

WHITE PAPER ON THE STATE OF PAKISTAN'S ECONOMY

PML(N) PERFORMANCE

FY2013 – FY2018

WHEN PTI TOOK OVER THE GOVERNMENT IN AUGUST 2018, THE ECONOMY WAS IN SHAMBLES



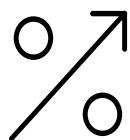
Current account deficit for FY 2018 stood at **\$19.2bn**



SBP reserves were recorded at **\$9.4bn**



PKR was **over-valued** by **23%** (against USD), **exports declined** by \$10bn over five years while **imports increased** by \$23bn, creating a hole of \$33bn in our reserves



Fiscal deficit was **7.6% of the GDP**



Debt-to-GDP ratio was **64%**

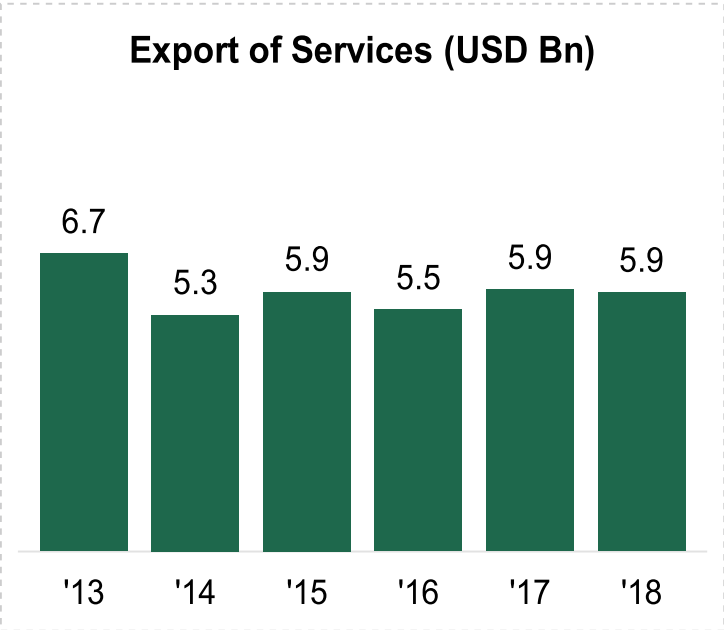
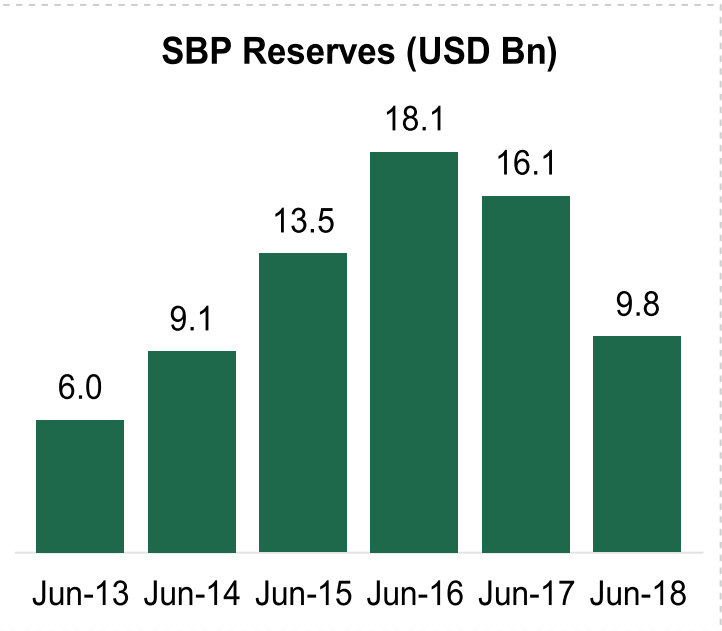
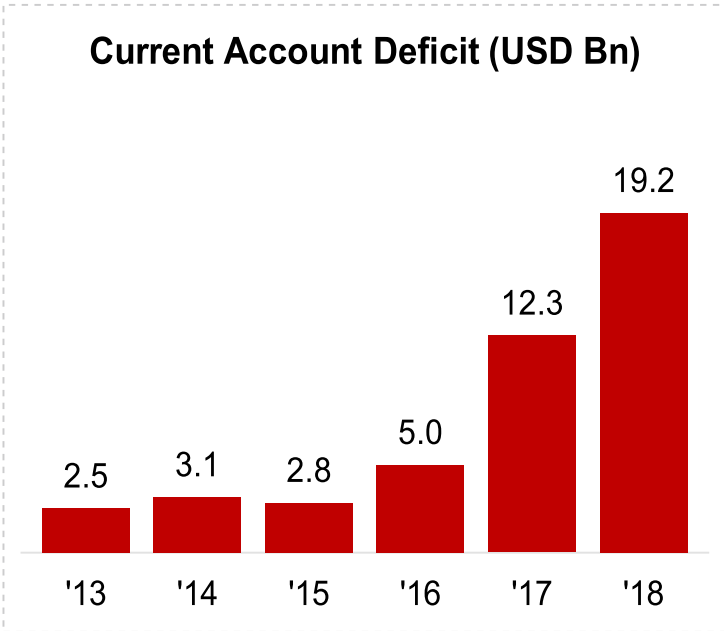
- There were no investments in the agriculture and industrial sectors, **both stagnated**. The former resulted in the country becoming food deficient and the latter, increasing imports.
- PMLN left behind a **mess in the energy** sector by **overbuilding** the **power sector supply** through **imported fuel power plants** which had **\$ linked capacity payments**. The **circular debt** PTI government inherited was **Rs.1.6trillion**. **Annual capacity payments** were **Rs. 450bn** in FY 17/18, rising to Rs. 1.4trn in FY 22/23.



