Monthly Economic Update & Outlook

NOVEMBER 2020

Government of Pakistan
Finance Division
Economic Adviser's Wing

Contents

1. International Performance and Outlook

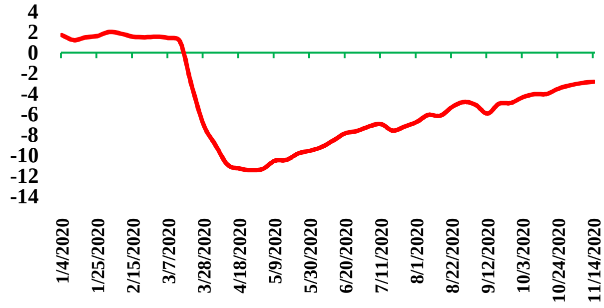
Recent upsurge in COVID-19 infections and hospitalizations have hit Pakistan's most important export markets, with the exception of China. In the Euro Area and the UK, fresh lockdown measures have been imposed to flatten the curve. On the other hand, in US, no major restrictions have been imposed yet, thus infection seem still rising. As a result, the recent economic indicators show mixed global outlook.

The Weekly Economic Index (WEI) continued its upward trend up to the latest available data point in mid-November 2020. However, improvement in recent weeks seems to decelerate due to upsurge in new cases. Further current value of this index indicates that still economic growth is far from its pre-crisis's level. (**Fig-1**).

The Composite leading Indicator (CLI) compiled by the OECD, shown further improvement for US. The same happened in China. In the Euro Area, the index improved only marginally, whereas it declined in the UK. According to these leading indicators in Pakistan's most important export markets, the CLI of October 2020 has fully recovered from the pandemic-led recession in China. In the US and the Euro Area, the CLI remained below pre-pandemic levels, whereas for UK, it remained marginally lower. The recent precautionary measures taken in the Euro Area and in the UK, which may soon be followed by the US, may slow down their near-term economic recovery. (**Fig-2**).

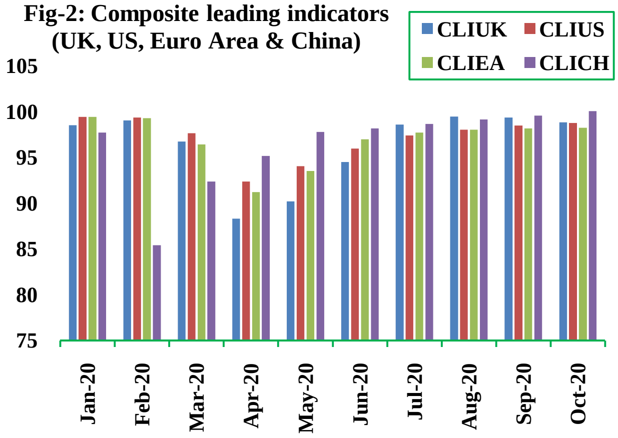
Following the news of several successes booked in the development of new vaccines, The US stock market has rebounded in November. It reached an all-time high on November 16. The Chicago Board Options Exchange (CBOE) Volatility Index (VIX), which measures the implicit volatility in option prices and can be considered to be an indicator of investors' uncertainty, declined significantly in November, after an upsurge in October (**Fig -3**).

Fig-1: Growth in WEI (%)



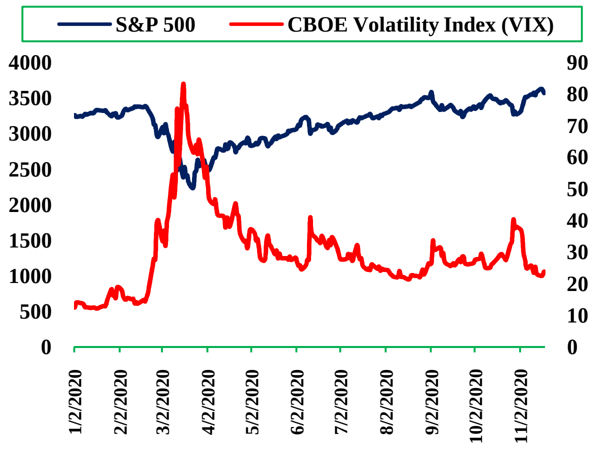
Source: Federal Reserve Bank of New York

Fig-2: Composite leading indicators (UK, US, Euro Area & China)



Source: OECD

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



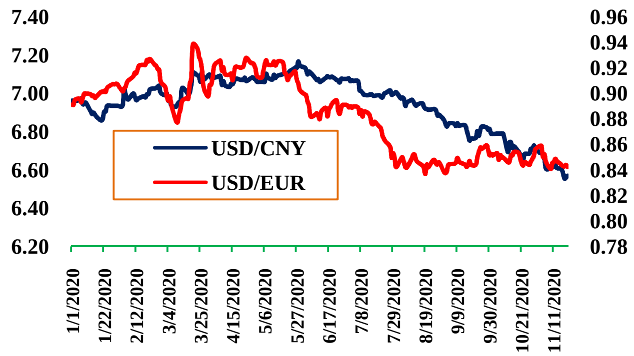
Source: Yahoo Finance

The same optimism was reflected in Euro Area stock markets, but they are still well below pre-pandemic levels. The reaction in the Chinese stock markets was less pronounced.

Information Handling Services (IHS) Markit, London–based global information provider released its final purchasing managers' indices (PMIs) for services in multiple countries. As per November 2020, press release, in October 2020, Global PMI indicated recovery which lost a little momentum in September 2020. The latest sector PMI data from IHS Markit signaled higher output in 17 out of 21 sectors in October, up from 14 in September and the largest total since April 2019. Covid-19 resurgence in infection rates is causing renewed contraction in some countries. Eurozone is seeing worrying stalling of growth. US is witnessing improved manufacturing and services but still acceleration is dampened by weak consumer services and uncertain outlook. China and UK saw upturn but for UK, steepest fall is seen in employment. Price pressures on the rise but varied by country and limited pass through to final prices due to competition.

