

**PRESENTATION ON**



**‘PAKISTAN’S ECONOMIC INITIATIVE IN  
THE CURRENT ECONOMIC SCENARIO’**

By

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# Outline Of The Presentation

**Pakistan's Economic Prior to Covid-19**

**Covid - 19 and Pakistan Economy**

**- Various Government Initiatives**

**Where Pakistan's Economy Stand Today?**

**Going Forward**

**Concluding Remarks**

## PAKISTAN'S ECONOMY PRIOR TO COVID - 19

- ◆ Pakistan's Economy was already facing serious challenges owing to economic mis-governance of the decade (2008-18). During the decade (2008-18), Pakistan witnessed.
  - Its economic growth slowing
  - Both public and private sector investment declining
  - The pace of job creation slowing, resulting in rising unemployment
  - Fiscal deficit rising
  - Public and External Debt growing
  - Exports remaining stagnant/declining
  - Import rising at a greater pace
  - Current account deficit widening

# KEY ECONOMIC INDICATORS

| Economic Indicators        | Unit       | 2003-07           | 2008-13            | 2013-18            |
|----------------------------|------------|-------------------|--------------------|--------------------|
| Real GDP Growth            | Percent    | 6.8               | 2.8                | 4.7                |
| Agricultural Growth        | Percent    | 4.6               | 2.4                | 2.2                |
| Large-scale Manufacturing  | Percent    | 12.4              | 0.3                | 4.5                |
| Services                   | Percent    | 6.7               | 3.6                | 5.5                |
| Investment as % of GDP     | Percent    | 22.5 <sup>a</sup> | 15.5 <sup>*</sup>  | 15.9 <sup>*</sup>  |
| Budget Deficit as % of GDP | Percent    | 3.6               | 7.0                | 5.5                |
| Public Debt                | Billion Rs | 4814 <sup>a</sup> | 14321 <sup>b</sup> | 25545 <sup>c</sup> |
| Public Debt as % of GDP    | Percent    | 52.5 <sup>a</sup> | 66.6 <sup>b</sup>  | 73.8 <sup>c</sup>  |
| Foreign Direct Investment  | Million \$ | 5140 <sup>a</sup> | 1456 <sup>b</sup>  | 2780 <sup>c</sup>  |
| Foreign Exchange Reserves  | Billion \$ | 14.3 <sup>a</sup> | 6.0 <sup>b</sup>   | 9.8 <sup>c</sup>   |
| External Debt              | Billion \$ | 40.3 <sup>a</sup> | 60.9 <sup>b</sup>  | 95.3 <sup>c</sup>  |
| Current Account Deficit    | Billion \$ | 6.9 <sup>a</sup>  | 2.5 <sup>b</sup>   | 19.2 <sup>c</sup>  |

Note: a= 2006-07; b=2012-13; c=2017-18;\*= definition of investment has been changed, in 2012-13 therefore these numbers are not comparable with the past.

- ◆ One thing was common in this decade that Pakistan remained under the IMF Program during most of the period of the decade.
- ◆ Pakistan also witnessed the adverse impact of 2007/08 global financial meltdown
- ◆ Against the backdrop of the decade of 2008-18, the present government took charge of the state affairs in August 2018. It was indeed a challenging task for the inexperienced government to address multi-dimensional challenges.
- ◆ There is a general consensus among the independent economists within and outside the country that instead of addressing the challenges, it further compounded the difficulties. The government decided to go to the IMF for a third balance of payment support in a decade.

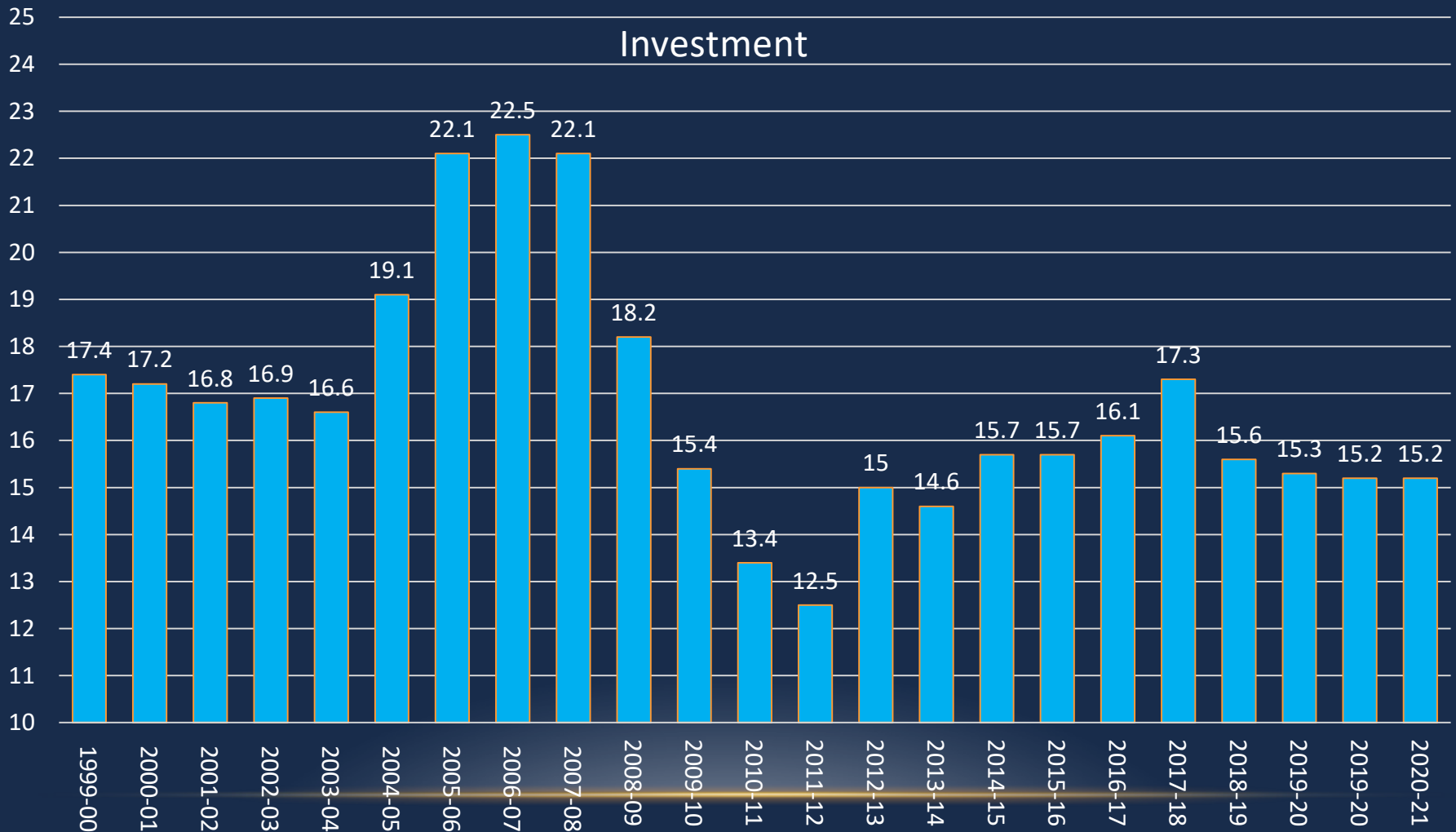
- ◆ The government started implementing the four decades old Stabilization Program that include:
    - Tight Monetary Policy (Raising Policy Rate)
    - Tight Fiscal Policy (cutting expenditure and raising revenue)
    - Market – based exchange rate (devaluation)
    - Raising utility Prices (Gas and Electricity)
  - ◆ These policies totally devastated the economy. It suffocated economic growth, raised cost of production which rendered the industries non-competitor in international markets.
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## KEY ECONOMIC INDICATORS: POST 2017-18

| <b>Economic Indicators</b>                  | <b>2017-18</b> | <b>2018-19</b> | <b>2019-20</b> | <b>2020-21</b> | <b>Average (2018-21)</b> |
|---|----------------|----------------|----------------|----------------|--------------------------|
| <b>Real GDP Growth %</b>                    | 5.5            | 2.1            | -0.5           | 3.9            | 1.8                      |
| <b>Agriculture%</b>                         | 4.0            | 0.6            | 2.7            | 2.1            | 1.8                      |
| <b>Large-Scale Manufacturing %</b>          | 5.1            | -2.6           | -7.8           | 9.0            | -0.5                     |
| <b>Services %</b>                           | 6.4            | 3.8            | -0.6           | 3.6            | 2.3                      |
| <b><u>As % of GDP</u></b>                   |                |                |                |                |                          |
| <b>Total Investment</b>                     | 17.3           | 15.6           | 15.3           | 15.2           | 15.4                     |
| <b>Public Investment</b>                    | 5.2            | 3.7            | 3.8            | 3.7            | 3.7                      |
| <b>Private Investment</b>                   | 10.5           | 10.3           | 10.0           | 10.3           | 10.2                     |
| <b><u>As % of GDP</u></b>                   |                |                |                |                |                          |
| <b>Total Revenue</b>                        | 15.2           | 12.7           | 15.0           | 14.8           | 14.2                     |
| <b>FBR Revenue</b>                          | 11.1           | 10.1           | 9.6            | 9.4            | 9.7                      |
| <b>Total Expenditure</b>                    | 21.8           | 21.6           | 23.1           | 23.0           | 22.6                     |
| <b>Current Expenditure</b>                  | 17.0           | 18.4           | 20.4           | 20.2           | 19.7                     |
| <b>- Interest Payment</b>                   | 4.4            | 5.4            | 6.3            | 6.1            | 5.9                      |
| <b>Development Expenditure</b>              | 4.4            | 3.2            | 2.9            | 2.8            | 3.0                      |
| <b>Budget Deficit</b>                       | 6.6            | 8.9            | 8.1            | 8.2            | 8.4                      |
| <b>Public Debt</b>                          | 73.8           | 90.6           | 91.2           | 92.0           | 91.3                     |
| <b>Inflation (%)</b>                        | 4.7            | 6.8            | 10.7           | 8.9            | 8.8                      |
| <b>Food Inflation (%)</b>                   | 3.8            | 4.6            | 14.8           | 12.5           | 10.6                     |
| <b>Exports (Billion \$)</b>                 | 24.8           | 24.2           | 22.5           | 25.6           | 23.8                     |
| <b>Imports (Billion \$)</b>                 | 56.6           | 51.9           | 43.6           | 53.8           | 48.9                     |
| <b>Trade Deficit (Billion \$)</b>           | -31.8          | -27.7          | -21.1          | -28.2          | -25.1                    |
| <b>Remittances (Billion \$)</b>             | 19.9           | 21.7           | 23.1           | 29.4           | 24.3                     |
| <b>Current Account Deficit (Billion \$)</b> | -19.2          | -13.4          | -4.4           | -1.8           | 5.9                      |
| <b>External Debt and Liabilities</b>        | 95.2           | 106.3          | 113            | 119.0          |                          |
| <b>Foreign Exchange Reserves</b>            | 9.8            | 7.3            | 12.1           | 17.3           |                          |

