Monthly Economic Update & Outlook

DECEMBER, 2020

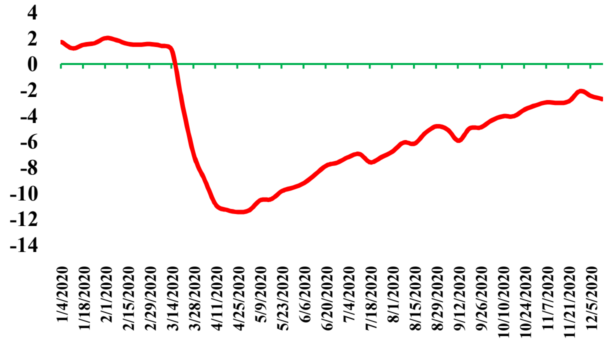
Government of Pakistan
Finance Division
Economic Adviser's Wing

Contents

1. International Performance and Outlook

Globally, 2020 will be considered as the economy's worst year since World War II. It is ending on a bleak note for millions of people, despite the prospects of a rebound that a Corona-virus vaccine could offer. In the past week, data revealed that the resurgence of the COVID-19 pandemic in some of Pakistan's main trading partners, especially the Euro Area, US and UK, has forced their Governments to implement new (partial) lockdowns. The currently designed restrictions, however, are not expected to generate the same fall in economic activity as was observed during the first Corona-wave earlier this year.

Fig-1: Growth in WEI (%)



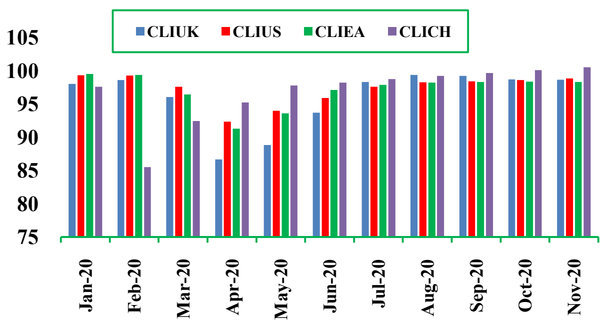
Source: Federal Reserve Bank of New York

Nevertheless, the recent restrictions are slowing the economic recovery, according to a number of recent indicators such as fall in retail sales and lackluster jobs market in the US in mid-December and loss of jobs in UK, particularly in the hospitality industry. The same trend has been observed in Euro area.

The Weekly Economic Index (WEI) of the Federal Reserve Bank of New York is an index of 10 daily and weekly indicators of real economic activity, scaled to align with the four-quarter GDP growth rate in the US as shown in Fig-1. This index continued its upward trend up to end November, but reversed course in December.

The monthly Composite leading Indicators (CLI) compiled by the OECD are available up to November 2020. The CLI in Pakistan's main export markets show mixed results (Fig-2). The cyclical position of the Chinese economy continues to improve, while UK, US and Euro area are rather stabilizing.

Fig-2: Composite leading Indicators (CLI)



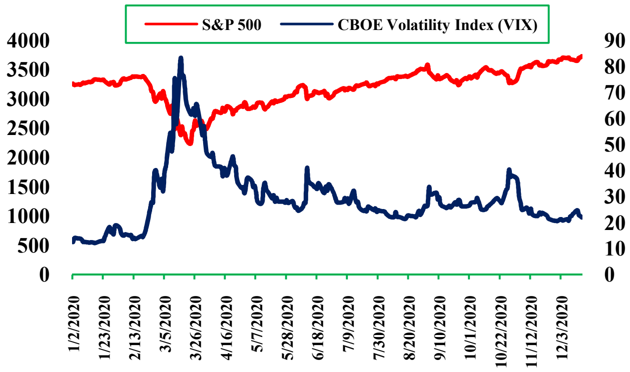
Source: OECD

According to Information Handling Services (IHS) Markit, the U.S. Services PMI™ Business Activity Index registered 55.3 in December, slipping from 58.4 in November. The loss of momentum was most notable in the services sector, where additional restrictions due to increase in reported virus cases impacted consumer-facing businesses.

Likewise, in the Euro area, the final manufacturing purchasing managers' index (PMI) for the 19-membersEuro area fell from 54.8 in October to 53.8 in November 2020 while in UK, there is a marginal expansion of private sector output, driven by solid increase in manufacturing production. However, in UK, overall level of services sector activity stagnated at the end of 2020, largely due to ongoing Corona-virus disease restrictions on hospitality, leisure and travel businesses. Activity in China's services sector increased at a substantial pace showing recovery of market conditions. Furthermore, total new businesses are expanding at the quickest rate and business confidence is improving which is helping in the significant increase in employment.

Recent substantial stimulus package in the US is designed to support consumption and aggregate demand in general. In addition, monetary and fiscal policies in the US, UK and Euro area remain very accommodative.

