

### **Anemic rupee feared to stoke cost of doing business**

KARACHI: A sharp fall in rupee value would entail further increase in cost of production to leave Pakistani exports uncompetitive in the international market and discourage investments in the industrial expansion, industrialists said on Thursday.

“The currency devaluation would not benefit the economy in any way,” Mazhar Ali Nasir, adviser to the President Federation of Pakistan Chambers of Commerce and Industry (FPCCI) said.

“Over 50 percent of the industrial inputs are imported while the (foreign) buyers demand additional discounts after rupee depreciation. Local businesses cannot compete in the international market.”

Rupee lost around 3.6 percent to hit a record low of 146.5 a US dollar on Thursday.

Nasir said the rupee devaluation was despite the insistence of Adviser to the Prime Minister on Finance Hafeez Shaikh that currency value and interest rates come under the domain of the central bank and it has no control over it.

“Currency is depreciating, interest rates are surging, while the government has no clear direction to deal with the issues,” Nasir said. “One should forget import substitution and exports enhancement in such a scenario.”

Junaid Ismail Makda, president of Karachi Chamber of Commerce and Industry said the government is implementing IMF’s dictation without considering the ground realities and understanding the issues of business community. “We are very disappointed.”

Makda said cost of doing business is escalating and there is no let up in surprises, which are quite contrary to the claims of the ruling Pakistan Tehreek-e-Insaf.

“Businesses are in a state of depression as none of the sectors are progressing,” he added.

“Any more increases in utility prices, fuel prices or interest rates would be disastrous for the industry.”

Mirza Ikhtiyar Baig, senior vice president of the FPCCI said the policy of depreciating rupee backfired as there has been less than one percent growth in exports despite around 40 percent devaluation in the currency while the higher interest rates failed to contain inflation.

Rupee devaluation is also giving a blow to the capital market, triggering panic sale in the last couple of months. The local currency has lost 20 percent in the past year.

Ahsan Mehanti, chief executive officer at Arif Habib Commodities said the equity market took the currency devaluation “quite seriously and panic selling was witnessed in the early hours”.

“Weaker rupee against US dollar adversely impacts the corporate earnings as this increases the cost of doing business,” Mehanti said. “So we expect weaker earnings going forward.”

Mehanti said the market remains mired in uncertainty about currency value, interest rates and utility rates. “Commitments made with the IMF (International Monetary Fund) were not disclosed so there is much uncertainty in the market about everything.”

Pakistani and the IMF team reached a staff level agreement on economic policies that could be supported by a \$6 billion loan program.

This agreement is however subject to IMF’s board approval, subject to the timely implementation of prior actions and confirmation of international partners’ financial commitments.

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