PML(N) PERFORMANCE

An analysis of critical economic indicators

Higher value is better
Lower value is better



Source: State Bank of Pakistan (SBP), WorldBank

PTI ENTERS IN 2018

PTI took over an economy was on the brink of a collapse & was hit by an external crisis

\$32 billion

Loan payments that needed immediate funding



Increase discount rate by 325 basis points



Increase electricity and gas tariffs



Increase fuel prices



Reducing fiscal deficit to 5.5% of GDP by increases taxes from Rs. 3.7 Tr to Rs. 5.5 Tr in a single year

- PMIK tried his best to raise foreign loans from friendly countries to fund the CAD and pay loan payments
- However, the pledges, although generous, were not enough.
- Pakistan approached the IMF that attached tough conditions



The economic growth plummeted to 1.5% and inflation rose to 10.5%.

In addition, once in a century flu (COVID) infected millions of people globally

Threatened lives of millions of Pakistanis

Severely impacted the economic growth

- PMIK's commendable handling of the COVID crises saved hundreds of thousands lives at home and limited the economic cost to -1% of GDP.
- World Bank, WHO and Economist ranked Pakistan amongst the top three countries in terms of better management of Covid.



REVIVAL OF ECONOMY UNDER PTI





FY2019 – FY2022

- While dealing with COVID, PMIK kept investing in agriculture, construction and local/export industries.
- The tax machinery was getting revived and inflows into energy circular debt were being reduced.
- In the 75 years of Pakistan economic history, we have made rapid economic growth when we received US aid for helping them, Ayub Khan (SEATO, CENTO), Ziaul Haque (Afghan war) & Musharraf (war on terror).
- Despite facing international price super cycle which pushed prices of imported items such as Petroleum products from \$70/barrel to \$115/ barrel, edible oil from \$780/ton to \$1500/ton and Coal from \$80/ton to \$280/ton, we were successful in keeping CPI at 12.7% and SPI at 14% in March 22. Also, after peaking at \$2.2bn per month in Sept/Dec, current account deficit started reducing to under \$1bn per month.