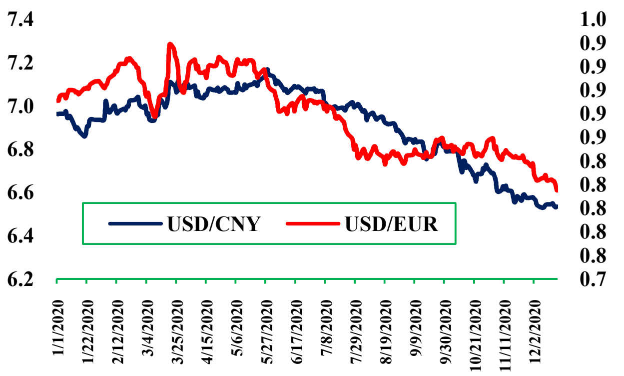
Fig-3: S&P 500 and the VIX index



Source: Yahoo Finance

Furthermore, vaccinations have kicked off in December, alimenting hopes that the pandemic may come to an end later next year. Based on these positive prospects, stock market prices in the US discounted in a return to future growth in economic activity and company profits. The US stock market reached new all-times high in December. At the same time, the Chicago Board Options Exchange (CBOE) Volatility Index (VIX), which measures the implicit volatility in option prices and can be considered to be an indicator of investors' uncertainty, remained higher compared to pre-pandemic levels. This indicates that some degree of uncertainty remains present in the markets. Euro area and UK stock markets, are also awaiting a common trade deal ascend of the transition period of Brexit on 31st December approaches. They are still well below pre-pandemic levels, thereby lagging behind the performance of the US and Chinese markets (Fig-3).

Fig-4: Relationship between \$/Euro & \$/Chinese Yen



Source: Yahoo Finance

In December, the number of Corona infections, as well as the death toll kept rising in the US, prompting several parts of the country to implement partial lockdown measures. Following negative signals from high frequency economic indicators, the FED's most recent communication pointed to a prolonged dovish stance of monetary policy. As a result, the US dollar weakened somewhat against the Chinese Yen and the Euro (Fig-4).

Regarding international prices, Commodity prices rose sharply in November, with energy commodities up 6.4 percent and non-energy commodities up 4.4 percent. Food Commodities also surged by 5.6 percent, led by Edible Oils and Meals 9.1 percent. It is notable that international export prices of wheat edged upwards driven by robust trade activity as well as reduced production estimates. Precious Metal continued to decline by 1.5 percent while Base Metal jumped to 6.0 percent.

2. Monthly Performance of Pakistan's Economy

The economic recovery that started at the beginning of the second quarter of the current fiscal year is keeping its momentum. According to Pakistan Bureau of Statistics (PBS), exports posted a growth of 8.3 percent on YoY basis in November 2020. Likewise, remittances increased by 28.4 percent on YoY basis, in the same month. In December 2020, the visit of Foreign Minister to UAE brought expectations for resolution of visa ban issue. It is also mentionable that continuous efforts of the government are dragging inflation down which is evident from declining trend in SPI for the past four weeks.

Business activities are improving. On YoY basis, LSM posted a growth of 6.7 percent in October 2020. However, the surge of new cases of Corona-virus across the country forced the government for taking all precautionary measures like closing of marriage halls, restaurants, and educational activities, etc. Further, freezing weather conditions and fog may disrupt travels and hence may dampen some of the economic activities. Still there is a strong indication of economic revival in coming months.

2.1 Real Sector

2.1-a Agriculture

The recent bulletin published by SUPARCO confirmed the better performance of crops in Kharif season. For Rabi season 2020-21, wheat crop sowing is in progress and is expected to be in time as compared to previous year mainly due to timely termination of cotton and rice crops.

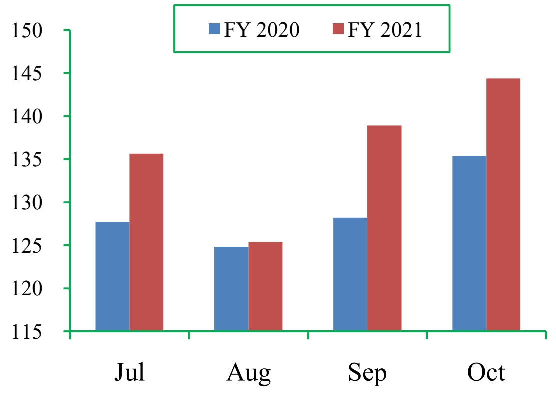
The better input situation is expected to make prospects of crops in Rabi season more promising. Most importantly, agriculture credit disbursement target is Rs 1,500 billion for FY2021, 11.1 percent more than last year. During July-October, FY 2021, the banks have disbursed agriculture credit amounting Rs 357.8 billion compared to disbursement of Rs 347.4 billion during same period last year. The irrigation water supply was 6.31 MAF during November 2020 as per IRSA, against the last year's supply of 6.28 MAF.

During October 2020, urea off-take recorded an increase of 240.4 percent over October, 2019. Nitrogen and potash off-take witnessed an increase of 107.1 percent and 47.7 percent, respectively over October 2019.While DAP off-take decreased by 15.3 percent over October 2019. The agriculture sector during FY 2021 is expected to surpass growth target of 2.8 percent on the back of improved production of sugarcane and rice compared to FY2020 due to timely measures adopted by the government.

2.1-b Manufacturing

LSM has started to rebound after the havoc caused by COVID-19. During July-October FY 2021 LSM grew by 5.5 percent (-5.5 percent during last year). On YoY basis LSM surged by 6.7 percent in October FY 2021 (-5.6 percent October FY 2020) (Fig-5).

Fig-5: LSM Index



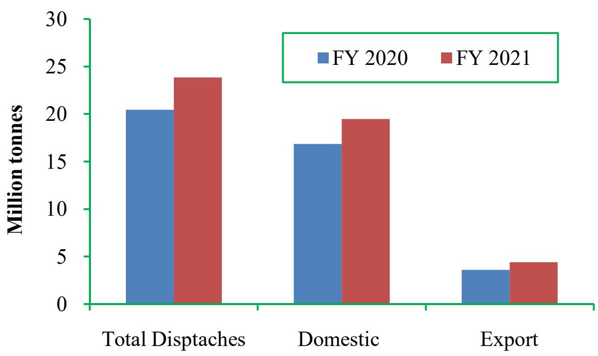
Source: Pakistan Bureau of Statistics

In October FY2021, on YoY basis, Textile, Food Beverages & Tobacco, Non-Metallic Mineral Products, Iron & Steel Products, Fertilizer and Automobile grew by 2.4, 8.6, 24.5, 2.8, 18.5 and 10.7 percent, respectively. During July-November FY2021 total car sale increased by 13.6 percent while production plunged to 3.7 percent. However, on YoY basis in

November FY2021, production and sale increased by 68.3 and 39.8 percent, respectively. Tractor production and sale increased by 19.8 and 31 percent, respectively, during July-November FY2021.

