

**PRE-BUDGET SEMINAR 3<sup>RD</sup> JUNE, 2021**

**REVIEW PRESENTED BY PMLN**

**HUNGER**

**INFLATION UNEMPLOYMENT POVERTY**

# **SINKING ECONOMY**

**UNDER IMRAN KHAN**

**DEBT DEFICITS DEVALUATION DESTRUCTION**

## BRIEF REVIEW OF PTI'S ECONOMIC POLICIES AND PERFORMANCE

The people of Pakistan have experienced a major decline in their quality of life. When PMLN left in 2018 the size of Pakistani economy was \$313 billion. After 3 years, Imran Khan has only managed to reduce this to \$296 billion or by 5.5% even as our population has increased by 7.5%. This is a direct reduction in the income and purchasing power of Pakistanis by 13%. This is the first time in our history that our GDP in dollars is reduced even after 3 years.

In our 5 years, PMLN had increased growth from 2.8% to 5.8%, reduced inflation from 11.8% to 3.9% and doubled tax receipts from Rs 1946 billion to almost Rs 3900 billion. In 3 years, in spite of high inflation, PTI's tax collection has remained stagnant and has decreased as a percentage of GDP. PTI has tripled inflation, increased food inflation more than 5 times PMLN's rate, and substantially reduced economic growth. After three years, even if we believe PTI's controversial numbers, they have reduced real rupee GDP on a per capita basis.

