

Our Correspondent

A sorry sign

While the government has continued to peddle the line that the economy is doing better, the state of Pakistan's manufacturing sector is deeply alarming. Automobile sales have plunged amidst an ailing economy. This has led to a situation where major car assemblies in the country have stopped operating their plants for much of September. Car sales have effectively hit one-third of the numbers per month last year. The trouble is that the health of the automobile sector is often an indicator of the overall health of the economy. In a context where car finance still remains a small part of the market, high car sales signify that the middle class and commercial sector is doing well. Instead, we have a situation where the inventories of popular automobile manufacturers such as Toyota and Honda have continued to pile up. This has led to Indus Motors shutting down their assemblies for the rest of September. This is not good news for the economy. Nor has it been good news for the workers of these factories. Many of them have been sent on forced leave without pay. This is evidence of the deeper malaise that has been setting into the economy – and raises serious questions about the numbers the government has been promising.

In its official predictions, it still claims that Pakistan's economy will grow by around 2-3 percent this year. We do know that manufacturing shrunk according to the official numbers, which would mean that affiliated sectors would have also shrunk. It is a bizarre situation where only two years ago, there was talk of new players, such as Fiat, entering the automobile sector. Pakistan had issued a new, bold automobile policy to break the monopoly of the three big car manufacturers, with other major car manufacturers looking towards Pakistan's market with glee. Instead, the ongoing austerity measures are going to take away jobs.

There is also talk of auto mobile assemblies considering laying off permanent staff, which would be a drastic measure that signals that they have no hope of the economic environment changing in the next few years. If one were to hear government officials speak, one could be forgiven for thinking that the economy is already on the way to mend the self-inflicted wounds cast on it. Yes, it is true that the fall in automobile imports itself is not a bad thing, but there is no doubt that Pakistan cannot afford to let its automobile industry collapse. The trouble is that there is no quick fix. Economic confidence will need to be restored in Pakistan. The tale of the automobile industry does not bode well for the rest of the economy.