Realizing the potential of the construction industry, the present government has given impetus to boost construction. Efforts to boost construction sector have started to pay back as evidenced by the significant increase in cement dispatches. Total cement dispatches in the country surged by 16.8 percent to 23.84 million tonnes during July-November FY2021 (20.4 million tonnes last year) (Fig-6).

Fig-6: Cement Dispatches July-November



Source: All Pakistan Cement Manufacturer Association

Recent Economic Measures for Industry

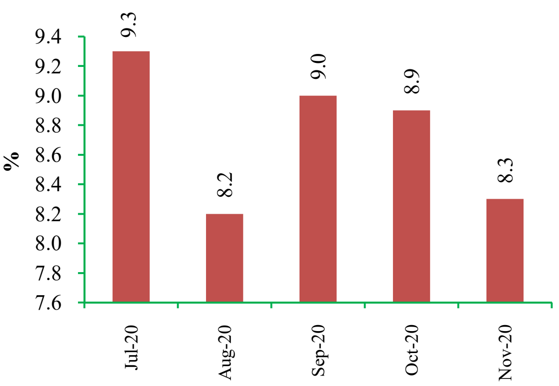
NEPRA has approved a Support Package for additional electricity consumption for industrial consumers of DISCOs and K-Electric. ECC has removed the regulatory duty (5 percent) on import of cotton yarn till 30th June 2021 to facilitate the exports of apparel sector. Government has signed a MOU with SBP of Rs 33 billion mark-up subsidies for financing the construction and purchase of new houses over a period of 10 years. Banks have also been directed by SBP to increase their construction sector loans to 5 percent of total loan book by December 2021. Government has given relief to export oriented industries by giving Rs 126 billion tax refunds during FY2020 and FY2021 which will support businesses and have spillover effect on industrial sector.

2.2. Inflation

The Consumer Price Index (CPI) based monthly inflation decelerated to 8.3 percent on YoY basis in November 2020, from 8.9 percent during October 2020 and 12.7 percent in November 2019. The decline in inflation was noticed for the second consecutive month. On MoM basis, it recorded at 0.8 percent in November compared to 1.7 percent in October 2020. During July-November FY2021, inflation was recorded at 8.8 percent against 10.8 percent in the corresponding period last year.

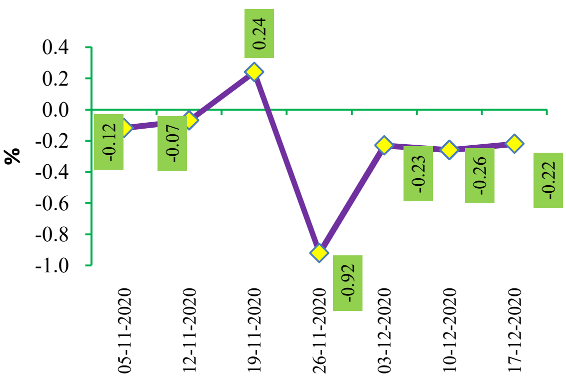
SPI for the week ended on 17thDecember, 2020 decreased by 0.2 percent. This is the fourth consecutive decline in SPI on account of declining trend witnessed in prices of essential items. The graph (Fig-7A & 7B) below indicates CPI and weekly SPI trend.

Fig-7 A: Year on Year CPI



Source: PBS

Fig-7 B: Change in SPI on WoW



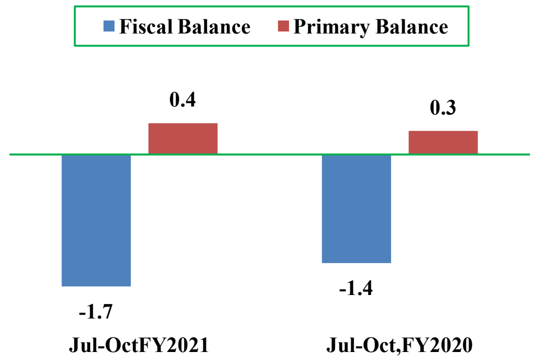
Source: PBS

Core inflation has been relatively moderate and stable. In addition, recent SPI releases show decline in food prices, validating effective government measures for addressing supply-side issues.

2.3. Fiscal

The overall fiscal deficit during July-October, FY2021 stood at 1.7 percent of GDP (Rs 753 billion) against 1.4 percent of GDP (Rs 564 billion) in the comparable period of last year. While primary balance has posted a surplus of Rs 178 billion (0.4 percent of GDP) during July-October, FY2021 against the surplus of Rs 130 billion (0.3 percent of GDP) in the same period of FY2020.

Fig-8: Fiscal Indicators % of GDP



In terms of growth, the primary surplus has recorded an historical increase of 37 percent during the period under review (Fig-8). During July- October, FY2021 net federal revenues grew by 11.2 percent to reach Rs 1026 billion against Rs 923 billion in the same period of FY2020.

On the expenditure side, the government continued to make the expenditures to reduce the severe impact of COVID-19 under economic stimulus package like bill deferment subsidy to the power sector, refunds to business and exporters, relief to agriculture and relief under BISP. Within development expenditure, the rupee component of PSDP has witnessed an increase of 13.8 percent to Rs 91 billion in utilization during July-October, FY2021 against Rs 80 billion in the same period of last year which bodes well for achieving sustainable economic growth in the post COVID scenario. It shows government priorities to simplify the procedure forutilization of development funds.

The government is making all possible efforts to control the expenditures while setting priority areas and is continuing to provide fiscal stimulus to minimize the impact of COVID-19 on both the economy as well as on the lives and livelihood.

FBR Tax Collection

FBR tax collection surpassed the target of Rs 1669 billion by Rs 19 billion during first five months of current fiscal year. Net collection grew by 4 percent to Rs 1688 billion during July-November, FY2021 against Rs 1623 billion in the comparable period of last year. Within total collection, direct taxes stood at Rs 577 billion, Sales tax Rs 743 billion, Federal Excise Duty Rs 104 billion and Customs Duty Rs 264.4 billion. The ongoing increase in FBR tax collection clearly indicates that efforts to improve the revenues through comprehensive tax measures and administrative reforms are paying off.

2.4. Monetary

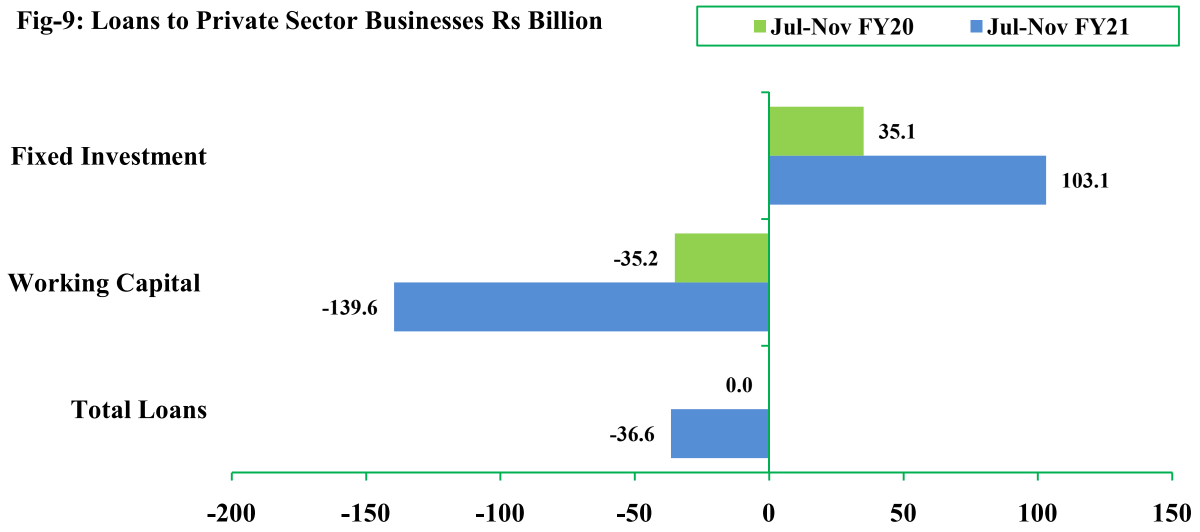
During 1st July – 4th December, 2020, Broad Money (M2) increased by Rs 377.3 billion (growth of 1.8 percent) against Rs 338.4 billion (growth of 1.9 percent) last year. Within

Money Supply expansion, the sole contributor is Net Foreign Assets (NFA), which witnessed cumulative expansion of Rs 519.2 billion compared to Rs 432.7 billion last year. On the other hand, Net Domestic Assets (NDA) of the banking system reduced by Rs 142.0 billion against the contraction of Rs 94.3 billion last year. The decline in NDA during the period under review is primarily due to lower government borrowing, retirement in commodity operations and private sector credit.

The Private Sector Credit (PSC) witnessed retirement of Rs 15.0 billion against the borrowing of Rs 79.2 billion in last year (Fig-9). Private sector credit demand remained muted primarily for working capital requirement due to enough liquidity conditions and tax refunds received by textile sectors in the wake of lockdown. On positive note, credit for fixed investment increased to Rs 103.1 billion during Jul-Nov, FY2021 compared Rs 35.1 billion last year, which will have spillover effect on industrial sector and overall economic activity in coming months.

In latest monetary policy decision held on 23rd November, 2020, SBP has kept the policy rate unchanged at 7.0 percent due to improved business confidence and gradual traction in domestic recovery.

Fig-9: Loans to Private Sector Businesses Rs Billion



2.5. External Sector

In November 2020, Current Account remained in surplus ($447 million) for fifth consecutive month. Thus, Current Account posted a surplus of $1.6 billion (1.4 percent of GDP) during Jul-Nov FY2021 against a deficit of $1.7 billion last year (-1.6 percent of GDP). Contractions in import payments for both goods and services were the primary factors, coupled with healthy growth in workers' remittances resulted in surplus of current account.

As per PBS, Exports during July-November FY 2021 increased by 2.2 percent to $ 9.7 billion ($ 9.5 billion last year).The textile sector exports (62 percent share in total exports) increased by 4.9 percent in value over the last year while Value added exports (39.5percent share in total exports) increased by 10.4percent (value).

The total imports in July-November FY2021 increased to $ 19.5 billion ($ 19.2 billion last year), thus grew by 1.6 percent. The Petroleum group (share of 20.3 percent in total imports) decreased by 22.8 percent (value), of which import of petroleum crude decreased by 27.0 percent (value) and increased by 14.8 percent (quantity). Import of petroleum product increased by 54.4 percent (quantity) and decreased by 16.5 percent (value). The government allowed import of wheat and sugar to bridge the local shortages. Thus the food group import jumped by 44.5 percent during July-November FY2021, reaching $ 3.0 billion ($ 2.1 billion last year).

