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BUDGET 2016-2017: IMPLICATIONS FOR THE BUSINESS COMMUNITY

MAY 2017

PRIME

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For inquiries, contact:
Syed Ali Ehsan – Marketing Manager, PPR
Email: info@primeinstitue.org
Mobile: 0333 0588885

Mailing Address:
PRIME Institute Office 401 Gulistan Khan House,
82-East Fazal-ul-Haq Road, Blue Area,
Islamabad, 44000, Pakistan.
Tel: 00 92 (51) 8 31 43 37 - 38 Fax: 00 92 (51) 8 31 43 39

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Business Climate Review

by Ali Salman

The Business Climate Review sums up important developments spanning the entire federal government economic governance over the previous month. It discusses possible consequences of decisions, policies, and regulations announced by the federal cabinet, regulators and Federal Board of Revenue for the business climate of Pakistan. The analysis is based on the idea that economic freedom is good for the business climate and any law that increases arbitrariness, red-tape, and government involvement is counterproductive. Also, we believe that the government should not choose winners and losers by legalizing exemptions or favours.

Empty Coffers and Shallow Minds

One of the biggest challenges for the Prime Minister and his economic team is to reverse the historic decline in the country's exports, which has registered a decline of 17% since 2014. According to a news item (Business Recorder, 5 April 2017), hopes are pinned on the new Secretary Commerce, Younas Dagha, recently transferred from another crisis ridden ministry – that of Water & Power. According to an earlier news report (Express Tribune), the Federal Commerce Minister had hesitantly approved additional allowances for the Commerce Ministry staff as an incentive to help boost exports by using the Export Development Fund. Both of these news items suggest that not only are the export coffers emptying, but minds are shallow too. The expectation that one competent secretary or a few able civil servants can arrest declining exports is naivety at best. It is unknown how many months Mr. Dagha will have before being sent to another ministry, a norm in the Civil Service of Pakistan. In comparison, Malaysia's Ministry of International Trade and Investment is a great example. It is not possible to transfer any officer out of this Ministry, which helps to develop a talented and knowledgeable workforce over time. The top officer, usually a Secretary General, enjoys autonomy vis-à-vis political intervention. With this hands-off approach, Malaysia's MITI has done wonders for the country's trade and investment portfolios. Exports from Malaysia, a country with almost one-seventh of Pakistan's population, have touched the $200 billion mark. The biggest lesson we can learn from this example is how a government agency can actually facilitate the expansion of trade and investment opportunities by investing in its own system.

Loss of PSEs and Increased Borrowing is Not News

Dawn (7 April 2017) reported an obvious story recently- the borrowing of public sector enterprises (PSEs) from commercial banks has increased tenfold. According to the State Bank of Pakistan, PSEs borrowed Rs. 128.5 billion in July 2016-March 2017 alone, which is unprecedented. This story has a number of dimensions. First, the PML-N failed to fulfil its promise of wide-scale reforms in these enterprises and failed to follow what the Prime Minister himself has said a number of times, that “it is not the business of the government to do business.” Second, commercial banks have found an easy outlet for their risk-free lending, as loans to PSEs are usually backed or guaranteed by the Finance Ministry, which has the power to print notes (inflation tax) and curb wealth (income tax). This diverts private sector credit away from genuine entrepreneurs to these white elephants. Third, PSEs have also not realized any of their promised reforms. They continue to be poorly governed and half-managed. Rules of corporate governance were introduced a few years ago, but they did nothing to arrest the fall in corporate governance standards. Thus, the loss incurred by the PSEs, as long as they are not financed by tax or inflation should not be a source of worry for independent think tanks.

Un-leveling the Playing Field

Cable and wire manufacturers have demanded tax exemptions similar to the ones offered to Chinese and other importers. According to a news report (Dawn, 16 April 2017), current exemptions from customs duty and sales tax on the import of wire and cable for CPEC projects promoted imports from China at the cost of local industry. In the first quarter of the current fiscal year 88 per cent (or $21 million) of wire and cable imports originated from China. This was expected. When the Chinese offered to invest in Pakistan a couple of years ago, they convinced the government of the need of single country direct tenders. By doing this, the government not only failed to bring in alternative sources of capital from other destinations, but it also failed in winning the confidence of local players. CPEC presents huge gains to be made by opening up and greater integration. However, these gains will only be sustainable if linkages with the host economy are developed. In the absence of clear frameworks of investment and trade cooperation, CPEC may not yield positive results in terms of local economic development, the expansion of firms, and employment readiness.

MARKET ANALYSIS

Budget 2016-2017:
Implications for the Business Community

Introduction

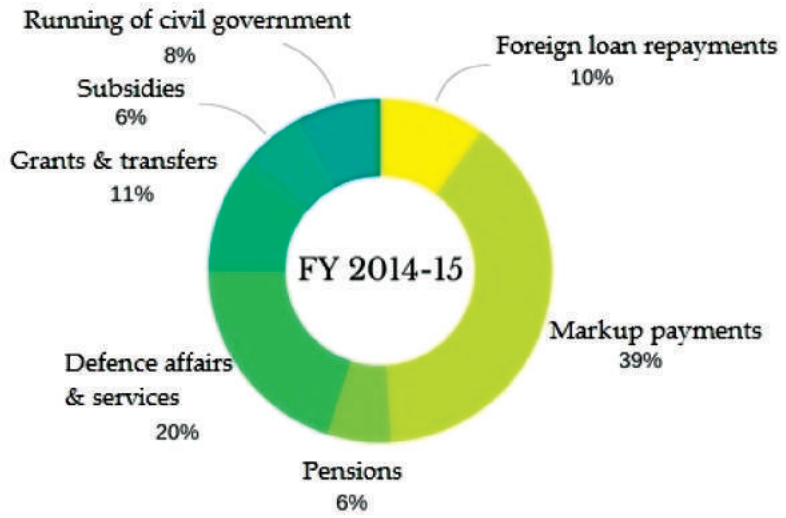
With each budget comes the hope that measures will be taken to boost exports, increase employment, and improve the overall economic development of the country. The expectations from the Federal Government Budget 2016-17 were also similar. Our study provides an overview of the previous budget and delves into its implications for ease of doing business with a few general recommendations at the end.

