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Overview of the Performance of Economy

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Pakistan continues to be afflicted with economic crisis, initially, fuelled by the previous government through imprudent combination, on the one hand, of consumption oriented and import led economy and on the other, by massive borrowing, lax monetary policy and overvalued exchange rate. The present government, in its effort for better and sustainable economic management, seems to aimlessly wrestle with the problem without a clearly laid out road map thus far for robust economic management and instead conveniently tends to seek refuge under the oft repeated slogan of "mega corruption of the previous regimes and legacy burden". The emphasis seems to be on external grants and temporary financing to shore up reserves instead of comprehensive effort to harness the domestic resource mobilization potential. The current account deficit of $19 billion for FY 2018 (5.8%), fiscal deficit (6.6%), rising debt (72.5% of GDP) and the declining exports continue to pose major challenge despite tightening policies including devaluation, expanding the imports duty base, discouraging consumption of imported goods, monetary policy interventions to help exports, rationalization of tax on utilities and services. While the cumulative impact of these measures have led to some gains in the contraction of CAD gap, the poor and marginalized segments of the society have been made more vulnerable as a result of consequent inflationary pressures and price hike. Even the substantial reduction in the crude oil price in the recent months has not been harnessed to improve the external account perspective or to curtail the impact of inflation.

The cumulative effect of this uncertainty in the economic management has led to the further erosion of business, investment and private sector confidence. The financial package and assistance from Saudi Arabia and lately UAE is considered as a short term measure to overcome the economic emergency. There is though a hope that conclusion of agreement with IMF during January 2019 is likely to restore the business confidence and improve Pakistan's credibility in the international financial market and the donors' community. It is also expected that the stock market which registered some of the worst fluctuations and decline ever since the induction of the PTI government, will considerably improve during 2019 and 2020 with the possible resumption of foreign flows in the stock market especially

in view of the oversight function under the IMF program. It is also anticipated that the duo of financial assistance from friendly countries and the IMF bailout program will provide government with adequate space to plan and implement its economic stabilization and restructuring program for sustainable economic growth and development.

While recent policy measures including currency adjustment, import duties and price rationalization are steps in the right direction, these would continue to be viewed as ad hoc and patchy measures unless and until the government embarks on comprehensive and sustainable measures to address the fiscal and external imbalance and expand the domestic resource mobilization base. This would, a prior, require among others massive tax and financial system reforms both at the policy and institutional level (restructuring and accountability), stimulate export led growth by removing all the policy and operational constraints and create business conducive environment including visible improvements in ease of doing business in Pakistan. The government needs to go beyond political rhetoric, bemoaning the past and articulate and implement a clear economic strategy to overcome the economic emergency and move on the path to sustainable economic growth and development and at the same time fulfill its manifesto for emancipating the poor especially the youth and women from poverty and deprivation.