KPMG

KPMG Taseer Hadi & Co.
Chartered Accountants

Economic Brief 2024

June 2024

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Contents

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The report is available at:

https://kpmg.com/pk/en/home/insights/2024/06/economic-brief-2024.html

Foreword

Economic Brief 2024 is a publication prepared by KPMG Pakistan to provide information and commentary on the performance of Pakistan's economy during FY24.

This publication includes an overview of the economic performance of Pakistan during FY24 and our analysis & commentary on key macro economic indicators. This publication is primarily based on the Pakistan Economic Survey 2023-24 released on 11 June 2024.

For our latest publication please browse our web site.

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Pakistan Economy Snapshot 2024

GDP growth of 2.4% in FY24 versus -0.2% in FY23

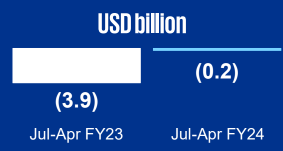
Inflation remains a persistent challenge for Pakistan's economy, averaging 26% during 11MFY24

Policy rate holds steady throughout 11MFY24 at 22% reduces by 1.5% in Jun'24 as inflationary pressure eases

PKR/USD parity improves from PKR 286 in Jun'23 to PKR 279 in Jun'24

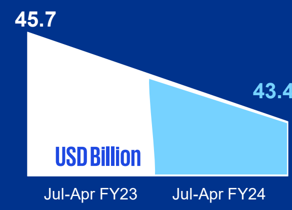
Remittances move northward by 7.7% to USD 27.1 billion during 11MFY24

Forex Reserves rises to USD 14.2 billion in May'24 relative to USD 9.2 billion in Jun'23



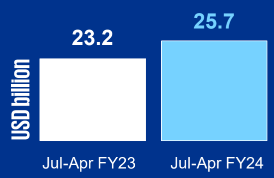
CAD reduces from USD 3.9 billion to USD 0.2 billion during 10MFY24

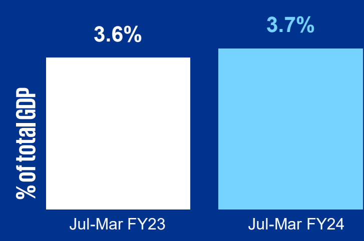
In PSX, **Foreign Investors** became net buyers



Imports declined by 5% on account of lower petroleum imports

Exports increased by 11%; textile sector remained the major contributor





Fiscal Deficit recorded at PKR 3.8 trillion in 9MFY24

Per Capita Income stands at $1,680 in FY24 as compared to $1,568 in FY23

Source: Pakistan Economic Survey 2024, SBP

FY24 Economic Highlights

Macro view	FY 23	FY 24
GDP Size (USD Billion)	338	375
GDP Growth Rate	-0.2%	2.4%
Population (mn)	229.2	241.5
Per capita Income in USD	1,568	1,680
Avg. Inflation	29%	26%

Sector wise growth rates	FY23	FY 24
Agriculture	1.6%	6.3%
Industrial	-3.7%	1.2%
Services	-0.0%	1.2%

Consumption as % of GDP

Investment as % of GDP

Net exports as % of GDP

Monetary sector	9MFY 23	9MFY 24
Policy Rate	22.0%	22.0%*
M2 Growth	4.4%	7.0%
Private Sector Credit Growth (PKR billion)	300	180
Agriculture Credit (PKR billion)	1,222	1,635

* Policy rate has been reduced to 20.5% in Jun'24

In USD billion

External Sector	10MFY23	10MFY 24
Current Account Deficit	3.9	0.2
Remittances	23.0	23.8
FDI	1.3	1.5
Forex Reserves	9.4	13.7
Exchange Rate US $ (June)	279	280

Current account deficit as % of GDP

Source: Pakistan Economic Survey 2024, SBP

FY24 Economic Highlights

In USD billion

Trade Operation	10MFY 23	10MFY 24
Imports	45.8	43.4
Exports	23.2	25.7
Trade Deficit	22.6	17.7

In PKR trillion

Fiscal Operation	9MFY23	9MFY24
Revenue	6.9	9.8
Expenditure	10.0	13.6
Budget Deficit	-3.1	-3.8
Primary balance	0.5	1.6

Fiscal deficit as % of GDP

In PKR trillion

Fiscal Revenue	9MFY 23	9M FY 24
Tax Revenue	5.6	7.2
Non-Tax Revenue	1.3	2.5

In PKR trillion

Govt. Expenditure	9MFY 23	9MFY 24
Markup Payments	3.2	5.5
Defence	1.0	1.2
PSDP	1.0	1.2

Tax to GDP at market prices ratio

In PKR billion

Pakistan Debt Profile	Mar'23	Mar'24
Domestic Debt	35,077	43,432
External Debt	22,046	24,093
Total Public Debt	59,248	67,525

In PKR trillion

Expenditure	9MFY 23	9M FY 24
Current Expenditure	9.2	12.3
Development Expenditure	1.0	1.2

Source: Pakistan Economic Survey 2024, SBP

Economic Review of FY24

Pakistan's economy has shown signs of recovery in FY24 following a contraction in FY23. Notable indicators include robust agricultural growth, a decrease in inflationary pressures, and an improved current account balance. The increase in foreign exchange reserves has stabilized the PKR/USD exchange rate, further supported by the successful completion of a $3 billion SBA program with the IMF. On the flip side, challenges persist, particularly in manufacturing activity and the high cost of servicing debt, which accounts for approximately 56% of total revenues.

Noteworthy agricultural growth of 6.25% was observed in FY24, compared to 1.6% last year, driven by exceptional growth in the production of cotton, rice and wheat crops. This growth was supported by improved input supply and increased credit disbursement to farmers. Although inflationary pressures were significant at the start of the fiscal year, with average inflation during Jul-Feb 2024 standing at 28%, the CPI drastically reduced to 11.7%YoY by May 2024. The reduction in food inflation, coupled with stable currency pressures, eased the CPI pace.

