)		(Number)		(Number)	
	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female	Total	Female
1990-91	277.8	92.7	84.1	32.0	152.5	44	7,402	2,566	20,792	7,277	4,544	907	4,744	640
1991-92	293.5	94.9	87.5	33.7	157.0	45.6	6,703	2,677	20,548	7,447	4,591	913	4,926	674
1992-93	299.0	96.3	71.8	31.8	123.6	38.2	9,153	2,605	20,672	7,644	4,520	927	5,728	747
1993-94	322.0	109.6	80.4	39.9	170.8	55.3	7,965	1,603	21,885	7,945	6,494	1,381	5,217	918
1994-95	334.0	114.5	86.4	38.4	175.8	65.7	6,949	1,708	22,821	8,159	6,650	1,364	5,316	939
1995-96	331.0	109.3	94.3	37.8	160.0	48.8	7,291	1,799	24,923	9,142	7,431	1,529	5,417	927
1996-97	322.9	111.8	84.7	38.9	160.7	53.1	7,422	1,845	24,874	9,151	7,852	1,574	5,162	919
1997-98	339.9	120.5	88.5	42.7	181.8	62.2	6,923	1,870	27,325	10,262	7,989	1,639	5,515	976
1998-99	359.2	124.7	89.7	43.4	152.7	51.2	7,133	1,858	26,942	10,347	8,861	1,771	4,911	837
1999-00	366.4	127.2	91.5	44.3	155.7	52.2	9,253	1,959	27,662	10,553	9,043	1,765	5,914	1,174
2000-01	408.9	180.0	209.7	125.8	260.3	122.6	9,441	1,959	27,547	10,544	9,131	1,769	5,988	1,302
2001-02	413.9	183.5	230.1	139.3	270.2	126.1	7,192	1,863	26,494	10,411	9,358	2,015	5,160	1,247
2002-03	433.5	191.7	236.3	145.8	278.0	132.0	7,273	1,623	27,911	11,024	9,841	2,107	6,180	1,375
2003-04	432.5	195.3	239.4	146.6	276.9	134.2	8,535	1,957	29,730	12,238	NA	NA	11,404	3,137

NA : Not available

* : includes data of seven degree awarding institutions

Note : Mosque Schools are included in Primary Schools

Source:

1. Central Bureau of Education, Ministry of Education was responsible for data on education system in the country till its abolition in 1993. Therefore the responsibility of data collection of Primary Middle and High Schools was transferred to the Provinces and Academy of Education Planning and Management i.e. (Federal Education Management Information System) from 1992-93 onward.
2. The data for Secondary Vocational Institutions, Arts and Science Colleges, Professional Colleges and Universities from 1992-93 onwards has been compiled by the Federal Bureau of Statistics after collection from.
 - i) Federal directorate of Education
 - ii) Provincial Bureaus of Statistics
 - iii) concerned Universities

TABLE 10.1**NATIONAL MEDICAL AND HEALTH ESTABLISHMENT (Calendar Year Basis)**

(Progressive Numbers)

Calendar Year	Hospitals	Dispensaries	BHUs Sub Health Centres	Maternity & Child Health Centres	Rural Health Centres	TB Centres	Total Beds	Population served
1990	756	3,79	4,213	1,050	459	220	72,96	1,480
1991	776	3,99	4,414	1,057	465	219	75,80	1,461
1992	778	4,09	4,526	1,055	470	228	76,91	1,476
1993	799	4,20	4,663	849	485	233	80,04	1,455
1994	822	4,28	4,902	853	496	242	84,81	1,406
1995	827	4,25	4,986	859	498	260	85,80	1,426
1996	858	4,51	5,143	853	505	262	88,41	1,417
1997	865	4,52	5,121	853	513	262	89,91	1,428
1998	872	4,55	5,155	852	514	263	90,61	1,450
1999	879	4,58	5,185	855	530	264	92,11	1,492
2000	876	4,61	5,171	856	531	274	93,90	1,495
2001	907	4,61	5,230	879	541	272	97,94	1,490
2002	906	4,51	5,308	862	550	285	98,21	1,517
2003	906	4,51	5,290	907	552	289	98,61	1,536
2004	916	4,51	5,301	906	552	289	99,91	1,540

Source: Ministry of Health

TABLE 10.2**REGISTERED MEDICAL AND PARAMEDICAL PERSONNELS AND EXPENDITURE ON HEALTH (Calendar Year Basis)**

(Progressive Numbers)

Calendar Year	Registered Doctors **	Registered Dentists **	Registered Nurses **	Registered Midwives	Registered Lady Health Visitors	Population per			Expenditure (M. Rs) ^	
						Doctor	Dentist	Nurse	Development	Development
1990	52,794	2,067	16,948	15,009	3,106	2,082	52,011	6,374	271.00	4997.00
1991	56,478	2,193	18,150	16,299	3,463	1,993	50,511	6,104	242.00	6129.61
1992	60,949	2,268	19,389	17,678	3,796	1,892	49,851	5,859	212.31	7452.31
1993	63,908	2,393	20,245	18,641	3,920	1,848	48,501	5,753	285.00	7680.01
1994	67,099	2,583	21,419	19,759	4,107	1,803	46,111	5,574	359.73	8501.01
1995	70,602	2,746	22,299	20,910	4,185	1,755	44,471	5,487	571.07	10613.71
1996	75,132	2,938	24,776	21,662	4,407	1,689	42,671	5,060	645.40	11857.41
1997	79,368	3,153	28,661	21,840	4,589	1,636	40,651	4,480	616.60	13586.91
1998	83,592	3,433	32,938	22,103	4,959	1,590	38,181	3,992	541.81	15315.81
1999	88,014	3,856	35,979	22,401	5,299	1,578	35,551	3,822	517.00	16190.01
2000	92,734	4,164	37,623	22,525	5,443	1,529	33,621	3,732	514.00	18337.01
2001	97,156	4,611	40,019	22,711	5,669	1,516	31,571	3,639	618.00	18717.01
2002	102,541	5,057	44,520	23,084	6,397	1,466	29,401	3,347	619.00	22205.01
2003	108,062	5,530	46,331	23,318	6,599	1,404	27,411	3,296	810.00	24305.01
2004	113,206	6,127	48,446	23,559	6,741	1,359	25,101	3,171	1110.00	27000.01

Source: 1. Ministry of Health.

2. Planning & Development Division.

^ Expenditure figures are for respective financial years 2004-05.

** Registered with Pakatan Medical & Dental Council and Pakistan Nursing Council.

TABLE 10.3

DATA ON EXPANDED PROGRAMME OF IMMUNIZATION VACCINATION PERFORMANCE, 0-4 YEARS (Calendar Year Basis)

(000 Nos.)

Calendar Year/ Vaccine/dose.	1977-91	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
B.C.G.	43,919	4,092	3,448	4,841	4,804	4,804	5,582	4,995	5,070	4,778	5,115	4862
POLIO												
0	-	1,151	1,007	1,372	1,522	1,522	2,031	1,788	1,735	1,842	2,132	2353
I	50,120	4,233	3,675	4,797	4,739	4,739	5,254	4,581	4,584	4,543	4,820	4513
II	39,600	3,730	3,141	4,282	4,221	4,221	4,559	4,027	4,079	4,015	4,282	4098
III	31,405	3,466	2,845	3,994	3,947	3,947	4,131	3,812	4,024	3,780	4,035	3916
IV	-	-	291	-	-	-	-	-	-	-	-	-
BR	9,905	308	256	143	92	92	57	460	227	138	106	78
D.P.T												
I	32,257	4,091	3,639	4,805	4,740	4,740	5,070	4,693	4,689	4,659	4,769	4428
II	27,825	3,647	3,125	4,294	4,213	4,213	4,530	4,140	4,176	4,039	4,228	4025
III	25,785	3,406	2,876	4,012	3,936	3,936	4,273	3,918	4,113	3,796	3,983	3840
BR	6,387	265	225	137	89	89	169	45	47	22	6	2
H.B.V												
I	-	-	-	-	-	-	-	-	-	1,772	4,483	4213
II	-	-	-	-	-	-	-	-	-	1,290	3,892	3880
III	-	-	-	-	-	-	-	-	-	966	3,576	3617
T.T												
I	23,112	3,232	2,871	3,830	3,733	3,733	4,282	4,091	4,179	4,678	3,590	3391
II	15,860	2,510	2,234	3,042	2,912	2,912	3,325	3,274	3,286	3,540	2,970	2650
III	-	714	751	988	1,098	1,098	1,056	928	869	1,278	1,423	765
IV	-	240	240	401	446	446	484	318	311	310	338	293
V	-	97	100	166	251	251	308	152	164	159	164	132
MEASLES	28,047	3,690	2,991	4,428	4,242	4,242	4,794	4,277	4,547	4,106	4,163	4124

Source: Ministry of Health

Nil.
 B.C.G. = Bacillus + Calamus + Guerin (0-4 Years).
 D.P.T = Diptheria + Perussis + Tetanus (1-3 Years).
 T.T = Tetanus Toxoid (1-5 Years).
 B.R = Booster.

TABLE 10.4

DOCTOR CLINIC FEE IN VARIOUS CITIES

(In rupees)

Ending November	Faisal- abad	Gujran- wala	Hyder- abad	Islam- abad	Karachi	Lahore	Pesha- war	Quetta	Rawal- pindi	Sukkur	Average
1990	51.67	32.50	50.00	26.88	26.54	30.00	22.50	57.00	25.83	35.00	35.79
1991	42.00	32.50	50.00	27.50	27.09	24.64	22.50	60.00	26.67	40.00	35.29
1992	31.67	32.50	66.67	27.50	26.49	24.64	22.50	52.50	29.17	75.00	38.86
1993	32.54	43.75	80.00	27.50	28.85	27.14	27.50	52.50	29.17	75.00	42.40
1994	32.50	40.00	65.00	27.50	31.00	24.64	30.00	82.50	29.17	70.00	43.23
1995	37.50	40.00	65.71	27.50	32.24	30.00	30.00	90.00	30.00	75.00	45.79
1996	30.00	40.00	53.00	32.50	31.88	27.86	30.00	80.00	30.00	55.00	41.02
1997	35.00	40.00	46.25	32.50	31.88	27.86	30.00	80.00	30.83	60.00	41.43
1998	35.00	40.00	33.75	33.44	31.60	33.21	30.00	107.50	30.00	30.00	40.45
1999	35.00	40.00	33.75	33.44	32.17	33.93	30.00	107.50	31.25	30.00	40.75
2000	40.00	40.00	33.75	33.13	32.40	38.93	30.00	107.50	32.92	30.00	41.86
2001	40.00	40.00	33.75	33.13	33.00	41.96	43.33	107.50	33.75	30.00	43.64
2002	40.00	50.00	30.00	33.13	35.00	41.25	43.33	95.00	33.96	30.00	43.17
2003	40.00	50.00	31.25	45.00	36.35	41.96	50.60	100.00	38.75	30.00	46.33
2004	41.25	50.00	33.00	45.00	36.25	41.96	50.00	100.00	38.75	30.00	41.67

Source: Monthly Statistical Bulletins, Federal Bureau of Statistics.

TABLE 1.1

POPULATION**

Mid Year (End June)	Population (mln)	Labour Force Participation Rate(%)	Civilian Labour Force (mln)	Employed Total (mln)	Crude Birth Rate (...per 100 person)	Crude Death Rate	Infant Mortality Rate
1981	85.09	30.30	25.78	24.70	-	-	-
1981	112.61	27.52	30.99	29.04	39.50	9.80	102.40
1982	115.54	27.64	31.94	30.07	39.30	10.10	100.90
1983	118.50	27.38	32.45	30.92	38.90	10.10	101.80
1984	121.48	27.40	33.29	31.68	37.60	9.90	100.40
1985	124.49	26.99	33.60	31.80	36.60	9.20	94.60
1986	127.51	27.00	34.43	32.58	35.20	8.80	85.50
1987	130.56	28.22	36.84	34.59	33.80	8.90	84.40
1988	133.48	28.92	38.64	36.36	-	-	-
1989	136.69	28.91	39.52	37.19	30.50	8.60	82.90
2000	139.76	28.51	39.84	36.72	-	-	-
2001	142.86	28.48	40.69	37.50	-	-	-
2002	146.75	28.48	40.69	37.50	-	-	-
2003	149.65	29.61	44.12	40.47	27.3*	8.00*	83.00*
2004 P	152.53	30.41	43.74	40.38	7.80***	8.70***	79.9 ***

.. not available

P Provisional

* Census Yrs.

Sources: (1) Population : Population Census Organisation, Planning Commission and Demographic Survey 1991 and 1996-97.

** : Projected figures generated by Planning and development division

(2) Labour Force Participation Rate: Labour Force Surveys, Population Census of Pakistan 19.

* Population figures in different tables may not tally due to different sources of data/surveys. However, population and growth rates in this table have been estimated on the basis of average annual growth rate during 1989-98.

(3) Infant Mortality Rate/ Life expectancy at birth : Pakistan Demographic Surveys, Federal Bureau of Statistics and Planning Commission

(4) Crude Birth Rate / Crude Death Rate.

i) Population Census of Pakistan 1981 and 1991.

ii) Pakistan Demographic Survey 1986-97

TABLE 11.2**POPULATION BY SEX AND RURAL/URBAN AREAS**

Mid Year (End June)	All Areas	Rural areas	Urban areas	(Population 000)	
				Male	Female
1981	85.09	61.01	24.08	44.67	40.42
1991	112.61	77.95	34.66	58.82	53.79
1992	115.54	79.60	35.79	60.31	55.23
1993	118.50	81.45	37.05	61.83	56.67
1994	121.48	93.19	28.29	63.35	58.13
1995	124.49	94.95	29.54	64.88	59.61
1996	127.51	86.69	40.82	66.42	61.09
1997	130.56	88.44	42.12	67.98	62.58
1998	133.48	89.98	43.52	69.45	64.03
1999	136.69	91.91	44.78	71.09	65.60
2000	139.96	93.63	46.13	72.65	67.11
2001	142.86	95.36	47.50	74.23	68.63
2002	146.75	97.06	48.89	75.79	70.17
2003	149.65	99.12	49.91	77.38	71.65
2004	152.53	101.55	52.41	77.59	76.36
2005	153.96	..	..	..	..

