

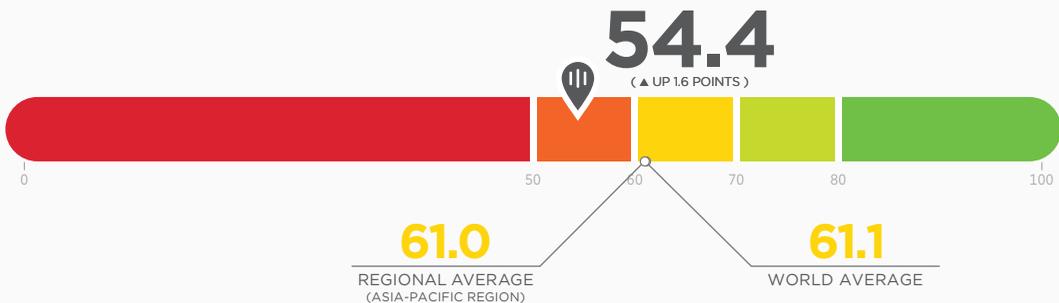
PAKISTAN

WORLD RANK: **131** | REGIONAL RANK: **31**
 ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

Pakistan's economic freedom score is 54.4, making its economy the 131st freest in the 2018 *Index*. Its overall score has increased by 1.6 points, with a significant improvement in **fiscal health** outweighing declines in **business freedom** and **government integrity**. Pakistan is ranked 31st among 43 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Although some aspects of economic freedom have advanced modestly in Pakistan in recent years, decades of internal political disputes and low levels of foreign investment have led to erratic growth and underdevelopment. Excessive state involvement in the economy and inefficient but omnipresent regulatory agencies inhibit private business formation. Lack of access to bank credit undermines entrepreneurship, and the financial sector's isolation from the outside world has slowed innovation. The judicial system suffers from a serious backlog and poor security, and corruption continues to taint the judiciary and civil service.

ECONOMIC FREEDOM SCORE

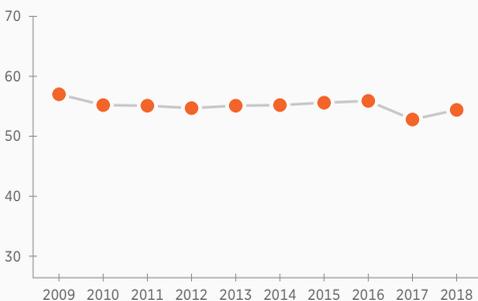


NOTABLE SUCCESSES:
 Monetary Stability

CONCERNS:
 Rule of Law, Financial Freedom, and
 Labor Freedom

**OVERALL SCORE CHANGE
 SINCE 2014:**
 -0.8

FREEDOM TREND



QUICK FACTS

POPULATION:
 193.6 million

GDP (PPP):
 \$988.2 billion
 4.7% growth in 2016
 5-year compound
 annual growth 4.1%
 \$5,106 per capita

