

"Things are getting better," says SBP governor

Governor State Bank of Pakistan Reza Baqir said on Thursday that exchange rate has begun to reflect market forces of demand and supply and is removing the bias against the country's exporters. Speaking at an interactive dialogue with President World Economic Forum Borge Brende arranged by Chairman Pathfinder Group, K-Electric Ikram Seghal and Karachi Council of Foreign Relations, Baqir said, "Things are getting better" but biggest risk is cynicism and everyone needs to be optimistic and needs not to fall prey to those who are cynical.

Baqir also shared his assessment of the causes that propel the country into economic challenges - current account deficit and fiscal deficit - and stated that most important stakeholders are exporters, taxpayers and international community. The governor SBP said that Pakistan was faced with historically high current account deficit with \$2 billion monthly gap between foreign exchange inflows and outflows. He said that there was no current account deficit a few years ago but later, it touched the highest level.

Baqir explained the one of the reasons that led to the highest-ever current account deficit was the exchange rate which was not reflecting economic forces of demand and supply. He said that while bilateral value of the currency was fixed, it worked in favour for importers of other countries and against the exporters of Pakistan; rather it was virtually a tax on country's exporters and subsidy for importers of other countries.

He said that another economic challenge was an increasing fiscal deficit while public debt of the country soared to the range of 70 percent of the GDP. These are the causes of the economic challenge being faced by the country and those are being addressed in very definitive manner as current account deficit has been reduced from \$2 billion to \$1 billion which is still very high but efforts are in the right direction.

Baqir said that exchange rate has begun to reflect market forces of demand and supply and is removing the bias against Pakistan exporters. On fiscal side, he further stated, austerity measures are very credible and they seem to reverse the trend of budget deficit as the Prime Minister on numerous occasions had desired that whatever necessary measures are needed must be taken to reduce the deficit. He said, "As the both sides of the economic challenge are being addressed, therefore, we should be optimistic about the future."

The governor SBP said that exporters are important stakeholders of the government as they can help bridge the net gap of foreign exchange reserves, adding as exchange rate now reflects market forces of demand and supply, the real challenge for exporters is now to bring about innovation and make their products competitive.

He said that taxpayers are also very important stakeholder and the government needs cooperation from those who are not in the tax system. The government and Federal Board of Revenue (FBR) are working on a plan to broaden the tax base, instead of squeezing those who are already in the tax net, added Baqir.

He said the international community is another important stakeholder and the government has recently unlocked partnership with the International Monetary Fund (IMF) that enhances the credibility of Pakistan and unlocks financing from official and other sources at cheaper rates. He said that Pakistan has committed and resolved from the highest level to continue making progress on the issues identified by the Financial Action Task Force (FATF). He said that the government's biggest goal is to continue to build partnership with international institutions.

"We have the momentum in the right direction and partnership with the international community while decisive efforts are afoot to make a fair tax system. The biggest risk is cynicism and all we need to be optimistic and not to fall prey to those who are cynical," he said.

Dr Sania Nishtar also spoke on the occasion and stated that the world is plagued by a number of different challenges including conflicts, trade wars and others.

Sania said that in this very troubled context, there are some good news of making investment in human capital, digital transformation and the World Economic Forum (WEF) that forges global cooperation by bridging disconnect between public and private sectors.

She said that the Prime Minister is personally leading very well coordinated efforts with the launch of "Ehsas" programme, as the government is working for creating a social welfare state. The government wants to forge meaningful relations with the WEF.

President WEF Borge Brende said that last time when he had visited Pakistan as Norwegian foreign minister, the country was facing an energy crisis and woeful security situation. He said that things have improved considerably during the last few years on security front as well as in energy sector, while One Billion Tree project by Khyber Pakhtunkhwa province will impact positively with regard to climate change effects.

He agreed with Dr Reza Baqir that positive things are happening in Pakistan and spoke about competitive electricity for development. He said that WEF wants real partnership with Pakistan on competitiveness. He said he was optimistic that Prime Minister of Pakistan Imran Khan's meeting with US President Donald Trump will lead to positive development and so was with Afghan Ghani's visit to Pakistan. He said that WEF is an international organisation that works in Public private partnership.

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