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Pakonomics
June 2026

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HIGHLIGHTS

The Asian Development Bank ("ADB") in second week of July 2026, cut Pakistan's economic growth forecast to 3.7% (Government Est. was 4.0%), which is the third lowest in South Asia, and raised its inflation forecast to 8.3% (Government Est. was 8.2%) for the new Fiscal Year, the second highest in the region after Bangladesh.

Revenue Shortfall in Fiscal Year 2025–26 ("FY26"): During the 12 months period of FY26, the FBR recorded a substantial revenue shortfall of PKR 975 billion, with collections amounting to PKR 13,004 billion against a target of PKR 13,979 billion.

According to the valuation of Tola Associates ("TA"), the value of PKR is 251.0/USD after incorporating the Current Account Deficit ("CAD") of the Jul-June period of FY26.

In the inter-bank market, the value of the national currency stands at PKR 277.9/USD as of 23rd July 2026. Over the past week, the USD to PKR parity rate has slightly declined from 278/USD.

According to the PBS, the pace of Consumer Price Index ("CPI") inflation has clocked in at 11.1% on a Y-o-Y basis in June 2026 vs. 3.2% in the same month of the previous year.

According to the Pakistan Bureau of Statistics ("PBS"), Pakistan's LSM sector showed a contraction of 1.0% in May 2026 on a Year-on-Year ("Y-o-Y") basis vs. almost 2.9% growth in May 2025.

According to the SBP, Pakistan received a monthly remittance inflow of $3.48 billion in June 2026, recording a decline of 18.3% compared to $4.25 billion in May 2026 on a M-o-M basis.

The Net foreign currency reserves held by the SBP stood at $17.23 billion as of 10th July 2026.

The Currency in circulation stock from 1st July 2025 to 30th June 2026 has expanded by PKR 1,332 billion, compared to the same period last year.

Pakistan's net FDI has plunged by 24.0% or $841 million to $1,637 million provisionally during the Jul-June period of FY26, as compared to $2,477 million during the same period of FY25.

The total Net Foreign Investment plunged by 74.1% or $1,296 million to $451 million only on a Y-o-Y basis in the Jul-June period of FY26 as against the amount of $1,747 million in the same period of FY25.

Pakistan reported a CAD of $139 million during the Jul-June 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)	May	↓	(0.98) %	2.88 %
Central Government Debt	May	↑	PKR 81,949 Billion	PKR 76,045 Billion
Credit to Private Sector	Jul – June	↑	PKR 1,463 Billion	PKR 1,082 Billion
Worker's Remittances	June	↑	US $3,475 Million	US $3,406 Million
Broad Money (M2)	Jul – June	↑	PKR 3,726 Billion	PKR 2,546 Billion
Net Government Sector borrowing	Jul – June	↓	PKR 2,199 Billion	PKR 4,041 Billion
National CPI (Base Year 2015-16)	June	↑	11.1 %	3.2 %
FBR Tax Collection	Jul – June	↑	PKR 13,004 Billion	PKR 11,745 Billion
Foreign Exchange Reserves with SBP	As of 10th July	↑	$17.23 Billion	$14.53 Billion
Foreign Direct Investments	Jul-June	↓	$1,636 Million	$2,477 Million
Trade Deficit in Goods	Jul-June	↓	US$ (39,471) Million	US$ (32,467) Million
Current Account Balance	Jul-June	↓	$(139) Million	$1,838 Million

