[Dr Khaqan Hassan Najeeb](https://www.thenews.com.pk/writer/dr-khaqan-hassan-najeeb)

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**Sombre yet optimistic**

January 2020 began well, despite occasional reverberations from China about a virus in Wuhan. It was initially believed the virus could be controlled within the confines of its origins. That didn’t last for very long – the virus rapidly spread in several countries in sizeable numbers, killing about two percent of those who contracted it. It became apparent that, in the absence of preventative action, the disease was emerging as uncontrollable.

The calamity unfolded as 2020 progressed. The coronavirus inflicted a colossal toll on the economies across the world as countries went under lockdown. In the early months of the spread, from February to April, the severity of and treatment for the virus were less understood. Several industries were forced to close – particularly airlines, hospitality, entertainment, and shopping centres, all major job providers. Closures jolted governments into action. Many of them were in the early stages of coming to grips with the scale of the setback and its impact on people.

The pandemic soon emerged as a defining push for letting businesses and governments to operate with employees working from home. Societies shifted their lifestyle to using online tools. Digital transformation became the game in town. The world moved towards a more socially isolated, online existence.

April and May gave a false positive. There was a reduction in the rate of growth of Covid-related deaths, prompting a relaxation of lockdown laws. However, the economies went downwards to sideways for the next four months, with the world eyeing the upcoming US presidential election, and a frightening increase in infections spurred by the holiday season in July and August. All eyes remained focused on the possibility of a vaccine, the first of which was announced on November 6, 2020.

Trends, which may have probably taken many a year to mature, have been telescoped into a few months. Looking ahead, there may be businesses and consumers who would return to their old normal once the outbreak has been contained. However, after being exposed to products which deliver speedier solutions through the utilisation of new tools, many will decide the new solutions are superior and move to a new normal. This may again define a higher productivity shift of smarter nations while others lag and return to their old ways.

The year 2020 is one that many will be happy to see the end of. Yet it has made us wiser in many respects. It showed how lockdowns and social distancing can help manage pandemics; working from home can be productive, saves time, is good for the environment and may contribute to a more balanced life; disruption from physical retail to online retailing has much further to unfold; vaccine development in months rather than years highlights the importance of scientific discoveries; and lastly the need to respect experts and sensible citizens who can make a difference when dealing with calamities became obvious.

A key economic lesson is that a swift, large, broad and targeted economic policy response can protect an economy from a significant exogenous shock and enable it to rebound quickly as the risk abates. Smart economic policymakers and governments realised early that the hit to the economy from the pandemic and associated lockdowns would be big, but recovery could be more rapid if businesses, jobs and incomes are protected. In case of less efficient market economies, there may be a case of stimulus propping up businesses which were inefficient and should have closed any ways.

Considerable fiscal stimulus, ultra-easy monetary policy and debt payment holiday has minimised the economic fallout. The scepticism and fear of a lasting depression is being gradually replaced with an uneven uncertain recovery, as incidents like the second strain of the virus from the UK continue to haunt as countries step up to a new norm.

One can be broadly more optimistic about the state of the world economy now than at any other time this year. Global GDP is expected to recover to near pre-coronavirus levels by mid-2021.The increasing availability of vaccines and their high levels of effectiveness is adding to growing confidence. Based on current production plans and those who have already been exposed to the virus, there is a fair chance of reaching herd immunity globally by end 2021 or early 2022. This is likely to enable a more certain reopening of the global economy over the year ahead.

The impressive policy stimulus – some of which is still waiting in the form of household savings reflecting pent-up demand – should result in a strong rebound in global economic activity, over the year ahead. However, the best economic policy for every nation will remain to be vaccination of its citizens as quickly as possible. The nation that deploys its maximum resources for procuring the vaccine is likely to get a solid return.

As 2020 – a year like no other – comes to a close, the task at hand remains formidable for Pakistan. The scale of the decisions that confront the government are enormous; reviving growth with a focus on emerging areas – manufacturing – particularly in areas that play to our strengths like food processing, electronic and medical devices, clean energy and defence. A sincere effort is required for reversing a falling tax-to-GDP ratio, a path for debt management and showing some way forward in stabilizing energy sector financials. This all is hard work.

We need to think of the emerging economic opportunities post-Covid while repairing the constraints of the pre-Covid economy. A more medium-term focus is to move away from running a controlled economy of shortages, believing in reducing state footprint, and inching to a market-oriented economic framework with a distributive flavour.

The writer is former advisor,

Ministry of Finance, Governmentof Pakistan.

Email: khaqanhnajeeb@gmail.com

Twitter: @KhaqanNajeeb