

**FX – INTERBANK RATE:**

17-Sep	OPEN	HIGH	LOW	CLOSE	Last Day Close-LDC
<b>Ready Rates</b>	156.38	156.38	156.23	156.33	156.25

**HIGHLIGHT OF MONETARY POLICY STATEMENT:**

- At its meeting on 16<sup>th</sup> September 2019, the MPC decided to leave the policy rate unchanged at 13.25%. The decision reflected the MPC’s view that inflation outcomes have been largely as expected and inflation projections for FY20 have remained unchanged since the last MPC meeting on 16<sup>th</sup> July, 2019.
- In reaching this decision, the MPC considered key economic developments since the last MPC meeting, developments in the real, external and fiscal sectors, and the resulting outlook for monetary conditions and inflation.

**KEY DEVELOPMENT SINCE THE LAST MPC MEETING:**

- The MPC noted 2-key developments since the last MPC meeting.
- 1<sup>st</sup>, the interbank FX-market had adjusted relatively well to the introduction of the market-based exchange rate system. The initial volatility and associated uncertainty in the exchange market had subsided.
- 2<sup>nd</sup> on the external front, the US Fed, as anticipated, reduced its policy rate by 25bps, followed by policy rate cuts by other major central banks around the world. This would help in lowering pressures on EMI currencies and potentially increase financial inflows.
- Recent economic activity indicators show a gradual slowdown, in line with earlier expectations, and the MPC continued to expect average growth in FY20 of around 3.5%. The slowdown is more pronounced in domestic oriented industries such as automobiles and steel. This trend is also reflected in the LSMI index which contracted by 3.6% in FY19, somewhat more than earlier expectations. In sum, the MPC continued to expect that economic activity would gradually turn around as business sentiment improves.
- The external sector continued to show significant improvement with a sizeable reduction of around 32% or 1.5% of GDP in the CAD during FY19. The trend continued in the 1MFY20 as well. Specifically, driven by an encouraging 11% growth in exports and a contraction of 25.8% in imports, the CAD declined to \$579mn in July 2019 compared to \$2.13bn in the same period last year.
- Recent developments in the fiscal sector had been mixed. On the one hand, revised figures showed that fiscal policy had been considerably more expansionary in FY19 than earlier expected with a primary deficit of 3.5% of GDP and an overall fiscal deficit of 8.9% of GDP. On the other hand, tax revenues had grown considerably in 2MFY20 which suggested that the economic slowdown may not be as pronounced as may have been feared.
- On a cumulative basis, PSC contracted by 1.3% in 2MFY20 showing the results of previous monetary tightening. The MPC noted that inflation developments were broadly similar between the new and the old base CPI: inflation had gradually risen over the previous months and remained high in both YoY and MoM terms. In sum, the MPC expected inflation to average 11 to 12% in FY20.

USD/PKR SWAP YIELDS-%			
PERIOD	SWAP	Change in Premiums	Swap Implied PKR Yield
1-WEEK	0.3700	0.0100	14.45%
2-WEEK	0.7150	0.0250	14.01%
1-MONTH	1.5850	0.0450	13.97%
2-MONTH	3.0250	0.1000	14.10%
3-MONTH	4.1250	0.1600	12.83%
4-MONTH	5.1400	0.1900	12.10%
5-MONTH	6.2000	0.2500	11.54%
6-MONTH	7.2500	0.2500	11.25%
12-MONTH	14.5000	0.5000	11.28%

