

Need stressed for fiscal and monetary analysis

Bureau report

PESHAWAR: Speakers at a function on Sunday called for fiscal and monetary analysis to get a clear picture of the economy to advise the new government on improvement.

A senior politician and former minister for privatization Daniyal Aziz, and Pakistan Institute of Development Economics (PIDE) Vice-Chancellor Nadeemul Haque spoke at the programme titled 'Informal Conversation on Pakistan's Economy'.

The session was attended by a number of PIDE economists in person while PIDE members and others joined online, according to a statement issued here. During the session, the issue of high inflation came under discussion with short and long-term options explored.

Measures such as administrative controls, increasing interest rate and structural changes for long-term inflation management were thoroughly discussed. Daniyal Aziz considered 'inflation' to be the biggest challenge for the new government.

He stated that regulating the monetary side instruments of the State Bank of Pakistan (SBP), in particular, the interest rate, had been misused. Daniyal Aziz used some statistics from the 2003-08 period which he termed the basis of all current economic ills of the country.

He was also critical of the rise in Gross Fixed Capital Formation in the same time period for the lack of impact it had in increasing production in the country. Daniyal Aziz termed the economy as a bubble during these years and the bubble continues to hamper Pakistan even today.

He felt that the government policies during the COVID pandemic induced economic crisis through initiatives such as Temporary Economic Refinance Facility, etc. Daniyal said that these schemes make the policy rate set by the SBP in the Monetary Policy ineffective as the schemes offer a much lower rate than the policy rate decided by SBP.

He pointed out that the idea of a policy sensitivity analysis for both the fiscal policies and the monetary policies was needed to better reflect the ground realities by making suggestions to the government.

PIDE VC Dr Nadeem assured of full support on PIDE's behalf for resolving economic issues and directed relevant researchers to initiate work on the areas discussed. He invited Daniyal Aziz to have a conversation with a group of economists from PIDE to decode the future roadmap of the newly formed government about the state of Pakistan's economy.