INTERNATIONAL THE NEWS

9th January, 2020

Our Correspondent

Government to raise Rs2.95 trillion through treasury bills, PIBs

KARACHI: The government will raise Rs2.95 trillion through Market Treasury Bills (MTBs) and Pakistan Investment Bonds (PIBs) in the first quarter of 2020 to finance its budget deficit, central bank's auction calendar showed on Wednesday.

State Bank of Pakistan (SBP) plans to sell Rs2.500 trillion of three-, six- and 12-months treasury bills and Rs300 billion worth of three-, five-, 10- and 20-year fixed rate PIBs in the next three months.

Moreover, the SBP would also auction Rs150 billion of 10-year floating rate PIBs.

Analysts say the government heavily relies on commercial banks' financing for the budgetary support due to zero-borrowing from the central bank that is one of the important performance criteria demanded by the IMF (International Monetary Fund) under its loan programme.

"There are increasing chances that monetary easing might be delayed beyond March 2020 as the energy tariff adjustments might keep the CPI (consumer price index) inflation elevated," an analyst said.

The IMF, in its country report expects inflation to decelerate slightly to 11.8 percent in FY2020 as administrative and energy tariff adjustments are expected to offset the effects from weak domestic demand. Thereafter, inflation is expected to converge to SBP's 5–7 percent medium-term objective, hitting the midpoint by FY2022.

The CPI-based inflation clocked in at 12.6 percent based on a new base in December, compared to 12.7 percent in November.

Fitch Solutions, in a recent report, sees the central bank's policy rate unchanged at 13.25 percent in FY2019-20 (July-June), following its decision to keep monetary policy unchanged in the final committee meeting of the year on November 22.

"We at Fitch Solutions forecast the SBP to continue to keep its policy rate on hold through FY2019-20 (July – June), having implemented 100bps worth of hikes in the current fiscal year," it said.

"That said, we believe the central bank is likely to lower its policy rate in the second half of the year (first half of FY2020-21), as it looks to create policy space for future jumps in inflationary pressures."