On the external front, the government successfully trimmed down the trade deficit, supported by higher exports and restricted imports, leading to a sizeable decrease in the current account deficit.

Foreign exchange reserves have increased from $9 billion in Jun'23 to $14 billion currently. During the current fiscal year, major inflows totaling $2 billion were recorded in Naya Pakistan Certificate, along with inflows from the World Bank and IMF totaling $2.2 billion.

Despite these positive developments, Pakistan faces challenges in managing high debt servicing costs and external repayments. Negotiations are underway for a new three-year IMF program, with an anticipated amount of $7-8 billion, aimed at addressing financing needs and stabilizing economic indicators.

With declining inflation, stable exchange rate, growing foreign exchange reserves, controlled current account and fiscal deficits, authorities have managed to put economy on a stable pedestal. The outlook, however, is still fraught with substantial downside risks from both external and internal factors.

GDP bounces back amid agriculture growth

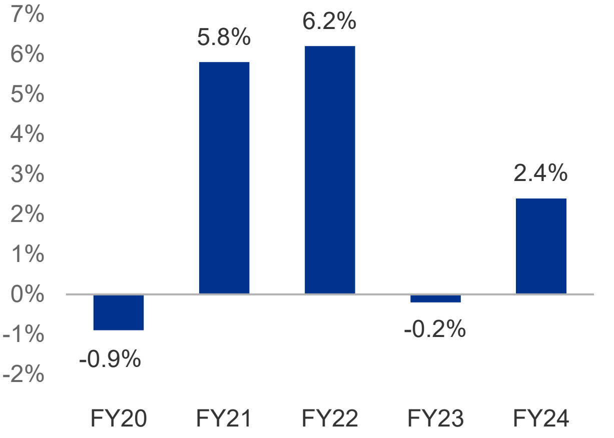
Pakistan's GDP recovered in FY 24 with a growth rate of 2.4%, driven by a significant surge in agricultural production of 6.25%. This robust agricultural growth offsets the weaker growth in industrial activity, which increased by 1.21%, and the services sector, which also grew by 1.21%.

This year, the **agriculture sector** posted exceptional growth of 6.25%, thanks to bumper crops. The major support came from an increase in the production of important crops (cotton, rice and wheat) by 16.8%. Wheat production surged by 11.6%, reaching 31.4 million tonnes, while cotton production rebounded significantly by 108.2%, hitting 10.2 million bales after flood damage. Rice production also rose by 34.8%, clocking in at 9.9 million tonnes. However, sugarcane and maize faced declines of 0.4% and 10.4%, respectively. Despite the setbacks in sugarcane and maize, the substantial growth in wheat, cotton, and rice production supported the overall growth.

Pakistan's **industrial sector** posted a growth of 1.21% in FY24 against the target of 3.4%, due to a slowdown in aggregate demand, fiscal consolidation, and record high interest rates. However, it improved from last year's -3.7%. Among 22 sectors, 11 experienced growth, including food, wearing apparel, leather, wood products, coke and petroleum products, chemicals, pharmaceuticals, rubber products, machinery & equipment and furniture.

In FY2024, the **services sector** demonstrated resilience with a growth of 1.21%. The transport and communication sector contributed 20.51% to the country's GDP, comprising 23.0% of the services sector. The government has been investing significantly in this sector to develop a modern and well-integrated transportation and communication system.

Past trends in GDP growth rate



Source: SBP

Component wise GDP breakdown

Consumption
93% of GDP in FY 24

Investment
13% of GDP in FY 24

Net exports
-6% of GDP in FY 24

Saving as % of GDP
13% of GDP in FY 24

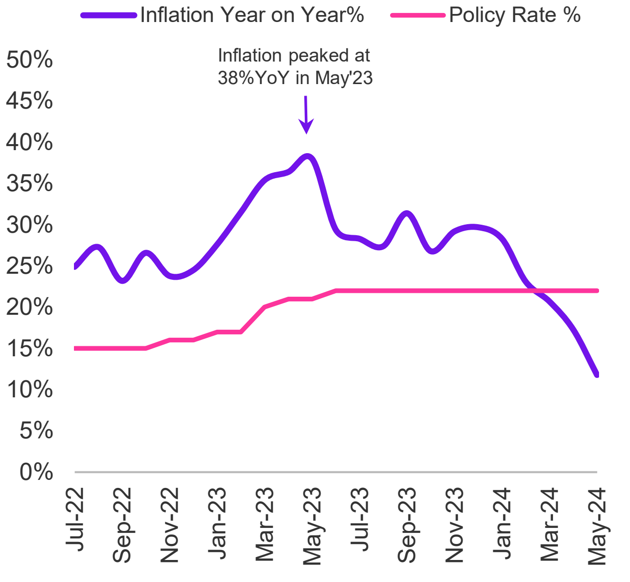
Source: Pakistan Economic Survey 2024, SBP

Policy Rate: 22% Steady, 150 bps Cut in Jun '24

During 11FY24, the State Bank of Pakistan maintained the policy rate at 22%. The volatile global oil prices amid conflicts in the Middle East, coupled with a hike in gas tariffs in November, posed risks to the inflation outlook which compelled the SBP to continue the tightening stance. However, inflationary expectations began to decline noticeably from 2HFY24 due to improved demand-supply balances and a stable PKR against the USD. Since March 2024, the CPI pace has dropped below the policy rate, substantially reducing to 11.8% YoY in May'24 (the lowest in 30 months). Resultantly, the central bank chose the path of monetary easing and thereby reducing the policy rate by 150 basis points to 20.5% in Jun'24.

During the period of July-May FY2024, the Consumer Price Index (CPI) in Pakistan remained at 24.5% compared to 29.16% recorded in the same period last year.

Inflation on downward trajectory



Source: SBP, PBS

Why is inflation slowing down in Pakistan?