The differential paces of recovery are reflected in recent exchange rate movements. The Chinese Yen continued to strengthen against both the US dollar and the Euro. However, the exchange rate between US dollar and Euro remained largely fluctuating since end of July 2020. **(Fig–4)**

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



Source: Yahoo Finance

Regarding International prices, Commodity Prices rose in October, with energy commodity rising 0.5% and non-energy commodity rising 1.5%. Food commodities rose sharply, led by oils and meals (6.9%) and grains (3.4%). Precious metal fell by 1.9% while base metal rose by 1.3%. It is also mentionable that Food prices have spiked in several countries, especially in South and East Asia. As per World Bank, Commodity Market Outlook, October 2020, Agricultural prices are expected to rise slightly in 2021 following a projected 3 percent increase in 2020. Despite a modest increase in prices, concerns about food insecurity in several Emerging Markets & Developing Economies have risen. In addition to lowering incomes, the pandemic has created bottlenecks in food availability at the local level due to supply chain disruptions and border closures that have restricted food flows and movements of labor. Thus, spike was observed in food prices in several countries, especially in South and East Asia.

2. Monthly Performance of Pakistan's Economy

COVID-19 has devastated the whole world. The global economic growth remained negative 4.4 percent after almost 76 years (negative 8.1 percent in 1946). Like, all other economies, Pakistan's economy also suffered from the pandemic and real GDP growth remained negative 0.38 percent. The pandemic hit all economies more severely than its initial estimates. However, the recent economic concern is more related to recovery shape and duration.

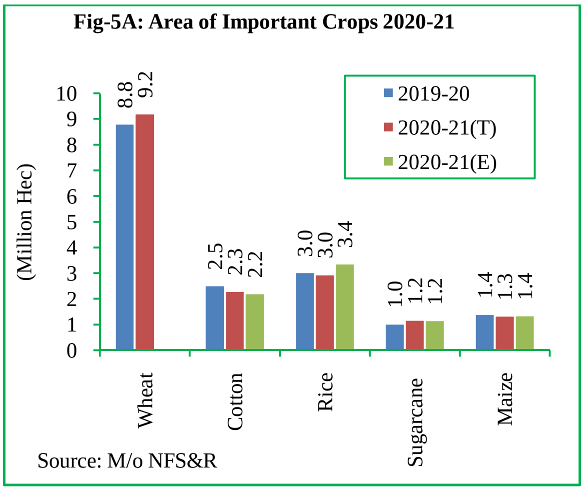
Pakistan has taken timely measures to mitigate the negative impact of the pandemic. Thus, in Q1 FY 2021, considerable recovery has been seen in domestic economic activity. However, the ignorance of general public caused the resurgence of the COVID 19 infection, thus putting downside risks to the outlook, particularly, if there are tighter restrictions on mobility.

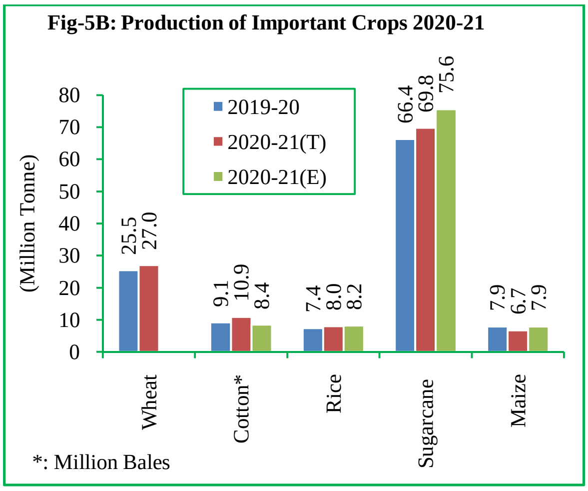
It is worth to mention that the government is actively monitoring the country's situation and therefore additional steps are being introduced for both containment of pandemic and continuation of economic activities. Further, the government is taking all initiatives to facilitate agriculture and industry to dampen the downside risk and accelerate the economic recovery.

2.1 Real Sector

2.1-a Agriculture

The important crops (wheat, rice, sugarcane, maize and cotton) accounts for 21.7 percent in the value addition of agriculture sector and 4.2 percent in GDP. Realizing the importance of wheat crop, which accounts for 8.7 percent to value addition in agriculture and 1.7 percent to GDP, Federal Committee on Agriculture in its 15th meeting fixed the Rabi Crop 2020-21 target of wheat production at 27.0 million tonnes from cultivation area of 9.210 million hectares.





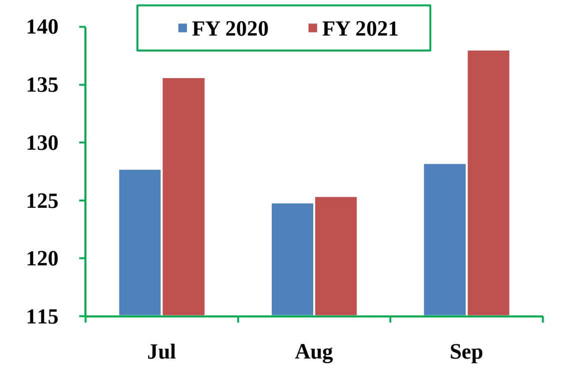
To achieve production targets of Rabi 2020-21 crops the government has announced "Rabi Package" to reduce the input cost for the farmers with the special intent to increase the production of wheat in the country. According to this package, Minimum Support Price (MSP) of wheat has been increased to Rs 1650 per 40 kg from Rs 1400 per 40 kg in 2019-20 season. Besides this, a subsidy of Rs 1000 per 50 kg bag of DAP and other P & K fertilizers. The Federal and Provincial governments will share the subsidy in 70 percent and 30 percent ratio. A subsidy on weedicides @ Rs 250 per acre and fungicides @ Rs 150 will be given by the Federal Government as a part of the Rabi Package.

2.1-b Manufacturing

LSM has started to rebound after the havoc caused by COVID-19. During July-September FY 2021 LSM grew by 4.8 percent (-5.5 percent during last year). MoM LSM increased by 10.1 percent in September FY 2021. LSM witnessed the highest YoY increase of CY 2020 by showing 7.7 percent rise in September FY 2021 (-4.7 percent September FY2020).

