

Economic Briefing



MINISTRY OF
FINANCE

Jan 4, 2023

PTI's white paper has distorted economic realities

PTI's presentation of selective and misrepresented economic indicators is an attempt to mislead the citizens of Pakistan

The comparisons are at time factually incorrect and devoid of economic context

Economic situation since April 2022 is strongly influenced by PTI's mismanagement of the economy in last four years and its negative effects continue to impact the economy even now

It ignores the impact of difficult international economic situation caused by commodity super cycle, Russia-Ukraine War & one of the biggest natural catastrophe - 2022 floods in Pakistan

Global economic recessionary trend is there. Global Growth was 6.0% in 2021 and it is projected by IMF to decline to 2.7% in 2023. Pakistan is no exception.

Factually incorrect PTI Claims

- **PTI Claims that Fiscal Deficit was 7.6% of GDP in FY 2018**
 - Fiscal deficit was actually 5.8 % of GDP in FY2018
- **PTI Claims that Fiscal Deficit was reduced to 5.5% of GDP by increasing taxes from Rs 3.7 trn to Rs 5.5 trn in a single year**
 - In FY2019, the fiscal deficit actually increased to 7.9% of GDP, while FBR tax revenues were reduced by 0.4% to Rs 3,828.5 bn against Rs 3843.8 bn in FY2018.

Factually incorrect PTI Claims



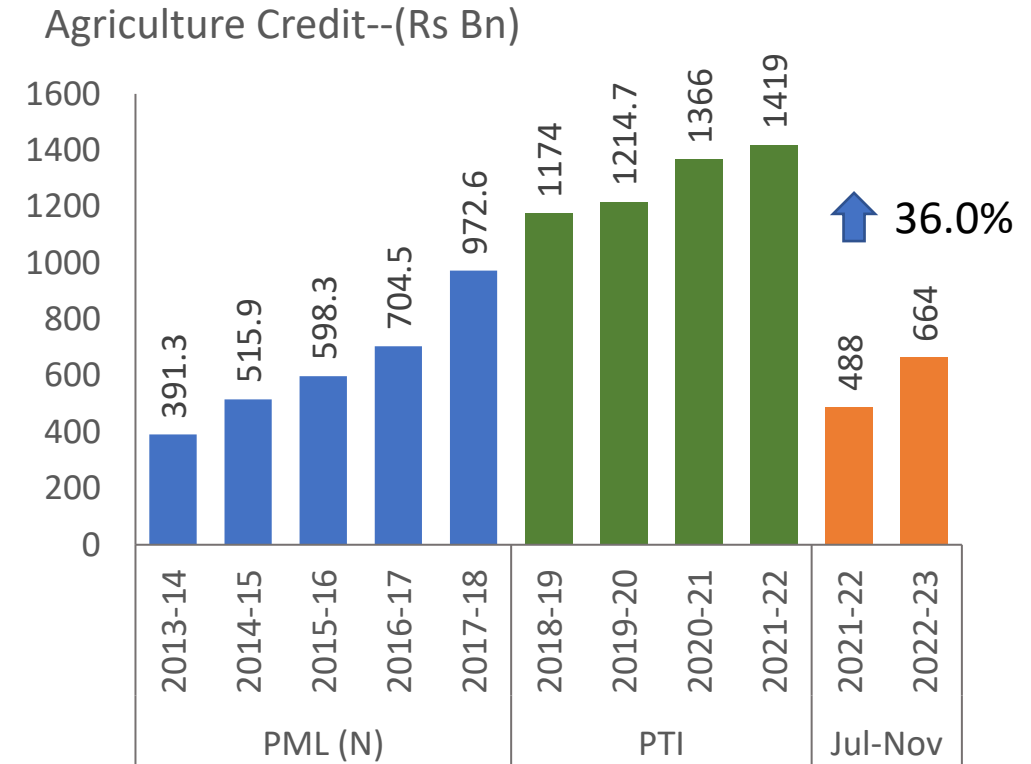
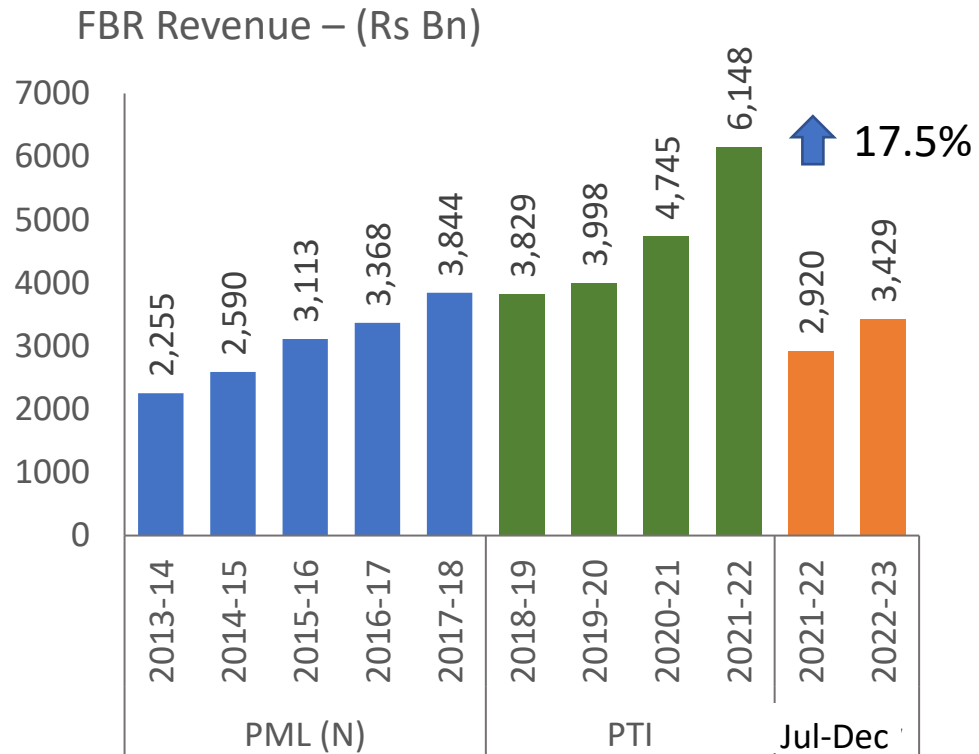
- **PTI Claims that in 2018 the economic growth plummeted to 1.5% and inflation rose to 10.5%.**
 - This statement is misleading. In FY2018, the economic growth was at 6.10%, while during the first year of the PTI government i.e FY2019, growth declined to 3.12%.
 - Inflation was 4.7% in FY 2018 (old base 3.9%) while it rose to 6.8% (old base 7.3%) in FY 2019
- **PTI Claims that in 2018 discount rate increased by 325 basis**
 - When the PTI government assumed charge in August 2018, the policy rate was 7.5 %. It increased to 13.25 % by July 2019 by 575 bps, so the statement "increase in the discount rate by 325 bps" is incorrect and not true.

Factually incorrect PTI Claims



- **PTI claims that since PDM came into power, the prices of Atta, Electricity, Petroleum, Eatables, Tomatoes, ghee, and lentils are at 100-200 % of March 2022 prices.**
 - As per PBS data (from March to December):
 - **Wheat** price increased by **33%**,
 - **Cooking oil 21%**,
 - **Masoor Pulse 19.5%**,
 - **Mash pulse 35.8% and**
 - **Gram pulse 36.8%**,
 - **Tomatoes 13.7%**,
 - **Petrol 47.2%**,
 - **Electricity (upto 50 units) 0.5 %.**,
 - **Vegetable ghee 14.9%**,
- **PTI claims that 5.5 mn new jobs created during FY2019-22**
 - The actual data shows that only 3.2 mn new jobs were created during the same time period.

