# PAKISTAN ECONOMIC SURVEY 2006-07

# GROWTH AND INVESTMENT

## I. INTRODUCTION

Pakistan's economy continues to maintain its strong growth momentum for the fifth year in a row in the fiscal year 2006-07. With economic growth at 7.0 percent in the current fiscal year, Pakistan's economy has grown at an average rate of almost 7.0 percent per annum during the last five years. This brisk pace of expansion on sustained basis has enabled Pakistan to position itself as one of the fastest growing economies of the Asian region. The growth that the economy has sustained for the last five years is underpinned by dynamism in industry, agriculture and services, and the emergence of a new investment cycle supported by strong growth in domestic demand. The State Bank of Pakistan (SBP) attempted to shave off some of the excess demand which was causing general price hike by changing its monetary policy stance to aggressive tightening. Successive hikes in policy rates have led to higher interest rates across the spectrum, but higher inflation means that real interest rates remain low and their dampening effect on growth remained minimal. The prerequisites for a sustained economic growth appear to have gained firm footing during the last five years.

The past few years of strong economic growth has brought Pakistan to the attention of an ever-wider set of investors and leading companies of the world. Resultantly, foreign investment has attained new heights and likely to touch $ 6.5 billion mark this year. Never before have conditions been so well aligned for a major push toward sustainable growth and poverty reduction.

The current economic upturn is substantially different from the occasional economic rebounds of short duration that Pakistan has witnessed in the recent past. The gradual build-up of the investment momentum this time also suggests that investment recovery is likely to be more sustainable. The monetary tightening has therefore not derailed the ongoing economic upsurge because balance between sustaining the growth momentum and containing inflation is maintained.

Real GDP grew strongly at 7.0 percent in 2006-07 as against the revised estimates of 6.6 percent for last year and 7.0 percent growth target for the year. When viewed at the backdrop of rising and

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

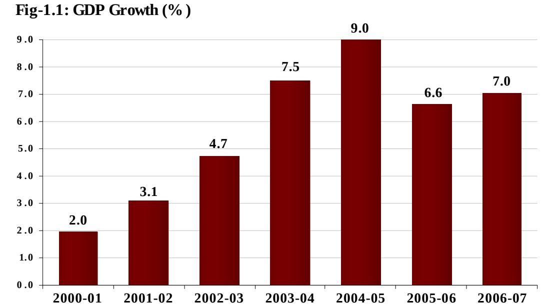
| Region/Country | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|
| **World GDP** | **4.0** | **5.3** | **4.9** | **5.4** |
| Euro Area | 0.8 | 2.0 | 1.4 | 2.6 |
| United States | 2.5 | 3.9 | 3.2 | 3.3 |
| Japan | 1.4 | 2.7 | 1.9 | 2.2 |
| Germany | -0.2 | 1.2 | 0.9 | 2.7 |
| Canada | 1.8 | 3.3 | 2.9 | 2.7 |
| Developing Countries | 6.7 | 7.7 | 7.5 | 7.9 |
| China | 10.0 | 10.1 | 10.4 | 10.7 |
| Hong Kong SAR | 3.2 | 8.6 | 7.5 | 6.8 |
| Korea | 3.1 | 4.7 | 4.2 | 5.0 |
| Singapore | 3.1 | 8.8 | 6.6 | 7.9 |
| Vietnam | 7.3 | 7.8 | 8.4 | 8.2 |
| **ASEAN** | | | | |
| Indonesia | 4.8 | 5.0 | 5.7 | 5.5 |
| Malaysia | 5.5 | 7.2 | 5.2 | 5.9 |
| Thailand | 7.1 | 6.3 | 4.5 | 5.0 |
| Philippines | 4.9 | 6.2 | 5.0 | 5.4 |
| **South Asia** | | | | |
| India | 7.3 | 7.8 | 9.2 | 9.2 |
| Bangladesh | 5.8 | 6.1 | 6.3 | 6.7 |
| Sri Lanka | 6.0 | 5.4 | 6.0 | 7.5 |
| ***Pakistan*** | ***7.5*** | ***8.6*** | ***6.6*** | ***7.0*** |
| **Middle East** | | | | |
| Saudi Arabia | 7.7 | 5.3 | 6.6 | 4.6 |
| Kuwait | 16.5 | 10.5 | 10.0 | 5.0 |
| Iran | 7.2 | 5.1 | 4.4 | 5.3 |
| Egypt | 3.2 | 4.1 | 4.5 | 6.8 |
| **Africa** | | | | |
| Algeria | 6.9 | 5.2 | 5.3 | 2.7 |
| Morocco | 5.5 | 4.2 | 1.7 | 7.3 |
| Tunisia | 5.6 | 6.0 | 4.0 | 5.3 |
| Nigeria | 10.7 | 6.0 | 7.2 | 5.3 |
| Kenya | 2.8 | 4.5 | 5.8 | 6.0 |
| South Africa | 3.1 | 4.8 | 5.1 | 5.0 |

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

volatile energy prices and fallout of the earthquake of October 8, 2005, Pakistan's growth performance for the year has been impressive. The growth is broadly based and is evenly distributed across sectors of the economy. Services sector, though witnessed slight deceleration in growth, still has spearheaded the movement towards higher growth trajectory. The services sector continued to perform strongly and grew by 8.0 percent as against the target of 7.0 percent and last year's actual growth of 9.6 percent. Large-scale manufacturing grew by 8.8 percent as against 10.7 percent of last year and 12.5 percent target for the year, exhibiting signs of moderation on account of higher capacity utilization on the one hand and stabilization of demand for industrial products especially consumer durables on the other. Agriculture sector bounced back from lacklustre performance of last year and particularly its major crop sector recovered strongly from a negative growth of 4.1 percent to a positive growth of 7.6 percent. Livestock, a major component of agriculture, exhibited signs of moderation from its buoyant growth of 7.5 percent last year to 4.3 percent in 2006-07. Construction too continued its strong showing, partly helped by activity in private housing market, spending on physical infrastructure, and reconstruction activities in earthquake affected areas [See Fig.1.1].

Consumer spending remained strong with real private consumption rising by 4.1 percent and investment spending maintaining its strong momentum at 20.6 percent increase in real investment. While strong economic growth is underpinned by the sound macroeconomic policies pursued by the government, Pakistan has also benefited from the buoyant global economic environment undeterred by the rising and volatile energy prices. The global economy continued its strong expansion. The expansion is becoming geographically more broad-based, and global growth is expected to remain strong over the near term. Inflation and inflationary expectations remained tamed but there are downside risks, including those related to continued high and volatile oil prices, abrupt tightening of global financial conditions, and a rise in protectionist tendencies.

Fig-1.1: GDP Growth (%)




Domestic macroeconomic reforms teamed with an expanding world economy have helped in sustaining prolonged period of macroeconomic stability. In 2004-05, global growth at 5.3 percent was the strongest in thirty years. Growth in 2005-06 moderated to 4.9 percent and then expected to accelerate to 5.4 percent in 2006-07. The remarkable expansion seen in the past couple of years has been broad-based with almost every region of the world experiencing buoyant growth – including South Asia [See Table-1.1].

The main impetus to growth in world output is coming from two economic giants United States and China, and that growth prospects in Japan and in some members of the euro area have improved considerably in 2006-07. The performance of many emerging economies and developing countries continue to be strong. The growth in the United States continues to be a major driving force for global growth. However, real GDP growth is declining persistently from 3.9 percent in 2004-05 to 3.2 percent in 2005-06 and 3.3 percent in 2006-07. The fact remains that the buoyancy of the US economy has helped fuel growth in other regions. The pace of growth in emerging Asia especially but not limited to China, India and Pakistan, has also contributed to strong global performance in the past few years and this too looks set to continue with growth in Asian emerging market projected to exceed 9.4 percent this year.

The Japanese economy appears better poised for a strong recovery than for many years, with deflation almost squeezed out of the system, and more buoyant consumer demand has helped in providing impetus to growth for third consecutive year in a row. And in the euro area, the growth is picking up after considerable dip last year. South Asia, particularly India and Pakistan, appear to have overtaken ASEAN region in terms of their growth performance. Barring China, and Vietnam all the other Asian economies have fallen short to the South Asian giants (India and Pakistan) in terms of their growth performance. Middle Eastern and African countries recorded strong to modest growth for the last few years on the back of rising oil revenues in the last few years. With the exception of Nigeria (another oil producing country) and Tunisia all other countries in African region showing a modest growth performance [See Table-1.1].

The global economic expansion amidst monetary and fiscal tightening and higher energy and commodity prices is amazing but it is emanating from strong surge in domestic demand teamed with buoyant external sector. Undeterred by rising interest and inflation rates, the global output is likely to continue show its resilient mood in the coming year. The recent expansion has already shown some signs of moderation at the year end and downside risk is built in because the growth has taken place against a backdrop, which might have been expected to hamper global growth. Continuing geopolitical uncertainty, a sharp rise in oil prices and continuing concern about rising fiscal and current account imbalances, the collective impact thus far has been significantly less than many had predicted.

While the current regional and global outlook offers some optimism, there are nevertheless, some important downside risks to which all policy makers need to be ready to respond. High oil prices and resultant higher level of twin deficits are most threatening to the global macroeconomic stability. So far most countries have shown great resilience to both threats. This might be attributed to buoyancy in demand rather than supply; and partly to the lessons learnt of the 1970s oil crisis as most economies have gradually replaced their dependence on oil to run the machines of their economies.

Macroeconomic imbalances continue to pose a risk to continuing global economic growth. The payment imbalances are part of a wider problem of imbalances in the global economy with rapidly rising foreign exchange reserves in Asia. The main risk posed by these global imbalances is a disorderly resolution of the problem for example, an abrupt adjustment of exchange rates and US interest rates, with obvious implications for emerging market debt.

Pakistan's economy builds on strong economic fundamentals that has undergone substantial structural transformation and is fueling rapid changes in consumption and production patterns. The enhanced and easy access to credit is boosting new entrepreneurship as well as changing consumption patterns. The emerging and growing middle class is becoming an increasingly dominant force in the economic activity. Pakistan's per capita real GDP has risen at a faster pace during the last four years (5.5% per annum on average in rupee terms) leading to a rise in average income of the people. Such increases in real per capita income have led to a sharp increase in consumer spendings during the last three years. As opposed to an average annual increase of 1.4 percent during 2000-2003, real private consumption expenditure grew by 12.1 percent in 2004-05 but declined in the subsequent two years to 3.3 percent in 2005-06 and 4.1 percent in 2006-07. Relatively slower growth in the consumption in 2005-06 and 2006-07 is mainly attributed to the tight monetary policy pursued by the SBP. The extraordinary strengthening of domestic demand during the last four years points to the following facts. First, the higher consumer spending feeding back into economic activity has provided adequate support to the on-going growth momentum. Second, it suggests the emergence of a strong middle class with more purchasing power which is a healthy sign for business expansion and social transformation. Third, extra-ordinary rise in consumer spendings over the last four 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 2006-07 in the historical context. The performance of the various components of national income over the last two and a half decades is summarized in Table 1.2.

### II. Commodity Producing Sector (CPS)

Commodity Producing Sector (CPS) accounting for 56.7 percent of the GDP and responsible for one-fourth of the 6.6 percent real GDP growth in 2005-06. The contribution to 7.0 percent growth in GDP of CPS has increased to 40 percent. This was spearheaded by the manufacturing sector which added 22 percentage points to overall contribution of 40% while agriculture sector contributed the rest of 18 percentage points. Growth of value addition in CPS sector is estimated to increase by 6.0% in 2006-07 as against 3.4% in 2005-06. The important component of the commodity producing sector namely, agriculture has outpaced the target while manufacturing witnessed slippage in the target. Within the CPS, agriculture and manufacturing grew by 5.0 percent and 8.4 percent, respectively [See Table 1.2].

**II.i. Agriculture**

Inspite of persistently falling share since 2002-03, agriculture remains the single largest sector of the national economy. It still accounts for 20.9 percent of GDP and employed bulk of the total work force. Agriculture contributes to growth as a supplier of raw materials to industry as well as a market for industrial products and is the main source of foreign exchange earnings. Approximately 66.7% of the country's population live in rural areas and are directly or indirectly rely on the agriculture sector for their livelihood.

The agriculture sector consists of crops, livestock, fishing and forestry sub-sectors. The crop sub-sector comprises major crops (primarily wheat, cotton, rice, sugarcane, maize and gram) and minor crops (such as pulses, potatoes, onions, chillies and garlic). The internal composition of the agriculture sector has changed over time and the share of crops sub-sector in agriculture has gradually declined from 65.1% in 1990-91 to 47.9% in 2006-07. By contrast, the share of livestock in agriculture has increased from 29.8% to 49.6% in the same period. The contributions of fishing and forestry have been insignificant with only 0.3% and 0.2%, respectively.

Growth in the agricultural sector bounced back from a modest 1.6 percent last year to 5.0 percent this year. The major crops registered an impressive growth of 7.6 percent. The performance of all the sub-sector of agricultural remained robust with the exception of minor crops and fishing [See Table 1.2]. The detailed discussion on the sub-sectors of agriculture is presented below:

*II.i.a. Major Crops,* Major crops, accounting for 36.3 percent of agricultural value added, witnessed an impressive growth of 7.6 percent as against a negative growth of 4.1 percent last year. Four major crops wheat, sugarcane, cotton and rice account for almost 90 percent of weight in major crops. The impressive growth in value added of major crops was underpinned by robust growth in two major crops, namely, wheat and sugarcane. Cotton maintained its previous year's production level of 13.0 million bales. The other two major crops, namely maize and rice, registered negative growth of 2.0 percent and 4.5 percent, respectively. Wheat production increased by 10.5 percent and stood at 23.5 million tons—highest ever production of wheat in the country's history.

*II.i.b. Minor crops,* Minor crops, accounting for 11.7 percent of value added in overall agriculture, grew by 1.1 percent – slightly up from last year's growth of 0.4 percent. Production of pulses such as masoor and mung registered a sharp increase of 17.9% and 21.5%, respectively. Vegetables such as potatoes and onions exhibited mixed performance as the former registered an increase of 67.2 percent while the later posted a decline of 14.3 percent. Chillies, being an important minor crop, registered a sharp decline of 49.6 percent during the year under review. Edible oils also witnessed decline in production.

*II.i.c. Livestock.* The government has placed great focus on this important sector which accounts for 49.6 percent of agriculture value addition. The importance of this sector can be gauged by the facts that the livelihoods of about 35 million rural population depend directly or indirectly to livestock and dairy sector; it is highly labour–intensive and good source of job creation; its share in agriculture is much more than combined shares of all the major crops, it accounts for 10.4% of GDP and most importantly its performance is not dependent on mother nature. Accordingly, it has emerged as a major alternative source of income, particularly for rural poor. Livestock includes: cattle, buffalos, sheep, goats, camels, horses, asses and mules. The livestock sector grew by 4.3 percent during 2006-07 as against 7.5 percent last year.

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

| | 1980's | 1990's | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| **Commodity Producing Sector** | **6.5** | **4.6** | **4.2** | **9.3** | **9.5** | **3.4** | **6.0** |
| 1. Agriculture | 5.4 | 4.4 | 4.1 | 2.4 | 6.5 | 1.6 | 5.0 |
| - Major Crops | 3.4 | 3.5 | 6.8 | 1.7 | 17.7 | -4.1 | 7.6 |
| - Minor Crops | 4.1 | 4.6 | 1.9 | 3.9 | 1.5 | 0.4 | 1.1 |
| - Livestock | 5.3 | 6.4 | 2.6 | 2.9 | 2.3 | 7.5 | 4.3 |
| - Fishing | 7.3 | 3.6 | 3.4 | 2.0 | 0.6 | 20.5 | 4.2 |
| - Forestry | 6.4 | -5.2 | 11.1 | -3.2 | -32.4 | -43.7 | -3.8 |
| 2. Mining & Quarrying | 9.5 | 2.7 | 6.6 | 15.6 | 10.0 | 4.6 | 5.6 |
| 3. Manufacturing | 8.2 | 4.8 | 6.9 | 14.0 | 15.5 | 10.0 | 8.4 |
| - Large Scale | 8.2 | 3.6 | 7.2 | 18.1 | 19.9 | 10.7 | 8.8 |
| - Small Scale * | 8.4 | 7.8 | 6.3 | 6.2 | 6.3 | 8.3 | 7.7 |
| 4. Construction | 4.7 | 2.6 | 4.0 | -10.7 | 18.6 | 5.7 | 17.2 |
| 5. Electricity & Gas Distribution | 10.1 | 7.4 | -11.7 | 56.8 | -5.7 | -23.8 | -15.2 |
| **Services Sector** | **6.6** | **4.6** | **5.2** | **5.8** | **8.5** | **9.6** | **8.0** |
| 6. Transport, Storage and Comm. | 6.2 | 5.1 | 4.3 | 3.5 | 3.4 | 6.9 | 5.8 |
| 7. Wholesale & Retail Trade | 7.2 | 3.7 | 6.0 | 8.3 | 12.0 | 8.7 | 7.1 |
| 8. Finance & Insurance | 6.0 | 5.8 | -1.3 | 9.0 | 30.8 | 33.0 | 18.2 |
| 9. Ownership of Dwellings | 7.9 | 5.3 | 3.3 | 3.5 | 3.5 | 3.5 | 3.5 |
| 10.Public Administration & Defence | 5.4 | 2.8 | 7.7 | 3.2 | 0.6 | 10.0 | 6.9 |
| 11.Services | 6.5 | 6.5 | 6.2 | 5.4 | 6.6 | 6.3 | 8.5 |
| **12.GDP (Constant Factor Cost)** | **6.1** | **4.6** | **4.7** | **7.5** | **9.0** | **6.6** | **7.0** |
| **13.GNP (Constant Factor Cost)** | **5.5** | **4.0** | **7.5** | **6.4** | **8.7** | **6.4** | **6.9** |

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

*II.i.d. Fisheries:* The fisheries sector account for only 0.3 percent of GDP and witnessed a growth of 4.2 percent against 20.5 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. Marine fisheries registered a growth of 1.2 percent against negative growth of 2.7 percent last year. Inland fish segment also registered a growth of 5.1 percent as against 29.5 percent last year.

*II.i.e. Forestry:* Forestry plays an important role in the Pakistani economy inspite of its meager share of 0.2 percent in the GDP. Forests are important for the protection of land and water resources, particularly in prolonging the lives of dams, reservoirs and the irrigation network of canals. Forestry is also essential for maintaining a sustained supply of wood and wood products. Pakistan has only 5% of its total land area under forest which is very low as compared to other Asian countries. Of the 5% of total landmass that has forest cover, 85% is public forest, which includes 40% coniferous and scrub forests on the northern hills and mountains. The balance is made up of irrigated plantations and river rain forests along major rivers on the Indus plains, mangrove forests on the Indus delta and trees planted on farmlands. The value addition in forestry sector witnessed a decline in growth to 3.8 percent as against massive decline of 43.7 percent last year. Massive earthquake of October 8, 2005 is partly responsible for destruction of considerable portion of forests during the last two years. Alarming thing is that this is the fourth year in a row when forestry is depicting negative growth. For a better climate and protection of water reservoirs we need forestation to grow at a brisk pace.

### II.ii. Manufacturing

Manufacturing sector has reaped the benefits of the recent upsurge in the growth momentum and its share in the GDP has persistently increasing from 14.7 percent in 1999-2000 to 19.1 in 2006-07. Large-scale manufacturing, accounting for 69.9% of overall manufacturing, registered a growth of 8.8% in 2006-07 against the target of 12.5% and last year's achievement of 10.7%. Although large-scale manufacturing is exhibiting a decelerating trend in growth over the last four years, a growth of 8.8 percent is still robust and is likely to show further improvement once the numbers for May and June 2007 are incorporated.

The main contributors to the 8.8% growth during July-April 2006-07 were the textile and apparel group (8.4%), chemicals (6.5%), , tires and tubes group (16.1%), non-metallic mineral products (21.7%), engineering goods group (21.5%), electrical items group (12.9%), and automobile group (6.2%). The items that registered positive growth were cotton yarn (12.0%), vegetable ghee (1.5%), cooking oil (6.9%), cement (21.1%), cigarettes (4.1%), jeeps and cars (3.0%), tractors (11.4%), L.C.V's (17.0%), motorcycles / scooters (12.3%), sugar (19.6%), cotton cloth (7.0%), motor tyres (17.2%), refrigerators (9.8%) and caustic soda (11.6%). The individual items exhibiting negative growth include: cotton ginned (10.9%), billets (47.9%), petroleum group (2.3%), nitrogenous fertilizer (4.5%), and phosphatic fertilizer (12.0%).

### II.iii. Mining and Quarrying

Pakistan has economically exploitable reserves of coal, rock salt, limestone and onyx marble, china clay, dolomite, fire clay, gypsum, silica sand and granite, as well as precious and semi-precious stones. Mineral deposits which may have sizeable reserves but require greater exploration including gold, copper, tin, silver, antimony, the platinum group of elements, tungsten, lead, bauxite and fluorite. The mining and quarrying sector grew by 5.6% in 2006-07 as against 4.6 percent growth last year and target of 3.8 percent. However, the sector contributed only 2.6% to GDP in 2006-07 and almost stagnant at this level for some time. The main contribution to the growth of the mining and quarrying sector came from mining of argi clay, fire clay, limestone, coal and the extraction of natural gas which grew by 18.8%, 31.7%, 47.3%, 3.4% and 3.5%, respectively, in the first nine months of 2006-07.

Because much of the country's mining reserves exist in remote areas, infrastructure improvements are necessary to attract higher investment in this sector. Since 2000, the Government has implemented a mining policy under which imports of machinery have been allowed free of tariffs and restrictions on repatriation of profits by foreign investors have been removed. These measures have been successful in attracting foreign investment in the mining and quarrying sector.

### *II.iv.* Services Sector

The services sector account for 53.3 percent stake in the GDP. It consists primarily of wholesale and retail trade; transport, storage and communications; and financial and insurance services. These sectors collectively absorb approximately one-third of workforce in Pakistan. The services sector has been an important contributor to Pakistan's economic growth over the past five years. The services sector grew by 8.5% in 2004-05, by 9.6% in 2005-06 and by 8.0% in 2006-07. Finance and insurance sector remained major driver of the growth in the services sector for the last three years and the growth has touched 30.8%, 33.0% and 18.2%, respectively in these three years. Growth in the services sector in 2006-07 was primarily attributable to strong growth in the finance and insurance sector, better performance of wholesale and retail trade, as well as social services sector.

*Finance and insurance sector* spearheaded the growth in the services sector and registered stellar growth of 18.2 percent during the current fiscal year 2006-07 which is slightly lower than 33.0 percent of last year. Value added in the *wholesale and retail trade sector* is based on the margins taken by traders on the transaction of commodities traded in the wholesale and retail market. In 2006-07, the gross value added in wholesale and retail trade increased by 7.1% over the previous year, compared to 8.6% growth in 2005-06.

Value added in the *transport, storage and communications sector* is based primarily on the profits and losses of Pakistan Railways, Pakistan International Airlines and other airlines, Pakistan Posts & Courier Services, Pak Telecom and motor vehicles of different kinds on the road. In 2006-07, this sector grew by 5.7% from the previous year compared to 6.9% growth in 2005-06. The moderation in the growth rate resulted primarily from stabilization of strong consumer demand for mobile phones, internet services of Pak Telecom, and motor vehicles on road. *Public administration and defense* posted a growth of 7.0 percent while *ownership of dwellings* grew by 3.5 percent and *social services sector* improved its growth performance to 8.5 percent from 6.3 percent last year.

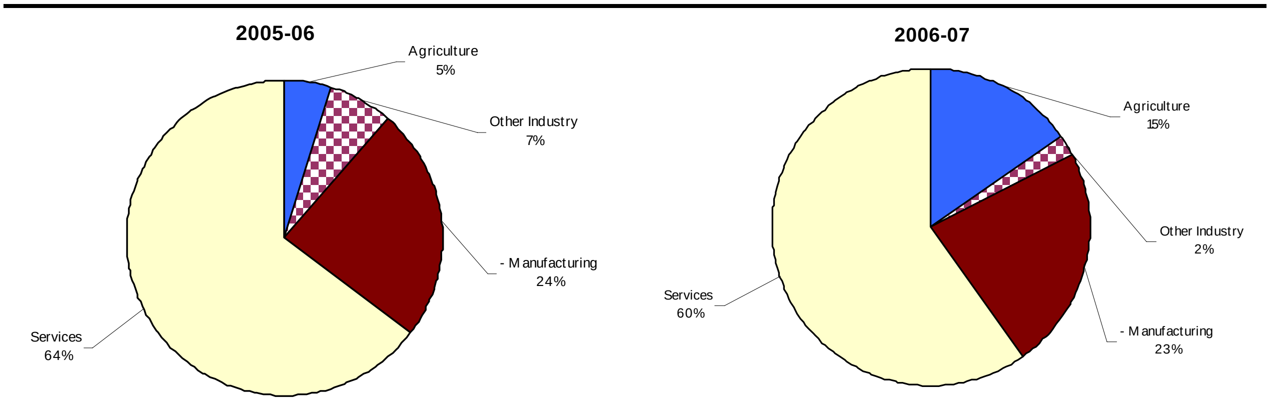
### III. Contribution to Real GDP Growth (Production Approach)

The contribution to economic growth is broadly distributed among different sectors of the economy. Services sector continues to be the major driving force in its contribution to economic growth. The commodity producing sectors (agriculture and industry) has contributed two-fifth and service sector contributed the remaining three-fifth to the real GDP growth of 7.0 percent during 2006-07. The CPS contributed 30.2 percent or 2.9 percentage points to this year's growth while the remaining 59.8 percent or 4.2 percentage point's contribution came from services sector. Within the CPS, agriculture contributed 1.1 percentage points or 15.1 percent to overall growth while industry contributed 1.8 percentage points or 22.7 percent [See table 1.3 and fig. 2 for details]. The reliance on the agriculture sector has declined with the passage of time. It is encouraging to note that the contribution of wholesale and retail trade is increasing. It has contributed 19.4 percent or 1.4 percentage points to GDP growth in 2006-07. This sector is highly labour-intensive and higher growth in the sector may have contributed to the rise in employment and income level of the people attached with the sector. Construction with many forward and backward linkages is also making impact on the economic growth by contributing 5.2 percent or 0.4 percentage points to this year's real GDP growth. Construction is also highly labour-intensive sector and a strong growth in this sector must have generated a variety of jobs. Less labour intensive sector such as finance and insurance has also contributed 13 percent or 0.9 percentage points to this year's growth.

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

| Sector | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|
| **Agriculture** | **1.0** | **0.6** | **1.5** | **0.4** | **1.1** |
| **Industry** | **1.0** | **3.8** | **3.1** | **1.3** | **1.8** |
| - Manufacturing | 1.1 | 2.3 | 2.7 | 1.8 | 1.6 |
| **Services** | **2.7** | **3.1** | **4.4** | **4.9** | **4.2** |
| **Real GDP (Fc)** | **4.7** | **7.5** | **9.0** | **6.6** | **7.0** |

**Fig-1.2: Contribution to the Real GDP Growth**




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

Consumption, investment, export are figuratively described as the 'three horses of Troika' that drives economic growth. In all economies the expansion of output is the sum of consumption (both private and government) plus investment (public and private) plus net exports of goods and services. Consumption comprises a major chunk of economic growth in almost all economies. Pakistan's economic growth is historically characterized as consumption-led growth. For a brief interval (2000-04) of external sector buoyancy net exports contributed positively. However, the balance between investment and consumption has improved for the last three years and driving the growth momentum while the contribution of net exports remained negative since 2004-05. Consumption has accelerated in early phase starting from 2001-02 with support from investment coming over the last three years. Higher growth in consumption allowed the firms to use its excess capacity in the first phase but continued strong growth in consumption encouraged firms to undertake new investment over the last three years [See Table 1.4 and Fig. 1.3].

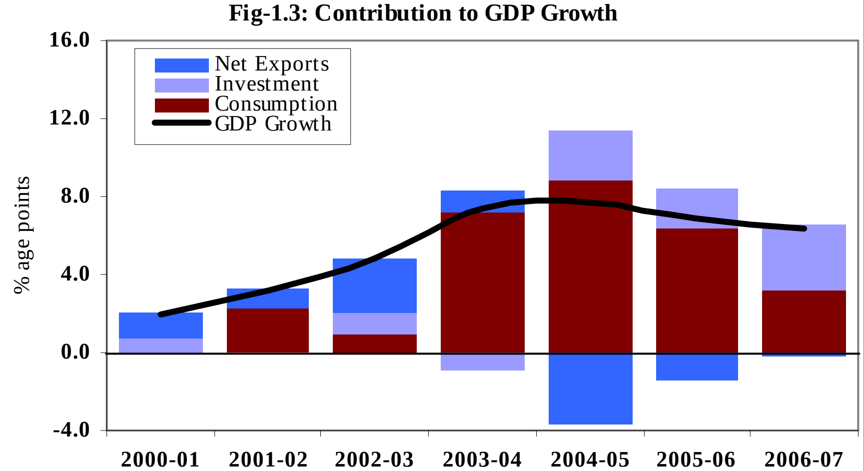
**Table-1.4: Composition of GDP Growth**
**Point Contribution**

| Flows | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | Average 2003-07 |
|---|---|---|---|---|---|---|---|---|
| Private Consumption | 0.4 | 1.0 | 0.3 | 7.1 | 8.7 | 2.4 | 3.0 | 5.3 |
| Public Consumption | -0.5 | 1.2 | 0.6 | 0.1 | 0.1 | 3.9 | 0.2 | 1.1 |
| **Total Consumption [C]** | **-0.1** | **2.2** | **0.9** | **7.2** | **8.8** | **6.4** | **3.2** | **6.4** |
| Gross Fixed Investment | 0.7 | -0.1 | 0.6 | -1.0 | 1.8 | 2.5 | 3.3 | 1.7 |
| Change in Stocks | 0.0 | 0.0 | 0.4 | 0.1 | 0.7 | -0.5 | 0.1 | 0.1 |
| **Total Investment [I]** | **0.7** | **0.0** | **1.1** | **-0.9** | **2.5** | **2.0** | **3.4** | **1.8** |
| Exports (Goods & Serv.) [X] | 1.6 | 1.5 | 4.5 | -0.3 | 1.7 | 1.8 | 0.1 | 0.8 |
| Imports (Goods & Serv.) [M] | 0.3 | 0.4 | 1.6 | -1.3 | 5.4 | 3.2 | 0.2 | 1.9 |
| **Net Exports [X-M]** | **1.3** | **1.0** | **2.8** | **1.0** | **-3.7** | **-1.5** | **-0.2** | **-1.1** |
| Aggregate Demand (C+I+X) | 2.3 | 3.7 | 6.5 | 6.0 | 13.0 | 10.2 | 6.6 | 9.0 |
| Domestic Demand (C+I) | 0.7 | 2.2 | 2.0 | 6.3 | 11.3 | 8.4 | 6.5 | 8.1 |
| **GDP MP** | **2.0** | **3.2** | **4.8** | **7.4** | **7.7** | **6.9** | **6.4** | **7.1** |

*Source: Federal Bureau of Statistics.*

Economy has maintained a steady and rapid growth for the last five years in a row. Given its lion's share in GDP, consumption mainly supported the on-going growth momentum and as it is documented in Table 1.4 it contributed in the range of 80 – 83 percent to overall economic growth over the last 7 years. In 2006-07 consumption accounted for 49.8 percent or 3.2 percentage points to economic growth and while investment accounted for 52.7 percent or 3.4 percentage points to growth. This is the first time in recent economic history that investment is driving growth by surpassing consumption. Net exports appear to have been a drag on overall growth in 2006–07. The investment rate is on the rise since 2004-05, reaching as high as 23 percent of GDP in 2006-07. This is the highest investment rate ever in recent economic history. This year's economic growth is largely investment-driven but ably supported which provides source of optimism that a growth of 6–8 percent in the next 5 years is quite achievable. National savings are financing a large part of this investment boom. The national savings rate is now at 18.0 percent of GDP.

**Fig-1.3: Contribution to GDP Growth**



A faster growth in exports is needed to make total demand less sensitive to rising domestic real interest rates and indebtedness, secure productivity gains as a result of competition in the international market, and relax the foreign exchange constraints for imports.

### V. Composition of the GDP

The process of structural transformation has accelerated in recent years. The structure of the GDP has undergone substantial change during the last three and a half decades (see Table 1.5 for details). The commodity producing sector (CPS) which accounted for almost 62 percent of the GDP in 1969-70, its share declined to almost 46 percent in 2006-07 — a decline of 16 percentage points. 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 20.9 percent in 2006-07 - a decline of 18 percentage points in three and a half decade. The share of agriculture in GDP has declined by 3.2 percentage points in the last 6 years alone and the share of the manufacturing sector has increased by 3.1 percentage points in the same period. It implies that the space created by the agriculture sector is occupied by the manufacturing sector which is a pre-requisite for structural transformation in the first phase.

**Table 1.4: Sectoral Share in Gross Domestic Product(GDP)**
**(At Constant Factor Cost) (In %)**

| | 1969-70 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|
| **Commodity Producing Sector** | **61.6** | **47.9** | **47.6** | **48.4** | **48.7** | **47.2** | **46.7** |
| 1 Agriculture | 38.9 | 24.1 | 24.0 | 22.9 | 22.4 | 21.3 | 20.9 |
| - Major Crops | 23.4 | 8.0 | 8.2 | 7.8 | 8.4 | 7.5 | 7.6 |
| - Minor Crops | 4.2 | 3.1 | 3.0 | 2.9 | 2.7 | 2.6 | 2.4 |
| - Livestock | 10.6 | 12.0 | 11.7 | 11.2 | 10.6 | 10.6 | 10.4 |
| - Fishing | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| - Forestry | 0.1 | 0.7 | 0.7 | 0.6 | 0.4 | 0.2 | 0.2 |
| 2 Mining & Quarrying | 0.5 | 2.4 | 2.5 | 2.6 | 2.7 | 2.6 | 2.6 |
| 3 Manufacturing | 16.0 | 15.9 | 16.3 | 17.3 | 18.3 | 18.9 | 19.1 |
| - Large Scale | 12.5 | 10.4 | 10.6 | 11.7 | 12.9 | 13.4 | 13.6 |
| - Small Scale | 3.5 | 5.6 | 5.6 | 5.6 | 5.4 | 5.5 | 5.6 |
| 4 Construction | 4.2 | 2.4 | 2.4 | 2.0 | 2.1 | 2.1 | 2.3 |
| 5 Electricity & Gas Distribution | 2.0 | 3.0 | 2.5 | 3.7 | 3.2 | 2.3 | 1.8 |
| **Services Sector** | **38.4** | **52.1** | **52.4** | **51.6** | **51.3** | **52.8** | **53.3** |
| 6 Transport, Storage and | 6.3 | 11.4 | 11.4 | 10.9 | 10.4 | 10.4 | 10.3 |
| 7 Wholesale and Retail Trade | 13.8 | 17.8 | 18.0 | 18.2 | 18.7 | 19.1 | 19.1 |
| 8 Finance and Insurance | 1.8 | 3.5 | 3.3 | 3.4 | 4.0 | 5.0 | 5.6 |
| 9 Ownership of Dwellings | 3.4 | 3.2 | 3.1 | 3.0 | 2.9 | 2.8 | 2.7 |
| 10 Public Admn. & Defence | 6.4 | 6.4 | 6.6 | 6.3 | 5.9 | 6.0 | 6.0 |
| 11 Other Services | 6.7 | 9.8 | 9.9 | 9.7 | 9.5 | 9.5 | 9.6 |
| **12 GDP (Constant Factor Cost)** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

P Provisional

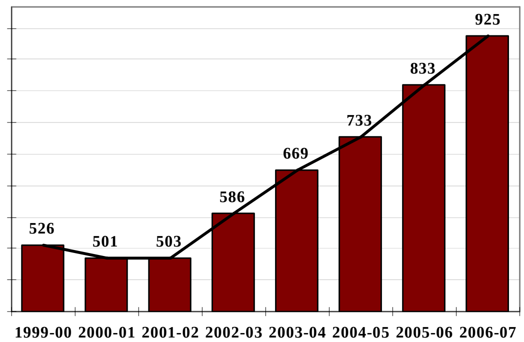
*Source: Economic Adviser's Wing, Finance Division*

Beside compulsions imposed by the theory of economic development that with higher level of economic development the share of agriculture has to shrink, the other determining factor is the exclusive preoccupation of the successive governments in the past to four major crops, namely, wheat, cotton, sugarcane and rice in policy making and little or no efforts to increase yield per acre or no policy support to diversification of agriculture sector. These four major crops only account for one - third of agricultural value added while rest of the two-third has received almost no attention from all the governments until two years ago. 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 until few years ago that this sector started receiving some attention. As long as the government continues to concentrate on four major crops and neglect the rest, the contribution of agriculture to overall GDP is bound to shrink rapidly in the next five to ten years because industry has been growing at least twice as fast as agriculture and services sector has outpaced the growth in the agriculture. During the last six years, the major impetus to growth has come from services and manufacturing sectors. The share of manufacturing in GDP has remained stagnant at around 16 percent for 33 years until 2002-03. Its contribution to GDP has increased only during the last three years - rising from 16.3 percent in 2002-03 to 19.1 percent in 2006-07. Almost three percentage point's increase in just four years is an impressive achievement. Within the services sector, almost all the components have raised their contribution over the last three and half decades. 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.

## VI. Per Capita Income

Per capita income is regarded as one of the key indicators of economic well-being for many years. With the emergence of more analytical tools and sophisticated indicators, numerous indicators and measures of well being are added to economic literature. Yet none of these could undermine the historical importance of per capita income in providing simple reflection of 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 pendulum swung to other extreme during the last few years and the per capita income grew at a much stronger pace. The per capita income in dollar term has grown at an average rate of 13.0 percent per annum during the last five years rising from $ 586 in 2002-03 to $ 833 in 2005-06 and further to $ 925 in 2006-07 [See Fig-1.4]. The main factor responsible for the sharp rise in per capita income include acceleration in real GDP growth, stable exchange rate and four fold increase in the inflows of workers' remittances. Per capita income in dollar term rose from $ 833 last year to $ 925 in 2006-07, depicting an increase of 11.0 percent. Fig. 1.4 shows the improvement in per capita income during the last six years. Real per capita income in rupee terms has also increased by 4.9 percent on average for the last three years as compared to just 1.0 percent per annum on average during the 1990.

Fig-1.4: Per Capita Income ($)




## VII. Investment and Savings

Total investment has reached record level of 23.0 percent of GDP in the current fiscal year (2006-07) as against 21.7 percent of GDP last year. Fixed investment has increased to 21.4 percent of GDP from 20.1 percent last year. Investment is a key determinant of growth. Total investment has increased from 16.9 percent of GDP in 2002-03 to 23.0 percent of GDP in 2006-07— showing an increase of 6.0 percent of GDP in five years. Fixed investment grew, on average, by 17.3 percent in real terms and 30.3 percent in nominal terms per annum during the last three years (2004-07). Private investment grew by 18.7 percent per annum in real terms and 32.0 percent per annum in nominal terms during the same period. In the fiscal year 2006-07, gross fixed capital formation or domestic fixed investment grew by 21.8 percent as against 34.8 percent last year. The composition of investment between private and public sector has changed considerably during the last three years. Private sector investment grew by 20.4 percent this year as against 37.5 percent increase in last year in nominal terms. Public sector investment has also increased by 25.7 percent per annum during the last three years and 25.7 percent during the current fiscal year in nominal terms. Public sector investment has created spillovers effects for private sector investment through massive increase in development spending particularly on infrastructure [See Table-1.6]. The other interesting development that has taken place on investment scene is that the share of private sector investment in domestic fixed investment has increased from less than two-third (64.2%) to more than three-fourth (76.0%) in the last seven years clearly reflecting the growing confidence of private sector in the current and future prospects of the economy.

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

| Description | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07P |
|---|---|---|---|---|---|---|---|
| ***Total Investment*** | ***17.2*** | ***16.8*** | ***16.9*** | ***16.6*** | ***19.1*** | ***21.7*** | ***23.0*** |
| Changes in Stock | 1.4 | 1.3 | 1.7 | 1.6 | 1.6 | 1.5 | 1.5 |
| ***Gross Fixed Investment*** | ***15.8*** | ***15.5*** | ***15.3*** | ***15.0*** | ***17.5*** | ***20.1*** | ***21.4*** |
| - Public Investment | 5.7 | 4.2 | 4.0 | 4.0 | 4.3 | 4.7 | 5.2 |
| - Private Investment | 10.2 | 11.3 | 11.3 | 10.9 | 13.1 | 15.4 | 16.2 |
| Foreign Savings | 0.7 | -1.9 | -3.8 | -1.3 | 1.6 | 4.5 | 5.0 |
| ***National Savings*** | ***16.5*** | ***18.6*** | ***20.8*** | ***17.9*** | ***17.5*** | ***17.2*** | ***18.0*** |
| Domestic Savings | 17.8 | 18.1 | 17.6 | 15.7 | 15.4 | 15.3 | 16.1 |

P: Provisional

*Source: EA Wing Calculations*

Private sector investment was broad-based. Major nominal growth in private sector investment is witnessed in manufacturing (27.0%), mining & quarrying (93.6%), construction (10.7%), transport and communication (20.8%), and wholesale and retail trade (25.4%). All sectors of the economy barring agriculture (3.8%), ownership of dwellings (4.6%) and electricity & gas distribution (-49.9%), witnessed high double digit growth in investment. In the public sector investment, only manufacturing witnessed negative growth but investment in all other sectors rose sharply, thus enabling overall public sector investment to grow by 26.6 percent. Investment in public and general government sectors grew by 34.6 percent and 20.2 percent, respectively.

The contribution of national savings to the domestic investment is indirectly the mirror image of foreign savings required to meet investment demand. The requirement for foreign savings needed to finance the saving-investment gap simply reflects the current account deficit in the balance of payments. National Savings at 18.0 percent of GDP has financed 84 percent of fixed investment in 2006-07 as against 85.5 percent last year. National savings as percentage of GDP stood at 18.0 percent in 2006-07 fractionally higher than last year's level of 17.2 percent. Domestic savings has risen from 15.3 percent of GDP to 16.1 percent of GDP. In the current scenario, net foreign resource inflows are mainly coming from non-debt creating inflows.

## VII. Foreign Investment

Foreign direct investment (FDI) has emerged as a major source of private external flows for developing countries. During the last two decades countries have liberalized their FDI regimes and pursued investment- friendly economic policies to attract investment. Countries have tried to address the issue of making domestic policies to maximize the benefits of foreign presence in the domestic economy. FDI has triggered technology spillovers, assisted human capital formation, contributed to international trade integration, helped in creating a more competitive business environment and promoted enterprise development. These developments contributed positively to higher economic growth, which is the most potent tool for alleviating poverty. Another contribution of FDI in recent years to developing countries has been that it has overshadowed official development assistance (ODA) by a fair margin.

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

*(Million US $)*

| | | | | July-April | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2005-06 | | | 2005-06 | | | 2006-07 | | |
| **Country** | **Direct** | **Portfolio** | **Total** | **Direct** | **Portfolio** | **Total** | **Direct** | **Portfolio** | **Total** |
| USA | 516.7 | 303.8 | 820.5 | 419.1 | 331.5 | 750.7 | 676.7 | 669.4 | 1346.1 |
| UK | 244.0 | -19.5 | 224.5 | 151.4 | -16.1 | 135.3 | 724.4 | 382.3 | 1106.7 |
| UAE | 1424.5 | 63.3 | 1487.8 | 1284.6 | 55.1 | 1339.6 | 364.2 | 19.5 | 383.8 |
| Germany | 28.6 | -3.5 | 25.1 | 27.0 | -4.2 | 22.7 | 30.0 | 6.9 | 36.9 |
| Kuwait | 21.0 | 2.9 | 23.9 | 15.2 | 2.1 | 17.2 | 61.8 | 18.3 | 80.0 |
| Hong Kong | 24.0 | 31.2 | 55.2 | 21.9 | 33.1 | 55.0 | 30.2 | -93.8 | -63.6 |
| Norway | 252.6 | 0.0 | 252.6 | 243.3 | 0.0 | 243.3 | 25.1 | 0.0 | 25.1 |
| Japan | 57.0 | -8.7 | 48.2 | 37.3 | -6.4 | 30.9 | 51.0 | 0.2 | 51.2 |
| Saudi Arabia | 277.8 | 0.8 | 278.5 | 273.7 | 0.8 | 274.5 | 91.7 | 0.1 | 91.8 |
| Canada | 4.8 | 0.2 | 5.0 | 3.9 | 0.2 | 4.1 | 10.5 | 0.1 | 10.6 |
| Netherlands | 121.1 | -0.7 | 120.4 | 101.1 | -0.8 | 100.4 | 753.4 | 5.7 | 759.1 |
| Mauritius | 87.0 | -4.1 | 83.0 | 64.4 | -4.1 | 60.3 | 63.4 | 9.7 | 73.1 |
| Singapore | 9.9 | 5.6 | 15.5 | 8.9 | 0.6 | 9.5 | 14.2 | 169.1 | 183.3 |
| China | 1.7 | 0.0 | 1.7 | 1.6 | 0.0 | 1.6 | 708.9 | 0.0 | 708.9 |
| Australia | 31.3 | 0.0 | 31.3 | 26.1 | 0.0 | 26.1 | 60.5 | -5.9 | 54.6 |
| Switzerland | 170.6 | 11.6 | 182.2 | 161.5 | -11.9 | 149.6 | 157.8 | -85.7 | 72.1 |
| Others | 248.5 | -31.3 | 217.2 | 197.2 | -24.1 | 173.1 | 336.5 | 51.7 | 388.2 |
| **Total** | **3521.0** | **351.5** | **3872.5** | **3038.2** | **355.8** | **3393.9** | **4160.2** | **1147.6** | **5307.8** |

*Source: State Bank of Pakistan*

Sensing the potential role that FDI can play in accelerating economic growth and economic development; Pakistan, like many other developing countries, has also initiated wide-ranging structural reforms in various sectors of the economy to restore macroeconomic stability and improve enabling environment to attract FDI. Higher foreign direct investment in Pakistan has relaxed the foreign exchange constraint for imports to a greater extent, and supported the increase in the investment-to-GDP ratio, necessary to deliver the higher growth rates.

The reforms and policies that Pakistan pursued over the last seven years are now paying handsome dividends. Pakistan has become an attractive destination for foreign investors. In sheer contrast to an average of $350-450 million per annum prior to 1998-99, the overall foreign investment during the first ten months (July-April) of the current fiscal year has touched $ 6 billion – highest ever in the country's history and nearly doubles the inflows of foreign investment of last year [See Table-1.8].

**Table-1.8: Net Inflow of Foreign Investment**

*Million US$*

| | 2005-06 | July-Apr 2005-06 | July-Apr 2006-07 | % Change |
|---|---|---|---|---|
| **Foreign Private Investment** | **3872.5** | **3394.0** | **5307.8** | **56.4** |
| **Foreign Direct Investment** | ***3521.0*** | ***3038.2*** | ***4160.2*** | ***36.9*** |
| *of which Privatisation Proceeds* | *1540.3* | *1538.3* | *133.2* | *-91.3* |
| **Portfolio Investment** | ***351.5*** | ***355.8*** | ***1147.6*** | ***222.5*** |
| Equity Securities | 45.7 | 355.8 | 847.6 | 138.2 |
| Debt Securities | 0.0 | 0.0 | 300.0 | - |
| **Foreign Public Investment** | ***0.0*** | ***655.0*** | ***671.4*** | ***2.5*** |
| **Portfolio Investment** | ***0.0*** | ***655.0*** | ***671.4*** | ***2.5*** |
| Equity Securities | 0.0 | 0.0 | 738.0 | - |
| Debt Securities * | 0.0 | 655.0 | -66.6 | -110.2 |
| **Total** | **3872.5** | **4049.0** | **5979.2** | **47.7** |

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

*Source: SBP*

The overall foreign investment has two components – foreign direct investment (FDI) and portfolio investment i.e., investment in the equity market. Foreign investment was only limited for private sector until recently, however, the public sector entered the market through global depository receipts (GDR) of OGDCL. The overall foreign investment stood at $5979.2 million during the first ten months (July-April) of the current fiscal year as against $4048.9 million in the same period last year – an increase of 47.7 percent (See Table 1.8). Public foreign investment depicted modest 2.5 percent growth in Jul-April 2006-07 by moving to $671.4 million as against $655 million in the comparable period of last year. It is the private sector which took the major task of providing impetus to foreign investment. During July-April 2006-07, total foreign private investment reached $5307.8 million as against $3393.9 million in the comparable period of last year, thereby, depicting 56.4 percent increase [See Table 1.8].

Almost 78 percent of FDI has come from five countries, namely, the UAE, US, China, UK and Netherlands. Netherlands with 18.1 percent ($753.4 million) has topped the list of foreign investors followed by the UK (17.4% or $724.4 million), China (17.0% or $708.9 million), US (16.3% or $676.7 million), and UAE (8.8% or $364.2 million) [See Table 1.7].

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

*Million US$*

| S.N | ECONOMIC GROUP | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-April 2005-06 | July-April 2006-07 |
|---|---|---|---|---|---|---|---|---|
| 1 | Foog, Beverages & Tobbaco | -5.1 | 7.0 | 4.6 | 22.8 | 61.9 | 56.2 | 492.3 |
| 2 | Textiles | 18.4 | 26.1 | 35.5 | 39.3 | 47.0 | 36.1 | 49.4 |
| 3 | Sugar, Paper & Pulp | 0.9 | 2.3 | 2.1 | 4.3 | 5.1 | 4.5 | 16.9 |
| 4 | Leather & Rubber Products | 0.8 | 1.2 | 3.5 | 6.5 | 8.2 | 7.2 | 6.7 |
| 5 | Chemicals & Petro Chemicals | 12.9 | 86.9 | 16.8 | 52.1 | 72.4 | 58.3 | 37.5 |
| 6 | Petroleum Refining | 2.8 | 2.2 | 70.9 | 23.7 | 31.2 | 24.4 | 114.6 |
| 7 | Minning & Quarrying | 6.6 | 1.4 | 1.1 | 0.5 | 7.1 | 5.2 | 21.0 |
| 8 | Oil & Gas Explorations | 268.2 | 186.8 | 202.4 | 193.8 | 312.7 | 243.3 | 449.4 |
| 9 | Pharmaceuticals & OTC Products | 7.2 | 6.2 | 13.2 | 38.0 | 34.5 | 27.4 | 28.9 |
| 10 | Cement | 0.4 | -0.4 | 1.9 | 13.1 | 39.0 | 37.1 | 15.2 |
| 11 | Electronics & Other Machinery | 26.4 | 17.6 | 17.0 | 16.5 | 21.0 | 18.7 | 18.1 |
| 12 | Transport Equipment(Automobiles) | 1.1 | 0.6 | 3.3 | 33.1 | 33.1 | 26.3 | 41.1 |
| 13 | Power | 36.4 | 32.8 | -14.2 | 73.3 | 320.6 | 309.6 | 136.2 |
| 14 | Construction | 12.8 | 17.6 | 32.0 | 42.7 | 89.5 | 58.7 | 117.1 |
| 15 | Trade | 34.2 | 39.1 | 35.6 | 52.1 | 118.0 | 108.3 | 133.9 |
| 16 | Communications | 12.7 | 24.3 | 221.9 | 517.6 | 1937.7 | 1720.7 | 1423.2 |
| | 1) Telecommunications | 6.0 | 13.5 | 207.1 | 494.4 | 1905.1 | 1690.8 | 1359.9 |
| 17 | Financial Business | 3.5 | 207.6 | 242.1 | 269.4 | 329.2 | 289.7 | 871.4 |
| 18 | Social & Other Services | 10.2 | 19.7 | 16.4 | 24.7 | 64.7 | 51.2 | 77.3 |
| 19 | Others | 12.7 | 28.8 | 33.1 | 78.9 | 65.5 | 47.5 | 74.1 |
| **TOTAL** | | **484.7** | **798.0** | **949.4** | **1,524.0** | **3,521.0** | **3,038.2** | **4,160.2** |

*Source: SBP*

The communication sector (including Telecom) spearheaded the FDI inflows by accounting for 34.2 percent stake during July-April 2006-07 followed by financial business (20.9 percent), energy including oil & gas and power (14.1 percent), and food, beverages and tobacco (11.8 percent). These four groups accounted for almost 80 percent of FDI inflows in the country [See Table-1.9]. The pace of both FDI and portfolio investment clearly indicators that foreign investors are upbeat on Pakistan's current and future economic prospects. The challenge for the government is therefore, to maintain consistency and continuity in economic policies. Continue to maintain macroeconomic stability and continue to pursue structural reforms in different sectors of the economy.

TABLE 1.1

## GROSS NATIONAL PRODUCT AT CONSTANT FACTOR COST OF 1999-2000

(Rs million)

| Sectors | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P | % Change 2005-06/ 2004-05 | % Change 2006-07/ 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|
| COMMODITY PROD. SECTOR | 1,754,472 | 1,768,695 | 1,792,972 | 1,868,125 | 2,041,661 | 2,234,671 | 2,311,000 | 2,449,227 | 3.4 | 6.0 |
| 1 Agriculture | 923,609 | 903,499 | 904,433 | 941,942 | 964,853 | 1,027,403 | 1,043,587 | 1,095,673 | 1.6 | 5.0 |
| Major Crops | 342,200 | 308,474 | 300,911 | 321,505 | 327,057 | 385,058 | 369,180 | 397,258 | -4.1 | 7.6 |
| Minor Crops | 125,679 | 121,673 | 117,217 | 119,446 | 124,121 | 125,993 | 126,471 | 127,887 | 0.4 | 1.1 |
| Livestock | 417,120 | 433,066 | 448,968 | 460,495 | 473,771 | 484,876 | 521,423 | 543,698 | 7.5 | 4.3 |
| Fishing | 15,163 | 14,715 | 12,901 | 13,346 | 13,611 | 13,691 | 16,503 | 17,197 | 20.5 | 4.2 |
| Forestry | 23,447 | 25,571 | 24,436 | 27,150 | 26,293 | 17,785 | 10,010 | 9,633 | -43.7 | -3.8 |
| A1. INDUSTRIAL SECTOR | *830,863* | *865,196* | *888,539* | *926,183* | *1,076,808* | *1,207,268* | *1,267,413* | *1,353,554* | *5.0* | *6.8* |
| 2 Mining & Quarrying | 81,050 | 85,528 | 90,431 | 96,418 | 111,473 | 122,621 | 128,232 | 135,412 | 4.6 | 5.6 |
| 3 Manfacturing | 522,801 | 571,357 | 596,841 | 638,044 | 727,439 | 840,243 | 923,997 | 1,002,072 | 10.0 | 8.4 |
| Large Scale | 338,602 | 375,687 | 388,859 | 416,955 | 492,632 | 590,759 | 653,840 | 711,064 | 10.7 | 8.8 |
| Small & Household | 184,199 | 195,670 | 207,982 | 221,089 | 176,841 | 190,121 | 205,991 | 222,627 | 8.3 | 8.1 |
| Slaughtering | | | | | 57,966 | 59,363 | 64,166 | 68,381 | 8.1 | 6.6 |
| 4 Construction | 87,386 | 87,846 | 89,241 | 92,789 | 82,818 | 98,190 | 103,750 | 121,627 | 5.7 | 17.2 |
| 5 Electricity and Gas Distrubution | 139,626 | 120,465 | 112,026 | 98,932 | 155,078 | 146,214 | 111,434 | 94,443 | -23.8 | -15.2 |
| SERVICES SECTOR | 1,807,546 | 1,863,396 | 1,952,146 | 2,053,979 | 2,173,947 | 2,358,559 | 2,585,736 | 2,791,494 | 9.6 | 8.0 |
| 6 Transport, Storage & Communication | 400,983 | 422,195 | 427,296 | 445,552 | 461,276 | 477,171 | 510,016 | 539,348 | 6.9 | 5.8 |
| 7 Wholesale & Re-tail Trade | 621,842 | 649,564 | 667,615 | 707,665 | 766,693 | 858,695 | 932,994 | 999,619 | 8.7 | 7.1 |
| 8 Finance & Insurance | 132,454 | 112,455 | 131,761 | 130,081 | 141,768 | 185,501 | 246,633 | 291,415 | 33.0 | 18.2 |
| 9 Ownership of Dwellings | 110,425 | 114,593 | 118,604 | 122,466 | 126,764 | 131,214 | 135,820 | 140,587 | 3.5 | 3.5 |
| 10 Public Admn. & Defence | 220,291 | 225,152 | 240,585 | 259,148 | 267,321 | 268,826 | 295,719 | 316,269 | 10.0 | 6.9 |
| 11 Social and Community Services | 321,551 | 339,437 | 366,285 | 389,067 | 410,125 | 437,152 | 464,554 | 504,256 | 6.3 | 8.5 |
| 12 GDP (fc) | 3,562,018 | 3,632,091 | 3,745,118 | 3,922,104 | 4,215,608 | 4,593,230 | 4,896,736 | 5,240,721 | 6.6 | 7.0 |
| 13 Indirect Taxes | 295,815 | 301,920 | 312,886 | 355,323 | 372,029 | 358,455 | 395,440 | 410,318 | 10.3 | 3.8 |
| 14 Subsidies | 31,724 | 32,050 | 30,227 | 54,451 | 53,488 | 69,889 | 72,545 | 98,331 | 3.8 | 35.5 |
| 15 GDP(mp) | 3,826,109 | 3,901,961 | 4,027,777 | 4,222,976 | 4,534,149 | 4,881,796 | 5,219,631 | 5,552,708 | 6.9 | 6.4 |
| 16 Net Factor Income from abroad | -47,956 | -47,285 | 22,594 | 127,050 | 90,721 | 88,766 | 85,572 | 85,573 | -3.6 | 0.0 |
| 17 GNP(fc) | 3,514,062 | 3,584,806 | 3,767,712 | 4,049,154 | 4,306,329 | 4,681,996 | 4,982,308 | 5,326,294 | 6.4 | 6.9 |
| 18 GNP (mp) | 3,778,153 | 3,854,676 | 4,050,371 | 4,350,026 | 4,624,870 | 4,970,562 | 5,305,203 | 5,638,281 | 6.7 | 6.3 |
| 19 Population (in million) | 137.5 | 140.4 | 143.2 | 146.8 | 149.7 | 152.5 | 155.4 | 158.2 | 1.9 | 1.8 |
| 20 Per Capita Income(fc-Rs) | 25,551 | 25,540 | 26,316 | 27,592 | 28,776 | 30,696 | 32,067 | 33,674 | 4.5 | 5.0 |
| 21 Per Capita Income(mp-Rs) | 27,471 | 27,463 | 28,291 | 29,642 | 30,905 | 32,587 | 34,146 | 35,647 | 4.8 | 4.4 |

R: Revised

P: Provisional

Source : Federal Bureau of Statistics

TABLE 1.2

SECTORAL SHARE IN GDP

(%)

| Sector | | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P |
|---|---|---|---|---|---|---|---|---|---|
| COMMODITY PROD. SECTOR | | 49.3 | 48.7 | 47.9 | 47.6 | 48.4 | 48.7 | 47.2 | 46.7 |
| 1. | Agriculture | 25.9 | 24.9 | 24.1 | 24.0 | 22.9 | 22.4 | 21.3 | 20.9 |
| | Major Crops | 9.6 | 8.5 | 8.0 | 8.2 | 7.8 | 8.4 | 7.5 | 7.6 |
| | Minor Crops | 3.5 | 3.3 | 3.1 | 3.0 | 2.9 | 2.7 | 2.6 | 2.4 |
| | Livestock | 11.7 | 11.9 | 12.0 | 11.7 | 11.2 | 10.6 | 10.6 | 10.4 |
| | Fishing | 0.4 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| | Forestry | 0.7 | 0.7 | 0.7 | 0.7 | 0.6 | 0.4 | 0.2 | 0.2 |
| *A1. INDUSTRIAL SECTOR* | | *23.3* | *23.8* | *23.7* | *23.6* | *25.5* | *26.3* | *25.9* | *25.8* |
| 2. | Mining & Quarrying | 2.3 | 2.4 | 2.4 | 2.5 | 2.6 | 2.7 | 2.6 | 2.6 |
| 3. | Manfacturing | 14.7 | 15.7 | 15.9 | 16.3 | 17.3 | 18.3 | 18.9 | 19.1 |
| | Large Scale | 9.5 | 10.3 | 10.4 | 10.6 | 11.7 | 12.9 | 13.4 | 13.6 |
| | Small & Household | 5.2 | 5.4 | 5.6 | 5.6 | 4.2 | 4.1 | 4.2 | 4.2 |
| | Slaughtering | 0.0 | 0.0 | 0.0 | 0.0 | 1.4 | 1.3 | 1.3 | 1.3 |
| 4. | Construction | 2.5 | 2.4 | 2.4 | 2.4 | 2.0 | 2.1 | 2.1 | 2.3 |
| 5. | Electricity and Gas Distrubution | 3.9 | 3.3 | 3.0 | 2.5 | 3.7 | 3.2 | 2.3 | 1.8 |
| SERVICES SECTOR | | 50.7 | 51.3 | 52.1 | 52.4 | 51.6 | 51.3 | 52.8 | 53.3 |
| 6. | Transport, Storage & Communication | 11.3 | 11.6 | 11.4 | 11.4 | 10.9 | 10.4 | 10.4 | 10.3 |
| 7. | Wholesale & Re- tail Trade | 17.5 | 17.9 | 17.8 | 18.0 | 18.2 | 18.7 | 19.1 | 19.1 |
| 8. | Finance & Insurance | 3.7 | 3.1 | 3.5 | 3.3 | 3.4 | 4.0 | 5.0 | 5.6 |
| 9. | Ownership of Dwellings | 3.1 | 3.2 | 3.2 | 3.1 | 3.0 | 2.9 | 2.8 | 2.7 |
| 10. | Public Admn. & Defence | 6.2 | 6.2 | 6.4 | 6.6 | 6.3 | 5.9 | 6.0 | 6.0 |
| 11. | Social Services | 9.0 | 9.3 | 9.8 | 9.9 | 9.7 | 9.5 | 9.5 | 9.6 |
| 12. | GDP (fc) | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.3

REAL GDP / GNP GROWTH RATES

(%)

| Sector | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P |
|---|---|---|---|---|---|---|---|
| COMMODITY PROD. SECTOR | 0.8 | 1.4 | 4.2 | 9.3 | 9.5 | 3.4 | 6.0 |
| 1. Agriculture | -2.2 | 0.1 | 4.1 | 2.4 | 6.5 | 1.6 | 5.0 |
| Major Crops | -9.9 | -2.5 | 6.8 | 1.7 | 17.7 | -4.1 | 7.6 |
| Minor Crops | -3.2 | -3.7 | 1.9 | 3.9 | 1.5 | 0.4 | 1.1 |
| Livestock | 3.8 | 3.7 | 2.6 | 2.9 | 2.3 | 7.5 | 4.3 |
| Fishing | -3.0 | -12.3 | 3.4 | 2.0 | 0.6 | 20.5 | 4.2 |
| Forestry | 9.1 | -4.4 | 11.1 | -3.2 | -32.4 | -43.7 | -3.8 |
| *A1. INDUSTRIAL SECTOR* | 4.1 | 2.7 | 4.2 | 16.3 | 12.1 | 5.0 | 6.8 |
| 2. Mining & Quarrying | 5.5 | 5.7 | 6.6 | 15.6 | 10.0 | 4.6 | 5.6 |
| 3. Manfacturing | 9.3 | 4.5 | 6.9 | 14.0 | 15.5 | 10.0 | 8.4 |
| Large Scale | 11.0 | 3.5 | 7.2 | 18.1 | 19.9 | 10.7 | 8.8 |
| Small & Household | 6.2 | 6.3 | 6.3 | -20.0 | 7.5 | 8.3 | 8.1 |
| 4. Construction | 0.5 | 1.6 | 4.0 | -10.7 | 18.6 | 5.7 | 17.2 |
| 5. Electricity and Gas Distrubution | -13.7 | -7.0 | -11.7 | 56.8 | -5.7 | -23.8 | -15.2 |
| SERVICES SECTOR | 3.1 | 4.8 | 5.2 | 5.8 | 8.5 | 9.6 | 8.0 |
| 6. Transport, Storage & Communication | 5.3 | 1.2 | 4.3 | 3.5 | 3.4 | 6.9 | 5.8 |
| 7. Wholesale & Retail Trade | 4.5 | 2.8 | 6.0 | 8.3 | 12.0 | 8.7 | 7.1 |
| 8. Finance & Insurance | -15.1 | 17.2 | -1.3 | 9.0 | 30.8 | 33.0 | 18.2 |
| 9. Ownership of Dwellings | 3.8 | 3.5 | 3.3 | 3.5 | 3.5 | 3.5 | 3.5 |
| 10. Public Admn. & Defence | 2.2 | 6.9 | 7.7 | 3.2 | 0.6 | 10.0 | 6.9 |
| 11. Social Services | 5.6 | 7.9 | 6.2 | 5.4 | 6.6 | 6.3 | 8.5 |
| 12. GDP (fc) | 2.0 | 3.1 | 4.7 | 7.5 | 9.0 | 6.6 | 7.0 |

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.4

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

(Rs million)

| Flows | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P | % Change 2005-06/ 2004-05 | % Change 2006-07/ 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|
| Private Consumption Expenditure | 2,884,021 | 2,899,747 | 2,940,387 | 2,952,588 | 3,251,947 | 3,644,536 | 3,763,704 | 3,917,981 | 3.27 | 4.10 |
| General Govt. Current Consumption Expenditure | 330,691 | 312,070 | 358,968 | 384,825 | 390,319 | 396,818 | 588,576 | 600,282 | 48.32 | 1.99 |
| Gross Domestic Fixed Capital Formation | 607,410 | 634,423 | 632,134 | 658,070 | 617,731 | 701,392 | 824,843 | 994,977 | 17.60 | 20.63 |
| Change in Stocks | 51,700 | 52,914 | 53,491 | 71,051 | 73,703 | 105,298 | 79,697 | 85,229 | -24.31 | 6.94 |
| Export of Goods and Non-Factor Services | 514,280 | 576,936 | 634,399 | 814,425 | 801,982 | 878,896 | 965,863 | 969,922 | 9.90 | 0.42 |
| Less Imports of Goods and Non-Factor Services | 561,990 | 574,130 | 591,602 | 657,983 | 601,559 | 845,144 | 1,003,052 | 1,015,683 | 18.68 | 1.26 |
| Expenditure on GDP at Market Prices | 3,826,112 | 3,901,960 | 4,027,777 | 4,222,976 | 4,534,123 | 4,881,796 | 5,219,631 | 5,552,708 | 6.92 | 6.38 |
| Plus Net Factor Income from the Rest of the World | -47,957 | -47,284 | 22,594 | 127,050 | 90,721 | 88,750 | 84,343 | 86,110 | -4.97 | 2.10 |
| Expenditure on GNP at at Market Prices | 3,778,155 | 3,854,676 | 4,050,371 | 4,350,026 | 4,624,844 | 4,970,546 | 5,303,974 | 5,638,818 | 6.71 | 6.31 |
| Less Indirect Taxes | 295,815 | 301,920 | 312,886 | 355,323 | 372,029 | 358,455 | 395,440 | 410,318 | 10.32 | 3.76 |
| Plus Subsidies | 31,724 | 32,050 | 30,227 | 54,451 | 53,488 | 69,889 | 72,545 | 98,331 | 3.80 | 35.54 |
| GNP at Factor Cost | 3,514,064 | 3,584,806 | 3,767,712 | 4,049,154 | 4,306,303 | 4,681,980 | 4,981,079 | 5,326,831 | 6.39 | 6.94 |

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

TABLE 1.5

## GROSS NATIONAL PRODUCT AT CURRENT FACTOR COST

(Rs million)

| Sectors | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P | % Change 2005-06/ 2004-05 | % Change 2006-07/ 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Agriculture | 923,609 | 945,301 | 968,291 | 1,059,316 | 1,164,751 | 1,314,234 | 1,382,660 | 1,608,522 | 5.2 | 16.3 |
| Major Crops | 342,200 | 325,579 | 316,857 | 370,117 | 411,836 | 497,556 | 496,841 | 579,996 | -0.1 | 16.7 |
| Minor Crops | 125,679 | 130,679 | 133,136 | 130,450 | 126,372 | 154,218 | 169,886 | 191,835 | 10.2 | 12.9 |
| Livestock | 417,120 | 446,058 | 476,310 | 512,976 | 578,218 | 621,170 | 678,033 | 794,987 | 9.2 | 17.2 |
| Fishing | 15,163 | 16,546 | 16,377 | 16,625 | 16,728 | 17,490 | 22,230 | 24,359 | 27.1 | 9.6 |
| Forestry | 23,447 | 26,439 | 25,611 | 29,148 | 31,597 | 23,800 | 15,670 | 17,345 | -34.2 | 10.7 |
| 2. Mining & Quarrying | 81,052 | 106,370 | 116,952 | 137,044 | 208,290 | 182,051 | 219,590 | 256,068 | 20.6 | 16.6 |
| 3. Manfacturing | 522,801 | 608,132 | 642,850 | 725,434 | 902,486 | 1,136,634 | 1,387,708 | 1,597,525 | *22.1* | *15.1* |
| Large Scale | 338,602 | 410,879 | 424,089 | 481,374 | 621,899 | 814,657 | 1,025,418 | 1,183,069 | 25.9 | 15.4 |
| Small & Household | 132,369 | 143,463 | 161,734 | 244,060 | 280,587 | 222,176 | 245,170 | 276,703 | 10.3 | 12.9 |
| Slaughtering | 51,830 | 53,790 | 57,027 | | | 99,801 | 117,120 | 137,753 | 17.4 | 17.6 |
| 4. Construction | 87,386 | 94,670 | 95,197 | 100,880 | 115,497 | 153,333 | 172,494 | 206,363 | 12.5 | 19.6 |
| 5. Electricity and Gas Distrubution | 139,626 | 133,091 | 134,350 | 120,556 | 190,713 | 187,267 | 159,368 | 143,534 | -14.9 | -9.9 |
| 6. Transport, Storage & Communication | 400,983 | 512,997 | 542,828 | 609,929 | 675,623 | 759,711 | 933,184 | 1,056,555 | 22.8 | 13.2 |
| 7. Wholesale & Re- tail Trade | 621,842 | 691,854 | 720,812 | 785,776 | 896,357 | 1,093,114 | 1,314,010 | 1,519,008 | 20.2 | 15.6 |
| 8. Finance & Insurance | 132,454 | 116,997 | 142,424 | 144,989 | 165,230 | 236,254 | 338,997 | 431,754 | 43.5 | 27.4 |
| 9. Ownership of Dwellings | 110,425 | 124,359 | 126,454 | 135,139 | 146,264 | 165,441 | 184,812 | 205,109 | 11.7 | 11.0 |
| 10. Public Admn. & Defence | 220,291 | 235,039 | 260,042 | 285,854 | 312,105 | 343,348 | 404,228 | 466,398 | 17.7 | 15.4 |
| 11. Social Services | 321,551 | 354,434 | 395,967 | 429,301 | 473,211 | 551,181 | 632,125 | 735,683 | 14.7 | 16.4 |
| 12. GDP (fc) | 3,562,020 | 3,923,244 | 4,146,167 | 4,534,218 | 5,250,527 | 6,122,568 | 7,129,176 | 8,226,519 | 16.4 | 15.4 |
| 13. Indirect Taxes | 295,815 | 320,669 | 339,262 | 403,221 | 455,549 | 468,573 | 569,077 | 631,808 | 21.4 | 11.0 |
| 14. Subsidies | 31,724 | 34,040 | 32,775 | 61,791 | 65,496 | 91,359 | 104,399 | 151,410 | 14.3 | 45.0 |
| 15. GDP(mp) | 3,826,111 | 4,209,873 | 4,452,654 | 4,875,648 | 5,640,580 | 6,499,782 | 7,593,854 | 8,706,917 | 16.8 | 14.7 |
| 16. Net Factor Income from abroad | -47,957 | -54,482 | 23,665 | 151,812 | 124,478 | 134,461 | 149,901 | 160,738 | 11.5 | 7.2 |
| 17. GNP(fc) | 3,514,063 | 3,868,762 | 4,169,832 | 4,686,030 | 5,375,005 | 6,257,029 | 7,279,077 | 8,387,257 | 16.3 | 15.2 |
| 18. GNP (mp) | 3,778,154 | 4,155,391 | 4,476,319 | 5,027,460 | 5,765,058 | 6,634,243 | 7,743,755 | 8,867,655 | 16.7 | 14.5 |
| 19. Population (in million) | 137.53 | 140.36 | 143.17 | 146.75 | 149.65 | 152.53 | 155.37 | 158.17 | 1.9 | 1.8 |
| 20. Per Capita Income(fc-Rs) | 25,551 | 27,563 | 29,125 | 31,932 | 35,917 | 41,022 | 46,850 | 53,027 | 14.2 | 13.2 |
| 21. Per Capita Income(mp-Rs) | 27,471 | 29,605 | 31,266 | 34,259 | 38,524 | 43,495 | 49,841 | 56,064 | 14.6 | 12.5 |
| 22. Per Capita Income(mp-US $) | 526 | 501 | 503 | 586 | 669 | 733 | 833 | 925 | 13.6 | 11.0 |
| 23. GDP Deflator | | | | | | | | | | |
| Index | 100.00 | 108.02 | 110.71 | 115.61 | 124.55 | 133.30 | 145.59 | 156.97 | - | - |
| Growth | | 8.02 | 2.49 | 4.42 | 7.74 | 7.02 | 9.22 | 7.82 | - | - |

R: Revised
P: Provisional

Source : Federal Bureau of Statistics

TABLE 1.6

EXPENDITURE ON GROSS NATIONAL PRODUCT AT CURRENT PRICES

(Rs million)

| Flows | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P | % Change 2005-06/ 2004-05 | % Change 2006-07/ 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|
| Private Consumption Expenditure | 2,884,021 | 3,211,093 | 3,329,860 | 3,600,963 | 4,184,717 | 5,001,499 | 5,732,321 | 6,527,372 | 14.61 | 13.87 |
| General Government Current Consumption Expenditure | 330,691 | 327,562 | 388,446 | 428,689 | 462,462 | 509,864 | 824,300 | 902,603 | 61.67 | 9.50 |
| Gross Domestic Fixed Capital Formation | 607,410 | 659,325 | 680,373 | 736,433 | 844,847 | 1,134,942 | 1,529,897 | 1,864,180 | 34.80 | 21.85 |
| Change in Stocks | 51,700 | 56,200 | 58,000 | 80,629 | 90,249 | 105,298 | 116,465 | 134,196 | 10.61 | 15.22 |
| Export of Goods and Non-Factor Services | 514,280 | 617,148 | 677,855 | 815,158 | 883,704 | 1,019,783 | 1,161,257 | 1,214,051 | 13.87 | 4.55 |
| Less Imports of Goods and Non-Factor Services | 561,990 | 661,455 | 681,880 | 786,224 | 825,399 | 1,271,604 | 1,770,386 | 1,935,485 | 39.22 | 9.33 |
| Expenditure on GDP at Market Prices | 3,826,112 | 4,209,873 | 4,452,654 | 4,875,648 | 5,640,580 | 6,499,782 | 7,593,854 | 8,706,917 | 16.83 | 14.66 |
| Plus Net Factor Income from the rest of the world | -47,957 | -54,482 | 23,665 | 151,812 | 124,478 | 134,461 | 149,901 | 160,738 | 11.48 | 7.23 |
| Expenditure on GNP at Market Prices | 3,778,155 | 4,155,391 | 4,476,319 | 5,027,460 | 5,765,058 | 6,634,243 | 7,743,755 | 8,867,655 | 16.72 | 14.51 |
| Less Indirect Taxes | 295,815 | 320,669 | 339,262 | 403,221 | 455,549 | 468,573 | 569,077 | 631,808 | 21.45 | 11.02 |
| Plus Subsidies | 31,724 | 34,040 | 32,775 | 61,791 | 65,496 | 91,359 | 104,399 | 151,410 | 14.27 | 45.03 |
| GNP at Factor Cost | 3,514,064 | 3,868,762 | 4,169,832 | 4,686,030 | 5,375,005 | 6,257,029 | 7,279,077 | 8,387,257 | 16.33 | 15.22 |

R: Revised

P: Provisional

Note: Private Consumption Expenditure has been taken as residual

Source: Federal Bureau of Statistics.

## TABLE 1.7

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

(Rs million)

| Sector | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | % Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 2005-06/ | 2006-07/ |
| | | | | | | | R | P | 2004-05 | 2005-06 |
| GFCF (A+B+C) | 607,410 | 659,325 | 680,373 | 736,433 | 844,836 | 1,134,942 | 1,529,897 | 1,864,180 | 34.8 | 21.9 |
| A. Private Sector | 394,749 | 423,097 | 496,464 | 545,104 | 616,514 | 852,424 | 1,172,044 | 1,410,993 | 37.5 | 20.4 |
| B. Public Sector | 146,912 | 169,242 | 113,523 | 104,051 | 103,536 | 129,482 | 159,777 | 215,072 | 23.4 | 34.6 |
| C. General Govt. | 65,749 | 66,986 | 70,386 | 87,278 | 124,786 | 153,036 | 198,076 | 238,115 | 29.4 | 20.2 |
| Private & Public (A+B) | 541,661 | 592,339 | 609,987 | 649,155 | 720,050 | 981,906 | 1,331,821 | 1,626,065 | 35.6 | 22.1 |
| SECTOR-WISE: | | | | | | | | | | |
| 1. Agriculture | 75,434 | 67,147 | 69,604 | 75,681 | 81,159 | 135,308 | 135,812 | 141,114 | 0.4 | 3.9 |
| 2. Mining and Quarrying | 18,221 | 33,694 | 48,996 | 77,430 | 18,651 | 33,378 | 49,448 | 95,720 | 48.1 | 93.6 |
| 3. Manfacturing (A+B) | 140,345 | 151,020 | 168,055 | 164,920 | 203,929 | 247,166 | 317,901 | 403,886 | 28.6 | 27.0 |
| A. Large Scale | 120,532 | 128,826 | 143,005 | 136,066 | 164,572 | 195,655 | 252,127 | 331,075 | 28.9 | 31.3 |
| B. Small Scale* | 19,813 | 22,194 | 25,050 | 28,854 | 39,357 | 51,511 | 65,774 | 72,811 | 27.7 | 10.7 |
| 4. Construction | 15,117 | 13,589 | 15,163 | 7,130 | 10,113 | 17,824 | 26,106 | 32,529 | 46.5 | 24.6 |
| 5. Electricity & Gas | 67,354 | 67,628 | 56,865 | 57,562 | 25,261 | 40,050 | 68,831 | 72,595 | 71.9 | 5.5 |
| 6. Transport and Communication | 80,081 | 104,679 | 86,360 | 82,864 | 148,646 | 224,974 | 389,897 | 471,166 | 73.3 | 20.8 |
| 7. Wholesale and Retail Trade | 7,111 | 8,589 | 10,375 | 12,533 | 17,192 | 21,381 | 29,157 | 36,575 | 36.4 | 25.4 |
| 8. Finance & Insurance | 9,992 | 5,104 | 10,158 | 23,366 | 27,945 | 31,580 | 39,979 | 76,507 | 26.6 | 91.4 |
| 9. Ownership of Dwellings | 77,973 | 87,448 | 87,833 | 91,379 | 110,398 | 129,247 | 149,167 | 156,102 | 15.4 | 4.6 |
| 9. Services | 50,033 | 53,441 | 56,579 | 56,290 | 76,754 | 101,065 | 125,523 | 139,871 | 24.2 | 11.4 |

P: Provisional (Contd.)

R: Revised

* Slaughtering is included in small scale sector

## TABLE 1.7

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

(Rs million)

| Sector | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P | % Change 2005-06/ 2004-05 | % Change 2006-07/ 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|
| PRIVATE SECTORS | 394,749 | 423,097 | 496,464 | 545,104 | 616,514 | 852,424 | 1,172,044 | 1,410,993 | 37.5 | 20.4 |
| 1. Agriculture | 72,513 | 66,468 | 65,636 | 74,293 | 81,050 | 135,086 | 135,697 | 140,907 | 0.5 | 3.8 |
| 2. Mining and Quarrying | 13,108 | 13,230 | 26,710 | 48,252 | 12,701 | 18,384 | 31,203 | 57,296 | 69.7 | 83.6 |
| 3. Manufacturing | 119,158 | 137,127 | 166,657 | 163,520 | 200,521 | 244,959 | 311,605 | 397,675 | 27.2 | 27.6 |
| Large Scale | 99,345 | 114,933 | 141,607 | 134,666 | 161,162 | 193,448 | 245,831 | 324,864 | 27.1 | 32.1 |
| Small Scale* | 19,813 | 22,194 | 25,050 | 28,854 | 39,359 | 51,511 | 65,774 | 72,811 | 27.7 | 10.7 |
| 4. Construction | 12,373 | 11,360 | 11,689 | 4,178 | 6,608 | 13,418 | 19,248 | 24,441 | 43.4 | 27.0 |
| 5. Electricity & Gas | 15,169 | 15,258 | 35,141 | 26,417 | 3,039 | 11,612 | 29,962 | 15,008 | 158.0 | -49.9 |
| 6. Transport & Communication | 23,868 | 31,697 | 31,476 | 51,381 | 86,951 | 153,558 | 311,247 | 378,305 | 102.7 | 21.5 |
| 7. Wholesale and Retail Trade | 7,111 | 8,589 | 10,375 | 12,533 | 17,192 | 21,381 | 29,157 | 36,575 | 36.4 | 25.4 |
| 8. Ownership of Dwellings | 77,973 | 87,448 | 87,833 | 91,379 | 110,398 | 129,247 | 149,167 | 156,102 | 15.4 | 4.6 |
| 9. Finance & Insurance | 6,312 | 2,827 | 7,996 | 20,897 | 26,599 | 30,520 | 37,661 | 74,052 | 23.4 | 96.6 |
| 10.Services | 47,164 | 49,093 | 52,951 | 52,254 | 71,455 | 94,259 | 117,097 | 130,632 | 24.2 | 11.6 |

R: Revised

(Contd.)

P: Provisional

* Slaughtering is included in small scale sector

## TABLE 1.7

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

(Rs million)

| Sector | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | % Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | 2005-06/ | 2006-07/ |
| | | | | | | | R | P | 2004-05 | 2005-06 |
| Public Sector and General Govt. (A+B) | 212,661 | 236,228 | 183,909 | 191,332 | 228,322 | 282,518 | 357,853 | 453,187 | 26.7 | 26.6 |
| A. Public Sector | 146,912 | 169,242 | 113,523 | 104,054 | 103,536 | 129,482 | 159,777 | 215,072 | 23.4 | 34.6 |
| 1. Agriculture | 2,921 | 680 | 3,968 | 1,388 | 109 | 222 | 115 | 207 | -48.2 | 80.0 |
| 2. Mining and Quarrying | 5,113 | 20,463 | 22,285 | 29,178 | 5,950 | 14,994 | 18,245 | 38,424 | 21.7 | 110.6 |
| 3. Manufacturing | 21,187 | 13,893 | 1,398 | 1,400 | 3,410 | 2,140 | 6,296 | 6,211 | 194.2 | -1.4 |
| Large Scale | 21,187 | 13,893 | 1,398 | 1,400 | 3,410 | 2,140 | 6,296 | 6,211 | 194.2 | -1.4 |
| Small Scale | - | - | - | - | - | - | - | - | - | - |
| 4. Construction | 2,744 | 2,229 | 3,474 | 2,952 | 3,505 | 4,406 | 6,858 | 8,088 | 55.7 | 17.9 |
| 5. Electricity & Gas | 52,185 | 52,370 | 21,724 | 31,145 | 22,222 | 28,438 | 38,869 | 57,587 | 36.7 | 48.2 |
| 6. Transport and Communication | 56,213 | 72,982 | 54,884 | 31,486 | 61,695 | 71,416 | 78,650 | 92,861 | 10.1 | 18.1 |
| Railways | 369 | 2,473 | 5,376 | 3,133 | 3,336 | 3,439 | 5,115 | 1,395 | 48.7 | -72.7 |
| Post Office & PTC | 27,438 | 31,239 | 26,440 | 6,699 | 5,834 | 10,763 | 15,067 | 2,678 | 40.0 | -82.2 |
| Others | 28,406 | 39,270 | 23,068 | 21,654 | 52,525 | 57,214 | 58,468 | 88,788 | 2.2 | 51.9 |
| 7. Wholesale and Retail Trade | - | - | - | - | - | - | - | - | - | - |
| 8. Finance & Insurance | 3,680 | 2,277 | 2,162 | 2,469 | 1,346 | 1,060 | 2,318 | 2,455 | 118.7 | 5.9 |
| 9. Services | 2,869 | 4,348 | 3,628 | 4,036 | 5,299 | 6,806 | 8,426 | 9,239 | 23.8 | 9.6 |
| B. General Govt. | 65,749 | 66,986 | 70,386 | 87,278 | 124,786 | 153,036 | 198,076 | 238,115 | 29.4 | 20.2 |
| Federal | 24,980 | 24,029 | 29,657 | 31,581 | 41,304 | 38,938 | 53,522 | 68,964 | 37.5 | 28.9 |
| Provincial | 31,763 | 31,371 | 17,729 | 26,689 | 50,059 | 71,567 | 113,512 | 122,041 | 58.6 | 7.5 |
| Local Bodies | 9,006 | 11,586 | 23,000 | 29,008 | 33,423 | 42,531 | 31,042 | 47,110 | -27.0 | 51.8 |

R: Revised

P: Provisional

\- Nil

.. Not available

Source: Federal Bureau of Statistics.

TABLE 1.8

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

(Rs million)

| Sector | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P | % Change 2005-06/ 2004-05 | % Change 2006-07/ 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|
| GFCF (A+B+C) | 607,410 | 634,422 | 632,133 | 658,070 | 617,731 | 701,392 | 824,843 | 994,978 | 17.6 | 20.6 |
| A. Private Sector | 394,749 | 406,003 | 459,634 | 485,849 | 447,212 | 521,326 | 625,717 | 748,610 | 20.0 | 19.6 |
| B. Public Sector | 146,912 | 163,175 | 105,388 | 91,475 | 72,763 | 75,153 | 80,638 | 106,234 | 7.3 | 31.7 |
| C. General Govt. | 65,749 | 65,244 | 67,111 | 80,746 | 97,756 | 104,913 | 118,488 | 140,134 | 12.9 | 18.3 |
| Private & Public (A+B) | 541,661 | 569,178 | 565,022 | 577,324 | 519,975 | 596,479 | 706,355 | 854,844 | 18.4 | 21.0 |
| SECTOR-WISE: | | | | | | | | | | |
| 1. Agriculture | 75,434 | 64,965 | 64,953 | 66,762 | 55,779 | 76,389 | 65,572 | 67,596 | -14.2 | 3.1 |
| 2. Mining and Quarrying | 18,221 | 32,610 | 45,169 | 66,738 | 12,232 | 17,482 | 21,967 | 42,360 | 25.7 | 92.8 |
| 3. Manfacturing | 140,345 | 142,550 | 153,417 | 149,275 | 144,010 | 148,129 | 169,444 | 214,665 | 14.4 | 26.7 |
| Large Scale | 120,532 | 120,952 | 129,781 | 120,969 | 115,700 | 117,147 | 135,538 | 177,558 | 15.7 | 31.0 |
| Small Scale* | 19,813 | 21,598 | 23,636 | 28,306 | 28,310 | 30,982 | 33,906 | 37,107 | 9.4 | 9.4 |
| 4. Construction | 15,117 | 12,283 | 13,347 | 6,606 | 7,919 | 13,155 | 19,378 | 24,128 | 47.3 | 24.5 |
| 5. Electricity & Gas | 67,354 | 65,582 | 52,804 | 50,119 | 16,934 | 21,659 | 31,613 | 33,148 | 46.0 | 4.9 |
| 6. Transport and Communication | 80,081 | 101,023 | 80,582 | 74,151 | 105,851 | 133,953 | 200,616 | 240,342 | 49.8 | 19.8 |
| 7. Wholesale and Retail Trade | 7,111 | 8,369 | 9,925 | 11,692 | 13,760 | 15,165 | 18,123 | 22,332 | 19.5 | 23.2 |
| 8. Finance & Insurance | 9,992 | 4,957 | 9,552 | 21,265 | 22,025 | 21,835 | 24,563 | 46,144 | 12.5 | 87.9 |
| 9.Ownerships of Dwellings | 77,973 | 84,926 | 82,596 | 83,163 | 87,010 | 89,213 | 91,649 | 94,151 | 2.7 | 2.7 |
| 10. Services | 50,033 | 51,915 | 53,006 | 49,996 | 54,455 | 59,499 | 63,431 | 69,977 | 6.6 | 10.3 |

R: Revised

(..Contd.)

P: Provisional

- Not available

* Slaughtering is included in small scale sector

TABLE 1.8

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

(Rs million)

| Sector | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P | % Change 2005-06/ 2004-05 | % Change 2006-07/ 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|
| PRIVATE SECTOR | 394,749 | 406,003 | 459,634 | 485,849 | 447,213 | 521,326 | 625,717 | 748,609 | 20.0 | 19.6 |
| 1. Agriculture | 72,513 | 64,307 | 61,250 | 65,537 | 55,704 | 76,264 | 65,516 | 67,497 | -14.1 | 3.0 |
| 2. Mining and Quarrying | 13,108 | 12,805 | 24,624 | 41,589 | 8,330 | 9,629 | 13,862 | 25,356 | 44.0 | 82.9 |
| 3. Manufacturing | 119,158 | 129,506 | 151,822 | 145,588 | 141,613 | 146,847 | 166,059 | 211,334 | 13.1 | 27.3 |
| Large Scale | 99,345 | 107,908 | 128,186 | 119,724 | 113,303 | 115,865 | 132,153 | 174,227 | 14.1 | 31.8 |
| Small Scale* | 19,813 | 21,598 | 23,636 | 25,864 | 28,310 | 30,982 | 33,906 | 37,107 | 9.4 | 9.4 |
| 4. Construction | 12,373 | 10,268 | 10,289 | 3,871 | 5,175 | 9,903 | 14,287 | 18,095 | 44.3 | 26.7 |
| 5. Electricity & Gas | 15,169 | 14,796 | 32,632 | 23,001 | 2,044 | 6,280 | 13,761 | 6,853 | 119.1 | -50.2 |
| 6. Transport & Communication | 23,868 | 30,590 | 29,370 | 45,979 | 61,918 | 91,431 | 160,148 | 192,973 | 75.2 | 20.5 |
| 7. Wholesale and Retail Trade | 7,111 | 8,369 | 9,925 | 11,692 | 13,760 | 15,165 | 18,123 | 22,332 | 19.5 | 23.2 |
| 8.Ownership of Dwellings | 77,973 | 84,926 | 82,596 | 83,163 | 87,010 | 89,213 | 91,649 | 94,151 | 2.7 | 2.7 |
| 9. Finance & Insurance | 6,312 | 2,745 | 7,519 | 19,018 | 20,964 | 21,102 | 23,139 | 44,663 | 9.7 | 93.0 |
| 10.Services | 47,164 | 47,691 | 49,607 | 46,411 | 50,695 | 55,492 | 59,173 | 65,355 | 6.6 | 10.4 |

R: Revised
P: Provisional
- Nil
* : Slaughtering is included in small scale sector.

(..Contd.)

TABLE 1.8

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

(Rs million)

| Sector | 1999-2000 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 R | 2006-07 P | % Change 2005-06/ 2004-05 | % Change 2006-07/ 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|
| Public and General Government (A+B) | 212,661 | 228,419 | 172,499 | 172,221 | 170,518 | 180,066 | 199,128 | 246,368 | 10.6 | 23.7 |
| A. Public Sector | 146,912 | 163,175 | 105,388 | 91,476 | 72,762 | 75,153 | 80,640 | 106,234 | 7.3 | 31.7 |
| 1. Agriculture | 2,921 | 658 | 3,703 | 1,224 | 75 | 125 | 56 | 99 | -55.2 | 76.8 |
| 2. Mining and Quarrying | 5,113 | 19,805 | 20,545 | 25,149 | 3,902 | 7,853 | 8,105 | 17,004 | 3.2 | 109.8 |
| 3. Manufacturing | 21,187 | 13,044 | 1,265 | 1,245 | 2,397 | 1,282 | 3,385 | 3,331 | 164.0 | -1.6 |
| 4. Construction | 2,744 | 2,015 | 3,058 | 2,735 | 2,745 | 3,252 | 5,091 | 6,033 | 56.5 | 18.5 |
| 5. Electricity & Gas | 52,185 | 50,785 | 20,173 | 27,118 | 14,890 | 15,379 | 17,852 | 26,295 | 16.1 | 47.3 |
| 6. Transport and Communication | 56,213 | 70,433 | 51,212 | 28,173 | 43,933 | 42,522 | 40,469 | 47,369 | -4.8 | 17.1 |
| Railways | 369 | 2,387 | 5,016 | 2,804 | 2,376 | 2,048 | 2,632 | 712 | 28.5 | -72.9 |
| Post Office & T&T | 27,438 | 30,148 | 24,671 | 5,992 | 4,154 | 6,408 | 7,753 | 1,366 | 21.0 | -82.4 |
| Others | 28,406 | 37,898 | 21,525 | 19,377 | 37,403 | 34,066 | 30,084 | 45,291 | -11.7 | 50.5 |
| 7. Wholesale and Retail Trade | - | - | - | - | - | - | - | - | - | - |
| 8. Finance & Insurance | 3,680 | 2,211 | 2,033 | 2,247 | 1,061 | 733 | 1,424 | 1,481 | 94.3 | 4.0 |
| 9. Services | 2,869 | 4,224 | 3,399 | 3,585 | 3,759 | 4,007 | 4,258 | 4,622 | 6.3 | 8.5 |
| B. General Govt. | 65,749 | 65,244 | 67,111 | 80,745 | 97,756 | 104,913 | 118,488 | 140,134 | 12.9 | 18.3 |
| Federal | 24,980 | 23,404 | 28,277 | 29,217 | 32,357 | 26,694 | 32,017 | 40,586 | 19.9 | 26.8 |
| Provincial | 31,763 | 30,555 | 16,904 | 24,691 | 39,216 | 49,062 | 67,902 | 71,823 | 38.4 | 5.8 |
| Local Bodies | 9,006 | 11,285 | 21,930 | 26,837 | 26,183 | 29,157 | 18,569 | 27,725 | -36.3 | 49.3 |

R: Revised

P: Provisional

Source: Federal Bureau of Statistics.

# AGRICULTURE

Agriculture continues to be the single largest sector, a dominant driving force for growth and the main source of livelihood for 66 percent of the country's population. It accounts for 20.9 percent of the GDP and employs 43.4 percent of the total work force. As such agriculture is at the center of the national economic policies and has been designated by the Government as the engine of national economic growth and poverty reduction. Agriculture contributes to growth as a supplier of raw materials to industry as well as a market for industrial products and also contributes substantially to Pakistan's exports earnings. Thus any improvements in agriculture will not only help country's economic growth to rise at a faster rate but will also benefit a large segment of the country's population.

The agriculture growth has experienced mixed trends over the last six year. The country witnessed unprecedented drought during the first two years of the decade i.e. (2000-01 and 2001-02) which resulted in contraction of agricultural value added. Hence agriculture registered negative growth in these two years. In the following years (2002-03 to 2004-05), relatively better availability of irrigation water had a positive impact on overall agricultural growth and this sector exhibited modest to strong recovery. The performance of agriculture remained weak during 2005-06 because its crops sector particularly major crops could not perform up to the expectations (Table 2.1). Growth in the agriculture sector registered a sharp recovery in 2006-07 and grew by 5.0 percent as against the preceding year's growth of 1.6 percent. Major crops posted strong recovery from negative 4.1 percent last year to positive 7.6 percent, mainly due to higher production of wheat and sugarcane. Wheat production of 23.5 million tons is highest ever in the country's history, registered an increase of 10.5 percent over last year. Sugarcane production likewise improved by 22.6 percent over last year to 54.8 million tons, both being record high production.

**Table 2.1: Agriculture Growth (Percent)**

| Year | Agriculture | Major Crops | Minor Crops |
|---|---|---|---|
| 2000-01 | -2.2 | -9.9 | -3.2 |
| 2001-02 | -0.1 | -2.5 | -3.7 |
| 2002-03 | 4.1 | 6.9 | 0.4 |
| 2003-04 | 2.3 | 1.9 | 4 |
| 2004-05 | 6.7 | 17.8 | 3 |
| 2005-06 | 1.6 | -4.1 | 0.4 |
| 2006-07 (P) | 5.0 | 7.6 | 1.1 |

*P= Provisional.* *Source: Federal Bureau of Statistics*

Cotton production at 13 million bales remained mostly unchanged in comparison to 13.02 million bales of last year. Rice production at 5.4 million tons was marginally less than 5.5 million tons produced last year. Despite the lower yield, higher demand abroad for Pakistan Basmati rice and high international prices are expected to surpass the last year's export earning from Basmati Rice. Amongst the other major crops, gram crop, exhibited an impressive growth of 75.4 percent in 2006-07 due to the increase in intervention price of the crop and good rains in "*Thal*" area where the gram crop is mainly concentrated. Minor crops registered a weak growth of 1.1 percent while it was 0.4 percent last year. However, amongst the minor crops, production of potato increased by 67.2 percent, mung and masoor pulses improved by 21.5 percent and 17.9 percent respectively. Livestock registered a strong growth of 4.30 percent over the last year's impressive growth of 7.5 percent due to increase in the livestock and poultry products. Fishery performed positively at 4.2 percent though the previous year's growth stood at 20.5 percent. Forestry has decreased by 3.8

percent in 2006-07 while it had decreased by 43.7 percent last year.

Pakistan's agricultural output is closely linked to the supply of irrigation water. 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). However, it remained less by 2.6 percent in 2005-06 against the normal availability. Relatively speaking, Rabi season faced more shortage of water than Kharif during these periods.

**Table: 2.2 Actual Surface Water Availability** (million Acre Feet MAF)

| Period | Kharif | %age incr / decr. Over the Avg. | Rabi | %age incr / decr. Over the Avg. | Total |
|---|---|---|---|---|---|
| Average system usage | 67.1 | - | 36.4 | - | 103.5 |
| 2001-02 | 54.7 | -18.4 | 18.4 | -49.5 | 73.1 |
| 2002-03 | 62.8 | -6.4 | 25.0 | -31.3 | 87.8 |
| 2003-04 | 65.9 | -1.8 | 31.5 | -13.5 | 97.4 |
| 2004-05 | 59.1 | -11.9 | 23.1 | -36.5 | 82.2 |
| 2005-06 | 70.8 | 5.5 | 30.1 | -17.3 | 100.9 |
| 2006-07 | 63.1 | -6.0 | 31.2 | -14.3 | 94.3 |

*Source: Ministry of Food and Agriculture.*

During the current fiscal year (2006-07), the availability of water for Kharif 2006 (for the crops such as rice, sugarcane and cotton) has been 6.0 percent less than the normal supplies and 10.8 percent less than last year's Kharif (see Table 2.2). The water availability during Rabi season (for major crop such as wheat), as on end-March 2007 was estimated at 31.2 MAF, which was 14.3 percent less than the normal availability, and 3.7 percent more than last year's Rabi. Sufficient water supplies coupled with timely winter rains in Rabi season had a good impact on Rabi crops particularly on gram, masoor and wheat as production of these crops increased by 75.4, 17.9 and 10.5 percent, respectively.

### I. 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, mong, mash, bajra and jowar are "Kharif" crops while wheat, gram, lentil (masoor), tobacco, rapeseed, barley and mustard are "Rabi" crops. Major crops, such as, wheat, rice, cotton and sugarcane account for 88.7 percent of the value added in the major crops. The value added in major crops accounts for 36.3 percent of the value added in overall agriculture. Thus, the four major crops (wheat, rice, cotton, and sugarcane), on average, contribute 32.2 percent to the value added in overall agriculture. The minor crops account for 11.7 percent of the value added in overall agriculture. Livestock contributes 49.6 percent to agricultural value added – much more than the combined contribution of major and minor crops (48%).

**a) Major Crops:**
**i) Cotton:**

Pakistan is one of the largest cotton producing and consuming countries in the world. Under the WTO post quota scenario, the country appears to have the potential of becoming a leading force in the worldwide cotton and textile market place. There is also growing realization in the country that future gains in value added from cotton are only possible through qualitative improvement in raw cotton. Cotton accounts for 8.6 percent of the value added in agriculture and about 1.9 percent in GDP.

### World Cotton Situation

According to the International Cotton Advisory Committee, the world cotton production in 2006-07 is estimated at 116.3 million bales, up by 3 percent over last year's 113.31 million bales. World cotton area remained stable in 2006-07 at 34 million hectares, while the world average yield rose to 744 kilograms per hectare, close to the record of 747 kilograms per hectare reached in 2004-05. The cotton prices (A Index) in the international markets in 2006-07 has averaged 58.5 cents per pound, or slightly higher than the same period last season.

**Table 2.3: Production of Major Crops (000 Tons)**

| Year | Cotton (000 bales) | Sugarcane | Rice | Maize | Wheat |
|---|---|---|---|---|---|
| 2002-03 | 10211 | 52056 | 4478 | 1737 | 19183 |
| | (-3.8) | (-8.3) | (-15.3) | (-4.4) | (5.2) |
| 2003-04 | 10048 | 53419 | 4848 | 1897 | 19500 |
| | (-1.6) | (2.6) | (8.3) | (9.2) | (1.6) |
| 2004-05 | 14265 | 47244 | 5025 | 2797 | 21612 |
| | (42.0) | (-11.6) | (3.6) | (47.4) | (10.8) |
| 2005-06 | 13019 | 44666 | 5547 | 3110 | 21277 |
| | (-8.7) | (-5.5) | (10.4) | (11.2) | (-1.6) |
| 2006-07 (P) | 13000 | 54752 | 5438 | 2968 | 23520 |
| | (-0.1) | (22.6) | (-2.0) | (-4.5) | (10.5) |

*P: Provisional. (July-March)* *Source: Ministry of Food, Agriculture & Livestock, Federal Bureau of Statistics.*
**: Figures in parentheses are growth rates*

The world cotton production in 2007-08 is forecast at 115.8 million bales down by 0.4 percent of 116.3 million bales in 2006-07. Production in China is expected to decline slightly and it is expected to increase in India to record 18.3 million bales. Production in the United States is likely to fall by 10 percent. Whereas production target of cotton in Pakistan for the year 2007-08 is estimated as 14.14 million bales.

### Domestic Cotton Situation

Cotton accounts for 8.6 percent of the value added in agriculture and about 1.8 percent to GDP. The crop was sown on the area of 3075 thousand hectares, 0.9 percent less than last year (3103 thousand hectares). The production of cotton is provisionally estimated at 13.0 million bales for 2006-07, lower by 0.1 percent over the last year's production of 13.019 million bales. Lower production was attributed primarily to the 11 percent decline in area sown in Sindh due to excessive rains and floods. The crop yield in some areas was also affected by the cotton leaf curl virus and mealy bug. Other factors responsible for the decline in cotton production include excessive rain, delayed sowing and late wheat harvesting which resulted in decline in area under the crop. The following measures were taken to provide support to the cotton production system in the country in 2006-07

1. Government provided a subsidy of Rs 200/- per bag of 50 kgs of phosphate and potash fertilizers to encourage balanced use of fertilizers.
2. Electronic media was used for quick technology transfer among the grower community.
3. Availability of agricultural credit was considerably improved to Rs 160 billion in 2006-07, which was 23% higher than the actual disbursement of 2005-06.

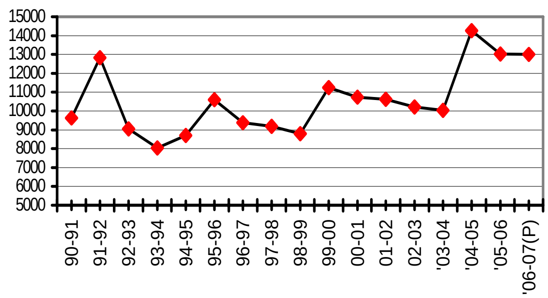
The government had fixed the seed cotton intervention price of 2006-07 season at Rs 1,025/- per 40 kgs as against Rs 975/- fixed in 2005-06. The seed cotton market prices however remained above the intervention price since early in the season. The prices during the season, at times, even crossed Rs 1,400 per 40 kgs in some markets. The government's action plan calls for a cotton production target of 14.14 million bales in 2007-08, thereby supporting cotton growers for higher yield and income and also facilitate the textile industry through adequate supply of high quality cotton for value addition. Area, production and yield of cotton for the last five years are given in Table 2.4 and Fig.1.

**Table 2.4: Area, Production and Yield of Cotton**

| Year | Area | | Production | | Yield | |
|---|---|---|---|---|---|---|
| | (000 Hectare) | % Change | (000 Bales) | % Change | (Kgs/Hec) | % Change |
| 2002-03 | 2794 | -10.3 | 10211 | -3.8 | 622 | 7.4 |
| 2003-04 | 2989 | 7.0 | 10048 | -1.6 | 572 | -8.0 |
| 2004-05 | 3193 | 6.8 | 14265 | 42.0 | 760 | 32.9 |
| 2005-06 | 3103 | -3.0 | 13019 | -8.7 | 714 | -10.3 |
| 2006-07 (P) | 3075 | -0.9 | 13000 | -0.1 | 712 | -0.3 |

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

**Fig-1: Cotton production (000 bales)**




### Cotton Vision 2015

As for the future, cotton production prospects are bright to meet the future needs of the domestic textile sector as well as the international market. The government is, therefore, determined to accelerate the cotton research and development process required for a quantum jump in cotton production as well as the qualitative improvement, matching the spinners' requirements. At the same time, it also intends to facilitate all the stakeholders, particularly the growing community through a package of fiscal, technological, administrative and legislative measures. Accordingly, the Ministry of Food, Agriculture & Livestock has prepared a long term Cotton Vision for sustained growth in cotton sector and the possible improvement in the quality of raw cotton with following envisaged targets by 2015:

| | | |
|---|---|---|
| 1. | Cotton Production | 20.7 Million Bales |
| 2. | Cotton Yield / hectare | 1,060 Kgs |
| 3. | Mill Consumption of Cotton | 20.1 Million Bales |
| 4. | Exportable Cotton Surplus | 0.6 Mln Bales |
| 5. | Improved Yarn Recovery Rate through Clean / contamination free cotton production | 92% (from current average of 84%) |

The higher production of cleaner cotton would thus result in the following advantages.

1. Assured supply of cleaner, uniform graded and contamination free cotton to the domestic textile industry.
2. Higher recovery rate, hence more yarn,
3. Improve reputation of Pakistan's cotton and its products in the world market.
4. Substantial additional foreign exchange earning through better unit values.

### ii) Rice:

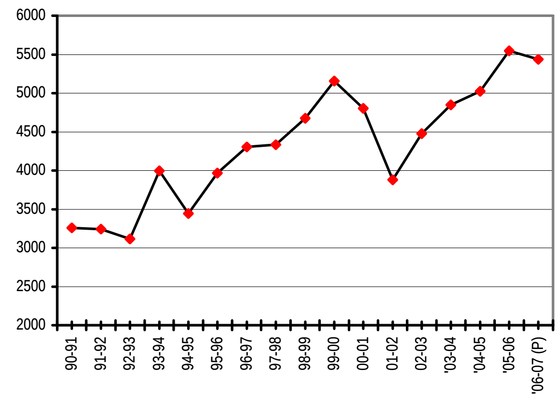
Rice is high valued cash crop and is also a major export item. It accounts for 5.7 percent of the total value added in agriculture and 1.2 percent to GDP. Area and production target of rice for the year 2006-07 were set at 2575 thousand hectares and 5693 thousand tons, respectively. Area sown for rice is estimated at 2581 thousand hectares, 0.2 percent higher than the target and 1.5 percent lower than last year. The size of the crop is estimated at 5438 thousand tons (5.438 million tons), 2.0 percent lower than last year and 4.5 percent lower than the original target. The lower production is due to heavy rains in lower part of Sindh and in Punjab at the time of maturity logging phenomenon, which affected the production of rice, especially Basmati varieties and shifting of area to sugarcane crop because of better prices offered by the millers for sugarcane crop last year. Area, production and yield of rice for the last five years are given in Table 2.5 and Fig 2

**Table 2.5: Area, Production and Yield of Rice**

| Year | Area | | Production | | Yield | |
|---|---|---|---|---|---|---|
| | (000 Hectare | % Change | (000 Tons) | % Change | (Kgs/Hec.) | % Change |
| 2002-03 | 2225 | 5.2 | 4478 | -15.3 | 2013 | 0.6 |
| 2003-04 | 2461 | 10.6 | 4848 | 8.3 | 1970 | -2.1 |
| 2004-05 | 2519 | 2.3 | 5025 | 3.6 | 1995 | 1.2 |
| 2005-06 | 2621 | 4.0 | 5547 | 10.4 | 2116 | 6.1 |
| 2006-07 (P) | 2581 | -1.5 | 5438 | -2.0 | 2107 | -0.4 |

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

**Fig-2: Rice production (000 Tons)**




### iii) Sugarcane:

Sugarcane crop is highly water-intensive and an important crop. Sugar production in the country mostly depends on this crop, though a small quantity of sugar is also produced from sugar beet. Its share in value added of agriculture and GDP are 3.5 percent and 0.7 percent, respectively. For 2006-07, the area under sugarcane crop was targeted at 1005 thousand hectares as against 907 thousand hectares of last year. However, sugarcane has been sown in the area of 1029 thousand hectares, 2.4 percent higher than target and 13.5 percent higher than last year. Sugarcane production for the year 2006-07 is estimated at 54.8 million tons against 44.7 million tons last year. This indicates an improvement of 22.6 percent over the production of last year.

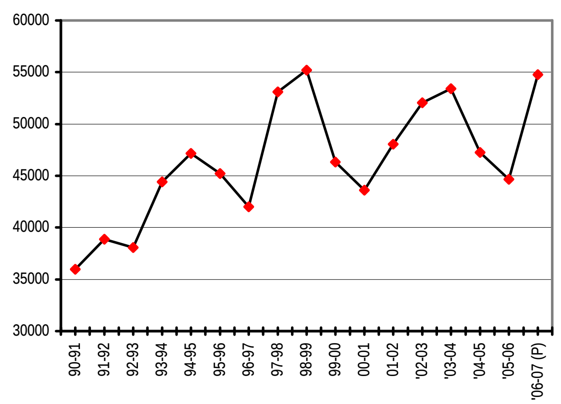
The higher sugarcane production is the result of increase in area, timely rains, judicious application of fertilizer, improvement in cultural practice, better management and attractive prices offered by the millers. The area, production and yield per hectare for the last five years are given in Table 2.6 (see also Fig. 3)

**Table 2.6: Area, Production and Yield of Sugarcane**

| Year | Area | | Production | | Yield | |
|---|---|---|---|---|---|---|
| | (000 Hectare | % Change | (000 Tons) | % Change | (Kgs/Hec.) | % Change |
| 2002-03 | 1100 | 10 | 52056 | -8.3 | 47324 | -1.5 |
| 2003-04 | 1074 | -2.4 | 53419 | 2.6 | 49738 | 5.1 |
| 2004-05 | 966 | -11.8 | 47244 | -11.6 | 48906 | -3.8 |
| 2005-06 | 907 | -6.1 | 44666 | -5.5 | 49246 | 0.7 |
| 2006-07 (P) | 1029 | 13.5 | 54752 | 22.6 | 53209 | 8.0 |

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

**Fig-3: Sugarcane Production (000 Tons)**




### iv) Wheat:

Wheat is the main staple diet of country's population and largest grain crop of the country. It contributes 14.4 percent to the value added in agriculture and 3.0 percent to GDP. Area and production target of wheat for the year 2006-07 were set at 8459 thousand hectares and 22.5 million tons, respectively. Wheat was cultivated on an area of 8494 thousand hectares, showing 1.0 percent increase over last year and 0.4 percent increase over the target. The size of the wheat crop is, however provisionally estimated at 23.52 million tons – highest wheat production in the country's history, which is 10.5 percent higher than last year and 4.5 percent higher than the target. Higher production is due to following reasons:

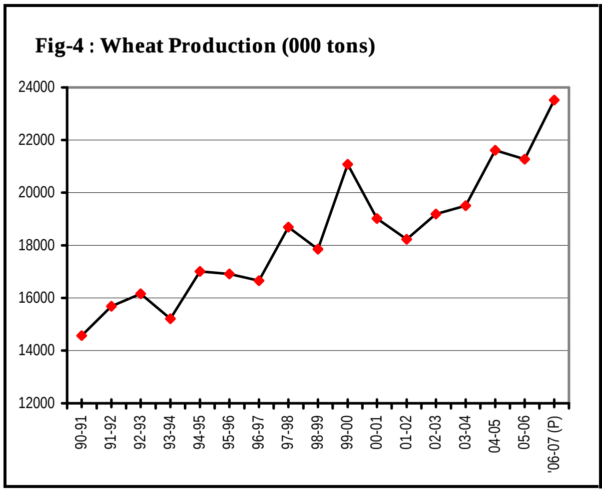
- The certified wheat seed availability was 50,000 tons more than last year to 217,000 tons.
- The urea fertilizer availability for Rabi crop was 4.714 million tons, which was more than the area requirements of 2.9 million tons for Rabi. Moreover, subsidy was extended to phosphatic and potassic fertilizers. The price of 50 kg bag of these fertilizers were reduced by Rs 250 and further to Rs 400 per bag to promote balanced use of fertilizers. The higher use of phosphatic and potassic fertilizers helped increase yield per hectare of wheat. It is important to note that yield per hectare increased by 9.9 percent to 2769 kg/hectare in 2006-07 as compared with 2519 Kg/hectare last year.
- The water availability for Rabi was 31.2 Million Acre Feet. This was an improvement of 3.7% over the last year Rabi water use of 30.1 Million Acre Feet.
- Government during the last two years placed over 25 herbicides on the generic list. This measure helped in reducing the herbicides prices upto 30 to 40 percent, therefore, use of herbicides for the crop increased.
- Last year the agricultural credit disbursement to farmers was Rs 130 billion. This year credit availability has been increased to Rs 160 billion. The banks were also instructed to focus on small and medium scale growers for credit disbursement.
- This year (2006-07), three new high yielding wheat varieties namely Sehar-2006, Shafaq-2006 and Fareed-2006 were released which contributed towards achieving higher production.

The area, production and yield for the last five years are given in Table 2.7 (see also Fig-4).

**Table 2.7: Area, Production and Yield of Wheat**

| Year | Area | | Production | | Yield | |
|---|---|---|---|---|---|---|
| | (000 hectares) | % Change | (000 tons) | % Change | (Kgs/Hec.) | % Changes |
| 2002-03 | 8034 | -0.3 | 19183 | 5.2 | 2388 | 5.6 |
| 2003-04 | 8216 | 2.3 | 19500 | 1.6 | 2375 | -0.5 |
| 2004-05 | 8358 | 1.7 | 21612 | 10.8 | 2568 | 8.1 |
| 2005-06 | 8448 | 1.1 | 21277 | -1.6 | 2519 | -1.9 |
| 2006-07 (P) | 8494 | 1.0 | 23520 | 10.5 | 2769 | 9.9 |

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




### v) Other Major Crops

The production of gram, jawar, tobacco and bajra have increased by 75.4 percent, 17.6 percent, 11.5 percent and 7.7 percent, respectively. The gram area and production target for the year 2006-07 was set at 1051.1 thousand hectares and 706.5 thousand tons respectively. In order to achieve the target, Government fixed intervention price of gram at Rs 750/- per 40 kg to encourage farmers to bring more area under gram and increase its production. The government also conducted media campaign to boost growth and productivity. The ECC in its meeting of April, 10, 2007 further increased the intervention price of gram to Rs 850/- per 40 kg to support small farmers. The production was estimated at 842 thousand tons from an area of 1073 thousand hectare. This indicates improvement of 75.4 percent over the last year production of 480 thousand tons primarily due to good rains in "*Thal* " area where the gram is mainly grown. The production of rapeseed & mustard, barley and maize decreased by 13.4 percent, 5.7 percent and 4.5 percent respectively. The details are given in Table 2.8.

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

| Crops | 2005-06 | | 2006-07(P) | | % Change In production |
|---|---|---|---|---|---|
| | Area (000 hectares) | Production (000 tons) | Area (000 hectares) | Production (000 tons) | |
| **KHARIF** | | | | | |
| Maize | 1042 | 3110 | 1026 | 2968 | -4.5 |
| Bajra | 441 | 221 | 504 | 238 | 7.7 |
| Jawar | 254 | 153 | 292 | 180 | 17.6 |
| **RABI** | | | | | |
| Gram | 1029 | 480 | 1073 | 842 | 75.4 |
| Barley | 90 | 88 | 93 | 83 | -5.7 |
| Rapeseed & Mustard | 217 | 172 | 253 | 149 | -13.4 |
| Tobacco | 56 | 113 | 62 | 126 | 11.5 |

*P=Provisional (July-March),* *Source: Ministry of Food, Agriculture & Livestock; Federal Bureau of Statistics.*

## b) Minor Crops

### i) Oilseeds

The major oilseed crops include cottonseed, rapeseed/mustard, sunflower and canola etc. The total availability of edible oils in 2005-06 was 2.905 million tons. Local production stood at 0.793 million tons which accounts for 27 percent of total availability while the remaining 73 percent was made available through imports. During 2006-07 (July to March) local production of edible oil is provisionally estimated at 0.855 million tons. During this period, 2.201 million tons of edible oil was imported and 0.349 million tons edible oil was recovered from imported oilseeds. The total availability of edible oil from all sources amounted to 3.405 million tons during July-March 2006-07 (provisional estimates). The production of oilseed crops during 2005-06 and 2006-07 is given in the Table 2.9.

**Table 2.9: Area and Production of Major Oilseed Crops**

| Crops | 2005-06 | | | 2006-07 (P) | | |
|---|---|---|---|---|---|---|
| | Area | Production | | Area | Production | |
| | (000 Acres) | Seed (000 Tons) | Oil (000 Tons) | (000 Acres) | Seed (000 Tons) | Oil (000 Tons) |
| Cottonseed | 7660 | 3796 | 456 | 7599 | 3890 | 478 |
| Rapeseed / Mustard | 578 | 188 | 59 | 628 | 204 | 63 |
| Sunflower | 875 | 612 | 220 | 937 | 656 | 249 |
| Canola | 323 | 162 | 58 | 359 | 180 | 65 |
| Total Oil | | | 793 | | | 855 |

*P: Provisional* *Source: Pakistan Oilseed Development Board*

**ii)** Other Minor Crops:

The production of two pulses namely mung and masoor were higher by 21.5 percent and 17.9 percent, respectively during 2006-07. However, production of mash decreased by 3.6 percent. The main reason for decline in production of mash as compared to last year has been the shortfall of area dedicated to the crop, which declined by 4.6 percent. The production of potato was significantly higher by 67.2 percent and stood at 2622.3 thousand tons while it was 1568 thousand tons last year. However, the production of onion decreased by 14.3 percent mainly due to 16.5 percent reduction in crop area. The production of chillies is decreased by 49.6 as 32.4 percent area of the crop decreased due to excessive rains in Sindh. Chillies crop is mainly concentrated in Sindh particularly in Tharparkar areas where due to un-timely rains, the production was short compared to last year. Moreover, post harvest losses are higher in case of chillies crop. In order to solve this problem, MINFAL have conducted efforts to bring together public, private sector, farmers and exporters to chalk out comprehensive plan to control these post harvest losses of chilies crop. Area and production of minor crops are given in Table 2.10.

**Table-2.10 : Area and Production of Minor Crops**

| Crops | 2005-06 | | 2006-07(P) | | %Change In Production |
|---|---|---|---|---|---|
| | Area (000 hectares) | Production (000 tons) | Area (000 hectares) | Production (000 tons) | |
| Masoor | 33.9 | 17.9 | 38.3 | 21.1 | 17.9 |
| Mung | 208.5 | 113.9 | 216.9 | 138.4 | 21.5 |
| Mash | 34.6 | 16.5 | 33.0 | 15.9 | -3.6 |
| Potato | 117.4 | 1568.0 | 131.9 | 2622.3 | 67.2 |
| Onion | 148.7 | 2055.7 | 124.1 | 1760.9 | -14.3 |
| Chillies | 64.6 | 122.9 | 43.7 | 61.9 | -49.6 |

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

## II. Farm Inputs

### i) Fertilizer:

Fertilizer is a crucial basic input for modern agriculture where natural soil nutrients are supplemented by artificial nutrients in order to boost yield. Balanced and efficient use of fertilizer improves the quality of crops, increase the nutrient value and increases plant resistance to diseases and climatic changes. In Pakistan, there was very limited use of fertilizer during the 50's and 60's. In order to promote the use of fertilizer, the government offered various incentives, which ultimately resulted in the excessive demand for fertilizer. For meeting this demand, the production was increased gradually and new plants were set up. The fertilizer use for agricultural purpose is increasing in Pakistan and use of fertilizer has gained momentum due to 1) introduction of high yielding varieties of wheat, rice and cotton, 2) expansion in cultivated areas, especially of wheat and 3) public sector support in terms of subsidies, credit and support prices.

The Government has taken several significant steps to boost agricultural production over the last five years. Awareness campaigns were launched through the electronic and print media to reach the farming community with packages of improved technology, cultural practices and input usage for major crops of wheat, cotton and rice and for livestock production. A landmark decision in September 2006 was taken to extend subsidy thus far available only to urea fertilizer to phosphatic and potassic fertilizers as well. As a result, the price of a 50 Kg bag of these fertilizers were reduced by Rs 250 which encouraged a more balanced use of key fertilizer (urea, phosphatic, potassic fertilizers). Following the steep increases in international prices of phosphatic and potassic fertilizers, the Government in March, 2007 increased the relief in price of these fertilizers from Rs 250 to Rs 400 per bag. The fertilizer initiative was also complemented by substantially increased agricultural credit disbursement from Rs 130 billion in 2005-06 and to Rs 160 billion in 2006-07.

The domestic production of fertilizer during the first nine months (July-March, 2006-07) of the current fiscal year was up by only 0.2 percent. On the other hand, the import of fertilizer decreased by 44.6 percent; hence, the total availability of fertilizer decreased by 14.1 percent during July-March, 2006-07.The off- take of fertilizer was therefore, also lower by 5.6 percent (see Table 2.11). The reasons for reduction in import and offtake of fertilizers were that the year 2006-07 started with a handsome balance of 495 thousand tons nutrients against only 214 thousand NPK tons in year 2005-06. Thus a large carryover stock of fertilizer reduced the import requirements. The offtake pattern of nutrients has changed in the country because of subsidy factor on phosphatic and potassic fertilizers. Nitrogen offtake has decreased by 12.0 percent while that of phosphate and potash increased by 14.2 and 63.6 percent, respectively during July-March 2006-07. However, the share of phosphate and potash is low as compared to nitrogen in total offtake, so the overall offtake reduced. Moreover, erratic rainfall pattern in the Kharif 2006 also negatively affected the offtake.

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

| Year | Domestic Production | % Change | Import | % Change | Total | % Change | Off-take | % Change |
|---|---|---|---|---|---|---|---|---|
| 2002-03 | 2315 | 1.3 | 766 | 22.4 | 3081 | 5.8 | 3020 | 3.1 |
| 2003-04 | 2539 | 9.7 | 764 | -0.3 | 3303 | 7.2 | 3222 | 6.7 |
| 2004-05 | 2718 | 7.1 | 785 | 2.7 | 3503 | 6.1 | 3694 | 14.6 |
| 2005-06 | 2832 | 4.2 | 1268 | 61.4 | 4100 | 17.1 | 3804 | 3.0 |
| 2005-06(July-March) | 2132 | - | 1002 | - | 3134 | - | 2991 | - |
| 2006-07 P(July-March) | 2136 | 0.2 | 555 | -44.6 | 2691 | -14.1 | 2825 | -5.6 |

*Source: National Fertilizer Development Centre*

### ii) Improved Seed:

Improvement in seed quality and varieties is the key to enhancing agricultural productivity. The use of quality seeds can result in 20 to 30 percent improvement in productivity of various crops. Seed has the unique position among the various agricultural inputs because the effectiveness of all other inputs mainly depend on the potential of seeds. In order to increase volume of agricultural production, the availability of quality seed of improved varieties is essential. Further, since improved seed is neutral to the size of the farm and therefore, its advantage is equally realized by the large as well as small farmers. The Federal Seed Certification & Registration Department regulates quality during the flow of seed from the breeder to the growers. The Government has committed financial resources to the tune of Rs 836 million with a view to strengthening and improving the seed sector related infrastructure and services and setting up to 15 new seed testing laboratories all over the country. The Central Seed Testing Laboratory, Islamabad is being upgraded to achieve excellence and attain international accreditation. Provisions have been made for registration, certification and quality control of food plant nurseries and vegetable seed production. A programme has been started to locally produce hybrid and other high-tech seeds of vegetable crops. Services of internationally renowned scientists have been hired to work on evolution of high yielding, disease resistant and temperature tolerant wheat varieties. A major initiative is to venture into the production and marketing of BT cotton seed under secure bio-safety arrangements.

To provide certified crop seeds to the growers from the public sector, the Seed Corporation in the 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, 639 registered seed companies including four multi-national have been allowed certified seed production, processing and marketing. During July-March 2006-07, 74.8 thousand tons of improved seed was procured and 24.9 thousand tons of improved seed was distributed. The figures for 2006-07 (as on 28-4-2007) are provisional since Rabi crops seed has not yet been procured while Kharif crops seed 2007 is under distribution.

**iii) Mechanization**:

Pakistan's food security and agriculture surpluses for export at competitive prices require efficient development and utilization of agricultural resources. Cost of production of various crops are not competitive due to low productivity, which is a result of inefficient farming practices. In consideration of the role of machinery in modern farm operations, the use of machinery has been encouraged through increasing the provision of credit availability by commercial banks. The demand for tractors has outstripped local production. Time lag in delivery of tractors is reportedly 4-11 months. Supply demand gap of 20,000 – 25,000 tractors per annum has been noted in the country against the existing production capacity of manufacturing units. In order to meet tractor's demand, Federal Government allowed import of new and used tractors in CBU at zero tariffs. Other measures including use of laser land levelers, ridge and broad bed farming are being encouraged in the country. No increase in prices of locally manufactures tractors as compared to last year has been reported, (see Table 2.12).

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

| Tractor Model | 2005-06 | 2006-07 | % Change |
|---|---|---|---|
| MF-240 (50-H.P) | 339,000 | 339,000 | 0.0 |
| MF-260 (60 H.P) | 429,000 | 429,000 | 0.0 |
| MF-375S (78 H.P) | 539,000 | 539,000 | 0.0 |
| MF-385 (85 H.P) | 639,000 | 639,000 | 0.0 |
| FIAT-480 (55-H.P) | 320,000 | 320,000 | 0.0 |
| FIAT-640 (75-H.P) | 459,000 | 459,000 | 0.0 |
| UNIVERSAL U-640(65 HP) | 436,800 | 436,800 | 0.0 |
| UNIVERSAL U-530(53-HP) | 320,000 | 320,000 | 0.0 |

*Source: Ministry of Food, Agriculture and Livestock.*

**iv) Plant Protection**:

Plant protection measures help in increasing per hectare yield by protecting crops from damages. 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 (DPP) provides facilities, such as, Locust Survey and Control, Aerial Pest Control and Pesticide Registration and Testing. The private sector also carries out plant protection activities such as ground sprays. Pakistan remained free from locust activity during July-March, 2006-07. However, scattered mature solitary locust population ranging from 1-100 hectare were observed in 123 localities of Cholistan, Nara, Turbat, Pasni and Uthal deserts. The DPP did not receive any urgent demand from the provincial government for aerial spraying nor any locust emergent situation occurred. Regular field crops survey were carried out during July-March 2006-07.

**v) Irrigation:**

Efficient irrigation system is a pre-requisite for higher agricultural production since it helps increase the crop intensity. Despite the existence of good irrigation canal network in the Pakistan, it still suffers from wastage of a large amount of water in the irrigation process.

**Table 2.13: Rainfall Recorded During 2006-07** *(In Millimeter)*

| | Monsoon Rainfall (Jul-Sep) 2006 | Winter Rainfall (Jan-Mar) 2007 |
|---|---|---|
| Normal | 137.5 | 70.5 |
| Actual | 174.9 | 111.2 |
| Shortage (-) / excess (+) | + 37.4 | + 40.7 |
| % Shortage (-) / excess (+) | + 27.2% | + 57.7% |

*Source: Pakistan Meteorological Department*

During the monsoon season (July-September, 2006) the normal rainfall is137.5 mm while the actual rainfall received stood at 174.9 mm, indicating an increase of 27.2 percent. Likewise, during winter (January to March 2007), the actual rainfall received was 112.2 mm while the normal rainfall during this period has been 70.5 mm, indicating an increase of 57.7 percent over the normal rainfall. The details are in Table 2.13. Due to winter rainfalls, the provincial indents for Rabi 2006-07 were fully met. It is estimated that water situation for Kharif 2007 (April-September) is encouraging. Anticipated provincial allocation shares stand at 76 Million Acre Feet (MAF) which are 20.4 percent higher than last year's allocation of 63.10 million.

The canal head withdrawals in Kharif 2006 (April-September) have decrease by 10.8 percent and stood at 63.10 Million Acre Feet (MAF), as compared to 70.75 MAF during the same period last year. During the Rabi season 2006-07 (October-March), the canal head withdrawals increased by 3.7 percent, as it remained at 31.18 MAF compared to 30.06 MAF during the same period last year. Province-wise details are given in Table 2.14.

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

| Provinces | Kharif (Apr-Sep) 2005 | Kharif (Apr -Sep) 2006 | % Change in Kharif 2006 over 2005 | Rabi (Oct-Mar) 2005-06 | Rabi (Oct –Mar) 2006-07 | % Change in Rabi 2006-07 Over 2005-06 |
|---|---|---|---|---|---|---|
| Punjab | 36.43 | 34.92 | -4.11 | 16.40 | 16.28 | -0.7 |
| Sindh | 31.18 | 25.10 | -19.5 | 12.13 | 13.76 | 12.7 |
| Baluchistan | 2.16 | 2.03 | -6.0 | 0.89 | 0.73 | -18.0 |
| NWFP (CRBC) | 0.98 | 1.06 | 8.2 | 0.64 | 0.42 | -34.4 |
| *Total* | 70.75 | 63.10 | -10.8 | 30.06 | 31.18 | 3.7 |

*Source: Indus River System Authority.*

The critical issue in water sector is to overcome the scarcity of water through augmentation and conservation. Some measures which can be used to address these issues include: construction of medium and large dams, efficient utilization of irrigation water, restoring the productivity of agricultural land through control of water logging, salinity and floods, managing quantity and quality of drainage effluent in an environmentally safe manner and managing ground water. The strategies being adopted to achieve these objectives are stated below:

a. Augmentation of water supplies by Implementing of high priority projects like Raising of Mangla Dam, Gomal Zam, Mirani Dam, Sat Para Dam, Sabakzai Dam, Kurram Tangi Dam, Diamer Basha Dam, Kala Bagh, Akhori Dam, Munda Dam and other small and medium reservoirs.

b. Efficient use of stored water through construction/extension of new irrigation canals and improvement in the existing Irrigation System which includes Greater Thal Canal, Rainee Canal, Kachhi Canal, Extension of Pat Feeder Canal, Khirther Canal and construction of 43 minors in Balochsitan, Irrigation system Rehabilitation Programme in Punjab, Sindh & NWFP, Modernization of Barrages in Punjab and Lining of Irrigation Channels in Punjab, Sindh and NWFP.

c. Implementation of the National Drainage Strategy aiming at adoption of effective management measures to reduce effluent generated at source and to dispose off the generated effluent outside the Indus Basin preferably to the sea in an environmentally safe manner. RBOD-I, II & III are being constructed to drain the effluent generated from water logged areas directly into the sea.

d. Ground water table monitoring is being undertaken, 150 delay action dams are being constructed to recharge groundwater in Balochistan & NWFP.

e. On farm drainage system is being constructed by the Farmer's Organizations (FO).

f. An integrated programme approach is being adopted and programmes like National Drainage Programme, On-farm Water Management and Flood Control Programme are being implemented.

g. Water conservation is being ensured through rehabilitation, remodeling and lining of canals and National Program for watercourses Improvement in Pakistan.

h. Institutional reforms will be introduced by all irrigation and drainage related agencies dealing with the planning, designing and monitoring & evaluation to make them more effective and responsive.

i. Watershed management through satellite imagery will be undertaken, while watershed forestry projects are under implementation in the catchments of Mangle and Tarbela.

j. Telemetering and flow gauging systems will be supplied to ensure equitable distribution of water.

k. Priority will be given to the completion of ongoing schemes at advance stage of construction. Major water sector projects under implementation are given in the Table 2.15.

**Table 2.15: Water Sector Projects under Implementation**

| Projects | Location | Cost (US$m) | Live Storage (MAF) | Area Under Irrigation (Acres) | Completion Date |
|---|---|---|---|---|---|
| Gomal Zam Dam | NWFP | 211 | 1.14 | 163,086 | Marchl, 2010 |
| Greater Thal Canal * | Punjab | 501 | - | 1534,000 | June, 2008 |
| Rainee Canal * | Sindh | 229 | - | 412,000 | Sept., 2008 |
| Kachhi Canal * | Balochistan | 538 | - | 713,000 | Dec., 2008 |
| Mirani Dam | Balochistan | 96 | 0.15 | 33,200 | Completed |
| Sabakzai Dam | Balochistan | 26 | 0.02 | 6,680 | Dec., 2007 |
| Raising of Mangla Dam (30 ft) | AJ&K | 1030 | 2.90 | - | June, 2008 |
| Satpara Dam Multipurpose | Skardu | 35 | 0.05 | 15,536 | June, 2008 |
| Diamer Basha Dam Project | N.A & NWFP | 6500 | 6.40 | Feasibility in progress | Feasibility in progress |
| Kurram Tangi Dam | NWFP | 283 | 0.83 | 362,380 | 2010-11 |

Source: Water Resources Section, Planning & Development Division

* Date of completion for all three canals is for Phase-I whereas cost is reflected for total project

Water Sector will get added water supplies of 4.44 MAF during the period 2005-2010 to irrigate additional 2.9 million acres of land. This will help to achieve higher agriculture growth and alleviate rural poverty.

The government with the intention to address the impending threat of water shortages confronting the country has started a major water resource development program comprising construction of major water storages and improvement/augmentation of the water distribution network. To reduce the high water losses of around 25-30 percent during transmission, a mega project for Watercourse Improvement and Lining of canals was launched in 2004-05 at a cost of Rs 66.0 billion with the goal of improving lining of 87,000 watercourses over five years. During the first three years of the project, one-half of the targeted watercourses have been improved/lined throughout the country. An associated project costing Rs 16 billion has now been started to improve water usage efficiency through installation of drip, trickle and sprinkler irrigation systems in combination with introduction of the high value agronomic production. This program particularly benefits the water scarce arid regions with a possibility of high returns from high value horticultural, floral and other cash crops. The Federal and Provincial Governments will provide 80 percent of capital cost under this demand driven private sector led program. Further, 50 percent of the beneficiaries would be small farmers with land holdings of less than 12.5 acres producing under a cluster approach. Similar benefits would emerge from special regional programs for water optimization approved for Chaghi/Noshki districts of Balochistan, the Northern Areas and various urban areas. A National Research and Development Project for Spate Irrigation System in Rod Kohi Sailaba areas of NWFP, Punjab and Balochstan has kick started a possible larger initiative to support this major potential agricultural area outside the main Indus basin.

**vi) Agricultural Credit:**

Credit requirements of the farming sector have been increasing over the years mainly due to the rise in the use of fertilizer, pesticides and mechanization. In order to cope with the increasing demand for agricultural credit, institutional credit to farmers is being provided through Zarai Taraqiati Bank Limited (ZTBL), Commercial Banks, Punjab Provincial Cooperative Bank Ltd (PPCBL) and Domestic Private Banks. The Government has allocated Rs 160 billion for agriculture credit disbursements for the year 2006-07 which is 23.1 percent higher than the allocation of the preceding year i.e. Rs 130 billion. The allocations, however, are totally voluntary and indicative in nature as the mandatory allocations policy has been totally phased out and the allocations for commercial banks have also been made indicative. The elimination of mandatory credit allocations coupled with active involvement of commercial banks in agrifinance is a major milestone achieved towards mainstreaming of agrifinance in the country's financial system. The flow of necessary funding to the sector will now be ensured through conducive policy and regulatory environment, policy advocacy and promotional initiatives and monitoring of agri-disbursements and portfolio build-up plans. Out of the total credit target of Rs 160 billion, Rs 80 billion were allocated to commercial banks, Rs 48 billion to ZTBL, Rs 9 billion to Punjab Provincial Cooperative Bank Ltd., and Rs 23 billion to Domestic Private Commercial Banks. The agricultural loans extended to the farming community during July-March, 2006-07 are discussed below:

**a) Production and Development Loans**

Agricultural loans amounting to Rs. 104.8 billion were disbursed during (July-March, 2006-07) as against Rs.91.2 billion during the corresponding period last year, thereby registering an increase of 15 percent. The share of ZTBL in supply of total agricultural credit by institutions increased and was 32.9 percent during (July–March, 2006-07) while it was 31.8 percent during the same period last year. However, the share of Commercial Banks has surpassed the share of ZTBL; it was 46.8 percent of the total agricultural credit disbursed during July–March 2006-07. While the share of PPCBL has also slightly increased as it stood at 5 percent in supply of total agricultural credit by institutions. The share of domestic private bank has increased; it was 15.3 percent as compared with 12 percent in the corresponding period of last year. Supply of agricultural credit by various institutions since 2001-02 to 2006–07 (July-March) is given in Table 2.16.

**Table 2.16: Supply of Agricultural Credit by Institutions** *(Rs. in million)*

| Year | ZTBL | Commercial Banks | PPCBL | Domestic Private Banks | Total | |
|---|---|---|---|---|---|---|
| | | | | | Rs. Million | %Change |
| 2001-02 | 29108.01 | 17486.12 | 5127.54 | 592.82 | 52314.49 | 17.1 |
| 2002-03 | 29270.17 | 22738.60 | 5485.39 | 1421.11 | 58915.27 | 12.6 |
| 2003-04 | 29933.07 | 33247.45 | 7563.54 | 2701.80 | 73445.86 | 24.7 |
| 2004-05 | 37408.84 | 51309.78 | 7607.47 | 12406.82 | 108732.91 | 48.0 |
| 2005-06 | 47594.14 | 67967.40 | 5889.40 | 16023.38 | 137474.32 | 26.4 |
| **2005-06 (July-March)** | **29027.00** | **46973.00** | **4181.00** | **10980.00** | **91161.00** | **-** |
| **2006-07 (July-March)** | **34529.86** | **48962.19** | **5269.56** | **16081.99** | **104843.60** | **15.0** |

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

**b) Loan under One Window Operation:**

ZTBL has launched a one-window operation to enhance credit facilities particularly to small farmers. This will facilitate to cater for purchase for inputs during peak sowing season of both Rabi and Kharif Crops with the collaboration of Provincial Governments, Revenue Officials and Postal Authorities. Agriculture Pass books are issued at the spot to intending new borrowers. Their land record is entered and loans are sanctioned at focal points whereas payments are released on the very next day from the concerned branch. During July-March, 2006-07, an amount of Rs 9.069 billion has been disbursed under this scheme.

**c) Revolving Finance Scheme/Sada Bahar Scheme:**

For providing timely input loans for crops and working capital for dairy, poultry and fisheries, the ZTBL launched Sada Bahar Scheme (SBS). Under this scheme credit requirements for inputs for the whole year is assessed and made available to the borrower. The Managers are authorized to sanction loan upto Rs. 0.5 million. During (July–March, 2006-07), ZTBL has disbursed loans of Rs. 30.912 billion under Revolving Finance Scheme (RFS) and Sada Bahar Scheme (SBS) as against Rs. 24.149 billion disbursed during corresponding period of last year, indicating an increase of 28 percent.

