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Six-Month Review of the Economy 2015-16

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About IPR

This document will review Pakistan's economic performance against the targets set for it at the beginning of the year.

1. Macro-economic Targets

In his Budget speech to the National Assembly in June 2015, the Finance Minister shared the government's following targets for fiscal 2015-16:

- Gross Domestic Product of the Pakistan economy for 2015-16 will grow by 5.5%[1]. This is the target set in GOP's Annual Plan approved by the National Economic Council. Compared to the estimated growth rate of 4.24%[2] achieved for preceding year (against a target of 5.1%) this shows government's intent to build gradually a growth momentum for the economy.

- Clearly, fiscal consolidation is still an objective for the government. In its budget for 2015-16, government has set a fiscal deficit target of 4.3%[3]. The IMF Staff Report for the Ninth Review has also projected the same rate[4]. GoP has based this fiscal deficit target on their plans to control current expenditure and improve tax collection[5].

- The budget estimates reduction in PSEs subsidy to limit current expenditure. Provincial surplus of Rs. 297 Billion[6] would also contribute. Federal government has targeted total revenue of Rs. 4,313 Billion, an increase of 9% over revised estimate for 2014-15[7]. Federal tax target for fiscal 2015-16 is Rs. 3,418

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[1] Ministry of Finance, Budget Speech of the Finance Minister, Page 11, Para 14, June 2015

[2] Planning Commission, Annual Plan Page 9, SBP Annual Report 2014-15, Chapter 2, Page 13, IMF Ninth Review

[3] **MOF,** Budget in Brief, Page 47

[4] Ninth Review, IMF Staff Report, December 2015, Table 3, Page 32

[5] MOF, Budget in Brief, Table 15, Page 22 and Table 9, Page 11 and Page 7 of Budget Speech

[6] MOF, Budget in Brief 2015-16, Page 8, Table 6

[7] Ibid Page 9, Tables 8

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Billion. Of this, FBR revenue is estimated at Rs. 3,104 Billion, an increase of 19%.

- Growth revival is to be built on improved macro-economic indicators, which in addition to a controlled fiscal deficit, aims to reduce risks and vulnerabilities. Forex Reserves have been targeted at 19 Billion US Dollars[8]. The target for the current account deficit is 1 % of GDP[9]. The Annual Plan estimates increase in exports and imports by 5.5% and 6% respectively over revised estimates for preceding year. It estimates FDI to grow to USD. 3.3 Billion from revised 2014-15 estimate of USD 991 Million. The target for home remittances is USD 18.9 Billion up from USD 17.9 Billion 2014-15 revised estimate.

- As another fundamental of macro-economic stability, the government has set a target of 6% for inflation in fiscal 2015-16[10]. This is to be achieved through prudent fiscal and monetary policies. The budget also expects government borrowing to be moderate. It plans to bring down public debt gradually from 62.9% of GDP at end June 2015 to 60% of GDP by June 2018[11]. Government may have underestimated, as IMF's corresponding estimates are much higher at 64.7% and 61.2% of GDP respectively[12].

2. Economic Performance

GDP growth rate: This document looks at some key determinants of economic growth to estimate if the economy is on track to achieve the targeted growth rate of 5.5%. These include growth in manufacturing, especially large-scale manufacturing. It covers also growth in agriculture and services. This section will review also public and private investment and trade trends:

- Large-scale manufacturing: Industry contributes 20% to the GDP. Within this, LSM, construction, and power and gas supply have a share of 15% of GDP. The Pakistan Bureau of Statisticsestimates year on year growth of 3.9% in LSM for the six-month period July-December 2015[13]. GoP's annual target for LSM growth

[8]Budget Speech Page 5
[9]PC Annual Plan Macroeconomic Framework, Page 95
[10]GOP, Planning Commission, Annual Plan 2015-16, Page 10, http://www.pc.gov.pk/wp-content/uploads/2015/06/Ch1-Macroeconomic-framework.pdf
[11]Budget Speech text, Page 8
[12]IMF Selected Country Report http://www.imf.org/external/pubs/ft/weo/2015/02/weodata/weoselco.aspx?g=2440&sg=All+countries+%2f+Emerging+market+and+developing+economies+%2f+Middle+East%2c+North+Africa%2c+Afghanistan%2c+and+Pakistan
[13]Pakistan Bureau of Statistics, Quantity Index of Manufacturing, December 2015 and December 2014

in 2015-16 is 6%. Though LSM has improved from last year, its revival has yet to gather full steam. Industries with the most weight in the Index have had modest or negative growth. Two of the largest, textile and food grew by 1% and 0.1% respectively. A number of industries were buoyant. These include automobile, fertilizer, chemicals, rubber products, pharmaceuticals, and petroleum products. The period saw major declines in engineering goods, paper and board, and wood products (Table 1). Sugar production fell by over 14% during July-December 2015 as sugar cane production fell in 2015[14]. Fiscal year 2014-15 had also seen a 7.75% decline over the previous year. The decline in wood products and paper and board would likely endure because of plant closures. Despite plans to improve power shortfall, industry continues to suffer from load shedding. Partly, industrial revival remains contingent on improvement in power supply. Overall, exports declined by 14.5% during the first six months of the current fiscal year. Exports of textiles fell by 9%, which reflects in the performance of the textile industry. Exports of engineering goods fell by 23.5%. Petroleum products exports fell by 77.5% and chemicals fell by 20%[15].

- A number of factors hold promise for industrial revival[16]. Fall in world prices for key commodities has enhanced demand. Increase in consumer financing has helped the auto industry. Improved gas supply has increased fertilizer output. Public sector CPEC projects and large housing projects have given boost to construction. That in turn has raised demand for cement, steel, glass, and other industries. A large new caustic soda plant has increased chemical production. This plant will have added capacity in 2017. PSM's shut down reflects in decline in the steel industry, though gradually growth in private production will replace the decline. Private production of billets, and HR sheets and strips has increased rapidly[17].
- Agriculture growth: The six-month period saw a mixed trend in agriculture production. Production of a number of crops declined. Most notable of these was decline in cotton by 32%, rice by 1.5%, oilseeds, rapeseed, and sunflower by 31%, 27%, and 5% respectively[18]. Sugarcane production may recover somewhat from 2015. However, it would likely fall short of the target of 68 MTs set by the Annual Plan[19]. The aggregate of cotton, rice, and sugarcane has a share of 52% in total agriculture production. Notable slippages here affect agriculture growth rate aswell as overallGDP growth. A combination of low prices and unexpected weather affected production of cotton and rice and may have let farmers shift to alternate crops. Late crushing because of high domestic prices (despite recent gains in world prices) has led to disputes between growers, and manufacturers and government. On the other hand,

