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WHITE PAPER ON CURRENT ECONOMIC STATE OF PAKISTAN

A Report By:

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Pakistan Economy under PTI

Abstract:

The Country is suffering from slow economic growth with a double- digit high inflation, the PTI regime have made a dismal picture of an economy with a decade high interest rate, a fifty percent increase in electricity prices, faltering agriculture, an unprecedented import bill and a rising cost of production both in industry and agriculture. Following areas highlights the government under stressed performance throughout its three and a half years of its tenure.

Shortages of goods & Depletion of Exports:

Pakistan being an agrarian country faced the Shortages of wheat and sugar have resulted in doubling of prices in 3 years. Pakistan's cotton production has fallen from 14 million bales to just 7 million bales- fifty percent of its true potential. Exports of goods have hardly increased despite over fifty percent devaluation in 3 years, which is due to the wrong policies of the government. A rise in interest rate to 13.25%, slowed the economy beyond need and resulted in just 0.5% growth in FY20.

	PPP	PTI
	Rs.35 / Kg	Rs.71 /Kg
	184/ Kg	289/ kg
	40/ Kg	123/ kg
	$24.8 Bn	$22.5 Bn
	Rs.96	Rs.145

Inflation:

The higher rate of inflation is attributable to expansionary monetary and fiscal policies, supply shortages, market distortions and the beginnings of the upsurge in international commodity prices. It has been the wrong policies of the government which have fueled almost at double the rate compared to neighboring countries. Pakistan's inflation rate is higher by 5 to 10 percentage points compared to its regional countries. This is mainly due to (i) rupee devaluation ii) poor performance resulting in increase in administered prices of energy as part of the deal with the IMF; and (iii) wrongly pumping excess cash into the economy by the government with an astronomical rise in budget spending especially the current expenditure rising from Rs 4.2 trillion inherited by the PTI government to Rs 7.5 trillion in FY22.

Therefore, hiding behind Covid is not correct.

Era	Term	$ Rate	Rs. Devolution
	1999-2008	(52-82)	Rs30
	2008-2013	(82-99)	Rs 17
	2013-2018	(99-125)	Rs 26
	2018-2021	(125-175)	Rs50

Pakistan received a major debt relief and an additional 1.4 billion dollars from IMF and G20 relief of interest and principle payment totaling $3.7 billion to Pakistan's economy. However, nobody has any calculations where this money is actually invested.

Oil & LNG Rates:

Pakistan like other oil importing countries was also a beneficiary of low oil prices and low LNG prices during FY2020. However, it was again a failing of the government to not secure oil and LNG at very cheap rates. This has resulted in shortages of gas being seen in winters of 2021, had the government made forward contracts when LNG was only at $4 and it would have saved the countries billions of dollars of exchange of payments. The government – in its quest for cheaper gas – refused LNG for $4 and bought it for $30. Pakistan which produced close to 4,000 MMCFD of gas in 2018 now produces only 3,200 MMCFD in 2021 which shows an 18 percent drop in local production.

Faltering Energy Sector:

Energy sector circular debt which was at Rs 1,150 billion in 2018 has been doubled to rupees Rs 2,450 billion in the PTI tenure. Line losses have increased bill collection and eventually there are no new power generation till date and all the structural issues in the energy sector are unattended. The current crisis of the gas in the country is due to the fact that government failed to make any new LNG terminals in the country. The government had also failed in North south Gas pipeline due to which the industry in Punjab is suffering from almost 250 million dollar export in the month of December 2021.

Highest ever Trade deficit:

Most recent data shows a very alarming picture of the economy trade deficit is now $25.5 billion and this pace can go to massive $50 billion in FY 2022 which will be 16 % of the GDP. Pakistan economic security is at risk as the need for gross external financing would cross $26 billion and would be hard to fund.

