

Adjustment of exchange rate: Umar was on board, SBP chief tells Senate panel

Finance Minister Asad Umar was on board on adjustment of exchange rate, said Governor State Bank of Pakistan (SBP) Tariq Bajwa while briefing the Senate Standing Committee on Finance here on Thursday. He stated this after members of the committee, chaired by Senator Farooq H Naek, turned down his request for an in-camera briefing on exchange rate adjustment.

Senator Sherry Rehman asked the governor it was reported in Business Recorder that exchange rate issue was discussed in the Fiscal and Monetary Policies Coordination Board meeting chaired by the finance minister, adding the daily is a credible newspaper.

The governor responded that the finance minister was taken onboard before adjustment of exchange rate; however, he added that he does not know whether or not the Prime Minister was informed.

He said that the decision of adjustment was forced by depleting foreign exchange reserves and on account of higher current account deficit. He said that current account deficit increased to \$19 billion.

The minister of state for revenue was of the view that depreciation of rupee has not impacted the external debt. However, the chairman of the committee and members did not agree with the minister.

The governor SBP said that Pakistan has neither oil reservoirs nor foreign direct investment to bridge the \$36 billion trade deficit. He said that inflation is increasing and it is feared to increase further while foreign exchange reserves have contracted to less than two months import bill. He said that regulatory duty was imposed on 700 luxury items, whose import value is \$2 billion, to reduce the trade deficit and discourage the import. "We have not increased discount rate for five zero rated sectors," he added.

The chairman of the committee stated that Pakistan's economy is passing through very difficult situation and the committee wants to know what would be the impact of depreciation of exchange rate on the economy.

State Minister for Revenue Hammad Azhar argued that dollar was artificially controlled by the previous government, adding depreciation of rupee is increasing exports and decreasing imports. He said that the country has to repay \$8 billion debt and there is a need to boost foreign exchange reserves and reduce the current account deficit.

A statement issued by the committee after the meeting stated that Senator Mian Muhammad Ateeq said that he agreed to the issue of appreciation and depreciation, but would like to know what "administrative" measures are being implemented by the government, as even today cash dollars are being flown out of three major airports in Pakistan.

Senator Sherry Rehman was of the view that the gap between the dollar rate and the Pakistani rupee is increasing as a result of which Pakistan is hurting its imports. The profits that were expected from imports are not coming in, due to which there is an increase in deficit.

Senator Talha Mehmood showed displeasure on rising prices and said that he is doubtful whether the economy could be revived. He said that in Pakistan in addition to exports, all industry raw materials are import based. The depreciation of rupee has caused a huge gap which is critical.

The committee showed dissension and displeasure on the briefing given by the ministry concerned. While deliberating over the public petition submitted by Muhammad Usman Rafiq regarding provision of MPhil allowance in accordance with HEC criteria, the committee was of the view that this is a policy matter that has to taken up by the Ministry of Finance.

Regarding issues of hacking of bank accounts, it was revealed that no individual account holder suffered. The committee was also informed that in order to protect account holders from such cases a ceiling on transactions has been enforced. Discussing issues being faced by the rice industry, the committee recommended that FBR, while imposing taxes must realise that the middleman is not hurt but the grower. While reviewing the work and performance of the Central Directorate of National Savings, the committee was happy to see that in future it plans to introduce Shariah compliant products.

The meeting was attended by Senator Mian Muhammad Ateeq Shaikh, Senator Dilawar Khan, Senator Sherry Rehman, Senator Ayesha Raza Farooq, Senator M Talha Mehmood, Senator Imamuddin Shouqeen, Senator Akram, State Minister for Revenue Hammad Azhar and senior officers from the Ministry of Finance, Revenue and Economic Affairs.

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