



Pakistan's Economic Response to COVID

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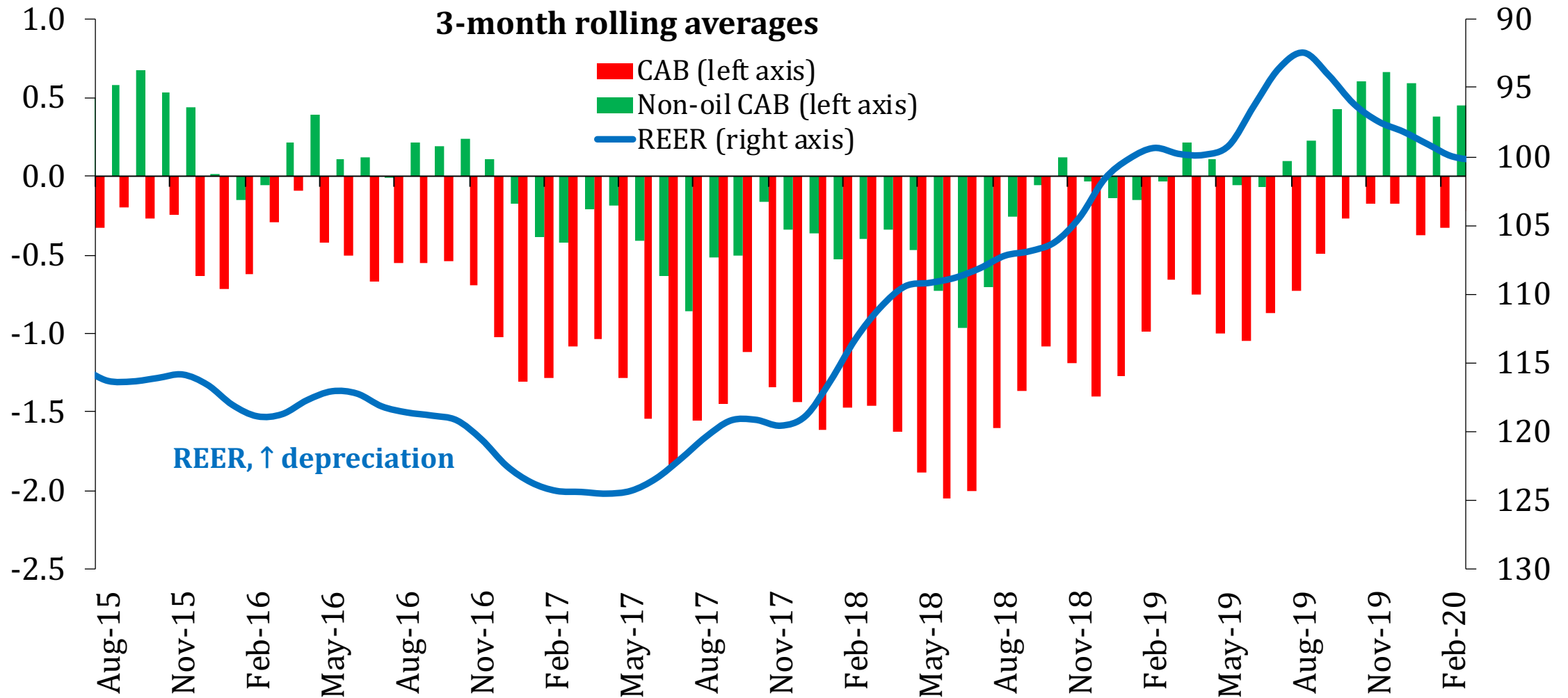
Center for Global Development
September 22, 2020

Move to a market-based exchange rate led to a significant shrinking of the current account deficit, and better fundamentals facilitated capital inflow...



Current Account Balance (CAB), Real Effective Exchange Rate (REER)

CAB in US\$ billion, REER Index base = 2010

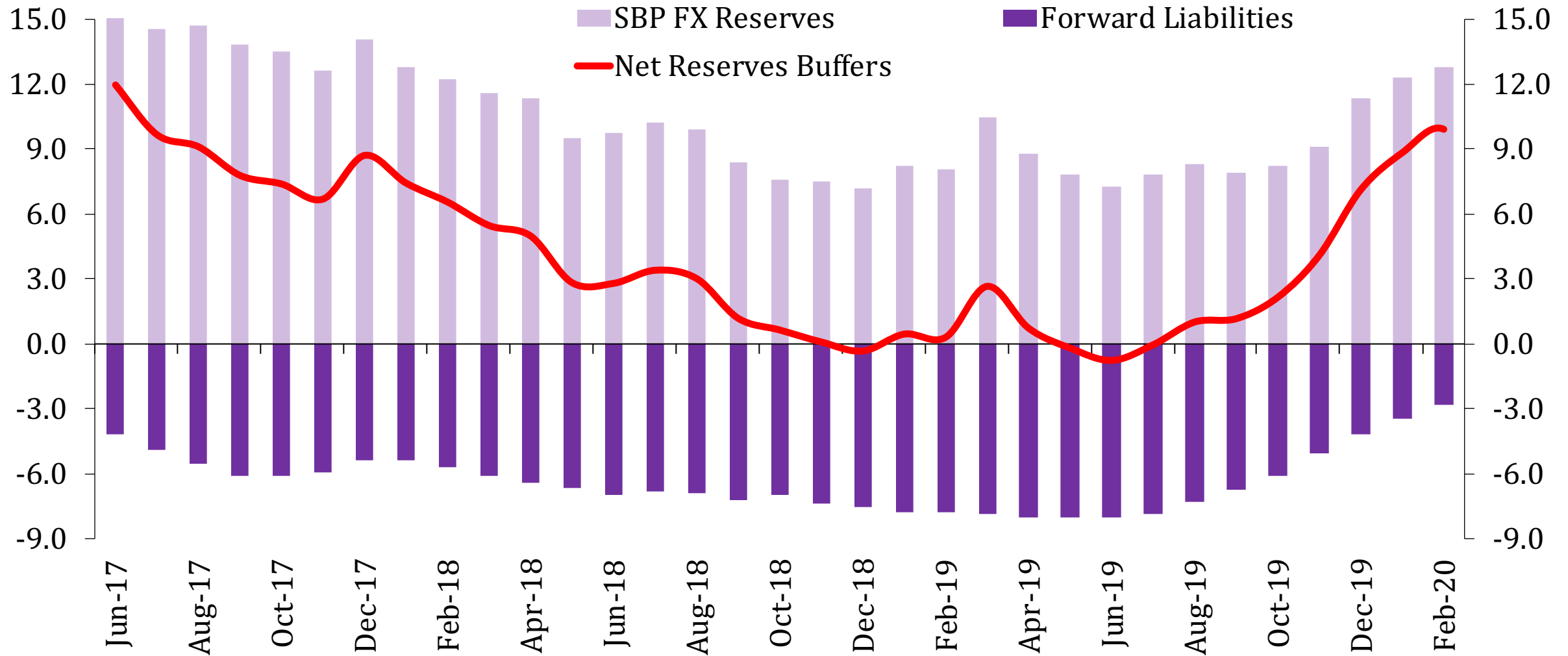


... allowed a significant build-up in the central bank's foreign exchange reserves buffers



