Semi-Annual Public Debt Bulletin (July – December 2024)

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Acknowledgements

In order to disseminate information to the general public with reference to Public Debt, this Semi-Annual Public Debt Bulletin 1H-FY2025 has been prepared. I would like to acknowledge the leadership and strategic guidance provided by Honourable Minister for Finance & Revenue, Senator Muhammad Aurangzeb.

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Public debt management is an important function of the Ministry of Finance. This task is overseen by the Debt Management Office (DMO) in coordination with various internal and external stakeholders. The DMO is committed to proactive debt management as part of broader economic stabilization, aiming to minimize the costs of meeting the government's borrowing requirements while managing associated risks by maintaining an optimal debt portfolio balance. Prudent debt management policies and strategies, anchored on a sound Medium-Term Debt Strategy (MTDS) 2023-2026. As part of the Ministry of Finance's commitment in providing accurate and timely debt information to the public, the Semi-Annual Debt Bulletin for the on-going fiscal year (2024-25) has been published. This bulletin will provide information relating to reasons and analysis on changes in debt stock and debt management operations for the period 1HFY25.

During 1HFY-25, stabilization of Pakistan's economy has been firmly established based on the effective implementation of fiscal consolidation measures and prudent management of economic challenges. These efforts have also helped in continuous improvement in the sustainability of public debt. The stock of total public debt has increased by 3.9% in 1HFY-25, as against increase of 7.0% during same period last year. The primary drivers for rise in debt stock have been managed, with a significant federal primary surplus and stable exchange rate. Primary balance posted a surplus of 0.9% of GDP in FY2024 (after 20 years) and 2.9% of GDP in Jul-Dec FY2025. International rating agencies upgraded Pakistan 'credit rating' by one notch and 'outlook' from stable to positive.

Key debt risk indicators, also shown marked improvement, with the Average Time to Maturity (ATM) for domestic debt increasing to 3.4 years from 2.9 years in June-24, while for external debt, it has remained at the comfortable level of 6.2 years, aligning with the MTDS targets. External debt accounted for 32.6% of total public debt, allowing the government to limit exposure to any possible adverse exchange rate movements. The federal fiscal deficit was almost entirely financed through domestic borrowing, particularly through issuances of medium-to-long-term Pakistan Investment Bonds (PIBs) and Government Ijarah Sukuks (GIS). The highlight of this period was the launch of 'Government Securities Buyback & Exchange Program', under which buyback of around PKR 1 trillion was undertaken, resulting in savings of debt servicing by PKR 31 billion. On the external front, the majority of inflows continued from multilateral sources, with net retirement from bilateral creditors. Looking forward, the DMO will continue to closely monitor the MTDS indicators and remain focused on pursuing a proactive debt management approach leading to downward trajectory of debt-to-GDP ratio in FY-25

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1.0 Introduction

In accordance with clause (i) and (r) of Section 13 of the Fiscal Responsibility and Debt Limitation Act (amended from time to time), the Debt Management Office (DMO) prepares and publishes semi-annual debt bulletin containing information about debt stock, debt operations during the period under consideration, and progress made against the Medium-Term Debt Management Strategy (MTDS 2023-26). Debt transparency and accountability are imperative to promote confidence in fiscal operations. Through this document, the Government demonstrates its commitment to provide accurate and timely debt information to the public, and as such, the contents of this report will provide insights into the management of public debt in Pakistan.

1.2 Macroeconomic Developments During 1HFY2025

The FY-24 saw improvement in the major macro-economic indicators, as the government's reforms-led stabilization policies resulted in modest growth in GDP, declining inflation, a primary fiscal surplus, reduced current account deficit, and a stable exchange rate. This momentum continued during 1HFY-25, as demonstrated by the improved fiscal situation. A primary surplus (consolidated basis) of PKR 3,604 billion (2.9% of GDP) was recorded, compared to primary surplus of PKR 1,812 billion in FY-23 (1.7% of GDP) in same period last year. The fiscal deficit declined to 1.2% of GDP in 1HFY-25 as compared to 2.3% of GDP in 1HFY-24. Inflation for Dec-2024 clocked in at 4.1%, marking the lowest CPI reading in over 6.5 years. The average inflation rate for 1HFY25 is 7.2%, a notable reduction compared to the 28.8% average recorded in 1HFY24. The external account position has significantly improved, driven by increases in exports and remittances despite a rise in imports. Pakistan's current account (CA) balance posted another surplus in Dec-2024 of US$582 million, taking 1HFY25 CA balance to US$ 1,210 million, primarily driven by higher remittances and controlled trade deficit. SBP reserves also increased from US$9.4 billion (Jun-24) to US$11.7 billion (Dec-24).

