

Soaring Kyat Slows Remittances from Abroad

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The black market value of Burma's currency, the kyat, hit a three-year high of nearly 1,000 to the US dollar on Friday, putting a brake on the unofficial cash transfers from abroad known as hundi.

The kyat had been skyrocketing all week, reaching new highs against not only the dollar but also, on Wednesday, the Thai baht (25 kyat), Singapore dollar (714 kyat) and the Chinese yuan (1,639.34), according to hundi services in Bangkok, Singapore and at the Sino-Burmese border.

"We are surprised and shocked," said one businessman running a hundi service in Bangkok. "Now our service has been halted, and we can't say when we will restart it. We'll just have to wait and see."

The hundi is an underground banking system that uses a network of unofficial currency exchangers and money transmitters in Burma.

The lack of an active and efficient money transaction service run by international and local private financial institutions and untrustworthy government exchange rates cause Burmese expatriates and migrant workers to use the informal services.

Burmese expatriates contacted by The Irrawaddy said they didn't want to transfer money home at the current rate. Experts said that a fall in remittances from abroad, together with rising unemployment among migrant workers, could have a dire effect on Burma's rural economy, in which millions of people rely on hundi transfers.

Black market currency dealers, speaking on condition of anonymity because of the illicit nature of their work, said the soaring value of the kyat could not be ascribed to any single reason. The black market rate is linked not only to China's yuan, the US dollar and the price of gold, but also to the volume of border trade.

One observer in Rangoon said the global recession could be a factor because it had resulted in a halt to cross-border trade.

The price of gold in the country is meanwhile falling because of declining demand, according to gold shops in Rangoon. So far this month, the price for a tical of 24 carat gold has dropped from 525,000 kyat to 468,000 kyat. One tical is equal to 0.525 troy ounces.

"Consumers are not buying like before," said one gold shop owner. *"There are more sellers than buyers."*

P.S.

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