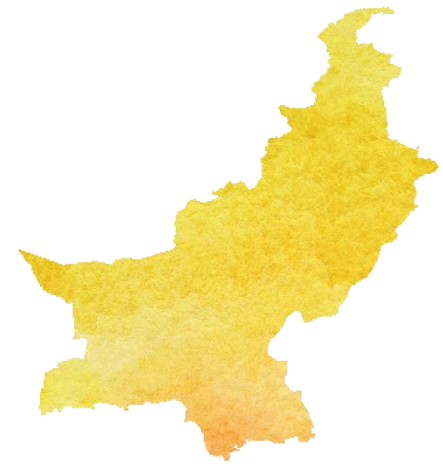


How Covid-19 Will Change Pakistan

September 3, 2020

Government data suggests Pakistan passed the peak of the Covid-19 pandemic by the end of August 2020. At its peak in mid-June, Pakistan was reporting between 5,000 and 6,000 new cases a day. However, on August 31, Pakistan reported 213 new cases and only four deaths, the country's lowest daily count in more than four months. In addition, active cases in the country have dropped below the 10,000 mark. **Pakistan's success at tackling the pandemic has garnered international praise, with United Nations General Assembly (UNGA) President-elect Volkan Bozkir calling it "a good example for the world with its policies."**



The country reported its first case of the virus on February 26 and went into a three-week lockdown in late March. The government ramped up testing, at one point testing nearly 30,000 people a day. But given the struggling economy, the government allowed certain sectors like construction and infrastructure development to reopen within weeks. Officials moved from city-wide shutdowns to a strategy of "smart lockdowns," which involved closing off certain areas within cities based on data analysis of the regions with the highest incidence. **The government has now moved to an even more precise strategy of "micro lockdowns," which are lockdowns of areas as small as a few neighborhood streets.**

Pakistan is using "an indigenously developed, state of the art" artificial intelligence system to demarcate areas according to their Covid-19 risk rating. The system analyzes 10 factors like mask adherence, social distancing and gender detection through video analysis. The government has continued to keep preventive measures in place such as screening at the airports and tourist destinations, obligatory masks in public places and a ban on large indoor social gatherings as concerns about a second wave loom large given the population density of the country, particularly its urban centers.

Please see below for detailed explorations of how Covid-19 will affect Pakistan's economy and politics as well as a social intelligence survey. BGA will continue to monitor and keep you apprised as developments occur in Pakistan. If you have any questions or comments, please contact BGA Pakistan Senior Advisor Aniq Zafar at azafar@bowergroupasia.com.