THE REBOUND IN THE ECONOMIC INDICATORS WAS SPECTACULAR

 GDP growth 2020/21 5.74%	 GDP growth 2021/22 6.0%	 Agriculture Sector Growth: 4.4%	 LSM Sector Growth 11.7%
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 Overall Industrial Growth: 7.2%	 Services Sector Growth: 6.2%	 Highest Ever Exports \$32 billion	 Highest Ever Remittances: \$31 billion
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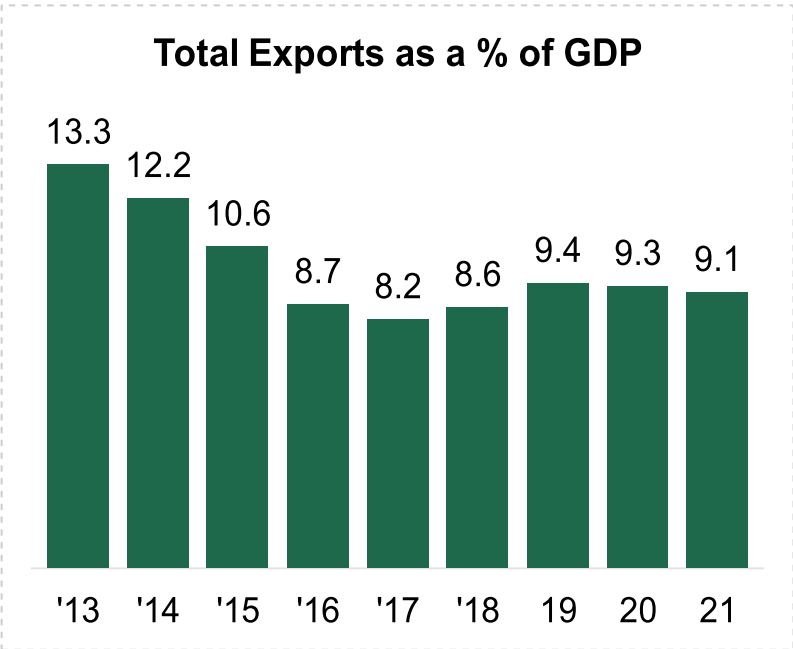
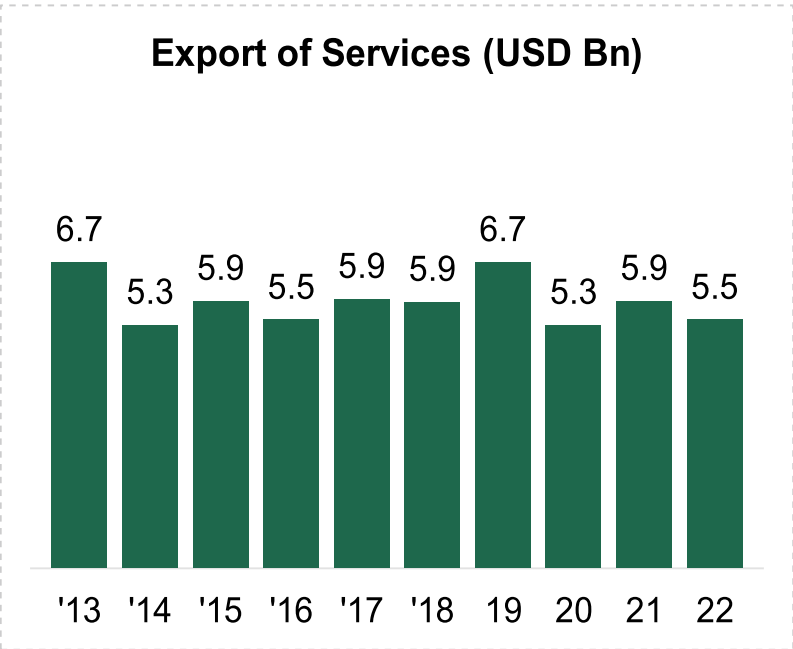
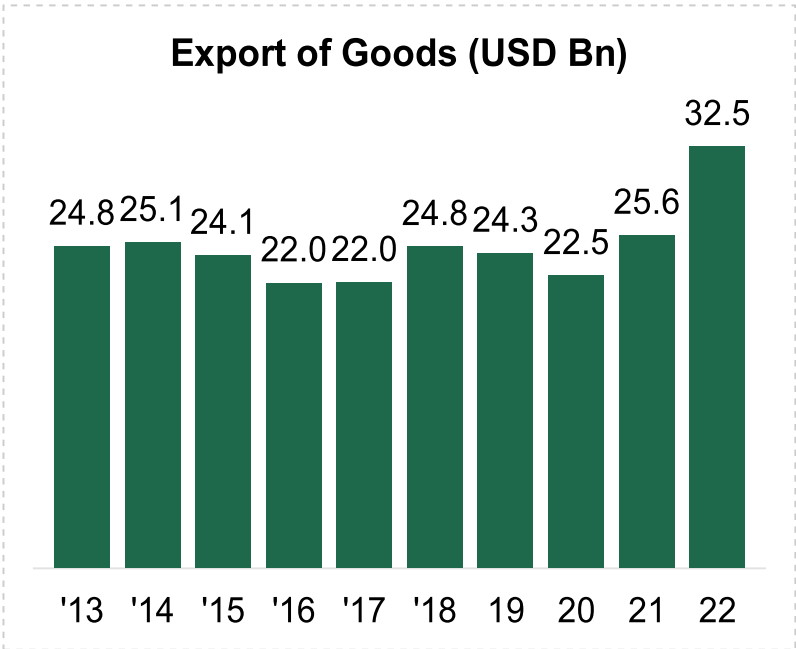
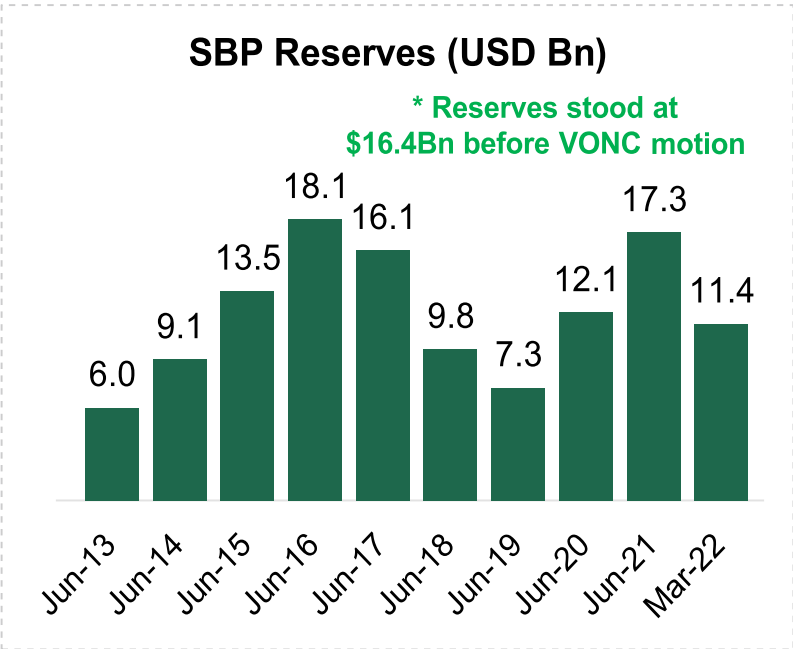
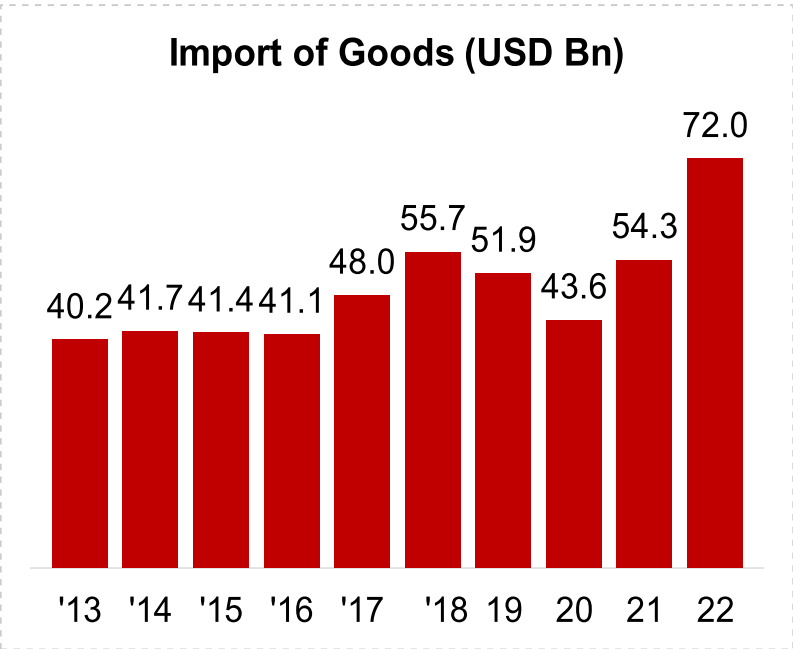
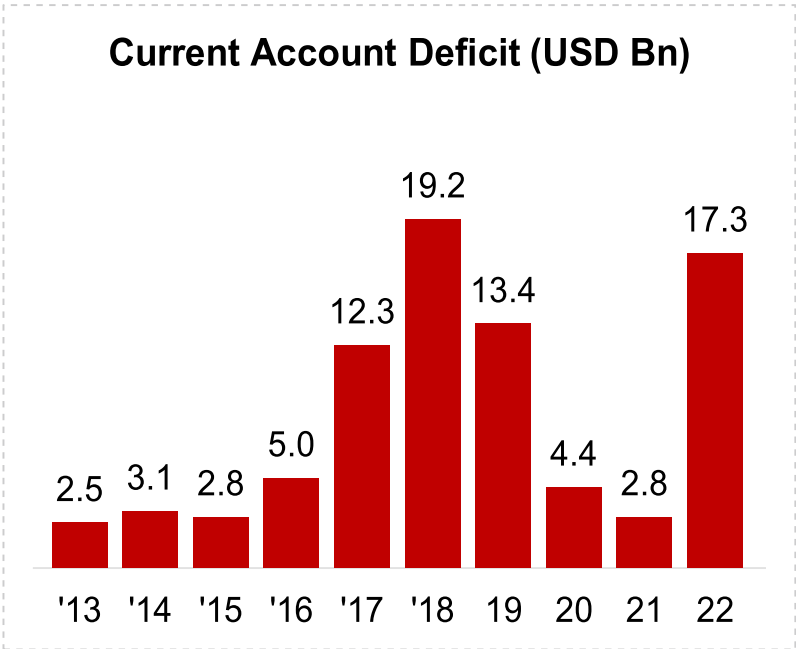
 Highest Tax Collection Rs. 6.15 trillion	 5.5 million new jobs created
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PTI PERFORMANCE

