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Pakonomics

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HIGHLIGHTS

The Federal Board of Revenue ("FBR") collected PKR 810 billion in July 2026, exceeding its monthly target on the back of higher sales tax collection, but struggled in other areas, marking a steady start to the new Fiscal Year in which achieving targets is crucial for creating space for strategic spending.

According to the valuation of Tola Associates ("TA"), the value of PKR is 256.66/USD after incorporating the Current Account Deficit ("CAD") of the July month of Fiscal Year 2026-27 ("FY27").

In the inter-bank market, the value of the national currency stands at PKR 277.55/USD as of 24th 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 9.2% on a Y-o-Y basis in July 2026 vs. 4.1% in the same month of the previous year.

According to the Pakistan Bureau of Statistics ("PBS"), Pakistan's LSM sector showed a contraction of 3.48% in June 2026 on a Year-on-Year ("Y-o-Y") basis vs. 3.95% growth in June 2025.

According to the SBP, Pakistan received a monthly remittance inflow of $3.63 billion in July 2026, recording a surge of almost 4.5% compared to $3.47 billion in June 2026 on a M-o-M basis.

The Net foreign currency reserves held by the SBP stood at $17.08 billion as of 13th August 2026.

The Currency in circulation stock from 1st July 2026 to 8th August 2026 has expanded by PKR 206 billion, compared to PKR 12 billion last year.

Pakistan's net FDI has plunged by 44.9% or $20.1 million to $179 million provisionally during the July month of FY27, as compared to $224 million during the same month of FY26.

The total Net Foreign Investment surged by 14.3% or $26 million to $205 million only on a Y-o-Y basis in the July period of FY27 as against the amount of $179 million in the same month of FY26.

Pakistan reported a CAD of $328 million during the July month of FY27, compared to a CAD of $529 million in the same month of FY26.

ECONOMY AT A GLANCE

PAKISTAN ECONOMIC INDICATORS

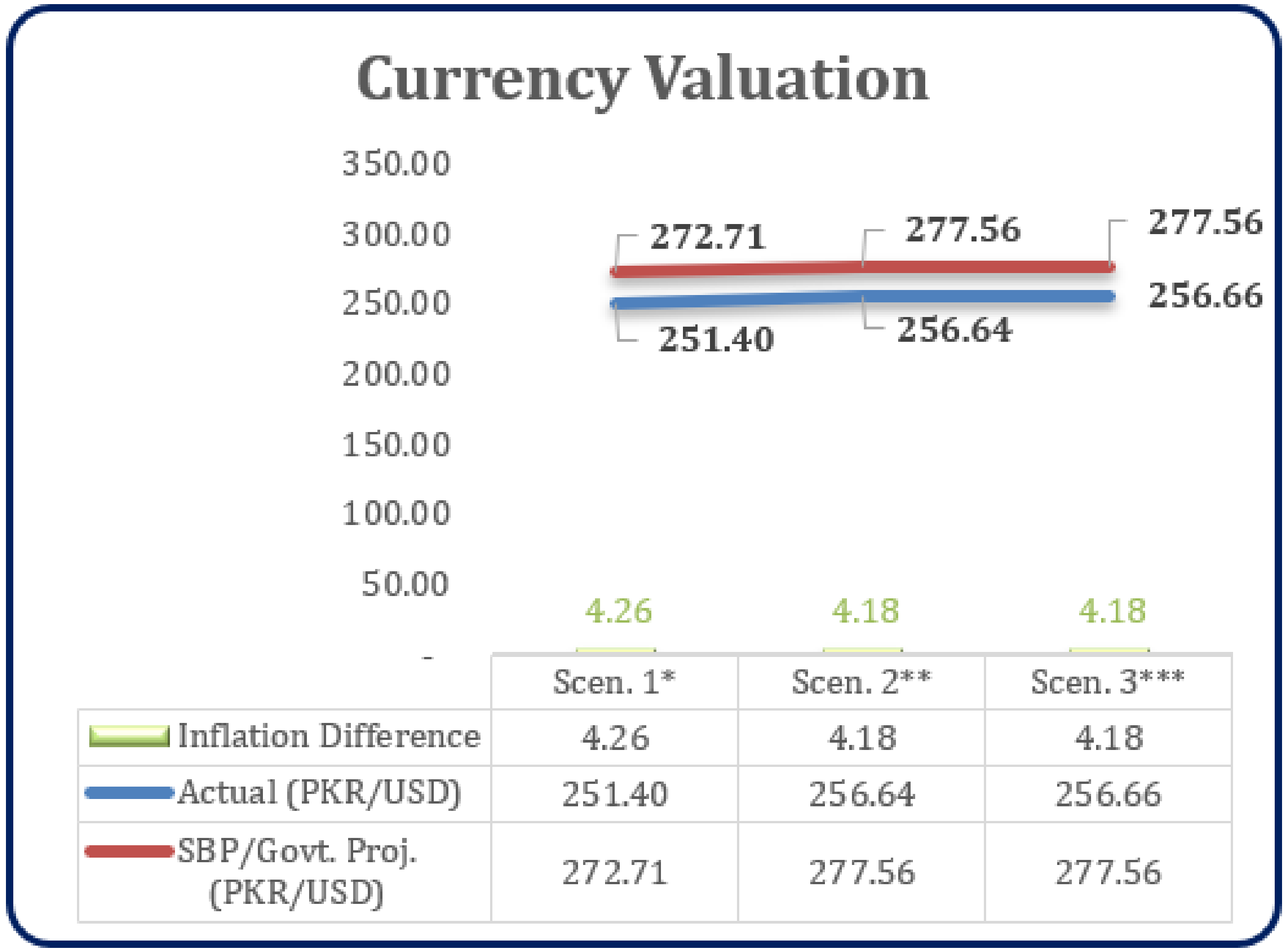
Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	June	↓	(3.48) %	3.95 %
Central Government Debt	June	↑	PKR 83,642 Billion	PKR 77,722 Billion
Credit to Private Sector	Jul – 8th August	↓	PKR (373) Billion	PKR (225) Billion
Worker's Remittances	July	↑	US $3.63 Billion	US $3.21 Billion
Broad Money (M2)	Jul – 8th August	↓	PKR (2,409) Billion	PKR (1,298) Billion
Net Government Sector borrowing	Jul – 8th August	↓	PKR (98) Billion	PKR 42 Billion
National CPI (Base Year 2015-16)	July	↑	9.2 %	4.1 %
FBR Tax Collection	July	↑	PKR 810 Billion	PKR 757 Billion
Foreign Exchange Reserves with SBP	As of 13th August	↑	$17.08 Billion	$14.26 Billion
Foreign Direct Investments	July	↓	$179 Million	$224 Million
Trade Deficit in Goods	July	↓	US $(3,948) Million	US $(3,154) Million
Current Account Balance	July	↓	US $(328) Million	US $(529) Million