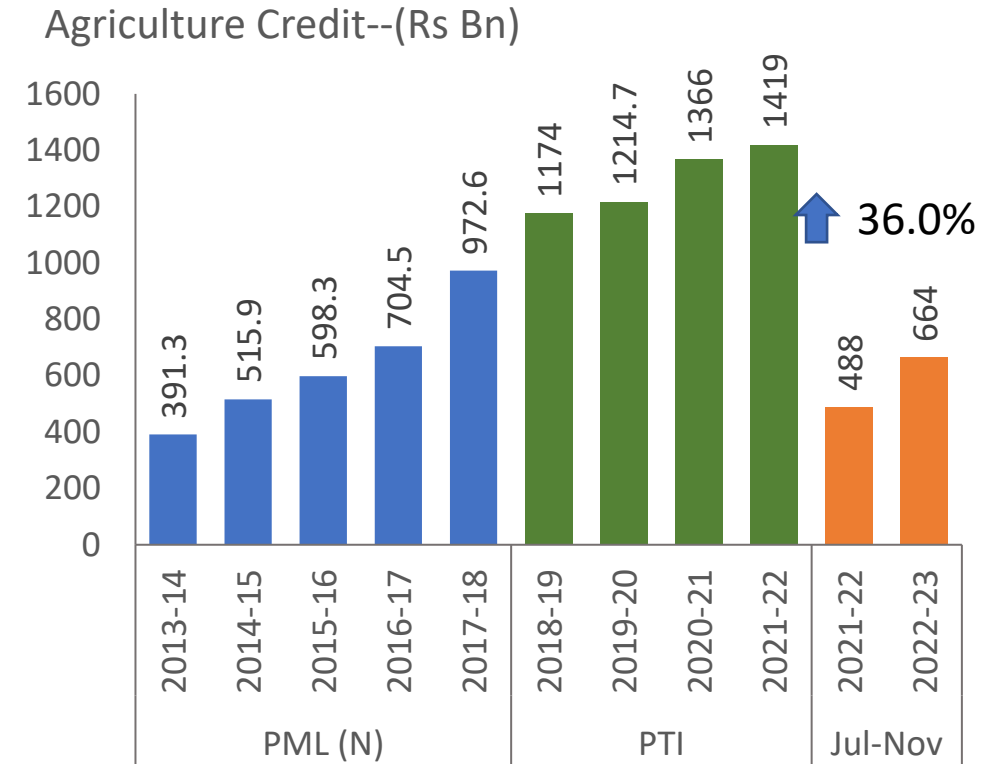
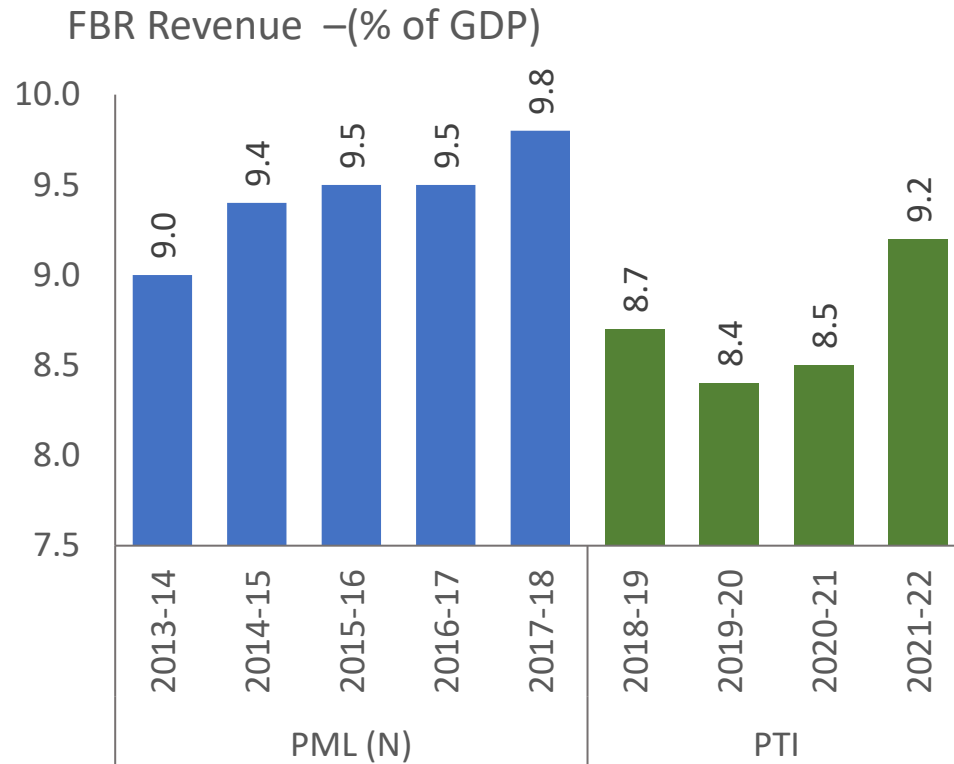
Economic Performance



Target FY 2022-23

- FBR: Rs. 7,470 billion
- Agri Credit: Rs.1,819 billion

Economic Performance



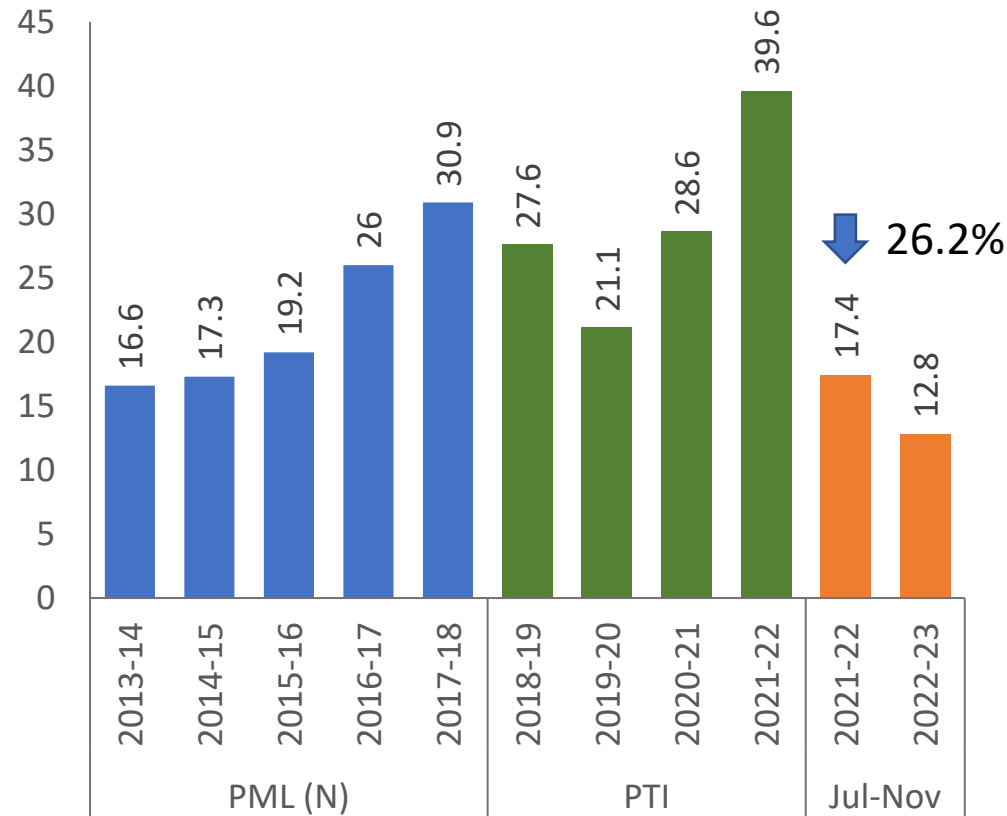
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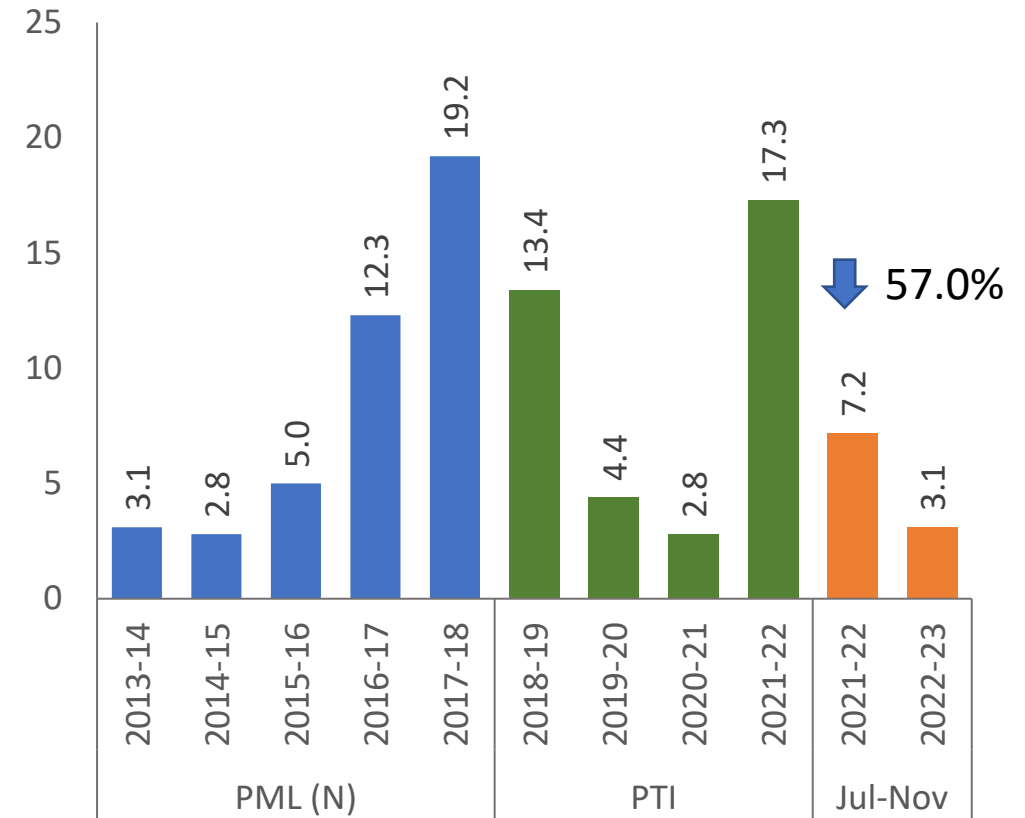
Economic Performance



Trade Deficit - (\$ Bn)



CAD - (\$ Bn)

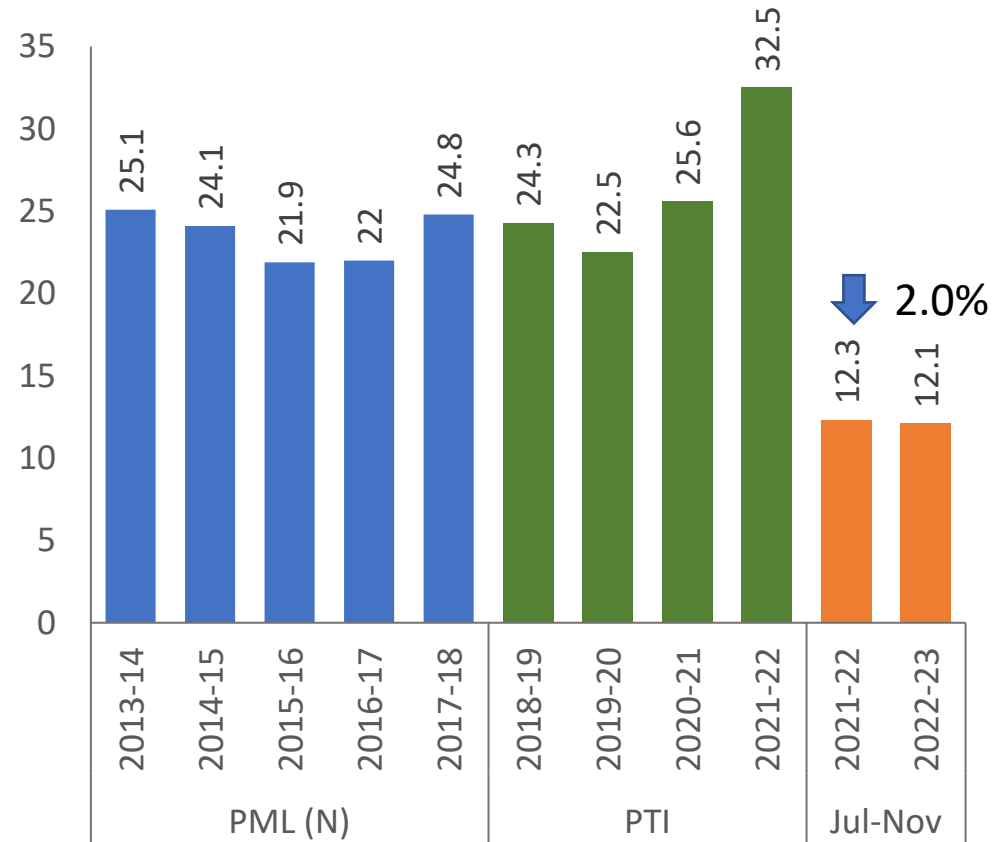


- CAD increased in FY2018 mainly due to 26% import of machinery equipment, massive investment in energy projects to eliminate load shedding and for security requirements.

