

**Economic growth in Pakistan to slow down: UN**

ISLAMABAD: The latest United Nations report on world economic situation and prospects for 2019 says economic growth in Pakistan is projected to slow down markedly in 2019 and 2020 to below 4.0 per cent, after an estimated expansion of 5.4pc in 2018.

The country's economy is facing severe balance of payment difficulties amid large fiscal and current account deficits, a visible decline in foreign exchange reserves and mounting pressures on the domestic currency, according to the report released by the United Nations Department of Economic and Social Affairs.

The annual UN survey says that the macroeconomic imbalances and financial fragilities pose significant risks of a future slowdown, which emphasises the need for policy actions.

This highlights some long standing challenges for Pakistan's economy.

To promote more sustainable medium-term growth, policymakers need to encourage the much-needed infrastructure investment to alleviate chronic energy shortages while addressing imbalances, particularly by promoting export growth, the report suggests.

The report says the economic outlook in Pakistan is challenging, and it encompasses significant downside risks.

On the one hand, economic activity continues to be underpinned by robust private consumption, improvements in energy supply, and infrastructure initiatives of the China-Pakistan Economic Corridor.

The level of public debt is also high —close to 70pc of GDP — with rising sustainability concerns.

In fact, the government is currently negotiating for official assistance from the IMF to address macroeconomic and fiscal challenges for the second time in the last five years.

Entering an IMF programme by 2019 would necessitate a sharp fiscal consolidation, the report says.

During the first eight months of 2018, State Bank of Pakistan raised its policy interest rates by 275 basis points to 8.5pc, and expectations are that the tightening will continue further in 2019.

Despite this tightening, the significant depreciation of the domestic currency has increased consumer price inflation, points out the report.

About economic outlook for South Asia, the UN report says regional GDP is expected to expand by 5.4pc in 2019 and 5.9pc in 2020, after an estimated expansion of 5.6pc in 2018.

Economic growth is expected to be supported by private consumption and, in some cases, investment demand, even as monetary policy stances tighten in some economies.