MONTHLY
ECONOMIC
UPDATE & OUTLOOK
JULY 2025

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ECONOMIC ADVISER'S WING

ECONOMIC UPDATE

As FY2025 concludes, Pakistan's economy has demonstrated clear signs of recovery and growing resilience. The economy sustained growth momentum at 2.68%, while inflation fell sharply to 4.5%, supported by a lower policy rate, exchange rate stability, and prudent macroeconomic management. The current account recorded a surplus of $2.1 billion — the first annual surplus in 14 years and the largest in 22 years — reflecting improved external balances, stronger exports and remittances, and rising foreign exchange reserves. The fiscal deficit has been contained at 3.7% of GDP for July–May FY2025, showing improved fiscal discipline and resource management. These improvements have strengthened market confidence, eased currency pressures, and created space for monetary easing to support growth.

Building on this momentum, FY2026 begins with a renewed focus on sustainable and inclusive growth. Policy priorities include continued fiscal consolidation, enhanced revenue mobilization, modernization of the agriculture and industrial sectors, and improvements in the business climate and human capital development. Social protection and climate resilience will also remain integral to aligning near-term economic actions with Pakistan's long-term development goals. Accordingly, real GDP is expected to grow by 4.2% in FY2026, alongside continued price stabilization.

Agriculture Growth expected to Rebound backed by Input Support and Rising Mechanization.

During July–May FY2025, agricultural credit disbursement rose to Rs 2,300.4 billion, marking a 16.6 percent increase from Rs 1,972.8 billion in the same period last year. Imports of agricultural machinery also surged by 20.0 percent, reaching $109.6 million in FY2025. In the Kharif 2025 season (April–June), urea offtake was recorded at 1,251 thousand tonnes (3.4 percent higher than in Kharif 2024) while DAP offtake rose sharply by 20.1 percent to 308 thousand tonnes. The increase is attributed to higher prices prompting more channel inventory. The government continues to ensure the adequate availability of quality seeds, timely credit, fertilizers, and farm mechanization. As a result, the agriculture sector is expected to rebound from the 0.6 percent growth witnessed in the previous year.

LSM Recovers Amid Broad-Based Sectoral Growth.

Large-Scale Manufacturing (LSM) sector registered a 7.9 percent month-on-month (MoM) growth while a 2.3 percent year-on-year (YoY) increase in May 2025. The cumulative LSM output declined by 1.2 percent during Jul-May FY2025 over the marginal growth of 0.9 percent last year. For this period, overall, 12 out of 22 sectors recorded positive growth, such as textiles, wearing apparel, coke & petroleum products, beverages, and pharmaceuticals. The automobile sector exhibited strong performance during Jul-Jun FY2025, supported by substantial increases in the production of cars (40.0%), trucks & buses (96.8%), and jeeps & pick-ups (74.6%). Cement dispatches stood at 46.2 million tonnes during Jul-Jun FY2025, marking a 2.1 percent increase over the previous year. Domestic cement sales declined by 3.1 percent to 37.0 million tonnes, while exports rose significantly by 29.5 percent to 9.2 million tonnes.

Decline in Perishable Food Prices is Moderating Inflation.

CPI averages 4.5% for FY2025, a substantial drop from 23.4% during the same period last year. CPI inflation recorded at 3.2 percent YoY in June 2025, compared to 12.6 percent in June 2024. MoM, it increases by 0.2 percent, following a 0.2 percent decrease in May 2025. A key factor behind this moderation is the significant decline in perishable food prices, which fell by 10.6 percent YoY, easing pressure on the overall food basket. Additionally, the Housing, Water, Electricity, Gas & Fuels group also recorded a decline of 3.3 percent. On the other hand, upward contributions came from Health (12.2%), Education (10.1%), Clothing and Footwear (8.9%), Restaurants & Hotels (8.4%), Alcoholic Beverages & Tobacco (5.1%), Non-perishable Food Items (4.8%), Furnishing & Household Equipment Maintenance (3.7%), Transport (0.6%), and Communication (0.5%). The SPI for the week ending July 17, 2025, increased by 0.38 percent. Of the 51 essential items, prices of 22 items increased, 09 items decreased, and 20 items remained stable.

Effective Fiscal Management Strengthens Fiscal Discipline.