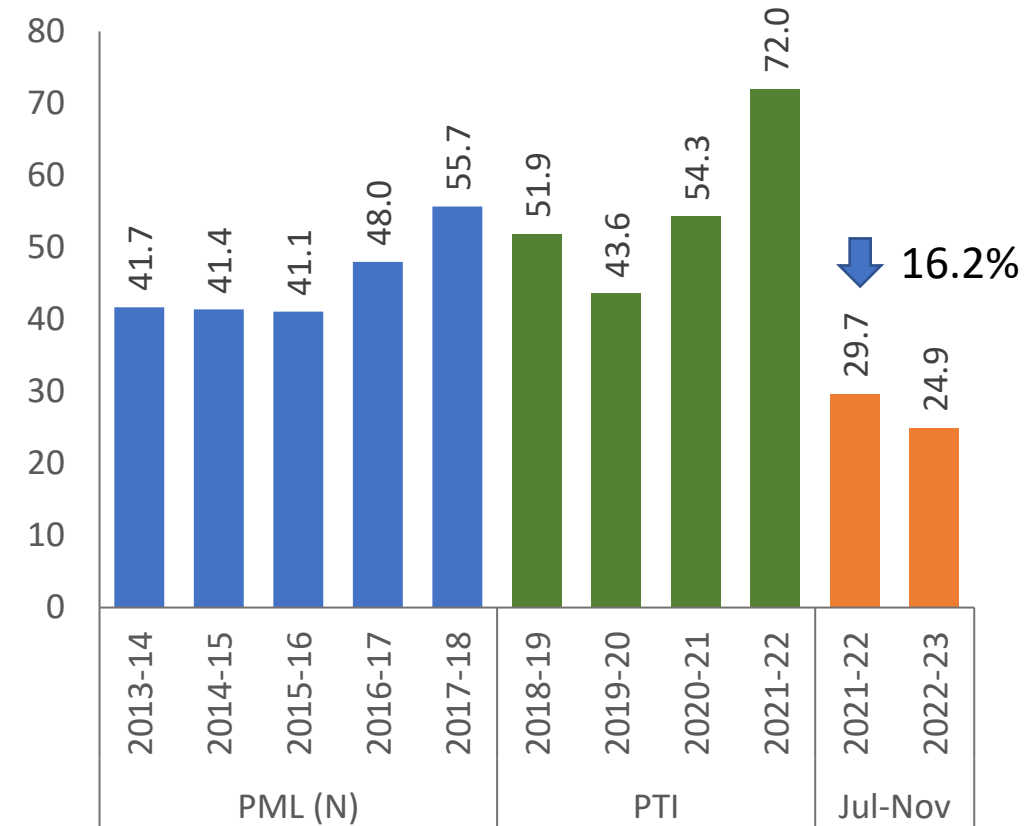
Economic Performance



Exports- (\$ Bn)

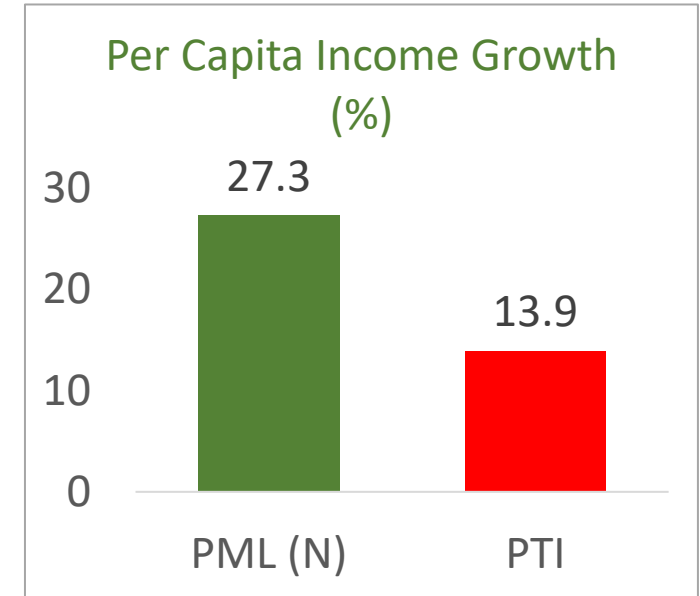
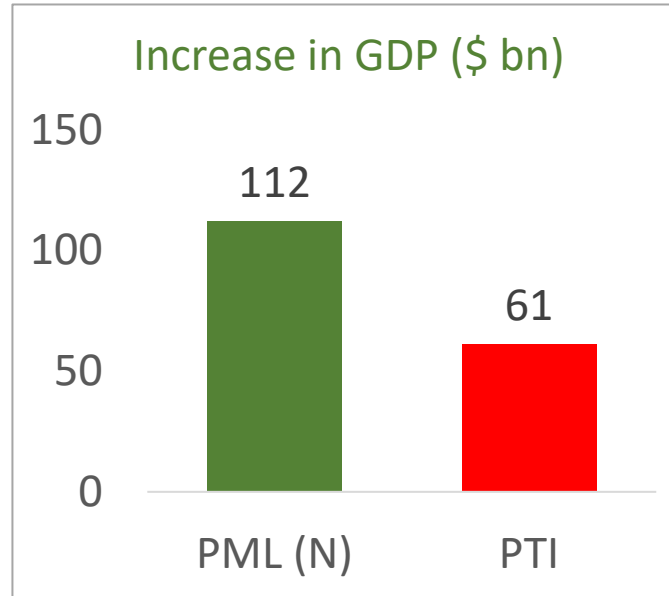
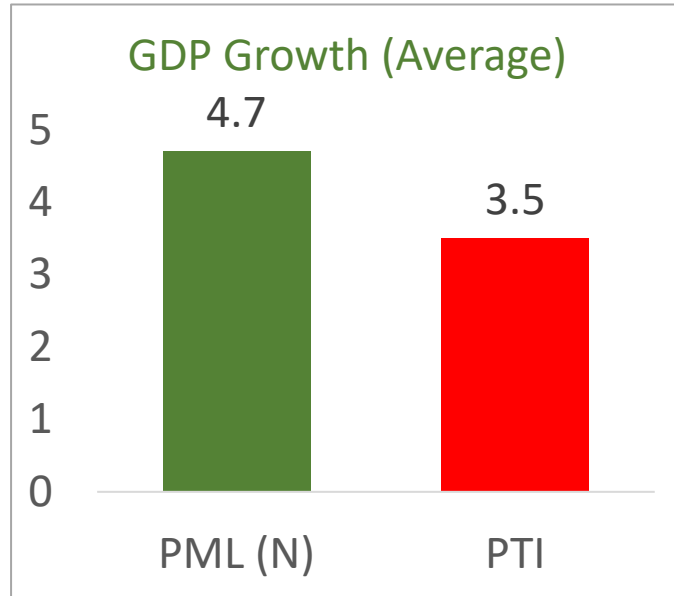


Imports- (\$ Bn)



- Exports remained virtually the same in PML(N) tenure due to massive compression in global commodity prices. Exports increased during the last year of PTI government due to
 - Commodity super cycle: the value effect overrode the volume effect
 - Massive devaluation
 - Unlimited distribution of TERF at 1% with a fiscal cost for the economy.