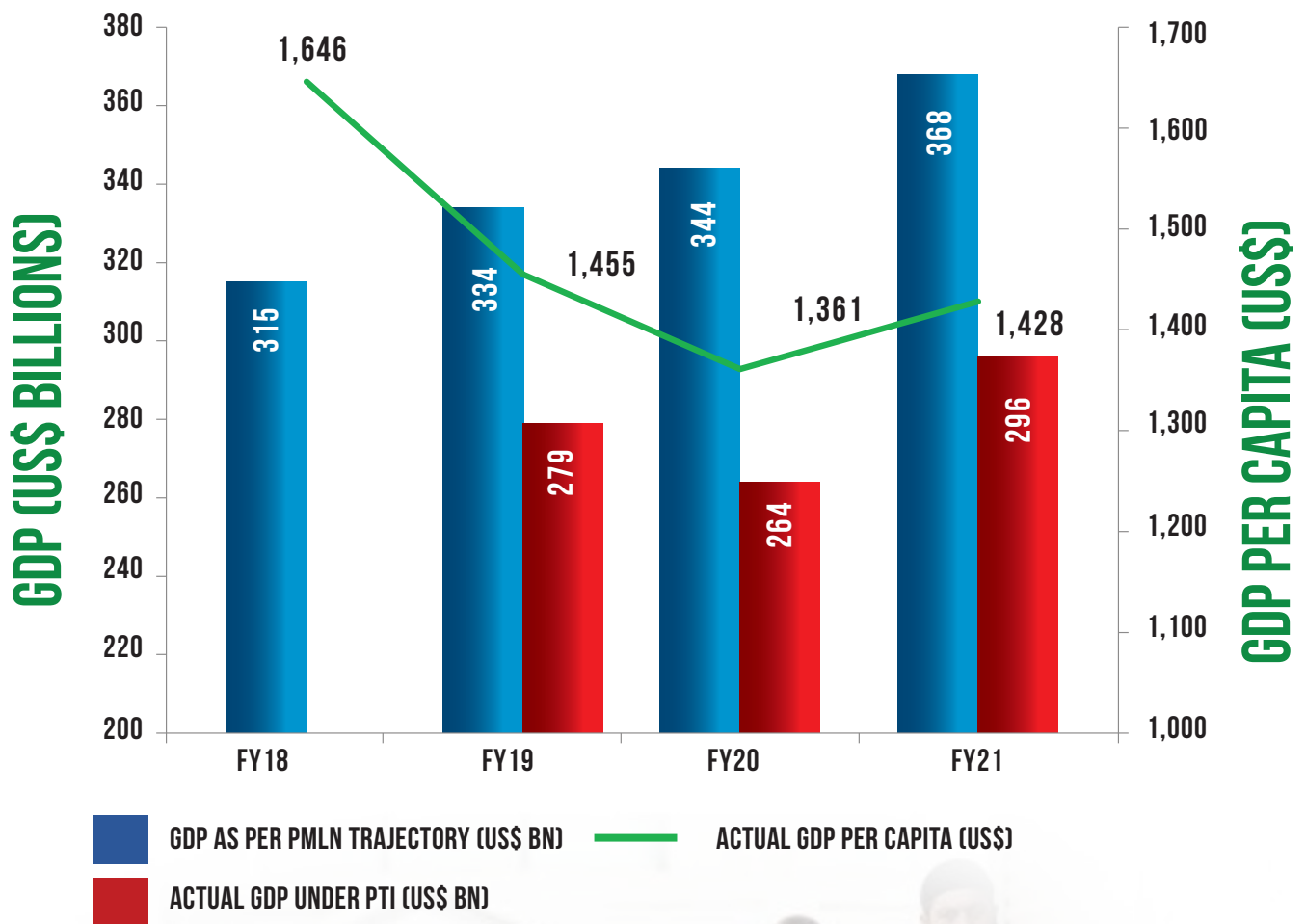


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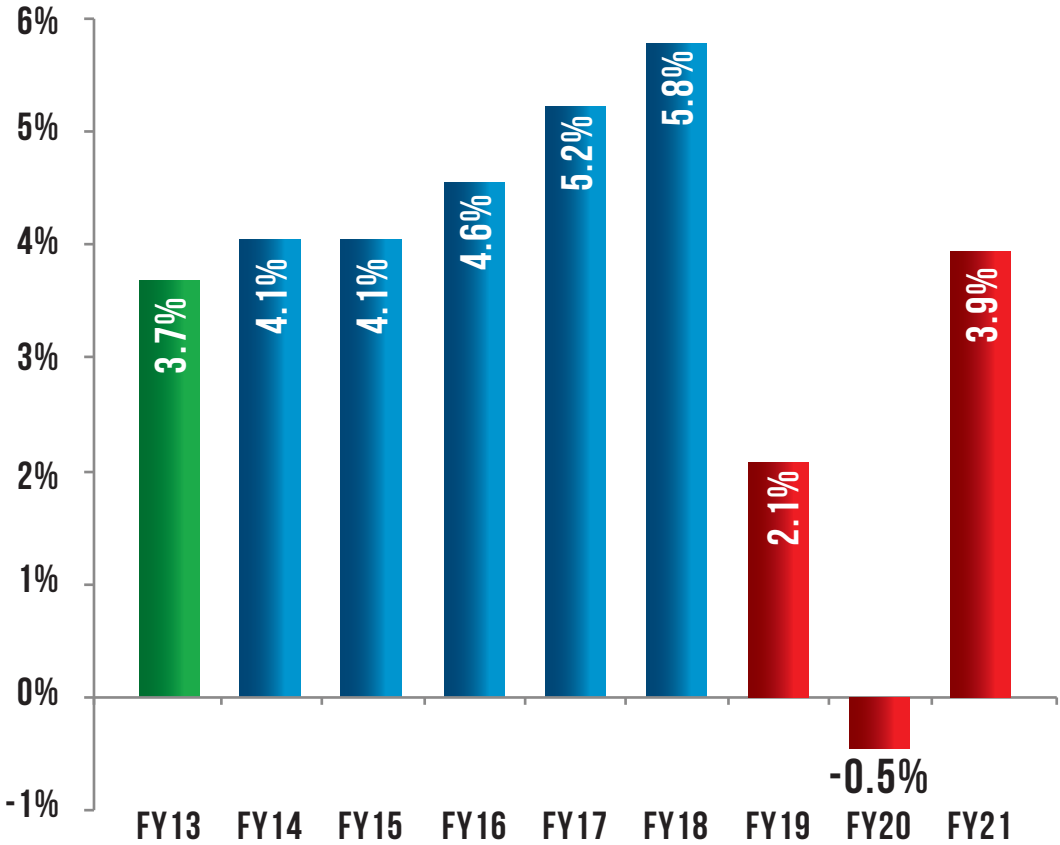
# 1. GDP

Pakistan's GDP grew by 5.8% in PMLN's last year (2018), the highest in 16 years. In addition, GDP growth consistently remained above 4% in each of PMLN's 5 years. GDP growth has significantly declined during PTI's tenure with 2.1% growth in 2019 and -0.5% growth in 2020, the lowest since 1952. PTI is claiming 3.9% growth now in 2021 but this claim is being challenged by independent economists. Even if PTI's claim is to be accepted, average GDP growth under PTI is 1.8% in 3 years, which is below the population growth rate.

## GDP - PTI PERFORMANCE VS PMLN TRAJECTORY



# GDP GROWTH



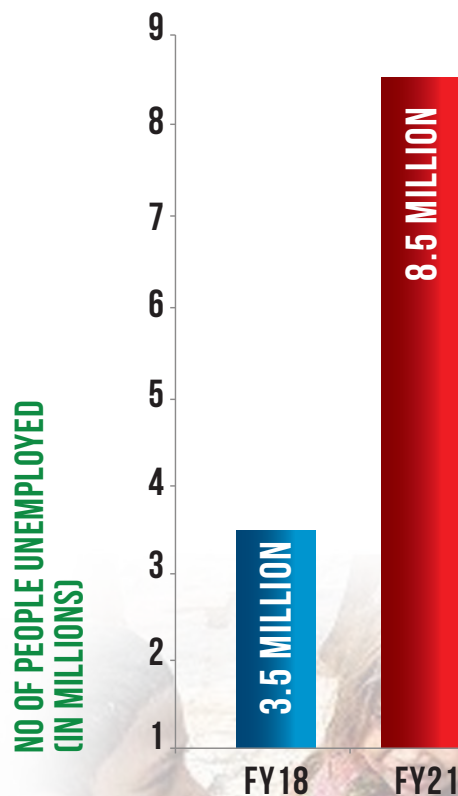
