

# Pakonomics

## March 2025



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# HIGHLIGHTS

In the inter-bank market, the value of the national currency stands at PKR 281.1/USD as of 28th April 2025. Over the past week, the USD to PKR parity rate has shown a slight declining trend, whereby the PKR has devalued.

According to the valuation of Tola Associates (“TA”), the value of PKR is 248.5/USD after incorporating the Current Account Deficit (“CAD”) of the Jul-March period of FY25.

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.

In its April 2025 – World Economic Outlook report, the IMF lowered Pakistan's growth projection for fiscal year 2024-25 from 3% to 2.6%, becoming the second major international financial institution, after the Asian Development bank (“ADB”), to revise the country's economic outlook downward.

According to the Pakistan Bureau Statistics (“PBS”), Pakistan's LSM sector showed a contraction of 3.51% in Feb 2025 on a Year-on-Year (“Y-o-Y”) basis vs. Feb 2024.

According to the SBP, the remittances sent by Overseas Pakistani workers have increased by 30.0% to \$4.06 billion in March 2025 vs. \$3.12 billion in March 2025 on a M-o-M basis.



As per the data published by the Federal Board of Revenue (“FBR”), the FBR collected PKR 8.44tr worth of tax revenue in the Jul-March of FY25 and has failed to achieve its nine-month target by PKR 725 billion.

The Net foreign currency reserves held by the SBP stood at \$10.21 billion as of 18th April 2025.

The Broad Money (M2) stock from 1st July 2024 to 12th April 2025 has contracted to a PKR 1,045 billion, compared to PKR 1,910 billion last year in the same period

According to the Pakistan Bureau of Statistics (“PBS”), the pace of Consumer Price Index (“CPI”) inflation has slowed down to 0.7% on a Y-o-Y basis in March 2025 vs. 20.7% same month last year.

Pakistan's net FDI has surged by 14.0% or \$202 million to \$1,644 million provisionally during the Jul-March period of FY25, as compared to \$1,442 million during the same month of FY24.

The total Net Foreign Investment declined by 19.0% or \$305 million to \$1,302 million on a Y-o-Y basis in Jul-March period of FY25 as against the amount of \$1,607 million in the same period of FY24.

Pakistan reported a Current Account Surplus of \$1,859 million during the Jul-March period of FY25, compared to CAD of \$1,652 million in the same period of FY24.





