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The apparent third currency devaluation recently, in nearly seven months, by its central bank shows signs of vulnerability in Pakistan's economy of nearly $300 billion in size. The latest development has once again raised speculations about Pakistan going to the IMF for borrowing loans since 2013. Conversely, what may be different this time is that there is no unanimity among policymakers on seeking loans from the International Monetary Fund (IMF). In fact there are voices asking to find other options including China.

Can China help?

Even though China wouldn't want Pakistan to go bust due to its very clear economic interests in the country, it may not independently take on the onus of helping it. In fact, it may supplement the IMF's bail-out programme. "The problems of the present originate elsewhere. As well as higher energy costs, they reflect loose fiscal policy and rapidly growing domestic credit. Fixing these will require some combination of lower government spending, higher interest rates and a cheaper currency. Although China will not want to see Pakistan go bust, it will not want to dictate its macroeconomic policies either. That is the IMF's job. China, then, is more likely to supplement an IMF programme than supplant one," The Economist writes.

The international magazine also writes that the Pakistani politicians may sadden over loss of economic independence of the country but similar objections have not been there in the past. “Between 2001 and 2013 Pakistan turned to the IMF three times. In fact, there were as many IMF bailouts of the country over that period as there were World Cups. Apparently, it’s time for another one,” The Economist says.

Economic turmoil

In December and in March, the rupee was devalued, each time by about 5 percent, by the central bank. Pakistan’s economy is expected to expand by close to 6 percent this year, the fastest pace in more than a decade, but a widening of the current account deficit has brought new worries. The current account deficit now stands at $14 billion, around 5.3 percent of gross domestic product, an SBP official said. The economic outlook has been hurt by the fast depletion of foreign currency reserves, which now stand at just over $10 billion. Pakistan is currently in discussions with China for loans to ease pressure on its foreign currency reserves.