SBP's Net FX Reserves Buffers & Forward Liabilities

US\$ billion

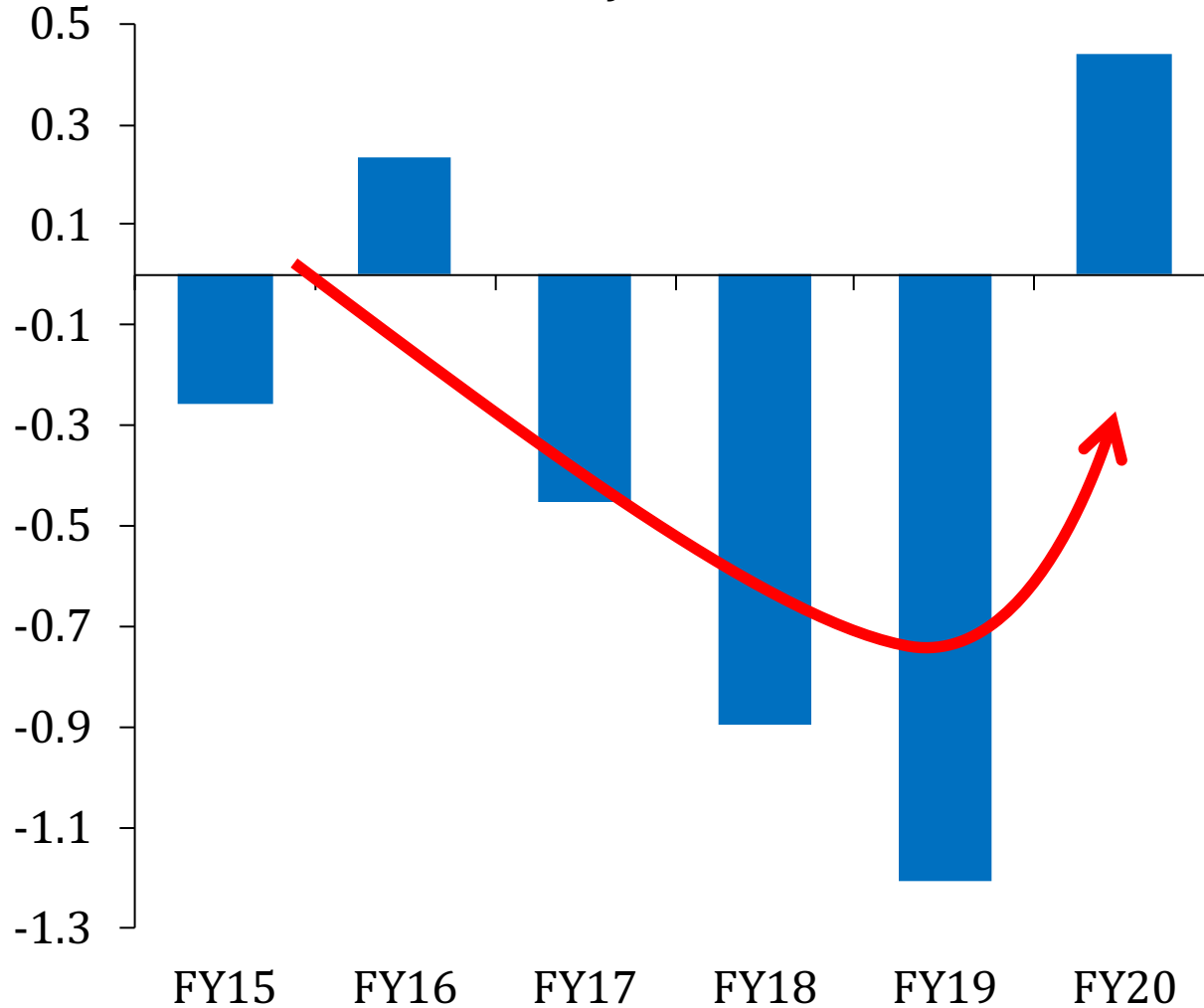


The fiscal deficit narrowed, while due to significant improvement in revenues, the primary balance was in surplus for the first time since FY 2015-16



