

IMF's World Economic Outlook (Apr-21)

Divergent recovery paths

07-Apr-2021

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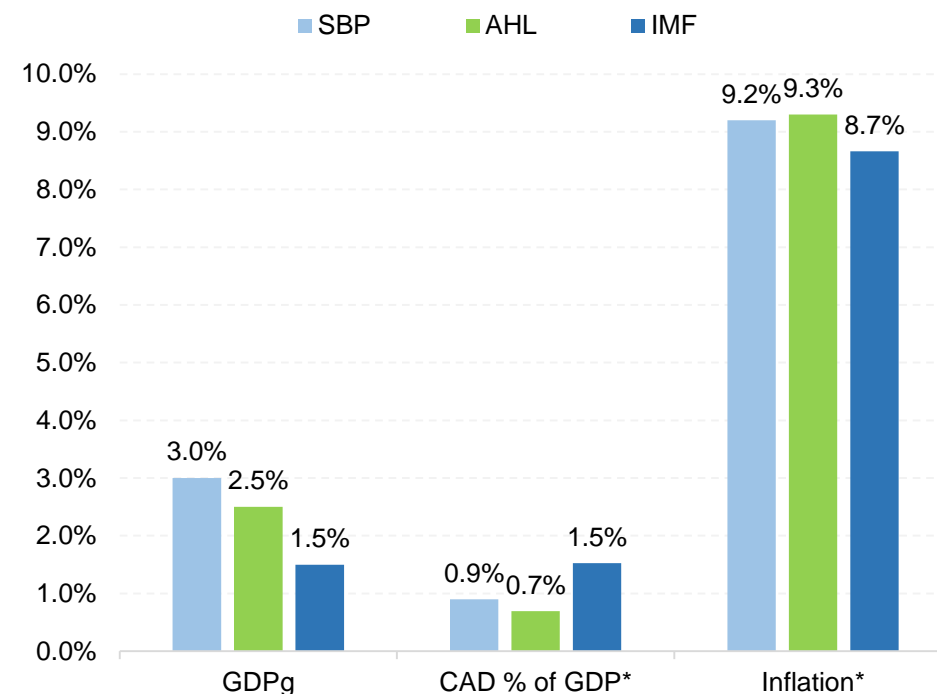
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Divergent recovery paths

The International Monetary Fund (IMF), in its World Economic Outlook (WEO) 2021 report, expects a strong rebound in the global economic growth in 2021 as Covid-19 vaccine rollouts get underway, but it warns of uncertainty that surrounds given the challenging times world is going through following the pandemic. Below are some of the key projections from the report:

- **Global Growth Outlook:** After an estimated contraction of -3.3% in 2020, the global economy is projected to grow at 6% in 2021, moderating to 4.4% in 2022. The higher-than-expected global growth is on the back of improvement witnessed in most regions in the 2H of the year post lifting of lockdowns and accommodative economic policies adapted by the economies.
- **Pakistan's GDPg:** IMF expects Pakistan to grow at a rate of 1.5% in 2021. However, growth is expected to recover to 4% in 2022, going up to 5% by 2026. To recall, the SBP in its latest MPS (Mar'21), raised its GDP forecast to nearly 3% (previously 2 plus percent) for FY21, terming it "modest".
- **Inflation:** Pakistan's annual average inflation is projected at 8.7% in 2021, by the IMF, coming down from 10.7% recorded last year and expects it to average around 8% in 2022. However, SBP expects the headline CPI to remain at the upper end of 7-9% bracket in FY21.
- **Current Account Deficit:** On the external front, IMF expects Pakistan's current account deficit at 1.5% of GDP in 2021 (1.8% of GDP in 2022). On the contrary, SBP expects CAD to clock in below 1% of GDP for FY21 due to strong remittances and high value-added textiles-led exports (Source: MPS-Mar'21).
- **Unemployment:** Moreover, IMF expects unemployment in Pakistan to rise from last year's 4.5% to 5% during the current fiscal year, however, improving in the next year to 4.8%.

Exhibit: GDP, CAD and Inflation Forecast (FY21)



Source (s): IMF, SBP, AHL Research, *Approximate numbers of SBP

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Key Economic Indicators

Pakistan: International Monetary Fund, World Economic Outlook, April 2021

		2020	2021F	2022F	2023F	2024F	2025F	2026F
Population	<i>Million</i>	209	212	216	221	225	229	233
Unemployment Rate	%	4.5	5.0	4.8	4.7	4.6	4.5	4.5
GDPg	%	(0.39)	1.5	4.0	4.5	5.0	5.0	5.0
Current Account Balance	<i>% of GDP</i>	(1.1)	(1.5)	(1.8)	(2.0)	(2.4)	(2.7)	(2.9)
CPI	%	10.7	8.7	8.0	7.3	6.5	6.5	6.5
Fiscal Balance	<i>PKR bn</i>	(3,376)	(3,267)	(2,871)	(2,330)	(2,566)	(2,569)	(2,403)
Fiscal Balance	<i>% of GDP</i>	(8.1)	(7.1)	(5.5)	(3.9)	(3.9)	(3.5)	(2.9)
Primary Balance	<i>PKR bn</i>	(757)	(453)	189	942	1,112	1,218	1,350
Primary Balance	<i>% of GDP</i>	(1.8)	(1.0)	0.4	1.6	1.7	1.7	1.6
Debt	<i>% of GDP</i>	87.2	87.7	83.3	77.7	73.6	69.5	65.5

Source (s): IMF, AHL Research

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