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# External debt, liabilities hit historic high of $105bn

KARACHI: The country's external debt and liabilities continued upward momentum, reaching all-time high of $105 billion at the end of March 2019, mainly due to massive borrowing from multilateral and bilateral sources for balance of payment support.

Economists said that socks of external debt will further increase in coming days as recently Pakistan and the International Monetary Fund (IMF) have reached a staff level agreement on 39-month Extended Fund Facility programme worth $6 billion to ease pressure on Pakistan's external account.

Samiullah Tariq, an economist at Arif Habib said as Pakistan has been incurring a massive current account deficit, the country is continually borrowing to finance it. "The country needs to promote exports and become part of the global value chain to increase employment and economic activities rather than debt funded growth," he added.

According to the State Bank of Pakistan (SBP), the country's external debt and liabilities (stocks) posted an increase of 11 percent during July-March of FY19. Pakistan's total external debt and liabilities surged to $105.84 billion as on March 31, 2018 compared to $95.236 billion on June 30, 2018, depicting an increase of $10.605 billion during the first nine months of this fiscal year.

As percent of GDP, total external debt and liabilities rose to 38.7 percent in March this fiscal year against 33.7 percent in June last year. However, during the period under review, the official foreign exchange reserves slightly increased by $9.866 billion to $10.884 billion.

The total stocks of debt and liabilities comprise Paris Club, Euro Sukuk Global Bond, IMF loan, foreign exchange liabilities, Public Sector Enterprises (PSE) guaranteed debt and non- guaranteed debt, banks borrowing, non-residential deposits, private sector guaranteed/non-guaranteed debt and foreign exchange liabilities and debt liabilities to direct investors.

The detailed analysis revealed that public external debt has highest share of 80 percent in the country's total external debt and liabilities. Public external debt went up by 12 percent or $8.873 billion during July-March of FY19. Out of total external debt and liabilities, public debt was $84.23 billion in March 2019 up from $75.357 billion in June 2018.

During the period under review, government external debt increased from $64.142 billion to $68.412 billion. The IMF's debt declined by $330 million to $5.765 billion. In addition, PSEs' debt increased by $807 million to $3.478 billion.

Similarly, with an increase of 10 percent or $430 million, the banks' borrowing reached $4.846 billion in March versus $4.416 billion in June last year. Private sector debt also showed upward trend and surged by 10 percent to $10.137 billion during the first nine months of this fiscal year.

Similarly, during the period under review, debt liabilities to direct investors slightly declined by $446 million to $3.151 billion end of March 2019.

During this fiscal year, Pakistan has obtained some $7 billion from friendly countries for balance of payment support and avoiding default. Saudi Arabia has placed some $3 billion and UAE some $ 2 billion for one year with Pakistan. In addition, recently China has extended a $2 billion loan to build the depleting foreign exchange reserves.

Another economist, Muzammil Aslam said that Pakistan external debt and liabilities have swollen due to huge current account deficit. Moreover, CPEC projects have led sharp uptick in liabilities. The recent round of devaluations has reduced the GDP to $282 billion. This has increased overall external debt to GDP significantly at alarming level, he added.

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