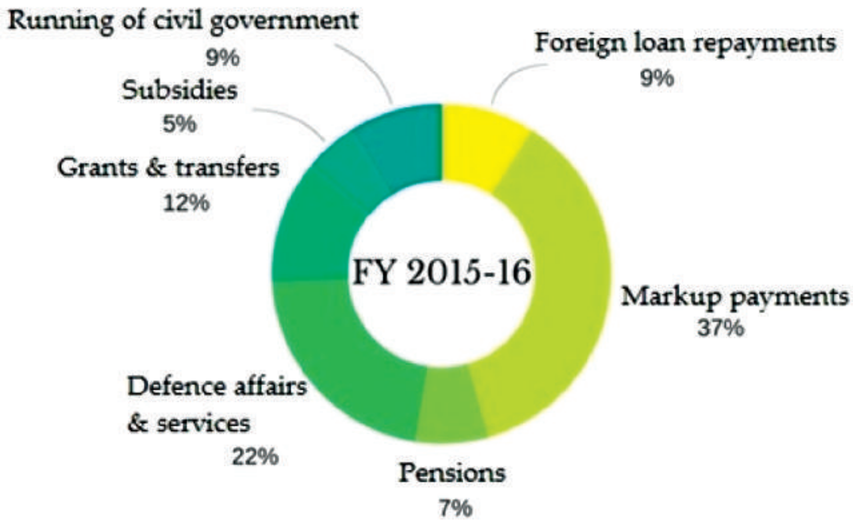
Snapshot of the Federal Government Budget 2016-17

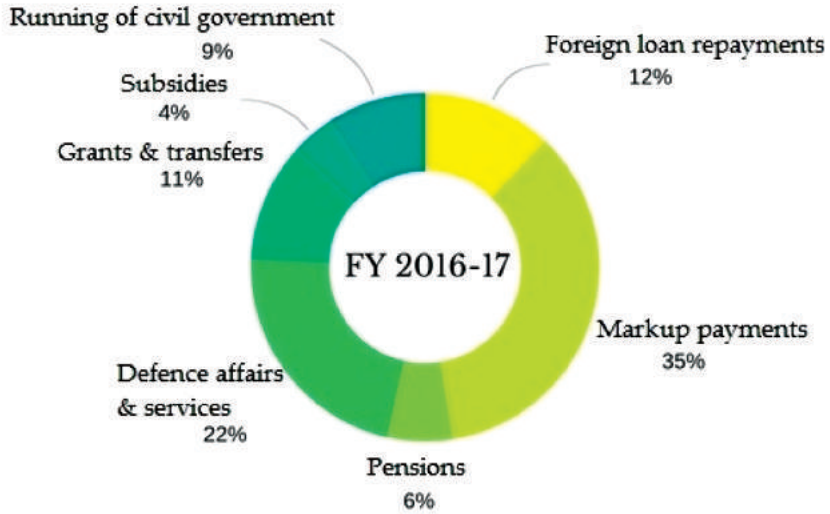
The total budget presented last year was for Rs 4.45 trillion, 3.5% larger than the previous budget.[1] Charged expenditures of Rs 10.44 trillion are in addition to this, of which a major chunk was given up to debt servicing, followed by defense. Rs 8.38 trillion was set aside for repayment of domestic debts, Rs. 1.24 trillion for domestic debt servicing, Rs 443.80 billion for repaying foreign loans and Rs 113 billion for servicing of foreign debt. Defense services, as a whole, were allocated Rs 860 billion.[2] A comparative breakdown of total current expenditure is given below. As can be seen, the distribution of current expenditure tends to vary little over the years, and markup payments and defense affairs invariably make up the biggest chunk of the pie.

Structure of the analysis

1 Government of Pakistan Finance Division, Budget in Brief, 30 May 2016.
2 Kalbe Ali and Hassan Belal Zaidi, "Major Chunk of Budget 'Lost' to Debt Servicing," Dawn, 19 June 2016


Running of civil government
8%
Subsidies
6%
Grants & transfers
11%
Foreign loan repayments
10%
FY 2014-15
Markup payments
39%
Defence affairs
& services
20%
Pensions
6%


Running of civil government
9%
Subsidies
5%
Grants & transfers
12%
Foreign loan repayments
9%
FY 2015-16
Markup payments
37%
Defence affairs
& services
22%
Pensions
7%


Running of civil government
9%
Subsidies
4%
Grants & transfers
11%
Foreign loan repayments
12%
FY 2016-17
Markup payments
35%
Defence affairs
& services
22%
Pensions
6%

Public Sector Development Programme (PSDP) spending amounted to Rs 1,050 billion, out of which Rs 60 billion was allocated to CPEC. 97% of the development spending was assigned for completion of ongoing projects instead of beginning new ones. The GDP growth rate was projected at 5.7%.

While these macroeconomic goals have their own significance, we have identified the measures introduced to create more opportunities as well as those which created impediments for businesses. Some steps that boded well for the market are as follows:

Customs Duty

- Concession on fish farming equipment, dairy, livestock, and poultry
- Exemptions on water testing kits, fish feed, and Edhi-imported old ambulances
- Exemptions and reductions on some industry chemicals and raw materials

Sales Tax

- Zero rating of export oriented sectors: textile, carpets, leather, surgical and sports goods
- Sales tax exemption on pesticides and their ingredients
- Sales tax exemption on imports of computers and supplements to prevent growth stunting

Federal Excise Duty

- FED on services on which provinces are collecting sales tax is withdrawn, e.g. banking companies, franchise services
- 8% FED on sugar replaced with reduced 5% sales tax
- Gwadar Port Authority concession holders and related contractors exempted from sales tax and FED for 40 years
- Businesses established in Gwadar Free Zone exempted from sales tax and FED for 2 years

Income Tax

- Corporate tax rate reduced to 31%
- Exemption on investment in Greenfield Undertakings extended to 30 June 2019
- 2% tax credit for employment generation in industrial undertakings
- Exemption to export for IT services until June 2019
- Tax relief of 5% of school fee to facilitate education expenses of lower income groups

There were, however, some measures that were not as well received and created hurdles for business growth. These have been illustrated below:

Customs Duty

- 10% and 15% slabs increased to 11% and 16% slabs
- Increase in customs duty on almonds, frozen fish, chicken stock and eggs, powdered milk, and whey powder
- Customs duty increased on some raw materials, including cement clinker and medium density fibre board

Sales Tax

- Zero rating on stationary items abolished
- Zero rated status of milk (apart from infant milk) ended
- Tax on some poultry feed increased from 5% to 10%
- Additional sales tax of Rs 1.25 per KW of electricity introduced for mart cutting and polishing industry
- Sales tax slabs for mobiles increased

Federal Excise Duty

- Enhancement of FED on cement, from 5% to a fixed rate of Rs 50 per kg
- FED on cigarettes increased

Implications of the Budget FY17

Overall, industries that saw the budget in a somewhat positive light were the textile and fertilizer industries. Zero-rating came as a relief to the textile industry, where a 5% tax was imposed previously. Zero-rating was also introduced for other export-oriented sectors, and the Export Finance Rate was also reduced from 3% to 3.5%, further easing their burden. The issue of refunds, however, remains a serious one, with export-oriented sectors struggling to receive their dues from the FBR.

