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Pakistan's debt pile soars to Rs22.5tr

By Shahbaz Rana, Published: August 31, 2016

ISLAMABAD: Pakistan's total debts and liabilities swelled to Rs22.5 trillion by last fiscal year end – a net increase of over Rs2.6 trillion within one year, according to the State Bank.

In terms of the total economy size, the country's liabilities increased by another 3.7% of Gross Domestic Product (GDP) to 75.9% and crossed a dangerous mark, suggesting the country has fallen in a debt trap.

As against the Rs19.85-trillion level of the 2014-15 fiscal, Pakistan's total liabilities increased to Rs22.5 trillion by June 30 of this year, showing 13.2% growth over the previous year, said the State Bank of Pakistan.

The total debt includes the obligations of the government and the private sector, although the private sector debt is minimal compared with the government's debt pile.

Excluding liabilities, the total debt grew to Rs21.5 trillion by last fiscal year-end – a whopping 72.5% of GDP and a net increase of Rs2.55 trillion from the previous financial year.

The external debt grew to Rs7.27 trillion at a faster pace than the domestic debt, although both components registered double-digit growth. This was an addition of Rs1.1 trillion in a single year on the back of 16.3% growth, according to the central bank.

The government claims its external debt is Rs5.4 trillion, although it raises serious questions about the government's definition of debt calculation.

In terms of the US dollar, the total external debt and liabilities have increased to \$73 billion – a net addition of \$7.83 billion in a single year.

The increase in external debt is more than the International Monetary Fund (IMF) estimates that had put the figure at \$71.87 billion in its last report.

The IMF had also estimated that the public debt would rise to 64.3% of GDP by the end of the 2015-2016 fiscal.

The government's domestic debt also swelled to Rs13.62 trillion – higher by Rs1.43 trillion or 11.7% over the previous year's level. The debt of public-sector enterprises grew at an alarming pace of 24% and was registered at Rs568 billion.

Pakistan has been borrowing heavily to meet budget needs, as it remains unable to broaden its extremely narrow tax base. The government, however, instead of improving its affairs got the definition of public debt changed from the IMF.

While the earlier statutory definition of debt was "a sum of total outstanding borrowings", the new definition is "the debt of the government serviced out of the consolidated fund and debts owed to the IMF".

Dr Asfhaque Hasan Khan, a former director of finance ministry's general debt department, said the increase in debt was beyond anybody's expectations. "I anticipated the total debt would grow to Rs20.5 trillion by the end of fiscal year 2015-16," he said, adding that such an alarming rise suggested the government was borrowing secretly.

In its last report, the IMF said Pakistan's fiscal deficit declined significantly although public debt remained high. For a developing country like Pakistan, 50% debt-to-GDP ratio is considered sustainable. Due to the alarming increase in debt, a major portion of the budget goes now towards debt servicing.

During the past three years, the PML-N government has been subject to severe criticism for acquiring expensive foreign debts and increasing the debt mountain.

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<http://tribune.com.pk/story/1173193/pakistans-debt-pile-soars-rs22-5tr/>

In three years, Pakistan has taken on \$25b in fresh loans

By Shahbaz Rana, Published: October 20, 2016

ISLAMABAD: In its three-year stint, the PML-N government has obtained \$25 billion as fresh foreign loans in addition to borrowing Rs3.1 trillion (\$30 billion) from the domestic market for budget financing, said Ehtesham Rashid, Director General of the Debt Office at the Ministry of Finance Wednesday.

In dollar terms, the government's total domestic and foreign borrowings amounted to \$55 billion during the last three years. However, the impact of domestic borrowing is not as adverse as that of foreign borrowings due to the liberty of printing rupee amid inflation that remains under control.

Out of the \$25 billion in foreign loans the government has obtained from June 2013 to June 2016, an amount of \$11.95 billion was spent in repayment of previous loans, said Rashid.

Briefing the Senate Standing Committee on Finance over the state of the country's indebtedness, he said that net addition in external debt during the last three years has been \$13 billion. The debt profile the DG presented in the committee showed that both domestic and external debt was growing alarmingly at double-digit pace.

