

FOREIGN EXCHANGE MARKET REVIEW
PKR strengthen further.

The month of November reflects the further PKR appreciation as the USD/PKR parity initiated with 155.60 and fluctuates around 155.45/50 but the PKR gains strength based upon flexible market forces and touched 155.35 and at a certain point trading remained between 155.32/34 with month end to trade around 155.20/25 since there is deliberate increase in total Exports of Pakistan, as per BOP during the Jul-Oct FY20 exports amounted to \$8.2 billion (provisional), as against \$7.9 billion in Jul-Oct FY19. The Major developments this month were that the second phase of a free trade agreement (FTA) with China would be implemented from December 1 and Pakistan’s exports would rise by \$500 million in the first year. Secondly, SBP has lifted the ban on advance payment of up to \$10,000 per invoice for the import of goods and services and also announced that the financing limit had been enhanced for exporters under the subsidised loan schemes including the Export Finance Scheme and Long Term Finance Facility. But Pakistan has also been surrounded by some complex challenges which includes the incline in country’s external debts and liabilities by \$543 million in the first quarter of this fiscal year while external debt servicing soared to over \$3 billion and Pakistan may remain on the grey list of the Financial Action Task Force (FATF) beyond February 2020, mainly because of its risk profile. However, according to SBP, the Current account deficit for July-Oct was USD 1.474 billion compared to a deficit of USD 5.567 during the corresponding period from last year, showing a decline of 73.5%. Whereas, FDI in the first four months of current fiscal year jumped by 238% to \$650 million from \$192m during the same period last fiscal year.

Pakistan’s Forex Reserves increased by USD 115.40 Million or 0.75% and the total liquid foreign reserves held by the country stood at USD 15,577.70 Million on Nov 22, 2019. The incline in reserves had impacted market since there was an ample inflow of dollars it reinforced the PKR appreciation but changed the dilemma of forward premiums which started to face immense decline due to exporter’s excess booking of forward outright dollars in major banks of market and the recent MPS in which SBP has kept policy rate unchanged which developed a speculative view that there should be a cut in policy rate of the country in near future.

