



KPMG Taseer Hadi & Co.
Chartered Accountants

Impact of COVID-19 on Pakistan's Economy

May 2020



Foreword

Act with direction, not just reaction

As the new fiscal quarter begins for most commercial organizations in Pakistan, the spread of the Novel Coronavirus (COVID-19) has extended to an unprecedented extent across the globe, whether it is affecting general movement in major cities or global industries overall reeling from the initial impact of the virus' spread in China which led to a halt in commercial activities and in the process, many vital supply chains.

Even after discounting the ongoing matter of COVID-19, the beginning of the year was marked with geopolitical turbulence and pricing disputes over commodities, most markedly that of Oil. It can arguably be stated that the post-pandemic recovery process will largely be defined on how quickly the two major powers, the United States and China will manage to cope with the aftermath of the pandemic and adapt to the scenario of a globally disruptive epidemic.

At the onset of the pandemic in China in November 2019, Pakistan had managed to attain growth in several economic performance metrics including easing the barrier of entry for foreign organizations to invest and improving financial transparency measures overall. However as the virus has spread among all major cities, immediate economic performance has stalled with the Federal and Provincial Governments introducing Relief and Refinancing facilities in order to alleviate economic strain on both individuals and businesses.

Staying true to our commitment to serving our local and international clientele during this time of urgency and uncertainty, we have drafted this sectoral analysis in order to provide an overview of how various industrial and commercial sectors have been affected by COVID- 19.

We predict that a new paradigm for doing business will emerge as soon as enterprises learn to cope with the lingering effects of the epidemic and lead businesses towards adapting with the **"New Normal"**.

Best Regards,

KPMG Taseer Hadi & Co. Chartered Accountants

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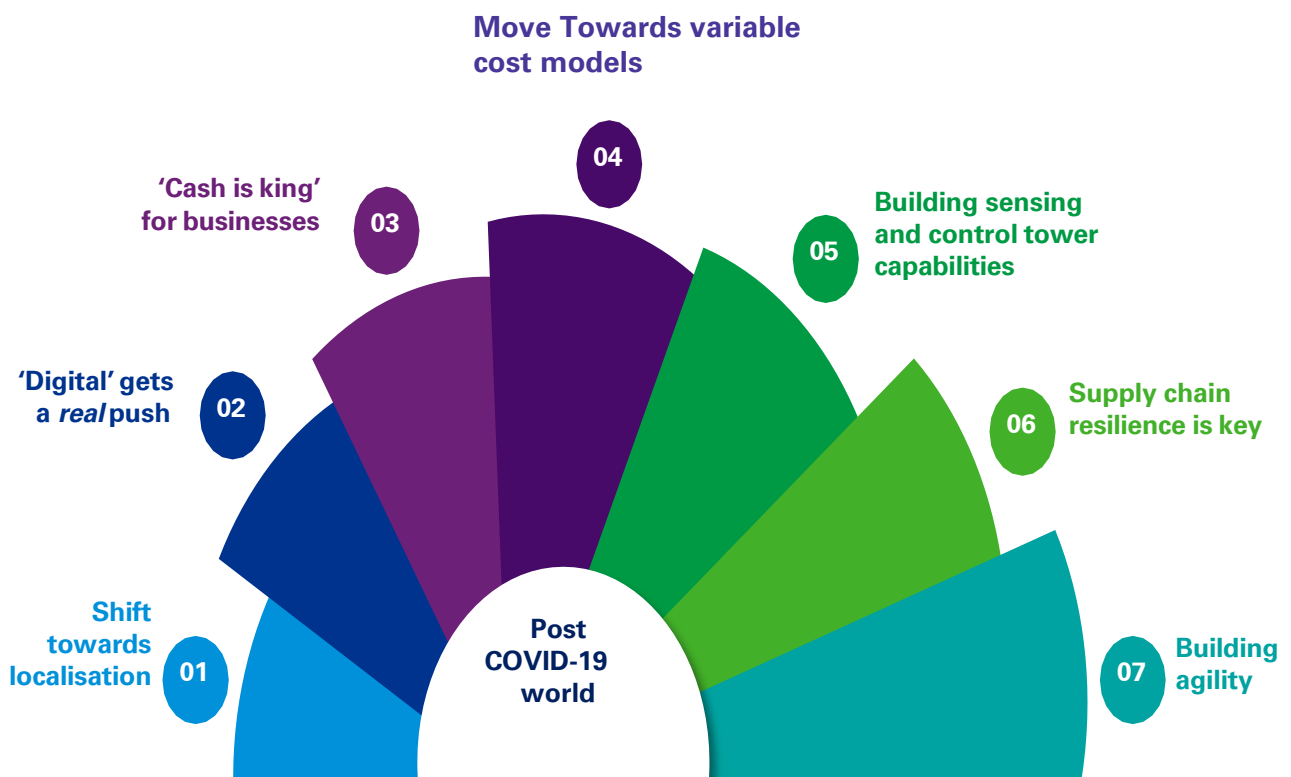
Embracing the “New Normal”

Embracing the “New Normal”

“In addition to national actions, joint action by the global community is essential for reasons of human solidarity and because of the global nature of the crisis. The pandemic must be contained everywhere before we can have a return to normalcy. Additional policy measures will likely also be needed to provide sufficient, swift, temporary, and targeted support to citizens and firms. Poorer countries rely on the international community to help ensure enough resources and financing[1].”

The traditional patterns and networks of economic interaction and behavior has been drastically disrupted by the rising spread of COVID-19 and post this pandemic, a “New Normal” has to emerge. The economic order has been shaken up globally and its not the same as the recessions which we have seen in the past. It is certain to say that this is essentially different and not just another turn of the business cycle. We are looking at more permanent, structural changes in the way we live and work and countries and companies worldwide are coming to terms with the extent of this pandemic. It is a challenge and an opportunity to essentially re-evaluate assumptions and priorities as an outcome of the collective experience of facing this common crisis together.

To help navigate the businesses economically and socially to the path towards the “New Normal”, we have compiled seven ways in which the businesses around the world could shift:



[1] G-20 SURVEILLANCE NOTE COVID-19—Impact and Policy Considerations, International Monetary Fund, 2020.

Embracing the "New Normal"

1. The shift towards **localization**:

The unprecedented conditions have contributed to the supply chain disruption. In addition to a globally recessionary climate and the ongoing geopolitical environment, it is expected to bring greater protectionism and risk aversion. This is predicted to lead to greater localization of supply chains, especially of essential commodities as well as for sectors that are perceived to be strategically significant.

2. 'Digital' gets a real push

As a result of the pandemic, Work from home is becoming a norm. Digital Media is on the rise, the current situation presents urgent and real opportunities to drive efficiencies via media. Even the most traditional companies are being forced to explore the digital channels. Concurrently, the importance of investment in enabling technologies like cloud, data and cyber security is highly recommended. This will have far reaching implications on B2B, B2C, B2G services, data analytics, process automation, self-service capabilities, commercial real estate, e-governance, e-commerce, cyber security, etc.

3. 'Cash is king' for businesses

This situation has proven, once again, that it is significant to be financially prudent and conserve cash.

4. Move towards **variable cost models**

Reducing the overall business costs is one of the biggest and the most important practices, amongst others. In order to meet this objective, one should convert fixed costs to variable costs, whenever it is feasible.

5. Building **sensing** and **control tower capabilities**

Traditional approaches and tools may not offer active insights that alternative data can offer. This is especially applicable for areas where data is scarce or inconsistent. Short histories, collection systems that are prone to change etc., are the downside challenges of this. Corporations and governments nonetheless have realized the importance of sensing capabilities, the ability to process both structured and unstructured data and building transparency through 'digital control towers', 'digital twins'.

6. Resilience is key for **Supply chain**

Individual companies will want to make sure their supply chains are resilient to remain competitive. It is vital that resilience capabilities are developed in order to respond to repercussions of unpredictable events and either quickly return to original state of business or move to a new and better state post being impacted by the risk. Further, continue business operations as efficiently as possible. Attaining this will require initiatives from both internal business and the wider network.

7. Building **agility**

Due to the pandemic, countries and companies are being forced to take rapid actions, addressing employee needs, reinforcing stable team dynamics and the need to remain customer-centric. In future, policymakers will have to be more responsive, inclusive and agile as policies will have to evolve faster than the market.^[2]

[2] Potential Impact of COVID-19 on the Indian Economy, KPMG India, 2020.



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Impact of COVID-19 on Global Economy

Impact of COVID-19 on Global Economy

The COVID-19 pandemic has tragically taken away the lives of thousands of people and infected millions worldwide, with a profound impact on lifestyles, businesses, country interdependence and consequently the Global Economy.

"The Great Lockdown"

As an outcome of the pandemic, it is anticipated that in 2020 the global economy will contract sharply by 3 percent, much worse than during the 2008-09 financial crises. In a baseline scenario, assuming the containment efforts progressively unwound and the pandemic fades in second half of 2020, it is projected that the global economy will grow by 5.8 percent in 2021, as economic activity stabilizes, supported by implementation of effective policies, which are essential as the risks for even more severe outcomes are considerable. As the economic fallout is severe in specific sectors, policymakers will need to implement significant targeted fiscal, monetary, and financial market measures to help impacted households and businesses domestically. Moreover, strong multilateral cooperation is essential to overcome the effects of the pandemic internationally, aiding countries facing health and funding shocks. ^[1]

The COVID-19 pandemic will severely impact growth across all regions Projections

(real GDP, annual percent change)	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6
Pakistan	3.3	-1.5	2.0

Source: World Economic Outlook, IMF, April 2020

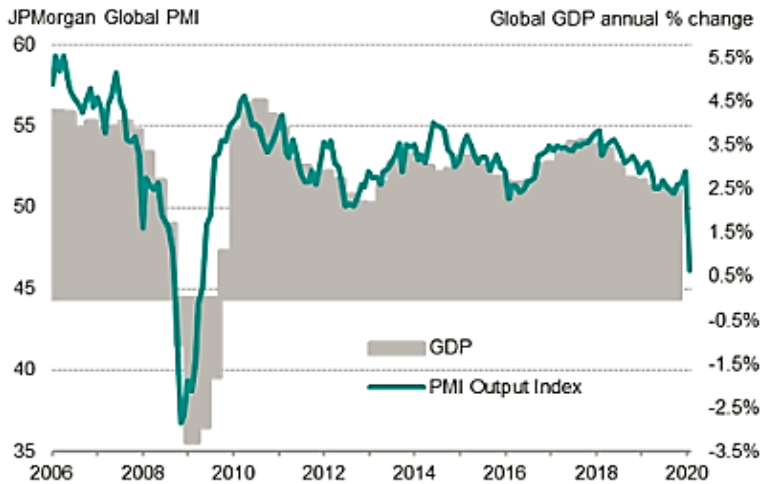
[1] World Economic Outlook : The Great Lockdown, International Monetary Fund, 2020.

Impact of COVID-19 on Global Economy

“Global economy slumps at steepest rate since 2009 as COVID-19 virus hits”



Global PMI* output & economic growth



Sources: IHS Markit, JPMorgan.

* PMI shown above is a GDP-weighted average of the survey manufacturing and services indices.

“Record fall pushes global PMI to lowest since May 2009”

- The COVID-19 epidemic has contributed to record low market performance metrics. In particular, the JPMorgan Global Purchasing Managers Index (PMI) fell by 6.1 points in February, from 52.2 points in January to 46.1 points in February. The latest reading is comparable with global GDP increasing at an annual rate of just over 0.5% (at market prices), down from nearly 3% back in January. Manufacturing output has also decreased to its lowest rate since April 2009, while service sectors have also not fared well with market activity dropping to a level last seen in May 2009.
- This level of deterioration was linked predominantly by analysts to the emergent COVID-19 outbreak, led by a survey-record slump among both the manufacturing and service sectors in China. Global market growth has also contracted with the lowest growth rate since September 2012.^[2]

Global PMI indices

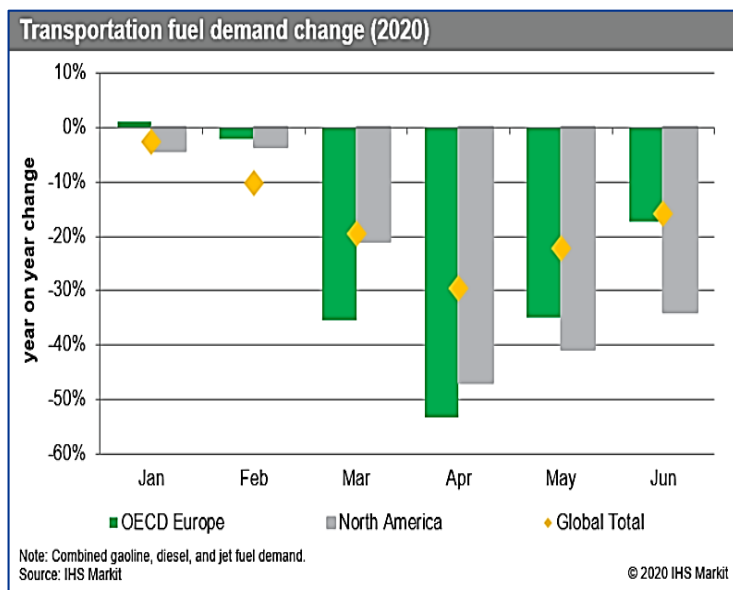
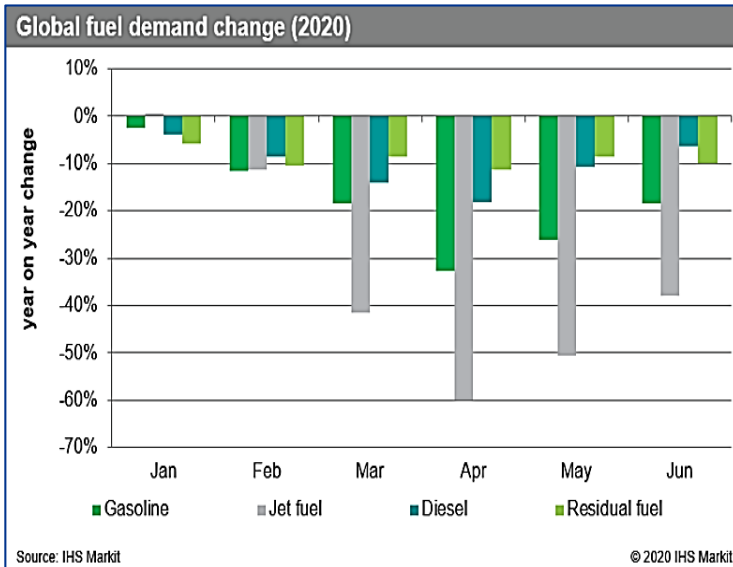


Sources: IHS Markit, JPMorgan.