There was a net addition of \$5.6 billion in the country's external debt during the last fiscal year 2015-16, showing a growth of 28.2% over the increase in foreign debt in 2014-15, according to the Finance Ministry. Similarly, in 2014-15, the net increase in debt was \$4.42 billion, higher by 53% over the increase reported in the preceding year. During the last three years, the government paid \$2.74 billion in interest on foreign loans.

Out of \$25 billion foreign loans, an amount of \$1.85 billion was borrowed from commercial banks without competitive bidding, raising transparency concerns. While citing the work done by Dr Ashfaque Hasan Khan, Senator Saleem Mandviwalla, Chairman Standing Committee, questioned that whether the Finance Ministry was secretly borrowing from foreign sources.

However, the debt office DG maintained that the government was not secretly borrowing from abroad.

Pakistan's debt woes

A recent report by the International Monetary Fund (IMF) revealed that Pakistan's external debt was primarily increasing because of the government's inability to enhance exports and attract foreign direct investment.

The much-touted 'highest-ever' foreign currency reserves have largely been built by obtaining expensive foreign loans, which according to independent economists is not a sustainable way to increase reserves.

The government borrowed \$3.5 billion by issuing bonds in the international debt markets during the last three years, excluding the last Sukuk bond worth \$1 billion that was issued this month. It obtained \$9.7 billion in loans from multilateral banks including the World Bank, Asian Development Bank and Islamic Development Bank and \$3.6 billion from bilateral countries. An amount of \$6.2 billion of the IMF borrowings was also part of fresh debt.

Domestic borrowing

The situation on the domestic front is also not different. Rashid said that during last three years, the government obtained Rs3.114 trillion in fresh loans.

Pakistan's total debt and liabilities stood at Rs22.4 trillion as of June this year, according to the State Bank of Pakistan.

The Finance Ministry maintained that it would be incorrect to consider domestic debt maturing in the near future as posing any risk of default since the sovereign owes these debts in local currencies. It added that the total interest payment on the domestic debt as percentage of GDP was "moderate at around 4%".

However, in absolute terms, debt servicing cost has been high, standing at Rs3.43 trillion during the last three years. The amount was higher than what the government borrowed from domestic sources during the past three years. To a question, the debt office official said that as of June this year the debt-to-GDP ratio was 66.5%.

In June, the government made a clever move to avert criticism against growing public debt. It amended Fiscal Responsibility and Debt Limitation Act of 2005 through Finance Act aimed at changing the goalposts to hide its inefficiencies.

The Finance Ministry not only diluted the law but also got relaxed the statutory limit of restricting the public debt at 60% of GDP.

Both the PPP and the PML-N governments had been in violation of this condition. Now, the government has set a new statutory deadline of June 2018 to bring the debt to 60% of GDP level as against the earlier deadline of June 2013.

Published in The Express Tribune, October 19th, 2016.

<http://tribune.com.pk/story/1203863/external-debt-three-years-pakistan-taken-25b-fresh-loans/>

Pakistan Total External Debt 2002-2017

External Debt in Pakistan increased to 74638 USD Million in the third quarter of 2016 from 72978 USD Million in the second quarter of 2016. External Debt in Pakistan averaged 51034.27 USD Million from 2002 until 2016, reaching an all time high of 74638 USD Million in the third quarter of 2016 and a record low of 33172 USD Million in the third quarter of 2004.



<http://www.tradingeconomics.com/pakistan/external-debt>

Pakistan Total External Debt Forecast 2016-2020

External Debt in Pakistan is expected to be 77823.38 USD Million by the end of this quarter, according to Trading Economics global macro models and analysts expectations. Looking forward, we estimate External Debt in Pakistan to stand at 81546.87 in 12 months time. In the long-term, the Pakistan Total External Debt is projected to trend around 89214.19 USD Million in 2020, according to our econometric models.

PAKISTAN TOTAL EXTERNAL DEBT



SOURCE: WWW.TRADINGECONOMICS.COM | STATE BANK OF PAKISTAN

<http://www.tradingeconomics.com/pakistan/external-debt/forecast>

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This link is to a very good study done by the Express Tribune in 2014 on the whole question of foreign debt in Pakistan:

<http://labs1.tribune.com.pk/the-express-tribune-explains-foreign-debt/>