GDP Growth

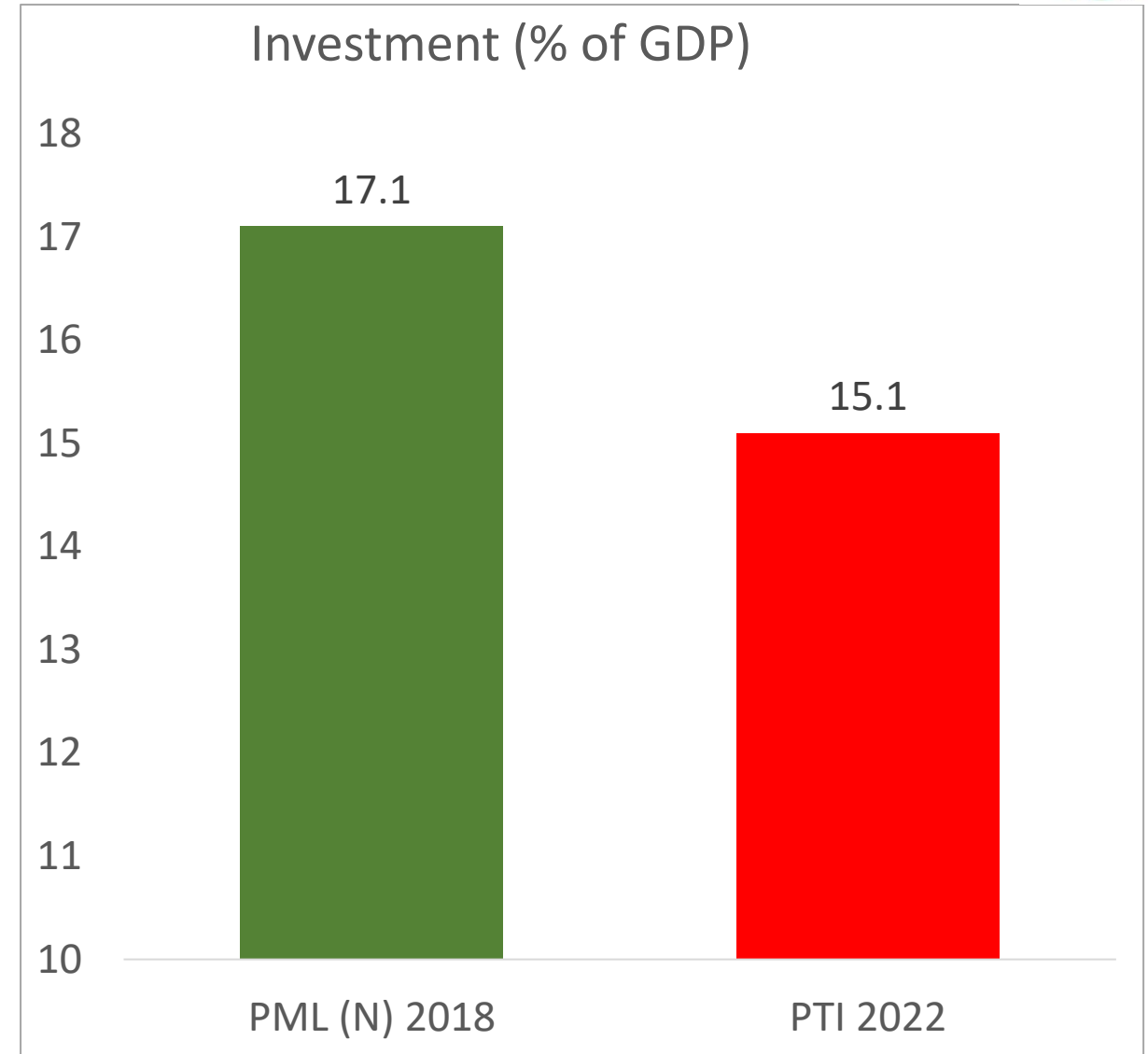


- GDP Growth during PML (N) tenure ranges from 4.05 to 6.10 % while growth ranges from -0.94 to 5.97 % in PTI tenure
- GDP in-terms of \$ increased by \$112 bn in PML (N) tenure while in PTI tenure it increased by only \$ 61 bn
- Per Capita income during PML (N) recorded 27.3 percent growth (\$ 1389 - \$ 1768) while in 42 month tenure of PTI the per capita income reached \$1798 only

Investment Performance



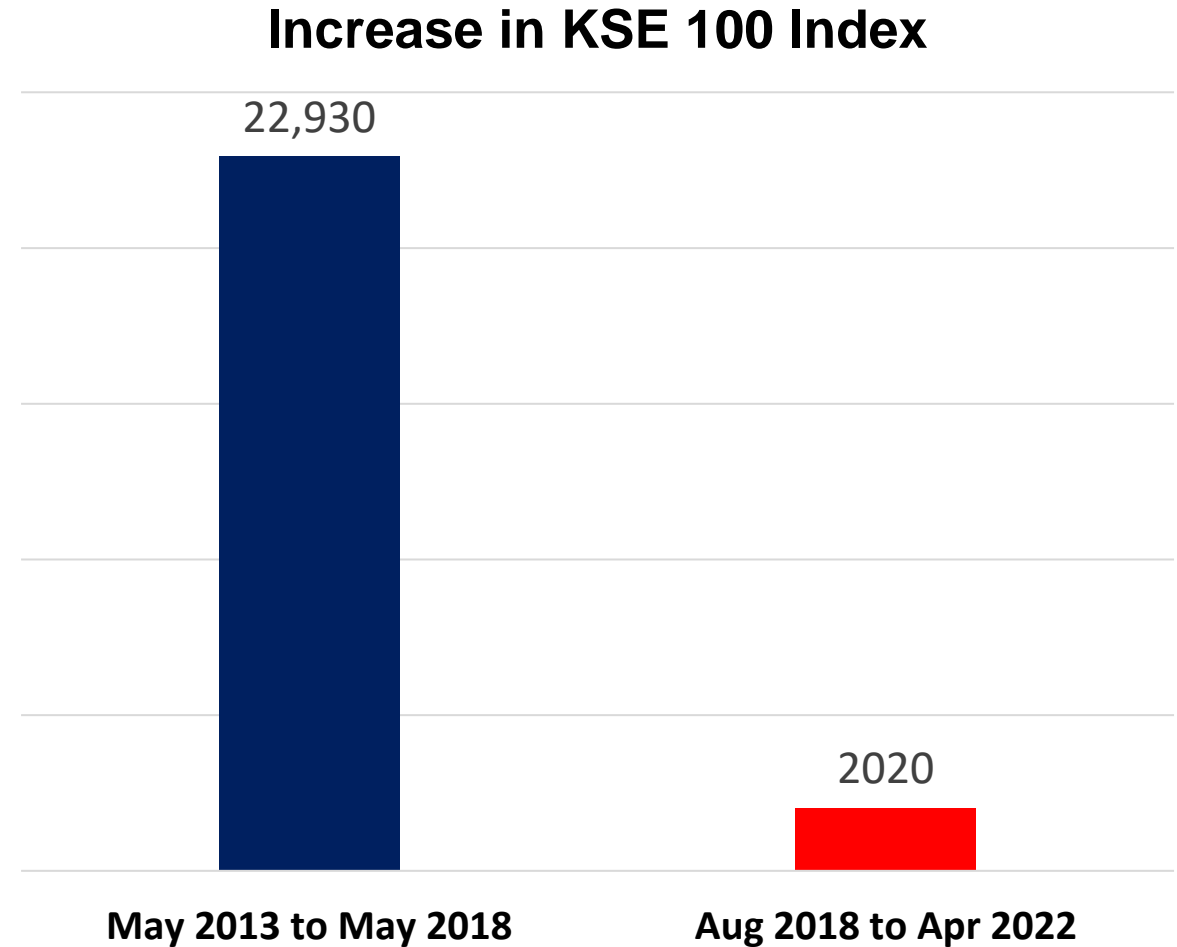
- Investment as a percent of GDP was higher during PML(N) compared to PTI tenure
- The confidence of investors and their sentiments were much better in PML(N) tenure than PTI tenure



Stock Market Performance

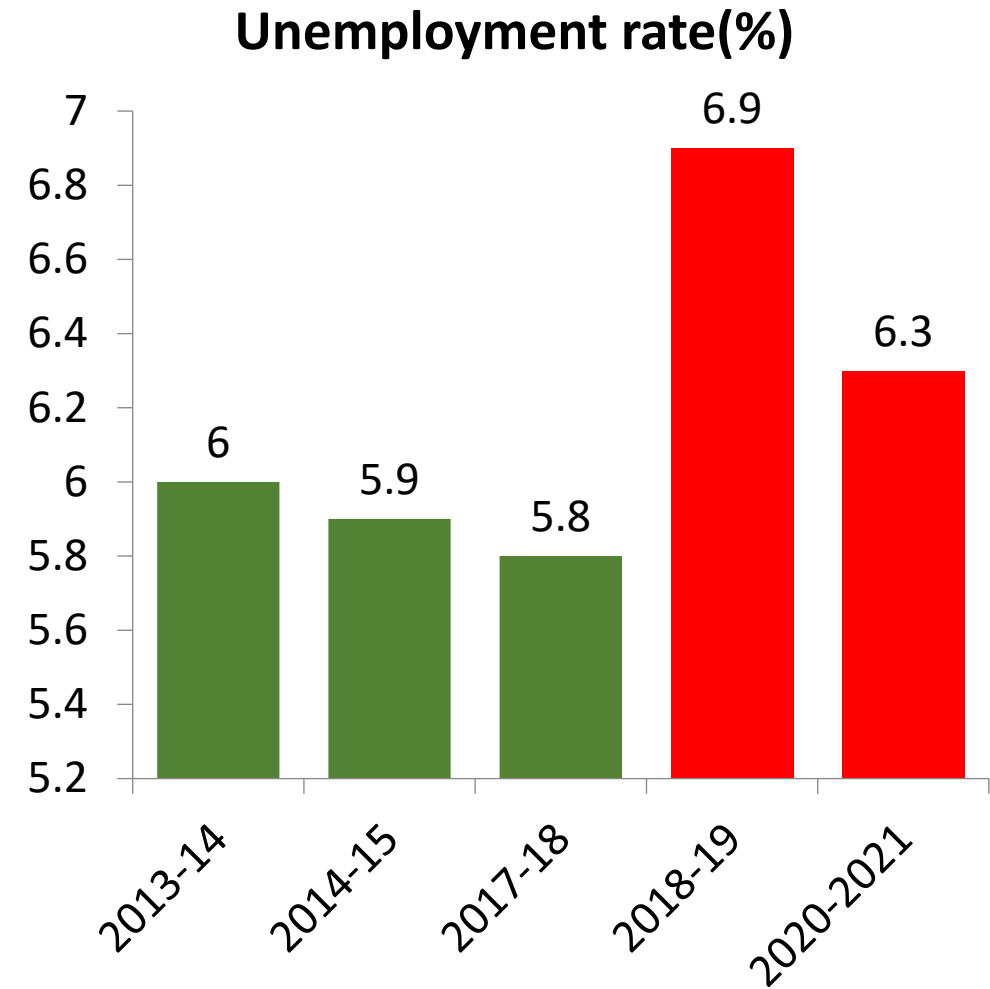


- KSE 100 Index increased to 42,846 points in May 2018 from 19,916 points on 13th May 2013 which reflects an increase of 22930 points
- **KSE 100 index recorded its peak at 52,876 points as on 24th May 2017**
- In PTI tenure, KSE 100 index increased by only 2020 points from 42,425 points to 44,445 points
- The confidence of investors and their sentiments were much better in PML(N) tenure than PTI tenure

