



## Economic Update

Pakistan's economy experienced encouraging progress across key indicators during the first eight months of FY2026. Notably, the current account recorded its largest surplus of the year in February, supported by remittances growth and decline in imports. IT exports continued the growth momentum, reinforcing the country's development in digital transformation. Resultantly, foreign exchange reserves rose to a four-year high, with a notable rise in central bank holdings, signaling stronger sovereign liquidity and better crisis response capacity. Meanwhile, large-scale manufacturing recorded strong double-digit growth in January, adding further impetus to industrial recovery and supporting overall economic activity. In the wake of emerging U.S-Israel & Iran conflict, proactive planning and austerity measures on the energy front are helping secure adequate fuel reserves thereby ensuring smooth operations. Despite regional and external challenges, Pakistan's preparedness and reform measures, along with encouraging progress on the domestic front, are laying the groundwork for sustainable growth prospects.

### Input Uptake and Machinery Imports Support Rabi Momentum.

For the Rabi season 2025-26, wheat production is targeted at 29.7 million tonnes (last year production: 28.4 million tonnes). The sowing position remained better compared to last year due to government's support. However, the final yield will largely depend on weather conditions, particularly at the crop's maturity stage. The farm inputs remained

encouraging, as agricultural credit disbursement increased by 11.1 percent to Rs. 1,649.0 billion during Jul-Jan FY2026 from Rs. 1,483.6 billion last year. The imports of agricultural machinery & implements recorded an increase of 17.1 percent to \$90.8 million during Jul-Feb FY2026 from \$77.5 million last year. During Rabi 2025-26 (Oct-Feb), Urea offtake recorded at 2,994 thousand tonnes (7.1% higher than Rabi 2024-25), whereas DAP offtake stood 685 thousand tonnes.

### LSM Continued to Maintain its Upward Trajectory.

Large-Scale Manufacturing (LSM) registered growth of 5.8 percent during Jul-Jan FY2026 against the contraction of 1.7 percent last year. This growth is mainly driven by the automobile, wearing apparel, coke & petroleum products and food with contribution of 1.6 percent, 1.3 percent, 0.9 percent, and 0.6 percent, respectively. During the period, 15 sectors recorded growth, including textile, wearing apparel, non-metallic mineral products, food, beverages, coke & petroleum products, electrical equipment, automobile and tobacco. In January 2026, LSM index reached at its highest of 144 after March 2022 and witnessed a substantial growth of 10.5 percent year-on-year (YoY) and 12.1 percent on month-on-month (MoM) basis. During Jul-Feb FY2026, the performance of automobile sector remained robust, supported by substantial increase in the production of Trucks & Buses by 78.4 percent, Cars by 52.3 percent, 2/3 Wheelers by 31.2 percent and Jeeps & pick-ups by 24.0 percent. Similarly, cumulative cement dispatches grew by 10.9 percent in Jul-Feb

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FY2026 and reached 34.8 million tonnes. Domestic dispatches witnessed the growth of 11.9 percent and totaled at 28.5 million tonnes, while exports increased by 6.3 percent, with volume reaching to 6.3 million tonnes.

### **Headline CPI Inflation Witnessed an Increase.**

CPI inflation recorded at 7.0 percent on YoY basis in February 2026 as compared to 5.8 percent in the previous month and 1.5 percent in February 2025. On average, during Jul-Feb FY2026, inflation stood at 5.5 percent against 5.9 percent same period last year. YoY inflation is driven by Housing, Water, Electricity, Gas & Fuels (9.7%), Education (9.6%), Health (7.2%), Non-Perishable Food Items (6.9%), Clothing & Footwear (6.2%), Restaurants & Hotels (4.9%), Furnishing & Household Equipment Maintenance (3.5%), Alcoholic Beverages & Tobacco (2.9%), Communication (0.6%) and Transport (0.4%), while decline observed in Recreation & Culture (4.6%) and Perishable Food (2.6%). The Sensitive Price Indicator for the week ending March 26, 2026 increased by 0.97 percent. During the week, out of 51 items, prices of 23 items increased, 06 items decreased and 22 items remained stable.

