16-04-2020

FCCI

Research & Development Center

<u>Paper # 15</u>

Impact of Coronavirus on Pakistan GDP

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16-04-2020

Coronavirus: Pakistan may face initial economic loss of Rs1.3tr

In the wake of outbreak of Coronavirus, Pakistan's initial economic losses in different sectors of the country's economy have been estimated at Rs1.3 trillion. These losses are going to be incurred on account of drop in the GDP growth because of reduction in services sector, including airline business and others, FBR's revenue loss, massive decline in imports, exports, reduction in

remittances, disruption in food supplies and other fronts.

However, the preliminary assessment of losses done by the Asian Development Bank (ADB) and shared with Pakistani authorities stood at $5 billion but Pakistan's top official argued that these estimates were less than the expected actual losses because there was no basis for it.

"Work is under progress and the exact losses going to be faced by the national economy because of eruption of this virus will be firmed up by next week," a top official of the PTI government disclosed to The News after attending three important meetings, including Ministerial Committee constituted by PM Imran Khan, a high-powered meeting of different ministries and provinces and a meeting with international donors here at the P Block Auditorium on Thursday.

The Planning Commission estimated that the size of the country's GDP stood at Rs44 trillion and one/fourth stood at Rs11 trillion, so the disruption caused by Coronavirus was expected to cause at least 10 percent losses in the last quarter (April-June) that would stand at Rs1.1 trillion at least.

The FBR official said during the meeting that the tax machinery initially estimated that the lockdown of Karachi was going to cause major revenue losses and they were assessing that if it persisted till June 2020, then the tax losses would go up to Rs380 billion. The FBR has already been facing massive revenue shortfall before the virus despite slashing down the FBR's annual target from Rs5.555 trillion to Rs5.238 trillion. Earlier, the FBR had also requested the IMF for allowing further reduction in its envisaged target from Rs5.238 trillion to Rs4.8 trillion. Now the FBR is assessing further reduction in achieving the target by Rs380 billion, so it is estimating collection of just Rs4.4 trillion till June 2020.

The World Bank (WB) high-ups said during the meeting that they undertook an initial survey from March 12 to 18, 2020 from a sample of export-oriented industries and found that export orders were disrupted in the range of 25 to 50 percent.

Federal secretary commerce said during the meeting that the exports might face loss in the range of $2 to $4 billion as export orders had got canceled. An interesting situation surfaced as the Ministry of Commerce gave estimates of disruption of both imports and exports but the representative of Maritime Ministry claimed that there was no disruption in the shipping industry so far. The imports would be reduced in the shape of declined POL prices as well as in quantity. Pakistan imported 80 billion barrels of POL products and keeping in view the lowest-ever prices in international market in the last two decades, the import bill would shrink having negative impact for the FBR's collection and Petroleum Levy might also be reduced if the consumption decreased because of possible lockdown in different parts of the country.

The meeting deliberated upon the worst effects that would have to be borne by the dailywagers as 47 percent workforce in service sector such as marriage halls, hotel industry and others belonged to this sector. The meeting recommended to the government to increase the allocation of Ehsaas program and ensure utilization of allocated funds. The meeting also decided that the local works development schemes would be initiated both through the federal and provincial governments. The utilization of Public Sector Development Program (PSDP) might slow down, so it could be diverted into small schemes through SDGs Accelerated Program. On the issue of possible decrease in remittances, the joint chief economic adviser of Finance Ministry told the meeting that possible impact on remittances would be known tomorrow (Friday) as they were still making assessment to this effect.

According to an official statement issued by the Planning Commission on Thursday, a special inter-ministerial and inter-provincial meeting for assessing the impact of Corona pandemic on Pakistan's economy was held under the chairmanship of Deputy Chairman Planning Commission (DCPC) Muhammad Jahanzeb Khan here at Islamabad on Thursday. The DCPC, Jahanzeb Khan, remarked that the government was assessing the socio-economic impact of Coronavirus on the national economy with the aim to undertake timely interventions to safeguard the economy against the impending effects of coronavirus.

