



### **IMF decision**

It took a crisis to get the government to focus on reality, but it finally happened. The government's announcement of seeking support from the IMF to help shore up the deteriorating balance of payments has triggered a frenzied debate in the country about the merits, and the underlying necessity, of the move, as well as unleashing feverish market sentiments. Monday saw a rout on the trade floor, and on Tuesday, the panic spread to the currency markets as the exchange rate plunged by more than anyone can remember in recent years. A Rs10 devaluation in one day is intense, even by Pakistani standards, and sentiments are set to be stirred further once the price effects of this adjustment work their way through the economy. On top of this, further pressures have built up in the power sector and the public-sector enterprises and their finances. The turmoil can now spread beyond the financial markets to the real sector if urgent action is not undertaken.

Almost two months after Prime Minister Imran Khan was sworn in, reality is now knocking hard on the doors of the government, and the country as well. The markets are impervious to emotional appeals, and they cannot be inspired or otherwise persuaded, other than through the cold inducements of gain and loss. This is a reality every government faces, and the PTI cannot expect to be the exception. The minister of state for revenue hit the right note when he said that the challenge for his government is to 'use the space offered by the bailout to undertake much delayed structural reforms', which is how such bailouts are meant to be used. The minister is right to identify the space as an opportunity to undertake the right reforms, but all governments have made this claim before him and the real challenge will be to keep to this goal.

The biggest enemy now is optics. What needs to be done is comparatively straightforward, and the best path forward can be mapped out quickly as well since the PTI leadership has no shortage of competent people to turn to for advice. Perceptions, or optics, can derail the whole enterprise in a number of ways. One is if optics becomes the only priority of the government at the top. A hint of this appeared on Tuesday night when news arrived of the appointment of a new spokesperson for economic affairs, who is known for his focus on optics than the facts. A further hint was provided when the prime minister summoned his media team for a meeting on how to manage the perceptual fallout from the turmoil gripping the financial markets. What needs to be managed urgently right now are the fundamentals, not the perceptions. That is where the prime minister's focus is immediately required.

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