An analysis of critical economic indicators

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Source: State Bank of Pakistan (SBP), WorldBank

PDM ENTERS THROUGH REGIME CHANGE

PDM has devastated the economy in the last 8 months

- PMIK kept advising the COAS, Gen Bajwa, that any political misadventure could push the economy into a tailspin due to political uncertainty. He sent FM Shaukat Tarin to him to explain the same.
- The sane counsel was not heeded to, and regime change was engineered. Results are as follows:

Negative GDP Growth

- In eight months, GDP Growth has tanked and could be negative for the year 22/23.

Record Inflation

- Inflation, CPI is at 25.5% and SPI at 30%+
- Atta, Electricity, Petroleum and Eatables, Onions, Tomatoes, Ghee, Lentils are at 100%-200% of March 22 prices.

Massive unemployment

- 1.5 million textile workers have lost jobs and there are many more in other industries & professions

Risk of Default

- CDS (Credit default swap) has increased from 5% in March to >90% at the present.

Declining inflows of \$s

- Exports and remittances have plummeted, showing a negative variance of \$2bn/month compared to March 22.

Depleting Foreign Reserves

- SBP FX Reserves are down to \$6.1bn vs \$16.4bn before the no-confidence motion

Rupee Depreciation

- FX has three rates
 - Interbank: Rs.225/\$
 - Exchange Cos: Rs.235/\$
 - Informal: Rs.260/\$

Curbing Imports Unofficially

- LCs are not being opened and SBP is holding back payments to airlines, shipping lines and foreign company's profit repatriations.

Credit Ratings Downgraded

- Rating agencies have downgraded Pakistan to C and CCC junk status

Running a Fiscal Deficit

- Federal Govt's fiscal deficit is running amok as there is revenue shortfall on the one hand and higher expenditure due to inefficient handling of the energy sector on the other.

Payments to Provinces

- Payments to KP for FATA and hydel payments to Punjab are being withheld.