Source: 1. Population Census Organization
2. Planning Commission, Islamabad

Note: Population Census were conducted in February 1951, January 1961, September 1972, and March 1981 and 1998.

TABLE 11.1**POPULATION BY SEX, URBAN/RURAL AREAS, 1972, 1981 AND 1998 CENSUS**

										In thousands)
Region/ Province	Population*									Densy (Per q. km
	Total			Urban			Rural			
	Bo Sexes	Male	Female	Both Sexes	Ma	Female	Both Sexes	Male	Female	
1972 CENSUS										
PAKISTAN	65,310	34,833	30,476	16,594	9027	7,567	48,716	25,806	22,909	82
Islamabad	235	130	105	77	46	31	158	84	74	59
Punjab	37,610	20,210	17,400	9,183	4977	4,206	28,427	15,233	13,194	83
Sind	14,156	7,574	6,582	5,726	3131	2,595	8,430	4,443	3,987	60
NWFP	8,389	4,363	4,026	1,196	647	549	7,193	3,716	3,477	13
Baluchistan	2,429	1,290	1,139	399	218	181	2,029	1,077	958	7
FATA	2,491	1,266	1,225	13	8	5	2,478	1,258	1,220	92
1981 CENSUS										
PAKISTAN	84,253	44,232	40,021	23,841	12,767	11,074	60,412	31,465	28,947	66
Islamabad	340	185	155	204	113	91	136	72	64	76
Punjab	47,292	24,860	22,432	13,052	6,952	6,100	34,240	17,913	16,332	30
Sind	19,029	9,999	9,030	8,243	4,433	3,810	10,786	5,566	5,220	35
NWFP	11,061	5,761	5,300	1,665	898	767	9,396	4,863	4,533	48
Baluchistan	4,332	2,284	2,048	677	371	306	3,655	1,912	1,743	13
FATA	2,199	1,143	1,056	..	..	..	2,199	1,143	1,056	81
1998 CENSUS										
PAKISTAN*	132,352	68,874	63,478	43,036	22,752	20,284	89,316	46,122	43,194	66
Islamabad	805	434	371	529	291	238	276	143	133	89
Punjab	73,621	38,094	35,527	23,019	12,071	10,948	50,602	26,021	24,581	59
Sind	30,440	16,098	14,342	14,840	7,905	6,935	15,600	8,193	7,407	16
NWFP	17,744	9,089	8,655	2,994	1,589	1,405	14,750	7,500	7,250	38
Baluchisan*	6,566	3,506	3,056	1,569	849	719	4,997	2,657	2,340	19
FATA*	3,176	1,652	1,524	85	46	41	3,091	1,606	1,485	17

* This population res not include the poulation of AJK and Northern Aears.

Source: Population Census Organization.

* The figures are prvisional

1998 - Census Reprt of Pakistan.

TABLE 11.4**POPULATION BY AGE, SEX URBAN/RURAL AREAS 1981 AND 1998 CENSUS**

(In thousands)

Age (in years)	Total			Rural			Urban		
	Both Sexes	Male	Female	Both Sexes	Male	Female	Both Sexes	Male	Female
1981 Census									
All ages	84,253	44,232	40,021	23,841	12,767	11,074	60,412	31,465	28,947
0-4	12,911	6,365	6,546	3,579	1,813	1,766	9,332	4,552	4,780
5-9	13,494	6,992	6,502	3,552	1,839	1,713	9,942	5,153	4,789
10-14	11,092	6,012	5,080	3,119	1,653	1,466	7,973	4,359	3,614
15-19	7,971	4,304	3,667	2,540	1,365	1,175	5,491	2,939	2,492
20-24	6,395	3,356	3,039	2,108	1,159	950	4,287	2,198	2,089
25-29	5,626	2,968	2,658	1,719	943	776	3,907	2,025	1,882
30-34	4,741	2,451	2,290	1,391	757	634	3,350	1,694	1,656
35-39	4,309	2,177	2,132	1,276	668	608	3,033	1,509	1,524
40-44	3,969	1,989	1,980	1,132	606	526	2,837	1,383	1,454
45-49	3,158	1,653	1,505	882	490	392	2,276	1,163	1,113
50-54	3,045	1,681	1,364	796	459	337	2,249	1,222	1,027
55-59	1,654	882	772	424	242	182	1,230	640	590
60-64	2,276	1,334	942	549	327	222	1,727	1,007	720
65-69	1,013	570	443	232	135	97	781	435	346
70-74	1,193	696	497	261	152	109	932	544	388
75 and above	1,406	802	604	281	160	121	1,125	642	483
1998 Census*									
All ages	129,176	67,222	61,954	86,225	44,516	41,709	42,951	22,705	20,245
0-4	19,118	9,761	9,357	13,534	6,907	6,627	5,584	2,854	2,730
5-9	20,215	10,571	9,644	14,211	7,466	6,745	6,004	3,105	2,899
10-14	16,732	8,909	7,822	11,106	5,973	5,132	5,625	2,935	2,690
15-19	13,400	6,909	6,490	8,553	4,396	4,157	4,846	2,513	2,333
20-24	11,588	5,815	5,773	7,402	3,610	3,791	4,186	2,205	1,981
25-29	9,521	4,878	4,643	6,092	3,024	3,067	3,429	1,854	1,575
30-34	8,040	4,232	3,808	5,083	2,604	2,479	2,956	1,628	1,328
35-39	6,166	3,254	2,913	3,846	1,984	1,862	2,320	1,270	1,050
40-44	5,745	2,931	2,814	3,669	1,812	1,848	2,086	1,119	967
45-49	4,563	2,360	2,203	2,995	1,512	1,483	1,568	848	720
50-54	4,148	2,200	1,948	2,776	1,458	1,318	1,372	742	630
55-59	2,777	1,505	1,272	1,868	1,001	867	909	504	405
60-64	2,637	1,418	1,219	1,838	987	851	799	431	368
65-69	1,554	850	704	1,076	585	491	478	265	213
70-74	1,408	778	631	1,022	564	458	386	214	172
75 and above	1,563	849	714	1,162	632	530	400	217	183

*: Figures regarding FATA not included.

Source: Population Census Organization.

TABLE 11.5

ENUMERATED POPULATION OF PAKISTAN BY PROVINCE, LAND AREA AND PERCENTAGE
DISTRIBUTION 1951-1998

Province	Area Sqkm	Population in thousand				
		1951	1961	1972	1981	1998*
PAKISTAN	75,096 (100.00)	33,816 (100.00)	42,978 (100.00)	55,321 (100.00)	82,541 (100.00)	132,357 (100.00)
NWFP	1,521 (9.4)	4,587 (13.6)	5,752 (13.4)	8,392 (12.8)	10,611 (12.8)	17,744 (13.4)
FATA	7,220 (3.4)	1,337 (3.9)	1,847 (4.3)	2,491 (3.8)	199 (2.6)	3,171 (2.4)
Punjab	25,345 (25.8)	20,557 (60.8)	25,500 (59.3)	37,612 (57.6)	42,921 (56.1)	73,621 (55.6)
Sind	10,914 (17.7)	6,054 (17.9)	8,374 (19.5)	4,158 (21.7)	10,291 (22.6)	30,441 (23.0)
Baluchistan	37,190 (43.6)	1,187 (3.5)	1,385 (3.2)	2,433 (3.7)	3,332 (5.1)	6,561 (4.9)
Islamabad	906 (0.1)	94 (0.3)	120 (0.3)	235 (0.4)	340 (0.4)	801 (0.6)

Note: Percentage share is given in parentheses.

Source: Population Census Organisation

TABLE 11.6

LITERACY RATIOS OF POPULATION BY SEX, REGION AND URBAN/RURAL AREAS, 1998 AND 1981 CENSUS

Sex	Total			Urban			Rural		
	1998		1981	1998		1981	1998		1981
	15 Years & Above	10 Years & Above	10 Years & Above	15 Years & Above	10 Years & Above	10 Years & Above	15 Years & Above	10 Years & Above	10 Years & Above
PAKISTAN									
Both Sexes	41.5	43.9	26.2	61.0	63.1	47.1	30.8	33.6	17.3
Male	53.4	54.8	35.0	69.1	70.0	55.3	44.4	46.4	26.2
Female	28.5	32.0	16.0	51.6	55.2	37.3	16.7	20.1	7.3
ISLAMABAD									
Both Sexes	70.2	72.4	47.8	75.6	77.2	57.6	58.8	62.5	32.5
Male	79.8	80.6	59.1	82.6	83.2	65.8	73.6	75.1	48.1
Female	58.3	62.4	33.5	66.6	69.7	46.8	42.7	48.8	14.7
PUNJAB									
Both Sexes	43.8	46.6	27.4	62.4	64.5	46.7	34.9	38.0	20.0
Male	55.6	57.2	36.8	70.2	70.9	55.2	48.3	50.4	29.6
Female	31.2	35.1	16.8	53.5	57.2	36.7	20.9	24.8	9.4
SIND									
Both Sexes	43.6	45.3	31.5	61.9	63.7	50.8	24.0	25.7	15.6
Male	53.8	54.5	39.7	68.9	69.8	57.8	36.9	37.9	24.5
Female	32.0	34.8	21.6	53.6	56.7	42.2	9.9	12.2	5.2
NWFP									
Both Sexes	32.1	35.4	16.7	51.4	54.3	35.8	27.7	31.3	13.2
Male	48.7	51.4	25.9	65.9	67.5	47.0	44.6	47.7	21.7
Female	15.1	18.8	6.5	34.5	39.1	21.9	11.2	14.7	3.8
BALUCHISTAN									
Both Sexes	30.7	24.8	10.3	43.9	46.9	32.2	16.1	17.5	6.2
Male	33.3	34.0	15.2	56.4	58.1	42.4	25.0	25.8	9.8
Female	11.8	14.1	4.3	28.6	33.1	18.5	6.4	7.9	1.7
FATA*									
Both Sexes	..	17.1	6.4	..	39.1	..	..	16.5	6.4
Male	..	29.2	10.9	..	59.5	..	..	28.2	10.9
Female	..	2.7	0.8	..	11.9	..	..	2.5	0.8

FATA: Federally Administered Tribal Areas.

Not available.

Source: Population Census Organisation

TABLE 11.7

Provincewise Population, Area and Percent Distribution 1951, 1981, 1998 and 2004

Province	Area Sq. Kms	(Population in thousand)				
		Year 1951	Year 1981	Year 1998	Year (2003)	Year 2004
A) PAKISTAN	796,096 100.00	33,816 100.00	84,254 100.00	132,352 100.00	14,030 10.00	153,961 100.0
i) PUNJAB	205,344 25.80	20,557 60.80	47,292 56.10	73,621 55.63	8,710 6.50	8564 (1) 55.6
ii) SINDH	140,914 17.70	6,054 17.90	19,029 22.60	30,440 23.00	3,240 2.97	3841 (1) 22.5
iii) NWFP	74,521 9.10	4,587 13.60	11,061 13.10	17,744 13.41	2,170 1.54	20630 (1) 13.3
iv) BALUCHISTAN	347,190 43.60	1,187 3.50	4,332 5.10	6,566 4.96	450 0.00	7640 (1) 5.0
v) FATA	27,220 3.40	1,337 3.90	2,199 2.60	3,176 2.40	420 0.30	3690 (1) 2.3
vi) Islamabad	906 0.10	94 0.30	340 0.40	805 0.61	1,040 0.70	936 (1) 0.6

TABLE 11.8

PERCENTAGE DISTRIBUTION OF POPULATION OF 10 YEARS AND ABOVE AND CIVILIAN LABOUR FORCE BY SEX
AND NATURE OF ACTIVITY: 1999-2000

(Percent Share)

	Civilian Labour Force												Not in Civilian Labour Force		
	Civilian Labour Force						Employed						Unemployed		
	Population			Total			Total			Total			Total		
	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female
PAKISTAN	100.00	50.86	49.14	43.74	35.91	7.83	40.38	33.55	6.83	3.36	2.37	1.00	56.26	14.95	41.31
Rural	100.00	50.40	49.60	46.25	36.60	9.65	43.13	34.53	8.60	3.12	2.07	1.05	53.75	13.80	39.95
Urban	100.00	51.70	48.30	39.24	34.68	4.56	35.44	31.78	3.65	3.81	2.90	0.90	60.76	17.02	43.74
BALUCHISTAN	100.00	53.50	46.50	40.00	36.45	3.55	36.72	34.16	2.57	3.28	2.29	0.98	60.00	17.05	42.95
Rural	100.00	53.37	46.63	42.01	38.18	3.83	39.07	36.17	2.90	2.94	2.01	0.93	57.99	15.19	42.80
Urban	100.00	53.90	46.10	34.03	31.32	2.71	29.76	28.18	1.58	4.26	3.14	1.13	65.97	22.59	43.38
NWFP	100.00	48.65	51.35	37.20	31.95	5.25	32.42	28.71	3.70	4.78	3.24	1.54	62.80	16.70	46.10
Rural	100.00	48.36	51.64	37.50	31.91	5.59	32.82	28.85	3.97	4.68	3.06	1.62	62.50	14.46	46.05
Urban	100.00	50.07	49.93	35.73	32.17	3.56	30.43	28.06	2.37	5.30	4.11	1.19	64.27	17.90	46.37
PUNJAB	100.00	50.32	49.68	46.96	36.15	10.81	43.51	33.74	9.77	3.46	2.41	1.04	53.04	14.17	38.87
Rural	100.00	49.96	50.04	49.93	36.74	13.19	46.88	34.71	12.17	3.05	2.03	1.02	50.07	13.21	36.85
Urban	100.00	51.06	48.94	41.00	34.97	6.03	36.74	31.78	4.95	4.26	3.18	1.08	59.00	16.10	42.90
SINDH	100.00	52.79	47.21	40.47	37.36	3.11	38.06	35.56	2.50	2.41	1.81	0.61	59.53	15.43	44.10
Rural	100.00	52.89	47.11	43.59	40.09	3.50	41.68	38.82	2.86	1.91	1.27	0.64	56.41	12.81	43.60
Urban	100.00	52.70	47.30	37.76	34.99	2.77	34.90	32.72	2.18	2.86	2.27	0.58	62.24	17.71	44.53

