

FOREIGN EXCHANGE MARKET REVIEW

During the month of January 2021 PKR witnessed fluctuation against USD. The initial days of January PKR depreciation as there was a current account deficit in the month of December. This was because there was a rise in the imports of surgical instruments amid the second wave of Covid-19. Another reason for the depreciation of PKR was repayment of loan of May, 2019 to IMF. 29% of Pakistan's FDI fell during July-DEC in 2020. IMF has asked Pakistan to end state control of the rupee and let the currency move freely to find its equilibrium against the US dollar and other major world currencies. (ADB) approved a new five-year indicative lending programme of \$10 billion aimed at supporting Pakistan's efforts to deal with economic and social challenges thrown up by the pandemic and persistent structural weaknesses. the foreign currency reserves held by the SBP were recorded at \$12,998.4 million, down \$15 million compared with \$13,013.8 million previously The government paid \$3.123 billion (some \$2.696 billion as principal amount and \$ 427 million interest) on account of public debt that includes the IMF, government debt and external debt liabilities.

The forward premiums, be it a shorter or longer premium witnessed fluctuation during the month of January. But During the second half of the month these premium witnessed downwards trend, maybe because of repayments and current account deficit observed huge Buy/Sell pressure.