Table 1: Macroeconomic Overview

	FY-23	FY-24	1HFY-24	1HFY-25
Real GDP Growth Rate	-0.2%	2.4%		
CPI (FY average YoY)	29.2%	23.4%	28.8%	7.2%
Primary Balance (PKR billion)	(690)	953	1,812	3,604
as % of GDP	-0.8%	0.9%	2.3%	2.9%
Fiscal Balance (PKR billion)	(6,251)	(7,207)	(2,408)	(1,538)
as % of GDP	-7.8%	-6.8%	-2.3%	-1.2%
Current Account (USD billion)	(3.3)	(0.7)	(1.4)	1.2
as % of GDP	-1.0%	-0.2%		

Source: State Bank of Pakistan

2.0 Overview of Total Public Debt

Fiscal Responsibility and Debt Limitation (FRDL) Act, 2005, defines 'Total Public Debt' as debt owed by the government (including Federal Government and Provincial Governments) serviced out of the consolidated fund and debt owed to the International Monetary Fund. The following table provides an overview of Pakistan's total public debt portfolio:

Table 2: Pakistan's Total Public Debt Summary

	Jun-23 (FY23)	Dec-23 (H1 FY24)	Jun-24 (FY24)	Dec-24 (H1 FY25)
	(PKR billion)			
Domestic Debt	38,810	42,588	47,160	49,883
External Debt	24,071	24,742	24,086	24,130
Total Public Debt	**62,881**	**67,330**	**71,246**	**74,013**
Total Debt of the Government*	**57,779**	**60,531**	**65,105**	**67,034**
GDP (Nominal)	**83,949**		**105,616**	
	(Percentage of GDP)			
Domestic Debt	46.2%		44.7%	
External Debt	28.7%		22.8%	
Total Public Debt	**74.9%**		**67.5%**	
Total Debt of the Government*	**68.8%**		**61.6%**	
	(Percentage of Total Public Debt)			
Domestic Debt	61.7%	63.3%	66.2%	67.4%
External Debt	38.3%	36.7%	33.8%	32.6%
(USD billion)				
Domestic Debt	135.5	151.1	169.4	179.1
External Debt	84.0	87.8	86.5	86.6
Total Public Debt	**219.6**	**238.8**	**255.9**	**265.7**
Exchange Rate (PKR/USD) (End of Period)	286.4	281.9	278.4	278.6

* As per Fiscal Responsibility and Debt Limitation Act, 2005, (as amended from time to time) "Total Debt of the Government" means the debt of the government (including the Federal Government and the Provincial Governments) serviced out of the consolidated fund and debts owed to the IMF less accumulated deposits of the Federal and Provincial Governments with the banking system.
^ GDP Estimates for FY have been used only.

Source: State Bank of Pakistan, Ministry of Economic Affairs and Debt Management Office, Ministry of Finance

The total public debt of the government increased by 3.9% in 1HFY-25 compared with end Jun-24, as against the increase of 7% during same period last year. Main contribution to this growth came from domestic debt, which increased by 5% during 1HFY-25; this growth was still lower in comparison to same period of FY-24, in which the domestic debt grew by 9%. Overall, the domestic debt comprises of ~67% and external debt ~33% of total public debt.

Major reasons which generally contribute towards any change in debt stock are the fiscal deficit, exchange rate and variation in cash balances maintained with the central bank. The size of the fiscal deficit is determined by the primary balance and interest payments. The trend for the past two fiscal years (FY-23 & FY-24) shows that the government has been able to generate considerable federal primary surplus, which increased from PKR 1.5 trillion in 1HFY-24 to PKR 2.8 trillion in 1HFY-25. Interest costs also increased by ~18% from PKR 4.2 trillion to PKR 5.1 trillion. However, the increase in debt stock during 1HFY-25 was lower in comparison to 1HFY-24, primarily due to higher primary surplus.

Table 3: Reasons for increase in Total Public Debt (PKR billion)

	Jun-23	Dec-23	Jun-24	Dec-24
Total Public Debt	**62,881**	**67,330**	**71,246**	**74,013**
Change in Total Public Debt (I+II)		**4,449**		**2,767**
(I) Effect of Transactions		**3,922**		**2,313**
Federal Primary Deficit / (Surplus)		(1,523)		(2,829)
Interest Expense		4,220		5,142
Net Cash Balance Increase / (Decrease)		1,224		171
(II) Effect of Exchange Rate / Others		**527**		**454**

Source: Budget Wing and Debt Management Office, Ministry of Finance

3.0 Debt Management Strategy

Public debt management is based on the fundamental principle of meeting the government's debt obligations by minimizing costs to reasonable levels, using relevant risk exposure benchmarks projected over the medium-term. These benchmarks, set forth in the Medium-Term Debt Management Strategy (MTDS) FY 2023-26, aim to address risk benchmarks related to the composition of the debt portfolio by identifying risk parameters that may affect the debt stock's vulnerability to various risks. Based on risk indicator benchmarks mentioned in MTDS for the period FY-23 to FY-26, the movement/trend in the risk indicators as of Dec-24, is shown in Table-4.

Table 4: Performance against Key Risk Indicators

Risk Exposure	Indicators	Dec-23	Jun-24	Dec-24
Currency Risk	Share of External Debt in Total Public Debt (%)	36.7	34	32.6
Refinancing Risk	ATM of Domestic Debt (Years)	3.0	2.9	3.4
	ATM of External Debt (Years)	6.3	6.2	6.2
Concentration Risk	Share of Shariah Compliant Debt in Govt Securities (%)	11.5	11	12.4
Interest Rate Risk	Share of Fixed Rate Debt in Government Securities (%)	19	19	17.7

ATM: Average Time to Maturity;

Source: Debt Management Office, Ministry of Finance

3.1 Share of External Debt in Total Public Debt

It is important to manage and limit the share of external debt in the total public debt of a country as it is susceptible to exchange rate fluctuations leading to higher debt servicing costs than what had been budgeted. Also, any movement in local currency against international currencies directly impacts the quantum of public debt reported in local currency. At Dec-24, major external debt has been financed through multilateral and bilateral sources having concessional rates and longer tenor compared to commercial sources. In this regard the share of external debt declined to 32.6% as of Dec-24 which is well under the 40% upper limit as defined in the MTDS. The decline is primarily accounted to net-outflow amounting to USD 725 million during the period under review.

