

## **FPCCI chief urges govt to control volatility of rupee against dollar**

KARACHI: President of Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Mian Anjum Nisar, has urged the government to control volatility of rupee against the US dollar, as the industrial revival and economic growth is not possible without stability of local currency.

He said that Pakistani rupee continued its downward slide against the US dollar, moving in record low range of Rs167-168, having no sign of recovery, despite the fact that Pakistan's Current Account Deficit (CAD) has reduced by 78 percent owing to lower imports and better inflows.

He said that the CAD fell to \$2.97 billion during fiscal year 2019-20 while the import bill fell by 19 percent to \$44.57 billion during this period but rupee continued to sink. He said that sharp depreciation of rupee shows that Pakistan is again moving towards a trade deficit regime, which might jack up the current account deficit yet again. He said that the inflows of workers' remittances also grew by 6.4 percent to \$23.12 billion during fiscal year 2019-20 which should have a positive impact on dollar-rupee exchange value.

Mian Anjum Nisar said that huge depreciation of the rupee continued to damage the economy, as the cost of deals done by the businessmen with their foreign counterparts has increased manifold due to massive fall of rupee against dollar. Apart from increasing exports and controlling imports the government will have to take administrative measures, as a large demand of cash dollars are seen in the market, he suggested. He said that the rupee has dropped by 2.8 percent or Rs4.55 against the dollar since the start of June.

Mian Anjum Nisar appreciated the positive development related to the imports, which have now started decreasing since the last financial year followed by the government's initiative of imposing regulatory duties.

He said that the current account deficit shrank to 1.1% of gross domestic product (GDP) in FY20 and the deficit of \$2.96 billion is the lowest in five years which should be appreciated but it is also the fact that the much-needed improvement in the current account deficit was initially achieved by compromising economic growth. Later, the Covid-19 outbreak slowed down the economy further and caused negative growth for the first time in 68 years.

Terming rupee depreciation against dollar a mysterious development, he said that continued fall of rupee is not understandable with the fact that there was no fundamental change in the country's imports during last few months while other economic indicators are also the same for a long time.

In dollar value, the gross domestic product (GDP) contracted 5.22% in FY20. The GDP value in terms of dollar does not reflect the growth pattern, as Pakistan measures economic indicators in rupee value and converts it into dollar term. So, the volatility in the rupee-dollar exchange value would lead to a huge difference between GDP growth in dollar value and real growth in rupee term.

Quoting the central bank data, he said the foreign direct investment rose 88% to \$2.56 billion in the country in FY20, as in June alone, the foreign investment surged 70.53% to \$174.8 million, which could help strengthen the rupee and the foreign exchange reserves.

Moreover, Pakistan has received around \$500 million in soft loan from the World Bank last month, helping the rupee to maintain its uptrend, besides bridging the shortfall in budgeted expenditures.