

Hot money inflows soar to \$2.9bn

KARACHI: Foreign investment in government's debt papers — mostly treasury bills reached around \$1.5 billion in January alone pushing up total investments in the risk-free papers to \$2.9bn during the current fiscal year.

Latest data released by the State Bank of Pakistan (SBP) showed foreign investors have increased their investment in the country's treasury bills as investment in January alone accounted for almost 50 per cent.

SBP Governor Dr. Reza Baqir while announcing the monetary policy earlier this week said the rising investment in T-bills reflects the improved confidence in the economy.

The country received \$1.445bn during January including \$25.5 million in Pakistan Investment Bonds (PIBs). Most of the investments were concentrated in the short-term three-month T-bills.

The details showed that long-term investment in PIBs was just \$35m during the seven months of the current fiscal year. The government offers PIBs in three, five, 10, 15 and 20-year tenures.

Market experts in financial circles believe the fast growth of foreign investment in the T-bills was mainly due to high interest rate which is currently at 13.25pc.

The increase in investments has worried some financial experts but the SBP has rejected all such criticism that the foreign investment in T-bills (generally termed as hot money) would create problem once it would go back to its origin. The central bank said the hot money is just 3.5pc of the total government debts.

On the other hand, these inflows have created surplus liquidity for local banks. The government, in the recent T-bill auctions raised funds within the target and preferred to accept bids from foreign investors.

The government received bids worth Rs1.1 trillion in the latest T-bill auction held on Jan 29 reflecting the presence of large liquidity in the financial markets. The government only accepted bids worth Rs590bn against the target of Rs500bn.

In its previous auction held on Jan 15, the participants also bid Rs1.1tr but the government accepted only Rs274bn against the target of Rs400bn.

While the SBP believes that increasing dollars inflow through t-bills is a good sign, it also said the government will soon issue Eurobonds. The bank paid \$1bn in December 2019 against the maturity of Eurobonds.

The biggest investor in the T-bills was United Kingdom as the inflows from the country crossed \$2bn mark during the current fiscal year. United States also invested \$792m.

In January this year, investment from UK was \$1.2bn reflecting growing interest of investors.