

Hot money inflows could soar to \$5bn

KARACHI: The government is expecting foreign investment in treasury bills could rise to \$5 billion by end of this fiscal year, sources in the financial sector told Dawn. "If the foreign inflows continue in T-bills, the government will not issue Eurobond this fiscal year," the sources said.

They said the IMF bailout package has improved the country image helping it attract larger inflows of foreign investment especially in treasury bills.

"Over a dozen of large group of investors in a meeting with IMF officials in Washington have shown their interest to make investments in Pakistan including T-bills," said the sources.

The sources said that while government and State Bank also promoted the idea to sell the T-bills to foreign investors, the IMF directly and indirectly helped the country to attract foreign investment in different sectors of the economy.

The country has attracted \$2.9bn foreign investment in T-bills (including \$25.5m in Pakistan Investment Bonds) in first seven months of this fiscal year. In January alone \$1.44bn was invested in the government papers reflecting foreign investors confidence on country's ability to pay back these investments.

The sources said the government is hoping the foreign exchange reserves will cross \$20bn by the end of FY20 and the inflows in T-bills would be an added help. Some economists are critical of encouraging foreign investment (generally termed as hot money) in T-bills saying these investments can be repatriated abroad any time without any restrictions.

However, the government and the State Bank find it an easy way to raise foreign exchange reserves compared to launching of bonds in the international market.

In a recent interaction with the media the governor State Bank has rejected the perception that foreigners were investing in T-bills only due to high rate of return. "The interest rate in past was even higher than the current 13.25 per cent but no foreigner invested in the government papers," he added.