

FOREIGN EXCHANGE MARKET REVIEW
The stagnant Dollar Parity

The month of April seems to be a month of constant stability as initially dollar parity stood around 140.80/90 but then again a volatile decision of devaluation took place as the market faced jump to 141.40 since Pakistan was likely to hold crucial discussions on an IMF bailout package and Mr.Umar assured that “Pakistan and the IMF have finalized, documented and signed a bailout package on exchange rate, public finance, fiscal deficit and energy prices but since there were change of command of ministry of finance no final agreement to be framed between both sides and the market remained stable with USD/PKR parity of 141.40. Moreover, Pakistan’s economic growth will not slow down to the IMF anticipated level 2.9%, in fact it is likely to be well above 3.5% during the current fiscal year 2019. FDI registered a massive decline of over 51% during the first nine months of this fiscal year owing to slowdown in CPEC inflows. Whereas, according to SBP, Pakistan has attracted FDI amounted to \$1.274bn in Jul-Mar fiscal year 2019, compared to \$2.612bn in corresponding period of last fiscal year. According to SBP, current account posted \$9.588bn deficit in Jul-Mar fiscal year 2019, compared to \$13.589bn in the same period of last fiscal year depicting a decline of \$4bn. The country’s overall goods deficit declined to \$21.306bn with \$18bn exports and \$39.314bn imports during July-march fiscal year.

The country’s foreign exchange reserves as of April 5th were at \$17.228bn including \$10.272bn of State Bank and \$6.956bn of commercial banks. Pakistan had paid \$1 billion of the total \$2bn raised in 2014 through the issue of five-year and 10-year Eurobonds, due to which the reserves held at SBP as on April 12th declined to \$9.2437bn. Reduction in foreign reserves had played striking role in the market as the supply of dollar decreased, the demand for the dollar went up which resulted the stable dollar parity at around 141.40 which slightly weakens the strength of forward premiums which were constantly trading at their peak levels but trending Buy/Sell pressure with strong offers enforced market to be in continuous fluctuation but the month end proves to be fruitful as the major inflows of remittances enhanced the dollar supply in the market which made market to leave its stagnant parity and result in providing slight strength to PKR with 141.30/35 and as well as to forward premiums in the market.