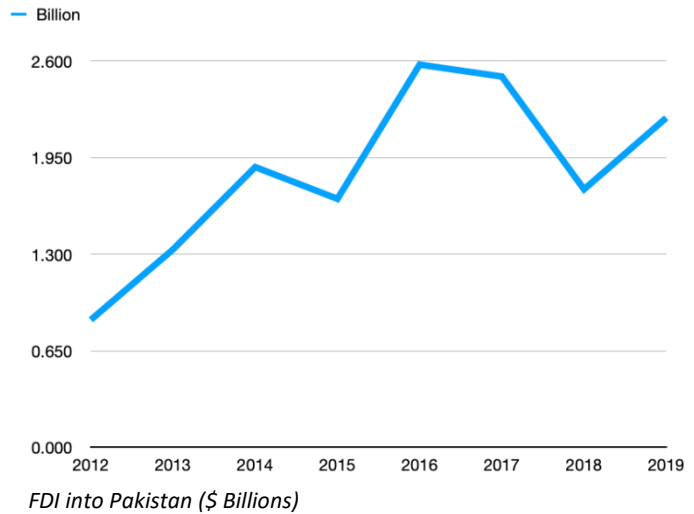
Best Regards,
BGA Pakistan



Economy

Growth Projections

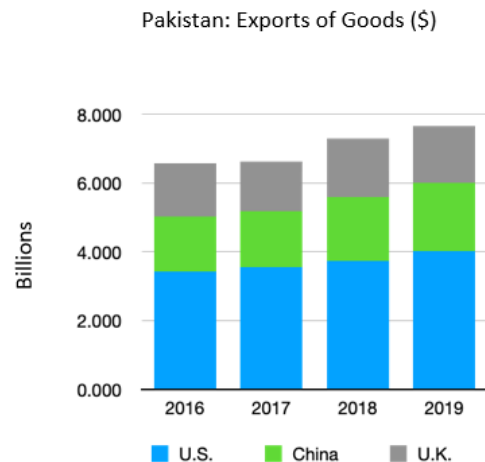
Pakistan's macroeconomic indicators were already suffering in the second quarter of FY 2019-2020 when the Covid-19 crisis hit, further deteriorating its macroeconomic outlook. In June 2020, the World Bank projected Pakistan's growth rate at negative 1 percent for FY 2020-21 and revised the growth rate for 2019-20 to negative 0.3 percent. However, an August 2020 projection by the Institute of International Finance (IIF) has indicated Pakistan's GDP growth could rebound to 1.8 percent in the year 2020-21 due to the recovery in private consumption. The government of Pakistan estimates a GDP growth rate of 2.3 percent for the same period.



According to the State Bank of Pakistan (SBP), Pakistan's external debt and liabilities grew to nearly \$112.8 billion by the end of June 2020, which is an increase of \$17.6 billion (an expansion of 18.5 percent) in the past two years. The federal government is directly or indirectly responsible for almost 87 percent of these liabilities.

Recovery on the Cards

In July 2020, Pakistan's economy showed signs of stabilizing. July saw a current account surplus of \$424 million, compared to a current account deficit of \$613 million in July 2019. This is in part due to the recovery in exports, which rose 20 percent compared to June 2020, and the highest-ever level of remittances in a single month in July 2020, which reached \$2.8 billion, a 12.2 percent increase over June 2020 and 36.5 percent increase over July 2019. Pakistan's trade deficit has improved slightly, dropping from \$2 billion in July 2019 to \$1.7 billion in July 2020. However, inflation rose 9.3 percent on a year-on-year basis in July 2020. An increase in global oil prices, a major import for Pakistan, would further increase inflation and hurt the country's trade balance. Torrential rains in August and the ensuing urban flooding in the commercial hub and the port city of Karachi have seen economic activities come to a standstill. These record-breaking rains may affect exports due to delays in the shipment of export consignments in the next quarter.



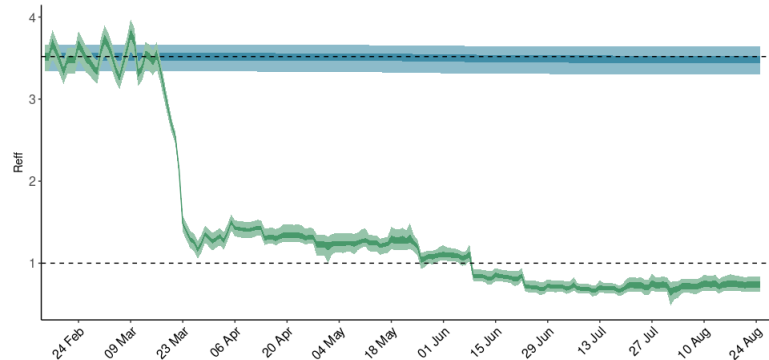


Healthcare

Pakistan in Line To Receive Vaccines from China as Disease Comes Under Control

Pakistan is conducting Phase III clinical trials of a Covid-19 vaccine developed by CanSinoBio, a Chinese pharmaceutical company, in collaboration with the Beijing Institute of Biotechnology, which is to place Pakistan among the countries given priority for vaccinations once it is developed.

In the interim, researchers from Imperial College London have projected that in the coming weeks demand for hospital beds will decrease from 432 patients requiring treatment with high-pressure oxygen to 141 by September 22 if the government does not intervene further. Researchers also estimated that in the same period, demand for critical care (ICU) beds will drop from 134 patients requiring treatment with mechanical ventilation to 44. In addition, researchers determined that transmissions have been tapering off since June.



