

PKR hits new lows

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The Pakistani rupee slumped 3.8 percent against the dollar on Monday before slightly recovering in what appeared to be the third currency devaluation in seven months by the central bank amid fears of a balance of payments crisis.

The rupee's decline to 119.85 per U.S. dollar threatens to squeeze consumers just days before the Eid holiday, which ends the Islamic fasting month of Ramadan, and ahead of a general election set for July 25.

The apparent devaluation shows signs of vulnerability in Pakistan's nearly \$300 billion economy, as dwindling foreign reserves and a widening current account deficit trigger speculation about going back to the International Monetary Fund for loans for the second time since 2013.

The State Bank of Pakistan said on Monday the rupee's fall was a "market-based adjustment", adding it was monitoring the situation "and stands ready to ensure stability in the financial markets and curb the emergence of speculative pressures."

Ashfaqur Hasan Khan, an economist with the National Institute of Science and Technology, said the interim government that now holds the reins during the election campaign might itself be forced to go to the IMF.

Khan said the interim government needs to take policy decisions to curb imports and increase exports, but so far the caretaker government has not taken enough steps.

"If we rely exclusively on the rupee devaluation to address our balance of payment crises, this will have disastrous consequences," he said.

The outgoing government led by the Pakistan Muslim League-Nawaz has touted its stewardship of the economy as a reason to bring the party back to power, but foreign reserves are now at a low of two months' worth of imports.

The PML-N policy for years was to keep the rupee relatively stable in what was widely considered a managed float, but as the current account deficit widened and foreign reserves dropped to about half their peak, the policy shifted.

Since December, the rupee has fallen by about 14 percent.

The rupee closed at 119.85 per U.S. dollar on Monday after opening at 115.63. Earlier in the day, it traded close to 121 per dollar, traders said.

"On Monday the central bank didn't intervene (to support the rupee) and allowed the market to determine the rupee value," Samiullah Tariq, director of research at Arif Habib Securities, told Reuters

Withdrawal of support would have the effect of devaluing the currency as the SBP is the most influential player in the thinly traded local foreign exchange market and controls what is widely considered a managed float system.

In December and in March, the rupee was devalued, each time by about 5 percent, by the central bank.

Pakistan's economy is expected to expand by close to 6 percent this year, the fastest pace in more than a decade, but a widening of the current account deficit has brought new worries.

The current account deficit now stands at \$14 billion, around 5.3 percent of gross domestic product, an SBP official said.

The economic outlook has been hurt by the fast depletion of foreign currency reserves, which now stand at just over \$10 billion.

Pakistan is currently in discussions with China for loans to ease pressure on its foreign currency reserves.

Over the weekend, the shortage of foreign currency widened the spread at which the rupee is traded in the open market and the interbank market to 4 rupees.

"Whatever has happened again today is the reflection of growing pressure on the balance of payments side," Khan told Reuters.

"It also exposes the outgoing government claims that ... they are leaving the economy in good shape. That unfortunately isn't the case."

Pakistan's currency woes came as another South Asian country was hit by concerns about trade deficits and external factors including rising oil prices and the strong U.S. dollar.

The Sri Lankan rupee slipped to a fresh record low of 159.80 per dollar on Monday, dragged down by a lack of support for the local currency from exporters, dealers said.-Reuters

BR RESEARCH adds: The rupee hit new lows against the dollar in the inter-bank market at Rs 119.50 and Rs 120.00 on Monday, and in the open market, the local currency was available at Rs 120.00 and Rs 121.50, dealers said. The move was not in a surprising way, it was expected because it was felt that the previous government kept the Pak rupee artificially strong in terms of the dollar.

According to the marketmen, if dollar's supply does not improve, the rate could go further higher in the coming days, they said.

At the end of last week, in the inter-bank market; the rupee was trading against the dollar at Rs 115.61 and Rs 115.62, in the open market, the dollar was available at Rs 118.00 and Rs 118.50 in terms of the dollar, they said.

Some currency experts said that the exports may depict positive trend after the fresh move by the SBP. The rupee had been devalued by the central bank by around 8 percent in December last year and then by the same amount in March, 2018.

The fresh move was the second depreciation of the current year, in which, the rupee shed three percent or Rs 3.00 in the open market at Rs 121.00, and in the inter-bank market, the rupee shed over four percent or around Rs 4.00 to Rs 120.00, they said.

The major challenge is a balance of payments (BoP) crisis, the move was taken to avert the BoP problem, they added.

In the first Asian trade, The yen ticked higher while the Canadian dollar fell modestly on Monday, after US President Donald Trump threw the G7's efforts to show a united front into disarray though market reaction was relatively muted.

The euro edged up as traders looked to the European Central Bank's policy meeting on Thursday for when and how it would wind up its bond purchases and eventually lift interest rates from current deep

negative

levels.

The Group of Seven summit held in Canada laid bare a deep rift between Trump and other leaders as the US president, who left the G7 meeting early, tweeted he was backing out of the joint communique and lashed out against Canadian Prime Minister Justin Trudeau.

He continued to bash Canada and Europe after he arrived in Singapore, where he plans to hold a historical meeting with North Korean leader Kim Jong Un on Tuesday.

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Open	Bid	Rs.121.00
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Open	Offer	Rs.121.50
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Interbank Closing Rates: Interbank Closing Rates For Dollar on Monday.

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Bid	Rate	Rs.119.50
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Offer	Rate	Rs.120.00
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RUPEE IN LAHORE: The Pak rupee considerably declined versus the major foreign currencies including the greenback and British pound in the local currency market on Monday.

According to currency dealers, the short supply phenomenon of the greenback prevailed throughout the trading session which helped its appreciation for buying and selling at Rs 120.00 and Rs 121.00 as compared to the last closing trend of Rs 118.00 and Rs 118.70 respectively.

Versus the pound sterling, the national currency also followed the same suit. Consequently, the pound's buying and selling rates rose from Saturday's closing of Rs 156.70 and Rs 158.00 to Rs 159.00 and Rs 160.00 respectively, they added.

RUPEE IN ISLAMABAD AND RAWALPINDI: The dollar gained Rs 3 against the rupee at the open currency markets of Islamabad and Rawalpindi here on Monday.

The dollar opened at highest rate of Rs 122 (buying) and Rs 122.20 (selling) against last week's rate of Rs118 (buying) and Rs 118.10 (selling). However, in the second session, it closed at Rs 121 (buying) and Rs 121.20 (selling) in the evening.