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With stability returning, Hafeez speaks of massive stimulus for exports, construction

ISLAMABAD: Following an encouraging review by the International Monetary Fund (IMF), the government on Monday announced an economic stimulus to selective sectors particularly construction, exports and pledged to surpass the 2.4 per cent growth target set for the current fiscal year.

Adviser to Prime Minister on Finance and Revenue Affairs Dr Abdul Hafeez Shaikh told a news conference that the IMF mission had recently made a ‘big endorsement’ of government’s performance in terms of achieving key targets with big margins and recommended disbursement of \$450 million.

“This is a good signal to the world that there is fiscal discipline and economy is reviving”, he said after a meeting with PM Imran Khan. Likewise, the World Bank president also appreciated the performance in power sector, the policies and performance of the government, the State Bank of Pakistan (SBP) and the Federal Board of Revenue (FBR).

He said the government’s ability to deliver on the IMF benchmarks also helped enhance the limit of sovereign guarantees by Rs250 billion from Rs1.6 trillion at present that would help retire power sector circular debt and improve cash flows of independent power producers.

As the government continues to deliver on its performance indicators, the lending agencies would be more inclined to offer more relaxation, he added.

Rs200bn subsidised loans for exporters on the cards

Responding to a question about the power tariff hike stages agreed with the IMF until June 2020, the adviser said when collections remain lower than billing, recoveries are fewer and costs are not met, they necessitate the need for tariff increase. “Tariff hikes are not pre-determined”, one of his aides chipped in.

At the same time, he said, now that a number of macroeconomic indicators are showing signs of improvement, fresh demands were coming up to move towards growth as quickly as possible from the stabilisation phase. Therefore, a few areas were now being focused as promised by the ruling party in its manifesto.

He said the government was allocating an additional amount of Rs30bn to the Naya Pakistan Housing Project to subsidise interest rates. The move will help with the construction of Rs300bn worth of houses and other ancillary sectors would take part in this activity. Also, those involved in the businesses related to construction sector would be offered special tax rates. He did not go into further details.

He said the government was ready to increase subsidy to the export sector to the extent of Rs200bn so that if interest rates were felt to be on the higher side, the government should bridge this gap.

Also, another Rs100bn support would be extended under the SBP's various schemes. Cumulatively, the provision of Rs300bn to export sector would help increase production, exports and lead to job creation.

"The centre of our economic policy is to enhance the export sector," he said adding that the government had now taken various decisions to boost construction and export activities. "The Rs200bn will be offered as loan to exporters on discounted rates". He said the objective was to accelerate economic activity and job creation in the country.

He said the government has also decided to cancel its earlier decision of issuing Rs30bn worth of promissory notes or bonds on the demand of the business community and instead pay Rs30bn in cash so that their liquidity improved immediately. He did not respond to questions about the timelines and how this additional financing would be arranged.

He said not only has the country started gaining stability, as evident from last four months of various indicators but the IMF and other international monetary institutions were openly acknowledging the improvement in economy.

Quoting some of them, the minister said the current account deficit was continuously showing reduction while fiscal deficit had also come down remarkably over the last four months. Exports had shown 4.5pc cent growth first time after five years and the FBR's revenue collection increased by 16pc and SBP reserves were continuously growing. All this proved that economy was being run very efficiently and successfully, he added.

Responding to a question whether or not the IMF had agreed to Pakistan's request for separation of the Financial Action Task Force (FATF) targets from its programme, the minister said the 'IMF has directly nothing to do with the FATF' but IMF's desires are no different than yours and mine.

He said the government was trying its best to run the economy smoothly, but emphasised that real fruits would be evident when dollar earnings improve whether through investment, exports or remittances and bring prosperity to the lives of the citizens.

Earlier, PM Khan had chaired a high-level meeting on the restoration and promotion of the construction sector and emphasised that development of construction sector was key to accelerate economic growth. He said housing and construction was his government's top priority because a number of industries were linked to it and together they could create job opportunities for the youth.

PM also constituted a committee led by Naya Pakistan Housing Project company's chief executive and directed it to submit recommendations with 24 hours regarding taxes, loans from banks and other solutions to the problems faced by the construction sector.