Gallup Pakistan History Project's Weekend Read 38:

Measuring Economic Optimism in Pakistan: An Analysis of Trends in 2015 by Abdullah Waqar Tajwar, Research Executive at Gallup Pakistan

Abstract: *The analysis presented in this article is predicated on the findings gleaned from the End of Year Survey, 2015, an annual publication by WIN/Gallup International. The international survey, conducted in 68 countries and from 66040 people, at an error margin of 3-5 at the 95% confidence level asked three major questions out of which only one will be analysed in this article.* ***"Compared to this year, in your opinion, will next year be a year of economic prosperity, economic difficulty or remain the same for your country?*** *" On a global scale, 45 percent of the respondents expressed optimism over the economic outlook in the coming year whereas 22 percent of the interviewees were pessimistic about the economy. Thus, the global figure for Net Economic Optimism (the difference between the percentage of people who are optimistic about the state of the economy in their country and the proportion of people who are pessimistic about the future of the economy) stood at 23%. In Pakistan, an absolute majority of 58 percent of those interviewed expressed optimism on the future of their economy. On the other hand, only 8 percent of Pakistani respondents were pessimistic about the Country's economic fortunes in 2016. Net Optimism, for Pakistan, therefore stood at 50%.*

This weekend's article is the second in a series that have been written on the empirical findings from the End of Year Survey 2015, an annual publication by WIN/Gallup International that will complete its 39th cycle at the close of this year. This End of Year Survey 2015, hereinafter referred to as EOY 2015, was carried out by the WIN/Gallup International Association in 68 countries around the world, drawing on the opinion of a total of 66040 people. Within each country, a representative sample of around 1000 men and women was interviewed either face to face (30 countries; n=32172), via telephone (15 countries; n=11800) or online (23 countries; n=22068). The field work was conducted during September 2015 - December 2015 at an error margin of +3-5% at the 95% confidence level. The respondents of the EOY 2015 were asked three major questions to gauge their views, opinions and expectations on the indicators of happiness, hope and economic optimism. The questions that were put forward to the interviewees are as follows:

1. **In general, do you personally feel very happy, happy, neither happy nor unhappy, unhappy or very unhappy about your life?**
2. **As far as you are concerned, do you think that 2016 will be better, worse or the same than 2015?**
3. **Compared to this year, in your opinion, will next year be a year of economic prosperity, economic difficulty or remain the same for your country?**

Since the previous week's article focused solely on the first question, this issue will therefore focus primarily on interpreting and analyzing the responses generated on the third question, which attempts to empirically measure people's opinions and views on the economies of their respective countries in the coming year.

The global results on this question state that 45 percent of the world is optimistic about the economic outlook for the coming year whereas 22 percent of the respondents are pessimistic about the state of economic affairs in the year 2016. A significant proportion (28 percent) of the respondents, on the other hand, feels that the state of the economy will not experience much change, neither for better nor worse, in the coming year. Similar to the net happiness index which was present in the last week's article, this study calculates the **Net Economic Optimism or simply Net Optimism** statistic, calculated by taking the difference between the percentage of people who are optimistic about the state of the economy in their country and the proportion of people who are pessimistic about the future of the economy in the coming year. **Global Net Optimism thus comes out to be 23 percent** (45% - 22%). For the purposes of further clarity on the global distribution between the economic optimists and the pessimists, a pie chart has also been added below.

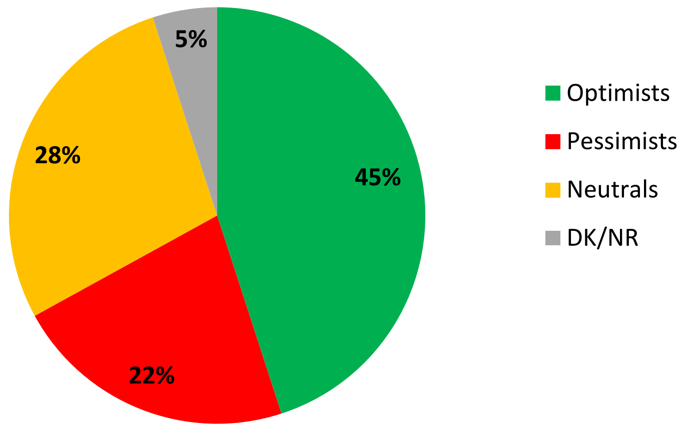

Fig. 1
Source: End Of Year Survey 2015; 66040 men and women across 68 countries surveyed.