Source: Labour Force Survey 1999-2000 By Federal Bureau of Statistics

TABLE 11.9

LABOUR FORCE AND EMPLOYMENT

(Million)

Mid Year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Population	127.51	130.56	133.61	136.64	139.76	142.86	145.96	149.03	150.47	153.96
Rural	86.69	88.44	90.17	91.88	93.63	95.36	97.07	99.12	99.25	101.55
Urban	40.82	42.12	43.44	44.76	46.13	47.50	48.89	49.91	51.22	52.41
Working Age Population	84.87	86.91	88.92	90.95	94.59	96.69	99.70	101.80	112.90	115.52
Rural	56.20	57.34	58.43	59.44	61.43	62.38	65.08	66.45	73.70	75.41
Urban	28.67	29.57	30.49	31.51	33.16	34.31	34.62	35.35	39.20	40.11
Labour Force	35.01	37.45	39.26	40.15	40.49	41.38	43.21	44.12	45.76	46.82
Rural	24.24	25.98	27.53	28.00	28.49	29.12	29.40	30.01	31.07	31.79
Urban	10.77	11.77	11.33	12.15	12.00	12.26	13.81	14.11	14.69	15.03
Employed Labour Force	33.13	35.16	36.94	37.78	37.32	38.14	39.64	40.47	42.24	43.22
Rural	23.08	24.51	26.16	26.61	26.51	27.10	27.18	27.74	28.98	29.65
Urban	10.05	10.65	10.78	11.17	10.81	11.04	12.46	12.73	13.26	13.57
Unemployed Labour Force	1.88	2.29	2.32	2.37	3.17	3.24	3.57	6.65	3.52	3.60
Rural	1.16	1.47	1.37	1.39	1.98	2.02	2.22	2.27	2.09	2.14
Urban	0.72	0.82	0.95	0.98	1.19	1.22	1.35	1.38	1.43	1.46
Unemployment Rate (%)	5.37	6.12	5.89	5.89	7.82	7.82	8.27	8.27	7.69	7.69
Rural	4.80	5.65	4.98	4.98	6.94	6.94	7.55	7.55	6.74	6.74
Urban	6.90	7.17	7.95	7.95	9.92	9.92	9.80	9.80	9.70	9.70
Labour Force Participation Rates (%)	27.46	28.69	29.38	29.38	28.97	28.97	29.61	29.61	30.41	30.41
Rural	28.00	29.42	30.58	30.58	29.82	29.82	29.85	29.85	31.02	31.02
Urban	26.12	27.15	26.98	26.98	27.14	27.14	29.10	29.10	29.20	29.20

Source: Labour Force Surveys By Federal Bureau of Statistics
ii) Planning and Development Division.

TABLE 11.10**POPULATION AND LABOUR FORCE**

(Millio)												
Mid Year (End June)	Popula- tion	Crude Activity Rate(%)	Labour Force	Unemp- loyment	Employed Labour Force	Agricul- ture	Mining & Manu- facturing	Construc- tion	Electr city & G Distri- bution	Tran- spor	Trade	Other
1990	109.71	28.83	31.6	0.98	30.65	15.68	3.93	1.96	18	10	3.6	3.3
1991	112.61	27.97	31.5	1.98	29.52	14.01	3.66	1.95	14	15	3.9	4.1
1992	115.54	28.11	32.4	1.90	30.58	14.76	3.83	1.93	14	19	4.1	4.2
1993	118.50	27.86	33.0	1.56	31.45	14.95	3.46	2.18	16	14	4.1	4.7
1994	121.48	27.88	33.8	1.64	32.23	16.12	3.26	2.10	18	10	4.2	4.5
1995	124.48	27.46	34.1	1.83	32.35	15.14	3.40	2.33	16	14	4.0	4.9
1996	127.51	27.46	35.0	1.88	33.13	15.50	3.48	2.39	17	18	4.0	5.1
1997	130.56	28.69	37.4	2.29	35.16	15.52	3.93	2.37	15	21	5.1	5.4
1998	133.67	29.38	39.2	2.32	36.94	17.46	3.75	2.32	15	22	5.3	6.1
1999	136.64	29.38	40.1	2.37	37.78	17.85	3.84	2.37	16	27	5.1	6.5
2000	139.71	28.97	40.4	3.17	37.32	18.07	4.31	2.16	16	18	5.4	5.0
2001	142.80	28.97	41.3	3.24	38.14	18.47	4.40	2.21	16	12	5.5	5.3
2002	145.90	28.97	43.2	3.57	39.64	16.68	5.51	2.40	12	24	5.0	6.0
2003	149.01	28.97	44.1	3.65	40.47	17.03	5.63	2.45	13	29	6.1	6.3
2004	150.47	30.41	45.7	3.52	42.24	18.18	5.83	2.46	18	22	6.5	6.2
2005	153.9	30.41	46.8	3.60	43.22	18.60	5.96	2.52	19	28	6.3	6.3

Source: (i) Federal Bureau of Statistics
(ii) Planning and Development Division

TABLE 11.11**DISTRIBUTION OF EMPLOYED PERSONS OF 11 YEARS AGE AND ABOVE BY MAJOR INDUSTRIES**

(Percentage)							
Year	Agricul- ture	Mining & Manufac- turing	Construc- tion	Electricity & Gas Distribution	Trans- port	Trade	Others
1999	51.15	12.84	6.38	0.59	4.89	1.93	12.22
1999	47.45	12.38	6.62	0.83	5.24	1.24	14.22
1999	48.27	12.53	6.33	0.79	5.57	1.10	13.48
1999	47.55	11.00	6.93	0.84	5.51	1.32	14.84
1999	50.04	10.12	6.50	0.87	4.91	1.78	14.75
1999	46.79	10.50	7.21	0.82	5.01	1.50	15.12
1999	46.79	10.50	7.21	0.82	5.01	1.50	15.12
1999	44.15	11.20	6.75	0.98	5.77	1.62	16.60
1999	47.25	10.15	6.26	0.70	5.41	1.87	16.28
1999	47.25	10.15	6.26	0.70	5.41	1.87	16.28
2000	48.42	11.55	5.78	0.70	5.01	1.50	15.02
2000	48.42	11.55	5.78	0.70	5.01	1.50	15.02
2000	42.09	13.91	6.05	0.81	5.91	1.85	16.39
2000	42.09	13.91	6.05	0.81	5.91	1.85	16.39
2000	43.05	13.80	5.83	0.67	5.71	1.80	16.12
2000	43.05	13.80	5.83	0.67	5.71	1.80	16.12

P: Provisional

Source: Federal Bureau of Statistics

TABLE 11.12

PERCENTAGE DISTRIBUTION OF EMPLOYED PERSONS OF 10 YEARS AGE AND ABOVE BY MAJOR INDUSTRY 2003-2004

Major Industry Division	(Percentage)														
	PAKISTAN			BALUCHISTAN			NWFP			PUNJAB			SIND		
	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban	Total	Rural	Urban
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
1) Agriculture Forestry, Hunting and Fishing	43.50	60.03	5.94	45.99	55.52	8.88	40.85	47.23	7.15	45.20	60.11	7.05	37.85	70.51	3.27
2) Mining and Quarrying	0.07	0.08	0.04	0.91	1.02	0.46	0.07	0.07	0.06	0.02	0.01	0.05	0.03	0.06	-
3) Manufacturing	13.73	9.05	23.97	4.32	3.55	7.30	8.11	7.14	13.22	14.99	11.17	24.76	14.65	4.13	25.59
4) Electricity, Gas and Water	0.67	0.43	1.20	0.95	0.43	2.99	0.61	0.50	1.23	0.61	0.33	1.32	0.82	0.74	0.90
5) Construction	5.83	6.02	5.41	7.27	4.41	6.72	9.28	9.55	7.87	5.66	5.84	2.20	4.47	3.70	5.26
6) Wholesale, Retail Trade, Restaurant and Hotels	14.80	9.39	26.62	15.39	11.64	29.99	13.63	11.30	25.94	14.15	9.25	26.68	16.92	7.58	26.37
7) Transport, Storage and Communication	5.73	4.33	8.80	7.66	7.48	8.35	7.53	7.16	9.48	4.95	3.76	7.98	6.66	3.48	9.96
8) Financing, Insurance, Real Estate and Business Services	1.06	0.30	2.71	0.68	0.27	2.27	0.68	0.51	1.59	0.85	0.27	2.32	1.85	0.26	3.50
9) Community, Social and Personal Services	15.01	10.36	25.17	16.82	12.67	32.98	19.17	16.48	33.38	13.56	9.26	24.57	16.63	9.26	24.30
10) Activities Not Adequately Defined	0.05	0.01	0.14	0.01	-	0.06	0.66	0.06	0.06	0.02	-	0.08	0.13	0.01	0.25

Source : Labour Force Survey, 2003-2004, Federal Bureau of Statistic

.. not available

TABLE 11.3**AGE SPECIFIC LABOUR FORCE PARTICIPATION RATE**

(%)

Age Group	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2003-04	2004-05
10 years & over												
Both Sexes	42.35	42.01	41.25	41.25	43.01	43.34	43.34	42.80	43.34	43.34	43.74	43.74
Male	69.24	69.07	69.10	69.10	70.01	70.48	70.48	70.39	70.32	70.32	70.61	70.61
Female	13.15	13.32	11.39	11.39	13.63	13.92	13.92	13.72	14.44	14.44	15.93	15.93
10-14												
Male	18.02	16.76	16.55	16.54	17.19	17.95	17.95	18.32	17.18	17.18	18.45	18.45
Female	7.77	6.94	5.70	5.70	7.61	7.40	7.40	2.79	6.28	6.28	6.69	6.69
15-19												
Male	53.13	52.29	51.13	51.13	52.89	52.43	52.43	58.26	57.56	57.56	59.00	59.00
Female	12.46	12.06	9.64	9.64	13.06	13.51	13.51	7.19	13.78	13.78	14.51	14.51
20-24												
Male	83.91	84.91	85.46	85.46	85.05	84.86	84.86	85.24	87.03	87.03	85.70	85.70
Female	13.47	14.02	11.71	11.71	15.08	15.16	15.16	14.14	15.94	15.94	18.03	18.03
25-34												
Male	97.05	97.55	97.22	97.22	97.21	96.96	96.96	96.41	96.57	96.57	96.27	96.27
Female	14.54	15.67	12.85	12.85	13.79	14.80	14.80	18.80	16.07	16.07	18.31	18.31
35-44												
Male	98.27	98.23	97.89	97.89	98.46	97.80	97.80	97.51	97.49	97.49	97.36	97.36
Female	16.43	17.11	15.66	15.66	16.61	17.29	17.29	21.70	19.90	19.90	21.64	21.64
45-54												
Male	95.84	96.00	97.07	97.07	96.54	96.23	96.23	95.90	95.55	95.55	95.63	95.63
Female	16.81	17.50	14.75	14.75	17.51	17.15	17.15	21.27	19.39	19.39	20.95	20.95
55-59												
Male	90.12	91.84	91.50	91.50	90.13	90.63	90.63	90.61	88.19	88.19	89.68	89.68
Female	16.62	15.09	15.23	15.23	19.60	15.84	15.84	17.76	14.50	14.50	18.57	18.57
60+												
Male	60.71	62.02	62.65	62.65	63.41	63.65	63.65	60.68	56.63	56.63	58.37	58.37
Female	9.79	10.01	9.26	9.26	12.34	13.60	13.60	13.04	11.36	11.36	12.90	12.90

Source: Labour Force Survey, Federal Bureau of Statistics

TABLE 11.14**DAILY WAGES OF CONSTRUCTION WORKERS IN DIFFERENT CITIES***

(In Pak Rupees)

Category of workers and cities	1992	1993	1994	1995	1996	1997*	1998	1999	2000	2001	2002	2003	2004
Carpenter													
Islamabad	145.00	150.00	150.00	175.00	190.00	200.00	200.00	225.00	218.75	225.00	225.00	250.00	325.00
Karachi	155.00	164.81	178.94	205.00	219.62	231.15	250.00	285.57	292.30	291.34	298.08	301.92	337.00
Lahore	129.28	150.00	151.42	185.00	195.71	217.50	226.42	262.50	262.50	262.50	262.50	262.50	277.00
Peshawar	100.00	115.00	135.00	135.00	150.00	175.00	200.00	200.00	200.00	225.00	225.00	225.00	250.00
Quetta	170.00	170.00	180.00	200.00	215.00	230.00	250.00	250.00	250.00	250.00	250.00	250.00	275.00
Mason (Raj)													
Islamabad	145.00	150.00	150.00	175.00	190.00	200.00	200.00	225.00	218.75	225.00	225.00	250.00	325.00
Karachi	150.00	161.82	177.78	205.00	234.61	245.19	250.00	285.57	292.30	291.34	298.08	301.92	337.00
Lahore	128.57	150.00	151.42	185.00	197.14	217.50	226.42	262.50	262.50	262.50	262.50	262.50	318.00
Peshawar	100.00	115.00	135.00	135.00	150.00	175.00	200.00	200.00	200.00	225.00	225.00	225.00	275.00
Quetta	147.50	162.50	175.00	188.75	210.00	225.00	250.00	250.00	250.00	250.00	250.00	250.00	275.00
Labourer (Unskilled)													
Islamabad	65.00	70.00	77.50	90.00	95.00	100.00	110.00	120.00	120.00	120.00	120.00	130.00	160.00
Karachi	65.00	73.40	80.88	101.80	133.20	156.53	160.00	172.11	174.04	176.34	182.11	183.27	150.00
Lahore	71.07	85.71	85.71	105.00	108.21	117.14	122.50	145.00	145.00	145.00	145.00	145.00	167.00
Peshawar	50.00	50.00	60.00	65.00	70.00	75.00	80.00	80.00	80.00	90.00	90.00	90.00	134.00
Quetta	58.75	75.00	77.50	77.50	95.00	95.00	110.00	110.00	100.00	100.00	112.50	111.67	150.00