2.5.1 Foreign Direct Investment

FDI reached to $ 717.1 million during July-November FY21 as compared to $ 864.4 million last year. Mainly FDI was received from China (35 percent), Malta (13 percent) and Netherlands (12 percent) in Power (38 percent), Financial Business (19 percent) and Oil & Gas Exploration (14 percent).

2.5.2 Foreign Portfolio Investment

Foreign Private Portfolio Investment recorded a net outflow of $ 185.5 million during July-November FY2021.Foreign Public Portfolio Investment recorded a net outflow of $ 142.3 million. The total foreign portfolio investment recorded an outflow of $ 327.8 million during July-November FY2021. Countries with major inflows are UAE ($95.4 million) and Singapore ($20.6 million). While outflows destinations were UK ($149.3 million), US ($105.8 million) and Luxembourg ($30.9 million).

2.5.3 Worker’s Remittances

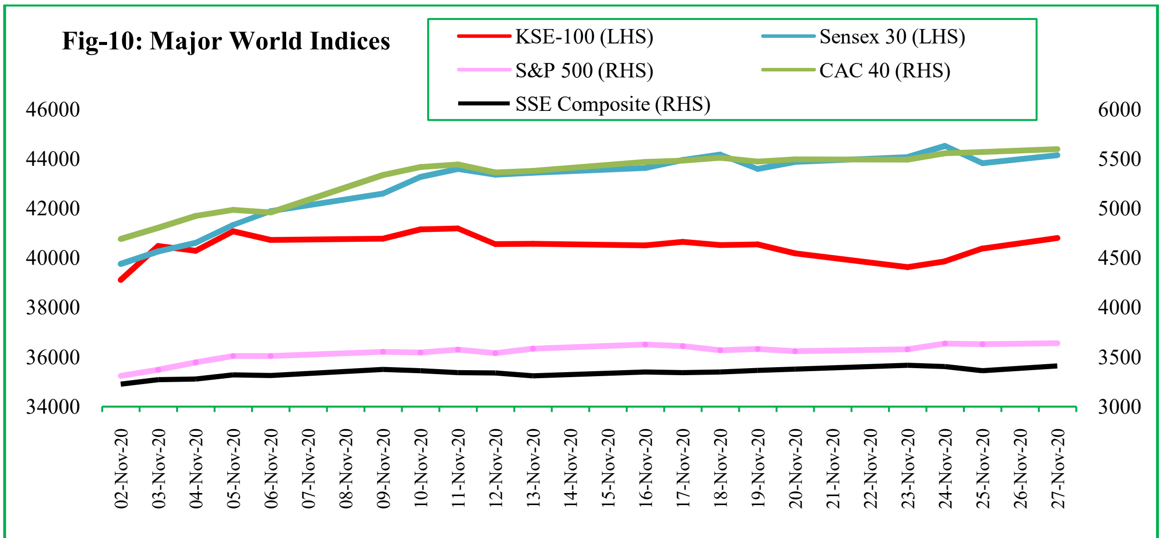
During July-November FY2021, remittances rose to $ 11.8 billion ($ 9.3 billion last year), with a growth of 26.9 percent. On YoY basis, remittances recorded $2.3 billion showing an increase of 28.4 percent in November 2020, ($ 1.8 billion in November 2019).Workers’ remittances remained above $ 2.0 billion for the sixth consecutive month in November 2020. Share of remittances from Saudi Arabia 28.3 percent ($ 3.3 billion), U.A.E 20.8percent ($ 2.4 billion), USA 8.5 percent ($ 1.0 billion), U.K 13.2 percent ($ 1.6 billion), other GCC countries 11.4 percent ($ 1.3 billion), Malaysia 0.8 percent ($ 0.09 billion), EU 8.7 percent ($ 1.0 billion) and other countries 9 percent.

2.5.4 Foreign Exchange Reserves

Pakistan’s total foreign exchange reserves increased to $20.3 billion by the end of November 2020, up by $4.3 billion over end-November 2019. The breakup of reserves accumulation in November 2020 shows that the SBP’s reserves stood at $13.1 billion ($9.1 billion last year) and $7.2 billion ($6.9 billion last year) in commercial banks’ reserves. The present reserves level provides the import cover of around 3 months.

2.6. Performance of KSE Index

November 2020 was a good month for the stock markets around the globe. Pakistan’s KSE-100 closed at 41,068 points on 30th November 2020, gaining 1,180 points in the month. Market capitalization gained Rs153 billion and settled at Rs 7,553 billion on 30th November 2020. As depicted in the (Fig-10), major stock markets have shown a rise in their indices in November 2020.



Source: Pakistan Stock Exchange & Investing.com

2.7. Social Sector

- Under Ehsaas Emergency Cash Program till 21-12-2020, Rs 179.22 billion has been disbursed to 14.83 million beneficiaries.
- Two million families will benefit from a monthly stipend of Rs 2,000 under the new EhsaasKafaalat policy for special persons. This is a step towards a disability-inclusive and sustainable post COVID-19 world.
- Payment to 4.3 million underprivileged women under EhsaasKafaalat Programme has been started in all four provinces, as well as in Gilgit-Baltistan. Under this programme, six-monthly payment of Rs 12,000 is being paid, at once, to the needy women, who would be able to withdraw the amount through ATMs.
- Under Kamyab Jawan Youth Entrepreneurship Scheme, Rs 1,703 million has been disbursed till October, 2020 to the youth for various businesses
- During November, 2020, Bureau of Emigration and Overseas Employment has registered 6023 emigrants for overseas employment in different countries.
- Bureau of Emigration and Overseas Employment ensured payment of more than Rs 53 million as death / disability compensation to the overseas Pakistanis/their dependents during the month of November, 2020.
- 989 Foreign Exchange Remittances Cards (FERC) of five categories (Silver, Silver Plus, Gold, Gold Plus, and Platinum) against foreign remittances of US$ 32.1 million has been issued to overseas Pakistanis.
- During CFY 2021, Rs 2.44 billion have been released for implementation of schemes i.e. Dar-ul-Ehsaas (Orphanages), Women Empowerment Centres, Schools for Rehabilitation of Child Labour, EhsaasKada (for shelter less senior citizen), Child Support Programme, Individual Financial Assistance etc.

National Poverty Graduation Programme

- It aims to assist the ultra-poor including women by transferring livelihood assets and providing trainings to 176,877 households in 23 districts of 4 provinces of Pakistan.
- During July to November 2020, 31,427 livelihood productive assets have been transferred to the ultra-poor while during the month of November, 757 livelihood assets were distributed out of which over 96 percent assets were transferred to women.

- PPAF through its 24 Partner Organizations has disbursed 62,405 interest free loans amounting to Rs 2,545 million during the month of November 2020. Since 14th November, 2017 till 30th November, 2020 a total of 1,067,561 interest free loans amounting to Rs 37.2 billion have been disbursed to the borrowers.

PPAF COVID-19 Economic Revival Programme

- Under this programme, PPAF has partnered with 19 organizations and covers 109 Union Councils in the 21 poorest districts across Khyber Pakhtunkhwa, Balochistan and Sindh.
- Since 26th March till 30th November 2020, a total of 66,584 households have received economic revival assistance in the form of livestock fodder, food packages, agricultural inputs, emergency interest free loans, small enterprise and kitchen gardening.

Health Services

- Till 23rd December 2020, so far 462,814 are COVID-19 confirmed cases with 415,352 recoveries and 9557 deaths recorded in the country. Based on reported cases the mortality rate is approximately 2.1 percent.
- 35 designated tertiary hospitals, 139 quarantine centres with 23,557 beds and 215 designated medical hospitals with isolation facilities having 2942 beds have been established across the country.
- Till 18-12-2020, Rs 7.4 billion out of allocation of Rs 14.5 billion has been authorized for the execution of 52 development projects in FY2021 to Ministry of National Health Services, Regulations & Coordination.

Education

- Ministry of Federal Education & Professional Training has launched the Radio School to reach out to remote areas of the country. The content of this mode of learning has been developed through partners with whom the Ministry had been engaged in previous months, since the outbreak of COVID-19 crisis.
- The radio-education channel and education portal are examples of how government has been responsive to take steps in the right direction to meet such crisis-situation and ensure that students are able to continue their learning.
- To mitigate the learning losses, e-platform is continuing to provide some of the best possible education materials in local language. Online/web-based support for all grade to access to the learning and instruction videos are available on various platforms (mobile/desktop/etc.) for students.
- Rs 4.5 billion have been allocated for 28 development projects of Ministry of Federal Education and Professional Training. Out of which Rs 2.24 billion has been authorized till 18th December, 2020.
- Directorate General of Religious Education (DGRE) continues its work for registration and other facilitation of Deeni-Madaris in order to bring them under single education system.

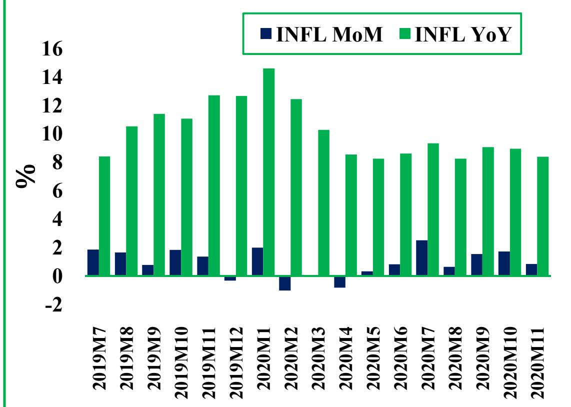
3. Economic Outlook

Outlook ensures economic revival on the basis of continued recovery seen in recent months. However, with the resurgence of new cases of corona-virus, still there is a risk of slower economic performance mainly due to halted activities in services. In order to ensure continuity in economic activity, the government is consistently advising general public to follow SOPs in letter and spirit.

3.1. Inflation

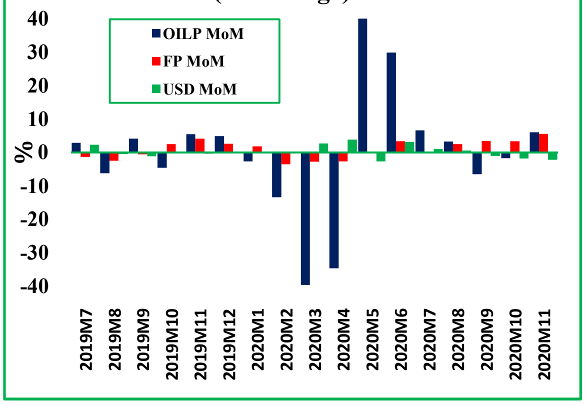
In the medium to longer term, inflation is driven by monetary and fiscal developments, international commodity prices, especially for food and oil products, the exchange rate and inflation expectations. In the short run, seasonal factors, supply disruptions and distortions in domestic food markets may play a role. Recent trends in inflation are shown in Fig-11A.

