

**FX – INTERBANK RATE:**

22-Sep	OPEN	HIGH	LOW	CLOSE	Last Day Close-LDC
<b>Ready Rates</b>	166.35	166.45	166.15	166.18	166.31

**FX-MARKET:**

- Today USD/PKR appreciated by 13paise as compared to the last day close Rs166.31 to Rs166.18. During the whole day, USD/PKR traded within the range of 30paise from low Rs166.15 to Rs166.45.

**SUMMARY OF MONETARY POLICY STATEMENT 21<sup>ST</sup> SEPTEMBER 2020:**

- The MPC noted that compared to the time of the last meeting in June 2020, business confidence and the outlook for growth have improved. This reflects the decline in Covid-19 cases in Pakistan and the easing of lockdowns, as well as the timely stimulus provided by the Govt. and SBP. At the same time, the forecast for inflation has risen slightly, primarily due to recent supply side shocks to food prices. Average inflation is now expected to fall within the previously announced range of 7% – 9% during FY-21.
- The MPC noted that financial conditions continue to be accommodative with RIR remaining slightly below zero on a forward-looking basis.
- In reaching its decision, the MPC considered key trends and prospects in the real, external and fiscal sectors, and the resulting outlook for monetary conditions and inflation.

**REAL SECTOR:**

- Following a deep contraction between March and June, the LSMI returned to expansion in July, growing at 5% (y/y). High-frequency demand indicators including auto sales, cement dispatches, POL sales, and electricity consumption also reflects an encouraging pick-up in economic activity. Nonetheless, the economic recovery remains uneven across industries, with the hospitality and certain services sectors especially lagging, and the level of activity generally still remains below pre-Corona levels.
- Going forward, growth is projected to recover to slightly above 2.0% in FY-21, after falling to -0.4% last year. The recovery is expected to be driven mainly by manufacturing-related activities and construction, which are being supported by various financial policies from SBP including the TERF.

**EXTERNAL SECTOR:**

- Despite a challenging environment, the external sector has remained resilient since the Coronavirus outbreak. The flexible market-determined exchange rate, introduced in May 2019, has played its valuable role as a shock absorber, as witnessed in orderly 2-way movement of the currency. Low global oil prices and subdued domestic demand helped to reduce the CAD further during the onset of the Coronavirus. More recently, a gradual recovery is expected in exports and remittances have performed strongly on the back of orderly exchange rate conditions as well as supportive policy steps taken by the Govt. and SBP under the PRI.
- By supporting the current account, which swung into a surplus in July, these developments have helped to restore SBP's FX-Reserves to their pre-pandemic level of around \$12.80bn. Looking ahead, the CAD is expected to remain bounded at around 2.0% of GDP.

**FISCAL SECTOR:**

- Despite severe pressures from the Coronavirus and contrary to expectations, the fiscal deficit for FY-20 ended lower than in FY-19 and the increase in public debt was contained to around 1.0% of GDP. This largely reflects the strong steps taken by the Govt. to ensure a primary surplus in the 9MFY-20, which helped provide fiscal space to respond to the Coronavirus outbreak.

**MONETARY AND INFLANATION OUTLOOK:**

- The MPC noted that, notwithstanding an uptick in headline inflation during June and July, core inflation has been relatively stable and demand-side risks to inflation remain well-contained. Like growth, the inflation outlook is also subject to certain risks. On the upside, risks revolve around food prices, especially in the wake of recent flood-related damages and potential locust attacks. On the downside, the main risk stems from a lower-than-expected pickup in domestic activity.

**CONCLUSION:**

- After reviewing all the key trends and prospects, the MPC decided to keep the policy rate unchanged at 7.0%.

Date	Event	Impact	Actual	Forecast	Previous
22/9/2020	SBP Monetary Policy Deccision	HIGH	7.00%	7.00%	7.00%
22/9/2020	M2-Growth for 11 September 2020	LOW	-0.81%	-0.72%	-0.83%

**MONEY MARKET:**

- Today MM initiated at 6.90% and traded whole day within the range at 6.60%-7.00% and closed at 6.70%.

USD/PKR SWAP YIELDS-%			
PERIOD	SWAP	Change in Premiums	Swap Implied PKR Yield
1-WEEK	0.2275	(0.0050)	7.26%
2-WEEK	0.3880	(0.0050)	7.30%
1-MONTH	1.0050	(0.0450)	7.27%
2-MONTH	1.9950	(0.0300)	7.62%
3-MONTH	2.8950	(0.0300)	7.30%
4-MONTH	3.7250	(0.0400)	7.06%
5-MONTH	4.4250	0.0250	6.61%
6-MONTH	5.1000	0.0250	6.36%
12-MONTH	9.0000	-	5.79%

  