**d) Credit to Women Program:**

The major objective of this programme of ZTBL is to make credit more accessible to rural women through Female Mobile Credit Officers (FMCOs). Under Credit to Women Program, women can meet their credit needs through both Micro Credit & General Credit Scheme. Presently, 17 FMCOs are exclusively looking after credit needs of women in 17 branches of the Bank, whereas female borrowers may also obtain loan through male MCOs throughout the country. During (July–March, 2006-07) loans of Rs. 99.572 million have been disbursed under this programme.

**e) Micro Credit Scheme:**

Under the Micro Credit Scheme of the ZTBL, all the Mobile Credit Officer working in the branches process micro credit cases both for men and women to engage rural poor in income generating activities / cottages industries. Financing under this program is provided for 136 loanable items. All loans are recovered within 18 months of their advancement. During the period July–March, 2006-07 loans of Rs. 29.268 million were disbursed under this scheme.

**f) Crop Maximization Project:**

In order to augment the efforts of the Government to enhance productivity on sustainable basis, Ministry of Food, Agriculture and Livestock (MINFAL) and Zarai Taraqiati Bank Limited (ZTBL) has launched, “Crop Maximization Project”. The project aims at assisting the farmers to increase agriculture production. A total of 109 villages are being covered under this project. In the project villages, Village Organization (VOs) have been established which organize the farmers and assist them with the collaboration of Agricultural (extension) Staff in achieving the maximum productivity through proper use of inputs, water saving devices and modern agricultural technology. Farmers owning upto 25 acres land are entitled to receive loan from project credit line through Mobile Credit Officers. Under this project Rs 371.403 million have been disbursed during July–March, 2006-07.

### III. Forestry

Forestry plays an important role in our country. 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 5.0 percent of total land area is under forest, ranking it under Low Forest Cover Countries. Of this total forest area, commercial forest is just one-third (32.8%) and the rest (67.2%) is under protected forest, performing soil conservation, watershed protection and climatic functions. Forests include state-owned forests, communal forests and privately owned forests. Major forest types existing in Pakistan are temperate and subtropical conifer forests, scrub forests, riverine forests irrigated plantations, liner plantations (roadside, canal-side), and mangrove forests. Besides, a significant proportion of private farmlands are under tree cover. Existing forest resources are under severe pressure to meet the fuel wood and timber needs of the country and wood-based industries including housing, sport, matches, boat making and furniture industries.

Under Millennium Development Goals of Forestry Sector, Pakistan is committed to increase forest cover from existing 5% to 7% by the year 2011 and to 6% by the year 2015. This implies bringing an additional 1.051 million hectares land area under forest. The Government has allocated Rs 9.67 billion in MTDF (2005-2010) for promoting forestry and biodiversity in the country. Forest Departments are undertaking short to medium term development projects under provincial and federal PSDP. The Government is promoting the concepts of social forestry, integrated participatory watershed management and biodiversity conservation in the shifting paradigm of sustainable forest management. During the last 13-14 years, area under farmland trees has significantly increased. On an average, 25 trees exist on each hectare of farmland (2003-04) against 20 trees / hectare in 1992. During the year 2006-07, forests have contributed 207 thousand cubic meters of timber and 159 thousand cubic meters of firewood as compared to 241 thousand cubic meters of timber and 163 thousand cubic meters of firewood in 2005-06. In order to motivate people to plant more trees and to highlight the importance of forest, tree planting campaigns are organized twice a year in spring and monsoon seasons. During spring and monsoon season year 2006 92.51 million saplings (spring 57.17 million and monsoon 35.34 million) were planted.

### IV. Livestock and Poultry

#### a) Livestock

Livestock is an important component of Pakistan's population since 30 - 35 million rural population is involved in livestock raising. Average household holdings are 2-3 cattle / buffalo, 3-4 sheep / goats and 10-12 poultry per family which contribute 35 to 40 percent of their income. Government gives high priority to its development and is focused on private sector led development of livestock. Underpinning the importance of livestock the government instead of maintaining the previous practices of making livestock a part of the National Agriculture Policy has formulated an independent Livestock Development Policy, providing a framework for accelerated development of livestock. This policy not only addresses the need of the small livestock farmers for whom livestock is a supplementary income source but also includes measures to develop small and medium livestock enterprises and an incentive framework for setting up large livestock farms.

The Livestock Census 2006 carried out by the Agricultural Census Organization have been released. According to the Census, the share of livestock in agriculture growth has jumped from 25.3 percent in 1996 to 49.6 percent in 2006. The higher growth in the livestock sector was mainly attributed to growth not only in the headcount of livestock, which is commercially important but also in the milk production. The details of the Census results are documented in Table 2.17.

**Table 2.17 Comparative Status of Livestock Population between 1986-1996 & 1996-2006**

| Type of Animal | Livestock Population (in Million) | | | % Change Between | |
|---|---|---|---|---|---|
| | 1986 | 1996 | 2006* | 1986 &1996 | 1996 & 2006 |
| Cattle | 17.540 | 20.424 | 29.559 | 16 | 45 |
| Buffaloes | 15.705 | 20.273 | 27.335 | 29 | 35 |
| Sheep | 23.286 | 23.544 | 26.488 | 01 | 13 |
| Goats | 29.945 | 41.169 | 53.787 | 37 | 31 |
| Camels | 0.958 | 0.815 | 0.921 | (-) 15 | 13 |
| Horses | 0.388 | 0.334 | 0.344 | (-) 14 | 03 |
| Mules | 0.069 | 0.132 | 0.156 | 91 | 18 |
| Asses | 2.998 | 3.559 | 4.268 | 19 | 20 |
| Total Animals | 90.891 | 110.250 | 142.858 | 21 | 30 |

Source: Statistics Division (Agricultural Census Organization).

* Population figures are actual figures of Livestock Census 2006.

The population of cattle registered a significant increase of 45 percent in 2006 when compared with 1996 while it was 16 percent higher in 1996 over 1986. The other major animals which posted impressive increase include buffaloes and goats with 35 percent and 31 percent higher in 2006 over 1996. Likewise in case of goats and buffaloes, increased by 37 percent and 29 percent in 1996 over 1986. Number of other animals like asses, mules, sheep, camels and horses increased by 20 percent, 18 percent, 13 percent, 13 percent and 3 percent, respectively in 2006 when compared with 1996 and it was higher by 91 percent, 19 percent, 1.0 percent and lower by 15 percent and 14 percent for mules, asses, sheep camels and horses respectively in 1996 over 1986.

**Table 2.18 Milk Production Per Annum between 1986-1996 & 1996-2006**

| Type of Animal | Gross Annual Production ** (Billion Liters) | | | % Change Between | |
|---|---|---|---|---|---|
| | 1986 | 1996 | 2006 | 1986 & 1996 | 1996 & 2006 |
| Cows | 7.07 | 9.36 | 13.33 | 32.4 | 42.4 |
| Buffaloes | 14.82 | 18.90 | 25.04 | 27.5 | 32.5 |
| Total | 21.89 | 28.26 | 38.37 | 29.1 | 35.6 |
| Goats | - | - | 0.32 | - | - |

Source: Statistics Division (Agricultural Census Organization).

* Not covered in 1996

** Worked out by using average annual lactation length of 250,305 and 50 days for cows, buffaloes and goats, respectively.

Annual milk production of cows increased from 9.36 billion liters in 1996 to 13.33 billion liters in 2006, showing an impressive increase of 42.4 percent. Gross annual milk production of buffaloes jumped from 18.90 billion liters in 1996 to 25.04 billion liters in 2006, with growth pegged at 32.5 percent. Overall, the milk production increased by 35.6 percent in 2006 over 1996. The share of buffaloes in total milk production stood at 64.7 percent followed by cows 34.5 percent and goats by 0.8 percent in 2006. During 1996, the share of buffalos milk were 66.9 percent while it was 33.1 percent in case of cows.

Likewise, annual milk production of cows increased from 7.07 billion liters in 1986 to 9.36 billion liters in 1996 thereby depicting 32.4 percent rise. Milk production of buffaloes increased from 14.82 billion liters in 1986 to 18.90 billion liters in 1996 – 27.5 percent increase over 1986. Total milk production increased by 29.1 percent in 1996 when compared with 1986. In 1986 the share of buffaloes in total milk production stood at 67.7 percent while in case of cows, it was 32.3 percent.

**Table 2.19 Compared Status of Animals Slaughtered Between 1986-1996 & 1996-2006**

| Type of Animal | Number of Animals Slaughtered (in Million) | | | % Change Between | |
|---|---|---|---|---|---|
| | 1986 | 1996 | 2006 | 1986 & 1996 | 1996 & 2006 |
| Cattle | 1.67 | 2.18 | 3.56 | 30.5 | 63.3 |
| Buffaloes | 1.42 | 2.18 | 3.34 | 53.5 | 53.2 |
| Sheep | 4.35 | 4.44 | 4.73 | 2.1 | 6.5 |
| Goats | 6.50 | 7.84 | 11.00 | 20.6 | 40.3 |
| Camels | 0.02 | 0.05 | 0.02 | 150.0 | -60.0 |
| Total Animals | 13.06 | 16.69 | 22.65 | 19.6 | 36.7 |

Source: Statistics Division (Agricultural Census Organization).

The total number of animals slaughtered in 1996 was 16.69 million while in 2006 it rose to 22.65 million, thereby registering an increase of 35.7 percent. Numbers of slaughtering cattle increased from 2.18 to 3.56 million (63.3%), buffaloes from 2.18 to 3.34 million (53.2%), sheep from 4.44 to 4.73 million (6.5%), goats from 7.84 to 11.0 million (40.3%), and camel from 0.05 to 0.02 million (-60%). It indicates that demand for beef and mutton has gone up substantially in the country.

The total number of animals slaughtered in 1986 was 13.96 million while in 1996 it rose upto 16.69 million thereby registering an increase of 19.6 percent. Numbers of slaughtering cattle increased from 1.67 to 2.18 million (30.5%), buffaloes from 1.42 to 2.18 million (53.5%), sheep from 4.35 to 4.44 million (2.1%), goats from 6.50 to 7.84 million (20.6%), and camel from 0.02 to 0.05 million (150%).

These improvements could be ascribed largely to the special attention and practical support extended by the Government to livestock farming in the form of policy interventions and major development investments in combination with promotion of greater private sector investment in livestock agribusiness. Improved livestock health services and promotional policies such as duty free import of livestock machinery helped in yielding better return to livestock farmers and placed the livestock sector on a robust growth trajectory. Growth targets for milk and meat production and livestock productivity are aligned with Medium-Term Development Framework (MTDF), which aims to a growth rate of 6-8 percent annually.

**b) Poultry**

Poultry sector continued to face challenges on account of avian influenza outbreaks in the country. The disease outbreak of 2006 in broiler, layer and breeder poultry farms affected 66 farms involving approximately 280,000 birds. The resurgence of disease in 2007 occurred in February 2007 in backyard poultry/zoo and commercial poultry in Rawalpindi, Islamabad, Abbottabad and Mansehra. So far there have been 26 recorded cases of H5N1 involving game birds (peacock, pheasants, pigeons, parakeet, wild crows, cranes, ducks peacock, partridge, parrots, chakor) and 40 backyard poultry and some commercial farms involving 33400 commercial poultry (broiler/layer). As part of our international obligation, the occurrence was notified and the National Contingency Plant was activated to increase surveillance for the disease. Reports of outbreaks in birds are continuing on-off yet no human case has been observed/reported. Ministry of Food, Agriculture and Livestock is monitoring the situation. In order to mitigate the losses due to Bird Flu, a sum of Rs 100 million have been disbursed in 2006 to Provincial Livestock Departments for compensation to the farmers affected with Bird Flu and to handle this outbreaks. For the current Bird Flu outbreak, MINFAL has arranged a supplementary grant of Rs 50 million for compensation of poultry birds destroyed on account of bird flu and to initiate Public Awareness Campaign.

A project amounting to Rs 40 million is under implementation to strengthen the Surveillance and Emergency Preparedness for Avian Influenza. The CDWP in its meeting held on 27th February 2007 has recommended an umbrella project amounting to Rs 1180.142 million to ECNEC for approval. In addition, Ministry is in negotiation with World Bank in order to seek assistance from World Bank Global Program (US$ 500 million) for Avian Influenza.

The production of commercial poultry and poultry products 2005-06 and 2006-07 is given in Table 2.20

**Table 2.20:Production of Commercial Poultry and poultry products.** *(Million Nos).*

| Production | Units | 2005-06 | 2006-07(E) |
|---|---|---|---|
| Day Old Chicks | Millions No's | 386.5 | 401.0 |
| Layers (Farming) | " | 23.2 | 23.8 |
| Broilers (Farming) | " | 303.9 | 315.8 |
| Breeding & Stock (Farming) | " | 6.9 | 7.1 |
| Poultry Meat | (000 Tons) | 463.0 | 480.0 |
| Eggs(Farming) | Million No's | 5107.0 | 5222.0 |

E: Estimated Source: Ministry of Food, Agriculture & Livestock (Livestock Wing).

The production of rural poultry for 2005-06 and 2006-07 is given in Table 2.21.

**Table 2.21: Rural Poultry** *(Million Nos.)*

| Production | 2005-06 | 2006-07(E) |
|---|---|---|
| Day Old Chick | 36.5 | 38.0 |
| Cocks & Cockribs | 12.1 | 13.1 |
| Layers | 36.5 | 37.8 |

E: Estimated Source: Ministry of Food, Agriculture & Livestock (Livestock Wing).

Because of the importance of livestock for rural economy, the Government is launching several initiatives, which are documented below:

- A new "Livestock Development Policy" has been approved by the Prime Minister in principle. It addresses legal framework and development strategies and action plan for farmers using livestock as supplementary source of income and development of small and medium enterprises (SME) and large businesses. The policy will bring radical changes in the current livestock production system and help in exploitation of potentials of livestock sector.
- Import of agro-based machinery equipment used in livestock sector, not manufactured locally, is allowed subject to certification from Ministry of Food, Agriculture and Livestock. In addition, poultry vaccines, feed additives, coccidiostats used in poultry feed manufacturing has been allowed at zero percent custom duty.
- Announcement of export poultry zones in poultry intensive areas of Karachi, Faisalabad and inclusion of livestock in Agriculture cooperative farming.
- Provision of veterinary health coverage by Livestock departments.
- Establishment of temporary quarantine station has been allowed in the private sector. Further more these facilities can be utilized by any other livestock importer.
- The PSDP project "Livestock Production and Development for Meat Production" envisages to provide full technical assistance and partial financial assistance (max 15%) for establishment of beef fattening farms, mutton fattening farms, slaughter houses in private sector, model butcheries in cities.
- The PSDP project "Milk Collection Processing and Dairy Production and Development Program" envisages providing subsidized livestock services to farmer's organizations for milk collection and marketing and production of genetically superior dairy animals.
- State Bank of Pakistan has issued guidelines for livestock financing to facilitate commercial banks and financial institutions for extending credit to livestock sector. Micro credit schemes for small livestock farmers through commercial banks have started.

- In the wake of Avian Influenza, 12 laboratories in different poultry concentrated areas have been established / equipped for surveillance diagnosis. A central laboratory at National Agriculture Research Centre, Islamabad has been especially developed to address Avian Influenza surveillance and monitoring.

**V. Fisheries**

Fishery plays an important role in Pakistan's economy and is considered to be an important source of livelihood for the coastal inhabitants. Apart from marine fisheries, inland fisheries (comprising rivers, lakes, ponds, dams etc) are very important source of animal protein. It is also considered to be the principal source of livelihood for the communities inhabitating at the long coasts of Sindh and Balochistan as well as along the major rivers, lakes and dams. It has been estimated that about 400,000 fishermen and their families are dependant upon the fisheries for their livelihood.

The Marine Fisheries Department (MFD) is responsible for promotion of fisheries, both marine and inland, with value addition, to optimize returns for fishermen and other stakeholders, realizing exports potential and supplement local protein intake. It also provides support and creates an enabling environment for enhancing commercial fisheries production. The MFD also implements effective quality control measures in the fisheries sector. The emphasis is to enhance production of fish and shellfish to reduce post-harvest losses to increase seafood export earnings, to improve quality control service and to upgrade the socio-economic conditions of the fishermen.

Fishery is an important but under exploited resource in the country. With a coastline 1050 kilometers long and major inland water-bodies fisheries contribution to the agricultural GDP has been as low as 1.3 percent. Domestic consumption of high protein fish at 1.9 kg per capita is amongst the lowest in the world. There is little aquaculture and bulk of the captured fisheries from the marine areas go into low value usages with exports ranging at static $ 150-200 million. The value of the present catch alone can be increased manifold with investment in improving fish harvesting and handling techniques, marketing and handling at fish harbor, processing of the fish and value addition. Realizing its untapped and latent potential the government has approved a Fisheries Policy that combines marine and inland capture fisheries production with coastal and inland aquaculture based on environmentally sound and sustainable production alongwith related processing and value addition that would enable a 10 percent annual growth of the sector and in the process enable the realization of $ 1.0 billion export earning by 2015. With assistance from the Norwegian Government and the Food and Agriculture Organization (FAQ) of the United Nations, deep-sea fish resources are being surveyed and charted. A project costing Rs 2.0 billion has been prepared to promote investments through public-private partnership, strengthen regulatory systems, promote coastal aquaculture, promote farm fisheries and trout and other cold water fisheries in the mountainous regions and improve marketing and processing of fish. The implementation of this project is being entrusted to a private sector led Fisheries Development Board being set up under the Companies Ordinance. To enforce quality control, laboratories of the Marine Fisheries Department have been upgraded and their international accreditation is at an advanced stage

During (July-Mach) 2006-07, a total of 87907 metric tons of fish and fishery products were estimated to be exported, earning US$ 135 million. During July-March 2006-07, the total marine and inland fish production is estimated to be 611,000 metric tons of which, 381,000 Metric tons is marine production and remaining 230,000 metric tons catch come from inland waters while during 2005-06, the total marine and inland fish production was 595,000 Metric tons. Out of which 366,000 Metric tons were marine production and 229,000 Metric tons were inland fish.

..................................

TABLE 2.1 (A)

INDEX OF AGRICULTURAL PRODUCTION

| Fiscal Year | 1980-81 Base | | | | 1999-2000 Base | | | |
|---|---|---|---|---|---|---|---|---|
| | All major crops | Food crops | Fibre crops | Other crops | All major crops | Food crops | Fibre crops | Other crops |
| 1991-92 | 143.7 | 122.5 | 305.9 | 120.5 | - | - | - | - |
| 1992-93 | 141.0 | 124.0 | 216.0 | 118.0 | - | - | - | - |
| 1993-94 | 155.0 | 123.6 | 191.8 | 137.5 | - | - | - | - |
| 1994-95 | 165.4 | 133.1 | 207.5 | 146.0 | - | - | - | - |
| 1995-96 | 163.3 | 137.0 | 252.8 | 140.1 | - | - | - | - |
| 1996-97 | 155.3 | 136.5 | 223.6 | 130.3 | - | - | - | - |
| 1997-98 | 186.2 | 150.2 | 219.1 | 164.5 | - | - | - | - |
| 1998-99 | 189.8 | 147.6 | 209.7 | 170.9 | - | - | - | - |
| 1999-00 | 178.4 | 167.7 | 268.2 | 143.7 | - | - | - | - |
| 2000-01 | 165.9 | 152.8 | 256.0 | 135.1 | 93 | 91 | 96 | 94 |
| 2001-02 | 172.1 | 142.9 | 253.2 | 148.7 | 96 | 85 | 94 | 104 |
| 2002-03 | 185.4 | 153.9 | 243.6 | 160.9 | 103 | 92 | 91 | 112 |
| 2003-04 | 190.7 | 159.6 | 239.7 | 165.1 | 106 | 95 | 89 | 115 |
| 2004-05 | - | - | - | - | 105 | 106 | 127 | 102 |
| 2005-06 | - | - | - | - | 102 | 107 | 116 | 96 |
| 2006-07 P | - | - | - | - | 117 | 115 | 114 | 118 |

P. Jul-Mar

Source: Federal Bureau of Statistics.

## TABLE 2.1 (B)

### BASIC DATA ON AGRICULTURE

| Fiscal Year | Cropped Area (million hectares) | Improved seed distribution (000 Tonnes) | Water* Availability (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 | 193.80 | 134.77 | 2,966.03 | 44,790.40 |
| 2001-02 | 22.12 | 191.57 | 134.63 | 2,929.00 | 52,446.30 |
| 2002-03 | 21.85 | 172.07 | 134.48 | 3,020.00 | 58,915.27 |
| 2003-04 | 22.94 | 178.77 | 134.78 | 3,222.00 | 73,445.86 |
| 2004-05 | 22.78 | 213.75 | 135.68 | 3,694.04 | 108,732.91 |
| 2005-06 | 23.13 | 253.87 | 137.78 | 3,804.19 | 137,474.32 |
| 2006-07 P | 23.13 | - | 137.80 | 2,824.75 | 104,843.60 |

(Contd.)

.. not available
P: Provisional, Jul-Mar
*: At farm gate

TABLE 2.1 (B-I)

## BASIC DATA ON AGRICULTURE

| Fiscal Year | Number of Tubewells (a) | Production of Tractors (Nos) | Production of meat (000 Tonnes) | Milk (Human Consumption) (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 | 10,121 | 1,908 | 23,580 | 555.5 | 557 |
| 1997-98 | 531,699 | 14,242 | 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 | 27,101 | 2,132 | 27,811 | 562.0 | 823 |
| 2003-04 | 941,752 | 36,059 | 2,188 | 28,624 | 567.0 | 819 |
| 2004-05 | 954,842 | 44,095 | 2,271 | 29,438 | 574.0 | 576 |
| 2005-06 | 931,048 | 49,462 | 2,419 | 31,294 | 595.5 | 404 |
| 2006-07 P | 957,916 | 39,405 | 2,578 | 33,230 | 611.0 | 366 |

.. not available

P: Provisional (July-March)

(a) Public and private tubewells.

Source: 1. Federal Bureau of Statistics.
2. Ministry of Food, Agriculture and Livestock.

TABLE 2.2

## LAND UTILIZATION

(Million hectares)

| Fiscal Year | Total Area | Reported Area | Forest Area | Not Available for Cultivation | Culturable Waste | Cultivated Area: Current Fallow | Cultivated Area: Net Area Sown | Cultivated Area: Total Area Cultivated (7+8) | Area Sown more than once | Total Cropped Area (8+10) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 1990-91 | 79.61 | 57.61 | 3.46 | 24.34 | 8.85 | 4.85 | 16.11 | 20.96 | 5.71 | 21.82 |
| 1991-92 | 79.61 | 57.87 | 3.47 | 24.48 | 8.86 | 4.87 | 16.19 | 21.06 | 5.53 | 21.72 |
| 1992-93 | 79.61 | 58.06 | 3.48 | 24.35 | 8.83 | 4.95 | 16.45 | 21.40 | 5.99 | 22.44 |
| 1993-94 | 79.61 | 58.13 | 3.45 | 24.43 | 8.74 | 5.29 | 16.22 | 21.51 | 5.65 | 21.87 |
| 1994-95 | 79.61 | 58.50 | 3.60 | 24.44 | 8.91 | 5.42 | 16.13 | 21.55 | 6.01 | 22.14 |
| 1995-96 | 79.61 | 58.51 | 3.61 | 24.35 | 8.87 | 5.18 | 16.49 | 21.68 | 6.10 | 22.59 |
| 1996-97 | 79.61 | 59.23 | 3.58 | 24.61 | 9.06 | 5.48 | 16.50 | 21.98 | 6.23 | 22.73 |
| 1997-98 | 79.61 | 59.32 | 3.60 | 24.61 | 9.15 | 5.48 | 16.48 | 21.96 | 6.56 | 23.04 |
| 1998-99 | 79.61 | 59.27 | 3.60 | 24.52 | 9.23 | 5.35 | 16.58 | 21.93 | 6.28 | 22.86 |
| 1999-00 | 79.61 | 59.28 | 3.78 | 24.45 | 9.09 | 5.67 | 16.29 | 21.96 | 6.45 | 22.74 |
| 2000-01 | 79.61 | 59.44 | 3.77 | 24.37 | 9.17 | 6.73 | 15.40 | 22.13 | 6.64 | 22.04 |
| 2001-02 | 79.61 | 59.33 | 3.80 | 24.31 | 8.95 | 6.60 | 15.67 | 22.27 | 6.45 | 22.12 |
| 2002-03 | 79.61 | 59.45 | 4.04 | 24.25 | 8.95 | 6.61 | 15.60 | 22.21 | 6.25 | 21.85 |
| 2003-04 | 79.61 | 59.46 | 4.01 | 24.23 | 9.10 | 6.23 | 15.89 | 22.12 | 7.05 | 22.94 |
| 2004-05 | 79.61 | 59.48 | 4.02 | 24.39 | 8.94 | 6.86 | 15.27 | 22.13 | 7.51 | 22.78 |
| 2005-06 | 79.61 | 57.07 | 4.02 | 22.88 | 8.94 | 6.47 | 15.58 | 22.05 | 7.55 | 23.13 |
| 2006-07 P | 79.61 | 57.07 | 4.02 | 22.88 | 8.12 | 6.47 | 15.58 | 22.05 | 7.55 | 23.13 |

P: Provisional

Source: Ministry of Food, Agriculture & Livestock

Note:

TOTAL AREA REPORTED is the total physical area of the villages/deh, tehsils or districts etc.

FOREST AREA is the area of any land administered as forest under any legal enactment dealing with forests. Any cultivated area which may exist within such forest is shown under heading cultivated area.

AREA NOT AVAILABLE FOR CULTIVATION is that uncultivated area of the farm which is under farm home steads, 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 nor 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 is the difference between the total croped area and the net area sown.

TOTAL CROPPED AREA means the aggregate area of crops raised in 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 | Sesa-mum | 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 | 8,358 | 2,519 | 343 | 308 | 982 | 93 | 12,603 | 1,094 | 966 | 243 | 66 | 3,193 | 50 |
| 2005-06 | 8,448 | 2,621 | 441 | 254 | 1,042 | 90 | 12,896 | 1,029 | 907 | 217 | 82 | 3,103 | 56 |
| 2006-07 P | 8,494 | 2,581 | 504 | 292 | 1,026 | 93 | 12,990 | 1,073 | 1,029 | 253 | 71 | 3,075 | 62 |

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 | Sesa-mum | Cotton (000 tonnes) | Cotton (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 | 4,848 | 274 | 238 | 1,897 | 98 | 26,855 | 611 | 53,419 | 221 | 25.0 | 1,709 | 10,048 | 86 |
| 2004-05 | 21,612 | 5,025 | 193 | 186 | 2,797 | 92 | 29,905 | 868 | 47,244 | 203 | 30.0 | 2,426 | 14,263 | 101 |
| 2005-06 | 21,277 | 5,547 | 221 | 153 | 3,110 | 88 | 30,396 | 480 | 44,666 | 172 | 35.0 | 2,215 | 13,019 | 113 |
| 2006-07 P | 23,520 | 5,438 | 238 | 180 | 2,968 | 83 | 32,427 | 842 | 54,752 | 149 | 30.0 | 2,212 | 13,000 | 126 |

P: Provisional (Jul-Mar)

Source: 1. Ministry of Food, Agriculture and Livestock.
2. Federal Bureau of Statistics

TABLE 2.5

YIELD PER HECTARE OF MAJOR AGRICULTURAL CROPS

(Kg/Hectare)

| Fiscal Year | Wheat | Rice | Sugarcane | Maize | Gram | Cotton |
|---|---|---|---|---|---|---|
| 1990-91 | 1,841 | 1,543 | 40,720 | 1,401 | 486 | 615 |
| 1991-92 | 1,990 | 1,546 | 43,371 | 1,419 | 514 | 769 |
| 1992-93 | 1,946 | 1,579 | 43,024 | 1,364 | 344 | 543 |
| 1993-94 | 1,893 | 1,826 | 46,144 | 1,380 | 393 | 488 |
| 1994-95 | 2,081 | 1,622 | 46,747 | 1,481 | 524 | 557 |
| 1995-96 | 2,018 | 1,835 | 46,968 | 1,602 | 607 | 601 |
| 1996-97 | 2,053 | 1,912 | 43,521 | 1,607 | 540 | 506 |
| 1997-98 | 2,238 | 1,870 | 50,288 | 1,626 | 696 | 528 |
| 1998-99 | 2,170 | 1,928 | 47,784 | 1,731 | 648 | 511 |
| 1999-00 | 2,491 | 2,050 | 45,874 | 1,717 | 581 | 641 |
| 2000-01 | 2,325 | 2,021 | 45,376 | 1,741 | 439 | 624 |
| 2001-02 | 2,262 | 1,836 | 48,042 | 1,766 | 388 | 579 |
| 2002-03 | 2,388 | 2,013 | 47,324 | 1,858 | 701 | 622 |
| 2003-04 | 2,375 | 1,970 | 49,738 | 2,003 | 622 | 572 |
| 2004-05 | 2,568 | 1,995 | 48,906 | 2,848 | 793 | 760 |
| 2005-06 | 2,519 | 2,116 | 49,246 | 2,985 | 467 | 714 |
| 2006-07 P | 2,769 | 2,107 | 53,209 | 2,893 | 785 | 712 |

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 | (000 tonnes) | Value (Mln. Rs) |
| 1990-91 | 1,609 | 776 | 243 | 202 | 81 | 32 | 33 | 355 | 112 | 935 |
| 1991-92 | 1,630 | 787 | 295 | 44 | 109 | 38 | 36 | 373 | 125 | 966 |
| 1992-93 | 1,665 | 794 | 339 | 52 | 122 | 40 | 38 | 384 | 121 | 1,179 |
| 1993-94 | 1,849 | 839 | 442 | 53 | 153 | 45 | 40 | 402 | 127 | 1,324 |
| 1994-95 | 1,933 | 884 | 533 | 80 | 178 | 49 | 43 | 420 | 139 | 1,256 |
| 1995-96 | 1,960 | 908 | 554 | 82 | 191 | 49 | 72 | 442 | 135 | 1,487 |
| 1996-97 | 2,003 | 915 | 568 | 83 | 188 | 49 | 74 | 448 | 219 | 2,776 |
| 1997.98 | 2,037 | 917 | 573 | 94 | 189 | 49 | 74 | 455 | 202 | 2,793 |
| 1998.99 | 1,861 | 916 | 589 | 95 | 191 | 50 | 76 | 468 | 181 | 2,773 |
| 1999.00 | 1,943 | 938 | 377 | 125 | 120 | 32 | 40 | 494 | 240 | 4,130 |
| 2000-01 | 1,865 | 990 | 439 | 139 | 126 | 33 | 51 | 526 | 260 | 4,586 |
| 2001-02 | 1,830 | 1,037 | 367 | 150 | 125 | 26 | 53 | 538 | 290 | 5,097 |
| 2002-03 | 1,702 | 1,035 | 315 | 143 | 130 | 24 | 52 | 532 | 263 | 4,861 |
| 2003-04 | 1,760 | 1,056 | 334 | 175 | 211 | 24 | 51 | 550 | 354 | 5,912 |
| 2004-05 | 1,843 | 1,671 | 352 | 158 | 205 | 23 | 49 | 572 | 206 | 4,202 |
| 2005-06 | 2,458 | 1,754 | 351 | 164 | 197 | 23 | 49 | 552 | 262 | 5,394 |
| 2006-07 P | 2,438 | 1,720 | 350 | 155 | 190 | 24 | 49 | 555 | 223 | 5,288 |

P: Provisional (Jul-Mar)

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

TABLE 2.7

CROPWISE COMPOSITION OF VALUE OF MAJOR AGRICULTURAL CROPS
(AT CONSTANT FACTOR COST 1999-2000)

(%age share)

| Fiscal Year/ Crops | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|---|
| All Major Crops | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Food Crops | 63.30 | 62.32 | 60.34 | 62.66 | 63.52 | 61.55 | 63.28 | 64.00 |
| Rice | 15.40 | 15.62 | 14.54 | 15.85 | 16.94 | 15.28 | 17.30 | 15.75 |
| Wheat | 41.30 | 40.39 | 39.48 | 39.26 | 38.98 | 37.58 | 38.28 | 39.63 |
| Barley | 0.20 | 0.20 | 0.21 | 0.19 | 0.19 | 0.15 | 0.15 | 0.14 |
| Jowar | 0.40 | 0.44 | 0.46 | 0.39 | 0.46 | 0.31 | 0.27 | 0.29 |
| Bajra | 0.30 | 0.45 | 0.50 | 0.41 | 0.59 | 0.36 | 0.43 | 0.43 |
| Maize | 2.80 | 3.10 | 3.21 | 3.13 | 3.32 | 4.14 | 4.71 | 4.26 |
| Gram | 2.80 | 2.11 | 1.95 | 3.41 | 3.05 | 3.73 | 2.15 | 3.51 |
| Fibre Crops | 24.00 | 24.89 | 25.26 | 22.98 | 22.06 | 27.21 | 25.64 | 23.62 |
| Cotton | 24.00 | 24.89 | 25.26 | 22.98 | 22.06 | 27.21 | 25.64 | 23.62 |
| Cash Crops | 11.00 | 11.27 | 12.63 | 12.95 | 13.00 | 9.95 | 9.77 | 11.19 |
| Sugarcane | 11.00 | 11.27 | 12.63 | 12.95 | 13.00 | 9.95 | 9.77 | 11.19 |
| Other Crops | 1.60 | 1.52 | 1.77 | 1.41 | 1.43 | 1.28 | 1.31 | 1.19 |
| Sesamum | 0.20 | 0.34 | 0.47 | 0.12 | 0.15 | 0.16 | 0.20 | 0.16 |
| Rape Seed & mustard | 0.80 | 0.70 | 0.75 | 0.81 | 0.81 | 0.65 | 0.57 | 0.47 |
| Tobacco | 0.60 | 0.84 | 0.55 | 0.48 | 0.46 | 0.47 | 0.54 | 0.57 |

Source: Federal Bureau of Statistics

TABLE 2.8

## CREDIT DISBURSED BY AGENCIES

(Rs million)

| Fiscal Year | ZTBL a | Taccavi | Domestic Private Banks | PPCBL b | Commercial Banks | 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 | 12,056.00 | 44,790.40 |
| 2001-02 | 29,108.01 | .. | 592.82 | 5,127.54 | 17,486.12 | 52,314.49 |
| 2002-03 | 29,270.17 | .. | 1,421.11 | 5,485.39 | 22,738.60 | 58,915.27 |
| 2003-04 | 29,933.07 | .. | 2,701.80 | 7,563.54 | 33,247.45 | 73,445.86 |
| 2004-05 | 37,408.84 | .. | 12,406.82 | 7,607.47 | 51,319.78 | 108,732.91 |
| 2005-06 | 47,594.14 | .. | 16,023.38 | 5,889.40 | 67,967.40 | 137,474.32 |
| 2006-07 P | 34,529.86 | .. | 16,081.99 | 5,269.56 | 48,962.19 | 104,843.60 |

.. not Available

P: Provisional(Jul-Mar)

b: Punjab Provincial Corperative Bank Ltd.

a: Zarai Taraqiate Bank Limited, formerly Agriculture Development Bank of Pakistan

Source : i) State Bank of Pakistan
ii) Ministry of Food, Agriculture & Livestock

TABLE 2.9

FERTILIZER OFFTAKE AND IMPORTS OF PESTICIDES

| Fiscal Year | Fertilizer off-take (000 N/Tonnes) N | P | K | Total | Import of fertilizers 000 N/T | Import of Insecticides Quantity (Tonnes) | Value (Mln Rs) |
|---|---|---|---|---|---|---|---|
| 1990-91 | 1,471.63 | 388.50 | 32.75 | 1,892.88 | 685.00 | 13,030.14 | 1,489.43 |
| 1991-92 | 1,462.60 | 398.02 | 23.30 | 1,883.92 | 632.00 | 15,258.30 | 1,945.98 |
| 1992-93 | 1,635.34 | 488.20 | 24.07 | 2,147.61 | 759.10 | 14,434.80 | 1,730.60 |
| 1993-94 | 1,659.36 | 464.24 | 23.17 | 2,146.77 | 903.00 | 12,100.40 | 1,706.30 |
| 1994-95 | 1,738.12 | 428.40 | 16.54 | 2,183.06 | 261.00 | 21,776.10 | 2,978.10 |
| 1995-96 | 1,990.90 | 494.45 | 29.70 | 2,515.00 | 581.00 | 30,479.00 | 5,080.70 |
| 1996-97 | 1,985.10 | 419.51 | 8.40 | 2,413.01 | 878.10 | 30,855.90 | 5,272.49 |
| 1997-98 | 2,075.00 | 551.00 | 20.00 | 2,646.00 | 714.00 | 29,224.90 | 4,801.19 |
| 1998-99 | 2,097.00 | 465.00 | 21.00 | 2,583.00 | 866.00 | 31,893.40 | 5,515.12 |
| 1999-00 | 2,217.80 | 597.16 | 18.50 | 2,833.50 | 662.80 | 26,123.90 | 4,691.71 |
| 2000-01 | 2,264.49 | 676.73 | 22.75 | 2,966.03 | 579.10 | 21,255.00 | 3,476.50 |
| 2001-02 | 2,285.30 | 624.54 | 18.75 | 2,928.60 | 625.70 | 31,783.20 | 5,320.49 |
| 2002-03 | 2,349.11 | 650.17 | 20.49 | 3,019.76 | 766.10 | 22,242.00 | 3,420.93 |
| 2003-04 | 2,526.73 | 673.46 | 21.79 | 3,221.98 | 764.10 | 41,406.00 | 7,145.00 |
| 2004-05 | 2,796.42 | 865.11 | 32.51 | 3,694.04 | 784.71 | 33,968.00 | 6,303.00 |
| 2005-06 | 2,926.62 | 850.53 | 27.04 | 3,804.19 | 1,268.31 | 25,353.00 | 5,481.00 |
| 2006-07 P | 1,994.36 | 794.15 | 36.24 | 2,824.75 | 555.08 | 20,394.00 | 4,443.00 |

P Provisional, (Jul-Mar)

Source: 1. Federal Bureau of Statistics.
2. National Fertilizer Development Centre.

## TABLE 2.10

### AVERAGE RETAIL SALE PRICE OF FERTILIZERS

(Rs per bag of 50 Kgs/110lbs)

| Fiscal Year | Urea (46% N) | AN/CAN (26% N) | AS (21% N) | NP (23:23) | SSP(G) (18%) | DAP (18:46) | SOP (50% K) | NPK (10:20:20) |
|---|---|---|---|---|---|---|---|---|
| 1990-91 | 195.0 | 90.0 | 85.0 | 173.0 | 93.0 | 249.0 | 150.0 | 176.0 |
| 1991-92 | 195.0 | 95.0 | 90.0 | 173.0 | 93.0 | 272.0 | 150.0 | 176.0 |
| 1992-93 | 205.0 | 109.0 | 96.0 | 196.0 | 93.0 | 264.0 | 195.0 | 247.0 |
| 1993-94 | 210.1 | .. | 125.3 | 202.6 | 95.8 | 269.0 | 195.0 | 247.0 |
| 1994-95 | 235.0 | 150.0 | 164.0 | 250.0 | 150.0 | 379.0 | 195.0 | 247.0 |
| 1995-96 | 267.0 | 172.0 | 172.0 | 320.0 | 183.0 | 479.0 | 331.0 | .. |
| 1996-97 | 340.0 | 209.0 | 197.0 | 384.0 | 211.0 | 553.0 | 532.0 | .. |
| 1997-98 | 341.0 | 223.6 | 232.5 | 396.6 | 200.0 | 564.6 | 540.0 | .. |
| 1998-99 | 346.0 | 231.0 | 275.0 | 457.0 | 234.0 | 665.0 | 541.0 | .. |
| 1999-00 | 327.0 | 231.0 | 286.0 | 464.0 | 298.0 | 649.0 | 543.0 | .. |
| 2000-01 | 363.0 | 233.0 | 300.0 | 468.0 | 253.0 | 670.0 | 682.0 | .. |
| 2001-02 | 394.0 | 268.0 | 308.0 | 519.0 | 280.0 | 710.0 | 765.0 | .. |
| 2002-03 | 411.0 | 282.0 | 344.0 | 539.0 | 287.0 | 765.0 | 780.0 | .. |
| 2003-04 | 420.0 | 208.0 | 373.0 | 622.0 | 329.0 | 913.0 | 809.0 | .. |
| 2004-05 | 468.0 | 353.0 | .. | 704.0 | 373.0 | 1,001.0 | 996.0 | .. |
| 2005-06 | 509.0 | 395.0 | 744.0 | 710.0 | 407.0 | 1,079.0 | 1,170.0 | .. |
| 2006-07 P | 527.0 | 396.0 | 776.0 | 650.0 | 329.0 | 957.0 | 998.0 | .. |

.. Not available
P Provisional (Jul-Apr)
AN/CAN Ammonium nitrate/calcium ammonium nitrate.
ASN Ammonium super nitrate.
AS Ammonium sulphate.
NP Nitrophosphate.

Source: Federal Buearu of Statistics.
National Fertilizer Dev. Centre.

SSP: single super phosphate.
DAP: Diammonium phosphate.
SOP: Sulphate of potash.
NPK: 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 |
|---|---|---|---|---|---|---|---|
| 1990-91 | 7.89 | 0.13 | 0.08 | 2.56 | 5.87 | 0.22 | 16.75 |
| 1991-92 | 7.85 | 0.16 | 0.11 | 2.59 | 5.93 | 0.21 | 16.85 |
| 1992-93 | 7.91 | 0.18 | 0.10 | 2.67 | 6.23 | 0.24 | 17.33 |
| 1993-94 | 7.73 | 0.14 | 0.09 | 2.78 | 6.22 | 0.17 | 17.13 |
| 1994-95 | 7.51 | 0.17 | 0.10 | 2.83 | 6.41 | 0.18 | 17.20 |
| 1995-96 | 7.60 | 0.18 | 0.11 | 2.89 | 6.58 | 0.22 | 17.58 |
| 1996-97 | 7.81 | 0.18 | 0.11 | 2.88 | 6.61 | 0.26 | 17.85 |
| 1997-98 | 7.79 | 0.16 | 0.13 | 3.00 | 6.74 | 0.18 | 18.00 |
| 1998-99 | 7.67 | 0.17 | 0.09 | 2.98 | 6.88 | 0.16 | 17.95 |
| 1999-00 | 7.56 | 0.18 | 0.09 | 3.11 | 6.99 | 0.18 | 18.11 |
| 2000-01 | 6.98 | 0.16 | 0.10 | 3.19 | 7.22 | 0.17 | 17.82 |
| 2001-02 | 6.81 | 0.20 | 0.16 | 3.45 | 7.24 | 0.18 | 18.04 |
| 2002-03 | 7.06 | 0.21 | 0.17 | 3.37 | 7.21 | 0.20 | 18.22 |
| 2003-04 | 7.22 | 0.22 | 0.15 | 3.48 | 7.50 | 0.21 | 18.78 |
| 2004-05 | 7.00 | 0.25 | 0.19 | 3.46 | 7.70 | 0.24 | 18.84 |
| 2005-06 P | 7.06 | 0.28 | 0.20 | 3.58 | 7.78 | 0.22 | 19.12 |

P: Provisional

Source: Ministry of Food, Agroculture and Livestock

## TABLE 2.12(A)

### PROCUREMENT/SUPPORT PRICES OF AGRICULTURAL COMMODITES

(Rs per 40 kg)

| Fiscal | | Rice | | Paddy | | Sugarcane | | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Wheat | Basmati 385 | Irri-6 (F.A.Q) | Basmati 385 | Irri-6 (F.A.Q) | NWFP | Punjab | Sind | Baluch-istan |
| 1990-91 | 112 | 283.00 | 127.00 | 143.50 | 73.00 | 15.25 | 15.25 | 15.75 | .. |
| 1991-92 | 124 | 308.00 | 140.00 | 155.00 | 78.00 | 16.75 | 16.75 | 17.75 | 17.00 |
| 1992-93 | 130 | 340.00 | 150.00 | 175.00 | 85.00 | 17.50 | 17.50 | 17.50 | 14.75 |
| 1993-94 | 160 | 360.00 | 157.00 | 185.00 | 90.00 | 18.00 | 18.00 | 18.25 | 18.25 |
| 1994-95 | 160 | 389.00 | 170.00 | 210.90 | 102.60 | 20.50 | 20.50 | 20.75 | 20.75 |
| 1995-96 | 173 | 419.80 | 183.00 | 222.00 | 112.00 | 21.50 | 21.50 | 21.75 | 21.75 |
| 1996-97** | 240 | 461.78 | 210.45 | 255.30 | 128.80 | 24.00 | 24.00 | 24.50 | 24.50 |
| 1997-98 | 240 | .. | .. | 310.00 | 153.00 | 35.00 | 35.00 | 36.00 | 36.00 |
| 1998-99 | 240 | .. | .. | 330.00 | 175.00 | 35.00 | 35.00 | 36.00 | 36.00 |
| 1999-00 | 300 | .. | .. | 350.00 | 185.00 | 35.00 | 35.00 | 36.00 | 36.00 |
| 2000-01 | 300 | .. | .. | 385.00 | 205.00 | 35.00 | 36.00 | 36.00 | 36.00 |
| 2001-02 | 300 | .. | .. | 385.00 | 205.00 | 42.00 | 42.00 | 43.00 | 43.00 |
| 2002-03 | 300 | .. | .. | 385.00 | 205.00 | 42.00 | 40.00 | 43.00 | 43.00 |
| 2003-04 | 350 | .. | .. | 400.00 | 215.00 | 42.00 | 40.00 | 41.00 | .. |
| 2004-05 | 400 | .. | .. | 415.00 | 230.00 | 42.00 | 40.00 | 43.00 | 43.00 |
| 2005-06 | 415 | .. | .. | .. | 300.00 | 48.00 * | 45.00 * | 60.00 * | .. |
| 2006-07 P | 425 | .. | .. | .. | 306.00 | 65.00 | 60.00 | 67.00 + | .. |

FAQ Fair Average Quality

(Contd.)

.. Not applicable

** Rs.240/- w.e.f. April 3, 1997.

+ Fixed by respective Provincial Government

## TABLE 2.12(B)

### PROCUREMENT/SUPPORT PRICES OF AGRICULTURAL COMMODITES

(..Contd.) (Rs per 40 Kg)

| Fiscal Year | Cotton Lint | | | | Seed Cotton (Phutti) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Desi | AC-134, NT | B-557 149-F | Sarmast Qallan-dri Delta-pine MS-39-40 | Desi | AC-134, NT | B-557 F-149 Niab-78 | Sarmast Qallan-dri Delta-pine MS-39-40 | Potato | Onion |
| 1990-91 | 550 | 615 | 645 | 690 | 220 | 235 | 245 | 260 | 55 | 52 |
| 1991-92 | 662 | 685 | 715 | 745 | 255 | 270 | 280 | 290 | 65 | 60 |
| 1992-93 | 695 | .. | 770 * | 800 | 275 | .. | 300 * | 310 | 67 | 65 |
| 1993-94 | 726 | .. | 801 * | 831 | 290 | .. | 315 * | 325 | 77 | 78 |
| 1994-95 | 795 | .. | 986 * | 1055 | 340 | .. | 400 * | 423 | 84 | 78 |
| 1995-96 | 795 | .. | 986 * | 1055 | 340 | .. | 400 * | 423 | 84 | 85 |
| 1996-97 | .. | .. | .. | .. | 440 | .. | 500 * | 540 | 115 | 100 |
| 1997-98 | .. | .. | .. | .. | 440 | .. | 500 * | 620 | 145 | 112 |
| 1998-99 | .. | .. | .. | .. | .. | .. | 825 * | .. | 145 | 140 |
| 1999-00 | .. | .. | .. | .. | .. | .. | 725 * | .. | 145 | .. |
| 2000-01 | .. | .. | .. | .. | .. | .. | 725 * | .. | 145 | .. |
| 2001-02 | .. | .. | .. | .. | .. | .. | 780 | .. | .. | .. |
| 2002-03 | .. | .. | .. | .. | .. | .. | 800 | .. | .. | .. |
| 2003-04 | .. | .. | .. | .. | .. | .. | 850 | .. | .. | .. |
| 2004-05 | .. | .. | .. | .. | .. | .. | 925 | .. | .. | .. |
| 2005-06 | .. | .. | .. | .. | .. | .. | 976 | .. | .. | .. |
| 2006-07 P | .. | .. | .. | .. | .. | .. | 1,025 | .. | .. | .. |

.. not applicable

* Niab-78, CIM

Source: Ministry of Food, Agriculture & Livestock (APCOM)

TABLE 2.13

PROCUREMENT, RELEASES AND STOCKS OF WHEAT AND RICE

(000 tonnes)

| Fiscal Year | Wheat(May-April) Procure-ment | | Releases | Stocks (on 1st May) | | Rice Procured Basmati | Others | Stocks Balance (on 1st July) Basmati | Others |
|---|---|---|---|---|---|---|---|---|---|
| 1990-91 | 4,412.4 | | 5,608.0 | 1,508.0 | | 142.7 | 673.8 | 719.3 | 117.5 |
| 1991-92 | 3,159.0 | | 5,431.0 | 1,000.0 | | 121.6 | 370.3 | 486.8 | 314.7 |
| 1992-93 | 3,249.0 | | 5,143.0 | 505.0 | | 500.5 | 454.0 | 285.2 | 540.5 |
| 1993-94 | 4,120.0 | | 5,982.0 | 1,007.0 | | 144.9 | 681.4 | 224.8 | 541.2 |
| 1994-95 | 3,644.0 | | 5,999.0 | 776.0 | | 284.0 | .. | 236.4 | 848.5 |
| 1995-96 | 3,740.0 | | 5,139.0 | 385.0 | | 50.8 | 154.6 | 494.3 | 117.7 |
| 1996-97 | 3,448.0 | | 5,987.0 | 456.0 | | .. | .. | 159.4 | 187.9 |
| 1997-98 | 2,725.0 | | 5,794.0 | 902.0 | | .. | .. | .. | .. |
| 1998-99 | 3,984.0 | | 6,165.0 | 981.0 | | .. | .. | .. | .. |
| 1999-00 | 4,070.0 | | 6,131.0 | 702.0 | | .. | .. | .. | .. |
| 2000-01 | 8,582.0 | | 5,537.0 | 3,552.0 | | .. | .. | .. | .. |
| 2001-02 | 4,081.0 | | 3,376.0 | 3,683.0 | | .. | .. | .. | .. |
| 2002-03 | 4,045.0 | | 5,130.0 | 992.0 | | .. | .. | .. | .. |
| 2003-04 | 3,514.0 | | 4,104.0 | 161.0 | | .. | .. | .. | .. |
| 2004-05 | 3,450.0 | | 4,500.0 | 350.0 | | .. | .. | .. | .. |
| 2005-06 | 4,514.7 | | 2,088.0 | 2,107.0 | | .. | .. | .. | .. |
| 2006-07 | 5,000.0 | T | 5,985.4 | 499.1 | * | .. | .. | .. | .. |

.. not available

Source: Ministry of Food, Agriculture and Livestock.

* Stocks as on 1st May 2006.

T : Target

TABLE 2.14

## LIVESTOCK POPULATION

(million numbers)

| Fiscal Year | Buffaloes | 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 | | 0.8 | 3.6 | 0.3 | 0.1 |
| 1996-97 | 20.8 | 20.8 | 42.6 | 23.7 | 382.0 | | 0.8 | 3.6 | 0.3 | 0.1 |
| 1997-98 | 21.4 | 21.2 | 44.2 | 23.8 | 276.0 | | 0.8 | 3.2 | 0.3 | 0.1 |
| 1998-99 | 22.0 | 21.6 | 45.8 | 23.9 | 278.0 | | 0.8 | 3.8 | 0.3 | 0.1 |
| 1999-00 | 22.7 | 22.0 | 47.4 | 24.1 | 282.0 | | 0.8 | 3.8 | 0.3 | 0.2 |
| 2000-01 | 23.3 | 22.4 | 49.1 | 24.2 | 292.4 | | 0.8 | 3.9 | 0.3 | 0.2 |
| 2001-02 | 24.0 | 22.8 | 50.9 | 24.4 | 330.0 | | 0.8 | 3.9 | 0.3 | 0.2 |
| 2002-03 | 24.8 | 23.3 | 52.8 | 24.6 | 346.1 | | 0.8 | 4.1 | 0.3 | 0.2 |
| 2003-04 | 25.5 | 23.8 | 54.7 | 24.7 | 352.6 | | 0.7 | 4.1 | 0.3 | 0.2 |
| 2004-05 | 26.3 | 24.2 | 56.7 | 24.9 | 372.0 | | 0.7 | 4.2 | 0.3 | 0.3 |
| 2005-06 | 28.4 | 25.5 | 61.9 | 25.5 | 386.5 | | 0.7 | 4.3 | 0.3 | 0.3 |
| 2006-07 * | 27.3 | 29.6 | 53.8 | 26.5 | 401.0 | P | 0.9 | 4.3 | 0.3 | 0.2 |

Source: Livestock Division

* : Population figures are actual figures of Livestock Census 2006.

P: Provisional

## TABLE 2.15

LIVESTOCK PRODUCTS

(000 tonnes)

| Fiscal Year | Milk @ | Beef | Mutton | Poultry Meat | Wool | Hair | Bones | Fat | Blood | Eggs (Mln.Nos.) | Hides (Mln.Nos.) | Skins (Mln.Nos.) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1990-91 | 15,481 | 765 | 665 | 151 | 48.1 | 7.9 | 259.0 | 101.8 | 40.1 | 4,490 | 5.9 | 32.7 |
| 1991-92 | 16,280 | 803 | 713 | 169 | 49.3 | 8.3 | 265.0 | 104.5 | 42.5 | 4,914 | 6.0 | 33.9 |
| 1992-93 | 17,120 | 844 | 763 | 265 | 50.5 | 8.1 | 271.0 | 107.2 | 45.1 | 5,164 | 6.1 | 36.0 |
| 1993-94 | 18,006 | 887 | 817 | 296 | 51.7 | 9.0 | 277.0 | 110.0 | 47.3 | 5,740 | 6.2 | 37.8 |
| 1994-95 | 18,986 | 931 | 875 | 308 | 53.1 | 9.4 | 283.0 | 113.0 | 50.7 | 5,927 | 6.3 | 39.3 |
| 1995-96 | 22,970 | 898 | 587 | 355 | 38.1 | 15.6 | 295.7 | 110.1 | 32.0 | 5,757 | 7.0 | 32.7 |
| 1996-97 | 23,580 | 919 | 602 | 387 | 38.3 | 16.2 | 302.3 | 112.6 | 32.8 | 6,015 | 7.1 | 34.5 |
| 1997-98 | 24,215 | 940 | 617 | 284 | 38.5 | 16.7 | 309.2 | 115.2 | 33.6 | 5,737 | 7.3 | 35.3 |
| 1998-99 | 24,876 | 963 | 633 | 310 | 38.7 | 17.3 | 316.3 | 117.8 | 34.4 | 8,261 | 7.5 | 36.3 |
| 1999-00 | 25,566 | 986 | 649 | 322 | 38.9 | 17.9 | 324.0 | 120.6 | 40.9 | 7,321 | 7.6 | 37.2 |
| 2000-01 | 26,284 | 1,010 | 666 | 339 | 39.2 | 18.6 | 331.4 | 123.5 | 41.8 | 7,505 | 7.8 | 38.2 |
| 2001-02 | 27,031 | 1,034 | 683 | 355 | 39.4 | 19.3 | 339.4 | 126.5 | 42.9 | 7,679 | 7.9 | 39.2 |
| 2002-03 | 27,811 | 1,060 | 702 | 370 | 39.7 | 19.9 | 347.6 | 129.7 | 44.0 | 7,860 | 8.2 | 40.3 |
| 2003-04 | 28,624 | 1,087 | 720 | 378 | 39.9 | 20.7 | 356.2 | 132.9 | 45.2 | 8,102 | 8.4 | 42.4 |
| 2004-05 | 29,438 | 1,115 | 739 | 384 | 40.0 | 20.7 | 365.1 | 136.3 | 45.2 | 8,529 | 8.4 | 42.6 |
| 2005-06 | 31,294 | 1,174 | 782 | 463 | 40.7 | 23.2 | 384.0 | 143.5 | 49.0 | 9,057 | 9.1 | 45.2 |
| 2006-07 * | 33,230 | 1,237 | 827 | 514 | 41.2 | 25.0 | 404.0 | 151.1 | 51.7 | 9,618 | 9.6 | 48.0 |

Source: Livestock Division

* : Production estimates may change after the reciept of Complete Livestock Census 2006 reports/figures.

@: Human Consumption

# MANUFACTURING AND MINING

### 3.1 Introduction

The overall manufacturing sector continued on its strong positive trend during the current fiscal year. Overall manufacturing recorded an impressive and broad based growth of 8.45 percent, against last year's growth of 9.9 percent. Large-scale manufacturing, accounting for 69.5 percent of overall manufacturing registered an impressive growth of 8.75 percent in the current fiscal year 2006-07 against last year's achievement of 10.68 percent. There has been a slight decline in growth in the manufacturing sector due to multiple reasons like reduced production of cotton crop, sugar shortage, steel and iron problems and the last but not the least global oil prices. All of these reasons contributed to reduced growth in 2006-07 but high levels of liquidity in the banking system, an investment friendly interest rate environment, a stable exchange rate, low inflation, comfortable foreign exchange reserves, stronger domestic demand for consumer durables and high business confidence among other things will again boost the manufacturing sector growth rate up to a reasonable level.

The main contributors to this impressive growth of 8.75 percent in July-April 2006-07 over last year are cotton cloth (7.0 percent) and cotton yarn (11.9 percent) in the textile group; cooking oil (6.8 percent), sugar (19.6 percent) and cigarettes (4.14 percent) in the food, beverages and tobacco groups; cement (21.11 percent) in the non-metallic mineral products group and Jeeps & Car (3.0 percent), LCV's (17.04 percent), motorcycles/scooters (12.30 percent) and tractors (11.40 percent) in the automobile group. The individual items exhibiting negative growth include; both nitrogenous and phosphatic fertilizers (0.08 percent and 3.10 percent), petroleum products (5.59 percent) and galenicals (24.49 percent).

According to statistics T.V sets has shown a marked decrease by posting a negative growth of 39.09 percent during the year under review. Similarly, production in 42 reporting units comprising of printing, writing packing, paper board and chip board units declined by 1.54 percent during July -April 2006-07. The shortage of raw material such as wheat, straw etc. is the basic reason of this lull in production. Whereas the production of buses in the country has increased from a negative 53.18 percent during the last fiscal year to a healthy 21.28 percent in FY07 (see Table 3.1)

During the period July-April 2006-07 automobile industry recorded some what subdued growth in assembling/manufacturing business. The production of cars increased by 3.0 percent, LCVs 17.04 percent, Tractors 11.4 percent, buses 21.2 percent and motorcycles 12.3 percent. On the other hand, during the same period, negative growth rate was recorded for trucks (2.4%). Similarly, production of bicycles has also declined by 16.5 percent. Few of the reasons for this decline may be that manufacturers of Sohrab Cycles have slowed down due to labour problems and another unit has shifted to auto-parts manufacturing. In addition, there is also less demand for locally produced cycles, whereas imported cycles are more in demand in the country.

**Table 3.1 Production of Selected Industrial Items of Large-Scale**

| Item | Units | July-April | | | | |
|---|---|---|---|---|---|---|
| | | 2004-05 | 2005-06 | 2005-06 | 2006-07 | % Change |
| Cotton Yarn | 000 tonnes | 2280.6 | 2546.5 | 2115.8 | 2369.3 | 11.9 |
| Cotton Cloth | Mln.Sq. Mtr | 924.7 | 930.3 | 745.7 | 797.8 | 7.0 |
| Sugar | 000 tons | 3116 | 2960.0 | 2941.1 | 3517.5 | 19.6 |
| Nitrogenous Fertilizer | 000 N. tons | 2315.4 | 2411.8 | 1991.3 | 1989.8 | (0.08) |
| Phosphatic Fertilizer | 000 N. tons | 393.3 | 415.1 | 341.8 | 331.2 | (3.10) |
| Soap & Detergent | 000 tonnes | 209.2 | 242.6 | 199.4 | 207.8 | 4.2 |
| Vegetable Ghee | 000 tonnes | 1048.3 | 1146.4 | 969.4 | 984.1 | 1.52 |
| Cooking Oil | 000 tonnes | 226.2 | 256.5 | 209.8 | 224.2 | 6.8 |
| Cement | 000 tonnes | 16353 | 18483 | 15214 | 18426 | 21.11 |
| Cigarettes | Billion Nos. | 61.1 | 64.1 | 52.2 | 54.3 | 4.14 |
| Jeep& Cars | Nos. | 128381 | 163114 | 129754 | 133629 | 3.0 |
| Tractors | Nos. | 43746 | 49439 | 39745 | 44274 | 11.40 |
| L.C.V | Nos. | 23613 | 29581 | 23494 | 27498 | 17.04 |
| Motorcycles / Scooters | Nos. | 571145 | 744875 | 607084 | 681752 | 12.30 |
| Bicycles | 000 Nos. | 587.9 | 587.1 | 498.9 | 416.6 | (16.50) |
| Paper & Paper Board | 000 tonnes. | 420.6 | 476.2 | 394.9 | 388.8 | (1.54) |
| T.V Sets | 000 Nos. | 908.8 | 966.4 | 799.6 | 487.0 | (39.09) |
| Motor Tyres | 000 Nos. | 5366 | 5966 | 4787 | 5610 | 17.19 |
| Billets | 000 tonnes | 2714.7 | 3508.1 | 2794.0 | 3106.3 | 11.18 |
| Refrigerators | 000 Nos. | 784.6 | 861.6 | 658.2 | 722.7 | 9.80 |
| Caustic Soda | 000 tonnes | 206.7 | 219.3 | 180.4 | 201.3 | 11.61 |

Source: Federal Bureau of Statistics

### 3.2 Textile Related Industries

The Post Quota scenario has dramatically changed the global trade patterns. With the complete phase-out of quotas, the textile & clothing sector has been experiencing wide ranging changes. With the opening of world markets and increased global competition, there is a new focus required for textile companies to increase their success rate. The winning formula now is much more based on internal competences and performance than on political or trade issues.

This liberalization has been controversial because both textiles and clothing account for large shares of employment in developing countries, particularly in South Asia. The trade liberalization process is creating huge uncertainty among textile producing countries, workers and enterprises worldwide. It has increased fears and hopes in both importing and exporting countries. However, it is certain that some countries would benefit from the opening of markets, while others would encounter growing difficulties as a result of increased international competition. The magnitude of gains and losses is a matter of considerable debate. As a result of changing global buyers' strategies, there would be considerable consolidation of production, both between countries and within countries.

Many developing countries are highly dependent on textile and apparel exports, which often accounts for a significant share of their total industrial goods export and hence export earnings, creating a high degree of dependency on this sector. The developing countries including Pakistan are most prone to this dependence and are equally prone to sensitivity as global market is becoming highly competitive.

#### 3.2.1 Textile Industry in Pakistan

Pakistan's textile industry ranks amongst the top in the world. Pakistan is world's fourth largest producer of cotton and the third largest consumer of the same. Cotton based textiles contribute over 60% to the total exports, accounts for 46% of the total manufacturing and provide employment to 38% manufacturing labor force. The availability of cheap labor and basic raw cotton as raw material for textile industry has played the principal role in the growth of the Cotton Textile Industry in

Pakistan. With the advent of the quota free global regime spear headed by the WTO it has become imperative for a rapidly developing country like Pakistan to further explore potential new markets both in its neighboring territories as well as distant ones. In this context, Pakistan has signed a Free Trade agreement (FTA) with China. This FTA is predicted to bring around $5 billion increase in our trade volume with China which is going to consist mostly of textile related commodities. Economic analysts have already dubbed this pact as the *Cotton Road to China*. In order to fully avail the concessions under the agreement the Government is strongly committed to further strengthening the textile sector in the country. Pakistan's textile industry had proven its strength in global market during the last four decades. It has proved its strength even in post quota era (2005) by not only sustaining its position but also showing growth of 5% over 2005. However the Garment Sector especially the Knitwear Garment Sector needs special support.

The current scenario posses challenges firstly to sustain its global positioning and secondly to increase its market share by both increase in volume as well as increase in unit values. The unit value can be increased only through marked improvement in quality, market tie-up, image building and change in business philosophy. This requires upgradation in resource development both in manufacturing and marketing. The focus should be on R & D, technical innovation, product development on one hand and brand & market development on other with the goal of moving up in the global textile value chain.

The performance of textile industry during the last five years has been satisfactory. The market was responsive, the Government policy was supportive and inputs were viable. The industry made profits and re-invested in new machinery for balancing, modernizing, and restructuring (BMR) and expansion. The industry made an investment of approx. $ 6.0 Billion during the period 1999-2006. Textile Machinery worth $.0.8 billion has been imported during 2005-06 (see Table 3.8). The major investment has been made in spinning, weaving, Textile Processing and making up sectors. Approx. 454,000 new direct jobs have been created and industry has been able to make increase production and exports. Import of textile machinery, which is the single largest item in the machinery group, accounted for $ 771.500 million in 2005-06. This shows that investment for modernization of textile industry, which started four years ago, still continues. This resulted into substantial increase in capacities of all products. Consequently, yarn production has increased by 12% and cloth production by 7%. The exports showed positive improvements and cotton textile export grew from $ 9.20 billion in 2004-05 to $ 10.37 billion in 2005-06 and is expected to exceed $12 billion in 2006-07.

With the broad focus on framework of a knowledge, technology and value-addition improvements, the Ministry of Textile (MINTEX) is striving hard to achieve the objectives of availability of high quality cotton, developing the entire textile value chain at par with international best practices, expanding the textile sector to produce value-added garments along with new innovative products, developing a state of the art infrastructure, augmenting investment in human resource management and enlarging our textile and clothing exports.

The Industry's market competitiveness is dependent to a considerable degree on the operating environment in Pakistan as shaped by factor costs, gas, human resource development (academic / vocational); marketing support; taxation and investment policies and infra-structure development. At the moment, a relatively small number of companies match international levels for quality however most companies are aiming to improve their competitiveness via cost and quality control in the changing market environment of today.

**Table-3.2 : Import of Textile Machinery**

| Year | Million US $ | % Change |
|---|---|---|
| 1999-2000 | 210.9 | 28.6 |
| 2000-01 | 370.2 | 75.5 |
| 2001-02 | 406.2 | 9.9 |
| 2002-03 | 531.9 | 30.7 |
| 2003-04 | 597.9 | 12.4 |
| 2004-05 | 928.6 | 55.3 |
| 2005-06 | 771.5 | -17.0 |
| 2006-07 (Jul-Mar) | 427.8 | |
| Total | 4245.0 | |

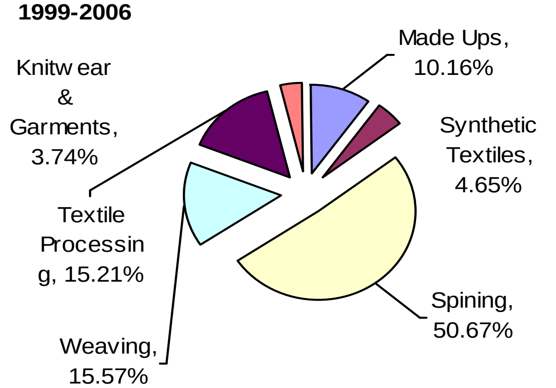
*Source: Federal Bureau of Statistics*

**Reforms in the Textile Sector**

The Ministry of textile Industries (MINTEX) is currently in the process of implementing and finalizing various initiatives in the following areas: contamination-free cotton to cater to the demand of quality raw material for

the finished products; technological up-gradation at the ginning, weaving, processing and garment production level; product diversification and value-addition through better materials, accessories and design inputs; up gradation of the weaving sector with air jet and water jet looms along with zero rated duties; encouragement of integrated as well as horizontal garment industries on the basis of R&D and technological support for the garments sector; introduction of cotton hedge trading to promote marketing of cotton; testing facilities for increasing compliance and conformity assessment; and augmenting the institutional capacity in the field of research by setting up of R&D Cell within the Ministry.

**Fig-3.1 : Sectoral Shares in Total Investment in the Sector ($ 6.0 billion), 1999-2006**




In order to accelerate the growth of textile sector and to resolve issues of supply chain management and value addition, MINTEX has taken a number of proactive measures since its inspection. These include: *Pakistan Textile City Project*; The principal objective of the textile city is to develop and manage a state-of-the-art industrial zone on 1,250 acres dedicated to value added textile units in order to avail the opportunities arising out of the decision to remove of quota's applicable in the WTO Agreement on textile and clothing from January 2005. For this project 700 acres were acquired in the start of 2006 while remaining 550 acres were made available in January 2007. The Government also announced the setting up of three garment cities at *Karachi, Lahore and Faisalabad* under the Trade Policy 2003-04. The purpose of this projects is to provide facilities and necessary infrastructure to the textile sector with a view to promoting value added garments (woven and knitted), home textiles, made ups and accessories to the international markets. The EDF Board approved a sum of Rs.1.425 billion for the three garment cities. This project is expected to attract foreign investors who would be willing to rent state-of-the art manufacturing factory space rather than commit their capital in land, utilities and construction. It will also increase the proportion of value added products in textile exports, generate employment and lead to higher per capita productivity and reduced wastage because of in house training and laboratory testing facilities provided by the project. The Textile Garments Skill Development Board; was set up in October, 2005 and is primarily charged with carrying out skill development of workers for the garments industry within the garment units including the objectives of production of contamination-free cotton, project financing for small and medium entrepreneurs in high value added textile sectors, review of domestic and international prices of cotton to ensure a fair return to growers, maintaining stability in domestic prices and establishing liaison with all stakeholders from cotton growers to textile exporters for removing any bottlenecks in implementation of the recommendations. It is expected to train 10,000 - 12,000 stitching machine operators in these units in the span of just one year to build a critical mass of skilled workers. The scope of these training programs is to be widened to Terry Towel and Bed Lenin sectors during the current financial year. Presently, the training program is continuing in 30 units which are enrolling candidates in consecutive batches. Contamination of cotton is a very serious problem affecting the local spinning industry and the export of textile relatively. In order to tackle this problem, it was decided by the Government to launch the Clean Cotton Program in collaboration with Trading Corporation of Pakistan and Provincial Agriculture Departments, which included payment of premium at Rs. 50 per mound to growers directly. The government had sanctioned an amount of Rs. 35 million for this purpose.

### 3.2.2 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

Cotton is a natural fiber used primarily as a raw material for textiles. Leading producers of cotton include USA, China, India, Pakistan, Uzbekistan and Turkey. The current market share of cotton is 56 percent in all fibers. Textile fibers are divided into three basic types according to their sources such as Cotton Fiber, Man Made Fiber and Wool. In the last ten years, the percentage share of cotton has shrunk from 48% to 39% in the total world fiber consumption. Man-made fibers that include polyester, acrylic, nylon, rayon and viscose have taken more than 58 percent of the total share. Polyester has by far the largest share within the man-made fibers, which is more than 80 percent.

Ginning is the first mechanical process involved in the processing of cotton. Ginning is the process for separating lint from seed to cotton. The ginning industry has mushroomed in the cotton growing areas of Pakistan informally, without adequate regulations. There are 1,221 ginning factories in the country. Ginning industry has installed capacity of more than one million bales on a single shift basis and a total capacity of around 20 million bales on three shift bases, part of which lies unutilized.

#### ii) Cotton Spinning Sector

Spinning is the process of converting fibers into yarn. This is the first process of value chain that adds value to cotton converting ginned cotton into cotton yarn. If spinning industry produces sub-standard yarn, its effect goes right across the entire value chain.

**Table 3.3: Installed and Used Capacity in Weaving Sector (Nos.)**

| Category | Installed Capacity | Effective/ Capacity Worked |
|---|---|---|
| a) Integrated Textile Units | 9322 | 4705 |
| b) Independent Weaving Units | 27500 | 27000 |
| c) Power Loom Sector | 295442 | 285442 |
| Total | 332264 | 317147 |

*Source: Textile Commissioner Organization.*

Pakistan has the third largest spinning capacity in Asia with a spinning capacity of 5% of the total world and 7.6% of the capacity in Asia. Pakistan's growth rate in this sector has been 6.2% per annum and is second only to Iran amongst the major players. At present, it comprises 500 textile units (50 composite units and 450 spinning units) with 9.3 million spindles and 136 thousand rotors in operation with capacity utilization of 82 percent and 65 percent respectively, by end March 2007.

#### iii) Weaving & Made-up Sector

The pattern of cloth production is different than spinning sector. There are three different sub-sectors in weaving viz, integrated, independent weaving units, and power loom units. Investment has taken place in shuttle less loom, both in integrated and independent weaving sector. Further investment in this sector will be forthcoming in the medium term. The Power Loom Sector has modernized and registered a phenomenal growth over the last two decades. The growth in power loom sector is to a larger extent a result of the government policies pursued this far as well as increased demand for the product. This sector is producing comparatively low value added grey cloth of mostly inferior quality. The problems of the Power Loom Sector revolve round access to credit facilities to modernize their equipment as well as purchase of yarn especially when the prices of yarn increase and the prices of cloth increase with a time lag.

There is a 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 far better than last year.

### iv) Cotton Cloth

While the production of cloth in mill sector is reported, the same is not true with production of non-mill sector. Output of the non-mill sector is estimated although its output is seven times more than the mills sector. The production of cotton cloth had increased substantially. The production of cloth, both from mills and non-mills sector have registered an impressive growth of 8.69 percent during July-March 2006-07 (see Table 3.4). This sector showed growth and thus served as the main strength for down stream sectors like Bed wear – Made-up & Garments.

**Table 3.4: Production of Cloth (M. Sq. Mtrs)**

| Category | 2005-06 (Jul-Mar) | 2006-07 (Jul-Mar) | % Change |
|---|---|---|---|
| Mill Sector | 662.888 | 714.896 | 7.85 |
| Non-Mill Sector | 5271.500 | 5735.438 | 8.80 |
| Total | 5934.388 | 6450.334 | 8.69 |

*Source: Textile Commissioner Organization.*

### v. Textile Down-Stream 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 12,000 Knitting Machines spread all over the country. The Capacity utilization is approx 70%. 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.

#### b. Readymade Garment Industry

Pakistan with total exports of around US$ 1 billion has a meager share of 1% in the global apparel market. The apparel export product mix from Pakistan is heavily tilted towards men's wear and knitted garments.

The Garment Industry provides highest value addition in Textile Sector. This 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. The industry enjoys the facilities of duty free import of machinery and income tax exemption. This sector has tremendous Export Performance for the future.

#### c. Towel Industry

There are about 7500 Towel Looms in the country in both Organized and unorganized sector. This Industry is dominantly export based and its growth has all the time depended on export outlets. Over 300 percent increase in export of towels in the past indicate that tremendous possibilities exist for further expansion provided the existing towels manufacturing factories are up geared to produce higher value towels.

#### d. Tarpaulin & Canvas

Canvas exports can be subdivided into five categories i.e. tarpaulins, awnings and sun blinds, tents, sails, pneumatic mattresses and camping goods. Although all of the different types of canvas are being manufactured in Pakistan but it has acquired a degree of specialization in the manufacture of tarpaulins and canvas. Being the highest raw cotton consuming sector its production capacity is more than 100 million square meters and around 90 percent of its production is exported. This value-added sector has also great potential for export. The 90% of its production is exported while 5-10% is consumed locally by Armed Forces Food Department.

Pakistan is the cheapest source of supply of Tents and Canvas.

**e. Synthetic Fiber Manufacturing Sector**

This sector has made progress in line with demand of the Textile Industry. Presently there are seven (7) Polyester Fiber Units with production Capacity of 625000 Tons per annum, two acrylic fiber units of which one unit (M/s. Dewan Salman) 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 M.M. Fibers is permissible to supplement the local production.

**vi. Filament Yarn Manufacturing Industry**

The Synthetic filament yarn manufacturing industry picked up momentum during 5th Five Year Plan when demand and hence imports increased and private sector was permitted to make feasible investment in the rising market conditions. Today following three kinds of filament yarn are manufactured locally:-

**Table 3.5: Capacity of Synthetic Filament Yarn**

| Type of yarn | No of Units | Production of Capacity (Metric. Tons) |
|---|---|---|
| Acetate Rayon Yarn | 1 Units | 3000 |
| Nylon Filament Yarn | 3 Units | 2000 |
| Polyester Filament Yarn | 21 Units | 95000 |

Source: Textile Commissioner's Organization

Production capacity of Polyester Filament Yarn has increased while the demand for local synthetic weaving industry is stagnating: the production filament fabrics is not picking up as their exports sales are not feasible and local market is heavily flooded with smuggled goods. The Production of Polyester Filament Yarn is approx. 78000 Tons per annum. Government in the last year reduced in duty on filament yarn. While it was helpful to the Synthetic Weaving Units, its impact on the Filament industry is evident in the form of closure. Recently Hosiery sector has started consuming synthetic yarns for export of Knitted Garments which are both value added as well as diversified in product.

**vii. Art Silk and Synthetic Weaving Industry**

Art Silk and Synthetic Weaving Industry has developed over the time on cottage based Power Looms Units comprising of 08-10 looms spread all over the country. There are approximately 90,000 looms in operation of which 30,000 looms are working on blended yarn and 60,000 looms on filament – yarn. Besides there are some mobile looms which have become operational on market demand. The major concentration is in Karachi – Faisalabad, Gujranwala, Jalalpur Jattan as well as in the un-settled area (Bara – Sawat – Khyber Agency and Waziristan).

### 3.3 Other Industries

Although Pakistan is a large exporter of cotton and textile related products in the world market. Still this does not mean that this is the only part of manufacturing in the country which isgrowing. During the last couple of years Pakistan has made huge strides in other industries as well. Some of these are documented below:

#### 3.3.1 Engineering Sector

Engineering sector accounts for 63% share in world trade. Achieving any significant share of the world trade in engineering goods and services will require concerted efforts by Pakistan in gearing up our universities, poly-techiniques and factories for the kind of manufacturing prowess and design capabilities required by the world market. In this context an important step has been taken by the restructuring of the Engineering Development Board (EDB).

Engineering Development Board has been assigned the task of strengthening the engineering sector and integrating it with the world market to make it the driving force for economic growth. EDB is in the forefront of global integration and export promotion of engineering goods and services sector of Pakistan. As part of its engineering goods export promotion strategy to integrate ambitious and capable engineering companies with the global supply chain, EDB has so far facilitated 100 Pakistan engineering companies to participate in world's leading technology fairs either as exhibitors or as members of business delegations. EBD has embarked upon a detailed sector development program of sectors/sub-sectors with the objective to become part of international supply chain and to determine the indigenous capabilities/capacities and assess export potential of these sectors.

Formulation of *New Automotive Policy* in order to expand capacity and provide a conducive environment to the auto sector has also been assigned to EDB. A draft policy document was circulated to all stake holders on 11th November 2006 to seek stakeholders' comments. Five year (2007-2012) pre-announced import tariffs for Car/LCV were approved by Economic Coordination committee (ECC). New Entrant Policy for Car/LCV was also announced, having exemption from Tariff Based System for 3 years. Non tariff part of AIDP i.e., incentivising technology acquisition, HRD, Productive Asset Investment Incentives and R & D are being finalized as well.

As part of government's National Trade Corridor, EDB has been mandated to work on a *Road Freight Strategy* with special focus on Modernization of Trucking /Trailer Sector to cater to the growing trade needs of the country as well as integration with the regional markets.

**a. Automobile Sector**

Despite increase in the production of cars in the country, the demand of cars in market is increasing day by day. The production of cars has registered an increase of 130841 units as compared to last year's figure of 127738 (2.4%). Production of buses also increased to 758 from 625 (21.3%) in 2005-06 (July-April) whereas those of LCV's grew by 17.04 percent during the same period. Production of motor cycles increased by 12.30 percent during July-April 2005-06 (see Table 3.6). At the moment there are 47 units producing motor cycles all over the country with an installed capacity of 1648000. Out of these 47 only 6 are members of Pakistan Automotive Manufacturers Association (PAMA) and are hence reporting their production figures to them. Five new units will start production of motor cycles in the upcoming year. The production and sale of motorcycles is taken as an indirect measure to ascertain the standard of living of the middle class of Pakistan. Motor cycles are considered as one of the cheapest means of transport especially in rural areas for its price tag as well as its durability and affordable petrol consumption. The production of motorcycles remained more or less stable during the late nineties but has sky rocketed since 2000-01 and further projections show it to be increasing even at a faster rate. Since production and sale of motor cycles have been taken as being synonymous with the standard of living of the middle class, we can safely say that the outstanding growth and economic stability achieved by the country during the last couple of years has slowly but steadily started trickling down to the masses.

The auto policy envisages an investment of Rs. 250 billion in the next five years and make achievable 0.5 million cars per annum as envisaged in the auto policy. Most of this investment will be made by the vendors for capacity expansion to meet the target of 500,000 vehicles per annum by 2011-2012. By introducing the new auto policy the government also wanted to ensure production of quality vehicle matching the production standards of an auto giant like Japan. For this reason an institute will be in place by the end of this fiscal year to enhance skill training in the automobile sector. The policy will offer incentives to the automobile sector for the export of auto parts. This will also have targets for the industry and encourage local production of higher value-added components of automobile. Furthermore, a new cluster for auto sector will also be developed in Karachi.

**Table 3.6: Installed and Operational Capacity of Automobile Industry (Numbers)**

| Item | Inst. Capacity (Single Shift ) | 2005-06 | July-April | | |
|---|---|---|---|---|---|
| | | | 2005-06 | 2006-07 | % Change |
| Cars | 164000 | 160,058 | 127,738 | 130,841 | 2.4 |
| Trucks | 17500 | 4518 | 3746 | 3655 | (2.4) |
| Buses | 3900 | 825 | 625 | 758 | 21.3 |
| LCV's / Jeeps | 32500 | 32,053 | 25,510 | 30,354 | 19.0 |
| Tractors | 50000 | 49439 | 39745 | 44274 | 11.4 |
| Motorcycles | 733000 | 744875 | 607084 | 681752 | 12.3 |

*Source: Pakistan Automobiles Manufacturers Association (PAMA).*

The automobile industry of Pakistan can achieve sustained growth, as there is a growing demand from local consumers along with potential to export in foreign markets. The future of this "Industry of Industries" can be quite promising for the overall economy provided that there is a balance between production levels of vendors and assemblers, stable policies, continuity of governmental policies and assistance in financing investment and taxation.

### 3.3.2. Fertilizer Industry

There are about six urea manufacturers in the country of which four are listed at the local stock exchanges. These include Fauji Fertilizer Company Limited, Engro Chemicals, Fauji Fertilizers Bin Qasim (FFBL) and Dawood Hercules Company Limited. Fauji Fertilizer is the largest player in the fertilizer sector with a 44 percent market share, while Engro, as the second largest urea manufacturer has about 17 percent market share. Only one fertilizer manufacturer, FFBL, produces DAP in the country, with 68 percent of the DAP usage imported. The production of Urea, Ammonium Nitrate and Di-Ammonium Phosphate, which is 91 percent of all the fertilizer products increased by 0.75 percent, 1.00 percent and 3.88 percent during July - April 2006-07. The production of other products declined, Nitrogen Phosphate Potash (NPK) by 31.30%, as low-sale forecasting resulted in production adjustment and S. Phosphate by 12.6%, as the plant remained un-operational due to mechanical reasons.

The fertilizer industry is currently facing a urea supply shortfall and by end August 2006, the proportion of imports in total urea off take had increased to about 13%. Over the last 5 years, the average urea off take growth was 5.1%. Urea manufacturers are running at 100% plus capacity utilization levels and two manufacturers are considering expanding capacity to fill-in the growing demand supply gap. For the purpose of balanced use of fertilizer, the GoP has recently announced subsidy of Rs. 250/ per bag on DAP. This move is likely to improve DAP off take in the country. The average growth in DAP off take over the last 5-years has been 3.4%.

The Government of Pakistan provides an indirect subsidy to fertilizer manufacturers by selling feedstock gas (80% of the raw material cost) at approximately 50% lower rates compared to the price for commercial users. The price of urea has grown at an average rate of 8% in the last 5 years and currently a 50kg bag of urea costs about Rs. 535 to the farmer. On the flip side, imported urea costs GoP at least Rs. 1200/bag. The heavy burden of imported urea's cost is being borne by the GoP, while its distribution is local manufacturers' responsibility on a '*zero profit*' margin.

In the face of rising urea supply shortfall, the GoP has recently awarded a 100MMCFD gas reserve to Engro Chemical. The company is in the process of arranging finances in order to start building a production facility. 100MMCFD gas would allow Engro to increase its urea production by approximately 1.1million tons and when the facility comes online in 2010, Engro's market share on annualized basis would increase to about 35% against existing 17%. FFBL is also in the process of increasing its urea and DAP production capacity.

### 3.3.3. 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 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 kg per capita for the world. The demand for paints and varnishes is rising due to the resurgence of housing and construction sector. During July-April, 2006-07, the production of paints and varnishes both solid and liquid grew by 43.80 percent and 14.11 percent, respectively.

### 3.3.4. Cement Industry

The last few years have been a golden period for local cement manufacturers, where improving economic fundamentals, government of Pakistan's increased spending on infrastructure development, high commercial activity and rising demand for housing on account of higher income, has kept cement off take growth in double digits. During FY07, cement sales registered a growth of 31% to 17.53 million tons versus 13.35 million tons sold in the corresponding period of last year. Local sales grew by 26 percent and reached at 15.38 million tons, while exports increased massively by around 85 percent.

The cement industry comprises about 27 firms of which over 21 firms are listed cement manufacturers. The industry is divided into two broad categories; the Northern Region and the Southern Region. The northern region has over 87% share in total cement dispatches while the manufacturers based in the Southern region only contribute 13% on average to the annual cement sales.

Cement's demand side of the equation is pretty strong on the back of 1) GoP's 60% higher Public Sector Development Projects allocation target, 2) cement demand's strong correlation with the GDP growth and 7 percent GDP growth rate in FY07, 3) an increasing number of real-estate development projects for commercial and residential use, 4) a developing export market and 5) expected construction of mega dams. According to the All Pakistan Cement Manufacturers' Association (APCMA), the current industry's capacity for cement is 24 million tons, which is likely to rise to 37 million tons by the end of FY07 given the expansion being undertaken in the sector. On the other hand, consensus expects demand growth to settle at around 17%, which translates into 22 million tons. If the planned expansions come online according to APCMA's estimates, the industry is likely to have a production surplus of about 15mn tons.

After reaching highs of Rs. 430/bag at the retail level earlier last year, cement prices fell sharply during early FY07. Average cement prices are Rs. 234/bag as on 17th May, 2007 as compared with Rs. 315/bag last year. Cement demand remained robust as it grew by 19 percent and 13 percent during FY05 and FY06 respectively. During the first nine months of FY07 (July-March), dispatches increased by 30 percent as compared to the corresponding period last year. Industry analysts expect demand for cement to remain strong during the rest of the year. According, to their forecasts, demand will grow by 26 percent during FY07 and 17 percent in FY08 on the back of demand for housing that still remains high and government spending on infrastructure and development projects.

Cement production capacity is expected to increase by 111 percent to 44.5 million MT in FY08 compared to FY06, outstripping demand growth that is projected to increase by 48 percent during the same period. Consequently, capacity utilization is expected to drop to 61 percent in FY08.

**Table 3.7: An Overview Of Cement Sector**

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 (Jul-Mar) |
|---|---|---|---|---|---|---|
| No. of operational units | 22 | 22 | 23 | 24 | 26 | 29 |
| Installed Capacity (million tons) | 15.72 | 16.32 | 16.93 | 17.90 | 24.30 | 35 |
| Domestic Consumption (million tons) | 9.83 | 10.98 | 12.54 | 14.78 | 16.85 | 16.98 |
| Exports (million tons) | 0.107 | 0.43 | 1.118 | 1.565 | 1.505 | 2.13 |
| Capacity Utilization % | 62.5 | 67.2 | 74.0 | 82.5 | 84.0 | 76.38 |

Source: APCMA* Up to June 2007

Currently there are 21 listed companies in this sector with a total market capitalization of Rs. 115.4 billion ($1.9 billion). However, Lucky Cement, capitalizing on its size, location and early expansion, is the largest and has therefore reaped the most benefit of growing cement sales. The company in nine months dispatched 2.45 million tons cement in the local market and exported 917000ktons, registering a growth of 97 percent and 254 percent, respectively. Lucky was followed by D.G Khan and Bestway Cement which recorded sales growth of 14 percent and 93 percent respectively. However, overall cement production for the first half of FY07 (July-April) have registered a healthy growth of 21.11 percent as compare to 13.03 percent last year.

### 3.4 Mining and Quarrying

Pakistan has a widely varied geological frame work, ranging from pre-Cambrian to the Present that includes a number of zones hosting several metallic minerals, industrial minerals, precious and semi-precious stones. Although many efforts have been made in developing geological products, institutional, academic and R&D infrastructure, much remains to be done to enable this sector to take full advantage of its endowment. As a result of various efforts devoted for the development of mineral sector, resources of several minerals have been discovered over the last many decades, including world class resources of lignite coal deposits at Thar; Sindh; porphyry copper-gold deposits in Chagai; Balochistan; Iron ore deposits at Dilband; Balochistan; lead-zinc deposits at Duddar; Balochistan; gypsum; rock salt; limestone; dolomite; china clays etc. in the Indus Basin, ornamental and construction stones in the various parts of the country; and about 30 different gems and precious stone deposits in northern Pakistan. These and many other mineral projects are in various stages of implementation from grass root through exploration and evaluation to development stages.

However, mineral industry in Pakistan shows that over the last few decades this sector has been allocated very small amount - 0.45% to 2.46% of the total public sector expenditure since first five year plan reflecting its contribution to Gross National Product (GNP) of just around 0.5%. The mineral resources of a country are valuable means and measures of its economic and industrial growth. These are still more important for Pakistan because of its favorable geological environment and a large number of mineral resources in the country. Considering that substantial scope exists for the development uncertainties, it requires Government support and recognition of mineral sector.

The Government is fully committed to making the mineral sector in Pakistan one of the most profitable for the country. During the current fiscal year the mining and quarrying sector has registered a growth rate of 5.6 percent as against 4.58 percent of last year. The increased growth was propelled by strong growths recorded in magnetite (30%), dolomite (26.1%), Limestone (25.2%) and chromites. To make this sector thrive more in the upcoming year the Government has already started various initiatives which is evident from the discovery and development of world class copper-gold deposits in Chagai; Balochistan by Australian Firms that would fetch $ 500 million to $ 600 million per year during the lives of these mines. Successful upgradation studies being carried out by German Consultants on Dilband Iron Ores Balochistan would, to large extent, minimize importation of Iron Ores 1.7 million tons iron ores costing about Rs. 3.2 billion per year. Development of Thar coal field, one of the largest good quality lignite deposits in the world, on completion, would provide additional source of energy. Moreover development of abundantly available high quality industrial minerals and natural stones has bright prospects for exports, import substitution and local consumption. The confidence of foreign investors, developers and consultants repose in Pakistan, clearly demonstrate the successful implementation of investment oriented policies initiated by the present regime.

The minerals described below are under various phases of exploration, development and utilization in Pakistan. Energy Minerals (coal), Agriculture Minerals (rock phosphate, gypsum), Metallic Minerals (iron ores, copper, gold, zinc-lead, chromite, antimony), Refractory Minerals (refractory clays, magnesite, chromite, silica sand, dolomite) and Glass & Ceramic Minerals (kaolin-china clay, nephyeline syenite, silica sand).

**Table-3.8 : Extraction of Principal Minerals**

| Minerals | Units of the quantity | 2004-05 | 2005-06 | July-March | | % |
|---|---|---|---|---|---|---|
| | | | | 2005-06 | 2006-07 | |
| Coal | Million tonnes | 3.4 | 3.9 | 2.5 | 2.8 | 3.7 |
| Natural Gas | 000 MMCFT | 38.0 | 39.6 | 29.7 | 30.1 | 1.3 |
| Crude Oil | Mln. Barrels | 24.1 | 23.9 | 17.9 | 18.2 | 1.7 |
| Chromites | 000 tonnes | 46.3 | 52.5 | 51.0 | 60.0 | 17.6 |
| Dolomite | 000 tonnes | 199.6 | 184.0 | 133.0 | 167.7 | 26.1 |
| Gypsum | 000 tonnes | 552.0 | 601.0 | 463.0 | 478.0 | 3.2 |
| Limestone | Mln. tonnes | 14.8 | 18.4 | 12.7 | 15.9 | 25.2 |
| Magnetite | 000 tonnes | 3.0 | 2.4 | 1.0 | 1.3 | 30.0 |
| Rock Salt | 000 tonnes | 1648.2 | 1859.0 | 1385.0 | 1396.0 | 0.8 |
| Sulphur | 000 tonnes | 24.1 | 24.7 | 17.9 | 19.2 | 7.3 |
| Baryte | 000 tonnes | 42.0 | 52.1 | 39.0 | 40.0 | 2.6 |

*Source: Federal Bureau of Statistics*

Sindh and Balochistan are primarily the two provinces of the country where most of the country's mineral deposits are located. In order to step up the mineral extraction and development process in the above provinces specific Mines and Minerals Development Department has been constituted so far however only in Sindh.

**Mines & Mineral Development Department (Sindh)**

The Department of Mines & Mineral Development (M&MD) was created in Sindh in 2001 in pursuance of the National Mineral Policy, 1995. The objective as envisaged in the National Mineral Policy, 1995 is to establish an enabling institutional framework which could cater for and facilitate foreign and domestic investment in the field of mineral development. The Department of M&MD has also taken all necessary steps for further establishing its field offices viz the Directorate of M&MD, Inspectorate of Mines and the Sindh Coal Authority.

The province of Sindh has large quantities of minerals. In all there are 24 minerals which are being mined at present. This province also has large quantities of coal and granite reserves. The granite area which was previously inaccessible has now been connected with Karachi by a network of roads and other facilities like Rest House etc. It is also proposed that a Granite Park should be established at Nagarparkar. Karunjhar range of mountains in Nagarparkar has huge reserves of granite and other rock types of extractable thickness which has the potential to compete the international market. It spreads over vast area and its estimated reserves are around 10 billion tons. The Directorate of Mines & Mineral Development, Sindh is sponsoring a scheme for study through consultant "*Feasibility Study of Granite Deposits in Tharparkar, Sindh*''. Previously leases were granted in haphazard manner without any policy. The department has now constituted a policy for judicious and transparent award of leases in this area. It will be ensured that 3 large granite factories are set up by year 2030 in this remote area. This will not only generate large employment opportunities for poor and downtrodden masses of this far flung area but will also get world class granite for local consumption and export with the result that poverty ratio will be decreased and increase in growth rate of government revenue will take major part for economic development of the province.

It is imperative to mention here that Sindh has large coal reserves. It is estimated to have around 185 billion tons of coal in Lakhra, East of Indus and Thar. At present percentage of coal in energy is negligible (not even 3%). The department is in the process of assessment and exploitation studies of these coal reserves and intends to set up Power Houses / Projects running on this coal. Department intends to have 30% energy produce on coal by year 2030.

### 3.5 Public Sector in Industry

Performance review of operating units is carried out for corporations namely; NFC, PACO, SEC and Pakistan Steel, while PIDC/SCCP has privatized/liquidated all its units under GCP (Morafco Industries Limited) is in closed down position. Key performance indicators present the following picture for July-June 2006-2007 based on 9 months' actual figures and three month's projections. In case of NFC and Pakistan Steel, NFC's performance is based on 6 month's actual figures and 6 month's projections, while Pakistan Steels performance is based on 8 month's actual and 4 month's projections.

**Table 13.9: Performance Of Public Sector Industries (Excluding Pak Steel) (July – June) (Rs. In Million)**

| | 2005-2006 | 2006-2007 (Expected ) | Increase/ Decrease% |
|---|---|---|---|
| Production Value * | 3,879 | 3,998 | 3.07 |
| Net Sales | 4,825 | 5,358 | 11.05 |
| Pre-tax profit | 9 | -5 | -155.56 |
| Taxes and duties | 360 | 355 | -1.39 |
| No. of employees ** | 5,491*** | 5,032 | -8.36 |

***Production Value of PACO is at current prices. NFC & SEC are at constant prices of 1999-2000 and 1992-93 respectively.

**Including daily wagers.

***Excluding holding corporations.

Production value in aggregate of all operating units under three corporations excluding Pakistan Steel increased by 3.07% against the same period last year. SEC showed an increase of 4.40%, while NFC and PACO showed a decline of 3.41% and 9.68% respectively. Net sales (excluding Pakistan Steel) increased to an estimated amount of Rs.5, 358 million for July-June, 2006-2007 compared to Rs. 4,825 million during last year showing an increase of 11.05%. NFC and SEC have also shown an increasing trend in net sales. The increasing trend is 14.21% and 11.36% respectively, while PACO has shown a decline of 21.74%. During July-June 2006-2007 the three corporations (including operational/non-operational units and excluding Pak Steel) incurred an aggregate loss of Rs.5 million against the aggregate profit of Rs 9 million during last year. NFC incurred loss of Rs.61 million during 2006-07 against pretax profit of 3 million during last year. PACO showed decrease in loss by 17 million. Profit at SEC increased by Rs. 33 million (23.24%). During July-June 2006-2007, taxes and duties paid by all operating units under the sector corporations excluding Pakistan Steel decreased to Rs. 355 million from Rs.360 million paid during last year, showing a decrease by 1.39% mainly due to decline in taxes and duties at NFC and PACO by 23.26% and 62.50% respectively as compared to last year. Total number of employees with all operational/non-operational units (including daily wagers ) excluding Pak Steel, as on 30th June, 2007 stands at 5,032 against 5,491 on 30th June, 2006. The number of employees in the entire three corporations i.e. NFC, PACO and SEC shows decrease by 11, 14 and 434 employees respectively.

### 3.5.1 Performance of Pakistan Steel

The overall share of Pakistan Steel in the market is 30 percent. The Steel Mill is producing Coke, Pig Iron, Billets, Hot Rolled Coils/Sheets, Cold Rolled Coils/Sheets, formed sections like Channels, Angles and Galvanized sheets.

Major performance indicators of Pakistan Steel during the period July-June 2005-06 & 2006-07 are summarized in table 13.10:

**Table 13.10: Performance of Pak Steel, (July-June) (Rs. In Million)**

| Particulars | 2005-2006 | 2006-2007 (Expected/Actual) | Increase/Decrease% |
|---|---|---|---|
| Production Value* | 8,548 | 12,469 | 45.87 |
| Net Sales | 20,646 | 29,624 | 43.49 |
| Pre-Tax profit | 1,295 | 3,522 | 171.97 |
| Taxes and duties | 3,898 | 4,427 | 13.57 |
| No of employees | 16,426 | 16,290 | -0.83 |

*At constant prices of 1999-2000

### 3.5.2 The Privatization Program

Privatization is the corner stone of the successful economic reforms of the Government. As a result of these reforms which also included liberalization and de-regulation accompanied by transparency, good governance and continuity and consistency of policies, the economy has been completely transformed and the country has been placed on the path of rapid, sustained growth.

The government is fully committed to the implementation of its approved privatization program through an open, fair and transparent competitive process, as laid down in the privatization commission ordinance 2000 and the rules and regulation presented there under:

Objectives of the *Privatization Policy* include; To stimulate investment and promote economic growth through encouragement of the private sector; To foster competition and increase efficiency; To improve the overall performance of the individual enterprise; To strengthen public finances; To broaden and deepen the capital markets through the "Privatization for the People" program; and to repay government debt and alleviate poverty.

The government is pursuing privatization policy vigorously and has achieved unprecedented success during the past seven years. From 1999 to date, a total amount of US$ 6.1 billion have been realized from 61 transactions, which represents 87 percent of the total privatization proceeds of US$ 7 billion from 1991 to date (from 163 transactions).

During the period July 2006 to February 2007, the privatization commission completed five transactions that fetched an amount of Rs. 67.664 billion. OGDCL's 10 percent listing and domestic offering was over subscribed yielding a total of $ 811 million, which reflected the confidence of investors in the policies of present government. The privatization transactions of Pakistan State Oil (PSO), Roosevelt Hotel, New York, Services International Hotel, Lahore, National Investment Trust Limited (NITL), Genco-1 Jamshoro, Hazara Phosphate Fertilizers Limited are at various stages of processing and are likely to be brought to the bidding soon. The five transactions, for a total of Rs. 67.664 billion, completed from July 2006 to February 2007 are as under:

**Table 3.11: Assets Privatized during FY 07**

| Assets | Value |
|---|---|
| OGDCL (GDR & domestic offering) | Rs. 46.963 billion |
| Pak American Fertilizers (shares) | Rs. 15.949 billion |
| Javedan Cement Limited | Rs. 4.316 billion |
| Lyallpur Chemical & Fertilizers | Rs. 0.280 billion |
| Lasbella Textile Mills | Rs. 0.156 billion |

Source: Privatization Commission

Sector wise summary of 163 transactions completed from January 1991 to February 2007 is as follows:

**Table 3.12: Number of Privatized Transactions (Rupees in Million)**

| Sector | From 1991 to Jun 05 | | From Jul 05 to Jun 06 | | From Jul 06 to Feb, 07 | | Total | |
|---|---|---|---|---|---|---|---|---|
| | No. | Amount | No. | Amount | No. | Amount | Number of Transaction | Amount |
| Banking | 7 | 41,023 | | | | | 7 | 41,023 |
| Capital Market Transaction | 17 | 31,103 | 1 | 1,087 | 1 | 46,963 | 19 | 79,153 |
| Energy | 13 | 37,319 | 1 | 15,860 | | | 14 | 53,179 |
| Telecom | 2 | 30,558 | 2 | 155,500 | | | 4 | 186,058 |
| Automobile | 7 | 1,102 | | | | | 7 | 1,102 |
| Cement | 15 | 8,655 | 1 | 3,205 | 1 | 4,316 | 17 | 16,176 |
| Chemical / Fertilizer | 21 | 24,355 | | | 2 | 16,229 | 23 | 40,584 |
| Engineering | 7 | 183 | | | | | 7 | 183 |
| Ghee Mills | 22 | 838 | 1 | 8 | | | 23 | 846 |
| Rice / Roti Plants | 23 | 328 | | | | | 23 | 328 |
| Textile | 2 | 87 | 1 | 128 | 1 | 156 | 4 | 371 |
| Newspapers | 5 | 270 | | | | | 5 | 270 |
| Tourism | 4 | 1,805 | | | | | 4 | 1,805 |
| Others | 6 | 160 | | | | | 6 | 160 |
| *Total* | *151* | *177,786* | *7* | *175,788* | *5* | *67,664* | *163* | *421,238* |

*Source: Privatization Commission*

### 3.6 Small and Medium Enterprises (SMEs)

Small and medium enterprises (SMEs) play a central role in creating market oriented economic growth, employing the growing workforce in developing countries so helping in income generation and in reducing poverty. The abundance of labour and the shortages of capital which are characteristics of developing countries are comparable with the SMEs labour intensive character.

In the industrialized countries, statistics show that SMEs are major contributors to private sector employment. Empirical studies have shown that SMEs contribute to over 55 percent of GDP and over 65 percent of total employment in high income countries. SMEs and informal enterprises, account for over 60 percent of GDP and over 70 percent of total employment in low income countries, while they contribute about 70 percent of GDP and over 95 percent of total employment in middle income countries.

**Box-1 SME Policy 2007: Objectives, Scope and Principles**

**Objective**

The objective of SME Policy is to provide a short and a medium to long-term policy framework with an implementation mechanism for achieving higher economic growth based on SME led private sector development.

**Principles**

The Policy finds it appropriate to highlight the key principles on which it is being based. They are:

- The recommendations proposed in the SME Policy may be implemented / supported through an SME Act 2006.
- The SME Policy covers measures for promotion of ‘Entrepreneurship Culture’ and support for growth of existing enterprises.
- The SME Policy realizes the different approaches required for supporting Small Enterprises as opposed to Medium Enterprises. Thus, wherever required, separate policy measures are proposed for small and for medium enterprise growth.
- Women and other marginalized groups are proposed to receive special focus within the SME Policy.
- Rural based and agro processing enterprises are proposed to receive special attention while devising specific support mechanisms.
- SME development offers most viable option for private sector led growth that reduces poverty and creates a large number of jobs all across Pakistan.

• SME development in Pakistan will require decisive and concurrent measures in a number of policy areas such as business regulations, fiscal, trade rules, labour, incentives and support (Human Resource Development, Technology, Marketing, etc.) leading to an '*SME Space*' in these domains.
• SMEs face inherent disadvantages (because of their size) vis-à-vis large firms, which need to be offset by government support mechanisms and incentives.
• Private sector will be encouraged to play a key role in implementation of the policy.

Source: SME Bank

Public sector has a major role to play in the development of SMEs, as the later are constrained by certain inherent weaknesses and need support. Due to their small size they do not have the same capacity to influence the environment in their favour as larger firms, regulations impose disproportional costs on SMEs, they are limited in capability, for because of their small size SMEs usually lack management capacity, cannot afford costly support services (e.g. financial, human resources, legal, training) and ability to access and analyze information is practically weak for SMEs.

SMEs basically need a national SME policy framework and favorable policy environment to operate .This implies providing them with opportunities and incentives, so they can invest productively, create jobs and expand. SMEs are receiving increasing focus in Pakistan as well because of their significance to the economy; contributing 30 percent to GDP, with the share of 25 percent in manufactured exports, employing 78 percent of the industrial labor force, and contributing 35 percent towards value addition in manufacturing. An estimated 3.2 million SMEs operate in the country, where more than half are in trade, wholesale, retail, restaurants, where the bulk employee is less than 5 persons. Punjab houses more than 65 percent of the small and medium sized business, followed by Sindh, NWFP, and Balochistan with the share of 18, 14 and 2 percent respectively.

Given the significance of the SME sector, recent years have witnessed increasing government/ private sector focus. Studies have been undertaken to identify the constraints the SMEs face, an SMEs policy has been announced, commercial banks are now enhancing their to lending to SMEs, some universities are offering programs in Entrepreneurship and SME Management . In its endeavors, Pakistan like some of the other developing countries has received support from the Asian Development Bank.

Non-availability of finance has been recognized as one of the major impediments to SME development. One of the major objectives of financial sector reforms in Pakistan was enabling banks to direct funds to under served sector of the economy, which has the significance for the economy but had not received adequate funds. Small and medium enterprises were one such area.

To meet the financing needs of the SME sector , there is the SME Bank formed by the merger of Regional Development Finance Corporation in 2002, with loans beings extended for working capital and medium to long term financing, programs lending and leasing through its subsidiary, SME leasing . The SME Bank has lent to areas like CNG station, health development, surgical instrument, fan manufacturers, power looms, carpet manufacturer, gems & jewellery etc.

Small & Medium Enterprise Development Authority (SMEDA) is another institution dedicated solely to the promotion of SMEs in the country. During FY07 SMEDA has started establishing on ground demonstration projects and Common Facility Centres to enable the private sector catch up with fast changing global trends in technology and management processes with enhanced productivity and quality standards. These include projects in sports, agro based industry, leather and light engineering sectors. These projects are spread all over the country. Some of these projects are given as under:

*Women Business Incubation Center (WBIC*); This is SMEDA's first pilot project where it intends providing 'hands-on support' to women entrepreneurs including business infrastructure, addressing the issue of their spatial mobility. The facility offers a fully furnished air conditioned office; display area along with administrative and business development support along side the various service packages to encourage female participation in economic development. *Aik Hunar*

*Aik Nagar (AHAN) Project*; This project aims at reducing poverty at grass root level by preserving and developing traditional rural arts and crafts and providing them a market linkage to urban areas and global markets. It is planned to launch as many as one hundred pilot projects under this program by the end of December 2008 in the rural and urban areas of the country. *Implementation of Medium Term Development Framework of Government of Pakistan;* Aligning with the priorities of MTDF the operational strategy of SMEDA has been suitably adjusted to adequately address issues related to sector development at sub national level. Resultantly, it has improved the speed of reforms and reprioritized activities to improve competitiveness and productivity of selected SME sectors. Sector Development Companies have already been set up for Gems & Jewelry, Marble & Granite, Furniture, Dairy and Hunting and Sporting Arms Sectors. These Companies work on the Public Private Partnership basis with private sector having a leading role in decision making.

TABLE 3.1

RESERVES AND EXTRACTION OF PRINCIPAL MINERALS

(000 tonnes)

| Reserves/ Years | Anti-mony (tonnes) | Argonite/ Marble | China Clay | Celestite (tonnes) | Chromite | Coal | Dolomite (tonnes) | Fire Clay | Fullers Earth | Gypsum Anhydrite | Lime Stone |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Very large Deposits | 4.9 million tons | .. | fairly large Deposits | 185 billion tonnes | Very large Deposits | Over 100 million tons | fairly large Deposits | 350 million tons | Very large Deposits |
| 1990-91 | 128 | 281 | 44 | 1773 | 24 | 3054 | 154591 | 120 | 23 | 468 | 9009 |
| 1991-92 | - | 321 | 42 | 1069 | 28 | 3627 | 180987 | 139 | 21 | 471 | 8528 |
| 1992-93 | 5 | 388 | 37 | 1682 | 23 | 3256 | 220241 | 132 | 23 | 533 | 9015 |
| 1993-94 | 3 | 460 | 48 | 4398 | 11 | 3534 | 228090 | 116 | 17 | 666 | 9125 |
| 1994-95 | - | 467 | 31 | 1403 | 13 | 3043 | 227079 | 152 | 15 | 620 | 9682 |
| 1995-96 | - | 458 | 43 | 762 | 27 | 3465 | 185115 | 112 | 18 | 420 | 9740 |
| 1996-97 | - | 459 | 66 | 812 | 35 | 3496 | 215556 | 110 | 12 | 522 | 9491 |
| 1997-98 | - | 345 | 68 | 961 | 35 | 3145 | 116046 | 94 | 18 | 307 | 11166 |
| 1998-99 | - | 403 | 67 | 642 | 18 | 3378 | 198831 | 153 | 16 | 242 | 9467 |
| 1999-00 | - | 579 | 63 | 802 | 26 | 3164 | 347583 | 139 | 19 | 355 | 9589 |
| 2000-01 | 95 | 620 | 47 | 807 | 22 | 3285 | 352689 | 164 | 13 | 364 | 10870 |
| 2001-02 | 37 | 685 | 54 | 382 | 24 | 3512 | 312886 | 171 | 16 | 402 | 10820 |
| 2002-03 | - | 1066 | 40 | 402 | 31 | 3609 | 340864 | 117 | 15 | 424 | 11880 |
| 2003-04 | - | 994 | 25 | 570 | 29 | 3325 | 297419 | 193 | 14 | 467 | 13150 |
| 2004-05 | 5 | 1280 | 38 | 1855 | 46 | 3367 | 199653 | 254 | 17 | 552 | 14857 |
| 2005-06 | 91 | 1835 | 53 | 3160 | 52 | 3854 | 183952 | 333 | 16 | 601 | 18427 |
| Jul-Mar | | | | | | | | | | | |
| 2005-06 | 49 | 913 | 11 | 1140 | 40 | 1711 | 146526 | 205 | 5 | 252 | 11861 |
| 2006-07 P | 60 | 1540 | 38 | 1810 | 60 | 2768 | 187738 | 290 | 9 | 378 | 15896 |

\- Nil or Insignificant (Contd.)

P Provisional

TABLE 3.1

RESERVES AND EXTRACTION OF PRINCIPAL MINERALS

(000 tonnes)

| Reserves/ Years | 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 |
| 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 |
| 2004-05 | 3,029 | 1,648 | 309 | 18,686 | 24,158 | 21 | 42 | 65,040 | 104,278 | 24.12 | 38.08 |
| 2005-06 | 2,446 | 1,859 | 411 | 34,320 | 24,730 | 21 | 52 | 78,310 | 131,259 | 23.94 | 39.65 |
| Jul-Mar | | | | | | | | | | | |
| 2005-06 | 2,445 | 875 | 237 | 41,108 | 12,820 | 30 | 17 | 46,360 | 69,645 | 12.03 | 19.67 |
| 2006-07 P | 2,980 | 1,396 | 338 | 41,662 | 19,230 | 41 | 36 | 53,948 | 122,135 | 18.21 | 30.08 |

Source : Federal Bureau of Statistics.

## TABLE 3.2

### PRODUCTION INDEX OF MINING AND MANUFACTURING

| Year | Mining | | | Manufacturing |
|---|---|---|---|---|
| | 1969-70=100 | 1975-76=100 | 1980-81=100 | 1980-81=100 |
| 1990-91 | 468 | 410.3 | 275.2 | 202.5 |
| 1991-92 | 472.1 | 412.8 | 277.8 | 218.5 |
| 1992-93 | 478 | 420.6 | 278.4 | 227.5 |
| 1993-94 | 483.4 | 427.1 | 275.2 | 237.2 |
| 1994-95 | 461.8 | 417.6 | 270.8 | 240.8 |
| 1995-96 | 504.8 | 445.3 | 296.7 | 248.4 |
| 1996-97 | 520.1 | 456.3 | 305.6 | 243.1 |
| 1997-98 | 512.3 | 449.5 | 302.5 | 261.6 |
| 1998-99 | 509.1 | 448.7 | 283.1 | 270.8 |
| | | | 1999-2000=100 | |
| 1999-00 | 545.6 | 468.8 | 100.0 | 100.0 |
| 2000-01 | 576.7 | 497.6 | 105.6 | 101.0 |
| 2001-02 | 611.3 | 532.8 | 112.5 | 114.8 |
| 2002-03 | 656.7 | 572.4 | 119.6 | 123.1 |
| 2003-04 | 709.8 | 597.2 | 134.8 | 145.5 |
| 2004-05 | .. | .. | 148.9 | 168.14 |
| 2005-06 | | | 155.4 | |
| Jul-Mar | | | | |
| 2005-06 | .. | .. | 155.8 | 171.7 |
| 2006-07 P | .. | .. | 168.5 | 187.1 |

.. Not available

P Provisonal

Source: Federal Bureau of Statistics

TABLE 3.3

COTTON TEXTILES STATISTICS

| Year | | Installed Capacity | | Working at the end of the period | | Spindle | Loom | Consump- | Total | Surplus | Total Pro- |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | No. of | No. of | No. of | No. of | Hours | Hours | tion of | Yarn Pro- | Yarn | duction |
| | No. of | Spindles | Looms | Spindles | Looms | Worked | Worked | Cotton | duced | | of Cloth |
| | Mills | (000) | (000) | (000) | (000) | (Million) | (Million) | (mln kg) | (mln.kg) | (mln. kg) | (mln. sq mtr.) |
| 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 | 423 | 10,906 | 9 | 8,817 | 5 | 72,255 | 30.3 | 2,622.8 | 2,280.6 | 2,175.2 | 920.7 |
| 2005-06 | 516 | 11,292 | 9 | 9,754 | 4 | 74,884 | 24.8 | 2,932.6 | 2,556.3 | 2,460.5 | 915.3 |
| 2006-07 P | 567 | 11,809 | 9 | 9,920 | 5 | 76,173 | 26.0 | 3,214.3 | 2,856.0 | 2,706.9 | 925.0 |

P: Provisional

Source: Federal Bureau of Statistics
Textile Commissioner Organization

TABLE 3.4

PRODUCTION OF FERTILIZERS, VEGETABLE GHEE, SUGAR AND CEMENT

(000 tonnes)

| Year | Fertilizers | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Urea | Super Phos-phate | Ammo-nium Nitrate | Ammo-nium Sulphate | Nitro Phos-phate | Vegetable Ghee | Sugar | Cement |
| 1990-91 | 2050.3 | 175.1 | 318.8 | 92.3 | 321.0 | 656 | 1,934 | 7,762 |
| 1991-92 | 1,898.0 | 194.0 | 300.0 | 92.9 | 309.8 | 639 | 2,322 | 8,321 |
| 1992-93 | 2,306.1 | 205.0 | 302.2 | 92.9 | 297.3 | 725 | 2,384 | 8,558 |
| 1993-94 | 3,103.8 | 195.1 | 242.7 | 82.0 | 251.4 | 671 | 2,841 | 8,100 |
| 1994-95 | 3,000.2 | 147.0 | 313.9 | 79.6 | 285.0 | 711 | 2,964 | 7,913 |
| 1995-96 | 3,260.1 | 103.7 | 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 | 145.8 | 386.5 | - | 261.3 | 695 | 2,429 | 9,314 |
| 2000-01 | 4,005.1 | 159.6 | 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 | 772 | 3,686 | 10,845 |
| 2003-04 | 4,431.6 | 167.7 | 350.4 | - | 363.5 | 888 | 4,021 | 12,862 |
| 2004-05 | 4,606.4 | 163.1 | 329.9 | - | 338.9 | 1048 | 3,116 | 16,353 |
| 2005-06 | 4,807.2 | 164.1 | 327.9 | - | 366.7 | 1146 | 2,960 | 18,483 |
| July-March | | | | | | | | |
| 2005-06 | 3,612.7 | 126.4 | 233.0 | - | 262.9 | 969 | 2,941 | 15,214 |
| 2006-07 P | 3,639.3 | 110.2 | 236.9 | - | 229.9 | 984 | 3,518 | 18,426 |

\- Nil

P Provisional

Source: Federal Bureau of Statistics

TABLE 3.5

PRODUCTION OF SELECTED INDUSTRIAL ITEMS

| Year | Food and Tobacco: Beverages (000 doz. bottles) | Food and Tobacco: Cigarettes (Million Nos) | Jute Textiles (000 tonnes) | Rubber: Motor Tyres (000 Nos) | Rubber: Motor Tubes (000 Nos) | Rubber: Cycle Tyres (000 Nos) | Rubber: Cycle Tubes (000 Nos) |
|---|---|---|---|---|---|---|---|
| 1990-91 | 67,607 | 29,887 | 96.9 | 952 | 646 | 3,828 | 5,468 |
| 1991-92 | 85,266 | 29,673 | 100.9 | 784 | 618 | 3,751 | 5,757 |
| 1992-93 | 139,823 | 29,947 | 97.5 | 712 | 550 | 3,826 | 5,612 |
| 1993-94 | 113,704 | 35,895 | 76.4 | 783 | 706 | 3,872 | 6,191 |
| 1994-95 | 143,019 | 32,747 | 68.5 | 912 | 833 | 3,523 | 5,146 |
| 1995-96 | 131,114 | 45,506 | 70.6 | 1003 | 909 | 3,988 | 5,594 |
| 1996-97 | 115,817 | 46,101 | 68.7 | 525 | 643 | 4,112 | 5,205 |
| 1997-98 | 149,848 | 48,215 | 95.4 | 767 | 665 | 1,415 | 4,978 |
| 1998-99 | 185,014 | 51,578 | 85.5 | 845 | 586 | 3,665 | 5,529 |
| 1999-00 | 194,336 | 46,976 | 85.5 | 856 | 490 | 3,767 | 5,937 |
| 2000-01 | 211,798 | 58,259 | 89.4 | 884 | 520 | 4,051 | 5,891 |
| 2001-02 | 207,646 | 55,108 | 81.7 | 908 | 557 | 4,569 | 6,938 |
| 2002-03 | 190,742 | 49,365 | 93.8 | 1082 | 616 | 5,330 | 8,942 |
| 2003-04 | 224,238 | 55,399 | 102 | 1302 | 587 | 4,894 | 8,004 |
| 2004-05 | 285,326 | 61,097 | 104.8 | 5336 | 6278 | 4,900 | 9,612 |
| 2005-06 | 383,624 | 64,137 | 105.4 | 5966 | 7164 | 5,268 | 10,237 |
| Jul-Mar | | | | | | | |
| 2005-06 | 296,193 | 52,227 | 85.2 | 4787 | 5581 | 4,405 | 8,219 |
| 2006-07 P | 380,216 | 54,389 | 96.1 | 5610 | 8127 | 4,378 | 8,364 |

P Provisional

(Contd.)

TABLE 3.5

PRODUCTION OF SELECTED SELECTED ITEMS

| Year | Chemicals | | | | | | Transport, Machinery & Electrical Appliances | | |
|---|---|---|---|---|---|---|---|---|---|
| | Soda Ash (000 tonnes) | Sulphuric Acid (000 tonnes) | Caustic Soda (000 tonnes) | Chlorine Gas (000 tonnes) | Paints & Varnishes (tonnes) | Polishes & Creams for Footwear (mln. grams) | Bicycles (000 Nos.) | Sewing Machines (000 Nos.) | Total TV Sets (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 | 906.7 | 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 | 281.5 | 56 | 164.4 | 15.9 | 3,899 | 935.3 | 629.7 | 30.6 | 764.6 |
| 2003-04 | 286.5 | 64.6 | 187.5 | 17.2 | 5,406 | 950.1 | 664.1 | 35.0 | 843.1 |
| 2004-05 | 297.3 | 91.2 | 206.7 | 19.1 | 15,023 | 410.93 | 587.9 | 36.0 | 908.8 |
| 2005-06 | 318.7 | 95.5 | 219.3 | 18.2 | 17,148 | 466.38 | 587.1 | 39.0 | 966.4 |
| Jul-Mar | | | | | | | | | |
| 2005-06 | 265.1 | 79.3 | 180.4 | 15.4 | 13,452 | 378.1 | 499.0 | 31.7 | 799.6 |
| 2006-07 P | 269.6 | 80.2 | 201.4 | 14.4 | 19,344 | 431.42 | 416.6 | 42.7 | 487.0 |

Contd.

TABLE 3.5

PRODUCTION OF SELECTED INDUSTRIAL ITEMS

| Year | Electrical Appliances | | Papers & Board | | Steel Products | | |
|---|---|---|---|---|---|---|---|
| | Electric Bulbs (Mln.Nos) | Electric Tubes (000 metres) | Paper Board (000 tonnes) | Paper (All Types) (000 tonnes) | Coke (000 tonnes) | Pig Iron (000 tonnes) | Billets (000 tonnes) |
| 1990-91 | 49.3 | 7,728 | 88.6 | 64.2 | 723.6 | 1073.9 | 330.0 |
| 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 | 284.8 | 717.3 | 1071.2 | 414.7 |
| 2001-02 | 54.6 | 10,441 | 187.6 | 137.9 | 694.6 | 1042.9 | 412.0 |
| 2002-03 | 58.3 | 10,844 | 228.2 | 148.0 | 775.2 | 1140.2 | 408.4 |
| 2003-04 | 139.4 | 14,614 | 247.9 | 156.8 | 785.5 | 1180 | 429.2 |
| 2004-05 | 146.7 | 19,819 | 256.7 | 163.1 | 772.8 | 1137.2 | 271.4 |
| 2005-06 | 143.7 | 19,899 | 284.7 | 168.9 | 179.6 | 788.2 | 350.8 |
| Jul-Mar | | | | | | | |
| 2005-06 | 119 | 16,283 | 211.2 | 126.3 | 153.6 | 604.2 | 279.4 |
| 2006-07 P | 118.5 | 17,762 | 213.3 | 116.5 | 277 | 813.6 | 310.6 |

P Provisional

Source: Federal Bureau of Statistics
Ministry of Industries

TABLE 3.6

PERCENT GROWTH OF SELECTED INDUSTRIAL ITEMS

| | Cotton Yarn | Cotton Cloth | Jute Goods | Veg.Ghee | Cigarettes | Fertilizers | Cement | Soda Ash | Caustic Soda | Sugar |
|---|---|---|---|---|---|---|---|---|---|---|
| 1990-91 | 14.22 | (0.65) | 1.15 | (3.93) | (7.41) | (2.66) | 3.66 | 1.53 | 6.01 | 4.15 |
| 1991-92 | 12.44 | 5.12 | 4.13 | (2.59) | (0.72) | (5.52) | 7.20 | 26.29 | 4.49 | 20.06 |
| 1992-93 | 4.13 | 5.68 | (3.37) | 13.46 | (0.92) | 14.65 | 2.84 | 5.54 | (0.61) | 2.67 |
| 1993-94 | 7.43 | (3.23) | (21.64) | (7.45) | 19.86 | 20.96 | (5.35) | (0.41) | 9.20 | 19.17 |
| 1994-95 | 4.59 | 2.19 | (10.34) | 5.96 | (8.77) | (1.27) | (2.31) | (0.46) | 4.16 | 4.33 |
| 1995-96 | 9.16 | 1.62 | 3.07 | 3.09 | 38.96 | 8.89 | 20.90 | 12.80 | 17.58 | (18.15) |
| 1996-97 | 1.72 | 1.99 | (2.69) | (2.59) | 1.31 | (3.53) | (0.32) | 11.66 | 8.44 | (1.77) |
| 1997-98 | 0.76 | 2.04 | 38.86 | 0.70 | 4.54 | (3.15) | (1.80) | (2.71) | (2.12) | 49.18 |
| 1998-99 | 0.52 | 13.02 | (10.38) | 7.95 | 6.98 | 6.67 | 2.30 | (0.37) | 4.06 | (0.48) |
| 1999-00 | 8.41 | 13.73 | (1.87) | (9.65) | (8.92) | 4.62 | (3.33) | 2.63 | 17.36 | (31.41) |
| 2000-01 | 3.06 | 12.12 | 4.56 | 19.59 | 24.02 | 9.21 | 3.87 | (11.30) | 2.97 | 21.70 |
| 2001-02 | 5.09 | 20.09 | (8.61) | 7.24 | (5.05) | (0.38) | 2.70 | (1.23) | 3.85 | 9.84 |
| 2002-03 | 6.18 | 1.66 | 14.03 | (6.75) | (10.42) | 12.11 | 12.11 | 10.09 | 9.34 | 13.48 |
| 2003-04 | 0.73 | 17.39 | 8.87 | 15.10 | 12.22 | 7.80 | 18.60 | 2.22 | 14.11 | 9.09 |
| 2004-05 | 18.22 | 28.89 | 0.80 | 3.19 | 10.27 | 5.86 | 16.92 | 3.86 | 10.21 | (23.10) |
| 2005-06 | 11.66 | 0.61 | 0.61 | 9.37 | 4.98 | 5.08 | 13.03 | 7.19 | 6.11 | (5.01) |
| 2006-07* | 11.98 | 6.99 | 12.79 | 1.52 | 4.14 | (0.61) | 21.11 | 1.71 | 11.61 | 19.60 |

* July-March

Source: Federal Bureau of Statistics

Note: Figures in parenthesis represent negative growth.

# MONEY AND CREDIT

### 6.1 Introduction

The development of financial markets and institutions is a critical and inextricable part of the economic growth. Financial sector deepening (financial development that includes not only an expansion in the financial sector, but also an improvement in institutions so that the financial system can allocate capital to its more productive uses more efficiently) and economic growth are empirically linked. In countries with better financial development, an efficient financial system ameliorates market distortions and reduces information and transaction costs. It thus identifies and funds good business opportunities, mobilizes domestic savings, monitors the performance of businesses, enables the trading, hedging and diversification of risk and facilitates the exchange of goods and services.

The banking sector of Pakistan was nationalized and public sector financial institutions were expanded during the early 1970s, based on the objectives of directing banking activities towards national socio-economic objectives and ensuring complete security of depositor's funds. The dominance of the public sector in banking sector and non-bank financial institutions, coupled with centralized policies marked with administered interest rates, domestic credit controls, high reserve requirements, use of captive banking system to finance large budgetary requirements of the government and controls on international capital flows were responsible for deterioration of financial institutions and their inability to play a vital role in economic growth of the country

There has been a remarkable improvement in Pakistan's financial sector as it initiated a broad-based program of reforms in the early 1990s.The pace of reforms; however, has increased manifold since 2000. Some of the key reforms included privatization of a number of financial institutions, rightsizing of banks and Development Financial Institutions (DFIs) through restructuring and improvement in corporate governance by promoting transparency and disclosure. Other reforms included strengthening of the legal framework to expedite recovery of stuck-up loans by promulgating a new recovery law, revision of Prudential Regulations (PRs) for corporate/commercial banking to accommodate four separate categories viz. Risk Management, Corporate Governance, Know Your Customer (KYC), Anti Money laundering and Operations as well as issuance of separate Prudential regulations for SMEs, consumer and agriculture financing.

The healthy competition among banks, lower taxation and reduction in non-performing loans brought about a lowering of average interest rate. Banks and financial institutions are free to set their own lending and deposit rates. As a result of successful reforms in the financial sector the M2/GDP ratio, which is an indicator of financial deepening and development has been showing rising trend since 1990-91.M2/GDP ratio has increased from 39.3 percent in 1990-91 to 45 percent in 2005-06.Credit to private sector/GDP ratio is also rising from 21.7 percent in 1990-91 to 27.4 percent in 2005-06.

Monetary policy stance of the SBP has undergone considerable changes over the last several years switching from an easy (2000-03) to a broadly accommodative stance (2003-04) and then from a gradual tightening (2004-05) to an aggressive tightening stance till date. During the fiscal year 2006-07, the SBP took several additional policy measures in different phases as part of monetary policy tightening. In the first phase, the SBP raised the Statutory Liquidity Ratio (SLR) from 15 percent to 18 percent and Cash Reserve Ratio (CRR) for commercial banks from 5 to 7 percent. The SBP also raised the discount rate (policy rate) from 9 percent to 9.5 percent. The increase in interest rates was in conformity with the international rising trends and these measures were also taken to curtail the lending ability of the commercial banks to the private sector. It aimed to curb strong domestic demand that was one of the main driving forces for fueling inflation

As a result of tight monetary policy pursued during the year, the credit growth to private sector slowed considerably from 19.8 percent during Jul-May 12 last year to 12.4 percent in the current year--the slowest credit growth in the last four years. The volume of credit also declined substantially in the same period clearly suggesting that the policy stance has considerable success in shaving off excess demand in the economy. The disaggregated data shows that the impact of tight monetary policy was felt considerably in textiles, cement, commerce and personal loans. However, other factors also contributed to slower growth in private sector credit during the current fiscal year that included the availability of non-bank finance to private sector including credit from non-banking financial institutions (NBFIs); availability of foreign private loans and issuance of corporate bonds in international capital market by private sector companies; mergers and acquisition in the banking industry; and continuous monitoring by the SBP of the personal loans not being used for speculative activities.

Notwithstanding a considerable slower growth in credit to private sector during the year, the overall, money supply (M2) grew sharply to 14 percent as against a growth of 12.1 percent in the same period last year for a variety of reasons. Most important factor that contributed to an increase in money supply was a sharp increase in net foreign assets (NFA) of the banking system owing to the considerable improvement in the country's external balance of payments. A higher government borrowing for budgetary support was yet another reason for sharper increase in money supply. The SBP's support to export sector also contributed to a relatively sharper increase in money supply during the year.

### 6.2 Credit Plan 2006-07

The State Bank of Pakistan prepared the Credit Plan for the year 2006-07 with a view to maintaining price stability and promoting economic growth. In the light of continued tight monetary policy the Credit Plan for the year 2006-07 projected broad money expansion at 13.6 percent (Rs.459.9 billion).This projection was based on targeted GDP growth of 7 percent and inflation target of 6.5 percent. The monetary expansion was kept marginally below the projected nominal GDP growth over 14 percent in view of monetary overhang that has built up from excessive yearly monetary expansion since 2002-03(18 percent average annual growth during FY 03 to FY 06) and rising inflation. The projected monetary expansion during FY 07 was expected to result primarily from the build up in the net domestic assets (NDA) (Rs.450.1 billion) and a moderate rise in the net foreign assets (NFA) (Rs.9.8 billion).Within the NDA, the government sector was estimated to avail bank credit of Rs.130.1 billion with budgetary borrowings at Rs.120.1 billion and commodity operations at Rs.10 billion. Credit to non-government sector was estimated at Rs.395 billion with private sector absorbing Rs.390 billion and PSEs utilizing Rs.5 billion (Table-6.1)

### 6.3 Monetary and Credit Development during 2006-07

The money supply during Jul-May 12'2007 of the current fiscal year expanded by Rs.477.9 billion or 14 percent as against an expansion of Rs358.2 billion or 12.1 percent in the same period last year (Table-6.1).The high monetary growth during this period was caused mainly by a sharp rise in net foreign assets of the banking system as the growth in net domestic assets of the banking system accelerated only slightly. Pakistan has seen large foreign inflows during the period which has resulted in an expansion of the NFA of the banking system. The NFA portrayed an expansion of Rs.88.1 billion as against the target of Rs.9.8 billion .The major factors responsible for large foreign exchange inflows included a relatively higher growth in workers' remittances and foreign investment (both FDI and portfolio), foreign inflows through Global Depository Receipts (GDRs), PTCL privatization proceeds and relatively slower increase in trade-related foreign currency loans.

While the increase in NFA reflects the improvement in country's external account; the higher growth in NDA was caused entirely by a sharp increase in government sector borrowings that more than offset the deceleration in the credit to non-government sector. The NDA of the banking system registered an expansion of Rs.389.68 billion during Jul-May FY 07 compared with Rs.314.38 billion expanded during the corresponding period of the preceding year. The sustainability of private sector credit take-off (Rs.273.9 billion) and sizable government borrowings for budgetary support (Rs.212 billion) were the major factors responsible for the current hefty build up in NDA.

**Table-6.1 Profile of Monetary Indicators** (Rs. million)

| | Credit Plan 2006-07 | July-12 May 2005-06 | July-12 May 2006-07 |
|---|---|---|---|
| **1.Net government sector Borrowing (a+b+c)** | 130100 | 63859 | 185496 |
| a .Borrowing for budgetary support | 120100 | 73466 | 212018 |
| b.Commodity operations | 10000 | -8947 | -26424 |
| c.Net Effect of Zakat Fund/Privatization | 0 | -660 | -98 |
| **2.Credit to Non-government Sector (d+e+f)** | 395000 | 344017 | 273983 |
| d.Credit to Private Sector | 390000 | 339912 | 263429 |
| e.Credit to Public Sector Enterprises (PSEs) | 5000 | 5411 | 10173 |
| f.Other Financial Institutions(SBP credit to NBFIs) | 0 | -1306 | 381 |
| **3.Other Items(net)** | -75000 | -93493 | -69799 |
| **4.Net domestic assets (NDA)** | 450100 | 314383 | 389680 |
| **5.Net Foreign assets (NFA)** | 9800 | 43822 | 88194 |
| **6.Monetary Assets(M2)** | 459900 | 358205 | 477874 |
| **(Growth)** | 13.46% | 12.08% | 13.99% |

*Source:SBP*

**Table-6.2 Monetary Indicators(Growth Rates)** (Percent)

| **Indicators** | **FY 05** | **FY 06** | **July-12May 2005-06** | **July-12May 2006-07** |
|---|---|---|---|---|
| Net Bank Credit to Government Sector | 14.6 | 12.1 | 8.5 | 22.0 |
| Bank Credit to Private Sector | 34.4 | 23.5 | 19.9 | 12.5 |
| Net Domestic Assets(NDA) | 22.4 | 17.1 | 13.5 | 14.3 |
| Net Foreign Assets (NFA) | 9.2 | 8.1 | 6.9 | 12.8 |
| Money Supply(M2) | 19.3 | 15.2 | 12.1 | 14.0 |

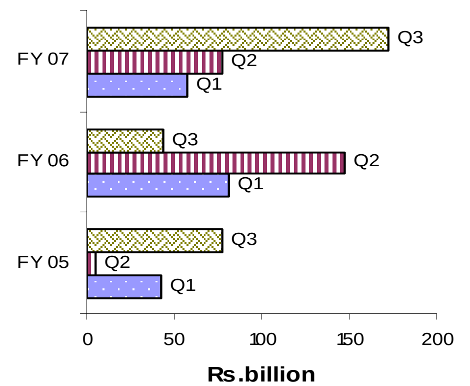
*Source: SBP*

## 6.4 Analysis of Monetary Indicators

### 6.4.1 Bank Credit to Government

The net bank credit to the government for financing commodity operations and budgetary support amounted to Rs.185.5 billion against the annual target of Rs.130.1 billion and net government sector borrowing of RS.63.8 billion during the same period last year. While credit to government for commodity operations declined by Rs.26.4 billion, reflecting retirement on this account, credit to government for budgetary support swelled to Rs.212 billion against the annual target of Rs.120 billion. According to analysis, budgetary borrowings from banking sector till the Jul-Feb FY 07 were less than half of that in the corresponding period last year. It was March 2007 onwards that this picture changed completely and the budgetary borrowings exceeded those in the previous year (Fig-6.1).Specifically, during Mar-Apr FY 06, the realization of Euro bond issuance and PTCL privatization proceeds had enabled the government to retire most of the budgetary borrowings from the domestic banking system during the period. As these external inflows were not available to the government in Mar-Apr FY 07; government financed its budgetary requirements through domestic bank borrowings (see Fig 6.1). Within the banking sector, the scheduled banks provided the bulk of budgetary finance during Jul-May FY 07; sharply in contrast with corresponding period last year when the SBP was directly financing the budgetary needs. However, with the inflows of receipts from the issuance of Euro bond and other expected external inflows before the current fiscal year, the picture will change substantially and government borrowings for budgetary support may come back to the target for the year.

**Fig-6.1 Quarterly trends in Budgetary borrowings**




### 6.4.2 Bank Credit to Private Sector

Growth in private sector slowed from 19.85 percent during July-May FY 06 to 12.46 percent during Jul-May FY 07; the lowest credit growth in the last four years (see Fig-6.2). The volume of credit also declined substantially in the said period showing that monetary policy has been reasonably successful in reducing excess demand in the economy. However credit to private sector as percent of GDP is rising since 1990-91 from 21.7 percent to 27.4 percent in 2005-06 (Fig-6.3)

**Fig-6.2 Private Sector Credit Growth**

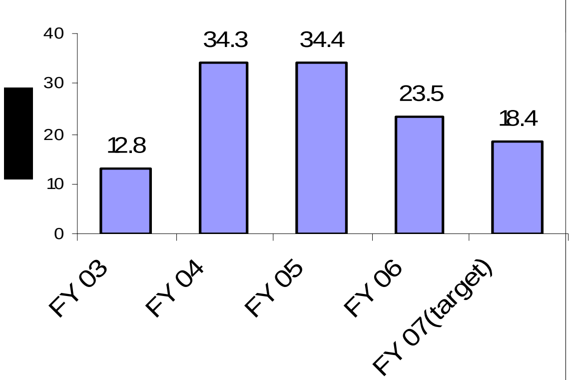
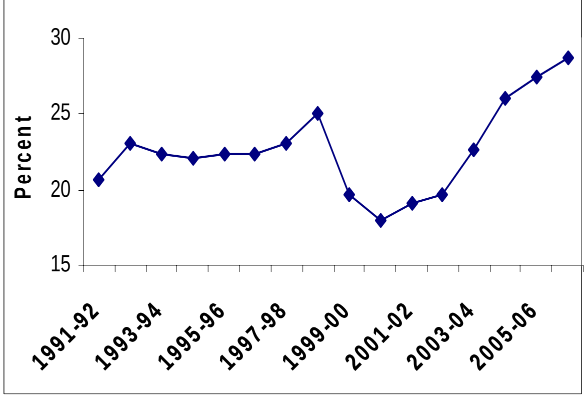



**Fig-6.3 Private Sector Credit as % of GDP**



Besides interest rate increases, other contributory factors for a slowdown in private sector credit were;(1) the availability of non-bank finance to the private sector, including credit from NBFIs, increase in foreign private loans and issuance of corporate bonds in international market by the private sector companies (2) banks following more conservative credit assessment given the expanded borrowers' data available through CIB ; (3) mergers and acquisition in the banking industry[1]; and(4) the SBP's continuous emphasis on monitoring the personal loans as well as under other schemes to ensure the minimum use of bank credit to finance speculative activities. In fact, a significant contribution to the realized FY 07 credit growth was due to the provision of concessional financing facilities extended to the export sector by the SBP.

