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Investment in T-bills jumps to \$1.41bn

KARACHI: Foreign investment in government debt papers continued with the addition of over \$400 million within a month.

The latest data issued by the State Bank of Pakistan (SBP) on Friday shows that the treasury bills attracted \$413m during a month, which pushed the total foreign investment in government papers to \$1.413 billion.

On November 25, the total inflow in the T-bills was \$1bn which has since jumped to \$1.4bn, reflecting the growing confidence of foreign investors.

These inflows in local debt papers support, to some extent, the government's claim that investment environment has improved. Prime Minister Imran Khan has recently announced that 2020 will be the year of economic progress and stability.

Around half a billion dollar investment in the equity market could not stay and the outflow of \$542m practically reduced the overall inflows in t-bills and equity during a month period; the collective inflows were \$1.956bn during the month.

This is the first time that Pakistan has succeeded to attract such large foreign inflows in government papers which has affected other investment too.

For example, the foreign direct investment during 5MFY20 surged by 78 per cent to \$850m,.

Financial sector, which has been investing heavily in government papers, believes that the high returns on T-bills were the main attraction for foreigners. Currently the returns on three-, six- and 12-months T-bills are 13.51pc, 13.28pc and 13.24pc, respectively.

However, analysts believe the new direction of foreign investment was due to State Bank's encouragement and marketing for the t-bills which paid the returns. A debate is going on among the financial and corporate sector regarding the policy interest rate which is the key attraction for foreign inflows in T-bills.

The SBP has indicated that the interest may not be changed during this fiscal year due to high inflationary pressure in the economy. The present interest rate, which is at 13.25pc is being criticised by the business sector as it discourages investment in new ventures and expansions.

Details show that the inflows in T-bills are largely coming from two countries: the United States and the United Kingdom.

The investment from the UK was \$720m while \$621m came from the US. The only other significant inflow amount was worth \$48m from Luxemburg.