

## SCENARIO 244

### **ECONOMY DURING KHAN'S REGIME**

#### **FACTS ABOUT COMPARATIVE PUBLIC DEBT:**

*Ishaq Dar*, the former Federal Finance Minister during Pakistan Muslim League Nawaz [PMLN] government during 2013-18, wrote in daily '**theNews**' dated 29th October 2018 that:

*"A lot of rhetoric by the incumbent government [the new regime of Imran Khan's PTI] has been flashed publicly through the media about the public debt, perhaps to divert the public attention from their incompetence, mis-governance and anti-public policies which all is quite visible in the first seventy days in office. As the said budget deficits are duly approved by the Parliament, the whole process is transparent and is the responsibility of the Parliament and there should be no hidden surprises for anyone."*

Dar claimed that when the PMLN government started its term in June 2013 with Nawaz Sharif as Prime Minister, it inherited multiple challenges like large fiscal deficit, rising debt burden, unfavourable balance of payments, low foreign exchange reserves, poor growth in tax revenues, a shrinking tax-base, swelling current expenditures, a gigantic circular debt, which was unravelling the energy sector, flight of capital, weakening exchange rate and perilously declining investors' confidence.

In June 2013, on the external front, the major development partners had virtually ended their support on the face of rapidly weakening economic indicators. State Bank of Pakistan [SBP] forex reserves, which stood at \$6 billion in June 2013 fell to \$2.8 billion in February 2014; it was a highly precarious, volatile and explosive situation to steer the economy and stabilise the external financial position. The reserves were depleting and the currency was fast depreciating, which touched around Rs:111 to US Dollar in November 2013 thus fuelling inflation and raising the cost of debt servicing. On assuming office in June 2013, the new PMLN government introduced structural reforms with stabilisation measures within few days of its first Budget for 2013-14; but those reforms could not bring an iota of upwards change in the economic situation of the country.

The PPP government [2008-13] had entered into a front-loaded Stand-By Arrangement with International Monetary Fund [IMF] in 2008 with a total loan of \$11.5 billion but left the programme after receiving an amount of \$7,455 million against implementing first four of twelve phases of structural reforms due to its inability to implement the remaining agreed economic reforms. Out of the said PPP loan, PMLN had to repay \$4.6 billion in its tenure and therefore entered into an Extended Fund Facility [EFF] with the IMF, agreed in July 2013, with an estimated amount of \$6.4 billion leaving a net-intake of IMF loan of \$1.8 billion in its tenure.

During the ending months of PMLN in 2018, the total public debt was Rs:30,000 billions on 30th June 2018 as quoted by the new PTI government; however, the PMLN's Ishaq Dar termed it factually incorrect and according to him the correct figure was Rs:23,051 billion as per detail below. He also claimed that Gen Musharraf's government 1999-2008 had increased the total public debt by 97%, in PPP's tenure 2008-13 it increased by 153% and the increase in PMLN's tenure 2013 -18 was 71%. However, no independent agency verified Dar's that statement of figures.

The PMLN government officials later admitted and told the media that the increase in total public debt during the year 2017-18 was Rs:3,416 billion of which Rs:1,978 billion was external debt – it was totally wrong statement because PMLN's Finance Minister had himself admitted earlier that the figure was Rs: 6,177 billion. They also explained that the increase in debt from Rs:19,635 billion to Rs: 23,051 billion, or from 46% to 71%, was very unfortunate, as PM Nawaz Sharif was disqualified from office. PMLN's new PM Shahid Khaqan Abbasi and his economic team had to face **huge unbudgeted financial demands** thus disturbing the whole economic discipline.

The PMLN also claimed that Pakistan's GDP grew from Rs:22,386 billion in June 2013 to Rs:34,397 billion in June 2018. Total public debt to GDP of Pakistan was 60.1% in June 2013 which rose to 61.4% by June 2017 and 67% by June 2018 due to additional extra-ordinary security-related expenditure for war against terrorism [**Operation Zarb-e-Azb**] etc.

PMLN later issued statement that despite PTI's political '*Dharnas*' spread over exactly 126 days, their fiscal policies in its tenure achieved an increase in the federal taxes collection by 100%, enhanced GDP Growth from around 3% to 5.8%, claiming the highest in previous 13 years; managed lowest inflation in the last forty years in addition to increase in foreign remittances from \$13.9 billion to \$19.4 billion; and rise in national foreign exchange reserves from \$7.5 billion in February 2014 to \$21.4 billion by 30th June 2017.

