

FOREIGN EXCHANGE MARKET REVIEW
The highly appreciated dollar

The month of March seems to be a month of continuous increments as initially dollar parity revolves around 138.80/90 but then era of volatile decisions begun as the market faced first jump to 139.50 but it was not enough and another PKR devaluation took place which made market to increment at 140.30 the highest level of all time and trade remains within range of 140.25/30 because the Federal Finance Minister Asad Umar has hinted that bailout package talks with the IMF are in their final stages and the government will have further negotiations with the newly appointed IMF mission before reaching an agreement whereas government stance on PKR devaluation and free float exchange rate as per IMF policies was quite visible. Moreover, Real GDP growth for the current fiscal year was projected at 3.7%, budget deficit at 5.6% and adjustment of exchange rate at Rs.145 in the current fiscal year with further projected depreciation to Rs.170 against dollar for FY2022. These ambitious targets said by Asad Umer led finance ministry have been shared with IMF. The Foreign investment into Pakistan, of which around 30% comes from China, has decreased by 74.8% YoY over the first seven months (Jul-Jan). The Chinese investment in Pakistan, primarily as part of the CPEC has slowed by 28.4% YoY. It is believed that this slow-down in investment inflows into Pakistan will have a detrimental impact on the country’s commercial vehicles segment, especially its heavy commercial vehicle segment.

On March 25, 2019, State Bank of Pakistan received RMB 15 Billion, equivalent to USD 2.2 Billion, as proceeds of a loan obtained by the Government of Pakistan from China. Accordingly, foreign exchange reserves held by the SBP increased to USD 10.67 Billion and total foreign exchange reserves of the country stood at USD 17.58 Billion but the month end shows another increment of dollar at 140.80 due to high buying pressure on dollars which slightly weakens the strength of forward premiums which were trading at their peak levels previously but the impact gets over as Asad Umer confirmed that Pakistan is likely to secure a bailout package from the IMF of between \$6 billion and \$12bn by the middle of May the market regained strong bids and strong offers in forward premiums which creates somehow stability and strong competency in the market.

