Last Three Years Progress of the Government in Petroleum & Natural Resources and Water & Power Sectors as well as Improving Road Connectivity in the Country

PETROLEUM AND NATURAL RESOURCES

- The current gas supply in the country is less than 4 Billion Cubic Feet Per Day (BCFD), while the demand is over 6 BCFD.
- The Government's target is to have surplus gas in the system for all consumers including power plants, fertilizers, industry, domestic, and the CNG Sector by 2018.
- The Iran-Pakistan gas pipeline project could start with 250 Million Cubic Feet Per Day (mmcfd) of gas flows and then gradually go up to 150 mmcfd.
- The Turkmenistan-Afghanistan-Pakistan-India (Tapi) gas pipeline project envisaged 1,325 mmcfd of gas to Pakistan and is scheduled to be completed in January 2020.
- Import of liquefied natural gas is the only short- to medium-term solution of Pakistan's energy needs. Currently, 400 mmcfd of LNG is being supplied to the system which will increase to 1200 mmcfd in June 2017. The target is to inject 2,000 mmcfd of LNG in the system by mid-2018.
- At present, all power plants and fertilizer are getting the required gas and the industry is getting natural gas 24/7. Gas is also available for the CNG sector.
- Rs.850 billion worth of gas pipeline network and four LNG terminals at a cost of Rs.120 billion are in different stages of implementation.
- LNG-based power plants producing a total of 4,000MW will become operational by mid-2017.
- The Highest Crude Oil Production of 100,000 Barrels Per Day (BPD) was achieved on 7 December 2014. The current domestic production is 90,000 BPD, while 400,000 BPD is being imported. The country's refining capacity is 11 Million Tonnes Per Annum (MTPA) whereas the consumption is 23 MTPA.
- Investments in oil storages, oil pipelines and deep conversion refining capacity are needed. Deep conversion refinery having the capacity of 250,000-400,000 BPD with a petrochemical complex worth US$ 5 billion is the major investment opportunity.

- Pakistan will shift gasoline from non-standard 87 RON to 92 RON from 01 October 2016 and diesel will be shifted from non-Standard 3000+ ppm Sulphur Diesel to 500 ppm Sulphur Euro II Diesel from 01 January 2017.
- The reliance on fuel oil will be reduced by shifting power generation to high-efficiency LNG based gas.

<u>ELECTRICITY</u>

- In 20l3, the country faced a power deficit of 5,500MW. The industrial sector and urban areas had 12 hours load shedding, while the rural areas had 14 hours.
- To meet the challenge, the Government adopted a strategy with the following elements: improving cash flows; optimizing generation; having a predictable load management; better customer service; and investment facilitation.
- US$58 billion worth of investment in the power sector is expected for generation of 30,948MW by 2022 of which projects worth US$36 billion have been secured and several of them have achieved financial close. Pakistan's energy mix in 2022 will be: 38% from Hydel, l4% from Renewable, l6% from imported coal, 13% from indigenous coal, l2% from imported LNG and 7% from nuclear.
- A peak generation of 17,120 MW was achieved in June 2016. By the end of 2016, the country will be producing 19,917 MW of electricity.
- At present, the Industry is facing no load shedding, except during Ramazan. Urban consumers are facing 6 hours of load shedding and the rural 8 hours. The Government is committed to eliminate load shedding by 2018.
- Of 10,400MW portfolio of the China Pakistan Economic Corridor, 8,630MW is currently under different phases of execution.
- Government managed to improve recoveries of electricity bills to 93 .40% in 2015 from 88.70% in 2013. It reduced Aggregate Technical and Commercial losses (AT&C) from 27.8% in 2013 to 23.4% and Transmission and Distribution losses (T&D) from 18.6% in 2013 to l8% in 2015.
- Work is in progress on upgrading and improving the transmission lines and network.

<u>ROADS</u>

- In 2013, the length of motorway in the country was 580 km. By 2018, it will be extended to 1800 km.

- National Highway Authority is currently implementing Rs.850 billion worth of road projects which will be completed in three years.
- The 10 km long Lowari Tunnel will be completed by the first quarter of 2017, which will link Chitral to the rest of the country.
- The Government was using existing motorway/road network for the Eastern alignment of the CPEC while simultaneously working on its Western alignment. Work on 200 km Gwadar-Hoshab section has been completed, while 449 km Surab-Hoshab section will be completed by the end of this year. Other sections of the Western alignment are also at various stages of construction.
- NHA will also strengthen East-West Connectivity in the country.
- The NHA has targeted to reduce the ratio of traffic accidents by one-third. The points on roads where there was a recurrence of accidents (Black Spots) were being identified and the Authority had allocated Rs.1 billion for road safety.