[2] Global PMI Report, IHS Markit, March 2020.

Impact of COVID-19 on Global Economy

“Coronavirus (COVID-19) has triggered a heretofore unimaginable oil product demand decline”



- It won't be an overstatement to state that the demand for oil products has not declined to this extent heretofore.
- Although the impact of oil product consumption is global, it is expected that the demand downturn will be most severe in North America and Europe, considering they have become the epicenters for the COVID-19 pandemic, with the cases still rising rapidly. Consequently, the respective governments have taken necessary lockdown measures, that have strangled commerce, mobility, and - by extension - oil product demand. As per some of the leading indicators, majority of airlines are culling their flight schedule by upwards of 50%, with most European airlines cancelling better than 90% of their flights. Further, in Europe, post implementation of lockdown measures, commuter vehicle traffic in severely impacted cities like Milan, Paris, and Madrid has reduced as much as 80%. Meanwhile, it is expected that vehicle mileage in the US will contract by 55%.
- The uncertain progression of the pandemic will impact this demand shock and the timing of the eventual recovery. For the time being, IHS Markit's predictions assume that the outbreak will settle by the end of the summer, though the economic impacts of the pandemic, along with continued voluntary social distancing, will have a corresponding impact on demand for oil products.^[3]

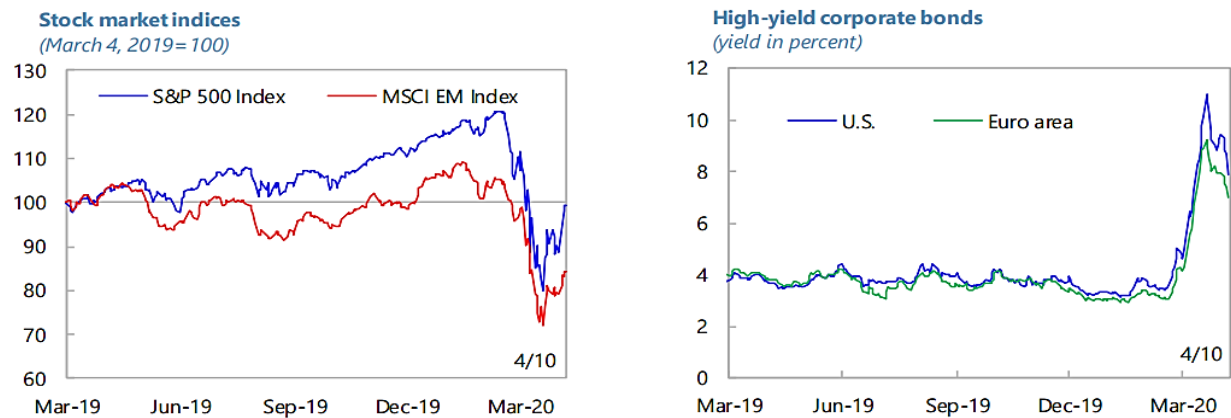
[3] Energy & Natural Resources Research & Analysis, IHS Markit, March 2020.

Impact of COVID-19 on Global Economy

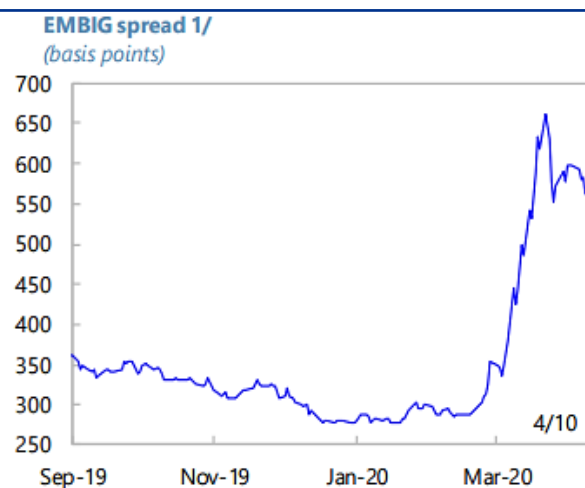
“Financial market conditions have tightened sharply”

- As per April 2020 Global Financial Stability Report (GFSR), the epidemic has caused immense unpredictability resulting in significant volatility in the financial market. Several equity markets experienced their fastest price drop in history and corporate bond spreads have augmented markedly due to the rise in credit risks. Additionally, bank wholesale funding costs has also increased, despite necessary measures being taken by the central bank to provide liquidity. Demand for US Dollar surged, resulting in a rise in cost of borrowing Dollar outside the US, however, pressures were greatly alleviated post March 19 when the US Federal Reserve expanded its swap line facilities.
- In general, liquidity remains low and volatility high. However, the tightening of conditions in financial markets would have been much greater if significant policy actions were not taken by monetary authorities. ^[4]

Figure 3. Financial Market Developments



Sources: Bloomberg. L.P.; and IMF staff calculations.



Sources: Bloomberg. L.P.; Argus, Thomson Reuters DataStream; EPFR; and IMF staff calculations.

“Some emerging market and developing economies face grave challenges”

- Emerging markets and developing economies are facing immense challenges due to the unprecedented conditions hitting the global economy, provided their constrained macroeconomic policy space, in some instances high risk of debt distress, often less diversified economies and weaker health facilities. Further, fiscal borrowing requirements are expected to escalate with a fall in revenues and a rise in spending pressures, during a time when capital is flowing out and borrowing costs are increasing. ^[4]

[4] G-20 SURVEILLANCE NOTE COVID-19—Impact and Policy Considerations, International Monetary Fund, April 2020.

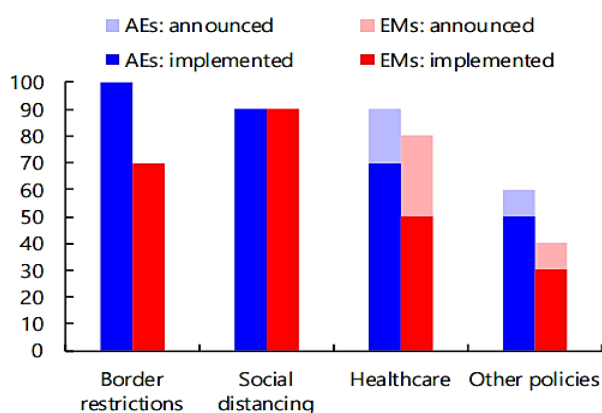
Impact of COVID-19 on Global Economy

“Policymakers have sought to contain the spread of the virus and bolster health care system resources”

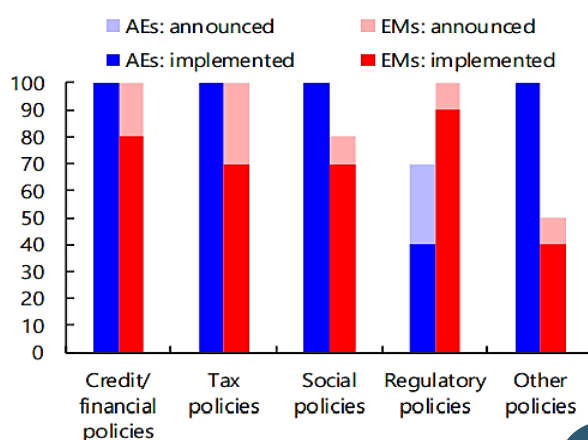
In order to prevent the epidemic from spreading further, majority of economies have put strict lockdown measures in place, such as restraining public gatherings, school closures and shutting of non-essential businesses. Additionally, policymakers are working towards enhancing the healthcare systems, including acquiring necessary health facilities/supplies, hiring more medical staff and funding research, as required. ^[5]

Figure 5. Policy Actions up to April 1

G-20: Public health policy responses
(percent of countries)



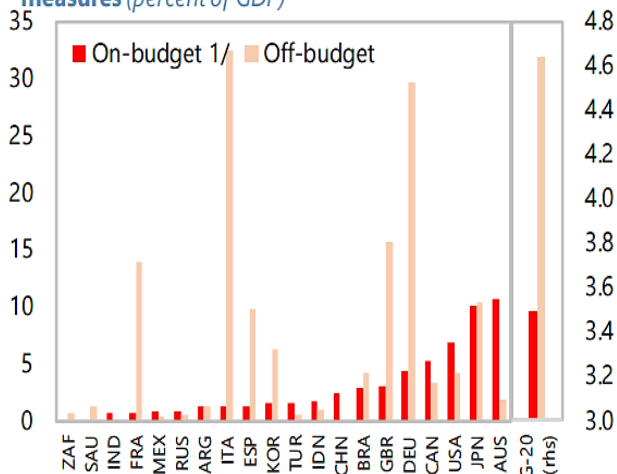
G-20: Economic policy responses
(percent of countries)



Source: IMF staff calculations.

Figure 6. Announced Fiscal Measures

G-20: Above- and below-the-line announced fiscal measures
(percent of GDP)



Sources: National authorities; and IMF staff calculations.

“Fiscal policy responses have been sizable in some countries, complementing automatic stabilizers”

- Median G20 country announced on-budget measures, including non-liquidity revenue and expenditure measures of 1.6 percent of GDP. Additionally, off-budget measures were also taken, including relief packages, comprising of guarantees, debt forbearance, wage subsidies and loan programs. Further, cash transfers to individuals and improved welfare, insurance and unemployment systems were developed. Tax relief was also provided to firms and individuals via temporary waivers, rate cuts, exemptions, deferrals and augmented rebates. ^[5]

[5] G-20 SURVEILLANCE NOTE COVID-19—Impact and Policy Considerations, International Monetary Fund, April 2020.

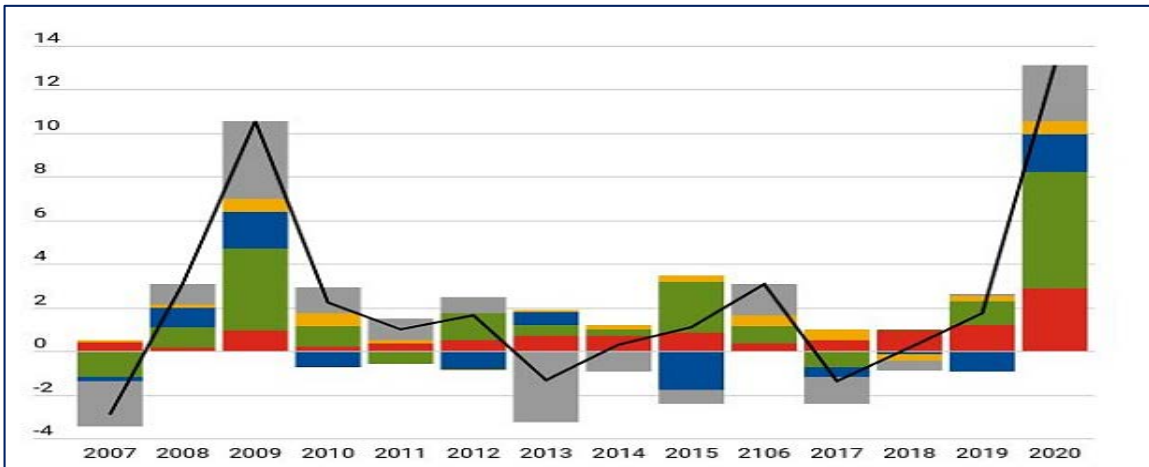
Impact of COVID-19 on Global Economy

"Fiscal Policies to Contain the Damage from COVID-19"^[6]

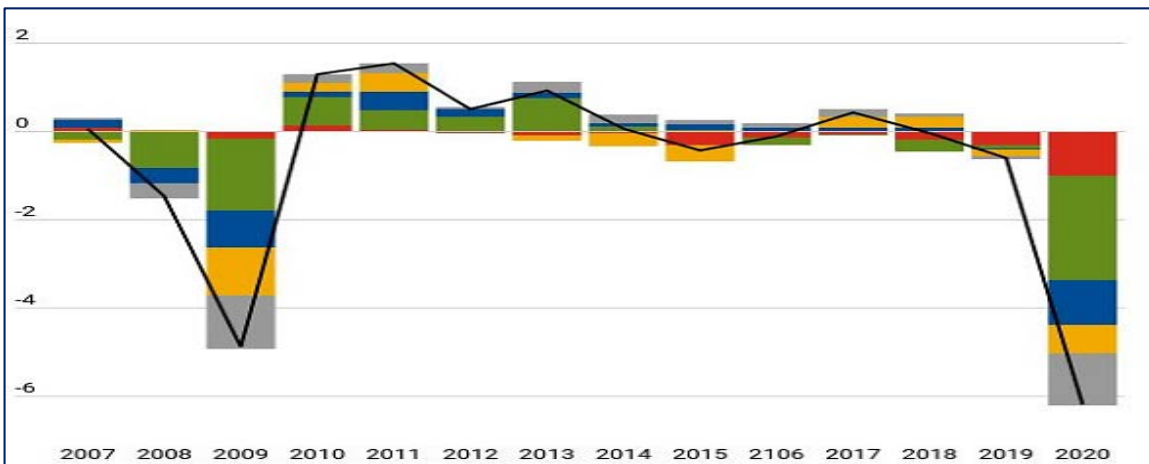


"Fast Increasing debt and deficits- COVID-19 and its economic impact will increase fiscal deficits and public debt ratios across countries given higher spending and plunging revenues ."

"(Contribution to the change in global government debt change, 2007-20, % of GDP)"



"(Contribution to the change in global government fiscal balances change, 2007-20, % of GDP)."



- China
- United States
- Euro area
- Emerging Economies
- Rest of the World
- World

Source: IMF, World Economic Outlook, database.

