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SBP Reserves Drop \$72M to \$14.2B Amid Debt Repayments

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The State Bank of Pakistan's foreign exchange reserves fell by \$72 million to \$14.2 billion due to external debt repayments, signaling ongoing economic pressures.

On August 7, 2025, the State Bank of Pakistan (SBP) reported a \$72 million decline in its foreign exchange reserves, bringing the total to \$14.231 billion for the week ending August 1, 2025, according to data published by Pakistan Observer. The central bank attributed the drop to scheduled external debt repayments, a recurring challenge for Pakistan's economy as it grapples with a growing trade deficit and limited inflows. Total liquid foreign reserves, including those held by commercial banks, stood at \$19.495 billion, with commercial banks holding \$5.263 billion, per the same report.

This marks the third consecutive week of reserve declines, following a \$153 million drop to \$14.303 billion for the week ending July 25, 2025, and a \$69 million decrease to \$14.456 billion the prior week, as noted by Daily Times. Despite earlier gains, including a \$1.774 billion increase in early July due to official inflows, the persistent outflows highlight the fragility of Pakistan's financial position. The SBP's reserves are critical for covering imports, which currently stand at a 2.33-month import cover, according to Business Recorder. However, the recent 44.16% year-on-year surge in the trade deficit to \$2.752 billion in July 2025, driven by a 29.25% spike in imports, exacerbates the strain, per The Express Tribune.

Analysts, cited by The News International, warn that without sustained inflows from multilateral lenders like the International Monetary Fund (IMF) or bilateral partners, reserves could face further depletion. The SBP's efforts to stabilize the Pakistani Rupee through market interventions, including \$5.3 billion in dollar purchases in FY25, have drawn scrutiny for artificially propping up the currency, per Business Recorder. Finance Minister Muhammad Aurangzeb emphasized the government's commitment to securing IMF support to bolster reserves, as reported by Dawn, but delays in loan tranches remain a concern.

The decline underscores the need for structural reforms to address Pakistan's reliance on debt-driven reserves. With external debt obligations mounting, the government faces mounting pressure to diversify export revenues, such as through U.S. investments in the copper sector, and curb import growth to stabilize the economy.