

Journal of
Social and Administrative Sciences

www.kspjournals.org

Volume 6

September 2019

Issue 3

Evaluation of PTI's Naya Pakistan and success factors in the mist of economic gloom

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Abstract. The paper utilizes unique perception based data calculated by World Economic Survey for the first year of Imran Khan's government. The data shows that Pakistani economy is in troubled waters since August 2018. Consumer confidence is low and private investors are reluctant to invest capital in new business activity. The detailed analysis on Pakistan's business competitiveness also presents a bleak picture. The Central Bank of Pakistan is not viewed as independent. However, Imran Khan can be considered a successful politician as his first year has seen increased political stability that was elusive during PMLN government. PTI has also marked a significant victory in its fight against corruption. Furthermore, PTI government has been able to turn around Pakistan's external sector and there is significant increase in exports and subsequently terms of trade have improved that is telling something positive about PTI's foreign policy.

Keywords. PTI, Economic gloom, Naya Pakistan.

JEL. F35, F50, B50.

1. Introduction

On August 18, 2018 PTI formed its government after winning the general elections with campaign promises that ranged from increase of tax base; to bringing foreign investments; and accountability of the corrupt elite (Mamoon, 2019a). The foremost challenge that the office of Prime minister Imran Khan faced was a deteriorating foreign exchange reserves. Within few months the Pakistan Rupee witnessed historic slide against the US dollar. Foreign debt mushroomed to new heights with a deficit of nearly 18 billion dollars in foreign reserves. The country was swiftly moving towards bankruptcy. Oil, gas and electricity prices witnessed a steep hike as the government was trying to raise the money for its 2019 budgetary allocations. The rise in prices of basic utilities were seen as a move to pave way for an IMF bailout that usually come with commitments towards lower levels of budget deficits. Though reluctant initially, the PTI government signed a bailout package with the IMF early 2019. The IMF loan helped PTI to manage the national accounts towards a lower budget deficit but economy's structural issues remained at large. The growth rate that was picked up to above 5 % during PMLN government, was plummeted to less than 3 % suggesting an overall economic slump. Consumer confidence stumbled as can be seen from

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graph 1. Private consumption has been sliding down consistently since Imran Khan took over the office of the Prime Minister. The general perception, that is also confirmed in later sections of the paper, indicate towards strong public perceptions that economic troubles for the country has worsened during the first year of PTI. The investments and capital expenditures have also been declining for the most part of current fiscal year. However, the gain on account of external sector is significant where exports of Pakistan have improved with a favorable outlook in terms of trade.

