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Target iPhones, not rates, to support rupee: PM's adviser

BLOOMBERG
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INDIA MUST RESTRICT imports of luxury goods to tackle a widening current-account deficit and support the rupee, instead of resorting to raising interest rates, according to an adviser to Prime Minister Narendra Modi.

"We need to actively send signals to disincentivise or discourage increase in consumption of what I describe as explicit luxuries," Rathin Roy, a member of Prime Minister's Economic Advisory Council, said in an interview. Imports of mobile phones such as iPhones or spending on services such as higher education overseas has gone up, he said.

The government on Wednesday raised import taxes on $12 billion of goods, from jewelry to footwear, as it sought to pare the current-account deficit from a five-year high. Electronic goods and gold are among India's biggest imports after oil and the rupee's slide to Asia's worst-performing currency has worsened the nation's finances as economic growth picks up.

Oil has risen to the highest in four years, threatening to stoke inflation and unnerving global funds who've pulled $2.45 billion from local bonds and stocks in September. The withdrawals have sent the rupee to multiple record lows.