01 High Base Effect

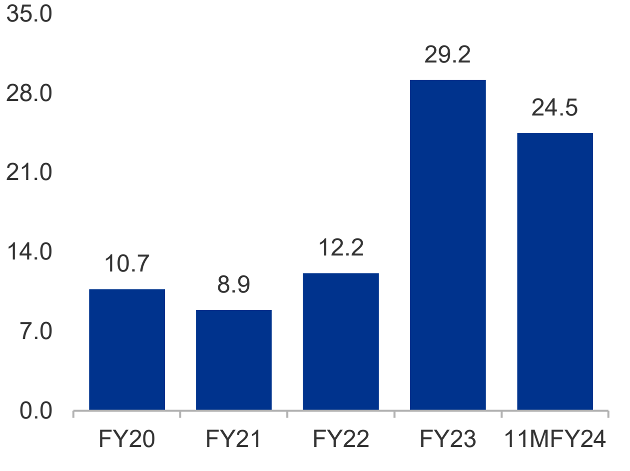
02 Favorable global commodity prices

03 Smooth supplies of food items

04 Effective Government Administrative Measures

05 Monetary tightening

Average yearly inflation



Source: SBP, PBS

Broad money continue to grow during FY 24 as inflationary pressures increase the demand for money in the economy. During July-March FY2024, Broad Money (M2) has witnessed growth of 7.0% to PKR 2,216 billion as compared to growth of 4.4% (PKR 1,212 billion) during same period last year.

Trend in monetary aggregates in PKR millions

	9MFY23	9MFY24
M2 growth	4.4%	7%

Source: SBP

Budget deficit to GDP remains at 3.7%

Budget deficit increased by roughly PKR 0.83 trillion in 9MFY24

The government has been able to improve its revenue collection by increasing direct tax collection by PKR 1.6 trillion and indirect tax collection by PKR 1.2 trillion. The FBR performed well during FY 24, surpassing its tax collection target of PKR 6.7 trillion in the first three quarters of FY24. FBR is mulling to implement several initiatives to broaden the tax base by digitalizing its tax system and fostering efficiency for taxpayers.

In terms of non-tax revenue, surplus profit from the SBP was recorded at PKR 972 billion during 9MFY24 (compared to PKR 371 billion during 9MFY23), contributing to almost 39% of the total non-tax revenue. The petroleum levy also witnessed a significant increase to PKR 719 billion during 9MFY24 (compared to PKR 362 billion during 9MFY24).

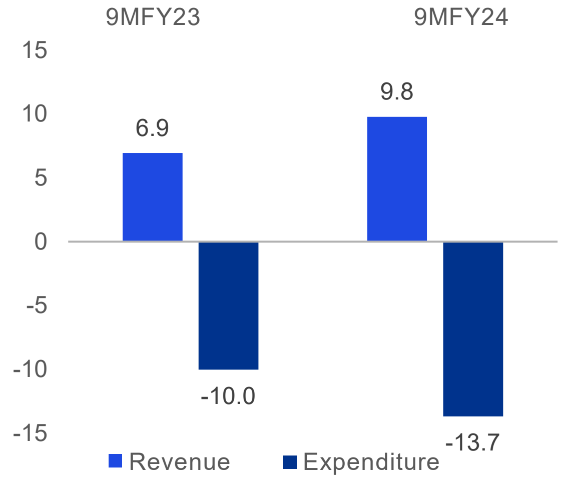
Revenues arising from customs tax also recorded growth of roughly PKR 100 billion as the SBP relaxed import restrictions that were placed earlier to support the depleting foreign exchange reserves.

Debt servicing accounts for 56% of the total revenue collection amid higher interest rates

Total expenditure in the economy increased by 37% due to a rise in interest rates on the government's domestic and external debt. The government of Pakistan relied heavily on domestic debt to meet financing needs and limit its external financing within the medium-term debt target risk of 40%, resulting in an increase of PKR 8 trillion in domestic borrowing between March 2023 and March 2024. With the policy rate at 22%, markup payments recorded a growth of 54%, rising from PKR 3.5 trillion during 9MFY23 to PKR 5.5 trillion during 9MFY23.

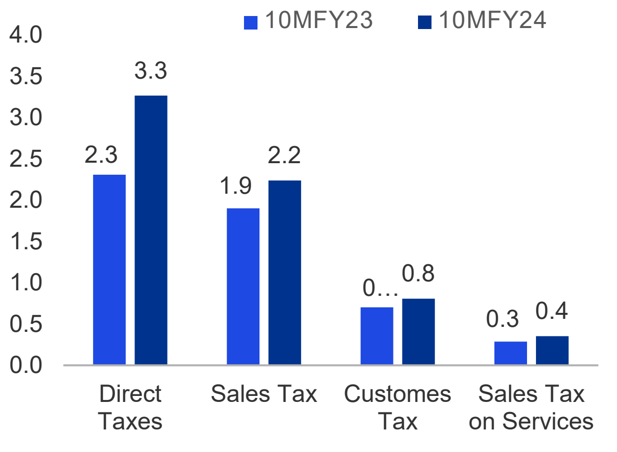
Defense expenditure increased by 22%, from PKR 1 trillion during 9MY23 to PKR 1.2 trillion during 9MFY24. On the other hand, the government curtailed its development expenditure, which recorded a moderate growth of 8%, from PKR 1.06 trillion during 9MFY 23 to PKR 1.14 trillion during 9MFY24.

Budget balance in PKR trillion



Source: Ministry of finance

Composition of tax revenue in PKR trillion



Source: Ministry of finance

Pakistan's Debt Profile in PKR billion

	Mar'23	Mar'24
Govt. domestic debt	35,077	43,432
Govt. external debt	22,046	21,941
Debt from IMF	2,124	2,151
Total Gross public debt	**59,248**	**67,524**

Source: Pakistan Economic Survey 2024, SBP

Trade balance strengthens as imports decrease and exports grow

Exports recorded an increase of 11%YoY during Jul-Apr'24

In 10MFY24, export recorded at $25.7 billion (+11%YoY) relative to $23.2 billion during the same period in FY23. Export increased due to country's strategy to enhance non-traditional exports to China and GCC. This has enhanced around 37% exports to China and increased by 38% exports to GCC during this period. One of the largest contributor in the exports has been the textile sector which contributed about 53% of the total exports in 10MFY24. Textile exports are on a declining trajectory on account of withdrawal of regionally competitive energy tariffs amid a larger macroeconomic crisis.