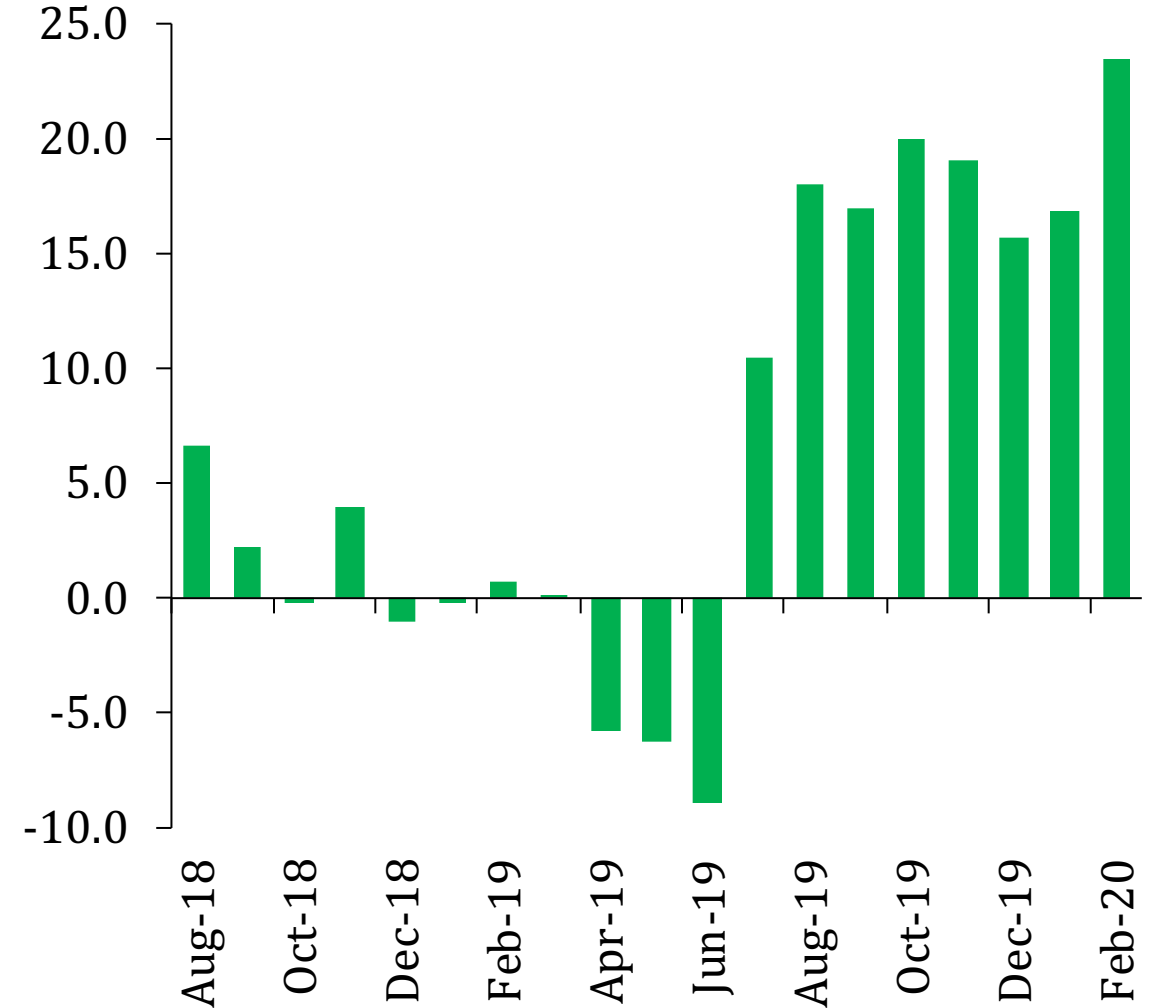
Primary Fiscal Balance during Jul-Mar

% of GDP



FBR Tax Revenues

% growth y/y



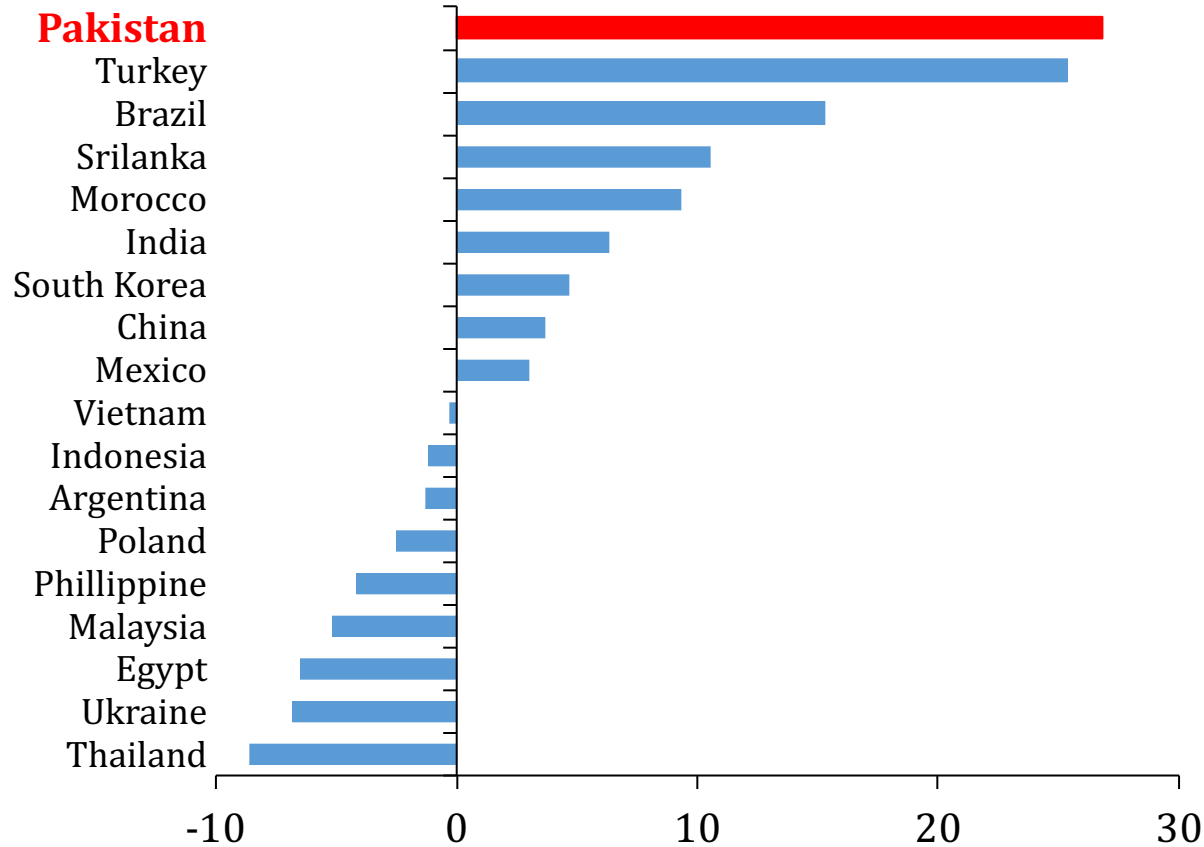
The strengthening of external and fiscal fundamentals had begun to lead to economic recovery, amid improving international investors' sentiments



“Pakistan stocks have outperformed the world's leading stock markets during last three months due to government's steps to stabilize economy.” [Bloomberg, Nov 2019]

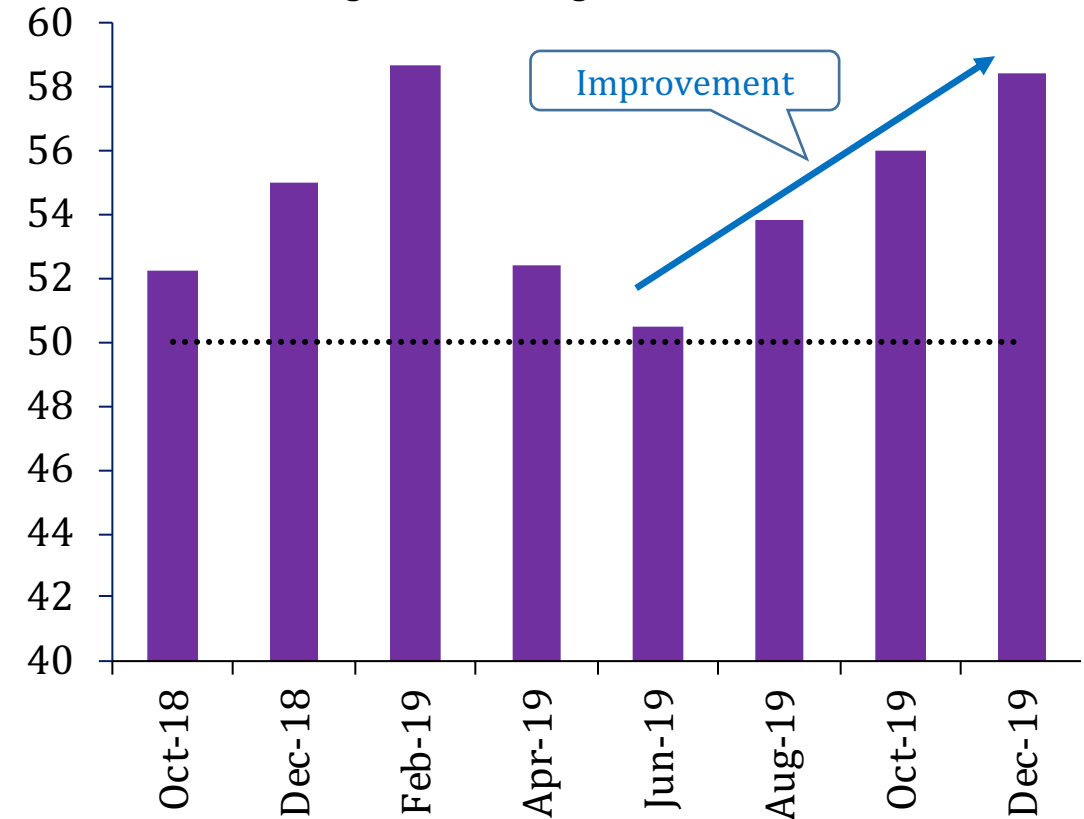
Change in Stock Prices

% change during end Jun 2019 – 15th Jan 2020



Expected Business Confidence

Diffusion Index (DI); DI > 50 implies positive views are higher than negative views

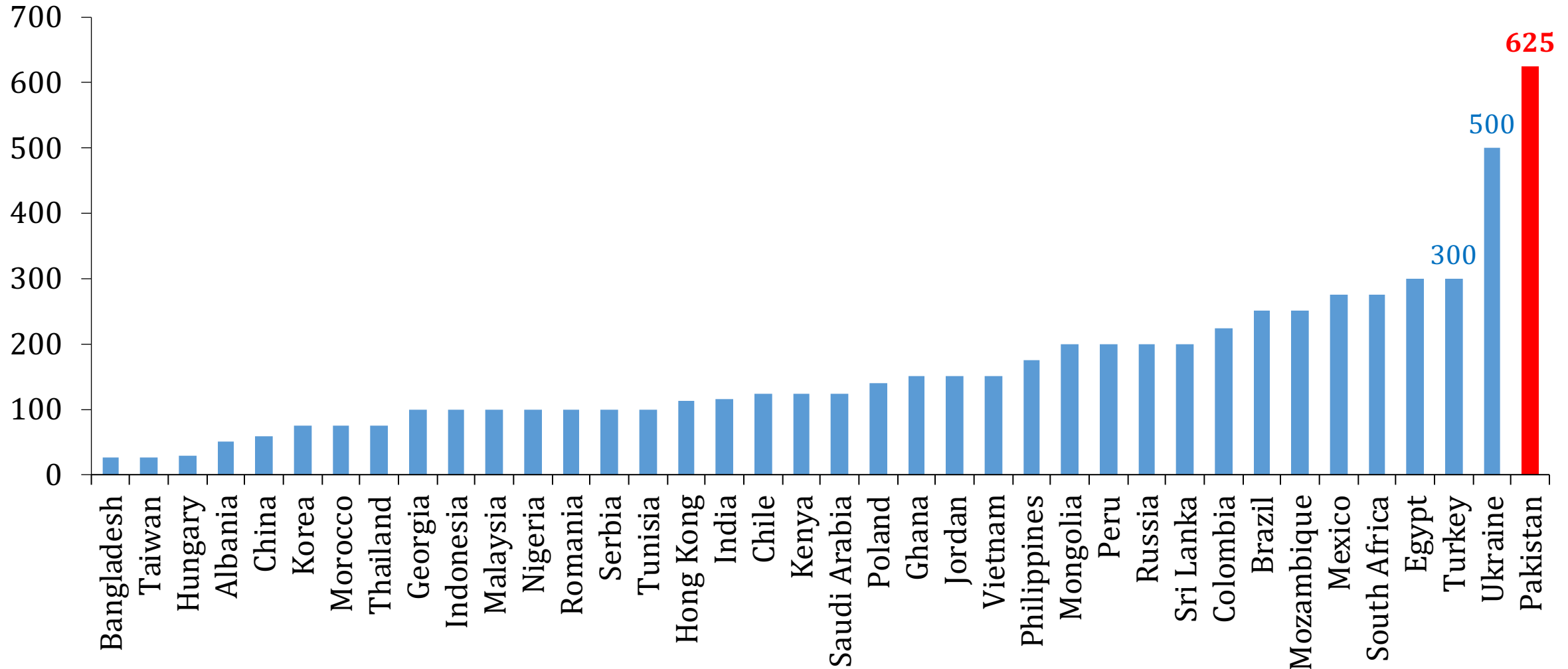


With falling domestic demand and inflation, SBP prudently loosened its monetary policy stance



