



ROAD TO RECOVERY: PAKISTAN'S ECONOMY POST COVID-19

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Pakistan is among the few less developed countries which have done reasonably well in its fight against the COVID-19 pandemic. The country has been through three waves of the pandemic since May 2020 and now facing the 4th one. The government's policy of imposing smart lockdowns and early vaccine drives, thanks to the help from China, has helped in keeping the daily cases and death toll low compared to our neighbouring countries.¹

One thing that the pandemic has highlighted is the yawning gap between the haves and have nots. The less developed countries have been more severely impacted by the devastation of their local infrastructures, be it in the fields of health, finance, or governance and which faltered under the pressures of dealing with COVID-19.² But the developed world has been slow in helping the less fortunate around the world and as the UN and WHO have said many times without the world coming together and working together it would be hard to overcome the pandemic and return to

¹ "COVID Handling," *The Express Tribune*, July 8, 2021, <https://tribune.com.pk/story/2309496/covid-handling>

² "Policy Implications of Coronavirus Crisis for Rural Development," OECD, June 16, 2020, <https://www.oecd.org/coronavirus/policy-responses/policy-implications-of-coronavirus-crisis-for-rural-development-6b9d189a/>

pre-COVID-19 normality.³ Prime Minister Imran Khan, has highlighted the need for convergence of the globe in helping each other in coming out of this pandemic.

Despite myriad challenges, Pakistan's economy is moving progressively on a higher inclusive and sustainable growth path on the back of various measures and achievements during the fiscal year 2021. Pakistan was implementing stabilisation policy post its fiscal deficit crisis of 2017-18⁴ and the economy was recovering from macroeconomic imbalances but the COVID-19 slowed down the pace which was recovered initially but the advent of second and third wave brought significant challenges which were met by timely and prudent policies of the government.

The Economy has witnessed a V-shaped recovery with a GDP growth of 3.94 per cent. The current economic recovery has been achieved without compromising internal and external stability.⁵ This was led by manufacturing which has witnessed broad-based growth as major sectors of Large-Scale Manufacturing (LSM) have shown significant improvement i.e., textile, food beverages & tobacco, non-metallic mineral products and automobile. The first nine months of 2021 recorded the highest period wise growth of 8.99 per cent in LSM since 2007.⁶

Other indicators like the current account posted a surplus of US\$0.8 billion, during July-April 2021 for the first time in 17 years. Inflows of foreign exchange through the Roshan Digital Account (RDA) crossed the US\$1 billion mark. During July-April 2021, workers' remittances posted a historically high growth of 29 per cent and reached US\$24.2 billion.⁷ IMF has acknowledged that government policies have been critical in supporting the economy and saving lives and livelihoods.

On May 27, 2021, the Pakistan Stock Exchange witnessed an all-time high daily trading volume with 2.21 billion shares traded in a single session.⁸ Due to its impressive growth, Pakistan Stock Exchange earned the title of being the best Asian stock market and the fourth best-performing market across

³ "COVID-19 Shows Why United Action is needed for More Robust International Health Architecture," WHO, March 30, 2021, [www.who.int. https://www.who.int/news-room/commentaries/detail/op-ed---covid-19-shows-why-united-action-is-needed-for-more-robust-international-health-architecture](https://www.who.int/news-room/commentaries/detail/op-ed---covid-19-shows-why-united-action-is-needed-for-more-robust-international-health-architecture)

⁴ Amin Ahmed, "Political Crisis in 2017-18 Led to Widening Deficits, Delayed Adjustments, Says World Bank," *DAWN*, July 28, 2020, <https://www.dawn.com/news/1571531>

⁵ "Pakistan Beats Growth Target as Industries, Services Guide V-Shaped Recovery," *DAWN*, June 10, 2021, <https://www.dawn.com/news/1628602>

⁶ "Despite Challenges, Economy Showing Inclusive Growth, Expands by 3.94% in FY21: Economic Survey 2021 -," *Daily Times*, June 10, 2021, <https://dailytimes.com.pk/770632/economy-has-been-moving-progressively/>

⁷ "Overview of the Economy," Economic Survey 2021, https://www.finance.gov.pk/survey/chapters_21/Overview.pdf