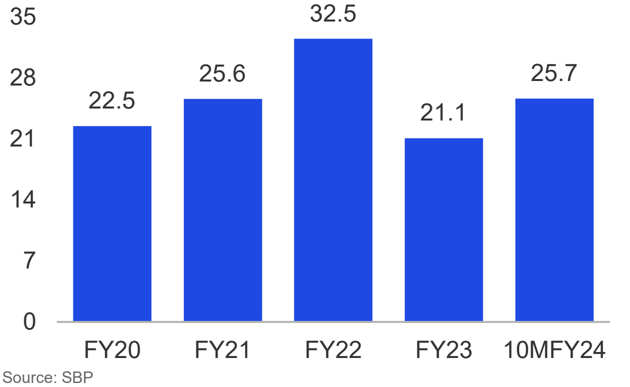
Furthermore, food exports depicted an increase of 50% compared to same period last year. The higher food exports is attributable to heightened demand for Pakistani basmati rice, meat, fruits, vegetables, and spices.

Imports witnessed a slight decrease of 5% during Jul-Apr'24

In 10MFY24, import recorded at $43.4 billion (-5%YoY) relative to $45.8 billion during same period in FY23. One of the largest contributor in the imports has been the petroleum sector which contributed about 28% of the total imports in 10MFY24. However, imports in petroleum sector are declining due to decrease in demand for petroleum products due to soaring fuel prices, further decrease in imports due to the rise in local food production. This assisted in curtailing imports. On the other hand, machinery imports depicted an increase of 50% compared to same period last year. This is because industries have purchased capital goods to sustain existing production levels as well as make necessary upgrade and expansion of factories as they foresee a promising growth outlook.

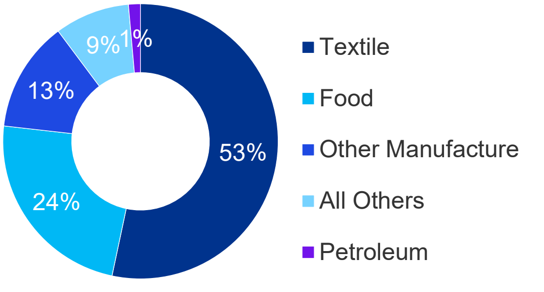
Moreover, the reduction in Food imports reflect domestic efforts towards self-sufficiency and economic optimization, while the surge in exports signals growing competitiveness and demand for Pakistani food products on the international stage.

Total exports in USD billion



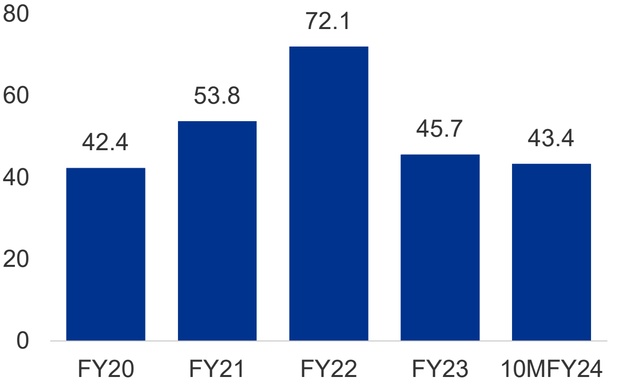
Source: SBP

Top sector wise Exports in USD billion



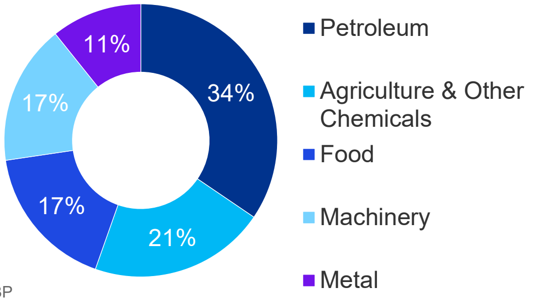
Source: SBP

Top sector wise Imports in USD billion



Source: SBP

Top sector wise Imports in USD billion



Source: SBP

FDI records marginal growth during 10MFY24, up by 8% YoY

Net Foreign Direct Investment in the economy increase by 8% in the 10MFY24

The flow of FDI have shown a marginal improvement in the economy. Inflows in the economy have witnessed growth of roughly USD179 million while outflows have risen by USD 70 million.

Power sector remains most attractive for foreign investment in Pakistan

The power sector has been driven by hydel power investments with a net FDI flow of roughly US dollar 121 million in the first nine months of FY24. The sector overall, however, observed a decline with fall in FDI in its thermal and coal energy segment. The financial sector also recorded a net decline of 30% in FY24 whereas Oil and Gas exploration witnessed a healthy gain of 70%.

China remains the top foreign investor in Pakistan's economy

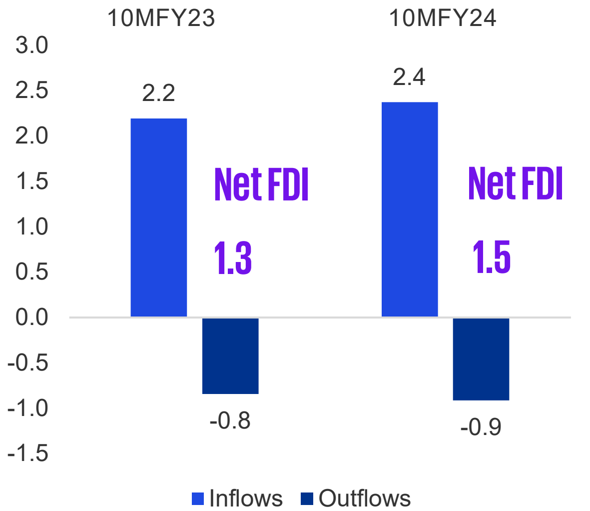
The flow of net FDI rose by a minor USD 109 million dollar in the first 10 months of FY24. China emerged as the top contributor to Pakistan's net FDI, with USD 439 million, followed by Hong Kong with USD 604 million. On the other hand, net FDI from U.K and USA

Special Investment Facilitation Council (SIFC)

The launch of SIFC is intended to allure foreign and local investments across **agriculture, mining and minerals, Information Technology and energy** sectors of Pakistan by offering support through a single window platform to facilitate investors. Currently ranked at 108 on the Ease of Doing Business Index, the council aims to push Pakistan higher up on the index by streamlining investment processes for investors.

