

Chapters

1	1	Economic Review	1
	1.1	Overview	3
	1.2	Economic Outlook	10
2	2	Economic Growth	13
	2.1	GDP Growth	15
	2.2	Agriculture	17
	2.3	Industry	25
	2.4	Services	33
	2.5	Labor Market	35
3	3	Monetary Policy and Inflation	37
	3.1	Policy Review	39
	3.2	Global Inflation and Monetary Policy Responses	42
	3.3	Pakistan's Monetary Aggregates	43
	3.4	Private Sector Credit	49
	3.5	Inflation	54
4	4	Fiscal Policy	63
	4.1	Fiscal Trends and Policy Review	65
	4.2	Revenue	67
	4.3	Expenditure	76
5	5	Domestic and External Debt	81
	5.1	Public Debt	83
	5.2	Domestic Debt	85
	5.3	Public External Debt & Liabilities	89
6	6	Balance of Payments	93
	6.1	Global Economic Review	95
	6.2	Pakistan's Balance of Payments	97
	6.3	Current Account	102
	6.4	Financial Account	108
	6.5	Exchange Rate and FX Reserves	112
	6.6	Foreign Trade	113

7	Reforming State-owned Enterprises in Pakistan	123
7.1	Introduction	125
7.2	Economic Footprint of SOEs in Pakistan	127
7	7.3 Review of SOE Reform Efforts	133
7.4	Strategies for Successful SOE Reforms: Lessons from Global Experience	142
7.5	Case Studies on Major Loss-Making SOEs	150
7.6	Final Remarks	159
	Annexure A: Data Explanatory Notes	167
	List of Acronyms	171

Box Items

Box 2.1	Climate Change and Accelerated Melting of Glaciers in Pakistan	19
Box 2.2	Obstacles to Manufacturing Activities in Pakistan: Evidence from World Bank Enterprise Surveys (WBES)	26
Box 3.1	Factors Underpinning Increase in Gas Prices	60
Box 4.1	Tax Reforms in Pakistan	68
Box 4.2	C-efficiency Ratio (CER) and Effective GST Rate in Pakistan in FY24	73
Box 6.1	Addressing Structural Challenges to Pakistan's Exports	99
Box 6.2	Pakistan's ICT Exports in the Context of Containing Services Trade Deficit	104
Box 6.3	Sustaining Recent Surge in Pakistan's Rice Exports	116

For feedback and queries: annual.report@sbp.org.pk

List of Figures

Figure 1.1a	Inflation Trends in Advanced Economies (AEs)	4
Figure 1.1b	Inflation Trends in Emerging Market and Developing Economies (EMDEs)	4
Figure 1.2	Interest Rate Cuts by Central Banks in EMDEs	4
Figure 1.3	Contribution of Important Crops in Real GDP Growth	5
Figure 1.4a	Pakistan's Balance of Payments	7
Figure 1.4b	Exchange Rate and Kerb Premium in FY24	7
Figure 1.5a	Composition of CPI Inflation - Urban	7
Figure 1.5b	Composition of CPI Inflation - Rural	7
Figure 1.6	Long-term Composition of CPI Inflation (Urban)	8
Figure 2.1	Contribution to GDP Growth - Supply Side	15
Figure 2.2	Saving-Investment Gap	16
Figure 2.3	Share of Industry in GDP	17
Figure 2.4	Contribution of Important Crops to GDP Growth	17
Figure 2.5	Irrigation Water Releases	18
Figure 2.1.1	Number of Natural Disasters in Pakistan (1980 - 2023)	19
Figure 2.1.2	Glacier Inventory of Central Karakoram National Park (CKNP)	20
Figure 2.6a	Urea Offtake and Prices	21
Figure 2.6b	DAP Offtake and Prices	21
Figure 2.7	Global Urea and DAP Prices	21
Figure 2.8	Wheat Crop	22
Figure 2.9	Cotton Crop	23
Figure 2.10	Rice Crop	23
Figure 2.11	Sugarcane Crop	24
Figure 2.12	Maize Crop	24
Figure 2.13	Sectoral Contribution to Growth in Industry	26
Figure 2.14	Electricity Generation	28
Figure 2.15	Growth in Quantum Index of LSM	29
Figure 2.16	Number of LSM Groups Showing Increase and Decrease in Production	29
Figure 2.17	LSM Growth and Purchasing Managers Index	30
Figure 2.18	Contribution to Growth in Food Production	31
Figure 2.19	Contribution to Growth in Textile	31
Figure 2.20	Growth in Output of POL Products	31
Figure 2.21	Growth in Automobile Production	32
Figure 2.22	Cement Dispatches	32
Figure 2.23	Growth in Cement and Steel Production	33

