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The Impact of COVID-19 on the Economy of Pakistan: A Trend Analysis on Macroeconomic Indicators and Political Situation

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Abstract
The COVID-19 pandemic reshaped economies worldwide, and Pakistan felt its impact across every primary sector. This study examines how the pandemic affected Pakistan's economy, focusing on key indicators like growth, unemployment, poverty, exports, and imports. Using trend analysis and drawing from secondary data covering the years 2000 to 2023, we explore how these indicators shifted during the pandemic compared to the years before. The results show that 2020 was a particularly tough year, with economic activity slowing down sharply due to lockdowns and uncertainty. While recovery efforts in the following years brought some stability, the bounce-back was unequal across all sectors. Many people lost their jobs, especially daily wage workers and those in the informal economy, while poverty levels climbed, hitting vulnerable communities the hardest. International trade also hit, as global demand dropped and supply chains broke down. Alongside these economic challenges, the study also examines how political factors played a role. Political instability and inconsistent decision-making made it harder to respond effectively to the crisis. Overall, the study highlights the need for stronger, more inclusive policies that can help protect both the economy and the people during future crises. It offers practical insights for policymakers and others working to build a more resilient and fair economic future for Pakistan.

Keywords: Covid-19, Economic Growth, Exports, Imports, Unemployment Rate, Poverty Rate, Trend Analysis

Introduction
The COVID-19 pandemic triggered a profound global economic shock, affecting all nations, albeit in different ways and magnitudes.
In countries with high-income economies and large service sectors, the early waves of infection forced widespread lockdowns, halting mobility, curbing consumption, and disrupting global value chains. The United States, for example, faced a steep decline in economic activity, with GDP contracting by 3.4% in 2020—the worst performance in over seven decades (Fernandes, 2020). Across Europe, the economic fallout was similarly severe. The Eurozone recorded a contraction of over 6% due to prolonged shutdowns, fragile business confidence, and delayed coordination on stimulus and recovery strategies (OECD, 2020). The effects were even more pronounced in many nations with fewer fiscal resources and high dependence on informal labor, remittances, and

commodity exports. The economic slowdown was not only a result of domestic restrictions but also due to declining demand from global markets and tightening financial conditions.

Countries in Latin America, for instance, saw GDP fall by nearly 7% on average in 2020, with millions pushed into poverty amid massive job losses and limited access to digital or social protection infrastructure (Lustig & Tommasi, 2020). Similarly, several African economies experienced a dual shock—falling commodity prices and reduced tourism—leading to contractions that undermined years of poverty reduction efforts (Djiofack et al., 2020). In regions like Asian economies, the pandemic revealed both vulnerabilities and resilience. China recovered faster than most, posting positive growth of 2.3% in 2020 due to swift containment measures and targeted fiscal stimulus (Chen et al., 2021). On the other hand, countries like India were deeply affected. With a strict national lockdown and disruptions to formal and informal sectors, India’s economy shrank by 7.3%, marking one of its worst recessions in history (Dev & Sengupta, 2020). Southeast Asian economies such as the Philippines and Indonesia also faced downturns, though some were able to mitigate impacts through digitalization and strong external demand in later phases. The uneven nature of the recovery in Asia underscores the region's structural differences in healthcare capacity, digital readiness, and fiscal flexibility. Pakistan, a country with a mixed economy and the 23rd largest economy in the world by purchasing power parity, has made gradual progress toward economic stability through initiatives like the China-Pakistan Economic Corridor (CPEC) and energy sector reforms. These efforts had begun to show results, with improvements in macroeconomic indicators and modest signs of recovery. However, the arrival of COVID-19 in early 2020 dramatically altered this trajectory.

First reported in Wuhan, China, in December 2019, the virus quickly spread globally, prompting countries, including Pakistan, to impose strict lockdowns. These necessary public health measures immediately and severely impacted economic activity, confining people to their homes and bringing most businesses to a halt (Sareen, 2020). The economic consequences were widespread. Pakistan’s gross domestic product (GDP) contracted between 2% and 5%, according to the Asian Development Bank (ADB, 2020). The social impact was even more alarming. A study by the Pakistan Institute of Development Economics (PIDE) projected that the national poverty rate could increase from 23.4% to nearly 59%, pushing millions below the poverty line (PIDE, 2020). The same study estimated that around 30% of employed workers could lose their jobs due to the prolonged shutdown of economic activity. Trade was another major casualty. As a vital contributor to Pakistan’s GDP, both exports and imports declined sharply. PIDE estimated a 20% reduction in trade volume, significantly weakening the country’s economic outlook (PIDE, 2020). These interconnected challenges—shrinking GDP, rising unemployment, growing poverty, and disrupted trade—deeply demonstrated how the pandemic affected Pakistan’s economic and social fabric. While signs of recovery have begun to emerge, the crisis underscored the importance of building resilience and safeguarding progress against future shocks.

The story of COVID-19 in Pakistan is not merely one of economic contraction and recovery—it is deeply rooted in the country’s evolving political landscape. The pandemic arrived at a time of growing political polarization, marked by heightened centralization of executive power and persistent friction between federal and provincial governments. Early responses to the crisis were marred by intergovernmental discord, particularly between the PTI-led federal administration and the PPP-led government in Sindh, which adopted divergent strategies on lockdowns and public health interventions (Sareen, 2020; PIDE, 2020). This institutional fragmentation significantly delayed cohesive action, reflecting broader weaknesses in Pakistan’s federal governance structure (Haque, 2021).