UNEMPLOYMENT:
 5.9%

INFLATION (CPI):
 2.9%

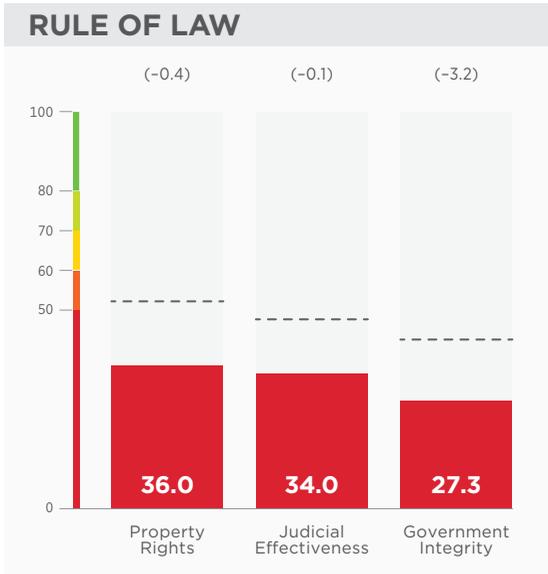
FDI INFLOW:
 \$2.0 billion

PUBLIC DEBT:
 66.9% of GDP

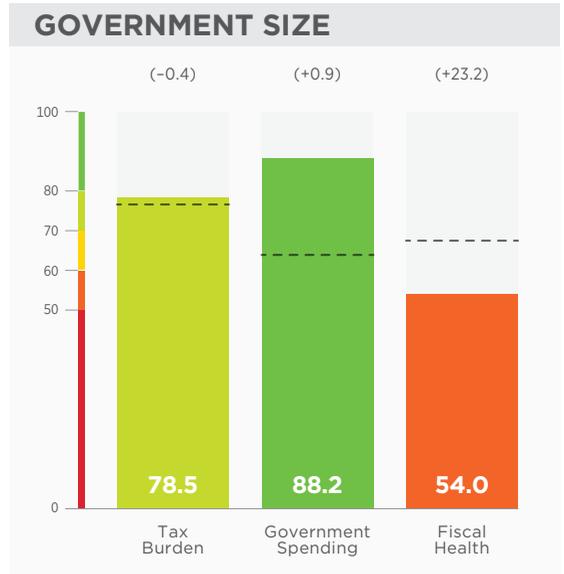
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Created when the British partitioned India and Pakistan and granted them independence in 1947, Pakistan remains an unstable democracy threatened by sectarian and terrorist violence. Prime Minister Nawaz Sharif was elected in 2013 in Pakistan's first democratic transfer of power. Tensions with India remain high, as evidenced by a 2016 attack by Pakistan-based militants on an Indian air base six days after a goodwill visit by Indian Prime Minister Modi. An underperforming economy flows from, and in some cases contributes to, the political and social instability. Textiles and apparel account for most export earnings, but much of the economy is informal, and underemployment remains high. A \$46 billion "China-Pakistan Economic Corridor" that is being implemented targets energy and transport.

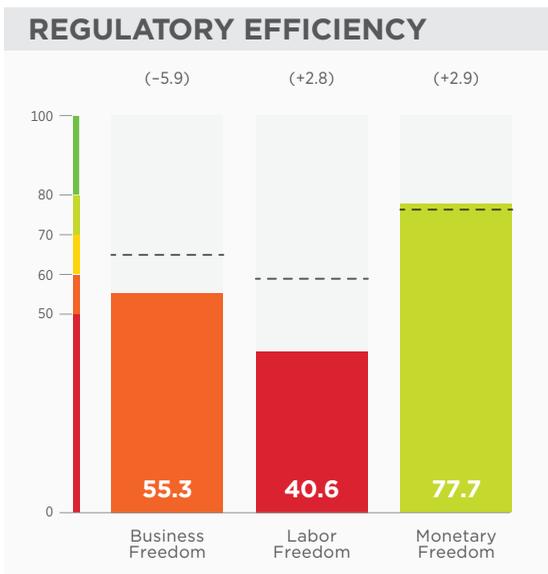
12 ECONOMIC FREEDOMS | PAKISTAN



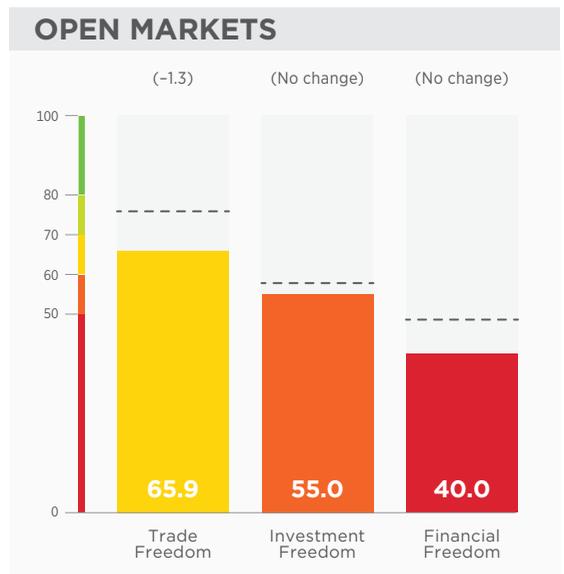
Pakistan's legal system provides incomplete protection for the acquisition and disposition of property rights. Although technically independent, the justice system is marred by such endemic problems as corruption, intimidation, a large backlog of cases, and insecurity. Corruption is pervasive. Many public officials face allegations of bribery, extortion, cronyism, nepotism, patronage, graft, and embezzlement.



The top personal income tax rate is 30 percent, and the top corporate tax rate is 33 percent. The overall tax burden equals 12.6 percent of total domestic income. Over the past three years, government spending has amounted to 19.8 percent of total output (GDP), and budget deficits have averaged 4.8 percent of GDP. Public debt is equivalent to 66.9 percent of GDP.



Business freedom is lagging, with entrepreneurs facing burdensome licensing and other bureaucratic obstacles. Legal protections for laborers are weak. Required labor inspections are often not made, and labor courts are corrupt and usually exhibit a strong bias in favor of employers. The government has reduced the budget for subsidies in 2018 and is pursuing energy-sector reforms.



Trade is moderately important to Pakistan's economy; the combined value of exports and imports equals 25 percent of GDP. The average applied tariff rate is 9.5 percent. Nontariff barriers impede trade. Government openness to foreign investment is below average. A majority of commercial banks are private, but the banking sector remains vulnerable to state interference. Capital markets are underdeveloped.