[14]US Department of Agriculture, http://www.indexmundi.com/agriculture/?country=pk&commodity=centrifugal-sugar&graph=cane-sugar-production
[15]Comparative Export of Selected commodities during July-December 2014.15 & 2015.16, Ministry of Commerce, GOP
[16]Discussion in this Para is drawn from SBP's State of Pakistan Economy report for first quarter 2015-16, Chapter 2, pages 17 to 21
[17]SBP, State of Pakistan Economy, first quarter 2015-16, Chapter 2, page 21, Table 2.9
[18] World Agriculture Production, US Department of Agriculture, February 2016, http://apps.fas.usda.gov/psdonline/circulars/production.pdf
[19]SBP, State of Pakistan's Economy, first quarter 2015-16, Chapter 2, Page 12, Table 2.2

Table 1
Change in Quantum Index of Manufacturing
July December 2015-16 over 2014-15

Manufacturing Items	Weight	% Change	YoY Growth Impact
		Jul-Dec 2015-16	Cumulative
Textile	20.915	1.02	0.31
Food, Beverages & Tobacco	12.370	0.10	-0.02
Coke & Petroleum Products	5.514	6.81	0.45
Pharmaceuticals	3.620	6.84	0.57
Chemicals	1.717	11.64	0.29
Non Metallic Mineral Products	5.364	6.71	0.71
Automobiles	4.613	32.25	1.73
Fertilizer	4.441	15.00	0.89
Leather Products	0.859	16.65	0.02
Rubber Products	0.262	2.60	0.05
Iron & Steel Products	5.392	-8.62	-0.33
Electronics	1.963	-7.46	-0.13
Paper & Board	2.314	-14.03	-0.58
Engineering Products	0.400	- 18.59	-0.05
Wood Products	0.588	- 40.12	- 0.06

Source: Adapted from PBS QIM for December 2015

production and import of fertilizer increased during the period. Fertilizer production increased by 15% during July-December 2015 and imports grew by 18% over the same period last fiscal year[20]. Incentives and support under the agriculture package may have helped grow demand. Their consumption is likely to result in near term growth increase. For the six-month period July December 2015, agriculture likely had a negative impact on GDP. Volatility is endemic to the sector. Production remains contingent on international prices, weather conditions, and virus affecting production. Without investment in water infrastructure, improvement in water use and service delivery, and appropriate research and

[20]Ministry of Commerce, GOP, Comparative Imports of Selected Commodities, Attachment II, http://www.commerce.gov.pk/wp-content/uploads/2016/01/Comparative_Imports_of_Selected_Commodities_Dec_2015.pdf

policy interventions, growth of farm produce remains uncertain. It is early to gauge the effect of government's agriculture package. It may help revive growth to some extent.

- The power sector: Power supply was again a constraint on economic activity. For the period July November 2015, total power supply was 45,785 GWh[21]. This was a mere 3.9% higher than the power supply for the same period in 2014 (refer IPR Six Monthly Macroeconomic review 2014-15). Updated numbers for DISCO billing and recoveries are not available for fiscal 2015-16. Informal discussion with officials suggests no improvement in overall DISCO governance.

- Services sector: services have a 59% share in GDP. Reflecting the rest of the economy, growth in services was mixed during July December 2015-16. The wholesale and retail sector slowed because of loss in agriculture production. Transport, storage, and communications grew. Though storage may have suffered from lower agriculture production, higher POL and vehicle sales indicate growth in transportation. Despite potential, telecom and broadband has grown marginally. Profitability of the financial sector improved.

Some of the factors given by the Finance Minister for missing the 2014-15 growth target of 5.1% still exist. These include lack of power and gas supply to productive units, low commodity prices, and crowding out of private sector, as Banks prefer to lend to government. Their continuation and the economy's present performance are perhaps behind IMF's cautious GDP growth estimate of 4.5% for fiscal 2015-16[22]. Its estimate for fiscal 2016-17 is the same. For fiscal 2017-18, its growth estimate is 5.2% (against GOP's estimate of 7%).

In addition, a number of headwinds stall growth. These have encumbered Pakistan's economy for some years. Despite strong resolve shown by the state, security in Pakistan remains a challenge. It would likely be so for the near future. Social tensions, regional instability, and displaced persons continue to thwart economic activity.

IPR subscribes to IMF's cautious estimate for GDP growth over GOP's upbeat forecasts. The economy's six-month performance suggests that the target GDP growth rate will be hard to achieve. It is built on manufacturing growthof 6% and agriculture growth of 3.9%. Manufacturing, so far, has grown by 3.9%. There is little GOP data on agriculture growth, however, all indications are that so far it is nowhere close to the target growth rate.

Looking at the medium-term, it is important to remember that sustained growth needs strong macro fundamentals, economic reforms, enhancement in productivity through investment in human resource, and improved infrastructure. These factors crowd in private investment. Most social indicators show Pakistan well behind other emerging economies. Public investment in infrastructure must be based on judicious selection of projects with high economic returns. This is, at best, work in progress. Despite government's good work on fiscal consolidation, IPR fears that macro fundamentals would remain vulnerable as continued borrowing for investment may likely increase

[21]Central Power Purchasing Agency Guarantee Limited, Settlement and Billing month wise statements
[22]IMF Selected Country Report

indebtedness. Gross national savings have improved from 13.9% of GDP in fiscal 2012-13 to 14.3% (estimated) fiscal 2014-15[23]. In principle, external debt, other than IMF support, must fund projects while current expenditure must be met from domestic resources. Presently, part of the external debt also finances current expenditure. This adds to the economy's vulnerability. It will likely continue in the future. IMF estimates gross savings to reach 17% of GDP by June 2020. This is 3% of GDP short of government's planned total investment of 20% of GDP in 2020. At current GDP value, this means additional USD 7 Billion or more of external debt per year.