Fig-11A: Inflation (MoM & YoY)



MoM inflation was low and on average negative during the period February-May 2020. This was in part a reaction (with a delay of at least one month) to favorable external developments. Fig-11B shows that during January – April 2020.

Fig-11B: Other Determinant of Inflation (% Change)



MoM growth of international oil and food prices were negative on average, while the USD exchange rate did not play any major role. These developments were reversed from May 2020 onwards. Oil prices have increased from May to August, but have stabilized since then. On the contrary international food prices continued to rise. Government policies were put in place to mitigate the effects of international food prices on domestic prices and to monitor and improve the functioning of the domestic markets. In November MoM inflation came down to 0.8 percent from 1.7 in October which is expected to reduce further in December. Thus, for YoY in December, inflation is expected to fall within a range of 7.8 and 8.3 percent.

3.2. Agriculture

On the basis of input availability and better weather forecast, the prospects for growth in agriculture are very encouraging.

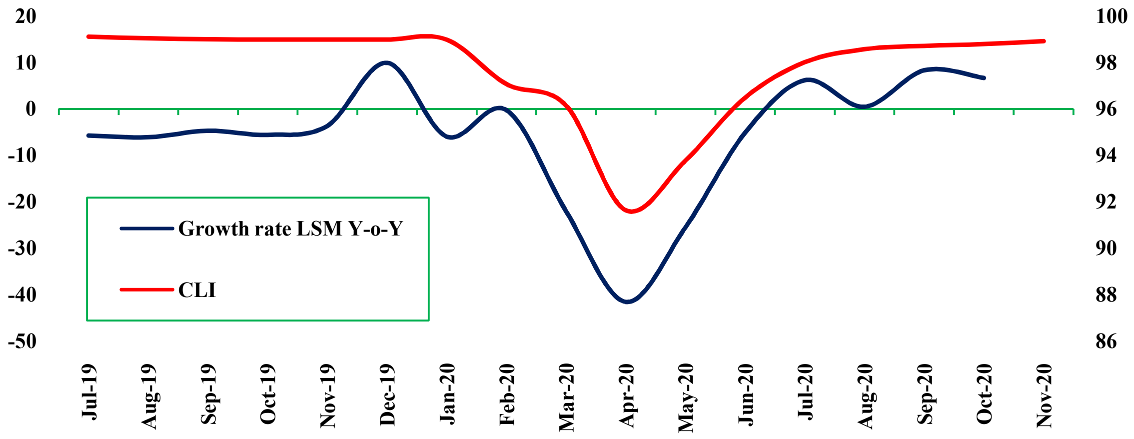
3.3. Industrial activity

Industrial activity, measured by the LSM index is the sector which is most exposed to external conditions. Its exposure to developments in international markets, is illustrated in Fig-12 which compares the year-on-year growth rate of LSM with the weighted average Composite Leading Indicators (CLI) in Pakistan's main export markets. In recent months, the CLI is flattening out and the same occurs with the YoY growth rate of LSM.

In every month since July 2020, the YoY growth rate of LSM was positive. Industrial activity has now again fully recovered from the downfall following the preceding BOP crises. The necessary adjustments to curb unsustainable external deficits had depressed LSM in

2019. In recent months LSM is now also on its way to recover from the COVID-19 crises that caused industrial output to fall significantly in March and April this year.

Fig - 12: Relationship between CLI and LSMI Growth rates (%)

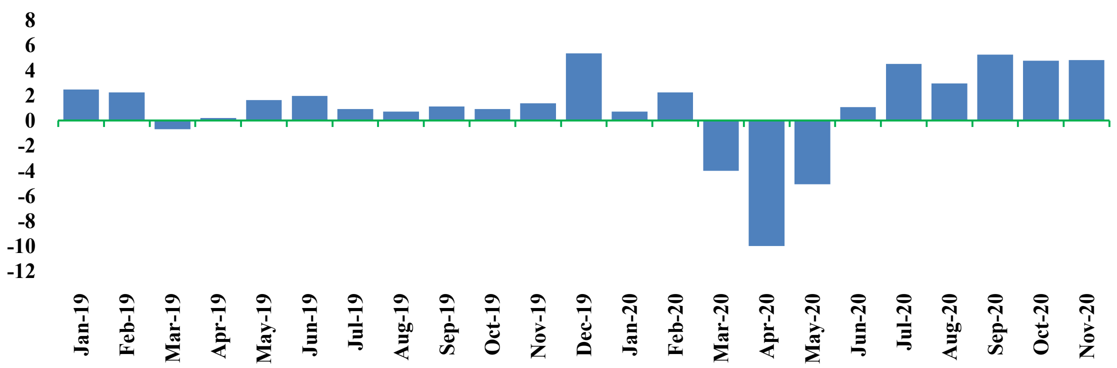


Source: OECD, PBS

3.4. Overall economic activity

Obtaining a useful indicator of ongoing overall economic activity is extremely important for policy purposes. The Monthly Economic Indicator (MEI) is based on combining monthly data of indicators that are proven to be correlated with GDP at constant prices. The MEI is scaled to align with annual GDP growth. Fig-13 presents the MEI on monthly basis since January 2019. Based on available data, the MEI shows continued better growth in November, in continuation with the trend observed in the previous four months. It follows that after a strong first quarter, economic growth remains persistent also in the first two months of the second quarter.

