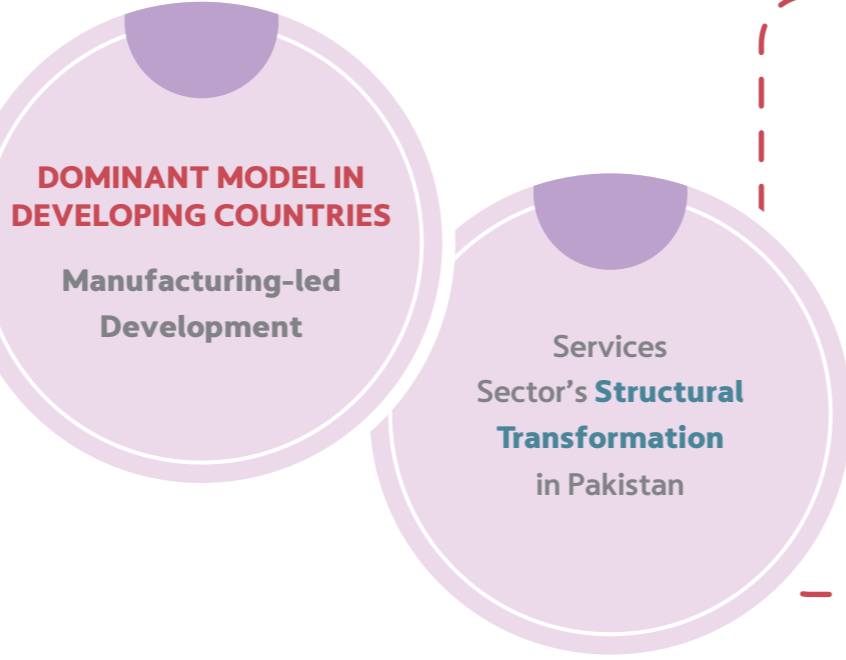


HOW CAN PAKISTAN LEVERAGE THE PROMISE OF SERVICES-LED DEVELOPMENT?

WHAT DRIVES PAKISTAN'S ECONOMY

Manufacturing or Services?