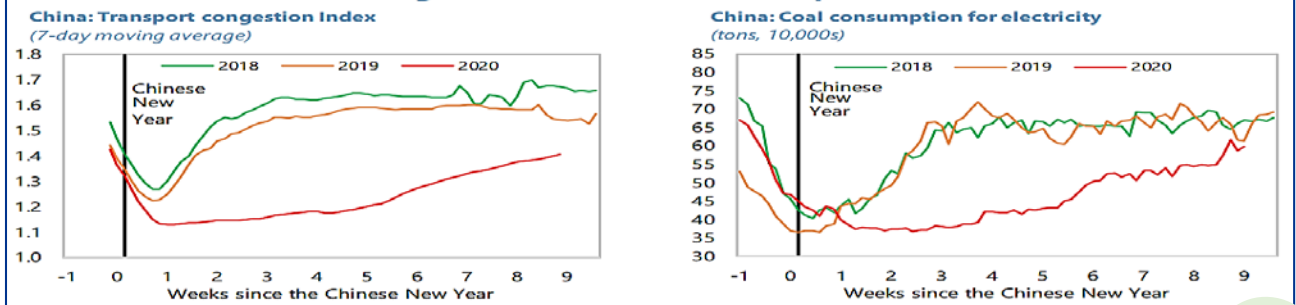
[6] Insights & Analysis on Economics & Finance, International Monetary Fund, April 2020.

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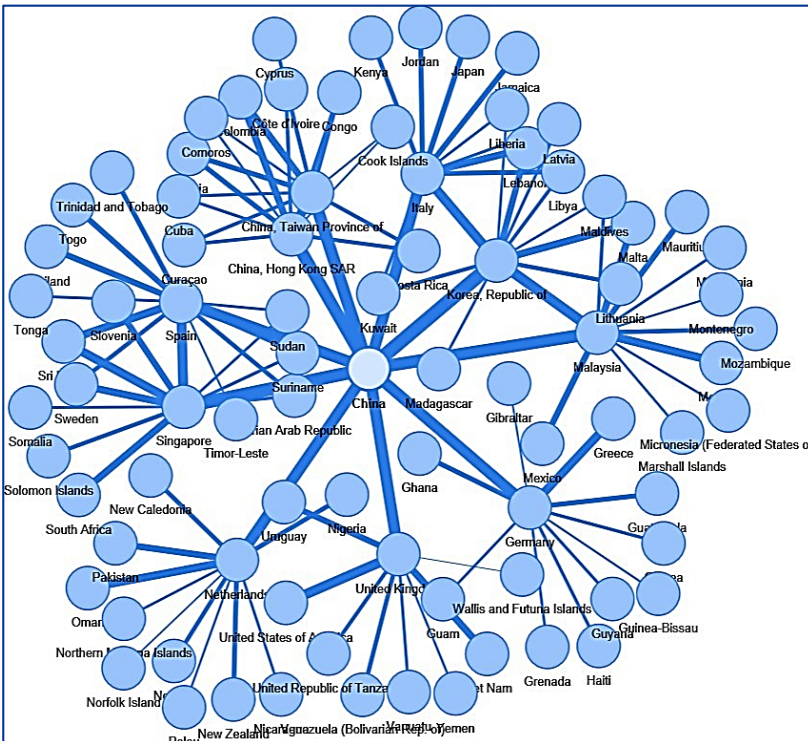
“The experience from China can provide partial guidance for assessing the outlook elsewhere”

- The protection measures taken in China to restraint the epidemic from spreading further resulted in a decline in industrial production, fixed investment and retail sales, pointing to a sharp contraction in GDP in the first quarter of 2020. However, the economy started recovering as the movement restrictions were gradually lifted in mid-February, with a recovery in property sales, electricity production and road traffic. Depending on the containment efforts taken, other economies may take longer to recover than China, with multiplicity of shocks hitting the global economy, such as tightening financial conditions and disruptions in global value chains. [7]

Figure 7. China: Recent Developments



Sources: Haver Analytics; Wind; and IMF staff calculations.



“China's nodal position in shipping routes impact global supply chains”

- China has a dominant position amongst other countries, due to its shipping, supply chain and trade linkages. As the virus continues to spread, it can be predicted that there shall be further stress and supply chain disruptions across the globe. [8]

Source: United Nations Conference on Trade and Development (UNCTAD) database, accessed on 23 March 2020 [8]

[7] G-20 SURVEILLANCE NOTE COVID-19—Impact and Policy Considerations, International Monetary Fund, April 2020.

[8] Potential Impact of COVID-19 on the Indian Economy, KPMG India, April 2020.



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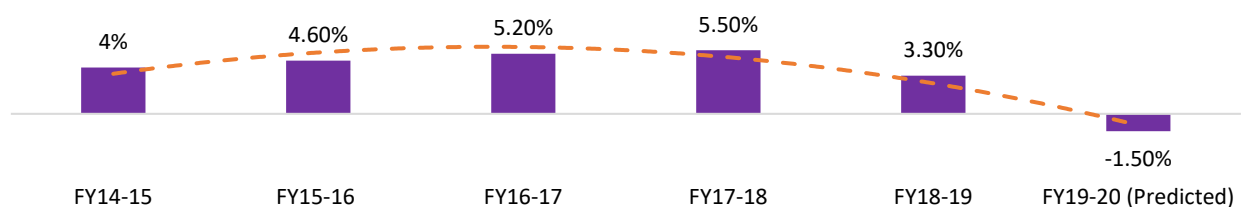
Impact of COVID-19 on Pakistan Economy

Overview

Pakistan's economic metrics, with regards to current accounts and foreign reserves, were improving on monthly basis with domestic inflation expected to revert to a medium-term range of 5-7 percent over the next two (2) calendar years. However, due to shortfalls in the Agricultural sector's output and insufficient growth in exports from the Large-Scale Manufacturing sector, the real GDP growth target of 4 percent was unlikely to be achieved in the face of lagging domestic markets. As of latest projections by the State Bank of Pakistan, the GDP growth rate for FY20 has been revised to 3.0 percent, down from 3.3 percent in FY19 [1].

In the wake of rising COVID-19 positive cases throughout the country, the Government has limited transportation activities across international, provincial and municipal borders which has led to the suspension of transportation mediums such as flights and ride-hailing services. Most commercial organizations have shifted to a work-from-home structure with only essential staff being allowed on-site. This has compounded the issues of bullish domestic economic activity and reduced consumer-side demand [2].

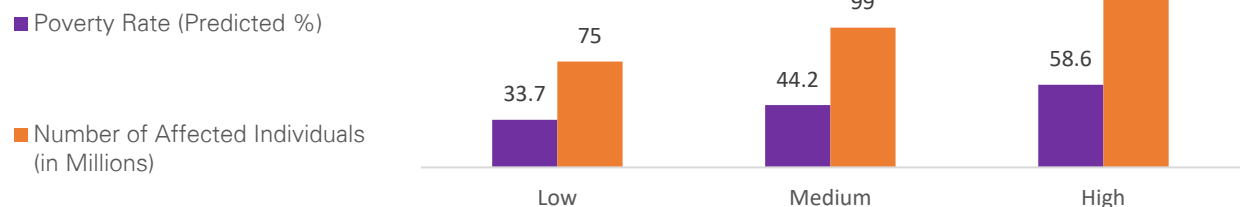
Real GDP Growth (in percent) [3] [4]



Socioeconomic Shifts

The ongoing COVID-19 pandemic may hold implications for existing low-income groups, conditional in terms of magnitude on the duration of the lockdown and lingering effects of the outbreak, if it is contained within a short period of time. In the predicted worst case scenario of a long-term outbreak, 125 million citizens could very well fall under the poverty line .

Estimated Impact on Poverty [5]



[1] Economic Outlook, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[2] COVID-19 Outbreak, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[3] Annual Report 2014-2019, The State of the Economy, State Bank of Pakistan, 2020.

[4] World Economic Outlook : The Great Lockdown, International Monetary Fund, 2020.

[5] Impact on Poverty, COVID-19 Bulletin No. 1, Pakistan Institute of Development Economics, 2020.

Impact of COVID-19 on Pakistan Economy

As mentioned in the preceding section, limiting movement and restricting commercial operations would have an adverse impact on private consumption on part of domestic households [6]

Household consumption

Household consumption expenditure (by sector)	Share (percent of total household consumption)
Food and Beverages	49.99%
Clothing and Footwear	5.48%
Housing	14.18%
Energy	7.70%
Transport	7.13%
Education	1.92%
Health	2.33%
Personal Care	1.72%
Internet and Communications Technology	1.62%
Financial Services	0.07%
Others	7.83%

- **Significant reduction in consumer movement and spending** could lead to a fall in the consumption of luxury goods.
- This impact would be even more severe if supply chain disruption caused by the Government-enforced lockdown were to affect the availability of essential commodities
- Weak domestic consumption and consumer sentiment will cause delays in commercial investment, which will in turn put additional pressure on macroeconomic growth to offset these losses.
- Post COVID-19, some nations are expected to adopt de-risking strategy and shift their manufacturing hubs from China, which would create opportunities for Pakistan. The extent to how this opportunity can be leveraged depends on how quickly economic recovery and supply issues are addressed.

Informal sector

Top five industry sectors with Informal Sector workers (Non-Agricultural) [7]

Industry Sector	Percentage Share of Informal Workers (Non-Agricultural)
Wholesale & Retail Sector	32.5%
Manufacturing	22.8%
Construction	16.2%
Community, Social & Personal Services	16.0%
Transport, Storage & Communication	11.5%

- The informal sector accounts for about 72.0% of non-agricultural employment, more prominently among rural localities (76.0%) than in urban areas (68.3%)^[8]. For the purpose of providing economic stimulus to such vulnerable groups as well as small business owners, a relief package worth PKR 1.2 trillion has been announced by the Federal Government on March 24, 2020^[9].

[6] Share of Each Sector in Household Total Consumption, by Consumption Segment (%), Global Consumption Database: Pakistan, World Bank. 2018, accessed on 23rd April 2020

[7] Table 18: Informal Sector Workers - Distribution By Major Industry Divisions, Labor Force Survey 2017 - 18, Pakistan Bureau of Statistics, 2018.

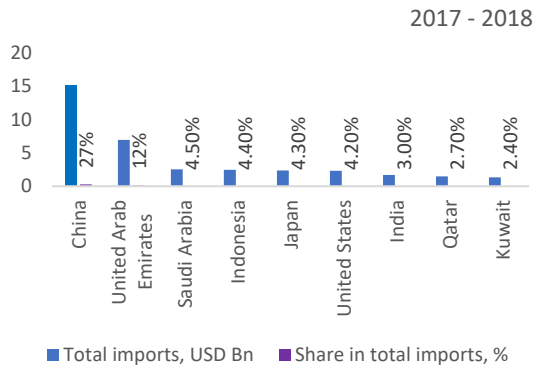
[8] Summary of Findings, Labor Force Survey 2017 - 18, Pakistan Bureau of Statistics, 2018.

[9] Key Policy Responses as of April 2020, Policy Tracker: Pakistan, International Monetary Fund. accessed on 23rd April 2020.

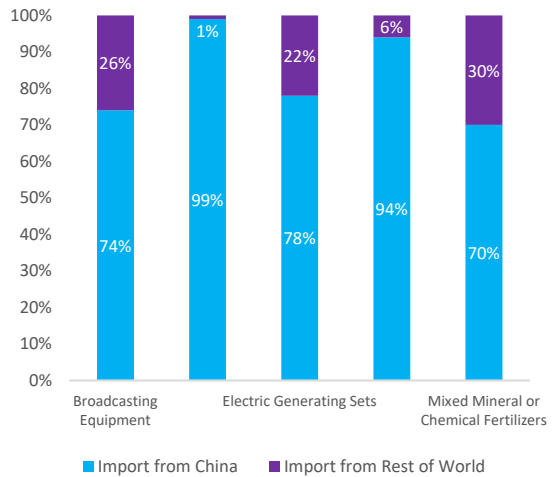
Impact of COVID-19 on Pakistan Economy

Shutdown of factories and the resultant delay in supply of goods in China, could result in a shortage of both raw materials and intermediate goods for Pakistani companies importing from there.

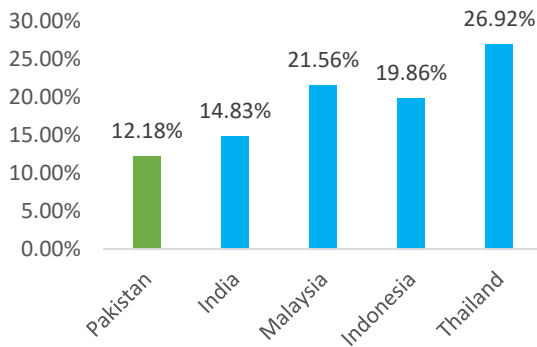
Among COVID-19 infected nations, China is the largest import source for Pakistan [10]



Top imported commodities from China [11]



Comparison of Manufacturing output, domestic value added (% of GDP) [12]



In this regard, Pakistan lags behind India and other peer Asian economies in terms of ensuring that a significant portion of its value-added manufacturing output is derived domestically instead of relying on imported intermediary goods

A disruption in global supply chains could impact the **economy as a whole** due to the Pakistani industry's trend of reliance on intermediary goods for value-additive purposes. **Demand-side shocks (on part of COVID-affected foreign nations) are also liable to effect the export flow of Pakistani goods for foreign markets.**

Another challenge would be that of domestic supply chains being disrupted on a continual basis due to the nationwide lockdown and bans on transportation, which may affect the production lines of Pakistani manufacturing concerns when they resume operations.

