



Pakistan Economic Outlook

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Pre-COVID

Pakistan had successfully started an economic reform program to address external and fiscal imbalances

During COVID

Government and central bank gave a timely and calibrated economic response without compromising buffers

Outlook

COVID curve has been flattened, economic activity indicators are picking up, and macro balances are expected to improve

Pre-COVID

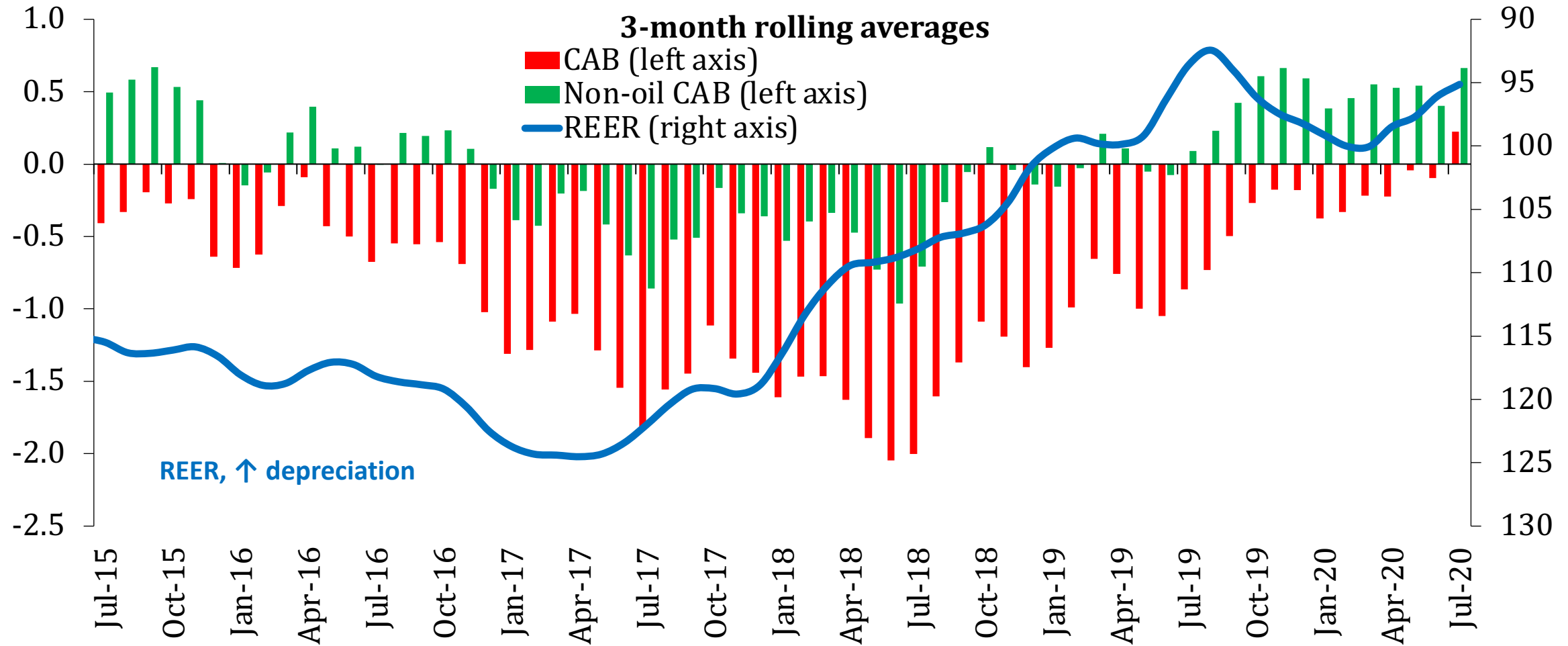
Pakistan had successfully started an economic reform program to address external and fiscal imbalances

The move to a market-based exchange rate led to a significant shrinking of the current account deficit, and better fundamentals facilitated capital inflows



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

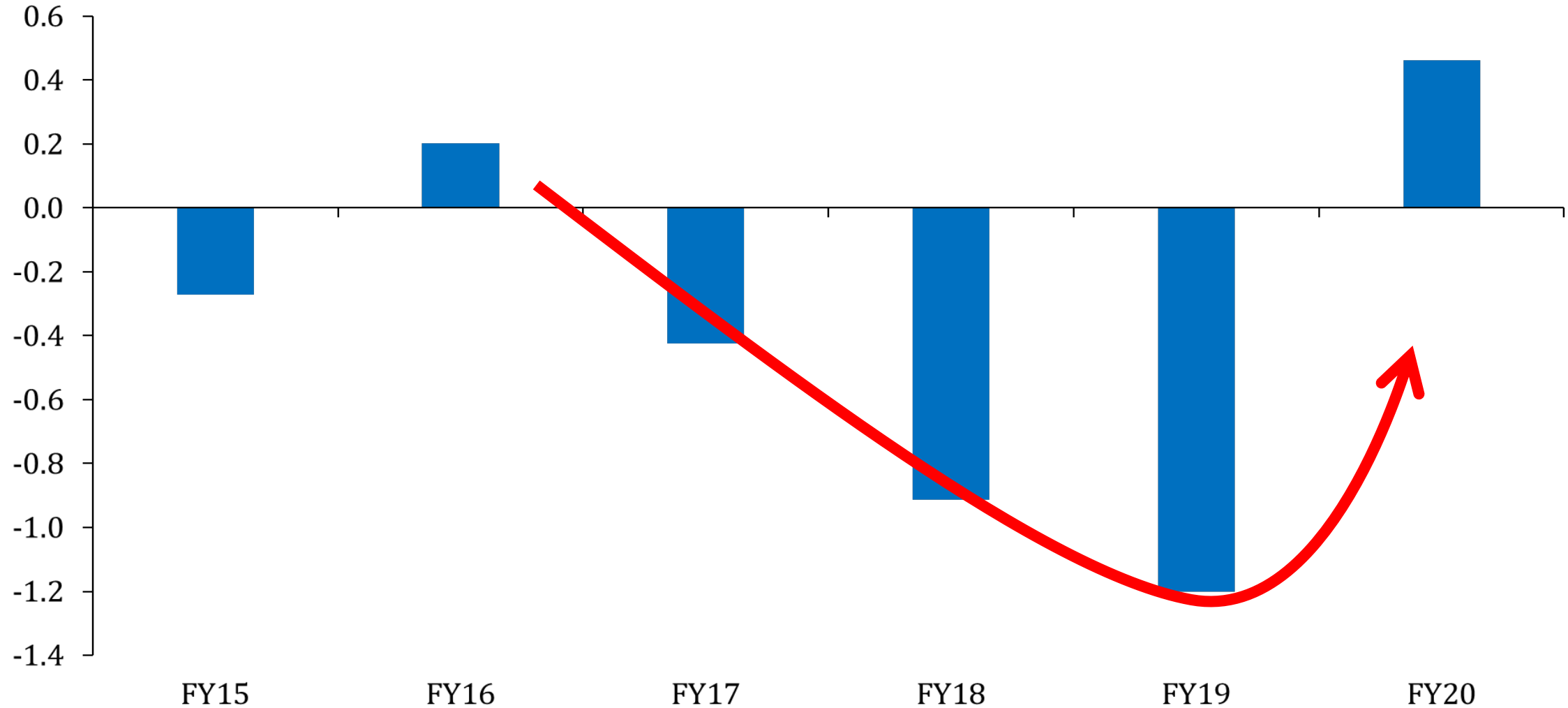
CAB and foreign investment in US\$ billion, REER Index base = 2010



The fiscal deficit narrowed to 3.8 % of GDP in Jul-Mar FY20, with the primary balance in surplus for the first time since 2016



Primary Fiscal Balance during Jul-Mar
% of GDP



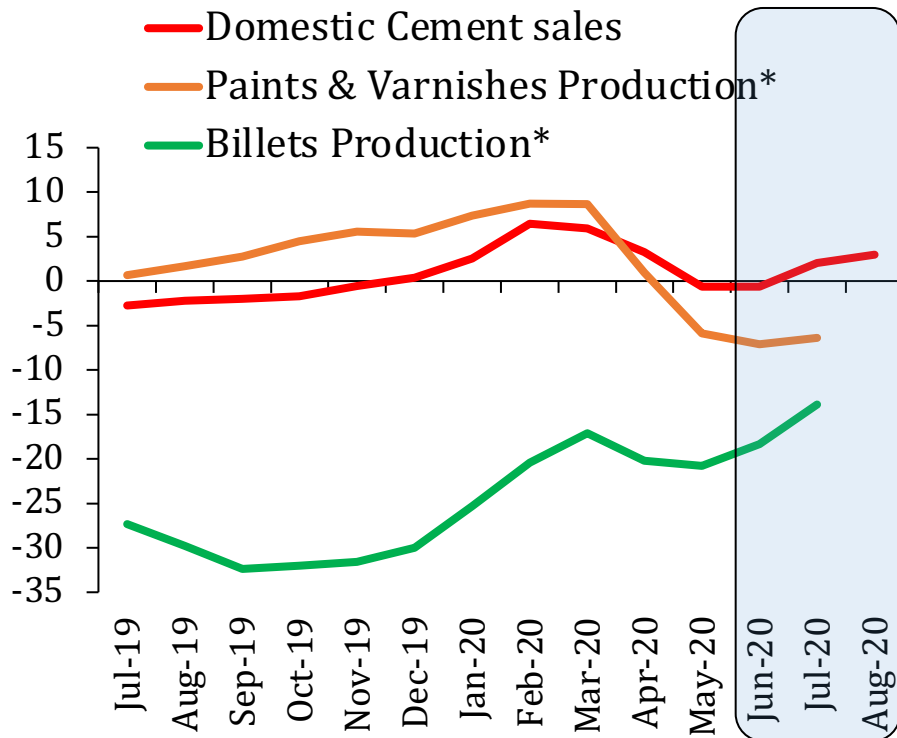
The pre COVID strengthening of external and fiscal fundamentals had begun to lead to recovery in economic activity, amid improving market sentiment



“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]

