



Pakonomics

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Highlights

In the inter-bank market, the value of the national currency stands at PKR 279.7/USD as of February 27th, 2025. Over the past week, the USD to PKR parity rate has shown a slight declining trend.

According to the valuation of Tola Associates (“TA”), the value of PKR is 250.7/USD after incorporating the Jul-Jan period of FY25’s Current Account Deficit (“CAD”).

Moreover, if the currency parity had been adjusted earlier, inflation in FY23 would have been 26.31% instead of 29.2%. In FY24, it could have dropped to 8.7% rather than 23.41%, and in FY25, deflation of -6.23% could have occurred instead of 7.22%. This highlights how timely adjustments could have significantly mitigated the inflationary pressures.

According to the Pakistan Bureau Statistics (“PBS”), Pakistan’s LSM sector showed a contraction of 3.73% in Dec 2024 on a Year-on-Year (“Y-o-Y”) basis vs. Dec 2023.

According to the SBP, the remittances sent by Overseas Pakistani workers have decreased by 2.5% to \$3.00 billion in Jan 2025 vs. \$3.08 billion in Dec 2024 on a M-o-M basis.

As per the data published by the Federal Board of Revenue (“FBR”), the FBR collected PKR 6.5tr worth of tax revenue in the Jul-Jan of FY25 and has failed to achieve its seven months target by PKR 470 billion.

The Net foreign currency reserves held by the SBP stood at \$11.20 billion as of 14th Feb 2025.

The Broad Money (M2) stock from 1st July 2024 to 14th February 2025 has contracted to a negative of PKR 596 billion, compared to PKR 775 billion last year in the same period.

According to the Pakistan Bureau of Statistics (“PBS”), the pace of Consumer Price Index (“CPI”) inflation has clocked to 2.4% on a Y-o-Y basis in Jan 2025 vs. 28.3% same month of last year.

Pakistan’s net FDI has surged by 56.0% or \$548 million to \$1,524 million provisionally during the Jul-Jan period of FY25, as compared to \$976 million during the same month of FY24.

The total Net Foreign Investment has surged by 25.6% or \$275 million to \$1,347 million on a Y-o-Y basis in Jul-Jan period of FY25 as against the amount of \$ 1,072 million in the same period of FY24.

Pakistan reported a Current Account Surplus of \$682 million during the Jul-Jan Period of FY25, compared to Current Account Deficit (“CAD”) of \$1,801 million in the same month of FY24.





ECONOMY AT A GLANCE



Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	December	↓	(3.73) %	3.10 %
Central Government Debt	December	↑	PKR 70,366 Billion	PKR 63,391 Billion
Credit to Private Sector	Jul - 14th February	↑	PKR 742 Billion	PKR 247 Billion
Worker's Remittances	January	↑	US \$3,002 Million	US \$2,397 Million
Currency in Circulation	Jul - 14th February	↓	PKR 371 Billion	PKR (524) Billion
Net Government Sector borrowing	Jul - 14th February	↓	PKR (954) Billion	PKR 2,584 Billion
National CPI (Base Year 2015-16)	February	↓	2.4%	28.3%
FBR Tax Collection	Jul-Jan	↑	PKR 6,500 Billion	PKR 5,150 Billion
Foreign Exchange Reserves with SBP	As of 14th Feb	↑	\$11.20 Billion	\$8.01 Billion
Foreign Direct Investments	Jul-Jan	↑	\$1,524 Million	\$976 Million
Trade Deficit in Goods	Jul-Jan	↓	US\$ (13,495) Million	US\$ (13,116) Million
Current Account Deficit	Jul-Jan	↓	\$682 Million	\$(1,801) Million



1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 250.7/USD after adjusting the Jul-Jan FY25 month's CAD. The PKR value has been kept artificially undervalued at PKR 279.7/USD, as the present value of PKR currency is 250.7/USD.

