CHAPTER 4

SERVICES SECTOR

This sector consists of Transport, Storage and Communications, Wholesale, Retail trade, Hotels and Restaurants, Finance and Insurance, Ownership of Dwellings, Public administration and Defence and Social, Community and Private services. Detail of each sub-sector is given below.

Transport, Storage and Communications

Transport, Storage & Communications sector consists of:

- ♦ Pakistan Railways
- ♦ Water Transport
- ♦ Air Transport
- ♦ Pipeline Transport
- ♦ Road Transport
  - • Mechanized
  - • Non- Mechanized
- ♦ Communications
- ♦ Storage

Summary performance of the sub-sectors is tabulated below. Detail is annexed as annexure 33.

GVA of Transport Sector, 1999-2000 (Rs. Million)

Sub-sector	1999-2000 Base	1980-81 Base
Pakistan Railway	853	-2093
Water Transport	7934	7534
Air Transport	29557	18021
Pipeline Transport	6230	8579
Road Transport	281478	214282
Communications	663800	56428
Storage	11131	8879
Total	**400983**	**311630**

The sector includes passengers and freight transport, whether scheduled or unscheduled by rail, road, water or air including all auxiliary activities such as terminal and parking facilities, cargo handling, storage, besides postal and telecommunication activities.

1980-81 Base Methodology: National Accounts estimates of value added and investment, produced on this base, comprised of the following activities:

Railway Transport, Road Transport (Mechanized and Non-mechanized road transport) Water Transport (Mechanized boats, Non-mechanized boats, Shipping Companies), Air Transport, Communications & Storage, Pipeline Transport

The methodology was based on income approach to compile the estimates on transport and communications. The determinants of income approach were Wages and Salaries (cash and kind), Consumption of fixed capital and Operating Surplus.

Base 1999-2000: To prepare the estimates on Transport and Communications in accordance with latest accounting framework, study was made on Intra-city road transport, Freight container services, Travel agencies, Courier services and Inland Water Transport. Tour operators and travel agents sector is covered through study. Data regarding courier activities have been provided by the source agencies. Inter and intra city transport has been finalized with National Transport Research Centre (NTRC) experts. A small survey was conducted to determine GVA per boat and the findings have been applied to the Inland Water Transport sector. Un-registered part of non-mechanized road transport has been adjusted according to the number of animals of respective categories.

Wholesale, Retail Trade and Hotels & Restaurants

The activities included in this sector are

- ♦ Wholesale and retail trade including imports
- ♦ Purchase & sale agents and brokers
- ♦ Auctioning

The summary of the trade value added is given below.

Trade VA of the Sub-sector, 1999-2000 (Rs. Million)

Major Crops	56188
Minor Crops	36036
Livestock	113145
Fishery	7346
Forestry	8664
Manufacturing	247479
Imports	87680
Hotel & Restaurant	65304
Gross Value Added	**621455**

1980-81 Base Methodology: The estimates of national accounts of Pakistan were computed by applying commodity flow method. In 1980-81 benchmark estimates, UNSNA-1953 (and to some extent UNSNA-1968) were followed, where the output of wholesale and retail trade was measured by the value of trade margins realized on goods purchased for resale. The flows of domestic products and imported goods provided information on marketed portion of various commodities domestically

produced and imported. The trade mark-ups separately for agricultural commodities, manufactured items and imported goods have been derived from various surveys and studies. The major difficulty with this sector is the lack of dis-aggregation. Wholesale and retail activities are rarely estimated separately. Ratios of trade margins and marketed surplus remained constant since two decades. The gross margins used in the 1980-81 base series of national accounts were estimated on the basis of different inquiries.

