

TO LOCKDOWN OR NOT? – CORONA IMPACT PER MONTH

PROLOGUE

There is a country wide debate going on as to whether the lock down(s) should be lifted or extended. A timely decision has to be taken in light of the data available and potential consequences. Any misadventure of lifting the lockdown prematurely may result in a wild spread of the ongoing pandemic, resulting in a further collapse of the economy.

COST OF LIVING

- A national population census was conducted in 2017, wherein, it was suggested that there were 32.21 million households at the time of the said census.
- The Income Distribution of Household Integrated Economy survey conducted in 2016, examining a sample of 24,238 households, categorized households in 5 quintiles based on their monthly income.

	Q1	Q2	Q3	Q4	Q5
Average Monthly Income	19,742	23,826	28,020	33,668	60,451
Average Monthly Income (inflation Adjusted)	25,664	30,973	36,426	43,768	78,586
Average Monthly Consumption - Normal	18,500	22,874	26,702	31,337	52,906
Inflation Adjusted Monthly Consumption - During Lockdown	17,908	21,780	25,003	28,858	45,865
% of Population	15.66%	17.50%	19.18%	21.60%	26.06%
No. families out of total 32.21 million	5,044,086	5,636,750	6,177,878	6,960,581	8,393,926
No. of persons (6.45 per household as per census 2017)	32,534,355	36,357,038	39,847,313	44,895,747	54,140,823
Proposed limited assistance	12,000	12,000	20,000	25,000	30,000

***Q1 and Q2 combined makes up 33.16% of total population**

- The compound inflation multiplier from 2017 to 2020, as per the data published by the Pakistan Bureau of Statistics, is 1.3.
- During the lockdown, there will be some reduction in the consumption pattern. We have incorporated such reductions in our monthly consumption calculations.
- These calculations have not incorporated sectors which are operating besides the lockdown, constituting 10% to 20% of the workforce.

WAY FORWARD

	Q1	Q2	Q3	Q4	Q5
No. families out of the total of 32.21 million	5,044,086	5,636,750	6,177,878	6,960,581	8,393,926
Proposed Limited assistance	12,000	12,000	20,000	25,000	30,000
Total Assistance Required	60,529,032,000	67,641,000,000	123,557,560,000	174,014,525,000	251,817,780,000

- The Ehsas program will distribute Rs. 12,000 per family for Q1 and Q2 families. These disbursements should be enough for a complete lockdown scenario as Rs. 128 billion will be required for Q1 and Q2 families as per the table above.
- For the remaining households, i.e. Q3, Q4 and Q5 households, approximately Rs. 550 billion will be required. These may partially be supported out of soft loans to employers as announced by the State Bank of Pakistan. These soft loans should be provided markup free for 2 to 3 years and the limit should be equal to monthly salary per employee as per the table above, to pay salaries of the employees during the lock down period.
- **The assistance may be provided through printing of new notes. The increase in inflation due to printing of these notes will be insignificant, as the assistance will neither increase aggregate demand nor will it affect purchasing power of the people.**
- The Government should not lift the lockdown otherwise there will be colossal damage to the economy in the coming months as the pandemic spiral out of control. It may be noted that 11 Union Councils of Karachi have been completely locked down due to the fear of the coronavirus spreading further. This situation may be avoided for the entire country through timely decision making.

DISCLAIMER:

Revenue losses to federal government, provincial governments, local governments and private entrepreneurs have not been incorporated in this note.

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