**Table-6.3 Private sector Advances** Rs.million)

| Sectors | Jul-Mar | |
|---|---|---|
| | FY06 | FY07 |
| **Overall Credit** | 312460 | 267482 |
| I. Advances to Private Sector business | 233049 | 203194 |
| *A. Agriculture* | -1367 | 10535 |
| *B.Fishing* | -585 | -113 |
| *C.Mining And Quarrying* | 1231 | 345 |
| *D.Manufacturing* | 132033 | 119039 |
| *E.Ship breaking and waste* | 1217 | -263 |
| *F.Electricity,gas and water* | 2375 | 12323 |
| *G.Construction* | 9015 | 10314 |
| *H.Commerce and Trade* | 51227 | 15873 |
| *I.Transport,storage and communications* | 5737 | 13888 |
| *J.Services* | 21586 | 18360 |
| *K.Other Private Business* | 10581 | 2893 |
| II.Trust funds and NPOs | 1628 | 620 |
| III.Personal | 67231 | 38819 |
| IV.Others | -6478 | 4067 |
| V.Investment in Securities and Shares | 17030 | 20783 |

*Source:SBP*

Nevertheless, the disaggregated data shows that the slowdown in private sector credit during Jul-Apr FY 07 was not only concentrated in few sectors; but was concentrated in few banks as well. The bank wise data shows that excluding the privatized banks, the credit to private sector has decelerated only slightly[2].

A sectoral analysis of the data shows that within *business sector*, the major slowdown came from the commerce and trade sector (the growth of which was only one third of the growth in the preceding year), textiles, cement industries and personal loans. The slowdown in trade financing during Jul-Feb FY 07 is in line with the slowdown in aggregate trade volume deceleration in growth. However, the composition of trade financing during Jul-Feb FY 07 is in contrast with Jul-Feb FY 06. Foreign currency loans, on the other hand, lost their attractiveness for domestic exporters because of declining spread between the cost of FE-25 and EFS loans.

Within the *agriculture sector*, government had increased its target by 23% to Rs.160 billion compared with Rs.130billion of FY 06.The gross disbursement to agri-sector grew by 22% to Rs.111 billion during Jul-Mar FY 07 compared with an expansion of 23.5% (Rs.91billion) during the same period of last year (Table-6.4).Production loans rose by 28.3% to Rs.98 billion from Rs.76 billion last year; while the development loans declined to Rs.13.5 billion from Rs.15 billion during the same period. Commercial banks gross disbursement during Jul-Mar FY07grew by 12.2% to Rs.65billion and the commercial banks maintained the lead in terms of credit disbursement over the traditional dominance of Zarai Taraqiati Bank. The credit performance of small private domestic banks also improved marginally as their credit share rose to 14.5 (Rs.16.1 billion) from 12 %( Rs.11 billion) of the last year. The share of production loans in fiscal year 2006-07 increased to almost 88 percent from 83.5 percent last year. The share of commercial banks in production loans jumped to 88 percent in Jul-Mar 2006-07 from 81 percent last year. It appears that commercial banks have

[1] The banks that merged during Jul-Apr FY 07 registered an expansion of Rs.13.6 billion compared with Rs.28.8 billion in the preceding year.

[2] Privatized banks include HBL,MCB,ABL,and UBL

concentrated more in production loans than development loans but the lack of demand for development loans cannot be ruled out as its share in total credit disbursement also declined from 16.5 percent to 12 percent.

**Table-6.4 Targets and Actual Disbursement of Agriculture Loans** (Rs.million)

| Name Of Bank | Actual Disbursement (July-March) | | | | | |
|---|---|---|---|---|---|---|
| | FY 06 | | | FY 07 | | |
| | Production Loans | Development Loans | Total | Production Loans | Development Loans | Total |
| **I. Total Commercial Banks (A+B)** | **46981** | **10972** | **57953** | **57185** | **7859** | **65044** |
| **A. Major Commercial Banks** | **37641** | **9332** | **46973** | **42939** | **6123** | **48962** |
| 1.Allied Bank of Pakistan Limited | 3637 | 71 | 3708 | 4470 | 78 | 4548 |
| 2.Habib Bank Limited | 9795 | 6113 | 15907 | 9256 | 4015 | 13270 |
| 3.Muslim Commercial Bank Limited | 3871 | 224 | 4095 | 5244 | 124 | 5368 |
| 4.National Bank of Pakistan | 14803 | 1917 | 16721 | 17525 | 1500 | 19025 |
| 5.United Bank Limited | 5534 | 1007 | 6541 | 6343 | 406 | 6749 |
| **B Private Domestic Banks** | **9340** | **1640** | **10980** | **14346** | **1736** | **16082** |
| **II.Total Specialized Banks(1+2)** | **29121** | **4086** | **33208** | **40448** | **5703** | **46151** |
| 1.Zarai Taraqiati Bank Limited | 25666 | 3361 | 29027 | 36893 | 3989 | 40881 |
| 2.P.P.C.B | 3455 | 725 | 4181 | 3556 | 1714 | 5270 |
| **Grand Total (I+II)** | **76102** | **15059** | **91161** | **97633** | **13562** | **111195** |

*Source:SBP*

**Table 6.5 Acceleration/Deceleration in Advances to Private Sector Business-Major Sectors**

| Accelerating | Decelerating |
|---|---|
| **Manufacturing** | |
| Coke and refined petro products | Made-up textiles |
| Machinery and equipment | Carpets and rugs |
| Sports goods | Leather |
| Wearing apparel, readymade | Spinning,weaving and finishing |
| Electrical machinery | Manufacture & distribution of gase |
| Basic Metals | Transport & equipment |
| Medicinal pharmaceuticals | Fertilizers and nitrogen |
| Grain mills | Knit wear |
| Edible oil and ghee | Sugar |
| | Cement |
| **Non-Manufacturing** | |
| Production and Trans of electricity | Radio and television |
| Health | Building |
| Collection & distribution of water | Mining and Quarrying |
| Hotel and restaurants | Transport & equipment |
| Infrastructure | Commerce and Trade |
| Education | Real Estate |
| Telecommunications | Ship breaking and waste |
| Fishing | |
| Growing of crops | |
| Livestock | |

*Source:SBP*

Advances to manufacturing sector decelerated to reach 13.2 percent during Jul-Mar FY 07 compared with 17.5 percent in the preceding year. Within the manufacturing sector, advances to textile industry registered major slowdown during Jul-Mar FY 07 attributed mainly to certain industry specific factors. Specifically, more than half of the manufacturing units registered a higher growth in off-take of working capital loans while rest of the units observed slower growth.

Demand from the *utilities segment* has been weak in the past but has picked up (65.3 percent during Jul-Mar FY 07 as compared to 15.4 percent for the corresponding period last year). According to information available from Private Power & Infrastructure Board (PPIB) which facilitates Independent Power Producers (IPPs), future projects currently under evaluation will add approximately 13,399 MW to Pakistan's power generation capacity at an estimated cost of USD 12.8 billion. Assuming a 70:30 debt equity structure translates into a credit requirement of approximately Rs. 540 billion for which various domestic and international debt options may be explored by the sponsors of the different projects.

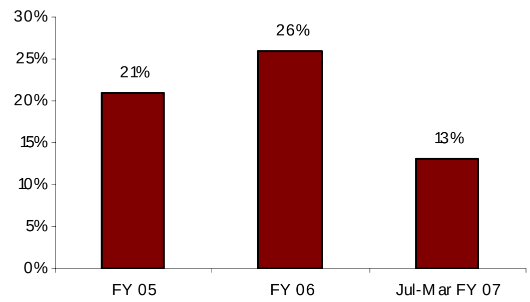
A *construction boom* is well underway in Pakistan though a large proportion remains in the informal sector. As construction cost mount, more of this activity is expected to come in the formal sector thus fueling demand for credit. Some international construction firms such as Emaar, Al-Ghurair, and Meindhart have already started operations in Pakistan. At the same time the Karachi Stock Exchange (KSE) saw its first listing of a real estate development company in CY 07 suggesting that the domestic construction industry is finally coming of age. Advances to construction sector remained strong at 24.6 percent during Jul-Mar FY 07, although a little lower than 28.7 percent in Jul-Mar FY 06.This was caused primarily by the increased financing needs of infrastructure related construction activities. In addition, the rise in raw material prices, especially the international metal prices, have also led to increase in financing needs of construction sector.

After registering an extraordinary growth of 70.5 percent in Jul-Mar FY 05, the consumer loans have been exhibiting a deceleration; dropping to 31.6 percent in Jul-Mar FY 06 and 11.9 percent in Jul-Mar FY 07(Fig-6.4). While the Jul-Mar FY 06 slowdown also incorporated some base effect; the slowdown in Jul-Mar FY 07 was caused primarily by the increase in interest rates as well as more restrained lending by banks. The deceleration in auto loans, in particular, was the largest contributor in total decline of private sector credit, the slowdown was attributed to three reasons;(1) the increase in interest rates;(2) low demand for automobiles as a result of increase in prices of domestic cars and low interest of consumer in imported cars;(3) high insurance charges that have increased the effective cost of automobile financing[3] and (4) increased number of bad debts due to interest rates increases that resulted in a relatively more cautious lending by the banks.

Personal loans witnessed significant deceleration during Jul-Mar FY 07.In addition to increased cost of financing, the mandatory use of Credit Information Bureau (CIB) data by banks is also cited as a major reason in the slowdown of personal loans. In addition, the SBP has given much emphasis on the need to ensure closed monitoring of personal loans so that these loans are not utilized for speculative activities

[3]Insurance is compulsory for auto financing from banks. Most of the car insurance companies have made it compulsory for the insurance holders to use costly car tracking devices

**Fig-6.4 Share of Consumer Financing in total Private Sector Credit**




### 6.4.3 Net Domestic Assets (NDA)

Growth in Net Domestic Assets grew by 14.28 percent during Jul-May FY 07 as against 13.50 percent increase during the corresponding period in the previous year. The higher growth in NDA was caused entirely by a sharp growth in credit to government sector (Rs.185 billion). The rise in government borrowings more than offset the impact of a sharp slowdown in credit to non-government sector.

### 6.4.4 Net Foreign Assets (NFA)

Following the significant improvement in country's external account, the NFA of the banking system registered an expansion of Rs.88.2 billion during Jul-May FY 07.The increase in NFA looks particularly high especially when compared with Rs.9.8 billion initial estimate in the Credit Plan for FY 07 and a sizable low expansion of Rs.43.8 billion during the same period last year.

Major factors responsible for the current expansion in NFA include, relatively high remittances inflows, influx of foreign exchange mainly through GDRs, a relatively high foreign investment (both FDI and Portfolio), foreign private loans and increase in loan disbursements from Asian Development Bank. Within the banking system, so far, the growth in NFA stemmed entirely from scheduled banks'NFA where most of the private sector foreign exchange flows were directed. The increase in SBP NFA,in contrast, during Jul-May FY 07 were a little lower than in Jul-May FY 06 mainly due to relatively lower government sector external inflows in the former period.

Specifically, despite a substantially lower inter bank US dollar injections, the SBP NFA increased by Rs 34.85 billion during Jul-May FY 07 as compared with a net expansion of Rs.71.7 billion during the same period of FY 06. The NFA of the scheduled banks showed an expansion of Rs.177.17 billion during Jul-May FY 07 compared to Rs.1.8 billion during Jul-May FY 06.This higher expansion is mainly explained by high foreign investment (both direct and portfolio), a sluggish demand for FE-25 loans by the business sector and significantly higher inflows of workers' remittances during Jul-Apr FY 07.And most of the increase in scheduled bank's NFA came during the Q3-FY 07 when the overall external account balance turned into a surplus(Fig-6.5). In addition to a narrowing trade deficit and an increase in foreign direct investments, a noticeable increase was also observed in Special Convertible Rupee Accounts (SCRA) balances during Q3-FY 07 which has even higher than the combined increase in SCRA during Q1 and Q2-FY 07.Although SBP purchased major part of foreign exchange from inter-bank market during Q3-FY 07; the volume of purchases was not sufficient to offset the impact of these inflows.

### 6.4.5 Monetary Assets

The Components of monetary assets (M2) include: Currency in circulation, Demand Deposit, Time deposit, Other Deposits (Excluding IMF A/C, counterpart) and Resident's foreign currency deposits (RFCDs). The developments in these components during the first nine months of the current fiscal year are presented below ( Table-6.6).

**Table-6.6 Monetary Aggregates** (Rs million)

| Items | End June | | July-12 May | |
|---|---|---|---|---|
| | 2005 | 2006 | 2005-06 | 2006-07 |
| **Narrow Money (M1) (1+2+3)** | **1624234** | **1840581** | **178564** | **1480980** |
| Currency in Circulation | 665901 | 740390 | 111046 | 133781 |
| Demand Deposits with banks | 954998 | 1095260 | 66953 | 1346017 |
| Other Deposits with SBP | 3335 | 4931 | 565 | 1182 |
| Time Deposits with Banks | 1161823 | 1380418 | 171546 | -1008089 |
| Resident's foreign Currency Deposits | 180295 | 195501 | 8094 | 4984 |
| **Monetary Assets Stock (M2) (1+2+3+4+5)** | 2966352 | 3416500 | 358204 | 477875 |
| **As Percent of M2** | | | | |
| Currency in Circulation | 22.45 | 21.67 | 31.0 | 28.0 |
| Demand Deposits with banks | 32.19 | 32.06 | 18.7 | 281.7* |
| Other Deposits with SBP | 0.11 | 0.14 | 0.2 | 0.2 |
| Time Deposits with Banks | 39.17 | 40.40 | 47.9 | -211.0* |
| Resident's foreign Currency Deposits | 6.08 | 5.72 | 2.3 | 1.0 |

*Source:SBP*

*. Sharp increase in demand deposits and equally sharp decline in time deposits simply reflect the change in classification done by the SBP. Effective from 22 July 2006, demand and time deposits have been re-classified in accordance with BSD Circular No 9 2006 dated 18th July 2006. Time deposits of less than 6 months are included in demand deposits for the purpose of CRR and SLR.

### 6.4.5.i Currency in Circulation

As shown in the Table 6.6, currency in circulation during July-May FY 07 increased by 18.1 percent as against an expansion of 16.7 percent during the same period of last year. A high growth in currency in circulation reflects increased level of economic activities. The currency in circulation constituted 28 percent of the money supply (M2) as against 31 percent in the same period last year. The decline in the share of currency in circulation reflects the rise in monetization of the economy.

### 6.4.5.ii Deposit with Scheduled Banks

During Jul-May FY 07 demand deposits has increased by 122.89 percent as compared to their increase of 7 percent in the same period of last year. Time deposits on the other hand showed a decline of 73 percent as compared to their increase of 14.8 percent in the comparable period of last year.[4]

[4] *. Sharp increase in demand deposits and equally sharp decline in time deposits simply reflect the change in classification done by the

The M2/GDP ratio, which is an indicator of financial development continued to exhibit a rising trend since 1990-00 from 36.9 percent to 45 percent in 2005-06.In March 2007, M2/GDP ratio was 43.6 percent as compared to 42.7 percent in the corresponding period of last year (see Table 6.7).

**Table-6.7 Key Indicators of Pakistan's Financial Development**

| Years | M2/GDP | M1/M2 | DD+TD/M2 | TD/M2 |
|---|---|---|---|---|
| 1999-00 | 36.9 | 52.8 | 74.6 | 39.2 |
| 2000-01 | 36.7 | 49.9 | 75.4 | 40.0 |
| 2001-02 | 40.0 | 49.8 | 75.4 | 41.3 |
| 2002-03 | 43.1 | 53.2 | 76.2 | 40.7 |
| 2003-04 | 44.9 | 55.2 | 76.8 | 39.0 |
| 2004-05 | 45.1 | 54.8 | 77.6 | 39.2 |
| 2005-06 | 45.0 | 53.9 | 72.5 | 40.4 |
| Jul-Mar | | | | |
| 2005-06 | 42.7 | 54.2 | 71.1 | 34.2 |
| 2006-07 | 43.6 | 85.9* | 72.6* | 8.9 |

*Source: SBP*

* It may be noted that it is not comparable with the previous periods due to change in classification by the SBP (See Annexure-A).

### 6.5 Interest Rate Environment

The interest rate structure is one of the most important indicators of the financial sectors. It is also an important determinant of credit flow to the private sector and overall investment activities. Lower lending rates and liberal credit policy encourage higher flow of credit to the private sector while rising lending rate and tight monetary policy which are essential tools for controlling inflationary pressures, restrict credit flow to the private sector. Consistent with its objective of shaving off domestic demand with a view to reducing inflation, the SBP not only raised reserve requirements for banks with effect from July 22, 2006 but also increased the discount rate by 50 bps to 9.5 percent.

In addition, SBP continued further with its frequent open market operations (OMO's) to drain excess liquidity from the inter-bank market. (Specifically, SBP conducted 58 OMOs during July-April FY 07 and moped up Rs.789.3 billion against the injection of Rs.72 billion as compared to Rs.485.9billion against the injection of Rs.382.8 billion in corresponding period of last year.)

**Table-6.8 Summary of Open Market Operations**

(Rs.billion)

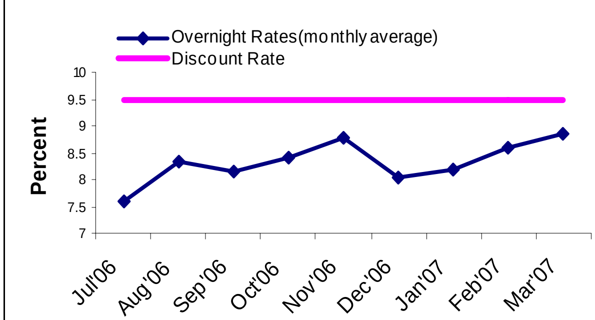
| | Injection | | Absorption | |
|---|---|---|---|---|
| | FY 06 | FY 07 | FY 06 | FY 07 |
| Jul | | | 46.8 | 133.5 |
| Aug | 8.3 | 21.2 | 65.2 | 105.7 |
| Sep | | | 69.7 | 87 |
| Oct | 38.6 | | 9 | 81.3 |
| Nov | 74.1 | | 26.5 | 61.9 |
| Dec | | 25.8 | 95.9 | 117.2 |
| Jan | 111.5 | | 67.1 | 60.2 |
| Feb | 42.8 | | 64.7 | 11.7 |
| Mar | 10.7 | 25 | 41.1 | 42.1 |
| Apr | 96.9 | | | 88.8 |
| **Total** | **382.8** | **72** | **485.9** | **789.3** |

Source:SBP

This is evident from a persistent narrow spread between discount rate and overnight rate throughout July-Feb FY07 period (Fig-6.6).

Finally in order to improve liquidity management in the inter-bank market, SBP raised the daily minimum reserve requirement for banks effective from January18th2007. At the same time, SBP was also concerned about the recent slowdown in export growth and growing long term investment needs in textile industry. Accordingly, SBP first lowered the export refinance rate in July 2006, thereby reducing the cost of financing to industry to around 300 bps below market rates. This is in addition to long term financing for export oriented projects (LTF-EOP) which is extended at 4-5 percent or 600-700 bps below market rates for 3-7 years.

**Fig-6.6 Weighted Average Overnight Rates**




SBP. Effective from 22 July 2006, demand and time deposits have been re-classified in accordance with BSD Circular No 9 2006 dated 18th July 2006. Time deposits of less than 6 months are included in demand deposits for the purpose of CRR and SLR.

In addition, SBP also raised the cut-off yield on 6 months and 12 months *Treasury Bills* which had increased gradually by 41 and 29 basis points to 8.9%and 9.07%, respectively during July-March FY 07 (Fig-6.7).Strong demand for T-Bills continued in the current fiscal year as market offered a total amount of Rs.843.81 billion in first nine months of FY 07. The SBP accepted Rs.696.51 billion from the primary market of T-Bills during the first nine months of FY 07 as compared to Rs.739.73 billion in FY 06 (Table-6.9).This heavy investment from scheduled banks in government papers was due to increase in Rupee liquidity at their disposal (The increase in liquidity stemmed mainly from a strong deposit growth, a slowdown in credit off take and SBP's large US $ purchases from the inter- bank). In the first nine months of FY 07 heavy investment was in 12 months T-bills which constituted 71.28%, which registered an increase of 9.17% as compared to corresponding period of last year (Fig-6.8)

**Fig-6.7 Weighted Averagerates of returns on T-bills**

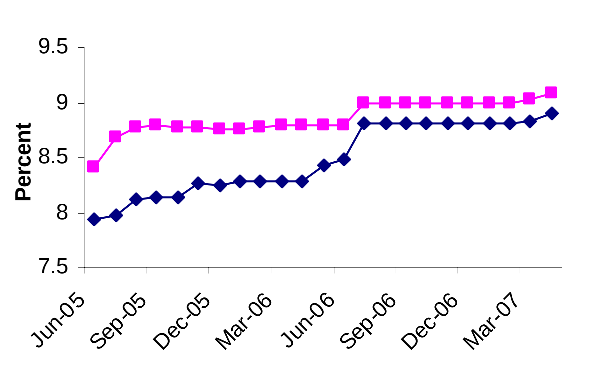



**Fig-6.8 Percentage Contribution of T-bills**

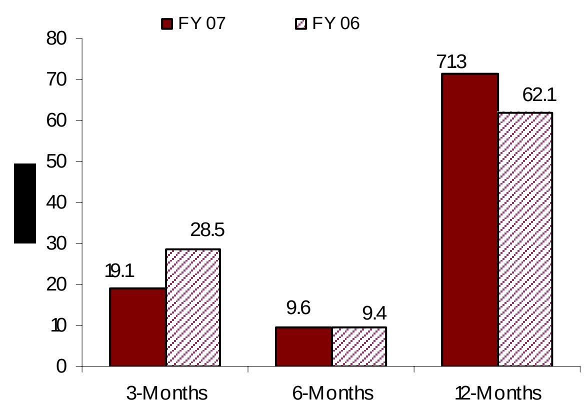


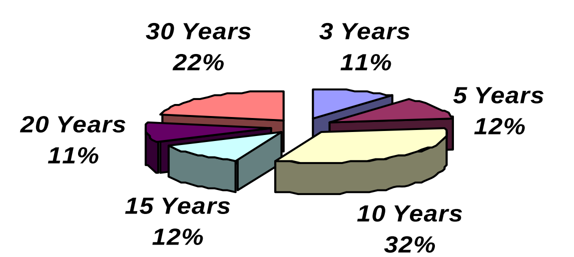

**Table-6.9 Market Treasury Bills Auctions** (Rs million)

| MTB | 2005-06 | | | July-March 2006-07 | | |
|---|---|---|---|---|---|---|
| | **Offered** | **Accepted** | ***W.A Rate** | **Offered** | **Accepted** | ***W.A Rate** |
| 3-Months | 389,173 | 210,541 | 7.9 | 182,802 | 133,152 | 8.5 |
| 6-Months | 182,112 | 69,752 | 8.2 | 99,320 | 66,920 | 8.6 |
| 12-Months | 555,757 | 459,440 | 8.6 | 561,683 | 496,433 | 8.9 |
| **Total** | **1,127,042** | **739,733** | | **843,805** | **696,505** | |

*Average of maximum & minimum rates *Source:SBP*

Interest rates of 3, 5 and 10 years maturities of the *Pakistan Investment bonds (PIBs)* exhibit an increase in the range of the 14 basis points to 33 basis points during the FY 07 over last year. The SBP conducted four PIBs auctions till March 2007 and launched 30 years paper for the first time in December 2006 which was highly appreciated by market players and it constituted 22% of the total accepted amount of PIB during July-March 2006-07(Fig-6.9).All the PIB auctions in aggregate have witnessed a great participation from the market. Total offered amount was Rs.100 billion; most

**Fig-6.9 Percentage Contribution of PIBs**



importantly from institutional investors, which suggests that the long-term government paper is re-gaining the confidence of investors and continuity of PIB issuance would also enable them to invest their liquidity in government papers and manage their balance sheet in more innovative ways. The lengthening of maturities on both assets and liabilities side could also help in diverting resources from working capital needs towards investment. (Table-6.10)

**Table-6.10 Pakistan Investment Bonds Auctions** (Rs.million)

| Tenure | 2005-06 | | | 2006-07 (Jul-Mar) | | |
|---|---|---|---|---|---|---|
| | Offered | Accepted | W.A Rates | Offered | Accepted | W.A Rates |
| 3 Years | 3,896 | 2,846 | 9.39 | 21,770 | 3,982 | 9.53 |
| 5 Years | 6,526 | 4,075 | 9.65 | 17,407 | 4,523 | 9.82 |
| 10 Years | 5,590 | 3,240 | 9.85 | 26,030 | 12,170 | 10.18 |
| 15 Years | | | | 9,850 | 4,300 | 11.01 |
| 20 Years | | | | 13,150 | 4,000 | 11.39 |
| 30 Years | | | | 12,000 | 8,000 | 11.68 |
| **Total** | **16,012** | **10,161** | | **100,207** | **36,975** | |

*Average of maximum & minimum rates *Source:SBP*

**Table-6.11 Lending & Deposit Rates(W.A)**

| | 2005-07 | | |
|---|---|---|---|
| | LR | DR | Spread |
| Jun-05 | 8.2 | 1.9 | 6.4 |
| Jul-05 | 9.1 | 2.1 | 7.0 |
| Aug-05 | 9.0 | 2.2 | 6.8 |
| Sep-05 | 9.5 | 2.2 | 7.3 |
| Oct-05 | 9.7 | 2.3 | 7.4 |
| Nov-05 | 9.8 | 2.4 | 7.4 |
| Dec-05 | 9.5 | 2.6 | 7.0 |
| Jan-06 | 9.8 | 2.6 | 7.1 |
| Feb-06 | 10.2 | 2.8 | 7.4 |
| Mar-06 | 10.1 | 2.8 | 7.4 |
| Apr-06 | 10.3 | 2.9 | 7.4 |
| May-06 | 10.2 | 2.9 | 7.3 |
| Jun-06 | 9.9 | 2.9 | 7.0 |
| Jul-06 | 10.2 | 3.1 | 7.2 |
| Aug-06 | 10.6 | 3.1 | 7.5 |
| Sep-06 | 11.0 | 3.2 | 7.8 |
| Oct-06 | 11.1 | 3.4 | 7.7 |
| Nov-06 | 11.0 | 3.6 | 7.4 |
| Dec-06 | 11.2 | 3.7 | 7.5 |
| Jan-07 | 10.7 | 3.7 | 6.9 |
| Feb-07 | 10.5 | 3.8 | 6.7 |
| Mar-07 | 10.6 | 3.9 | 6.6 |

Source:SBP

As shown in Table 6.11,the weighted average lending rate has increased by 240 basis points in a period of 21 months from June 2005 to March 2007 from 8.2 percent in June 2005 to 10.6 percent in March 2007.In fact, during the first nine months of the current fiscal year(Jul-Mar),W.A lending rate has increased by 70 basis points or from 9.9 percent in June 2006 to 10.6 percent in March 2007.The spread between the lending and deposit rates has also increased from 6.4 percent in June 2005 to 6.6 percent in March 2007.However,W.A.lending rate has declined by 60 basis points during December 2006 to March 2007 showing enormous liquidity in the banking system, particularly during the third quarter of the fiscal year when foreign inflows surged in Pakistan.

### 6.5.1 Impact of Rising Interest Rates

The tight monetary stance for almost two years (i.e., since April 2005), and measures of further tightening adopted at the beginning of FY 07 did help in moderating inflation in the country. The impact is, however, visible only in non-food inflation, which has come down to 5.5 % YoY in March 2007 from 8.4% and 7.5% in February 2006 and June 2006, respectively. On the other hand, in seven out of the first nine months of FY 07, food inflation was recorded in double digits. Given that food items constitute 40.3% of overall CPI basket, higher inflation in the former has restrained the downward movement in headline inflation.

## 6.6 Performance Evaluation of Financial Sector

The Financial sector in Pakistan comprises of commercial banks, development financial institutions (DFI), micro finance companies (Leasing companies, investment banks, discount houses, housing finance companies, Venture capital companies, mutual funds, modarbas, stock exchanges and insurance companies. As of

September 2006 there were 4 public sector banks, 4 specialized banks, 23 local private commercial banks, 10 foreign banks, and 6 micro finance banks and 7 DFIs.

### 6.6.1 Commercial Banks

The banking sector has had an exceptional run since the last few years as profitability has risen by 76% on an annual basis due both to rapid economic growth and prevailing macroeconomic conditions. Economic growth has led to a surge in consumer spending and banks have capitalized on this trend by expanding their consumer product portfolio (see Table-6.12 for details).

**Table-6.12 Performance of Scheduled Banks**

| | July-March | |
|---|---|---|
| | **2005 -06** | **2006 -07** |
| **1.No.of Branches** | 7503 | 7852 |
| — a. Domestic Banks | 7415 | 7747 |
| — b.Foreign Banks | 88 | 105 |
| **2.Assets (Rs.billion)** | 4029.3 | 3733.5 |
| — Nationalized Commercial Banks | 827 | 720.6 |
| — Private Banks | 2704 | 2533.9 |
| — Specialized Banks | 118.7 | 114.6 |
| — Foreign Banks | 379.6 | 364.4 |
| **3.Net Advances (Rs.billion)** | 2160.6 | 2036.3 |
| — Nationalized Commercial Banks | 389.3 | 355.6 |
| — Private Banks | 1516.7 | 1438.6 |
| — Specialized Banks | 66.5 | 61.7 |
| — Foreign Banks | 188.1 | 180.4 |
| **4.Deposits (Rs.billion)** | 3090.5 | 2852.2 |
| — Nationalized Commercial Banks | 663 | 571.8 |
| — Private Banks | 2142.7 | 2010.3 |
| — Specialized Banks | 13.2 | 11.9 |
| — Foreign Banks | 271.6 | 258.2 |
| **5.Net Investments (Rs.billion)** | 857.8 | 870.3 |
| — Nationalized Commercial Banks | 202.3 | 190.2 |
| — Private Banks | 573.3 | 578.7 |
| — Specialized Banks | 21.6 | 21.6 |
| — Foreign Banks | 60.6 | 79.8 |
| **6.Gross Non-Performing Loans (Rs.billion)** | 183.8 | 176.7 |
| — Nationalized Commercial Banks | 39.6 | 39 |
| — Private Banks | 99.8 | 98.1 |
| — Specialized Banks | 42.4 | 37.6 |
| — Foreign Banks | 2 | 2 |
| **7.Loans Recovery ratio to Gross NPLs** | 26 | 12.7 |
| — Nationalized Commercial Banks | 4.6 | 0.7 |
| — Private Banks | 3.7 | 5.0 |
| — Specialized Banks | 10.3 | 4.9 |
| — Foreign Banks | 7.4 | 2.1 |

*Source: SBP*

With the increasing significance of consumer spending in economic growth, the banking sector presents a very attractive investment opportunity. Unlike other industries, bank present an exposure to a diversified consumer segment base, thus reducing the risk associated with a single industry.

In 2006-07, total number of branches of domestic banks was 7747 as compared to 7415 in 2005-06; there has been an increase of 332 branches in the first nine months of FY 07.

Assets of all banks show a net contraction of Rs.275.8 billion in the first nine months of FY 07 as compared to same period of FY 06.A deceleration in private sector credit and higher contraction in Other Items Net (OIN) contributed to slowdown of scheduled bank's assets.

Growth in credit has decelerated during July-Feb 07 by Rs.124.3 billion, close analysis of the data shows that the slowdown primarily stems from deceleration in fixed investment loans as the working capital requirements have actually accelerated. Credit growth is expected to accelerate as structural factors are resolved and the infrastructure projects come online

The total deposit during July-March FY 07 showed a decline of Rs.238 billion as compared with the same period of last year. A disaggregation of deposit mobilization within the banking groups shows that most of the slowdown is registered in domestic private banks due to mergers and acquisitions activities in the whole year. The deposit mobilization of foreign banks and the large privatized banks, on the other hand, has remained higher. It is interesting to observe that returns offered by private sector commercial banks on deposits which were the lowest during July-Feb 06 among banking groups.Duing Jul-Feb FY 07, these banks raised deposit rates by 256 basis points and now operating with the highest deposit rates. Despite this sharp increase in deposit rates, the deposits of public sector banks registered net decline.

Net Investment of the banks has registered an increase of Rs.12.5 billion in FY07 mainly contributed by the foreign banks amounting Rs.79.8 billion as compared to Rs.60.6billion for the nine months of FY 06.

Loan Penetration should get a boost from electronic banking as debit and credit gain wider acceptance due to their convenience factor. The number of both ATM and credit card holders is increasing in excess of 50% annually. With MCB just having entered the segment and ABL planning to re-launch its credit card business the segment should continue to see robust growth.

E-banking has already been introduced by a number of banks in Pakistan while the government is reportedly trying to improve access to banking further through the use of m-banking (mobile).Out of the 6 banks in our universe 3 are already providing e-banking facilities with at least one more is about to join their ranks(see Table-6.13).

**Table-6.13 Electronic Banking Statistics**

| Period | On-line Branches | No. of ATMs | ATM Transaction (Million No.) | Value of ATM Transaction (Million Rs) | Credit card Amount Outstanding (Million Rs.) |
|---|---|---|---|---|---|
| Jun'05 | 2897 | 1028 | 8.56 | 43810 | 19340 |
| Dec'05 | 3265 | 1217 | 7.94 | 46675 | 27099 |
| Jun'06 | 3555 | 1612 | 10.1 | 60809 | 33538 |
| Dec'06 | 3947 | 1948 | 12.5 | 77656 | 39198 |

Source: SBP

Asset quality of all banks has steadily been rising as both NPLs and Net NPLs in absolute Rupee terms have been declining .The NPL for the first nine months of 2006-07 is recorded to be Rs.176.7billion as compared to last year amount of Rs.183.8 billion, overall there is a decline of 3.9%. Private Commercial Banks has reduced its gross non-performing loans by 1.7% and Specializes Bank contributed with a reduction of 11.3%. Foreign banks stock of net performing loans recorded no change as was observed in first nine months of 2005-06. Cash recovered against the non-performing in the first nine months of 2006-07 is less than that of recovered in the same period of 2005-06.There is a reduction of 13.3% in loan recovery to gross NPLs ratio as compared to the same period last year,. Nationalized Commercial Banks recovered 0.7%,Specialized banks 4.9%,foreign banks 2.1%,and private commercial contributed cash recovery of 5% as compared to 3.7% in same period of 2005-06.The overall industry has however improved in its NPL coverage ratio since CY 00.

There has been a significant **Merger and Acquisition (M & A) activity** within the banking industry over the last couple of years. This has been driven at times by the desire to achieve scale and other times by attractive investment opportunities. Out of 8 public sector commercial banks 4 have been privatized with 3 of the transactions taking place over a 3 year period from CY 02 to CY 04.Two of the privatizations attracted foreign interest with one being acquired by a consortium of the Bestway Group (UK) and Abu Dhabi Group (UAE) and the other being acquired by the Aga Khan Fund for Economic Development (AKFED).Standard Chartered recently acquired a 96% stake in the Union bank, a domestic bank for approximately USD 487 million, a transaction driven by the desire to gain scale. ABN Amro has acquired Prime Commercial Bank.

Two transactions have been driven purely as investment opportunities over the last 2 years. One involved Temasek Holdings(Singapore) acquiring approximately 75% stake in NIB Bank while SAMBA(Saudi Arabia)is currently in the process of acquiring a 68% stake in Crescent Commercial Bank.

### 6.6.2 Microfinance Banks

Microfinance emerged in the 1970s as social innovators bean to offer financial services to the working poor-those who were previously considered'un-bankable'because of their lack of collateral. Once given the opportunity, not only did clients of MFIs expand their businesses and increase their incomes, but their high repayment rates demonstrated that the poor are capable of transforming their own lives given the chance. This model of lending disapproved all conventional thinking. Microfinance has become one of the most sustainable and effective tools in the fight against global poverty

Microfinance sector in Pakistan has recorded substantial growth over the past six years as an outcome of a conducive policy and regulatory framework as well as supportive investments undertaken by the Government of Pakistan towards the development of the sector. This is evident by the increase in the number of retail Institutions, more than ten fold increase in number of clients to nearly a million over the period, entry of the greenfield specialized microfinance banks, diversification in products and expansion in distribution network across some of the most resource constrained of the country. The outreach within the sector remains pre-dominantly rural while new players prefer to expand more in urban territories and six specialized microfinance banks as a group having the largest proportion of microfinance clients in the market. These developments have encouraged the evolution of micro sector such as microfinance networks, rating agencies, top audit firms having enhanced their capacities to engage with the microfinance industry as well as deepening of the central bank credit bureau to cater to microfinance clients.

*Khushali Bank* continues to lead and is the largest microfinance Institution in the country in term of its network, clients and portfolio. The bank has a presence in 85 districts of the country through a network of 110 service outlets and processed over a million loans worth Rs.10 billion across 550,000 households with a portfolio that is pre-dominantly rural. Expanding access to low income households across marginalized territories remains a priority and highlights of the year where the opening of branches in Khyber and Kurrum agencies of the Federally Administered Tribal Area besides launch of a network across the eight district affected by the earthquake in North West Frontier Province and Azad Jammu and Kashmir under the Emergency Livelihood Restoration Program funded by the Government.

The business strategy for the future is to pursue portfolio consolidation and maintaining momentum in terms of client growth and outreach that will lead to improving sustainability of the Institution with a greater focus on improving client service and retention. These efforts will contribute towards achieving the sectoral goal for reaching 3 million households by 2010 set by the Government.Government of Pakistan has also sought assistance from the ADB to support a reforms program, aimed at improving access to credit and other financial services and to launch a Capacity Building Project to promote the development of microfinance by expanding microfinance outreach and services to the poorest.

### 6.6.3 Small and Medium Enterprise Sector

The importance of Small and medium Enterprise Sector in achieving and sustaining higher levels of growth in the economy is now well recognized based upon the fact that SMEs are a source of low cost employment. They play a key role in achieving fair and equitable distribution of wealth as well as in fostering a self-help and entrepreneurial culture in the economy. In FY 07, credit disbursed to SME for various sectors was Rs.28.3 billion as compared to Rs.40.593 billion in FY 06.Major contribution was towards the value addition of manufacturing sector which constituted 43.3 % of the total credit disbursed(Table-6.14).

SME Bank responds to the need of Small and Medium Entrepreneurs by providing them with the necessary financial assistance in the form of medium to long term funds.

The bank and its leasing company both financed 1402 SMEs during the year 2006 by extending to them record credit of Rs.1.95 billion

During 2006, bank’s disbursements rose to an all time high and surged to Rs.1.25 billion. The number of clients served rose to 1117 and since inception the bank has financed Rs.3.56 billion and served 5966 clients. Deposit rate rose by 67 % during the year 2006. During 2006 the bank, as policy decision, has suspended the recovery of loans extended to earthquake victims. This portfolio stands at Rs.33 million.

The Government of Pakistan assisted by the Asian Development Bank (ADB) engaged in working on a Rs.8 billion SME Sector development. This program apart from others aspects of policy issues relating to SME sector of Pakistan, also envisages restructuring of SME Bank Limited.

At the end of 2006, the bank has met key performance indicators/milestones on schedule as it has paid Rs.4963 million to SBP up to December 31, 2006 against outstanding Credit Lines and bank has increased Paid-up Capital to Rs.2000million.Now bank is heading towards Privitization.In this regard Privatization commission (PC) has constituted a transaction committee and PC has initiated formalities on February 12, 2007.

**Table-6.14 Credit to SME** (Rs.million)

| Sector | Stocks | | | | Flows | |
|---|---|---|---|---|---|---|
| | Jun'05 | Feb'06 | Jun'06 | Feb'07 | FY 06 | FY 07 |
| Fishing | 880 | 845 | 913 | 693 | (36) | (220) |
| Mining and Quarrying | 782 | 646 | 822 | 1018 | -136 | 196 |
| **Manufacturing** | **140207** | **154680** | **153147** | **168067** | **14473** | **14920** |
| Ship Breaking | 568 | 610 | 959 | 414 | 43 | -545 |
| Electricity and Gas | 1784 | 1801 | 1872 | 2786 | 17 | 914 |
| **Commerce and Trade** | **103676** | **125585** | **123723** | **127688** | **21909** | **3965** |
| **Services** | **19682** | **24068** | **23163** | **25160** | **4386** | **1996** |
| Transport and Communications | 8536 | 9919 | 9711 | 9994 | 1383 | 283 |
| Construction | 11521 | 11568 | 12976 | 14663 | 46 | 1686 |
| Other Private Business | 28650 | 27158 | 32318 | 37405 | -1492 | 5087 |
| **Total** | **316289** | **356880** | **359605** | **387888** | **40593** | **28283** |

Source:SBP

### Box.1 SME SECTOR DEVELOPMENT PROGRAMME 2007-08

There has been sustained and successful efforts during 2006-07 in creating institutional environment that effectively supports the growth, competitiveness and resilience of SMEs

- The flag post of SME was announcement of the SME Policy that has set the premises for generation of a new entrepreneurial culture and business environment for SMEs.The policy is being disseminated through workshops and seminars across the country. In order to provide legal support to its implementation, the SME Act is underway.
- In support of the SME policy, various labor laws have been revisited through an extensive consultative process with stakeholders. As a result, new policy directions in the form of Labor Protection policy and Labor Inspection Policy have been released with necessary amendments incorporated in the Factories Act. The twin policies are expected to go a long way in ensuring worker's welfare in the SME Sector.
- Cluster development has been further amplified by initiating Common Facility Centre in all provinces with focus on process-technology related services for collective up-gradation of SME clusters. The first CFC Sanitary ware Development Centre is being set up in Gujranwala.
- SME Business Support Fund is successfully engaged in extending its helpful hand to SMEs for improving production, marketing, financial and HR management. While 28 projects have been patronized for cost-sharing, 30 are under consideration with another 58 in pipeline.
- The government has spent Rs.142 million on SME Sector Development programme.It is expected to reserve another Rs.380 million during 2007-08

**Annexure-A**

**Monetary and Credit Control Measures, 2006-07**

1. On 14th July 2006, SBP decided to refinance under the Export Finance Schemes (EFS) with immediate effect shall be 6.5% p.a. The commercial banks shall, however, ensure that where financing facilities are extended by them to the exporters for availing refinance facilities under EFS, their maximum margin/ spread does not exceed 1 % p.a. The final rate of EFS to the borrowers shall, therefore not exceed 7.50 percent p.a.(SBP refinance rate 6.50% p.a. +1 % p.a. spread of the banks) as against prevailing rate of 9% p.a.

2. On July 18,2006 SBP decided to revise the reserve requirements with effect from 22 July,2006 as under:

   i) Cash Reserve Requirement (CRR)

      a) Weekly average of 7% (subject to daily minimum of 4%) of total

      b) Demand Liabilities (including Time Deposits with tenor of less than 6 months); and

      c) Weekly average of 3 % (subject to daily minimum of 1 %) of total Time Liabilities (including Time Deposits with tenor of 6 months and above)

   ii) Statutory Liquidity Requirements (SLR)

      18 % (excluding CRR) of total Time and Demand Liabilities.

3. On July 29, 2006 SBP decided that with effect from 31st July, 2006 the minimum rate of return to be paid by recipients of financing facilities from SBP for meeting temporary liquidity shortage and SBP 3-day Repo facility against Government of Pakistan Market Treasury Bills and Federal/Pakistan Investment Bonds has been enhanced by 50 basis points i.e. from 9% to 9.5% p.a.

4. To meet the large unmet demand in microfinance sector and to strengthening institutional capacities of MFBs, the existing legal 7 regulatory framework was changed through Prudential Regulations for MFBs, which mainly relate to increase in maximum loan size, investment of surplus fund, minimum income threshold, submission of audited financial statements, and declaration of Fidelity and Secrecy. The revised Prudential Regulations for MFBs were enforced with immediate effect.

5. To contain intra-day money market rate volatility SBP with effect from 19th January 2007 decided to raise the daily minimum requirements for Cash Reserves to 6% and 2% of demand and time liabilities respectively for all banks/DFIs including Islamic Banks. While the weekly average CRR was kept unchanged at 7% and 3% of demand and time liabilities respectively.

6. In order to create awareness and to facilitate the public in making informed decisions, on July 14th 2006 SBP decided that henceforth banks/DFIs shall make complete disclosures of the lending and deposit rates of all consumer products offered by then by posting this information on their websites as well as prominently displaying on entrance/ or window of their branches. In order to facilitate comparison, banks/DFIs would also disclose annualized percentage rates on all consumer products.

.........................................

TABLE 5.1

## COMPONENTS OF MONETARY ASSETS

(Rs million)

| Stocks at end June (a) | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 |
|---|---|---|---|---|---|---|---|---|
| 1. Currency Issued | 178,933 | 199,070 | 232,589 | 253,908 | 262,589 | 293,263 | 308,542 | 376,997 |
| 2. Currency held by SBP | 768 | 624 | 647 | 470 | 627 | 1,572 | 1,955 | 1,851 |
| 3. Currency in tills of Scheduled Banks | 11,301 | 13,738 | 16,363 | 19,328 | 17,821 | 18,769 | 18,870 | 19,468 |
| 4. Currency in circulation (1-2-3) | 166,864 | 184,708 | 215,579 | 234,110 | 244,141 | 272,922 | 287,717 | 355,677 |
| 5. Scheduled Banks demand deposits (b) | 156,509 | 168,554 | 202,505 | 207,108 | 192,275 | 200,997 | 349,115 | 375,397 |
| 6. Other Deposits with SBP (c) | 4,449 | 5,506 | 5,055 | 6,791 | 7,135 | 6,412 | 6,212 | 7,959 |
| 7. M1 (4+5+6) | 327,822 | 358,768 | 423,139 | 448,009 | 443,551 | 480,331 | 643,044 | 739,033 |
| 8. Scheduled Banks Time Deposits (b) | 206,294 | 252,497 | 296,521 | 344,713 | 386,801 | 447,433 | 516,586 | 549,124 |
| 9. Resident Foreign Currency Deposits | 61,274 | 92,134 | 105,073 | 145,958 | 222,882 | 278,556 | 120,917 | 112,475 |
| 10. Total Monetary Assets(M2) (7+8+9) | 595,390 | 703,399 | 824,733 | 938,680 | 1,053,234 | 1,206,320 | 1,280,547 | 1,400,632 |
| 11. Growth Rate (%) | 17.8 | 18.1 | 17.2 | 13.8 | 12.2 | 14.5 | 6.2 | 9.4 |
| Memorandum Items | | | | | | | | |
| 1. Currency/Money Ratio | 28.0 | 26.3 | 26.1 | 24.9 | 23.2 | 22.6 | 22.5 | 25.4 |
| 2. Demand Deposits/Money Ratio | 26.3 | 24.0 | 24.6 | 22.1 | 18.3 | 16.7 | 27.3 | 26.8 |
| 3. Time Deposits/Money Ratio | 34.6 | 35.9 | 36.0 | 36.7 | 36.7 | 37.1 | 40.3 | 39.2 |
| 4. Other Deposits/Money Ratio | 0.7 | 0.8 | 0.6 | 0.7 | 0.7 | 0.5 | 0.5 | 0.6 |
| 5. RFCD/Money ratio | 10.3 | 13.1 | 12.7 | 15.5 | 21.2 | 23.1 | 9.4 | 8.0 |
| 6. Income Velocity of Money (d) | 2.3 | 2.4 | 2.4 | 2.5 | 2.4 | 2.4 | 2.3 | 2.4 |

(Contd.)

a. Last working day.
b. Excluding inter-bank deposits and deposists 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.
Note: Totals may not tally due to rounding.

TABLE 5.1

## COMPONENTS OF MONETARY ASSETS

(Rs million)

| Stocks at end June (a) | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | End March 2006 | End March 2007 P |
|---|---|---|---|---|---|---|---|---|
| 1. Currency Issued | 396,548 | 462,095 | 527,557 | 617,508 | 712,480 | 791,834 | 792,549 | 887,301 |
| 2. Currency held by SBP | 1,905 | 1,865 | 2,565 | 2,960 | 3,107 | 3,005 | 2,812 | 3,162 |
| 3. Currency in tills of Scheduled Banks | 19,178 | 26,414 | 30,415 | 36,432 | 43,472 | 48,439 | 44,927 | 49,615 |
| 4. Currency in circulation (1-2-3) | 375,465 | 433,816 | 494,577 | 578,116 | 665,901 | 740,390 | 744,810 | 834,524 |
| 5. Scheduled Banks demand deposits (b) | 374,675 | 429,175 | 608,170 | 791,413 | 954,998 | 1,095,260 | 1,011,644 | 2,416,604 |
| 6. Other Deposits with SBP (c) | 11,292 | 13,847 | 3,499 | 2,116 | 3,335 | 4,931 | 3,566 | 5,595 |
| 7. M1 (4+5+6) | 761,432 | 876,838 | 1,106,246 | 1,371,645 | 1,624,235 | 1,840,581 | 1,760,020 | 3,256,723 |
| 8. Scheduled Banks Time Deposits (b) | 610,458 | 727,076 | 846,321 | 969,217 | 1,161,823 | 1,380,418 | 1,296,092 | 335,823 |
| 9. Resident Foreign Currency Deposits | 154,154 | 157,456 | 126,138 | 145,694 | 180,295 | 195,501 | 188,389 | 200,484 |
| 10. Total Monetary Assets(M2) (7+8+9) | 1,526,044 | 1,761,370 | 2,078,705 | 2,486,556 | 2,966,352 | 3,416,500 | 3,244,501 | 3,793,030 |
| 11. Growth Rate (%) | 9.0 | 15.4 | 18.0 | 19.6 | 19.3 | 15.2 | 9.4 | 11.0 |
| Memorandum Items | | | | | | | | |
| 1. Currency/Money Ratio | 24.6 | 24.6 | 23.8 | 23.2 | 22.4 | 21.7 | 23.0 | 22.0 |
| 2. Demand Deposits/Money Ratio | 24.6 | 24.4 | 29.3 | 31.8 | 32.2 | 32.1 | 31.2 | 63.7 |
| 3. Time Deposits/Money Ratio | 40.0 | 41.3 | 40.7 | 39.0 | 39.2 | 40.4 | 39.9 | 8.9 |
| 4. Other Deposits/Money Ratio | 0.7 | 0.8 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| 5. RFCD/Money ratio | 10.1 | 8.9 | 6.1 | 5.9 | 6.1 | 5.7 | 5.8 | 5.3 |
| 6. Income Velocity of Money (d) | 2.4 | 2.2 | 2.3 | 2.2 | 2.2 | 2.3 | | |

Source: State Bank of Pakistan

a. Last working day.

b. Excluding inter-bank deposits and deposists 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)

| | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 |
|---|---|---|---|---|---|---|---|---|
| | | | | A. End June Stock | | | | |
| 1 Public Sector Borrowing (net) | | | | | | | | |
| ( i + ii + iii + iv + v + vi + vii ) | 201174 | 270165 | 345167 | 373433 | 426520 | 495047 | 574023 | 630745 |
| i Net Budgetary Support | 194501 | 257074 | 322772 | 345917 | 382336 | 434062 | 504562 | 552580 |
| ii Commodity Operations | 18675 | 22869 | 30204 | 36786 | 41519 | 47377 | 53079 | 63664 |
| iii Zakat Fund etc. | -12002 | -9778 | -7809 | -9270 | -11465 | -12522 | -15392 | -18518 |
| iv Utilization of privatization | | | | | | | | |
| proceeds by Govt./WAPDA | - | - | - | - | - | - | 36434 | 37657 |
| v Use of Privatization proceeds/ | | | | | | | | |
| NDRP Fund for Debt Retirement | - | - | - | - | 14130 | 26130 | -4660 | -5749 |
| vi Payment to HBL on A/C of HC&EB | | | | | | | | 287 |
| 2 Non-Government Sector | 260962 | 292381 | 352954 | 392820 | 462357 | 531064 | 602828 | 696672 |
| i Autonomous Bodies1 | 9374 | 10661 | 14594 | 13744 | 16955 | 20121 | 29196 | 28302 |
| ii Net Credit to Private Sector | | | | | | | | |
| & PSCEs | 251588 | 281720 | 338360 | 379076 | 445402 | 510943 | 573632 | 668370 |
| a. Private Sector | 221062 | 251311 | 309595 | 352363 | 416094 | 478701 | 546814 | 632025 |
| b. Public Sector Corp. | | | | | | | | |
| other than 2(i) | 30526 | 30409 | 28765 | 26713 | 29308 | 32242 | 26818 | 36345 |
| 3 Counterpart Funds | -330 | -151 | -546 | -388 | -464 | -617 | -736 | -650 |
| 4 Other Items (Net) | -36857 | -41500 | -52846 | -46537 | -74705 | -58844 | -61621 | -45290 |
| 5 Domestic Credit (1+2+3+4) | 424949 | 520895 | 644729 | 719328 | 813708 | 966650 | 1114494 | 1281477 |
| 6 Foreign Assets (Net) | -24305 | -15326 | -49339 | -15930 | 11027 | -27971 | -61260 | -75157 |
| 7 Monetary Assets (5+6) | 400644 | 505569 | 595390 | 703398 | 824735 | 938679 | 1053234 | 1206320 |
| | | | | B. Changes over the year (July-June) | | | | |
| 8 Public Sector Borrowing (net) | | | | | | | | |
| ( i + ii + iii + iv + v + vi + vii ) | 27438 [2] | 68991 | 75002 | 28266 | 53087 | 68527 | 80933 | 56722 |
| i Net Budgetary Support | 38332 [2] | 62573 | 65698 | 23145 | 36419 | 51726 | 72457 [9] | 48018 |
| ii Commodity Operations | -5315 | 4194 | 7335 | 6582 | 4733 | 5858 | 5702 | 10585 |
| iii Zakat Fund etc. | -5579 | 2224 | 1969 | -1461 | -2195 | -1057 | (2870) | (3126) |
| iv Utilization of privatization | | | | | | | | |
| proceeds by Govt./WAPDA | - | - | - | - | - | - | 10304 | 1223 |
| v Use of Privatization proceeds/ | | | | | | | | -1089 |
| NDRP Fund for Debt Retirement | - | - | - | - | 14130 | 12000 | -4660 | 287 |
| vi Payment to HBL on A/C of HC&EB | | | | | | - | 0 | 0 |
| vii Others | | | | | | - | - | - |
| 9 Non-Government Sector | 21702 | 31419 | 60573 | 39866 | 69537 | 63429 | 61879 [4,9] | 83414 * |
| i Autonomous Bodies1 | 592 | 1287 | 3933 | -850 | 3211 | 3166 | -242 [7] | -894 |
| ii Net Credit to Private Sector | | | | | | | | * |
| & PSCEs | 21110 | 30132 | 56640 | 40716 | 66326 | 60263 | 62121 | 84308 * |
| a. Private Sector | 25096 | 30249 | 58284 | 42768 | 63731 | 57329 [3] | 59907 [4] | 74781 |
| b. Public Sector Corp. | | | | | | | | |
| other than 2(i) | -3986 | -117 | -1644 | -2052 | 2595 | 2934 | 2214 [7,9] | 9527 |
| 10 Counterpart Funds | 178 | 179 | -395 | 158 | -76 | -153 | -119 | 86 * |
| 11 Other Items (Net) | 4362 | -4643 | -11346 | 6309 | -28168 | 21139 [3] | 5152 [4,9] | 26761 |
| 12 Domestic Credit Expansion | | | | | | | | |
| (8+9+10+11) | 53680 [2] | 95946 | 123834 | 74599 | 94380 | 152942 | 147845 | 166983 |
| 13 Foreign Assets (Net) | 5712 [2] | 8979 | -34013 | 33409 | 26957 | -38998 | -33289 | (13897) |
| 14 Monetary Expansions | | | | | | | | |
| (13+14) | 59392 | 104925 | 89821 | 108008 | 121337 | 113944 | 114556 | 153086 |

(Contd.)

TABLE 5.2

## CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS

(Rs million)

| | | 1999 | 2000 | 2001 | 2002 | 2003 |
|---|---|---|---|---|---|---|
| | | | | A. Stock End June | | |
| 1 | Public Sector Borrowing (net) | | | | | |
| | (i + ii + iii + iv + v + vi + vii) | 583598 | 661832 | 601870 | 677054 | 598623 |
| | i Net Budgetary Support | 505887 8 | 545850 8 | 4998888 8 | 567208 | 511186 |
| | ii Commodity Operations | 67309 | 107403 | 95311 | 100642 | 74047 |
| | iii Zakat Fund etc. | (21793) | (23616) | (25524) | (22991) | (18805) |
| | iv Utilization of privatization | | | | | |
| | proceeds by Govt./WAPDA | 37657 | 37657 | 37657 | 37657 | 37657 |
| | v Use of Privatization proceeds/ | | | | | |
| | NDRP Fund for Debt Retirement | (5749) | (5749) | (5749) | (5749) | (5749) |
| | vi Payment to HBL on A/C of HC&EB | 287 | 287 | 287 | 287 | 287 |
| 2 | Non-Government Sector | 816710 | 842752 | 902603 | 921596 | 1048162 |
| | i Autonomous Bodies1 | 41351 | 68637 | 75240 | 60159 | 55370 |
| | ii Net Credit to Private Sector | 775359 | 774115 | 827363 | 861437 | 992892 |
| | & PSCEs | | | | | |
| | a. Private Sector | 735887 | 754190 | 750211 | 841057 | 949030 |
| | b. Public Sector Corp. other than 2(i | 43124 | 28826 | 37036 | 35563 | 32386 |
| | c. PSEs Special Account Debt Repa | (3652) | (8901) | (12241) | (15183) | (18802) |
| | d. Other Financial Institutions (NBFI | 0 | 0 | 52357 | 37877 | 30278 |
| 3 | Counterpart Funds | (589) | (611) | (562) | (536) | (586) |
| 4 | Other Items (Net | (73544) | (59087) | (6202) | (67463) | (107258) |
| 5 | Domestic Credit (1+2+3+4) | 1326175 | 1444886 | 1497707 | 1530651 | 1539041 |
| 6 | Foreign Assets (Net) | (45629) | (44254) | 28338 | 230718 | 539664 |
| 7 | Monetary Assets (5+6) | 1280546 | 1400632 | 1526046 | 1761370 | 2078704 |
| | | | | B. Changes over the year (July-June) | | |
| 8 | Public Sector Borrowing (net) | | | | | |
| | (i+ii+iii+iv+v+vi+vii) | (74824) # | 78234 | (46731) | 22177 | (78361) |
| | i Net Budgetary Support | (75193) 8'#' | 39963 8 | (32315) 8@ | 14313 | (55952) |
| | ii Commodity Operations | 3645 | 40094 | (12508) | 5331 | (26595) |
| | iii Zakat Fund etc. | (3275) | (1823) | (1908) | 2533 | 4186 |
| 9 | Non-Government Sector | 119214 | 26044 | 69194 @ | 18993 | 148539 |
| | i Autonomous Bodies1 | 13049 | 3125 7 | 11573 7 | (15081) | (4789) |
| | ii Net Credit to Private Sector & PSCEs | 106165 | 22916 | 57620 @ | 34074 | 153328 |
| | a. Private Sector | 103038 | 18303 | 48633 @ | 52969 | 167723 |
| | b. Public Sector Corp. other than 2(i | 6779 | 9862 7 | 12327 | (1473) | (3177) |
| | c. PSEs Special Account Debt Repa | (3652) | (5249) | (3340) | (2942) | (3619) |
| | d. Other Financial Institutions (NBFI | 0 | 0 | 0 | (14480) | (7599) |
| 10 | Counterpart Funds | 61 | (22) | 49 | 26 | (50) |
| 11 | Other Items (Net) | 246 # | 14457 | 30863 | (12040) | (61674) |
| 12 | Domestic Credit Expansion (8+9+10+11) | 44697 | 118711 | 53374 | 29156 | 8454 |
| 13 | Foreign Assets (Net) | 29529 | 1375 | 72654 | 206168 | 308946 |
| 14 | Monetary Expansions (13+14) | 74226 | 120086 | 126028 | 235324 | 317400 |

(Contd)

TABLE 5.2

## CAUSATIVE FACTORS ASSOCIATED WITH MONETARY ASSETS

(Rs million)

| | | 2004 | 2005 | 2006 | End March 2006 | End March 2007 P |
|---|---|---|---|---|---|---|
| | | A. Stock End June | | | | |
| 1 | Public Sector Borrowing (net) (i + ii + iii + iv + v + vi + vii) | 656729 | 752515 | 843281 | 780317 | 913671 |
| | i Net Budgetary Support | 574886 | 646682 | 717632 | 707916 | 834230 |
| | ii Commodity Operations | 65873 | 87836 | 107762 | 54800 | 61722 |
| | iii Zakat Fund etc. | (16224) | (14198) | (14308) | (14594) | (14476) |
| | iv Utilization of privatization proceeds by Govt./WAPDA | 37657 | 37657 | 37657 | 37657 | 37657 |
| | v Use of Privatization proceeds/ NDRP Fund for Debt Retirement | (5749) | (5749) | (5749) | (5749) | (5749) |
| | vi Payment to HBL on A/C of HC&EB | 287 | 287 | 287 | 287 | 287 |
| 2 | Non-Government Sector | 1363669 | 1782368 | 2190769 | 2128366 | 2461120 |
| | i Autonomous Bodies1 | 34293 | 32224 | 36979 | 35579 | 39958 |
| | ii Net Credit to Private Sector & PSCEs | 1329376 | 1750144 | 2153790 | 2092787 | 2421162 |
| | a. Private Sector | 1274245 | 1712093 | 2113890 | 2056287 | 2385708 |
| | b. Public Sector Corp. other than 2(i | 53852 | 44838 | 47237 | 43937 | 42756 |
| | c. PSEs Special Account Debt Repa | (22108) | (23714) | (23225) | (23059) | (23446) |
| | d. Other Financial Institutions (NBFI | 23387 | 16927 | 15889 | 15622 | 16144 |
| 3 | Counterpart Funds | (628) | (539) | (546) | (536) | (509) |
| 4 | Other Items (Net | (116405) | (204929) | (305434) | (284996) | (345600) |
| 5 | Domestic Credit (1+2+3+4) | 1903367 | 2329415 | 2728071 | 2623151 | 3028682 |
| 6 | Foreign Assets (Net) | 583190 | 636938 | 688429 | 621350 | 764348 |
| 7 | Monetary Assets (5+6) | 2486556 | 2966352 | 3416500 | 3244501 | 3793030 |
| | | B. Changes over the year (July-June) | | | | |
| 8 | Public Sector Borrowing (net) (i+ii+iii+iv+v+vi+vii) | 58106 | 95785 | 90766 | 27802 | 70390 |
| | i Net Budgetary Support | 63700 | 71796 | 70950 | 61234 | 116598 |
| | ii Commodity Operations | (8174) | 21963 | 19926 | (33036) | (46040) |
| | iii Zakat Fund etc. | 2581 | 2026 | (110) | (396) | (168) |
| 9 | Non-Government Sector | 315407 | 418699 | 408401 | 345998 | 270351 |
| | i Autonomous Bodies1 | (21077) | (2069) | 4755 | 3355 | 2979 |
| | ii Net Credit to Private Sector & PSCEs | 336484 | 420768 | 403646 | 342643 | 267372 |
| | a. Private Sector | 325215 | 437848 | 401797 | 344194 | 271819 |
| | b. Public Sector Corp. other than 2(i | 21466 | (9014) | 2399 | (901) | (4481) |
| | c. PSEs Special Account Debt Repa | (3306) | (1606) | 489 | 655 | (221) |
| | d. Other Financial Institutions (NBFI | (6891) | (6460) | (1038) | (1306) | 255 |
| 10 | Counterpart Funds | (42) | 88 | (7) | 3 | 37 |
| 11 | Other Items (Net) | (9147) | (88525) | (100504) | (80066) | (40167) |
| 12 | Domestic Credit Expansion (8+9+10+11) | 364326 | 426048 | 398656 | 293736 | 300611 |
| 13 | Foreign Assets (Net) | 43526 | 53748 | 51491 | (15587) | 75919 |
| 14 | Monetary Expansions (13+14) | 407852 | 479796 | 450147 | 278149 | 376530 |

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 8207million being mark up debited to the borrowers account
5 Credit to NHA by commercial Banks.
6 Credit to NHA and CAA by commercial banks
7 The difference in flow data is due to change in the composition of autonomous bodies.
8 Special Account-Debt Repayment Adjusted.
# Adjusted for Rs 28.5 billion on account of Adhoc Treasury Bills created to offset the government losses due to the unification of exchange rate
@' The difference in flow data is due to change in the total number of PSES
Note: 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 at end June | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 |
|---|---|---|---|---|---|---|---|---|---|
| LIABILITIES | | | | | | | | | |
| 1. Capital (paid-up) and Reserves | | | | | | | | | |
| Demand liabilities in Pakistan | 36,011 | 43,770 | 50,533 | 56,255 | 60,935 | 91,060 | 75,632 | 79,648 | 88,581 |
| 2. Inter-banks Demand Liabilities | 12,822 | 14,532 | 16,787 | 13,281 | 13,722 | 10,991 | 7,968 | 8,580 | 12,282 |
| 2.1 Borrowing | (1,436) | (2,878) | (5,104) | (115) | (407) | (78) | (61) | (43) | (34) |
| 2.2 Deposits | (11,386) | (11,654) | (11,683) | (13,166) | (13,315) | (10,913) | (7,907) | (8,537) | (12,248) |
| 3. Deposits (General) | 217,711 | 256,188 | 296,739 | 339,408 | 358,457 | 411,361 | 454,072 | 475,281 | 527,672 |
| 4. Other Liabilities | 9,112 | 12,578 | 16,500 | 19,224 | 21,654 | 25,120 | 38,491 | 47,420 | 42,870 |
| 5. Total Demand Liabilities (2+3+4) | 239,645 | 283,298 | 330,026 | 371,913 | 393,833 | 447,472 | 500,531 | 531,281 | 582,824 |
| TIME LIABILITIES IN PAKISTAN | | | | | | | | | |
| 6. Inter-banks Time Liabilities | 4,937 | 7,181 | 9,059 | 5,509 | 5,422 | 10,658 | 8,633 | 6,300 | 4,705 |
| 6.1 Borrowing | (3,976) | (3,333) | (5,998) | (2,965) | (3,618) | (7,744) | (5,845) | (5,674) | (3,668) |
| 6.2 Deposits | (961) | (3,848) | (3,061) | (2,544) | (1,804) | (2,914) | (2,788) | (626) | (1,037) |
| 7. Time Deposits (General) | 270,343 | 342,368 | 405,882 | 495,677 | 571,574 | 628,076 | 661,401 | 652,279 | 712,978 |
| 8. Other Liabilities | 3,920 | 4,812 | 3,388 | 4,737 | 5,369 | 7,141 | 8,329 | 10,759 | 9,494 |
| 9. Total Time Libilities (6+7+8) | 279,200 | 354,361 | 418,329 | 505,923 | 582,365 | 645,875 | 678,363 | 669,338 | 727,177 |
| 10. Total Demand and Time Liabilities | 518,845 | 637,659 | 748,355 | 877,836 | 976,198 | 1,093,347 | 1,178,894 | 1,200,619 | 1,310,001 |
| 11. Borrowing From SBP | 64,577 | 70,583 | 82,668 | 56,914 | 77,999 | 113,919 | 142,147 | 141,016 | 139,367 |
| 12. Borrowing from Banks Abroad | 14,614 | 14,217 | 14,280 | 13,424 | 14,622 | 16,518 | 22,089 | 16,657 | 15,169 |
| 13. Money at Call and Short Notice in Pakistan | 6,584 | 6,721 | 8,350 | 8,070 | 5,370 | 7,768 | 17,528 | 42,469 | 30,293 |
| 14. Other Liabilities | 505,570 | 640,164 | 743,430 | 897,892 | 993,960 | 264,981 | 298,019 | 321,224 | 400,517 |
| 15. Total Liabilities | 1,146,201 | 1,413,114 | 1,647,616 | 1,910,391 | 2,129,084 | 1,587,593 | 1,734,309 | 1,801,633 | 1,983,928 |
| 16. Total Statutory Reserves | 26,271 | 32,219 | 37,835 | 44,295 | 49,078 | 55,056 | 59,821 | 59,287 | 64,651 |
| 16.1 On Demand Liabilities | (12,311) | (14,501) | (16,919) | (18,999) | 19,960 | (22,762) | (25,903) | (26,135) | (28,527) |
| 16.2 On Time Liabilities Assets | (13,960) | (17,718) | (20,916) | (25,296) | (29,118) | (32,294) | (33,918) | (33,152) | (36,124) |
| ASSETS | | | | | | | | | |
| 17. Cash in Pakistan | 11,301 | 13,959 | 16,363 | 19,328 | 17,821 | 18,769 | 18,870 | 19,468 | 19,178 |
| 18. Balances with SBP | 48,745 | 63,746 | 78,503 | 63,502 | 89,756 | 84,740 | 100,335 | 153,371 | 147,962 |
| 19. Other Balances | 8,920 | 14,814 | 11,012 | 14,516 | 16,864 | 18,210 | 19,116 | 18,250 | 18,033 |
| 20. Money at Call and Short Notice in Pakistan | 7,002 | 7,062 | 8,814 | 8,989 | 5,772 | 8,903 | 18,095 | 43,509 | 31,179 |
| 21. 17+18+19+20 as % of 10 | 14.6 | 15.6 | 15.3 | 12.1 | 13.2 | 11.9 | 13.3 | 19.5 | 16.5 |
| FOREIGN CURRENCY | | | | | | | | | |
| 22. Foreign Currency held in Pakistan | 2,194 | 4,261 | 3,017 | 3,667 | 4,647 | 2,706 | 2,981 | 2,222 | 4,788 |
| 23. Balances with Banks Abroad | 6,190 | 7,899 | 8,163 | 16,545 | 10,918 | 21,798 | 39,019 | 46,619 | 70,856 |
| 24. Total Foreign Currency | 8,384 | 12,160 | 11,180 | 20,212 | 15,565 | 24,504 | 42,000 | 48,841 | 75,644 |
| BANK CREDIT ADVANCES | | | | | | | | | |
| 25. To Banks | 7,830 | 8,616 | 13,482 | 5,449 | 3,690 | 5,687 | 4,402 | 5,788 | 3,657 |
| 26. To Others | 308,992 | 347,868 | 413,811 | 474,731 | 552,522 | 644,049 | 725,852 | 801,154 | 866,490 |
| 27. Total Advances | 316,822 | 356,484 | 427,293 | 480,180 | 556,212 | 649,736 | 730,254 | 806,942 | 870,147 |
| 28. Bills Purchased and Discounted | 44,149 | 52,483 | 59,649 | 62,511 | 70,675 | 63,073 | 63,774 | 69,554 | 75,504 |
| 29. Total Bank Credit | 360,971 | 408,967 | 486,942 | 542,691 | 626,887 | 712,809 | 794,028 | 876,496 | 945,651 |
| 30. 29 as % of 10 | 69.6 | 64.1 | 65.1 | 61.8 | 64.2 | 65.2 | 67.4 | 73.0 | 72.2 |
| INVESTMENT IN SECURITIES AND SHARES | | | | | | | | | |
| 31. Central Government Securities | 140,124 | 147,076 | 166,687 | 144,922 | 134,417 | 123,647 | 115,671 | 115,536 | 101,161 |
| 32. Provincial Government Securities | 3,727 | 3,345 | 3,340 | 3,338 | 2,399 | 2,148 | 1,969 | 1,730 | 1,836 |
| 33. Treasury Bills | 35,660 | 83,443 | 90,059 | 137,110 | 167,945 | 235,388 | 204,160 | 103,790 | 123,889 |
| 34. Other Investment in Securities & Sahres | 31,331 | 32,632 | 35,210 | 42,512 | 39,023 | 40,900 | 69,069 | 65,993 | 70,048 |
| 35. Total Investment in Securities and Shares | 210,842 | 266,496 | 295,296 | 327,882 | 343,784 | 402,119 | 390,869 | 287,049 | 296934 |
| 36. 35 as % of 10 | 40.6 | 41.8 | 39.5 | 37.4 | 35.2 | 36.8 | 33.2 | 23.9 | 22.7 |
| 37. Other Assets | 490,036 | 625,910 | 739,506 | 913271.0 | 1,012,645 | 254,970 | 255,378 | 252,114 | 340,220 |
| 38 Advance Tax Paid | - | - | - | - | - | 49,332 | 69,564 | 72,941 | 78,205 |
| 39 Fixed Assets | - | - | - | - | - | 13,237 | 26,054 | 29,594 | 30,922 |
| 40 Total Assets | 1,146,201 | 1,413,114 | 1,647,616 | 1,910,391 | 2,129,084 | 1,587,593 | 1,734,309 | 1,801,633 | 1,983,928 |
| 41 Excess Reserves (18-16) | 22,474 | 31,523 | 40,668 | 19,207 | 40,678 | 29,684 | 40,514 | 94,048 | 83,311 |

Contd.

TABLE 5.3

SCHEDULED BANKS POSITION BASED ON WEEKLY RETURNS: LIABILITIES AND ASSETS

(Rs million)

| Outstanding Amount at end June | | 2002 | 2003 | 2004 | 2005 | 2006 | End March 2006 | End March 2007 P |
|---|---|---|---|---|---|---|---|---|
| LIABILITIES | | | | | | | | |
| 1. | Capital (paid-up) and Reserves | | | | | | | |
| | Demand liabilities in Pakistan | 85,886 | 112,230 | 131225 | 190,652 | 315,414 | 316,659 | 430,537 |
| 2. | Inter-banks Demand Liabilities | 13,261 | 9,937 | 20755 | 22,993 | 28,608 | 17,832 | 45,472 |
| 2.1 | Borrowing | (10) | (1) | (15) | (99) | 0 | 0 | 0 |
| 2.2 | Deposits | (13,251) | (9,936) | (20740) | (22,894) | (28,608) | (17,832) | (45,472) |
| 3. | Deposits (General) | 609,657 | 785,333 | 1014947 | 1,211,674 | 1,350,011 | 1,229,009 | 2,631,817 |
| 4. | Other Liabilities | 47,333 | 53,352 | 56532 | 70,107 | 97,266 | 101,014 | 128,930 |
| 5. | Total Demand Liabilities (2+3+4) | 670,251 | 848,622 | 1092234 | 1,304,774 | 1,475,885 | 1,347,856 | 2,806,219 |
| TIME LIABILITIES IN PAKISTAN | | | | | | | | |
| 6. | Inter-banks Time Liabilities | 2,104 | 3,991 | 4806 | 10,756 | 25,759 | 25,015 | 8,775 |
| 6.1 | Borrowing | (659) | (621) | (1878) | (1,024) | 0 | 0 | 0 |
| 6.2 | Deposits | (1,445) | (3,370) | (2928) | (9,732) | (25,759) | (25,015) | (8,775) |
| 7. | Time Deposits (General) | 803,749 | 903,153 | 1026919 | 1,231,745 | 1,490,182 | 1,402,987 | 465,880 |
| 8. | Other Liabilities | 12,808 | 16,020 | 20703 | 27,288 | 34,236 | 27,943 | 62,934 |
| 9. | Total Time Libilities (6+7+8) | 818,661 | 923,164 | 1052428 | 1,269,789 | 1,550,177 | 1,455,945 | 537,589 |
| 10. | Total Demand and Time Liabilities | 1,488,912 | 1,771,786 | 2144662 | 2,574,563 | 3,026,061 | 2,803,800 | 3,343,808 |
| 11. | Borrowing From SBP | 135,556 | 137,882 | 162335 | 185,068 | 198,725 | 186,060 | 252,056 |
| 12. | Borrowing from Banks Abroad | 12,642 | 21,243 | 9872 | 6,245 | 2,953 | 7,480 | 6,146 |
| 13. | Money at Call and Short Notice in Pakistan | 31,877 | 28,551 | 27479 | 22,243 | 172,893 | 149,779 | 135,765 |
| 14. | Other Liabilities | 546,159 * | 468,312 * | 527452 | 645,616 | 168,011 | 166,076 | 148,762 |
| 15. | Total Liabilities | 2,301,032 | 2,540,004 | 3003025 | 3,624,387 | 3,884,057 | 3,629,853 | 4,317,075 |
| 16. | Total Statutory Reserves | 73,677 | 87,893 | 105955 | 127,041 | 148,585 | 138,048 | 209,117 |
| 16.1 | On Demand Liabilities | (32,850) | (41,934) | (53574) | (64,089) | 72,364 | 66,501 | 193,252 |
| 16.2 | On Time Liabilities Assets | (40,828) | (45,959) | (52381) | (62,952) | 76,221 | 71,546 | 15,864 |
| ASSETS | | | | | | | | |
| 17. | Cash in Pakistan | 26,414 | 30,415 | 36432 | 43,462 | 48,439 | 44,927 | 49,615 |
| 18. | Balances with SBP | 124,883 | 140,077 | 151406 | 188,092 | 202,501 | 165,055 | 254,653 |
| 19. | Other Balances | 27,268 | 31,306 | 36762 | 49,021 | 56,460 | 53,112 | 49,669 |
| 20. | Money at Call and Short Notice in Pakistan | 32,831 | 28,686 | 30444 | 22,166 | 232,535 | 154,933 | 158,854 |
| 21. | 17+18+19+20 as % of 10 | 14.2 | 13.0 | 12.0 | 11.8 | 17.8 | 14.9 | 15.3 |
| FOREIGN CURRENCY | | | | | | | | |
| 22. | Foreign Currency held in Pakistan | 5,003 | 5,435 | 4806 | 6,777 | 6,449 | 7,027 | 9,225 |
| 23. | Balances with Banks Abroad | 89,416 | 68,578 | 60976 | 116,627 | 93,387 | 67,567 | 135,289 |
| 24. | Total Foreign Currency | 94,419 | 74,013 | 65782 | 123,404 | 99,836 | 74,594 | 144,514 |
| BANK CREDIT ADVANCES | | | | | | | | |
| 25. | To Banks | 1,626 | 253 | 63 | 190 | 0 | 0 | 0 |
| 26. | To Others | 894,524 | 988,572 | 1258022 | 1,680,491 | 2,079,056 | 1,973,785 | 2,276,247 |
| 27. | Total Advances | 896,150 | 988,825 | 1258085 | 1,680,681 | 2,079,056 | 1,973,785 | 2,276,247 |
| 28. | Bills Purchased and Discounted | 75,588 | 80,687 | 99924 | 120,480 | 135,924 | 127,822 | 142,268 |
| 29. | Total Bank Credit | 971,738 | 1,069,512 | 1358009 | 1,801,161 | 2,214,980 | 2,101,607 | 2,418,515 |
| 30. | 29 as % of 10 | 65.3 | 60.4 | 63.3 | 70.0 | 73.2 | 75.0 | 72.3 |
| INVESTMENT IN SECURITIES AND SHARES | | | | | | | | |
| 31. | Central Government Securities | 154,292 | 191,709 | 240842 | 173,788 | 177,860 | 180,830 | 166,260 |
| 32. | Provincial Government Securities | 1,728 | 1,234 | 77 | 77 | 77 | 334 | 76 |
| 33. | Treasury Bills | 231,507 | 412,449 | 408438 | 415,016 | 411,691 | 433,955 | 539,777 |
| 34. | Other Investment in Securities & Sahres | 83,493 | 118,234 | 132026 | 140,453 | 165,598 | 157,877 | 186,058 |
| 35. | Total Investment in Securities and Shares | 471020 | 723626 | 781383 | 729334 | 755227 | 772996 | 892171 |
| 36. | 35 as % of 10 | 31.6 | 40.8 | 36.4 | 28.3 | 25.0 | 27.6 | 26.7 |
| 37. | Other Assets | 456,377 * | 353,842 * | 442162 | 563,552 | 195,096 | 186,606 | 220,770 |
| 38. | Advance Tax Paid | 64,270 | 49,789 | 53879 | 42,386 | 6,423 | 7,133 | 7,866 |
| 39 | Fixed Assets | 31,812 | 38,738 | 46766 | 61,809 | 72,560 | 68,889 | 120,447 |
| 40. | Total Assets | 2,301,032 | 2,540,004 | 3003025 | 3,624,387 | 3,884,057 | 3,629,853 | 4,317,075 |
| 41. | Excess Reserves (18-16) | 51,206 | 52,184 | 45451 | 61,051 | 53,916 | 27,007 | 45,536 |

*: Excluding Contra Items

Source: State Bank of Pakistan

Note: Figures in the parentheses represent negative sing.

P: Provisional

TABLE 5.4

## INCOME VELOCITY OF MONEY

(Rs million)

| End June Stock | Money Supply (M1) (Rs million) | Monetary Assets (M2) (Rs million) | Income Velocity of Monetary Assets (M2) |
|---|---|---|---|
| 1980-81 | 73,560 | 104,621 | 2.7 |
| 1981-82 | 80,926 | 116,510 | 2.7 |
| 1982-83 | 96,542 | 146,025 | 2.7 |
| 1983-84 | 103,445 | 163,267 | 2.7 |
| 1984-85 | 118,968 | 183,905 | 2.7 |
| 1985-86 | 134,831 | 211,111 | 2.6 |
| 1986-87 | 159,625 | 240,023 | 2.5 |
| 1987-88 | 185,080 | 269,514 | 2.6 |
| 1988-89 | 206,359 | 290,457 | 2.7 |
| 1989-90 | 240,157 | 341,251 | 2.7 |
| 1990-91 | 265,141 | 400,644 | 2.7 |
| 1991-92 | 302,908 | 5,055,569 | 2.7 |
| 1992-93 | 327,822 | 595,390 | 2.3 |
| 1993-94 | 358,768 | 703,399 | 2.4 |
| 1994-95 | 423,139 | 824,733 | 2.4 |
| 1995-96 | 448,009 | 938,680 | 2.4 |
| 1996-97 | 443,551 | 1,053,234 | 2.5 |
| 1997-98 | 480,331 | 1,206,320 | 2.3 |
| 1998-99 | 643,043 | 1,280,546 | 2.4 |
| 1999-2000 | 739,033 | 1,400,632 | 2.7 |
| 2000-01 | 761,432 | 1,526,044 | 2.6 |
| 2001-02 | 876,838 | 1,761,370 | 2.5 |
| 2002-03 | 1,106,246 | 2,078,705 | 2.3 |
| 2003-04 | 1,371,645 | 2,486,556 | 2.2 |
| 2004-05 | 1,624,235 | 2,966,352 | 2.2 |
| 2005-06 | 1,840,581 | 3,416,500 | 2.3 |
| End March | | | |
| 2005-06 | 1,760,020 | 3,244,501 | |
| 2006-07 P | 3,256,723 | 3,793,030 | |

P:Provisonal

Source: State Bank of Pakistan

TABLE 5.5

MONEY SUPPLY (M1, M2, M3)

(Rs billion)

| End Period Stocks (last working day) | Narrow Money (M1)a | % Change | Monetary Assets (M2)a | % Change | Broad Money (M3)a | % 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 |
| 2000-01 | 761.43 | 3.0 | 1526.04 | 9.0 | 2313.87 | 8.3 |
| 2001-02 | 876.84 | 15.2 | 1761.37 | 15.4 | 2640.94 | 14.1 |
| 2002-03 | 1,106.25 | 26.2 | 2078.71 | 18.0 | 3102.00 | 17.5 |
| 2003-04 | 1,371.64 | 24.0 | 2486.56 | 19.6 | 3517.00 | 13.4 |
| 2004-05 | 1,624.12 | 18.4 | 2966.35 | 19.3 | 3975.50 | 13.0 |
| 2005-06 | 1,840.58 | 13.3 | 3416.50 | 15.2 | 4423.40 | 11.3 |
| End March | | | | | | |
| 2005-06 | 1,760.02 | 8.4 | 3244.50 | 9.4 | 4263.40 | 7.2 |
| 2006-07 P | 3,256.72 | 76.9 | 3793.03 | 11.0 | 4837.50 | 9.4 |

Source: Finance Division/SBP

(P) Provisional

TABLE 5.6

LIST OF DOMESTIC, FOREIGN BANKS AND DFIs (As on 30-09-2006)

Nationalized Scheduled Banks

1 First Women Bank Ltd.
2 National Bank of Pakistan
3 The Bank of Khyber
4 The Bank of Punjab

Specialized Scheduled Banks

1 Industrial Development Bank of Pakistan
2 Punjab Provincial Co-operative Bank
3 SME Bank Limited
4 Zarai Taraqiati Bank Limited

Private Local Banks

1 Allied Bank Limited
2 Askari Commercial Bank Limited
3 Bank Al Falah Limited
4 Bank Al Habib Limited
5 My Bank Limited
6 Creacent Commercial Bank Limited
7 NIB Bank Limited
8 Faysal Bank Limited
9 Habib Bank Limited
10 KASB Bank Limited
11 MCB Bank Limited
12 Meezan Bank Limited
13 Metropolitan Bank Limited
14 Atlas Bank Limited
15 PICIC Commercial Bank Limited
16 Prime Commercial Bank Limited
17 Saudi Pak Commercial Bank Limited
18 Soneri Bank Limited
19 Union Bank Limited
20 United Bank Limited
21 Arif Habib Rupali Bnak Limited
22 Dubai Islamic Bank Pakistan Limited
23 Bank Islami Pakistan Limited

Foreign Banks

1 ABN Amro Bank N.V.
2 Al-Baraka Islamic Bank B.S.C. (E.C.)
3 American Express Bank Limited
4 Bank of Tokyo Mitsubishi Limited
5 Citibank N.A.
6 Deutshe Bank A.G.
7 Habib Bank A.G. Zurich
8 Hong Kong & Shanghai Banking Corporation Limited
9 Oman International Bank S.A.O.G.
10 Standard Chartered Bank

Development Financial Institutions

1 House Building Finance Corporation
2 Investment Corporation of Pakistan
3 Pak Kuwait Investment Company of Pakistan (Pvt) Limited
4 Pak Labya Holding Company (Pvt) Limited
5 Pak Oman Investment Company (Pvt) Limited
6 Pakistan Industrial Credit & Investment Corp. Ltd.
7 Saudi Pak Industrial & Agricultural Investment company (Pvt) Limited

Micro Finance Banks

1 Khushhali Bank
2 Network Micro Finance Bank Limited
3 The First Micro Finance Bank Limited
4 Rozgar Micro Finance Bank Limited
5 Tameer Micro Finance Bank Limited
6 Pak Oman Micro Finance Bank Limited

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 | | | | | | | | | |
| 1999 | Jun | 13.39 | 14.15 | 13.89 | 15.19 | 14.08 | 14.95 | 14.29 | 14.47 |
| | | (15.57) | (14.16) | (13.91) | (15.18) | (14.49) | (15.13) | (16.11) | (14.88) |
| | Dec | 11.41 | 13.79 | 14.56 | 14.17 | 13.75 | 13.14 | 14.07 | 14.09 |
| | | (16.50) | (13.44) | (14.35) | (14.30) | (14.78) | (13.25) | (16.29) | (14.75) |
| 2000 | Jun | 11.10 | 13.76 | 13.67 | 13.15 | 12.23 | 13.65 | 13.34 | 13.25 |
| | | (11.81) | (13.45) | (13.83) | (13.15) | (13.73) | (14.03) | (13.98) | (13.77) |
| | Dec | 11.53 | 13.57 | 12.88 | 13.82 | 12.90 | 13.49 | 12.93 | 13.08 |
| | | (12.73) | (12.82) | (13.68) | (13.74) | (13.62) | (13.56) | (13.36) | (13.58) |
| 2001 | Jun | 11.75 | 13.54 | 13.69 | 13.50 | 12.84 | 13.07 | 12.05 | 13.07 |
| | | (13.87) | (14.06) | (13.59) | (13.55) | (13.86) | (13.00) | (13.87) | (13.64) |
| 2002 | Jun | 8.10 | 11.27 | 13.12 | 13.56 | 12.72 | 13.88 | 12.47 | 13.00 |
| | | (8.14) | (11.70) | (13.13) | (13.67) | (12.98) | (13.81) | (13.39) | (13.29) |
| 2003 | Jun | 12.01 | 11.97 | 9.39 | 15.66 | 12.63 | 7.74 | 10.66 | 11.87 |
| | | (12.01) | (11.82) | (9.67) | (15.68) | (12.86) | (7.66) | (11.49) | (12.35) |
| 2004 | Jun | 9.20 | 6.01 | 6.89 | 11.21 | 9.08 | 7.08 | 9.04 | 8.41 |
| | | (9.20) | (6.01) | (7.08) | (11.77) | (9.08) | (7.03) | (9.05) | (8.54) |
| 2005 | Jun | 8.51 | 6.86 | 6.09 | 4.59 | 6.68 | 6.76 | 8.86 | 7.01 |
| | | (8.51) | (8.29) | (6.01) | (4.07) | (6.68) | (6.70) | (9.02) | (7.01) |
| | Dec | 5.98 | 8.01 | 5.76 | 7.53 | 8.47 | 9.69 | 9.79 | 8.18 |
| | | (6.05) | (8.50) | (5.47) | (7.57) | (8.47) | (9.69) | (9.80) | (8.16) |
| 2006 | Jun | 11.58 | 14.84 | 8.68 | 8.55 | 10.23 | 10.31 | 7.59 | 9.91 |
| | | (11.58) | (14.09) | (8.51) | (8.55) | (10.23) | (10.31) | (9.99) | (9.66) |
| | Dec | 11.50 | 11.73 | 9.41 | 9.70 | 11.90 | 10.09 | 11.43 | 11.00 |
| | | (11.50) | (12.43) | (9.33) | (9.90) | (11.90) | (10.09) | (11.68) | (11.11) |
| II. ISLAMIC MODES OF FINANCING | | | | | | | | | |
| 1999 | Jun | 11.27 | 15.69 | 15.12 | 15.75 | 13.76 | 14.49 | 15.00 | 14.82 |
| | | (10.01) | (15.39) | (15.03) | (15.92) | (14.92) | (14.57) | (15.87) | (15.23) |
| | Dec | 10.91 | 14.42 | 14.82 | 15.41 | 13.57 | 13.89 | 14.74 | 14.49 |
| | | (16.28) | (14.51) | (14.68) | (15.45) | (14.84) | (13.86) | (15.82) | (14.96) |
| 2000 | Jun | 10.61 | 13.12 | 13.48 | 14.31 | 13.08 | 13.42 | 13.83 | 13.54 |
| | | (11.10) | (13.48) | (14.07) | (14.39) | (14.39) | (13.40) | (14.94) | (14.27) |
| | Dec | 11.24 | 13.51 | 13.54 | 14.48 | 12.97 | 13.15 | 14.07 | 13.59 |
| | | (11.32) | (13.68) | 14.01 | (14.53) | (14.24) | (13.09) | (15.09) | (14.24) |
| 2001 | Jun | 11.02 | 13.47 | 13.39 | 14.53 | 13.31 | 13.84 | 14.03 | 13.65 |
| | | (11.28) | (13.57) | (13.88) | (14.42) | (14.52) | (13.86) | (14.78) | (14.24) |
| 2002 | Jun | 9.30 | 13.09 | 12.85 | 13.70 | 13.47 | 13.32 | 13.32 | 13.20 |
| | | (9.50) | (13.33) | (12.73) | (13.81) | (14.05) | (13.22) | (14.00) | (13.52) |
| 2003 | Jun | 11.43 | 5.92 | 7.50 | 9.39 | 11.47 | 7.79 | 10.31 | 9.19 |
| | | (11.43) | (5.77) | (7.95) | (9.54) | (12.08) | (8.62) | (10.84) | (9.71) |
| 2004 | Jun | 10.86 | 4.86 | 5.73 | 6.61 | 9.27 | 5.88 | 8.34 | 7.19 |
| | | (10.86) | (5.28) | (5.96) | (6.81) | (9.68) | (5.82) | (9.01) | (7.60) |
| 2005 | Jun | 9.03 | 7.15 | 7.93 | 7.80 | 10.16 | 8.21 | 10.15 | 8.94 |
| | | (9.03) | (7.17) | (7.95) | (7.88) | (10.22) | (8.19) | (10.67) | (9.13) |
| | Dec | 7.72 | 9.94 | 9.65 | 9.27 | 10.88 | 9.47 | 11.31 | 10.33 |
| | | (7.72) | (10.00) | (9.68) | (9.25) | (10.90) | (9.44) | (11.80) | (10.47) |
| 2006 | Jun | 10.66 | 10.03 | 9.63 | 9.14 | 11.23 | 9.25 | 12.37 | 10.68 |
| | | (10.66) | (10.20) | (9.66) | (9.20) | (11.26) | (9.25) | (12.90) | (10.83) |
| | Dec | 10.04 | 10.56 | 10.02 | 10.60 | 11.21 | 9.73 | 12.46 | 11.13 |
| | | (10.04) | (10.59) | (10.02) | (10.57) | (11.23) | (9.74) | (12.83) | (11.22) |

Source: State Bank of Pakistan

* Weighted average rates shown in parentheses represent Private Sector.

TABLE 5.8

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 Months Maturity | | | | | | | | |
| Amount Offered | | | | | | | | |
| i) Face Value | - | - | - | - | - | 147,735 | 82,245 | 107,720 |
| ii) Discounted Value | - | - | - | - | - | 143,719 | 80,670 | 105,147 |
| Amount Accepted | | | | | | | | |
| i) Face Value | - | - | - | - | - | 45,985 | 21,085 | 72,720 |
| ii) Discounted Value | - | - | - | - | - | 44,893 | 20,725 | 70,984 |
| Weighted Average Yield Accepted | | | | | | | | |
| i) Minimum % p.a. | - | - | - | - | - | 6.660 | 6.931 | 6.849 |
| ii) Maximum % p.a. | - | - | - | - | - | 14.616 | 8.958 | 12.221 |
| B. Six Months Maturity | | | | | | | | |
| Amount Offered | | | | | | | | |
| i) Face Value | - | - | - | - | - | 343,937 | 205,980 | 115,753 |
| ii) Discounted Value | - | - | - | - | - | 322,564 | 197,165 | 109,916 |
| Amount Accepted | | | | | | | | |
| i) Face Value | - | - | - | - | - | 102,669 | 85,515 | 69,538 |
| ii) Discounted Value | - | - | - | - | - | 96,161 | 81,909 | 66,066 |
| Weighted Average Yield Accepted | | | | | | | | |
| i) Minimum % p.a. | - | - | - | - | - | 10.599 | 7.092 | 7.138 |
| ii) Maximum % p.a. | - | - | - | - | - | 15.740 | 10.355 | 12.876 |
| C. Twelve Months Maturity | | | | | | | | |
| Amount Offered | | | | | | | | |
| i) Face Value | - | - | - | - | - | 283,038 | 181,014 | 75,122 |
| ii) Discounted Value | - | - | - | - | - | 247,934 | 164,416 | 67,584 |
| Amount Accepted | | | | | | | | |
| i) Face Value | - | - | - | - | - | 78,960 | 51,200 | 54,017 |
| ii) Discounted Value | - | - | - | - | - | 69,148 | 46,514 | 48,431 |
| Weighted Average Yield Accepted | | | | | | | | |
| i) Minimum % p.a. | - | - | - | - | - | 10.098 | 7.584 | 7.777 |
| ii) Maximum % p.a. | - | - | - | - | - | 16.000 | 10.871 | 12.935 |
| 2 Pakistan Investment Bonds(PIBs)** | | | | | | | | |
| A. Amount Offered | | | | | | | | 58,814 |
| 03 Years Maturities | - | - | - | - | - | - | - | 8,534 |
| 05 Years Maturities | - | - | - | - | - | - | - | 6,674 |
| 10 Years Maturities | - | - | - | - | - | - | - | 43,606 |
| B. Amount Accepted | - | - | - | - | - | - | - | 46,123 |
| a) 3 Years Maturities | | | | | | | | 4677 |
| i) Amount Acepted(Face Val | - | - | - | - | - | - | - | |
| ii) Weighted average Yield # | | | | | | | | |
| a) Minimum % p.a. | - | - | - | - | - | - | - | 12.427 |
| b) Maximum % p.a. | - | - | - | - | - | - | - | 12.486 |
| b) 5 Years Maturities | | | | | | | | |
| i) Amount Acepted(Face Val | - | - | - | - | - | - | - | 5,317 |
| ii) Weighted average Yield # | | | | | | | | |
| a) Minimum % p.a. | - | - | - | - | - | - | - | 12.946 |
| b) Maximum % p.a. | - | - | - | - | - | - | - | 13.000 |
| c) 10 Years Maturities | | | | | | | | |
| i) Amount Acepted(Face Val | - | - | - | - | - | - | - | 36,129 |
| ii) Weighted average Yield # | | | | | | | | |
| a) Minimum % p.a. | - | - | - | - | - | - | - | 13.955 |
| b) Maximum % p.a. | - | - | - | - | - | - | - | 14.004 |

(Contd.)

Note *: MTBs was introduced in 1998-99

**: PIBs was introduced in 2000-01

Table 5.8

## SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs. million)

| No. | Securities | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-March 2006-07 |
|---|---|---|---|---|---|---|---|
| 1 | Market Treasury Bills | | | | | | |
| A | Three Month Maturity | | | | | | |
| | Amount Offered | | | | | | |
| | i) Face value | 128,358 | 109,106 | 216,637 | 1,011,659 | 389,173 | 182,802 |
| | ii) Discounted value | 125,693 | 108,332 | 214,315 | 1,002,708 | 382,026 | 179,265 |
| | Amount Accepted | | | | | | |
| | i) Face value | 72,862 | 29,231 | 115,575 | 724,359 | 210,541 | 133,152 |
| | ii) Discounted value | 71,429 | 29,042 | 115,174 | 716,768 | 206,768 | 130,592 |
| | Weighted Average Yield | | | | | | |
| | i) Minimum % p.a. | 5.362 | 1.658 | 0.995 | 2.017 | 7.549 | 8.3148 |
| | ii) Maximum % p.a. | 12.150 | 5.815 | 1.702 | 7.479 | 8.326 | 8.6503 |
| B | Six Month Maturity | | | | | | |
| | Amount Offered | | | | | | |
| | i) Face value | 287,853 | 747,018 | 328,990 | 470,885 | 182,112 | 99,320 |
| | ii) Discounted value | 276,882 | 731,354 | 326,114 | 460,185 | 173,289 | 95,144 |
| | Amount Accepted | | | | | | |
| | i) Face value | 163,665 | 349,009 | 158,430 | 256,914 | 69,752 | 66,920 |
| | ii) Discounted value | 157,934 | 341,225 | 157,256 | 251,166 | 67,094 | 64,112 |
| | Weighted Average Yield | | | | | | |
| | i) Minimum % p.a. | 5.645 | 1.639 | 1.212 | 2.523 | 7.968 | 8.4850 |
| | ii) Maximum % p.a. | 12.555 | 12.404 | 2.076 | 7.945 | 8.487 | 8.8250 |
| C | Twelve Month Maturity | | | | | | |
| | Amount Offered | | | | | | |
| | i) Face value | 202,984 | 695,425 | 476,719 | 136,713 | 555,757 | 561,683 |
| | ii) Discounted value | 187,339 | 665,337 | 466,729 | 128,569 | 509,202 | 515,387 |
| | Amount Accepted | | | | | | |
| | i) Face value | 84,568 | 264,938 | 241,019 | 70,688 | 459,440 | 496,433 |
| | ii) Discounted value | 78,444 | 253,908 | 236,421 | 65,799 | 422,647 | 455,605 |
| | Weighted Average Yield | | | | | | |
| | i) Minimum % p.a. | 6.383 | 2.356 | 1.396 | 2.691 | 8.456 | 8.7865 |
| | ii) Maximum % p.a. | 11.984 | 6.941 | 2.187 | 8.401 | 8.791 | 9.0156 |

(Contd.)

Note *: MTBs was introduced in 1998-99
**: PIBs was introduced in 2000-01

Table 5.8

SALE OF GOVERNMENT SECURITIES THROUGH AUCTION

(Rs. in million)

| No. | Securities | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-March 2006-07 |
|---|---|---|---|---|---|---|---|
| 2 | Pakistan Investment Bond | | | | | | |
| A. | Amount Offered | 238,360 | 211,963 | 221,291 | 8,016 | 16,012 | 100,207 |
| | 03 Years Maturity | 46,124 | 26,074 | 38,514 | 2,400 | 3,896 | 21,770 |
| | 05 Years Maturity | 47,346 | 45,620 | 58,840 | 2,603 | 6,526 | 17,407 |
| | 10 Years Maturity | 144,890 | 140,268 | 93,041 | 3,013 | 5,590 | 26,030 |
| | 15 Years Maturity | - | - | 14,316 | 0 | 0 | 9,850 |
| | 20 Years Maturity | - | - | 16,579 | 0 | 0 | 13,150 |
| | 30 Years Maturity | - | - | - | - | - | 12000 |
| B. | Amount Accepted | 107,695 | 74,848 | 107,658 | 771 | 10,161 | 36,975 |
| | (a) 03 Years Maturity. | | | | | | |
| | (i) Amount Accepted | 24,819 | 9,651 | 14,533 | 100 | 2,846 | 3,982 |
| | (ii) Weighted Average Yield # | | | | | | |
| | (1) Minimum % p.a. | 8.356 | 1.792 | 3.734 | 0.000 | 9.158 | 9.353 |
| | (2) Maximum % p.a. | 12.475 | 7.952 | 4.235 | 0.000 | 9.389 | 9.717 |
| | (a) 05 Years Maturity. | | | | | | |
| | (i) Amount Accepted | 24,382 | 14,369 | 27,765 | 427 | 4,075 | 4,523 |
| | (ii) Weighted Average Yield # | | | | | | |
| | (1) Minimum % p.a. | 9.392 | 3.119 | 4.867 | 0.000 | 9.420 | 9.647 |
| | (2) Maximum % p.a. | 12.994 | 8.887 | 5.270 | 0.000 | 9.646 | 10.002 |
| | (a) 10 Years Maturity. | | | | | | |
| | (i) Amount Accepted | 58,194 | 50,828 | 51,606 | 244 | 3,240 | 12,170 |
| | (ii) Weighted Average Yield # | | | | | | |
| | (1) Minimum % p.a. | 10.420 | 4.014 | 6.168 | 0.000 | 9.8005 | 9.846 |
| | (2) Maximum % p.a. | 13.981 | 9.587 | 7.127 | 0.000 | 9.8454 | 10.507 |
| | (a) 15 Years Maturity. * | | | | | | |
| | (i) Amount Accepted | - | - | 6,996 | 0 | - | 4,300 |
| | (ii) Weighted Average Yield # | | | | | | |
| | (1) Minimum % p.a. | - | - | 7.683 | 0.000 | - | 10.954 |
| | (2) Maximum % p.a. | - | - | 8.994 | 0.000 | - | 11.058 |
| | (a) 20 Years Maturity. * | | | | | | |
| | (i) Amount Accepted | - | - | 6,757 | 0 | - | 4,000 |
| | (ii) Weighted Average Yield # | | | | | | |
| | (1) Minimum % p.a. | - | - | 8.706 | 0.000 | - | 11.392 |
| | (2) Maximum % p.a. | - | - | 8.993 | 0.000 | - | 11.392 |
| | (a) 30 Years Maturity. | | | | | | |
| | (i) Amount Accepted | | | | | | |
| | (ii) Weighted Average Yield # | - | - | - | - | - | 8,000 |
| | (1) Minimum % p.a. | - | - | - | - | - | 11.680 |
| | (2) Maximum % p.a. | - | - | - | - | - | 11.68 |

Note *: MTBs was introduced in 1998-99
**: PIBs was introduced in 2000-01

# CAPITAL MARKETS

## Introduction

A well-developed capital market is essential for promoting economic growth as it facilitates the efficient allocation of savings to the most productive uses. A modern and efficient capital market is the backbone of an economy. It plays a crucial role in mobilizing domestic and foreign resources, and channeling them to promote investment activities both for the short and the long-term periods. The capital market channelizes money from those who do not have an immediate productive use for it to those who do. In other words, serving the role of an intermediary it directs capital to most productive uses. It also helps a large number of investors to reduce their financial risk through diversifying their portfolios by spreading the factor of risks. The capital market cushions the investor against economic and financial risks. It has been observed that countries with well-developed capital markets enjoy robust economic growth for over a longer period of time.

Pakistan's capital and stock markets have witnessed impressive growth over the last several years on account of market-friendly and investment-friendly policies pursued by the government. The KSE-100 index (Pakistan's benchmarked stock market) has increased from 1521 points in June 2000 to 12370 points in April 2007 – a rise of over 10,800 points or an increase of 713 percent. Similarly aggregate market capitalization has increased from Rs 392 billion ($ 7.6 billion) in June 2000 to Rs 3604 billion ($ 59.4 billion) in April 2007, showing a rise of over Rs 3200 billion ($ 53 billion) or an increase of 819 percent. The listed capital at KSE has increased from Rs 236.4 billion in 2000 to Rs 535.5 billion in March 2007. Turnover of shares at KSE has increased from 48 billion in fiscal year 1999-2000 to 105 billion shares during fiscal year 2005-06. Similarly daily turnover of shares at KSE has increased from 202 million shares in fiscal year 2000-01 to about 320 million in fiscal year 2005-06. Portfolio investment has increased from a negative $ 140 million in fiscal year 2000-01 to $ 1819 million during July-April 2006-07.

There are several factors that contributed to the bullish sentiment in stock markets during the last seven years (2000-07). These factors include: speedy privatization process, attracting foreign investors in prestigious organizations, like PTCL and National Refinery etc., early resolution of the IPP issue, allowing foreign investors to repatriate their funds without any restriction; reduction in the interest rates by the banks; recovery of outstanding/over due loans; rescheduling of foreign debts and prepayment of the expensive foreign loans; continuous improvement in economic fundamentals such as strong economic growth, sound monetary and fiscal policies with fiscal deficit under control; higher revenue collection, lower inflation, rising export earnings and stable exchange rate; declining debt burden and higher industrial growth. To revamp the structure of the capital market, various laws and rules were introduced mainly for the protection of small investors, and bringing efficiency in trade through automation and curbing insider trading, besides strengthening the structure of the Security Exchange Commission of Pakistan (SECP). As a result of these important developments capital and stock markets in Pakistan grew by leaps and bounds during the last seven years and emerged as one of the best performing markets in emerging economies.

## Developments in Fiscal Year 2006-07

Pakistan's stock market is benchmarked through the Karachi Stock Exchange 100-index (KSE-100). This index stood at 9989 points at the end of the fiscal year 2005-06. The KSE-100 index rose by 24 percent since then to 12370 points until April 2007.

During the same period total market capitalization increased by 28.6 percent rising from Rs 2801 billion ($ 46.5 billion) to Rs 3604 billion ($ 59.4 billion). The index reached all time high of 12961 points on 31st May 2007. Aggregate market capitalization also increased by 35.0 percent from Rs 2801 billion in June 2006 to Rs 3781 billion ($ 62.3 billion) as of 31st May 2007. This increase has been driven by a number of factors including: (i) continuous improvement in the country's economic fundamentals, (ii) government's commitment to maintain its economic reform and pro-market policies, (iii) stability in exchange rate as a result of strong build up in foreign exchange reserves, (iv) regionally cheap valuation driving foreign interest in Pakistan's stock market, (v) large-scale merger and acquisition in the banking, telecom and other sectors of the economy (vi) improving Pakistan's geo-political relationship with neighbours as well as globally, resulting in decline in political risk premium of the country, (vii) successful GDR offerings of the OGDC and MCB Bank, amounting US dollars 888 million and (viii) increase in Pakistan's coverage by large international brokerage firms and investment banks.

The outgoing fiscal year has witnessed concerted foreign investor's interest in Pakistan's stock market as a result of large-scale coverage of market by foreign brokerage houses. Brokerage houses providing research coverage on Pakistan are include: Merrill Lynch, JPMorgan, Credit Suisse, Citigroup, UBS. Lynch was the first to start active covering of Pakistan. The JPMorgan has expanded its operation in Pakistan during the outgoing fiscal year to expand into stock brokerage. The interest of foreign investors can also be gauged from the fact that JPMorgan is only catering to foreign clients as an initial way of doing business. JPMorgan's expansion has piqued foreign investors interest as well. Other investment banks such as Credit Suisse have also announced their intention of entering the Pakistan market, while others are looking to forge relationships with local brokerage houses. Several foreign banks have also organized road shows across the globe to introduce Pakistan to the community of foreign investors, interested in fast growing emerging markets.

Foreign portfolio investment in Pakistan's stock market during the first ten months of the current fiscal year amounted to $ 1.82 billion, which is the highest ever inflow of portfolio investment in Pakistan's history, as against $ 1.011 billion in the corresponding period of last year, thereby registering an increase of 80 percent. The growth in portfolio investment has been contributed to by issuance of GDR of Oil and Gas Development Corporation (OGDC) and MCB Bank. These GDRs are listed at the London Stock Exchange and are receiving strong investors' interest.

The outgoing fiscal year has also witnessed large-scale merger and acquisition, which provided support to stock market valuation. Several key takeovers have taken place in Pakistan's corporate sector during the outgoing fiscal year. These include: (i) acquisition of Union Bank Ltd. by Standard Chartered Bank, (ii) acquisition of Prime Commercial Bank Ltd. by ABN AMRO, (iii) acquisition of PICIC Bank by Tamasek of Singapore, (iv) acquisition of Crescent Commercial Bank by SAMBA, (v) acquisition of PakTel by China Mobile, (vi) acquisition of further stake in Lakson Tobacco by Philip Morris. This M&A activity, which has taken place at very attractive valuations has provided support to valuation in the stock market as well. Peer group companies' stock prices have also reacted as a result of these acquisitions.

Pakistan's privatization programme has also accounted for support to sector and corporate valuations as well. Even though no large privatization has taken place in the fiscal year 2006-07, the government has still managed capital market transactions for OGDC. The GDR issuance of United Bank Ltd. (UBL) is also in the pipeline and is expected to be completed before the end of the current fiscal year. Several strategic sales are also in the pipeline, which continue to provide boost to investor sentiment in the stock market. Privatization of Pakistan State Oil, NIT, Pakistan Petroleum Ltd. etc. are all at advanced stages.

The monthly trends of the leading stock market indicators are given in Table 7.1 and Fig: 7.1 (a) and 7.1 (b).

**Table-7.1 : Leading Stock Market Indicators on KSE (KSE-100 Index: November 1991=1000)**

| Months | 2005-06 | | | 2006-07 (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 | 7179.0 | 2013.7 | 3.1 | 10497.6 | 2905.1 | 4.4 |
| August | 7796.9 | 2132.5 | 5.0 | 10064.1 | 2786.9 | 4.0 |
| September | 8225.6 | 2329.7 | 7.9 | 10512.5 | 2874.7 | 3.0 |
| October | 8247.3 | 2340.8 | 6.5 | 11327.7 | 3074.3 | 3.2 |
| November | 9025.9 | 2551.2 | 7.5 | 10618.8 | 2919.7 | 3.8 |
| December | 9556.6 | 2709.5 | 7.4 | 10040.5 | 2738.4 | 2.6 |
| January | 10524.2 | 2990.3 | 8.5 | 11272.3 | 3043.3 | 3.3 |
| February | 11456.3 | 3221.2 | 10.3 | 11180.0 | 3052.0 | 5.6 |
| March | 11485.9 | 3218.5 | 8.1 | 11271.6 | 3065.8 | 3.6 |
| April | 11342.2 | 3160.1 | 6.0 | 12369.7 | 3603.0 | 5.7 |
| May | 9800.7 | 2743.4 | 5.1 | 12961.3 | 3781.2 | 6.4 |
| June | 9989.4 | 2801.0 | 4.0 | | | |

Source: Karachi Stock Exchange

**Fig-7.1(a): Trends in KSE Index**

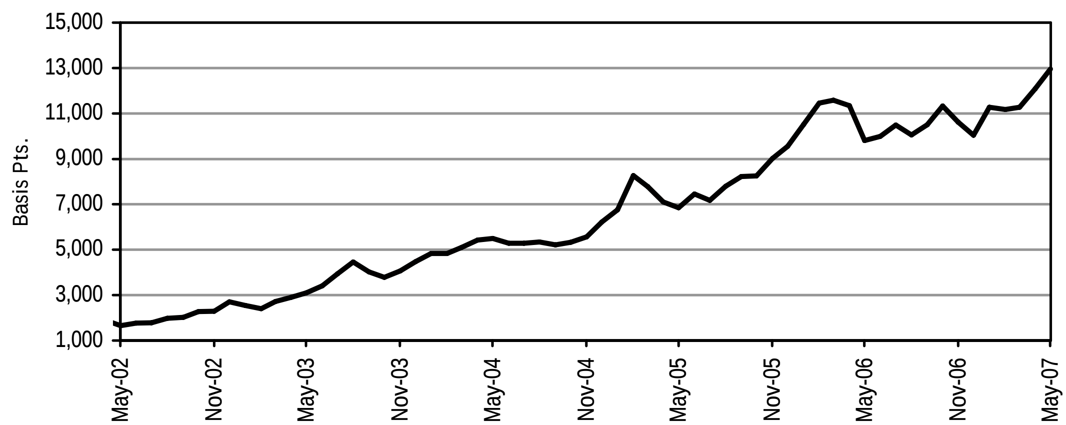



**Fig 7.1. (b) Market Capitalization in KSE**

## Leading Stock Market Trends

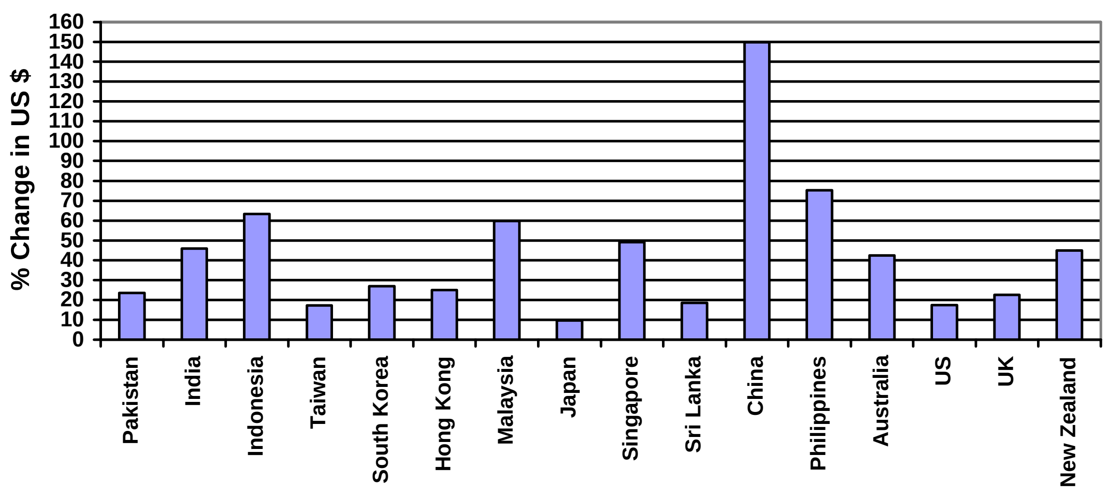
During July-May 11, fiscal year 2006-07 the 16 leading stock markets of the world witnessed high growth ranging from 9.6 percent (Japan) to 150 percent (China). Karachi stock market showed good performance as its index (KSE-100 index) increased by a modest 23.5 percent in terms of US dollars compared to 53.6 percent in the same period last year. Leading world stock markets, which recorded growths of more than 45 percent during current fiscal year are: China (150%), Philippine (75.3%), Indonesia (63.4%), Malaysia (59.8%), Singapore (49.1%) and India (45.9%). Table 7.2 and Figure 7.2 give the details.

**Table-7.2 : Performance of Global Stock Markets during July-May 11, 2006-07**

| Country | Index (in local currency terms) | | % Change in USD |
|---|---|---|---|
| | 11, May 2007 | 30-June 2006 | |
| Pakistan | 12368 | 9989 | 23.5 |
| India | 13796 | 10609 | 45.9 |
| Indonesia | 2022 | 1310 | 63.4 |
| Taiwan | 8032 | 6704 | 17.3 |
| South Korea | 1604 | 1295 | 26.9 |
| Hong Kong | 20468 | 16268 | 25.0 |
| Malaysia | 1351 | 915 | 59.8 |
| Japan | 17554 | 15505 | 9.6 |
| Singapore | 3447 | 2435 | 49.1 |
| Sri Lanka | 2675 | 2114 | 18.6 |
| China | 4022 | 1672 | 149.9 |
| Philippines | 3365 | 2179 | 75.3 |
| Australia | 6297 | 5034 | 42.3 |
| US | 1491 | 1270 | 17.4 |
| UK | 6525 | 5833 | 22.5 |
| New Zealand | 4226 | 3586 | 45.0 |

Source: Invisor Securities

**Fig-7.2: Performance of Global Markets During June-May 11, 2006-07**



**Reforms Introduced by the SECP**

Prudent management and reforms by the SECP also promoted efficient stock markets in Pakistan. The SECP proactively undertook market reform initiatives, and implemented sustainable risk management measures. The Commission's various initiatives and reform programmes contributed towards a high level of integrity and transparency in terms of price discovery and trade settlement. These regulatory reforms have provided impetus for the development of a buoyant and broad-based capital market in the country. As a step towards boosting the investor's confidence, the capital gain tax exemption has been extended till June 2008 and stamp duty on transfer of shares has been deferred for further two years.

During the year under review, the SECP explored the implementation of a new risk management structure based on international best practices to improve the prevalent risk management framework at the exchanges. A new risk management structure (RMS) was introduced in December 2006. New RMS that included, among others, a new netting regime; a margining system based on value at risk (VAR) and capital adequacy. The VAR is a state of the art risk management system practiced internationally that takes into account risk associated with each share based on historical data. Other systems being introduced by the SECP on risk management are: Valuation of Securities eligible to be held as security; Mark-to-Market Loss Collection and Profit Distribution; Position Limits linked with the free float of the scrip. These are expected to minimize the possibility of any market abuse.

To increase market transparency and improve its surveillance capacity, the Unique (Client) Identification Number (UIN) System was launched at pre trade level in August 2006 at all three stock exchanges. The UNI system has significantly enhanced the risk management at client levels and improved the surveillance and monitoring capacity of the Commission and the stock exchanges. Continuous Funding System (CFS) scrips has been introduced which inter-alia takes into account impact cost and free float of the scrip. Moreover, work is in progress on; (1) Introduction of CFS Mk II, (2) Margin Financing; (3) New Derivatives Product Development; (4) Demutualization; (5) New Futures Trading Act; (6) New Securities Act; (7) Voluntary Pension System (VPS); and (8) Regulatory Framework for Private Equity Funds. Details are given in Annexture-1.

**Sectoral Performance**

Extraordinary performance in the stock markets during the first 9-10 months of the current fiscal year was driven by some major sectors of the economy including banks and other financial institutions, transport and communication, engineering, fuel & energy and auto & allied. During the period from July 2006 to March 2007 the listed capital on KSE increased from Rs 496 billion to Rs 536 billion, reflecting an increase of 8.1 percent. The market capitalization increased from Rs 2801 billion ($ 46.5 billion) to Rs 3066 billion ($ 50.5 billion) in the same period reflecting an increase of 9.5 percent in the value of shares. The average daily turnover of shares was 209 million. The KSE 100 Index increased from 9989 points in June 2006 to 12370 points as on April 30, 2007, reflecting an increase of 24 percent. Performances of some of the major trading groups are discussed below:

**Banks & Other Financial Institutions:** In December 2006, a total of 162 companies were listed with the KSE. There are 4 sub groups in this group namely: banks & investment companies, modarabas, leasing companies, and insurance. During the current fiscal year, this group remained the fastest growing sector. Its share index and market capitalization increased by record 22.3 percent and 87.7 percent, respectively. Pakistan has made considerable progress in the development of financial markets within a short period of time. The sector now has vibrant institutional markets for money, foreign exchange and short-term government debt. However, the long-term domestic debt market is still under developed and corporate debt issues account for less than 1 % of GDP. Given the importance of long-term debt markets to support investment, particularly in infrastructure projects, to increase domestic savings, and improve the risk profile of commercial banks, Pakistan needs to foster development of long-term institutional savings industry (mutual funds, etc.), implement capital market reforms aiming to encourage investment rather than speculation, and improve risk management in the financial sector to ensure financial sector stability.

**Fuel & Energy:** A total of 28 companies were listed with the KSE. It is one of the most dominant group in the stock market. However, during July-April 2006-07 its share index grew by only 0.1 percent and its market capitalization increased by 1.5 percent or by Rs 17 billion compared to a rise of Rs 374.5 billion in the same period last year. 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. 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, PSO, SNGC, SSGC, Hub Power, and Pakistan Oil Fields along with banks and other financial institutions led the current year's upsurge in the stock market. Total foreign investment in oil and gas explorations and power sector amounted to $ 521 million during July-March 2006-07.

**Transport & Communication:** At the end of 2006, there were 14 companies in this group listed with the KSE. Its share index and market capitalization have increased by 7.9 percent and 16.9 percent respectively during July-April 2006-07. The telecommunications was one of the rapidly growing sectors, which invited $1026 million foreign investment during the first nine months of the current 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 212 companies listed with the KSE under this group in December 2006. The share index of cotton and other textiles declined by 17.4 percent during July-April 2006-07 as compared to a decline of 2.8 percent in the same period last year. Its market capitalization however increased by 4.7 percent during the period under review.

**Chemicals & Pharmaceuticals:** A total of 35 companies were listed with the KSE under this group at the end of December 2006. During July-April 2006-07 its share index has increased by 5.9 percent as compared to an increase of 36.9 percent in the comparable period of last year. Its market capitalization increased by Rs 19.5 billion during July-April 2006-07 and stood at Rs 241.4 billion on April 30, 2007.

**Auto and Allied:** A total of 25 companies were listed with the KSE under this group at the end of December 2006. Its share index increased by 13.3 percent, while its market capitalization increased by 30.4 percent during the first ten months of the current fiscal year.

**Sugar and Allied:** A total of 37 companies of sugar and allied were listed with the KSE. During July-April 2006-07 share index of sugar and allied declined by 6.8 percent as compared to a rise of 49.3 percent in the comparable period last year. Its market capitalization also declined by 1.4 percent during the period under review.

**Cement:** At the end of 2006, there were 21 cement companies listed with the KSE. During the current fiscal year the performance of cement sector remained lackluster. Share index of cement declined by 4.1 percent during July-April 2006-07 compared to an impressive rise of 113.4 percent in the same period last year. Its market capitalization also declined by 2.4 percent in the current fiscal year. Detailed performance of the Karachi stock market can be seen in Tables 7.3 to 7.6.

During the calendar year 2005, total profit before taxation of the 12 trading groups amounted to Rs 326.3 billion, which increased to Rs 376.7 billion in 2006 recording a growth of 15.4 percent. All the trading groups and companies except cotton and textile showed unprecedented growth during the first ten months of the outgoing fiscal year.

In December 2006, a total of 651 companies were listed on the Karachi Stock Exchange, including 212 companies in cotton and other textile, 162 in banks and financial institutions and 85 in miscellaneous group. As per the annual report of the KSE 2006, a total of 66 companies were de-listed between 2002-06, 24 companies in 2002, 8 companies in 2003, 18 companies in 2004, 14 companies in 2005 and 2 companies in 2006. During the same period a total of 79 companies were also merged including 16 companies in 2002, 8 companies in 2003, 39 companies in 2004, 4 companies in 2005 and 12 companies in 2006. In the calendar year 2006, the number of dividend paying companies was 294 compared to 300 companies in 2005. In 2006, 407 companies were making profit and 150 companies were shown as loss making. The numbers were 431 and 138 respectively in 2005. The total before taxation

**Table-7.3 : Sectoral Performance on Karachi Stock Exchange** **(Percent)**

| Sector | | General Index July-April (Growth%) | | Market Capitalization July-April (Growth %) | | AMC (Rs billion)* | |
|---|---|---|---|---|---|---|---|
| | | 2005-06 | 2006-07 | 2005-06 | 2006-07 | 2006* | 2007* |
| 1. | Cotton and other Textiles | -2.8 | -17.4 | 4.9 | 4.7 | 107.9 | 103.3 |
| 2. | Chemicals & Pharmaceuticals | 36.9 | 5.9 | 47.2 | 8.8 | 251.2 | 241.4 |
| 3. | Engineering | 41.1 | 16.3 | 33.5 | 32.6 | 12.5 | 15.0 |
| 4. | Auto & Allied | 71.2 | 13.3 | 78.1 | 30.4 | 71.7 | 92.0 |
| 5. | Cables and Electrical Goods | 64.0 | -2.7 | 108.9 | 7.2 | 18.9 | 20.0 |
| 6. | Sugar & Allied | 49.3 | -6.8 | 50.9 | -1.4 | 19.3 | 17.1 |
| 7. | Paper & Board | 18.2 | 2.7 | 32.4 | 10.3 | 22.0 | 24.0 |
| 8. | Cement | 113.4 | -4.1 | 121.0 | -2.4 | 151.1 | 129.9 |
| 9. | Fuel & Energy | 12.1 | 0.1 | 42.0 | 1.5 | 1265.4 | 1098.2 |
| 10. | Transport & Communication | 11.1 | 7.9 | -5.1 | 16.9 | 270.8 | 244.9 |
| 11. | Banks other Financial Institutions | 57.9 | 22.3 | 174.1 | 87.7 | 811.2 | 1341.8 |
| 12. | Miscellaneous | 19.3 | -7.5 | 42.3 | 44.2 | 158.0 | 241.3 |
| 13. | Overall / Total | 36.8 | 8.5 | 57.0 | 29.0 | 3160.1 | 3568.9 |
| 14. | KSE Share Index | 52.2 | 23.8 | 0 | 0 | 0 | 0 |

* End April 2006 and 2007

Source: State Bank of Pakistan

**Table-7.4 : Companies Listed on KSE and their Before Tax Profits**

| S. # | Name of Sector | No. of Companies | | Profit Before Taxation (Rs billion) | | Dividend Paying Companies | | Profit Making Companies | | Loss making Companies | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 |
| 1. | Cotton & other Textile | 213 | 212 | 10.5 | 9.3 | 59 | 60 | 122 | 114 | 55 | 59 |
| 2. | Chemical & Pharmaceutical | 35 | 35 | 28.3 | 27.3 | 24 | 22 | 28 | 26 | 6 | 07 |
| 3. | Engineering | 13 | 13 | 1.5 | 1.6 | 5 | 09 | 10 | 10 | 0 | 0 |
| 4. | Auto & Allied | 25 | 25 | 11.6 | 17.2 | 15 | 16 | 20 | 20 | 2 | 02 |
| 5, | Cables & Electric Goods | 09 | 09 | 1.9 | 2.3 | 5 | 04 | 5 | 06 | 2 | 01 |
| 6. | Sugar & Allied | 37 | 37 | 2.5 | 1.6 | 20 | 17 | 24 | 25 | 12 | 11 |
| 7. | Paper & Board | 12 | 10 | 2.4 | 7.2 | 8 | 05 | 9 | 08 | 2 | 01 |
| 8. | Cement | 21 | 21 | 10.4 | 17.1 | 9 | 12 | 16 | 16 | 5 | 05 |
| 9. | Fuel & Energy | 28 | 28 | 110.6 | 133.0 | 16 | 16 | 20 | 19 | 7 | 08 |
| 10. | Transport & Communication | 17 | 14 | 40.2 | 21.5 | 6 | 05 | 11 | 08 | 4 | 03 |
| 11. | Bank & Financial Institutions | 164 | 162 | 92.8 | 122.5 | 99 | 91 | 120 | 111 | 19 | 28 |
| 12. | Miscellaneous | 87 | 85 | 13.6 | 15.9 | 34 | 37 | 46 | 44 | 24 | 25 |
| | Total | 661 | 651 | 326.3 | 376.7 | 300 | 294 | 431 | 407 | 138 | 150 |

Source: Karachi Stock Exchange

profit of the 12 trading groups, listed with the KSE, amounted to Rs 326.3 billion in 2005, which increased to a record of Rs 376.7 billion in 2006, showing a growth of 15.4 percent. In the year 2006, all the 12 trading groups were shown as profit making ranging from Rs 1.6 billion (engineering) to Rs 133.0 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 ever profits. Fuel and energy earned a pre-taxation profit of Rs 133.0 billion in 2006 as compared to Rs 110.6 billion it earned in 2005. Banks and other financial institutions with a pre-taxation profit of Rs 122.5 billion was the second biggest profit-earning group in 2006 as compared to Rs 92.8 billion it earned in 2005. The group-wise number of companies and their performance is given in Table 7.4.

**Performance of Selected Blue Chips**

Some big blue chip companies including; OGDC, PTCL, NBP and Hub Power etc primarily influenced the KSE. During the first three quarters of the current fiscal year, the combined turnover of shares of ten big companies (OGDC, PTCL, Bank of Punjab, D.G. Khan cement, Fauji Fertilizer Bin Qasim, Pakistan Petroleum, National Bank of Pakistan, Muslim Commercial Bank, Lucky Cement and Hub Power Company) was 13.3 billion, which constituted 39.7 percent of the total turnover at the KSE. These ten companies earned a profit after taxation of Rs 122.6 billion in the current fiscal year up to March 2007. Out of Rs 122.6 billion profit after tax, the share of PTCL and OGDC was Rs 66.8 billion representing 54.5 percent of the ten big companies. In the first nine months of 2006-07, PTCL's after taxation profit was Rs 20.8 billion. Earning per share (EPS) of the ten big companies ranged from 2.39 in the case of Hub Power Company to 20.9 in respect of National Bank of Pakistan. This indicates that the business environment in the current fiscal year has improved appreciably for the blue chip companies. (Details in Table 7.5).

**Table-7.5 ; Price Earning Ratio July 2006 – March 2007**

| Company | No.of Shares (In billion) | Profit After Tax (Rs billion) | EPS | Rate | P/E Ratio |
|---|---|---|---|---|---|
| P.T.C.L. | 3.8 | 20.8 | 5.51 | 47.40 | 8.61 |
| Oil & Gas Development | 4.3 | 46.0 | 10.69 | 108.80 | 11.12 |
| National Bank of Pakistan | 0.8 | 17.0 | 20.88 | 229.75 | 10.99 |
| D.G. Khan Cement | 0.3 | 2.4 | 9.54 | 86.50 | 9.07 |
| Fauji Fertilizer Bin Qasim | 0.9 | 2.4 | 2.62 | 31.85 | 12.17 |
| Bank of Punjab | 0.4 | 3.8 | 9.89 | 86.90 | 8.78 |
| MCB Bank Ltd. | 0.6 | 12.1 | 20.63 | 270.65 | 13.12 |
| Pakistan State Oil | 0.7 | 13.4 | 19.54 | 245.35 | 12.56 |
| Pakistan Oil Fields | 0.3 | 1.9 | 7.35 | 79.30 | 10.79 |
| Hub Power Company | 1.2 | 2.8 | 2.39 | 28.95 | 12.10 |
| Total / Average | 13.3 | 122.6 | 10.90 | 121.55 | - |

Source: Karachi Stock Exchange

**Table-7.6 : Profile of Karachi Stock Exchange**

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 (July-March) |
|---|---|---|---|---|
| a) Number of Listed Companies | 668 | 659 | 658 | 655 |
| b) New Companies Listed | 16 | 15 | 14 | 11 |
| c) Fund Mobilized (Rs Billion) | 70.7 | 54.0 | 41.4 | 22.3 |
| d) Listed Capital (Rs Billion) | 374.1 | 439.0 | 496.0 | 535.5 |
| e) Turnover of Shares ( In Billion) | 97.0 | 88.3 | 104.7 | 33.5 |
| f) Average daily Turnover of Share (in million) | 386.7 | 351.9 | 319.6 | 208.8 |
| g) Aggregate Market Capitalisation (Rs Billion) | 1357.5 | 2013.2 | 2801.0 | 3065.8 |

Source: Karachi Stock Exchange.

### Performance of LSE & ISE

The leading market indicators witnessed mixed trends in Lahore and Islamabad Stock Exchanges. The turnover of shares on the Lahore Stock Exchange (LSE) during July-March 2006-07 was 5.6 billion compared to 11.9 billion shares in the same period last year. Total paid up capital with the LSE increased from Rs 469.5 billion in June 2006 to Rs 491.4 billion in March 2007. The LSE index, which was 4379.3 points in June 2006, declined to 4249.3 points in March 2007. The market capitalization of the LSE has increased from Rs 2693.3 billion in June 2006 to Rs 2948.2 billion in March 2007. Seven new companies were listed with the LSE during July-March 2006-07, as compared to 15 companies in the fiscal year 2005-06. A profile of LSE is given in Table-7.7.

**Table-7.7 : Profile of Lahore Stock Exchange**

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 (July-March) |
|---|---|---|---|---|
| a) Number of Listed companies | 534 | 524 | 518 | 519 |
| b) New Companies Listed | 19 | 13 | 15 | 7 |
| c) Fund Mobilized (Rs Billion) | 3.1 | 42.1 | 24.5 | 7.0 |
| d) Listed Capital (Rs Billion) | 361.5 | 402.9 | 469.5 | 491.4 |
| e) Turnover of Share (In Billion) | 19.9 | 17.5 | 15.1 | 5.6 |
| f) Average daily shares (in mln) | 80.9 | 69.5 | 61.3 | 31.0 |
| g) LSE Index | 2828.3* | 3762.3 | 4379.3 | 4249.3 |
| h) Market Capitalization (Rs bln) | 1406.2 | 1995.2 | 2693.3 | 2948.2 |

Source: Lahore Stock Exchange

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

The Islamabad Stock Exchange also witnessed mixed trend during the first nine months of 2006-07. The ISE 10 index started at 2,522.6 points and ended at 2,568.8 points depicting an increase of 1.8 percent only. The highest level of index was 2,999.87 as on January 25, 2007 as compared to the lowest level of 2,428.38 as on 10 July 2006. The average daily trade volume in the Islamabad stock exchange during this period was 0.23 million shares, which was substantially lower as compared to the preceding period. ISE index however, increased to 2738.3 points on 30th April 2007. A profile of the ISE is given in Table 7.8.

**Table-7.8 : Profile of Islamabad Stock Exchange**

| | 2003-04 | 2004-05 | 2005-06 | 2006-07 (July-March) |
|---|---|---|---|---|
| a) Number of Listed Companies | 248 | 236 | 240 | 240 |
| b) New Companies Listed | 6 | 6 | 6 | 6 |
| c) Fund Mobilized (Rs billion) | 14.5 | 23.2 | - | 12.0 |
| d) Listed Capital (Rs billion) | 287.5 | 337.3 | 374.5 | 389.7 |
| e) Turnover of Share (In Billion) | 1.5 | 0.7 | 0.4 | 0.04 |
| f) Average Daily Turnover of Share (in million) | 6.0 | 2.6 | - | 4.6 |
| g) ISE 10 Index | 1587.8 | 2432.6 | 2522.6 | 2568.8 |
| h) Market Capitalization (Rs.bln) | 1082.9 | 1558.4 | 2101.6 | 2247.6 |

Source: Islamabad Stock Exchange

The total funds mobilized during July-March fiscal year 2006-07 in the three stock exchanges (KSE, LSE & ISE) amounted to Rs 41.3 billion, as compared to Rs 96.6 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 39.1 billion, compared to 76.4 billion shares in the same period last year.

**Mutual Funds**

Pakistan's Mutual Funds sector is still at the nascent stage and has yet to achieve mainstream status. The regulators along with the institutions need to promote international best practices and corporate governance, spread consumer awareness and maintain investors confidence. Pakistan's mutual fund industry is witnessing exceptional growth owing to upturn in the country's economy. Initially, the market was dominated by public entities like ICP, NIT, but with the emergence of private sector assets managers, the mutual fund sector is heading in the right direction. Currently mutual funds accounts for only 2.4 percent of the country's GDP compared to 6.0 percent for India and 69.0 percent for the USA. Mutual fund accounts for 16.5 percent of Pakistan's national savings. This sector holds great potential for future. The industry has witness phenomenal growth during the last 4-5 years. Its total assets have increased from Rs 25 billion in June 2002 to about Rs 215 billion in March 2007, showing an increase of 760 percent. The industry has gained popularity due to its improved and disciplined behavior, government support, development of specialized innovative products and investment-friendly environment. In March 2007, there were 67 mutual funds as against 46 in June 2006, which included 43 open end and 24 close end funds. Besides, 19 more were in the pipeline. At present there are 34 Assets Management Companies registered and licensed by the SECP. New and innovative products are being designed and offered in the market for both corporate and individual investors. The new products so far offered also include shariah complaint products, sector-specific products etc. The new products to be offered in the near future include pension funds, real estate funds, infrastructure funds etc., which are being developed to suit investor's risk and return profile and their cash flow needs.

Since 2000 onwards, the SECP has been working to bring about qualitative changes in the practices and policies concerning establishment, operations and management of mutual funds. As a result of the proactive approach adopted by the Commission, the mutual industry has attracted attention of professionals, entrepreneurs and investors alike. This enabling environment has led to phenomenal increase in the number of mutual funds. The industry is on the path of steady progress and competing with banks in attracting savings, besides supporting and underpinning the stock market activities. The mutual funds sector is set to attract growing pubic attention owing to better investment prospects and effective role in brining about betterment in the national economy.

The sector is now focusing on specialized financial products aimed at niche markets with a view to cater to the requirement of all types of investors. The performance of the mutual funds industry has generally kept pace with the performance of the stock market. The effective monitoring of operations of mutual funds and other non-banking finance companies (NBFCs) by SECP has improved the confidence of investors in Pakistan to a great extent. The permission granted by SBP to local mutual funds to invest 30 percent of their assets abroad with a cap of US $ 15 million has enhanced the image of mutual funds among the investors. During 2006 before taxation profit of 23 close end mutual fund was Rs 8.28 billion compared to Rs 7.55 billion during 2005.

Although asset managers are working on innovative financial products, there is a real need to create general awareness about mutual funds in the retail segment of investors. Mutual funds are set to give tough competition to NSS and Bank Deposits in the near future, provided the asset managers and the financial planners work collectively in establishing enlightenment among the masses, the market, which is still largely untapped.

**Non-Banking Finance Companies**

During the first nine months of 2006-07, leasing companies sanctioned an amount of Rs 16.44 billion of which they disbursed Rs 16.24 billion. While Rs 18.28 billion was disbursed from sanctioned amount of Rs 18.55 billion in the corresponding period of 2005-06. The decreasing trend in financial activities of leasing companies is primarily due to the rise in interest rates and stiff competition from the commercial banks that have access to relatively low cost funds.

Sanction and disbursements of investment banks, were recorded at Rs 4.73 billion and Rs 4.14 billion respectively during the first nine months of the current fiscal year compared to Rs 8.00 billion sanctioned and Rs 7.26 billion disbursed during the same period last fiscal year. The reason of relatively smaller sanction and disbursement in the current fiscal year is primarily attributed to the conversion of two investment banks into the commercial banks (Atlas Investment Bank Limited into Atlas Commercial Bank and Jehangir Siddiqui Investment Bank into JS Bank) while Crescent Standard Investment Bank Ltd. has limited operations and is under an Administrator appointed by the SECP.

Discount houses sanctioned and disbursed Rs 0.70 billion during the period under review - an increase from the sanction and disbursement of Rs 0.51 billion and Rs 0.50 billion respectively during the first nine months of 2005-06. Housing finance companies sanctioned and disbursed an amount of Rs 0.01 billion and Rs 0.04 billion respectively during the period compared to Rs 0.43 billion and Rs 0.28 billion, respectively during the corresponding period of last year. The modarabas sanctioned Rs 6.96 billion and disbursed Rs 6.70 billion during the first nine months of the current fiscal year compared to their sanction and disbursement of Rs 7.13 billion and Rs 6.94 billion respectively during the same period last year.

**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 368 savings centers, spread all over the country. There are about 3.6 million investors in National Saving Schemes (NSS). Presently, Defence 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:

**Defence Savings Certificates:** Defence 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 05-06-2006 earn compound profit @ 10.00 percent per annum on maturity. The profits earned on deposits (exceeding Rs 150,000/-) is subject to a withholding tax @ 10 percent. Zakat is collected only once at the time of actual encashment. These certificates are transferable from person to person and from one place to other on the request of the purchaser. These certificates are available at National Savings Centres, Pakistan Post Offices, Scheduled Banks and the State Bank of Pakistan. The certificates are also available at the counters of HBL & UBL in UAE.

**Special Savings Certificates (Registered):** Special Saving Certificates (Registered) were introduced in February 1990. These Certificates are available in the denominations ranging from Rs 500/- to Rs 1,000,000. This scheme has a maturity period of three years. The profit is paid biannually. The certificates purchased on or after 05-06-2006 earn profit @ 9.00 percent per annum for first five six monthly profits and the last profit @ 10.00 percent per annum. There is no maximum limit of investment in this scheme. The profit on deposits is subject to deduction of withholding tax @ 10 percent at sources if the deposit made on or after 01-07-02 exceed Rs 150,000/-. The investment made in this scheme from abroad in foreign exchange and the profit earned thereon is repatriable in foreign exchange abroad. These certificates are sold at the counters of National Savings Centers, Scheduled banks, State Bank of Pakistan & Pakistan Post Offices. The certificates are also available at the counters of Habib Bank Ltd & United Bank Ltd in UAE.