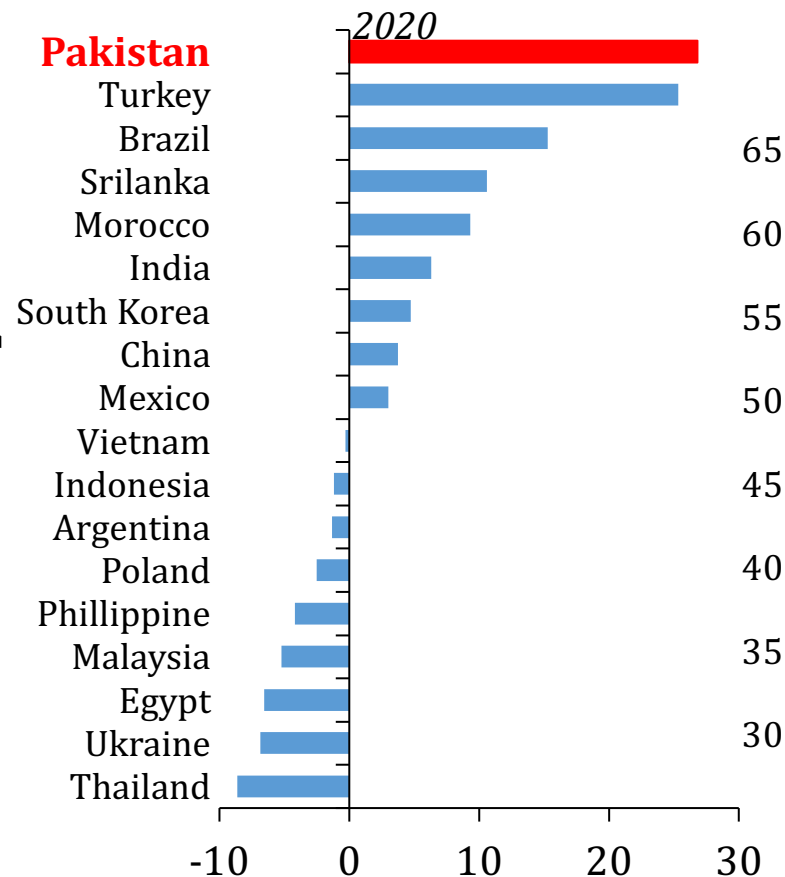
Construction Indicators

12-month rolling growth in %



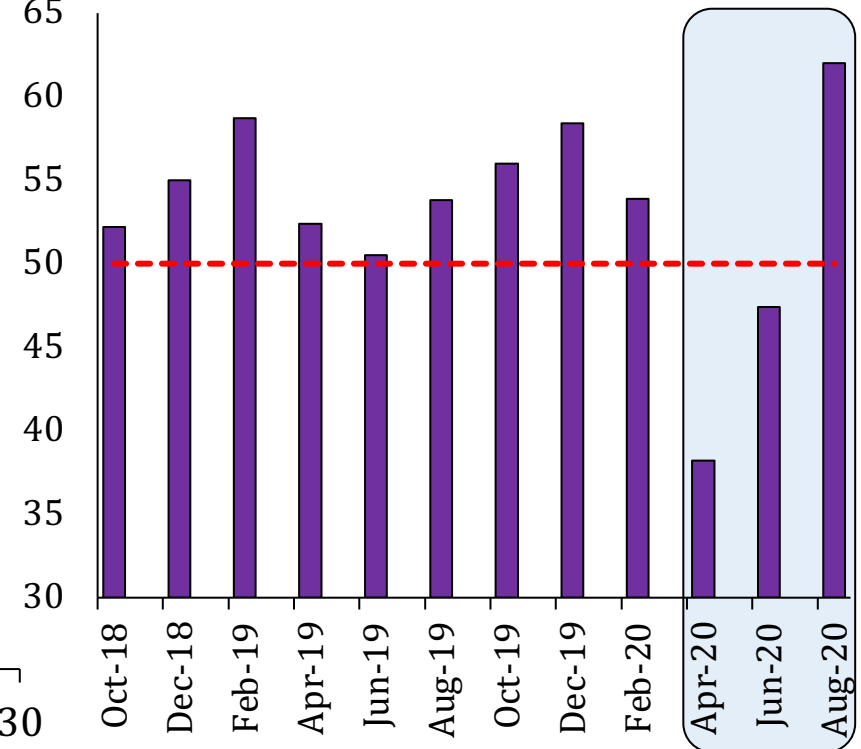
Change in Stock Prices

% change during end Jun 2019 – 15th Jan 2020



Expected Business Confidence

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



During COVID

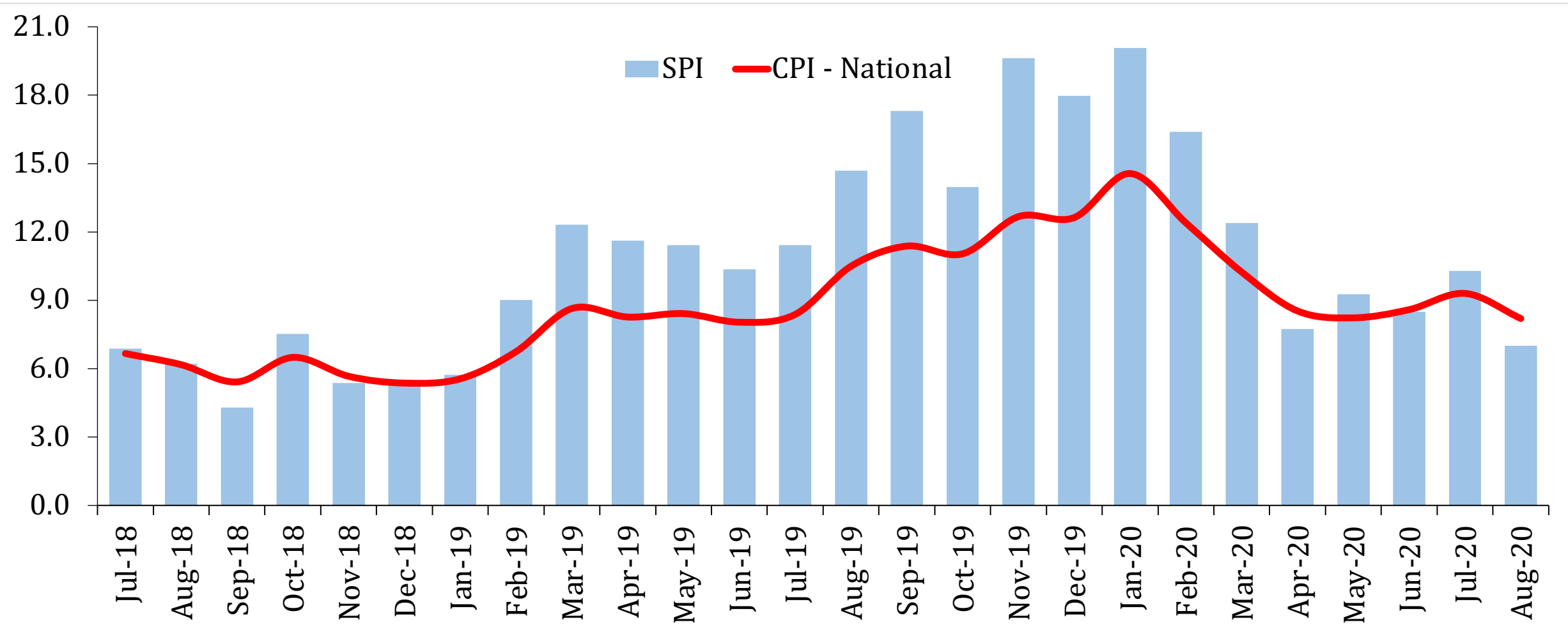
Government and central bank gave a timely and calibrated economic response without compromising buffers

Inflation has fallen significantly since January on the back of low demand as well as easing food and energy prices



Trends in Inflation: Sensitive Price Index (SPI) & Consumer Price Index (CPI)

% y/y change



Note: SPI is computed on weekly basis to assess the price movements of 51 essential commodities. Here, SPI data corresponds to 2nd week for the month.