Figure 2.24	Growth in POL Sales to the Transport Sector	34
Figure 2.25	Volume of Internet Banking and Mobile Banking Transactions	34
Figure 2.26	Punjab: Employment Growth in Major Sectors	35
Figure 2.27	Business Confidence Surveys: Employment Indices	36
Figure 2.28	Consumer Confidence Surveys: Unemployment Index (Next Six Months)	36
Figure 2.29	Growth in Wages of Services Sector	36
Figure 3.1a	Contributors of Urban CPI Inflation	40
Figure 3.1b	Contributors of Rural CPI Inflation	40
Figure 3.2a	Frequency Distribution of Urban CPI	41
Figure 3.2b	Frequency Distribution of Rural CPI	41
Figure 3.3	Inflation Trends in Advanced Economies (AEs)	42
Figure 3.4	Inflation Trends in Emerging Market and Developing Economies (EMDEs)	42
Figure 3.5	Global Shipping Cost	42
Figure 3.6	Goods and Services Inflation	43
Figure 3.7	Monetary Policy Decisions in Advanced and Emerging Market and Developing Economies	43
Figure 3.8	Quarterly Flows of NFA	44
Figure 3.9	Average Deposit Rate and Deposit Flows	44
Figure 3.10	Commodity Financing Flows	45
Figure 3.11	Auction Summary of T-Bills During FY24	46
Figure 3.12	Offer-to-Target Ratio - Fixed & Floating PIBs	46
Figure 3.13	End-Quarter Yield Curve	47
Figure 3.14	Government Borrowings from the Banking System	47
Figure 3.15	Overnight Repo Market	47
Figure 3.16	Deviations of Overnight Rate from the Policy Rate	48
Figure 3.17	Credit to Public Sector Enterprises	48
Figure 3.18	Private Sector Credit	49
Figure 3.19	Quarterly Credit Flows	49
Figure 3.20	Private Sector Businesses' Demand for Working Capital Loans	52
Figure 3.21	Capacity Utilization and Fixed Investment Loans - Manufacturing	52
Figure 3.22	Mobile Phone Manufacturing/ Assembling in Pakistan	52
Figure 3.23	Housing Finance and Construction Cost	53
Figure 3.24	Credit Card Transactions	53
Figure 3.25	Trends in High Frequency Indicators (12-MMA)	54
Figure 3.26	Composition of CPI Inflation	55
Figure 3.27	Trends in Wheat Prices	55
Figure 3.28	Wheat Imports	56

Figure 3.29	Trends in Prices of Feed Inputs and Milk Fresh	56
Figure 3.30	Trends in Global and Domestic Oil Prices	57
Figure 3.31	Composition of Energy Inflation	57
Figure 3.32	Fuel Charges Adjustment - FY24	58
Figure 3.33	Composition of Motor Fuel Prices	59
Figure 3.34	Trends in Core Inflation	59
Figure 3.35	Inflation Expectations	59
Figure 3.36	Input Costs, Wages, and Core Inflation	59
Figure 3.37	Trend in Goods and Services Inflation	60
Figure 3.1.1	Circular Debt of Gas Sector in Pakistan	60
Figure 3.1.2a	Gas Tariff Adjustments in Pakistan	61
Figure 3.1.2b	Sector-wise Gas Tariffs	61
Figure 3.1.3	SNGPL Receivables on Account of Delayed Tariff Adjustment	61
Figure 3.1.4	UFG Losses of Distribution Companies	61
Figure 3.1.5	Availability of Gas Resources	62
Figure 3.1.6	Foreign Direct Investment in Pakistan	62
Figure 4.1a	Fiscal Balance	65
Figure 4.1b	Primary Balance	65
Figure 4.1c	Revenue Balance	65
Figure 4.2	Provincial Fiscal Balance	65
Figure 4.1.1	Breakup of Pakistan's Total Tax Revenue as Percent of GDP	68
Figure 4.1.2	Pakistan's Standard Corporate Tax Rate	69
Figure 4.3	Breakup of Change in FBR Tax-to-GDP Ratio	70
Figure 4.4	Share of Direct Taxes in Total Federal Taxes	70
Figure 4.5	Share of Major Components of Direct Taxes	71
Figure 4.6	Share of Banks' Income Tax in Direct Taxes	71
Figure 4.7	Non-Competitive Bids and Interest Rate	71
Figure 4.2.1a	C-Efficiency Ratio of Pakistan's GST	74
Figure 4.2.1b	Standard and Effective GST Rates in Pakistan	74
Figure 4.2.2	Cross-country Comparison of C-efficiency Ratios and Standard GST Rates	74
Figure 4.8	Breakup of Total Non-tax Revenue	75
Figure 4.9	Actual PSDP Spending as Percent of Budget Estimates	78
Figure 4.10a	Breakup of Provincial Current Spending	79
Figure 4.10b	Province-wise Current Spending	79
Figure 4.11	Ratio of Interest Expenditure to Cumulative Provincial Spending on Health & Education	80
Figure 4.12a	Estimated Contribution to Growth in Domestic Interest Payments	80

