

IMF says Pakistan economy on track but inflation looms
Malaysian Insider
May 11, 2014

Pakistan received a US\$6.7 billion (RM27 billion) IMF bailout package last year to help the country achieve economic reforms, particularly in its troubled energy sector.

"The IMF is encouraged by the overall progress made in pushing ahead with policies to strengthen macroeconomic stability and reviving investment and growth," Jeffrey Franks, the fund's mission chief for Pakistan, said in a statement in Islamabad.

The IMF's Pakistan staff mission visited Dubai from May 1-9 to conduct discussions on the third review of the bailout package, which was approved by the fund's executive board last September.

The mission met senior officials from the finance ministry and the State Bank of Pakistan (SBP), weeks ahead of a scheduled US\$550 million fourth loan tranche that Pakistan is set to receive.

"Economic indicators are generally improving, with growth gaining momentum, external finance improving, and credit to the private sector rising," Franks said, but added that core and headline inflation were also rising.

The inflation rate currently stands at 9.2% but the IMF wants Pakistan to "target an additional reduction in inflation towards their medium-term goal of 6 to 7% in the next fiscal year", which starts on July 1.

"Led by large-scale manufacturing and service sectors, GDP will expand by about 3.3% in financial year 2013-14, accelerating further to reach four percent next year," he said.

The mission also noted an improvement in the balance of payments situation and efforts being made by Pakistan to build up SBP reserves and stabilise sentiment in the foreign exchange market.

"The authorities' reform program remains broadly on track," Franks said, describing as "strong" the fiscal performance of the government during the first nine months of the current financial year 2013-14.

At a joint press conference with Franks on Saturday, Pakistan's Finance Minister Ishaq Dar said the country's foreign exchange reserves had soared following the bailout package.

"I also have good news to share – the country's foreign exchange reserves have jumped to US\$12.9 billion," he said, adding they will rise to US\$15 billion by the end of September.

The reserves stood at US\$7.8 billion before the bailout last year.

A report on the third review has been tentatively scheduled for consideration by the IMF Executive Board in late June, Franks said.

If approved, it would make about US\$550 million available to Pakistan, he added.

Cash-strapped Pakistan, plagued by a bloody homegrown Taliban insurgency, is battling to get its shaky economy back on track and solve a chronic energy crisis that cripples industry.

As well as the Taliban threat, Pakistan is also facing a rising tide of sectarian bloodshed mainly targeting minority Shiite Muslims, and rampant criminal violence in the economic capital Karachi. – AFP, May 11, 2014.

Hakcipta © 2013 The Malaysian Insider

Source: <http://www.themalaysianinsider.com/business/article/imf-says-pakistan-economy-on-track-but-inflation-looms>