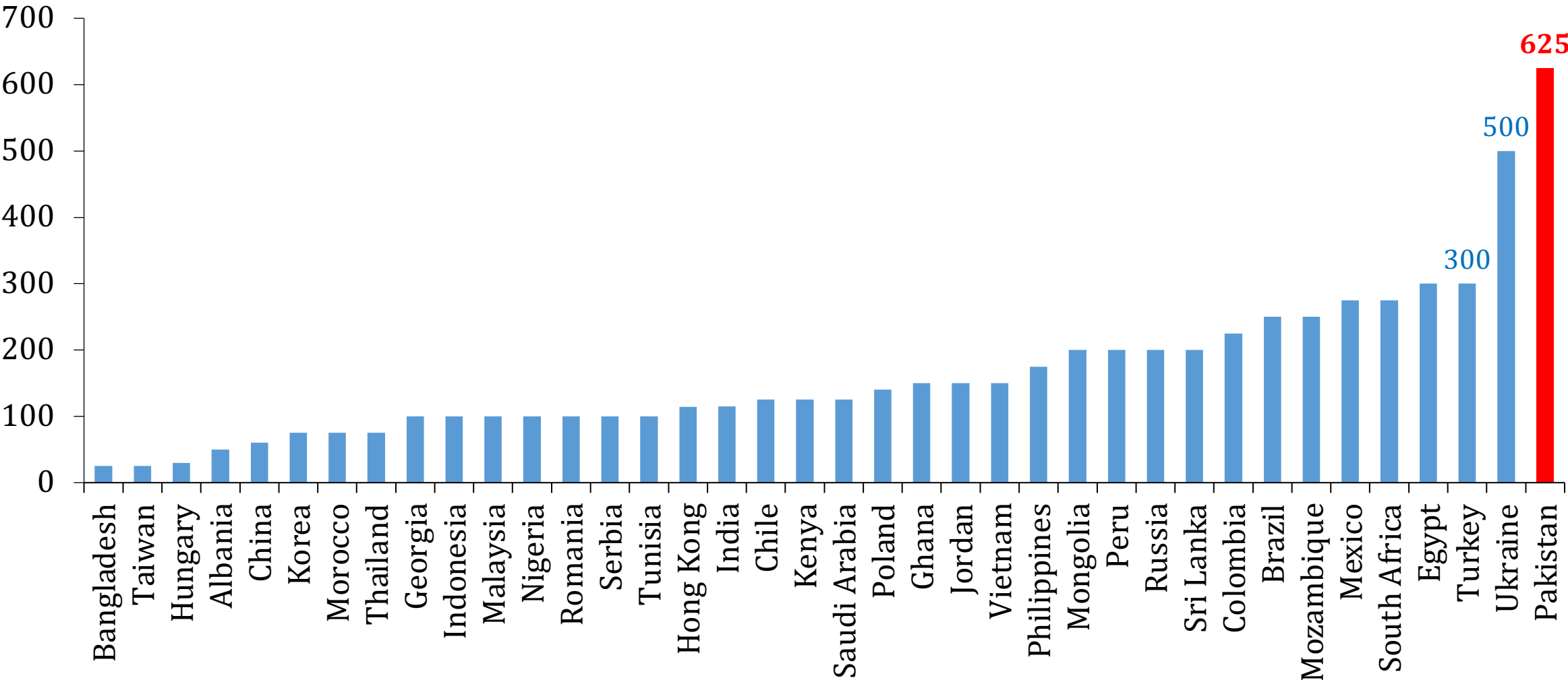
Source: PBS

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

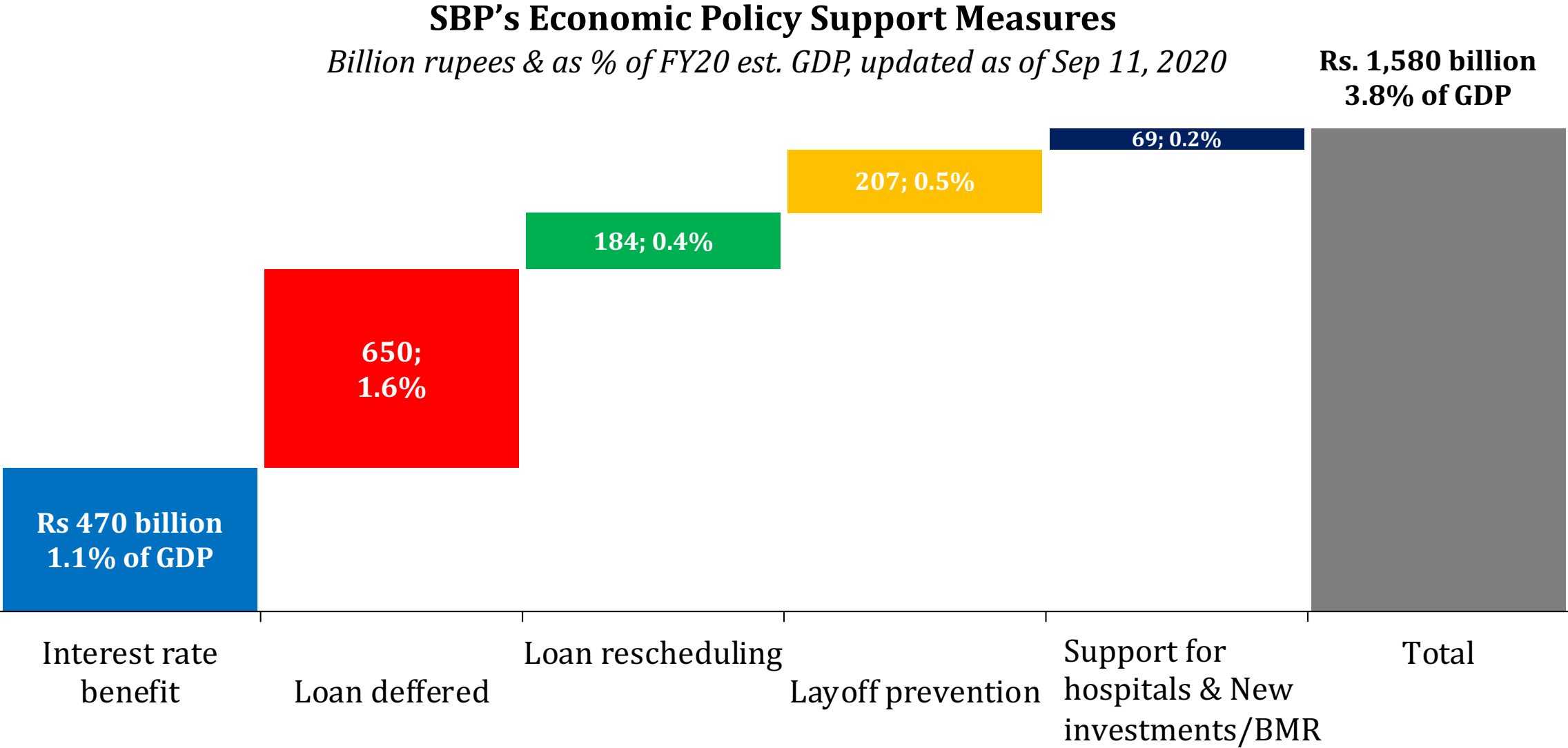


The Pakistan Rupee has moved in line with other EMs



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

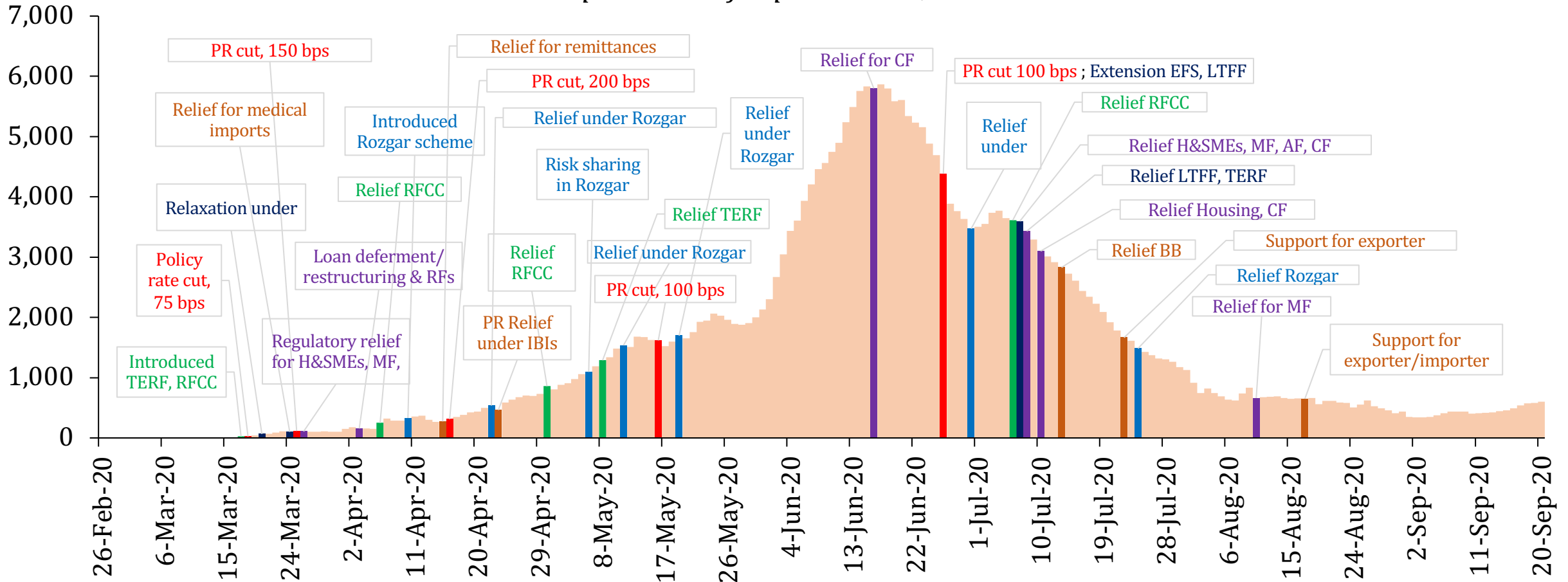
Currency	20-Jan-20	22-Sep-20	App(+ve)/ Dep(-ve)
Brazilian Real	4.19	5.41	-22.6%
Turkish Lira	5.91	7.63	-22.5%
Argentine Peso	59.95	75.51	-20.6%
Nigerian Naira	305.95	380.60	-19.6%
Russian Ruble	61.53	76.06	-19.1%
Ukrainian Hryvnia	24.34	28.22	-13.7%
South African Rand	14.49	16.78	-13.6%
Ethiopian Birr	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%



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

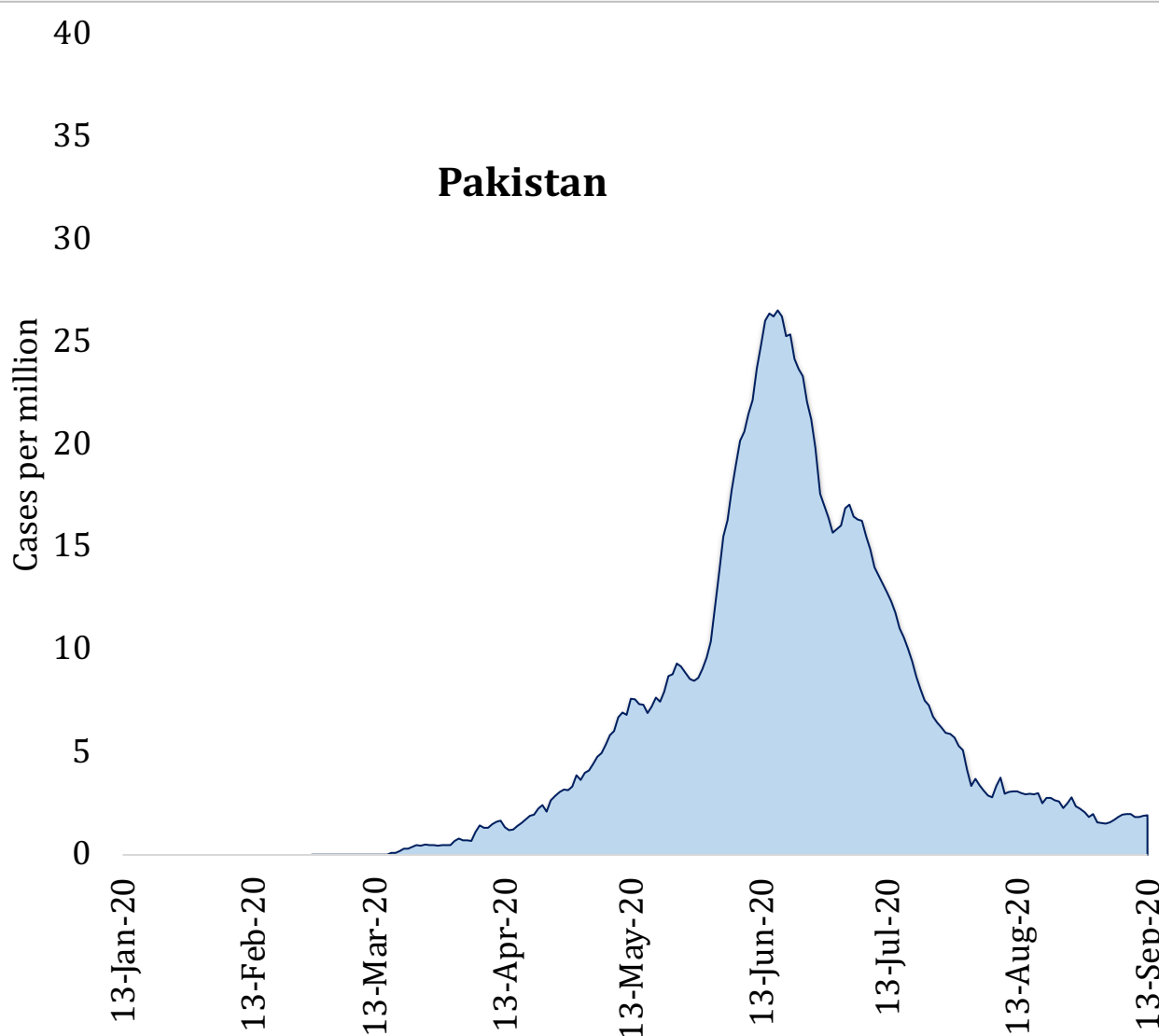
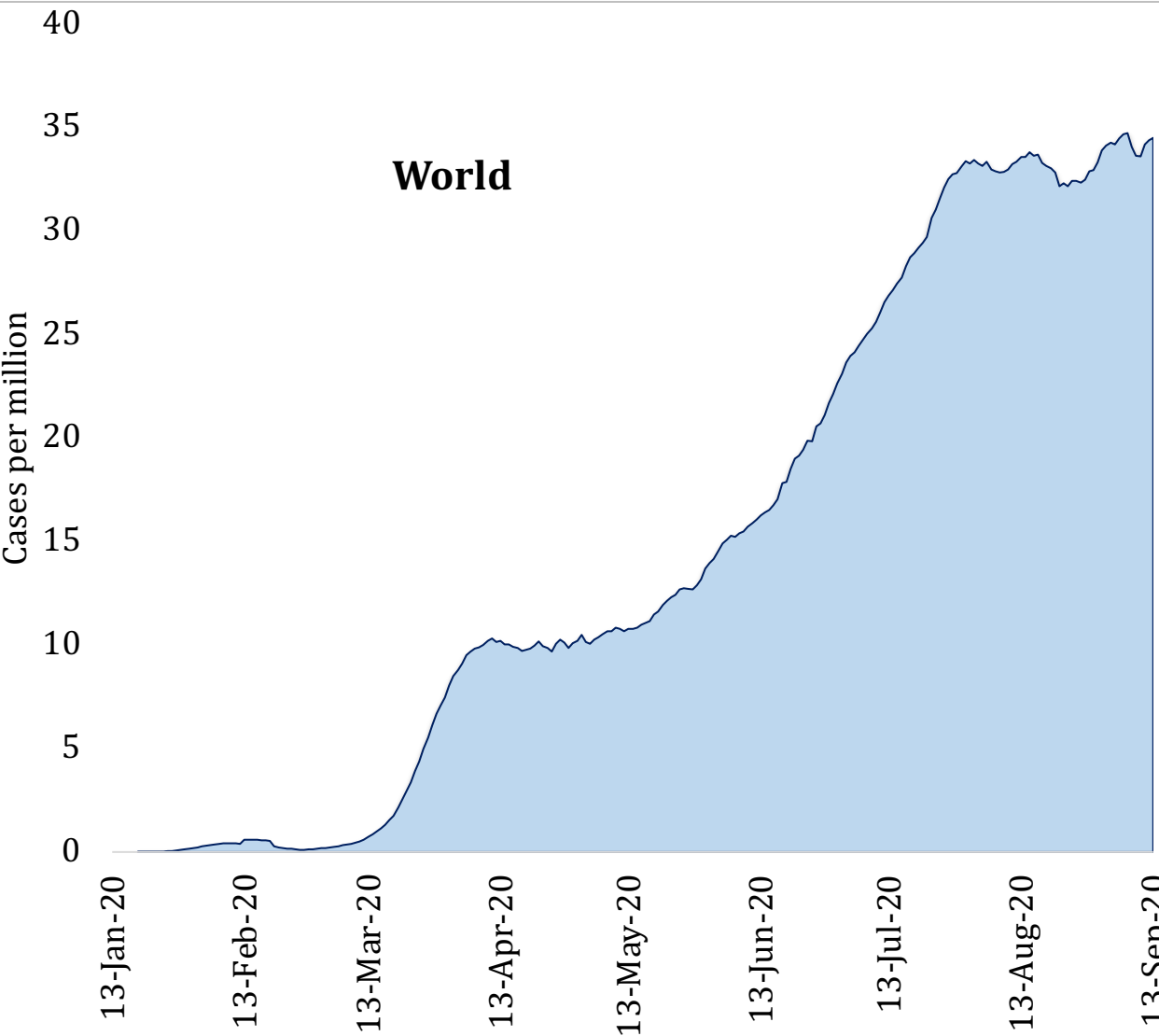
Outlook

