

UNCTAD report

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Govt may turn to IMF for big loan

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ISLAMABAD: Expectations are that the new government has no choice but to turn to the IMF for a large loan, which would require adopting austerity measures that are likely to affect growth adversely. Over the medium term, much will depend on whether large infrastructure projects will support a stronger export push.

This was stated in a report titled "Trade and development report 2018, power, platforms and the free trade delusion" published under the auspices of United Nations Conference on Trade and Development (UNCTAD).

Despite robust growth, the currency has lost a quarter of its value against the dollar since the beginning of the year. Higher oil prices have led to a widening trade deficit and foreign exchange reserves have dropped sharply. A widening external debt position, currently standing at \$92 billion or 31 per cent of GDP has raised concerns about its sustainability, maintained the report.

The annual Trade and Development Report analyses current economic trends and major international policy issues and makes suggestions for addressing them. The 2018 report examines how economic power is being concentrated in a smaller number of big international firms and the impact this is having on the ability of developing countries to benefit from their participation in the international trading system and to gain from new digital technologies.

According to the report the world economy remains on shaky ground a decade after the 2008 financial crisis, with trade wars a symptom of a deeper malaise. While the global economy has picked up since early 2017, growth remains spasmodic, and many countries are operating below potential, states the report. This year is unlikely to see a change of gear.

After recording GDP growth rates of 5.7 and 5.5 per cent in 2016 and 2017, the developing countries in Asia are expected to sustain that rate in 2018 as well. This is partly because while growth in China is expected to decelerate from 6.9 in 2017 to 6.7 per cent in 2018, in India it is expected to rise from 6.2 to 7 per cent. However, first quarter growth in China beat expectations, coming in at 6.8 per cent – the third straight quarter of growth at that rate.

"The world economy is again under stress," said Mukhisa Kituyi, Secretary-General of UNCTAD in a statement. "The immediate pressures are building around escalating tariffs and volatile financial flows but behind these threats to global stability is a wider failure – since 2008 – to address the inequities and imbalances of our hyper globalized world."