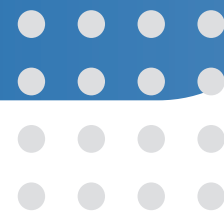


Pakonomics

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HIGHLIGHTS

The 113th meeting of the National Accounts Committee ("NAC") concluded with the approval of a 2.68% provisional GDP growth rate for Fiscal Year 2024–25 ("FY25"). The finalized and revised GDP figures for FY23 and FY24 were recorded at -0.21% and 2.51%, respectively.

Furthermore, the updated GDP growth rates for the first and second quarters of FY25 are 1.37% and 1.53%, respectively, compared to the previously reported figures of 1.34% and 1.73% presented during the previous 112th meeting of the NAC.

The size of the economy has reached \$411 billion in FY25, with per capita income recorded at \$1,824, says Pakistan Bureau of Statistics ("PBS").

In the inter-bank market, the value of the national currency stands at PKR 282.2/USD as of 29th May 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 249.2/USD after incorporating the Current Account ("CA") balance of the Jul–April period of FY25.

According to the Pakistan Bureau Statistics ("PBS"), Pakistan's LSM sector showed a expansion of 1.8% in March 2025 on a Year-on-Year ("Y-o-Y") basis vs. March 2024.

According to the State Bank of Pakistan ("SBP"), Pakistan recorded monthly remittance inflow of \$3.18 billion in April 2025 recording a decrease of 21.5% compared to \$4.05 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 9.3tr worth of tax revenue in the Jul–March of FY25 and has failed to achieve its ten-month target by PKR 833 billion.

The Net foreign currency reserves held by the SBP stood at \$11.45 billion as of 16th May 2025.

The Broad Money (M2) stock from 1st July 2024 to 16th May 2025 has contracted to a PKR 1,377 billion, compared to PKR 2,374 billion last year in the same period.

According to the PBS, the pace of Consumer Price Index ("CPI") inflation has slowed down to 0.3% on a Y-o-Y basis in April 2025 vs. 17.3% same month last year.

Pakistan's net FDI has plunged by 2.8% or \$52 million to \$1,785 million provisionally during the Jul–April period of FY25, as compared to \$1,837 million during the same month of FY24.

The total Net Foreign Investment surged by 16.5% or \$171 million to \$1,209 million on a Y-o-Y basis in Jul–April period of FY25 as against the amount of \$1,038 million in the same period of FY24.

Pakistan reported a CA Surplus of \$1,880 million during the Jul–April period of FY25, compared to Current Account Deficit ("CAD") of \$1,337 million in the same period of FY24.



ECONOMY AT A GLANCE

Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	March	↑	1.80 %	1.71 %
Central Government Debt	March	↑	PKR 73,688 Billion	PKR 65,378 Billion
Credit to Private Sector	Jul – 16th May	↑	PKR 682 Billion	PKR 277 Billion
Worker's Remittances	April	↑	US \$3,182 Million	US \$2,813 Million
Currency in Circulation	Jul – 16th May	↑	PKR 1,208 Billion	PKR (212) Billion
Net Government Sector borrowing	Jul – 16th May	↓	PKR 1,838 Billion	PKR 5,492 Billion
National CPI (Base Year 2015-16)	April	↓	0.3%	17.3%
FBR Tax Collection	Jul-April	↑	PKR 9.3 Trillion	PKR 7.35 Trillion
Foreign Exchange Reserves with SBP	As of 16th May	↑	\$11.45 Billion	\$9.16 Billion
Foreign Direct Investments	Jul-April	↓	\$1,785 Million	\$1,837 Million
Trade Deficit in Goods	Jul-April	↑	US\$ (21,396) Million	US\$ (19,622) Million
Current Account (Deficit)/surplus	Jul-April	↓	\$1,880 Million	\$(1,337) Million

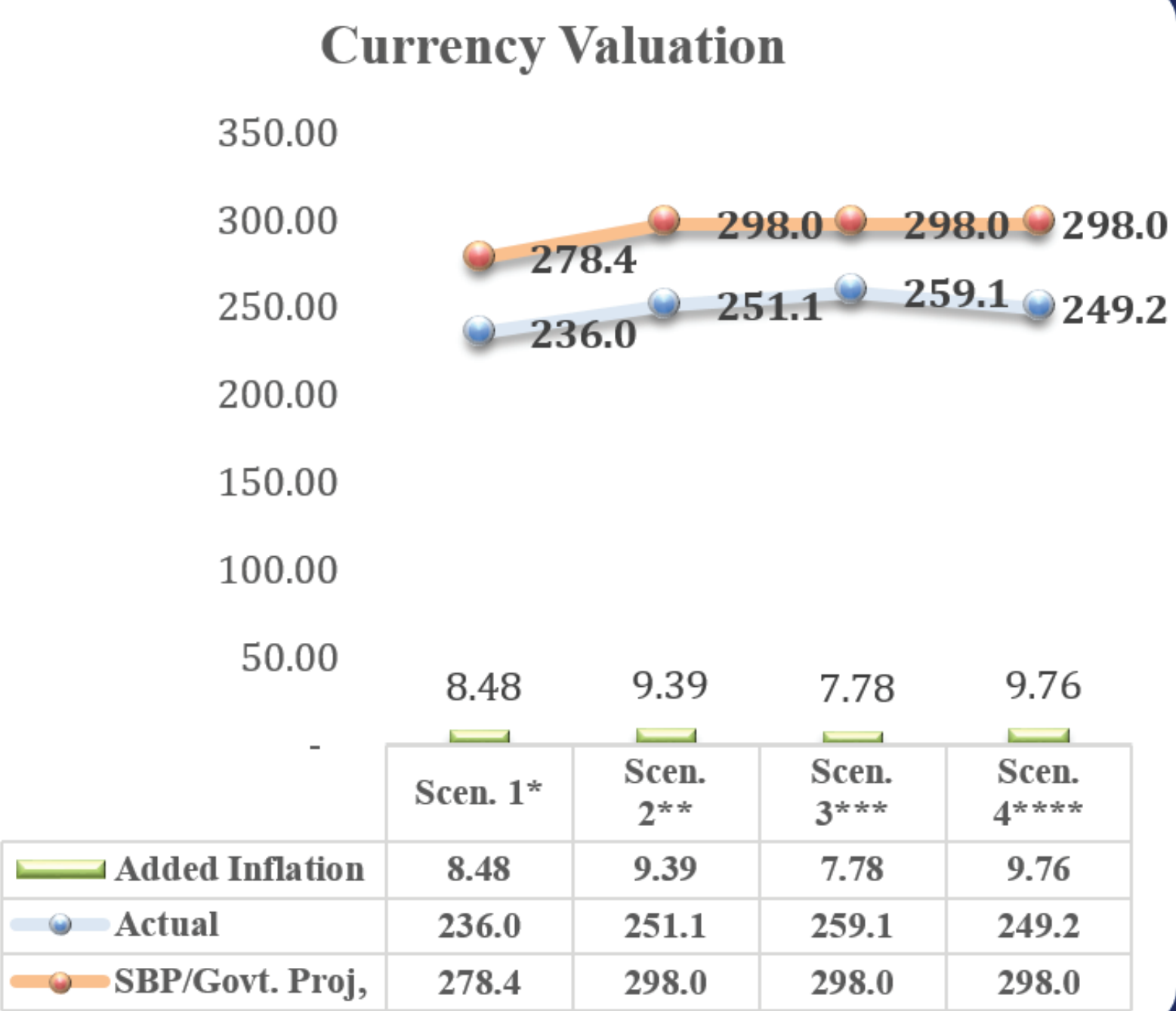
1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 249.2/USD after adjusting the Current Account Balance (“CAB”) of the Jul-April period in FY25. The PKR value has been kept artificially undervalued at PKR 282.2/USD, as the present value of PKR currency is 249.2/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-April 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 ("CA"):

