

SOME BASIC FACTS ABOUT PAKISTAN ECONOMY

Reference to be provided by Prof. Khurshid
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1. The Gross Domestic Product during 1986-87 has increased at a slightly lower rate than the one registered in 1985-86. More serious failure, however, lies in deterioration in public finance as well as overall budgetary deficit in the country. The budgetary deficit has increased from 6% of GDP in 1983-84 to 8.8% in 1986-87. Public savings are extremely low. Promised tax reforms have not taken place. Current expenditure has increased at 17.8% as against increase in revenue receipt of 10.8% and developmental expenditure has increased at 11.8%. This means that the rate of increase in the non-developmental expenditure is around 40% more than the rate of increase in the developmental expenditure.
2. Inflationary pressures are building in the economy. Last year the official rate was 3.9% and independent economists were of the view that the rate of inflation is between 8 to 10%. In 1986-87 the latest data shows that wholesale price index has increased by 9.5% in the last quarter. It is feared that the real rate of inflation this year would be around 15%.
3. Agricultural production is facing great threats and it is feared that the target of wheat production would be 14 to 15% less than the actual during the last year and the country will have to import approximately 2 million tonnes of wheat.
4. Manufacturing sector particularly large scale is also lagging behind. Last year it increased at 7.3% and this year it is expected to rise only by 6.7%.
5. The inflow of home remittances has been substantially reduced. Real net fact or income from abroad has declined by 12% in 1986-87 as against a rise of 8.6% in 1985-86. The rate of increase in per capita income would fall from 4.2% in 1985-86 to only 2.9% in 1986-87.
6. The deficit financing is on the increase. The amount of deficit financing in 1986-87 is 10.9 billion as against 5.8 billion last year. It means deficit financing has almost doubled over the year.

The State Bank of Pakistan in its annual report has expressed grave concern over this situation. It observes as follows:

"The most important structural problem needing priority attention is the need for fiscal reforms and mobilization of resources this is a recurring theme and is rightly emphasized in any objective analysis of the economic management and growth

prospects, of the country. The need to enhance the relatively low and stagnating level of investment in the economy can hardly be over-emphasized. During the past few years the growth rate of Government and private consumption in Pakistan has been one of the highest among the low income developing countries. On the other hand, national savings as a percentage of 6NP compare unfavorably with most of the countries at comparable level of development. The level of public savings is particularly low and the Government finances are continuously under strain. Overall budgetary deficit at Rs. 52.8 billion during 1986-87 is 8.8 percent of the GDP and over the past 3 years has doubled in absolute terms. When viewed in the context of other relevant indicators like: the level of foreign debt and debt servicing and trend in resource mobilization through taxes, the situation needs urgent rectification if relative financial stability and viability of balance of payments is to be maintained in the years ahead. Expansionary fiscal policy could easily lead to inflation with implications for savings, relative prices, real exchange rate and trade policy. Growth in employment is also linked with expansion in real output since higher employment, without a corresponding increase in output, can lead to a decline in productivity, which a developing country cannot sustain in the long run. Unless a major effort is undertaken at additional resource mobilization, together with containing current expenditure, the growth process and price stability could be seriously disrupted."

7. The Government has been saying that they have eliminated interest but the fact is that whatever improvements were made in the banking system has been nullified during the last two years. At the moment Government is directly running at least seven major schemes based on interest, latest being WAPDA Bonds which are interest-bearing and have been declared to be free from Zakat as if the Government has the right to impose or Zakat wherever it wishes.
8. The quality of life in Pakistan can be accessed from the following:
 - 76.5% of the population is illiterate. Only 48% of the primary age group population is able to get primary education in the country, which means over 50% of boys and girls of the primary school going age are deprived of primary education.
 - Only 38% of the population has access to clean water which in the rural areas is only 22%.
 - Access to sewerage facilities is enjoyed only by 16% of the population only 4% in rural areas.

- Electricity is available to 36% of the population.
 - Telephones are available only to 5% of the population.
 - Health: While 75% of the people live in rural areas only 6% of the doctors available in the country serve in rural areas.
 - According to the household income and expenditure survey 39% of the population is still below poverty line which is defined as Rs. 95/- per person per month.
 - Total domestic debt of the Federal Government outstanding on 30th June, 1987 amounted to Rs. 243 billion which was 22.7% higher than the last year. Domestic debt as a percentage of GDP in 1986-87 is dangerously high.
 - The exchange value of Pak Rupees is continuously depreciating and as against Dollar it has depreciated by 42.9% between 1982 and 1987.
 - The total external indebtedness as on 31st December, 1986 was \$11.7 billion. The annual debt servicing now comes to \$1.2 billion which means that whatever we are getting by means of foreign aid 90% of it is being | consumed in debt servicing.
 - The un-employment situation is also extremely precarious. The Government's estimates of un-employment are 3.8% but the ILO surveys put the rate of un-employment at 15% of the existing force. If concealed un-employment is also taken account of the total extent of un-employment in the country may be between 20 to 25% of the population which is amongst one of the highest in the world. One in every five persons in Pakistan today is either out of job or is under-employed and as such searching for a job that could fully utilize his skills.
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