Study Results: The study on wholesale and retail trade have computed the trade margins and marketable surplus by commodity. Comparative statement of rates and ratios of two benchmarks is attached as annexure 34. In the sheet trade margins are exclusive of transport margins and calculated on the gross value of commodities except large and small scale manufacturing sub-sectors, which are based on gross value added due to non-availability of gross value of industrial output. Annexure 35 provides 1999-2000 benchmark estimates based on the rates of marketable surplus by commodity and trade margin thereon derived from the study survey. This estimation approach provides marketable surplus and trade markups for the new benchmark year 1999-2000.

Regarding the Hotel and Restaurant sub-sector, the study treated hotels and restaurants as separate strata. Summary results are tabulated below.

GVA of Hotel and Restaurants, 1999-2000 (Rs. Million)

Hotels, Motels, Inns, Hostels, etc.	21571
Restaurants, Cafes, Canteens, etc.	43733
Total	**65304**

Finance and Insurance

Detailed estimates of the sector have been given at annexure-36. This sector consists of

- State Bank of Pakistan
- Other Depository Corporations
- Other Financial Intermediaries
- Insurance Corporations and Pension Funds

State Bank Of Pakistan: This sub-sector consists of the central bank. The data on different components of output, inputs, wages & salaries, deprecation and GFCF has been collected from the State Bank of Pakistan. The gross value added of State Bank of Pakistan has been compiled using production approach for the year 1999-2000. Intermediate consumption includes the value of all the goods or services used as inputs into subservient activities such as purchasing, sales marketing, accounting, data processing, transportation, storage, maintenance, security etc.

Other Depository Corporations: This sub-sector consists of deposit money corporations and others. The Deposit Money Corporations consist of Nationalised Pakistani Banks, Private Pakistani Commercial Banks, Specialised Pakistani Banks and Foreign Commercial Banks. The others consist of Cooperative Banks, Development Financial Institutions, Investment Banks and Leasing Companies.

The concerned banks supply data. The data has been provided on output, intermediate cost, wages & salaries, depreciation and GFCF for the year 1999-2000. Annual reports of these institutions were also obtained. Exhaustive coverage has been achieved to produce the relevant estimates. The gross output and gross value added of Other Depository Corporations are calculated according to FISIM approach in line with SNA-93 recommendations. The GVA comes to Rs. 69,288 million in the year 1999-2000.

Other Financial Intermediaries: The institutions included in Other Financial Intermediaries are Discount & guarantee houses, Housing Finance Companies, Venture Capital Companies, Investment Companies, Modaraba Companies, Exchange Companies (Money Changers) and Mutual Fund Companies etc. Mostly these companies in Pakistan are privately operated. The data has been collected on questionnaires through mail enquiry and from the annual reports of the institutions. The Gross Output and Gross Value Added of Other Financial Intermediaries have been calculated in accordance to FISIM approach. The GVA for the year 1999-2000 comes to Rs. 5395 million.

Insurance Corporations and Pension Funds: Insurance companies are generally incorporated, entities, and provide life, accident, sickness, fire, casualty or other forms of insurance. Data regarding the balance sheet, the revenue and profit and loss accounts available from the annual reports of the insurance companies coupled with data collected through questionnaire have been used for preparation of the GVA. The estimates of GVA of Employees Old-Age Benefit Institution have also been included first time. The gross value added has been calculated adding wages & salaries and depreciation, because this institution is working on no-profit/no-loss basis as a welfare government department. The GVA estimates have been compiled for the year 1999-2000 at current producer prices. The GVA has been worked out at Rs 18,568 million.

The data of Discount & Guarantee houses, Venture Capital Companies, Investment Companies, Exchange Companies (Money Changers), Postal Life Insurance Company and Employees Old-Age Benefit Institutions have been compiled first time.

The classification for the estimates 1999-2000 base and 1980-81 benchmark is completely different. The data for the year 1999-2000 base has been compiled according to SNA-1993.