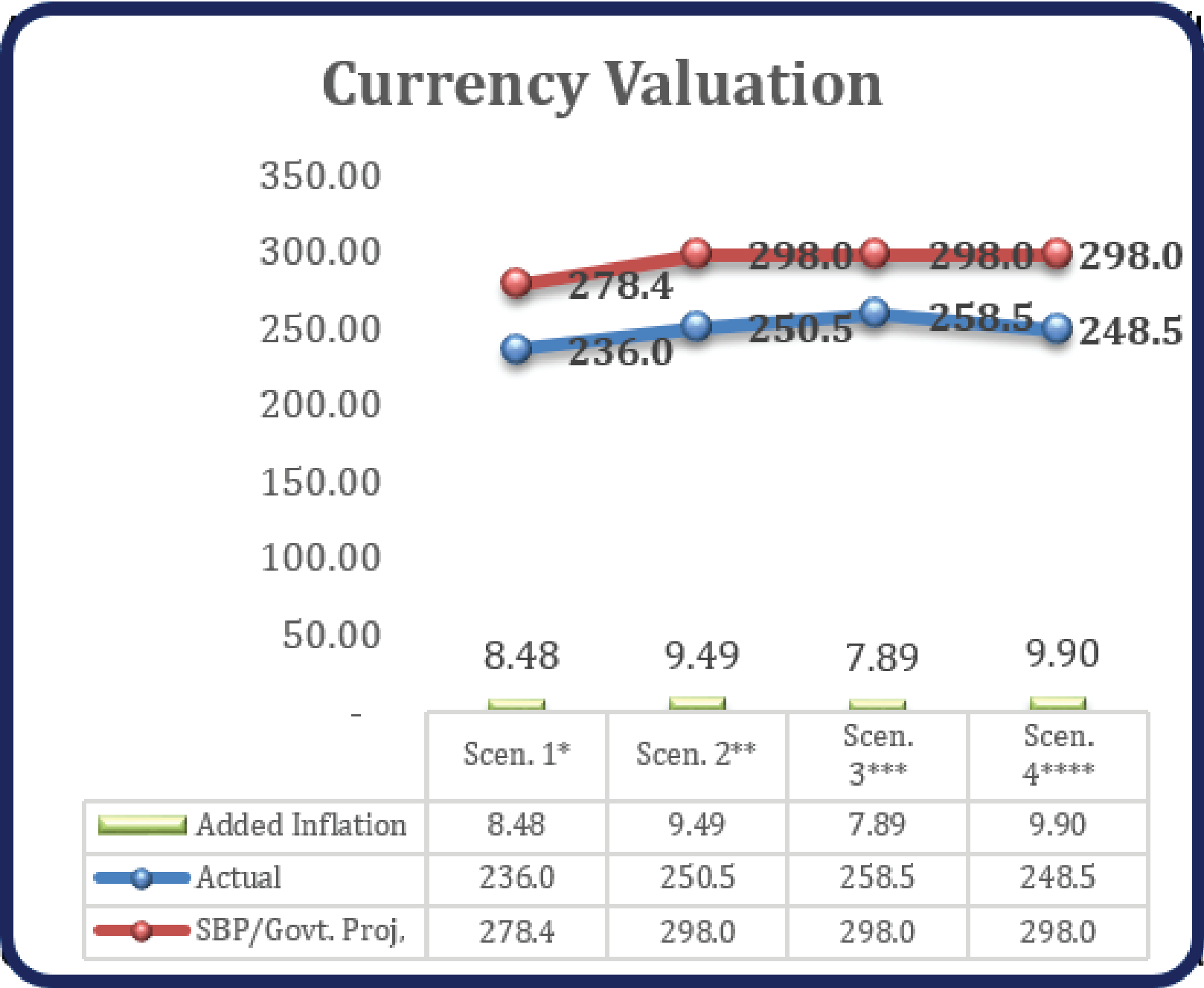
# ECONOMY AT A GLANCE

Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	February	↓	(3.51) %	0.87 %
Central Government Debt	February	↑	PKR 73,036 Billion	PKR 64,810 Billion
Credit to Private Sector	Jul – 12th April	↑	PKR 693 Billion	PKR 106 Billion
Worker's Remittances	March	↑	US \$4,055 Million	US \$2,954 Million
Currency in Circulation	Jul – 12th April	↑	PKR 1,062 Billion	PKR (28) Billion
Net Government Sector borrowing	Jul – 12th April	↓	PKR 1,213 Billion	PKR 4,498 Billion
National CPI (Base Year 2015-16)	March	↓	0.7%	20.7%
FBR Tax Collection	Jul-March	↑	PKR 8,440 Billion	PKR 6,665 Billion
Foreign Exchange Reserves with SBP	As of 18th April	↑	\$10.21 Billion	\$7.98 Billion
Foreign Direct Investments	Jul-March	↑	\$1,644 Million	\$1,442 Million
Trade Deficit in Goods	Jul-March	↑	US\$ (17,979) Million	US\$ (17,128) Million
Current Account Deficit	Jul-March	↓	\$1,859 Million	\$(1,652) Million

# 1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 248.5/USD after adjusting the CAD of the Jul-March period in FY25. The PKR value has been kept artificially undervalued at PKR 281.1/USD, as the present value of PKR currency is 248.5/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 CAD, i.e \$665 million 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 CA projection of the Government adjusted for the Jul-March FY25).** **A 10-rupee depreciation results in a 2% increase in inflation, and vice versa.** For the currency valuation on the basis of IMF’s projected GDP [Please 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”)

The Current Account (“CA”) stood at a \$1.2 billion record surplus in month of March 2025, an increase of 1,332 times compared to the previous month of Feb 2025. On a cumulative basis, the CAD has declined to a current account surplus of \$1,859 million which is a 212 times reduction compared to a CAD of \$1,652 million during the Jul-March period of the previous FY24. This sustainable CAD in FY25 is attributed to huge remittance inflows.