Furthermore, it was also found, that out of the 68 countries included in the EOY 2015, Nigeria was the country most optimistic about economic prosperity in the following year, with Net Optimism at 61 percent, far higher than global net optimism which stood at a mere 23 percent in comparison. At the other end of the economic optimism spectrum was Greece, which, albeit understandably, had the highest proportion of pessimists (at a resounding -65% Net Optimism on the Country's economic future). Three bailouts for Greece by its creditors in five years since the beginning of Greece's debt crisis are certainly representative of the fact that Greece is a country still floundering in a serious economic turmoil which, as Greece's public has spoken in the EOY 2015, is clearly showing no signs of abating in the coming future.

We shift our focus now to Pakistan and assess the responses generated by Pakistanis on the question of the future of their economy. In the EOY 2015, a majority of 58 percent Pakistanis stated that they were optimistic about Pakistan's economic prosperity in the upcoming year. On the obverse, only 8 percent of Pakistani respondents were pessimistic about the Country's economic fortunes in 2016. A significant percentage (28%) of Pakistanis, on the other hand, was of the view that the Country's economy will follow the same trajectory as it had been following in the past year. Thus, **Pakistan's Net Optimism score comes out to be a resounding 50 percent, 27 percentage points above the global net statistic (23%)**. This places Pakistan on a global ranking of 5th in terms of economic optimism amongst the 68 countries surveyed in the EOY 2015. On a comparison of the percentage of economic optimists

Disclaimer: The views and inferences expressed in the article are that of the author himself and Gallup Pakistan does not take any responsibility in this regard. Moreover, Gallup has taken utmost care in collection of data and in other processes.

alone, Pakistan (at 58% of people optimistic about the economy), still outscores the global figure which stands at 45%. Pakistan also has far fewer pessimists (8%) than globally (22%). Therefore, it is clear that according to the majority of Pakistanis, their Country is heading in a positive economic direction in the upcoming year. A pie chart of Pakistan's results is given below.

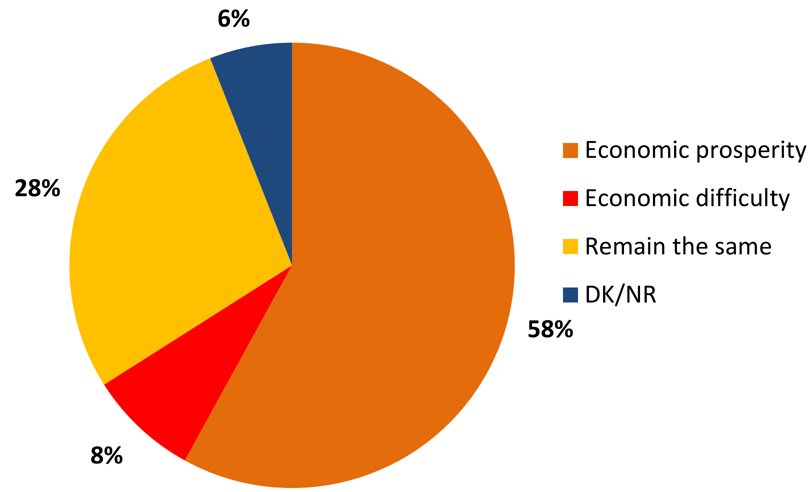

Fig. 2
Source: End Of Year Survey 2015; 1000 men and women across all four provinces of Pakistan surveyed.

However, before delving into the probable causes behind the overwhelming public positivity on the future of Pakistan's economy, let us first take a look at Pakistan's trend on this particular question, which goes back all the way to 1997.