Negotiations with IMF

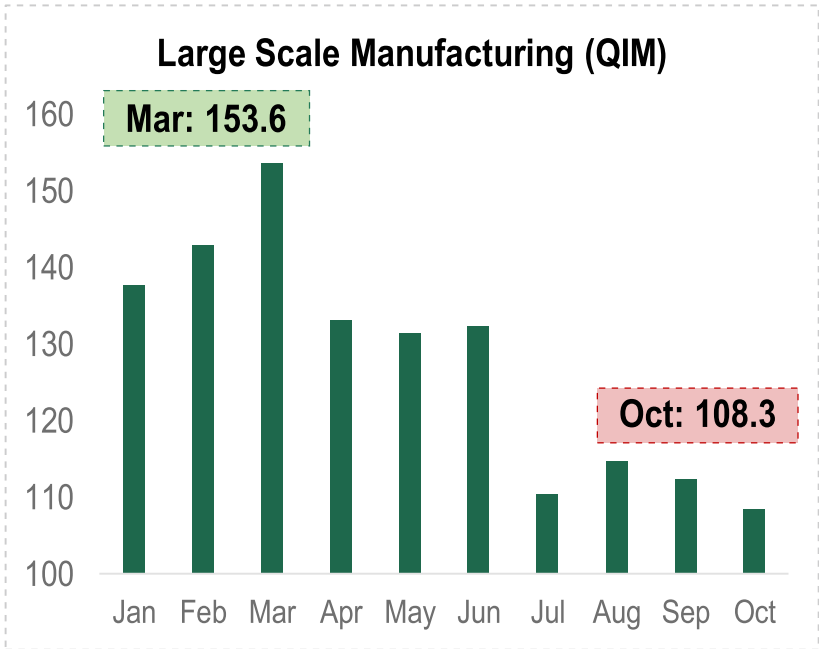
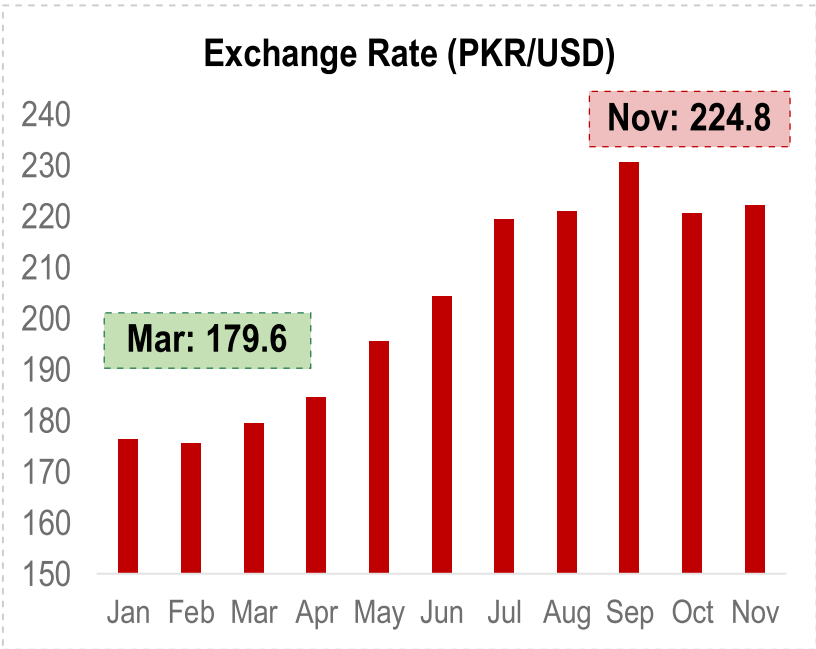
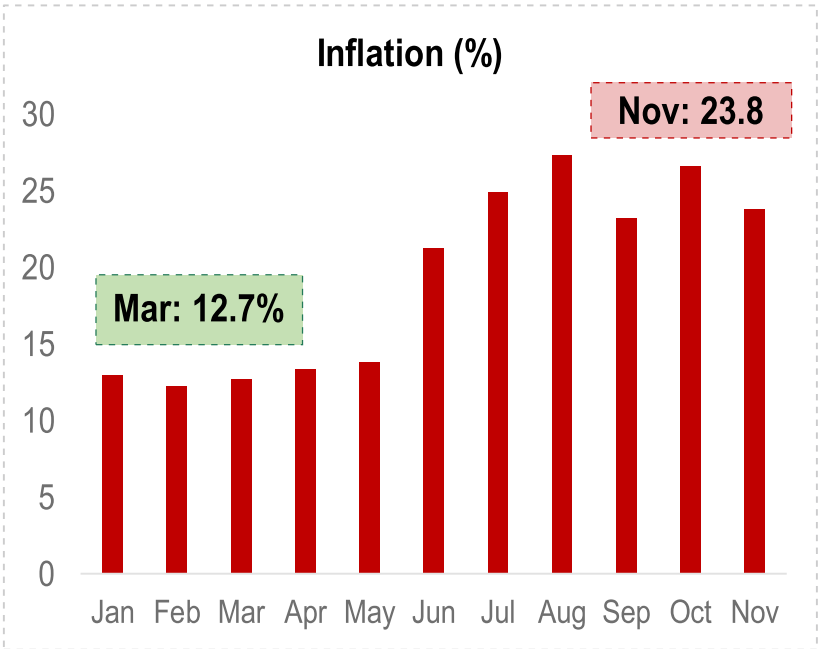
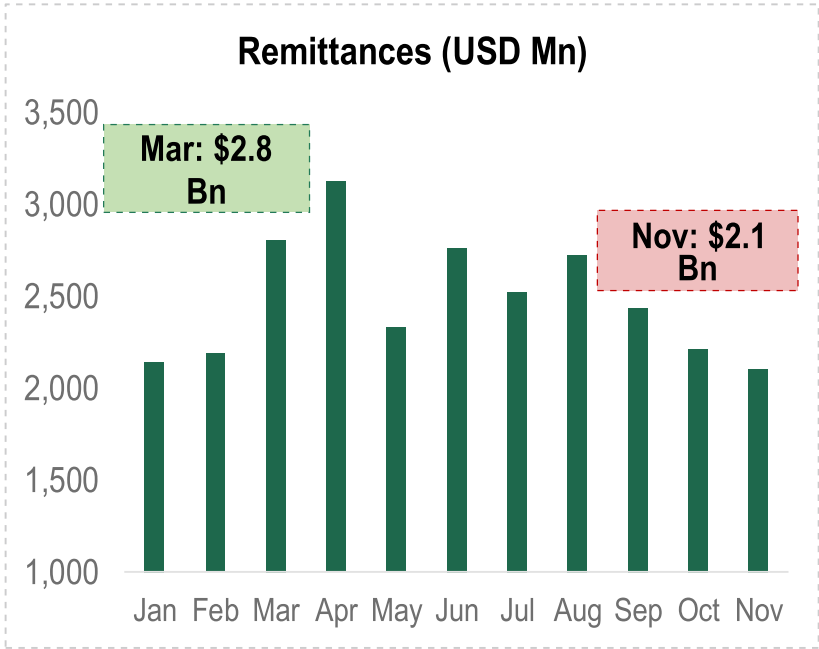
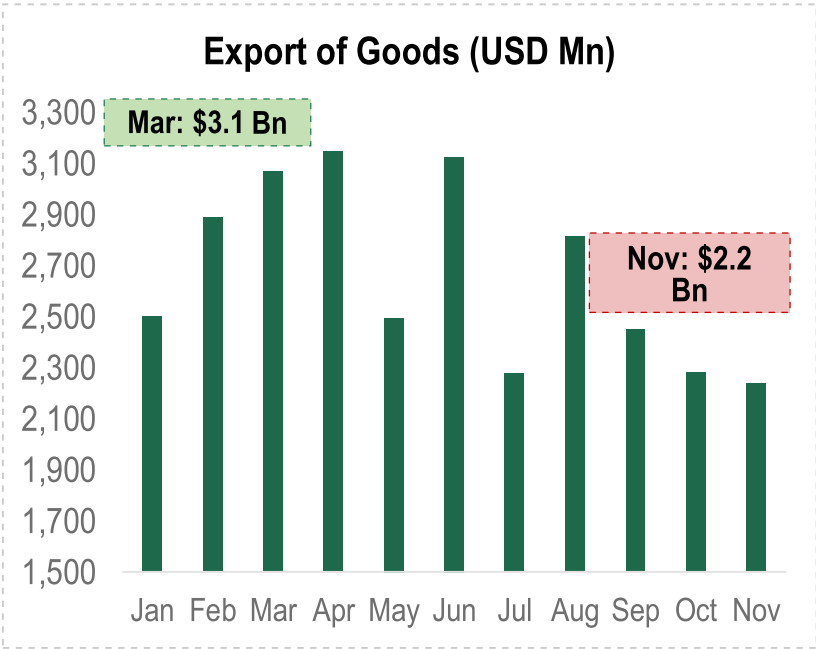
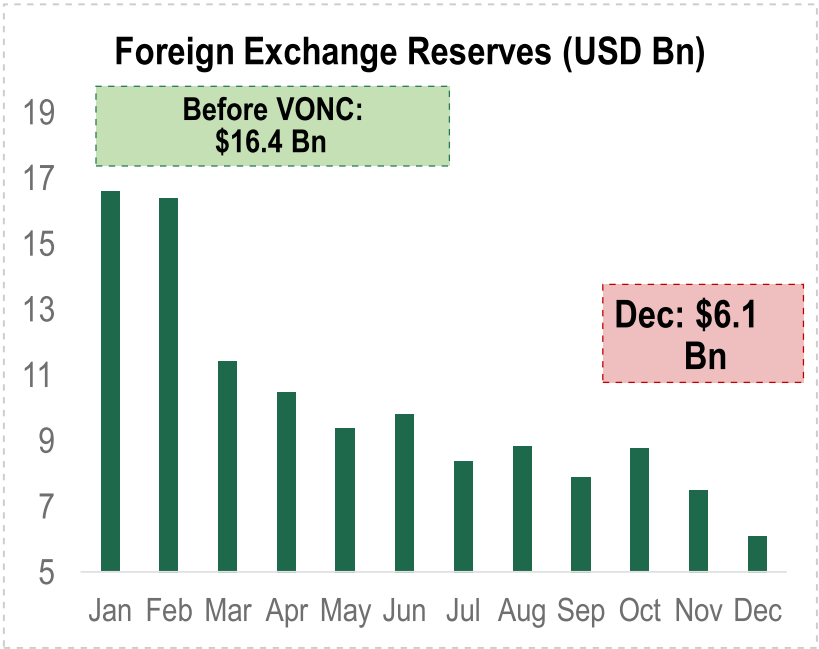
- IMF is unwilling to start the 9th review due revenue shortfall and currency being artificially managed.