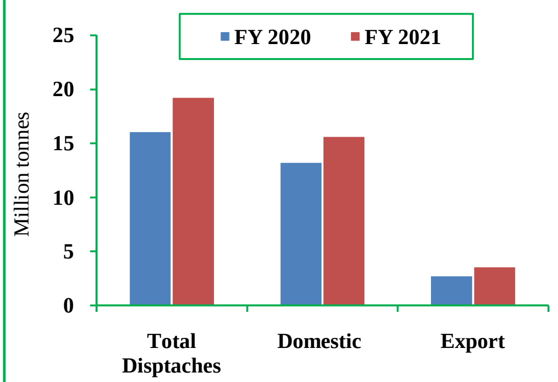
In September FY 2021, on MoM basis, 12 out of 15 subsectors of LSM have witnessed positive growth. Textile is exhibiting positive growth since last five months. Textile, Food Beverages & Tobacco, Coke & Petroleum Products, Non-Metallic Mineral Products and Automobile grew by 0.7, 4.3, 4.8,35.1 and 39.9 percent, respectively. On YoY basis, Textile, Food Beverages & Tobacco, Non-Metallic Mineral Products, Fertilizer and Automobile grew by 2.5, 10.1, 20.7, 7.9 and 27.7 percent, respectively.

Fig-6 A: LSM Index



Source: Pakistan Bureau of Statistics

Fig-6 B: Cement Dispatches Jul-Oct



Source: All Pakistan Cement Manufacturer Association

During July-October FY 2021 total car sale increased by 8.1 percent while production plunged to 14.4 percent. However, on YoY basis in October FY 2021, production and sale increased by 21.5 and 25.4 percent, respectively. While on YoY basis, in October FY 2021, total trucks & buses sale increased by 20.8 percent and production decreased by 22.1 percent.

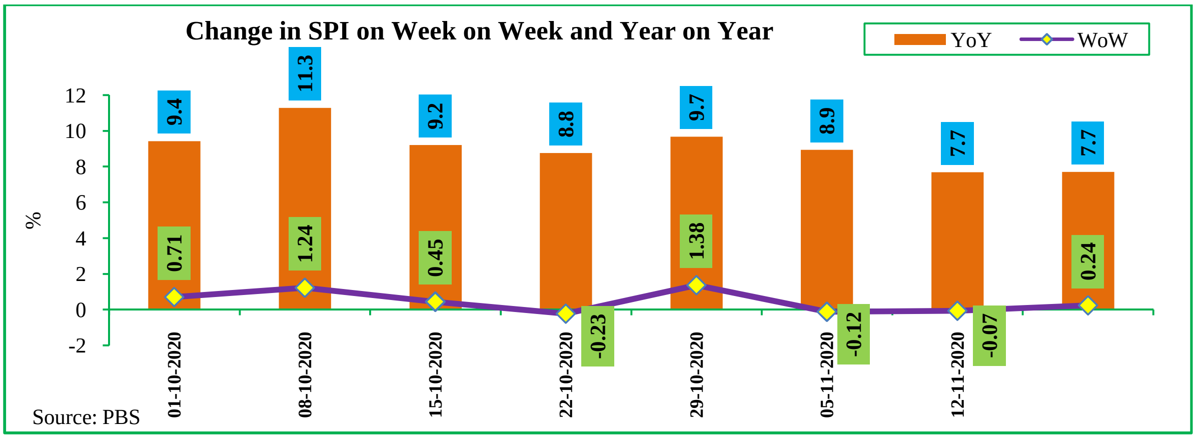
Government has announced a Relief Package for SMEs, under which electricity tariff has reduced to Rs 8/unit (earlier Rs 16/unit) from 1st November, 2020 till June 30, 2021, with no peak hours. While for the next three years Rs 12/unit electricity tariff would be charged from all industries, which means 25 percent tariff discount. Under Economic Stimulus Package, FBR has given relief to export oriented industries by giving Rs 40 billion (out of Rs 70 billion) tax refunds up till 30th September, 2020.

2.2. Inflation

The national Consumer Price Index (CPI) of October 2020 recorded at 8.9 percent compared to 11 percent in October 2019. The average CPI between July and October eased from last year's 10.3 percent to 8.9 percent this year. Hence both YoY and average inflation follow the downward path compared to upward trend in last year.

Sensitive Price Indicator for the week ended on 19th November, 2020 increased by 0.24 percent on weekly basis after two consecutive declines during the month of November 2020. The graph below indicates YoY and WoW SPI trend augur well for the November CPI.

Change in SPI on Week on Week and Year on Year



Source: PBS

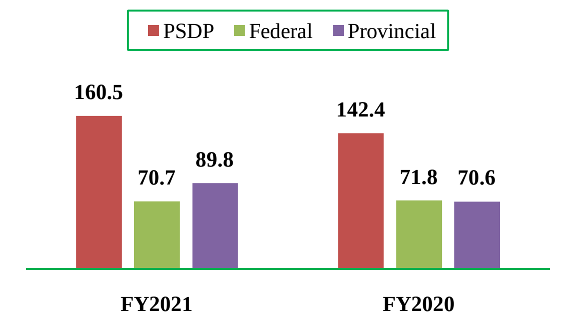
The government is already focused on improving food supplies and achieving food security to protect the vulnerable section of society. Food prices are expected to come down with the arrival of new crops of vegetables. The government has started importing wheat and sugar to bridge the shortfall in supplies and control prices. In addition, the sugar mills have switched on their boilers and have started sugarcane crushing for the new season which will bring down the sweetener's price. Besides, the reduction in petroleum prices by the government in November will also restrict the pace of inflation in the country.

2.3. Fiscal

The fiscal sector continues to perform better in the wake of unprecedented challenges due to COVID 19 pandemic. During the first quarter of the current fiscal year, although fiscal deficit slightly increased to 1.1 percent of GDP against 0.7 percent recorded last year, yet it remained below the target set for the first quarter. The primary balance remained in surplus of Rs 257.7 billion (0.6 percent of GDP) in Q1, FY2021 against Rs 285.7 billion (0.7 percent of GDP) in the same period of last year.

