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The Illusion Behind Pakistan's Bloomberg Win

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The Bloomberg Ranking

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Pakistan Ranks Second Among Emerging Markets

Media outlets celebrated Pakistan's position behind only Turkiye in Bloomberg Intelligence rankings

Framed as "outperformance" and validation of economic recovery

But this interpretation misreads both data and context

What Bloomberg Actually Measured

- Credit Default Swap (CDS) spread reduction
- CDS fell by 2,200 basis points
- Starting point was catastrophic (4,500+ basis points)
- Measured relative improvement, not absolute strength

Understanding Credit Default Swaps (CDS)

Insurance contract against sovereign default

CDS functions as a market measure of default probability

- Higher premiums signal fear
- Lower premiums reflect calm

The improvement is significant only because the starting point was catastrophic

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Pakistan's CDS Trajectory

Mid-2023: **4,500+** ↓ **2,300**

basis points reduction

- Starting position: One of the riskiest borrowers globally
- Current position: Still high risk, but less extreme
- Market sentiment: Reduced panic, not renewed strength

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Base Effect Illusion

Small shift from disaster looks like dramatic progress

When measured in relative terms, improvement from an extremely low baseline appears impressive

- Starting point: Catastrophic (4,500+ basis points)
- Reduction: 2,200 basis points (49% decline)

The improvement is significant only because the starting point was catastrophic

Medical Analogy

106°F	→	104°F
Critical		Still Critical

A 2°F drop represents significant relative improvement (19% reduction)

But the patient remains in intensive care

Encouraging, but not recovery

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Crisis Management vs. Structural Reform

CDS decline didn't result from:

- New industries
- Rising productivity
- Improved fiscal discipline

The improvement came from crisis management, not reform

Crisis Management Measures

IMF Standby Arrangement

$3B in July 2023, temporarily restored investor confidence

Foreign Deposits

Billions from Saudi Arabia, China, and UAE replenished reserves

Strict Import Controls

Improved current account by suppressing demand, not boosting exports

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Pakistan's Persistent Economic Challenges

Crisis management created temporary calm

But didn't address chronic structural weaknesses

Fundamentals remain brittle, even as optics appear brighter

The market's message: "You've bought time, not trust"

Unresolved Structural Issues

Narrow Export Base
Limited diversity in export products and markets

Inefficient Energy Sector
High costs, circular debt, and supply constraints

Ballooning Fiscal Deficit
External debt above **$130B** (mid-2025)

Inflation
Continues to erode living standards

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The Political Economy of Symbolic Victories

- **Pakistan's political economy thrives on symbolic victories**
- Every administration seeks legitimacy through the language of recovery
- Stronger rupee, surge in reserves, or flattering rankings

Numbers become narratives, and narratives become instruments of persuasion

The Political Colonization of Statistics

Global Validation
Bloomberg citation serves as convenient talking point

Technical to Ideological
Transformation of indicators into **ideological trophies**

Category Error
Conflating momentum with macroeconomic credibility

Substitution Effect
Optics replace outcomes in political discourse

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From Crisis Management to Competitiveness

- **"Second-place" ranking is a symptom of survival, not arrival**
- Real progress manifests in productivity, exports, and sustainable fiscal management
- Requires political courage to prioritize **reform over rhetoric**

The race worth winning isn't measured by CDS spreads but built on exports, innovation, and institutional trust

The Path Forward

Fiscal Discipline
Broaden tax base rather than deepen debt

Energy Sector Reform
Rationalize prices instead of subsidizing inefficiency

Export Competitiveness
Build value-added exports rather than defending weak currency

Institutional Trust
Create transparent, predictable policy environment