



The Outlook for Pakistan's Economy

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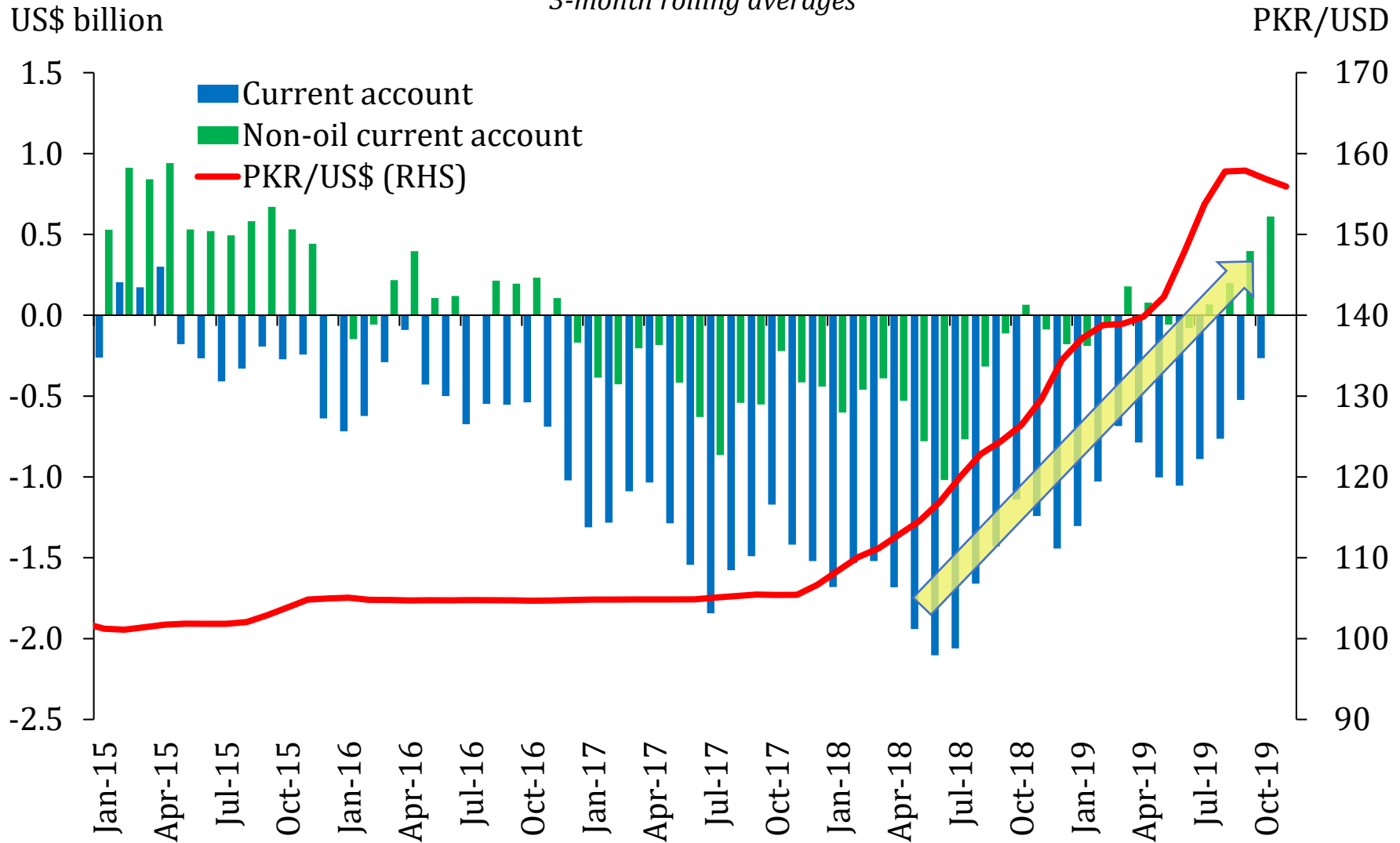
I.

