

### **Govt borrows Rs1.ltr from banks in six months**

KARACHI: Government borrowing from the scheduled banks in the last week of December jumped by 55 per cent.

For the first time in the last three years, the government borrowing from scheduled banks crossed Rs1 trillion-mark within six months.

The latest data released by the State Bank of Pakistan (SBP) shows that government borrowed Rs1.116tr from the banks till Dec 27. The borrowing amount was Rs717 billion on Dec 22 which means the government borrowed massive Rs400bn within a week; an increase of over 55pc.

The government borrowing from bank(s) also increased due to non-financing by the central bank. This is the first time that the government could not borrow from central bank. The data shows the government paid Rs452bn to the SBP during FY20 against net borrowing of Rs1.436tr in the same period last fiscal year.

The monetary expansion during the first half of this fiscal year up to Dec 27 was 3.58pc or Rs637bn compared to 2.78pc or Rs444bn in the same period last fiscal year. Monetary expansion is required to beef up growth in the economy but at the same time it causes inflation.

The prevailing consumer price index-based inflation of 12.63pc has already forced the SBP to keep interest rate as high as 13.25pc. Resultantly, the private sector borrowing from the banks has declined amid high borrowing costs. It shows that most of the monetary expansion was from the government side but the cost-push inflation is a real hindrance in the way of lowering interest rates.

Banks have already parked record money in government debt instruments like treasury bills and Sukuk bonds. At the end of October 2019, banking sector's investment in the government instruments was Rs7.34tr.

T-bills and Pakistan Investment Bond auctions showed the government remained within the target most of the time but a sudden jump in the last week of December indicates government's borrowing from banks could rise in future.