**Bahbood Saving Certificates:** The scheme with 10 year's maturity has exclusively been launched for the widows and senior citizens over the age of 60 years. This scheme offers profit payment facility on monthly basis. Presently on an investment of Rs 100,000/- the investor gets monthly profit of Rs 960/- @ 11.52 percent per annum. The profit earned though this scheme is exempted from compulsory deduction of Zakat and withholding tax. Premature encashment before completion of one, two, three and four years entails service charges @ 1.0 percent, 0.75 percent, 0.50 percent and 0.25 percent, respectively. These certificates are available at the National Savings Centers only.

**Pensioners' Benefit Account:** This new savings scheme has exclusively been launched for retired employees of federal government, provincial government armed forces and autonomous bodies. This scheme offers profit payment on monthly basis. Presently on an investment of Rs 100,000/- the investor gets monthly profit of Rs 960/- @ 11.52 percent per annum. The profit earned through this scheme is exempted from compulsory deduction of Zakat and withholding tax. Premature encashment before completion of one, two, three and four years entail service charges @ 1.0 percent, 0.75 percent, 0.50 percent, and 0.25 percent, respectively. These certificates are available at the National Savings Centers only.

During the fiscal year 2005-06, net deposits with National Saving Schemes increased by Rs 8.8 billion as compared to a net decline of Rs 39.4 billion in 2004-05. In 2005-06 huge retirements were made in the case of Special Saving Certificates (Rs 57.7 billion), Regular Income Certificates (Rs 15.6 billion) and Defence Savings Certificates (Rs 7.6 billion). Net accruals on the other hand increased in respect of Bahbood Saving Certificates (Rs 59.6 billion), Pensioners Benefit Accounts (Rs 16.4 billion) and National Prize Bonds (Rs 3.3 billion).

**Table-7.9 : Net Accruals by National Saving Schemes** (Rs Billion)

| | | 2003-04 | 2004-05 | 2005-06 | July-March | |
|---|---|---|---|---|---|---|
| | | | | | 2005-06 | 2006-07 |
| 1. | Defence Saving Certificates | 3.2 | -8.7 | -7.6 | -5.2 | -4.5 |
| 2. | Special Saving Certificates (Registered) | -13.2 | -83.3 | -57.7 | -45.3 | 3.7 |
| 3. | Saving Accounts | -0.7 | -2.9 | 0.2 | -5.6 | 1.8 |
| 4. | Special Saving Accounts | 2.9 | -1.9 | -0.7 | -0.9 | 3.2 |
| 5. | Regular Income Certificates | -49.1 | -40.7 | -15.6 | -11.4 | -12.4 |
| 6. | Pensioner's Benefit Accounts | 13.2 | 17.7 | 16.4 | 14.0 | 9.4 |
| 7. | Bahbood Savings Certificates | 22.7 | 60.7 | 59.6 | 50.1 | 38.8 |
| 8. | National Prize Bonds | 22.8 | 9.4 | 3.3 | 3.3 | 4.6 |
| 9. | Postal Life Insurance | 8.7 | 10.3 | 10.8 | 7.9 | - |
| | Grand Total | 10.6 | -39.4 | 8.8 | 7.0 | 44.6 |

Source: Directorate of National Savings.

Net accruals with the NSS increased by Rs 44.6 billion during July-March 2006-07 as compared to an increase of Rs 7.0 billion in the same period last year (Table-7.9). Net accruals of Special Saving Certificates increased by Rs 3.7 billion during July-March 2006-07 as against a huge decline of Rs 45.3 billion in the same period last year. Net accruals of Saving Accounts and Special Saving Accounts also showed increase of Rs 1.8 billion and Rs 3.2 billion respectively as against their decline of Rs 5.6 billion and Rs 0.9 billion respectively, in the same period last year. Bahbood Saving Certificates and Pensioners Benefit Accounts continued to show positive growth as net accruals of these two popular saving schemes accumulated by Rs 48.2 billion during the first nine months of the current fiscal year. Higher investment with the NSS resulted partly due to institutional participations, which was allowed since 1st October 2006 and partly due to higher rates of returns on various savings schemes compared to the previous years.

**Table-7.10 : Nominal and Real Deposit Rates on Savings Schemes During 2003-2007**

| Scheme (Maturity) | 2003-04 | | 2004-05 | | 2005-06 | | 2006-07 | |
|---|---|---|---|---|---|---|---|---|
| | 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. Defence Saving Certificates(10 Years) | 7.96 | 3.36 | 8.15 | -1.15 | 9.46 | 1.56 | 10.03 | 2.03 |
| 2. Special Savings Certificate, Registered (3 Years) | 7.27 | 2.67 | 6.95 | -2.35 | 8.60 | 0.70 | 9.34 | 1.34 |
| 3. Regular Income Certificates (5 Years) | 6.96 | 2.36 | 6.84 | -2.46 | 8.88 | 0.98 | 9.24 | 1.24 |
| 4. Mahana Amdani Accounts (7 Years) | 10.41 | 5.81 | 10.41 | 1.11 | 10.41 | 2.51 | 10.41 | 2.41 |
| 5. Saving Accounts (Running Accounts) | 4.00 | -0.6 | 4.00 | -5.3 | 5.00 | -2.90 | 6.00 | -2.0 |
| 6. Pensioners' Benefit Accounts (10 Years) | 10.08 | 5.48 | 10.08 | 0.78 | 11.04 | 3.14 | 11.52 | 3.52 |
| 7. Bahbood Saving Certificates (10 years) | 10.08 | 5.48 | 10.08 | 0.78 | 11.04 | 3.14 | 11.52 | 3.52 |
| 8. Prize Bonds (Running Account) | 5.0 | 0.4 | 5.00 | -4.30 | 5.00 | -2.90 | 6.50 | -1.50 |
| **Weighted Average** | **7.2** | **2.6** | **7.29** | **-2.01** | **8.69** | **0.79** | **9.66** | **1.66** |

Source: Directorate of National Savings, Finance Division

Average inflation was 4.6% during 2003-04; 9.3% during 2004-05; 7.9% during 2005-06 and 8.0% during July-March 2006-07..

Keeping in view the increasing trend of interest rates in the financial market, the Government of Pakistan has raised the nominal rates of returns on most of the saving schemes during the current fiscal year. In the case of Defence Saving Certificates the rate has been increased from 9.46 percent last year to 10.03 percent this year. Nominal rate on special saving certificates has been increased from 8.60 percent to 9.17 percent this year, nominal rate on saving accounts from 5.0 percent to 6.0 percent and nominal rates on Bahbood Saving Certificates and Pensioners Benefit Accounts from 11.04 percent to 11.52 percent. As a result of these increase, real deposit rates became positive for all the schemes except saving accounts and Prize Bonds (Table-7.10). During 2005-06 and 2006-07 weighted average real deposit rate remained positive indicating that investors in the NSS are getting modest returns on their investment.

Two newly launched schemes namely Pensioners' Benefit Accounts and Bahbood Saving Certificates remained very popular with their combined net accruals of Rs 48.19 billion during July-March 2006-07 as compared to their net accrual of Rs 64.1 billion in the same period last year. 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 of withholding tax deduction 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 on more professional lines. The accounts of the Directorate are being computerized and National Savings Centres are being shifted to better and specious places. The aforesaid measures will help to further improve the customer services.

National Savings has launched its software development project, the project of uplifting and upgrading the facilities at the offices of the National Savings, data entry project, and the establishment of main IT center and installation of hardware at pilot sites. All of the aforesaid profits are in full swing.

**Annexure-1**

Various capital market reform initiatives introduced by the SECP during the outgoing fiscal year are as follows:

**Risk Management**

During the year under review, the SECP explored the implementation of a new risk management structure, based on international best practices, to improve the prevalent risk management framework at the exchanges. A new Risk Management Structure (RMS) was introduced in December 2006, after a detailed review of the existing framework. The salient features of the New RMS that included, among others, a new netting regime; a margining system based on value at risk (VAR) and capital adequacy.

**Value at Risk (VAR) based Margining System:** To reduce systemic risk at the stock exchanges the new marketing system has been based at Value at risk (VAR) principle i.e. the maximum amount of money that can be lost on given scrip over a given period of time with a given level of confidence. VAR provides an accurate statistical estimate of the maximum probable loss on a portfolio when markets are behaving normally. VAR is a state of the art risk management system practiced internationally and takes into account risk associated with each share based on historical data.

**Netting:** To recognize the true exposure of the market, the netting regime has been overhauled. Netting of exposure margin has been disallowed across markets, across clients and across settlement periods. The previous prevalent practice of netting increased the exchange risk and would hide actual magnitude of exposures. Presently, client level netting has been implemented in the ready market with effect from March 5, 2007, and the same would be implemented in the futures market from May 2007.

**Valuation of Securities eligible to be held as security:** In order to effectively categorize the collateral, all securities are now classified on the basis of liquidity and volatility. Further, to ensure minimization of trading risk, haircut can now be applied accompanied with impact cost analysis. Eligible securities, acceptable by the exchanges against deposit as exposure, are presently being evaluated on the basis of the new Haircut Regime. Previously, only the turnover and EPS of the scrip were considered for ranking of eligible securities against deposit.

**Mark-to-Market Loss Collection and profit Distribution:** A new mark-to-market regime has been introduced at the stock exchanges. Mark to market loss in any scrip is the amount payable by a member, on account of his clients and his proprietary unsettled net position for a given day, to the clearing house due to difference between volume weighted average price of the unsettled position and the “closing price” of the scrip at day end.

**Position Limits:** Market wide, member wide and client-wide position limits have been introduced in the market to avoid concentration of positions and to restrain investors from being over leveraged. These limits have been linked with the free float of the scrip and are expected to minimize the possibility of any market abuse.

**Special Margins:** In order to curb volatility and to mitigate systemic risk in the market, special margins have been introduced that shall be payable on daily basis only if the weighted average transaction cost of a scrip in the CFS or Future Deliverable Markets with respect to a member, is different from 26 weeks moving average price of that scrip in the Ready Market.

**Other Reforms**

The following measures have been successfully introduced at the stock exchanges to strengthen integrity and transparency in terms of price discovery and trade settlement:

**Unique Identification Number (UIN):** In pursuance of the Commission’s objective to increase market transparency and improve its surveillance capacity, the Unique (Client) Identification Number (UIN) System was launched at pre trade level on 1 August 2006 at all three stock exchanges after implementing the requisite software and hardware changes by the stock exchanges and NCCPL. The UIN System establishes a traceable link between the executed trade and the investors at the stock exchange. UNI system has significantly enhanced the risk management at client levels and improved the surveillance and monitoring capacity of the SECP and the stock exchanges.

**Free Float Index:** In order to introduce a free float index that is representative of the market, the KSE-30 Sensitive Index was implemented with effect from September 1, 2006. The need for a market representative free float index was long felt as the capitalization weighted KSE 100 Index strongly tilted to a few scrips. Free float is based on the proportion of shares readily available for trading to the total shares issued and excludes the locked in shares. The criterion for the selection of scrips on KSE-30 index was revised on 15 February 2007 in line with international best practices to include the impact cost as a measure to gauge the liquidity of scrip.

**Changes in Existing Continuous Funding System (CFS):** SECP enhanced the CFS Limit to Rs 55 billion for the Karachi Stock Exchange and Rs 10 billion and Rs 5 billion for the Lahore and Islamabad Stock Exchange respectively w.e.f. November 6, 2006, considering the demand in the market and ban on in-house badla. Further, a revised eligibility criterion for CFS scrips has been introduced which inter-alia takes into account impact cost and free float of the scrip.

**Work in Progress:**

**Introduction of CFS Mk II:** In order to facilitate transparent and efficient financing for the market, the SECP has proposed authorization of direct leverage finance in the form of CFS Mk II by eligible brokers, banks and non-banking financial institutions. Further, to provide a level playing field for the Lahore and Islamabad stock markets the centralized CFS Mk II will be developed at the National Clearing Company of Pakistan Limited.

**Margin Financing:** parallel with other modes of leverage financing SECP is continuing its efforts to promote Margin Financing. Margin accounts allow investors to buy shares with a relatively small amount of cash or margin up front by using the assets currently held in their accounts as collateral. Margin financing will effectively lead to monitoring of risk at three levels. At first, the exchanges will monitor the risk at broker level and secondly the broker will carry out due diligence of his customers. Thirdly, banks and DFIs providing margin financing will monitor the risk of providing margin financing to brokers and or investors directly.

**New Derivatives product Development:** SECP is working towards the introduction of new derivatives products such as Cash-settled Futures, Index Futures and Options; in line with international west practices in order to provide much needed avenues of leverage financing to the market.

**Demutualization:** SECP is pursuing the process of demutualization and integration and is keeping a close liaison with the stock exchanges and other stakeholders to drive the process. In this regard, on January 28th, 2006, SECP and the Karachi Stock Exchange (KSE) signed a Memorandum of Understanding (MMMOU) on critical issues, which inter-alia covers matters relating to the issuance and transfer of trading rihts, the moratorium period, Code of Governance, issuance of shares, transfer of assets, shareholding structure and composition of Board of Directors.

Moreover, in order to facilitate the process of corporatization and demutualization, a new section 32E was inserted in the Securities and Exchange Ordinance, 1969 through the Finance Act 2006, which provided that all the Stock Exchanges shall stand corporatized and demutualized upto December 31, 2007.

**New Futures Trading Act:** A draft Futures Trading Act has been prepared which provides a comprehensive and independent legal framework for the regulation of futures contracts. All the stakeholders were consulted before finalization of the proposed law, which has been submitted to the Government for further process.

**New Securities Act:** The Commission, in order to remove various deficiencies in the existing Securities and Exchange Ordinance, 1969 had initiated work to formulate a Draft Securities Act, 2005, which will ensure that the standards and practices followed in Pakistani markets conform to the best in the world.

**Voluntary Pension System (VPS):** The Federal Government took the initiative of development of the private pensions in Pakistan by allowing rebates for investments in approved pension schemes in year 2001 and vested the responsibility of development of necessary framework and regulation of private pensions in the Securities and Exchange Commission of Pakistan. The SECP has proposed the draft legislation for the Private Pension Schemes, by issue of the Voluntary Pension System Rules, 2005.

Under the new Voluntary pension System, the money contributed by the participants would be managed by professional fund managers. An important two-tier structure has been designed under which fund management and the custody of the funds has been separated. A trustee would be appointed for each pension fund to keep in its custody all the property of the pension fund. The new pension system is based on individual pension accounts. Employees as well as employers can make tax-free contributions into the pension funds and such contributions would be invested as per the investment and asset allocation Guidelines issued by the SECP. Investment Income of the pension fund would also be tax-free. Only the final benefits or premature withdrawals are taxable.

So far, for (4) Assets Management Companies have been registered with the SECP as Pension Fund Managers, which are engaged in designing their pension fund schemes. Their applications or seeking authorization to launch the proposed schemes are under consideration of the Commission.

**Regulatory Framework for private Equity Funds:** Private Equity is the equity investment in an asset in which the equity is not freely tradable in the s tock market. A private equity fund raises contributions from smaller investors to create a capital pool. Private equity can play a vital role by providing growth capital to the corporate sector particularly the SMEs. Draft of the Private Equity Rules has been prepared by the Commission and is being finalized in the light of the recommendations received from the market participants.

..................................

## TABLE 6.1

### SECTORAL INDICES OF SHARE PRICES (2000-01 = 100)

(Indices)

| | End June | 2000 | 2001 | 2002 | | 2003 | 2004 | 2005 | 2006 | End April 2006 | End April 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Cotton and Other Textiles | 93.62 | 89.31 | 113.45 | | 163.80 | 257.33 | 254.66 | 234.82 | 247.56 | 194.04 |
| 2 | Pharmaceuticals & Chemicals | 213.23 | 203.68 | 129.59 | | 207.31 | 340.55 | 282.49 | 342.30 | 386.69 | 362.48 |
| 3 | Engineering | 116.99 | 113.34 | 130.31 | | 248.91 | 430.35 | 570.60 | 783.61 | 805.18 | 911.62 |
| 4 | Auto & Allied | 128.25 | 123.63 | 140.52 | | 362.53 | 572.48 | 569.03 | 783.94 | 974.24 | 888.32 |
| 5 | Cables and Electric Goods | 123.42 | 116.96 | 118.22 | | 209.60 | 374.15 | 326.05 | 541.62 | 534.74 | 527.12 |
| 6 | Sugar and Allied | 69.50 | 84.45 | 103.62 | | 181.84 | 374.53 | 339.33 | 459.64 | 506.75 | 428.55 |
| 7 | Paper and Board | 125.40 | 114.27 | 126.99 | | 229.46 | 280.41 | 274.78 | 288.93 | 324.78 | 296.67 |
| 8 | Cement | 106.22 | 87.17 | 110.05 | | 217.65 | 434.20 | 390.65 | 708.89 | 833.47 | 680.12 |
| 9 | Fuel and Energy | 217.55 | 190.75 | 100.23 | | 194.84 | 233.55 | 374.03 | 343.08 | 419.23 | 343.31 |
| 10 | Transport and Communications | 68.59 | 53.04 | 94.17 | | 200.00 | 348.61 | 538.14 | 513.83 | 598.05 | 554.27 |
| 11 | Banks and Other Financial Institutions | 84.51 | 77.56 | 102.72 | | 217.30 | 346.86 | 316.02 | 445.90 | 498.96 | 545.42 |
| 12 | Miscellaneous Sectors | 217.88 | 243.08 | 122.19 | | 223.20 | 331.10 | 344.67 | 410.68 | 411.29 | 380.05 |
| | General Index of Share Prices | 128.83 | 118.72 | 106.74 | * | 204.10 | 312.70 | 359.99 | 427.01 | 492.44 | 463.25 |
| | Change (%) | 22.40 | (7.85) | 6.74 | * | 91.20 | 53.20 | 15.12 | 18.62 | 36.79 | 8.49 |

Source: State Bank of Pakistan

Figures in the parentheses represent negative sign.

* Base of share index has been changed from 1990-91 to 2000-01 - and as per old base (90-91) the general index of share price has increased by 6.74% during 2001-02.

## TABLE 6.2

### MARKET CAPITALIZATION OF ORDINARY SHARES

(Rs billion)

| | End June | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | End April 2006 | End April 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Cotton and Other Textiles | 43.78 | 38.40 | 41.09 | 65.68 | 88.78 | 102.87 | 98.72 | 107.92 | 103.32 |
| 2 | Pharmaceuticals | 56.05 | 47.97 | 50.75 | 108.20 | 158.74 | 171.73 | 221.90 | 251.15 | 241.41 |
| 3 | Engineering | 1.53 | 1.52 | 2.06 | 4.30 | 6.75 | 9.34 | 11.32 | 12.47 | 15.01 |
| 4 | Auto & Allied | 8.02 | 7.93 | 10.19 | 30.55 | 38.72 | 40.24 | 70.58 | 71.65 | 92.02 |
| 5 | Cables and Electric Goods | 2.10 | 2.12 | 2.36 | 4.45 | 7.20 | 9.05 | 18.62 | 18.93 | 19.96 |
| 6 | Sugar and Allied | 3.83 | 4.53 | 4.52 | 7.22 | 11.08 | 12.81 | 17.30 | 19.32 | 17.05 |
| 7 | Paper and Board | 3.94 | 4.54 | 6.54 | 12.00 | 16.42 | 16.64 | 21.78 | 22.03 | 24.03 |
| 8 | Cement | 10.21 | 10.21 | 15.76 | 33.54 | 65.11 | 68.39 | 133.12 | 151.14 | 129.93 |
| 9 | Fuel and Energy | 87.45 | 79.68 | 104.48 | 191.54 | 485.75 | 890.87 | 1081.48 | 1265.44 | 1098.18 |
| 10 | Transport and Communications | 106.17 | 70.77 | 70.09 | 123.29 | 193.62 | 285.41 | 209.46 | 270.84 | 244.89 |
| 11 | Banks and Other Financial Institutions | 36.10 | 38.38 | 55.01 | 99.67 | 187.11 | 295.96 | 714.83 | 811.19 | 1341.80 |
| 12 | Miscellaneous Sectors | 32.69 | 33.20 | 44.79 | 65.99 | 98.20 | 111.04 | 167.29 | 158.02 | 241.31 |
| | Aggregate Market Capitalization | 391.86 | 339.25 | 407.64 | 746.43 | 1357.48 | 2013.20 | 2766.41 | 3160.10 | 3568.90 |
| | Change (%) | 36.91 | (13.42) | 20.16 | 83.10 | 81.86 | 48.30 | 37.41 | 56.97 | 29.01 |

\- 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**

| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-March 2006-07 |
|---|---|---|---|---|---|---|---|---|---|
| **KARACHI STOCK EXCHANGE** | | | | | | | | | |
| i) Total Listed Companies | 765 | 762 | 747 | 712 | 702 | 668 | 659 | 658 | 655 |
| ii) New Companies Listed | - | 1 | 4 | 4 | 2 | 16 | 15 | 14 | 11 |
| iii) Fund Mobilized | | | | | | | | | |
| (Rs billion) | 1.6 | 0.4 | 3.6 | 15.2 | 23.8 | 4.2 | 54.0 | 41.4 | 22.3 |
| iv) Total Turnover of Shares | | | | | | | | | |
| (In billion) | 25.5 | 48.1 | 29.2 | 29.1 | 53.1 | 97.0 | 88.3 | 104.7 | 33.5 |
| **LAHORE STOCK EXCHANGE** | | | | | | | | | |
| i) Total Listed Companies | - | - | 614 | 581 | 561 | 647 | 524 | 518 | 519 |
| ii) New Companies Listed | 1 | 2 | 3 | 3 | 2 | 18 | 5 | 6 | 7 |
| ii) Fund Mobilized | | | | | | | | | |
| (Rs billion) | - | 0.4 | 2.5 | 14.2 | 4.1 | 3.1 | 42.1 | 24.5 | 7.0 |
| iv) Total Turnover of Shares | | | | | | | | | |
| (In billion) | 9.8 | 1.6 | 7.8 | 18.3 | 28.2 | 19.9 | 17.5 | 15.0 | 5.6 |
| **ISLAMABAD STOCK EXCHANGE“** | | | | | | | | | |
| i) Total Listed Companies | - | - | 281 | 267 | 260 | 251 | 232 | 240 | 240 |
| ii) New Companies Listed | 1 | 0 | 5 | 3 | 1 | 8 | 5 | 2 | 6 |
| ii) Fund Mobilized | | | | | | | | | |
| (Rs billion) | 5.0 | 0 | 0.8 | 3.7 | 11.5 | 2.6 | 27.6 | 5.2 | 12.0 |
| iv) Total Turnover of Shares | | | | | | | | | |
| (In billion) | 3.3 | 3.1 | 1.4 | 2.7 | 2.1 | 1.4 | 0.7 | 0.4 | 0.04 |

Source: SECP, KSE, LSE, ISE. :, LSE, ISE.

\- Nil

TABLE 6.4

## NATIONAL SAVING SCHEMES (NET INVESTMENT)

(Rs. Million)

| | Name of Scheme | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-March 2005-06 | July-March 2006-07 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Defence Savings Certificates | 38,349.8 | 41,212.3 | 16,580.3 | 22,037.3 | 21,990.5 | 3,238.3 | (8,759.1) | (7,551.0) | (5,200.1) | (4,528.1) |
| 2 | National Deposit Scheme | (52.4) | (17.2) | (21.5) | (6.3) | (5.7) | (6.8) | (1.3) | (2.5) | (2.3) | (0.6) |
| 3 | Khaas Deposit Scheme | (20.5) | (52.9) | (51.1) | (12.1) | (13.5) | (23.4) | (5.4) | (2.8) | (14.1) | (4.4) |
| 4 | Premium Savings Scheme | - | - | - | - | - | - | - | - | - | - |
| 5 | Special Savings Certificates (R) | 24,956.7 | 19,395.8 | 9,431.1 | 36,443.2 | 84,899.1 | (13,199.3) | (83,311.9) | (57,737.1) | (45,275.5) | (3,738.3) |
| 6 | Special Savings Certificates (B) | (883.0) | (507.3) | 196.3 | (203.3) | (11.1) | (2.6) | (4.6) | (0.6) | (0.3) | (0.02) |
| 7 | Regular Income Certificates | 59,099.4 | 26,111.6 | 8,643.2 | 11,046.3 | (14,923.9) | (49,090.5) | (40,663.0) | (15,563.9) | (11,439.9) | (12,435.7) |
| 8 | Pensioners' Benefit Account | - | - | - | - | 10,170.0 | 13,209.3 | 17,737.2 | 16,382.9 | 13,997.4 | 9,403.5 |
| 9 | Savings Accounts | 2,296.6 | (196.7) | (2,105.0) | (329.8) | 1,638.1 | (729.6) | (2,891.4) | (202.7) | (5,562.1) | (1,795.3) |
| 10 | Special Savings Accounts | 5,879.9 | 5,450.9 | 3,626.5 | 4,266.9 | 5,135.0 | 2,894.1 | (19,048.0) | (709.6) | (911.6) | (3,191.8) |
| 11 | Bahbood Saving Certificates | - | - | - | - | - | 22,691.0 | 60,654.6 | 59,636.6 | 50,121.9 | 38,793.7 |
| 12 | Mahana Amdani Accounts | 16.5 | 13.8 | 52.8 | 92.8 | 129.5 | 120.9 | 85.9 | 45.7 | 12.5 | 51.3 |
| 13 | Prize Bonds | 10,125.7 | (32.3) | 10,390.6 | 11,588.0 | 26,840.1 | 22,841.9 | 9,357.0 | 3,325.8 | 3,315.6 | 4,620.4 |
| 14 | Postal Life Insurance | 2,548.1 | 4,131.0 | 4,377.4 | 6,448.3 | 7,367.7 | 8,668.7 | 10,335.2 | 10,804.5 | 7,944.4 | - |
| | Grand Total | 142,241.2 | 95,508.9 | 51,120.5 | 91,371.3 | 143,215.8 | 10,612.0 | (39,371.6) | 8,830.7 | 7,014.1 | 44,625.5 |

Figures in Parenthesis represent negative signs

Source : Directorate of NSS

Table 6.5

## LOANS DISBURSED BY DFIs AND OTHER FINANCIAL INSTITUTIONS

(Rs. Billion)

| Name of Institutions | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 Jul-Mar |
|---|---|---|---|---|---|---|
| 1. DFIs | 2.9 | 8.7 | 13.1 | 24.7 | 10.6* | - |
| 2. Special Banks | 11.3 | 25.2 | 38.8 | 47.0 | 23.1* | - |
| 3. Islamic Banks | 2.5 | 11.1 | 17.9 | 43.4 | 24.4* | - |
| 4. Khushadi Bank | 0.2 | 1.6 | 1.3 | 2.3 | 2.92 | 2.34 |
| 5. Micro Credit Bank | 0.0 | 0.1 | 0.3 | 0.5 | 0.94 | 1.88 |
| 6. Leasing Companies | 15.9 | 16.0 | 18.6 | 16.5 | 29.1 | 16.2 |
| 7. Investment Banks | 4.4 | 7.6 | 7.5 | 7.4 | 10.4 | 4.1 |
| 8. Modarabas | 4.8 | 6.1 | 6.5 | 7.3 | 9.6 | 6.5 |
| 9. Housing Finance | 0.1 | 0.8 | 2.4 | 0.3 | 0.4 | 0.1 |
| 10. Discount Houses | 0.1 | 0.2 | 2.7 | 2.6 | 1.3 | 0.7 |

* July-December 2005-06

Source: SBP & SECP.

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 | | | Sale under this scheme has already been discontinued, from December 1999 however, on outstanding balance till maturity, rate will be applicable |
| | 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 | | | |
| 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 | | The rates are effective form Sept. 1999. If bonds are encashed before one year no profit will be paid. Profit is payable @ LIBOR + 2 on bonds investment for 3 or 7 years. | |
| | a) 3 year maturity | LIBOR+1.00% | | |
| | b) 5 year maturity | LIBOR+1.50% | | |
| | c) 7 year maturity | LIBOR+2.00% | | |
| 4. | <u>Pakistan Investment Bonds</u> | | | |
| | <u>Tenor</u> | <u>Rate of Profit</u> | These coupon rates will effective from May 19, 2006 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 | |
| | 3-Year Maturity | 9.10% p.a | | |
| | 5-Year Maturity | 9.30% p.a | | |
| | 10-Year Maturity | 9.60% p.a | | |
| | 15-Year Maturity | 9.0% p.a | | |
| | 20-Year Maturity | 10.0% p.a | | |
| 5. | <u>Unfunded Debt</u> | | | |
| | Defence Saving Certificates | 10.00% 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) | 9.34% p.a. | 3 Years | Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002 |
| | Special Saving Certificates (B) | 12.36% p.a.(m) | 3 Years | Taxable and discontinued |
| | Regular Income Certificates | 9.24% 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 | 6.00% p.a. | Running Account | Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002 |
| | Bahbood Savings Certificate | 11.52% p.a. | | |
| | Pensioners' Benefit Account | 11.52% p.a. | 10 Years | Taxable for deposits exceeding Rs 150,000 |
| | Prize Bonds | 6.50% p.a. | | |

p.a. Per annum

B Bearer

R Registered

m on maturity

Source: SBP and Directorate of National Savings

# INFLATION

## 8.1 Introduction

Stable inflation is recognized as an integral component of sound macroeconomic policies. Over the last decade, with a few exceptions inflation around the world has been at a retreat. More recently, with a pick-up in growth, inflation has started to rise again. Pakistan's economy exhibited a similar trend with a low inflation environment for last several years with a sharp pick up over the last three years. There are several internal and external factors which have contributed to the recent pick up in inflation in Pakistan. These factors include: a sharp economic recovery resulting in a rise in the levels of income with the consequential surge in domestic demand; the continued pass through effect of the pervious rise in international oil prices; and a sharp pick up in the international prices of essential commodities. Continuously upward adjustments in the administered prices, such as the support prices of wheat, as well as lower than expected production of essential perishable (vegetable and fruits) and non-perishable (pulses, sugar, chilies etc) commodities also contributed to inflation.

The government has been vigilant about inflation and has taken various steps to release demand pressures on the one hand and augment supplies of essential commodities on the other. To ease demand pressure the State Bank of Pakistan (SBP) has tightened monitory policy over the last two years and to augment supplies the government has liberalized import regime and allowed imports of several essential items with a view to increasing the supply of those items. In addition, the government increased its imports of item like wheat, pulses and sugar to complement the efforts of the private sector. To provide relief to the common man, the government also increased the scale of operation of the Utility Stores Corporation (USC) which supplies essential commodities such as wheat flour, sugar, pulses and cooking oil/ ghee at less than the market prices.

A strong relationship between inflation and output (unemployment) has been posited in theory and observed in empirical studies. Inflation at very high levels as well as at very low levels is harmful for the economy. There is a wide spread recognition that inflation results in inefficient resource allocation and hence reduces potential economic growth. Inflation imposes high cost on economies and societies; disproportionately hurts the poor and fixed income groups; creates uncertainty throughout the economy and undermines macroeconomic stability. High inflation has always penalized the poor more than the rich because the poor are less able to protect themselves against its consequences and less able to hedge against the risks that high inflation poses. On the other hand, low or falling inflation can have a negative impact on growth through several factors. For example, falling assets prices can constrain collateralized lending, the negative wealth effect can slow down demand and borrowers are worse off since the real rates have turned against them.

The policy objective of the government is to ensure high growth while keeping inflation in check. Growth on one hand provides more jobs and increases incomes which directly contribute to reducing poverty. While on the other hand, the associated higher inflation tends to worsen income distribution by hitting the low income groups hardest and by further reducing their purchasing power which perpetuates poverty. Recognizing this fine balance, the government has taken several initiatives which seek to achieve high rate of economic growth, lower unemployment and reduce the rate of inflation. Along with a review of development in inflation, this chapter will discuss the various timely interventions carried out by the government during the course of the year to keep inflation in check.

**Table 8.1: Inflation Rate**

| Item | 2004-05 | 2005-06 | 2005-06 | 2006-07 |
|---|---|---|---|---|
| | | | (July-April) | |
| CPI (General) | 9.3 | 7.9 | 8.0 | 7.9 |
| Food Group | 12.5 | 6.9 | 7.0 | 10.2 |
| Non-Food Group | 7.1 | 8.6 | 8.8 | 6.2 |
| Core Inflation | 7.2 | 7.5 | 7.7 | 6.0 |

Source: FBS

The overall CPI-base inflation during the first ten months of the current year 2006-07 (July—April) averaged at 7.9 percent. This is a slight improvement over last fiscal year where 2005-06 (July—April) inflation stood at 8.0 percent. Unlike previous years, the inflation in the current year was primarily driven by food prices. Food inflation in turn, was principally based on increase in prices of a few items such as rice, edible oil, meat, pulses, tea, milk, fresh vegetables and fruits. A more detailed analysis in later sections will show that amongst the food group, a smaller group of perishable items had a much higher contribution to inflation compared to its weights. On current trends and barring any adverse shocks, it is expected that the average inflation for the year (2006-07) as measured by CPI will be close to 7.5 percent. These developments in the CPI are also reflected in other measures of inflation used in Pakistan, namely the Wholesale Price Index (WPI) as well as the Sensitive Price Index (SPI).

## 8.2 Historical Perspective of Inflation

### 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 375 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. 12000 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-8.2.

**Table 8.2: 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* | Four* | - |
| Occupational Groups | All Categories combined | - | - |
| Reporting Frequency | Monthly | Weekly | Monthly |

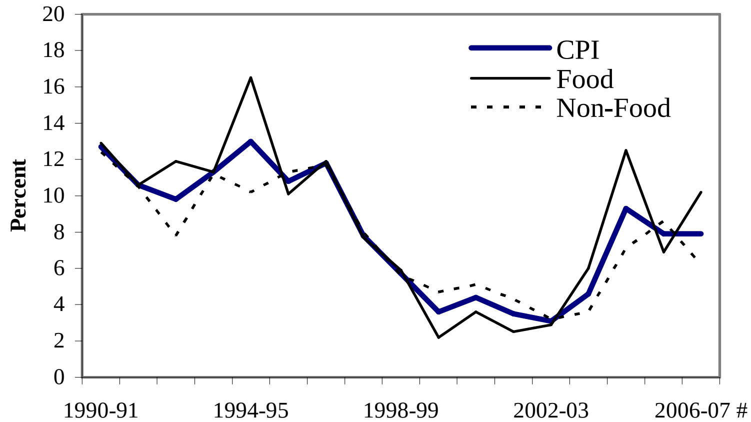
Source: Federal Bureau of Statistics

* upto Rs. 3000, Rs. 3001-Rs. 5000, Rs. 5001-Rs. 12000 and Above Rs. 12000.

### 8.2.1 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; and frequent adjustments in the administered prices of gas, electricity and POL (petroleum oil and lubricants) products. The economic reforms introduced in the early 1990s added a major element of uncertainty to 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 8.3 & Figure 8.1).

**Figure 8.1: Inflation Trend (1990/91-2006/07)***




*Change in inflation on average
# Data up to April 2007.

Source: FBS

**Table 8.3: Historical Inflationary Trends***

| Year | Overall CPI | Food | Non-Food | Core | WPI | SPI |
|---|---|---|---|---|---|---|
| | (Annual percentage change, period average) | | | | | |
| 1990-91 | 12.7 | 12.9 | 12.4 | 12.6 | 11.7 | 12.6 |
| 1991-92 | 10.6 | 10.6 | 10.5 | 7.5 | 9.8 | 10.5 |
| 1992-93 | 9.8 | 11.9 | 7.8 | 7.5 | 7.4 | 10.7 |
| 1993-94 | 11.3 | 11.3 | 11.2 | 10.9 | 16.4 | 11.1 |
| 1994-95 | 13.0 | 16.5 | 10.2 | 10.7 | 16.0 | 15.0 |
| 1995-96 | 10.8 | 10.1 | 11.3 | 10.9 | 11.1 | 10.7 |
| 1996-97 | 11.8 | 11.9 | 11.7 | 11.4 | 13.0 | 12.5 |
| 1997-98 | 7.8 | 7.7 | 8.0 | 7.5 | 6.6 | 7.4 |
| 1998-99 | 5.7 | 5.9 | 5.6 | 4.5 | 6.4 | 6.4 |
| 1999-00 | 3.6 | 2.2 | 4.7 | 3.5 | 1.8 | 1.8 |
| 2000-01 | 4.4 | 3.6 | 5.1 | 4.2 | 6.2 | 4.8 |
| 2001-02 | 3.5 | 2.5 | 4.3 | 2.0 | 2.1 | 3.4 |
| 2002-03 | 3.1 | 2.9 | 3.2 | 2.1 | 5.9 | 3.6 |
| 2003-04 | 4.6 | 6.0 | 3.6 | 3.0 | 7.9 | 6.8 |
| 2004-05 | 9.3 | 12.5 | 7.1 | 7.2 | 6.8 | 11.6 |
| 2005-06 | 7.9 | 6.9 | 8.6 | 7.5 | 10.1 | 7.0 |
| 2006-07(July-April) | 7.9 | 10.2 | 6.2 | 6.0 | 6.9 | 11.1 |
| Average of 1990s | 9.7 | 10.1 | 9.3 | 8.9 | 10.0 | 9.9 |
| Average of 1990-97 | 11.4 | 12.2 | 10.7 | 10.7 | 12.2 | 12.0 |
| Average of 1998-2000 | 5.7 | 5.3 | 6.1 | 5.2 | 4.9 | 5.2 |
| Average of 2000-2007 | 5.8 | 6.4 | 5.5 | 4.6 | 6.6 | 6.9 |

* Base year = 2000-01 Source: FBS
CPI: Consumer Price Index, WPI: Wholesale Price Index and SPI: Sensitive Prices Index

However, the inflation rate started to decelerate in the late 90s 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, was further reduced to 3.1 percent in 2002-03 (the lowest in the last three decades). This low level of inflation was supported by 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 9.3 percent in June 2005 (i.e. at the end of fiscal year 2004-05) for a variety of reasons including a rise in the support price of wheat, shortages of wheat and a rise in international prices including the oil prices. The inflation has since climbed down to 7.9 percent at the end 2005-06 and 7.9 percent over the period Jul-Apr. 2006-07. Inflation has been contained despite tremendous growth through a combination of tight monetary policy and resolution of supply bottlenecks.

**8.3 Inflation in the FY 2006-07**

The CPI-based inflation during July-April 2006-07 averaged 7.9 percent as against 8.0 percent in the same period last year. The single largest component of the CPI is the food group which showed an increase of 10.2 percent. This was higher than the 7 percent food inflation observed over the corresponding period of last year. On the other hand, the non-food prices grew at a slower pace compared to last year. The non-food inflation averaged 6.2 percent between July -April 2006-07 while it stood at 8.8 percent in the corresponding period of last year.

The non-food non-energy inflation (core inflation) decelerated sharply to 6.0 percent in first ten months of the fiscal year as against 7.7 percent in the same period last. The tight monetary policy pursued by the SBP has resulted in the sharp reduction in the core inflation.

A more detailed analysis of the food group shows a considerable variation in inflation rates of the items included in the group. For example, considering the perishable and non-perishable items in the food group separately shows that non-perishable food prices rose by 9.0 percent while the perishable items prices grew by 17.6 percent. The estimated contributions to inflation for perishable and non-perishable items are 11.5 percent and 40 percent respectively when their weights are 5.14 percent and 35.2 percent respectively. Clearly, the contribution of perishable items to inflation is nearly twice its weight. An analysis of individual food items suggests that the major portion of food inflation during the current year stemmed from a limited number of items including rice, edible oil, pulses, meat, milk, tea, eggs, wheat, vegetables and fruits. These items have experienced relatively larger increase in their prices during the course of 2006-07. However, prices of other important food items like sugar, potatoes, tomatoes, moong pulse and chicken (farm) have shown a decline in their prices owing to improved availability of these items in the market (see Table 8.8).

The inflationary trend in food prices persisted through most of the fiscal year at an average rate of 10.2 percent till April 2007. The analysis above suggests that this year's inflation is largely food price driven as opposed to last year's inflation which was largely driven by the non-food components such as house rent, energy and transport. Prices of various types of pulses have increased this year because of the short supply of these pulses in the country. Since milk powder and tea are also importable items, the domestic prices were higher on the back of higher international prices.

Considering the other CPI groups, the highest inflation was in the medicare group and energy with reported 10 month inflation of 9.1 percent and 7.3 percent respectively. But since their weights are small in the CPI basket (2.1 percent and 8.7 percent) their contribution to inflation was small. On the other hand, house rent which has a 23.4 percent weight in the CPI, showed a fall in inflation from 10.3 percent to 6.7 percent. (See Table 8.4 and Fig-8.2)

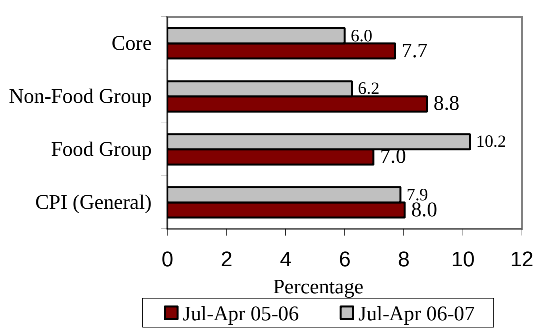
**Table 8.4: Annual Inflation by Commodity Groups**

| Commodity Group | Weight | Percent change on average basis (July-April) | | Percentage Point Contribution # (July-April) | |
|---|---|---|---|---|---|
| | | 2005-06 | 2006-07 | 2005-06 | 2006-07 |
| CPI | 100.0 | 8.0 | 7.9 | 100.0 | 100.0 |
| Food | 40.3 | 7.0 | 10.2 | 35.0 | 52.4 |
| Non-Perishable | 35.2 | -- | 9.0 | -- | 40.2 |
| Perishable | 5.1 | -- | 17.6 | -- | 11.5 |
| Non-Food | 59.7 | 8.8 | 6.2 | 65.2 | 47.1 |
| Core | 52.9 | 7.7 | 6.0 | 50.7 | 40.5 |
| Apparel, Textile | 6.1 | 4.2 | 4.8 | 3.2 | 3.7 |
| House Rent | 23.4 | 10.3 | 6.7 | 30.1 | 20.0 |
| Energy | 8.7 | 14.7 | 7.3 | 15.8 | 8.0 |
| Household | 3.3 | 5.1 | 6.8 | 2.1 | 2.8 |
| Transport | 5.2 | 9.5 | 3.7 | 6.2 | 2.4 |
| Recreation | 0.8 | -0.2 | 4.4 | -0.02 | 0.46 |
| Education | 3.5 | 6.3 | 4.9 | 2.7 | 2.1 |
| Cleaning | 5.9 | 2.9 | 4.3 | 2.1 | 3.2 |
| Medicare | 2.1 | 2.2 | 9.1 | 0.6 | 2.4 |

Source: Federal Bureau of Statistics

#Caculated as group specific inflation times its share divided by total inflation.

**Figure 8.2: Inflation Rate By Groups**




Source: FBS

### 8.3.1 Inflation on a Monthly Basis

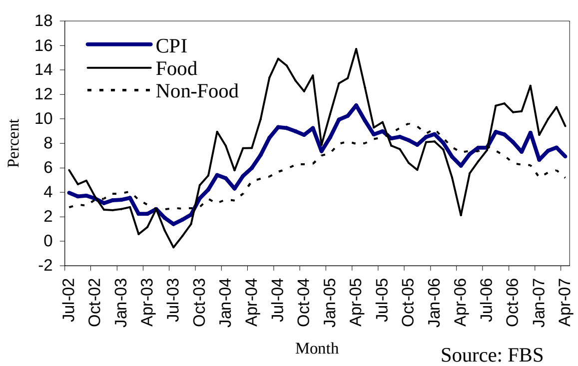
On a year-on- year (Y-o-Y) basis, CPI trend reveals an upward trend in inflation during the year 2006-07 with highest YoY inflation in December 2006 of 8.9 percent and lowest at 6.6 percent in January 2007. Many factors can explain this inflationary performance, however, most of the increase appears to reflect the impact of rising food prices which increased substantially during the course of 2006-07. The main reasons for the rise in food prices during the period include widespread heavy monsoon rain causing floods in different parts of the country and disrupting the supply of essential food items. The collapse of a major bridge as a result of heavy rains linking north of Pakistan with the southern part of the country also disrupted the normal flow of goods from one part of the country to another. Another factor contributing to the supply shortages of essential food items may have been the unexpectedly prolonged Eid Holidays when the markets remained closed for almost ten days. Price hike in food prices was observed from August 2006 where the Y-o-Y food inflation stood at 11.1. This trend persisted through most of the fiscal year reaching a high of 12.7 percent in December 2006. Data show that food inflation with exception in July 2006, January 2007 and April 2007 remained constantly at double digits during the course July-April 2006-07. However, reverse trend was observed in the non-food prices which decelerated from 7.8 percent in July 2006 to 5.2 percent in April 2007. The core inflation which represents the rate of increase of goods and services excluding food and energy prices increased little over last year decelerating from 6.5 percent in July 2006 to 5.7 in December 2006 and further to 5.5 percent in April 2007. The tight monetary policy pursued by the SBP has succeeded in reducing core inflation to below the targeted overall inflation for the year. The other sub-indices of the CPI-based inflation such as house rent, transport and energy also exhibit declining trends during the fiscal year 2006-07 (See Fig.8.3, Fig.8.4 and Table-8.5).

**Table 8.5: Monthly Inflation Rate**

| Period | 2004-05 | | | 2005-06 | | | 2006-07 | | |
|---|---|---|---|---|---|---|---|---|---|
| | CPI | Food | Non-food | CPI | Food | Non-food | CPI | Food | Non-food |
| Jul | 9.3 | 14.9 | 5.7 | 9.0 | 9.7 | 8.5 | 7.6 | 7.4 | 7.8 |
| Aug | 9.2 | 14.4 | 5.9 | 8.4 | 7.8 | 8.8 | 8.9 | 11.1 | 7.4 |
| Sep | 9.0 | 13.1 | 6.3 | 8.5 | 7.5 | 9.2 | 8.7 | 11.3 | 7.0 |
| Oct | 8.7 | 12.3 | 6.3 | 8.3 | 6.4 | 9.6 | 8.1 | 10.5 | 6.4 |
| Nov | 9.3 | 13.6 | 6.3 | 7.9 | 5.8 | 9.4 | 8.1 | 10.6 | 6.3 |
| Dec | 7.4 | 7.9 | 7.0 | 8.5 | 8.1 | 8.8 | 8.9 | 12.7 | 6.2 |
| Jan | 8.5 | 10.4 | 7.2 | 8.8 | 8.2 | 9.2 | 6.6 | 8.7 | 5.2 |
| Feb | 9.9 | 12.9 | 8.0 | 8.1 | 7.5 | 8.4 | 7.4 | 10.0 | 5.6 |
| Mar | 10.2 | 13.3 | 8.2 | 6.9 | 5.4 | 8.0 | 7.7 | 11.0 | 5.8 |
| Apr | 11.1 | 15.7 | 8.0 | 6.2 | 3.6 | 8.0 | 6.9 | 9.4 | 5.2 |
| May | 9.8 | 12.5 | 8.0 | 7.1 | 5.6 | 8.2 | - | - | - |
| Jun | 8.7 | 9.3 | 8.4 | 7.7 | 7.8 | 7.5 | - | - | - |

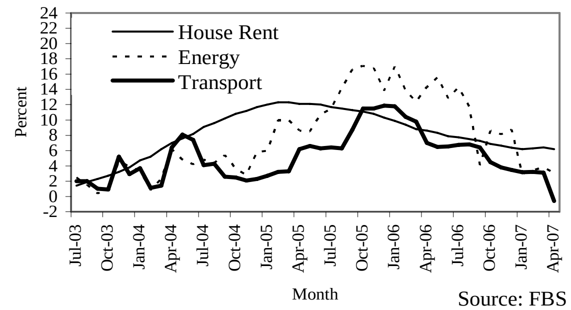
Source: FBS

**Figure 8.3: Monthly CPI Inflation**




Source: FBS

**Figure 8.4: Recent Trend in Components of Non-food Inflation**




Source: FBS

## 8.3.2 Inflation by Income Group

Price hike affects different sections of society differently. Rising prices reduces the purchasing power of the average consumer particularly the poor. Data pertaining to inflation rate for various incomes groups reveal that the increase of 7.9 percent in CPI during 2006-07 was largely borne by lower income brackets. Category wise increase in inflation rate in the case of lowest income group (up to Rs. 3000 per month) was 8.3 percent and lower income group (up to Rs 5000 per month) was 8.1 percent which is larger than the increase in overall CPI. Whereas in the case of middle income and upper income brackets, average increase in inflation was at 7.8 percent and 7.3 percent respectively which indicates that inflationary incidence was highest for lowest income groups and lowest for highest income groups (See Table-8.6).The higher incidence of inflation in case of lower income groups is likely due to the fact that lower income groups spend larger shares of their income on food which has been the driving force in inflation in the current fiscal year.

**Table –8.6: Inflation Rate by Income Groups**

| Period | Overall CPI | Up to Rs. 3,000 | Between Rs. 3,001 - Rs. 5,000 | Between Rs. 5,001 - Rs. 12,000 | Above Rs. 12,001 |
|---|---|---|---|---|---|
| | (Y-o-Y percentage change, period average) | | | | |
| 1995-96 | 10.8 | 10.6 | 10.7 | 10.8 | 11.3 |
| 1996-97 | 11.8 | 11.7 | 11.9 | 11.8 | 11 |
| 1997-98 | 7.8 | 7.9 | 7.8 | 7.9 | 8.0 |
| 1998-99 | 5.7 | 5.6 | 5.6 | 5.9 | 6.2 |
| 1999-00 | 3.6 | 3.2 | 3.4 | 3.8 | 4.5 |
| 2000-01 | 4.4 | 4.5 | 4.3 | 4.5 | 4.7 |
| 2001-02 | 3.5 | 3 | 4.9 | 3.4 | 3.6 |
| 2002-03 | 3.1 | 2.9 | 1.8 | 3.1 | 3.1 |
| 2003-04 | 4.6 | 5.3 | 5.1 | 4.7 | 4.3 |
| 2004-05 | 9.3 | 10.2 | 9.8 | 9.4 | 8.9 |
| 2005-06 | 7.9 | 7.7 | 7.5 | 7.6 | 8.3 |
| 2006-07 (July-April) | 7.9 | 8.3 | 8.1 | 7.8 | 7.3 |

Source: FBS

**8.3.3 Wholesale Price Index (WPI)**

The rate of increase in WPI at 6.9 percent during July-April 2006-07 was much lower than the last year's increase of 10.3 percent. This was largely due to the impact of various policy measures adopted during the year 2006-07 such as decision to import essential items (duty free) to maintain better stock position, streamlining the distribution system of essential items and keeping vigilance on the movement of consumer items. A further analysis reveals that the rate of increase in the non-food index at 5.8 percent against 12.6 % last year is almost 50% less than the increase of last year following the impact of decline in prices of petroleum products. The fuel and lighting group decelerated from an increase of 28 percent last year to 6.0 percent during the current year which contributed to the substantial slow down in energy and related components. However, the increase was higher in case of raw material, manufactures and building materials prices over last year. The index of raw material increased by 13.8 percent against 9.9 percent in the same period last year mainly due to increase in price indices of cotton (6.3%) and cotton seeds (16.60%) during the year. The increase of 3.2 percent in manufactures group resulted from an increase in the prices of items such as cotton yarn (5.9%), soaps (4.2%), chemical (11.76%) and dying material (1.06%). The building material group increased at 5.1 percent during the year as opposed to–0.3 percent last year because of higher increase in the price indices of bricks (4.47%), cement (9.0%), timber (14.1%) and other construction related material. (See Table-8.7 for details).

**Table –8.7: Components of WPI (% change)**

| Commodity Groups | Weight | Percent change on average basis (July-April) | | Percentage Point Contribution # (July-April) | |
|---|---|---|---|---|---|
| | | 2005-06 | 2006-07 | 2005-06 | 2006-07 |
| WPI | 100.0 | 10.3 | 6.9 | 10.3 | 6.9 |
| Food | 42.1 | 7.2 | 8.5 | 29.2 | 51.8 |
| Non-Food | 57.9 | 12.6 | 5.8 | 70.9 | 48.5 |
| Raw Material | 8.0 | 9.9 | 13.8 | 7.7 | 15.9 |
| Fuel and Lubricants | 19.3 | 28.1 | 6 | 52.5 | 16.7 |
| Manufacturers | 25.9 | 2.7 | 3.2 | 6.7 | 11.8 |
| Building Materials | 4.7 | -0.3 | 5.1 | -0.1 | 3.5 |

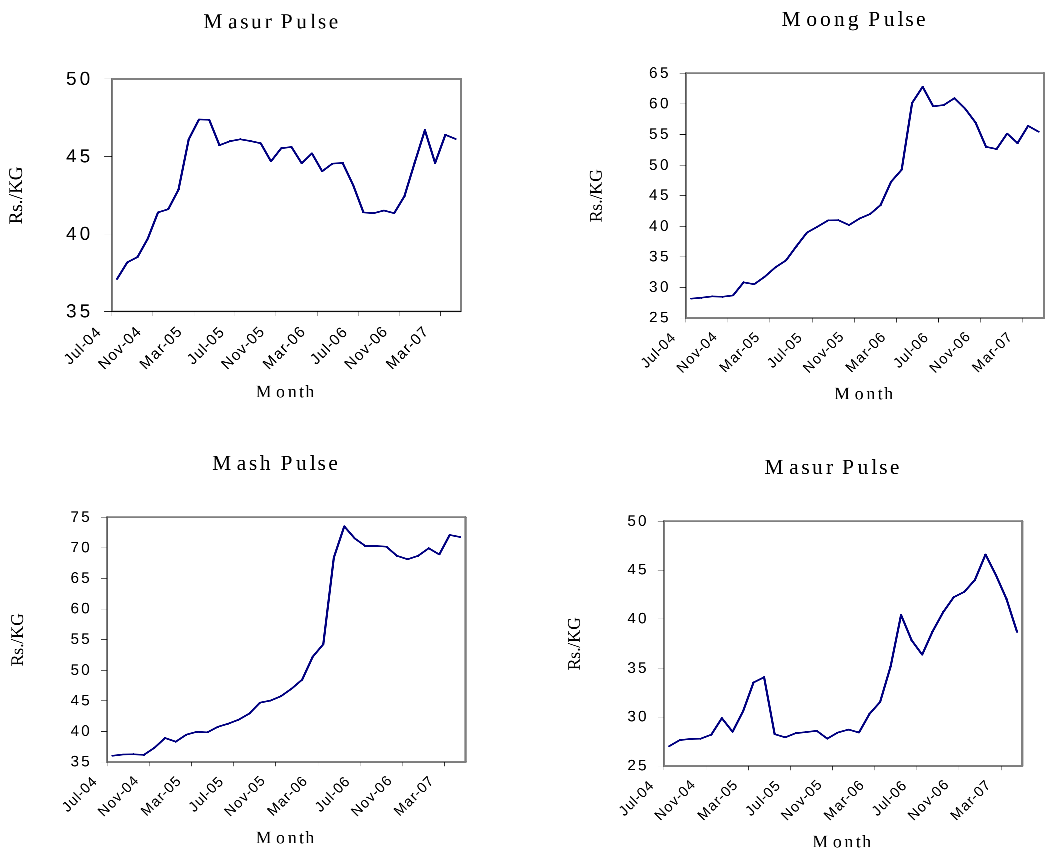
Source: FBS

#Caculated as group specific inflation times its share divided by total inflation.

### 8.3.4 Sensitive Price Indicator (SPI)

The Sensitive Price Indicator (SPI) is used to assess the price movements of essential commodities at short intervals so as to review the price situation in the country. Sensitive Price Index (SPI) inflation averaged at 11.1percent during July –April 2006-07 compared with an increase of 6.7 percent last year. Among the 53 items covered by SPI, prices of 44 mostly food items registered an increase from July 2006 to April 2007. The highest increase at 56.6 percent was recorded in prices of Red Chilies followed by Vegetable Ghee (loose) (29.8 percent), Rice Basmati (28.7 percent), Milk Powder (21.5 percent), Cooking Oil (18.3 percent), Masur Pulse (11.4 percent) and Milk Fresh (7.0 percent). Whereas a substantial decrease was also observed in prices of nine items with highest decline of 48.9 percent in prices of potatoes followed by Tomatoes (30.3 percent), Sugar (13.7 percent) and Moong Pulse (7.3 percent). A variety of factors contributed to the observed price increase during 2006-07 (See Fig: 8.5 for Pulses).

**Fig 8.5: Prices of Pulses (FY05-FY07)**




Source: FBS

Low production of wheat last year influenced the prices of wheat and wheat flour. Prices of various types of pulses have increased because of the short supply of these pulses in the country. The high fluctuation in edible oil prices is due to the price hike in international market prices of palm oil and soybean oil from $ 470 / Ton in July 06 to $ 708 / Ton in April 07 or by 50% and that of soybean oil $ 628 to $ 760 or by 21% which exerted a high inflationary impact on local ghee price (See Table-8.8 for details). It may also be noted that the prices of essential commodities have fluctuated throughout the year. This fact can be ascertained from Table 8.8. The prices of gram pulse increased by 21 percent during July-December 2006 but with improvement in supply situation the average increase in its price declined to 6.4 percent during July-April 2006-07. Similarly, the price of tomato increased by 90 percent during July-December 2006 but registered a sharp decline during July-April 2006-07 to 30.3 percent. Similar trend can be observed in the prices of onion, eggs, potato etc. It is critical to note that the current rise in food prices is not only a Pakistan specific phenomenon but the global food prices are also up by 16.1 percent during the same period (See The Economist, May 26, 2007, Page 97).

**Table – 8.8: Prices of Essential Commodities**

| Items | Unit | 2004-05 | 2005-06 | July 2006 | Dec 2006 | April 2007 | % Change Jul 06 - Dec 06 | % Change Jul 06 - Apr 07 |
|---|---|---|---|---|---|---|---|---|
| Wheat | Rs / Kg | 11.69 | 11.55 | 11.26 | 12.23 | 12.16 | 8.6 | 8.0 |
| Wheat Flour | Rs / Kg | 13.26 | 13.07 | 12.93 | 13.70 | 14.00 | 6.0 | 8.3 |
| Rice Basmati | Rs / Kg | 20.16 | 20.15 | 20.30 | 21.06 | 26.12 | 3.8 | 28.7 |
| Rice-6 | Rs / Kg | 15.40 | 16.03 | 16.12 | 16.32 | 19.37 | 1.2 | 20.2 |
| Masur Pulse | Rs / Kg | 42.66 | 45.07 | 41.39 | 44.59 | 46.13 | 7.7 | 11.4 |
| Moong Pulse | Rs / Kg | 31.57 | 47.32 | 59.82 | 52.62 | 55.45 | -12.0 | -7.3 |
| Mash Pulse | Rs / Kg | 38.37 | 52.96 | 70.30 | 68.71 | 71.75 | -2.3 | 2.1 |
| Gram Pulse | Rs / Kg | 29.26 | 31.17 | 36.37 | 44.01 | 38.70 | 21.0 | 6.4 |
| Beef | Rs / Kg | 94.37 | 106.8 | 114.81 | 118.16 | 120.04 | 2.9 | 4.5 |
| Mutton | Rs / Kg | 184.47 | 202.07 | 220.55 | 222.73 | 228.20 | 1.0 | 3.5 |
| Sugar | Rs / Kg | 23.37 | 31.28 | 35.06 | 30.86 | 30.25 | -12.0 | -13.7 |
| Milk Fresh | Rs / Ltr | 21.24 | 23.89 | 25.59 | 26.70 | 27.38 | 4.3 | 7.0 |
| Milk Powder | Rs / 400 Gm | 102.66 | 108.46 | 110.99 | 119.59 | 134.82 | 7.7 | 21.5 |
| Vegetable Ghee | Rs / 2.5 Kg | 204.09 | 203.63 | 203.72 | 216.05 | 240.00 | 6.1 | 17.8 |
| Vegetable Ghee (Loose) | Rs / Kg | 59.77 | 58.93 | 60.03 | 68.39 | 77.91 | 13.9 | 29.8 |
| Cooking Oil | Rs / 2.5Ltr | 205.48 | 204.4 | 203.99 | 216.39 | 241.26 | 6.1 | 18.3 |
| Chicken (Farm) | Rs / Kg | 66.45 | 65.54 | 86.43 | 58.06 | 79.84 | -32.8 | -7.6 |
| Eggs (Farm) | Rs / Dozen | 37.43 | 34.74 | 29.37 | 50.28 | 31.47 | 71.2 | 7.2 |
| Red Chilies | Rs / Kg | 75.41 | 70.75 | 70.09 | 97.62 | 109.76 | 39.3 | 56.6 |
| Onion | Rs / Kg | 14.12 | 11.88 | 12.12 | 35.86 | 13.08 | 195.9 | 7.9 |
| Potatoes | Rs / Kg | 14.84 | 18.16 | 21.42 | 18.06 | 10.96 | -15.7 | -48.9 |
| Tomato | Rs / Kg | 24.77 | 18.86 | 24.18 | 46.02 | 16.86 | 90.3 | -30.3 |
| Garlic | Rs / Kg | 44.07 | 58.04 | 60.55 | 66.75 | 64.33 | 10.2 | 6.2 |

Source: Federal Bureau of Statistics

### 8.3.5 Regional Price Developments

A review of 18 essential items prevailing on 17th May, 2007 in the neighboring countries including India, Bangladesh and Sri Lanka indicates that out of these items, prices in Pakistan are lower than India and Bangladesh for 10 items and in Sri Lanka for 11 items. The difference in prices is due to variation in cost of production and traditional use of food consumption. As can be seen in Table 8.9, the prices of wheat and wheat flour in Pakistan are the lowest in the region. In fact, the price of wheat is 53 percent of the regional average while the price of wheat flour is only 60 percent of the regional average.

**Table 8.9: Comparative Prices in Region**

(Value in Pakistani Rupees)

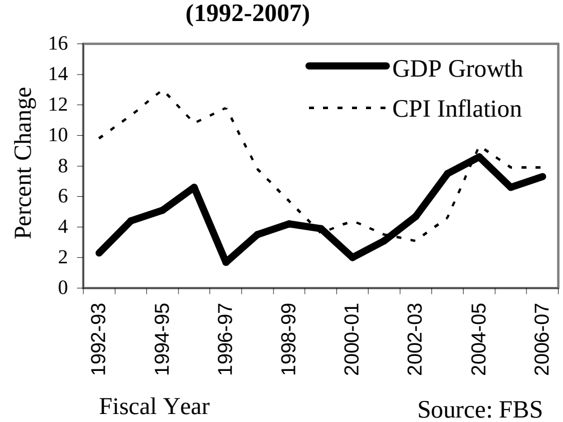
| Items | Unit | Islamabad | New Delhi | Colombo | Dhaka |
|---|---|---|---|---|---|
| Wheat | Kg | 12.00 | 23.84 | 35.00 | 21.36 |
| Wheat Flour | Kg | 13.78 | 22.35 | 35.00 | 23.14 |
| Rice Basmati | Kg | 32.75 | 26.82 | 64.00 | 65.49 |
| Masoor Pulse | Kg | 50.75 | 53.64 | 38.00 | 61.95 |
| Moong Pulse | Kg | 59.5 | 83.44 | 38.00 | 61.95 |
| Mash Pulse | Kg | 76.88 | 83.44 | 38.00 | 61.95 |
| Gram Pulse | Kg | 42.75 | 59.60 | 38.00 | 57.53 |
| Sugar | Kg | 32.31 | 26.82 | 40.00 | 33.63 |
| Edible Oil | Liter | 96.8 | 83.44 | 137.00 | 67.26 |
| Beef | Kg | 133.75 | 74.50 | 166.00 | 151.30 |
| Mutton | Kg | 260.63 | 223.50 | 262.00 | 199.13 |
| Eggs | Dozen | 31.75 | 35.76 | 43.90 | 44.25 |
| Chicken | Kg | 68.00 | 141.55 | 146.00 | 79.65 |
| Potatoes | Kg | 19.50 | 14.90 | 39.00 | 17.70 |
| Onion | Kg | 22.50 | 14.90 | 24.00 | 17.70 |
| Tomato | Kg | 37.75 | 14.90 | 15.00 | 26.55 |
| Garlic | Kg | 81.25 | 119.20 | 58.00 | 53.10 |
| Red Chillies | Kg | 131.9 | 193.70 | 125.00 | 70.80 |

Source: Ministry of Commerce

### 8.4 Analytical Issues in Inflation

This section will discuss some of the factors which led to inflation in the current fiscal year. As discussed earlier these factors include several domestic and international factors. First, sustained level of high economic growth over the year has increased the level of income which has resulted in a surge in domestic demand. The link between growth and inflation is well-documented phenomenon in economic statistics around the world. Figure 8.6 shows the relationship between inflation and output growth for Pakistan. This anecdotal evidence suggests that the inflation and output are positively related in Pakistan.

**Figure:8.6 Output and Inflation (1992-2007)**



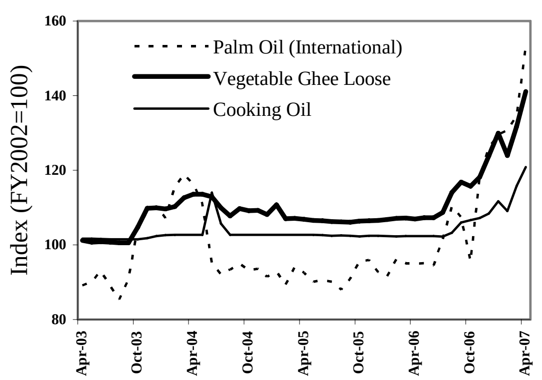

Source: FBS

The aggregate demand may also be driven by a perceived wealth effect. As prices have risen throughout the economy there has also been a sharp increase in asset values particularly in real estate. Although borrowing against increased equity on real estate is limited in Pakistan, the high net wealth is likely to reduce incentives to save. The resultant increase in consumption will also drive up aggregate demand and thus prices. In addition, the unprecedented levels of remittances also provide an impetus to aggregate demand.

Another reason for high inflation is the pass through effect of the unprecedented increase in international price of oil over the last few years. Although the oil prices have slipped this fiscal year from the highs of over $70 per barrel, they still remain above the $55 per barrel. High international oil prices lead to increase in transportation charges as well as energy intensive industry products such as metal commodities. As producers pass on the increased costs to consumers, this leads to an increase in cost of Pakistani imports which drives up inflation. It is also likely that the response of general domestic prices to oil prices is asymmetric i.e. general domestic prices rise with an oil price increase due to the "sympathy effect" but when the oil prices fall general domestic prices are not reduced.

In addition to crude oil, there has been an increase in prices of other commodities which are important for Pakistan. For example, the international prices of palm oil and soybean oil have increased by nearly 50 % since July 2006. Since these are essential inputs for edible oil industry, an increase in their prices is largely responsible for the drastic increase in edible oil prices (see Fig 8.7). Other commodity metals such as iron ore have been experiencing price increases due to high demand from countries like China and India. This has driven up prices of imports which have been passed through to consumers.

**Figure 8.7: Edible Oil Related Prices**




Source: FBS and EA Wing calculations.

A major factor in the rise in inflation is a continuously upward adjustment in the administered prices such as the support prices of wheat. Wheat prices serves as a "trigger mechanism for other food prices as latter move in 'sympathy' with the former. Short production of essential perishable (vegetable and fruits) and non-perishable(pulses, sugar, chilies etc) commodities within the country in relation to their demand has also driven up prices.

**8.5 Step-taken to control inflation**

The phenomenon of rising prices of essential items in recent years has been a matter of concern to the general public. The government has been using a wide range of price stabilization measures such as liberalizing imports, reforms for increase in agricultural products, improvement in marketing mechanism and intervention in the market through organizations like Utility Store Corporation (USC) and Trading Corporation of Pakistan (TCP) to keep inflation under control.

The specific measures taken by the government to control the price hike in daily use commodities and to provide relief to common man during the current year are discussed as below:-

The government provides sugar at reduced rates to the consumers. The TCP imported sugar which is selling it at subsidized rates to USC which sells it at government's fixed rate to the consumers. The government picks up the price differential between the cost and sale price of sugar. In this connection, huge amount of subsidy is being paid to both TCP and USC.

The Government provided relief on sale of Atta, pulses and edible oil at reduced rate through Utility Store Corporation (USC) .The USC also provides selected food items at subsidized rates during the month of Ramadan every year. The government provided subsidy for the market price differential on the basis of sales turn-over under these packages to USC.

The government enhanced support price of sugarcane. This has resulted an increase in the production of sugar. At present sufficient stock of sugar is available with public and private sector, which could meet the requirement of consumers during the whole year.

Imports have been liberalized to improve the supply situation of essential commodities. The government has also allowed duty free imports of wheat and wheat flour, sugar and other essential consumer items with a view to augment their supplies and reduce their prices.

The Government in the budget for FY 2006-07 announced various relief measures which include provision of all the pulses at Utility Store Corporation at cheaper rate than the open market prices. The GOP has provided subsidy of Rs 270.152 million to USC / TCP in FY 2006-07.

During the month of Ramadan, the Government reduces prices of almost 1000 items by 10-20 percent to provide additional relief to the people. The difference between the pre and post Ramadan price deferential is borne by the Government. The GOP provided a subsidy of Rs 141 million to USC under Ramadan package 2006.

The recent high fluctuation in edible oil prices is due to price hike in international market prices of palm oil. In order to provide relief to the common man, the prices of Ghee of USC brand at its outlets has been fixed at Rs 67/ Kg against the prevailing market price of Rs 83.5/ Kg in end May 2007.

To ensure competition and fair play in the market, the Government is in the process of converting the existing monopoly control authority (MCA) into Competition Authority by providing it effective legal powers and authority to prevent non-competitive behavior. The establishment of Competition Authority is at a fairly advanced stage.

**8.6 Future outlook of Inflation**

The government is likely to miss the inflation target for 2006-07 of 6.5% and end the year with average inflation rate near 7.5%. The government has taken several measures this fiscal year which are likely to reduce inflation further next year. The continued monetary tightening by the SBP has already started to bear fruit with a recent fall in growth of credit to private sector. A number of measures initiated during the current year (2006-07) to contain the price hike in the country including easing of imports for commodities facing supply shortage and reforms geared towards increase in agricultural output will continue into the next fiscal year. The data on projected crop sizes on several major and minor crops such as wheat, sugarcane and pulses are very positive. The increase in supply should also lead to a further deceleration in inflation in the coming months. Keeping these considerations in mind, it is expected that the next year's inflation may average 6.5 percent.

TABLE 7.1 (A)

PRICE INDICIES

A. COMBINED CONSUMER PRICE INDEX BY GROUPS

| Groups/ Fiscal Year | General | Food Beverages & Tobacco | Apparel Textile & Footwear | House Rent | *Energy | Household Fur-niture, Equip-ments etc. | *Transport & Commu-nication | Recreation Enter-tainment | Education | Cleaning, Laun-dry & Personal Appearance | Medicare |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | (Base: 2000-01 = 100) | | | | | |
| 1990-91 | 43.20 | 42.14 | 46.42 | 45.15 | 38.95 | 47.82 | 41.72 | 48.68 | - | 43.54 | 42.73 |
| 1991-92 | 47.41 | 46.33 | 51.97 | 49.46 | 39.02 | 51.97 | 46.25 | 51.82 | - | 47.25 | 46.77 |
| 1992-93 | 52.07 | 51.84 | 56.46 | 54.60 | 40.00 | 55.96 | 50.31 | 57.31 | - | 51.55 | 49.75 |
| 1993-94 | 57.94 | 57.72 | 60.29 | 59.76 | 44.84 | 59.11 | 54.78 | 60.76 | - | 59.25 | 64.27 |
| 1994-95 | 65.48 | 67.24 | 67.64 | 66.19 | 49.20 | 65.25 | 59.17 | 65.54 | - | 65.50 | 69.61 |
| 1995-96 | 72.55 | 74.05 | 75.59 | 72.37 | 56.99 | 73.92 | 64.66 | 75.82 | - | 75.01 | 76.26 |
| 1996-97 | 81.11 | 82.86 | 82.82 | 79.71 | 64.10 | 84.46 | 73.43 | 85.95 | - | 85.38 | 86.10 |
| 1997-98 | 87.45 | 89.20 | 86.50 | 87.38 | 71.16 | 91.22 | 76.93 | 94.07 | - | 87.67 | 90.57 |
| 1998-99 | 92.46 | 94.46 | 92.27 | 93.21 | 80.95 | 94.57 | 76.98 | 98.46 | - | 92.81 | 92.02 |
| 1999-00 | 95.78 | 96.56 | 97.31 | 97.15 | 90.36 | 97.28 | 81.06 | 103.01 | - | 97.79 | 93.14 |
| 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 | 103.54 | 102.50 | 103.23 | 102.80 | 107.76 | 103.65 | 103.80 | 106.30 | 104.97 | 102.50 | 102.37 |
| 2002-03 | 106.75 | 105.40 | 106.75 | 103.80 | 118.39 | 106.90 | 105.29 | 107.21 | 109.72 | 107.37 | 105.59 |
| 2003-04 | 111.63 | 111.74 | 109.69 | 108.20 | 120.26 | 110.68 | 115.72 | 106.08 | 114.19 | 111.29 | 106.89 |
| 2004-05 | 121.98 | 125.69 | 112.98 | 120.42 | 128.46 | 117.33 | 120.18 | 105.86 | 117.55 | 115.90 | 107.94 |
| 2005-06 | 131.64 | 134.39 | 117.58 | 132.36 | 147.24 | 124.25 | 130.99 | 105.65 | 125.03 | 119.49 | 110.66 |
| Jul-Apr | | | | | | | | | | | |
| 2005-06 | 130.90 | 133.66 | 117.15 | 131.58 | 146.15 | 122.71 | 130.36 | 105.63 | 124.27 | 118.95 | 110.24 |
| 2006-07 | 141.23 | 147.34 | 122.78 | 140.45 | 156.75 | 131.06 | 135.15 | 110.30 | 130.35 | 124.04 | 120.25 |

Note: The CPI 1990-91 base year series have been converted into series with a base of 2000-01. (Contd.)

(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 Medicare Group.

* Transport & Energy Groups Index is available from July 2003 and onward while prices from 1990-91 upto June 2003 in respect of these two Groups have been converted in to index

## TABLE 7.1 (B)

### HEADLINE & CORE INFLATION

| Year | Indices | | | | Headline & Core Inflation | | | |
|---|---|---|---|---|---|---|---|---|
| | General | Food | Non-Food | *Core | General | Food | Non-Food | *Core |
| 1991-92 | 47.41 | 46.33 | 48.52 | 48.84 | 10.58 | 10.64 | 10.52 | 10.52 |
| 1992-93 | 52.07 | 51.84 | 52.31 | 52.51 | 9.83 | 11.74 | 7.81 | 7.5 |
| 1993-94 | 57.94 | 57.72 | 58.18 | 58.21 | 11.27 | 11.34 | 11.22 | 10.9 |
| 1994-95 | 65.48 | 67.24 | 64.09 | 64.43 | 13.02 | 16.67 | 10.17 | 10.7 |
| 1995-96 | 72.55 | 74.05 | 71.36 | 71.46 | 10.79 | 10.13 | 11.34 | 10.9 |
| 1996-97 | 81.11 | 82.86 | 79.73 | 79.62 | 11.80 | 11.89 | 11.73 | 11.4 |
| 1997-98 | 87.45 | 89.20 | 86.07 | 85.60 | 7.81 | 7.65 | 7.94 | 7.5 |
| 1998-99 | 92.46 | 94.46 | 91.12 | 89.47 | 5.74 | 5.90 | 5.61 | 4.5 |
| 1999-00 | 95.78 | 96.56 | 95.16 | 92.59 | 3.58 | 2.23 | 4.69 | 3.5 |
| 2000-01 | 100.00 | 100.00 | 100.00 | 100.00 | 4.41 | 3.56 | 5.09 | 4.2 |
| 2001-02 | 103.54 | 102.50 | 104.28 | 103.00 | 3.54 | 2.44 | 4.28 | 3.0 |
| 2002-03 | 106.75 | 105.40 | 107.66 | 103.10 | 3.10 | 2.89 | 3.24 | 2.0 |
| 2003-04 | 111.63 | 111.74 | 111.55 | 106.08 | 4.57 | 6.01 | 3.62 | 3.0 |
| 2004-05 | 121.98 | 125.69 | 119.47 | 113.67 | 9.28 | 12.48 | 7.10 | 7.2 |
| 2005-06 | 131.64 | 134.39 | 129.77 | 122.22 | 7.92 | 6.92 | 8.63 | 7.5 |
| Jul-Apr | | | | | | | | |
| 2005-06 | 130.90 | 133.66 | 129.04 | 121.56 | 8.03 | 6.97 | 8.78 | 7.7 |
| 2006-07 | 141.23 | 147.34 | 137.07 | 128.91 | 7.89 | 10.24 | 6.24 | 6.0 |

Note: Core Inflation is defined as overall inflation adjusted for food and energy.

TABLE 7.1 (C)

PRICES INDICES

| Groups/ Fiscal Year | B. Wholesale Price Index by Groups: General | Food | Raw Materials | Fuel, Lighting & Lubricants | Manufac-tures | Building Materials | 3. Sensitive Price Indi-cator | 4. GDP Deflator |
|---|---|---|---|---|---|---|---|---|
| 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 | 108.02 |
| 2001-02 | 102.01 | 101.95 | 100.31 | 103.14 | 101.87 | 101.10 | 103.37 | 110.71 |
| 2002-03 | 107.77 | 105.62 | 115.51 | 115.95 | 103.67 | 102.90 | 107.06 | 115.61 |
| 2003-04 | 116.29 | 112.99 | 135.12 | 119.23 | 111.83 | 126.48 | 114.38 | 124.55 |
| 2004-05 | 124.14 | 125.03 | 110.44 | 138.01 | 113.05 | 143.79 | 127.59 | 133.30 |
| 2005-06 | 136.68 | 133.78 | 121.93 | 174.57 | 116.27 | 144.18 | 136.56 | 145.59 |
| Jul-Apr | | | | | | | | |
| 2005-06 | 135.86 | 133.07 | 120.97 | 173.02 | 115.90 | 143.58 | 135.45 | |
| 2006-07 | 145.26 | 144.40 | 137.63 | 183.40 | 119.56 | 150.91 | 150.52 | 156.97 |

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 7.2

## MONTHLY PERCENT CHANGES IN CPI, WPI AND SPI

(Percent)

| Months | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | A. CONSUMER PRICE INDEX (C.P.I) converted into Base year 2000-01 | | | | | | | | | | | | | |
| Jul | 1.06 | 1.59 | 1.38 | 1.40 | 0.62 | 0.86 | 0.69 | 0.56 | 0.52 | 1.09 | 0.57 | 1.38 | 1.62 | 1.61 |
| Aug | 1.79 | 0.95 | 2.02 | 1.30 | 0.65 | 0.87 | 0.47 | -0.06 | 0.75 | 0.31 | 0.66 | 0.58 | 0.04 | 1.25 |
| Sep | 0.89 | 1.49 | 0.90 | 1.16 | 0.63 | 0.11 | 0.38 | 0.98 | 0.14 | 0.19 | 0.60 | 0.38 | 0.50 | 0.32 |
| Oct | 1.30 | 1.50 | 0.11 | 1.20 | 0.40 | 0.49 | 0.92 | 0.45 | 0.53 | 0.16 | 1.47 | 1.19 | 0.94 | 0.36 |
| Nov | 0.55 | 1.40 | 1.07 | 1.21 | 0.74 | 0.48 | 0.09 | 0.9 | 0.32 | 0.31 | 0.60 | 1.12 | 0.76 | 0.73 |
| Dec | -0.28 | 1.00 | 0.67 | 0.87 | 0.11 | 0.24 | -0.11 | -0.45 | -0.61 | -0.24 | 0.90 | -0.85 | -0.27 | 0.47 |
| Jan | 0.88 | 1.46 | 0.37 | 2.17 | -0.05 | -0.18 | 0.2 | -0.16 | 0.06 | 0.06 | -0.09 | 0.97 | 1.20 | -0.88 |
| Feb | 1.29 | -0.06 | 0.70 | 1.09 | 0.36 | 0.38 | -0.02 | -0.08 | 0.34 | 0.47 | -0.34 | 0.99 | 0.33 | 1.04 |
| Mar | 0.46 | 0.88 | 1.35 | -0.45 | 1.77 | 0.35 | 0.88 | 0.48 | 1.36 | 0.04 | 1.02 | 1.29 | 0.23 | 0.49 |
| Apr | 2.38 | 0.12 | 0.81 | 2.39 | 0.45 | 0.27 | 0.56 | 0.34 | 0.33 | 0.33 | 0.96 | 1.74 | 1.02 | 0.31 |
| May | -0.15 | 0.59 | 0.37 | -0.20 | 0.15 | -0.07 | -0.11 | -0.45 | -0.67 | -0.29 | 0.69 | -0.44 | 0.45 | _ |
| Jun | 1.03 | 0.55 | 0.11 | -0.31 | 0.47 | -0.16 | 1.05 | 0.01 | 0.48 | -0.21 | 1.12 | 0.10 | 0.59 | _ |
| | B. WHOLESALE PRICE INDEX (W.P.I.) with Base 1990-91 | | | | | | | | | | | | | |
| Jul | 1.39 | -1.06 | 0.99 | 1.59 | 0.33 | 1.14 | 0.07 | -0.08 | 1.78 | 1.51 | 1.31 | -1.00 | 1.99 | 1.42 |
| Aug | 2.28 | 1.46 | 1.77 | 1.82 | 0.14 | 1.39 | 0.18 | 0.75 | 0.30 | 1.66 | 0.98 | -1.08 | 1.04 | 0.78 |
| Sep | 1.52 | 1.15 | 0.42 | -0.05 | 0.33 | -0.13 | 0.52 | 1.55 | 0.21 | 0.59 | 0.34 | 0.40 | 0.54 | 0.44 |
| Oct | 0.62 | 0.60 | -0.31 | 0.27 | 0.42 | 0.14 | -0.29 | 0.90 | -1.15 | 0.54 | 2.72 | 1.42 | 0.77 | -0.49 |
| Nov | 0.49 | 2.42 | 0.68 | 2.38 | 0.53 | 0.79 | -1.44 | 1.18 | -0.97 | 1.66 | 1.10 | 0.39 | 0.18 | 0.89 |
| Dec | 0.35 | 1.68 | 0.35 | 1.39 | 0.30 | 0.03 | -0.31 | 1.15 | -0.65 | 0.70 | 1.39 | -0.25 | -0.13 | 0.37 |
| Jan | 4.23 | 2.02 | 1.12 | 2.30 | 0.01 | 0.59 | 0.30 | -0.84 | 0.17 | 0.38 | 0.21 | 1.53 | 1.28 | -1.20 |
| Feb | 3.08 | -0.55 | 0.70 | 0.65 | 0.34 | 0.60 | 1.05 | -0.39 | 0.19 | 2.39 | 0.40 | 1.52 | 0.77 | 0.51 |
| Mar | 0.78 | 1.18 | 1.71 | -0.29 | 1.73 | 0.28 | 2.12 | -0.16 | 1.28 | 0.15 | 1.77 | 1.39 | 0.07 | 1.02 |
| Apr | 4.23 | -0.12 | 1.65 | 1.48 | 0.50 | -0.53 | 0.38 | 0.66 | 0.35 | -1.17 | 0.32 | 1.61 | 1.23 | 1.16 |
| May | 0.61 | 0.86 | -0.19 | 0.35 | 0.50 | 0.21 | -0.18 | -1.38 | -0.12 | -1.09 | 0.98 | -0.59 | 0.35 | _ |
| Jun | 0.51 | 1.38 | 1.17 | -0.41 | 0.08 | 0.02 | 1.01 | 1.18 | 1.07 | -0.27 | 0.59 | 0.71 | 63.00 | _ |
| | C. SENSITIVE PRICE INDICATOR (S.P.I.) converted into Base year 2000-01 | | | | | | | | | | | | | |
| Jul | 1.24 | 1.53 | 1.30 | 1.72 | 0.15 | 0.91 | 0.33 | 0.77 | 1.25 | 1.48 | 1.34 | 2.43 | 1.35 | 1.36 |
| Aug | 1.32 | 0.70 | 1.73 | 0.98 | 0.14 | 1.36 | 0.49 | 0.70 | 1.23 | 1.09 | 0.70 | 1.18 | 0.26 | 2.18 |
| Sep | 1.26 | 1.05 | 0.02 | 1.42 | 0.48 | -0.49 | 0.16 | 0.99 | 0.91 | 1.04 | 0.75 | 0.29 | 0.23 | 0.41 |
| Oct | 0.93 | 1.70 | -0.62 | 0.99 | 0.36 | 0.59 | -0.45 | 0.63 | 0.54 | -0.24 | 2.34 | 0.53 | 0.05 | 0.56 |
| Nov | 0.47 | 1.52 | 0.66 | 1.46 | 0.94 | 1.63 | 0.13 | 0.39 | 0.34 | 1.09 | 2.64 | 1.94 | 0.88 | 2.34 |
| Dec | -0.14 | 1.14 | 1.03 | 0.78 | 0.08 | -0.31 | -0.94 | -1.16 | -0.73 | -0.64 | 1.31 | -0.98 | -0.24 | 0.76 |
| Jan | 0.72 | 1.36 | -0.12 | 1.50 | -0.24 | -0.78 | -0.23 | 0.15 | 0.15 | 0.23 | -0.69 | 0.91 | 0.80 | -1.32 |
| Feb | 0.77 | -0.36 | 0.65 | 1.38 | 0.30 | 0.55 | 0.30 | -0.55 | 1.29 | 0.42 | -0.61 | 0.54 | 1.46 | 0.09 |
| Mar | 0.73 | 0.86 | 1.24 | -1.36 | 0.51 | -0.25 | 0.24 | 0.27 | 0.57 | -0.01 | 1.30 | 1.07 | 0.84 | -0.01 |
| Apr | 3.23 | 0.72 | 1.18 | 3.78 | 0.69 | -0.45 | 0.77 | -0.13 | -0.62 | -0.23 | -0.51 | 1.29 | 1.33 | 0.09 |
| May | 0.78 | 1.68 | 0.59 | 0.47 | 0.13 | 0.73 | 0.92 | -0.75 | -1.69 | -0.61 | 2.14 | -1.02 | 0.65 | _ |
| Jun | 1.85 | 1.19 | 0.82 | -0.19 | 2.01 | 0.57 | 1.59 | 0.70 | 1.37 | 0.24 | 1.31 | 0.70 | 0.45 | _ |

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 |
| 2004-05 | 121.98 | 123.01 | 123.16 | 122.26 | 121.35 |
| 2005-06 | 131.64 | 132.47 | 132.44 | 131.51 | 131.45 |
| Jul-Apr | | | | | |
| 2005-06 | 130.90 | 131.70 | 131.69 | 130.79 | 130.70 |
| 2006-07 | 141.23 | 142.57 | 142.39 | 141.02 | 140.18 |

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[2] | Wholesale Price Index[2] | Sensitive Price Indicator[2] | Annual GDP Deflator[3] |
|---|---|---|---|---|
| 1990-91 | 12.66 | 11.73 | 12.59 | - |
| 1991-92 | 10.58 | 9.84 | 10.54 | 10.07 |
| 1992-93 | 9.83 | 7.36 | 10.71 | 8.89 |
| 1993-94 | 11.27 | 16.40 | 11.79 | 12.47 |
| 1994-95 | 13.02 | 16.00 | 15.01 | 13.78 |
| 1995-96 | 10.79 | 11.10 | 10.71 | 8.28 |
| 1996-97 | 11.80 | 13.01 | 12.45 | 14.63 |
| 1997-98 | 7.81 | 6.58 | 7.35 | 6.55 |
| 1998-99 | 5.74 | 6.35 | 6.44 | 5.85 |
| 1999-00 | 3.58 | 1.77 | 1.83 | 2.78 |
| 2000-01 | 4.41 | 6.21 | 4.84 | 8.02 |
| 2001-02 | 3.54 | 2.08 | 3.37 | 2.49 |
| 2002-03 | 3.10 | 5.57 | 3.58 | 4.42 |
| 2003-04 | 4.57 | 7.91 | 6.83 | 7.74 |
| 2004-05 | 9.28 | 6.75 | 11.55 | 7.02 |
| 2005-06 | 7.92 | 10.10 | 7.02 | 9.22 |
| Jul-Apr | | | | |
| 2005-06 | 8.03 | 10.31 | 6.67 | |
| 2006-07 | 7.89 | 6.92 | 11.13 | 7.82 |

* Provisional

Source: Federal Bureau of Statistics

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

(Rs/Unit)

| Fiscal Year | Wheat (Av.Qlty) Kg | Wheat Flour (Av.Qlty) Kg | Basmati* Rice (Broken Kg | Moong Pulse (Washed) Kg | Gram Pulse (Av.Qlty) Kg | Beef (Cow/ Buffalo with bone) Kg | Chiken (Farm) Kg | Mutton (Goat) (Av.Qlty) Kg | Eggs Hen (Farm) Doz. | Potato (Av.Qlty) Kg | Dry Onion (Av.Qlty) Kg | Tomato (Av.Qlty) Kg |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1990-91 | 3.07 | 3.66 | 6.10 | 12.64 | 7.85 | 25.51 | .. | 50.39 | 13.28 | 5.19 | 7.70 | 12.52 |
| 1991-92 | 3.62 | 4.20 | 6.97 | 16.16 | 8.70 | 29.62 | .. | 53.86 | 15.95 | 6.32 | 4.17 | 8.75 |
| 1992-93 | 3.85 | 4.44 | 8.06 | 17.09 | 11.35 | 32.49 | .. | 60.09 | 15.96 | 5.77 | 7.16 | 11.64 |
| 1993-94 | 4.28 | 4.93 | 8.77 | 17.09 | 11.72 | 35.63 | .. | 69.94 | 18.69 | 5.81 | 6.88 | 14.64 |
| 1994-95 | 5.07 | 5.78 | 9.09 | 20.24 | 21.77 | 40.68 | .. | 81.68 | 20.64 | 6.32 | 7.76 | 18.22 |
| 1995-96 | 5.14 | 5.90 | 11.27 | 21.86 | 21.67 | 47.29 | .. | 91.71 | 21.37 | 10.45 | 7.65 | 14.05 |
| 1996-97 | 6.59 | 7.32 | 12.85 | 21.80 | 15.00 | 54.01 | .. | 99.42 | 24.90 | 12.08 | 9.22 | 14.35 |
| 1997-98 | 7.96 | 8.64 | 13.40 | 28.45 | 20.22 | 55.44 | 57.24 | 103.37 | 29.73 | 9.31 | 10.45 | 20.34 |
| 1998-99 | 7.72 | 8.35 | 14.50 | 32.95 | 22.08 | 55.83 | 54.20 | 106.46 | 25.98 | 8.74 | 15.32 | 19.60 |
| 1999-00 | 8.19 | 8.92 | 15.71 | 30.05 | 25.07 | 56.78 | 50.90 | 108.64 | 24.27 | 9.38 | 6.85 | 15.25 |
| 2000-01 | 8.67 | 9.80 | 15.35 | 30.30 | 29.52 | 56.01 | 50.65 | 109.38 | 26.35 | 9.74 | 10.72 | 17.24 |
| 2001-02 | 8.29 | 9.67 | 15.49 | 34.36 | 34.89 | 55.19 | 52.04 | 111.53 | 28.57 | 11.43 | 9.59 | 17.12 |
| 2002-03 | 8.73 | 10.14 | 18.07 | 30.46 | 31.13 | 61.21 | 54.01 | 124.95 | 30.69 | 9.43 | 8.70 | 13.30 |
| 2003-04 | 10.25 | 11.71 | 19.04 | 27.98 | 24.17 | 75.45 | 57.50 | 154.31 | 30.03 | 8.58 | 11.09 | 19.10 |
| 2004-05 | 11.68 | 13.28 | 20.19 | 31.66 | 29.35 | 94.83 | 66.43 | 185.19 | 37.45 | 14.94 | 13.82 | 25.03 |
| 2005-06 | 11.55 | 13.06 | 20.16 | 47.28 | 31.12 | 106.84 | 66.08 | 202.10 | 35.07 | 18.18 | 12.05 | 19.48 |
| Jul-Apr | | | | | | | | | | | | |
| 2005-06 | 11.63 | 13.11 | 20.14 | 44.54 | 29.60 | 105.35 | 66.51 | 199.06 | 37.11 | 17.74 | 12.40 | 19.89 |
| 2006-07 | 11.99 | 13.59 | 21.94 | 56.67 | 42.07 | 117.34 | 75.35 | 222.91 | 38.80 | 17.91 | 22.61 | 26.70 |

.. Not Available (Contd.)

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data 2001-02 onward is based on 17 centres.

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.) (Rs/Unit)

| Fiscal Year | Mustard Oil (Mill) Kg | Vegeta-ble Ghee (Loose) Kg | Rock Salt (Powder) Kg | Red Chillies (Av.Qlty) Kg | Sugar (Open Market) Kg | Gur (Sup. Qlty) Kg | Milk Fresh (Ltr) | Tea in Packet (Sup.Qlty) 250 Gram |
|---|---|---|---|---|---|---|---|---|
| 1990-91 | 20.93 | 19.00 | 2.00 | 24.38 | 11.26 | 8.24 | 7.71 | 20.00 |
| 1991-92 | 25.85 | 20.53 | 2.17 | 31.05 | 11.62 | 8.67 | 8.82 | 20.04 |
| 1992-93 | 30.26 | 24.08 | 2.22 | 41.08 | 12.29 | 10.03 | 9.90 | 23.62 |
| 1993-94 | 33.18 | 29.09 | 2.25 | 39.33 | 12.91 | 10.49 | 11.07 | 27.65 |
| 1994-95 | 43.93 | 38.99 | 2.40 | 70.12 | 13.74 | 11.07 | 12.18 | 29.08 |
| 1995-96 | 46.50 | 39.38 | 2.79 | 82.32 | 16.76 | 14.54 | 13.67 | 30.33 |
| 1996-97 | 47.27 | 42.76 | 3.13 | 74.15 | 21.26 | 18.67 | 15.12 | 38.31 |
| 1997-98 | 49.65 | 45.78 | 3.17 | 62.55 | 19.54 | 18.91 | 16.27 | 49.88 |
| 1998-99 | 63.43 | 54.00 | 3.22 | 89.05 | 19.09 | 17.19 | 17.71 | 51.89 |
| 1999-00 | 61.13 | 49.14 | 3.35 | 82.72 | 21.11 | 19.81 | 17.91 | 48.95 |
| 2000-01 | 56.92 | 44.82 | 3.43 | 66.75 | 27.11 | 26.31 | 18.23 | 53.73 |
| 2001-02 | 59.01 | 49.20 | 3.19 | 78.34 | 22.87 | 23.12 | 17.92 | 57.00 |
| 2002-03 | 60.80 | 55.25 | 3.21 | 75.87 | 20.77 | 20.45 | 18.35 | 61.50 |
| 2003-04 | 63.51 | 59.84 | 3.22 | 73.80 | 19.01 | 19.79 | 19.21 | 64.68 |
| 2004-05 | 65.63 | 59.60 | 3.50 | 76.64 | 23.45 | 23.98 | 21.28 | 61.99 |
| 2005-06 | 66.70 | 58.95 | 3.94 | 70.79 | 31.16 | 35.90 | 23.90 | 62.62 |
| Jul-Apr | | | | | | | | |
| 2005-06 | 66.57 | 58.89 | 3.86 | 71.02 | 30.26 | 35.00 | 23.63 | 62.09 |
| 2006-07 | 75.02 | 68.05 | 4.68 | 90.19 | 32.40 | 40.30 | 26.36 | 69.05 |

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.

(Contd.)

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSETIAL ITEMS

(Contd.) (Rs/unit)

| Fiscal Year | Cigaret-tes (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 |
| 2004-05 | 6.90 | 32.08 | 36.13 | 492.33 | 135.96 | 0.53 | 7.47 | 14.00 |
| 2005-06 | 7.23 | 34.26 | 36.74 | 399.00 | 166.03 | 0.62 | 7.73 | 13.93 |
| Jul-Apr | | | | | | | | |
| 2005-06 | 7.20 | 34.13 | 36.49 | 399.00 | 162.90 | 0.61 | 7.70 | 13.93 |
| 2006-07 | 7.96 | 34.95 | 37.72 | 415.00 | 200.00 | 0.70 | 8.08 | 14.02 |

Note: Data for Period: 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 onward is based on 17 centres.

(Contd.)

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.) (Rs/unit)

| 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 |
| 2004-05 | 12.07 | 24.21 | 14.71 | 15.41 | 43.11 | 38.52 | 44.22 | 204.99 | 204.15 |
| 2005-06 | 11.43 | 26.07 | 15.65 | 16.05 | 45.01 | 52.91 | 58.09 | 204.41 | 203.63 |
| Jul-Apr | | | | | | | | | |
| 2005-06 | 11.46 | 25.75 | 15.43 | 16.05 | 45.21 | 49.06 | 57.57 | 204.42 | 203.64 |
| 2006-07 | 11.85 | 29.65 | 17.75 | 16.93 | 44.02 | 70.23 | 39.00 | 218.91 | 218.52 |

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.

(Contd.)

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS

(Contd.) (Rs/Unit)

| Fiscal Year | Curd Kg | Tea Pre-pared Cup | Banana Doz. | Lawn Hussain Mtr. | Shirting Hussain Mtr. | Shoes Lady Bata | Chappal Gents Spang | Bread Plain M.Size | Milk Pow-der Nido 500 grams |
|---|---|---|---|---|---|---|---|---|---|
| 1990-91 | 9.98 | 1.35 | 11.66 | 33.65 | 30.98 | 156.20 | 33.97 | 4.34 | 217.27 |
| 1991-92 | 11.22 | 1.54 | 14.71 | 37.64 | 35.79 | 174.95 | 36.95 | 5.01 | 74.59 |
| 1992-93 | 12.49 | 1.72 | 19.06 | 39.42 | 39.54 | 174.95 | 36.95 | 5.78 | 84.96 |
| 1993-94 | 13.86 | 1.99 | 19.28 | 42.38 | 41.90 | 181.68 | 46.31 | 6.55 | 90.40 |
| 1994-95 | 15.25 | 2.20 | 21.04 | 44.63 | 45.08 | 191.95 | 55.95 | 7.40 | 105.47 |
| 1995-96 | 17.16 | 2.55 | 21.36 | 46.25 | 50.59 | 211.90 | 63.83 | 7.99 | 79.01 |
| 1996-97 | 18.74 | 3.02 | 20.37 | 52.03 | 53.58 | 248.03 | 78.70 | 9.09 | 91.00 |
| 1997-98 | 19.91 | 3.30 | 20.18 | 56.02 | 55.25 | 249.00 | 79.00 | 10.31 | 102.40 |
| 1998-99 | 21.75 | 3.61 | 21.25 | 72.17 | 56.85 | 269.42 | 79.00 | 10.39 | 105.82 |
| 1999-00 | 21.87 | 3.74 | 20.88 | 76.27 | 58.28 | 319.00 | 79.00 | 10.96 | 110.00 |
| 2000-01 | 22.43 | 4.03 | 22.11 | 77.77 | 59.10 | 319.00 | 79.00 | 11.17 | 114.03 |
| 2001-02 | 21.90 | 4.18 | 22.14 | 70.79 | 55.17 | 319.00 | 79.00 | 11.14 | 116.00 |
| 2002-03 | 23.35 | 4.46 | 21.96 | 69.92 | 55.59 | 342.23 | 79.00 | 11.16 | 88.00 ** |
| 2003-04 | 23.33 | 4.72 | 23.01 | 69.96 | 56.78 | 364.00 | 79.00 | 11.77 | 94.75 |
| 2004-05 | 25.75 | 5.12 | 25.11 | 72.61 | 59.94 | 252.33 | 86.53 | 13.25 | 102.62 |
| 2005-06 | 28.38 | 5.77 | 28.18 | 76.42 | 62.36 | 299.00 | 89.00 | 14.23 | 108.50 |
| Jul-Apr | | | | | | | | | |
| 2005-06 | 28.06 | 5.71 | 27.05 | 30.65 | 62.11 | 299.00 | 89.00 | 14.18 | 108.00 |
| 2006-07 | 30.95 | 6.27 | 32.00 | 78.93 | 65.35 | 299.00 | 90.68 | 15.32 | 118.67 |

Note: Data for Period 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 onward is based on 17 centres.

Source : Federal Bureau of Statistics.

** The unit has changed from 500 GM to 400 GM

TABLE 7.4

AVERAGE RETAIL PRICES OF ESSENTIAL ITEMS (Average of 12 Centers)

(Contd.)

| Fiscal Year | Kerosene (per ltr.) | Gas Charges (100 cf) | Elect Charges (upto 50 units) | Petrol Super (per ltr.) | Tele Local Call Charges (per Call) |
|---|---|---|---|---|---|
| 1990-91 | 2.57 | - | - | - | - |
| 1991-92 | 5.90 | - | - | - | - |
| 1992-93 | 5.96 | - | - | - | - |
| 1993-94 | 7.01 | - | - | - | - |
| 1994-95 | 7.36 | - | - | - | - |
| 1995-96 | 8.27 | - | - | - | - |
| 1996-97 | 10.66 | - | - | - | - |
| 1997-98 | 11.60 | - | - | - | - |
| 1998-99 | 11.72 | - | - | - | - |
| 1999-00 | 13.00 | 231.44 | 1.28 | 28.23 | 2.10 |
| 2000-01 | 16.84 | 248.55 | 1.46 | 29.34 | 2.22 |
| 2001-02 | 18.58 | 259.26 | 2.18 | 31.60 | 2.31 |
| 2002-03 | 22.48 | 259.35 | 2.45 | 33.08 | 2.31 |
| 2003-04 | 24.95 | 79.45 * | 2.54 | 33.69 | 2.31 |
| 2004-05 | 29.11 | 84.6* | 2.47 | 40.74 | 2.31 |
| 2005-06 | 36.19 | 88.92 | 2.14 | 55.12 | 2.31 |
| Jul-Apr | | | | | |
| 2005-06 | 35.61 | 78.76 | 2.41 | 54.57 | 2.31 |
| 2006-07 | 39.09 | 101.64 | 2.45 | 56.43 | 2.31 |

Note : Data for Period 1990-91 - 2000-01 is based on 12 centres while data for 2001-02 onward is based on 17 centres.

Source: Federal Bureau of Statistics.

- : Not Available

* : The unit has been changed form 100 CM to 100 CF

TABLE 7.5

INDICES OF WHOLESALE PRICES OF SELECTED COMMODITES (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 |
| 2004-05 | 137.24 | 153.40 | 95.52 | 85.18 | 137.41 | 93.78 | 169.19 | 144.06 | 113.43 | 95.23 | 134.78 |
| 2005-06 | 135.61 | 154.78 | 127.43 | 120.70 | 136.94 | 93.99 | 185.95 | 160.14 | 122.83 | 103.91 | 181.46 |
| Jul-Apr | | | | | | | | | | | |
| 2005-06 | 137.16 | 155.35 | 123.90 | 116.82 | 137.10 | 92.83 | 182.21 | 168.15 | 121.42 | 103.50 | 179.71 |
| 2006-07 | 139.27 | 166.18 | 149.59 | 121.57 | 157.77 | 101.16 | 200.51 | 167.96 | 131.52 | 110.06 | 182.68 |

(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 | Ferti-lizers | Trans-port | 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 |
| 2004-05 | 169.56 | 127.94 | 106.36 | 107.66 | 122.81 | 140.95 | 110.39 | 102.77 | 140.93 | 104.82 |
| 2005-06 | 227.55 | 152.23 | 108.07 | 107.67 | 122.05 | 156.16 | 111.71 | 110.65 | 142.05 | 122.67 |
| Jul-Apr | | | | | | | | | | |
| 2005-06 | 224.16 | 149.95 | 107.03 | 107.67 | 121.60 | 155.94 | 110.90 | 110.41 | 141.08 | 119.43 |
| 2006-07 | 237.93 | 173.21 | 112.76 | 107.67 | 127.12 | 145.96 | 115.30 | 111.86 | 161.26 | 130.12 |

Source: Federal Bureau of Statistics

**Voluntary Pension System (VPS):** The Federal Government took the initiative of development of the private pensions in Pakistan by allowing rebates for investments in approved pension schemes in year 2001 and vested the responsibility of development of necessary framework and regulation of private pensions in the Securities and Exchange Commission of Pakistan. The SECP has proposed the draft legislation for the Private Pension Schemes, by issue of the Voluntary Pension System Rules, 2005.

Under the new Voluntary pension System, the money contributed by the participants would be managed by professional fund managers. An important two-tier structure has been designed under which fund management and the custody of the funds has been separated. A trustee would be appointed for each pension fund to keep in its custody all the property of the pension fund. The new pension system is based on individual pension accounts. Employees as well as employers can make tax-free contributions into the pension funds and such contributions would be invested as per the investment and asset allocation Guidelines issued by the SECP. Investment Income of the pension fund would also be tax-free. Only the final benefits or premature withdrawals are taxable.

So far, for (4) Assets Management Companies have been registered with the SECP as Pension Fund Managers, which are engaged in designing their pension fund schemes. Their applications or seeking authorization to launch the proposed schemes are under consideration of the Commission.

**Regulatory Framework for private Equity Funds:** Private Equity is the equity investment in an asset in which the equity is not freely tradable in the s tock market. A private equity fund raises contributions from smaller investors to create a capital pool. Private equity can play a vital role by providing growth capital to the corporate sector particularly the SMEs. Draft of the Private Equity Rules has been prepared by the Commission and is being finalized in the light of the recommendations received from the market participants.

## TABLE 6.1

### SECTORAL INDICES OF SHARE PRICES (2000-01 = 100)

(Indices)

| | End June | 2000 | 2001 | 2002 | | 2003 | 2004 | 2005 | 2006 | End April 2006 | End April 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Cotton and Other Textiles | 93.62 | 89.31 | 113.45 | | 163.80 | 257.33 | 254.66 | 234.82 | 247.56 | 194.04 |
| 2 | Pharmaceuticals & Chemicals | 213.23 | 203.68 | 129.59 | | 207.31 | 340.55 | 282.49 | 342.30 | 386.69 | 362.48 |
| 3 | Engineering | 116.99 | 113.34 | 130.31 | | 248.91 | 430.35 | 570.60 | 783.61 | 805.18 | 911.62 |
| 4 | Auto & Allied | 128.25 | 123.63 | 140.52 | | 362.53 | 572.48 | 569.03 | 783.94 | 974.24 | 888.32 |
| 5 | Cables and Electric Goods | 123.42 | 116.96 | 118.22 | | 209.60 | 374.15 | 326.05 | 541.62 | 534.74 | 527.12 |
| 6 | Sugar and Allied | 69.50 | 84.45 | 103.62 | | 181.84 | 374.53 | 339.33 | 459.64 | 506.75 | 428.55 |
| 7 | Paper and Board | 125.40 | 114.27 | 126.99 | | 229.46 | 280.41 | 274.78 | 288.93 | 324.78 | 296.67 |
| 8 | Cement | 106.22 | 87.17 | 110.05 | | 217.65 | 434.20 | 390.65 | 708.89 | 833.47 | 680.12 |
| 9 | Fuel and Energy | 217.55 | 190.75 | 100.23 | | 194.84 | 233.55 | 374.03 | 343.08 | 419.23 | 343.31 |
| 10 | Transport and Communications | 68.59 | 53.04 | 94.17 | | 200.00 | 348.61 | 538.14 | 513.83 | 598.05 | 554.27 |
| 11 | Banks and Other Financial Institutions | 84.51 | 77.56 | 102.72 | | 217.30 | 346.86 | 316.02 | 445.90 | 498.96 | 545.42 |
| 12 | Miscellaneous Sectors | 217.88 | 243.08 | 122.19 | | 223.20 | 331.10 | 344.67 | 410.68 | 411.29 | 380.05 |
| | General Index of Share Prices | 128.83 | 118.72 | 106.74 | * | 204.10 | 312.70 | 359.99 | 427.01 | 492.44 | 463.25 |
| | Change (%) | 22.40 | (7.85) | 6.74 | * | 91.20 | 53.20 | 15.12 | 18.62 | 36.79 | 8.49 |

Source: State Bank of Pakistan

Figures in the parentheses represent negative sign.

* Base of share index has been changed from 1990-91 to 2000-01 - and as per old base (90-91) the general index of share price has increased by 6.74% during 2001-02.

## TABLE 6.2

### MARKET CAPITALIZATION OF ORDINARY SHARES

(Rs billion)

| | End June | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | End April 2006 | End April 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Cotton and Other Textiles | 43.78 | 38.40 | 41.09 | 65.68 | 88.78 | 102.87 | 98.72 | 107.92 | 103.32 |
| 2 | Pharmaceuticals | 56.05 | 47.97 | 50.75 | 108.20 | 158.74 | 171.73 | 221.90 | 251.15 | 241.41 |
| 3 | Engineering | 1.53 | 1.52 | 2.06 | 4.30 | 6.75 | 9.34 | 11.32 | 12.47 | 15.01 |
| 4 | Auto & Allied | 8.02 | 7.93 | 10.19 | 30.55 | 38.72 | 40.24 | 70.58 | 71.65 | 92.02 |
| 5 | Cables and Electric Goods | 2.10 | 2.12 | 2.36 | 4.45 | 7.20 | 9.05 | 18.62 | 18.93 | 19.96 |
| 6 | Sugar and Allied | 3.83 | 4.53 | 4.52 | 7.22 | 11.08 | 12.81 | 17.30 | 19.32 | 17.05 |
| 7 | Paper and Board | 3.94 | 4.54 | 6.54 | 12.00 | 16.42 | 16.64 | 21.78 | 22.03 | 24.03 |
| 8 | Cement | 10.21 | 10.21 | 15.76 | 33.54 | 65.11 | 68.39 | 133.12 | 151.14 | 129.93 |
| 9 | Fuel and Energy | 87.45 | 79.68 | 104.48 | 191.54 | 485.75 | 890.87 | 1081.48 | 1265.44 | 1098.18 |
| 10 | Transport and Communications | 106.17 | 70.77 | 70.09 | 123.29 | 193.62 | 285.41 | 209.46 | 270.84 | 244.89 |
| 11 | Banks and Other Financial Institutions | 36.10 | 38.38 | 55.01 | 99.67 | 187.11 | 295.96 | 714.83 | 811.19 | 1341.80 |
| 12 | Miscellaneous Sectors | 32.69 | 33.20 | 44.79 | 65.99 | 98.20 | 111.04 | 167.29 | 158.02 | 241.31 |
| | Aggregate Market Capitalization | 391.86 | 339.25 | 407.64 | 746.43 | 1357.48 | 2013.20 | 2766.41 | 3160.10 | 3568.90 |
| | Change (%) | 36.91 | (13.42) | 20.16 | 83.10 | 81.86 | 48.30 | 37.41 | 56.97 | 29.01 |

- 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**

| | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-March 2006-07 |
|---|---|---|---|---|---|---|---|---|---|
| **KARACHI STOCK EXCHANGE** | | | | | | | | | |
| i) Total Listed Companies | 765 | 762 | 747 | 712 | 702 | 668 | 659 | 658 | 655 |
| ii) New Companies Listed | - | 1 | 4 | 4 | 2 | 16 | 15 | 14 | 11 |
| iii) Fund Mobilized | | | | | | | | | |
| (Rs billion) | 1.6 | 0.4 | 3.6 | 15.2 | 23.8 | 4.2 | 54.0 | 41.4 | 22.3 |
| iv) Total Turnover of Shares | | | | | | | | | |
| (In billion) | 25.5 | 48.1 | 29.2 | 29.1 | 53.1 | 97.0 | 88.3 | 104.7 | 33.5 |
| **LAHORE STOCK EXCHANGE** | | | | | | | | | |
| i) Total Listed Companies | - | - | 614 | 581 | 561 | 647 | 524 | 518 | 519 |
| ii) New Companies Listed | 1 | 2 | 3 | 3 | 2 | 18 | 5 | 6 | 7 |
| ii) Fund Mobilized | | | | | | | | | |
| (Rs billion) | - | 0.4 | 2.5 | 14.2 | 4.1 | 3.1 | 42.1 | 24.5 | 7.0 |
| iv) Total Turnover of Shares | | | | | | | | | |
| (In billion) | 9.8 | 1.6 | 7.8 | 18.3 | 28.2 | 19.9 | 17.5 | 15.0 | 5.6 |
| **ISLAMABAD STOCK EXCHANGE** | | | | | | | | | |
| i) Total Listed Companies | - | - | 281 | 267 | 260 | 251 | 232 | 240 | 240 |
| ii) New Companies Listed | 1 | 0 | 5 | 3 | 1 | 8 | 5 | 2 | 6 |
| ii) Fund Mobilized | | | | | | | | | |
| (Rs billion) | 5.0 | 0 | 0.8 | 3.7 | 11.5 | 2.6 | 27.6 | 5.2 | 12.0 |
| iv) Total Turnover of Shares | | | | | | | | | |
| (In billion) | 3.3 | 3.1 | 1.4 | 2.7 | 2.1 | 1.4 | 0.7 | 0.4 | 0.04 |

Source: SECP, KSE, LSE, ISE. :, LSE, ISE.

\- Nil

TABLE 6.4

## NATIONAL SAVING SCHEMES (NET INVESTMENT)

(Rs. Million)

| | Name of Scheme | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-March 2005-06 | July-March 2006-07 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Defence Savings Certificates | 38,349.8 | 41,212.3 | 16,580.3 | 22,037.3 | 21,990.5 | 3,238.3 | (8,759.1) | (7,551.0) | (5,200.1) | (4,528.1) |
| 2 | National Deposit Scheme | (52.4) | (17.2) | (21.5) | (6.3) | (5.7) | (6.8) | (1.3) | (2.5) | (2.3) | (0.6) |
| 3 | Khaas Deposit Scheme | (20.5) | (52.9) | (51.1) | (12.1) | (13.5) | (23.4) | (5.4) | (2.8) | (14.1) | (4.4) |
| 4 | Premium Savings Scheme | - | - | - | - | - | - | - | - | - | - |
| 5 | Special Savings Certificates (R) | 24,956.7 | 19,395.8 | 9,431.1 | 36,443.2 | 84,899.1 | (13,199.3) | (83,311.9) | (57,737.1) | (45,275.5) | (3,738.3) |
| 6 | Special Savings Certificates (B) | (883.0) | (507.3) | 196.3 | (203.3) | (11.1) | (2.6) | (4.6) | (0.6) | (0.3) | (0.02) |
| 7 | Regular Income Certificates | 59,099.4 | 26,111.6 | 8,643.2 | 11,046.3 | (14,923.9) | (49,090.5) | (40,663.0) | (15,563.9) | (11,439.9) | (12,435.7) |
| 8 | Pensioners' Benefit Account | - | - | - | - | 10,170.0 | 13,209.3 | 17,737.2 | 16,382.9 | 13,997.4 | 9,403.5 |
| 9 | Savings Accounts | 2,296.6 | (196.7) | (2,105.0) | (329.8) | 1,638.1 | (729.6) | (2,891.4) | (202.7) | (5,562.1) | (1,795.3) |
| 10 | Special Savings Accounts | 5,879.9 | 5,450.9 | 3,626.5 | 4,266.9 | 5,135.0 | 2,894.1 | (19,048.0) | (709.6) | (911.6) | (3,191.8) |
| 11 | Bahbood Saving Certificates | - | - | - | - | - | 22,691.0 | 60,654.6 | 59,636.6 | 50,121.9 | 38,793.7 |
| 12 | Mahana Amdani Accounts | 16.5 | 13.8 | 52.8 | 92.8 | 129.5 | 120.9 | 85.9 | 45.7 | 12.5 | 51.3 |
| 13 | Prize Bonds | 10,125.7 | (32.3) | 10,390.6 | 11,588.0 | 26,840.1 | 22,841.9 | 9,357.0 | 3,325.8 | 3,315.6 | 4,620.4 |
| 14 | Postal Life Insurance | 2,548.1 | 4,131.0 | 4,377.4 | 6,448.3 | 7,367.7 | 8,668.7 | 10,335.2 | 10,804.5 | 7,944.4 | - |
| | Grand Total | 142,241.2 | 95,508.9 | 51,120.5 | 91,371.3 | 143,215.8 | 10,612.0 | (39,371.6) | 8,830.7 | 7,014.1 | 44,625.5 |

Figures in Parenthesis represent negative signs

Source : Directorate of NSS

Table 6.5

## LOANS DISBURSED BY DFIs AND OTHER FINANCIAL INSTITUTIONS

(Rs. Billion)

| Name of Institutions | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 Jul-Mar |
|---|---|---|---|---|---|---|
| 1. DFIs | 2.9 | 8.7 | 13.1 | 24.7 | 10.6* | - |
| 2. Special Banks | 11.3 | 25.2 | 38.8 | 47.0 | 23.1* | - |
| 3. Islamic Banks | 2.5 | 11.1 | 17.9 | 43.4 | 24.4* | - |
| 4. Khushadi Bank | 0.2 | 1.6 | 1.3 | 2.3 | 2.92 | 2.34 |
| 5. Micro Credit Bank | 0.0 | 0.1 | 0.3 | 0.5 | 0.94 | 1.88 |
| 6. Leasing Companies | 15.9 | 16.0 | 18.6 | 16.5 | 29.1 | 16.2 |
| 7. Investment Banks | 4.4 | 7.6 | 7.5 | 7.4 | 10.4 | 4.1 |
| 8. Modarabas | 4.8 | 6.1 | 6.5 | 7.3 | 9.6 | 6.5 |
| 9. Housing Finance | 0.1 | 0.8 | 2.4 | 0.3 | 0.4 | 0.1 |
| 10. Discount Houses | 0.1 | 0.2 | 2.7 | 2.6 | 1.3 | 0.7 |

* July-December 2005-06

Source: SBP & SECP.

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 | | | Sale under this scheme has already been discontinued, from December 1999 however, on outstanding balance till maturity, rate will be applicable |
| | 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 | | | |
| 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 | | The rates are effective form Sept. 1999. If bonds are encashed before one year no profit will be paid. Profit is payable @ LIBOR + 2 on bonds investment for 3 or 7 years. | |
| | a) 3 year maturity | LIBOR+1.00% | | |
| | b) 5 year maturity | LIBOR+1.50% | | |
| | c) 7 year maturity | LIBOR+2.00% | | |
| 4. | <u>Pakistan Investment Bonds</u> | | | |
| | <u>Tenor</u> | <u>Rate of Profit</u> | These coupon rates will effective from May 19, 2006 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 | |
| | 3-Year Maturity | 9.10% p.a | | |
| | 5-Year Maturity | 9.30% p.a | | |
| | 10-Year Maturity | 9.60% p.a | | |
| | 15-Year Maturity | 9.0% p.a | | |
| | 20-Year Maturity | 10.0% p.a | | |
| 5. | <u>Unfunded Debt</u> | | | |
| | Defence Saving Certificates | 10.00% 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) | 9.34% p.a. | 3 Years | Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002 |
| | Special Saving Certificates (B) | 12.36% p.a.(m) | 3 Years | Taxable and discontinued |
| | Regular Income Certificates | 9.24% 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 | 6.00% p.a. | Running Account | Taxable for deposits exceeding Rs.150,000 made on or after 01-07-2002 |
| | Bahbood Savings Certificate | 11.52% p.a. | | |
| | Pensioners' Benefit Account | 11.52% p.a. | 10 Years | Taxable for deposits exceeding Rs 150,000 |
| | Prize Bonds | 6.50% p.a. | | |

p.a. Per annum

B Bearer

R Registered

m on maturity

Source: SBP and Directorate of National Savings

# TRADE AND PAYMENTS

Pakistan has recorded laudable export performance during the last several years, with exports growing at an average rate of almost 16 percent per annum over the last four years (2002-03 to 2005-06). Given the importance of exports in the economic transformation of any nation, the ability to achieve strong export-led growth has become a recurring theme in policy making in Pakistan. The strong export growth in Pakistan benefited a great deal from the rapid improvement in the international trading environment, which in turn was the direct consequence of the most ambitious and successful round of multilateral trade negotiation in Uruguay under the aegis of the General Agreement on Tariffs and Trade (GATT). This trade negotiation succeeded to a great extent in bringing down tariff barriers, particularly in the industrial economies which are substantial markets for Pakistan. Despite improvements in the international trading environment. Pakistan's export growth witnessed abrupt and sharp deceleration to less than 4.0 percent in the first ten months (July-April) of the current fiscal year after growing at an impressive rate of 16.0 percent per annum in recent years. What has happened to Pakistan's export in 2006-07 ? Attempt is made to review the situation and suggests measures to revive its glory of recent years.

Pakistan's import growth slowed to a normal level in the current fiscal year after surging at an average rate of 29.0 percent per annum during the last four years. Four years of strong economic growth strengthened domestic demand which triggered a consequential pick up in investment. The rise in investment demand led to a massive surge in imports. Though Pakistan continued to maintain its strong growth momentum in the current fiscal year, import growth has decelerated to its trend level for a variety of reasons including the pursuance of tight monetary policy during the year. The slower growth in imports is likely to improve trade deficit from 9.5 percent of GDP last year to 9.0 percent this year[1]. However, current account deficit is expected to be around 5.0 percent of GDP as against 4.4 percent last year. As will be discussed later, the current deficit has started declining after the first quarter (July-September) of the current fiscal year. Expected improvement in export next year with declining trend in current account deficit this year, Pakistan's trade and current account deficits are likely to improve in the next fiscal year.

**Exports**

Exports were targeted at $ 18.6 billion or 12.9 percent higher than last year. Exports during the first ten months (July-April) of the current fiscal year are up by 3.4 percent – rising from $ 13457.0 million to $ 13909.0 million in the same period last year (See Table 9.1). Export of food group declined by 3.5 percent. This decline is caused by a 2.6 percent and 14.3 percent decline in exports of rice and fruits. Export of rice declined due to lesser production caused by adverse weather condition which kept the domestic price higher. It was more profitable to sell within the country than to export. Exports of textile manufactures grew by 6.2 percent. Prominent among these are export of knitwear (13.9%), readymade garments (6.8%), made up articles (8.9%), cotton yarn (4.6%), and towels (2.6%). Exports of other textile materials registered a high double digit growth of 17.2 percent. Export of raw cotton, cotton cloth and bed wear on the other hand registered a decline.

[1] This projection is based on trade data released by the Federal Bureau of Statistics (FBS) on custom basis which recorded shipment. The State Bank of Pakistan (SBP) prepares balance of payments for the country and uses exports, imports and trade gap numbers on actual payment basis. Therefore, these number will differ with each other.

The rise in prima cotton price (a genetically modified version), which is imported from the USA and is a critical input for producing higher quality bed wear & fabrics, has made these items less competitive compared to its competitors. Further, the discriminating anti – dumping duty of 5.8 percent on the bed linen export to the European Union (EU) also adversely affected Pakistan's competitiveness. Raw cotton declined due to lower production as well as increased domestic prices. Poor quality of cotton on account of contaminated cotton issue is adversely affecting the exports of spinning industry. Exports of engineering goods increased by 6.7 percent while exports of petroleum products declined by 2.7 percent. See Table 9.1]. In other manufactures' categories of exports, all items including carpets, rugs & mats, sports goods, leather products, surgical equipments and chemical & pharmaceutical products registered negative growth. Exports of most of these items have been on the decline for quite sometime.

**Table 9.1: Structure of Exports** **($ Millions)**

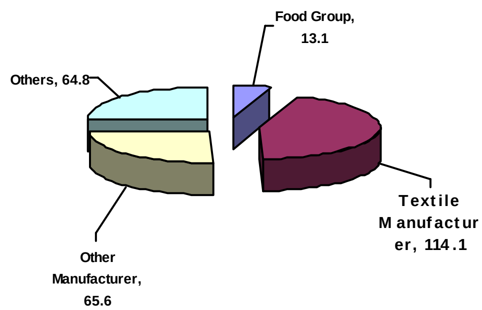
| Particulars | July-April | | % Change | Absolute Increase/ Decrease | Percentage Contribution to Increase in Exports |
|---|---|---|---|---|---|
| | 2006-07* | 2005-06 | | | |
| **A. Food Group** | **1617.2** | **1676.5** | **-3.5** | **-59.3** | **-13.1** |
| Rice | 939.2 | 963.9 | -2.6 | | |
| Fish & Fish Preparation | 157.1 | 154.2 | 1.9 | | |
| Fruits | 94.1 | 109.7 | -14.3 | | |
| Spices | 20.3 | 19.4 | 4.6 | | |
| Oil Seeds, Nuts & Kernels | 15.2 | 9.3 | 64.3 | | |
| Meat & Meat Preparation | 33.5 | 15.4 | 117.7 | | |
| All other Food Items | 304.0 | 276.4 | 9.9 | | |
| **B. Textile Manufactures** | **8866.6** | **8350.5** | **6.2** | **516.1** | **114.1** |
| Raw Cotton | 49.2 | 57.1 | -13.8 | | |
| Cotton Yarn | 1179.7 | 1127.1 | 4.6 | | |
| Cotton Cloth | 1629.4 | 1744.6 | -6.6 | | |
| Knitwear | 1603.6 | 1407.5 | 13.9 | | |
| Bed Wear | 1600.2 | 1666.7 | -4.0 | | |
| Towels | 490.4 | 478.0 | 2.6 | | |
| Readymade Garments | 1145.2 | 1072.2 | 6.8 | | |
| Made-up Articles | 377.0 | 345.9 | 9.0 | | |
| Other Textile Materials | 257.8 | 219.9 | 17.2 | | |
| **C. Petroleum Group** | **672.3** | **673.4** | **-0.2** | **-1.1** | **-0.24** |
| Petroleum Crude | 0.0 | 0.0 | 0.0 | | |
| Petroleum Products | 274.2 | 281.8 | -2.7 | | |
| Petroleum Top Naptha | 397.5 | 389.6 | 2.0 | | |
| Solid Fuel (Coal) | 0.537 | 1.9 | -71.7 | | |
| **D. Other Manufactures** | **2026.2** | **2322.8** | **-12.8** | **-296.6** | **-65.6** |
| Carpets. Rugs & mats | 190.1 | 213.4 | -10.9 | | |
| Sports Goods | 222.8 | 270.8 | -17.7 | | |
| Leather Tanned | 225.7 | 232.9 | -3.1 | | |
| Leather Manufactures | 427.1 | 603.4 | -29.2 | | |
| Surgical G. & Med.Inst. | 124.0 | 133.5 | -7.1 | | |
| Chemicals & Pharma. Pro. | 314.7 | 359.6 | -12.5 | | |
| Engineering Goods | 185.8 | 174.1 | 6.7 | | |
| **E. All Other Items** | **726.7** | **433.5** | **67.6** | **293.2** | **64.8** |
| **Total** | **13909.0** | **13456.9** | **3.6** | **452.1** | **100.0** |

* Provisional Source: Federal Bureau of Statistics

In absolute term the overall exports posted an increase of $ 452.1 million in the first ten months of the current fiscal year over the same period last year. Of this increase, 114.1 percent or $ 516.1 million was contributed by textile manufactures while 'all other items' increased by 64.8 percent or $ 293.2 million. This increase of $ 809 million was slashed due to a decline of exports of rice ($ 59.3

million) and other manufacturers ($ 296.6 million). (See Fig-9.1)

Fig-9.1: Major Contributors to Additional Export Earnings (Jul-Apr 06-07)




Pakistan's export this year has experienced a decline of a $ 563 million because of the decline in the unit values of its exports in the international market. Although Pakistan's export in quantity term present a mixed picture, the general decline in its price in international market deprived Pakistan $ 563 million in its export proceeds (See Table 9.2).

**Table 9.2: Export Losses (Fall in Prices) (July-April 2006-07)** ($ Million)

| Commodity | Actual Exports | Exports at Last Year's Prices | Gains / Losses |
|---|---|---|---|
| Fish & Fish Prep. | 157.2 | 151.1 | -6.1 |
| Cotton Cloth | 1629.4 | 1339.8 | -289.6 |
| Bed wear | 1600.2 | 1613.5 | 13.3 |
| Knitwear | 1603.6 | 1410.5 | -193.1 |
| Towels | 490.4 | 475.7 | -14.7 |
| Synthetic Textiles | 402.7 | 337.5 | -65.2 |
| Carpets | 190.1 | 1182.6 | -7.5 |
| **Total** | **6073.7** | **5510.7** | **-563.0** |

* Provisional Source: Federal Bureau of Statistics.

The less than satisfactory export performance of textile manufacturers can be attributed to a variety of factors. First, it appears that Pakistan's textile exporters could not compete with China, India and Bangladesh in the international market. Second, the discriminating and tied-dumping duty of 5.8 percent on the bed linen export also affected Pakistan's competitiveness. Third, poor quality of cotton on account of contaminated cotton issue has also adversely affected the export of spinning industry. Fourth, the rise in prima cotton price (a genetically modified version) which is imported from the USA is a critical input for producing higher quality bed wear and fabrics, has made these items less competitive in the international market. These are specific issues facing Pakistan's textile exports during the financial year 2006-07, however, Pakistan's export suffers from serious structural issues which need to be addressed primarily by textile manufacturers with government playing its role of facilitating and providing financial support on temporary basis. Pakistan textile products are low value added and of poor quality therefore fetches low international price. The machinery installed in recent years are old relative to Pakistan's competitors therefore, these machines are power intensive, less productive and carry higher maintenance cost. Increased wastage of inputs also adds to their costs. Pakistan's labour are less productive because little or no efforts have been made to impart training or improving their skills. Pakistan's exporters spend little money on research and development. Pakistan export houses lack capacity to meet bulk orders as well as they are unable to meet requirements of consumers in terms of fashion and design. It is generally argued that Pakistan's exporters are uncompetitive in terms of adherence to contracted quality and delivery schedule. Pakistan's competitors are investing heavily and creating better economies of scale. These are structural issues and must be addressed by the industry itself with government playing its role of a facilitator and providing temporary financial assistance to address short term issues mentioned earlier.

**Table 9.3: Monthly Exports**

| Month | ($ Million) | |
|---|---|---|
| | 2005-06 | 2006-07 |
| July | 1269.3 | 1220.5 |
| August | 1400.7 | 1507.5 |
| September | 1483.3 | 1416.1 |
| October | 1325.0 | 1282.1 |
| November | 1113.5 | 1380.0 |
| December | 1455.3 | 1517.4 |
| January | 1229.9 | 1197.3 |
| February | 1224.7 | 1229.0 |
| March * | 1512.8 | 1533.1 |
| April | 1443.2 | 1497.0 |
| **Total** | **13457.7** | **13780.0** |
| *Monthly Average* | *1345.8* | *1378.0* |

Source: Federal Bureau of Statistics.

### Trends in Monthly Exports

The monthly exports for the period July-April, 2006-07 remained mostly above the corresponding months of last year, averaging $ 1378 million per month as against an average of $ 1346 million last year. [See Table 9.3]

### 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 account for 77.2 percent of total exports during the first nine months of 2006-07 with cotton manufacturers alone contributing 61.5 percent, followed by leather (4.5%), rice (6.6%), synthetic textiles (3.0%) and sports goods (1.6%). The degree of concentration has changed little from last fiscal year. Further disaggregation reveals that almost all the export earnings have originated from textile manufactures. The annual percentage shares of the major export commodities are given in Table 9.4 as well as in Figs-9.2 & 9.3.

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

| Commodity | 96-97 | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07* |
|---|---|---|---|---|---|---|---|---|---|---|
| Cotton Manufacturers | 61.3 | 59.1 | 61.0 | 58.9 | 59.4 | 63.3 | 62.3 | 57.4 | 59.4 | 61.5 |
| Leather | 7.7 | 6.9 | 6.3 | 7.5 | 6.8 | 6.2 | 5.4 | 5.8 | 6.9 | 4.5 |
| Rice | 5.6 | 6.9 | 6.3 | 5.7 | 4.9 | 5.0 | 5.2 | 6.5 | 7.0 | 6.6 |
| Synthetic Textiles | 6.1 | 5.1 | 5.3 | 5.9 | 4.5 | 5.1 | 3.8 | 2.1 | 1.2 | 3.0 |
| Sports Goods | 3.7 | 3.3 | 3.3 | 2.9 | 3.3 | 3.0 | 2.6 | 2.1 | 2.1 | 1.6 |
| **Sub-Total** | **84.4** | **81.3** | **82.2** | **80.9** | **78.9** | **82.6** | **79.3** | **73.9** | **76.6** | **77.2** |
| Others | 15.6 | 18.7 | 17.8 | 19.1 | 21.1 | 17.4 | 20.7 | 26.1 | 23.4 | 22.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*July-March (Provisional) Source: Ministry of Commerce & FBS.

**Fig-9.2: Pakistan's Major Exports 1996-97 [% Share}**

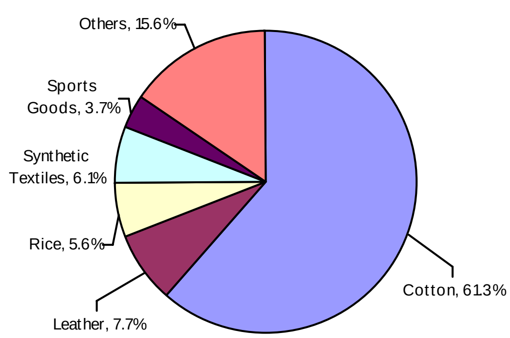
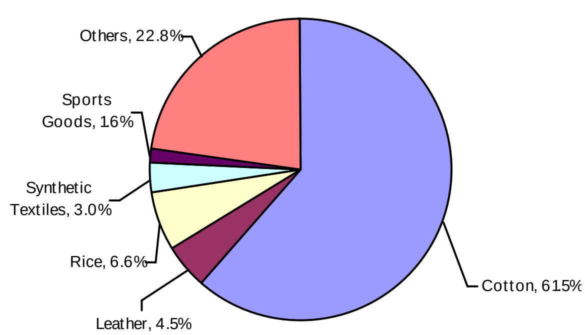



**Fig-9.3: Pakistan's Major Exports 2006-07 (Jul-Mar) [% Share}**




Barring the performance of current fiscal year it appears that Pakistan is slowly moving towards higher value added exports in textile sector. The shares of bedwear, towels, and knitwear have increased over the last seven years. The shares of other categories of textile exports either have remained stagnant or have changed marginally (See Table 9.5).

| Table 9.5: Export of Textile Manufactures | | | | | | | | (Share) |
|---|---|---|---|---|---|---|---|---|
| **Item** | **1999-00** | **2000-01** | **2001-02** | **2002-03** | **2003-04** | **2004-05** | **2005-06** | **2006-07*** |
| Cotton Yarn | 19.2 | 18.7 | 16.1 | 12.9 | 14.0 | 12.7 | 13.7 | 13.3 |
| Cotton Cloth | 19.6 | 17.9 | 19.6 | 18.6 | 21.3 | 23.3 | 21.6 | 18.5 |
| Knitwear | 15.9 | 15.8 | 14.6 | 15.9 | 18.1 | 18.9 | 17.6 | 18.3 |
| Bed wear | 12.7 | 12.9 | 15.9 | 18.4 | 17.2 | 16.4 | 20.8 | 18.1 |
| Towels | 3.5 | 4.2 | 4.6 | 5.2 | 5.0 | 5.9 | 5.8 | 5.5 |
| Tents, Canvas & Tarpaulin | 0.9 | 0.9 | 0.9 | 1.0 | 0.9 | 0.8 | 0.3 | 0.7 |
| Readymade Garments | 13.8 | 14.4 | 15.1 | 15.1 | 12.4 | 12.9 | 13.9 | 13.1 |
| Synthetic Textiles | 8.2 | 9.5 | 7.1 | 7.9 | 5.9 | 3.5 | 2.0 | 4.7 |
| Made up Articles | 5.5 | 5.7 | 6.1 | 5.0 | 5.2 | 5.5 | 4.3 | 4.1 |
| Others | 0.7 | - | - | - | - | 0.1 | 0.1 | 2.9 |
| | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

*July-March (Provisional) Source: FBS & Finance Division.

## Composition of Exports

The composition of Pakistan's export s' has changed steadily over the years. During July-March of the current fiscal year (2006-07), the share of primary commodities remained at 11 percent, semi manufactured showed a slight decline of 1 percentage point and stood at 10 percent while manufactured goods reflected an increase from 78 to 79 percent due to large share of value added exports. The composition of exports suggests that Pakistan does not rely heavily on the exports of primary commodities (See Table 9.6).

| Table 9.6: Composition of Exports | | | | (% Share) |
|---|---|---|---|---|
| **Year** | **Primary Commodities** | **Semi-Manufactures** | **Manufactured Goods** | **Total** |
| 1990-91 | 19 | 24 | 57 | 100.0 |
| 1992-93 | 15 | 21 | 64 | 100.0 |
| 1994-95 | 11 | 25 | 64 | 100.0 |
| 1996-97 | 11 | 21 | 68 | 100.0 |
| 1998-99 | 12 | 18 | 70 | 100.0 |
| 99-2000 | 12 | 15 | 73 | 100.0 |
| 2000-01 | 13 | 15 | 72 | 100.0 |
| 2001-02 | 11 | 14 | 75 | 100.0 |
| 2002-03 | 11 | 11 | 78 | 100.0 |
| 2003-04 | 10 | 12 | 78 | 100.0 |
| 2004-05 | 11 | 10 | 79 | 100.0 |
| 2005-06 | 11 | 11 | 78 | 100.0 |
| **July-March** | | | | |
| 2005-06 | 11 | 11 | 78 | 100.0 |
| 2006-07 * | 11 | 10 | 79 | 100.0 |

* Provisional Source: Federal Bureau of Statistics

## Direction of Exports

Although Pakistan trade with a large number of countries its exports are however highly concentrated in few countries including USA, Germany, Japan, UK, Hong Kong, Dubai and Saudi Arabia which account for one- half of its exports. The United States is the single largest export market for Pakistan, accounting for 28.4 percent of its exports followed by U.K and Germany. Japan is fast vanishing as export market for Pakistan as its share in total exports has been on decline for one decade, reaching less than 1.0 percent from 5.7 percent a decade ago.

Pakistan needs to diversify its exports not only in terms of commodities but also in terms of markets. Heavy concentration of exports in few commodities and few markets can lead to export instability. Other issues which need to be addressed include: low value added and poor quality; obsolete use of machinery and technology; higher wastage of inputs adding to the cost of production; low labour productivity; little spending on research and development; export houses lacking capacity to meet bulk orders; inability to meet requirements of consumers in terms of fashion and design; non-adherence to contracted quality and delivery schedule, lack of marketing techniques etc.

**Table 9.7: Major Exports Markets** (Percentage Share)

| Country | 96-97 | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07* |
|---|---|---|---|---|---|---|---|---|---|---|
| USA | 17.7 | 21.8 | 24.8 | 24.4 | 24.7 | 23.5 | 23.9 | 23.9 | 25.5 | 28.4 |
| Germany | 7.5 | 6.6 | 6.0 | 5.3 | 4.9 | 5.2 | 4.9 | 4.8 | 4.2 | 4.1 |
| Japan | 5.7 | 3.5 | 3.1 | 2.1 | 1.8 | 1.3 | 1.1 | 1.1 | 0.8 | 0.8 |
| UK | 7.2 | 6.6 | 6.8 | 6.3 | 7.2 | 7.1 | 7.6 | 6.2 | 5.4 | 5.8 |
| Hong Kong | 9.4 | 7.1 | 6.1 | 5.5 | 4.8 | 4.6 | 4.7 | 3.9 | 4.1 | 4.0 |
| Dubai | 4.6 | 5.4 | 5.7 | 5.3 | 7.9 | 9.0 | 7.3 | 3.3 | 5.6 | 4.0 |
| Saudi Arabia | 2.6 | 2.4 | 2.5 | 2.9 | 3.6 | 4.3 | 2.8 | 2.5 | 2.0 | 1.8 |
| **Sub-Total** | **54.7** | **53.4** | **55.0** | **51.8** | **54.9** | **55.0** | **52.3** | **45.7** | **47.6** | **48.9** |
| Other Countries | 45.3 | 46.6 | 45.0 | 48.2 | 45.1 | 45.0 | 47.7 | 54.3 | 52.4 | 51.1 |
| *Total* | *100.0* | *100.0* | *100.0* | *100.0* | *100.0* | *100.0* | *100.0* | *100.0* | *100.0* | *100.0* |

*July - November Source: Ministry of Commerce.