3. Investment

The Annual Plan sets a total investment target of 17.7% of GDP for fiscal year 2015-16. This is a significant 17% increase from the estimated 15.1% of GDP in 2014-15. The Annual Plan estimates that this increase will come from private investment as well as from public CPEC and other projects. It is important to review the indicators for this increase:

- **Import of Machinery**

Pakistan imported machinery worth USD 4,016 Million during July December 2015, an increase of 10% over the previous year. Machinery import increased in a range of sectors including power generation, textiles, construction and mining, and electrical machinery:

Table 2
Machinery Imports
July December

			USD Million
	2014-15	**2015-16**	**Growth %**
Power Generation Machinery	658.1	791.1	20.2
Office Machinery	243.6	149.6	-38.6
Textile Machinery	211.8	231.9	9.5
Construction & Mining	132.5	163.0	23.0
Electrical Machinery	594.3	893.4	50.3
Telecom	751.1	695.3	-7.4
Agriculture Machinery	54.9	43.5	-20.8
Other Machinery	997.7	1048.6	5.1
	3,644	4,016.4	10.2

Source: Trade Statistics Ministry of Commerce based on PBS data

Power generation machinery of about USD 800 Million suggests a half-year increase in generation capacity by 750 to 800 MW. This is about 7% of the additional 10,700 MW capacity increase planned until 2018. Admittedly, investment is slow in the initial year. However, Pakistan must add

[23] IMF Selected Country Report

about 4,000 MW annually for the next two fiscal years to achieve the target increase in generation capacity. Increase in import of textile machinery is a positive sign. Electrical machinery import increased by over 9% in fiscal 2014-15. It has increased, year on year, by another 50% during the subsequent six-months. Construction machinery has increased by 23% during July December 2015. Overall, machinery imports suggest investment impetus, though at a moderate level.

- **PSDP Releases**

Releases up to 19 February 2016, about eight months into the fiscal year, are 46%. Release in Rupee is about 48%. Releases show a healthy trend in comparison to past years though the expectation is to see 60% released in eight months. Sectoral releases are in Table 3:

Table 3
PSDP Releases 2015-16

Rs. Billion

	Budget Full Year		Releases 2015-16 Up to 19 2 2016	% Released
	2014-15	2015-16		
HEC	25.0	20.5	8.1	40.0
Health	27.8	20.7	12.4	60.0
PAEC	59.3	30.4	18.5	61.0
Railways	39.6	41.0	12.9	31.4
Water Sector	46.1	30.1	12.9	42.8
NHA	109.4	159.6	34.6	21.6
Power	49.3	113.9	74.1	65.0
Total	**542.0**	**700.0**	**324.1**	**46.2**

Source: Planning Commission, Status of Releases as on 19. 2. 2016

It is unusual to see slow release for roads and highways, which is a stated priority for the government. Roads also are a major part of CPEC's public investment and with top-level supervision; it is disingenuous to see the slow progress in this sector.

Releases do not necessarily mean that money has been spent. Economic growth and progress of project depend on actual expenditure. The Table gives release figures until 19 February 2016. Releases until 31 December 2015 totaled Rs. 270.3. Against this amount, expenditure booked withthe Finance Ministry was Rs. 155.8 Billion[24]. Although, this is a major improvement over the same period in the previous year (about 118%), there is an inherent lag in amount released and spent.

Public investment is important to increase economic productivity and crowd in private investment. While it is encouraging to see a 29% increase in total federal PSDP budget this year (from Rs. 542 Billion in 2014-15 to Rs. 700 Billion in 2015-16, Table 3), IPR is concerned at some of government's priorities. Higher education and national health services have reduced budgets of 22%

[24]MOF, Summary of Consolidated Federal and Provincial Budgetary Operations, 2015-16 (July December 2015), Table 3

and 34% respectively. The water sector sees a 53% decline. These three sectors are important determinants of growth. The first two help productivity. More importantly, they could defuse the time bomb posed by the youth bulge. Water scarcity could pose, in the coming years, a greater challenge to the country than power does at present. It has begun to affect seriously our agriculture. It could likely lead to friction among provinces. Highways receive a disproportionate increase of 46%. The economic return on grand highways projects is yet to be proven in Pakistan. Besides, the sector has clearly received more budget than it has the capacity to implement as seen from the 21.6% release against it. IPR welcomes the 131% increase in allocation for the power sector. It is concerned though that exclusive focus of this increase on two LNG power projects direct resources to projects whose medium term economic viability is unproven. Many questions remain unanswered about LNG power projects.

For it to be an engine of growth, public investment needs well considered project selection as well as quality governance. They increase output and jobs and help efficiency all around. However, public projects at inflated costs, cost and time overruns, and too many prestige projects reduce the impact of public investment. Increase spending levels will have immediate gains for short-term economic growth.

Government's macro-economic framework sets a target of 17.7% as the investment to GDP ratio. Of this, public investment is 4.2% and private is 12.9%. The balance 0.6% of GDP is changes in stock. The estimate for 2014-15 is 15.1%[25]. Government is unlikely to achieve this level of growth in investment. GoP's budgeted public sector development programme (not the same as public investment[26]) is Rs. 1,514 Billion. Against this amount, IMF projects a PSDP of Rs. 1,111 Billion (Table 7). This difference of Rs. 400 Billion would also affect public investment by as much as 1% of GDP. The target of 17.7% depends on private investment of over 12%. Last year, private investment was 9.7% of GDP. There are indications of increase in private investment because of higher machinery import and private credit[27]. However, it is unlikely that private investment will increase by the targeted about 3% of GDP. Investment to GDP ratio is likely to be about 16.5% against the target of 17.7%.

- **Bank Credit**

A look at net assets of the banking system shows a healthy correction, though by the slightest of margins. In fiscal 2014-15, net government borrowing increased greatly to Rs. 933 Billion from Rs 327 Billion the previous year. However, growth in borrowing has declined marginally by about 1% in fiscal 2015-16 (YoY until 19 February 2016). Between 1 July 2015 and 19 February 2016, government borrowed Rs. 394 Billion against Rs. 400 Billion during the same period previous year. This is a small contraction, after the major increase in 2014-15. During the same period, credit to private sector has increased from Rs. 140 Billion to Rs. 324 Billion. Private credit is used for both

[25]Planning Commission Annual Plan Macroeconomic Framework, Chapter 1, Page 10
[26]Public investment estimates are derived by PBS from MOF and PC data about actual development/investment component in current and development expenditures. PBS estimate for 2015-16 is Rs. 1,212 Billion (against Rs. 1,514 Billion). This amount is 4.2% of estimated GDP
[27]SBP State of Pakistan Economy First Quarter 2015-16, Page 5

fixed assets and working capital needs. Either way, this shows increase in economic activity[28]. According to SBP, "long-term loans (fixed investment loans) recorded a net increase of Rs 27.0 billion during the quarter, against a net contraction of Rs 27.4 billion in Q1-FY15," for first quarter of 2015-16[29].