Source: Federal Bureau of Statistics

* Data pertains to month of November each year

TABLE 12.**TRANSPORT**

Fiscal Year	Railways						Length of Road		
	Route (Kilometres)	Number of Passengers carried * (Million)	Freight carried (Million Tonnes)	Freight Tonne (Kilometres Million)	Locomotives (Nos.)	Freight Wagons (Nos.)	Kilometers		
							Total	High Type	Low Type
1990-91	8,775	84.90	7.72	5,709	753	34,851	17,23	86,839	83,54
1991-92	8,775	73.30	7.56	5,962	752	30,369	18,09	95,374	87,55
1992-93	8,775	59.00	7.77	6,180	703	29,451	18,21	99,083	90,58
1993-94	8,775	61.72	8.04	5,938	676	29,228	19,17	104,001	92,16
1994-95	8,775	67.70	8.11	6,711	678	30,117	20,45	111,307	96,58
1995-96	8,775	73.65	6.85	5,077	622	26,755	21,45	118,428	99,57
1996-97	8,775	68.80	6.36	4,607	633	25,213	22,95	126,117	103,58
1997-98	8,775	64.90	5.98	4,447	611	24,275	24,85	133,462	107,53
1998-99	7,791	64.90	5.45	4,330	596	24,456	24,84	137,352	110,52
1999-00	7,791	68.00	4.77	3,612	597	23,906	24,40	138,200	110,50
2000-01	7,791	68.80	5.89	4,520	610	23,893	24,72	144,652	105,50
2001-02	7,791	69.00	5.90	4,573	577	23,460	25,61	148,877	102,54
2002-03	7,791	72.40	6.18	4,820	577	23,722	21,68	153,225	98,13
2003-04	7,791	75.70	6.14	4,796	592	21,812	25,70	158,543	97,17
Jul-Mar									
2004-05	7,791 *	61.30 *	4.88 *	3,816 *	580 *	21,732 *	27,58 *	162,879	96,9 *

* Provisional

(Contd.)

TABLE 12.1**TRANSPORT**

(Contd.)

Fiscal Year	Cargo Handled at Karachi Port (000 tonnes)			Shipping		Gross Earnings (Million Rs)	
	Total	Imports	Exports	No. of Vessels	Dead Weight Tonnes	Pakistan Railways	Pakistan National Shipping Corp.
1990-91	18,709	14,714	3,995	28	49,956	665	1,865.0
1991-92	20,453	15,267	5,186	28	49,956	825	1,063.0
1992-93	22,170	17,256	4,914	29	51,953	905	1,137.0
1993-94	22,569	17,610	4,959	27	59,836	915	1,302.0
1994-95	23,098	17,526	5,572	15	26,410	925	1,311.0
1995-96	23,581	18,719	4,862	17	29,353	835	1,962.0
1996-97	23,475	18,362	5,113	15	26,817	935	1,761.5
1997-98	22,684	17,114	5,570	15	26,836	985	1,597.0
1998-99	24,053	18,318	5,735	15	26,836	935	1,707.0
1999-00	23,761	18,149	5,612	15	26,836	955	3,483.0
2000-01	25,981	20,063	5,918	14	24,802	1195	5,458.7
2001-02	26,692	20,330	6,362	14	24,749	1335	4,555.5
2002-03	25,852	19,609	6,273	13	22,579	1485	5,405.0
2003-04	27,813	21,732	6,081	14	46,931	1445	6,881.9
Jul-Mar							
2004-05	21,845	16,996	4,849	14	57,466	1321 *	6,073.0

.. Not available

* Provisional

Source: (i) Ministry of Railways

(ii) National Transport Research Centre

(iii) Karachi Port Trust

(iv) Pakistan National Shipping Corporation

TABLE 12.2**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**

Fiscal Year	Route Kilo-metres	Revenue Kilo-metres Flown (000)	Revenue Hours Flown *	Revenue Passengers Carried (000)	Revenue Passengers Kilo-metres (mln)	Available Seat Kilo-metres (mln)	Passenger Load Factor %
1990-91	255,336	60,255	116,616	5,033	8,998	13,401	67.1
1991-92	258,558	66,570	127,423	5,584	9,925	15,066	65.9
1992-93	270,536	69,377	132,775	5,780	10,102	15,733	64.2
1993-94	303,321	69,024	131,122	5,645	10,108	15,159	66.7
1994-95	353,221	72,544	134,683	5,517	10,382	15,848	65.5
1995-96	310,205	74,288	138,014	5,399	10,592	16,573	63.9
1996-97	336,230	78,796	143,686	5,883	11,661	17,528	66.5
1997-98	325,744	73,663	136,104	5,531	11,147	16,952	65.8
1998-99	335,348	70,697	129,379	5,086	10,722	16,752	64.0
1999*	332,417	75,483	135,136	4,914	10,653	17,839	59.7
2000*	317,213	76,212	134,066	5,297	12,056	18,692	64.5
2001*	324,815	40,158	65,615	2,729	6,305	9,885	63.8
2001-02	291,428	62,974	110,136	4,290	10,843	15,778	68.7
2002-03	311,152	63,863	108,942	4,391	11,276	16,264	69.3
2003-04	323,290	67,164	111,680	47,000	12,808	18,524	69.2
<u>Jul-Mar</u>							67.4
2004-05	351,566	51,670	83,909	3,828	10,721	15,900	(Contd.)

*: PIA's Financial Year is based on Calendar Year.

TABLE 12.2**PAKISTAN INTERNATIONAL AIRLINES CORPORATION**

Fiscal Year	Revenue Tonne Kilo-metres (Mln)	Available Tonne Kilo-metres (Mln)	Revenue Load Factor (%)	Operating Revenue (Million Rupees)	Operating Expenses (Million Rupees)	PIA Fleet No. of Planes
1990-91	1,228	2,045	60.0	16,849	16,966	44
1991-92	1,304	2,265	57.6	20,441	18,861	45
1992-93	1,333	2,352	56.7	21,970	21,347	45
1993-94	1,365	2,347	58.2	23,631	22,713	47
1994-95	1,408	2,452	57.4	25,417	24,199	47
1995-96	1,402	2,526	55.5	27,505	27,150	47
1996-97	1,495	2,649	56.4	32,732	32,809	47
1997-98	1,425	2,435	58.5	..	..	47
1998-99	1,313	2,403	54.6	..	..	45
1999 *	1,307	2,560	51.0	35,492	36,395	51
2000 *	1,452	2,631	55.2	39,228	42,033	46
2001 *	769	1,438	53.5	21,966	23,296	45
2001-02	1,325	2,270	58.4	42,844	39,377	44
2002-03	1,389	2,401	57.8	45,442	39,125	43
2003-04	1,456	2,528	57.6	51,041	47,197	48
<u>Jul-Mar</u>						
2004-05	..	..	54.1	31,281 e	30,851 e	49

.. Not available

*: PIA's financial year is based on calendar year

e: July-December, 2004

Source: Pakistan International Airlines Corporation

TABLE 12.1**NUMBER OF MOTOR VEHICLES REGISTERED**

Fiscal Year	Motor Cars Jeep & Station Wagons	Motor Cabs/ Taxis	Buses	Trucks	Motor Cycle (2 Wheels)	Motor Cycle (3 Wheel)	Others	Total
1990	12,636	32,36	84,016	105,245	1,250,749	50,81	50025	2,712,87
1991	11,960	33,25	89,094	107,171	1,381,136	52,41	52878	2,923,93
1992	19,350	41,25	94,988	111,391	1,497,017	56,21	55926	3,179,11
1993	18,159	47,87	98,681	114,394	1,573,370	59,51	58281	3,351,22
1994	12,654	52,44	107,440	118,385	1,679,259	62,11	61497	3,537,85
1995	13,577	53,40	113,516	119,174	1,754,737	63,31	64174	3,669,93
1996	16,747	54,51	114,415	123,651	1,842,531	69,71	66549	3,838,17
1997	15,116	83,12	119,365	131,322	1,995,421	76,21	70315	4,173,95
1998	135,969	83,67	125,929	132,891	2,068,730	81,71	72309	4,303,25
1999	132,876	83,81	150,108	145,111	2,175,488	95,31	74718	4,559,40
2000	132,307	83,82	154,401	148,561	2,260,772	99,31	77279	4,701,55
2001	131,738	93,90	158,694	157,021	2,346,056	103,41	79840	4,843,72
2002	132,371	83,91	162,672	170,611	2,407,466	115,91	82552	5,048,59
2003	132,888	84,27	162,957	178,881	2,444,567	122,41	84017	5,132,07
2004 E	101,406	84,31	163,242	181,151	2,681,066	124,01	86480	5,395,71
2005 P	25,352	21,08	40,811	45,281	670,267	31,01	21120	1,348,95

P: Provisional
E: Estimated

Source: Federal Bureau of Statistics

TABLE 12.4**MOTOR VEHICLES ON ROAD (000 Number)**

Year	Motor Scooter	Motor Car	Jeep	Station Wagon	Tractor	Buses	Motor Cars	Motor Bikes
1991-92	971.80	29.10	31.60	43.00	275.30	45.00	33.5	4.40
1992-93	1,165.50	65.80	35.60	48.00	353.00	51.70	40.0	4.70
1993-94	1,287.30	93.70	38.00	52.00	376.60	56.40	44.5	5.50
1994-95	1,482.00	116.80	41.30	56.00	399.80	60.90	47.9	5.40
1995-96	1,481.90	138.40	43.50	59.00	424.80	64.50	51.4	5.70
1996-97	1,576.00	164.50	45.50	62.00	439.80	68.20	54.1	6.60
1997-98	1,691.40	193.00	47.80	65.00	463.60	72.50	57.3	7.60
1998-99	1,833.70	231.30	16.70	60.00	489.80	84.40	68.5	5.70
1999-00	2,010.00	115.70	17.00	73.00	528.40	92.80	69.8	5.90
2000-01	2,218.90	128.00	18.30	93.00	579.40	86.60	79.8	7.40
2001-02	2,481.10	140.00	43.40	122.00	630.50	96.60	96.4	8.80
2002-03	2,656.20	1109.60	44.40	126.00	663.20	98.30	104.1	8.90
2003-04	2,882.50	1193.10	47.80	132.00	722.70	100.40	112.6	8.00
Jul-Mar 2004-05 *	3,019.70	1246.90	50.80	138.00	766.40	101.90	118.4	8.30

* Estimated

(Contd.)

TABLE 12.4**MOTOR VEHICLES ON ROAD (000 Number)**

Year	D.Van	Trucks	Pickup	Ambulance	Tankers		Others	Total
					Oil	Water		
1991-92	61.40	75.80	30.20	1.70	4.00	0.60	49.50	2,095.50
1992-93	69.80	84.20	39.50	2.00	4.30	0.70	52.70	2,460.00
1993-94	74.00	92.00	44.10	2.30	4.70	0.70	73.60	2,690.40
1994-95	78.20	98.30	47.10	2.70	5.10	0.80	60.70	2,951.60
1995-96	81.30	104.20	50.50	3.30	5.60	0.90	63.70	3,000.20
1996-97	84.30	110.30	50.20	3.70	6.10	1.10	66.50	3,195.80
1997-98	87.60	117.10	56.10	4.30	6.80	1.30	69.70	3,405.30
1998-99	51.70	121.00	56.40	1.50	6.80	0.70	74.70	3,651.70
1999-00	55.50	127.40	61.60	1.70	7.00	0.70	78.80	3,997.20
2000-01	72.40	132.30	68.40	1.70	7.20	0.80	89.00	4,471.00
2001-02	116.90	145.20	78.30	4.10	7.60	0.90	71.50	5,016.80
2002-03	120.30	146.70	80.60	4.30	7.60	0.90	71.40	5,315.00
2003-04	121.30	149.20	84.40	4.40	7.60	0.90	71.30	5,711.20
July-March								
2004-05 *	121.80	151.10	86.70	4.50	7.70	0.90	69.90	5,966.90

*: Estimated

Source: National Transport Research Center

TABLE 12.5
PRODUCTION AND IMPORTS OF MOTOR VEHICLES

Fiscal Year/ Type of Vehicles	1990-91	1991-92	1992-93	1993-94	1994-5	1995-96
PRODUCTION (Nos.)						
Trucks	2,059	1,627	2,222	1,394	70	330
Buses	826	1,114	1,177	427	31	38
L.C.Vs	11,882	11,411	11,478	5,128	5,15	6,34
4x4 Vehicle	2,796	1,774	1,324	816	1,31	2,74
Tractors	13,753	9,817	17,127	14,907	17,14	16,08
Motor Cycle/Scooters/ Rickshaw	98,647	97,162	95,793	63,958	60,96	121,09
Cars	25,166	28,911	26,945	19,514	20,95	31,79
IMPORTS (bs.)						
Cars	40,827	42,532	100,188	38,216	31,74	35,00
Jeeps	2,075	1,519	1,484	343	1,53	159
Motor Rickshaw	450	1,053	2,773	548	25	..
Station Wagon	1,179	1,594	746	251	32	165
Buses Including Trolley Buses	594	922	2,247	893	26	144
Lorries/Trucks Including Ambulance special Loies, Trucks & Vans	4,623	2,760	4,743	2,673	88	1148
Motor Cyc	250	360	535	461	21	102
Scooter	84,893	971,650	119,970	86,349	62,10	112,35
Motorised cycles	7	19	308	3	4	..
Passenger M. Cars (n.S)	510	584	426	26	23	105
Road Tractors for Trailers	149	16	212	88	22	119
Tractor Agricultural	1	7	10	27	..	193
Tractor Carpillar	408	491	..	952	10,08	805
Tractor Heavy Duty for const	1	18	..	3	..	1
Tractor Rds	..	64	115	14	..	..
Tractor (NS)	87	1	..	..	..	..
Car's Chassis with Engine	..	596	78	115	8	323
Bus etc. Chassis	8	23	11	1	..	..
Spl. Truck etc. Chassis	..	15	102	24	4	..
Rickshaw Chassis with Engine	1	..	..	26	..	..
Pickup	..	10	..	..	..	..
Delivery Van	18,300	19,194	17,931	6,099	5,71	506
Chassis L-Mounted Motor Vehicles No	6,118	5,776	22,343	2,823	1,94	831
Bicycle	..	712	457	..	17	1
Motor Vehicles for Goods	3	289	468	928	9,91	303
Passenger Vehicles Public N	3	75	134	57	4	151
Tractor Chassis with Engine	56	7	17	15	1	27
.. not available	..	..	..	..	41	..