Currency Composition of Foreign Debt

At the end of December 2024, the total public debt remained predominantly denominated in four major currencies: Pak Rupee, US Dollar, Special Drawing Rights (SDR), and Japanese Yen, collectively accounting for the majority of the debt stock. Between Dec-23 to Dec-24, the share of Pak Rupee-denominated debt increased from 63% to 67%, reflecting a higher reliance on domestic borrowing.

Table 5: Currency Composition of Total Public Debt (% of Total Public Debt)

Currencies	Jun-23	Dec-23	Jun-24	Dec-24
Pak Rupee	62	63	66	67
US Dollar	24	23	21	21
Special Drawing Right (SDR)	9	9	8	7
Japanese Yen	2	2	2	1
Others	3	3	3	4
Total	**100**	**100**	**100**	**100**

3.2 Average Time to Maturity (ATM)

An important objective of the debt management strategy is to reduce the refinancing risk through lengthening of the maturity profile Over the years, the government has strived to introduce various new types of debt instruments with higher tenors to not only increase the average time to maturity (ATM) but also to diversify the investor-base. The ATM of domestic debt has increased from 3.0 (Dec-23) years to 3.4 years (Dec-24). It should be noted that ATM for domestic debt was 2.9 as on June-24. Since then, the government took various efforts to increase maturity profile, which includes introduction of new instruments, such as 2-year Zero-Coupon and Variable-rate bonds, as well as 3-5 and 10-year fixed and floating rate instruments, catering to both conventional and Sharia-compliant investors. Importantly, the DMO capitalized on the positive sentiment in debt markets on account of stabilizing macro-economic factors and an inverted yield curve, by strategically shifting the portfolio from short-term Treasury bills to long-term fixed and floating rate Pakistan Investment Bonds (PIBs). This period saw issuance of over PKR 3 trillion in long-term instruments, primarily 10-year bonds at competitive rates. This transition yielded multiple benefits: it extended the government domestic debt portfolio's maturity profile to 3.3 years, reduced short-term interest rates, and addressing refinancing risks. Furthermore, the government also initiated a debt Buyback & Exchange Program, which resulted in reprofiling of debt portfolio while reducing the government's borrowing costs.

External debt mostly consists of multilateral and bilateral loans. ATM of external debt stood at 6.2 years at Dec-24 as compared to the same level at end Jun-24 and 6.3 years at Dec-23. Slight decrease in ATM during H1 FY-25 vs H1 FY24 is due to net retirement during the period under review.

3.3 Share of Shariah Compliant Financing in Govt Securities

Given the growing demand for sharia-compliant investment instruments, increasing the share of shariah-compliant government securities is an important strategy for achieving diversification of the investor base. In this regard, new sharia-compliant instruments with higher tenors of 10 years, Fixed Rental Rate (FRR) & Variable Rental Rate (VRR) instruments were introduced. These efforts led to increase in share of shariah-compliant financing in government securities to 12.6% as on December-24, from 11.5% percent on December-23.

3.4 Share of Fixed Rate Debt in Government Securities

The MTDS has set a minimum limit of 20% for the share of fixed-rate debt instruments in the domestic government securities portfolio. At Dec-24, the fixed-rate portfolio of domestic debt stands at 17.7%, compared to 18.7% as of Jun-24. The slight decline in the share of the fixed-rate portfolio is primarily due to the significant maturity of fixed-rate debt (PKR 1,200 billion, or 18% of the outstanding fixed-rate debt) during 1H~~0~~FY24. The DMO pursued the strategy of issuing less fixed-rate debt during the preceding period in FY-24, given the higher secondary market rates. However, the pace of issuing fixed-rate debt has increased significantly in the 1HFY-25, as market yields significantly decreased. The average monthly issuance of fixed rate debt instruments was PKR 213 billion during the period under review.

4.0 Domestic Debt

Domestic debt has been the major source of financing fiscal deficit. As on Dec-24, it comprised 67% of total debt. Domestic debt can be further bifurcated into three major sources: permanent debt, floating debt and non-funded.

- Permanent debt represents government borrowing using instruments of greater than one-year maturity. During the 1HFY-25 period, the share of permanent debt increased from 70% to 75%, in-line with the government's efforts to lengthening of maturity profile. Pakistan Investment Bonds (PIBs) contribute the highest share followed by Sharia-compliant securities, which increased from 10% to 12%.

- Floating debt is short-term borrowing (up to one year) through market treasury bills. During the period under review, share of floating debt declined from 20% to 17%, as the government retired around 1.4 trillion of MTBs.

- Unfunded debt refers to funds contributed by National Savings Schemes (NSS) instruments that are administered by the Central Directorate of National Savings. Contribution of Unfunded debt is declining, and stands at 6%.

Table 6: Instrument-Wise Composition of Domestic Debt

		Jun-23		Dec-23		Jun-24		Dec-24	
		PKR bn	%	PKR bn	%	PKR bn	%	PKR bn	%
I+II+III+IV+V	**Domestic Debt**	**38,809**	**100**	**42,595**	**100**	**47,241**	**100**	**49,883**	**100**
I	**Permanent Debt**	**25,547**	**66**	**30,415**	**71**	**33,178**	**70**	**37,389**	**75**
	- PIBs	22,009	57	25,609	60	28,026	59	31,216	63
	- Prize Bonds	383	1	383	1	385	1	394	1
	- Sukuk / Bai-Muajjal	3,151	8	4,419	10	4,766	10	5,774	12
	- Others	4	0	4	0	1	0	4	0
II	**Floating Debt**	**9,335**	**24**	**8,369**	**20**	**10,247**	**22**	**8,696**	**17**
	- T-Bills	9,269	24	8,288	19	10,167	22	8,602	17
	- MTBs for Replenishment	66	0	81	0	80	0	94	0
III	**Unfunded Debt**	**2,926**	**8**	**2,838**	**7**	**2,883**	**6**	**2,869**	**6**
	- NSS	2,818	7	2,749	6	2,708	6	2,786	6
	- Others	108	0	90	0	91	0	83	0
IV	**Naya Pakistan Certificate**	**143**	**0**	**119**	**0**	**84**	**0**	**81**	**0**
V	**SDRs allocation***	**475**	**1**	**475**	**1**	**475**	**1**	**475**	**1**
VI	**Foreign Currency Loans**	**384**	**1**	**378**	**1**	**374**	**1**	**374**	**1**
***SBP loan to GOP against SDRs allocation**									

*Includes FEBCs, FCBCs, DBCs, Special US Dollar Bonds and other domestic FC borrowings
Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

The composition of domestic debt has witnessed a notable shift, with the share of scheduled banks in tradeable government securities declining from 62% in Jun-24 to 55% in Dec-24, while the share of non-banking sector increased from 18% to 25% over the same period. The overall reliance on tradable government securities remains high at 92% of total domestic debt. The declining share of banks and the rising participation of non-banking institutions is a result of government's strategy to broaden the debt market, which will enhance liquidity and reduce concentration risks in the long run.

Table 7: Creditor-Wise Composition of Domestic Debt (PKR billion)

		Jun-23	%	Dec-23	%	Jun-24	%	Dec-24	%
I+II	**Domestic Debt**	**38,809**	**100**	**42,586**	**100**	**47,160**	**100**	**49,883**	**100**
I	**Tradable Government Securities**	**34,496**	**89**	**38,398**	**90**	**43,043**	**91**	**45,686**	**92**
	- Held by Scheduled Banks	20,620	53	24,301	57	29,184	62	27,624	55
	- Held by SBP	5,850	15	5,552	13	5,551	12	5,561	11
	- Held by non-Banks	8,026	21	8,545	20	8,309	18	12,501	25
II	**Others**	**4,314**	**11**	**4,188**	**10**	**4,117**	**9**	**4,197**	**8**
	- NSS (including Prize Bonds)	3,200	8	3,131	7	3,093	7	3,180	6

- Naya Pakistan Certificate	143	0	119	0	84	0	81	0
- SDRs allocation*	475	1	475	1	475	1	475	1
Foreign Currency Loan	384	1	378		374	1	374	1
- Other	112	0	84	1	91	0	87	0
*SBP loan to GOP against SDRs allocation								

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

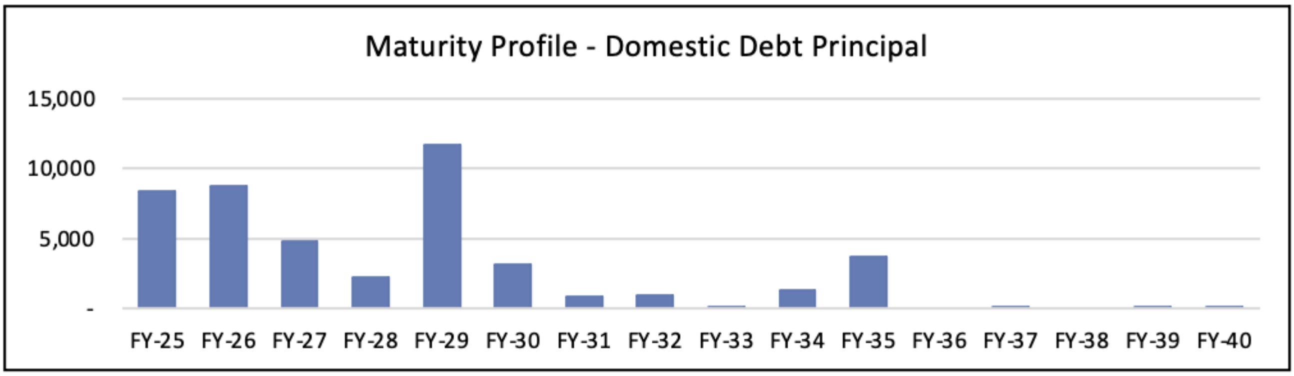
The maturity profile of Pakistan's domestic debt (Table 9 below) shows a strategic shift towards medium and long-term borrowing, reducing reliance on short-term instruments like T-Bills, the share of which, declined from 24% in Jun23 to 17% in Dec-24. Correspondingly, the proportion of medium and long-term debt increased from 64% to 71% over the same period, reflecting efforts to enhance duration and reduce rollover risks.

Table 8: Maturity Profile of Domestic Debt (PKR billion)

		Jun-23	%	Dec-23	%	Jun-24	%	Dec-24	%
I+II	**Domestic Debt**	**38,809**	**100%**	**42,588**	**100**	**47,160**	**100%**	**49,883**	**100%**
I	**Short-Term Debt (< 1 Year)**	**13,944**	**36%**	**13,721**	**32**	**16,323**	**35%**	**14,569**	**29%**
	- T-Bills	9,326	24%	8,370	20	10,390	22%	8,696	17%
	- Medium & Long-Term Debt*	4,618	12%	5,351	13	5,933	13%	5,873	12%
II	**Medium & Long-Term Debt (> 1 Year)**	**24,865**	**64%**	**28,867**	**68**	**30,837**	**65%**	**35,314**	**71%**
	*Remaining Maturity of less than 1 year								

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

Figure 1 Maturity Profile of Domestic Debt



The share of floating rate debt continues to increase, as investors aim to capitalize on the movements in interest rates. Furthermore, in the floating rate bonds category, the 5-Year PIB with semi-annual coupon payment has the highest share.

Table 9: Interest Rate Composition of Domestic Debt (PKR billion)

		Jun-23	%	Dec-23	%	Jun-24	%	Dec-24	%
I+II	**Domestic Debt**	**38,809**	**100**	**42,588**	**100**	**47,160**	**100**	**49,883**	**100**
I	**Floating Rate**	**27,455**	**71**	**31,456**	**74**	**35,445**	**75**	**39,081**	**78**
	- T-Bills	9,326	24	8,370	20	10,390	22	8,696	17
	- Floating Rate Bonds*	18,129	47	23,086	54	25,055	53	30,385	61
II	**Fixed Rate**	**11,354**	**29**	**11,132**	**26**	**11,715**	**25**	**10,802**	**22**

*also includes floating rate Government Ijara Sukuk

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

4.2 Highlights of Domestic Borrowing Operations (During 1HFY2025)

- The federal fiscal deficit was financed primarily through domestic sources.
- The interest expense was around PKR 5.1 trillion of which 90% was attributed to domestic debt. Due to expenditure rationalization measures, the government achieved a federal primary surplus of PKR 2.8 trillion during 1HFY25 which resulted in federal fiscal deficit of PKR 2.3 trillion.
- Government retired short-term treasury bills of around PKR 1,504 billion.
  Gross issuance of fixed rate PIBs amounted to PKR 1,267 billion against maturity of PKR 1,153 billion.
- Gross issuance of floating rate PIBs amounted to PKR 4,929 billion against repayment of PKR 1,863 billion.
- Gross issuance of Government Ijara Sukuk (GIS) was PKR 1,302 billion whereas there GIS amounted to PKR 378 billion matured in July-Dec 2024.
- Total net flows in National Saving Schemes stood at PKR 89.1 billion.

To meet investor preferences and lengthen the debt maturity profile, the government introduced 10-year Sukuk with both Variable Rate Return (VRR) and Fixed Rate Return (FRR) options. During 1HFY25, the DMO successfully raised PKR 374.8 billion through these instruments at yields below the 6-month Treasury Bill benchmark. The Ministry of Finance launched a Buyback and Exchange Program as part of its strategic Liability Management Operations (LMOs) in the interbank treasury markets. Through this initiative, the government successfully repurchased approximately PKR 1 trillion worth of treasury bills which resulted in savings of PKR 31 bn of interest servicing. This initiative yielded multiple benefits: it optimized overall fund utilization, reduced concentration risk in specific tenor maturities, and improved both short-term and long-term borrowing costs for the government.

5.0 External Public Debt

The external public debt of Pakistan stood at US$ 86.6 billion as of December 2024, reflecting a 1.3% decline compared to December 2023. This reduction was primarily due to major repayments to bilateral creditors. Additionally, there was a notable surge in foreign investment in Pakistan's domestic debt securities, with non-resident holdings of government debt securities rising to $782 million in December 2024, compared to just $4 million in December 2023. This increase was driven by economic stabilization and a stable exchange rate, making Pakistan's domestic debt securities an attractive investment option. The composition of external debt reveals a predominant reliance on long-term, concessional financing from multilateral sources.

Amount-wise breakdown of external debt composition is shown in the following table:

Table 10: Composition of External Public Debt

		Jun-23		Dec-23		Jun-24		Dec-24	
		PKR bn	US$ mn	PKR bn	US$ mn	PKR bn	US$ mn	PKR bn	US$ mn
I+II	**External Public Debt**	**24,071**	**84,050**	**19,876**	**87,762**	**24,084**	**86,526**	**24,130**	**86,622**
I	**Government External Debt (a+b)**	**22,031**	**76,926**	**18,155**	**80,165**	**21,752**	**78,148**	**21,764**	**78,129**
	a- Long term (>1 year)	**21,985**	**76,766**	**18,133**	**80,066**	**21,540**	**77,388**	**21,454**	**77,016**
	- Paris Club	2,263	7,901	2,126	7,541	1,802	6,474	1,601	5,746
	- Multilateral	10,700	37,363	10,943	38,814	10,924	39,248	11,049	39,664
	- Other Bilateral	5,033	17,572	5,538	19,644	5,164	18,552	4,989	17,909
	- Euro/Sukuk Global Bonds	2,234	7,800	2,199	7,800	1,893	6,800	1,894	6,800
	- Commercial Loans	1,593	5,564	1,582	5,611	1,528	5,490	1,609	5,775
	- Naya Pakistan Certificates	153	534	177	628	218	784	294	1,055
	- Local Currency Sec (PIBs)	1	3	1	4	7	24	16	59
	- NBP/BOC deposits/PBC	8	28	7	24	4	15	3	10
	b- Short term (<1 year)	**46**	**160**	**28**	**99**	**212**	**760**	**310**	**1,113**
	- Multilateral	46	160	28	99	70	250	109	390
	- Local Currency Sec (T-bills)	0	0	-	-	142	510	201	723
	- Commercial Loans	-	-	-	-			-	-
II	**From IMF**	**2,040**	**7,124**	**2,142**	**7,596**	**2,332**	**8,378**	**2,366**	**8,493**
	- Federal Government	1,538	5,369	1,429	5,069	1,257	4,516	1,124	4,036
	- Central Bank	503	1,755	712	2,527	1,075	3,862	1,241	4,457

