



## External Relations Department

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### **SBP releases Annual Report on the State of Economy**

State Bank of Pakistan has released its Annual Report on the State of Pakistan's Economy for the fiscal year 2017-18 today. According to Report, the growth momentum gained further strength as the economy achieved its 13-year highest real GDP growth of 5.8 percent in FY18. The GDP growth was also broad-based, as all the three sectors – agriculture, industry and services – contributed positively to this acceleration, the Report highlights.

The Report states that the acceleration in GDP growth was supported by host of factors, including low cost of financing, improved energy supplies, favorable business sentiments, fiscal incentives through subsidies, and increased access to credit. At the same time, higher public spending and progress on CPEC-related projects stimulated economic activities besides inducing firms to enhance their production capacities.

The Report highlights that the pickup in GDP growth, however, came at the cost of widening of macroeconomic imbalances as manifested in a 5-year high fiscal deficit and a record high current account deficit in FY18. Therefore, the challenge to maintain desired equilibrium of low inflation-high growth grew substantially which prompted several demand containment measures including monetary tightening, exchange rate adjustments, and other regulatory measures aimed at curbing imports.

The Report also points out that like previous expansionary cycles in Pakistan the growth in FY18 was led by a surge in consumption. It further underlines the need for increase in investment to sustain higher economic growth.

In addition, the Report features a special chapter dedicated to the digitization of services in Pakistan. The chapter documents the notable developments taking place across three key domains: e-commerce, fintech and e-government. It makes a compelling case for stakeholders to further facilitate the advance of digitization, given its potential to trigger investment, financial inclusion, productivity gains, and entrepreneurship – all of which can, in turn, be a boon for economic growth.

The Report also discusses several aspects of CPEC Long Term Plan related to the development of agriculture sector of Pakistan. The Report identifies potential areas of improvements in agriculture along with discussion on how Pakistan stands to benefit from this opportunity under the umbrella of CPEC.

The detailed Report is available at this link: <http://www.sbp.org.pk/reports/annual/arFY18/Anul-index-eng-18.htm>

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