Fertilizers also geared up for a good year, as the government announced a Rs 36 billion subsidy for urea, a Rs. 10 billion subsidy for DAP and a General Sales Tax reduction for urea from 17% to 5%. This meant a reduction in urea prices, which could boost the agriculture sector as a whole and increase urea sales. However, according to reports, buying of urea did not increase significantly in spite of the subsidy. This was not seen as a negative though, since kharif crops are likely to use more urea, and therefore an increase in sales is expected as per their sowing time.[3] Any fluctuations in the buying and

[3] "Urea off-take: no news, no worries," Business Recorder, 27 March 2017.

selling of urea can thus be attributed to sowing seasons, and not so much to prices. The subsidy did take care of the price uncertainty in urea, which is overall a positive for farmers.

On the other hand, commercial banks were not thrilled with the budget. Super tax, at 4%, was extended for one more year, while withholding tax was increased. This measure was a deterrent for new deposits. The move to impose a 3% advance tax for non-filers looking to lease cars was also seen as a negative, as a large number of people lease cars from banks.

Some tax revenue boosting measures were also viewed in a negative light. For instance, the budget proposed taxing property income separately from other incomes, using different rates. This has the effect of encouraging property owners to conceal their transactions. Withholding taxes for non-filers, such as on banking transactions, actually serve as a deterrent and encourage non-filers to hide their sources of income.

The State Bank has repeatedly asked the government to reconsider its withholding tax regime in subsequent budgets. Pakistan already has a low savings rate as a percentage of GDP, and such measures have served to discourage the public from using banking channels and instead conduct transactions informally. This has also created issues for low income groups, such as pensioners, students, and those with entry-level jobs, as they fall below the taxable threshold and are thus charged a 4% non-filer rate on banking transactions.[4]

Such taxes have been proven a burden on consumers as a whole. The 14% withholding tax on the telecom sector is one of the highest, generating Rs 48 billion of revenue in 2015-2016. However, only Rs 4 billion were claimed by taxpayers, with these exorbitant taxes continuing to be a burden on the vast majority.[5]

The concessions offered in the Gwadar Free Zone were also meant to be pro-growth. Such measures could encourage the setting up of new businesses and the development of the area, attracting both local and foreign investment. At present, the measures appear to be exclusively for Chinese investors, and it is not clear how local businesses will fare in these zones, in spite of repeated assurances from the Finance Ministry. In an interview with the financial newspaper Business Recorder, Senator Jehanzeb Jamaldini of the Balochistan National Party revealed that businesses that have shown interest in the Free Zone include steel pipes, fish processing, gemstone processing, stainless steel, and household appliances. With several Chinese companies already showing interest, the tax concessions will likely serve as a massive incentive to Chinese investors.

However, there is not enough clarity on what these tax concessions, amounting to about Rs 150 billion in lost tax revenue, mean for local investors.[6] Though the finance ministry insists that these measures will not be detrimental to local businesses, it is not entirely clear how Pakistani investors will remain unaffected. This is symptomatic of the lack of clarity surrounding CPEC-related notifications in general. Ideally, equal investment opportunities should be offered across the board.

4 "Withholding tax on banking transactions," Business Recorder, 7 May 2017.
5 Mubarak Zeb Khan, "Telecom sector seeks reduction in withholding tax," Dawn, 5 May 2017.
6 Mushtaq Ghumman, "Gwadar free zone: grant of tax exemption approved," Business Recorder, 24 May 2016.

GDP growth rate: Missed but still a Hit

The 2016-2017 budget presented by the finance minister targeted a growth rate of 5.7% for 2016-2017. Though the target was missed, a nine-year high of 5.28% was achieved, according to the latest Economic Survey released by the government. This is the highest growth rate since 2006-2007, when GDP grew by 6.8%.[7] Though this is a provisional figure, it still bodes well for Pakistan's economy, and marks a recovery from the crisis of 2008.

Experts actually suggested that Pakistan aim for a growth rate of above 7% in the budget, seeing as how neighbouring countries India and Bangladesh have achieved growth rates ranging from 6.6% to 7.5%.[8] However, the fact that such growth rates were not achieved indicates that excessive optimism with respect to CPEC related growth may be somewhat misplaced.

Blessings in disguise or eyewash?

Some measures introduced in the budget did have some positive effects, but came with the risk of several negative externalities.

For instance, is indeed true that withholding taxes have served to improve the tax to GDP ratio, limiting fiscal deficit to 4.3% of GDP in the 2015-2016 fiscal year. However, these are surface reforms, and feed into the large number of indirect taxes levied on citizens. The business climate also suffers significantly due to the withholding of refunds on these taxes, even from legitimate taxpayers.[9]

The abolition of the zero-rated status of powdered milk, plus added duties, was also a mixed bag. A 25% regulatory duty was introduced in addition to the preexisting 20% customs duty, in order to regulate the dumping of powdered milk in the country. Though short term regulation of imports was achieved, zero-rating resulted in milk processors increasing the price of processed milk by around 5 rupees per liter.[10] As processed milk tends to be consumed in urban areas, this has resulted in consumers having to bear the burden of increased costs. On the positive side, zero-rating of infant formula was left unaffected.

The downside to the boosting of industry and infrastructure is also manifesting itself in the form of an increasing trade deficit due to vast machinery imports. Minister of Commerce Khurram Dastgir said in a statement that machinery and petroleum imports for the energy, agriculture, and textile sectors has contributed greatly to the trade deficit.[11] Concessions introduced in the budget may have contributed to this, as reliefs and exemptions were introduced on cool chain machinery, solar panels, and thermostats for freezers, among other equipment.

Furthermore, while CPEC budgetary allocations were seen as good news for the energy sector, the funding of projects does not solve the structural governance issues that exist in the sector. Governance reforms are required to solve governance issues such as circular debt. Siphoning billions into the power sector is a measure intended to appease citizens, not repair the problem at hand.

