

FOREIGN EXCHANGE MARKET REVIEW

During the month of June, PKR witnessed 1.909% change against USD. Interbank opened at 154.5364 and closed at 157.5437. Pakistan's imports crossed \$50 billion in 11 months' fiscal year (2020-2021), as growth in exports remained less than half of the rate of increase in imports, country food import bill grew by 53.98% to \$7.550 billion year-on-year during the 11 months of the current fiscal year (11MFY21) mainly due to the import of sugar, wheat, palm oil and pulses, bridged the shortfall in domestic production of agricultural production. Resultantly, the trade deficit widened as the overall import bill of the country has been on the rise since November 2020, mainly due to an increase in the import bill of eatables. The total import bill inched up by 22.5% to \$50.039bn in 11MFY21 against \$40.84bn in the corresponding period last year. This increase in the demand for dollars is normal as many companies have to pay back their dues or profits at the time of closing of financial year which appreciates the greenback against local currency. Profits and dividends during the first 10 months of the current fiscal year were \$1.312bn compared to \$1.195bn during the same period in FY2020. The outflow could easily cross \$1.6bn at the end of this fiscal FY21. Pakistan borrowed over \$12 billion during the 11 months of the current fiscal year (11MFY21) – an increase of about 63% compared to the same period in FY20 – reflecting the growing need for foreign exchange despite recorded remittances and higher exports.

The Roshan Digital Account had achieved another milestone as the inflows of deposits have crossed \$1.5 billion, with investment in Naya Pakistan certificates surpassing \$1bn. Pakistan's exports of textile and clothing sectors posted nearly 19% growth in the 11 months of current fiscal year (11MFY21) compared to the same period a year ago. Total exports of textile and clothing were up 18.85pc to \$13.748 billion between July and May this year against \$11.567bn over the corresponding period in FY20. On a monthly basis, export proceeds posted a growth of 41.14pc on a year-on-year basis to \$1.06bn in May 2021, growing export markets for Pakistan. According to the Trade Development Authority of Pakistan (TDAP), Pakistan's merchandise exports to these countries grew between 5% (Italy and Belgium) and 101% (the UAE) in the first quarter of FY21. The forex reserves held by the State Bank of Pakistan (SBP) increased \$2 million to \$16.417 billion. The foreign exchange reserves of commercial banks also increased to \$7.169 billion from \$7.163 billion.

The forward premiums, be it a shorter or longer premium witnessed upwards pressure during the month of May. The shorter and longer premiums are closed at higher nod.