COVID curve has been flattened, economic activity indicators are picking up, and macro balances are expected to improve

Pakistan had a smaller peak and has flattened the curve



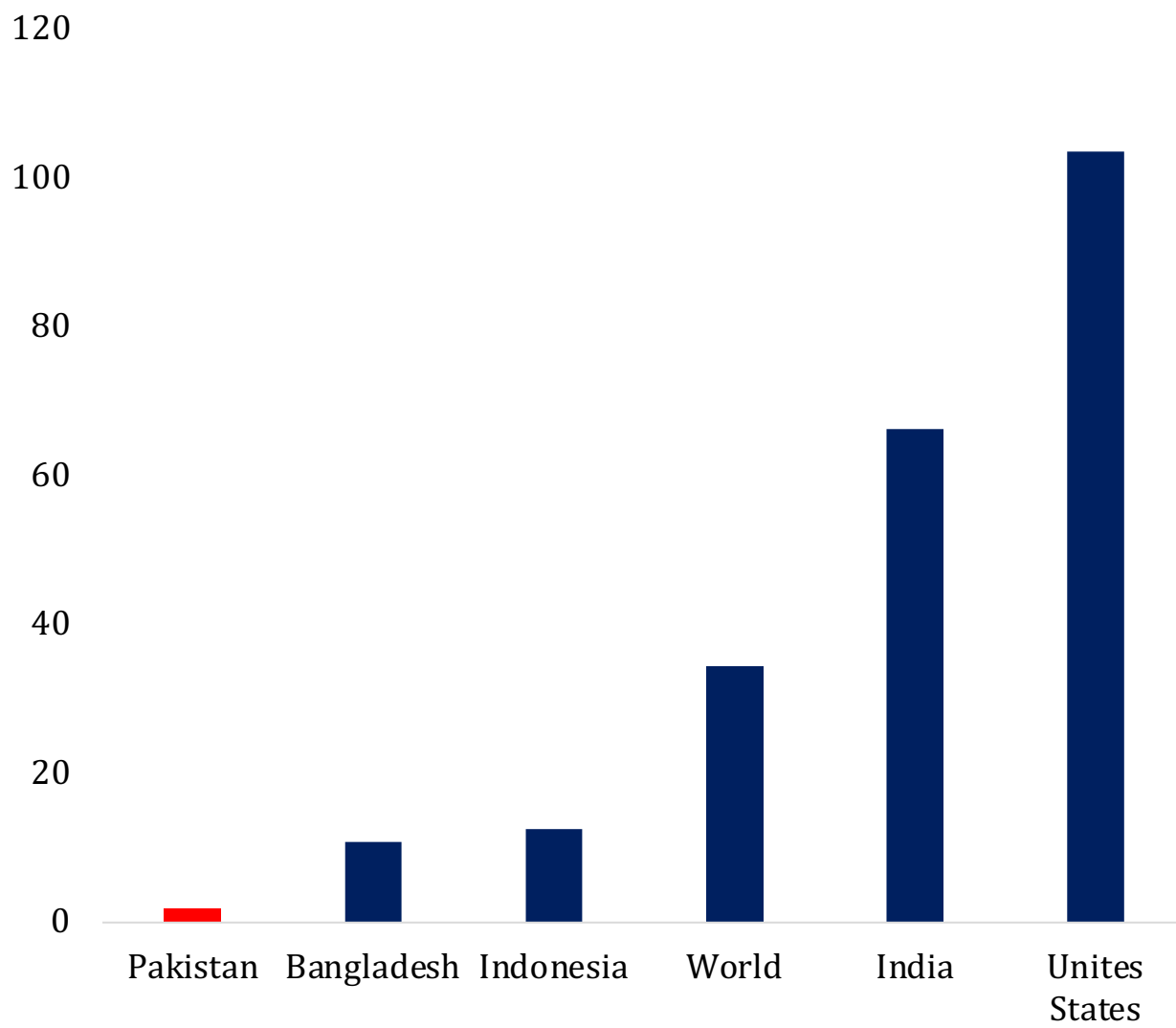
COVID-19: Daily New Cases Per Million



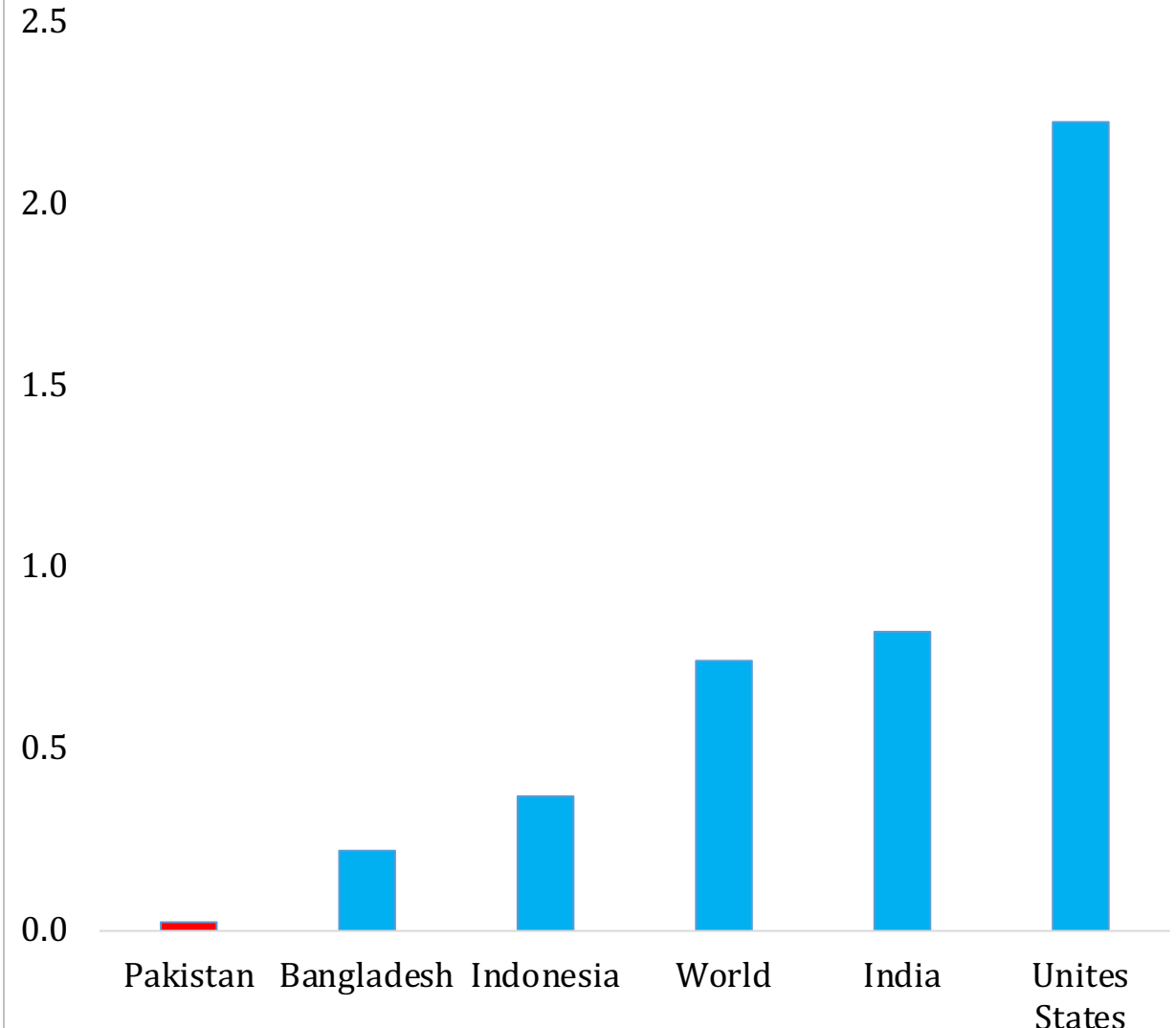
Pakistan currently compares favorably to other countries in terms of containing the spread of the disease



New cases per million



New deaths per million

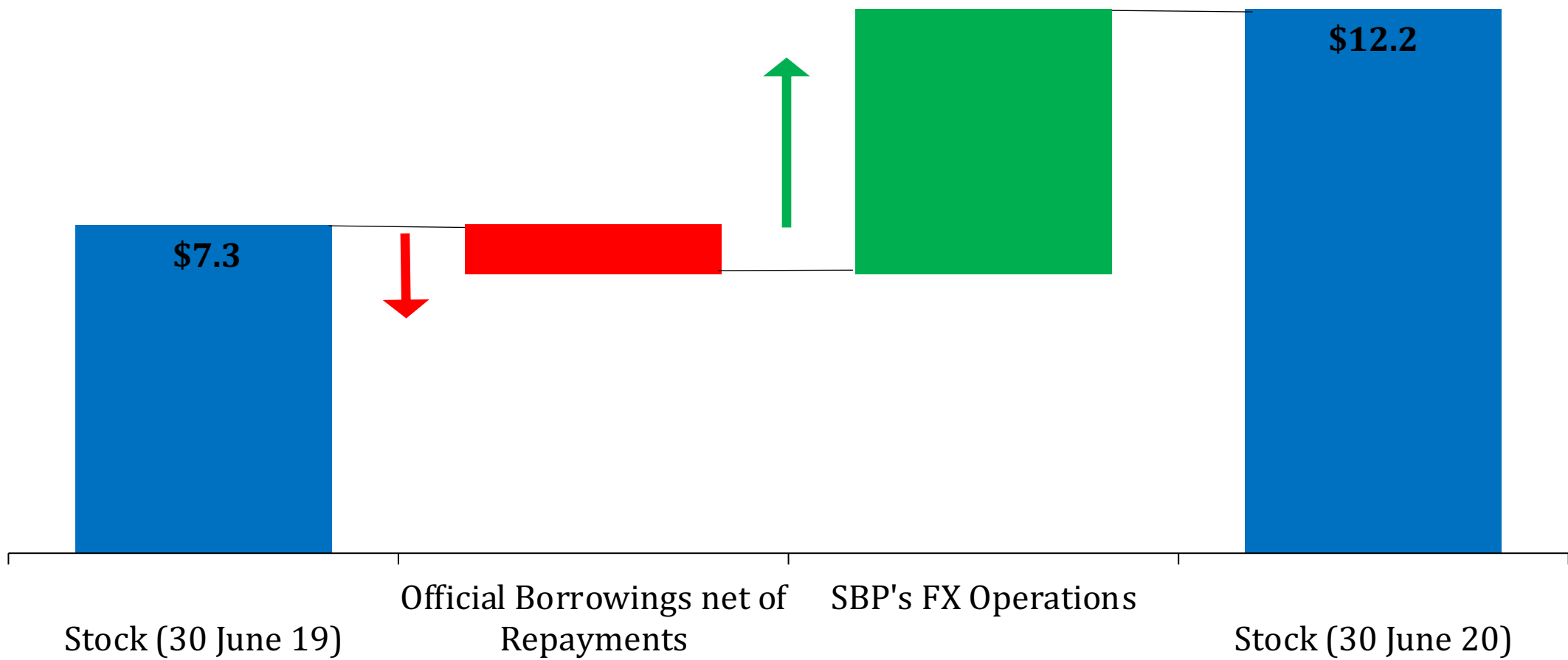


Source: www.ourworldindata.org

SBP's foreign exchange reserves rose 67 percent during FY 2020; despite net retirement in official borrowings



SBP's Gross FX Reserves during FY20
In billion US\$

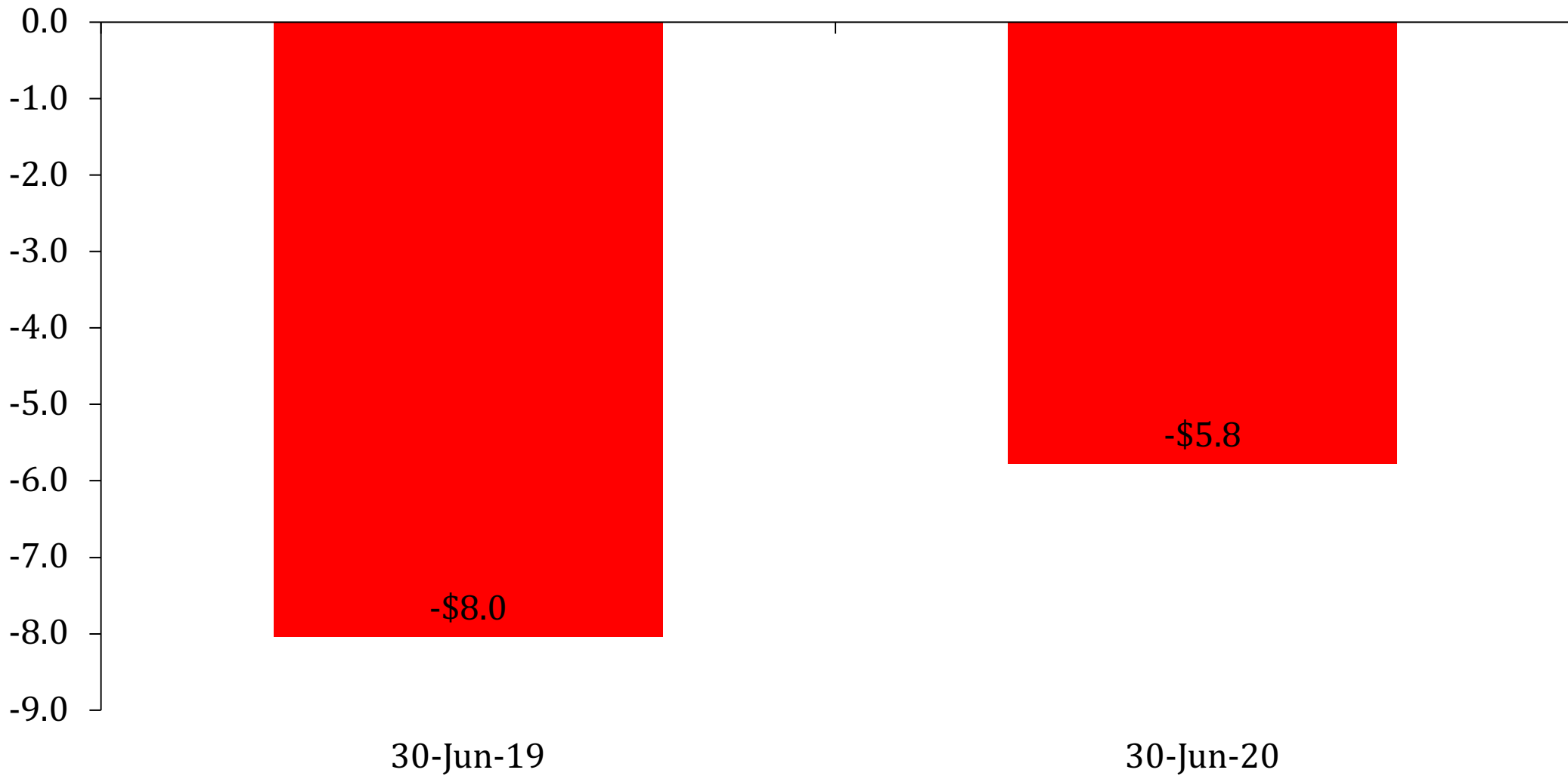


SBP's forward liabilities fell 28 percent (\$2.2 billion) during FY 2020; Net FX buffers (gross reserves less forward liabilities) rose \$ 7.1 billion during FY 2020



SBP's Forward Liabilities during FY20

In billion US\$

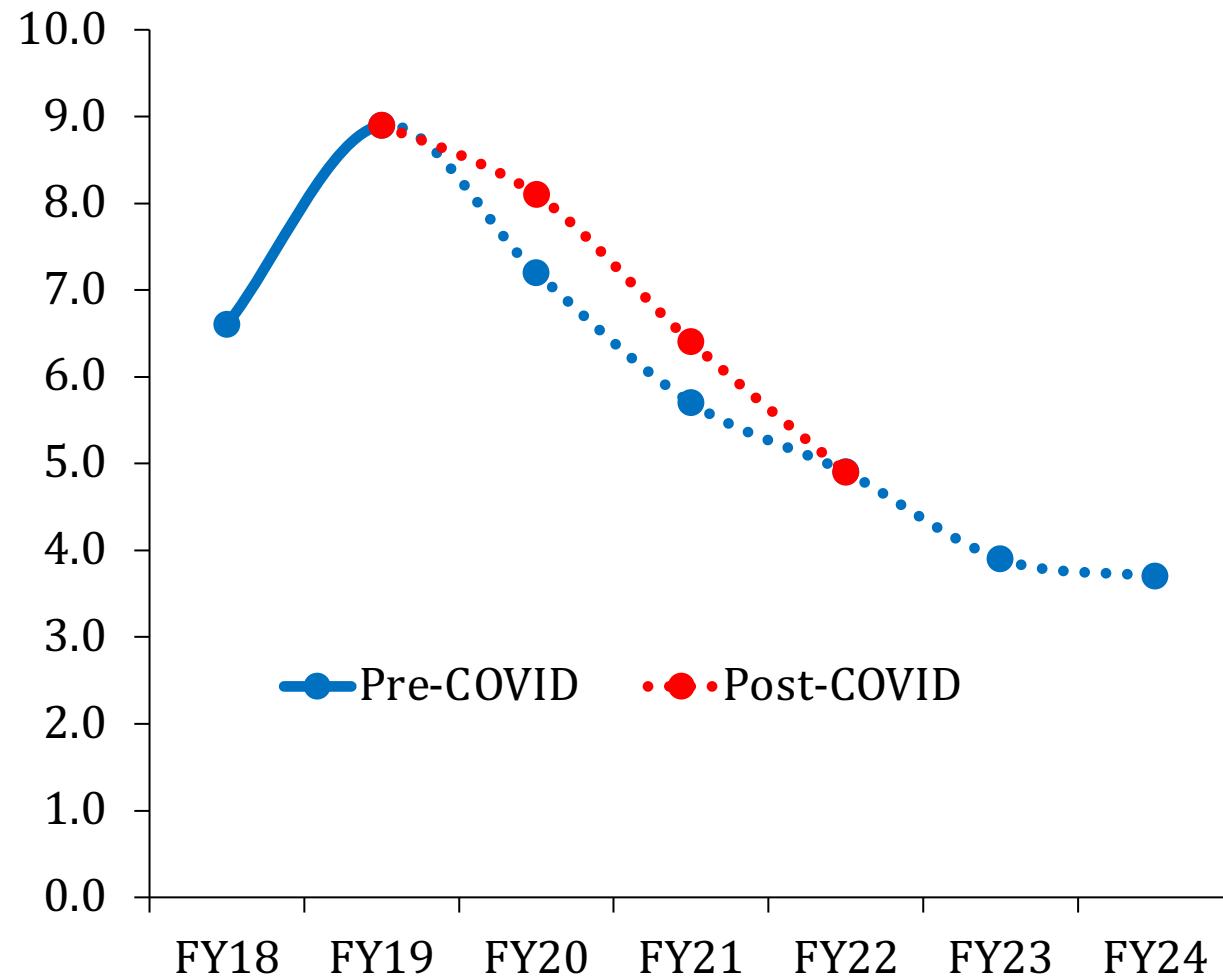


After a temporary increase due to COVID-19, both the fiscal deficit and debt are expected to return to the previously envisaged path