7 Mubarak Zeb Khan, "Growth rate hits nine-year high of 5.28%," Dawn, 18 May 2017.
8 "Budget 2016-2017: Highlights and Comments,"Deloitte, 3 June 2016.
9 Ibid
10 Asmat Raza, "Pakistan Increases Tariff on Milk Powder Import," USDA Foreign Agricultural Service, 2 September 2016.
11 "Pakistan trade deficit increasing due to import of machinery," The Times of Islamabad, 18 April 2017.

Conclusion and General Recommendations

Like previous budgets, the 2016-2017 budget maintained the status-quo and failed to bring about any real changes in economic development especially for the middle class and small enterprises. Saddling citizens with exorbitant indirect taxes to increase tax revenue is unsustainable, not to mention essentially regressive in nature. It in fact deters more people from voluntarily entering the tax net. Such indirect taxes are anti-poor in nature, and serve to extract revenue from non-filers instead of broadening the tax base.

Furthermore, there should be a greater focus on decreasing inefficient government spending instead of only focusing on increasing revenue. One way is through improvement, and preferably privatization, of loss making public sector enterprises, such as the national flag carrier, so as to prevent the ongoing wastage of taxpayers' money.

CPEC, on the other hand, may prove to be a great harbinger for development in Pakistan. However, industrial strategy must be developed such that the proliferation of imported inputs and foreign investments contributes towards industrial growth and increase in manufacturing output, instead of simply contributing to trade deficit. The Gwadar policy is one that is likely to pay off in the long term.

There needs to be more transparency with respect to the defence budget. Exorbitant spending on defence occurs at the expense of other neglected sectors such as health and education. Transparency and accountability in defence spending needs to be introduced as well, as this makes up a large fraction of the budget.

A pro-poor, inclusive budget, focusing on small businesses, rural areas, and agriculture development should be a priority. Zero-rating tends to facilitate large manufacturers and processors. Though this budget did bring some good news for small industries, further encouraging measures are needed to encourage their growth. The business community and government servants manage to influence the direction of the budget, but special protections are required for those segments that do not have such bargaining power.

The high growth rate achieved indicates that the government does have the capacity to stabilize the economy, given that the tax to GDP ratio is increased and circular debt issues are improved through structural reforms. Decreasing reliance on foreign investment and debt, and instead raising revenue from within, is instrumental in achieving sustainable growth.

Improved governance and management will also be a massive improvement, as timely decisions and effective implementation are necessary accompaniments to favourable budget decisions. Bottlenecks and red tape need to be minimised, which will encourage foreign investment, broadening of the tax net and improving faith in public institutions.

Most importantly, there needs to be more transparency and clarity in the process leading up to the budget with open debates with all stakeholders. The budget should also look at fulfilling national promises such as Vision 2025 and address international commitments such as the Sustainable Development Goals. The budget is accountable to the nation, and must ensure that it meets expectations in an inclusive manner.

SNAPSHOT OF KEY ECONOMIC INDICATORS

Outlook of Pakistan's Economy (July-April FY17)

Pakistan's current fiscal year is drawing to a close, with the government primed to announce the new budget towards the end of May. Though the target of a 5.7% GDP growth rate was missed, the present government did accomplish the feat of achieving the highest growth rate in ten years, at 5.28%. This is also the first time that Pakistan's economy has crossed the $300 billion mark.

At the close of the year, the finance minister has announced that industry grew 5.02%, agriculture 3.46% and services 5.98%. During July-April FY17, FDI amounted to $1.73 billion, compared to the $1.54 billion figure for the same time last year. The majority of inflows are from China, due to the China-Pakistan Economic Corridor.

Fiscal deficit during the first 9 months of the year amounted to 3.9% of GDP, compared to 3.5% over the same period last year. The government attributed this to lower tax revenue due to the relief measures introduced to promote investment and economic activity.

Inflation fared better than expected, hitting 4.09% instead of the expected 6%. It is expected to remain below target because of good agriculture performance, which ensures stable food supplies, as well as a relatively stable exchange rate.

The export sector continues to suffer, with imports steadily increasing. $15.12 billion of exports were registered for the first nine months of the fiscal year, against $15.6 billion last year. Imports have risen mainly due to the spike in machinery and fuel imports.

Hopefully, the government will introduce export-oriented measures in the new budget, coupled with measures to maintain Pakistan's current high growth rate.

Table 1: Economic Snapshot

Particular	Reporting Period	Value
T-Bill		**(%)**
03-M	Apr-17	5.85
06-M	Apr-17	5.90
12-M	Apr-17	5.90
PIB 10-years	Apr-17	8.21
6-M Kibor	Apr-17	6.16
Discount Rate	Apr-17	5.75
Inflation	**Apr-17**	**4.8**
External Indicatrors		($ Bn)
Export	Apr-17	2.2
Import	Apr-17	4.7
Trade Deficit	Apr-17	-2.5
Home Remittances	Apr-17	1.5
Current Account	Apr-17	-1,133
FDI ($ Mn)	Apr-17	132
Public Finance		**(Rs. Bn)**
Tax Collection	Dec-16	38
Direct Taxes	Dec-16	18
Indirect Taxes	Dec-16	20
Credit to Private Scetor (Rs. Bn)	As of Mar 17	4,560
LSM growth MoM (%)	Mar-16	-1.2
FX Reserves ($ Bn)	12 May 17	20.7