Economic policies are addressing previously accumulated macroeconomic imbalances

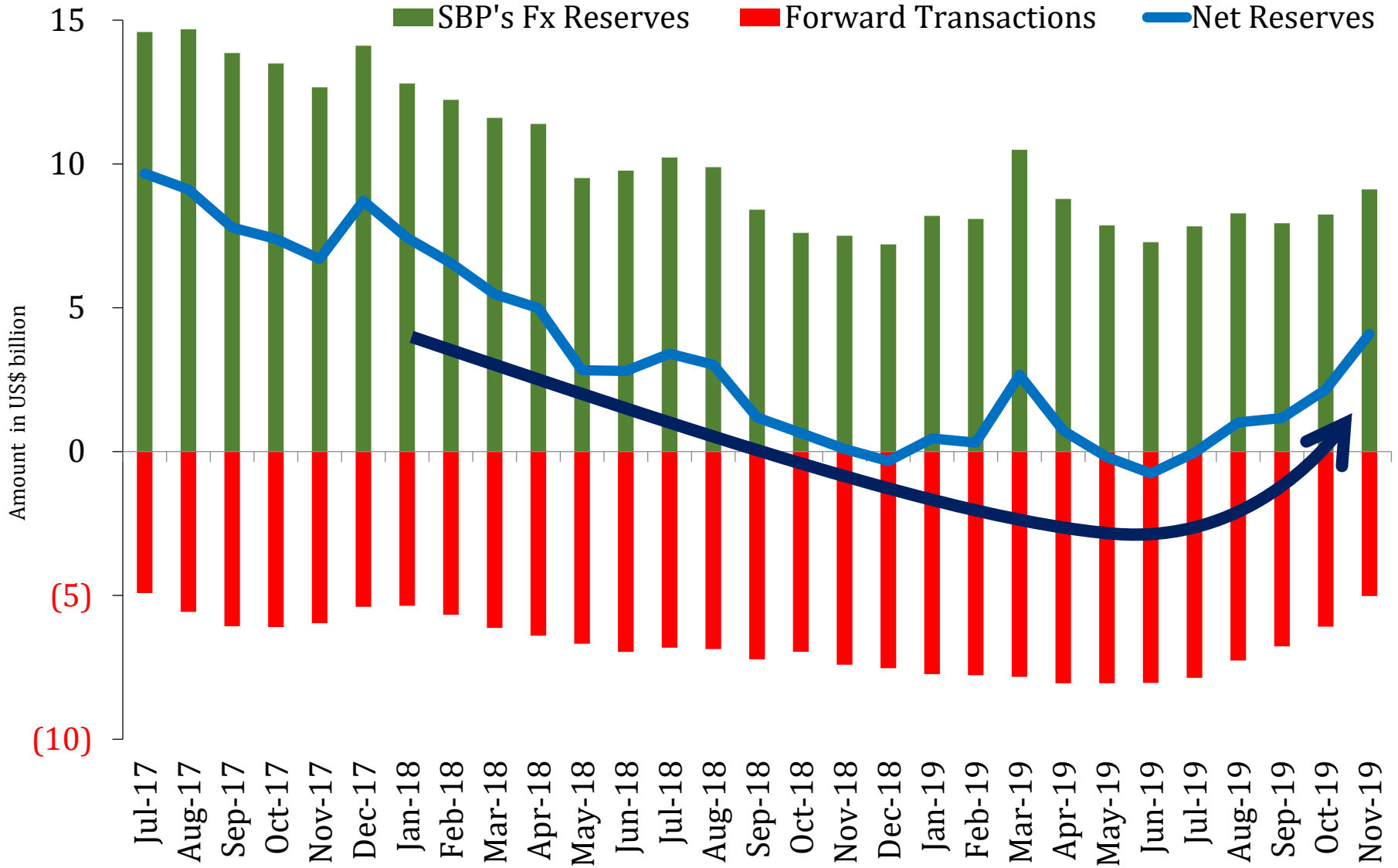
A fixed exchange rate (ER) widened the current account deficit; ER flexibility has improved the current account