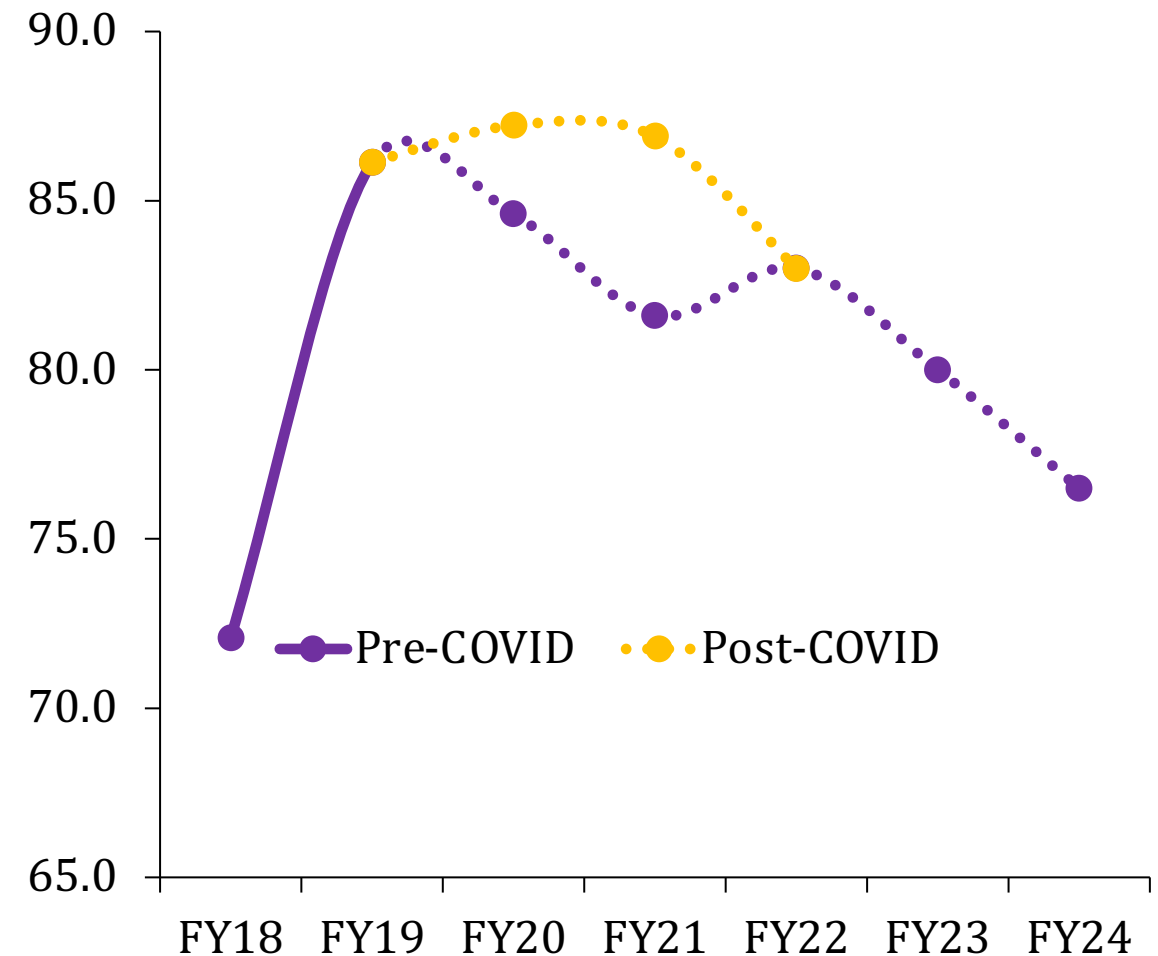
Fiscal Deficit

% of GDP

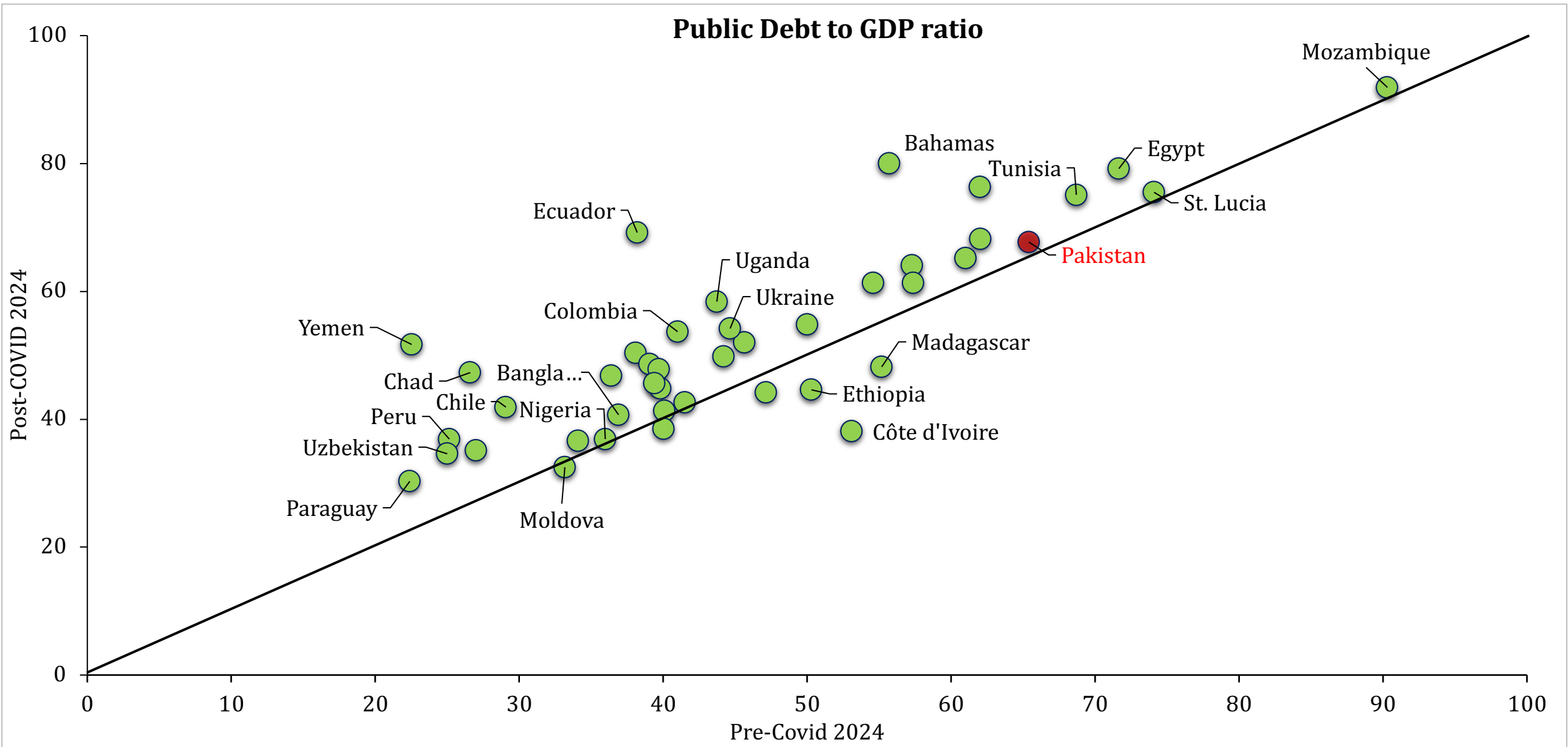


Gross Public Debt

% of GDP



The pandemic is likely to result in a long-term shock to debt for a large number of countries while Pakistan compares favorably

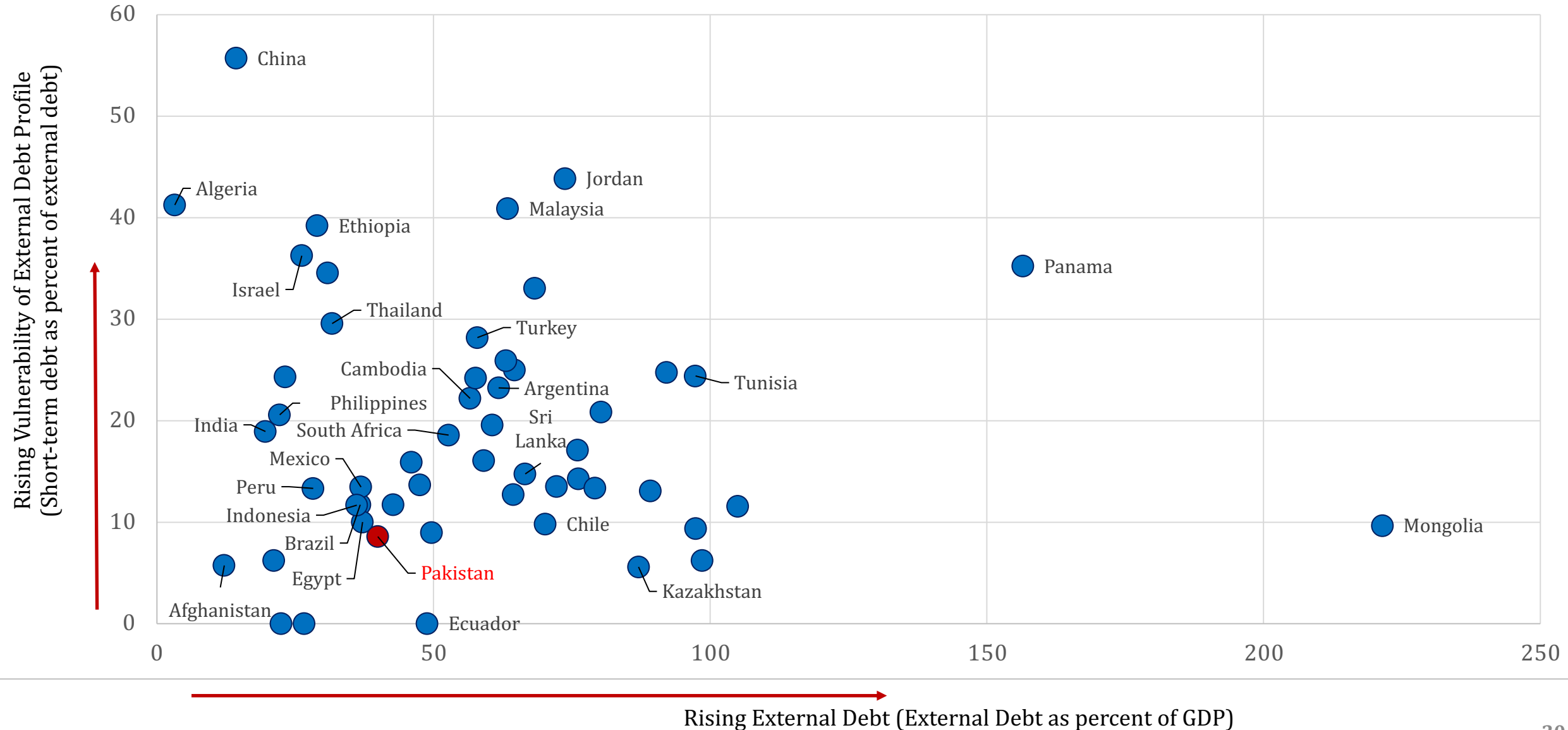


Source: IMF (WEO, Fiscal Monitor, and Staff Reports)

The external debt compares well to other countries



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

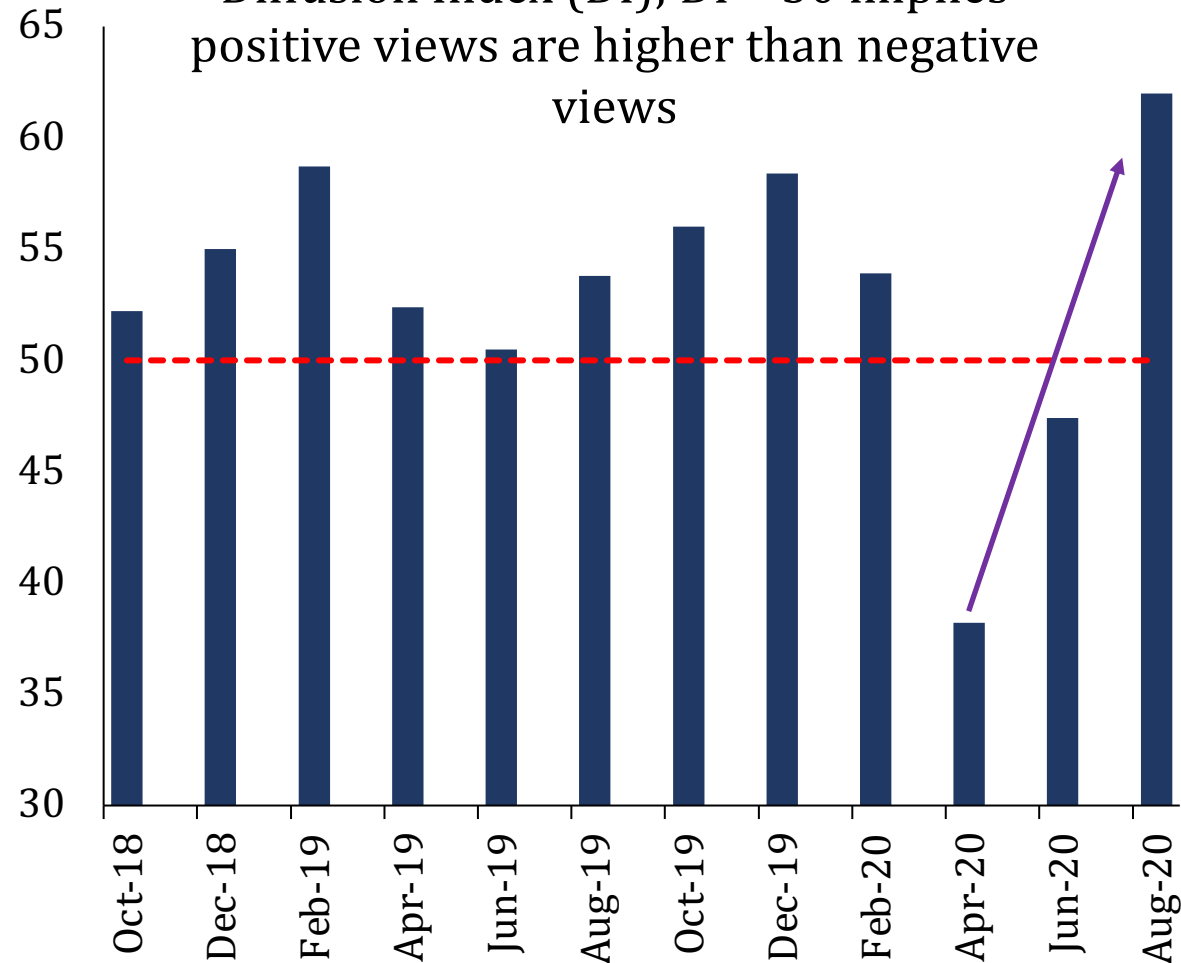


Business confidence has recovered and is reflected in manufacturing activity

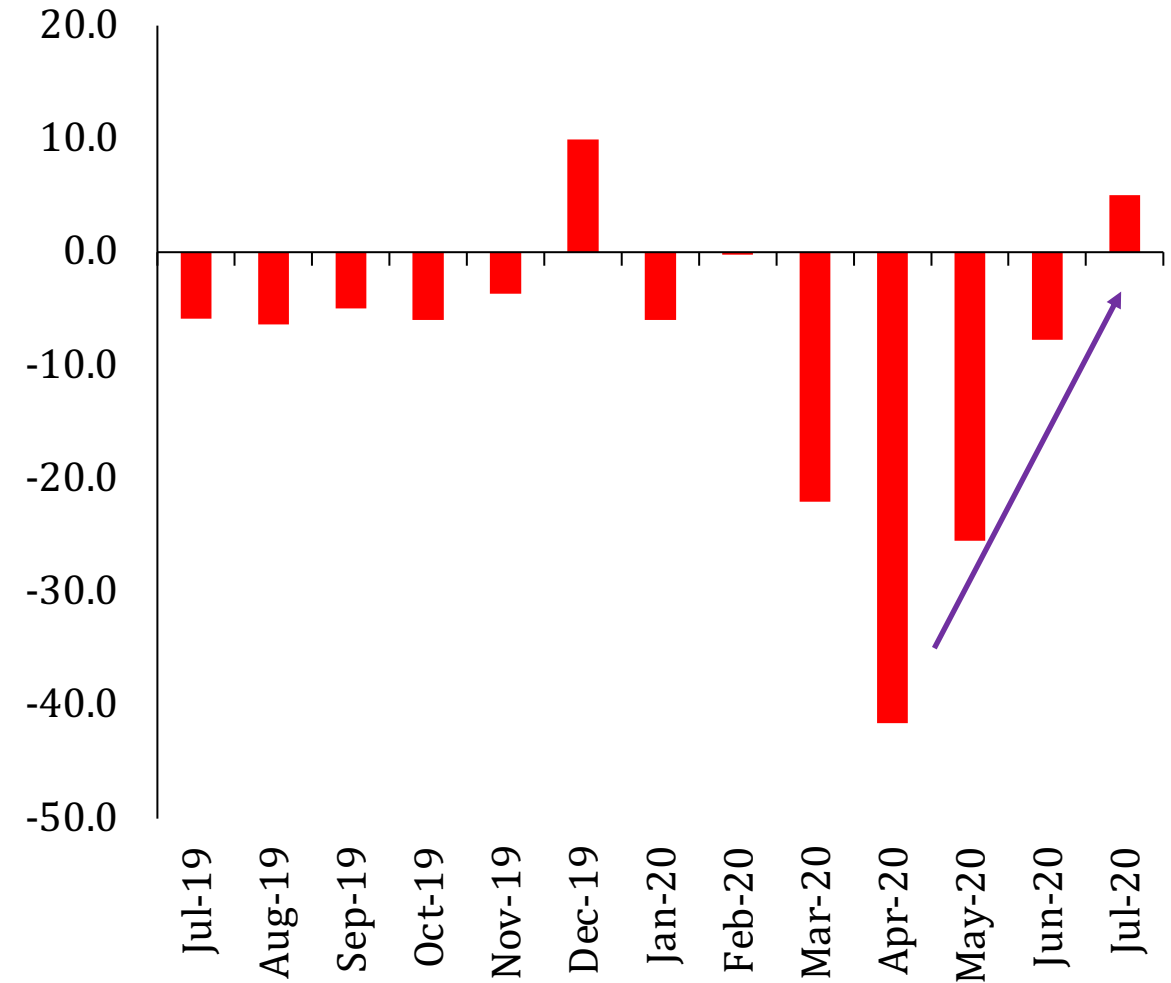


Expected Business Confidence

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Large Scale Manufacturing Growth (% y/y)



Domestic demand has picked up notably since June

Figure 1: Auto sales (Y/Y growth in %)

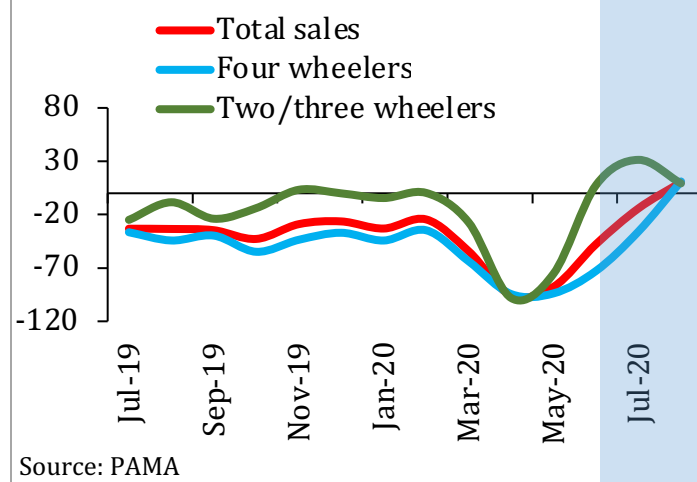


Figure 2: Cement sales (Y/Y growth in %)

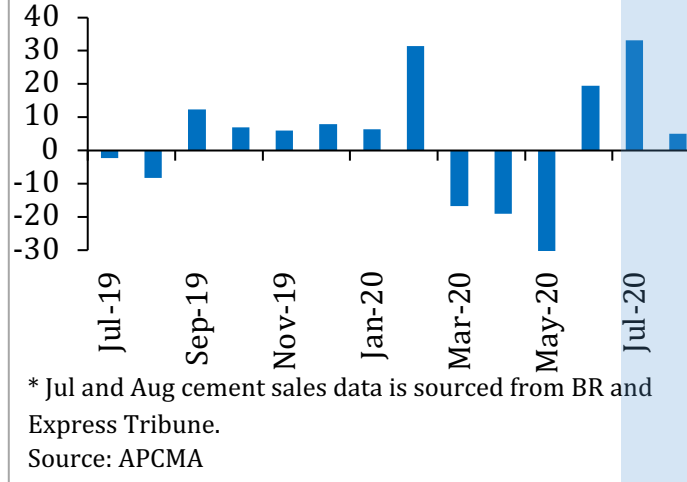


Figure 3: POL sales (Y/Y Growth in %)

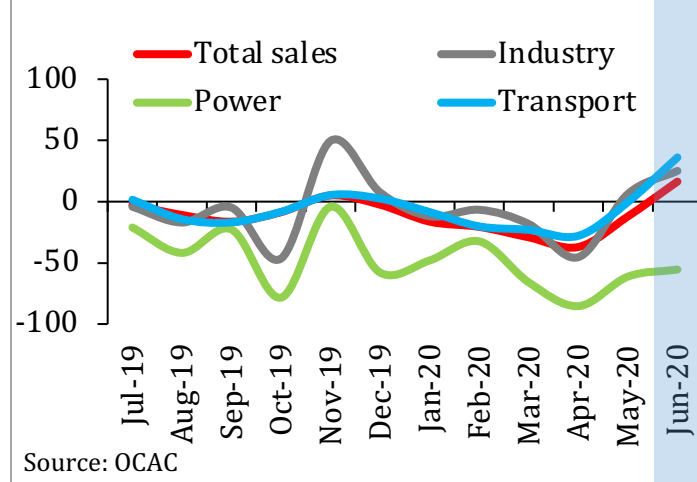


Figure 4: Electricity sales (Y/Y Growth in %)

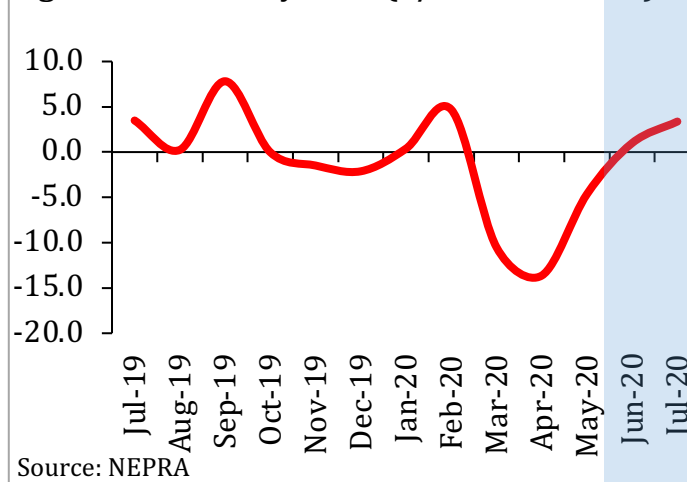
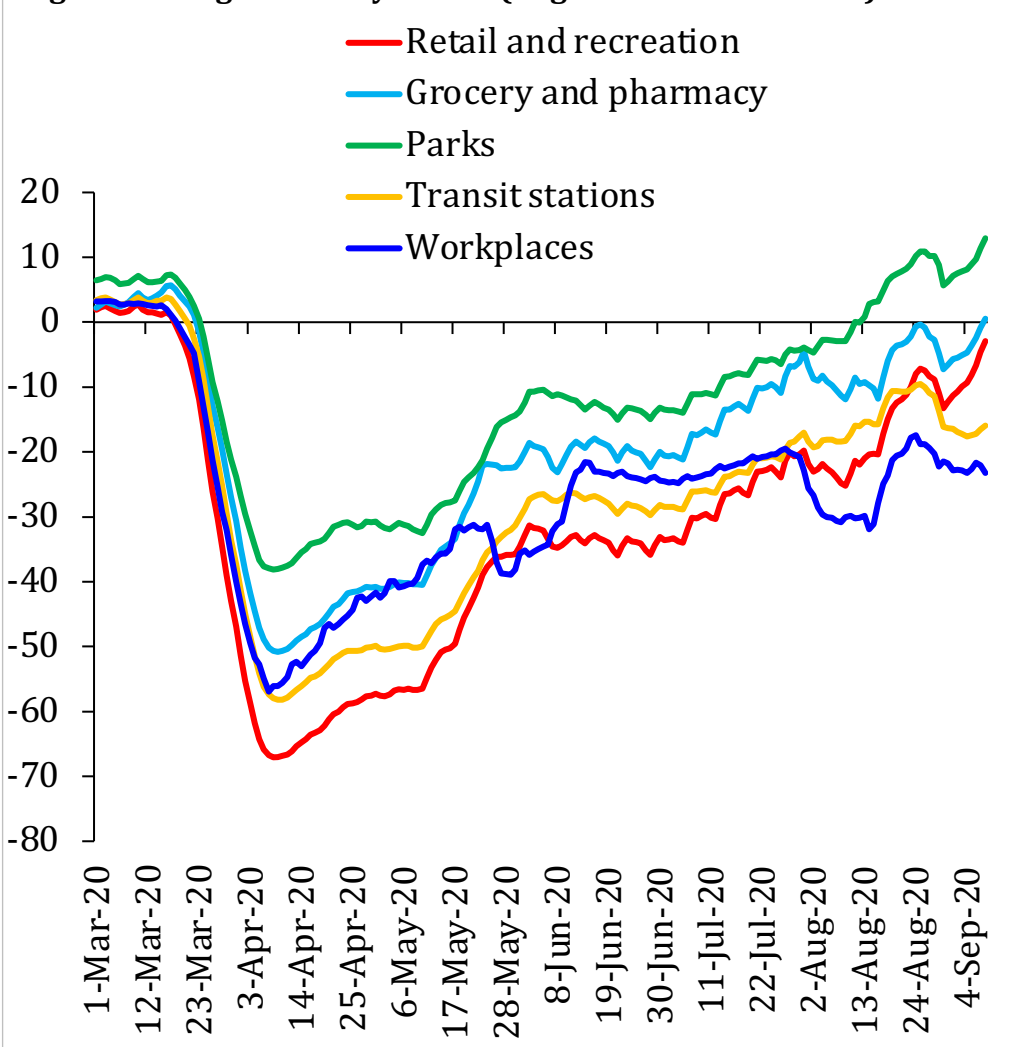


