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Pakistan Confronts Over \$23 Billion in Debt Obligations for FY2025-26

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Pakistan is facing a daunting fiscal challenge with more than \$23 billion in external debt payments due for the fiscal year 2025–26, according to a report by The News. Despite signs of economic stabilisation and a modest current account surplus, the country remains heavily burdened by debt repayment obligations, raising questions about the long-term viability of its financial strategy. This total includes multilateral, bilateral, commercial, and bond-related repayments, with nearly half of the liabilities tied to temporary deposits expected to be rolled over.

Of the total amount due, approximately \$12 billion consists of short-term deposits from key strategic partners, including Saudi Arabia (\$5 billion), China (\$4 billion), the United Arab Emirates (\$2 billion), and Qatar (\$1 billion). These rollovers are critical for near-term liquidity but do not reduce the underlying debt burden. Even if successfully extended, Pakistan will still need to service nearly \$11 billion in outstanding obligations to international creditors, including commercial banks, global bondholders, and multilateral lenders such as the World Bank and Asian Development Bank.

The Pakistan Economic Survey 2024–25 highlights the scale of the country's debt load, with total public debt reaching Rs76.01 trillion by the end of March 2025. This includes Rs51.52 trillion in domestic borrowing and Rs24.49 trillion in external obligations. Of the external debt, roughly \$87.4 billion is owed directly by the government or through sovereign guarantees, including loans from the International Monetary Fund. Debt servicing remains the largest expenditure in the federal budget, with Rs8.2 trillion allocated for repayments in FY 2025–26, representing nearly 47% of the total Rs17.57 trillion budget. 

While officials highlight economic recovery and fiscal consolidation, the scale of debt servicing poses a significant challenge. Temporary solutions, such as rolling over friendly deposits or negotiating deferments, may provide short-term relief but do not resolve structural problems. Sustained economic reforms, export diversification, and disciplined fiscal management will be essential to prevent future crises. Without a comprehensive long-term debt strategy, Pakistan risks remaining caught in a cycle of borrowing and repayments that limits investment, growth, and development.