## 2. UNEMPLOYMENT & POVERTY

The wrong policies and mismanagement of the PTI Government has increased unemployment and poverty in the country. Consequently, 5 million Pakistanis have lost their jobs and an additional 20 million people pushed below the poverty line.

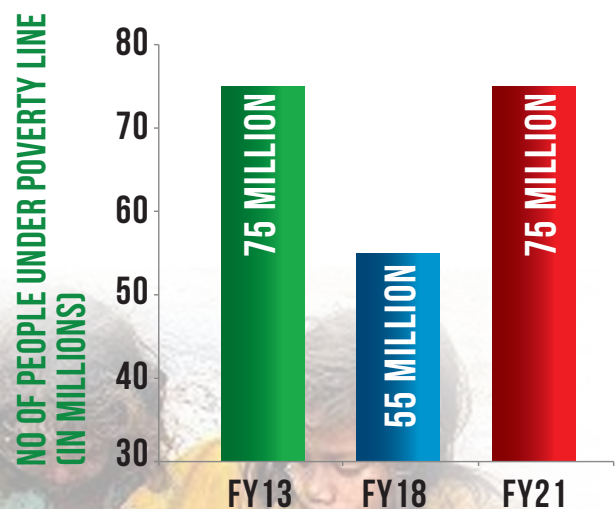
When PMLN left the government, only 3.5 million people remained unemployed in Pakistan. This is because PMLN created millions of job opportunities in Pakistan during our 5 years. Yet in 3 years PTI has made an additional 5 million people unemployed. Today the number of unemployed is around 8.5 million and the rate of unemployment is around 15%, which is the highest unemployment rate in our history.

