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## **Govt raises Rs532.5bn in T-bill auction**

KARACHI: Banks offered huge liquidity of about Rs2 trillion for government Treasury bills in the auction held on Wednesday but the central bank only accepted bids over half a trillion.

The State Bank of Pakistan's (SBP) auction report showed investors willing to park large amount of liquidity in the T-bills of all three tenures.

The central bank received total bids worth Rs1.96tr for T-bills against which it accepted Rs532.5 billion. Interestingly, the government borrowed highest amount in the 12-month period while the cut-off yield for the period was lowest among all tenures.

The government accepted Rs210bn for 12-month papers against bids worth Rs825.68bn while the cut-off yield was 12.79 per cent.

Moreover, the government sold three- and six-month T-bills worth Rs139.2bn and Rs183.2bn with cut-off yields of 13.29pc each respectively. The SBP received highest bids in the three-month instruments at Rs869.2bn.

Despite remaining largely dependent on the banks for its needs since it stopped borrowing from the central bank, the government stuck to its target of Rs600bn in the Wednesday's auction.

This shift by the government to scheduled banks from the central bank for borrowing needs has affected banks' advances to the private sector. Subsequently, in the first half of the ongoing calendar year, growth in advances remained muted.

At the same time, the banks witnessed 6.8pc increase in deposits during the first half of current calendar year. Bank borrowings declined by 12.7pc, the advances-to-deposit ratio dipped to 53.2pc in June from 55.8pc in December 2018.

With the widespread deceleration, the advances could only contribute 14.4pc share in the asset growth during the 1H CY19, lower than the average of 53.3pc during the comparable period of last three years, said a State Bank report.

At the same time, high interest rate at 13.25pc, has barred potential borrowers to get more funds from banks. The high interest rates also caused huge default of Rs88.3bn in the first half 1H CY19 reflecting the worsening situation of the borrowers and increasing losses of the banks.

Since the large-scale manufacturing sector (LSM) indicated negative growth in the first two months of current fiscal year, the cash requirements by the LSM sector have also reduced.

Bankers said they would not prefer to make advances with such high infection rate due to high interest rates. Subsequently, their best option is to park maximum funds in the government papers.

On the other hand, the government has accumulated over Rs10tr through selling of papers till end of August.

The SBP's latest report said the demand for loan-able funds weakened in both private and public sectors. The growth in private sector advances remained minimal at 2.1pc in 1HCY19 as compared to average expansion of 7.6pc in the comparable period of last three years.