



Pakonomics

May 2026



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HIGHLIGHTS

The State Bank of Pakistan's Monetary Policy Committee ("MPC") decided to keep the policy rate unchanged at 11.5% in its latest meeting held on the 15th of June 2026.

The National Accounts Committee ("NAC") has published the provisional estimates of the GDP growth rate in Fiscal Year 2025-26 ("FY26"), which stands at 3.7% compared to the revised estimates of 3.2% in FY25.

The GDP growth of the country for FY27 is targeted at 4.0% out of which, Agriculture, Industry and Services sectors are expected to post a 3.8%, 4.5% and 4.2% growth, respectively.

Revenue Shortfall in Fiscal Year 2025-26 ("FY26"): During the 11 months - Jul-May period of FY26, the FBR recorded a substantial revenue shortfall of PKR 864 billion, with collections amounting to PKR 11,232 billion against a target of PKR 12,096 billion.

According to the valuation of Tola Associates ("TA"), the value of PKR is 250.1/USD after incorporating the Current Account Surplus ("CAS") of the Jul-May period of FY26.

In the inter-bank market, the value of the national currency stands at PKR 278.2/USD as of 23rd June 2026. Over the past week, the USD to PKR parity rate has slightly declined from 279/USD.



According to the PBS, the pace of Consumer Price Index ("CPI") inflation has clocked in at 11.7% on a Y-o-Y basis in May 2026 vs. 3.5% in the same month of the previous year.

According to the Pakistan Bureau of Statistics ("PBS"), Pakistan's LSM sector showed an expansion of 6.1% in April 2026 on a Year-on-Year ("Y-o-Y") basis vs. almost 2.0% growth in April 2025.

According to the SBP, Pakistan received a monthly remittance inflow of \$4.25 billion in May 2026, recording a historic hike of 20.2% compared to \$3.54 billion in April 2026 on a M-o-M basis.

The Net foreign currency reserves held by the SBP stood at \$17.22 billion as of 12th June 2026.

The Currency in circulation stock from 1st July 2025 to 12th June 2026 has expanded by PKR 1,485 billion, compared to an expansion of PKR 1,762 billion during the same period last year.

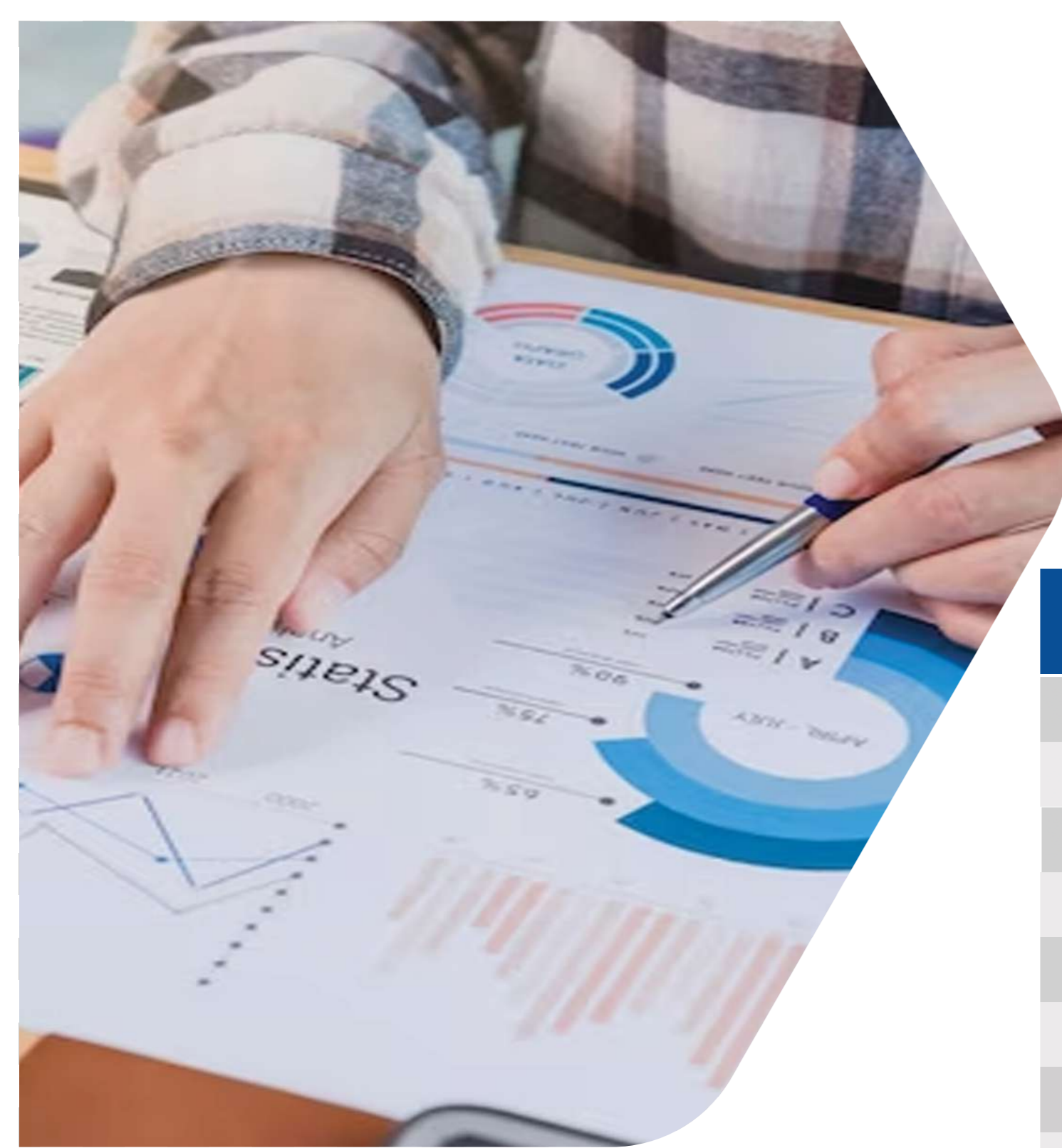
Pakistan's net FDI has plunged by 28.4% or \$644 million to \$1,626 million provisionally during the Jul-May period of FY26, as compared to \$2,267 million during the same period of FY25.

The total Net Foreign Investment plunged by 69.4% or \$1,085 million to \$478 million only on a Y-o-Y basis in the Jul-May period of FY26 as against the amount of \$1,562 million in the same period of FY25.

Pakistan reported a CAS of \$255 million during the Jul-May Period of FY26, compared to a CAS of \$1,618 million in the same period of FY25.



