

Budget deficit exposes govt's austerity drive: Miftah

ISLAMABAD: Former minister for Finance Miftah Ismail on Thursday lambasted the economic policies of the PTI-led regime and said that the higher budget deficit exposed the claims of much hyped austerity drive.

He said the budget deficit was higher than any first half of last five year rule of PML-N-led regime. In his tweets on Thursday, former minister Miftah Ismail came down hard on the PTI-led regime and stated that the budget deficit rose to 2.8 percent of GDP in first half (July-Dec) period of the current fiscal year 2018-19.

“This is higher than any July to Dec period of PML-N’s five-year. Where is the deficit reduction PTI talked about? Where is much-hyped austerity? Why are current expenses out of control?” he raises many questions.

In spite of a mini-budget in September 2018, he said that where taxes were increased by Rs180 billion and tax collection targets reduced, government is still short by Rs173 billion. PM Imran Khan had promised that he would double revenues. Yet they are behind speed PML-N had achieved tax collection.

On debt burden, he said that PTI govt has 2.24 trillion of new debt up to Nov, 2018. Terming it as a dubious record, he said that in 71 years of Pak all govts combined took total debt of less than Rs25 trillion. PTI in only five months has contracted Rs2240 billion. At this speed in five years, it would double Pak’s debt of 71 years, he added.

In spite of a record devaluation of 35pc, he said that exports from July to Nov were actually below their level of last year and only in December the exports increased a bit, so that they are only up by 2pc for the first half of the current fiscal compare this to 13pc growth in exports last year under PML-N.

Even after the huge devaluation, our imports are still high. Yes they have reduced from last year but only by 2pc and that too due to the large decrease in the price of oil internationally, he said. The decreased import of machinery is signaling low investment and recession, he maintained.

On export refunds and rebates, he stated that he was told the last refund paid to the exporters to ease their working capital problems was done by the PML-N government 7.5 months ago. PTI government still hasn’t paid any refunds and rebates, he added.

In last year the growth was 5.8% and expected 6.2% this year. All international institutions were optimistic about Pak’s prospects. Now growth forecast brought to 3%. This is a loss of Rs1400 billion to the economy. Because of PTI’s mishandling, economy has been forced into a recession, he added.

Since 2017 our stock market has lost almost half its value in dollars. So PTI has caused our corporate & business sector, including govt-owned companies a loss of about \$40 billion. PTI celebrates loans of \$3 billion from here and there yet has cost Pak stocks \$40 billion so far, he stated.

What happened to 1 crore jobs? How can you have new jobs when growth is only 3%. The economists estimate that you need 8% growth to provide 2 million new jobs annually. At 3% you will increase unemployment by about 0.7 to 0.8 million people per year.

On new homes, he stated that the real estate & construction sectors are at a standstill. Private housing sector has caused huge unemployment & no new projects are being constructed. Far from 5 million new houses PTI has almost brought to a halt homes that were being built by private sector.

Printing of Money: In the first five months to Nov PTI has borrowed more than Rs1400 billion from the State Bank compare this to Rs288 billion in the same period last year. What's borrowing from the State bank? It is printing new money. This will increase inflation rapidly.

Devaluation: Why is inflation rising rapidly and is higher now than the last four years? It is because of huge & repaid devaluation. Last year when there was political uncertainty and international environment, including FATF had turned against us, our government devalued by 10%.

This was like taking two aspirins for your headache. When caretakers came they devalued by about 7% more. That's like taking a third aspirin for a bad headache. But since then PTI has overdosed and taken 9 aspirins.

What Tabdeeli Sarkar doesn't get is that this will not cure the headache. This will make you sick. After a dollar value of Rs125, we are just importing inflation into Pakistan. And even exports can't be increased right away.

Interest rates: Three years ago, State Bank's Policy Rate, which is the benchmark interest rate, was the lowest Pakistan has had in 40 years. Since our government left SBP's Policy Rate has been increased from 6.5% to 10%, an increase of more than half in just a few months.

This has caused much hardship to businesses. But it has also increased government borrowing costs by over Rs400 billion. So we are today paying more than one hundred and twenty crores of extra interest per day because of PTI's govt actions, he concluded.

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