

Pakistan's Government Debt Profile: Devaluation's Influence on Finances and Borrowing Trends:

Description	PKR in Billions									
Description	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Govt. External Debt (USD Million)	48,440	46,861	51,714	56,430	64,142	67,800	70,314	79,073	81,941	76,926
i. Govt. External Debt	4,877	4,775	5,418	5,919	7,796	11,055	11,825	12,439	16,747	22,031
ii. Govt. Domestic Debt	10,907	12,193	13,626	14,849	16,416	20,732	23,283	26,265	31,085	38,809
Total Govt. Debt (i + ii)	15,784	16,968	19,044	20,768	24,212	31,787	35,107	38,704	47,832	60,840
Borrowing During FY	1,776	1,184	2,076	1,724	3,444	7,575	3,320	3,597	9,128	13,008
Devaluation / (Revaluation)	(91)	57	148	7	1,068	2,814	360	(858)	3,857	6,309
Net Borrowing	1,867	1,127	1,928	1,717	2,376	4,760	2,960	4,456	5,271	6,699
% of Devaluation on Net Borrowing	(4.85)	5.06	7.68	0.41	44.96	59.12	12.15	(19.27)	73.17	94.18
Exchange rate (PKR/USD)	100.68	101.90	104.76	104.89	121.54	163.05	168.17	157.31	204.38	286.39
GDP	27,953	30,426	32,725	35,553	39,190	43,798	47,540	55,836	66,624	84,658
Total Govt. Debt to GDP Ratio (%)	56.46	55.77	58.19	58.41	61.78	72.58	73.85	69.32	71.79	71.87

The table *infra* illustrates Pakistan's debt dynamics throughout a decade of Fiscal Years, spanning from FY14 to FY23. In FY23, Pakistan's external debt rose to USD 76,926 million from USD 48,440 million in FY14. Additionally, the total government debt increased to PKR 60,840 billion in FY23 from PKR 15,784 billion in FY14. This escalation is due to the fact that the amount of Pakistan's currency needed to repay the same foreign debt increases when its exchange parity loses value. This situation negatively affects Pakistan's fiscal position for the last five years, thereby fiscal deficit rises significantly. This drop has made repaying debts more expensive for Pakistan. Additionally, only PKR 858 billion of revaluation occurred in the FY21, as a result of the COVID pandemic and temporary influxes of speculative funds ("hot money"). Regrettably, these funds turned out to be detrimental to Pakistan's economy in the coming years after FY21. Consequently, looking ahead, the impact of devaluation on borrowing has risen substantially, with an increase of PKR 3,857 billion in FY22 and PKR 6,309 billion in FY23. The effect of the declining value of parity to 286.39 (PKR/USD) in FY23 and 204.38 (PKR/USD) in FY22 can be observed in the heightened cost of repaying debts. Furthermore, if we examine the years from FY14 to FY18, the stable currency value only led to a relatively modest rise of PKR 1,190 billion in total borrowing over these five years. However, FY18 alone experienced a substantial impact of PKR 1,068 billion due to significant exchange rate depreciation. To effectively manage the mounting debt, specially in light of devaluation, Pakistan needs to make prudent financial decisions, adeptly manage its debt, and focus on boosting its economy to ensure the stability of its finances in the long run.