### Imports

After growing at an average rate of 29 percent per annum during 2003-2006 Pakistan's import growth slowed to a moderate level in the current fiscal year. The surge in imports in recent years was mainly due to the strong growth momentum that Pakistan is witnessing over the last five years in a row. Such a prolonged period of strong growth strengthened domestic demand which triggered consequential pick up in investment. The rise in investment demand led to a massive surge in imports during the period 2003-06. Such a pace in import growth was not expected to continue for ever. It is in this perspective that imports were targeted to decline by 2.1 percent in 2006-07 to $ 28.0 billion from last year's level of $ 28.6 billion. As expected, growth in import decelerated to 8.9 percent during the first ten months (July-April) of the current fiscal year as against hefty increase of 40.4 percent in the same period last year. The deceleration in import growth is caused by several factors which include: the pursuance of tight monetary policy to shave off excess demand, softening of international price of oil, decline in imports of cars as a result of change in policy, decline in the imports of fertilizer because of large carryover stock of last year, and decline in the imports of iron & steel as Pakistan Steel coming back to its normal production level.

Disaggregation of total imports suggests that food imports grew by 5.3 percent - up from $ 2241.5 million to $ 2360.6 million. Major contributors to the rise in food imports include milk and milk products (36.9 percent), dry fruits (24.4 percent), pulses (60.6 percent) and Edible oil (Soya bean & Palm oil) ( 24.0 percent). Import of wheat unmilled on the other hand showed major decline of 68.3 percent. The surge in pulses import was mainly due to poor crop of pulses in Pakistan last year which forced government and the private sector to import to augment their supplies. The import of edible oil increased mainly on account of unprecedented increase in the price of palm oil and soyabean in the international markets. The decline in the import of wheat was mainly on account of good wheat harvest last year.

Imports of machinery rose by 18.6 percent – up from $ 3303 million to $ 3916 million. All categories machinery registered impressive growth with the exception of textile machinery and construction & mining machinery. Imports of petroleum group registered an increase of 12.0 percent. However, within the petroleum group, imports of petroleum products registered sharp increase of 38.6 percent on account of massive surge in furnace oil import primarily for electricity generation. Imports of crude petroleum declined by 6.7 percent because refineries were not operating at their full capacity.

The import of crude petroleum in quantity term also registered a decline of almost 10 percent.

It is important to note that since refineries were not operating at their full capacity, their import of crude was lower and accordingly their production of petroleum products was lower too. Low production of petroleum products within the country forced the government to import more petroleum products putting pressures on the country's balance of payments.

Imports of consumer durables registered a decline mainly on account of lower imports of automobiles. Imports of electrical machinery & appliances (a component of consumer durables) however registered a hefty increase of 35 percent.

Imports of raw materials registered a marginal (2.4%) decline mainly on account of 49.4 percent decline in the import of fertilizer. Import of fertilizer declined this year because of the large carryover stock of last year. Import of iron & steel also declined because Pakistan steel gradually came back to its capacity production level after the repair of coke oven battery. Telecom imports continue to maintain its momentum, though at a slower pace this year. Imports of telecom (cell phone as well as equipments, towers etc.) grew by 17.3 percent this year as cellular companies continue to expand their network.

**Table 9.8: Structure of Imports** ($ Million)

| | July-April | | Absolute Increase | % Change | Share in total imports |
|---|---|---|---|---|---|
| | 2005-06 | 2006-07 | | | |
| **A. Food Group** | **1585.5** | **1629.8** | **44.2** | **2.8** | **6.5** |
| Milk & milk food | 47.8 | 65.5 | 17.6 | 36.9 | - |
| Wheat Unmilled | 131.4 | 41.5 | -89.8 | -68.4 | - |
| Dry fruits | 45.4 | 56.5 | 11.1 | 24.4 | - |
| Tea | 187.7 | 184.2 | -3.5 | -1.8 | - |
| Spices | 44.0 | 44.9 | 0.9 | 2.1 | - |
| Edible Oil (Soyabean & Palm Oil) | 615.6 | 763.3 | 147.7 | 24.0 | - |
| Sugar | 378.0 | 256.0 | -122.0 | -32.3 | - |
| Pulses | 135.7 | 217.9 | 82.2 | 60.6 | - |
| **B. Machinery Group** | **3303.5** | **3916.3** | **612.8** | **18.6** | **15.7** |
| Power Gen. Machines | 416.0 | 594.7 | 178.6 | 42.9 | - |
| Office Machines | 238.9 | 259.6 | 20.7 | 8.6 | - |
| Textile Machinery | 656.6 | 427.8 | -228.7 | -34.8 | - |
| Const. & Mining Mach. | 155.3 | 153.3 | -2.0 | -1.3 | - |
| Aircraft Ships and Boats | 411.3 | 840.5 | 429.2 | 104.4 | - |
| Agri. Machinery | 93.4 | 137.1 | 43.8 | 46.9 | - |
| Other Machinery | 1332.0 | 1503.3 | 171.3 | 12.9 | - |
| **C. Petroleum Group** | **5251.5** | **5883.5** | **632.0** | **12.0** | **23.5** |
| Petroleum Products | 2170.2 | 3008.9 | 838.6 | 38.6 | - |
| Petroleum Crude | 3081.3 | 2874.6 | -206.7 | -6.7 | - |
| **D. Consumer Durables** | **1724.5** | **1687.2** | **-37.3** | **-2.2** | **6.8** |
| Elect. Mach. & App. | 394.8 | 532.8 | 138.0 | 35.0 | 2.1 |
| Road Motor Veh. | 1329.7 | 1154.4 | -175.3 | -13.2 | 4.6 |
| **E. Raw Materials** | **3880.3** | **3786.6** | **-93.8** | **-2.4** | **15.2** |
| Synthetic fibre | 205.9 | 193.2 | -12.7 | -6.2 | - |
| Silk yarn (Synth & Arti) | 193.6 | 194.5 | 0.9 | 0.5 | - |
| Fertilizer | 554.5 | 280.8 | -273.7 | -49.4 | - |
| Insecticides | 95.0 | 79.5 | -15.5 | -16.3 | - |
| Plastic material | 839.1 | 948.6 | 109.5 | 13.0 | - |
| Iron & steel scrap | 300.0 | 271.7 | -28.3 | -9.4 | - |
| Other Chemical Products | 1692.2 | 1818.4 | 126.1 | 7.5 | - |
| **F. Telecom** | **1563.4** | **1834.6** | **271.2** | **17.3** | **7.3** |
| **G. Others** | **5637.5** | **6255.2** | **617.7** | **11.0** | **25.0** |
| **Total Imports** | **22946.2** | **24993.1** | **2046.9** | **8.9** | **100.0** |
| **Non-oil Imports** | **17694.7** | **19109.6** | **1414.9** | **8.0** | **76.5** |
| **Non-food Non-oil imports** | **16109.2** | **17479.9** | **1370.6** | **8.5** | **69.9** |

Source: Federal Bureau of Statistics.

### Major Contributors to Increase in Imports

Pakistan's imports grew by 8.9 percent or $ 2047 million in the first ten months of the current fiscal year. Which categories of imports are the major contributors to this year's increase in imports? A cursory look at Table 9.9 is sufficient to see that almost 31 percent contribution alone came from petroleum group, mainly on account of the surge in imports of petroleum products both in value and quantity. Imports of machinery contributed almost 30 percent to this year's rise in imports bills. This is followed by imports of telecom which accounted for 13 percent to the overall rise in imports. Almost three-fourth contribution came from three categories (machinery, petroleum and telecom) to this year's rise in imports. Interestingly, consumer durables' contribution was negative (-1.8%) mainly on account of a decline in the imports of cars. Therefore, contrary to the general perception, the contribution of consumer durables was negative.

**Table 9.9 Major Contributors to Increase Imports July-April 2006-07** ($ Million)

| | July-April | | Absolute Increase | % Change | Percentage Contribution |
|---|---|---|---|---|---|
| | 2005-06 | 2006-07 | | | |
| Total Imports | 22946.2 | 24993.1 | 2046.9 | 8.9 | 100.0 |
| A. Food Group | 1585.5 | 1629.8 | 44.2 | 2.8 | 2.2 |
| B. Machinery Group | 3303.5 | 3916.3 | 612.8 | 18.6 | 29.9 |
| C. Petroleum Group | 5251.5 | 5883.5 | 632.0 | 12.0 | 30.9 |
| D. Consumer Durables | 1724.5 | 1687.2 | -37.3 | -2.2 | -1.8 |
| Elect. Mach. & App. | 394.8 | 532.8 | 138.0 | 35.0 | 6.7 |
| Road Motor Veh. | 1329.7 | 1154.4 | -175.3 | -13.2 | -8.6 |
| E. Raw Materials | 3880.3 | 3786.6 | -93.8 | -2.4 | -4.6 |
| F. Telecom | 1563.4 | 1834.6 | 271.2 | 17.3 | 13.2 |
| G. Others | 5637.5 | 6255.2 | 617.7 | 11.0 | 30.2 |

Source: Federal Bureau of statistics.

Pakistan's import was inflated by $ 295 million in the first ten months (July-April) of the current fiscal year on account of higher international price of commodities including oil. Had the unit values of the few items listed in Table 9.10 remained at the last year's level, Pakistani total imports would have been lowered by $ 295 million and import growth would have been 7.6 percent instead of 8.9 percent.

**Table 9.10: Additional Import Bill as a Result of the Rise in Import Prices July April 2006-07*** ($ Million)

| Commodity | Actual Imports | Imports at Last Year's Prices | Additional Bill (Gains/Losses) |
|---|---|---|---|
| Soya bean Oil | 32.2 | 25.0 | 7.2 |
| Palm Oil | 731.1 | 649.7 | 81.4 |
| Petroleum Products | 3008.9 | 3216.5 | -207.6 |
| Petroleum Crude | 2874.6 | 2778.2 | 96.4 |
| Fertilizer | 280.8 | 278.3 | 2.5 |
| Plastic Material | 948.6 | 824.3 | 124.3 |
| Medicinal Products | 349.3 | 319.7 | 29.7 |
| Iron & Steel | 986.4 | 825.5 | 160.9 |
| **Total** | **9211.8** | **8917.1** | **294.7** |

Source: FBS & E.A. Wing, Finance Division.

| Table 9.11 Monthly Imports | | |
|---|---|---|
| Month | ($ Million) | |
| | 2005-06 | 2006-07 |
| July | 1996.3 | 2460.5 |
| August | 2233.8 | 2525.1 |
| September | 2321.8 | 2443.0 |
| October | 2325.3 | 2131.7 |
| November | 2299.0 | 2773.6 |
| December | 2474.7 | 2564.2 |
| January | 2144.3 | 2330.1 |
| February | 2210.4 | 2572.3 |
| March * | 2681.9 | 2622.6 |
| April | 2258.6 | 2573.4 |
| **Total** | **22946.1** | **24996.5** |
| **Monthly Average** | **2294.6** | **2499.6** |

*Provisional Source: Federal Bureau of Statistics.

### Trends in Monthly Imports

The monthly imports during July-April, 2006-07 remained consistently higher compared to the same months of last year. Imports averaged $ 2.5 billion per month during this period as against $ 2.3 billion for the comparable period last year. Thus, on average, imports have risen by $ 200 million per month during the period. The monthly imports are tabulated in Table 9.11.

### Concentration of Imports

Like exports, Pakistan's imports are also highly concentrated in few items namely, machinery, petroleum & petroleum products, chemicals, transport equipments, edible oil, iron & steel, fertilizer and tea. These eight categories of imports account for 75.5 percent of total imports during 2006-07. Among these categories machinery, petroleum & petroleum products and chemicals accounted for 57.7 percent of total imports. Concentration of imports remained, by and large, unchanged over the last one decade.(See Table 9.12).

**Table 9.12: Pakistan's Major Imports** (Percentage Share)

| Commodities | 94-95 | 96-97 | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07* |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Machinery * * | 22.8 | 23.1 | 17.9 | 13.9 | 19.3 | 17.1 | 18.5 | 17.8 | 22.5 | 18.0 | 22.5 |
| Petroleum & Products | 15.3 | 19.0 | 15.5 | 27.2 | 31.3 | 27.1 | 25.1 | 20.3 | 19.4 | 22.3 | 22.5 |
| Chemicals @ | 14.0 | 13.4 | 16.6 | 17.5 | 20.0 | 15.9 | 15.1 | 16.1 | 15.5 | 13.4 | 12.7 |
| Transport Equipments | 5.9 | 4.7 | 5.7 | 5.5 | 4.0 | 4.8 | 5.6 | 5.6 | 6.2 | 7.7 | 8.0 |
| Edible Oil | 9.6 | 5.1 | 8.7 | 4.0 | 3.1 | 3.8 | 4.8 | 4.2 | 3.7 | 2.7 | 2.9 |
| Iron & Steel | 3.6 | 3.9 | 3.1 | 3.0 | 2.6 | 3.3 | 3.3 | 3.3 | 4.3 | 5.1 | 5.0 |
| Fertilizer | 1.2 | 3.2 | 2.8 | 1.9 | 1.6 | 1.7 | 2.1 | 1.8 | 2.0 | 2.4 | 1.2 |
| Tea | 1.8 | 1.1 | 2.4 | 2.0 | 1.9 | 1.5 | 1.4 | 1.2 | 1.1 | 0.9 | 0.7 |
| **Sub-Total** | **74.2** | **73.5** | **72.7** | **75.0** | **83.8** | **75.2** | **75.9** | **70.3** | **74.7** | **72.5** | **75.5** |
| Others | 25.8 | 26.5 | 27.3 | 25.0 | 16.2 | 24.8 | 24.1 | 29.7 | 25.3 | 27.5 | 24.5 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

* July-March (Provisional) Source: Ministry of Commerce & FBS
** Excluding Transport Equipments, @ Excluding Fertilizer

### Composition of Imports

The composition of Pakistan's import does not show any significant change over the years. During the first nine months of the current fiscal year (July-March, 2006-07) the share of consumer goods stood at 11 percent and capital goods stood 38 percent, while that of raw material for consumer goods increased by one percentage point from 44 to 45, due to higher domestic production. The share of raw material for capital goods stood at 7 percentage point during this period owing to higher level of investment. The details are given in Table 9.13.

**Table 9.13: Composition of Imports** **(% Share)**

| Year | Capital Goods | Raw Material for Capital Goods | Raw Material for Consumer Goods | Consumer Goods | Total |
|---|---|---|---|---|---|
| 1990-91 | 33 | 7 | 44 | 16 | 100.0 |
| 1992-93 | 42 | 6 | 38 | 14 | 100.0 |
| 1994-95 | 35 | 5 | 46 | 14 | 100.0 |
| 1996-97 | 37 | 5 | 43 | 15 | 100.0 |
| 1998-99 | 31 | 6 | 47 | 16 | 100.0 |
| 99-2000 | 26 | 6 | 54 | 14 | 100.0 |
| 2000-01 | 25 | 6 | 55 | 14 | 100.0 |
| 2001-02 | 28 | 6 | 55 | 11 | 100.0 |
| 2002-03 | 31 | 6 | 53 | 10 | 100.0 |
| 2003-04 | 35 | 6 | 49 | 9 | 100.0 |
| 2004-05 | 36 | 8 | 46 | 10 | 100.0 |
| 2005-06 | 37 | 7 | 45 | 11 | 100.0 |
| **July-March** | | | | | |
| 2005-06 | 36 | 8 | 44 | 10 | 100.0 |
| 2006-07 * | 38 | 7 | 45 | 11 | 100.0 |

* Provisional Source: Federal Bureau of Statistics

## Direction of Imports

Pakistan's imports are highly concentrated in few countries. Over 40 percent of them continue to originate from just seven countries namely, the USA, Japan, Kuwait, Saudi Arabia, Germany, the UK and Malaysia. Saudi Arabia is emerging as a major supplier to Pakistan followed by the USA and Japan [See Table 9.14].

**Table 9.14: Major Sources of Imports** (Percentage Share)

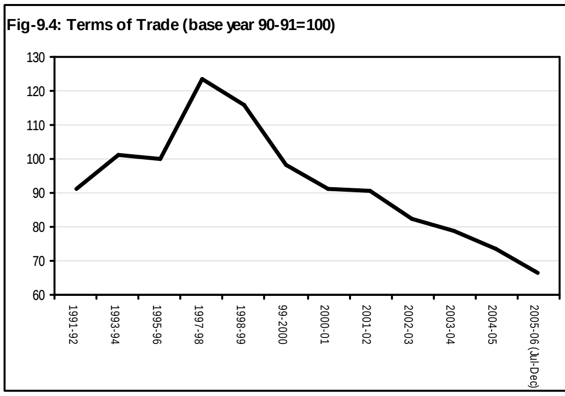
| Country | 96-97 | 98-99 | 99-00 | 00-01 | 01-02 | 02-03 | 03-04 | 04-05 | 05-06 | 06-07* |
|---|---|---|---|---|---|---|---|---|---|---|
| U.S.A. | 12.0 | 7.7 | 6.3 | 5.3 | 6.7 | 6.0 | 8.5 | 7.6 | 5.8 | 8.1 |
| Japan | 8.6 | 8.3 | 6.3 | 5.3 | 5.0 | 6.6 | 6.0 | 7.0 | 5.6 | 5.7 |
| Kuwait | 6.9 | 5.9 | 12.0 | 8.9 | 7.1 | 6.6 | 6.4 | 4.6 | 6.2 | 5.4 |
| Saudi Arabia | 6.0 | 6.8 | 9.0 | 11.7 | 11.6 | 10.7 | 11.4 | 12.0 | 11.2 | 11.5 |
| Germany | 5.6 | 4.1 | 4.1 | 3.5 | 4.3 | 4.6 | 3.9 | 4.4 | 4.7 | 4.1 |
| U.K. | 5.0 | 4.3 | 3.4 | 3.2 | 3.4 | 2.9 | 2.8 | 2.6 | 2.8 | 2.3 |
| Malaysia | 4.7 | 6.7 | 4.3 | 3.9 | 4.4 | 4.6 | 3.9 | 2.6 | 3.0 | 3.0 |
| **Sub-Total** | **48.8** | **43.8** | **45.4** | **41.8** | **42.5** | **42.0** | **42.9** | **40.8** | **39.3** | **40.1** |
| Other Countries | 51.2 | 56.2 | 54.6 | 58.2 | 57.5 | 58.0 | 57.1 | 59.2 | 60.7 | 59.9 |
| **Total** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

*July-March Source: Ministry of Commerce

## Trade Balance

Despite sharp deceleration in imports the merchandise trade deficit widen on the back of abrupt and sharp deceleration in exports. The merchandise trade deficit widen to $11.1 billion in the first ten months (July-April) of the current fiscal year as against $9.5 billion in the same period last year. However, as percentage of GDP, trade deficit is likely to be 9.0 percent in 2006-07 as against 9.5 percent last year. Thus, trade deficit is expected to improve this year despite less than satisfactory performance of exports.

Fig-9.4: Terms of Trade (base year 90-91=100)



## Terms of Trade

The terms of trade with base year 1990-91 (equal to 100) aggregated to 64.2 during 2006-07 as compared to 66.4 of 2005-06, showing a deterioration of 3.4 percent. The increase in unit prices of petroleum and machinery/transport 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 11.6 percent down to 65.0 over the level of 73.6 recorded in the same period last year. [SeeTable 9.16]. The trend depicted by the terms of trade is also shown in Fig. 9.4.

**Table 9.15: 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 |
| 2004-05 | 288.8 | 392.5 | 73.6 |
| 2005-06 | 299.3 | 460.4 | 65.0 |
| July-December | | | |
| 2005-06 | 296.10 | 448.5 | 66.4 |
| 2006-07 * | 308.3 | 481.5 | 64.02 |

* Provisional. Source: Federal Bureau of Statistics

## Trade Policy of 2006-07

The rapid economic growth strategy (REGS) announced in 2005-06 continued in the Trade Policy 2006-07, the salient features of which are documented below:

i. Increased market access through trade diplomacy.

ii. Focus on trade with neglected regions of the world.

iii. Strengthening of trade promotion Infrastructure including EPB/TDAP and trade mission abroad.

iv. Emphasis on Skill Development in export oriented industry.

v. Fast track development of State of the Art Infrastructure by the government.

| Implementation status of Trade Policy (exports and imports) | | |
|---|---|---|
| 1. | Facilitation for leather exports. | Implemented |
| 2. | R & D Support For Footwear Sector. | Implemented |
| 3. | Provision of support for cool chain and cold storage for horticulture products. | Implemented |
| 4. | Promotion of Agri-Business Exports. | Under Implementation |
| 5. | Development of SME Sector. | Under Implementation |
| 6. | Modified Freight Subsidy Scheme. | Implemented |
| 7. | In-house/on-jobs skill development training. | Implemented |
| 8. | Allowing re-Export of Imported Goods in Original and Un-Processed Form. | Implemented |
| 9. | Establishment of Dazzle Park. | Under Implementation |
| 10. | Establishment of Expo Centres at Islamabad, Peshawar and Quetta. | Under Implementation |
| 11. | Establishment of Warehousing City. | Under Implementation |

| | | |
|---|---|---|
| 12. | Establishment of Carpet Cities. | Under Implementation |
| 13. | Increasing capacity of Cement and Clinker Terminal in Karachi. | Under Implementation |
| 14. | Providing Assistance for Quality Standards Certification. | Implemented |
| 15. | Facilitation for temporary export for participations in fairs/exhibitions and for testing/processing abroad and its re-import. | Implemented |
| 16. | Trade Organizations Ordinance. | Implemented |

**Current Focus under REGS**

To bring a sharper focus on implementing the strategy; steps for coordination of industrial, agriculture & service base expansion and diversification were undertaken through the following measures;

i. Holistic Export Promotion Strategy by synchronizing all related policies for major breakthrough in exports.

ii. Improving Competitiveness and Productivity of Pakistan's exports and with specific focus on Domestic Commerce.

iii. Better Market Access through accelerated multilateral, regional and bilateral trade diplomacy.

iv. Product Focused REGS were pursued for enhancing identified/prioritized sectors' exports to over US$ 1 billion each within 3 years. The focus was on leather products, engineering goods, chemical & pharmaceutical, towels, denim and services sector for enhancing their exports to US$ 1 billion each within three years.

**Export Initiatives for 2006-07**

During 2006-07 the following initiatives/measures have been taken for the development of Exports.
Research and Development support for the Textile & Footwear Sector, Cool chain and cold storage for horticulture products, Agri-Business Export, SME export house, Modified Freight Subsidy Scheme, Skill Development in Textile Sector, Re-Export of Imported Goods in Original and Un-Process Form, Dazzle park, Expo Centres, Warehousing City, Carpet Cities, Cement and Clinker Terminal in Karachi, Assistance for Quality Standards Certification, Exhibitions – Business Delegations, Temporary export for participation in fairs/exhibitions and for testing/processing abroad and its re-export, and Long Term Financing for Export Oriented Project Import of used machinery for Construction and Petroleum Sector.

**Import Initiatives 2006-07**

Import of used machinery for construction and petroleum sector and parts by construction and petroleum sector companies, Import of ground handling equipment, Import by licensed call centers, Import of machinery by industrial users, Import of used machinery parts by industries and mobile clinics & medical equipments, Import of Medical Equipment by returning doctors, Import of used refrigerated lorries, Waste Disposal Trucks, Fire Engines and Security Equipment, Import by Government agencies etc., Import of Air Guns and Pistol, Aircraft, Chemicals, CKD Kits, Pharmaceutical Raw Material and Palm Stearin.

**Bilateral and Regional Trade Agreements**

The Government Pakistan has initiated market access negotiations with various trading partners for two fundamental reasons (i) Seeking maximum market share for Pakistani export in foreign markets (ii) Ensuring level playing fields for Pakistani exporters vis-à-vis other competing exporters who have bilateral or regional arrangement of free trade or preferential trade rights in these markets.

Presently, following Free Trade Agreements (FTAs) or Preferential Trade Agreement (PTAs) have been concluded/or in effect: Sri Lanka (June 2005), China (July 2007), SAFTA Agreement (January 2006), Early Harvest Program (a prelude to an FTA) with Malaysia (January 2006), PTA with Iran (October 2006) and D-8 countries (July

2007). In addition to these operational or concluded agreements, trade negotiations on following FTAs/PTAs are in the process and are expected to be concluded shortly: Malaysia, Singapore and Indonesia. Furthermore, Joint Studies to explore possibility of FTA/PTA with following countries are concluded/underway: Thailand, Brunei, ASEAN and Japan. The outcome of such agreements is always gradual and with the passage of time these arrangements would start showing their benefits. Apart from this, Ministry of Commerce is also currently negotiating PTAs/ FTAs/ RTAs with the USA, OIC, GCC, Jordan, Yemen, Syria, Bahrain, Egypt, MERCOSUR and Mauritius. The following initiatives have been taken for increased market access in the European Union, which is Pakistan's single largest export market:

**WTO related issues**

Pakistan is a member of the World Trade Organization (WTO) since its inception in 1995. Currently there are 150 member countries of the WTO. Pakistan pursues both multilateralism and regionalism because this dual trade strategy is grounded in two fundamental ideas: Multilateralism is clearly beneficial in that it engages virtually every country in the World in a mutual process of trade reform. In contrast, regional trade agreements (RTAs) are exclusive and discriminatory, but they are capable of much deeper trade reforms since their adherents are fewer, more like-minded and committed and often linked geographically.

The WTO is playing a positive role in promoting trade among the member countries. Pakistan has been actively participating in all the Ministerial Conferences. As a result of liberalization of our economy, including our agricultural sector, we have started seeing the positive impact on our economy. Pakistan's GDP started growing from almost near stagnation to one of the fastest in Asia, averaging above 7%. Our international trade is growing at more than 15% per annum. Despite the reduction in revenue from tariffs, overall government revenue has been growing at almost 20% per annum. The Government is trying its best to improve market access for core export products such as textile/apparels through negotiations.

## Balance of Payments

### Current Account Balance

Pakistan's balance of payments shows a record increase in capital flows that has substantially offset a gradual widening of the current account deficit. The magnitude of the inflows has overwhelmed the State Bank of Pakistan and complicated monetary policy. Pakistan's current account deficit further widen to $ 6.2 billion (4.3% of GDP) in the first nine months (July-March) of the current fiscal year from $ 4.6 billion (3.6% of GDP) in the same period last year. A striking feature of this year's current account deficit is that it has widened even though the import growth has slowed to 10.2 percent but the performance of exports has been lack luster at best, resulting in widening of trade deficit. Deficit in services account also widened and as such even a robust growth of 7.8 percent in private transfers could not narrow the current account deficit (See Table 9.16)

Month wise trend in current account deficit suggests that much of the deterioration has taken place in the first quarter (July-September) of the current fiscal year when current account deficit averaged $ 935 million per month. During the remaining period (October-March) the current account deficit has narrowed to an average of $ 568 million per month – an improvement of 39.3 percent (See Fig-9.5) If this trend continues, the current account deficit for the year is likely to be around 5.0 percent of GDP as against 4.4 percent last year. The strong inflows in capital account will more than offset the current account deficit and add to the stock of foreign exchange reserves. The flow under long-term capital (net) has surged to $ 5.7 billion in the first nine months (July-March) of the current fiscal year as against $ 3.1 billion in the same period last year, showing an increase of 82 percent.

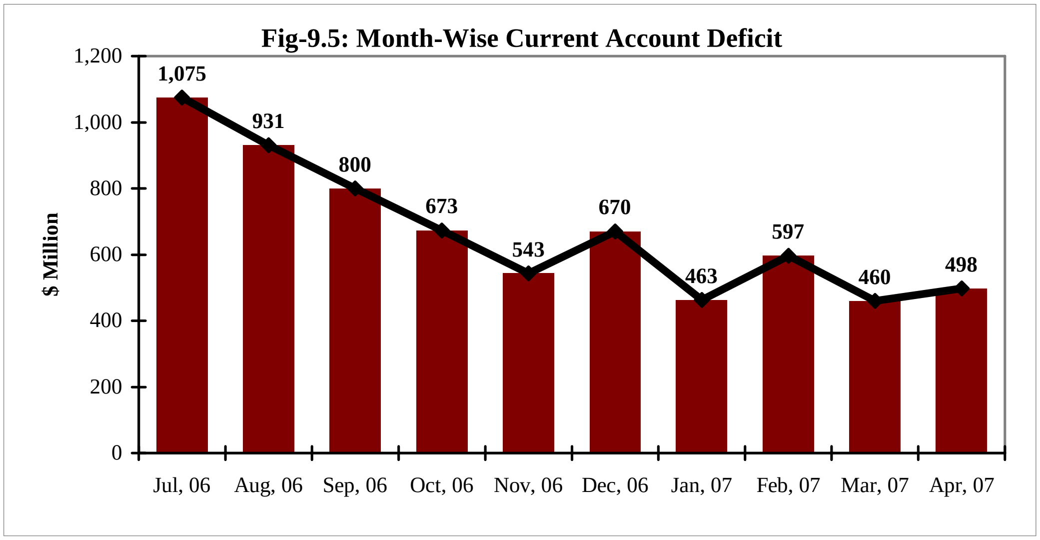



**Table 9.16: Balance of Payments** ($ Million)

| Components | 2004-05 | 2005-06 | July-March | |
|---|---|---|---|---|
| | | | 2005-06 | 2006-07(P) |
| Trade balance | -4352 | -8259 | -6097 | -7419 |
| Exports (fob) | 14401 | 16388 | 11878 | 12390 |
| Imports (fob) | -18753 | -24647 | -17975 | -19809 |
| Services (net) | -5841 | -7304 | -5370 | -6241 |
| Private transfers (net) | 8440 | 9914 | 6911 | 7448 |
| Workers remittances | 4168 | 4600 | 3228 | 3936 |
| Current account balance | -1753 | -5649 | -4556 | -6212 |
| Excluding official transfers | | | | |
| Long term capital (net) | 1706 | 4642 | 3157 | 5739 |
| Changes in reserves (- ve = Increase) | -227 | -675 | -23 | -262 |

P: Provisional  Source: State Bank of Pakistan

## Workers' Remittances

Workers' remittances, the third largest source of foreign exchange inflows after exports and foreign investment, continue to maintain its rising trend. Workers' remittances totaled $ 4.45 billion in the first ten months (July-April) of the fiscal year as against $ 3.6 billion in the same period last year, depicting an increase of 22.6 percent (See Table 9.17). If this trend is maintained workers' remittances are likely to touch $ 5.5 billion for the year – the highest ever in country's history.

**Table-9.17: Workers' Remittances** ($ Million)

| Monthly Cash Inflow * | 2005-06 | 2006-07 | % Change |
|---|---|---|---|
| July | 313.1 | 377.0 | 20.4 |
| August | 348.4 | 434.8 | 24.8 |
| September | 341.1 | 421.7 | 23.6 |
| October | 372.5 | 410.6 | 10.2 |
| November | 308.9 | 448.6 | 45.3 |
| December | 371.2 | 475.2 | 28.0 |
| January | 391.3 | 391.3 | 0.0 |
| February | 358.1 | 457.2 | 27.7 |
| March | 423.6 | 520.2 | 22.8 |
| April | 401.5 | 513.4 | 27.9 |
| **July-April** | **3629.7** | **4450.1** | **22.6** |
| **Monthly average** | **363.0** | **445.0** | **22.6** |

* Including FEBCs and FCBCs  Source: State Bank of Pakistan

Country wise breakup of the data shows that major sources of remittances were USA, Saudi Arabia, UAE and UK (See Table 9.19). The United States continues to be the single largest source of cash workers' remittances accounting for 26.4 percent or $ 1176.12 million, followed by Saudi Arabia ($ 827.6 million or 18.6 percent), UAE ($ 555.8 million or 15.1 Percent), UK ($ 346.4 million or 8.0 percent) and other GCC countries $ 573.7 million or 15.4 percent) (See Table 9.18).

**Table-9.18: Country/Region Wise Cash Workers' Remittances** ($ Million)

| Country / Region | July-Apr. 2005-06 | July-Apr 2006-07 | % Change | % Share |
|---|---|---|---|---|
| USA | 994.78 | 1176.12 | 18.23 | 26.43 |
| UK | 346.40 | 354.60 | 2.37 | 7.97 |
| Saudi Arabia | 584.64 | 827.60 | 41.56 | 18.60 |
| UAE | 555.84 | 673.51 | 21.17 | 15.13 |
| Other GCC Countries | 477.30 | 609.88 | 27.78 | 13.70 |
| EU Countries | 97.06 | 123.08 | 26.81 | 2.77 |
| Others Countries | 573.66 | 685.33 | 19.47 | 15.40 |
| Total | 3629.6 | 4450.12 | 157.39 | 100.0 |

Source: State Bank of Pakistan

## Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves stood at $ 13,738 million at the end of April 2007, considerably higher than the end-June 2006 level of US$ 13,137 million. Of these, reserves held by the State Bank of Pakistan amounted to $ 11561.5 million and that by banks stood at $ 2,176.9 million. In terms of reserves adequacy, the amount of reserves as of end April 2007 is sufficient to meet over 6 months of imports. External inflows are likely to continue during the remaining three months of the fiscal year and as such the foreign exchange reserves are likely to cross $ 14 billion by end-June 2007.

A number of factors contributed towards the accumulation of reserves. The most prominent among these are; private transfers that include remittances, floatation of bonds, higher foreign investment and privatization proceeds. (See Fig-9.6).

Fig-9.6: Foreign Exchange Reserves (End Period)

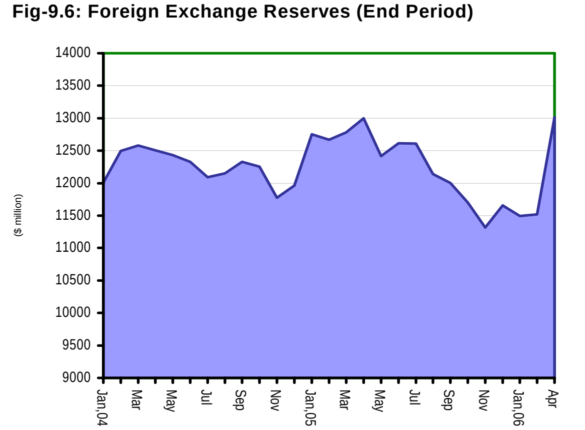
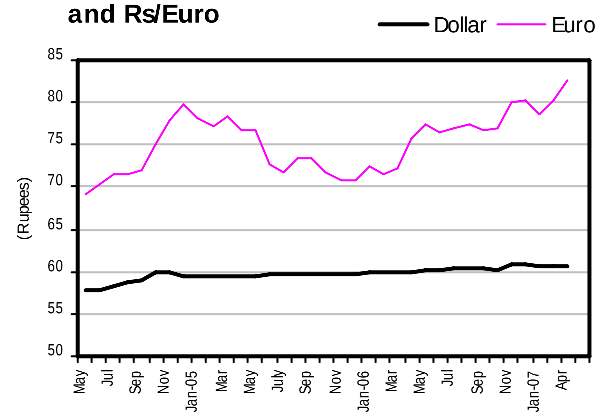



Fig-9.7: Average Exchange Rate Rs/$ and Rs/Euro




## Exchange Rate

Exchange rate remained more or less stable during the FY07. However, rupee depreciated only marginally (0.7%) from Rs.60.2138 per dollars as at end June 2006 to Rs.60.6684 as of end April 2007. In the open market, rupee traded at 60.655 to a dollar, that is at a discount of 0.02 percent as at end-April 2007 [See Table 9.20].

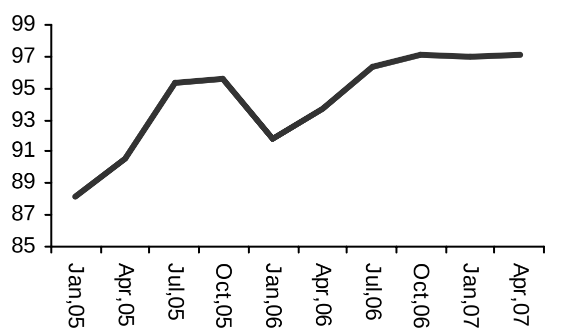
Euro continued to gain strength against Pak-rupees during Jul-April FY07. In July 2006, Euro on average traded at Rs.77.02,while in April 2007, the parity increased to Rs.82.76. Thus Pak-rupee depreciated vis-à-vis the Euro by 7.0 percent during Jul-April FY07, mainly due to strengthening of Euro against US dollar in the international market. The movement of the Pak rupee exchange rate versus US dollar and Euro is given Table 9.19 and Fig.9.7.

**Table 9.19: Average Exchange Rates and Premium**

| | Inter Bank Rate Rs / $ | Open Market Rate Rs/$ | Premium (%) | Rs/ Euro |
|---|---|---|---|---|
| January, 2005 | 59.361 | 59.425 | 0.11 | 77.27 |
| July, 2005 | 59.638 | 60.400 | 1.28 | 72.59 |
| January, 2006 | 59.857 | 59.805 | -0.09 | 72.42 |
| July, 2006 | 60.352 | 60.825 | 0.78 | 77.02 |
| August | 60.393 | 60.445 | 0.09 | 77.47 |
| September | 60.561 | 60.695 | 0.22 | 76.77 |
| October | 60.620 | 60.595 | -0.04 | 77.08 |
| November | 60.846 | 60.875 | 0.05 | 80.13 |
| December | 60.897 | 60.600 | -0.49 | 80.37 |
| January, 2007 | 60.737 | 60.895 | 0.26 | 78.71 |
| February | 60.700 | 60.655 | -0.07 | 80.22 |
| March | 60.730 | 60.655 | -0.12 | 81.11 |
| April | 60.668 | 60.655 | -0.02 | 82.76 |

Source: State Bank of Pakistan

Fig-9.8 Real Effective Exchange Rate Index




## Real Effective Exchange Rate

The Real Effective Exchange Rate (REER) is used as an indicator of trade competitiveness that captures the behavior of the Pak-rupee against a basket of currencies. The REER showed a real appreciation of 2.06 percent during July-April FY07. The real appreciation resulted mainly due to higher domestic inflation compared to major competitors and trading partner countries. However, rupee succeeded in shedding some of its real gains during Feb-March period largely due to nominal depreciation of Pak-rupee. (See Table 9.20 & Fig- 9.8).

**Table 9.20: Real Effective Exchange Rate Index**

**(Rupee Price of a Basket of 15 Currencies)**

**(2000 = 100)**

| End Month Position | |
|---|---|
| July, 2005 | 95.3774 |
| January, 2006 | 96.4484 |
| July, 2006 | 96.3488 |
| August | 96.6996 |
| September | 97.0792 |
| October | 97.4822 |
| November | 96.1686 |
| December | 96.0685 |
| January, 2007 | 97.0920 |
| February | 97.5293 |
| March | 97.5339 |
| April | 97.0983 |

Source: State Bank of Pakistan

TABLE 8.1

## BALANCE OF PAYMENTS

(US $ Million)

| Items | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-March 2005-06 | July-March 2006-07 (P) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Trade Balance | -1867 | -2085 | -1412 | -1269 | -294 | -444 | -1208 | -4352 | -8259 | -6097 | -7419 |
| Exports (f.o.b) | 8434 | 7528 | 8190 | 8933 | 9140 | 10889 | 12396 | 14401 | 16388 | 11878 | 12390 |
| Imports (f.o.b) | -10301 | -9613 | -9602 | -10202 | -9434 | -11333 | -13604 | -18753 | -24647 | -17975 | -19809 |
| 2. Services (Net) | -3264 | -2618 | -2794 | -3142 | -2617 | -2128 | -3594 | -5841 | -7304 | -5370 | -6241 |
| Receipts | 1708 | 1409 | 1501 | 1464 | 2027 | 2967 | 2894 | 3837 | 4718 | 3402 | 3562 |
| Payments | -4972 | -4027 | -4295 | -4606 | -4644 | -5095 | -6488 | -9678 | -12022 | -8772 | -9803 |
| Shipment | (921) | (844) | (802) | (877) | (809) | (951) | (1,253) | (1,713) | (2,203) | (1,616) | (1756) |
| Investment Income | (2,454) | (1,903) | (2,135) | (2,274) | (2,430) | (2,381) | (2,394) | (2,823) | (3,451) | (2,411) | (3276) |
| Others | (1,597) | (1,280) | (1,358) | (1,455) | (1,405) | (1,763) | (2,841) | (5,142) | (6,368) | (4,745) | (4771) |
| 3. Private Unrequited Transfers (net) | 3210 | 2274 | 3063 | 3898 | 4249 | 5737 | 6116 | 8440 | 9914 | 6911 | 7448 |
| (Workers Remittances) | (1,490) | (1,060) | (983) | (1,087) | (2,389) | (4,237) | 3,871 | 4,168 | 4,600 | 3,228 | 3936 |
| 4. Current Account Balance | -1921 | -2429 | -1143 | -513 | 1338 | 3165 | 1314 | -1753 | -5649 | -4556 | -6212 |
| 5. Long-term Capital (net) | 1707 | 1836 | 525 | 171 | 1280 | 1035 | -201 | 2562 | 6016 | 3833 | 5448 |
| Private Capital (net) | 617 | 466 | 277 | -68 | -177 | 225 | 691 | 1221 | 4153 | 2868 | 4505 |
| Official Capital (net)@ | 1090 | 1370 | 248 | 239 | 1457 | 810 | -892 | 1341 | 1863 | 965 | 943 |
| 6. Basic Balance | -214 | -593 | -618 | -342 | 2618 | 4200 | 1113 | 809 | 367 | -723 | -764 |
| 7. Errors and Omissions (net)* | -514 | -1375 | -2282 | 313 | 961 | 909 | -137 | -854 | 36 | 379 | 74 |
| 8. Balance Requiring Official Financing | -728 | -1968 | -2900 | -29 | 3579 | 5109 | 976 | -45 | 403 | -344 | -690 |
| 9. Official Assistance & Debt Relief | 422 | -1174 | -996 | 338 | -925 | -520 | -95 | 472 | 470 | 522 | 915 |
| Medium and Short-Term Capital | 390 | -863 | -221 | 431 | -334 | -180 | -317 | 147 | -193 | -181 | -58 |
| Other Short-Term Assets/ Liabilities FEBC, DBC FEBC, Euro & Special US $ Bonds (Net) | 32 | -311 | -775 | -93 | -591 | -340 | 222 | 335 | 663 | 703 | 973 |
| 10 Exceptional Financing | 0 | 3966 | 3966 | 692 | 138 | 620 | -55 | -55 | -55 | -55 | 100 |
| 11. Change in Reserves ( - ve = increase ) | 306 | -824 | -71 | -1001 | -2792 | -5209 | -826 | -372 | -818 | -123 | -325 |

@ Includes Official Unrequited Transfers

* Includes Private Short-term Capital

(P) Provisional

Source : State Bank of Pakistan

TABLE 8.2

COMPONENTS OF BALANCE OF PAYMENTS (AS PERCENT OF GDP)

| Year | Exports ^ | Imports ^ | Trade Deficit ^ | Worker's Remit-tances # | 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 | 12.5 | 15.9 | 3.3 | 3.9 | +1.3 |
| 2004-05 | 13.0 | 18.5 | 5.5 | 3.7 | 1.6 |
| 2005-06 | 13.0 | 22.5 | 9.5 | 2.9 | 4.5 |
| <u>Jul-April</u> | | | | | |
| 2005-06 * | 9.4 | 16.0 | 6.6 | 2.5 | 3.6 |
| 2006-07 * | 9.7 | 17.4 | 7.7 | 3.1 | 4.3 ~ |

^ Based on the data compiled by FBS.

Source: FBS, SBP & E.A.Wing, Finance Division.

# Based on the data compiled by SBP.

* : Provisional

~ : July-March

TABLE 8.3

EXPORTS, IMPORTS AND TRADE BALANCE

| Year | (Rs million) Current Prices | | | Growth Rate (%) | | | (US $ million) Current Prices | | | Growth Rate (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Exports | Imports | Balance | Exports | Imports | Balance | Exports | Imports | Balance | Exports | Imports | Balance |
| 1980-81 | 29,280 | 53,544 | -24264 | 25.07 | 14.10 | 3.17 | 2,958 | 5,409 | -2451 | 25.07 | 14.11 | 3.20 |
| 1981-82 | 26,270 | 59,482 | -33212 | -10.28 | 11.09 | 36.88 | 2,464 | 5,622 | -3158 | -16.70 | 3.94 | 28.85 |
| 1982-83 | 34,442 | 68,151 | -33709 | 31.11 | 14.57 | 1.50 | 2,694 | 5,357 | -2663 | 9.33 | -4.71 | -15.67 |
| 1983-84 | 37,339 | 76,707 | -39368 | 8.41 | 12.55 | 16.79 | 2,768 | 5,685 | -2917 | 2.75 | 6.12 | 9.54 |
| 1984-85 | 37,979 | 89,778 | -51799 | 1.71 | 17.04 | 31.58 | 2,491 | 5,906 | -3415 | -10.01 | 3.89 | 17.07 |
| 1985-86 | 49,592 | 90,946 | -41354 | 30.58 | 1.30 | -20.16 | 3,070 | 5,634 | -2564 | 23.24 | -4.61 | -24.92 |
| 1986-87 | 63,355 | 92,431 | -29076 | 27.75 | 1.63 | -29.69 | 3,686 | 5,380 | -1694 | 20.07 | -4.51 | -33.93 |
| 1987-88 | 78,445 | 112,551 | -34106 | 23.82 | 21.77 | 17.30 | 4,455 | 6,391 | -1936 | 20.86 | 18.79 | 14.29 |
| 1988-89 | 90,183 | 135,841 | -45658 | 14.96 | 20.69 | 33.87 | 4,661 | 7,034 | -2373 | 4.62 | 10.06 | 22.57 |
| 1989-90 | 106,469 | 148,853 | -42384 | 18.06 | 9.58 | -7.17 | 4,954 | 6,935 | -1981 | 6.29 | -1.41 | -16.52 |
| 1990-91 | 138,282 | 171,114 | -32832 | 29.88 | 14.96 | -22.54 | 6,131 | 7,619 | -1488 | 23.76 | 9.86 | -24.89 |
| 1991-92 | 171,728 | 229,889 | -58161 | 24.19 | 34.35 | 77.15 | 6,904 | 9,252 | -2348 | 12.61 | 21.43 | 57.80 |
| 1992-93 | 177,028 | 258,643 | -81615 | 3.09 | 12.51 | 40.33 | 6,813 | 9,941 | -3128 | -1.32 | 7.45 | 33.22 |
| 1993-94 | 205,499 | 258,250 | -52751 | 16.08 | -0.15 | -35.37 | 6,803 | 8,564 | -1761 | -0.15 | -13.85 | -43.70 |
| 1994-95 | 251,173 | 320,892 | -69719 | 22.23 | 24.26 | 32.17 | 8,137 | 10,394 | -2257 | 19.61 | 21.37 | 28.17 |
| 1995-96 | 294,741 | 397,575 | -102834 | 17.35 | 23.90 | 47.50 | 8,707 | 11,805 | -3098 | 7.01 | 13.58 | 37.26 |
| 1996-97 | 325,313 | 465,001 | -139688 | 10.37 | 16.96 | 35.84 | 8,320 | 11,894 | -3574 | -4.44 | 0.75 | 15.36 |
| 1997-98 | 373,160 | 436,338 | -63178 | 14.71 | -6.16 | -54.77 | 8,628 | 10,118 | -1490 | 3.70 | -14.93 | -58.31 |
| 1998-99 | 390,342 | 465,964 | -75622 | 4.60 | 6.79 | 19.70 | 7,779 | 9,432 | -1653 | -9.84 | -6.78 | 10.94 |
| 1999-00 | 443,678 | 533,792 | -90114 | 13.66 | 14.56 | 19.16 | 8,569 | 10,309 | -1740 | 10.15 | 9.30 | 5.26 |
| 2000-01 | 539,070 | 627,000 | -87930 | 21.50 | 17.46 | -2.42 | 9,202 | 10,729 | -1527 | 7.39 | 4.07 | -12.24 |
| 2001-02 | 560,947 | 634,630 | -73683 | 4.06 | 1.22 | -16.20 | 9,135 | 10,340 | -1205 | -0.73 | -3.63 | -21.09 |
| 2002-03 | 652,294 | 714,372 | -62078 | 16.28 | 12.57 | -15.75 | 11,160 | 12,220 | -1060 | 22.17 | 18.18 | -12.03 |
| 2003-04 | 709,036 | 897,825 | -188789 | 8.70 | 25.68 | 204.12 | 12,313 | 15,592 | -3279 | 10.33 | 27.59 | 209.34 |
| 2004-05 | 854,088 | 1,223,079 | -369621 | 20.46 | 36.23 | 95.79 | 14,391 | 20,598 | -6207 | 16.88 | 32.11 | 89.30 |
| 2005-06 | 984,841 | 1,711,158 | -726317 | 15.31 | 39.91 | 96.50 | 16,469 | 28,581 | -12112 | 14.43 | 38.76 | 95.13 |
| July-April | | | | | | | | | | | | |
| 2005-06 | 804,844 | 1,372,419 | -567575 | 17.74 | 41.30 | 97.28 | 13,457 | 22,946 | -9489 | 16.71 | 40.15 | 95.97 |
| 2006-07 | 843,296 | 1,515,412 | -672116 | 4.78 | 10.42 | 18.41 | 13,909 | 24,993 | -11084 | 3.36 | 8.92 | 16.80 |

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)

(Indices)

| Groups | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-December 2005-06 | July-December 2006-07 |
|---|---|---|---|---|---|---|---|---|---|---|
| All Groups | | | | | | | | | | |
| Exports | 258.40 | 253.77 | 271.47 | 271.18 | 254.02 | 279.65 | 288.84 | 299.31 | 296.10 | 308.26 |
| Imports | 223.32 | 259.03 | 298.44 | 298.56 | 309.52 | 355.43 | 392.45 | 460.38 | 446.01 | 481.53 |
| T.O.T. | 115.71 | 97.97 | 90.96 | 90.83 | 82.07 | 78.68 | 73.60 | 65.01 | 66.39 | 64.02 |
| Food & Live Animals | | | | | | | | | | |
| Exports | 221.84 | 234.95 | 249.32 | 260.55 | 258.11 | 267.55 | 303.93 | 327.47 | 317.01 | 344.48 |
| Imports | 225.64 | 248.38 | 278.82 | 277.41 | 259.76 | 282.18 | 314.36 | 323.95 | 294.69 | 408.66 |
| T.O.T. | 98.32 | 94.59 | 89.42 | 93.92 | 99.36 | 94.82 | 96.68 | 101.09 | 107.57 | 84.25 |
| Beverages & Tobacco | | | | | | | | | | |
| Exports | 106.30 | 143.34 | 171.44 | 169.82 | 146.52 | 175.33 | 162.96 | 191.13 | 198.76 | 222.30 |
| Imports | 561.35 | 532.21 | 698.92 | 790.14 | 598.00 | 521.88 | 561.23 | 621.67 | 631.28 | 672.27 |
| T.O.T. | 18.94 | 26.93 | 24.53 | 21.49 | 24.50 | 33.60 | 29.04 | 30.74 | 31.49 | 33.07 |
| Crude Materials (inedible except fuels) | | | | | | | | | | |
| Exports | 214.68 | 169.85 | 192.12 | 158.90 | 171.58 | 218.86 | 195.64 | 209.97 | 203.01 | 224.99 |
| Imports | 198.56 | 198.06 | 218.95 | 228.14 | 232.37 | 245.01 | 293.06 | 329.71 | 330.71 | 346.26 |
| T.O.T. | 108.12 | 85.76 | 87.75 | 69.65 | 73.84 | 89.33 | 66.76 | 63.88 | 61.39 | 64.98 |
| Minerals, Fuels & Lubricants | | | | | | | | | | |
| Exports | 166.47 | 283.63 | 373.65 | 314.40 | 365.14 | 416.09 | 525.75 | 644.33 | 600.87 | 719.26 |
| Imports | 108.55 | 206.30 | 276.87 | 249.66 | 297.20 | 306.38 | 389.16 | 615.00 | 578.93 | 654.97 |
| T.O.T. | 153.36 | 137.48 | 134.96 | 125.93 | 122.86 | 135.81 | 135.10 | 104.77 | 103.79 | 109.82 |
| Chemicals | | | | | | | | | | |
| Exports | 263.37 | 276.51 | 282.36 | 281.54 | 270.05 | 265.61 | 277.23 | 312.89 | 292.40 | 359.47 |
| Imports | 196.20 | 208.54 | 228.06 | 239.29 | 245.60 | 313.15 | 334.10 | 372.17 | 342.67 | 377.97 |
| T.O.T. | 134.23 | 132.59 | 123.81 | 117.66 | 109.96 | 84.82 | 82.98 | 84.07 | 85.33 | 95.11 |
| Animal & Vegetable Oils, Fats & Waxes | | | | | | | | | | |
| Exports | - | - | - | - | - | - | - | - | - | - |
| Imports | 326.86 | 229.68 | 195.10 | 224.82 | 300.36 | 347.94 | 358.48 | 341.40 | 371.11 | 389.03 |
| T.O.T. | - | - | - | - | - | - | - | - | - | - |
| Manufactured Goods | | | | | | | | | | |
| Exports | 275.59 | 266.96 | 279.04 | 281.83 | 248.93 | 274.02 | 284.72 | 289.58 | 284.73 | 299.35 |
| Imports | 226.26 | 224.61 | 251.50 | 244.97 | 240.82 | 287.80 | 301.00 | 340.71 | 328.28 | 366.85 |
| T.O.T. | 121.80 | 118.86 | 110.95 | 115.05 | 103.37 | 95.21 | 94.59 | 84.99 | 86.73 | 81.60 |
| Machinery and Transport Equipment | | | | | | | | | | |
| Exports | 291.07 | 396.34 | 453.20 | 579.13 | 572.31 | 396.09 | 342.97 | 414.01 | 438.76 | 450.60 |
| Imports | 355.79 | 417.87 | 470.20 | 481.18 | 450.67 | 537.55 | 561.15 | 538.14 | 535.57 | 511.21 |
| T.O.T. | 81.81 | 94.85 | 96.38 | 120.36 | 126.99 | 73.68 | 61.12 | 76.93 | 81.92 | 88.14 |
| Miscellaneous Manufactured Articles | | | | | | | | | | |
| Exports | 259.80 | 263.04 | 292.47 | 298.40 | 294.67 | 318.55 | 324.17 | 342.71 | 350.46 | 339.85 |
| Imports | 240.08 | 278.99 | 323.02 | 320.35 | 299.60 | 333.22 | 343.13 | 404.94 | 403.19 | 384.02 |
| T.O.T. | 108.21 | 94.28 | 90.54 | 93.15 | 98.35 | 95.60 | 94.47 | 82.59 | 86.92 | 88.50 |

- Not applicable
* Provisional

Source: Federal Bureau of Statistics.

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 | 44 | 1,998 |
| 1971-72 | 1,510 | 45 | 914 | 27 | 947 | 28 | 3,371 |
| 1972-73 | 3,366 | 39 | 2,583 | 30 | 2,602 | 30 | 8,551 |
| 1973-74 | 4,007 | 39 | 2,294 | 23 | 3,860 | 38 | 10,161 |
| 1974-75 | 4,933 | 48 | 1,308 | 13 | 4,047 | 39 | 10,286 |
| 1975-76 | 4,902 | 44 | 2,068 | 18 | 4,283 | 38 | 11,253 |
| 1976-77 | 4,622 | 41 | 1,888 | 17 | 4,783 | 42 | 11,294 |
| 1977-78 | 4,633 | 36 | 1,912 | 15 | 6,435 | 50 | 12,980 |
| 1978-79 | 5,475 | 32 | 3,489 | 21 | 7,963 | 47 | 16,925 |
| 1979-80 | 9,838 | 42 | 3,519 | 15 | 10,053 | 43 | 23,410 |
| 1980-81 | 12,824 | 44 | 3,320 | 11 | 13,136 | 45 | 29,280 |
| 1981-82 | 9,112 | 35 | 3,507 | 13 | 13,651 | 52 | 26,270 |
| 1982-83 | 10,326 | 30 | 4,618 | 13 | 19,498 | 57 | 34,442 |
| 1983-84 | 10,789 | 29 | 5,172 | 14 | 21,378 | 57 | 37,339 |
| 1984-85 | 10,981 | 29 | 6,664 | 17 | 20,334 | 54 | 37,979 |
| 1985-86 | 17,139 | 35 | 7,892 | 16 | 24,561 | 49 | 49,592 |
| 1986-87 | 16,796 | 26 | 13,214 | 21 | 33,345 | 53 | 63,355 |
| 1987-88 | 22,163 | 28 | 15,268 | 20 | 41,012 | 52 | 78,445 |
| 1988-89 | 29,567 | 33 | 16,937 | 19 | 43,679 | 48 | 90,183 |
| 1989-90 | 21,641 | 20 | 25,167 | 24 | 59,661 | 56 | 106,469 |
| 1990-91 | 25,820 | 19 | 33,799 | 24 | 78,663 | 57 | 138,282 |
| 1991-92 | 32,645 | 19 | 36,731 | 21 | 102,352 | 60 | 171,728 |
| 1992-93 | 26,133 | 15 | 36,507 | 21 | 114,388 | 64 | 177,028 |
| 1993-94 | 21,321 | 10 | 48,748 | 24 | 135,430 | 66 | 205,499 |
| 1994-95 | 28,113 | 11 | 62,624 | 25 | 160,436 | 64 | 251,173 |
| 1995-96 | 47,852 | 16 | 63,802 | 22 | 183,087 | 62 | 294,741 |
| 1996-97 | 36,452 | 11 | 66,889 | 21 | 221,972 | 68 | 325,313 |
| 1997-98 | 47,357 | 13 | 64,683 | 17 | 261,120 | 70 | 373,160 |
| 1998-99 | 45,143 | 12 | 70,288 | 18 | 274,911 | 70 | 390,342 |
| 1999-00 | 53,833 | 12 | 68,208 | 15 | 321,637 | 73 | 443,678 |
| 2000-01 | 67,783 | 13 | 81,288 | 15 | 389,999 | 72 | 539,070 |
| 2001-02 | 60,346 | 11 | 80,438 | 14 | 420,163 | 75 | 560,947 |
| 2002-03 | 71,194 | 11 | 71,323 | 11 | 509,777 | 78 | 652,294 |
| 2003-04 | 70,716 | 10 | 83,361 | 12 | 554,959 | 78 | 709,036 |
| 2004-05 | 92,018 | 11 | 86,483 | 10 | 675,586 | 79 | 854,088 |
| 2005-06 | 112,268 | 11 | 106,029 | 11 | 766,543 | 78 | 98,414 |
| Jul-Mar | | | | | | | |
| 2005-06 | 82,060 | 11 | 76,409 | 11 | 559,784 | 78 | 71,853 |
| 2006-07 (P) | 81,346 | 11 | 76,100 | 10 | 590,667 | 79 | 74,813 |

P : Provisional

(Contd.)

TABLE 8.5

ECONOMIC CLASSIFICATION OF EXPORTS AND IMPORTS (B. IMPORTS)

(Rs million)

| Year | Capital Goods Value | Capital Goods Percentage Share | Industrial Raw Material For Capital Goods Value | Industrial Raw Material For Capital Goods Percentage Share | Industrial Raw Material For Consumer Goods Value | Industrial Raw Material For Consumer Goods Percentage Share | Consumer Goods Value | Consumer Goods Percentage Share | Total Value |
|---|---|---|---|---|---|---|---|---|---|
| 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 |
| 2004-05 | 441,528 | 36 | 101,719 | 8 | 557,226 | 46 | 122,607 | 10 | 1,223,079 |
| 2005-06 | 631,644 | 37 | 124,480 | 7 | 769,336 | 45 | 185,698 | 11 | 171,158 |
| Jul-Mar | | | | | | | | | |
| 2005-06 | 454,358 | 37 | 95,554 | 8 | 556,682 | 45 | 130,311 | 10 | 1,236,905 |
| 2006-07 (P) | 510,401 | 38 | 96,396 | 7 | 610,431 | 45 | 141,805 | 10 | 1,359,033 |

P : Provisional

Source: Federal Bureau of Statistics.

TABLE 8.6

MAJOR IMPORTS

(Rs. Million)

| Items | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | Jul-Mar 2005-06 | Jul-Mar 2006-07 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Chemicals | 57,613 | 72,797 | 80,106 | 82,263 | 90,953 | 119,683 | 160,711 | 176,200 | 133,981 | 143,065 |
| 2. Drugs and medicines | 13,027 | 13,429 | 13,965 | 13,988 | 12,964 | 15,812 | 17,343 | 20,091 | 14,993 | 18,263 |
| 3. Dyes and colours | 6,535 | 6,950 | 7,346 | 7,775 | 8,419 | 9,218 | 11,101 | 13,272 | 9,785 | 10,809 |
| 4. Chemical Fertilizers | 13,311 | 10,227 | 9,842 | 10,904 | 14,068 | 16,405 | 24,794 | 40,787 | 32,487 | 15,777 |
| 5. Electrical goods | 7,435 | 8,026 | 7,695 | 7,835 | 12,661 | 14,862 | 21,121 | 30,463 | 20,878 | 33,272 |
| 6. Machinery (non-electrical) | 75,703 | 66,206 | 88,551 | 96,832 | 119,256 | 140,907 | 254,452 | 334,445 | 239,194 | 271,966 |
| 7. Transport equipments | 27,208 | 29,202 | 24,918 | 30,587 | 39,984 | 87,374 | 75,981 | 133,480 | 98,082 | 109,027 |
| 8. Paper, board and stationery | 5,880 | 6,352 | 7,646 | 8,608 | 10,451 | 12,138 | 14,850 | 19,135 | 11,291 | 13,531 |
| 9. Tea | 11,150 | 10,895 | 12,030 | 9,611 | 10,095 | 11,078 | 13,202 | 13,336 | 10,392 | 10,188 |
| 10. Sugar-refined | 153 | 769 | 14,488 | 1,485 | 153 | 189 | 5,229 | 37,366 | 16,669 | 14,986 |
| 11. Art-silk yarn | 2,241 | 2,460 | 3,509 | 5,054 | 5,375 | 6,793 | 7,730 | 14,204 | 10,708 | 10,491 |
| 12. Iron, steel & manu-factures thereof | 18,370 | 18,864 | 20,267 | 24,633 | 28,813 | 35,942 | 62,444 | 96,043 | 75,368 | 67,517 |
| 13. Non-ferrous metals | 4,502 | 5,016 | 5,964 | 6,757 | 8,430 | 10,544 | 15,547 | 20,665 | 14,489 | 20,008 |
| 14. Petroleum & products | 68,896 | 145,238 | 195,611 | 172,578 | 179,317 | 182,332 | 237,387 | 399,667 | 276,848 | 306,152 |
| 15. Edible oils | 40,536 | 21,402 | 19,045 | 24,034 | 34,288 | 37,917 | 44,975 | 44,212 | 33,875 | 39,557 |
| 16. Grains, pulses & flours | 22,274 | 19,639 | 7,987 | 11,636 | 9,290 | 6,338 | 26,117 | 20,910 | 16,660 | 15,290 |
| 17. Other imports | 91,130 | 96,320 | 108,030 | 120,050 | 129,855 | 190,293 | 391,573 | 296,882 | 221,205 | 259,134 |
| Grand Total | 465,964 | 533,792 | 627,000 | 634,630 | 714,372 | 897,825 | 1,223,079 | 1,711,158 | 1,236,905 | 1,359,033 |

* : Provisional

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 | 1997-98 | 1998-99 | 1999-00 |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. Developed Countries | | | | | | | | | | |
| Exports | 60.8 | 56.7 | 57.1 | 60.3 | 58.9 | 55.6 | 60.0 | 59.4 | 59.9 | 61.0 |
| Imports | 58.3 | 62.2 | 58.6 | 52.6 | 49.3 | 49.9 | 48.7 | 46.5 | 42.2 | 36.7 |
| a. OECD | | | | | | | | | | |
| Exports | 57.2 | 54.9 | 56.7 | 60.0 | 58.6 | 55.3 | 59.7 | 59.5 | 59.6 | 60.6 |
| Imports | 55.7 | 58.7 | 57.0 | 52.1 | 48.5 | 49.0 | 48.1 | 46.1 | 41.6 | 36.1 |
| b. Other European Countries | | | | | | | | | | |
| Exports | 0.6 | 0.3 | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.4 |
| Imports | 0.8 | 0.5 | 0.3 | 0.5 | 0.8 | 0.9 | 0.6 | 0.4 | 0.6 | 0.6 |
| 2. CMEA* | | | | | | | | | | |
| Exports | 3.0 | 1.5 | 1.0 | 0.5 | 0.4 | 0.5 | 0.7 | 0.6 | 0.4 | 0.4 |
| Imports | 1.8 | 3.0 | 1.3 | 1.6 | 2.1 | 1.9 | 1.3 | 0.9 | 1.0 | 1.2 |
| 3. Developing Countries | | | | | | | | | | |
| Exports | 39.2 | 44.3 | 41.9 | 39.2 | 40.7 | 43.9 | 39.3 | 39.6 | 39.7 | 38.6 |
| Imports | 41.7 | 37.8 | 41.4 | 45.8 | 48.6 | 48.2 | 50.0 | 52.6 | 56.8 | 62.1 |
| a. OIC | | | | | | | | | | |
| Exports | 12.7 | 14.6 | 16.0 | 13.7 | 12.9 | 12.9 | 11.8 | 12.5 | 12.7 | 14.1 |
| Imports | 17.9 | 16.5 | 16.9 | 20.9 | 21.3 | 22.4 | 26.0 | 23.3 | 24.3 | 35.2 |
| b. SAARC | | | | | | | | | | |
| Exports | 3.5 | 4.7 | 3.8 | 3.1 | 3.4 | 2.7 | 2.5 | 3.5 | 5.0 | 3.2 |
| Imports | 1.5 | 1.5 | 1.5 | 1.6 | 1.4 | 1.5 | 2.4 | 2.3 | 2.2 | 1.9 |
| c. ASEAN | | | | | | | | | | |
| Exports | 5.1 | 5.6 | 5.2 | 3.7 | 4.0 | 5.3 | 2.5 | 3.2 | 3.2 | 2.8 |
| Imports | 8.9 | 7.3 | 8.5 | 9.5 | 12.6 | 11.2 | 9.0 | 12.6 | 14.1 | 10.2 |
| d. Central America | | | | | | | | | | |
| Exports | 0.1 | 0.2 | 0.3 | 0.5 | 0.4 | 0.3 | 0.5 | 0.7 | 0.8 | 0.9 |
| Imports | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.1 | 0.3 | 0.2 |
| e. South America | | | | | | | | | | |
| Exports | 0.2 | 0.5 | 0.5 | 0.9 | 1.0 | 1.4 | 1.2 | 1.6 | 1.2 | 1.1 |
| Imports | 1.6 | 1.3 | 1.6 | 1.0 | 1.4 | 1.2 | 1.7 | 1.1 | 2.1 | 1.0 |
| f. Other Asian Countries | | | | | | | | | | |
| Exports | 14.6 | 14.3 | 13.0 | 14.0 | 14.9 | 17.1 | 15.6 | 12.9 | 12.8 | 12.4 |
| Imports | 9.6 | 9.5 | 11.1 | 10.8 | 9.5 | 9.4 | 8.7 | 10.7 | 10.3 | 10.3 |
| g. Other African Countries | | | | | | | | | | |
| Exports | 3.0 | 4.4 | 3.0 | 2.9 | 3.6 | 3.8 | 4.4 | 4.3 | 3.5 | 3.8 |
| Imports | 2.0 | 1.6 | 1.7 | 1.9 | 2.2 | 2.3 | 1.9 | 2.5 | 2.8 | 3.0 |
| h. Central Asian States | | | | | | | | | | |
| Exports | - | - | 0.1 | 0.4 | 0.5 | 0.9 | 0.8 | 0.9 | 0.5 | 0.3 |
| Imports | - | - | - | - | 0.1 | .. | 0.1 | -- | 0.7 | 0.3 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

(Contd..)

TABLE 8.7

DESTINATION OF EXPORTS AND ORIGIN OF IMPORTS

(% Share)

| REGION | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | Jul-Mar 2005-06 | Jul-Mar 2006-07 |
|---|---|---|---|---|---|---|---|---|
| 1. Developed Countries | | | | | | | | |
| Exports | 56.7 | 58.1 | 56.1 | 58.2 | 55.9 | 54.7 | 54.6 | 55.3 |
| Imports | 31.0 | 34.3 | 34.4 | 35.5 | 38.0 | 34.2 | 34.8 | 34.1 |
| a. OECD | | | | | | | | |
| Exports | 56.3 | 57.6 | 55.6 | 57.5 | 55.2 | 53.8 | 53.7 | 54.4 |
| Imports | 30.5 | 33.7 | 33.5 | 34.7 | 34.7 | 32.4 | 32.9 | 32.3 |
| b. Other European Countries | | | | | | | | |
| Exports | 0.4 | 0.5 | 0.5 | 0.7 | 0.7 | 0.9 | 0.9 | 0.9 |
| Imports | 0.5 | 0.6 | 0.9 | 0.8 | 3.3 | 1.8 | 1.9 | 1.8 |
| 2. CMEA* | | | | | | | | |
| Exports | 0.4 | 0.5 | 0.6 | 0.7 | 0.9 | 0.9 | 0.9 | 0.9 |
| Imports | 0.9 | 1.1 | 0.8 | 1.2 | 2.1 | 2.2 | 2.5 | 2.5 |
| 3. Developing Countries | | | | | | | | |
| Exports | 42.9 | 41.4 | 43.3 | 41.1 | 43.2 | 44.4 | 44.5 | 43.8 |
| Imports | 68.1 | 64.6 | 64.8 | 63.3 | 59.9 | 63.6 | 62.7 | 63.5 |
| a. OIC | | | | | | | | |
| Exports | 16.5 | 19.2 | 22.3 | 20.7 | 21.9 | 23.3 | 22.9 | 22.7 |
| Imports | 39.3 | 36.0 | 35.2 | 33.7 | 29.2 | 33.7 | 32.0 | 32.5 |
| b. SAARC | | | | | | | | |
| Exports | 2.9 | 2.5 | 2.4 | 3.2 | 4.6 | 4.4 | 4.4 | 4.3 |
| Imports | 2.9 | 2.4 | 1.9 | 3.1 | 3.2 | 3.3 | 2.7 | 2.6 |
| c. ASEAN | | | | | | | | |
| Exports | 3.6 | 2.7 | 2.9 | 2.7 | 2.1 | 1.7 | 1.7 | 1.7 |
| Imports | 10.6 | 11.7 | 12.2 | 11.1 | 10.0 | 9.1 | 9.4 | 9.5 |
| d. Central America | | | | | | | | |
| Exports | 0.8 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Imports | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 |
| e. South America | | | | | | | | |
| Exports | 1.2 | 0.9 | 0.7 | 0.8 | 0.9 | 1.0 | 1.0 | 1.0 |
| Imports | 1.6 | 0.7 | 0.6 | 0.6 | 1.1 | 1.4 | 1.5 | 1.5 |
| f. Other Asian Countries | | | | | | | | |
| Exports | 13.0 | 11.4 | 9.9 | 9.4 | 8.7 | 8.9 | 9.1 | 8.9 |
| Imports | 10.6 | 10.9 | 12.5 | 12.3 | 13.7 | 13.7 | 14.6 | 15.1 |
| g. Other African Countries | | | | | | | | |
| Exports | 4.3 | 3.5 | 4.0 | 3.2 | 4.0 | 4.1 | 4.4 | 4.2 |
| Imports | 2.8 | 2.7 | 2.3 | 2.3 | 2.4 | 2.2 | 2.2 | 2.0 |
| h. Central Asian States | | | | | | | | |
| Exports | 0.3 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |
| Imports | 0.1 | 0.1 | .. | 0.1 | 0.2 | 0.1 | 0.1 | 0.1 |
| Total | 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 | 1997-98 | 1998-99 |
|---|---|---|---|---|---|---|---|---|---|
| I. Cash Flow | 1,626.92 | 1,252.45 | 1,238.51 | 1,093.36 | 1,317.73 | 1,227.28 | 1,078.05 | 1,237.68 | 875.55 |
| Bahrain | 37.20 | 27.75 | 25.42 | 25.92 | 35.90 | 33.23 | 29.16 | 34.31 | 33.31 |
| Canada | 11.26 | 9.86 | 7.54 | 5.65 | 4.91 | 5.67 | 3.59 | 4.14 | 3.46 |
| Germany | 32.62 | 33.12 | 40.64 | 28.88 | 27.71 | 26.06 | 18.98 | 16.62 | 11.93 |
| Japan | 26.84 | 12.96 | 11.62 | 7.13 | 6.90 | 3.65 | 3.05 | 2.65 | 3.09 |
| Kuwait | 15.12 | 44.24 | 60.22 | 47.85 | 57.86 | 45.43 | 38.38 | 52.40 | 106.36 |
| Norway | 21.28 | 16.25 | 15.18 | 11.85 | 13.40 | 11.72 | 7.97 | 7.16 | 5.26 |
| Qatar | 24.27 | 12.87 | 10.91 | 7.57 | 11.52 | 14.08 | 9.68 | 12.17 | 12.94 |
| Saudi Arabia | 681.97 | 516.16 | 525.94 | 493.65 | 554.08 | 503.22 | 418.44 | 474.86 | 318.49 |
| Sultanat-e-Oman | 74.98 | 60.35 | 51.67 | 46.07 | 61.49 | 64.44 | 46.11 | 61.97 | 44.67 |
| U.A.E. | 172.03 | 105.07 | 97.76 | 99.36 | 178.26 | 161.93 | 164.39 | 207.70 | 125.09 |
| Abu Dhabi | 75.71 | 38.74 | 32.47 | 29.32 | 51.99 | 48.98 | 44.91 | 75.13 | 38.07 |
| Dubai | 68.72 | 49.07 | 47.79 | 51.12 | 90.09 | 81.19 | 93.07 | 101.01 | 70.57 |
| Sharjah | 27.60 | 17.26 | 17.50 | 16.73 | 28.96 | 28.95 | 22.90 | 28.54 | 14.69 |
| Others | - | - | - | 2.19 | 7.22 | 2.81 | 3.51 | 3.02 | 1.76 |
| U.K. | 180.05 | 137.02 | 114.02 | 101.19 | 109.96 | 109.74 | 97.94 | 98.83 | 73.59 |
| U.S.A | 190.23 | 150.34 | 157.80 | 122.49 | 141.09 | 141.92 | 146.25 | 166.29 | 81.95 |
| Other Countries | 159.07 | 126.46 | 119.79 | 95.75 | 114.65 | 106.19 | 94.11 | 98.58 | 55.41 |
| II. Encashment* | 221.37 | 215.03 | 323.73 | 352.20 | 548.37 | 233.89 | 331.42 | 251.87 | 184.64 |
| Total (I+II) | 1,848.29 | 1,467.48 | 1,562.24 | 1,445.56 | 1,866.10 | 1,461.17 | 1,409.47 | 1,489.55 | 1,060.19 |

* Encashment and Profit in Pak Rs. of Foreign Exchange Bearer Certificates (FEBCs) & 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 | 1997-98 | 1998-99 |
|---|---|---|---|---|---|---|---|---|---|
| Cash Flow | | | | | | | | | |
| Bahrain | 2.29 | 2.22 | 2.05 | 2.37 | 2.72 | 2.71 | 2.70 | 2.77 | 3.80 |
| Canada | 0.69 | 0.79 | 0.61 | 0.52 | 0.37 | 0.46 | 0.33 | 0.33 | 0.40 |
| Germany | 2.01 | 2.64 | 3.28 | 2.64 | 2.10 | 2.12 | 1.76 | 1.34 | 1.36 |
| Japan | 1.65 | 1.03 | 0.94 | 0.65 | 0.52 | 0.30 | 0.28 | 0.21 | 0.35 |
| Kuwait | 0.93 | 3.53 | 4.86 | 4.38 | 4.39 | 3.70 | 3.56 | 4.23 | 12.15 |
| Norway | 1.31 | 1.30 | 1.23 | 1.08 | 1.02 | 0.95 | 0.74 | 0.58 | 0.60 |
| Qatar | 1.49 | 1.03 | 0.88 | 0.69 | 0.87 | 1.15 | 0.90 | 0.98 | 1.48 |
| Saudi Arabia | 41.92 | 41.21 | 42.47 | 45.15 | 42.05 | 41.00 | 38.81 | 38.37 | 36.38 |
| Sultanat-e-Oman | 4.61 | 4.82 | 4.17 | 4.21 | 4.67 | 5.25 | 4.28 | 5.01 | 5.10 |
| U.A.E. | 10.57 | 8.39 | 7.89 | 9.09 | 13.53 | 13.19 | 15.25 | 16.78 | 14.29 |
| Abu Dhabi | 4.65 | 3.09 | 2.62 | 2.68 | 3.95 | 3.99 | 4.17 | 6.07 | 4.35 |
| Dubai | 4.22 | 3.92 | 3.86 | 4.68 | 6.84 | 6.62 | 8.63 | 8.16 | 8.06 |
| Sharjah | 1.70 | 1.38 | 1.41 | 1.53 | 2.20 | 2.36 | 2.12 | 2.31 | 1.68 |
| Others | - | - | - | 0.20 | 0.55 | 0.23 | 0.33 | 0.24 | 0.20 |
| U.K. | 11.07 | 10.94 | 9.21 | 9.25 | 8.34 | 8.94 | 9.08 | 7.99 | 8.41 |
| U.S.A | 11.69 | 12.00 | 12.74 | 11.20 | 10.71 | 11.56 | 13.57 | 13.44 | 9.36 |
| Other Countries | 9.78 | 10.10 | 9.67 | 8.76 | 8.70 | 8.65 | 8.73 | 7.96 | 6.33 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Contd.

## TABLE 8.8

### WORKERS REMITTANCES

(US $ Million)

| COUNTRY | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-April 2005-06 | July-April 2006-07 |
|---|---|---|---|---|---|---|---|---|---|
| I. Cash Flow | 913.49 | 1,021.59 | 2,340.79 | 4,190.73 | 3,826.16 | 4,152.29 | 4,588.03 | 3,618.87 | 4447.88 |
| Bahrain | 29.36 | 23.87 | 39.58 | 71.46 | 80.55 | 91.22 | 100.57 | 80.41 | 108.64 |
| Canada | 3.86 | 4.90 | 20.52 | 15.19 | 22.90 | 48.49 | 81.71 | 64.94 | 69.62 |
| Germany | 10.47 | 9.20 | 13.44 | 26.87 | 46.52 | 53.84 | 59.03 | 47.46 | 64.45 |
| Japan | 1.58 | 3.93 | 5.97 | 8.14 | 5.28 | 6.51 | 6.63 | 5.26 | 3.52 |
| Kuwait | 135.25 | 123.39 | 89.66 | 221.23 | 177.01 | 214.78 | 246.75 | 198.39 | 231.66 |
| Norway | 5.60 | 5.74 | 6.55 | 8.89 | 10.19 | 18.30 | 16.82 | 12.99 | 16.60 |
| Qatar | 13.29 | 13.38 | 31.87 | 87.68 | 88.69 | 86.86 | 118.69 | 92.43 | 136.79 |
| Saudi Arabia | 309.85 | 304.43 | 376.34 | 580.76 | 565.29 | 627.19 | 750.44 | 584.64 | 827.60 |
| Sultanat-e-Oman | 46.42 | 38.11 | 63.18 | 93.65 | 105.29 | 119.28 | 130.45 | 106.07 | 132.79 |
| U.A.E. | 147.79 | 190.04 | 469.49 | 837.87 | 597.48 | 712.61 | 716.30 | 555.84 | 673.51 |
| Abu Dhabi | 47.30 | 48.11 | 103.72 | 212.37 | 114.92 | 152.51 | 147.89 | 114.91 | 153.52 |
| Dubai | 87.04 | 129.69 | 331.47 | 581.09 | 447.49 | 532.93 | 540.24 | 420.15 | 496.09 |
| Sharjah | 12.80 | 12.21 | 34.05 | 42.60 | 34.61 | 26.17 | 26.87 | 19.70 | 22.90 |
| Others | 0.65 | 0.03 | 0.25 | 1.81 | 0.46 | 1.00 | 1.30 | 1.08 | 1.00 |
| U.K. | 73.27 | 81.39 | 151.93 | 273.83 | 333.94 | 371.86 | 438.65 | 346.40 | 354.60 |
| U.S.A | 79.96 | 134.81 | 778.98 | 1,237.52 | 1,225.09 | 1,294.08 | 1,242.49 | 994.78 | 1176.12 |
| Other Countries | 56.79 | 88.40 | 293.28 | 727.64 | 567.93 | 507.27 | 679.50 | 529.26 | 651.98 |
| II. Encashment* | 70.24 | 64.98 | 48.26 | 46.12 | 45.42 | 16.50 | 12.09 | 10.81 | 2.24 |
| Total (I+II) | 983.73 | 1,086.57 | 2,389.05 | 4236.85 | 3,871.58 | 4,168.79 | 4,600.12 | 3,629.68 | 4450.12 |

* Encashment and Profit in Pak Rs. of Foreign Exchange Bearer Certificates (FEBCs) & Foreign Currency Bearer Certificates (FCBCs)

Source: State Bank of Pakistan

## TABLE 8.8

### WORKERS REMITTANCES

(% Share)

| COUNTRY | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | July-April 2005-06 | July-April 2006-07 |
|---|---|---|---|---|---|---|---|---|---|
| Cash Flow | | | | | | | | | |
| Bahrain | 3.21 | 2.34 | 1.69 | 1.71 | 2.11 | 2.20 | 2.19 | 2.22 | 2.44 |
| Canada | 0.42 | 0.48 | 0.88 | 0.36 | 0.60 | 1.17 | 1.78 | 1.79 | 1.57 |
| Germany | 1.15 | 0.90 | 0.57 | 0.64 | 1.22 | 1.30 | 1.29 | 1.31 | 1.45 |
| Japan | 0.17 | 0.38 | 0.26 | 0.19 | 0.14 | 0.16 | 0.14 | 0.15 | 0.08 |
| Kuwait | 14.81 | 12.08 | 3.83 | 5.28 | 4.63 | 5.17 | 5.38 | 5.48 | 5.21 |
| Norway | 0.61 | 0.56 | 0.28 | 0.21 | 0.27 | 0.44 | 0.37 | 0.36 | 0.37 |
| Qatar | 1.45 | 1.31 | 1.36 | 2.09 | 2.32 | 2.09 | 2.59 | 2.53 | 3.08 |
| Saudi Arabia | 33.92 | 29.80 | 16.08 | 13.86 | 14.77 | 15.10 | 16.36 | 16.16 | 18.61 |
| Sultanat-e-Oman | 5.08 | 3.73 | 2.70 | 2.23 | 2.75 | 2.87 | 2.84 | 2.93 | 2.99 |
| U.A.E. | 16.18 | 18.60 | 20.06 | 19.99 | 15.62 | 17.16 | 15.61 | 15.36 | 15.14 |
| Abu Dhabi | 5.18 | 4.71 | 4.43 | 5.07 | 3.00 | 3.67 | 3.22 | 3.18 | 3.45 |
| Dubai | 9.53 | 12.69 | 14.16 | 13.87 | 11.70 | 12.83 | 11.77 | 11.61 | 11.15 |
| Sharjah | 1.40 | 1.20 | 1.45 | 1.02 | 0.90 | 0.63 | 0.59 | 0.54 | 0.51 |
| Others | 0.07 | 0.00 | 0.01 | 0.04 | 0.01 | 0.02 | 0.03 | 0.03 | 0.02 |
| U.K. | 8.02 | 7.97 | 6.49 | 6.53 | 8.73 | 8.96 | 9.56 | 9.57 | 7.97 |
| U.S.A | 8.75 | 13.20 | 33.28 | 29.53 | 32.02 | 31.17 | 27.08 | 27.49 | 26.44 |
| Other Countries | 6.22 | 8.65 | 12.53 | 17.36 | 14.84 | 12.22 | 14.81 | 14.63 | 14.66 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: State Bank of Pakistan

TABLE 8.9

GOLD AND CASH FOREIGN EXCHANGE RESERVES HELD AND CONTROLLED BY STATE BANK OF PAKISTAN

( US $ Million)

| | Total | | Cash | | Gold | |
|---|---|---|---|---|---|---|
| Period | 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 |
| 2005 ** | 11227 | 10976 | 10310 | 10059 | 917 | 917 |
| 2006 | 12939 | 12972 | 11651 | 11681 | 1288 | 1288 |

* Last day of the month.

Source: State Bank of Pakistan

** December 2005

TABLE 8.10

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 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 |
| Australia | Dollar | 17.6004 | 19.1123 | 18.2623 | 20.8851 | 22.9083 | 25.4912 | 30.5300 | 29.3472 | 29.3962 |
| Austria | Schilling | 2.0077 | 2.1433 | 3.3550 | 2.5433 | 2.9358 | 3.2639 | 3.4694 | 3.4242 | 3.8557 |
| Bangladesh | Taka | 0.6281 | 0.6518 | 0.6628 | 0.7536 | 0.7673 | 0.8204 | 0.9128 | 0.9513 | 0.9686 |
| Belgium | Franc | 0.6860 | 0.7327 | 0.8061 | 0.8559 | 1.0045 | 1.1185 | 1.1854 | 1.1683 | 1.2952 |
| Canada | Dollar | 19.4207 | 21.3864 | 20.7982 | 22.5554 | 22.3750 | 24.6581 | 28.5449 | 30.4828 | 31.0445 |
| China | Yuan | 4.4467 | 4.5781 | 4.5996 | 4.3316 | 3.6803 | 4.0354 | 4.6988 | 5.2154 | 5.6548 |
| Denmark | Krone | 3.6852 | 3.8958 | 4.3059 | 4.5298 | 5.2534 | 5.9354 | 6.3775 | 6.3310 | 7.0348 |
| France | Franc | 4.1819 | 4.4402 | 4.8939 | 5.2027 | 5.9623 | 6.6921 | 7.2196 | 7.1856 | 7.9685 |
| Germany | Mark | 14.1248 | 15.0838 | 16.5751 | 17.9039 | 20.6804 | 22.9718 | 24.4163 | 24.0995 | 26.7081 |
| Holland | Guilder | 12.5333 | 13.3928 | 14.7394 | 15.9401 | 18.4547 | 20.5247 | 21.7451 | 21.3938 | 23.7008 |
| Hong Kong | Dollar | 2.8828 | 3.2047 | 3.3574 | 3.9011 | 3.9902 | 4.3345 | 5.0391 | 5.5762 | 6.0440 |
| India | Rupee | 1.1980 | 0.9611 | 0.9405 | 0.9609 | 0.9814 | 0.9783 | 1.0894 | 1.1285 | 1.0935 |
| Iran | Rial | 0.3357 | 0.3699 | 0.3507 | 0.0179 | 0.0176 | 0.0192 | 0.0225 | 0.0246 | 0.0266 |
| Italy | Lira | 0.0189 | 0.0201 | 0.0190 | 0.0185 | 0.0198 | 0.0212 | 0.0250 | 0.0246 | 0.0271 |
| Japan | Yen | 0.1639 | 0.1896 | 0.2177 | 0.2843 | 0.3277 | 0.3281 | 0.3376 | 0.3411 | 0.3797 |
| Kuwait | Dinar | .. | 86.4030 | 87.2127 | 101.5740 | 104.3749 | 112.5264 | 129.6859 | 141.7916 | 153.8993 |
| Malaysia | Ringgit | 5.2463 | 9.3259 | 10.1692 | 11.5288 | 12.1848 | 13.2905 | 15.5861 | 12.5285 | 12.1327 |
| Nepal | Rupee | 0.7143 | 0.5832 | 0.5741 | 0.6121 | 0.6178 | 0.6102 | 0.6837 | 0.7034 | 0.6858 |
| Norway | Krone | 3.6301 | 3.8505 | 4.0096 | 4.1305 | 4.6915 | 5.3528 | 6.0509 | 5.8345 | 6.1371 |
| Singapore | Dollar | 12.7847 | 14.8944 | 15.9865 | 19.0212 | 21.2485 | 23.6411 | 27.4575 | 27.0557 | 27.6043 |
| Sri Lanka | Rupee | 0.5539 | 0.5831 | 0.5660 | 0.6120 | 0.6201 | 0.6281 | 0.6823 | 0.7038 | 0.6869 |
| Sweden | Krona | 3.8414 | 4.1506 | 3.9886 | 3.8009 | 4.1543 | 5.0484 | 5.5230 | 5.5260 | 5.8006 |
| Switzerland | Franc | 16.6698 | 16.9154 | 18.3825 | 20.8077 | 24.7362 | 28.0734 | 28.8164 | 29.3698 | 32.5174 |
| S.Arabia | Riyal | 5.9959 | 6.6442 | 6.9407 | 8.0642 | 8.2475 | 9.0606 | 10.4440 | 11.5178 | 12.4882 |
| Thailand | Baht | 0.8627 | 0.9626 | 1.0028 | 1.1567 | 1.2174 | 1.2176 | 1.2176 | 1.1562 | 1.2313 |
| UAE | Dirham | 6.1231 | 6.7874 | 7.0923 | 8.2415 | 8.4214 | 9.2329 | 10.6639 | 11.7623 | 12.7583 |
| UK | Pound | 41.5778 | 43.7454 | 42.0315 | 45.1600 | 48.6951 | 51.9192 | 63.0683 | 71.1450 | 76.8085 |
| USA | Dollar | 22.4228 | 24.8441 | 25.9598 | 30.1638 | 30.8517 | 33.5684 | 38.9936 | 43.1958 | 46.7904 (50.0546) * |
| EMU | Euro | - | - | - | - | - | - | - | - | - |
| IMF | SDR | 31.1323 | 34.1379 | 35.6217 | 42.2162 | 46.1616 | 49.6416 | 55.2477 | 58.4654 | 63.6850 |

(Contd...)

TABLE 8.10

EXCHANGE RATE POSITION (Pakistan Rupees in Terms of One Unit of Foreign Currency)

| | | (Average during the Year) | | | | | | | Average July-April | |
|---|---|---|---|---|---|---|---|---|---|---|
| Country | Currency | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2005-06 | 2006-07 |
| Australia | Dollar | 32.5665 | 31.3747 | 32.1607 | 34.2101 | 41.0626 | 44.7141 | 44.7564 | 44.6625 | 47.0955 |
| Austria | Schilling | 3.7715 | 3.7942 | 3.9960 | na | na | 54.8940 | na | na | na |
| Bangladesh | Taka | 1.0285 | 1.0794 | 1.0826 | 1.0108 | 0.9842 | 0.9774 | 0.9121 | 0.9184 | 0.8727 |
| Belgium | Franc | 1.2866 | 1.2934 | 1.3633 | na | na | na | na | 1.7885 | 1.9502 |
| Canada | Dollar | 35.1611 | 38.4434 | 39.1719 | 38.8234 | 42.8526 | 47.5567 | 51.4986 | 50.9835 | 53.0591 |
| China | Yuan | 6.2470 | 7.0601 | 7.4149 | 7.0613 | 6.9497 | 7.1676 | 7.4161 | 7.3992 | 7.7191 |
| | Krone | 6.9724 | 6.9916 | 7.3987 | 8.2524 | 9.2250 | 10.1527 | 9.7699 | 9.6726 | 10.5551 |
| France | Franc | 7.9156 | 7.9536 | 8.3867 | na | na | na | na | na | na |
| Germany | Mark | 26.5372 | 26.6543 | 28.1084 | na | na | na | na | na | na |
| Holland | Guilder | 23.5571 | 23.6655 | 24.9556 | na | na | na | na | na | na |
| Hong Kong | Dollar | 6.6573 | 7.4906 | 7.8720 | 7.4990 | 7.3970 | 7.6176 | 7.7127 | 7.7058 | 7.7807 |
| India | Rupee | 1.1862 | 1.2529 | 1.2787 | 1.2219 | 1.2682 | 1.3253 | 1.3389 | 1.3437 | 1.3521 |
| Iran | Rial | 0.0295 | 0.0332 | 0.0307 | 0.0073 | 0.0069 | 0.0067 | 0.0066 | 0.0066 | 0.0066 |
| Italy | Lira | 0.0268 | 0.0269 | 0.0284 | na | na | na | na | na | na |
| Japan | Yen | 0.4809 | 0.5109 | 0.4884 | 0.4888 | 0.5203 | 0.5558 | 0.5216 | 0.5195 | 0.5149 |
| Kuwait | Dinar | 169.4791 | 190.4592 | 200.7861 | 194.5677 | 194.3681 | 202.3816 | 205.3258 | 204.8685 | 209.7138 |
| Malaysia | Ringgit | 13.6289 | 15.3871 | 16.1621 | 15.3944 | 15.1532 | 15.6244 | 16.0515 | 15.9572 | 16.9348 |
| Nepal | Rupee | 0.7503 | 0.7893 | 0.8033 | 0.7515 | 0.7802 | 0.8169 | 0.8296 | 0.8316 | 0.8434 |
| Norway | Krone | 6.3421 | 6.4483 | 7.0288 | 8.1021 | 8.2191 | 9.1841 | 9.2141 | 9.1026 | 9.6385 |
| Singapore | Dollar | 30.5305 | 33.1605 | 33.9503 | 33.3406 | 33.5098 | 35.6797 | 36.4149 | 36.1040 | 39.0598 |
| Sri Lanka | Rupee | 0.7144 | 0.7026 | 0.6624 | 0.6057 | 0.5920 | 0.5813 | 0.5872 | 0.5880 | 0.5684 |
| Sweden | Krona | 6.0786 | 5.9379 | 5.9117 | 6.6910 | 7.5195 | 8.2949 | 7.7867 | 7.6945 | 8.5722 |
| Switzerland | Franc | 32.5626 | 34.1098 | 37.1824 | 41.4643 | 44.2489 | 49.0657 | 46.8551 | 46.4067 | 49.1958 |
| S.Arabia | Riyal | 13.8125 | 15.5868 | 16.3792 | 15.5961 | 15.3488 | 15.8027 | 15.9608 | 15.9471 | 16.1648 |
| Thailand | Baht | 1.3490 | 1.3438 | 1.4000 | 1.3742 | - | 1.4763 | 1.5005 | 1.4852 | 1.6642 |
| UAE | Dirham | 14.0979 | 15.9133 | 16.7231 | 15.9261 | 15.6727 | 16.1586 | 16.2972 | 16.2828 | 16.5089 |
| UK | Pound | 82.4937 | 84.7395 | 88.5691 | 92.7433 | 100.1672 | 110.2891 | 106.4344 | 105.3926 | 116.5412 |
| USA | Dollar | 51.7709 | 58.4378 | 61.4258 | 58.4995 | 57.5745 | 59.3576 | 59.8566 | 59.8050 | 60.6313 |
| EMU | Euro | - | - | 54.9991 | 61.3083 | 68.6226 | 75.5359 | 72.8661 | 72.1481 | 78.6722 |
| IMF | SDR | 70.1077 | 74.7760 | 78.0627 | 79.3198 | 83.2470 | 88.5631 | 86.9594 | 86.5159 | 90.5531 |

* Composite Rate

Source: State Bank of Pakistan

* na : Common currency Euro is in use of these countries

# EXTERNAL DEBT AND LIABILITIES

## 10.1 Introduction

The relationship between external debt and economic growth has been examined extensively in recent years. These studies have largely focused on the harmful effects of a country's "debt overhang" – the accumulation of a stock of debt so large as to threaten the country's ability to repay its past loan. The empirical findings suggest that debt overhang depresses growth by increasing investors' uncertainty about actions the government might take to meet its onerous debt-servicing obligations. Debt overhang may also discourage efforts by the government to carry out structural and fiscal reforms that could strengthen the country's economic growth and fiscal positions, because a government whose financial position is improving almost inevitably finds itself under increasing pressure to repay foreign creditors. This disincentive to reform would exist in any country with a heavy external debt burden, but it is of special concern in low income countries, where structural reforms are essential to sustain higher growth. Another interesting finding suggests that external debt slows growth only after its face value reaches a threshold level estimated to be about 50 percent of GDP or in net present value terms, 20 – 25 percent of GDP.

Pakistan's external debt situation of the 1990s is consistent with the findings of the recent literature on the relationship between debt and economic growth. The persistence of a large current account deficit (almost 5.0 percent of GDP) for an extended period of one decade; the imprudent use of borrowed resources; the rising real cost of borrowing,; stagnant exports; and a declining flow of foreign exchange have been responsible for a rapid accumulation of external debt in the 1990s.

Prudent debt management is an essential component of macro economic stability and economic growth. Developing countries need to borrow in order to finance their development but this need to be balanced by ability to make repayments as well as ensuring that the borrowed funds are used for productive expenditures. Pakistan has been successful on both these fronts in the last several years. First, by recording some of the highest growth rates seen in recent history, the country's ability to carry debt has been enhanced. Secondly, the funds have been used effectively to finance infrastructure development as well as structural reforms which provided a further impetus to growth.

Any debt strategy is incomplete without a supporting fiscal policy. The root cause of increase in debt is fiscal imbalances so 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 deficit 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.

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. 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 (FRDL) Act 2005, was passed by the Parliament in June 2005. This Act ensures responsible and accountable fiscal management by all governments — the present and the future — and would encourage informed public debate about fiscal policy. It requires the government to be transparent about its short and long term fiscal intensions and imposes high standards of fiscal disclosure. Given the difficult past of Pakistan's macroeconomic environment during the 1990s, a rule-based fiscal policy was considered essential for maintaining macroeconomic stability and promoting growth on a sustained basis.

Due to a credible debt reduction strategy and successive high growth rates, Pakistan has reduced its public debt burden (including Rupees debt and foreign currency debt) from 100.3 percent of GDP in end-FY99 to 53.4 percent of GDP by end-March FY07. The external debt component of public debt (excluding private non-guaranteed debt and liabilities) has decreased from 40.8 at end-FY02 to 24.6 at end-March FY07.

## 10.2. Historical Perspective

Pakistan's total stock of external debt and foreign exchange liabilities (EDL) grew at an average rate of 7.4 percent per annum during 1990-99 – rising from $ 20.5 billion in 1990 to $ 38.9 billion by end June 1999. Foreign exchange earnings on the other hand, either remained stagnant or increased at a snails pace during the same period. Despite the accumulation of almost $ 18.4 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 over the last several years, Pakistan has succeeded in reducing the country's debt burden by ensuring that the growth in EDL is less than the GDP growth. Consequently, the burden of the debt has declined substantially during the same period. For example, the EDL as a percentage of foreign exchange earnings which stood at 335.4 percent in 1998-99, declined to 119.7 percent by end-March 2007. The EDL stood at 64.1 percent of GDP in end-June 1999, declined to 27.1 percent in end-March 2007.

**Table 10.1: External Debt and Foreign Exchange Liabilities ($ Billion)**

| Item | End June 1990 | 1999 | 2001 | 2003 | 2004 | 2005 | 2006 | End Mar 2007 |
|---|---|---|---|---|---|---|---|---|
| 1.Public & Publicly Guaranteed Debt | 18.200 | 28.300 | 28.165 | 29.230 | 29.875 | 31.084 | 29.875 | 31.084 |
| A. Medium & long term (Paris Club, Multilateral and Other Bilateral | 14.700 | 25.400 | 25.606 | 28.070 | 28.627 | 29.177 | 30.207 | 31.841 |
| B. Other medium & long term (Bonds, Military & commercial) | 2.700 | 1.600 | 2.302 | 0.976 | 1.226 | 1.636 | 2.203 | 2.139 |
| C. Short Term (IDB) | 0.800 | 1.300 | 0.257 | 0.187 | 0.022 | 0.271 | 0.169 | 0.025 |
| 2. Private Non-guarantee- Debt | 0.300 | 3.400 | 2.450 | 2.028 | 1.670 | 1.342 | 1.585 | 1.900 |
| 3. IMF | 0.700 | 1.800 | 1.529 | 2.092 | 1.762 | 1.611 | 1.491 | 1.457 |
| **Total External Debt (1 through 3)** | **19.200** | **33.600** | **32.144** | **33.350** | **33.307** | **34.037** | **35.655** | **37.362** |
| 4. Foreign Exchange Liabilities | 1.300 | 5.300 | 5.015 | 2.122 | 1.951 | 1.797 | 1.586 | 1.502 |
| **Total External Liabilities (1 through 4)** | **20.900** | **38.900** | **37.160** | **35.470** | **35.260** | **35.834** | **37.241** | **38.864** |

* Provisional

*Source: SBP*

### 10.2. I: External Debt and Liabilities

External debt and liabilities (EDL) at the end of March FY07 were US$ 38.86 billion. This is an increase of US$ 1.6 billion which represents a 4.3 percent increase over the stock at the end of FY06 [See Table 10.1]. Majority of the EDLs are in the form of medium and long term borrowing from multilateral and bilateral lenders which accounts for nearly 80 percent of outstanding debt (see Table 10.2). The share of short-term debt is extremely low at 0.1 percent. Pakistan has taken advantage of an earlier Paris Club rescheduling to re-profile its debt at a more manageable level.

**Table 10.2: Components of External Debt and Liabilities, end-March FY07**

| Component | Percent |
|---|---|
| Paris club | 33.1 |
| Multilateral | 46.3 |
| Other bilateral | 2.5 |
| Short Term | 0.1 |
| Private Non-Guaranteed | 4.9 |
| IMF | 3.7 |
| Other | 5.5 |
| FC Liabitlies | 3.9 |

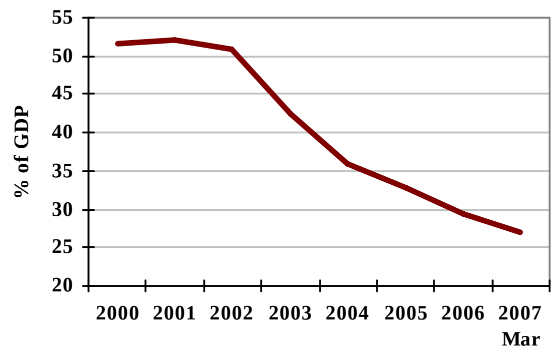
*Source: SBP Bulletin and DPCO.*

A critical appraisal of the external debt and liabilities should not be focused on the variation in the absolute stock but it is the incidence of the debt burden which is important and meaningful from a policy perspective. The external debt and liabilities (EDL) declined from 50.9 percent of GDP at the end of FY02 to 26.3 percent of GDP by end-March 2007. Similarly, the EDL were 236.8 percent of foreign exchange earnings but declined to 119.7 percent in the same period. The EDL were nearly 5.8 times foreign exchange reserves at the end of FY02 but declined to 2.8 by end March 2007. Interest payments on external debt were 7.8 percent of current account receipts but declined to 3.2 percent during the same period. The maturity profile also showed an improvement over the last five years as short-term debt was 1.4 percent of EDL but declined to 0.1percent of EDL in the same period.

### 10.2.2 Outstanding External Debt and Liabilities

Outstanding external debt and liabilities includes all Government debt denominated in foreign currency, loans contracted by enterprises with Government ownership of more than 50.0%, as well as the external debt of the private sector which is registered with the SBP and benefits from a foreign exchange convertibility guarantee from the SBP. Pakistan's total stock of external debt and foreign exchange liabilities grew at an average rate of 7.4 percent per annum during 1990-99 – rising from $ 20.5 billion in 1990 to $ 38.9 billion by end June 1999 but declined slightly to $ 37.9 billion in 1999-2000. It exhibited a declining trend thereafter [See Table-10.1]. Foreign exchange earnings on the other hand either remained stagnant or increased at a snails pace during the same period. Despite the accumulation of over $ 18 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. This implies that the debt servicing liability had risen to unsustainable level, and rollover of the payments became a norm rather than an exception. Non-debt creating inflows almost dried up and debt creating inflows were the only source of financing current account deficit.

**Fig-10.1: External Debt & Liabilities**




The growth of EDLs which had declined earlier in the decade of 2000 has started to pick-up but at a much pace partly on account of borrowing for earthquake-related spending. The EDLs grew by 1.6 percent in FY05, 3.9 percent in FY 06 and by 4.4 percent in FY07. When taking a longer tem view (1999-2007), it is clear that Pakistan's EDL has not yet reached to the level that prevailed in end-June 1999 ($38.9 billion) even after 8 years of financing development programs. Notwithstanding the EDL in absolute number the burden of the debt has declined sharply on account of faster growth in GDP. As can be seen in Table 10.3, EDLs as percentage of GDP have declined from 51 percent in FY02 to 29.4 percent in FY06 and further to 27.1 percent of the GDP by end-March 2007.

The largest increase in stock was seen in debt by multilateral donors with a change in stock of US$ 1.5 billion or 8.9 percent. The foreign exchange liabilities showed a decline of US$ 84 million (5.3 percent) but this was more than compensated for by fresh borrowing from multilateral lenders and

Foreign Currency Bonds (including Euro bonds). Interest payments on EDLs were US$ 1.1 billion and the amortization payments stood at US$ 2.2 billion.

**Table-10.3: Pakistan: External Debt and Liabilities**

| | FY02 | FY03 | FY04 | FY05 | FY06 | FY07(Mar) |
|---|---|---|---|---|---|---|
| | | | (In billions of U.S. dollars) | | | |
| 1. Public and Publically Guaranteed debt | 29.24 | 29.23 | 29.88 | 30.81 | 32.60 | 34.00 |
| A. Medium and long term(>1 year) | 29.05 | 29.05 | 29.85 | 30.81 | 32.41 | 33.98 |
| Paris club | 12.52 | 12.61 | 13.56 | 13.01 | 12.83 | 12.88 |
| Multilateral | 14.33 | 14.95 | 14.35 | 15.36 | 16.53 | 18.00 |
| Other bilateral | 0.43 | 0.51 | 0.72 | 0.81 | 0.85 | 0.96 |
| Euro bonds/Saindak Bonds | 0.64 | 0.48 | 0.82 | 1.27 | 1.91 | 1.90 |
| Military debt | 0.82 | 0.26 | 0.20 | 0.19 | 0.13 | 0.09 |
| Commercial Loans/credits | 0.31 | 0.23 | 0.20 | 0.18 | 0.17 | 0.14 |
| B. Short Term (<1 year) | 0.18 | 0.19 | 0.02 | 0.27 | 0.20 | 0.03 |
| IDB | 0.18 | 0.19 | 0.02 | 0.27 | 0.20 | 0.03 |
| 2. Private Non-guaranteed Debt (>1 yr) | 2.23 | 2.03 | 1.67 | 1.34 | 1.58 | 1.90 |
| 3. IMF | 1.94 | 2.09 | 1.76 | 1.61 | 1.49 | 1.46 |
| **Total External Debt (1 through 3)** | **33.40** | **33.35** | **33.31** | **34.04** | **35.68** | **37.362** |
| 4. Foreign Exchange Liabilities | 3.13 | 2.12 | 1.95 | 1.80 | 1.59 | 1.50 |
| Foreign Currency Accounts | 0.41 | -- | -- | -- | -- | -- |
| FE - 45 | 0.23 | -- | -- | -- | -- | -- |
| FE-13/For 01:FE25CRR w/SBP | -- | -- | -- | -- | -- | -- |
| FE - 31 deposits (incremental) | 0.17 | -- | -- | -- | -- | -- |
| Special U.S $ Bonds | 0.92 | 0.70 | 0.55 | 0.42 | 0.25 | 0.18 |
| Foreign Currency Bonds (NHA / NC) | 0.20 | 0.18 | 0.15 | 0.13 | 0.11 | 0.09 |
| National Debt Retirement Program | 0.08 | 0.01 | 0.00 | -- | -- | -- |
| Central Bank Deposits | 0.75 | 0.70 | 0.70 | 0.70 | 0.70 | 0.70 |
| NBP/BOC Deposits | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 | 0.50 |
| Other Liabilities (SWAP) | 0.28 | 0.05 | 0.05 | 0.05 | 0.03 | 0.03 |
| FEBCs/FCBCs/DBCs | 0.07 | 0.04 | 0.02 | 0.01 | 0.01 | 0.01 |
| **Total External Debt & Liabilities (1 through 4)** | **36.53** | **35.47** | **35.26** | **35.83** | **37.26** | **38.86** |
| (of which) Public Debt | 31.17 | 31.32 | 31.64 | 32.42 | 34.09 | 35.46 |
| Official Liquid Reserves | 4.34 | 9.53 | 10.56 | 9.81 | 10.76 | 10.19 |
| | | | (In percent of GDP) | | | |
| 1. Public and Publically Guaranteed debt | 40.8 | 35.5 | 30.5 | 28.1 | 25.7 | 23.7 |
| A. Medium and long term(>1 year) | 40.5 | 35.2 | 30.5 | 28.1 | 25.5 | 23.7 |
| B. Short Term (<1 year) | 0.3 | 0.2 | 0.0 | 0.2 | 0.2 | 0.0 |
| 3. IMF | 2.7 | 2.5 | 1.8 | 1.5 | 1.2 | 1.0 |
| **Total External Public Debt** | **43.5** | **38.0** | **32.3** | **29.6** | **26.9** | **24.7** |
| 4. Foreign Exchange Liabilities | 4.4 | 2.6 | 2.0 | 1.6 | 1.2 | 1.0 |
| Total External Debt & Liabilities (1 through 4) | 51.0 | 43.0 | 36.0 | 32.7 | 29.4 | 27.1 |
| Official Liquid Reserves | 6.1 | 11.6 | 10.8 | 9.0 | 8.5 | 7.1 |
| **Memo:** | | | | | | |
| GDP (in billions of Rs.) | 4402 | 4823 | 5641 | 6500 | 7594 | 8707 |
| Exchange Rate (Rs./U.S. dollar, Period Avg.) | 61.4 | 58.5 | 57.6 | 59.4 | 59.9 | 60.6 |
| GDP (in billions of U.S. dollars) | 71.7 | 82.4 | 98.0 | 109.5 | 126.9 | 143.6 |

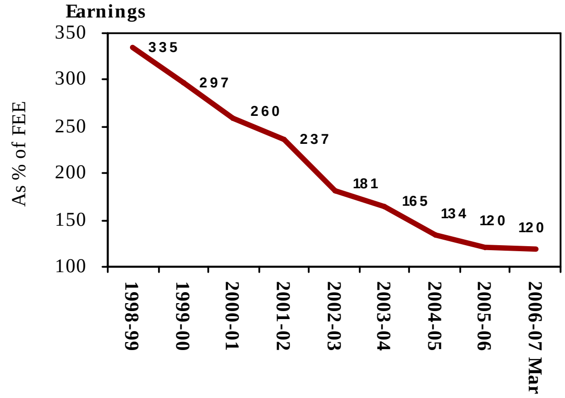
*Source: State Bank of Pakistan*

As Table 10.3 shows, the first nine months (July-March) of FY07 saw an increase of EDLs by 4.4 percent to US$ 38.86 billion. Public and publicly guaranteed debt increased by US$ 1.40 billion (4.3 percent) mainly on account of borrowing from multilateral lenders while the external liabilities continued on their downward trend, declining by $US 0.08 billion (5.3 percent).

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 $ 3.1 billion – down from $ 38.9 billion in 1998-99 to $ 35.834 billion by 2004-05. However, external debt and liabilities increased to $ 38.86 billion by end-March 2007 as against $ 37.26 billion by end-June 2006, thus showing a rise of $ 1.599 billion in the first nine months of the current fiscal year. The rise is mainly on account of rising development financing by multilateral organizations and earthquake-related spending.

A critical appraisal of the external debt and liabilities should not be focused on the variation in the absolute stock but it is the incidence of the debt burden which is important and meaningful from the policy perspective. There are various indicators which are widely used by the international community and financial institutions to determine the debt carrying capacity and the amount of risk associated with a particular country. These indicators include; the stock of external debt and liabilities as percent of GDP, export earning, foreign exchange earning, foreign exchange reserves, and debt servicing as percentage of current account receipts etc. A cursory look at Table-10.9 is sufficient to see that all indicators of debt burden show that Pakistan's debt burden has declined significantly over the last six years. During the fiscal year 2006-07, these indicators also demonstrate a marked improvement [See Fig-10.2].

**Fig-10.2: Trend in EDL to Foreign Exchange Earnings**




The external debt and liabilities (EDL) declined from 51.7 percent of GDP in 1999-2000 to 27.1 percent of GDP by end-March 2007. Similarly, the EDL was 297.2 percent of foreign exchange earnings but declined to 119.7 percent in the same period. The EDL was over 19 times of foreign exchange reserves in 1999-2000 but declined to 2.8 in end March 2007 Interest payments on external debt were 11.9 percent of current account receipts but declined to 3.2 percent during the same period. The maturity profile improved significantly as is evident from the fact that short-term debt was 3.2 percent of EDL but declined to 0.7 percent of EDL in the same period

**10.3 Composition of External Debt and Liabilities**

**Public and Publicly Guaranteed Debt.**

The share of Paris Club debt stock has been in the range of 42 to 45 percent in total public and publicly guaranteed debt since 1999. Of late, its share has declined to 34.4 percent in June 2006 and further to 33.1 percent by March 2007. The US$ 47 million rise in the debt owed to the Paris club creditors was principally driven by the concessional financing for earthquake affected areas provided by the US, and other creditors. The US$ 114 million rise in the stock of other bilateral debt was principally due to higher receipts from China. The major projects for which these loans were acquired include: the Gwadar deep water port project (US$ 36.8 million) and acquisition of railway locomotives (US$ 23.95 million). Apart from these developments, the net impact of currency revaluation on Paris club debt stock during the current fiscal year was almost negligible.

As of end March 2007, medium and long-term public and publicly guaranteed debt amounted to U.S.$34.0 billion, of which almost 53.0% is owed to multilateral creditors. Approximately 33.1%, or U.S.$12.9 billion, is owed to Paris Club official creditors. Of this amount, approximately 69% was provided to Pakistan on concessional terms, with the balance being provided on non-concessional terms. Medium and long-term public and publicly guaranteed debt also included U.S.$960.0 million owed to official creditors that are not represented in the Paris Club, as well as U.S.$1,900 million of international bonds and U.S.$145.0 million of commercial bank loans. Public and publicly guaranteed short-term debt amounting to U.S. $25.0 million was owed to the Islamic Development Bank.

**Table 10.4: Trends in External Debt Sustainability Indicators, FY00-FY07**

| Year | EDL/ GDP | EDL/ FEE | EDL/ FER | STD/EDL | INT/CAR |
|---|---|---|---|---|---|
| | (Percent) | | Ratio | (Percent) | |
| FY00 | 51.7 | 297.2 | 19.3 | 3.2 | 11.9 |
| FY01 | 52.1 | 259.5 | 11.5 | 3.7 | 13.7 |
| FY02 | 50.9 | 236.8 | 5.8 | 1.4 | 7.8 |
| FY03 | 43.1 | 181.2 | 3.3 | 1.2 | 5.3 |
| FY04 | 36.7 | 164.7 | 3.0 | 0.6 | 4.9 |
| FY05 | 32.7 | 134.3 | 2.7 | 0.8 | 3.9 |
| FY06 | 29.4 | 120.1 | 2.9 | 0.9 | 3.1 |
| FY07* | 27.1 | 119.7 | 2.8 | 0.7 | 3.2 |

Source: EA Wing and SBP Bulletins.

* End March 2007

EDL: External Debt and Liabilities, FEE: Foreing Exchange Earnings, FER: Foreign Exchange Reserves, STD: Short-term Debt, INT: Interest Payments and CAR: Current Account Receipts

**Multilateral Debt**

The borrowing from multilateral agencies, mainly from the World Bank and the Asian Development Bank (ADB) has outpaced the borrowing from the Paris Club since 1999-2000. Its share in total public and publicly guaranteed debt has increased from 37.5 percent to 51.5 percent in 2002-03. However, after prepayment of expensive debt of $ 1.1 billion to the ADB in 2003-04, its share declined to 48.1 percent in 2003-04, but increased to 46.3 percent by end March 2007. The stock of debt from multilateral agencies amounted to $18.0 billion by end-March 2007. A detailed analysis of recent developments in commitments and disbursement in respect of bilateral and multilateral external assistance is given in the subsequent section.

**Short-term-IDB Loan**

After declining substantially during 2003-04, the stock of IDB loans rose during 2004-05 but again started to decline. The short-term IDB loans are obtained largely for financing oil and fertilizer imports and the rise is a consequence of the termination of the Saudi Oil Facility (a grant that covered a major share of oil imports) in 2003-04, which coincided with the extraordinary rise in crude oil prices in the international market. Resultantly, the stock of short-term debt rose from $ 0.02 billion in 2003-04 to $ 0.27 billion in 2004-05 and but declined to $ 25 million by end March 2007.

*Private Sector Debt*. The stock of private sector non-guaranteed debt is continuously falling since the fiscal year 1999-2000. The stock of private non-guaranteed debt declined from $ 3.4 billion in 1999 to 1.49 billion by June 2006 and further to $ 1.46 billion as of March 2007. Medium and long-term private sector debt registered with the SBP (and benefiting from an SBP foreign exchange convertibility guarantee) amounted to U.S. $964.0 million. No short-term private sector debt has been registered with the SBP.

**Foreign Exchange Liabilities**

Foreign exchange liabilities declined substantially during the last six years from as high as $ 5.7 billion in 1999 to $ 1.6 billion in 2005-06 and further shrank to $ 1.5 billon by end March 2007. This decline is largely due to the encashment of various bonds (on maturity) and Foreign Currency Accounts (FCA).

**10.4 Composition of Foreign Economic Assistance**

**Commitments**

The declining trend in annual average level of commitments of foreign aid has been reversed in recent years because of improvement in relationship with the International Financial Institutions (IFIs) and donor countries. The commitments bounced back from its lowest ebb at $ 880 million in 2000-01 to $3.4 billion during 2001-02. After hovering around at $ 2 billion for two years, it again rose to $3.1 billion during 2004-05 and then to $4.3 billion in 2005-06. During the first nine months (July-March) of the current fiscal year, total commitments stood at $2.5 billion with earthquake relief assistance of $ 0.3 billion.

Quantum and composition of commitments is documented in Table 10.4.

**Table-10.4: Commitments of Aid by Use*** **(US$ million)**

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | (July-Mar) 2006-07 |
|---|---|---|---|---|---|---|
| I. Project Aid | 1113 | 860 | 1233 | 1965 | 1021 | 1035 |
| **II. Non-Project Aid** | **2311** | **1188** | **960** | **1117** | **3261** | **1430** |
| a) Food Aid | 41 | 22 | 12 | 0 | 0 | 0 |
| b) Budgetary Support/ (BOP) | 2249 | 1158 | 943 | 1115 | 1330 | 1169 |
| c) Relief Assistance for Afghan Refugees | 21 | 8 | 5 | 2 | 1 | 3 |
| d) Earthquake Relief Assistance | 0 | 0 | 0 | 0 | 1930 | 261 |
| **Total (I + II)** | **3424** | **2048** | **2193** | **3082** | **4282** | **2468** |

*P= Provisional* *Source: Economic Affairs Division*

** Excluding IDB Short-term, Commercial Credits and Bonds.*

### Disbursements

The disbursement of external assistance maintained its pace at around $2.4 billion per annum during the 1990s. It has risen to $2.9 billion by the end June 2006 and remained at $ 1.8 billion by end-March 2007. From its lowest level of $1270 million in 2003-04, it rose to $ 2863 million in 2005-06 owing to increased disbursement of various Program Loans. During the first nine months of current fiscal year (Jul-Mar 2006-07) the total disbursement stood at $1.8 billion including the disbursement of $ 186 million for earthquake relief assistance against the commitment of $ 261 million for the period. The summarized position of disbursements is given in Table-10.5.

**Table-10.5: Disbursements of Aid by Use* ($ million)**

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | (July-Mar) 2006-07 |
|---|---|---|---|---|---|---|
| Project Aid | 640 | 705 | 525 | 741 | 878 | 599 |
| **Non-Project Aid** | **1676** | **848** | **745** | **1534** | **1985** | **1162** |
| a) Food Aid | 31 | 10 | 0 | 0 | 0 | 12 |
| b) Budgetary Support/ (BOP) | 1624 | 830 | 741 | 1532 | 1069 | 961 |
| c) Relief Assistance for Afghan Refugees | 21 | 8 | 4 | 2 | 1 | 3 |
| d) Earthquake Relief Assistance | 0 | 0 | 0 | 0 | 915 | 186 |
| **Total (I + II)** | **2316** | **1553** | **1270** | **2275** | **2863** | **1761** |

*P= Provisional* *Source: Economic Affairs Division*

** Excluding IDB Short-term, Commercial Credits and Bonds.*

### Sources of Aid

The major sources of foreign economic assistance to Pakistan have been through the aid to Pakistan Consortium (Paris Club Countries and Multilateral Institutions), Non-Consortium (Non-Paris Club Countries) and Islamic Countries. Among these, the Aid-to-Pakistan Consortium, formulated in 1960 and now renamed as the 'Pakistan Development Forum' (including assistance from Consortium sources but outside Consortium umbrella arrangements), is the largest source of economic assistance to Pakistan. In 2004-05, Consortium/PDF provided 75.3 percent of the total commitments. Shares of Non-Consortium, Islamic Countries and Relief Assistance for Afghan Refugees were 23.3 percent, 1.3 percent and 0.1 percent, respectively. During the first nine months of current fiscal year 2006-07 (July-March), the

Consortium has provided 41.2 percent of total commitments, whereas, Non-Consortium, Islamic Countries and Relief Assistance for Afghan Refugees and Earthquake contributed 0.7 percent, 3.8 percent, 0.1 percent and 54.2 percent respectively. Source-wise commitments and disbursements are summarized in Table-10.6.

**Table-10.6: Sources of Foreign Aid*** $ Million

| Particulars | Commitments | | | | Disbursements | | | |
|---|---|---|---|---|---|---|---|---|
| | 2005-06 | | 2006-07 (July-March) | | 2005-06 | | 2006-07 (July-March) | |
| | Amount | % Share | Amount | % Share | Amount | % Share | Amount | % Share |
| I) Bilateral | 1490.3 | 34.8 | 742.8 | 30.1 | 1018.0 | 33.3 | 354.6 | 20.1 |
| II) Multilateral | 2792.3 | 65.2 | 1725.3 | 69.9 | 2039.4 | 66.7 | 1406.4 | 79.9 |
| **Total (I+II)** | **4282.6** | **100.0** | **2468.1** | **100.0** | **3057.4** | **100.0** | **1761.0** | **100.0** |

* Excluding IDB Short-Term, Commercial Cedit and Bonds

*Source: Economic Affairs Division*

### Project Vs Non-Project Aid

The share of project aid in the total disbursement has exhibited fluctuating trend over the years. The project aid in the decade of the 1990s averaged at $1589 million per annum, and $1035 million during July-March 2006-07. The non-project aid averaged at $626 million per annum during the 1990s and increased to $1035 million during the first nine months of 2006-07 [See Table-10.7].

The share of project aid has declined compared to non-project aid over the period. The share of project aid in the decade of 1990s averaged 71.7 percent per annum with strong fluctuation ranging between 55 and 84 percent. The share of non-project aid during the same period fluctuated in a much wider range of 16 to 45 percent with an average of 28.3 percent. The share of project aid during 2000-01 to 2004-05 was 39 percent and that of non-project aid 61 percent. During the first nine months of the current fiscal year 2006-07 (July-March) the project aid accounted for 41.9 percent stake while non-project aid share 58.1 percent of overall external assistance inflows.

**Table-10.7: Disbursement of Project and Non-Project Aid***
(US$ million)

| Year | Project Aid | | Non-Project Aid | | Total |
|---|---|---|---|---|---|
| | Amount | % Share | Amount | % Share | |
| **1990's** | **1,589** | **71.7%** | **626** | **28.3%** | **2,215** |
| **2000-01** | 247 | 28.1% | 633 | 71.9% | 880 |
| **2001-02** | 1,113 | 32.5% | 2,311 | 67.5% | 3,424 |
| **2002-03** | 860 | 42.0% | 1,188 | 58.0% | 2,048 |
| **2003-04** | 1,233 | 56.2% | 960 | 43.8% | 2,193 |
| **2004-05** | 1,965 | 63.8% | 1,117 | 36.2% | 3,082 |
| **2005-06** | 1,021 | 23.8% | 3,261 | 76.2% | 4,282 |
| **2006-07(July-Mar)** | 1,035 | 41.9% | 1,433 | 58.1% | 2,468 |

*Source: Economic Affairs Division*

* *Excluding IDB Short-term, Commercial Credits and Bonds.*

@ Non-Project aid includes Non-food, food, program loans/budgetary grants, earthquake and Afghan Refugees Relief Assistance.

### Composition of External Assistance

The composition of external assistance over the years has undergone considerable change from grants and grant like assistance to hard term loans. The share of grant and grant like foreign economic assistance in total commitments continued to exhibit a declining trend over the years. It declined to 13 percent in 2002-03 from 32 percent in 2001-02. It however, increased to 23 percent during 2004-05. During the first nine months (July-March) of the fiscal year 2006-07, the share of grants declined to 15 percent mainly on account of the Earthquake relief assistance.

### Earthquake Relief Assistance

The Pakistan economy was subjected to a major headwind on October 8, 2005, which was acid test for the resilience of the economy. It caused colossal loss of lives, private properties and infrastructure which was to be restored by the Government with the help of the international community. Most of foreign countries / donors, UN agencies and NGOs responded quickly to provide relief in the shape of cash and kind to the victims of disaster. The foreign donors / institutions pledged an amount of $6.5 billion comprising $4.0 billion loans and of $2.5 billion grant assistance in the Donor's Conference called by the Government of Pakistan in the month of November, 2005. Out of that pledged amount, an amount of $1930 million, comprising $1656 million as loan and $274 million as grant were committed during 2005-06 and an amount of $261 million comprising $50 million as loan and $211 million as grant were committed during July-March, 2006-07. Out of this committed amount, $915 million comprising $768 million as loan and $147 million as grant were disbursed during the year 2005-06 and an amount of $186 million comprising $178 million as loan and $8 million as grant were disbursed during the first nine month of current fiscal year.

### Debt Service Payments and Net Transfers

The inflow of foreign assistance is aimed primarily to upgrade the productive capacity of the economy but in real terms they were being utilized for debt service payments. The increased liability of debt service payments has squeezed the net inflow of foreign resources. The net transfers of aid in the 1990s averaged at US$534 million per annum but declined in subsequent years to considerable extent. Net transfers turned to negative by the end of the 1990s and it turned to negative $364 million in 2000-01 due to lower disbursements and ever increasing debt servicing liabilities on external debt.

Debt-servicing of external medium & long-term loans amounted to $1,115 million during July-March, 2006-07 which include $698 million principal repayment and $417 million interest payments. Debt-servicing amounted to $359 million on account of bilateral countries. Of this amount, Paris-Club countries accounted for $334 million and Non-Paris Club countries for $25 million. An amount of $756 million was owed to multilateral creditors. Debt-servicing was totaled $1,572 million during 2005-06.

Over reliance on external resources have implications for debt-servicing problem. A higher level of debt-servicing is tantamount to net transfer of the external resources. Net transfers have declined substantially in the past for higher incidence of debt servicing. Net transfers as percentage of total disbursements were 25% for the decade of 1990's. For the last seven years, net transfers were negative for only one year i.e. 2003-04 and that was mainly because of prepayments of the expensive loans owed to the ADB. A summarized position of the disbursements for various years, debt-servicing and net transfers is documented in Table-10.8.

**Table-10.8: Debt Servicing and Net Transfers** *(US$ million)*

| Year | Gross Disbursements * | Debt Servicing** | Net Transfers (N.T) | NT as % of Gross Disbursements. |
|---|---|---|---|---|
| 1990-91 | 2045 | 1316 | 729 | 36 |
| 1991-92 | 2366 | 1513 | 853 | 36 |
| 1992-93 | 2436 | 1648 | 788 | 32 |
| 1993-94 | 2530 | 1746 | 784 | 31 |
| 1994-95 | 2571 | 2042 | 529 | 21 |
| 1995-96 | 2555 | 2136 | 419 | 16 |
| 1996-97 | 2231 | 2265 | -34 | -1 |
| 1997-98 | 2800 | 2353 | 447 | 16 |
| 1998-99 | 2440 | 1638 | 910 | 37 |
| 1999-00 | 1426 | 1778 | -86 | -6 |
| 2000-01 | 1599 | 1546 | 53 | 3 |
| 2001-02 | 2316 | 1190 | 1126 | 49 |
| 2002-03 | 1553 | 1327 | 226 | 15 |
| 2003-04 | 1270 | 2978 | -1708 | -134 |
| 2004-05 | 2275 | 1461 | 814 | 36 |
| 2005-06 | 2863 | 1572 | 1291 | 45 |
| 2006-07 (Jul-Mar) | 1761 | 1115 | 646 | 37 |

Source: Economic Affairs Division *Source: Economic Affairs Division*

* *Excluding relief assistance for Afghan Refugees and Earthquake (2005-06)*

** *Excluding debt servicing on short-term borrowings, IMF Charges and Euro Bonds up to the years 2003-04. From the years 2004-05 onwards debt servicing in respect of short-term borrowings and Euro Bonds is included.*

## Debt Servicing of External Debt and Liabilities

Pakistan's economy has got much strength and confidence from strong build-up in foreign exchange reserves. This build-up traces its origin from a prudent external debt management strategy. In FY 2000 Pakistan paid $ 3.756 billion on account of debt servicing and $ 4.081 billion worth of payments were rolled over. This speaks well of the debt carrying capacity of the economy at the end of the 1990. The combination of re-profiling of Paris Club bilateral debt on a long-term horizon, the substantial write-off of the US bilateral debt stock, the prepayment of expensive debt worth $ 1.1 billion and the relative shift in contracting new loans on concessional term has begun to yield dividend. The annual debt servicing payments made during the period 1999-2000 to 2003-04 averaged just above $ 5 billion per annum. This amount has drastically come down to around $ 3 billion in FY2005 and FY06. An amount of $ 2.2 billion has been paid during July-March 2006-07 and the amount rolled over declined from $ 4.1 billion in 1999-2000 to $ 1.1 billion in July-March 2006-07. The trend is likely to persist in the medium term and has eased the pressure on current account amidst rising trade deficit. The gradual improvement in the external liquidity position, leading to a build up in foreign exchange reserves the actual paid amount continued to rise for five years and the rolled over amount continued to decline or remained stagnant. By 2001-02, the actual paid amount on account of debt servicing reached as high as $ 6.327 billion and the rolled over amount declined to $ 1.1 billion by March 2007. The prudent management of external debt has enabled the country to retire expensive debt but at the same time lowered the stock of external debt. The trend of lower incidence of debt servicing persisted during the first nine months of the current fiscal year (July-March 2006-07) both the actual paid amount as well as rolled over amount further declined to $ 2.2 billion and $ 1.1 billion respectively [See Table-10.9 & fig-10.3].

## 10.5 Dynamics of External Debt Burden

The dynamics of external debt burden is well-documented in Table 10.10. The real cost of foreign borrowing which includes the interest cost, as well as the cost emanating from the depreciation of the Pak-rupee *(or capital loss on foreign exchange)* was on average, 3.4 percent and 2.7 percent per annum in the 1980s and 1990s, respectively. The real cost of borrowing declined, on average, by 3.0 percent per annum during the first half of 1990s mainly on the account of a relatively lower nominal implied interest rate (9.2%) and higher inflation rate (11.8%), leading to a negative real interest rate (2.7%). 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. However, the pendulum swung to other extreme during 2000-03, when real cost of borrowing declined to an average of 1.9 percent per annum on account of benign interest and inflation rates and more so, with the appreciation of the Pakistani rupee. The period 2003-07 witnessed a further decline in the real cost of borrowing, which turned negative mainly because of higher inflation and depreciation of the rupee value.

**Fig-10.3: Pakistan's External Debt and Liabilities Servicing**

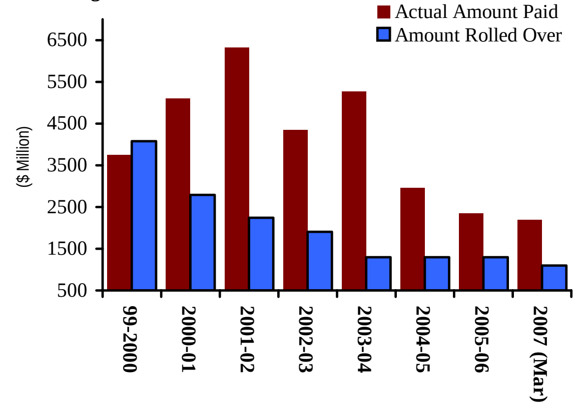



**Table-10.9: Pakistan's External Debt and Liabilities Servicing**

($ 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 | 2965 | 1300 | 4265 |
| 2005-06 | 3110 | 1300 | 4410 |
| 2006-07 * | 2201 | 1100 | 3301 |

** July-March* *Source: State Bank of Pakistan*

**Table 10.10: 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 in Foreign Exchange Earnings* (%) | Real Growth of External Debt Burden (%) |
|---|---|---|---|---|---|
| 1980s | -1.2 | 3.4 | 6.4 | 4.7 | 1.7 |
| 1990s | -2.7 | 2.7 | 6.5 | 5.5 | 1.0 |
| 1990s-I | -2.7 | -3.0 | 7.1 | 6.6 | 0.5 |
| 1990s-II | -2.8 | 5.5 | 6.0 | 4.4 | 1.6 |
| 2000-03 | 4.1 | 2.4 | -1.9 | 13.2 | -15.1 |
| 2003-07* | -1.0 | -3.9 | -2.0 | 8.9 | -10.9 |

*Source: SBP & Debt Office, Finance Division*

* July-March for 2006-07

** Unit Value of imports of industrialized countries at 2000=100 is used as deflator*

As a result of the sharp fluctuation in the real cost of borrowing, the dynamics of external debt burden have also changed over the last two decades. The changing dynamics of external debt burden as documented in Table 10.10 shows that external debt burden grew at an average rate of 2.1 percent and 1.9 percent respectively during the 1980s and 1990s. Further dis-aggregation reveals that during the first half of the1990s, 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 6.6 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 initiated future difficulties because real growth in foreign exchange earnings slowed substantially to an average of 4.4 percent per annum in the second half of the 1990s, causing the debt burden to rise sharply to almost 1.6 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 2000-03 when the real growth of external debt burden witnessed a massive decline *(15.1% per annum)* on account of almost 13.2 percent real growth in foreign exchange earnings, a decline in real cost of borrowing (1.7 percent) and a contraction 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 4.1 percent per annum which helped reduce the country's debt burden at a relatively faster pace. During the last four years (2003-07), the current account balance again followed the historical pattern by turning into negative 1.3 percent and real growth in foreign exchange earnings slowed to 7.4 percent, mainly because of the depreciation of currency and a rise in the value of the deflator. However, the real cost of borrowing nosedived to a negative 3.9 percent followed by a massive fall in real growth of external debt which in fact witnessed a negative growth of 2.0 percent. Resultantly, the actual debt burden was again decreased by 10.9 percent.

The analysis of dynamics of the external debt burden provides a useful lesson for the policy-makers to manage the country's external debt. Firstly, the gap in the current account should be minimal so as to limit external borrowing. Attempt should be made to finance current account deficit primarily from non-debt creating inflows (foreign investment, grants and assistance etc.) Secondly, stability in exchange rate is critical for prudent debt management. Thirdly, 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.

### 10.6 Pakistan's Link with International Capital Market

Pakistan's is pursuing a comprehensive external borrowing strategy consistent with borrowing constraints such as saving/investment gap, amortization payments, reserve targets and most importantly the government's medium-term development priorities. The Government of Pakistan plans to continue to tap the global capital market through regular issuance of bonds (conventional and Islamic) to ensure a steady supply of Pakistan's sovereign paper, establish a benchmark for Pakistan and to keep Pakistan on the radar screen of global investors. This will keep spreads on Pakistani paper low, give more borrowing options to Pakistani borrowers including the government and ensure that Pakistan is covered by various investment research products.

#### Eurobond 2017

Continuing the credible debt policy, Pakistan successfully issued a US$ 750 million 10 year note at a fixed rate of 6.875% on May 24, 2007 lead managed by Deutsche Bank, Citi Group and HSBC. This was the largest 10 year deal to date, beating the previous deal of US$ 500 million. The transaction has provided a true liquid benchmark for other issuers to follow. The transaction priced at an impressive UST (US Treasury) +200 basis point which is 40 bps (basis points) tighter compared to last year's deal that priced at UST +240 basis points. The deal priced at the tight end of a revised price guidance of 6.875-7.00 percent. The issue was highly oversubscribed with the largest ever order book amassed for Pakistan. The order book of US$ 3.7 billion meant an oversubscription of over 7 times on the original deal of US$ 500 million. The resounding demand allowed Pakistan to upsize the deal by 50% to US$ 750 million. The transaction was announced and priced within 72 hours, an impressive feat and testament to investor confidence in Pakistan. Furthermore, an astounding 60% of the deal went to first-time investors who had never bought Pakistan paper before and that 75% of investors met on the roadshow placed orders. The offering was well balanced by geographically with an increase in US participation to 35% from 19% on previous transaction.

| *Investor distribution Eurobond 2017* | |
|---|---|
| Fund Managers | 46% |
| Bank | 22% |
| Hedge Funds | 15% |
| Institutional / Pension Funds | 9% |
| Banks (Private) | 8% |

Source: Deutsche Bank

**Eurobond of 2016 and 2036**

On March 23, 2006, Pakistan successfully issued US$ 500 million new 10-year Notes and US$300mm new 30-year Bonds in the international debt capital markets lead managed by JP Morgan, Citi group and Deutsche Bank. This transaction, which represented the first international 144A bond issued by Pakistan since 1999, raised significant interest amongst US QIBs and international institutional investors. The 10-year notes were priced with a coupon of 7.125% to yield 7.125%, framing a spread of 240bps over the relevant 10-year US Treasury benchmark and 187bps over the US$ mid-swap rate. The 30-year bonds were priced with a coupon of 7.875% to yield 7.875%, framing a spread of 302bps over the relevant 30-year US Treasury benchmark and 256bps over the US$ mid-swap rate. Pakistan was able to achieve spreads on both the new 10 and 30-year bonds that were tighter than its previous 5-year issues. By issuing 10 and 30 year tranches, Pakistan completed its primary objective of establishing a full Pakistani International yield curve in record time. This remarkable achievement was completed against a backdrop of increased volatility in the US Treasury and Asian credit markets. With over 170 accounts participating, books closed with total orders exceeding US$ 2 billion. The issue was over 2.5 times oversubscribed.