### **Fiscal Position Continued to be on Track due to Prudent Fiscal Management.**

The overall fiscal position during Jul-Jan FY2026 shows remarkable fiscal consolidation, with fiscal deficit contained at Rs. 64.7 billion as compared to Rs. 2,070.9 billion last year. Federal revenue during the period increased by 9.3 percent and reached Rs. 11,218.8 billion, which was contributed by growth in both tax and non-tax revenues by 10.5 percent and 7.4 percent, respectively. Federal expenditure declined by 10.7 percent to Rs. 8,329.0 billion. This contraction was mainly driven by curtailment of current expenditure, which fell by 11.4 percent on account of 24.6 percent decline in markup expenditure. Development expenditure

increased by 13.0 percent, in line with fiscal priorities. Primary surplus remained 3.2 percent of GDP (Rs. 4,151.6 billion) as compared to 3.1 percent of GDP (Rs. 3,518.7 billion) last year. During Jul-Feb FY2026, FBR's tax collection grew by 10.6 percent to reach Rs. 8,122.2 billion. This growth was driven by both direct and indirect taxes, 12.2 percent and 9.1 percent, respectively. Within indirect taxes, sales tax, federal excise duty and customs duties increased by 10.0 percent, 14.0 percent and 3.8 percent, respectively.

### **External Account Position Remains Manageable.**

In February 2026, the current account recorded a surplus of \$427 million, containing the aggregate position during Jul-Feb FY2026 to a deficit of \$700 million. Goods & services exports recorded at \$27.2 billion compared to \$27.4 billion last year, of which goods export stood at \$20.7 billion driven by the textile sector. Services export were primarily driven by IT services that increased by 19.7 percent to \$3.0 billion. Goods & services imports recorded at \$50.4 billion compared to \$46.0 billion last year, whereas goods imports were \$41.8 billion. Trade deficit of goods & services widened to \$23.2 billion from \$18.6 billion last year. The increase was on account of upward trend in imports as compared to exports which remained stagnant due to drop in food exports, particularly rice.

According to PBS data, gains in key exports were observed in knitwear (0.4%), garments (4.9%) and bedwear (1.0%). Increase in major import items was recorded in petroleum crude (6.6%) and palm oil (21.5%), while petroleum products declined (6.2%).

Remittances were up 10.5 percent to \$26.5 billion, led by inflows from Saudi Arabia (23.3% share) and UAE (20.6%). Net FDI inflows recorded at \$1.2 billion. Main sources of net inflows were China (\$635.7 million) and Hong Kong (\$219.0 million). Sector-wise, power (\$627.4 million) and financial business (\$523.2 million)

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attracted the most FDI. Private and public FPI recorded net outflows of \$365.6 million and \$125.2 million, respectively. As of March 19, 2026, foreign exchange reserves stood at \$21.7 billion, including \$16.4 billion held with SBP.

### Monetary Indicators are Favourable for Macroeconomic Outlook. Whereas, Stock Market Entered the Bearish Phase Due to Evolving Regional Conflict.

