



ECONOMIC UPDATE

Pakistan's economy has been upgraded by Fitch Ratings, acknowledging macroeconomic stabilization in the outgoing fiscal year, supported by improved fiscal performance, current account surplus, and easing inflation. Revenue growth outpaced expenditure, reducing the fiscal deficit and further strengthening the primary surplus. The current account posted a \$1.9 billion surplus, with a robust growth in exports and remittances. Inflation declined to a record low, paving the way for a more accommodative monetary policy stance. While LSM activity remained sluggish, the automobile and export-oriented sectors showed encouraging performance. Climate finance initiatives, including the Resilient and Sustainable Facility from the IMF and launching the Green Sukuk, reinforce the path toward inclusive and sustainable growth.

Policy Interventions Supporting Agriculture Growth.

During the Rabi season 2024-25, wheat was cultivated on 22.07 million acres with an estimated output of 28.98 million tonnes. Farm input utilization showed consistent improvement, supported by government efforts to ensure quality seeds, adequate credit, and availability of the machinery and fertilizers. Agricultural credit disbursement increased by 15.0 percent to Rs. 1,880.4 billion during Jul-Mar FY2025, moving steadily toward the annual target of Rs. 2,572.3 billion. Imports of agricultural machinery surged by 10.0 percent to \$69.2 million in Jul-Apr FY2025, reflecting rising mechanization. For the Kharif season 2025, availability of Urea and DAP is estimated at 4,012 and 840 thousand tonnes, respectively. Whereas their estimated offtake stands at 3,152 and 796 thousand tonnes, which are 14.6 percent and 24.0 percent higher than last year, respectively.

Large Scale Manufacturing (LSM) Sector Exhibits Uneven Recovery

The LSM sector showed a mixed performance in March 2025. It registered year-on-year (YoY)

growth of 1.8 percent; however, this was offset by a month-on-month (MoM) contraction of 4.6 percent. LSM declined by 1.5 percent during Jul-Mar FY2025, compared to contraction of 0.2 percent in the same period last year. Out of 22 sectors, 12 recorded positive growth, including Textile, Wearing Apparel, Coke & Petroleum Products, Beverages, and Pharmaceuticals. During Jul-Apr FY2025, the automobile sector posted robust growth, supported by increased production of cars (38.3%), trucks & buses (95.8%), and jeeps & pick-ups (80.0%). Cement dispatches stood at 37.3 million tonnes during Jul-Apr FY2025, reflecting a slight decline of 0.3 percent over the last year. Domestic sales dropped by 5.6 percent to 29.9 million tonnes, while exports increased by 28.8 percent to 7.4 million tonnes.

Inflation Falls to Record Low Level.

CPI inflation dropped to 0.3 percent YoY in April 2025, down from 0.7 percent in March and 17.3 percent in April 2024. MoM, it declined by 0.8 percent, following a 0.9 percent increase in March and a -0.4 percent decline in April 2024. Major contributing factors of YoY inflation include Health (14.1%), Education (10.9%), Clothing & Footwear (9.1%), Alcoholic Beverages & Tobacco (7.9%), Restaurants & Hotels (6.3%), and Household Equipment (4.0%). Declines were recorded in Perishable Food Items (-26.7%), Transport (-3.9%), Housing & Utilities (-2.6%), and Non-Perishable Food Items (-0.8%). The Sensitive Price Indicator for the week ending May 22, 2025, decreased by 0.29 percent, with 14 items showing a price decrease.

Fiscal Indicators Demonstrate Enhanced Management Discipline.

