

Finance ministry, SBP deny devaluation of rupee on IMF's demand

ISLAMABAD: Contrary to the claims that the PTI government is not in a hurry to join the IMF loan programme, it is much desperate and craving for a package of \$8-10 billion and for this, it is ready to even further devalue Pak rupee up to Rs150 and discount rate at 10.30-11 percent.

According to the top sources in the Finance Division, the sitting government has extended the assurance to the IMF that it will further devalue the Pak rupee up to Rs150 and increase the discount rate to 10.30-11 percent. The government wants the IMF package at all costs for Confirm Letter for more loans from the IFIs (International Financial Institutions).

From May up till now, the rupee has so far been devalued by 30 percent owing to which Pakistan's external debt has increased by Rs3.5 trillion. And in case the rupee gets devalued to Rs150, then the country's debt will soar to Rs4.6 trillion.

However, Spokesman of Finance Ministry, Dr Khaqan Hassan Najeed, forcefully denied saying that the issue of exchange rate has never come under discussion with the IMF, and the government has not given any commitment on the exchange rate target. State Bank Governor Tariq Bajwa also denied any such commitment. The sources insist that the government has extended assurances to the Fund to this effect, which will trigger another spate of inflation. Imports will further go costly, including LNG, coal, furnace oil, petrol, and diesel and as such there will be more surge in utility prices of gas and electricity. This will increase the transportation freight owing to which the prices of all kitchen items will increase.

Independent economists say that the PTI has kept the masses in the dark and is in the process of convincing the Fund for a bailout package through prior actions, and it has already devalued the rupee first by Rs10 in one go and then Rs9 in one day. "Now it is going to give more tough time to the masses and expose them to more inflation. Just because of further devaluation, debt servicing is inclined to go up to Rs2 trillion apart from increasing the manufacturing cost and living cost more. Further devaluation will help inflation enter into double digits."

The government, in a bid to appease the IMF, is all set to present another mini-budget with more taxation amounting close to Rs200 billion. The mini budget will increase the economic miseries of the masses more. They apprehended saying that the government will further place the massive cut in the development budget to achieve the budget deficit target that is to be agreed with the IMF. Further increase in discount rate will discourage private sector to borrow loans that will lead to a decrease in the economic activities. "This will soar the unemployment rate in the country which may lead to deterioration in law and order situation. The cost of PSDP projects has already increased by 30-40 percent, and it will further increase if the rupee gets tumbled to Rs150, more importantly the current expenditure will increase more as some expenses are made in US dollar terms."

However, when a ruling party official was contacted, he said that the new government has brought innovative policies, which will bring positive results on a long-term. He said that all the economic mess the government was facing was due to the stagnant policies of the previous government, which didn't let the country progress. He also said that the PML-N government had frozen the dollar rate, which is why the economy has suffered now. He said that a propaganda campaign has been going on against the government's fiscal policies. He said that the finance minister has clarified many a time that there was no hurry in going to the IMF as the government has arranged money to fulfill liabilities. He said that the government financial team was better than those of the governments in the past.

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