**Recent Performance of 2016 and 2036 Eurobond**

Since the issue of the new Pakistan bonds due 2016 and 2036, the EM credit markets have continued to tighten. As compared to the issue spread of UST + 240bps, the 2016 bond is trading currently at a spread of UST +197 bps, about 18% less

Table-10.11: Selected Secondary Market Benchmarks (as of 1 June 2007)

| Issuer | Ratings (Moody's/S&P) | Details (Coupon/Maturity) | Spread over UST (bps) | Bid - Yield (%) |
|---|---|---|---|---|
| Brazil | Ba3 / BB | 7.875% / Mar 2015 | +95 | 5.800 |
| Turkey | Ba3 / BB- | 7.250% / Mar 2015 | +177 | 6.620 |
| Vietnam | Ba3 / BB- | 6.875% / Jan 2016 | +113 | 5.990 |
| Philippines | B1 / BB- | 8.000% / Jan 2016 | +119 | 6.090 |
| **Pakistan** | **B2/B+** | **7.125%/Mar 2016** | **+197** | **6.840** |
| Indonesia | B2 / B+ | 7.250% / Apr 2015 | +106 | 5.940 |
| Indonesia | B2 / B+ | 7.500% / Jan 2016 | +110 | 5.980 |
| Indonesia | B2 / B+ | 6.875% / Mar 2017 | +114 | 6.020 |

Source: Bloomberg

The 2036 bond, as compared to the issue spread of UST + 302bps, is trading currently at a spread of UST + 260 bps, about 19% less

**Table-10.12: Selected Secondary Market Benchmarks (as of 1 June 2007)**

| Issuer | Ratings (Moody's/S&P) | Details (Coupon/Maturity) | Spread over UST (bps) | Bid - Yield (%) |
|---|---|---|---|---|
| Brazil | Ba3/BB | 7.125%/Jan 2037 | +116 | 6.190 |
| Turkey | Ba3/BB- | 6.875%/Mar 2036 | +212 | 7.150 |
| Philippines | B1/BB- | 9.500%/Feb 2030 | +158 | 6.600 |
| Philippines | B1/BB- | 7.750%/Jan 2031 | +159 | 6.610 |
| **Pakistan** | **B2/B+** | **7.875%/Mar 2036** | **+260** | **7.470** |
| Indonesia | B2/B+ | 8.500%/Oct 2035 | +164 | 6.650 |

Source: Bloomberg

It is important to note that this offering was the largest ever funding exercise of the government. The largest deal, prior to this transaction has been the $ 600 million *Sukuk* in 2005. It was the longest ever tenor achieved by Pakistan. Both the new 10 and 30 year offerings are debut offerings for Pakistan by the US dollar yield curve was extended out to 30 years in just 2 years. Most emerging market sovereign issuers have taken longer time to extend their yield curve from 5 to 30 years. It took Philippines 4 years and Brazil and Turkey 3 years to extend their yield curve to 30 years.

**Sukuk (Islamic Bond)**

In January 2005, Pakistan issued US$ 600 million Islamic Sukuk lead managed by Citi group and HSBC– which was then the largest issue by Pakistan, and the first Asian sovereign deal of 2005. The 5 year notes, structured to comply with Islamic law ("Shariah") were priced at 6 month US$ Libor + 220 bps benchmark. Despite the volatility in emerging markets early in the year, Pakistan was able to launch and price the issue at the tight end of the indicated price guidance of US$ Libor +220-235 bps. Pakistan's debut Islamic Bond issue saw considerable interest from both conventional as well as Islamic investors across the three regions, Asia, Middle East and Europe. It attracted orders worth $1.2 billion, with more than 80 accounts participating in the transaction. Pakistan decided to increase the transaction size from the original US$ 300-500 million to US$ 600 million to cater for the significant demand and to allocate the bonds to high quality accounts. Pakistan had over 80 accounts in the order book with a well-distributed book (Middle East 47%, Asia 31% and Europe 22%)

........................................

TABLE 9.1

PUBLIC AND PUBLICLY GUARANTEED MEDIUM AND LONG TERM EXTERNAL DEBT DISBURSED AND OUTSTANDING As on 31-03-2007

(US $ million)

| S.No. | Country/Creditor | Debt Outstanding as on 31-03-2007 |
|---|---|---|
| I. | Bilateral | |
| | a. Paris Club Countries | |
| 1 | Austria | 75 |
| 2 | Belgium | 62 |
| 3 | Canada | 481 |
| 4 | Finland | 6 |
| 5 | France | 2,130 |
| 6 | Germany | 1,825 |
| 7 | Italy | 154 |
| 8 | Japan | 5,343 |
| 9 | Korea | 580 |
| 10 | Netherlands | 118 |
| 11 | Norway | 40 |
| 12 | Russia | 129 |
| 13 | Spain | 82 |
| 14 | Sweden | 155 |
| 15 | Switzerland | 95 |
| 16 | United Kingdom | 12 |
| 17 | USA | 1,578 |
| | Sub-Total I.a. Paris Club Countries | 12,864 |
| | b. Non-Paris Club Countries | |
| 18 | Bahrain | 12 |
| 19 | China (including Defense) | 867 |
| 20 | Kuwait | 84 |
| 21 | Libya | 6 |
| 22 | Saudi Arabia | 16 |
| 23 | United Arab Emirates | 66 |
| | Sub-Total I.b. Non-Paris Club Countries | 1,051 |
| | Total I. (a+b) | 13,915 |
| II. | Multilateral & Others | |
| 24 | ADB | 7,265 |
| 25 | EIB | 73 |
| 26 | IBRD | 2,144 |
| 27 | IDA | 7,995 |
| 28 | IDB | 315 |
| 29 | IFAD | 157 |
| 30 | NORDIC Development Fund | 17 |
| 31 | NORDIC Investment Bank | 13 |
| 32 | OPEC Fund | 21 |
| | Total II: Multilateral & Others | 18,002 |
| III. | Bonds | |
| 33 | Eurobonds | 1,900 |
| 34 | Saindak | 5 |
| | Total III: Bonds | 1,905 |
| IV. | Commercial Banks | 145 |
| | Grand Total (I+II+III+IV) | 33,966 |

Source:Economic Affairs Division

TABLE 9.2

COMMITMENTS AND DISBURSEMENTS OF LOANS AND GRANTS (BY TYPE)

(US $ million)

| | Project Aid | | Non-Project Aid | | | | | | | | Total | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Non-Food | | Food | | BOP | | Relief | Relief | | |
| Plan/ Fiscal Year | Commit- ments | Disburse- ments | Commit- ments | Disburse- ments | Commit- ments | Disburse- ments | Commit- ments | Disburse- ments | Commit- ments | Disburse- ments | Commit- ments | Disburse- ments |
| VI. 5th Plan | | | | | | | | | | | | |
| 1978-79 | 1,064 | 599 | 190 | 213 | 55 | 50 | 86 | 86 | - | - | 1,395 | 948 |
| 1979-80 | 1,002 | 808 | 121 | 161 | 55 | 21 | 419 | 419 | 61 | 61 | 1,658 | 1,470 |
| 1980-81 | 591 | 676 | 182 | 103 | 73 | 66 | 16 | 16 | 111 | 111 | 973 | 972 |
| 1981-82 | 887 | 536 | 320 | 174 | 110 | 89 | 10 | 10 | 293 | 293 | 1,620 | 1,102 |
| 1982-83 | 1,115 | 744 | 174 | 299 | 120 | 80 | - | - | 178 | 178 | 1,587 | 1,301 |
| Sub-Total | 4,659 | 3,363 | 987 | 950 | 413 | 306 | 531 | 531 | 643 | 643 | 7,233 | 5,793 |
| VII. 6th Plan | | | | | | | | | | | | |
| 1983-84 | 1,580 | 695 | 166 | 149 | 88 | 177 | - | - | 155 | 155 | 1,989 | 1,176 |
| 1984-85 | 1,804 | 903 | 161 | 125 | 196 | 79 | - | - | 150 | 150 | 2,311 | 1,257 |
| 1985-86 | 1,810 | 1,055 | 186 | 93 | 163 | 245 | - | - | 135 | 135 | 2,294 | 1,528 |
| 1986-87 | 2,035 | 1,006 | 331 | 205 | 130 | 57 | - | - | 130 | 130 | 2,626 | 1,398 |
| 1987-88 | 1,903 | 1,223 | 390 | 219 | 230 | 218 | - | - | 164 | 164 | 2,687 | 1,824 |
| Sub-Total | 9,132 | 4,882 | 1,234 | 791 | 807 | 776 | - | - | 734 | 734 | 11,907 | 7,183 |
| VIII. 7th Plan | | | | | | | | | | | | |
| 1988-89 | 1,979 | 1,262 | 663 | 537 | 392 | 542 | 146 @ | 146 @ | 132 | 132 | 3,312 | 2,619 |
| 1989-90 | 2,623 | 1,312 | 201 | 386 | 258 | 287 | 217 @ | 217 @ | 140 | 140 | 3,439 | 2,342 |
| 1990-91 | 1,935 | 1,408 | 346 | 451 | 134 | 136 | 50 | 50 | 111 | 111 | 2,576 | 2,156 |
| 1991-92 | 2,219 | 1,766 | 43 | 316 | 322 | 284 | - | - | 105 | 105 | 2,689 | 2,471 |
| 1992-93 | 1,204 | 1,895 | 182 | 232 | 454 | 309 | - | - | 57 | 57 | 1,897 | 2,493 |
| Sub-Total | 9,960 | 7,643 | 1,435 | 1,922 | 1,560 | 1,558 | 413 | 413 | 545 | 545 | 13,913 | 12,081 |
| IX. 8th Plan | | | | | | | | | | | | |
| 1993-94 | 1,822 | 1,961 | - | 15 | 329 | 251 | 411 | 303 | 19 | 19 | 2,581 | 2,549 |
| 1994-95 | 2,714 | 2,079 | 3 | 23 | 279 | 258 | - | 211 | 29 | 29 | 3,025 | 2,600 |
| 1995-96 | 2,219 | 2,151 | 57 | 21 | 395 | 383 | - | - | 10 | 10 | 2,681 | 2,565 |
| 1996-97 | 1,351 | 1,821 | 1 | 1 | 405 | 409 | - | - | 2 | 2 | 1,759 | 2,233 |
| 1997-98 | 776 | 1,552 | 1 | 1 | 578 | 622 | 750 | 625 | 1 | 1 | 2,106 | 2,801 |
| Sub-Total | 8,882 | 9,564 | 62 | 61 | 1,986 | 1,923 | 1,161 | 1,139 | 61 | 61 | 12,152 | 12,748 |
| 1998-99 | 1,382 | 1,620 | - | - | 185 | 270 | 650 | 550 | 2 | 2 | 2,219 | 2,442 |
| 1999-00 | 264 | 1,110 | - | - | 349 | 191 | - | 125 | 2 | 2 | 615 | 1,428 |
| 2000-01 | 247 | 919 | - | - | 10 | - | 621 | 678 | 2 | 2 | 880 | 1,599 |
| 2001-02 | 1,113 | 640 | - | - | 41 | 31 | 2,249 | 1,624 | 21 | 21 | 3,424 | 2,316 |
| 2002-03 | 860 | 705 | - | - | 22 | 10 | 1,158 | 830 | 8 | 8 | 2,048 | 1,553 |
| 2003-04 | 1,233 | 525 | - | - | 12 | - | 943 | 741 | 5 | 4 | 2,193 | 1,270 |
| 2004-05 | 1,965 | 741 | - | - | - | - | 1,115 | 1,532 | 2 | 2 | 3,082 | 2,275 |
| 2005-06 | 1,021 | 878 | - | - | - | - | 1,330 | 1,069 | *1931 | **916 | 4,282 | 2,863 |
| 2006-07(July-Mar) | 1,035 | 599 | - | - | - | 12 | 1,169 | 961 | #264 | ##189 | 2,468 | 1,761 |

- nil

@ IMF(SAF) Loan.

* Inclusive of Earthquake Relief Assistance $1930 million & relief for Afghan Refugees $ 1 million

** Inclusive of Earthquake Relief Assistance $915 million & relief for Afghan Refugees $ 1 million

# Inclusive of Earthquake Relief Assistance $261 million & relief for Afghan Refugees $ 3 million

## Inclusive of Earthquake Relief Assistance $186 million & relief for Afghan Refugees $ 3 million

Source: Economic Affairs Division

TABLE 9.3

ANNUAL COMMITMENTS, DISBURSEMENTS, SERVICE PAYMENTS AND EXTERNAL DEBT OUTSTANDING
(Medium and Long Term)

(US $ million)

| Fiscal Year | Debt outstanding (end of period) Dis-bursed | Undis-bursed* | Commit-ments | Disburse-ments** | Service Payments** Principal | Interest | Total | Debt Servicing as % of Export Receipts | Foreign Exchange Earnings | GDP |
|---|---|---|---|---|---|---|---|---|---|---|
| 1960-61 | 171 | .. | 479 | 342 | 11 | 6 | 17 | 14.9 | .. | 0.4 |
| 1961-62 | 225 | .. | 429 | 304 | 20 | 11 | 31 | 27.2 | .. | 0.7 |
| 1962-63 | 408 | .. | 645 | 501 | 34 | 13 | 47 | 22.4 | .. | 1.0 |
| 1963-64 | 661 | .. | 526 | 541 | 44 | 18 | 62 | 27.4 | .. | 1.2 |
| 1964-65 | 1,021 | .. | 832 | 706 | 37 | 25 | 62 | 25.9 | .. | 1.1 |
| 1965-66 | 1,325 | .. | 537 | 533 | 41 | 33 | 74 | 29.2 | .. | 1.1 |
| 1966-67 | 1,696 | .. | 628 | 623 | 52 | 44 | 96 | 35.2 | .. | 1.3 |
| 1967-68 | 2,099 | .. | 561 | 729 | 62 | 46 | 108 | 31.2 | .. | 1.3 |
| 1968-69 | 2,532 | .. | 656 | 594 | 93 | 65 | 158 | 44.3 | .. | 1.8 |
| 1969-70 | 2,959 | .. | 555 | 564 | 105 | 71 | 176 | 52.1 | .. | 1.8 |
| 1970-71 | 3,425 | .. | 873 | 612 | 101 | 81 | 182 | 43.3 | .. | 1.7 |
| 1971-72 | 3,766 | .. | 143 | 409 | 71 | 51 | 122 | 20.6 | .. | 1.3 |
| 1972-73 | 4,022 | .. | 543 | 355 | 107 | 86 | 193 | 23.6 | 18.1 | 3.0 |
| 1973-74 | 4,427 | .. | 1,268 | 498 | 118 | 79 | 197 | 19.2 | 14.2 | 2.2 |
| 1974-75 | 4,796 | 1,854 | 1,115 | 976 | 144 | 104 | 248 | 23.9 | 16.3 | 2.2 |
| 1975-76 | 5,755 | 1,811 | 951 | 1,051 | 141 | 108 | 249 | 21.9 | 13.7 | 1.9 |
| 1976-77 | 6,341 | 1,914 | 1,111 | 960 | 175 | 136 | 311 | 27.3 | 15.3 | 2.1 |
| 1977-78 | 7,189 | 2,041 | 963 | 856 | 165 | 162 | 327 | 24.9 | 11.2 | 1.8 |
| 1978-79 | 7,792 | 2,514 | 1,395 | 948 | 234 | 203 | 437 | 25.6 | 12.0 | 2.2 |
| 1979-80 | 8,658 | 2,586 | 1,658 | 1,470 | 350 | 234 | 584 | 24.7 | 11.9 | 2.5 |
| 1980-81 | 8,765 | 2,579 | 973 | 972 | 360 | 243 | 603 | 20.4 | 10.6 | 2.1 |
| 1981-82 | 8,799 | 2,921 | 1,620 | 1,102 | 288 | 203 | 491 | 19.9 | 8.8 | 1.6 |
| 1982-83 | 9,312 | 3,087 | 1,587 | 1,301 | 390 | 244 | 634 | 23.5 | 9.6 | 2.2 |
| 1983-84 | 9,469 | 3,436 | 1,989 | 1,176 | 453 | 274 | 727 | 26.3 | 10.9 | 2.3 |
| 1984-85 | 9,732 | 4,321 | 2,311 | 1,257 | 513 | 275 | 788 | 31.6 | 12.9 | 2.5 |
| 1985-86 | 11,108 | 5,242 | 2,294 | 1,528 | 603 | 303 | 906 | 29.5 | 13.5 | 2.8 |
| 1986-87 | 12,023 | 6,113 | 2,626 | 1,399 | 723 | 378 | 1,101 | 29.9 | 15.6 | 3.3 |
| 1987-88 | 12,913 | 7,070 | 2,687 | 1,824 | 691 | 426 | 1,117 | 25.1 | 14.7 | 2.9 |
| 1988-89 | 14,190 | 7,372 | 3,312 @ | 2,619 @ | 685 | 440 | 1,125 | 24.1 | 14.4 | 2.8 |
| 1989-90 | 14,730 | 8,279 | 3,439 @ | 2,342 @ | 741 | 491 | 1,232 | 24.9 | 14.4 | 3.1 |
| 1990-91 | 15,471 | 9,232 | 2,576 | 2,156 | 782 | 534 | 1,316 | 21.5 | 13.7 | 2.9 |
| 1991-92 | 17,361 | 9,461 | 2,689 | 2,471 | 921 | 592 | 1,513 | 21.9 | 13.2 | 3.1 |
| 1992-93 | 19,044 | 9,178 | 1,897 | 2,493 | 999 | 649 | 1,648 | 24.2 | 15.3 | 3.2 |
| 1993-94 | 20,322 | 9,014 | 2,581 | 2,549 | 1,105 | 673 | 1,778 | 25.7 | 16.2 | 3.4 |
| 1994-95 | 22,117 | 9,806 | 3,025 | 2,600 | 1,323 | 752 | 2,075 | 25.1 | 16.5 | 3.4 |
| 1995-96 | 22,292 | 7,761 | 2,681 | 2,565 | 1,346 | 791 | 2,137 | 24.5 | 16.7 | 3.4 |
| 1996-97 | 22,509 | 8,583 | 1,759 | 2,233 | 1,510 | 741 | 2,251 | 27.2 | 17.6 | 3.6 |
| 1997-98 | 22,844 | 6,164 | 2,106 | 2,801 | 1,600 | 723 | 2,323 | 27.3 | 17.6 | 3.8 |
| 1998-99 | 25,423 | 5,076 | 2,219 | 2,442 | 955 | 399 | 1,354 | 19.7 | 13.6 | 2.6 |
| 1999-00 | 25,359 | 3,421 | 615 | 1,428 | 884 | 506 | 1,390 | 17.6 | 11.9 | 2.1 |
| 2000-01 | 25,608 | 2,860 | 880 | 1,599 | 967 | 579 | 1,546 | 17.3 | 10.8 | 2.1 |
| 2001-02 | 27,215 | 3,504 | 3,424 | 2,316 | 739 | 451 | 1,190 | 13.0 | 7.7 | 1.6 |
| 2002-03 | 28,301 | 3,811 | 2,048 | 1,553 | 784 | 543 | 1,327 | 12.2 | 6.8 | 1.6 |
| 2003-04 | 28,900 | 5,392 | 2,193 | 1,270 | 2,321 | 657 | 2,978 | 24.0 | 13.9 | 3.0 |
| 2004-05 | 30,813 | 4,975 | 3,082 | 2,275 | 863 | 598 | 1,461 | 10.1 | 5.5 | 1.3 |
| 2005-06 | 32,407 | 6,127 | 4,282 | 2,863 | 975 | 597 | 1,572 | 9.6 | 5.1 | 1.2 |
| 2006-07 (July-Mar) | 33,966 | 6,835 | 2,468 | 1,761 | 698 | 417 | 1,115 | 9.0 | 4.8 | 0.8 |

.. not available.

* Excluding grants.

** Excluding short term credits, commercial credits, bonds and the IMF.

@ Inclusive of IMF(SAF) Loan.

Source: Economic Affairs Division

TABLE 9.4

## DEBT SERVICE PAYMENTS ON FOREIGN MEDIUM AND LONG TERM LOANS (Paid in foreign exchange)

(US $ million)

| Fiscal Year | Kind | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 (July-Mar) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I. | PARIS CLUB COUNTRIES | | | | | | | | | | | |
| 1 Australia | Principal | 58.110 | 186.972 | 147.880 | 147.891 | 105.534 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 2.674 | 9.551 | 5.431 | 6.692 | 4.680 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 2 Austria | Principal | 5.580 | 2.445 | 0.000 | 0.000 | 0.030 | 0.000 | 0.000 | 0.695 | 0.376 | 1.223 | 0.522 |
| | Interest | 2.530 | 1.042 | 0.000 | 0.656 | 0.703 | 0.353 | 2.072 | 3.207 | 4.212 | 3.637 | 1.931 |
| 3 Belgium | Principal | 7.233 | 6.033 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 4.380 |
| | Interest | 1.920 | 2.621 | 0.000 | 1.267 | 1.654 | 0.864 | 3.102 | 1.413 | 1.767 | 1.859 | 0.980 |
| 4 Canada | Principal | 26.821 | 23.680 | 15.947 | 15.318 | 8.097 | 0.000 | 0.000 | 0.000 | 0.302 | 0.841 | 0.474 |
| | Interest | 3.858 | 2.774 | 2.360 | 1.302 | 1.073 | 0.740 | 1.317 | 1.438 | 2.766 | 4.436 | 2.799 |
| 5 Denmark | Principal | 1.588 | 1.442 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 6 France | Principal | 66.661 | 40.697 | 7.018 | 0.000 | 0.203 | 0.034 | 0.000 | 28.766 | 10.636 | 24.921 | 14.232 |
| | Interest | 44.165 | 22.757 | 4.477 | 8.767 | 15.315 | 16.508 | 47.516 | 61.557 | 82.615 | 81.489 | 42.964 |
| 7 Finland | Principal | 1.839 | 1.838 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.024 | 0.055 | 0.031 |
| | Interest | 0.007 | 0.006 | 0.000 | 0.131 | 0.307 | 0.157 | 0.111 | 0.088 | 0.164 | 0.286 | 0.182 |
| 8 Germany | Principal | 107.998 | 58.662 | 38.726 | 9.551 | 5.741 | 0.854 | 3.834 | 7.925 | 2.64 | 12.749 | 7.374 |
| | Interest | 34.999 | 17.507 | 11.406 | 6.532 | 7.493 | 7.403 | 18.903 | 17.575 | 20.981 | 29.826 | 15.503 |
| 9 Italy | Principal | 9.283 | 13.239 | 0.512 | 3.121 | 2.262 | 1.115 | 2.136 | 0.316 | 0.541 | 0.642 | 0.129 |
| | Interest | 4.111 | 3.620 | 0.270 | 0.620 | 1.778 | 0.982 | 2.718 | 2.753 | 3.605 | 2.331 | 0.567 |
| 10 Japan | Principal | 167.078 | 169.558 | 14.796 | 0.538 | 38.689 | 46.279 | 70.319 | 396.646 | 48.114 | 65.577 | 38.188 |
| | Interest | 97.918 | 98.308 | 11.725 | 59.970 | 73.006 | 28.445 | 36.224 | 129.721 | 149.982 | 86.805 | 52.961 |
| 11 Korea | Principal | 3.696 | 3.696 | 0.000 | 0.000 | 0.123 | 0.000 | 0.000 | 44.834 | 45.272 | 96.485 | 51.214 |
| | Interest | 1.868 | 40.579 | 0.000 | 5.063 | 13.040 | 5.232 | 0.000 | 24.884 | 23.787 | 38.168 | 25.153 |
| 12 Norway | Principal | 2.484 | 2.765 | 0.401 | 1.874 | 2.938 | 0.000 | 2.125 | 2.124 | 3.877 | 4.064 | 6.062 |
| | Interest | 2.349 | 1.892 | 0.287 | 1.314 | 2.577 | 0.543 | 1.797 | 1.537 | 1.321 | 2.196 | 0.316 |
| 13 Netherlands | Principal | 14.212 | 12.273 | 0.000 | 0.936 | 1.016 | 0.710 | 1.102 | 0.000 | 0.221 | 0.528 | 0.314 |
| | Interest | 4.169 | 3.102 | 0.043 | 0.630 | 0.952 | 0.637 | 1.337 | 2.419 | 1.894 | 3.050 | 2.828 |
| 14 Russia | Principal | 41.333 | 26.363 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.937 | 18.958 | 1.256 |
| | Interest | 9.788 | 6.733 | 0.000 | 0.000 | 3.098 | 3.457 | 0.000 | 0.000 | 3.367 | 23.375 | 3.308 |
| 15 Sweden | Principal | 13.836 | 18.721 | 0.591 | 0.000 | 1.737 | 0.000 | 0.000 | 0.000 | 0.412 | 0.957 | 0.545 |
| | Interest | 5.466 | 7.854 | 1.689 | 2.207 | 3.407 | 4.693 | 1.987 | 1.962 | 3.553 | 7.063 | 4.610 |
| 16 Spain | Principal | 2.935 | 5.006 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.098 | 0.580 | 1.369 | 0.636 |
| | Interest | 1.777 | 2.316 | 0.041 | 0.659 | 1.185 | 0.860 | 1.681 | 1.753 | 2.372 | 2.911 | 1.632 |
| 17 Switzerland | Principal | 8.400 | 5.915 | 4.790 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.253 | 0.555 | 0.316 |
| | Interest | 4.894 | 3.096 | 1.081 | 0.000 | 1.541 | 0.867 | 0.941 | 0.803 | 1.319 | 1.530 | 1.018 |
| 18 USA | Principal | 333.834 | 431.831 | 275.138 | 125.515 | 43.244 | 7.839 | 11.402 | 1.721 | 10.492 | 19.645 | 17.741 |
| | Interest | 95.359 | 100.959 | 24.907 | 17.825 | 59.906 | 33.115 | 61.619 | 56.098 | 64.334 | 61.191 | 32.112 |
| 19 UK | Principal | 0.369 | 2.880 | 0.000 | 2.644 | 6.470 | 3.845 | 5.643 | 36.203 | 0.959 | 1.916 | 0.969 |
| | Interest | 2.719 | 3.260 | 0.000 | 1.129 | 8.954 | 2.153 | 2.552 | 6.537 | 0.545 | 0.598 | 0.334 |
| TOTAL (I) | Principal | 873.290 | 1014.016 | 505.799 | 307.388 | 216.084 | 60.676 | 96.561 | 519.328 | 125.636 | 250.485 | 144.383 |
| | Interest | 320.571 | 327.977 | 63.717 | 114.764 | 200.669 | 107.009 | 183.877 | 313.745 | 368.584 | 350.751 | 189.198 |
| II. | NON-PARIS CLUB COUNTRIES | | | | | | | | | | | |
| 1 China | Principal | 72.527 | 72.356 | 0.958 | 11.932 | 163.019 | 90.810 | 35.228 | 14.798 | 13.868 | 18.967 | 7.074 |
| | Interest | 30.833 | 32.643 | 0.000 | 8.136 | 29.702 | 20.699 | 25.661 | 13.980 | 13.310 | 7.377 | 8.687 |
| 2 Czecho - slovakia | Principal | 2.763 | 3.069 | 0.000 | 0.000 | 3.767 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 1.452 | 1.378 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 3 Kuwait | Principal | 7.703 | 7.016 | 0.262 | 0.000 | 1.478 | 1.226 | 3.030 | 5.395 | 5.733 | 7.054 | 6.517 |
| | Interest | 2.121 | 3.812 | 0.058 | 0.000 | 0.000 | 0.000 | 0.900 | 2.195 | 2.032 | 2.203 | 1.901 |
| 4 Libya | Principal | 6.158 | 1.416 | 1.156 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 1.419 | 0.209 | 0.185 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 5 Saudi Arabia | Principal | 13.653 | 13.078 | 1.230 | 0.000 | 0.000 | 0.000 | 13.079 | 5.424 | 5.373 | 3.383 | 0.000 |
| | Interest | 1.732 | 1.351 | 0.037 | 0.000 | 0.466 | 0.057 | 2.900 | 1.285 | 1.122 | 1.162 | 0.584 |

TABLE 9.4

## DEBT SERVICE PAYMENTS ON FOREIGN MEDIUM AND LONG TERM LOANS (Paid in foreign exchange)

(US $ million)

| Fiscal Year | Kind | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 (July-Mar) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 UAE | Principal | 5.606 | 5.606 | 3.606 | 0.000 | 0.000 | 0.000 | 1.000 | 1.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 2.916 | 2.746 | 2.297 | 0.000 | 0.000 | 0.336 | 0.824 | 0.824 | 0.678 | 1.015 | 0.338 |
| 7 Iran | Principal | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 8 Bulgaria | Principal | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 9 Malaysia | Principal | 21.702 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 1.122 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 10 Oman | Principal | 7.500 | 1.250 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 0.711 | 0.102 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 11 Romania | Principal | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 12 Yugoslavia | Principal | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| TOTAL (II) | Principal | 137.612 | 103.791 | 7.212 | 11.932 | 168.264 | 92.036 | 52.337 | 26.617 | 24.974 | 29.404 | 13.591 |
| | Interest | 42.306 | 42.241 | 2.577 | 8.136 | 30.168 | 21.092 | 30.285 | 18.284 | 17.142 | 11.757 | 11.510 |
| III. | | | | | | MULTILATERAL | | | | | | |
| 1 ADB | Principal | 194.591 | 200.636 | 198.963 | 237.655 | 247.044 | 241.442 | 265.981 | 1370.429 | 245.272 | 236.757 | 182.638 |
| | Interest | 142.960 | 138.966 | 142.195 | 156.565 | 151.188 | 151.668 | 172.738 | 179.919 | 75.061 | 74.020 | 58.979 |
| 2 IBRD | Principal | 230.249 | 201.189 | 169.766 | 222.773 | 227.914 | 233.789 | 249.499 | 287.173 | 322.704 | 294.377 | 229.547 |
| | Interest | 204.294 | 176.294 | 156.640 | 182.812 | 153.780 | 132.161 | 110.541 | 94.797 | 77.419 | 99.280 | 101.195 |
| 4 IDA | Principal | 41.444 | 45.713 | 53.737 | 62.631 | 66.534 | 72.592 | 83.452 | 97.926 | 112.724 | 118.566 | 100.353 |
| | Interest | 25.492 | 26.330 | 28.138 | 28.850 | 27.935 | 30.054 | 39.885 | 45.063 | 51.049 | 50.918 | 49.743 |
| 6 IFAD | Principal | 4.776 | 6.333 | 6.300 | 8.245 | 7.685 | 7.354 | 7.504 | 7.712 | 7.962 | 7.468 | 6.396 |
| | Interest | 2.092 | 2.381 | 2.457 | 2.376 | 2.206 | 1.996 | 1.751 | 2.106 | 2.043 | 1.802 | 1.450 |
| 7 IDB | Principal | 9.202 | 16.947 | 4.090 | 23.213 | 23.246 | 23.083 | 9.679 | 3.208 | 2.956 | 3.504 | 2.818 |
| | Interest | 0.867 | 5.713 | 0.363 | 5.040 | 3.955 | 2.061 | 1.046 | 0.731 | 0.612 | 0.795 | 1.395 |
| 9 IFC | Principal | 2.532 | 2.402 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 0.513 | 0.289 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| 10 IMF (Saf loan) | Principal | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| | Interest | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| TOTAL (III) | Principal | 482.794 | 473.220 | 432.856 | 554.517 | 572.423 | 578.260 | 616.115 | 1766.448 | 691.618 | 660.672 | 521.752 |
| | Interest | 376.218 | 349.973 | 329.793 | 375.643 | 339.064 | 317.940 | 325.961 | 322.616 | 206.184 | 226.815 | 212.762 |
| IV. | | | | | | DEVELOPMENT FUNDS | | | | | | |
| 1 NORDIC | Principal | 0.346 | 0.346 | 0.914 | 1.755 | 1.918 | 2.023 | 2.232 | 2.375 | 2.519 | 2.442 | 1.292 |
| | Interest | 1.458 | 1.448 | 1.594 | 1.806 | 2.087 | 1.065 | 0.723 | 0.565 | 0.685 | 0.917 | 0.538 |
| 2 OPEC Fund | Principal | 15.480 | 8.770 | 8.417 | 8.098 | 8.003 | 6.597 | 6.504 | 5.178 | 4.800 | 4.561 | 2.732 |
| | Interest | 0.884 | 0.948 | 0.919 | 0.804 | 0.749 | 0.754 | 0.707 | 0.595 | 0.546 | 0.591 | 0.365 |
| 3 Turkey (EXIM Bank) | Principal | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 9.959 | 0.000 | 12.900 | 25.800 | 12.900 |
| | Interest | 0.000 | 0.000 | 0.000 | 4.797 | 5.981 | 2.514 | 0.388 | 0.000 | 1.875 | 2.776 | 0.648 |
| 4 E.I. Bank | Principal | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.637 | 0.679 | 1.345 | 1.307 |
| | Interest | 0.000 | 0.000 | 0.000 | 0.118 | 0.254 | 0.234 | 0.939 | 1.722 | 2.592 | 3.324 | 2.378 |
| TOTAL (IV) | Principal | 15.826 | 9.116 | 9.331 | 9.853 | 9.921 | 8.620 | 18.695 | 8.190 | 20.898 | 34.148 | 18.231 |
| | Interest | 2.342 | 2.396 | 2.513 | 7.525 | 9.071 | 4.567 | 2.757 | 2.882 | 5.698 | 7.608 | 3.929 |
| TOTAL (I+II+III+IV) | Principal | 1509.522 | 1600.143 | 955.198 | 883.690 | 966.692 | 739.592 | 783.708 | 2320.583 | 863.126 | 974.709 | 697.957 |
| | Interest | 741.437 | 722.587 | 398.600 | 506.068 | 578.972 | 450.608 | 542.880 | 657.527 | 597.608 | 596.931 | 417.399 |
| | Total | 2250.959 | 2322.730 | 1353.798 | 1389.758 | 1545.664 | 1190.200 | 1326.588 | 2978.110 | 1460.734 | 1571.640 | 1115.356 |

## TABLE 9.5

TERMS OF FOREIGN LOANS/CREDITS CONTRACTED BY PAKISTAN

| Lending Country/Agency | | 2004-05 | | | 2005-06 | | |
|---|---|---|---|---|---|---|---|
| | | Amount (US $ Million) | Interest Rate/ Commission(%) | Amortization (years) | Amount (US $ Million) | Interest Rate/ Commission(%) | Amortization (years) |
| A. | Paris Club Countries | | | | | | |
| | 1. Germany | 63.2 | 0.75 | 30 | - | - | - |
| | 2. Korea | | | | 17.3 | 2 | 30 |
| | 3. Japan | - | - | - | 244.7 | 1.3 | 30 |
| | Sub-Total (A): | 63.2 | | | 262.0 | | |
| B. | Non-Paris Club | | | | | | |
| | 1. China | 705.4 | 2 | 20 | 322.3 | 1.5 | 5-20 |
| | 2. Kuwait | 34.2 | 2 | 20 | | | |
| | Sub-Total (B): | 739.6 | | | 322.3 | | |
| C | Multilateral | | | | | | |
| | 1. Islamic Development Bank | 8.4 | 2.5 | 25 | 121.3 | 1.25 & 5.1 | 15-25 |
| | 2. IDA | 601.8 | 0.75 | 35 | 1165.8 | 0.75 | 35 |
| | 3. ADB | 735.7 | 1-1.5& | 8-32 | 1036.9 | 1 & 1.5 | 15-40 |
| | | - | LIBOR+60bps | 15-25 | - | - | - |
| | 4. IBRD | 349.3 | LIBOR+50bps | 15-20 | 319.2 | LIBOR+50bps | 15-20 |
| | 5. IFAD | | | | 53.6 | 0.75 | 35 |
| | Sub-Total (C): | 1686.8 | | | 2696.8 | | |
| | Total (A+B+C) | 2498.0 | | | 3281.1 | | |

| Lending Country/Agency | | 2006-07 (July-March) | | |
|---|---|---|---|---|
| | | Amount (US $ Million) | Interest Rate/ Commission(%) | Amortization (years) |
| A. | Paris Club Countries | | | |
| | 1. France | 50.2 | LIBOR EURO 6 months -200bps | 20 |
| | 2. Germany | 5.8 | 0.75 | 40 |
| | 3. Japan | 197.8 | 1.3 | 30 |
| | Sub-Total (A) | 253.8 | | |
| B. | Non-Paris Club | | | |
| | 1. Kuwait | 38.0 | 2.5 | 24 |
| | 2. Saudi Arabia | 133.0 | LIBOR 12 months + 20 bps | 2 |
| | Sub-Total (B) | 171.0 | | |
| C | Multilateral | | | |
| | 1. IDA | 67.8 | 0.75 | 35 |
| | 2. ADB | 1386.3 | 1-1.5& | 24-32 |
| | | | LIBOR+60bps | 15.24 |
| | 3. OPEC | 10.0 | 1.25 | 20 |
| | 4. Islamic Development Bank | 200 | LIBOR 6 months + 60 bps | 2 |
| | Sub-Total (C) | 1,664.1 | | |
| | Total (A+B+C) | 2088.9 | | |

Source: Economic Affairs Division

## TABLE 9.6

### GRANT ASSISTANCE AGREEMENTS SIGNED

(US $ million)

| | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 (Jul-Mar) |
|---|---|---|---|---|---|---|---|---|---|---|
| I. Paris Club Countries | | | | | | | | | | |
| 1. Australia | - | - | - | - | - | - | - | - | 0.1 | - |
| 2. Canada | 0.2 | 4.5 | 2.5 | 5.6 | - | - | 13.8 | 4.5 | - | - |
| 3. Germany | 10.6 | 1.6 | - | - | 3.8 | - | - | - | 13.4 | 37.4 |
| 4. Japan | 40.1 | 0.4 | 1.0 | 3.3 | 65.7 | 50.1 | 45.8 | 113.5 | 67.8 | - |
| 5. Netherlands | - | 36.3 | 0.5 | - | - | 17.5 | - | 3.9 | - | - |
| 6. Norway | - | 2.8 | 1.4 | - | - | 6.4 | 10.4 | 2.4 | - | - |
| 7. Korea | - | - | 0.2 | - | - | - | - | - | - | - |
| 8. Switzerland | 5.2 | - | - | 1.6 | 3.4 | 4.2 | 2.1 | - | - | - |
| 9. UK | 2.8 | 93.4 | 77.2 | 17.2 | 53 | 42.3 | 85.3 | 50.9 | 139.1 | - |
| 10. USA | 1.9 | 41 | 4.4 | 1.7 | 703.7 | 155.2 | 218.4 | 325.8 | 292.3 | 69.4 |
| 11. Italy | - | - | 2.6 | - | - | - | - | - | - | - |
| Sub-Total (I) | 60.8 | 180.0 | 89.8 | 29.4 | 829.6 | 275.7 | 375.8 | 500.9 | 512.7 | 106.8 |
| II Non Paris Club Countries | | | | | | | | | | |
| 1. China | 6.0 | 6.4 | 3.6 | 6.4 | 46.7 | 6.0 | 0.2 | 12.1 | - | - |
| 2. Iran | - | - | - | - | - | - | - | - | - | - |
| 3. UAE | - | - | - | - | - | - | - | - | - | - |
| 4. Oman | - | - | - | - | 7.0 | 3.5 | - | - | - | - |
| 5. Saudi Arabia | - | - | - | - | 50.0 | 100.0 | 50.0 | - | 200.0 | - |
| Sub-Total (II) | 6.0 | 6.4 | 3.6 | 6.4 | 103.7 | 109.5 | 50.2 | 12.1 | 200.0 | 0.0 |
| III Multilateral | | | | | | | | | | |
| 1. EEC / EU | 22.6 | 84.9 | - | - | 76.1 | - | - | - | - | 58.1 |
| 2. Islamic Development Bank | - | - | 5.5 | 0.6 | - | - | - | - | - | - |
| 3. IDA | - | - | - | - | - | - | 12.4 | 0.3 | - | - |
| 4. IBRD | - | - | - | 1.0 | 2.1 | 10.9 | - | - | 0.4 | - |
| 5. UN and Specialised Agencies | - | - | - | 3.2 | 10.7 | - | - | - | - | - |
| 6. UNDP Special Grant | 7.7 | - | 23.5 | 6.9 | 45.5 | 8.3 | 28.9 | 0.3 | 2.0 | - |
| 7. World Food Programme | - | 5.0 | - | - | - | 27.5 | - | 68.7 | 11.4 | - |
| Sub-Total (III) | 30.3 | 89.9 | 29.0 | 11.7 | 134.4 | 46.7 | 41.3 | 69.4 | 13.8 | 58.1 |
| IV Relief Assistance for | | | | | | | | | | |
| A. Afghan Refugees | 1.2 | 1.6 | 2.2 | 2.0 | 20.8 | 7.8 | 4.9 | 2.0 | 1.4 | 3.1 |
| B. Earthquake | | | | | | | | | | |
| 1. AFGHANISTAN | - | - | - | - | - | - | - | - | 0.5 | - |
| 2. ALGERIA | - | - | - | - | - | - | - | - | 1.0 | - |
| 3. AUSTRIA | - | - | - | - | - | - | - | - | 0.7 | - |
| 4. AZERBAIJAN | - | - | - | - | - | - | - | - | 1.5 | - |
| 5. BHUTAN | - | - | - | - | - | - | - | - | 0.1 | - |
| 6. BRUNEI | - | - | - | - | - | - | - | - | 0.6 | - |
| 7. CHINA | - | - | - | - | - | - | - | - | 24.3 | 10.2 |
| 8 .CYPRUS / MAURITIUS | - | - | - | - | - | - | - | - | 0.1 | - |
| 9. INDONESIA | - | - | - | - | - | - | - | - | 1.0 | - |
| 10. JORDAN | - | - | - | - | - | - | - | - | 1.0 | - |
| 11. MALAYSIA | - | - | - | - | - | - | - | - | 1.0 | - |
| 12. MOROCCO | - | - | - | - | - | - | - | - | 1.5 | - |
| 13. OMAN | - | - | - | - | - | - | - | - | 5.0 | - |
| 14. PAK-TURK FOUNDATION | - | - | - | - | - | - | - | - | 4.0 | - |
| 15. SAUDI ARABIA | - | - | - | - | - | - | - | - | - | 133.3 |
| 16. SOUTH KOREA | - | - | - | - | - | - | - | - | 0.5 | - |
| 17. THAILAND | - | - | - | - | - | - | - | - | 0.5 | - |
| 18. TURKEY | - | - | - | - | - | - | - | - | 150.0 | - |
| 19. UK | - | - | - | - | - | - | - | - | - | 67.7 |
| 20. ADB | - | - | - | - | - | - | - | - | 80.0 | - |
| 21. IDB | - | - | - | - | - | - | - | - | 0.3 | - |
| Sub-Total (IV) | 1.2 | 1.6 | 2.2 | 2.0 | 20.8 | 7.8 | 4.9 | 2.0 | 275.0 | 214.3 |
| Grand Total (I+II+III+IV) | 98.3 | 277.9 | 124.6 | 49.5 | 1088.5 | 439.7 | 472.2 | 584.4 | 1001.5 | 379.2 |

TABLE 9.7

## TOTAL LOANS AND CREDITS CONTRACTED

(US $ million)

| Lending Country/Agency | 1997-98 | 1998-99 | 1999-00 | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 (July-March) |
|---|---|---|---|---|---|---|---|---|---|---|
| A. Paris Club Countries | | | | | | | | | | |
| 1. Austria | - | - | - | - | 15.7 | - | - | - | - | - |
| 2. Australia | 236.1 | 127.0 | 63.7 | - | - | - | - | - | - | - |
| 3. Belgium | - | 38.3 | - | - | - | - | - | - | - | - |
| 4. Canada | 36.8 | 16.9 | - | - | - | - | - | - | - | - |
| 5. France (Earthquake) | - | - | - | - | - | - | - | - | - | 50.2 |
| 6. Germany | 30.5 | 10.1 | - | - | 7.3 | - | - | 63.2 | - | 5.8 |
| 7. Japan (Regular) | 250.0 | 600.0 | - | - | 32.6 | 26.4 | - | - | 146.6 | 197.8 |
| (Earthquake) | - | - | - | - | - | - | - | - | 98.1 | - |
| 8. Netherlands | - | 11.0 | - | - | - | - | - | - | - | - |
| 9. Norway | 21.3 | - | - | - | - | - | - | - | - | - |
| 10. Korea | - | - | - | - | - | - | - | - | 17.3 | - |
| 11. Spain | - | - | - | - | 1.8 | - | - | - | - | - |
| 12. Sweden | - | - | 1.7 | - | - | - | - | - | - | - |
| 13. UK | - | 52.9 | - | - | - | - | - | - | - | - |
| 14. USA | 305.0 | 1.0 | 282.7 | 10.3 | 9.3 | - | - | - | - | - |
| Sub-Total (A) | 879.7 | 857.2 | 348.1 | 10.3 | 66.7 | 26.4 | 0 | 63.221 | 262 | 253.8 |
| B. Non-Paris Club Countries: | | | | | | | | | | |
| 1. China (Regular) | - | - | - | - | 232.5 | 118.2 | 47.5 | 705.4 | 22.3 | - |
| (Earthquake) | - | - | - | - | - | - | - | - | 300.0 | - |
| 2. Kuwait | - | 29.5 | - | - | - | - | - | 34.2 | - | 38.0 |
| 3. Saudi Arabia | - | - | - | - | - | - | 25.0 | - | - | 133.0 |
| 4. Turkey (EXIM Bank) | - | 100 | - | - | - | - | - | - | - | - |
| 6. Abu Dhabi Fund | - | - | - | - | 265.0 | - | - | - | - | - |
| Sub-Total (B) | 0.0 | 129.5 | 0.0 | 0.0 | 497.5 | 118.2 | 72.5 | 739.6 | 322.3 | 171.0 |
| C. Multilateral: | | | | | | | | | | |
| 1. IBRD (Regular) | 250.0 | 350.0 | - | - | - | - | 50.0 | 349.3 | 219.2 | - |
| (Earthquake) | - | - | - | - | - | - | - | - | 100.0 | - |
| 2. IDA (Regular) | 535.2 | - | 88.5 | 347.6 | 839.4 | 269.4 | 690.7 | 601.8 | 423.1 | 67.8 |
| (Earthquake) | - | - | - | - | - | - | - | - | 742.7 | |
| 3. ADB (Regular) | 289.9 | 547.8 | 54.1 | 411.9 | 876.1 | 1193.2 | 885.6 | 735.7 | 730.8 | 1386.3 |
| (Earthquake) | - | - | - | - | - | - | - | - | 306.1 | - |
| 4. IFAD (Regular) | 14.4 | 14.5 | - | 17.4 | 14.2 | - | 22.3 | - | 26.5 | - |
| (Earthquake) | - | - | - | - | - | - | - | - | 27.1 | - |
| 5. European Investment Bank | 23.0 | - | - | - | - | - | - | - | - | - |
| 6. OPEC Fund | 16.0 | - | - | 10.0 | 15.0 | - | - | - | - | 10.0 |
| 7. IDB (Regular) | - | 41.6 | - | 33.3 | 24.8 | - | - | 8.4 | 39.1 | 200.0 |
| (Earthquake) | - | - | - | - | - | - | - | - | 82.2 | - |
| Sub-Total (C) | 1128.5 | 953.9 | 142.6 | 820.2 | 1769.5 | 1462.6 | 1648.6 | 1695.1 | 2696.8 | 1664.1 |
| Grand-Total (A+B+C) | 2008.2 | 1940.6 | 490.7 | 830.5 | 2333.7 | 1607.2 | 1721.1 | 2498.0 | 3281.1 | 2088.9 |

Source: Economic Affairs Division

# HEALTH AND NUTRITION

"Ill being" and "ill health" is a multidimensional term covering not only disease but also other dimensions such as hunger, exclusion, isolation, insecurity and powerlessness. This ill health can consequently prevent individuals from realizing their full potential. Good health, in contrast, is identified as a vital component of a good quality of life. That is why access to good health is recognized as a basic human need and a fundamental human right. The WHO's definition of health as "a state of complete physical, mental and social well being and not merely the absence of disease or infirmity" applies to all human beings regardless of age gender, nationality and culture. Inequalities and deficiencies in health thus affect the well being of an individual and welfare of a society as a whole.

A healthy population is not only valued in its own right, but it also raises the human capital of a country thereby positively contributing to the economic and social development. Allowing people to lead a life they value and enabling them to realize their potential as human beings is first and foremost requirement of human development. In order to address the most enduring failures of human development, the international community has drafted the Millennium Development Goals-a broad vision with internationally agreed set of time bound goals for reducing extreme poverty, extending gender equality, and advancing opportunities for health and education. These goals serve as benchmark of progress toward the vision of Millennium Declaration-guided by basic values of freedom, equality, solidarity, tolerance, respect for nature and shared responsibilities. These values share the commonality of conception of human well being in the concept of human development and also reflect the fundamental motivation for human rights. In this way, Millennium Development Goals, human development and human rights share the same motivation.

Pakistan being a signatory to the UN Millennium Declaration is fully aware of its commitments regarding the MDGs. The Government's commitment to the MDGs is fully reflected in Pakistan's overall development strategy as embodied in the Medium-Term Development Framework (2005-10) and Poverty Reduction Strategy Paper (PRSP). Pakistan Millennium Development Goals Report 2006 (PMDGR) evaluates the progress regarding MDGs, both at the district as well as at the provincial/national level during 1998-2005. Three out of eight Millennium Development Goals are directly related to health sector such as: reducing child mortality, improving maternal Health and combating HIV/AIDS, TB, Malaria and other diseases.

Apart from socio economic significance of health, a right based approach has remained an integral part of Government's overall policies. In this context, Pakistan's National Health Policy 2001 has pledged for overall national vision based on "Health for All" approach. Besides National Health Policy, Pakistan Poverty Reduction Strategy Paper recognizes the need to substantially increase financing and to enhance efficiency of spending through organizational and management reforms. It goes beyond national health policy in the important areas of reproductive health and nutrition, outlining interventions like community midwifery, improvement of emergency obstetric care, behavior change and communication and control of communicable diseases including HIV / AIDS.

About 9 percent of the total PRSP expenditure in FY06 was made on the health sector[1]. Between FY05 and FY06, health expenditure increased by 24.8 percent to Rs.39.2 billion. Largest increase in health expenditure was incurred in Sindh (43.1%), followed by Federal Government (40.4%), NWFP (17.4%), and Punjab (14.6%), whereas health expenditure declined by 6.6 % in Balochistan. One of the main mechanisms for monitoring the implementation of PRSP is through the Pakistan Social and Living Standard Measurement Survey (PSLM). The PSLM 2005-06 report is just been released. The results pertaining to health indicators exhibit further improvement over the last PSLM (2004-05) results. Some of the improvements are highlighted in the box item.

**Box Item-1: PSLM (2005-06) – Health Indicators**

In the category of at least 1 immunization (12-23 months), there has been an improvement from 88 percentage points to 94 percentage points. The highest achievement has been observed in Sindh where immunization coverage has increased from 77% to 97%. There has been a decrease in proportion of children suffering from diarrhea i.e., from 16 % to 12 %. Sindh has registered the most declines from 18% to 8%. Infant Mortality has also decreased from 82 (PIHS 2001-02) to 70 per thousand births in 2005-06. Pregnant women received Tetanus Toxoid injections are up from 51 percent in 2004-05 to 62 percent in 2005-06.

## 12.1: A Snapshot of the Health Status

At over 158 million, Pakistan is the sixth most populous country of the world with its current population growth rate at 1.8 % per annum. With respect to infectious diseases, data from the Pakistan Demographic Surveys (PDS) for the years 1992-2003 show that the percentage of deaths attributed to communicable diseases has decreased from 49.8% to 26.2%; in addition immunization coverage has also increased substantially. However, Pakistan's key health indicators still lag behind in relation to other regional countries. (See Table 12.1)

**Table–12.1: Social Indicators**

| Country | Life Expectancy Year 2004** | | Infant Mortality Rate per 1000** Year 2004 | Mortality Rate under 5 per 1000 Year 2004** | Population Avg. Annual (%) Growth Year 2004** |
|---|---|---|---|---|---|
| | M | F | | | |
| **Pakistan** | **63.2** | **63.6** | **70^** | **101** | **1.8*** |
| India | 62.1 | 65.3 | 62 | 85 | 1.5 |
| Sri Lanka | 71.7 | 77.0 | 12 | 14 | 1.3 |
| Bangladesh | 62.5 | 64.2 | 56 | 77 | 1.7 |
| Nepal | 61.6 | 62.4 | 59 | 76 | 2.2 |
| China | 70.2 | 73.7 | 26 | 31 | 0.7 |
| Thailand | 66.7 | 74.0 | 18 | 21 | 0.7 |
| Philippines | 68.6 | 72.8 | 26 | 34 | 2.0 |
| Malaysia | 71.1 | 75.8 | 10 | 12 | 2.0 |
| Indonesia | 65.3 | 69.2 | 30 | 38 | 1.3 |

^ Pakistan Social and Living Standard Measurement Survey (PSLM) 2005-06
*Population growth for Pakistan is estimated at 1.8 percent (National Institute of Population Studies).
**Source: Human Development Report 2006

Non-communicable diseases and injuries are amongst the top ten causes of mortality and morbidity in Pakistan and accounts for almost 25 percent of the deaths within the country. One in three adults over the age of 45 years suffers from high blood pressure; the prevalence of diabetes is reported at 10 percent; whereas 40 percent men and 12.5 percent women use tobacco in one form

[1] Poverty Reduction Paper Annual Progress Report (2005-06)

or the other. Approximately one million people suffer from severe mental illness and over 10 million individuals from neurotic conditions. The National Survey of Blindness and Low vision 2002-04 has shown that there are an estimated 1.5 million blind people within the country. The large burden of infectious diseases in Pakistan is known to be closely related to the lack of sanitation facilities and safe sources of potable water. Water – borne diseases constitute nearly 12.5 percent of the diseases burden in Pakistan.

The Government is fully aware of the extra-ordinary burden of preventable deaths and morbidity among women and children and is fully committed to improve their health status. Pakistan stands in the list of those few developing countries which have mainstreamed non-communicable diseases and injuries in their public health agenda and justifiably so, given that these are amongst the top ten causes of mortality and morbidity in the country. Indeed, Pakistan's public health interventions have a wider scope than the MDGs. In addition, Khushal Pakistan Program, a recently launched pro-poor intervention, has provision of safe drinking water as one of its priority program objectives. This is an important step in eradicating diseases related to lack of sanitation facilities and safe sources of potable water. Pakistan also recognizes a number of emerging challenges, in particular the threat of emerging and re-emerging infections in the aftermath of SARS, Avian influenza and Dengue fever. The need for an emphasis on disaster preparedness as part of the overall public health policy and planning has been heightened in the aftermath of the October 8, 2005 earthquake.

Pakistan Millennium Development Goals Report 2006 (PMDGR) provides district level information including top and bottom ten districts in terms of immunization coverage during 2005.This district level information is depicted in Table 12.2.

**Table-12.2: Immunization Coverage**

| **Top Ten Districts** | | | | **Bottom Ten Districts** | | | |
|---|---|---|---|---|---|---|---|
| **Rank** | **Districts** | **Province** | **Rate** | **Rank** | **Districts** | **Province** | **Rate** |
| 1 | Chitral | N | 100 | 89 | Sibbi | B | 50.2 |
| 2 | Jhelum | P | 99.2 | 90 | Chaghi | B | 48.8 |
| 3 | Sialkot | P | 97.7 | 91 | Musakhel | B | 48.3 |
| 4 | Gwadar | B | 96.5 | 92 | Kohistan | N | 48.2 |
| 5 | Khushab | P | 96.5 | 93 | Sanghar | S | 45.8 |
| 6 | Attiock | P | 95.4 | 94 | Barkhan | B | 44.8 |
| 7 | Chakwal | P | 94.3 | 95 | Qilla Abdullah | B | 41.3 |
| 8 | Gujrat | P | 93.7 | 96 | Jscobabad | S | 35.2 |
| 9 | Mianwali | P | 93.4 | 97 | Jaffarabad | B | 32.5 |
| 10 | Bahawalnagar | P | 93.1 | 98 | Qilla Saifullah | B | 27.9 |

Source: Pakistan Millennium Development Goals Report 2006
Note: N=NWFP; P= Punjab; S=Sindh; B= Balochistan

The districts in Punjab occupied most of the positions in top ten performers. None of the districts from Sindh are among the top ten during the period under study. Among the bottom ten districts, seven out of ten districts belong to the province of Balochistan.

During 1998-2005, on average there was an improvement of 10 percentage points in the immunization coverage. In absolute coverage districts of Punjab has dominated the top ten ranking with more than 90 percent coverage. Districts in Balochistan with roughly 40 percent coverage were among the bottom ten in the country. However, coverage in many of the districts in Balochistan and NWFP grew rapidly during the period. In relation to the national MDG target of greater than 90 percent set for 2015, nearly 16 districts have already achieved it and going along with recent performance it is safe to suggest that another 50 districts are likely to achieve it around 2015. *(Pakistan Millennium Development Goals Report, 2006).*

## 12.2- Health Expenditures:

Fiscal year 2006-07 has witnessed an impressive increase in health sector allocation, rising from Rs.40 billion to Rs.50 billion (0.57%of GDP), thus registering a growth of 25 percent over the last year. Health expenditures have doubled during the last seven years; from Rs.24 billion in 2000-01 to Rs.50 billion in 2005-06(see Table 12.3).

**Table 12.3: Health & Nutrition Expenditures (1999-00-2006-07) (Rs.billions)**

| Fiscal Years | Public Sector Expenditure (Federal and Provincial) | | | Percentage Change | Health Expenditure as % of GDP |
|---|---|---|---|---|---|
| | Total Health Expenditures | Development Expenditure | Current Expenditure | | |
| 1999-00 | 22.08 | 5.89 | 16.19 | 6.1 | 0.58 |
| 2000-01 | 24.28 | 5.94 | 18.34 | 9.9 | 0.58 |
| 2001-02 | 25.41 | 6.69 | 18.72 | 4.7 | 0.57 |
| 2002-03 | 28.81 | 6.61 | 22.21 | 13.4 | 0.59 |
| 2003-04 | 32.81 | 8.50 | 24.31 | 13.8 | 0.58 |
| 2004-05 | 38.00 | 11.00 | 27.00 | 15.8 | 0.57 |
| 2005-06 | 40.00 | 16.00 | 24.00 | 5.3 | 0.51 |
| 2006-07 | 50.00 | 20.00 | 30.00 | 25 | 0.57 |

Source: Planning and Development Division

## 12.3 - Service Delivery

Service delivery is being organized through preventive, promotive, curative and rehabilitative services. The curative and rehabilitative services are being provided mainly at the secondary and tertiary care facilities. Preventive and promotive services, on the other hand, are mainly provided through various national programs; and community health workers' interfacing with the communities through primary healthcare facilities and outreach activities. Pakistan has one of the largest public sector owned service delivery infrastructures in the world. Due to differences in incentives in the public vis-à-vis the private sector, it is not uncommon for public health workers to hold jobs both in public and private sectors to augment their earnings. Accordingly the role of privates sector is gradually increasing in the provision of heath service delivery.

Efforts are underway to address the currently prevailing service delivery challenges by developing alternative service delivery and financing options at the basic healthcare and hospital levels. Provincial governments have focused on restructuring the mode of primary healthcare delivery by revitalizing Basic Health Units (BHUs) and Rural Health Centers (RHCs). The Governments of Punjab has taken a lead in this area by developing models of contracting out service delivery to private sector and other models where service delivery has been incentivised within the existing system. The government of NWFP is also following on similar model. In Punjab, models are also being tested to transfer management to lower levels of government – an option, which is complementary to the administrative arrangements within decentralization.

Efforts are also underway to enhance regulatory capacity within the country. The permission to establish Drug Regulatory Authority was given in 2006, the work for which is currently underway. The Ministry of Health is also working to develop a framework for the regulation of the private sector healthcare.

## 12.4- CONFIGURATION OF PAKISTAN'S HEALTH SYSTEM

Constitutionally, health is a provincial subject in Pakistan with clearly demarcated roles, responsibilities and prerogatives at each level of the government. The Federal Government is mandated with policy-making, coordination, technical support, research, training and seeking foreign assistance. The provincial and district departments of health are responsible for the delivery and management of health services. The devolution of administrative powers under the Local Government Ordinance 2001 has devolved service delivery to the district level.

**12.4.1- Health Infrastructure:**

The state attempts to provide healthcare through a three-tiered healthcare delivery system and a range of public health interventions. The former includes *Basic Health Units* (BHUs) and *Rural Health Centers* (RHCs) forming the core of the primary healthcare structure. Secondary care including first and second referral facilities providing acute, ambulatory and inpatient care is provided through *Tehsil Headquarter Hospitals* (THQs), and *District Headquarter Hospitals* (DHQs) which are supported by tertiary care from *teaching hospitals.*

There are seven hospitals under the control of Federal Government located in Islamabad, Rawalpindi and Karachi. There are tertiary care hospitals in all the provinces including those with the status of teaching hospitals, which are under the administrative jurisdiction of provinces. However, recently four hospitals in NWFP and three in Sindh have been granted autonomous status. Throughout the country, the vast network of health care facilities include 924 hospitals, 5336 BHUs and Sub- Health Centers , 560 RHCs, 4712 Dispensaries, 906 MCH Centers and 288 TB Centers. These healthcare facilities show an improvement over the previous year as the total number of healthcare facilities during 2005-06 was 12,637. During 2006-07, these healthcare facilities have increased to a total of 12,726. The detail about the human resource available within the country up till 2006 is provided in Table12.4. There has been a gradual improvement in the number of doctors, dentists and nurses over the years. A cursory look at the Table 12.4 is sufficient to see that doctors, dentists, nurses and LHVs have doubled in the last one decade and accordingly population per doctor, per dentist, per nurse etc. have all registered a significant improvement.

**Table 12.4 Human Resource Available from 1995 till 2006**

| Years* | 1995 | 2000 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|
| **MBBS Doctors** | 70,670 | 92,804 | 102,611 | 108,130 | 113,273 | 118,062 | 122,798 |
| **Dentists** | 2,747 | 4,165 | 5,058 | 5,531 | 6,128 | 6,734 | 7,388 |
| **Nurses** | 22,299 | 37,528 | 44,520 | 46,331 | 48,446 | 51,270 | 57,646 |
| **Midwives** | 20,910 | 22,525 | 23,084 | 23,318 | 23,559 | 23,897 | 24,692 |
| **Lady Health Visitors(LHVs)** | 4,185 | 5,443 | 6,397 | 6,599 | 6,741 | 7,073 | 8,405 |
| **Population per doctor** | 1719 | 1473 | 1392 | 1350 | 1316 | 1274 | 1254 |
| **Population per dentist** | 44223 | 32819 | 28244 | 26389 | 24320 | 22345 | 20839 |
| **Population per Nurse** | 5448 | 3642 | 3209 | 3150 | 3076 | 2935 | 2671 |
| **Population per midwife** | 5810 | 6068 | 6189 | 6260 | 6326 | 6297 | 6235 |
| **Population per LHVs** | 29027 | 25113 | 22332 | 22119 | 22108 | 21274 | 18318 |

* Year as on Ist January

Sources: Pakistan Medical and Dental Council (PMDC) and Pakistan Nursing Council(PNC), Islamabad

**12.4.2- Physical Targets and Achievements during 2006-07:**

The targets for the health sector during 2006-07 included the establishment of 30 Rural Health Centers (RHCs), 70 Basic health Units (BHUs) and up gradating of 25 existing RHCs and 50 BHUs. The manpower target included the addition of 5050 new doctors, 460 dentists, 2600 Nurses and 5500 paramedics. The plan called for training 500 traditional birth attendants and 500 Lady Health Workers during 2006-07. Under the preventive program, about 8 million children were targeted to be immunized and 24 million packets of Oral Rehydration Salt (ORS) were to be distributed during 2006-07 by the EPI Program.

The health program during the current fiscal year has realized, on average, 80 percent of its physical targets (up to March 2007). The highest achievement of 99 percent has been obtained in the health human resource development especially doctors, followed by the provision of ORS (96 percent) and immunization coverage (94 percent). The sub- sector wise achievement has been recorded as 80 percent for RHCs and 90 percent for BHUs. It is encouraging to note that the achievements obtained so far are in the close vicinity of the targets.

**Table–12.5: Physical Targets and Achievements During 2006-07**

| Sub-Sector | Targets (Numbers) | Estimated Achievements (Numbers) | Achievements (%) |
|---|---|---|---|
| **A. Rural Health Programme** | | | |
| i. New Basic Health Units (BHUs) | 70 | 63 | 90 |
| ii. New Rural Health Centres (RHCs) | 30 | 24 | 80 |
| iii. Upgradation of existing RHCs | 50 | 45 | 90 |
| iv. Upgradation of existing BHUs | 25 | 20 | 80 |
| **B. Beds in Hospitals/RHCs/BHUs** | 3000 | 2500 | 76 |
| **C. Health Manpower Development** | | | |
| i. Doctors | 5050 | 5000 | 99 |
| ii. Dentists | 460 | 450 | 97 |
| iii. Nurses | 2600 | 2300 | 88 |
| iv. Paramedics | 5500 | 4800 | 87 |
| v. Training of TBAs | 500 | 400 | 80 |
| vi. Training of LHWs | 15000 | 14000 | 80 |
| **D. Preventive Programme** | | | |
| i. Immunization (Million Nos) | 8 | 7.5 | 93 |
| ii. Oral Rehyderation Salt (ORS) (Million Packets) | 24 | 22 | 96 |

Source: Planning and Development Division

### 12.4.3- National Programs

The relationship between health and economic development of a country can not be over-emphasized. Government is aware of the fact that economic growth and development of the country require sound and sustained health programs/policies. Public health interventions include a number of public health programs, which are federally led with provincial implementation arms and counterpart institutional mechanisms. These include the national programs for the prevention and control of tuberculosis, malaria, HIV/AIDS, hepatitis, blindness and more recently a program on maternal, neonatal and child health etc.(Table 12.6).

**Table 12.6: Various Public Health Programs**

| | |
|---|---|
| **Federally-led national program** | The National Program for Family Planning and Primary Health Care<br>The Expanded Program for Immunization<br>The National HIV/AIDS Control Program<br>The National Tuberculosis Control Program<br>The National Malaria Control Program<br>The National Nutrition Program<br>The Women Health Project |
| **Newly launched program in the public sector (2005-07)** | The National Program for Prevention and Control of Blindness<br>National Program for the Prevention and Control of Hepatitis<br>National Neonatal, Maternal and Child Health Program |

The details about the various national programs regarding health sector are as under:

**a- National Program on Family Planning & Primary Health Care**

The program was initiated in 1994 with the objective to provide basic health care package to the community, specifically rural community at its doorstep and bridge the gap between communities and static health units. The program envisaged the deployment of Lady Health Workers. The Lady Health Workers (LHWs) program is recognized as one of the success stories in the health sector. Currently, 95,355 LHWs have been recruited and deployed to conduct outreach activities. A bulk of LHWs is deployed through national program which is 93,208 during the year 2006-07. While during the same period, 2147 LHWs have been appointed by Reproductive Health Program. Women Health Project (WHP) has provided 8000 LHWs during the years 2002 to 2005.

**b- Expanded Program on Immunization**

The Expanded Program on Immunization (EPI) focused on TT vaccination of pregnant women; routine immunization and immunization against Hepatitis among children in the age of 0-11 months during January to December 2006. The targeted population of pregnant women was approximately 6.75 million which is about 4.1 percent of total population. The country-wide coverage remained 48 percent for TT-1 and 50 percent for TT-2+. The immunization coverage of infants in the age group 0-11 months was undertaken during the same period. The target population for the vaccination was 5.8 million infants and 5.0 million infants have been administered HBV-I, 0.47 million have been given HBV-II and 0.5 million have been administered HBV-III. The percentage achievement range from 78% to 86%. The immunization against tuberculosis, diphtheria, polio, and measles was carried out. The coverage against measles was recorded as 78%.

**c- National AIDS Control Program (NACP)**

The Program aims to control HIV/AIDS cases by creating awareness for safe behavior; increased availability of services related to “Sexually Transmitted Infections”; safe blood transfusion services; enhancing capacity in public and private sectors; and establishing treatment centers for HIV/AIDS patients. By end- December 2006, the total number of HIV cases tested positive was 3381. The number of full blown AIDS cases was 372. The total number of deaths caused by HIV/AIDS is 165 up till December 2006. It is estimated that the over all prevalence rate of HIV/AIDS is <1% among general population while it is 50% in some of the high risk groups like injecting drug users (IDUs). Keeping in view the potential threat of HIV/AIDS, the Government has been implementing a 5 years National AIDS Control Program since 2003. The National Program was approved at the cost of Rs.2858 million which also includes allocations for the provinces. The component of NACP is Rs.1137 million for the five years. The allocations for the fiscal year 2006-07 were Rs.229 million but the amount released during the period amounted to Rs.350 million.

**d- National Tuberculosis Control Program**

Pakistan is ranked 7$^{th}$ among 22 high disease burden countries in the world and contributes 43% of the disease burden towards the Eastern-Mediterranean region of the WHO. The estimated annual incidence of all types of TB cases is 177/100,000 population, hence, 250,000 are added to the toll of TB patients in the country. The WHO’s recommended Directly Observed Treatment Short Course (DOTS) protocol is being implemented since 2000. By the year 2006 the absolute number of all TB cases was 76,668 as compared to 97,245 in the year 2004. The percentage of case detection rate is 50%, treatment success rate is 84% while cure rate is 71%.The TB Control Program was revived in the year 2000. A medium- term (2006-2010) TB Control Program has been approved at the cost of 1.18 billion. The major components of the program include trainings of district managers and staff; strengthening of lab network; strengthen and support availability of drugs; surveillance monitoring and evaluation; inter-sectoral collaboration; program-based research and development and public-private partnership. During 2006-07 an amount of Rs.198 million has been allocated.

Main achievement of the program during 2006-07 is the development of National Reference Laboratory. QA system for sputum smear microscopy has been developed and implemented in 41 districts all over Pakistan covering 48 million population. Research activities are also being undertaken to provide baseline information on the socio economic status of the target population and the status of healthcare delivery system in the country.

**e- Malaria Control Program (MCP)**

In Pakistan, malaria has been a major public health problem threatening the health of the people due to prevailing socio-economic conditions and epidemiological situation. The transmission has been described as combination of stable and unstable malaria with low to moderate endemicity. It has a tendency for epidemic break outs over larger area, particularly Punjab and Sindh. The disease is now emerging as a prominent health problem in Balochistan, FATA particularly along the international border. Malaria is the disease that inevitably affects the poor sections of the population living in hot humid and arid far flung areas which also lack good health care facilities and functioning diseases surveillance system, so morbidity and mortality in most of the instances go unreported. Each year about half a million people suffer from malaria.

Pakistan has been actively engaged in malaria control activities since 1950. A malaria eradication campaign was launched in 1961 through out the country. Pakistan became the member of a global partnership on Roll Back Malaria (RBM) in 1999 and the project of RBM was launched in Pakistan in 2001. Malaria Control Program in the Ministry of Health has a Malaria Information Resource Center, receiving monthly districts' morbidity data from provinces. The confirmed malaria cases microscopically diagnosed are reported to the Directorate of Malaria Control, Islamabad. Private sector data is not being reported. Clinically diagnosed cases in public health facilities are reported to HMIS. According to estimates in 2003 a total of 3.9 million fever cases were treated as suspected malaria in public sector hospitals. While the total number of confirmed malaria cases reported from all the provinces were 126,719. About one third of the malaria cases are estimated to be due to falciparum and considered to be potentially dangerous.

According to figures of July to December 2006, the total positive cases through Active Case Detection (ACD) and Passive Case Detection (PCD) were 83, 570, out of this Falciparum cases are around 35%. The parasite incidence (PI) by the end 2006 was 0.5/1000 population while Falciparum incidence (FI) is reported to be 0.18/1000 population.

**f - Women Health Project**

During the current fiscal year, the Women Health Project focused upon capacity building in management, skill development, knowledge building; promotion of safe delivery kits; awareness raising and; development of data base. The Nursing Instructors are being provided training for modern teaching methods. As its continuous activity the project is distributing free of cost 'Safe Delivery Kits'.

**g - National Program for Prevention & Control of Blindness**

Blindness is one of the health problems that hamper the productivity and hence economic growth. A National Survey of Blindness and Low Vision 2002-04 conducted by the Ministry of Health have revealed prevalence of blindness with 1.4 million (or 0.9%) people blind. The province-wise prevalence of blind is reported to be 0.9 million in Punjab; 0.3 million in Sindh; 0.18 million in NWFP; 0.08 million in Balochistan and 0.05 million in Federal areas. The causes and burden of each cause of blindness include Cataract 53%; Corneal Opacity 14%; Glaucoma 7%; Refractive Error 3%; and Macular Degeneration 2%.

Pakistan is signatory to "Vision 2020 – Right to Sight" – a global initiative. Under this commitment a 5 year National Program for Prevention and Control of Blindness (2005-2010) has been launched at a total cost of Rs.2.77 billion. The program was approved in August 2005. The program has the following aims and objectives:

- to prevent blindness in more than 2 million adults and 15000 children by strengthening and up-gradation of 63 District Eye Units, 147 Tehsil Eye Units; 20 Tertiary/Teaching Eye Departments and development of 7 Centers of Excellence at PIMS, JPMC, PIPO Lahore, Nishter Hospital Multan, PICO Peshawar, Civil Hospital Karachi and Helpers Eye Hospital Quetta.

- Development of sub-specialties particularly Pediatric Ophthalmology, Vitreoretinal, Glaucoma and Corneal Blindness

The National Program envisages achieving these objectives by developing human resource at service delivery levels; effective management and advocacy; research and public private partnership. In this regard, Boards and Committees for control of blindness have been formulated at federal and provincial levels. The achievements of the program so far include up-gradation of eye departments by provision of the ophthalmic equipments at PIMS, Islamabad and 22 District Headquarter Hospitals in the four provinces, AJK and Northern Areas.

**h - National Program for Prevention and Control of Hepatitis**

This program was launched in 2005 with the aim to substantially decrease the prevalence, morbidity and mortality due to hepatitis in the country, presently the program is in full pace of implementation. For the fiscal year 2006-07, Rs.450 million has been allocated for the program. Vaccine has been procured to vaccinate 399,600 health workers and prison inmates during 2005-06. Furthermore, screening and vaccination of healthcare personnel is underway in all provinces and areas, while vaccination of prison inmates has been completed in all prisons of Sindh, NWFP and Balochistan and 50 percent prisons in Punjab. Whereas, during fiscal year 2006-07 vaccination of 120,000 high risk segments of population have been planned with the cost of Rs.30 million. The program is in process of developing national guidelines on Hepatitis.

In order to provide the facilities of diagnosis and treatment of viral Hepatitis, 61 Sentinal sites in teaching and DHQ hospitals have been made operational where services of viral hepatitis diagnosis and its management are being provided. During 2006-07 another 40 hospitals have been identified for provision of requisite facilities with a cost of 150 million. The laboratory refrigerators and dot matrix printers have been installed in sentinal sites at the cost of Rs.5.3 million. The disposable syringes, gloves, needle cutters etc have been supplied to the Provincial Departments of Health. Hospital waste management is another innovative approach of the program. The program is installing incinerators in 48 selected hospitals in the country with a cost of Rs.72 million. The need assessment been completed for strengthening of Water Quality Control Laboratory at the NIH. The installation of Water purification system at 50 selected hospitals is under way with the cost of Rs.15 million. The program is providing treatment, free of charge, to deserving patient of hepatitis B and C. The program has provided treatment to 1815 patients of Hepatitis B and 17227 patients of Hepatitis C during fiscal year 2005-06.

**i- National Maternal Newborn and Child Health (MNCH) Program**

Maternal and child health is very crucial component of National Health Policy and Millennium Development Goals. In this background, the Ministry of Health has planned a major Maternal and Child Health Program. In this regard, a Strategic Plan on maternal and child health amounting Rs.19.5 billion was announced in the year 2005. The program has been launched with following objectives:

- To reduce the Under Five Mortality Rate to less than 65 per 1000 live births by the year 2011 (MDG target for 2015:45 / 1000)
- To reduce the Newborn Mortality Rate to less than 40 per 1000 live births by the year 2011 (Target for 2015: 25 / 1000)
- To reduce the Infant Mortality Rate to less than 55 per 1000 live births by the year 2011 (Target is 2015:40 / 1000)
- To reduce Maternal Mortality Ratio to 200 per 100,000 live births by the year 2011 (Target 2015: 140 / 100,000)
- To increase the proportion of deliveries attended by skilled birth attendants at home or in health facilities to 90% (Target 2015 :> 90%)
- Increase in Contraceptive Prevalence Rate from 36 (2005) to 51 in 2010 and 55 in 2015

**g- Health Information and Surveillance Systems**

**i) Health Management Information System:**

The Ministry of Health has been implementing a Health Management

Information System (HMIS) for first care level facilities (HMIS/FCLF) since 1992. The objectives of the HMIS are to improve coverage and quality of care for priority health interventions, disease surveillance and epidemic control, and monitor availability of essential PHC commodities. In last seven years, the HMIS has been extended to 116 districts for which approximately 20,000 health workers were trained in data collection procedures. Most districts are now sending monthly reports with regularity around 86%. A number of organizations, both government and international are now using this data for looking at disease trends, resource allocations and planning.

**ii) Disease Surveillance System**

Communicable diseases remain the most important health problem in Pakistan. The common causes of death and illness in the country are acute respiratory tract infections, diarrhoeal diseases, malaria, tuberculosis, and vaccine preventable infections. Epidemic-prone diseases such as meningococcal meningitis, cholera, hepatitis and viral hemorrhagic fevers are also prominent health threats in the country. A functional disease surveillance system is thus needed for priority setting, planning, resource mobilization and allocation, prediction and early detection of epidemics and monitoring and evaluation of intervention programs.

With a view to respond to the need, the government has conducted an assessment study in 2004 to explore the existing situation of data collection, analysis, processing, its use and response for supporting both the communicable and non-communicable Disease Surveillance. The study has revealed a number of deficiencies in Public Health Surveillance in the country. Therefore, an inter-provincial process was initiated to develop a Disease Surveillance System. A ten year National Plan has been developed. It covers both communicable and non communicable diseases and is response/ action oriented, which will integrate all existing surveillance activities of the disease control programs. Together, the state's healthcare infrastructure and the programs are helping the government to meet Pakistan's health sector goals – those that are part of the Millennium Development Goals (MDGs) and others articulated in the Poverty Reduction Strategy Paper and the Medium Term Development Framework 2005-10 (MTDF).

### 12.5- Strategic Policy Direction: Establishment of National Health Policy Unit

Over the period it has been recognized that although, there is a strong network of pubic sector health facilities and that service delivery is being supported by national preventive program the health outputs and outcomes are not in line with financial resources and infrastructure. Therefore, the government has recognized the need for strategic vision and policy coherence in the sector. In this regard the National Health Policy 2001 envisaged the creation of a policy unit which would analyze policies from time to time and would provide policy advice to the Ministry. Subsequently, a National Health Policy Unit (NHPU) was established in end 2005 under National Health Facility (NHF). The mandate of NHPU is to enable the government to respond to evolving health policy challenges. The task of the Policy Unit is to provide policy advice on strategy and resource allocation, monitoring and evaluation of health strategies across the health sector and ensuring that the national policies and strategies are responsive to the emerging needs.

### 12.6- Cancer Diagnosis and Treatment:

The Pakistan Atomic Energy commission (PAEC) is playing a vital role in the health sector. The Commission is pioneer in using the nuclear and other advance techniques for diagnosis and treatment of cancerous and allied diseases and is actively involved in the national cancer awareness prevention, diagnosis and treatment program. The PAEC is putting a lot of emphasis on its cancer program and has so far established 13 cancer hospitals throughout the country whereas 6 new cancer hospitals are in different phases of construction at Gilgit, Swat, Bannu, D.I. Khan, Gujranwala and Nawabshah. These institutes are equipped with excellent facilities and the contribution of PAEC through its integrated program in diagnosis of different kind of cancer and allied diseases and their treatment has received considerable acclaim in the public. During the year 2006-07, utilizing the maximum capacity of the latest and state of art equipments available at the PAEC cancer hospitals, more than 400,000 patients were attended. A total of 219,718 patients benefited from the nuclear medicine facilities while 182,575 patients were provided cancer treatment as well as follow up managements in the field of Clinical Oncology during the same fiscal year.

Throughout the country, major disciplines available and operative in different PAEC nuclear medical centers include the discipline of Nuclear medicine; Clinical Oncology; Surgical Oncology; Clinical Laboratories; Radiology; Medical Physics; Bio Engineering; Research and Development; Teaching and Training ; Cancer Awareness and prevention; Cancer Registry& NCRC and Human Resource Development. A recent development at the PAEC Headquarters is the establishment of Separate Director General Medical Sciences along with an office of National Cancer Research Centre (NCRC).The aim is to supervise and harmonize the work of all cancer hospitals under the PAEC throughout the country under this Directorate. It will also be collaborating with the non-PAEC cancer hospitals in Pakistan, international agencies and hospitals in all over the world for research and development programs. It will also collaborate with all cancer hospitals in Pakistan to establish the Cancer Registry Program.

### 12.7- Drug Abuse in Pakistan

Drug Abuse is wide spread in our society and has affected Pakistan in many ways. It contributes to crime, adds to the cost of our already over burdened health care system and to the financially strapped social welfare system. According to National Assessment study on Drug Abuse conducted in Pakistan 2000/2001, there were about 500,000 chronic heroine users including 60,000 drug injectors in the age group of 15-45 years. 40 percent of the total heroine users fall in the age bracket of 25-34 years, which is an alarmingly high rate according to the international standards. In order to update the assessment data about drug addicts population in Pakistan, a new project National Assessment Study -2006 is in the pipeline and will be completed at the end of June 2007. For the prevention of drug trafficking and drug abuse, effective and meaning full steps have been initiated. A Drug Abuse Control Master Plan (1998-2003) was launched with the assistance of UNODC at a total expenditure of Rs.2.800 billion out of which Rs.1920 million were for Law enforcement and Rs.912 million were for drug demand reduction. However, out of the total estimated budget only Rs.185.837 million was spent. Consequently in physical terms partial programs have been implemented but the objectives laid down in the plan could not be fully realized due to financial constraints. However, keeping in mind the present scenario a revised Drug Abuse Control Master Plan (2007-2011) is being prepared with the assistance of the United Nations Office on Drug and Crime (UNODC). The Master Plan has two components i.e., Law Enforcement and Drug Demand Reduction

#### 12.7.1- Drug Demand Reduction

Under sections 52 & 53 of Control on Narcotics Substances Act, 1997, Provincial Governments have been directed to register drug addicts and establish treatment and rehabilitation centers at provincial levels.

However, at Federal level, two Model Addiction treatment and Rehabilitation Centers each at Islamabad and Quetta have been established by Anti narcotics Force. Since its establishment in 2005 ,1277 drug addicts have been admitted /treated and 96 ex-addicts were provided jobs. Both the Centre have started functioning and drug addicts are being provided free treatment, medicine, food and stay at the centre. In addition two more model Addiction Treatment and Rehabilitation Centers one each at Lahore and Karachi have been planned. The estimated cost of both the projects is Rs. 44.304 million. Beside these treatment and rehabilitation Centers ,two other projects i.e., NGO Support Program for Treatment and rehabilitation; Focused Drug abuse Prevention for High Risk and Marginalized Groups costing Rs. 55.7 million are being implemented in Pakistan. These Programs aim to create awareness amongst the masses particularly high risk group and involve the civil society in prevention as well as treatment and rehabilitation of drug addicts.

The details about the seizure of narcotic drugs in Pakistan, cases affected and defendants arrested during the fiscal year 2006-07 are given in Table 12.7.

**Table 12.7- Seizure of Drugs**

| | |
|---|---|
| No. of cases | 27594 (Nos) |
| No. of defendants | 27647 (Nos) |
| Opium | 2461.543 (Kgs) |
| Heroine | 5031.788(Kgs) |
| Hashish | 53177.192(Kgs) |
| Cocaine | 66.482(Kgs) |
| Injections all types | 36,736(Nos) |

Source: Ministry of Narcotics Control

## 12.7- FOOD & NUTRITION

Malnutrition is one of the major public health challenges in Pakistan. Malnutrition occurs throughout the lifecycle resulting in low birth weight, wasting and stunting. National Nutrition Survey 2001-2002 provides information on various nutritional aspects of the vulnerable group of population. Micronutrient deficiency in Pakistan is common and reflects a combination of dietary deficiency, poor maternal health and nutrition, high burden of morbidity and low micronutrient content of the soil especially for iodine and Zinc. However, the food availability in the country has been sufficient to meet the overall national requirements across regions. Availability of major food items during the fiscal year 2006- 07 depicts an increase in supply over the previous year. In terms of nutritional intake average caloric availability per day is likely to increase from 2423 to 2425 by the end of fiscal year 2006-07. Details of the food availability are given in Table 12.8.

**Table -12.8 : Food Availability Per Capita**

| Items | Year/ Units | 49-50 | 79-80 | 89-90 | 99-00 | 02-03 | 03-04 | 04-05 | 05-06 (E) | 06-07 (T) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cereals** | Kg | 139.3 | 147.1 | 160.7 | 165.0 | 147.3 | 150.7 | 142.0 | 155.2 | 153.5 |
| **Pulses** | Kg | 13.9 | 6.3 | 5.4 | 7.2 | 6.0 | 6.1 | 6.8 | 7.6 | 6.6 |
| **Sugar** | Kg | 17.1 | 28.7 | 27.0 | 26.4 | 31.5 | 33.6 | 27.0 | 29.8 | 30.0 |
| **Milk** | Ltr | 107.0 | 94.8 | 107.6 | 148.8 | 153.4 | 154.0 | 155.7 | 162.6 | 170.1 |
| **Meat** | Kg | 9.8 | 13.7 | 17.3 | 18.76 | 19.2 | 18.8 | 19.6 | 19.1 | 20.0 |
| **Eggs** | Dozen | 0.2 | 1.2 | 2.1 | 5.1 | 4.5 | 4.6 | 4.7 | 4.6 | 4.8 |
| **Edible Oil** | Ltr | 2.3 | 6.3 | 10.3 | 11.1 | 10.8 | 11.3 | 12.4 | 12.0 | 11.9 |
| **Caloric & Protein Availability (Per Capita)** | | | | | | | | | | |
| **Calories per day (Number)** | | 2078 | 2301 | 2324 | 2416 | 2333 | 2381 | 2271 | 2423 | 2425 |
| **Protein per day (Gms)** | | 62.8 | 61.5 | 67.4 | 67.5 | 66.4 | 67.8 | 65.5 | 69.6 | 69.5 |

Source: Planning & Development Division

E:Estimates, T: Targets

The targets of nutrition are part of Pakistan's international commitment under Millennium Development Goals (MDGs). First goal under MDGs is to halve between 1990 and 2015, the proportion of people living below the poverty line. The targets for Pakistan are to reduce below 20 percent the prevalence of underweight children less than 5 years of age and reduce up to 13 percent the proportion of population below minimum level of dietary energy consumption.

To address these challenges major five targeted interventions have been proposed. These interventions include:

- Maternal Health and Nutrition (including new born)
- Infant and Child Health and Nutrition
- Adolescent Health and Nutrition
- Adult Health and Nutrition
- Nutrition and Health of the elderly

Following are the four cross cutting strategies which are envisaged with a view to address specific nutrition and health issues. The strategies include:

- Behavior change communication strategies
- Fortification strategies and programs (for vitamin A, iodine, iron/folate and other micronutrients)
- Food safety and regulatory issues
- Institutionalization of Nutrition and Management strategies

The Nutrition Program has five components i.e. Information and Educational Communication Activities (IEC); Protection of Breastfeeding and Child Nutrition Ordinance No. XCIII of 2002; training; printing and; research.

The different projects of the program have also achieved significant targets. The National Food Fortification project was implemented in 20 districts of the country with a target population of 37 million. As per review of the project it was estimated that achievement was more than 50% at the production level. The project will be further extended to 15 more districts in 2007. The Universal Salt Iodization (USI) project has completed a survey of the salt sector along with complete inventory in coordination with Micronutrient Initiative. Under this project 29 more districts have been taken up and a full fledged iodization at the production and utilization of household level is effective from early 2007.A next step regarding USI would be to undertake necessary legislation.

The National Wheat Flour Fortification Project (NWFFP) is being undertaken to reduce iron deficiency anemia and folic acid deficiency. For this purpose a ten year program for iron fortification of wheat flour has been agreed, which will be achieved by covering 45% of the population (those consuming flour from 600 roller mills) in the first five years, and covering the rest 55% of the population (consuming flour from the grinding mills i.e. chakkies) in the next five years. In this regard process of procurement of Micro-Feeders and Fortificant has been initiated; a draft communication strategy has been prepared.

The Vitamin A deficiency is another factor which has negatively influenced the health of children, mothers and other population segments in Pakistan. According to Pakistan National Nutrition Survey 2001-02, 13% of children have bio-chemical Vitamin A deficiency; 9.4% mothers and 1.2% children under five were reported to be night blind; 5.9% mothers and 12.5% had serum retinol levels deficiency (<0.7 umol/L). The Vitamin A Supplementation (VAS) Program is mainly linked to the routine immunization. A large scale distribution of Vitamin A supplementation was initiated for children 6-59 months old. The Expanded Program on Immunization (EPI) manages the distribution. It is estimated that around 64 million capsules are being distributed annually.

A pilot strategy was tested by the Ministry of Health in 14 districts of three provinces except for Sindh. In the piloted districts Vitamin A capsules 100, 000 i.u were given to the children aged 6-11 months and 200,000 i.u were given to the children aged 12-59 months. The Vitamin A supplementation was administered through LHWs; vaccinators outside LHWs catchment areas; Child Health Week celebrations in the areas with no LHWs and not reached by the vaccinators. Based on pilot strategy it has been decided to evaluate the pilot findings; to continue VAS through NIDs which will be continued up to 2009. It has also been decided to integrate VAS with routine immunization in 1-2 districts per province based on evaluation results of earlier pilot.

Besides these developments, the emphasis has been given to nutritional improvement in the MTDF and policy directly addresses nutritional adequacy through food security at household level and appropriate additional intervention. The government is ensuring food security at all levels, the specific food security measures have been taken to maintain desirable calories availability accessible to a common person. For improvement in overall nutritional status, the relevant sectors are undertaking appropriate nutritional interventions to improve individual well being for healthy and economically vibrant life.

The School Feeding program with three major objectives; improving nutritional status and educational performance of primary school girls, reducing gender disparity in enrolment and drop out rates and creating awareness to adopt healthy life style has been started in four districts namely, Badin, Gwadar, D.G. Khan and Lakki Marwat. The special Nutrition package has been designed for the school girls which comprises nutritious biscuits (100 gm.) and milk (250 ml) enough to meet 1/3rd requirements of the school girls for calories, vitamins and trace elements.

Improvement of nutritional status of women, girls and infants is being addressed by providing public health Care (PHC) nutritional services. Lady health workers provide micronutrient supplementation and awareness across the country.

TABLE 11.1

## NATIONAL MEDICAL AND HEALTH ESTABLISHMENT (YEAR-WISE)

(Progressive Numbers)

| Year* | Hospi-tals | Dispen-saries | BHUs Sub Health Centres | Maternity & Child Health Centres | Rural Health Centres | TB Centres | Total Beds | Population per Bed |
|---|---|---|---|---|---|---|---|---|
| 1990 | 756 | 3,795 | 4,213 | 1,050 | 459 | 220 | 72,997 | 1,444 |
| 1991 | 776 | 3,993 | 4,414 | 1,057 | 465 | 219 | 75,805 | 1,425 |
| 1992 | 778 | 4,095 | 4,526 | 1,055 | 470 | 228 | 76,938 | 1,464 |
| 1993 | 799 | 4,206 | 4,663 | 849 | 485 | 233 | 80,047 | 1,443 |
| 1994 | 822 | 4,280 | 4,902 | 853 | 496 | 242 | 84,883 | 1,396 |
| 1995 | 827 | 4,253 | 4,986 | 859 | 498 | 260 | 85,805 | 1,416 |
| 1996 | 858 | 4,513 | 5,143 | 853 | 505 | 262 | 88,454 | 1,407 |
| 1997 | 865 | 4,523 | 5,121 | 853 | 513 | 262 | 89,929 | 1,418 |
| 1998 | 872 | 4,551 | 5,155 | 852 | 514 | 263 | 90,659 | 1,440 |
| 1999 | 879 | 4,583 | 5,185 | 855 | 530 | 264 | 92,174 | 1,448 |
| 2000 | 876 | 4,635 | 5,171 | 856 | 531 | 274 | 93,907 | 1,456 |
| 2001 | 907 | 4,625 | 5,230 | 879 | 541 | 272 | 97,945 | 1,427 |
| 2002 | 906 | 4,590 | 5,308 | 862 | 550 | 285 | 98,264 | 1,454 |
| 2003 | 906 | 4,554 | 5,290 | 907 | 552 | 289 | 98,684 | 1,479 |
| 2004 | 916 | 4,582 | 5,301 | 906 | 552 | 289 | 99,908 | 1,492 |
| 2005 | 919 | 4,632 | 5,334 | 907 | 556 | 289 | 101,490 | 1,483 |
| 2006 | 924 | 4,712 | 5,336 | 906 | 560 | 288 | 102,073 | 1,508 |

* : Year as on 1st January

Source: Ministry of Health

TABLE 11.2

## REGISTERED MEDICAL AND PARAMEDICAL PERSONNELS AND EXPENDITURE ON HEALTH

(Progressive Numbers)

| Year* | Regis-tered Doctors ** | Regis-tered Dentists ** | Regis-tered Nurses ** | Register-ed Mid-wives | Register-ed Lady Health Visitors | Population per | | | Expenditure(Mln. Rs)^ | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Doctor | Dentist | Nurse | Develop-ment* | Non-Deve-lopment |
| 1990 | 52,862 | 2,068 | 16,948 | 15,009 | 3,106 | 1,994 | 50,967 | 6,219 | 2741.00 | 4997.00 |
| 1991 | 56,546 | 2,184 | 18,150 | 16,299 | 3,463 | 1,911 | 49,469 | 5,953 | 2402.00 | 6129.65 |
| 1992 | 61,017 | 2,269 | 19,389 | 17,678 | 3,796 | 1,846 | 49,630 | 5,808 | 2152.31 | 7452.31 |
| 1993 | 63,976 | 2,394 | 20,245 | 18,641 | 3,920 | 1,806 | 48,262 | 5,707 | 2875.00 | 7680.00 |
| 1994 | 67,167 | 2,584 | 21,419 | 19,759 | 4,107 | 1,764 | 45,859 | 5,532 | 3589.73 | 8501.00 |
| 1995 | 70,670 | 2,747 | 22,299 | 20,910 | 4,185 | 1,719 | 44,223 | 5,448 | 5741.07 | 10613.75 |
| 1996 | 75,201 | 2,933 | 24,776 | 21,662 | 4,407 | 1,655 | 42,445 | 5,025 | 6485.40 | 11857.43 |
| 1997 | 79,437 | 3,154 | 28,661 | 21,840 | 4,589 | 1,605 | 40,428 | 4,449 | 6076.60 | 13586.91 |
| 1998 | 83,661 | 3,434 | 32,938 | 22,103 | 4,959 | 1,561 | 38,020 | 3,964 | 5491.81 | 15315.86 |
| 1999 | 88,082 | 3,857 | 35,979 | 22,401 | 5,299 | 1,515 | 34,607 | 3,710 | 5887.00 | 16190.00 |
| 2000 | 92,804 | 4,165 | 37,528 | 22,525 | 5,443 | 1,473 | 32,819 | 3,642 | 5944.00 | 18337.00 |
| 2001 | 97,226 | 4,612 | 40,019 | 22,711 | 5,669 | 1,437 | 30,304 | 3,492 | 6688.00 | 18717.00 |
| 2002 | 102,611 | 5,058 | 44,520 | 23,084 | 6,397 | 1,392 | 28,244 | 3,209 | 6609.00 | 22205.00 |
| 2003 | 108,130 | 5,531 | 46,331 | 23,318 | 6,599 | 1,350 | 26,389 | 3,150 | 8500.00 | 24305.00 |
| 2004 | 113,273 | 6,128 | 48,446 | 23,559 | 6,741 | 1,316 | 24,320 | 3,076 | 11000.00 | 27000.00 |
| 2005 | 118,062 | 6,734 | 51,270 | 23,897 | 7,073 | 1,274 | 22,345 | 2,935 | 16000.00 | 24000.00 |
| 2006 | 122,798 | 7,388 | 57,646 | 24,692 | 8,405 | 1,254 | 20,839 | 2,671 | 20000.00 | 30000.00 |

Source: (1) Ministry of Health. (2) Planning & Development Division.

* Year as on 1st January

^ Expenditure figures are on fiscal year basis

** Registered with Pakistan Medical & Dental Council and Pakistan Nursing Council.

TABLE 11.3

DATA ON EXPANDED PROGRAMME OF IMMUNIZATION VACCINATION PERFORMANCE, 0-4 YEARS
(Calendar Year Basis)

(000 Nos.)

| Calendar Year/ Vaccine/doze. | | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| B.C.G. | | 4,387 | 4,092 | 3,448 | 4,841 | 4,804 | 4,804 | 5,582 | 4,995 | 5,070 | 4,778 | 5,115 | 4862 | 5203 | 5364 |
| POLIO | 0 | 945 | 1,151 | 1,007 | 1,372 | 1,522 | 1,522 | 2,031 | 1,788 | 1,735 | 1,842 | 2,132 | 2353 | 2626 | 2846 |
| | I | 4,386 | 4,233 | 3,675 | 4,797 | 4,739 | 4,739 | 5,254 | 4,581 | 4,584 | 4,543 | 4,820 | 4513 | 4859 | 5250 |
| | II | 2,952 | 3,730 | 3,141 | 4,282 | 4,221 | 4,221 | 4,559 | 4,027 | 4,079 | 4,015 | 4,282 | 4098 | 4387 | 4870 |
| | III | 3,686 | 3,466 | 2,845 | 3,994 | 3,947 | 3,947 | 4,131 | 3,812 | 4,024 | 3,780 | 4,035 | 3916 | 4160 | 4739 |
| | IV | - | - | 291 | - | - | - | - | - | - | - | - | - | - | - |
| | BR | 916 | 308 | 256 | 143 | 92 | 92 | 57 | 460 | 227 | 138 | 106 | 78 | 49 | 33 |
| D.P.T | I | 4,308 | 4,091 | 3,639 | 4,805 | 4,740 | 4,740 | 5,070 | 4,693 | 4,689 | 4,659 | 4,769 | 4428 | 4581 | 5275 |
| | II | 3,892 | 3,647 | 3,125 | 4,294 | 4,213 | 4,213 | 4,530 | 4,140 | 4,176 | 4,039 | 4,228 | 4025 | 4127 | 4886 |
| | III | 369 | 3,406 | 2,876 | 4,012 | 3,936 | 3,936 | 4,273 | 3,918 | 4,113 | 3,796 | 3,983 | 3840 | 3919 | 4756 |
| | BR | 717 | 265 | 225 | 137 | 89 | 89 | 169 | 45 | 47 | 22 | 6 | 2 | 0.1 | 0.2 |
| H.B.V | I | - | - | - | - | - | - | - | - | - | 1,772 | 4,483 | 4213 | 4458 | 5053 |
| | II | - | - | - | - | - | - | - | - | - | 1,290 | 3,892 | 3880 | 4065 | 4692 |
| | III | - | - | - | - | - | - | - | - | - | 966 | 3,576 | 3617 | 3841 | 4571 |
| T.T | I | 3,311 | 3,232 | 2,871 | 3,830 | 3,733 | 3,733 | 4,282 | 4,091 | 4,179 | 4,678 | 3,590 | 3391 | 4539 | 4069 |
| | II | 2,625 | 2,510 | 2,234 | 3,042 | 2,912 | 2,912 | 3,325 | 3,274 | 3,286 | 3,540 | 2,970 | 2650 | 2858 | 3133 |
| | III | 672 | 714 | 751 | 988 | 1,098 | 1,098 | 1,056 | 928 | 869 | 1,278 | 1,423 | 765 | 793 | 894 |
| | IV | 224 | 240 | 240 | 401 | 446 | 446 | 484 | 318 | 311 | 310 | 338 | 293 | 519 | 286 |
| | V | 86 | 97 | 100 | 166 | 251 | 251 | 308 | 152 | 164 | 159 | 164 | 132 | 157 | 176 |
| MEASLES | | 3,819 | 3,690 | 2,991 | 4,428 | 4,242 | 4,242 | 4,794 | 4,277 | 4,547 | 4,106 | 4,163 | 4124 | 4387 | 5050 |

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.
HBV = Hepatitis Vaccine

## TABLE 11.4

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 | 46.62 |
| 2005 | 41.25 | 50.00 | 33.75 | 46.25 | 38.08 | 44.29 | 50.00 | 100.00 | 42.08 | 30.00 | 47.57 |
| 2006 | 41.25 | 50.00 | 33.75 | 55.00 | 41.73 | 52.68 | 50.00 | 100.00 | 43.75 | 50.00 | 51.81 |

Source: Monthly Statistical Bulletins, Federal Bureau of Statistics.

# POPULATION LABOUR FORCE AND EMPLOYMENT

## Introduction

At the time of independence in 1947, 32.5 million people lived in Pakistan. By 2006-07, the population is estimated to have reached 156.77 million. Thus in roughly three generations, Pakistan's population has increased by 124.27 million or has grown at an average rate of 2.6 percent per annum. While Pakistan has more mouths to feed, more families to house, more children to educate, and more people looking for gainful employment, the high population also represents an abundance of labour which can be used for productive purposes. The large population also represents a large potential market for goods and services. This large consumer base with increasing disposable income may attract even more foreign investment. The large population therefore represents a big opportunity for Pakistan to benefit from demographic dividend which can fuel Pakistan's growth for the next fifty years. The interest in relationship between population change and economic growth has reignited in Pakistan which is experiencing declining fertility and mortality rates and therefore declining growth in population. Consequently, Pakistan is witnessing changes in age structure with proportion of working age population increasing and offering a life time window of opportunity to turn demographic transition into demographic dividend.

What is demographic transition and demographic dividend? The demographic dividend is defined as "transition from a largely rural agrarian society with high fertility and mortality rates to a predominantly urban industrial society with low fertility and mortality rates". Demographic transition consists of three phases resulting from the lag between changes in fertility and mortality. At an early stage of this transition (phase one) the fertility and mortality rates are high, resulting in the decline of the share of working age population and creating bulge in the young age groups. In other words, the share of dependent population is higher, freeing less resource for investment and growth. During the second phase, fertility rates decline, leading to fewer younger dependents. On the other hand, the population bulge enters and stays in the working age. The working age population grows more rapidly than the population dependent on it, freeing up resources for investment and economic growth. Other things being equal, per capita income grows more rapidly and therefore making more income available for dependents. Accordingly, the welfare of the family improves. This dividend period is quite long and lasts five decades or more.

During the third phase, low fertility rates reduce the growth of young age population while the working age population moves out of the workforce gradually. In other words, the inflows of young age population moving into working age slows, the current working age population moves out of work force gradually and continuing improvement in old age mortality increases the share of elderly population . Other things being equal, per capita income grows more slowly and the first dividend begins to evaporate. But a second dividend is also possible. The working age population reaching retirement level has a powerful incentive to accumulate assets unless it is confident that its needs will be provided for by families or governments. Whether these additional assets are invested domestically or abroad, national income will rise. Therefore, the first dividend yields a transitory bonus lasting for over five decades and the second dividend transforms that bonus into greater assets and sustainable development. These outcomes are not automatic but depend on the implementation of effective policies. Thus, the dividend period is a life time window of opportunity rather than a guarantee of improved standards of living.

**Fig 13.1(a): Population Pyramid for Pakistan, 1961 (Census)**

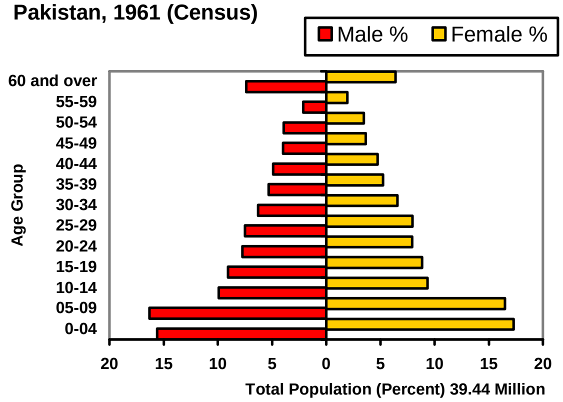
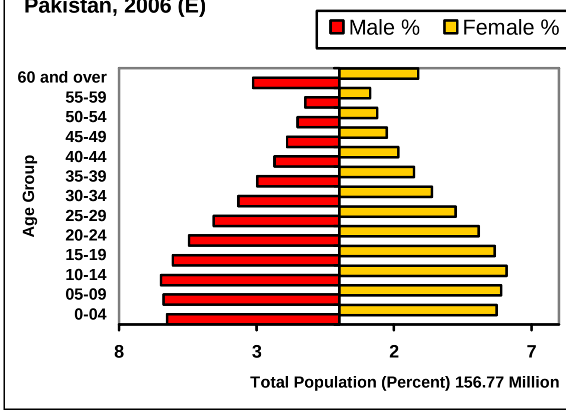



**Fig 13.1(b): Population Pyramid for Pakistan, 2006 (E)**




Where exactly is Pakistan in this demographic transition? As shown in Table 13.1, the Population Census data depicts two phases of demographic transition. During the first phase when fertility rates were higher (see Fig-13.1) the share of young age (0-14) population continued to rise thereby creating bulge in young age population while the share of prime age (15-59) continued to decline until 1981. Pakistan appears to have entered the second phase of demographic transition from 1981 onward as it has witnessed a secular decline in fertility rate from 6.0 to 3.8 resulting in the rise of the of working age population and consequent decline in the share of dependent population (see Table 13.1 & Fig. 3.2). Theoretically, therefore, Pakistan's long term growth potential should be a function of factors such as demographics, physical capital stock and productivity.

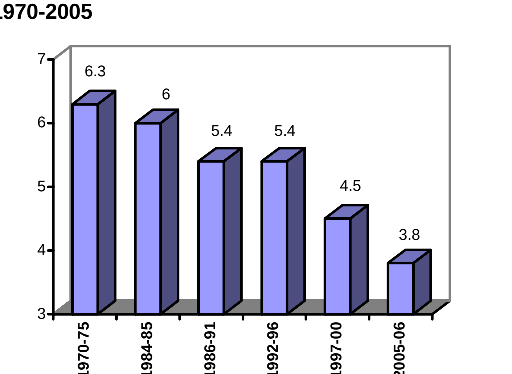
Pakistan is currently passing through the demographic transition phase which provides a window of opportunity to convert this transition into demographic dividend. Empirical evidence support the fact that Pakistan is in the second phase of demographic transition as more resources are available for investment , economic growth is accelerating and per capita income is rising at a faster pace. In other words, Pakistan has already started reaping its first dividend on the back of a large-scale spending on social sector (education, health vocational training, etc.) over the last several years.

**Table 13.1: Demographic Transition in Pakistan (%)**

| Census** | Young (0-14 age) | Prime (15-59 age) | Old (60 + age) |
|---|---|---|---|
| 1961 | 42.4 | 50.6 | 6.9 |
| 1972 | 43.8 | 49.2 | 7.0 |
| 1981 | 44.5 | 48.5 | 7.0 |
| 1998* | 43.4 | 51.1 | 5.5 |
| 2006 (E) | 36.8 | 57.2 | 6.0 |

*Source: Various Economic Surveys & P & D Division*
**No census was conducted between 1981 & 1998*
***The years listed in Table 13.1 are calendar years*

**Fig 13.2 : Trend in Total Fertility Rate, 1970-2005**




Source: National Institute of Population Studies (NIPS)

The demographic dividend being currently experienced in Pakistan is affecting growth through the mechanisms of labor supply , saving and human capital in conjunction with rising per capita income , growing middle class, availability of consumer credit , inflows of workers remittance and rising exports (foreign demand). These are fueling consumption demand leading to the expansion of domestic markets. The growing domestic demand is being met through various booming sectors of the economy such as agriculture, manufacturing and services. As such, the strong domestic demand leading to the expansion of domestic market has emerged as a key driver of economic growth and is supporting the ongoing growth momentum. Foreseeing the importance of human development to realize the benefits from demographic dividend for an emerging economy like Pakistan, the government has already initiated a large number of programs to ramp up social spending. These programs include the recently launched National Internship Program, establishment of the National Vocational and Technical Education Commission (NAVTEC), increased budgetary allocation for social sectors, especially education (including higher education through the Higher Education Commission (HEC)), health, population etc. In addition, the Government has launched Rozgar Scheme (self employment scheme), Khushal Pakistan Program and many other initiatives.

## 13.1 Population Overview

### 13.1.1 Population Indicators

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 7.1 (per thousand) in 2005-06. In Pakistan, decline in mortality rate is due to the elimination of epidemic diseases and improvement in medical services. Despite a considerable decline in the total mortality in Pakistan, infant mortality has still remained high at 70 per thousand live births in 2005-06. The major reasons for this high rate of infant and child mortality are diarrhea and pneumonia. Maternal mortality ratio ranges from 350-400 per hundred thousand births per year. On the other hand, contraceptive prevalence rate (CPR) is at 26 percent and total fertility rate (TFR) has declined from 4.5 percent in 2001-02 to 3.8 percent in 2005-06.

### 13.1.2 Population Welfare Program

In 1953, the Family Planning Association of Pakistan (Non-Government Organization) initiated few clinics to provide family planning services. During the second plan period (1960-65) the Population Welfare Program was started by the Ministry of Health but the program did not show adequate progress. Finally an autonomous Family Planning Council was created in 1965 to run the program independently. In 1965, the annual crude birth rate was around 45 per thousand and death rate was around 18 per thousand whereas the net growth rate was 2.7 percent per annum. The overall execution and entire funding of this Program is the responsibility of the Federal Government. The Ministry of Population Welfare is the main executing agency of the national program while implementation of field activities is the responsibility of the Population Welfare Departments in each of the four Provinces of Pakistan

During the past decade though the program enjoyed full political support and commitment from the government, it lacked the most important ingredient to make any program successful, that is, backing from the community. The community based approach could not be fully materialized due to religious, social and cultural norms of the society. Low literacy rate particularly among women happens to be another major stumbling block in the way of the program’s success. However, along with the passage of time and gradual globalization of the society, people have started to slowly but steadily recognize the usefulness of the population welfare program. Nevertheless, keeping in mind the prevailing trend of low literacy rate and other socio-cultural and religious norms, the Population Welfare Program would need more time to reach the replacement level of fertility in Pakistan.

With the commencement of the new millennium, the population welfare program has also taken a turn for the better. This turn in policy is a shift from the focus on fertility towards a more comprehensive approach of integrating family planning with reproductive health and also addressing wider range of concerns, especially economic status, education and gender equality.

**Box-13.1: Population Policy of Pakistan**

The Population Policy is the outcome of a participatory process and enjoys the consensus of all stakeholders and partners, within government, NGOs and civil society.

**Goals**

The Population Policy seeks to;

- Attain a balance between resources and population within the broad parameters of the International Conference on Population and Development (ICPD) paradigm.
- Address various dimensions of the population issue within national law and development priorities while remaining within our national social and cultural norms.
- Increase awareness of the adverse consequences of rapid population growth both at the national, provincial, district and community levels.
- Promote family planning as an entitlement based on informed and voluntary choice.
- Attain a reduction in fertility through improvement in access and quality of reproductive health services.
- Reduce population momentum through a delay in the first birth, changing spacing patterns and reduction in family size desires.

**Objectives**

**Short Term:**

- Reduce population growth to 1.90 percent per annum by 2004. This objective of the population policy has already been achieved
- Reduce fertility through enhanced voluntary contraception to 4 births per woman by the year 2004. This objective of the population policy has already been achieved

**Long Term:**

- Reduce population growth rate from 1.90 per cent per annum in 2004 to 1.3 percent per annum by the year 2020.
- Reduce fertility through enhanced voluntary contraceptive adoption to replacement level of 2.1 births per woman by 2020.
- Universal access to safe family planning methods by 2010.

Source: Ministry of Population Welfare

One of the major achievements of the Cairo Conference has been the recognition of the need to empower women, both as being highly important in itself and as a key to improving the quality of life for everyone. It also emphasizes that men have a key role to play in bringing about gender equality, in fostering women's full participation in development and in improving women's reproductive health.

In this context goals are set out in three related areas: expanded access to education, particularly for girls; reduced mortality rates; and increased access to quality reproductive health services, including family planning. The International

Conference on Population and Development (ICPD) Program of Action urges all countries to make reproductive health care and family planning accessible through primary health care system to all individuals of appropriate ages no later than 2015.

**Table-13.2: Selected Demographic Indicators (Latest available)**

| Indicators | Current Year (2006-07) |
|---|---|
| Total Fertility Rate (TFR) 2005-06 | 3.8 |
| Crude Birth Rate (CBR) 2005-06 | 26.1 |
| Crude Death Rate (CDR) 2005-06 | 7.1 |
| Growth Rate | 1.80% |
| Infant Mortality Rate (IMR) (2005-06) | 70 |
| Maternal Mortality Rate (MMR) (2004-05) | 350-400 |
| Life Expectancy at Birth (2005-06)* | Male: 64 Years<br>Female: 66 Years |

Source: Federal Bureau of Statistics
* Planning and Development Division.

Some of the major strategies being pursued by the program 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 centres and reproductive health service centres 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, sign boards and regular supply of contraceptives to paramedics;
- Introduction of family planning and Mother and Child Health (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;

### 13.1.3 Service Delivery Infrastructure

The service delivery comprises program outlets and service units of provincial line departments (PLDs), public sector institutions, private sector undertakings and civil society initiatives. The planned program network consist of 2206 family welfare centres, 118 reproductive health services “A” centres and 204 mobile service units. Through these service delivery outlets population welfare program offers a wide range of family planning services including motivation, counseling, full choice of contraceptives and contraceptive surgery. The responsibility of providing services at the grass root level are being envisaged to be handled by male workers especially with regard to male involvement in the population welfare program which will be increased to 4581 by June 2007. The emphasis of the program is to reach the desirous couples for meeting their service needs. The table below illustrates physical targets achieved up to 31st March 2007 (see Table 13.3).

### 13.1.4 Private Sector Contribution

It will be fruitless to think that the issue of overpopulation can be laid to rest without the help and support of the private sector. In this regard the non-governmental organizations (NGOs) play an important role. Realizing this the government highly encourages and supports endeavors undertaken by various NGOs for undertaking innovative and cost-effective service delivery and awareness campaigns to cover specific urban and semi-urban areas like slums, katchi-abadis and labour colonies.

**Table 13.3: Service Delivery Infrastructure**

| Service Delivery Outlets | Planed 2006-07 | Achieved as on 31-03-2007 |
|---|---|---|
| 1. Family welfare centres (FWC) | 2363 | 2206 |
| 2. Reproductive Health “A” centres | 275 | 204 |
| 3. Mobile service units | 142 | 118 |
| 4. Male Mobilizers | 4581 | 2622 |

Source: Ministry of Population Welfare

The Government of Pakistan seeks active cooperation with NGOs in the areas of family planning and reproductive health through the Ministry of Population Welfare, and the National Trust for Population Welfare (NATPOW). One example of cooperation between the NGOs and the Government is sharing the responsibility of meeting national population sector targets. NGOs use initiative, creativity, and take innovative steps because of their size and limited commitment; they can create "models" for replication. The NGOs have contributed significantly in promoting the cause of the population program in the country. Overall, some 264 NGOs with 479 outlets, operating throughout the country, have been registered with National Trust for Population Welfare (NATPOW) till date.

The private sector is also involved in the crusade against over population 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 the KFW (Development Bank of Germany) and Department for International Development (DFID), U.K. The Projects are executed outside the Public Sector Development Program (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 a commercial distribution network of over 58,000 distribution / service points.

### 13.1.5 Some Future Strategies

Strategizing for the future is imperative in order to curb over population in Pakistan. In this regard numerous measures and procedures have been adopted. From the side of population management these include launching of advocacy campaigns for all segments of the society, ensuring ownership and participation of communities and stakeholders in service delivery. On the other hand, the health sector is involved by reducing unmet need for quality family planning and rural health (RH) services, adopting a shift from target oriented to people-centered approach, creating a comprehensive network of family planning & RH services in Pakistan, building a stronger partnership with all the stakeholders in private and public sectors. In addition, mainstreaming population factor as a across cutting issue, strengthening contribution to population activities by all stakeholders, expanding social marketing of contraceptives, accessibility and affordability in rural and under-served areas, bringing attitudinal change in men to adopt small family norms and responsible parenthood, involving opinion leaders and religious scholars in the population control program and expanding family planning to under-served area also comes under the umbrella of future population control and management strategies.

Some recent policy directives issued by the Ministry of Population Welfare in order to boost its population welfare program are: establishment of population commission, directions issued to all social sector ministries and provincial departments for mainstreaming the population issues and responses, parliamentarians to project population as a cross cutting issue and over see progress in their constituencies, mandatory provision of family planning services from all service delivery units of health departments and lady health workers programs. Further more the following policy directives are also issued by the Ministry, district technical committee headed by EDO health, sustained management support infrastructure for flagship initiative of the public / private partnership for promoting FP / RH services, revamping / rejuvenating of National Trust for Population Welfare (NATPOW), annual grant-in-aid of Rs 200 million to NATPOW for promoting FP / RH through NGOs.

The population profile in Pakistan reveals that in order to achieve sustainable development and to control overpopulation, empowerment of women, effective use of resources, efficient family planning, and popularization of small family norm are imperative. Furthermore, slowdown in population growth rate, wider coverage of reproductive health services, education of women, and effective steps to eradicate poverty are prerequisites for sustainable development in Pakistan as well.

## 13.2 Labour Force and Employment

In an era of knowledge economy, human resource development and its management have assumed added importance as key driver of growth. Until recent past, Pakistan has, however, lagged behind in this field. Technological developments in the last centaury have transformed a majority of economic activities which are now more knowledge based than physical based. The level of education and training is comparatively very high in knowledge based economies and a considerable portion of GDP is invested in the skill development. Specific sectors like information technology, services etc in the guise of outsourcing are prominent examples of a skill or knowledge based economy.

Pakistan is also working to move towards a *knowledge based economy*. According to the Medium Term Development Program (MTDP) 2005-10, there is a strategy to move towards an efficient, balanced, internationally competitive, environmental friendly and technologically driven knowledge economy. There are two major potential challenges in shaping the knowledge base economy – the quality and quantity of education and investment in skill development to develop knowledge hubs. As such there is no prescribed unit for qualifying knowledge to measure in numerical figures but it can be assessed with the help of certain indicators which reflect in economic performance. One 0f these indicators is TFP or Total factor Productivity which is frequently used for measuring productivity levels of labour.

According to latest *Labour Force Survey (2005-06,)* at the moment there is 46.9 million employed labour force in the country. Whereas only 3 million workers are unemployed out of 50.05 million total labour force (see Table 13.4). It is no mean feat to adequately absorb such a huge labour force. However due to the Government's prudent and far sighted economic policies this task has been successfully accomplished.

Pakistan is a country with about 25 million youth of 18-25 years age group but a very small percentage 1.7 percent are able to make contribution in national economy by applying their training and education. Around 540 technical and vocational institutions have the capacity to produce only 200, 000 skilled people every year which is inadequate as compared to the demand of the economy and the country's population. Just focusing on enhancing the enrolment in technical institutes is not enough. We need to put emphasis on quality and quantity of skill development which match the needs of the firms and entrepreneurs.

To establish a market-based economy there is a need to have a change in strategy. Long term planning is mandatory-based on realistic assessment of our economic activities in the light of emerging trends and prudent investment policies. This requires three generations of investment reforms: first generation reforms calls for adoption of market-friendly policies – to liberalize the investment regimes by reducing barriers towards FDI, strengthening standards of treatment for foreign investors and giving a greater role to market forces in resource allocation. To move towards third generation reforms, investment promotion policies framework is required for attracting investment to target key investors in the identified industries and firms thus constituting second generation reforms. Further to meet their respective vocational workforce, there is a need to have programs of transfer of knowledge through global production networks and establishment of "knowledge hubs" in the light of industry development priorities. This is the only gateway for Pakistan to establish a successful knowledge based economy. Globalization of local knowledge and localization of global knowledge are the pre-requisites of knowledge based economy.

The employment generation, poverty reduction and human resource development are the main features of the development pursuits in Pakistan. The employment led growth rate captures a central place in sustainability of development efforts and is crucially linked with the availability of decent work opportunities for able and willing adults. Along with the various measures taken to meet the above mentioned challenges the government has laid down the parameters for the growth of trade unions; protection of workers rights; the settlement of industrial disputes; and the redress of workers grievances through announcement of five labour policies. These policies also ensure compliance with international labour standards ratified by Pakistan.

### 13.2.1 Labour Market Overview

The over all employment and labour market situation in the country continues to draw attention in economic and social policy making. In order to make the conditions conducive for employment creation government needs to identify and remove perverse incentives that bias investment towards capital- intensive techniques. There is need to adopt a *sectoral approach* to create conditions for investment in employment intensive industries.

The recent turnaround in the economy and GDP growth rate on the trajectory of 6-8 percent in recent years is in sharp contrast to 1.8 percent in the year 2000-01. There is wider optimism in sustaining the growth trends is partly a result of consistent, participative and predictable policies. The medium term development framework 2005-10 **(MTDF)** stresses on just and sustainable economic system for reducing poverty and achieving millennium development goals (MDGs) by the target year of 2015. Furthermore, the MTDF incorporates a paradigm shift towards enhancing competitiveness not only by means of higher investment but also through knowledge inputs to maximize total factor productivity.

Cognizant of the situation the Government has tried to incorporate all elements needed toward the creation of the decent work opportunities. These elements include: Economic governance, macro economic stability; Institutional reforms, deregulation and privatization; Creation of conditions that sufficiently motivate private sector and attract foreign investors; Building and strengthening physical infrastructure; Enhancing technical and vocational competence of the work force, strengthening of the SMEs and developing entrepreneurship; Gender mainstreaming and designing the programs targeting women and youth and labour markets and Policies and institutions.

**Table 13.4: Civilian Labor Force, Employed and Unemployed for Pakistan (millions)**

| | 2001-02 | 2003-04 | 2005-06 |
|---|---|---|---|
| Labour Force | 41.83 | 45.5 | 50.05 |
| Employed | 38.37 | 42.0 | 46.95 |
| Unemployed | 3.46 | 3.5 | 3.1 |

*Source: Labour Force Survey 2001-02, 2003-04 & 2005-06*

### 13.2.2 Labour Force Participation Rate

The Pakistani working age population is estimated to be 105.37 million. However, a significant number of this is not a part of the economically active population. Those not active in the labor market include: housewives, students, handicapped, senior citizens, etc. Internationally, economically active population is defined as *the proportion of population that is either employed or looking for work*. This is also referred to as labor force or labor supply. The labor force participation rate is measured on the basis of Crude Activity Rate (CAR) and Refined Activity Rate (RAR). The CAR is the percentage of the labor force in the total population while RAR is the percentage of the labor force in the population of persons 10 years of age and above.

The labor market in Pakistan demonstrates a lower labor force participation rate (LFPR) as compared to its co mpetitors. It has been in the range of 28.6% -32.3% over a decade; even the RAR is low and hovered at 43% over a decade (see Table-13.5). It is nevertheless important to point out that both these ratios are increasing in recent years. This is mainly attributed to increasing economic activities that are fairly diversified and thus are not only generating employment opportunities but also motivating others to join workforce. The crude activity rate has stayed roughly constant since 1980, but has started to rise in the last few years: from 29.6% in year 2001-02 to 32.3% in 2005-06. Similarly, the RAR has also started to increase from past trend of

43.3% in 2001-02 to 46% in 2006-07. Participation rates are highest in Punjab and lowest in NWFP. These rising rates of participation point towards an increasing optimism in the labor market.

**Table -13.5: Population, Labor Force and Labor Force Participation (LFP) Rates**

| Year | Population (million) | | Labor Force (million) | | LFP Rate (percent) | |
|---|---|---|---|---|---|---|
| | Total | Working age* | Total | Increase | Crude | Refined |
| 1996-97 | 126.90 | 84.65 | 36.30 | 1.57 | 28.6 | 43.0 |
| 1997-98 | 130.58 | 88.52 | 38.20 | 1.90 | 29.3 | 43.3 |
| 1999-00 | 136.01 | 92.05 | 39.4 | 1.20 | 29.4 | 42.8 |
| 2001-02 | 145.80 | 99.60 | 42.39 | 2.99 | 29.6 | 43.3 |
| 2003-04 | 148.72 | 103.40 | 45.23 | 2.84 | 30.4 | 43.7 |
| 2005-06 | 151.55 | 105.37 | 48.95 | 3.72 | 32.3 | 46.0 |

*Source: Labour Force Survey 2001-02, 2003-04 & 2005-06*

* Population 10 years and above is considered as working age population.

Further disaggregating of the data reveals other important trends. The LFPR has been increasing over the years but still it is low and even lower for the female segment of the population, however the low LFPR indicates huge reservoirs of human resources that can be effectively utilized for future economic growth. Moreover, the trends in the LFPR show that there has been a substantial increase in the female labour force over the years (15.9% in 2003-04 to 18.9% in 2005-06). Though increasing, female LFP rate continues to be exceptionally low as compared to the South Asian countries where it ranges between 35-50 percent. Female participation in Balochistan (12.6%), NWFP (13.0%) and Sindh (9.1%) are especially low.

A number of gender-specific measures taken by the government are positively influencing female participation in the economic activities. Facilitating and increasing the availability of suitable jobs for women, targeting education and skill formation, improving under-reporting especially in the non-wage sector and addressing issues of discrimination and career progression are important initiatives.[1] All of this means that Pakistan could potentially see a dramatic expansion in the labour force as more men and especially women choose to enter the labour force in the future.

A significant growth in employment has been observed since 1999-00. During the last six years (2000-06) 12.81 million lobs have been created. However, with the rising pace of economic activity in the last three years the rate of job creation has also accelerated. As shown in Table 13.6, 3.1 million jobs have been created between 2001-02 and 2003-04 (2 years) and 4.94 million jobs were created in between 2003-04 and 2005-06 (2 years) as against 4.6 million in 6 years prior to the year 2000. The focus of the current economic policies is to generate work opportunities in both urban and rural areas. It is however important to note that more work opportunities are being created in rural areas as compared to urban areas. During the last seven years (2000-06) out of additional employment of 12.81 million, 8.61 million (67.2%) were created in rural areas as compared to 4.2 million (32.8%) in urban areas. Now the challenge

[1] *Many labor market activities of females are not being disclosed to male enumerators due to social and cultural reasons and that causes non-sampling error. To reduce the measurement error in FLFPR, a number of detailed questions are included in LFSs since 1990-91 and estimates are presented under "improved estimates." These show much higher activity rate as compared to the traditional low estimates. The improved participation rate of 39.3 percent in 2005-06 is more than twice the traditional estimates.*

faced by the government is to sustain the growth momentum to create more jobs, increase incomes of the people, and reduce unemployment and poverty.

**Table -13.6: Employment Trend and Change: 1996-97 and 2005-06 (millions)**

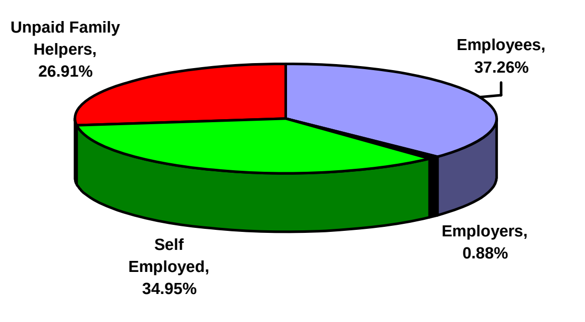
| Year | Pakistan | | Rural | | Urban | |
|---|---|---|---|---|---|---|
| | Employed | Change | Employed | Change | Employed | Change |
| 1996-97 | 34.13 | - | 23.87 | - | 10.78 | - |
| 1999-00 | 36.32 | 2.19 | 25.55 | 1.68 | 10.77 | -0.01 |
| 2001-02 | 38.88 | 2.56 | 26.66 | 1.11 | 12.22 | 1.45 |
| 2003-04 | 42.00 | 3.12 | 28.81 | 2.15 | 13.19 | 0.97 |
| 2005-06 | 46.94 | 4.94 | 32.48 | 3.67 | 14.46 | 1.27 |

Source: Labor Force Survey, various issues

### 13.2.3 Employment Situation

The status of employment shows that employees and self-employed respectively account for 37.26% and 34.95% of the total employed work force followed by unpaid family helpers (26.91%) and employers (0.88%). More male workers are engaged in the category of self-employed and employers. Overall there has been an increase in each category; however it is more obvious in the case of unpaid family helpers (see fig-13.3).

**Fig-13.3: Distribution of Employed**




An increase in the employees and unpaid family helpers category has been noted for males, while decrease is noted in self-employment category. The ratio of employers remains the same. For females, a significant increase is observed in the unpaid family helpers' category whereas a decrease in the self employed and employees category. No change has been observed in the share of female employers which was already very small. The increase in unpaid family helper category for both men and women is an indication of the expansion of economic activities within the household, especially in rural areas. The targeting of the livestock and dairy sector as leading employment augmenting sectors in rural areas has been quite rewarding.

### 13.2.4 Employed Labour Force by Sector

Agriculture remains the dominant source of employment in Pakistan. The share of agriculture in employment has decreased from 47 percent in 1990 to 43.37 percent in 2005-06. It has however, increased marginally (from 43 percent in 2003-04 to 43.37 percent in 2005-06) over the last two years with manufacturing and trade & services absorbing a growing share of the work force. Targeting of labor intensive livestock and dairy sectors proved to be an important strategy for employment augmentation in rural areas. These are complemented by public sector funded small area development schemes. These strategies have successfully expanded rural employment, particularly at the local level. Agriculture is followed by wholesale and retail trade (14.67%), community and social services (14.35%) and manufacturing sector (13.84%) in terms of share of employed. An increase in the share of agriculture and manufacturing sector, however, is an indication that employment opportunities are created in both rural and urban areas. The policy of deregulation, privatization and liberalization helped in increasing the participation of private sector in the economy. As a result, significant number of work opportunities are being generated in urban areas. The capital intensity of the industrial sector, however, limits its employment generating capacity. Sector wise break up of employed labour force shows that female share, especially in agriculture, manufacturing and services is gradually rising (See Table-13.7).

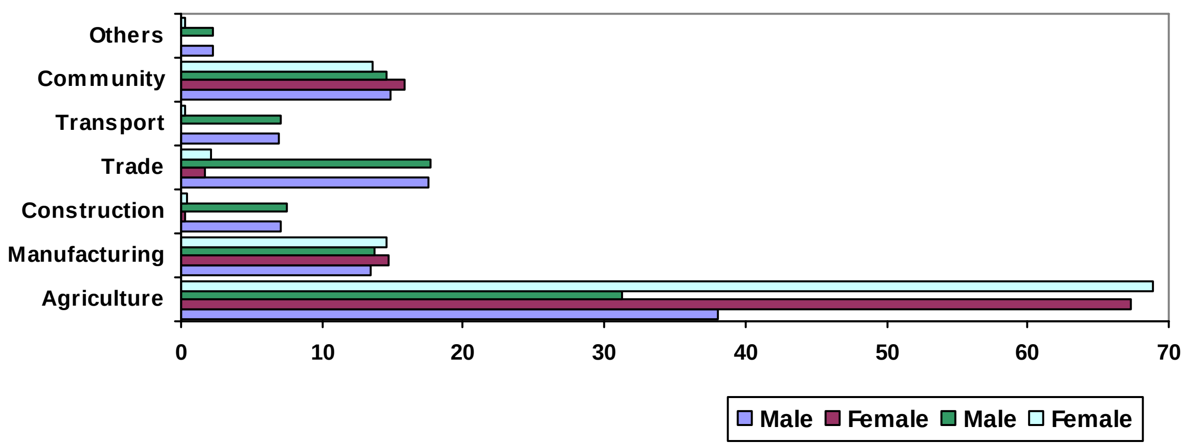
**TABLE-13.7 EMPLOYED LABOR FORCE BY SECTORS (%)**

| Sector | 2003-04 | | | 2005-06 | | |
|---|---|---|---|---|---|---|
| | Total | Rural | Urban | Total | Rural | Urban |
| Agriculture | 43.05 | 60.03 | 5.94 | 43.37 | 59.87 | 6.32 |
| Manufacturing | 13.73 | 9.05 | 23.97 | 13.84 | 9.00 | 24.71 |
| Construction | 5.82 | 6.02 | 5.39 | 6.13 | 6.23 | 5.91 |
| Trade | 14.80 | 9.39 | 26.62 | 14.67 | 9.30 | 26.71 |
| Transport | 5.73 | 4.33 | 8.80 | 5.74 | 4.64 | 8.22 |
| Services | 15.01 | 10.36 | 25.17 | 14.35 | 10.06 | 24.00 |
| Others | 1.85 | 0.82 | 4.12 | 1.89 | 0.89 | 4.13 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Source: Labor Force Surveys, 2003-04 & 2005-06

Although agriculture sector dominates employment for men and women, a larger proportion of females earn livelihood from this sector (see Fig-13.4). The manufacturing and services sectors also employ a higher proportion of females especially in the fields of teaching, medicine and domestic helpers whereas males are concentrated in manufacturing, services and trade sectors.

**Fig-13.4: Gender Distribution by Sector Employment**




Reduction in employment was observed in public sector and public sector enterprises (PSEs) which historically had significant new job opportunities to offer. The stagnating public sector has been over taken by thriving private sector in terms of job creation.

**Box 13.2: Emerging Employment Scenario in Pakistan**

Many new areas have recently emerged as sources of employment leading to outsourcing of Pakistan's wealth of skilled professionals to the rest of the world. The telecom, auto industry, auto vending, auto service stations, show rooms, hotels and restaurants, livestock and dairy sectors dominate in jobs creation. The leading industries/sectors include:

| | |
|---|---|
| Telecom and IT Sector | Mobile phone, wireless loop and LDI companies, public call offices, internet |

| | |
|---|---|
| | service providers, broad band service providers, cable services, electronic media companies, information technology and internet related companies and call centers. |
| Health and Education Sector | Private and philanthropic hospitals and clinics, biomedical sciences and biomedical and genetic engineering, private and non-governmental educational institutions, and scientific research and development organizations. |
| Chemical | Fertilizer, pesticide, seeds and agro-chemical distribution. |
| Allied Agriculture Sectors | Dairy and milk processing packaging and marketing, livestock, fruits and vegetable industry, fisheries and feed mills. |
| Financial Services | Islamic banking services, new private banks including micro financing institutions, risk managers in the financial sector, leasing and insurance. |
| Transport Sector | Intercity and intra city coach, bus and transport services, and private airline companies. |
| Construction | Construction services particularly plumbers, electricians and masons. |
| Other Services | Advertising, marketing, creative services, accountancy and management consultancy, and electronic and print media. |
| Oil and Gas | Oil and gas exploration and drilling, petrol and CNG filling stations. |

Source: Ministry of Labour & Manpower

### 13.2.5 Unemployment

Unemployment is defined as all persons ten years of age and above who during the reference period were: a) without work i.e., were neither in paid or self employment nor employed as unpaid family helpers, 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 or self-employment. According to this definition, about 3.10 million people were unemployed during the fiscal year 2005-06 as compared to 3.50 million in 2003-04. It is important to highlight that the rising trend of unemployment has not only been arrested but it has also started declining since 2001-02 (see Table-13.8).

**TABLE-13.8: UNEMPLOYED LABOR FORCE BY AREAS**

| YEARS | UNEMPLOYED LABOR FORCE (IN MILLION) | | | UNEMPLOYMENT RATE (%) | | |
|---|---|---|---|---|---|---|
| | TOTAL | RURAL | URBAN | TOTAL | RURAL | URBAN |
| 1996-97 | 2.26 | 1.33 | 0.94 | 5.93 | 5.02 | 7.98 |
| 1999-00 | 3.08 | 1.92 | 1.15 | 7.82 | 6.94 | 9.92 |
| 2000-01 | 3.33 | 2.10 | 1.22 | 8.30 | 7.53 | 10.09 |
| 2001-02 | 3.46 | 2.15 | 1.31 | 8.27 | 7.55 | 9.80 |
| 2003-04 | 3.50 | 2.08 | 1.41 | 7.69 | 6.74 | 9.70 |
| 2005-06 | 3.10 | 1.84 | 1.26 | 6.20 | 5.35 | 8.04 |

Source: Labor Force Survey, various issues

Overall unemployment rate has declined from 8.3 percent in 2001-02 to 7.7 percent in 2003-04 and further to 6.2 percent in 2005-06. As far as rural area is concerned, it declined from 7.55% in 2001-

02 to 5.35% in 2005-06 while for urban areas this figure is 9.8% to 8.04% during the same period. Both male and female unemployment rates declined in rural as well as urban areas. The decline in female unemployment in both rural and urban areas can be attributed to two factors. Firstly, it has been observed in many developing countries including Pakistan that females would not enter the job markets due to perceived or otherwise discriminatory factors. In recent years, in Pakistan, it is now being observed that such impression is being dispelled as female participation rate is on the rise because of the increased job opportunities and conductive environment. Secondly, the availability of micro finance facilities focusing on women particularly in rural areas have given rise to a new wave of rural women entrepreneurs.

Sustaining economic growth – a priority area - is expected to further generate employment opportunities. This is likely to reduce overall unemployment to 4% by 2009-10, a target aimed at in the Medium Term Development Framework (MTDF) *2005-10.* About 3 million people enter the job market each year. Creating jobs for them is the key to reducing poverty.

Fig-13.5(a): Unemployment Rate (%)

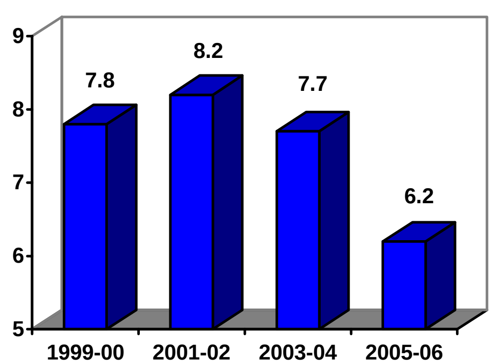
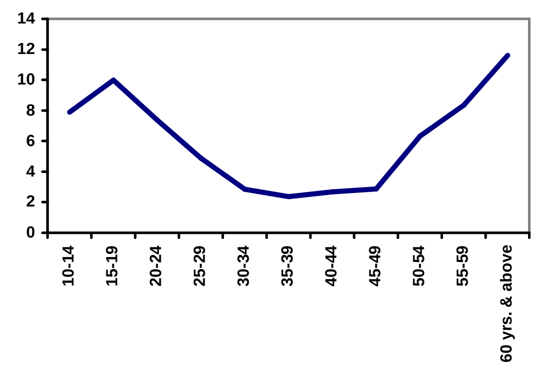



Fig-13.5(b): Age Specific Unemployment Rate 2005-06




Source: Labour Force Survey, 2005-06

**13.2.6 Age Specific Unemployment Rate**

The age specific unemployment rate shows a typical U shaped pattern (fig 13.5 (b)); higher rate for younger and older groups and lower for the prime age persons (those who fall between 25-49 years) (see Table-13.9). The interesting observation, however, is a visible fall in the unemployment rate in age-groups below 49 years in 2005-06 as compared to 2003-04. The decline in unemployment in the younger age groups is the result of aggressive education campaign of the government. Increasing enrolment in schools is reducing not only the incidence of child labor but their entry into the labour market as well. The goal of universal primary education along with achieving other *Millennium Development Goals (MDGs*) is expected to contribute significantly in the withdrawal of working children from the labor market, thus reducing unemployment.

The incidence of unemployment in older age group especially among women though have registered decline in 2005-06 are still relatively high and requires government attention. A number of facilities and social services are being extended for senior citizens; absence of an adequate institutional mechanism of social protection is greatly felt. Table 13.9 shows that unemployment rate starts declining from the age group of 25-29 years till the age group of 45-49 and again start rising from the age group of 50-54. One of the highest unemployment rates is observed in the age group of 15-19 i.e. almost 10 percent mainly due to the high school drop outs trying to find jobs.