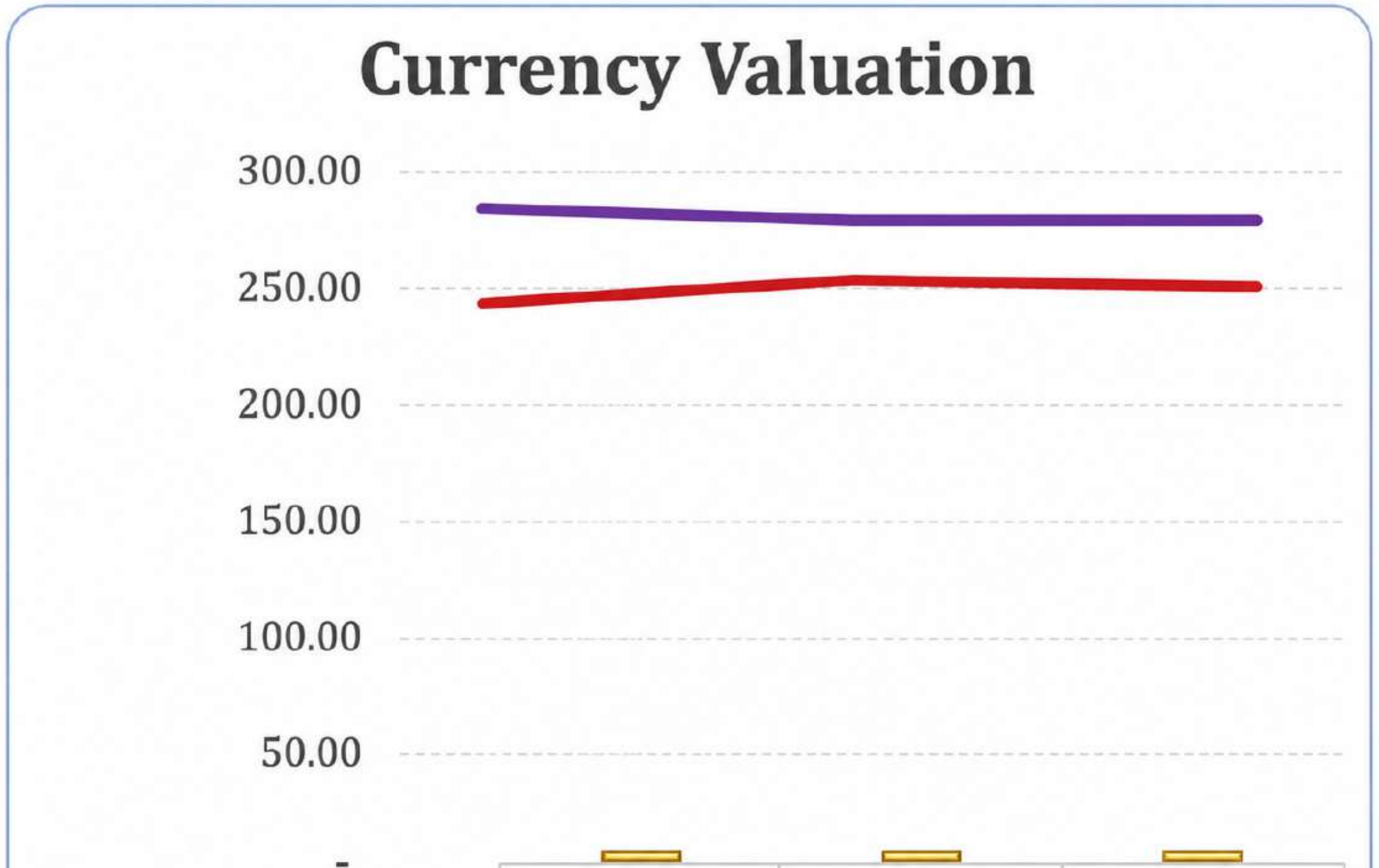
Note: PKR = Pakistani Rupee | $ = US Dollar | Billion = 10^9 | Million = 10^6

Source: SBP, PBS, FBR, Ministry of Finance & Other Official Sources

1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 251.0/USD after adjusting the CAD of the period of Jul-June 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 277.9/USD, as the present value of PKR currency would have been 251.0/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 actual CAB of the Jul-June period of FY26). A 10-rupee depreciation results in a 2% increase in inflation, and vice versa.



	Scen. 1*	Scen. 2**	Scen. 3***
Inflation Difference	7.90	5.46	5.92
Actual (PKR/USD)	244.26	253.25	250.96
SBP/Govt. Proj. (PKR/USD)	283.76	280.57	280.57

2. CURRENT ACCOUNT ("CA"):

The current account ("CA") recorded a deficit of $139 million in FY26, compared with a surplus of $1,838 million in FY25. Furthermore, the CA posted a deficit of $649 million in June 2026, compared with a surplus of $500 million in May 2026. This represents a deterioration of approximately 2.3 times on a month-on-month ("MoM") basis. Similarly, on a year-on-year ("YoY") basis, the current account balance ("CAB") deteriorated by approximately 4.0 times compared with the corresponding month of the previous year.

Current Account Components	June-26	May-26	June-25	MoM (%)	YoY (%)
Exports of Goods (FOB)	2,595	2,357	2,591	10	0
Imports of Goods (FOB)	6,147	5,640	5,020	9	22
Balance on Trade in Goods (i)	(3,552)	(3,283)	(2,429)	8	46
Exports of Services	956	838	698	14	37
Imports of Services	931	784	902	19	3
Balance on Trade in Services (ii)	25	54	(204)	(54)	(112)
Primary Income Credit	101	70	71	44	42
Primary Income Debit	920	718	862	28	7
Balance in Primary Income (iii)	(819)	(648)	(791)	26	4
Secondary Income Credit	3,743	4,415	3,678	(15)	2
Worker Remittances	*3,475*	*4,252*	*3,406*		
Secondary Income Debit	46	38	34	21	35
Balance on Secondary Income (iv)	3,697	4,377	3,644	(16)	1
Current Account Surplus/(Deficit)	(649)	500	220	(230)	(395)

3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit has increased by 57.1% to $4.53 billion in June of FY26, compared to $2.88 billion in the same month of FY25. Moreover, the exports went down by 9.6% to $2.24 billion during the month of June in FY26 compared to $2.48 billion in the same month of last FY25. Further, the imports increased by 26.3% to $6.77 billion in June of FY26 compared to $5.36 billion in the same month of FY25. Additionally, on a M-o-M basis, exports plunged by 16.7% compared to $2.69 billion in May 2026. Furthermore, the country's trade deficit surged by 63.8% compared to $2.77

EXPORTS

FY2025-26	FY2024-25	YoY Growth
30,139	32,040	(5.93)

IMPORTS

FY2025-26	FY2024-25	YoY Growth
69,761	64,507	8.14

BALANCE OF TRADE (TRADE DEFICIT)