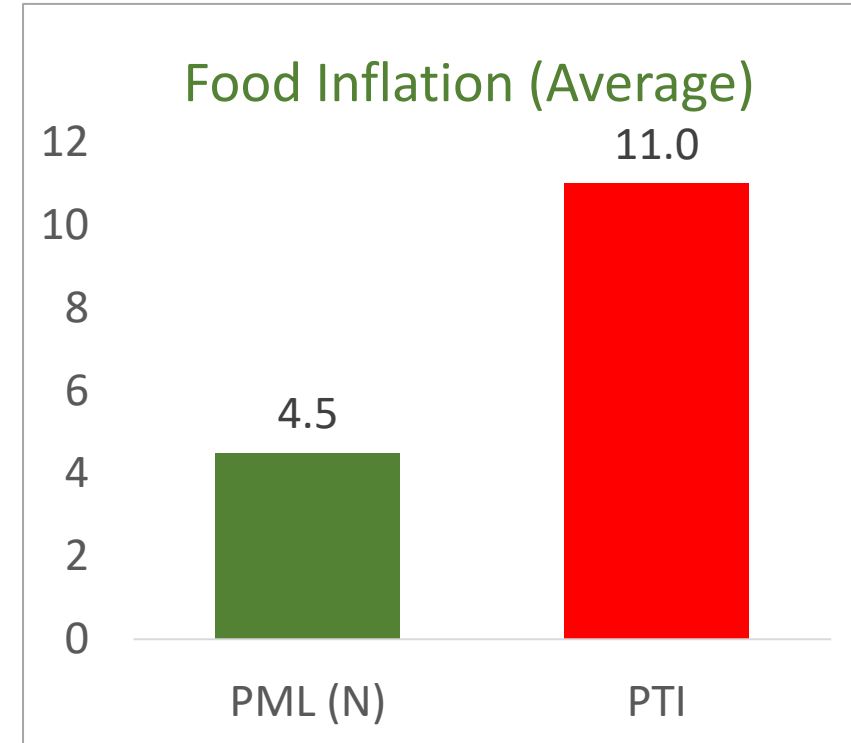
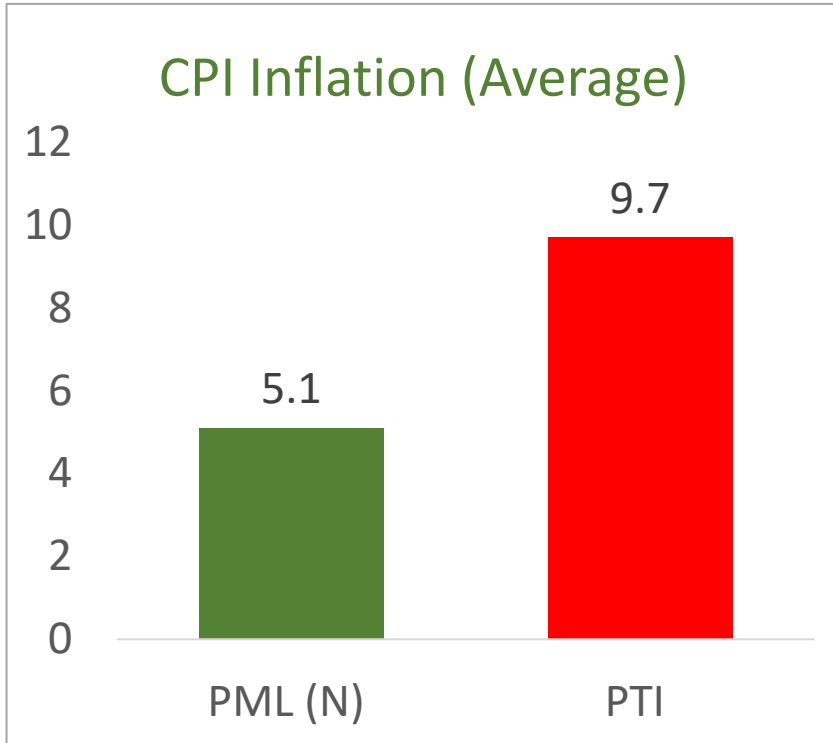


Unemployment

- PTI's claims of lost jobs of 1.5 million in the textile industry & many more in other industries & professions is based on perception having no supporting evidence.
- PTI's claims 5.5 million new jobs were created during FY2019-FY2022 which is incorrect
- Only **3.2 mn** new jobs were created during 2019-2021 according to Labour Force Survey.
- PTI attempted to mislead the masses by claiming the increase of 22.5% in unemployment. This is not based on facts as no Labour Force Survey has been released by PBS for FY 22 and beyond.



Inflation (Regime Wise)



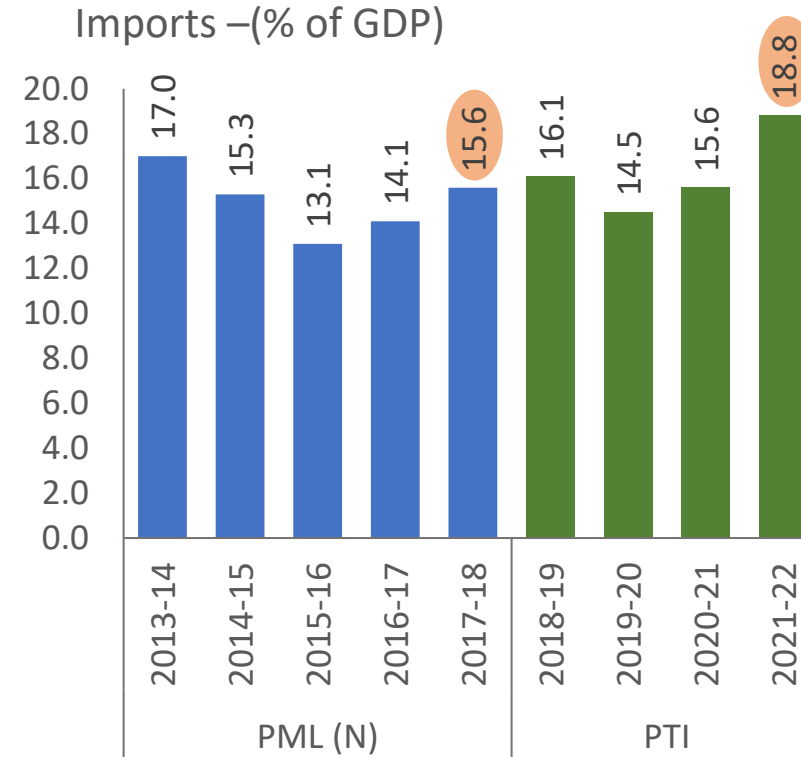
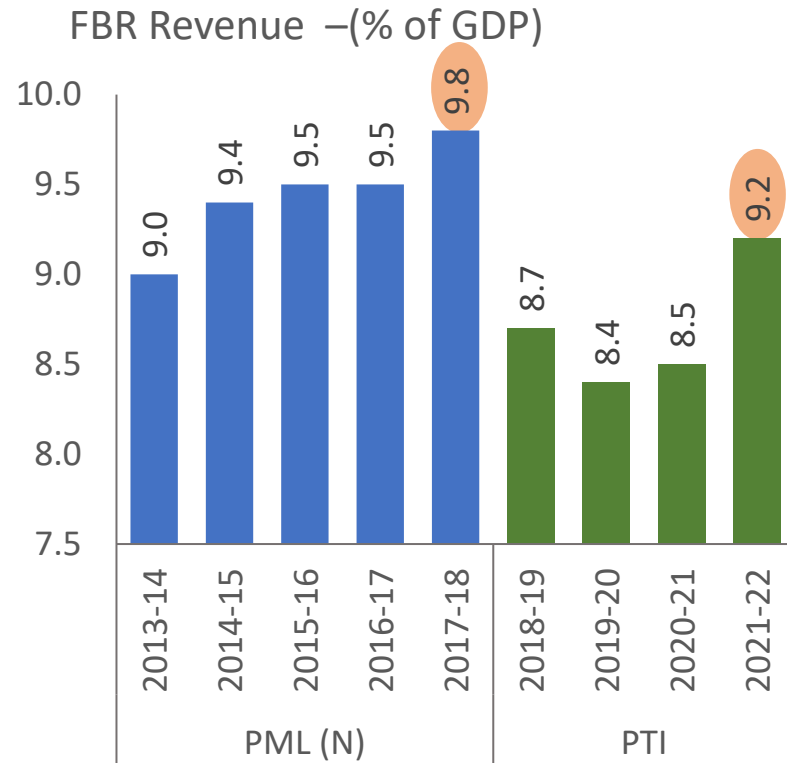
- During PML(N) tenure, maximum CPI was 8.6% and minimum stood at 2.9% while in PTI tenure, maximum CPI reached 12.2% and minimum stood at 6.8%
- During PML(N) tenure, maximum food inflation was 9.0% and minimum stood at 2.1% while in PTI tenure, maximum food inflation reached 13.6% and minimum stood at 4.6%

Global Currencies against USD

- Global economies are witnessing stagflation (low growth with high inflation at the same time).
- US monetary authority is responding by increasing interest rates that is creating pressure on other currencies.
- The following table shows the double digit depreciation of major currencies against US \$ from April 2022 onwards.
- Government is taking policy, administrative and relief measures to control inflation.