In response to this coordination vacuum, the federal government established the National Command and Operation Centre (NCOC), which emerged as a rare example of effective, technocratic crisis governance. Leveraging real-time data analytics and inter-agency cooperation, the NCOC played a critical role in managing vaccination drives, standardizing lockdown protocols, and maintaining national-level coordination (Nishtar, 2021). Its performance offered a glimpse into the potential of institutional innovation—when insulated from political contestation—to deliver under pressure.

However, the broader political environment remained volatile. The removal of Prime Minister Imran Khan in April 2022 through a vote of no-confidence marked a dramatic escalation in political uncertainty, leading to widespread protests, governance disruptions, and a deepening legitimacy crisis (Kugelman, 2022). This instability undermined Pakistan's economic recovery by delaying key reforms and weakening policy coherence. Populist economic decisions—such as fuel subsidies in defiance of IMF conditionalities—were introduced under political pressure, exacerbating fiscal imbalances (IMF, 2022). Furthermore, shifting coalitions and contested mandates eroded investor confidence and strained Pakistan's engagement with international financial institutions. As such, the country's pandemic response and its uneven economic trajectory must be understood not only through the lens of macroeconomic shocks but also as a product of underlying political dynamics that shaped the state's capacity to act.

This study aims to understand how the COVID-19 pandemic affected Pakistan's economy, focusing on growth, jobs, poverty, and trade. It explores how the sudden slowdown in daily life and business hit people's livelihoods, especially in informal work and exports. The study also examines how unemployment rose and more people became impoverished. In addition, it looks at how political conditions influenced the country's economic response and growth during the pandemic. By studying these factors from 2000 to 2023, the research aims to highlight key challenges and suggest ways to build a stronger, more resilient economy.

Literature Review

When COVID-19 struck, its economic shockwaves were felt across the globe, but the depth and nature of its impact varied widely. Early research highlighted severe disruptions in labor markets, consumer demand, and global supply chains in many advanced economies. For instance, Sun et al. (2022) examined how pandemic-related fear among employees in developed economies affected job security and performance, especially in the hospitality sector. They found that employees could adapt better to post-pandemic pressures with proper coping mechanisms, such as vaccination and support systems. Similarly, Xiang et al. (2021) pointed to a productivity and labor supply slowdown in higher-income countries. They cautioned against over-reliance on automation-heavy recovery strategies, which might lead to further job losses. As the crisis deepened, attention turned to developing countries, with more pronounced vulnerabilities due to limited fiscal space and fragile healthcare systems. Sackey and Barfi (2021) highlighted how strict lockdowns and rising case numbers significantly affected poverty reduction efforts in low-income settings. They stressed that human development—especially investment in health, education, and jobs—was key to long-term recovery. Meanwhile, Sumner et al. (2020) offered sobering projections, estimating that COVID-19 could reverse years of progress in poverty alleviation across developing nations, affecting millions.

Turning to Pakistan, the pandemic struck when the economy was already grappling with structural weaknesses. Many studies have since tried to unpack the short- and long-term impacts. Using wavelet analysis, Hayat et al. (2021) found dynamic links between inflation, interest rates, and output growth during the crisis, offering a more nuanced picture of how economic variables behaved under pressure. Wang et al. (2021) noted that while Pakistan introduced several emergency measures, existing issues in public service delivery, resource allocation, and governance made it challenging to protect vulnerable communities effectively. On the policy front, Espinosa et al. (2021) emphasized the role of entrepreneurship and institutional stability in driving sustainable recovery in lower-income countries like Pakistan. They advocated for minimizing state interference and allowing market forces to work efficiently to rebuild economic momentum. Ali and Ali (2020) echoed this by calling for inclusive reforms that address rural-urban inequality and aim to pull at least 25% of the population above the poverty line, particularly through improved health, education, and infrastructure.

Sector-specific impacts were also widely reported. Javed (2020) described how lockdowns brought Pakistan's tourism, transport, and hospitality industries to a virtual halt, causing significant losses and job cuts. Martin et al. (2020) highlighted how low-income and impoverished households suffered disproportionately, worsening pre-existing socioeconomic inequalities. At the firm level, Khan et al. (2021) pointed out that the halt in Chinese imports, a significant trade partner for Pakistan, disrupted supply chains and e-commerce, particularly given the country's reliance on cash-based transactions and limited digital adoption. The government's response drew both praise and criticism. Davies et al. (2020) documented that the emergency relief package was worth $7 billion, which included the Enhanced Emergency Cash (EEC) program, which reached 14.8 million households. They also highlighted targeted interventions like easing lockdowns in the construction sector to protect daily wage earners. However, Ashfaq & Bashir (2020) offered a more critical view, arguing that the premature lifting of lockdowns triggered a second wave of infections, stretched the healthcare system, and eroded consumer confidence, ultimately deepening the economic downturn.

Earlier voices like Chohan (2020) acknowledged that while Pakistan's stimulus efforts were well-intentioned, limited fiscal resources constrained their reach and effectiveness. At the same time, Suryahadi et al. (2020) and Fana (2020) warned that economic structures dominated by low-productivity service jobs, like those in Pakistan, would face long-lasting damage unless targeted support was provided. Lastly, Han et al. (2020) reminded policymakers that reliable, real-time data on income and poverty is essential for effective crisis response. Aid distribution becomes inefficient without accurate tracking, leaving many vulnerable households behind.