FY2025-26	FY2024-25	YoY Growth
(39,622)	(32,467)	22.04

Exports of Goods (% of GDP) 6.67%

Imports of Goods (% of GDP) 15.43%

SHARE IN TOTAL IMPORTS FY2025-26

Palm Oil	Electrical Machinery	Mobile Phone	CBU - Transport	CKD - Transport	Petroleum Products	Crude Oil	Raw Cotton
5%	4%	3%	1%	4%	9%	10%	2%

SHARE IN TOTAL EXPORTS FY2025-26

Rice	Knit Wear	Bed Wear	Readymade	Other Manufactured Products
8%	16%	10%	14%	14%

4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed a contraction of almost 1.0% in May 2026 on a Y-o-Y basis vs. May 2025. However, on a M-o-M basis, the overall output growth expanded by almost 1.2%, compared to the month of April 2026. Additionally, Sector-wise, important groups such as cotton yarn, cotton cloth, the garment sector, and the cement industry showed a growth of 1.3%, 0.2%, 7.3%, and 7.2% respectively, in the Jul-May period of FY26.

LSM (%)	Weight	May-26	May-25	Jul-May FY26 (%)
Food	10.69	(7.43)	6.08	7.75
Beverages	3.84	(12.80)	4.43	5.43
Tobacco	2.07	13.26	(14.43)	12.79
Textile	18.16	7.05	(1.59)	7.31
Wearing Apparel	6.08	6.89	(5.10)	1.89
Paper & Board	1.63	15.75	2.08	10.56
Coke & Petroleum Products	6.66	6.58	1.38	14.20
Rubber Products	0.24	(10.67)	9.48	6.31
Non Metallic Mineral Products	5.01	18.19	(5.95)	9.70
Fabricated Metal	0.42	4.61	2.46	1.70
Computer, electronics and Optical products	0.03	13.88	3.62	13.50
Electrical Equipment	2.05	70.96	(49.59)	0.29
Automobiles	3.10	20.81	57.58	58.82
Other Transport Equipment	0.69	26.05	34.84	41.63
Furniture	0.51	18.31	(20.22)	26.96
Other Manufacturing (Football)	0.32	2.54	(12.83)	22.34
Textile	18.16	(4.35)	0.98	(0.09)
Leather Products	1.23	(1.06)	0.78	(2.25)
Wood Products	0.18	4.33	1.87	(0.57)
Chemicals	6.48	(5.95)	7.10	(2.64)
Pharmaceuticals	5.15	(23.34)	1.79	(8.07)
Iron & Steel Products	3.45	(12.57)	(0.28)	(7.49)

LSM Growth for May 2026 (Y/Y)	(0.98)%
LSM Growth of May 2026 vs. April 2026 (M/M)	1.21%
LSM Jul-May FY26 (Cumulative)	5.77%

5. WORKER'S REMITTANCES

As per the SBP, Pakistan received a monthly remittance inflow of $3.48 billion in June 2026, recording a decline of 18.3% compared to $4.25 billion in May 2026 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 2.0% when compared to $3.41 billion received a year ago in the same month.

