ECONOMIC BULLETIN

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Editor's Corner

Dear Readers,

The Federal Budget 2013-14 has been presented against a backdrop of an economy mired in crisis — the ongoing war against terrorism has cost the economy immensely (an estimated $68 billion by end June 2011, updated figures not available); the deepening power and gas shortages have wiped out 2 percent from GDP; sluggish growth in tax revenues have resulted in a poor tax to GDP ratio, making Pakistan one of the least taxed countries in the world; poor performing public sector enterprises have been a drain on the exchequer and a source of major fiscal leakage; poor investor confidence given the unstable security situation and energy shortages have resulted in falling investment GDP ratio. Fiscal deficit, public debt and circular debt has risen and with the economy growing at a slow pace it has contributed towards socioeconomic problems; growing unemployment, social unrest, lawlessness, income disparities. Foreign exchange reserves have declined, accompanied by a fall in the value of Pak Rupee.

There are no short quick solutions, as the challenges are enormous. The Budget 2013-14 has laid out an ambitious strategy and plans on reforms to spur growth, rebuild key infrastructure, push through energy reforms (circular debt to be eliminated), continue with the previous government's targeted support programme, provide much needed impetus to investment, control the fiscal deficit, reduce untargeted subsidies, raise much needed revenues and bring reforms in public sector enterprises. With the government showing its political willingness to undertake these reforms, one hopes that a change for the better will ensue and the economic fundamentals will show some improvement over a period of time.

The Federal Budget offers support for certain segment of society, like increasing Income Support Programme funds; raising government employee pensions by 10 percent; and raising development expenditure would help stimulate economic activities and create employment opportunities for the growing young people entering the labour force. The Budget has initiated a programme to encourage young people to start their own business. Small business loans will be made available through the banking system, where the loan size would range between Rs100,000 to Rs2,000,000. Qarz-e-Hasana would be launched with an allocation of Rs5 billion where finance would be made available through selected microfinance providers to those who want to undertake micro-enterprises, but do not have the resources. Women especially would be encouraged. Such initiatives if properly implemented in a transparent manner, where loans are not misused and the deserving receives the loan, would help in achieving the objective of the scheme.

Pakistan is negotiating with the IMF for a new loan, as it has to repay the existing loan taken during the tenure of the previous government. Debt servicing and foreign loans repayment, which consume 42 percent of current expenditure are a drain on the national exchequer and have depleted reserves. The past IMF loan programme received, required Pakistan to focus among others on tax reforms, energy sector reforms, restructuring of public sector enterprises, improving governance. Reduction in budget deficit was to be achieved through revenue and expenditure measures; broadening of key taxes, reducing untargeted subsidies, while fully protecting the most vulnerable members of society through targeted assistance schemes and expenditure restraint both at the federal and provincial level. Energy sector reforms, included removal of price distortions and subsidies, raising investment in new energy production. The new IMF programme takes into consideration the need for sustained improvement in tax collection as well as a significant widening of the tax base and a more equitably shared tax burden, phasing out of SROs. Untargeted subsidies to be phased out, long standing energy problems to be addressed through focusing on circular debt accumulated in the sector, tariff rationalization and promotion of investment for energy generation and modernization. Reforms would also be taken in the areas of public sector enterprises, and the business climate to encourage higher investment. Some of these reforms would entail more burden on the common man.

Ayesha Mahmood

Federal Budget 2013-14 – An Overview

The ongoing war against terrorism, sectarian killings, growing extremism, energy shortages, sluggish growth in tax revenue collection, and deterioration in the working of public sector enterprises, have caused irreparable loss to the economy. The deterioration in law & order and growing security concerns have driven away investors. As the investment climate remained challenging, the investment to GDP ratio declined from 19.3 percent in FY06 to 14.2 percent in FY2012-13. Public sector investment generates spillover effects for private sector investment as it facilitates the development of the later through development spending particularly on infrastructure. However, reduction of development expenditures limits private sector development. Public sector investment decreased from 4.8 percent of GDP in 2007-08 to 3.9 percent in 2012-13, and private investment fell from 12.8 percent to 8.7 percent during the corresponding period.

Challenges for the economy

The persistent energy crisis with long hours of load shedding has affected economic activity and brought misery to million across the country who have to endure prolonged power outages. The growth performance of GDP at 3.6 percent together with its sub-sectors, agriculture, manufacturing and services was below the annual target for the year.

Growth Performance

(%)

	Target 2012-13	Estimated 2012-13
GDP	4.3	3.6
Agriculture	4.1	3.3
Manufacturing	4.4	3.5
Servies	4.6	3.7

Source: Annual Plan 2012-13

There are huge economic costs of outages in the industrial sector, loss of employment opportunities and loss of exports. A study had shown that power load shedding had cost the industrial sector Rs210 billion, or over 2 percent of GDP, over $1 billion of export earnings and potential displacement of 400,000 workers, four years back. With no respite from power load shedding these costs have gone up and would be much higher if the impact on other sectors like agriculture and services sector are also included. Circular debt, weak financial position of energy companies, falling gas production, high dependence on oil/gas (over 80%), low exploitation of indigenous coals and hydel resources and unutilized power generation capacity are some of the significant constraints leading to severe energy shortages, states the *Pakistan Economic Survey 2012-13*.

Costs of power outages

In the outgoing fiscal year, the Federal Board of Revenue (FBR) revised the tax revenue target, but the revised target could not be met and tax collection remained sluggish. This can be attributable among others to slow growth in the economy, impact of energy crisis on the manufacturing and other sectors of the economy, slump in taxable imports and little effort made to expand the tax base. While a part of this sluggishness maybe the result of low level of economic activity and anemic investment due to energy constraints and law & order issues; the lack of tax reforms; a range of tax exemptions; and leakages; remain the major factors behind this slowdown, states the *Third Quarterly Report for the Year 2012-13 of State Bank of Pakistan on the State of Pakistan's Economy*.

Slow growth in revenues

While revenues showed slow growth, expenditures on power subsidies and debt servicing increased sharply. Loss making public sector enterprises also drained budgetary funds from productive uses. This has resulted in growing fiscal deficit, estimated at 8 percent, against a target of 4.5 percent. Growing expenditures in the presence of constrained domestic resources and limited foreign assistance prove a challenge for the fiscal authorities. The government has had to resort increasingly on the banking system to finance the growing deficit. In 2012-13 external sources to finance the budget deficit declined

Box

Pakistan Economy 2012-13 — Highlights
Targets 2013-14

In the outgoing fiscal year, the domestic economy continued to be faced with deepening energy crisis, growing circular debt, poor performance of public sector enterprises, declining investment, ongoing war against extremism, which has caused irreparable loss to the economy, socio-economic problems, decline in foreign exchange reserves, increase in domestic debt, and economic mismanagement. There were however, some positive developments, inflation fell significantly, large scale manufacturing showed signs of recovery, inflow of workers' remittances rose, and the pace of foreign direct investment, which was slow in the beginning of the fiscal year picked up in the later months.

We give below highlights of the Pakistan Economic Survey 2012-13 recently released: -

Growth Trends

- Real GDP grew by 3.6 percent (target 4.3%), agriculture by 3.3 percent (target 4.0%), large scale manufacturing by 2.8 percent (target 2.5%) and the services sector 3.7 percent (target 4.6%).
- The overall growth of GDP is shared between the commodity producing sectors and services sector. The agricultural sector contributed 0.72 percentage points, industry 0.73 percent and the services sector 2.14 percentage points.
- Important crops subsector grew by 2.3 percent against 7.4 percent in FY12, attributable to a decline in the production of rice (10%) and cotton (4.2%).
- Other crops grew by 6.7 percent against a decline of 7.7 percent a year earlier, mainly because of a substantial increase in the production of gram.
- Large scale manufacturing grew by 4.3 percent (July-March) as compared with 1.5 percent in the comparable period of the preceding year.

Investment and Savings

- Total investment as a percent of GDP has declined over the years; falling from 19.21 percent in FY08 to 14.2 percent in FY13. During the corresponding period, gross fixed investment has fallen from 17.6 percent to 12.6 percent.
- Public and private investment too has fallen. As a proportion of GDP, public investment has fallen from 4.8 percent in FY08 to 3.9 percent in FY13, while private investment has declined from 12.8 percent to 8.7 percent in the corresponding period.
- Both national and domestic savings have shown a declining trend. The former has declined to 13.5 percent in FY13 from 15.2 percent in 2005-06, while the later has dropped to 8.7 percent from 13.4 percent.
- Inflow of foreign direct investment stood at $853.5 million during July-April FY13, as against $658.2 million a year earlier. Oil and gas exploration remained the major sector for foreign investors.

Inflation

- Inflation as measured by Consumer Price Index remained in single digit during the year 2013 (upto April), due to better supply of food and nonfood items. It is expected to be below the target of 9.5 percent.

Fiscal Developments

- The fiscal deficit for 2012-13 is 8.8 percent of the GDP.
- The country's tax system continues to suffer from structural weaknesses, as a result of which FBR tax to GDP ratio stood at 6.6 percent during July-April FY13.
- This ratio can only be enhanced if all sectors of the economy contribute proportionately toward tax revenue.
- Public expenditure remained under great pressure during the past five years. Interest payments have gone up, and subsidies to loss making public sector enterprises and the power sector have increased.
- During FY2012-13, external sources to finance the budget deficit declined and the budget deficit was financed through domestic sources, particularly the banking system.

Monetary Developments

- State Bank of Pakistan continued with its expansionary policy stance. The policy rate was reduced from 12 percent in June 2012 to 10.5 percent in August to 10 percent in October and further to 9.5 percent in December 2012. It has remained unchanged since.
- Credit to public sector enterprises witnessed an expansion on account of high credit demand by loss incurring public sector enterprises.
- Credit to private sector remained sluggish due to severe energy shortages, law & order situation and large government borrowing from commercial banks. Banks preferred to invest in government papers.
- The asset base of the banking system posted a strong growth particularly in terms of deposits and investment in government papers.
- Non Performing Loans continued to grow and reached Rs607 billion in December 2012.
- Consumer loans registered a modest growth of 4.2 percent, auto and personal loans 5.1 percent and 11.5 percent respectively.

Balance of Payments

- Exports during July-April 2012-13 are provisionally estimated at $20.147 billion, and imports at $36.665 billion, resulting in a trade deficit of $16.518 billion.
- Current account balance posted a lower deficit of $1.42 billion during July-April 2013 against a deficit of $3.35 billion in the corresponding period a year earlier.
- However, the country's liquid foreign exchange reserves have shrunk on account of payments, putting pressure on the Pak rupee.
- Workers' remittances rose to $11.6 billion during July-April 2013, against $10.87 billion in the same period a year earlier. 91 percent of remittances is coming through banking channel.