Prudent expenditure management and better resource mobilization helped in improving the fiscal indicators. During Jul-May FY2025, the fiscal deficit reduced significantly to 3.7 percent of GDP from 5.0 percent recorded last year. Similarly, primary surplus increased to 3.1 percent of GDP (Rs.3,594.6 billion) during Jul-May FY2025 from 1.5 percent (Rs.1,620.5 billion) last year due to contained growth in non-markup spending. Total expenditure grew by 16.3 percent to Rs.14,053.1 billion from Rs.12,086.4 billion last year. The rise in expenditure is primarily attributed to a significant increase in development spending (44.1%) compared to a moderate increase in current expenditures (13.1%). A substantial increase in both tax (25.9%) and non-tax collections (62.7%) triggered a significant rise in net federal revenues which grew by 41.1 percent to Rs.8,750.9 billion during Jul-May FY2025 from Rs.6,202.6 billion last year. During FY2025, FBR tax collection grew by 26.3 percent to Rs.11,744.3 billion from Rs.9,299.1 billion last year. The increase is attributed to 32.8 percent increase in FED, followed by 27.8 percent increase in direct tax, a 26.4 percent increase in sales tax, and 16.4 percent increase in customs.

Significant Current Account Surplus Reinforces External Sector Stability.

Pakistan’s current account recorded a surplus of $328 million in June 2025, bringing the total surplus for FY2025 to $2.11 billion marking the first annual surplus in 14 years and the largest in 22 years. This compares sharply with a deficit of $2.07 billion in FY2024. The improvement was driven by strong growth in workers’ remittances and exports, which more than offset the impact of higher imports, reflecting improved external sector dynamics and effective macroeconomic management. Exports of goods rose by 4.2 percent to $32.3 billion, while imports increased by 11.1 percent to $59.1 billion, widening the trade deficit to $26.8 billion from $22.2 billion last year. Key export gains were observed in knitwear (13.7%), garments (15.9%), and bedwear (11.1%). Major increase in import side were recorded in palm oil (22.1%), electrical machinery (16.6%), while petroleum products decreased (10.3%). Service exports grew by 9.1 percent to $8.4 billion; imports rose by 2.0 percent to $11.0 billion, resulted in service trade deficit of $2.6 billion. IT exports increased by 18.2 percent to $3.8 billion.

Remittances reached $38.3 billion, up 26.6 percent from $30.3 billion, mainly from Saudi Arabia (24.4% share) and UAE (20.4%). Net FDI increased by 4.7 percent to $2.5 billion with China ($1,224.3 million) and Hong Kong ($470.1 million). Sector-wise, the power sector attracted the highest share of FDI ($1,165.7 million), followed by financial services ($702.2 million), and electrical machinery ($176.0 million). However, private and public FPI recorded net outflows of $355.4 million and $294.8 million, respectively.

Thus, external sector stability is evident from the continued buildup of foreign exchange reserves, which stood at $19.9 billion as of July 11, 2025 including $14.5 billion held by the State Bank of Pakistan.

Stability in Monetary Indicators and Capital Market Optimism.

During July 1 - June 27, FY2025, Pakistan's broad money supply (M2) grew by 13.7 percent compared to 15.0 percent growth observed last year. In which, the Net Foreign Assets (NFA) increased sharply by Rs.1,757 billion, compared to Rs.675.2 billion increase recorded in the corresponding period. Net Domestic Assets (NDA) rose by Rs.3,164.9 billion, compared to Rs.3,976.8 billion last year. Private sector credit strengthened, rising to Rs.741.4 billion, up from Rs.527.3 billion in same period last year. In June 2025, the KSE-100 index continued its bullish momentum, gained 5,936 points and closed at 125,627 points at the month end. Similarly, the market capitalization of PSX increased by Rs.736 billion and closed at Rs.15,239 billion.

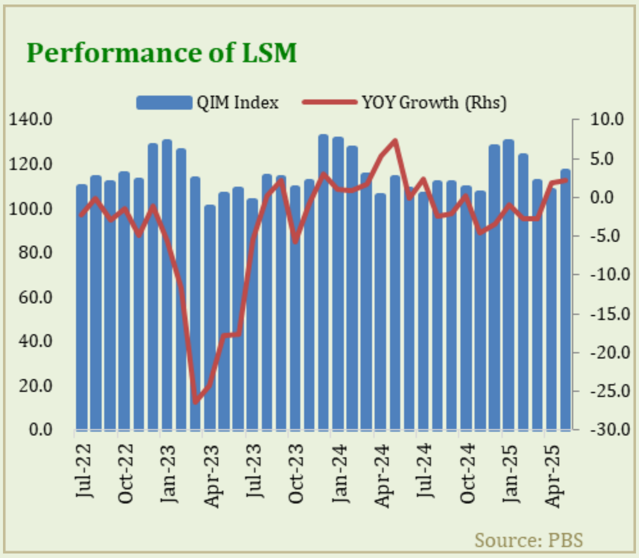
Rising Emigration and Expansion in Social Safety Continue.

