



## External Communications Department

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### **SBP rebuts the claim that capping the price of dollar caused loss of \$3 billion in remittances and exports**

There has been a narration in print & electronic media that suggests that capping the price of dollar caused loss of \$3 billion in remittances and exports. SBP would like to respond to this view, which is incorrect due to a number of factors.

First, export of goods have been facing headwinds due to moderating demand in international markets as most of our major trading partners are going through a period of monetary tightening. For instance, US Federal Funds rate has surged from 0.25 percent in March 2022 to 4.5 percent to date; suggesting a noticeable global monetary tightening. Meanwhile, inflation has been significantly higher in developed world, eating into the purchasing power of consumers. These, together with domestic factors like devastating floods and ensuing supply disruptions, have negatively impacted exports. In this backdrop, linking decline in exports to relatively stable exchange rate is not appropriate.

Second, workers' remittances were gradually tapering off from all time high level of \$3.1 billion achieved in April 2022 due to Eid related flows. This decline is primarily attributed to global economic slowdown as higher inflation in developed countries has led to higher cost of living abroad, thus reducing the surplus funds that could be sent back to homeland as remittances. Moreover, with the resumption of international travel post COVID, some remittances have switched back to FCY cash transfers via overseas Pakistanis travelling to Pakistan.

Thus the decline in Pakistan's exports and remittances is a result of numbers of exogenous factors and domestic reasons and it wouldn't be appropriate to ascribe it to exchange rate only.

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