Energy

- Energy consumption by source reveals that gas has a share of 44 percent, oil 29 percent, electricity 16 percent, coal 10 percent and LPG 1 percent.
- Of the total oil/petroleum products consumption in the country, 90 percent is consumed by transport and power sector.
- Figures of sectoral consumption of gas indicates that the largest consumer of gas is the power sector (27.8%), followed by industry (23.0%), households (20.3%) and fertilizer (16.4%).
- The major users of coal are the cement sector and brick kilns, which consumed 58 percent and 41 percent respectively of total coal consumed in 2012.
- Pakistan's electricity generation is highly dependent on imported oil.
- There has been a pronounced shift from hydro to thermal generation, and more recently from natural gas to fuel oil as the primary fuel for electricity generation.
- No sizeable capacity in the power sector was added during the last 10 years.
- Efficiency improvement across the power production/supply chain, plugging of leakages in the fuel oil delivery and usage system would lower the cost of generation as well as increase generation.
- Transmission and distribution losses are estimated at 20 percent of net system energy.

Public Debt

- As at end March 2013, public debt reached Rs13626 billion or 59.5 percent of GDP. In 2012 public debt stood at Rs12667 billion or 63 percent of GDP.
- The primary source of increase in public debt was the rise in domestic debt that amounted to Rs8796 billion, whereas external debt posed at Rs4831 billion.
- Increase in total public debt implies additional resources towards the repayment of debt and associated interest payments. During July-March 2012-13 public debt servicing reached Rs936 billion and consumed nearly 44 percent of total revenues. Of the total, domestic debt servicing reached Rs725 billion and external debt repayment and servicing Rs211 billion.
- There has been a change in the composition of major components shaping the domestic debt portfolio. The share of unfunded debt has declined to 23 percent by end March 2013, against 45 percent in 2001-02, while the share of floating debt has reached 54 percent compared with 31 percent in the same period.
- Pakistan external debt and liabilities was recorded at $60.9 billion during July-March FY13, against $65.8 billion in FY12. As a percentage of GDP it was down to 25.5 percent against 29.2 percent. The decline was due to repayment of IMF loans and appreciation of US dollar against major currencies.

Targets 2013-14

- The Annual Plan 2013-14 aims at GDP growth of 4.4 percent, with agriculture contributing 3.7 percent, industry 4.8 percent and services 4.5 percent.
- The target for wheat production has been fixed at 25.0 million tons, rice 6400 thousand tons and sugarcane 65 million tons while cotton production has been targeted at 14.1 million bales.
- Textile sector is expected to grow at good pace as European Union has supported Pakistan's effort to integrate into the global economy by granting Pakistan's export EU-reduced tariffs under the EU's Generalized System of Preference (GSP).
- Investment is targeted to improve from current level of 14.2 percent of GDP to 15.1 percent. National Saving is also expected to improve slightly from 13.3 percent of GDP to 14.0 percent.
- Exports are projected to grow by 5.1 percent to $26.6 billion from $25.3 billion estimated for 2012-13, while imports are projected to increase by 7.1 percent to $43.3 billion from $40.4 billion estimated for 2012-13. The trade balance is projected to be in deficit by $16.7 billion.
- Current account is projected to be in deficit by $2.9 billion (1.1 percent of GDP) as against a deficit of $2.1 billion (0.9 percent of GDP) estimated for 2012-13.
- Inflation for 2013-14 is projected at 8 percent.
- The installed power generating capacity is planned to increase from 23,368 MW in June 2013 to 25,394 MW in June 2014.
- Workers' remittances are projected at $15.1 billion.
- Fiscal deficit to GDP ratio estimated at 6.3 percent.

by more than 100 percent, and the entire budget deficit was financed through domestic sources, particularly the banking system, according to the Economic Survey. It further states, 'resource mobilization through non-bank sources reduced significantly owing to decline in holdings of treasury bills by the institutional investors.'

Public debt rises

Public debt reached Rs13626 billion by end March 2013 or 59.5 percent of GDP. In FY2012-13, domestic debt had grown to Rs8796 billion, or by 15 percent from a year earlier, while external debt declined by nearly 4 percent to Rs4831 billion. External debt has fallen in recent times, mainly attributed to repayments against IMF loans and marginal fresh disbursements. A breakup of domestic debt among its various components, permanent debt (medium & long term), floating (short term) and unfunded debt (various instruments of National Saving Schemes), shows that the share of floating debt (T-bills, MRTBs) has reached 54 percent by end March 2013, as compared with 31 percent in 2001-02, indicating an increasing reliance on short term debt.

The ongoing repayments of external debt (mostly to the IMF), has caused Pakistan's liquid foreign exchange reserves to decline to $12.3 billion as at end March 2013, which is the lowest level since July 2009. During the year, the State Bank keep its policy rate unchanged, inflationary pressures subsided, workers remittances rose, realization of Coalition Support Fund money of Rs172 billion helped contain the fiscal deficit to some extent, and a lower trade deficit is expected.

The government's vision as spelt out in the Finance Minister's Budget Speech is based on the following: - self reliance, growing role of private sector, protection of weak and marginalized segments of the population, containing government's presence in business activity to those investments which are too large for private sector to undertake or because of lack of adequate commercial returns, and all sections of the population must share the burden of resource mobilisation for running the government.

Total outlay

The Federal Budget 2013-14 outlay is envisaged at Rs3.59 trillion. Given net revenue receipts of Rs1.92 trillion, the fiscal deficit is estimated at Rs1.65 trillion or 6.3 percent of GDP. This is a 2.5 percentage point reduction over FY13 revised deficit estimate of Rs1.9 trillion or 8.8 percent of GDP. Of the total expenditure outlay for FY14, current expenditure is budgeted at Rs2.83 trillion, higher by 4.0 percent over the revised estimates of Rs2.72 trillion in FY13. During the year, higher allocations are budgeted for interest payments, defence services and running of civil government. There is a sharp reduction (65.4%) in budgetary allocations for subsidies. Foreign loan repayments see a substantial jump of nearly 96 percent in FY14 to Rs366.8 billion against Rs187.3 billion in FY13.

PSDP

The size of Public Sector Development Programme (PSDP) is envisaged at Rs1155 bilion for FY14 (higher against Rs851.4 billion in FY13). Federal PSDP is budgeted at Rs540 billion, against revised estimates of Rs388.4 billion in FY13, showing an increase of 39.2 percent. Key priorities of PSDP remain investment in energy and infrastructure which are the main obstacles in economic growth.

Given the ongoing energy shortages, PSDP contribution to water and power sector has risen. During FY14, a sum of Rs225 billion will be invested in this sector of which Rs107 billion will come from PSDP and the remaining will be mobilized by PEPCO-WAPDA through government support.

Infrastructure development would be stressed and completion/construction of two new motorways, connecting Gwadar Port to the north would be undertaken. The entire system of motorways planned by NHA will be completed during the next five years. The government plans to revive Pakistan Railways, which has been a victim of bad governance. Railways is to receive Rs30.9 billion. Karachi Circular Railway project will be expedited.

Size of PSDP

(Rs Bn)

	Budget FY13	Revised FY13	Budget FY14
Federal Ministries/Divisions	243	226	296
Pakistan Atomic Energy Commission	39	44	52
Railways Division	23	26	31
Water & Power	47	45	58
Corporations	80	106	114
WPDA (Power)	30	35	51
National Highway Authority	51	71	63
Special Programmes	27	46	5
New Development Initiatives	-	-	115
Total Federal PSDP	350	378	530
ERRA	10	10	10
Federal PSDP+ERRA	360	388	540
Provinces	513	463	615
Total National PSDP	873	851	1155

Source: Budget in Brief 2013-14

Revised figures for FY13 show that interest payments at Rs1.03 trillion were higher by 11 percent over the budgeted figure of Rs926 billion, primarily because of a rise in interest on domestic debt. Domestic debt has risen in recent years to Rs8.8 trillion (provisional 2013). The focus on deficit financing through internal sources owing to lower external receipts has been the major cause. In order to raise short term liquidity, the government borrows from the domestic banks through auction in the form of Treasury Bills. Of the total domestic debt, Rs3.3 trillion or 54 percent is short term debt, ie instruments such as Treasury Bills and Market Related Treasury Bills.

Domestic debt

In his budget speech, the Finance Minister was clear about reducing untargeted subsidies. The burden of untargeted subsidies must be done away with. Any scheme of subsidy, whether in electricity, gas, fertilizer, sugar or wheat must be targeted to reach the weaker segment of society. The government plans to rationalize the present subsidies and discourage their indiscriminate use and evolve targeting mechanism.

Rationalize subsidies

The budget documents show that the government plans to reduce subsidies from Rs367 billion in FY13 to Rs240 billion in FY14. Major reduction is envisaged in power tariff subsidy by 38 percent for WAPDA and 35 percent for KESC, where power subsidies contribute 95 percent of overall subsidy expense. This is expected through a raise in power tariffs, improving line losses and better management.

Subsidies

(Rs Bn)

	Budget FY13	Revised FY13	Budget FY14
Subsidy to WAPDA/PEPCO	135	265	165
- Inter-disco tariff differential	120	250	150
- Pick up WAPDA/PEPCO receivables from FATA	10	10	12
Subsidy to KESC	50	84	55
- Pick up KESC's tariff differential	50	84	55
Subsidy to PASSCO	5	6	9
Subsidy to Utility Stores Corporation	6	6	6
Other Subsidies	12	6	5
Total Subsidies	209	367	240

Source: Budget in Brief 2013-14

A research report, *'Imperatives for Fiscal Policy in the Federal Budget of 2013-14 (SPDC)'*, authored by Dr. Hafiz A. Pasha, has given a plan to reduce power sector subsidies. Largest component of subsidy, almost 80 percent is the Tariff Differential Subsidy to the distribution companies in the power sector. A feasible plan that could be implemented is as follows: -

(Rs Bn)

	Reduction in Subsidy
▪ 10 percent increase in power tariffs	47
▪ 20 percent increase in gas supplies to the power sector	39
▪ 20 percent reduction in transmission and distribution losses	34
▪ 10 percent higher rate of recovery of bills	61
▪ 25 percent recovery of arrears each year	25
Total	206

Revenue receipts

Gross revenue receipts are estimated at Rs2.84 billion, smaller by 12.4 percent against the budgeted figure of Rs3.24 billion. Both tax and non-tax revenue collection were short of their target. Revised tax revenue figures show that direct and indirect taxes could not meet the year's target. Direct taxes were short by 16.4 percent, as income tax has not performed well. Indirect taxes were smaller by 14.4 percent, as the major sub-heads showed decline. Customs duty was lower because of slow growth of tax base of imports, large non-dutiable imports and presence of SROs, sales tax was smaller by 19.7 percent over the year's target and excise duty is being gradually phased out. On account of a number of exemptions, tax evasion, impact of power and gas shortages on the manufacturing sector and with the collection of sales tax on services being devolved to the provincial governments, the collection of taxes has been severely affected.