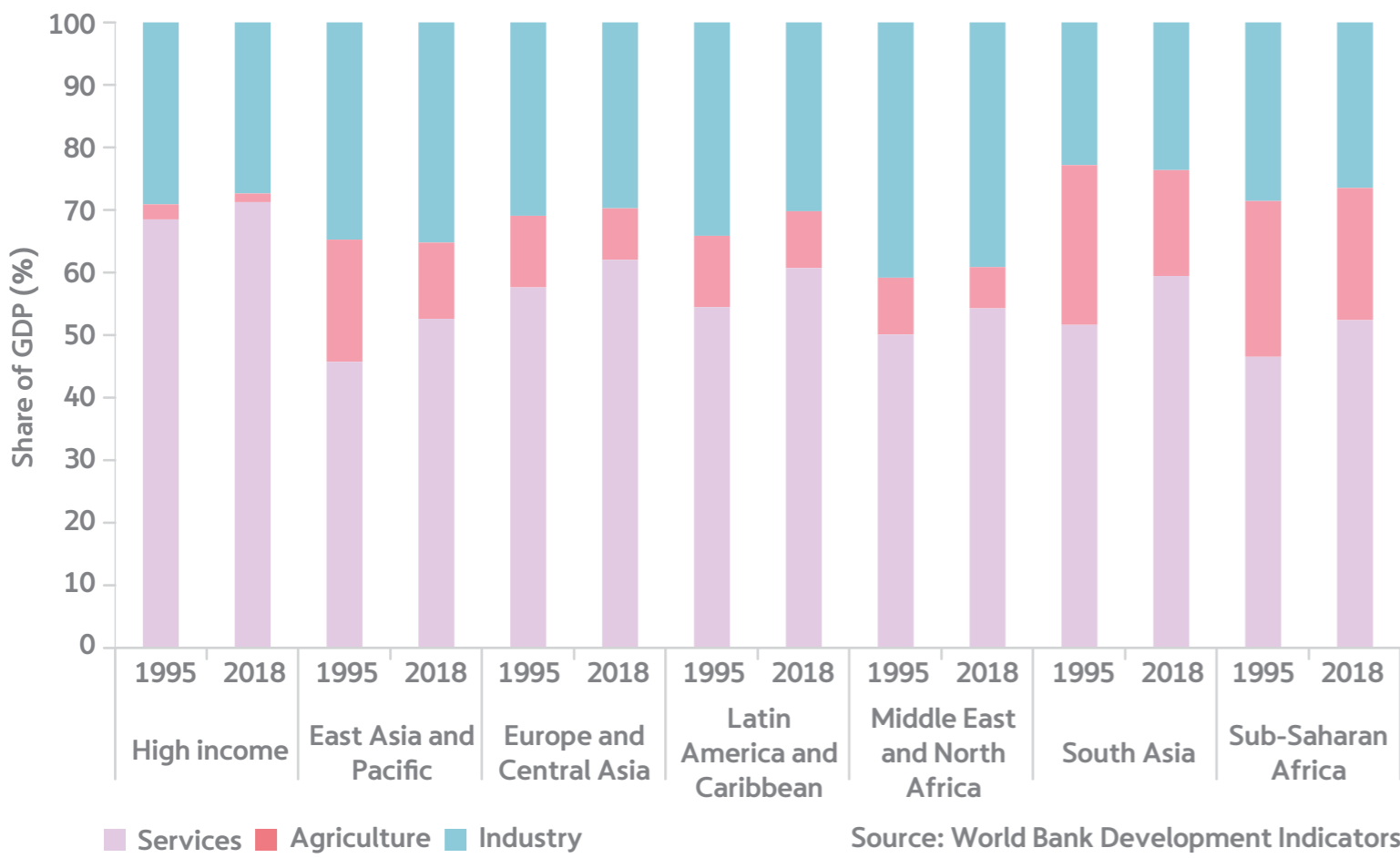


PAKISTAN
In **FY19**, services accounted for **55% of GDP** and **45% of employment**

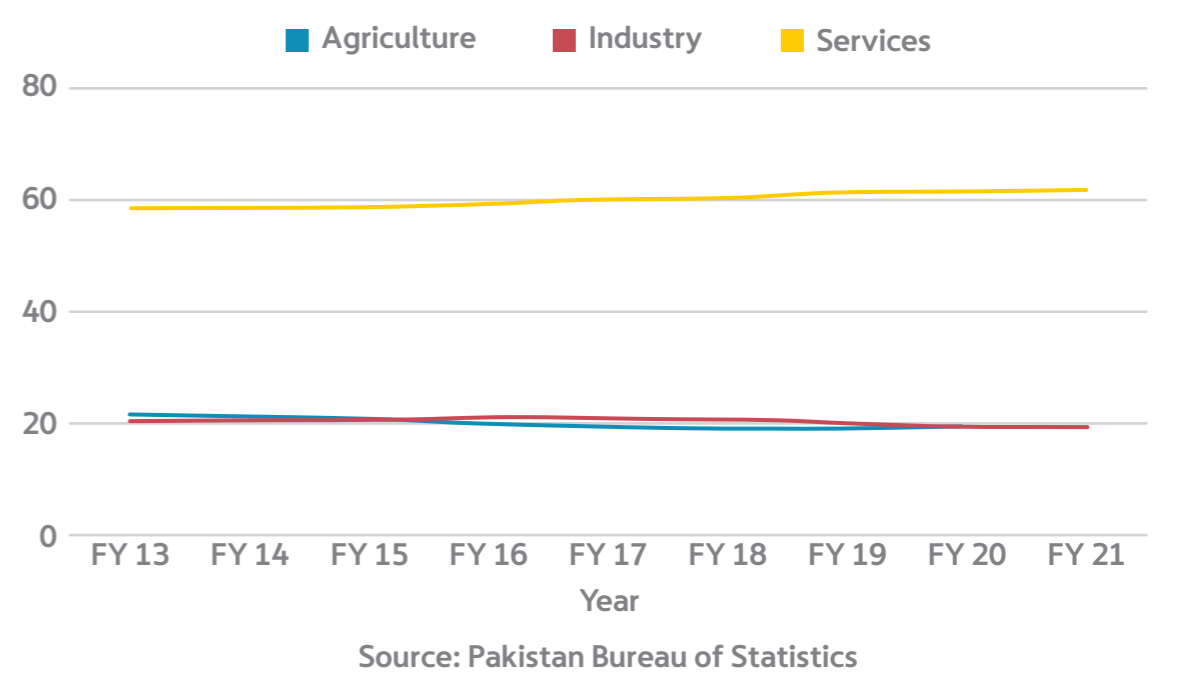
IMPACT OF COVID-19
Services got a further boost as **digital technologies** became critical for

