

Following clarification was issued by State Bank of Pakistan on September 8, 2019 to Express Tribune for publication in response to its report "Rupee likely to depreciate in next 6 months: SBP" by Salman Siddiqui which was published on September 6, 2019.

Apropos the news item titled 'Rupee likely to depreciate in next 6 months: SBP', by Mr. Salman Siddique and published in your newspaper on 6th September 2019, it is brought to your attention that the headline and the contents of the story are incorrect and highly misleading.

Referring to the FSR, the headline of the story wrongly attributes 'likely depreciation in PKR' to State Bank of Pakistan. Further, in the following two statements the observations of Systemic Risk Survey-3rd Wave (January, 2019) have also been attributed to SBP. Specifically, the statements reported in the story are as follows:

"Over the next six months, foreign exchange rate risk, balance of payment pressures, widening fiscal deficit and increase in domestic inflation were reported as key risks," State Bank of Pakistan (SBP) said in its annual Financial Stability Review (FSR) 2018 launched on Thursday.

"The likelihood of occurrence of a high risk event in Pakistan's financial system over the short-term is slightly higher than the medium-term," the central bank said in the perception survey.

Attribution to SBP in both the statements are improper. It is clarified that the quoted statements are the feedback of respondents of Systemic Risk Survey (SRS) and not an assessment by SBP. In the FSR, the same have been reported in Box 1 on page 8. It would also be pertinent mention that the feedback relates to SRS conducted in January 2019 and hence the perceived next six months' period was January –June, 2019. Mr. Siddiqui reported it as if it relates to 6 months henceforth. The conclusive remarks given in headline are drawn by the reporter and not said anywhere in the FSR.

It is clarified that SBP has not made any such statement related to exchange rate in the FSR. You are, therefore, requested to publish the clarification in tomorrow's edition of your newspaper at a similar noticeable space where the news item was published."

Following is the news item published in Express Tribune on September 6, 2019:

Rupee likely to depreciate in next 6 months: SBP

Express Tribune/Salman Siddiqui

The Pakistani rupee may encounter events of depreciation against the US dollar over the next six-month period. The country, however, remained confident that the actions taken on money laundering and

terror-financing would help it in exiting from the Financial Action Task Force's (FATF) grey-list next month.

"Over the next six months, foreign exchange rate risk, balance of payment pressures, widening fiscal deficit and increase in domestic inflation were reported as key risks," State Bank of Pakistan (SBP) said in its annual Financial Stability Review (FSR) 2018 launched on Thursday.

"The likelihood of occurrence of a high risk event in Pakistan's financial system over the short-term is slightly higher than the medium-term," the central bank said in the perception survey.

The local currency has recovered 2.3% to Rs156.38 to the US dollar compared to fiscal year 2019's closing at Rs160.05 following slight improvement in the current account deficit and foreign currency reserves.

As many as 92 people participated in the third annual survey. These included executives from commercial banks, insurance companies, exchange companies, financial journalists, members of the academia, SECP officials, and think tanks. The SBP launched the survey the next day the global rating agency Moody's highlighted similar risk factors in Pakistan's economy on Wednesday.

"Risk of political uncertainty has subsided after general elections (in July 2018)," the perception survey added. The central bank said that law enforcement agencies are investigating the widest range of terrorism financing activity and that the country will be successful in implementing the action plan agreed with the FATF.

"Pakistan is working to implement the action plan by September 2019 to negotiate an exit from the 'grey-list'," the report said.