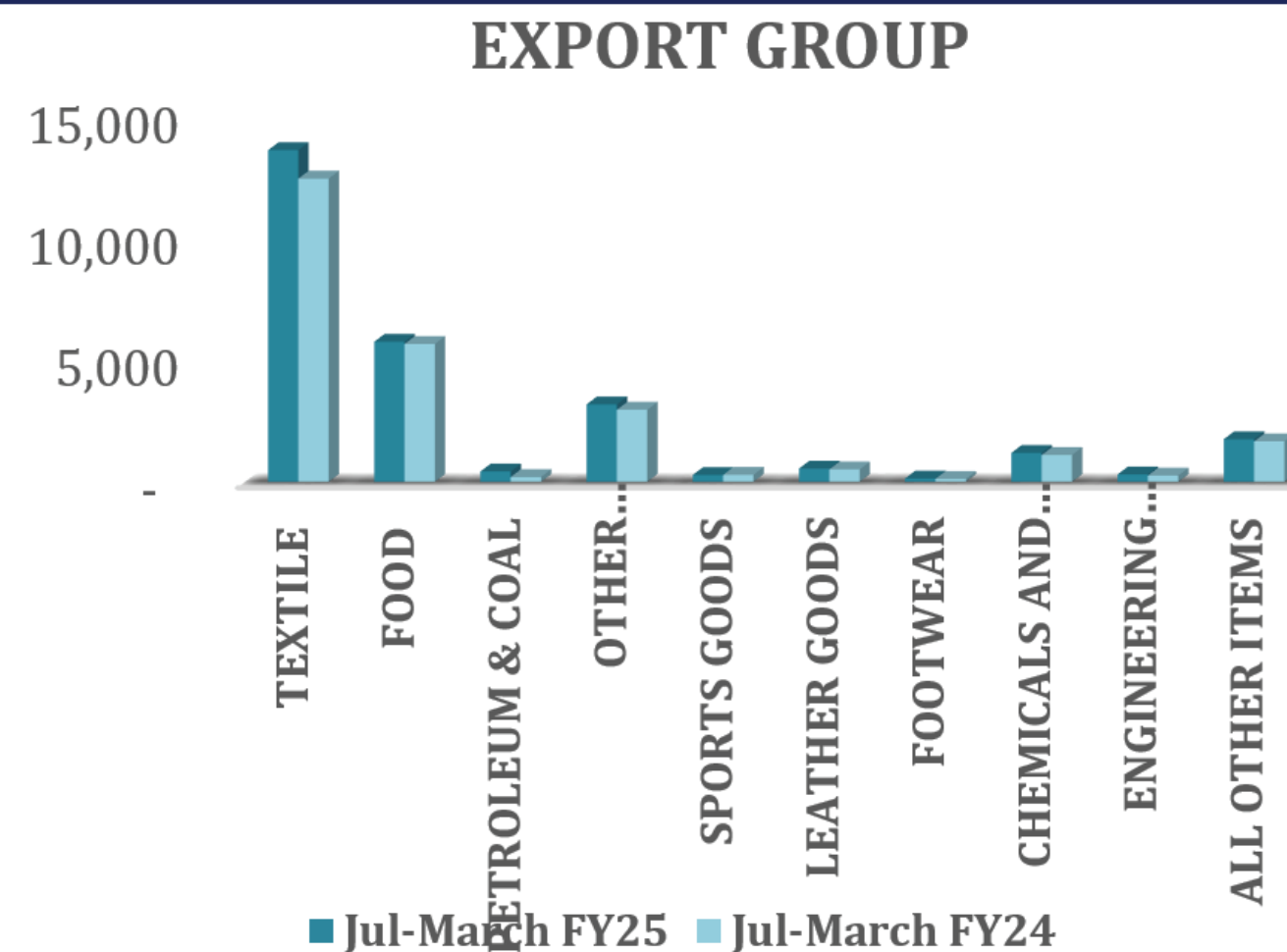
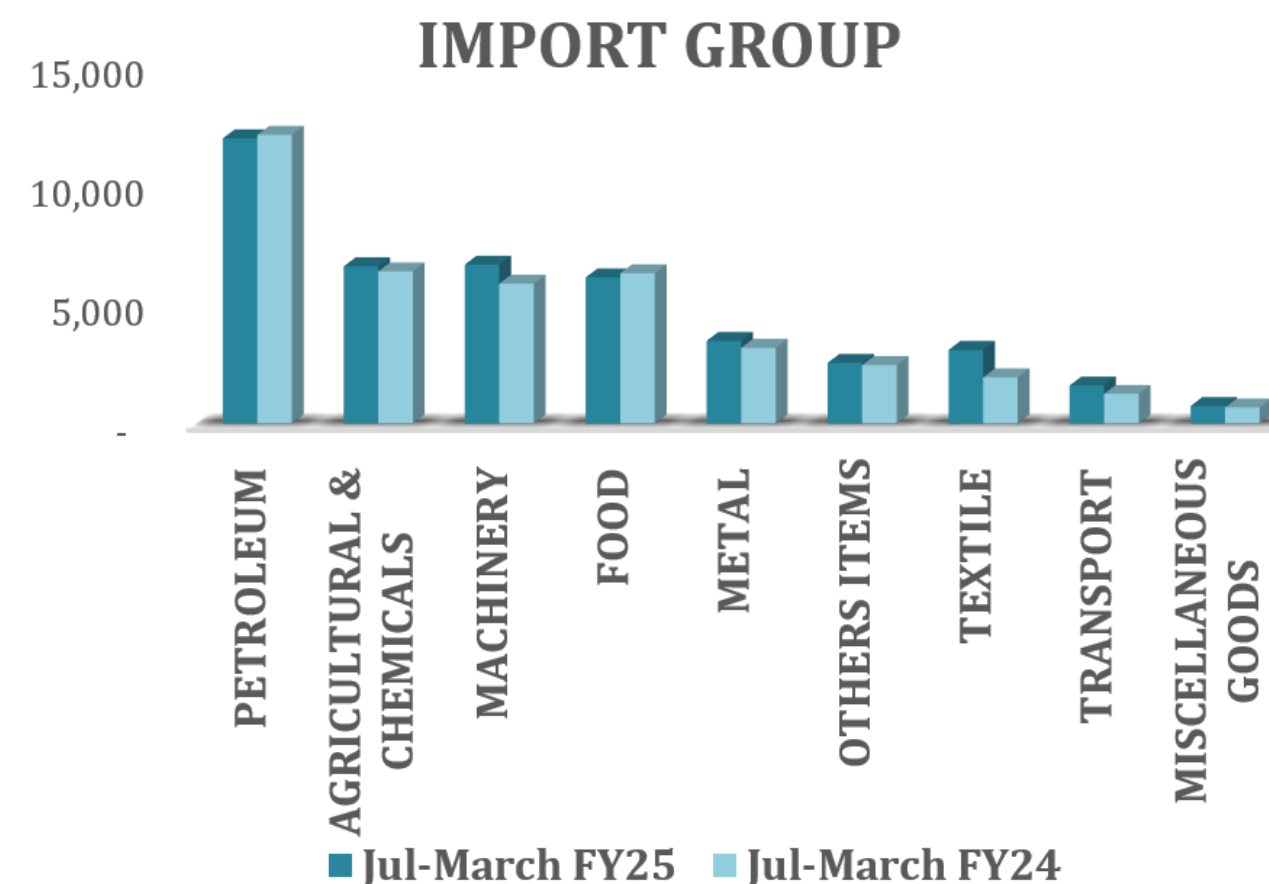
CAD	Month wise Comparison			Commulative Comparison		
	March-25	Feb-25	March-24	Jul-March FY25	Jul-March FY24	Jul-June FY25 Proj.
<b>i. Balance of Trade in Goods</b>	<b>(2,181)</b>	<b>(2,460)</b>	<b>(2,050)</b>	<b>(18,728)</b>	<b>(16,165)</b>	<b>(24,941)</b>
Exports of Goods	2,768	2,603	2,523	24,660	22,892	32,341
Imports of Goods	4,949	5,063	4,573	43,388	39,057	57,283
<b>ii. Balance of Trade in Services</b>	<b>(226)</b>	<b>(260)</b>	<b>(199)</b>	<b>(2,318)</b>	<b>(2,182)</b>	<b>(2,738)</b>
Exports of Services	744	713	709	6,235	5,685	8,169
Imports of Services	970	973	908	8,553	7,867	10,907
<b>iii. Balance on Primary Income</b>	<b>(571)</b>	<b>(571)</b>	<b>(592)</b>	<b>(6,524)</b>	<b>(5,725)</b>	<b>(7,648)</b>
<b>iv. Balance on Secondary Income</b>	<b>4,259</b>	<b>3,194</b>	<b>3,204</b>	<b>29,429</b>	<b>22,420</b>	<b>31,620</b>
Secondary Income Credit	4,298	3,241	3,251	29,909	22,766	N/A
Worker Remittances	4,055	3,124	2,954	28,029	21,038	30,278
Secondary Income Debit	39	47	47	480	346	N/A
<b>CAD (i + ii + iii + iv)</b>	<b>1,195</b>	<b>(97)</b>	<b>363</b>	<b>1,859</b>	<b>(1,652)</b>	<b>(3,707)</b>

(Source: SBP)



# 3.BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit decreased by 3.9% to \$2.20 billion in March of FY25, compared to \$2.29 billion in the same month of FY24. Moreover, the exports increased by 3.1% to \$2.65 