[10] Country Profiles: Pakistan, Observatory of Economic Complexity, accessed on 24th April 2020

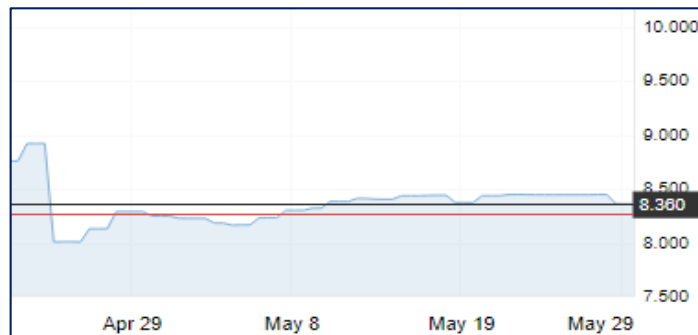
[11] Import Origins: China-Pakistan, Observatory of Economic Complexity, accessed on 24th April 2020

[12] Manufacturing, Value Added (% of GDP), DataBank, The World Bank, accessed on 24th April 2020

Impact of COVID-19 on Pakistan Economy

The severe disruptive impact on demand caused by the pandemic has hastened the need for corporations to maintain liquidity and collection from creditors. Although the Government of Pakistan has taken measures in order to enhance the availability of funds within the commercial market, adverse financial conditions make it difficult for firms to maintain a steady balance in terms of their current accounts.

Uncertain economic conditions have pushed government bond yields lower than the past peak closing price (on 21/04/2020) to 40.86 percent lower than 2019's average closing price (as of 29 May 2020) ^[13].



The severity of the impact is contingent on the level of indebtedness of individual firms and their working capital requirements.

- The price disagreement among large global players (such as Russia and Saudi Arabia), together with the pallid outlook for the global economy, has led to a steep decline in oil prices
- Falling global oil prices are likely to have a positive effect on the Pakistan foreign trade balance, as it will lead to a reduction in the import bill and the current account deficit in terms of the costs of importing crude oil ^[14].
- Drop in oil prices due to reduced internal travel and slowing down of Chinese economy will affect the MENA economies, affecting foreign expatriates living in these regions. Similarly, economic slowdown will also occur in other developed countries where Pakistani diaspora resides. Consequently, Pakistani workers abroad may become jobless resulting in the fall in the flow of remittances ^[15]

As the world and the Pakistan economy attempt to balance mitigating the public health risks of COVID-19 with the coinciding economic instability, immediate measures need to be taken to:

- i. Enhance resilience of corporate funding systems,
- ii. Protect at-risk groups, while maintaining social distancing
- iii. Strengthen the public health system dynamically, and
- iv. Prepare supply networks and production lines for sudden shocks.

[13] Pakistan 10-Year Bond Yield, Investing.com. accessed on 24th April 2020

[14] COVID-19 Outbreak, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[15] Remittances, COVID-19 Bulletin No. 6, Pakistan Institute of Development Economics, 2020.



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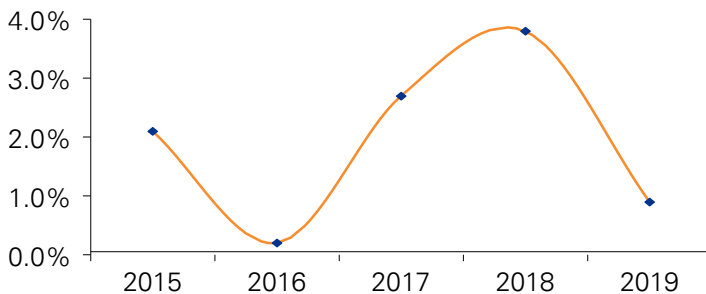
Pakistan - Sectoral Impact



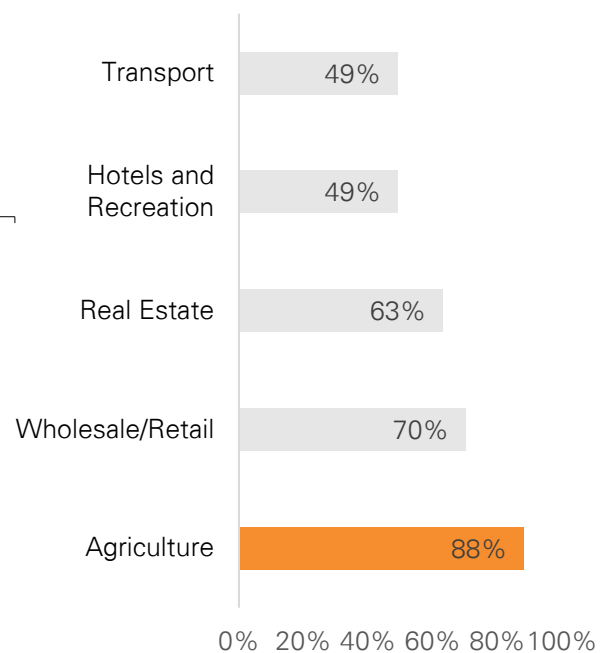
Sector Overview

Sectoral contribution to GDP and Employment ^[1]	<ul style="list-style-type: none"> 18.5 percent of GDP (2019) 38.5 percent of the National Labor Force (2019)
Total Land under Cultivation ^[2]	22.68 million Hectares (2020)
Non-Major Sectoral Constituents ^[1]	<ul style="list-style-type: none"> Minor Crops (Maize, Wheat) Livestock Fishing Forestry
Sectoral Inputs ^[3]	<ul style="list-style-type: none"> Irrigation Water Supply Agricultural Credit Fertilizers
Key Drivers ^[2]	Availability of Fertilizers, Improved Seed Strains, Mechanization of Labor-Intensive tasks, Access to Agricultural Credit, Federal Agriculture Emergency Program

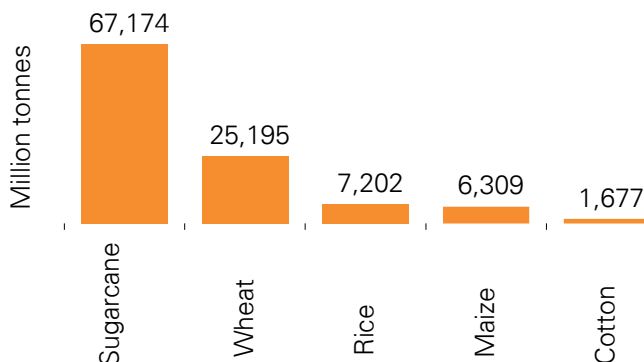
Growth in Agriculture sector 2015 – 2019 ^[4]



COVID-19 associated employment vulnerabilities for the sector's labor force ^[5]



Production of Important Crops 2018-19 ^[4]



[1] Pakistan Economic Survey FY18-19, Ministry of Finance, 2019.

[2] Land Utilization Statistics, Agricultural Department, Government of Punjab, 2019. accessed on 25th April 2020.

[3] Foreign Direct Investment, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[4] Sector Overview: Agriculture, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[5] Ahmed, J. and Mughal, M. Coronavirus Pandemic and The Plight of The Vulnerable Labor, Section 3: Blogs, Pakistan Institute of Development Economics, 2020.



Current and Potential Impacts of COVID-19 on the Agriculture Sector

- As the situation currently remains to be seen, it is unlikely that there will be a food shortage. However, the food supply situation may drastically change if there is an extension in the duration of the lockdown due to the prolonged spread of COVID-19. The first food category under risk will be those of a perishable nature and then the packaged/processed category. The agricultural situation on part of the farming industry will play a role in the duration as to how long these perishable items may be supplied on a continual basis to the end-consumers which will require coordination between the availability of labor and communications within the supply chain ^[5].
- Another extraneous factor may also impede the activities of the local agricultural sector is that of changing consumer demands among both local and international buyers affected by COVID-19, which may require further alterations and adaptations to be made to the crop growing cycles observed by farmers and their practices changed accordingly ^[6].
- Recurring issues continue to affect the sector such as low crop yields and constrained water availability. Additional challenges add to the difficulty of adapting to the situation such as emerging climate changes, among other externalities; For instance, in the current fiscal year, the cotton crop has succumbed to unfavorable weather, low water availability, and pest attacks. The decline in cotton production is therefore set to undermine the agriculture performance in FY20, despite encouraging prospects for wheat crop and livestock ^[7].
- Compounding the instability caused by COVID-19, further speculative activity (on part of profiteering buyers) in the wheat market, lower procurement-driven purchases on part of organizations and delays in the routine harvest of tomatoes and onions have triggered price pressures within the domestic market. This pressure was further exacerbated by import barriers and inherent structural weaknesses in the overall price control mechanism for essential food items sold at both wholesale and within the retail market ^[8].
- Workers within the agriculture sectors may be relatively insulated from the employment shocks caused by COVID-19 due to less reliance on social interaction in terms of performing their duties and therefore, less constrained by social distancing measures or a short-term loss in domestic demand. However, it remains to be seen whether the sector would be able to adapt accordingly on a medium-term or long-term timeframe if the lockdown extends to a prolonged basis ^[9].
- An emergent issue has also appeared concurrently with the ongoing COVID-19 outbreak; plagues of desert locusts have started to intensify in frequency on agricultural land under cultivation in Pakistan. In the worst case scenario of 25 percent of currently sown crops being afflicted, the potential losses are estimated to be about PKR 353 billion for Rabi crops, and about PKR 464 billion for kharif crops. In addition to the potential economic loss, this poses an additional threat to national food security, in addition to food supply being already burdened under COVID-19 ^[10].

[6] Anjum, A. Food Prices Post-COVID-19 Outbreak: The Case of Punjab, Section 3: Blogs, Pakistan Institute of Development Economics, 2020.

[7] Agriculture, COVID-19 Bulletin No. 6, Pakistan Institute of Development Economics, 2020.

[8] Section 1.1: Economic Review, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[9] Khalid, A. and Sabahat. Price Stabilization Mechanism in Pakistan's Food Market: Exploring Issues and Potential Challenges, SBP Staff Note 2/20, 2020.

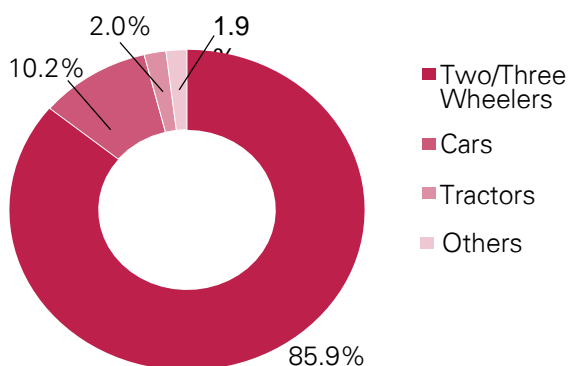
[10] Desert Locust Situation In Pakistan: Locust Surveillance And Control Operations And Situation Analysis, Food and Agriculture Organization, 2020.



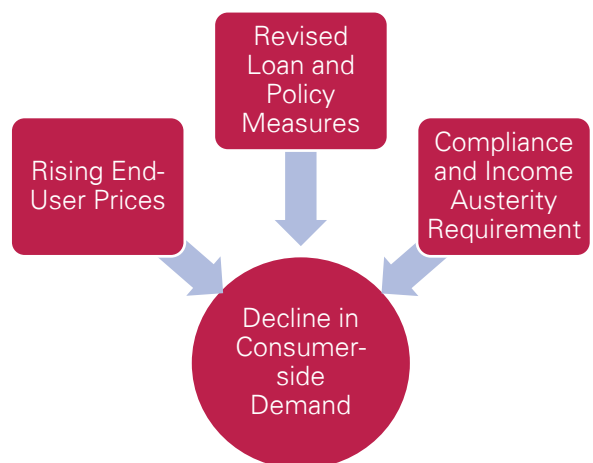
Sector Overview

Sectoral contribution to GDP and Employment ^{[1] [2]}	<ul style="list-style-type: none"> 2.8 percent (PKR 30 billion) (2020) 2.4 million of the National Labor Force (2018)
Major Export Markets (USD in '000) ^[3] <small>*Inclusive of air/road/rail vehicle parts</small>	<ul style="list-style-type: none"> United Arab Emirates (\$18,271.60) France (\$ 8,213.53) Russian Federation (\$6,649.71) United States (\$5,421.07) Italy (\$4,226.62)
Major Import Sources (USD in '000) ^[3] <small>*Inclusive of air/road/rail vehicle parts</small>	<ul style="list-style-type: none"> Japan (\$634,038.64) China (\$584,465.54) Singapore (\$322,621.49) United Arab Emirates (\$210,556.45) Indonesia (\$205,448.31)
FDI Equity Inflows ^[2]	USD 49.2 million (2018)
Key Drivers ^[1]	Duty-free imports of plant and machinery for assembly plants, concessional rates of custom duties on local (25 percent) and non-local parts (10 percent), Import of new vehicle variants at concessional custom rates for test marketing in domestic market

Vehicle production 2018-19 ^[4]



COVID-19-aligned factors affecting consumer-side demand fluctuations ^[5]



[1] Sector Brief: Automobiles, Priority Sectors, Board of Investment. accessed on 27th April 2020.

[2] Sector Profile: Automotive and Auto-parts Manufacturing, Board of Investment. accessed on 27th April 2020

[3] Country Profile: Pakistan (Trade Flow: Transportation), World Integrated Trade Solution, World Bank, accessed on 30th May 2020.

[4] Sector Overview: Automobile, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[5] Large Scale Manufacturing, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.



Current and Potential Impacts of COVID-19 on the Automotive Sector

- Multiple factors including high interest rates, devaluation of the Pakistani Rupee against the US dollar (which raised car prices), imposition of additional custom duties had adversely affected the growth and profitability prospects of the automobile industry in regards to both the domestic and international markets for Pakistani automobiles. The COVID-19 lockdown has further exacerbated this dire state of growth for the Pakistani automobile sector ^[6].
- Primarily, currency devaluation was the main reason contributing to the detriment of the auto sector as auto parts and raw material subsequently became expensive, thus raising the cost of production and assembly for carmakers. Although automakers had initially bore this additional cost; however, they had subsequently passed it on to customers, which severely affected automobile sales in the present fiscal year ^[6]
- As per directives on part of the Federal Government in enforcing a lockdown to curb the spread of COVID-19, the majority of automobile manufacturing and assembly plants have remained closed since March 23, 2020 with a phased easing of the lockdown tentatively planned to be rolled out to all such labor intensive industries, conditional on the ongoing severity of the outbreak ^[6].
- As a portion of the informal economy within Pakistan, grey market automobile and mechanic shops rely on a steady footfall of customers in order to be able to operate on a continual basis. Due to the lockdown restricting the travel of customers, the aforementioned setups will not be able to operate without the requisite daily demand for their services and the supply for their parts ^[7].
- As per cited data from the Pakistan Automotive Manufacturers Association (PAMA), the COVID-19 lockdown has impacted commercial manufacturers significantly with reportedly zero car sales recorded in April 2020. Motorcycle and tractor manufacturers have been affected to a lesser extent with overall sales being at a lower level year-on-year such as tractor sales declining by 63% compared to the previous year ^[8].