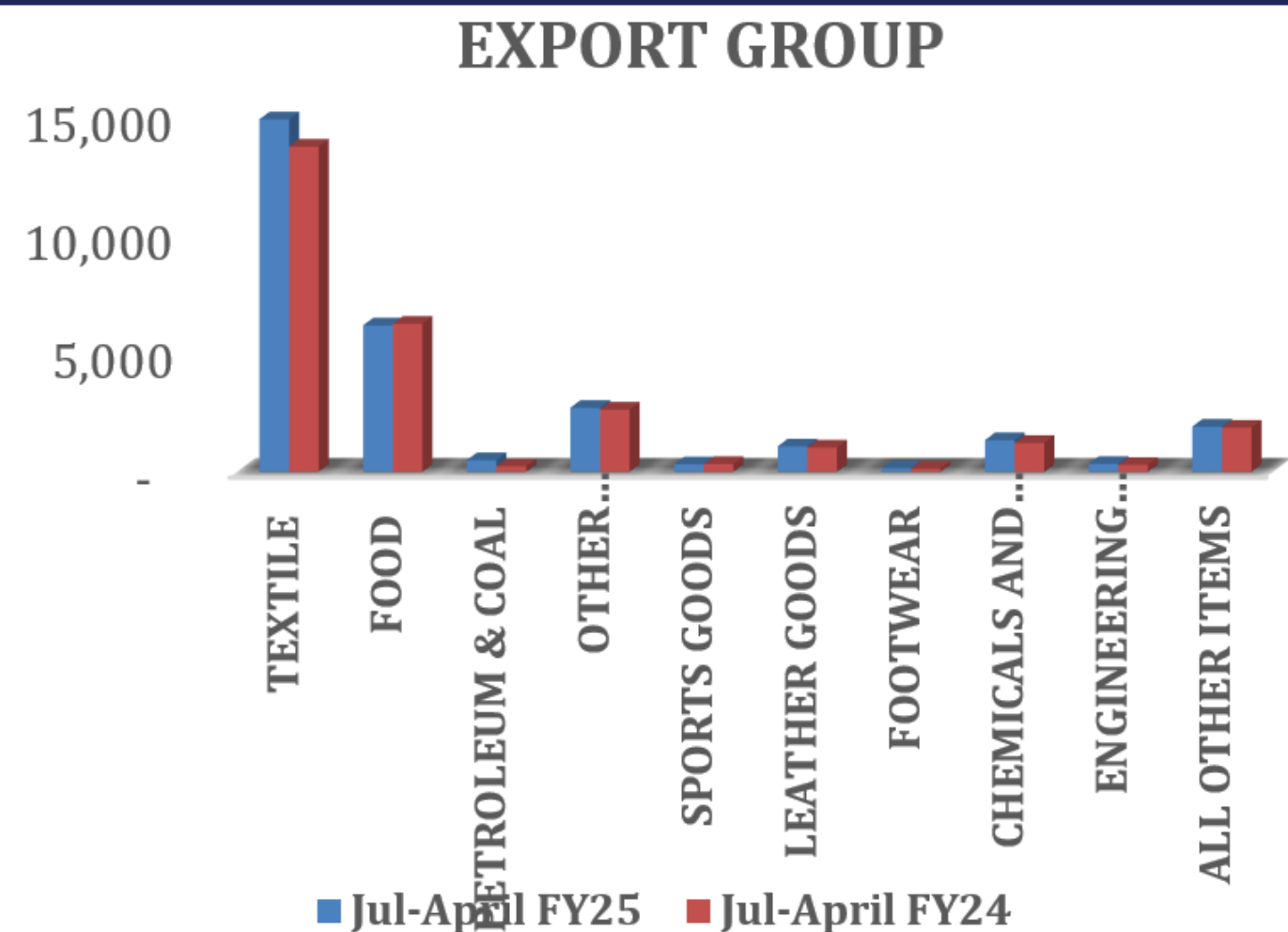
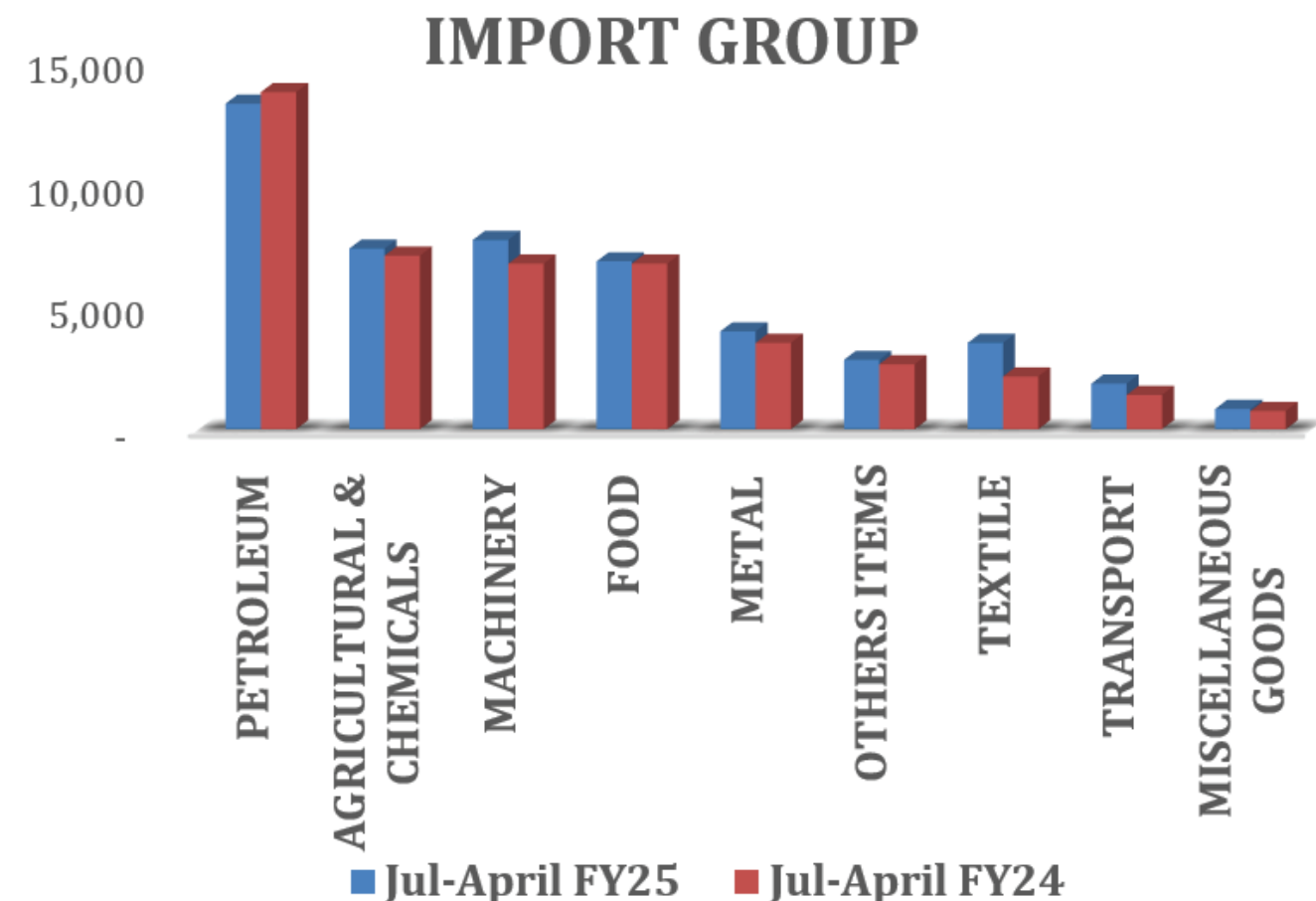
The CA stood at a \$12 million surplus in month of April 2025, a decrease of 96% compared to the previous month of March 2025. On a cumulative basis, the CAD has declined to a current account surplus of \$1,880 million which is a 240 times reduction compared to a CAD of \$1,337 million during the Jul-April period of the previous FY24. This sustainable CAD in FY25 is attributed to huge remittance inflows.