During Jul-Mar FY2025, total revenue grew by 36.7 percent to Rs. 13,367.0 billion, compared to Rs. 9,780.4 billion last year, led by a 68 percent rise in non-tax revenues which reached Rs. 4,229.7 billion, mainly driven by SBP profits, petroleum levy, dividends, and surcharges. FBR tax collection also increased

by 26.3 percent to Rs. 9,300.2 billion during Jul-Apr FY2025, up from Rs. 7,361.9 billion last year. Total expenditures rose by 19.4 percent to Rs. 16,337.0 billion, with current spending increase by 18.3 percent and development expenditures by 32.6 percent. As a result, the fiscal deficit declined to 2.6* percent of GDP (from 3.7%) while the primary surplus improved to Rs. 3,468.7 billion (3.0%* of GDP) from Rs. 1,615.4 billion (1.5%) last year. These outcomes reflect the effectiveness of ongoing fiscal consolidation efforts, contributing to enhanced fiscal discipline and macroeconomic stability.

External Account Position Remains Strengthened.

The external accounts further improved during Jul-Apr FY2025, supported by rising remittances and export growth, despite higher imports. The current account posted a \$1.9 billion surplus, reversing a deficit of \$1.3 billion last year. Goods exports rose 6.8 percent to \$27.3 billion, while imports increased 11.8 percent to \$48.6 billion, widening the trade deficit to \$21.3 billion from \$18.0 billion last year. Key export gains were observed in knitwear (15.5%), garments (17.5%), and bedwear (12.2%). Major increase in imports include palm oil (24.8%) and electrical machinery (14.6%), while crude oil imports declined slightly by 0.6 percent. Service exports grew 9.3 percent to \$6.9 billion; imports rose 7.9 percent to \$9.4 billion, resulting in a service trade deficit of \$2.5 billion. IT exports surged by 21.1 percent to \$3.1 billion.

Remittances reached \$31.2 billion, up 30.9 percent from \$23.9 billion, with major contributions from Saudi Arabia (24.4% share) and UAE (20.4%). Net FDI declined by 2.8 percent to \$1.8 billion, however the inflows were registered from China (\$711.3 million), UK (\$209.7 million), and Hong Kong (\$197.2 million). Sector-wise, financial services (\$575.1 million), power (\$523.3 million), and oil & gas exploration (\$242.2 million) attracted the most inflows. Private and public FPI recorded net

outflows of \$290.0 million and \$285.5 million, respectively. As of May 16, 2025, foreign exchange reserves stood at \$16.6 billion, including \$11.4 billion held by SBP.

MPC further Cuts the Policy Rate, Credit is Expanding, While PSX Felt the Geopolitical Pressure

The Monetary Policy Committee (MPC), on May 5, 2025, reduced the policy rate by 100 basis points to 11 percent, observing a persistent decline in inflation. During July 1st - May 2nd, FY2025, broad money (M2) grew by 4.7 percent, compared to 7.0 percent in the same period last year. Net Foreign Assets increased to Rs. 1,210.5 billion (up from Rs. 590.0 billion), while Net Domestic Assets rose by Rs. 476.2 billion, significantly lower than the Rs. 1,588.3 billion recorded last year. Private sector credit expanded to Rs. 751.5 billion, higher than Rs. 239.9 billion in the corresponding period last year. In April 2025, the KSE-100 index remained under pressure amid geopolitical tensions with India, closing at 111,327 points after losing 6,480 points over the month which has been recovered in May 2025. Market capitalization declined by Rs. 853 billion and closed at Rs. 13,521 billion.

Uplifting the Vulnerable Through Support and Self-Reliance

In April 2025, the Bureau of Emigration & Overseas Employment registered 53,231 workers, a 9.0 percent decrease from 58,555 in March. The Pakistan Poverty Alleviation Fund, in partnership with 24 organizations, disbursed 20,705 interest-free loans worth Rs. 960 million during the month. Since 2019, a total of 3.0 million loans amounting to Rs. 116.71 billion have been provided. During Jul-Mar FY2025, Rs. 409.4 billion was spent under the BISP, representing a 28.7 percent increase compared to last year, against an allocation of Rs. 592.5 billion. To channel investments into environmentally sustainable projects, the government has launched the first-ever Green Sukuk. This initiative indicates the country's efforts toward a green and resilient economy.

