

Economic Crises – what least to do

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The debate on abysmally slow economic activity will not give any respite to the businesses. It is of no use going into details, be it the bottom of usual Pakistan business cycle, poor economic policies of previous regime, effect of volatile oil, commodity and food prices or the credit crises of USA.

The fact remains that these crises are going to last for quite some time. However, Pakistan may come out of crises rather quickly through re-structuring our priorities such as prudent spending, oil and commodity prices going down, anticipated deferred payment on oil and injection of foreign exchange by donors. While inflationary pressure, tight credit policy, dwindling exports, ballooning trade deficit and energy crises may continue in the near future.

The world crisis which is spreading like contagion may last long this time as US alone has never seen such financial crises in generations. The bankruptcy of Lehman Brothers, Merrill Lynch and default of largest global insurance company AIG are no mean events in recent financial history of the world.

So no good news all around. Pakistan was already in “no feel good” mode for nearly ten months now. Businesses and industry have already seen tough budget, with hardly any promise in trade policy. Government spending is being deferred and channeled to high priority sectors, therefore no excuse for industry to be not pessimistic.

Almost all the industrial sectors are suffering on account of low production and sales, prices of end products going up, loss of competitiveness, even for the traditional products, internationally.

Auto sector is experiencing negative growth by a high margin as banks are not ready to entertain creditworthiness of its clients, high cost of financing and customer’s preferring to put cash aside for the worst. Consumption activity is lowest since the last 4-5 years.

Steel sector has been feeling the pinch of high input prices. Other large scale industrial sectors like cement, sugar, tobacco, textiles, paper, etc. are under stress due to customers shying away from activities which were nearly at the peak during the past few years.

Everyone in the country is facing the crunch time with pessimism all around. Will this pessimism lead us to happier times by itself or do we need to take this as a break to have a deeper re-look into our businesses as we are partly responsible for major downfall. Otherwise, just ten months slow down would not have been so shocking for our business and industry.

May we suggest few things to our business associates, which by itself may not be the end to the present crises but will certainly lead to sustainability and better positioning once the crises are over. The survival remains in swimming against the tide and possibly converting the crises into opportunity. The industry will need to rebalance and have a deeper re-look to re-invent itself through the following;

1. Enterprise diagnostics and assessment to identify the wastages in products and processes on account of plant and machinery, shop floor inefficiencies, supply chain management and due to low productivity levels.
2. Re-look on the Government's import duty concession regime to avail every bit of it through meticulous analyses. There are indications that some segments of industry are not availing fully, what has been offered through various notifications.
3. Cutting cost of local and overseas purchases of input materials through group bargaining on quantities and prices, avoidance of inventory build up, following JIT vigorously.
4. Enhancing productivity through training and re-training at every level of enterprise. The lean time may rather be considered an opportunity to improve skills, education and knowledge.
5. Marketing the products rather aggressively, realizing that tough environment will not allow them to wait for customers to come. Effective marketing of auto related products generally leads to increase in sales by 1:7 ratios.
6. Auto assemblers to become efficient marketers, offering better car sales and maintenance plans, improvement in service, putting curbs on premium and on money through better controls on their dealers and redesigning the booking systems to give due care and dignity to customers.
7. Becoming more active members of Government committees to push for early approvals, allocations and disbursement of incentives and grants provided in the relevant policies.
8. Industry to follow up with the Government for early establishment of planned Institutes for HRD, Cluster Development, technology acquisitions, and export marketing and other incentives duly approved in various policies.
9. The representative Associations to transform into professional bodies, undertaking efficient research and advising their stakeholders to take informed business decisions. Associations need to be effective lobbyists and efficient collaborators with the Government.
10. Focus on non-traditional and relatively un-tapped markets of Africa. The entry is painstaking though but rewards are high and sustainable