Note: 'Other Bilateral' include 1-year bilateral deposits

State Bank of Pakistan & Debt Management Office, Ministry of Finance

5.1 Composition of External Debt

- Loans from multilateral (including IMF) and bilateral development partners constitute **56 percent** and **27 percent** respectively. These loans are mostly concessional in nature i.e., long tenor and low interest rate in comparison to commercial sources.
- Bilateral deposits (China and Saudi Arabia) account for **10 percent**. These loans are short-term in nature (1-year) and are obtained mostly for budgetary support.
- Loans from foreign commercial banks constitute around **7 percent**. These loans are mostly short to medium term (i.e., 1-3 years) with market-based interest rate.
- Government of Pakistan's international capital market transactions in the form of Eurobonds and international sukuk constitute **8 percent**. These transactions represent the long-term nature of debt with market-based interest rates.
- Other foreign inflows in terms of Naya Pakistan Certificates, non-resident investment in government securities, and Pakistan Banao Certificates etc. constitute around **2 percent**.

Source-wise composition of external public debt is depicted in the following table:

Table 11: Source Wise External Public Debt (USD Million)

		Jun-23		Dec-23		Jun-24		Dec-24	
		US$	%	US$	%	US$	%	US$	%
I+II+III	**External Public Debt**	**84,050**	**100**	**87,762**	**100**	**86,525**	**100**	**86,622**	**100**
I	**Multilateral**	**44,647**	**53**	**46,509**	**53**	**47,876**	**55**	**48,546**	**56**
	- World Bank	19,220	23	20,121	23	20,431	24	20,642	24
	- Asian Development Bank	15,183	18	15,367	18	15,571	18	15,933	18
	- IMF	7,124	8	7,596	9	8,378	10	8,493	10
	- Others	3,121	4	3,425	4	3,496	4	3,478	4
II	**Bilateral**	**25,473**	**30**	**27,185**	**31**	**25,027**	**29**	**23,655**	**27**
	- Paris Club	7,901	9	7,541	9	6,474	7	5,746	7
	- Non-Paris Club	17,572	21	19,644	22	18,552	21	17,909	21
III	**Commercial**	**13,929**	**17**	**14,067**	**16**	**13,623**	**16**	**14,421**	**17**
	- Commercial Loans	5,564	7	5,611	6	5,490	6	5,775	7
	- Euro/Sukuk Global Bonds	7800	9	7,800	9	6,800	8	6,800	8
	- Naya Pakistan Certificates	534	1	628	1	784	1	1,055	1
	- Local Currency (T-Bills & PIBs)	3	0	4	0	534	1	781	1
	- NBP/BOC deposits/PBC	28	0	24	0	15	0	10	0

Source: Ministry of Economic Affairs

As discussed above, share of multilateral creditors increased from 53% to 56%, and that for bilateral creditors decreased from 31% to 27% YoY as on Decemeber-24. During this period, the major disbursement came from IMF programs. Amongst, multilaterals, World Bank and Asian Development Bank continued to be the major creditors.

5.2 Highlights of External Borrowing Operations During 1HFY2025

- External budgetary disbursements were recorded as US$ 3.5 bn, of which US$ 1.8 bn was received from Multilateral sources, US$ 0.5 billion from Commercial sources, US$ 0.24 billion from Bilateral development partners, and US$ 0.93 billion was recorded as inflow from Naya Pakistan Certificates.
- External budgetary repayment during the first half of fiscal year amounted to US$ 4.268 bn.
- Government repaid international commercial bank loans and bilateral loans to the tune of US$ 1.661 bn and multilateral loans amounting to US$ 1.094 bn during H1 FY-25.
- US$ 1.0 bn China SAFE deposits and US$ 3.0 bn Saudi deposits were rolled over for one year in July 2024 and December 2024, respectively.
- Pakistan received the first tranche of USD 1.02 billion under the IMF's Extended Fund Facility Programme amounting to USD 7 billion.
- Unlike FY-24, where net external flows contributed PKR 321 billion to deficit financing, 1H FY25 saw a net outflow of PKR 78.7 billion.

Table 12: Federal and Provincial Government's External Public Debt (USD million)

		Dec-24	% of Total
I	**Provincial Govts/Sub-National Govts**	**13,248**	**15%**
	- Punjab	5,985	**7%**
	- Sindh	4,119	**5%**
	- Khyber Pakhtunkhwa (KP)	2,489	**3%**
	- Baluchistan	382	**0%**
	- Gilgit-Baltistan	66.9	**0%**
	- Azad Jammu & Kashmir	204.2	**0%**
II	**Federal Government**	**73,373**	**85%**
	Total External Public Debt	**86,622**	**100%**

Source: Ministry of Economic Affairs

Table 13: Maturity Profile of External Public Debt (USD million)