Collections low

The Research Report, *Imperatives for Fiscal Policy in the Federal Budget 2013-14*, has analysed the reasons for the fall in the FBR tax-to-GDP ratio between 2007-08 and 2010-11. It appears that 80 percent of the fall is due to the 'base effect', that is, relatively slow growth of tax bases like imports and large-scale manufacturing value added in relation to the growth of GDP. The remaining 20 percent is attributed to the 'rate effect' indicating either a fall in tax rates, more exemptions and concessions or a deterioration in the quality of tax administration.

Steps taken to enhance revenues

For FY2013-14, the Government has budgeted tax revenue collection at Rs2598 billion, up by 22.3 percent over last year's revised estimates of Rs2124.6 billion. Direct taxes are expected to grow by 25.2 percent to Rs975.7 billion and indirect taxes by 20.6 percent. A number of measures have been taken to generate these resources. Certain exemptions have been withdrawn, the culture of SROs is being abolished, the base of sales tax and excise duty is proposed to be broadened, leakages of revenue are being checked, effective monitoring would be pursued, power shortages which hamper industrial activity would be focused upon to revive growth, tariff structure would be streamlined to incentivize growth and investment.

Income tax is budgeted to grow by 24.7 percent to Rs948.7 billion by undertaking a number of measures. The maximum rate of tax on salary income is being progressively increased,

Revenue Receipts

(Rs Bn)

	2012-13 Budget	2012-13 Revised	2013-14 Budget
***Tax Revenue (I+II)**	**2503.6**	**2124.6**	**2598.1**
I. Direct Taxes	**932.0**	**779.1**	**975.7**
Income Tax	914.0	761.1	948.7
Workers' Welfare Fund	18.0	18.0	21.0
Income Support Levy	-	-	6.0
II. Indirect Taxes	**1571.6**	**1345.5**	**1622.4**
Customs	247.5	241.2	279.0
Sales Tax	1076.5	864.5	1053.5
Federal Excise	125.0	122.2	166.8
Petroleum Levy	120.0	115.0	120.0
ICT Taxes	2.5	2.5	3.0
Airport Tax	0.07	0.07	0.07
Non-Tax Revenue (A+B+C)	**733.3**	**712.0**	**821.9**
A. Income from Property & Enterprises	**178.8**	**108.6**	**239.9**
Pak Telecom Authority (PTA)	-	5.0	14.0
PTA (3-G Licences)	79.0	-	120.0
Mark up (Provinces)	15.5	14.8	13.3
Mark up (PSEs & Others)	19.7	24.8	23.8
Dividends	64.6	63.7	68.4
Regulatory Authorities	-	0.3	0.4
B. Receipts from Civil Admn & Other Functions	**355.0**	**385.2**	**317.0**
General Administration	0.9	1.2	1.4
Share of Surplus Profit of SBP	200.0	200.0	200.0
Defence Services	150.6	181.1	112.1
Law & Order	1.1	0.9	1.1
Community Services	0.7	0.9	1.0
Social Services	0.9	0.2	0.3
Social Services (Miscellaneous)	0.8	0.9	1.0
C. Miscellaneous Receipts	**199.5**	**218.1**	**265.2**
Economic Services	2.5	2.4	2.5
Foreign Grants	2.9	13.5	30.0
Extraordinary receipts (UNO)	30.0	25.0	25.5
Passport & Citizenship Fees	14.0	15.0	16.5
Gas Development Surcharge	31.0	16.2	35.3
Discount Retained on Local Crude Price	22.5	16.0	18.0
Royalty on Crude Oil	22.0	27.7	32.5
Royalty on Natural Gas	36.1	41.4	39.7
Windfall Levy against Crude Oil	5.3	24.0	25.0
Gas Infrastructure Dev. Cess	30.0	35.0	38.0
Petroleum Levy on LPG	1.0	1.0	1.0
Others	2.2	0.9	1.1
Total Tax Revenue	**3236.9**	**2836.6**	**3420.0**
* Out of which FBR	2381.0	2007.0	2475.0

Source: Budget in Brief 2013-14

Fiscal Measures — Highlights

Some of the measures adopted in the Federal Budget 2013-14

Income Tax

- The existing six slabs of tax on salary income are proposed to be increased to twelve. The maximum rate of tax on salary income is progressively increased from an existing 20 percent to 30 percent.
- The maximum rate on business income on non-corporate taxpayers is proposed to be progressively increased to 35 percent on income exceeding Rs6 million from an existing maximum of 25 percent.
- Corporate Income Tax Holiday for projects in Special Economic Zones is extended to 10 years from 5 years previously.
- Withholding tax imposed on rental income. Two slabs of 10 and 15 percent proposed.
- 41.5 percent withholding tax levied on cellular users.
- The rate of tax on motor registration is proposed to be increased from a minimum of 33 percent to 300 percent per annum on different capacities of vehicles.
- The rate of tax on import of Hybrid car is proposed to be progressively reduced from 100 percent to 25 percent depending on the engine capacity of the vehicle.
- To rate of tax for non-banking companies is being reduced from 35 percent to 34 percent.
- Tax on dividend received by banks from Money Market Funds and Income Funds to be taxed @25 percent for Tax Year 2014 onwards.
- The existing three slabs for property income to be increased to six which will bring progressivity in the rates of tax.
- To promote documentation of economy an adjustable withholding tax is being introduced which shall be collected by the Hotels/Clubs/Marriage Halls/Restaurants etc. from persons arranging functions.
- Withholding tax has also been imposed on renewal and licence fee of cable operators.
- The rate of minimum tax is being raised from 0.5 percent of turnover to 1 percent of turnover.
- The rate of withholding tax on cash withdrawals from banks is to be raised to 0.3 percent from 0.2 percent on amount exceeding Rs50,000 in a day.
- Builders and developers to pay minimum tax at a rate of Rs25 per sq ft of the constructed area sold and Rs50 per sq yd of the area sold.
- Foreign produced films and plays will now be subject to withholding tax.
- Educational institutions where annual fee is above Rs200,000 are subject to adjustable advance tax of 5 percent.
- The rate of initial depreciation on plant and machinery to be reduced from 50 percent to 25 percent.
- The exemption limit of withholding tax for investment in National Saving Centers to be withdrawn.
- Income support levy is proposed to be imposed @0.5 percent from tax year 2013 on all net moveable assets in excess of Rs1 million.

Customs Duty

- Cut in duties on hybrid vehicles by 25 – 100 percent, according to their engine capacity.
- Exemption of duty and sales tax on energy saving tubes, presently subject to duty @20 percent.
- Tax free import of solar submersible pumps, presently subject to duty @20 percent.
- Reduction of duty on water treatment and purifying machinery and equipment from 20 percent to 15 percent.
- Increase in duty on betel nuts from 15 percent to 20 percent and betel leaves from Rs200/kg to Rs300/kg to discourage their use.

Sales Tax/Federal Excise Duty

- Enhancement in standard rate of sales tax from 16 percent to 17 percent.
- Charging further tax @2 percent on taxable supplies to a person who has not obtained registration number.
- Withdrawal of tax exemption on milk preparations.
- Charging sales tax @5 percent in addition to the standard of 16 percent on non-registered commercial and industrial consumers of electricity and gas having monthly bill in access of Rs15000.
- The three tier structure of chargeability of FED on cigarettes is being replaced by a two tier specific rate structure.
- The scope of chargeability of Federal Excise Duty on financial services is being expanded.
- Expansion in list of items which are chargeable to sales tax on retail price.
- Withdrawing the concessions available to thirteen districts of Khyber-Pakhtunkhwa, FATA and PATA on the pattern of Income Tax exemptions already withdrawn.
- Substituting zero-rating with exemption on the items of non export oriented sectors.
- Exclusion of finished consumer goods from the list of items chargeable to sales tax @2 percent.
- The rate of FED on aerated beverages increased from 6 percent to 9 percent.
- Legislative changes introduced.

so also the maximum tax rate on business income of non-corporate taxpayers, tax on income from property is being raised etc. Income support levy introduced will apply on net moveable assets of persons at 0.5 percent.

Sales tax

Collection against sales tax is budgeted at Rs1.05 trillion against a revised estimate of Rs864.5 billion in FY13. Several measures have been proposed to raise the sales tax. The sales tax rate has been raised from 16 percent to 17 percent, incentives will be offered to enhance registration, a level playing field would be offered for both local and foreign competitors for international tenders and they have been placed under the same standard tax regime, certain exemptions withdrawn.

Customs duty

Federal excise duty is budgeted at Rs166.8 billion against a collection of Rs122.2 billion last year. Aerated beverage industry to pay tax on capacity or fixed basis, excise duty imposed on all financial services, locally produced oil and imported oilseed would be subject to similar tax regime. Customs duty is expected to generate Rs279.0 billion in FY14 against Rs241.2 billion in FY13. The number of exemptions and concessions inherent in Pakistan's import regime cost the country Rs100 billion every year. A committee is being constituted to study this issue and bring about tariff rationalization and minimize the number of concessions.

Non-tax revenue

Non-tax revenue has been budgeted at Rs821.9 billion in FY2013-14, higher by 15.4 percent from the revised estimate of Rs711.9 billion in FY13. Last year's revised estimates were down by 2.9 percent over the year's target primarily attributable to non-realization of Pakistan Telecom Authority (3G licences). An amount of Rs79.0 billion had been budgeted to accrue through auction of 3G licenses, which did not take place. However, the auction is expected to take place in the current fiscal year FY14, and Rs120 billion is expected. With the expected launch of 3G services in the country during 2013, it is expected that the cellular mobile sector will attract significant investment in the next two years. During the last year net inflow of foreign direct investment in telecom sector remained negative on account of capital outflow by some companies. This is in sharp contrast to the period 2006 to 2010 when the telecom sector attracted over $6 billion FDI, which was almost 30 percent of the total FDI in the country.

3G Mobile Broadband is expected to ensure availability of a number of data intensive value added services such as real time access to medical records, e-education, video calls, weather forecasts, advisory for farmers and many more services.

Receipts from dividends smaller

Markup from public sector enterprises and others increased by 25.5 percent to Rs24.76 billion from a budgetary figure of Rs19.73 billion (FY13). In FY14, a figure of Rs23.79 is budgeted for. Last year dividends received were marginally small by 1.4 percent at Rs63.7 billion over the budgeted figure of Rs64.6 billion. These represent return on federal government's investment in the share capital of financial institutions and commercial enterprises. Dividends received from financial institutions at Rs348.7 million were smaller by 14.7 percent over the budgeted figure, while dividends received from non-financial institutions at Rs63.3 billion were smaller by 1.3 percent. For FY2013-14, dividends are budgeted at Rs68.4 billion. Institutions like National Bank of Pakistan, NIT, Allied Bank, Pakistan Petroleum Ltd, Pakistan Security Printing Press showed dividends higher over the budgeted figure; while SSGCL, GHPL, Oil & Gas Development Corporation, National Insurance Corporation and Pakistan Telecommunication Ltd were able to meet the year's target.

For 2012-13, receipts from civil administration and other functions were earmarked at Rs354.97 billion, but received figures show them to be higher by 8.5 percent at Rs385.2 billion. This was primarily due to higher receipts from defence services (Rs181.1 billion against budgeted figure of Rs150.6 billion).

Surplus profit of State Bank of Pakistan are estimated at Rs200 billion. For FY14, receipts from civil administration are budgeted at Rs316.78 billion.

Miscellaneous receipts

The revised figures for 2012-13 show miscellaneous receipts of Rs218.1 billion to be higher by 9.3 percent over the year's budgeted figure of Rs199.5 billion. For 2013-14, the figure has been budgeted at Rs265.2 billion. Higher miscellaneous receipts last year were because of higher receipts under foreign grants, on account of royalty on crude oil, royalty on natural gas, windfall levy against crude oil and gas infrastructure development cess.

Development Surcharges & Royalties

(Rs Mn)

	2012-13 Budget	2012-13 Revised	2013-14 Budget
Gas Development Surcharge	30882	16200	35339
Discount Retained on Local Crude Oil	22500	16000	18000
Royalty on Crude Oil	22027	27710	32502
Royalty on Natural Gas	36163	41439	39744
Windfall Levy against Crude Oil	5300	24000	25000
Gas Infrastructure Development Cess	30000	35000	38000
Petroleum Levy on LPG	1000	1000	1000

Source: Budget in Brief 2013-14

Capital receipts

Net capital receipts of the Federal government are placed at Rs105.95 billion in 2012-13, nearly 78 percent lower over the budgeted figure of Rs477.78 billion. This is attributable to lower receipts and a sharp jump in disbursements. Internal capital receipts include the transactions taking place under the Federal Consolidated Fund as well as the Public Account of the Federation. Last year receipts under the Federal Consolidated Fund are estimated at Rs167.5 billion, smaller by 52.6 percent over the target (Rs353.5 billion), primarily because of nil receipts under floating debt and a substantial drop in receipts from Pakistan Investment Bonds. However, receipts from saving schemes at Rs313.78 billion showed a rise of Rs76.1 percent over the budgeted figure of Rs178.17 billion.

Disbursements are placed much higher at Rs386.62 billion, five times more than the budgeted figure of Rs63.3 billion. Under this head disbursements for government investments, loans and advances of Rs348.5 billion was a sharp jump against the budgeted figure of Rs27.3 billion.

External resources

To bridge the gap between receipts and expenditure, the government obtains loans and grants. These comprise of project loans, loans and credit from friendly countries and specialized international agencies and grant assistance under Food Aid Convention, World Food Programme and other specific country programmes. For FY2012-13, the government had budgeted external resources at Rs383.96 billion. However, revised estimates for the year place them at Rs243.49 billion, short of the target by 36.6 percent. Disaggregated figures for external resources show a substantial decline in programme loans, other aid and external grants. Privatization proceeds were budgeted for Rs74.4 billion, but this did not materialize. For 2013-14, external assistance has been budgeted at Rs576.42 billion.

External Resources

(Rs Bn)

	Budget 2012-13	Revised 2012-13	Budget 2013-14
I External Loans (A+B+C)	274.8	214.5	467.5
A Project Loans	140.4	183.1	159.2
B Programme Loans	41.5	6.6	110.3
C Other Aid	93.0	24.8	198.0
Islamic Development Bank	46.5	24.8	49.5
Eurobonds	46.5	-	49.5
China Safe Deposits	-	-	99.0
II External Grants	109.1	29.1	109.0
Project Aid Grants	25.5	21.4	27.6
Tokyo Pledges	1.0	1.1	1.1
Privatization Proceeds	74.4	-	79.2
Kerry Lugar	8.2	6.6	1.0
Total	383.9	243.5	576.4

Source: Budget in Brief 2013-14

Bank borrowings to finance the government's expenditure rose sharply in 2012-13 to Rs1575.5 billion, against the target of Rs483.8 billion. For FY14, bank borrowings are budgeted at Rs974.9 billion. Financing the fiscal deficit is a challenging task in the face of a substantial increase in its size. Lack of external financing shifted the entire burden of funding the fiscal deficit on domestic sources.

Bank borrowing

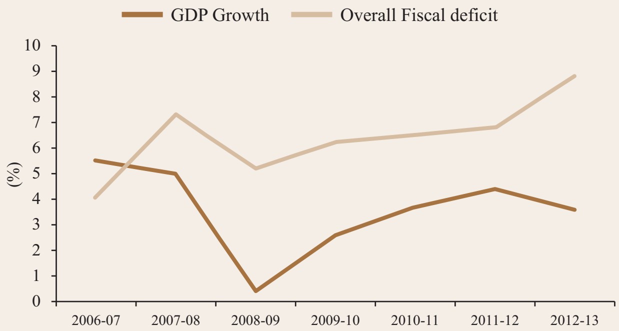
During the last fiscal year, as both revenue receipts and capital receipts were short of their targets, the government increasingly relied on bank borrowings. During the year, notes the SBP report, the proposed tax reforms failed to deliver. In the case of direct taxes, the biggest set back was the non-passage of the Amnesty Bill which aimed to bring more taxpayers in the net. On the other hand, withholding taxes, which comprise 60 percent of total direct tax collection, were lowered in response to pressure from industrial lobbies. Furthermore, the 0.5 percent withholding tax on the manufacturing sector was exempted in December 2012, while in February 2013, withholding tax on raw material imports (ranging from 1-3 percent) was eliminated.

Fiscal imbalances and difficult balance of payments position have contributed towards public debt accumulation. The composition of public debt has witnessed major changes with increasing reliance on domestic debt due to non-availability of sufficient funds from external sources. Within domestic debt, there have also been major changes in composition by tenure. There is increasing dependence on short term floating debt that has led to shortening of maturity profile of public debt. Bulk of the financing has been through the flotation of Market Treasury Bills with maturity period of upto 12 months. Little interest has been shown in long term Pakistan Investment Bonds, especially in 20 years PIBs.

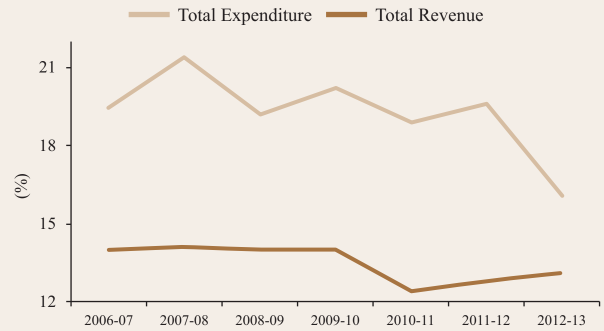
The budget offers something for the general public, like introducing youth training programme for under 25 years, a one year training programme during which they will be entitled for a stipend of Rs10,000 per month; small business loans to be made available through the banking system, under which loans ranging from Rs100,000 to Rs2,000,000 will be available at a mark up of 8 percent; encouraging young people to undertake micro enterprise activities, for which Rs5 billion has been allocated to launch Qarz-e-Hassana scheme; housing finance scheme to be initiated under which a mortgage facility of Rs1.5 million to Rs5.0 million will be offered at a mark up rate of 8 percent. 50,000 people are expected to benefit from this scheme. Housing schemes would be developed for low income families; and the Income Support Programme would be expanded. Resources for the said programme have been raised to Rs75 billion, against Rs40 billion spent last year.

