INTERNATIONAL THE NEWS

15th September, 2019

Mansoor Ahmad

Rudderless economy idles in reform-resistant Pakistan

LAHORE: Economy recently suffered two tremors in a row. One of them was a disappointing increase of 1.21 percent in exports in August, while the other a double-digit fall in remittances last month, as compared to the money sent home by overseas Pakistani workers in the month of July 2019.

The current account deficit has definitely reduced due to shrinking imports, but what good will it do to our economy, and how much decline in imports can it tolerate?

For any country, the best way to close the trade gap is to export more; however, in Pakistan it is quite the other way round.

There is a lack of planning and lack of vision at the economic level.

When the exports registered a 14 percent increase in July there were jubilations in the government's economic camp.

They said it indicated that a turnaround is now in the making.

Prudent economic managers do not react to such one-off positive development but wait for the performance under that head for one quarter at least.

The jubilation were short-lived as the export performance in August was what we can call 'new normal' in Pakistan.

The economic managers, it seems, have no clue about the direction of the economy.

They have been giving hopes to the electorate that the new reforms would start delivering soon. But the question is what reforms and how soon?

The reforms are half-cooked. Take the instance of documentation of economy.

The condition of CNIC (Computerised National Identity Card) for the sales and purchase has been deferred till September 30, 2019, which means this portion of reform would be introduced in the second quarter of this fiscal, if, at all, the government mustered the courage to implement it.

The painful impact of this reform would now require more time for deliverance. In the meantime the uncertainty created on the CNIC condition has brought the sales and purchases to a standstill.

When you introduce a reform you do not have to be double-minded; you should be well-prepared to face the pressure.

In the same way the issue of the fixed taxation on the small shopkeepers is pending for three months. Implementation of reforms needs nerves of steel.

All reforms are strongly resisted by the segment of society that stands to lose if a level-field is provided to all.

Decline in overseas workers' remittances was expected as July was a one-off good month because of Eid festivities.

Our remittances would remain in the range of $1.4 billion to $1.6 billion per month.

The decline was more pronounced from Middle East. This trend perhaps gives a clue to what to expect from Gulf Cooperation Council countries and Saudi Arabia, where immigrants are under pressure because of a decline in jobs.

The not-so-new economic team should take the masses into confidence and explain

their strategy on economy and the outcomes they expect on quarterly, six-monthly, and yearly basis.

The general statements about good times ahead would not work. The general public is having nightmares as they have lost confidence in the system.

It is strange when all global economic experts and local economists are predicting further downslide in economy; the economic mangers of the country are boasting a turnaround sooner than later.

Every household has to plan its budget on the basis of expected income.

From the look of it the real incomes are declined as the prices are rising without any increase in household incomes.

As things stand, the manufacturing sector would post even more negative growth now than last year.

The job losses would be much higher than job creation. The agricultural turnaround is not in sight. In fact the experts have predicted a decline in production of cotton this year as well.

The services sector is in shambles. Construction activities are at a snail's pace. However, the informal economy is operating as freely as ever. The tax collection is far from the target.

To make matters a bit

more complicated, the International Monetary Fund (IMF) mission is coming ahead of schedule -even before the completion of first quarter of this fiscal year-, while the government is still struggling get its name out of Financial Action Task Force's grey list.

The economic ministries are operating independent from each other. The points of view of ministry of commerce are not in line with the thinking of its finance counterpart.

The ministry of power is operating at the same inefficient level prevalent in previous governments' tenure. The losses of public sector companies are increasing instead of declining.

The spike in tensions with India in the wake of its actions in Kashmir has also opened another front for the government to deal with. These issues needs to be resolved at the earliest as our precarious economy right now cannot withstand any further shocks.