Current account and exchange rate

3-month rolling averages



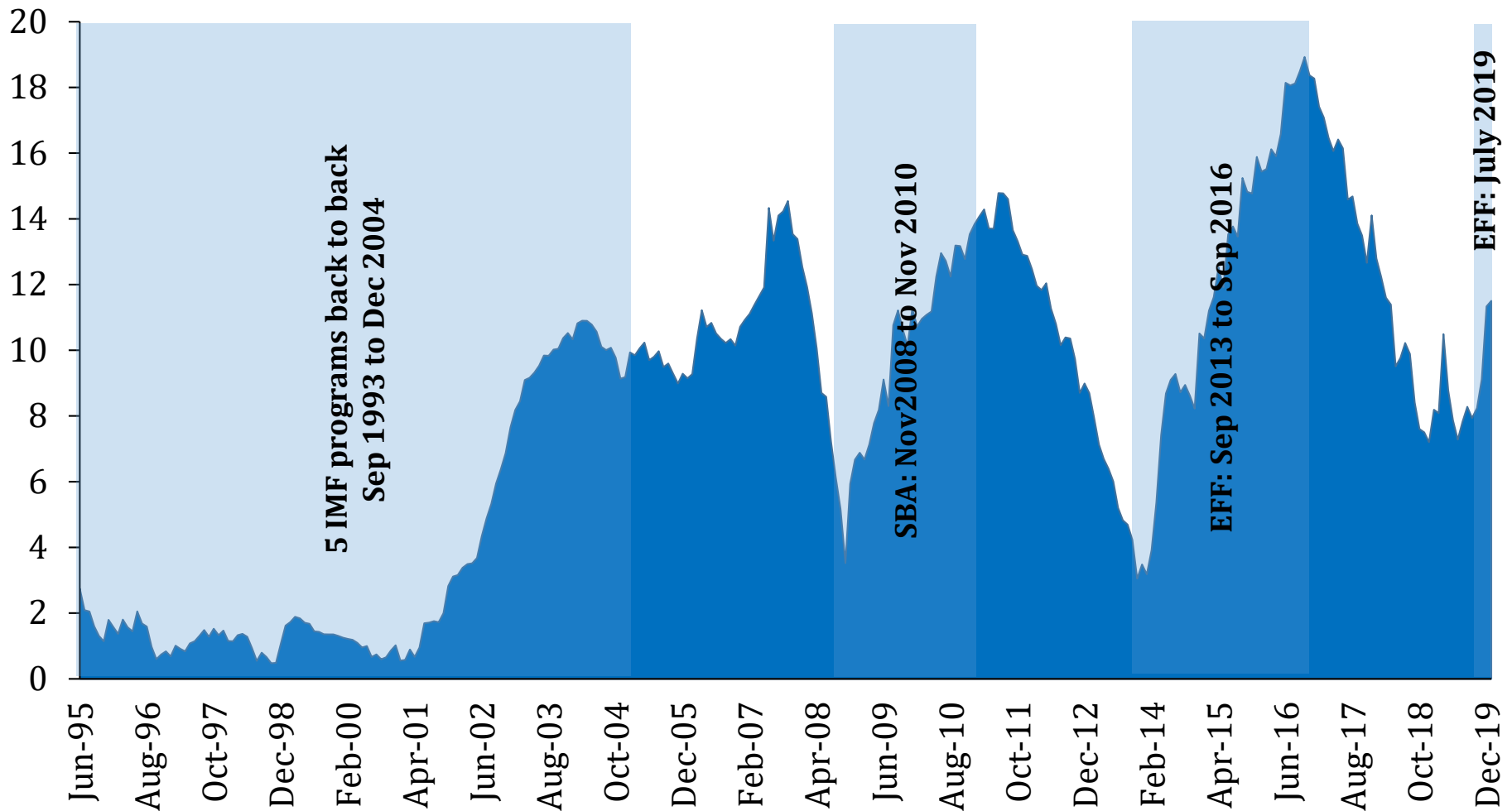
A notable improvement in FX reserves



Falling and low reserves have led to repeated IMF programs



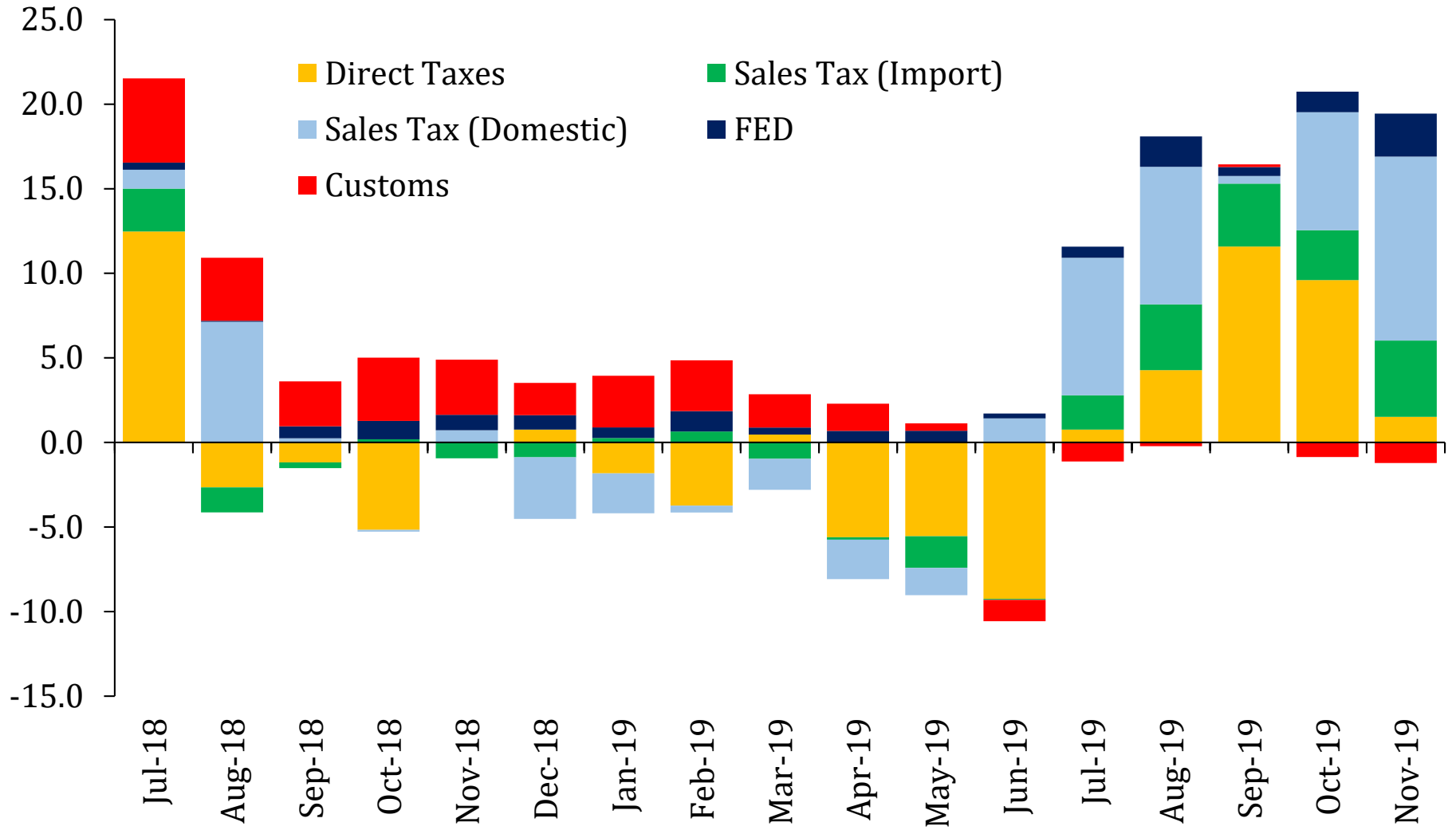
Reserves (billions US\$)



Fiscal reforms are beginning to bear fruit with revenues growing significantly



FBR revenues
% growth, contribution in ppt.



