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**External account: Exchange rate adjustment may contain imbalances: SBP**

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- The State Bank of Pakistan (SBP) Monday said the market-driven adjustment in the exchange rate along with other recent policy measures are expected to contain the imbalances in the external account. Money market remained volatile on the first working day of the week and Pak rupee was depreciated by 3-4 percent against the US dollar in early hours of the interbank market Monday. Pak rupee-US dollar exchange rate in interbank market went as high as some Rs 122 and then closed some Rs 119-120 compared with Friday's close of Rs 115.62 per dollar.

During current fiscal year for the third time Pak rupee has been depreciated. Previously, the federal government had devalued Pak rupee by around 5 percent on December 8, 2017 to Rs 110 and again by around 4.5 percent to Rs 115 on March 20, 2018.

After the volatility in the money market, the State Bank issued a statement saying the market-based adjustment is reflective of the country's external Balance of Payments position.

According to SBP statement, on Monday, the PKR-US\$ exchange rate in the interbank market closed at PKR 119.84 per US\$ while witnessing an intraday low and high of PKR 117.00 and PKR 121.50 per US\$, respectively. This movement is based on foreign exchange demand-supply gap in the interbank market, it added.

"The market-based adjustment is reflective of the country's external Balance of Payments position which is under pressure due to a large trade deficit. Despite the continued growth in exports (13.3 percent in Jul-Apr FY18) and some uptick in remittances, growing imports have pushed the current account deficit to US\$ 14.0 billion during the first 10 months of FY18, which is 1.5 times the level of deficit realized during the same period last year," the SBP said.

The central bank is of the view that this market-driven adjustment in the exchange rate along with other recent policy measures are expected to contain the imbalances in the external account thereby containing aggregate demand and also facilitate the prospects for generating non-debt creating inflows.

The SBP said it will continue to closely monitor the foreign exchange markets; and stands ready to ensure stability in the financial markets and curb the emergence of speculative pressures.

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