PDM's PERFORMANCE

Key economic indicators under PDM and their variance from PTI's period

Higher value is better
Lower value is better



Source: State Bank of Pakistan (SBP)

ECONOMIC OUTLOOK IN DECEMBER 2022

Ministry of Finance's official report

External Sector		2021-22 Jul-Nov	2022-23 Jul-Nov	Change
Remittances (\$ billion)		13.3	12.0	▼ 9.6%
Exports FOB (\$ billion)		12.3	12.1	▼ 2.0%
Imports FOB (\$ billion)		29.7	24.9	▼ 16.2%
Current Account Deficit (\$ billion)		7.2	3.1	▼ 57.2%
FDI (\$ million)		884.9	430.1	▼ 51.4%
Portfolio Investment (\$ million)		-342.5	-32.9	▲
Total Foreign Investment (\$ million)		542.5	397.2	▼ 26.8%
Forex Reserves (\$ Billion)	Total	24.116	11.496	-
	SBP	17.681	5.614	-
	Banks	6.435	5.882	-
		28-Dec-21	28-Dec-22	
Exchange Rate (PKR/US\$)		178.19	226.37	-
		28-Dec-21	28-Dec-22	

Source: SBP

Fiscal Sector (Rs. Billion)	2021-22 Jul-Oct	2022-23 Jul-Oct	Change
FBR Revenue (Jul-Nov)	2319	2688	▲ 15.9%
Non-Tax Revenue (Federal)	452	346	▼ 23.4%
PSDP (Including grants to Provinces)	207	98	▼ 52.9%
Fiscal Deficit	587	1266	▲
Primary Balance	206	136	▼

Source: FBR & Budget Wing

Monetary Sector	2021-22	2022-23	Change
Agriculture Credit (Provisional) Jul-Nov	488.5	663.9	▲ 35.9%
Credit to Private Sector (Flows)	454.3	90.0	▼ 80.2%
	1-Jul to 3-Dec	1-Jul to 2-Dec	
Growth in M2 (percent)	-0.2	1.3	▲
	1-Jul to 3-Dec	1-Jul to 2-Dec	
Policy Rate (percent)	8.75	16.00	▲
	19-Nov-21	25-Nov-22	

Source: SBP

Inflation	2021-22	2022-23	Change
	11.5	23.8	▲
	(Nov)	(Nov)	
CPI (National) %	9.3	25.1	▲
	(Jul-Nov)	(Jul-Nov)	