[6] COVID-19 spells further trouble for Pakistan's auto sector, The Express Tribune. March 25, 2020. Accessed on 2nd May 2020

[7] Ali, Z. and Zulfiqar, F. Social spaces in the time of Coronavirus, Section 3: Blogs, Pakistan Institute of Development Economics, 2020.

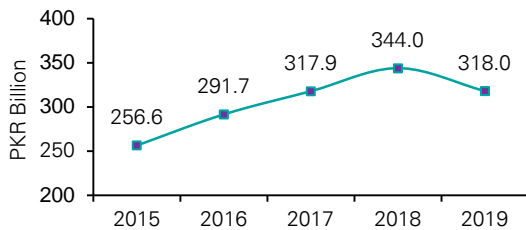
[8] Pakistan's auto industry witnesses worst month for sales, The Express Tribune, May 14, 2020. Accessed on 30th May 2020



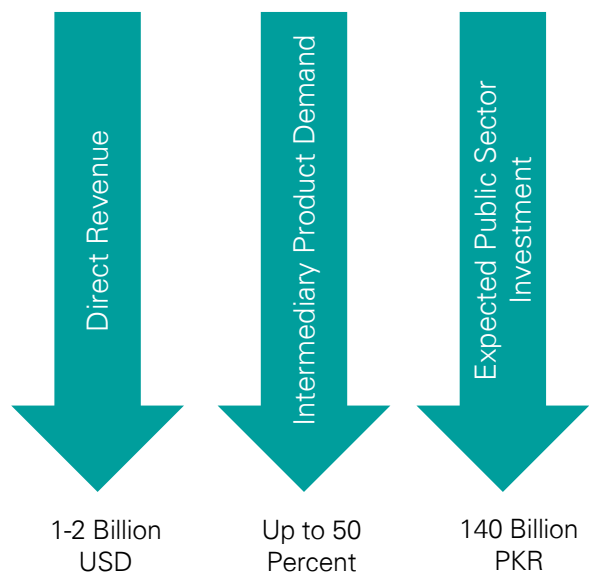
Sector Overview

Sectoral contribution to GDP and Employment ^{[1] [2]}	<ul style="list-style-type: none"> 2.5 percent of Total GDP (2019) 4.7 million of Total Employed Workers (2019)
Total Cost of Imported Inputs ^[1]	USD 199.6 million (2019)
Categories of Construction Sectors ^[3]	<ul style="list-style-type: none"> Housing Industrial Infrastructural
FDI Equity Inflows ^[2]	11.1 percent (USD 72.15 million) (2019)
Key Drivers ^[4]	Establishment of Pakistan Vision 2025 milestones, Increased spending on infrastructure development programs covering the roads, railways and power segments, ongoing reconstruction work in quake-hit areas

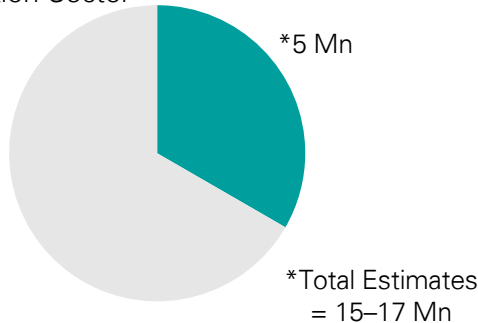
GDP (in PKR) from construction ^[1]



COVID-19 resultant expected losses and contraction effects within the sector ^[5]



COVID-19 could impact 15-17 Mn low wage workers, out of which 5 Mn could be impacted in Construction Sector* ^[5]



[1] Sector Overview: Construction, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[2] Overview of the Economy, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[3] Farooqui, R., and Ahmed, S. Assessment of Pakistani construction industry—current performance and the way forward. Journal for the Advancement of Performance Information & Value 1(1). 2008.

[4] Transformation through Infrastructure, Infrastructure Strategy Update FY12-15, World Bank Group. 2016.

[5] COVID-19: Scenarios & Implications for Pakistan, Engro Corporation, 2020.



Current and Potential Impacts of COVID-19 on the Construction Sector

- The lynchpin of infrastructural construction programs in Pakistan was the multi-phase China-Pakistan Economic Corridor (CPEC) project. Although Phase 1 was capital intensive and required intensive production to be facilitated within the construction sector, the subsequent Phase 2 of the project was the consolidatory step in the program which would then inculcate commercial enterprise participation within the project. These plans, however, have been disrupted by the COVID-19 pandemic and it remains to be seen whether this commercial momentum can be retained throughout the course of the outbreak ^[6].
- It may be noted that the construction sector is relatively insulated to employment shocks nationwide in the short-term scenario that COVID-19 runs its course. However, the situation may change drastically if other coinciding sectors (such as education and hospitality) are affected on a longer-term basis as these sectors provide a source of demand for the construction sector's services. If the duration of the pandemic is extended to a medium-term or long-term timeframe ^[7].
- As of 14th of April 2020, the Federal Government has allowed construction firms to proceed with their projects under an incentivized scheme in order to minimize the impact of an industrial shutdown on labor livelihoods, which include clauses such as: ^[8]:
 - A tax amnesty scheme in terms of reducing tax oversight on potential investors investing in the Construction sector.
 - A fixed tax schedule will be enforced on the construction sector and if any part of their activities is linked with the Naya Pakistan Housing Scheme, then the firm will be eligible to receive reimbursement of up to 90 percent of that amount.
 - All construction projects associated with the Naya Pakistan Housing Scheme will be allowed to draw from a total subsidy pool of PKR 30 billion.
- Some end-user incentives are also being considered for implementation which include ^[8]:
 - An easier loan and mortgage application process with low associated interest rates
 - Easing of construction permissions through a singular application process for obtaining the necessary permits, where required.
 - Combination of Federal and Provincial-level taxes (such as those exercised on Sales and Excise Duties) into a singular national tax scheme.
 - A universal policy duration extension to June 30, 2022, in terms of treating investments created as part of Real Estate Trusts.

[6] COVID-19 Projects & Construction: Belt & Road Legal Issues, CLYDE & CO, 2020.

[7] Nasir, M, Faraz, N., and Khalid, M. Sectoral Analysis of The Vulnerably Employed: COVID-19 And The Pakistan's Labor Market, Section 3: Blogs, Pakistan Institute of Development Economics, 2020.

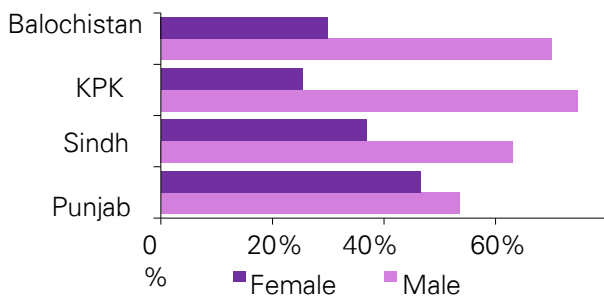
[8] COVID-19 - Special Package for the Construction Sector, RSM International, accessed on 28th April 2020.



Sector overview

Public Expenditure as a percentage of GDP ^[1]	2.4 percent, 2018-19.
Government spending ^[1]	PKR 30.9 Billion (Public Sector Development Program 2018-19), PKR 3.1 Billion (Federal Public Sector Development Program 2018-19), PKR 2.4 Billion (Ongoing & new education projects).
Net Enrollment Rate ^[2]	68 percent (primary, both genders), 37 percent (secondary, both genders), 2018.
Gross Enrollment Rate ^[2]	9 percent (tertiary), 2018.
Out of School Children of primary school age ^[2]	6,005,978 (both genders), 2018.
Literacy Rate ^[1]	62.3 percent, 2017-18.
No. of schools, colleges and universities ^[1]	174,900 (primary, 2019), 1,700 (colleges, 2019), 200 (universities, 2018).

Gross enrolment rate in 2018-19*^[1]

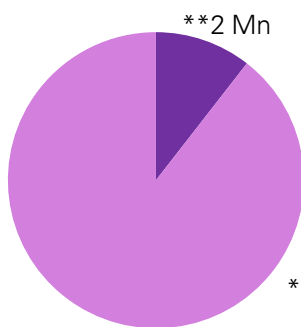


COVID-19 resultant expected loss and contraction effects within the sector^[3]



Approx. 2 Billion USD

COVID-19 could impact 15-17 Mn low wage workers, out of which 2 Mn could be impacted in Education Sector**^[3]



**Total Estimates = 15-17 Mn

*Source: Pakistan Economic Survey 2018-19 Predicted

[1] Sector Overview: Education, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[2] Education Statistics- Country at a Glance – Pakistan, The World Bank, 2020.

[3] COVID-19: Scenarios & Implications for Pakistan, Engro Corporation, 2020.



Current and Potential Impacts of COVID-19 on the Education Sector

- All the educational institutions in Pakistan have been shut down due to the COVID-19 epidemic, creating uncertainty amidst the masses at the primary, secondary and tertiary level and posing challenges for the leadership to determine what course of action to take in the future ^[4].
- As per the United Nations Educational, Scientific and Cultural Organization's (UNESCO) COVID-19 Educational Disruption and Response, "Pakistan has 46.8 million impacted learners because of the COVID-19 pandemic, out of which 1.9 million are enrolled at the tertiary level." Consequently, the Chairman of the Higher Education Commission (HEC) Pakistan, vice chancellors and universities' administrators and education ministers at both federal and provincial levels, must act cautiously in this uncertain situation^[4].
- Key challenges in providing online education include: ^[4]
 - "Internet Connectivity": Poor internet connection is a challenge as it causes hindrance in delivering online education sessions, especially in remote areas. This is a more critical problem for public sector institutions.
 - "Faculty's Reluctance for Online Teaching": Motivation of leadership is crucial to encourage the faculty members to deliver online teaching.
- It should be noted that "HEC received complaints where: 30% of the students raised issues regarding connectivity; 25% spoke regarding faculty unpreparedness for online teaching; and 13% had an issue with low quality of education^[4]."
- In order to minimize the effect of disruption for students enrolled at the primary and secondary school level, the Tele school of Ministry of Federal Education and Professional Training (MoFEPT) has been initiated from April 2020 onwards ^[5].
- Some protective measures which may be taken to curb the impact of the pandemic include: ^[4]
 - Promote self-learning.
 - Have experts for each subject, who can explore various resources available online.
 - Encourage collaboration between different educational institutions.
 - Regular collaboration and coordination of local and international education boards (such as the Higher Secondary Commission, Higher Education Commission, and Cambridge International Examinations etc.) in order to monitor the efficacy of mechanisms universities have adopted or going to adopt and assist refine the method of imparting education during this unprecedented time.
- Low –fee private schools and government schools and colleges are likely to experience greater impact due to non- availability of digital teaching channels and resources.
- Placements and internships for graduating students are likely to be impacted as well as job market is likely to remain uncertain and recruitment drives by various employers will be delayed.

[4] Higher Education Challenge for Pakistan under COVID-19: The Way Forward, Pakistan Institute of Development Economics, 2020.

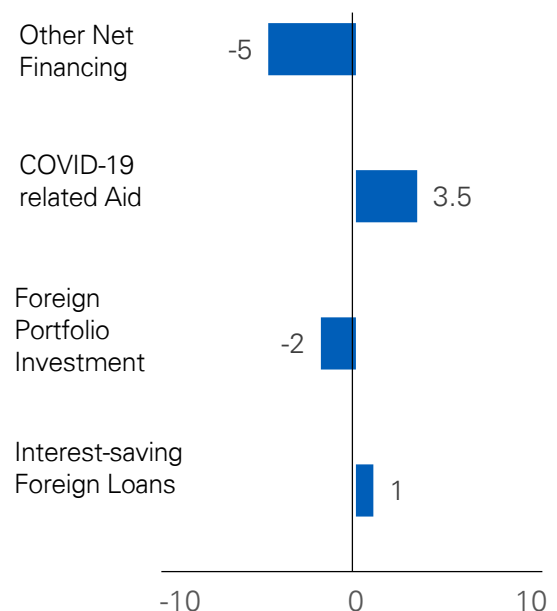
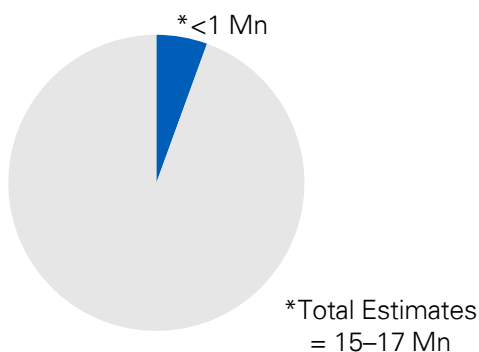
[5] COVID-19 Education Updates: TeleSchool, Ministry of Federal Education and Professional Training, 2020.



Sector overview	
Contribution to GDP ^[1]	3.50% percent to GDP, 2018-19
YoY Change in Profit After Tax (PAT) ^[2]	Rise of 21% (Banking Sector), H1-2020
Banking Sector ^[3]	<ul style="list-style-type: none"> Total Assets: PKR 19,682 Billion, 2018 Net Domestic Assets: Rise of PKR 3,099.9 Billion, 2019 Number of Listed Commercial Banks: 20, 2019 Market Cap: PKR 1,188 Billion, 2019 Net Advances: PKR 8,014 Billion, 2019 Deposits: PKR 14,945 Billion, 2019 Net Investments: PKR 9,641 Billion, 2019
Value of Assets held by Non-Banking Financial Companies ^[3]	1,137.9 Billion PKR, 2019

Expected post-COVID-19 financial flow movement (in USD bn) ^[4]

COVID-19 could impact 15-17 Mn low wage workers, out of which <1 Mn could be impacted in the Financial Sector* ^[4]



[1] Sectoral Shares in GDP (at constant basic prices), Pakistan Bureau of Statistics, 2020.

