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ASIA PACIFIC
2025

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Pakonomics

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HIGHLIGHTS

The Federal Board of Revenue ("FBR") has failed to achieve the revised tax revenue target of PKR 11.9 trillion and has only collected PKR 11.7 trillion in the Fiscal Year 2024-25, falling short by PKR 170 billion of the twice-revised target. The original target that was set by the IMF was PKR 12.97 trillion for FY25.

In the inter-bank market, the value of the national currency stands at PKR 283.45/USD as of 25th July 2025. Over the past week, the USD to PKR parity rate has shown a slight improving trend, as the USD has devalued.

According to the valuation of Tola Associates ("TA"), the value of PKR is 259.6/USD after incorporating the Current Account Balance ("CAB") of the Jul-June period of FY25.

According to the Pakistan Bureau Statistics ("PBS"), Pakistan's LSM sector showed an expansion of 2.3% in May 2025 on a Year-on-Year ("Y-o-Y") basis vs. May 2024.

According to the SBP, Pakistan received a monthly remittance inflow of $3.41 billion in June 2025, recording a decrease of 7.6% compared to $3.69 billion in May 2025 on a Month-on-Month ("M-o-M") basis.

The Net foreign currency reserves held by the SBP stood at $14.46 billion as of 18th July 2025.

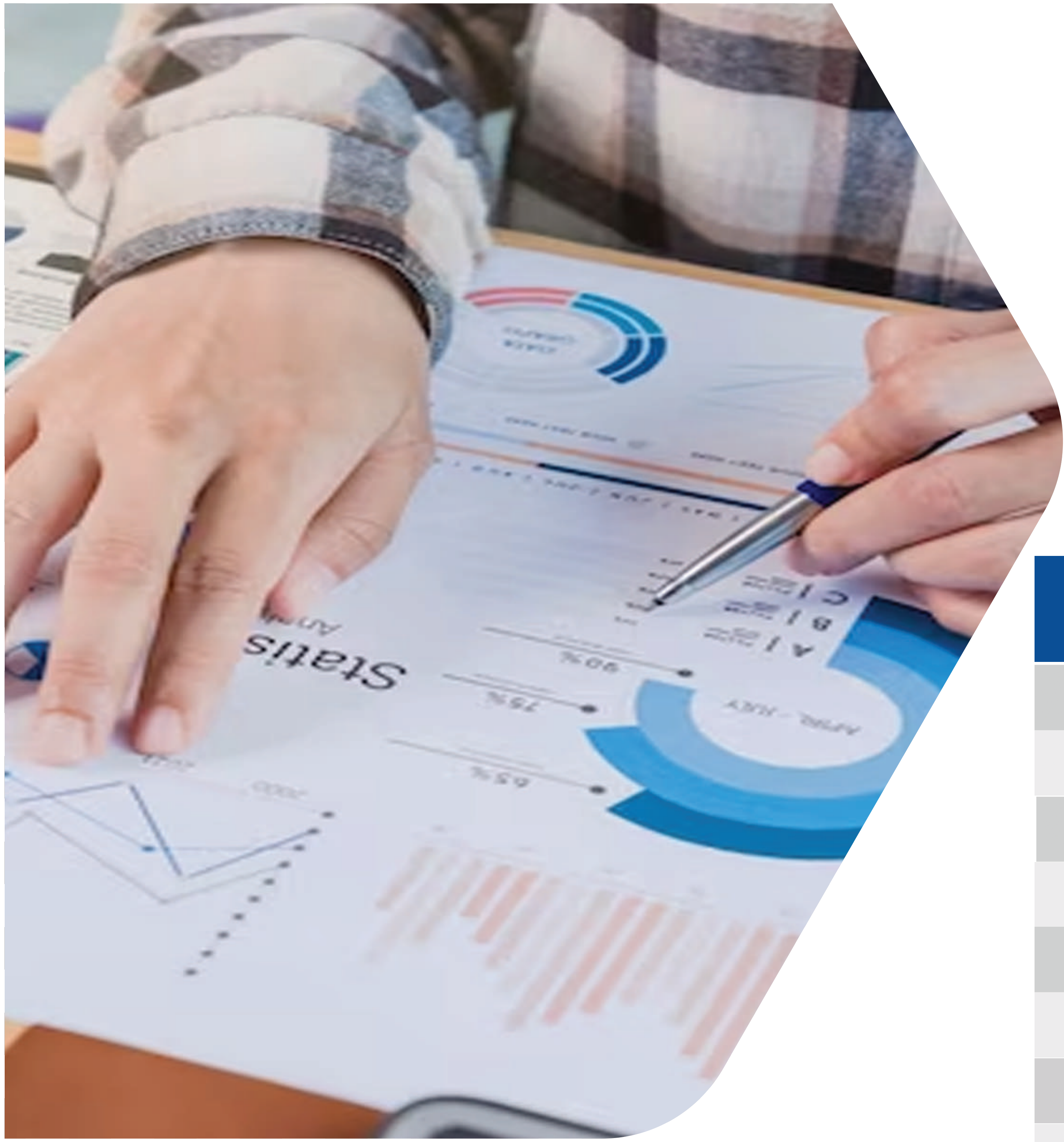
The Broad Money (M2) stock from 1st July 2025 to 12th July 2025 has contracted by PKR 1,484 billion, compared to a contraction of PKR 1,175 billion during the same period last year.

According to the PBS, the pace of Consumer Price Index ("CPI") inflation has clocked at 3.2% on a Y-o-Y basis in June 2025 vs. 12.6% same month last year.

Pakistan's net FDI has surged by 4.7% or $110 million to $2,457 million provisionally during the Jul-June period of FY25, as compared to $2,347 million during the same period of FY24.

The total Net Foreign Investment plunged by 8.0% or $157 million to $1,807 million on a Y-o-Y basis in Jul-June period of FY25 as against the amount of $1,964 million in the same period of FY24.

Pakistan reported a Current Account Surplus ("CAS") of $2,106 million during the Jul-June period of FY25, compared to a Current Account Deficit of $2,072 million in the same period of FY24.