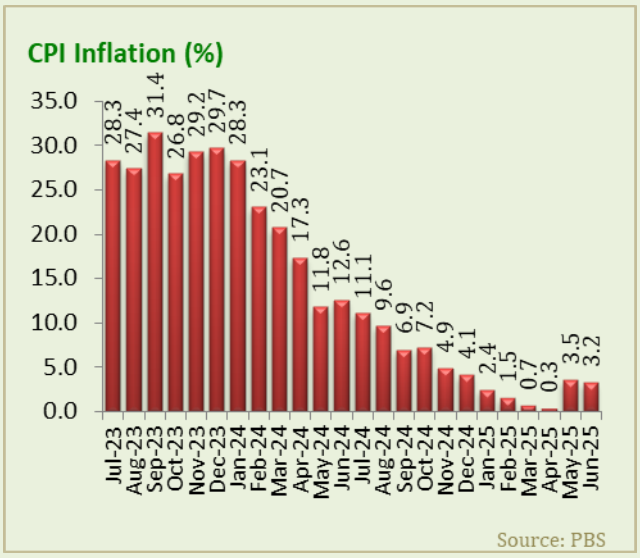
In June 2025, the Bureau of Emigration & Overseas Employment registered 51,072 workers, a 17.8 percent increase from 43,356 in June, 2024. The Pakistan Poverty Alleviation Fund, in partnership with 26 organizations, disbursed 20,017 interest-free loans worth Rs.1002.8 million during the June 2025. Since 2019, a total of Rs.118.61 billion have been provided to the borrowers. During Jul-May FY2025, Rs.549.92 billion was spent under the BISP, indicating a 33.14 percent increase compared to last year, against a total allocation of Rs.592.5 billion.

Economic Outlook

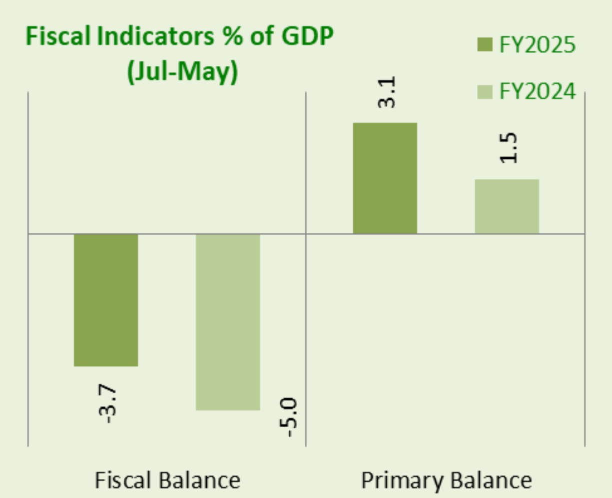
Pakistan's economy is expected to sustain its recovery in early FY2026, supported by improved macroeconomic fundamentals and rising investor confidence. Large-Scale Manufacturing (LSM) is likely to maintain momentum in June 2025, driven by increased private sector credit offtake and expanding production activity. The rebound is expected to boost imports of raw materials and intermediate goods while supporting exports of value-added products. Strengthening domestic demand, a stable exchange rate, steady global commodity prices, and improved foreign demand are likely to enhance exports, remittances, and imports in July 2025, reinforcing external sector stability. Inflation is projected to remain within 3.5 to 4.5 percent, though risks from recent heavy rains may affect agricultural yields and supply chains.

LSM records a modest rebound while easing inflation provides relief.