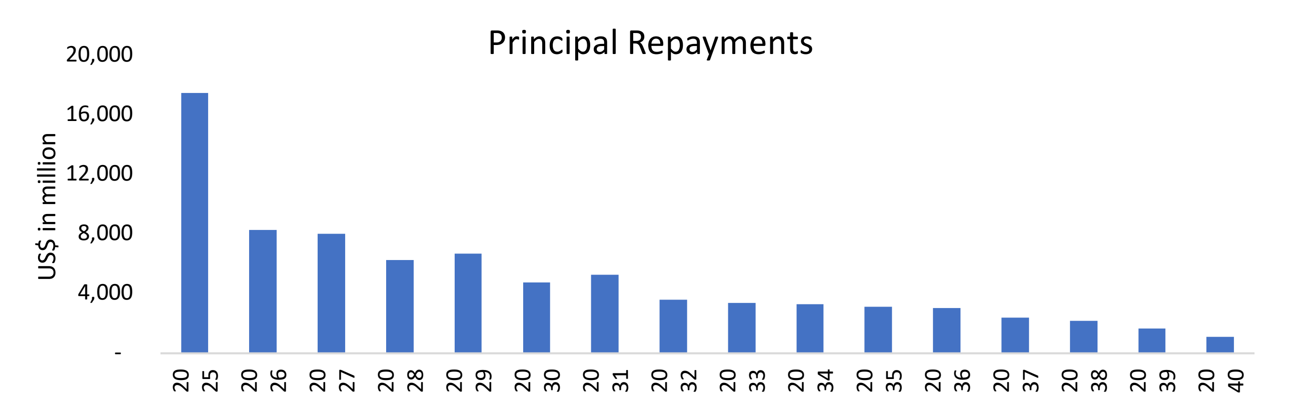
		Jun-23		Dec-23		Jun-24		Dec-24	
		US$	%	US$	%	US$	%	US$	%
I+II	**External Public Debt**	**84,050**	**100**	**87,762**	**100**	**86,525**	**100**	**86,621**	**100**
I	**Short-Term Debt (< 1 Year)**	**16,612**	**20**	**17,753**	**20**	**18,170**	**21**	**18,190**	**21**
	- Bilateral Deposits	7,000	8	9,000	10	9,000	10	9,000	10
	- IDB Short-term	160	0	99	0	250	0	390	0.5
	- LC Securities (T-Bills)	0	0	-	-	510	1	723	1
	- LT (Remaining maturity < 1 year)*	9,752	12	8,654	10	8,410	10	8,077	9
II	**Medium & Long-Term Debt (> 1 Year)**	**67,138**	**80**	**70,009**	**80**	**68,355**	**79**	**68,431**	**79**

LC: Local Currency; LT: Long-term; IDB: Islamic Development Bank

* Including Commercial Bank loans with remaining maturity less than 1 year

Source Ministry of Economic Affairs, State Bank of Pakistan and Debt Management Office, Ministry of Finance

Figure 2 Maturity Profile - External Debt



The external debt portfolio consists largely of fixed-rate debt which accounted for 61% of the total stock of external debt as at end Dec-24, whereas floating-rate debt accounted for 39% in the external debt portfolio.

Table 14: Interest Rate Type of External Public Debt (USD Million)

		Jun-23		Dec-23		Jun-24		Dec-24	
		US$	**%**	**US$**	**%**	**US$**	**%**	**US$**	**%**
I+II	**External Public Debt**	**84,050**	**100**	**87,762**	**100**	**86,526**	**100**	**86,622**	**100**
I	**Floating Rate**	31,288	39	32,417	37	33,986	39	33,869	39
II	**Fixed Rate**	52,762	61	55,344	63	52,540	61	52,753	61

Source: State Bank of Pakistan and Debt Management Office, Ministry of Finance

Table 15: External Public Debt Inflows/(Outflows) (USD million)

		Jul-Dec 2022	Jul-Dec 2023	Jul-Dec 2024
Inflows (A)		**5,347**	**6,085**	**3,504**
-	Multilateral	4,464	3,420	1,836
-	Bilateral	683	2,665	241
-	Euro/Sukuk Global Bonds	-	-	-
-	Commercial Banks/Short-Term	200	-	1,428
Repayment (B)		**7,512**	**3,701**	**4,229**
-	Multilateral	2,104	1,841	1,913
-	Bilateral	1,076	1,461	1,461
-	Euro/Sukuk Global Bonds	1,000		-
-	Commercial Banks/Short-Term	3,332	399	855
Net Inflows/(Outflows) - (A-B)		**-2,165**	**2,383**	**-725**
-	Multilateral	2,360	1,578	-77
-	Bilateral	-393	1,204	-1,220
-	Euro/Sukuk Global Bonds	-1,000		-
-	Commercial Banks/Short-Term	-3,132	-399	573
Interest Servicing (C)		**1,397**	**1,836**	**1,875**
-	Multilateral	456	863	963
-	Bilateral	348	479	461
-	Euro/Sukuk Global Bonds	319	291	250
-	Commercial Banks/Short-Term	273	203	201
Total Debt Servicing (B+C)		**8,909**	**5,537**	**6,104**
-	Multilateral	2,560	2,704	2,876

-	Bilateral	1,423	1,940	1,922
-	Euro/Sukuk Global Bonds	1,319	291	250
-	Commercial Banks/Short-Term	3,605	602	1,056

* Above data excludes disbursements from non-resident investment in Government Securities, Naya Pakistan Certificates and Pakistan Banao Certificates

Currently, the Country has seven Eurobonds and Sukuk listed on global debt markets, totaling USD 6.80 billion, with maturities spanning from September 2025 to April 2051. Yields on Pakistan's US dollar-denominated Eurobonds and Sukuks showed significant improvement throughout the year 2024. Positive developments in the economy, including a sustained increase in foreign exchange reserves, have supported higher Eurobond prices. During FY-26, with improved credit ratings and favorable macro environment, the government intends to return to international capital markets.

Sr. No.	Issuer Name	Issue Date	Maturity Date	Maturity (Years)	Face Value (US$ Mn)	Coupon (%) p.a.	Yield at end Jun-24	Yield at end Dec-24
I	Eurobond	30-Sep-15	30-Sep-25	10	500	8.250	12.31%	10.24%
II	Eurobond	08-Apr-21	08-Apr-26	5	1,300	6.000	12.42%	10.83%
III	Eurobond	05-Dec-17	05-Dec-27	10	1,500	6.875	11.80%	10.79%
IV	International Sukuk	31-Jan-22	31-Jan-29	7	1,000	7.950	11.01%	10.29%
V	Eurobond	08-Apr-21	08-Apr-31	10	1,400	7.375	11.99%	11.03%
VI	Eurobond	30-Mar-06	31-Mar-36	30	300	7.875	11.85%	11.38%
VII	Eurobond	08-Apr-21	08-Apr-51	30	800	8.875	11.95%	11.48%
	Total				**6,800**			

Source: Bloomberg

6.0 Government Guarantees Portfolio

Government guarantees are issued primarily on behalf of Public Sector Enterprises (PSEs), to enable them to obtain financing at reasonable terms or improve the financial viability of their projects. Guarantees are also extended for government entitities undertaking activities with significant social, strategic or economic benefits. Fiscal Responsibility and Debt Limitation Act, 2005, as amended from time to time, under sub-section 3, clause (d) imposes the following two ceilings related to government guarantees:

(i) Flow ceiling: 2 percent of GDP on the issuance of government guarantees, with renewal of existing guarantees being considered as issuing new guarantees; and

(ii) Stock ceiling: 10 percent of GDP on the total stock of outstanding government guarantees.

Following table contains details of government guarantees stock:

Table 16: Government Guarantees Outstanding Stock (PKR billion)

	Jun-23	Dec-23	Jun-24	Dec-24
Outstanding Guarantees (Extended to PSEs)	**3,519**	**3,495**	**3,387**	**4,211**
-Domestic Currency	1,622	1,518	1,460	2,318
-Foreign Currency	1,898	1,977	1,927	1,893
Memo: Foreign Currency (US$ in billion)	6.6	7.0	6.9	6.8

Source: Debt Management Office, Ministry of Finance

During 1HFY-25, the government issued new guarantees, including roll-overs of existing guarantees, aggregating to PKR 318 billion. This constitutes 0.26% of GDP which is well below the flow ceiling of 2% imposed by the Fiscal Responsibility and Debt Limitation Act, 2005.

Approximately 55% of the guarantees are issued for the power sector entities followed by commodity operations with 20%. The significant increase from December-23 to December-24 is attributed to the inclusion of guarantees issued against commodity operation financing obtained by SOEs (TCP & PASSCO), which were mentioned separately in past reports. Breakdown of government guarantees according to sector and interest rate type:

Table 17: Government Guarantees (Sector Wise & Interest Rate Type Wise)

	Jun-23		Dec-23		Jun-24		Dec-24	
	PKR bn	**US$ bn**	**PKR bn**	**US$ bn**	**PKR bn**	**US$ bn**	**PKR bn**	**US$ bn**
(Sector Wise Breakup)								
Total Guarantees Stock	**3,519**	**12.3**	**3,495**	**12.4**	**3,387**	**12.2**	**4,211**	**15.1**
- Power Sector	2,545	8.9	2,483	8.8	2,353	8.5	2,317	8.3
- Aviation	249	0.9	250	0.9	247	0.9	269	1.0
- Financial	110	0.4	100	0.4	114	0.4	143	0.5
- Manufacturing & Mining	102	0.4	45	0.2	45	0.2	45	0.2
- Oil & Gas	166	0.6	145	0.5	170	0.6	134	0.5
- Commodity Operations	-	-	-	-	-	-	852	3.1
- PPP	-	-	7	0.0	7	0.0	7	0.0
- Others	348	1.2	465	1.6	452	1.6	446	1.6
(Interest Rate Type)								
Total Guarantees Stock	**3,519**	**12.3**	**3,495**	**12.4**	**3,387**	**12.2**	**4,211**	**15.1**
- Floating Rate	1,737	6.1	1,567	5.6	1,498	5.4	2,083	7.5
- Fixed Rate	1,782	6.2	1,928	6.8	1,889	6.8	2,128	7.6

Source: Debt Management Office, Ministry of Finance

7.0 Debt Initiatives and Way forward:

The government is actively pursuing sustainable financing solutions, including the issuance of domestic green Sukuks, to support environmentally responsible projects and diversify funding sources. As part of this initiative, it plans to issue a Domestic Listed Green Sukuk in CY25. In order to address the asset dependability of sukuk issuances, deliberations are in finalization stages with stakeholders on structure of asset-light sukuk structure.

Additionally, the government is exploring various external financing avenues to diversify its creditor base. Preparations are underway to issue its inaugural sustainable Panda Bond in the Chinese market, leveraging the comparatively lower yields and financing costs available. Also, a Sovereign Sustainable Finance Framework to attract green and climate-related financing is in finalization. This framework aims to attract capital for projects that promote climate resilience, foster social inclusion, and drive sustainable economic growth.

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