Sources: SBP, Finance Ministry

Table 2: Key Targets and Projections

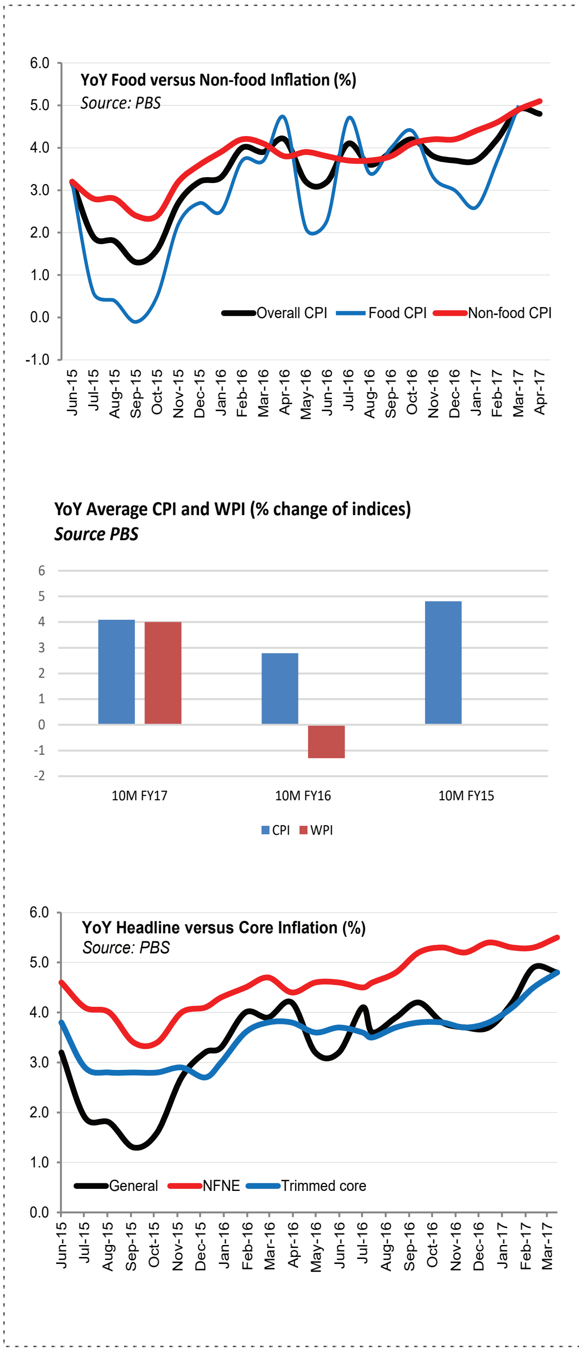
	Govt Target*	SBP Projection**	IMF Projection***	ADB Forecast****
		Percent		
Real GDP Growth	5.7	5.7	5	5.2
CPI- Full year average	6	4.5 - 5.5	5.2	4.5
		% change		
Export	n.a	n.a	4.1	n.a
Import	n.a	n.a	9.9	n.a
		% of GDP		
Current a/c Balance	n.a	n.a	-1.8	-1.2
Fiscal Balance	-3.8	n.a	-3.8	-5.3
Remittances ($ Bn)	n.a	n.a	20	n.a
Tax Revenue (Rs. Bn)	3,956	n.a	4,244	n.a

*Sources: *Budget in Brief 2016-17, **Monetary Policy Statement, ***IMF Country Report (June 2016), ****AsianDevelopment Outlook 2016*

Table 3: Balance of Payment Account - Key Items Only

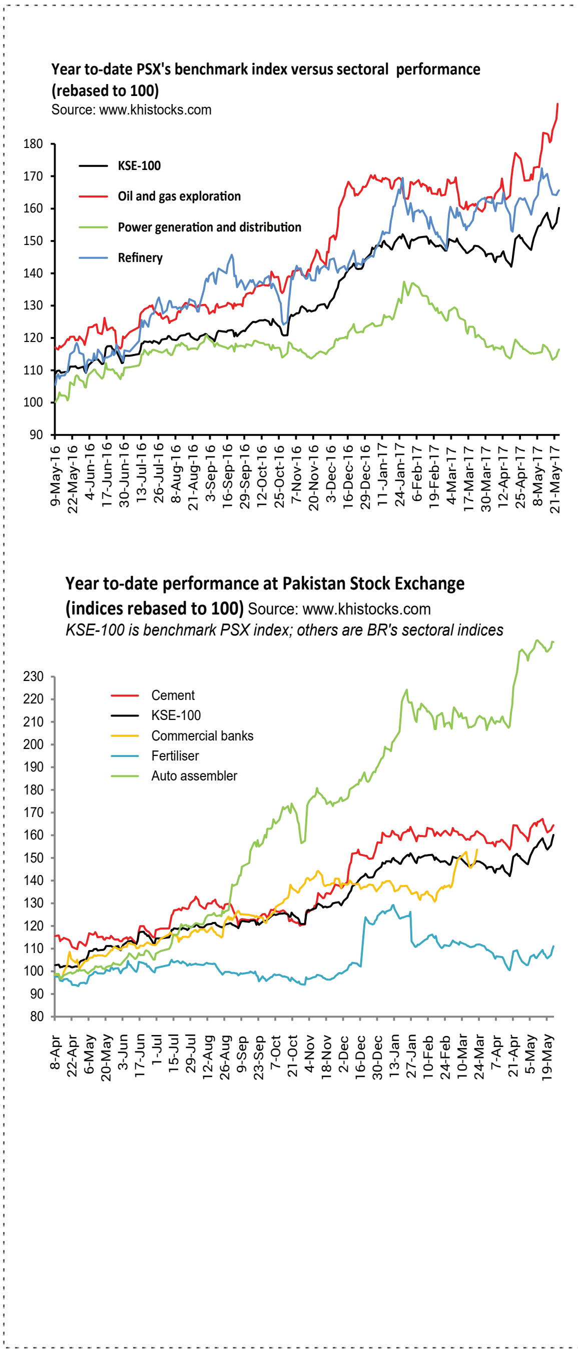
$ (Mn)	10M(FY17)	10M(FY16)	% change
Current Account Balance	-7,247	-2,378	n.a
Balance on Trade in Goods	-19,936	-14,613	
Exports of Goods FOB	17,912	18,146	-1%
Imports of Goods FOB	37,848	32,759	16%
Balance on Trade in Services	-2,316	-2,243	
Exports of services	4,708	4,678	1%
CSF inflows	101	262	-61%
Imports of services	7,024	6,921	1%
	10M (FY17)	10M (FY16)	
Workers' Remittances	15,597	16,045	-3%
U.S.A	1,929	2,049	-6%
U.K	1,847	2,030	-9%
Saudi Arabia	4,517	4,838	-7%
UAE	3,468	3,550	-2%
	10M (FY17)	10M (FY16)	
Direct Investment in Pakistan	1733	1,538	13%
U.S.A	103	321	n.a
U.K	48	229	-79%
Saudi Arabia	48.4	200	-76%
China	744	679	10%
Portfolio Investment in Pakistan	590	-404	-246%
Equity	-389	-385	1%
Debt	979	-19	-5253%

Figure 1: Trends in Inflation



Source: PBS

Figure 2: Performance at Stock Market



Source: www.khistocks.com
KSE-100 is benchmark, PSX index, others are sectoral indices