The Planning Commission would make all efforts to combat and will actively coordinate for necessary emergency funding from both the local and international sources to ward off any negative impacts of coronavirus on livelihoods, jobs, especially the industry. Representatives from the Planning Commission, various ministries and provinces, including Azad Jammu & Kashmir (AJK) and Gilgit-Baltistan (GB) participated to assess the expected impact on the national and provincial economies.

Representative from the Ministry of Commerce, while briefing the participants on the likely impacts of Coronavirus on the national economy, said that due to the closure of major port operations and retailers globally, reduced global demand was likely to lead to a reduced global economic growth. Officials from the Maritime Affairs informed efforts are being made to ensure uninterrupted port operations for continued supply of essential commodities. Officials from the

National Food Security informed that Pakistan will not face any food shortages as the country has sufficient stocks of essential items to meet the immediate needs. They showed their commitment to ensure the smooth operation of transport and logistics services to keep commodity prices stable. Federal Director General Health informed that over 1 million people have been screened so far. The Health Services Academy is currently working on modeling a projection of the estimated extent of the spread of virus in collaboration with international experts. Member Social Sector Dr Shabnum Sarfraz highlighted the need to augment the human resources which is at the forefront of fighting the epidemic. She urged the ministry to engage the medical and nursing students to add to the capacity of the current health staff.

DCPC Jahanzeb Khan asked the ministries to provide comprehensive assessment reports on economic impacts of Corona pandemic on various sectors of national economy to devise timely government interventions to safeguard jobs and livelihoods of vulnerable sections of society. The Planning Commission would present this before the National Security Council (NSC). He further remarked that the government is keeping a close eye on the situation and will consider providing an economic emergency bailout to address the likely short to medium term liquidity crunch.

Pakistan's GDP may contract by more than 4% due to trade

16-04-2020

disruptions alone

ISLAMABAD: Pakistan’s economy is projected to face a loss of up to 4.64% of its gross domestic product (GDP) due to disruptions in trade caused by the lockdown imposed in provinces due to the outbreak of coronavirus, reports *The News*.

The loss was projected by the Pakistan Institute of Development Economics (PIDE) after it was instructed by the Planning Commission to come up with estimates of COVID-19 losses on account of GDP growth.

The PIDE presented three different scenarios. In the first case, it said GDP will contract 0.30% in case imports reduce by 2%.

In the second scenario, GDP may contract 2.3% due to a reduction in imports and exports by 10%.

In the last scenario, the institute has said that GDP will contract 4.64% if the reduction in imports and exports is up to 20%.

The PIDE, under the supervision of its vice-chancellor, economist Dr Nadeem-ul-Haq, has estimated that in the first scenario, when there is only a 2% fall in imports, the overall loss to GDP would be negligible.

Also read: Cabinet approves PM Imran's Rs1.2tn relief package for coronavirus crisis

However, in the second scenario, a 10% decline in intermediate and capital goods is likely to bring a major fall in investment as well as a similar reduction in exports, which would result in a loss of 2.3% of GDP in the fourth quarter of FY2020. A 20% decline in export and import is estimated in the third scenario and the GDP loss would be 4.6%.

It is pertinent to mention that the institute only took into account the impact of trade disruption on GDP and did not consider the impact of the internal lockdown.

PIDE also did not take into account the potential decline in foreign direct investment (FDI) and remittances, and disruptions in other sectors such as aviation, tourism and hospitality, etc.

It noted that countries around the world have started experiencing the negative economic impact of COVID-19. Countries that are part of the global value chain (GVC) would feel the hit even if the spread of coronavirus is mostly contained and does not disrupt the internal functioning of an economy.

Although Pakistan may not rank high on the GVC, the country has enough integration with the global market to feel the impact of an international slowdown in economic activity.

Also read: Pakistan facing upto 18m layoffs as economy shutters due to coronavirus, claims study

The five major trading partners of Pakistan with more than 50% share include China, USA, UK, Japan, and Germany. Four of these are the worst-hit countries by COVID-19.

