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 December 2019 to November 2020, 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 November 2020.

Author
Beenish Javed
Email: research@primeinstitute.org

Published by: Policy Research Institute of Market Economy (PRIME)
January 2021
© PRIME Institute

All publications by PRIME can be viewed online at primeinstitute.org
## Variables & Data Source

<table>
<thead>
<tr>
<th>Variable</th>
<th>Source</th>
<th>Time period covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Long-term Financing Facility (LTFF)</td>
<td>State Bank of Pakistan</td>
<td>Base month: June 2019</td>
</tr>
<tr>
<td>3. Quantum Index of Large-scale Manufacturing (QIM)</td>
<td>Pakistan Bureau of Statistics</td>
<td></td>
</tr>
<tr>
<td>4. Trade Volume</td>
<td>Pakistan Bureau of Statistics</td>
<td></td>
</tr>
</tbody>
</table>

*Refer to end slide for methodology.*
PAKISTAN PROSPERITY INDEX (PPI)

- Following a dip in Aug 2020, Pakistan Prosperity Index continue to pose an upward trend reaching an all-time high of 116.3 in Nov 2020.
- This new figure signals not just economic recovery but also provides a reason for optimism.
- Despite the pandemic, over a 12-month period the trend faces an upward-sloping trajectory.

Source: Author's calculations based on SBP and PBS datasets.
Purchasing power index (PPI)

- Purchasing power has seen a continuous decline following the first peak of COVID-19.
- Y-o-Y inflation for Nov 2020 hovered at 8.3%.

Source: Author’s calculation based on SBP’s inflation monitor.
LARGE-SCALE MANUFACTURING INDEX (LSMI)

- As economic recovery gathered momentum, the output of large-scale manufacturing witnessed a surge.
- Ease in lockdown, favorable interest and exchange rate policy coupled with cheap energy contributed to an increase in LSM’s output.

Ease in lockdown pays off for the LSM

Source: Author’s calculation based on PBS’s LSM dataset.
Second wave of COVID-19 took its toll on global demand, which in turn has affected Pakistan's trade volume.

TRADE VOLUME INDEX (TVI)

Source: Author’s calculation based on PBS dataset.
PRIVATE SECTOR LENDING INDEX (PSLI)

- To mitigate the effect of COVID-19, banks’ lending to private sector has witnessed an increase over the reviewed period.
- Long-term financing facility has provided some respite to the private sector for resuming their business activities.

![Modest increase in lending to private sector](chart.png)

Source: Author’s calculation based on SBP dataset.
Despite inflationary pressure and second wave of COVID-19, over a 12-month period improvements in trade volume and output of large-scale manufacturing coupled with a modest increase in private sector lending has resulted in an uptick in economic prosperity.
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 December 2019 to November 2020, 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:

\[
Prosperity\;Index = \sqrt[4]{\frac{1}{CPI} \times QIM \times TVI \times LTFF}
\]

To view detailed methodology, please [click here](#).
Striving for an open, free and prosperous Pakistan