Real Sector			Change
	5.3	-7.7	▼
	(Oct)	(Oct)	
Large Scale Manufacturing (LSM) %	7.6	-2.9	▼
	(Jul-Oct)	(Jul-Oct)	
PSX Index *	41630	39279	▼ 5.6
	1-Jul-22	28-Dec-22	
Market Capitalization (Rs trillion)	6.96	6.31	▼ 9.3
	1-Jul-22	28-Dec-22	
Market Capitalization (\$ billion)	33.99	27.86	▼ 18.0
	1-Jul-22	28-Dec-22	
Incorporation of Companies (Jul-Nov)	10,397	11,319	▲ 8.9%

* : Formerly Karachi Stock Exchange (KSE)

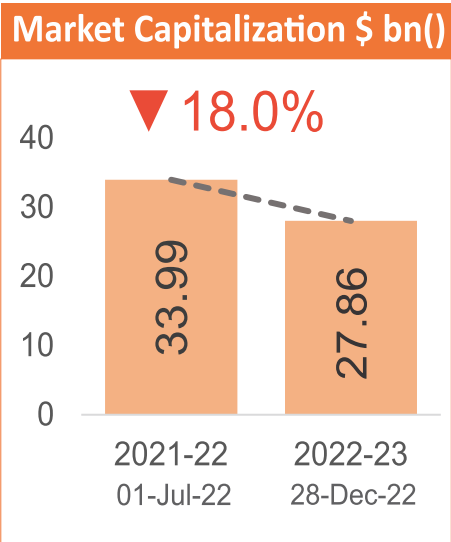
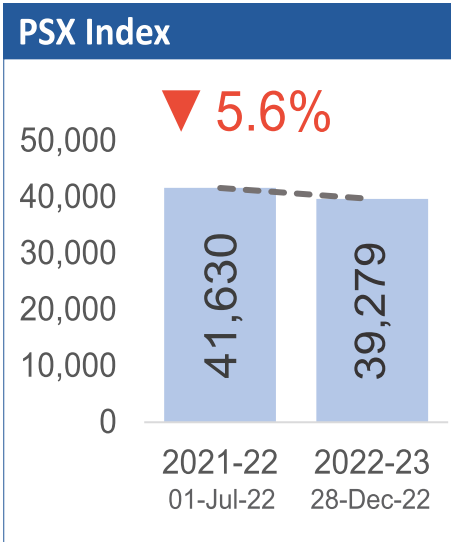
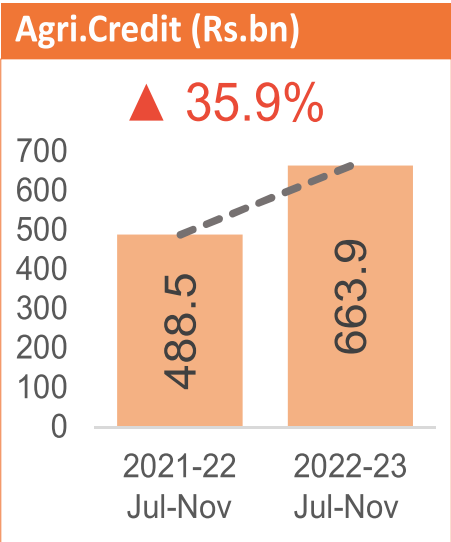
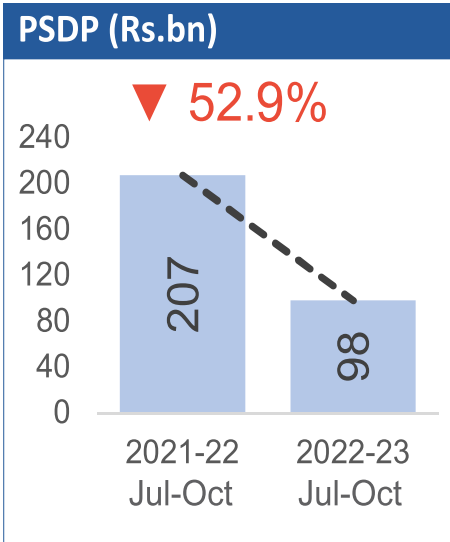
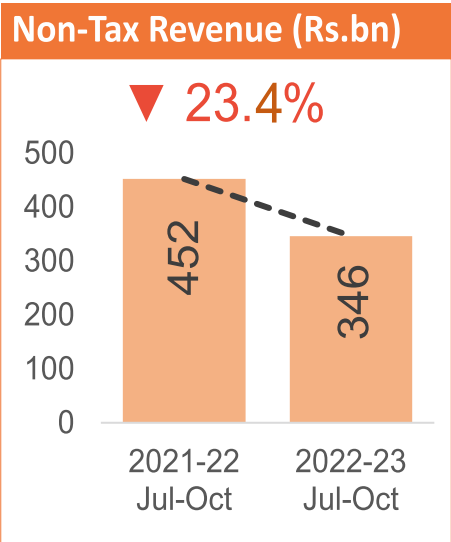
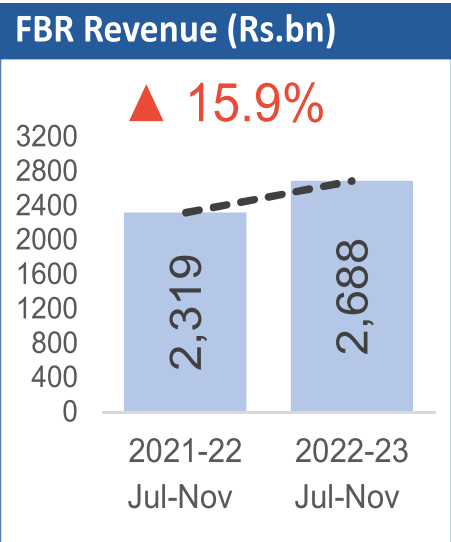
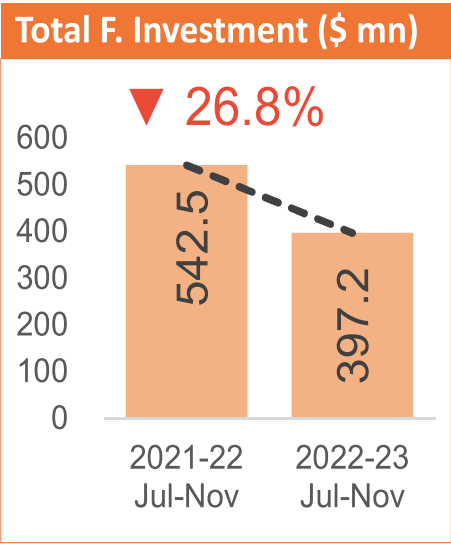
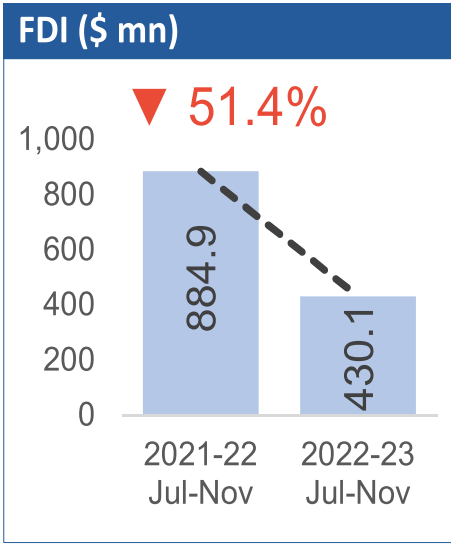
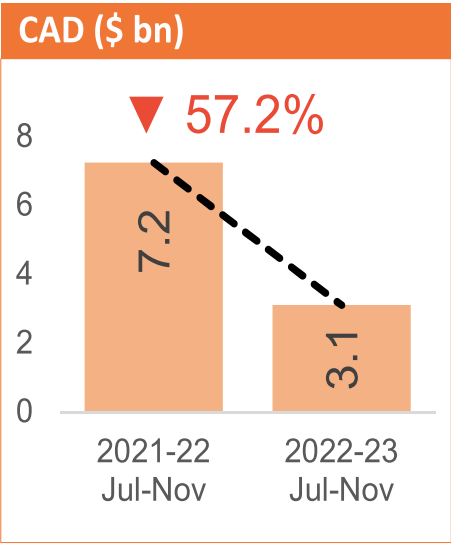
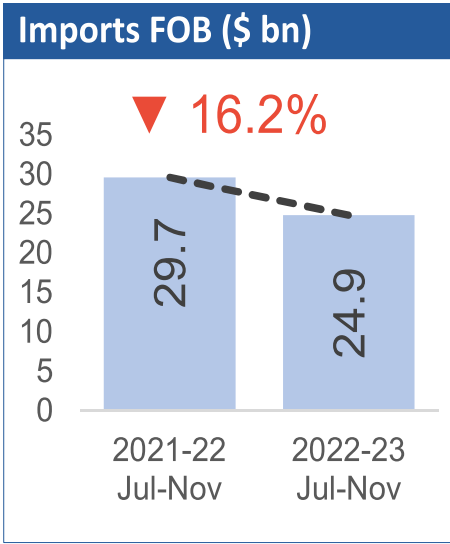
