

### **Falling rupee**

The rupee has begun to fall – and no one can say that they were not forewarned. The only question left is: how far will it go? On Friday, the rupee hit Rs150 in the open market, with few signs that it was going to stop here. While it would appear that the government had agreed to the devaluation in the IMF deal, it somehow still managed to make it appear like chaos. On Wednesday, a delegation of the Exchange Companies Association went to PM Imran Khan to arrest the slide of the rupee. It seemed like the collapse stopped – but for only a second before it slipped again on Thursday. The drop on Thursday was significant from Rs141 to Rs148 before recovering slightly, only for the PM to add to the chaos by announcing the formation of a committee to – apparently – stop the fall of the Pakistani rupee. This led to questions over whether the government was not fully on board with the rupee depreciation, despite agreeing to the IMF terms of its own accord, and even changing the State Bank governor in the process.

One cannot help but feel that the depreciation could be handled better. There are still serious questions about the logic behind depreciating the rupee that have not been addressed. If one lets those slide for a moment, the chaotic way in which the depreciation is being handled is inexcusable. The government knows that it is biting into the real value of the assets of every Pakistani in devaluing the rupee. It knows that the consequence will be an even higher demand for dollars in Pakistan. It also knows that it does not have the trust of the public – with its tall claims about fixing the Pakistani economy being shattered within months of taking power. Much of this comes down to the fact that it appears to be panicking when taking an ostensibly well-considered decision. Various government officials have told us that devaluation is a good thing. But when the currency markets begin to slide, the same officials appear to be running around without any direction.

This is the worst approach possible. If difficult decisions are necessary, the government needs to show steadiness and confidence in the long-term benefits of such moves. If the wrong decisions are being taken, then the government needs to assert its sovereignty over the Pakistani economy, no matter what deal may have been signed. The trouble is that the government appears to be doing neither. The PM and the SBP governor appear to be on a different page – and this appearance is only adding to the volatility in the exchange rate market. To most observers, it is clear the SBP was behind the devaluation of the rupee this week as part of fulfilling the ‘prior conditions’ of the IMF deal. The move towards a so-called ‘market-determined’ exchange rate was always going to be rocky. The real question is whether the government will have the determination and will to stop the fall of the Pakistani rupee when push comes to shove.

Editorial