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Erum Zaidi

External debt repayment up 27pc to $3.9bln in second quarter

KARACHI: Pakistan coughed up a massive $3.907 billion in repaying external debt and interest payments in the second quarter of the current fiscal year, up 27 percent over the previous three-month period, as foreign loan obligations piled up during the present government that is engrossed in keeping balance of payment crisis at bay.

The State Bank of Pakistan's (SBP) latest data revealed that external debt servicing swelled $829 million from $3.078 billion in the July-September quarter of the current fiscal year of 2019/20.

Principal and interest payments on foreign loans were seen going up during the period under review. Payments on principal amounted to $3.058 billion, compared to $2.277 billion. Interest payments stood at $849 million compared to $801 million.

Growing foreign debt servicing is attributable to higher interest payments on euro/sukuk bonds, multilateral and commercial loans.

The government tapped external sources of revenue to stabilise the country's balance of payment position and subsequently succeeded in curtailing current account deficit by a significant 75 percent in the first half. Foreign exchange reserves held by the SBP rose by $157 million to $12.430 billion as of February 7.

But, this is piling up foreign debt burden on the economy. External debt rose to $111 billion in the second quarter of FY2020 from $106 billion as of June-end last year. External debt swelled $14.97 billion since the induction of the Pakistan Tehreek-e-Insaf-led government in 2018.

The present government repaid $8.39 billion on account of foreign debts between August 18, 2018 and June 30, 2019. The government in the first six months of this fiscal year paid a cumulative $6.985 billion in external debt servicing.

Analysts estimate the country has to pay off $10-12 billion in foreign loans during the current fiscal year.

The International Monetary Fund (IMF) expected Pakistan's external debt to reach $112.5 billion in FY2020, which will be equal to 43.4 percent of GDP. The country's external debt would increase to $130 billion by the end of fiscal year 2023, according to the IMF projection.

Last year, the IMF agreed to lend $6 billion under the three-year extended fund facility to help the country put off balance of payment crisis, triggering floodgate of foreign loans and restored foreign loan programs by the World Bank and Asian Development Bank that were previously halted.

The SBP's data revealed that the country made debt repayments to bilateral, multilateral and commercial creditors during the October-December FY2020, which is not a positive development for the foreign exchange reserves and the current account deficit, in the longer term.