

PAKISTAN PROSPERITY INDEX

August 2021



Policy Research Institute of Market Economy (PRIME) is a public policy think tank striving for an open, free and prosperous Pakistan by creating and expanding a constituency for protective function of the state and freedom of the market.

Pakistan Prosperity Index (PPI) is a monthly review of Pakistan's macro-economy based on the analysis of four periodic data sets- industrial production, trade volume, price levels, and private sector lending. On a 12-month rolling basis, this issue of the report covers the period July 2020 to June 2021, with June 2019 as the base period.

Credits

The idea of PPR was developed by Ali Salman. Special thanks to Ali Kemal for technical support in developing the indices and Sohaib Jamali for his valuable feedback. The title page is based on a word cloud generated from the Business Recorder for April 2021.

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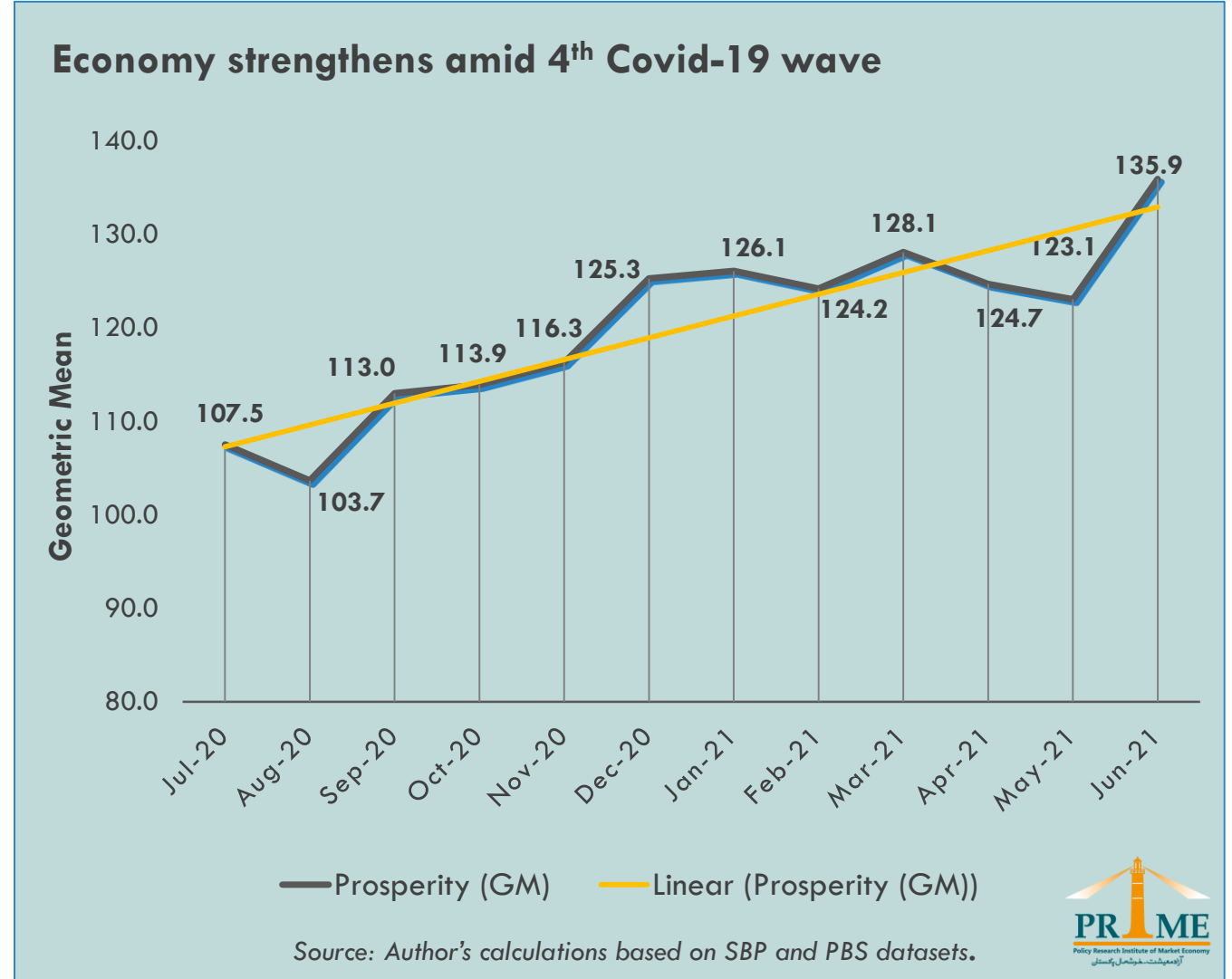
Variables & Data Source