Change in Policy Rates of Major EM Central Banks

Basis points reduction in policy rate since February 1, 2020



The Pakistan Rupee has moved in line with other EMs



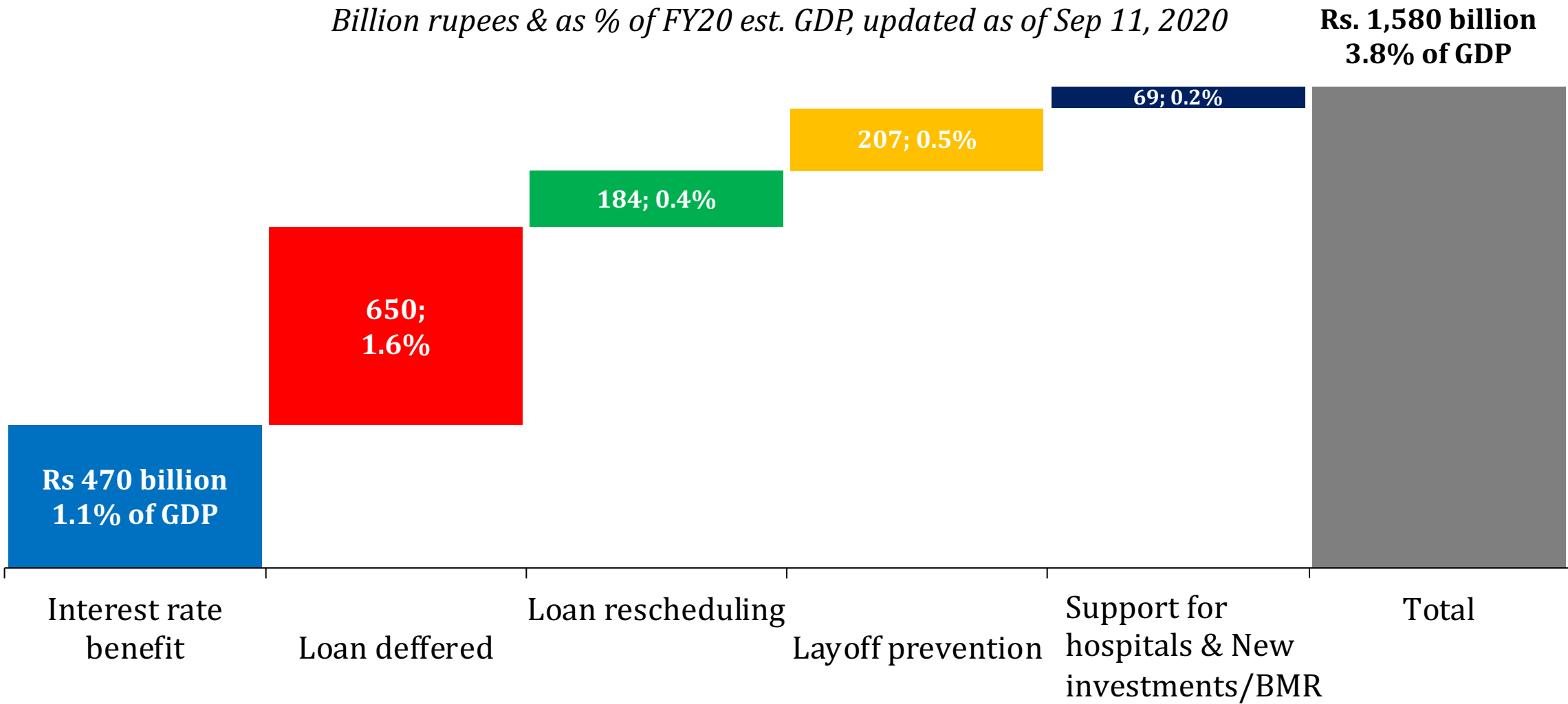
Movement of Currencies Against US Dollar since 20-Jan-2020

Currency	20-Jan-20	22-Sep-20	App(+ve)/ Dep(-ve)
Brazilian Real	4.19	5.41	-22.6%
Turkish Lira	5.91	7.63	-22.5%
Argentine Peso	59.95	75.51	-20.6%
Nigerian Naira	305.95	380.60	-19.6%
Russian Ruble	61.53	76.06	-19.1%
Ukrainian Hryvnia	24.34	28.22	-13.7%
South African Rand	14.49	16.78	-13.6%
Ethiopian Birr	31.74	36.59	-13.3%
Mexican Peso	18.66	21.38	-12.7%
Mozambican Metical	62.50	71.50	-12.6%
Uruguayan Peso	37.26	42.44	-12.2%
Colombian Peso	3,330.00	3,787.00	-12.1%
Kazakhstan Tenge	376.46	422.67	-10.9%
Georgian Lari	2.86	3.21	-10.8%
Indonesian Rupiah	13,625.00	14,730.00	-7.5%
Pakistan Rupee	154.60	166.30	-7.0%
Kenyan Shilling	101.00	108.30	-6.7%
Peruvian Sol	3.32	3.55	-6.5%
Mongolian Tughrik	2,727.00	2,840.00	-4.0%
Jamaican Dollar	136.00	141.38	-3.8%
Indian Rupee	71.03	73.57	-3.5%
Thai Baht	30.34	31.35	-3.2%
Nepalese Rupee	113.76	117.40	-3.1%
Ghanaian Cedi	5.62	5.77	-2.6%
SriLankan Rupee	181.25	185.35	-2.2%
Hungarian Forint	301.36	307.55	-2.0%
Malaysian Ringgit	4.06	4.13	-1.8%
Singapore Dollar	1.35	1.36	-1.1%
Chilean Peso	769.50	774.28	-0.6%
Tanzanian Shilling	2,302.00	2,315.00	-0.6%
South Korean Won	1,158.61	1,163.76	-0.4%
Vietnamese Dong	23,169.00	23,178.00	0.0%



In aggregate, SBP's measures to the economy during COVID-19 injected an estimated 3.8 percent of GDP in business and household cash flows

SBP's Economic Policy Support Measures
Billion rupees & as % of FY20 est. GDP, updated as of Sep 11, 2020