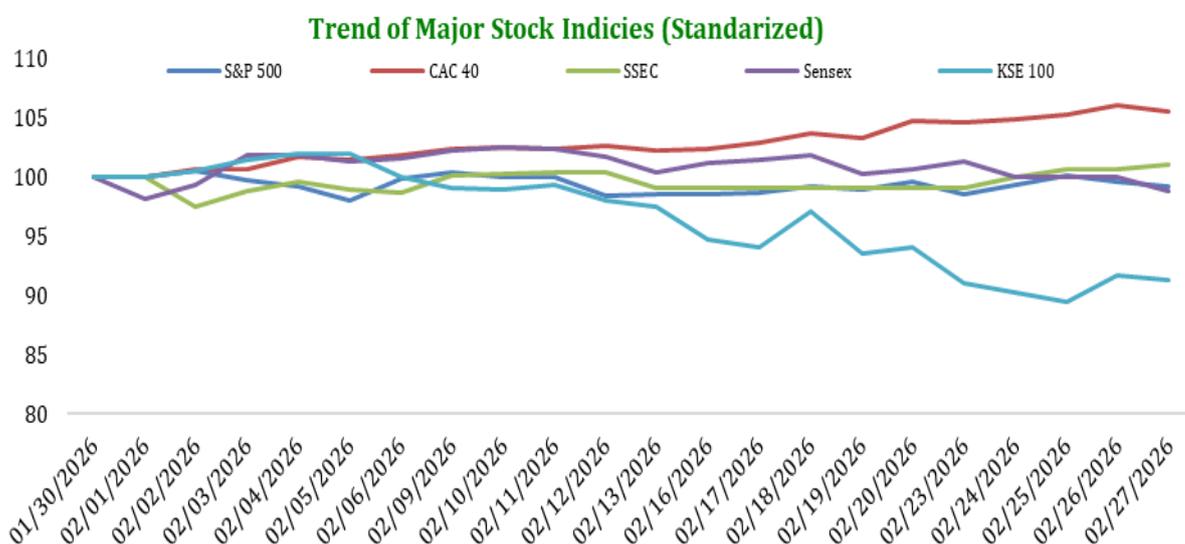
The Monetary Policy Committee in its decision on 09<sup>th</sup> March, 2026 decided to maintain the policy rate at 10.5 percent. During 1<sup>st</sup> July–27<sup>th</sup> February, FY2026 money supply (M2) showed growth of 3.5 percent as compared to contraction of 0.4 percent last year. Within M2, Net Foreign Assets (NFA) of the banking system increased by Rs. 886.1 billion as compared to an increase of Rs. 747.4 billion in last year. Net Domestic Assets (NDA) of the banking sector also increased by Rs. 523.3 billion as compared to a decrease of Rs. 873.1 billion last year. Under the borrowing for budgetary support, government borrowed Rs. 377.3 billion against the borrowing of Rs. 26.5 billion last year. Private Sector has borrowed Rs. 928.7 billion as compared borrowing of Rs. 607.5 billion in last year. Within private sector

credit, loans to private sector businesses increased to Rs. 749.4 billion as compared to Rs. 706.6 billion last year. Within business loans, demand for fixed investment loans reached at Rs. 369.6 billion as compared to Rs. 187.4 billion during same period last year. Equity market witnessed bearish trends at the Pakistan Stock Exchange (PSX) in February 2026. The KSE-100 Index lost 16,112 points, closing at 168,062.2, as investors exercised caution due to continued geopolitical tensions in the region. Market capitalization declined by Rs. 1,897.3 billion, reaching Rs. 18,930.2 billion by the end of February.

### Expanded Social Support Continues to Boost Safety Nets.

In February 2026, the Bureau of Emigration & Overseas Employment registered 61,433 workers, a 22.8 percent increase from 50,030 in February 2025. The Pakistan Poverty Alleviation Fund, in partnership with 24 organizations, disbursed 8,690 interest-free loans worth Rs. 543.0 million during February 2026. Since 2019, a total of Rs. 124.0 billion have been provided to the borrowers. During Jul-Jan FY2026, Rs. 329.8 billion was spent under the BISP, representing a 36.9 percent increase compared to last year.

Pakistan's stock market remained under sustained pressure due to geopolitical uncertainty.



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

# Economic Outlook

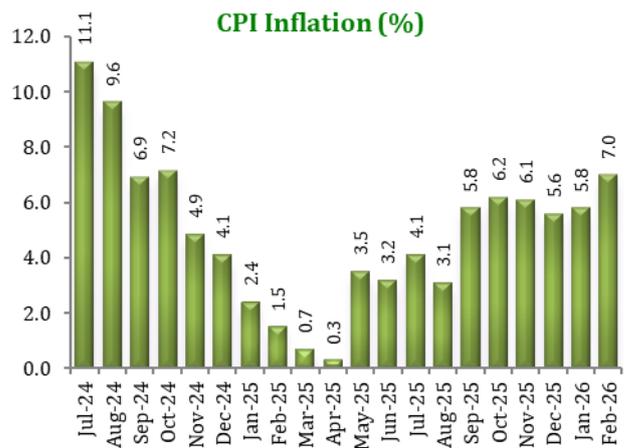
The near-term outlook for Pakistan’s economy remains cautiously optimistic despite emerging geopolitical risks. Recent data indicates improving momentum in the industrial sector, with higher imports of textile machinery, transport and construction-related inputs, likely to translate into higher domestic industrial activity. While rising global oil prices and potential supply chain disruptions may exert pressure on industrial input costs, the government is actively pursuing prudent measures, including maintaining adequate petroleum reserves, managing energy demand, and adhering to fiscal austerity to protect domestic economy. Inflation is anticipated to remain within the

range of 7.5-8.5 percent for March 2026. On the external front, high inflows of remittance are expected, particularly increase in transfers associated with Eid festival, although their trajectory will depend on economic conditions in the host countries. Encouraging trends in IT exports are also providing additional support to foreign exchange earnings. The current account deficit is likely to remain manageable, while rising oil prices pose a risk to the import bill. Notwithstanding the downside risks amid global uncertainties, the latest indicators suggest that the economy is better positioned to absorb external shocks and maintain overall resilience in the coming months.

