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Fitch lauds improvements in business climate

KARACHI: Pakistan is one of the 10 economies where the business climate has improved the most over the past year, said Fitch Ratings in a report issued on Friday.

The rating agency also acknowledged the policy measures taken by government to narrow the current account deficit and lowering the trajectory of gross external financing needs.

Fitch report comes after Pakistan jumped 28 places on the World Bank's Ease of Doing Business 2020 securing a place in the list of top 10 countries with most improvements in the area of doing business.

The agency said the country could meet the financing needs by improving export performance although it remains unclear how far it will be able to successful in enhancing competitiveness and attracting foreign direct investment.

In addition, it said the country faces annual external debt obligations of about \$8-9 billion for next several years partially related to the repayments for loans under the China-Pakistan Economic Corridor.

Pakistan paid \$11.588bn in external debt servicing costs during the last fiscal year. Rising financing costs have limited the government ability to focus on poverty alleviation and limited its room to spend on development initiatives.

Fitch also said the country has faced external vulnerabilities over the last year but has benefited from the International Monetary Fund (IMF) programme approved in July.

Rated 'B-negative' by the agency, Pakistan entered in a \$6bn 39-month extended fund facility with the IMF to pursue an economic reform programme.

But some of the reforms including the push towards documentation of the economy, raising tax revenue targets have been unpopular and faced resistance from the local sectors.

The agency warned the implementing further "reforms could be politically challenging."

It also speculated over the success of ongoing programme citing uneven adherence to the previous similar packages.

The rating agency's warning is warranted by the country's checked history with the IMF as it has failed to follow through on its commitment for structural reforms.