

CURRENT ACCOUNT SURPLUS

During the month of May, PKR witness depreciation against USD. Interbank opened 153.3619 and closed at 154.399. Foreign investment in different sectors of economy like power, telecoms, financial business and oil and gas production dropped 40% to \$167.6 million in March 2021. Foreign direct investment (FDI) had stood at \$278.7 million in the same period of previous fiscal year. China made the largest net investment of \$126 million, mostly in the power sector, till March 2021. Cumulatively, in the first nine months (Jul-Mar) of current fiscal year 2020-21, the FDI inflows dropped 35% to \$1.39 billion compared to \$2.15 billion in the same period of last year. The country's current account was showing deficit of 288 Million till (January – March) 3Q of fiscal year, but due to additional support of higher remittances and exports current account position turned into positive and currently stood at a surplus of 773 million USD. The current account deficit (CAD) contracted by almost 61 per cent to \$200m in April against \$510m in the same month last year. The country succeeded in keeping its current account surplus despite increasing trade deficit which widened by 21.6pc to \$23.83bn during July-April FY21. This was against the trade deficit of \$19.59bn in FY20. foreign exchange reserves sharply dropped \$778 million or 3.30 percent as of April 30 on the back of foreign loan repayments. The total liquid foreign reserves held by the country fell to \$22.742 billion from \$23.52. reserves decreased \$830 million to \$15.597 billion. During the week GoP [Government of Pakistan] commercial loan of \$1 billion was paid, whose impact on SBP's reserves was partially offset by official inflows. The country's forex reserves had been rising and jumped to a five-year high of \$23 billion in the previous weeks boosted by inflows from Eurobonds, workers' remittances and financial assistance coming from multilateral institutions. Fund inflows through Roshan digital account also contributed to the rise in the forex reserves. RDA inflows reached more than \$1 billion since September 2020. The rollover of loans by the United Arab Emirates and retaining of the remaining \$1 billion deposit from Saudi Arabia also helped the forex reserves stabilize. Pakistan received proceeds of \$2.5 billion against issuance of Eurobonds. The forward premiums, be it a shorter or longer premium witnessed downwards pressure during the month of May. The shorter and longer premiums are closed at lower nod.