Table 4: KEY EXPORT CATEGORIES - PERCENTAGE CHANGE 10M FY17 over 10M FY16

KEY EXPORT CATEGORIES - PERCENTAGE CHANGE 10M FY17 over 10M FY16					
Commodities (units)	**Quantity (total)**	**Price ($ Mn)**	**Price (% change)**	**Quantity (% change)**	**ARP* (% change)**
Total	n.a			n.a	n.a
Food (M.T)		**3,076**	**-9%**		**n.a**
Rice	**3,051,866**	**1,346**	**-13%**	-14%	1%
Basmati	**384,360**	**348**	**-3%**	-1%	-3%
Non-Basmati	**2,667,506**	**998**	**-16%**	-16%	-0.4%
Sugar	**190,629**	**103**	**-22%**	-35%	-100%
Textile	**n.a**	**10,297**	**-1%**	**n.a**	
Raw cotton (M.T)	**23,257**	**40**	**-48%**	-52%	10%
Cotton yarn (M.T)	**380,029**	**1,042**	**-4%**	6%	-9%
Cotton cloth (TH.SQM)	**1,564,065**	**1,772**	**-6%**	-15%	11%
Knitwear (TH.DOZ)	**96,868**	**1,926**	**0%**	3%	-3%
Bedwear (M.T)	**291,854**	**1,763**	**5%**	7%	-2%
Towel (M.T)	**147,847**	**643**	**-4%**	-4%	-0.4%
Readymade garments (TH.DOZ)	**27,803**	**1,894**	**5%**	5%	1%
Art, silk & synthetic textile (TH.SQM)	**98,058**	**172**	**-30%**	-59%	72%
Petroleum products	**n.a**	**148**	**13%**	**n.a**	
Naphtha (M.T)	**93,027**	**35**	**3174%**	**2920%**	
Other manufacturing goods	**n.a**	**2,564**	**-3%**	**n.a**	
Sports good	**n.a**	**256**	**-4%**	**n.a**	
Football (TH.DOZ)	**2,707**	**127**	**-11%**	-7%	-4%
Gloves (TH.DOZ)	**1,834**	**90**	**19%**	11%	7%
Leather tanned (TH.SQM)	**15,060**	**283**	**-5%**	7%	-11%
Leather products	**n.a**	**406**	**-8%**	**n.a**	
Leather garments (TH.DOZ)	**626**	**242**	**-9%**	-14%	6.3%
Leather gloves (TH.DOZ)	**3,968**	**155**	**-5%**	-7%	2%
Footwear (TH.Paris)	**8,140**	**79**	**-11.3%**	-19%	9.5%
Surgical goods	**n.a**	**278**	**-7%**	**n.a**	
Chemical & pharma products	**n.a**	**728**	**14%**	**n.a**	
Plastic material (M.T)	**132,021**	**185**	**17%**	39%	-16%
Engineering goods (TH.NOS)	**n.a**	**145**	**-5%**	**n.a**	
Cement (M.T)	**3,903,449**	**205**	**-25%**	-23%	-3%
All other items	**n.a**	**833**	**8%**	**na**	

*ARP= Average Realised Price

Sources: PBS

Table 5: KEY IMPORT ITEMS - PERCENTAGE CHANGE 10M FY17 over 10M FY16

KEY IMPORT ITEMS - PERCENTAGE CHANGE 10M FY17 over 10M FY16					
Commodities (units)	**Quantity (total)**	**Price ($ Mn)**	**Price (% change)**	**Quantity (% change)**	**APR* (% change)**
Total					
Food Group (M.T)	n.a	5,097	17%	n.a	n.a
Tea	175,706	452	3%	20%	-14%
Palm Oil	2,148,172	1,551	13%	-5%	18.7%
Pulses	1,098,529	834	72%	46%	17.8%
All other food items	n.a	1,702	18%	n.a	n.a
Machinery Group	n.a	9,852	39%	n.a	n.a
Power generation	n.a	2,634	71%	n.a	n.a
Textile Group	n.a	460	23%	n.a	n.a
Electrical	n.a	1,882	23%	n.a	n.a
Telecom	n.a	1,135	-2%	n.a	n.a
Transport Group	n.a	2,652	23%	n.a	n.a
Road Motor	n.a	2,046	30%	n.a	n.a
CBU Heavy Vehicles	n.a	252	49%	n.a	n.a
CBU Motor cars	n.a	321	20%	n.a	n.a
CKD Heavy Vehicles	n.a	221	22%	n.a	n.a
CKD Motor cars	n.a	547	29%	n.a	n.a
Other transport	n.a	221	397%	n.a	n.a
Petroleum Group (M.T)	n.a	8,766	31%	n.a	n.a
Petroleum Products	11,945,298	5,491	32%	56%	-15%
Petroleum Crude	6,642,799	2,077	7%	42%	-25%
Textile Group (M.T)	n.a	2,735	3%	n.a	n.a
Agriculture Group (M.T)	n.a	6,240	4%	n.a	n.a
Metal Group	n.a	3,576	6%	n.a	n.a
Iron & Steel (M.T)	2,846,727	1,728	4.4%	11%	-6%
Miscelleanous Group	n.a	1,016	13%	n.a	n.a
All other items	n.a	3,540	15%	n.a	n.a

