Dollar makes new high in open market | Forex, Pakistan

Written by Administrator
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KARACHI: The dollar sustained its upward rally against the rupee as it hit a record-high level of Rs 100.05 for buying in the open market on Monday.</p> <p>�</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">In the open market the dollar increased by 20 paisas in a single trading session.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Currency dealers said the local currency has slipped almost by Rs 8.60 against the dollar since December 31, 2011 on back of falling foreign reserves, pressure on payment for opening licence of credit and high demand of dollar in the local currency markets.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">The investors and importers are buying US currency from open market to fulfill their respective requirements, which put pressure on rupee and increase demand of US dollar.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">The import bills of crude oil, palm oil, industrial raw material and commodities are also some of the factors pressurising the rupee.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">The local currency has depreciated by more than 8.7 percent so far since the beginning of the current financial year on swelling imports bill and payment of International Monetary Fund�s (IMF) Stand-by Arrangement (SBA) facility instalments.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Pakistan is heading towards a difficult situation on its foreign reserves front, as it has to pay around $4.8 billion to the IMF SBA loan facility till June 30, 2014. The rupee and forex reserves would likely come under pressure when Pakistan will make repayment under IMF�s SBA loan facility in three equal phases amounting $533 million in May 2013.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Under the conditions where the country�s forex reserves stand at around $11.69 billion till April 18, 2013 every week the country has to spend around $500 million under the head of import bills besides arranging dollars for importers for Letter of Credit (L/C), said foreign currency experts. In early April 2013, forex reserves were at $12.20 billion and on April 18, 2013 they stood at $11.69 billion after a decrease of $510 million.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Absence of foreign inflows in the economy and higher tendency in non- productive expenditures by the government on political grounds is also affecting rupee value negatively, said currency expert Fazal Ahmad.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Inflationary conditions are still on the higher side, even caretaker government is busy in minting money to cater to the need for circulating money, which is peril for the fragile economy, he added.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Due to trade, capital flight, lack of sources and bilateral funding it is important for the country to secure fresh IMF funding to support its reserves and further build donor and investors� confidence, he added.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Pakistan is likely to ask IMF to revise loan repayment schedule and extend it for another five to six years in order to support fragile economy and put it on track.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">In return IMF would possibly ask the newly-elected government for introduction of tougher economic steps to streamline the tax and other fiscal and monetary aspects. These include bringing agriculture sector into the tax regime, scraping subsidies on agriculture and power sector.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Pakistan got loan of $7.80 billion in March 2008 when the dollar-rupee value was around Rs 64 in open market.</p> <p style="text-align: justify;">�</p> <p style="text-align:

justify;">In case the funds are not obtained in conformity with the IMF conditions, there would be serious repercussions on the economic front like further dip in rupee value against dollar and difficulty in repayment of remaining IMF SBA facility.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">The IMF is expected to hold talks with the newly-elected government in June, as these measures could form part of the federal budget 2013-14.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">The economic managers of the country said the next government would face tough economic tasks at home besides face thorny international donors� conditions.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Pakistan will remain in the trap of international donors like IMF and World Bank, as they would continue to dictate the financial managers of the country.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Pakistan will face immense difficulty in leaving the IMF programme as in the presence of IMF programme the gross domestic product (GDP) growth was expected at 4.5 percent and in the absence of this programme GDP growth will likely to decline to 3.5 to 3.6 percent. These international donors would likely to ask Pakistan to increase tax-to-GDP ratio ranging between 2.0 to 3.0 percent, as country�s medium-term growth outlook could be improved by increasing tax ratio.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Pakistan�s tax collection has failed to improve since last two decades and remained among the lowest in the world.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Tax evasion is rampant and there was a vast network of special treatments and exemptions backed up by powerful vested interests.</p> <p style="text-align: justify;">�</p> <p style="text-align: justify;">Availability of electricity is currently considered to be the main constraint to economic activity. The sector faces a large gap between supply and demand leading to widespread load shedding and forcing many firms to invest in captive supply. The access to finance is a major constraint impeding private sector development in Pakistan. Pakistan�s 93 percent of Small and Medium Enterprises have lack of access to finance.

Courtesy: �Daily Times</p> <p>�</p>