Methodology and Theoretical Framework

This study is grounded in a theoretical framework that draws on macroeconomic shocks and endogenous growth theories. The pandemic is conceptualized as a multidimensional shock that affects both the supply and demand sides of the economy, disrupting labor markets, trade flows, investment, and human capital, all of which are critical drivers of economic growth. Building on this framework, we employ a trend analysis approach to examine how key macroeconomic indicators—such as GDP growth, exports, imports, trade balance, unemployment, and poverty—evolved before, during, and after the height of the COVID-19 crisis in Pakistan. This method helps capture the timing and scale of disruptions while revealing patterns in economic recovery. Data is drawn from credible national and international sources, including the Pakistan Bureau of Statistics (PBS), State Bank of Pakistan (SBP), World Bank, and Asian Development Bank (ADB). To reinforce the findings from the trend analysis, we also develop a simple econometric model that estimates the relationship between pandemic-related variables and economic growth, allowing us to quantify the impact of COVID-19 and assess which areas of the economy remain most vulnerable.

Theoretical Functional Form

We start by expressing the relationship as a general function:

$$EG = f(COVID, UNEMP, POV, EX, IM, TR, HC, GOV)$$

Where:

- EG = Economic Growth (GDP growth)
- COVID = Pandemic severity index (e.g., case rates, lockdown stringency)
- UNEMP = Unemployment rate
- POV = Poverty rate
- EX = Exports
- IM = Imports
- TR = Trade balance
- HC = Human capital (proxy for labor productivity)
- GOV = Government response (fiscal stimulus, cash transfers)

This formulation reflects that pandemic conditions and the structural response capacity of the economy influence economic growth.

Mathematical Representation

Assuming a linear relationship for estimation, we write the model as:

$EG_t = \alpha + \beta_1 COVID_t + \beta_2 UNEMP_t + \beta_3 POV_t + \beta_4 EX_t + \beta_5 IM_t + \beta_6 TR_t + \beta_7 HC_t + \beta_8 GOV_t + \varepsilon_t$

Where:

- α is the intercept term
- β_1 to β_8 are coefficients showing the marginal impact of each variable on economic growth
- ε_t is the error term at time t

Econometric Model (Estimation-Ready Form)

This model is suitable for estimation using time-series data or panel data if applied across countries or regions:

$GDP\_GROWTH_t = \alpha + \beta_1 COVID_t + \beta_2 UNEMPLOYMENT_t + \beta_3 POVERTY_t + \beta_4 EXPORTS_t + \beta_5 IMPORTS_t + \beta_6 TRADE\_BAL_t + \beta_7 HUMAN\_CAP_t + \beta_8 GOV\_RESP_t + \varepsilon_t$

Where:

- GDP_GROWTH_t is the dependent variable (e.g., annual or quarterly real GDP growth)
- $COVID_t$ can be constructed using case rates, death rates, or lockdown stringency measures (e.g., OxCGRT data)
- GOV_RESP_t can be proxied using government spending, stimulus size, or coverage of cash transfer programs

This combination of quantitative trends and a simple model offers a grounded understanding of how the pandemic influenced different facets of Pakistan's economy and helps identify which areas require the most urgent policy attention. This research mainly included Trend Analysis (Graphic and Tabulated representation) and a review of previous studies, determining Pakistan's economic recession due to the natural disaster COVID-19. It also determined the key economic indicators, such as economic growth, unemployment, poverty, and Pakistan's imports and exports.

Variables Descriptions

Secondary data is employed in the research. The Focus Economics Pakistan survey provides valuable data on various indicators of Pakistan's economy. COVID-19 is an independent variable, and economic indicators, such as economic growth, Unemployment, Poverty, Imports, and Exports, are taken as dependent variables. The required data on various variables for 2018-2022 are collected from different authorized sources.

Dependent Variable

Economic Growth

Economic growth refers to the increase in a country's production of goods and services over time. It is typically measured by changes in the gross domestic product (GDP).

Independent Variables

Unemployment

Unemployment refers to the condition in which individuals willing and able to work cannot find employment. It represents a situation where people actively seek jobs but cannot secure suitable employment opportunities.

Poverty

Poverty is a state of severe deprivation in which individuals or communities lack the resources necessary for basic needs, such as food, shelter, healthcare, and education. It signifies a condition of significant economic and social disadvantage, often characterized by low income, limited opportunities, and a reduced standard of living.

Exports

Export refers to the act of selling and shipping goods or services produced within a country to another country for the purpose of trade and commerce. Exports play a crucial role in a country's economy, contributing to economic growth, creating jobs, and earning foreign exchange. They can range from physical goods, such as manufactured products or agricultural commodities, to intangible services like consulting, tourism, or software.

Imports

Import refers to purchasing and bringing goods or services from another country into one's own country for consumption, trade, or resale. Imports are essential to international trade and play a significant role in meeting consumer needs, diversifying product offerings, and supporting economic activities. They can include various goods, ranging from raw materials and components to finished products or specialized services.

Covid-19

COVID-19 is a viral respiratory illness characterized by fever, cough, and difficulty breathing. It can range from mild to severe and has resulted in a global pandemic since its emergence in late 2019. COVID-19 is not only a global pandemic and public health crisis; it has also severely affected the global economy.

1. **Trends Analysis**

Results and Discussion

This chapter includes a comprehensive analysis of the findings obtained through secondary data collection. By delving into the research objectives, this section provides a detailed examination of the research outcomes, offering valuable insights and facilitating a deeper understanding of the research domain. Through the systematic examination of the data and the subsequent exploration of its meaning, this chapter serves as a platform for critical analysis, comparing the economic growth of Pakistan before and after COVID-19.