billion during the month of March 2025 of the ongoing FY compared to \$2.57 billion in the same month of last FY. Further, the imports decreased by 0.2% to \$4.85 billion in March of FY25 compared to \$4.86 billion in the same period of FY24. Additionally, on a M-o-M basis, exports increased by 6.3% compared to \$2.50 billion in Feb 2025. Furthermore, the country's trade deficit decreased by 4.4% compared to \$2.30 billion in Feb 2025 on a M-o-M basis. On a cumulative basis, exports surged to \$24.72 billion in the Jul-March period of FY25 compared to almost \$22.93 billion in the same period last year. Similarly, the trade deficit increased by almost 5.0% to \$17.98 billion in the Jul-March period of FY25 compared to \$17.13 billion in 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-March.



## 4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed a contraction of 3.5% in Feb 2025 on a Y-o-Y basis vs. Feb 2024. In contrast, on a M-o-M basis, the overall output growth decreased by 5.9%, compared to the month of Jan 2025. Additionally, the cumulative LSM growth exhibited a negative trend, with a 1.9% contraction in the Jul-Feb of FY25 vs. the same period of FY24. Sector-wise, important groups such as cotton yarn, cotton cloth, and garment sector showed a growth by 8.3%, 0.8% and 8.7% respectively, whilst the Cement industry showed a contraction of almost 6.4% in the Jul-Feb period of FY25.

