



UNDER EMBARGO UNTIL 12.00 HRS., BANGKOK TIME, THURSDAY, 28 APRIL 2016

PAKISTAN

GDP (current US\$, billions):	\$243.63	Population (thousands):	185,044
Share of GDP in developing Asia-Pacific:	1.4%	GDP per capita (current US\$):	\$1,316.61
Share of GDP in South and South-West Asia:	5.9%	Average inflation (2015)	4.6%

- Economic growth in Pakistan increased slightly to 4.2% in 2015 compared to 4% in 2014, underpinned by a pickup in the services sector and a modest recovery in agriculture.
- Consumption continues to anchor the economy amid a decade-low inflation rate of 4.6% in 2015 that enabled a significant easing of monetary policy.
- Despite lower borrowing costs, subdued private investment conditions have kept overall investment stagnant at about 15% of GDP for the whole year.
- Trade deficit widened in 2015 as exports declined, mainly due to lower cotton prices. Nonetheless, favourable workers' remittances helped narrow the current account deficit, and foreign exchange reserve rose to an all-time high of \$20.8 billion at end-2015.
- Growth is expected to increase further in the near term, to 4.5% in 2016 and 4.8% in 2017, on the back of continued policy reform efforts, including privatization of loss-making State-owned enterprises.
- Downside risk includes slower growth of workers' remittances as economies in the Middle East, the major destination of Pakistani migrant workers, continue to face lower oil revenue and subdued economic activity.
- Despite a more favourable economic outlook, Pakistan continues to face significant vulnerabilities from domestic security issues, critical energy shortages and domestic financing of public debt, which constrains private sector development. These less enabling macroeconomic environments have resulted in a sluggish inflow of FDI.
- Pakistan's energy demand is expected to exceed domestic supply in the medium term as a result of low investment, distribution challenges and circular debt flow problems among energy companies. The sector uses only 70% of installed capacity, a situation that leads to blackouts lasting for 6-8 hours a day throughout the country.
- To address energy shortages, the Government introduced new surcharges on power tariffs and inaugurated a solar park in 2015. Pakistan will also benefit from energy transmission from Central Asian countries under the CASA-1000 project going on-steam shortly. The China-Pakistan Economic Corridor is likely to add 10 gigawatts of power capacity by 2018.