COVID-19 and Economic Growth

The COVID-19 pandemic significantly impacted Pakistan's economic growth, much like it did in many other countries around the world. Lockdown measures and reduced economic activity disrupted daily life and slowed down key sectors such as services, manufacturing, and agriculture. This economic slowdown led to job losses, particularly among informal and daily-wage workers, making it increasingly difficult for many families to make ends meet. As a result, Pakistan’s economy experienced a notable contraction. Although the government introduced various measures to support recovery and some progress was made, the crisis exposed the vulnerabilities in the country’s economic structure and left a lasting impact.

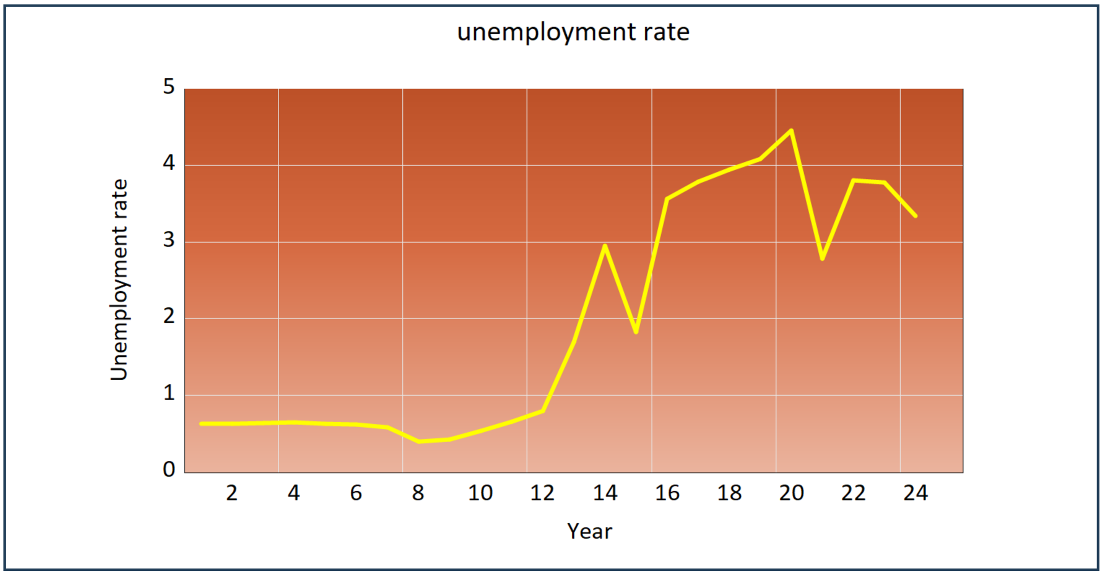
Fig: 1

The graph illustrates the pattern of GDP growth over 25 years, revealing a series of economic shifts shaped by both external factors and internal dynamics. In the initial years, growth starts at a modest pace. However, it rises sharply around year five, which may reflect a period of economic recovery driven by improved investment flows, global economic stability, or the introduction of key domestic reforms. However, this momentum fades between years six and nine, with a noticeable decline in growth. This slowdown could result from emerging fiscal challenges, reduced global demand, or increased policy uncertainty. The period from years ten to thirteen shows continued volatility, including a brief contraction, pointing to underlying structural weaknesses or imbalances in the economy. From year fourteen onward, the economy begins to recover, reaching a peak around year seventeen. This suggests that earlier reforms or stabilization efforts may have started to yield results. However, this recovery is disrupted around year twenty-one by a steep decline in growth, likely due to a major shock such as the COVID-19 pandemic. The sudden rebound in the following year indicates the presence of strong corrective measures, such as stimulus packages or emergency fiscal support. In the final years of the graph, GDP growth stabilizes at a moderate level, suggesting the economy has adjusted to new realities and is entering a more balanced phase. This overall trend reflects the sensitivity of economic performance to shocks, policy choices, and the broader global environment.

Covid-19 And Unemployment

Unemployment in Pakistan has been steadily rising in recent years, with a small uptick in 2023 after a slight dip in 2022. Young people, in particular, face significant challenges in finding stable work, with youth unemployment remaining a major issue. Although the rate spiked during the COVID-19 pandemic, it has stabilized slowly. Looking back, Pakistan has seen its fair share of highs and lows in unemployment, with the lowest in the late 1980s. Moving forward, it is clear that tackling the root causes of unemployment and creating more job opportunities, especially for the youth, will be crucial for improving the country's job market.