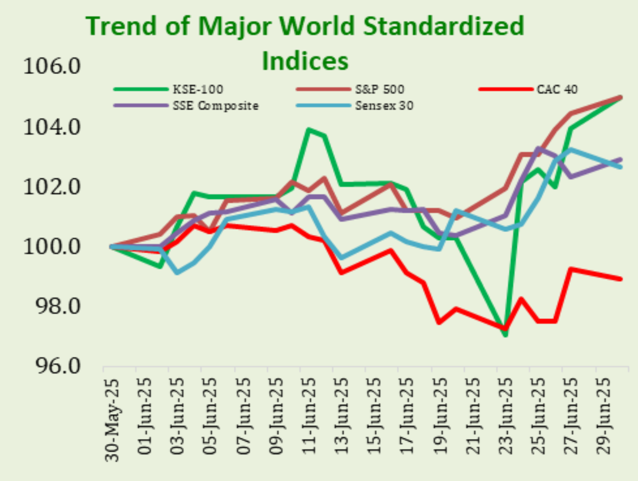




Fiscal discipline is improving through smart spending and efficient resource mobilization. Whereas, Pakistan stock market continued its bullish moment

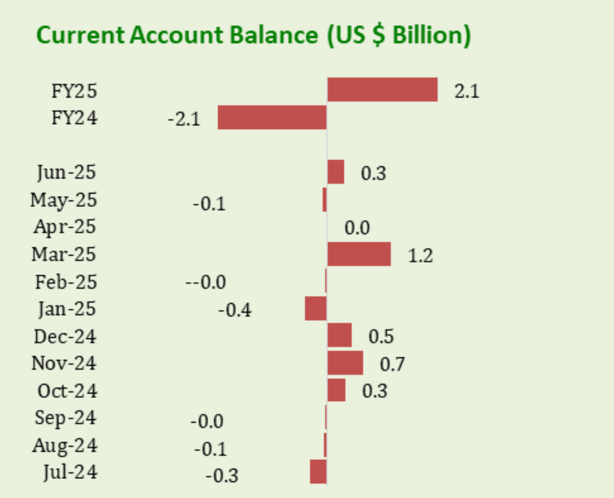


Source: Budget Wing, Finance Division

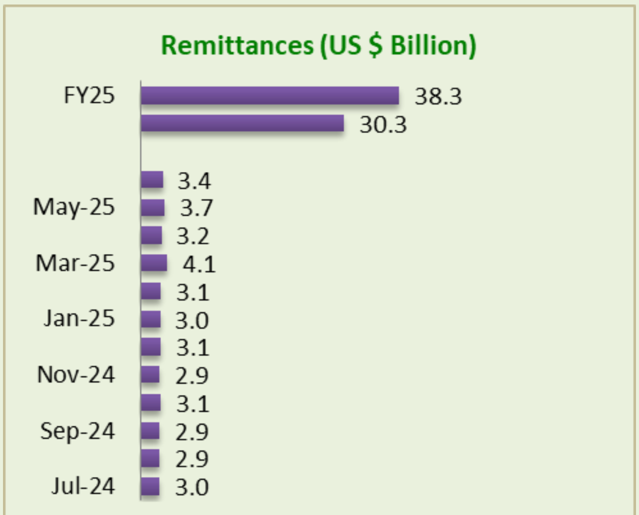


Source: PSX & Investing.com.
Note: All indices are standardized to 100 on the initial day of the sample taken in this

External account turns positive due to remittance inflows.



Source: SBP



Source: SBP

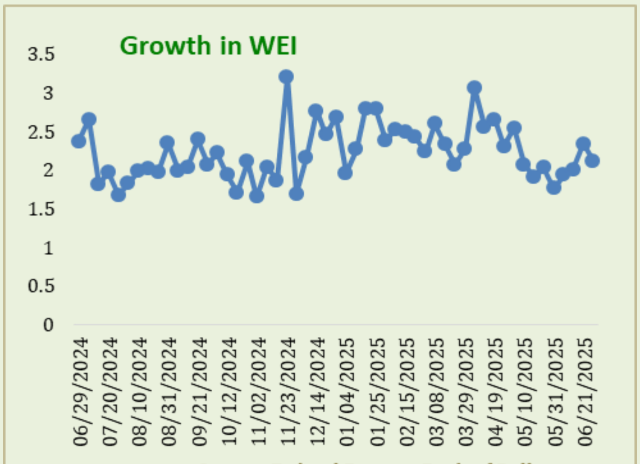
Global Economic Update and Outlook

According to the OECD's June Economic Outlook, global growth is projected at 2.9 percent in both 2025 and 2026, reflecting a marked slowdown in the U.S., Canada, Mexico, and China, alongside smaller downward revisions elsewhere. Key risks include restrictive trade policies, prolonged uncertainty, and tight financial conditions. In June, global growth saw a temporary uptick driven by stockpiling and renewed manufacturing expansion—the fastest since February 2025—particularly in the U.S., raising concerns about a possible drag in the second half of the year. The J.P. Morgan Global Composite Purchasing Managers' Index rose to 51.7 in June from 51.2 in May, indicating an annualized growth of 2.3 percent. On trade, despite policy uncertainty and geo-economic risks, global trade grew in the first half of 2025, potentially reaching US$300 billion, as per UNCTAD. Developed economies outpaced developing ones, driven by strong U.S. imports and EU exports, widening global trade imbalances in favour of China and the EU. However, trade resilience in H2 2025 will hinge on policy clarity, supply chain adjustments, geopolitical developments. The projected global potential U.S. tariff hikes, and rising trade tensions remain key downside risks.

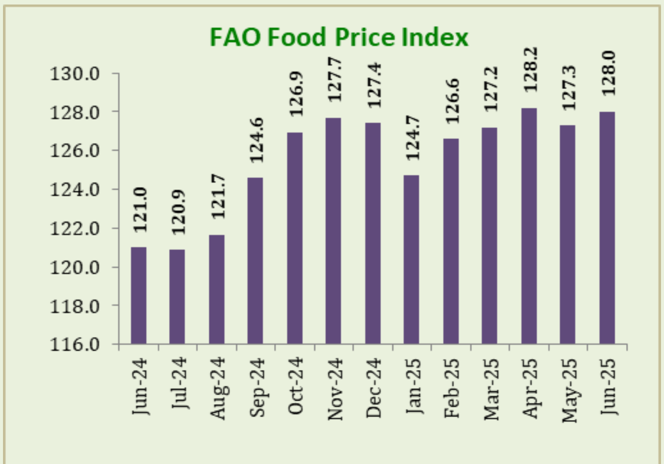
Lingering inflation concerns persist at the global level, though price pressures are expected to moderate further amid rising trade frictions and policy uncertainty. In June, inflation dynamics diverged, U.S. manufacturing output prices rose due to tariff effects, while price increases remained muted in other economies. Global commodity prices also showed mixed trends. The energy price index increased by 9.7 percent, led by an 11.3 percent rise in crude oil. Prices of fertilizers, metals, and precious metals also edged up, whereas non-energy food and beverage prices declined, and raw material prices remained stable. The FAO Food Price Index (FFPI) stood at 128.0 in June 2025, a slight increase of 0.5 percent over May, as gains in dairy, meat, and vegetable oils offset declines in cereals and sugar. The index remained 5.8 percent higher than a year ago, though still 20.1 percent below its peak in March 2022.

The OECD projects U.S. growth to slow to 1.6 percent in 2025 and 1.5 percent in 2026, with the Weekly Economic Index at 2.37 percent as of mid-July. U.K. growth is expected at 1.3 percent in 2025, easing to 1.0 percent in 2026. China's growth is forecast to moderate to 4.7 percent in 2025 and 4.3 percent in 2026, reflecting rising bilateral tariffs and the removal of de minimis exemptions. Euro area growth is projected to improve slightly to 1.0 percent in 2025 and 1.2 percent in 2026. The CLI for the U.S., U.K., China, and the Euro area remain above trend (CLI >100), signaling continued real growth and supporting a positive export outlook for Pakistan.

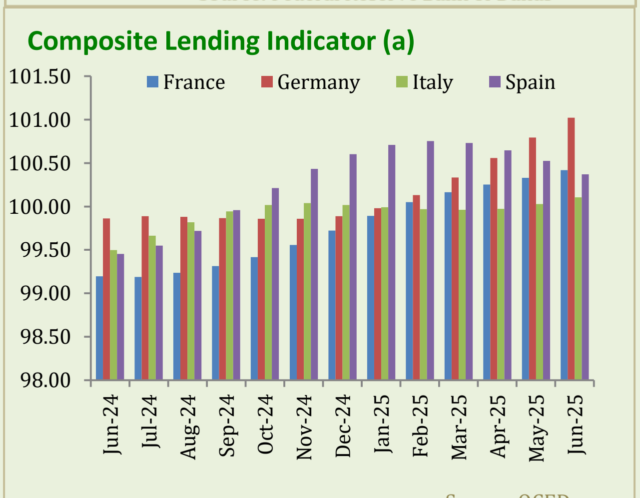
The recent GENIUS Act, signed by President Donald J. Trump, aims to position the U.S. as a leader in global digital currency. While fostering innovation, it may effect global financial systems through regulatory adjustments and digital asset markets fluctuations in H2 2025 and beyond.



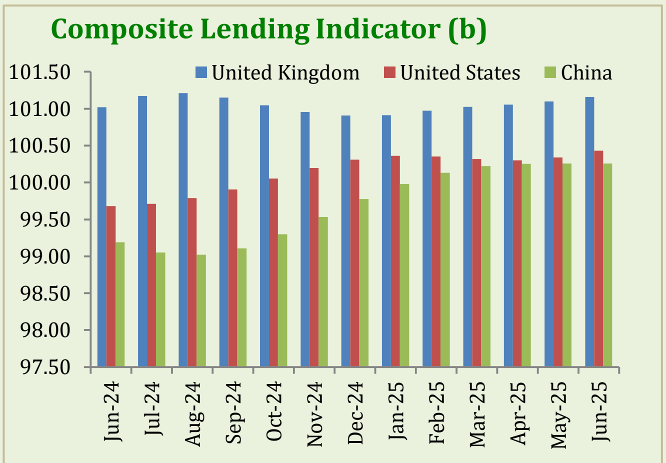
Source: Federal Reserve Bank of Dallas



Source: FAO.org



Source: OCED



Source: OCED

Economic Indicators

(28-07-2025)

External Sector

	FY2024 (Jul-Jun)	FY2025 (Jul-Jun)	% Change	FY2024 (Jun)	FY2025 (Jun)	% Change
Remittances ($ billion)	30.250	38.299	↑ 26.6	3.158	3.406	↑7.9
Exports FOB ($ billion)	30.980	32.295	↑ 4.2	2.443	2.602	↑6.5
Imports FOB ($ billion)	53.157	59.076	↑ 11.1	4.638	4.986	↑7.5
Current Account Balance ($ million)	-2,072	2,106	↑	-500	268	↑
FDI ($ million)	2,347.4	2,457.0	↑ 4.7	205	206.6	↑0.78
Portfolio Investment- ($ million)	-383.8	-650.2	↓	175.7	-25.8	↓
Total Foreign Investment ($ million)	1,963.6	1,806.9	↓8.0	380.7	180.8	↓52.5
Forex Reserves ($ billion)	14.3 (SBP: 9.0) (Banks: 5.3) (On 19th Jul 2024)	19.9 (SBP: 14.5) (Banks: 5.4) (On 20th Jul 2025)				
Exchange rate (PKR/US$)	278.4 (On 25th Jul 2024)	283.4 (On 25st Jul 2025)				

Source: SBP

Fiscal (Rs Billion)

	FY2024 (Jul-May)	FY2025 (Jul-May)	% Change	FY2024 (Jun)	FY2025 (Jun)	% Change
FBR Revenue (Jul-Jun)	9,299	11,744	↑ 26.3	1173.3	1510.3	28.7
Non-Tax Revenue	2,805	4,564	↑ 62.7			
Fiscal Balance	-5,239	-4,278	↓18.34			
Primary Balance	1,620.5	3,594.6	↑			

Source: FBR & Budget Wing

Monetary Sector (Rs Billion)

	FY2024	FY2025	
Agriculture Credit (Jul-May)	1,972.8	2,300.4	↑ 16.6
Credit to private sector (Flows)	527.3 (1st Jul to 28th Jun)	741.3 (1st Jul to 27th Jun)	↑
Growth in M2 (percent)	15.0 (1st Jul to 28th Jun)	13.7 (1st Jul to 27th Jun)	
Policy Rate (percent)	20.5 (10-June-2024)	11.0 (17-June-2025)	

Source: SBP

Real Sector

	FY2024	FY2025
CPI (National) (percent)	12.6 (Jun) 23.4 (Jul-Jun)	3.2 (Jun) 4.5 (Jul-Jun)
Large Scale Manufacturing (LSM) (percent)	7.39 (May) 0.86 (Jul-May)	2.29 (May) -1.21 (Jul-May)

Source: PBS

Financial Sector

	FY2025	FY2026	% Change
PSX Index*	78,469 (On 25th Jul 2024)	139,207 (On 25st Jul2025)	↑ 77.4
Market Capitalization (Rs trillion)	10.457 (On 25th Jul 2024)	16.688 (On 25st Jul2025)	↑ 59.6
Market Capitalization ($ billion)	37.56 (On 25th Jul 2024)	58.88 (On 25st Jul2025)	↑ 56.76
Incorporation of Companies (Jul-May)	25,650 (FY2024)	32,762 (FY2025)	↑ 27.7

*: Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP