

### **Second tranche released by Saudi Arabia**

Pakistan, on Friday, received another one billion dollar from Saudi Arabia under the agreed bailout package for balance of payment support. The country's foreign exchange reserves are on decline due to continued external debt servicing and higher current account deficit. During the week ending 7th December 2018, reserves held by State Bank of Pakistan (SBP) were decreased by \$242 million to \$7.26 billion due to external debt servicing and other official payments.

In order to ease balance of payment crisis, in October this year, Prime Minister Imran Khan visited Saudi Arabia, China and the UEA for financial support to build the depleting foreign exchange reserves and finance the external account. During the visit of Prime Minister, Saudi Arabia agreed to provide a bailout package of worth \$6 billion including \$3 billion of financial support and another \$3 billion in shape of deferred oil payment facility for one year.

Accordingly, first tranche amounted to \$1 billion of pledged amount was arrived on November 19, 2018 and the second tranche of one billion dollar was released, on Friday, by Saudi Arabia under the agreed bailout package for balance of payment support.

An official of State Bank has also confirmed that another one billion dollar as financial assistance from Saudi Arabia has been transferred into the SBP's account. Sources said that Saudi Arabia has placed these \$2 billion with Pakistan for a period of one year, while another one billion dollar will be arrived next month and will remain with Pakistan for next one year.

Although, the official statistics of foreign exchange reserves are not available, but as per estimates with arrival of second tranche of financial support from Saudi Arabia, SBP's foreign exchange reserves may reach above \$8 billion mark.

It may be mentioned here that according to a Memorandum of Understanding (MoU) signed by the Pakistan's Finance Minister Asad Umar and his Saudi counterpart Muhammad Abdullah Al-Jadaan, Saudi Arabia will deposit \$3 billion with Pakistan for a period of one year, besides worth \$3 billion oil on one year deferred payment.

Pakistan is looking several other venues to build its foreign exchange reserves and a part of these efforts Prime Minister also visited China and UAE. In addition, Pakistan is also negotiating with International Monetary Fund (IMF) for a possible loan package for balance of payment crisis. First round of talks (technical level) with IMF officials was held second week last month in Islamabad.

Initially Pakistan was seeking a bailout package of \$12 billion from IMF to overcome from this crisis, however with arrival of inflows from Saudi Arabia, Pakistan is most likely to ask the IMF for a \$6 to \$8 billion loan. The newly elected government has also taken a number of measures to reduce the import bill and curtail the current account deficit. With these efforts Pakistan's goods trade deficit declined slightly 2 percent to 14.5 billion dollar in first five months of this fiscal year.

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