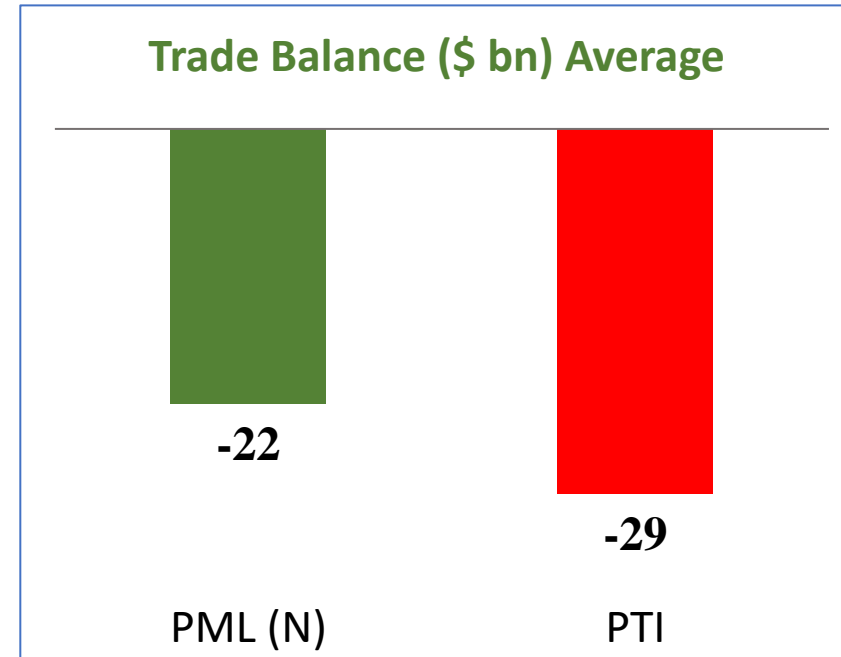
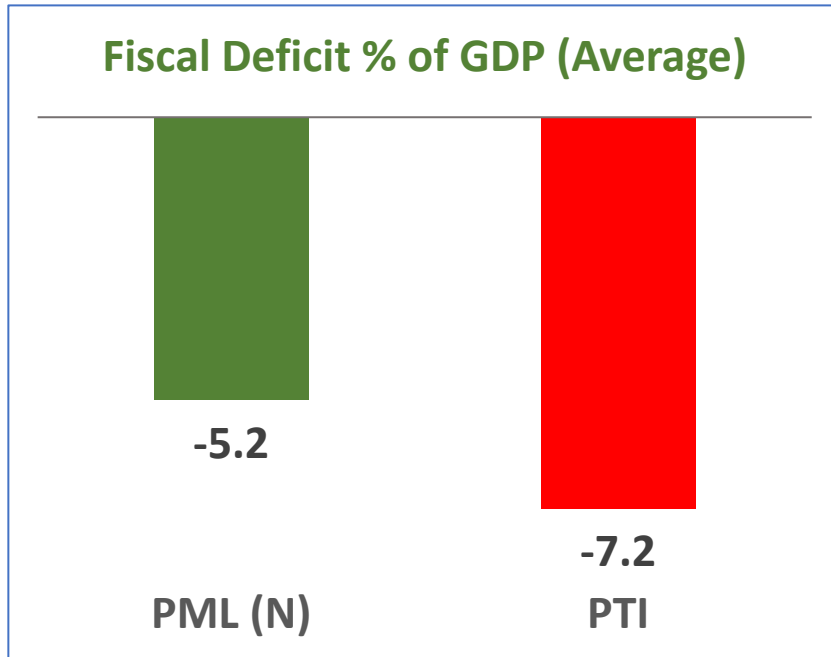


Robust Tax Revenue & Import Performance



- FBR revenue as a percent of GDP was on increasing trajectory during PML(N) tenure (9.8%), however, it declined during PTI tenure (9.2%)
- Import as a percent of GDP during PML(N) tenure was 15.6%, however, it jumped during PTI tenure to 18.8% which led to severe macroeconomic imbalances

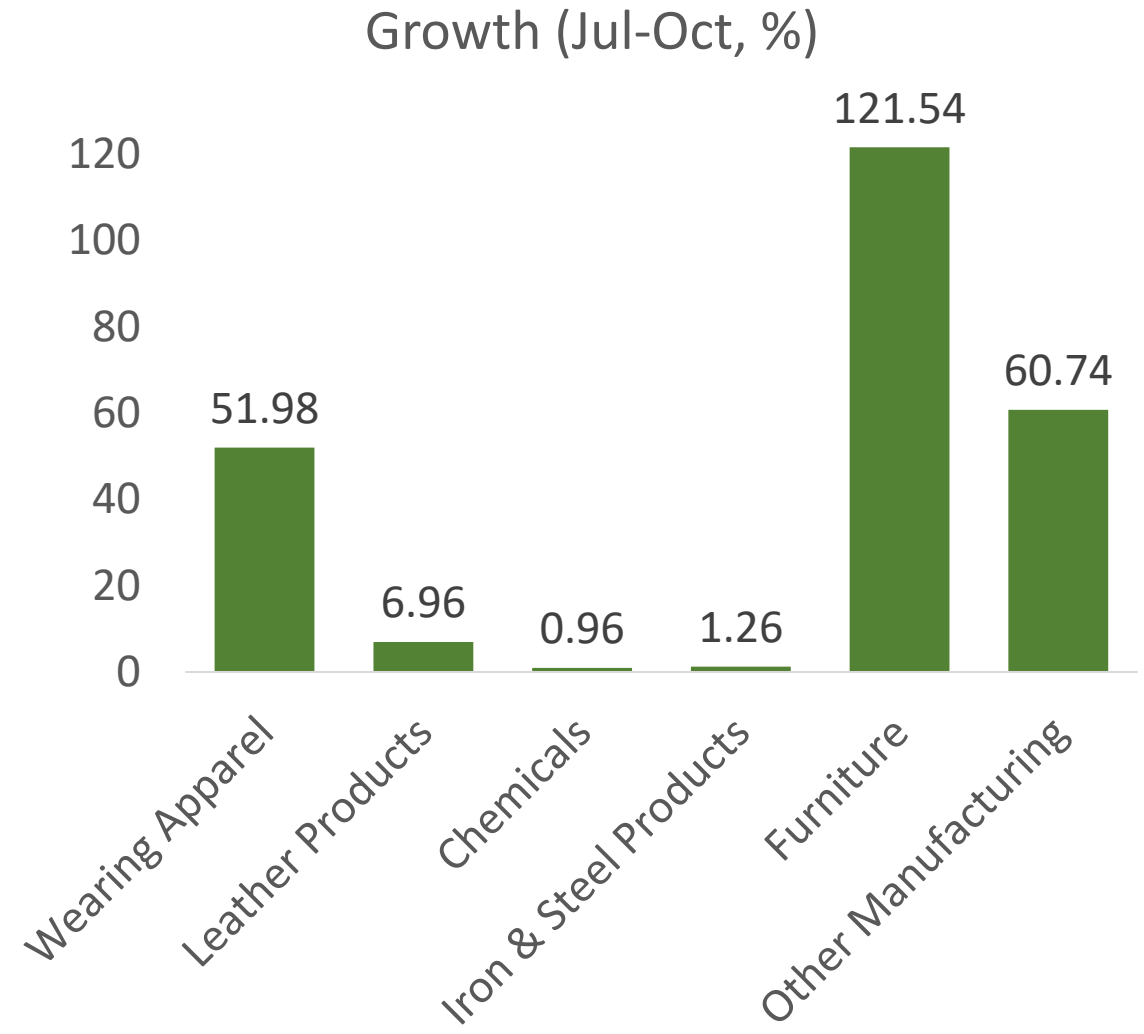
Twin Deficits



- The fiscal deficit averaged 5.2 percent of GDP during PML (N) against 7.2 percent of GDP on average during PTI regime.
- Trade deficit deteriorated during PTI tenure by 31% and reached to \$29 bn
- Trade Deficit improved by 26% from \$17.4 bn to \$12.8 bn during the first 5 months of the current FY.
- Current Account Deficit improved by 57% from \$7.2 bn to only \$3.1 bn during the first 5 months of the current FY 23.

LSM Performance

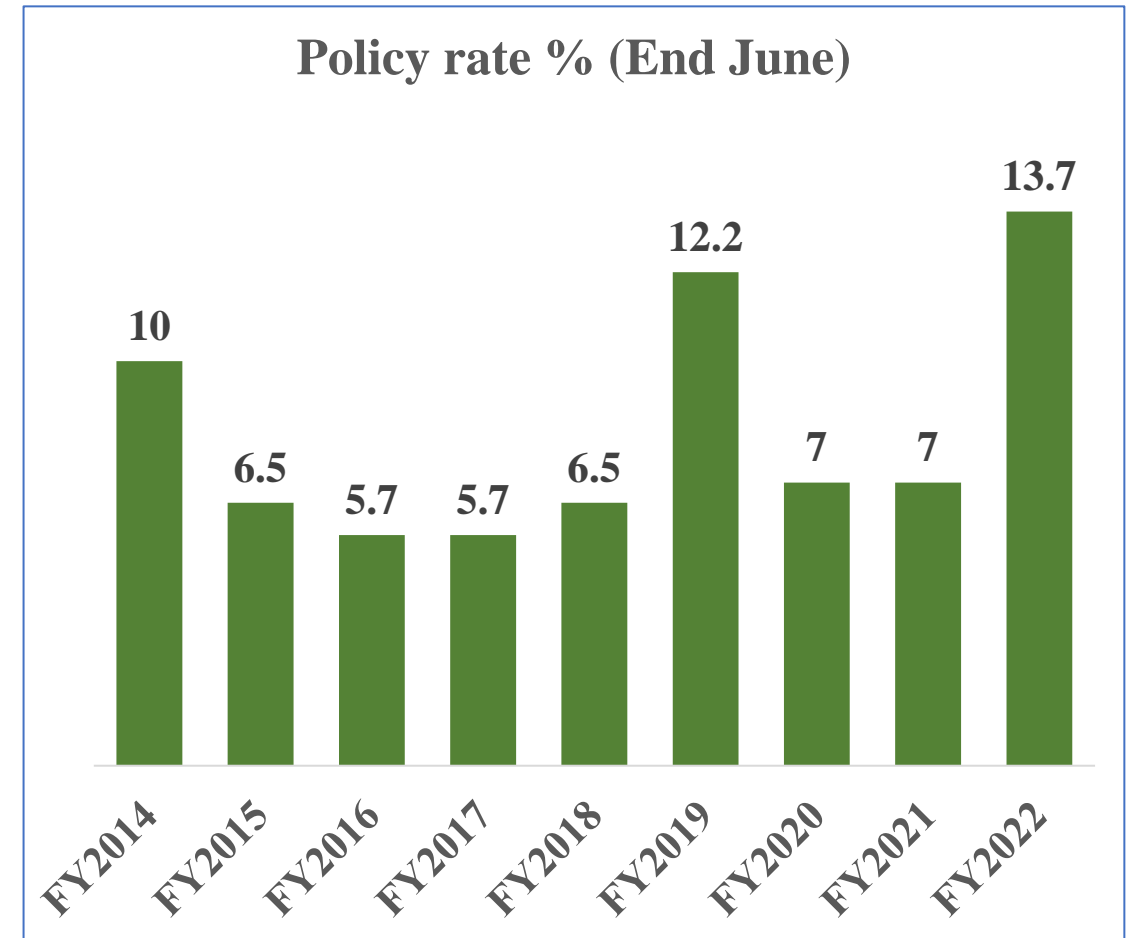
- Production of major Kharif Crops declined: cotton (24.6%), Rice (40.6%) Sugarcane (7.9%) and Maize (3.0%).
- Despite global economic meltdown and internal devastating flood situation, value added sectors are showing positive and satisfactory growth.
- Government initiative **like Kisaan Package, Industrial support package and exports facilitation measures** helped revival of activities in industrial and agriculture sectors.