Former Finance Minister Ishaq Dar claimed that he had repeatedly offered PTI and other opposition parties to agree on a 'Charter of Economy' in order to keep Pakistan's economy free from politics but unfortunately none came forward. Also, that ***the people of Pakistan had suffered enough in PTI's first seventy days after PTI's take over through massive devaluation of Rupee, decline in Pakistan Stock Exchange Index [PSX] and sky-high increase in cost of living with unprecedented hike in prices of essential commodities, gas, power and gasoline.***

However, in Pakistan it's always an impossible task to dig out the real facts from released ministerial figures in any organization – especially when headed by Ishaq Dar calibre accountants.

Referring to *Dr Farrukh Saleem's* essay on media pages dated 7<sup>th</sup> October 2018; '***.....as per the World Bank estimates, the public procurement in Pakistan amounts to 19.8 per cent of country's GDP - \$60 billion a year***'. Mostly it is through the abuse of public office for private gain [*see World Bank's definition of corruption*]; the 'leakages' amount to a low of \$18 billion a year to a high value of \$36 billion.

Pakistan Public Regulatory Authority [PPRA] held that '***....we do not need any borrowings from the World Bank or the IMF if we can save this money***'. According to the US based **International Narcotics Control Strategy Report**, the practice of money laundering cost Pakistan more than \$10 billion a year – and for two decades this plundering is going on un-interrupted. Dr Farrukh Saleem held that:

***'..... Pakistan's gross external financial need this year [2018] is \$26 billion while the leakages in public procurement are potentially more than that. Our [Pakistan's] external debt is \$95 billion while the past 10-year money-laundering cost stands at \$100 billion. So, we have a potential surplus. Conclusion: Minus leakages and minus money laundering, we are a surplus country.'***

The real ***tabdeeli*** [change] started from the day Imran Khan took over as prime minister [PM]. For the first time in Pakistan's turbulent financial history, there was a PM whose top priority was anti-corruption. Similarly, for the first time in Pakistan's chequered history, there was a chief justice [Saqib Nisar] whose top priority was anti-corruption – thus for the first

time in country's 71-year history, the head of government and the head of Supreme Court shared the same agenda and opted to reach the same goal.

On top of the things; for the first time in the Federal Investigation Agency [FIA]'s inconsistent 43-years history, the agency was moved to unearth the money laundering scams. The details appeared shocking: the number of fake bank accounts unearthed within two months' Imran Khan rule were 77; the number of individuals named were 334 [including PPP's chief Asif Ali Zardari and his sister Faryal Talpur MNA]; and the money thus laundered amounted to hundreds of billions – and more revelations were coming every day.

The modus operandi of money launderers was simple; political bosses and bureaucrats were routinely facilitated by bankers open fake bank accounts. The two then managed out contracts worth hundreds of billions to their favourite contractors. In return, contractors deposited the negotiated percentages into those fake bank accounts operated in fake names - then through trusted money-changers that black money used to be transferred to Dubai – for onward investments in London, America and Europe.

No doubt that the FIA's conviction rate always remained low at about 6%; and that NAB lacked the capacity to prosecute white-collar criminals – thus the powerful public-office holders remained Scot free and un-convicted. However, with the new regime of PM Khan, the process had taken a start – and that was encouraging for the poor populace of Pakistan.

### **IK NOT DESTROYED PAK-ECONOMY – FACTS:**

**'Destroyed'** would be too harsh. Pakistan's economy has always been this way, bubbles of unequal growth, followed by high inflation and recession, and net decline. A few Pakistanis get richer; most are worse off.

However, Imran Khan could be blamed for being **'not the best'**; as Nawaz Sharif did nothing to resolve the country's perennial tax deficiency either, nor the bloated state expenditures. NS in his last stint was well aware that this face-off with a much larger and stronger neighbour [India] was bleeding the country dry. Pakistan was (**and still is**) like a child trying to grow with a millstone round its neck; no matter how much nutrition or exercise he got, the stone would ensure he never reaches full potential. NS knew this but allegedly the army advisors, the institution that mostly benefited from this millstone directly, made sure he couldn't progress towards resolution.

Mr Khan had grand ambitions, and sincerely too, but to reach the position he needed experienced team which he couldn't identify and engage; his PTI couldn't break through the thick wall of status quo. More generally, Imran had the best intentions, unaccompanied by the nous and grey matter which could turn them into reality. He posed but NOT skilled at everything; his mostly ineffective leadership didn't know how to build strong teams, nor could he prioritize, understanding that single 5-year term was not enough to address the plethora of issues he had inherited.

Imran Khan didn't follow the viable option to target one or two of the most fundamental problems, and to first work out a practical plan for solution – it was governance and management which Imran had never done before. In his speech to the nation, right after being sworn in, he listed over 50 separate challenges his government was going to take on. Mostly he meant what he said but the historians and intelligentsia knew he was going to fail.