Fiscal Indicators

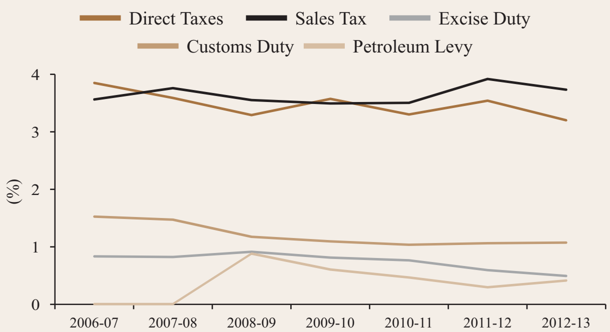
Overall Deficit



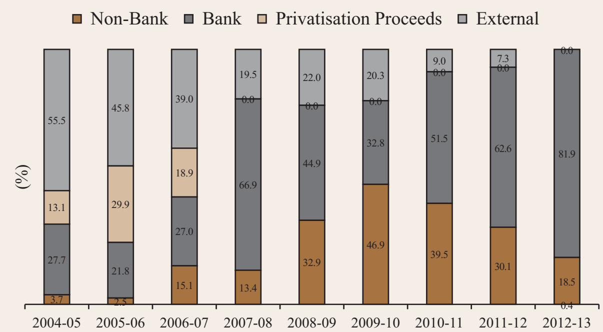
Expenditure/Revenue as % of GDP



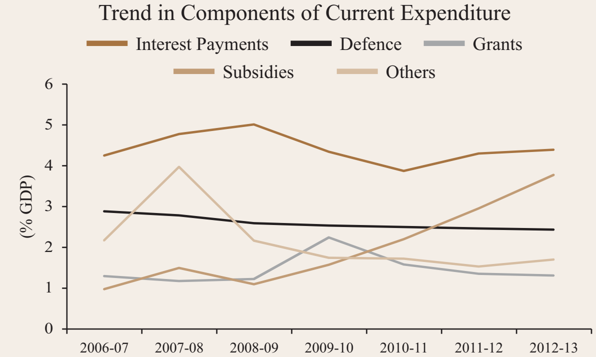
Federal Tax-to-GDP Ratio



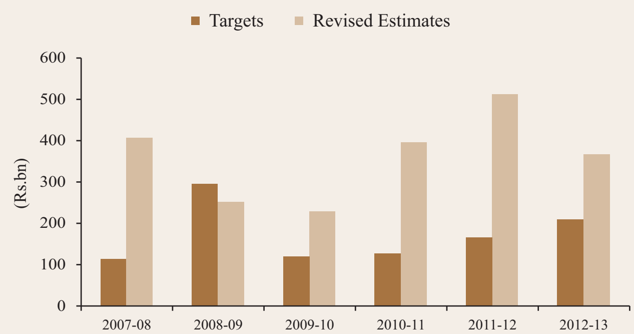
Financing of Fiscal Deficit



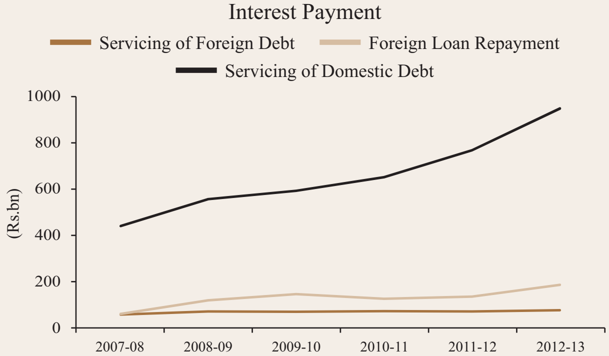
Trend in Components of Current Expenditure



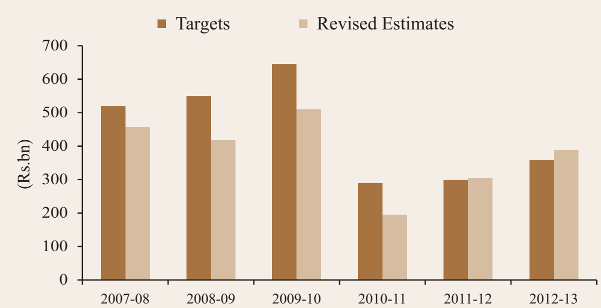
Subsidies



Interest Payment



Federal Public Sector Development Programme



Sector-wise Impact of the Federal Budget 2013-14

Sector	Key Measures	Impact
Stock Market	**Corporate tax rate to gradually decline to 30%:** The biggest surprise for the stock market is announcement of 1%/year decline in corporate tax rate, which will be gradually decreased to 30%.	**Positive:** After tax earnings of companies to rise by 1.5% year which would help earnings growth & help in maintaining the market's lofty P/E. However, it does not apply to banks and E&P companies.
	Rise in GST rate & minimum turnover tax: Most of sectors on the stock market fall under the ambit of GST so rise will be slightly negative. Turnover tax rise applicable mostly to loss making companies; key sectors should not be affected; OMCs/Refineries will remain exempt from this in our view.	**Neutral to Negative:** Most of the sector have the pricing power to pass on the rise in GST, so negligible impact. OMC/Refinery will be negatively affected by rise in turnover tax, but as per our understanding, they will remain exempt from this rise.
	10% withholding tax & withdrawal of exemption given to specie dividend: 10 percent withholding tax on margin financing, trading financing and lending at stock exchanges. Tax exemption on specie dividend withdrawn.	**Neutral:** 10% withholding on margin & trade financing is in line with KSE's budgetary proposals. Tax on specie dividend is negative, but rarely used by companies so impact is largely neutral.
	No change in export tax or inter company dividend: Contrary to market rumors, no negative change came in the form of rise in export tax nor any change occurred for inter corporate dividend.	**Neutral to Positive:** Stocks/Sectors were under pressure due to market rumors about rise in taxes. Some relief may be witnessed in these stocks/sectors.
Independent Power Producers	**Resolution of circular debt:** The Government has decided to settle the entire inter-corporate circular debt in 60 days. As per the budget documents, PKR326bn will be settled this June, with around PKR169 projected to be resolved in next fiscal year (most likely July).	**Positive:** Settling the current circular debt will provide the much needed liquidity to the sector and improve liquidity position especially for those IPP's that fall under 2002 Power Policy. Easing off the liquidity position will reduce the mounting receivables of IPP's which will result in improved cash flows and increase payouts.
	Higher allocation in PSDP: Federal PSDP allocation depicted massive growth of 39% in FY13. During the year, PKR109bn have been earmarked for development of PEPCO and WAPDA. In totality, PKR225bn will be invested in Power sector including Neelum-Jehlum Hydro Project, Diamir Bhasha Dam, Tarbela Fourth Extension Project, two Karachi Nuclear Coastal Power Projects and Upgradation of Guddu Power Projects (Muzaffargarh and Jamshoro).	**Positive:** Additional funds allocated for construction of dams mirrors the Government's stance to produce cheap electricity. Similarly, PSDP allocation for PEPCO up gradation/improvement has also been increased from PKR35bn in FY12 to PKR51bn in FY13. Improvement in hydel generation bodes well for overall electricity mix and will play a key role in keeping circular debt from recurring.
	Cutting down un-targeted subsidies: Once again, the government attempted to arrest the un-targeted subsidies by allocating significantly lower subsidy of PKR220bn compared to actual disbursed amount of PKR349bn in FY13.	**Neutral:** TDS for PEPCO and KESC have been significantly reduced for FY14 budget. We believe that rise in tariff will be announced soon/needed going forward if the government is to adhere to its subsidy projections. We anticipate tariff rise of round PKR3.5/KWh to keep the subsidy amount in check.
Oil Marketing Companies	**Circular debt resolution in 60 days:** The incumbent government has resolved to clear the circular debt menace in 60 days by issuing government securities.	**Positive:** Although long term structural changes are required to completely eradicate circular debt, but it will provide meaningful respite to OMCs, especially PSO.
	Turnover tax raised to 1% again, but not applicable on OMCs: Turnover tax rate has been again revised up from 0.5% to 1.0%, but it is not applicable on OMCs.	**Neutral:** Although the government has again increased the turnover tax from 0.5% to 1.0% applicable from July'13, our discussion with the company management indicates that OMCs will continue to be taxed at 0.5% TO tax rate. So, it will not have any bearing on profitability of marketing companies.
Cement	**PSDP allocation:** Public Sector Development Program (PSDP) fund size of PKR1,155bn (PKR530bn Federal component, PKR615bn Provincial component & PKR10bn ERRA), is 36% above the revised FY13 PSDP allocation.	**Positive:** Higher allocation of PSDP component at federal level will bolster local cement consumption resulting in the improved profitability of companies. This can also be supported by higher PSDP allocation and government's intention towards construction of Dams.
	GST rate rise & sales tax to be collected on retail price: 1% rise in GST rate, sales tax to be collected on retail price.	**Neutral:** Minor increase of local cement price of around PKR4/bag is anticipated by this measure, which can be passed on or even absorbed by the cement manufacturers, given the hefty earnings which they are witnessing.

Sector	Key Measures	Impact
	FED collection shows an unusual rise: Examining the budget documents shows that revenue collection from FED on cement has been projected to rise by a whopping 42%, which is highly unlikely.	**Neutral to Negative:** Even after taking a sizable rise of 10% in local volumetric sales, FED/bag would have to rise by around 50% to PKR30/bag in order for the government to achieve its projections. However no mention of this is visible in the finance bill or budget speech.
	Corporate tax reduced to 34%: FY14 budget unveiled another positive surprise by proposing corporate tax rate to be reduced to 34% from 35%, which will gradually be reduced to 30% in 5 years.	**Positive:** We believe that reduction in rate of corporate tax by 1% is offsetting the impact of hike in GST to some extent. In future years, reduction in corporate tax will ultimately result in enhancement of companies profitability.
Chemicals	**Urea import subsidy tripled:** As per budget documents, urea import subsidy has been increased from FY13' s revised estimate of PKR10bn to PKR30bn for FY14.	**Negative:** Intention of government seems visible by raising urea import subsidy by such a high level. Plants on SNGPL will likely bear the brunt of gas load shedding, but hefty imports may curtail pricing power of other players, as well.
	GST rate rise & sales tax to be collected on retail price: 1% rise in GST rate, sales tax to be collected on retail price.	**Neutral to Negative:** This will result slight increase in urea prices (around PKR20/bag) which can be passed on. For DAP, the price hike would be larger.
	GIDC to remain, clarity needed on rise in feedstock prices: GIDC collection shown in FY14 budget documents, while clarity needed over rise in feedstock prices.	**Neutral:** Continuation of GIDC is a non event, but in case OGRA notifies any abnormal rise in feedstock price, it will be negative. Especially, since pricing power is receding given the decline in international urea and possibility of SABIC urea imports.
Banks	**Corporate Tax of banks unchanged at 35%:** The government has maintained the corporate tax rate of banks at 35%, while for other companies it will be brought down to 30% by lowering tax rate by 1% each year, starting from FY14.	**Neutral:** Though reduction of corporate tax rate would have been positive, we do not expect the market to take the status quo as negative. However, banks may remain laggards in post budget rally.
	Tax rate of dividend income for banks also maintained at 25%: While the finance bill of 2012 envisaged 35% tax rate on dividend income from money market funds and income funds, the government has kept it unchanged at 25% from 2014 onwards.	**Positive:** In order to eliminate the arbitrage available to the banks, the government had previously decided to raise the tax rate on dividend income from money market funds and income funds to 35% by 2014. But surprisingly, the government has not raised the tax rate to 35% and has maintained it at 25%, which will not only yield slightly better after tax earnings for banks but also keep the asset management business viable.
	WHT on cash withdrawal raised to 0.3%: From 0.2% earlier, the government has increased WHT by 0.1% on any cash withdrawals exceeding PKR50k.	**Neutral:** It will not have any bearing on banks' profitability as account holders bear this cost.
Auto	**Exemption for Hybrid Cars:** To encourage alternate energy efficient Hybrid Electric Vehicles (HEVs) for conservation of fuel It is proposed that duty and taxes on import of Hybrid cars with engine capacity of upto 1200CC will be exempted to provide incentive and relief. Similarly, taxes for 1201cc to 1800CC engine vehicles will be reduced by 50% and 25% for vehicle upto 2500CC. No relief will be available for vehicles beyond 2500cc.	**Negative:** The exemptions proposed by the government are likely to draw negative sentiments on auto assemblers. Locally produced vehicles are already considered low value for money and introduction of such a move would render them even more undesirable, facing stiff competition resulting in an overall negative impact for the sector. Simultaneously, assemblers could import CKD and initiate assembling hybrid vehicles.
	Corporate Tax lowered to 34% from 35%: To provide relief to the corporate sector, the rate of tax for non-banking companies is being reduced from 35% to 34%.	**Positive:** The move towards lowering the corporate tax rate has to be applauded across the board for the corporate sector. This is a straight-forward positive.
	Advance Tax on Motor Vehicles' Registration increased & Upfront Tax on 1800cc and above: Advance tax on motor vehicles increased (90%, 78% and 100%) to PKR20,000, PKR30,000 and PKR 50,000 for 1.0, 1.3 and 1.6 litre vehicles respectively. Additionally, an FED @ 10% ad valorem tax on vehicles above 1800cc would be imposed upfront.	**Slightly Negative:** The increase in advance tax would slightly render to be negative as the sales would hardly be affected based on this increase in the tax as the number of tax players are already meager. The tax imposed on 1800cc and above vehicles would be passed on to the final consumers.