Policy Rate

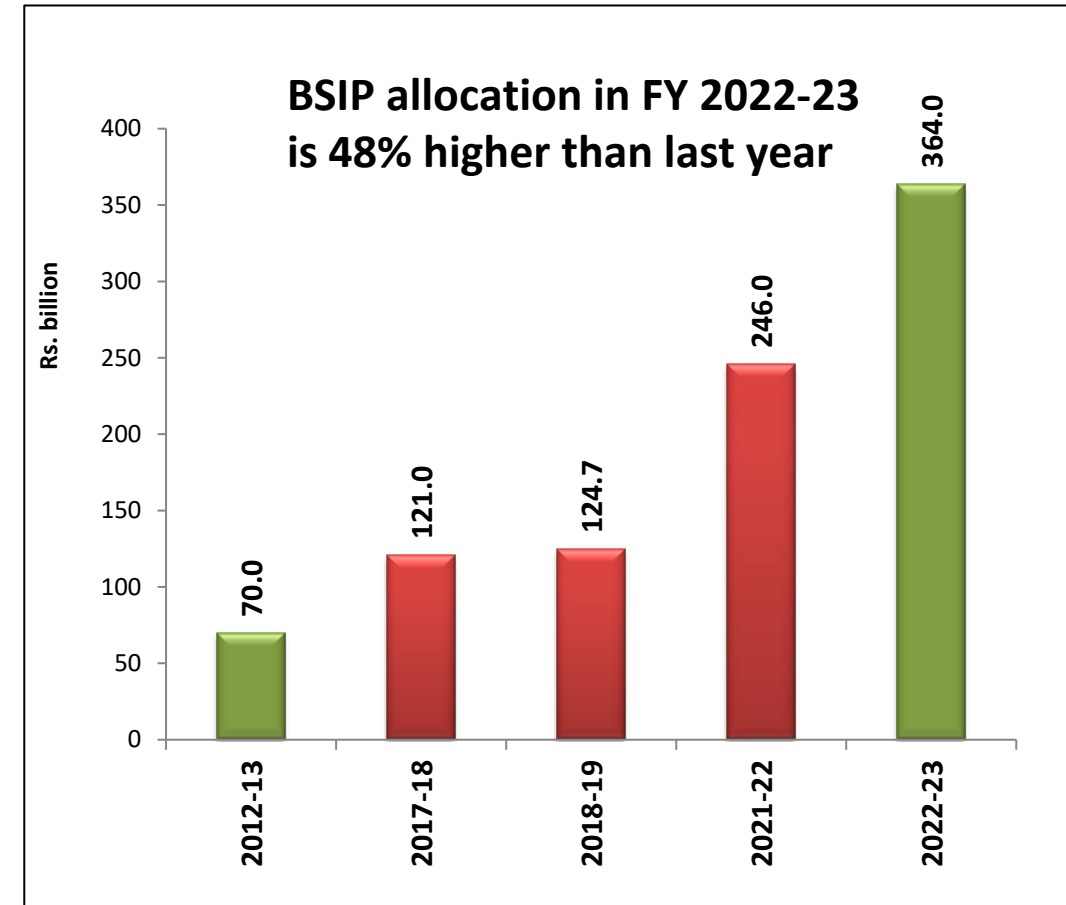


- Policy rate reduced to a historic low at 5.7 % in FY2016 from 10% at the end of FY2014 due to improved macroeconomic indicators.
- In August 2018, SBP adopted a policy rate reversal.
- In FY2022 due to macroeconomic imbalances including higher imports, mounting current account deficit, and soaring inflation, the policy rate increased to 13.7%.
- In PTI's tenure, policy rate increased by 7.25% (6.5% to 13.75%); whereas in PML(N) current year it has increased by 2.25% only (13.75% to 16%)

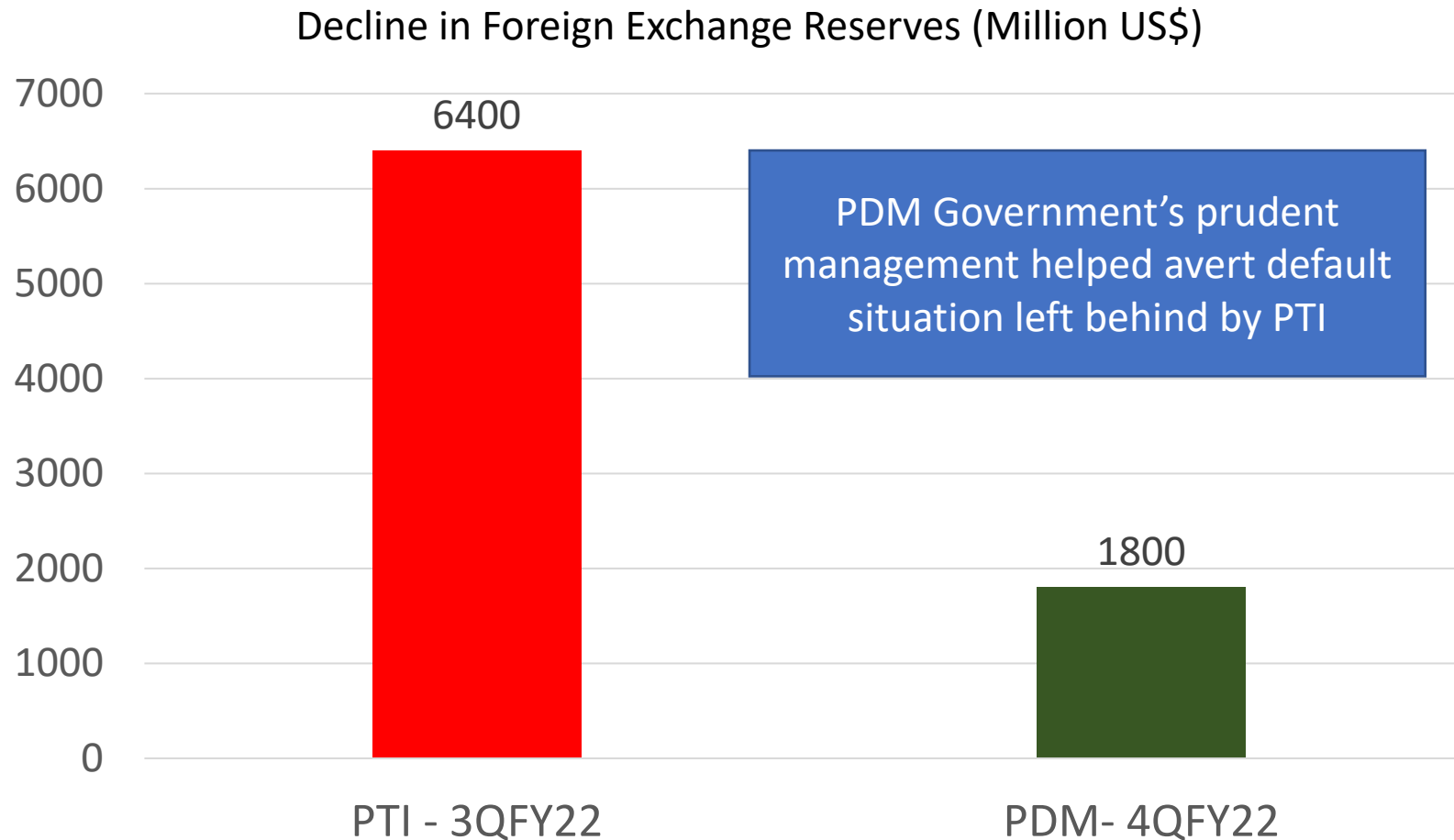


Social Safety Nets

- For FY2023, Budgetary allocation of BISP has been increased to Rs 364 billion and the government has planned to expand the scope of BISP and increase the number of beneficiaries upto 10 million.
- The government has also included 500,000 more people from Balochistan in BISP, which would cover around 65pc of the population of the province. For this purpose, more BISP centres are being established in the province.
- In addition to above, the government provided flood relief/cash assistance of Rs 70 billion to 2.7 million beneficiaries through BISP.



SBP Foreign Exchange Reserves



PDM Government substantially controlled the decline in Forex Reserves. Pakistan would have already defaulted if the rate of decline as of 3rd quarter of FY 22 had continued.

