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Govt to raise Rs6.7tr through T-bills, PIBs

KARACHI: The government seeks to raise Rs6.4 trillion through auction of treasury bills in the next three months in addition to lifting Rs300 billion through Pakistan Investment Bonds (PIBs).

The State Bank of Pakistan (SBP) released the auction calendar for both the T-bills and PIBs auction on Monday announcing its plan to raise Rs6.4tr to retire maturing amount of Rs6.369tr through the T-bills.

The government depends heavily on the banks to meet its budgetary support and other expenses since the central bank has stopped supplying credit to the government after agreement with International Monetary Fund.

In the last T-bill auction held on July 31, the government raised Rs886.8bn and most of the amount was picked up from short-term three-month T-bills. However, the amount raised was massively short of the Rs1.5tr target as banks were reluctant to commit in six- and twelve-month instruments.

The SBP also released calendar for the auction of PIBs to be held during the period between August and October and is planning to raise Rs300bn through these instruments.

However, this amount is much higher than the maturing amount of Rs92.292bn. The government would raise additional Rs207.7 billion through PIBs indicating the rising need of liquidity.

The financial circles believe the government will have no other option but to continue borrowing from banks during the entire financial year.

For years, the SBP has been the main source of credit for government which faces fiscal deficit each year mainly due to shortage of revenue and higher spending. During the last fiscal FY19, the government borrowed Rs2.7tr from the SBP which eventually led to inflationary pressures.

If the government continues to borrow huge sums from the commercial banks, the move would eventually dry up the sector's liquidity limiting private sector's ability to borrow sums.