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ECONOMY & POLITICS

NRO – Squaring off ambiguity

THE PRESENT VOLATILITY IN THE POLITICAL, LAW & ORDER SITUATION, INVESTORS ARE ADVISED TO TAKE SUSPICIOUS SIGHT OVER THE POSSIBLE MISSHAPES AND SHOULD CONCERNED OVER THE PREVAILING POLITICAL UNCERTAINTY.

Declaring the National Reconciliation Ordinance (NRO) unconstitutional, a full bench of the Supreme Court on Wednesday ordered the government to take immediate steps to seek revival of the cases in Switzerland and other countries, the future prospects for the nation have become crystal clear leading to positivity but may not be beneficial for political stability, and quandary may re-occurs again. However, President of Pakistan has right to immunity under Article 248 (2) of the constitution but on moral grounds it may observe bit later. Furthermore, the PPP's personals may face precarious circumstances in provincial and national assemblies from opponent's circle.

Risk factors behind the situation

The economic stability has been encountered after the inception of current govt which was led by previous supervision but the scenario is obvious that if any chaotic political situation is still remain then certainly the economic performance may slow down. Furthermore, country's economic indicators are still growing with lethargic moves while IMF predicted another 2% economic growth for the current FY 2009-10. Rupee downgrading is the essential part of sluggish growth, 3% rupee value has been depreciated since Nov, 29 2009 to Dec, 12 2009, moreover worst law and order situation and uncertainty on political front largely hurt the Foreign Direct Investment (FDI) which 52% decline during July-Nov period of current fiscal year. Trade deficit was also declined due to lower imports and exports, reflecting a slow growth of economy. The exports during the first five months fell to \$7.677 bn from \$8.652 bn during the corresponding period of last year. The imports witnessed a bigger slash as it fell to \$12.374 bn from \$15.705 bn of the last year. The concluding yield will be negative for the economy since the slower growth would hit entire segments of economy, like increasing unemployment, reducing consumption and shrinking tax revenue. Meanwhile, present Govt has been striving through the span of control for economy rehabilitation but in existing state of the affairs fluidity may badly affect for any further reform.

Suggestion - suspicious sight

The present volatility in the political, law & order situation, investors are advised to take suspicious sight over the possible misshapes and should be concerned over the prevailing political uncertainty, fall in the rupee value against the dollar, disbursement of International Monetary Fund tranche and high leverage cost. Secure zones are E&P & Power.