There have been significant disruptions in international trade flows of these countries. China and Japan experienced more than 15% reduction in their exports. Rest of the three partners had a reduction of around 5%. Some of them have also experienced reductions in their imports.

The USA and China are the major importing partners and we heavily rely on them for the import of capital and intermediate goods. These raw materials are then utilised in the production of final goods for exports and domestic consumption.

Similarly, being our major export partners, any economic downturn to these economies may face, would directly affect our exports as well as our GDP.

It is interesting to see that in post-COVID outbreak in China, Pakistan's exports to other major partners were on the rise in February. This could possibly be because of the trade halt of these countries with China as it closed its border and stopped trade with the world. The resulting vacuum was filled by Pakistan through exports to these countries.

This trajectory, however, may not continue in the coming months because of: (i) disruptions in our imports of intermediate and capital goods; (ii) China is recovering from the outbreak; and (iii) demands reduced by the partner countries due to deterioration in their economic activities.

We can also see a decline in our imports from Germany and the UK. If we have data for China for February and March, we would also see decline in imports. All this can have detrimental effects on our economy. There are 32% of our imports that are in the form of final goods. Reduction in these would not affect the GDP.

However, the rest of 68% constitutes the raw material, intermediate goods, and capital goods. These are used to produce final goods which are then consumed domestically or exported to other countries. A decline in these will therefore have a negative impact on investment spending as well as on exports. Consequently, the country will experience losses in GDP.

Also read: SBP introduces measures to facilitate coronavirus-hit economy

In conclusion, the PIDE stated that they presented the very preliminary estimates of likely impacts of the trade disruptions caused by the emerging corona affected economy. It is almost certain that the 4th quarter growth will be negative and could be as high as 4% even in these preliminary estimates. More than likely as things emerge there will be a larger negative impact on the economy. After all, the corona is a big event, where any previous estimates will no longer be valid.

It is worth noting that there has been much policy and business talk on diversification but without real progress on that front. Our dependence on commodity exports with falling commodity prices amid Covid-19, shock and reliance on intermediate products for export productions on importing countries such as China would hurt our exports. Resilience to such shocks could have been built if domestic commerce and supply chains had been built to lead to the diversification of exports.

Country information

Country name	**Pakistan**	**10% loss**	**20% of GDP**	**30% of GDP**	**40% of GDP**

Total Population	220,892,340				
GDP	284.214	$261B	**$239.29B**	$216.85B	$170.73B
GDP growth rate	3.29%				
Per capita income	$1230				
Total exports	$24.217	$2.42B	$4.84B	$7.26B	9.68B
Total imports	$54.7	$5.47B	$10.94B	$16.3B	21.22
Remittances	$23 billion	$2.3B	$4.6B	$6.9B	9.1
Agriculture sector	$52.72B				
Industry sector	$57.70B	$5.77B	$11.54B	$17.2B	23.08
Services sector	$174.42 B	$17.44B	$34.88B	$52.32B	69.76