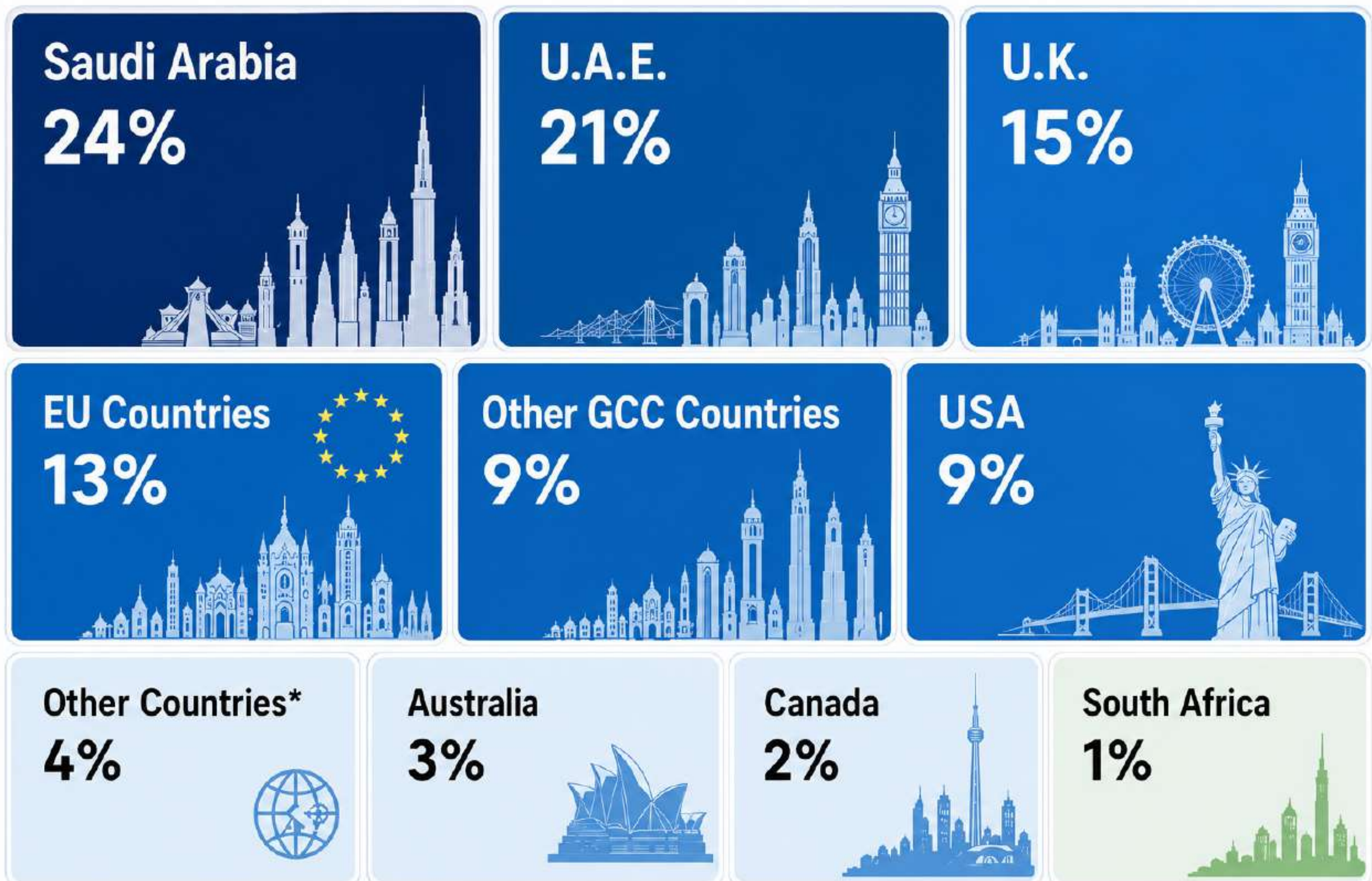
PAKISTAN'S REMITTANCE STATISTICS

TOTAL REMITTANCES

	FY2025-26	FY2024-25	YoY (%)
Cumulative Jul-May	$41,585 M	$38,299 M	8.58%

MONTHLY REMITTANCES

	JUNE-26	MAY-26	JUNE-25	MoM (%)	YoY (%)
Worker Remittances	$3,475 Million	$4,252 Million	$3,406 Million	(18.29%)	2%



6. CONSUMER PRICE INDEX INFLATION

According to the PBS, the monthly inflation rate in June 2026 is clocked at 11.1% on a Y-o-Y basis. Inflation has hit double-digits in three 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 8.2% and 9.4%, respectively. The Wholesale Price Index ("WPI") rose at a rate of 10.7% on a Y-o-Y basis in FY26, which was recorded at 0.6% in the same month of FY25. Moreover, on a M-o-M basis, the national CPI decreased by 0.3%. Additionally, the Food inflation rate has risen by 1.0% and 0.9% in 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 8.7% and 7.9% in urban and rural areas on a Y-o-Y basis.

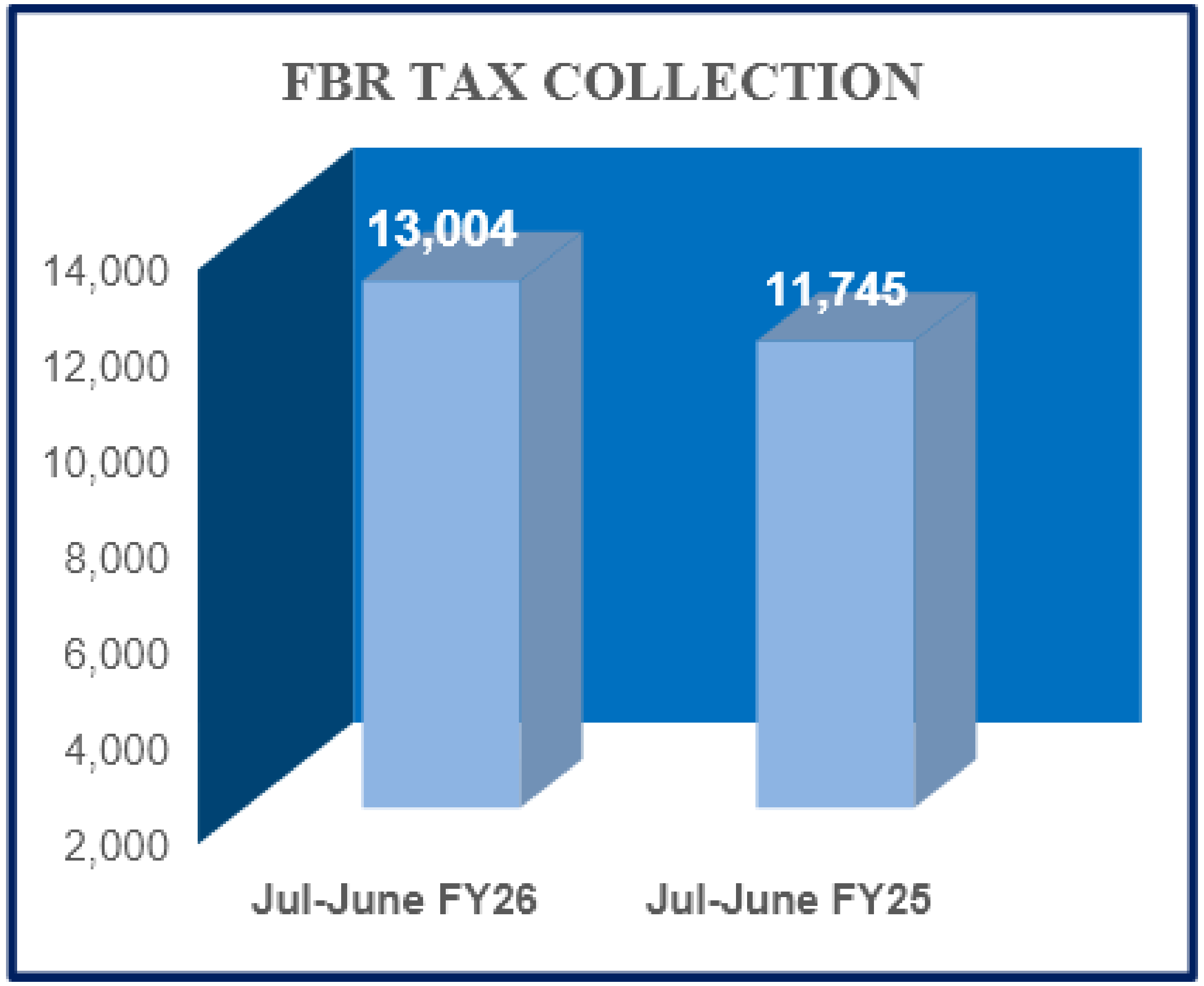
	YoY	MoM	Jul-June FY2025-26
CPI (GENERAL)	11.10% ▲	-0.30% ▼	7.10% ▲
FOOD INFLATION (URBAN)	8.20% ▲	1.00% ▲	4.30% ▲
FOOD INFLATION (RURAL)	9.40% ▲	0.90% ▲	5.40% ▲
CORE INFLATION (URBAN)	8.70% ▲	-0.10% ▼	7.40% ▲
CORE INFLATION (RURAL)	7.90% ▲	0.20% ▲	8.20% ▲
WPI	10.70% ▲	-1.20% ▼	3.90% ▲