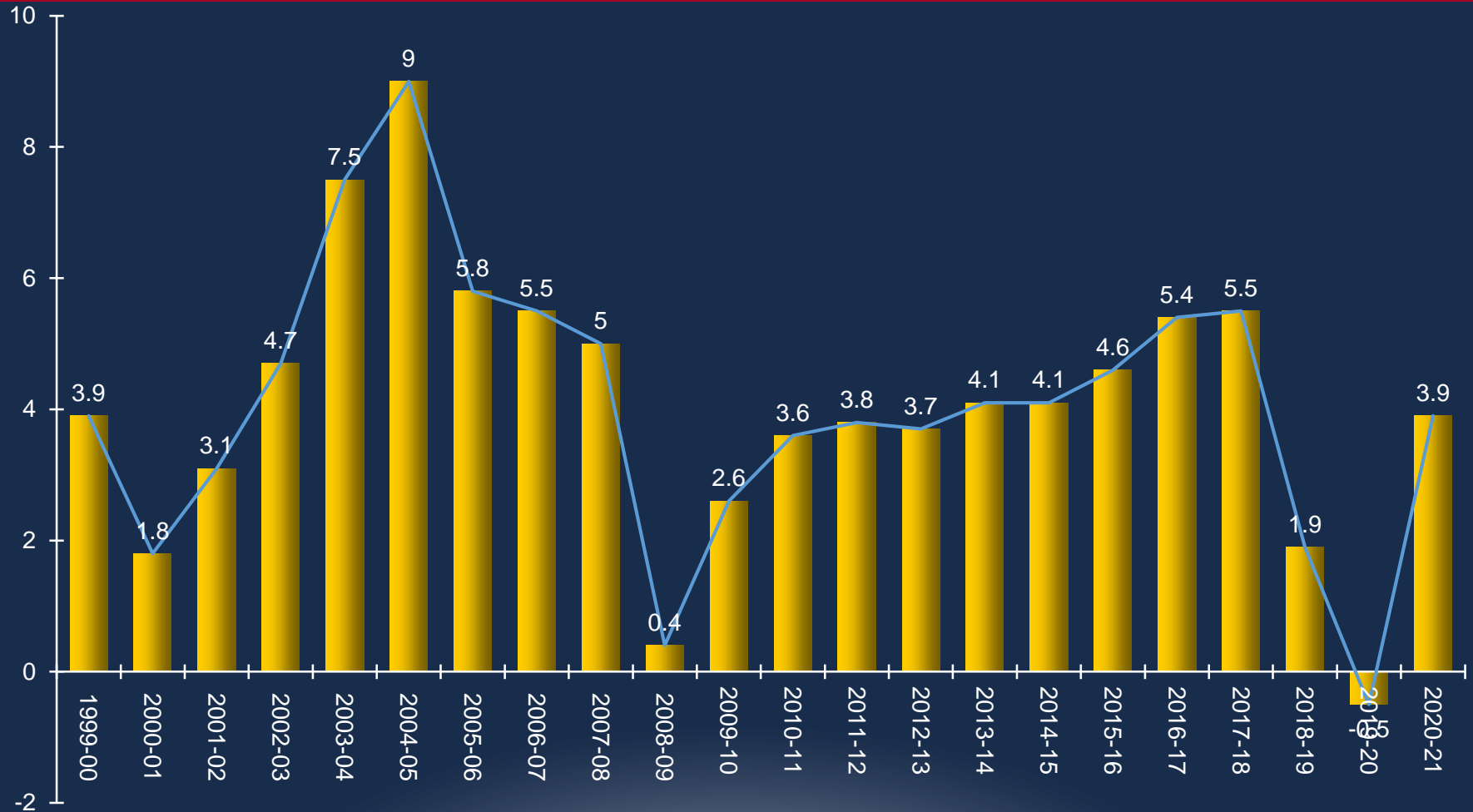
# INVESTMENT PICKED UP DURING 2000-07 BUT DECELERATED THEREAFTER

As % of GDP



\* Definition of Investment Changed  
Source: Various Issues of Economic Survey

# Lower Economic Growth (Percent)



\* Highly controversial

Source: Various Issues of Economic Survey

- ◆ Real GDP growth slowed to 2.1 percent in 2018-19 from 5.5 percent last year, investment rate declined from 17.3 percent of GDP to 15.6 percent in 2018-19, Revenue witnessed sharp decline from 15.2 percent of GDP to 12.7 percent in 2018-19, budget deficit surged from 6.6 percent of GDP to 8.9 percent in 2018-19, current account deficit improved from \$19.2 billion to \$13.4 billion, external debt and liabilities surged to over \$100 billion (\$106.3 billion) and foreign exchange reserved also declined.
- ◆ IMF Program badly damaged the already weak economy

## COVID – 19 AND PAKISTAN'S ECONOMY

- ◆ It is in the midst of the challenging economic time that the coronavirus struck Pakistan in late February 2020. Pakistan began to close down small and large businesses, transport, airlines, educational institutions, markets, industries, hotels and restaurants from March 22, 2020 with a view to stopping the spread of Virus.