Economic Survey of Pakistan 2015-16

Brief Overview

The Economic Survey of Pakistan 2015-16 was released on 02 June 2016. The salient points are the following:

- GDP growth rate for the Fiscal Year 2016 (FY 2016) is 4.71% which is the highest growth rate achieved since 2008-09. The target growth rate of 5.5% could not be achieved due to the negative growth in the Agriculture Sector. GDP growth rate in FY 2015 was 4.04%.
- Per capita income increased from US$1,516 in the FY 2015 to US$1,560 in the FY 2016.
- The Agriculture Sector contributed 19.82% to the GDP in FY 2016. Its growth rate was -0.19% against 2.3% last year. Important crops (cotton, wheat, rice, maize, sugarcane etc.) have a share of 23.55% of the Agriculture Sector. They recorded negative growth of -7.18%. The cotton production witnessed an exceptional decline of 27.83%. The livestock sector contribution to the Agriculture Sector is 58.55%. It grew by 3.63%. Contribution of fisheries and forestry were 2.17% and 2.06%, respectively. They posted growth rate of 3.25% and 8.84%, respectively.
- The contribution to GDP of the Industrial Sector was 21.02% in FY 2016. The Sector achieved growth rate of 6.80%, against 4.81% last year, and surpassed the target of 6.4%. Manufacturing contributes 64.71% to this Sector and it grew by 5.00% during FY 2016 compared to 3.90% last year. Construction contributes l2.29% to the Industrial Sector and it recorded the growth rate of 13.14% in the FY 2016 against the growth of 6.24% last year. Mining and Quarrying sub-sector contributes 14.9% to the Industrial Sector and it grew by 6.8% against 3.97% of the last year. Electricity generation, distribution and gas distribution contributes 8.81% to the Industrial Sector and posted the growth rate of 12.18% against the growth rate of 11.98% last year. This component of the Industrial Sector surpassed the targeted growth rate.
- The GDP share of Services Sector stood at 59.16% in FY 2016. It grew at the rate of 5.71% compared to 4.31% last year.
- The budget deficit witnessed substantial decline from 8.2% of GDP in FY 2013 to 5.3% in FY 20l5. In July-March FY 2016. the fiscal deficit was 3.4% of GDP.

- The overall tax to GDP ratio increased from 9.8% of GDP in FY 2013 to 11% of GDP during FY 2015.
- During July-April FY 2016, the FBR collected Rs.2,346.1 billion as provisional tax revenues against Rs.1,973.6 billion in the same period last year, thus reflecting a growth of 18.9%. The share of direct tax in total FBR tax collection is 37.9%, direct taxes has registered a growth of 14.4% during the first ten months of the current fiscal year.
- Development expenditure grew by 20.6% (Rs.699.4%) during July-March FY 2016.
- The State Bank of Pakistan policy rate was 5.75% in May 2016 which is the lowest in the last 44 years. During July-6th May FY 2016, credit flows (Rs.311.7 billion) to the private sector have seen an expansion of 82% compared to the last year (Rs.171.2 billion).
- Three stock exchanges i.e. Karachi, Lahore and Islamabad were merged into a single Pakistan Stock Exchange (PSX) during the current fiscal year. PSX 100-Index reached 36,266 on 11 May 2016, a 5.4% gain over 30 June 2015 and the highest level in Pakistan stock market history.
- Inflation during July-April FY 16 was 2.79% which is the lowest in the last 13 years. In FY 2015, the inflation was 4.5%.
- The provisional figure of July-April FY 2016 shows that export of goods declined by 9.5% and stood at US$ 18.2 billion. Import of goods declined by 4.7% to US$ 32.64 billion during the same period.
- During July-April FY 2016, remittances stood at $16,034.4 million compared to $15,235 million during the corresponding period last year.
- During July-April FY 2016, net foreign direct investment crossed US$ 1 billion with growth of 5.4%.
- Foreign exchange reserves reached the highest level of US$ 21.4 billion on 18 May 2016.
- Pak Rupee depreciated by 2.9% during July-May FY 2016. The Pak Rupee exchange rate was Rs.104.75 to 1 US Dollar in May 2016 as compared to Rs.l01.76 per US Dollar at the end of June 2015.
- The public debt was recorded at Rs.l9,l68 billion at the end of March 2016 registering an increase of Rs.1,787 billion through the first nine months of the current fiscal year.
- External Debt and Liability stock was recorded as US$ 69.6 billion at the end of March 2016 out of which external public debt was US$ 55.1 billion.

- The major debt sustainability indicators, nevertheless, have improved in the last two fiscal years. The Government plans to further reduce the statutory debt limit from 60% to 50% of GDP in the next fifteen years starting from 2018-19 and introduce a Bill in the Parliament for necessary changes in the Fiscal Responsibility and Debt Limitation Act to limit the federal fiscal deficit to 4%.
- Pakistan is the sixth most populous country in the world with an estimated population of 195.4 millions. The population growth rate is 1.89% during FY 2016. The country has 61.04 million labour force out of which 3.62 million (5.9%) are unemployed. Total labour force working in the Agriculture Sector was 42.3% in 2014-15 and 153% in the Manufacturing Sector. During 1971-2015, almost 8.77 million Pakistanis proceeded abroad through the Bureau of Emigration, 96% of them to GCC countries.
- Planning Commission adopted a new poverty line based on Cost of Basic Needs (CBN approach) which focuses on the consumption pattern of households in the reference group and it comes to Rs.3030 per adult per month. According to the CBN, 29.5% of the population is estimated to live below poverty line during FY 2014.
- The literacy rate improved to 60% in FY 2016 as compared to 58% in FY 2014. Public expenditure on education was 2.2% of GDP in FY 2015. The target is to increase it to 4% of GDP by 2018.

The Economic Survey 2015-2016 is available at the website of the Ministry of Finance.