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 256.66/USD after adjusting the CAD of the period of July the FY27 (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 277.56/USD, as the present value of PKR currency would have been 256.66/USD.

The graph depicts three scenarios: (a) First scenario provides PKR valuation as of June 30, 2026; (b) The second scenario provides the PKR value based on the Government's CAD projection of 0.70% of the GDP for FY27; and (c) The last scenario calculates the PKR value based on the actual CAB of the July period of FY27). A 10-rupee depreciation results in a 2% increase in inflation, and vice versa.



**Valuation as per actual CAD from FY23 till FY26.*
*** If CAD is restricted to its targeted value of $3.599 billion for FY27.*
**** Actual CAD of July FY2026-27 cumulated in the Projection*

2. CURRENT ACCOUNT ("CA"):

The current account ("CA") recorded a deficit of $328 million in the starting month of July in FY27, compared with a deficit of $529 million in the same month of the FY26. Furthermore, the CA posted a deficit of $814 million in June 2026, this represents a deterioration of approximately 59% less on a month-on-month ("MoM") basis. Similarly, on a year-on-year ("YoY") basis, the current account balance ("CAB") deteriorated less by 38.0% compared with the corresponding month of the previous year.

CURRENT ACCOUNT COMPONENTS

(USD Million)

Current Account Components	Jul-26	Jun-26	Jul-25	MoM (%)	YoY (%)
Exports of Goods (FOB)	3,008	2,573	2,750	16.91	9.38
Imports of Goods (FOB)	6,154	6,152	5,429	0.03	13.35
Balance on Trade in Goods	(3,146)	(3,579)	(2,679)	(12.10)	17.43
Exports of Services	927	942	728	(1.59)	27.34
Imports of Services	1,155	1,025	1,032	12.68	11.92
Balance on Trade in Services	(228)	(83)	(304)	174.70	(25.00)
Balance on Trade in Goods and Services	(3,374)	(3,662)	(2,983)	(7.86)	13.11
Primary Income Credit	81	83	95	(2.41)	(14.74)
Primary Income Debit	929	920	971	0.98	(4.33)
Balance on Primary Income	(848)	(837)	(876)	1.31	(3.20)
Secondary Income Credit	3,939	3,731	3,405	5.57	15.68
Workers' Remittances	*3,631*	*3,475*	*3,214*	*4.49*	*12.97*
Secondary Income Debit	45	46	75	(2.17)	(40.00)
Balance on Secondary Income	3,894	3,685	3,330	5.67	16.94
Current Account Surplus/(Deficit)	(328)	(814)	(529)	(59.71)	(38.00)

3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit increased by 25.2% YoY to $3.95 billion in July FY27, as exports rose by 9.5% to $2.94 billion while imports increased by 18.0% to $6.89 billion. On a M-o-M basis, exports increased by 31.1%, while the trade deficit narrowed by 15.2% from $4.66 billion in June 2026.