OMO injections by the State Bank of Pakistan continue to be very high, as banks have borrowed far more than growth in their deposits[30]. Increase in private credit also suggests investment impetus.

4. Inflation

GOP's Annual Plan for 2015-16 targets a 6% inflation rate[31]. Based on government's prudent fiscal consolidation measures and fall in international commodity prices, inflation has been well under control. All inflation measures show a decline. For the period July 2015 to February 2016, year on year CPI fell from 5.45 to 2.48. For the same period, Sensitive Price Index fell from 2.77 to 1.02, and WPI (worryingly) fell from 0.87 to minus 1.07. In February 2016, core inflation that includes items other than food and energy was 4.5% compared to February 2015 (when it had grown by 6.2%). Despite a year on year fall, core inflation (nonfood non-energy) is higher than CPI, SPI, and WPI[32]. This may suggest that overall demand in the economy still exists. Core inflation (NFNE) was 7.8% in February 2014[33].

Within CPI, food inflation too has declined. In January 2016, year on year food inflation was 2.5%. This was 3% in January 2015. Prices of many vegetables declined as also those of eggs, cooking oil, and rice. Prices of pulses, tea, cigarettes, and sugar increased[34]. Specific food items saw high price increases. These include pulses, sugar, tea, and cigarettes. Other food items saw steep decline in price. These include chicken, cooking oil and ghee, and rice (see Table 6). Though still low, almost all indices show growth in inflation since October 2015.

[28]State Bank of Pakistan, Provisional Data on Monetary Aggregates as on 19 February 2016, http://sbp.org.pk/ecodata/BroadMoney_M2.pdf
[29]SBP, State of Pakistan Economy, Q1 2015-16, page 5
[30]SBP Open Market Operations, Reverse Repo (Injection), http://sbp.org.pk/ecodata/OMO-Inject-Hist.pdf
[31]Planning Commission, Annual Plan 2015-16, Page 9 (Annexure II)
[32]Pakistan Bureau of Statistics, Monthly Review of Price Indices, February 2016, Table 1 and Table 1.1
[33]Pakistan Bureau of Statistics, Monthly Review of Price Indices, February 2015, Table 1
[34]Pakistan Bureau of Statistics, Monthly Review of Price Indices, Notes to Table 2

Table 4 July 2015-February 2016 Inflation and YoY Changes Percentage						
	Averages Changes %			YoY Changes for February %		
	2015-16	2014-15	2013-14	2015-16	2014-15	2013-14
CPI	2.48	5.45	8.65	4.02	3.24	7.93
SPI	1.02	2.77	9.94	3.61	0.22	7.52
WPI	-1.70	0.87	8.53	0.58	-3.36	7.59
Source: Reproduced Table from PBS Monthly Review of Price Indices February 2016						

As fall in inflation is worldwide, it helps to place in context price changes in Pakistan. Table 5 compares Pakistan's general CPI with selected countries and regions:

Table 5 Inflation Country Comparison		
Country or Region	CPI July December 2014	CPI July December 2015
Pakistan	*5.77	*2.26
China PRC	1.75	1.62
India	5.87	5.54
Euro Area	0.26	0.13
G 20	2.64	2.32
***Pakistan CPI July 15 to Jan 16, all others July Dec 2015** **Source:** Pakistan PBS, all others IMF database Market Sector by Indictors		

Table 5 provides some interesting insights. The CPI for second half 2015 is universally lower than for 2014. Pakistan's CPI has taken a more precipitous fall than of other countries. Inflation in India is higher than of other countries. This is perhaps because it has pursued an aggressive growth policy. Regardless, fall in commodity prices is a worldwide phenomenon. World economy also has grown at a slow rate since 2008 and demand worldwide seems to have plateaued.

IPR has some observations on computation of inflation indices. In its report for July December 2014, IPR discussed the dampening effect on inflation for procedural and methodological reasons. These pertain to jerks in housing rent assessment that may lead to effect on monthly and quarterly CPI calculation. Inflation is underestimated also as PBS does not include fuel charge adjustments and the many surcharges in power tariff. This understates electricity prices. The fall in inflation may have been limited by frequent increase in indirect taxes. Also, PKR lost value by a few percentage points in the second half of 2015.

Table 6 Inflation in Major Food Items, Commodities, and Services, January 2016 YoY		
	Weight in CPI	**Inflation %**
General CPI	**100.00**	**3.3**
Food Group	**34.80**	**1.2**
Wheat flour	4.16	0.9
Rice	1.58	-15.7
Meat	2.43	5.9
Chicken	1.36	-9.1
Milk (fresh)	6.68	3.8
Cooking oil	1.75	-14.7
Vegetable ghee	2.07	-10.6
Fresh fruits	1.86	-0.1
Pulses	*1.11	23.7
Vegetables	**3.13	-0.9
Sugar	1.04	10.7
Tea	0.84	31.8
Cigarettes	1.39	26.6
Clothing and Footwear	**7.57**	**4.7**
Cotton cloth	1.73	3.9
Readymade garments	0.97	6.9
Tailoring	0.88	8.3
Housing, Electricity, Gas	**29.41**	**5.0**
House rent	21.81	5.5
Electricity	4.39	2.8
Gas	1.57	9.9
Health	**2.19**	**2.5**
Drugs and Medicines	1.27	0.9
Doctors’ fee	0.59	4.8
Transport	**7.20**	**1.8**
Motor Fuel	3.02	-4.4
Transport Services	2.70	-1.5
Communication	**3.21**	**0.4**
Recreation & Culture	**2.02**	**2.2**
Education	**3.94**	**8.8**
Restaurants and Hotels	**1.23**	**4.9**
Misc. Goods and Services	**2.75**	**2.7**

Source: PBS, Monthly Review of Prices, Annexure A, January 2016

5. Public Finance

Details of fiscal operations released by Finance Ministry show positive signs:

- Budget deficit is 1.7% of GDP for the half year July December 2015[35]. Though data is often open to change during the fiscal year, at this pace fiscal deficit seems to be on track to remain under GoP's annual deficit target of 4.3% for 2015-16[36]. Usually, expenditure increases in the last quarter of the fiscal year, yet there is space to remain within the target.