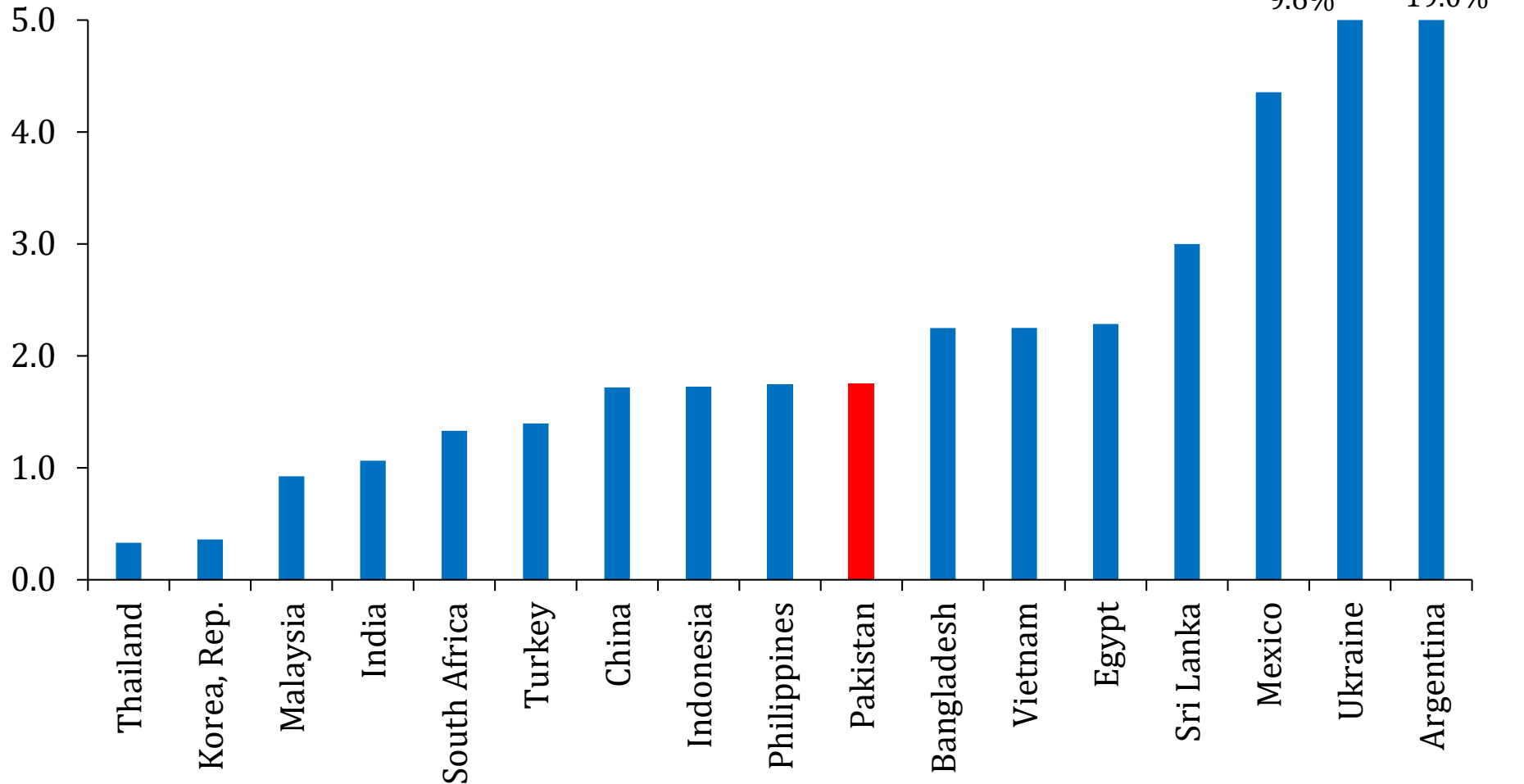
Source: Planning Commission; FBR

Policy interest rate is appropriate to reduce inflation and the real interest rate is less than in many other countries



Real interest rate on forward-looking basis

In percent



Notes: 1. Inflation projections made by the IMF in October 2019; For Pakistan, SBP's inflation projections are used. 2. Real interest rate is the difference of nominal interest rate and projected inflation.



II.