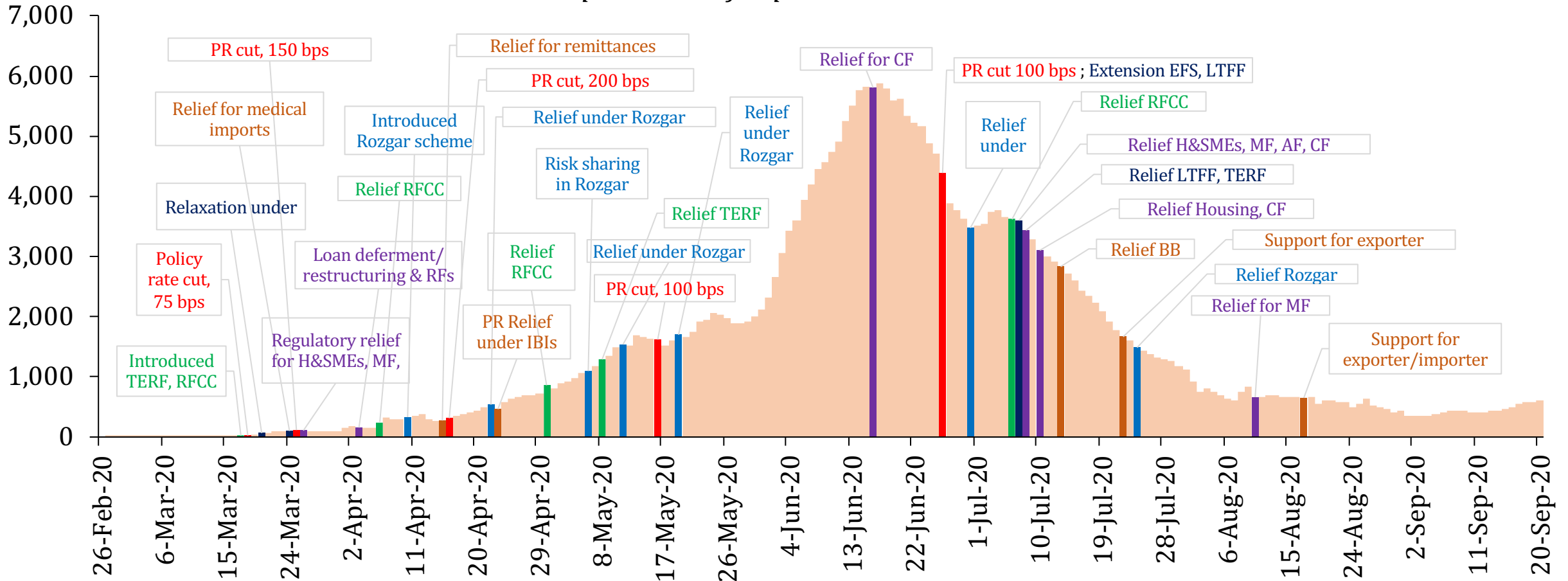
Source: SBP

Central bank's policy support remained proactive during the COVID pandemic



Daily COVID-19 Cases & Timeline of SBP's Economic Policy Support Measures

Updated as of September 20, 2020



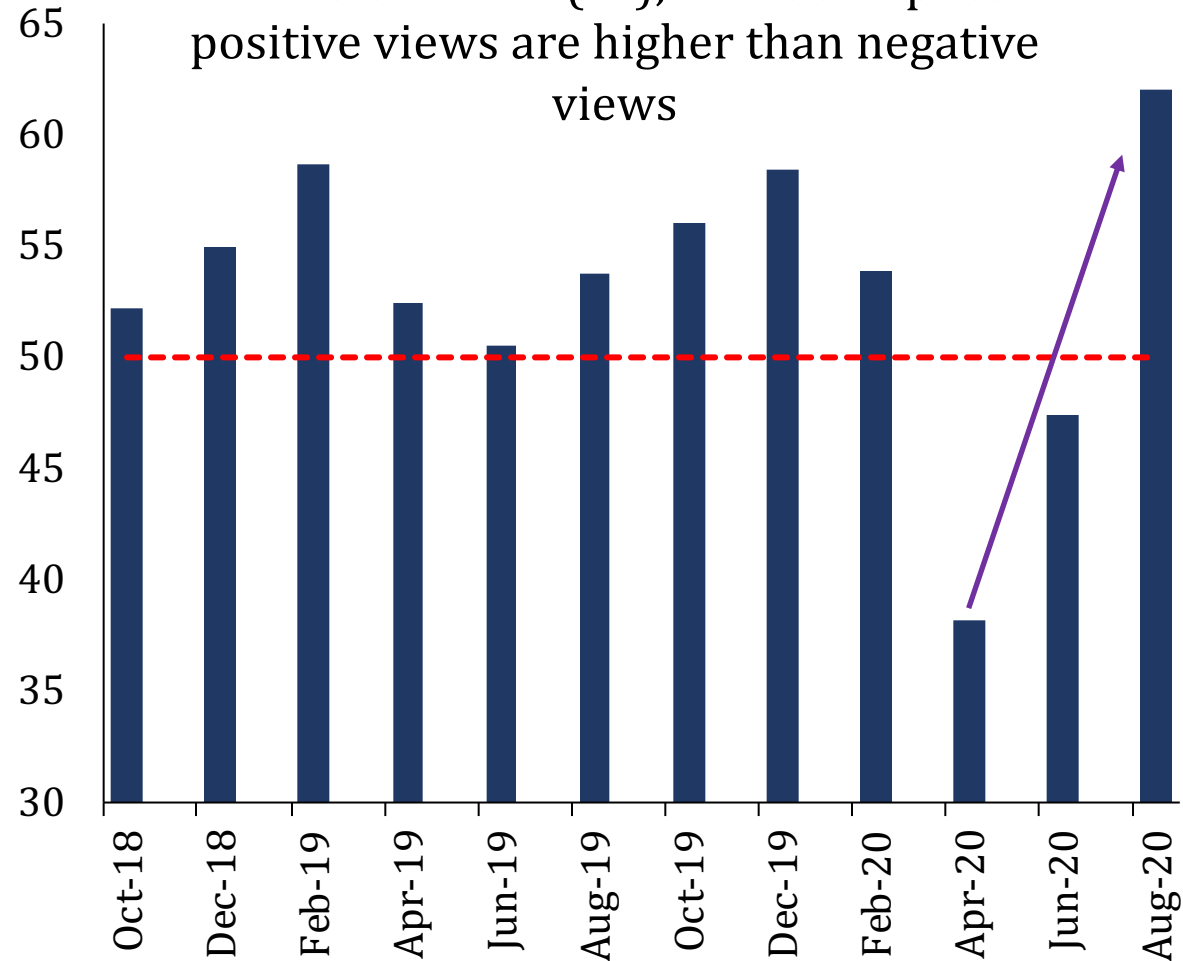
Note: RFCC = PR = Policy Rate; Refinance Facility for Combating COVID - 19; TERF = Temporary Economic Refinancing Facility; H&SMEs = Housing & Small & Medium Enterprises; EFS = Export Finance Scheme, LTFF = Long-term Finance Facility; MF = Microfinance; AF = Agrifinance; BB = Branchless Banking; CF = Consumer Financing

