

China emerges biggest lender with \$289mln financing in July

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ISLAMABAD: China emerged as the biggest lender for Pakistan in July, extending financial assistance at \$289 million out of the total \$468 million in loans and grants received from various bilateral and multilateral creditors during the month, official data revealed on Wednesday.

In July, financing from foreign commercial banks stood at \$70 million, followed by Asian Development Bank (\$27.4 million), International Development Association (\$23.14 million), Saudi Arabia (\$16.5 million), Germany (\$15.8 million), USA (\$14.2 million), France (\$10.9 million), UK (\$9.19 million), Kuwait (\$3.07 million), International Fund for Agriculture Development (\$1.88 million) and OPEC (\$0.41 million), according to the data. Of the total monthly disbursements, \$439 million were loans and \$29.14 million grants.

The government envisaged total foreign financial assistance at \$9.6 billion for the current fiscal year of 2018/19 as against \$11.486 billion in the last fiscal year of 2017/18.

The current account deficit was projected to come down to around \$14 to 15 billion in the current fiscal year from \$18 billion during the last fiscal year owing to slowdown of imports especially related to projects under China Pakistan Economic Corridor.

Officials said most of the energy and infrastructure projects have entered into completion phase and now pressures on imports are bound to reduce in months ahead.

But, the gross financing requirement needs to be worked out in details in a bid to present the real picture because all projections on current account and budget deficits made by ministries of finance and planning and approved by the highest economic decision making forum National Economic Council last fiscal year proved wrong and were missed out with huge margins.

The Economic Advisory Council, which is scheduled to meet under chairmanship of Prime Minister Imran Khan on Thursday (today), must work out exact financing requirements on external front and then devise its strategy to manage dollar inflows on immediate basis instead of waiting for eruption of full-fledge crisis that could result in rapid depletion of foreign currency reserves.

The country's reliance on short-term borrowings and balance of payment supports increased manifold in FY2018 as the country desperately sought loans from banks to bridge the massive external financing requirements and avoid fast depletion of foreign currency reserves.

The government generated \$3.7 billion through commercial borrowing and balance of payment/cash support against the envisaged target of \$1 billion in FY2018.

The commercial loans were mainly from Chinese banks, including \$200 million from Bank of China, \$1 billion from China Development Bank and \$1 billion from ICBC China. Islamabad got \$267 million from Citibank, \$79 million from Dubai Bank, \$200 million from Noor Bank, \$200 million from SCB (London) and \$770 million from a consortium of Sussie, ABL and UBL. The new government planned to curtail short-term borrowings to \$2 billion in the current fiscal year.

The government also planned to generate \$3 billion through launching of international sovereign bonds and Pakistani diaspora bonds.