

### **Various options discussed, How to fuel economic activity?**

ISLAMABAD: A meeting of Monetary and Fiscal Policies Coordination Board on Wednesday discussed various options to increase economic activity in the country, a few days after the Prime Minister directed his team to prepare an economic road map.

The Monetary and Fiscal Policies Coordination Board meeting presided over by Advisor to Prime Minister on Finance Dr Abdul Hafeez Shaikh discussed the options to enhance the economic activity in potential areas with targeted policy interventions, and deliberated on measures to control price hike in the country.

An official on condition of anonymity told Business Recorder that elected members of the Prime Minister's cabinet have raised their concerns on the economic difficulties faced by the common man during a recent meeting of the economic team presided over by the Prime Minister.

An official said that the minister of planning and development held a meeting with the ministry's officials to get their feedback on the government's economic policy wherein he was informed that increase in interest rate has been one of the major factors for economic slowdown. The ministry was plainly informed that even a slight increase in interest rate would have very negative impact on the economy.

The meeting was of the view that policy rate may be regulated in a way to reduce external sector vulnerability by focusing and prioritising the export-oriented sectors to generate more exportable surplus and become more competitive. It was agreed that SMEs sector should be uplifted by providing access to finance that will contribute to generate export surplus and create jobs.

The Monetary and Fiscal Policies Board reviewed the impact of fiscal and monetary policies on economic growth, inflation, investment and external sector of the economy and while reviewing the focal policy, the meeting stressed the need to reduce revenue-expenditure and export-import gaps by ensuring prudent expenditure management and efficient resource mobilisation strategy.

The key economic indicators and impact of stabilisation policies were presented to the Board. The meeting also reviewed the fundamentals of economy and the performance of the government decisions like upward adjustment in gas and electricity prices, market-based exchange rate adjustments, and increase in interest rate, etc.

The Monetary and Fiscal Policies Board was informed that the pressure on the external sector was eased after the first tranche of International Monetary Fund (IMF), activation of the Saudi oil facility on deferred payment and increase in exports.

This has not only supported the balance of payment position but also strengthened the market confidence and additional financial support from other development and bilateral partners would also support the stability and inclusive growth.

The current account balance has shown a sign of improvement due to decline in trade deficit and increase in inflows of workers' remittances. However, slower inflows of Foreign Direct Investment are a challenge. It was also highlighted that government is making best efforts to operationalise the Special Economic Zones and the Export Processing Zones to attract FDI at the earliest.

The unnecessary imports are required to be restricted that have eroded the competitive edge of domestic industry. This will enhance the inclusive economic activities and improve socio-economic condition of common man at large in the country.

Keeping in view the increased debt servicing, lesser resources for public services and tight monetary policy, the need for consistent and deep-rooted structural reforms was emphasised.

The meeting agreed that appropriate policy measures will be adopted to curtail fiscal deficit during the current fiscal year.

The adviser stated that this platform provides an opportunity to review the current economic situation for bringing consistency in monetary, fiscal and exchange rate policies. He also urged that Board needs to meet quarterly to have meaningful deliberations for a sustained and improved economy.

The meeting was attended by the adviser to the prime minister on commerce, textile, industry & production and investment, deputy chairman Planning Commission, finance secretary, governor State Bank of Pakistan (SVP), Dr Asad Zaman, Ex-VC PIDE, and Dr Farrukh Iqbal, Director IBA Karachi.