



## External Relations Department

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### **Governor SBP Welcomes Change in Moody's Outlook and Recent Market Developments**

Governor SBP, Dr. Reza Baqir, welcomed Moody's change in outlook on Pakistan from negative to stable. He noted that this positive development reflects the recognition of tough decisions taken by the economic policymakers over recent months including the step devaluations of the exchange rate that culminated in the change in the exchange rate regime to a market based system since May 2019. These steps have made our exports competitive, curbed expensive imports and given an incentive to domestic industries to compete with imports, and resulted in a sustained improvement in the current account which has been the key driver of the increase in SBP's reserves net of liabilities. The increase in the stock market is also a reflection of the improving market sentiment and a growing reflection that the country's finances are on a sustainable footing.

The Governor also emphasized that while such market developments are welcome, it is critical to ensure that the emerging financial improvements are translated into real gains for the middle and lower income classes. These sections of the society have borne the bulk of the burden of adjustments from higher income taxes deducted at source for salaried workers, higher indirect taxes, and higher inflation. Rising inflation has partly been the result of the need to restore competitiveness in the exchange rate, increased administered prices to reduce fiscal deficits in the public sector, and unforeseen food supply disruptions. The structural constraints on private investment, as reflected in ease-of-doing business indicators, have to be addressed further to stimulate private job creation and eventually raise incomes. Furthermore, it is equally important to address food supply disruptions and curtail hoarding in food markets to bring down prices. The Governor emphasized that coordinated work in these areas is critical to ensure that the strengthening market sentiment translates into improving the livelihood of the people, particularly in the middle and lower income brackets.

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