

State Bank's forex reserves hit a 2.5-year high

KARACHI: The central bank on Thursday said its foreign exchange reserves rose to their highest in more than two and a half years this month, which can be attributed to better balance of payment position, inpouring dollars, and new exchange rate regime.

"SBP reserves have increased to \$12.93 billion as of November 13, 2020, which is the highest level since February 2, 2018," the State Bank of Pakistan said in a tweet.

The SBP's reserves increased by \$191 million on a weekly basis and are sufficient to cover three months of imports.

Total liquid foreign reserves held by the country rose to \$20.08 billion from \$19.9 billion in the previous week.

The reserves held by the commercial banks fell to \$7.15 billion from \$7.16 billion.

The SBP did not provide a reason for the increase in reserves.

However, analysts attributed this increase to improvement in the balance of payments, current account surplus, dollar inflows from multilateral sources, and market-based exchange rate regime.

"Reserves accumulation is good, but Pakistan needs them to be even higher than this to absorb external account shocks and manage its currency," said Mohammed Sohail, CEO at Topline Securities.

Some analysts said Pakistan has to repay around \$2 billion in loans and also return potential loans taken to bolster reserves. These repayment outflows could put pressure on the foreign exchange reserves and the rupee in the times to come.

The SBP in its latest annual report said after dropping for three consecutive years, and reaching \$7.3 billion in FY2019, SBP's liquid foreign exchange reserves recovered to \$12.1 billion in FY2020. According to a central bank report, a significant reduction in the country's current account deficit along with multilateral financing helped this recovery. Besides, reserves' quality also showed an improvement, as reflected in a sharp unwinding of the swap book as well as a favorable trend in reserves adequacy, it added.