

Our Correspondent

## [Industry hit by exchange rate volatility](#)

### **Stable exchange rate required for export-oriented sectors**

KARACHI: Instability in the value of the dollar is impeding exporters from making deals with foreign customers. The export-oriented textile sector is facing difficulties to calculate production costs due to volatility in the value of foreign currencies.

**Towel Manufacturers Association of Pakistan (TMA) Chairman Kashif Mehtab Chawla** expressed his views with profound concern about the volatility in the exchange rate.

“It is very harmful for the economy of any country that investors hesitate to take steps for growth of the economy. This is also a major bottleneck to industrialisation in the country,” he said.

The textile industry is the backbone of economy and a stable exchange rate is a very important factor for export-oriented sectors. The textile sector imports capital goods and raw material such as machinery, chemicals and dyes from foreign countries. As a consequence, local companies are facing difficulties in calculating costs due to instability in the value of foreign currencies, he added.

“Exchange rate volatility creates uncertainty about returns as well as costs,” said Taurus Securities Head of Research Mustafa Mustansir.

“Therefore, it restricts investment. It makes it difficult to negotiate supply contracts for raw material and even sales because parties have to take on exchange rate risk,” he added.

Kashif Mehtab Chawla highlighted that frequent variation in the value of foreign exchange can also be a bottleneck in the way of achieving export targets set by the government.

Stability in foreign exchange is always a crucial factor for developing countries. Sufficient foreign exchange reserves also play a vital role in designing and implementing foreign policies, he said.

Bangladesh has recently taken a lot of positive measures to successfully arrest the value of the dollar. “Our government can also take such proactive steps to control the price of dollar against the local currency,” he said.

“Volatility in exchange rate creates concern among industrialists across the country because all import-export transactions are related to that,” said Topline Securities textile analyst Saad Ziker.

This especially applies to the textile sector, which is a major export contributor to the overall economy. Textile industry remains concerned as they have to finalise export orders and also import raw material from abroad, he added.

In order to address the uncertainty, the government needs to take steps like fixation of dollar rate for import and putting a cap on dollar so that exporters feel certain regarding the dollar movement. This will lead to sustainability in the sector, said Ziker.

“We, on behalf of the export-oriented industry, demand that the government make a fruitful policy for the stability of exchange rate. This will support the economy and generate employment, industrialisation, equilibrium in balance of trade and prevent the enhancement of foreign debt,” said the TMA chairman.

The growth in exports is a very important objective for the betterment of the economy, he emphasised.