CAD	Month wise Comparison			Commulative Comparison		
	April-25	March-25	April-24	Jul-April FY25	Jul-April FY24	Jul-June FY25 Proj.
i. Balance of Trade in Goods	(2,626)	(2,170)	(1,810)	(21,343)	(17,975)	(24,941)
Exports of Goods	2,611	2,773	2,638	27,276	25,530	32,341
Imports of Goods	5,237	4,943	4,448	48,619	43,505	57,283
ii. Balance of Trade in Services	(188)	(217)	(220)	(2,497)	(2,402)	(2,738)
Exports of Services	716	726	656	6,933	6,341	8,169
Imports of Services	904	943	876	9,430	8,743	10,907
iii. Balance on Primary Income	(603)	(657)	(599)	(7,127)	(6,324)	(7,648)
iv. Balance on Secondary Income	3,429	4,248	2,944	32,847	25,364	31,620
Secondary Income Credit	3,465	4,287	2,990	33,363	25,756	N/A
Worker Remittances	3,182	4,054	2,813	31,210	23,851	30,278
Secondary Income Debit	36	39	46	516	392	N/A
CAD (i + ii + iii + iv)	12	1,204	315	1,880	(1,337)	(3,707)

(Source: SBP)

3.BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit increase by 37.6% to \$3.43 billion in April of FY25, compared to \$2.50 billion in the same month of FY24. Moreover, the exports decreased by 7.4% to \$2.18 billion during the month of April 2025 of the ongoing FY compared to \$2.35 billion in the same month of last FY. Further, the imports increased by 15.8% to \$5.61 billion in April of FY25 compared to \$4.85 billion in the same period of FY24. Additionally, on a M-o-M basis, exports decreased by 17.7% compared to \$2.65 billion in March 2025. Furthermore, the country's trade deficit increased by 16.2% compared to \$2.18 billion in March 2025 on a M-o-M basis. On a cumulative basis, exports surged to \$26.90 billion in the Jul-April period of FY25 compared to almost \$25.28 billion in the same period last year. Similarly, the trade deficit increased by almost 9.0% to \$21.40 billion in the Jul-April period of FY25 compared to \$19.62 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-April.



4. LARGE SCALE MANUFACTURING

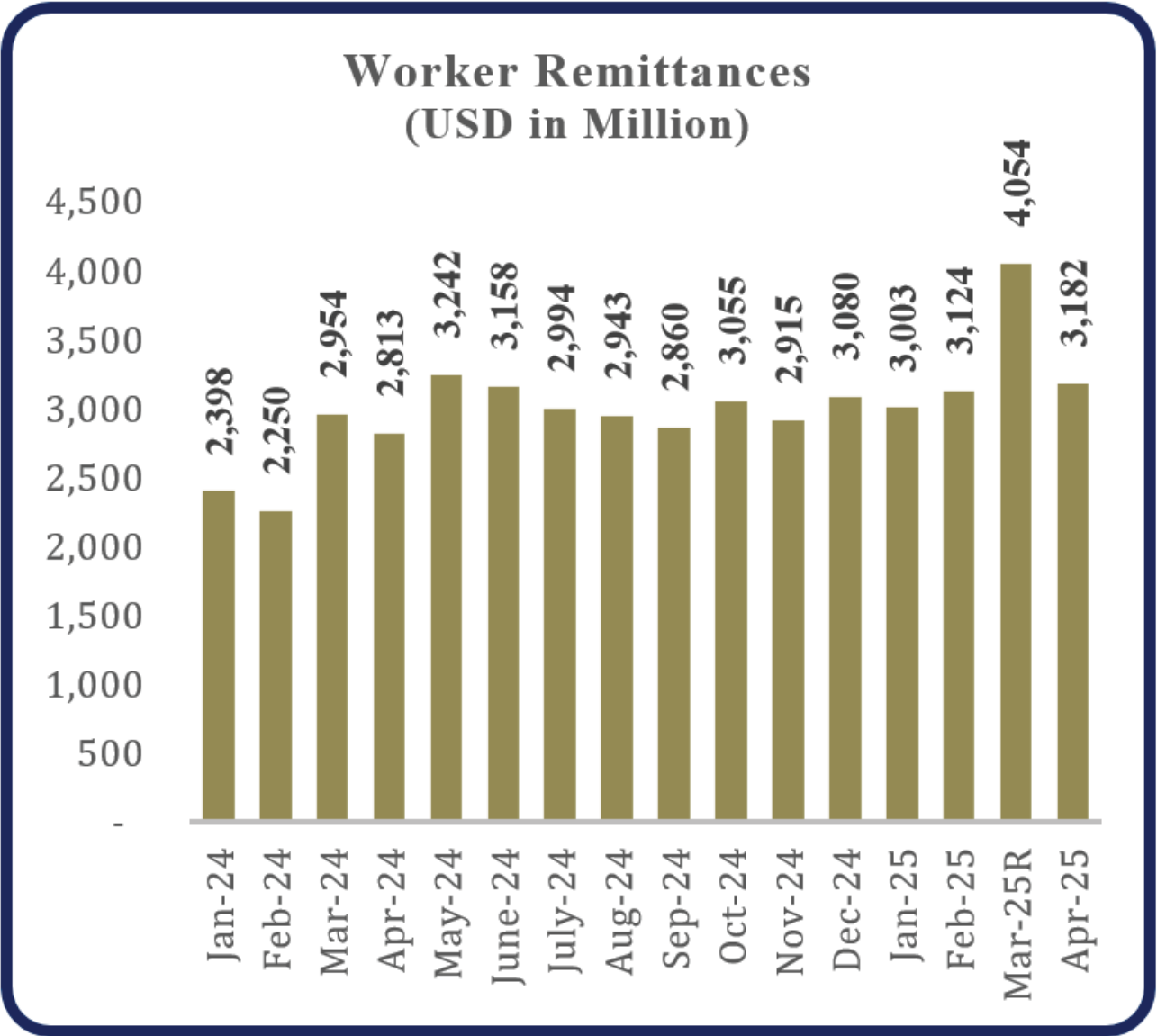
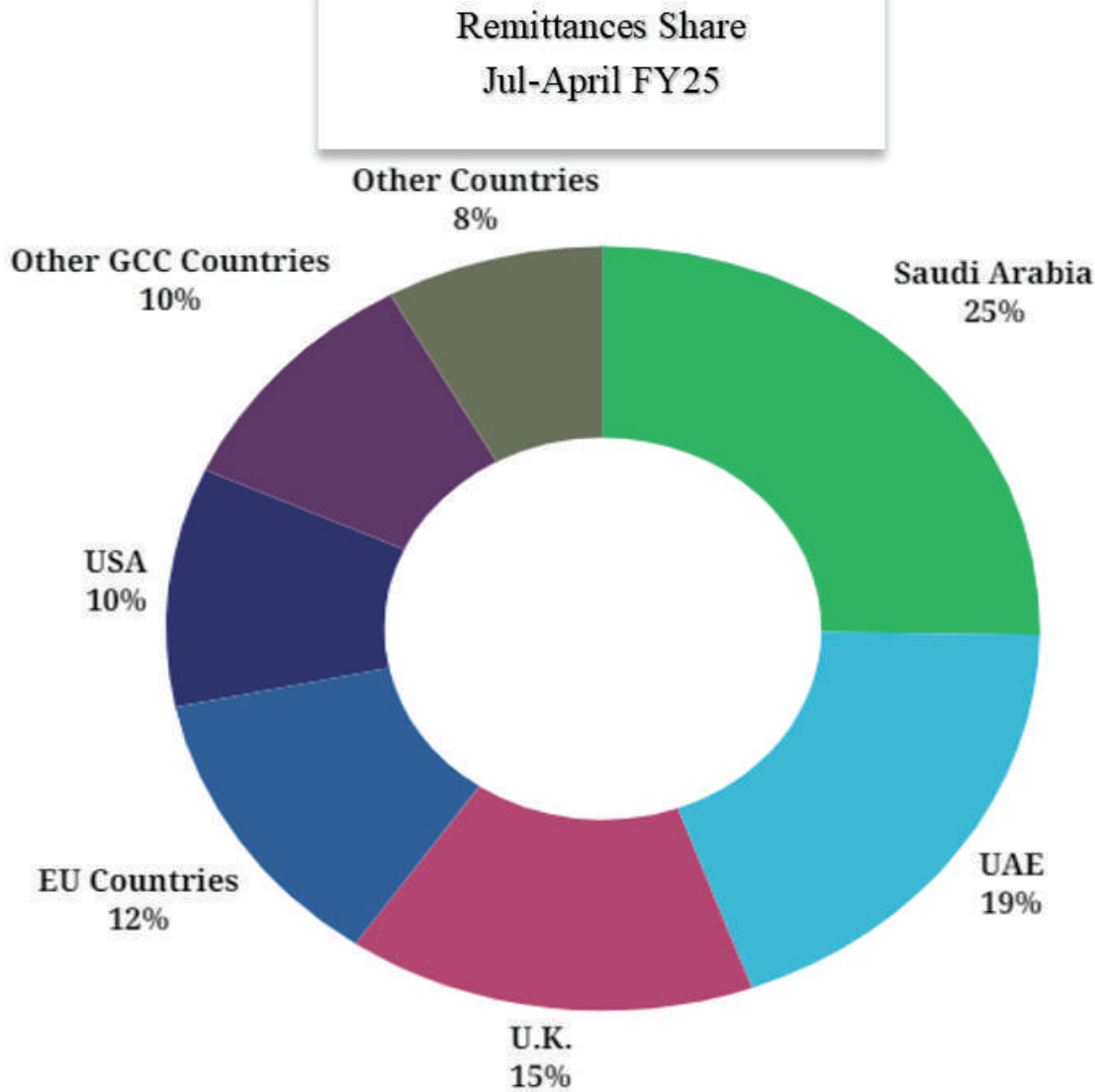
According to the PBS, Pakistan's LSM sector showed an expansion of 1.8% in March 2025 on a Y-o-Y basis vs. March 2024. In contrast, on a M-o-M basis, the overall output growth decreased by 4.6%, compared to the month of Feb 2025. Additionally, the cumulative LSM growth exhibited a negative trend, with a 1.5% contraction in the Jul-March 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 8.4%, 0.8% and 7.6% respectively, whilst the Cement industry showed a contraction of almost 6.4% in the Jul-March period of FY25.

LSM (%)	Weight	March-25	Feb-25	March-24	Jul-March FY25
Textile	18.2	5.15	1.78	1.83	2.15
Food	10.7	20.09	(5.01)	(4.19)	(0.49)
Coke & Petroleum Products	6.7	4.47	4.56	12.83	4.48
Chemicals	6.5	(6.83)	(18.52)	12.13	(5.51)
Wearing Apparel	6.1	(0.41)	8.65	18.18	7.62
Pharmaceuticals	5.2	4.75	2.03	(0.51)	2.32
Non-Metallic Minerals Products	5.0	(5.10)	(1.80)	(10.60)	(10.45)
Beverages	3.8	0.38	(7.54)	(19.52)	(0.88)
Iron and Steel Products	3.4	(4.24)	(9.76)	(10.77)	(10.94)
Automobiles	3.1	18.80	43.31	3.38	40.00
Tobacco	2.1	(23.76)	19.87	35.65	13.12
Electrical Equipment	2.0	(9.21)	(7.36)	(3.27)	(15.89)
Paper & Board	1.6	1.98	0.14	5.26	0.34
Leather Products	1.2h	4.33	0.92	7.37	1.30
Other Transport Equipment	0.7	27.40	33.40	18.19	32.83
LSM Growth for Jan 2025 (Y/Y)					1.79 %
LSM Growth of Jan 2025 vs. Dec 2024 (M/M)					(4.64) %
LSM Growth Jul-Jan FY25					(1.47) %

(Source: PBS)

5. WORKER'S REMITTANCES

As per the SBP, Pakistan recorded monthly remittance inflow of \$3.18 billion in April 2025 recording an decrease of 21.5% compared to \$4.05 billion in March 2025 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 30.1% when compared to \$2.81 billion received a year ago in the same month. Further, on a cumulative basis, remittances increased by almost 31.0% to \$31.21 billion in the Jul-April period of FY25, when compared with \$23.85 billion for the same period last year.

