

Macroeconomic Resilience

Building Capacity for a “New Normal”

Sakib Sherani

CEO Macro Economic Insights (Pvt) Ltd.

Former Principal Economic Adviser, Ministry of Finance

Definition

What is “macroeconomic resilience”?

“The ability of an economy to cope with a shock or crisis, such that welfare losses for the affected population are minimised and/or quickly recouped”.

[Provisional/proposed. Sakib Sherani]

Context

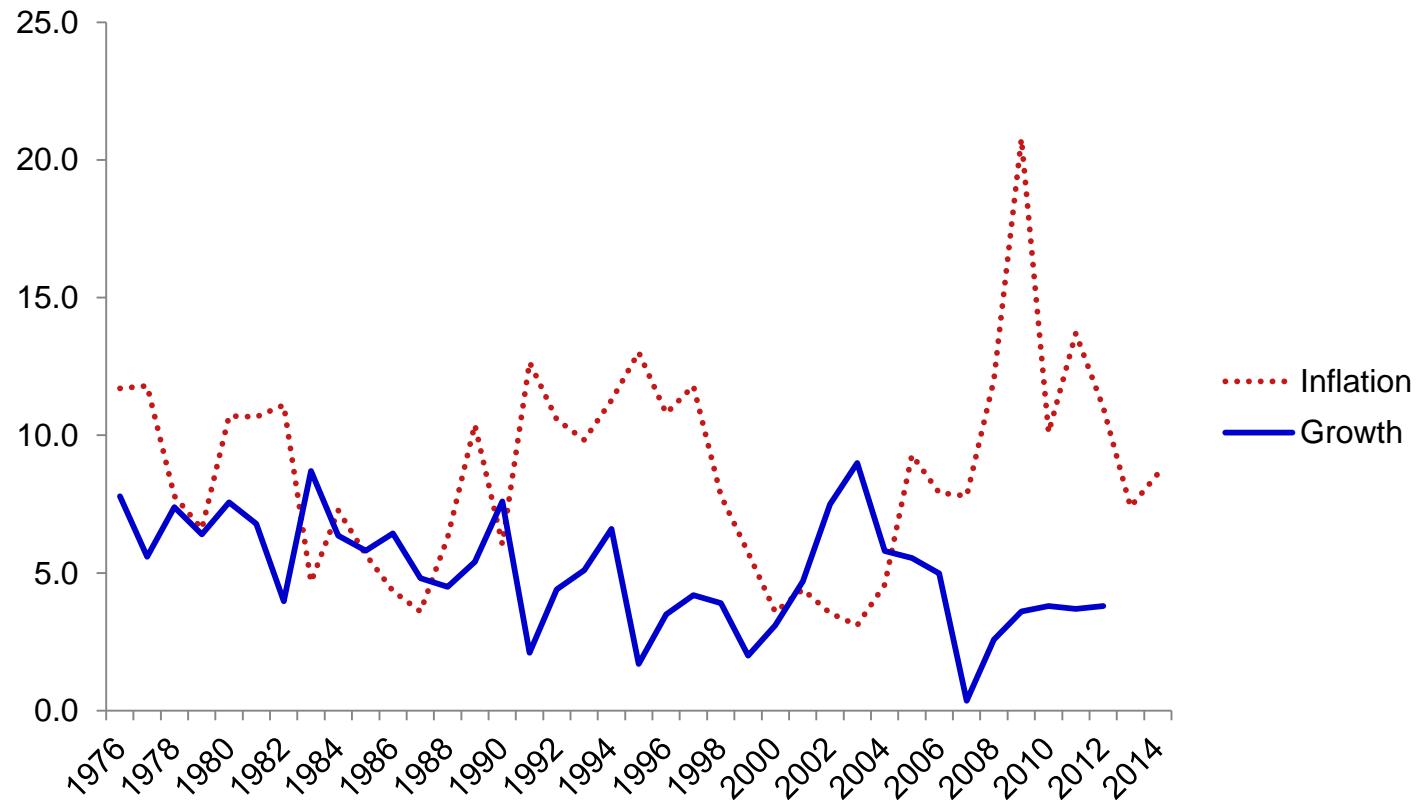
- **Pakistan generally described as a “resilient” or “hard” country**
- **Has faced numerous shocks and crises**
- **However, on most parameters, “resilience buffers” appear to be thinning**

Elements of Macro-resilience

- Demographics
- Human + social capital
- Level of internal resource mobilisation
- Domestic savings
- Forex generating capacity
- Quality of leadership/policymaking

GDP growth

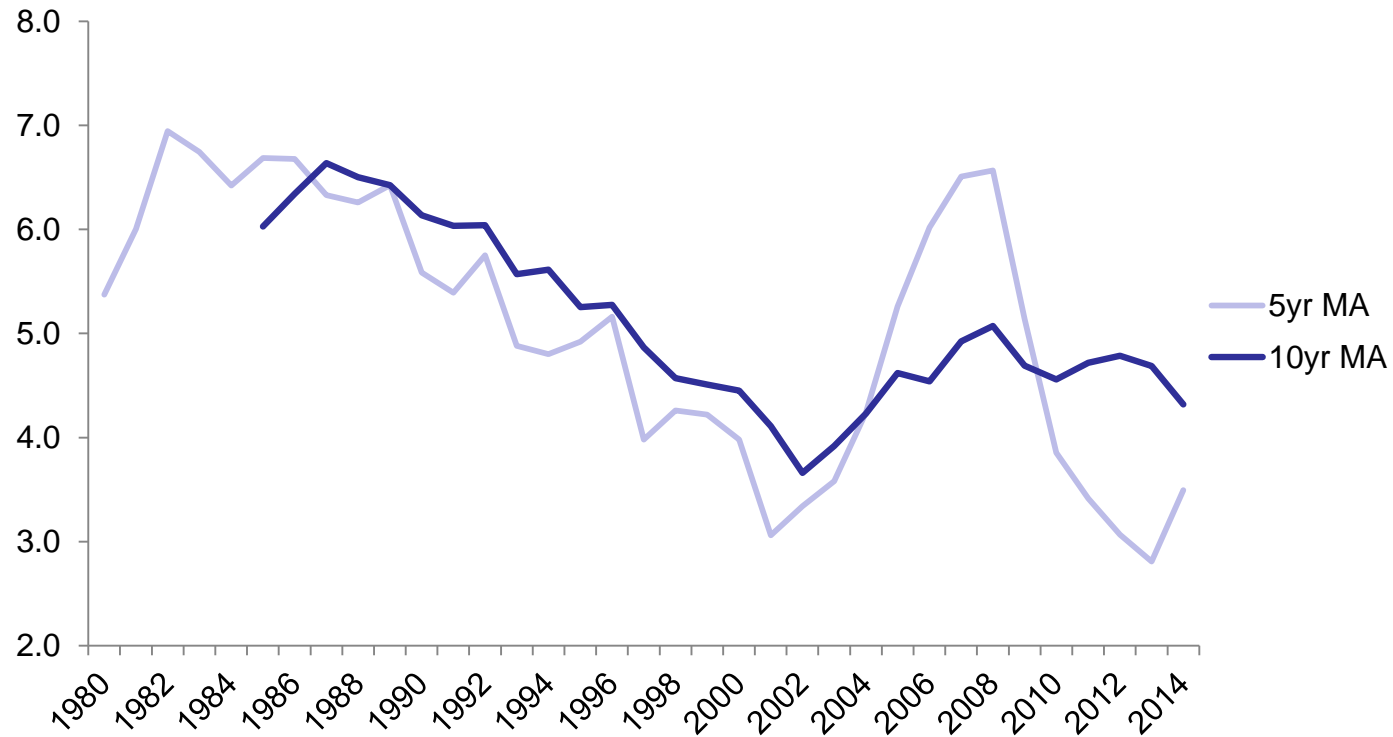
- **Slowing growth, rising inflation**



Source: FBS

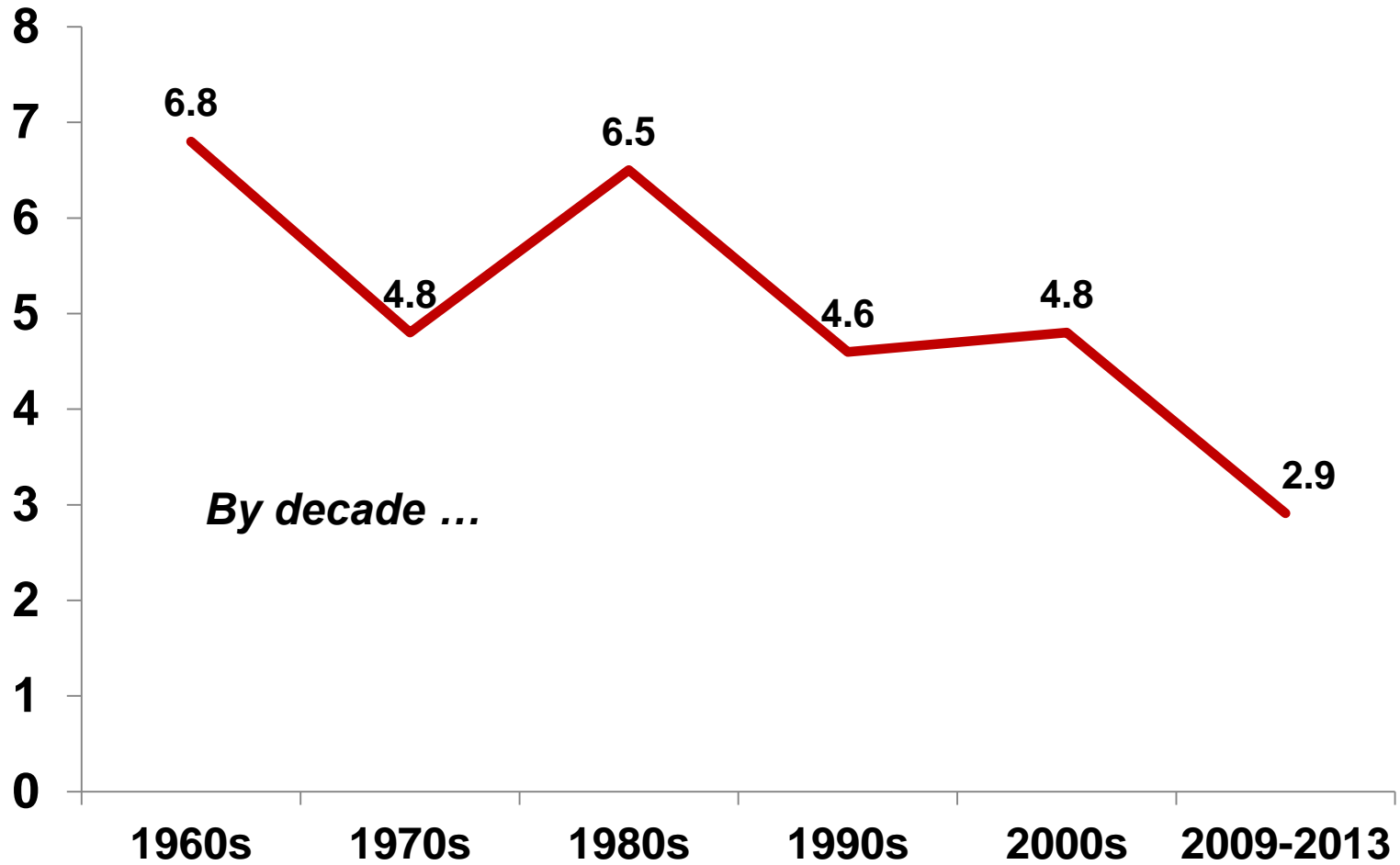