When PMLN got responsibility of the federal government in 2013, 75 million Pakistanis were below the poverty line. After 5 years of hard work trying to uplift the poor, PMLN was able to lift 20 million people out of abject poverty. Yet in less than 3 years, PTI's anti-poor and ill-thought-through policies have forced 20 million more people into abject poverty. Thus all the gains PMLN made towards reducing poverty have been washed away by Imran Khan.

### UNEMPLOYMENT



### POVERTY

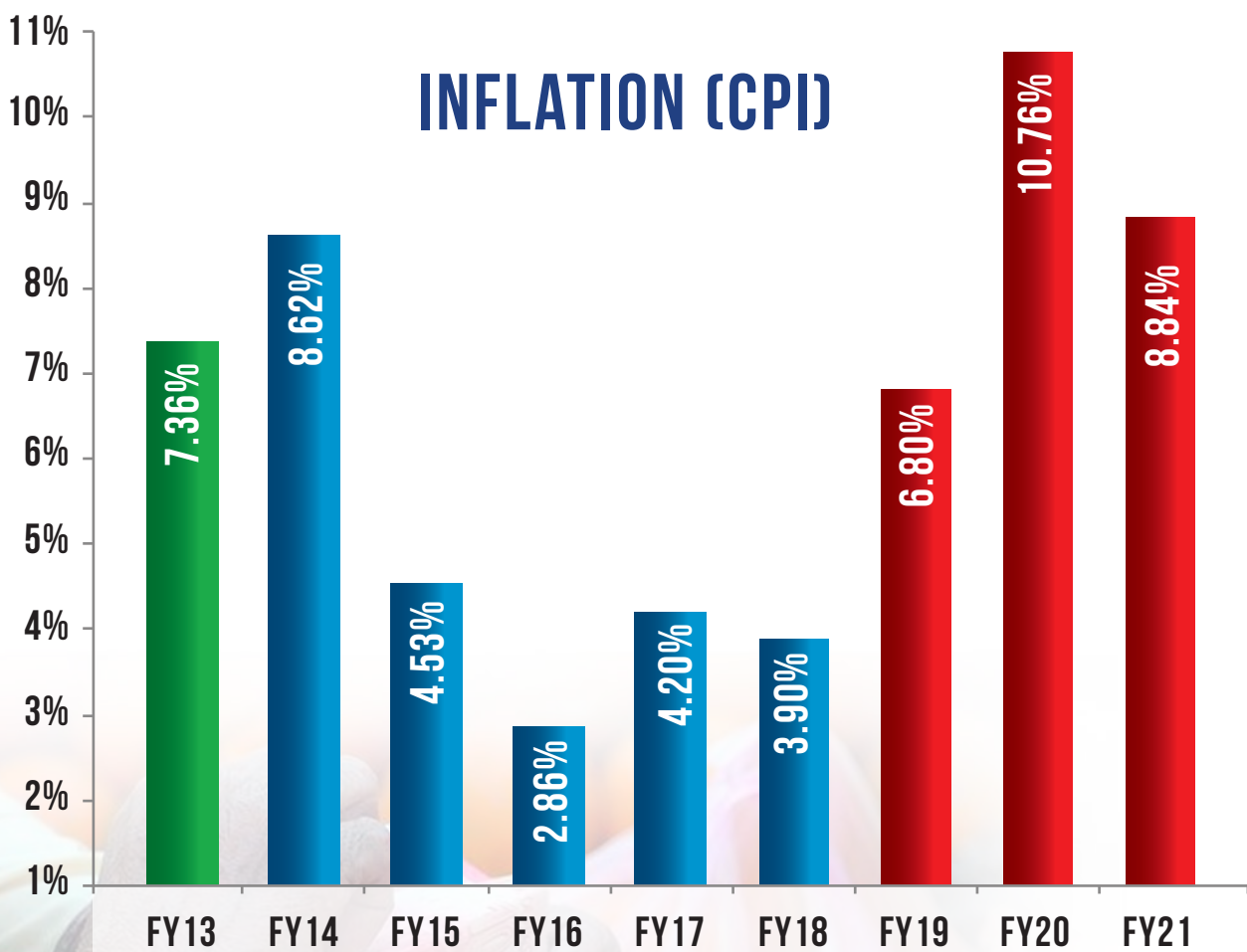


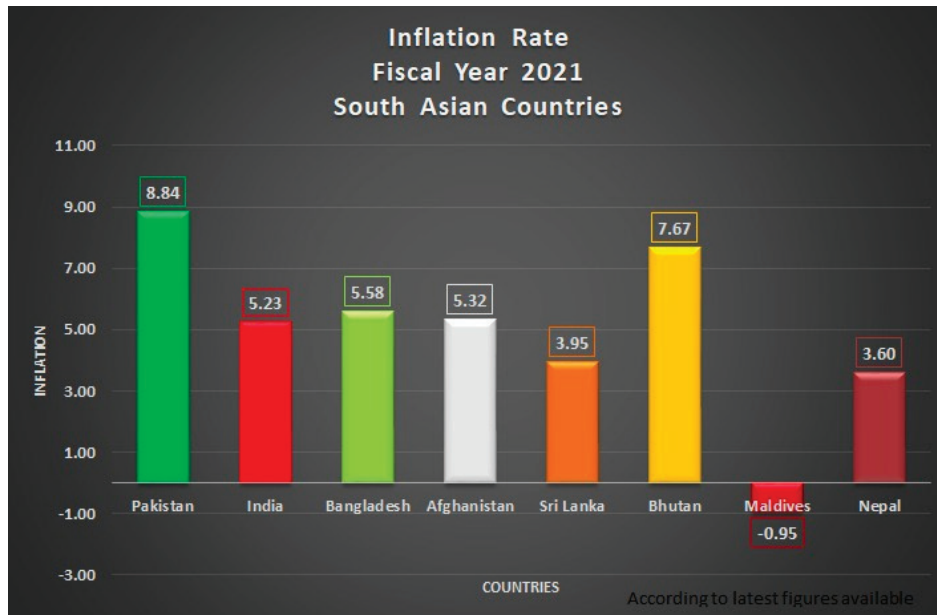
### 3. INFLATION & REAL WAGES

Real wages for unskilled workers have fallen by 18% over the last three years. Federal and Provincial public development spending in relation to GDP has also almost halved to 2.5% of the GDP only, further contributing to job contraction.

On top of this, high inflation, particularly the highest food inflation in a decade, has put unbearable burden on the masses who have difficulty now in having two proper meals a day. Atta (wheat) price has increased to Rs 70 per kilo and sugar price to Rs 110 per kilo since our government left. This is a direct consequence of the PTI government's wrong policies, being hand in glove with mafias, as well as mismanagement and ineffectiveness in maintaining the supply chain.

The main reasons for this incredible increase in prices, especially of food items, are the constant and large increases in the price of power and gas, the printing of money, and the largest budget deficits in Pakistan's history.





## 4. NATIONAL DEFENCE

In 2018, PMLN's last year, our tax and non-tax revenues were enough to cover, after paying provinces their due share, debt servicing and defence. And we still had a little left over. Thus, the funding for defence and debt servicing was fully secured.

But the situation now in three short years is that there has been negative growth in per capita income, negative-to-low GDP growth, high inflation and, in spite of high inflation, a reduction in tax collection as a percentage of GDP. Therefore, this year the federal government, after paying provinces their share in the divisible pool and debt service charges, will have little or no money left to pay for anything, including defence. Hence almost all funds for national defence will be borrowed, putting our security under financial threat.

PTI's failure to grow our revenues thus threatens our national security at a time when so many critical changes are happening in our neighbouring countries, and we need strong security on the eastern and western borders. The share of defence expenditures as a percent of GDP has been going down during PTI's rule, and our fiscal space to pay for a robust and modern defence has gotten very limited.