ECONOMIC OUTLOOK

The outlook for LSM may improve gradually in coming months, with recovery expected to be gradual amid continued YoY contraction and recent MoM decline. Nonetheless, improvements in high-frequency indicators -

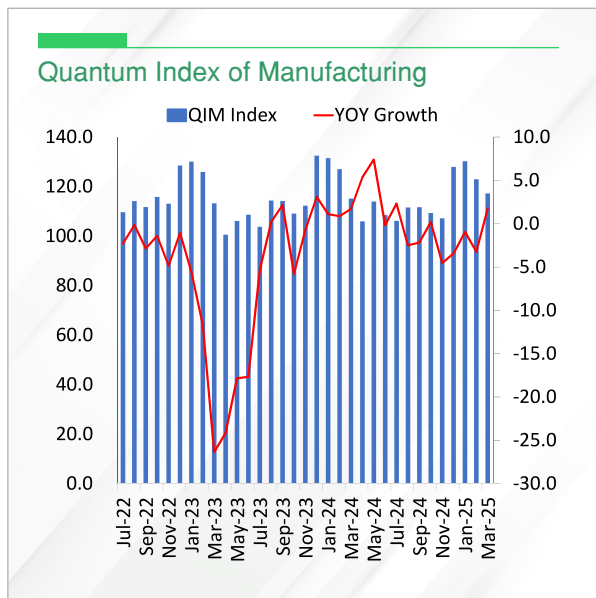
such as rising automobile output, raw material imports, and a more accommodative monetary stance - indicates cautious optimism. Improved weather conditions and increased water availability are likely to support higher crop

*: Based on revised GDP

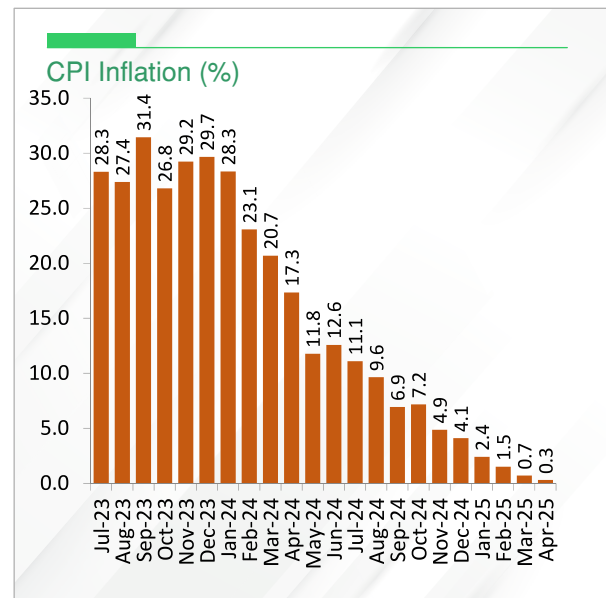
yields and better farming conditions contributing to overall economic growth. Inflation is projected to remain between 1.5 - 2.0 percent in May, with a possible rise to 3.0 - 4.0 percent by

June 2025. Exports and remittances are expected to maintain their upward trend in the coming months keeping the current account within manageable range.

LSM growth remains weak while inflation declined to a historical low level.