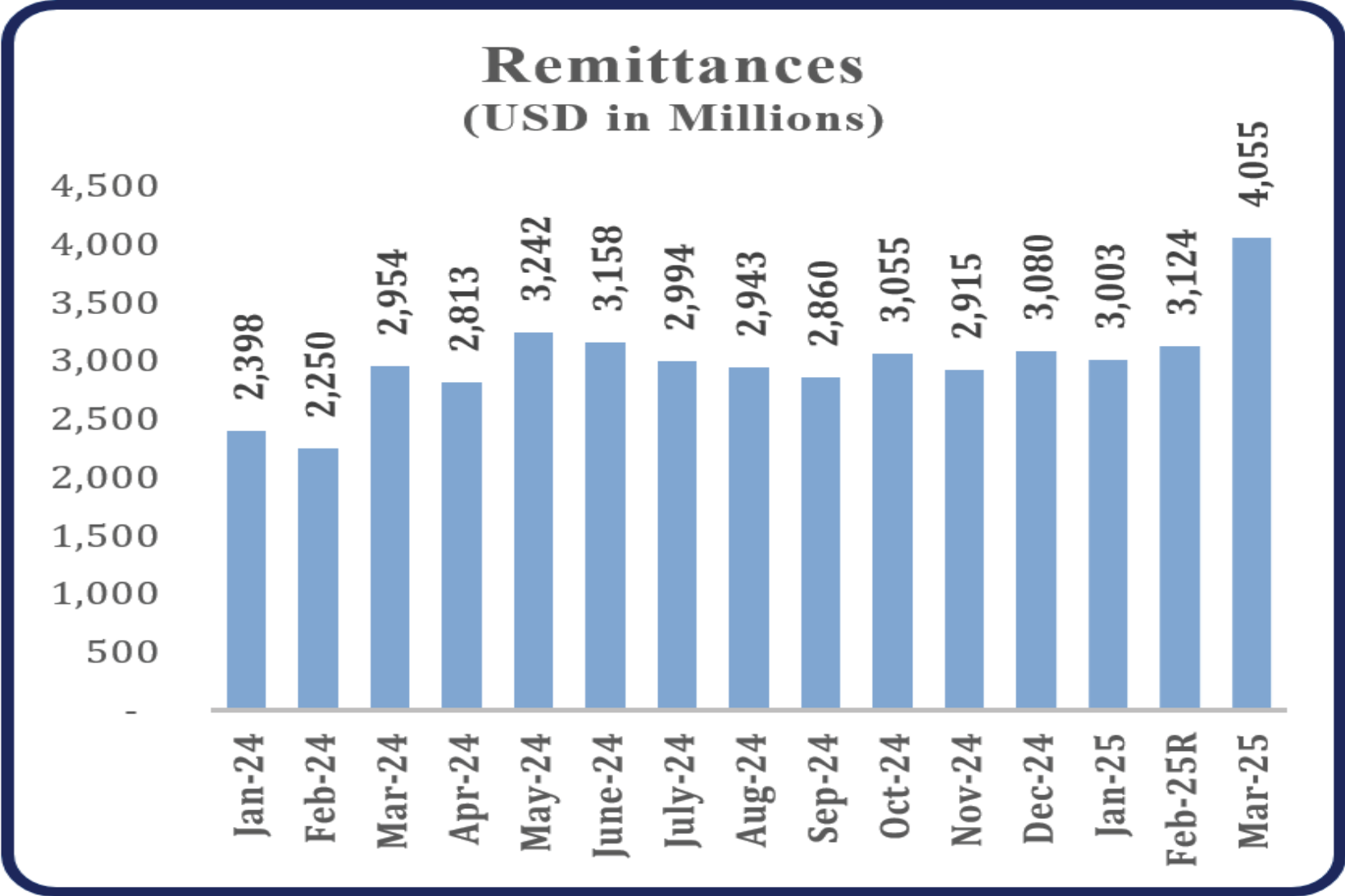
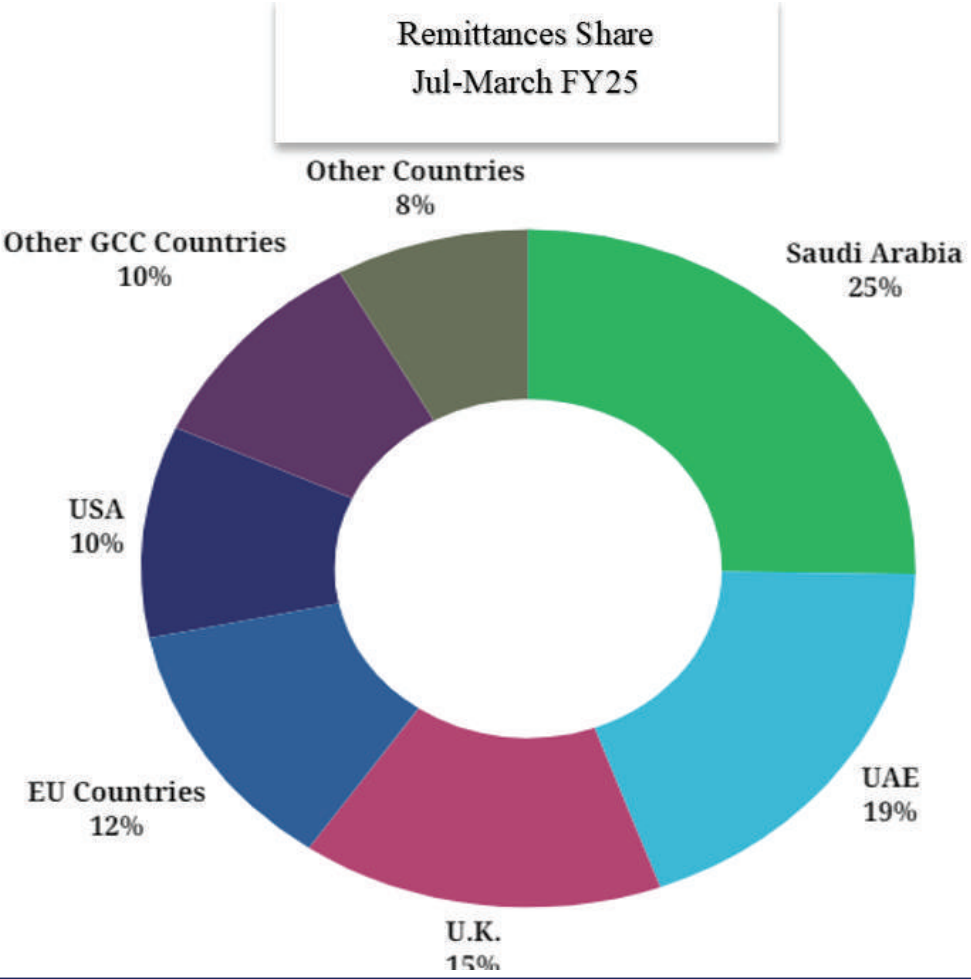
LSM (%)	Weight	Feb-25	Jan-25	Feb-24	Jul-Feb FY25
Textile	18.2	1.78	(7.72)	(6.67)	1.78
Food	10.7	(5.01)	19.59	0.98	(2.68)
Coke & Petroleum Products	6.7	4.56	(12.49)	(16.85)	4.56
Chemicals	6.5	(18.52)	15.05	19.29	(5.34)
Wearing Apparel	6.1	8.65	2.66	25.30	8.65
Pharmaceuticals	5.2	2.03	(4.41)	9.96	2.03
Non-Metallic Minerals Products	5.0	(1.80)	(2.65)	(26.11)	(11.08)
Beverages	3.8	(7.54)	(11.52)	(8.71)	(0.12)
Iron and Steel Products	3.4	(9.76)	28.76	(1.43)	(11.70)
Automobiles	3.1	43.31	28.76	24.85	43.31
Tobacco	2.1	19.87	(11.40)	(31.10)	19.87
Electrical Equipment	2.0	(7.36)	1.21	2.09	(16.71)
Paper & Board	1.6	0.14	1.55	5.37	0.14
Leather Products	1.2h	0.92	33.78	11.21	0.92
Other Transport Equipment	0.7	33.40	1.72	(6.82)	33.40
LSM Growth for Jan 2025 (Y/Y)					(3.51) %
LSM Growth of Jan 2025 vs. Dec 2024 (M/M)					(5.90) %
LSM Growth Jul-Jan FY25					(1.90) %