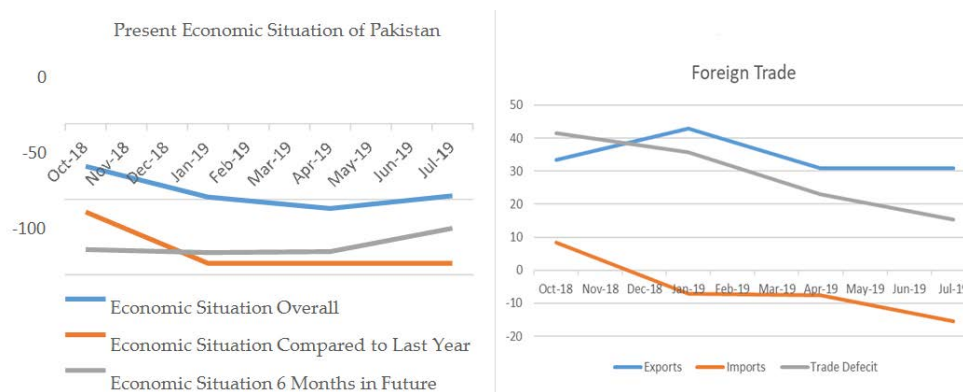


Figure 1. Present Economic Situation of Pakistan and Foreign trade

2. State of convergence

PTI has traditionally been very critical to earlier regimes of Pakistan People’s Party and Pakistan Muslim League Nawaz on account of debt accumulation in last 10 years that is considered to be the highest in the history of the country. Though it is well understood that debt can be channeled to productive assets accumulation and it can be spent on projects that have high economic and social dividends. There are many projects initiated with international loans in infrastructure and power sector that may be considered as vital for economic wellbeing of the common Pakistani (Mamoon, 2017; Mamoon, 2019b). However, these infrastructure and road projects have been criticized on misplaced priorities of PMLN and PPP that brought prosperity to urban capitals of the different provinces i.e, Lahore, Multan, Islamabad and they have ignored the peripheral areas of South Punjab or Rural Sindh. Furthermore, PTI also considered that there had been a severe breach of code of conduct in allocation of foreign funded projects and accused previous governments of misdemeanor and financial corruption. The over the board rhetoric on corruption and accountability was a good sell to the public who voted PTI into the government. However, as graph 2 suggests the economic growth has been dismal for the first year in government suggesting PTI ignored the economy and put emphasis on populist rhetoric of accountability. Furthermore, the inequalities are on rise suggesting that any addendum to income is accrued by the rich and the elite whereas the income gap between rich and the poor has been steadily increasing suggesting towards a stark failure on account of PTI policies that

were presented to be economically and socially inclusive toward marginalized areas of the Pakistan. With steep devaluation of Pakistan Rupee, the foreign debt and domestic obligations of the PTI government has multiplied. Though PTI claim that current debt accumulation is due to higher levels of debt left to the exchequer by PMLN and PPPP governments, slow GDP growth rates and higher income inequalities suggest that most part of the population has been left with higher taxes but lesser economic opportunities to participate in stability of the country (Mamoon, 2019c). Unemployment rates have been increasing despite ever increasing levels of participation of common Pakistani into the labor force.



Figure 2. Expected Real GDP

3. Competitiveness analysis

Graph 3, presents overtime trend in some of the key variables of macro and micro economic competitiveness. It can be seen that historically Pakistan hasn't performed well in either of these variables. Despite PTI claiming to initiate concrete steps that are pro-business and pro investment through judicial reforms, businesses still face many legal and administrative barriers. The Visa Free entry for foreign investors is a good step but has not be translated into increase in visits by investors from rest of the world. Poor infrastructure is considered to be the biggest hurdle in improving business function in Pakistan. There are no new infrastructure projects that can be associated to PTI and the projects started by PMLN government have been put to unnecessary delays. The CPEC infrastructure projects are also perceived to be suffering from red tape by the bureaucracy.



Figure 3. Capital shortage

4. Politics of PTI

As discussed in section 1, the PTI government has marked a positive in external sector whereby Pakistani exports have improved and trade deficit has reduced for the first time in last 10 years. The other gain in largely dismal economic outlook of Pakistan is on account of PTI politics that has enabled the country to improve its score on political stability. However, the improvement in political stability also talks about a more mature role of Pakistan’s main opposition parties that are PMLN and PPP that have not resorted to outright rejection of PTI government and have largely been cooperative to PTI’s policies that is unlike PTI in opposition. (Rabbia et al, 2017) A cordial opposition unlike PTI during 10 years of PPP and PMLN in government is a credit that should be given to the current opposition despite the fact that most of their leadership is facing trials by National Accountability Bureau on charges of corruption. Corruption has been perceived to be steadily declining in Pakistan and PTI can take the credit for its role towards greater financial transparency in Pakistani politics.

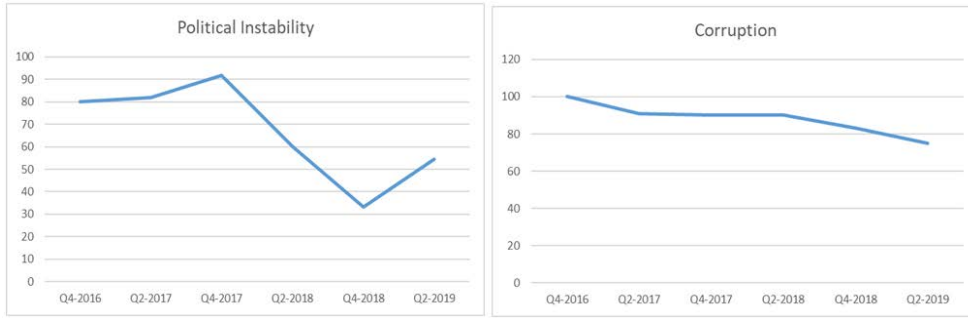


Figure 4. Political Instability and Corruption

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