(Contd.)

TABLE 12.5

PRODUCTION AND IMPORTS OF MOTOR VEHICLES

Fiscal Year/ Type of Vehicles	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	Jul-Mar 2004-05
PRODUCTION (Nos.)									
Trucks	2,916	1,850	1,131	977	952	1,141	1,950	2,022	1,637
Buses	862	425	1,220	1,508	1,337	1,099	1,346	1,380	1,341
L.C.Vs	9,817	4,886	8,079	6,656	6,965	8,491	12,174	14,089	14,958
4x4 Vehicles	792	651	622	380	459	570	374	801	828
Tractors	10,417	14,144	26,885	35,038	32,533	24,331	76,501	36,103	31,663
Motor Cycle	117,188	96,991	93,167	94,881	117,858	133,334	176,591	327,446	342,678
Cars	33,462	33,683	38,682	32,461	39,573	40,601	62,893	99,263	87,164
IMPORTS (Nos.)									Jul-Dec, 2004
Cars	31,817	36,851	46,363	34,988	51,948	40,079	60,554	88,130	45,855
Jeeps	542	1	165	48	0	666	6,010	11,435	4,623
Motor Rickshaw	..	900	..	8	37	..	101	3	1
Station Wagon	173	143	97	71	93	165	440	154	10
Buses Including Trolley Buses	396	498	603	917	417	700	1,230	2,420	259
Lorries/Trucks Including Ambulance	2,101	1,034	443	500	334	728	14,036	2,883	1,959
special Lorries, Trucks & Vans	198	99	152	109	72	157	54	95	373
Motor Cycle	135,220	90,435	79,738	85,592	75,035	111,711	143,952	127,861	146,272
Scooter	..	7	8	145	..	..	509	675	1,520
Motorised Cycles	990	925	44	3	..	..	194	243	136
Passengers M. Cars (n.S)	338	318	162	161	76	161	..	..	..
Road Tractors for Trailers	340	38	37	7	..	18	122	124	47
Tractor Agricultural	2,020	1,086	3,281	2,469	50	220	14,000	11,420	1,034
Tractor Caterpillar	6	..	1	..	..	44	1	30	22
Tractor Heavy Duty for const.	14	28	..	5	13	4	120	219	226
Tractor Roads	8	..	..	3	..	15,174	1,115	2,104	321
Tractor (NES)	179	113	436	1	15	115	496	736	1,241
Car's Chassis with Engine	28	2	..	10	4	1	..	164	1
Bus etc. Chassis	12	..	..	277	36	60	46	..	..
Spl. Truck etc. Chassis	..	..	..	..	..	..	..	..	..
Rickshaw, Chassis with Engine	..	..	..	..	..	36	10	2	2
Pickup	5,511	6,314	3,734	3,672	1,964	3,600	5,162	6,857	4,394
Delivery Van	4,851	5,218	3,149	3,379	975	2,120	471	26	111
Chassis Un-Mounted	..	..	..	..	..	168	..	..	..
Motor Vehicles No Bicycle	194	9	..	..	..	..	..	..	..
Motor Vehicles for Goods	3,618	7,844	29,218	22,211	12,992	20,240	37,836	39,894	27,896
Passenger Vehicles	22	18	146	160	70	2	234	511	181
Public No	22	4	61	183	62	6	473	721	627
Tractor Chassis with Eng	..	..	..	..	..	..	..	..	..

.. not available

Source: Federal Bureau of Statistics

TABLE 126

POST AND TELECOMMUNICATIONS

Fiscal Year	No of Post Offices			No of Telegraph Offices			Telephones (000 Nos.)	Internet Connections (Million)	No. of Internet Circuits	No. of CO	Mobile Phone
	Urban	Rural	Total	Urban	Rural	Total					
1990-91	167	11546	13,413	195	302	497	1188	..	..	3,861	..
1991-92	109	11471	13,380	299	210	509	1461	..	..	4,676	..
1992-93	183	11213	13,196	320	210	530	1548	..	..	5,618	..
1993-94	170	11315	13,285	327	85	412	1801	..	..	6,422	..
1994-95	226	11294	13,320	330	86	416	2126	..	..	4,600	..
1995-96	292	11327	13,419	319	104	423	2376	..	..	9,410	6838
1996-97	324	11192	13,216	340	93	433	2558	..	..	10,040	13527
1997-98	344	11250	13,294	356	92	448	2756	0.11	..	10,071	19696
1998-99	103	10751	12,854	308	93	401	2861	0.20	..	10,107	26514
1999-00	103	10751	12,854	293	91	384	3124	0.50	..	10,400	30663
2000-01	302	9932	12,234	293	91	384	3340	0.80	..	66,968	74206
2001-02	983	10284	12,267	258	104	362	3656	1.10	..	97,751	1,69836
2002-03	308	10446	12,254	239	87	326	4940	1.10	10	39,493	2,40400
2003-04	308	10446	12,254	215	73	288	4460	2.10	18	80,901	5,02208
<u>Jul-Mar</u>											
2004-05	267	9840	12,107	..	..	299	5052	..	10	17,597 *	10,54241 **

.. Not Available

* Included Cardy Phones

** : July-April 2005

Source: (i): Pakistan Post Office

(ii): Pakistan Telecommunications Company Ltd

(iii): Pakistan Telecommunication Authority

TABLI 13.1**COMMERCIAL ENERGY CONSUMPTION**

Fiscal Year	1. Oil/Petroleum (tonnes)						Total
	Households	Industry	Agriculture(a)	Transport	Power	Other Govt.	
1990-91	944,256	1,17,698	265,229	4,84,362	2,434,136	3,592	9,961,773
1991-92	613,706	1,39,525	281,539	5,69,552	2,775,418	3,228	10,982,668
1992-93	622,075	1,79,935	287,181	6,17,416	3,158,124	7,115	12,011,446
1993-94	589,851	1,53,516	307,795	6,44,582	3,902,308	7,529	13,225,881
1994-95	585,173	1,39,443	268,631	6,66,175	4,215,635	5,110	13,960,677
1995-96	596,031	2,16,278	250,031	7,15,631	4,785,856	7,254	15,601,881
1996-97	509,738	2,11,065	268,866	7,12,269	5,110,233	8,795	15,605,666
1997-98	498,949	2,31,172	244,977	7,34,767	6,053,784	3,756	16,624,005
1998-99	492,768	2,39,889	249,229	7,84,063	5,525,669	3,133	16,647,511
1999-00	477,305	2,15,860	293,034	8,37,977	6,227,595	3,050	17,767,211
2000-01	450,960	1,24,048	254,833	8,17,893	6,487,988	2,176	17,647,998
2001-02	334,501	1,11,995	225,742	8,08,777	6,305,419	3,654	16,960,888
2002-03	282,521	1,34,068	196,747	8,02,273	6,019,958	3,387	16,451,554
2003-04	231,459	1,33,080	183,506	8,44,042	2,739,763	3,263	13,421,113
Jul-Mar							
2003-04	184,290	1,85,705	135,535	6,11,155	1,781,148	3,996	9,511,299
2004-05	153,075	1,12,438	113,825	6,53,208	2,867,824	3,751	11,129,214

(a): HSD consumption in agricultural sector is not available separately and is included under transport sector. Agricultural sector represents LDO only.

(Contd.)

TABLE 13.1**COMMERCIAL ENERGY CONSUMPTION**

(Contc.)

Fiscal Year	2. Gas (mm cft(b))						Total
	Households	Commercial	Cement	Fertilizer	Power	Industry (CG)*	
1990-91	6,797	12,31	13,020	107,954	176,409	88,841	465,38
1991-92	0,741	13,05	11,761	101,493	193,893	95,661	486,61
1992-93	5,783	14,32	11,914	119,628	186,853	102,991	511,36
1993-94	2,461	15,23	10,187	144,514	197,694	100,631	550,39
1994-95	7,045	16,06	6,730	141,697	181,107	104,098	546,38
1995-96	0,103	16,96	7,569	150,374	186,507	111,202	582,68
1996-97	5,488	18,40	8,718	150,483	193,984	110,365	597,39
1997-98	4,500	18,76	12,092	147,752	179,042	115,250	607,30
1998-99	11,656	21,46	7,988	167,474	183,694	121,431	635,31
1999-00	19,973	21,71	8,558	177,152	227,364	134,916	712,11
2000-01	10,899	20,61	6,977	175,393	281,255	138,503	768,68
2001-02	14,186	22,13	7,063	177,589	314,851	151,416	824,14
2002-03	13,508	22,77	3,445	180,611	335,636	164,968	872,34
2003-04	15,174	24,18	7,711	185,350	469,738	193,395	1,051,18
Jul-Mar							
2003-04	12,135	18,54	3,929	138,798	316,425	142,246	773,37
2004-05	17,249	20,92	8,473	138,565	355,028	163,971	851,53

- Not available.

(b): Excluding L.G.

* : (CG) Compressed Natural Gas.

(Contd.)

TABLE 13.1
COMMERCIAL ENERGY CONSUMPTION

(..Contd.)

Fiscal Year	3. Electricity (Gwh)								4. Coal (000 metric tonne)				Total
	Trac- tion	House- hold	Commer- cial	Indus- trial	Agricul- tural	Street Light	Other Govt.	Total	House- hold	Power	Brick Kilns	Cement	
1990-91	33	10,409	2,072	11,229	5,620	..	2,171	31,534	3.8	24.6	3,025.5	..	3,053.9
1991-92	29	11,458	2,143	12,289	5,847	..	2,112	33,878	6.8	39.5	3,052.4	..	3,098.7
1992-93	27	13,170	2,333	13,043	5,635	297	1,987	36,493	3.2	46.7	3,216.6	..	3,266.6
1993-94	27	14,080	1,786	12,637	5,772	298	2,781	37,381	3.3	43.6	3,487.0	..	3,533.9
1994-95	22	15,585	2,623	12,528	6,251	324	2,116	39,448	3.2	40.7	2,998.9	..	3,042.8
1995-96	20	17,116	2,962	12,183	6,696	378	2,382	41,737	3.1	398.9	3,235.8	..	3,637.8
1996-97	18	17,757	2,241	11,982	7,086	390	3,440	42,914	9.7	351.9	3,191.3	..	3,552.9
1997-98	16	18,750	2,334	12,297	6,937	387	3,851	44,572	2.3	346.5	2,809.9	..	3,158.7
1998-99	15	19,394	2,409	12,061	5,620	224	3,573	43,296	1.3	415.3	3,044.8	..	3,461.4
1999-00	15	21,455	2,544	13,202	4,540	239	3,591	45,586	1.0	348.1	2,818.8	..	3,167.9
2000-01	13	22,765	2,774	14,348	4,929	213	3,546	48,584	1.0	205.8	2,837.9	50.0	3,094.7
2001-02	11	23,210	2,951	15,141	5,907	212	3,490	50,622	1.1	249.4	3,577.5	664.0	3,492.0
2002-03	10	23,624	3,218	16,181	6,016	244	3,363	52,656	1.1	203.6	2,606.9	957.2	3,768.8
2003-04	9	25,746	3,689	17,366	6,669	262	3,650	57,491	1.0	185.0	2,589.4	2,508.0	5,283.5
<u>Jul-Mar</u>													
2003-04	7	18,503	2,652	12,833	4,876	361	2,604	41,836	0.9	142.6	1,807.5 e	1,800.0 e	3,751.0
2004-05	9	19,869	2,943	13,770	5,167	225	4,312	46,295	..	146.0	1,999.0 e	2,500.0 e	4,345.0

.. not available.

e : Estimated

Source: Hydrocarbon Development Institute of Pakistan (HDIP)

TABLE 13.2
COMMERCIAL ENERGY SUPPLY

Fiscal Year	Oil		Gas mcf) +	Petroleum Products		Coal		Electricity	
	Crude Oil Imports (000 barrels)	Local Crude Extraction (000 barrels)		Imports (000 tonnes)	Production (000 tonnes)	Imports (000 tonnes)	Production (000 tonnes)	Installed Capacity (MW(a))	Generation Gwh(b)
1990-91	28,78	23,485	518,483	4,310	1,036	917	3,054	356	41,042
1991-92	30,16	22,469	550,715	5,275	1,961	1,069	3,095	369	45,040
1992-93	29,17	21,895	583,545	6,612	1,694	994	3,266	1,586	48,750
1993-94	30,70	20,675	624,229	7,910	1,841	1,094	3,534	1,319	50,640
1994-95	2886	19,858	628,211	8,737	5,434	1,096	3,041	1,100	53,541
1995-96	3144	21,063	666,580	10,137	5,874	1,080	3,631	1,969	56,940
1996-97	2888	21,270	697,763	10,398	5,495	840	3,551	1,818	59,121
1997-98	2926	20,543	699,709	11,064	5,858	960	3,151	1,659	62,101
1998-99	3255	19,986	744,942	10,926	5,925	910	3,46	1,663	65,401
1999-00	3238	20,395	818,342	11,878	6,115	957	3,16	1,399	65,75
2000-01	5505	21,084	875,433	10,029	8,337	950	3,09	1,488	68,11
2001-02	5982	23,195	923,758	9,023	9,028	1,081	3,32	1,789	72,40
2002-03	5512	23,458	992,589	8,437	9,084	1,578	3,31	1,757	75,27
2003-04	5599	22,625	1,202,750	5,170	9,740	2,789	3,27	1,252	80,82
<u>Jul-Mar</u>									
2003-04	4589	17,089	882,684	3,542	7,314	1,500	2,25 e	1,254	56,14 e
2004-05	4681	18,136	1,003,198	4,578	7,904	2,200	2,14	1,389	61,75

