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Rising debt, liabilities shrinking fiscal space to meet requirements

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ISLAMABAD: There is a difference of Rs1.57 billion in the figure of daily interest on Pakistan's domestic and foreign loans given by Prime Minister Imran Khan and the one existing in the official documents.

The premier said a day back that the government has to pay Rs6 billion interest on its loans every day apart from the repayment of the principal amount. However, as per the official data, the daily interest comes to Rs4.43 billion.

"The prime minister has updated figures on the basis of extensive briefings he has been given," Dr Ashfaque Hassan Khan, who is a member of Imran Khan's Economic Advisory Council (EAC), told The News when approached for his take.

He said the federal budget, unfolded in April this year by the previous government, relied on the figures of February-March, which were not relevant now in view of increased deficit and fresh borrowings. Additionally, he said, interest has also gone up.

Besides, at the time, the deficit was 5.8pc while it is now 7pc, the economist said adding that the previous government underestimated figures. According to the official documents, Pakistan is projected to pay Rs1,620 billion mark-up on its entire domestic and foreign loans, coming to Rs4.43 billion per day. This comprises Rs1,391 billion interest on domestic borrowings and Rs229 billion on foreign loans. However, over the past few months particularly during the caretaker period Pak rupee significantly slumped as against US dollar, which pushed up the foreign liability and interest on it.

Considering the prime minister's figure of Rs06 billion daily interest, the annual total comes to Rs2,190 billion in a non-leap year. Pakistan's total debt and liabilities pushed up sharply and touched Rs29.861 trillion or 86.8 per cent of GDP till June 30, 2018, indicating that each Pakistan individual, adult or minor, owed Rs144,256 on account of increasing debt burden, official data showed.

The external debt and liabilities (EDL) peaked to $95.097 billion on June 30, posing a serious threat to Pakistan on repayment of its foreign obligations. The external debt servicing consumed $7.479 billion in last fiscal year 2017-18, including principal amount of $5.186 billion and interest payment of $2.293 billion. The EDL, in percentage of GDP, stood at 33.6pc.

The rising debt and liabilities resulted in shrinking of fiscal space for the government to meet requirements for all other important sectors as the debt servicing ate up more resources collected on account of tax revenues in months and years ahead.

The State Bank of Pakistan (SBP) data showed that the total debt and liabilities went up to Rs29.861 trillion on June 30 against Rs25.109 trillion till June 2017, indicating that the total debt increased by Rs4.752 trillion just alone in last financial year 2017-18.

The total debt and liabilities stood at Rs29.861 trillion till June 2018 but the total debt of the government in accordance with definition of Fiscal Responsibility and Debt Limitation Act (FRDLA) amended in June 2017 stood at Rs23.050 trillion, so there was difference of Rs06 trillion between the two definitions of debt.

Dr Ashfaque Hassan Khan was of the firm view that Pakistan should not go to the International Monetary Fund (IMF) as it could manage the prevailing precarious financial scenario through different measures.

He said that to avoid the IMF, $5-6 billion could be arranged by cutting down imports and another $1/1.5 billion could be managed by increasing exports. This will provide the desired space, he added.

The economist said he gave these proposals when asked about the options if the IMF was not to be approached. He believed that the general perception was not yet clear in the government whether or not to go to the IMF. “We must live without the IMF for the sake of national honour and dignity.”

Dr Ashfaque Hassan Khan disclosed that for the past one year, Pakistani expatriates in Saudi Arabia were not allowed to send their remittances through the banks. That’s why there was a decline of $1.1 billion in remittances from the Kingdom, he said.