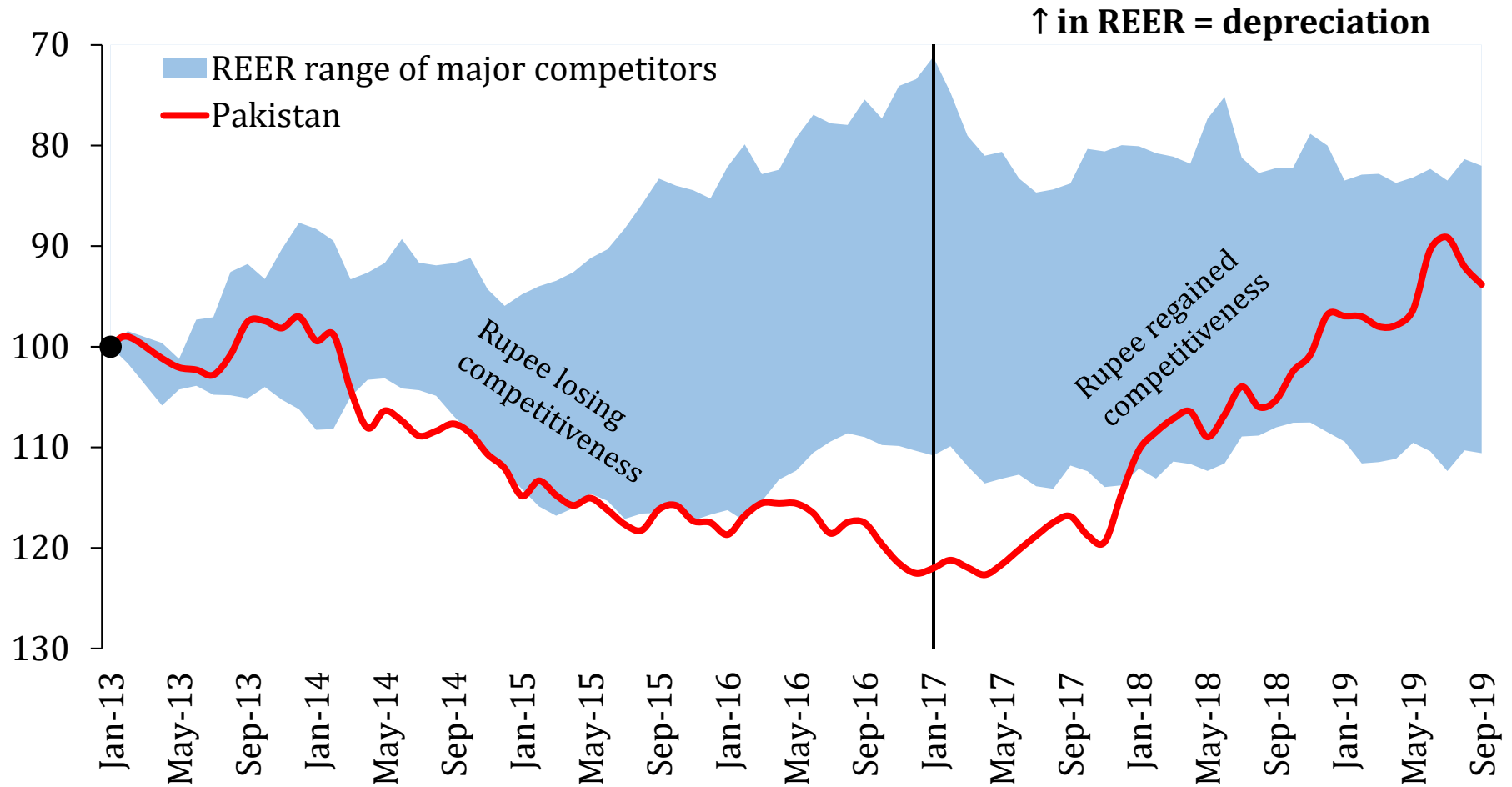
The outlook for the real economy is improving

The move to a market-based exchange rate system has made the rupee competitive and will support exports

Real exchange rate (REER)

2013=100

Index, inverted scale



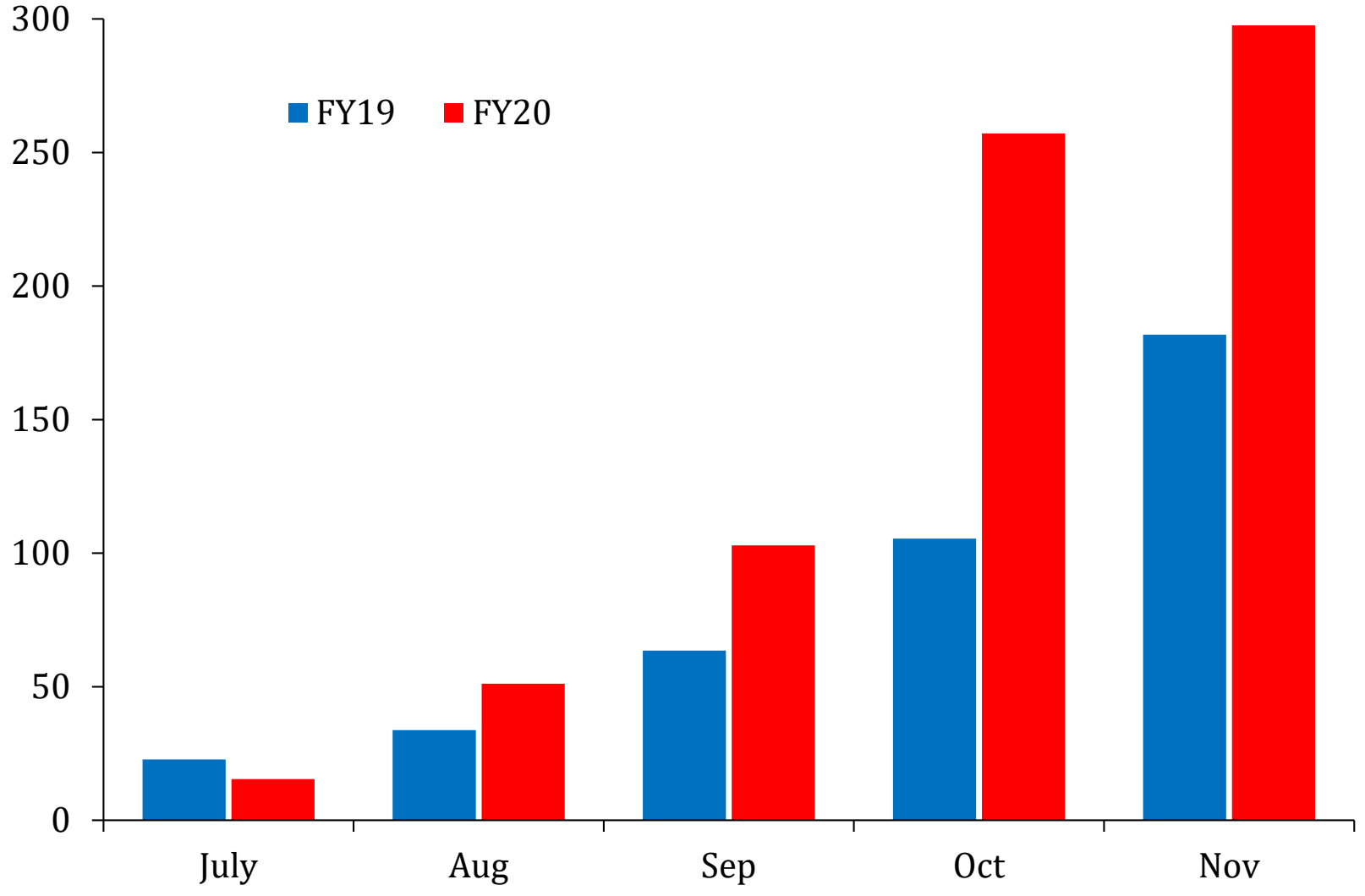
Note: Competitors' include India, China, Malaysia, Thailand, Sri Lanka, Philippines, Indonesia, Mexico