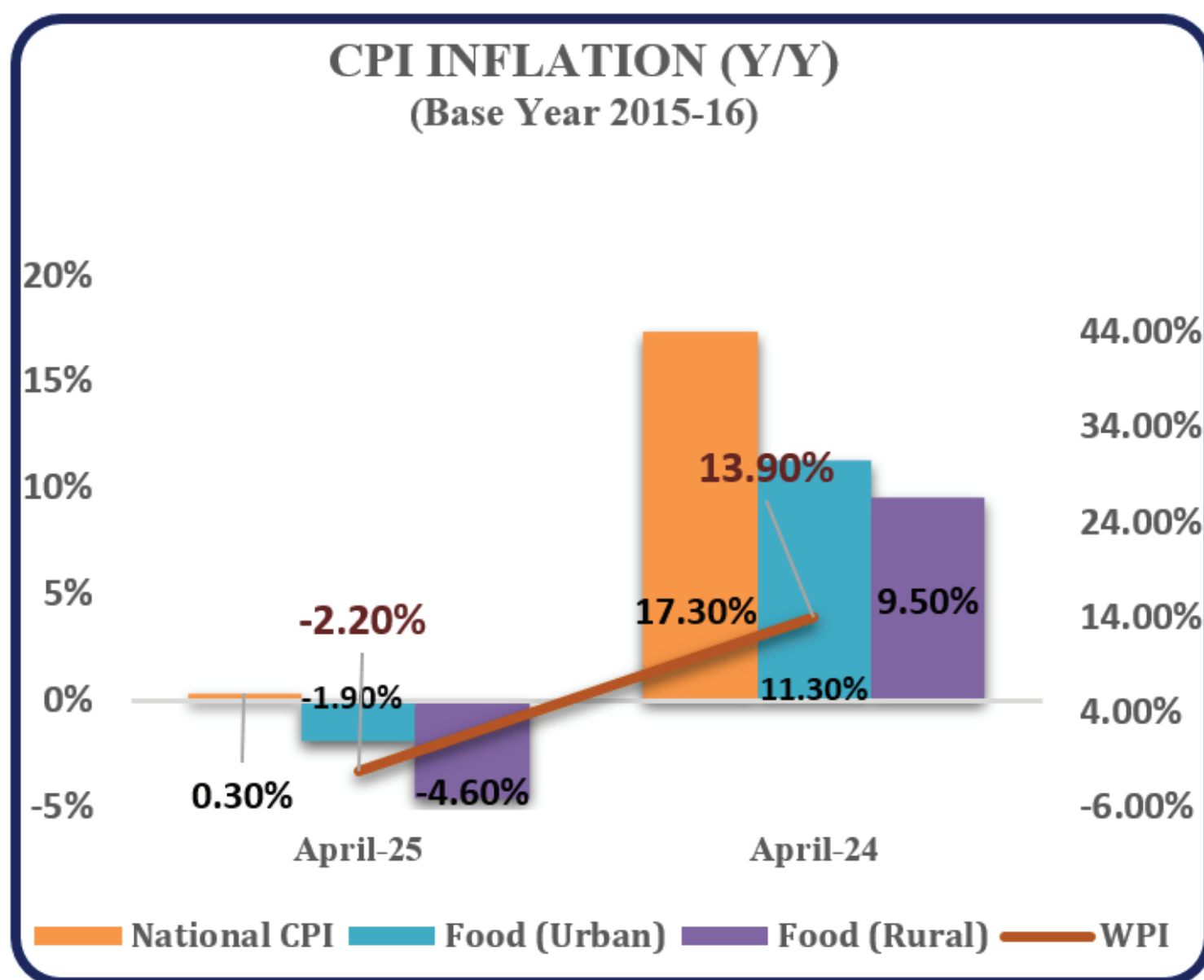


6. CONSUMER PRICE INDEX INFLATION

The monthly rate of inflation eased to 0.3% in April 2025 on a Y-o-Y basis in Pakistan, marking the lowest annual inflation rate in nearly 60 years. In the previous month (March 2024), the CPI recorded at 0.7% on Y-o-Y basis. As the high base effect phases out in May, the likelihood of rising inflation in the coming months increases. Additionally, the food inflation rate in urban and rural areas decreased to -1.9% and -4.6%, respectively, in April 2025. Furthermore, the average inflation in Jul-April period of FY25 amounted to 4.7%. In addition to that, the Wholesale Price Index ("WPI") stood at a negative of 2.2% on a Y-o-Y basis, which was recorded at -1.6% in the previous month. On a monthly basis, the National CPI has recorded a deflation of 0.8%. Similarly, the Food inflation rates in urban and rural areas decreased by 1.6% and 1.8%, respectively, compared to March 2025. In April 2025, the Core inflation, which is calculated by excluding energy and food items, rose by 7.4% and 9.0% in urban and rural areas on a Y-o-Y basis,

Group	Weight (%)	% Change over	
		March-25	April-24
Food	34.58	(2.06)	(4.82)
Non-perishable	29.60	(1.97)	(0.75)
Perishable	4.99	(2.70)	(26.69)
Utility	23.63	(2.27)	(2.62)
Health	2.79	0.57	14.15
Transport	5.91	0.01	(3.91)
Education	3.79	3.68	10.92
Restaurants & Hotels	6.92	0.57	6.32