Source: WHO, SBP

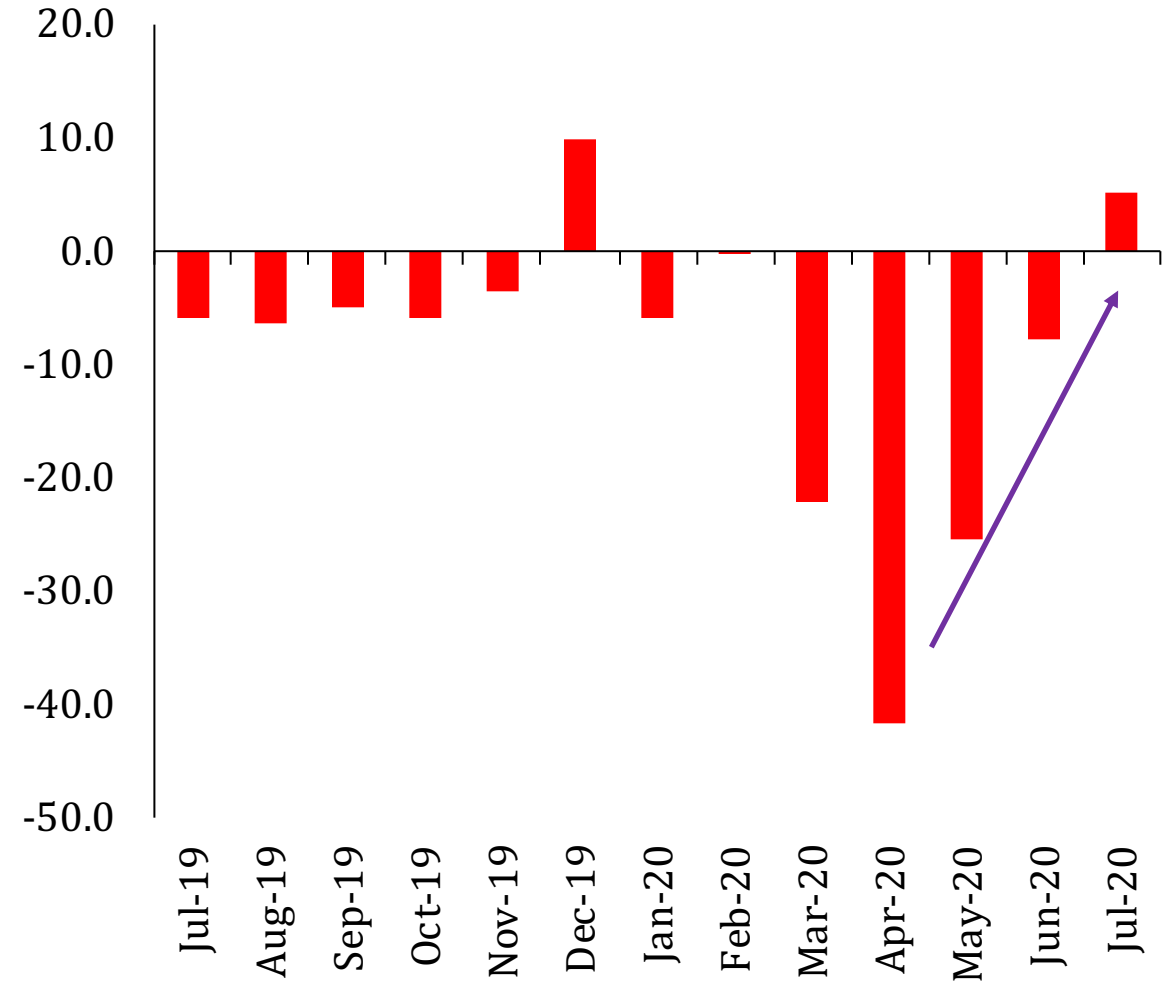


Expected Business Confidence

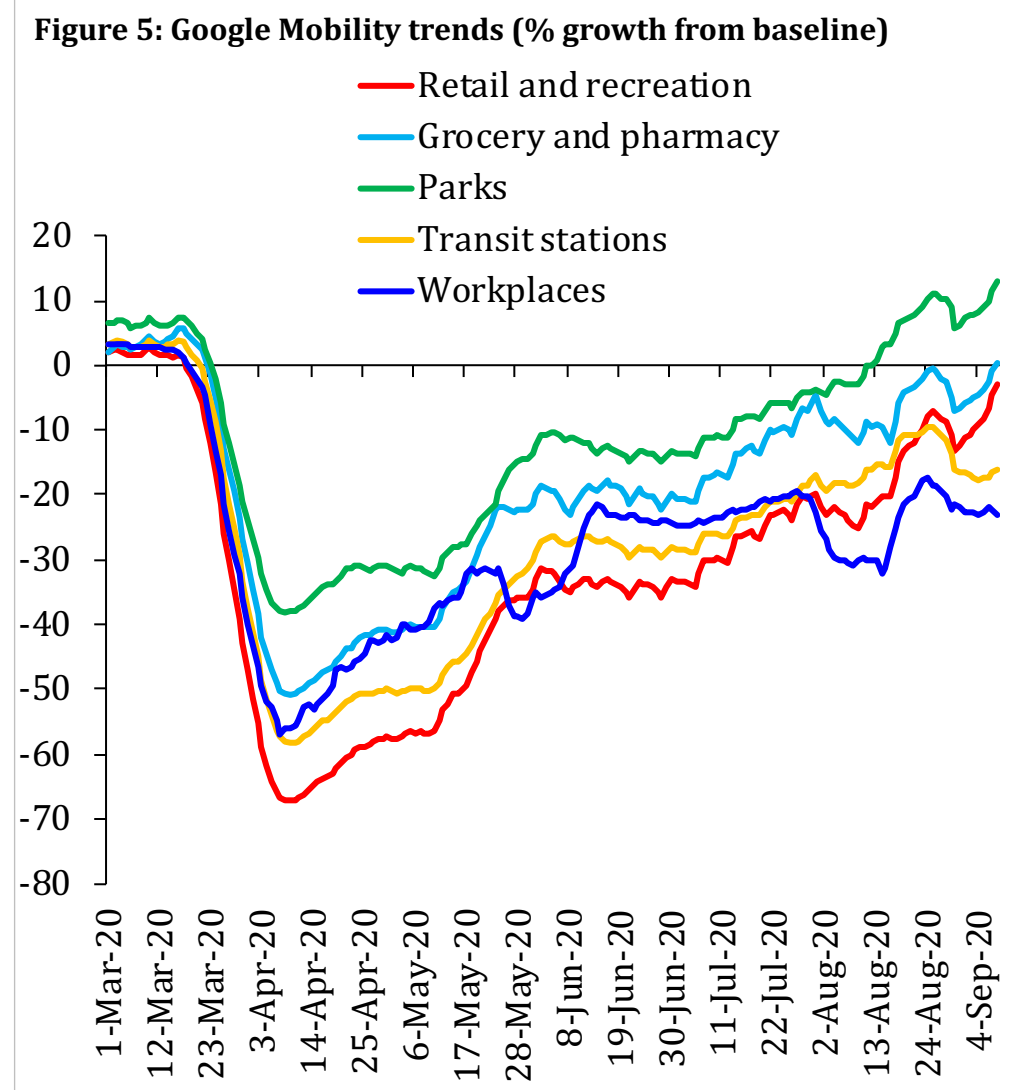
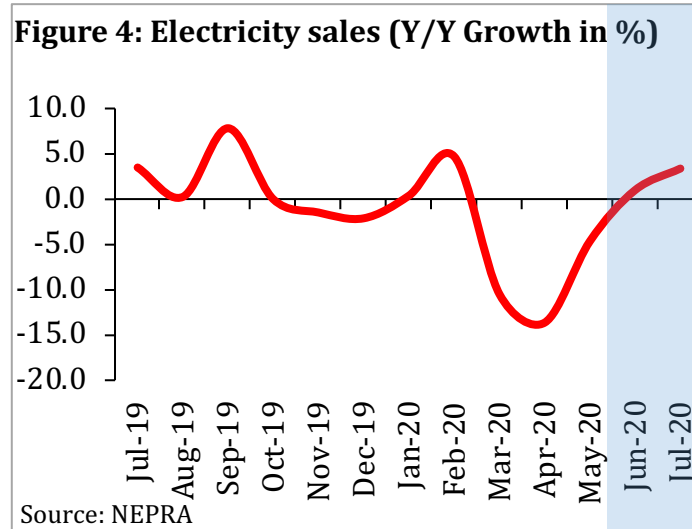
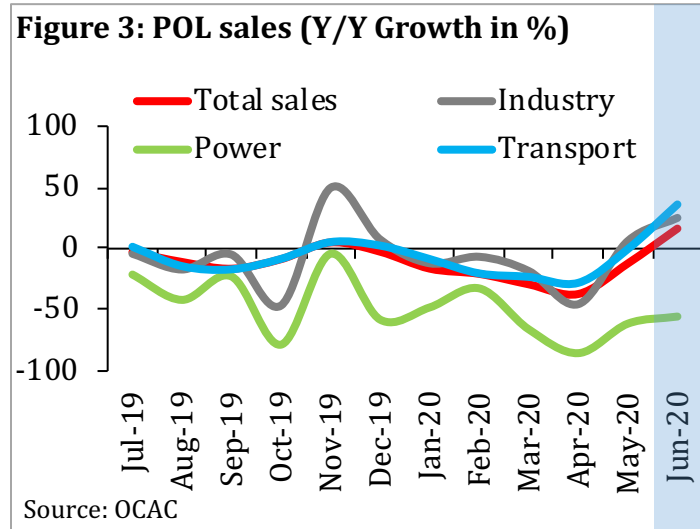
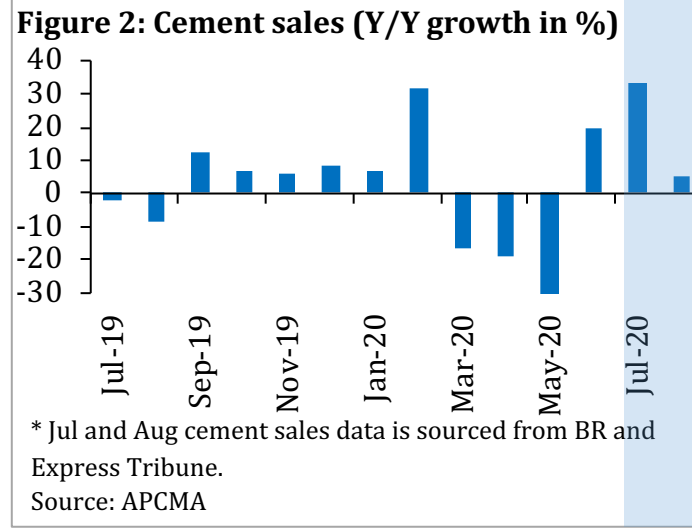
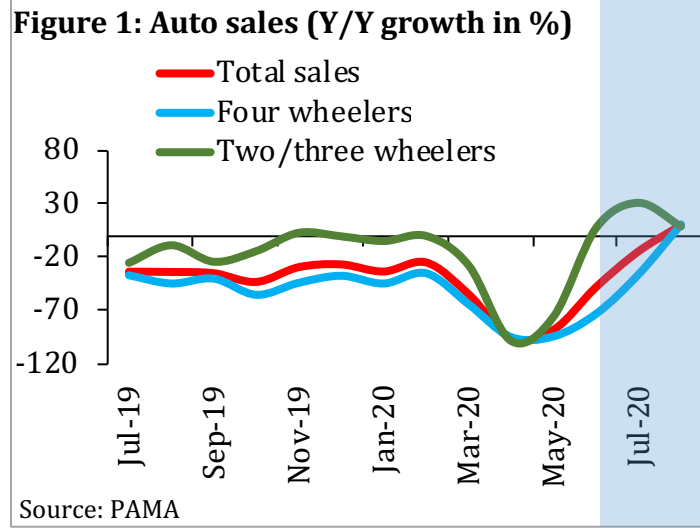
Diffusion Index (DI); DI > 50 implies positive views are higher than negative views