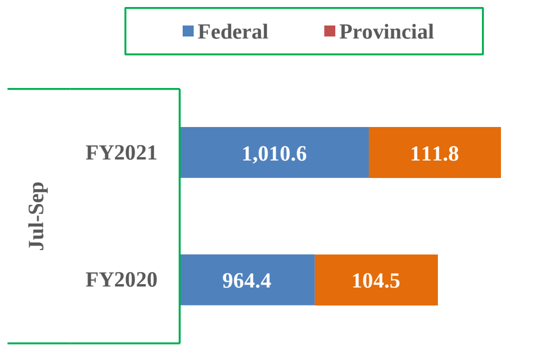
During the quarter, tax revenues (federal & provincial) stood at Rs 1122.4 billion against Rs 1068.9 billion which represents growth of 5 percent. On expenditure side, total development expenditures increased by 15.4 percent to Rs 164.5 billion during Jul-Sep, FY2021 against Rs 142.5 billion in the same period of last year. Out of which, PSDP (federal & provincial) remained Rs 160.5 billion in FY 2021 compared to Rs 142.4 billion in FY 2020 posting a growth of almost 13 percent.

Fig - 8 B: Development Expenditure (Jul-Sep) Rs.billion



Source: M/o Finance

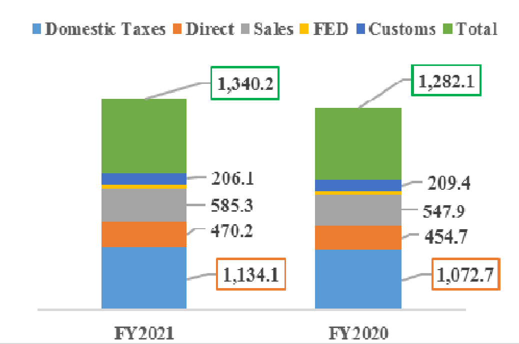
Fig - 8 A:Tax Collection (Federal & Provincial) Rs.billion



FBR Tax Collection

The provisional tax collection by FBR has increased by 4.5 percent to Rs 1340.2 billion during first four months of current fiscal year against the net collection of Rs 1282.1 billion in the same period of last year. Within total, domestic tax collection grew by 5.7 percent, while customs duty declined by 1.6 percent during the period under review. Only for the month of October 2020, the net collection witnessed an increase of 4 percent to reach Rs 336.1 billion against Rs 323.0 billion in the comparable period of FY2020.

FBR Tax Collection (Jul-Oct) Rs.billion



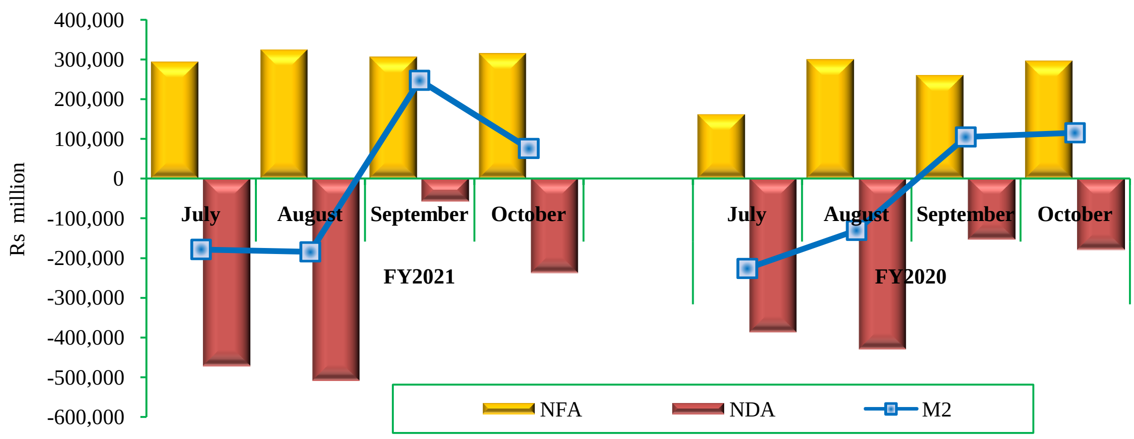
Source: FBR

2.4. Monetary

During 1st July-30th October, 2020, Broad Money (M2) observed a cumulative expansion of Rs 76.1 billion (growth of 0.36 percent) compared with Rs 115.4 billion (growth of 0.65 percent) last year. Growth in money supply is completely attributed to Net Foreign Assets (NFA) which remained Rs 314.8 billion as compared to Rs 295.7 billion last year. Whereas, Net Domestic Assets (NDA) of the banking system declined by Rs 238.6 billion against reduction of Rs 180.4 billion last year. Factors which contributed in NDA reduction include lower budgetary borrowing from scheduled banks, more than seasonal retirement by private sector credit and commodity operation financing.

For budgetary support, Government has borrowed Rs 213.6 billion as compared with Rs 331.7 billion last year. Within budgetary support, government has retired Rs 215.9 billion to SBP against retirement of Rs 57.3 billion last year. The Private Sector Credit (PSC) retirement stood at Rs 49.4 billion against the retirement of Rs 6.6 billion last year.

Fig - 10: Monthly Cummulative Flows Since End-June



Source: SBP

2.5. External Sector

In October 2020, Current Account remained in surplus ($382 million) for fourth consecutive month. Thus, Current Account posted a surplus of $1.2 billion (1.3 percent of GDP) during Jul-Oct FY2021 against a deficit of $1.4 billion last year (-1.6 percent of GDP).Contraction in import of goods and services, coupled with healthy growth in workers' remittances resulted in surplus of current account.

As per PBS data, exports during Jul-Oct FY 2021 increased by 0.6 percent to $ 7.6 billion as against $ 7.5 million last year. The textile sector exports (63 percent share in total exports) increased by 3.8 percent in value over the last year. Value added exports (40 percent share in total exports) increased by 9.1 percent (value). The total imports in Jul-Oct FY2021 recorded at $ 15.2 billion ($ 15.3 billion last year), thus declined by 0.4 percent. The Petroleum group (share of 20.8 percent in total imports) decreased by 24.6 percent (value), of which import of petroleum crude decreased by 26.1 percent (value) and increased by 15.8 percent (quantity). Import of petroleum product increased by 67.0 percent (quantity) and decreased by 12.5 percent (value).