Increased development spending will support the real economy



Federal Public-Sector Developing Program Releases

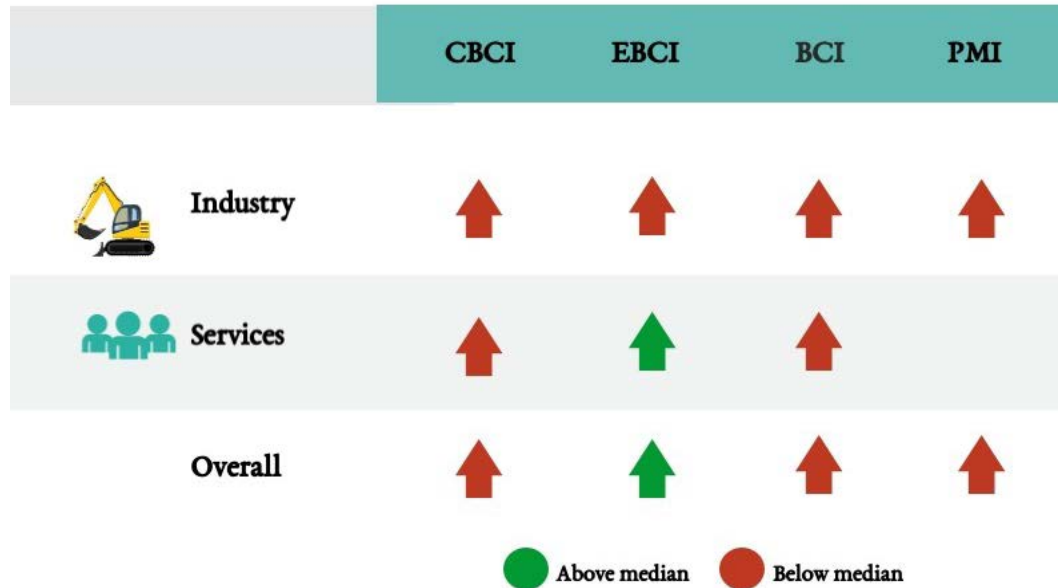
Rs billion



Source: Planning Commission; FBR

Business confidence indicators have risen in the latest survey after six months

BUSINESS CONFIDENCE SURVEY-October 2019



- The colors signify the current level of confidence relative to the historical median, i.e. **green** (**red**) means current level is **better**(**worse**) than historical median.
- The arrows signify change from the previous wave of the Business Confidence Survey (BCS) i.e. **upwards** (**downwards**) arrow signify **improvement** (**deterioration**) between any two waves.

Note: CBCI, EBCI and BCI stands for Current, Expected and Overall Business Confidence, while PMI stands for Purchasing Managers Index



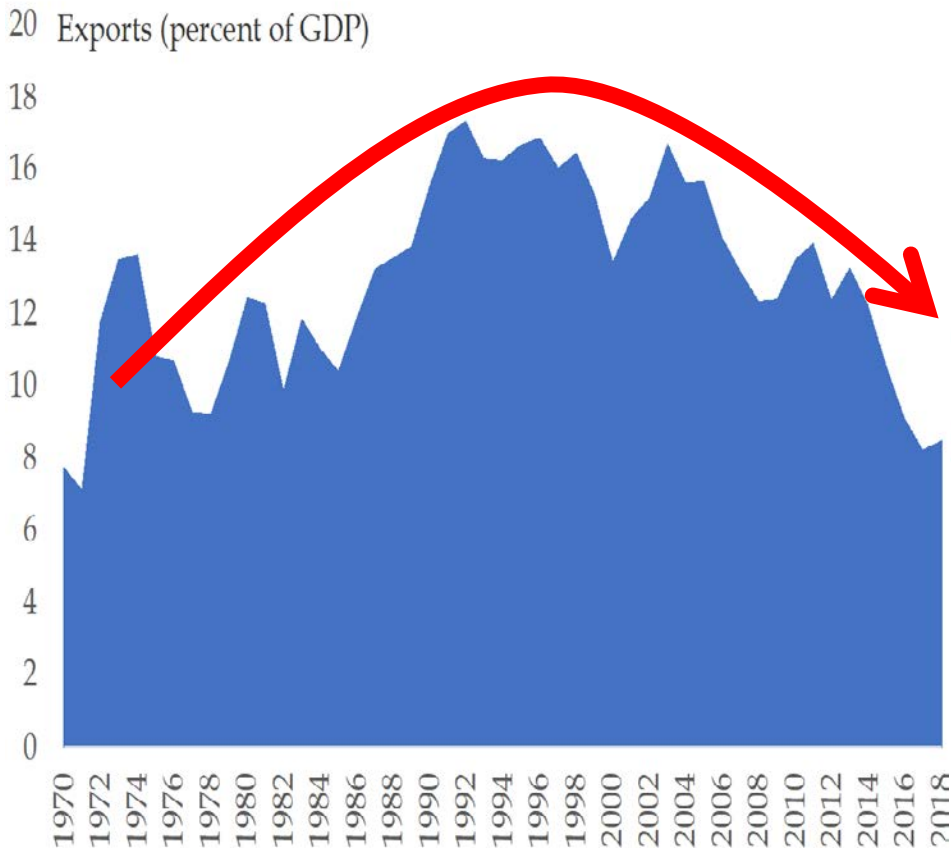
III.