+ Million cubic feet

(a) MW Mega Watts

(b) Gwh: Giga Watts Hour

e : Estimated

Source: Hydrocarbon Development Institute of Pakistan (HDIP)

TABLE 13.3**COMMERCIAL ENERGY SUPPLIES**

Fiscal Year	Electricity					
	Hydroelectric (Hydel)		Thermal		Nuclear	
	Installed Capacity (MW) ^a	Generation (Gwh) ^b	Installed Capacity (MW) ^a	Generation (Gwh) ^b	Installed Capacity (MW) ^a	Generation (Gwh) ^b
1990-91	2,898	18,343	5,741	22,354	137	385
1991-92	3,330	18,647	5,902	26,375	137	418
1992-93	4,626	21,112	5,823	27,057	137	582
1993-94	4,726	19,436	6,456	30,707	137	497
1994-95	4,826	22,858	7,137	30,176	137	511
1995-96	4,826	23,206	8,006	33,257	137	483
1996-97	4,826	20,858	9,855	37,921	137	346
1997-98	4,826	22,060	10,696	39,669	137	375
1998-99	4,826	22,449	10,700	42,669	137	284
1999-00	4,826	19,288	12,436	46,064	137	399
2000-01	4,857	17,194	12,169	48,926	462	1,997
2001-02	5,041	18,941	12,286	51,174	462	2,291
2002-03	5,041	22,351	12,285	51,591	462	1,740
2003-04	6,491	26,944	12,299	52,122	462	1,760
<u>Jul-Mar</u>						
2003-04	6,490	20,337	12,302	34,237 e	462	1,571
2004-05	6,493	17,368	12,434	42,331	462	2,060

(a) MW: Mega Watt.

(b) Gwh: Giga Watt Hour.

e: Estimated

Source: Hydrocarbon Development Institute of Pakistan (HDIP).

TABL 13.4**SCHEDULE OF ELECTRICITY TARIFFS**

Tariff (category/ Particulars	Fixed/Min Charges (Rs/KwM)	Effective 10-5/03			F..S Subsidies Rs/wh
		Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kh)	
GENERASUPPLY TARIFF A-1(including FATA)					
Upto 2 Units	-	0.61		1.73	
For Consumption > 50 units upto 1000 units		-	-	-	
For Fit 100 units	-	0.41	0.50	1.58	0.44
For net 200 units	-	0.58	0.50	1.29	0.44
(101-30)					
For net 700 units	-	1.51	0.50	1.55	0.44
(301-110)					
Above 1000 units	-	1.88	0.38	1.42	0.32
Minimum Monthly Charges: a) Single Phase Connection: Rs 45/- b) Three Phase Connection:Rs 100/-					
GENERASUPPLY TARIFF A-2 (including FATA)					
For fit 100 units	-	2.77	0	1.82	
Above 100 Units	-	3.01	0	1.92	
For peak load requirement above 20kv	220	1.09	0.19	1.83	
Minimum Monthly Charges a) Single Phase Connection: Rs 150/- b) Three Phase Connection:Rs 300/-					
INDUSTRIAL SUPPLY					
B-1 up to 40 kw		1.81	0.20	1.07	
There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 9/Kw for the load between 21 - 4 kw					
B-2 (1-500 kw)	300	1.3	0.20	1.09	
B-2 TO (Peak)	300	1.98	0.20	1.78	
B-2 TO (Off Peak)	300	1.2	0.20	1.07	
B-3 (Normal) 11&33 kv not exceeding 5000 kw	290	1.29	0.20	1.01	
B-3 TO (Peak)	290	1.97	0.20	1.26	
B-3 TO (off Peak)	290	1.15	0.20	1.60	
B-4 Normal 66/132/220 kv - all loads	280	1.24	0.20	1.86	
B-4 TO (Peak)	280	1.87	0.20	2.20	
B-4 TO (off Peak)	280	1.11	0.20	1.49	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details WAPDA may be consulted. (Contd.)
2) In addition to above, i.e. "Surcharge" @ 10.4% of supply charges was also leviable
3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 13.4
SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 10-5-2003				
	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
BULK SUPPLY TARIFFS					
C-1(a) 400 Volts upto 20kw		1.24	0.41	3.42	
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.41	3.21	
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.41	2.96	
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.41	2.90	
AGRICULTURAL TUBE-WELL TARIFF-D					
D-1 SCARP	-	1.26	0.50	3.13	0.37
D-2 (i) Punjab & Sindh	82	0.9	0.50	1.59	0.37
D-2 (ii) NWFP & Baluchistan	72	0.75	0.50	1.38	0.37
District Mainwali, Bhawalpur and Tharparkar.					
TEMPORARY SUPPLY TARIFFS					
E-1 (i) Domestic Supply		2.11	0.50	3.68	
E-1 (ii) Commercial Supply		3.79	0	4.74	
Minimum charges E-1(i) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.					
E-2 (i) Industrial Supply		2.36	0.20	3.51	
E-2(ii)a Bulk Supply at (400KV)		1.76	0.41	3.85	
E-2(ii)b Bulk Supply at (11KV)		1.64	0.41	3.62	
E-2 (iii) Bulk Supply to Other Consumers		1.85	0.41	3.67	
F-Seasonal Supply to industries		125% of "Supply and Addition charges" cor. Industrial Tariff			
G-1 (i) Public Lighting Supply		Unit Charges as per Tariff A-1 above			
G-1(ii) Other than above in G-1(i)		1.93	0.36	4.57	
RESIDENTIAL COLONIES OF INDUSTRIES					
H-1 Residential Colonies with own transformer		1.45	0.50	4.02	
H-2 Residential Colonies (others)		1.46	0.50	4.04	
OTHERS					
I Railway Traction		1.02	0.46	3.50	
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.37	3.36	
J-2 (a) COG. Tariff (Purchase by WAPDA Dec.July)		1.03			
J-2 (b) COG. Tariff (Purchase by WAPDA Aug-Nov)		0.78			
SPECIAL CONTRACT TARIFF					
K-a AJ&K		1.10	0.42	2.53	
K-b KESC				3.80	
K-c Rawat Lab.		1.88	0.25	2.11	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.
 2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable
 3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

Source: WAPDA.

TABLE 3.4
SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 1-8-2003				
	Fixed/Min Charges (Rs/Kwh)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
GENERAL SUPPLY TARIFF A-1 (including FATA)					
Upto 50 units	-	0.61	-	03	
For Consumption > 50 units upto 1000 units	-	-	-		
For First 100 units	-	0.41	0.53	58	.47
For next 200 units (101-300)	-	0.58	0.53	29	.47
For next 700 units (301-1000)	-	1.51	0.53	55	.47
Above 1000 units	-	1.88	0.41	42	.35
Minimum Monthly Charges:	a) Single Phase Connections Rs 45/- b) Three Phase Connection: Rs 100/-				
GENERAL SUPPLY TARIFF A-2 (including FATA)					
For first 100 units	-	2.77	0.03	32	
Above 10 Units	-	3.01	0.03	32	
For peak load requirement above 20kv 220	220	1.09	0.22	33	
Minimum Monthly Charges:	a) Single Phase Connections Rs 150/- b) Three Phase Connection: Rs 300/-				
INDUSTRIAL SUPPLY					
B-1 up to 40 kw		1.81	0.23	37	
There shall be minimum monthly charges of Rs 70/Kwh for first 20 Kilowatts of load and Rs 90w for resoad between 21 - 40w					
B-2 (> 500 kw)	300	1.3	0.23	39	
B-2 TC (Peak)	300	1.98	0.23	78	
B-2 TC (Off Peak)	300	1.2	0.23	07	
B-3 (Normal) 11&33 kv not exceeding 5000 kw	290	1.29	0.23	01	
B-3 TC (Peak)	290	1.97	0.23	26	
B-3 TC (off Peak)	290	1.15	0.23	.60	
B-4 Normal 66/132/220 kv - A loads	280	1.24	0.23	86	
B-4 TC (Peak)	280	1.87	0.23	.20	
B-4 TC (off Peak)	280	1.11	0.23	.49	

Note: 1) ie above figures cover some portion of the tariffs schedule. For full details, NAPDA may be consulted. Cntd.....
 2) addition to above, ie "Surcharge" @ 10.4% of supply charges was also leviable
 3) supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 13.4**SCHEDULE OF ELECTRICITY TARIFFS**

Tariff Category/ Particulars	Effective 19-8-2003				
	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
BULK SUPPLY TARIFFS					
C-1(a) 400 Volts upto 20kw		1.24	0.44	3.42	
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.44	3.21	
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.44	2.96	
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.44	2.90	
AGRICULTURAL TUBE-WELL TARIFF-D					
D-1 SCARP		1.26	0.53	3.13	0.40
D-2 (i) Punjab & Sindh	82	0.9	0.53	1.59	0.40
D-2 (ii) NWFP & Baluchistan	72	0.75	0.53	1.38	0.40
District Mainwali, Bhawalpur and Tharparkar.					
TEMPORARY SUPPLY TARIFFS					
E-1 (i) Domestic Supply		2.11	0.53	3.68	
E-1 (ii) Commercial Supply		3.79	0.03	4.74	
Minimum charges E-1(i) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.					
E-2 (i) Industrial Supply		2.36	0.23	3.51	
E-2(ii)a Bulk Supply at (400KV)		1.76	0.44	3.85	
E-2(ii)b Bulk Supply at (11KV)		1.64	0.44	3.62	
E-2 (iii) Bulk Supply to Other Consumers		1.85	0.44	3.67	
F-Seasonal Supply to industries		125% of "Supply and Addition charges" cor. Industrial Tariff			
G-1 (i) Public Lighting Supply		Unit Charges as per Tariff A-1above			
G-1(ii) Other than above in G-1(i)		1.93	0.39	4.57	
RESIDENTIAL COLONIES OF INDUSTRIES					
H-1 Residential Colonies with own transformer		1.45	0.53	4.02	
H-2 Residential Colonies (others)		1.46	0.53	4.04	
OTHERS					
I Railway Traction		1.02	0.49	3.50	
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.4	3.36	
J-2 (a) COG. Tariff (Purchase by WAPDA Dec..July		1.03			
J-2 (b) CDG. Tariff (Purchase by WAPDA Aug-Nov		0.78			
SPECIAL CONTRACT TARIFF					
K-a AJ&K		1.10	0.45	2.53	
K-b KESC				3.80	
K-c Rawat Lab.		1.88	0.28	2.11	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA. Source: WAPDA.
 2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable
 3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABL 13.4**SCHEDULE OF ELECTRICITY TARIFFS**

Tariff Category/ Particulars	Effective -11-2003				
	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kn)	F.S Subsidies Rs:wh
GENERASUPPLY TARIFF A-1(including FATA)					
Upto 1 Units	-	0.61		.73	
For Consumption > 50 units upto 1000 units		-	-	-	
For fit 100 units	-	0.41	0.49	.68	0.43
For net 200 units (101-30)	-	0.58	0.49	.29	0.43
For net 700 units (301-100)	-	1.51	0.49	.55	0.43
Above 1000 units	-	1.88	0.37	.42	0.31
Minimum Monthly Charges:	a) Single Phase Connection: Rs 45/- b) Three Phase Connection: Rs 100/-				
GENERASUPPLY TARIFF A-2(including FATA)					
For fit 100 units	-	2.7	0.0	.82	
Above 100 Units	-	2.94	0.0	.92	
For peak load requirement above 20kv	220	1.09	0.12	.83	
Minimum Monthly Charges:	a) Single Phase Connection: Rs 150/- b) Three Phase Connection: Rs 300/-				
INDUSTRIAL SUPPLY					
B-1 up to 40 kw	-	1.81	0.13	.07	
There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 9Kw for rest of load between 21 - 4 kw					
B-2 (1-500 kw)	300	1.30	0.13	.09	
B-2 TD (Peak)	300	1.98	0.13	.87	
B-2 TD (Off Peak)	300	1.20	0.13	.07	
B-3 (Normal) 11&33 kv not exceeding 5000 k	290	1.29	0.13	.01	
B-3 TD (Peak)	290	1.97	0.13	.26	
B-3 TD (off Peak)	290	1.15	0.13	1.60	
B-4 Normal 66/132/220 kv - II loads	280	1.24	0.13	1.86	
B-4 TD (Peak)	280	1.87	0.13	2.20	
B-4 TD (off Peak)	280	1.11	0.13	1.49	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details WAPDA may be consulted contd.....
2) In addition to above, i.e. "Surcharge" @ 10.4% of supply charges was also leviable
3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 13.4
SCHEDULE OF ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 1-11-2003				
	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	F.A.S Subsidies Rs/kwh
BULK SUPPLY TARIFFS					
C-1(a) 400 Volts upto 20kw		1.24	0.34	3.42	
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.34	3.21	
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.34	2.96	
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.34	2.90	
AGRICULTURAL TUBE-WELL TARIFF-D					
D-1 SCARP		1.26	0.49	3.13	0.36
D-2 (i) Punjab & Sindh	82	0.9	0.49	1.59	0.36
D-2 (ii) NWFP & Baluchistan	72	0.75	0.49	1.38	0.36
District Mainwali, Bhawalpur and Tharparkar.					
TEMPORARY SUPPLY TARIFFS					
E-1 (i) Domestic Supply		2.11	0.49	3.68	
E-1 (ii) Commercial Supply		3.72	0	4.74	
Minimum charges E-1(i) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.					
E-2 (i) Industrial Supply		2.36	0.13	3.51	
E-2(ii)a Bulk Supply at (400KV)		1.76	0.34	3.85	
E-2(ii)b Bulk Supply at (11KV)		1.64	0.34	3.62	
E-2 (iii) Bulk Supply to Other Consumers		1.85	0.34	3.67	
F-Seasonal Supply to industries		125% of "Supply and Addition charges" cor. Industrial Tariff			
G-1 (i) Public Lighting Supply		Unit Charges as per Tariff A-1above			
G-1(ii) Other than above in G-1(i)		1.93	0.39	4.57	
RESIDENTIAL COLONIES OF INDUSTRIES					
H-1 Residential Colonies with own transformer		1.45	0.49	4.02	
H-2 Residential Colonies (others)		1.46	0.49	4.04	
OTHERS					
I Railway Traction		1.02	0.49	3.50	
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.40	3.36	
J-2 (a) COG. Tariff (Purchase by WAPDA Dec. July)		1.03			
J-2 (b) COG. Tariff (Purchase by WAPDA Aug-Nov)		0.78			
SPECIAL CONTRACT TARIFF					
K-a AJ&K		1.10	0.41	2.53	
K-b KESC				3.69	
K-c Rawat Lab.		1.88	0.28	2.11	

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA, Source: WAPDA.
 2) In addition to above, the "Surcharge" @ 10.4% of supply charges was also leviable
 3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 1.4
SCHEDULE F ELECTRICITY TARIFFS

Tariff Category/ Particulars	Effective 1-07-2004					Total Av-Rate (Rs/Kwh)
	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. Subsidized (Rs/kwh)	Additional Surcharges @ 10.4% (Rs/Kwh)		
GENERAL SUPPLY TARIFF A-1(including FATA)						
Upto 50 Units	-	0.61		0.73	0.00	1.40
For Consumption > 50 units upto 1000 units		0.00	0.00	0.00		
For First 10 units	-	0.41	0.43	1.48	0.00	2.41
For next 20 units (101-300)	-	0.58	0.43	2.19	0.10	2.31
For next 70 units (301-1000)	-	1.51	0.43	3.45	0.20	5.59
Above 1000 units	-	1.88	0.31	4.32	0.20	6.74
Minimum Monthly Charges:	) Single Phase Connections Rs 50/-) Three Phase Connection: Rs 100/-					
GENERAL SUPPLY TARIFF A-2(including FATA)						
For first 10 units	-	2.70	0.00	3.82	0.20	6.80
Above 100 units	-	2.94	0.00	3.67	0.30	6.92
For peak load requirement above 10kv	220	1.09	0.12	2.83	0.20	5.27
Minimum Monthly Charges:	) Single Phase Connections Rs 50/-) Three Phase Connection: Rs 300/-					
INDUSTRIAL SUPPLY						
3-1 upto 4kw	-	1.81	0.13	2.97	0.20	5.11
There shall be minimum monthly charges of Rs 70/Kw for first 20 kilowatts of load and Rs 90/Kw for rest of load between 1 - 40 kw						
3-2 (>41-50 kw)	300	1.30	0.13	1.99	0.20	4.76
3-2 TOD (Peak)	300	1.98	0.13	2.22	0.30	6.01
3-2 TOD (Off Peak)	300	1.20	0.13	2.07	0.24	4.57
3-3 (Normal 11&33 kv not exceeding 5000 kw)	290	1.29	0.13	2.01	0.20	4.38
3-3 TOD (Peak)	290	1.97	0.13	2.68	0.20	4.61
3-3 TOD (Off Peak)	290	1.15	0.13	1.60	0.10	3.62
3-4 Normal 6/132/220 kv - All loads	280	1.24	0.13	1.86	0.20	4.29
3-4 TOD (Peak)	280	1.87	0.13	1.69	0.27	4.57
3-4 TOD (Off Peak)	280	1.11	0.13	1.49	0.10	3.50

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAIDA may be consulted.
2) The above tariffs are inclusive of GOP subsidy in FAS and discount in additional surcharges.

Contd.

TABLE 13.4**SCHEDULE OF ELECTRICITY TARIFFS**

Tariff Category/ Particulars	Effective 1-07-2004					
	Fixed/Min Charges (Rs/KwM)	Energy Charges (Rs/Kwh)	F.A.S. Subsidized (Rs/Kwh)	Additional Surcharge (Rs/Kwh)	Surcharges @ 10.4% (Rs/Kwh)	Total Avg-Rate (Rs/Kwh)
BULK SUPPLY TARIFFS						
C-1(a) 400 Volts upto 20kw		1.24	0.34	3.42	0.16	5.16
C-1(b) 400 Volts above 20kw upto 500 kw	220	1.09	0.34	3.21	0.20	5.29
C-2 (a) 11/33KV upto 5000 kw	216	1.06	0.34	2.96	0.20	5.09
C-3 66 / 132 / 220 kv - All loads	214	1.04	0.34	2.90	0.19	4.96
AGRICULTURAL TUBE-WELL TARIFF-D						
D-1 SCARP		1.26	0.36	3.13	0.17	4.92
D-2 (i) Punjab & Sindh	72	0.90	0.36	1.59	0.16	3.28
D-2 (ii) NWFP & Baluchistan	72	0.75	0.36	1.38	0.13	2.80
District Mainwali, Bhawalpur and Tharparkar.						
TEMPORARY SUPPLY TARIFFS						
E-1 (i) Domestic Supply		2.11	0.49	3.68	0.27	6.55
E-1 (ii) Commercial Supply		3.72	0.00	4.74	0.39	8.85
Minimum charges E-1(i) and E-1(ii) Rs.46/- per day but not less than Rs.200/-.						
E-2 (i) Industrial Supply		2.36	0.13	3.51	0.26	6.26
E-2(ii)a Bulk Supply at (400KV)		1.76	0.34	3.85	0.22	6.17
E-2(ii)b Bulk Supply at (11KV)		1.64	0.34	3.62	0.21	5.81
E-2 (iii) Bulk Supply to Other Consumers		1.85	0.34	3.67	0.23	6.09
F-Seasonal Supply to industries		125% of "Supply and Addition charges" cor. Industrial Tariff				
G-1 (i) Public Lighting Supply		Unit Charges as per Tariff A-1 above				
G-1(ii) Other than above in G-1(i)		1.93	0.39	4.57	0.24	7.13
RESIDENTIAL COLONIES OF INDUSTRIES						
H-1 Residential Colonies with own transformer		1.45	0.49	4.02	0.20	6.16
H-2 Residential Colonies (others)		1.46	0.49	4.04	0.20	6.19
OTHERS						
I Railway Traction		1.02	0.49	3.50	0.16	5.17
J-1 Cogeneration Tariff (Sale by WAPDA)		1.74	0.40	3.36	0.22	5.72
J-2 (a) COG. Tariff (Purchase by WAPDA Dec.July)		1.03	0.00	0.00	0.00	1.03
J-2 (b) COG. Tariff (Purchase by WAPDA Aug-Nov)		0.78	0.00	0.00	0.00	0.78
SPECIAL CONTRACT TARIFF						
K-a AJ&K		1.10	0.41	2.53	0.16	4.20
K-b KESC		0.00	0.00	3.69	0.00	6.69
K-c Rawat Lab.		1.88	0.28	2.11	0.22	4.49

Source: WAPDA.

- Note:
- 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.
 - 2) The above tariffs are inclusive of GOP subsidy in FAS and discount in addl. Surcharges

TABLE 13.5**OIL SALE PRICES**

	s/Ltrs						
Date	1-1-2003	16-1-2003	1-2-2003	1-3-2003	16-3-03	1-4-003	16-2003
Ex-Depot Sale Price							
Motor Gasoline							
Premium Motor Gasoline	32.5	32.4	32.96	35.7	31.1	32.7	30.58
HOBC (Automotive 100 Octane)	36.41	36.35	36.83	39.6	41.1	33.2	34.6
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 4%							
Kerosene	20.7	20.2	21.32	23.61	23.2	20.6	19.02
HSD	21.14	21.2	21.72	25.65	23.3	25.3	21.28
LDO	17.6	17.33	18.3	20.7	23.5	16.4	16.69
Aviation gasoline (100LL)							
J.P-1:							
i) For sale to PIA Domestic flight	14.06	13.8	14.58	16.3	15.4	18.6	11.99
ii) For sale to PIA foreign flight & foreign airline	14.06	13.8	14.58	16.3	15.4	18.6	11.99
iii) For cargo & Technical Landing Flights	14.06	13.8	14.58	16.3	15.4	18.6	11.99
J.P-4	17.78	17.31	18.27	20.2	23.4	17.8	15.49

Source: Hydrocarbon Development Institute of Pakistan

TABLE 13.5**OIL SALE PRICES**

	s/Ltrs						
Date	1-5-2003	16-5-2003	1-6-2003	16-6-2003	1-7-03	16-7-003	16-2003
Ex-Depot Sale Price							
Motor Gasoline							
Premium Motor Gasoline	30.13	28.8	30.12	30.3	31.9	35.2	31.52
HOBC (Automotive 100 Octane)	34.17	32.10	33.65	34.5	38.7	37.7	35.77
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 4%							
Kerosene	19.25	18.33	18.79	18.3	17.6	18.7	19.54
HSD	20.23	19.31	19.91	20.2	-	1.92	20.04
LDO	16.38	16.09	16.26	16.6	11.5	10.9	16.22
Aviation gasoline (100LL)							
J.P-1:							
i) For sale to PIA Domestic flight	12.20	11.34	12.18	12.4	13.5	14.1	13.03
ii) For sale to PIA foreign flight & foreign airline	12.20	11.34	12.18	12.4	11.5		
iii) For cargo & Technical Landing Flights	12.20	11.34	12.18	12.4	13.5		
J.P-4	15.38	14.32	15.57	16.6	13.0	15.3	16.85

Source: Hydrocarbon Development Institute of Pakistan (HD)

TABLE 13.5**OIL SALE PRICES**

	Rs/Ltrs						
Date	16-8-2003	1-9-2003	16-9-2003	1-10-2003	16-10-2003	1-11-2003	16-11-2003
Ex-Depot Sale Price							
Motor Gasoline	31.61	31.80	31.33	30.73	32.03	32.59	32.90
Premium Motor Gasoline	35.82	36.01	35.88	35.29	35.88	36.46	36.71
HOBC (Automotive 100 Octane)							
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%	20.15	20.71	20.07	19.52	20.54	21.41	21.47
Kerosene	20.55	21.32	21.74	21.00	21.09	21.98	22.21
HSD	16.70	16.99	17.10	16.45	17.34	17.89	17.87
LDD							
Aviation gasoline (100LL)							
JP-1:	13.81	14.28	13.65	13.16	14.12	14.90	14.96
i) For sale to PIA Domestic Flight							
ii) For sale to PIA foreign flights & foreign airline							
iii) For Cargo & Technical Landing Flights	17.42	17.72	17.19	16.65	17.76	18.45	18.60
JP-4							

Source: Hydrocarbon Development Institute of Pakistan(HDIP)

TABLE 13.5**OIL SALE PRICES**

OIL SALE PRICES							Rs/Ltrs
Date	1-12-2003	16-12-2003	1-1-2004	6-1-2004	1-2-2004	16-2-2004	
Ex-Depot Sale Price							
Motor Gasoline	33.58	33.78	33.78	35.48	35.33	34.47	
Premium Motor Gasoline	37.39	37.67	37.67	39.42	39.42	38.43	
HOBC (Automotive 100 Octane)							
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)	22.16	22.38	22.38	23.22	23.55	22.18	
Kerosene	22.90	22.78	22.78	23.85	23.85	23.77	
HSD	18.37	18.63	18.63	19.62	20.29	19.84	
LDO							
Aviation gasoline (100LL)							
JP-1:	15.59	15.79	15.96	16.72	17.02	15.31	
i) For sale to PIA Domestic Flight							
ii) For sale to PIA foreign flights & foreign airline							
iii) For Cargo & Technical Landing Flights	19.26	19.32	19.68	20.91	21.00	19.15	
JP-4							
Source: Hydrocarbon Development Institute of Pakistan(HDIP)							

Source: Hydrocarbon Development Institute of Pakistan(HDIP)

TABLE 1:5**OIL SALE PRICES**

	Rs/Ltrs							
Date	1-3-2004	15-3-2004	14-2004	16-4-2004	-5-2004	-5-2004	1-6-2004	16-6-2004
Ex-Depot Sale Price								
Motor Gasoline								
Premium Motor Gasoline	34.80	34.75	34.57	35.37	36.92	36.92	36.92	36.92
HOBC (Automotive 100 Octane)	38.74	38.97	38.32	39.39	40.87	40.87	40.87	40.87
Super (90 Octane) Blend of Motor Gasoline @60% and HOBC 40%								
Kerosene	22.41	21.98	21.98	23.00	24.00	24.00	24.00	24.00
HSD	23.77	23.77	23.44	24.02	24.37	24.37	24.37	24.37
LDO	19.91	19.75	19.45	20.03	21.05	21.05	21.05	21.05
Aviation gasoline (100LL)								
JP-1								
i) For sale to PIA Domestic flight	15.70	15.41	15.88	16.17	18.23	19.72	19.65	18.47
ii) For sale to PIA foreign flight & foreign airline								
iii) For cargo & Technical Landing Flights								
JP-4	16.69	19.75	19.94	20.37	21.82	23.03	23.41	22.26

Source: Hydrocarbon Development Institute of Pakistan (HDIP)

TABLE 3.5**OIL SALE PRICES**

	Rs/Ltr							
Date	1-7-2004	16-7-2004	-8-2004	16-8-2004	1-9-2004	6-9-2004	1-10-2004	6-10-2004
Ex-Depot Sale Price								
Motor Gasoline	36.92	36.92	36.92	36.92	36.92	36.92	36.92	36.9
HOBC (Automotive 100 Octane)	40.87	40.87	40.87	40.87	40.87	40.87	40.87	40.8
Super (90 Octane) Blend of Motor Gasoline @60% and HOBC 40%								
Kerosene	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.0
HSD	24.37	24.37	24.37	24.37	24.37	24.37	24.37	24.3
LDO	21.05	21.05	21.05	21.05	21.05	21.50	22.05	21.0
Aviation gasoline (100LL)								
JP-1:								
i) For sale to PIA Domestic Flight	18.40	19.60	20.85	22.20	23.29	22.76	24.80	26.0
ii) For sale to PIA foreign flights & foreign airline								
iii) For cargo & Technical Landing Flights								
JP-4	21.80	22.47	23.64	25.53	26.54	25.62	27.35	28.9