**Table-13.9: Unemployment Rates Sex and Age (%)**

| Age Groups | 2003-04 | | | 2005-06 | | |
|---|---|---|---|---|---|---|
| | Total | Male | Female | Total | Male | Female |
| Ten Years & Above | 7.7 | 6.6 | 12.8 | 6.2 | 5.42 | 9.3 |
| 10-14 | 12.8 | 13.6 | 10.4 | 7.89 | 8.76 | 5.71 |
| 15-19 | 13.2 | 12.8 | 14.9 | 9.98 | 10.02 | 9.82 |
| 20-24 | 10.3 | 9.3 | 15.0 | 7.37 | 6.87 | 9.43 |
| 25-29 | 7.1 | 6.1 | 12.5 | 4.88 | 4.3 | 7.34 |
| 30-34 | 4.5 | 3.8 | 7.4 | 2.85 | 2.45 | 4.33 |
| 35-39 | 2.9 | 2.0 | 7.2 | 2.37 | 1.67 | 4.87 |
| 40-44 | 2.9 | 2.5 | 4.8 | 2.68 | 2.0 | 5.45 |
| 45-49 | 3.5 | 2.3 | 9.5 | 2.87 | 2.08 | 6.04 |
| 50-54 | 5.1 | 3.5 | 12.2 | 6.32 | 4.52 | 14.48 |
| 55-59 | 7.1 | 4.5 | 20.7 | 8.35 | 5.89 | 19.5 |
| 60 yrs & above | 12.8 | 8.9 | 36.1 | 11.62 | 7.18 | 34.12 |

*Source: Labour Force Survey, 2003-04 and 2005-06*

### 13.2.7 Employment by Formal and Informal Sectors

The increasing size of the informal sector is an indication that more jobs are being created in those sectors which largely employ low wage workers (see table-13.10). Attaining immediate employment goals notwithstanding, such an employment profile does highlight the need to improve working conditions in informal sector along with integrated policies to raise productivity, skill up gradation, and legal and institutional framework for property and labor rights.

**Table-13.10: Employment by Formal and Informal Sector (%)**

| | 2003-04 | | | 2005-06 | | |
|---|---|---|---|---|---|---|
| | Total | Rural | Urban | Total | Rural | Urban |
| Total | 100 | 68.60 | 31.40 | 100 | 69.19 | 30.81 |
| Agriculture | 43.05 | 41.18 | 1.86 | 43.37 | 41.43 | 1.95 |
| Non Agriculture | 56.95 | 27.42 | 29.53 | 56.63 | 27.77 | 28.86 |
| -Formal | 17.11 | 7.42 | 9.69 | 15.37 | 6.99 | 8.38 |
| -Informal | 39.84 | 20.00 | 19.84 | 41.25 | 20.77 | 20.48 |

*Source: Labour Force Survey 2003-04 &2005-06*

### 13.3 Employment Promotion Policies

Government policies for employment generation and promotion are based on three types of measures such as direct and targeted measures, accelerated investment and improving technical and vocational competence of labour force.

The **Public Sector Development Program (PSDP)** for the current fiscal year 2006-07 has been increased from Rs 272 billion to Rs. 435 billion. This is an increase of 59.9% over the budget 2005-06 which will lead to creation of a large number of new jobs in the country.

**Small and Medium Enterprises (SME)** represents a significant component of Pakistan's economy in terms of value. They are highly labour intensive and provide employment to the bulk of the non-agricultural labour 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 banks namely, the SME Bank and Khushhali Bank. The Small and Medium Enterprises Development Authority (SMEDA) is also actively developing program for managerial skill development and providing technical and information support to the SMEs. A large number of SMEs are being financed under a program lending scheme namely "Hunarmand Pakistan Scheme" in businesses such as fan manufacturing, cutlery manufacturing, surgical instruments, doctors and dentists clinic, women entrepreneurs, CNG stations, motorized looms, auto parts manufacturing, furniture manufacturing, motorcycle and rickshaw. The SME Bank has so far financed 6060 SMEs and disbursed loans amounting to Rs.3469 million and has been successfully created 42420 employment opportunities in the country.

Realizing the importance of microfinance in improving the lives of the poor people, the government established Khushhali Bank in 2000 - a microfinance institution - under a public-private partnership program. It also encouraged private sector to setup microfinance banks in Pakistan whose outreach have 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.9603 million 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.

**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. The PPAF is present in 104 districts across Pakistan and it has 68 partner organizations. So far it has made disbursements of Rs.17448 million and it has around 6.18 million beneficiaries.

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. Nearly 40 industries are linked with construction activities. With employment elasticity at 0.60 and targeted growth rate ranging from 6.0% to 8.0% during the medium term, increasing housing can not only reduce the housing shortage, but also give a boost to about 40 allied industries linked with construction and housing, and increase fairly dispersed employment and income opportunities. There is a shortage of 6.0 million houses in the country, construction activity in the country and the housing sector is actively engaged to meet the demand.

**Targeted Measure /Programs**

**National Internship Program:** Government of Pakistan has recently launched a National Internship Program and 20, 000 internees have been inducted in the first batch during 2006-07. According to this program the educated youth who have completed 16 years of education will have an opportunity to have practical experience of working in government institutions and corporations for one year as internees before entering into labour market. Stipend of Rs.10, 000 per month will be given to these young people along with the experience certificate after completion of the internship.

**Rozgar Scheme:** This scheme was launched in 2006 aiming at providing employment opportunities in the age group of 18-40 having secondary school certification. This condition of minimum education is exempted for females. This scheme is implemented by National Bank of Pakistan (NBP). The (NBP) has developed a range of products with a brand name of “NBP KAROBAR”. Half of the mark-up rate of 12 percent will be borne by the Government.

**Overseas Migration:** The major focus is on managing international migration and taking full advantage of opportunities being offered by the demographic changes taking place in industrialized countries as well as under the ongoing discussion on services at the World Trade Organization (WTO). As a labour exporting country and Pakistani, the focus is on: i) making efforts in exporting to increase the number of overseas workers with proper skills, ii) protecting the rights of migrant workers, iii) facilitating workers in sending remittances through legal channels and effective utilization of remittances, and iv) developing investment facilities for the expatriates to use their acquired expertise. In order to seek greater participation of overseas Pakistanis in business and economic activities, the Ministry of Labour has organized a high profile Overseas Pakistanis Investment Conference.

Government is also targeting different sectors for employment creation. A national plan of action for rapid industrial growth through industrial technology development is being launched for accelerated industrialization and improvement in total factor productivity. A number of industrial estates are being set up with common technology centers (CTCs). Industrial corridors (ICs) and specialized industrial zones (SIZs) with full support of federal Government are being set up by the provincial government along motorways, expressways and railways. These projects will help in boosting employment.

**Public Works Program:** Small public works scheme under "Tameer-e-Pakistan and Khushhal Pakistan" are important initiatives to contribute expanding employment by under taking small public works schemes, such as farm to market roads, water supply, sewerage, garbage collection and village electrification.

The "**Khushhal Pakistan**" program aims at creating employment in rural areas by, i) skill training for self employed, ii) micro financing, iii) village level small infrastructure, iv) agriculture including live stock development, and v) primary education and health care.. Nearly 3.2 million households living in 2,000 rural union councils across Pakistan have benefited from this program.

Emphasis on **technical and vocational** education and flexible training are important for enhancing technical and vocational competence of the population and work force. To strengthen, standardize and streamline vocational and technical education government has setup National Vocational and Technical Education commission (NAVTEC) mainly as a regulatory and coordinating body for skills development and establishing national skill standards, certification and accreditation.

Technical and vocational training enhances the employability of the work force. There are 315 training institutes under NTB across Pakistan, which also includes all Technical Education and Vocational Training Authority (TEVT A) TEVTA institutions in Punjab. They offer vocational courses in 80 trades and the net output capacity of these institutions is 150,000 per year which will be doubled within a period of three years and will further increase to one million per annum. At present the training capacity of 28,050 trainees is available under TEVTA, Punjab and the other Provincial Directorates of Manpower and Training. Besides 8807 apprentices are being trained under the Apprenticeship Training Program in the country.

**Box-13.3: Public-Private Partnership in Skills Development**

Greater participation of and coordination with the employers and the private sector is being actively pursued to ensure that education and training responds well to the labor market needs. Besides the policy of establishment of Centre Management Committees (CMCs) that are chaired by the representatives of employers, public-private partnership in the form of establishment of "Skills Development Councils" (SDCs) has been encouraged. The SDCs have been set up in the provincial capitals as well as Islamabad. Led by the representatives of the industry, the SDCs supported by the MOLMOP are autonomous in their work and tailor their skills development programs in line with the market demand. A large number of training programs are run by the SDCs annually.

## SMEs Promotion and Enterprise Development

The measures taken for the SMEs development are: i) up-gradation of technology and enhancement of business skills, ii) increase in competitiveness of SMEs through provision of subsidized focused short duration training module to workers and their shop floor managers, iii) incentives for investment in the form of reduced taxes for enterprises which sign up for up-gradating their business products, iv) improve quality standards to compete in the global economy, v) improve market access and product information, vi) strengthening of legal, taxation and institutional framework, and vii) improved access to financial resources and services including a substantial increase in bank financing for SMEs and credit as venture capital for new start-ups especially those engaged in export-oriented contract manufacturing.

Establishment of technology and business incubation centers (TICs) and (BICs) are being considered for enterprise and SMEs development as well as tools to catalyze business startups and HRD. Industry-academia linkages, important in this regard, are increasingly being developed. The Small and Medium Enterprises Development policy was approved by the Cabinet on 17th January 2007.

**National Employment Policy and Action Plan:** To ensure that the high priority given the creation to decent employment as outlined in the MTDF and PRSP are translated into key policy action, the Ministry of Labor, Manpower, and Overseas Pakistanis (MOLMOP) together with the social partners has been actively involved in the formulation of a National Employment and Skills Development Policy. To discuss the main elements of such a national policy, MOLMOP along with the ILO, organized a national tri-partite forum with high level participation from key Ministries, representatives of employers and workers, concerned NGOs and academia.

The Plan of Action adopted by the Forum also drew upon the global employment agenda (GEA) framework of the ILO and elaborates the following areas:

- Strengthening vocational and technical competence of the workforce,
- Accelerating employment, income and productivity growth by encouraging growth in high labor absorption sectors,
- Active labor market policies including for productive re-absorption of displaced workers, setting up public employment services and support for women entrepreneurship development,
- Employment and labor market monitoring, analysis and feedback, and
- Setting up an efficient and equitable labor market including review of minimum wages.

The MOLMOP has also established a Policy Planning Cell (PPC). The Cell is entrusted with the task of preparing national policies in the crucial areas of: i) employment generation, ii) international migration, and iii) human resource development (HRD). The PPC is also entrusted to make recommendations in the area of workers' welfare and social protection as well as rationalization/classification of labor laws. Based on the consultations made by the PPC and the feedback received, the PPC initiated its work on preparation of the draft employment policy.

..........................................

TABLE 12.1

POPULATION**

| Mid Year (End June) | Population (mln) | Labour Force Participation Rate(%) | Civilian Labour Force (mln) | Employed Total (mln) | Crude Birth Rate (...per 1000 persons) | Crude Death Rate (...per 1000 persons) | Infant Mortality Rate (...per 1000 persons) |
|---|---|---|---|---|---|---|---|
| 1981 * | 85.09 | 30.30 | 25.78 | 24.70 | - | - | .. |
| 1991 | 112.61 | 27.52 | 30.99 | 29.04 | 39.50 | 9.80 | 102.40 |
| 1992 | 115.54 | 27.64 | 31.94 | 30.07 | 39.30 | 10.10 | 100.90 |
| 1993 | 118.50 | 27.38 | 32.45 | 30.92 | 38.90 | 10.10 | 101.80 |
| 1994 | 121.48 | 27.40 | 33.29 | 31.68 | 37.60 | 9.90 | 100.40 |
| 1995 | 124.49 | 26.99 | 33.60 | 31.80 | 36.60 | 9.20 | 94.60 |
| 1996 | 127.51 | 27.00 | 34.43 | 32.58 | 35.20 | 8.80 | 85.50 |
| 1997 | 130.56 | 28.22 | 36.84 | 34.59 | 33.80 | 8.90 | 84.40 |
| 1998 * | 133.48 | 28.92 | 38.64 | 36.36 | .. | .. | .. |
| 1999 | 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 | 145.96 | 29.61 | 43.22 | 39.64 | 27.30 | .. | .. |
| 2003 | 149.03 | 29.61 | 44.13 | 40.47 | 27.30 * | 8.00 * | 83.00 * |
| 2004 | 151.09 | 30.41 | 45.95 | 42.42 | 27.80 *** | 8.70 *** | 79.90 *** |
| 2005 | 153.96 | 30.41 | 46.82 | 43.22 | 26.10 | 8.20 | 77.00 |
| 2006 P | 156.77 | 32.22 | 50.50 | 47.37 | 26.10 | 7.10 | 76.70 |

.. not available

P: Provisional

*. Census Years.

*** : Projected figures generated by Planning and development division

** Population figures in different tables may not tally due to different sources of data/agences. However, population and growth rates in this table has been estimated on the basis of average annual growth rate during 1981-98.

Sources: (1) Population : Population Census Organisation, Planning Commission and Demographic Survey 1991 and 1996-97.

(2) Labour Force Participation Rate : Labour Force Surveys, Population Census of Pakistan 1998.

(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 1998, (ii) Pakistan Demographic Survey 1996-97

TABLE 12.2

POPULATION BY SEX AND RURAL/URBAN AREAS

(Population 000)

| Mid Year (End June) | All Areas | Rural areas | Urban areas | 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 | 151.09 | 101.05 | 50.00 | 77.62 | 73.45 |
| 2005 | 153.96 | 101.55 | 52.41 | 77.59 | 76.36 |
| 2006 | 156.77 | .. | .. | .. | .. |

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 12.3

POPULATION BY SEX, URBAN/RURAL AREAS, 1972,1981 AND 1998 CENSUS

(In thousands)

| Region/ Province | Population* Total Both Sexes | Total Male | Total Female | Urban Both Sexes | Urban Male | Urban Female | Rural Both Sexes | Rural Male | Rural Female | Density (Per sq. km) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | 1972 CENSUS | | | | | |
| PAKISTAN | 65,310 | 34,833 | 30,476 | 16,594 | 9,027 | 7,567 | 48,716 | 25,806 | 22,909 | 82 |
| Islamabad | 235 | 130 | 105 | 77 | 46 | 31 | 158 | 84 | 74 | 259 |
| Punjab | 37,610 | 20,210 | 17,400 | 9,183 | 4,977 | 4,206 | 28,428 | 15,234 | 13,194 | 183 |
| Sind | 14,156 | 7,574 | 6,582 | 5,726 | 3,131 | 2,595 | 8,430 | 4,443 | 3,987 | 100 |
| NWFP | 8,389 | 4,363 | 4,026 | 1,196 | 647 | 549 | 7,193 | 3,716 | 3,477 | 113 |
| Baluchistan | 2,429 | 1,290 | 1,139 | 399 | 218 | 181 | 2,029 | 1,071 | 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 | 106 |
| Islamabad | 340 | 185 | 155 | 204 | 113 | 91 | 136 | 72 | 64 | 376 |
| Punjab | 47,292 | 24,860 | 22,432 | 13,052 | 6,952 | 6,100 | 34,241 | 17,909 | 16,332 | 230 |
| Sind | 19,029 | 9,999 | 9,030 | 8,243 | 4,433 | 3,810 | 10,786 | 5,566 | 5,220 | 135 |
| NWFP | 11,061 | 5,761 | 5,300 | 1,665 | 898 | 767 | 9,396 | 4,863 | 4,533 | 148 |
| Baluchistan | 4,332 | 2,284 | 2,048 | 677 | 371 | 306 | 3,655 | 1,913 | 1,742 | 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 | 166 |
| Islamabad | 805 | 434 | 371 | 529 | 291 | 238 | 276 | 143 | 133 | 889 |
| Punjab | 73,621 | 38,094 | 35,527 | 23,019 | 12,071 | 10,948 | 50,602 | 26,023 | 24,579 | 359 |
| Sind | 30,440 | 16,098 | 14,342 | 14,840 | 7,905 | 6,935 | 15,600 | 8,193 | 7,407 | 216 |
| NWFP | 17,744 | 9,089 | 8,655 | 2,994 | 1,589 | 1,405 | 14,750 | 7,500 | 7,250 | 238 |
| Baluchistan* | 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 | 39 | 3,091 | 1,606 | 1,485 | 117 |

* This population does not include the population of AJK and Northern Areas.

Source: Population Census Organization.

* The figures are provisional

1998 - Census Report of Pakistan.

** Total may not tally due to rounding of figures.

TABLE 12.4

POPULATION BY AGE, SEX URBAN/RURAL AREAS 1981 AND 1998 CENSUS

(In thousands)

| Age | Total | | | Rural | | | Urban | | |
|---|---|---|---|---|---|---|---|---|---|
| (in years) | 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 | 531 | 400 | 217 | 183 |

* : Figures regarding FATA not included.

Source: Population Census Organization.

TABLE 12.5

ENUMERATED POPULATION OF PAKISTAN BY PROVINCE, LAND AREA AND PERCENTAGE DISTRIBUTION 1951-1998

| | Area | Population (In thousand) | | | | |
|---|---|---|---|---|---|---|
| Province | Sq km | 1951 | 1961 | 1972 | 1981 | 1998* |
| PAKISTAN | 796,096 | 33,740 | 42,880 | 65,309 | 84,254 | 132,352 |
| | (100.00) | (100.00) | (100.00) | (100.00) | (100.00) | (100.00) |
| NWFP | 74,521 | 4,587 | 5,752 | 8,392 | 11,061 | 17,744 |
| | (9.4) | (13.6) | (13.4) | (12.8) | (13.10) | (13.41) |
| FATA | 27,220 | 1,332 | 1,847 | 2,491 | 2,199 | 3,176 |
| | (3.4) | (3.9) | (4.3) | (3.8) | (2.6) | (2.40) |
| Punjab | 205,345 | 20,541 | 25,464 | 37,607 | 47,292 | 73,621 |
| | (25.8) | (60.8) | (59.4) | (57.6) | (56.1) | (55.62) |
| Sind | 140,914 | 6,048 | 8,367 | 14,156 | 19,029 | 30,440 |
| | (17.7) | (17.9) | (19.5) | (21.7) | (22.6) | (23.00) |
| Baluchistan | 347,190 | 1,167 | 1,353 | 2,429 | 4,332 | 6,566 |
| | (43.6) | (3.5) | (3.2) | (3.7) | (5.1) | (4.96) |
| Islamabad | 906 | 96 | 118 | 238 | 340 | 805 |
| | (0.1) | (0.3) | (0.3) | (0.4) | (0.4) | (0.61) |

Note: Percentage share is given in parentheses.

Source: Population Census Organisation

## TABLE 12.6

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 | .. | 17.4 | 6.4 | .. | 39.3 | .. | .. | 16.8 | 6.4 |
| Male | .. | 29.5 | 10.9 | .. | 59.7 | .. | .. | 28.6 | 10.9 |
| Female | .. | 3.0 | 0.8 | .. | 12.0 | .. | .. | 2.8 | 0.8 |

FATA: Federally Administered Tribal Areas.

.. Not available.

Source: Population Census Organisation

TABLE 12.7

## Province-wise Population, Land Area and Percent Distribution 1951, 1981, 1998 and 2006

(Population in Thousand)

| Province | | Area Sq. Kms | Year 1951 | Year 1981 | Year 1998 | Year (2003) | Year 2005 | Year 2006 |
|---|---|---|---|---|---|---|---|---|
| A | PAKISTAN | 796,096 | 33,816 | 84,254 | 132,352 | 149,030 | 153.960 (E) | 156.77 (E) |
| | | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| i) | PUNJAB | 205,344 | 20,557 | 47,292 | 73,621 | 82,710 | 85650(E) | 86,255 |
| | | 25.80 | 60.80 | 56.10 | 55.63 | 55.50 | 55.63 | 55.00 |
| ii) | SINDH | 140,914 | 6,054 | 19,029 | 30,440 | 34,240 | 35410(E) | 35,864 |
| | | 17.70 | 17.90 | 22.60 | 23.00 | 22.97 | 23.00 | 23.00 |
| iii) | NWFP | 74,521 | 4,587 | 11,061 | 17,744 | 20,170 | 20640 (E) | 21,392 |
| | | 9.10 | 13.60 | 13.10 | 13.41 | 13.54 | 13.41 | 13.60 |
| iv) | BALUCHISTAN | 347,190 | 1,187 | 4,332 | 6,566 | 7,450 | 7630 (E) | 8,004 |
| | | 43.60 | 3.50 | 5.10 | 4.96 | 5.00 | 4.96 | 5.10 |
| v) | FATA | 27,220 | 1,337 | 2,199 | 3,176 | 3,420 | 3690 (E) | 3,621 |
| | | 3.40 | 3.90 | 2.60 | 2.40 | 2.30 | 2.40 | 2.30 |
| vi) | Islamabad | 906 | 94 | 340 | 805 | 1,040 | 940 (E) | 1,124 |
| | | 0.10 | 0.30 | 0.40 | 0.61 | 0.70 | 0.61 | 0.71 |

Source: 1) Population Census Organization
2) Planning and Development division

TABLE 12.8

PERCENTAGE DISTRIBUTION OF POPULATION OF 10 YEARS AND ABOVE AND CIVILIAN LABOUR FORCE BY SEX AND NATURE OF ACTIVITY: 2005-06

(Percent Share)

| | Population | | | Civilian Labour Force | | | | | | | | | Not in Civilian Labour Force | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Civilian Labour Force Total | | | Employed | | | Unemployed | | | | | |
| | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female | Total | Male | Female |
| PAKISTAN | 100.00 | 51.06 | 48.94 | 46.01 | 36.74 | 9.27 | 43.16 | 34.75 | 8.41 | 2.85 | 1.99 | 0.86 | 53.99 | 14.31 | 39.68 |
| Rural | 100.00 | 50.60 | 49.40 | 48.92 | 37.36 | 11.56 | 46.30 | 35.64 | 10.66 | 2.62 | 1.73 | 0.89 | 51.08 | 13.24 | 37.84 |
| Urban | 100.00 | 51.89 | 48.11 | 40.73 | 35.62 | 5.10 | 37.45 | 33.15 | 4.30 | 3.28 | 2.48 | 0.80 | 59.27 | 16.26 | 43.01 |
| BALUCHISTAN | 100.00 | 55.36 | 44.64 | 45.21 | 39.57 | 5.64 | 43.78 | 38.51 | 5.27 | 1.42 | 1.05 | 0.37 | 54.79 | 15.79 | 39.01 |
| Rural | 100.00 | 55.23 | 44.77 | 47.88 | 41.10 | 6.79 | 46.69 | 40.22 | 6.47 | 1.19 | 0.87 | 0.32 | 52.12 | 14.13 | 37.98 |
| Urban | 100.00 | 55.75 | 44.25 | 37.01 | 34.90 | 2.11 | 34.88 | 33.28 | 1.60 | 2.13 | 1.62 | 0.51 | 62.99 | 20.85 | 42.14 |
| NWFP | 100.00 | 48.53 | 51.47 | 39.73 | 33.02 | 6.71 | 35.04 | 30.31 | 4.73 | 4.70 | 2.71 | 1.98 | 60.27 | 15.51 | 44.76 |
| Rural | 100.00 | 48.19 | 51.81 | 40.17 | 33.00 | 7.17 | 35.52 | 30.42 | 5.10 | 4.65 | 2.58 | 2.07 | 59.83 | 15.19 | 44.64 |
| Urban | 100.00 | 50.24 | 49.67 | 37.52 | 33.11 | 4.41 | 32.62 | 29.73 | 2.86 | 4.92 | 3.37 | 1.55 | 62.48 | 17.13 | 42.35 |
| PUNJAB | 100.00 | 50.39 | 49.61 | 48.94 | 36.59 | 12.36 | 46.00 | 34.49 | 11.50 | 2.95 | 2.09 | 0.86 | 51.06 | 13.81 | 37.25 |
| Rural | 100.00 | 49.91 | 50.09 | 52.20 | 37.04 | 15.15 | 49.68 | 35.30 | 14.38 | 2.52 | 1.75 | 0.77 | 47.80 | 12.86 | 34.94 |
| Urban | 100.00 | 51.35 | 48.65 | 42.51 | 35.68 | 6.83 | 38.71 | 32.89 | 5.81 | 3.80 | 2.78 | 1.02 | 57.49 | 15.67 | 41.82 |
| SINDH | 100.00 | 53.18 | 46.82 | 42.91 | 38.64 | 4.27 | 41.03 | 37.12 | 3.92 | 1.88 | 1.53 | 0.35 | 57.09 | 14.54 | 42.55 |
| Rural | 100.00 | 53.79 | 46.21 | 47.22 | 41.50 | 5.71 | 45.83 | 40.42 | 5.41 | 1.39 | 1.08 | 0.31 | 52.78 | 12.29 | 40.49 |
| Urban | 100.00 | 52.63 | 47.37 | 39.00 | 36.05 | 2.95 | 36.68 | 34.11 | 2.56 | 2.32 | 1.93 | 0.39 | 61.00 | 16.18 | 44.42 |

Source: Labour Force Survey 2005-06

## TABLE 12.9

### LABOUR FORCE AND EMPLOYMENT

(Million)

| Mid Year | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Population | 127.51 | 130.56 | 133.61 | 136.64 | 139.76 | 142.86 | 145.96 | 149.03 | 151.09 | 153.96 | 156.77 |
| Rural | 86.69 | 88.44 | 90.17 | 91.88 | 93.63 | 95.36 | 97.07 | 99.12 | 100.29 | 101.55 | 102.75 |
| Urban | 40.82 | 42.12 | 43.44 | 44.76 | 46.13 | 47.50 | 48.89 | 49.91 | 50.80 | 52.41 | 54.02 |
| Working Age Population | 84.87 | 86.91 | 88.92 | 90.95 | 94.59 | 96.69 | 99.70 | 101.80 | 105.04 | 115.52 | 109.76 |
| Rural | 56.20 | 57.34 | 58.43 | 59.44 | 61.43 | 62.38 | 65.08 | 66.45 | 67.46 | 75.41 | 70.79 |
| Urban | 28.67 | 29.57 | 30.49 | 31.51 | 33.16 | 34.31 | 34.62 | 35.35 | 37.58 | 40.11 | 38.97 |
| Labour Force | 35.01 | 37.45 | 39.26 | 40.15 | 40.49 | 41.38 | 43.21 | 44.12 | 45.95 | 46.82 | 50.50 |
| Rural | 24.24 | 25.98 | 27.53 | 28.00 | 28.49 | 29.12 | 29.40 | 30.01 | 31.20 | 31.79 | 34.63 |
| Urban | 10.77 | 11.77 | 11.33 | 12.15 | 12.00 | 12.26 | 13.81 | 14.11 | 14.75 | 15.03 | 15.87 |
| Employed Labour Force | 33.13 | 35.16 | 36.94 | 37.78 | 37.32 | 38.14 | 39.64 | 40.47 | 42.42 | 43.22 | 47.37 |
| Rural | 23.08 | 24.51 | 26.16 | 26.61 | 26.51 | 27.10 | 27.18 | 27.74 | 29.11 | 29.65 | 32.78 |
| Urban | 10.05 | 10.65 | 10.78 | 11.17 | 10.81 | 11.04 | 12.46 | 12.73 | 13.31 | 13.57 | 14.59 |
| Unemployed Labour Force | 1.88 | 2.29 | 2.32 | 2.37 | 3.17 | 3.24 | 3.57 | 6.65 | 3.53 | 3.60 | 3.13 |
| Rural | 1.16 | 1.47 | 1.37 | 1.39 | 1.98 | 2.02 | 2.22 | 2.27 | 2.09 | 2.14 | 1.85 |
| Urban | 0.72 | 0.82 | 0.95 | 0.98 | 1.19 | 1.22 | 1.35 | 1.38 | 1.44 | 1.46 | 1.28 |
| Unemployment Rate (%) | 5.37 | 6.12 | 5.89 | 5.89 | 7.82 | 7.82 | 8.27 | 8.27 | 7.69 | 7.69 | 6.20 |
| Rural | 4.80 | 5.65 | 4.98 | 4.98 | 6.94 | 6.94 | 7.55 | 7.55 | 6.74 | 6.74 | 5.35 |
| Urban | 6.90 | 7.17 | 7.95 | 7.95 | 9.92 | 9.92 | 9.80 | 9.80 | 9.70 | 9.70 | 8.04 |
| Labour Force Participation Rates (%) | 27.46 | 28.69 | 29.38 | 29.38 | 28.97 | 28.97 | 29.61 | 29.61 | 30.41 | 30.41 | 32.22 |
| Rural | 28.00 | 29.42 | 30.58 | 30.58 | 29.82 | 29.82 | 29.85 | 29.85 | 31.02 | 31.02 | 33.23 |
| Urban | 26.12 | 27.15 | 26.98 | 26.98 | 27.14 | 27.14 | 29.10 | 29.10 | 29.20 | 29.20 | 30.20 |

Source : Labour Force Surveys By Federal Bureau of Statistics
ii) Planning and Development Division.

TABLE 12.10

## POPULATION AND LABOUR FORCE

(Million)

| Mid Year (End June) | Popula-tion | Crude Activity Rate(%) | Labour Force | Unemp-loyment | Employed Labour Force | Agricul-ture | Mining & Manu-facturing | Construc tion | Electri-city & Gas Distri-bution | Trans-port | Trade | Others |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1990 | 109.71 | 28.83 | 31.63 | 0.98 | 30.65 | 15.68 | 3.93 | 1.96 | 0.18 | 1.50 | 3.65 | 3.75 |
| 1991 | 112.61 | 27.97 | 31.50 | 1.98 | 29.52 | 14.01 | 3.66 | 1.95 | 0.24 | 1.55 | 3.90 | 4.21 |
| 1992 | 115.54 | 28.11 | 32.48 | 1.90 | 30.58 | 14.76 | 3.83 | 1.93 | 0.24 | 1.69 | 4.01 | 4.12 |
| 1993 | 118.50 | 27.86 | 33.01 | 1.56 | 31.45 | 14.95 | 3.46 | 2.18 | 0.26 | 1.74 | 4.19 | 4.67 |
| 1994 | 121.48 | 27.88 | 33.87 | 1.64 | 32.23 | 16.12 | 3.26 | 2.10 | 0.28 | 1.60 | 4.12 | 4.75 |
| 1995 | 124.49 | 27.46 | 34.18 | 1.83 | 32.35 | 15.14 | 3.40 | 2.33 | 0.26 | 1.64 | 4.69 | 4.89 |
| 1996 | 127.51 | 27.46 | 35.01 | 1.88 | 33.13 | 15.50 | 3.48 | 2.39 | 0.27 | 1.68 | 4.80 | 5.01 |
| 1997 | 130.56 | 28.69 | 37.45 | 2.29 | 35.16 | 15.52 | 3.93 | 2.37 | 0.35 | 2.01 | 5.14 | 5.84 |
| 1998 | 133.61 | 29.38 | 39.26 | 2.32 | 36.94 | 17.46 | 3.75 | 2.32 | 0.25 | 2.02 | 5.13 | 6.01 |
| 1999 | 136.64 | 29.38 | 40.15 | 2.37 | 37.78 | 17.85 | 3.84 | 2.37 | 0.26 | 2.07 | 5.24 | 6.15 |
| 2000 | 139.76 | 28.97 | 40.49 | 3.17 | 37.32 | 18.07 | 4.31 | 2.16 | 0.26 | 1.88 | 5.04 | 5.60 |
| 2001 | 142.86 | 28.97 | 41.38 | 3.24 | 38.14 | 18.47 | 4.40 | 2.21 | 0.26 | 1.92 | 5.15 | 5.73 |
| 2002 | 145.96 | 28.97 | 43.21 | 3.57 | 39.64 | 16.68 | 5.51 | 2.40 | 0.32 | 2.34 | 5.89 | 6.50 |
| 2003 | 149.03 | 28.97 | 44.12 | 3.65 | 40.47 | 17.03 | 5.63 | 2.45 | 0.33 | 2.39 | 6.01 | 6.63 |
| 2004 | 151.09 | 30.41 | 45.95 | 3.53 | 42.24 | 18.26 | 5.85 | 2.47 | 0.28 | 2.43 | 6.28 | 6.85 |
| 2005 | 153.96 | 30.41 | 46.82 | 3.60 | 43.22 | 18.60 | 5.96 | 2.52 | 0.29 | 2.48 | 6.39 | 6.98 |
| 2006* | 156.77 | 32.22 | 50.50 | 3.13 | 47.37 | 20.54 | 6.60 | 2.91 | 0.31 | 2.72 | 6.95 | 7.34 |

Source: (i) Federal Bureau of Statistics
(ii) Planning and Development Division

* : Absolute figures refer to 1st July 2000,2002,2004 & 2006 for which LFS were conducted

## TABLE 12.11

DISTRIBUTION OF EMPLOYED PERSONS OF 10 YEARS AGE AND ABOVE BY MAJOR INDUSTRIES

(Percentage)

| Years | Agricul-ture | Mining & Manufac-turing | Construc-tion | Electricity & Gas Distribution | Trans-port | Trade | Others |
|---|---|---|---|---|---|---|---|
| 1990 | 51.15 | 12.84 | 6.38 | 0.59 | 4.89 | 11.93 | 12.22 |
| 1991 | 47.45 | 12.38 | 6.62 | 0.83 | 5.24 | 13.24 | 14.22 |
| 1992 | 48.27 | 12.53 | 6.33 | 0.79 | 5.51 | 13.10 | 13.48 |
| 1993 | 47.55 | 11.00 | 6.93 | 0.84 | 5.52 | 13.32 | 14.84 |
| 1994 | 50.04 | 10.12 | 6.50 | 0.87 | 4.95 | 12.78 | 14.75 |
| 1995 | 46.79 | 10.50 | 7.21 | 0.82 | 5.07 | 14.50 | 15.12 |
| 1996 | 46.79 | 10.50 | 7.21 | 0.82 | 5.07 | 14.50 | 15.12 |
| 1997 | 44.15 | 11.20 | 6.75 | 0.98 | 5.71 | 14.62 | 16.60 |
| 1998 | 47.25 | 10.15 | 6.26 | 0.70 | 5.48 | 13.87 | 16.28 |
| 1999 | 47.25 | 10.15 | 6.26 | 0.70 | 5.48 | 13.87 | 16.28 |
| 2000 | 48.42 | 11.55 | 5.78 | 0.70 | 5.03 | 13.50 | 15.02 |
| 2001 | 48.42 | 11.55 | 5.78 | 0.70 | 5.03 | 13.50 | 15.02 |
| 2002 | 42.09 | 13.91 | 6.05 | 0.81 | 5.90 | 14.85 | 16.39 |
| 2003 | 42.09 | 13.91 | 6.05 | 0.81 | 5.90 | 14.85 | 16.39 |
| 2004 | 43.05 | 13.80 | 5.83 | 0.67 | 5.73 | 14.80 | 16.12 |
| 2005 | 43.05 | 13.80 | 5.83 | 0.67 | 5.73 | 14.80 | 16.12 |
| 2006 | 43.37 | 13.93 | 6.13 | 0.66 | 5.74 | 14.67 | 15.49 |
| 2007 | 43.37 | 13.93 | 6.13 | 0.66 | 5.74 | 14.67 | 15.49 |

P: Provisional

Source: Federal Bureau of Statistics

TABLE 12.12

## PERCENTAGE DISTRIBUTION OF EMPLOYED PERSONS OF 10 YEARS AGE AND ABOVE BY MAJOR INDUSTRY 2005-2006

(Percentage)

| | Major Industry | PAKISTAN | | | BALUCHISTAN | | | NWFP | | | PUNJAB | | | SIND | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Division | 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 | 43.37 | 59.87 | 6.32 | 59.33 | 71.30 | 10.27 | 44.29 | 51.11 | 6.84 | 44.35 | 58.99 | 7.17 | 37.27 | 66.09 | 4.59 |
| 2) | Mining and Quarrying | 0.09 | 0.12 | 0.02 | 0.23 | 0.15 | 0.53 | 0.30 | 0.34 | 0.06 | 0.08 | 0.10 | 0.01 | - | - | - |
| 3) | Manufacturing | 13.84 | 9.00 | 24.71 | 1.75 | 0.66 | 6.21 | 8.05 | 6.91 | 14.32 | 15.40 | 11.27 | 25.90 | 14.97 | 5.22 | 26.02 |
| 4) | Electricity, Gas and Water | 0.66 | 0.39 | 1.25 | 0.61 | 0.24 | 2.15 | 0.57 | 0.41 | 1.45 | 0.51 | 0.37 | 0.85 | 1.97 | 0.50 | 1.76 |
| 5) | Construction | 6.13 | 6.23 | 5.91 | 5.08 | 4.64 | 6.91 | 10.44 | 10.97 | 7.50 | 5.55 | 5.64 | 5.33 | 5.81 | 5.22 | 6.49 |
| 6) | Wholesale, Retail Trade, Restaurant and Hotels | 14.67 | 9.30 | 26.71 | 12.91 | 8.64 | 30.45 | 11.94 | 9.60 | 24.82 | 14.08 | 9.23 | 26.38 | 17.81 | 9.53 | 27.21 |
| 7) | Transport, Storage and Communication | 5.74 | 4.64 | 8.22 | 6.21 | 5.16 | 10.53 | 7.99 | 7.22 | 12.23 | 5.30 | 4.21 | 8.08 | 5.73 | 4.05 | 7.63 |
| 8) | Financing,Insurance, Real Estate and Business Services | 1.10 | 0.35 | 2.79 | 0.44 | 0.18 | 1.54 | 0.72 | 0.35 | 2.78 | 0.98 | 0.39 | 2.46 | 1.74 | 0.27 | 3.40 |
| 9) | Community, Social and Personal Services | 14.35 | 10.06 | 24.00 | 13.42 | 9.03 | 31.40 | 15.66 | 13.07 | 29.89 | 13.72 | 9.77 | 23.78 | 15.54 | 9.11 | 22.82 |
| 10) | Activities Not Adequately Defined | 0.04 | 0.03 | 0.06 | 0.01 | 0.01 | 0.02 | 0.03 | 0.02 | 0.09 | 0.04 | 0.04 | 0.05 | 0.05 | 0.02 | 0.09 |

.. not available

Source : Labour Force Survey, 2003-2004, Federal Bureau of Statistics

TABLE 12.13

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* | 2005-06 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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 | 46.01 |
| 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 | 71.97 |
| 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 | 18.93 |
| 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 | 20.68 |
| 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 | 9.21 |
| 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 | 60.87 |
| 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 | 16.91 |
| 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 | 87.63 |
| 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 | 20.67 |
| 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 | 97.03 |
| 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 | 21.62 |
| 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 | 97.57 |
| 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 | 25.07 |
| 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 | 96.37 |
| 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 | 24.78 |
| 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 | 90.62 |
| 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 | 22.84 |
| 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 | 59.38 |
| 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 | 14.69 |

Source: Labour Force Survey. Federal Bureau of Statistics

* : For the years 2002-03 and 2004-05 Labour Force Survey was not conducted

TABLE 12.14

DAILY WAGES OF CONSTRUCTION WORKERS IN DIFFERENT CITIES*

(In Pak Rupees)

| Category of workers and cities | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Carpenter | | | | | | | | | | | | | | |
| Islamabad | 150.00 | 150.00 | 175.00 | 190.00 | 200.00 | 200.00 | 225.00 | 218.75 | 225.00 | 225.00 | 250.00 | 325.00 | 400.00 | 450.00 |
| Karachi | 164.81 | 178.94 | 205.00 | 219.62 | 231.15 | 250.00 | 285.57 | 292.30 | 291.34 | 298.08 | 301.92 | 337.00 | 365.00 | 402.00 |
| Lahore | 150.00 | 151.42 | 185.00 | 195.71 | 217.50 | 226.42 | 262.50 | 262.50 | 262.50 | 262.50 | 262.50 | 277.00 | 338.00 | 361.00 |
| Peshawar | 115.00 | 135.00 | 135.00 | 150.00 | 175.00 | 200.00 | 200.00 | 200.00 | 225.00 | 225.00 | 225.00 | 250.00 | 275.00 | 300.00 |
| Quetta | 170.00 | 180.00 | 200.00 | 215.00 | 230.00 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 | 275.00 | 275.00 | 400.00 |
| Mason (Raj) | | | | | | | | | | | | | | |
| Islamabad | 150.00 | 150.00 | 175.00 | 190.00 | 200.00 | 200.00 | 225.00 | 218.75 | 225.00 | 225.00 | 250.00 | 325.00 | 400.00 | 450.00 |
| Karachi | 161.82 | 177.78 | 205.00 | 234.61 | 245.19 | 250.00 | 285.57 | 292.30 | 291.34 | 298.08 | 301.92 | 337.00 | 365.00 | 402.00 |
| Lahore | 150.00 | 151.42 | 185.00 | 197.14 | 217.50 | 226.42 | 262.50 | 262.50 | 262.50 | 262.50 | 262.50 | 318.00 | 380.00 | 461.00 |
| Peshawar | 115.00 | 135.00 | 135.00 | 150.00 | 175.00 | 200.00 | 200.00 | 200.00 | 225.00 | 225.00 | 225.00 | 275.00 | 325.00 | 325.00 |
| Quetta | 162.50 | 175.00 | 188.75 | 210.00 | 225.00 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 | 250.00 | 275.00 | 275.00 | 400.00 |
| Labourer (Unskilled) | | | | | | | | | | | | | | |
| Islamabad | 70.00 | 77.50 | 90.00 | 95.00 | 100.00 | 110.00 | 120.00 | 120.00 | 120.00 | 120.00 | 130.00 | 160.00 | 200.00 | 250.00 |
| Karachi | 73.40 | 80.88 | 101.80 | 133.20 | 156.53 | 160.00 | 172.11 | 174.04 | 176.34 | 182.11 | 183.27 | 150.00 | 230.00 | 275.00 |
| Lahore | 85.71 | 85.71 | 105.00 | 108.21 | 117.14 | 122.50 | 145.00 | 145.00 | 145.00 | 145.00 | 145.00 | 167.00 | 200.00 | 246.00 |
| Peshawar | 50.00 | 60.00 | 65.00 | 70.00 | 75.00 | 80.00 | 80.00 | 80.00 | 90.00 | 90.00 | 90.00 | 134.00 | 150.00 | 175.00 |
| Quetta | 75.00 | 77.50 | 77.50 | 95.00 | 95.00 | 110.00 | 110.00 | 100.00 | 100.00 | 112.50 | 111.67 | 150.00 | 170.00 | 250.00 |

* Data pertains to month of November each year

Source: Federal Bureau of Statistics

# TRANSPORT AND COMMUNICATIONS

A well functioning Transport and communication system is a critical pre-requisite for a country's development. Investment in the infrastructure directly affects economic growth through many changes such as allowing producers to find the best markets for their goods, reducing transportation time and cost and generating employment opportunity. In addition, efficient transport and communication systems also have network effects and allow adoption of latest production techniques such as just-in time manufacturing.

Infrastructure development has been a priority area for Pakistan as evidenced by a number of projects completed or in progress. Major infrastructure projects completed during the last seven years include: Islamabad-Lahore Motorway (M-2), Makran Costal Highway, Nauttal-Sibi section including Sibi Bypass, Dera Allah Yar-Nauttal Section, Khajuri-Bewata Section N-70, Kohat Tunnel and Access Roads, Mansehar-Naran Section, Karachi Northern Bypass, Qazi Ahmed & Shahpur Jehania road, Ratodero-Shahdadkot-Qubo Saeed Khan, Pindi Bhattian-Faisalabad Motorway (M-3), Lahore-Sahiwal Section, Rahim Yar Khan-TMP Section, Baberlo-Pano Aqil Section, Torkham-Jalalabad road, rehabilitation of Band Road Lahore and inauguration of Gwader Port etc. Major on-going projects including, Islamabad-Peshawar Motorway (M-1), Lakpass Tunnel, Gwadar-Turbat-Hoshab (M-8), Khuzdar-Shahdadkot Section, Kalat-Quetta-Chaman Section, Sibi-Dhadar Section, Lyari Expressway, D.I. Khan-Mughalkot Section, Islamabad-Murree Dual Carriageway and R.Y. Khan-Bahawalpur Section. In the long term the transport system is likely to experience tremendous improvement with the implementation of the National Trade Corridor (NTC) programme.

## I. TRANSPORT

### i. Road Transport

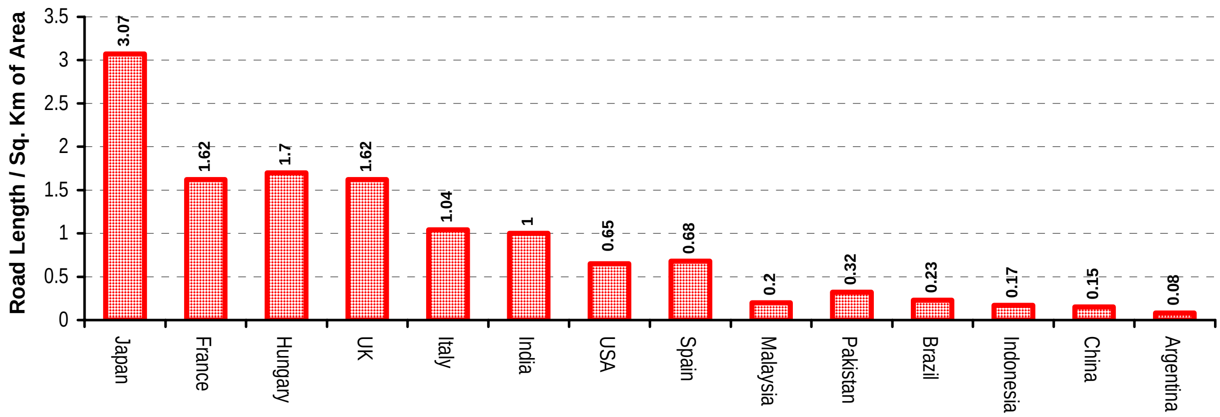
Road transport is the backbone of Pakistan's transport system, accounting for 90 percent of national passenger traffic and 96 percent of freight movement. Over the past ten years, road traffic – both passenger and freight – has grown much faster than the country's economic growth. The 10,849 km long National Highway and Motorway network contributes 4.2 percent of the total road network. They carry 90 percent of Pakistan's total traffic.

Pakistan, with about 156 million people, has a reasonably developed transport system. However, when compared with other developed and developing countries, the road density of Pakistan is low. This fact is documented in Fig-14.1. A commonly used indicator for development of the road system is road density (total length of road / total area), which is often used as an index of prosperity, economic activity and development. Pakistan intends to double its current road density of 0.31-km/sq. km to 0.64-km/sq. km gradually over the next 10 years.

#### a) Road Network

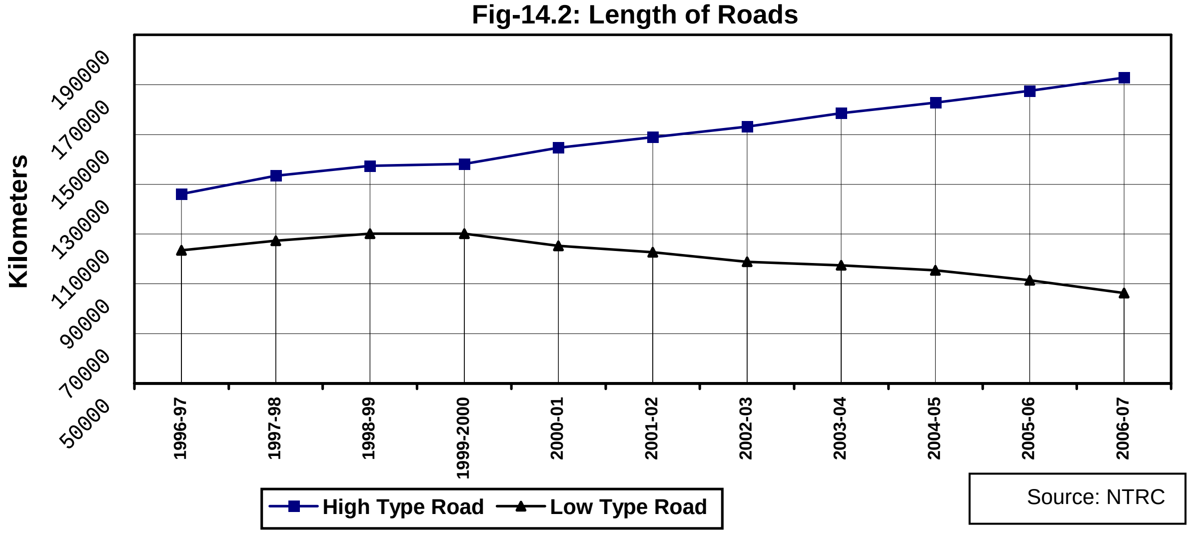
Pakistan has a road network covering 259,197 kilometres including 172,827 KM of high type roads and 86,370 KM of low type roads. Total roads, which were 229,595 KM in 1996-97, increased to 259,197 KM by 2006-07— an increase of 13 percent. During the out-going fiscal year, the length of the high typed road network increased by 3.2 percent but the length of the low type road network declined by 5.6 percent. Extent of high type roads have increased by 37 percent since 1996-97. A sizable and continuous improvement of the high type road network can be observed from 2001 to 2007, where the network grew at an average rate of 3.3 percent. The continuous improvement and rehabilitation of the existing roads reflects the government's enhanced focus on infrastructure. As a result of an emphasis on high type roads, many low typed roads were converted to high typed roads during this period. There are many ways by which availability of improved and wide spread modern road networks can facilitate economic activity. For example, they could help alleviate poverty by providing access to far flung rural areas, create more jobs by supporting economic activity along the network and provide numerous small-scale investment opportunities. In addition, introduction of Khushal Pakistan Programme, has helped to rehabilitate and modernise rural road network along with implementation of wide ranging development activities through various district governments under the devolution programme. The annual growth of roads in Pakistan between 1996-97 and 2006-07 is given in Table-14.1 and Fig-14.2

**Fig-14.1 Road Density Comparisons**




Source: National Highway Authority

**Fig-14.2: Length of Roads**




Source: NTRC

**Table 14.1: Length of Roads** **(Kilometres)**

| Fiscal Year | High Type | | Low Type # | | Total | |
|---|---|---|---|---|---|---|
| | Length | %Change | Length | %Change | Length | % Change |
| 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 | 3.5 | 97,527 | -1.4 | 256,070 | 1.5 |
| 2004-05 | 162,841 | 2.7 | 95,373 | -2.2 | 258,214 | 0.8 |
| 2005-06 | 167,530 | 2.9 | 91,491 | -4.1 | 259,021 | 0.3 |
| 2006-07* | 172,827 | 3.2 | 86,370 | -5.6 | 259,197 | 0.1 |

* *Estimated* *Source: Ministry of Communications*

# : The percentage change in low type roads can be negative as many of these roads are being converted to high type roads.

**b) National Highway Authority (NHA)**

The NHA is currently the custodian of nearly all of Pakistan's major inter-provincial road links called the national highways, including the motorways and strategic roads. These roads comprise only around 4 percent of Pakistan's total road network but carry 80 percent of the country's commercial traffic. Consequently, the network is under pressure and its importance from a development perspective cannot be over emphasized. The province wise breakup of NHA network is given in Table.14.2.

The present highway network is under strain by rising traffic flow and a slow pace of increase in capacity. Consolidation, preservation and improvement of the existing highways are needed on an urgent basis. Gradual extension of the network is also equally important to develop remote areas and to better connect major economic and social centers of Pakistan. The details of major projects completed and on going projects are shown in Table.14.3 and Table.14.4

**Table:14.2 Province Wise Break-up**

| Province | Km | % Share |
|---|---|---|
| Punjab | 2475 | 22.81 |
| Sindh | 1604 | 14.78 |
| NWFP | 1651 | 15.22 |
| Balochistan | 4177 | 38.50 |
| NA/AJK | 942 | 08.69 |
| **Total** | **10849** | **100%** |

Source: NHA

**Table:14.3 Major Completed Road Projects**

| S.No. | Project | Length (KM) | Province |
|---|---|---|---|
| 1. | Makran Costal Highway | 634 | Balochistan |
| 2. | Nauttal-Sibi section including Sibi Bypass | 86 | Balochistan |
| 3. | Dera Allah Yar-Nauttal Section | 60 | Balochistan |
| 4. | Khajuri-Bewata Section N-70 | 68 | Balochistan |
| 5. | Kohat Tunnel and Access Roads | 31 | NWFP |
| 6. | Mansehra-Naran Section | 124 | NWFP |
| 7. | D.I.Khan-CRBC (Indus Highway) | 14 | NWFP |
| 8. | Karachi Northern Bypass | 57 | Sindh |
| 9. | Qazi Ahmed & Shahpur Jehania Road | 102 | Sindh |

**Table:14.3 Major Completed Road Projects**

| S.No. | Project | Length (KM) | Province |
|---|---|---|---|
| 10. | Ratodero-Shahdadkot-Qubo Saeed Khan | 64 | Sindh |
| 11. | Pindi Bhattian-Faisalabad Motorway, M-3 | 52 | Punjab |
| 12. | Lahore-Sahiwal Section | 40 | Punjab |
| 13. | Okara Bypass | 13 | Punjab |
| 14. | Rahim Yar Khan-TMP Section | 80 | Punjab |
| 15. | Baberlo-Pano Aqil Section | 30 | Sindh |
| 16. | Rehabilitation of Bund Road Lahore | 19 | Punjab |
| 17. | Torkham-Jalalabad Road. | 75 | Afghanistan |

Source: NHA

**Table:14.4 Major Ongoing Road Projects**

| S.No. | Project | Length (KM) | Province |
|---|---|---|---|
| 1. | Gwadar-Turbat-Hoshab (M-8) | 193 | Balochistan |
| 2. | Khuzdar-Shahdadkot Section | 82 | Balochistan |
| 3. | Khanozai-Muslim Bagh Section | 50 | Balochistan |
| 4. | Kalat-Quetta-Chaman Section | 230 | Balochistan |
| 5. | Gawadar-Pleri Section | 67 | Balochistan |
| 6. | Sibi-Dhadar Section | 26 | Balochistan |
| 7. | Lakpass Tunnel | 280 m | Balochistan |
| 8. | Lyari Expressway | 32 | Sindh |
| 9. | Lowari Rail Tunnel and access roads | 27 | N.W.F.P |
| 10. | Naran-Jhalkhad-Chillas Section | 40 | N.W.F.P |
| 11. | Dualization of Takht Bahi-Dargai Road | 30 | N.W.F.P |
| 12. | D.I.Khan-Mughalkot Section | 124 | N.W.F.P |
| 13. | Islamabad-Peshawar Motorway | 152 | N.W.F.P/Punjab |
| 14. | Islamabad-Murree Dual Carriageway | 43 | Punjab |
| 15. | R.Y.Khan-Bahawalpur Section | 90 | Punjab |

Source: NHA

### ii. Pakistan Railways

A well functioning railway system is crucial for sustainable economic growth. Railways have a definite edge over roads for long haul and mass scale traffic movement, both for passenger and freight, as a safe, economical and environment friendly mode of transport. It not only contributes to economic growth but also promotes national integration. Pakistan Railways was the primary mode of transportation in the country till seventies. However, due to diversion of resources to expansion of road network, the performance of Pakistan Railway declined and it's share of inland traffic reduced from 41 percent to 10 percent for passenger and 73 percent to 4 percent for freight traffic.

During the last seven years (2000-2007), Pakistan Railways has shown improving trend in both passenger and freight traffic, registering an average increase of 5.6 percent and 8.0 percent per annum, respectively. A positive growth of 5.7 percent and 6.9 percent has been recorded in passenger traffic and freight traffic, respectively during 2005-06. Further, the passenger and freight carried by railways increased by 6.3 percent and 7.0 percent respectively during July-March 2006-07. The positive growth trend for seven consecutive years (2000-2007) can be attributed to the wide range of improvements made by the Pakistan Railways through completion of a number of development projects and better policies aimed at modernization of PR. Pakistan Railways has introduced 9 new train services in order to facilitate passengers as well as freight customers. (Table.14.6). PR has also improved the quality of its services, timeliness and cleanliness. This trend is reported in Table.14.5.

**Table 14.5 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 |
| 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 | 5,336 | 10.7 |
| 2004-05 | 232,191 | 4.2 | 24,238 | 5.2 | 116,327 | 1.8 | 5,532 | 3.6 |
| 2005-06 | 238,077 | 2.5 | 25,621 | 5.7 | 117,035 | 0.6 | 5,916 | 6.9 |
| **(Jul-Mar)** | | | | | | | | |
| 2005-06 | 179,005 | | 19,672 | | 87,996 | | 3,539 | |
| 2006-07* | 191,057 | 6.7 | 20,921 | 6.3 | 88,032 | 0.04 | 3,786 | 7.0 |

** Estimated*

*Source: Ministry of Railways & Ministry of Communications*

In order to continue improvements and to consolidate reforms, Pakistan Railways has prepared a business plan for 2005-11. The plan places emphasis on encouraging private sector participation in order to increase its competitiveness, responsiveness and efficiency. Pakistan Railway is planning to take a series of interlinked initiatives, which will enable it to compete efficiently in the fast growing transport sector in Pakistan.

Pakistan has awarded a contract to an international consortium to carry out a feasibility study for establishing a rail link with China. A rail link could further boost trade relations between the two countries by facilitating the already growing trade with China and operations of Gwadar Sea Port.

**Table: 14.6 New Trains**

| S.No | Trains | Section | Date of Commencement |
|---|---|---|---|
| i) | Thar Express | Karachi-Zero Point | 18-02-2006 |
| ii) | Margala Express | Lahore-Rawalpindi | 22-05-2006 |
| iii) | Marvi Express | Mirpurkhas-Khokhropar | 07-06-2006 |
| iv) | Sindh Express | Lahore-Karachi | 24-07-2006 |
| v) | Buraq Express | Rawalpindi-Karachi | 14-08-2006 |
| vi) | Peshawar Express | Peshawar-Rawalpindi | 15-12-2006 |
| vii) | Pakistan Express | Rawalpindi-Karachi(Via Hafizabad, Faisalabad And Multan | 16-12-2006 |
| viii) | Jinnah Express | Karachi-Rawalpindi. | 08-01-2007 |
| ix) | Sir Syed Express | Rawalpindi-Karachi | 08-03-2007 |

Source: M/O Railways

An amount of Rs. 10.42 billion was allocated to PR development for the financial year 2006-07. The major development schemes under taken were Track Renewal of 221 KM of Rails and 455 KMs of sleepers for the planned main line from Karachi-Khanpur. Twenty locomotives in CKD condition were imported from China, out of which 10 locomotives were manufactured in Pakistan Locomotive Factory. The rehabilitation programme for old locomotives will be continued. The earning of Pakistan Railways since 1998-99 are given in Table.14.7.

Table-14.7 : Earnings of Pakistan Railways

*(Rs. Million)*

| Year | Earnings | % Change |
|---|---|---|
| 1998-99 | 9,310 | -- |
| 1999-2000 | 9,889 | 6.2 |
| 2000-01 | 11,938 | 20.7 |
| 2001-02 | 13,046 | 9.3 |
| 2002-03 | 14,812 | 13.5 |
| 2003-04 | 14,636 | -1.2 |
| 2004-05 | 18,027 | 23.2 |
| 2005-06 | 18,184 | 0.9 |

*Source: Ministry of Railways*

### iii) Civil Aviation Authority (CAA)

After the completion of a new terminal complex (NTCL) at the Lahore airport, the construction of a new Islamabad international airport (NIIA) is expected to play a major role in the national aviation sector. The airport shall be developed by the Civil Aviation Authority (CAA) on self-finance basis with an estimated total cost of Rs. 25 billion on 3200 acres of land. The CAA is also going to undertake the development work on the New Gwadar International Airport through Public Sector Development Programme (PSDP), at a total estimated cost of Rs. 3.6 billion. The airport is planned for latest generation wide bodied aircraft in order to accommodate all the future requirements of Gwadar city. A new green field international airport, initiated by the local business community, is under completion in Sialkot. The project is being constructed on a build, own and operate (BOO) basis and is mainly for commercial purposes. It is likely to boost exports of leather and surgical goods. The plans for upgrading Multan and Peshawar International Airports have also been prepared with estimated cost of Rs. 2.6 billion and Rs. 0.6 billion respectively.

#### a) Pakistan International Airlines (PIA)

Civil aviation plays an important role in the development of the economy by providing rapid access between the different parts of the country as well as to other parts of the world. Private participation has also been encouraged through concessions and incentives for development of airports and airlines to increase availability of air transport services within and out side the country. Pakistan International Airlines carried 4.245 million passengers during July-March 2006-07 as compared to 4.355 million passengers in the same period of last year. This decrease of 2.5 percent is likely due to grounding of PIA F 27 fleet in July 2006. The airline's revenue was 11.557 million RPKs in July-March 2006-07 as against 11.649 million PKRs generated in the corresponding period of last year, registering a marginal decrease of 0.8 percent. The passenger capacity remained almost unchanged during the first 9 months (July-March) of the current fiscal year over the same period last year. During July-March 2006-07, cargo traffic was 304.0 million Revenue Freight Tonne Kilometre (RFTKS) as against 313.8 RFTKS in the same period last year thus registering a decline of 3.1 percent. The cargo handling capacity in terms of Available Freight Tonne Kilometre (AFTKS) has increased to 517.0 million during July-March 2006-07 as against 500.4 million in 2005-06, thus registering an increase of 3.3 percent. The airline is pursuing a long term fleet modernization plan which envisages induction of two additional Boeing 777-300ER family aircraft during July-March 2006-07. In addition one B777-200ER was inducted on long term lease during the same period. As replacement of grounded F27 aircraft, 4 ATR42 500 were also added to the PIA fleet during the same period thus bringing total number of aircraft in PIA fleet to thirty nine.

### iv) Ports & Shipping

#### a) Karachi Port Trust (KPT)

The steady and continuous progress made by KPT has helped boost the national economy. The KPT established an annual cargo handling record of over 32.3 million tons during 2005-06 showing a sizable growth of 12.8 percent over 2004-05. However, during the first nine months of the current fiscal year, the port handled a cargo volume of 22.4 million tonnes as compared to 24.6

million tonnes handled in the corresponding period last year registering a decline trend of 8.7 percent. This is mainly due to a fall in imports of fertilizer by 49 percent, sugar by 38 percent, iron scrap by 60 percent and crude oil by 16 percent which led to an over all decrease of import cargo by 12 percent during first nine month of current financial year. However, the volume of export increased by 4.1 percent during first nine months of current fiscal year. Statistics of cargo handled during the last ten years are given in Table 14.8

**Table 14.8 : Cargo Handled at Karachi Port (000 Ton)**

| Year | Imports | %Change | Exports | %Change | Total | % Change |
|---|---|---|---|---|---|---|
| 1996-97 | 18,362 | -1.9 | 5,113 | 5.2 | 23,457 | -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 |
| 1999-2000 | 17,149 | -0.9 | 5,613 | -2.1 | 23,762 | -1.2 |
| 2000-01 | 20,064 | 10.5 | 5,918 | 5.4 | 25,98 | 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 |
| 2004-05 | 22,100 | 1.7 | 6,515 | 7.1 | 28,615 | 2.9 |
| 2005-06 | 25,573 | 15.7 | 6,697 | 2.8 | 32,270 | 12.8 |
| July –March | | | | | | |
| 2005-06 | 19,625 | | 4,947 | | 24,572 | |
| 2006-07 | 17,277 | -12.0 | 5,150 | 4.1 | 22,427 | -8.7 |

Source: KPT

The existing port facilities appear to be inadequate to handle the growing cargo at the port. In order to address these constraints, the KPT has launched a number of projects, which are at different stages of execution. A number of projects have been formulated for phased implementation on a BOT basis covering various activities in port operations. The KPT has commissioned the project titled "Karachi Interval Container Terminal (KICT)". The project is already operational at the west wharf and it has annual capacity of 350,000 twenty equal units (TEU). An additional $ 65 million was invested to enhance its capacity upto 525,000 TEU. The 3rd phase of the project was launched on March 7, 2005, with an investment of US$ 55 million to extend the capacity up to 700,000 TEU. In addition, KPT has awarded a contract for a second container terminal on BOT basis with estimated cost of US$ 75 million. To ease transportation problem between the port and the factory, the KPT has pledged to contribute over Rs.2.8 billion for reconstruction of roads. As the new generation of container ships come on board, KPT is taking initiatives to be able to cater to the even higher capacity fifth and sixth generation ships. This involves the development of 10 deep draught berths with the total cost of US $ 1,087 million.

### b) Port Qasim

Port Qasim is fast becoming a major contributor to national economy of Pakistan with an impressive growth in port operations. During 2005-06 cargo handled at the port increased by 10.8 percent from 21.3 million tonne to 23.6 million with the increase of marine traffic by 8 percent. The cargo handling during July- March 2006-07 increased from 16.8 million tonne to 19.7 million tonne over the corresponding period last year. This is an increase of 17 percent which is higher than 14 percent increase recorded for the same period last year. During the last 3 years a marked improvement has also been witnessed in revenue growth. The revenue generation over the last five years was increased from Rs. 2 billion to Rs.3.4 billion. The PQA is currently pursuing a large number of projects for capacity enhancement and industrialization, attracting foreign direct investment (FDI) and simultaneously undertaking major infrastructure development to enhance its efficiency. The port has already attracted US $ 1.5 billion of FDI.

**c) Pakistan National Shipping Corporation (PNSC)**

PNSC manages 15 vessels with a total capacity of 636,182 dwt. The existing fleet consist of 10 multi-purpose cargo vessels, 4 Aframax crude oil tankers and one Panamax bulk carrier vessel which were acquired through PNSC's own resources. The four Aframax oil tankers are participating in national and regional crude oil trade. PNSC has carried crude oil cargoes for India, Bangladesh and Sri Lanka. During fist nine months of the current fiscal year, the PNSC has lifted 5.4 million tonne of liquid cargo and 1.0 million tonne of dry cargo. The Corporation is continuing with its efforts to add more vessels at a total cost of about US$ 150 million out of which US$ 135 million is being arranged through foreign financing.

**d) Gwadar Port**

The Gawadar port was inaugurated on 20th March 2007. Gwadar, a district of Balochistan enjoys a strategic position on the coastline of Pakistan. Balochistan in general and Gwadar in particular has been neglected in the past but its 600 km long coastline has been brought to the lime-light by the present government which is determined to develop this Port into one of the most modern Ports in the world. This port would be an integral component of the trade corridor for Central Asian states, China and the Gulf as 60 percent trade of oil and gas is done through this route.

A deep sea port like Gwadar is already attracting global attention, and once it is fully developed with all supporting facilities required to handle trans-shipment and trade, Gwadar will become one of the important gateways to prosperity for the people of Pakistan in general and Balochistan in particular. Gwadar could spur economic progress through out the region by reducing the transport time between China, Middle East, Central Asian States, Europe and Africa. Some experts even estimate that Pakistan could earn up to US $ 60 billion per annum out of transit trade when Gawadar Port and the National Trade Corridor are fully developed and operational.

The operation and management of the port was recently handed over to the Singapore Port Authority (SPA) under a 40 year agreement between the Gawadar Port Authority (GPA) and the Concession Holding Company (CHC) a subsidiary of the GPA that is operating 22 ports in 11 countries. The company will invest $ 550 million in next five years. The port will not only promote trade and transport with Gulf States, but will also provide transshipment of containerized cargo, unlock the development potential of hinterland and will become a regional hub for major trade and commercial activities.

**e) Future Outlook**

**National Trade Corridor**

In order to create a growth-facilitating infrastructure a major initiative namely the "National Trade Corridor" has been launched, to revamp the whole transport sector including ports, roads, railway, aviation etc. A framework to develop and improve the North South Corridor has been incorporated in it. The framework takes a holistic and integrated approach to reduce the cost of doing business in Pakistan by improving the trade and transport logistics chain and bringing it up to international standards. The initiative is in line with Medium Term Development Framework (MTDF). The government's strategy to establish a multi-modal transport system is based on emphasis on asset management with consolidation, upgradation, rehabilitation and maintenance of the existing system; enhanced private sector participation in transport and use of modern technology to increase sector efficiency. The strategy aimed at enhancing regional connectivity to improve links to the Central Asian States, Iran, Afghanistan and India. With the development of the North-South and East West trade links, energy and industrial corridors with China, Central Asian Republics, Afghanistan and Iran would also be developed.

Basic theme of the National Trade Corridor Improvement Program is "Decreasing the cost of doing business through improvements in the trade logistics". Basic thrust would be to get results through short term / long term measures. In the short term, quick results would be achieved with small investments through policy interventions, systematic & procedural improvements, reducing costs & time and eliminating red-tapism. Long-term measures include higher investments on infrastructure, deep-rooted institutional reforms to ensure sustainability and conducive environment for pragmatic investment by the private sector.

An efficient and well-integrated transport system facilitates the development of a competitive economy and creates vast opportunities to reduce poverty. It also ensures safety in mobility and augment regional connectivity. All these efforts are expected to help increase Pakistan's exports from US$ 17 billion in 2006 to around US$ 250 billion by 2030. This program would not only target the trade facilitation and infrastructure development, but also will serve for developing an energy and Industry corridor in future. Pakistan can establish exclusive industrial zones for Chinese and other Central Asian entrepreneurs near the industrial cities of Karachi, Lahore, Faisalabad and Peshawar. The NTC will also boost the emerging trade and business status of the Gawadar Port. The main findings of the National Trade Corridor's (NTC) are highlighted in Box-14.1

**BOX-14.1**

- Logistic costs will come down from 11 percent of Foreign Trade Account to 6.11 percent
- Customs clearance times will reduce from 4 days to less than one day.
- Freight Forwarding Rules (FFR) formulation by Central Board of Revenue (CBR) and Pakistan Institute of Freight Forwardor Association (PIFFA) has started; State Bank of Pakistan (SBP) now allows external remittance to Freight Forwarded (FF); FF trainings are being organized.
- Duty rationalized on equipment for establishing wholesale/retail chain stores.
- National Trade Facilitation Strategy would be developed.
- Private terminal operators directed to install scanners-specifications and the time lines communicated to the terminal operators by CBR.
- Road Freight Industry (RFI) Strategy Paper has been Prepared;
- Duty on multi-axle trucks and prime movers rationalized.
- Stakeholder consensus developed to allow import of second hand multi-axle trucks to all industry but age limited to 4 years.
- Port Qasim Authority (PQA) and Karachi Port Trust (KPT) Business Plan (covering study of management practices of Malaysia, Singapore, and other best practice Ports) are under preparation.
- Reduction in wet charges by 15 percent and reduction in free dwell time at port by 15 percent has been notified and being implemented. Reduction in free dwell time has indirectly increased the port capacity. Double charging during port handling by the shipping lines and terminal operators would be removed.
- World class airlines such as Virgin Atlantic, Singapore and Ettihad have been invited to start their operations. Bi-lateral and Air Service Agreements being expended with several countries. Operational frequencies have been given to 7 foreign airlines resulting in 29 additional landings per week. These include Thai, Cathay Pacific, Malaysian, Turkish, Bahrain, Gulf & Ettihad.
- External communications/ media strategy has been developed to inform all stakeholders about the National Trade Corridor Improvement Programe (NTCIP) Vision.
- Deep draught vessels contribute to reduce the costs of trade. Berths and channels at Karachi and Qasim ports have been planned to be deepened to attract large size vessels having deep draughts.

- KPT, PQA and Gwadar Port Authority (QPA) would be transformed into commercial organizations with corporate culture.
- A "Ports Maintenance & Management Training" program is under preparation for young officers from all the three ports.
- Pakistan Railways has become the first government entity to prepare draft Corporate Business Plan. Next step is to develop a separate dedicated freight business unit to improve the railway's financial health and then gradually transform the Railways into a commercial corporation.
- Numbers of freight trains from port to upcountry and back have increased from one to 5 trains daily.
- Projects of doubling of main line track and induction of new locomotives, flat-bed container wagons & new passenger coaches have been approved and under implementation. State-of-the-Art auto-block, computer based signaling system on the main line has been planned to ensure better speed &safety.
- Freight Business Unit would be established after completion of financial restructuring of PR to establish separate line of business.
- Proactive marketing has resulted in agreement with private parties to start two new express freight trains thus increasing total to 5 fast cargo trains overall.
- National Expressway Corridor Improvement/Rehabilitation Plan costing US$ 2.0 billion has been appraised and approved.
- The spot interdictions on N-5 have been reduced by 70 percent which has resulted in reduction in the turn around time.
- Pilot overloading control program is being implemented by NHA.
- New Aviation Policy is being developed with contribution of all stakeholders including public/private sector and international development partners to bring the civil aviation at par to the best international standards.

*Source: Planning Commission*

## II. TELECOM SECTOR

The Government and the Regulator (Pakistan Telecommunication Authority) have created a business friendly environment in the telecom sector of Pakistan through a series of initiatives. The Government has announced various business centric policies, which take into account the market demands and challenges, are open and consistent, and are creating a conducive environment for healthy business activities in the sector. Competition has now been introduced in each segment of Pakistan's telecom sector including fixed line, mobile and other value added telecom services. An unprecedented growth has been witnessed in almost every segment and the cellular phone sector in particular. Total teledensity in the country has reached 40.2 (as of end April 07) registering year on year (YoY) growth of 53 percent (Table.14.9). During July-April 2006-07, telecom sector attracted US$ 1.4 billion which is expected to cross one and half billion dollar mark at the end of year. As a result of strong growth in the sector the revenues of the telecome companies reached Rs. 193 billion last year and is expected to cross Rs. 240 billion in 2006-07. Consequently, the contribution of telecom sector in the government's exchequer is also expected to cross Rs. 81 billion during 2006-07. The success of telecom sector in Pakistan is now globally recognized and it has emerged as a role model for other emerging telecom markets.

**Table: 14.9 Teledensities of Regional Countries (%)**

| | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07* |
|---|---|---|---|---|---|
| Pakistan | 4.3 | 6.3 | 11.9 | 26.2 | 40.2 |
| Sri Lanka | 12.2 | 16.6 | 23.4 | 29.0 | 37.0 |
| India | 7.1 | 8.9 | 11.5 | 12.8 | 15.4 |
| Bangladesh | 1.6 | 2.0 | 4.5 | 9.0 | 15.0 |
| Nepal | 1.8 | 2.0 | 3.0 | 3.5 | 6.5 |

Teledensity includes fixed, WLL and mobile
* As of 30th April 2007

Source: PTA

**i). Telecom Sector Growth**

The dramatic growth on the telecom sector has been supported by prudent government policies. Teledensity of the country has improved many folds in the last couple of years. Currently the total teledensity in Pakistan is over 40.2 percent, which was just 2.8 percent at the end of 2000. Total number of mobile subscribers in Pakistan has crossed 55.6 million by end March 2007 whereby mobile density has hit 35.8 percent, far surpassing the fixed line teledensity which is 3.32 percent with total working connections of 5.2 million. The Wireless Local Loop (WLL) subscribers are also on the rise and have reached 1.6 million. Similarly, value added services, such as payphones and Internet usage are also on the rise. There are 353,194 PCOs working across Pakistan and more than 2.4 million registered Internet subscribers with an estimated 12 million Internet users. (Table.14.10 ).

**Table:14.10 Teledensity of Pakistan (%)**

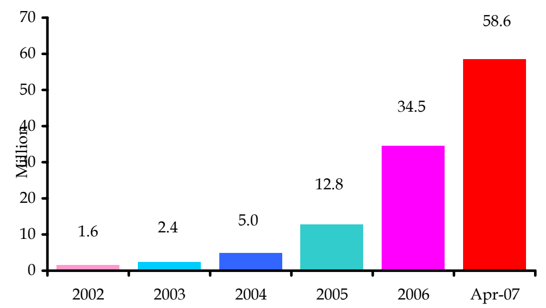
| Years | Fixed | Cellular | WLL | Total |
|---|---|---|---|---|
| 2001-02 | 2.50 | 1.16 | | 3.66 |
| 2002-03 | 2.69 | 1.62 | | 4.31 |
| 2003-04 | 2.94 | 3.31 | | 6.25 |
| 2004-05 | 3.43 | 8.29 | 0.17 | 11.89 |
| 2005-06 | 3.37 | 22.16 | 0.66 | 26.19 |
| Mar 2007 | 3.32 | 35.79 | 1.06 | 40.17 |

Source: PTA

**a) Cellular Mobile**

The growing competition in the vibrant cellular market of Pakistan has compelled the operators to offer very competitive services. Four out of five GSM operators performed well during the year exhibiting tremendous growth in their subscriber base and provided the market with new, innovative and value added services. Added competition from Telenor and Warid has provided real momentum for the growth of Pakistani mobile market. These two companies have given an impetus in the industry for lower tariffs, expanded networks, customized packages and high tech services. During the year, wireless companies continued to expand their network and subscribers exponentially. Today, mobile segment of telecom sector is considered to be the most thriving one. On average, approximately 2.3 million subscribers have been added on cellular mobile networks each month in Pakistan during the first nine months of 2006-07. This is an exemplary growth in relation to the population of any country in Asian region. Total mobile subscribers at the end of April 2007 crossed the 58.6 million mark (Fig-14.3).

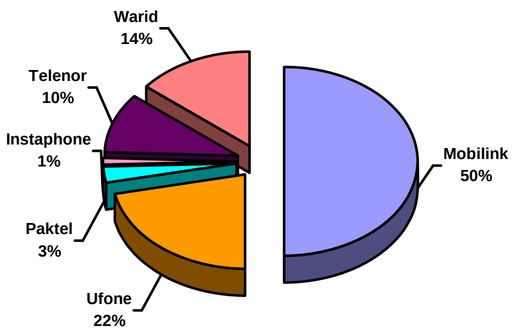
**Fig-14.3: Cellular Mobile Subscribers**




Source: PTA

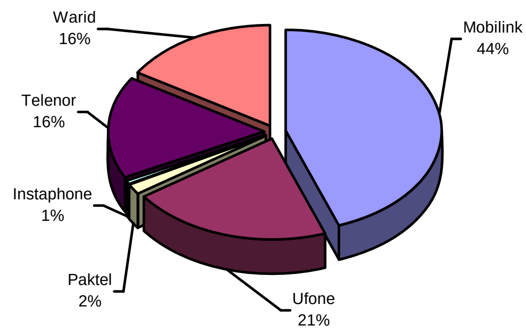
The entry of Warid and Telenor in 2005 resulted in significant changes in the market; one of them was market structure with respect to subscribers' share. These two companies started attracting customers, which reduced the market share of the dominant player, Mobilink from 64 percent in June 2004 to 44 percent in March 2007**.** The two new companies now have over 32 percent (As of March 2007) of the market share which is very healthy development with regard to competition and maturity in the market. Herfindahl Index, also known as Herfindahl – Hirschman Index (HHI, is a measure of the size of firms in relationship to the industry an indicator to the amount of competition among them) a widely used measure of the industry concentration, also shows an improvement in Pakistan's mobile market competition, particularly during the last one year (Fig-14.4 & Fig-14.5). Socio-economic impact of mobile phone is also given in Box 14.2

Fig-14.4: Celluar Market Share (Jun 06)




Source: PTA

Fig-14.5: Cellular Market Share (Mar 07)

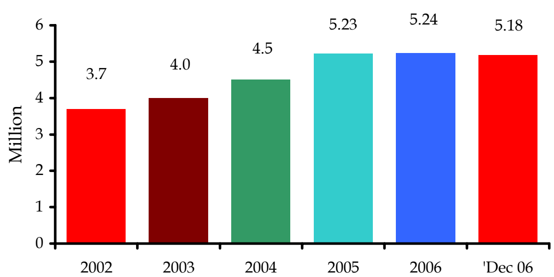



Source: PTA

### b) Fixed Line Services

In the Long-distance and International (LDI) segment, 13 companies are operational out of the total 14 LDI licensees. PTA also awarded licenses to 38 Fixed Local Loop (FLL) companies for their operations in various telecom regions. So far, 4 companies have launched their services, with limited network coverage in few cities of Punjab and Sindh. Few other companies like Neyatel, Multinet Broadband and Stanlay are at their rollout stage; however, their coverage is limited with low capacity. Currently, there are 5.2 million fixed line subscribers with 98 percent subscribers of the incumbent operator, PTCL (Fig-14.6).

Fig-14.6: Fixed Line Subscribers

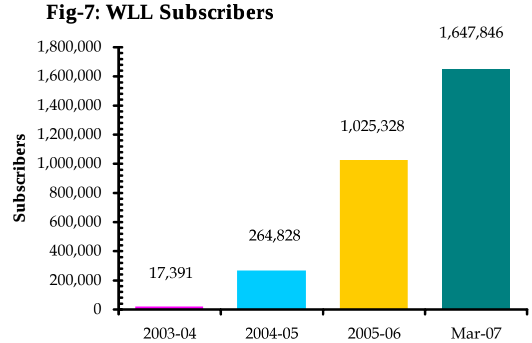



Source: PTA

### c) Wireless Local Loop

WLL technology was introduced in Pakistan in 2004 with the objective to bridge the digital divide between the rural and urban areas as the deployment of WLL services is much easier than the fixed line. The total WLL subscribers have reached 1.6 million which are now 30 percent of the fixed line subscribers. WLL density has also increased to 1.06 percent. Now 5 WLL operators are providing their services in the country. The coverage extended by PTCL for WLL services has reached over 1,080 cities/towns of Pakistan (Fig-14.7).

Fig-7: WLL Subscribers



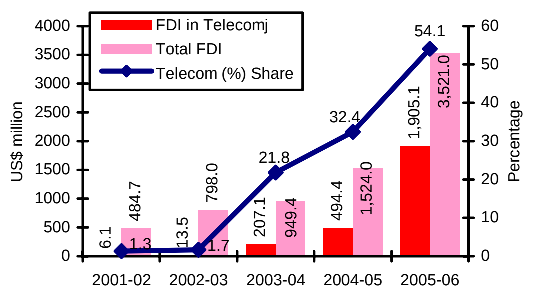

Source: PTA

### ii). Sector Accomplishment

### a) FDI in Telecom Sector

In the last 2-3 years Telecom sector has attracted record inflows of FDI. During 2005-06, telecom sector received over US$ 1.9 billion FDI and emerged as the single largest sector attracting FDI. In the year 2005-06, telecom sector received 54.1 percent of the total FDI which is even higher than last year's 32.4 percent. During July-April 2006-07, telecom sector attracted US$ 1.4 billion which is expected to cross one and half billion dollar mark at the end of year (Fig-14.8).

Fig-14.8: FDI in Telecom Sector




Source: PTA

### b) Contribution to National Exchequer

Telecom sector is also a major contributor to government revenue. During 2005-06 total revenue collected by the government in the form of taxes and PTA deposits was more than Rs. 77 billion. The government collected total GST/CED of Rs. 8.8 billion in 2001-02 on telecom services, which increased to Rs. 26 billion by 2005-06. It is expected that the contribution of telecom sector in total GST/CED collected by CBR will grow in the coming years. In 2006-07, GST collection is expected to be over Rs. 33.8 billion. The government also collects activation tax on new mobile connections at the rate of Rs. 500. In 2006-07, it is expected that the collection under this head would cross Rs. 12.24 billion (Table 14.11).

**Table: 14.11 Telecom Contribution to Exchequer** *(Rs. in Billions )*

| | GST | Activation Tax | PTA Deposits | Others | Total |
|---|---|---|---|---|---|
| 2001-02 | 8.9 | 0.12 | 0.04 | 0.99 | 10.05 |
| 2002-03 | 11.5 | 1.91 | 0.47 | 15.75 | 29.63 |
| 2003-04 | 12.1 | 4.02 | 0.69 | 21.59 | 38.40 |
| 2004-05 | 20.5 | 7.53 | 17.72 | 21.38 | 67.13 |
| 2005-06 | 26.8 | 11.40 | 17.38 | 21.55 | 77.10 |
| 2006-07 E | 33.8 | 12.24 | 11.50 | 23.51 | 81.05 |

E: Estimates are based on 6 months' actual data
Source: Central Board of Revenue and Pakistan Telecommunication Authority

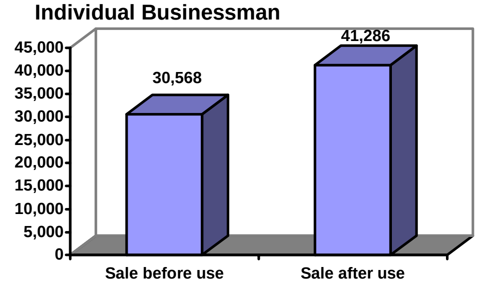
**Box-14.2**

**Socio-Economic Impact of Mobile Phone Growth**

Pakistan Telecommunication Authority has conducted an independent study to assess the socioeconomic impact of mobile growth in Pakistan. A survey of 1,269 mobile phone users was conducted during March 2007 in all four provinces AJK and NAs. The study found that the use of mobile has created socio-economic awareness among the users in changing their life style, in improvement of their business and related activities, saving time on inter- city trips and local visits and ultimately in saving money and increase in their sales and income. The use of mobile phone on average made 35 percent increase in the sales of individual businessmen included in the survey.

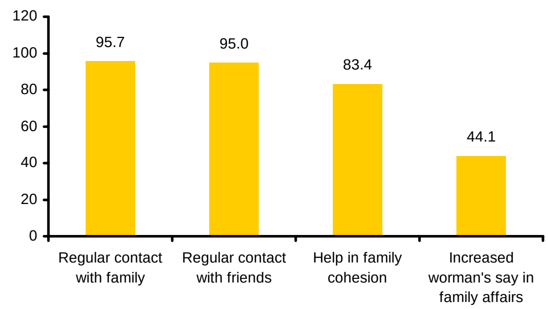
Use of mobile has also increased the access to medical, financial and other services. According to the survey results, more than 52 percent respondents reported that the use of mobile has improved their access to doctors and health personnel. It also improved their family cohesion and elevated women's role and say in family and society. (Fig-14.9 Fig-14.10 & Fig-14.11)

Fig-14.9: Average Increase in Sales of Individual Businessman



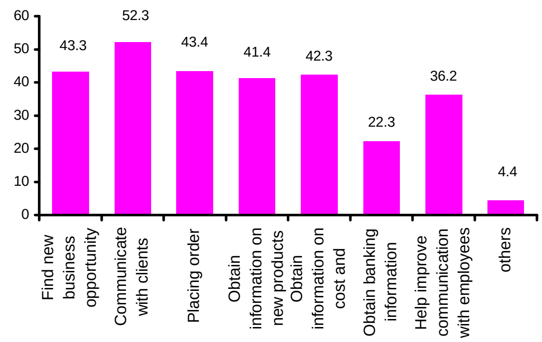

Source: PTA

**Fig-14.10: Use of Mobile for Social Activities**




**Source: PTA**

**Fig-14.11: Use of Mobile Phones for Business/Work Related Activities**




**Source: PTA**

## Employment Generation

The study also analyzed the business outlook and the value chain of the mobile sector in the country. It estimated the current employment level of 354,042 employees engaged in the telecom sector at various level of value chain including employment at Telecom Companies, vendors, tower businesses and cell phone shops. It is projected that 58,009 direct and indirect employment opportunities will be created in 2007-08.

### iii) Reduction in Telecom Services Tariff

Significant reduction has been witnessed in the tariffs of almost all the telecom services over the last two to three years. The national and international long distance tariffs which were Rs. 34 and Rs. 70 per minute in 1996 respectively, have reduced significantly to as low as Rs. 0.67 and Rs. 0.79 per minute, respectively through calling cards. The incumbent operator PTCL has also reduced its NWD and international tariff drastically. In addition, the new local loop operators are also offering zero line rental packages and free local call packages to telecom subscribers. Similarly tariffs of mobile services have also reduced. The minimum prepaid on-net tariffs which were Rs. 5.75 per minute in 2003-04 have reduced to Rs. 1.50 per minute. The international long distance tariffs from cellular mobile have also reduced and are as low as Rs.1.95 per minute. The cellular mobile operators are also offering friends and family packages in which the tariff is as low as Rs.0.99 per minute. The cellular mobile operators are offering per second, per 30 second and per minute billing to their subscribers. (The details of telecome tariff can see in Table 14.12).

**Table: 14.12 Telecom Tariffs** *(Rupees)*

| | 2003-04 | 2004-05 | 2005-06 | Mar-07 |
|---|---|---|---|---|
| **Fixed Local Loop** | | | | |
| **PTCL** | | | | |
| Installation Charges | | | | |
| Urban | 1350 | 750 | 750 | 750 |
| Rural | - | 500 | 500 | 500 |
| Local call Charges (per 5 min.) | 2.01 | 2.01 | 2.01 | 2.01 |
| Local mobile (per min.) | 2.8 | 2.80 | 2.12 | 2.50 |
| *Long Distance Tariffs*(per min.) | 3.00-7.39 | 3.00-5.25 | 3.00-4.00 | 2.00 |
| International Long Distance (per min. Minimum tariffs) | 26.09 | 20.00 | 18.00 | 2.00 |
| **Wireless Local Loop (Minimum Tariffs available)** | | | | |
| Line Rent | - | 149 | Zero | Zero |
| Local calls | - | | | |

**Table: 14.12 Telecom Tariffs** *(Rupees)*

| | 2003-04 | 2004-05 | 2005-06 | Mar-07 |
|---|---|---|---|---|
| *On net* (per min.) | - | 0.4 | Free | Free |
| *Off net* (per 5 min.) | - | 2.01 | 2.01 | 2.01 |
| *NWD* | - | 3.15-4.75 | 1.49-2.99 | 1.49-1.99 |
| **International Prepaid Calling Cards (Minimum Tariffs available)** | | | | |
| *Long Distance* (per min.) | | | 0.67 | 0.67 |
| *Intl' Long Distance* (per min.) | | | 1.99 | 0.79 |
| **Cellular Mobile (Minimum Tariffs available)** | | | | |
| **Airtime Tariffs** (per min.) | | | | |
| *On net* | 5.75 | 5.00 | 2.50 | 1.50 |
| Off net | | | | |
| *Cell* | 7.75 | 7.00 | 2.50 | 1.90 |
| *Fixed.* | 7.76 | 7.76 | 2.50 | 1.90 |
| *NWD* (per min.) | | | | |
| *On net* | 14.75 | 12.75 | 2.50 | 1.50 |
| Off net | | | | |
| *Cell* | 16.48 | 14.39 | 2.50 | 1.80 |
| *Fixed.* | 18.75 | 16.39 | 2.50 | 1.90 |
| **International Long Distance** (per min.) | 34.75 | 22 | 3.75 | 1.90 |
| **SMS** | | | | |
| *On net* | 1.5 | 1.50 | 0.50 | 0.20 |
| *Off net* | 1.5 | 1.50 | 1.00 | 1.00 |

Source: PTA

### iv) International Recognition of Telecom Policies

#### a) ITU Elections

Pakistan contested ITU elections for a Council Seat and Radio Regulation Board (RRB) membership. The elections were contested with full preparations and campaign was launched jointly by Ministry of Foreign Affairs, Ministry of Information Technology & Telecom (MOIT&T) and Pakistan Telecommunications Authority. Pakistan won the Council seat (117 votes) and Chairman PTA got elected as Member RRB (110 votes) with a comfortable margin. The number of votes obtained for both the candidates have increased considerably from previous elections indicating an enhanced position and image of Pakistan at international level.

#### b) Telecom Regulatory Environment in Pakistan – rated the best by LIRNEasia

Sectoral growth and regulator's performance have been appreciated internationally. Last year, PTA received two international awards - "GSMA – Government Leadership Award" in recognition of effective regulatory framework for cellular growth, and Global Regulatory Exchange (G-REX) Award for PTA's active participation in the policy dialogue among the telecom regulatory bodies. Recently a study has been conducted by LIRNEasia (Organization based in Sri-Lanka) for the regulatory assessment of the Telecom Authorities in the six selected countries of Asia (Pakistan, Indonesia, Sri Lanka, India, Philippines and Thailand). This study has rated the Telecom Regulatory Environment (TRE) of Pakistan as the best in the group of these six countries. TRE, has been rated the best on the basis of its effective regulation in terms of market entry, interconnection, universal service and utilization of scarce resources.

### V. Regulatory Measures

After successful deregulation of the telecom sector, the PTA is endeavoring for higher telecom growth in the country. Prudent and transparent policies are also in place to achieve this objective and the PTA has taken several measures for the uplift of the sector including Mobile Number Portability (MNP), simplified licensing, telecom liberalization in AJK and NAs, International Mobile Equipment

Identity (IMEI) system to counter mobile handset theft, rural telecom development, quality of service and consumer protection.

**a) Licensing of Telecom Services**

Issuance of licenses for the telecom services in Pakistan is one of the core functions of the PTA. In this regard, transparent and simple procedures have been adopted and till now, the PTA has issued 6 cellular mobile licenses and 92 WLL licenses for operations in different telecom regions. Similarly, a total of 84 licenses have been issued for the provision of Fixed Local Loop services to 37 companies. Also, the PTA has issued 14 licenses to 14 telecom companies for provision of Long Distance and International services in the country. In addition, 720 licenses have been issued for value added services.

The Class Value Added Services (CVAS) Regime was implemented in October 2005. So far 182 CVAS licenses have been awarded. This new regime is more simplified under which more than 15 different individual license categories have been merged into just two license categories i.e. Data type and Voice type. Under the existing value added service, old licenses are also being converted into new CVAL licenses.

**b) Telecom Developments in AJ&K and NAs**

Keeping in view the rising demand of AJK and NAs for advanced telecom facilities, the PTA has initiated the liberalization of telecom sector in the area after the mutual decision of the Governments of Pakistan and AJ&K to open the telecom sector for private operators for enhancing telecom facilities in the region. In this regard, licensing for cellular mobile took place in June 2006 in Islamabad where Mobilink, Warid, Ufone and Telenor were awarded licenses to operate services in AJ&K and NAs. Similarly, licensing for fixed line and wireless local loop is also underway. Currently there are over 260,000 cellular mobile connections in the region provided by the cellular companies.

**c) Rural Telecom Development**

For the provision of affordable telecom services in underserved and unserved rural areas, the Government and the PTA have initiated a project wherein a fund has been created namely the *Universal Service Fund (USF)*. The basic objective of the USF is to expand telecom infrastructure and services to unserved and underserved areas by providing subsidy to the telecom operators in these areas. Contribution to this fund is made by the telecom operators set under the policy as well as by the government and international development agencies. So far an amount of Rs. 4.82 billion has been collected in this account. The Ministry of IT & Telecom (MoIT&T) has also issued the policy for the utlisation of this fund for rural telecom development.

The PTA has developed a strategy for the establishment of Telecentres in rural areas and the project consists of two Phases; in the first phase, PTA has launched a Telecentre project called "Rabta Ghar" all across the country. Under the scheme, 400 Telecentres will be established in the first phase for which the equipment worth over Rs. 50,000/- will be provided free of cost. The PTA has also arranged free delivery, installation and training of the "Rabta Ghar". In the second Phase of Rural Telephony scheme, Telecentres will be established through micro financing from local Banks. For this scheme all major banks and all micro finance banks were approached to provide micro credit for the establishment of Telecentres.

In addition to the PTA's efforts for promoting rural telephony, the MoIT&T has also issued a Policy Guideline on the "Provision of Pay phone / PCO Service for Broader Coverage, Outreach and Economic Opportunity". The policy has been framed with a view to expanding telecom services in far flung areas by allowing local loop and cellular mobile operators to establish PCOs. Resultantly, Mobilink has launched its PCOs on a large scale.

**d) Payphones Concessions and Facilitation**

To make payphone business sustainable, the PTA has announced a substantial reduction in the Annual License Fee (ALF) of Card Pay Phone Operators (CPPO) i.e. PTA will now charge only 0.1 percent ALF from Card Pay Phone Operators on their gross revenue with effect from 1st July 2006 instead of 1.5 percent. Further, the Authority also rescheduled the Annual License fee outstanding up to June 30, 2005 for all payphone licensees. The ALF shall be payable in 6 equal installments on a bimonthly basis starting from December 16, 2006.

The business of Fixed Line CPPO segment which had mushroom growth in the last few years is shrinking due to growth of mobile PCOs. Due to this reason as well as for economy of scale, consolidation of some businesses is expected in future. In this regard, the operators' requested and PTA assured the operators that it will facilitate Mergers & Acquisitions of Payphone Operators/Companies. Payphone operators will submit specific proposals to PTA for consideration of mergers. Mobile operators have been asked to facilitate Payphone operators by offering discount on Mobile Termination Rates and to consider offering better packages to licensed payphone operators. PTCL was also asked to revise its tariffs for the payphone industry.

### III. Electronic Media

#### a) Pakistan Electronic Media Regulatory Authority (PEMRA)

PEMRA was established in March 2002 with a view to open up electronic media to the private sector. The Government's intention behind the establishment of PEMRA was to improve the standards of information, education and entertainment and to enlarge the choice available to the people of Pakistan in the media. Since its inception, PEMRA has made efforts in establishing standards of directness of information. The process of licensing through transparent bidding has earned appreciation from stakeholders as well as the general public. In a short span of 5 years, it has endeavoured to change the broadcast media landscape of Pakistan, working as a catalyst for growth and development and has awarded broadcast licenses in various categories.

During the first nine months of the current fiscal year, 350 licences have been awarded for establishment of Cable TV in different cities of Pakistan. During this period PEMRA has also awarded 3 licences for satellite TV and 2 licences for Internet Protocol TV (IPTV) channel distribution service. PEMRA has also granted Landing Rights Permissions to 10 Foreign Satellite TV channels. The PEMRA has issued a total of 19 satellite TV licences since 2002, out of which 16 are operational including 4 for educational purposes, 103 FM licences out of which 68 are operational, 6 Multi Channel Multi Point Distribution Service (MMDS) licences with 5 operational and Landing Rights Permission to 23 foreign channels. PEMRA is also in the process of issuing Direct to Home (DTH) and teleport licences.

#### b) Pakistan Television Corporation Limited (PTV)

PTV has played a significant role in helping the earth quake affected people of Northern Areas of Pakistan and Kashmir. In this respect PTV has established a TV Centre in AJ&K with three re-broadcast centres at Kotli, Rawalakot and Bagh. The Government is giving priority towards the socio-economic uplift in less-developed areas of the country. PTV has also been telecasting regional languages programmes round the clock. A channel called "Bolan" was launched for the viewer of Baluchistan. PTV is operating with four channels in the country, namely PTV-I, PTV-2(PTV-World), PTV-3 and PTV National. The Rebroadcast Centres, which extend the PTV signal to remote areas, include 49 for PTV-I, 30 for PTV-2 and 13 for PTV-3.

#### c) Pakistan Broadcasting Corporation (PBC)

Radio is the fastest, mobile and cheapest electronic media which is capable of reaching the masses far and near. With its varied and wide ranging programmes, PBC is catering to all segments of society. PBC has 31 Broadcasting Houses, 33 medium wave transmitters, 8 short wave transmitters and 21 FM transmitters which transmitted programmes for listeners at home and abroad. Programmes in 21 national and regional languages are broadcast on the medium wave in Home Service and 16 foreign languages in the External Service for foreigners and in national language in the World Service for Pakistanis living abroad. The network of Radio Pakistan covers 98 percent of the population and 80 percent of the total area of the country.

Radio Pakistan introduced FM Service in October 1998, which was warmly welcomed by the listeners. In view of its popularity PBC launched

FM 101 Service through a network in July, 2002. Presently 8 FM Stations are broadcasting FM 101 Service. This service has gained tremendous popularity among the youths and may rightly be called radio of the youth.

To boost agriculture production and promote awareness amongst farmers regarding cultivation and protection of cereal and cash crops, a crop cultivation week was celebrated through different radio stations. Similarly exclusive programmes were broadcast to educate the general public in connection with monsoon and spring tree plantation campaign. Music based programmes are the popular programmes among the audience of Radio Pakistan. During the year under review proper attention was given to the production and presentation of musical programmes. PBC News is the biggest source of dissemination of news in the country. Its General News room in Islamabad and attached units are presently putting on air 136 news bulletins daily. These include national, regional, external, sports, business, weather and local bulletins. It also broadcasts hourly headlines bulletin on FM-101 network.IV.

**Pakistan Post Office**

Pakistan Post Office a state enterprise dedicated to providing wide range of postal products and public services. An efficient postal system is essential for cohesiveness of a vast country with a large population like Pakistan. As a true emblem of federation, it is committed to serving every one, every day and every where. It provides postal facilities through a network of 12, 339 post offices across the country. In compliance with the Government welfare policies, the Pakistan Post Office is providing a variety of services on behalf of Federal and Provincial Governments and autonomous/corporate entities. In order to facilitate payment of utility bills, Pakistan Post is collecting P.T.C.L, Electricity and Gas bills through out the country, while WASA bills are being collected in Hyderabad, Multan Quettan and Sialkot, by the post offices. Pakistan Post earned Rs. 331.260 million in the shape of commission during July- March, 2006-07. It has taken various measures to streamline the post office system on modern lines, including adoption of better information technology. A number of information technology projects have already been completed/ implemented and a few more are in the pipeline.

TABLE 13.1

TRANSPORT

| Fiscal Year | Railways: Route (Kilometres) | Number of Passengers carried *(Million) | Freight carried (Million Tonnes) | Freight Tonne (Kilometres Million) | Locomo-tives (Nos.) | Freight Wagons (Nos.) | Length of Roads (Kilometers): Total | High Type | Low Type |
|---|---|---|---|---|---|---|---|---|---|
| 1990-91 | 8,775 | 84.90 | 7.72 | 5,709 | 753 | 34,851 | 170,823 | 86,839 | 83,984 |
| 1991-92 | 8,775 | 73.30 | 7.56 | 5,962 | 752 | 30,369 | 182,709 | 95,374 | 87,335 |
| 1992-93 | 8,775 | 59.00 | 7.77 | 6,180 | 703 | 29,451 | 189,321 | 99,083 | 90,238 |
| 1993-94 | 8,775 | 61.72 | 8.04 | 5,938 | 676 | 29,228 | 196,817 | 104,001 | 92,816 |
| 1994-95 | 8,775 | 67.70 | 8.11 | 6,711 | 678 | 30,117 | 207,645 | 111,307 | 96,338 |
| 1995-96 | 8,775 | 73.65 | 6.85 | 5,077 | 622 | 26,755 | 218,345 | 118,428 | 99,917 |
| 1996-97 | 8,775 | 68.80 | 6.36 | 4,607 | 633 | 25,213 | 229,595 | 126,117 | 103,478 |
| 1997-98 | 8,775 | 64.90 | 5.98 | 4,447 | 611 | 24,275 | 240,885 | 133,462 | 107,423 |
| 1998-99 | 7,791 | 64.90 | 5.45 | 4,330 | 596 | 24,456 | 247,484 | 137,352 | 110,132 |
| 1999-00 | 7,791 | 68.00 | 4.77 | 3,612 | 597 | 23,906 | 248,340 | 138,200 | 110,140 |
| 2000-01 | 7,791 | 68.80 | 5.89 | 4,520 | 610 | 23,893 | 249,972 | 144,652 | 105,320 |
| 2001-02 | 7,791 | 69.00 | 5.90 | 4,573 | 577 | 23,460 | 251,661 | 148,877 | 102,784 |
| 2002-03 | 7,791 | 72.40 | 6.18 | 4,820 | 577 | 23,722 | 252,168 | 153,225 | 98,943 |
| 2003-04 | 7,791 | 75.70 | 6.14 | 4,796 | 592 | 21,812 | 256,070 | 158,543 | 97,527 |
| 2004-05 | 7,791 | 78.18 | 6.41 | 5,014 | 557 | 21,556 | 258,214 | 162,841 | 95,373 |
| 2005-06 | 7,791 | 81.43 | 6.03 | 4,971 | 544 | 20,809 | 259,021 | 167,530 | 91,491 |
| (Jul-Mar) | | | | | | | | | |
| 2006-07 | 7,791 | 660.00 | 4.50 | 3,785 | 531 | 21,300 | 259,197 * | 172,827 | 86,370 |

* : Estimated.

(Contd.)

TABLE 13.1

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 | 494,956 | 6696 | 3,865.0 |
| 1991-92 | 20,453 | 15,267 | 5,186 | 28 | 494,956 | 8236 | 4,063.0 |
| 1992-93 | 22,170 | 17,256 | 4,914 | 29 | 518,953 | 9031 | 3,137.0 |
| 1993-94 | 22,569 | 17,610 | 4,959 | 27 | 595,836 | 9134 | 3,302.0 |
| 1994-95 | 23,098 | 17,526 | 5,572 | 15 | 264,410 | 9224 | 4,311.0 |
| 1995-96 | 23,581 | 18,719 | 4,862 | 17 | 290,353 | 8365 | 6,962.0 |
| 1996-97 | 23,475 | 18,362 | 5,113 | 15 | 261,817 | 9394 | 7,761.5 |
| 1997-98 | 22,684 | 17,114 | 5,570 | 15 | 261,836 | 9805 | 4,597.0 |
| 1998-99 | 24,053 | 18,318 | 5,735 | 15 | 261,836 | 9310 | 3,707.0 |
| 1999-00 | 23,761 | 18,149 | 5,612 | 15 | 261,836 | 9572 | 3,483.0 |
| 2000-01 | 25,981 | 20,063 | 5,918 | 14 | 243,802 | 11938 | 5,458.7 |
| 2001-02 | 26,692 | 20,330 | 6,362 | 14 | 243,749 | 13346 | 4,555.5 |
| 2002-03 | 25,852 | 19,609 | 6,273 | 13 | 229,579 | 14810 | 5,405.0 |
| 2003-04 | 27,813 | 21,732 | 6,081 | 14 | 469,931 | 14635 | 6,881.9 |
| 2004-05 | 28,615 | 22,100 | 6,515 | 14 | 570,466 | 18027 | 7,860.0 |
| 2005-06 | 32,270 | 25,573 | 6,697 | 15 | 636,182 | 18184 | 7,924.6 |
| (Jul-Mar) | | | | | | | |
| 2006-07 | 22,427 | 17,277 | 5,150 | 15 | 636,182 | 14079 | 6,731.0 |

Source: (i): Ministry of Railways
(ii): National Transport Research Center
(iii): Karachi Port Trust
(iv): Pakistan National Shipping Corporation

## TABLE 13.2

### PAKISTAN INTERNATIONAL AIRLINES CORPORATION

| Fiscal Year | Route Kilo-metres | Revenue Kilome-tres Flo-wn (000) | Revenue Hours Flown | Revenue Passengers Carried (000) | Revenue Passengers Kilome-tres (mln) | Available Seat Kilome-tres(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 | 294,082 | 58,146 | 96,765 | 4,796 | 12,769 | 18,299 | 69.8 |
| 2004-05 | 354,664 | 80,699 | 131,262 | 5,132 | 13,634 | 20,348 | 67.0 |
| 2005-06 | 343,525 | 87,273 | 141,666 | 5,828 | 15,260 | 21,991 | 69.4 |
| (Jul-Mar) | | | | | | | |
| 2006-07 | 404,445 | 67,857 | 91,892 | 4,245 | 11,557 | 16,487 | 70.1 |

*: PIA's Financial Year is based on Calender Year. (Contd.)

## TABLE 13.2

### PAKISTAN INTERNATIONAL AIRLINES CORPORATION

| Fiscal Year | Revenue Tonne Kilome-tres (Mln) | Available Tonne Kilome-tres (Mln) | Revenue Load Factor (%) | Operating Revenue (Million Rupees) | Operating Expenses (Million Ruppes) | 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 | 55.0 | 51,041 | 47,197 | 42 |
| 2004-05 | 1,657 | 3,033 | 54.6 | 61,308 | 62,360 | 42 |
| 2005-06 | 1,818 | 3,302 | 55.1 | 67,574 | 73,074 | 42 |
| (Jul-Mar) | | | | | | |
| 2006-07 | - | - | 58.8 | 54,740 | 61,639 | 39 |

.. Not available

Source: Pakistan International Airlines Corporation

*: PIA's Financial Year is based on Calender Year.

TABLE 13.3

NUMBER OF MOTOR VEHICLES REGISTERED

| Calendar Year | Motor Cars Jeeps & Station Wagons | Motor Cabs/ Taxis | Buses | Trucks | Motor Cycle (2 Wheels) | Motor Cycle (3 Wheels) | Others | Total |
|---|---|---|---|---|---|---|---|---|
| 1990 | 682,636 | 32,304 | 84,016 | 105,245 | 1,250,749 | 50,862 | 507,025 | 2,712,837 |
| 1991 | 731,960 | 33,235 | 89,094 | 107,171 | 1,381,136 | 52,439 | 528,878 | 2,923,913 |
| 1992 | 819,350 | 41,245 | 94,988 | 111,391 | 1,497,017 | 56,267 | 558,926 | 3,179,184 |
| 1993 | 868,159 | 47,897 | 98,681 | 114,394 | 1,573,370 | 59,510 | 589,281 | 3,351,292 |
| 1994 | 902,654 | 52,444 | 107,440 | 118,389 | 1,679,259 | 62,183 | 615,497 | 3,537,866 |
| 1995 | 923,577 | 53,400 | 113,516 | 119,174 | 1,754,737 | 63,370 | 642,174 | 3,669,948 |
| 1996 | 966,747 | 54,501 | 114,415 | 123,658 | 1,842,531 | 69,756 | 666,549 | 3,838,157 |
| 1997 | 1,068,116 | 83,182 | 119,365 | 131,322 | 1,995,421 | 76,224 | 700,315 | 4,173,945 |
| 1998 | 1,085,969 | 83,687 | 125,929 | 132,895 | 2,068,730 | 81,777 | 724,309 | 4,303,296 |
| 1999 | 1,162,876 | 83,844 | 150,108 | 145,111 | 2,175,488 | 95,345 | 746,718 | 4,559,490 |
| 2000 | 1,182,307 | 83,892 | 154,401 | 148,569 | 2,260,772 | 99,376 | 772,279 | 4,701,596 |
| 2001 | 1,201,738 | 93,940 | 158,694 | 157,027 | 2,346,056 | 103,407 | 797,840 | 4,843,702 |
| 2002 | 1,282,371 | 83,954 | 162,672 | 170,615 | 2,407,466 | 115,919 | 825,552 | 5,048,549 |
| 2003 | 1,292,888 | 84,277 | 162,957 | 178,883 | 2,444,567 | 122,448 | 846,017 | 5,132,037 |
| 2004 | 1,301,406 | 84,311 | 163,242 | 181,150 | 2,681,066 | 124,076 | 860,480 | 5,395,731 |
| 2005 | 1,321,590 | 85,619 | 165,775 | 183,962 | 2,722,645 | 126,004 | 873,825 | 5,479,417 |
| 2006 | 1,496,780 | 96,968 | 192,753 | 208,347 | 3,083,558 | 142,705 | 989,658 | 6,210,769 |

Source: Federal Bureau of Statistics

TABLE 13.4

MOTOR VEHICLES ON ROAD (000 Number)

| Year | Mcy/ Scooter | Motor Car | Jeep | Stn. Wagon | Tractor | Buses | M.Cab Taxi | Motor Rck |
|---|---|---|---|---|---|---|---|---|
| 1991-92 | 971.80 | 429.10 | 31.60 | 43.60 | 275.30 | 45.00 | 33.50 | 42.40 |
| 1992-93 | 1,165.50 | 465.80 | 35.60 | 48.80 | 353.00 | 51.70 | 40.00 | 46.70 |
| 1993-94 | 1,287.30 | 493.70 | 38.00 | 52.70 | 376.60 | 56.40 | 44.50 | 50.50 |
| 1994-95 | 1,482.00 | 516.80 | 41.30 | 56.00 | 399.80 | 60.90 | 47.90 | 53.40 |
| 1995-96 | 1,481.90 | 538.40 | 43.50 | 59.00 | 424.80 | 64.50 | 51.40 | 58.70 |
| 1996-97 | 1,576.00 | 564.50 | 45.50 | 62.00 | 439.80 | 68.20 | 54.10 | 65.60 |
| 1997-98 | 1,691.40 | 593.00 | 47.80 | 65.00 | 463.60 | 72.50 | 57.30 | 74.60 |
| 1998-99 | 1,833.70 | 731.30 | 16.70 | 60.60 | 489.80 | 84.40 | 68.50 | 56.70 |
| 1999-00 | 2,010.00 | 815.70 | 17.00 | 73.90 | 528.40 | 92.80 | 69.80 | 59.90 |
| 2000-01 | 2,218.90 | 928.00 | 18.30 | 93.80 | 579.40 | 86.60 | 79.80 | 72.40 |
| 2001-02 | 2,481.10 | 1,040.00 | 43.40 | 122.70 | 630.50 | 96.60 | 96.40 | 80.80 |
| 2002-03 | 2,656.20 | 1,110.00 | 44.40 | 126.40 | 663.20 | 98.30 | 104.10 | 80.90 |
| 2003-04 | 2,882.50 | 1,193.10 | 47.80 | 132.40 | 722.70 | 100.40 | 112.60 | 81.00 |
| 2004-05 | 3,063.00 | 1,264.70 | 51.80 | 140.50 | 778.10 | 102.40 | 120.30 | 81.30 |
| 2005-06 | 3,791.00 | 1,999.20 | 65.70 | 140.80 | 822.30 | 103.60 | 122.10 | 77.80 |
| (Jul-Mar) | | | | | | | | |
| 2006-07 * | 4,463.80 | 1,682.20 | 85.40 | 169.10 | 877.80 | 108.40 | 119.10 | 79.00 |

* Estimated (Contd.)

TABLE 13.4

MOTOR VEHICLES ON ROAD (000 Number)

| Year | D.Van | Trucks | Pickup | Ambu-lance | Tankers Oil | Tankers Water | Others | Total |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2004-05 | 121.90 | 151.80 | 87.60 | 4.50 | 7.70 | 0.90 | 69.40 | 6,048.30 |
| 2005-06 | 143.30 | 151.80 | 93.50 | 4.50 | 7.70 | 0.90 | 60.20 | 7,084.50 |
| (Jul-Mar) | | | | | | | | |
| 2006-07 * | 148.90 | 173.30 | 104.50 | 4.60 | 7.80 | 0.90 | 38.50 | 8,063.60 |

* : Estimated

Source: National Transport Research Center

## TABLE 13.5

### PRODUCTION AND IMPORTS OF MOTOR VEHICLES

| Fiscal Year/ Type of Vehicles | 1992-93 | 1993-94 | 1994-95 | 1995-96 | 1996-97 | 1997-98 | 1998-99 | 1999-00 | 2000-01 |
|---|---|---|---|---|---|---|---|---|---|
| PRODUCTION (Nos.) | | | | | | | | | |
| Trucks | 2,222 | 1,394 | 703 | 3,030 | 2,916 | 1,850 | 1,131 | 977 | 952 |
| Buses | 1,177 | 427 | 312 | 438 | 862 | 425 | 1,220 | 1,508 | 1,337 |
| L.C.Vs | 11,478 | 5,128 | 5,154 | 6,834 | 9,817 | 4,886 | 8,079 | 6,656 | 6,965 |
| 4x4 Vehicles | 1,324 | 816 | 1,310 | 2,274 | 792 | 651 | 622 | 380 | 459 |
| Tractors | 17,127 | 14,907 | 17,144 | 16,208 | 10,417 | 14,144 | 26,885 | 35,038 | 32,533 |
| Motor Cycle/Scooters/ Rickshaw | 95,793 | 63,958 | 60,960 | 121,809 | 117,188 | 96,991 | 93,167 | 94,881 | 117,858 |
| Cars | 26,945 | 19,514 | 20,955 | 31,079 | 33,462 | 33,683 | 38,682 | 32,461 | 39,573 |
| IMPORTS (Nos.) | | | | | | | | | |
| Cars | 100,188 | 38,216 | 31,743 | 35,100 | 31,817 | 36,851 | 46,363 | 34,988 | 62,187 |
| Jeeps | 1,484 | 343 | 1,535 | 959 | 542 | 1 | 165 | 48 | 338 |
| Motor Rickshaw | 2,773 | 548 | 250 | .. | .. | 900 | | 8 | 20 |
| Station Wagon | 746 | 251 | 326 | 265 | 173 | 143 | 97 | 71 | 115 |
| Buses Including Trolly Buses | 2,247 | 893 | 267 | 344 | 396 | 498 | 603 | 917 | 588 |
| Lorries/Trucks Includ- ing Ambulance | 4,743 | 2,673 | 882 | 1,948 | 2,101 | 1,034 | 443 | 500 | 545 |
| special Lorries, Trucks & Vans | 535 | 461 | 219 | 102 | 198 | 99 | 152 | 109 | 138 |
| Motor Cycle | 119,970 | 86,349 | 62,100 | 115,235 | 135,220 | 90,435 | 79,738 | 85,592 | 15,771 |
| Scooter | 308 | 3 | 40 | .. | .. | 7 | 8 | 145 | - |
| Motorised Cycles | 426 | 26 | 234 | 1,305 | 990 | 925 | 44 | 3 | |
| Passengers M. Cars (n.S) | 212 | 88 | 224 | 919 | 338 | 318 | 162 | 161 | 99 |
| Road Tractors for Trailers | 10 | 27 | 4 | 193 | 340 | 38 | 37 | 7 | 36 |
| Tractor Agricultural | .. | 952 | 10,084 | 6,805 | 2,020 | 1,086 | 3,281 | 2,469 | 55 |
| Tractor Caterpiller | .. | 3 | 2 | 1 | 6 | .. | 1 | .. | |
| Tractor Heavy Duty for const. | 115 | 14 | 2 | .. | 14 | 28 | .. | 5 | 13 |
| Tractor Roads | .. | .. | .. | .. | 8 | .. | .. | 3 | 25,964 |
| Tractor (NES) | 78 | 115 | 80 | 323 | 179 | 113 | 436 | 1 | 15 |
| Car's Chassis with Engine | 11 | 1 | .. | .. | 28 | 2 | .. | 10 | 4 |
| Bus etc. Chassis | 102 | 24 | 48 | | 12 | .. | .. | 277 | 57 |
| Spl. Truck etc. Chassis | .. | 26 | .. | .. | .. | .. | .. | .. | 4 |
| Rickshaw, Chassis with Engine | .. | .. | .. | .. | .. | .. | .. | .. | 17 |
| Pickup | 17,931 | 6,099 | 5,751 | 5,506 | 5,511 | 6,314 | 3,734 | 3,672 | 2,703 |
| Delivery Van | 22,343 | 2,823 | 1,940 | 1,831 | 4,851 | 5,218 | 3,149 | 3,379 | 1,573 |
| Chassis Un-Mounted Motor Vehicles No | 457 | .. | 127 | 1 | 194 | 9 | .. | .. | 62 |
| Bicycle | 468 | 928 | 9,916 | 8,303 | 3,618 | 7,844 | 29,218 | 22,211 | 14,505 |
| Motor Vehicles for Goods | 134 | 57 | 43 | 151 | 22 | 18 | 146 | 160 | .. |
| Passenger Vehicles Public No | 17 | 15 | 8 | 27 | 22 | 4 | 61 | 183 | 62 |
| Tractor Chassis with Engine | .. | .. | 480 | .. | .. | .. | .. | .. | .. |

.. not available

(Contd.)

## TABLE 13.5

### PRODUCTION AND IMPORTS OF MOTOR VEHICLES

| Fiscal Year/ | | | | | | July - March | |
|---|---|---|---|---|---|---|---|
| Type of Vehicles | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2005-06 | 2006-07 |
| PRODUCTION (Nos.) | | | | | | | |
| Trucks | 1,141 | 1,950 | 2,022 | 3,204 | 4,518 | 3,267 | 3,266 |
| Buses | 1,099 | 1,340 | 1,380 | 1,762 | 627 | 518 | 627 |
| L.C.Vs | 8,491 | 12,174 | 14,089 | 23,613 | 29,581 | 20,743 | 24,071 |
| 4x4 Vehicles | 570 | 374 | 801 | 1,564 | 2,472 | - | - |
| Tractors | 24,331 | 76,501 | 36,103 | 43,746 | 49,439 | 36,839 | 39,602 |
| Motor Cycle | 133,334 | 176,591 | 327,446 | 476,333 | 752,603 | 504,420 | 609,562 |
| Cars | 40,601 | 62,893 | 99,263 | 126,817 | 163,114 | 114,309 | 118,668 |
| IMPORTS (Nos.) | | | | | | | |
| Cars | 40,079 | 60,554 | 88,130 | 66,338 | 36,563 | 21,256 | 44,683 |
| Jeeps | 666 | 6,010 | 11,435 | 5,409 | 2,108 | 1,386 | 15,750 |
| Motor Rickshaw | | 101 | 3 | 3 | 15 | 12 | 1,351 |
| Station Wagon | 165 | 440 | 154 | 37 | 284 | 224 | 58 |
| Buses Including Trolly Buses | 700 | 1,230 | 2,429 | 411 | 577 | 437 | 31 |
| Lorries/Trucks Includ-ing Ambulance | 728 | 14,036 | 2,883 | 2,616 | 3,659 | 2,295 | 3,218 |
| special Lorries, Trucks & Vans | 157 | 54 | 95 | 1,544 | 548 | 425 | 5,760 |
| Motor Cycle | 111,711 | 143,952 | 127,861 | 189,721 | 3,009 | 3,005 | 2,781 |
| Scooter | - | - | - | - | .. | .. | .. |
| Motorised Cycles | | 509 | 675 | 4,143 | 9,472 | 5,728 | 8,675 |
| Passengers M. Cars (n.S) | 161 | 194 | 243 | 244 | 1,587 | 1,074 | 948 |
| Road Tractors for Trailers | 18 | 122 | 124 | 117 | 76 | 48 | 11 |
| Tractor Agricultural | 220 | 14,000 | 11,420 | 6,543 | 7,346 | 5,535 | 2,346 |
| Tractor Caterpiller | 44 | 1 | 30 | 91 | .. | .. | .. |
| Tractor Heavy Duty for const. | 4 | 120 | 219 | 563 | 632 | 495 | 704 |
| Tractor Roads | 15,174 | 1,115 | 2,104 | 1,646 | 2,104 | 1,832 | 205 |
| Tractor (NES) | 115 | 496 | 736 | 2,167 | 1,811 | 1,126 | 3,140 |
| Car's Chassis with Engine | 1 | | | | .. | .. | 3,233 |
| Bus etc. Chassis | 60 | 46 | 164 | 18 | 58 | 16 | 30 |
| Spl. Truck etc. Chassis | | | | | .. | 34 | 6 |
| Rickshaw, Chassis with Engine | 36 | 10 | 2 | 144 | 195 | 187 | 16,982 |
| Pickup | 3,600 | 5,162 | 6,857 | 5,394 | 1,143 | 493 | 718 |
| Delivery Van | 2,120 | 471 | 26 | 178 | 245 | 169 | 4 |
| Chassis Un-Mounted Motor Vehicles No | 168 | | | | | | |
| Bicycle | 20,240 | 37,836 | 39,894 | 61,187 | 52,022 | 40,276 | 41,620 |
| Motor Vehicles for Goods | 2 | 234 | 511 | 269 | 604 | 500 | 44 |
| Passenger Vehicles Public No | 6 | 473 | 721 | 1,519 | 5,228 | 4,092 | 642 |
| Tractor Chassis with Engine | | | | | .. | | |

.. not available

## TABLE 13.6

## POST AND TELECOMMUNICATIONS

| Fiscal Year | No of Post Offices | | | No of Tele-graph Offices | | | Telephones (000 Nos.) | Internet Connections (Million) | No.of Internet Cities connected | No of PCO * | Mobile Phones |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Urban | Rural | Total | Urban | Rural | Total | | | | | |
| 1990-91 | 1,867 | 11,546 | 13,413 | 195 | 302 | 497 | 1188 | .. | | 3,861 | |
| 1991-92 | 1,909 | 11,471 | 13,380 | 299 | 210 | 509 | 1461 | .. | | 4,676 | |
| 1992-93 | 1,983 | 11,213 | 13,196 | 320 | 210 | 530 | 1548 | .. | | 5,618 | |
| 1993-94 | 1,970 | 11,315 | 13,285 | 327 | 85 | 412 | 1801 | .. | | 6,422 | |
| 1994-95 | 2,026 | 11,294 | 13,320 | 330 | 86 | 416 | 2126 | .. | | 4,600 | |
| 1995-96 | 2,092 | 11,327 | 13,419 | 319 | 104 | 423 | 2376 | .. | | 9,410 | 68,038 |
| 1996-97 | 2,024 | 11,192 | 13,216 | 340 | 93 | 433 | 2558 | .. | | 10,040 | 135,027 |
| 1997-98 | 2,044 | 11,250 | 13,294 | 356 | 92 | 448 | 2756 | 0.01 | | 10,071 | 196,096 |
| 1998-99 | 2,103 | 10,751 | 12,854 | 308 | 93 | 401 | 2861 | 0.20 | | 10,107 | 265,614 |
| 1999-00 | 2,103 | 10,751 | 12,854 | 293 | 91 | 384 | 3124 | 0.50 | | 10,400 | 306,463 |
| 2000-01 | 2,302 | 9,932 | 12,234 | 293 | 91 | 384 | 3340 | 0.80 | | 66,968 | 742,606 |
| 2001-02 | 1,983 | 10,284 | 12,267 | 258 | 104 | 362 | 3656 | 1.00 | | 97,751 | 1,698,536 |
| 2002-03 | 1,808 | 10,446 | 12,254 | 239 | 87 | 326 | 4940 | 1.60 | 1,350 | 139,493 | 2,404,400 |
| 2003-04 | 2,267 | 9,840 | 12,107 | 215 | 73 | 288 | 4460 | 2.00 | 1,898 | 180,901 | 5,022,908 |
| 2004-05 | 1,831 | 10,499 | 12,330 | 215 | 77 | 292 | 5191 | 2.10 | 2,210 | 217,597 | 12,771,203 |
| 2005-06 | 1,845 | 10,494 | 12,339 | - | - | - | 5128 | 2.40 | 2,389 | 353,194 | 34,506,557 |
| Jul-Mar | | | | | | | | | | | |
| 2005-06 | 1,875 | 10,536 | 12,411 | - | - | - | 5,174 | - | 2,339 | 236,166 | 27,344,938 |
| 2006-07 | 1,845 | 10,494 | 12,339 | - | - | - | 5,200 | 2.50 | 2,444 | 353,194 | 55,600,211 |

.. Not Available

* Included Cardpay Phones

Note : Telegraph offices closed in 2006

Source: (i): Pakistan Post Office
(ii): Pakistan Telecommunications Company Ltd
(iii): Pakistan Telecommunication Authority

# ENERGY

The *International Energy Outlook 2006*, projected strong growth in energy demand globally over the next 27-years on the back of equally strong world economic growth. World economic growth will averaging 3.8 percent per annum during the same period. Much of the growth in world energy demand will come from non-OECD Asia, which includes China and South Asian countries; demand in the region will nearly triple over the projection period. Total primary energy consumption in the non-OECD countries will grow at an average annual rate of 3.0 percent between 2003 and 2030. In contrast, for the Organization for Economic Cooperation and Development (OECD)—countries energy use will grow at a much slower pace of 1.0 percent per year over the same period.

Pakistan's economy has been growing at an average rate of over 7.6 percent per annum over the last three years and the government is making efforts to sustain the momentum going forward. Knowing well that there exists strong relationship between economic growth and energy demand government is making efforts to address the challenges of rising energy demand. These include, import of piped natural gas from Iran and Turkmenistan, import of LNG; increase in oil and gas exploration in the country; utilizing 175 billion tones of Thar coal reserves; setting up of new nuclear power plants; exploiting the affordable alternate energy resources and overhauling existing power generation plants to enhance their generation capacity. In addition to increasing supply, there is a need to promote efficient use of energy resources as well.

At present Pakistan meets its energy requirement of over 75 percent from domestic resources. As Fig-15.1 shows, around 50.4 percent of its energy need is met by the indigenous gas, 28.4 percent by domestic and imported oil and 12.7 percent by hydro electricity. Coal and nuclear contribution to energy use is limited to 7.0 percent and 1.0 percent, respectively. While the widening of energy supply and demand gap remains a challenge for Pakistan, it also provides viable investment opportunities for both local and international investors.

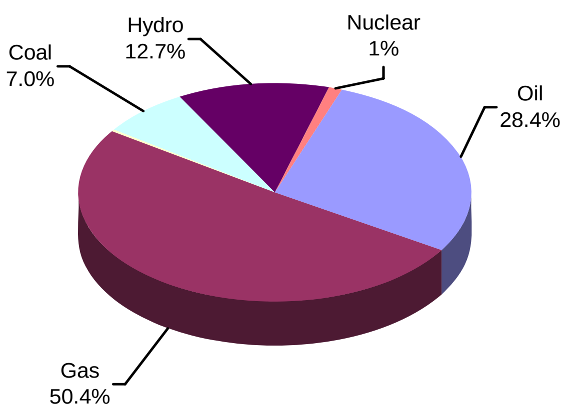
**Energy Consumption: An update**

Energy sector in Pakistan comprises electricity, gas, petroleum and coal. The primary commercial energy supplies increased by 4.3 percent by to 57.9 million tones of oil equivalent (MTOE) during 2005-06 as compared to 55.5 (MTOE) in 2004-05. The supply of energy increased by 9.2 percent and 8 percent in 2004-05 and 2003-04 respectively. The slower growth of primary energy supplies during 2005-06, can be attributed to: (i) lower consumption of High Speed Diesel (HSD) in transport sector, and (ii) sharp reduction in coal imports by Pakistan Steel. The decline in primary energy supplies has been compensated by sizeable increase of 20.2 percent in hydel generation during 2005-06. The share of natural gas in primary energy supplies during 2005-06 reached 50.4 percent followed by oil (28.4 percent), hydro electricity (12.7 percent), coal (7.0 percent), nuclear electricity (1.0 percent) and LPG (0.4 percent) (Fig-15.1).

To address the issue of bridging the gap between demand and supply the government is working on many fronts. It is in this perspective that the proposed Iran-Pakistan-India (IPI) gas pipeline project has reached at fairly advanced stage. The proposed gas pipeline project will take Iranian gas across Pakistan to India which will spur industrial, commercial and domestic economic activities in all the three counties. The Government has approved the gas sharing formula with other stakeholders. Pakistan and India will share equally when Iran starts delivering 2.1 billion cub feet of gas per day in the first phase. In the second phase, the total gas delivery will be enhanced to 5.3 billion cubic feet per day (BCFD) which Pakistan and India will share 2.1 BCFD and 3.2 BCFD, respectively. The IPI gas pipeline project is expected to start delivery by 2009-10. Termed as a peace pipeline, the IPI project aims at helping the two energy-starved South Asian countries meet their growing energy demand. Pakistan will also earn up to $700 million a year as transit fee from India. Strategically Pakistan is well placed in Asia to play the role of an energy corridor between the energy rich and the energy deficient countries.

The consumption of oil decreased by 0.3 percent during 2005-06 over the corresponding period last year. This was mainly due to lower consumption of oil in transport, agriculture and domestic sectors by 10 percent, 42 percent and 33 percent, respectively. Consumption of furnace oil in cement industry also dropped by 17 percent in 2004-05. Despite the slight decrease in oil consumption Pakistan remains dependent on costly oil imports. The crude oil and petroleum products import for the first nine month of the year 2006-07 amounted to about 6.1 million tonnes and 5.9 million tonnes, with values of US$ 2.64 billion and US$ 2.59 billion, respectively. The total oil import bill for the year 2006-07 (July-March) was US$ 5.23 billion.

**Fig-15.1: Primary Energy Supplies by Source (2005-06)**




Source: HDIP

The growth in consumption of natural gas at 5.4 percent outpaced the growth of production at 4.1 percent during 2005-06. The industry-wise break down of higher consumption was a follows: general industry (141 MMCFD); transport sector (40 MMCFD); fertilizer industry (22 MMCFD); commercial sector (6 MMCFD) and cement industry (5 MMCFD). However, consumption of gas decreased in power sector by (43 MMCFD) and in domestic sector by (3 MMCFD) despite an increase in number of domestic consumers by 6.5 percent over 2004-05. CNG sector continued to show high growth rate of 59 percent and gas consumption increasing from 67 to 107 MMCFD.

### I . Energy Consumption

During the last ten years (1996-97 to 2005-06), the consumption of petroleum products has decreased by an average rate of 0.4 percent per annum. The consumption of gas, electricity and coal on the other hand, has increased at an average rate of 7.8 percent, 5.1 percent and 8.8 percent per annum, respectively. The annual trend of energy consumption for the period 1996-97 to 2005-06 is given in Table 15.1. It is important to note that a structural change is taking place in energy consumption pattern in Pakistan since 2000-01. While consumption of petroleum products is declining except in 2004-05, the consumption of other components of energy is rising. The average consumption of petroleum products has in fact, registered a decline of 2.8 percent per annum since 2000-01, due to lower consumption of oil in the household and agriculture sectors. On the other hand, since 2000-01 consumption of gas, electricity and coal have grown at average rates of 9.6 percent, 6.8 percent and 16.7 percent, respectively.

The consumption of petroleum products and coal, during July-March 2006-07 of the current fiscal year witnessed significant increases by 19.2 percent and 24.6 percent, respectively. This is most likely due to higher demand of oil in agriculture and power sectors, non-availability of alternative fuel and the mixing of indigenous coal with imported coal. Further, the consumption of coal has also increased due to higher consumption in bricks kilns industry. These trends reflect the high agriculture growth and boom in infrastructure development like housing and buildings.

The acceleration in growth of all components of energy during 2006-07, is also driven by 8.8 percent growth in large-scale manufacturing and 7.0 percent growth in real GDP 2006-07. Higher consumption of energy especially oil, in agriculture sector reflects higher growth in this sector, despite heavy fluctuation in its prices ranging between US $ 50 to US $ 80 per barrel in international oil markets. The fluctuating prices have not affected the rising level of economic activities and expansion of middle class in the country.

**Table 15.1: Annual Energy Consumption**

| Fiscal Year | Petroleum Products (000 tones) | Petroleum Products % Change | Gas (mmcft) | Gas % Change | Electricity (Gwh) | Electricity % Change | Coal (000 M.T) | Coal % Change |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2004-05 | 14,671 | 9.3 | 1,161,043 | 10.4 | 61,327 | 6.7 | 6,622 | 25.3 |
| 2005-06 | 14,627 | -0.3 | 1,223,385 | 5.4 | 67,603 | 10.2 | 7,714 | 16.5 |
| **Avg. 10 years** | | **-0.4** | | **7.8** | | **5.1** | | **8.8** |
| **Jul-Mar** | | | | | | | | |
| 2005-06 | 10,164 | | 922,112 | | 49,416 | | 4,345 | |
| 2006-07 | 12,114 | 19.2 | 929,516 | 0.8 | 52,246 | 5.7 | 5,414 | 24.6 |

*Source: Hydrocarbon Development Institute of Pakistan*

### a. Petroleum Products

During the first nine months of the current fiscal year (2006-07), the consumption of petroleum products in households sector, industry, transport and other government sector, exhibited sharp declines of 20.2 percent, 2.5 percent, 4.2 percent and 2.7 percent, respectively. The declines were mainly due to the availability of alternative and relatively cheaper fuels (natural gas and LPG), decrease in the consumption of furnace oil in industry, massive increase of CNG and natural gas in transport and low demand for JP-8 by defence. On the other hand, consumption in agriculture and power sectors showed marked increases of 11.7 percent and 89.9 percent, respectively due to higher demand in agriculture sector and non-availability of alternative source of energy to power sector. The annual growth in the consumption of petroleum products by major sectors and their relative shares between1996-97 to 2006-07 are given in Tables 15.2 & 15.3, respectively. Between1996-2006, the transport sector was the largest user of petroleum products accounting for 50.7 percent of consumption on average followed by the power sector (32.1 percent), industry (11.4 percent), other government (2.3 percent), households (2.2 percent) and agriculture (1.3 percent) (Table 15.3).

**Table 15.2: Consumption of Petroleum Products** (000 tones) (Percentage Change)

| Year | House holds | % Change | Industry | % Change | Agricultur | % Change | Trans-port | % Change | Power | % Change | Other Govt. | % Change | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1996-97 | 510 | -14.4 | 2,141 | -11.4 | 269 | 7.6 | 7,172 | 0.5 | 5,110 | 6.8 | 404 | -3.2 | 15,606 |
| 1997-98 | 499 | -2.2 | 2,081 | -2.8 | 245 | -8.9 | 7,364 | 2.7 | 6,054 | 18.5 | 381 | -5.7 | 16,624 |
| 1998-99 | 493 | -1.2 | 2,140 | 2.8 | 249 | 1.6 | 7,864 | 6.8 | 5,526 | -8.7 | 376 | -1.3 | 16,648 |
| 1999-00 | 477 | -3.2 | 2,116 | -1.1 | 293 | 17.8 | 8,308 | 5.6 | 6,228 | 12.7 | 346 | -8.0 | 17,768 |
| 2000-01 | 451 | -5.5 | 1,924 | -9.1 | 255 | -13.0 | 8,158 | -1.8 | 6,488 | 4.2 | 372 | 7.5 | 17,648 |
| 2001-02 | 335 | -25.7 | 1,612 | -16.2 | 226 | -11.4 | 8,019 | -1.7 | 6,305 | -2.8 | 464 | 24.7 | 16,960 |
| 2002-03 | 283 | -15.5 | 1,604 | -0.5 | 197 | -12.8 | 8,082 | 0.8 | 6,020 | -4.5 | 266 | -42.7 | 16,452 |
| 2003-04 | 231 | -18.4 | 1,493 | -6.9 | 184 | -6.6 | 8,464 | 4.7 | 2,740 | -54.5 | 309 | 16.2 | 13,421 |
| 2004-05 | 193 | -16.5 | 1,542 | 3.3 | 142 | -22.8 | 9,025 | 6.6 | 3,452 | 26.0 | 317 | 2.6 | 14,671 |
| 2005-06 | 129 | -33.2 | 1,681 | 9.1 | 82 | -42.3 | 8,157 | -9.6 | 4,219 | 22.2 | 358 | 13.0 | 14,627 |
| **Jul-Mar** | | | | | | | | | | | | | |
| 2005-06 | 99 | | 1,256 | | 60 | | 5,981 | | 2,508 | | 259 | | 10,164 |
| 2006-07 | 79 | -20.2 | 1,224 | -2.5 | 67 | 11.7 | 57,30 | -4.2 | 4,762 | 89.9 | 252 | -2.7 | 12,114 |

*Source: Hydrocarbon Development Institute of Pakistan*

**Table 15.3: Consumption of Petroleum Products** (Percentage Share)

| Year | Households | Industry | Agriculture | Transport | Power | Other Govt. |
|---|---|---|---|---|---|---|
| 1996-97 | 3.3 | 13.7 | 1.7 | 45.9 | 32.7 | 2.6 |
| 1997-98 | 3.0 | 12.5 | 1.5 | 44.3 | 36.4 | 2.3 |
| 1998-99 | 2.9 | 12.9 | 1.5 | 47.2 | 33.2 | 2.3 |
| 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 |
| 2004-05 | 1.3 | 10.5 | 1.0 | 61.5 | 23.5 | 2.2 |
| 2005-06 | 0.9 | 11.5 | 0.6 | 55.8 | 28.8 | 2.5 |
| **Avg10 years** | **2.2** | **11.4** | **1.3** | **50.7** | **32.1** | **2.3** |
| **Jul-Mar** | | | | | | |
| 2005-06 | 1.0 | 12.4 | 0.6 | 58.8 | 24.8 | 2.5 |
| 2006-07 | 0.7 | 10.1 | 0.5 | 47.3 | 39.3 | 2.1 |

*Source: Hydrocarbon Development Institute of Pakistan*

### b. Consumption of Gas

Pakistan has a well-developed and integrated infrastructure of transporting, distributing and utilization of natural gas. Table 15.4 gives the annual change in the consumption of gas by various users between 1996-97—2006-07. Commercial, cement, fertilizer, industrial and transport sectors have registered a sharp rise in the consumption of gas during 2005-06. The consumption of gas in transport sector increased by 49.4 percent during July-March 2006-07, while the industrial consumption grew by 29.4 percent followed by the commercial sector (27.3 percent) and household sector (4.7). However, the consumption of gas declined in cement, fertilizer and power sector by 10 percent, 2.7 percent and 16.9 percent respectively. (see Table 15.4). The relative shares of gas consumption by various users during the last ten years are documented in Table 15.5. The Power sector has emerged as the largest consumer of gas (36.4 percent), followed by fertilizer (21.6 percent), industries (19.1 percent) households (17.8 percent), commercial (2.7 percent), cement (1.1 percent) and transport sector (CNG) (1.0 percent). It may be noted that the share of the transport sector in gas consumption has been rising continuously since 1998-99. The transport sector is also gradually reducing its dependency on imported fuel oil because of its ever-escalating prices and availability of cheaper fuel in the shape of CNG.