A few key priorities

I. We need to re-grow our exports and join the rest of the world



Pakistan's Export Performance

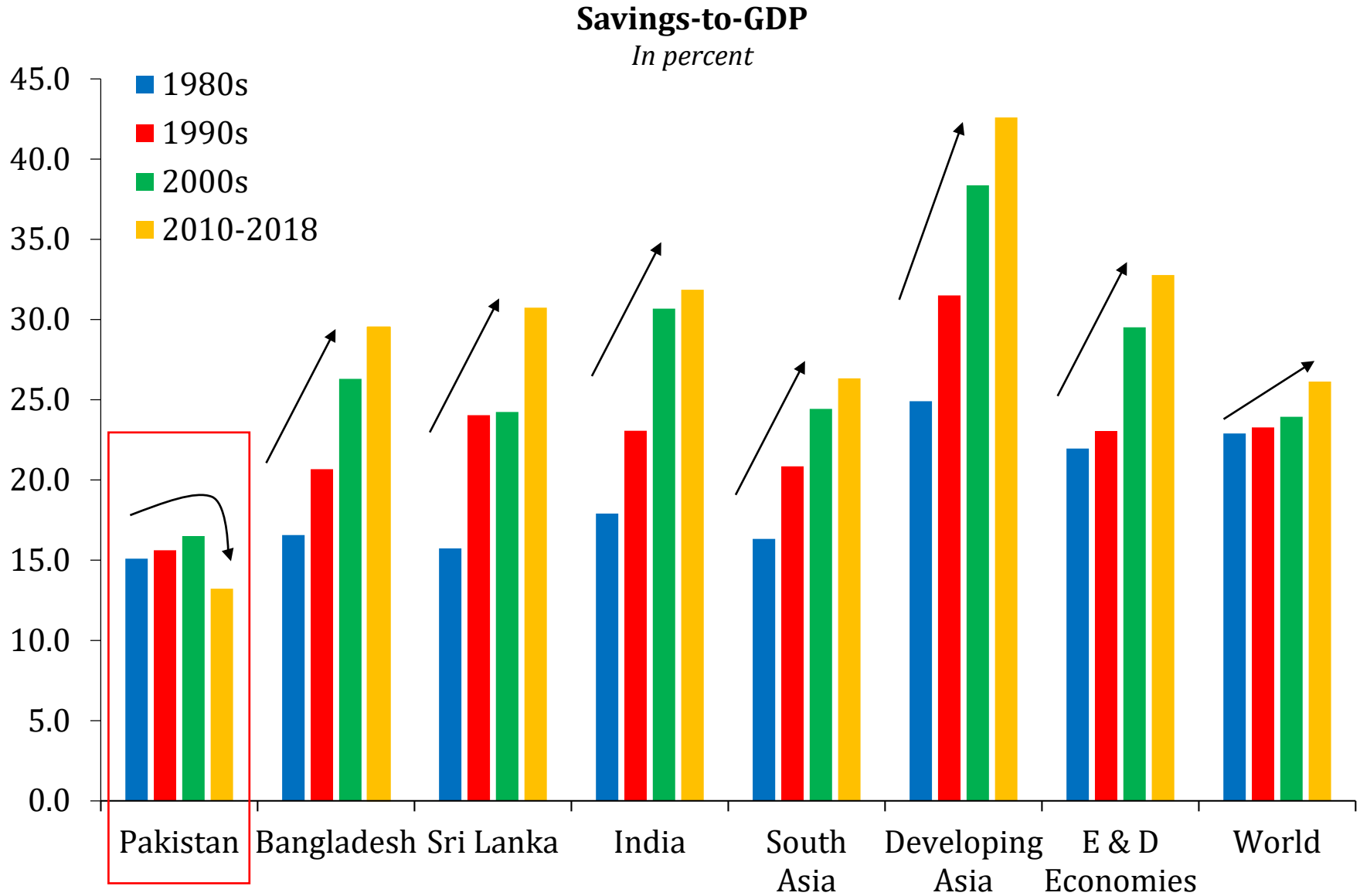


Countries in red have export-to-GDP ratio of less than 10 percent, 2015-18 includes Pakistan, Afghanistan, Yemen, Sudan & Ethiopia