ECONOMY AT A GLANCE

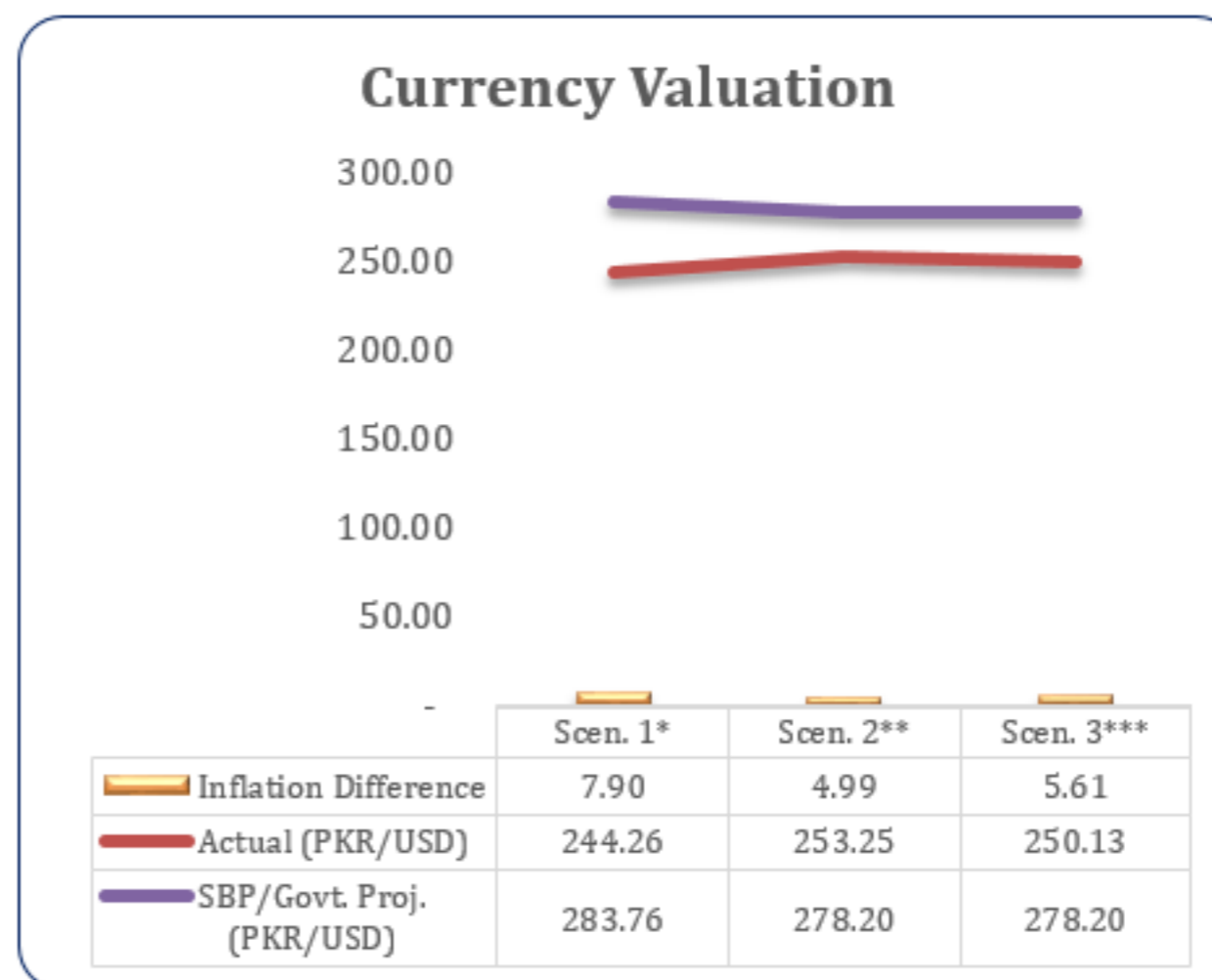


Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	April	↑	6.06 %	1.96 %
Central Government Debt	March	↑	PKR 80,524 Billion	PKR 73,688 Billion
Credit to Private Sector	Jul – 12th June	↑	PKR 873 Billion	PKR 678 Billion
Worker's Remittances	May	↑	US \$4,251 Million	US \$3,686 Million
Broad Money (M2)	Jul – 12th June	↑	PKR 3,726 Billion	PKR 2,546 Billion
Net Government Sector borrowing	Jul – 12th June	↓	PKR 1,741 Billion	PKR 2,910 Billion
National CPI (Base Year 2015-16)	May	↑	11.7 %	3.5 %
FBR Tax Collection	Jul-May	↑	PKR 11,232 Billion	PKR 10,210 Billion
Foreign Exchange Reserves with SBP	As of 12th June	↑	\$17.22 Billion	\$11.72 Billion
Foreign Direct Investments	Jul-May	↓	\$1,623 Million	\$2,267 Million
Trade Deficit in Goods	Jul-May	↑	US\$ (34,758) Million	US\$ (29,585) Million
Current Account Surplus	Jul-May	↓	\$255 Million	\$1,618 Million

1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 250.1/USD after adjusting the CAS of the period of Jul-May the FY26 (Note: This estimation also includes two major factors of CA, i.e., Primary Income Balance and Secondary Income balance). The PKR value has been kept artificially undervalued at PKR 278.2/USD, as the present value of PKR currency would have been 250.1/USD.

The graph depicts three scenarios: (a) First scenario provides PKR valuation as of June 30, 2025; (b) The second scenario provides the PKR value based on the Government's CAD projection of 0.46% of the GDP for FY26; and (c) The last scenario calculates the PKR value based on the adjusted CA projection of the Government adjusted for the Jul-May period of FY26). **A 10-rupee depreciation results in a 2% increase in inflation, and vice versa.**