Pakistan's Covid-19 R_{eff} (Effective Reproduction) Value Over Time

Politics

Government Unlikely To Be Threatened in the Medium-Term

Prime Minister Imran Khan's government has faced numerous political challenges with reports of internal discord and rifts at the highest levels of his Pakistan Tehreek-e-Insaf (PTI) party. In May, a government report from the Federal Investigative Agency's Sugar Inquiry Commission alleged that some of Khan's closest aides and several non-PTI leaders in the ruling coalition were involved in fraudulent practices resulting in price manipulation. However, the PTI government is firmly in place and is in no danger of being displaced. This assessment stems from three core factors:

Most important, Pakistan's opposition parties are divided on how to challenge Khan's government. The two main opposition parties, the Pakistan Muslim League-Nawaz (PML-N) and the Pakistan People's Party (PPP), seem to be pulling in different directions with the former wanting the Khan government to run its course and possibly fail to overcome the significant economic challenges. The PPP wants to mobilize the public to call for Khan's removal but realistically lacks the capacity to do so.



Prime Minister Imran Khan



Second, the military establishment seems squarely behind Khan’s PTI government as the civilian government has shown no resistance to the military’s ever-expanding interference in domestic policy. Many analysts view this as Khan’s acknowledgement that his government is inexperienced and can use the help; however, others believe that it is further evidence supporting the opposition’s claims that Khan’s coming to power in the 2018 general election was driven by the military. Third, Khan has racked up popular support for his handling of the Covid-19 crisis, and with the economy showing early signs of recovery, his short-to-medium-term outlook remains favorable.



Social Intelligence Spotlight: **Pakistan**

This week’s social intelligence spotlight surveyed public sentiment about the Pakistani government’s Covid-19 response. Approval of the government tended to focus on the economy. Social media users praised the partial lockdown strategy, which they claimed saved lives while minimizing the impact on Pakistan’s workforce and business community. In addition, mentions highlighted government initiatives to revitalize the economy, including income tax refunds to buoy businesses and Pakistan’s success in reducing the national deficit.

Supporters commended Prime Minister Imran Khan’s stewardship through the crisis, claiming the media and the political opposition have unfairly slandered Khan’s pandemic response even though the international community has lauded his Covid-19 management. Social media users also suggested that Pakistan has handled the crisis better than neighboring India and serves as a model to the region.

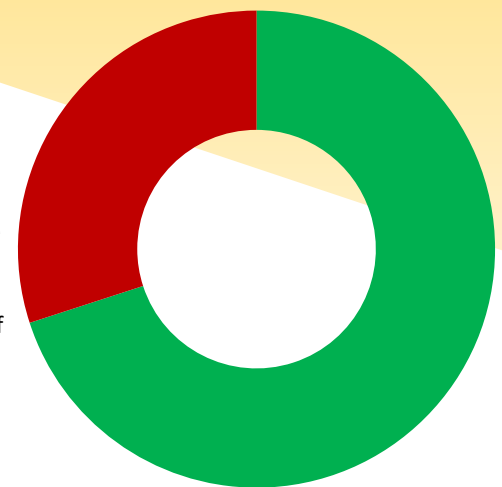
Mentions reflecting negative sentiment toward the government centered on the restrictions against mass gatherings. In general, detractors argued that the government has not done enough to

manage the pandemic, and some social media users accused the government of downplaying the number of Covid-19 cases.

Among trending topics, social media users claimed the government has followed a double standard by allowing the Shiite Ashura processions in Peshawar — which they suggested could lead to an increase in coronavirus transmission — while it has pushed for occupancy limits at mosques in the recent past. Nonetheless, criticism of the Ashura processions is more a reflection of sectarian sentiment than grievances against unfair treatment in the context of the pandemic.

Separately, other critics lamented that the chief minister of Sindh province has not properly addressed issues with Karachi’s drainage system, which have led to severe flash floods following a torrential downpour of monsoon rains. Sindh is currently a Pakistan People’s Party (PPP) stronghold, the most significant opposition to Khan’s ruling Pakistan Tahreek-e-Insaf (PTI) party. While Khan and the PTI have largely escaped criticism of the flash floods, the crisis has the potential to become a major point of national concern if it continues to be mishandled.

Social Media Sentiment August 27 to September 2



■ Positive (70%) ■ Negative (30%)