Large Scale Manufacturing Growth (% y/y)



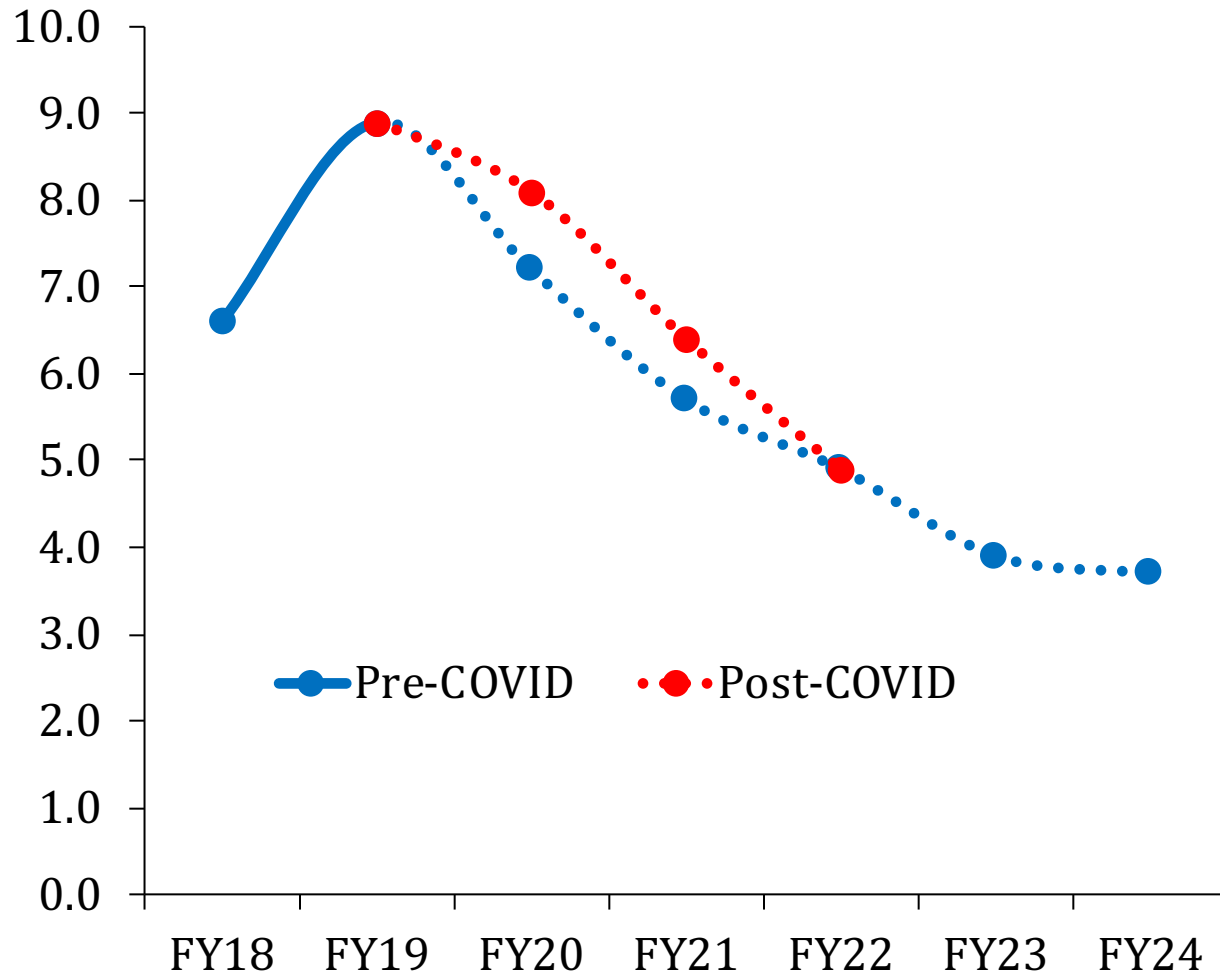
Domestic demand has picked up notably since June



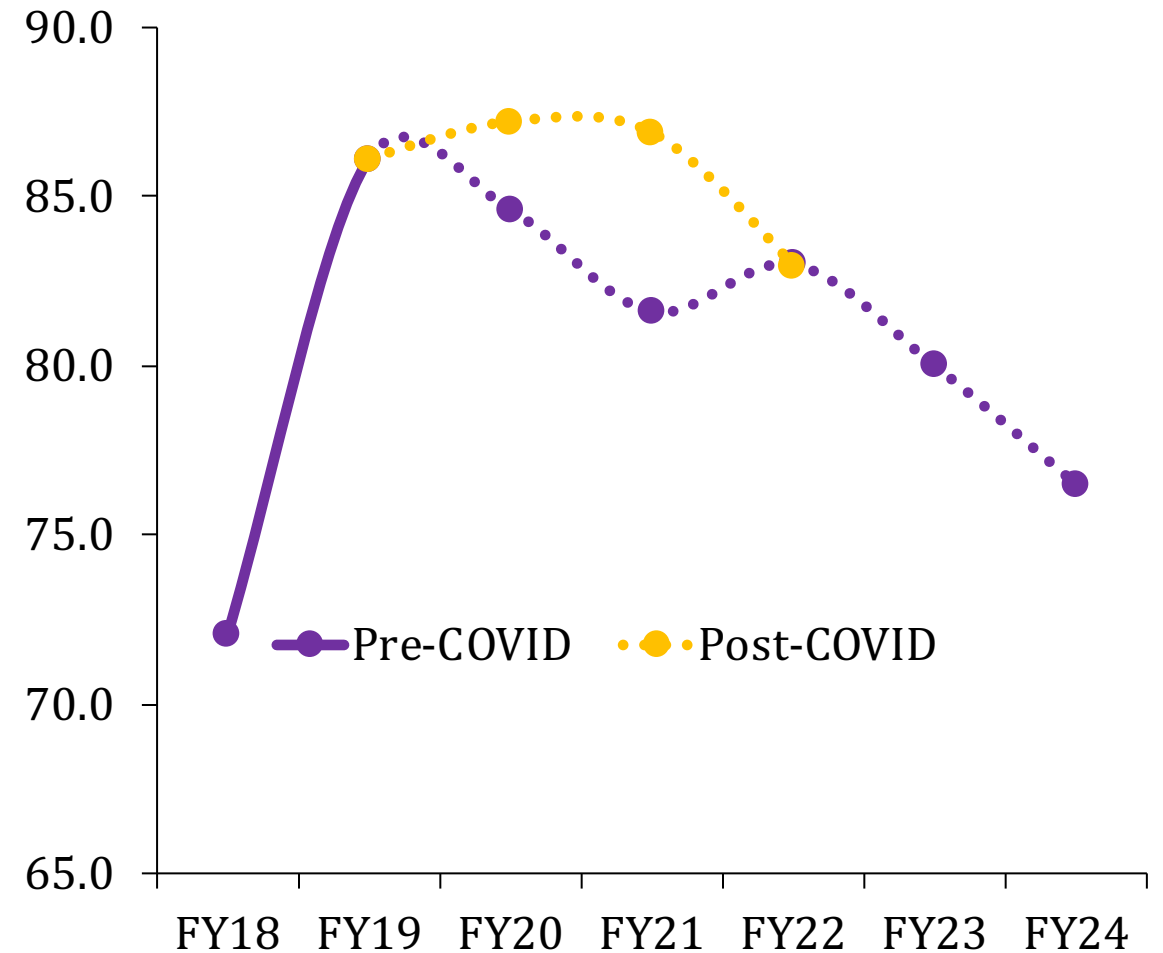
After a temporary increase due to COVID-19, both the fiscal deficit and debt are expected to return to the previously envisaged path