*Valuation as per actual CAD of till FY25

** If CAD is restricted to its targeted value of \$2.11 billion for FY26.

*** Actual CAD of Jul-May FY2025-26 cumulated in the Projection (adjusted on a monthly basis)

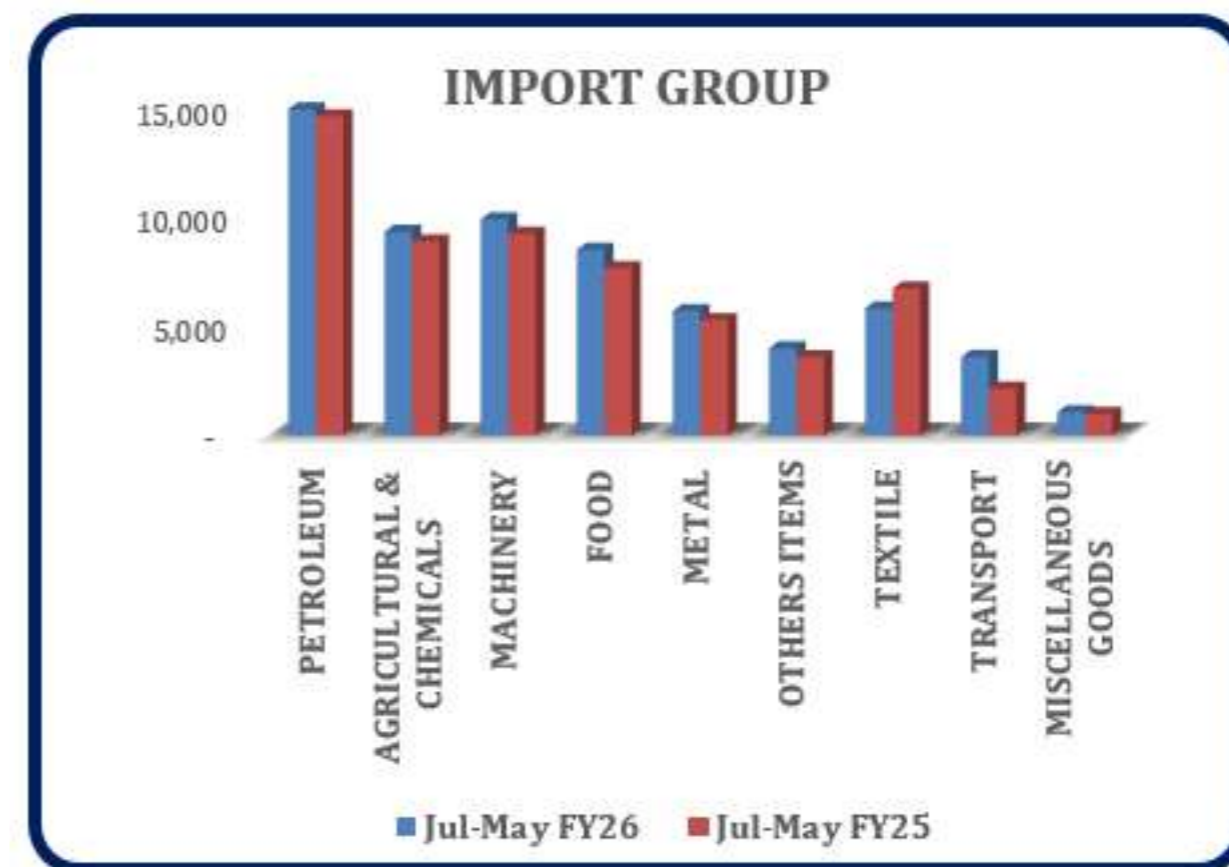
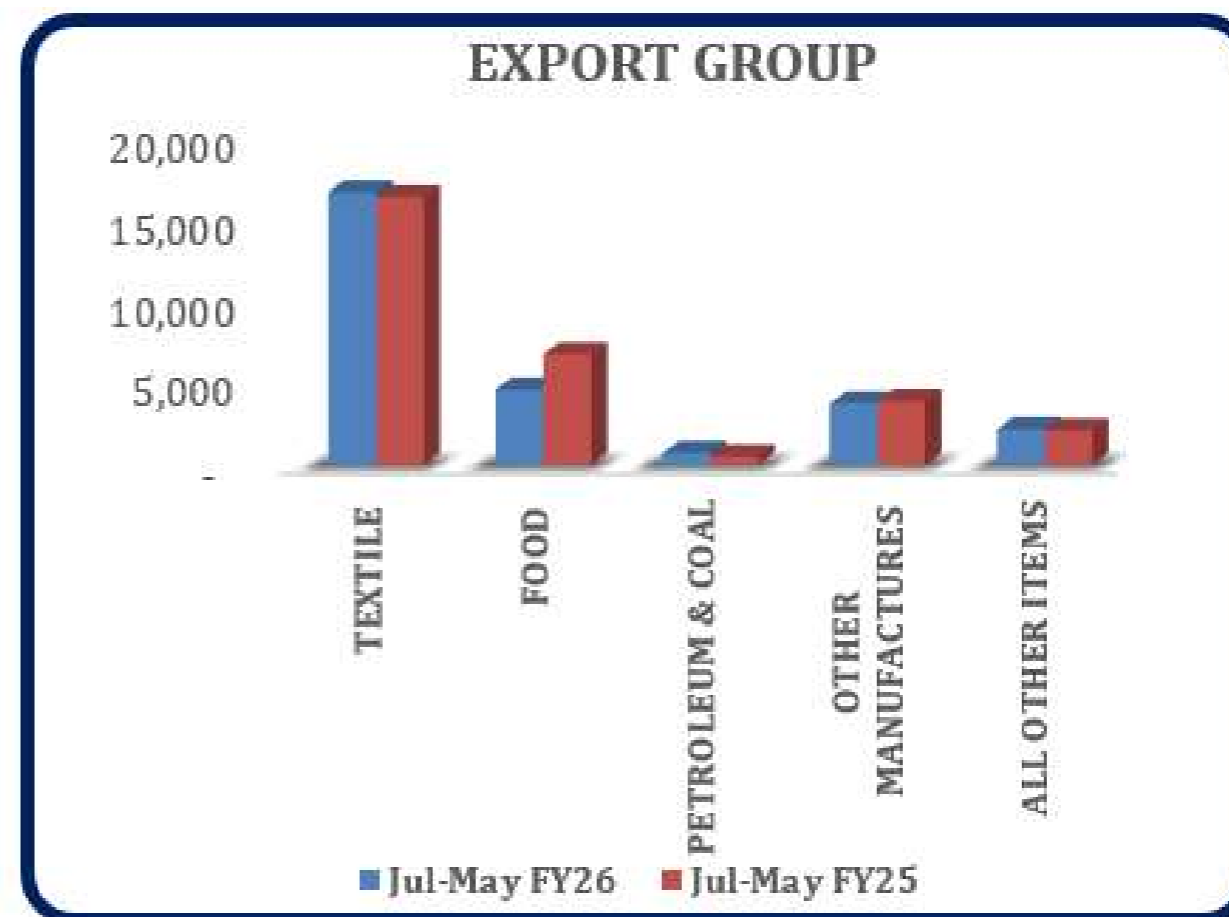
2. CURRENT ACCOUNT (“CA”):

The CA stood at \$459 million of surplus in month of May 2026, breaking the streak of the consecutive months of deficits in FY26. This represents a increase in CAB of almost 2.7 times from a deficit of \$276 million in April 2026. On a year-on-year (“Y-o-Y”) basis, the CA surplus has increase by 1.14 times compared to the same month in FY25.

CA FLOWS	May-26	Apr-26	May-25	MoM (%)	YoY (%)
Exports of goods FOB	2,368	2,619	2,444	10%	3%
Imports of goods FOB	5,686	5,989	5,501	5%	3%
(i) Balance on trade in goods	(3,318)	(3,370)	(3,057)	2%	9%
Exports of services	837	904	724	7%	16%
Imports of services	809	871	890	7%	9%
(ii) Balance on trade in services	28	33	(166)	15%	117%
Primary Income Credit	84	87	103	3%	18%
Primary Income Debit	718	744	816	3%	12%
(iii) Balance in Primary Income	(634)	(657)	(713)	4%	11%
Secondary Income Credit	4,421	3,753	3,933	18%	12%
Worker Remittances	4,251	3,539	3,686	20%	15%
Secondary Income Debit	38	35	41	9%	7%
(iv) Balance on secondary income	4,383	3,718	3,892	18%	13%
Current Account Surplus/ (Deficit) “i + ii + iii + iv”	459	(276)	(44)	266%	1,143%

3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit has decreased by 13.7% to \$2.58 billion in May of FY26, compared to \$3.00 billion in the same month of FY25. Moreover, the exports went up by 1.26% to \$2.71 billion during the month of May in FY26 compared to \$2.67 billion in the same month of last FY25. Further, the imports decreased by 6.6% to \$5.29 billion in May of FY26 compared to \$5.66 billion in the same month of FY25. Additionally, on a M-o-M basis, exports rose up by almost 9.6% compared to \$2.47 billion in April 2026. Furthermore, the country's trade deficit declined by 39.4% compared to \$4.26 billion in April 2026 on a M-o-M basis



4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed an expansion of 8.5% in Feb 2026 on a Y-o-Y basis vs. Feb 2025. However, on a M-o-M basis, the overall output growth contracted by almost 9.0%, compared to the month of Jan 2025. Additionally, Sector-wise, important groups such as cotton yarn, cotton cloth, the garment sector, and the cement industry showed a growth of 2.2%, 0.2%, 7.2%, and 11.1% respectively, in the month of Feb of FY26.