## VARIOUS GOVERNMENT INITIATIVES TAKEN

- ◆ Government took various fiscal and monetary measures to minimize the adverse effects of Pandemic on the one hand and protect the poor and the vulnerable sections of the society on the other:
  - The country's Central Bank reduced the policy rate from 13.25 percent to 7.0 percent in a short span of time.
  - Small and Large businesses were provided subsidized loan so that they should not fire their workers on the one hand and prevent the collapse of the businesses and industries on the other
  - The government provided various tax incentives to revive construction sector activities with a view to promoting industrial growth and creating employment opportunities

- To protect the poor segment of the society, the Government provided emergency cash to 14.8 million families amounting Rs. 208 billion (\$1.3 billion). Such cash relief program kept aggregate demand alive and industries continued to operate to meet the demand.
  - World Bank termed Pakistan Cash Emergency Scheme as top four such initiative in the world.
  - Vaccination Program has already been launched in an aggressive manner since March 2021. So far over 32 million or 15 percent of the population have been vaccinated.
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## WHERE PAKISTAN'S ECONOMY STAND TODAY?

- ◆ As stated earlier, Pakistan's Economy took heavy toll on account of the on going IMF Program. Coronavirus further compounded the challenges.
- ◆ Contrary to the general believe, while Coronavirus adversely affected the economy, the Virus brought many positives for Pakistan. Let me state the negative first.
  - Like all other economies in the World, Pakistan's economic growth turned negative (-0.5%) half – a – percent in 2019-20 – first time since 1952-53 (Korean War).
  - Industrial production contracted almost 10.1.0% and services sector which accounts for over 61 percent in GDP, contracted by 0.6% for the first time in Pakistan's history.
  - Total investment also declined to 15.3% of GDP from 15.6 percent a year ago
  - Budget deficit remained at elevated level (-8.1% of GDP)

- Inflation remained in double – digit (10.7%) but most importantly food inflation jumped to close to 15% in 2019-20
  - Contrary to the general believe remittances registered a robust growth and stood at \$23.1 billion – much more than the total merchandise exports of Pakistan (\$22.5 billion)
  - External debt and liabilities also increased substantially to \$113 billion
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## ◆ Positives

- Covid-19 has also positively contributed to improving Pakistan's balance of payments
- Pakistan received \$3.5 billion in Debt relief from G-20 countries
- Pakistan received \$1.4 billion from the IMF under the Rapid Financing Instrument to cope with Covid-19 Crisis
- As a result of the collapse of the international price of oil during the Covid-19, Pakistan saved \$4.7 billion in oil import bill
- Most importantly, as a result of the Covid-19, the IMF Program got suspended since February 2020 until Jan 2021. and with suspension of the IMF Program came the suspension of the ***hara-kiri*** that the program brought to the economy.

- Pakistan's economy is now on the path of recovery. Economy witnessed a **V-shaped** recovery and grew by 3.9 percent in 2020-21. This growth number when revised, may be in the range of 4.7-5.0% range.
- Industrial growth also registered a massive recovery to 9.3 percent in 2020-21 but again when it is revised it will be in the range of 14-15 percent.
- Exports, remittances registered impressive recovery and as a result, the current account deficit improved further. Pakistan's balance of payments are in comfortable position, economic growth picking up, the pace of external borrowing is slowing, inflation has come down to single – digit level, tax collection is improving and there are expectations that budget deficit will come down further going forward.

*THANK YOU*