(Source: PBS)



# 5. WORKER'S REMITTANCES

As per the SBP, Pakistan recorded its highest ever monthly remittance inflow of \$4.06 billion in March 2025 recording an increase of 30.0% compared to \$3.12 billion in February 2025 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 37.3% when compared to \$2.95 billion received a year ago in the same month. Further, on a cumulative basis, remittances increased by almost 33.2% to \$28.03 billion in the Jul-March period of FY25, when compared with \$21.04 billion for the same period last year.



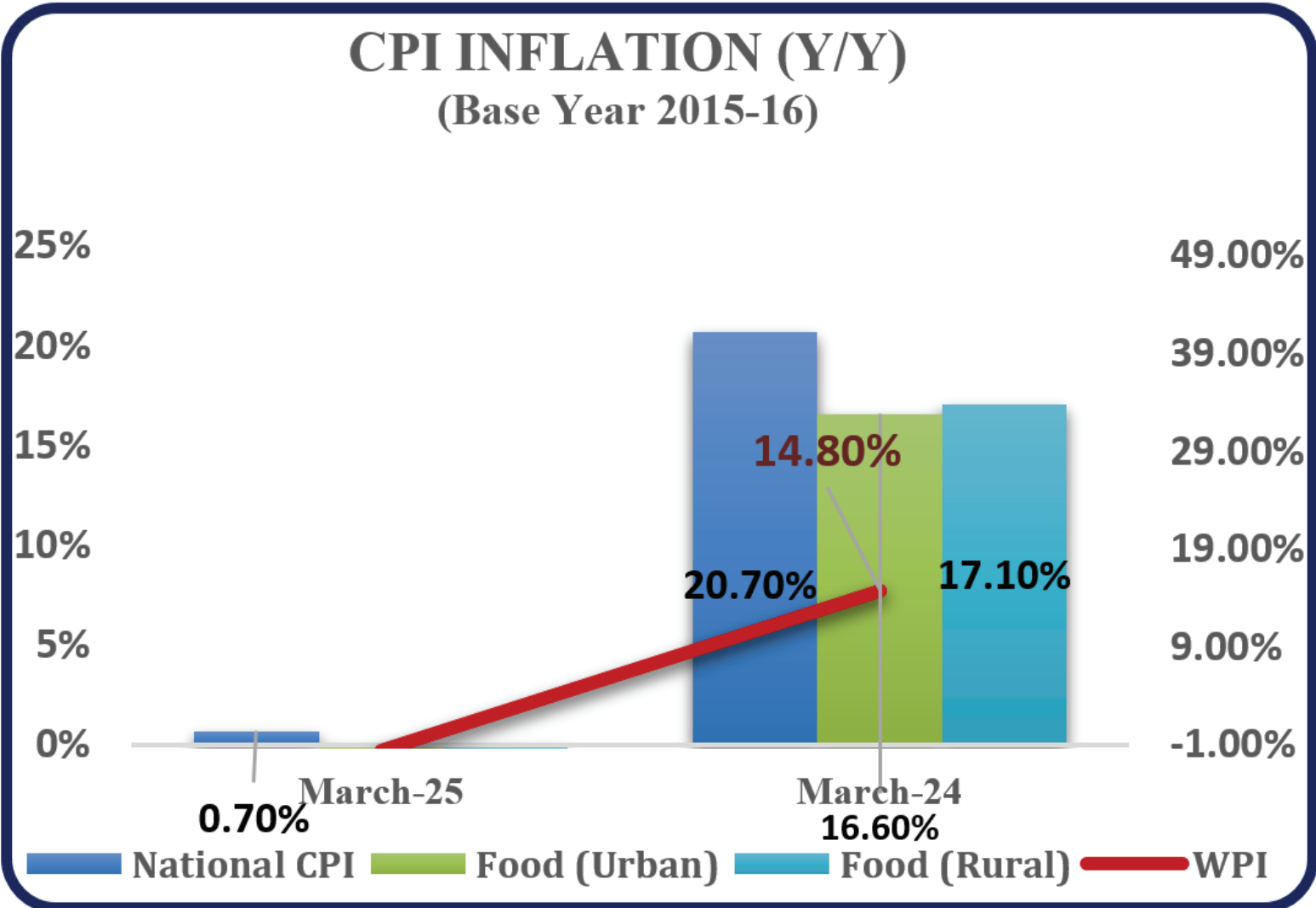


# 6. CONSUMER PRICE INDEX INFLATION

The monthly rate of inflation eased to 0.7% in March 2025 on a Y-o-Y basis in Pakistan, marking the lowest annual inflation rate in nearly 60 years. In the previous month (Feb 2024), the CPI recorded at 1.5% on Y-o-Y basis. As the high base effect phases out in April, the likelihood of rising inflation in the coming months increases. Additionally, the food inflation rate in urban and rural areas decreased to -1.7% and -5.4%, respectively, in March 2025. Furthermore, the average inflation in Jul-March period of FY25 amounted to 5.3%. In addition to that, the Wholesale Price Index (“WPI”) stood at a negative of 1.6% on a Y-o-Y basis, which was recorded at -0.7% in the previous month. On a monthly basis, the National CPI has recorded an inflation of 0.8%. Similarly, the Food inflation rates in urban and rural areas increased by 1.6%, respectively, compared to Feb 2025. In March 2025, the Core inflation, which is calculated by excluding energy and food items, rose by 8.2% and 10.2% in urban and rural areas on a Y-o-Y basis, respectively.

Group	Weight (%)	% Change over	
		Feb-25	March-24
Food	34.58	1.87	(5.12)
Non-perishable	29.60	1.13	(0.14)
Perishable	4.99	7.53	(30.18)
Utility	23.63	(0.13)	(2.17)
Health	2.79	0.07	13.80
Transport	5.91	(0.27)	(1.20)
Education	3.79	1.70	11.94
Restaurants & Hotels	6.92	0.19	6.92

(Source: PBS)



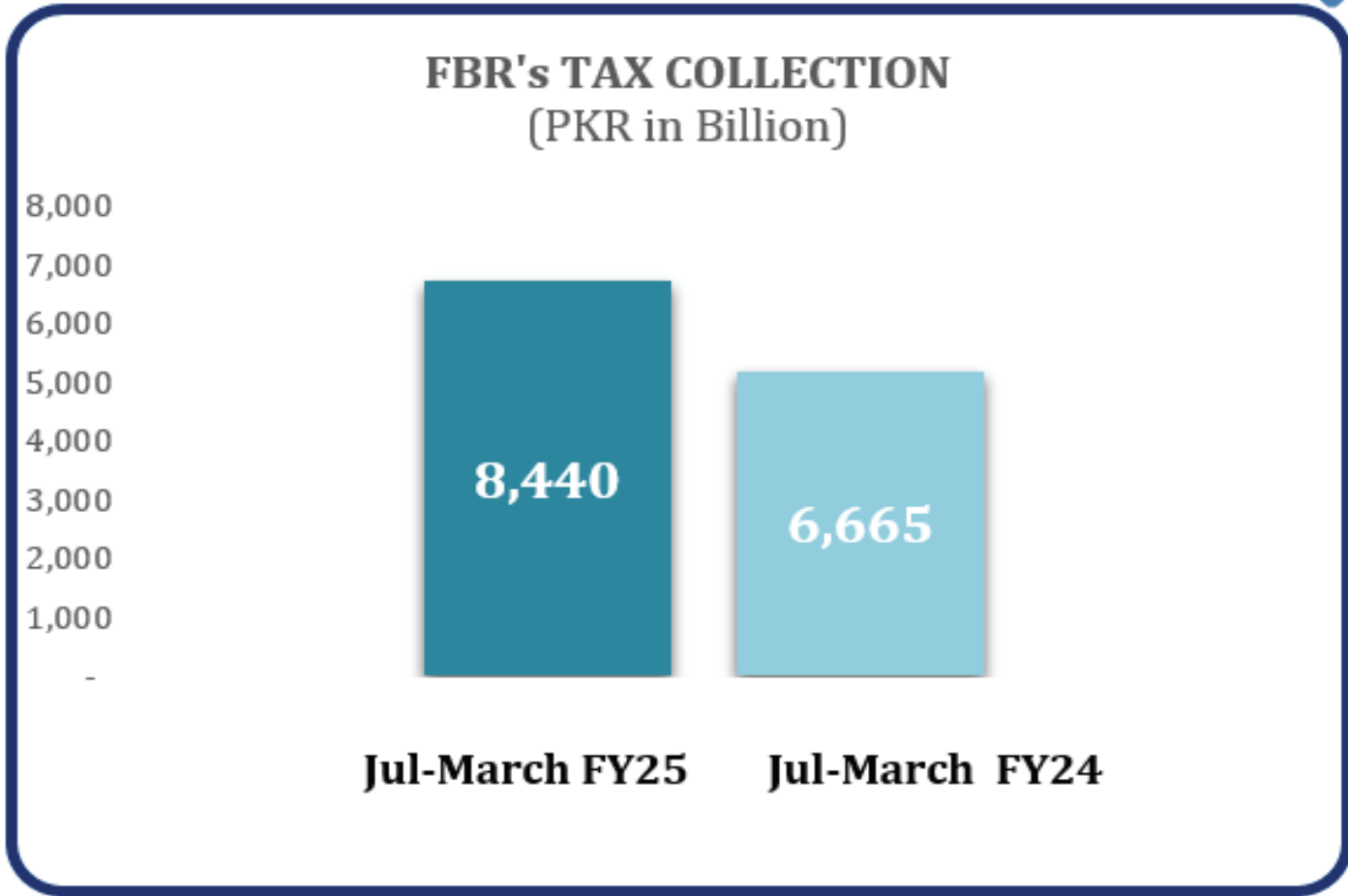


# 7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR collected PKR 8.44 trillion worth of tax revenue in the Jul-March period of FY25 and failed to achieve its target by PKR 725 billion. The tax collection surged to over PKR 1 trillion in March 2025; however, the FBR still failed to achieve the target for March 2025, according to Shahbaz Rana’s article in The Express Tribune titled 'Tax shortfall widens to Rs725b'.