ECONOMIC INDICATORS				
Items	Y	Period	Unit	Figure
Gross Domestic Product-GDP		FY-18/19	USD bn	23.88
Foreign Exchange-FX-Reserves		6-Sep-19	USD bn	15.751
FE-25 Import Financing		August, 2019	USD mn	260
SBP Forward/Swap Position		31-Jul-19	USD bn	(7.865)
Net International Reserves-NIR (EST)		6-Sep-19	USD bn	(17.494)
IBA-SBP-Consumer Confidence Index-CCI		As at 31-3-2019	DI	53.20
IBA-SBP-Inflation Expectation Index-IEI		As at 31-3-2019	DI	68.40
Consumer Price Index-CPI (YoY)		July 2019	%	11.60
CPI- (MoM)		July 2019	%	2.30
Core CPI-Non-Food-Non-Energy-NFNE-YoY		July 2019	%	8.20
Core CPI-Trimmed 20%-YoY		July 2019	%	8.50
PAK CPI-YoY minus USD CPI-YoY		11.60%-1.80%	%	9.80
M2 Growth-YoY		1 July 19 - 06-Sep 19	%	(0.60)
Net Govt. Sector Borrowing		1 July 19 - 06-Sep 19	Rs bn	84.83
GOVT. Borrowing for budgetary support from SBP		1 July 19 - 06-Sep 19	Rs bn	98.90
Credit to Private Sector-YoY		1 July 19 - 06-Sep 19	Rs bn	(86.62)
Govt. Foreign Commercial Banks Borrowing		1MFY-19/20	USD mn	173.31
SBP Policy Rate		FY-19/20 YTD	%	13.25
SBP O/N REPO & Reserve REPO Rate		Floor & Ceiling	%	11.75-13.75
SBP Policy Rate minus USD FED Fund Rate		13.25%-2.25%	%	11.00
1-Year KIBOR minus 1-Year LIBOR		13.53%-2.05%	%	11.48
Foreign Direct Investment-FDI		1MFY-19/20	USD mn	73.4
Home Remittance		2MFY-19/20	USD bn	1.69
Current Account Deficit-CAD		1MFY-19/20	USD mn	579.000
CAD % of GDP		1MFY-19/20	%	2.50
Trade -Deficit		1MFY-19/20	USD bn	2.320
Kerb USD/PKR		17-Sep-19	Bid/Ask	156.00/156.50
Real Effective Exchange Rate-REER		June, 2019	Rs	90.50
Government Domestic Debt		As at 28-02-2019	Rs tm	18.79
External Debt		As at 30-12-2018	USD bn	99.1
Standard & Poor's-S&P		Rating & Outlook	Rank	B
Moody's		Rating & Outlook	Rank	B3-Stable
MSCI-Emerging Market Index-EMI		17-Sep-19	Pts	1,017.57
Pakistan Stock Exchange-PSX-100 Index		17-Sep-19	Pts	31,895.64
Foreign Investor Portfolio Investment-FIPI		16-Sep-19	USD '000	6,156.61
Special Convertible Rupee A/c-SCRA		1 July 19 To-Date	USD mn	126.95

DATE	DATA	3-MONTH	6-MONTH	12-MONTH
13-Sep, 2019	US-LIBOR Rate	2.13938%	2.07025%	2.04913%
KIBOR AND PKRV RATE (%)				
Tenor		KIBOR	PKRV	
1-Month		13.30%	13.70%	
3-Month		13.59%	13.71%	
6-Month		13.67%	13.74%	
12-Month		13.53%	13.72%	
Pakistan Investment Bonds-PIB's				
Period	Types of Bonds	25-July-19 Cut Off Yields	17-Sep-19 Bid/Ask	
2-Years		-	13.15/10	
3-Years		14.2500%	12.88/83	
5-Years		13.5500%	12.48/45	
10-Years	Fixed	13.1495%	12.40/35	
	* Floating	14.7000%	14.34	
Market Treasury Bills-MTB				
Tenor		29-Aug-18 Cut Off Yields	17-Sep-19 Bid/Ask	
3-Months		13.7397%	13.73/71	
6-Months		13.9291%	13.80/75	
12-Months		13.9300%	13.78/74	

**Note:** \* The secondary yields for 6 & 12-months tenors and 2 & 10-years (Fixed & Floating) period in T-Bills and PIB's are not available, so instead of leaving it blank, we inputted PKRV Rates.



