

Public debt swells 11.8pc to Rs27 trillion till January-end

KARACHI: Pakistan's public debt swelled around 12 percent to Rs27.070 trillion as of January 31 compared with Rs24.212 trillion in June-end last year, the central bank's data revealed on Wednesday, as the government tapped fund sources to offset stunted revenue collection and meet expenditures.

The State Bank of Pakistan's (SBP) data showed that the increase has been Rs2.858 trillion in value term since June-end 2018.

The public debt had increased 19.30 percent to Rs22.690 trillion during the corresponding period a year earlier.

The SBP's data showed that domestic debt amounted to Rs17.975 trillion at the end of January compared with Rs16.416 trillion in June last year.

Foreign debt stood at Rs9.095 trillion at the January-end compared to Rs7.795 trillion in June last year.

A majority of the rise in external debt stemmed from loans from China, foreign commercial banks and proceeds from Eurobond/sukuk issuance, and currency depreciation.

The increase in foreign debt value was primarily due to exchange rate depreciation. Rupee lost around 26 percent against the US dollar last year. Composition of domestic debt, however, shifted towards non-banking sources and borrowings from the central bank since the last fiscal year.

The government mainly borrowed from the SBP to retire its debts held by the banks. Monetary tightening attracted banks to park money into risk-averse government securities. Their investment pattern tilted towards short-term papers, indicating further policy rate hikes. The SBP raised its key policy rate by cumulative 450 basis points to 10.25 percent since January last year.

The economy is struggling from severe pressure on its public finances. The government borrowed from banking sources such as banks and the SBP to finance budget deficit.

Budget deficit is set to reach 6.9 percent of gross domestic product in FY2019 from 6.6 percent recorded in the last fiscal year, the International Monetary Fund estimated.

The government, however, kept its target for annual budget deficit at 6.3 percent that is above the 5.1 percent target set in September last year by a wide margin.

Fiscal slippages are emerging from both sides — stunted revenue collection and expenditure overrun.

The central bank sees budget deficit to increase to 5.5 to 6.5 percent of GDP in FY2019, above its previous projection of 5 to 6 percent of GDP. The SBP said the fiscal policy has been recalibrated to work in tandem with the stabilisation objective since the formation of the new government. "It has cut budgeted development expenditures for FY19 and has partially reversed the tax relief measures that were announced earlier; as mentioned before, these measures had contributed to lower revenue mobilisation," the central bank said in its latest quarterly report.