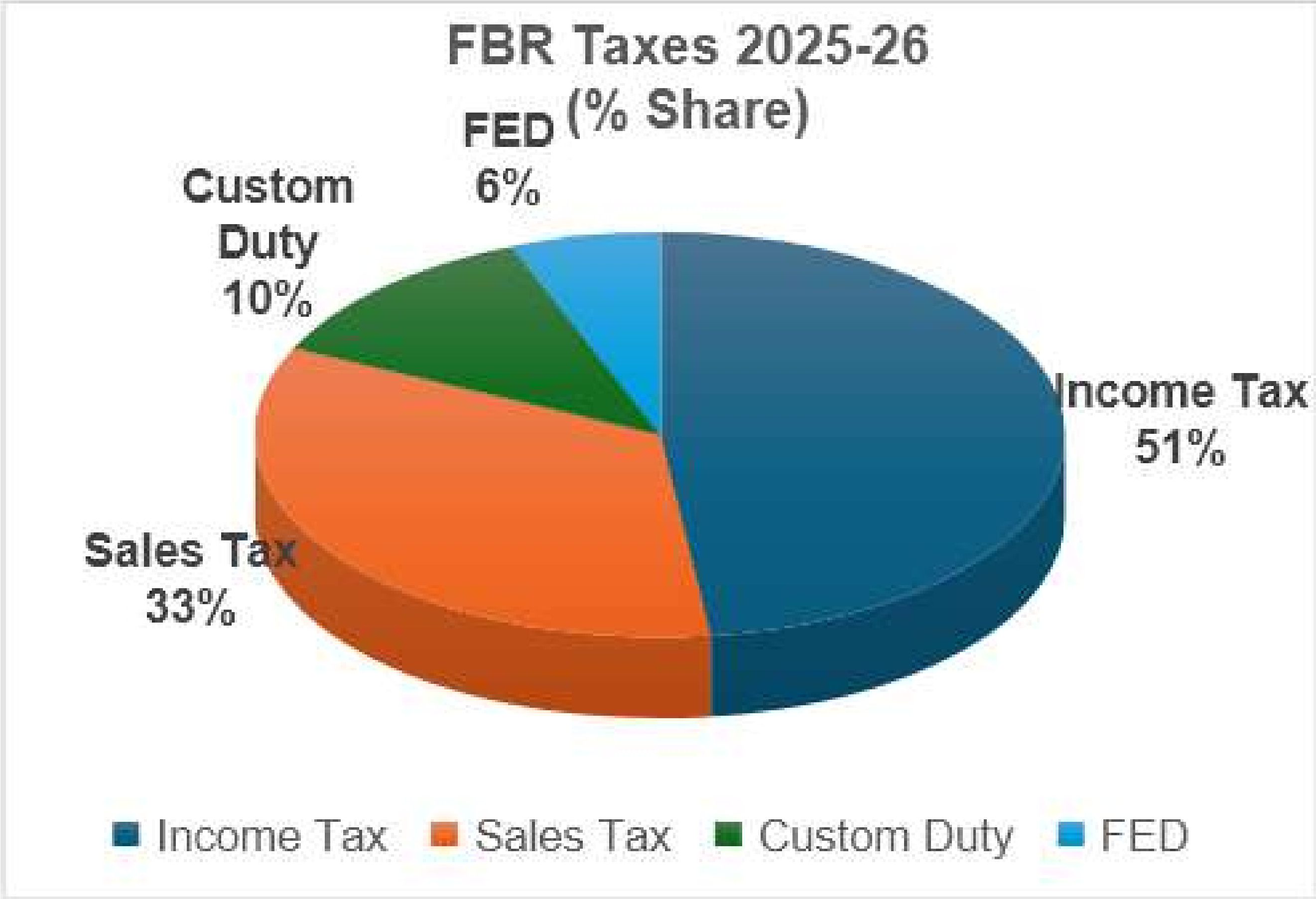
PRICE CHANGES (YoY)

	Weightage (%)	May 26 (% Change)	June 26 (% Change)
Food & Non-alcoholic Bev.	34.58%	0.96%	9.35%
Non-perishable Food Items	29.60%	-0.45%	19.21%
Perishable Food Items	4.99%	12.42%	3.56%
Alcoholic Bev. & Tobacco	1.02%	1.35%	3.32%
Clothing & Footwear	8.60%	0.76%	9.31%
Housing, Water, Electricity, Gas & Fuels	23.63%	-0.48%	15.97%
Health	2.79%	8.92%	7.29%
Transport	5.91%	-7.22%	23.72%
Communication	2.21%	8.00%	8.26%
Education	3.79%	2.16%	8.30%
Restaurants & Hotels	6.92%	0.37%	9.33%

7. FBR TAX REVENUE COLLECTION

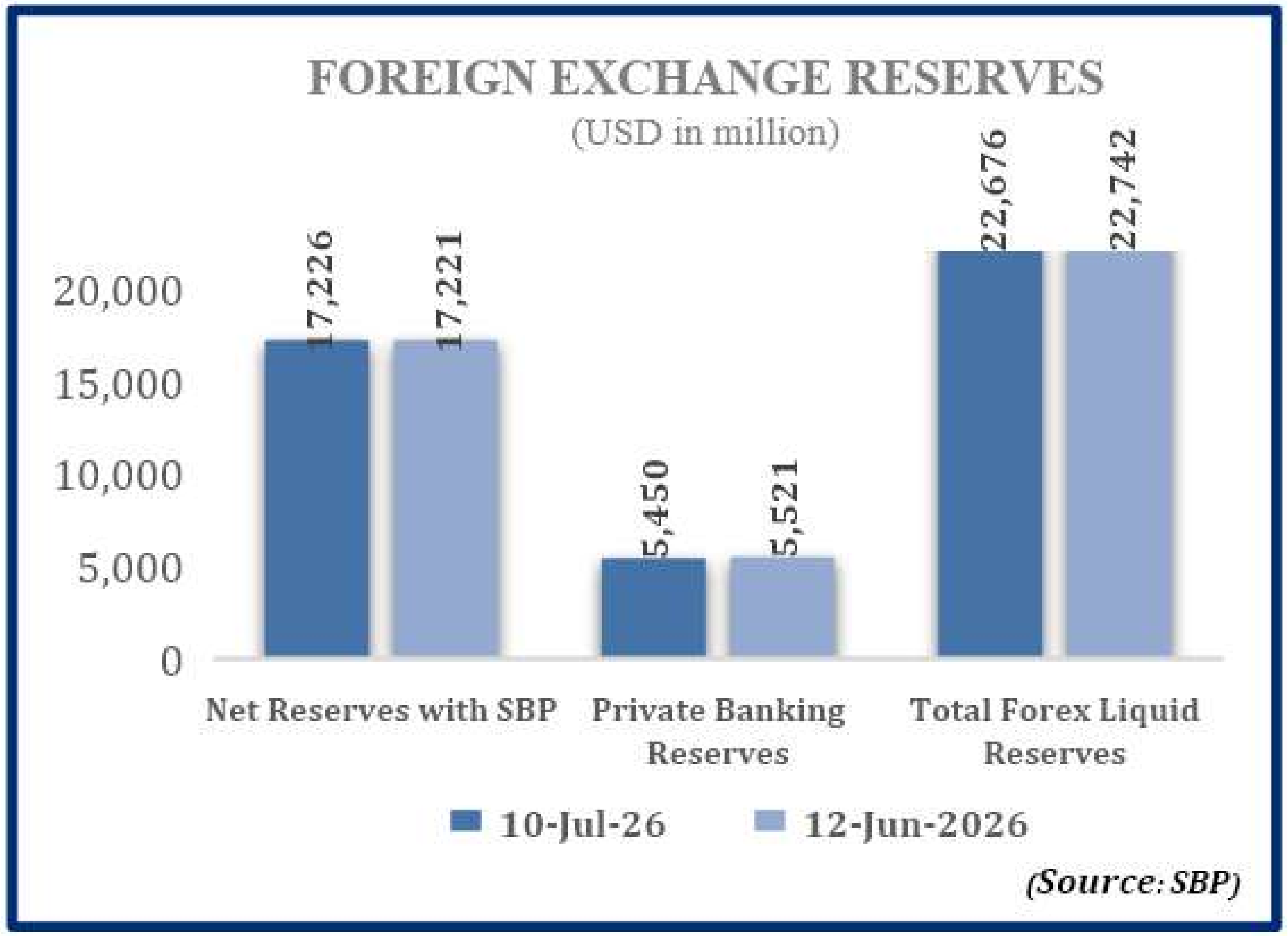
As per the data published by the FBR, the FBR collected PKR 13,004 billion worth of tax revenue in the 12 months period of FY26, as collections rose by 11% from PKR 11.745tr in FY25. As per the article by Shahbaz Rana, published in Express Tribune titled, '*FBR misses IMF target by Rs975b*', "*the FBR cannot afford to miss the new fiscal year's Rs15.264 trillion target, whose achievement is now critical for meeting three national goals: security of territorial borders, water security and food and fuel security.*"





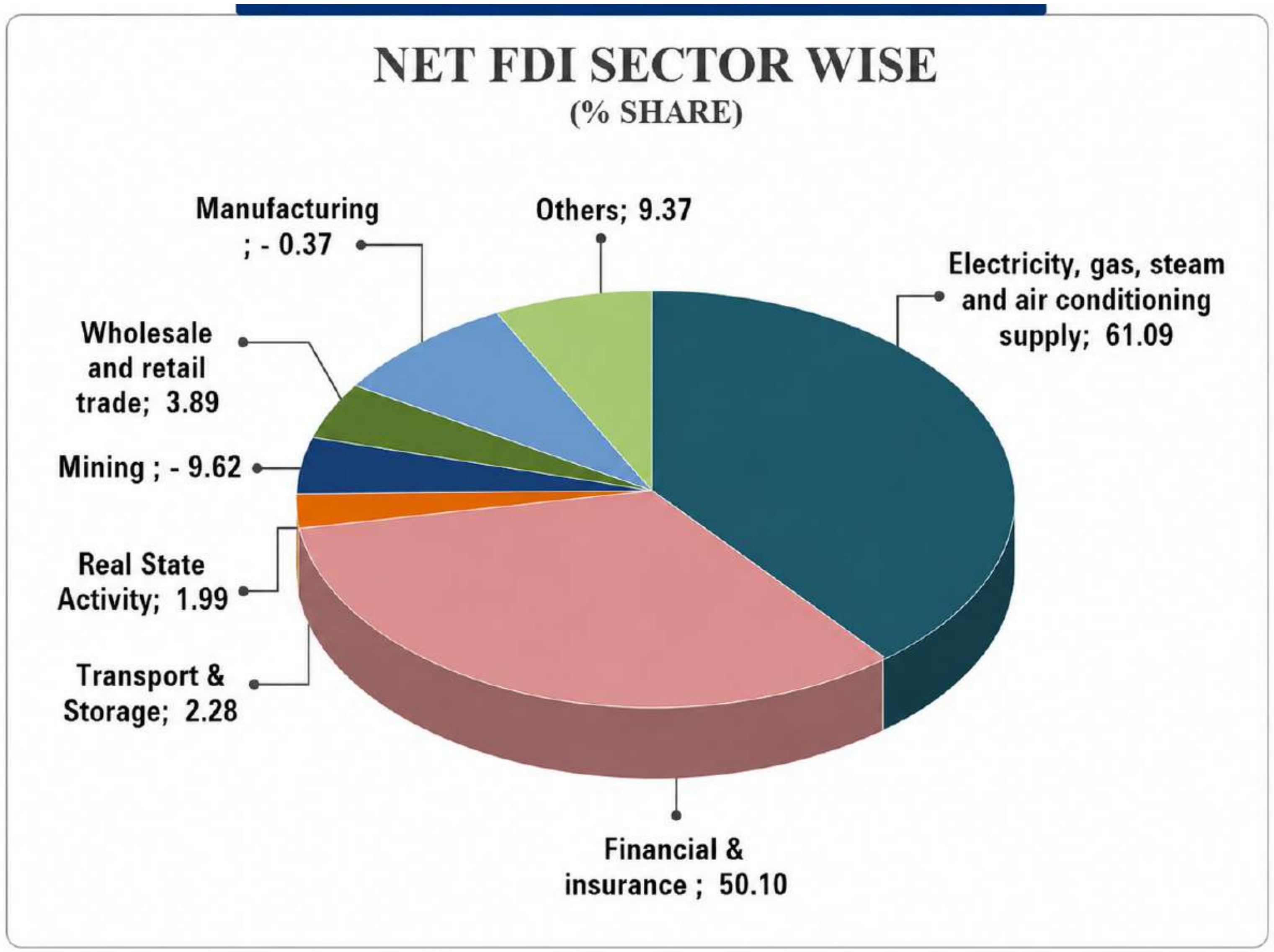
8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at $17.23 billion as of July 10th, 2026, representing an increase of 0.2%, or $5 million, compared to the previous month's reserves of $17.22 billion on June 12th, 2026.



9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has plunged by 24.0% or $841 million to $1,637 million provisionally during the Jul-June period of FY26, as compared to $2,477 million during the same period of FY25. Whereas, the total Net Foreign Investment plunged by 74.1% or $1,296 million to $451 million only on a Y-o-Y basis in the Jul-June period of FY26 as against the amount of $1,747 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-June period of FY26.



10.DEBT PROFILE

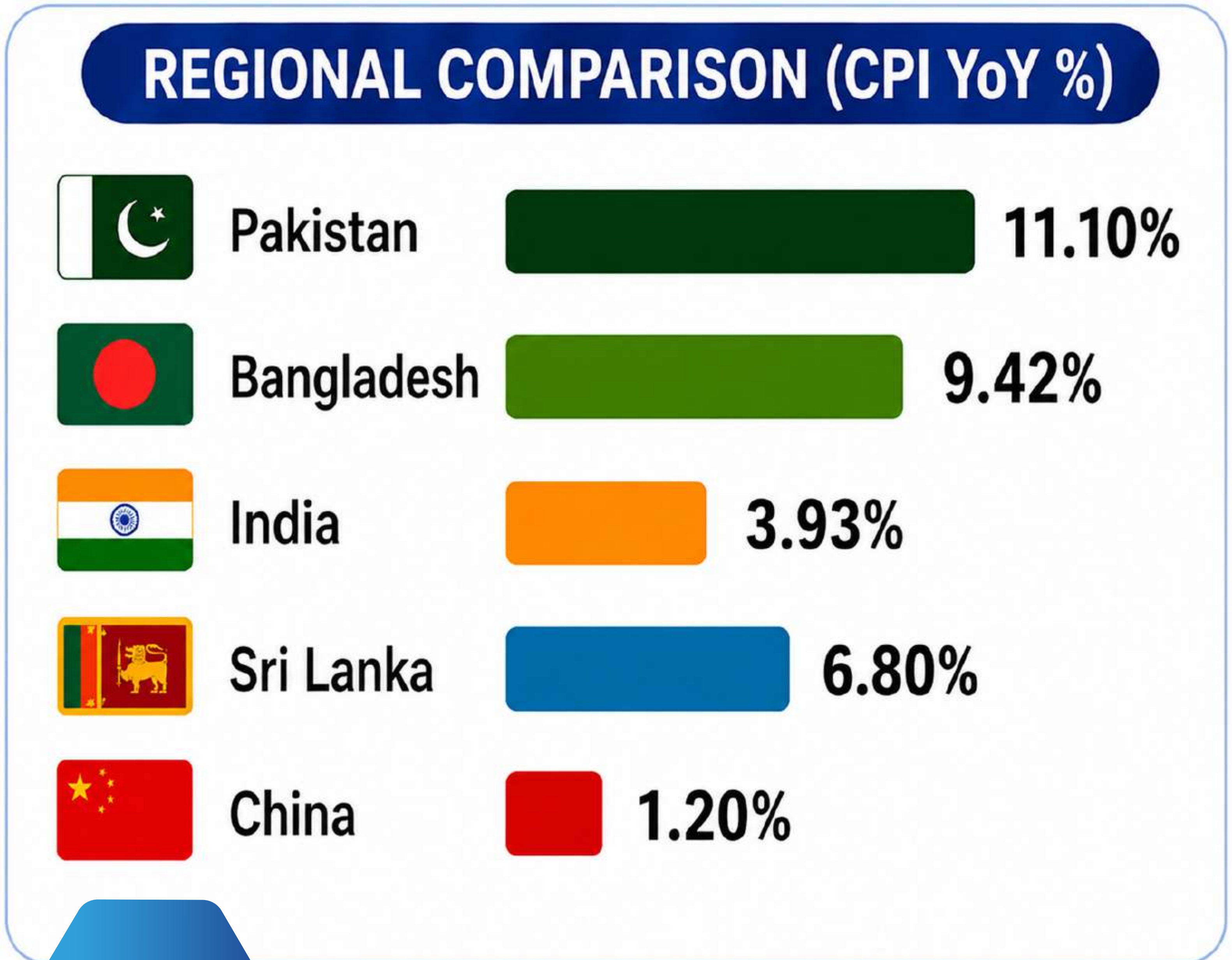
The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to almost PKR 82 trillion till May 2026, marking a substantial increase of 7.8% compared to the same month of the previous Fiscal Year. These figures underscore the significant escalation in the country's debt burden, signaling challenges in debt management and fiscal sustainability.

Pakistan's Total Debt & Liabilities			
(PKR in billion)	May 2026	May 2025	% change
Domestic Debt	58,107	53,460	**8.7%**
% of GDP	**45.9%**	**46.9%**	
External Debt	23,842	22,585	**5.6%**
% of GDP	**18.8%**	**19.8%**	
Total Debt	81,949	76,045	**7.8%**
% of GDP	**64.8%**	**66.7%**	
Nominal GDP	126,570	114,039	**11.0%**

(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.



Country	Local Currency Units per USD (As of 23rd July)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	277.9	1.5
India	96.9	(12.0)
Bangladesh	123.4	(0.9)
China	6.8	5.3
Sri Lanka	336.1	(11.3)

(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.

Consecutive revenue shortfalls highlight persistent structural weaknesses in Pakistan's tax system. Going forward, successful implementation of budgetary tax measures, improved compliance, and enhanced documentation of the economy will be crucial to raise the tax-to-GDP ratio, reduce fiscal risks, and ensure adequate financing for development and strategic expenditures.

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