

Pasha explains difference between market rates

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- Former Finance Minister Dr Hafeez Pasha has said the difference between inter-bank and open market rates is normal and usually widens when banks are unable to meet currency demand for imports. Talking to Business Recorder, former Finance Minister said that inter-bank rate is determined by banks on the basis of demand and supply. On Monday, open market rate soared to Rs 129.50 per dollar while rate in the inter-bank market was Rs 128.75 per dollar.

On Tuesday, open market rate surged to Rs 129 while rate in the inter-bank market was Rs 128.70.

Dr Pasha said that around 6 percent devaluation of the rupee (from interbank rate of Rs 121.55 on July 13 to Rs 128.50 on July 16) was the fourth since December 2017. This indicates pressure on balance of payment position and a woeful decrease in foreign exchange reserves, Pasha added.

Former economic advisor to Finance Ministry Dr Ashfaq Hassan Khan said the caretaker government's policy of depreciation of rupee against dollar is a very dangerous phenomenon whose implications on the economy will be visible in coming weeks. He said the "caretaker government's policy to leave exchange rate determination to market forces is a very dangerous phenomenon as it involves speculative attacks when the country does not have any weapon to respond."

He said the sole objective of caretaker finance minister appears to be a one point agenda: devalue the rupee. Ashfaq Hassan Khan stated that there is always one to two rupee difference in rates of open market and inter-bank and the existing difference is of a normal nature. He added that exchange rate in the open market is usually higher because dealers have to meet other expenses.

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