Figure 4.12b	Foreign Mark-up Payments and Exchange Rate	80
Figure 5.1	Public Debt	83
Figure 5.2	Composition of Change in Public Debt	83
Figure 5.3	Proportion in Public Debt	83
Figure 5.4	Repayment Capacity of the Government	84
Figure 5.5	Institution-wise Domestic Debt – Flows	85
Figure 5.6	Outstanding Stock of Government Securities	86
Figure 5.7	Yields on Borrowing Instruments	86
Figure 5.8	Tenor-wise Shares in Outstanding PIBs	86
Figure 5.9	Share in PIBs – Fixed and Floating	87
Figure 5.10	FRR and VRR Shares in Sukuks	87
Figure 5.11	Auction Summary T-bills	88
Figure 5.12	Tenor-wise Shares in Outstanding T-bills	88
Figure 5.13	National Saving Schemes – Yearly Flows	88
Figure 5.14	Interest Payments on Domestic Debt	89
Figure 5.15	External Debt Stock	89
Figure 5.16	Gross External Disbursements	90
Figure 5.17	External Debt Servicing – Principal and Interest	91
Figure 5.18	TEDL as Percent of GDP	91
Figure 5.19	EDS as Percent of Exports Earnings	91
Figure 5.20	EDS as Percent of Foreign Exchange Earnings	91
Figure 5.21	STPED as Percent of PEDL	92
Figure 5.22	STPED as Percent of SBP Reserves	92
Figure 6.1	Real GDP Growth in Major Economies	95
Figure 6.2	Global Trade Volumes and PMI	95
Figure 6.3	Global Supply Chain Pressures	96
Figure 6.4	Global Commodity Prices	96
Figure 6.5	Capital Flows and Currency Index	96
Figure 6.6	Market Implied Fed Funds Rate	97
Figure 6.7	Interest Payments as Percent of Revenue	97
Figure 6.8	Pakistan’s Balance of Payments	97
Figure 6.9	Pakistan’s Exports and Imports as Percent of GDP	99
Figure 6.1.1	Countries’ Export Share of Global Exports	99
Figure 6.10	Current Account Balance	102
Figure 6.11	Change in Number of Export Products	102
Figure 6.12	Services Account Balance	103

Figure 6.13	Average Real Return Fare	104
Figure 6.2.1	ICT Exports	104
Figure 6.2.2	Breakup of ICT Services Exports	105
Figure 6.14	Payments under Primary Income Account	106
Figure 6.15	Sector-wise Repatriation of Profits	106
Figure 6.16a	Workers' Remittances – Cumulative Flows	107
Figure 6.16b	Growth in Remittances from Major Destinations	107
Figure 6.17	Number of Registered Workers Going Abroad	107
Figure 6.18	Financial Account Breakdown	108
Figure 6.19	Major Sector-wise Net FDI Flows in FY24	108
Figure 6.20	Sector-wise Net FPI in FY24	110
Figure 6.21	FPI and Stock Market Performance	110
Figure 6.22	RDA Flows	110
Figure 6.23	Foreign Loans Disbursement in FY24	111
Figure 6.24	Total Foreign Loans in FY24	111
Figure 6.25	Pakistan's End-Period Forex Reserves	112
Figure 6.26	Exchange Rate and Kerb Premium in FY24	112
Figure 6.27	Cross-Country Currency Changes	112
Figure 6.28	Real and Nominal Effective Exchange Rates	113
Figure 6.29	Foreign Trade Balance	114
Figure 6.30	Price and Volume Effects	114
Figure 6.31	Exports - Contribution in Cumulative Growth	114
Figure 6.32a	Growth in Global Rice Prices	115
Figure 6.32b	Unit Value of Rice	115
Figure 6.3.1	Share of Rice in Food Exports	116
Figure 6.3.2	Imports of Pakistani Rice – YoY Change in FY24	116
Figure 6.3.3	Pakistan's Rice Export Potential	116
Figure 6.3.4	Price Comparison of Non-basmati Rice	117
Figure 6.3.5	Rice Processing and Value Addition	117
Figure 6.33	Trend in Emerging Economies Export Prices	118
Figure 6.34a	EU Apparel Import – Unit Value Change	119
Figure 6.34b	US Apparel Import – Unit Value Change	119
Figure 6.35	Major Commodity Prices in FY24	119
Figure 6.36	Imports – Contribution in Cumulative Growth	120
Figure 6.37	Energy Imports and Domestic POL Sales	121
Figure 6.38	Source-wise Electricity Generation	121

