

Rupee crosses 141 level in interbank market

KARACHI: The rupee weakened 0.14 percent against the dollar in the interbank market on Tuesday, as the central bank refrained from intervening to stabilise the exchange rate of the local unit, dealers said.

The rupee closed at 141.09 to the dollar, after falling to 141.10/20. It had settled at 140.89 on Monday.

Dealers said there were growing speculations that the State Bank of Pakistan has started adopting a flexible exchange rate mechanism to meet the International Monetary Fund (IMF) condition.

It is being expected that an agreement between the government of Pakistan and the IMF bailout will be reached by the middle of this month.

“There was increased dollar demand in the market, but the central bank didn’t intervene to rescue the rupee and permitted the market to determine the rupee value,” said a forex dealer.

Yaqoob Abubakar, an analyst at Tresmark - the application that tracks financial markets, said the rupee has been gradually depreciating, losing roughly two percent during the last week only.

“This is (fall in rupee) collectively due to a rise in policy rate, higher than expected inflation, increased demand due to foreign repayments in April and ongoing negotiation for an IMF bailout,” he said.

“We maintain our view that the SBP may prefer weakening the currency in small bouts to avoid surprises and wide spread criticism till target of 145 by June end.”

The rupee recovered in the open market following the SBP’s instructions to the currency dealers to not charge more than one percent over the interbank market. The aim of that measure was to manage volatility in the forex market.

The rupee ended at 142.50 per dollar, compared with 142.70 in the previous session, according to the rates published by the Exchange Companies Association of Pakistan.

The rupee traded as high as 144 versus the greenback intraday during the previous session. The SBP held an emergency meeting with the currency dealers on Monday to discuss persistent fall in the value of the rupee in the kerb market.

“The rupee continued to build losses in the interbank market, and in the open market too,” said Malik Bostan. “The SBP’s officials have told us that the rupee will remain (on the) move in the interbank market on demand and supply conditions.”

Bostan said the open market was also facing some shortage of the greenback due to buying of Saudi Riyals for the Umrah and Hajj season.

Finance Minister Asad Umar reportedly said the government might put in place a flexible exchange rate from the existing managed one under the new IMF programme.

With an improvement in the current account deficit, as well as an increase in bilateral official inflows, the SBP’s foreign exchange reserves have gradually recovered to \$10.7 billion as of March 25.

But reserves remain still below the standard adequacy levels (equal to three months of imports cover).

Our Correspondent