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## Pakistan Faces Explosive PKR 6.55 Trillion Debt Repayment Crisis

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Pakistan is heading into the new fiscal year 2025–26 under the shadow of a staggering debt crisis. According to the Pakistan Economic Survey 2024–25, the government faces an external debt repayment obligation of over PKR 6.55 trillion, equivalent to approximately USD 23 billion. This looming liability must be settled within the current fiscal cycle, and failure to meet these commitments could put the country dangerously close to sovereign default.

The sheer magnitude of this financial burden reflects decades of economic mismanagement, dependency on foreign borrowing, and unchecked fiscal expansion. Much of the external debt stems from loans taken to stabilize foreign reserves and finance large-scale infrastructure projects that have not yielded the promised economic returns. Despite multiple bailouts from the International Monetary Fund (IMF), Pakistan remains trapped in a cycle of borrowing to pay back old debts, a strategy that offers little long-term relief and no structural reform.

Experts warn that the repayment pressure is likely to constrain public spending on critical sectors like healthcare, education, and energy. With foreign reserves hovering precariously around USD 9 billion, Pakistan has little room for maneuver. Economist Dr. Ashfaq Hasan Khan noted in a recent interview with *The News* that “unless Pakistan restructures its debt and secures significant foreign assistance, the probability of default in 2025 cannot be dismissed.” The burden is not just financial; it also undermines investor confidence and places the country’s credit rating under threat, which could further deter foreign direct investment.



In the months ahead, Islamabad will be under mounting pressure to either negotiate fresh terms with lenders or pursue aggressive austerity measures, both of which carry political and economic consequences. What Pakistan needs now is not just a patchwork of temporary fixes but a comprehensive fiscal strategy that promotes industrial output, expands the tax base, and reins in unsustainable subsidies. The road ahead is treacherous, and the choices made today will determine whether the country reclaims economic stability or tumbles into another round of financial turmoil. For now, the PKR 6.55 trillion repayment bomb sits ticking, and the clock is running out.