DAWN

26th January, 2019

SBP gets final tranche of $1bn from S. Arabia

KARACHI: The State Bank of Pakistan (SBP) announced the arrival of another $1 billion deposit from Saudi Arabia on Friday. This is the final tranche of $3bn in cash support that the Kingdom had pledged for Pakistan back in October 2018.

The first two tranches were received in November and December last year. With this third tranche, the total cash support pledged by the Kingdom now stands fully disbursed.

On Thursday, the SBP also received $1bn from Abu Dhabi Fund for Development (ADFD).

The central bank signed an agreement with ADFD for $3bn on Jan 22 following which $1bn was remitted in the SBP account on Jan 24. This quick inflow provided instant help to fast depleting foreign exchange reserves of the country and lent stability to the exchange rate.

The SBP reported that on Jan 18 its reserves had fallen to $6.636bn, hitting five-year lows, however, with the inclusion of $2bn, the reserves will now rise to $8.636bn.

Exchange Companies Association of Pakistan Secretary General Zafar Paracha said the strengthening reserves will likely support the exchange rate in the kerb market, but any moves will have to wait till next week.

“The open market moves with the inter-bank rate, if the banks are not allowed to bring down the conversion rate despite these inflows, there would be little change in the exchange rate of open market,” he explained.

He said the government has depreciated the local currency in line with its policy to increase exports and prepare for the negotiations with the International Monetary Fund.

Director research at Arif Habib Limited said that hopes are high since other segments of the economy have improved with dollar inflows, adding that the trade deficit, which is the actual cause of high current account deficit, was on a 26-month low in December with $2.36bn compared to $3.8bn in June 2018.

“Similarly, oil consumption was down 30 per cent in the first half of the fiscal year which means we are saving dollars by importing lower volume of oil,” he said. He highlighted that the month of January would give better result since the oil prices have gone down to $60-62 per barrel for Arab light crude. “We used $77 per barrel oil in the first four months of the current fiscal year,” he added.

Pakistan currently has $6bn oil facility on deferred payments ($3bn from Saudi Arabia and UAE each) which may be used by next year. “If the government succeeds to raise the reserves up to $20bn as per the target, the oil facility would be more useful by next financial year,” he said.

Shahid Iqbal