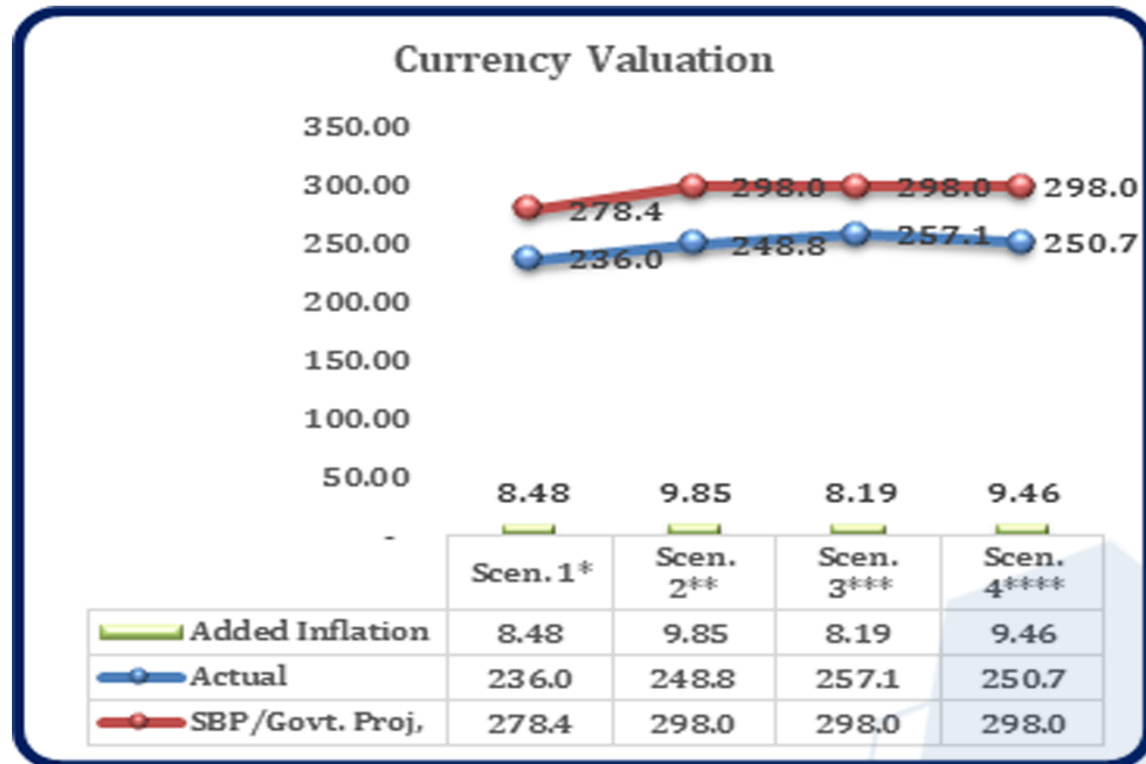
The graph depicts four scenarios: :: (a) First scenario provides PKR valuation as of June 30, 2024; (b) Second scenario illustrates the valuation of PKR valuation based on the actual CA position, i.e \$665 billion CAD in FY24; (c) The third scenario provide PKR value based on the Government's CAD projection of 0.9% of GDP; (d) and the last scenario is calculating the PKR value based on the adjusted CAD projection of the Government adjusted for the Jul-Jan FY25). A 10-rupee depreciation will result in a 2% increase in inflation, or vice versa. For the currency valuation on the basis of IMF's projected GDP [Click Here](#)

*Actual CAD of FY24

**If CAD restricted to FY24's level i.e 0.16% of GDP

*** If CAD restricted to its targeted value of \$3.707 billion. i.e \$3.7 billion

****Actual CAD cumulated in the Projection (adjusted monthly basis)



2. CURRENT ACCOUNT DEFICIT (“CAD”)

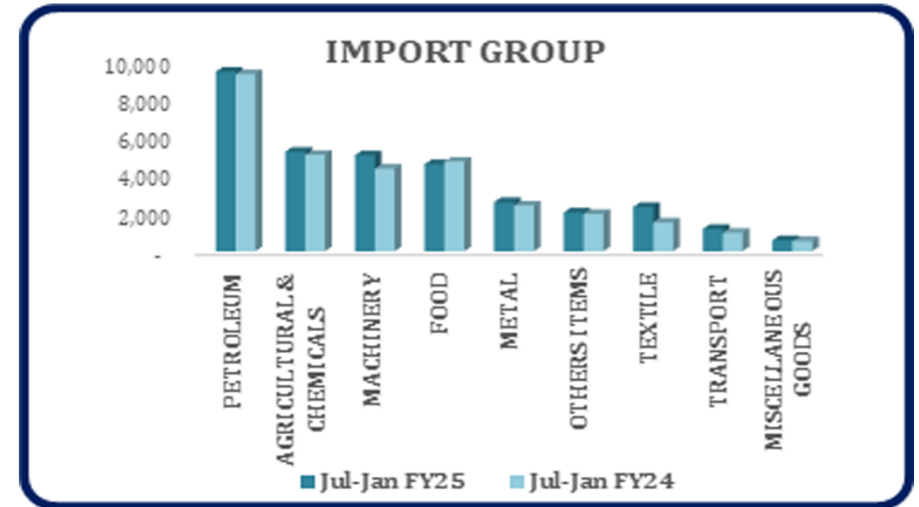
Pakistan recorded a current account (“CA”) deficit for the first time since September 2024 of FY25. The CA stood at a \$(420) million deficit in month of January 2025, a increase of 4.0% compared to the same month last year. On a cumulative basis, the CAD has declined to a \$682 million surplus, a 138 times reduction compared to a CAD of \$1,801 million during the Jul-Jan period of the previous FY24. This sustainable CAD in FY25 is attributed to strong remittance inflows.

CAD	Month wise Comparison			Commulative Comparison		
	Jan-25	Dec-24	Jan-24	Jul-Jan FY25	Jul-Jan FY24	Jul-June FY25 Proj.
i. Balance of Trade in Goods	(2,515)	(1,835)	(1,989)	(14,139)	(12,218)	(24,941)
Exports of Goods	2,680	3,060	2,940	19,175	17,826	32,341
Imports of Goods	4,669	4,895	5,455	33,314	30,044	57,283
ii. Balance of Trade in Services	(315)	(243)	(287)	(1,929)	(1,648)	(2,738)
Exports of Services	691	792	682	4,749	4,473	8,169
Imports of Services	1,006	1,035	969	6,678	6,121	10,907
iii. Balance on Primary Income	(735)	(736)	(658)	(5,235)	(4,712)	(7,648)
iv. Balance on Secondary Income	3,145	3,288	2,530	21,985	16,777	31,620
Secondary Income Credit	3,201	3,400	2,566	22,377	17,034	N/A
Worker Remittances	3,002	3,080	2,398	20,849	15,834	30,278
Secondary Income Debit	56	112	36	392	257	N/A
CAD (i + ii + iii + iv)	(420)	474	(404)	682	(1,801)	(3,707)

(Source: SBP)

3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit increased by 18.1% to \$2.32 billion in Jan of FY25, compared to \$1.96 billion in the same period of FY24, amidst a double-digit growth in imports. Moreover, exports rose by 5.7% to \$2.95 billion during the first month of second half in ongoing FY compared to \$2.79 billion in the same month of last FY. Further, the imports increased by 10.9% to \$5.27 billion in Jan of FY25 compared to \$4.76 billion in the same period of FY24. Additionally, on a M-o-M basis, exports increased by 1.4% compared to \$2.91 billion in Dec 2024. Furthermore, the country's trade deficit decreased by almost 5.2% compared to \$2.45 billion in Dec 2024. On a cumulative basis, exports surged to \$19.58 billion in the Jul-Jan period of FY25 compared to almost \$17.78 billion in the same period last year. Similarly, the trade deficit increased by 3.0% to \$13.50 billion in the Jul-Jan period of FY25 when compared to \$13.12 billion in the same period of FY24. The graph below illustrates the import and export data categorized by groups for FY25 and FY24 during the corresponding periods of Jul-Jan.





4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed a contraction of 3.73% in Dec 2024 on a Y-o-Y basis vs. Dec 2023. Likewise, on a M-o-M basis, the overall output growth increased by 19.07%, compared to the month of Nov 2024. Additionally, the cumulative LSM growth exhibited a negative trend, with an 1.87% contraction in the Jul-Dec of FY25 vs. the same period of last FY24. Sector-wise, important groups such as cotton yarn, cotton cloth, and garment sector showed a growth by 8.8%, 0.8% and 9.5% respectively, whilst the Cement industry showed a contraction of almost 9.0% in the first half of FY25.

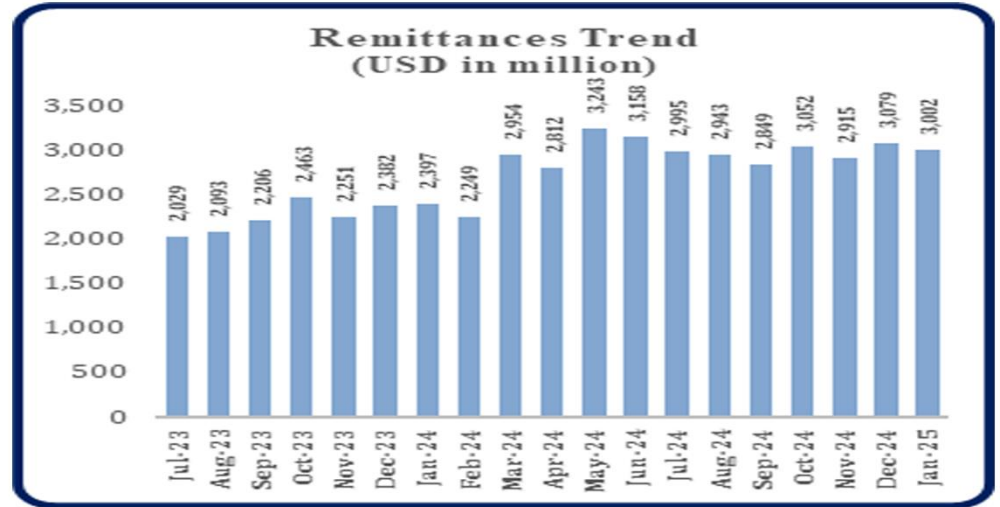
LSM (%)	Weight	Dec-24	Nov-24	Dec-23	Jul-Dec FY25
Textile	18.2	1.42	1.04	(1.03)	2.14
Food	10.7	(6.07)	(0.05)	4.90	0.85
Coke & Petroleum Products	6.7	9.10	(16.18)	17.85	(0.33)
Chemicals	6.5	(5.42)	(7.15)	4.66	(2.11)
Wearing Apparel	6.1	0.28	5.67	2.52	9.53
Pharmaceuticals	5.2	1.71	1.21	20.58	1.85
Non-Metallic Minerals Products	5.0	(10.24)	9.78	(0.99)	13.35
Beverages	3.8	17.38	10.92	7.88	1.15
Iron and Steel Products	3.4	(11.27)	(11.25)	0.38	(12.04)
Automobiles	3.1	47.72	89.06	(52.95)	50.16
Tobacco	2.1	(26.14)	22.58	(24.11)	19.21
Electrical Equipment	2.0	(14.18)	(11.90)	(1.91)	(19.10)
Paper & Board	1.6	3.96	2.26	(8.78)	2.91
Leather Products	1.2	2.36	1.23	7.70	0.38
Other Transport Equipment	0.7	39.48	42.75	(19.37)	25.68
LSM Growth for Dec 2024 (Y/Y)					(3.73) %
LSM Growth of Dec 2024 vs. Nov 2024 (M/M)					19.07 %
LSM Growth Jul-Dec FY25					(1.87) %

(Source: PBS)

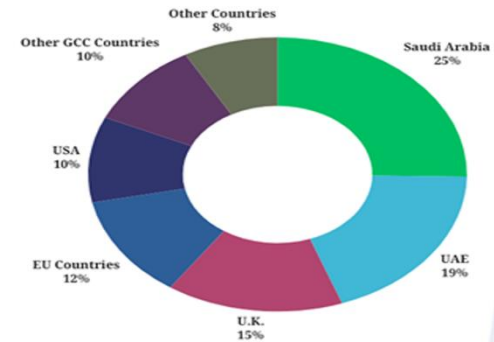


5. Worker's Remittances

As per the SBP, the remittances sent by Overseas Pakistani workers have decreased by 2.5% to \$3.00 billion in Jan 2025 vs. \$3.08 billion in Dec 2024 on a M-o-M basis. In contrast, on a Y-o-Y comparison, the remittance inflows went up by 25.2% when compared to \$2.38 billion received a year ago in the same month. Further, on a cumulative basis, remittances increased by almost 31.7% to \$20.85 billion in the Jul-Jan period of FY25, when compared with \$15.83 billion for the same period last year.



Remittances Share Jul-Jan FY25



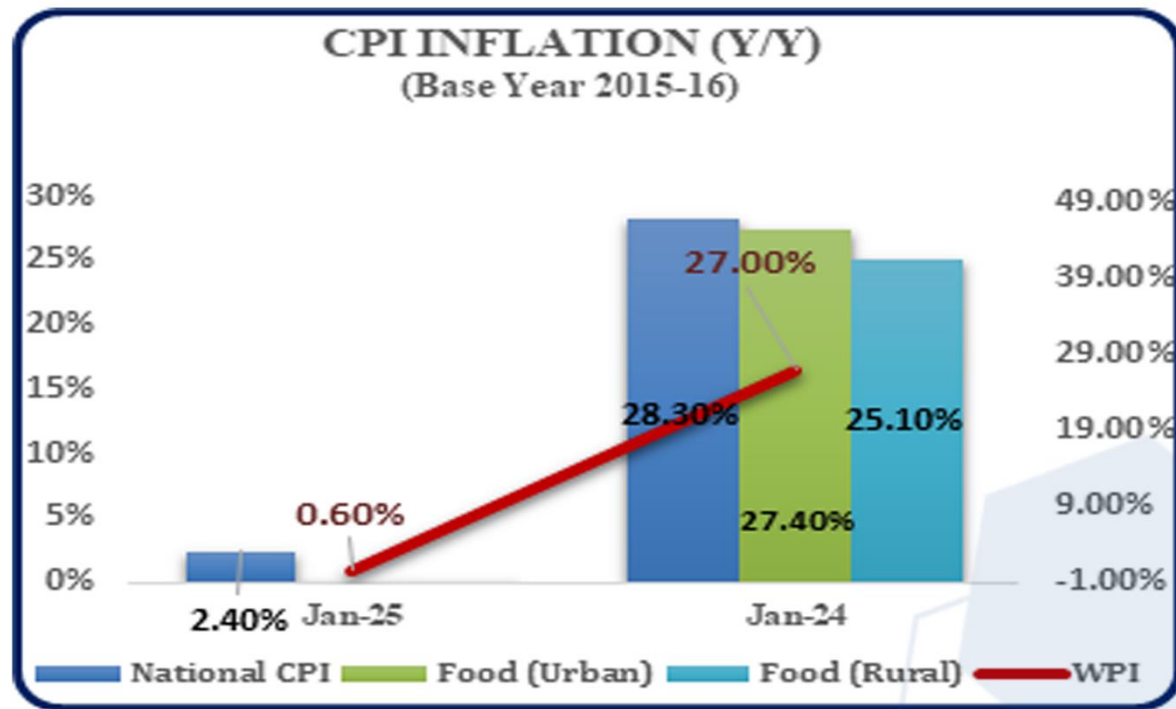


6. CONSUMER PRICE INDEX INFLATION

Pakistan’s headline inflation declined to 2.4% Y-o-Y in January 2025, down from 4.1% recorded in Dec 2024. The inflation has mainly decreased due to last year’s base effect. Further, inflation has been below the key policy rate for 10th consecutive months. Additionally, the average inflation in the Jul-Jan period of FY24 amounted to 6.5%. Moreover, on a monthly basis, the National CPI has recorded a hike of 0.2%. Contrastingly, the Food inflation rate contracted at 0.3% and 0.4%, for the urban and rural areas, respectively compared to Dec 2024. Lastly, in Jan 2025, the Core inflation, which is calculated by excluding energy and food items, rose by 7.8% and 10.4% in urban and rural areas on a Y-o-Y basis, respectively.

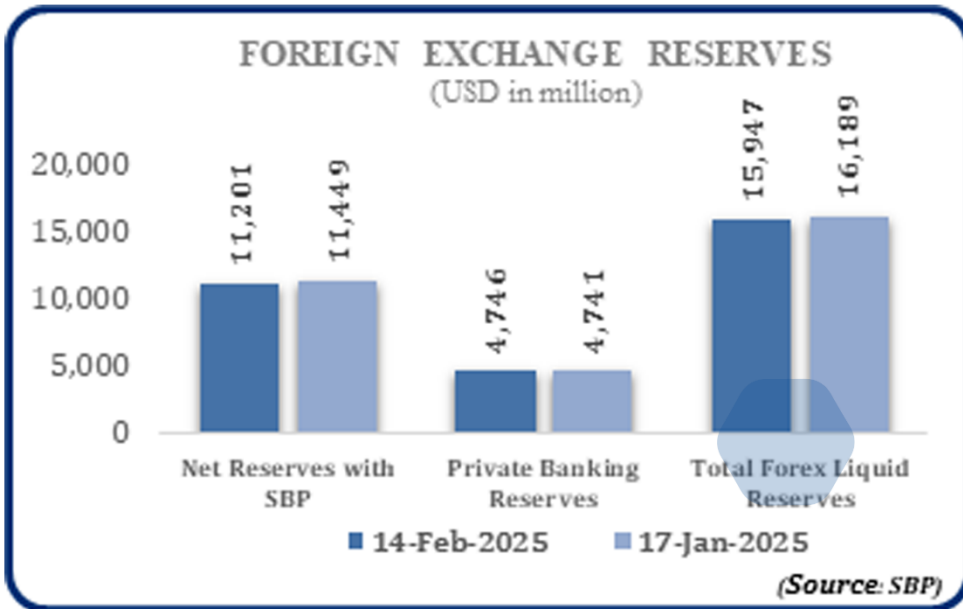
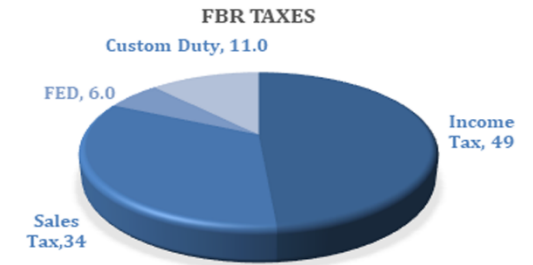
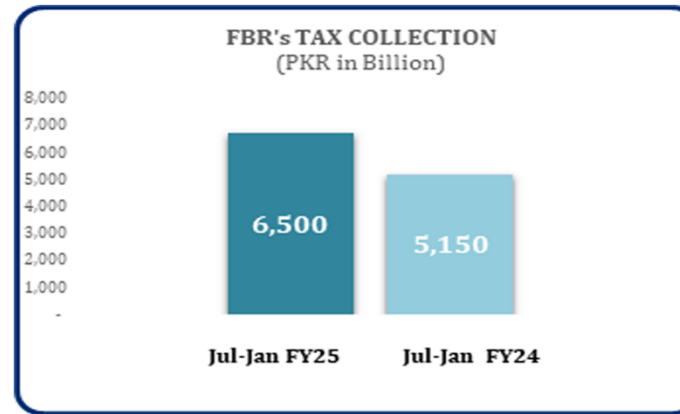
Group	Weight (%)	% Change over	
		Dec-24	Jan-24
Food	34.58	(0.58)	(3.13)
Non-perishable	29.60	1.82	(1.93)
Perishable	4.99	(13.74)	(10.28)
Utility	23.63	0.68	1.53
Health	2.79	1.00	14.09
Transport	5.91	0.86	0.70
Education	3.79	0.11	10.38
Restaurants & Hotels	6.92	0.93	7.55

(Source: PBS)



7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR collected PKR 6.5 trillion worth of tax revenue in the Jul-Jan period of FY25 and failed to achieve its target by PKR 470 billion. The tax collection surged to PKR 871 billion in Jan 2025, whereby still the FBR failed to achieve January month's target by PKR 86 billion, according to Shahbaz Rana's article in The Express Tribune titled '**Govt to restore teachers' tax rebate**'



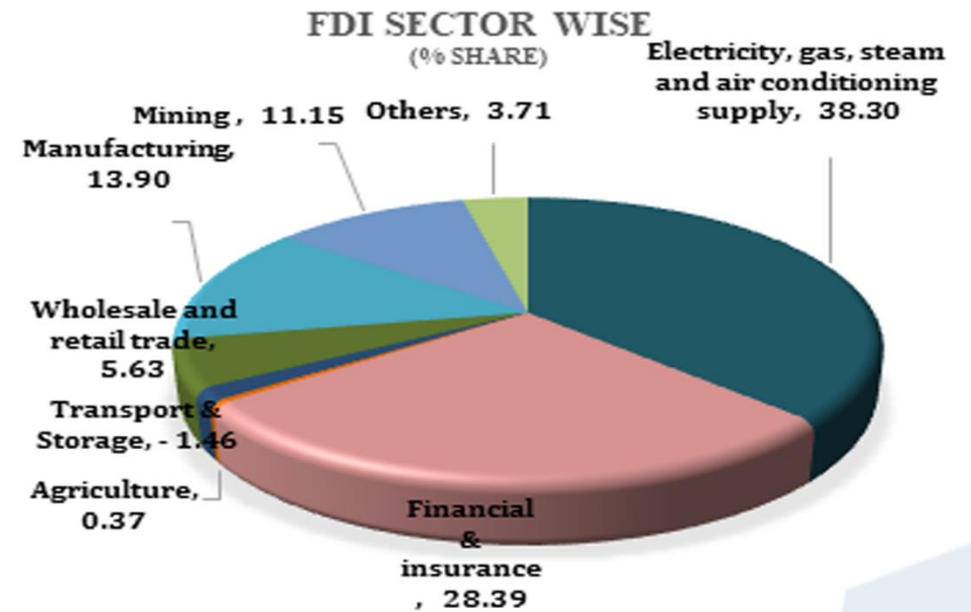
8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at \$11.20 billion as of February 14th, 2025, representing an increase of 0.3%, or \$35 million, compared to last week's reserves of \$11.17 billion on January 7th, 2025. Moreover, when compared to the reserves of the previous month (which were \$11.45 billion on Jan 17th, 2024), the Net reserves have gone down by 2.2%. The boost in foreign reserves is mainly credited to the acquisition of the second and final installment totaling \$1.1 billion from the IMF.



9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has surged by 56.0% or \$548 million to \$1,524 million provisionally during the Jul-Jan period of FY25, as compared to \$976 million during the same month of FY24. Whereas, the total Net Foreign Investment surged by 25.6% or \$275 million to \$1,347 million on a Y-o-Y basis in Jul-Jan period of FY25 as against the amount of \$ 1,072 million in the same period of FY24. This Pie chart shows the percentage share of net inflows in different sectors of the Economy in the Jul-Jan period of FY25.





10. DEBT PROFILE

The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to PKR 71.65 trillion in Dec 2024, marking a substantial of almost 10.0% increase 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)	Dec-24	Dec-23	% change
Domestic Debt	49,883	42,595	17.11
% of GDP	40.18	40.17	
External Debt	21,764	22,601	(3.70)
% of GDP	17.53	21.31	
Gross Public Debt	71,647	65,195	9.90
% of GDP	57.71	61.48	
Nominal GDP	124,150	106,045	17.07

(Source: SBP & MOF)



Outlook

Pakistan's economic outlook reflects cautious optimism, as inflation experienced a remarkable decline, dropping to 2.4% in January 2025. Over the past year, inflation fell dramatically from 29.7% in November 2023 to 11.2% by May 2024 and reached just 2.4% in January 2025, a record drop within a single year. However, the inflation outlook remains vulnerable to several risks, including additional fiscal measures to address revenue shortfalls, a potential resurgence in food inflation, and rising global commodity prices. Despite these challenges and the anticipated phasing out of the favorable base effect, the Committee assessed that the current monetary policy stance is appropriate for stabilizing inflation within the target range.

The IMF's first comprehensive review is scheduled for early March, with several quantitative performance criteria, indicative targets, and structural benchmarks potentially unmet as of December 2024. Successful completion of this review is critical; failure to do so would heighten risk and uncertainty, jeopardizing the rupee's newfound stability in 2024. Ultimately, this will serve as a decisive test of the SBP's economic management in the months ahead.

The reduction in the interest rate to 12.0% is a positive step, though further decreases are warranted, as the real policy rate remains significantly high, almost 8%. Lower interest rates encourage borrowing for investments, fostering industrial growth and overall economic expansion. A decline in interest rates reduces the cost of capital, making financing more affordable for businesses, enabling them to expand operations and invest in new ventures, thereby stimulating industrial

activity and driving broader economic development

To stabilize and recover the economy, the Government needs to implement measures and announce a strategic plan for sustainable economic growth and increasing foreign reserves instead of relying on friendly countries for bailout packages. Effective policy measures could include, inter-alia: (a) Limiting the primary deficit in the budget; (b) Implementing tax reforms to broaden the tax base; (c) Implementing structural reforms in commodity-producing sectors; (d) Working on comparative trade policies to enhance national exports; (e) Reducing interest rates to stimulate economic activity and minimizing debt servicing.

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