

PSX Hosts Meeting with Acting SBP Governor, Top SBP Officials & Capital Markets Stakeholders

Karachi, August 19, 2022: Pakistan Stock Exchange (PSX) hosted a meeting where the top management of PSX including Chairperson PSX, Dr. Shamshad Akhtar; MD & CEO PSX, Mr. Farrukh H. Khan, and Board Members PSX met with Acting Governor SBP, Dr. Murtaza Syed, and Deputy Governors, Ms. Sima Kamil & Dr. Inayat Hussain. Also participating in the meeting were Chairman AKD Group & Pakistan Stock Brokers Association (PSBA), Mr. Aqeel Karim Dhedhi; Chairman Arif Habib Group, Mr. Arif Habib; CEO Bank Alfalah Limited, Mr. Atif Bajwa; CEO Atlas Honda Limited, Mr. Saquib Shirazi, and other key market participants.

At the meeting, a wide ranging and robust discussion was held on broader economic issues and on matters impacting the capital market more directly. The Acting Governor delivered a presentation to the participants at the meeting wherein a comparison of Pakistan's economy was made with other emerging economies and the fact that Pakistan has performed relatively well in comparison with some countries was highlighted. Dr. Murtaza Syed talked about the inflation, interest rate, and current account outlook and long term structural aspects of the economy through the presentation. He outlined Pakistan's external financing needs over the next 12 months, noting that the IMF program ensures that these will be fully met. In fact, thanks to the \$4 billion of additional financing commitments from friendly countries that has recently been secured, Pakistan will be over-financed. This will provide an additional boost to Pakistan's FX reserves in FY23.

Speaking on the occasion, Dr. Murtaza emphasised that extreme pressures on Pakistan's FX reserves, currency and current account are temporary in nature, and are being forcefully addressed through proactive and concerted policy measures. On the external sector outlook, Dr. Murtaza elaborated that "the Rupee came under significant pressure during June and July 2022, primarily due to a stronger US Dollar worldwide, the deterioration in the current account deficit, and domestic political uncertainty." He added, "SBP's monetary policy stance and measures to reduce the import bill were prudent and necessary for dissipating inflationary pressures and consequently for sustainable growth in the medium-term". The Acting Governor SBP stated that imports are expected to decline in the coming months owing to some ease in global commodity prices as well as domestic demand moderation due to policy initiatives. On external sector sustainability, Dr. Murtaza emphasized that uncertainty around the IMF program has been resolved with the announcement that the Board meeting for the next IMF review will take place on August 29th. He added that the recent rally in the Rupee is on account of a narrowing of the current account deficit and improved domestic sentiment. In this context, it will be important to ensure that imports remain at a sustainable level going forward, including energy imports. In this context, he noted that it would be prudent to conserve power in residential and commercial activity without affecting the industrial sector. He also emphasized that when the FX market becomes disorderly, the State Bank does intervene to clam the markets and will continue to do so, as needed, in the future. At the same time, strong steps to counter any speculation have also been taken, including close monitoring and inspection of banks and exchange companies.

SBP also informed the participants that payments under FX contracts and L/Cs will soon be back to normal. The issue of dividend announced by NBP was also raised and SBP assured an early resolution of the matter. Other issues discussed included margin financing, inclusion of sukuks and TFCs in the definition of ADR, allowing a portion of the Yuan/PKR swap line for capital market investments and ease of opening SCRA accounts. It was agreed to set up a SBP - capital markets coordination committee to discuss and resolve these and other matters.

Welcoming the SBP Team, the Chairperson PSX, Dr. Shamshad Akhtar, said, "This is a great opportunity to further the discussion that was initiated by the Federal Finance Minister upon his recent visits to PSX. I

PRESS RELEASE



welcome the SBP team and key capital markets stakeholders at this meeting where we will be talking about ways and means to implement the decisions taken in discussion with the Finance Minister as a step forward towards enhancing the capital markets in order to give the much needed boost to our economy.”

In the meeting, the PSX team presented its perspective to the SBP, highlighting that inflation, hike in interest rates, depreciation of Rupee against the Dollar, and the economic situation have affected the capital market adversely and that it looks forward to coordinating with the SBP to take effective measures to address these matters. PSX and all participants appreciated the work done by SBP under very challenging circumstances and congratulated them on successfully overcoming the present economic crisis. It was emphasised that this opportunity must be used to undertake deep reforms so that Pakistan does not have to go back to IMF again in the future.

The capital market participants including the teams from leading brokerage houses and business leaders appreciated the State Bank for their open communication with the public, addressing matters concerning the economy and taking corrective steps such as imposition of austerity measures. Furthermore, the business and industry leaders underscored the need to maintain and reinforce confidence of foreign business partners in terms of honouring Letters of Credit and import contracts.

It was suggested that State Bank focus on key areas including agriculture, remittances, restore confidence of the foreign investors and business partners, and support tech and other exports.

At the end of the session, the MD PSX, Mr. Farrukh Khan thanked the participants and stated, “I thank the Acting Governor State Bank, Dr. Murtaza Syed, and his team along with capital markets stakeholders and industry leaders who have taken the time out of their busy schedules to discuss matters of prime importance concerning the capital markets and the economy.”

He added, “Further to the meetings with the Finance Minister, we held a productive session today on both the macro economy and specific issues relating to capital markets. I would like to again acknowledge and thank the SBP for their support to the capital markets. Under this leadership team, many seminal and innovative initiatives have taken place that will help to grow and deepen Pakistan’s capital markets. These include Roshan Digital Account, Raast Payment system and local KYC sharing between banks and capital markets, amongst others. The detailed interaction today is indicative of the increasing collaboration between banks and capital markets. Such collaboration is essential for sustained and balanced growth of Pakistan’s economy. Under the forward looking leadership of the State Bank and Ministry of Finance, we are confident that positive actions will be taken to implement the decisions and discussions that have taken place so far.”