- Education
- Retail Trade
- Insurance
- Wholesale
- Finance

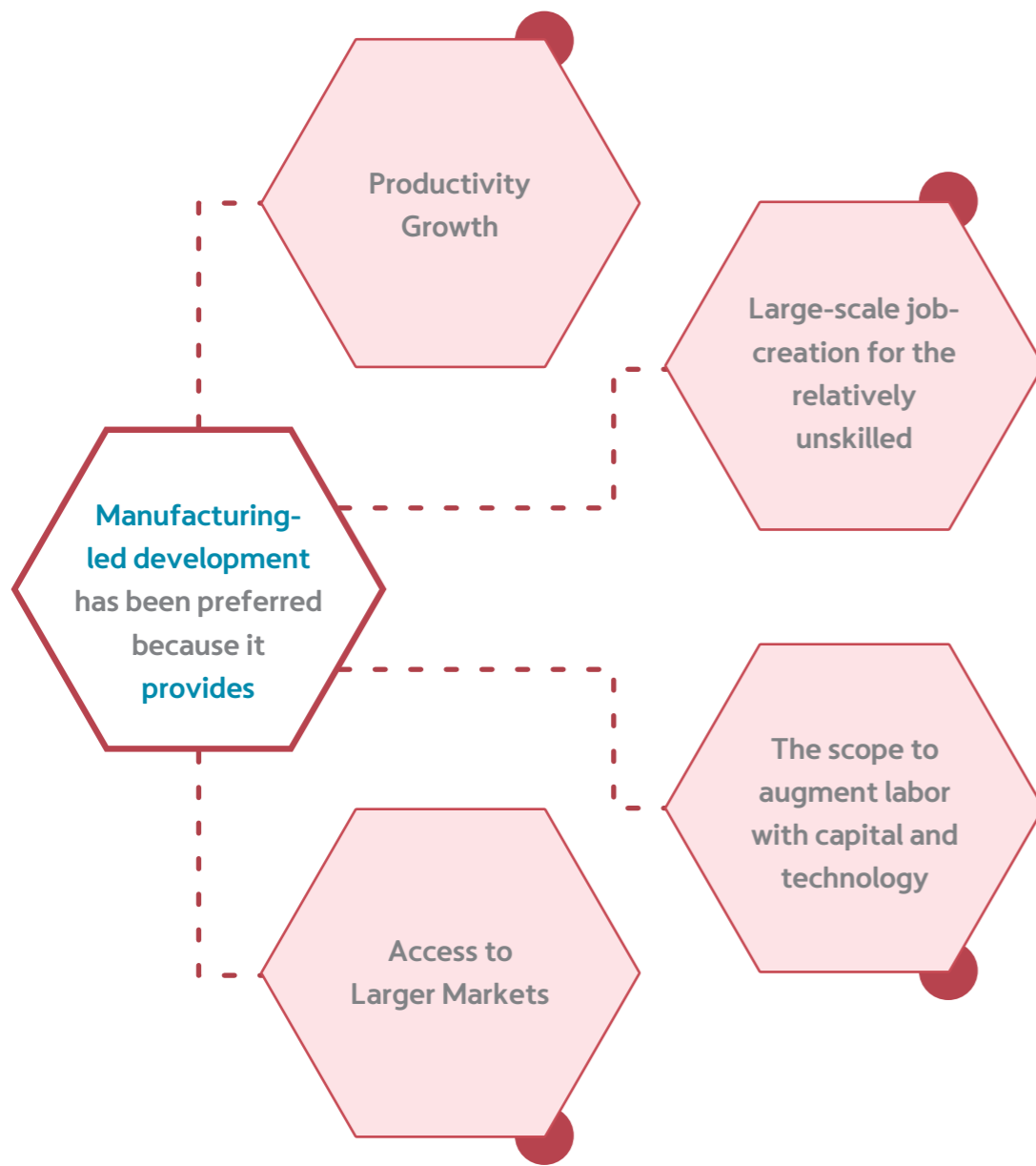
Sectoral shares of GDP in LMICs, by region and relative to high-income countries, 1995 to 2018



Sector-wise Contribution to the GDP (%)

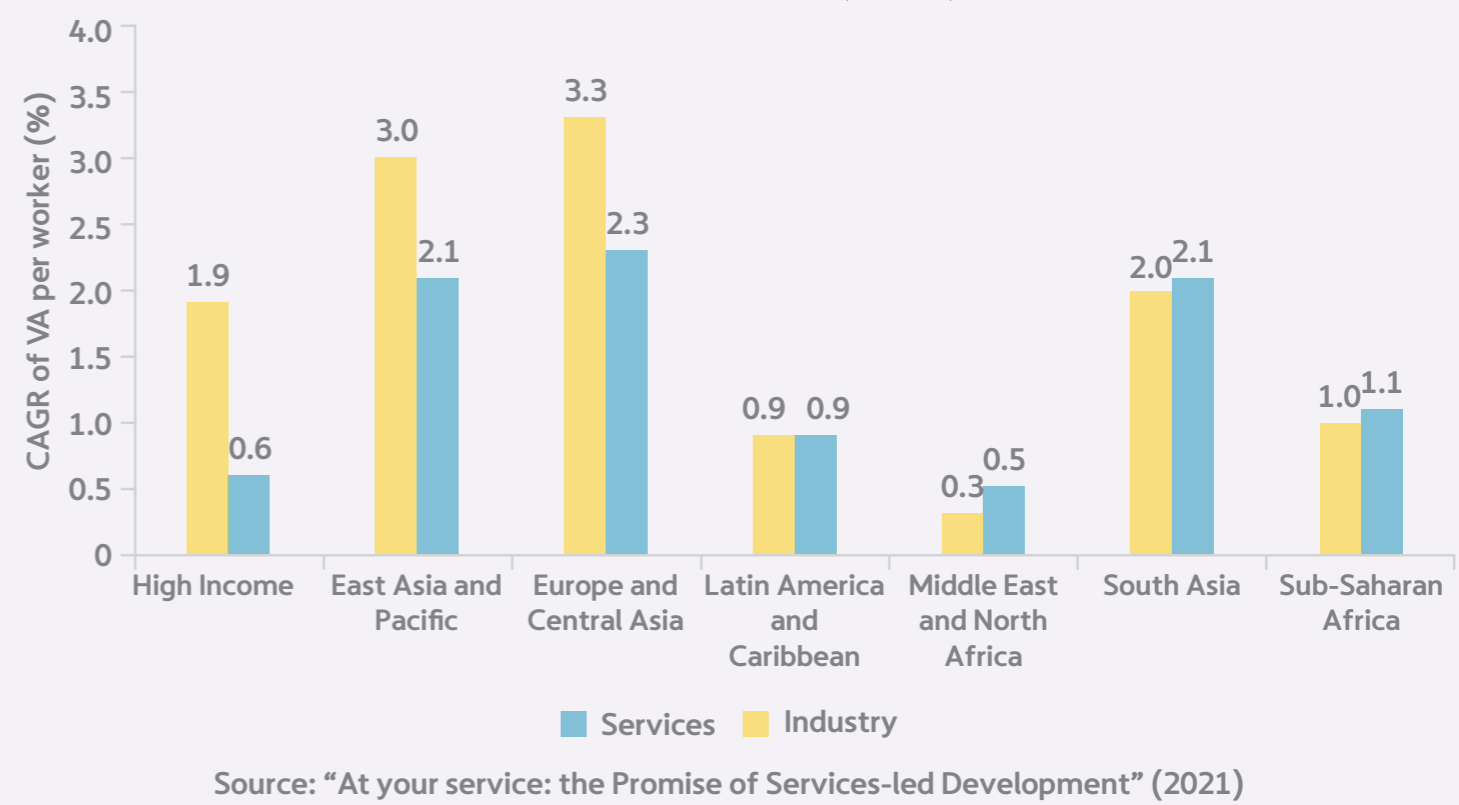


Manufacturing's Potential to Drive Development



Labour Productivity Growth in Services has Matched That in Industry

Growth in value-added per worker in low-to-middle income countries (LMICs) 1995-2018



How Can Technology Boost Services?

The ICT Sub-sector



Digitization has made services:

- More storable, codifiable, and transferable
- More independent of physical interaction between consumers and producers
- More scalable

Expansion in scale through access to **international markets**

The possibility of **labor-augmenting innovation**

Services particularly linked to IT are characterized by:

- Value-creation based upon
- Economies of scale
- Large productivity gains

Dynamic productivity growth rates and contribute to overall productivity

Positive spillovers for other sectors such as finance, telecommunications, and transport

FDI in upstream services leads to productivity in downstream sectors

Productivity Growth

Challenges

- Exports concentration is in low-to medium-value -added software services
- Low-value-added services account for **90%** of the export revenue in Business Process Outsourcing
- Number of firms in higher value-added segments such as banking, finance, insurance, and health-care remain low
- Pakistan's share in world exports of computer-related services accounts for less than **1%**

Service-led Development in Pakistan - Challenges