(Source: Express Tribune)

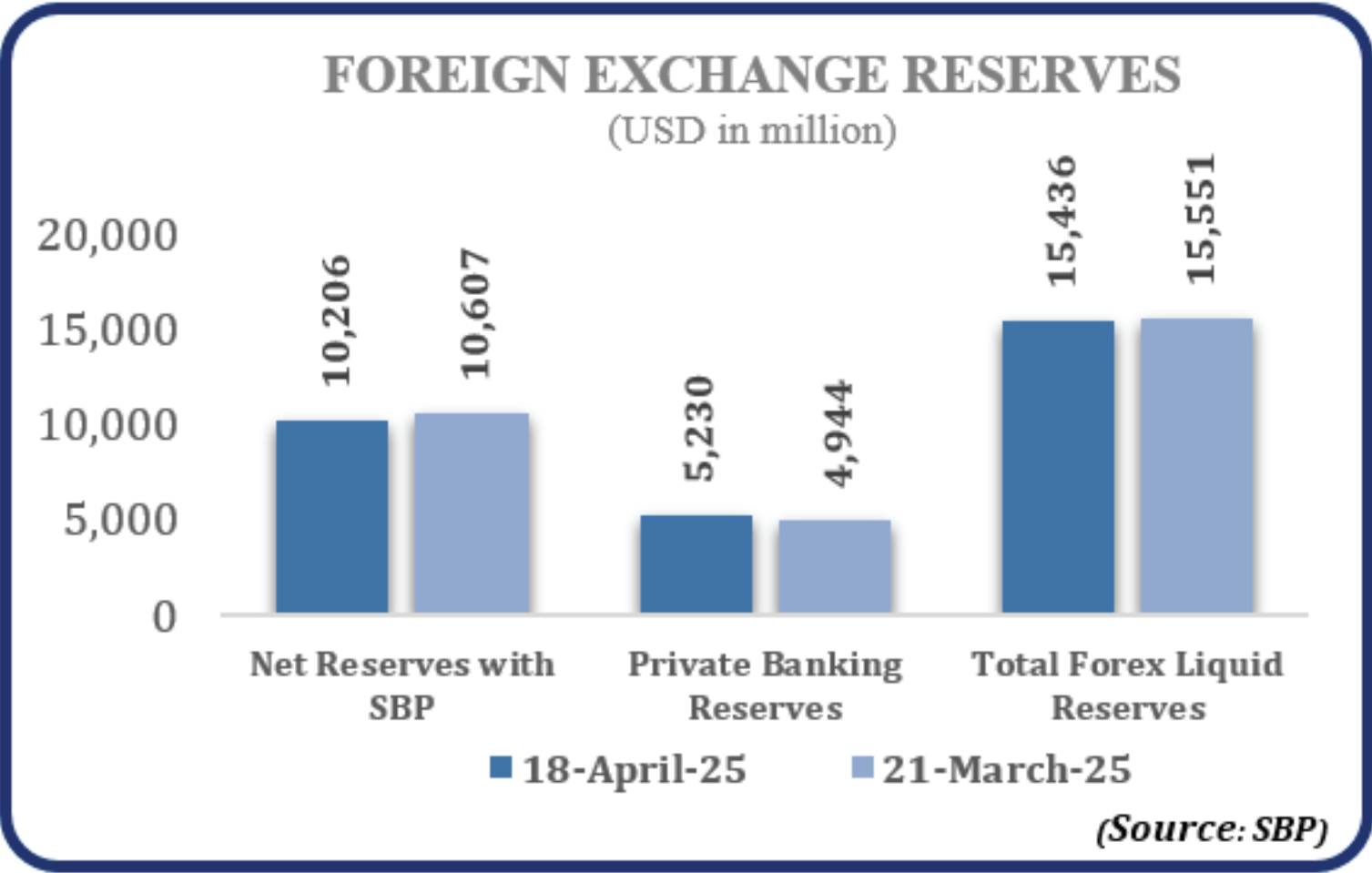






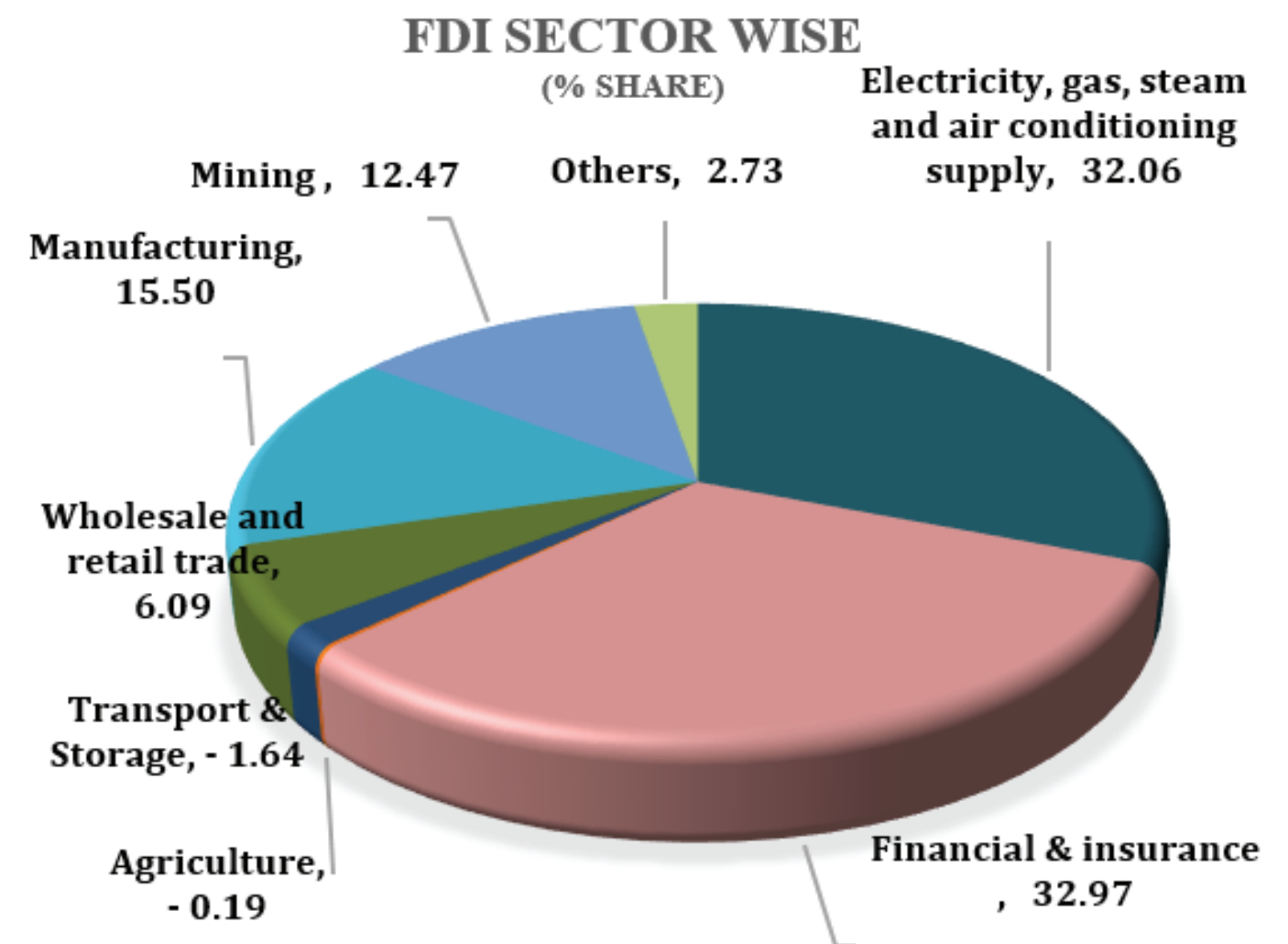
# 8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at \$10.21 billion as of April 18th, 2025, representing a decrease of 3.5%, or \$367 million, compared to last week's reserves of \$10.57 billion on April 11th, 2025. Moreover, when compared to the reserves of the previous month (which were \$10.61 billion on March 21st, 2025), the Net reserves have gone down by 4.0% or \$401 million.