**Table -15.4:Consumption of Gas (Billion cft)** ( Percent change)

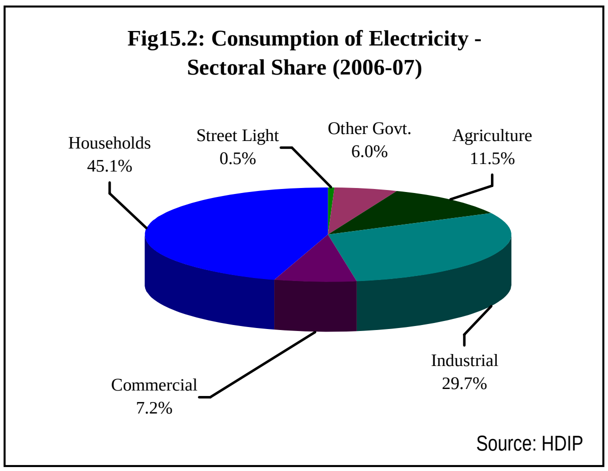
| Year | House hold | % Change | Comm-ercial | % Change | Cement | % Change | Ferti-lizer | % Change | Power | % Change | Indus-trial | % Change | Transport CNG mmcft | % Change |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1996-97 | 115 | 4.5 | 18 | 5.9 | 9 | 12.5 | 150 | 0.0 | 194 | 4.3 | 110 | -0.9 | 358 | |
| 1997-98 | 134 | 16.5 | 19 | 5.6 | 12 | 33.3 | 148 | -1.3 | 179 | -7.7 | 115 | 4.5 | 490 | 36.9 |
| 1998-99 | 131 | -2.2 | 21 | 10.5 | 8 | -33.3 | 167 | 12.8 | 184 | 2.8 | 121 | 5.2 | 2,182 | 345.3 |
| 1999-00 | 139 | 6.1 | 22 | 4.6 | 9 | 12.8 | 177 | 6.0 | 227 | 23.3 | 135 | 11.6 | 2,426 | 11.2 |
| 2000-01 | 141 | 1.4 | 21 | -4.5 | 7 | -22.2 | 175 | -1.1 | 281 | 23.8 | 139 | 3.0 | 4,423 | 82.3 |
| 2001-02 | 144 | 2.1 | 22 | 4.8 | 7 | 0.0 | 178 | 1.1 | 315 | 12.1 | 151 | 8.6 | 7,369 | 66.6 |
| 2002-03 | 154 | 6.9 | 23 | 4.5 | 3 | -57.1 | 181 | 1.7 | 336 | 6.7 | 165 | 9.3 | 11,320 | 53.6 |
| 2003-04 | 155 | 0.6 | 24 | 4.3 | 8 | 166.7 | 185 | 2.2 | 470 | 39.9 | 193 | 17 | 15,858 | 40.1 |
| 2004-05 | 172 | 11 | 27 | 12.5 | 13 | 62.5 | 190 | 2.7 | 507 | 7.9 | 226 | 17.1 | 24,443 | 54.1 |
| 2005-06 | 171 | -0.6 | 29 | 7.4 | 15 | 15.4 | 198 | 4.2 | 492 | -3.0 | 279 | 23.5 | 38,885 | 59.1 |
| **Jul-Mar** | | | | | | | | | | | | | | |
| 2005-06 | 148 | | 22 | | 10 | | 148 | | 390 | | 177 | | 27,077 | |
| 2006-07 | 155 | 4.7 | 28 | 27.3 | 9 | -10.0 | 144 | -2.7 | 324 | -16.9 | 229 | 29.4 | 40,459 | 49.4 |

*Source: Hydrocarbon Development Institute of Pakistan*

**Table 15.5: Consumption of Gas** (Percentage Share)

| Year | Households | Commercial | Cement | Fertilizer | Power | Industrial | Transport CNG |
|---|---|---|---|---|---|---|---|
| 1996-97 | 19.3 | 3.1 | 1.5 | 25.2 | 32.4 | 18.4 | 0.1 |
| 1997-98 | 22.1 | 3.1 | 2.0 | 24.3 | 29.4 | 18.9 | 0.1 |
| 1998-99 | 20.7 | 3.4 | 1.3 | 26.3 | 28.9 | 19.1 | 0.3 |
| 1999-00 | 19.6 | 3.0 | 1.2 | 24.8 | 32.2 | 18.9 | 0.3 |
| 2000-01 | 18.2 | 2.7 | 0.9 | 22.6 | 37.0 | 17.8 | 0.6 |
| 2001-02 | 17.5 | 2.7 | 0.9 | 21.6 | 38.2 | 18.5 | 0.9 |
| 2002-03 | 17.6 | 2.6 | 0.4 | 20.7 | 38.5 | 18.9 | 1.3 |
| 2003-04 | 14.8 | 2.3 | 0.7 | 17.6 | 44.7 | 18.4 | 1.5 |
| 2004-05 | 14.8 | 2.3 | 1.2 | 16.4 | 43.7 | 19.5 | 2.1 |
| 2005-06 | 13.9 | 2.4 | 1.2 | 16.2 | 40.2 | 22.8 | 3.2 |
| **AVG** | **17.8** | **2..7** | **1.1** | **21.6** | **36.4** | **19.1** | **1.0** |
| **Jul-Mar** | | | | | | | |
| 2005-06 | 16.0 | 2.4 | 1.1 | 16.1 | 42.3 | 19.2 | 2.9 |
| 2006-07 | 16.6 | 3.0 | 1.0 | 15.5 | 34.8 | 24.6 | 4.4 |

*Source: Hydrocarbon Development Institute of Pakistan.*




### c. Electricity Consumption

Tables 15.6 and 15.7 show the position of electricity consumption in Pakistan from 1996-97 to 2005-06. On average, the household sector has been the largest consumer of electricity, accounting for 44.8 percent of total electricity consumption, followed by industrial (29.4 percent), agriculture (12.2 percent), other government sector (7.2 percent), commercial sector (5.9 percent), and street lights (0.6 percent). A substantial increase in the consumption of electricity has also been witnessed during the first 9 months of the current fiscal year (Fig-15.2).

**Table 15.6: Consumption of Electricity by Sectors (000 GWH)** (Percentage Change)

| Year | House hold | | Commercial | | Industrial | | Agriculture | | Street Light (Total) | | Other Govt. | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Gwh | %Change | Gwh | %Change | Gwh | %Change | Gwh | %Change | Gwh | %Change | Gwh | %Change |
| 1996-97 | 17.8 | 4.1 | 2.2 | 0 | 11.9 | -1.7 | 7.0 | 4.5 | 390 | 3.2 | 3.4 | 3.0 |
| 1997-98 | 18.8 | 5.6 | 2.3 | 4.5 | 12.3 | 3.4 | 6.9 | -1.4 | 387 | -0.8 | 3.9 | 14.7 |
| 1998-99 | 19.4 | 3.2 | 2.4 | 4.3 | 12.0 | -2.4 | 5.6 | -18.8 | 224 | -42.1 | 3.6 | -7.7 |
| 1999-00 | 21.4 | 10.3 | 2.5 | 5.2 | 13.2 | 10.0 | 4.5 | -19.9 | 239 | 6.7 | 3.6 | 0 |
| 2000-01 | 22.8 | 6.5 | 2.8 | 12 | 14.3 | 8.3 | 4.9 | 8.9 | 213 | -10.9 | 3.5 | -2.8 |
| 2001-02 | 23.2 | 1.8 | 3.0 | 7.1 | 15.1 | 5.6 | 5.6 | 14.3 | 212 | -0.5 | 3.5 | 0.0 |
| 2002-03 | 23.7 | 2.2 | 3.2 | 6.7 | 16.2 | 7.3 | 6.0 | 7.1 | 244 | 15.1 | 3.4 | -2.9 |
| 2003-04 | 25.8 | 8.9 | 3.7 | 15.6 | 17.4 | 7.4 | 6.7 | 11.7 | 262 | 7.4 | 3.7 | 8.8 |
| 2004-05 | 27.6 | 6.8 | 4.1 | 10.6 | 18.6 | 7.1 | 7.0 | 4.8 | 305 | 16.4 | 3.8 | 2.7 |
| 2005-06 | 30.7 | 11.2 | 4.7 | 14.6 | 19.8 | 6.5 | 7.9 | 12.9 | 353 | 15.7 | 4.0 | 5.3 |
| **Jul-Mar** | | | | | | | | | | | | |
| 2005-06 | 22.1 | | 3.4 | | 14.7 | | 5.9 | | 261 | | 3.0 | |
| 2006-07 | 23.5 | 6.3 | 3.8 | 11.8 | 15.5 | 5.4 | 6.0 | 1.7 | 284 | 8.8 | 3.1 | 3.3 |

*Source: Hydrocarbon Development Institute of Pakistan*

**Table 15.7: Consumption of Electricity** (Percentage Share)

| Year | Households | Commercial | Industrial | Agriculture | Street Light | Other Govt. |
|---|---|---|---|---|---|---|
| 1996-97 | 41.4 | 5.2 | 27.9 | 16.5 | 0.9 | 8.0 |
| 1997-98 | 42.1 | 5.2 | 27.6 | 15.5 | 0.9 | 8.7 |
| 1998-99 | 44.8 | 5.5 | 27.9 | 12.9 | 0.5 | 8.3 |
| 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 | 6.9 |
| 2002-03 | 44.9 | 6.1 | 30.7 | 11.4 | 0.5 | 6.4 |
| 2003-04 | 45.0 | 6.4 | 30.2 | 11.6 | 0.5 | 6.4 |
| 2004-05 | 45.0 | 6.0 | 31.3 | 14.4 | 0.5 | 6.1 |
| 2005-06 | 45.4 | 7.0 | 29.3 | 11.8 | 0.5 | 6.0 |
| **AVG** | **44.8** | **5.9** | **29.4** | **12.2** | **0.6** | **7.2** |
| **Jul-Mar** | | | | | | |
| 2005-06 | 44.8 | 6.9 | 29.7 | 12.1 | 0.5 | 6.0 |
| 2006-07 | 45.1 | 7.2 | 29.7 | 11.5 | 0.5 | 6.0 |

*Source: Hydrocarbon Development Institute of Pakistan*

## II. Primary Energy Supply

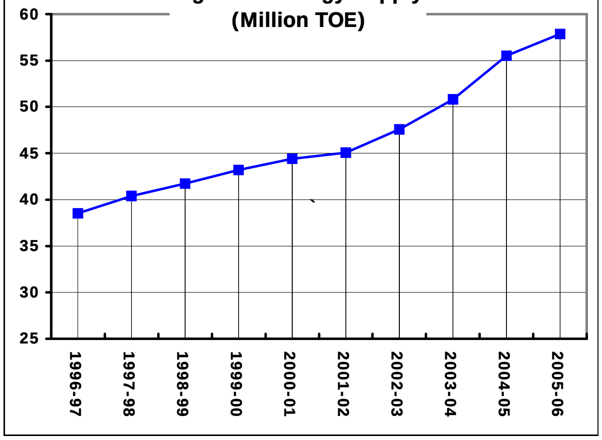
Primary energy refers to the energy sources at the beginning of the energy conversion chains. The total primary energy supplies in Pakistan amounted to 57.9 million tons of oil equivalent (MTOE) in 2005-06. The annual trends of primary energy supplies and their per capita availability, measured in tonnes of oil equivalent (TOE) from 1996-97 to 2006-07 are given in Table (15.8 and Fig-15.3 & Fig-15.4). The supply of primary energy has increased by 50.2 percent in the last 10 years. The per capita availability rose from 0.295 TOE in 1996-97 to 0.372 TOE in 2005-06 –an increase of 26.1 percent in the last 10 years. The energy supplies during the first 9 months of the current fiscal year increased to 45.35 million TOE from 42.44 million TOE in the same period last year or an increase of 6.8 percent. The per capita availability has also increased by almost the same ratio. 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 flow of foreign investment in the energy sector has remained buoyant and is projected to further accelerate in the near future. The supply of primary energy by various sources of energy as well as their rates of increases, are illustrated in Table 15.9.

**Table 15.8: Primary Energy Supply and Per Capita Availability**

| Year | Energy Supply | | Per Capita | |
|---|---|---|---|---|
| | Million TOE | %Change | Availability (TOE) | % Change |
| 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 | 43.185 | 3.5 | 0.317 | 1.2 |
| 2000-01 | 44.404 | 2.8 | 0.319 | 0.6 |
| 2001-02 | 45.068 | 1.5 | 0.315 | -0.1 |
| 2002-03 | 47.056 | 4.4 | 0.324 | 2.7 |
| 2003-04 | 50.831 | 8.0 | 0.341 | 5.3 |
| 2004-05 | 55.533 | 9.3 | 0.363 | 6.7 |
| 2005-06 | 57.855 | 4.2 | 0.372 | 2.2 |
| **Jul-Mar** | | | | - |
| 2005-06 | 42.449 | | 0.274 | |
| 2006-07 | 45.350 | 6.8 | 0.288 | 6.6 |

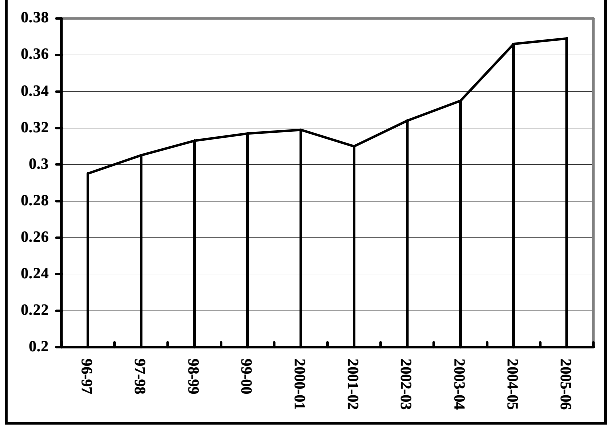
*TOE- Tons of Oil Equivalent* *Source: Hydrocarbon Development Institute of Pakistan.*

Fig-15.3: Energy Supply (Million TOE)




Source: HDIP

Fig-15.4: Per Capita Availability (TOE)




Source: HDIP

**Table 15.9: Composition of Energy Supplies**

| Year | Crude Oil | | Gas | | Petroleum Products | | Coal | | Electricity | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Million Barrels | % Change | (bcf)* | % Change | (Mln. T.) | %Change | Mln.T) | %Change | (000Gwh)(a) | %Change |
| 1996-97 | 49.9 | -4.3 | 697.8 | 4.7 | 15.9 | -0.6 | 4.4 | -6.4 | 59.1 | 3.9 |
| 1997-98 | 50.4 | 1.2 | 700 | 0.3 | 16.9 | 6.3 | 4.1 | -6.8 | 62.1 | 5.1 |
| 1998-99 | 52.6 | 4.5 | 744.9 | 6.4 | 16.8 | -0.6 | 4.4 | 7.3 | 65.4 | 5.3 |
| 1999-00 | 53.3 | 1.3 | 818.3 | 9.9 | 17.9 | 6.5 | 4.1 | -6.8 | 65.7 | 0.5 |
| 2000-01 | 73.6 | 38 | 857.4 | 4.8 | 18.4 | 4.5 | 4.0 | -2.4 | 68.1 | 3.7 |
| 2001-02 | 75.1 | 2.0 | 923.8 | 7.7 | 18.0 | -1.6 | 4.4 | 10.0 | 72.4 | 6.3 |
| 2002-03 | 76.0 | 1.2 | 992.6 | 7.5 | 17.5 | -3.8 | 4.9 | 11.4 | 75.7 | 4.5 |
| 2003-04 | 80.3 | 5.7 | 1,202.7 | 21.2 | 14.9 | -14.9 | 6.0 | 22.4 | 80.8 | 6.8 |
| 2004-05 | 85.3 | 6.2 | 1,344.9 | 11.8 | 16.1 | 8.1 | 7.9 | 31.7 | 85.6 | 5.9 |
| 2006-07 | 87.5 | 2.6 | 1,400.0 | 4.1 | 16.5 | 2.5 | 7.7 | -2.5 | 93.6 | 9.3 |
| **Jul-Mar** | | | | | | | | | | |
| 2005-06 | 66.7 | | 1,048.2 | | -- | | 4.2 | | 66.1 | |
| 2006-07 | 62.0 | -7.0 | 1,062.1 | 1.3 | 13.6 | -- | 5.4 | 28.6 | 71.0 | 7.4 |

*****: Billion cubic feet
**a**: Giga Watt hour
**e**: Estimated
- : Not Available

*Source: Hydrocarbon Development Institute of Pakistan.*

### a) Crude Oil

The balance recoverable reserves of crude oil as on January 1st 2007 have been estimated at 317.82 million barrels in the country. The average crude oil production during July- March 2006-07 was 66,485 barrels per day as against 65,385 barrels per day during the corresponding period of last year, showing an increase of 1.68 percent. During the period under review, 28,507(42.88 percent) barrels per day were produced in northern region and 37,978 (57.12 percent) barrels per day in southern region, as against 29,151 (44.58 percent) barrels and 36,234(55.42 percent) barrels produced per day respectively in the same period last year. During July-March 2006-07, production of crude oil has decline by 2.21 percent from northern region and the production efficiency has increased in southern region by 4.81 percent, as compared to same period last year. The company wise detail of production of cured oil during July-March 2006-07 and corresponding period of the last fiscal year is given in Table 15.10.

**Table 15.10: Production of Crude Oil**

| Region | 2005-06 | July-March 2005-06 | July-March 2006-07 | % Change |
|---|---|---|---|---|
| **Northern Region** | **29,073.51** | **29,150.93** | **28,507.30** | **-2.21** |
| OGDCL | 11,081.62 | 11,155.03 | 12,273.52 | 10.03 |
| OPI | 639.28 | 663.16 | 550.15 | -17.04 |
| POL | 13,077.80 | 12,984.92 | 9,111.55 | -29.83 |
| PPL | 3,437.89 | 3,558.97 | 4,892.20 | 37.46 |
| MOL | 836.90 | 788.84 | 1,679.89 | 112.96 |
| **Southern Region** | **6,503.56** | **36,234.22** | **37,977.82** | **4.81** |
| OGDCL | 20,429.06 | 20,240.42 | 22,623.81 | 11.78 |
| BP (Pakistan) | 12,674.97 | 12,640.15 | 11,377.12 | -9.99 |
| PPL | 136.88 | 146.29 | 138.85 | -5.09 |
| BHP | 1,796.87 | 1,744.61 | 2,039.16 | 16.88 |
| OMV | 96.60 | 98.54 | 91.93 | -6.71 |
| OPI | 947.89 | 927.70 | 1,276.87 | 37.64 |
| ENI | 317.03 | 327.62 | 343.23 | 4.77 |
| Petronas | 104.26 | 108.90 | 86.86 | -20.24 |
| **Total:** | **65,577.07** | **65,385.16** | **66,485.13** | **1.68** |

*Source: Ministry of Petroleum & Natural Resources*

### b) Natural Gas

The importance of natural gas to the county has been increasing rapidly. As on January 1st 2007, the balance recoverable natural gas reserves have been estimated at 31.81 trillion cubic feet. The average production of natural gas during July-March 2006-07 was 3,876.38 million cubic feet per day (mmcfd) as against 3,825.51 (mmcfd) during the corresponding period of last year, showing an increase of 1.33 percent. Natural gas is used in general industry to prepare consumer items, to produce cement and to generate electricity. In the form of CNG, it is used in transport sector and most importantly to manufacture fertilizer to boost the agricultural sector. Many private and public companies are currently engaged in oil and gas exploration & production activities including BHP, OPI, PEL, MOL and OGDCL. The company wise position reveals that a sizable increase in the production of natural gas was contributed by BHP (18 percent), ENI (5.5 percent), OPI (25 percent), PEL (49 percent) and MOL (32.4 percent). Company wise total natural gas production is shown in Table 15.11.

**Table- 15.11: Production of Natural Gas** (mmcfd)

| Company | 2005-06 | July-March 2005-06 | July-March 2006-07 | % change |
|---|---|---|---|---|
| BHP | 272.19 | 263.90 | 310.82 | 17.78 |
| ENI | 368.52 | 368.94 | 389.14 | 5.47 |
| MGCL | 468.62 | 467.05 | 473.39 | 1.36 |
| OGDCL | 846.86 | 849.17 | 834.07 | -1.78 |
| OMV | 547.55 | 544.66 | 539.73 | -0.90 |
| OPI | 86.07 | 82.85 | 103.65 | 25.11 |
| POL | 56.19 | 55.45 | 43.57 | -21.44 |
| PPL | 841.93 | 846.44 | 828.61 | -2.11 |
| TULLOW | 5.00 | 4.89 | 2.48 | -49.18 |
| PEL | 24.34 | 21.34 | 31.75 | 48.79 |
| BP(Pakistan) | 240.55 | 241.34 | 299.26 | -5.01 |
| Petronas | 30.92 | 31.99 | 27.06 | -15.42 |
| MOL | 47.44 | 47.48 | 62.85 | 32.37 |
| **Total:** | **3,836.15** | **3,825.51** | **3,876.38** | **1.33** |

*Source: Ministry of Petroleum & Natural Resources*

### c. Drilling Activities

During July-March 2006-07, altogether 46 wells have been drilled, including 19 wells in the public sector and 27 in the private sector as against 41 in the same period last year registering an increase of 12.2 percent. Total investment of US$ 700.88 million has so far been made in the current financial year in the upstream petroleum sector. Table 15.12 gives the detail of drilling activities of the public and private sector companies, engaged in the exploration and development of wells, with achievement during July-March 2006-07 and corresponding period last year.

**Table 15.12: Drilling Activities (Achievements)** (No. of Wells)

| Sector | 2005-06 | July-March 2005-06 | July-March 2006-07 | % Change |
|---|---|---|---|---|
| **Public Sector** (OGDCL) | **30** | **18** | **19** | **5.5** |
| i) Exploratory | 23 | 14 | 14 | 0.00 |
| ii)Appraisal/Dev | 7 | 4 | 5 | 25.0 |
| **Private Sector** | **34** | **23** | **27** | **17.39** |
| iii) Exploratory | 10 | 5 | 13 | 160.00 |
| iv) Appraisal/Dev | 24 | 18 | 14 | -22.22 |
| **Total:** | **64** | **41** | **46** | **12.19** |

*Source: Ministry of Petroleum & Natural Resources*

### d) Liquefied Petroleum Gas (LPG)

Use of LPG as domestic fuel is being encouraged to slow the ongoing deforestation in the areas where supply of natural gas is technically not feasible. As a result of the government's investment-friendly policies, production of LPG has reached 1,650 M.T per day in 2006-07 from 540 MT per day in 2000-almost four fold increase in the last six years. LPG is also being increasingly used in cars, pickups, rickshaws and even motorcycles in area where CNG is not available due to the absence of natural gas distribution network. The supply of LPG was streamlined with its distribution at affordable prices, promoting healthy competition and ensuring safety standards across LPG supply chain. The custom duty at 5 percent imposed on the import of LPG has been waived to further enhance availability of LPG. The LPG marketing companies have planned to import approximately 43,000 M.T during 2006-07.

### e) Compressed Natural Gas (CNG)

The Government is promoting the use of Compressed Natural Gas (CNG) aggressively to reduce pollution caused by vehicles using motor gasoline and to improve the ambient air quality. A growing number of vehicles have been converted to CNG power by the private sector to take advantage of the relatively low price of CNG fuel. Some 1,414 CNG stations (as on April 2007) are operational in 85 cities and towns of the country and about 1.35 million vehicles are using CNG as against one million vehicles during same period last year showing an increase of 35 percent. On average 29,167 vehicles are being converted to CNG every month. 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. An investment of Rs. 60 billion has been made in the CNG sector during July-March 2006-07 as compared Rs. 20 billion invested upto end March 2006, registering a growth of 200 percent in investment. Similarly CNG industry has created 60,000 new jobs.

In view of short supply of indigenous oil/liquid fuels, there is a scope for development of alternate fuels, especially natural gas that is locally available at low price along with a widespread infrastructure for transmission and distribution network. Research, development and demonstration efforts led to a successful implementation and commercialization of CNG in Pakistan as an environment-friendly, cheap and safe road transport fuel.

Pakistan imported nearly 4.1 million tones of diesel oil at a cost of US$ 2.2 billion during 2005-06. Since the air pollution caused by diesel oil is more severe than CNG, there is a need for replacing diesel oil to the extent possible with CNG. The technology/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 Provincial Governments are working on a programme with the support of Federal Government to gradually phase out diesel buses and induct intra-city CNG buses in major cities of Pakistan. The programme will also include infrastructure development and manufacturing of CNG buses. Government policy is to promote a market driven industrial development of the CNG industry rather than through administrative directives. This programm will have a major impact on air quality of the urban areas, which will improve health standards.

### f. Liquefied Natural Gas (LNG)

Augmenting gas supply through LNG import is an important element of the Government's energy security strategy. The government is encouraging LNG import by the Private sector and announced its first-ever LNG policy during 2005-06. The government plans to establish an offshore LNG import terminal at Port Qasim which will be a major step towards increased availability of liquefied natural gas in the country through import. In this regard, an agreement has been signed between Port Qasim Authority and Pakistan Gas Port Limited. The use of LNG and its demand worldwide has increased by nearly 40 percent between 2002 and 2005 because it is cleaner and less carbon intensive than oil or coal. LNG also has many advantages for storage and distribution over natural gas. Pakistan has the world's second largest pipeline network of the natural gas after the United States. Liquefied natural gas technology has revolutionized the energy sector, and demonstrated its worth as a more commercially viable option.

### 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):

OGDCL is the first Pakistani exploration and production company to list its shares on the London Stock Exchange through the issuance of GDR. The successful listing was a result of a well developed business and strategic plan; a debt-free and robust balance sheet and healthy cash reserves.

During July-March 2006-07, company's average oil and gas production remained at 34,893 barrels per day and 834 mmcfd per day respectively. This reflects an increase of 11 percent in oil and 7.1 percent in natural gas as against the same period last year. The LPG and sulphur production reached 310 metric ton per day and 65 metric ton per day showing an increase of 7.6 percent in LPG production and 16.0 percent in sulphur as against same period last year.

The company has discovered four new gas and oil producing fields during July -March 2006-07. For example, the Mela oil and gas mix field located in NWFP is producing 4,100 barrel per day of crude and 12 mmcfd of natural gas. The other three fields are situated in Sindh. Unar-1 is a mix field, producing 150 barrel per day of oil and 13.7 mmcfd of gas. While Pasaki and Nim West-1 produced 1,800 barrels of oil and 6.26 mmcfd of natural gas respectively. These discoveries when fully developed will help the country save millions of dollar in foreign exchange. OGDCL has drilled 19 wells (14 exploratory/appraisal and 5 development) during July- March 2006-07, as against 18 wells (14 exploratory/appraisal and 4 development) in the same period last year. The physical performance of the OGDCL is given in Table-15-13

**TABLE 15.13: PHYSICAL PERFORMANCE OF OGDCL**

| S. No | Name of Activity | | | July-March 2005-06 | July-March 2006-07 | % Change |
|---|---|---|---|---|---|---|
| **1.** | i | Exploratory Wells | | 14 | 14 | - |
| | ii | Development Wells | | 4 | 5 | 25 |
| **2.** | **Production** | | **Unit** | | | |
| | i | Oil | US Barrels | 8,602,700 (31,397) | 9,560,816 (34,893) | 11 |
| | ii | Gas | MMcft | 213,570 (779) | 228,531 (834) | 7 |
| | iii | LPG | Tonnes | 78,907 (288) | 85,040 (310) | 8 |
| | iv | Sulphur | Tonnes | 15,414 (56) | 17,882 (65) | 16 |

(Figures in bracket show daily average production) *Source: OGDCL*

### b. Sui Northern Gas Pipelines Limited (SNGPL):

Sui Northern is supplying gas to 897 towns/villages of Punjab and NWFP. During the period July- March 2006-07, the company connected 469 industrial 2,503 commercial and 163,704 domestic consumers bringing the total number of consumers to 2,839,237. These include 4242 industrial, 46,422 commercial and 2,788,573 domestic consumers. During July-March 2006-07, the company carried out development work for extension of gas network to the tune of Rs. 1077 million on transmission project, Rs. 3,906 million on distribution projects and Rs. 252 million on other projects under Khushal Pakistan programme. During next fiscal year 2007-08, the Company has plans to invest Rs. 11,376 on transmission and distribution projects.

### c. Sui Southern Gas Company Limited: (SSGC)

By end March 2007 Sui Southern Gas Company Limited had expanded its network to 1,351 towns/villages of Sindh and Baluchistan. During the period July-March 2006-07, SSGC provided new connections to 221 Industrial, 1,232 Commercial and 67,373 Domestic consumers bringing the total number of consumers to 1,929,237. These include 3,199 industrial, 21,170 commercial and 1,904,868 domestic consumers. During July-March 2006-07, Sui Southern Gas Company Limited carried out development work for extension of gas net work to the tune of Rs. 4,433 million on transmission project, Rs. 3,137 million on distribution projects and Rs. 680 million on other projects under Khushal Pakistan programme with the collaboration of district governments. During the next fiscal year the company plans to invest Rs. 10,384 million on transmission and distribution projects.

## III. Power Sector

Historically Pakistan faced electricity deficit from 1990 to 1997. The demand and supply of electricity was balanced in 1997. From 1997, the generation capacity increased and it was expected that the demand and supply position of electricity will remain in equilibrium up to 2009. However, as existing peak demand approached 6.6 percent growth per annum during 2001 to 2007 the supply shortage occurred much earlier than 2009. Brisk pace of economic activity, rising levels of income of the people, the double-digit growth of large scale manufacturing, higher agricultural production and village electrification programme have all resulted in higher demand of power in Pakistan. The Government has prepared plans to respond to this challenge. As a first step the government has encouraged the private sector power projects to meet this additional demand. The following table shows the future power generation plan in Pakistan (Table.15.14).

**Table No.15.14 : POWER GENERATION PLAN**

| | Nuclear | Hydel | Coal | Renewable | Oil | Gas | Total | Cumulative |
|---|---|---|---|---|---|---|---|---|
| Existing (2005) | 400 | 6460 | 160 | 180 | 6400 | 5940 | 19540 | |
| Addition | - | - | - | - | | | | |
| 2010 | - | 1260 | 900 | 700 | 160 | 4860 | 7880 | 27420 |
| 2015 | 900 | 7570 | 3000 | 800 | 300 | 7550 | 20120 | 47540 |
| 2020 | 1500 | 4700 | 4200 | 1470 | 300 | 12560 | 24730 | 72270 |
| 2025 | 2000 | 5600 | 5400 | 2700 | 300 | 22490 | 38490 | 110760 |
| 2030 | 4000 | 7070 | 6250 | 3850 | 300 | 30360 | 51830 | 162590 |
| Total | 8800 | 32660 | 19910 | 9700 | 7760 | 83760 | 162590 | |

Sources: Planning Commission of Pakistan

### a) Electricity Generation

The total installed capacity of electricity generation witnessed no change during July-March 2006-07, remaining at 19,440 MW. The Water and Power Development Authority (WAPDA), Karachi Electric Supply Corporation (KESC), Karachi Nuclear Power Plant (KANUPP) and Chashma Nuclear Power Plant are the four main public sector organizations involved in power generation, transmission and distribution of electricity in the country. In addition, the Independent power projects (IPPs) are also involved in power generation. The total installed capacity of WAPDA stood at 11,363 MW during July-March 2006-07 which accounts for 58 percent of total installed capacity. Of this, hydel power accounts for 56.9 percent or 6,463 MW and thermal accounts for 43.1 percent or 4,900 MW. The total installed capacity of IPPs is 5,859 MW (30.1 percent), KESC's is 1,756 MW (9.0 percent) and nuclear power is 462 MW (2.4 percent) of the total installed capacity. The details are given in Table 15.15.

**Table 15.15: Total Installed Generation Capacity** (MW)

| Name of Power Company | Installed Capacity 2005-06 | % Share | Installed Capacity 2006-07 | % Share | % Change |
|---|---|---|---|---|---|
| WAPDA | 11363 | 58.2 | 11363 | 58.5 | 0.0 |
| Hydel | 6463 | 57.7* | 6463 | 56.9* | 0.0 |
| Thermal | 4900 | 42.3* | 4900 | 43.1* | 0.0 |
| IPPs | 5858 | 30.3 | 5859 | 30.1 | 0.0 |
| Nuclear | 462 | 2.4 | 462 | 2.4 | 0.0 |
| KESC | 1756 | 9.1 | 1756 | 9.0 | 0.0 |
| **Total** | **19439** | **100** | **19440** | **100** | 0.0 |

* Share in WAPDA system *Source: Hydrocarbon Development Institute of Pakistan*

### b) WAPDA

The electricity generated by WAPDA during July-March 2006-07 was 63,020 Gwh, as against 58,928 Gwh during the corresponding period last year, thus registering an increase of 6.9 percent due to higher generation through thermal by 12.8 percent. The hydropower electricity generation accounts for 36 percent and the remaining 64 percent come from thermal. The detail is given in Table 15.16.

**Table 15.16: Electricity Generation by WAPDA** (GWh)

| Year | Hydro | Percentage share | Thermal | Percentage share | Total |
|---|---|---|---|---|---|
| 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 |
| 2004-05 | 25,671 | 34.9 | 47,849 | 65.0 | 73,520 |
| 2005-06 | 30,855 | 37.53 | 51370 | 62.47 | 82225 |
| July-March | | | | | |
| 2005-06 | 23,316 | 39.6 | 35,612 | 60.4 | 58,928 |
| 2006-07 | 22,863 | 36.27 | 40,157 | 63.73 | 63,020 |

Includes purchase from IPPs. *Source: Water and Power Development Authority*

### i) Growth in Electricity Consumers

The number of electricity consumers has increased over the years due to rapid extension of electric supply to villages and fast urbanization. The number of consumers has increased to 16.7 million till March 2007, up from 15.9 million in 2005-06, showing an increase of 5 percent over the last year and a growth of about 70 percent since 1996-97. The trend of increase in a number of consumers during last 10-years since 1996-97 is given in Table 15.17.

**Table 15.17: Consumers by Economic Groups** (Thousands)

| Year | Domestic | Commercial | Industrial | Agriculture | Others | Total |
|---|---|---|---|---|---|---|
| 1996-97 | 8155 | 1365 | 184 | 167 | 7 | 9878 |
| 1997-98 | 8455 | 1397 | 187 | 171 | 8 | 10218 |
| 1998-99 | 8912 | 1517 | 190 | 173 | 8 | 10800 |
| 1999-00 | 9554 | 1654 | 195 | 175 | 8 | 11586 |
| 2000-01 | 10045 | 1737 | 196 | 180 | 8 | 12166 |
| 2001-02 | 10483 | 1803 | 200 | 184 | 8 | 12678 |
| 2002-03 | 11044 | 1867 | 206 | 192 | 9 | 13318 |
| 2003-04 | 11737 | 1935 | 210 | 199 | 10 | 14092 |
| 2004-05 | 12490 | 1983 | 212 | 201 | 10 | 14896 |
| 2005-06 | 13390 | 2068 | 222 | 220 | 10 | 15911 |
| July-March | | | | | | |
| 2005-06 | 13144 | 2044 | 219 | 214 | 10 | 15632 |
| 2006-07 | 14069 | 2132 | 230 | 233 | 11 | 16675 |

*Source: Water and Power development Authority*

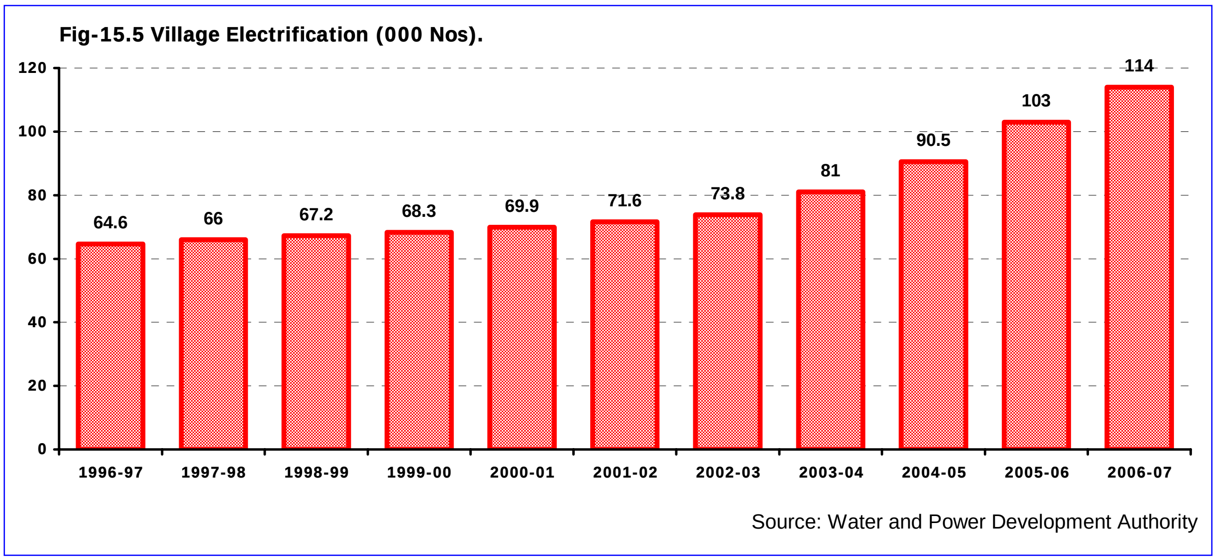
### Village Electrification

In order to increase the productive capacity and socio-economic standard of the population living in the far-flung areas of the country, the government plans to electrify all the villages in the country by 2007. Nearly 7000 villages from Balochistan and 900 villages of Sindh provinces will be provided with electricity through renewable energy sources. The number of electrified villages had increased to 113,605 by the end of March 2007. The trend of village electrification during past 10 years is provided in table 15.18 & Fig-15.5. It is important to note that village electrification has increased at an average rate of 12.3 percent per annum, over the last four years as against 2.5 percent in the last seven years, prior to 2003-04. Furthermore, it took seven years (1996/97- 2002/03) to provide electricity to 11,680 villages but in just four years (2003/04-2006/07) 39,798 villages have been provided electricity.

**Table 15.18: Village Electrification** (Number)

| Year | Target | Realization * | Progressive Total | % Growth |
|---|---|---|---|---|
| 1996-97 | 4,000 | 2,441 | 64,568 | 3.9 |
| 1997-98 | 4,000 | 1,383 | 65,951 | 2.1 |
| 1998-99 | 4,000 | 1,232 | 67,183 | 1.9 |
| 1999-2000 | 1,852 | 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 |
| 2004-05 | - | 9,467 | 90,467 | 11.7 |
| 2005-06 | - | 12,764 | 103,231 | 13.5 |
| **July-March)** | - | | | |
| 2005-06 | | 9,128 | 99,595 | 13.5 |
| 2006-07 | | 10,374 | 113,605 | 14.1 |

*Including FATA *Source: Water and Power Development Authority*




### iii) Electricity Consumption by Economic Groups

The sectoral consumption of electricity by economic groups identifies the domestic sector as the largest consumer of electricity. During the current financial year July- March 2006-07, the sector wise consumption remained at 42.4 percent for domestic consumers, 26.5 percent for industrial consumers, 12.1 percent for agriculture consumers and 6.2 percent for commercial consumers. The consumption trend for the past 10 years is given in Table 15.19 & Fig .15.6

**Table 15.19: Electricity Consumption by Economic Groups** (% Share)

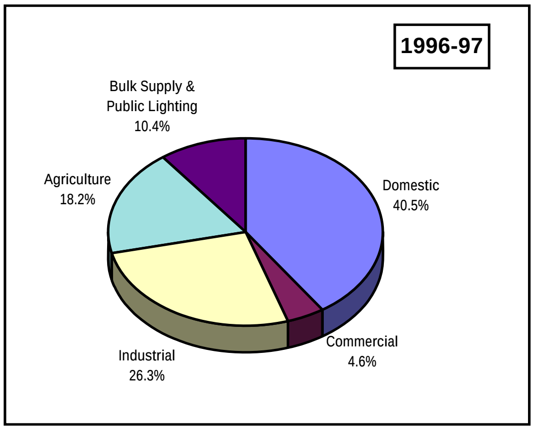
| Year | Domestic | Commercial | Industrial | Agriculture | Bulk Supply & Public Lighting | Traction |
|---|---|---|---|---|---|---|
| 1996-97 | 40.5 | 4.6 | 26.3 | 18.2 | 10.4 | 0.05 |
| 1997-98 | 41.5 | 4.5 | 26.0 | 17.5 | 10.3 | 0.04 |
| 1998-99 | 43.6 | 4.7 | 25.6 | 14.3 | 11.8 | 0.04 |
| 1999-2000 | 46.3 | 4.9 | 26.3 | 11.0 | 11.3 | 0.04 |
| 2000-01 | 46.1 | 4.9 | 27.1 | 11.3 | 10.6 | 0.03 |

**Table 15.19: Electricity Consumption by Economic Groups** (% Share)

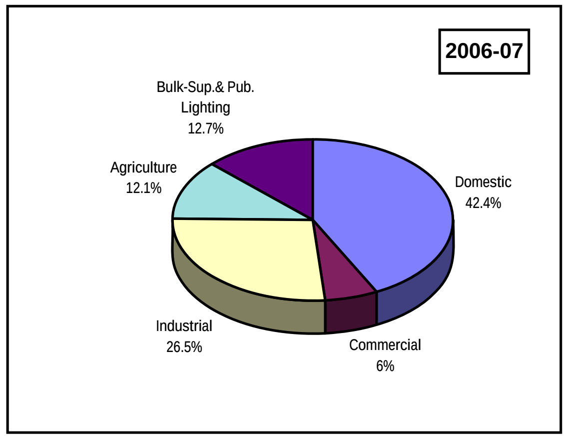
| Year | Domestic | Commercial | Industrial | Agriculture | Bulk Supply & Public Lighting | Traction |
|---|---|---|---|---|---|---|
| 2001-02 | 45.5 | 5.1 | 28.0 | 12.3 | 9.2 | 0.03 |
| 2002-03 | 44.0 | 5.3 | 28.4 | 12.6 | 9.7 | 0.02 |
| 2003-04 | 44.0 | 5.6 | 28.1 | 12.9 | 9.4 | 0.02 |
| 2004-05 | 43.5 | 5.8 | 28.1 | 12.5 | 10.1 | 0.02 |
| 2005-06 | 43.3 | 6.0 | 26.6 | 12.6 | 4.9 | 0.02 |
| July-March | | | | | | |
| 2005-06 | 42.7 | 5.7 | 27.1 | 13.0 | 11.3 | 0.02 |
| 2006-07 | 42.4 | 6.2 | 26.5 | 12.1 | 12.7 | 0.02 |

*Source: Water and Power Development Authority*

Fig-15.6: Electricity Consumption by Economic Groups (% Share) WAPDA




Source: WAPDA




Source: WAPDA

**iv) Power Losses**

The National Transmission & Dispatch Company (NTDC) and DISCOs (Distribution Companies) have taken several technical and administrative measures to improve operational and managerial efficiency and reduce power losses. These measures have resulted in reduction in power losses and an increase in revenue. Other measures such as renovation, rehabilitation, capacitor installation and strengthening consumer-end distribution supply network will continue to control wastage of power/energy. The system losses of the WAPDA are on a declining trend. During 2006-07, the power losses incurred by WAPDA were 22.1 percent as against 22.8 percent in 2005-06. The transmission and distribution losses for last ten years up to July-March 2006 are given in Table 15.20.

**v. Power Development Programme.**

In order to enhance and strengthen its power generation capacity, WAPDA has under-taken feasibility studies/construction work for a number of hydro/thermal power projects under the VISION 2025 Programme. Work on Allai Khawr (21 MW), Khan Khawar (72 MW) and Dubair Khawar (130 MW) hydropower projects is in full swing. Implementation of Neelum-Jhelum (969 MW) hydropower project will commence shortly. Feasibility studies of a number of the hydropower projects are underway include Bunji (5400 MW) and Kohala (600 MW). After the completion of these projects, the installed capacity is expected to increase from 17431 MW to about 42000 MW by the end of Financial Year 2016.

**TABLE 15.20: WAPDA Power Losses** (Percent)

| Year | Auxiliary Consumption | T&D Losses* | Total |
|---|---|---|---|
| 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 |
| 2004-05 | 2.5 | 22.3 | 24.8 |
| 2005-06 | 2.2 | 21.9 | 22.1 |
| **(July-March)** | | | |
| 2005-06 | 1.8 | 21.0 | 22.8 |
| 2006-07 | 2.1 | 20.0 | 22.1 |

* T&D = Transmission and Distribution *Source: Water and Power Development Authority*

### c. Karachi Electric Supply Corporation Ltd (KESC).

The installed capacity of KESC's various generating stations remained at 1,756 MW as against the maximum demand of 2,222 MW during July-March 2006-07. KESC's own generation has declined by 12.6 percent from 6,711 million kWh in 2005-06 to 5,867 million kWh in July-March 2006-07 due to the major overhauling of some of its power plants. The gap of 466 MW between demand and supply was bridged from different sources including 1,093 million kWh from two IPPs, 3,753 million kWh from WAPDA, KANUPP, PASMIC and Anoud Power. The total energy made available to KESC system, after taking into account the imports from various agencies (excluding auxiliary consumption), stood at 10,246 million kWh during July-March 2006-07 as against 9,981 million kWh in the same period last year, thus registering a growth of 2.7 percent. The T&D losses have increased from 33.5 percent during July-March 2005-06 to 34.1 percent in first nine months of the current financial year. KESC has undertaken a comprehensive rehabilitation program, for the restoration of its generating capacity. Under this program, major overhauling of three large units was scheduled, of which two have been completed and the third is presently under shutdown and will be completed by end May 2007. Thus additional 200 MW will be available thereafter. In addition to restoration of lost capacity, KESC plans to bring new generating plants, in two phases. Phase I, for which KESC has already entered into a contract for installation of 220 MW Combined Cycle Power Plant at Korangi. In Phase II, KESC will install a Combined Cycle Power Plant of approximately 560 MW at Bin Qasim Station. On the transmission and distribution side KESC will continue to implement network expansion and rehabilitation of existing network with a comprehensive loss reduction program. To streamline the transmission and distribution system the KESC will establish 11 new 132 kV Grid Stations. These will be commissioned along with their allied transmission lines during the year 2007-08 with a total increase of 880 MVA (Mega Volt Ampere) transformation capacity at 132/11 kV voltage level.

### d. Nuclear Power Energy

Pakistan Atomic Energy Commission (PAEC) is responsible for implementation of nuclear power programme. At present, two nuclear power plants; Karachi Nuclear Power Plant (KANUPP) and Chashma Nuclear Power Plant (CHASNUPP) unit-1 are in operation, while a third plant, CHASNUPP unit-2, is under construction. KANUPP has completed its designed life of 30-years is now operating on extended life. It generated 93 million kWh of electricity during the period July-March 2006-07, rising the lifetime generation to 11.39 billion kWh. CHASNUPP -1 having a gross capacity of 325 MW generated 1,682 million kWh of electricity during July-March 2006-07, rising the lifetime generation to 13.18 billion kWh. The construction work of CHASNUPP-2 is ahead of planned schedule. It is expected that plant will be commissioned in 2011. Government has set a target of 8,800 MW nuclear power capacity by the year 2030 with increasing share of indigenisation. To meet this target, PAEC has restructured its power sector to gradually assume greater technical responsibility in the construction of future nuclear power plants. Enhancement in indigenisation in nuclear power programme, will not only provide cheap, reliable and clean electricity, but will also help in the growth of local engineering and construction industry and creation of additional employment opportunities.

**e. Alternative Energy**

Presently power shortage is a worldwide phenomenon due to the accelerating levels of economic activity. According to the International Energy Agency, which acts as energy policy advisor to 26 developed countries, the world can only meet its energy needs till 2030-35 through traditional sources. Realizing the gravity of the situation many countries are taking steps to develop alternate source of energy to meet their future requirements. Similarly, Pakistan is also seeking to develop generation capacity through alternate energy including the wind and solar technologies. The goal is to ensure that at least 7 percent of total power generation capacity is met through wind & solar energy by year 2030. Installation of 700 MW wind power by year 2010 and 9700 MW wind power by year 2030 is being planned. It will electrify 7874 remote off-grid villages in Sindh and Balochistan provinces utilizing alternative energy technologies. The Alternative Energy Development Board (AEDB) has issued letter of interest (LOIs) to eighty-two national and international companies for generation of 700 MW power through wind energy by year 2010 and 9700 MW by year 2030. The AEDB has initiated the first phase of the Roshan Pakistan Program in which 400 villages in Sindh and Balochistan would be electrified within next two years. The government has planned to formulate medium-term wind energy development plan 2011-2020. The board has been working on different development projects since 2003. The brief description of renewable energy projects for 2003-06 is given in Box 15.1.

**BOX 15.1**

- Roshan Pakistan: National Rural electrification programe through alternative/renewable Energy Technologies
- Solar Homes Project in Each province.
- Development of Supply Chain Mechanism for Pedal Generators, Hand Generators and LED Lanterns.
- Pilot Project of Production Plant of Bio-Diesel
- Research on Development of 1 kW Fuel Cell Electric Vehicle in Pakistan using Existing Fuel Cell
- Solar Water Pumping & Desalination
- Solar Thermal Power Plant Technologies (Demonstration Units)
- Electrification of Villages through Micro Wind Turbines
- Pilot Project for Development and Installation of 02 Micro Hydro Kaplan Turbines
- Pilot project for Emerging Alternative Energy technologies Demonstration in Pakistan

**f. Private Power & Infrastructure Board**

Pursuant to the Government's strategy to attract private investment in the power sector, the government had drafted power policies with the objectives of removing financial burden from the exchequer; improving systems efficiency; and rationalizing prices and social subsidies. The Government has already announced Policy for Power Generation Projects 2002 (Power Policy 2002), which emphasized on provision of sufficient capacity for power generation at the least cost through exploitation of indigenous resources like hydro, coal, gas and human resources. It is important to note that although the Power Policy 2002 provided attractive incentives for private investors, the Government of Pakistan's obligations were not reduced to a great extent. As per new Security Agreements negotiated under the Power Policy 2002, the Government's guarantee for fuel supplier's obligation has been withdrawn which was there under 1994 Policy. Besides, plant availability has been increased from 86 percent to 90 percent and the basis for capacity payments (CP) has been changed. The CP will now be made on declared 'hourly' available capacities of the plants. In response to attractive incentives offered by the Government through the Power Policy 2002, private investors have offered investment for various projects. Consequently, a number of proposals from international investors for establishment of multi-fuel power projects at various locations of the country have been received by the Private Power & Infrastructure Board (PPIB). The PPIB is currently processing forty nine projects with a combined generation capacity of 12000 MW and estimated cost of over US $ 11 billion. Out of these projects, Letters of Interest (LOI) for 28 projects with capacity of 7630 MW and estimated cost of US $ 7.43 billions have been issued so far by the PPIB. These include ten gas based / dual fired projects, nine hydro projects, five coal based projects and four projects based on oil. Further, the PPIB is processing various projects on fast track basis, including 405 MW capacity expansion of existing IPPs, 1250 MW of capacity creation through new IPPs, and 600 MW through projects proposed by the leading business houses. Through these initiatives, it is expected that a total of 2,255 MW will be available by first quarter of 2009.

Due to investor-friendly polices of the government, the economy of Pakistan is at a historical boom and the industrial growth has remained robust. Due to this unprecedented growth, the immediate power requirement has also increased manifolds. The rapid growth of the economy has resulted in sharp increase in the demand for electricity over the last couple of years, which has necessitated increase in the generation capacity. Since fossil fuel prices have been rising over the past few years there is need to shift away from fuel based electricity generation to greater reliance on hydel power. The Government is giving priority to exploiting the abundant hydel potential of the country of about 40,000 MW, of which only 15 percent has been utilized so far. The PPIB has awarded Letter of interest (LOIs) to nine hydel projects with a cumulative capacity of 2,062 MW under the 2002 Power Policy, which are envisaged to bring a direct investment of around US $ 8 billion in the country and create many job opportunities. To diversify the energy resources it is important to increase the proportion of coal based power projects in the country. In addition, the rising prices of oil in the international market as well as the depletion of natural gas resources warrant an emphasis on the coal based power generation. The option of imported coal based power projects has also been given serious considerations. Consequently, the PPIB has initiated two 1000-1200 MW imported coal based Integrated Power Projects near Karachi. The two imported coal based projects, substituting the costly fuel oil based projects, would result in potential foreign exchange savings of more than US $ 500 million annually for fuel. The projects will also bring a direct investment of more than US$ 2.5 billion in the country.

### g. National Electric Power Regulatory Authority (NEPRA)

NEPRA is responsible for granting licenses, tariff determination, prescribing performance standards and addressing the complaints of electric power consumers. NEPRA gives due consideration to the financial strength of the sponsors as well as their professional ability to execute the project while granting licenses. A set procedure is followed to determine the appropriate level of expenses and rate of return allowed to a utility. The process also involves public hearings, if deemed necessary before a final determination is made. During the period July-March 2006-07, NEPRA granted licence to 13 different Independent Power Project (IPPs) and Small Power Producers (SPPs) for generation**.** NEPRA is also processing an application by the Karachi Electric Supply Corporation (KESC) for the grant of Special Purpose Transmission License (SPTL). Applications of three Small Power Producers (SPPs) were also under process for the modification of the Generation License during this period.

**IV. Coal**

Thar coalfield in the Sindh province has coal resources estimated at 175 billion tonnes. Due to high cost of imported energy government has decided to enhance the share of coal in the over all energy mix from 5 percent to 19 percent by 2030. Energy Security Action Plan has set a target of generating 20,000 MW power from coal by 2030 and 50 percent by 2050. The total national coal production from operational coalmines increased by 6.5 percent from 4.6 millions ton in 2005-06 to 4.9 million ton in 2006-07. Over 80 percent of coal was consumed by the brick kiln industry thus reducing the supply available for power generation. Approximately 80 percent of cement industry has also switched over to indigenous coal from furnace oil that has saved considerable foreign exchange being spent on the import of furnace oil. The conversion of cement industry from furnace oil to coal has generated a demand for 2.5 - 3.0 million tons coal per annum. To ascertain commercial viability of mining coal from Thar, German consultant M/s Rheinbraun Engineering has completed a mining feasibility on a specific block in Thar coalfield. The same block has been assigned to an international firm for commissioning of integrated coal mining and 1000 MW power generation project. Moreover, a local group has been assigned a block in Thar coalfield for conducting feasibility study for integrated coal mining and commissioning two 250 MW coal fired power-generating plants. Government has also decided to establish a coal mining company for harnessing Thar coal resource.

As a part of promotional activities to increase share of coal, the Government of Sindh has leased out a coal block to M/s Fatteh Group of Hyderabad to commission a coal-based power plant of 250 MW in Lakhra coalfield. Government has signed an agreement with Chinese company M/s China National Chemical Engineering Group Corporation (CNCEC) to conduct feasibility study on a coal block in Sonda Jerrick coalfields in Sindh province for integrated mining project of one million ton and a 250 MW coal based power plant.

# TABLE 14.1

## COMMERCIAL ENERGY CONSUMPTION

| Fiscal Year | Households | Industry | Agricul-ture(a) | Transport | Power | Other Govt. | Total |
|---|---|---|---|---|---|---|---|
| | 1. Oil/Petroleum (tonnes) | | | | | | |
| 1990-91 | 944,256 | 1,147,698 | 265,229 | 4,841,362 | 2,434,136 | 328,592 | 9,961,273 |
| 1991-92 | 613,706 | 1,369,525 | 281,539 | 5,619,552 | 2,775,418 | 323,228 | 10,982,968 |
| 1992-93 | 622,075 | 1,479,935 | 287,181 | 6,107,416 | 3,158,124 | 357,115 | 12,011,846 |
| 1993-94 | 589,851 | 1,653,516 | 307,795 | 6,414,582 | 3,902,308 | 357,529 | 13,225,581 |
| 1994-95 | 585,173 | 1,889,443 | 268,631 | 6,646,175 | 4,215,635 | 355,110 | 13,960,167 |
| 1995-96 | 596,031 | 2,416,278 | 250,031 | 7,135,631 | 4,785,856 | 417,254 | 15,601,081 |
| 1996-97 | 509,738 | 2,141,065 | 268,866 | 7,172,269 | 5,110,233 | 403,795 | 15,605,966 |
| 1997-98 | 498,949 | 2,081,172 | 244,977 | 7,364,767 | 6,053,784 | 380,756 | 16,624,405 |
| 1998-99 | 492,768 | 2,139,889 | 249,229 | 7,864,063 | 5,525,669 | 376,133 | 16,647,751 |
| 1999-00 | 477,305 | 2,115,860 | 293,034 | 8,307,977 | 6,227,595 | 346,050 | 17,767,821 |
| 2000-01 | 450,960 | 1,924,048 | 254,833 | 8,157,893 | 6,487,988 | 372,176 | 17,647,898 |
| 2001-02 | 334,501 | 1,611,995 | 225,742 | 8,018,777 | 6,305,419 | 463,654 | 16,960,088 |
| 2002-03 | 282,521 | 1,604,068 | 196,747 | 8,082,273 | 6,019,958 | 266,387 | 16,451,954 |
| 2003-04 | 231,459 | 1,493,080 | 183,506 | 8,464,042 | 2,739,763 | 309,263 | 13,421,113 |
| 2004-05 | 192,750 | 1,542,398 | 142,062 | 9,024,783 | 3,452,581 | 316,686 | 14,671,260 |
| 2005-06 | 128,651 | 1,681,517 | 81,896 | 8,156,831 | 4,218,982 | 338,807 | 14,626,684 |
| Jul-Mar | | | | | | | |
| 2005-06 | 98,849 | 1,256,357 | 60,399 | 5,981,552 | 2,507,882 | 258,808 | 10,164,288 |
| 2006-07 | 79,502 | 1,223,587 | 66,781 | 5,729,946 | 4,762,329 | 252,070 | 12,114,215 |

(a): HSD consumption in agricultural sector is not available seprately and is included under transport sector. Agricultural sector represents LDO only. (Contd.)

# TABLE 14.1

## COMMERCIAL ENERGY CONSUMPTION

(Contd.)

| Fiscal Year | Households | Commercial | Cement | Fertilizer | Power | Industry | Transport (CNG) | Total |
|---|---|---|---|---|---|---|---|---|
| | 2. Gas (mm cft)(b) | | | | | | | |
| 1990-91 | 66,797 | 12,317 | 13,020 | 107,954 | 176,409 | 88,841 | - | 465,338 |
| 1991-92 | 70,741 | 13,057 | 11,761 | 101,493 | 193,893 | 95,661 | 25 | 486,631 |
| 1992-93 | 75,783 | 14,326 | 11,914 | 119,628 | 186,853 | 102,991 | 31 | 511,526 |
| 1993-94 | 82,461 | 15,239 | 10,187 | 144,514 | 197,694 | 100,631 | 43 | 550,769 |
| 1994-95 | 97,045 | 16,064 | 6,730 | 141,697 | 181,107 | 104,098 | 47 | 546,788 |
| 1995-96 | 110,103 | 16,960 | 7,569 | 150,374 | 186,507 | 111,202 | 153 | 582,868 |
| 1996-97 | 115,488 | 18,403 | 8,718 | 150,483 | 193,984 | 110,365 | 358 | 597,799 |
| 1997-98 | 134,500 | 18,764 | 12,092 | 147,752 | 179,042 | 115,250 | 490 | 607,890 |
| 1998-99 | 131,656 | 21,466 | 7,988 | 167,474 | 183,694 | 121,431 | 2,182 | 635,891 |
| 1999-00 | 139,973 | 21,712 | 8,558 | 177,152 | 227,364 | 134,916 | 2,426 | 712,101 |
| 2000-01 | 140,899 | 20,618 | 6,977 | 175,393 | 281,255 | 138,503 | 4,423 | 768,068 |
| 2001-02 | 144,186 | 22,130 | 7,063 | 177,589 | 314,851 | 151,416 | 7,369 | 824,604 |

TABLE 14.1

COMMERCIAL ENERGY CONSUMPTION

(..Contd.)

| | 3. Electricity (Gwh) | | | | | | | | 4. Coal (000 metric tonne) | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Traction | Household | Commercial | Industrial | Agricultural | Street Light | Other Govt. | Total | Household | Power | Brick Kilns | Cement | Total |
| 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 | 14,349 | 4,924 | 213 | 3,547 | 48,585 | 1.0 | 205.8 | 2,837.9 | 50.0 | 3,094.7 |
| 2001-02 | 11 | 23,210 | 2,951 | 15,141 | 5,607 | 212 | 3,490 | 50,622 | 1.1 | 249.4 | 2,577.5 | 664.0 | 3,491.6 |
| 2002-03 | 10 | 23,624 | 3,218 | 16,181 | 6,016 | 244 | 3,363 | 52,656 | 1.1 | 203.6 | 2,607.0 | 957.0 | 3,768.7 |
| 2003-04 | 9 | 25,846 | 3,689 | 17,366 | 6,669 | 262 | 3,650 | 57,491 | 1.0 | 184.9 | 2,589.4 | 2,508.0 | 5,283.5 |
| 2004-05 | 12 | 27,601 | 4,080 | 18,591 | 6,988 | 305 | 3,750 | 61,327 | .. | 180.0 | 3,906.7 | 2,535.2 | 6,621.8 |
| 2005-06 | 13 | 30,720 | 4,730 | 19,803 | 7,949 | 353 | 4,035 | 67,603 | .. | 149.3 | 4,221.8 | 3,342.8 | 7,714.0 |
| Jul-Mar | | | | | | | | | | | | | |
| 2005-06 | 11 | 22,127 | 3,411 | 14,659 | 5,971 | 261 | 2,976 | 49,416 | .. | 92.0 | 2,008.0 | 2,100.0 | 4,200.0 |
| 2006-07 | 9 | 23,537 | 3,777 | 15,495 | 6,010 | 284 | 3,134 | 52,246 | 0.8 | 95.2 | 3,018.0 | 2,300.0 | 5,414.0 |

.. not available.

Source: Hydrocarbon Development Institute of Pakistan (HDIP)

TABLE 14.2

COMMERCIAL ENERGY SUPPLIES

| Fiscal Year | Oil: Crude Oil Imports (000 barrels) | Oil: Local Crude Extraction (000 barrels) | Gas (mcf) + | Petroleum Products: Imports (000 tonnes) | Petroleum Products: Production (000 tonnes) | Coal: Imports (000 tonnes) | Coal: Production (000 tonnes) | Electricity: Installed Capacity (MW)(a) | Electricity: Generation (Gwh)(b) |
|---|---|---|---|---|---|---|---|---|---|
| 1990-91 | 28,178 | 23,485 | 518,483 | 4,310 | 6,036 | 917 | 3,054 | 8,356 | 41,042 |
| 1991-92 | 30,016 | 22,469 | 550,715 | 5,275 | 5,961 | 1,069 | 3,099 | 9,369 | 45,040 |
| 1992-93 | 29,407 | 21,895 | 583,545 | 6,612 | 5,694 | 994 | 3,266 | 10,586 | 48,750 |
| 1993-94 | 30,770 | 20,675 | 624,229 | 7,910 | 5,841 | 1,094 | 3,534 | 11,319 | 50,640 |
| 1994-95 | 28,386 | 19,858 | 628,211 | 8,737 | 5,434 | 1,096 | 3,043 | 12,100 | 53,545 |
| 1995-96 | 31,044 | 21,063 | 666,580 | 10,137 | 5,874 | 1,080 | 3,638 | 12,969 | 56,946 |
| 1996-97 | 28,588 | 21,270 | 697,763 | 10,398 | 5,495 | 840 | 3,553 | 14,818 | 59,125 |
| 1997-98 | 29,826 | 20,543 | 699,709 | 11,064 | 5,858 | 960 | 3,159 | 15,659 | 62,104 |
| 1998-99 | 32,855 | 19,986 | 744,942 | 10,926 | 5,925 | 910 | 3,461 | 15,663 | 65,402 |
| 1999-00 | 32,938 | 20,395 | 818,342 | 11,878 | 6,115 | 957 | 3,168 | 17,399 | 65,751 |
| 2000-01 | 52,505 | 21,084 | 857,433 | 10,029 | 8,337 | 950 | 3,095 | 17,488 | 68,117 |
| 2001-02 | 51,982 | 23,195 | 923,758 | 9,023 | 9,028 | 1,081 | 3,328 | 17,789 | 72,405 |
| 2002-03 | 52,512 | 23,458 | 992,589 | 8,437 | 9,084 | 1,578 | 3,312 | 17,787 | 75,682 |
| 2003-04 | 57,699 | 22,625 | 1,202,750 | 5,170 | 9,740 | 2,789 | 3,275 | 19,252 | 80,827 |
| 2004-05 | 61,161 | 24,119 | 1,344,953 | 5,676 | 10,474 | 3,307 | 4,587 | 19,379 | 85,629 |
| 2005-06 | 63,546 | 23,936 | 1,400,026 | 6,009 | 10,498 | 2,384 | 4,871 | 19,450 | 93,629 |
| Jul-Mar | | | | | | | | | |
| 2005-06 | 48,813 | 17,916 | 1,048,190 | .. | .. | 1,700 | 2,500 | 19,440 | 66,110 |
| 2006-07 | 43,764 | 18,217 | 1,062,124 | 6,039 | 7,581 | 2,825 | 2,589 | 19,440 | 71,033 |

\+ Million cubic feet

Source: Hydrocarbon Development Institute of Pakistan (HDIP)

(a) MW: Mega Watt

(b) Gwh: Giga Watt Hour

.. : not available

TABLE 14.3

COMMERCIAL ENERGY SUPPLIES

| Fiscal Year | Electricity | | | | | |
|---|---|---|---|---|---|---|
| | Hydroelctric (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 |
| 2004-05 | 6,494 | 25,671 | 12,423 | 57,162 | 462 | 2,795 |
| 2005-06 | 6,499 | 30,854 | 12,489 | 60,283 | 462 | 2,484 |
| Jul-Mar | | | | | | |
| 2005-06 | 6,499 | 23,324 | 12,479 | 40,963 | 462 | 1,823 |
| 2006-07 | 6,499 | 22,875 | 12,479 | 46,383 | 462 | 1,775 |

(a) MW: Mega Watt.
(b) Gwh: Giga Watt Hour.

Source: Hydrocarbon Development Institute of Pakistan (HDIP).

TABLE 14.4

## SCHEDULE OF ELECTRICITY TARIFFS

| Tariff Category/ Particulars | Fixed/Min Charges (Rs/KwM) | Effective 10-5-2003 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 | | 0.73 | |
| For Consumption > 50 units upto 1000 units | | - | - | - | |
| For First 100 units | - | 0.41 | 0.50 | 1.58 | 0.44 |
| For next 200 units (101-300) | - | 0.58 | 0.50 | 2.29 | 0.44 |
| For next 700 units (301-1000) | - | 1.51 | 0.50 | 3.55 | 0.44 |
| Above 1000 units | - | 1.88 | 0.38 | 4.42 | 0.32 |
| Minimum Monthly Charges: a) Single Phase Connections Rs 45/- | | | | | |
| b) Three Phase Connection: Rs 100/- | | | | | |
| *GENERAL SUPPLY TARRIF A-2( including FATA)* | | | | | |
| For first 100 units | - | 2.77 | 0 | 3.82 | |
| Above 100 Units | - | 3.01 | 0 | 3.92 | |
| For peak load requirment above 20kv | 220 | 1.09 | 0.19 | 2.83 | |
| Minimum Monthly Charges: a) Single Phase Connections Rs 150/- | | | | | |
| b) Three Phase Connection: Rs 300/- | | | | | |
| *INDUSTRIAL SUPPLY* | | | | | |
| B-1 upto 40 kw | - | 1.81 | 0.20 | 3.07 | |
| There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 90/Kw for rest load between 21 - 40 kw | | | | | |
| B-2 (>41-500 kw) | 300 | 1.3 | 0.20 | 2.09 | |
| B-2 TOD ( Peak) | 300 | 1.98 | 0.20 | 2.78 | |
| B-2 TOD (Off Peak) | 300 | 1.2 | 0.20 | 2.07 | |
| B-3 (Normal) 11&33 kv not exceeding 5000 k | 290 | 1.29 | 0.20 | 2.01 | |
| B-3 TOD (Peak) | 290 | 1.97 | 0.20 | 2.26 | |
| B-3 TOD (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 TOD (Peak) | 280 | 1.87 | 0.20 | 2.20 | |
| B-4 TOD (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, 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 14.4

SCHEDULE OF ELECTRICITY TARIFFS

| Tariff Category/ Particulars | Fixed/Min Charges (Rs/KwM) | Energy Charges (Rs/Kwh) | F.A.S. (Rs/Kwh) | Additional Surcharge (Rs/Kwh) | F.A.S Subsidies Rs/kwh |
|---|---|---|---|---|---|
| | Effective 10-5-2003 | | | | |
| *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 |
| Districr 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 Additioan 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 | 0.36 | 4.57 | |
| RESIDENTIAL COLONIES OF INDUSTRIES | | | | | |
| H-1Residential 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

Source: WAPDA.

3) Supply charges include fixed charges, energy charges, FAS and low power factor penalty.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

| Tariff Category/ Particulars | Fixed/Min Charges (Rs/KwM) | Energy Charges (Rs/Kwh) | F.A.S. (Rs/Kwh) | Additional Surcharge (Rs/Kwh) | F.A.S Subsidies Rs/kwh |
|---|---|---|---|---|---|
| | Effective 19-8-2003 | | | | |
| *GENERAL SUPPLY TARIFF A-1( including FATA)* | | | | | |
| Upto 50 Units | - | 0.61 | | 0.73 | |
| For Consumption > 50 units upto 1000 units | | - | - | - | |
| For First 100 units | - | 0.41 | 0.53 | 1.58 | 0.47 |
| For next 200 units | - | 0.58 | 0.53 | 2.29 | 0.47 |
| (101-300) | | | | | |
| For next 700 units | - | 1.51 | 0.53 | 3.55 | 0.47 |
| (301-1000) | | | | | |
| Above 1000 units | - | 1.88 | 0.41 | 4.42 | 0.35 |
| Minimum Monthly Charges: a) Single Phase Connections Rs 45/- | | | | | |
| b) Three Phase Connection: Rs 100/- | | | | | |
| *GENERAL SUPPLY TARRIF A-2( including FATA)* | | | | | |
| For first 100 units | - | 2.77 | 0.03 | 3.82 | |
| Above 100 Units | - | 3.01 | 0.03 | 3.92 | |
| For peak load requirment above 20kv | 220 | 1.09 | 0.22 | 2.83 | |
| Minimum Monthly Charges: a) Single Phase Connections Rs 150/- | | | | | |
| b) Three Phase Connection: Rs 300/- | | | | | |
| *INDUSTRIAL SUPPLY* | | | | | |
| B-1 upto 40 kw | - | 1.81 | 0.23 | 3.07 | |
| There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 90/Kw for rest load between 21 - 40 kw | | | | | |
| B-2 (>41-500 kw) | 300 | 1.3 | 0.23 | 2.09 | |
| B-2 TOD ( Peak) | 300 | 1.98 | 0.23 | 2.78 | |
| B-2 TOD (Off Peak) | 300 | 1.2 | 0.23 | 2.07 | |
| B-3 (Normal) 11&33 kv not exceeding 5000 k | 290 | 1.29 | 0.23 | 2.01 | |
| B-3 TOD (Peak) | 290 | 1.97 | 0.23 | 2.26 | |
| B-3 TOD (off Peak) | 290 | 1.15 | 0.23 | 1.60 | |
| B-4 Normal 66/132/220 kv - All loads | 280 | 1.24 | 0.23 | 1.86 | |
| B-4 TOD (Peak) | 280 | 1.87 | 0.23 | 2.20 | |
| B-4 TOD (off Peak) | 280 | 1.11 | 0.23 | 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, 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 14.4

SCHEDULE OF ELECTRICITY TARIFFS

| Tariff Category/ Particulars | Fixed/Min Charges (Rs/KwM) | Energy Charges (Rs/Kwh) | F.A.S. (Rs/Kwh) | Additional Surcharge (Rs/Kwh) | F.A.S Subsidies Rs/kwh |
|---|---|---|---|---|---|
| | Effective 19-8-2003 | | | | |
| *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 |
| Districr 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 Additioan 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-1Residential 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) COG. 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, WAPD/ 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 14.4

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 |
|---|---|---|---|---|---|
| *GENERAL SUPPLY TARIFF A-1( including FATA)* | | | | | |
| Upto 50 Units | - | 0.61 | | 0.73 | |
| For Consumption > 50 units upto 1000 units | | - | - | - | |
| For First 100 units | - | 0.41 | 0.49 | 1.68 | 0.43 |
| For next 200 units (101-300) | - | 0.58 | 0.49 | 2.29 | 0.43 |
| For next 700 units (301-1000) | - | 1.51 | 0.49 | 3.55 | 0.43 |
| Above 1000 units | - | 1.88 | 0.37 | 4.42 | 0.31 |
| Minimum Monthly Charges: a) Single Phase Connections Rs 45/- | | | | | |
| b) Three Phase Connection: Rs 100/- | | | | | |
| *GENERAL SUPPLY TARRIF A-2( including FATA)* | | | | | |
| For first 100 units | - | 2.7 | 0.0 | 3.82 | |
| Above 100 Units | - | 2.94 | 0.0 | 3.92 | |
| For peak load requirment above 20kv | 220 | 1.09 | 0.12 | 2.83 | |
| Minimum Monthly Charges: a) Single Phase Connections Rs 150/- | | | | | |
| b) Three Phase Connection: Rs 300/- | | | | | |
| *INDUSTRIAL SUPPLY* | | | | | |
| B-1 upto 40 kw | - | 1.81 | 0.13 | 3.07 | |
| There shall be minimum monthly charges of Rs 70/Kw for first 20 Kilowatts of load and Rs 90/Kw for rest load between 21 - 40 kw | | | | | |
| B-2 (>41-500 kw) | 300 | 1.30 | 0.13 | 2.09 | |
| B-2 TOD ( Peak) | 300 | 1.98 | 0.13 | 2.87 | |
| B-2 TOD (Off Peak) | 300 | 1.20 | 0.13 | 2.07 | |
| B-3 (Normal) 11&33 kv not exceeding 5000 k | 290 | 1.29 | 0.13 | 2.01 | |
| B-3 TOD (Peak) | 290 | 1.97 | 0.13 | 2.26 | |
| B-3 TOD (off Peak) | 290 | 1.15 | 0.13 | 1.60 | |
| B-4 Normal 66/132/220 kv - All loads | 280 | 1.24 | 0.13 | 1.86 | |
| B-4 TOD (Peak) | 280 | 1.87 | 0.13 | 2.20 | |
| B-4 TOD (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, 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 14.4

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 |
| Districr 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 Additioan 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-1Residential 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 14.4

SCHEDULE OF ELECTRICITY TARIFFS

| | Effective 1-07-2004 | | | | | |
|---|---|---|---|---|---|---|
| Tariff Category/ Particulars | 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) |
| *GENERAL SUPPLY TARIFF A-1( including FATA)* | | | | | | |
| Upto 50 Units | - | 0.61 | | 0.73 | 0.06 | 1.40 |
| For Consumption > 50 units upto 1000 units | | 0.00 | 0.00 | 0.00 | | |
| For First 100 units | - | 0.41 | 0.43 | 1.48 | 0.09 | 2.41 |
| For next 200 units (101-300) | - | 0.58 | 0.43 | 2.19 | 0.11 | 2.31 |
| For next 700 units (301-1000) | - | 1.51 | 0.43 | 3.45 | 0.20 | 5.59 |
| Above 1000 units | - | 1.88 | 0.31 | 4.32 | 0.23 | 6.74 |
| Minimum Monthly Charges: a) Single Phase Connections Rs 45/- | | | | | | |
| b) Three Phase Connection: Rs 100/- | | | | | | |
| *GENERAL SUPPLY TARRIF A-2( including FATA)* | | | | | | |
| For first 100 units | - | 2.70 | 0.00 | 3.82 | 0.28 | 6.80 |
| Above 100 Units | - | 2.94 | 0.00 | 3.67 | 0.31 | 6.92 |
| For peak load requirment above 20kv | 220 | 1.09 | 0.12 | 2.83 | 0.23 | 5.27 |
| Minimum Monthly Charges: a) Single Phase Connections Rs 150/- | | | | | | |
| b) Three Phase Connection: Rs 300/- | | | | | | |
| *INDUSTRIAL SUPPLY* | | | | | | |
| B-1 upto 40 kw | - | 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 load between 21 - 40 kw | | | | | | |
| B-2 (>41-500 kw) | 300 | 1.30 | 0.13 | 1.99 | 0.26 | 4.76 |
| B-2 TOD ( Peak) | 300 | 1.98 | 0.13 | 2.22 | 0.36 | 6.01 |
| B-2 TOD (Off Peak) | 300 | 1.20 | 0.13 | 2.07 | 0.24 | 4.57 |
| B-3 (Normal) 11&33 kv not exceeding 5000 k | 290 | 1.29 | 0.13 | 2.01 | 0.22 | 4.38 |
| B-3 TOD (Peak) | 290 | 1.97 | 0.13 | 2.68 | 0.28 | 4.61 |
| B-3 TOD (off Peak) | 290 | 1.15 | 0.13 | 1.60 | 0.19 | 3.62 |
| B-4 Normal 66/132/220 kv - All loads | 280 | 1.24 | 0.13 | 1.86 | 0.23 | 4.29 |
| B-4 TOD (Peak) | 280 | 1.87 | 0.13 | 1.69 | 0.27 | 4.57 |
| B-4 TOD (off Peak) | 280 | 1.11 | 0.13 | 1.49 | 0.19 | 3.50 |

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.

Contd.

2) The above tariffs are inlusive of GOP subsidy in FAS and discount in addl. Surcharges

TABLE 14.4

## 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 |
| Districr 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 Additioan 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 | 0.24 | 7.13 |
| RESIDENTIAL COLONIES OF INDUSTRIES | | | | | | |
| H-1Residential 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 inlusive of GOP subsidy in FAS and discount in addl. Surcharges

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

| Tariff Category/ Particulars | 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) |
|---|---|---|---|---|---|---|
| | Effective 1-07-2005 | | | | | |
| *GENERAL SUPPLY TARIFF A-1( including FATA)* | | | | | | |
| Upto 50 Units | - | 0.61 | 0.00 | 0.73 | 0.06 | 1.40 |
| For Consumption Exceeding 50 units | | | | | | |
| For First 100 units (1-100) | - | 0.41 | 0.43 | 1.48 | 0.09 | 2.41 |
| For next 200 units (101-300) | - | 0.58 | 0.43 | 2.19 | 0.11 | 2.31 |
| For next 700 units (301-1000) | - | 1.51 | 0.43 | 3.45 | 0.20 | 5.59 |
| Above 1000 units | - | 1.88 | 0.31 | 4.32 | 0.23 | 6.74 |
| Minimum Monthly Charges: a) Single Phase Connections Rs 45/- | | | | | | |
| b) Three Phase Connection: Rs 100/- | | | | | | |
| *GENERAL SUPPLY TARRIF A-2( including FATA)* | | | | | | |
| For first 100 units | - | 2.70 | 0.00 | 3.82 | 0.28 | 6.80 |
| Above 100 Units | - | 2.94 | 0.00 | 3.67 | 0.31 | 6.92 |
| For peak load requirment above 20kv | 220 | 1.09 | 0.12 | 2.83 | 0.23 | 5.27 |
| Minimum Monthly Charges: a) Single Phase Connections Rs 150/- | | | | | | |
| b) Three Phase Connection: Rs 300/- | | | | | | |
| *INDUSTRIAL SUPPLY* | | | | | | |
| B-1 upto 40 kw | - | 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 load between 21 - 40 kw | | | | | | |
| B-2 (>41-500 kw) | 300 | 1.30 | 0.13 | 1.99 | 0.26 | 4.76 |
| B-2 TOD ( Peak) | 300 | 1.98 | 0.13 | 2.22 | 0.36 | 6.01 |
| B-2 TOD (Off Peak) | 300 | 1.20 | 0.13 | 2.07 | 0.24 | 4.57 |
| B-3 (Normal) 11&33 kv not exceeding 5000 k | 290 | 1.29 | 0.13 | 2.01 | 0.22 | 4.38 |
| B-3 TOD (Peak) | 290 | 1.97 | 0.13 | 1.68 | 0.28 | 4.61 |
| B-3 TOD (off Peak) | 290 | 1.15 | 0.13 | 1.60 | 0.19 | 3.62 |
| B-4 Normal 66/132/220 kv - All loads | 280 | 1.24 | 0.13 | 1.86 | 0.23 | 4.29 |
| B-4 TOD (Peak) | 280 | 1.87 | 0.13 | 1.69 | 0.27 | 4.57 |
| B-4 TOD (off Peak) | 280 | 1.11 | 0.13 | 1.49 | 0.19 | 3.50 |

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.

2) The above tariffs are inlusive of GOP subsidy in FAS and discount in addl. Surcharges

Contd.

TABLE 14.4

SCHEDULE OF ELECTRICITY TARIFFS

| Tariff Category/ Particulars | Effective 1-07-2005 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 | 0.90 | 0.36 | 0.84 | 0.16 | 2.53 |
| Districr Mainwali,Bhawalpur and Tharparkar. | | | | | | |
| D-2 Normal | 72 | 0.75 | 0.36 | 1.38 | 0.13 | 2.80 |
| D-2 (II) TOD NWFP (OFF-PEAK) | 72 | 0.75 | 0.36 | 0.63 | 0.13 | 2.05 |
| *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 Additioan 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 | 0.24 | 7.13 |
| RESIDENTIAL COLONIES OF INDUSTRIES | | | | | | |
| H-1Residential 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 inlusive of GOP subsidy in FAS and discount in addl. Surcharges

## Table 14.4

SCHEDULE OF ELECTRICITY TARIFFS

| TARIFF CATEGORY | Effective from 24-02-2007 | |
|---|---|---|
| | Fixed Charges Rs/KW | Variable Charges Rs/KWh |
| A-1 GENERAL SUPPLY TARIFF- RESIDENTIAL | | |
| Upto 50 UNITS | | 1.40 |
| FOR CONSUMPTION EXCEEDING 50 UNITS | | |
| 1 - 100 Units per month | | 2.65 |
| 101 - 300 Units per month | | 3.64 |
| 301 - 1000 Units per month | | 6.15 |
| Above 1000 UNITS | | 7.41 |
| Time of Day (TOD) - Peak | 365 | 6.00 |
| Time of Day (TOD) - Off-Peak | 365 | 3.55 |
| A-2 GENERAL SUPPLY TARIFF - COMMERCIAL | | |
| a) For Sanctioned Load upto 20 KW | | |
| i) For First 100 units | | 7.48 |
| ii) Above 100 units | | 7.61 |
| b) For Sanctioned Load exceding 20 KW | 267.17 | 4.59 |
| c) Time of Use - Peak | 365.00 | 6.00 |
| Time of Use -Off- Peak | 365.00 | 3.55 |
| INDUSTRIAL SUPPLY TARIFFS | | |
| B-1 upto 40 KW (230/400 Volts) | | 5.62 |
| B-2 Load >40 to 500 KW at 400 Volts. | 364.32 | 3.93 |
| B-2 TOD (Peak) | 364.32 | 5.01 |
| B-2 TOD (Off-Peak) | 364.32 | 3.89 |
| B-3 TOD (Peak) | 352.18 | 4.40 |
| B-3 TOD (Off-Peak) | 352.18 | 3.31 |
| B-4 TOD (Peak) | 340.03 | 4.29 |
| B-4 TOD (Off-Peak) | 340.03 | 3.15 |
| BULK SUPPLY TARIFFS | | |
| C-1 (a) 400-Volts Load upto 20 KW | | 5.68 |
| C-1 (b) 400-V Load above 20 KW | 267.17 | 5.27 |
| Time of Day (TOD) Peak | 365.00 | 6.00 |
| Time of Day (TOD) Off-Peak | 365.00 | 3.55 |
| C-2 at 11/33-KV | 262.31 | 4.96 |
| Time of Day (TOD) Peak | 355.00 | 5.95 |
| Time of Day (TOD) Off-Peak | 355.00 | 3.45 |
| C-3 all loads | 259.88 | 4.86 |
| Time of Day (TOD) Peak | 340.00 | 5.90 |
| Time of Day (TOD) Off-Peak | 340.00 | 3.40 |
| AGRICUTURAL TUBEWELL TARIFFS | | |
| D-1 - Scarp | | 5.41 |
| D-2(I)- Punjab / Sindh (Normal) | 87.44 | 3.28 |
| D-2(II)- NWFP/Blochistan (Normal), Distts. Mianwali, Bhawalpur & Tharparkar. | 87.44 | 2.87 |
| Time of Day (TOD) Peak | 355.00 | 6.00 |
| Time of Day (TOD) Off-Peak | 355.00 | 3.55 |
| PUBLIC LIGHTING TARIFF | | |
| G | | 7.59 |
| RESIDENTIAL COLONIES OF INDUSTRIES | | |
| H | | 6.78 |
| RAILWAY TRACTION | | |
| I | | 5.69 |
| SPECIAL CONTRACT TARIFFS | | |
| K(a) - AJ&K | 355 | 1.90 |
| Time of Day (TOD) Peak | 355 | 6.00 |
| Time of Day (TOD) Off-Peak | 355 | 3.55 |
| K(c) - Rawat Lab. | | 4.94 |

Source: WAPDA

Note: 1) The above figures cover some portion of the tariffs schedule. For full details, WAPDA may be consulted.

## TABLE 14.5

## OIL SALE PRICES

Rs/Ltrs

| Date | 1-1-2004 | 6-1-2004 | 1-2-2004 | 16-2-2004 | 1-3-2004 | 15-3-2004 | 1-4-2004 | 16-4-2004 | 1-5-2004 | 16-5-2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | | | | | |
| Motor Gasoline | | | | | | | | | | |
| Premium Motor Gasoline | 33.78 | 35.48 | 35.33 | 34.47 | 34.80 | 34.75 | 34.57 | 35.37 | 36.92 | 36.92 |
| HOBC (Automotive 100 Octane) | 37.67 | 39.42 | 39.42 | 38.43 | 38.74 | 38.97 | 38.32 | 39.39 | 40.87 | 40.87 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | | | | | | |
| Kerosene | 22.38 | 23.22 | 23.55 | 22.18 | 22.41 | 21.98 | 21.98 | 23.00 | 24.00 | 24.00 |
| HSD | 22.78 | 23.85 | 23.85 | 23.77 | 23.77 | 23.77 | 23.44 | 24.02 | 24.37 | 24.37 |
| LDO | 18.63 | 19.62 | 20.29 | 19.84 | 19.91 | 19.75 | 19.45 | 20.03 | 21.05 | 21.05 |
| Aviation gasoline (100LL) | | | | | | | | | | |
| JP-1: | | | | | | | | | | |
| i) For sale to PIA Domestic Flight | 15.96 | 16.72 | 17.02 | 15.31 | 15.70 | 15.41 | 15.88 | 16.17 | 18.23 | 19.72 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | | | | | |
| JP-4 | 19.68 | 20.91 | 21.00 | 19.15 | 16.69 | 19.75 | 19.94 | 20.37 | 21.82 | 23.03 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

## TABLE 14.5

## OIL SALE PRICES

Rs/Ltrs

| Date | 1-6-2004 | 16-6-2004 | 1-7-2004 | 16-7-2004 | 1-8-2004 | 16-8-2004 | 1-9-2004 | 16-9-2004 | 1-10-2004 | 16-10-2004 |
|---|---|---|---|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | | | | | |
| Motor Gasoline | 36.92 | 36.92 | 36.92 | 36.92 | 36.92 | 36.92 | 36.92 | 36.92 | 36.92 | 36.92 |
| HOBC (Automotive 100 Octane) | 40.87 | 40.87 | 40.87 | 40.87 | 40.87 | 40.87 | 40.87 | 40.87 | 40.87 | 40.87 |
| 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 | 24.00 | 24.00 | 24.00 |
| HSD | 24.37 | 24.37 | 24.37 | 24.37 | 24.37 | 24.37 | 24.37 | 24.37 | 24.37 | 24.37 |
| LDO | 21.05 | 21.05 | 21.05 | 21.05 | 21.05 | 21.05 | 21.05 | 21.50 | 12.05 | 21.05 |
| Aviation gasoline (100LL) | | | | | | | | | | |
| JP-1: | | | | | | | | | | |
| i) For sale to PIA Domestic Flight | 19.65 | 18.47 | 18.40 | 19.60 | 20.85 | 22.20 | 23.29 | 22.76 | 24.86 | 26.06 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | | | | | |
| JP-4 | 23.41 | 22.26 | 21.80 | 22.47 | 23.64 | 25.53 | 26.54 | 25.62 | 27.39 | 28.90 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

## TABLE 14.5

## 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: Hydrocarban Development Institute of Pakistan(HDIP)

## TABLE 14.5

## OIL SALE PRICES

Rs/Ltrs

| Date | 1-3-2005 | 16-3-2005 | 1-4-2005 | 16-04-2005 | 01-05-2005 | 17-05-2005 | 01-06-2005 | 16-06-2005 |
|---|---|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | | | |
| Motor Gasoline | 43.96 | 45.53 | 45.53 | 45.53 | 45.53 | 45.53 | 45.53 | 45.53 |
| HOBC (Automotive 100 Octane) | 48.94 | 50.52 | 50.52 | 50.52 | 50.52 | 50.52 | 50.52 | 50.52 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | | | | |
| Kerosene | 27.98 | 27.98 | 27.98 | 27.98 | 27.98 | 27.98 | 27.98 | 27.98 |
| HSD | 28.21 | 29.06 | 29.06 | 29.06 | 29.06 | 29.06 | 29.06 | 29.06 |
| LDO | 25.37 | 26.39 | 26.39 | 26.39 | 26.39 | 26.39 | 26.39 | 26.39 |
| Aviation gasoline (100LL) | | | | | | | | |
| JP-1: | | | | | | | | |
| i) For sale to PIA Domestic Flight | 24.77 | 28.16 | 29.83 | 31.82 | 31.03 | 29.15 | 27.19 | 29.36 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | | | |
| JP-4 | 27.89 | 30.39 | 31.81 | 32.89 | 31.76 | 29.97 | 28.61 | 29.87 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

## TABLE 14.5

### OIL SALE PRICES

Rs/Ltrs

| Date | 01-07-2005 | 01-08-2005 | 16-08-2005 | 01-09-2005 | 16-09-2005 | 01-10-2005 |
|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | |
| Motor Gasoline | 48.94 | 48.94 | 48.94 | 52.61 | 52.29 | 56.29 |
| HOBC (Automotive 100 Octane) | 54.33 | 54.33 | 54.33 | 58.40 | 58.40 | 62.77 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | | |
| Kerosene | 29.53 | 29.53 | 29.53 | 31.00 | 31.00 | 32.87 |
| HSD | 31.74 | 31.74 | 31.74 | 34.59 | 34.59 | 37.18 |
| LDO | 27.84 | 27.84 | 27.84 | 29.22 | 29.22 | 30.97 |
| Aviation gasoline (100LL) | | | | | | |
| JP-1: | | | | | | |
| i) For sale to PIA Domestic Flight | 31.27 | 30.48 | 32.10 | 33.75 | 34.88 | 34.07 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | |
| JP-4 | 31.54 | 31.51 | 33.53 | 35.31 | 36.9 | 35.93 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

## TABLE 14.5

### OIL SALE PRICES

| Date | 01-11-2005 | 16-11-2005 | 01-12-2005 | 16-12-2005 | 01-01-2006 |
|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | |
| Motor Gasoline | 56.29 | 56.29 | 56.29 | 56.29 | 56.29 |
| HOBC (Automotive 100 Octane) | 62.77 | 62.77 | 62.77 | 62.77 | 62.77 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | |
| Kerosene | 32.87 | 32.87 | 32.87 | 32.87 | 32.87 |
| HSD | 37.18 | 37.18 | 37.18 | 37.18 | 37.18 |
| LDO | 30.97 | 30.97 | 30.97 | 30.97 | 30.97 |
| Aviation gasoline (100LL) | | | | | |
| JP-1: | | | | | |
| i) For sale to PIA Domestic Flight | 31.59 | 28.34 | 28.78 | 29.89 | 32.15 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | |
| JP-4 | 33.87 | 31.44 | 31.33 | 32.36 | 33.37 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

| Date | 16-01-2006 | 01-02-2006 | 16-02-2006 | 01-03-2006 | 16-03-2006 | 01-04-2006 |
|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | |
| Motor Gasoline | 56.29 | 56.29 | 56.29 | 56.29 | 56.29 | 56.29 |
| HOBC (Automotive 100 Octane) | 62.77 | 62.77 | 62.77 | 62.77 | 62.77 | 62.77 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | | |
| Kerosene | 32.87 | 32.87 | 32.87 | 32.87 | 32.87 | 32.87 |
| HSD | 37.18 | 37.18 | 37.18 | 37.18 | 37.18 | 37.18 |
| LDO | 30.97 | 30.97 | 30.97 | 30.97 | 30.97 | 30.97 |
| Aviation gasoline (100LL) | | | | | | |
| JP-1: | | | | | | |
| i) For sale to PIA Domestic Flight | 32.57 | 33.93 | 33.61 | 32.89 | 33.72 | 34.37 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | |
| JP-4 | 34.04 | 35.50 | 35.11 | 34.83 | 35.86 | 36.52 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

OIL SALE PRICES

Rs/Ltrs

| Date | 16-04-2006 | 01-05-2006 | 16-05-2006 | 01-06-2006 | 16-06-2006 | 1-07-2006 |
|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | |
| Motor Gasoline | 56.29 | 57.70 | 57.70 | 57.70 | 57.70 | 57.70 |
| HOBC (Automotive 100 Octane) | 62.77 | 64.88 | 64.88 | 64.88 | 64.88 | 64.88 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | | |
| Kerosene | 32.87 | 35.23 | 35.23 | 35.23 | 35.23 | 35.23 |
| HSD | 37.18 | 38.73 | 38.73 | 38.73 | 38.73 | 38.73 |
| LDO | 30.97 | 32.57 | 32.57 | 32.57 | 32.57 | 32.57 |
| Aviation gasoline (100LL) | | | | | | |
| JP-1: | | | | | | |
| i) For sale to PIA Domestic Flight | 35.86 | 39.22 | 38.73 | 37.51 | 38.66 | 37.98 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | |
| JP-4 | 37.75 | 40.33 | 40.35 | 39.22 | 40.24 | 40.09 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

## TABLE 14.5

### OIL SALE PRICES

Rs/Ltrs

| Date | 16-07-2006 | 01-08-2006 | 16-08-2006 | 01-09-2006 | 16-09-2006 | 01-10-2006 |
|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | |
| Motor Gasoline | 57.70 | 57.70 | 57.70 | 57.70 | 57.70 | 57.70 |
| HOBC (Automotive 100 Octane) | 64.88 | 64.88 | 64.88 | 64.88 | 64.88 | 64.88 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | | |
| Kerosene | 35.23 | 35.23 | 35.23 | 35.23 | 35.23 | 35.23 |
| HSD | 38.73 | 38.73 | 38.73 | 38.73 | 38.73 | 38.73 |
| LDO | 32.57 | 32.57 | 32.57 | 32.57 | 32.57 | 32.57 |
| Aviation gasoline (100LL) | | | | | | |
| JP-1: | | | | | | |
| i) For sale to PIA Domestic Flight | 38.64 | 39.48 | 40.00 | 39.40 | 38.04 | 34.22 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | |
| JP-4 | 41.30 | 44.71 | 41.52 | 40.48 | 38.39 | 35.41 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

## TABLE 14.5

### OIL SALE PRICES

Rs/Ltrs

| Date | 16-10-2006 | 01-11-2006 | 16-11-2006 | 01-12-2006 | 16-12-2006 | 01-01-2007 |
|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | |
| Motor Gasoline | 57.70 | 57.70 | 57.70 | 57.70 | 57.70 | 57.70 |
| HOBC (Automotive 100 Octane) | 64.88 | 64.88 | 64.88 | 64.88 | 64.88 | 64.88 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | | |
| Kerosene | 35.23 | 35.23 | 35.23 | 35.23 | 35.23 | 35.23 |
| HSD | 38.73 | 38.73 | 38.73 | 38.73 | 38.73 | 38.73 |
| LDO | 32.57 | 32.57 | 32.57 | 32.57 | 32.57 | 32.57 |
| Aviation gasoline (100LL) | | | | | | |
| JP-1: | | | | | | |
| i) For sale to PIA Domestic Flight | 33.49 | 33.05 | 32.66 | 33.25 | 35.20 | 34.32 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | |
| JP-4 | 35.03 | 34.86 | 34.82 | 35.34 | 37.09 | 36.49 |
| JP-8 | | | | | | 39.61 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.5

## OIL SALE PRICES

Rs/Ltrs

| Date | 16-01-2007 | 01-02-2007 | 16-02-2007 | 01-03-2007 | 16-03-2007 | 01-04-2007 |
|---|---|---|---|---|---|---|
| Ex-Depot Sale Price | | | | | | |
| Motor Gasoline | 53.70 | 53.70 | 53.70 | 53.70 | 53.70 | 53.70 |
| HOBC (Automotive 100 Octane) | 64.88 | 64.88 | 64.88 | 64.88 | 64.88 | 64.88 |
| Super (90 Octane) Blend of Motor Gasoline @ 60% and HOBC 40%) | | | | | | |
| Kerosene | 35.23 | 35.23 | 35.23 | 35.23 | 35.23 | 35.23 |
| HSD | 37.73 | 37.73 | 37.73 | 37.73 | 37.73 | 37.73 |
| LDO | 32.57 | 32.57 | 32.57 | 32.57 | 32.57 | 32.57 |
| Aviation gasoline (100LL) | | | | | | |
| JP-1: | | | | | | |
| i) For sale to PIA Domestic Flight | 31.52 | 30.57 | 31.66 | 31.75 | 33.22 | 33.53 |
| ii) For sale to PIA foreign flights & foreign airline | | | | | | |
| iii) For Cargo & Technical Landing Flights | | | | | | |
| JP-4 | 33.93 | 33.30 | 35.02 | 35.63 | 37.87 | 38.11 |
| JP-8 | 36.65 | 35.64 | 36.80 | 36.89 | 38.46 | 38.78 |

Source: Hydrocarban Development Institute of Pakistan(HDIP)

TABLE 14.6

GAS SALE PRICES

(Rs/mcft)

| / Category | | 01.3.2002 | 23.7.2002 | 20-8-2002 | 25.10.2002 | 1-7-2003 | 1.1.2004 | 1-7-2004 |
|---|---|---|---|---|---|---|---|---|
| DOMESTIC (Slab) | | | | | | | | |
| | Upto 1.77 MCUFT / Month | .. | .. | .. | .. | .. | .. | .. |
| I | Upto 3.55 | 66.86 | 66.86 | 66.86 | 67.95 | 69.31 | 69.31 | 73.95 |
| II | 3.55 to 7.1 | 100.73 | 100.73 | 100.73 | 102.37 | 104.42 | 104.42 | 111.42 |
| III | 7.1 to 10.64 | 161.16 | 161.16 | 161.16 | 163.78 | 167.06 | 167.06 | 178.25 |
| IV | 10.64 to 14.20 (MCFT/M) | 201.45 | 201.45 | 201.45 | 213.06 | 217.32 | 217.32 | 231.88 |
| V | All over 14.20 | 217.85 | 217.85 | 217.85 | | | | |
| COMMERCIAL | | 186.98 | 186.98 | 186.98 | 190.02 | 193.82 | 193.82 | 204.88 |
| General | | 166.18 | 166.18 | 166.18 | 168.88 | 172.26 | 172.26 | 182.09 |
| Captive Power | | | | | | | | |
| Cement | | 194.68 | 194.68 | 222.32 | 222.32 | 209.78 | 209.78 | 209.78 |
| CNG Station | | 166.18 | 166.18 | 166.18 | 168.88 | 172.26 | 172.26 | 182.09 |
| FERTILIZER | | | | | | | | |
| <u>SNGPL'S SYSTEM</u> | | | | | | | | |
| | (i)For Feed Stock | | | | | | | |
| | Pak.Americal Fertilizer Ltd.PAFL | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 |
| | F.F.C Jorden | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 |
| | Dadoud/ Pak Arab | 59.59 | 59.59 | 62.57 | 62.57 | 67.26 | 67.26 | 73.99 |
| | Pak china/ Hazara | 63.24 | 63.24 | 66.40 | 66.40 | 71.38 | 71.38 | 78.52 |
| | (ii)For Fuel Generation | 166.18 | 166.18 | 166.88 | 168.88 | 172.26 | 172.26 | 182.09 |
| <u>FOR MARI GAS CO. SYSTEM</u> | | | | | | | | |
| | (i)For Feed Stock | | | | | | | |
| | FFC Engro Chemical | 13.09 | 13.09 | 13.09 | 13.09 | 66.31 | 66.31 | 72.94 |
| | Pak Saudi | 58.74 | 61.68 | 61.68 | 61.68 | 66.31 | 66.31 | 72.94 |
| | (ii)For Power Generation | 166.18 | 166.18 | 166.18 | 168.88 | 172.26 | 172.26 | 182.09 |
| SNGPL & SSGCL'S SYSTEM | | 166.18 | 166.18 | 166.18 | 168.88 | 172.26 | 172.26 | 182.09 |
| Liberty Power Ltd. | | 202.98 | 202.98 | 190.8 | 190.8 | 235.77 | 225.78 | 234.33 |
| GAS DIRECTLY SOLD TO | | | | | | | | |
| <u>WAPDA'S GUDDU POWER STATION</u> | | | | | | | | |
| SUI FIELD (917 BTU) | | 145.51 | 145.51 | 145.51 | | | | |
| KANDHKOT FIELD (866 BTU) | | 160.54 | 160.54 | 160.54 | 163.15 | 166.41 | 166.41 | 175.90 |
| MARI FIELD (754 BTU) | | 156.14 | 156.14 | 156.14 | 158.68 | 161.85 | 161.85 | 171.08 |
| SARA/SURI FIELD | | 156.14 | 156.14 | 156.14 | 158.68 | 161.85 | 161.85 | 171.08 |

(Contd.)

Billing/pricing system changed from Rs. Per thousand cubic feet to Rs. Per million btu w.e.f.1-1-2002

TABLE 14.6

(Rs/mcft)

| / Category | | 1.1.2005 | 2-2-2005 | 1-7-2005 | 1-1-2006 | 1-7-2006 | 1-2-2007 |
|---|---|---|---|---|---|---|---|
| DOMESTIC (Slab) | | | | | | | |
| | Upto 1.77 MCUFT / Month | .. | .. | .. | .. | 85.03 | 78.38 |
| I | Upto 3.55 | 73.95 | 73.95 | 73.95 | 80.98 | 89.03 | 82.07 |
| II | 3.55 to 7.1 | 111.42 | 120.61 | 127.92 | 147.41 | 162.07 | 149.4 |
| III | 7.1 to 10.64 | 178.25 | 192.96 | 204.17 | 235.84 | 259.29 | 239.01 |
| IV | 10.64 to 14.20 (MCFT/M) | 231.88 | 251.01 | 265.59 | 306.79 | 337.30 | 310.92 |
| V | All over 14.20 | | | | | | |
| COMMERCIAL | | 204.88 | 221.78 | 234.67 | 271.07 | 298.03 | 268.23 |
| General | | 182.09 | 197.11 | 208.56 | 240.91 | 264.87 | 238.38 |
| Captive Power | | | 179.11 | 208.56 | 240.91 | 264.87 | 238.38 |
| Cement | | 209.78 | 227.09 | 240.28 | 277.55 | 305.15 | 305.15 |
| CNG Station | | 182.09 | 197.11 | 208.56 | 240.91 | 264.87 | 264.87 |
| FERTILIZER | | | | | | | |
| SNGPL'S SYSTEM | | | | | | | |
| | (i)For Feed Stock | | | | | | |
| | Pak.Americal Fertilizer Ltd.PAFL | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 |
| | F.F.C Jorden | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 | 36.77 |
| | Dadoud/ Pak Arab | 73.99 | 73.99 | 83.24 | 83.24 | 91.52 | 91.52 |
| | Pak china/ Hazara | 78.52 | 78.52 | 88.34 | 88.34 | 97.11 | 97.11 |
| | (ii)For Fuel Generation | 182.09 | 197.11 | 208.56 | 240.91 | 264.87 | 238.38 |
| FOR MARI GAS CO. SYSTEM | | | | | | | |
| | (i)For Feed Stock | | | | | | |
| | FFC Engro Chemical | 72.94 | 72.94 | 82.06 | 82.06 | 90.22 | 90.22 |
| | Pak Saudi | | | | | | |
| | (ii)For Power Generation | 182.09 | 182.09 | 208.56 | 240.91 | 264.87 | 238.38 |
| SNGPL & SSGCL'S SYSTEM | | 182.09 | 197.11 | 208.56 | 240.91 | 264.87 | 238.88 |
| Liberty Power Ltd. | | 262.03 | 262.03 | 303.25 | 413.46 | 467.52 | 445.98 |
| GAS DIRECTLY SOLD TO | | | | | | | |
| WAPDA'S GUDDU POWER STATION | | | | | | | |
| SUI FIELD (917 BTU) | | | | | | | |
| KANDHKOT FIELD (866 BTU) | | 175.90 | 190.41 | 201.47 | 232.72 | 255.86 | 230.28 |
| MARI FIELD (754 BTU) | | 171.08 | 185.19 | 195.95 | 226.34 | 248.85 | 223.96 |
| SARA/SURI FIELD | | 171.08 | 185.19 | 195.95 | 226.34 | 248.85 | 223.96 |

Source : Hydrocabon Development Institute of Pakistan

Billing/pricing system changed from Rs. Per thousand cubic feet to Rs. Per million btu w.e.f.1-1-2002

# ENVIRONMENT

Pakistan recognizes the importance of incorporating environmental concerns as a cross-cutting theme in its sustainable development strategy. In Pakistan, environmental degradation is intrinsically linked to poverty because of the overwhelming dependence of the poor on natural resources for their livelihoods—whether agriculture, forestry, fisheries, hunting etc. Poverty combined with a burgeoning population and rapid urbanization, is leading to intense pressures on the environment. To arrive at sustainable solutions to environmental problems, this 'environment-poverty nexus' needs to be addressed.

Pakistani cities are facing problems of urban congestion, deteriorating air and water quality and waste management while the rural areas are witnessing rapid deforestation, biodiversity and habitat loss, crop failure, desertification and land degradation. There is increasing realization that many of these issues are compounded by climate change. The Government recognizes that women in Pakistan are directly involved in and responsible for many aspects of environmental management. Therefore, gender analysis and incorporating women's concerns into all environmental initiatives are being given increased importance.

The Government has initiated the National Environment Action Plan (NEAP) in 2001 as an umbrella programme to address these environmental concerns in a holistic manner. The development objective of NEAP is environmental sustainability and poverty reduction in the context of economic growth. The United Nations Development Programme has been supporting the implementation of this initiative though the NEAP Support Programme (NEAP-SP). In March 2007, NEAP-SP programme entered its second phase. The NEAP-SP Phase-II will be guided from the experiences gained in Phase-I and help translate the NEAP into action, while enhancing the poverty-environment nexus aspects in operational terms.

Some of the major achievements of NEAP Phase-I included development of policies and strategies like National Environmental Policy, Sanitation Policy, Clean Development Mechanism Strategy, Draft National Forest Policy and Energy Conservation Policy etc. During Phase-I, the Programme appraised more than 300 project proposals submitted by various stakeholders, while the core team of NEAP-SP prepared more than 60 project concepts. This also included preparation of projects for Public Sector Development Programme e.g. Clean Drinking Water Initiatives, Clean Drinking Water for All, Activity-based Capacity Development, National Bio-Safety Center and Rehabilitation of Rangelands of Potohar Tract of Punjab through participation of local communities.

NEAP-SP Phase II proposes a wide range of technical, institutional, regulatory, social and economic interventions in terms of different projects grouped under the following four thematic programmes: Pollution Prevention and Control; Climate Change; Ecosystem and Natural Resources Management; and Environmental Governance, Advocacy, and Partnership. These programmes, in addition to pursuing their technical objectives, will strengthen the institutional and technical capacities of relevant Government institutions. Moreover, the proposed programme will promote equal participation of women in project level activities and promote sustainable grassroots projects through its Grassroots Initiatives Programme for Local Environmental Management (GRIP).

At the international level, Pakistan is not only a signatory to numerous Multilateral Environmental

Agreements (MEAs), but has also shown its commitment to non-legally binding instruments such as Agenda-21 Rio Principles and Johannesburg Plan of Implementation aiming for sustainable development of natural resources. Pakistan adheres to the United Nations Convention on Biological Diversity (CBD), Convention on International Trade in Endangered Species of wild flora and fauna (CITES), United Nations Convention to Combat Desertification (UNCCD), United Nations Framework Convention on Climate Change (UNFCCC), Convention on Migratory Species (CMS), Ramsar Convention on Wetlands, Basel Convention on the Control of Trans-boundary Movement of Hazardous Wastes and their Disposal, Rotterdam Convention on the Prior Informed Consent for Certain Hazardous Chemicals and Pesticides in International Trade and the Montreal Protocol. Pakistan has also prepared the National Implementation Plan for Persistent Organic Pollutants (POPs) to ratify the Stockholm Convention.

The Government has also committed itself to achieving the Millennium Development Goals (MDGs) as adopted by the UN member states in the year 2000. Among the MDGs, Goal number 7 aims at ensuring environmental sustainability. Each of the goals has a number of targets. Each MDG target is measured by several indicators. The indicators chosen by the Government to report progress on Target 9 are given in the Table 16-1.

**Table 16.1: MDG Target 9- Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources**

| Indicators | Definitions | 1990-91 | 2001-02 | 2004-05 | 2005-06* | PRSP Target 2005-06 | MTDF Target 2009-10 | MDG Target 2015 |
|---|---|---|---|---|---|---|---|---|
| Forest cover including state owned and private forest and farmlands | Forest cover including state owned and private forest and farmlands, as percentage of the total land area | 4.8 | 4.8 | 4.92 | 5.02 | 5 | 5.2 | 6 |
| Land area protected for the conservation of wildlife | Land area protected as as percentage of total land area | 9.1 | 11.25 | 11.3 | 11.3 | 11.3 | 11.6 | 12 |
| GDP (at constant factor cost) per unit of energy use as proxy for energy efficiency | Value added (in 1980/81 Rs) per ton of oil equivalent | 26,471 | 27,047 | 27,000 | Not Available | 27,300 | 27,600 | 28,000 |
| No. of vehicles using CNG | No. of petrol and diesel vehicles using CNG fuel | 500 | 280,000 | 700,000 | 1,400,000 | n/a | 800,000 | 920,000 |
| Sulphur content in high speed diesel (as a proxy for ambient air quality) | Percentage of sulphur (by weight) in high speed diesel | 1 | 1 | 1 | Not Available | n/a | 0.5 | 0.5-0.25 |

Source: Pakistan Millennium Development Goals Report 2006, CRPRID, Planning Commission

N/a = Not available
* : Estimates for 2005-2006

One of the targets of the MDGs, as shown in the table above, is 6 percent forest cover including trees on agricultural lands, by 2015. In 2005-2006, 5.02 percent of Pakistan's land area was covered with trees which was an improvement from the previous year's 4.92 percent. The MDG target for "land area to be protected for the conservation of wildlife" is 12 percent by 2015. Pakistan already has 11.3 percent of its area under protection for conservation of wildlife. Thus, it is very likely that this target can be met by 2015. The Government's MDG target for number of vehicles using CNG (which previously used diesel and petrol) is 920,000 whereas the current estimate for 2005-2006 is 1.4 million. Therefore, Pakistan has already met its MDG target well in advance. This achievement has been made possible because of the tremendous growth in the number of vehicles that are converting to CNG due to the Government's resolve regarding the development of the CNG sector as a cleaner and economical energy alternative. On the other hand, the indicator for ambient air quality, 'sulphur content in high speed diesel', shows that there has been no improvement in recent years. Although the target for 2015 is 0.5-0.25 percent (by weight), the current percentage of 1 has remained unchanged in years.

Target 10 of the Millennium Development Goal of environmental sustainability aims to "halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation," whereas target 11 is concerned with improvement of the lives of slum dwellers. In Pakistan, this target has been adapted to mean proportion of katchi abadis that have been regularized. Target 11 poses a challenge to the Government, as the current proportion of regularized slum settlements is 60 percent, which has to be increased to 95 percent by 2015 set by the government.

## STATE OF THE ENVIRONMENT

### a) Air

The major cities of Pakistan have been suffering from deteriorating air quality due to a relatively higher population growth; absence of public transport services and tremendous increases in the number of privately owned vehicles. A particular concern is very high concentrations of pollutants such as nitrous oxides and sulphur. In rural areas of the country, indoor air pollution, due to burning of fuel-wood and biomass to meet energy needs for cooking and heating, is an issue of concern. The primary sufferers of the health risks posed by indoor air pollution are women, who do most of the cooking, and young children who are primarily looked after by their mothers.

**Suspended Particulate Matter:** Another issue of air quality in Pakistan is the presence of excessive Suspended Particulate Matter (SPM) in the ambient air. The major sources of SPM are vehicles, industry, burning of solid waste, brick kilns and natural dust. The origin of Suspended Particulate Matter (SPM) may be a natural phenomenon, such as unpaved roads and places uncovered by green grass or trees.

The average SPM concentration in Pakistan exceeded 3.8 times from the Japanese standards (200 $ug/m^3$) and 6.4 times from WHO guidelines (120 $ug/m^3$) as reported by Pak-EPA in 2001 during the investigation of Air and Water Quality in the cities of Lahore, Rawalpindi and Islamabad.

**Vehicular Pollution:** Pakistan's steady economic growth has been accompanied by rising urbanization, higher income and affluence, and an increase in the private ownership of motor vehicles. In the absence of any urban transport policies and sustained investments in public transport, most urban citizens rely either on their private motor vehicles or the informal transport sector for urban transport. The resulting urban congestion is straining the capacity of the Government to resolve the urban transport *issues and fund sustainable solutions. As a consequence, urban areas of Pakistan are experiencing a deterioration in air quality.

In recent years, Pakistan has witnessed a sharp increase in private vehicle ownership. New passenger car registrations, which have soared since 2001, are expected to continue to rise. The number of motor vehicles in Pakistan has jumped many fold over the last years. The surge in he demand for cars originated from the increasing affordability of cars on the one hand and availability of car financing from the banking system on he other. Amongst these vehicles, those of serious concern are diesel vehicles using crude diesel oil and motorcycles and rickshaws. Due to overloading, faulty injection nozzles and weak engines, diesel vehicles emit excessive graphitic carbon (visible smoke). On the other hand, motorcycles and rickshaws, due to their two-stroke engines, are the most inefficient in burning fuel and thus, contribute most to emissions.

**Table 16-2: Growth in CNG Sector**

| As on | CNG Station | Converted Vehicles* |
|---|---|---|
| December, 1999. | 62 | 60,000 |
| December, 2000, | 150 | 120,000 |
| December, 2001. | 218 | 210,000 |
| December, 2002. | 360 | 330,000 |
| December, 2003. | 475 | 450,000 |
| December, 2004. | 633 | 660,000 |
| December, 2005. | 835 | 1,050,000 |
| December, 2006. | 1190 | 1,300,000 |
| 16th May, 2007 | 1450 | 1,400,000 |

* Estimated figures Source: HDIP

The government's response to vehicular pollution and to improve ambient air quality has been to promote CNG as a cleaner alternative. Currently, 1,450 CNG stations are operational throughout the country (see Table 16-2) while another 1,000 are under construction. To date, Oil and Gas Regulatory Authority (OGRA) has issued more than 5700 provisional licenses for the establishment of CNG Stations in the country. Pakistan's CNG fleet is the largest in Asia and the third largest in the world after Argentina and Brazil. The sector has already attracted the investment of Rs. 60 billion and more is expected. The tremendous growth in this sector has led to job creation and till date approximately 60,000 new jobs have been created. In line with a Cabinet directive, the Federal Government is providing incentives in the form of payment of the markup (either complete or partial) of the loans required to purchase new CNG vehicles. In this regard, the cities of Karachi, Hyderabad, Lahore, Rawalpindi, Islamabad, Peshawar and Quetta are phasing out diesel vehicles in favour of CNG buses for intra-city transportation. All new buses, mini buses and wagons will be dedicated CNG – or dual fuel vehicles. Provincial governments are also taking initiatives to promote CNG conversions. For example, the Punjab Government is giving 20 percent of the capital cost for purchasing new CNG vehicles.

### b) Water and Sanitation

Pakistan is an agrarian economy that is heavily dependent on the water from its rivers for various purposes ranging from agriculture to power generation. According to an estimate, the Indus River irrigates 80 percent of the 21.5 million ha of agricultural land. Over the years, various pressures on the River Indus, the most important being water extraction for irrigation purposes, has led to substantial pressures on Pakistan's water resources. Pakistan's current supply of water is just a little over 1000 $m^3$ per person and that puts Pakistan in the category of 'high stress' countries. In light of growing population pressures, rapid urbanization and increased industrialization and extended periods of drought, it has been estimated that an additional 48 Billion $m^3$ water would be required to meet the growing demands of agriculture and the country's economy by the year 2011. This would depend largely on the judicious use and management of the available water resources.

The increased groundwater utilization for domestic and agricultural use has adversely affected groundwater quality particularly in the irrigated areas with almost 70 percent tube wells now pumping hazardous sodic water. Due to greater dependence on this resource for meeting the ever-growing agricultural requirements, water table decline has also been observed in many areas.

Despite the generally arid nature of Pakistan's climate, 10 percent (780,000 ha) of the total surface area of the country is covered by wetlands which are of global importance. There are about 225 significant wetlands in Pakistan identified to date, out of which 19 have been recognized as being of international importance by the Ramsar Convention. The diverse assortment of natural freshwater and marine wetlands that occur within Pakistan support many unique combinations of biodiversity. In addition, almost all of Pakistan’s wetlands are inhabited by people. Due to growing population pressures and habitat loss induced by climate change, the wetlands are facing increasing pressures. It is feared that these wetlands may not be able to take on much additional pressure and their productivity needs to be preserved, enhanced and sustained.

The Human Development Report 2006 points out, “the scarcity at the heart of the global water crisis is rooted in power, poverty and inequality”. Target 10 of MDG 7 deals with sustainable access to safe drinking water and basic sanitation. Currently, only 54 percent of the population of Pakistan has access to safe sanitation and 66 percent to safe drinking water, whereas the targets for 2015 are 90 percent and 93 percent respectively. Even though there has been an improvement in water supply coverage from 53 percent in 1990 to 66 percent in 2005, however, the MDG target of 93 percent poses a considerable challenge.

### c) Land

Out of a total land area of 79.6 million hectares, only 16 million hectares are suitable for irrigated farming in Pakistan. Hence, a majority of the people depend on arid and semi-arid areas to support their livelihoods through agro-pastoral activities. Pakistan’s land area by aridity and population by aridity zones is given in the Fig-16.1 and Fig-16.2.

Fig-16.1: Pakistans' Land Area by Aridity Zone

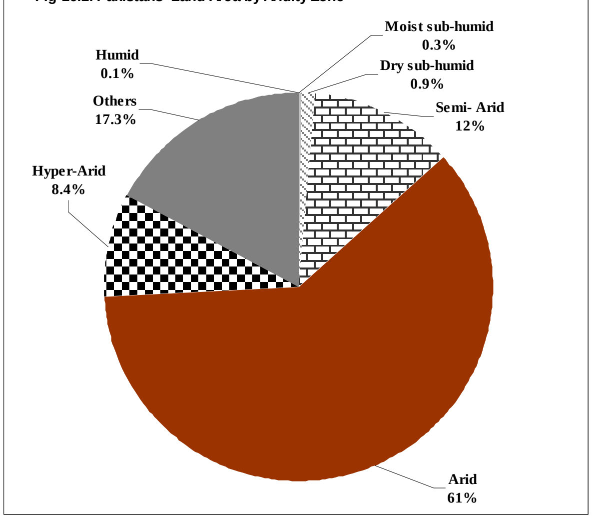
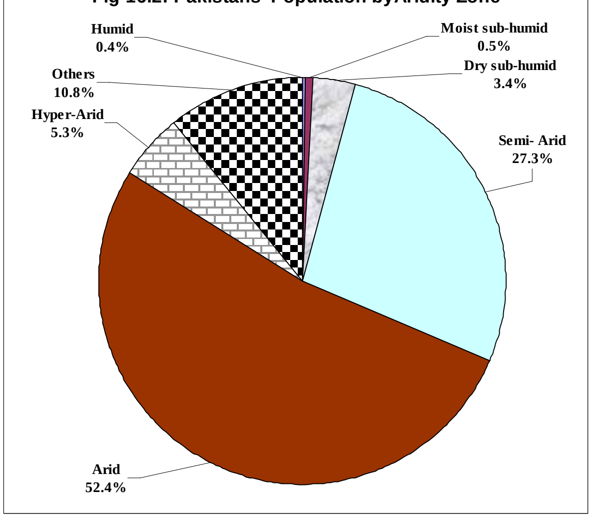
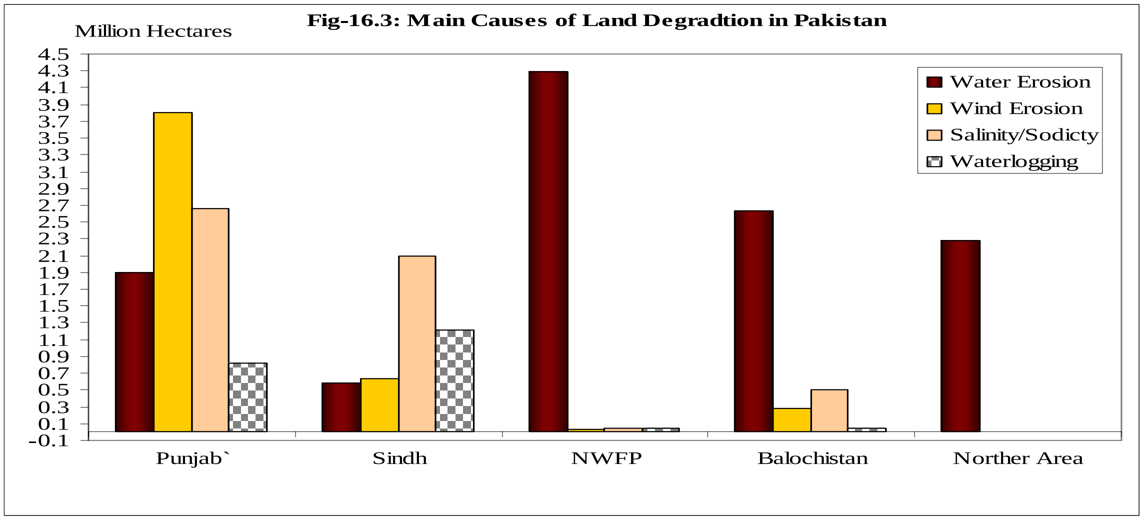



Fig-16.2: Pakistans' Population byAridity Zone




Like many other developing countries, Pakistan is faced with the challenges of being affected by land degradation and desertification, which are causing environmental problems, including soil erosion, loss of soil fertility, flash floods, salinity, deforestation and associated loss of biodiversity and carbon sequestration. Land degradation is mainly due to four major causes: water erosion, wind erosion, salinity/sodicity and water logging as shown in Fig-16.3:




About 5.2 percent of Pakistan's land area is covered by forests, whereas both environmental and economic standards necessitate that the country should have at least 20-25 percent area under forests. However, the MDGs are not so ambitious and suggest forest cover of 6 percent (as mentioned earlier). About 11.2 million hectares, mostly northern mountain regions, are affected by water erosion. According to an estimate, about 2 million hectares are affected by water logging and around 6 million hectares by salinity and sodicity. Wind erosion is another issue concerning land degradation in Pakistan. About 3-5 million hectares of land is affected by wind erosion in arid regions of Punjab (Cholistan), Sindh (Tharparkar), and Balochistan (Chagai Desert and sand areas along the coast). Some of the areas have 0.5 to 4 meter high moving sand dunes, posing danger to cultivation land and local infrastructure.

### d) Forestry

In 2001, out of a total of 86.7 m.ha land area of Pakistan including AJK, 3.317 m.ha was under contiguous forest cover and 0.781 m. ha farmland area was under tree cover which was taken as a baseline for fixing the Millennium Development Goals. As earlier shown in table 1, Pakistan has committed to increasing forest cover to 5.7 percent by 2011 and to 6 percent by the year 2015. An increase of 1.2 percent implies that an additional 1.051 m.ha area has to be brought under forest cover within the next ten years. This will include all state lands, communal lands, farmlands, private lands and municipal lands.

In terms of the MDG target with respect to protected areas established to conserve rapidly declining wildlife species in their natural environment, Pakistan has committed to improve and enhance its existing network of protected areas in terms of quality and quantity from 11.25 percent in 2001 to 12 percent by 2015.

### e) Climate Change

Climate change is an area that has become increasingly important in recent years. For the last two decades, the world's scientists have debated if climate change was taking place and whether its causes were anthropogenic (human-made) or natural. However, the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC) released in 2007, bringing together over 2500 of the world's leading scientists from more than 130 countries, has now conclusively proven that climate change is taking place. In this report, the IPCC announced that "most of the observed increase in globally averaged temperatures since the mid-20th century is *very likely* due to the observed increase in anthropogenic greenhouse gas concentrations"**.** This was a more forceful statement than in 2001 when the Third Assessment Report had used the word 'likely' to describe GHG emissions as a cause for climate change. Furthermore, the "Stern Review on the Economics of Climate Change", released in October 2006 by Nicholas Stern for the British Government, for the first time made a strong case for taking action regarding climate change from an economic point of view. One of the key statements of the Stern Review was that the costs of not doing anything and carrying on 'business as usual' would be *greater* than taking action to mitigate climate change. Thus, it is absolutely crucial for the global community to work together to implement emissions reductions to mitigate climate change.

Climate change also raises issues of global justice and equity. Whereas the richer industrialized countries are primarily responsible for GHG emissions, it is the poorer developing countries who would most heavily bear the costs of climate change due to their increased 'adaptation vulnerability'. In the Pakistani context, this vulnerability is particularly high because of its large population and economic dependence on primary natural resources. As stated earlier, Pakistan's agrarian economy is heavily dependent on river water provided by melting glaciers. Unfortunately, the glaciers are melting at a faster pace in Pakistan and river Indus faces serious threats due to climate change.

Climate Change will also have severe consequences for biodiversity in the country. For example, one of the world's rarest mammals, the blind Indus River Dolphin, is indigenous to the Indus River. The Indus dolphin has seen the loss of its habitat due to the construction of Pakistan's extensive irrigation system and its population has shrunk in size to the extent that it is now considered one of the world's most endangered mammals. Further changes in water levels due to climate change could wreak havoc to this species' habitat.

## POLICIES AND PROGRAMMES

To address the various challenges mentioned above, the Government is implementing various policies and programmes; many of which have come out of the National Environment Action Programme of the Ministry of Environment. In this regard, the National Environment Policy prepared under NEAP serves as an overarching framework for various interventions in the environment sector. Some of the key policies and programmes that have stemmed from NEAP are mentioned below divided into various areas of environmental concern.

### a) Air and Water Quality Monitoring

In recent years, the Government has taken various concrete steps to attain control over industrial pollution in the country. The most significant measure was the enactment of the Pakistan Environmental Protection Act 1997, which makes it incumbent upon industrial facilities to restrict their air emissions and effluents to the limits specified in the National Environmental Quality Standards (NEQS). The Act also outlines institutional framework for administering its laws: it institutes one federal and four provincial Environmental Protection Agencies (EPAs) to formulate NEQS and devise systems and procedures required to determine whether industries comply with them. Unless the EPAs elicit the industrial sector's participation, the second task isn't small or easy.

Perceiving the need for a more feasible approach for the enforcement of the NEQS in the country, the Expert Advisory Committee constituted by the Pakistan Environmental Protection Council in the year 1998 recommended the Self-Monitoring and Reporting System for Industry. Under the NEAP-SP, **Green Industry Programme** was launched in the year 2006 by the Pakistan Environmental Protection Agency for the promotion of Self Monitoring & Reporting, with the support of the UNDP, to make the industries responsible for systematic monitoring and reporting of their environmental performance. The key attribute of this programme is the "nation wide reductions in the pollution levels" by providing the flexibility to the industries to choose cost-effective environmental solutions and by promoting pollution control measures and assisting in the identification of regulatory and non regulatory impediments.

Strengthening industries' environmental monitoring and reporting will contribute to several objectives of the Environmental Protection and

Sustainability. It will improve monitoring of industries compliance with environmental regulations. It will also help to improve data collection in order to produce national state-of-the-environment reports and other assessments for decision-making. Furthermore, it will facilitate environmental reporting to the international community. Last but not least, increasing the quantity of environmental information produced by industries, improving the quality of this information and enhancing access to it by the general public will help to exert significant pressure on polluters to reduce their adverse environmental impacts in due course of time.

**b) Water and Sanitation**

**i) Clean Drinking Water for All:** Pakistan's adaptation of MDG indicator for drinking water coverage defines it as the proportion of population (urban and rural) with sustainable access to improved water source i.e. pipe and hand pump. The initiation of the Government's multi-billion rupee programme "Clean Drinking Water for All by 2008" aims to achieve this target by providing improved drinking water source especially to the poorest of the poor. This programme is one of the biggest initiatives related to water to come out of the NEAP. The Clean Drinking Water Programme was initiated by the Ministry of Environment on the directive of the President and the Prime Minister of Pakistan initiated in two parallel phases. The first is the "Clean Drinking Water Initiative" (CDWI) project whereby 544 plants are being installed one in each district and tehsil; and ii) Clean Drinking Water for All (CDWA) project whereby filtration plants shall be installed one in each union council and villages.

The programme was approved by the Central Development Working Party (CDWP) at a cost of Rs. 115.09 Million in July 2004 and was included in the Medium Term Development Framework 2005-10. The Clean Drinking Water for All is now a Sub-Programme of Khushal Pakistan Programme and a high level task force has been notified for overall supervision and monitoring of the programme. An amount of Rs.10 billion has been earmarked for the programme.

**ii) Pakistan Wetlands Programme (PWP):** This Programme is an initiative of the Federal Ministry of Environment and is being implemented by the World Wide Fund for Nature, Pakistan since July, 2005 for seven years. This much-needed initiative is designed to arrest and reverse environmental damage to the country's wetland resources. The general objective is to conserve the globally important wetlands biodiversity in Pakistan while alleviating poverty. It is a US$11.792 million programme funded by a consortium of national and international donors.

Pakistan's wetlands are inhabited by an estimated 130 million people permanently living, and another three to four million temporarily living on the wetlands. Thus, right at the outset of the Programme it had been stressed that any conservation efforts must also incorporate poverty alleviation and income generation for the communities whose entire livelihoods are primarily dependent on wetlands resources.

A key component of the PWP is to create awareness on all issues related to wetlands conservation. In this regard, the Programme has reached out to all sections of the Pakistani community through trainings, educational activities, conferences, carnivals, school-events and other conscious raising activities. The traveling wetlands carnival toured four of the country's major cities. It is a means of reaching out to the public to raise their understanding for the need to conserve, protect and manage Pakistan's wetlands resources. It stressed the valuable scientific and social roles they occupy within the country and region.

The PWP seeks to cover the country with in depth scientific studies on all facets of wetlands in addition to highlighting all aspects relating to wetlands education, conservation and management and to provide the most current and scientifically sound information not just to conservationists and biologists but most importantly to policy-makers as a tool to promote conservation efforts. In this regard, the Programme has conducted a number of surveys. In the Salt Range Wetlands Complex (SRWC) a Baseline Ornithological Survey of the Salt Range took place in December 2006. The assessments of five lakes yielded significant populations of terrestrial and wetland birds and it was estimated that more than 40,000 birds were present. Along the Indus Rivers a Flood Season investigation was carried out to establish that, in the majority of cases, the Indus Dolphin could only pass downstream during periods of flooding. This observation has provided useful insight into the realities underlying the current distribution of dolphin in the mainstream of the Indus River and will aid in understanding genetic distributions within the species. Recently, under the PWP, an environmentally significant coral reef thought not to exist in Pakistani marine waters has been discovered. The coral reef is situated on the northern side of Astola Island along the Makran coastline. Coral reefs among other precious assets are degrading under a broad spectrum of anthropogenic threats, most of which are a direct product of poverty, but many of which are exacerbated by human ignorance and mismanagement.

**iii) National Sanitation Policy:** The Second South Asia Conference on Sanitation (SACOSAN-II) was held in September 2006. One of the key achievements of this Conference for Pakistan was the approval of the National Sanitation Policy which had been developed by the Federal Ministry of Environment in consultation with the provinces and other stakeholders.

As mentioned earlier, meeting Pakistan’s MDG sanitation target is a challenge for the country; however, the approval of the policy shows Pakistan’s commitment on this front. This document provides a consensual framework for provinces to develop strategies, plans and programmes for the implementation of this Policy. Within this framework, a clear goal of eradicating ‘open defecation’ has been identified with the proper disposal of solid wastes. The primary objectives of the policy are “the safe disposal of excreta away from the dwelling units and work places” and “the promotion of health and hygiene practices in the country”.

A key challenge remains for provinces to put this policy into practice. Under the Local Government Ordinance (LGO) 2001, the responsibility for sanitation service provision has been devolved to the Tehsil tier of Local Government. In addition, the responsibility for strengthening collective action has been devolved to the Union tier of local government. Under the devolution plan, it is these tiers of local government that are primarily responsible for sanitation service provision. The Provincial Government, in exercising its responsibility for legislation and financing shall seek to provide the requisite support to these local governments to deliver improved sanitation services. It will also be the responsibility of the provincial governments to ensure that city governments and Tehsil Management Administrations (TMAs) follow the Hospital Waste Management Rules 2005 of the Ministry of Environment and the provisions of the Basel Convention on Management of Hazardous Wastes and their disposal.

**c) Land**

Keeping in view the magnitude of the problem and possible measures to address land degradation issues in the country, the Ministry of Environment with the financial support of the GEF-UNDP has launched a full-scale project on **Sustainable Land Management to Combat Desertification in Pakistan**. The project aims at combating desertification and improving land management practices to eradicate poverty in arid and semi-arid regions of Pakistan. This multi-sectoral project will be implemented in two phases. Phase-I will focus on creating enabling environment, institutional strengthening, mainstreaming Sustainable Land Management (SLM), principles in land use planning and implementation of pilot projects for promoting SLM practices for improving livelihoods, while Phase-II will focus on demonstration of SLM practices at a larger landscape building on the lessons learnt and best practices tested under Phase-I. In addition, the Federal and the Provincial

Governments, as well as some bilateral donors, have started a number of projects that will contribute to combat land degradation.

**d) Forestry**

In light of the broader vision of MDGs and the formulation of strategies by Provincial Forest Departments to achieve the MDG targets, the Ministry of Environment's Forestry Wing has devised a strategy for the next 10 years starting from 2005. The Forestry Wing is responsible for coordination and monitoring of forestry sector developments in the country through the office of the Inspector general Forests. It deals with the formulation of forest policy, planning, international coordination, education, training and research in the field of forestry. On the other hand, the implementation of forestry projects comes under the purview of the provincial governments. Under the Forestry Strategy, which is in line with the Forestry objectives of the National Environment Policy, the provincial departments will be requested to develop long-term umbrella plans to achieve their committed targets; nation-wide forestry awareness, education and training programmes will be implemented; tree farmers will be given incentives to raise nurseries and trees and provisions will be made for alternative fuels (such as natural gas, liquefied petroleum gas, solar and hydropower etc) to reduce pressures on forest resources.

At the institutional level, the linkages of the Federal Forestry Wing and Provincial Forest Departments will be strengthened with Highway Departments, Irrigation Departments and Pakistan Railways for establishing linear plantations. Further, District Governments and Municipal Administrations will be encouraged with incentives to bring maximum lands under forest cover.

**i) Environmental Rehabilitation and Poverty Reduction through Participatory Watershed**

**Management in Tarbela Reservoir:** This 5-year project is being undertaken by the Ministry of Environment and being implemented by the Forest Department, Government of NWFP at a cost of Rs. 532.457 million. The project aims to contribute to sustainable resource management in the Tarbela reservoir catchment through consolidating and expanding the social forestry activities in the programme area. Besides replanting over 10,000 acres, the project envisages afforestation over an additional area of 70,000 acres of privately and community owned denuded marginal lands.

**ii) Programme for Mountain Areas Conservation:** The programme is in line with the overall objectives of biodiversity conservation as envisaged in the Medium Term Development Framework 2005-2010 for addressing the green environment issues in Pakistan. The programme is a successor of the earlier 7-year project titled "Mountain Areas Conservancy Project (MACP)" and would build on its achievements. Its primary objective is the conservation of the unique and rare biodiversity species of global significance and would cater for the conversion of MACP into a programme by furthering its successful interventions. This will be crucial in reaching the MDG target of 12 percent protected land areas.

**iii) Forestry Sector Research and Development Project:** The Pakistan Forestry Institute (PFI) is responsible for the implementation of this 7-year project with a total cost of Rs. 193.5 million. The main objectives of the project include assessment of existing forest type cover by using Geographic Information System and Remote Sensing techniques and to monitor the changes for subsequent management plans; determination of optimum water requirements of important tree species to enhance wood production; identification, testing and preservation of forest insects, pathogens and their natural enemies for optimum pest management; human resource development and dissemination of research findings to field foresters and communities through electronic and print media, publications, brochures and pamphlets etc.

**e) Climate Change Initiatives**

Although Pakistan is a low greenhouse gas (GHG) emitting country, the Government has shown its commitment at the international level to address climate change. In this regard, the Government has ratified the UN Framework Convention on Climate Change (UNFCCC) on June 1, 1994 and then ratified the Kyoto Protocol in February 2006. Pakistan undertook a comprehensive inventory of greenhouse gas (GHG) emission sources and sinks, as well as prioritized feasible mitigation options and formulated a GHG abatement strategy under the GEF/UNDP Asia Least Cost Greenhouse Gas Abatement Strategy (ALGAS) completed in 1997. Pakistan has since updated the national GHG inventory and defined its strategy for addressing climate change concerns through the development of an Initial National Communication to the UNFCCC. Following the INC, Pakistan initiated the process of formulation of the Second National Communication on Climate Change and has requested Global Environment Facility (GEF) for the provision of necessary resources.

Building on these preliminary studies for ALGAS and Pakistan's Initial Communication on Climate Change, the Ministry of Environment approved the National Operational Strategy for Clean Development Mechanism (CDM) in 2006. Pakistan is the current chair of the "Group of 77" developing countries and China is making efforts to bring up the issue of the poorest countries being the most affected by climate change at the United Nations and especially by garnering support for the Adaptation Fund.

### f) Energy Efficiency and Renewable Energy

Pakistan has a large potential for development of renewable energy. However, despite the recognition of renewable energy as a vital source to tap into, the share of renewable energy in the energy mix has been quite negligible. During 2005-2006, the share of various primary energy sources in energy supply mix was: gas 50.4 percent, oil: 28.4 percent, LPG: 0.4 percent, coal: 7.0 percent, hydroelectricity: 12.7 percent and nuclear energy: 1.0 percent. However, in addition to government institutions that are focusing specifically on alternative or renewable energy sources such Alternative Energy Development Board (AEDB), National Energy Conservation Center (ENERCON) and Pakistan Council for Research in Renewable Energy Technologies (PCRET), the importance of renewable energy is also recognized by the Ministry of Petroleum and Natural Resources. This is evident from their annual publication, Pakistan Energy Yearbook, which has a separate section dedicated to Renewable Energy outlining all development efforts in the field.

The Government of Pakistan's 2002 Policy for Power Generation Projects states the safeguarding of the environment and ensuring exploitation of indigenous resources, which include renewable energy resources, as one of its main objectives, along with encouraging greater private sector participation in power generation. The National Energy Conservation Center (ENERCON), Ministry of Environment approved the **National Energy Conservation Policy** in 2005. Most significantly, in 2006, the Ministry for Water and Power showed its commitment to promotion of renewable energy by approving the **Policy for Development of Renewable Energy for Power Generation**. The policy consists of three phases: short, medium and long term. In the short term (period up to June 2008), the Policy focuses on providing very liberal and attractive incentives to attract investments in renewable energy in Pakistan. The later phases of the Policy will be consolidated incorporating the lessons learnt from the first phase.