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Pakistan's economy is facing various challenges such as inflation rates, trade balances, and socioeconomic indicators. This monthly note aims to take a detailed look at recent economic trends with data from the Pakistan Bureau of Statistics (PBS) and insights from other reports. We will examine changes in the Consumer Price Index (CPI), trade dynamics, and the concerning decline in human development metrics to understand the economic landscape in Pakistan.

In March 2024, the year-over-year CPI dropped to **20.7% from 35.4%** in March 2023. This decrease was mainly due to the discontinuation of policies implemented by previous finance minister, which artificially kept the rupee-dollar parity low in defiance of IMF agreements. These policies have kept import costs down but led to significant losses in remittances and delayed necessary utility pricing reforms for economic stability. Despite the decline in overall inflation, the Sensitive Price Index (SPI) for July-March saw a slight increase from 30.50% to 31.26%, indicating ongoing pressures on prices impacting the general population.

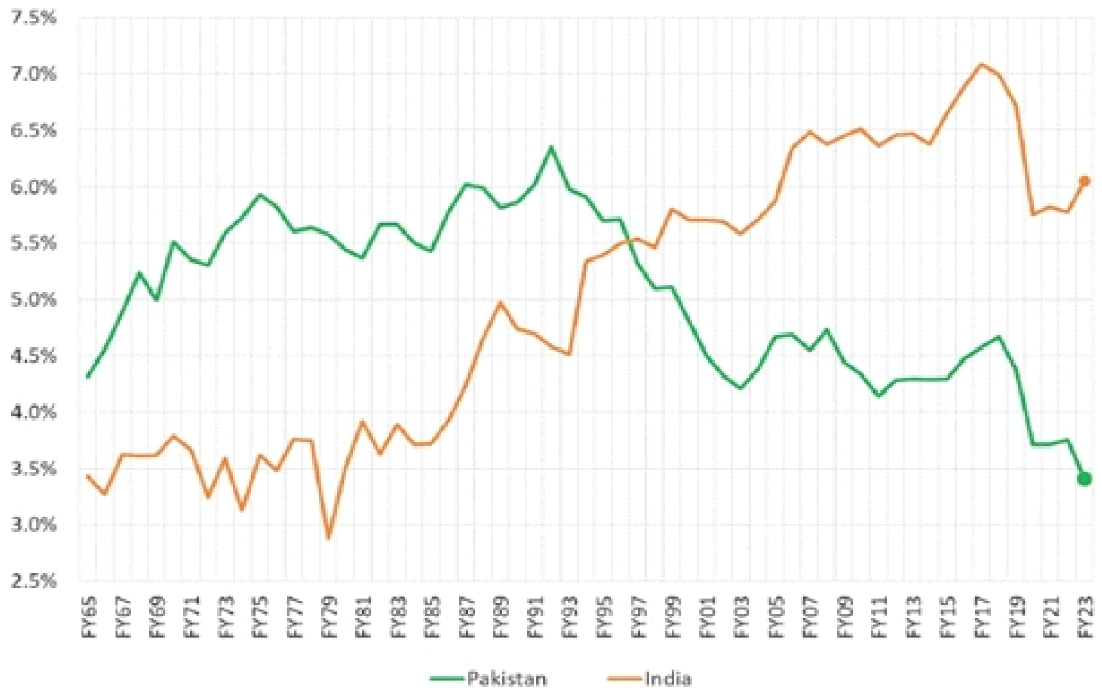
Furthermore, the contrasting trends in urban and rural CPI was another concerning trend observed last month. Urban CPI **increased to 27.13%**, while rural CPI decreased to 26.97%. These differences are likely due to factors such as higher transportation costs associated with fuel taxes and the depreciation of the rupee.

During this period, there was a positive development in Pakistan's trade deficit, which narrowed from a negative \$22.68 billion to \$17 billion. This progress was driven by an 8.93% increase in exports, indicating improved trade dynamics. However, concerns exist about the sustainability of these gains due to the continued reliance on import controls. Industrial sectors are particularly worried about rising input costs, especially for utilities, and limited access to credit which has plummeted by 54.1% and continues to hinder industrial competitiveness.

The social and economic situation in Pakistan **has worsened drastically**, with the country now ranking lowest on the UN Human Development Index (2023-24). Major issues include rising poverty, high unemployment rates, and a lack of effective solutions due to financial limitations. The government is struggling to fund necessary public projects and boost the economy, as most of its resources are tied up in servicing debts. According to the Manila based lender, Asian Development Bank, Pakistan has the **highest cost of living** in whole Asia! It is expected that another 10 million people might fall into the poverty trap joining the already 98 million.

The future economic forecast is not promising, with an estimated average growth rate of **just 2% in** the next five years, falling behind the rate of population growth. This lack of progress is likely to worsen income inequality and increase poverty levels, as a result of policies that prioritize cutting spending and relying on external debt rather than making meaningful, inclusive changes to the economy.

Pakistan vs. India: 15 Year Rolling Real GDP Growth Rate



Moving forward, it is crucial that policy changes are made to ensure not only short-term financial stability but also to pave the way for long-term development benefits. It is clear that a strategic revamp is necessary, focusing on comprehensive fiscal reforms, improved tax governance, and careful economic management to encourage a more inclusive and sustainable growth in future.

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