Zero Reforms:

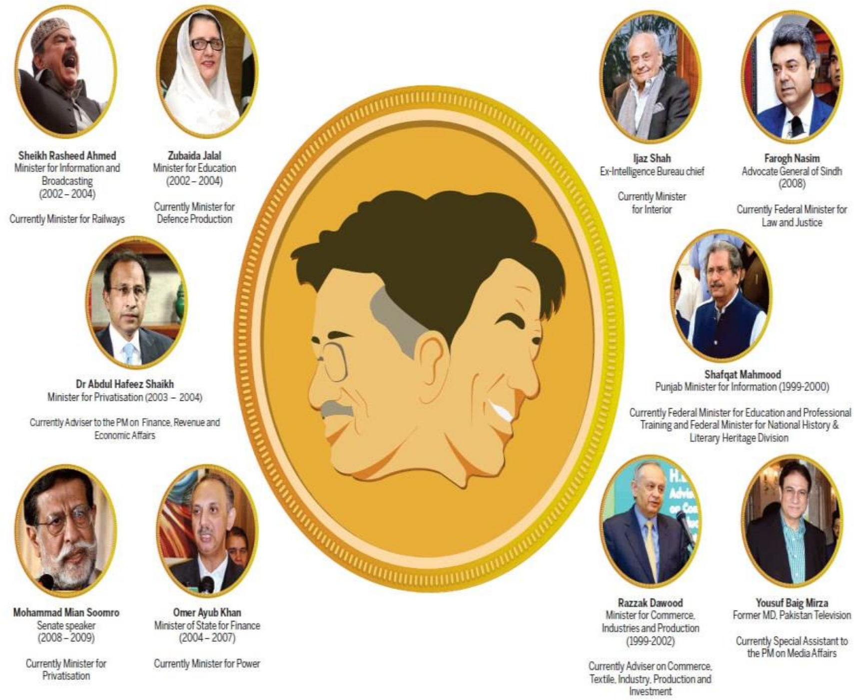
Zero Privatization and Zero improvement in state owned enterprises has resulted in increased losses of nearly 500 billion yearly. PIA was prohibited from flying to Europe and USA. Railway accidents increased with citizens losing their loved ones. A single accident in October 2019 resulted in 74 people killed and Petrol crisis hit the country and left them in vein.

Trade Deficit

Year	% of GDP
2008	7.5%
2009	6.5%
2010	4.9%
2011	7.0%
2012	6.6%
2013	**6.8%**
2014	6.4%
2015	6.9%
2016	8.5%
2017	9.8%
2018	**9.9%**
2019	8.0%
2020	7.1%
2021	**13.7%** ($4.85 Bn)

Poor Team Management:

Overall the bad economic management is the forte of PTI government, as there is no consultation with the opposition and complete lack of professionals which has resulted in the above mentioned situation. Four finance ministers seven FBR chairman many secretaries in the energy ministry have added to the mismanagement of the economy.



External negotiations & Failure of State institutions:

Pakistan economic managers have badly negotiated the IMF program in which instead of taking measures of taxing the rich, the sales tax at 17% has been imposed on the poor people of Pakistan. Buying daily essentials like milk for children, medicines for old age people, books and gadgets for students are not in range of a common man. Almost Rs 2,000 billion new taxation is levied on different sectors by the PTI government. Parliament supremacy is mocked by the Prime Minister, the law and amendments are now passed with the help of ordinance, likewise the SBP autonomy bill was passed by cabinet in April 2021 without reading and bypassing the CCLC. Passing of the bill in its current form will further worsen the already non-existent coordination of ministry of finance and state bank of Pakistan.

Price Hike and Food Insecurity:

The daily essentials and day to day commodities have given a huge impact on overall living standards of the people. Pakistan was exporting wheat and sugar when the PTI came into power. Now, both the things are imported. The PTI government exported sugar for Rs48 per kg and imported it back a few months later for double the price. This government is dwindling with the constant fear of food shortage amongst the public. It is no hidden reality truth that the people have skipped one day meal and are unable to meet the basic requirements. Following index indicates the failed policies of the current government.

Items	**2008-2013**	**2013-2018**	**2018-2021**
Consumer Price Index (CPI)	7.9 percent	10.94 percent	27.36 percent
Sensitive Price Index (SPI)	7.4 percent	6.73 percent	35.82 percent
Wholesale Price Index (WPI)	6.37 percent	6.46 percent	32.44 percent
Food inflation	Under 2 percent	Under 4 percent	24 percent
Interest rate	6.2 percent	7 percent	13.25 percent
Electricity	2 to 6 per unit	2 to 8 per unit	8 to 24 per unit
Medicine	179 percent	250 percent	400 percent.