Fig; 2

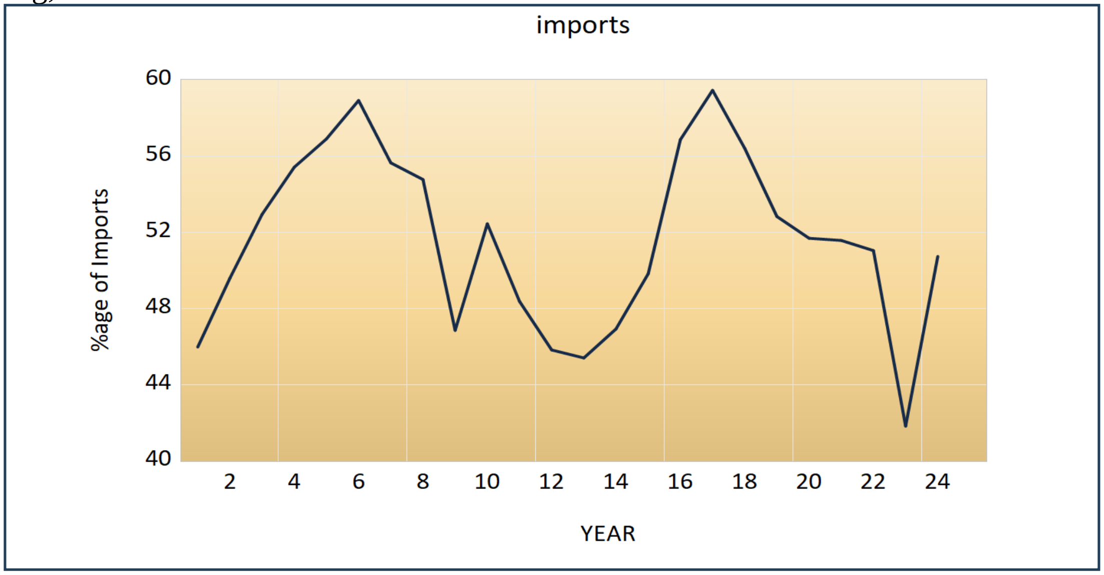


In the above graph, in the earlier years, unemployment stayed low, which may reflect a period when the economy was effectively absorbing labor, especially in the informal and agricultural sectors. As economic dynamics shifted, however, job creation started falling behind population growth. Youth entering the workforce struggled to find decent employment, and technological changes began to reduce the need for manual labor in some industries. Then came COVID-19, with it a sudden and severe surge in unemployment. Lockdowns meant businesses had to shut their doors, some temporarily, permanently. From construction workers to retail clerks, millions were left without jobs. The services sector was hit hard, which usually provides many informal jobs. Even as economies began to reopen, not all jobs came back. Many firms had downsized, and some sectors had permanently changed. The elevated unemployment rate toward the end shows how recovery in the job market lagged behind economic reopening, highlighting the need for deeper reforms in skills training, entrepreneurship, and labor market resilience.

COVID-19 and imports

Due to limited local production, Pakistan relies heavily on imports for fuel, machinery, and industrial goods. This dependence has led to trade deficits and economic pressure, especially during global price hikes or currency depreciation. Imports dropped during COVID-19 due to supply disruptions and low demand, but surged as the economy reopened. Although the government has taken steps to reduce import reliance, lasting change depends on boosting domestic production and improving energy and agricultural self-sufficiency.

Fig; 3

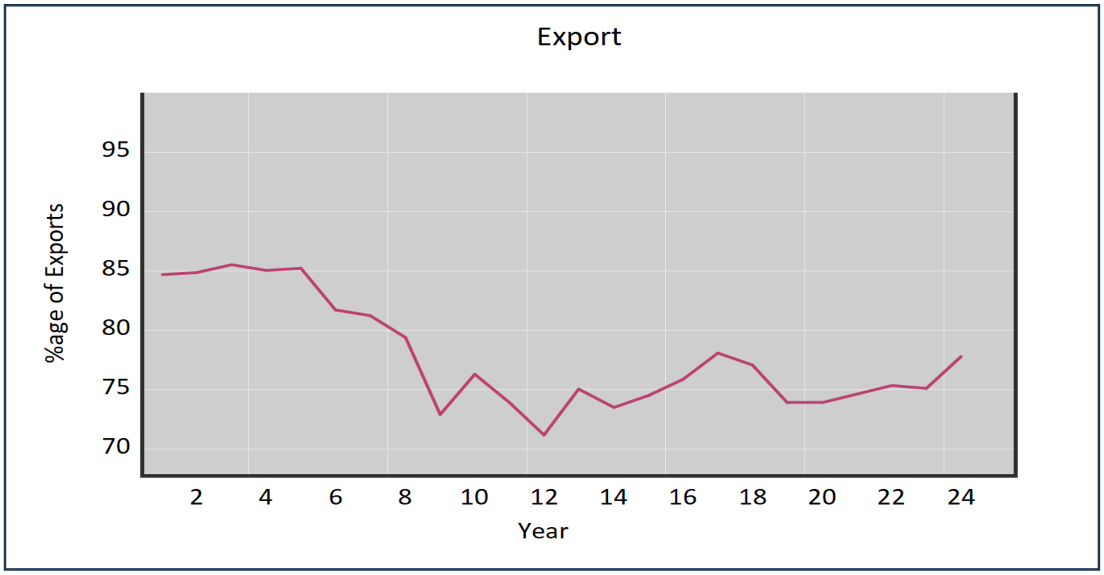


The trend in imports swings up and down, reflecting a mix of economic expansion and contraction over time. In periods of economic growth or rising consumer demand, import volumes rise, especially in countries heavily reliant on foreign energy, machinery, or intermediate goods. But this dependency also makes the economy vulnerable. Whenever the local currency weakens, or external shocks hit, the cost of imports rises dramatically, straining both businesses and consumers. During the COVID-19 crisis, import patterns were severely disrupted. With manufacturing slowed and logistics chains fractured worldwide, many goods could not be delivered. At the same time, domestic demand collapsed under lockdowns, reducing the need for imported goods. These two effects combined led to a significant drop in imports. However, as restrictions eased and stimulus measures restored some purchasing power, imports rose again, perhaps faster than exports, raising concerns about trade imbalances and renewed pressure on foreign reserves.

COVID-19 and exports

Pakistan's export sector faced challenges in recent years, with exports dropping to around $27.7 billion in the fiscal year 2022–2023. This decline was due to global economic slowdowns, currency depreciation, and issues within key industries. However, some sectors showed growth, such as rice exports, which reached a record high, partly due to India's export restrictions. The ICT sector also saw a boost in exports. Despite these successes, challenges remain, like a decline in sesame seed exports to China. Going forward, Pakistan needs to address structural issues and diversify its export products to improve competitiveness in global markets.

Fig; 4

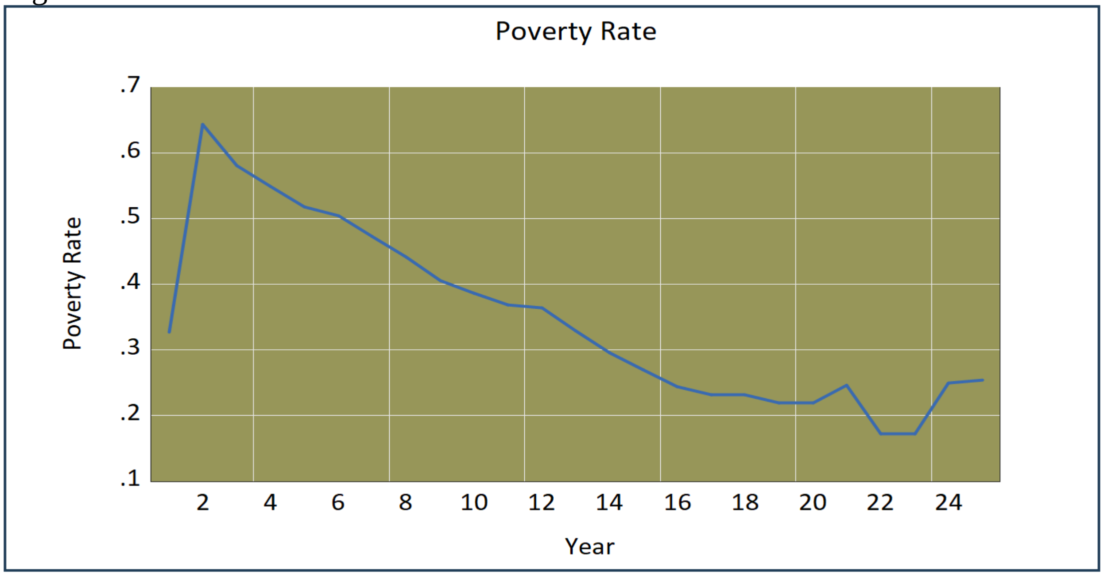


The export graph tells a story of early strength followed by a gradual erosion in performance. In the beginning, exports appear stable and strong—likely supported by relatively healthy demand from international markets and a stable domestic production environment. But over time, this momentum fades. This decline may reflect deeper structural issues, such as an over-reliance on a narrow range of export products, limited value addition, outdated technologies, or rising production costs making local goods less competitive abroad. Then came the COVID-19 pandemic—a shock unlike any other. As global borders closed and shipping routes were disrupted, exporters found it challenging to meet orders or access key raw materials. Many businesses faced outright shutdowns, while others struggled with soaring costs and uncertain markets. This disruption pushed export figures even lower. Only later, with the gradual reopening of economies and targeted support measures from governments, do we see signs of a slight recovery. These include trade incentives, currency depreciation, and digital tools helping firms reconnect with global buyers. Still, the recovery is cautious and incomplete, reflecting how long-lasting the damage was.

COVID-19 and Poverty Rate

Poverty in Pakistan has been rising sharply in recent years, with the poverty rate reaching over 25% in 2024, affecting millions of people. This increase is mainly due to inflation, stagnant wages, and economic challenges like natural disasters and political instability. Many people struggle with low income and poor access to healthcare, education, and basic living conditions. While government programs like Ehsaas and BISP aim to help, their impact is limited by ongoing economic struggles and governance issues. Pakistan needs major economic reforms, education, healthcare, and infrastructure to reduce poverty.

Fig: 5



The poverty rate shows a heartening long-term decline, suggesting that many families were gradually moving toward a more secure and stable life. This likely reflects the cumulative effect of better access to education, healthcare, rural development programs, and job opportunities, particularly in agriculture and informal urban sectors. Social safety nets, remittances, and microfinance may have helped lift many out of extreme poverty. However, this progress was suddenly tested by COVID-19. The pandemic struck hardest at those who were already on the edge. Daily wage earners, street vendors, and small shop owners—many of whom had no savings or formal job protections—lost their livelihoods overnight. As the lockdowns extended, even basic needs like food and medicine became hard to meet. Governments responded with emergency cash transfers and ration distributions, which helped soften the blow for some. However, the impact was uneven. The slight rise in the poverty rate toward the end reflects the setbacks caused by the pandemic, especially for those who had only recently climbed out of poverty. It is a reminder that progress, while real, remains fragile.

2. Political Economy of Pakistan: A Narrative of Power, Policy, and Growth

Pakistan's economic path over the past two decades has been anything but linear. Each shift in political leadership—whether through the ballot box or beyond it—brought with it a new set of ambitions, priorities, and contradictions. More often than not, the economy has danced to the rhythm of politics, responding to the promises, postures, and pitfalls of those in power. The early 2000s were defined by General Pervez Musharraf's rule, a military-led government that paired political control with economic reform. Though democracy was suspended, the regime brought a sense of stability that enabled technocrats to initiate ambitious reforms in banking, privatization, and regulatory streamlining. Pakistan found itself in a strategic global spotlight after 9/11, unlocking generous financial assistance. During this time, growth rates soared, remittances boomed, and the telecom and real estate sectors expanded rapidly. The urban middle class grew more visible, and for a while, there was a sense that Pakistan was finally on the move. But this growth rode on short-term consumption, not long-term productivity. And as political dissent was muted and institutions weakened, the sustainability of these gains remained in question.