Sector	Key Measures	Impact
Fast Moving Consumer Goods (FMCGs)	**No Imposition of GST on dairy products:** Although there were rumors of zero rated tax regime on packaged milk to end, but budget documents so far don't reveal any adverse news.	**Neutral:** No news regarding proposed withdrawal of zero-rating regime on dairy products bodes well packaged milk producers such as Nestle and Engro Foods.
	Increase in FED rate on cigarette manufacture: Total rise of around 14% in FED rate.	**Negative:** FED rate raised to PRs2,325 per thousand cigarettes (up 14%) for premium brands and to PRs880 per thousand cigarettes for the value brand (up 15%). Given the rising incidence of smuggled/unbranded cigarette, local tax paying manufacturers will find it hard to pass on the tax impact.
	FED on Beverages raised: FED on aerated beverages raised from 6% to 9%, and imposition of capacity tax.	**Neutral to Negative:** FED rate rise is slightly negative, but given the high demand of these beverages, it will be passed on in our view.
Telecom	**USD800mn payment from Etisalat:** The government is projecting receipt of outstanding payment related to PTCL's privatization which has been pending since the last few years.	**Neutral to Positive:** Since the last few years payment related to PTCL Privatization is pending due to failure to resolve the property issues. Though positive if it eventually materializes, but it will be possible only if the property issue is resolved.
	PKR120bn targeted from 3G license auction: The government is projecting receipt of PKR120bn from 3G license auction which it hopes to conduct in this fiscal year in a transparent manner.	**Neutral to Positive:** We expect the new government to finally conduct the 3G license which remained on the back burner previously for one reason or the other.
	Tax on cellular phone sim activation: PKR250 to be charged on new sim activation.	**Neutral to Negative:** The govt has recently taken new measures via SRO.460(I)/2013, imposing fixed sales tax of Rs250 at the time of activation of SIM. Tax on import of cell phone in the range of PKR150 to PKR500 has also been levied based on the different categories as defined by the authority.
Exploration & Production	**Resolution of Circular Debts:** The government intends to resolve the circular debts within 60 days through issuance of T-Bills.	**Positive:** Both OGDC and PPL would greatly benefit from this measure as resolution of circular debt would render them to focus on their prime function of exploration and production and would make the liquidity position strong. As of 9MFY13, trade debts for PPL stand at PKR59.8bn and for OGDC, trade debts + Long-term investments in TFCs stand at PKR191.81bn.

*(Contributed by Taurus Securities Ltd,
a subsidiary of National Bank of Pakistan)*

Provincial Budgets 2013-14

Highlights

Sindh

- The Sindh budget has a total outlay of Rs617.21 billion. Development expenditure is budgeted at Rs229.937 billion, including Rs185 billion for the provincial Annual Development Programme. Rs355.973 billion has been allocated for revenue expenditure and current capital expenditure is budgeted at Rs31.302 billion.
- Total revenue receipts are estimated at Rs595.575 billion, showing a budget deficit of Rs21.637 billion.
- Under the development plan, major allocations have been made for priority schemes, including law & order, poverty alleviation initiatives, better education and health care, agriculture and the Karachi Circular Railway.
- The existing General Sales Tax on services at 16 percent to remain unchanged.
- The provincial government has proposed that existing tax anomalies and inequities to be removed, existing exemptions be reviewed and certain items in the services sector be brought into the tax net, without raising tax rate.
- Certain services have been brought into the tax net. Services of advertising agents, security agencies, commodity brokers, marriage halls and lawns, event management and public bonded warehouses would be subject to tax. Internet services upto Rs1500 per month would remain exempted. Beauty parlours earning upto Rs3.6 million have been brought in the tax net and would pay 10 percent.
- The Sindh budget proposes an increase in property tax from 20 percent to 25 percent on annual rental value of buildings and lands.
- A tax of 7.5 percent on using bed in hotels has been withdrawn.
- The special development and maintenance of infrastructure cess for meeting the cost of wear and tear due to heavy traffic of goods entering the province has been enhanced.
- The budget announced an increase of 15 percent in salaries of government employees upto BPS-15, 10 percent for BPS-16 and above. Minimum pension increased from Rs3000 to Rs5000.
- Karachi Circular Railways would be developed to address the transport problems of the city dwellers.
- Thar Coal Project to be developed.
- Low cost housing schemes to be developed.

Punjab

- The Punjab budget has a total outlay of Rs897.5 billion for FY2013-14. Current expenditure is budgeted at Rs607.569 billion, while development outlay is allocated Rs290 billion.
- The energy sector receives high priority in the budget.
- The provincial annual development programme has higher allocations for investments in social sector with major focus on education and health, investment in energy, higher allocation for less developed districts, women empowerment initiatives, undertaking projects that can be completed within one or two years, etc.
- General revenue receipts are estimated at Rs871.95 billion, out of which Rs702.12 billion will be received from the Federal Government under the NFC award, while provincial receipts are estimated at Rs169.83 billion; (tax receipts are estimated at Rs126.7 billion and non-tax receipts will be Rs43.1 billion).
- The provincial government will not levy any tax on the low income segments of society, and only those segments would be brought into the tax net which can pay taxes.
- A 10 percent increase in pay and pension of provincial government employees.
- Minimum wage fixed at Rs10,000/-.
- Tax on luxury houses, entertainment, fashion shows and horse racing imposed. The government has announced taxes for houses on areas measuring two kanals and above.
- For the year, the Punjab government expects to raise agricultural income tax to the tune of Rs2.018 billion.
- There has been significant increase in the allocation of health, education, as well as for infrastructure development.
- The government has allocated over Rs20 billion for various projects in the energy sector. It plans to introduce solar tube wells for small farmers.
- Metro bus for Multan, Faisalabad and Rawalpindi.
- The government would give Rs28 billion subsidy on atta to citizens in next financial year.
- Rs5 billion would be given as subsidy to people during Ramazan.
- Rs4 billion would be allocated for Health Insurance Card for the people in next financial year.

Khyber-Pakhtunkhwa

- The provincial budget for 2013-14 has a total outlay of Rs344 billion.
- The total revenue receipts and expenditures for 2013-14 have been budgeted at Rs344 billion.
- The total outlay of the Annual Development Programme is Rs118 billion.
- No new tax has been imposed in the budget.
- To bring improvement in the taxation system, reforms would be initiated. Khyber-Pakhtunkhwa Revenue Authority would be established.
- Education sector to receive focus, with a record allocation of Rs66.6 billion.
- Energy projects to be undertaken.
- One percent tax on Afghan transit trade proposed.
- The budget recommends a 15 percent increase in salaries of government employees from Grade 1 to 16, and for officers between grade 17 and 20, 10 percent.
- A 15 percent increment in pensions of retired government employees has also been proposed.
- The minimum wage for labourers has been raised to Rs10,000 per month.
- It has been proposed to raise minimum pension from Rs3000 to Rs5000 per month.
- Soft loan scheme for the poor would be launched. Interest free loans of Rs50,000 to Rs200,000 would be given for a period of three years.
- A microfinance scheme would be initiated under which interest free loans of Rs25,000 to Rs50,000 would be extended to the downtrodden.
- Youths and businessmen interested in setting up independent businesses would be facilitated.
- Development of infrastructure would receive priority.
- Health Insurance Scheme would be launched for the needy.
- Several austerity measures announced including a 50 percent cut in CM, Governor house expenditures.
- Computerization of land record.
- The school going female students will be given Rs200 per month from class six to higher secondary level.

Balochistan

- The budget has a total outlay of Rs198.395 billion. It shows a deficit of Rs7.9 billion with resources estimated at Rs190 billion.
- Total general revenue receipts are budgeted at Rs190.5 billion, against revised estimates of Rs187.3 billion in FY13.
- The Public Sector Development Programme has been allocated Rs43.913 billion, with a record allocation of Rs34.89 billion for education. A sum of Rs15.23 billion has been allocated for health, Rs16.23 billion for maintenance of law & order, Rs7.87 billion for agriculture and Rs8.171 for communication and housing. Energy sector receives Rs8.185 billion.
- Rs37 billion have been reserved for capital expenditure and Rs117 billion have been earmarked for revenue expenditure.
- Current expenditure has been allocated Rs154.482 billion.
- A 15 percent raise in salaries of government employees in BPS 1 to 16 and 10 percent in BPS 17 and above.
- Pension of retired provincial employees raised by 15 percent.
- New jobs would be created in different government departments.
- Common border markets would be established with Iran and Afghanistan.
- Special economic zones would be created in Quetta and Lasbella, and industrial estates in Hub, Quetta and Dera Murad Jamali.
- Water filtration plants would be installed in various areas of the province.
- Solar power projects would be encouraged.
- Balochistan Endowment Fund has been established with an allocation of Rs5 billion.
- Rs4.5 billion have been allocated for Reko Diq and other projects.
- Bolan Medical College has been given the status of a medical university.
- Minerals sector would be developed for which Rs1.609 billion have been earmarked.
- The provincial PSDP allocates 11 percent for production sector, 26 percent for social sector, 47 percent for infrastructure and 16 percent for others.

(This was prepared from newspaper reports)

Market Analysis

Market Review – May-June 2013

May review

Massive foreign inflows and election result propels index near the 22k level

To say that that the month of May was a good month for KSE would be a big understatement. KSE-100 index rose by a massive 2,841 points in May alone, versus a cumulative rise of 2,077 points witnessed in the preceding four months of CY13. On a MoM basis, average volumes of All Share Index improved by 93 percent, while value traded also rose by 70 percent. Massive foreign liquidity (apart from Unilever one off) and better than expected election outcome (clear cut majority of PML-N) were the key catalyst for market performance.

With inflation at multi year low, rumor mill and money market actions suggest rate cut, though external side issue and expectations of rise in inflation will likely limit such an action, in our view. Budget making and steps by the new government to tackle the energy crises will be the key things to watch out for. The market has more than given a good welcome to the new government and we hope to see on ground steps which will consolidate the market at these levels, and gradually move the market further up.

Foreign liquidity flood gates opened in the month of May: While foreigners have remained mainly on the buying side during FY13/CY13, but the month of May saw this number rise to dizzying heights. May net inflow from foreigners clocked in at a massive USD271mn. To put things in perspective, the previous 10MFY13 saw a total foreign net inflow of USD251mn.

All the key sectors augment, with Oil & Gas contributing the most to the index rise: KSE-100 index gained a considerable 15 percent in May, helped by robust growth in all the key sectors. Oil & Gas sector having the highest weight in the KSE-100 index posted a rise of 18 percent in May, Commercial Banks also saw a hefty rise despite industry misfortunes (declining NIMs), due to foreign interest, especially in MCB and UBL. Among the laggards, Food producers saw a rise of mere 2 percent, due to price stickiness of Unilever, while rumors of GST on dairy products kept Efoods price under check.

June review

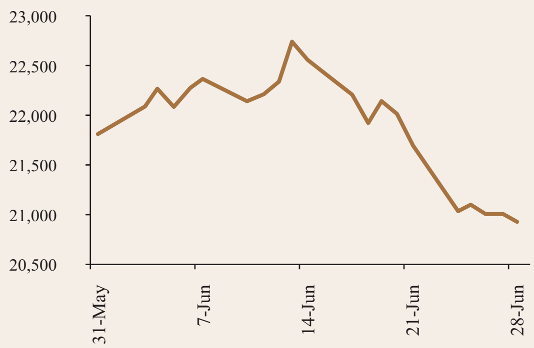
Profit taking and negative news flow brings about the biggest monthly drop of FY13

The market remained volatile during the month of June with KSE-100 index first peaking to an all time high 22,757 points, post budget on June 13th, but subsequently declined due to profit taking, and 0.5 percent movable asset tax. Overall KSE–100 index is down 817 points MoM, but from its peak, the decline is 1,752 points (8 percent). After the budget which was mostly pro-business, political temperature seems to be on the rise with Musharraf and Swiss Cases back in limelight. On a MoM basis, average volumes of All Share Index improved by 4 percent, while value traded remained flat.

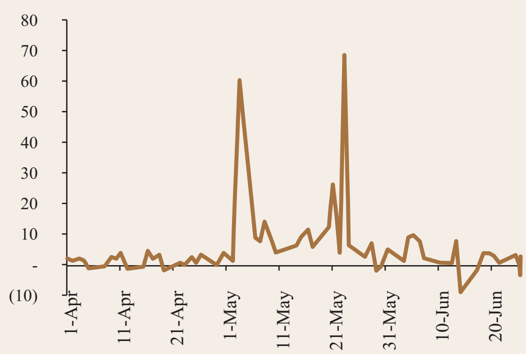
It appears that the government has decided to approach IMF for another program but IMF's concerns over FY14's budget projection and firm stance on reducing fiscal deficit seems to be the main stumbling block. As inflation is set to rise from here on, any further rate cut looks impossible, but steps by government to eliminate circular debt (higher payout by beneficiary companies) and start of results season (July end), should keep interest alive.

Foreign liquidity helped the market post a stellar 52 percent return in FY13: In the month of June and for the whole FY13, Foreigners again remained the biggest net buyers while Mutual funds and Companies were the largest net sellers. Foreign inflow during FY13 reached

KSE-100 index dipping post Budget



Net Foreign activity in 2QCY13



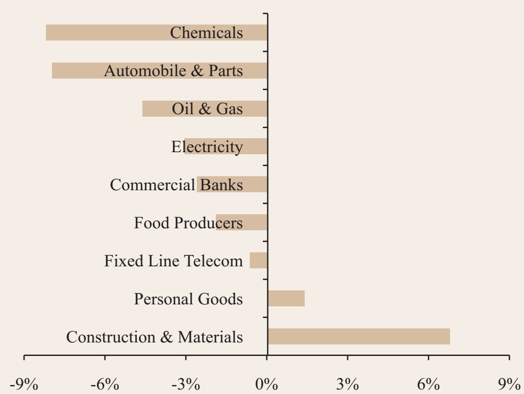
dizzying heights. A substantial chunk of this inflow is related to Unilever buy back deal, but apart from this one off deal, foreign interest in index heavy weights (OGDC, MCB, PPL, UBL, Engro etc) was also quite visible. Foreign inflow tapered off towards the latter half of June, which partly explains the decline in index heavyweights such as MCB and OGDC.

Cement & textile sector shine, while Chemicals and Banks remain the laggard in FY13: KSE-100 index gained an enviable 52 percent in FY13, helped by robust growth from smaller cap sector sectors such as Cements (up 112 percent), Textile (up 93 percent) and Food producers (up 79 percent). The heavy weight sectors underperformed the market in FY13, with Chemicals, Banks and Oil & Gas sector posting a return of 6 percent, 26 percent & 42 percent, respectively. In June, Cement sector again outperformed due to cement price rise (post budget) and coal prices touching multiyear low. Chemical sector was the biggest underperformers due to strong likelihood of feedstock gas subsidy coming to an end, at a time when international urea prices are also on a downturn leading to a question mark over industry's pricing power ability.

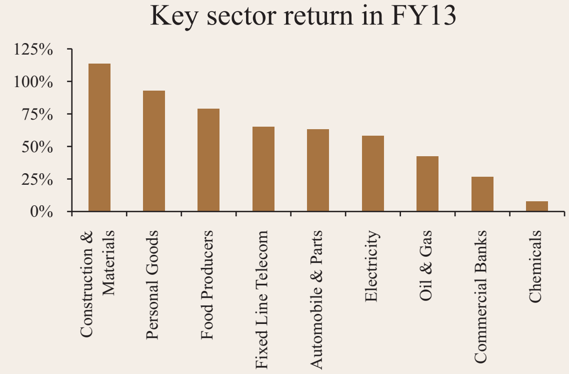
Future outlook

Though it appears that the government has decided to approach IMF for another program but IMF's concerns over FY14's budget projection and firm stance on reducing fiscal deficit seems to be the main stumbling block. As inflation is set to rise from here on, any further rate cut looks impossible but steps by government to eliminate circular debt and start of results season (July end), should keep interest alive. Foreign inflows remain the key factor propelling the market to new highs and likewise keeping the locals enthusiastic.

MoM Sector return in June



Key sector return in FY13



(Contributed by Taurus Securities Ltd, a subsidiary of National Bank of Pakistan)

Book/Report Reviews

Development Challenges Confronting Pakistan
Edited by Anita M. Weiss and Saba Gul Khattak

There are a number of structural problems confronting Pakistan, such as growing population, security concerns and deteriorating law & order, infrastructural problems (lack of electricity, clean water, waste disposal), limited employment opportunities. The authors of the book have attempted to develop a substantive understanding of the structural impediments that are having a negative impact on Pakistan's ability to eliminate poverty, promote social justice and implement policies to promote equity.

This volume has four parts; Economic Challenges, Challenges of Infrastructural Transformation, Challenges of Human Security and Ongoing Challenges of Militancy, Insecurity, and Political Paths. Every part has three articles each, expect part 3, which has five chapters. The focus of the various chapters is on the past decade as well as on recommendations for the future.

In the first section, 'Economic Challenges', in the first chapter the author Shahrukh Rafi Khan proposes using a 'weakness diagnostics' paradigm of formulating growth strategies, as it is a much broader, simpler and forward looking alternative. He has used this tool to explain Pakistan's lagging per capita gross domestic product relative to India's. He argues that the lack of technological upgrading and economic diversification in Pakistan may partly explain this. In the next chapter Aasim Sajjad Akhtar, traces how Pakistan's polity and economy have been militarized and made dependent by a politics of aid that has evolved through successive eras starting in the early 1950s. Abid Qaiyum Suleri in his paper, 'Insecurity Breeds Insecurity', analyzes how food insecurity has been a cause of unrest, conflict, and political instability, while political instability, conflict and social unrest have in turn caused food insecurity, poverty and marginalizatoin.

The second section, 'Challenges of Infrastructural Transformation', looks at various institutions in Pakistan, and what must be changed to succeed. Aitzaz Ahsan focuses on salient aspects of Pakistan's legal system, need to invest more in the legal system. Hasan Askari Rizvi analyzes what he sees as an increasingly dysfunctional political system that threatens its long term viability as a coherent and stable political entity. The dilemma is not the failure to identify the solutions but rather developing consensus on them, their prioritization and how to implement them. Saeed Shafqat in his paper 'Reforming Pakistan's Bureaucracy', addresses the issue of the workability of Pakistan's bureaucracy and questions what impact the Eighteenth Amendment will have on the civil services of Pakistan.

Part three of the book 'Challenges of Human Security', includes various scholars interpretations of the human security threats that Pakistan lives under on a daily basis. Saba Gul Khattak, addresses the concept of social protection with regard to social safety nets. John Mock in the chapter No American, No Guns, No BS, analyzes what Pakistan tourism actually is, the challenges it faces, and how best to foster tourism to play a salient role in contributing to Pakistan's future. Zeba Sathar and Peter Miller write about the Importance of Population Policy in Pakistan. Despite Pakistan having been one of the earliest countries to have a clearly articulated population policy, it is one of the last countries in Asia to experience the onset of a fertility decline. Muhammad Khalid Masud, writes about Religion and Development Challenges in Pakistan. Afiya Shehrbano Zia addresses the new challenges to women's rights and development in Pakistan.

The final section, Ongoing Challenges of Militancy, Insecurity and Political Paths captures the various dimensions of the challenges Pakistan must address in the face of daily political turmoil, militarism and extremism.

The Millennium Development Goals
Report 2013
United Nations

The Report shows the progress made towards achieving the Millennium Development Goals (MDGs). Several important targets have or will be met by 2015, assuming continued commitment by national governments. While several MDG targets have already been met or are within close reach, there are areas where progress is far from sufficient.