GVA of the sector 1999-2000 Base and 1980-81 Base (Rs. Million)

Sector	1999-2000Base	Sector	1980-81 Base
1. State Bank of Pakistan	39201	State Bank of Pakistan	3950
2. Other Depository Corporations	69288	All other Banks	53529
2-A Deposit Money Corporations	56514	DFI's	12893
2-B Others	12774	Insurance	17323
3. Other Financial Intermediaries	5397	Modaraba	1254
4. Insurance Corporations & Pension Funds	18568	Leasing	1306
Total	132454	Total	90255

The overall gross value added of the sector for the year 1999-2000 on benchmark 1999-2000 is Rs. 132454 million and on benchmark 1980-81 is Rs. 90255 million. The major difference is due to change in methodology to compile the estimates of State Bank of Pakistan as its GVA has increased from Rs. 3950 million to Rs. 39201 million. Presently production approach have been applied using Profit & Loss Accounts of State Bank of Pakistan while in the 1980-81 series, wages & salaries and depreciation were added to get gross value added of State Bank of Pakistan.

Ownership of Dwellings

1980-81 Base Methodology: The estimates of value added in this sector, by this methodology, were measured by the rent accruing from ownership of dwellings, rented as well as self-occupied. This requires cumulative increase of houses and their respective rent. To prepare estimates of value added, the numbers of occupied houses in urban and rural areas had been taken from the Housing Census, 1980. The estimates of annual average rentals for urban areas were derived form the rent survey of 45 urban towns conducted by FBS. As no survey was conducted in the rural areas the rentals for rural areas had been taken from the Household Income & Expenditure Survey, 1984-85 that were deflated for benchmark year, 1980-81, on the basis of the changes in urban rent survey results. A deduction of 37.5% for rural and 22.5% for urban, as per practice followed by Excise & Taxation Department, was made from gross rentals to account for repairs and maintenance. The aggregate of rural and urban provides the estimates of gross value added for the benchmark year 1980-81. A deduction of 23.4% was made to account for depreciation to arrive at net value added.

To compute the value added estimates for subsequent years, inter-census housing growth separately for urban and rural areas had been applied to the number of dwellings in the benchmark. Average monthly rent for urban areas separately for each year was taken from FBS rent survey. In case of rural areas, rent had been derived as percentage of urban rent. The value added so derived for the years 1980-81 onward is at current prices, which had been deflated by rent index to arrive at constant prices. Due to non-availability of rents after 1985-86, the constant estimates were projected on a constant growth rate of 5.29%.

Base 1999-2000: The estimates of value added in this sector are measured by the rent accruing form ownership of dwellings, occupied. This requires cumulative increase of houses and their respective rent. To prepare estimates of value added, the number of occupied houses in urban and rural areas has been taken from the Housing Census, 1998. The estimates of annual average rentals for urban and rural areas have been derived from the rent survey of 1998 conducted by FBS. The intermediate consumption by the type of houses has been estimated through survey undertaken by National Accounts in August 2002. For the subsequent years, the GVA at constant cost will be estimated on the basis of extrapolation of base year estimation by the growth of incremental houses. Detail is attached as annexure 37.

Public Administration & Defence

National Accounts estimates on general government cover budgetary data of the Federal Government Defence Services, Provincial Government, 105 District governments, 363 Tehsil and Municipal Administrations and 40 Cantonment Boards documents.

1980-81 based estimate of the value added in Public Admin & Defence consisted of three components:

♦ The emoluments of the government employees compiled from the budgets of federal, provincial and local governments, which are subsequently revised on the basis of the revised estimates, published in the subsequent budget.
♦ Rent of the government owned and occupied buildings were assumed to be 10 percent of the wage bill.
♦ The rate of depreciation was assumed to be 5 percent of the aggregate of the wage bill and imputed rent.

On the basis of reclassification made on the lines of SNA-93, uniform and liveries, bonus and cash awards for meritorious services, not included previously, have been valued in the wages and salaries estimates. Besides, depreciation at 5% of fixed assets are added to workout gross value addition of the sector. Thus, GVA estimates for 1999-2000 amounts to Rs. 220291 million against the 1980-81 based estimates at Rs. 249832 million as compared at following table.