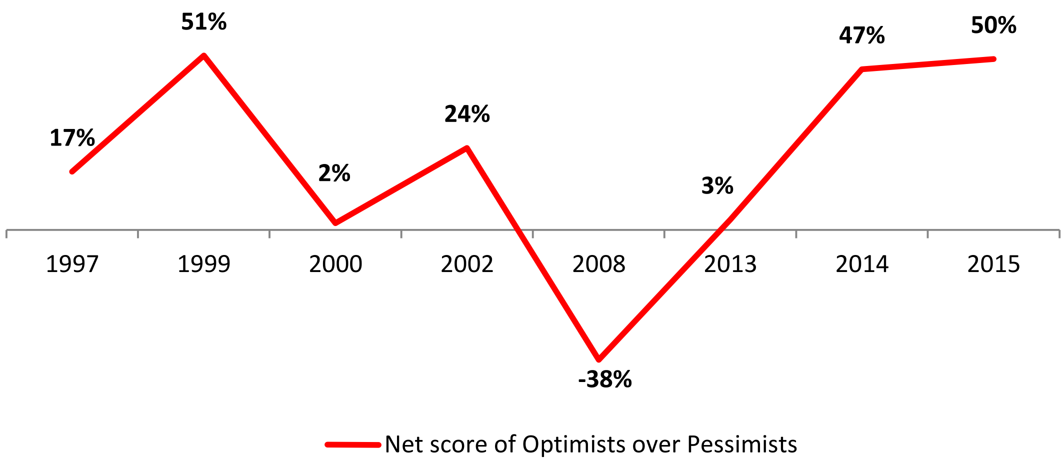

Fig. 3
Source: WIN Gallup International Annual Global Poll/EOY, December 2015
Note: Net Optimism here is defined as the net score of Optimists over Pessimists about Economic Prosperity

The trend analysis of public views about economic prosperity in the country indicates a roughly sinusoidal trajectory since the year 1997. In the year 1997, when the Pakistan Muslim League Nawaz was in its second stint in power, net economic optimism was 17% which rose meteorically to an astonishing 51% in 1999. This optimism fell drastically to just 2% in 2000 after which it rose again to 24% in 2002. Economic optimism was modest between 2002 and 2006 after which it fell drastically in 2007 and reached its lowest at -38% in 2008. This figure continued to remain negative until 2011 after which it rose to 3% in 2013. From 2014 onwards however, net optimism about economic prosperity in the following year saw a significant upward leap to 47% in 2014 and later to 50% in 2015. This rather tumultuous trajectory necessitates an explanation. In Pakistan, public opinion usually mirrors the Country's socio-political climate of the time. Therefore, we will chart a course through Pakistan's social, political and economic conditions, starting from the end of the 20th century all the way to 2015, and in the process find the reasons behind the Pakistani public's net optimism or pessimism over the Country's economy.

The close of the 20th century holds special significance for Pakistan and its people for on the 28th of May, 1998, Pakistan successfully test fired its nuclear weapons and officially launched itself on the globe as a nuclear power. This incident reverberated all over the world and its implications for Pakistan were to be many. The international response was one of strong condemnation. Additionally, countries such as the

US and Japan also imposed economic sanctions against Pakistan in the wake of its nuclear tests. Although this piece of historical information seems to be arguing against Pakistan's trend line for economic optimism, which clearly seems to have risen dramatically from 17% to 51% from 1997 to 1999; however, it is this very news of Pakistan's nuclear weapons capability that is perhaps the most significant factor in explaining the overly optimistic mood of Pakistanis at the close of the 1990s. Thus, even though the international response was one of disgruntlement, the national response to this event was one of overwhelming approval and, in some corners, of sheer delight. Pakistan, since its inception, had always been the subject of Indian hostility, and at times, downright aggression. For Pakistan, India was seen as the ultimate enemy. This narrative, irrespective of its veracity, has always been at the cornerstone of Pakistani society and politics. The reasons for this particular mindset are many and are irrelevant to this discussion. However, what was important was that India had successfully fired its nuclear weapons before Pakistan. And what did that mean for Pakistan? It meant an imminent security threat. Thus, when Pakistan too became a nuclear power, everyone within the country rejoiced at the fact that Pakistan had also acquired the most effective of deterrents against any possible open intent of war by India. Pakistanis felt secure. Although Pakistan was in shambles as far as democracy, governance and the economy were concerned, but no one cared. All else was forgotten as the entire nation celebrated this unique milestone. The state and the incumbent government also milked this celebratory emotion to the full, heralding Pakistan's unrivalled status as the first Islamic nuclear power as a day of unparalleled significance for the nation and the entire Islamic world. Thus, for Pakistanis, this time became one of fervent joy and optimism. Hence, this unexpected jump of economic optimism seen in figure 3 may partly be explained by the public euphoria surrounding Pakistan's nuclear program.