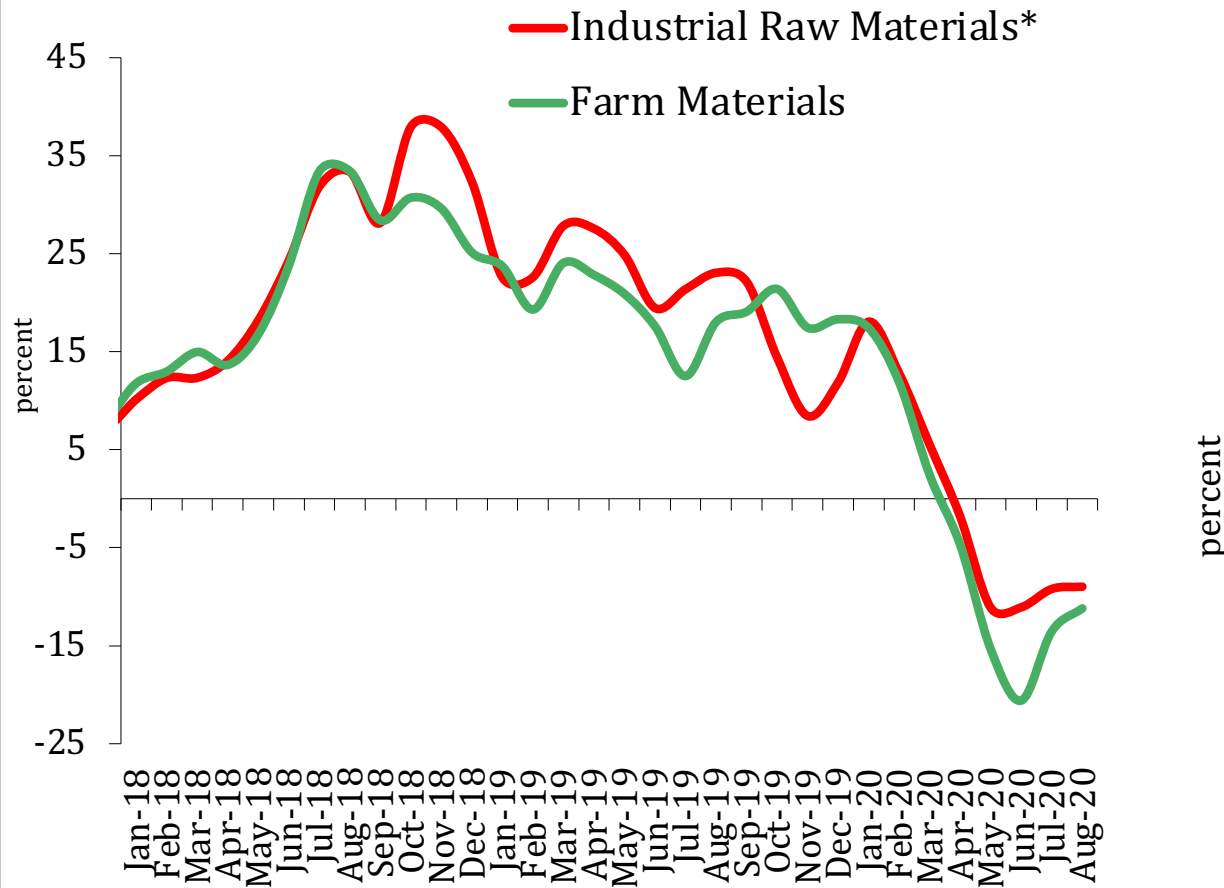
Figure 5: Google Mobility trends (% growth from baseline)



Low marginal costs and a still sizeable output gap should keep inflation in check going forward

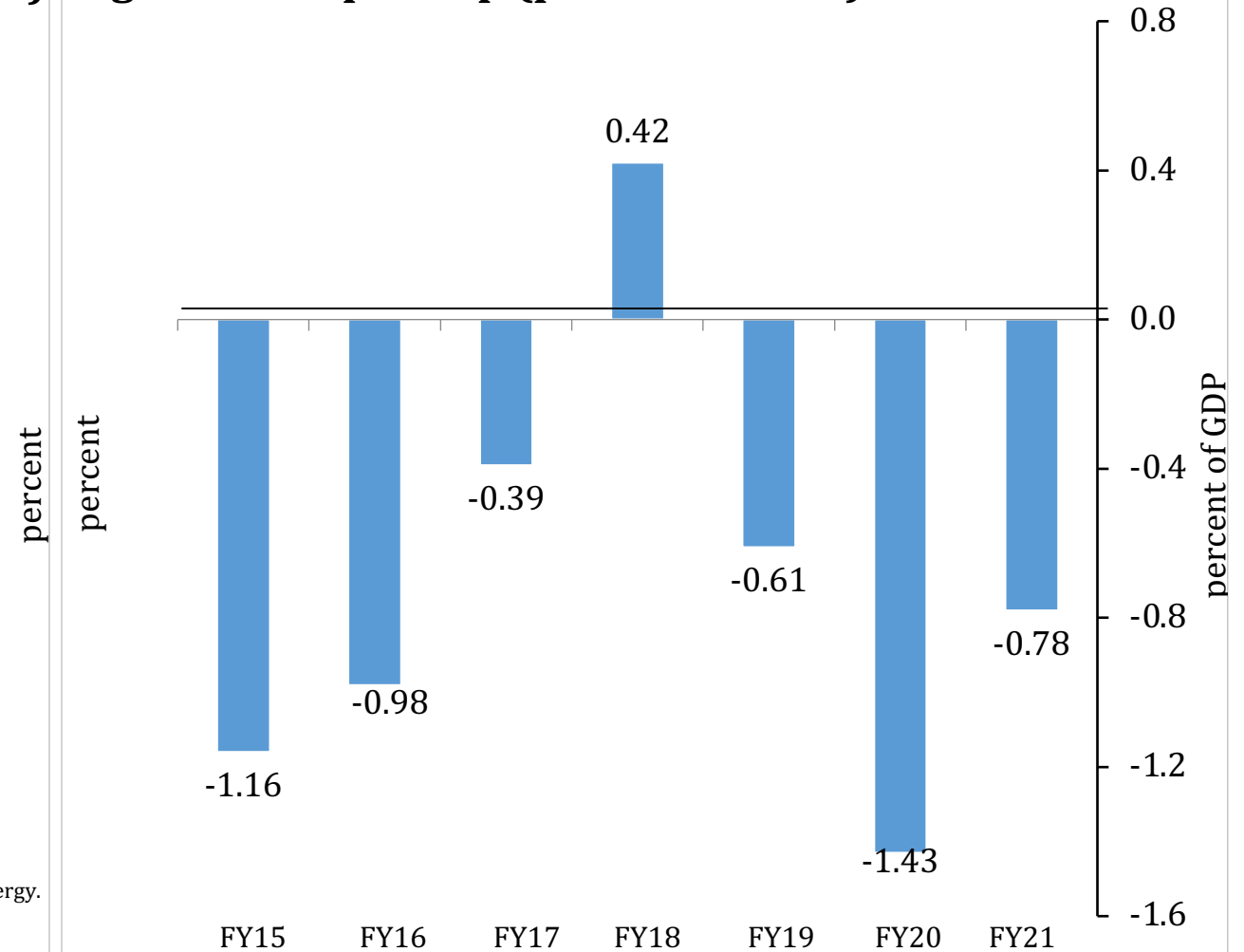


Figure 1: Farm and Non-Farm Input Costs(Y/Y inflation)



-**Farm Material** includes farm inputs like Fertilizers, pesticides, insecticides, tractors, cultivators and electrical energy.
-**Industrial/Non Farm** includes energy inputs (coal, diesel oil, natural gas, Kerosene and furnace oil), hard board, printing paper, cotton corn, other lubricants and dyeing materials.

Figure 2: Output Gap (percent of GDP)



Source: Pakistan Bureau of Statistics and SBP staff estimates

(Forecast)

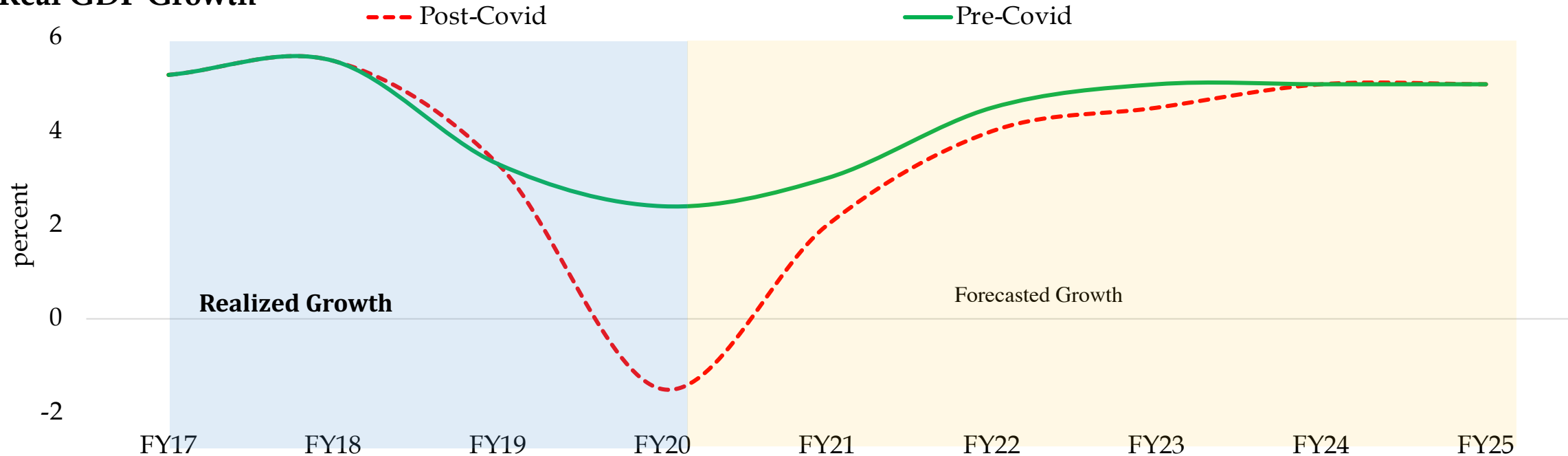
Pakistan is forecast to grow at around 5 percent over the medium term, or around 3 percent on per capita term



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.

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Thank you

Questions: investor.relations@sbp.org.pk