## 9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has surged by 14.0% or \$202 million to \$1,644 million provisionally during the Jul-March period of FY25, as compared to \$1,442 million during the same month of FY24. Whereas the total Net Foreign Investment declined by 19.0% or \$305 million to \$1,302 million on a Y-o-Y basis in Jul-March period of FY25 as against the amount of \$1,607 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-March 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 73.04 trillion in Feb 2025, marking a substantial increase of 17.1% 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.

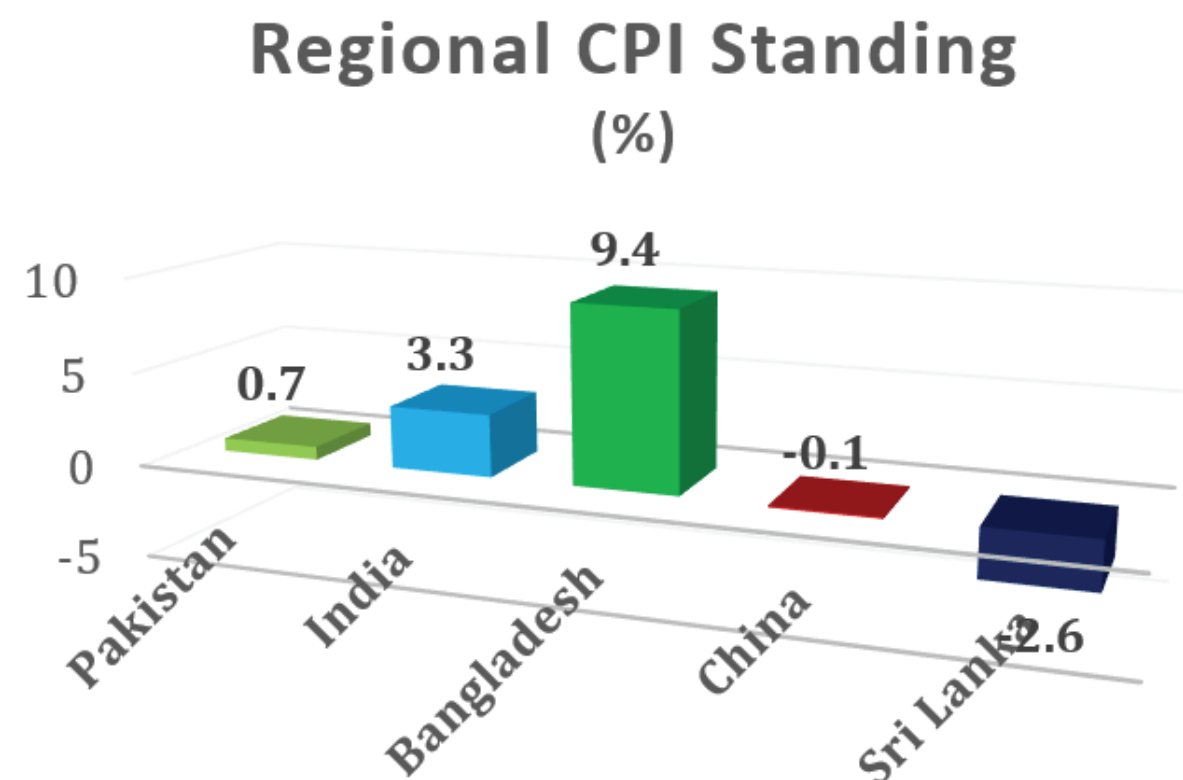


Pakistan's Total Debt & Liabilities			
(PKR in billion)	Jan-25	Jan-24	% change
Domestic Debt	51,022	42,624	19.6
% of GDP	41.1	40.19	
External Debt	22,216	22,216	0.4
% of GDP	17.8	20.9	
Gross Public Debt	73,036	64,840	12.7
% of GDP	58.8	61.14	
Nominal GDP	124,150	106,045	17.07

(Source: SBP & MOF)

# 11.REGIONAL ANALYSIS

Compared to other countries in the region, the Pakistani economy has experienced a slight decline against the USD over the past month. Additionally, a high base effect has contributed to maintaining an inflation rate below 1% during March 2025. Further, Inflation in Bangladesh has been steady at 9.4%. In Sri Lanka, CPI has dipped to a deflation rate of 2.6%, as the rate of deflation decreased from -4.2% when compared to last month, influenced by the statistical base effect and weak aggregate demand in the country. Meanwhile, India's inflation has dropped down to 3.4% from 3.6%, primarily driven by declining prices of food articles and food products. Additionally, China has again experienced a decrease in prices following months of low inflation, with deflation recorded at 0.1% in March 2025.



(Source: Trading Economics)

Country	Local Currency Units per USD (As of 28th April)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	281.1	(1.12)
India	85.4	(2.43)
Bangladesh	121.5	(10.76)
China	7.3	(0.29)
Sri Lanka	299.6	(1.28)

(Source: Trading Economics)



# OUTLOOK

Pakistan's economic outlook reflects cautious optimism, as inflation experienced a remarkable decline, dropping to 0.7% in March 2025. Over the past year, inflation fell dramatically from 29.7% in November 2023 to 11.2% by May 2024 and reached just 0.7% in March 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 Monetary Policy Committee assessed that the current monetary policy stance is appropriate for stabilizing inflation within the target range.

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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