

## FOREIGN EXCHANGE MARKET REVIEW

### Appreciating PKR and Forward Premiums

Pakistani Rupee (PKR) has witnessed an appreciation against US Dollar (USD) during the month of October i.e. PKR gained by Rs 5.44 against the dollar, appreciating 3.39% to close at Rs 160.2578 per USD. The ready rate with the starting price 165.00/165.10 and closed around 160.23/160.27. Simultaneously ready lowest traded was 160.20 This recovery in PKR has been linked to a positive outlook after the end of COVID-19 lockdowns, signaling economic recovery. This appreciation is ascribable to the current account surplus of \$73 million during the month of September. The surplus during the mentioned period was emanated from higher workers' remittances (\$2.3 Billion). Furthermore, Pakistan managed to remain in FATF grey list as it completed 21 action plans out of 27-point FATF action plan. Also, International Monetary Fund (IMF) and World Bank (WB) have lowered GDP growth rate projection for Pakistan to one percent and 0.5 percent respectively against government's projection of 2.1 percent for the current financial year 2020-21. The IMF in its latest report, stated that the Pakistan will face external debt amortizations of about 4% in 2021, most of which correspond to sovereign debt service. Pak Rupee's Real Effective Exchange Rate Index (REER) increased by 2.54 percent in September 2020 to a provisional value of 94.12 from the revised value of 91.79 in August 2020. The SBP's reserves are on decline since September due to scheduled foreign debt payments. Although, during the last few weeks, the SBP has also received some inflows of \$300 million from ADB, however, these inflows were less than the outflows, because of which the SBP's foreign exchange reserves posted a notable decline.

Pakistan's Forex Reserves decreased by USD 5.10 Million against the last week total Forex reserve and the total liquid foreign reserves held by the country stood at USD 19,296.50 Million on Oct 23, 2020. Whereas commercial bank reserves stood at USD 7175 million on Oct 23, 2020. Market in short-term and long-term forward premiums observed fluctuation during the month. However forward premiums on an average remained high during the month. One of the reasons behind the forward premiums increased trend, market participants are expecting the interest rate to be increased.