However, this high figure soon took a nose dive, hitting a lowly 2% in just a year, at the turn of the century. The reasons for that pessimism over the Country's economic fortunes lay in Pakistan's political climate. In 1999, the civilian government of Nawaz Sharif's PML-N was toppled by the then Chief of Army Staff General Parvez Musharraf, and Pakistan, for the third time in its history, found itself under martial law. This political reshuffle drew even more condemnation from the West. Pakistan also suffered an exclusion from the Commonwealth as it ceased to be a democracy following the dissolution of the national assembly. Further sanctions were slapped on Pakistan by the US. Thus, the overall mood in the Country was hardly one of optimism. Amid the political upheavals caused by the imposition of martial law, the reality of economic sanctions became all the more apparent to Pakistanis. Furthermore, the sanctions saw no outward signs of being withdrawn, particularly in light of the fact that Parvez Musharraf made it clear to all that he was here to stay and also because Pakistan continued to draw the international community's ire over its nuclear weapons program. However, in 2001, an event transpired in the United States of America that was to become both a salvation and a curse for Pakistan and its citizens. The tragic events of September 11th 2001 spawned the United States' War on Terror against the

Taliban and Al-Qaeda in Afghanistan. The US administration at the time of George Bush Jr. called on Pakistan to ally itself with the US in the war against the Taliban. Amid reported pressure from the US administration, Parvez Musharraf coalesced with America and Pakistan began providing the US with intelligence, logistical support in the form of bases and materials as well as on the ground arrests of various Al-Qaeda and Taliban members taking sanctuary in Pakistan. In return for Pakistan's cooperation, all sanctions were lifted and Pakistan began receiving aid in the billions of dollars from the US for providing support on the War on Terror. Thus, as a result of aid and the lifting of sanctions, Pakistan's economy experienced a revival. Furthermore, as Musharraf settled into his role as the Country's head, Pakistan had a period, albeit small, of growth and relative prosperity. These events reinvigorated the economic optimism of Pakistanis, which rose from a mere 2% in 2000 to a modest 24% in just two years.

However, pretty soon after that, things turned sour for Pakistan. As the US led forces stumbled in Afghanistan and later in Iraq, the Taliban and Al-Qaeda also turned their eye towards Pakistan and began coordinating terrorist attacks with impunity across the Country. The latter years of Parvez Musharraf's tenure as head of state were marked by an overwhelming amount of such instances of terrorism. Then the debacle at the Lal Masjid mosque in Islamabad also happened. As Pakistan's security situation worsened, so did public morale. As public support for Musharraf dwindled, the performance of his government suffered, taking Pakistan even further into political and social upheavel. Terrorism in Pakistan grew even stronger post Musharraf's dictatorship. The democratically elected civilian government in 2008 of the Pakistan People's Party had to suffer the ignominy of seeing Pakistan's Swat Valley, a once extremely popular tourist destination, fall into the hands of the Tehreek e Taliban Pakistan (TTP) in 2009. Thus, on top of a terrorist threat, Pakistan also had a humanitarian disaster on its hands, in the form of the internally displaced residents of the Swat Valley and other areas of Pakistan's tribal belt which had fallen into Taliban hands. The security problem in Pakistan inevitably had a negative impact on the Country's economy as foreign investment ceased, tourism floundered and a final blow in the shape of a crippling energy crisis left the economy in tatters. Starved of electricity, factories closed down, industry suffered, the general public became increasingly restless, agitated and hopeless, and amid all that, Pakistan continued to suffer tremendously at the hands of terrorists. As if all that wasn't enough, Pakistan was also gripped by a shortage of natural gas. CNG stations closed down and the public was also starved of a consistent gas supply. So much so that even the cooking of food became a problem because of long hours of gas load shedding. Therefore, Pakistan's net optimism on the Country's economy reached negative figures in 2006 and the overwhelming public pessimism continued to keep the net optimism figures in the negative, till 2013.