- By December 2015, federal tax revenue at 44% of total was short by Rs. 192 Billion of the half mark. Total federal tax collected was Rs. 1,517 Billion[37]. This is no different from revenue collection trend in the last three years, as first six months collection ranged between 43% and 46% of total for each year[38]. Tax collection for July December 2015 was 19.8% over the same period last year. Budget estimate of Rs, 3,418 Billion for federal taxes for fiscal 2015-16 is 21.5% over last fiscal's actual collection of Rs.2,812 Billion.

- Likewise, FBR tax collection is on track. Year on year increase for July December 2015 is 18.5% against full year increase of 20%. Budget estimate 2015-16 for Other Taxes is 40% above last year's actual. The July December increase in Other Taxes is 38%[39].

- Non-tax revenues are a concern as July December 2015-16 collections are 6% below the same period last year. Government may have to watch this head, as its budget estimate for the year is 5% above last year's collection. Collection in all non-tax heads have declined[40]. Dividend and profits from oil companies have fallen with low oil prices. Also, profits from the State Bank of Pakistan have fallen. Pakistan would likely miss the target of Rs. 315 Billion by Rs. 50 Billion.

- With respect to expenditures, total current and development expenditure seem to be on track to remain within budget. Development expenditure for July December 2015 is 15% over the same period last year. Federal development budget for fiscal 2015-16 (including Other Development expenditure), is 33% over actual for 2014-15. Development expenditure should pick up in the second half of fiscal year as implementation of CPEC road projects gather steam.

- Although, consolidated deficit for July December is Rs. 515 Billion (1.7%), the annual estimate of 4.3% is contingent on provincial surplus of Rs. 297 Billion. So far, the provincial surplus is Rs. 208 Billion. Last year, provinces generated a surplus of Rs. 87 Billion. It is not clear if the combination of likely revenue shortfall and lower than estimated provincial surplus will allow government to remain within the fiscal deficit target. For now, however, there is not much cause for worry.

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[35] Ministry of Finance, Summary of Consolidated Federal and Provincial Budgetary Operations, 2015-16, Table 1
[36] Budget Speech of the Finance Minister Page 7
[37] MoF Fiscal Operations, July December 2015
[38] Ibid for past years
[39] Op.Cit 38
[40] ibid

- Interest payment is a concern. Six months payment is 10.3% above the corresponding period last year. The budget for the year, however, is about Rs. 24 Billion below last year's actual. Expenditure in this head is likely to exceed provision because of high increase in domestic and external borrowing[41].

- Subsidy for the power sector is likely to remain within budget because of low oil prices and surcharges imposed in recent months. However, there is almost Rs. 650 Billion in accumulated circular debt payments. These must be liquidated at some point and will affect fiscal deficit. Subsidy for other PSEs will remain contrary to government's plan for restructuring and privatization. These have remained stalled.

- A number of other expenditures are likely to weigh on the budget. These include payment of hydro royalty to KPK, continued expenditure on IDPs settlement, and continued security needs in both the federal and provincial governments.

- These needs may exact deep cuts on development expenditure. However, that will be contrary to government's CPEC and power priorities. Already, the IMF has targeted annual development expenditure of Rs, 1,111 Billion, Rs. 403 Billion, and 26 % below government's target. This will reduce public investment by up to 1% of GDP from the target of 17.7%. and may likely dampen economic growth.

- Of the Rs. 1.328 Billion deficit financing needs, government has provided Rs. 699 Billion from non-banking sources and Rs. 283 Billion from banks (of which SBP is zero). For the six months, however, financing from banks is 65% of the total for the year, while non-banking sources have provided a mere 18%. For July- December 2015, Pakistan has used up 59% of the budgeted net external financing for the year.

Projections agreed with IMF for 2015-16

Table 7 compares budget estimates for 2015-16 with IMF's projections and fiscal operations for July December.

- IMF has a lower federal tax revenue estimate of Rs. 30 Billion. The difference is in 'Other Taxes'.

- IMF also estimates lower federal non-tax revenue of about Rs. 18 Billion though it has a higher projection for provincial non-tax revenue.

- There is no change in target of Rs. 3,104 Billion for FBR revenue, direct and indirect taxes.

- Federal government's budgeted current expenditure is Rs. 3,166 Billion. IMF projects this at Rs. 3289 Billion with higher estimates for subsidies and grants.

[41]All expenditure numbers from MoF's Fiscal Operations statement

- The budgeted Federal PSDP is Rs. 700 Billion. Provincial budgeted amount is Rs. 814 Billion to total Rs. 1,514 Billion. IMF's corresponding projections are Rs. 611 Billion (13% below budget), Rs. 500 Billion (39% below budget) and Rs. 1,111 Billion (27% below budget).

- Government estimate for 2015-16 fiscal deficit is Rs. 1,328 Billion. IMF projects a lower number of Rs. 1,252 Billion.

In an environment of wide scale tax evasion, government's reliance on Withholding Tax has increased. In fiscal 2015, withholding tax contributed over 67% to direct taxes and 26% to total taxes[42]. This tax has been the most reliable source for government in its bid to raise tax to GDP ratio. Despite its advantages, withholding tax poses questions. Most times it works in the nature of indirect tax and therefore regressive in essence. It carries compliance cost for all businesses. The tax on utilities is recoverable, but recovery is not always possible. Government introduced a tax amnesty scheme to raise tax revenue. The scheme has not met with success.

Despite heavy reliance on withholding tax, there has been no improvement in the ratio of direct tax to total tax revenue. Each budget pledges increase in collection, but with no success. Since fiscal 2008-09, direct tax as a ratio of FBR taxes has moved between a narrow band of 38 to 39%. Current budget estimates direct tax at 43% of total FBR taxes. Actual July-December collection shows that direct taxes remain at 38%. The ratio becomes smaller still when compared with total federal tax revenue. FBR's tax administration has not improved for decades. Withholding tax, which contributes a major portion to direct tax, is collected by private agents and not by FBR.

[42]SBP State of Pakistan Economy, Q1, Pages 45-46

Table 7 Summary of Public Finance Budget 2015-16, IMF Projections, Fiscal Operations Rs. Billion				
	Budget 2015-16	**IMF Projections 2015-16**	**Actual Fiscal Operations July-Dec 2015**	**July Dec % of Budget**
A. Revenue and Grants	**4,688**	**4,623**	NA	---
Revenue	4,648	4,583	2,005	43
A.1Tax Revenue	**3,729**	**3,634**	**1,639**	**44**
Federal	3,418	3,389	1,517	44
FBR	3,104	3,104	1,385	45
Direct	(1,348)	(1,289)	(541)	40
Indirect	(1,756)	(1,815)	(844)	48
Other taxes	315	285	132	42
Provincial	311	245	122	39
A.2 Non-Tax Revenue	**963**	**949**	**366**	**39**
Federal	895	873	335	38
Provincial	68	76	31	46
B. Expenditure	**6,017**[43]	**5,875**	**2,520**	**42**
B.1 Current Expenditure	**4,786**	**4,764**	**2,104**	**44**
Federal	**3,166**	**3,289**	**1,430**	**45**
Interest Payments	1,280	1,286	633	49
Defence	781	781	303	39
Subsidies	138	175	NA	---
Grants	410	501	160	39
Others	557	547	341	61
Provincial	1,620	1,475	674	42
B.2 Development Exp & Net Lending				
PSDP	**1,514**	**1,111**	**378**	**25**
Federal	700	611	156	22
Provincial	814	500	222	27
Other Development	164		48	29
Net Lending	58	0		---
E. Fiscal Deficit % GDP	**4.3**	**4.3**	**1.7**	**40**
F.Financing Net(after provincial surplus of Rs. 297 Billion)	**1,328**	**1,252**	**515**	**39**
External	346	308	203	59
Domestic	982	945	312	32
Bank	283	661	183	65
Non-Bank	699	283	129	40
Memorandum Item				
Nominal GDP		**29,907**	**30,672**	**---**

Source:
1. Pakistan revenue and expenditure from SBP State of Pakistan Economy, Tables 4.1and 4.3
2. Federal revenue and expenditure from MoF, Budget in Brief
3. IMF Projects from Ninth Review, Staff Report, Page 37
4. Actuals from MoF Fiscal Operations, various tables
5. In federal non-tax revenue, discrepancy of Rs. 100 Billion between SBP and MoF The latter source adopted

[43] SBP State of the Economy 2015-16, Q1, Chapter Table 4.1

Consequently, government debt has increased. Domestic and external debt finance current and development expenditure. Debt increased by Rs. 1,206 Billion for the period July-January 2015-16. By January 2016, total debt of the federal government stood at Rs. 18,174 Billion[44]. Table below is a snapshot of government debt:

Table 8
Federal Government Debt

Billion Rs.

	June 2015	January 2016	Borrowing July-January 2015-16
Total Domestic Debt	**12,193**	**13,120**	**927**
Long-term	**7,583**	**7,990**	**407**
Market Loans	3	3	0
Federal Government Bonds	4,483	4,733	250
PIBs	(4,155)	(4,521)	(366)
Prize Bonds	523	593	70
Unfunded Debt	2,570	2,657	87
NSS	(2,417)	(2,505)	(88)
Foreign Currency Loans	5	5	0
Short Term	**4,609**	**5,130**	**521**
Market Treasury Bills	4,430	4,918	(488)
External Debt	**4,775**	**5,054**	**279**
Long term	4,672	4,928	(256)
Short Term	103	126	(23)
Total Federal Government Debt	**16,968**	**18,174**	**1,206**
SBP: Central Government Debt[45]			

At present, external loans finance both current and development expenditure. This is not sustainable. In its 2015-16 Q1 State of the Pakistan Economy, SBP says, “deficit financing through external resources also increased, which was largely derived from issuance of Eurobonds in the international market.” Pakistan’s external debt and liabilities reached USD 68.6 Billion by December 2015. Debt repayment is a worry for Pakistan. While government expresses satisfaction at sustainability indicators, concerns remain. Government, justifiably, has revalued debt as USD appreciated against other currencies in which the debt is denominated. (Currency values could just as quickly move the other way). This has reduced external debt stock by USD 2.3 Billion. Despite this, external debt as a ratio of foreign exchange earnings increased to 1.6 from 1.2 in 2012-13. Other indicators improved though. During the first quarter 2015-16, repayment of government debt increased by USD 191 Million over the same period last fiscal . Debt repayment in second half-fiscal 2015-16 will increase due to maturity of 10 year Eurobond issued in 2006. Cost of credit obtained in recent years is high. Two Eurobonds of USD 1 Billion each floated in 2013-14 carry fixed interest rates of 7.25 and 8.25. Their maturity is due in 2019 and 2024 respectively. Sukuk Bond of USD 1 Billion floated in 2014-

[44]SBP, Central Government Debt, January 2016
[45]Ibid http://www.sbp.org.pk/ecodata/cengovdebt.pdf

15 is at 6.75% fixed. Similarly, USD 500 million debt incurred in September 2015 is at 8.25%. In recent years, ratio of project aid has declined as percent of total disbursements. In fiscal 2000-01, project aid was 47% of total. In 2009-10, it was 41%. In 2013-14, ratio of project aid fell to 29.5%.

6. Balance of Payment

Exports declined by 14.5% for the period July December 2015 compared to the same period last year. The decline was across the board in a wide range of products. Impact on the current account deficit from the drop in USD 1.7 Billion in exports was mitigated by fall in imports of USD 1.9 Billion (Table 8).

Indeed, exports are a big concern. Imports have declined in value because of falling commodity prices. Their quantity increased even though import value fell. In the case of exports, values declined along with quantity. Key export items lost quantity. This includes items in which Pakistan has been most competitive such as cotton yarn, bed linen, tents and canvas, art silk[46].

This seems a structural issue at two levels. First, domestic issues are important. It would help to revisit how to improve international competitiveness of some of our export products. Pakistan may review too the current value of the Rupee against US Dollar. Exporters have lost out from Rupee value: from the appreciation of US Dollars against most other currencies, and because of adverse REER (many other developing economies have sharply reduced the value of their currencies). Second, for some years world trade has fallen. It is important for policy makers to take note. Moderate GDP growth rates in China may not revive soon. These will affect medium term demand. So far, lower oil prices have not affected home remittances, yet that may happen[47]. This needs attention.

Increased import of LNG and coal for power plants may burden future trade deficit of the country, even with low energy prices. Import of machinery is also likely to increase. For now, however, trade deficit has somewhat improved. There is slight variation in data obtained from SBP and Ministry of Commerce. The former shows a decline of 5% in trade deficit while the latter shows 7%, (SBP takes counts cash flows).