Fig -13: Monthly Economic Indicator (MEI)



Source: EAW calculations

3.5. External

During July – November exports of goods and services, as compiled in the Balance of Payments reached 12 billion USD as compared to 13 billion in the same period of last year. Likewise imports of goods and services reached 21 billion this year against 22 billion last year. The trade balance thus remained at the level seen in July-November FY 2020. Based on current information, it is expected that the same trend will hold in December as well. For the first two quarters of the current FY, it is expected that exports will remain around levels observed in the corresponding period of previous FY while imports will remain slightly lower. This indicates that the ongoing economic recovery mainly represents increased domestic production for use in domestic markets.

Remittance inflows keeping its trend seen in previous months, will remain at a high level and are expected to compensate for the trade balance deficit in the first half of the current FY.

3.6. Fiscal

Despite the challenges, fiscal performance is encouraging, especially on revenues side. Despite a fast tracking of refunds, FBR tax collection has increased. It is expected that FBR's concerted efforts to improve the tax collection through various policy and administrative measures will give further rise to tax collection in the coming months. Moreover, with the current pace of tax collection, FBR is likely to achieve its tax collection target for the first half of current fiscal year

4. Way Forward

The Pakistan economy is currently recovering from two consecutive crises. The first one, that continued in most of 2018 and 2019, which compelled necessary macroeconomic adjustments needed to correct the accumulation of unsustainable external BOP deficits. The second one is associated with world-wide lockdowns including Pakistan during February – August 2020 due to COVID-19 pandemic. The recovery from both of these shocks is underway and promises strong growth in the current Fiscal Year. The main risk factor to this scenario is the recently observed resurgence of new waves of infections world-wide and also in Pakistan, necessitating imposition of new restrictions on social contacting that may impact on the economic expansion. The effects on the economic outlook will depend on the intensity of pandemic and duration of restrictions. But specific well designed government policies both domestically as well as in Pakistan's trading partners may soften the economic burden of these necessary restrictions.

Economic Indicators (23-12-2020)

	2019-20 (Jul-Nov)	2020-21 (Jul-Nov)	% Change
External Sector			
Remittances ($ bn)	**9.3**	**11.8**	↑ **26.9**
Exports ($ bn)	**10.3**	**9.6**	↓ **7.1**
Imports ($ bn)	**18.3**	**18.2**	↓ **1.0**
Trade Deficit ($ bn)	**8.1**	**8.6**	↑ **6.9**
Current Account Balance ($ bn)	**-1.7**	**1.6**	↑
Current Account Balance (% of GDP)	**-1.6**	**1.4**	↑
FDI ($ mn)	**126.5** (Oct)	**317.4** (Oct)	↑ **150.9**
	192.4 (Nov)	**-16.0** (Nov)	↓
	864.4	**717.1**	↓ **17.0**
Portfolio Investment-Private ($ mn)	**-7.1** (Oct)	**-37.1** (Oct)	↓
	3.9 (Nov)	**-39.9** (Nov)	↓
	19.5	**-185.5**	↓
Portfolio Investment-Public ($ mn)	**1136.8**	**-142.3**	↓ **112.5**
Total Foreign Investment ($ mn) (FDI &Portfolio Investment)	**2020.7**	**389.3**	↓ **80.7**
Forex Reserves ($ bn)	**17.594** ***(SBP: 10.906)*** ***(Banks: 6.688)*** (On 20th Dec 2019)	**20.290** ***(SBP: 13.193)*** ***(Banks: 7.097)*** (On 21st Dec 2020)	
Exchange rate (PKR/US$)	**154.90** (On 20th Dec 2019)	**160.72** (On 21st Dec 2020)	

Source: SBP

(Rs bn)

	2019-20 Jul-Oct	2020-21 Jul-Oct	% Change
Fiscal			
FBR Revenue	**1623** (Jul-Nov)	**1688** (Jul-Nov)	**↑ 4.0**
Non Tax Revenue (Federal)	**454**	**429**	**↓ 5.5**
Expenditures (Federal)	**1691**	**1920**	**↑ 13.5**
PSDP (Authorization)	**296.3** (1st Jul to 20th Dec)	**320.2** (1st Jul to 18th Dec)	**↑8.0**
Fiscal Deficit	**564**	**753**	**↑ 33.5**
Monetary Sector			
Agriculture Credit (Provisional)	**347.4**	**357.8**	**↑ 3.0**
Credit to private sector (Flows)	**79.2** (1st Jul to 6th Dec)	**-15.0** (1st Jul to 4th Dec)	
Growth in M2 (%)	**1.9** (1st Jul to 6th Dec)	**1.8** (1st Jul to 4th Dec)	
Policy Rate (%)	**13.25** (w.e.f 22-Nov-19)	**7.00** (w.e.f 23-Nov-2020)	

Source: SBP & FBR, Budget Wing

	2019-20	2020-21	% Change
Inflation			
CPI (National) (%)	**12.7** (Nov)	**8.3** (Nov)	
	10.80 (Jul-Nov)	**8.76** (Jul-Nov)	
Real Sector			
Large Scale Manufacturing (LSM) (%)	**-5.56** (Oct)	**6.66** (Oct)	
	-5.5 (Jul-Oct)	**5.5** (Jul-Oct)	
Miscellaneous			
PSX Index*	**34889** (On 1st Jul 2020)	**43334** (On 21st Dec 2020)	**↑ 24.21**
Market Capitalization (Rs trn)	**6.61** (On 1st Jul 2020)	**7.96** (On 21st Dec 2020)	**↑ 20.42**
Market Capitalization ($ bn)	**39.33** (On 1st Jul 2020)	**49.55** (On 21st Dec 2020)	**↑ 25.99**
Incorporation of Companies	**7180** (Jul-Nov)	**10236** (Jul-Nov)	**↑ 42.56**

*: Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP