

PAKISTAN

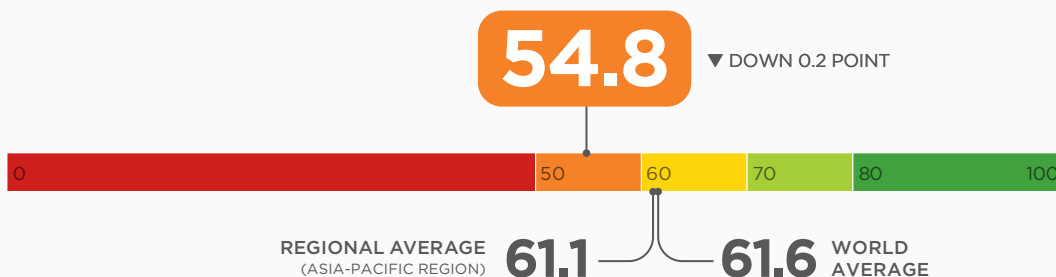
WORLD RANK: **135** | REGIONAL RANK: **32**
ECONOMIC FREEDOM STATUS:
MOSTLY UNFREE

Pakistan's economic freedom score is 54.8, making its economy the 135th freest in the 2020 *Index*. Its overall score has decreased by 0.2 point because of a drop in the **fiscal health** score. Pakistan is ranked 32nd among 42 countries in the Asia-Pacific region, and its overall score is well below the regional and world averages.

The Pakistani economy has been mostly unfree since the inception of the *Index* in 1995. GDP growth, however, has been vigorous for the past five years, led by exports of cotton textiles.

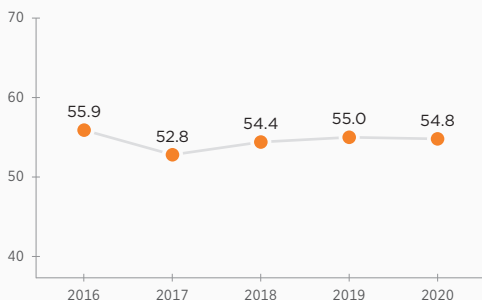
Economic freedom in Pakistan is impeded by inadequate protection of property rights and the government's failure to enforce anticorruption statutes and laws against crimes like money laundering and financing of terrorism. Regulatory inefficiencies, complex labor laws, and an unreliable security situation continue to burden the business environment. High tariffs reduce the buying power of average Pakistanis' income and hurt efforts to reduce poverty.

ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -2.8

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
201.0 million

GDP (PPP):
\$1.1 trillion
5.2% growth in 2018
5-year compound
annual growth 4.7%
\$5,680 per capita

UNEMPLOYMENT:
3.0%

INFLATION (CPI):
3.9%

FDI INFLOW:
\$2.4 billion

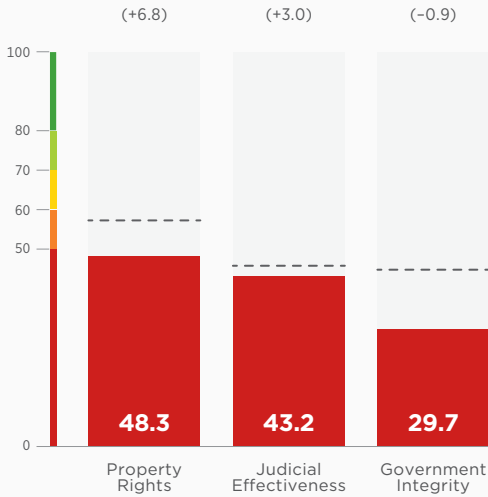
PUBLIC DEBT:
72.1% of GDP

2018 data unless otherwise noted. Data compiled as of September 2019

BACKGROUND: Created during the partition of India in 1947, Pakistan remains a relatively unstable democracy that is threatened by sectarian and terrorist violence. Former cricket star Imran Khan became prime minister after his Pakistan Tehreek-e-Insaf (PTI) party won a plurality in the July 2018 election on promises of job creation, new housing, and economic reforms. Tensions between India and Pakistan remain high. Political and social instability continue to hinder economic development in Pakistan. Textiles and apparel account for most export earnings, but much of the economy is informal, and underemployment remains high. China has pledged over \$60 billion in infrastructure and energy investments in a China-Pakistan Economic Corridor.

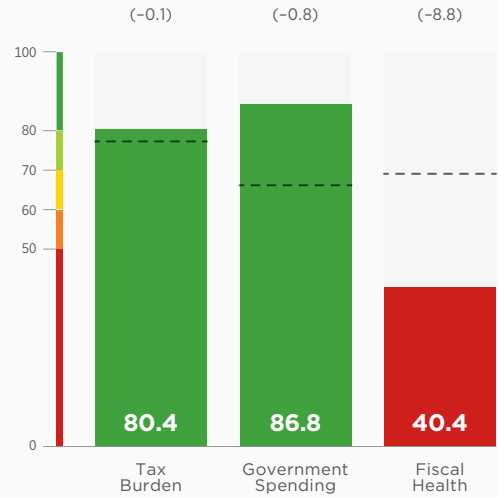
12 ECONOMIC FREEDOMS | PAKISTAN

RULE OF LAW



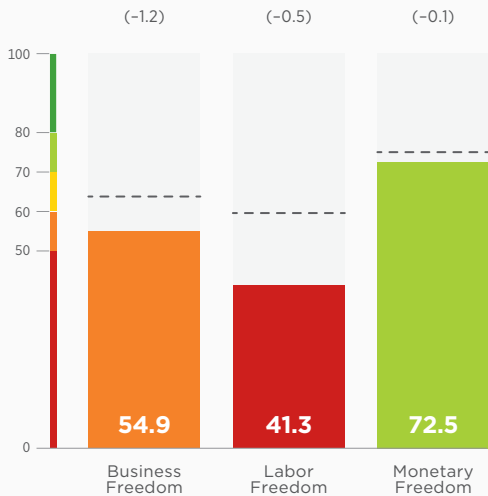
Private property is guaranteed in principle and in law. In practice, however, organized crime, corruption, a weak regulatory environment, and subversion of the legal system often render property rights precarious. The judiciary is politicized and frequently issues rulings that are seen as aligned with the priorities of the military. Prime Minister Imran Khan was elected in 2018 on a pledge to root out corruption among the political elites.

GOVERNMENT SIZE



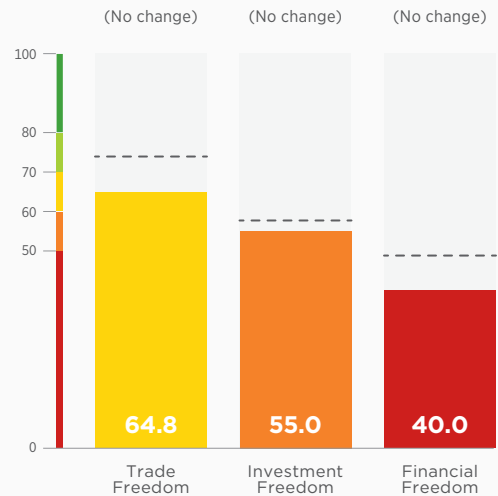
The tax system remains complex despite previous reforms to cut rates and broaden the tax base. The top personal income and corporate tax rates are 30 percent. The overall tax burden equals 12.5 percent of total domestic income. Government spending has amounted to 21 percent of the country's output (GDP) over the past three years, and budget deficits have averaged 5.5 percent of GDP. Public debt is equivalent to 72.1 percent of GDP.

REGULATORY EFFICIENCY



The entrepreneurial spirit of individual Pakistanis finds little support in the business regulatory environment. Minor improvements in the business start-up process fall far short of what is needed. Much of the economy is informal, and underemployment is pervasive. To obtain a \$6 billion bailout from the International Monetary Fund in 2019, the government agreed to cut subsidies for fuel and other commodities.

OPEN MARKETS



The total value of exports and imports of goods and services equals 28.0 percent of GDP. The average applied tariff rate is 10.1 percent, and 79 nontariff measures are in force. The investment regime remains inefficient, impeded by political instability, sectarian conflict, and heavy bureaucracy. A majority of commercial banks are private, but the banking sector remains vulnerable to state interference.