Heightened DEBT:

At the same time expenditures have increased to 7.5 trillion rupees with a massive increase of mark-up payment of 3,000 billion rupees, due to untimely re-profiling of government debt by the PTI government. External debt and liabilities inherited at $95 Billion has gone to ($ 127 billion) never in the history of Pakistan so much debt has been taken in 3 years by any previous government. Pakistan's total Debt and liabilities increased by a whopping Rs 20,606 billion– from just Rs 29,879.4 billion in June 2018 to Rs 50,484.1 in September 2021, which is current year stands at 40 Billion of total amount.

DEBT Count from FY 2008 to FY 2021:

Tenure	Year	Domestic debt	External debt	Total Public debt (Rs.)	Contribution in Debt Term wise
PPPP	**2008**	3043	3084	**6127 Bn**	**Rs. 8 Billion**
	2009	3860	3871	7731	
	2010	4653	4357	9010	
	2011	6014	4756	10771	
	2012	7638	5059	12697	
	2013	9520	4771	**14292 Bn**	
PMLN	2014	10907	5085	15991	**Rs.10 Billion**
	2015	12193	5188	17380	
	2016	13626	6051	19677	
	2017	14849	6559	21409	
	2018	16416	8537	**24953 Bn**	
PTI	2019	20732	11976	32708 Bn	**Rs. 16 Billion (3 years)**
	2020	22478	12729	35207 Bn	
	2021	24874	13927	38598 Bn	
	2022	26400	14100	**40973 Bn**	

Heavy taxes and negative Revenue collection:

In 2018-19, FBR collection was only Rs 3,829 billion even though the target was Rs4,300 billion, indicating a negative revenue growth after 23 years. Despite such low yields, the PTI team agreed with IMF to achieve a tax target of Rs5,550 billion for 2019-20, which amounted to a nominal increase of Rs 1,721 billion or 4.5 percent of GDP. For this purpose, new taxes of Rs735 billion were imposed on the people in order to achieve said unrealistic revenue goal which makes 21% in total tax. This was a horrendous revenue performance which turned out the budget deficit to 8.1 percent.

	Negative Rev. Collection	Rs 3,829 billion
TAX	New taxes	Rs735 billion
	Budget Deficit	8.1%

Fiscal deficit & Inflation through years:

Pakistan under the PTI government has remained in a high fiscal deficit of nearly 9% of GDP for the first 2 years & than 7% in the third year resulting in massive increase in debt to GDP ratio. The PTI government escalated the tax to GDP ratio of 11.2% which they reduced to just 9.2% in FY 2021. The largest inflation in the whole sub-continent is in Pakistan which is a worrisome figure. Inflation doesn't impact the general masses of any country rather it gives a huge hit to the country's security and challenges its sovereignty. A nuclear state if lags behind the basic essentials puts itself into a weak state, Pakistan is lagging behind countries like Bangladesh, Nepal and even Sri Lanka.

Future without hope:

Agriculture is looking even more vulnerable with Rabi crops, especially wheat, are likely to be worse because of the shortage and higher prices of fertilizer. Gas shortages is continuing to dampen industrial production. Increased interest rate is likely to dampen new investment. As agreed with IMF there is a pullback in development expenditure of Rs 200 billion by the government. All this can slow the economy and bring down the expected growth rate from 5 % by at least a 1 percentage point.

Lastly, the government continues to manage the input of agriculture goods petroleum products, in a manner causing both shortages and high import bill. All structural issues of economy have remained unaddressed and there is no plan of economic revival and as a result the two key markets exchange rate Pakistan stock exchange have been the worst performing markets in the region.

Conclusion:

The major issues highlighted, are all PTI government's own follies, which have contributed to an unprecedented hike in inflation, particularly in the prices of food items and utilities. The pain and misery inflicted on hapless people in the first three years of PTI's government under the leadership of Imran Khan, his government made insane 40 percent rupee devaluation, imprudent interest rate management, heartless heavy taxation and mafias-pushed hike in price of daily essentials commodities, which is causing severe unrest in the people seen in the history of Pakistan.

