

Fiscal deficit, Govt intends to borrow Rs2.95trn in 1QCY20

KARACHI: The federal government plans to borrow some Rs 2.9 trillion from domestic banking system during the first quarter (Jan-Mar) of this year (CY20) to meet fiscal deficit.

On behalf of the federal government, the State Bank of Pakistan (SBP) Wednesday issued three auction calendars of Pakistan Investment Bonds (PIBs) Fixed Rate, PIB Floating Rate and Market Treasury Bills (MTBs) for borrowing during Jan-March of 2020.

According to these calendars, cumulatively the federal government has set a tentative borrowing target of Rs 2.95 trillion from the domestic banking sector during first quarter of FY16 through the sale of long-term and short-term investment bonds.

Bankers said the federal government is still facing revenue shortfall during this fiscal year, of which it has decided to further borrow from domestic banking sector to meet its financial needs.

According to the SBP, an amount of Rs 300 billion will be raised through three auctions of 3-, 5-, 10- and 20-year PIBs Fixed Rate during first quarter of this year. This includes some Rs 389 billion maturity and each auction will be for Rs 100 billion. In addition, some Rs 150 billion will be raised through the sale of PIB Floating Rate during next three months.

The government has planned to borrow Rs 2.5 trillion from domestic banking sector through the sale of short-term government papers through seven auctions in Jan-March 2020. The proposed amount includes Rs 1.964 billion maturity.

Auctions for 3-, 6- & 12-month MTBs will be held fortnightly and total 7 auctions have been announced by the State Bank for the first quarter of current year. Three auctions of T-bills will be conducted in January 2020 with borrowing target of Rs 1.3 trillion. Two auctions will be held in February with a tentative target of Rs 600 billion while the remaining Rs 600 billion will be borrowed in March 2020 through two auctions. Due to higher interest rate on PIBs and MTBs followed by tight monetary policy, the government papers have also attracted over one billion dollars foreign investment during last few months.