The return to democracy in 2008 was met with high hopes, but also harsh realities. The Pakistan People's Party (PPP), under President Asif Ali Zardari, assumed office amid a wave of terrorist attacks, a global financial downturn, and a crumbling power grid. Political instability and weak coalitions meant that economic governance often took a back seat. Chronic electricity shortages hampered industries, inflation remained high, and investor confidence was low. Yet amid the challenges, the government passed two landmark initiatives: the 18th Constitutional Amendment, which devolved powers to provinces, and the launch of the Benazir Income Support Programmed (BISP), a foundational step in Pakistan's social protection framework. These were significant steps, but in a broader sense, the democratic government struggled to deliver the kind of economic revival many had hoped for. By 2013, the Pakistan Muslim League-Nawaz (PML-N) led by Nawaz Sharif came to power, projecting a more business-minded, development-oriented image. The government focused heavily on infrastructure—highways, metro buses, and most significantly, the China-Pakistan Economic Corridor (CPEC). These projects helped reduce power outages and gave a visible facelift to parts of the country. The economy began to pick up, and GDP growth crossed 5%. However, much of the growth was built on borrowing and infrastructure spending, while deeper reforms in taxation, exports, and industry remained unaddressed. Then came political turbulence once more. Nawaz Sharif's disqualification in 2017 following the Panama Papers scandal reignited tensions between civilian leaders and powerful state institutions. With him went the policy stability that had begun to take root, reminding the nation yet again that economic momentum in Pakistan is often hostage to political shocks.

The 2018 elections brought a new force to power—Imran Khan and his Pakistan Tehreek-e-Insaf (PTI) party, riding on promises of justice, anti-corruption, and a welfare state. But the excitement of change soon gave way to economic anxiety. Pakistan's foreign reserves were dangerously low, inflation was rising, and the government hesitated before turning to the IMF. The delay added uncertainty, and the rupee lost significant value. The government's stabilization measures—raising taxes, cutting subsidies, and letting the currency float—were painful but necessary. Growth slowed sharply, but the PTI administration did roll out social initiatives like the Ehsaas Program and attempted to bring more transparency to cash transfers. Despite these moves, a lack of experience, mixed signals on economic policy, and rising political confrontations hurt business confidence.

COVID-19, Political Concerns, and Economic Growth

Then came the storm no one expected, **COVID-19**. As the pandemic arrived in early 2020, Pakistan's fragile economy was hit hard. Lockdowns disrupted supply chains, informal jobs disappeared overnight, and the health system strained under pressure. Politically, the crisis revealed deep fault lines. The federal government under PTI preferred limited lockdowns to keep the economy moving, while provincial governments, particularly Sindh, pushed for stricter health measures. This lack of coordination at the onset led to confusion and public frustration. In response, the National Command and Operation Centre (NCOC) was formed to centralize the COVID response. It proved to be one of the few examples of effective inter-agency coordination during the PTI tenure. Economically, 2020 was a year of contraction—Pakistan's GDP shrank for the first time in decades. But the government's swift rollout of emergency cash transfers through Ehsaas Emergency Cash helped cushion some of the blow for the most vulnerable. As global markets recovered in 2021, Pakistan's economy bounced back with over 5% growth, driven largely by remittances and a surge in domestic consumption. Yet this recovery masked deeper weaknesses: high inflation, a fragile external account, and limited export growth. The pandemic didn't just expose cracks in the health sector—it highlighted how Pakistan's economic resilience remained undermined by weak institutions and persistent political infighting.

In April 2022, another chapter of political upheaval unfolded. Imran Khan was ousted through a no-confidence vote, and a coalition government led by Shehbaz Sharif stepped in. Khan responded with mass mobilization and public accusations of foreign interference, plunging the country into political chaos. Meanwhile, the economy was in crisis mode. Foreign exchange reserves were dangerously low, the rupee was in free fall, and inflation crossed 35%. The new government struggled to make tough decisions, delayed IMF negotiations, and faced public anger over rising fuel and electricity prices. Politically divided and economically constrained, Pakistan found itself on the edge of default. As 2023 closed, Pakistan stood at a crossroads. Two decades of swings between military rule, democratic fragility, and populist promises had created a pattern where political instability repeatedly sabotaged economic planning.

Conclusion and Recommendations

The research conducted an in-depth analysis of the impact of the COVID-19 pandemic on Pakistan's economy, focusing on key economic indicators such as economic growth, unemployment, poverty, imports, and exports. The research employed a combination of exploratory and judgmental methods, which involved reviewing existing literature, policy documents, research papers, and reports in the relevant field.

The findings of the research highlight the significant influence of the COVID-19 pandemic on Pakistan's economy. One of the key indicators affected was economic growth. The data reveals that Pakistan experienced a contraction in its economy in 2020, primarily due to the disruption caused by lockdown measures, reduced economic activity, and a decline in key sectors. However, the economy showed signs of recovery in subsequent years, with positive growth rates recorded in 2021 and 2022. This suggests a resilience and ability to bounce back from the initial shock of the pandemic. Unemployment rates also reflected the impact of the pandemic. The research indicates that Pakistan faced job losses and increased unemployment as a result of the economic disruptions caused by the pandemic. Industries were particularly hard-hit due to lockdown measures and restrictions on movement, leading to closures and a decline in employment opportunities. The unemployment rate fluctuated during the pandemic years, with a slight rise in 2019 and a decrease in 2020, possibly due to government interventions and economic stimulus measures. By 2021, there was some recovery in the job market, although challenges persisted.

