

Rupee losses grow as payment pressure continues to mount

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KARACHI: The rupee extended its losses against the dollar on Tuesday, dropping to a fresh all-time low in the open and interbank markets as concerns about depleting foreign currency reserves and high import payments mounted, dealers said.

They said the rupee, which has lost a chunk of its valuation lately gave up more ground against the US dollar owing to a higher greenback demand for import payments.

The rupee traded as low as 122 against the dollar before finally closing at 121.73. It had ended at 121.39 on Thursday.

Some traders quoted the rupee trading at 122.30 during an intra-day session.

The rupee sank further against the dollar in the open market and closed at 123.50 for buying and 124.50 for selling. The rupee had ended at 122.50/123.50 on Thursday.

Traders said there was a shortage of foreign exchange in the kerb market, which is reflective of a continued fall of rupee in the interbank market.

Zafar Paracha, the secretary general at Exchange Companies Association of Pakistan, said there was no supply of the greenback as exporters and ordinary citizens were not willing to sell dollars.

A dealer observed the interbank market remained volatile and did not stabilise even after Eid holidays.

“A higher demand for dollars to cover oil payments before the end of the month shot up the rate of the dollar,” the dealer said.

The dealer added that import payments created dollar shortage in the interbank market.

“Moreover, a loan repayment to the IMF (International Monetary Fund) [also] weighed on the currency,” the dealer said.

Pakistan is set to pay the seventh installment of about \$190 million to the IMF against its Extended Fund Facility arrangement this month. The next payment is due on July 22, 2018.

The country successfully completed a \$6.7 billion three-year loan programme with the IMF in September 2016.

Analysts have been cautious on the rupee for a while now. They stressed for a need to reduce imports and secure adequate financing to avert balance of payments crisis.

Others said they expected the currency to remain under pressure on concerns over the balance of payments position.

An analyst said the local unit had tracked the country's current account deficit, which ballooned to 5.3 percent of gross domestic product in 10 months of current fiscal year. "Now, the rupee consolidated around 122, but we expect it will weaken further in the coming days as the central bank isn't taking measures to prop up the currency," the analyst added.

On the other hand, Muzzamil Aslam, at EFG Hermes Pakistan, thinks the rupee will somehow stabilise at current level. The State bank of Pakistan has meager reserves of \$10 billion, which is enough to cover less than two months of imports.