[2] The State of Pakistan's Economy, State Bank of Pakistan, 2020.

[3] Sector Overview: Financial Services, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[4] COVID-19: Scenarios & Implications for Pakistan, Engro Corporation, 2020.



Current and Potential Impacts of COVID-19 on Financial Services Sector

- COVID-19 pandemic has created panic and uncertainty amongst the investors, due to the volatility in the Pakistan Stock Market (PSX). Over an 11 day period spanning from 16 March 2020 to 27 March, both the PSX and the benchmark KSE-100 Index had suffered record losses with the KSE-100 closing at its lowest since 2009. ^[5]
- Bank's profitability will be under pressure due to reduced offtake of loans under recessionary market conditions and cautious customer outlook, drop in fee income on distribution of wealth products due to volatility in capital market, increased credit losses/ delinquencies as a consequence of lockdowns etc.
- Finance and insurance companies are predicted to contribute \$10,500 Million to GDP in 2020. ^[4]
- In order to minimize the escalating budget deficit owing to the outbreak, The Federal Government has approved the launch of domestic Sukuk bonds primarily for the purposes of generating funds for the purpose of curbing the spread of the outbreak ^[6].
- The Securities and Exchange Commission of Pakistan (SECP) has allowed all lending Non-Bank Finance Companies (NBFCs) to defer the repayment of principal loans taken by borrowers for one year as a form of providing economic stimulus in face of difficulties resulting from the COVID-19 outbreak ^[6].
- State Bank of Pakistan has introduced several measures to offset the adverse effects of COVID-19 on the economy ^{[7] [8]}:
 - Reduction of policy rate to 8 percent.
 - Reduction of bank's capital conservation buffers from 2.5 percent to 1.5 percent.
 - Relaxed terms for New and Existing Loans.
 - Development of a temporary economic refinance facility in order to stimulate investment activity within the Pakistani economy. This scheme will allow manufacturing sector industries to get subsidized loans to avail a Refinance Facility for getting loans at a zero percent mark-up, which they can offer to hospitals and other healthcare providing facilities at 3 percent for five years.
- This on-going pandemic, however, has also created opportunities for the financial institutions to increase their focus on engaging customers through digital channels and explore new ways of working with increased focus on digitization of processes and work force optimization.
- On the other hand, remote working protocols have also exposed financial institutions to heightened cybersecurity risks and social engineering scams. Robust internal control system and disaster management plans need to be revisited to address those.

[5] COVID-19 eBook, Pakistan Institute of Development Economics, 2020.

[6] Government and Institutional Measures in Response to COVID-19: Pakistan, KPMG International, 2020.

[7] State Bank's Measures to soften coronavirus effects on banks, The News, April 3rd 2020. Accessed on 28th April 2020.

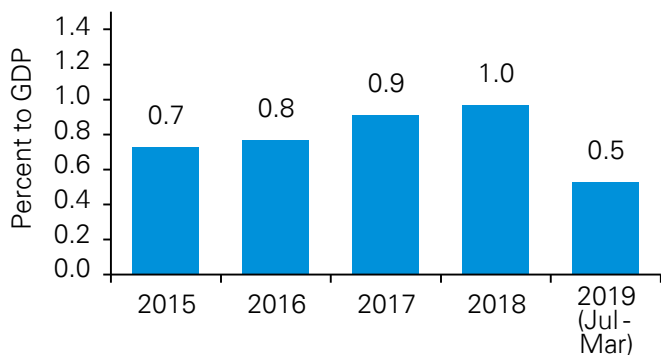
[8] Protecting Businesses, COVID-19 Pakistan's Preparations and Response, International Growth Centre 2020.



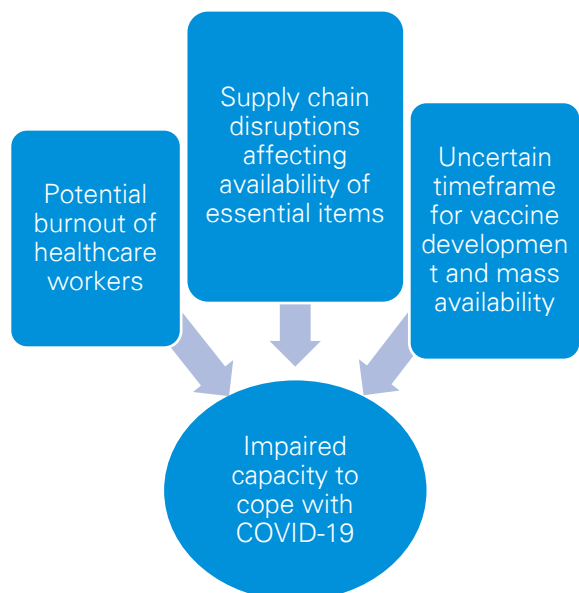
Sector overview

Contribution to GDP^[1]	0.5 percent to GDP, 2019 (Jul-Mar)
Market Cap^[1]	PKR 163 Billion, 2019
Government Spending^[1]	PKR 203.7 Billion, 2019
Total Hospitals^[1]	1,279, 2019
Total Number of Practitioners (Doctors + Nurses)^[2]	329,303, 2018
Ratio of Population to Doctors^[2]	963:1, 2018
Ratio of Population to Hospital Beds^[2]	1608:1, 2018
Total listed pharmaceutical companies^[1]	12, 2019
Profit After Tax (PAT)^[1]	PKR 11 Billion, 2019

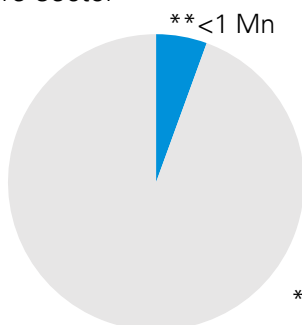
Healthcare Spending (as percentage of GDP) for FY 15-19* ^[1]



COVID-19 induced pressure on the Healthcare sector and coinciding effects ^{[3] [4]}



COVID-19 could impact 15-17 Mn low wage workers, out of which <1 Mn could be impacted in Healthcare sector**^[4]



**Total Estimates = 15-17 Mn

*Source: Pakistan Economic Survey 2018-19

[1] Sector Overview: Healthcare, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[2] Chapter 11: Health and Nutrition, Pakistan Economic Survey 2018-19, Ministry of Finance, 2020.

[3] Protecting the Saviours Healthcare workers and COVID-19, Pakistan Institute of Development Economics, 2020.

[4] COVID-19: Scenarios & Implications for Pakistan, Engro Corporation, 2020.



Current and Potential Impacts of COVID-19 on the Healthcare Sector

- COVID- 19 has posed new challenges to Pakistan’s health care system “The Global Health Security Index, which assesses countries in terms of pandemic preparedness, places Pakistan at the 105th position out of 195 countries. The ranking drops considerably in terms of healthcare infrastructure, communications during public health emergencies, infection control, and availability of equipment.^[5]”
- In order to protect medical fraternity and encourage social distancing measures among public, Out- Patient Departments (OPDs) and some other non- emergency medical facilities are unavailable in many hospitals. This may have adverse impact on the revenue flow for such hospitals and cash- outflow like salary, maintenance, interest payments etc.^[6]
- Prices of various drugs and self- hygiene products such as sanitizers, masks, gloves, disinfectants will see a surge until production increases to compensate demand.
- Standard treatment protocols, virology, infection control procedures, Research & Development in micro- biology and vaccination to experience significant change.
- SBP has announced a Refinance Facility of PKR 5 billion to support healthcare sector for the procurement of required equipment to detect, contain and treat the virus respectively^[7].
- Out of a present employment base of 1 million employees within the healthcare services sector, a minimal portion are predicted to be unemployed due to the COVID-19 lockdown due to the essential role of such services in controlling the spread of COVID-19^[4].
- Present predictions indicate that a vaccine for COVID-19 is predicted in 12-18 months, which may prove to be critical delay for certain groups such as people above the age of 70 years and those with particular health conditions due to their inherent vulnerability to the virus^[4].

[5] The Covid-19 emergency and prioritizing public health in Pakistan, Dawn, May 6th 2020. Accessed on April 27th 2020.

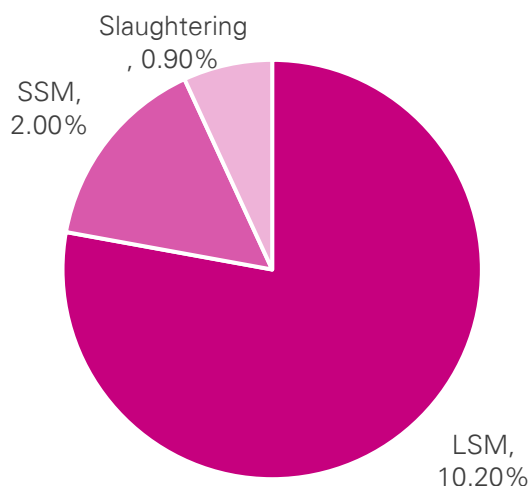
[6] After Covid-19, Karachi facing another healthcare crisis due to OPD’s closure, Dawn, April 1st 2020. Accessed on May 2nd 2020.

[7] Monetary policy: SBP cuts interest rate by 75bps to 12.5%, Tribune, 2020.

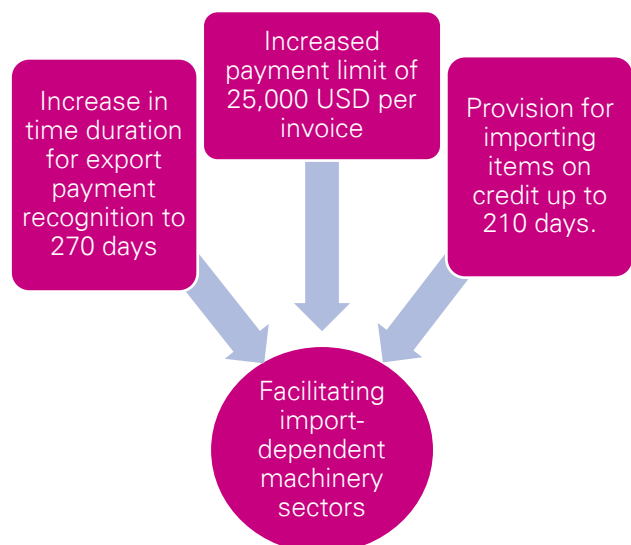


Sector Overview	
Sectoral contribution to GDP and Employment ^{[1] [2]}	<ul style="list-style-type: none"> 13.1 percent of total GDP (2019) 16.1 percent of the National Labor Force (2019)
Sector sub-divisions ^[1]	<ul style="list-style-type: none"> Large Scale Manufacturing Small Scale Manufacturing Slaughtering
Major sector users of Machinery ^[3]	<ul style="list-style-type: none"> Manufacturing Mining Gas Distribution Engineering Construction Fertilizers
Key Drivers ^{[3] [4]}	Export-driven manufacturing, Increased construction sector developments, Early-stage commercialization of CPEC projects, Reductions in spending within the Public Sector Development Program, gradual shift from low to high value additive output sectors

Contribution to Total GDP 2019^[3]



COVID-19 reactive sector-based measures ^[5]



[1] Manufacturing & Mining, Pakistan Economic Survey 18-19, Ministry of Finance, 2020.

[2] Population, Labor Force, and Employment, Pakistan Economic Survey 18-19, Ministry of Finance, 2020.

[3] Sector Overview: Industrial and Commercial Machinery, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[4] Productivity Growth, Pakistan Vision 2025, Ministry of Planning, Development and Reform, 2020.

[5] Trade Accounts, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.



Current and potential impact of COVID-19 on the Machinery Sector

- Preceding the COVID-19 pandemic, the Pakistan Business Council had lobbied for an increased focus on serving the engineering sector with additional supplies of iron and steel as primary inputs for production. The assembly of mobile phones, laptops and PCs were considered as key value-additive industries which could be incentivized for potential investors. In addition to their request for such provisions to the general industrial policy, they had also requested the Government to provide some incentives to the machinery sector such as the provision of energy at the export-prioritized rate, alleviation of import duties on plant and machinery equipment, and a ten-year tax holiday with minimal residual taxes ^[6].
- During the past fiscal year, imports within the Machinery sector fell by 1.0 percent to 4.4 billion USD. This drop was complimented by a rise in purchases of electrical machinery and cell phones, partially offsetting the import loss incurred within the sector ^[7].
- As of the onset of the COVID-19 pandemic within Pakistan, increases in the import of electrical generation equipment (such as transformers) were noted, which is in line with multiple ongoing projects (now paused) for expanding the transmission network throughout the country. These projects have now been delayed with their schedules varying in completion timeframes from within the present fiscal year to potentially as late as fiscal year 2022 ^[7].
- The following impacts may affect the Machinery sector (and the Manufacturing industry dependent on it) as a result of COVID-19 induced supply chain shocks ^[8]:
 - Unavailability of inputs required for production of intermediary components.
 - Loss of demand resulting from the country-wide lockdown.
 - Reduction in export-side demand by COVID-19 affected countries as well as those affected to a lesser extent (due to the potential risk of virus exposure).

[6] Section 4: Specific Industries to Promote Exports and Import Substitution, Contours of A New Industrial Policy, Pakistan Business Council, 2018.

[7] Economic Outlook, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

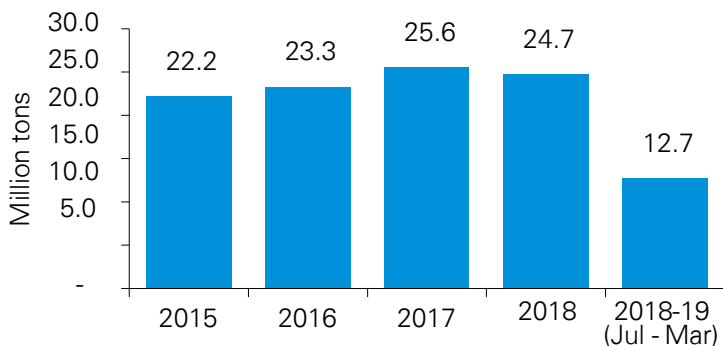
[8] Manufacturing, COVID-19 Bulletin No. 6, Pakistan Institute of Development Economics, 2020.