Goal 1 Eradicate extreme poverty and hunger. Half between 1990 and 2015, the proportion of people living on less than $1 a day. This target has been met, but 1.2 billion people still live in extreme poverty. In developing world, the proportion of people living on less than $1.25 a day fell from 47 percent in 1990 to 22 percent in 2010. Extreme poverty rates have fallen in every developing region, with China leading the way. The hunger reduction target is within reach if recent slowdowns in progress can be reversed.

Goal 2 Achieve universal primary education. If current trends continue, the world will not meet the goal of universal primary education by 2015. *Goal 3 Promote gender equality and empower women*. Steady progress has been made towards equal access of girls and boys to education, but more targeted action is needed in many regions. Women are gaining ground in the labour market, though not in all regions and not in all areas of work.

Goal 4 Reduce child mortality. Huge gains have been made in child survival, but the Report states efforts must be redoubled to meet the global target. *Goal 5 Improve maternal mortality.* Maternal mortality has declined by nearly half since 1990, but falls far short of the MDG target.

Goal 6 Combat HIV/Aids, malaria and other diseases. The incidence of HIV is declining steadily in most regions; still, 2.5 million people are newly infected each year. *Goal 7 Ensure environmental sustainability*. Forests are a safety net for the poor, but they continue to disappear at an alarming rate. More than 2.1 billion people have gained access to improved drinking water sources since 1990, exceeding the MDG target.

Human Security in Pakistan
Ehsan Mehmood Khan

This book is about understanding the concept of human security and its applicability in Pakistan or any other developing country. This book reveals that a significant number of people in Pakistan are vulnerable to multiple insecurities because of the dismal state of human development, primarily due to the absence of social mechanisms and governance that ensure distributive justice.

The author has shown the various layers of insecurity currently being experienced by the people of Pakistan. First, the unmet human needs like failure to provide basic education, food and potable water, healthcare, or other means of subsistence are themselves a threat to human existence. Secondly, socially constructed realities like gender discrimination, violence against women, economic exclusion, and unchecked population growth are the sources of insecurity. Third, destruction of ecology, climate change and environmental pollution are the perpetual causes of insecurity.

If these three factors are not addressed, it could have cumulative effects in creating resource scarcity, social instability, displacement and massive rural-urban migration. The situation can deteriorate to the extent that it leads to inter-state and intra-state conflicts and wars.

There are a number of challenges facing human security in the country, which create huge security gap that leads to at least 10 major forms of insecurity; political, economic, personal, community, gender, juvenile, food, health, environment and education. Each of these has been discussed in detail. In chapter 4, implementation of the concept of human security has been considered, which includes a structural framework for Pakistan and human security imperatives, objectives, priorities and paradigms. Finally it contains policy recommendations on all aspects of human security in the country.

Pakistan Economy – Key Economic Indicators

	Unit	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13[P]
Output and Prices								
GNP Size *fc*	Rs.bn	8893	10564	12888	14815	18476	20442	22717
GDP Size *fc*	Rs.bn	8736	10355	12542	14248	17656	19406	21616
Income Per Capita	$	980	1053	1026	1072	1275	1323	1368
Income Per Capita	Rs	56227	64157	76635	86268	105395	114256	124459
Real Growth	(%)							
GNP		6.7	3.7	2.1	4.1	3.5	4.3	3.4
GDP		5.5	5.0	0.4	2.6	3.7	4.4	3.6
Agriculture		3.4	1.8	3.5	0.2	2.0	3.5	3.3
Manufacturing		9.0	6.1	(-)4.2	1.4	2.5	2.1	3.5
Services Sector		5.6	4.9	1.3	3.2	3.9	5.3	3.7
Prices*	(%)							
Consumer Price Inflation		7.8	12.0	17.0	10.1	13.7	11.0	6.5
Wholesale Price Inflation		6.9	16.4	18.9	13.8	21.2	10.4	7.9
Food Inflation CPI		10.3	17.6	23.7	12.9	18.0	10.5	6.3
Non Food Inflation CPI		6.0	7.9	18.4	8.3	10.7	12.0	6.7
Core Inflation[†]		5.9	8.4	11.4	7.6	9.4	11.5	9.0
GDP Deflator		7.28	12.91	20.68	10.75	19.54	5.32	7.53
Gold Tezabi (Karachi)	Rs./10 grams	12619	16695	22195	29587	37658	48444	51560[a]
Petrol Super	Rs/Ltr	56.00	57.83	67.68	67.56	75.70	91.33	101.49
Kerosene Oil	Rs/Ltr	39.09	43.44	66.79	72.65	84.89	103.09	116.32
Wheat Flour (Avg. Quality)	Rs/Kg	13.64	18.07	25.64	27.77	29.56	30.15	–
Savings and Investment	% GDP							
National Savings		14.0	11.0	12.0	13.6	14.2	12.8	13.5
Domestic Savings		12.3	9.1	9.4	9.8	9.7	7.7	8.7
Gross Fixed Investment		17.19	17.61	15.90	14.20	12.51	13.32	12.60
Public Sector		4.6	4.8	4.3	3.7	3.2	3.7	3.9
Private Sector		12.6	2.8	11.7	10.5	9.3	9.6	8.7
Public Finance								
Revenue Receipts (Fed Govt)	% GDP	14.0	14.1	14.0	14.0	12.4	12.8	14.3[b]
Tax Revenue	% GDP	9.6	9.9	9.1	10.1	9.3	10.3	11.1[b]
Total Expenditure	% GDP	19.5	21.4	19.2	20.2	18.9	19.6	19.0
Overall Budget Deficit	% GDP	4.1	7.3	5.2	6.2	6.5	6.8	4.7
FBR Tax Collection (Fed Govt)	Rs.bn	847.2	1008.1	1161.1	1327.4	1558.2	1882.7	2381.0
Direct Taxes	% share	39.4	38.4	38.2	39.6	38.7	39.2	39.1
Indirect Taxes	% share	60.6	61.5	61.8	60.4	61.3	60.8	60.9
Monetary Sector								
Growth of Broad Money (M2)	%	19.3	15.3	9.6	12.5	15.9	14.1	9.0
Currency in Circulation	Rs.bn	840.2	982.3	1152.2	1295.4	1501.4	1673.7	1921.8[a]
Public Sector Borrowing (net)	Rs.bn	926	1508	2034	2441	3020	4258	4983[a]
Borrowings for Budgetary Support	Rs.bn	810	1365	1681	2011	2602	3800	4636[a]
Credit to Private Sector	Rs.bn	2480	2890	2907	3020	3141	3376	3516[a]

[P] *Provisional.* [*] *The base for price indices have been changed as 2007-08 new base year.* [†]*non-food non-energy.* [a]*March* [b]*Budget estimates.*

	Unit	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13*
Social Sector								
Population	Mn	158.17	164.66	168.18	171.73	175.31	178.91	182.53
Education Expenditure	as % of GNP	2.4	2.4	2.1	2.0	1.7	2.0	–
Literacy Rate	(%)	55	56	57	58	58	58	58
Health Expenditure	as % of GDP	0.57	0.57	0.56	0.54	0.23	0.27	0.35
Karachi Stock Exchange								
Total Listed Companies	Nos.	658	652	651	652	639	590	571
Funds Mobilized	Rs.bn	49.7	62.9	44.9	111.8	31.0	115.1	21.1
Total Turnover of Shares	Bn	54.0	63.3	28.3	43.0	28.0	38.0	34.7
Banking Sector								
Scheduled Banks Deposits	Rs.bn	3373	3812	4138	4693	5489	6219	6633[b]
Scheduled Banks Advances	Rs.bn	2376	2816	3080	3174	3311	3530	3688[b]
Non-Performing Loans All Banks	Rs.bn	214	314	432	548	607	636	607[b]
Lending and Deposit Rates	weighted average							
Deposits	% per annum	2.60	4.13	4.44	4.29	4.53	4.56	5.26[a]
Advances	% per annum	11.55	12.49	14.25	13.63	13.46	12.81	11.50
Open Market Operation								
SBP Reverse Repo Rate	% end period	9.50	12.00	14.00	12.50	14.00	12.00	9.5[a]
Treasury Bills Yield - 6 Months	% end period	8.90	11.48	12.00	12.30	13.70	11.90	10.5[a]
KIBOR - 6 Months	% end period	9.75	13.95	12.65	12.25	13.65	11.94	9.4[a]
Yield on 5 Years PIBs	weighted average	10.00	10.80	12.40	12.50	14.03	13.08	11.5
Interbank Call Rates (Overnight)	%	8.90	9.90	13.20	11.60	12.40	11.70	9.09
SBP Export Finance Rate	%	6.50	6.50	6.50	8.00	10.00	10.00	–
External Sector								
Exports	$ bn	16.98	19.05	17.69	19.29	24.81	23.64	24.52
Imports	$ bn	30.54	39.97	34.82	34.71	40.41	44.91	44.95
Balance	$ bn	-13.56	-20.92	-17.13	-15.42	-15.60	-21.27	20.43
Current Account Balance	$ mn	-6878	-13874	-9261	-3946	214	-4658	-1028
Workers' Remittances	$ mn	5494	6451	7811	8906	11201	13187	12762
Foreign Private Investment	$ mn	6960	5454	3210	2739	2000	761	1073
Direct	$ mn	5140	5410	3720	2151	1635	821	853
Portfolio	$ mn	1820	44.3	-510	588	365	-60	219
Public Debts								
Internal Debt Outstanding	Rs.bn	2610	3275	3861	5654	6017	7638	8797
Funded Debt	% of Internal Debt	64.0	68.8	67.1	68.7	72.5	76.5	76.5
Unfunded Debt	% of Internal Debt	36.0	31.2	32.9	31.3	27.5	23.5	23.5
External Debt and Liabilities	$ bn	40.5	46.2	52.3	61.6	66.4	65.8	60.9
Total Public Debt as % of GDP	%	2610	56.8	57.8	59.9	58.5	63.0	59.5
Domestic Debt as % of GDP	%	30.1	30.7	29.2	31.4	32.9	38.0	38.4
National Saving Schemes (Outstanding)	Rs.bn	1004	1094	1361	1586	1821	2010	2314[a]
Gold & Foreign Exchange Reserves	$ mn	18890	13436	13971	17921	20941	16493	12996[a]
Exchange Rate (Average for year)	Rs/US$	60.6342	62.5465	78.4983	83.8017	85.5017	89.2359	96.1623

** July - April* *[a] March* *Source: Pakistan Economic Survey 2012-13*