



Govt's inaction baffles markets

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THE jitters in the market and warning notes circulated by top business analysts on the need for the [government to act swiftly](#) and seek the International Monetary Fund (IMF) programme to ward off a full-blown economic crisis did not budge the new government.

Ignoring cries for immediate action to check reserves already at a critical level, the PTI-led government is moving at its own pace.

“We in the interim set up arranged bilateral inflows to dilute the threat to financial viability at the time when the new government would assume power. To facilitate the incoming team we made reports covering major sectors and issues.

‘For businesses, stability and continuity are important. My advice is to take the IMF money to achieve credibility in the capital markets,’ said a key EAC member

“As soon as the new finance minister took charge, we briefed him on the time window bilateral inflows afforded at the external front. In my opinion, the decision on the IMF should have been taken as soon as they settled. The foreign exchange inflows should have already been streamlined to avoid destabilising drastic steps later,” said a top member of the interim economic team, expressing disappointment with the PTI.

According to sources in the ministry of finance, Finance Minister Asad Umar’s economic team has occupied itself with charting out a set of measures to recast domestic economic management in the image of the party.

Mr Asad Umar, in his brief conversation with Dawn over the phone, exuded no anxiety. He sounded in control and said that things under his watch were moving at the pace he had expected.

“The assessment exercise is complete. We are now giving final touches to the fiscal package to set the ball rolling”, he said.

Mr Umar confirmed that the focus of the government is currently on revision of the domestic policy direction to address the pressing issues. He clearly stated that the government will decide on the issue of approaching the IMF not before early October.

“This is highly irresponsible. You can’t turn a blind eye to an issue on which financial viability of the country hangs,” commented an analyst. “A financial emergency is round the corner if leg-dragging on the IMF does not stop immediately; unless the PTI has secretly secured foreign exchange inflow from some bilateral source,” a budding economist reacted.

The feedback from the business community was interesting and divergent. While the private sector in Punjab is reposing great confidence in Imran Khan’s team, the people of Karachi expressed disappointment over the direction the economic policy was headed.

Commenting on the indecision to approach the IMF and the gas price hike, Aizaz Sheikh, CEO of Kohat Cement and former president of the All Pakistan Cement Manufacturers’ Association was perfectly positive. “I am very optimistic. So what if gas price is hiked.

For how long can the government foot the bill for us?”

On Sindh’s reservations over the new government’s performance, Mr Sheikh said that businessmen there are more materialistic and selfishly focused on their company’s balance sheet with little care for the country or its future.

Zubair Tufail, former president of the Federation of Pakistan Chambers of Commerce and Industry, opposed the gas price hike, saying that it will increase the cost of doing business. He attributed Punjab businesses’ pro-PTI stance over the gas price to their business interests, not to their love for transparency.

“In Punjab dependence on LPG, which is dearer than natural gas, is way higher than in Sindh where it is produced. They have been demanding uniformity in gas rates by increasing prices in Sindh and subsidising gas

in Punjab to keep it at par in both provinces. Currently, the rate in Sindh is Rs600 per mmtbu, and in Punjab the LPG rate is Rs1100 per mmtbu”, he said.

“Market jitters are understandable keeping the United States’ tough stance in sight. The reserves’ position has not improved despite rupee depreciation and comforting noises from the Saudis and the Chinese,” a key member of the Economic Advisory Committee stated.

“For businesses, stability and continuity are important. Uncertainty hurts investor sentiments. The government must clearly state its policies and the time and order of sequencing of steps it intends to take”, he added.

“The PTI’s indecision is understandable because of conflicting views in its own ranks. They will start giving clear signals on their moves over the next few weeks. It is necessary for the government to contain the fiscal deficit, allow more rupee depreciation, reduce public sector enterprises’ losses, and protect the poor with or without the IMF. My advice is to take the IMF money to achieve credibility in the capital markets”, he said.

Dr Hafiz Pasha has repeatedly advocated drastic measures to match drastic situations: “Pakistan is currently in an extremely unstable and a very untenable position. The coffers are drying up, compromising the country’s credit worthiness. China has been kind but we need more action.”

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