Figure 6.39	Transport Group Imports	121
Figure 6.40a	Machinery Imports	122
Figure 6.40b	Telecom Imports	122
Figure 7.1	Non-commercial SOEs' Profits	128
Figure 7.2	SOEs' Share in Employment	128
Figure 7.3a	Total SOE Revenue to GDP	129
Figure 7.3b	Industrial SOE Revenue to Industrial GDP	129
Figure 7.3c	Manufacturing SOE Revenue to Manufacturing GDP	129
Figure 7.4	Trends in SOE Loans	129
Figure 7.5	Net Fiscal Impact of Commercial SOEs	129
Figure 7.6	Government Support to all SOEs	130
Figure 7.7	GoP Outflows to Commercial SOEs	130
Figure 7.8	GoP Inflows from Commercial SOEs	130
Figure 7.9	GoP Outflows to Infrastructure, Transport & ITC sector	131
Figure 7.10	GoP Outflows to Power Sector	131
Figure 7.11	Commercial SOEs Cumulative Profits/Losses (FY18 - FY23)	131
Figure 7.12	Classifications of Commercial SOEs - FY23	132
Figure 7.13	Top Ten Loss-making SOEs - FY23	132
Figure 7.14	Categories and Sequence of Major Types of SOE Reforms	134
Figure 7.15	Chronology of Key SOE Reform Measures in Pakistan	135
Figure 7.16	SOE Governance Framework Under SOE Act and Policy 2023	141
Figure 7.17	Net Profit/Loss of Power Sector	150
Figure 7.18	NHA Toll Revenue as a Percent of Total Revenues	153
Figure 7.19	PIA - Net Profit/Loss (After Tax)	156

List of Tables

Table 1.1	Selected Economic Indicators	3
Table 1.2	Macroeconomic Targets and Projections for FY25	10
Table 2.1	GDP Growth	15
Table 2.2	Composition of Aggregate Demand	16
Table 2.3	Growth in Agriculture Sector	17
Table 2.4	Seed Availability and Requirement	18
Table 2.5	Agricultural Credit Disbursement	22
Table 2.6	Other Crops	25
Table 2.7	Poultry Products	25
Table 2.8	Growth in Industrial Production	26
Table 2.2.1	World Bank Enterprise Surveys for Pakistan	27
Table 2.9	Production of Important Minerals	28
Table 2.10	Cumulative Growth of LSM Sectors	30
Table 2.11	Growth in Services Sector	33
Table 2.12	Growth in Transport and Storage	34
Table 2.13	Growth in Finance and Insurance	34
Table 3.1	Monetary Aggregates	43
Table 3.2	Commodity Financing	44
Table 3.3	Auction Summary - FY24	45
Table 3.4	Loans to Major Private Sector Businesses	50
Table 3.5	Key Input Price Components	51
Table 3.6	Wholesale Price Index	51
Table 3.7	Consumer Financing	53
Table 3.8	Average CPI Inflation and Contribution	54
Table 3.9	Gas Charges Increased Manifold during FY24	58
Table 3.10	Quarterly Adjustments in Electricity Tariffs for Residential Consumers	58
Table 4.1	Consolidated Fiscal Position	66
Table 4.2	Breakup of Consolidated Revenue	67
Table 4.3	Tax Expenditure Relative to Actual FBR Tax Collection	73
Table 4.2.1	Impact on Revenue Collection by Changing CER and Standard GST Rate	75
Table 4.4	Breakup of Consolidated Expenditure	76
Table 4.5	Breakup of Subsidies	77
Table 4.6	Mark-up Payments as Percent of Major Fiscal Variables and GDP	79
Table 5.1	Summary of Pakistan's Debt and Liabilities	84
Table 5.2	Government Domestic Debt	85

Table 5.3	Public External Debt	90
Table 5.4	Gross External Disbursements	91
Table 6.1	Pakistan's Balance of Payments	98
Table 6.2	Trade in Services in FY24	103
Table 6.3	Breakdown of Foreign Loan Inflows in Major Projects of FY24	111
Table 6.4	Pakistan's Foreign Trade	113
Table 6.5	Non-textile Exports - Volume and Price Effect	115
Table 6.3.1	Global Exports of Value-added Rice Products	117
Table 6.6	Import Price and Volume Effects	120
Table 7.1	Pakistan Railways: Key Financial Indicators Over the Last Decade	154
Table 7.2	PIA vis-à-vis Selected Foreign and Local Airlines: Main Operational Indicators	157