

PAKISTAN

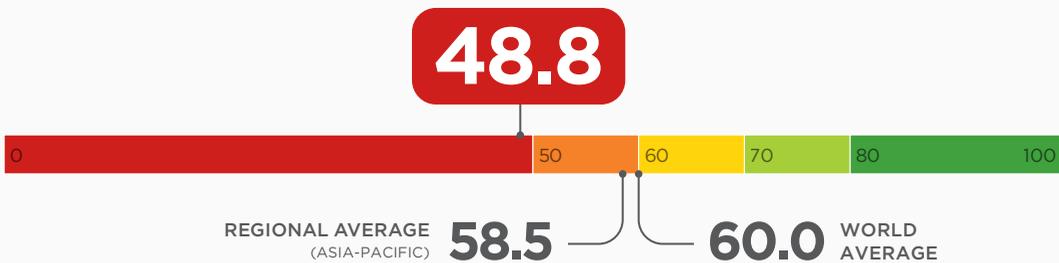
WORLD RANK: **153** | REGIONAL RANK: **34**
 ECONOMIC FREEDOM STATUS: **REPRESSED**

Pakistan's economic freedom score is 48.8, making its economy the 153rd freest in the 2022 *Index*. Pakistan is ranked 34th among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Pakistan's economy slowed in 2019 and contracted in 2020. Growth resumed in 2021. A five-year trend of anemic economic freedom has weakened further. Driven down by declines in scores for **business freedom**, **fiscal health**, and rule of law, Pakistan has recorded a 4.0-point overall loss of economic freedom since 2017 and has fallen from the "Mostly Unfree" category to the "Repressed" category. Monetary freedom and **trade freedom** show some promise, but an ongoing lack of evenhanded rule of law threatens economic freedom.

IMPACT OF COVID-19: As of December 1, 2021, 28,745 deaths had been attributed to the pandemic in Pakistan, and the government's response to the crisis ranked 137th among the countries included in this *Index* in terms of its stringency. The economy contracted by 0.4 percent in 2020.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -8.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
220.9 million

GDP (PPP):
\$1.1 trillion
-0.4% growth in 2020
5-year compound annual growth 3.4%
\$5,150 per capita

UNEMPLOYMENT:
4.7%

INFLATION (CPI):
10.7%

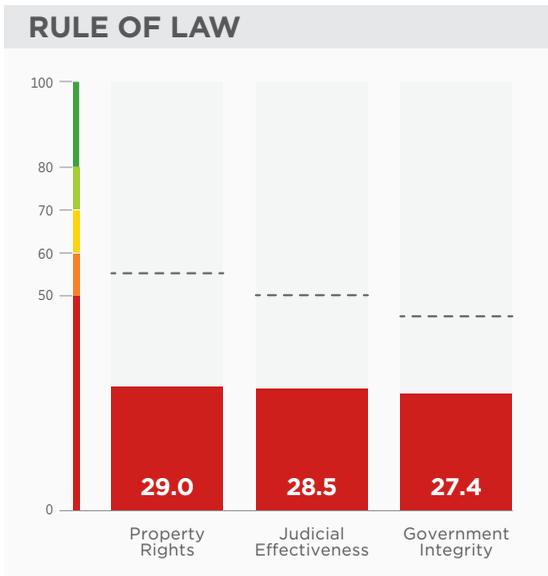
FDI INFLOW:
\$2.1 billion

PUBLIC DEBT:
87.2% of GDP

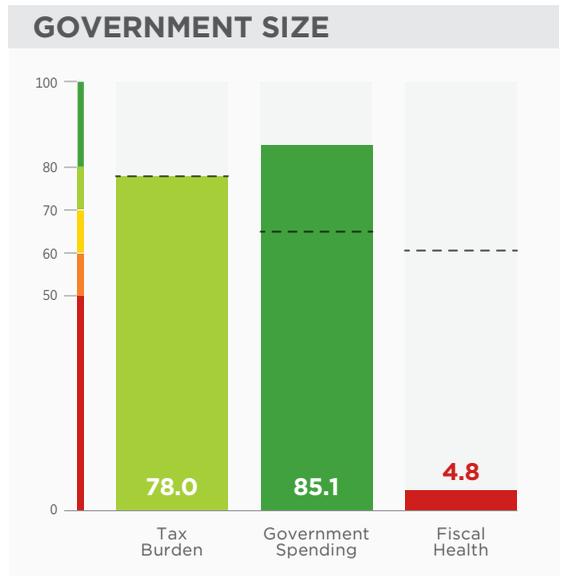
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Created by the partition of India in 1947, Pakistan remains a relatively unstable pseudo-democracy that is threatened by sectarian violence and religious extremism. Civilian authorities remain subservient to the military. Prime Minister Imran Khan took office after his Pakistan Tehreek-e-Insaf (PTI) party performed well in a 2018 election on promises of job creation, new housing, and economic reforms. Tensions between India and Pakistan remain high. Political and social instability hinder economic development. Textiles and apparel account for most export earnings, but much of the economy is informal, and underemployment remains high. China has pledged more than \$60 billion in infrastructure and energy investments in China-Pakistan Economic Corridor (CPEC) projects that have suffered significant setbacks and have drawn criticism.

