NA panel calls for cut in interest rate

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ISLAMABAD: A three-member parliamentary committee of the major political parties on Tuesday unanimously called for cut in central bank's policy rate and non-development expenditure coupled with removal of indirect taxes on consumer items and exchange rate stability to address inflation and stimulate investments and economic growth.

This came amid a statement by State Bank of Pakistan Deputy Governor Jameel Ahmad that even though the central bank had no forecast for exchange rate, the rupee-dollar parity was estimated to be around Rs163 a dollar for next six months against Rs156 at present according to market expectations.

The tri-partisan sub-committee led by Dr Aisha Ghaus Pasha of PML-N comprises PPP's Hina Rabbani Khar and PTI's Dr Ramesh Kumar Vankwani and was constituted by former finance minister Asad Umar led-National Assembly's Standing Committee on Finance and Revenue to 'recommend the measures for controlling inflation.

The committee unanimously recommended that "over adjustment had been done" to the exchange rate which required to be stabilised along with reduction in central bank's policy rate to give confidence to the markets and trigger investments and economic growth as these policies had stifled the economic activities.

The committee also recommended revisiting the taxation policy on consumer items because some of these items like petroleum products and general sales tax had cascading negative effect on a series of things. The committee also unanimously recommended to control the prices of electricity and petroleum as power tariffs had gone so high that monthly bills now exceeded monthly incomes in many cases.

The panel noted with concern that overall economic policies of the government were inflationary in nature. It noted that independent studies showed 15 per cent impact on inflation during 2018-19 was because of imported inflation directly caused by currency exchange rate while 27pc impact was because of monetary expansion.

This was because of unprecedented borrowing by the federal government due to fiscal challenges and resulting currency printing by the state bank.

Moreover, another 18pc factor was because of inflationary expectations triggered by a combination of things including policy rate, exchange rate, political instability and resultant fears about economic slowdown. The indirect taxes had negligible impact on inflation during 2018-19 because tax collection was actually lower than the previous year.

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