Variable	Source	Time period covered
1. Consumer Price Index (CPI)	State Bank of Pakistan	July 2020 – June 2021 <i>Base month: June 2019</i>
2. Long-term Financing Facility (LTFF)		
3. Quantum Index of Large-scale Manufacturing (QIM)	Pakistan Bureau of Statistics	
4. Trade Volume		

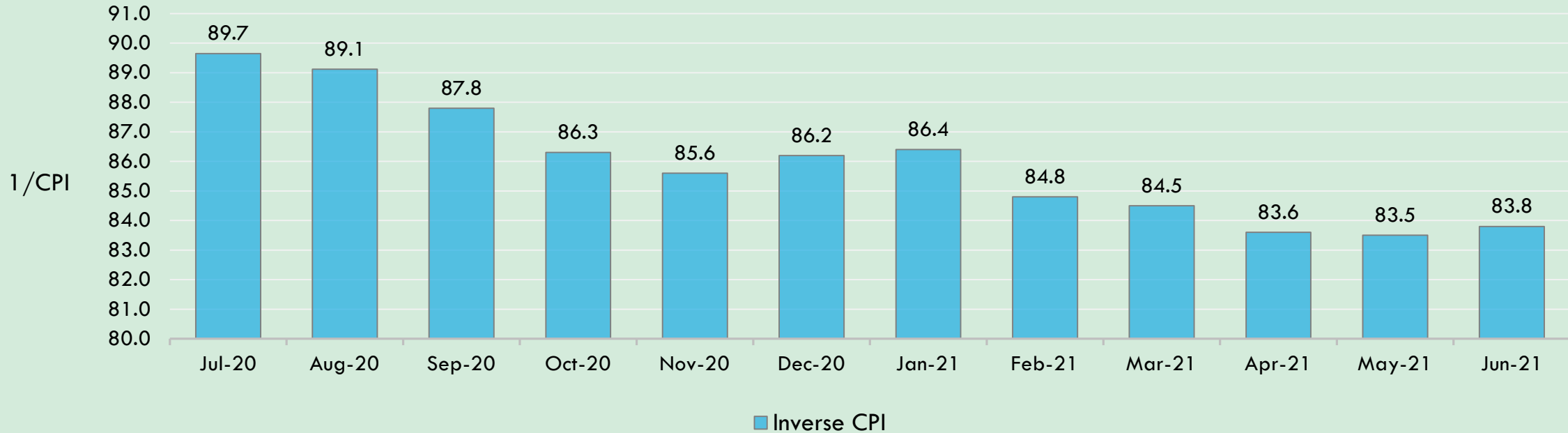
**Refer to end slide for methodology.*

PAKISTAN PROSPERITY INDEX (PPI)

- Pakistan Prosperity Index reached all time high of 135.9 in June 2021 after the decline in April and May 2021.
- This figure signals increase in economic prosperity at the back of higher business confidence and activity amid 4th wave of Covid-19.



Purchasing power posted a slight increase after consecutive decline for four months



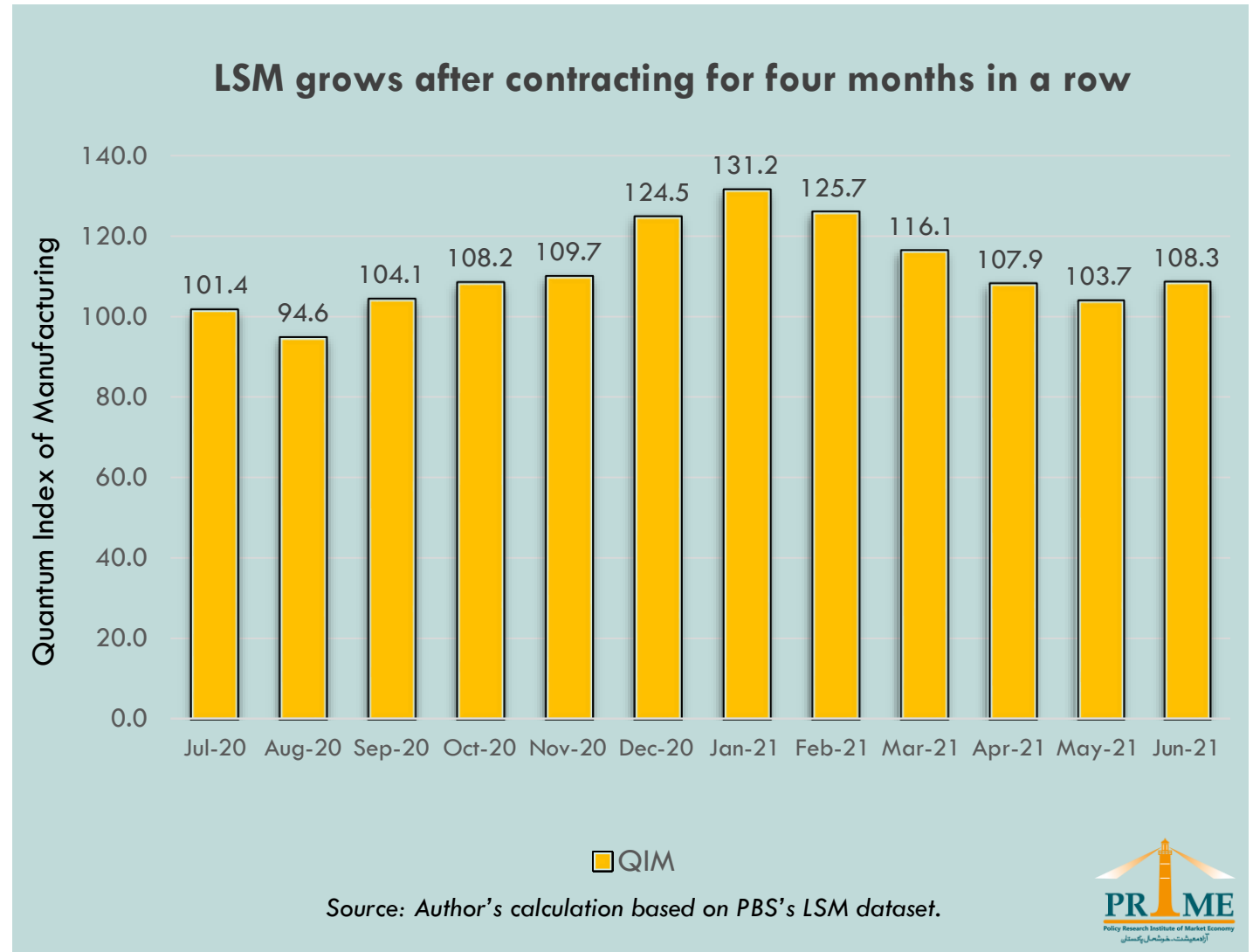
Source: Author's calculation based on SBP's inflation monitor.