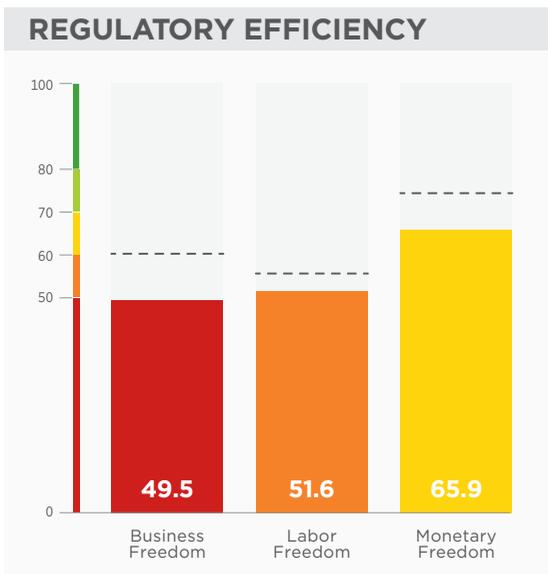
12 ECONOMIC FREEDOMS | PAKISTAN



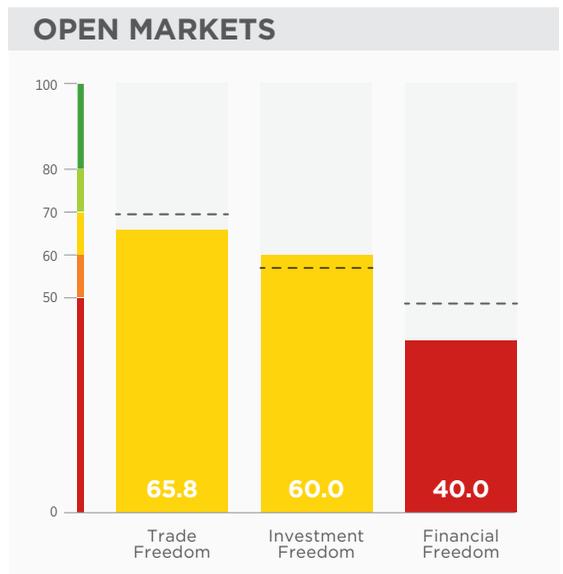
Protection for the acquisition and disposition of property rights is weakened by organized crime, corruption, a weak regulatory environment, and subversion of the legal system. The judiciary is politicized and subject to external influence and intimidation by extremist groups and high-ranking political officials. Courts are slow, outdated, and inefficient. Corruption is endemic in politics, government, and law enforcement.



The top individual income tax rate is 35 percent, and the top corporate tax rate has been reduced to 29 percent. The overall tax burden equals 11.4 percent of total domestic income. Government spending has amounted to 22.3 percent of total output (GDP) over the past three years, and budget deficits have averaged 7.8 percent of GDP. Public debt is equivalent to 87.2 percent of GDP.



The business climate has been improved to some extent since 2019, but privatization of state-owned enterprises has been slow. Business regulations lack harmonization across the provinces, and labor laws are neither implemented nor enforced uniformly. In 2021, the IMF urged the elimination of subsidies on basic foods as well as electricity and gas to establish fiscal discipline, but the 2021-2022 budget increased many of the same subsidies.



Pakistan has 10 preferential trade agreements in force. The trade-weighted average tariff rate is 9.6 percent, and 83 non-tariff measures are in effect. Lingering state involvement in the economy and the inefficient investment regime continue to be serious drags on economic dynamism. A majority of commercial banks are private, but the banking sector remains vulnerable to state interference.