Estimate of Pakistan debt from 2010 floods

October 2022

In 2010, Pakistan was hit by devastating floods. At the time the government estimated that the economic losses from the floods were $43 billion.[1]

In 2009, prior to the floods the Pakistan government had a deficit of 4.5% of GDP.[2] The IMF predicted that it would fall to 2.6% in 2010, 2.3% in 2011, 1.9% in 2012 and 1.7% in 2013.[3] This did not happen. In fact, the deficit increased to 5.3% in 2010, 5.9% in 2011, 7.7% in 2012 and 7.4% in 2013.[4]

The difference between the IMF's predicted deficit and actual deficit from 2010 to 2013 is $43 billion.[5] The difference between a deficit of 4.5%, the deficit before the floods, and the actual deficit from 2010 to 2013 totals $21 billion.[6]

The scale of the losses from the floods, and the increase in the deficit both on IMF predictions and the deficit before the floods mean **we estimate that the floods led to Pakistan having to borrow between $20 billion and $40 billion more than would have been the case**.

The average interest rate across all Pakistan government debt in 2010 was 7.8%.[7] If this was the average interest rate on the new borrowing due to the floods, annual interest payments on this debt will have been $1.6 billion to $3.1 billion.

We estimate that the floods led to Pakistan having to borrow between $20 billion and $40 billion more than would have been the case, and this led to annual interest payments of between $1.6 billion and $3.1 billion.

While some of the actual debt incurred at the time will have been repaid, without the floods Pakistan would still have been able to repay the same amount of debt. The floods caused a medium-term increase in the debt. **Over 10 years, the total cost of both the debt and the interest payments is $36 billion to $71 billion.**[8]

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[1] https://reliefweb.int/report/pakistan/pakistan-flood-loss-estimates-rise-43bn-pm
[2] IMF World Economic Outlook database, October 2022
[3] https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Pakistan-2009-Article-IV-Consultation-and-First-Review-Under-the-Stand-By-Arrangement-Staff-22879
[4] IMF World Economic Outlook database, October 2022
[5] Calculated from https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Pakistan-2009-Article-IV-Consultation-and-First-Review-Under-the-Stand-By-Arrangement-Staff-22879 and IMF World Economic Outlook database, October 2022
[6] Calculated from IMF World Economic Outlook database, October 2022
[7] https://www.imf.org/en/Publications/CR/Issues/2016/12/31/Pakistan-Fourth-Review-Under-the-Stand-By-Arrangement-Requests-for-Waivers-of-Performance-23921 says the total interest bill for the Pakistan government in 2010 was R660 billion, and total debt R8,488 billion.
[8] $36 billion = $20 billion initial debt + $16 billion of interest payments ($1.6 billion a year for ten years). $71 billion = $40 billion initial debt + $31 billion of interest payments ($3.1 billion a year for ten years).