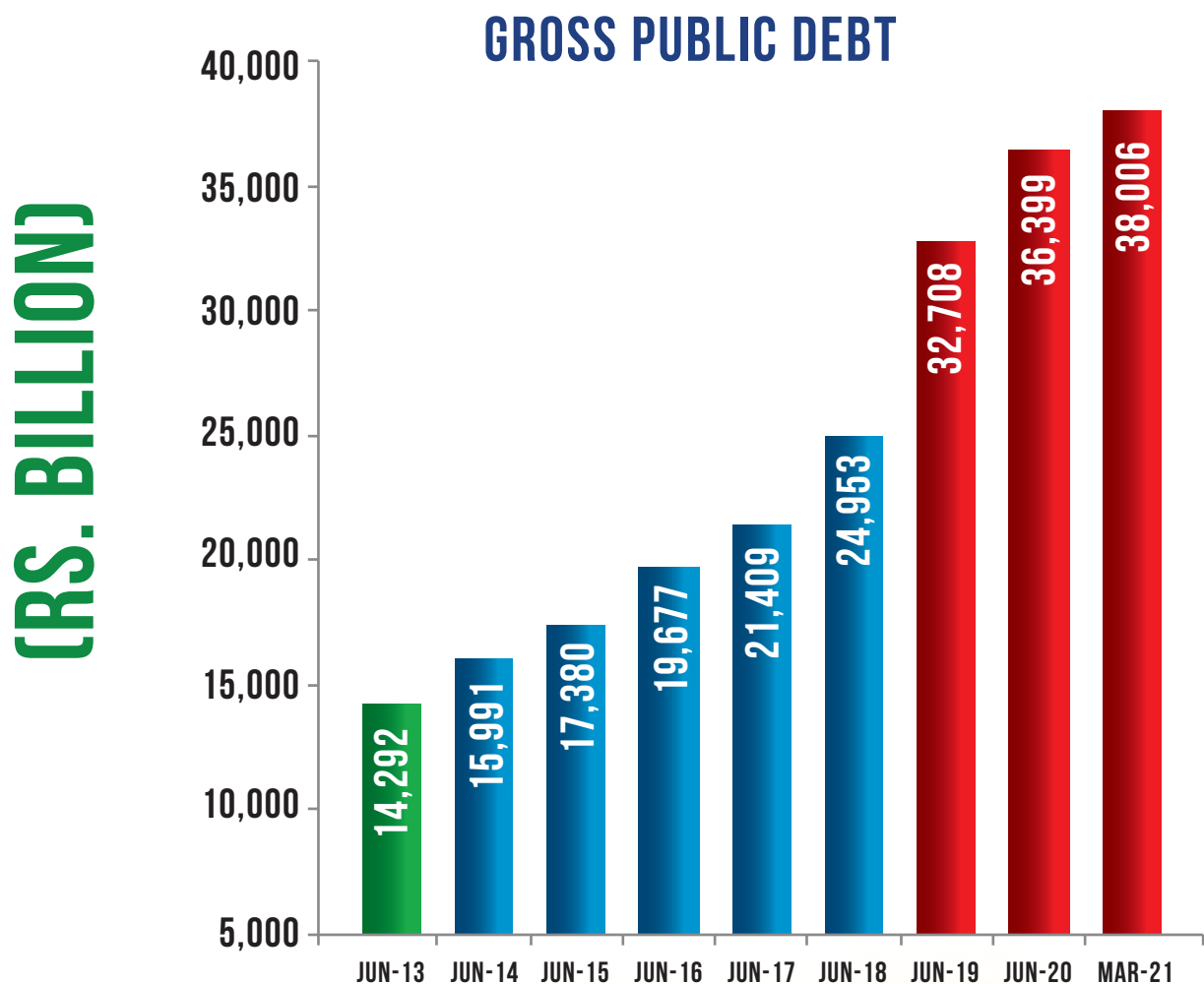


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## 5. DEBT

This government has increased our national debt by over Rs 13,000 billion and 'debt plus liabilities' by over Rs 15,000 billion. This government has increased our debt burden more in its first three years than any government in its full term in history. In less than 3 years, it has added 54% to the national debt that was added in 71 years. PTI is adding Rs. 4,747 billion debt per year and building nothing. In contrast, PMLN added Rs. 2,132 billion debt per year on average and built schools, hospitals, power plants, motorways and CPEC.

The country has become more rapidly indebted under PTI. Government debt to GDP ratio has increased from 68% to almost 80% of the GDP in just 3 years. This means that yearly increase in the debt burden of every Pakistani has increased from Rs 7,218 in our time to Rs. 20,871, increasing three times faster than in our period.