TRADE PERFORMANCE SUMMARY

Monthly Trend

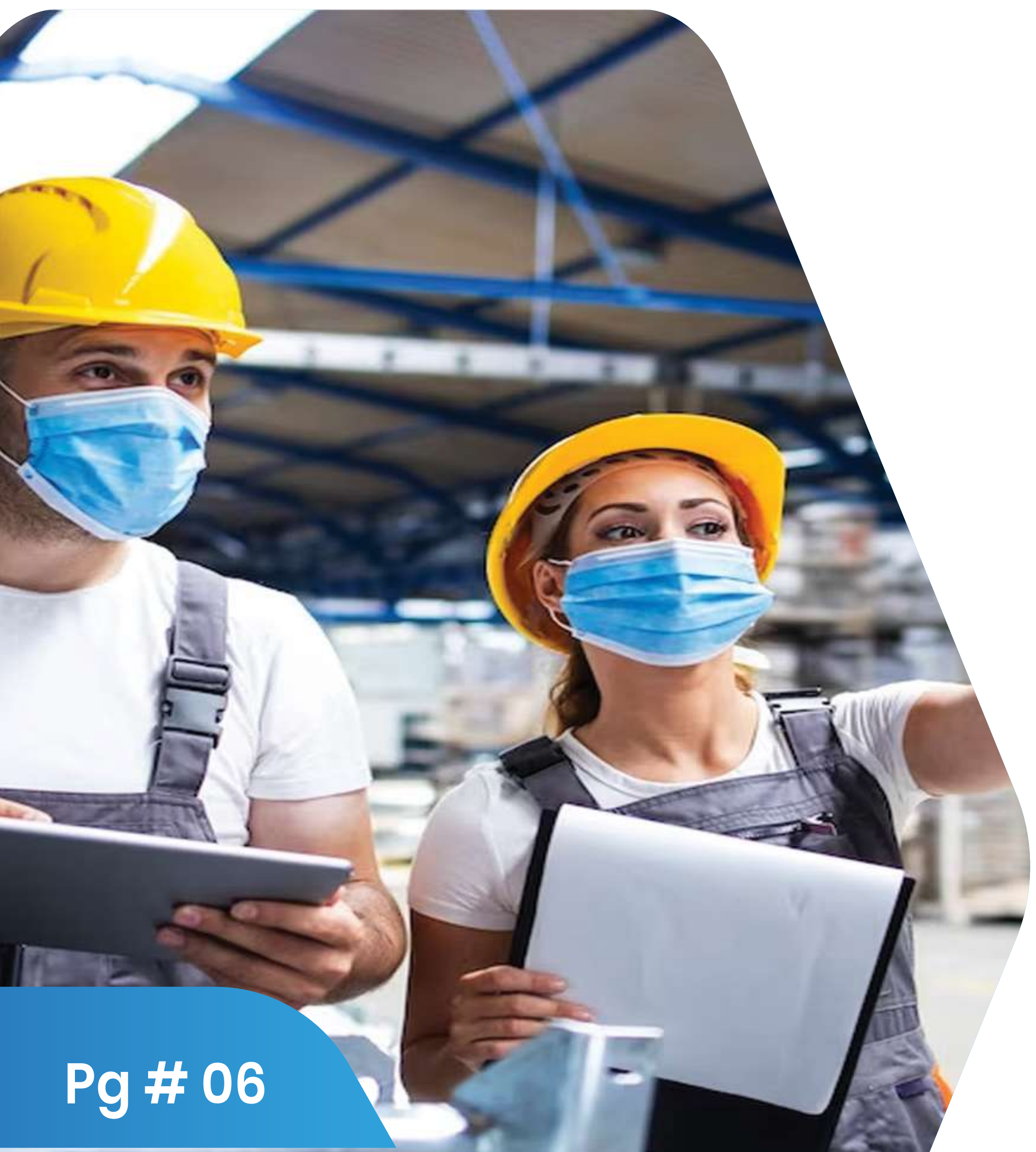
Series	Jul-26	Jun-26	% Change
Exports	2,939	2,242	31.09
Imports	6,887	6,899	(0.17)
Balance of Trade (Trade Deficit)	(3,948)	(4,657)	(15.22)

Yearly Trend

Series	Jul-26	Jul-25	% Change
Exports	2,939	2,683	9.54
Imports	6,887	5,837	17.99
Balance of Trade (Trade Deficit)	(3,948)	(3,154)	25.17

4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed a contraction of almost 3.5% in June 2026 on a Y-o-Y basis vs. June 2025. Likewise, on a M-o-M basis, the overall output growth also plunged by 6.1%, compared to the month of May 2026. Additionally, Sector-wise, important groups such as cotton yarn, cotton cloth, the garment sector, and the cement industry showed a growth of 1.0%, 0.2%, 5.5%, and 7.4% respectively, in the Jul-June period of FY26.