The research also examined the effect of the COVID-19 pandemic on poverty rates in Pakistan. Like many other countries, Pakistan experienced economic disruptions and social challenges, which contributed to an increase in poverty rates. The data shows fluctuations in the poverty rate during the pandemic years, with a noticeable increase in 2021. However, there was a significant decrease in the poverty rate in 2022, indicating some improvements and efforts to address the impact of the pandemic on vulnerable populations.

Furthermore, the COVID-19 pandemic hurt Pakistan's exports. Industries such as textiles, leather goods, and surgical instruments faced challenges due to decreased global demand and disruptions in international trade. The data reveals a decline in export growth in 2020, reflecting the difficulties the export sector faces. However, there were signs of recovery in subsequent years, with increased export growth rates in 2021 and 2022. Nevertheless, the growth rates remained lower than pre-pandemic levels, indicating ongoing challenges for the export sector. In terms of imports, Pakistan's reliance on imported goods and services was also affected by the pandemic. The research shows fluctuations in import growth rates during the pandemic years. In 2019, there was a notable decrease in imports, while 2020 witnessed a negative growth rate, indicating a trade surplus as the goods and services exported exceeded those imported. However, imports rebounded in 2021, reflecting a recovery in economic activities and increased demand for foreign goods and services. Import growth continued in 2022, although at a slightly slower pace.

Also, the study shows that Pakistan's economic performance has been deeply shaped by political shifts over the past two decades. Military-led reforms, democratic transitions, and populist promises each brought moments of progress, but rarely the sustained, structural change needed for long-term stability. Time and again, political instability disrupted policy continuity, weakened institutions, and undermined investor confidence. The COVID-19 pandemic magnified these challenges, exposing governance and economic vulnerabilities. Despite moments of recovery, Pakistan's growth remained fragile, often dependent on external support and short-term fixes. As the country moves forward, the key lesson is clear: without consistent political stability, institutional reform, and coherent economic planning, sustainable development will remain out of reach.

This research offers a comprehensive view of how the COVID-19 pandemic affected Pakistan's economy. The findings highlight significant challenges, including economic contraction, rising unemployment, increased poverty, and trade disruptions. These impacts were especially severe for vulnerable populations and sectors reliant on informal labor and exports. Moreover, the study shows how political instability during this period further complicated economic management and recovery efforts. Together, these insights emphasize the need for well-coordinated policies, stronger institutions, and targeted support to build resilience, promote inclusive recovery, and ensure that future shocks do not derail economic progress.

Recommendations

Job Creation Initiatives: Implement targeted job creation initiatives to stimulate employment opportunities, particularly in sectors most affected by the pandemic, such as tourism, hospitality, and retail. This could involve incentivizing businesses to hire new employees or offering training programs to enhance employability.

Skill Development Programs: Invest in skill development programs to enhance the job prospects of individuals who lost their jobs during the pandemic. This could include vocational training, apprenticeship programs, and reskilling initiatives to align workers' skills with emerging market needs.

Investment in Digital Skills: Promote digital literacy and upskilling in digital technologies to align with the evolving job market. Encourage individuals to acquire digital skills that are in high demand, such as data analysis, programming, and e-commerce, to enhance their skills.

Promote Job Creation: Implement policies and programs that encourage the growth of labor-intensive sectors, such as agriculture, manufacturing, and services, to generate employment opportunities for the poor.

Enhance Access to Education: Invest in quality education and skill development programs, focusing on marginalized communities, to improve human capital and increase employment prospects.

Improve Healthcare Infrastructure: Strengthen healthcare systems, particularly in rural areas, by increasing healthcare facilities, trained medical personnel, and affordable access to essential medicines, ensuring the poor have access to quality healthcare.

Diversify Export Markets: Explore new export markets beyond traditional destinations to reduce dependency on a few countries. Conduct market research, participate in trade exhibitions, and leverage digital platforms to identify and tap into emerging markets.

Strengthen Branding and Marketing: Invest in promoting Pakistani products through effective branding, marketing campaigns, and digital platforms. Highlight the unique selling points of Pakistani goods, such as craftsmanship, cultural heritage, and sustainability.

Strengthen Export Promotion Institutions: Enhance the capacity and resources of export promotion institutions, such as the Trade Development Authority of Pakistan (TDAP), to provide comprehensive export support services, including market intelligence, trade missions, and buyer-seller matchmaking.

Conduct Strategic Import Planning: Develop a comprehensive import strategy that aligns with national development goals and priorities. Identify key sectors and products that require imports for domestic value addition, industrial growth, and technological advancement.
Promote Collaboration with Foreign Suppliers: Foster partnerships and collaboration with foreign suppliers to enhance technology transfer, knowledge exchange, and joint ventures. Encourage importers to develop long-term relationships with reliable foreign suppliers to ensure quality and timely imports.
Monitor and Regulate Luxury Imports: Implement measures to regulate and control the importation of luxury goods that put pressure on foreign exchange reserves. Introduce higher import duties or quotas on luxury items to discourage their excessive importation.
Promote Political Stability – Ensure consistent leadership and policy continuity to support long-term economic growth.
Strengthen Social Protection – Expand programs like Ehsaas and BISP to help vulnerable people in times of crisis.
Improve Government Coordination – Strengthen cooperation between federal and provincial governments for faster response during emergencies.

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