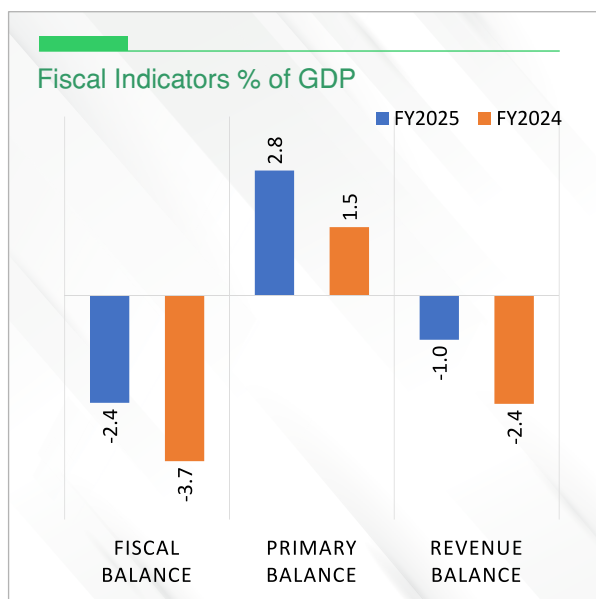


Source: PBS

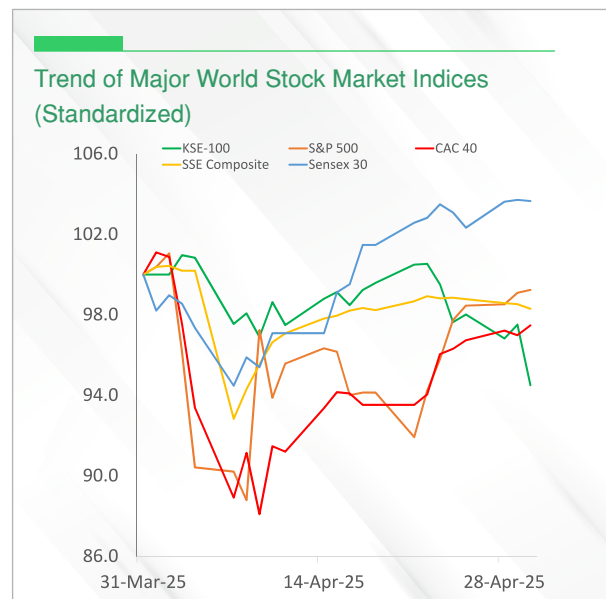


Source: PBS

Fiscal discipline is strengthening, supported by effective consolidation efforts. Pakistan Stock Market faced a short-lived pressure.



