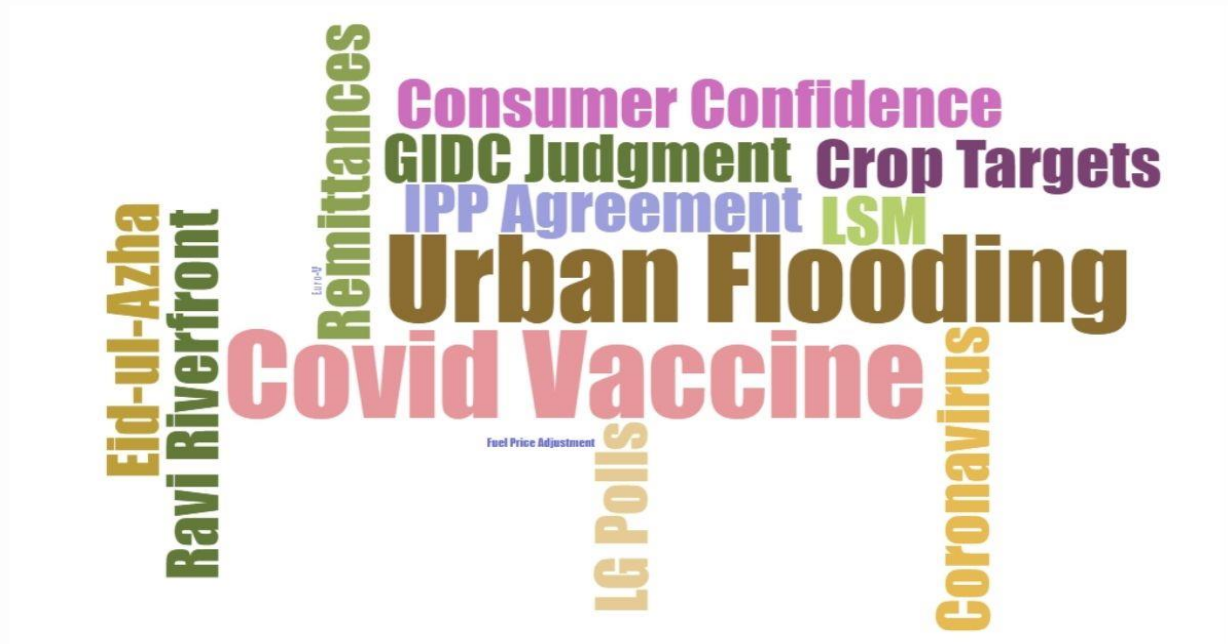


PAKISTAN PROSPERITY REPORT

August 2020



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. PRIME was established in Islamabad in 2013, and since then, it has published on a wide range of issues including trade, tax policy, business regulations, housing, public debt and energy crisis.

Pakistan Prosperity Report (PPR) 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. The concept behind this report is intuitive- higher level of industrial output, increases in trade volumes, more lending to the private sector and an improvement in purchasing power of individuals are indicators of a strong economy, signaling prosperity of both firms and households.

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 on the methodology. The title page is based on a word cloud generated from Business Recorder.

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Published by: Policy Research Institute of Market Economy (PRIME)

August 2020

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Pakistan Prosperity Report

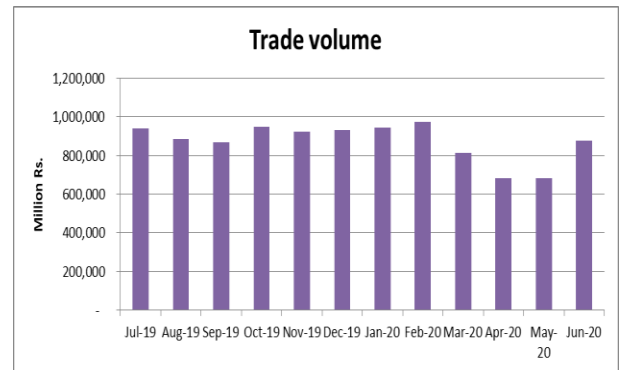
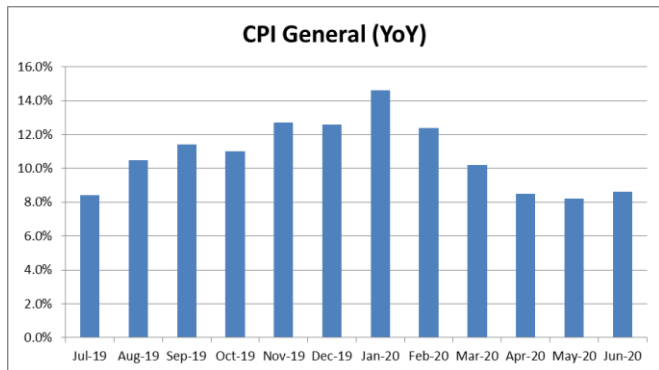
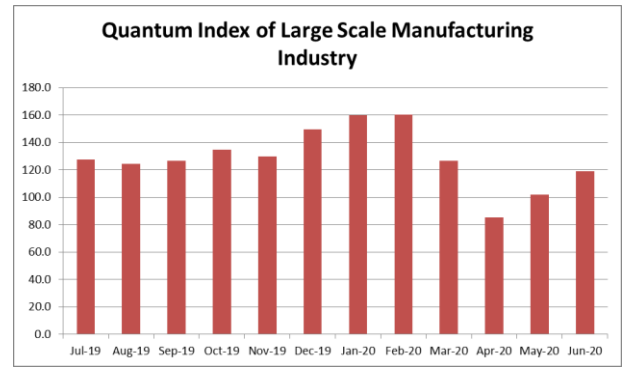
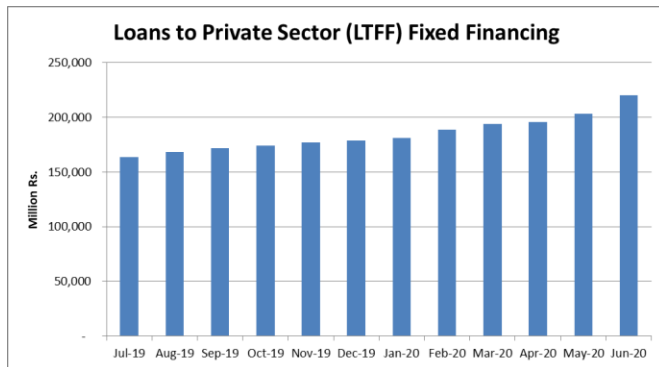
Prosperity Index has made a strong recovery due on the back of improvements in large-scale industrial manufacturing, trade volume and long-term loans to private sector for fixed investment. Inflation is inching upwards while private sector long term credit borrowing is witnessing an improvement following systematic reductions in discount rate by the State Bank.

The report finds that during the months of May and June 2020, Pakistan witnessed a strong recovery in prosperity due to resumption of economic activity, which faced discontinuation due to government's measures to check the spread of Covid-19. As economic activity returns to its pre-lockdown levels, inflation control, once again, requires urgent attention of the government.

The previous issue of the report noted that while supply-side constraints are easing out, demand side constraints to economic growth might manifest in future. However, no related impact has been noted in inflation, trade volume, large-scale manufacturing, or long-term credit to the private sector.ⁱ