## LSM growth persists while inflation picked up.

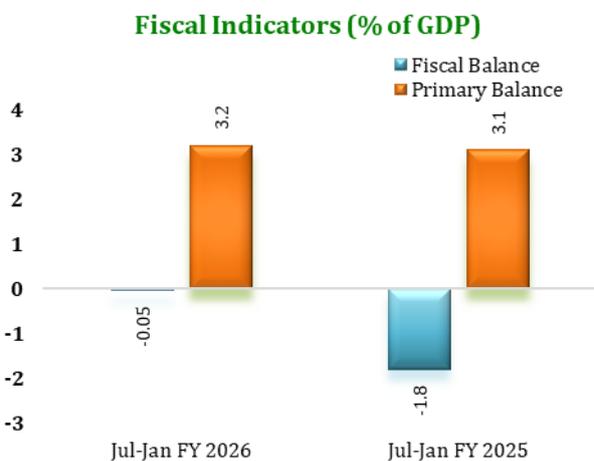


Source: PBS

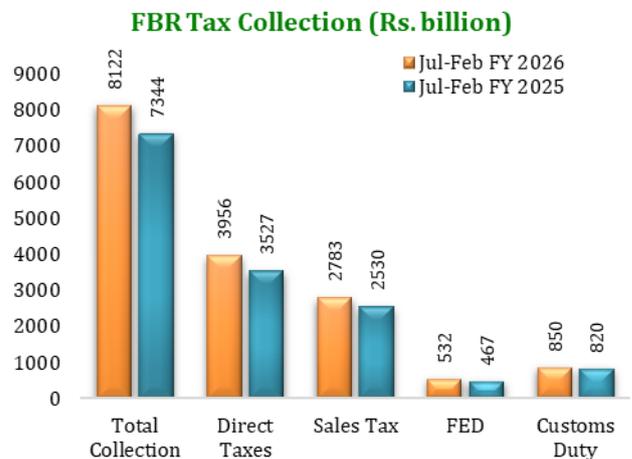


Source: PBS

## Prudent management underpins fiscal stability.

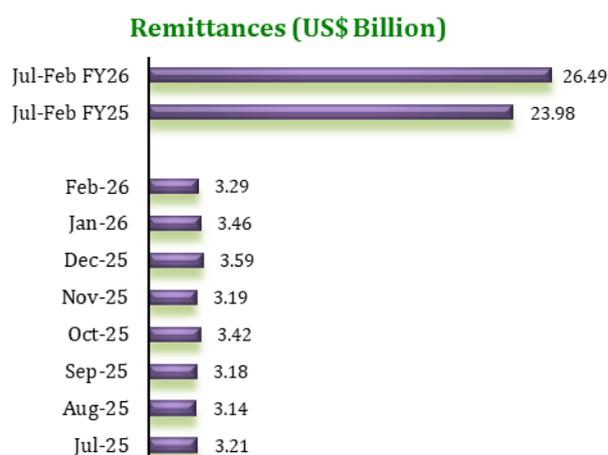


Source: Budget Wing, Finance Division

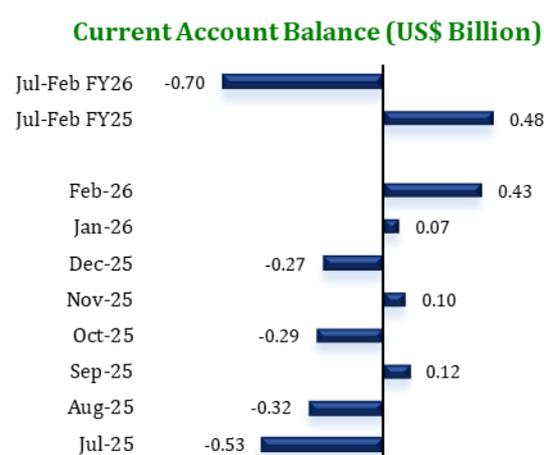


Source: FBR

Rising remittances remain the key buffer to sustain external account pressures.



Source: SBP



Source: SBP

## Global Economic Update & Outlook

According to Purchasing Managers' Index by S&P Global, the global economic growth accelerated prior to the outbreak of the Middle East war, with fastest growth since May 2024. February's growth expansion was one of the best seen since the pandemic, with robust service sector growth accompanied by a marked improvement in the manufacturing sector, where production growth jumped to its strongest since December 2021. This upturn in the growth was driven by the largest monthly influx of new business since May 2023, reflecting rising demand and improved global trade. However, despite improved order booking, global employment remained largely unchanged, principally reflecting a sustained focus on cost control amid subdued business optimism in the future. Regional growth trends shifted further during February with Japan leading developed economies in the global growth, Asia and Europe improving, while U.S growth cooling down and Canada experiencing ongoing decline. Among major emerging markets, the most notable shift occurred in China, where output growth accelerated to its fastest pace since May 2023.

Global output price growth reached its highest level since May 2025, driven mainly

by persistent labor cost pressures and rising raw material prices. Further increase in price growth is expected following a sharp rise in energy costs driven by the US-Israel attacks on Iran and Iran's retaliatory strikes in the Gulf. Food and commodity markets reflected mixed dynamics: the FAO Food Price Index (FFPI) averaged 125.3 points in February 2026, up by 1.1 points from its revised January level. This marks the first rise of the index after five consecutive monthly declines. The uptick in the index is driven by increases in the price indices for cereals, meat and vegetable oils, which outweighed declines in the dairy and sugar indices. Compared to historical levels, the current FFPI stood 1.3 points below on a YoY basis and 34.9 points down from the peak reached in March 2022. Further, commodity indices showed energy and non-energy prices index edged down by 0.5 and 1.2 percent, respectively. Within specific categories, beverage prices dropped sharply by 15.6 percent and metals declined by 1.7 percent. While, food prices rose by 2.1 percent, raw materials by 1.5 percent, fertilizers by 6.5 percent and precious metals by 1.7 percent.

Further, oil markets remain tenuous; multiple supply outages have tightened crude markets, while geopolitical tensions between

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Iran and U.S have intensified, as a result oil market remains volatile. Brent Crude (Global Benchmark) has been traded around \$104.66–\$106.11 per barrel as of 16<sup>th</sup> March. In response, the International Energy Agency (IEA) has announced (on 11<sup>th</sup> March) the release of 400 million barrels from emergency reserves. While this unprecedented release will be providing a significant buffer against the turmoil. Nevertheless, the war in the Middle East has created the largest supply disruption ever witnessed in the global oil market, the decisive factor for restoring stability in the global oil market remains dependent on the resumption of regular shipping transit through the Strait of Hormuz.