However, 2013 marked a turning point of sorts for Pakistan. It was the year of the first successful democratic transition in the history of the Country. Furthermore, the elected government of Nawaz Sharif that was ushered in quickly began initiating a number of projects focusing on the Country's infrastructural development. Chief among these projects was the establishment of the China Pakistan Economic Corridor, which, upon completion, promised to kick start a number of Chinese led power projects in Pakistan with an aim to put an end to the ensuing energy crisis. Furthermore, the establishment of a Solar Park in the Punjab as well as steady progress on the Neelum-Jhelum Hydoelectric Dam gave rise to a greater optimism within the Pakistani people with regards to tackling the energy problem, something that the previous government had failed to do so. Additionally, the inception and implementation of the ongoing National Action Plan and the Operation Zarb e Azb by the Pakistan Army have also played a part in decreasing the incidences of terrorist acts in the Country over the course of two years since the present government was sworn into power. Thus, a gradual but obvious improvement in the Country's law and order situation has also emboldened potential investors to invest in Pakistan. Furthermore, a fall in the global prices of oil and other commodities have also given much needed respite to the public and brought about a positive upturn in Pakistan's economy. An accumulation of all these factors has, in turn, resulted in the trend on net economic optimism reaching positive figures post 2013. As some of the policies of the incumbent government bore fruit and Pakistan's security woes experienced a considerable fall, economic optimism therefore reached another high of 50% at the close of 2015, after staying largely negative for over seven years.

In order to enable a holistic analysis, the results of Pakistan have also been compared with the results of other countries belonging to the South Asian Region in the EOY 2015. It has been found that Pakistan, when compared to India, Bangladesh and Afghanistan, did reasonably well. . The results that were calculated show that Pakistan performed reasonably well in comparison to India in the Net Economic Optimism rankings, with Pakistan's score of 50 percent Bettering India's net optimism score of 44 percent by 6 percentage points. Furthermore, compared to Afghanistan which sadly had a net optimism score of negative 24 percent (-24%), Pakistan performed considerably better. This statistic is undoubtedly puzzling since Afghanistan is currently in the midst of a civil war with a resurgent Taliban; a war that currently is showing no signs of stopping, as was evident by the all too recent attack on the Pakistani consulate in Afghanistan. Bangladesh was the only country in the South Asian region that outperformed Pakistan on the Net Economic Optimism score with a score of 60 percent compared to Pakistan's 50 percent. The results are presented below in a table.

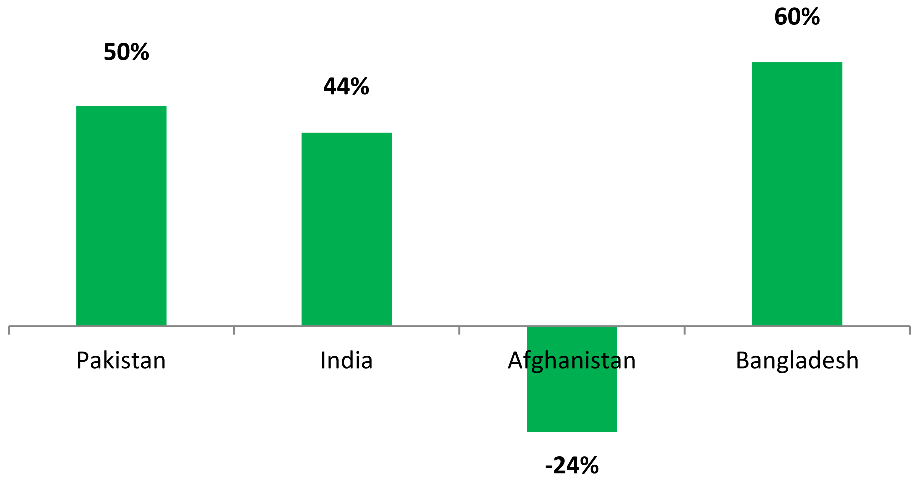

Fig. 4
Source: WIN Gallup International Annual Global Poll/EOY, December 2015
Note: Net Hope here is defined as the net score of Optimists over Pessimists

