Contents

Chapters

1. Economic Review	
1.1 Overview	1
1.2 Assessment of FY17	3
1.3 Outlook for FY18	8
2. Economic Growth	
2.1 Overview	11
2.2 Agriculture	14
2.3 Industry	18
2.4 Services	27
3. Monetary Policy and Inflation	
3.1 Policy Review	33
3.2 Developments in Monetary Aggregates	35
3.3 Credit to Private Sector	40
3.4 Inflation	44
4. Fiscal Policy	
4.1 Overview	47
4.2 Revenue	48
4.3 Expenditure	54
4.4 Provincial Fiscal Operations	55
5. Domestic and External Debt	
5.1 Overview	6.
5.2 Domestic Debt	62
5.3 External Debt and Liabilities	66
5.4 External Debt Sustainability	68
6. External Sector	
6.1 Global Economic Review	69
6.2 Pakistan's BoP	7
6.3 Current Account	73
6.4 Financial Account	77
6.5 Trade Account	8.
7. Water Sustainability in Pakistan- Key Issues and Challenges	
7.1 Overview	93
7.2 Current Situation	93
7.3 Issues in Water Management	95
7.4 Climate Change - a Major Emerging Challenge for Water Sustainability	101

7.5 Need for Policy Reforms	103
Special Sections Special Section 1: Impact Analysis of Withholding Taxes on Cash Withdrawal and Bank Transactions Special Section 2: Managing Contingent Liabilities in Pakistan	ting 105 109
Annexure A: Data Explanatory Notes	113
List of Acronyms	115
Box Items	
Box 2.1: Industrial Growth in Pakistan – the Role of Liberalization Policy	12
Box 2.2: Why is the Leather Industry Underperforming?	26
Box 2.3: How to Make Services Exportable?	29
Box 4.1: Key Tax Incentives Provided in FY17	48
Box 4.2: Putting the Low Tax-to-GDP Ratio in Perspective	49
Box 4.3: POL Pricing and Sales Tax Collection	52
Box 4.4: Provincial Revenue Mobilization in the Context of 18 th Amendment	58
Box 6.1: CPEC Activity Pushes up Machinery, Transport Imports	74
Box 6.2: Portfolio Outflows Amid Rising PSX during FY16 and FY17	80
Box 6.3: The Recovery in EM Exports – the Key Driving Factors and Outlook	83

94

Box 7.1: Water Availability – A Regional Comparison