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Performing agriculture, industrial sectors face challenges ahead

ISLAMABAD: Agriculture and industrial sectors that contribute almost one-third to GDP performed well in 2018, yet higher discount rate, rupee depreciation, higher gas and electricity tariffs pose challenges ahead to them.

For agriculture sector, low availability of fertilisers, quality pesticides and irrigation water are also the big challenges.

Both the sectors have for the first time performed well and attained over a decade-high growth during the last fiscal year of 2017/18.

Foreign investors and companies believe that energy shortage has been overcome recently after yesteryears of crisis, and security situation has improved to a large extent, but the government has to focus on broadening the tax base and bringing consistency, transparency and predictability in their policies to attract more foreign investment and help the existing investors in expanding their businesses.

The previous government added more than 11,000 megawatts to the power installed capacity. But, capacity of power transmission lines is still an issue and the Minister for Power Division Omar Ayub Khan said the power transmission system is too weak to hardly transport electricity 0f 19,500MW.

Agriculture sector recorded 13-year highest growth of 3.8 percent in FY2018 compared to 2.07 percent a year earlier. The growth was due to higher yields, attractive output prices, government’s policies, better availability of certified seeds, pesticides, agriculture credit and intensive fertiliser off-take.

The new government also launched Rs82 billion investment plan to boost crops yield, livestock and fisheries development and irrigation water efficiency.

Of that, four billion rupees would be invested through promoting mechanisations.

Small farmers would be given 50 percent subsidy on purchase of crops-specific machinery, development of high-yielding varieties and increasing provision of certified seeds.

Livestock sector grew 3.76 percent in the last fiscal year compared to 2.99 percent a year ago. The sector could also become a major contributor to exports earnings.

As a positive outcome of the China-Pakistan Economic Corridor energy projects, the last government initiated a plan to convert agriculture tube wells from grid supply to solar energy.

The present government also continues the plan and tube wells are being converted to the solar power sources that would not only help the farmers in reducing cost of power but also minimising burden on economy as the government subsidises their electricity bills by 50 percent.

Manufacturing sector, which contributes 13.6 percent to GDP, witnessed 6.24 percent growth last fiscal year on the back of stellar performance of large scale manufacturing (LSM) sector.

In July-October, LSM growth contracted to 0.65 percent due to tight monetary and fiscal policies and depreciation of rupee against the US dollar.

Unfavourable actions by the government in line with the International Monetary Fund’s tax demands for grabbing the bailout package may further hurt the industrial growth in months to come and so the overall GDP growth.

The government slashed electricity and gas tariffs for the industrial sector, especially zero-rated industries to shore up the sector.

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