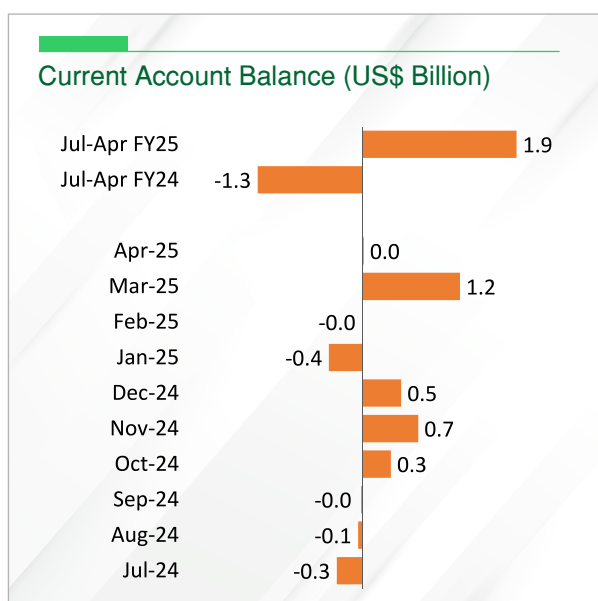
Source: Pakistan Fiscal Operations



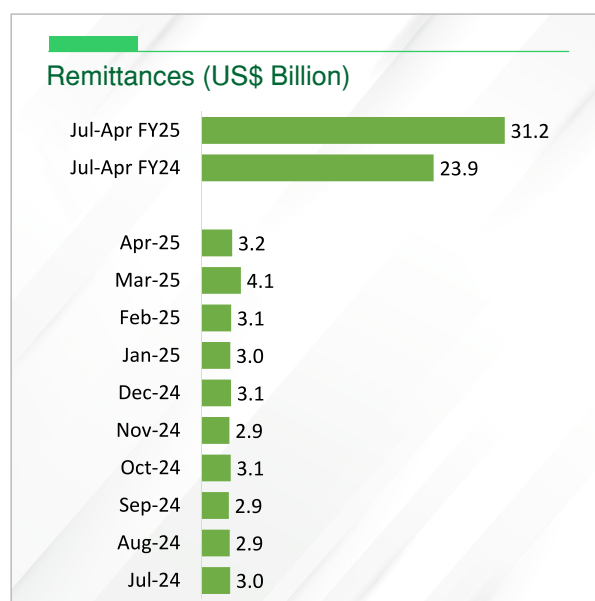
Source: PSX and Investing.com

Note: All indices are standardized to 100 on the initial day of the sample taken in this figure

Current Account remains in surplus on the back of higher remittances.



Source: SBP



Source: SBP

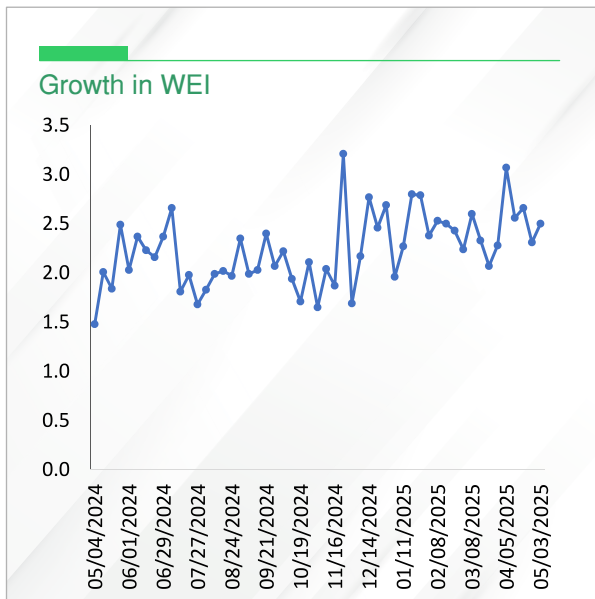
GLOBAL ECONOMIC UPDATE AND OUTLOOK

According to WEO (April 2025), global economic growth is estimated at 2.8% in 2025 and 3.0% in 2026. However, in April 2025, according to PMI, global economic expansion remained broad-based driven by a modest rise in manufacturing production owing to the front-loading of goods orders ahead of high tariffs. Whereas, the services sector growth decelerated (slowest since November 2023) due to the impacts of recent changes in trade policies. Further, these effects have already started to appear as the exports decline and business optimism slumped, contributed to the stalled employment growth. The J.P. Morgan Global PMI Composite fell to 50.8 in April (down from 52.0 in March), broadly consistent with a less than 2.0 percent annualized global growth rate at the start of Q2.

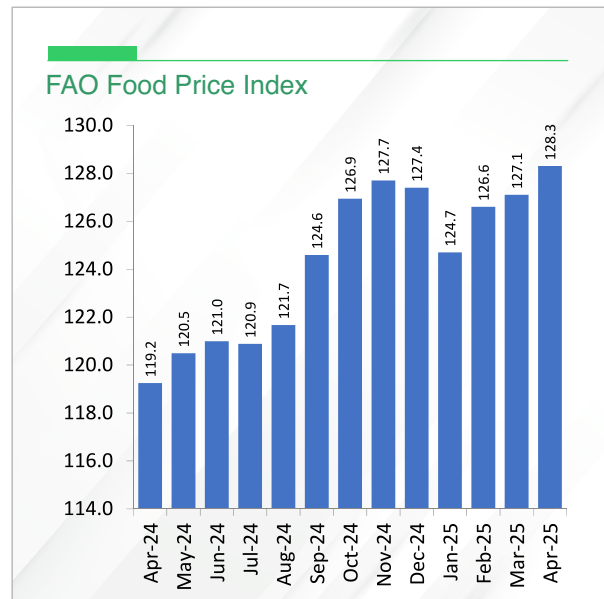
Global headline inflation is expected to decline at slower pace, reaching 4.3 percent in 2025 and 3.6 percent in 2026. Global Commodity prices showed mixed trend in April, as energy, non-energy, food, raw materials, beverages, and metals declined, whereas fertilizer and precious metals rose. The FAO Food Price

