

**FOREIGN EXCHANGE MARKET REVIEW**  
*The wave of appreciation continues*

The month of January reflects PKR appreciation as the USD/PKR parity initiated with 154.85 and touched all time high at 155.17 in the starting week of the month but the PKR gains strength based upon flexible market forces which made the month end to trade around 154.55/65 due to the improvement of inflows of foreign currency in Pakistan, which is at USD 1.261 Billion in the month Jan as per data provided by SBP in Special Convertible Rupee Accounts (SCRA). During the month, government is going on into a serious tug of war over electricity tariff that has increased by almost 35 per cent on average over the past 18 months, which is threatening Pakistan’s exports and could discourage investment in capacity and capability. Secondly, according to data released by the Federal Bureau of Statistics (PBS) Pakistan’s oil import bill and local production of petroleum products declined by almost 20 per cent and 12pc, respectively, which is a clear sign of economic slowdown. Furthermore, World Bank projected Pakistan’s growth rate at 2.4%, about 0.3% lower than the estimates of June 2019 which is contributing towards challenges faced by the country. Pakistan is still in grey list of the Financial Action Task Force (FATF) beyond February 2020, positively it received publicly expressed satisfaction over visible progress to strengthen its counter terrorism financing system. However, according to SBP, the Current account deficit for July-Dec was USD \$2.153 billion compared to a deficit of \$8.614bn during the corresponding period from last year mainly due to the sharp decline in import bill which declined to \$22.209bn. Additionally, exports figures also provided little support by increasing slightly during the first half inching up to \$12.391bn from \$11.862bn in the same period last fiscal year.

Pakistan’s total liquid Forex Reserves held by the country stood at USD 18,362.7 Million on 24 Jan, 2020. The inclining foreign reserves had resulted in appreciating USD/PKR parity which reinforced the upward trend in the short-term and long-term premiums and the recent MPS in which SBP has kept policy rate unchanged which developed a view that there might be a status quo of the country in next MPS as well.

