- All service providers, ranging from the pharmaceutical companies to Utility Stores Corporation, grocery stores, meat, poultry and milk shops and bakeries should be encouraged to start offering internet-based order booking in their immediate vicinity, allow electronic payments through debit cards and also offer home delivery.

- Electronic debit/cash card based payments will not only reduce the risk of infection through cash handling, they will also help document economic transfers and transactions via banking channels, facilitate a wider tax net and reduce black and cash-based economy in the long run.

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Pakistan's Economy Amidst Pandemic

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The coronavirus pandemic has hit Pakistan's economy hard like the rest of the world but the post-crisis period during the next fiscal year will be even more painful as the country will face $19 billion of debt payment including principal and interest, a big drop in remittances and exports, and a worst-case scenario of up to five million job losses.

During the post-coronavirus period, countries would launch policies to protect their interests which would also adversely affect global trade and employment opportunities. Problems of liquidity of banks, fiscal space constraints and resetting of (International Monetary Fund) IMF program targets would also surface.

The biggest problem for Pakistan is lack of fiscal space. Next year the country has to make payment of $19 billion on account of principal and interest to international creditors. Pakistan will have to arrange the amount from the international market in the form of new loans. However, tightening of financial conditions in the developed world will complicate the refinancing of external debt.

Fortunately, the Group of Twenty (G20) has announced that Pakistan is included in a group of 76 countries eligible for debt relief on all principal and interest payments to official bilateral creditors. The suspension period for debt relief will be from May 1 to December 1, 2020.

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All debt servicing due in this period will be packaged into a new loan and the payments will start in June 2022 to be paid in the subsequent three years.

Exports and remittances have a greater impact on the economy than imports. The government was expecting exports worth $24 billion along with the same amount of remittances this year. However, there will be a downward trend in remittances in the last quarter of the fiscal year. The United States (US), United Kingdom (UK), Saudi Arabia, United Arab Emirates (UAE) and other Gulf Cooperation Council (GCC) countries are the source of over 90 percent of remittances but now these are suffering due to lockdowns and job losses.

The employment market will not get a boost even in the post-crisis period and thus it would be a huge challenge to accommodate the returning expats.

Pakistan has a labor force of 63 million out of which 46 million people are employed in the informal sector and are at a bigger risk of job loss. Even the most cautious estimates put job losses at 3 million and if the lockdown continues for two months it would be disastrous for Pakistan.

The major loss will be in exports and imports. Pakistan's top export partners – the US, UK, China and UAE – are facing problems and even after the crisis blows over, export demand will continue to face compression.

Fortunately, the country is in a comfortable position regarding the current account deficit. The data for March shows a positive impact due to the low oil prices while imports have gone down substantially. This has had a significant improvement in the current account.

A new research by London School of Economics shows that Gross Domestic Product (GDP) drops by 10 percent of annual output if economic activity drops 50 percent in the first month and 25 percent in the two following months. Pakistan's economy will be impacted in a major way if it is evaluated using the same model.

The major channel for the hit on economy is the drastic fall in domestic demand for energy and goods as consumption has dropped sharply; electricity use has fallen by 30 percent. This is affecting the economy in multifarious ways such as production activity and external trade. The closure of industries is also resulting in postponement of investment decisions.

The government estimates that if only the food, pharma and retail sectors are allowed to remain open, it will impact the economy greatly. In this situation the GDP could fall to 2 percent. The government was expecting 3.3-3.4 percent GDP growth before the crisis but now the estimate has been cut to 2-2.8 percent.

The financial sector may see an increase in non-performing loans and there could be bankruptcies, all of which would also affect the services sector.

Before the crisis the government was expecting to contain the deficit at 7.4-7.5 percent which now seems rather difficult. It is expected to hit 9 percent in view of increasing expenditure demand and fall in taxes due to lower oil prices and a drop in non-tax revenues.

The economic impact can be made less painful by making some changes in the macro policies. In this regard, the State Bank of Pakistan has cut its policy rate, which was the highest in Asia, by 425 basis points to 9 percent over the last 30 days. Another good State Bank of Pakistan (SBP) initiative is that it has launched borrowing at concessional rates for those who want to take loans to pay salaries of their employees. The prime minister has also announced some facilities in the form of a package for the export sector. Pakistan has also launched a social protection package for 12 million families, which amounts to 30 percent of the population. This is quite a big package compared to other Asian countries such as India.

Every crisis also brings some opportunities. In the coming days such prospects could appear in the IT sector as online meetings, video conferences and other initiatives would help in the creation of new software. In the services sector there is a move towards digitalization and online shopping and delivery management and this trend will further grow as the government is also focusing on delivering services online.

The companies in the US and Europe, which had a China-focused supply chain, would try to change their strategy. Pakistan would be able to supply some new products in the changing global conditions. This will help the country export products that were earlier not on the traditional export list such as health and medical equipment. New global hygiene standards will open new sectors and create export opportunities and Pakistan should capitalize on these openings.

Regarding food security, this year the government expects the biggest ever wheat crop of 27 million tons. The government has announced that it would procure 8 million tons for next year to ensure food security. The country would not be able to afford the level of food inflation next year that was seen this year. So the government will also have to focus on price control.

The development budget was being spent at a rate of PKR12 billion every week before the eruption of this crisis. Now the pace has dropped to PKR1 billion and the resources are being diverted to management of coronavirus. The next budget will focus on restoring the economy and emerging from this crisis as there will be a plethora of challenges regarding growth, fiscal deficit, expenditure and revenue losses.

Most of the CPEC related activities including negotiations are going on as usual. Many of these projects are in far-flung areas and the government assumes that these activities will continue at the same pace.

The IMF, in its recent report, has projected economic recession for Pakistan due lockdown following coronavirus. The fund sees the economy contracting by 1.5 percent during this fiscal year, compared to 3.3 percent growth in 2018-19. However, the IMF and other financial institutions have a different angle and former's projections are normally on the lower side. Pakistan has its own models to measure economic growth.

The next budget is an ongoing process and currently the officials are focusing on relief packages for the coronavirus crisis. If the pandemic situation becomes somewhat clear by the end of April and it starts to climb down from the peak than the focus will shift towards the budget exercise. However, it would be difficult to impose or increase taxes in the current situation.

The Sustainable Development Goals (SDGs) have to be seen in pre- and post- Covid-19 context. The pandemic is going to change everything, including the context of SDGs, how we conduct businesses, and interact socially. New standards will have to be defined. The post-coronavirus world would see a big and positive impact on climate, education, and technology.

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