Fig - 11 A: Major Exports in terms of Quantity in (MnT/Mn Doz)

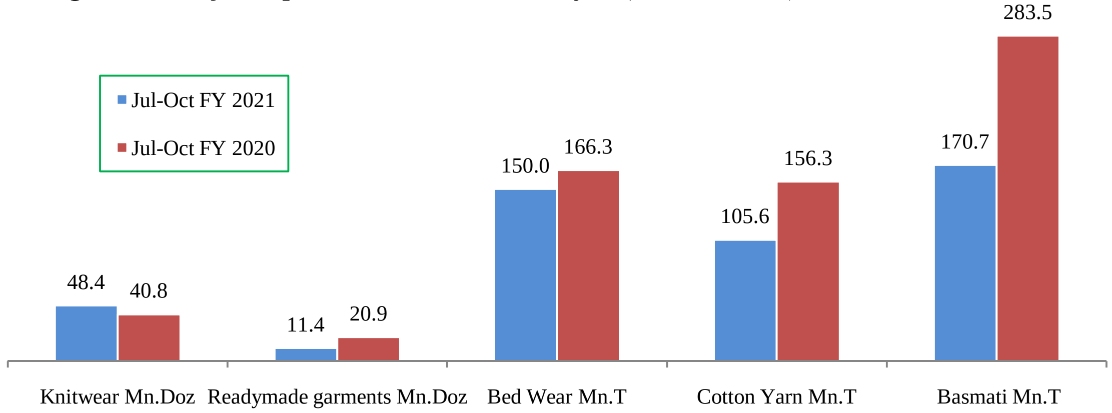


Fig - 11 B: Imports Value

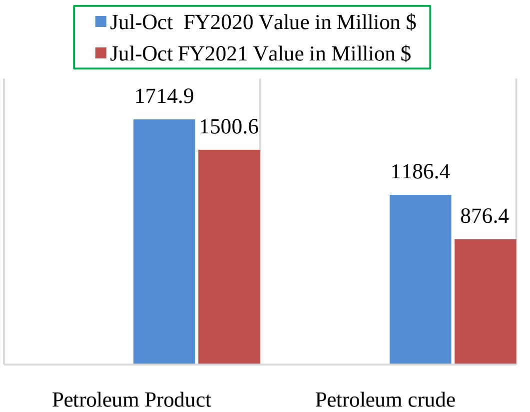
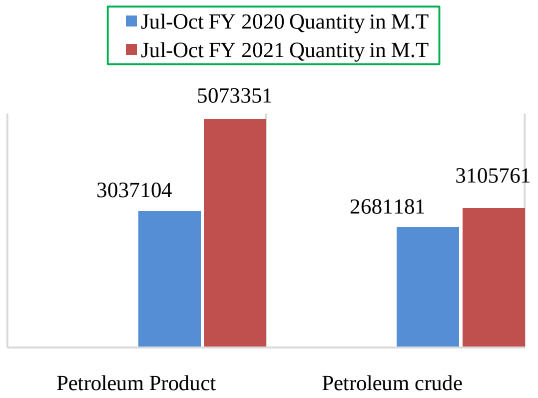


Fig - 11 C: Imports Quantity



Source: Pakistan Bureau of Statistics

2.5.1 Foreign Direct Investment

FDI increased by 67.9 percent to $ 317.4 million on MoM in October 2020 as against $ 189 million September 2020. On YoY basis, FDI increased by 150.9 percent during October 2020 and stood at $ 317.4 million as compared to $ 126.5 million October 2019. During July-October FY2021, FDI increased by 9.1 percent to $ 733.1 million as compared to $ 672.0 million last year.

Fig-12 A: Country-Wise FDI (July-October FY 2021)

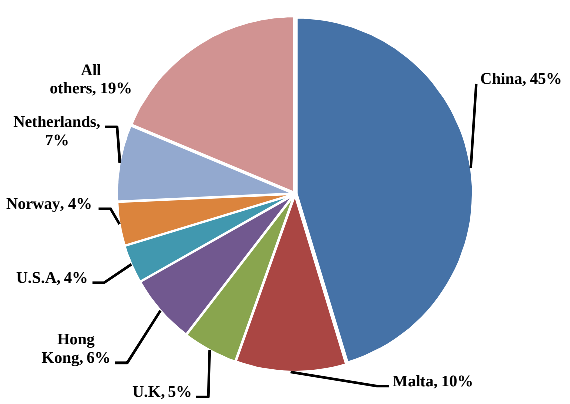
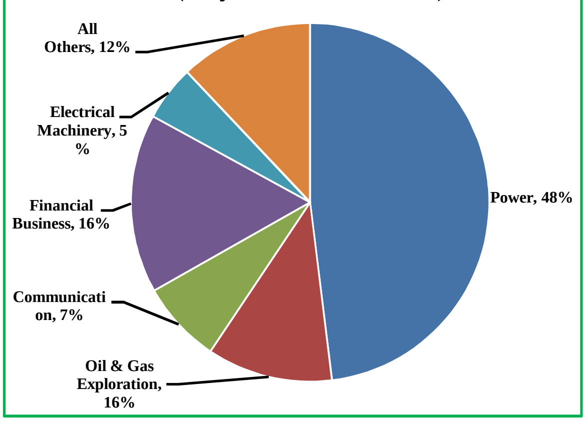


Fig 12 B: Sector-Wise FDI (July-October FY 2021)



Source: State Bank of Pakistan

2.5.2 Foreign Portfolio Investment

Foreign Private Portfolio Investment recorded a net outflow of $ 145.6 million during July-October FY2021. Foreign Public Portfolio Investment recorded a net outflow of $ 162.0 million. The total foreign portfolio investment recorded an outflow of $ 307.5 million during July-October FY2021 as against inflow of $ 452.3 million last year. Countries with major inflows are UAE ($69.2 million) and Singapore ($ 19.2 million). While outflows destinations were UK ($ 106.6 million), US ($ 88.1 million) and Luxembourg ($ 29.0 million).

2.5.3 Worker's Remittances

During July-October FY2021, remittances rose to $ 9.4 billion against $ 7.5 billion last year, with a growth of 26.5 percent. Share of remittances from Saudi Arabia 28.8 percent ($ 2715.3 million), U.A.E 20.4 percent ($ 1924.9 million), USA 8.7 percent ($ 815.9 million), U.K 13.4 percent ($ 1264 million), other GCC countries 11.2 percent ($ 1057.2 million), Malaysia 0.8 percent ($ 73.4 million), EU 8.5 percent ($ 804.7 million) and other countries 9 percent.