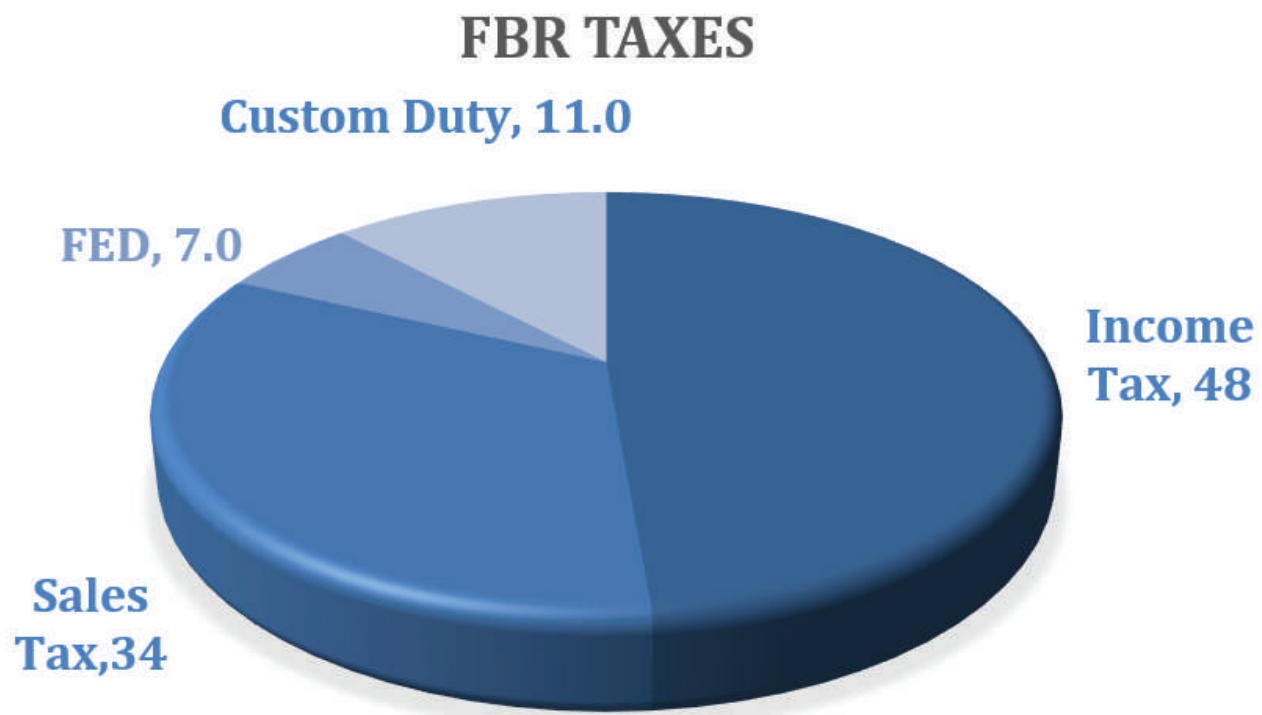
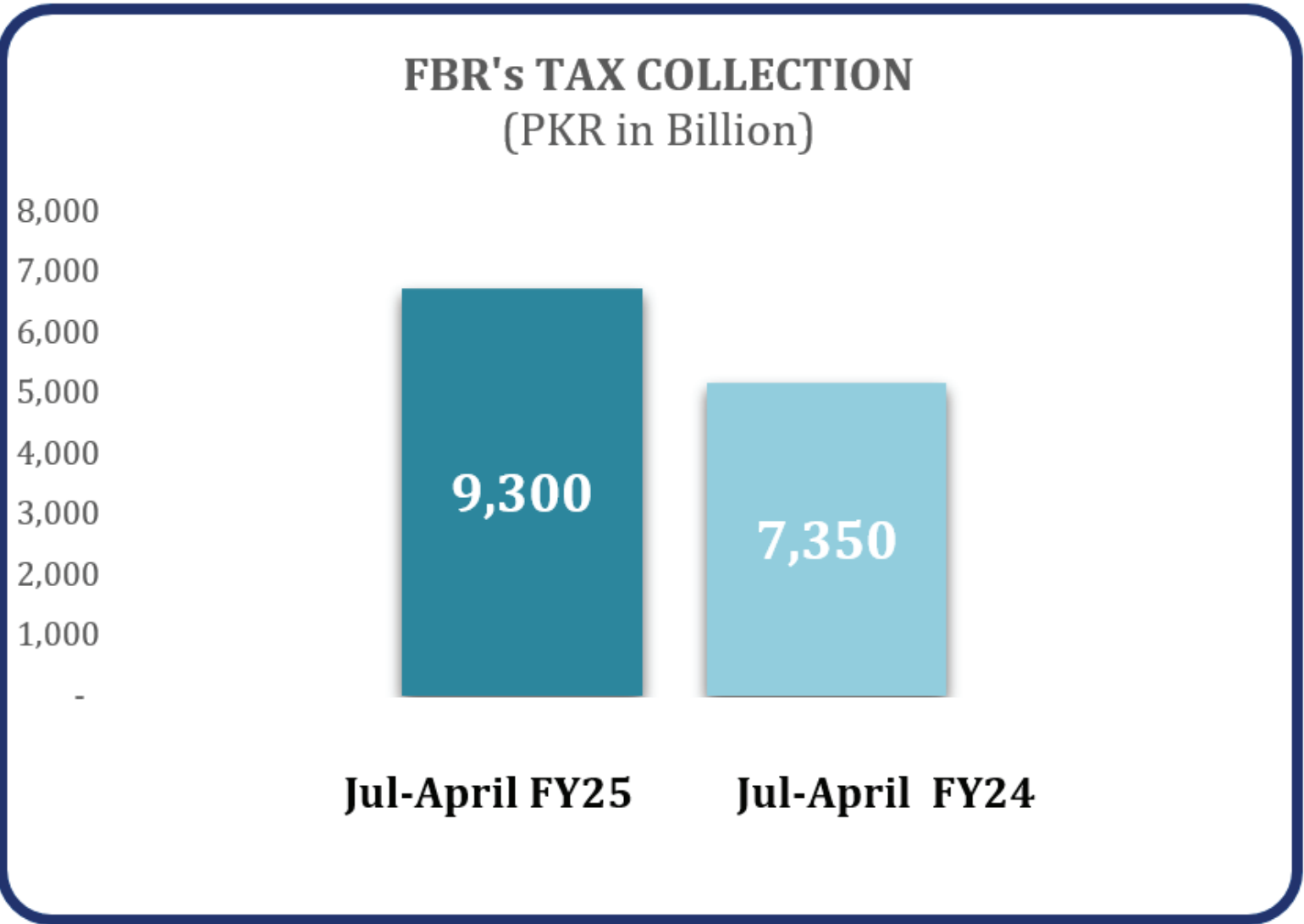
(Source: PBS)





7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR collected PKR 9.3 trillion worth of tax revenue in the Jul-April period of FY25 and failed to achieve its target by PKR 833 billion. For the Jul-April period, the FBR missed its targets for Sales tax, Federal excise duty, and Customs duty but again exceeded the income tax target on the back of over burdening the salaried class, according to Shahbaz Rana’s article in The Express Tribune titled 'FBR misses target by Rs833b'