The U.S economy, showed resilience in Q4 2025 with GDP raised by 0.7 percent annually supported by consumer spending and investment, partly offset by weaker government spending and exports. The labor

market also remained firm, with job openings little changed at 6.9 million in January. The Federal Open Market Committee on March 18, 2026, held interest rates steady at 3.5–3.75 percent to balance solid expansion in economic activity with persistently elevated inflation. The committee remain cautious amid global uncertainties, reaffirming the commitment to maximum employment and achieve 2.0 percent inflation target. Meanwhile, U.S Weekly Economic Index, providing a signal of the state of the economy, stood at 2.86 percent for the week ended March 21, with a 13-week moving average of 2.50 percent, signalling continued economic resilience.

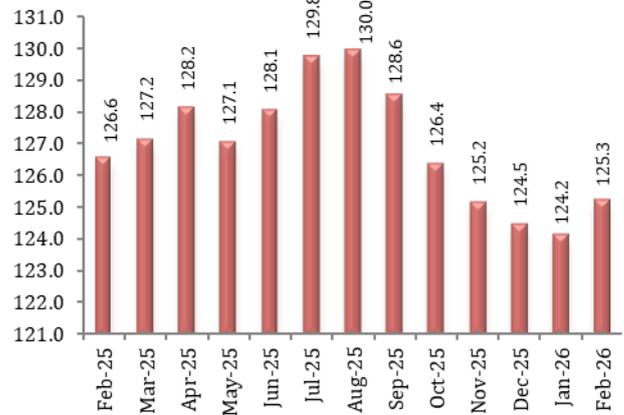
The Composite Leading Indicator for Pakistan’s major export destinations shows economic activity hovering near its long-term potential, signaling broadly supportive external demand prospects.

**Growth in WEI**



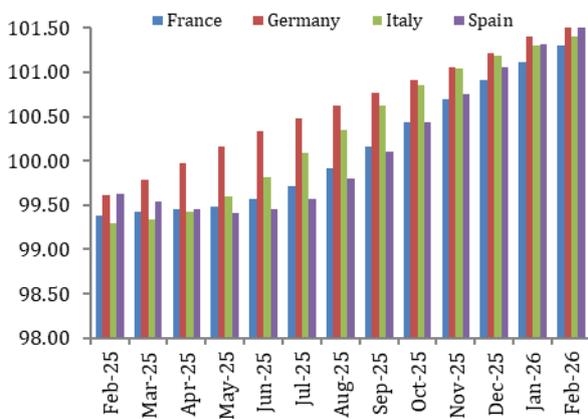
Source: Federal Reserve Bank of Dallas

**FAO Food Price Index**



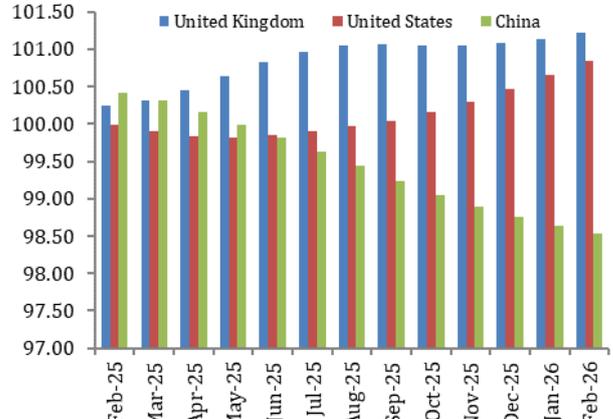
Source: FAO.org

**Composite Leading Indicator**



Source: OECD

**Composite Leading Indicator**



Source: OECD

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## Economic Indicators

(31-03-2026)

External Sector							
	FY2025	FY2025 (Jul-Feb)	FY2026 (Jul-Feb)	% Change	FY2025 (Feb)	FY2026 (Feb)	% Change
Remittances (\$ billion)	38.3	24.0	26.5	↑10.5	3.1	3.3	↑5.2
Exports FOB (\$ billion)	32.34	21.9	20.7	↓5.4	2.6	2.5	↓4.9
Imports FOB (\$ billion)	59.11	38.4	41.8	↑8.8	5.0	5.1	↑2.0
Current Account Balance (\$ million)	1,932	479	-700	↓	-85	427	↑
FDI (\$ million)	2489.7	1,793.4	1,194.9	↓33.4	132.7	213.5	↑
Portfolio Investment- (\$ million)	-650.2	-211	-490.8	↓	-34.0	-26.9	↑
Total Foreign Investment (\$ million)	1,839.5	1,582.4	704.1	↓	98.8	186.7	↑
Forex Reserves (\$ billion)	19.3 (SBP: 14.5) (Banks: 4.8) (End June)	15.5 (SBP: 10.6) (Banks: 4.9) (On 21 <sup>st</sup> Mar 2025)	21.7 (SBP: 16.4) (Banks: 5.4) (On 19 <sup>th</sup> Mar 2026)				
Exchange rate (PKR/US\$)	283.8 (End June)	280.2 (On 28 <sup>th</sup> Mar 2025)	279.2 (On 30 <sup>th</sup> Mar 2026)				

Source: SBP

Fiscal (Rs. Billion)							
	FY2025	FY2025 (Jul-Jan)	FY2026 (Jul-Jan)	% Change	FY2025 (Feb)	FY2026 (Feb)	% Change
FBR Tax Revenue (Jul-Feb)	11,744.3	7,343.9	8,122.2	↑10.6	846.5	945.3	↑11.7
Federal Non-Tax revenue	5,056.4	3,762.6	4,041.9	↑7.4			
Fiscal Balance	-6,168.0	-2,070.9	-64.7	↑			
Primary Balance	2,719.4	3,518.7	4,151.6	↑			

Source: Finance Division

Monetary Sector				
	FY2025	FY2025	FY2026	% Change
Agriculture Credit (Jul-Jan)	2,577.3	1,483.6	1,649.0	↑11.1
Credit to private sector (Flows)	1,081.6	574.4 (1 <sup>st</sup> Jul to 07 <sup>th</sup> Mar)	887.5 (1 <sup>st</sup> Jul to 06 <sup>th</sup> Mar)	↑
Growth in M2 (percent)	13.7	0.11 (1 <sup>st</sup> Jul to 07 <sup>th</sup> Mar)	3.48 (1 <sup>st</sup> Jul to 06 <sup>th</sup> Mar)	
Policy Rate (percent)	11.0 (End June)	12.0 (10-Mar-2025)	10.5 (09-Mar-2026)	

Source: SBP

Real Sector			
	FY2025	FY2025	FY2026
CPI (National) (percent)	4.5	1.5 (Feb) 5.9 (Jul-Feb)	7.0 (Feb) 5.5 (Jul-Feb)
Large Scale Manufacturing (LSM) (percent)	-0.73	-1.65 (Jul-Jan)	5.75 (Jul-Jan)

Source: PBS

Financial Sector				
	FY2025	FY2025	FY2026	% Change
PSX Index*	125,627 (On 30 <sup>th</sup> June 2025)	117,806 (On 28 <sup>th</sup> Mar 2025)	146,842 (On 30 <sup>th</sup> Mar 2026)	↑24.6
Market Capitalization (Rs. trillion)	15.24 (On 30 <sup>th</sup> June 2025)	14.37 (On 28 <sup>th</sup> Mar 2025)	16.32 (On 30 <sup>th</sup> Mar 2026)	↑13.6
Market Capitalization (\$ billion)	53.69 (On 30 <sup>th</sup> June 2025)	51.29 (On 28 <sup>th</sup> Mar 2025)	58.64 (On 30 <sup>th</sup> Mar 2026)	↑14.3
Incorporation of Companies (Jul-Jan)	35,210	20,274	25,554	↑26.0

\*: Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP