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Thoughts on the economy

Prime Minister Imran Khan's economic think tank had its first operational meeting on the hundredth day of his government, underscoring the slow pace of governance as compared to pace bowling in a limited timeframe. I hope that from here onwards, Khan will be economical with giving timeframes like fixing the country in 90 days – his original mantra – or changing it in 100 days – his election slogan. To cite just one goal, that of building five million homes, he has now reconciled to build something modest for the shelterless. Another U-turn, you might say.

Meanwhile, some happy tidings for Pakistan's ailing economy have come from London and New York, heralding a steady fall in crude oil prices over the coming months. The global demand for oil is not keeping up with its supply. The OPEC meeting in December is expected to agree on production cuts. But that is not likely to "make a major dent in production levels", as per market analysts. There are various factors pushing down the demand, most importantly a slowdown in the global economy that is further aggravated by a US-China trade standoff on tariffs, trends which are likely to persist in the short term.

An eventual one-third drop in international oil prices would be a boon for struggling economies like Pakistan, considerably easing the crippling balance of payments situation faced by the PTI government since it came into power in August. The government's economic managers ought to celebrate the contraction of Pakistan's import bill that would ensue from steadily falling oil prices.

The economic scenarios being projected so far were rather gloomy and the government is scrambling to muster enough foreign exchange reserves to avoid a default on the country's external liabilities. Borrowing billions of dollars from friendly countries and the IMF are essentially measures to keep the economy afloat without finding durable solutions to the problem of rising imports and falling exports.

Unfortunately, Pakistan has failed to keep its share in the global textile market. If we are unable to maintain our share in niche sectors and diversify into the auto, electronics or tech sectors, our balance of payments problems will not go away. There is a tendency to compare our falling exports with Bangladesh's doubling of its exports, notably in the garments sector that has grown phenomenally on account of lower wages and cheaper inputs, especially energy.

Moreover, Bangladesh remains in the category of least developed countries (LDCs), assuring it zero tariffs in the EU. It is only after it was granted the GSP Plus status by the EU that Pakistan has been in a position to compete with Bangladesh. There is also the fact that in the international division of labour, Bangladesh was allotted the garments sector while Pakistan was handed the war on terror.

Imran Khan has consistently taken the position that Pakistan has been fighting someone else's war. The fact is that over time it became our own war and we are not yet out of it, as seen through recurrent terror attacks. A low-intensity war, a proxy war or a hybrid war? Or, all at the same time? Call it what you want, but it is an ugly reality that stares us in the face. The enemy is not going to relent in its devilish plans. As a result, Pakistan continues to receive a negative image abroad that is further aggravated by rising sectarianism and delays in some high-profile blasphemy cases pertaining to minorities.

Returning to the economy, there is unanimity over the precarious situation, but a scarcity of ideas on how to turn it around. To put it bluntly, the atmosphere is not conducive for business and that may be the enemies' dream scenario. PM Khan's policies have brought down the wasteful spending of public money, and our trade deficit has come down marginally. The foreign exchange crisis has been overcome with borrowing from Saudi Arabia and more funds will be received from China and the UAE. However, negotiations with the IMF have proved problematic.

The looming debt payment crisis having been addressed, the government has to do some soul-searching to bring optimism in the business sector. The stock exchange is in a bearish mood. Automobile and petroleum sales are down as a result of restrictions on the purchase of cars by non-filers. That has, in turn, led to a slump in the auto-repair and maintenance sector. There is a slowdown in public-sector projects, creating more unemployment.

Private construction is still booming, but the real-estate sector is facing a slump. In the capital, the US embassy has built a mini-diplomatic enclave of its own and has been followed by the British mission in housing a number of diplomats on their compound. With the closure of a large number of NGOs, rents in Islamabad have come down by 50 percent.

The rulers are aware that the economy is heading for a recession. Large public works are needed to revive growth and employment. However, there is no sign yet that the ruling team will resort to that. Their project to build five million homes is struggling to be born. The allocation of Rs5 crores as seed money for the Naya Pakistan Housing Programme may be too little, if not too late.

The writing is on the wall. The PTI government must hasten to resuscitate the economy or face a sharp decline in growth rates with concomitant negative consequences.

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