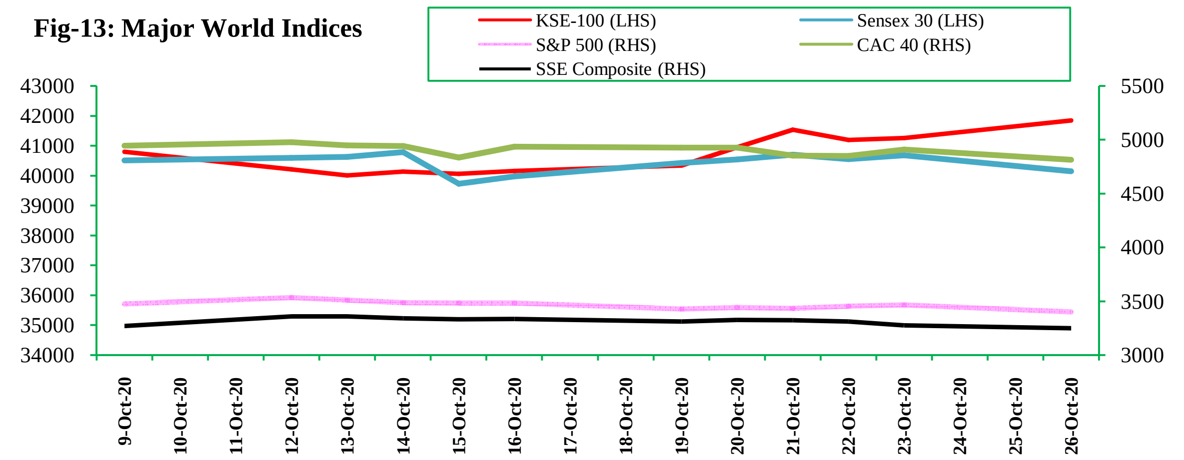
2.5.4 Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves increased to $19.3 billion by the end of October 2020, up by $3.9 billion over end-October 2019. The breakup of reserves accumulation in October 2020 shows that the SBP's reserves stood at $12.2 billion ($8.2 billion last year) and $7.2 billion ($7.2 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

The KSE-100 index hovered around 40,000 points in October 2020 and closed at 39,888 points on 29th October 2020 – losing 788 points in the month. Market capitalization lost Rs 249 billion and settled at Rs 7,399 billion on 29th October 2020. Major world indices have shown an oscillating trend in October 2020.

Fig-13: Major World Indices



Source: Pakistan Stock Exchange & Investing.com

2.7. Social Sector

- Under Ehsaas Emergency Cash Program, Rs 179.21 billion has been disbursed to 14.83 million beneficiaries till 6th November, 2020.

- PM has accorded approval for increasing the number of Ehsaas Kafalat programme beneficiaries from the existing 4.6 million to 7 million through which it gives monthly cash stipends of Rs 2,000 to the most deserving and poorest women across the country.
- Under Kamyab-Jawan Youth Entrepreneurship Scheme, Rs 1,349 million has been disbursed till September, 2020 to the youth for various businesses.
- The government has extended the date for submission of Ehsaas undergraduate Scholarship applications till 30th November, 2020. This is to facilitate maximum number of fresh undergraduate students to apply for the scholarship.
- During October 2020, Bureau of Emigration and Overseas Employment has registered 4143 Pakistanis for employment in different countries.
- Overseas Pakistanis Foundation has received 250 applications of the destitute families of overseas Pakistanis out of which 114 cases have been approved and an amount of Rs 46 million has been disbursed to the destitute families of overseas Pakistanis whereas remaining 136 cases are under process for disbursement.
- Government has allocated Rs 33 billion for payment of mark-up subsidy for affordable housing finance over a period of 10 years. For this purpose, State Bank and Government of Pakistan have signed a memorandum of understanding.
- During FY 2021, Rs 2.4 billion have been released out of the allocation of Rs 6.1 billion for implementation of schemes i.e. Dar-ul-Ehsaas (Orphanages), Women Empowerment Centres, Schools for Rehabilitation of Child Labour, Ehsaas-Kada (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.
- Since inception till 31st October 2020, 30,670 livelihood productive assets have been transferred to the ultra-poor while during the month of September, 421 livelihood assets were distributed, out of which over 96 percent assets were transferred to the women.
- PPAF through its 24 Partner Organizations has disbursed 53,715 interest free loans amounting to Rs 1,855 million during the month of October 2020.

PPAF COVID-19 Economic Revival Programme

- Under this programme, PPAF has partnered with 19 organizations and covers 109 Union Councils in the 19 poorest districts across Khyber Pakhtunkhwa, Balochistan and Sindh.
- 1,762 households have received economic revival assistance during October 2020.

Health Services

- Till 25th November 2020, so far 342,892 confirmed cases with 332,974 recoveries and 7,803 deaths recorded in the country. Based on reported cases the mortality rate is approximately 2.0 percent.
- The Government is employing available public sector capacity and private community to rapidly scale up the health system to prevent spread of COVID-19.
- To combat the 2nd Wave of COVID-19 pandemic, following Strategy adopted by the government:
    - Limiting Public Space to reduce transmission;

- Smart Lockdowns implemented in localities (with more than 100 cases) to reduce the transmission and also to provide relief to labour and lower middle-income group for their livelihood;
- Testing, Tracing & Quarantine;
- SOPs & Guidelines were developed ensuring uniformity in mitigation response;
- Enhanced Testing Capacity
- To improve management of patients in ICUs and HDUs, training of Rapid Response Teams and health care workers developed and conducted.

Education

- 16 Regional Offices are active and working to support for registration and facilitation to Deeni-Madaris all over Pakistan.
- 28 development projects of the ministry are being on tracked to expedite their progress. During the month of October 2020, Rs 400 million have been spent, especially in improving missing facilities' infrastructure and other up-gradation work.

3. Economic Outlook

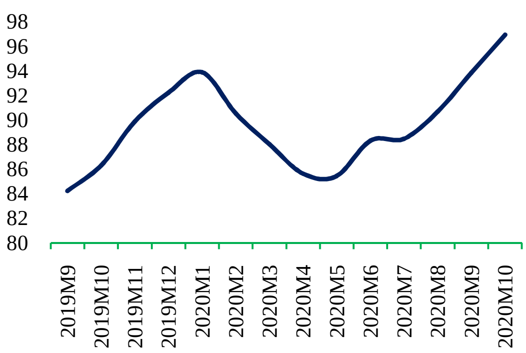
Economic recovery which was started since the start of the new fiscal year, continued in the month of October 2020. However, looking at the impact of the ongoing coronavirus, the downside risks are becoming prominent. Most importantly the recent increase in number of Corona virus cases is forcing government to follow partial careful policy especially in services sectors. Thus, like rest of world, economic outlook for Pakistan is also having a mixed message. However, if the SOPs are strictly followed by the general public, it is expected the negative impact can be dampened and economy will return to long-term sustainable growth path.

3.1. Inflation

During Jul – Oct FY 2021, the main drivers of inflation (CPI) in Pakistan are international and domestic commodity prices, especially for food and oil products, the exchange rate and monetary and fiscal policies. Supply disruptions and inflation expectations have also played major role in the determination of prices of food and non-food items.

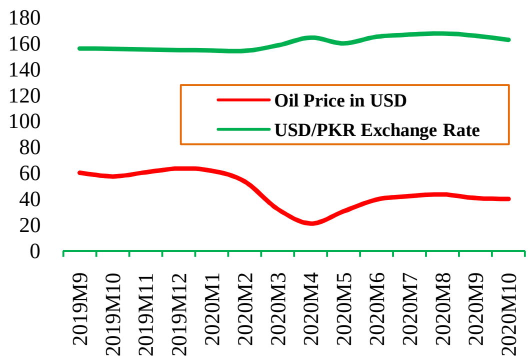
In recent months, the international food prices have increased compared to last year while oil price is stable at a lower level. Further, the PKR exchange rate slightly appreciated against the USD when the first 4 months of 2020 are compared with the corresponding months of 2019. Thus, easing out inflationary pressures.

Fig - 14 A: Food Price Index



Source: World Bank

Fig - 14 B: Exchange Rate & Oil Prices



Source: World Bankd & SBP

There is no change in Indirect tax or other measures which may cause inflationary impact. Likewise, interest rate is kept unchanged. The CPI level reacts to the aforementioned developments with a time lag, implying that they contain relevant information for short term inflation prediction. On the basis of this information, MoM headline inflation is expected to be around 0.9 percent in November (margin between -0.3 and +1.4 percent) against 1.7 percent in October 2020 and 1.45 percent in October 2019. YoY headline inflation in November is expected to settle around 8.5 percent (but within a broad uncertainty margin between 7.6 and 9.0 percent) compared to 8.9 percent in October 2020 and 11.0 percent in October 2019. It seems that tendency of inflation easing will prevail in coming months.

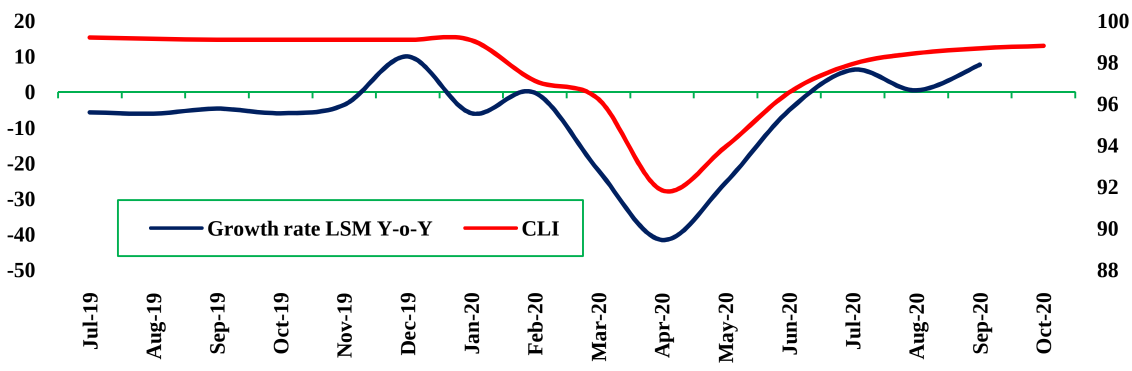
3.2. Agriculture

The prospect for growth in agriculture are encouraging on the basis of better production of sugarcane and rice. The government has announced "Rabi Package" which will encourage major and minor crops growers and it is expected that performance of agriculture will remain as per target or it may even surpass the target.

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-15 which compares the YoY growth rate of LSM with the weighted average Composite Leading Indicators in Pakistan's main export markets (CLI). LSM index is published with a time lag of around two months, whereas CLI is published with a one-month lag. The recent movements in LSM are coherent with the further economic expansion in the main trading partners, and with the deceleration of the strength of that expansion as shown by the flattening CLI.

Fig - 15: Relationship between CLI and LSMI Growth rates (%)



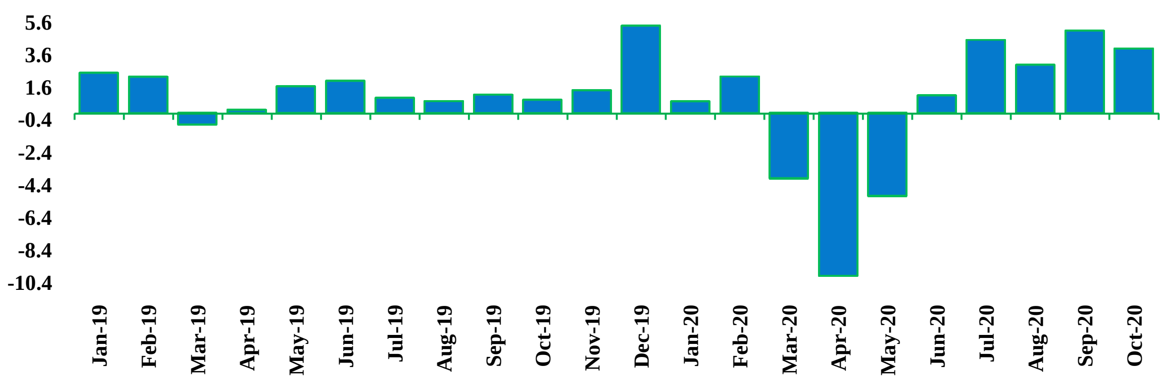
Source: OECD, PBS

3.4. Overall economic activity

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. It is a so-called global method, implying that changing any point or adding points to the series will affect all points in the indicator (the same is the case with other international indicators such as the CLI calculated and published by the OECD). Fig-16 presents the MEI on monthly basis since January 2019. It should be noted that some of the data underlying the October MEI are still provisional and may be revised next month.