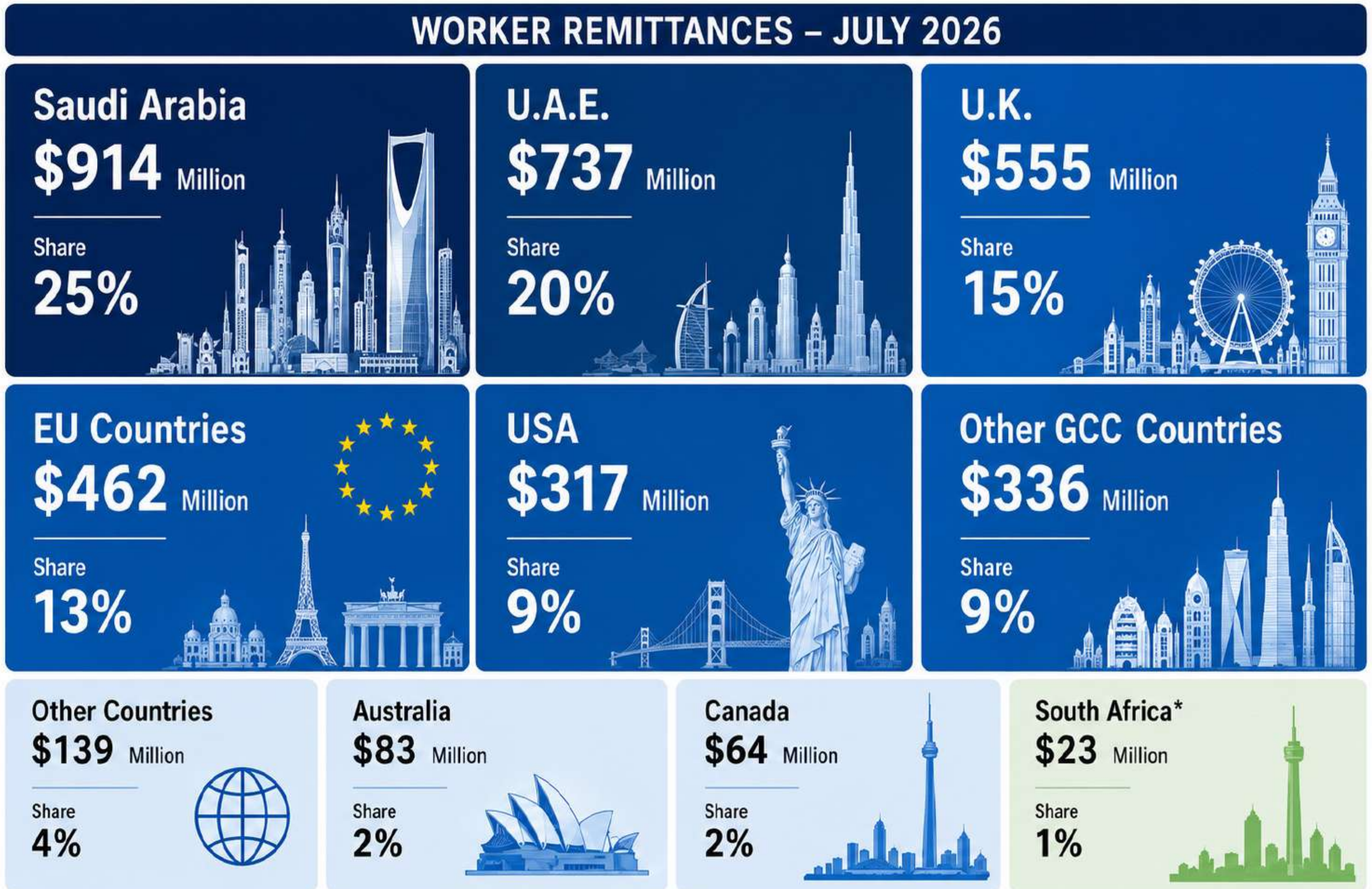


Manufacturing Sector	Weight	(%) Change FY2024-25		(%) Change FY2025-26	
		June	Jul-June	June	Jul-June
Food	10.69	3.96	(1.83)	(3.39)	7.03
Beverages	3.84	(1.21)	1.61	(16.33)	3.09
Tobacco	2.07	(16.28)	6.99	9.28	12.61
Wearing Apparel	6.08	11.16	5.70	(13.45)	5.49
Paper & Board	1.63	(3.15)	0.39	(6.75)	0.31
Coke & Petroleum Products	6.66	11.92	5.33	0.70	9.70
Rubber Products	0.24	8.12	(1.27)	14.06	14.19
Non Metallic Mineral Products	5.01	(7.86)	(7.88)	9.06	6.52
Fabricated Metal	0.42	5.34	(13.87)	9.04	9.65
Computer, electronics and Optical products	0.03	0.69	2.60	4.77	1.96
Electrical Equipment	2.05	(0.14)	(11.79)	22.35	14.25
Machinery and Equipment	0.39	(36.19)	(35.46)	39.81	2.95
Automobiles	3.10	65.53	46.15	50.53	57.77
Other Transport Equipment	0.69	61.72	36.60	48.32	42.36
Furniture	0.51	(21.51)	(56.26)	(20.55)	22.69
Other Manufacturing (Football)	0.32	(8.35)	(15.95)	(38.61)	16.62
Textile	18.16	(0.85)	2.49	(6.67)	(0.63)
Leather Products	1.23	(2.41)	0.98	1.38	(1.95)
Wood Products	0.18	2.20	1.30	0.83	(0.45)
Chemicals	6.48	3.87	(3.46)	(1.25)	(2.53)
Chemicals Products	2.55	(5.98)	(11.65)	(5.15)	(3.51)
Fertilizers	3.93	10.02	1.69	0.83	(1.99)
Pharmaceuticals	5.15	3.04	2.74	(17.61)	(8.87)
Iron & Steel Products	3.45	(1.45)	(8.71)	(11.75)	(7.84)

LSM Growth for June 2026	(3.48)
LSM Growth June 2026 vs. May 2026	(6.08)
LSM Growth Cumulative FY26 vs. FY25	4.98

5. WORKER'S REMITTANCES

As per the SBP, Pakistan received a monthly remittance inflow of $3.63 billion in July 2026, recording a surge of almost 4.5% compared to $3.47 billion in June 2026 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 13.0% when compared to $3.21 billion received a year ago in the same month



6. CONSUMER PRICE INDEX INFLATION

According to the PBS, the monthly inflation rate in July 2026 is clocked at 9.2% on a Y-o-Y basis, 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 9.6 % and 10.2%, respectively. The Wholesale Price Index ("WPI") rose at a rate of 9.4% on a Y-o-Y basis in July 2026, which was recorded at -0.5% in the same month of FY26. Moreover, on a M-o-M basis, the national CPI increased by 1.2%. Additionally, the Food inflation rate has risen by 3.7% and 3.4% in the urban and rural areas, on a M-o-M basis, respectively. In July 2026, Core inflation, which is calculated by excluding energy and food items, rose by 8.6% and 8.1% in urban and rural areas on a Y-o-Y basis.

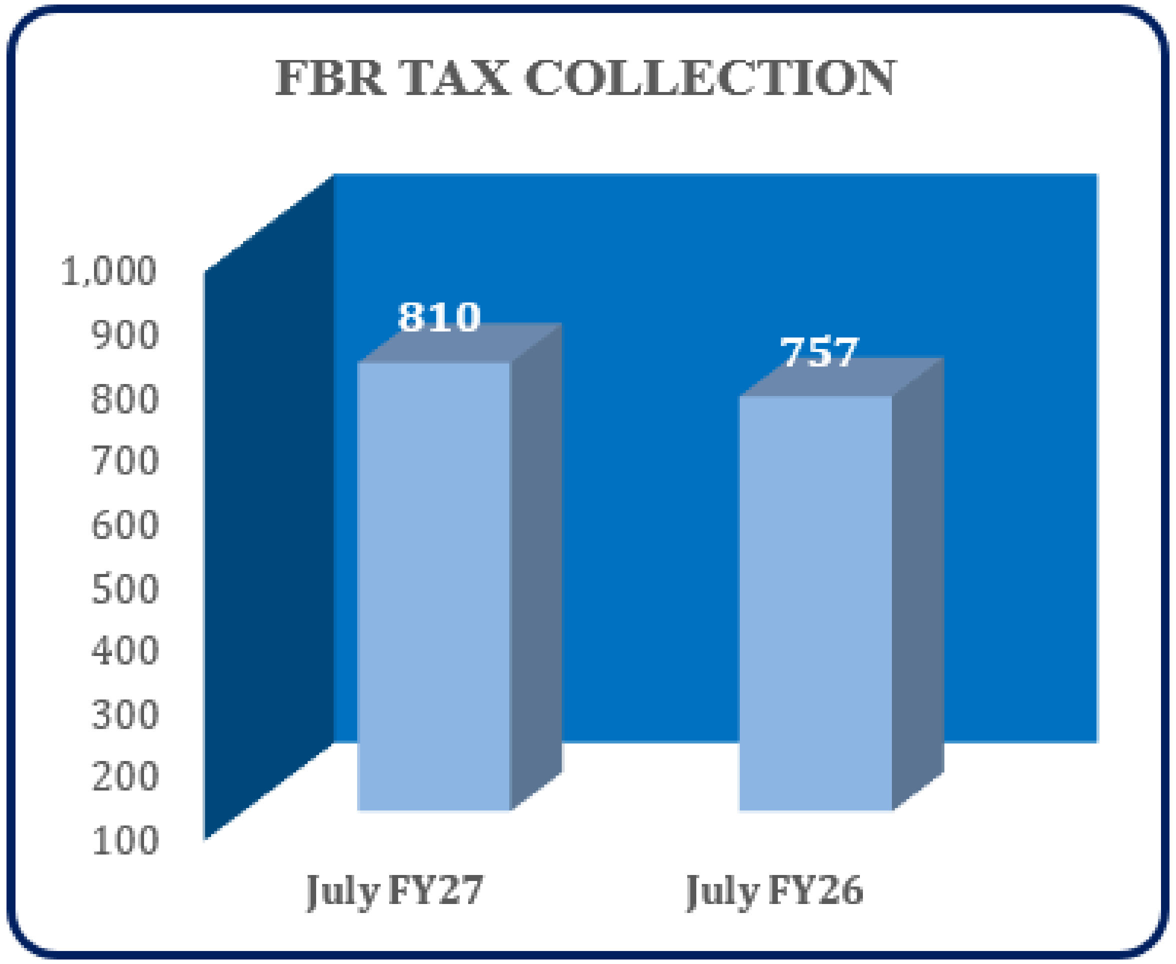
INDICATOR	YoY	MoM
CPI (GENERAL)	9.20% ▲	1.20% ▲
FOOD INFLATION (URBAN)	9.60% ▲	3.70% ▲
FOOD INFLATION (RURAL)	10.20% ▲	3.40% ▲
CORE INFLATION (URBAN)	8.60% ▲	0.70% ▲
CORE INFLATION (RURAL)	8.10% ▲	0.90% ▲
WPI	9.40% ▲	0.00% –

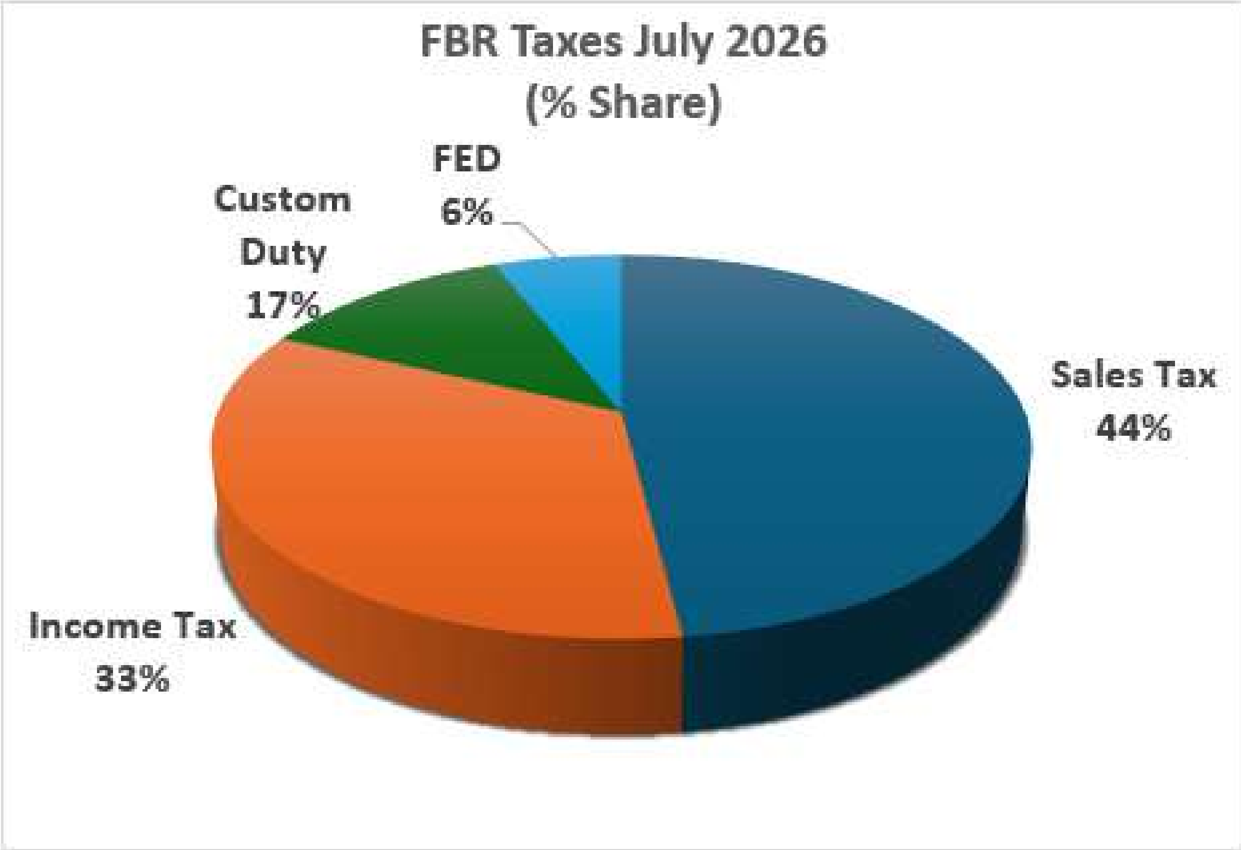
PRICE CHANGES (YoY)

	May-26 (YoY)	April-26 (YoY)	May-25 (YoY)
Food & Non-Alcoholic Beverages	14.20%	12.20%	5.90%
Food services and catering	20.64%	17.00%	9.10%
Fruits & Vegetables	-6.40%	1.10%	-8.30%
Alcoholic Beverages & Tobacco	12.25%	8.70%	10.70%
Clothing & Footwear	1.50%	3.70%	0.50%
Housing, Water, Electricity, Gas & Fuels	6.20%	4.20%	5.80%
Furnishings, Household Equipment & Routine Household Maintenance	10.24%	10.20%	7.20%
Health	2.70%	1.10%	3.30%
Transport	5.91%	-0.50%	2.50%
Communication	2.20%	2.00%	0.60%
Education Services	2.75%	1.70%	5.80%
Restaurants & Hotels	4.60%	0.40%	2.10%

7. FBR TAX REVENUE COLLECTION

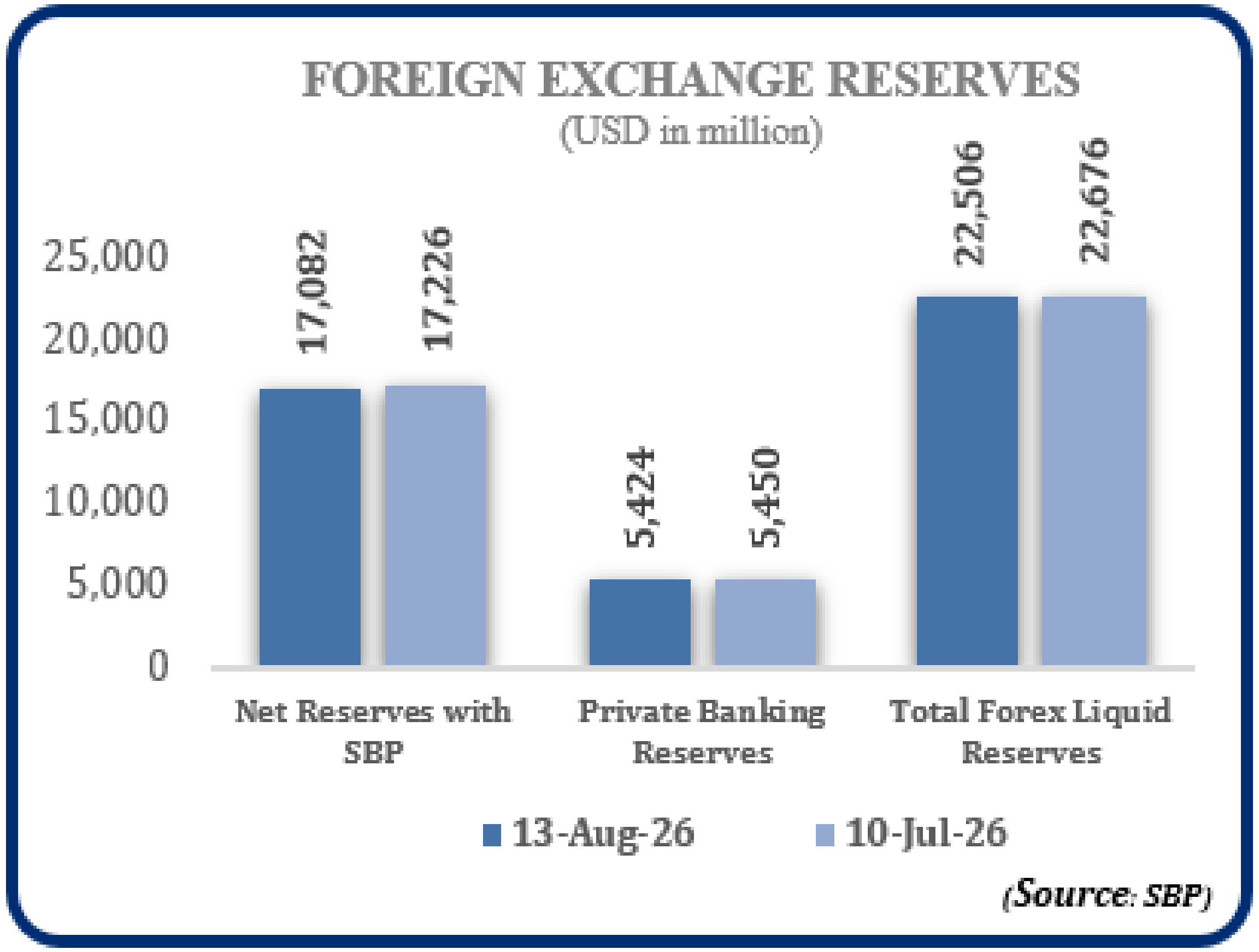
As per the data published by the FBR, the FBR collected PKR 810 billion worth of tax revenue in the staring month of the new FY27, as collections rose by only 7.0% from PKR 757 billion in July 2025 of FY26. As per the article by Shahbaz Rana, published in Express Tribune titled, '*According to provisional figures, the FBR collected over Rs300 billion in income tax, falling short of the target by Rs23 billion. Sales tax collection amounted to Rs358 billion, exceeding the target by Rs53 billion. Out of total taxes, over Rs440 billion, or 54%, were collected at the import stage, where chances of evasion are lowest.*"





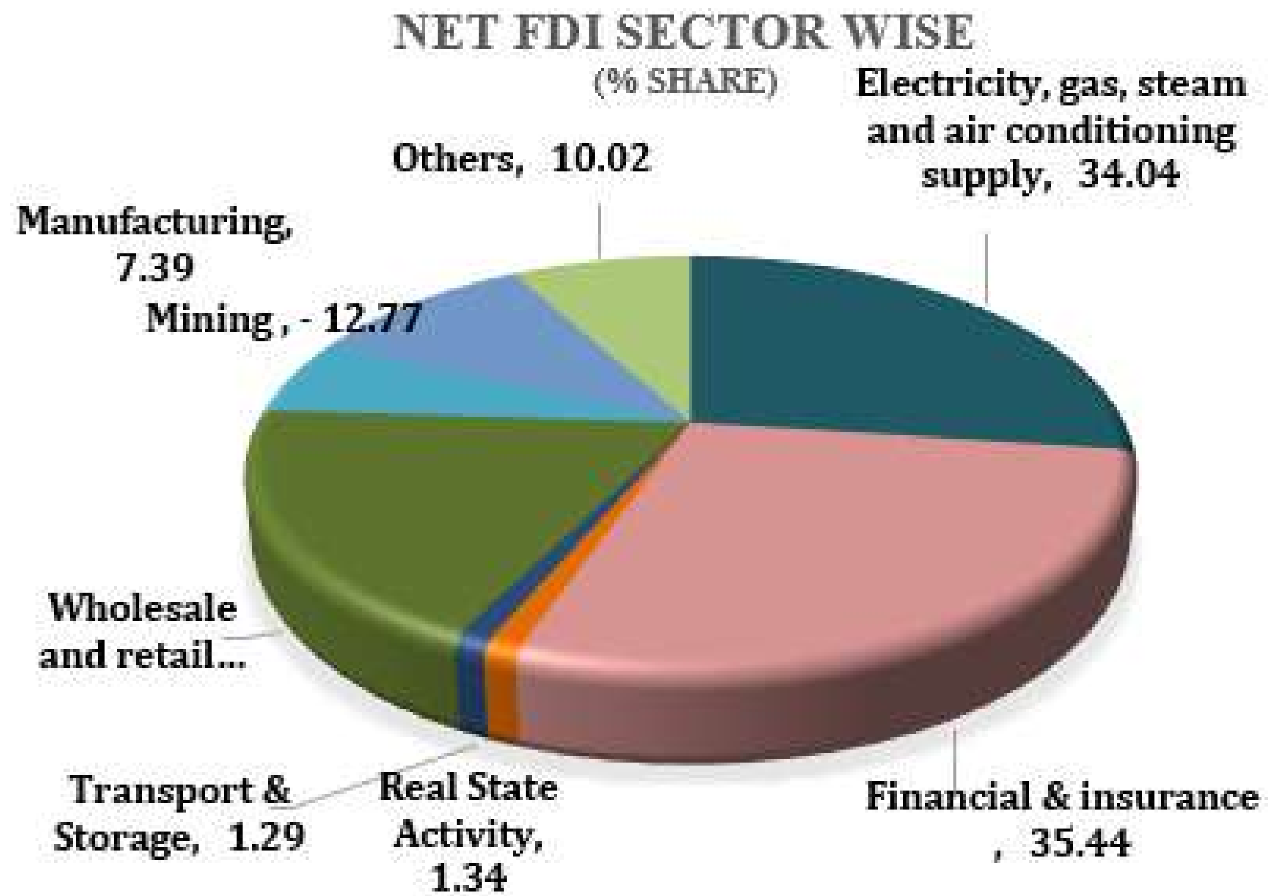
8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at $17.08 billion as of August 13th, 2026, representing an decrease of 0.8%, or $144 million, compared to the previous month's reserves of $17.23 billion on July 10th, 2026.



