

SBP reserves fall \$342m

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KARACHI: The foreign exchange reserves of the State Bank of Pakistan (SBP) fell by \$342 million to \$9.885 billion on Aug 31, the data released on Thursday showed.

The reserves of the SBP were \$9.789bn in June increasing to \$10.211bn in July but have declined during August, according to official release.

The SBP on Thursday said that outflows of \$342m were utilised for external debt servicing and other official payments. The SBP does not pay for imports, however, increase in import bill results in further widening of current account deficit.

The dollar holdings of commercial banks had been increasing till July 2018 reaching record high of \$6.679bn but started to fall in the current fiscal year lowering to \$6.458bn as Aug 24.

However, on Aug 31 commercial banks reserves once again increased by \$26m to \$6.484bn. The currency market recently reported that the dollars are in short supply indicating that the greenback is being deposited in the commercial banks. This was due to uncertainty arising from the \$9bn gap. Also, trade data for July showed that import bill was still increasing faster than exports inflows.

The reserves of the central bank are being used to meet the current account deficit which was \$18bn in FY18. Finance Minister Asad Umar recently said the country needs \$9bn to meet the deficit.

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