He was an outstanding sportsman, but that also meant his life experience was that of a narrow specialization, where his personal talent was always enough overcome other deficiencies. He was a successful captain because he knew the game so well himself, and he led by example, plus the simple fact that everyone on a cricket field was bound by clear rules without

exception. On the other hand, even as captain he was known for his lack of empathy for his players and his refusal to change his mind despite better advice.

As a cricket player, supreme self-confidence and refusal to surrender served him well, and these qualities helped him achieve the PM position. Unfortunately for Pakistan, what he never had was a subtle mind and genuine intellect, nor an ability to win over even adversaries, qualities which any reformer of Pakistan must have in order to navigate the treacherous tides of the nation's politics, where the strongest party was the military establishment perpetually in power – and since decades.

Referring to **THE EXPRESS TRIBUNE** dated 19<sup>th</sup> May 2022: During the last year of Imran Khan's government, Pakistan's economic growth rate accelerated to 6% – the highest pace in previous four years – helping to increase the size of the nation's economy to \$383 billion besides jacking up per-capita income even after devastating Covid-19, it was a miracle for Pakistan.

The provisional Gross Domestic Product (GDP) growth rate for the year 2021-22 was estimated at 5.97%, announced by the Planning Ministry after a meeting of the National Accounts Committee. The broad-based growth was witnessed in all the sectors of the economy. The GDP was the monetary value of all goods and services produced in a year. That nearly 6% growth rate was higher than the official target of 4.8% and far higher than the estimates of the Ministry of Finance, State Bank of Pakistan, International Monetary Fund, World Bank and the Asian Development Bank.

The economic growth rate during the last two years of the PTI rule was slightly better than the PMLN's last two years but both the governments failed to address structural problems of Pakistan's economy. An attempt had been made to downplay the growth figures in the last year of the PTI government but the authorities dropped the plan after some reports appeared in media. ***The details showed that the massive surge in imports and consumption greased the economic growth rate***, which had already triggered a serious external sector crisis – an identical pattern witnessed in 2018 when the country had fallen in the lap of the International Monetary Fund [IMF].

The 6% growth rate at the end of the PTI government was the highest in four years. Last time, the country attained a 6.1% growth rate in 2017-18 –when Shahid Khaqan Abbasi was the PM, which had also been driven by consumption and imports and took the country back to the IMF. During 2017-18 and 2021-22, Pakistan's growth was largely financed through foreign savings, which was highly unsustainable.

The agriculture sector was provisionally estimated to grow by 4.4%, nearly 1% better than the previous year. On the back of the Large-Scale Manufacturing sector, the industrial sector grew at the rate of 7.2%, lower than the previous fiscal year. The growth in the services sector was slightly better than the previous fiscal year, standing at 6.2%. The mining sector witnessed contraction. Had the annual imports remained at the projected level of \$55 billion in the last fiscal year of Khan's era, the overall economic growth rate would have remained around 5%. The better crop production also supported the higher growth, except for wheat whose output decreased by one million metric tons to 26.4 million metric tons.

***The size of the economy reached nearly Rs:67 trillion in 2021-22; about Rs3 trillion higher than the estimates. In dollar-terms, the volume of the economy in 2021-22 stood at \$383 billion, according to the Planning Ministry's documents. Similarly, the per capita income that had been estimated at \$1,676 in the last fiscal year increased to \$1,798 – a surge of \$122 or 7% per person. In rupee terms, per capita income jumped from Rs:268,223 in 2020-21 to Rs:314,353 in 2021-22 - although, the final growth rate of GDP for year 2019-20 had contracted by 0.94% due to COVID-19's world-over attack.***

## **IMF – 'KASHKOL' REVIVED:**

It was one of the major slogans of Imran Khan and the PTI, before and after the elections 2018 that **'WE'LL NOT BEG IMF'** – a key point in their manifesto, too. BUT, just within one year, the PTI's economic team had started Staff-Meetings with the IMF in May-June 2019 to get a bail-out package; see a media report dated 13<sup>th</sup> May 2019 as a reference; the opening lines were:

***"Pakistan has secured a \$6bn bailout from the International Monetary Fund (IMF) as the country battles to stay off an economic crisis. The funding, which will get approval from the IMF's management in the first week of July 2019 would be provided over three years. The agreement comes after months of negotiations and marks the latest in a string of bailouts from the fund."***

Pakistan was apparently facing an economic crisis with short supplies of foreign currency reserves and stagnating growth. In a statement, the IMF said ***"Pakistan faces a challenging economic environment, with lacklustre growth, elevated inflation, high indebtedness, and a weak external position. The funding programme would support the authorities' strategy for stronger growth by improving the business environment, strengthening institutions, increasing transparency, and protecting social spending"***.

IMF bailout funding is typically provided under strict conditions, and some analysts had timely warned that any fresh IMF injection could harm PM Imran Khan's pledges to build a welfare state. Since he was sworn in August 2018, Mr Khan had been aggressively pursuing help from friendly countries in order to reduce the size of the bailout package that Pakistan needed from the IMF. The country was likely to face a potential balance of payments crisis - where a nation struggles to meet external debts or pay for critical imports - due to a stagnating economy.

The IMF had put its forecasts that Pakistan's economic growth would slow to 2.9% the said fiscal year from 5.2% in 2018. In February 2019, the central bank had only \$8bn left in foreign reserves. Abdul Hafeez Shaikh, an economic advisor to PM Khan, was upset as the foreign loans had exceeded \$90bn then, and exports had registered a negative growth over the past five years. ***"So, Pakistan will get \$6 billion from the IMF, and in addition we will get \$2 to \$3 billion from the World Bank and Asian Development Bank in the next three years,"*** said Mr Shaikh to the media.

PTI had successfully paved the way for a multi-billion-dollar bailout, marking the 22nd such occasion but attracted a vibrant public debate. Primetime news anchors and columnists pondered upon the dilated impact of the devalued rupee, higher interest rate, more taxes and lower government spending. However, there were two substantially more critical questions: ***First, why did Pakistan keep getting into a dire-enough condition that we needed an IMF bailout? And second, what could the country do so that it could avoid such situation forever?***

All the politicians knew the correct answers but never bothered for just solutions - some policy directions and reforms to increase domestic productivity.

***In 2013, Pakistan got an IMF loan which did what it was meant to do*** — averted a balance of payments crisis, stabilized the economy and allowed the economy to leverage the stability for more borrowed capital; the country was able to pay for its imports. ***There was an increase in foreign reserves to overvalue the rupee,*** which essentially meant that Pakistan had subsidized imports by making them cheaper. It also made country's exports more expensive BUT helped boost the consumption of mainly imported goods, which brought economic growth; thus, the GDP.

Then, it was looking good only on papers - this created a bad set of incentives for the economy as the people had found more profit in acquiring import licenses rather than investing in capacity to export, or simply moving their investment towards non-tradable sectors. ***For example, the growth in real estate that lured many textile firms to move investment away from expanding their manufacturing capacity and made huge investments in the property market – no one could export lands.***

In 1995, Pakistan exported about \$11.6 billion of goods and services — that was about \$95 for each Pakistani. By 2017, our exports jumped to just over \$21 billion, or \$108 for each Pakistani. In contrast, Bangladesh pushed its per-capita exports from about \$20 to about \$164 during the same period.

Pakistan needed real increase in exports – NOT just on-paper-exports to get the duty drawbacks by certain rogue exporters. The answer was by increasing domestic productivity — it needed people, money and materials — to produce goods or provide a service. Pakistan's growth model had mainly focused on the accumulation of physical assets, such as buildings and roads, but not the broader investments needed to increase productivity. Even the agriculture sector was unable to sustain an increase in productivity; more agricultural loans were floated in routine rather than enhancing the efficiency in using those inputs.

***The PTI govt initiated work on 13 special economic zones in July 2020 in Punjab.***

There were only three Special Economic Zones when PTI government came into power; the PTI government issued notifications for ***seven Special Economic Zones.*** The Second Special Economic Zone of the Punjab '**Quaid-e-Azam Business Park**' project was launched on 19<sup>th</sup> July 2020, whereas, one special economic zone had already been kicked off in Faisalabad.

Quaid-e-Azam Business Park was planned to cover an area of 1536 acres of land besides generating employment opportunities for more than 500,000 people. Accommodation facility for industrial workers were to be provided over 200 acres of land. The project was expected to gain great significance due to its proximity to the National Highway and Motorway; 653 industrial units were included in Quaid-e-Azam Business Park. This business park was declared a special economic zone by the Pakistani government then.

***No doubt it was mega-project to give boost for the national economy;*** especially in those days when the whole world was facing economic difficulties due to Covid-19 outbreak. First time in the national history, tax relief of Rs: 56 billion was given to the business community in Punjab but it was in the backdrop of coronavirus pandemic.

**FY20 REMITTANCES UP - RECORD \$23bn:**

The foreign remittances and inflows in June 2020 grew significantly compared to May (2020) when the country received around \$1.866bn, rising despite the negative outlook due to the impact of coronavirus. See the **State Bank of Pakistan's report** (SBP) for the last quarter of 2019-20 here; all print and electronic media dated 14<sup>th</sup> July 2020 is referred.

Pakistan received record \$23 billion in remittances during 2019-20 while the inflows jumped by 51 per cent year-on-year to \$2.466bn in June (2020). Despite economic slowdown caused by the Covid-19, the remittances in the last quarter of the fiscal year 2019-20 i.e. March-June increased significantly helping the country get more than expected inflows.

***[ 'Workers' remittances rose by a significant 50.7pc during June to reach record high of \$2.466bn compared with \$1.636bn in June 2019. On a cumulative basis, workers' remittances increased to a historic high level of***

***\$23.120bn during FY20, witnessing a growth of 6.4pc over \$21.739bn during FY19.]***

Major chunk of the remittances was from Saudi Arabia at \$619.4 million, USA \$452m, UAE \$431.7m and UK \$401m recording increases of 42pc, 7.1pc, 33.5pc and 40.8pc respectively as compared to May (2020). Meanwhile, despite 0.98pc growth, the remittances from UAE were second highest in terms of total inflows reaching \$4.662bn in FY20 – up by 6pc comparing with last year's figures.

The remittances from the Gulf Cooperation Council countries were up by 2pc to \$2.162bn while inflows from Malaysia were down 8pc to \$1.426bn in FY20. The growth in remittances from Malaysia was 35pc in FY19. The SBP added:

*"The significant increase in remittances during June can be taken as seasonal inflows in the month of Ramazan coupled by zakat and charity funds collectively increased the inflows during the last fiscal year.... Supportive government policies in terms of extension of Reimbursement of TT Charges Scheme (**Free Send Remittance Scheme**) to small remitters by reducing threshold amount from \$200 to \$100.*

*Financial institutions were motivated to use effective marketing campaigns with particular focus on digital channels for sending and receiving remittances to promote the use of legal channels."*

**On 19<sup>th</sup> July 2020;** Khyber PK govt told the media that the Executive Committee of National Economic Council (ECNEC) accorded approval to two very vital projects for the province including ***Khyber Pass Economic Corridor and Swat Motorway Phase-II***. The people of Khyber PK were thankful to the Federal Government and PM Imran Khan for approving the said two very important projects for the province. Khyber Pass Economic Corridor project was to be constructed with financial support of the World Bank that would cost an estimated amount of \$460 million; while under Swat Motorway project, a four-lane-80km Motorway was planned from *Chakdara to Fateh Pur*.

**PLUS POINT** also, the **CURRENT ACCOUNT DEFICIT** (CAD) showed decline by **78pc in 2019-20**; Shahid Iqbal's analysis published in daily **DAWN** on 22<sup>nd</sup> July 2020 is referred. The CAD had narrowed to \$2.966 billion in FY20, compared to \$13.434bn in the previous fiscal year. It was mainly on account of significant decline in imports, record high remittances and foreign direct investment during the period under review.

The said massive decline also helped PTI government improve its foreign exchange reserves through a sharp reduction in the import bill. It had intervened through increasing duties and taxes to cut down the import bill in order to reduce the trade deficit. According to SBP data, the current account deficit in FY20 fell to 1.1pc of GDP compared to 4.8pc in FY19.

Details showed that exports in the fiscal year under review fell by 7.2pc to \$22.505bn - mainly the fall was due to cancellation of exports orders since March when Covid-19 hit international markets and exports came to a halt. The SBP data further showed that the imports fell by \$9.45bn or 18.2pc to \$42.419bn. The fall in imports helped the government narrow the trade deficit — major driver behind the large current account deficit booked in FY18 and FY19.

The deficit in balance on trade of goods during FY20 was \$19.914bn compared to \$27.612bn (deficit) in the previous fiscal year. Similarly, the deficit in balance of trade in services fell to \$2.835bn from \$4.97bn in the corresponding year. The overall deficit in balance on trade of goods and services fell to \$22.749bn compared to \$32.582bn in FY19; a decline of \$9.833bn. ***The numbers showed that the government succeeded in bringing down both the trade and current account deficits.***

The pressure on forex reserves also eased after the G-20 deferred Pakistan's debt repayments due in that calendar year. However, about 30pc increase in imports in June FY20 was seen which was alarming for Pakistan's weak economy. ***Pakistan's economy was expected to stabilise; the growth was the next target for PTI government.*** Stabilisation policies — which included fiscal and monetary policies — remained what they were. The PTI govt opted to stabilise the economy around its underlying productivity growth rate. As Paul Krugman, a Noble Laureate economist, held that ***"productivity isn't everything, but in the long run it is almost everything."***

The critics had serious doubts that during 2019-24 Pakistan's economy could grow as was projected by PTI government. The economic growth started falling down for a while because some drastic actions were taken by PTI government through FBR. The cases against political prisoners also terrified from industrialists to a common man and nobody was interested to spend a single rupee as an investment. The inflation was going upward and people were just passing the time with high hopes. In fact, ***the population growth overwhelmed the economic progress.***

BUT, suddenly the PTI's policies started giving fruit; see the following:

*"Over the first four months of fiscal year 2019-20, **the country's trade deficit decreased significantly by 33.5pc.** Trade deficit fell from \$11.7 billion recorded from July-October of FY18-19 to \$7.8bn during the same period this year; it was due to a fall in imports, which recorded a decline of 19.3pc. Exports, meanwhile, saw a meagre rise of 3.6pc and grew from \$7.3bn to \$7.5bn.*

*During the month of October, trade deficit fell by 32pc and was recorded at \$1.97bn as opposed to last year's \$2.9bn. Exports during the same month of the current fiscal year increased by 6pc, rising from \$1.9bn to \$2bn. Imports fell by 17pc and were recorded at \$3.9bn as opposed to \$4.8bn from last year;" **Reuters Report** published on 2<sup>nd</sup> November 2019 is referred.*

### **PAK-ECONOMY UP BEYOND EXPECTATIONS:**

For years 2021-22, Pakistan's economic growth rate was projected at 3.94pc - beyond expectations with all major macro-economic indicators showing positive trend amid the Covid-19 pandemic; it was as compared to a revised negative 0.47pc in 2019-20. See the media reports dated 22<sup>nd</sup> May 2021:

*"The growth figures came as a surprise as the State Bank of Pakistan (SBP) had estimated GDP growth at 3pc, while the finance ministry's projection was slightly on the lower side. The growth projection of multilateral donors — **the IMF and the World Bank (WB)** — was between 1.3pc and 1.5pc for the fiscal year 2020-21 but **the PTI's policies worked miraculously.***

*For a number of years, the services sector was a major reason for economic growth in the country and, this time again, it witnessed a growth of 4.43pc this year."*

However, the **agriculture sector** posted a trivial 2.77pc growth, while industrial output grew 3.57pc. The surge in growth was partly explained by the low-base of last year when the economy contracted due to effects of the Covid-19 pandemic. Figures defied IMF & WB projection and exceeded even SBP's estimates. ***The said figures were framed in the 103rd meeting of the National Accounts Committee, chaired by Planning, Development and Reform Secretary, to review the Gross Domestic Product.***

Provisional estimates for the fiscal year 2020-21 for GDP and Gross Fixed Capital Formation (GFCF) were presented on the basis of the latest data available for six to nine months. PM



Khan took to Twitter, saying *'the higher GDP growth reflects the success of his government's economic policies while managing the Covid-19 pandemic. Our V-shaped recovery is balanced between three major sectors — agriculture, industry and services.'*

The country's GDP size then stood at Rs:47.709 trillion for 2020-21, compared to Rs:41.556tr of the previous year, showing a growth of 14.8pc. But contrary to that, the GDP size surged to \$296 billion in 2020-21 against \$263bn in 2019-20, an increase of \$33bn or 12.54pc. The size of the economy grew in dollar terms as the rupee strengthened against the greenback — the highest-ever increase in the previous years.

The per capita income was calculated at Rs:246,414 for 2020-21, compared to Rs:215,060 in 2019-20, showing a growth of 14.6pc. The per capita income in dollar terms had jumped by 13.4pc to \$1,543 during that fiscal year from \$1,361 last year. The per capita income had posted a growth due to a combination of GDP growth and strengthening of the rupee against the dollar. The growth in GDP in a period in which Covid-19 posed a huge challenge to the economy was extremely gratifying and proof of success of the PTI government's economic policies.

AGRICULTURE SECTOR, as said above, grew by 2.77pc during the fiscal year 2020-21 against 3.31pc in 2019-20. The growth of important crops that year was 4.65pc in the backdrop of the historic highest-ever production of wheat, rice and maize. Sugarcane registered the second highest-ever production. ***The growth in production of wheat, rice, sugarcane and maize stood at 8.1pc, 13.6pc, 22pc and 7.38pc, respectively.*** However, cotton witnessed a negative growth of 22.8pc, which also resulted in a 15.6pc decline in cotton ginning. Other crops, including vegetables, fruits and green fodder, showed a positive growth of 1.41pc.

LIVESTOCK SECTOR registered a growth of 3.1pc, which was a deviation from its historical growth, primarily because of shrinkage in demand for dairy and poultry. Forestry growth declined to 1.4pc from last year's 2.29pc.

**INDUSTRIAL SECTOR** *witnessed a positive growth of 3.57pc the said year as against a negative growth of 3.77pc previous year.* However, value-addition in the mining and quarrying sector had declined by 6.5pc. ***The large-scale manufacturing (LSM) sector, which was driven primarily by QIM data (from July 2020 to March 2021), showed an unprecedented growth of 9.29pc.*** Major contributors to this growth were textile (5.9pc), food beverage & tobacco (11.73pc), petroleum products (12.71pc), pharmaceuticals (12.57pc), chemicals (11.65pc), non-metallic mineral products (24.31pc), automobiles (23.38pc) and fertiliser (5.69pc).

The electricity and gas sub-sector had declined by 22.96pc mainly due to lower allocation of subsidies by the government to power distribution companies, low increase in output and a higher proportional increase in intermediate consumption.

**CONSTRUCTION ACTIVITY** had increased by 8.34pc mainly due to an increase in general government spending and private sector construction-related expenditures. The wholesale and retail trade sector grew by 8.37pc primarily because of an increase in marketable surplus. The ***transport, storage and communication sector*** declined by 0.61pc. The finance and insurance sector showed an increase of 7.84pc. The remaining components of services — housing, general government and other private services — witnessed a positive growth of 4.01pc, 2.20pc and 4.64pc, respectively. PTI's Finance Minister Shaukat Tarin had unveiled the Pakistan Economic Survey 2020-21 at a press conference in Islamabad on 10<sup>th</sup> June 2021.

Shaukat Tareen further said that the **INFLATION** measured by the Consumer Price Index (CPI) was recorded at 8.6pc during July-April FY2021 against 11.2pc during the same period of previous year. The government had targeted inflation of 6.5pc for FY21. This was achieved due to the government measures for maintaining price stability. Inflation in perishable food

items increased 0.1pc against an exorbitant increase of 34.7pc during the same period of the previous year.

Federal Board of Revenue (FBR) **Tax Collection** came in at Rs:3,780.3 billion, registering double-digit growth of 14.4pc during July-April FY2021 against Rs:3,303.4 billion in the same period of previous year. The PTI govt had set a revised target of Rs:4,691 billion for FBR for the full fiscal year.

Under **Current Account** heading: during FY2021, while the world was reeling from the economic impact of the pandemic, Pakistan's external sector appeared as a key buffer for resilience. During July-March FY2021, current account posted a surplus of \$959 million (0.5pc of GDP) against a deficit of \$4,147m last year (2.1pc of GDP). The main driver of improvement in current account balance was the robust growth in remittances. The inflows accelerated posting a year-on-year growth of 26.2pc during the period under review.

**Trade Deficit:** During July-March FY2021, export of goods grew by 2.3pc to \$18.7bn as compared to \$18.3bn the same period of previous year; import of goods grew by 9.4pc to \$37.4bn. Consequently, the trade deficit increased by 17.7pc to \$18.7bn as compared to \$15.9bn of the previous year. Thus, Pakistan's total debt had increased nominally in the last 9 months; Rs:1.67 trillion in FY21 to reach Rs:38 trillion - out of that Rs:25 trillion was local debt while around Rs:12.5 trillion was foreign debt.

**Employment levels** almost came back to pre-Covid time; the economic survey revealed. Before the start of the Covid-19 pandemic, 35pc of Pakistan's population or 55.7m people were employed; the number decreased by around 20 million to 35m after lockdowns were imposed. In July 2020, the government announced [a] package for construction sector. Thus, opening of sectors in which daily wagers were working along with fiscal stimulus and monetary measures made economy recover. As a result, people started working again and the total number of employed people rose to 52.5m or 33pc of the population. In the start, the provinces doubted [the federal policies] too but because of them, 52m people came back to work in October 2020 and only 2.5m people were left unemployed then.

### **PTI's MANIFESTO – ECONOMIC BETRAYAL (?)**

However, contradicting the said (above) Economic Survey presented by the PTI's FM Mr Tareen, some critics raised loud voices; see the analysis of **Dr Ikramul Haq** & others dated 29<sup>th</sup> October 2021 on daily **DAWN** and allied media pages:

*"In its manifesto, PTI made commitments to introduce reforms and transform governance through accountability to the core of government, empowering people at the grass root level through local government, depoliticizing and strengthening police, reforming the criminal justice system, and providing speedy access to justice. They also submitted their commitment to bringing reforms in civil services, institutionalize e-governance, delivery through legislative reforms, ensuring freedom of the press – BUT No achievement seen....."*

{However, one can see the intelligence of the critic that instead of commenting on Economy related performance, he relied on general narration of administrative clauses like police & criminal justice system etc.....}

The said critics elaborated that the **Chapter IV of the manifesto** explained about the road to inclusive economic growth by introducing reforms in Federal Board of Revenue (FBR), creation of 10 million jobs, implementing policy framework to build five million housing units, making Pakistan business friendly and facilitating rapid growth of the Small and medium Enterprises (SMEs), transformation of key economic institutions, fixing energy challenges and ensuring that China Pakistan Economic Corridor (CPEC) would be translated into a game-

changer. Apart from those tall claims, the PTI also undertook in the manifesto providing easy access to finance for citizens and industry, boosting tourism, building of knowledge economy by utilizing Information Technology (IT). BUT, **by looking at their (till then) 38 months' performance, Pakistan experienced a negative form of governance.**

The learned critic held that the PTI coalition government failed to introduce **performance review mechanism for ensuring check and balance on the cabinet members** as well as public sector institutions (*that objection was not Economy related strictly either*). BUT he forgot the known legal maxim '**he who comes into equity must come with clean hands**' - the basic guiding principle of accountability went ignored for his own person. To some extent, **Dr Ikramul Haq** truthfully mentioned:

*"..... some members of federal cabinet are facing corruption allegations. Pakistan has witnessed increase in corruption under the present (PTI) Government. Resultantly, the mantra of corruption is losing its effectiveness and contrary to government's claims, Pakistan in 2020 slipped seven positions downwards on corruption perception index as compared to its position in 2018.*

*Some cabinet members are also named in various scandals. The famous Sugar Crisis caused unprecedented price increase as exporters of sugar gained benefit in two ways: first they were able to get subsidy and secondly allowed to make profit from the rising sugar prices in the local market (increased from Rs 55 per kg in December 2018 to above Rs 100 per kg in 2021). Despite **Report of the Sugar Inquiry Committee** wherein the role of various ministers has been questioned recommending action against them, no enquiry is made for the alleged corruption.*

***The unprecedented decision of the (PTI) Government to allow sale of subsidized wheat for the poultry sector was taken at the policy level. The entire process was completed within a span of only three days, from submission of application by the Poultry Association to the Minister of National Food Security & Research (MNFS & R) on 19<sup>th</sup> November 2018, summary moved by the Secretary MNFS&R on 20<sup>th</sup> November 2018 and the ECC's decision allowed 0.2 million tons on 22<sup>nd</sup> November 2018.***

This had been a saga of failures at the miscellaneous policies and administrative governance levels where massive embezzlement in public procurement was further compounded due to inept handling by the provincial food departments, and collusive malpractices of their officials and private stockists. Planned shortage of wheat had harshly affected the common man while on the other hand had enriched the poultry business owners by giving them subsidized wheat and later raising the prices of poultry products. The nation suffered on account of maladministration but no economic failure was involved in the said media article.

On another count, the PTI govt approved price hike for hundreds of local and imported medicines ranging between, 262% to 400% as reported in the media with the name of a PTI minister in circulation but no action was taken against him. Rather, he was awarded with a powerful party position. On economy front, the rupee against the USD reached record level of 176 (- **after April 2022, it went the record lowest of Rs:300 within six months**). Claims of reforms in FBR could not materialize as had been failed in previous regimes of the PMLN and PPP. Bailouts from friends instead of investment served no useful purpose – as had been happening during other parties' regimes previously.

***{One Friday night, on 6<sup>th</sup> November 2021, 27-year-old Asadullah, who used to sell old shoes on a cart, set himself on fire in the Pakistani city of Karachi. His relatives, blamed the state of an economy where rampant inflation was hitting those least able to cope. In comments to local media, they said Asadullah used to get calls from his***

*wife and parents asking him for money, but he could not afford to pay the rent and meet his own expenses and sending money back home was no longer possible.}*

An alleged economic meltdown was putting the Pakistani prime minister, Imran Khan, under immense pressure and bringing the ***threat of unrest as record inflation – the fourth highest in the world*** – the price of sugar was higher than petrol. However, in an address to the nation in ending days of October 2021, Khan blamed the opposition for past mistakes and inflation in the international market for the miseries of the people in Pakistan. He also announced a 120bn-rupee relief package providing subsidies on essential food items. The economic analysts said it was not enough – ***'The package is a drop in the ocean and will do little to help the mass of ordinary people. The pressure on Imran Khan will continue to mount because we have seen further price hikes, such as of fuel and sugar, after the announcement of the package.'***

The critics of the PTI maintained that inflation was imposing a crushing burden on ordinary people because it came at a time of high unemployment and stagnant wages. ***Prices of some essential items, such as fuel and electricity, were unprecedentedly high – could be due to after-effects of Covid-19 when the whole world was suffering the same like high-tides of inflation.*** The Pakistan Democratic Movement (PDM), an opposition alliance, announced a campaign against the PTI govt and the inflation rates the country was witnessing. A long march against inflation was also announced as a part of the campaign from Lahore to Islamabad.

The agenda of the said campaign remained that ordinary people of the country would struggle to afford basic necessities if prices were not brought down. Low level shopkeepers witnessed a fall in the number of customers as prices went up. No one was worried about inflation to daily wage workers, who were unable to afford buying food for their families. People in neighbourhoods believed that three years ago, a sack of sugar (50kg) cost about 3,000 rupees (£13) but then it was more than 7,000 rupees (£30). A federal officer complained, while saying: *'I could run my kitchen for 60,000 rupees (£261) three years ago and now I can't do it for 90,000 rupees (£393);'* daily **THE GUARDIAN** of UK dated 9<sup>th</sup> November 2021 is referred.