The Annual Plan sets a target of 1% of GDP for the Current Account deficit[48]. SBP data shows a current account deficit of 1.2% for the period July 2015 January 2016[49]. Home remittance is an important external financing source for Pakistan and contains the current account deficit. Budget 2015-16 has targeted an increase of 1.4% over last year's home remittance. Last year's actual was

[46]Ministry of Commerce, GoP, Comparative Exports of Selected Commodities, During July-December 2014.,I5 & 2015-16, based on PBS data

[47]IMF REGIONAL ECONOMIC OUTLOOK: MIDDLE EAST AND CENTRAL ASIA gives views on effect of low oil prices on remittances, Page 36, "How are remittances from the GCC likely to be affected by the current oil price decline? Over the near term, the impact is likely to be modest because real nonoil GDP growth is projected to decline only moderately to about 3.8 percent per year in 2015–16, compared to 5.9 percent in 2012–14. Over the medium term, the impact will depend on the pace of fiscal adjustment in the GCC in response to the lower oil prices. Faster fiscal adjustment than is currently envisaged, or the introduction of a special tax on remittances, which has been proposed in the GCC, could slow remittance flows further."

[48]PC Annual Plan Page 95

[49] SBP Summary Balance of Payments as per BPM6 - January 2016, Page 2

USD 18,720 Million[50]. This year's estimate is USD 18,989 Million[51]. For the seven months period July-January 2015-16, home remittances to Pakistan totaled USD 11,199 Million, an increase of 6% over the corresponding period last year and above proportional amount for seven months. A significant part of remittances to Pakistan is from oil dependent economies. Footnote 36 gives IMF's estimate of risk to home remittances from decline in oil prices. There is little of concern for now.

Table 9
Trend in Trade
July December 2015-16 compared with 2014-15

Exports

Million USD, %

Commodity	July-December 2014-15	Share in total export %	July December 2015-16	Share in total export %	Change %
Food Group	2.085	17	1.863	18	-11
Textiles	6.885	57	6.269	61	-9
Petroleum & Coal	415	3	94	1	-78
Other Manufactures	2,019	17	1,615	16	-20
Chemicals and Pharmaceuticals	507	4	404	4	-20
Engineering Goods	115	1	88	1	-23
Others	654	5	473	5	-28
Total	12,058	100	10,315	100	-15

Imports

Million USD, %

Commodity	July-December 2014-15	Share in total export %	July December 2015-16	Share in total export %	Change %
Food	2,810	12	2,626	12	-7
Machinery	3,644	15	4,016	18	10
Transport	1,291	5	1,321	6	2
Petroleum	6,947	29	4,177	17	-40
Textile	1,249	5	1557	7	25
Chemicals	3,842	16	3,769	17	-2
Metal	1,798	7	1,904	9	6
Miscellaneous	530	2	539	2	2
Others	2,034	8	2,305	10	13
Total	24,145	100	22,214	100	-8
Trade Deficit	**12,093**		**11,899**		**7**

Source: Ministry of Commerce Statistics, based on PBS data

[50]SBP Summary Balance of Payments as per BPM6 - January 2016.
[51]Planning Commission Annual Plan 2015-16, Page 95 (Annexure 1)

In addition to decline in exports, the second weakness in the Balance of Payment comes from low FDIs. The Annual Plan targets USD 3,344 Million as FDI for 2015-16 about three and a half times above the revised 2014-15 estimate of USD 991 Million[52]. FDI received for seven months, July January 2015-16, is USD 587 Million[53]. This is nowhere close to the target. Although private flows are hard to predict, especially with CPEC investment due, FDIs in 2015-16 would likely be short by over USD 2 Billion. Some relief may come by way of portfolio investment. The Annual Plan targets negative flows of USD 800 Million. By January, portfolio investment had a small positive.

Largely, external debt has sustained the BOP. During July – December 2015, public debt increased by USD 2.3 Billion. Of this, government debt grew by USD 1.5 Billion, $ 1.27 Billion long-term and $ 244 million short-term. Government borrowings centre on increase from multilateral and bilateral sources (usually concessional), as well as from commercial lenders. During the six months, IMF credit increased by USD 886 Million PSEs debt by USD 316 Million. Table 9 gives increase in external debt and liabilities for the six-month period July-December, 2015.

Table 10
Government Borrowing during July-December 2015

Million USD

Head	Amount
A. Public Debt	**2,311**
1. Government	1,515
Long term	1,271
Short term	244
2. From IMF	886
3. Forex Liabilities	-88
B. Public Sector Enterprises	**316**
C. Banks	**727**
Borrowing	585
Deposits	141
D. Private Sector	**41**
E. Debt liabilities to investors	**51**
Total External Debt & Liabilities	**3,446**
Increase in Public Debt including PSEs + Bank Public	**2,963**
Total Public Debt Outstanding (+PSEs), 31 December 2015	**60,475**
Total External Debt and Liabilities Outstanding, 31 December 2015	**68,550**
Source: SBP[54]	

[52]Ibid
[53]Op.Cit. 38
[54]SBP Pakistan's External Debt and Liabilities-Outstandinghttp://www.sbp.org.pk/ecodata/pakdebt.pdf

On 31 January 2016, official reserves stood at USD 20.3 Billion an increase of 8.5% over 30 June 2015 reserves of 18.7 Billion. Net foreign currency reserves were USD 15.4 and 13.5 Billion respectively, an increase of 14%. As seen above, with declining exports and moderate increase in remittances, growth in FE has come from borrowings. However, less than the previous year, coalition support fund will also boost Forex. IMF estimates a total of USD 1,238 Million in CSF during fiscal 2015-16, about 15% below 2014-15[55]. At about ten month's imports, current official reserves are at a comfortable level.

After remaining firm for two years, Rupee value declined during the period July-December 2015. It fell by over two percentage points in August 2015 and again one percentage point in October 2015. The Rupee began the fiscal year at 101.85 to USD 1[56]. It was Rs. 104.89 on 19 February 2016[57]. Clearly, the change in value has not done enough to boost exports though government must look at all competitiveness factors. While the Rupee value has declined since start of the fiscal year, it did not do so in end 2013, when currencies of other developing economies fell. So while the Pak Rupee has lost some value since the beginning of this fiscal year, it has gained value since December 2103. It fluctuated between Rs. 105 and Rs. 108 against the USD in December 2013[58]. Consequently, its real effective exchange rate did not help our exporters.

