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Time to get worried of the curse of increasing joblessness

LAHORE: Two renowned Pakistani economists have expressed dismay at the way the economy is moving. One has estimated a loss of 600,000 jobs by the end of this fiscal, while the other doubts that growth would cross three percent in the next three years.

Federal Finance Minister Asad Umar warned a few weeks back that the pressure on consumers would be unbearable in the next few months.

The State Bank’s second quarterly report has highlighted that the fiscal deficit continued to stay high despite a sharp cut in development spending since the beginning of FY19, and was undermining the efforts to contain domestic demand. While revenue collection declined, current expenditures increased.

Eminent economist and former federal finance minister Dr Hafeez Pasha during a TV interview was highly critical of this governments decision to seek International Monetary Fund (IMF) relief so late. He said most of the harsh conditions that the IMF was supposed to impose were fulfilled much earlier like; depreciating rupee, increasing policy rates and hiking the prices of petroleum products and gas.

Now when we have decided to approach IMF, the Breton Wood Institution was asking us to do more.

He said government policies have decelerated growth. Against creation of two million jobs this fiscal, there was going to be a job loss of 600,000 by the end of June 2019. The second quarterly report of SBP also confirms deceleration of economic activities and expected job losses, but did not quantify the number. Pasha sees double digit inflation in coming months.

Former State Bank governor Dr Shahid Kardar, speaking at a function organised by Swedish embassy said that some structural reforms were badly needed, but implementation of these reforms in short-time would bring hardship for the people.

He feared that this time around, the IMF programme would be front loaded, which means immediate compliance on reforms agreed between the government and the IMF. Moreover, he warned that external financing needs of Pakistan would be around $50 billion in next two years, and arranging these finances would be an uphill task.

Pakistan would have to rollover short-term foreign loans of around $15 billion next year and arrange an IMF programme, but the amount would not be enough to fulfil the financial needs.

So the government would have to depend on the friendly countries for the next few years to meet its requirements.

Kardar has a repute of being an immaculate economist and he thinks that the gross domestic product growth in the next two to three years would be around three percent.

In a country, where the population growth was 2.4 percent, and the inflation was very high, we should say good bye to new jobs. In fact it would be a miracle if workers could retain existing jobs.

When this government assumed power, it admitted that the economy was in bad shape and in order to timely payback foreign creditors' government would have to take loans. At that time, Pakistan's total foreign loans amounted to $90 billion. The electorate was requested to first wait for 100 days and then six months before expecting a turn around.

Both the deadlines have passed. Pakistan's external liabilities have cross $100 billion mark. This government has taken $4.2 billion loan from China, $3 billion from Saudi Arabia and $2 billion from UAE (another $1 billion expected soon).

Now, if these $9.2 billion loans were taken to payback past, loans then the foreign debt should have stayed at $90 billion, as on the day this government assumed power.

But the external debt has increased proportionately to the loans it has acquired in the last eight months. It gives the impression as if no debt has been retired.

The government should explain the increase in debt stock to the electorate. This government announced a truncated development budget, but many of the near completion projects launched by the past government have not been released allocated funds. After decline in rupee value the cost overruns would be very high.

The exports are stagnant and the current account deficit has been reduced at the cost of creating idle capacities in the manufacturing sector. The prime minister still insists on reducing poverty by providing a chicken family to rural women without realising that a chicken was a highly vulnerable bird and it was now reared globally in closed, contamination free aerated sheds and not in the open as he intends.

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