ⁱ Data and methodology can be accessed online at primeinstitute.org

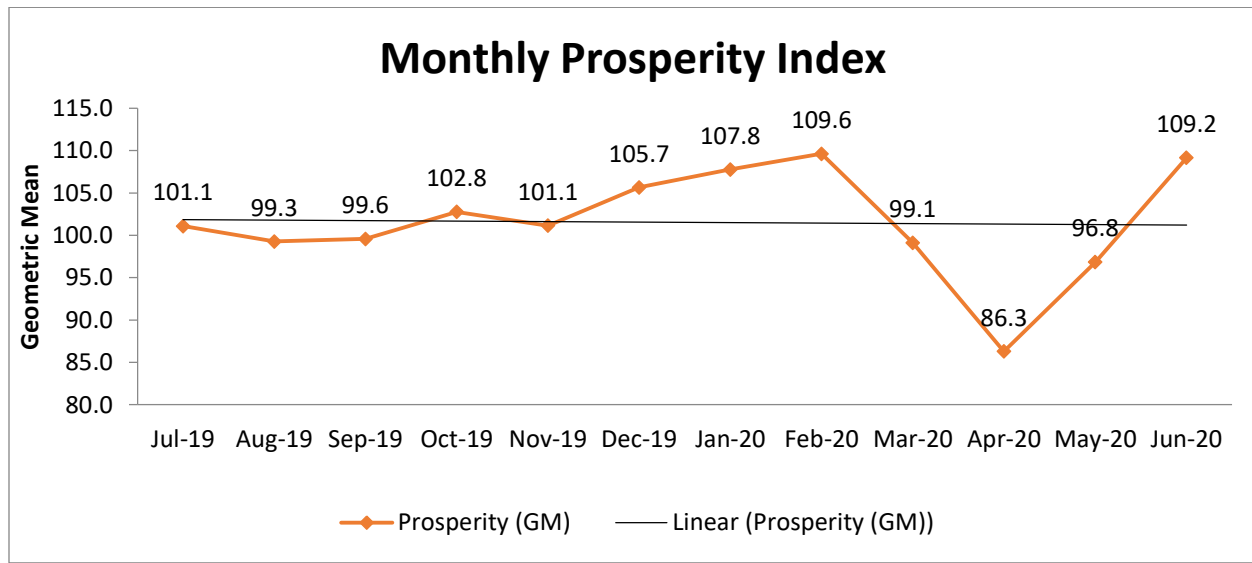
Economic Outlook: Jul 2019 – Jun 2020



Source: Pakistan Bureau of Statistics and State Bank of Pakistan.

Prosperity Index

Monthly prosperity index has been calculated from July 2019 to June 2020. The results reveal a substantial overall improvement in prosperity between this period.

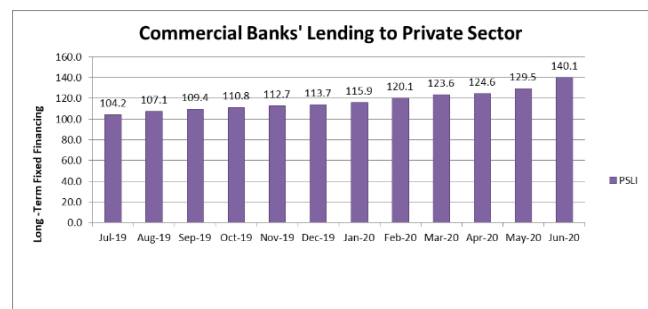
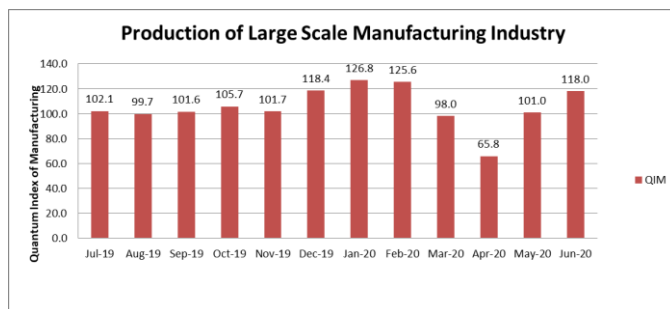
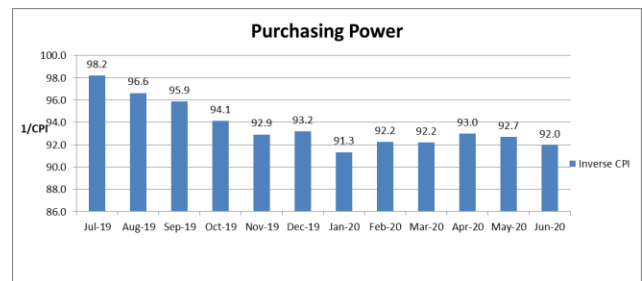
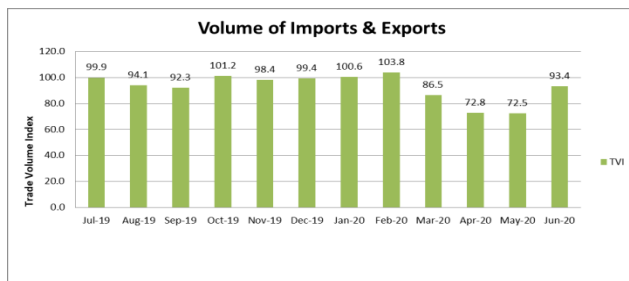


Source: Author's calculations based on SBP and PBS datasets

For July 2020, the month-on-month inflation, quantum index of LSMI, total trade volume, and loans to private sector (LTFF) increased by 0.8%, 16.8%, 28.8%, and 8.2% respectively.

The prosperity index estimated by using the June 2020 data on four indicators is 109.2. This figure is close to the February 2020's index value of 109.6, indicating that the dent in prosperity following the Covid-19 outbreak in Pakistan has now achieved a recovery.

In order to determine if economic prosperity has increased or decreased, a base period is required. For the purpose, prosperity index of May 2020 has been used as a baseline, which stood at 96.8. The analysis reveals economy's prosperity has increased by 12.4 percentage points in June 2020 relative to May 2020. This improvement in economic prosperity has resulted due to increases in total trade volume, large scale manufacturing, and commercial bank's lending to private sector. A reduction in purchasing power acted as the only inhibiting factor.



Source: Pakistan Bureau of Statistics and State Bank of Pakistan



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