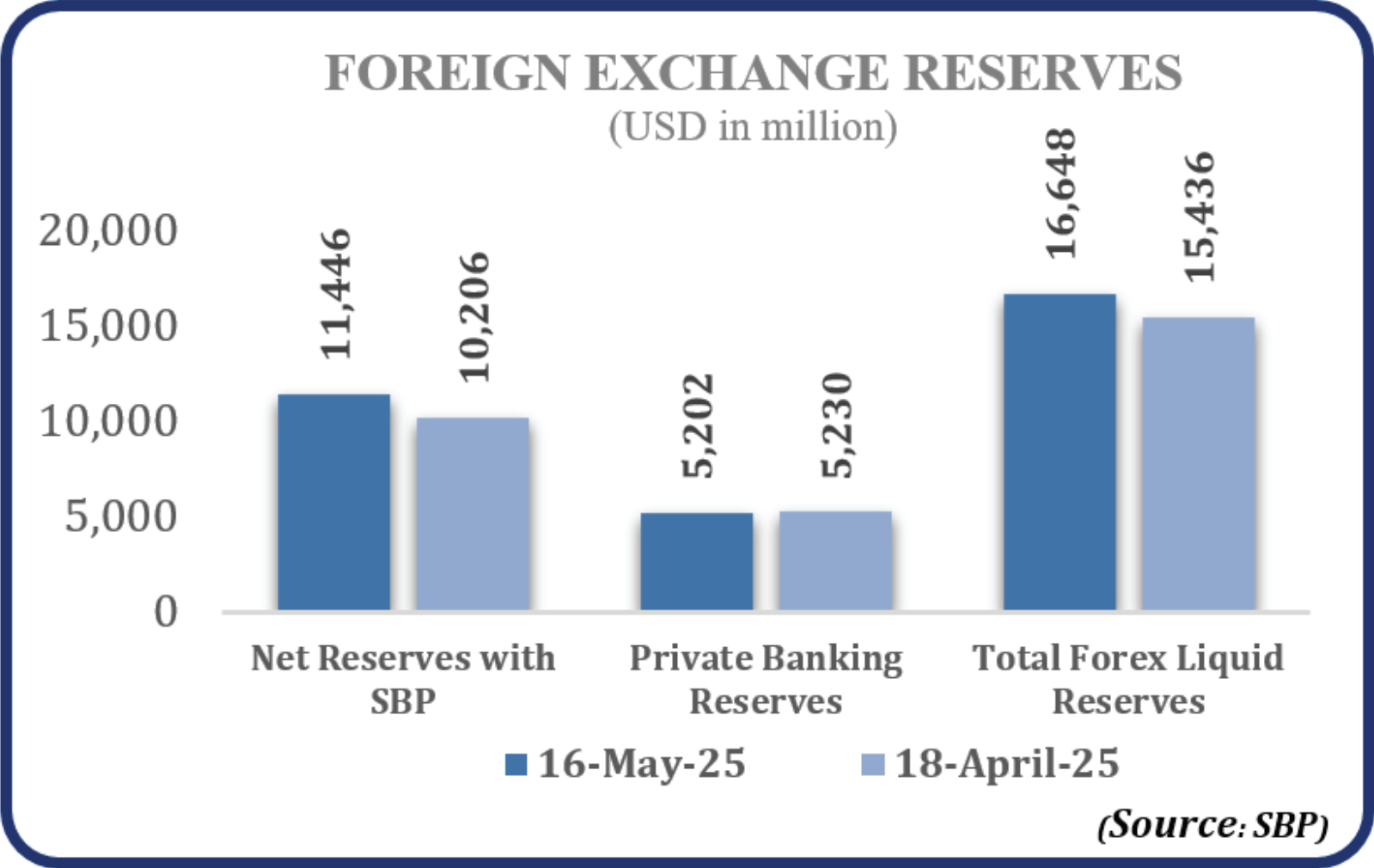


(Source: Express Tribune)



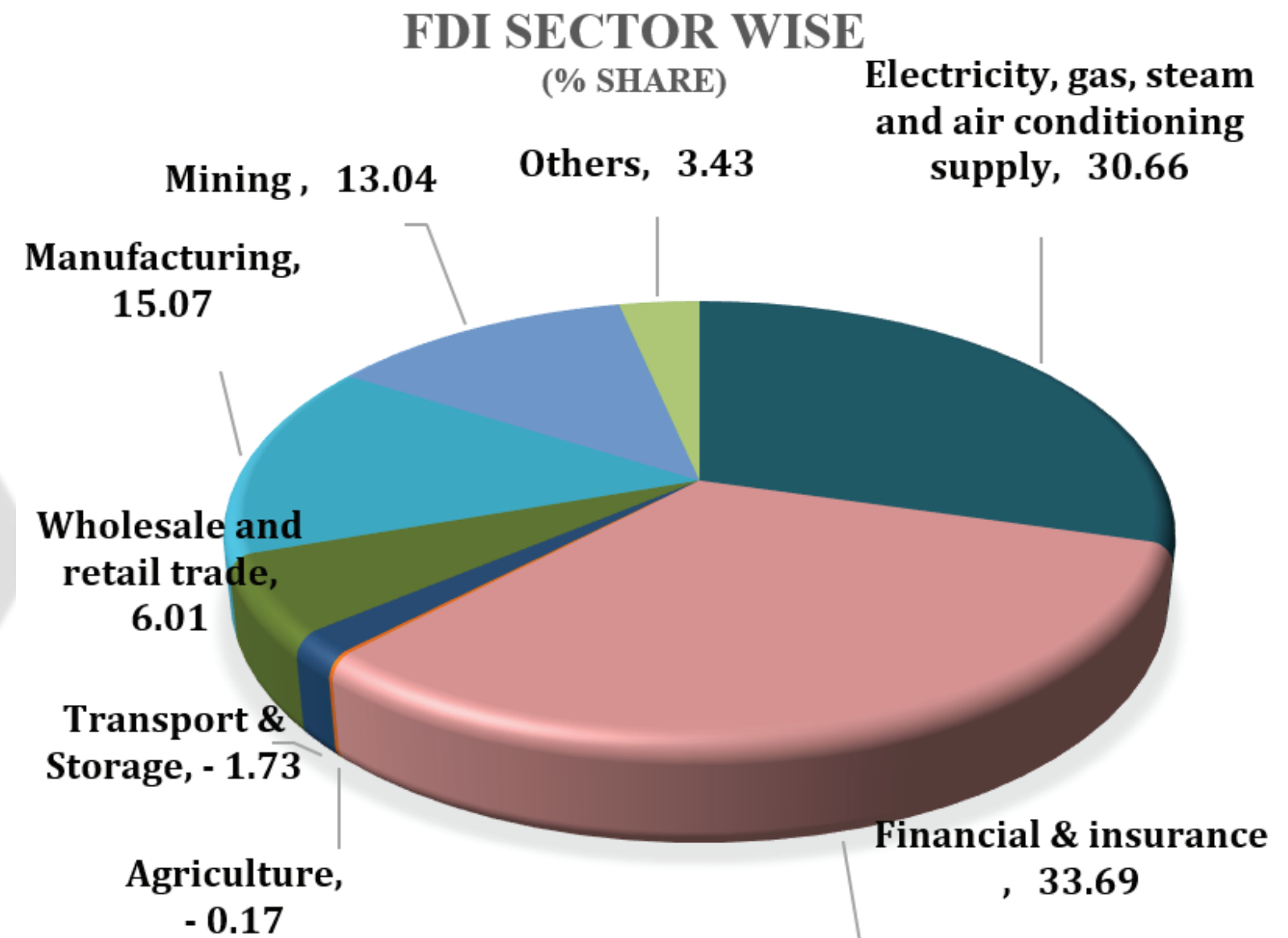
8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at \$11.45 billion as of May 16th, 2025, representing a increase of 10.0%, or \$1,043 million, compared to last week's reserves of \$10.40 billion on May 9th, 2025. Moreover, when compared to the reserves of the previous month (which were \$10.21 billion on April 18th, 2025), the Net reserves have gone up by 12.0% or \$1,241 million.



