

Free fall of exchange rate not to be allowed: SBP governor

ISLAMABAD: The State Bank of Pakistan (SBP) Governor Reza Baqir has assured the businessmen that the free fall of exchange rate would not be allowed.

The SBP governor said this in a meeting of businessmen with Prime Minister Imran Khan here which was also attended by Adviser to PM on Finance Dr Abdul Hafeez Shaikh, Adviser on Commerce Abdul Razak Dawood, FBR Chairman Shahbar Zaidi and PTI Senator Mohsin Aziz.

The business tycoons were curious to know about the conditions of the IMF package and they asked the State Bank governor to give jolt on front of discount rate in one go instead of raising policy rates in phases so that they could make adjustments and plans to move ahead with business initiatives.

“The SBP is all set to jack up discount rates today (Monday) as the Monetary Policy Committee (MPC) is scheduled to hold its meeting,” the sources, who attended a meeting, said.

On exchange rate, the SBP governor assured the meeting that the free fall of exchange rate would not be allowed as equilibrium was almost achieved.

The market on the basis of demand supply will determine the exchange rate, the sources quoted the SBP governor as saying.

The sources said that after jacking up exchange rate in recent days, now the monetary tightening through increasing discount rate is on cards and the Monetary Policy Committee (MPC) may increase the policy rate in the range of 125 to 200 basis points (bps) in its meeting scheduled to be held today (Monday).

The current discount rate stands at 10.75 percent and it may be increased to minimum to the level of 12 percent by jacking up discount rate at least 125 bps today.

The SBP is all set to raise the discount rate in order to lure banks for lending the desperate government for meeting its increasing financing requirements.

Under the IMF programme, there will be restriction on borrowing of the federal government from the central bank so the reliance on meeting requirements of yawning budget deficit will be shifted on banks and banking executive will enjoy hefty perks and privileges.

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