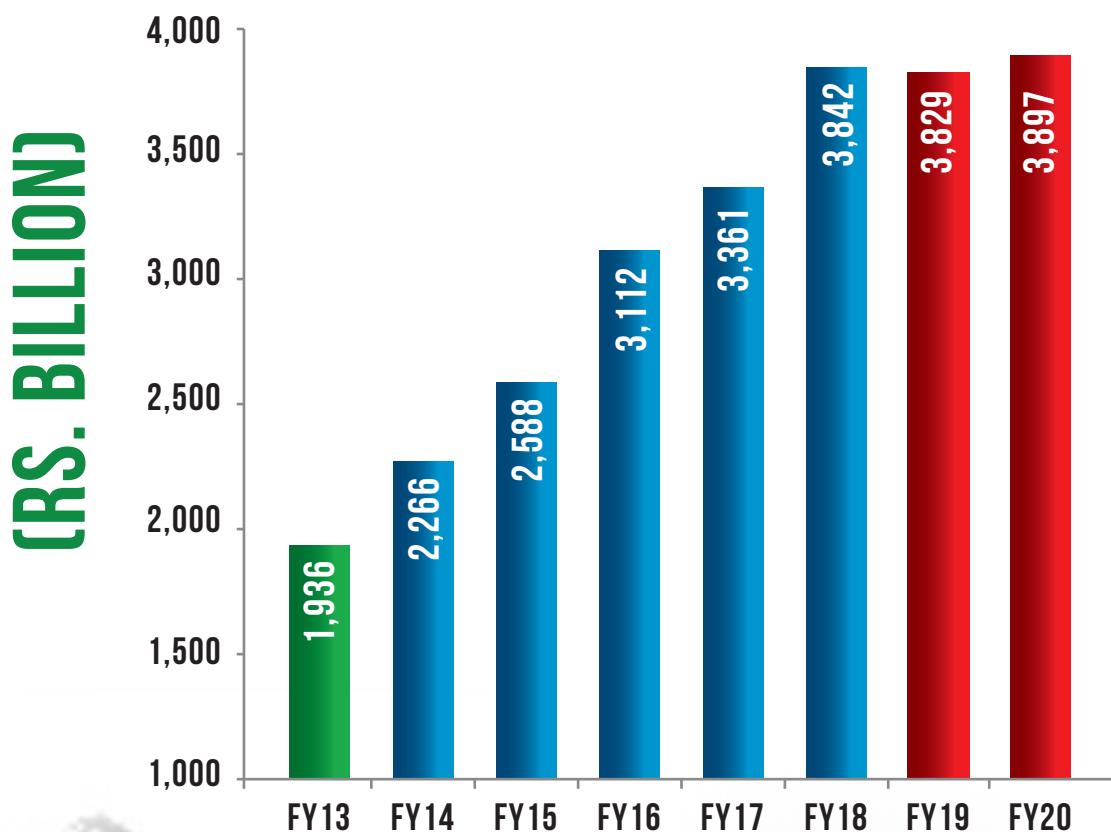


## 6. TAX

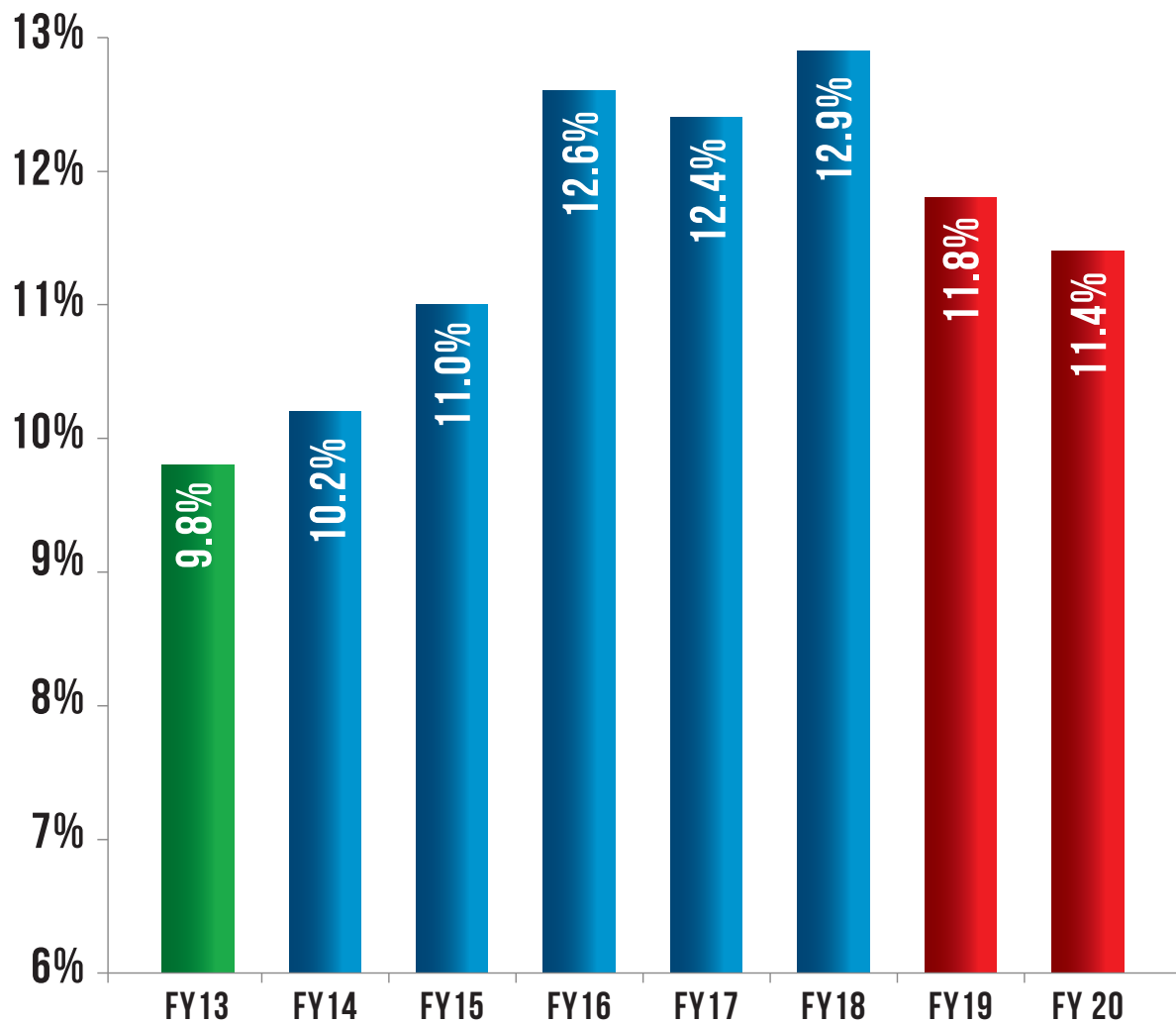
Despite the load of additional taxation announced every year, PTI government has shown terrible tax collection performance. PMLN doubled FBR tax revenues from Rs 1.9 trillion in 2013 to Rs 3.8 trillion in 2018. The PTI government failed to grow FBR revenues in its first 2 years. FBR revenues in both 2019 and 2020 were Rs 3.8 trillion, same as PMLN's last year. PTI is also on track to miss tax target for 2021 by Rs 400 bn. This year the increase is again likely to be less than inflation and growth, meaning it will just be a nominal increase and there will be no increase in real terms.

The tax-to GDP which was 13% of the GDP, when the PML(N) government left, with revenues doubling it in its tenure, has now fallen to 10.9%. The taxation structure has also become more regressive as indicated by a higher share of indirect taxes.

