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- PAKISTAN

Forex reserves up $1.35 billion on official inflows

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With the arrival of official inflows, Pakistan's depleting foreign exchange reserves gained a much-needed support and surged to $17 billion by the end of July 2018. The country's total liquid forex reserves increased by $1.35 billion during a week supported by the arrival of official inflows, reportedly from China as loan. According to the State Bank of Pakistan (SBP) weekly report issued Thursday, the total liquid forex reserves held by the country reached $17.079 billion as on July 27, 2018 compared to $15.729 billion on July 20, 2018.

The State Bank of Pakistan's spokesman Abid Qamar did not disclose the source of inflows; however he confirmed that the country's foreign exchange reserves have been increased due to arrival of official inflows. Sources said that recently Pakistan received some $2 billion from China as loan in the last week of July to arrest the slide in official forex reserves. The increase in the country's foreign exchange reserves has also been attributed to the arrival of inflows from China, they added.

They said Pakistan had already borrowed $1 billion from a Chinese commercial bank in April this year to build its foreign exchange reserves, which are gradually depleting due to the higher current account deficit and rising external debt servicing.

According to the SBP, during the week ending 27th July 2018, SBP's foreign exchange reserves increased by $1.339 billion to $10.350 billion up from $9.01 billion due to official inflows. Reserves held by banks moved up by $12 million to $6.73 billion by the end of the week compared to $6.718 billion a week earlier.

The country's forex reserves hit a peak of $24.461 in October 2016 as proceeds from $1 billion Sukuk were received; however, the level could not be sustained due to higher current account gap, lower external inflows and external debt servicing.

During the last fiscal year (FY18), foreign exchange reserves fell sharply because of scheduled debt obligations, rising current account deficit and other official payments. Several expected forex inflows could not mature during the last fiscal year, of which, the SBP financed the external account deficit and other official payments from its own reserves.

The SBP in its recent report has pointed out that the growing external vulnerability and high fiscal deficit is posing major downside risks to the achievement of GDP growth target of 6.2 percent for this fiscal year (FY19).

The State Bank's foreign exchange reserves fell drastically by over six billion dollars during last fiscal year (FY18), mainly due to external debt serving and higher current account deficit. The reserves held by the SBP stood at $9.788 billion at the end of FY18 down from $16.143 billion at the end of FY17.