9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has plunged by 44.9% or $20.1 million to $179 million provisionally during the July month of FY27, as compared to $224 million during the same month of FY26. Whereas, the total Net Foreign Investment surged by 14.3% or $26 million to $205 million only on a Y-o-Y basis in the July period of FY27 as against the amount of $179 million in the same month of FY26. This Pie chart shows the percentage share of net inflows in different sectors of the Economy in the July period of FY27.



10.DEBT PROFILE

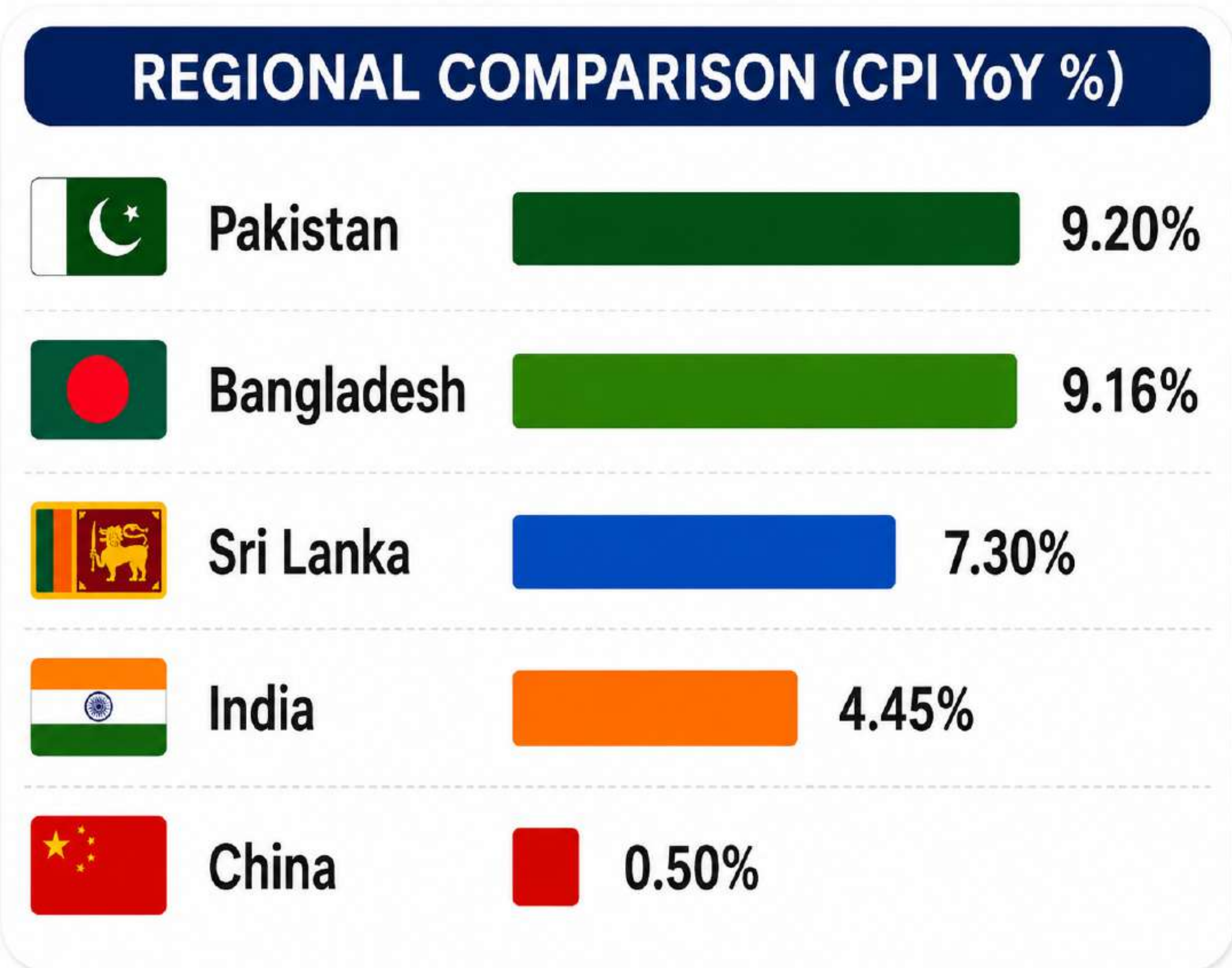
The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to almost PKR 84 trillion till the end of FY26, marking a substantial increase of 7.6% compared to the same period of the previous Fiscal Year. These figures underscore the significant escalation in the country's debt burden, signaling challenges in debt management and fiscal sustainability.

Pakistan's Total Debt & Liabilities			
(PKR in billion)	June 2026	June 2025	% change
Domestic Debt	59,441	54,472	**9.12%**
% of GDP	**46.85%**	**47.77 %**	
External Debt	24,201	23,250	**4.09%**
% of GDP	**19.08%**	**20.39%**	
Total Debt	83,642	77,722	**7.62%**
% of GDP	**65.93%**	**68.15%**	
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 9.2%. In Sri Lanka, the CPI has recorded an inflation of 7.3% in July 2026, driven by a depreciation in Sri Lankan rupee. Meanwhile, India's inflation has increased to 4.45% from 4.38%. Additionally, China recorded inflation of 0.5% in July 2026.



Country	Local Currency Units per USD (As of 24th July)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	277.6	1.5
India	95.8	(9.2)
Bangladesh	122.8	(0.9)
China	6.7	6.1
Sri Lanka	328.8	(8.9)

(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 0.7% 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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