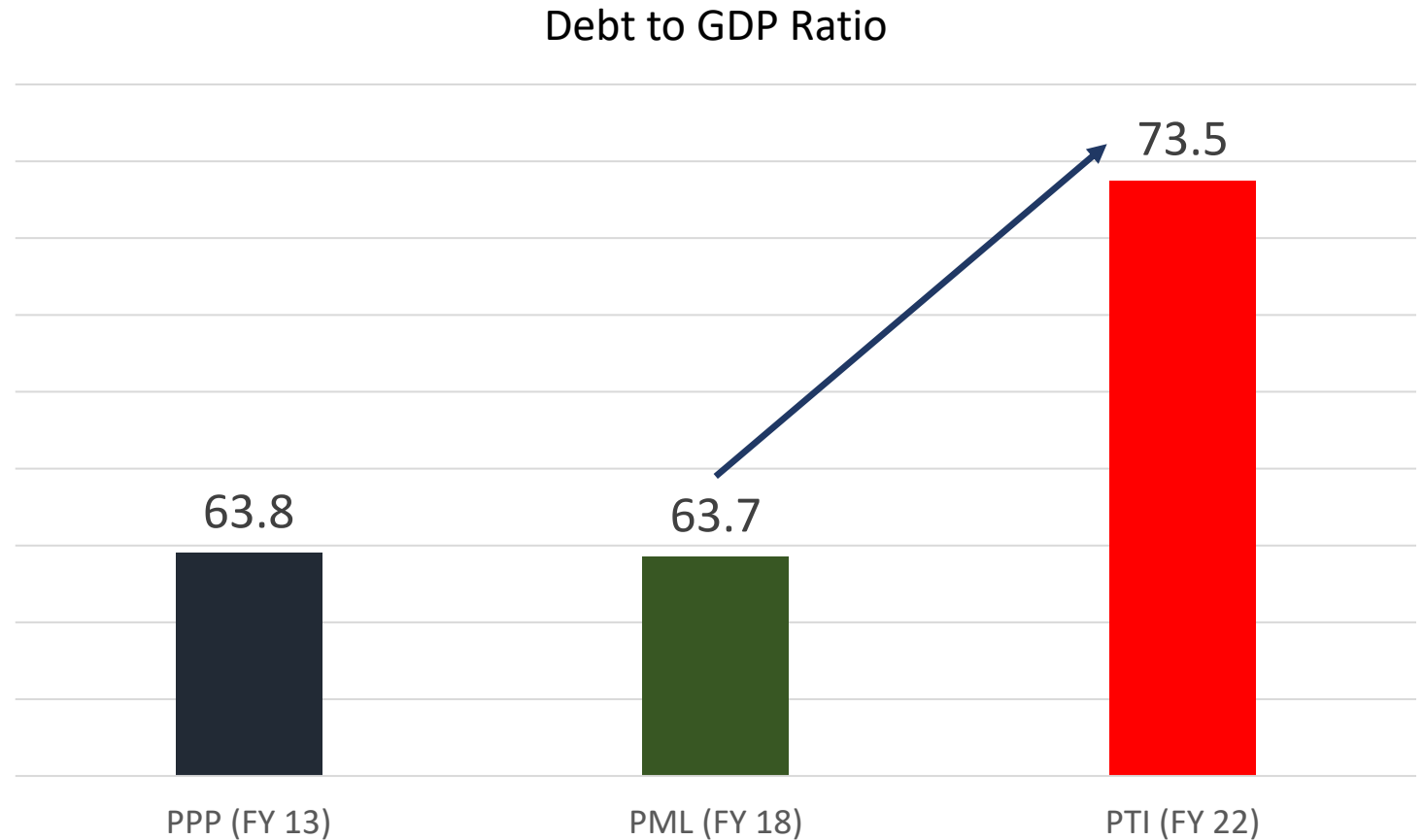
Debt Liabilities



Pakistan's debt and liabilities actually increased in PTI's tenure

Public Debt
June 2018 Rs. 24,953 bn
Mar 2022 Rs. 44,383 bn

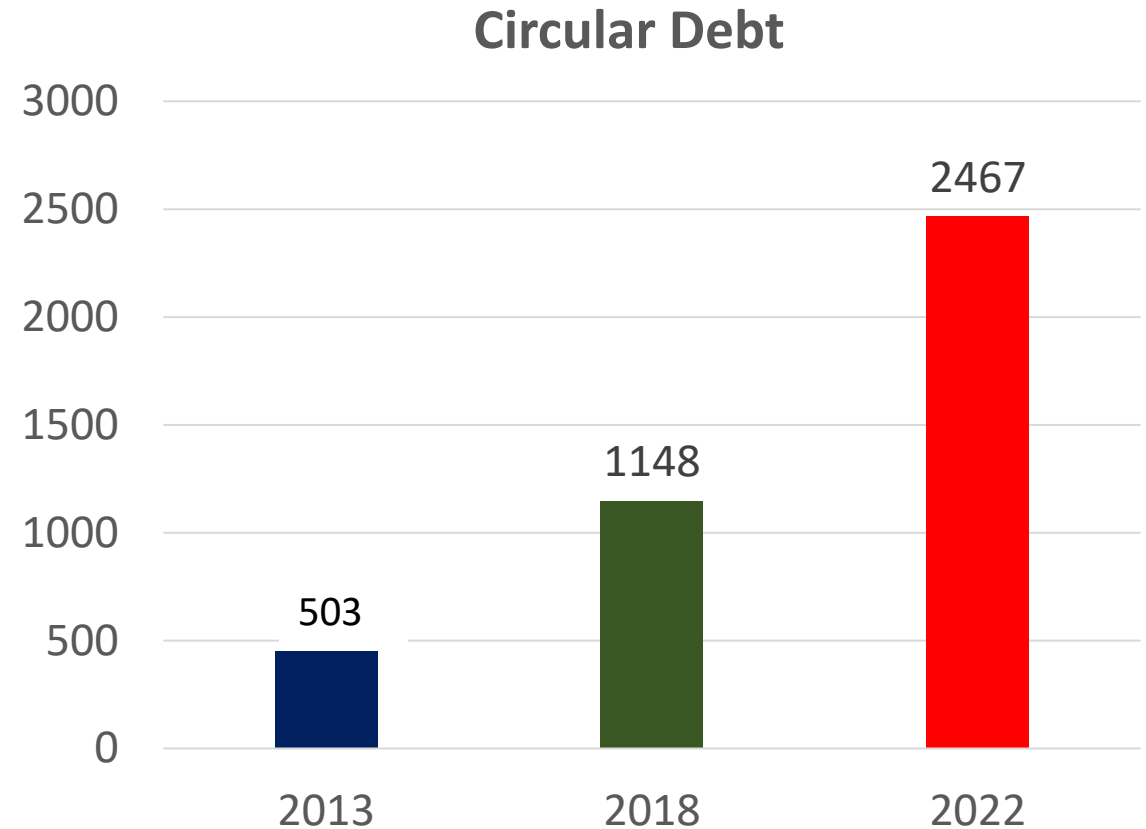
Public Debt & Liabilities
June 2018 Rs. 29,879 bn
Mar 2022 Rs. 53,544 bn



As against claim of reducing circular debt, PTI was responsible for more than doubling it in four years



- PMLN inherited circular debt of Rs.503 billion in June 2013
- By FY 2017-18, circular debt was Rs.1,148 billion, an increase of Rs.645 billion in 5 years
- PTI increased circular debt from Rs.1,148 to Rs.2,467 billion as against the claim of reducing it; the increase in 42 months was Rs.1,319 billion



PTI's mismanagement of gas sector resulted in ballooning circular debt

- Mismanagement and inappropriate response of the PTI government created problems in the Gas sector where circular debt situation has also become serious
- The gas sector circular debt has ballooned and crossed a staggering Rs1.5 trillion, making the sector virtually unsustainable

Government of Pakistan is passing through a difficult forex reserves position due to PTI Government's policies



- PDM Government had to increase fuel prices to honor the commitments made by the PTI to IMF
- The country was brought back from the brink of default through import management, resurrection of the IMF programme and reduction in current account deficit
- Going forward friendly countries have announced their support which will help manage forex reserves in the country
- The temporary problems in L/Cs have been partially managed by now and would be restored to normal in near future

PDM Government is making all possible efforts to stabilize the economy



- Current Account deficit has been reduced by 57% in the last five months. This trend will inshaAllah continue and result in a much lower CAD this fiscal year;
- Efforts are being made to minimize fiscal deficit despite the difficulties posed by one of worst floods ever faced by Pakistani nation
- The country has been meeting all its external (foreign exchange payment) liabilities on time
- PML & allies have lost political capital to save Pakistan as against PTI which preferred its political interests by pushing the country towards economic collapse and default
- It, however, needs to be remembered that consolidation of economy, control of inflation etc. will naturally take some time as there are no shortcuts

Moody's / Fitch/S&P Ratings

- Latest ratings and outlook by all three rating agencies reflect the result of PTI's gross mismanagement of economy in its tenure
- IMF Report published in Sep 2022 clearly indicated that the then economic situation resulted from PTI's gross mismanagement:-

“A difficult external environment combined with procyclical domestic policies fueled domestic demand to unsustainable levels. The resultant economic overheating led to large fiscal and external deficits in FY22, contributed to rising inflation, and eroded (forex) reserve buffers”

INTERNATIONAL RECOGNITION OF PAKISTAN'S MACRO-ECONOMIC SITUATION in PML(N) Tenure 2013-18



- Moody's improved Pakistan's outlook from negative to stable to positive
- Standard & Poor's (S&P) improved Pakistan's outlook from negative to stable to positive
- International Bank for Reconstruction and Development (IBRD) resumed financing for Pakistan after improvement in foreign exchange reserves
- According to Nielson report on 31 May 2014, Pakistan had the highest business confidence since 2008
- Forbes acknowledged Pakistan's economic turnaround in its report titled "A global turnaround story"
- Pakistan's economic turnaround was acknowledged in a research report published by Morgan Stanley on 30 January 2015 titled "Rise a matter of time"
- JETRO Survey of Japanese Companies in Asia 2018 revealed that Pakistan was rated at the top in Asia by Japanese Companies for expected profits in 2018 – "Second choicest place for FDI"

Pakistan's had a bright outlook in 2017/18

'The World in 2050 Report' by PWC (2017)

- In 2016, Pakistan was ranked as the 24th largest economy in the World and Pakistan was projected to be member of world's G-20 **by 2030**
- As a result of bad governance and economic mismanagement in PTI's tenure, Pakistan's projection has been revised massively downwards.
- As a result Pakistan has declined to the 41st economy in 2021 according to the World Bank and 47th in 2022 according to Centre for Economic and Business Research, UK

THANK YOU