Index averaged 128.3 points in April 2025, up (1.2 points, 1.0%) from March as increases in the cereal, dairy and meat price indices outweighed decreases in those of sugar and vegetable oils. Overall, the index was higher (9.0 points, 7.6%) on YoY basis but remained below from its peak in March 2022 (31.9 points, 19.9%).

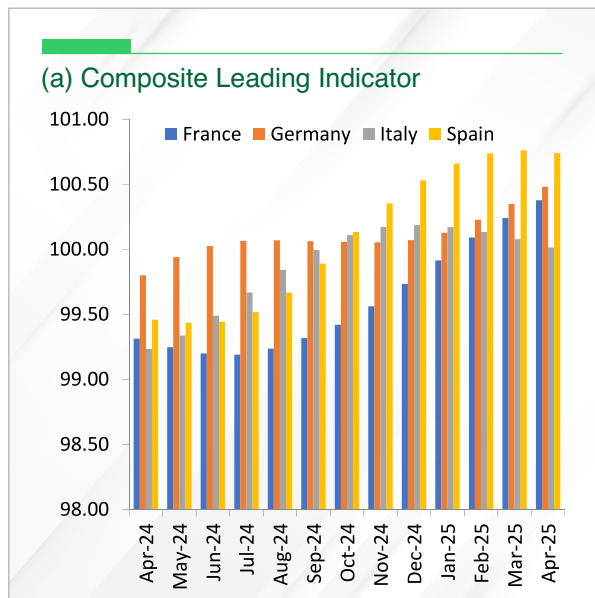
The WEO projected U.S growth to slow down to 1.8 percent in 2025 and 1.7 percent in 2026 on account of greater policy uncertainty, trade tensions and softer demand momentum. However, the Weekly Economic Index (WEI) reached 2.50 percent for early May, with a 13-week average of 2.47 percent, compared with Q1 2025 GDP growth of 2.05 percent. China's growth is forecasted at 4.0 percent in 2025 on the back of tariff impositions and fiscal expansion in the budget. Composite Leading Indicators (CLIs) of Pakistan's key trading partners — the UK, US, Euro Area, and China — reflect improving economic activity around their long-term potential level, thereby contributing sustained external demand for Pakistan's exports.



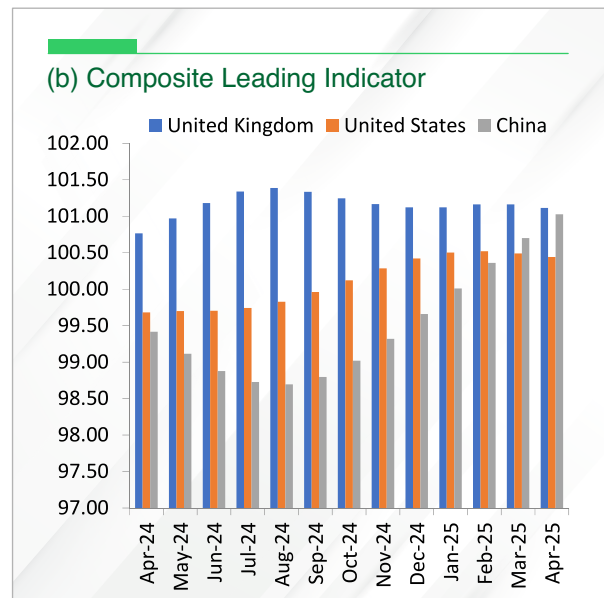
Source: Federal Reserve Bank



Source: FAO



Source: OCED



Source: OCED



(29-05-2025)