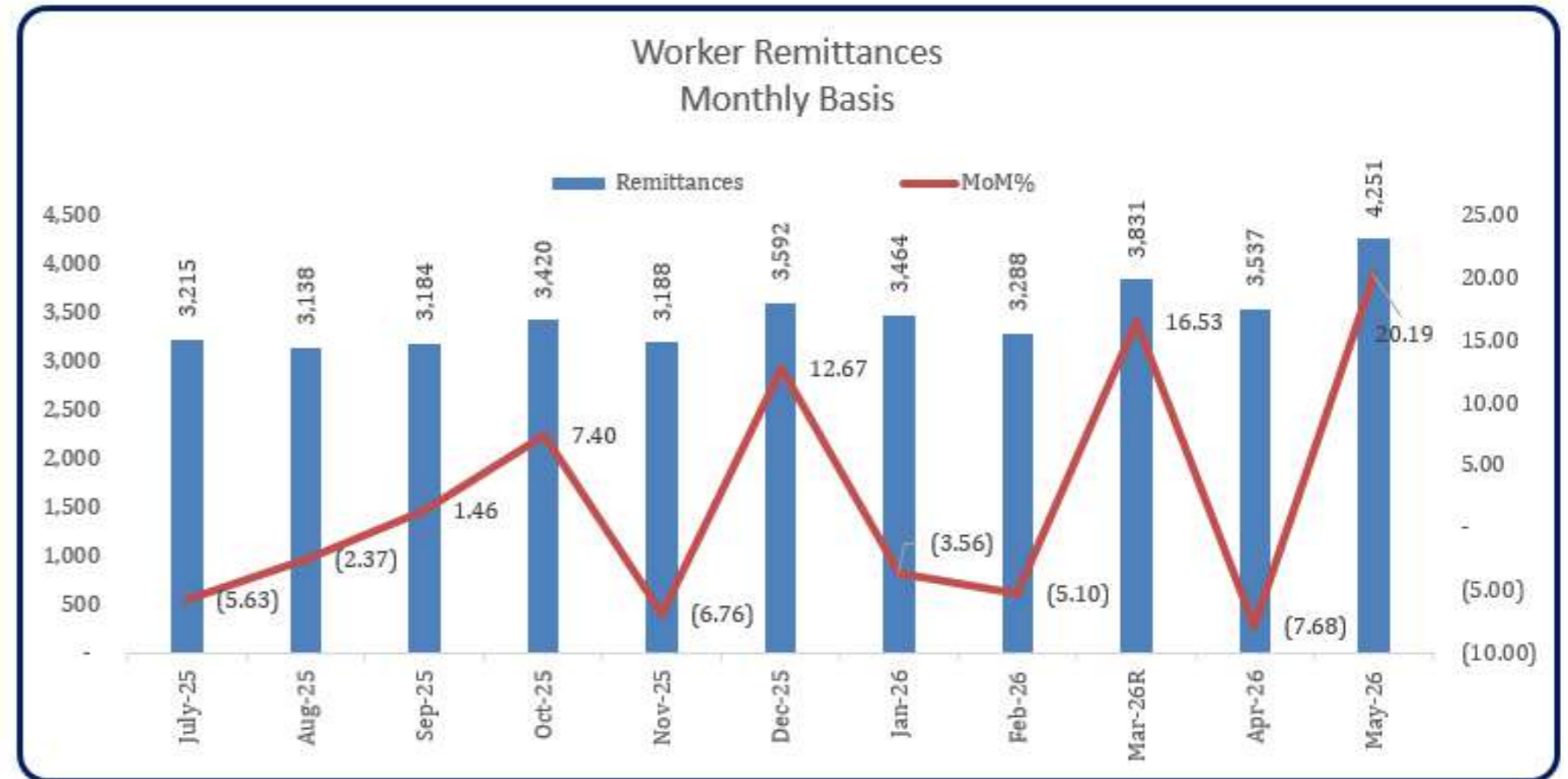
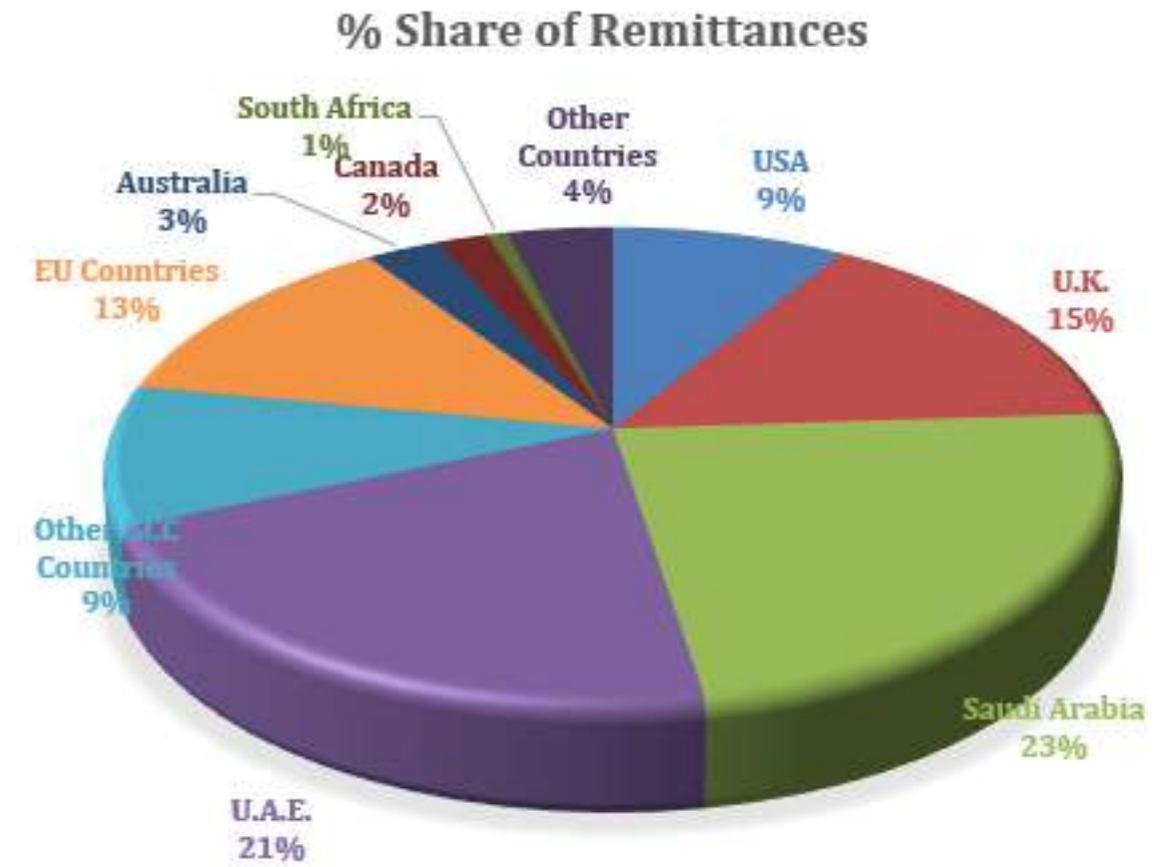
LSM (%)	Weight	April-26	April-25	Jul-April FY26 (%)
Food	10.69	(2.11)	2.91	8.91
Beverages	3.84	9.34	1.02	7.87
Tobacco	2.07	20.82	8.99	12.74
Textile	18.16	(3.51)	7.91	0.32
Wearing Apparel	6.08	15.18	(8.55)	7.34
Paper & Board	1.63	14.73	10.91	1.47
Coke & Petroleum Products	6.66	3.83	5.54	10.05
Rubber Products	0.24	21.48	2.29	15.00
Non Metallic Mineral Products	5.01	8.74	1.13	8.23
Fabricated Metal	0.42	23.95	(4.84)	8.89
Computer, electronics and Optical products	0.03	2.97	5.13	1.41
Electrical Equipment	2.05	26.81	2.54	13.46
Automobiles	3.10	83.88	60.15	64.33
Other Transport Equipment	0.69	57.19	41.85	42.30
Furniture	0.51	128.26	(40.26)	27.89
Other Manufacturing (Football)	0.32	41.47	(41.49)	24.77
Leather Products	1.23	(3.41)	1.79	(2.36)
Wood Products	0.18	2.95	3.04	(1.05)
Chemicals	6.48	(10.32)	(1.41)	(2.30)
Pharmaceuticals	5.15	(19.02)	7.49	(6.55)
Iron & Steel Products	3.45	(12.88)	(1.82)	(6.98)
Machinery and Equipment	0.39	61.22	(50.74)	(4.18)
LSM Growth for April 2026 (Y/Y)				6.06%
LSM Growth of April 2026 vs. March 2026 (M/M)				(8.32)%
LSM Growth of April 2026 vs. March 2026 (M/M)				6.44%

(Source: PBS)



5. WORKER'S REMITTANCES

As per the SBP, Pakistan received a monthly remittance inflow of \$4.25 billion in May 2026, recording a historic hike of 20.2% compared to \$3.54 billion in April 2026 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 15.4% when compared to \$3.69 billion received a year ago in the same month.

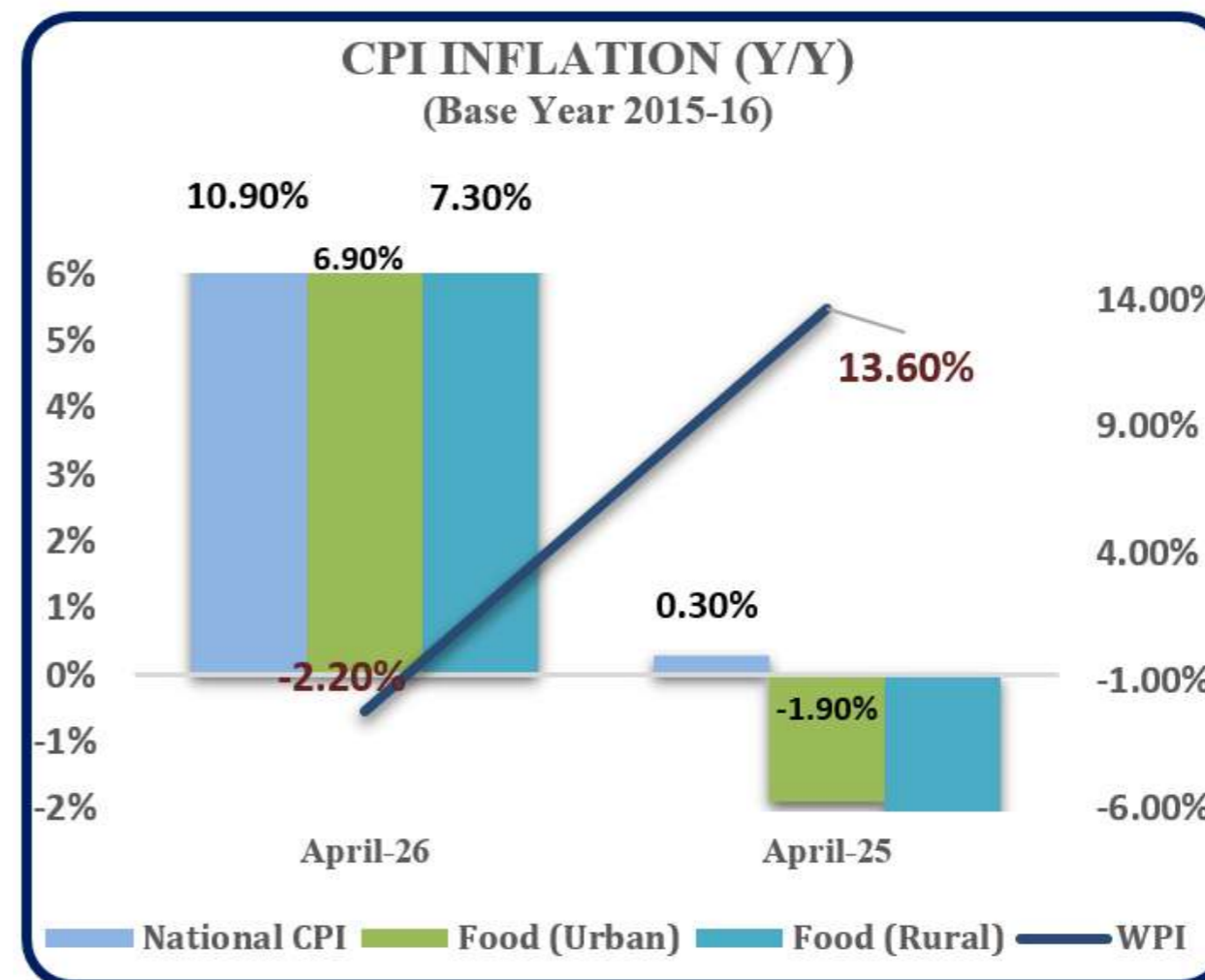


6. CONSUMER PRICE INDEX INFLATION

According to the PBS, the monthly inflation rate in May 2026 is clocked at 11.7% on a Y-o-Y basis. Inflation has hit double-digits in consecutive months after nearly 2 years; this increase in inflation is due to perishable food items and utilities, transport and education, seeing a rise in prices. Additionally, the food inflation rates in both the urban and rural areas rose to a level of 6.5% and 8.5%, respectively. The Wholesale Price Index (“WPI”) rose at a rate of 12.7% on a Y-o-Y basis in FY26, which was recorded at 0.4% in the same month of FY25. Moreover, on a M-o-M basis, the national CPI increased by 0.5%. Additionally, the Food inflation rate has risen by 0.2% in both the urban and rural areas, on a M-o-M basis, respectively. In May 2026, Core inflation, which is calculated by excluding energy and food items, rose by 9.0% and 8.4% in urban and rural areas on a Y-o-Y basis.

Group	Weight (%)	% Change over	
		Apr-26	May-25
Food	34.58	0.10	7.93
Non-perishable	29.60	1.95	9.42
Perishable	4.99	(12.95)	(3.01)
Utility	23.63	(1.29)	16.78
Health	2.79	0.82	7.54
Transport	5.91	5.13	36.78
Education	3.79	0.77	8.37
Restaurants & Hotels	6.92	0.58	5.69

(Source: PBS)

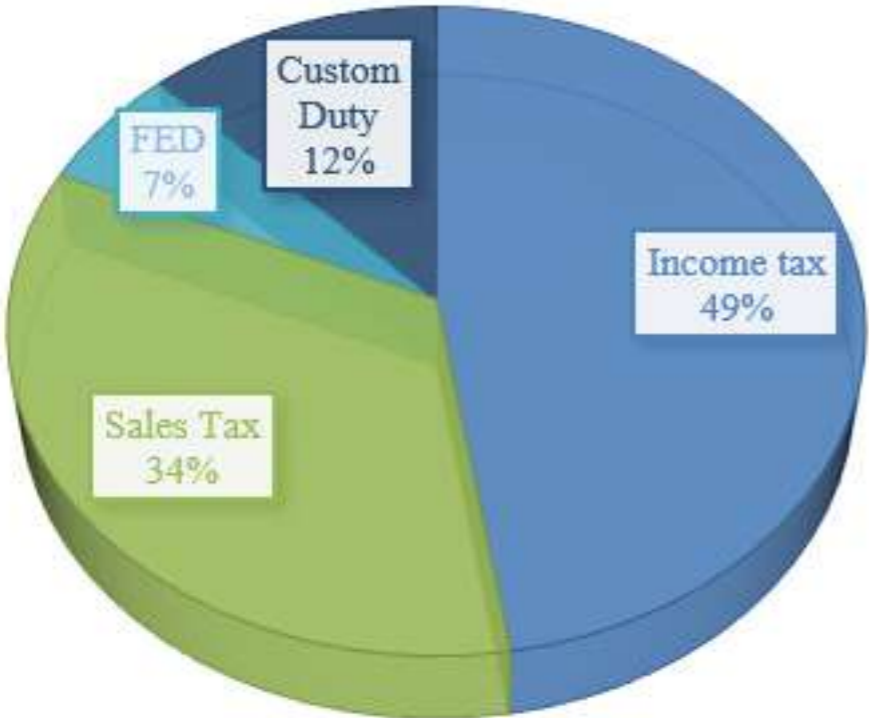




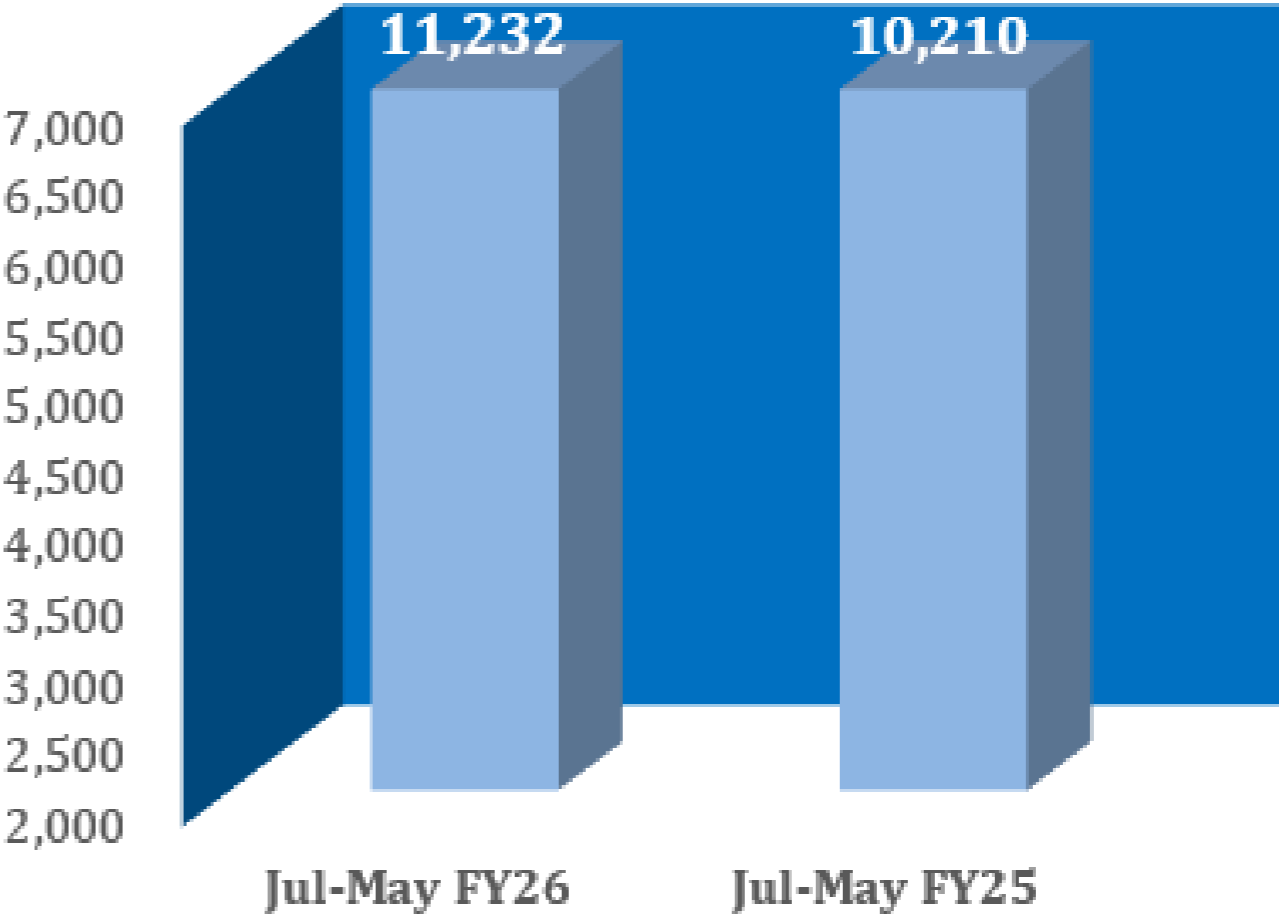
7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR collected PKR 11,232 billion worth of tax revenue in the 11 months period of FY26 and failed to achieve its target of PKR 12,096 billion. As per the article by Shahbaz Rana, published in Express Tribune titled, 'FBR misses target by Rs864b', "The tax machinery now needs Rs2.75 trillion in June alone, at the rate of Rs91.6 billion per day to achieve the downward revised target of Rs13.98 trillion. The original target for this fiscal year was Rs14.130 trillion."

**FBR TAXES
JUL-MAY FY26**



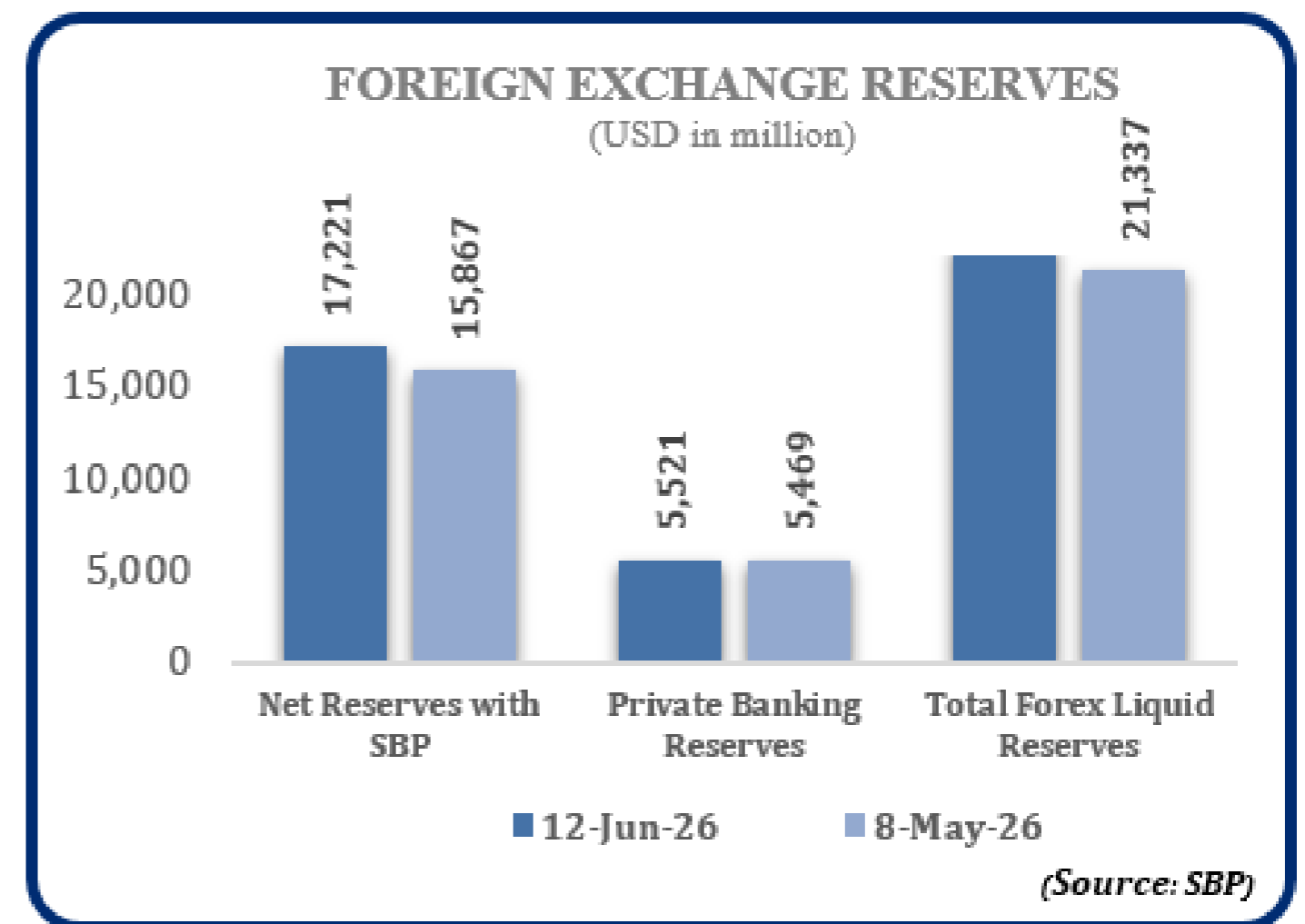
FBR TAX COLLECTION





8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at \$17.22 billion as of June 12th, 2026, representing an increase of 8.5%, or \$1.4 billion, compared to the previous month's reserves of \$15.87 billion on May 8th, 2026. Such increase in reserves is attributed to the loan tranche under the successful completion of the third review under Pakistan's Extended Fund Facility ("EFF") from IMF

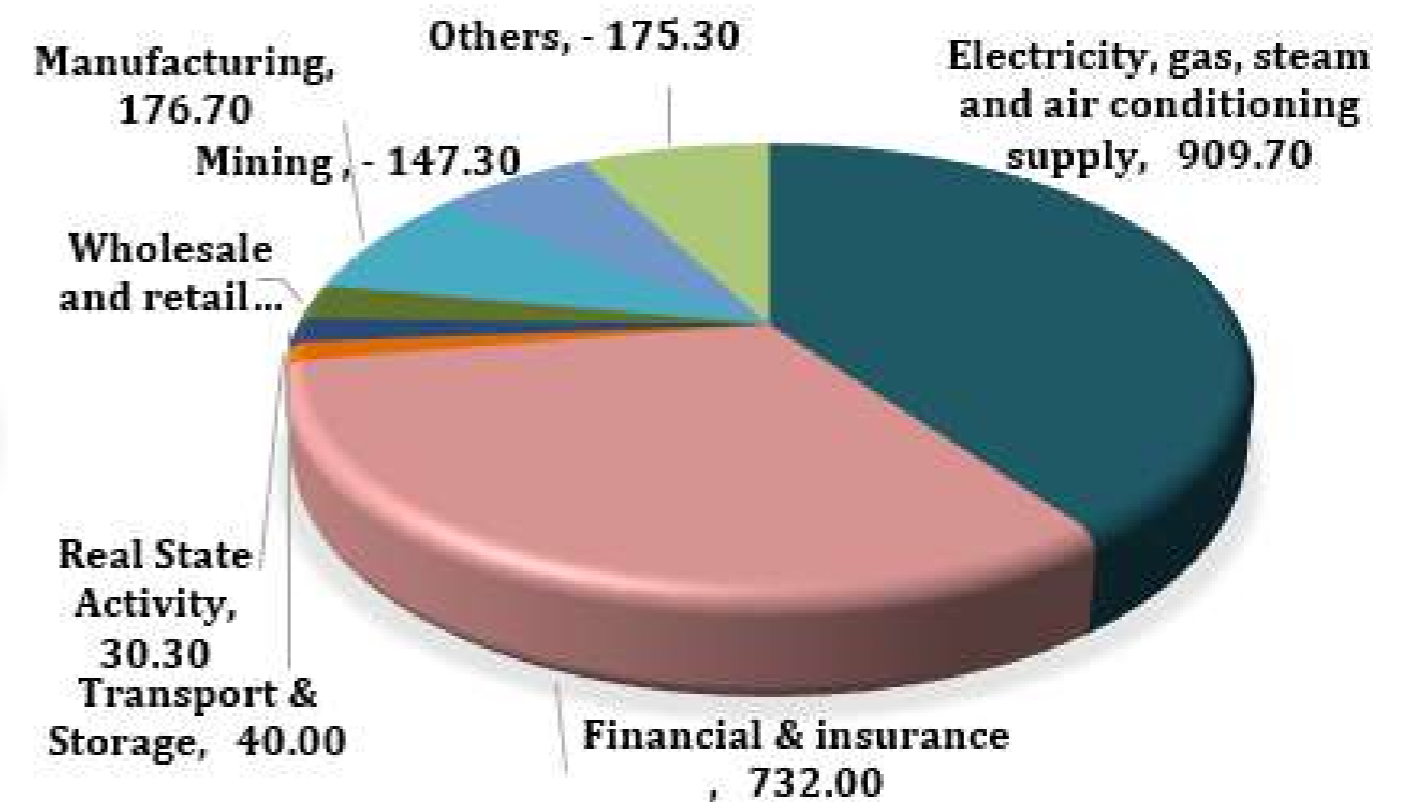


9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has plunged by 28.4% or \$644 million to \$1,626 million provisionally during the Jul-May period of FY26, as compared to \$2,267 million during the same period of FY25. Whereas, the total Net Foreign Investment plunged by 69.4% or \$1,085 million to \$478 million only on a Y-o-Y basis in the Jul-May period of FY26 as against the amount of \$1,562 million in the same period of FY25. This Pie chart shows the percentage share of net inflows in different sectors of the Economy in the Jul-May period of FY26.



NET FDI SECTOR WISE
(USD IN MILLION)



10. DEBT PROFILE

The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to PKR 80.52 trillion till March 2026, marking a substantial increase of 10.0% compared to the same month of the previous Fiscal Year. These figures underscore the significant escalation in the country's debt burden, signaling challenges in debt management and fiscal sustainability.

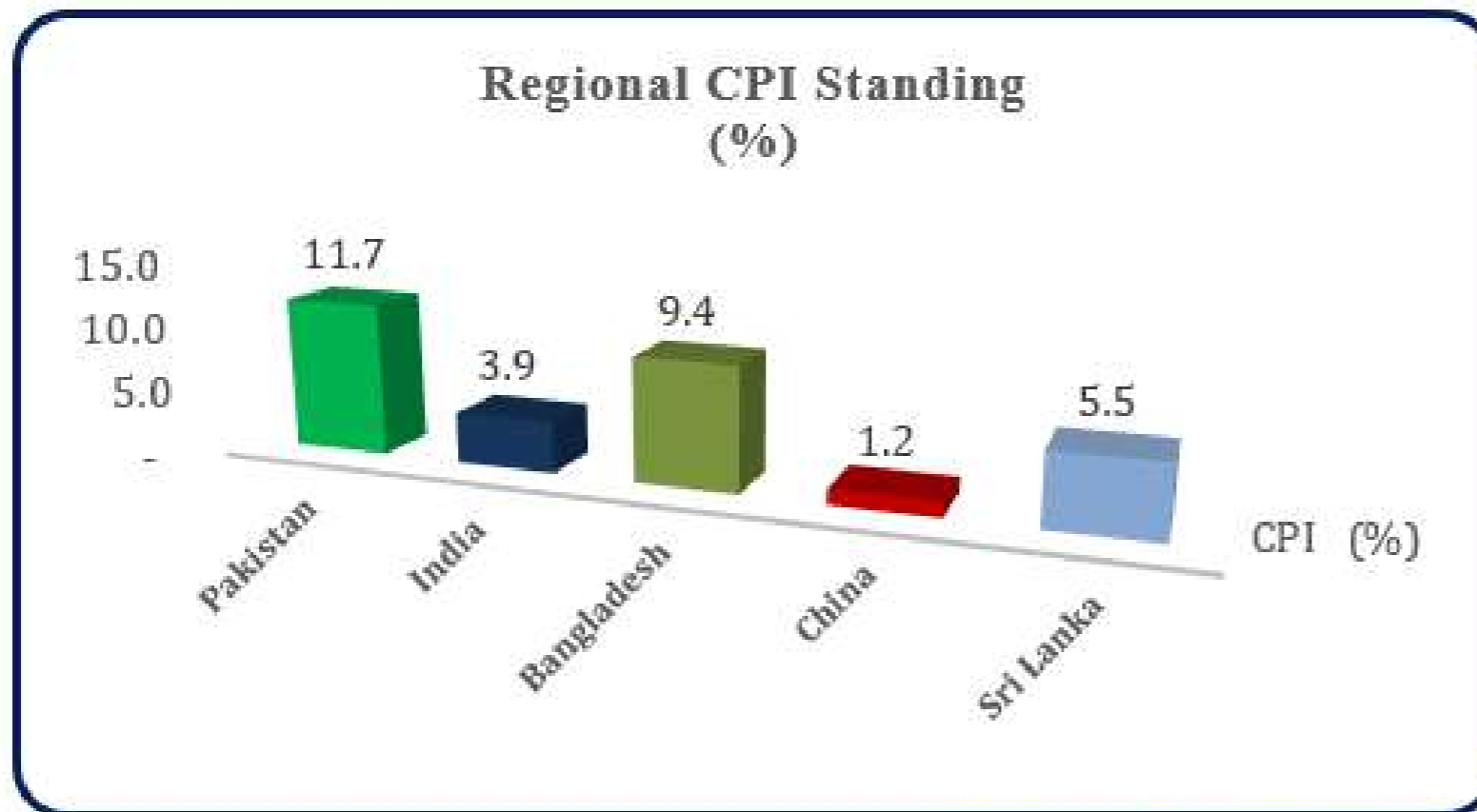


Pakistan's Total Debt & Liabilities			
(PKR in billion)	March-26	March-25	% change
Domestic Debt	57,566	51,518	▲ 11.7%
% of GDP	45.4%	49.0%	▲ 0.2%
External Debt	22,908	22,170	▼ 3.8%
% of GDP	18.0%	21.1%	▼ 1.4%
Total Debt	80,521	73,688	▲ 10.0%
% of GDP	63.5%	70.0%	▼ 1.1%
Nominal GDP	126,570	105,143	▲ 11.2%

(Source: SBP & MOF)

11. REGIONAL ANALYSIS

Compared to other countries in the region, the Pakistani rupee has remained stable against the USD over the past month. Moreover, inflation may decline in coming months due to energy price reducing globally, amidst the relief situation in the Gulf region, given Pakistan's dependence on oil imports. Inflation in Bangladesh has risen to 9.4%. In Sri Lanka, the CPI has recorded an inflation of 5.5% in May 2026, driven by a depreciation in Srilankan rupee. Meanwhile, India's inflation has increased to 3.9% from 3.5%. Additionally, China recorded inflation of 1.2% in May 2026.



(Source: Trading Economics)

Country	Local Currency Units per USD (As of 23rd June)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	278.2	1.5
India	94.9	(10.3)
Bangladesh	122.9	(0.5)
China	6.8	5.3
Sri Lanka	334.6	(11.4)

(Source: Trading Economics)





OUTLOOK

According to the Annual Plan Coordination Committee, the GDP growth of the country for FY27 is targeted at 4.0% out of which, Agriculture, Industry and Services sector are expected to post a 3.8%, 4.0% and 4.2% growth, respectively. The IMF's forecast for Pakistan's growth for 2026-27 is set at 4.1%

Fiscal Year 2026-27 Outlook: Pakistan's external sector is expected to remain stable, supported by exports of \$35.6 billion and record remittances of \$41.3 billion. Despite imports projected at US\$70.5 billion, the current account deficit is anticipated to remain contained at 0.9% of GDP, reflecting improved external resilience and a sustainable balance of payments position.

The Federal Government has announced the Federal Budget for FY27 and has attempted to address fiscal imbalances. This budget represents a step toward economic recovery and provides significant relief measures. The budget reflects a strategy focused on macroeconomic stability, export-led growth, industrial expansion, and fiscal consolidation, Please click here for a brief **Commentary on Finance Bill 2026-27.**

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