References:

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- ✓ State Bank of Pakistan (https://www.sbp.org.pk/)
- ✓ Pakistan Tarde Statistics (https://tdap.gov.pk/)
- ✓ Dawn Newspaper
- ✓ World bank and Asian Bank Indicators report (https://www.worldbank.org/404_response.htm)

	PPP					PMLN					PTI		
INDICATORS	**2008 -09**	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21 (June)**
GDP Growth rate (real)	0.4%	2.6%	3.6%	3.8%	3.7%	4.1%	4.1%	4.6%	5.2%	5.5%	2.1%	-0.5%	3.9%
LSM (Large Scale Manufacture)	7.6%	-6.1%	0.9%	0.6%	1.5%	3.5%	6.2%	2.8%	3.4%	6.7%	5.7%	-5.1%	9.0%
Industry Growth	-5.21%	3.42%	4.51%	2.55%	0.70%	4.53%	5.18%	5.69%	4.55%	4.61%	-1.56%	-3.77%	3.57%
Agricultural Growth	3.50%	0.23%	1.96%	3.62%	2.68%	2.50%	2.13%	0.15%	2.18%	4.00%	0.56%	3.31%	2.77%
Services Sector Growth	1.3%	3.2%	3.9%	4.4%	5.1%	4.5%	4.4%	5.7%	6.5%	6.3%	3.8%	-0.6%	4.4%
Commodity Sector Growth	-0.9%	1.8%	3.2%	3.1%	1.7%	3.5%	3.6%	2.9%	3.4%	4.3%	-0.5%	-0.3%	3.2%
Total Revenue (% of GDP)	14%	14%	12.3%	12.8%	13.3%	14.5%	14.3%	15.3%	15.5%	15.1	12.9%	15.1%	10.5%
Tax Revenue (% of GDP)	9.1%	9.9%	9.3%	10.2%	9.8%	10.2%	11.0%	12.6%	12.4%	12.9%	11.8%	11.4%	7.9%
Non-Tax Rev. (% of GDP)	4.9%	4.1%	3.0%	2.6%	3.5%	4.3%	3.3%	2.7%	3.0%	2.2%	1.1%	3.7%	2.6%
Total Revenue (Rs. Bn)	1850	2,078	2,252	2,566	2,982	3,637	3,931	4,447	4,937	5,228	4,901	6272	4992
Tax Revenue (Rs. Bn)	1204	1,472	1,699	2,052	2,199	2,564	3,017	3,660	3,969	4,467	4,473	4747	3765
Non-Tax Revenue (Rs Bn)	646	605	553	513	783	1,072	913	786	967	760	427	1524	1227
Per Capita Income US$	1,026	1,072	1,274	1,320	1333	1,388	1,514	1,529	1,630	1,652	1,459	1,361	$1542
Inflation(CPI)	17%	10.10%	13.7%	11%	7.40%	8.60%	4.50%	2.90%	4.20%	3.90%	7.30%	11.20%	8.8%
GDP Deflator	20.7%	10.7%	19.5%	5.7%	7.1%	7.4%	4.3%	0.5%	4.0%	2.4%	8.6%	10.1%	9.8%
Value of Exports ($ Bn)	19.12	19.67	25.35	24.71	$24.80	25	$24.10	$21.97	$22	$24.77	$24.25	$18.25	$2.191
Value of Imports ($ Bn)	31.747	31.2	35.87	40.37	$40.16	$41.67	41.35	41.11	48	55.67	51.86	32.93	$42.3
Trade Deficit (% of GDP)	7.5%	6.5%	4.9%	7.0%	6.6%	6.8%	6.4%	6.9%	8.5%	9.8%	9.9%	8.0%	13%
Fiscal Deficit % of GDP	7.3%	5.2%	6.2%	6.5%	8.8%	8.2%	5.5%	5.3%	4.6%	5.8%	6.5%	9.0%	7.0%
Total Public Debt (Rs Bn)	6127	7731	9010	10771	12697	14292	15991	17380	19677	21409	24953	32708	40849