Source: Pakistan Economic Survey 2024, SBP

FDI flows in USD billion



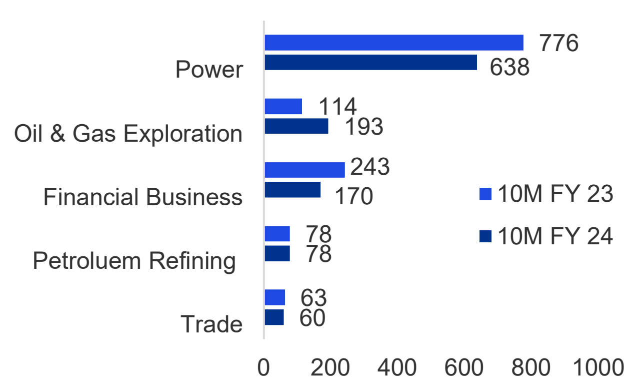
Source: SBP

Countries wise Net FDI in USD million

	10MFY23	10MFY24
China	604	439
Hong Kong	207	298
U.K	226	219
U.S.A	152	116
U.A.E	92	80
Others	70	306
Total	**1,349**	**1,458**

Source: SBP

Top 5 Sector wise net FDI flows

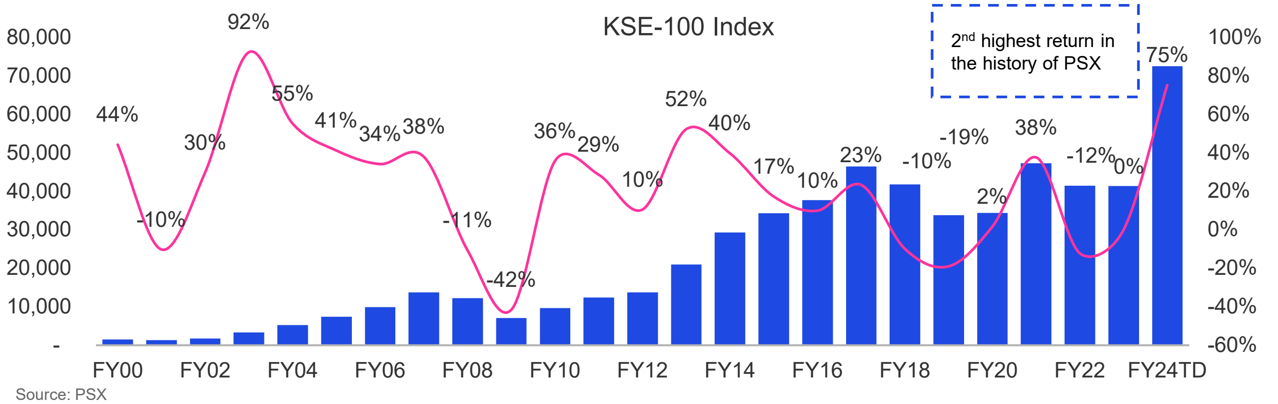


Source: SBP

PSX makes history, climbs to uncharted territory

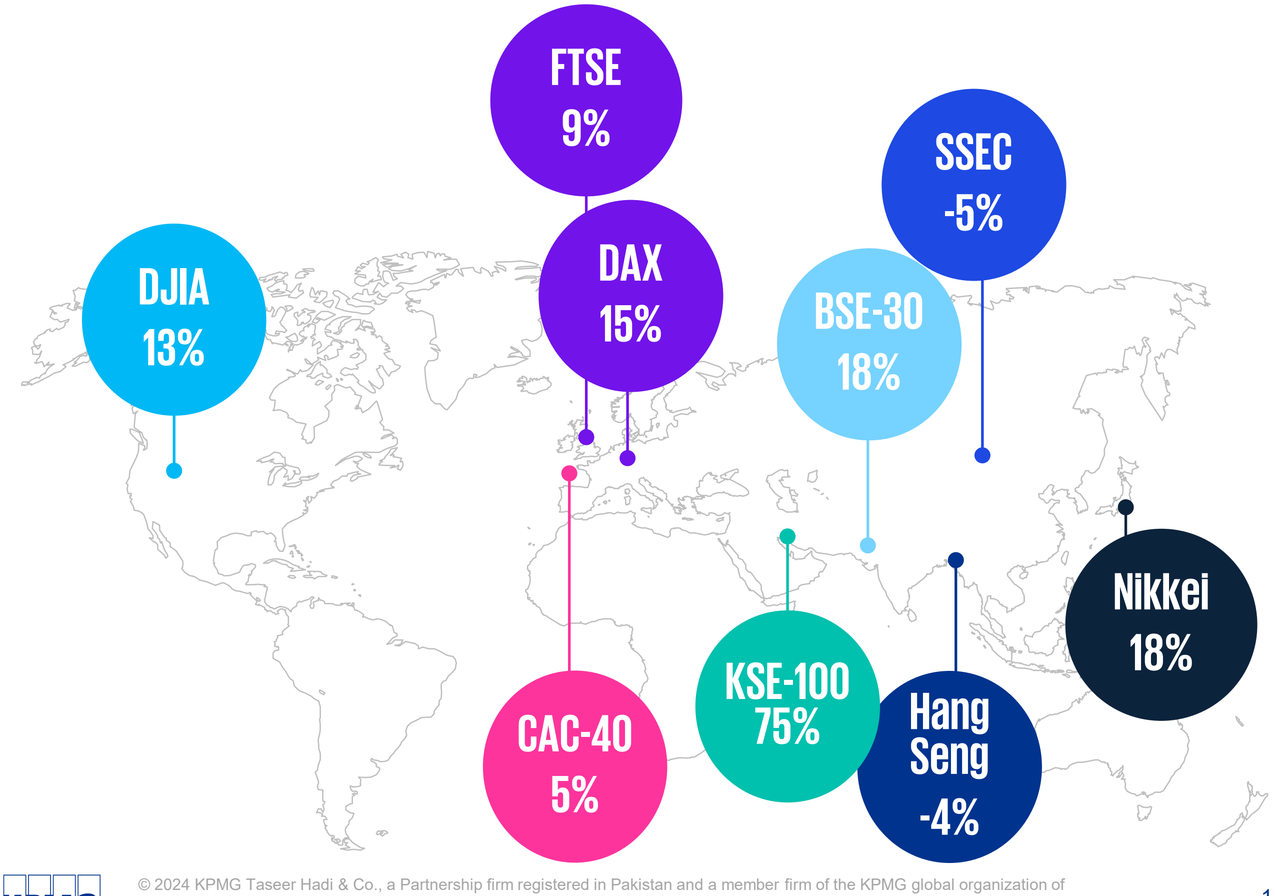
The Pakistan Stock Exchange makes history, skyrocketing from 40k to 73k in a historic surge during FY24TD, positioning it as one of the highest-ranking indices globally. This performance is on the back of several key factors: political stability post-elections, decreasing inflationary pressures, improved balance of payments position and increased foreign portfolio investments. These factors have propelled the KSE-100 index to unprecedented heights, accompanied by a significant increase in trading volume by 2.6x to 233 million compared to last year.

Furthermore, other developments such as the successful completion of the IMF Stand-By Arrangement (SBA), coupled with expectations of a policy rate cut and a stable Pakistani Rupee against USD, as well as anticipation of substantial investments from Middle Eastern nations, have also contributed to the positive market sentiments.



Source: PSX

KSE-100: Top performing stock market among major indices in FY24TD



FX Reserves: Driven by foreign inflows and higher remittances

Pakistan's external account improved as the country successfully increased its foreign reserves and achieved stability in the exchange rate, which is crucial for overall economic stability.

The State Bank of Pakistan (SBP) reported a $4.7 billion increase in its foreign exchange reserves, bringing the total to $9.1 billion as of 31 May 2024 compared to $4.4 billion in June 2023. The improvement in SBP reserves was on the back of foreign inflows which supported the PKR against USD.

Overall, the country's total liquid foreign reserves now stand at $14.2 billion, with net foreign reserves held by commercial banks amounting to $5.1 billion.

Worker remittances have been one of the critical sources of foreign exchange reserves over the years and have been the dominant force in keeping current account deficit manageable.

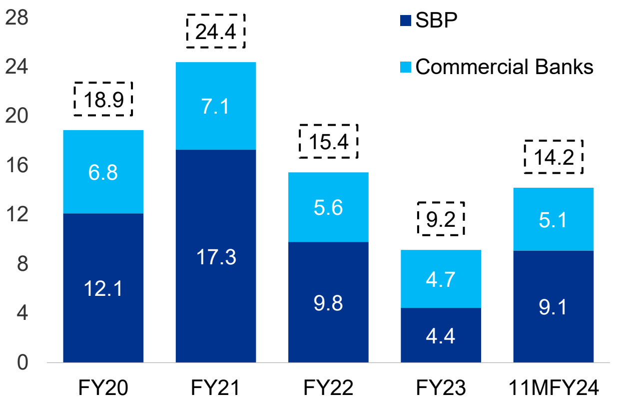
A positive trend in remittances has been observed since October 2023 due to structural reforms related to exchange companies and the reduced gap between exchange rates in the interbank and open markets.

From July 2023 to May 2024, remittances grew by 7.7%, with Saudi Arabia contributing significantly 31% of the total increase in remittances. The UAE showed a 28% increase, followed by EU countries of 18%. The USA and UK saw an increase of 16% respectively.

Pertinently, Pakistan received the highest ever Remittances in the month of May 2024 amounting to $3.2 billion.

Disbursement of foreign aid primarily stems from various sources, with notable contributions including US$ 2,000 million from the Naya Pakistan Certificate, USD 1,354 million from IDA, and US$ 889 million from the IMF.

Foreign exchange reserves in USD billion



Source: SBP

Remittances in 10MFY24

Country	Weight%	USD million
Saudia Arabia	24%	5,797
U.A.E	18%	4,212
U.K	15%	3,561
USA	12%	2,849
Other GCC countries	11%	2,565
Others	20%	4,865
Total	**100%**	**23,849**

Source: SBP

Disbursement of Foreign Economic Assistance during 10MFY24 in USD million

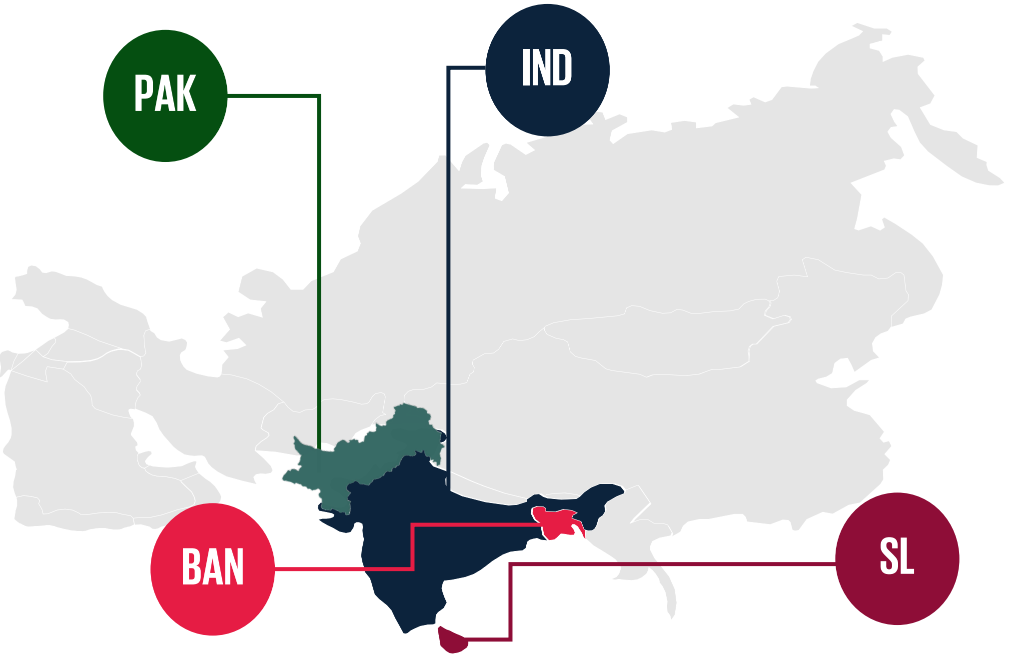
Source	Grant	Loan	Total
Naya Pakistan Certificate	-	2,000	2,000
IDA	22	1,332	1,354
IMF	-	889	889
ADB	9	700	708
Saudi Arabia (Oil Facility)	-	595	595
CATIC	-	508	508
AIIB	-	310	310
IsDB (Short-term)	-	200	200
China	2	65	67
Saudi Arabia	-	62	62
France	1	41	42
Others	97	308	406
Total	**132**	**7,011**	**7,142**

Source: Economic Affairs Division

Pakistan regional comparison

Pakistan	FY23	FY24
GDP growth rate	-0.2%	2.38%
Per Capita Income in USD	1,554	1,680
Unemployment rate	8.5%	8.0%
Inflation rate	29.2%	24.8%
Current account as % of GDP	-0.7%	-0.1%
Average Exchange rate per USD	248	284

India	FY23	FY24
GDP growth rate	7.8%	6.8%
Per Capita Income in USD	2,500	2,731
Unemployment rate	4.7%	N/A
Inflation rate	5.4%	4.6%
Current account as % of GDP	-1.2%	-1.4%
Local Exchange rate per USD	82.6	83.2



Bangladesh	FY23	FY24
GDP growth rate	6.0%	5.7%
Per Capita Income in USD	2,621	2,646
Unemployment rate	4.2%	N/A
Inflation rate	9.0%	9.3%
Current account as % of GDP	-0.7%	-0.8%
Local Exchange rate per USD	108.1	111.2

Sri Lanka	FY23	FY24
GDP growth rate	-2.3%	N/A
Per Capita Income in USD	3,830	N/A
Unemployment rate	6.6%	N/A
Inflation rate	20.5%	N/A
Current account as % of GDP	1.6%	N/A
Local Exchange rate per USD	328.6	307.24

Source: IMF

FY24 estimates are extracted from IMF World Economic Outlook

Circular debt soars to 4.5% of GDP

Pakistan's energy sector continue to struggle as circular debt continues to rise in the power and energy sector

- **Power Sector:** Circular debt reached PKR 2,635 billion (2.4% of GDP) by January 2024, with significant accumulations since 2018 due to "take-or-pay" contracts for imported coal and gas plants, increasing capacity payments and exposure to fuel price volatility.
- **Gas Sector:** Gas circular debt rose to PKR 2,866 billion (2.7% of GDP) by January 2024, driven by delays in tariff adjustments, inefficiencies, and the diversion of expensive RLNG to domestic consumers during winters.

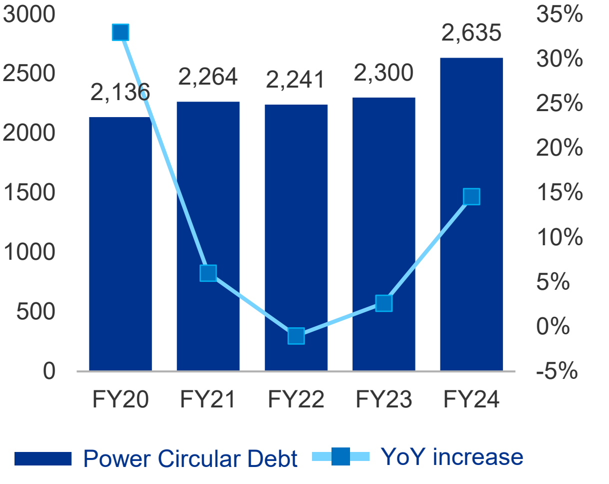
Key Issues

- **Structural Inefficiencies:** Poor planning and substantial subsidies lead to inefficiencies, unreliable supply, and large deficits known as "circular debt."
- **High Subsidies:** The highest in South Asia, energy subsidies are estimated at PKR 976 billion (0.9% of GDP), primarily for electricity consumption. Notified tariffs remain below cost recovery levels.
- **Subsidy Allocation:** 62% of residential and all agricultural consumers receive subsidies. Although residential subsidy progressivity has improved, subsidies for electric tube wells mainly benefit wealthy farmers.
- **Operational Inefficiencies:** State-owned electricity distribution companies (DISCOs) face issues with outdated metering, low collection rates, high technical losses, and theft, exacerbating revenue shortfalls and circular debt.