Table 11
Summarized Balance of Payments Projections

USD Million

	Annual Plan 2015-16	2014-15	2015-16	Change
1. Current Account	-2,891	-2,627	-2,624	3
Exports	25,547	24,083	23,113	-970
Imports	43,282	41,401	40,610	-791
Balance on Goods	-17,735	-17,318	-17,497	-179
Remittances	18,989	18,720	19,573	853
2. Capital Account	295	378	376	-2
3. Financial Account	-7,246	5,004	4,308	-696
FDI	3,344	852	993	141
FPI	-800	1,903	272	-1,631
Net Foreign Assistance	-922	893	2,736	1,843
Others		283	-472	-755
4. O&E		-119	111	230
5. BoP deficit/surplus	-4,497	-4,230	-4,100	130
6. Use of IMF Credit		1,594	1,930	336
7. Change in FE Reserves		-2,636	-2,170	466

Source: IMF[59]

[55]SBP Liquid Foreign Exchange Reserves http://sbp.org.pk/ecodata/forex.pdf
[56]XE Currency Charts, http://www.xe.com/currencycharts/?from=USD&to=PKR&view=1Y
[57]SBP Weighted Average Customer Exchange Rates1 as on 19-Feb-16, http://www.sbp.org.pk/ecodata/rates/war/2016/Feb/19-Feb-16.pdf
[58]XE Currency Charts: http://www.xe.com/currencycharts/?from=USD&to=PKR&view=5Y
[59]IMF Ninth Review Staff Report http://www.imf.org/external/pubs/ft/scr/2016/cr1601.pdf

7. Conclusions

Pakistan's recent economic performance has been mixed. The country has done well on stabilization measures, but falls short on growth. Whether or not this is official economic management strategy will be clear once the EFF arrangement with IMF ends. Currently, balance of payments and fiscal deficit concerns override all other goals. In fact, government is right to consider these two issues paramount. Their strategy to deal with these is moot, however.

Increase government revenue: Control of fiscal deficit must rely equally on revenue generation as it does on limiting expenditure. Inability to increase tax to GDP ratio centres on two factors. First, successive governments have not persuaded favoured political constituencies to pay taxes, though the Government has stood firm in trying to bring traders into the tax net is a bold move. Second, improvement in FBR governance is necessary. The recommendations of the Tax Reform Commission are a step in the right direction though its implementation is awaited. Revenue shortage is a fundamental issue. It increases domestic and external debt. It restricts government's ability to invest in infrastructure and in human resources. What the country needs is not to tweak at the edges, but a full-scale campaign. At present, tax evasion comes at minimal cost. It is important to increase this cost. This year, government's tax collection is on track with budget estimates. However, the country must reengineer tax policy and administration for government to play its due role in development. Increased revenue will stimulate development and make the country less dependent on borrowing.

Prioritize development expenditure: Expenditure control comes at a cost. Government is right to target subsidy reduction. However, for many years, control of expenditure means cuts in development expenditure. This affects growth in the short term and limits private economic activity. While fiscal deficit is on track for now, expenditure on PSDP up to December 2015 is a mere 22% for federal government and 27% for provincial governments. PSDP's effectiveness is affected also from weak project selection and from overpriced contracts. The former misallocates resources to projects with low economic returns. The latter increases costs and reduces the number of projects that the budget could cover. For mega projects, it also increases external debt obligations and opens the economy to risks.

Economic Revival: Growth requires also addressing factors that restrict business activities. IPR's publication 'Strengthening Stabilization and Growth'[60] focuses on the subject. Management of the economy needs concerted effort at growth revival. While strong macro fundamentals are important, there is need also to stimulate business activity. The country needs stimuli for both industrial revival and agriculture growth. Farm production especially has become volatile. Both need a mix of policy, governance, and public investment support.

Competitiveness of Pakistani goods is an issue that also needs attention. Of late, Pakistan's exports have been dismal. Understandably, this has occurred in a period of stagnating world economic

[60]IPR, Strengthening Stabilization and Growth' by Humayun Akhtar Khan

growth and international trade[61]. However, the rate of decline in Pakistan's exports is alarming. Pakistani exporters are at a disadvantage from the real effective exchange rate of PKR. More importantly, competitiveness issues affect our exports. These arise for a range of reasons including private sector credit, worker productivity, and technical skills. These also occur because of legal and governance barriers to trade. It is critical that policy makers focus on these issues in addition to macro-economic indicators.

Growth Factors: There are other limits to higher growth. Among nine factors for economic growth that IMF has determined as necessary for growth, Pakistan is in the bottom two quintiles in six factors[62]. It ranks in the bottom quintile in three factors. These include corruption, infrastructure, and labour productivity. It does not do much better in three other factors of bureaucracy, regulation, and education. There is urgent need for government to focus attention on all growth creating and competitiveness issues. Pakistan must break out of the low growth trap and dependence on external savings.

Reliance on CPEC: Statements by Pakistan leadership suggest that CPEC will boost growth and development. CPEC is important to reduce infrastructure gap and will increase growth. However, it will also increase external debt and repayment obligations. IPR estimates an increase in Pakistan's external debt repayment obligation from about USD 4.5 Billion on 2015-16 to USD 10 Billion[63]. The increase in repayment obligation includes LNG imports and all other multilateral and bilateral obligations. This makes it essential for government to ensure maximum productivity and returns from CPEC investment so that they enable the country to repay loans. An a priori belief that CPEC will create sustained growth is misplaced. Pakistan must make the reforms discussed in foregoing paragraphs for sustained and inclusive growth.

Public Debt: Debt at 62% of GDP is high (IMF measures it as 64%). However, each year government has increased debt. Since July 2015, it has increased by over Rs. 1.2 Trillion. In fiscal 2014-15, debt servicing was 51% of total federal current expenditure[64] and 45% of revenue[65]. Such high preemption of resources for debt servicing is the effect of past decisions. This level of debt servicing is unsustainable and calls for concerted action. The sum total of efforts to revive economy, build competitiveness, and strengthened public finance will place public debt, especially external, on a robust footing.

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[61]WTO, World Trade Developments, page 16, in the last three years, world GDP growth, and merchandise trade volumes have grown at a rate between 2 and 3%. Also, see, Table 1.3, world imports have grown by 1% in 2013 and 2014. Imports by USA grew by 4%, Europe by 1%, China by 0% (in 2014), and many parts of the world have had negative growth, including Japan.
[62]IMF Regional Economic Outlook MENA, Page 42
[63]IPR research based on estimates of CPEC loan terms (as GOP has not shared) and estimates of other imports (LNG and Coal) as well as increase in energy price
[64] SBP, The State of Pakistan's Economy Table 4.4, Page 48
[65]MOF, PES, Table 9.5, page 157