Source: Hydrocarbon Development Institute of Pakistan (HDIP)

TABLE 13.5
OIL SALE PRICES

	Rs/Ltrs							
Date	1-11-2004	16-11-2004	1-12-2004	16-12-2004	1-1-2005	16-1-2005	2-2-2005	16-2-2005
Ex-Depot Sale Price								
Motor Gasoline	36.92	36.92	36.92	39.50	40.39	40.39	42.39	42.39
Premium Motor Gasoline								
HOBC (Automotive 100 Octane)	40.87	40.87	40.87	43.73	44.59	44.59	47.32	47.32
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)								
Kerosene	24.00	24.00	24.00	25.50	26.04	26.04	27.04	27.04
HSD	24.37	24.37	24.37	25.96	26.21	26.21	27.16	27.16
LDO	21.50	21.05	21.05	22.41	22.92	22.92	24.33	24.33
Aviation gasoline (100LL)								
JP-1:								
i) For sale to PIA Domestic Flight	27.55	25.36	24.24	21.84	21.68	20.88	23.21	23.18
ii) For sale to PIA foreign flights & foreign airline								
iii) For Cargo & Technical Landing Flights								
JP-4	29.83	27.84	27.06	25.21	24.71	23.65	25.98	26.29

Source: Hydrocarbon Development Institute of Pakistan(HDiP)

TABLE 13.5
OIL SALE PRICES

	Rs/Ltrs		
Date	1-3-2005	16-3-2005	1-4-2005
Ex-Depot Sale Price			
Motor Gasoline	43.96	45.53	45.53
HOBC (Automotive 100 Octane)	48.94	50.52	50.52
Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%)			
Kerosene	27.98	27.98	27.98
HSD	28.21	29.06	29.06
LDO	25.37	26.39	26.39
Aviation gasoline (100LL)			
JP-1:			
i) For sale to PIA Domestic Flight	24.77	28.16	29.83
ii) For sale to PIA foreign flights & foreign airline			
iii) For Cargo & Technical Landing Flights			
JP-4	27.89	30.39	31.81

Source: Hydrocarbon Development institute of Pakistan(HDiP)

TABLE 13.6
GAS SALE PRICES

GAS SALE PRICES		Rs/mcft)								
Date/ Category		1-3-2002	23-7-2002	20-8-2002	25-10-2002	21-3-2002	20-2002	1-2003	7-2004	-12-2004
DOMESTIC (Slab)										
I	Upto 3.5	66.86	66.86	66.86	67.95	67.95	7.95	39.31	73.95	73.95
II	3.55 to 7	100.73	100.73	100.73	102.37	102.37	2.37	34.42	111.42	111.42
III	7.1 to 104	161.16	161.16	161.16	163.78	163.78	3.78	57.06	178.25	178.25
IV	10.64 to 4.20 (MCFT/M)	201.45	201.45	201.45	213.06	213.06	3.06	17.32	231.88	231.88
V	All over 4.20	217.85	217.85	217.85						
COMMERCIAL										
General		166.18	166.18	166.18	168.88	168.88	8.88	72.26	182.09	182.09
Cement		194.68	194.68	222.32	222.32	222.32	2.32	09.78	209.78	209.78
CNG Station		166.18	166.18	166.18	168.88	168.88	8.88	72.26	182.09	182.09
FERTILIZER										
SNGPL'S SYTEM										
(i) For Fed Stock										
Pak. Anrical Fertilizer Ltd. PFL		36.77	36.77	36.77	36.77	36.77	36.77	36.77	36.77	36.77
F.F.C Jrdn		36.77	36.77	36.77	36.77	36.77	36.77	36.77	36.77	36.77
Dadou Pak Arab		59.59	59.59	62.57	62.57	62.57	62.57	67.26	73.99	73.99
Pak cha/ Hazara		63.24	63.24	66.40	66.40	66.40	66.40	71.38	78.52	78.52
(ii) For Jael Generation										
Daoodnd Pak Arab		166.18	166.18	166.18	168.88	168.88	68.88	172.26	182.09	182.09
FOR MARIAS CO. SYSTEM										
(i) For Fed Stock										
FFC Igro Chemical(New)		13.09	13.09	13.09	13.09	61.68	61.68	66.31	72.94	72.94
FFC Igro Chemical(Old)		58.74	61.68	61.68	61.68	61.68	61.68	66.31		72.94
Pak Judi		58.74	61.68	61.68	61.68	61.68	61.68	66.31		182.09
(ii) For Jael Generation(Powr)										
		166.18	166.18	166.18	166.88	168.88	168.88	172.26	182.09	182.09
SNGPL & SGC'S SYSTEM										
Liberty Power Ltd		202.98	202.98	90.80	190.80	190.80	222.89	235.77	234.33	235.7
GAS DIRECTLY SOLD TO										
WAPDA'S GUDD POWER STATION										
SUI FIELD (917 EU)		145.51	145.51	45.51						
KANDAKOT FIELD (866 BTU)		160.54	160.54	60.54	163.15	163.15	163.15	166.41	175.90	175
MARI FIELD (754 TU)		156.14	156.14	156.14	158.68	158.68	158.68	161.85	171.08	171.0
SARASURI FIELD		156.14	156.14	156.14	158.68	158.68	158.68	161.85	171.08	171.0

Source : Hydrocarbon Development Institute of Pakistan

Source: Hydrocarbon Development Institute of Pakistan

Billing/pricing system changed from Rs. Per thousand cubic feet to Rs. Per million bfu w.e.f. 1-2002

WEIGHTS AND MEASURES

RUPPES

One lakh - One hundred thousand - 100,000
Ten lakh - One million - 1,000,000
One crore - Ten million 10,000,000
One billion - One thousand million
One trillion - One thousand billion

WEIGHTS

One seer = 2.057 lbs. = 0.9331 kg
One maund = 82.286 lbs. = 37.324 kg
One CWT = (hundred wights) = 112 lbs. = 50.8011 kg
One long ton = 2240 lbs. = 1.016 metric tons
One cotton bale = 375 lbs. = 170.2 kg
One bushel = 0.73 mds. = 27.25 kg

AREA

One Acre = 4840 sq. yards = 0.4047 hectare
One cubic metre = 35.315 cubic feet

LENGTH

One yard = 36 inches = 0.914 metre
One mile = 1760 yards = 1.709 km

LIQUID MEASURES

One imperial gallon = 4.561 litres = 1.20094 American gallons
One American barrel = 34.9726 imperial gallons = 42 American gallons
One ton of liquified methane = 50,000 cubic feet of natural gas = appl 16 barrels
One tonne of oil = 7.454 barrels

CURRENCY EQUIVALENTS

Prior to 1972

One Rupee = US \$ 0.21
One US \$ = 4.76

Upto February 1973

One Rupee = \$ 0.09
One US \$ = Rs 11.00

With effect from 8th January 1982, Rupee is floating against dollar and is linked to a basket of currencies.

YEARS

Fiscal/Trade/Agriculture Year - July 1 to June 30
Before 1959-60, the fiscal year was from April 1 to March 31

CROPPING SEASONS

Kharif - Crops sown in late spring or in the beginning of summer and harvested in autumn.
Rabi - Crops sown in autumn and harvested in the following spring.

ACRONYMS

ADBP	Agricultural Development Bank of Pakistan
ADP	Annual Development Programme
AJK	Azad Jammu and Kashmir
APC	Agricultural Prices Commission
BEL	Bank's Equity Limited
BIM	Board of Industrial Management
CCC	Commodity Credit Corporation
CCI	Controller of Capital Issues
CCI&E	Chief Controller of Imports and Export
CDA	Capital Development Authority
CDWP	Central Development Working Party
CLA	Corporate Law Authority
ECC	Economic Coordination Committee (of the Cabinet)
ECNEC	Executive Committee of National Economic Council
EDC	Export Development Corporation
ENERCON	Energy Conservation Centre
OEP	Office of Energy Planning
EOABS	Employees Old Age Benefit Scheme
EPB	Export Promotion Bureau
EPZ	Export Processing Zone
FATA	Federally Administered Tribal Areas
FDA	Faisalabad Development Authority
FCCCL	Federal Chemicals Limited
GCP	Gas Corporation of Pakistan
GEMCP	Gas Pipeline Corporation of Pakistan
GSP	Geological Survey of Pakistan
GVI	Government Vocational Institutions
HBFC	Housing Building Finance Corporation
HDA	Hyderabad Development Authority
HIES	Household Income and Expenditure Survey
ICP	Investment Corporation of Pakistan
IDBP	Industrial Development Bank of Pakistan
IRDP	Integrated Rural Development Programme
KANUPP	Kachi Nuclear Power Plant
KDA	Kachi Development Authority
KESC	Kachi Electric Supply Corporation
KPT	Kachi Port Trust
KTC	Kachi Transport Corporation
LDA	Lahore Development Authority
MDA	Multan Development Authority
NCCC	National Credit Consultative Council
NDFC	National Development Finance Corporation
NDISC	National Design and Industrial Service Corporation
NEC	National Economic Council
NFC	National Fertilizer Corporation

NFML	National Fertilizer Marketing Limited
NIT	National Investment Trust
NLC	National Logistics Cell
NWFP	North Western Frontier Province
OGDC	Oil and Gas Development Corporation
OPIC	Overseas Private Investors Corporation
PAC	Pakistan Automobile Corporation
PARC	Pakistan Agricultural Research Council
PASMIC	Pakistan Steel Mills Corporation
PASSCO	Pakistan Agricultural Storage and Services Corporation
PBC	Pakistan Broadcasting Corporation
PCSIR	Pakistan Council of Scientific and Industrial Research
PECO	Pakistan Engineering Company
PEARC	State Petroleum Refining and Petrochemical Corporation
PIAC	Pakistan International Airlines Corporation
PIC	Pakistan Insurance Corporation
PICIC	Pakistan Industrial Credit and Investment Corporation
PIDC	Pakistan Industrial Development Corporation
PMDC	Pakistan Mineral Development Corporation
PNSC	Pakistan National Shipping Corporation
POL	Pakistan Oilfields Limited
PPL	Pakistan Petroleum Limited
PR	Pakistan Railway
PSIC	Pakistan Small Industries Corporation
PTVC	Pakistan Television Corporation
PUTC	Punjab Urban Transport Corporation
QDA	Quetta Development Authority
RDC	Resource Development Corporation
RECP	Rice Export Corporation of Pakistan
SBFC	Small Business Finance Corporation
SBP	State Bank of Pakistan
SCCP	State Cement Corporation of Pakistan
TCP	Trading Corporation of Pakistan
TDF	Tarbel Development Fund
WAPDA	Water and Power Development Authority

International Organizations

ADB	Asian Development Bank
CDFC	Commonwealth Development Finance Corporation
CIDA	Canadian International Development Agency
ECOSOC	Economic and Social Council
ECC	European Economic Community

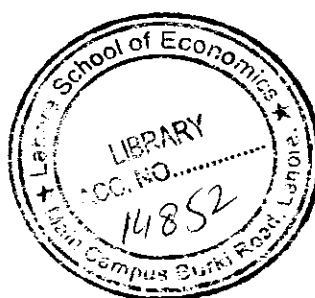
EFTA	European Free Trade Association
ESCAP	Economic and Social Commission for Asia and Pacific
FAC	Food Aid Convention
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IDB	Islamic Development Bank
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
ILO	International Labour Organization
IMF	International Monetary Fund
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
RCD	Regional Cooperation for Development
UNICEF	United Nations Children Emergency Fund
UNDP	United Nations Development Programme
UNFPA	United Nations Fund for Population Activities

Terms used in Text

BE	Budget Estimates
BHU	Basic Health Units
BMR	Balancing, Modernisation and Replacement
CIF	Cost, Insurance and Freight
CKD	Completely Knocked Down
CLCC	Cash Loan Commodity Credit
CPI	Consumer Price Index
FOB	Free On Board
GDP	Gross Domestic Product
GNP	Gross National Product

LIBOR	London Inter Bank Offer Rate
LPG	Liquefied Petroleum Gas
MAF	Million Acre Feet
MCFT	Million Cubic Feet
MCH	Maternity Child Health Centre
NRI	Non-Repatriable Investment
NWD	Nation Wide Dialing System
O&M	Operations and Maintenance
ORS	Oral Re-hydration Salt
PCO	Public Call Office
PL-480	Public Law-480 (of the United States of America)
PLS	Profit Loss Sharing
POL	Petroleum Oil and Lubricants
PTC	Participation Terms Certificate
PWP	Peoples Works Programme
RE	Revised Estimates
RHC	Rural Health Centre
SCARP	Salinity Control and Reclamation Project
Sq.Ft.	Square Feet
SPI	Sensitive Price Indicator
TOE	Tonne Oil Equivalent
TTC	Technical Training Centre
T&V	Training and Visit
WPI	Whole Price Index

Composing : Muhammad Faisal Shamim



Errata

1 Page 10 7, Fig-4

Per capita income be read as \$579 instead of \$582 for 2002-3 and \$657 instead of \$652 for 2003-04.

2 Page 10 8, Table 15 may be read as under:

Description	2002-03	2003-04	204-05 (P)
Total Investment	167	17.3	16.9
Changes i Stock	17	1.4	1.6
Gross Fixed Investment	153	15.6	15.3
- Public Investment	40	4.8	4.4
- Private Investment	113	10.8	10.9
Foreign Savings	-38	-1.4	1.2
National Savings	208	18.7	15.7
Domestic Savings	176	16.4	13.7

3 Figure of fiscal deficit for 2003-04 in Social and Economic Indicators may be read as 2.3 percent instead of 3.0.