### FBR TAX REVENUES



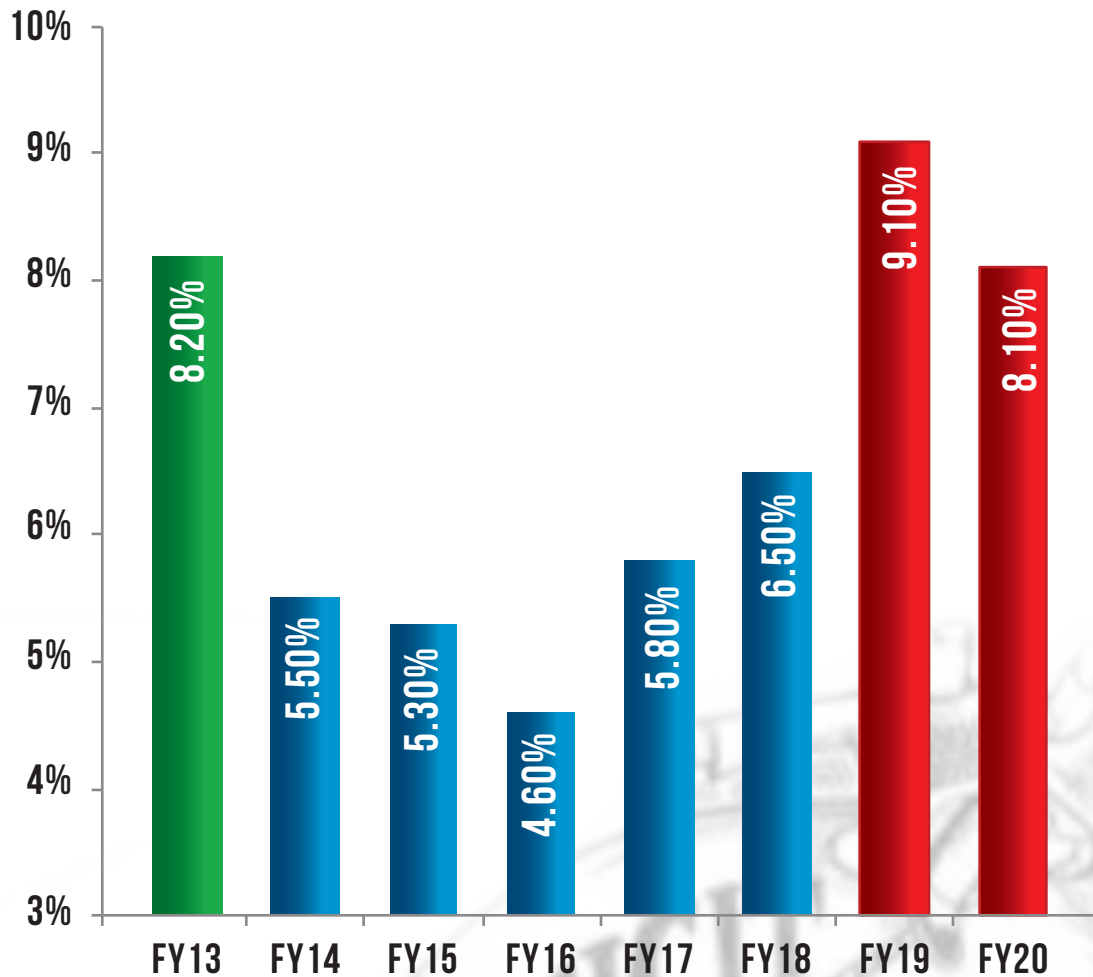
## TAX-TO-GDP RATIO



## 7. FISCAL DEFICIT

The fiscal deficits in the years under Imran Khan have been the highest ever in Pakistan's history (9.1% and 8.1%) and this year we will again unfortunately incur a budget deficit of over 8% of GDP. In three years PTI's budget deficits will cross Rs 10,000 billion. That's more than the deficits incurred by Nawaz Sharif in three terms as PM.

### FISCAL DEFICIT (AS % OF GDP)



## 8. CIRCULAR DEBT

PTI promised to end any addition to the power sector circular debt. But in spite of raising power tariffs on average by over 60%, circular debt today is both the highest in history and rising also at the fastest pace in history. This year it will exceed Rs 2,800 billion, which is an increase of about 1,700 billion in three years or almost Rs 50 billion per month. This is now beyond dangerous and may cause fiscal instability and supply disruptions.

Moreover, the high and cruel inflation we are experiencing is in part due to this rapid rise in power tariffs. Remember the tariffs were raised to control circular debt but circular debt is out of control.

The reasons behind this are reduction in bill collection rate, from 93% at the end of PMLN government to 89% now, after slipping as low as 82% last year, and increase in Transmission and Distribution losses from 18% at the end of PMLN's government to over 19% now. In addition, this PTI government has repeatedly violated the merit order and run inefficient and more expensive plants. It, for instance, ran diesel plants in November and December last year to make electricity when it should have been using gas, LNG or coal.

This deliberate increase of the cost of making power plus epic mismanagement has led to high tariffs and high circular debt. What is worse, PTI has now gifted us circular debt in the gas sector as well.

## 9. EXPORTS AND FOREIGN EXCHANGE RESERVES

In spite of the contraction of the economy, compression of imports and the huge devaluation of Pakistani rupee, our foreign exchange reserves have not increased significantly. Any increase has only been due to record external borrowings. Exports have still not reached the level attained by PMLN in 2018.

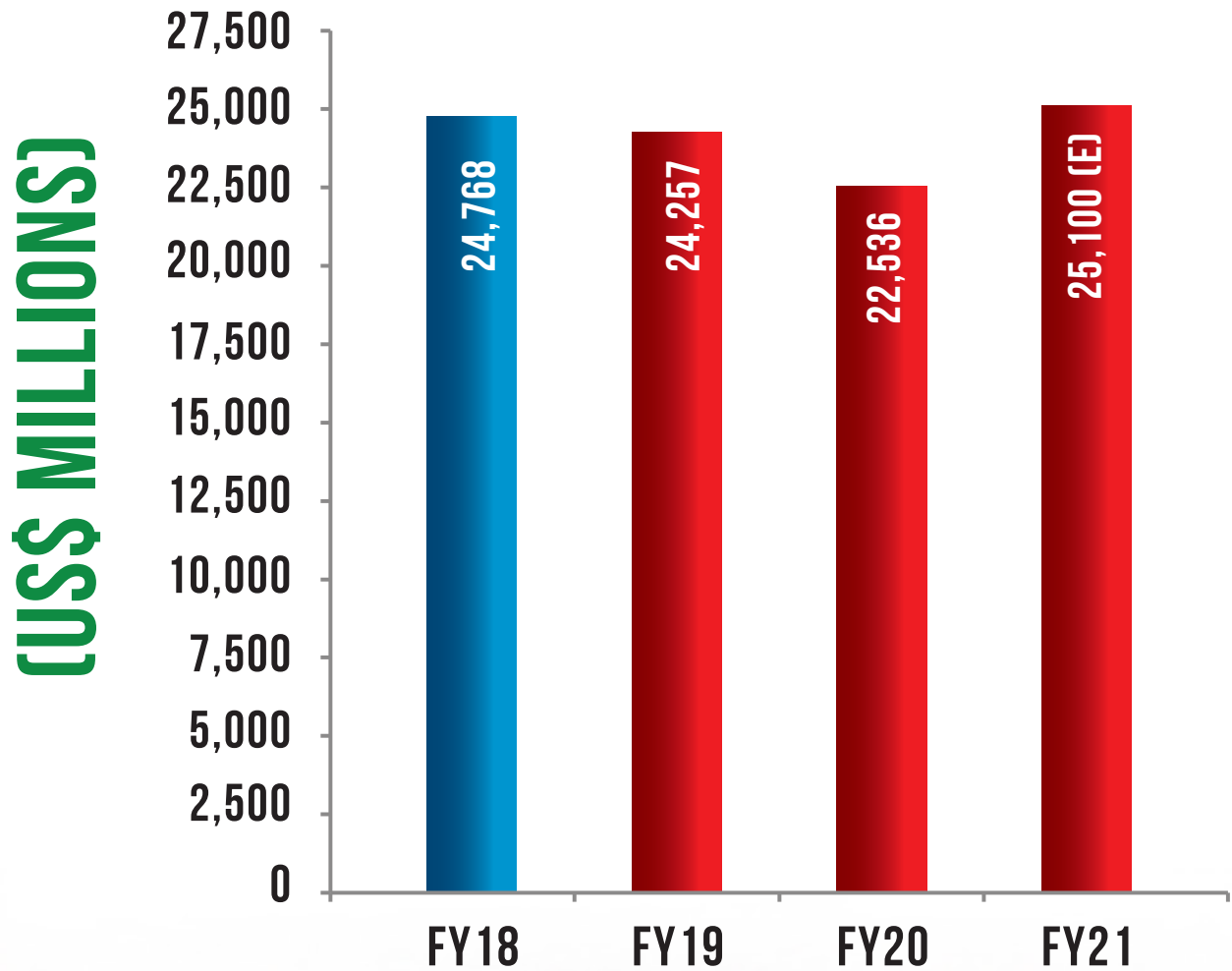
The last two budgets of the government failed to provide any meaningful relief to the people. The budgets were made in the light of a suffocating IMF program, which the government agreed to simply because it did not have the experience and competence to come up with a home-grown economic plan and negotiate well with the IMF.