⁸ Salman Siddiqui, "PSX Trading Volumes Hit All-Time High," *The Express Tribune*, May 26, 2021, <https://tribune.com.pk/story/2301798/psx-trading-volumes-hit-all-time-high>

the world in 2020.⁹ Pakistan also entered the international capital market after a gap of over three years by successfully raising US\$2.5 billion through Green Euro bonds.¹⁰

Under Ehsaas Emergency Cash Programme, Rs. 179.3 billion have been disbursed during the pandemic. Approximately 14.8 million families have benefited from the programme.¹¹ World Bank recognises Ehsaas Emergency Cash among the top four social protection interventions globally in terms of the number of people covered.¹²

The 10 billion Tree Tsunami programme under the governments green growth initiative has achieved plantation of approximately 350 million plants during July-March 2021 and about 100,000 daily wagers have been employed till March 2021. Cumulatively, over 800 million plants have been regenerated or planted in the last two years.¹³ During the year 2021, all three major credit rating agencies, Moody's, Fitch and Standard & Poor's, reaffirmed their sovereign credit ratings for Pakistan. This reaffirmation is reflective of the sound policies of the Government and the confidence reposed by these leading international institutions in the country's economic outlook.¹⁴

The COVID-19 pandemic has impacted all facets of human life, be it social, political, or economic. The world is living through one of the toughest times of recent human history which has tested the resolve of its inhabitants and institutional workings. Some countries have done better than others to manage the situation but none has been spared by the debilitating impact of the pandemic, with life in lockdowns and quarantines becoming the new normal.¹⁵

Pakistan is blessed with natural as well as human resources. Investing in human capital through skill development programmes will ensure long term inclusive growth and decrease the unemployment

⁹ Salman Siddiqui, "PSX Becomes Asia's Best Market," *The Express Tribune*, September 2, 2020, <https://tribune.com.pk/story/2262090/psx-becomes-asias-best-market#:~:text=KARACHI%3A>

¹⁰ "Pakistan Re-Enters Int'l Capital Market," *The Nation*, April 8, 2021, <https://nation.com.pk/09-Apr-2021/pakistan-re-enters-int-l-capital-market>

¹¹ Dr. Sania Nishtar, "Ehsaas Emergency Cash: A Digital Solution to Protect the Vulnerable in Pakistan during the COVID-19 Crisis," Ehsaas Emergency Cash, October, 2020, https://www.pass.gov.pk/Document/Downloads/Ehsaas%20Emergency%20Cash%20Report%20Oct%202020_Dec15_2020.pdf

¹² "Ehsaas Emergency Cash among Top Four Such Initiatives Globally: World Bank," *DAWN*, May 16, 2021, <https://www.dawn.com/news/1623843/ehsaas-emergency-cash-among-top-four-such-initiatives-globally-world-bank>

¹³ "Ten Billion Trees Tsunami Programme - Phase-I Up-Scaling Of Green Pakistan Programme," Ministry of Climate Change, <http://www.mocc.gov.pk/ProjectDetail/M2QzOWJmMjUtZTU3MC00NmFkLWE4YmMtZDFhMmRlOGU2NGRh>

¹⁴ Muhammad Zahid Rifat, "Higher Growth, Sustainable," *Pakistan Today*, July 7, 2021, <https://www.pakistantoday.com.pk/2021/07/07/higher-growth-sustainable/>

¹⁵ Sigal Samuel, "Quarantine has Changed us — and it's not all abad," *Vox*, June 9, 2020, <https://www.vox.com/future-perfect/2020/6/9/21279258/coronavirus-pandemic-new-quarantine-habits>

rate. Cognizant of this fact, the government should focus its attention to facilitate and produce opportunities for employment and financial inclusion of young people so they can play a constructive role in enhancing Pakistan's position in the global markets.

The government of PM Khan has embarked on the policy of geo-economics under which it seeks enhanced economic and trade relations with various countries and trading blocs around the world.¹⁶ This policy is crucial for the continuation of Pakistan's post-COVID-19 economic growth. The China Pakistan Economic Corridor (CPEC) a flagship project of the Belt and Road Initiative (BRI), offers great economic opportunities for the countries of the region and is a vital tool in this new geo-economic policy. Pakistan seeks to improve its connectivity with other Asian countries through this corridor and aims to be an important player in the 21st Century dubbed as the Asian Century.

¹⁶ "Pakistan's Priorities Have Shifted from Geo-Political to Geo-Economic, Says Qureshi," *DAWN*, February 24, 2021, <https://www.dawn.com/news/1609136>