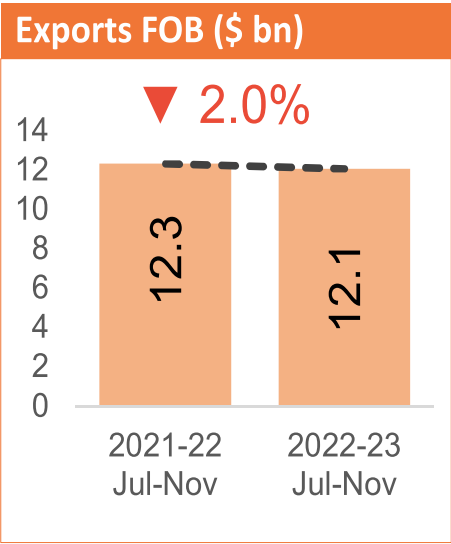
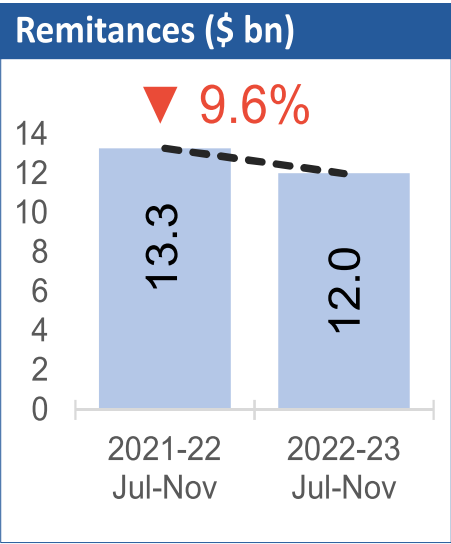
Source: PBS, PSX & SECP



Source: Ministry of Finance (https://www.finance.gov.pk/economic/economic_update_December_2022.pdf)

ECONOMIC OUTLOOK IN DECEMBER 2022

Ministry of Finance’s official report



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PDM ENTERS THROUGH REGIME CHANGE

There can be two scenarios ahead

THERE CAN BE TWO SCENARIOS AHEAD

1

IMF program is restarted with tough new conditions on revenues and exchange rate

2

We don't agree to the IMF conditionalities and push the country towards a default. |

In both the cases inflation, unemployment and poverty will rise dramatically to a level we have not seen in this country before.

The big question is, why was the regime change brought about when advised not to?



THANK YOU!