



## External Relations Department

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25 August, 2015

### **SBP remains vigilant of foreign exchange market**

The State Bank of Pakistan is cognizant of the global developments related to markets and is keenly observing its impact on the domestic economy as well. Yesterday, financial markets across the globe witnessed turbulence and the panic was most visible in the stock markets.

Earlier, the foreign exchange markets also had their share in this global turmoil. Since the start of devaluation of Chinese Yuan on 11<sup>th</sup> August 2015, currency depreciation around the globe, particularly in the developing countries has accelerated. Many of these countries have allowed their currencies to depreciate primarily to maintain their trade competitiveness against China. Pakistan is also part of the global economies and cannot remain immune to the developments around the globe. This fact raised expectations about a possible impact on the domestic economy and a downward movement of the exchange rate. As a result, on 24<sup>th</sup> August 2015, Pak Rupee depreciated against the US Dollar to close at Rs.104.50. This translates into a single day movement of the currency by 2.4 percent and a cumulative depreciation of 2.6% percent since the beginning of this fiscal year.

It is important to realize that this positioning is driven by international currency movements and not due to any weakness in the domestic economy. The macroeconomic stability achieved through sustained improvements in economic fundamentals is very much intact and these recent developments do not pose any serious challenge to it. Our external sector is robust and reserves are at historically high level.

SBP believes that Pak Rupee will remain stable, going forward, and may even strengthen depending on the relative movement of international currencies. Nevertheless, it is keenly watching the international economic developments and its impact on our domestic economy. It is also watching the rent seekers who tend to take advantage of such situations and cause damage to the economy by their speculative activities. SBP stands ready to take any measure to ensure stability in the markets and will deal with such unscrupulous elements with strong measures.

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