But based on available data, the MEI shows continued growth in October, in continuation with what was observed in the previous three months. It follows that economic growth will remain persistent as seen in first quarter of current fiscal year.

Fig -16: Monthly Economic Indicator (MEI)



Source: EAW Calculations

3.5. External

The sufficient orders are available with the exporters for the coming months and it is expected that export sector will perform better in future. However, delayed economic recovery in some of Pakistan's main trading partners may exert a downside risk. On the other hand, the persistent growth performance in Pakistan may lift imports marginally. In November 2020, exports of goods and services are expected to reach around 2.3 billion US$ (but in a broad margin of 2.1 - 2.7 billion US$). Imports in the same month may remain around 4.1 billion US$ (within a wide probability margin of 3.5 to 4.8 billion US$). Regarding remittances inflows, it is expected that these will remain higher than the trade deficit in goods and services.

3.6. Fiscal

Fiscal performance for Q1 FY 2021 was quite satisfactory, however, challenges still persist due to recent increase in number of corona virus cases. The government continues to concentrate on expenditures related to COVID, both for economic revival and social relief, so it can build pressure on the expenditure side and increase public spending. Further, on revenues side, FBR tax collection performed better in the wake of resumed economic activities during the first four months of current fiscal year. However, with the increase in COVID infection and related containment measures, slower economic activities in services sectors may slightly impact revenue collection in Q2 FY2021.

4. Way Forward

The Pakistan economy is underway of recovery. The MEI shows strong growth in the first four months of the current FY. Furthermore, based on current information, no significant deterioration in the balance of trade in goods and services is expected. Also, the inflow of workers remittances remains strong. Therefore, the recovery may preserve external balance. External balance implies the prospect for a stable exchange rate in the near term, which may contribute, in addition to specific Government measures, to reduce inflationary pressures.

A major risk to this scenario of economic recovery on a path of external and internal balance, is the upsurge of COVID-19 infections, all over the world and also, to a lesser degree, in

Pakistan. Like Governments in other parts of the world, Pakistan Government is also intended to preserve the health of the people by imposing a number of restrictions in some sectors and areas of the economy. The effects on the economic outlook will depend on the intensity and duration of these restrictions. But specific well-designed Government policies may soften the economic burden of these necessary restrictions.

On the other hand, very recent world-wide communications regarding the production of several very successful new vaccines may open the scope for opening a back-to normal path in the near future. These developments may boost business and consumer confidence and further enhance economic growth.

ECONOMIC INDICATORS *(24.11.2020)*

	2019-20 (Jul-Oct)	2020-21 (Jul-Oct)	% Change
External Sector			
Remittances($ bn)	**7.5**	**9.4**	↑ **26.5**
Exports ($ bn)	**8.2**	**7.3**	↓ **10.3**
Imports ($ bn)	**14.7**	**14.1**	↓ **4.0**
Trade Deficit ($ bn)	**6.5**	**6.7**	↑ **4.0**
Current Account Balance ($ bn)	**-1.4**	**1.2**	↑
Current Account Balance (% of GDP)	**-1.6**	**1.3**	↑
FDI ($ mn)	**383.5** (Sep)	**189.0** (Sep)	↓**50.7**
	126.5 (Oct)	**317.4** (Oct)	↑ **150.9**
	672.0	**733.1**	↑ **9.1**
Portfolio Investment-Private($ mn)	**-13.6** (Sep)	**-32.2** (Sep)	↓
	-7.1 (Oct)	**-37.1** (Oct)	↓
	15.6	**-145.6**	↓
Portfolio Investment-Public($ mn)	**436.7**	**-162.0**	↓
Total Foreign Investment ($ mn) (FDI &Portfolio Investment)	**1124.3**	**425.5**	↓ **62.2**
Forex Reserves ($ bn)	**15.366** ***(SBP: 8.409)*** ***(Banks: 6.957)*** (On 20th Nov 2019)	**20.552** ***(SBP: 13.415)*** ***(Banks: 7.137)*** (On 20th Nov 2020)	
Exchange rate (PKR/US$)	**155.37** (On 20th Nov 2019)	**160.73** (On 20th Nov 2020)	

Source: SBP

(Rs bn)

	2019-20 Jul-Sep	2020-21 Jul-Sep	% Change
Fiscal			
FBR Revenue	**1282.1** (Jul-Oct)	**1340.2** (Jul-Oct)	↑ **4.5**
Non-Tax Revenue (Consolidated)	**420**	**356**	↓ **15.2**
Expenditures (Consolidated)	**1775**	**1963**	↑ **10.6**
PSDP (Authorization)	**289.2** (1st Jul to 22nd Nov)	**299.7** (1st Jul to 20th Nov)	
Fiscal Deficit	**286**	**484**	↑
Monetary Sector			
Agriculture Credit (provisional) (FY19 vs FY20)	**1174.0**	**1214.7**	↑ **3.5**
Credit to private sector (Flows)	**-6.6** (1st Jul to 1st Nov)	**-49.4** (1st Jul to 30th Oct)	
Growth in M2 (%)	**0.65** (1st Jul to 1st Nov)	**0.36** (1st Jul to 30th Oct)	
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) (%)	**11.0** (Oct)	**8.9** (Oct)	
	10.32 (Jul-Oct)	**8.86** (Jul-Oct)	
Real Sector			
Large Scale Manufacturing (LSM) (%)	**-4.69** (Sep)	**7.65** (Sep)	
	-5.5 (Jul-Sep)	**4.8** (Jul-Sep)	
Miscellaneous			
PSX Index*	**34889** (On 1st Jul 2020)	**40187** (On 20th Nov 2020)	↑ **15.19**
Market Capitalization (Rs trn)	**6.61** (On 1st Jul 2020)	**7.41** (On 20th Nov 2020)	↑**12.10**
Market Capitalization ($ bn)	**39.33** (On 1stJul 2020)	**46.09** (On 20th Nov 2020)	↑ **17.19**
Incorporation of Companies	**4124** (Jul-Sep)	**6149** (Jul-Sep)	↑ **49.10**

***: Formerly Karachi Stock Exchange (KSE)** **Source: PBS, PSX& SECP**