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Weak rupee likely to dwarf import-reliant exports

Page NO.15 Col No.06

KARACHI: Weak rupee keeps export-oriented sector that is reliant on import of raw materials on the edge as price of imports is increasing on strong dollar, industry officials said on Monday.

Mufassar Malik, president of Karachi Chamber of Commerce and Industry (KCCI) said more than 40 percent of the industrial outputs are imported, and weak rupee would result in higher cost of production, leaving exports uncompetitive in the international market.

“We estimate the country’s exports would be around 20 percent lower in the quarter compared to the last year,” Malik said. Rupee lost over 20 percent in the last couple of months and it would adversely reflect on the country’s exports.

KCCI president said oil prices are already on an upward trajectory, while energy cost is going up and inflation is increasing. “Such steep deflation of local currency would cripple the local industry,” Malik said.

Analysts said foreign buyers are quite smart and they negotiate prices keeping in view the price dynamics in Pakistan depriving local exporters of any advantage resulting from weaker rupee.

Trade unions are contacting each other to determine the course of action, which may also include a protest. Syed Mazhar Ali, senior vice president of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) said a trade delegation comprising 25 big exporters would meet the Prime Minister on July 17 to apprise him of the impact of weak currency on exports.

Anjum Nisar, former president of KCCI said the finance ministry is not taking stakeholders onboard while taking such decisions. Even the ministry is not issuing any policy statement to soothe the business community. “The continuous devaluation of rupee will adversely affect imports, exports, industrial production as well as inflation,” Nisar said.

Business leaders are quite skeptical of the policies of Finance Minister Shamshad Akhtar. They said her only agenda is to take Pakistan to the International Monetary Fund (IMF), and all these measures are a part of IMF’s dictation.

President SITE Association of Industry Jawaid Bilwani criticised the policy markers for not taking exporters onboard while making moves. “Devaluation does not help exporters because the buyers now demand more discounts and exporters don’t get any benefits.”

Analysts said the sudden rupee devaluation would not contribute to exports. They said cost of doing business needs to be reduced and only then such measures could make a positive difference. Currency devaluation works for countries having lower cost of doing business and wide range of exportable products with high value addition, they added.

“We don’t have both,” an analyst said. Trade deficit widened 15.9 percent to $37.7 billion during the last fiscal year of 2017/18 as imports continued to outweigh exports.

Pakistan Bureau of Statistics (PBS) data showed that trade deficit amounted to $32.5 billion during the preceding fiscal year of 2016/17. Exports increased 13.7 percent to $23.2 billion in

the July-June period of 2017/18, while annual imports soared 15.1 percent to $60.9 billion.

Exports are showing recovery on financial incentives announced by the previous government to arrest constant decline in outbound shipments. Imports are expected to cool in the coming period as Chinese-pledged infrastructure projects are reaching advance stage.