In order to make an analysis of the indicator of economic optimism more detailed, a further global classification was done to group countries on the basis of their socio-economic status. The resulting categories include: ‘Prosperous Countries’ (including G7 countries) ‘Emerging Countries’ (including G20 countries other than the G7.) and ‘Aspiring Countries’ (including all others). Within these blocs or groups, **the ‘Emerging’ category showed the highest optimism with a net score of 36%. This was followed by the ‘Aspiring’ tier which had a net score of 16%. The ‘Prosperous’ tier, albeit with a measure of irony, clocked in the lowest net optimism with a net score of negative 16 percent (-16%).** This meant that in the Prosperous group of countries, there were a greater proportion of people who were pessimistic about the state of the economy as compared to the people who were optimistic. Seen in this light, Pakistan’s net optimism score of 50 percent seems positively healthy as it is suggestive of the growing hope among Pakistanis that their economy is on a rising trajectory and shall continue to remain so for the coming year. These figures are also presented in a tabular format so as to elucidate comparison between the different socio economic classifications of the countries that were covered in this study.

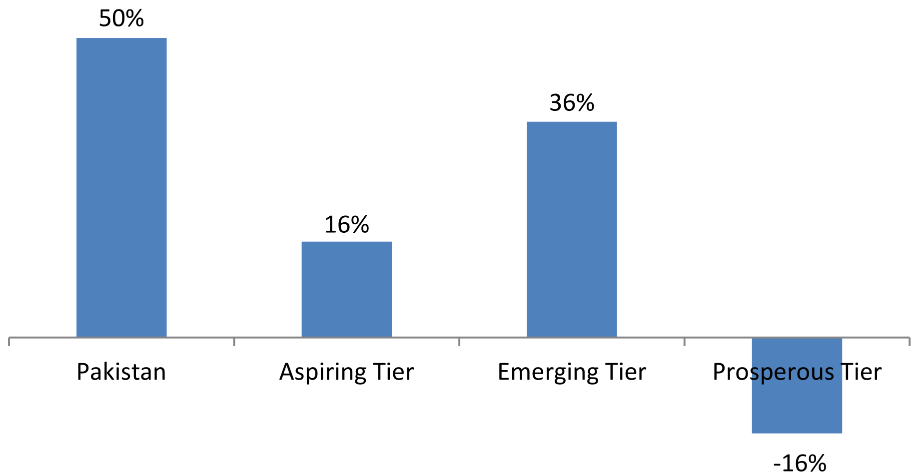

Fig. 5
Source: WIN Gallup International Annual Global Poll/EOY, December 2015
Note: Pakistan is itself a part of the 'Aspiring Countries'

It shouldn't come as a surprise that the 'Prosperous' tier of countries have reported the lowest figure for Net Optimism in the coming year out of all the other blocs. For the developed countries, economic health is not just gauged by the state of a country's national economy but is also predicated on a number of external factors. Just like for Pakistan, a lack of law and order and deteriorating security situation wreaked havoc with the economy and on the public's perception of it, similarly for the developed nations of the world that have been included in the EOY 2015, it is a growing international security threat, caused primarily by the Islamic State (IS), that is making the public of such nations feel less hopeful about their economic fortunes in 2016. The recent examples of a South Asian couple going on a shooting spree in San Bernardino in California in the US, the terrorist attack of 15th November 2015 in Paris and others of such ilk have made people increasingly fearful and pessimistic. In tandem with the security problem has been the recent lifting of sanctions on Iran. This move will enable Iran, an oil rich nation, to reenter the global oil market. Thus, financial forecasters have predicted a lowering of oil prices once Iran begins supplying oil, thus putting the rest of the oil producing countries in frenzy. Finally, the very real threat of global warming is also on people's minds as the world is fast catching on to the fact that the present economic system, which is heavily reliant on energy derived through fossil fuels, will not be sustainable in the near future. Thus, as the world at large is striving to reduce carbon emissions and also ensure that the earth remains habitable for future generation, public optimism and hope is not very high in the developed nations.

The End of Year Study 2015 provides valuable insights regarding the optimism of people on the state of the economies of their respective states. These insights are undoubtedly a valuable resource to policy makers and statesmen as they enable them to understand the opinions of their public on the state of the economy and if they need to invest more effort and energy in reinvigorating the economy. For Pakistan, the current trajectory of the national economy, based on the results of the EOY 2015, seems to be on the right path as a majority of Pakistanis feel optimistic about their economic fortunes for the coming year.