

LCCI ex-chief terms rupee devaluation ‘economic risk’

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REPORT

LAHORE: Terming rupee devaluation as an economic risk, leading businessman and former president Lahore Chamber of Commerce and Industry (LCCI), Mian Muzaffar has called for immediate check on the rising trend in imports that consistently moved over \$5 billion per month for consecutive three months.

He said the interim government should take policy decisions to curb imports and increase exports. But, unfortunately, the caretaker government so far set itself free in taking any step.

“If we rely exclusively on the rupee devaluation to address our balance of payment crises, this will have disastrous consequences,” he said.

He said the interim government confined its role only to hold elections. “They don’t think that managing economy and taking urgent decisions as a part of their mandate”. He said this was fallacious if not handled immediately.

“We might see a free fall of rupee.”

“We knew that the value of dollar has dropped because punters are speculating on dollar, exactly what George Soros did in Thailand many years ago.”

Former senior vice president Amjad Ali Jawa said that devaluation would not impact imports since its demand is inelastic, rather it would increase the external debt servicing burden and would increase inflation.

“This will lead to rise in inflation besides the rise in interest rates. We might witness what happened in Turkey. So it’s important we tell the government to be proactive rather than wait for the next government which may be too late,” he added.

Jawa said PML-N policy for years was to keep the rupee relatively stable in what was widely considered a managed float, but as the current account deficit widened and foreign reserves dropped to about half their peak, the policy shifted. The import growth is not tapering off much despite 15 percent currency depreciation and other import curbing measures. The need is to tighten the demand through raising interest rates. “Whatever has happened again today is the reflection of growing pressure on the balance of payments side,” he added.