Sector Overview

National Consumption of Oil and Gas ^[1]	<ul style="list-style-type: none"> 498.17 Barrel/Day th (of Oil) (2018) 4.216 Cub ft/Day bn (of Natural Gas) (2018)
Crude Oil Reserves ^[2]	76.1 million Barrels (2019)
Domestic Crude Oil Production ^[2]	24.6 million Barrels (2019)
Domestic Natural Gas Production ^[3]	36,879 million Cubic m (2018)
FDI Equity Inflow in Sector ^[2]	326 million USD (2019)

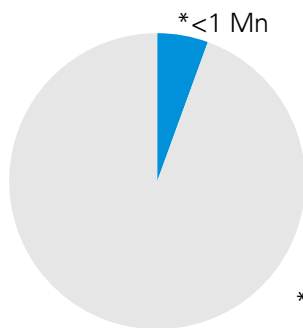
Oil/petroleum consumption 2015 – 2019 ^[2]



COVID-19-resultant expected losses and contraction effects ^{[4] [5]}



COVID-19 could impact 15-17 Mn low wage workers, out of which <1 Mn could be impacted in the Oil and Gas Sector*^[4]



*Total Estimates = 15–17 Mn

[1] Economic Indicators: Pakistan (Energy), CEIC Dataset, CEIC. accessed on 1st May 2020.

[2] Sector Overview: Oil and Gas, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[3] Economic Indicators: Pakistan (Natural Gas Production: OPEC), CEIC Dataset, CEIC. accessed on 1st May 2020.

[4] COVID-19: Scenarios and Implications for Pakistan, Engro Corporation, 2020.

[5] Nasir, M, Faraz, N., and Khalid, M. Sectoral Analysis of The Vulnerably Employed: COVID-19 And the Pakistan’s Labor Market, Section 3: Blogs, Pakistan Institute of Development Economics, 2020.



Current and Potential Impacts of COVID-19 on the Oil and Gas Sector

- Initially at the onset of the COVID-19 associated market panic, along with the Saudi-Russian disagreement over crude oil prices, global crude oil prices plunged to a two decade record low due to market fears over a potential recession and the abundant supply of oil as a commodity ^[6].
- As an import-driven consumer of oil, Pakistan would stand to benefit from such a substantial decline in global oil prices as it would contribute towards a reduction within the import bill and the existing account deficit, contributing to a positive impact on its trade balance ^[6].
- Domestically in the wake of the spread of COVID-19, there has been a decline in the overall manufacturing output of Pakistani industries which may be partially attributed to the phasing out of furnace oil-based electrical generation and relatively higher prices of inputs. On the demand-end, higher consumer-side prices and curtailed commercial activities have limited spending on oil-derived products, especially most prominent for the demand of High-Speed Diesel fuel. Activities for processing petrol and diesel have contracted as a result and further improvements in coal and hydropower electrical generation processes have also affected the demand for oil products across Pakistan generally ^[7].
- In response to the potential financial risk posed by both the lack of commercial activity and fluctuating interest rates in the uncertain economic environment, oil refineries have decided to initiate to deleverage their operational flows in order to cope with restrictive cash flows as a result of recent regulatory changes ^[8].
- Other closely-linked sectors such as the automobile industry and other large scale manufacturing have also remained sluggish in face of decreased demand for petrol while other sectors such as fertilizers have been limited as a result of bottlenecks on the supply of natural gas. Holistically, lower domestic demand and a bleak outlook for global economic market growth have contributed to long-term risk magnification for the Pakistan industrial sector ^[9].

[6] Economic Outlook (COVID-19 Outbreak), The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[7] Large Scale Manufacturing (Petroleum), The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[8] Credit to Private Sector, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

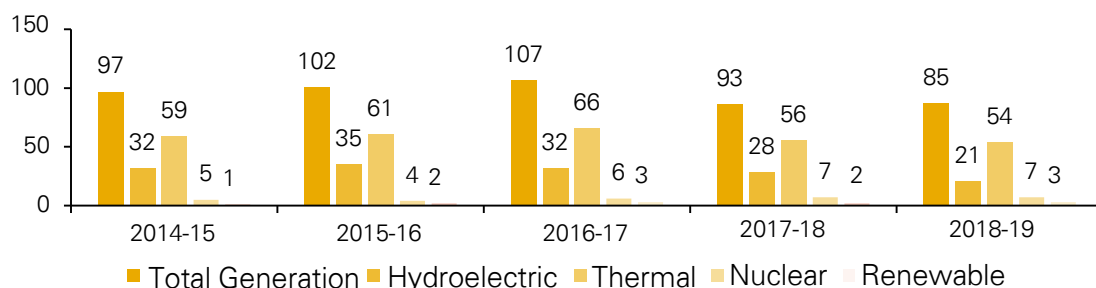
[9] Real Sector (Overview), The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.



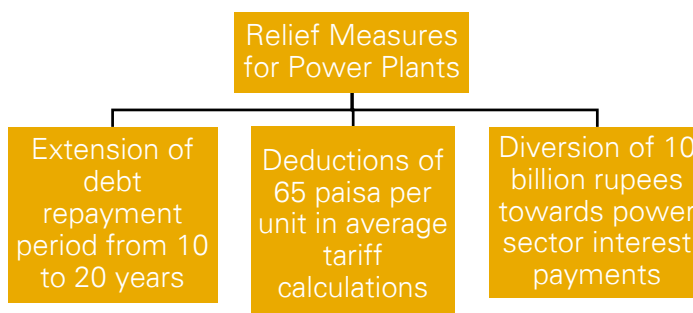
Sector Overview

Sectoral contribution to GDP ^[1]	1.99 percent of total GDP (2019)
Total Installed Capacity ^[2]	34,328 Megawatts (2019)
Generation Capacity ^[2]	84,680 Gigawatt hours (2019)
National Budgetary Allocation ^[3]	PKR 24,718 million (2019)
Ease of Doing Business (EoDB: Getting Electricity) Ranking ^[4]	123rd (out of 187 ranked nations) (2019)
FDI Equity Inflow in Sector ^[5]	35.58 percent (of National FDI inflows) (2019)
Key Drivers ^[2]	Furnace oil being phased out in favor of more efficient and cleaner alternatives, Transmission and distribution infrastructure as part of the CPEC scheme, Multiple hydropower initiatives at the implementation phase, Reversal of a ban on solar and wind power investments and drafting the Alternative Energy Policy 2019

Composition of installed power generation capacity (GW) 2015 – 2019 ^[2]



Tentative Economic Coordination Committee (ECC) power sector COVID-19 relief measures ^[6]



[1] National Accounts: Table-7 (Sectoral Shares in GDP), Pakistan Bureau of Statistics, 2020.

[2] Sector Overview: Power, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[3] Section 5.9: Economic Affairs, Budget in Brief 2019-2020, Ministry of Finance, 2020.

[4] Getting Electricity, Doing Business: Measuring Business Regulations FY19, accessed on 1st May 2020

[5] Latief, R. and Lefen, L. Foreign direct investment in the power and energy sector, energy consumption, and economic growth: empirical evidence from Pakistan. Sustainability 11(1), 2020.

[6] ECC okays diversion of Rs10bn from Covid-19 relief package to power sector debt repayments, Dawn, May 21st 2020. Accessed on May 25th 2020.



Current and Potential Impacts of COVID-19 on the Power Sector

- Before the COVID-19 pandemic had spread beyond the borders of China, the resultant halt of Chinese manufacturing and industrial activity during the first two months of 2020 had led to operational disruption across the globe in sectors such as aviation, automotive, and energy providers who foresaw strategic vulnerabilities resulting from the uncontrolled spread of the virus ^[7].
- Even with a fall in international oil prices, domestic energy prices have continued to rise. The unsustainable financial conditions for energy companies have driven the Government to plan out reform schemes, which may include policies such as streamlining tariff billing and notification procedures, especially in the reliance on electronic mediums for communication and teleworking due to the COVID-19 enforced lockdown ^[8].
- As a residual effect of the lockdown and subsequent mandated remote working protocols by commercial organizations, the urban energy utilization index have registered a 19.9 increase year-over-year. Additionally, adjustments in gas tariffs made in July 2019 have also contributed to an increased energy utilization index ^[8].
- In addition to adapting with the unfolding COVID-19 situation, the power sector has to resolve several systematic issues such as price distortions and regulatory deficiencies in the efficient distribution of electricity throughout the national grid. Short-term measures have been taken such as bringing tariffs at level to offset operational costs, along with cost-cutting measures in order to prevent the buildup of circular debt and recover costs usually lost due to such inefficiencies. A further industrial support package has been drawn up by the Government to the amount of Rs. 3/consumed unit, as well as several benchmark goals in order to achieve financial self-sufficiency without compromising service availability/quality ^[9]:
 - Achieving a sustainable tariff recovery level;
 - Offsetting losses as determined by the National Electric Power Regulatory Authority (NEPRA);
 - Stringent budgeting and allocation of subsidies in order to facilitate all operational initiatives in a given fiscal year.
 - Calibrating power utilization on a quarterly basis in order to ascertain power demand and supply requirements for future fiscal years.
- As the provision of electrical power are an essential service for residential and commercial properties, the field-level staff is relatively insulated from the risk of layoffs as a result of COVID-19 due to their role in ensuring that customers are provided with an uninterrupted source of power, especially more critical for the scenario that most organizations have shifted to a remote working arrangement ^[10].

[7] Economic Outlook (COVID-19 Outbreak), The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[8] Section 3.4: Inflation, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[9] Pakistan Economic Growth and Global Perspective, Pakistan Economic Survey 18-19, Ministry of Finance, 2020.

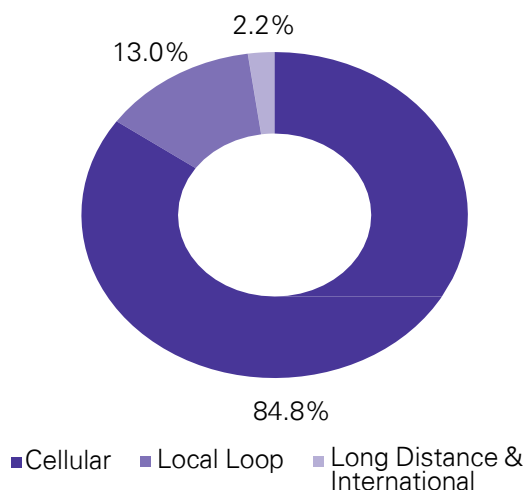
[10] Nasir, M, Faraz, N., and Khalid, M. Sectoral Analysis of The Vulnerably Employed: Covid-19 And the Pakistan's Labor Market, Section 3: Blogs, Pakistan Institute of Development Economics, 2020.



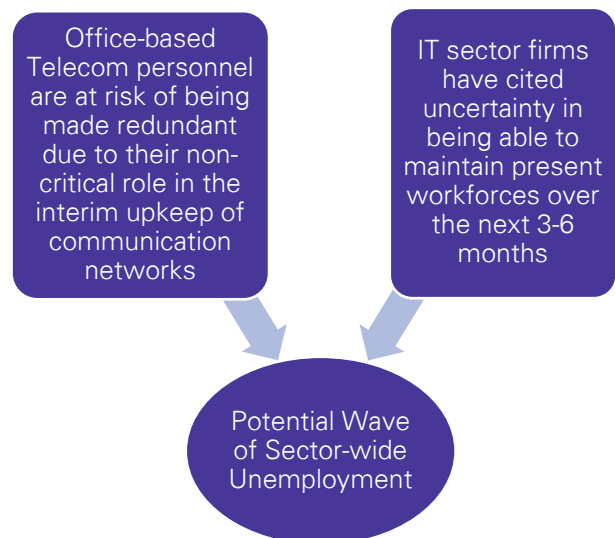
Sector Overview

Sectoral contribution to GDP ^[1]	3 percent of total GDP
Total subscribers ^[2]	166.47 million (2019): <ul style="list-style-type: none"> Cellular Mobile: 164.02 million Fixed Local Loop/Wireless Local Loop: 2.45 million.
Tele-density ^[2]	78.9 percent (2019): <ul style="list-style-type: none"> Cellular Mobile: 77.7 percent Fixed Local Loop/Wireless Local Loop: 1.2 percent
FDI Equity Inflow in Sector ^[3]	505 million USD (29.15 percent of total FDI inflows)
Key Drivers ^[4]	Improving legal imports of mobile devices through the Device Identification Registration and Blocking System (DIRBS), spurring local manufacturing, minimizing grey markets, extending mobile financial services to citizens, providing high Quality of Service (QoS) and enhancing accessibility overall

Share of total investment in telecom 2017-18 ^[5]



COVID-19 employment-based instability ^{[6] [7]}



[1] Sector Summary, IT & Telecom, Emerging Pakistan (Ministry of Commerce), accessed on 24th April 2020.

[2] Telecommunication Market Statistics, Annual Report 2019, Pakistan Telecommunications Authority, 2020.

[3] Foreign Direct Investment, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[4] Executive Summary, Annual Report 2019, Pakistan Telecommunications Authority, 2020.

[5] Sector Overview: Telecommunications and IT, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[6] Ahmed, J. and Mughal, M. Coronavirus Pandemic and The Plight of The Vulnerable Labor, Section 3: Blogs, Pakistan Institute of Development Economics, 2020.

[7] Effects of COVID19 Crisis on the IT/ITES Sector of Pakistan, Pakistan Software Houses Association for IT and ITES, 2020.



Current and Potential Impacts of COVID-19 on the Telecom and IT Sector

- With stable communication links being the most essential services required for the Government and businesses to effectively communicate with stakeholders (including employees), the stability of the telecom sector is critical during this time where more workforces are shifting to a Work-from-Home structure for their routine operations ^[8].
- In order to cope with this surge in demand from both remote workers and students who have shifted to an entirely-online learning platform, it may require telecommunication providers (of both internet and cellular services) to strengthen their infrastructure in terms of coping with an extraordinary amount of user bandwidth during peak hours ^[8].
- The Pakistan Telecommunications Authority (PTA) has already stated its intention to support such remotely operating businesses and institutions by allowing all legal mediums of Voice over Internet Protocol, Virtual Private Network and video conferencing applications without any connectivity barriers on its end ^[9].
- As reported by the PTA, internet usage has surged upwards by 15% since the lockdown was imposed nationally on March 24th. 2020. Using social media applications has constituted the bulk of this bandwidth usage ^[10].
- With regards to curbing the further spread of COVID-19, the Ministry of IT and Telecommunications have overseen the development of a software application “COVID-19 Gov Pk” as a measure for informing users on the present state of COVID-19 cases throughout the country and precautionary measures that can be taken in order to prevent infection ^[11].

