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KEY TAKEAWAYS
PAKISTAN ECONOMIC SURVEY 2023-24

OVERVIEW

- The overall GDP growth rate of 2.38% missed the target of 3.5%. This shortfall indicates a broader economic slowdown or challenges that affected multiple sectors, potentially impacting the nation's overall economic condition.

- Despite economic challenges, the agriculture sector demonstrated remarkable resilience, surpassing its growth target by a substantial margin. Achieving a growth rate of 6.25% against an anticipated 3.5% indicates the sector's strength and adaptability.

- Industrial and services sectors fell short of their growth targets. This suggests possible vulnerabilities or constraints within these sectors that hindered their performance.

- Inflation surged to 24.5%, significantly exceeding expectations. This high inflation rate is likely attributed to supply-side constraints within the economy.

KEY PERFORMANCE INDICATORS

Key Economic Indicators	Targets FY 2024	Actual Values	Period of Actual Values
Economic Growth and Sectoral Performance			
GDP Growth Rate	3.5%[1]	2.38%	FY2024
Agriculture Sector Growth	3.5%[2]	6.25%	FY2024
Industrial Sector Growth	3.4%[2]	1.21%	FY2024
Services Sector Growth	3.6%[2]	1.21%	FY2024
Inflation and Fiscal Indicators			
Inflation Rate (CPI), Annual	21%[1]	24.50%	Jul-May FY2024
Fiscal Deficit	6.5% of GDP[1]	3.7% of GDP	Jul-Mar FY2024
Total Revenues	Rs. 12,378 billion[1]	Rs. 9,780.4 billion	Jul-Mar FY2024
Total Tax Revenues	Rs. 9,415 billion[1]	Rs.7,262.5 billion	Jul-Mar FY2024
Total Non-Tax Revenues	Rs. 2,963 billion[1]	Rs. 2,517.9 billion	Jul-Mar FY2024
Total Revenue Growth	-	41.00%	Jul-Mar FY2024
Non-Tax Revenue Growth	-	90.70%	Jul-Mar FY2024
Total Tax Collection Growth	-	29.30%	Jul-Mar FY2024
External Sector and Trade			
Current Account Balance	-	US$ 0.2 bn[3]	Jul-Apr FY2024
Foreign Exchange Reserves	-	US$ 14.6 billion	Up to May 2024
Exports	US$ 30 billion[1]	US$ 25.7 billion	Jul-Apr FY2024
Imports	-	US$ 43.4 billion	Jul-Apr FY2024
Trade Balance	-	US$ 17.7 billion	Jul-Apr FY2024
Remittances	US$ 33 billion[1]	US$ 23.8 billion	Jul-Apr FY2024
FDI	-	US$ 1.5 billion	Jul-Apr FY2024
Investment and Income			
Investment to GDP Ratio	-	13.14%	FY2024
Per Capita Income	-	US$ 1,680	FY2024

Source: Pakistan Economic Survey, 2023-24, [1]Budget in Brief & Speech 2023-24, [2] Ministry of Planning, [3]Surplus in Mar & Apr, [4]Declined to 13.14%

POSITIVE DEVELOPMENTS

- **Robust Growth in Agriculture Sector**: The agriculture sector saw substantial growth, with a 6.25% increase in FY2024, marking a significant improvement from the moderate growth observed in FY2023.

- **Record Output in Major Crops**: There were notable increases in the production of major crops. Wheat production grew by 11.6%, reaching 31.4 million tonnes, while cotton production surged by 108.2%, reaching 10.2 million bales.

- **Trade Deficit Decline**: The trade deficit for goods was reduced by 21.6% to US$17.7 billion from July to April FY2024, compared to US$22.6 billion in the previous year, largely due to a significant decline in imports.

- **Revenue Growth**: Total revenue increased by 41.0% to Rs 9,780.4 billion from Rs 6,938.2 billion in the corresponding period last year. Tax revenue grew by 29.3% to Rs 7,262.5 billion. Non-tax revenue saw a sharp rise of 90.7%, driven by higher receipts from SBP profit, petroleum levy, markup on PSEs and others, and royalties from oil and gas.

- **Reduction in Current Account Deficit**: The current account balance improved, recording surpluses in March and April 2024, reflecting effective fiscal and external sector management.

- **Debt Management**: Approximately 88% of the financing of the fiscal deficit was carried out through domestic markets, with the remaining 12% sourced from external avenues, reducing reliance on external sources.

- **Renewable Energy Initiatives**: Significant strides were made in renewable energy, with investments in wind and solar power. The Private Power Infrastructure Board is facilitating twenty-four power generation projects (including 22 renewable projects) with an installed capacity of 7,460 MW, to be completed by 2032.

- **Fast Track Solar Initiatives:** The government approved Framework Guidelines for Fast Track Solar Initiatives 2022 to promote and develop cost-effective, climate-friendly, and local renewable energy sources.

- **Austerity Measures**: The government implemented various austerity measures, including a complete ban on purchasing all durable goods/new vehicles, serving single-dish meals at government events, and a 15% annualized budget cut.

- **Health Sector Investment**: The health sector received an allocation of Rs. 25.3 billion in the PSDP for FY2024, with 68% already disbursed by May 2024.

- **National Health Initiatives**: The National Multisector Nutrition Program was implemented to reduce malnutrition and stunting, with an allocation of Rs. 8.5 billion.

NEGATIVE DEVELOPMENTS

- **Decline in Large-Scale Manufacturing and Textile Sector**: Although the overall industrial sector grew by 1.21%, large-scale manufacturing (LSM) slightly declined by 0.1% during July-March FY2024, compared to a 7.0% decline last year. Additionally, the textile sector contracted by -8.3%.

- **Increase in Trade Deficit of Services**: The services account deficit widened to US$1.9 billion in July-April FY2024 from US$0.5 billion last year, due to a sharp increase in services imports.

- **Persistent High Fiscal Deficit**: Despite improvements, the fiscal deficit remained at 3.7% of GDP, unchanged from the previous year, indicating ongoing fiscal pressures.

- **Rising Expenditures**: Total expenditures grew by 36.6% compared to the previous year, driven by a 54% increase in markup payments, indicating higher costs of debt servicing.

- **Dependency on External Aid**: The economy continued to rely on external sources for budget support, including a Stand-by Arrangement with the IMF and bilateral support from countries like the UAE, highlighting vulnerability in fiscal sustainability.

- **Decline in Investment to GDP Ratio**: The investment-to-GDP ratio fell to 13.1%, the lowest since fiscal year 1973-74, and remained below the regional peers, down from 14.1% last year.

- **High Dependency on Thermal Energy**: Despite diversification efforts, a large portion of Pakistan's energy mix still relies on thermal sources (59.4% as of March 2024), primarily based on imported fuels. The share of electricity from hydel, wind, and solar sources is projected to increase significantly by 2030.

- **Operational Challenges in Energy Sector**: The energy sector faced several operational challenges, including inefficiencies and high transmission and distribution losses, which affect the overall energy supply chain and increase costs.

- **Volatile International Oil Prices**: Fluctuations in international oil prices significantly impacted energy costs, contributing to economic instability and affecting the trade balance due to higher import bills for petroleum products.

- **Decrease in Savings-to-GDP Ratio**: The savings-to-GDP ratio slightly decreased from 13.1% to 13%, falling short of the official target.

- **Decline in Some Crop Productions**: Despite the overall robust growth, some crops like sugarcane and maize saw a decrease in production, with sugarcane production declining by 0.4% and maize production decreasing by 10.4%.