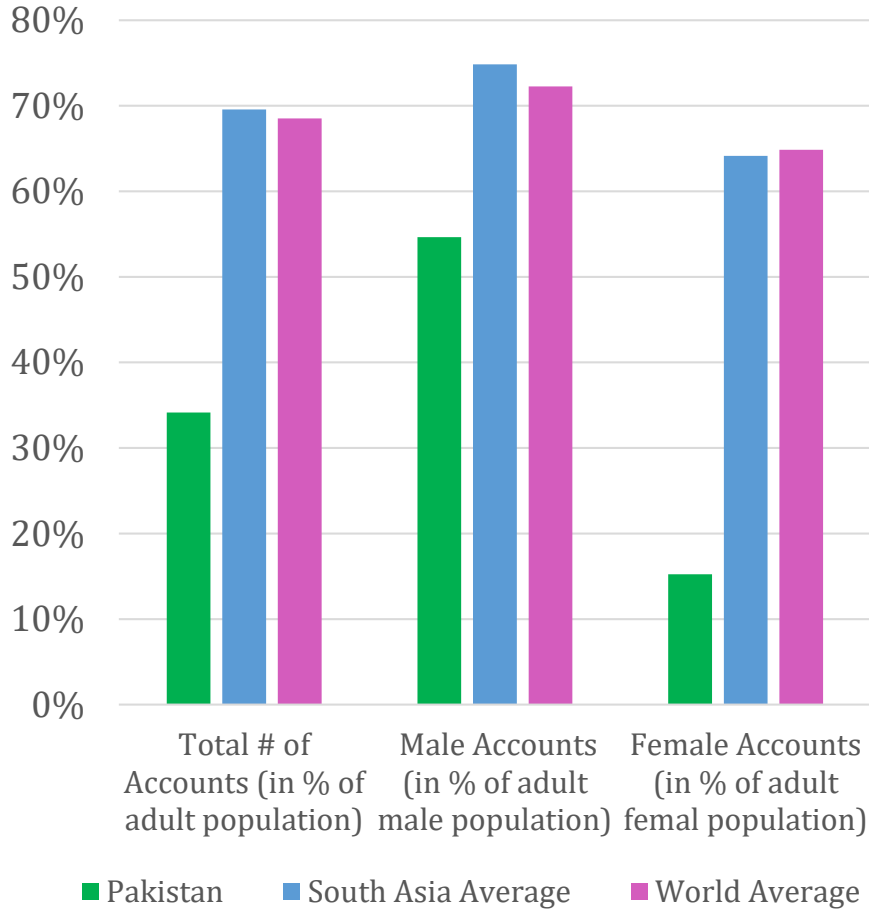
Source: World Bank

II. We need to raise our savings rate to finance higher investment without recurring current account deficits

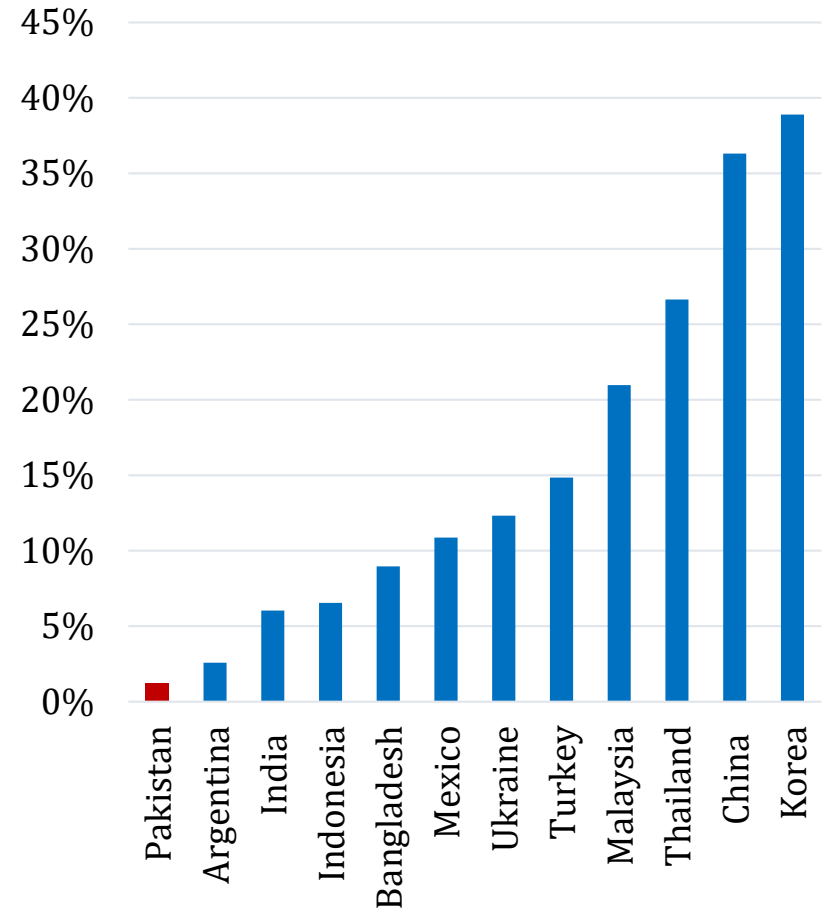


III. We need to enhance financial inclusion so that the benefits of prosperity are more widely shared

A/C Ownership (%) and Comparison with South Asia and Worldwide



SME Credit as % of GDP



Sources: * Pakistan's data is supply side data showing unique active accounts.
The Global Findex Database 2017 (WBG)

Source: IMF Financial Access Survey (FAS) 2018



Thank you

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