Today, we have crises in the prices and/or availability of sugar, wheat/flour, vegetable oil, chicken, milk, eggs, medicines, and many essential items. A government that cannot even guarantee supplies of flour in a country that produces surplus wheat shows the proof of its own incompetence and corruption.

In spite of all the glib talk of austerity this government has made record spending on ministries and has cut only development spending. Provinces are also cutting development expenditures but undertaking record spending on current expenditure and the running of the ministries.

# EXPORTS

## NO GROWTH IN EXPORTS DESPITE 35% DEVALUATION



# BUDGET 2021-22

Pakistanis are now fed up and can no longer bear the cost of PTI Government's incompetence and ineffectiveness. The opposition of Pakistan will not let the government burden Pakistanis anymore. The government has no other option but to present a budget which is people friendly, which promotes indigenous businesses, which provides the environment which boosts investment and job creation, which helps farmers and ensures food security for Pakistanis and which provides relief to the poor. We will not let the Government come with a budget made for elites/mafias.

The Government needs to take up the EFF Program conditionalities with the IMF and obtain substantial relief.

## ON BEHALF OF THE PEOPLE OF PAKISTAN

### WE DEMAND THAT THE FEDERAL BUDGET 2021-22 SHOULD:

1. **Not contain any increase in any taxes or tax rates in order to avoid further burdening our people.**
2. **Refrain from increasing utility rates, especially electricity tariffs and ensure competitiveness of our products in the international markets. Bring back tube well power rates to Rs 5.35 per kwh as maintained by PMLN.**
3. **Enhance development spending focusing on CPEC, water sector and completion of existing schemes to rationalize the throw forward.**
4. **Facilitate starting construction of Karachi-Peshawar (ML-1) railway line under CPEC as proposed under PMLN**
5. **Increase funding for Higher Education above inflation.**
6. **Exempt 5 export sectors from Sales tax as was done by PMLN**
7. **Economize on current expenditure through improved management and reform of SOEs, greater economy in operating costs and better management of Government debt.**
8. **Make the Power sector Reform Plan public and open for public debate.**
9. **Bring special incentives for SMEs, and agriculture sector and sustain, in fact, broaden incentives for export promotion for nascent exports.**
10. **Enhance relief measures through the BISP/Ehsaas Program for the poor.**

The above measures are essential for sustaining the lives of the people. On behalf of the opposition, Leader of the Opposition in the National Assembly and PMLN President, Shehbaz Sharif, had offered to the government to help develop a roadmap of economic reforms, but the Government did not have the wisdom to avail the offer. It could have saved Pakistan from the colossal losses its mistakes have caused.



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# KEY ECONOMIC INDICATORS

ITEMS	2018	2019	2020	2021	% CHANGE (2021 OVER 2018)
GDP GROWTH	5.80%	2.10%	-0.50%	3.94%	-32%
GDP IN \$ BILLION	313	279	264	296	-5.4%
PER CAPITA GDP \$	1646	1455.1	1361	1428	-13.2%
INFLATION (CPI)	3.90%	6.80%	10.76%	8.84%	126.7%
FOOD INFLATION (RURAL)	2.30%	4.80%	15.90%	14.50%	530.4%
FISCAL DEFICIT (% OF GDP)	6.50%	9.10%	8.10%	8.60%	32.3%
FBR TAX REVENUES (PKR BILLION)	3,842	3,829	3,897		-
PUBLIC DEBT IN PKR BILLION	24,952.90	32,707.90	36,398.60	38,005.8 (MAR)	52.3%
TOTAL DEBT + LIABILITIES IN PKR BILLION	29,879.40	40,223.10	44,591.10	45,470.3 (MAR)	52.2%
UNEMPLOYED (PEOPLE IN MILLIONS)	3.5	-	-	8.5	142.9%
BELOW THE POWERTY LINE (PEOPLE IN MILLIONS)	55	-	-	75	36.4%
EXPORTS IN \$ MILLION	24,768	24,257	22,536	25,100 (E)	1.3%
IMPORTS IN \$ MILLION	55,671	51,869	43,645	51,500 (E)	-7.5%
REMITTANCES IN \$ MILLION	19,914	21,740	23,131	24,246 (APR)	21.8%

	2013	2018	2021
RATIO OF DEBT TO TAX	7.2	6.5	8.7



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