

Optimism evaporates from currency market

Page No.10 Col No.02

KARACHI: Exchange rate stability, visible after the general elections held on July 25, seems to have evaporated since dollar in open market for the first time in more than a month traded higher than the inter-bank rate.

Currency dealers said the change in prices was not led by increase in demand for the greenback, but was triggered by supply shortage.

They said that common people have also started investing in dollar as confidence wanes in the local currency.

“Investing in dollars was due to re-emergence of uncertainty on external fronts while the threatening statements from Washington are fuelling uncertainty in this sensitive currency market,” said Secretary General of Exchange Companies Association of Pakistan Zafar Paracha. Currency dealers believe that the government’s pressing need for \$9 billion, to meet the current account deficit for which an International Monetary Fund agreement looks imminent, is strengthening the perception that the country is in bad need of dollars.

“Ground reality has reappeared as nothing changed in result of election of a new government except the sentiments,” he said.

The optimism played a key role after general elections which slashed the dollar value from Rs128.50 to Rs121 in the interbank market whereas the State Bank was held responsible for pre-emptive depreciation in the local currency.

Dollar was still lower in the inter-bank market compared to Rs128.50 before elections; trading at Rs124.20-40 on Tuesday.

However, in open market it fell from Rs134 to Rs113 after elections but is gaining reaching to Rs125.50 as on Tuesday.

Currency dealers said that dollar rates in Peshawar were higher than the rest of the country indicating a surge in buying from Afghan smugglers.

The dealers said these dollars are smuggled to Afghanistan resulting in a shortage of greenback in the open market. The dollar traded as high as Rs126 in Peshawar.

Currency dealers were optimistic that if government announced a policy to boost exports, it could help circumvent the pessimism in the currency market and strengthen the rupee.

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