n.a = not available; PBS does not release data *ARP= Average Realised Price

Sources: PBS

Figure 3: Trends in Exchange Rate

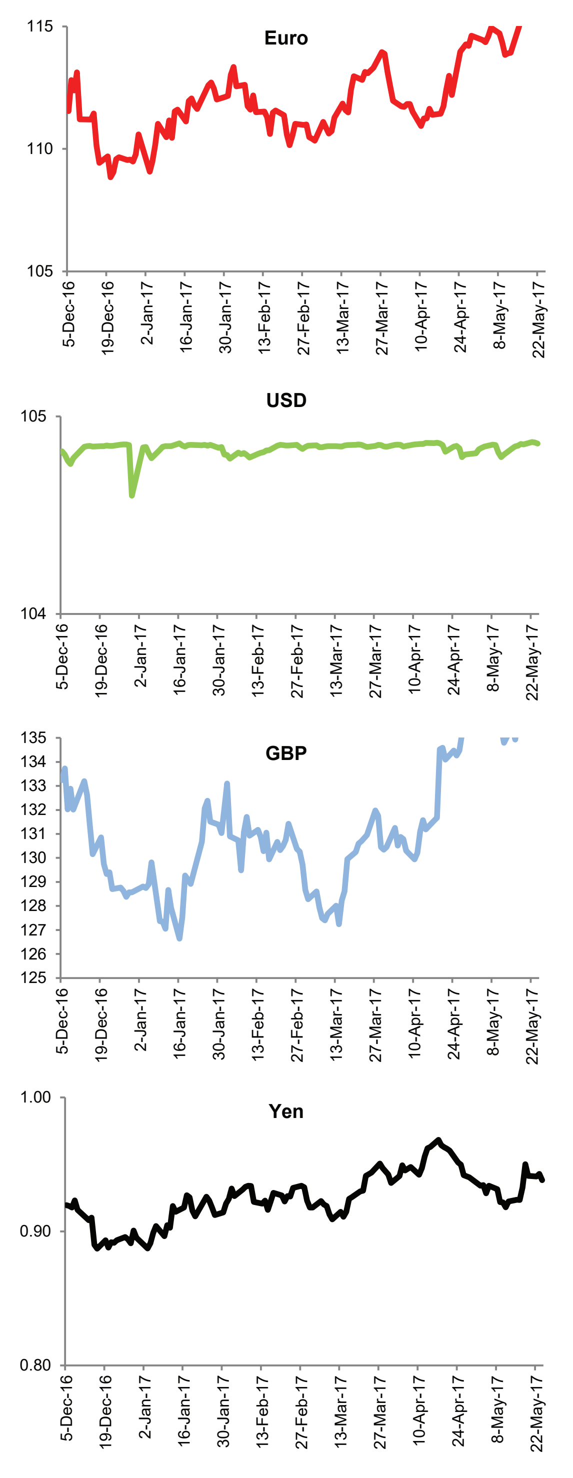


Figure 4: Key Commodities World Market

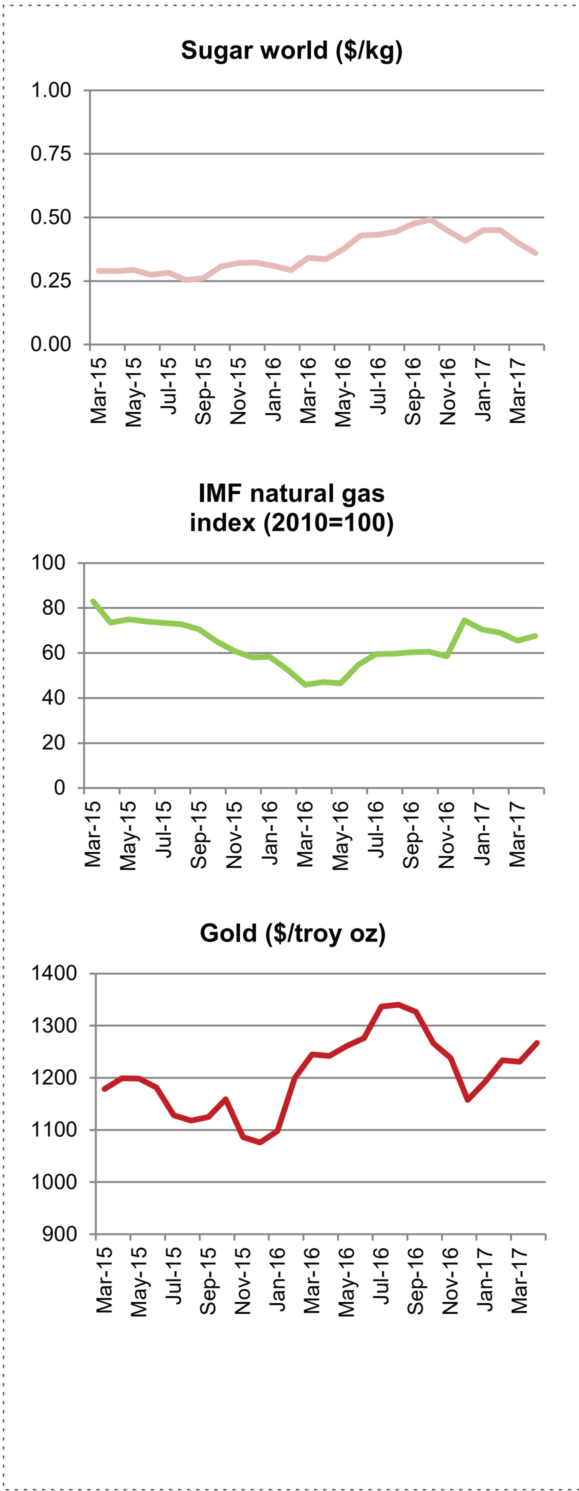


Figure 4: Key Commodities World Market

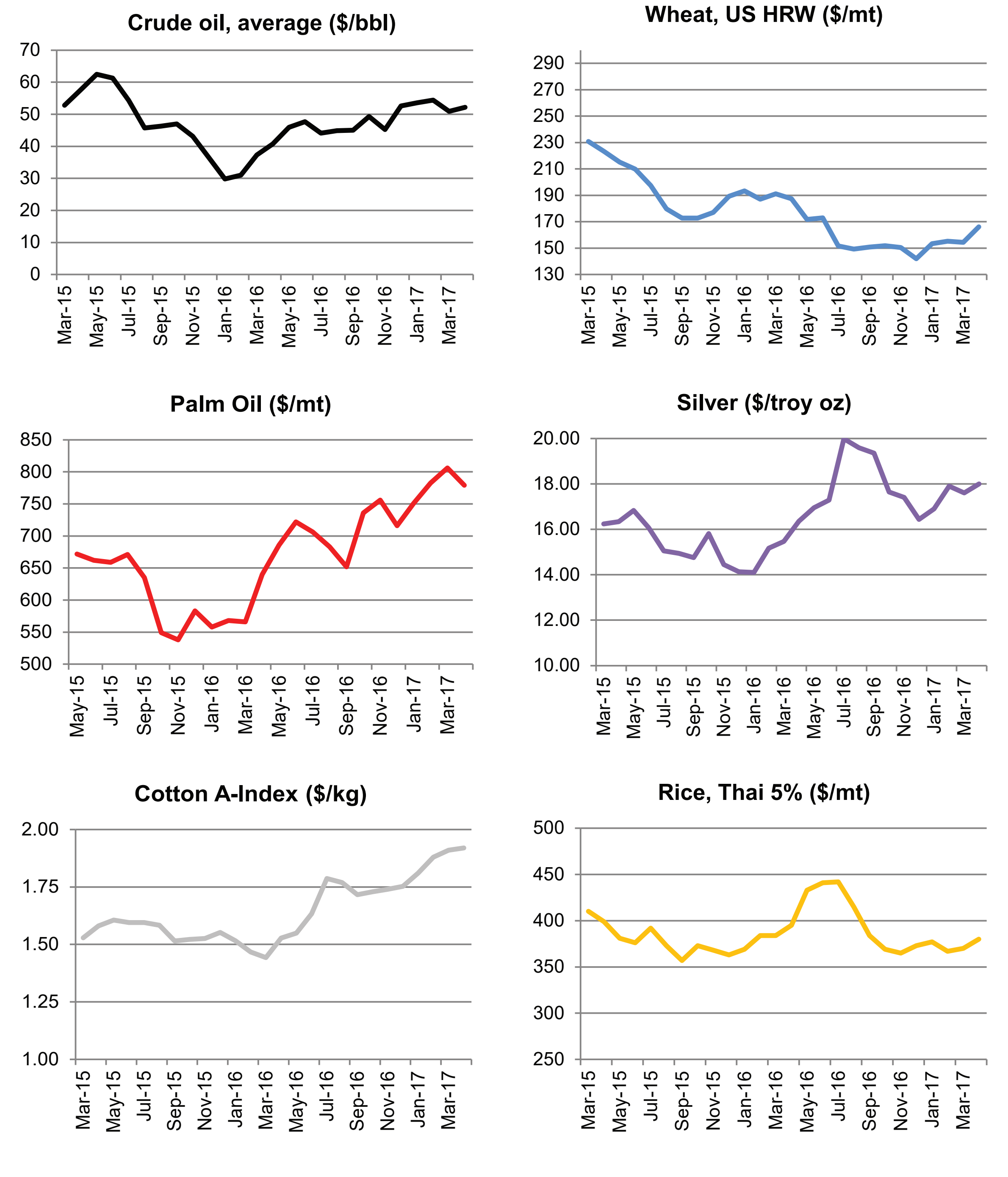


Table 6: Ease of Doing Business Index

Doing Business Rankings - Key Indices only								
	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Trading across border	Paying taxes	Enforcing contracts
Pakistan	141	150	157	169	82	172	156	157
India	155	185	26	138	44	143	172	172
Bangladesh	122	138	187	185	157	173	151	189
Singapore	6	10	10	19	20	41	8	2
Vietnam	121	24	96	59	32	93	167	69
Turkey	79	102	58	54	82	70	128	33

Source: Doing Business

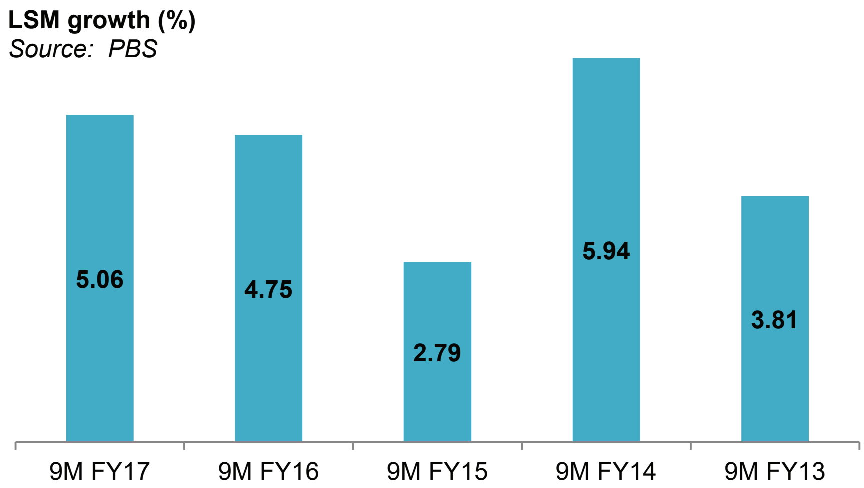
Performance of Large and Medium Scale Enterprises

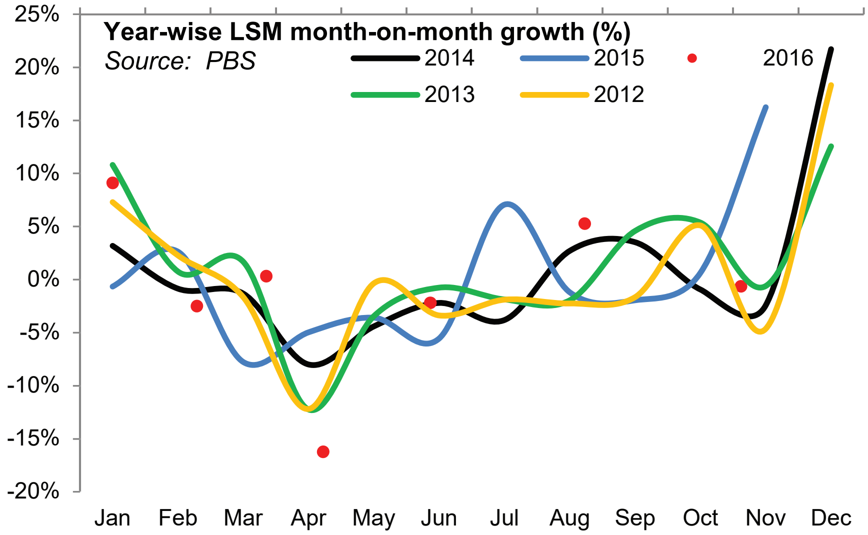
Major LSM Drivers

		Percentage change	
	Weight	9MFY17	9MFY16
Textile	20.92	0.78	0.66
Food, Beverages & Tobacco	12.37	9.65	3.77
Coke & Petroleum Products	5.51	-0.32	2.4
Pharmaceuticals	3.62	8.74	6.75
Chemicals	1.72	-2.20	10.28
Automobiles	4.61	11.31	23.51
Iron & Steel Products	5.39	16.58	-7.48
Electronics	1.96	15.24	-5.69
Leather Products	0.86	-17.97	10.13
Paper & Board	2.31	5.08	-2.93
Engineering Products	0.40	2.37	-14.04
Rubber Products	0.26	0.04	9.17
Non-Metalic Mineral Products	5.36	7.11	10.28
Wood Products	0.59	-95.04	-58.09

Source: PBS

Performance of Large and Medium Scale Enterprises





Source: PBS

INDICATIVE TOPICS FOR PPR

01. Taxes
02. Credit Market
03. Capital Market
04. Investment Policy
05. Business Regulations
06. Civil Service Reforms
07. Research and Innovation
08. Tariffs and Trade Barriers
09. Inflation and Sound Money
10. State Owned Enterprises
11. Legal System and Property Rights
12. Human Capital, Labour Market and Regulations

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