ECONOMIC INDICATORS				
Items	Y	Period	Unit	Figure
<b>Gross Domestic Product-GDP</b>				
GDP		1MFY-20/21	USD bn	22.741
Large Scale Manufacturing Industries-LSMI		FY-19/20	bps	128.93
<b>Foreign Exchange-FX-Reserves</b>				
FX-Reserves-WoW		11-Sep-20	USD bn	19.959
FE-25 Import Financing		July, 2020	USD mn	401
SBP Forward/Swap Position		31-Jul-20	USD bn	(5.774)
Net International Reserves-NIR (EST)		11-Sep-20	USD bn	(11.950)
Kerb USD/PKR		18-Sep-20	Bid/Ask	166.00/166.80
Real Effective Exchange Rate-REER		June, 2020	Rs	93.02
<b>Consumer Price Index-CPI</b>				
Sensitive Price Index-SPI-WoW		10-Sep-20	bps	136.62
CPI (YoY)		July, 2020	%	8.20
CPI- (MoM)		July, 2020	%	0.60
CPI-Urban-YoY		July, 2020	%	7.70
CPI-Rural-YoY		July, 2020	%	9.90
PAK CPI-YoY minus US CPI-YoY			%	8.20%-1.30%
<b>M2 Growth</b>				
M2 Growth-YoY		1 July 20 - 4-Sep 20	%	(0.83)
Net Govt. Sector Borrowing		1 July 20 - 4-Sep 20	Rs bn	(120.36)
GOVT. Borrowing for budgetary support from SBP		1 July 20 - 4-Sep 20	Rs bn	(72.89)
Credit to Private Sector-YoY		1 July 20 - 4-Sep 20	Rs bn	(156.50)
Govt. Foreign Commercial Banks Borrowing		FY-19/20	USD bn	4.855
<b>Policy Rate</b>				
SBP Policy Rate		FY-20/21 YTD	%	7.00
SBP O/N REPO & Reserve REPO Rate		Floor & Ceiling	%	6.00-8.00
SBP Policy Rate minus USD FED Fund Rate			%	7.00%-0.25%
1-Year KIBOR minus 1-Year LIBOR			%	7.08%-0.38%
<b>FX-Economic Data</b>				
Foreign Direct Investment-FDI		2MFY-20/21	USD mn	112.30
Home Remittance		2MFY-20/21	USD bn	4.863
Current Account (Deficit)/Surplus		1MFY-20/21	USD mn	424.00
CAS % of GDP		1MFY-20/21	%	1.90
Trade -Deficit		1MFY-20/21	USD bn	2.098
<b>GOVT. Circular Debt &amp; External Liabilities</b>				
Government Domestic Debt & Liabilities		As at 30-6-2020	Rs trn	14.02
External Debt		As at 30-6-2020	USD bn	70.314
Circular Debt		FY-19/20	Rs trn	2.15
<b>Ratings &amp; Outlook</b>				
Standard & Poor's-S&P		Rating & Outlook	Rank	B-
Moody's		Rating & Outlook	Rank	B3-Stable
<b>Stock Exchange &amp; Market Index</b>				
MSCI-Emerging Market Index-EMI		18-Sep-20	Pts	1,083.55
Pakistan Stock Exchange-PSX-100 Index		18-Sep-20	Pts	41,777.92
Foreign Investor Portfolio Investment-FIP		17-Sep-20	USD '000	(604.314)
<b>Special Convertible Rupee Account-A/C-SCRA</b>				
SCRA-Cumulative		1 July 20 To-Date	USD mn	(188.85)
SCRA-T-Bills & PIB's		1 July 20 To-Date	USD mn	(84.82)

  

Date	Data	Unit	3-Month	6-Month	12-Month
18-Sep-20	US-LIBOR Rate	%	0.22538	0.27525	0.37338

  

KIBOR AND PKRV RATE (%) 22-Sep-20			
Tenor	KIBOR-%	PKRV Rates-%	
1-Month	6.88	7.01	
3-Month	6.94	7.08	
6-Month	7.04	7.15	
12-Month	7.07	7.26	

  

Pakistan Investment Bonds-PIB's				
Period	16-Sep-20		22-Sep-20	
	Cut Off	Yields-%	Bid-%	Ask-%
2-Years	-	7.90	7.85	
3-Years	8.2000	8.27	8.24	
5-Years	8.4500	8.95	8.90	
10-Years - Fixed	8.9900	9.70	9.60	
10-Years - Floating	7.6800	102	101.75	
15-years *	9.9800		10.05	
20-years *	10.5500		10.30	

  

Market Treasury Bills-MTB				
Tenor	26-Aug-20		22-Sep-20	
	Cut Off	Yields-%	Bid-%	Ask-%
3-Months	7.1498	7.12	7.10	
6-Months	7.1800	7.18	7.16	
12-Months	7.3000	7.27	7.25	

  

**Note: \* The secondary yields for 15 & 20-years Bonds are not available, so instead of leaving it blank, we inputted PKRV Rates.**