External Sector							
	FY2024	FY2024 (Jul-Apr)	FY2025 (Jul-Apr)	% Change	FY2024 (Apr)	FY2025 (Apr)	% Change
Remittances (\$ billion)	30.3	23.851	31.210	↑ 30.9	2.813	3.182	13.1
Exports FOB (\$ billion)	31.0	25.530	27.276	↑ 6.8	2.638	2.611	-1.0
Imports FOB (\$ billion)	53.1	43.505	48.619	↑ 11.8	4.448	5.237	17.7
Current Account Balance (\$ million)	-2,072	-1,337	1,880	↑	315	12	-96.2
FDI (\$ million)	2,347.4	1,836.8	1,784.9	↓ 2.8	394.5	140.8	-64.3
Portfolio Investment- (\$ million)	-383.8	-798.6	-575.5	↓	-963.6	-233.2	↓
Total Foreign Investment (\$ million)	1,963.6	1,038.2	1,209.4	↑ 16.5	-569.1	-92.4	↑
		14.6	16.6				
Forex Reserves (\$ billion)	14.0 (SBP: 9.4) (Banks: 4.6) (End June)	(SBP: 9.2) (Banks: 5.4) (On 17 th May 2024)	(SBP: 11.4) (Banks: 5.2) (On 16 th May 2025)				
Exchange rate (PKR/US\$)	278.3 (End June)	278.3 (On 27 th May 2024)	282.2 (On 27 th May 2025)				

Source: SBP

Fiscal (Rs Billion)							
	FY2024	FY2024 (Jul-Mar)	FY2025 (Jul- Mar)	% Change	FY2024 (Mar)	FY2025 (Mar)	% Change
FBR Revenue (Jul-Apr)	9,311	7,362	9,300	↑ 26.3	630	847	30.3
Non-Tax Revenue	3,183.8	2,417	4,099	↑ 69.9			
Fiscal Balance	7,207	3,902.4	2,970.0	↓			
Primary Balance	953	1,615.4	3,468.7	↑			

Source: FBR & Budget Wing

Monetary Sector				
	FY2024	FY2024	FY2025	
Agriculture Credit (Jul-Mar)	2,216	1,635	1,880	↑ 15.0
Credit to private sector (Flows)	512.9	239.9 (1 st Jul to 03 rd May)	751.5 (1 st Jul to 02 nd May)	↑
Growth in M2 (percent)	16.0	7.0 (1 st Jul to 03 rd May)	4.7 (1 st Jul to 02 nd May)	
Policy Rate (percent)	20.5 (End June)	22.0 (29-April-2024)	11.0 (05-May-2025)	

Source: SBP

Real Sector			
	FY2024	FY2024	FY2025
CPI (National) (percent)	23.4	17.3 (Apr) 26.0 (Jul-Apr)	0.3 (Apr) 4.7 (Jul-Apr)
Large Scale Manufacturing (LSM) (percent)	0.78	1.71 (Mar) -0.22 (Jul-Mar)	1.79 (Mar) -1.47 (Jul-Mar)

Source: PBS

Financial Sector				
	FY2024	FY2024	FY2025	% Change
PSX Index*	78445 (On 30 th June 2024)	75,517 (On 27 th May 2024)	118,332 (On 27 th May 2025)	↑ 56.7
Market Capitalization (Rs trillion)	10.38 (On 30 th June 2024)	10.19 (On 27 th May 2024)	14.35 (On 27 th May 2025)	↑ 40.9
Market Capitalization (\$ billion)	36.49 (On 30 th June 2024)	36.60 (On 27 th May 2024)	50.83 (On 27 th May 2025)	↑ 38.9
Incorporation of Companies (Jul-Apr)	26,939	22,848	29,142	↑ 27.5

*: Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP