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 May 2020 to April 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

<table>
<thead>
<tr>
<th>Variable</th>
<th>Source</th>
<th>Time period covered</th>
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<tbody>
<tr>
<td>1. Consumer Price Index (CPI)</td>
<td>State Bank of Pakistan</td>
<td>May 2020 – April 2021</td>
</tr>
<tr>
<td>2. Long-term Financing Facility (LTFF)</td>
<td></td>
<td>Base month: June 2019</td>
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<td>3. Quantum Index of Large-scale Manufacturing (QIM)</td>
<td>Pakistan Bureau of Statistics</td>
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<td>4. Trade Volume</td>
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*Refer to end slide for methodology.*
PAKISTAN PROSPERITY INDEX (PPI)

- After reaching an all-time high in March 2021, Pakistan Prosperity Index dips in April 2021 measuring 124.7.
- This figure signals decrease in economic prosperity at the back of subdued business confidence amid fears of 4th wave of Covid-19.

Economic recovery takes a hit amid fears of 4th Covid-19 wave

Source: Author’s calculations based on SBP and PBS datasets.
Purchasing power posts a decline for 3\textsuperscript{rd} consecutive month as inflation edges up to double-digits.

- Y-o-Y inflation clocked at 11.1\% in April 2021 while M-o-M inflation stood at 1\%.
- This inflationary pressure is due to the base effects and new price impulses i.e. increase in prices of basic food items, clothing, footwear & energy.
LARGE-SCALE MANUFACTURING INDEX (LSMI)

- Output of large-scale manufacturing decreased by 6.99% M-o-M in April 2021.
- Since LSM is most vulnerable to external conditions, the industry posted negative growth at the back of disruptions caused by the pandemic.

Source: Author’s calculation based on PBS’s LSM dataset.
Trade volume dips at the back of volatility in international market

Source: Author’s calculation based on PBS dataset.

TRADE VOLUME INDEX (TVI)

- Trade volume dropped by 8.4% M-o-M - measuring Rs. 1.14 trillion in April 2021.
PRIVATE SECTOR LENDING INDEX (PSLI)

- Private sector borrowing from banks has been on the rise owing to a subsidized borrowing rate.
- Long-term financing facility stood at an all-time high of Rs. 346.1 billion in April 2021.

Source: Author’s calculation based on SBP dataset.
Notwithstanding the increase in private sector borrowing, economic prosperity as measured by Pakistan Prosperity Index decreases in April 2021 on account of a fall in trade volume, LSM's output and purchasing power. These indicators have worsened due to the reduced business confidence and rising inflationary pressures amid the resurgence of Covid-19.

Photo Courtesy: Pakpublishers.com
Methodology

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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:

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

To view detailed methodology, please click here.
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