Government reforms and efforts

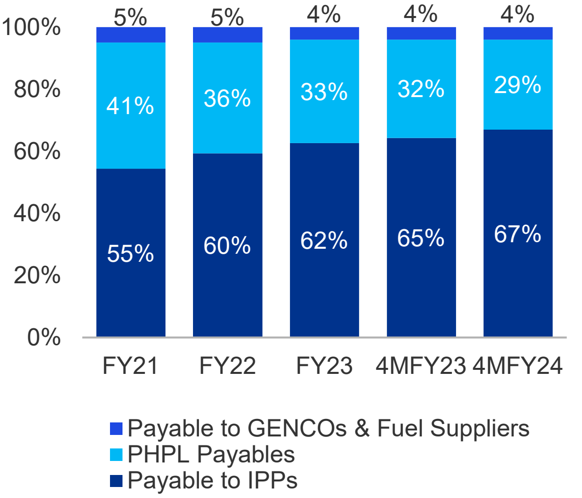
- **Tariff Increases and Subsidy Reforms** have narrowed the gap between tariffs and supply costs, protecting vulnerable consumers and avoiding further debt accumulation.
- **Electricity unit** price ranged from 3.95/unit (less than 50 units) to 25.98/unit (more than 700 units) in 2021 and this increased to 5.95/unit (less than 50 units) to 35.54/unit (more than 700 units) in 2024.
- **Gas unit** price ranged from PKR 300 (less than 25 m3 consumption) to PKR 4,000 (more than 400 m3 consumption) in 2023 and this increased to PKR 500 (less than 25 m3 consumption) to PKR 4,200 (more than 400 m3 consumption) in 2024.
- **Anti-Theft Campaign** improved collections, recovering an additional PKR 76 billion by January 2024.

Past trend in power circular debt



Source: PACRA , World Bank

Circular debt breakdown



Source: PACRA , World Bank

What to expect in FY25?

1

Monetary easing amid decline in Interest Rates

With 150 basis point cut in policy rates, monetary easing is expected to continue. This trend is anticipated due to factors such as the high base effect, improved supply, and the expectation of a stable policy rate. Looking forward to fiscal year 2025, the central bank projects the inflation rate to range between 5% - 7% in medium term; therefore, policy rate is expected to decline in FY25.

2

Hike in energy tariffs

In an effort to alleviate pressure on circular debt and comply with IMF conditions regarding the removal of subsidies, we anticipate an increase in electricity and gas tariffs.

3

Privatization of State-Owned Enterprises (SOEs)

The government is prioritizing the privatization of major state-owned enterprises (SOEs) to enhance service delivery. Progress has already been made, with the privatization of Pakistan International Airlines (PIA) currently underway, attracting interest from potential buyers.

4

Contractionary measures may bring short term inflation

The upcoming budget will focus on broadening the tax base and reducing subsidies. While these measures may lead to short-term inflationary pressures which are necessary for long-term economic stability.

5

Limited PKR depreciation on improved foreign inflows

The government is in the process of negotiating a $7-8 billion IMF program aimed at bolstering foreign exchange reserves. As a result, the PKR/USD parity is expected to remain stable.

6

Inflows from Middle Eastern Countries

The government has established the Special Investment Facilitation Council (SIFC) for initiatives in agriculture, mining & minerals, information technology and energy sectors and receiving a positive response from Middle Eastern nations. If these initiatives materialize, the anticipated economic resurgence is poised to surpass the FY25 projections.

Our recommendations: Rising from the ashes

- **Fiscal reforms:**
  - Control Debt Accumulation: Reduce reliance on borrowing, restructure existing debt, and improve debt management.
  - Rationalize Tax System: Implement a simpler, fairer tax system with a broader base to increase revenue collection.
  - Resolve Circular Debt: Address the crippling debt cycle within the energy sector.
  - Rationalize NFC Award: Ensure equitable resource distribution between the federal and provincial governments for effective poverty alleviation.
- **Emphasis on local production and structural reforms for FDI**
  - Curtail Imports, Promote Local Production: Reduce reliance on non-essential imports, particularly automobiles, and support local industries through private sector investment and a conducive business environment.
  - Attract Foreign Investment: Create a favorable investment climate through structural reforms, transparency, and ease of doing business to attract both FDI and portfolio investment.
- **Long-Term Strategic Initiatives:**
  - Invest in Human Resources: Prioritize education, healthcare, and skills development, particularly in IT, to create a globally competitive workforce and boost exports.
  - Empower Women: Promote women's economic participation to unlock their potential and drive inclusive growth.
  - Address Population Growth: Implement responsible population control measures for long-term economic sustainability.
- **Governance and Institutional reforms:**
  - Ensure Long-Term Planning: Foster a stable political environment conducive to foreign investment and regional cooperation, potentially through an independent forum like SIFC.
  - Formalize the Economy: Document economic transactions to enhance transparency, improve tax collection, and attract investment.
  - Digitize and Automate FBR: Improve efficiency, reduce corruption, and increase tax compliance within the tax authority.
  - Improve Public Service Delivery: Enhance the quality and reach of essential services (education, healthcare, infrastructure) at the provincial level through better governance, capacity building, and technology adoption.
- **Leveraging External Factors:**
  - Enhance Remittances: Implement measures to increase remittance inflows, potentially by facilitating the export of skilled labor.
  - Secure IMF Support: Successfully negotiate a new three-year IMF program to address financing needs and maintain economic stability.

By effectively addressing above challenges via implementing proposed solutions, Pakistan can transition from recovery phase to the path of sustained and inclusive economic growth.

Glossary

4MFY24	July to August
9MFY24	July to March
10MFY23	July to April
11MFY24	July to May
ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
CAD	Current Account Deficit
CATIC	China National Aero-Technology Import & Export Corporation
CPI	Consumer Price Index
FBR	Federal Board of Revenue
FPI	Foreign Portfolio Investment
FDI	Foreign Direct Investment
FIPI	Foreign Investors Portfolio Investment
FY	Financial Year
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
INR	The Indian Rupee
IsDB	Islamic Development Bank
KSE	Karachi Stock Exchange
LIPI	Local Investors Portfolio Investment
LSM	Large Scale Manufacturing
NCCPL	National Clearing Company of Pakistan Limited
OPEC	Organization of the Petroleum Exporting Countries
PBS	Pakistan Bureau of Statistics
PKR	Pakistani Rupee
PSX	Pakistan Stock Exchange
SBP	State Bank of Pakistan
SPLY	Same Period Last Year
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America
USD	US Dollar
YoY	Year on Year

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