GDP growth

- **Secular decline + greater volatility**

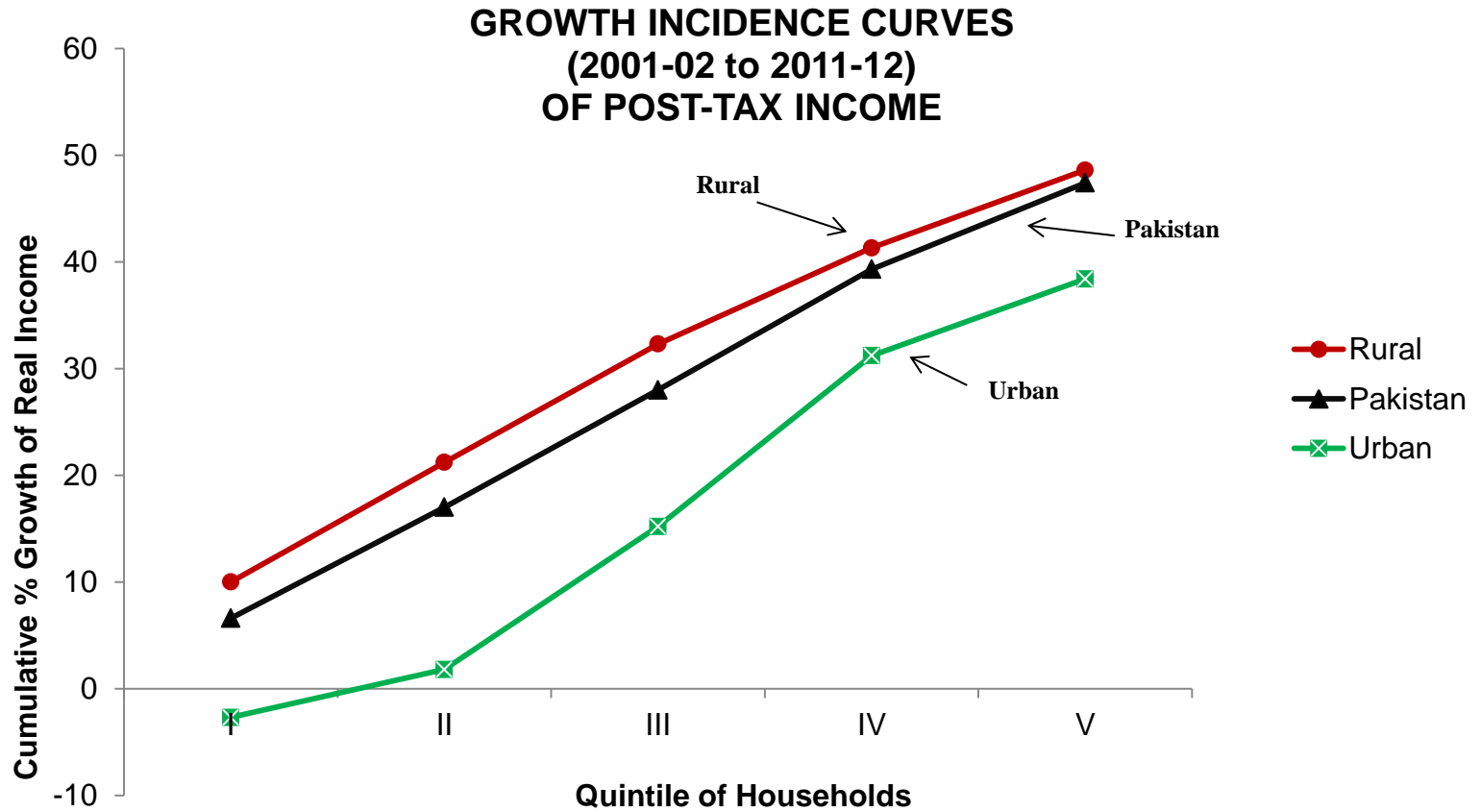


Source: FBS; Sakib Sherani

GDP growth

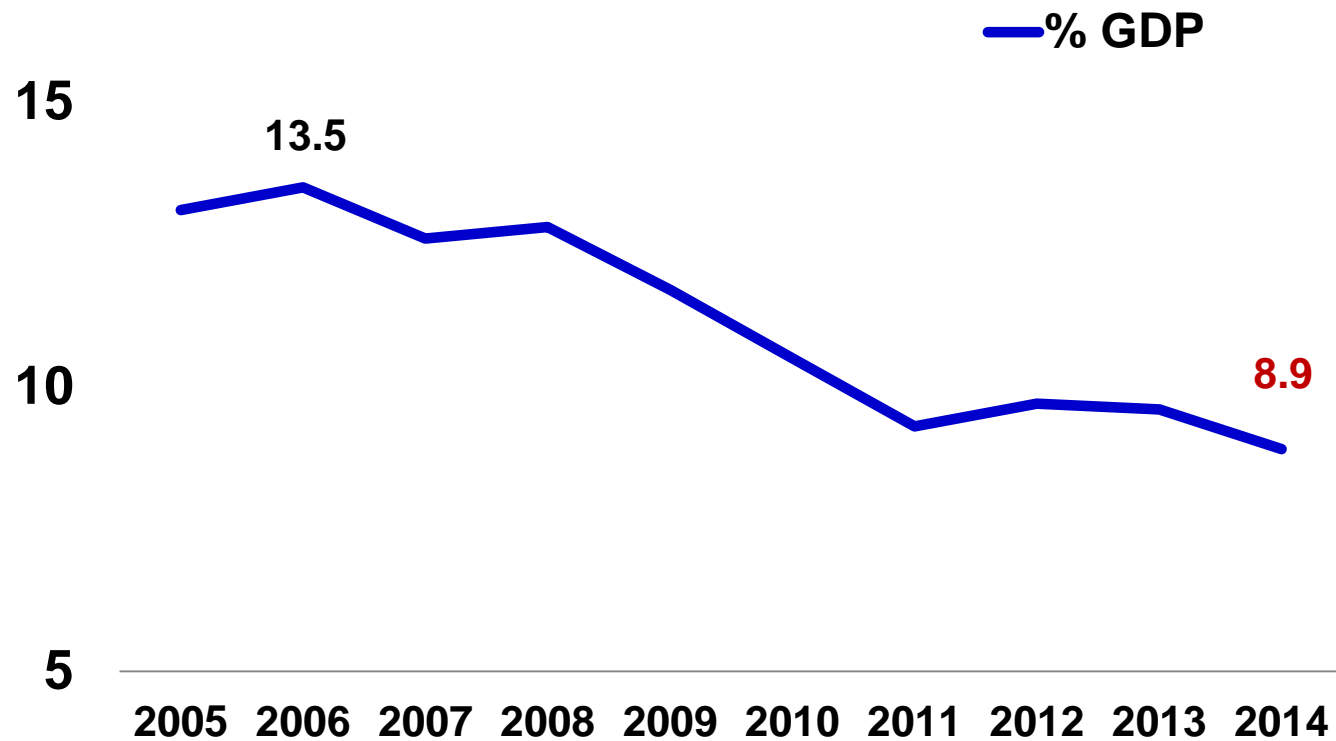


Growth Incidence

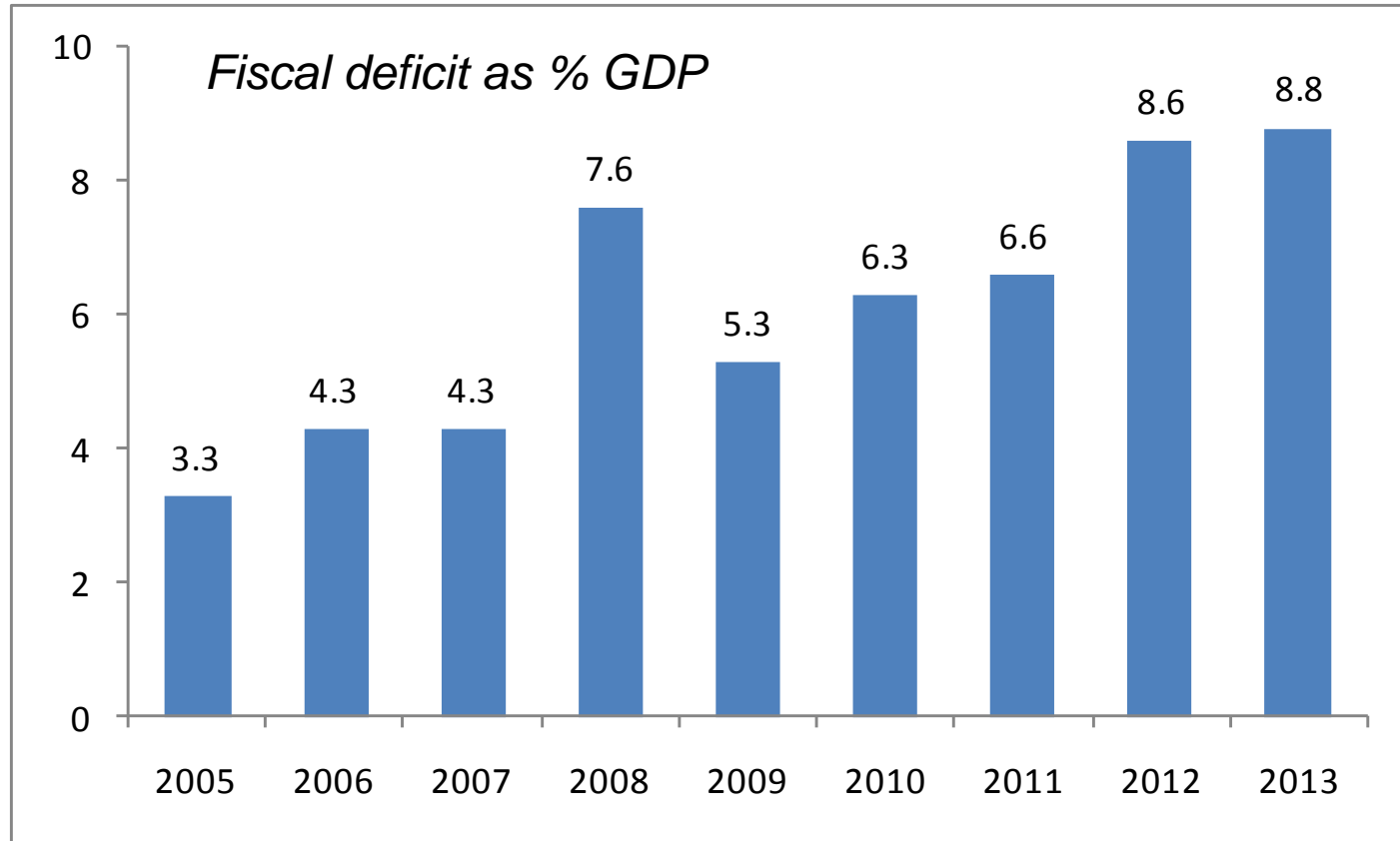


Source: Dr. Hafiz Pasha

Private Investment



Declining fiscal space



Source: MoF

Declining fiscal space

Rs billion, end-June	2008	2014	Change:	
			Absolute	Multiple (x)
Total public indebtedness	<u>6,422</u>	<u>17,385</u>	<u>10,963</u>	<u>2.7</u>
External	2,937	5,619	2,682	1.9
Domestic	3,485	11,766	8,281	3.4

Source: SBP; Sakib Sherani

Macroeconomic crises

- **Frequency + magnitude of ME crises has risen**
- **Recourse to IMF resources**
 - 12 Fund programs since 1988
 - Approved resource use 2008 and 2013:

US\$ 18 billion

Sources of LT stress

- **Population growth**
- **Urbanisation**
- **Low fiscal resource mobilisation**
- **Fx constraint**
- **Declining water availability**
- **Climate change vulnerability**

Sources of LT stress

- Fraying social cohesion?
- Weak institutional framework

Concluding thoughts

- Policymakers operating with antiquated mindset: **“resource-rich”** environment
- Stark reality: rising **“resource-scarcity”**
- Resilience buffers declining
- **“New normal”** needs to be disseminated
 - A **“State of Resilience”** report or index for Pakistan needed

Thank You

Macro Economic

INSIGHTS