

IMPROVED ESTIMATES FOR NATIONAL ACCOUNT SHOULD COME WITH DEVELOPMENT OF THE STATISTICAL SYSTEM

As per UN's recommendations, Pakistan started preparing the estimates for National Accounts for Pakistan in 1949. Following innumerable changes in data, statistical techniques and computations, the estimates for national Accounts of Pakistan are now prepared under the Pakistan Bureau of Statistics (PBS) both at national and sector levels, to embody a comprehensive analysis and also evaluate Pakistan's economy to facilitate policy makers with drawing international economic comparisons. Based on different censuses, surveys and studies, National Accounts of Pakistan exhibit the main aggregates of GDP i.e. production, expenditure and income at current and constant prices under the conceptual framework - System of National Accounts (SNA) declared by the UN, IMF, World Bank, Eurostat and OECD.

For a well-planned policy making, it is of crucial importance to allocate the resources to the right category of a sector or province in the national GDP. And to obtain error-free GDP growth estimates, the National Accounts analysis must premise to any structural changes, for which old base year should be replaced with new base year. According to PBS, under the "Rebasing of National Accounts", base year for National Accounts has either not been approved or implemented for several times. However, the government recently has approved the re-basing of National accounts from 2005-06 to 2015-16 that has both political and economic implications.

In accordance with the data collected in 2015-16, PBS designed 42 surveys on various sectors of national economy out of which 36 have been successful in finalizing weights and carrying out the rebasing exercise. Table 1 and Table 2 provide the revised economic indicators and sector share in GDP followed by re-basing exercise.

Table 1 Revised Economic Indicators				
		Old base 2005-06		New base 2015-16
Indicators	Unit			
GDP	US billion \$	298	↑	347
	PKR trillion	48	↑	55.5
GDP growth rate	% of GDP	3.9	↑	5.57
Total debt	% of GDP	100.3	↓	86.2
Public debt	% of GDP	84	↓	72
Tax	% of GDP	9.6	↓	8.6
Fiscal deficit	% of GDP	7.1	↓	6.1
Export	% of GDP	8.6	↓	7.4
Spending on Health	% of GDP	1	↓	0.5
Per Capita Income	PKR	246,414	↑	266,614
Per Capita Income	USD	1543	↑	1666

Table 2 Revised share as % in GDP				
		Pre Re-basing		Post Re-basing
Agriculture	23		↑	24
Industry	20.9		↓	19.5
Services	56		↑	56.6

In comparison to old base year, size of the economy has escalated from about Rs.48 trillion to Rs.55.5 trillion, improving the growth rate from 3.9% to almost 5.57% and increasing per capita incomes to Rs.266, 614 i.e. an increase by 8.19%. According to Minister for Planning, Asad Umar, the exercise has led to a re-assessment of growth rate at 5.37% in 2020-21 and a 14% improvement in total debt to GDP ratio, where a huge chunk of this growth was backed by strong industrial growth. At the same time, the government has also rebased the Quantum Index for Large Scale Manufacturing Industries (LSMI) from 2005-06 to 2015-16. According to PBS, the QIM for LSMI with the old base year recorded a growth of 3.26% for Jul-Nov FY22 as compared to the same period in FY21. The new re-basing jacked up the value of total output by 244.76% and contribution to GDP by 203.8% in the CMI.

The QIM re-basing and increase in the weights of new items, parallel to re-basing of national accounts is a good practice since the QIM is the amalgamation of BOS and OCAC indexes that may result in under reporting of production by the companies being concerned by associated tax burden. Lack of resources to carry out dedicated surveys and to fill statistical gaps has led to persistent inconsistencies in adopting the exercise. Out of 42,578 firms in LSMI, PBS was able to get responses from 23,712 establishments representing the output level. The initiative will work in improving the low coverage.

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Where new growth estimates have stimulated economy's performance, re-basing has put the FBR in a dilemma as the exercise has worsened FBR's tax to GDP ratio from 9.6% to 8.6%. For the first half of FY22, FBR exceeded the tax collection target by Rs.282 billion against the six-month (Jul-Dec) collection target of Rs.5.829 trillion. Out of the excess collection, a chunk of Rs.5 billion represented the income tax.

Increase in Per Capita Income does not necessitate improvement in Purchasing Power

Considering the new Y-o-Y inflation figure of 12.3% and the inflationary Rs.343 billion sales tax exemptions, the re-basing induced rise in per capita incomes will have no real impact on consumer's purchasing power and their well-being

It took around 17 years for Pakistan to accomplish the re-basing of national accounts as compared to other Asian economies where the exercise is done every 5 years on average. Because of the inconsistent process, it is very difficult to assess whether the marginal change in growth estimates is because of any structural changes in the economy or caused by the changes in the methodology. To gauge the impact on per capita incomes, there is a dire need of periodic revisions.

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The author is of the view that if international standards are met and the re-based series of national accounts are floated every 5 years, while pointing out and rectifying deficiencies in different sectors, the re-basing is one of the fundamental targets to be achieved and will help us in measuring the impact of economic policies.

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