GVA of Public Admn. & Defence, 1999-00 (Rs. Million)

Description	1999-2000 Base	1980-81 Base
Wages & Salaries	217003	216305
Non-Wage Bill	-	21631
Net Value Added	217003	237936
Depreciation	3287	11897
GVA	**220291**	249832

Social, Community and Private Services

Income arising in the Social, Community and Personal Services consists of persons engaged in private education, medical & health services and other household and community services. Expenditure approach has been applied to estimate the contribution of services sector in national economy which involves collection of data on number of service establishments classified by type of service and data on components of value added (value of sales and services, cost incurred during the process of rendering services, wages paid to the employees, operating surplus etc) and gross fixed capital formation.

FBS had carried out a number of surveys of important service establishments namely educational institutions, medical & health, advertising, accounting, auditing & book keeping and recreational services in the bench mark year 1980-81 which provide valuable data on various components on per worker value added. The number of persons employed in services sector by occupational group had been derived from the tabulation of Population Census 1981. The two components provide the basis for computation of value added estimates for the benchmark year. For subsequent years annual average compound growth rate of per worker wage is applied. An allowance of 15% for under reporting has been added in the gross value added. CPI General is used as deflator to derive estimates at current factor cost. An account of 5% is made to account for depreciation.

Valuation of Output: For revised base estimates sources and coverage along with data for the year 1999-2000 for each service activity is summarised below.

Hardware, software and computer based information technology (IT) services consist of mainly in designing customized software. A large number of computer programmers, hardware and software engineers are engaged in this activity. The frame of Pakistan Software and Hardware Association (PASHA) was used. The activities included in this study are legal, accounting, bookkeeping and auditing activities, tax consultancy, market research and public opinion polling, business and management consultancy Architectural and engineering activities and related technical consultancy, Private Investigation and Security Activities etc.

Included in this base are the activities of education, private general and specialized hospitals, sanatoria, preventoria, rehabilitation centres, leprosaria, dental centres and other health institutions that have accommodation facilities. The record of Pakistan Medical and Dental Council is the source. National Council for Tibb and Pakistan Homeopathic Medical Council are the sources for other health activities.

For the social work with and without accommodation activities, a number of orphan houses, committees, commissions, trusts, welfare organizations and NGOs providing services in one or more of the activities were covered. Activities of Business, Employers and Professional Organizations, Chambers of Commerce and Industry, Trade Unions, private cooperative societies registered with Registrar Cooperative Societies are also covered. The estimates include Writers Forum and Gilds, Unions of Journalists, Associations of medical professionals, photographers, barbers, launders, real estate agents, insurance agents, clerks etc. Recreational, Cultural and Sporting activities, and other activities have also been covered. Detail of benchmark estimates of activities is tabulated below.

GVA of Services, 1999-2000 (Rs. Million)

Activities	1999-2000 Base
Computer and Related	12582
Business	190143
Education	13774
Health, Social Work	29451
Community, Social & Personal	6456
Recreational, Culture, Sports	7668
Other Services	25987
Private Household's Employees	3741
Total Value Added	**289802**
NPISHs	25396
Real Estate	6353
Grand Total of the Sector	**321551**

Rest of The World

The inflow of the income from the rest of the world sector consists of investment income, royalties & trade marks, remittances etc. The data is taken from the balance of payments figures of State Bank of Pakistan. To account for the non-cash remittances, an imputed value based on the airports and seaport survey is added. The results are given in the box below.

Value Added from the Rest of the World, 1999-2000	
Items	Rs. Million
A. Total Receipts	64284
i. Investment Income	6006
ii. Royalties/Trade marks	258
iii. Worker's Remittances	50894
iv. Add 14% as personal baggage	7125
B. Total Payments	112240
i. Investment Income	110531
ii. Royalties/Trade marks	1553
iii. Worker's Remittances	155
Gross Value Added (A-B)	-47956