

Rupee gains 1.5pc against dollar as country secures Saudi funds

KARACHI: The rupee witnessed a surprise appreciation against the US dollar on Wednesday as it gained about 1.5 per cent in both interbank and open markets.

In the second week of this month, the local currency had lost around 7.5pc against the greenback. Appreciation of the rupee was possibly caused by guarantees from the Saudi government to provide \$3 billion worth of oil on deferred payments as well as placing \$3bn in the account of State Bank of Pakistan (SBP).

“The dollar was traded as low as Rs131.80 in the interbank while it closed at Rs132,” said a currency dealer in banking. The tom value (tomorrow value) stood at Rs132.20.

Open market also showed the same fluctuations as the dollar lost about Rs2, falling to as low as Rs131.80 during the day, compared to Rs133.90 yesterday – a loss of about Rs2.1 or 1.56pc.

Bankers said the big banks were buying most of the dollars during the day while SBP did not interfere to stop the falling dollar. They believe central bank was also buying to improve its dollar reserves.

The uncertainties attached with the huge current account deficit and the government’s effort to plug the hole of about \$18bn deficit kept mounting pressure on local currency. This led to the rupee’s depreciation by 7.5pc on Oct 10; the US dollar gained Rs9.37 in a single day.

This massive decline jolted the exchange rate and the open market witnessed the dollar trading as high as Rs140 on Oct 10. However, the greenback eventually settled at Rs134 in the next two weeks and rates were almost identical in both interbank and open market.

“I believe there is a change in sentiment due to Saudi government’s assurance of \$3bn to place in the government’s account and another \$3bn relief for oil payments,” said Exchange Companies Association of Pakistan Secretary General Zafar Paracha.

Currency dealers said it was a positive change for the local currency sinking under the pressure of high current account deficit and low foreign exchange reserves. However, the government has yet not succeeded to reduce the trade deficit due to large import bill and insignificant increase in exports.

During the last couple of months, the government has increased import duties on a number of items, particularly food and luxuries but the overall import bill grew in 1QFY19.

“We are closely watching the developments regarding the prime minister’s expected visit to China in November. If he succeeds to get support from China like Saudi Arabia, the rupee will certainly gain significant strength against the dollar,” said Forex Association of Pakistan President Malik Bostan.

It was observed that almost all currency dealers and experts were willing to get support from China instead of the International Monetary Fund.

Pakistan recently approached IMF for loan as it needs about \$12bn this fiscal year to meet the current account deficit.

“Even if the country gets partial support from China, that will make it easier for us to get IMF package on softer terms,” said Bostan.

Shahid Iqbal