Fiscal Deficit *% of GDP*



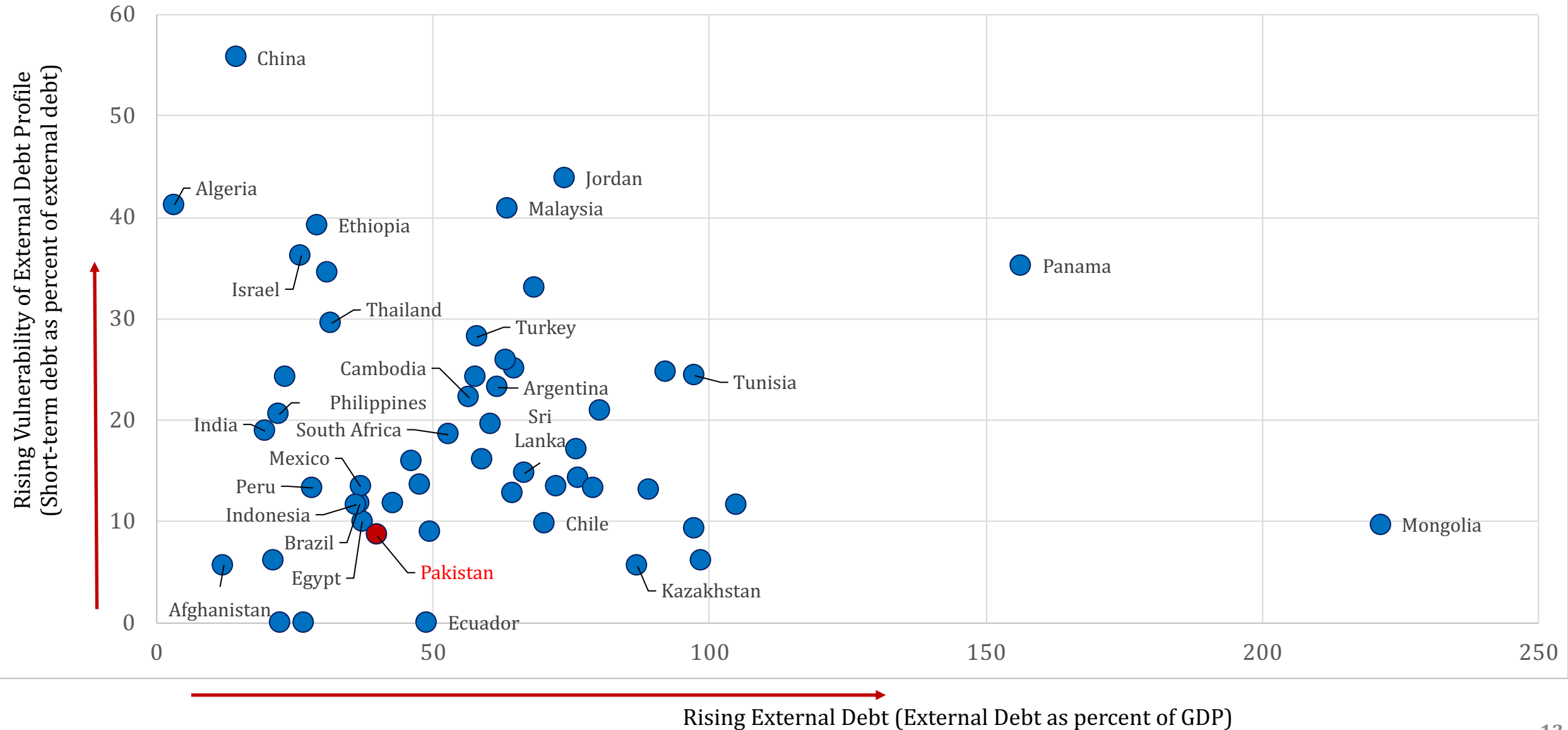
Gross Public Debt *% of GDP*



The external debt compares well to other countries



Gross External Debt as Percent of GDP and Short-term Debt as Percent of External Debt



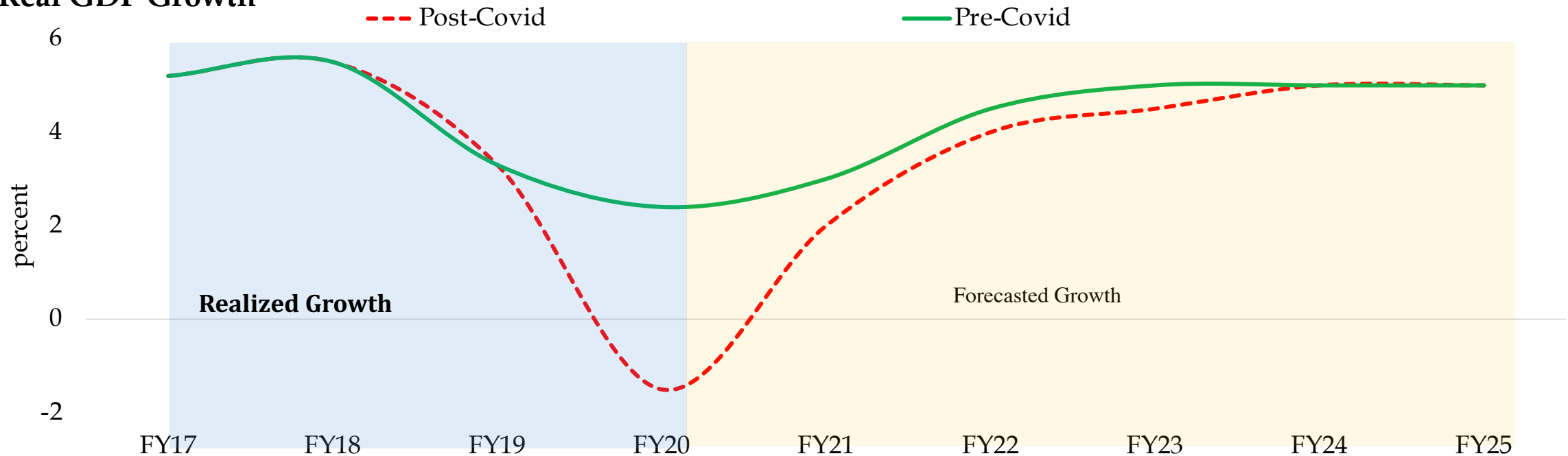
Pakistan is forecast to grow at around 5 percent over the medium term, or around 3 percent on per capita term



The medium-term economic growth prospects are optimistic on account of positive developments in the economy. Some of the **growth drivers** are:

- Investment under **China Pakistan Economic Corridor (CPEC)**
- Housing finance schemes

Real GDP Growth



Sources: Pakistani authorities, IMF staff calculations.

Thank you

Questions: investor.relations@sbp.org.pk