[8] Insights: Pakistan, COVID-19 - Working remotely & Technological Controls, RSM International, 2020.

[9] Supporting Remote Learning & Online Businesses, Pakistan Telecommunications Authority, 2020.

[10] Pakistan Internet Use Surges amid Coronavirus Lockdown, Express Tribune, April 16th 2020. Accessed on May 11th 2020.

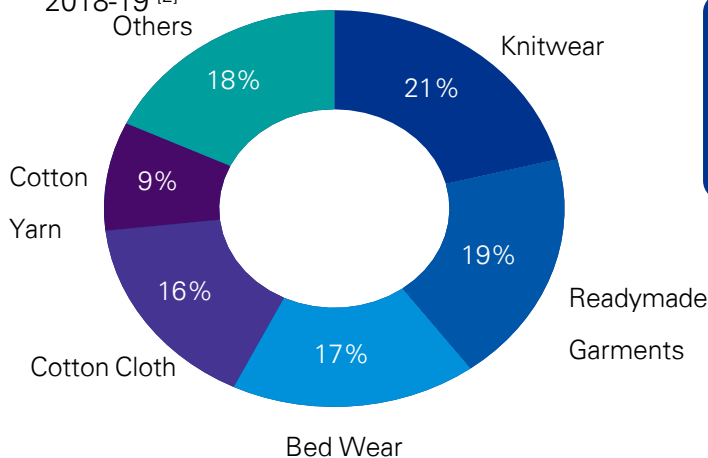
[11] Application Developed To Deal With Coronavirus. Ministry of Information Technology and Telecommunication, 2020.



Sector Overview

Sectoral contribution to GDP and Employment ^[1]	<ul style="list-style-type: none"> 8.5 percent of total GDP (2018) 40 percent of the National Labor Force (2018)
Export Volume ^[2]	13,579 million USD (56 percent of National Exports) (2019)
Key source markets for imports ^[3]	<ul style="list-style-type: none"> China United States India Indonesia Thailand
Key partner markets for exports ^[3]	<ul style="list-style-type: none"> United States United Kingdom Germany China Spain
FDI Equity Inflow in Sector ^[4]	0.56 percent (of National FDI) (2019)
Key Drivers ^[5]	Increased market shares in the EU, US, and Middle East, Manufacturing output coinciding with higher exports, Growth within yarn and cloth segments, General uptick in producing value-additive textile products, Advantageous price positioning stemming from exchange rate fluctuations and improved opportunities in key export destinations (US and the EU) as a result of China's stalled activity within the apparel segment

Textile products export composition during 2018-19 ^[2]



COVID-19 supply chain impacts ^{[7] [8]}



[1] Sector Profile: Textiles (value-addition), Board of Investment, 2018.

[2] Sector Overview: Textile, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[3] Country Profile: Pakistan (Trade Flow: Textiles and Clothing), World Integrated Trade Solution, World Bank, accessed on 29th May 2020.

[4] Economic Significance, Pakistan's Readymade Garments Sector: Challenges and Opportunities, Pakistan Business Council (PBC) and The Consortium for Development Policy Research (CDPR), 2020.



Current and Potential Impacts of COVID-19 on Textiles Sector

- In terms of Pakistan's position in the global textiles market, the sector produces a total of 13 million bales of cotton per year which places Pakistan at 4th in terms of total cotton production levels however, the quality of this cotton is comparatively deficient to other major exporters and therefore, the potential exists for Pakistan to improve the quality, rather than pure quantity, of its homegrown textiles [6].
- Main reasons for this quality deficiency result from the non-availability of quality cotton strain seeds, reliance on poor quality pesticides/ chemicals, and improper farming practices (such as inefficient irrigation schemes and harvesting/ following patterns) [6].
- Preceding the COVID-19 outbreak, Pakistan was on the path to economic recovery, especially with respect to externally sourced sectors of the economy. With favorable growth and performance in global business performance metrics (such as higher placements on the World Bank's Ease of Doing Business Index and lists for Most Improved Business Climate respectively), exchange rate volatility was under control as the Pakistani Rupee was allowed to rise to a globally acceptable level. The China-Pakistan Free Trade Agreement (FTA) was also a key market factor as it allowed Pakistani concerns access to Chinese markets at similar terms as the ASEAN member nations. Further, FDI inflows into the Pakistani textile sector also coinciding with these trading conditions [7].
- In face of the originating outbreak in China, Pakistan received diverted export orders from foreign buyers as Chinese manufacturers had majorly ceased production line activities. This led to a favorable trade balance for Pakistan in terms of increasing demand for exports from the Textile sector [7].
- Amidst production disruption and a shutdown of the majority of textile mills across Pakistan, The All Pakistan Textile Mills Association (APTMA) has demanded that aid be allocated to the textile industry in the form of working capital and utility bill credit provisions for a minimum duration of two weeks in order to allow the industry to retain the labor and operational capacity for resuming production at a later date [8].
- A socioeconomic effect of the pandemic may be that of non-essential or surplus labor being made redundant in the face of falling local and foreign demand for textiles and other associated products [9].

[5] Section I: Real Sector, The State of Pakistan's Economy, Second Quarterly Report for the year 2019-2020 of the Board of Directors, State Bank of Pakistan, 2020.

[6].Pakistan at 100: Regional Connectivity. World Bank Group. 2019.

[7] Mahmood, Z., COVID-19 and Pakistan's Trade Prospects, IBA Business Review, 2020.

[8] APTMA Demands Immediate Rescue Measures, Business Recorder, April 8th 2020. Accessed on April 25th 2020.

[9] Nasir, M, Faraz, N., and Khalid, M., Sectoral Analysis of The Vulnerably Employed: Covid-19 And The Pakistan's Labor Market, Section 3: Blogs, Pakistan Institute of Development Economics, 2020.

Transportation (1/2)



Sector overview

Contribution to GDP and Employment ^{[1] [2]}	12.89 percent of GDP, 2018-19. 5.7 percent of national labor force
Road Network ^[2]	270,971km (96 percent Inland freight, 92 percent passenger traffic)
Railway Network ^[2]	470 locomotives (458 Diesel engine, 12 Steam engines) for 7,791 km.
Pakistan National Shipping Corporation fleet ^[2]	11 vessels, total deadweight capacity of 831,711 metric tons.
Aircraft Movement & Passenger Traffic ^[2]	Avg. Rise of 7.1 percent & 6.3 percent.

Present State of Transportation Infrastructure ^[2]



Current length of the National Highway Network is 12,743 Km.

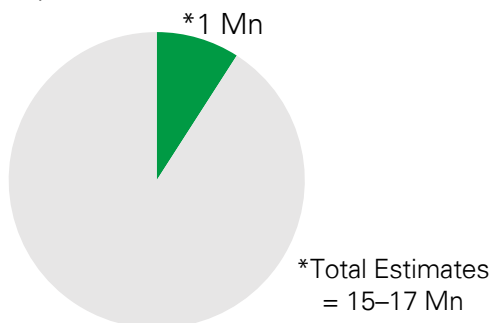


Pakistan Railways Network comprises of 7,791 kilometers length of route.

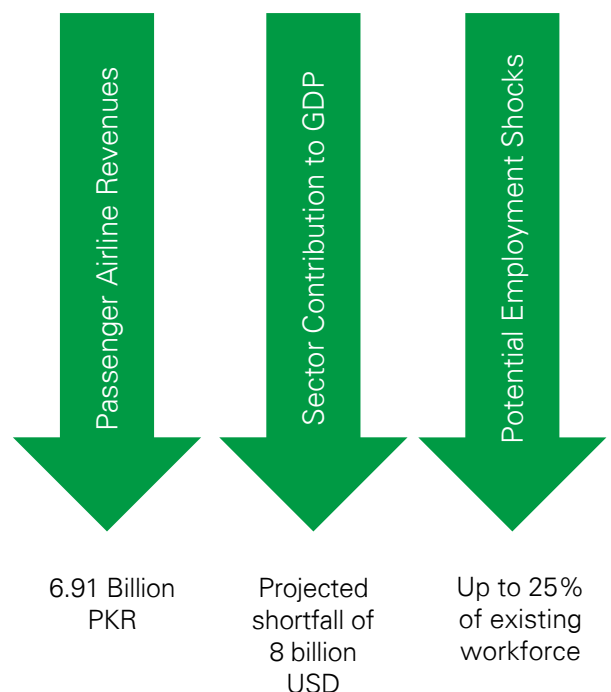


Aircraft movements grew by 7.1% and passenger traffic by 6.3% as per the Civil Aviation Authority

COVID-19 could impact 15-17 Mn low wage workers, out of which 1 Mn could be impacted in the Transportation Sector* ^[3]



COVID-19-resultant expected losses and contraction effects within the sector ^{[3] [4]}



[1] Sectoral Shares in GDP (at constant basic prices), Pakistan Bureau of Statistics, 2020.
 [2] Sector Overview: Transportation, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.
 [3] COVID-19: Scenarios & Implications for Pakistan, Engro Corporation, 2020.



Current and Potential Impacts of COVID-19 on the Transportation Sector

- Public transport has been cited as a major infection vector for the spread of COVID-19 pandemic. ^[4]
- To date, aviation service providers such as Pakistan International Airlines and the Civil Aviation Authority (CAA) have suffered losses over PKR 19 billion within two months due to the nation-wide suspension of both domestic and international flights. ^[5]
- Pakistan Railways has also suspended all passenger traffic until further notice as a preventive measure for the virus to spread across connected cities on the national railways network. In addition to such restrictions, the Railways Ministry has set up mobile hospital and holding wards using unutilized railway cars in order to divert patient inflow pressure from inner-city hospitals. ^[6]
- Existing projections for GDP estimates for Pakistan's transportation sector preceding the onset of COVID-19 were \$ 38 billion and post-COVID-19, are projected to be \$30 billion. ^[3]
- Some suggested measures for alleviating the contagion spread through transportation mediums include ^[3]:
 - Developing the capability for mass temperature and symptom screening across railway and bus passenger hubs; limit intercity travels to these medium only for the course of the epidemic.
 - Enforcement of a minimum proximity limit to be maintained between passengers on mass transport vehicles.
 - Free movement being only allowed for essential items in an inbound or outbound direction.
- Development of an efficient plan of transporting items and people around the country in order to reduce unnecessary movements is essential. Services which rely on the transportation of individuals may reconsider the fundamentals of their business models (and associated practices) in order to proactively adapt with the need to curb COVID-19. ^[7]

[4] Intra-city public transport can turn out to be next hotbed for COVID-19, The News, March 21st 2020. Accessed on April 6th 2020.

[5] Coronavirus: PIA suffers loss due to suspension of flight operation, The Nation, April 14th 2020. Accessed on April 18th 2020.

[6] Fighting coronavirus: Pakistan Railways establishes quarantine center in train coaches, Business Recorder, March 30th 2020, Accessed on April 18th 2020.

[7] Logistics and Essential Services, Section 1: PIDE Action Plan, Pakistan Institute of Development Economics, 2020.



Sector overview

Contribution to GDP and Employment ^[1] .	<ul style="list-style-type: none"> 7.1 percent of GDP, 2018. 6.3 percent of total employment, 2018.
Tourism Expenditure ^[2] .	\$2,899m, 2018.
Tourism Receipt ^[3]	\$818m, 2018.
Key Developments ^{[1] [4]}	<ul style="list-style-type: none"> Pakistan became member of Shanghai Cooperation Organization. One of its main objective is tourism and environmental protection. “Pakistan topped the Condé Nast Traveler’s list of best holiday destinations for 2020 in December 2019.” “Pakistan has now become a market for around 50 million domestic tourists.”
Key Drivers ^[1]	Government focus on Sector Employment Growth; World Travel and Tourism Council has estimated that the sector will generate approximately 4.9 million jobs by 2029.

Industry Snapshot ^[1]



84% of spending by Pakistanis’ in travelling was for leisure purposes



There is an opportunity to enhance the hotel network and facilities in these areas



Unanimous agreement among provincial parties in retaining foreign tourists’ confidence through destination branding.

COVID-19 reactive effects on Tourism ^[4]



[1] Sector Overview: Tourism, Investment in Pakistan, KPMG Taseer Hadi & Co., 2020.

[2] International Tourism, Expenditures (current US\$), The World Bank, 2020.

[3] International Tourism, Receipts (current US\$), The World Bank, 2020.

[4] COVID-19 delays activities of Pakistan’s domestic tourism industry, The World Bank, 2020.



Current and Potential Impacts of COVID-19 on the Tourism Sector

- Due to the COVID-19 pandemic, World Tourism Organization has projected a loss of \$300-500 billion in tourism receipts worldwide ^[4].
- As per OECD Economic Outlook report of March 2020, the unprecedented epidemic and the protection measures being taken have impacted the small and medium enterprises (SMEs) in the tourism sector, with Pakistan facing similar challenges ^[4].
- The unprecedented lockdown is resulting in tour operators suffering because of cancellations of group bookings^[4].
- “Pakistan’s Civil Aviation Authority (CAA) has reported losses of around \$18 million in March 2020 and Pakistan International Airlines (PIA) could be sending its workforce on paid leaves on a rotational basis ^[4].”
- “The initial assessment fears that KPK’s tourism sector alone will face a loss of \$20 million in revenues and could slash around 260,000 formal jobs^[4].”
- Pakistani authorities are in the process of initiating support programs for the impacted enterprises ^[4].
- One positive outcome of COVID-19 is that it is a relief for nature and wildlife from burden of over-tourism ^[4].
- Post COVID-19, Punjab and KPK will continue supporting the tourism operations, via development of the tourist infrastructure and facilities, and overall policy and regulatory overhaul to permit private investment mobilization for the tourism sector ^[4].

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