PURCHASING POWER INDEX (PPI)

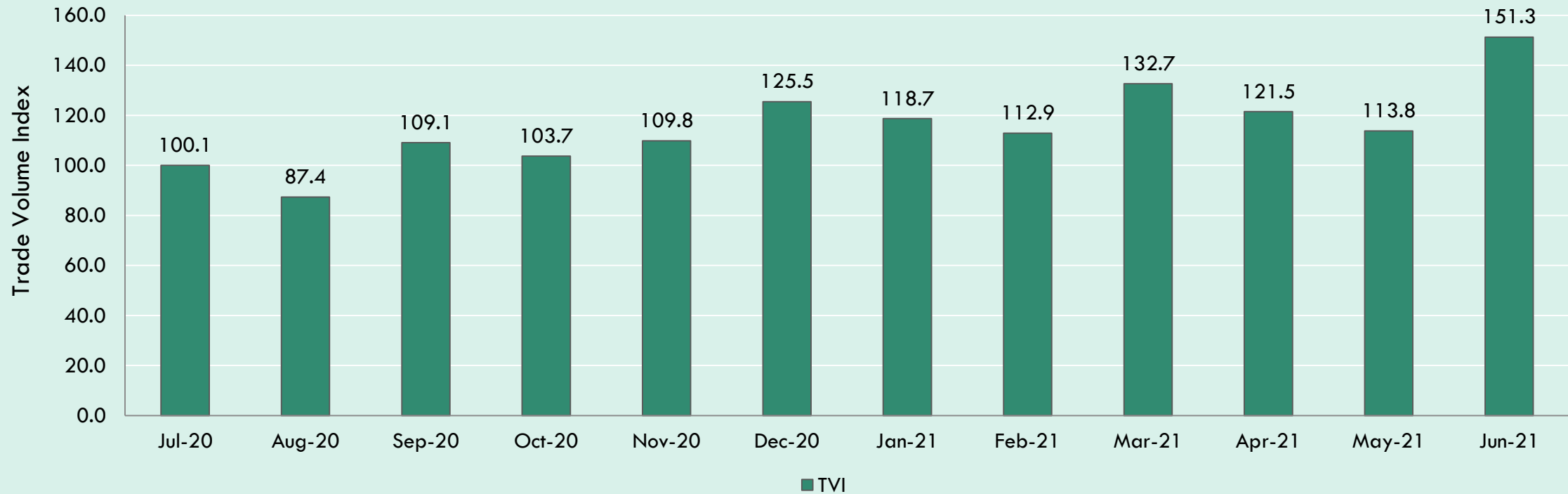
- Y-o-Y inflation clocked at 9.7% in June 2021 while M-o-M inflation stood at -0.3%.
- This inflationary pressure is due to increase in prices of basic food items, clothing, footwear & energy.

LARGE-SCALE MANUFACTURING INDEX (LSMI)

- Output of large-scale manufacturing increased by 4.36 % M-o-M in June 2021.
- LSM is most vulnerable to external conditions, the industry posted positive growth at the back of higher production emanating from higher demand after ease in lockdowns.



Trade volume grows despite volatility in international market



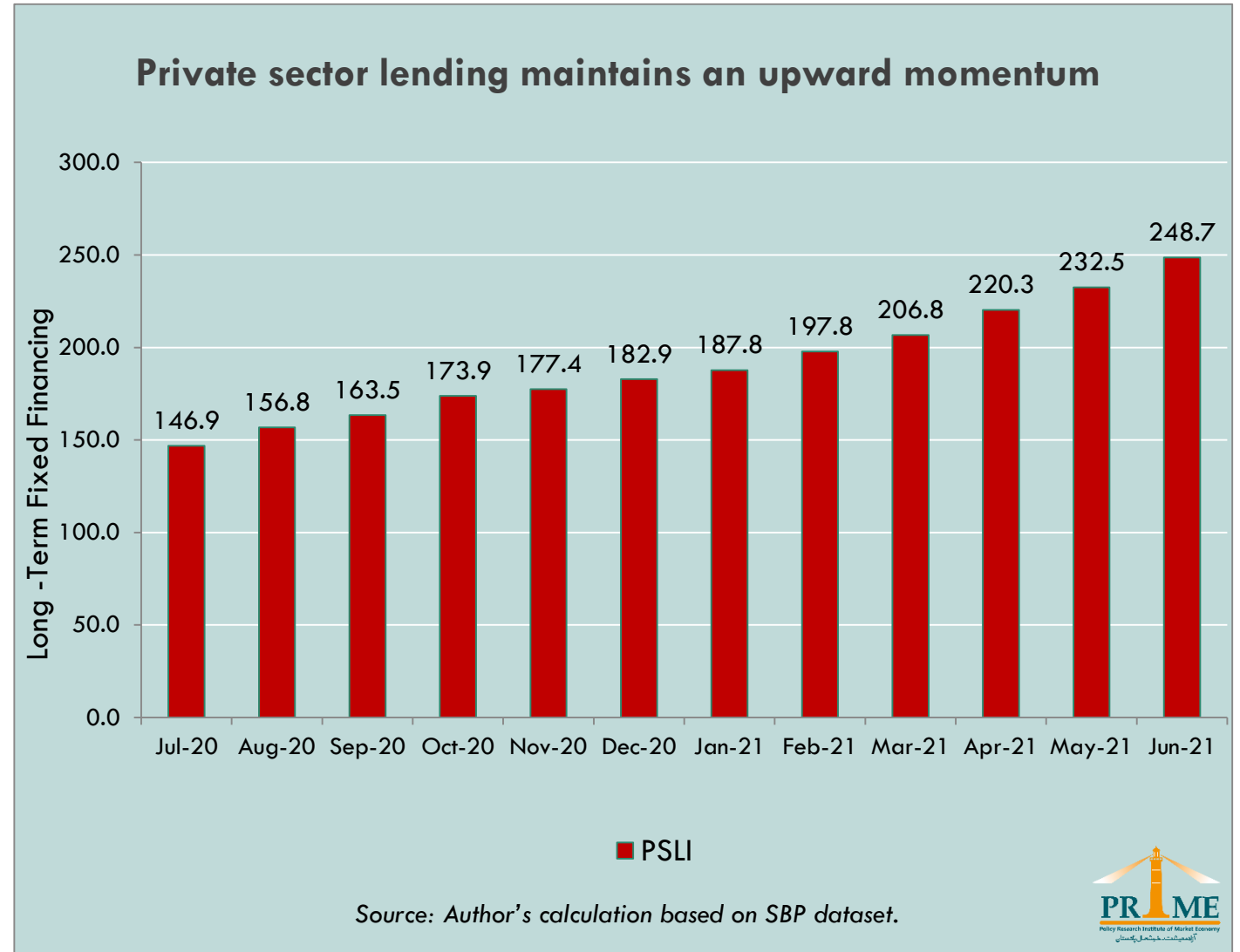
Source: Author's calculation based on PBS dataset.

TRADE VOLUME INDEX (TVI)

- Trade volume Increased by 33% M-o-M - measuring all time high of Rs.1.42 trillion in June 2021.

PRIVATE SECTOR LENDING INDEX (PSLI)

- Private sector borrowing from banks has been on an upward trajectory owing to subsidized borrowing rate.
- Long-term financing facility stood at an all-time high of Rs. 390.8 billion in June 2021.





Economic prosperity as measured by Pakistan Prosperity Index improved in June 2021 on account of growth in trade volume, LSM's output, private sector borrowing, and improvement in the purchasing power. These indicators have strengthened due to the higher business confidence resulting from mass vaccination, ease in the lockdowns and declining inflationary pressures despite intermittent disruptions caused by Covid-19.

Methodology

Pakistan Prosperity Index (PPI) is a monthly review of Pakistan's macro-economy based on the analysis of four periodic data sets- industrial production, trade volume, price levels, and private sector lending. On a 12-month rolling basis, this issue of the report covers the period July 2020 to June 2021, with June 2019 as the base period.

Variable Transformation

All four variables have been transformed by:

- Calculating their growth rates,
- Rescaling and,
- Converting into Indices (Since CPI and QIM are already an index, trade volume and LTFF have been converted into indices also by considering the value of June 2019 = 100 as a base month)

Calculation of Prosperity Index

The Prosperity Index is calculated by using the geometric mean as employed by UNDP in calculating the Human Development Index. It is computed as follows:

$$\text{Prosperity Index} = \sqrt[4]{\frac{1}{CPI} * QIM * TVI * LTFF}$$

To view detailed methodology, please [click here](#).



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