9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has plunged by 2.8% or \$52 million to \$1,785 million provisionally during the Jul-April period of FY25, as compared to \$1,837 million during the same month of FY24. Whereas the total Net Foreign Investment surged by 16.5% or \$171 million to \$1,209 million on a Y-o-Y basis in Jul-April period of FY25 as against the amount of \$1,038 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-April 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 73.69 trillion in March 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.

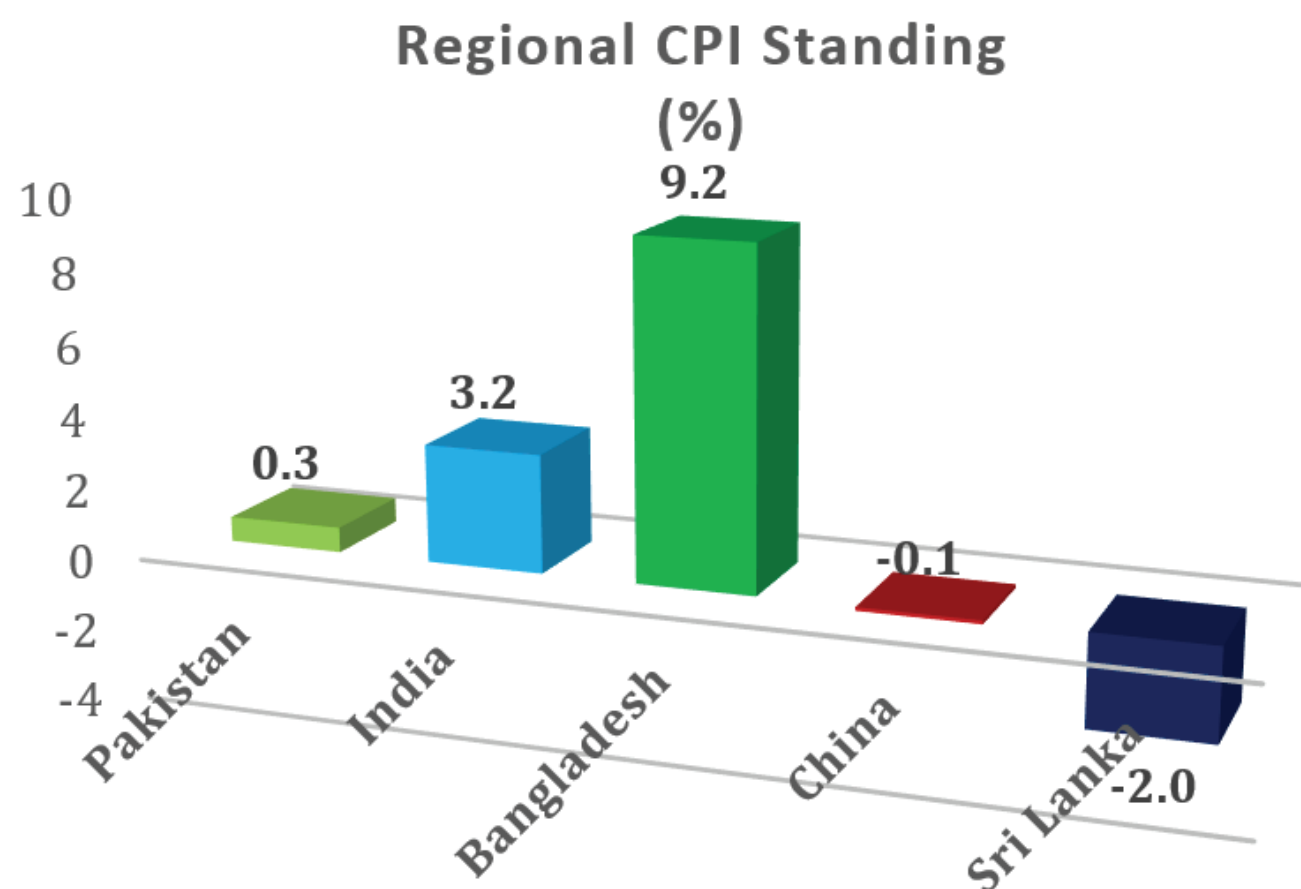


Pakistan's Total Debt & Liabilities			
(PKR in billion)	March-25	March-24	% change
Domestic Debt	51,518	43,437	18.6
% of GDP	41.5	40.9	
External Debt	22,170	21,942	1.0
% of GDP	17.9	20.7	
Gross Public Debt	73,688	65,378	12.7
% of GDP	59.4	61.7	
Nominal GDP	124,150	106,045	17.07

(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 April 2025. Further, Inflation in Bangladesh has been steady at 9.2%. In Sri Lanka, CPI has dipped to a deflation rate of 2.0%, as the rate of deflation decreased from -2.2% 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 3.2% from 3.4%, 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 April 2025.



Country	Local Currency Units per USD (As of 29th May)	Currency Appreciation (Depreciation) %Change Y-o-Y
Pakistan	282.2	(1.72)
India	85.33	(2.35)
Bangladesh	122.2	(4.02)
China	7.2	1.15
Sri Lanka	299.5	0.79

(Source: Trading Economics)

OUTLOOK

With Pakistan's Budget for Fiscal Year 2025–26 set to be presented in the second week of June, it is essential, given the prevailing economic conditions that the Government implements well considered course-correction measures to guide the Economy toward sustainable growth and long-term stability. To contribute to this objective, Tola Associates has submitted its Pre-Budget Proposal for FY26 to the Honorable Finance Minister, Mr. Muhammad Aurangzeb. To download the full report, [Please click here](#).

Fixing the economy through the upcoming budget requires a recipe that may contain several ingredients in Order to achieve sustainable economic growth. First and foremost, the Economic growth should be Export-led, unlike the recent past, i.e. FY22 when the economic Growth was Import-oriented. As a consequence of the import led growth in FY 22, Pakistan spiraled into external and fiscal imbalances. Therefore, Pakistan had the highest inflation and an economic nosedive in FY23. These decisions made the cost of living miserable due to elevated inflation. To ensure Sustainable Growth, it is imperative to pursue export-led growth, which has three vectors; (i) the Agricultural sector; (ii) the Manufacturing sector; and (iii) the IT industry. Along with this, Public Financial Management has an important role to play. It involves expenditure control and revenue enhancement. Fiscal management has a big role in this course correction. Thereby, the theme of the Budget is designed in a way that leads toward Growth with stability.

Pakistan's economic outlook reflects cautious optimism, as inflation experienced a remarkable decline, dropping to 0.3% in April 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.



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