

Debt, liabilities soar to Rs41.49trn

ISLAMABAD: Pakistan's total debt and liabilities have stood at Rs 41,489 billion on September 2019, reflecting an increase of Rs 11,610 billion over fiscal year 2018, according to Finance Ministry.

Debt policy statement for fiscal year 2019-20 uploaded by the Finance Ministry on its website on Friday stated that total debt and liabilities stood at 94 percent of the GDP in fiscal year 2019 as opposed to 86.3 percent of the GDP in fiscal year 2018.

Total public debt has increased to Rs 34,241 billion at the end of September 2019 (77.8 percent of the GDP) from Rs 24,953 billion (72.1 percent of the GDP) and total debt of the government increased to Rs 29,300 billion in September 2019 from Rs 23,024 billion in fiscal year 2018.

Total public debt increased by Rs 7,755 billion during fiscal year 2018-19, out of which;(i) Rs 3,635 billion (47 percent) was borrowed for meeting the federal budget deficit;(ii) Rs 3,061 billion (39 percent) was due to currency depreciation;(iii) Rs 927 billion (12 percent) was offset by higher cash balances necessary for effective cash management as the government is committed to zero borrowing from SBP in future; and;(iv) Rs 132 billion (2 percent) is difference between the face value (which is used for recording of debt) and the realized value (which is recorded as budgetary receipt) of Pakistan Investment Bonds issued during the year.

According to Finance Ministry, one of the developments from debt management perspective in fiscal year 2018- 19 was the re-profiling of domestic debt, where government re-profiled the existing stock of SBP borrowing from short term (6 months) to medium to long term (1 to 10 years). The re-profiling took into effect in the month of June 2019, which increased the share of long-term debt (permanent and unfunded) in total domestic debt from 46 percent at end June 2018 to 73 percent at end June 2019.

This structural shift has reduced the refinancing risk for the government as average time to maturity of domestic debt portfolio increased from 1.6 years at end June 2018 to 4.2 years at end June 2019 which is very close to the long-term target set by the government for its domestic debt portfolio, added the Ministry.

The government domestic debt has increased from Rs16, 416 billion in fiscal year 2018 to Rs 22, 650 billion in September 2019. The increase in domestic debt was Rs 1,918 billion during first quarter of fiscal year 2019-20 while government borrowing for financing of federal fiscal deficit from domestic sources was only Rs 308 billion during the period.

The Ministry stated that remaining increase in domestic debt was on account of increase in cash balances of the government by around Rs 1,610 billion. In the wake of government commitment to zero borrowing from SBP, a cash buffer is being maintained to meet short term liquidity needs of the government.

The size of the cash buffer keeps changing in line with the liquidity requirements. This is the normal cash management practice which is followed throughout the world whereby cash buffers are built in anticipation of the upcoming maturities/contingencies. The size of cash buffer has reduced significantly by end December 2019. Government borrowing for financing of federal fiscal deficit from external sources was Rs 166 billion during first quarter of fiscal year 2019-20 while external public debt stock decreased by Rs 385 billion.

The impact of exchange rate was favorable during first quarter of current fiscal year which decreased the rupee value of external public debt stock at end September 2019; Total Debt of the Government (Net Debt) decreased by Rs 221 billion during first quarter of FY 2019-20 which indicates that exchange rate gains on account of appreciation of Pak Rupee against US Dollar more than offset the increase caused by financing of fiscal deficit.

External debt and liabilities (EDL) stood at US\$ 106.3 billion by end June 2019, registering an increase of US\$ 11.1 billion. One half of the increase in EDL was due to rise in State Bank of Pakistan (SBP) liabilities in the form of deposits placed by bilateral partners (Saudi Arabia, the UAE, and Qatar). These deposits only provide balance of payments support, add to foreign currency reserves and do not come as an extra resource in the budget.

External public debt increased by US\$ 3.2 billion during fiscal year 2018-19 compared with the increase of US\$ 7.7 billion during fiscal year 2017-18. A sizeable repayment (US\$ 7.4 billion) reduced the pace of external public debt accumulation during fiscal year 2018-19; PSEs external debt increased by US\$ 1.3 billion mainly driven by development loans obtained by concerned PSEs; and private sector loans recorded an increase of US\$ 1.2 billion, stated Finance Ministry.