GDP Billion dollars

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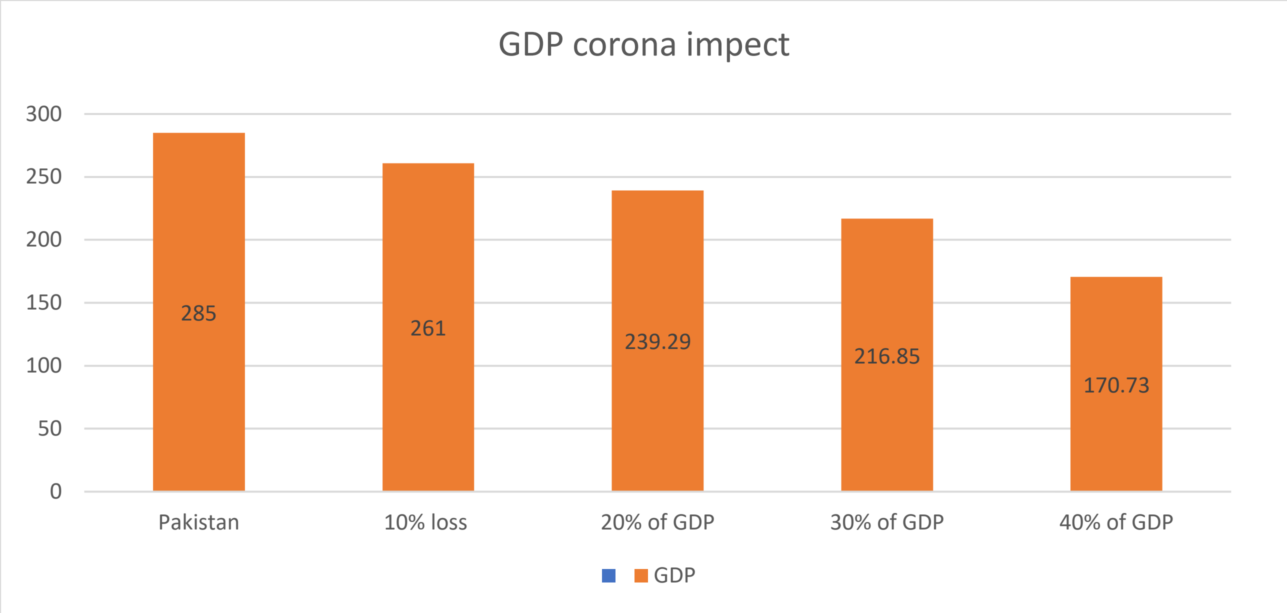

