PAKISTAN PROSPERITY INDEX
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 February 2020 to January 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 January 2021.

Author
Beenish Javed
Email: research@primeinstitute.org

Published by: Policy Research Institute of Market Economy (PRIME)
March 2021
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## Variables & Data Source

<table>
<thead>
<tr>
<th>Variable</th>
<th>Source</th>
<th>Time period covered</th>
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</thead>
<tbody>
<tr>
<td>2. Long-term Financing Facility (LTFF)</td>
<td></td>
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<tr>
<td>3. Quantum Index of Large-scale Manufacturing (QIM)</td>
<td>Pakistan Bureau of Statistics</td>
<td></td>
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<td>4. Trade Volume</td>
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*Refer to end slide for methodology.*
Despite the 3rd peak of Covid-19, over a 12-month period Pakistan Prosperity Index faces an upward-sloping trajectory reaching an all-time high of 126.1 in January 2021.

This figure signals economic turnaround largely driven by improved business confidence.
Following a 7 month decline, purchasing power sees improvement for the 2\textsuperscript{nd} consecutive month.

\begin{itemize}
\item Y-o-Y inflation further eases in January 2021 hovering at 5.7%.
\item Decrease in the prices of basic food items contributed to the decelerating inflationary pressure.
\end{itemize}
LARGE-SCALE MANUFACTURING INDEX (LSMI)

- This industrial revival has been strengthened by a recently approved Electricity Support Package for industries and extension in tax amnesty scheme.

Source: Author’s calculation based on PBS’s LSM dataset.
After increasing for three successive months, trade volume dipped in January 2021 measuring at Rs. 1.12 trillion.

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

- Private sector borrowing from banks has been on the rise owing to a subsidized borrowing rate coupled with restoration of business confidence.

- Long-term financing facility stood at an all-time high of Rs. 294.9 billion in January 2021.

Source: Author’s calculation based on SBP dataset.
Despite the third wave of Covid-19 and a slide in trade volume, sustained growth of large-scale manufacturing, increase in private sector credit coupled with decelerating inflationary pressure has sustained the increase in economic prosperity during January 2021.
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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:

\[
\text{Prosperity Index} = \sqrt[\text{CPI} \times \text{QIM} \times \text{TVI} \times \text{LTFF}]
\]

To view detailed methodology, please click here.
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