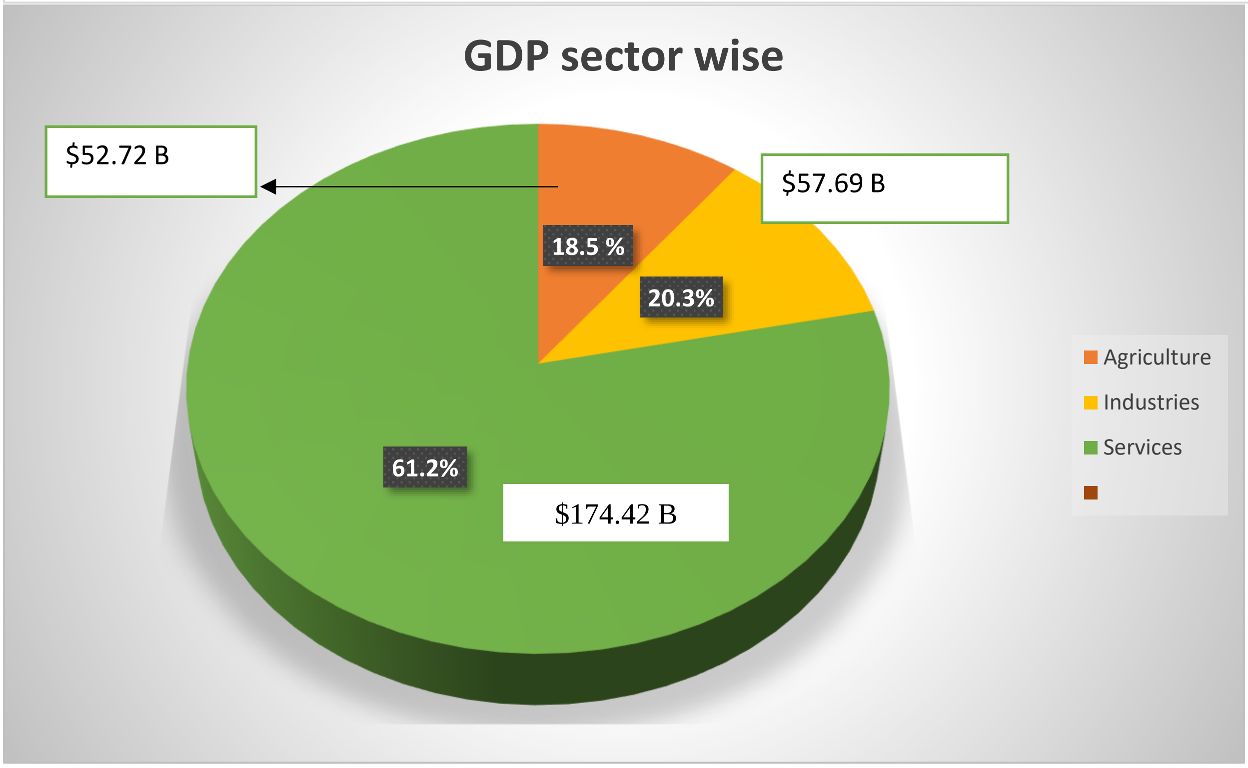

After coronavirus effected Pakistan GDP

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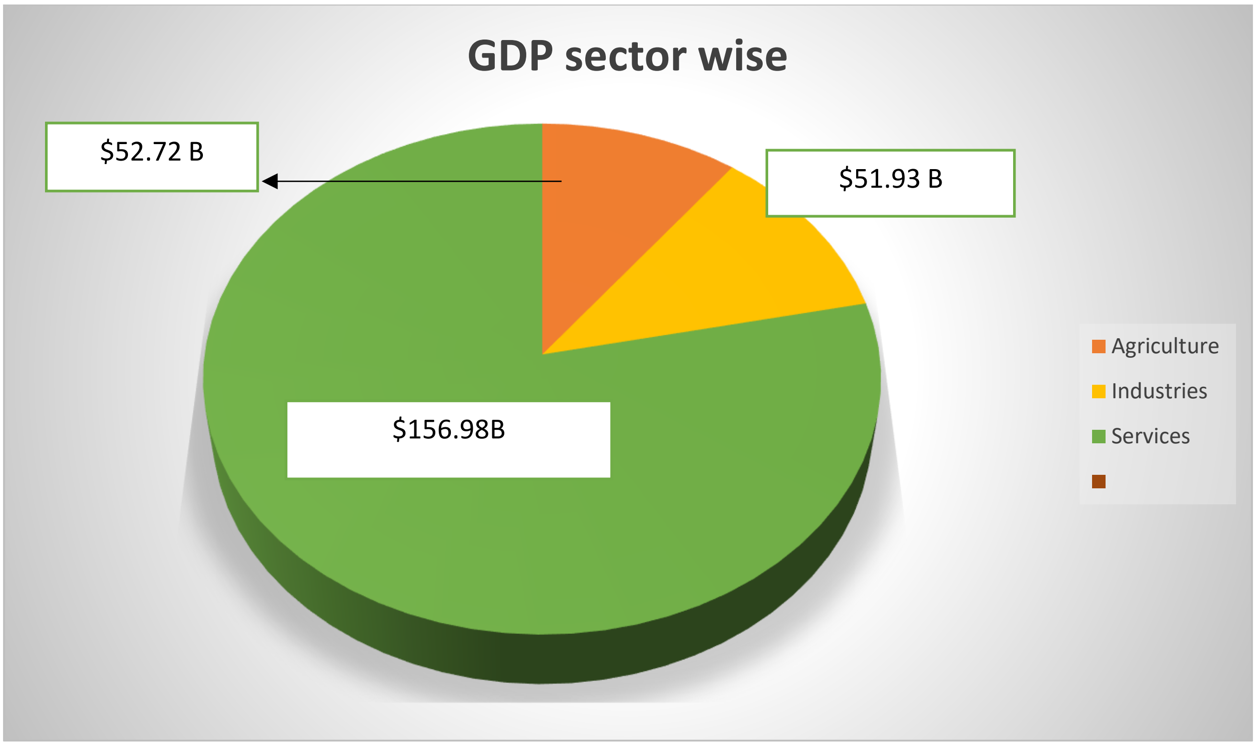
GDP sector wise
$52.72 B
$51.93 B
$156.98B
Agriculture
Industries
Services