ECONOMY AT A GLANCE

Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	May	↓	2.29 %	7.39 %
Central Government Debt	May	↑	PKR 76,045 Billion	PKR 67,337 Billion
Credit to Private Sector	Jul – 12th July	↑	PKR (260) Billion	PKR (351) Billion
Worker's Remittances	May	↑	US $3,406 Million	US $3,158 Million
Currency in Circulation	Jul – 12th July	↑	PKR 338 Billion	PKR 118 Billion
Net Government Sector borrowing	Jul – 12th July	↓	PKR (360) Billion	PKR (208) Billion
National CPI (Base Year 2015-16)	June	↓	3.2%	12.6%
FBR Tax Collection	Jul-June	↑	PKR 11.7 Trillion	PKR 9.03 Trillion
Foreign Exchange Reserves with SBP	As of 18th July	↑	$14.46 Billion	$9.03 Billion
Foreign Direct Investments	Jul-June	↑	$2,457 Million	$2,347 Million
Trade Deficit in Goods	Jul-June	↑	US$ (26,346) Million	US$ (24,104) Million
Current Account (Deficit)/surplus	Jul-June	↓	$2,106 Million	$(2,072) Million

1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 259.6/USD after adjusting the Current Account Balance ("CAB") of the FY25. The PKR value has been kept artificially undervalued at PKR 283.8/USD, as the present value of PKR currency would have been 259.6/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 based on the actual CAD, i.e $665 million in FY24; (c) The third scenario provides the PKR value based on the Government's CAD projection of 0.9% of GDP of FY 25; and (d) The last scenario calculates the PKR value based on the adjusted CA protjection of the Government adjusted for the whole 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

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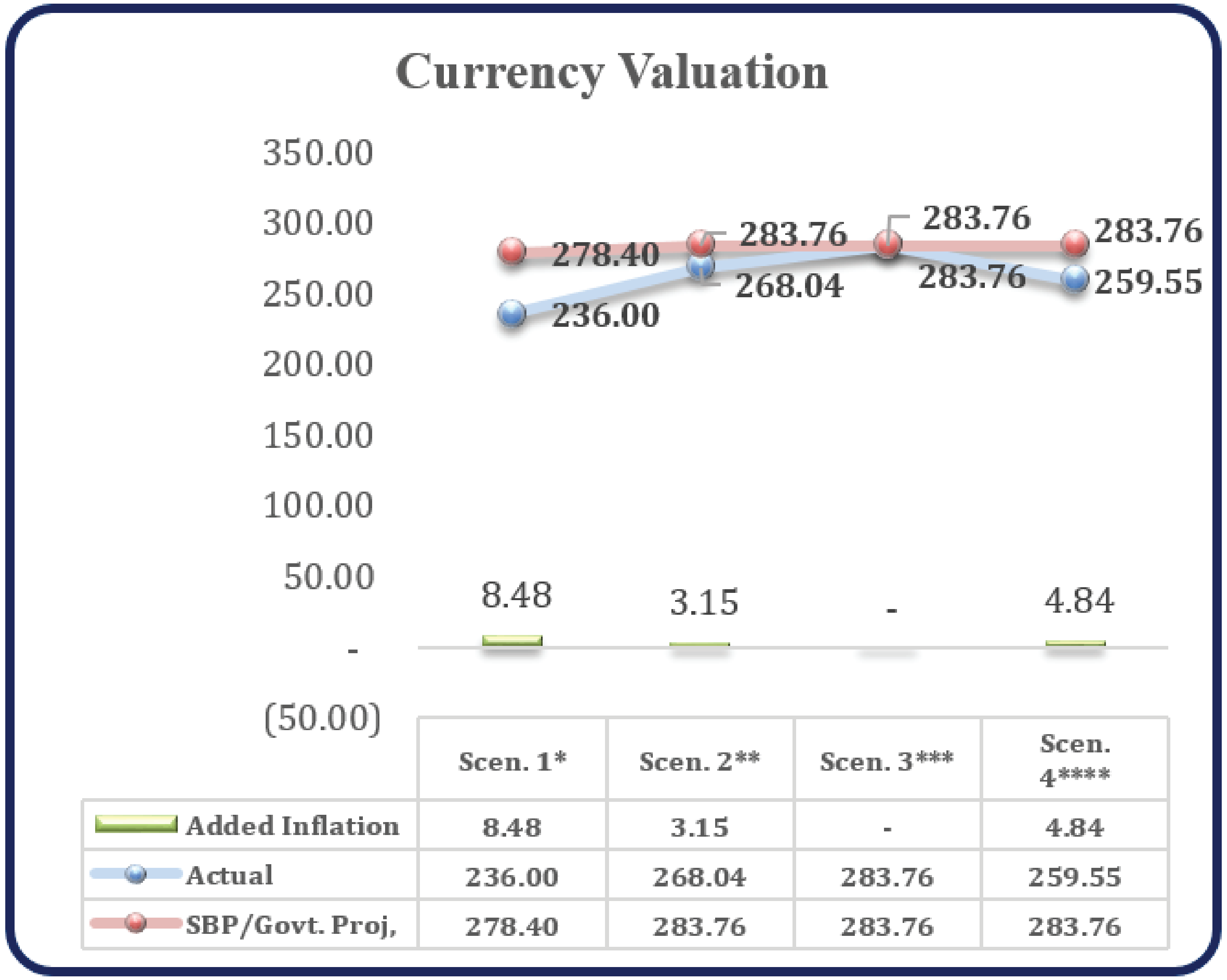


**Actual CAD of FY24*
***If CAD restricted to FY24's level i.e 0.16% of GDP*
**** If CAD restricted to its targeted value of $3.707 billion. i.e $3.7 billion*
*****Actual CAD cumulated in the Projection (adjusted monthly basis)*

2. CURRENT ACCOUNT ("CA"):

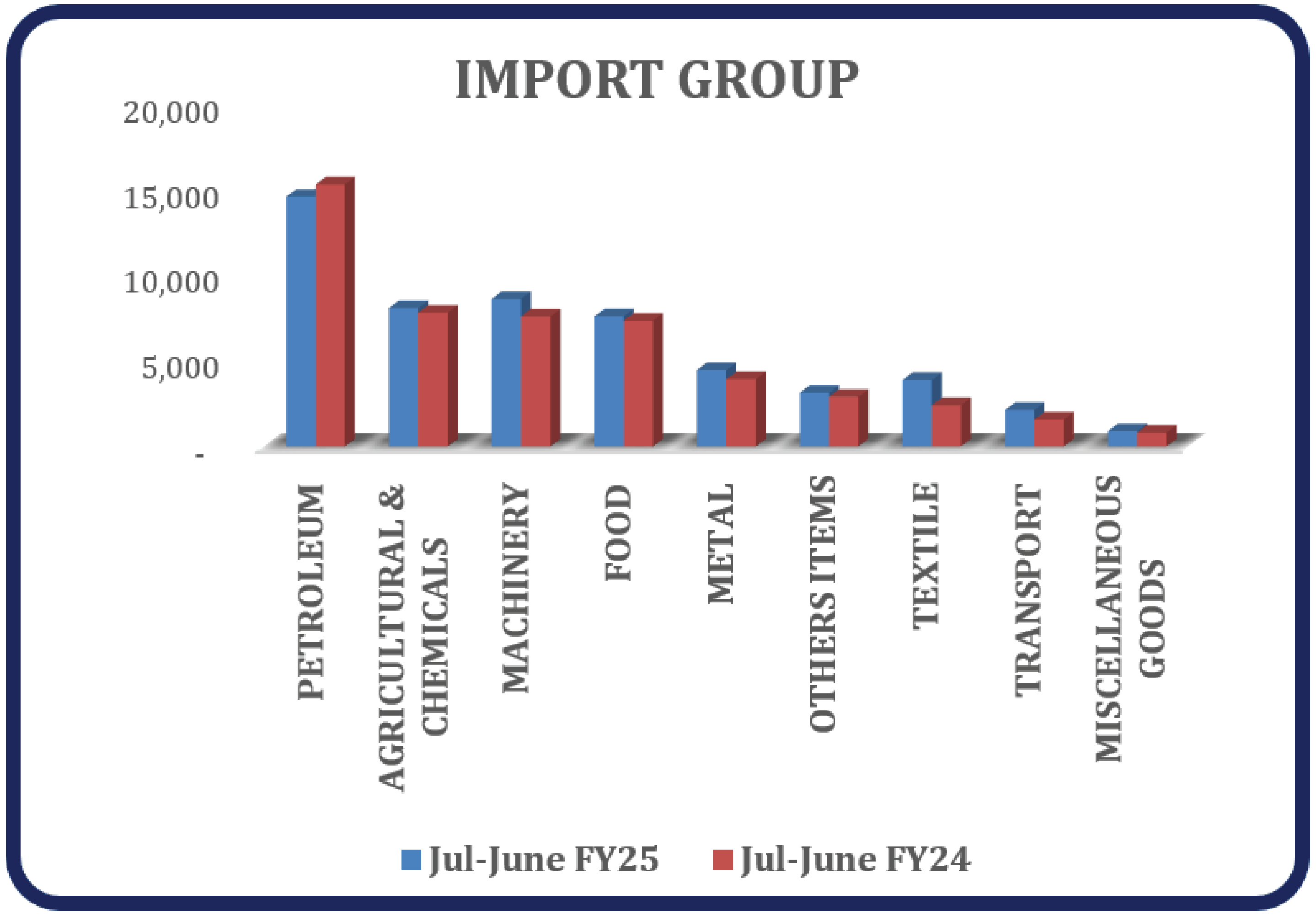
The CA stood at a $328 million surplus in the month of June 2025, an increase of 490 times from a deficit of $84 million in the previous month of May 2025. On a cumulative basis, the CAD has declined to a CAS of $2,106 million which is a 202 times reduction compared to a CAD of $2,072 million during the Jul-June period of the previous FY24. This sustainable CAD in FY25 is attributed to huge remittance inflows.

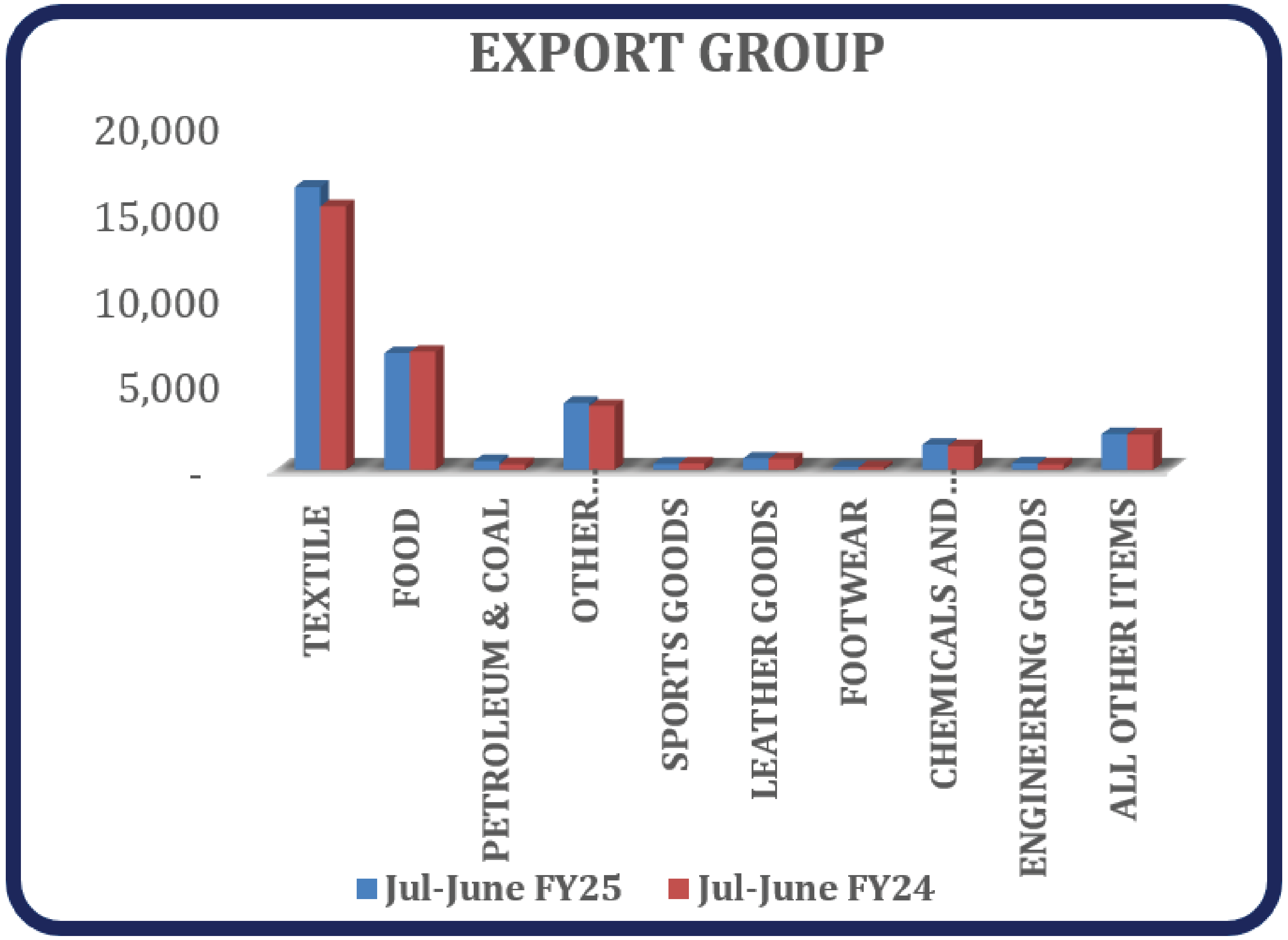
	Month wise Comparison			Commulative Comparison		
CAD	Jun-25	May-25	Jun-24	Jul-June FY25	Jul-June FY24	Jul-June FY25 Proj.
i. Balance of Trade in Goods	**(2,384)**	**(3,038)**	**(2,195)**	**(26,781)**	**(22,177)**	**(24,941)**
Exports of Goods	2,602	2,438	2,443	32,295	30,980	32,341
Imports of Goods	4,986	5,476	5,014	59,076	53,157	57,283
ii. Balance of Trade in Services	**(2,384)**	**(3,038)**	**(2,195)**	**(26,781)**	**(22,177)**	**(2,738)**
Exports of Services	725	731	645	8,394	7,691	8,169
Imports of Services	851	870	1,122	11,014	10,801	10,907
iii. Balance on Primary Income	**(794)**	**(797)**	**(1,184)**	**(8,902)**	**(8,986)**	**(7,648)**
iv. Balance on Secondary Income	**3,632**	**3,890**	**3,356**	**40,409**	**32,201**	**31,620**
Secondary Income Credit	3,667	3,930	3,389	41,000	32,668	N/A
Worker Remittances	3,406	3,686	3,158	38,300	30,251	30,278
Secondary Income Debit	35	40	33	591	467	N/A
CAD (i + ii + iii + iv)	**328**	**(84)**	**(500)**	**2,106**	**(2,072)**	**(3,707)**

(Source: SBP)

3.BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit has increased by 0.5% to $2.4 billion in June of FY25, compared to $2.41 billion in the same month of FY24. Moreover, the exports decreased by 3.2% to $2.48 billion during the month of June 2025 of the ongoing FY compared to $2.56 billion in the same month of last FY. Further, the imports decreased by 1.9% to $4.87 billion in June of FY25 compared to $4.96 billion in the same period of FY24. Additionally, on a M-o-M basis, exports decreased by 7.3% compared to $2.67 billion in May 2025. Furthermore, the country's trade deficit decreased by 6.7% compared to $2.57 billion in May 2025 on a M-o-M basis. On a cumulative basis, exports surged to $32.04 billion in the Jul-June period of FY25 compared to almost $30.68 billion in the same period last year. Similarly, the trade deficit increased by almost 9.3% to almost $26.35 billion in the Jul-June period of FY25 compared to $24.10 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-June.





4. LARGE SCALE MANUFACTURING

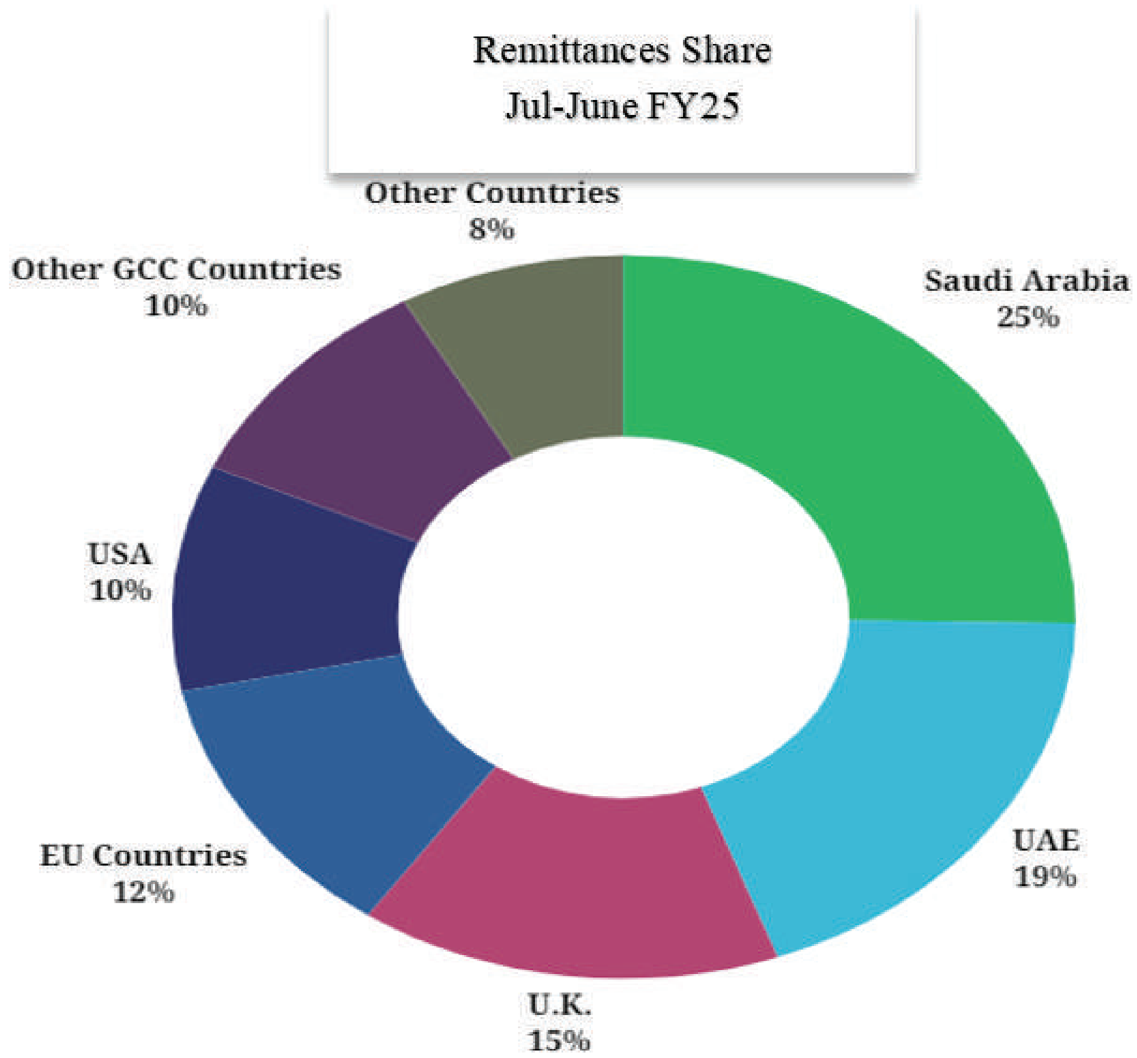
According to the PBS, Pakistan's LSM sector showed an expansion of 2.3% in May 2025 on a Y-o-Y basis vs. May 2024. In contrast, on a M-o-M basis, the overall output growth increased by 7.9%, compared to the month of April 2025. Additionally, the cumulative LSM growth exhibited a negative trend, with a 1.2% contraction in the Jul-May 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 8.2%, 0.7% and 5.2% respectively, whilst the Cement industry showed a contraction of almost 4.3% in the Jul-May period of FY25.

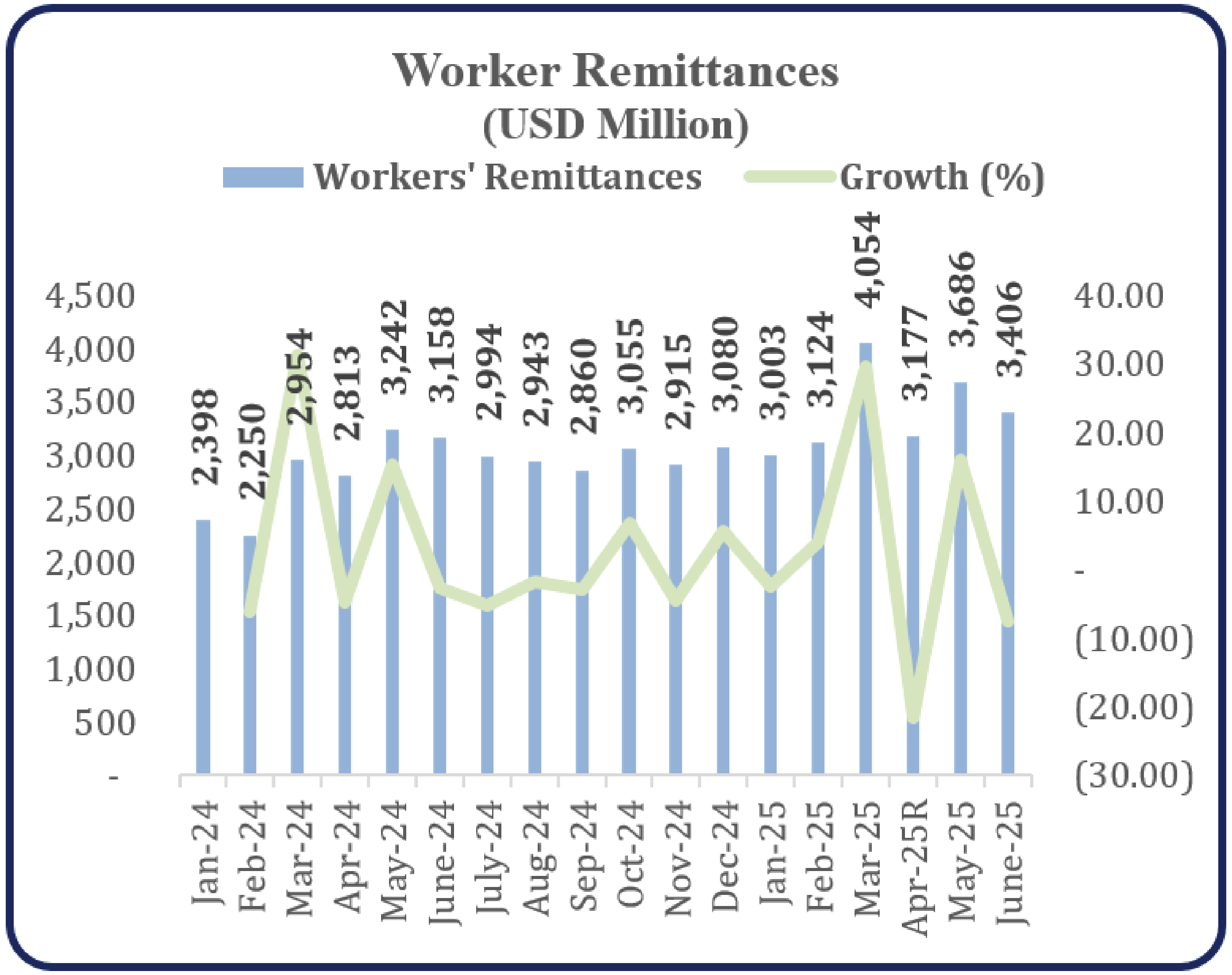
LSM (%)	Weight	May-25	April-25	May-24	Jul-May FY25
Textile	18.2	0.90	7.91	7.95	2.79
Food	10.7	4.40	3.47	(0.71)	(2.32)
Coke & Petroleum Products	6.7	2.08	5.54	17.17	4.74
Chemicals	6.5	7.10	(1.31)	(2.58)	(4.06)
Wearing Apparel	6.1	(1.59)	(8.55)	40.67	5.20
Pharmaceuticals	5.2	1.79	7.49	(2.31)	2.72
Non-Metallic Minerals Products	5.0	9.48	1.91	(8.10)	(7.88)
Beverages	3.8	(2.00)	1.25	(0.35)	0.57
Iron and Steel Products	3.4	(0.28)	(1.82)	(13.77)	(9.30)
Automobiles	3.1	57.59	60.16	43.85	43.94
Tobacco	2.1	(14.43)	9.06	25.56	8.85
Electrical Equipment	2.0	3.62	2.59	(13.07)	(12.74)
Paper & Board	1.6	(4.66)	12.06	(0.64)	0.72
Leather Products	1.2	0.78	1.79	4.29	1.24
Other Transport Equipment	0.7	31.99	41.56	16.00	33.79
LSM Growth for May 2025 (Y/Y)					2.29 %
LSM Growth of May 2025 vs. April 2025 (M/M)					7.93 %
LSM Growth Jul-May FY25					(1.21) %

(Source: PBS)

5. WORKER'S REMITTANCES

As per the SBP, Pakistan received a monthly remittance inflow of $3.41 billion in June 2025, recording an decrease of 7.6% compared to $3.69 billion in May 2025 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 7.9% when compared to $3.16 billion received a year ago in the same month. Further, on a cumulative basis, remittances increased by almost 27.0% to $38.3 billion in the Jul-June period of FY25, when compared with $30.25 billion for the same period last year.



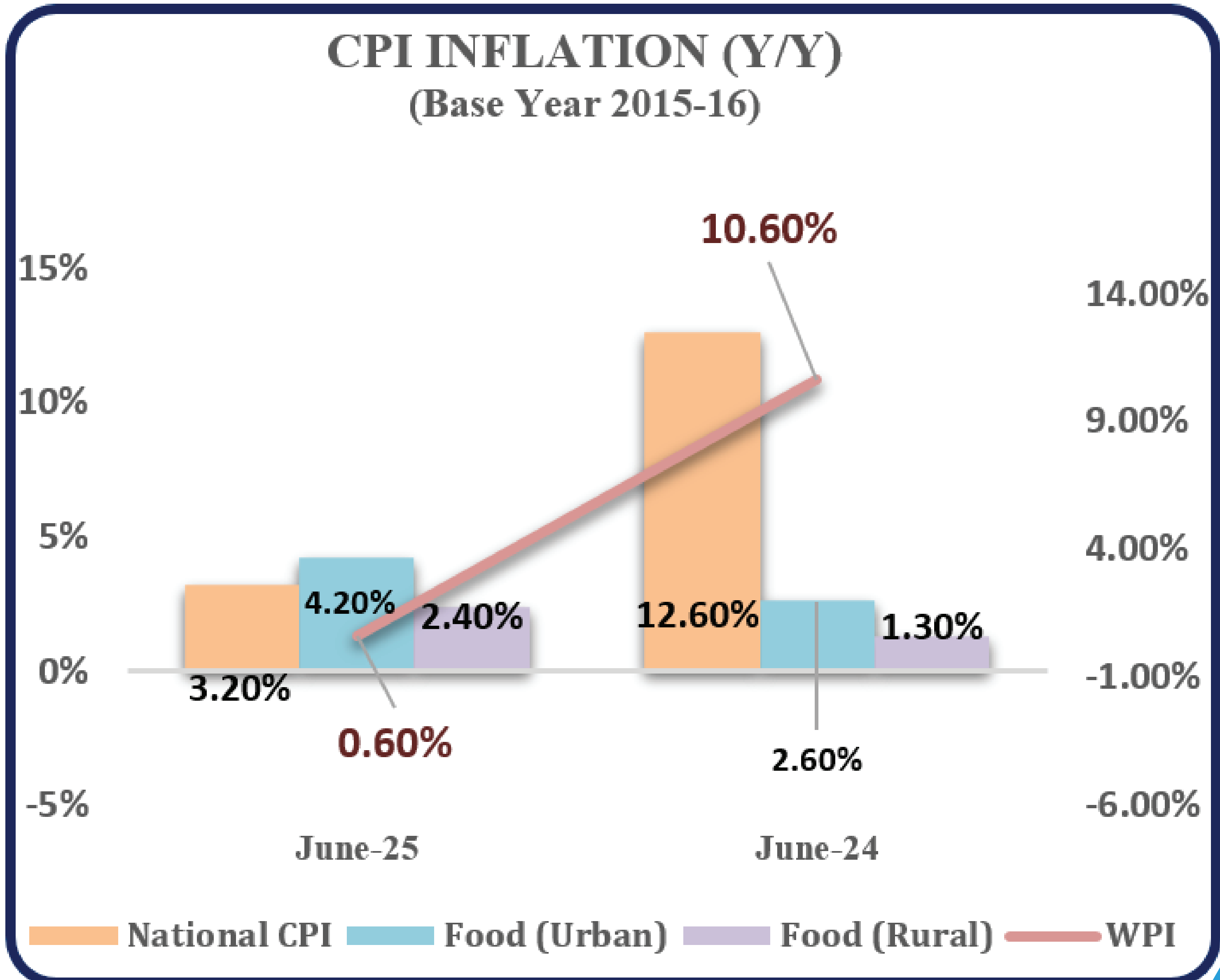


6. CONSUMER PRICE INDEX INFLATION

According to the PBS, the monthly inflation rate in June 2025 is reported at 3.2% on a Y-o-Y basis. The reduction in inflation is due to perishable food items. However, prices for clothing, footwear, non perishable foods, utilities, fuel, and education saw increases. Furthermore, the average inflation in the Jul-June period of FY25 amounted to 4.5%. Additionally, the food inflation rates in urban and rural areas hike to 4.2% & 2.4%, respectively. The wholesale price index ("WPI") stood at 0.6% on a Y-o-Y basis, which was recorded 0.4% in the previous month. On a monthly basis, the National CPI has recorded a hike of 0.2%. Similarly, the Food inflation rate contracted by 0.6% for urban areas, while food inflation for rural areas stood at 0.1%, compared to May 2025. In June 2025, Core inflation, which is calculated by excluding energy and food items, rose by 6.9% and 8.6% in urban and rural areas on a Y-o-Y basis, respectively

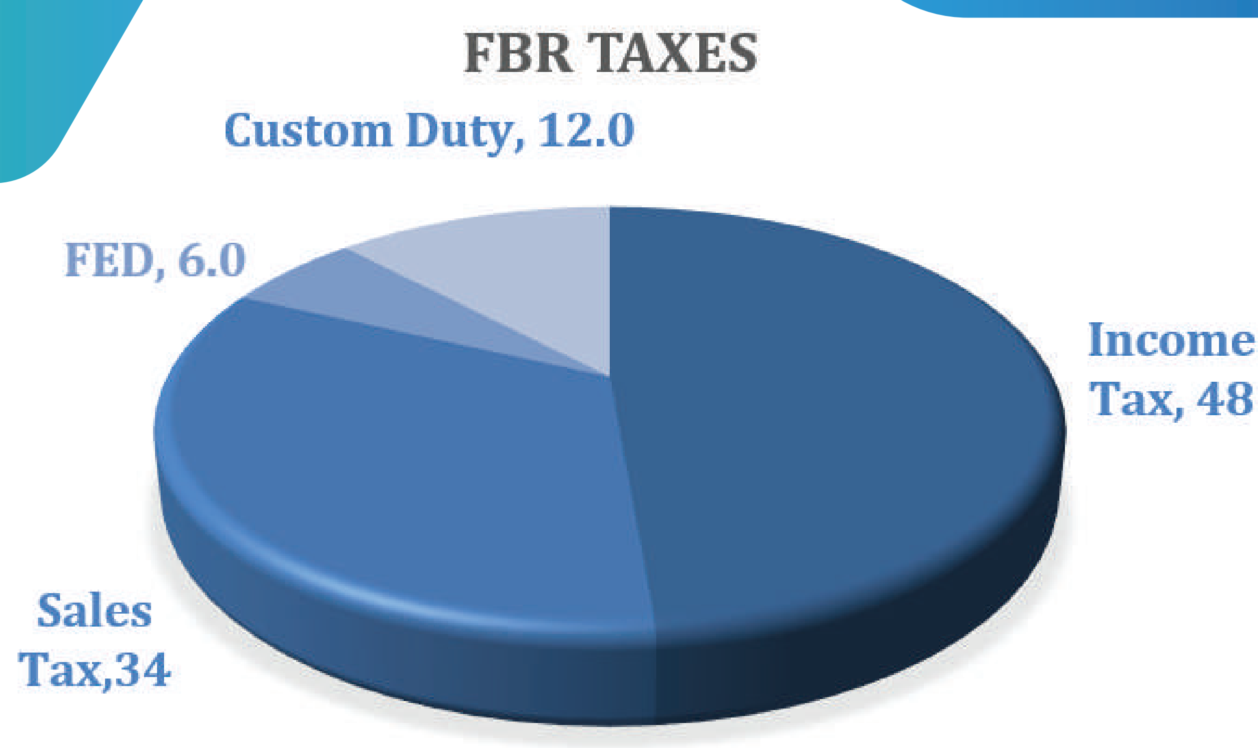
Group	Weight (%)	% Change over	
		May-25	June-24
Food	34.58	(0.37)	2.56
Non-perishable	29.60	(1.14)	4.80
Perishable	4.99	5.26	(10.55)
Utility	23.63	0.70	(3.28)
Health	2.79	0.87	12.15
Transport	5.91	0.95	0.61
Education	3.79	0.26	10.07
Restaurants & Hotels	6.92	0.66	8.38

(Source: PBS)

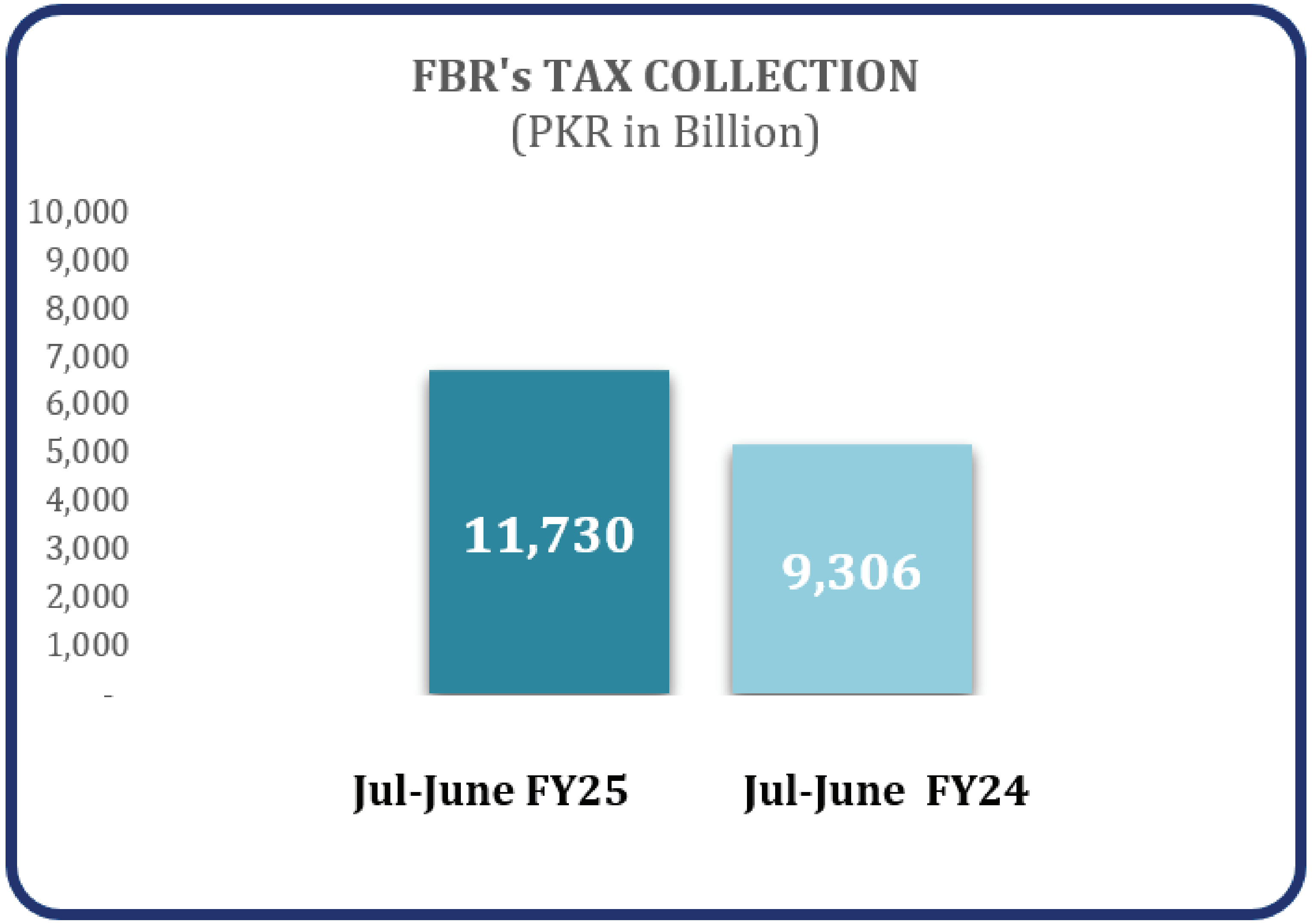


7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR collected PKR 11.73 trillion worth of tax revenue in the Jul-June period of FY25 and failed to achieve its target by PKR 1.2 trillion. The significant shortfall also exceeds the commitment the government made to the IMF as recently as March, when the lender had already reduced the annual target by Rs. 640 billion. Later, in June, the Government further revised the target downward to PKR 11.9 trillion a goal that was also not met. For the Jul-June 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 'Taxed to the limit, still in the red: govt misses target by a mile'.

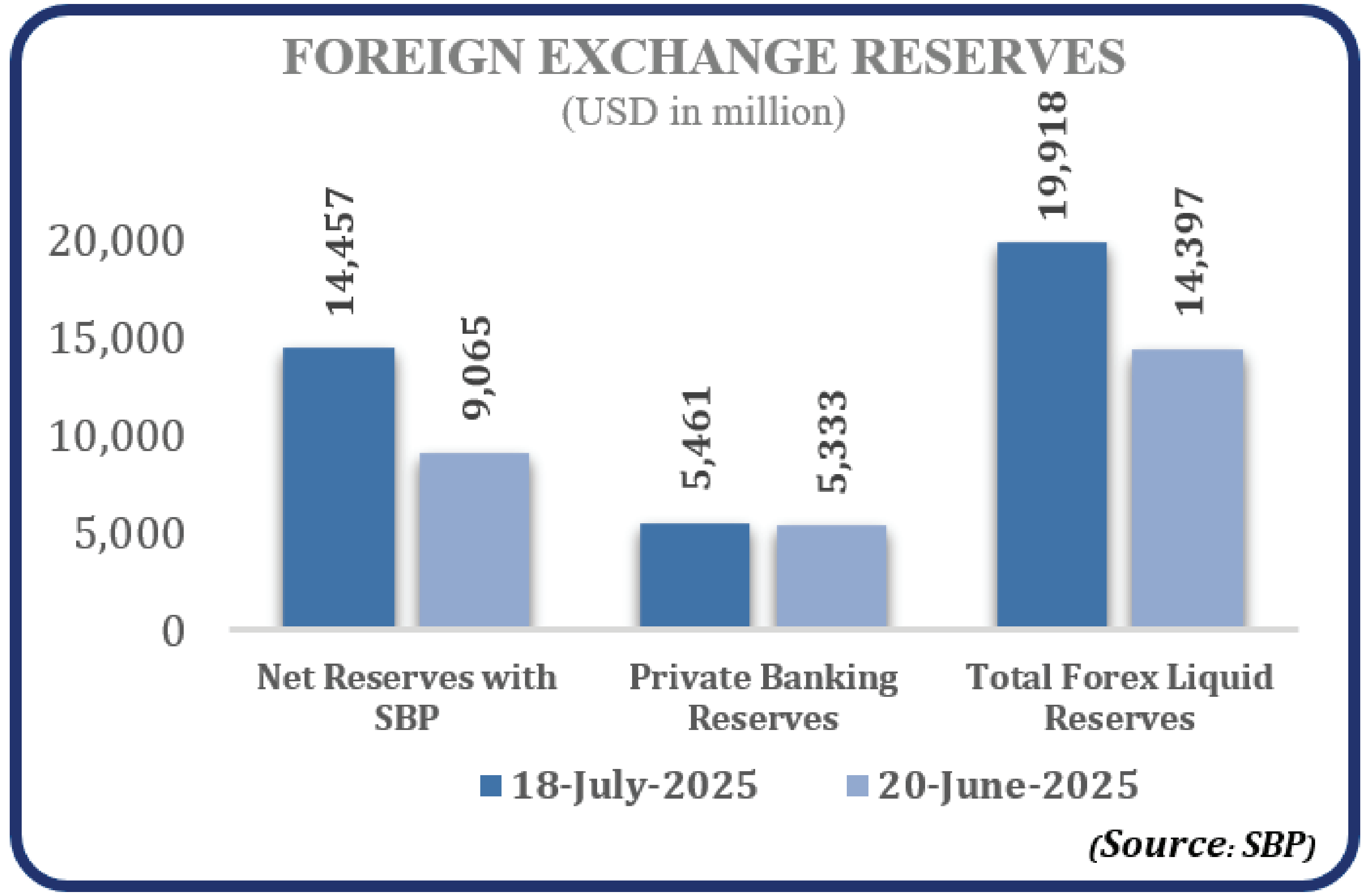


(Source: Express Tribune)

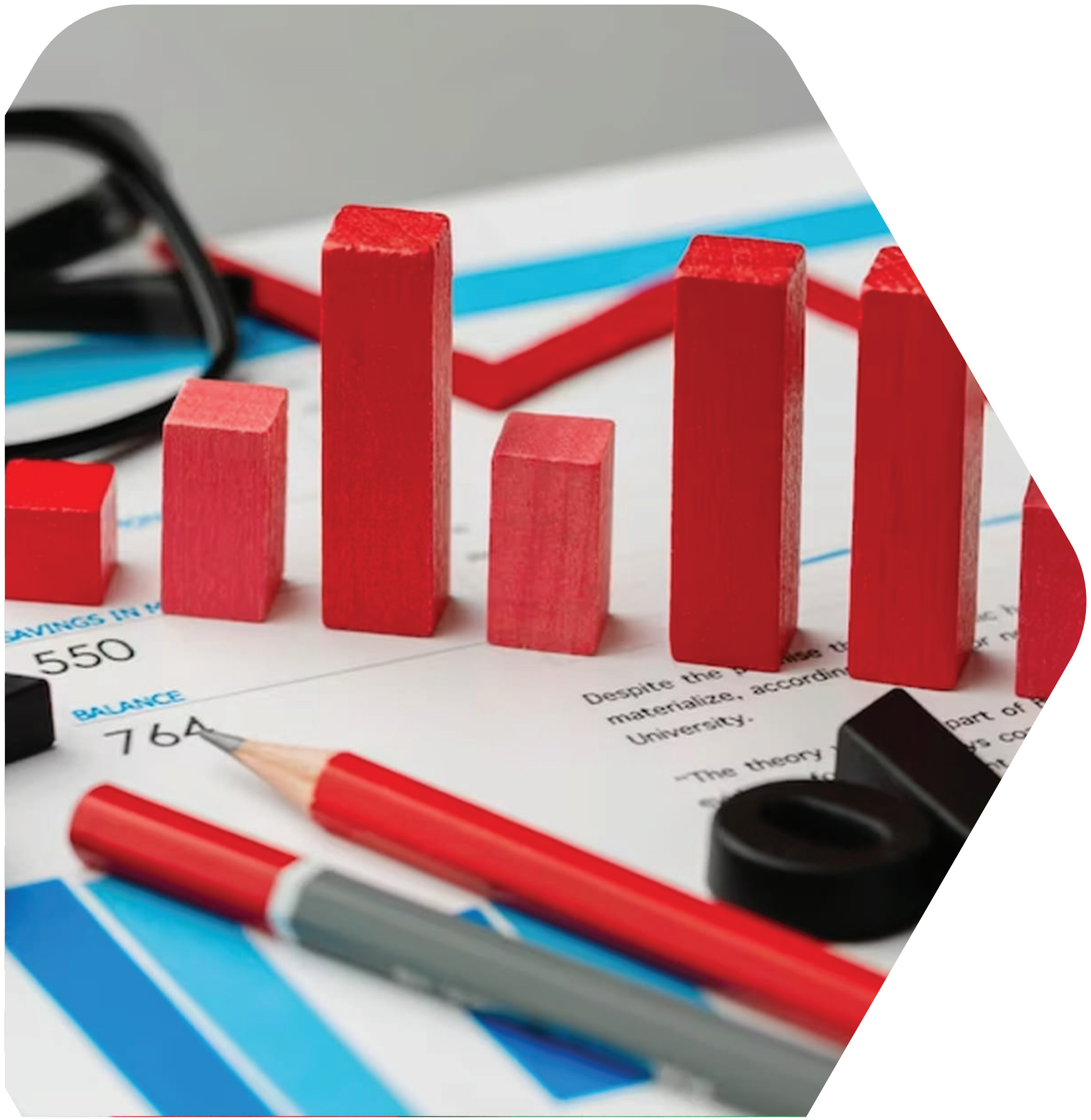


8. FOREIGN EXCHANGE RESERVES

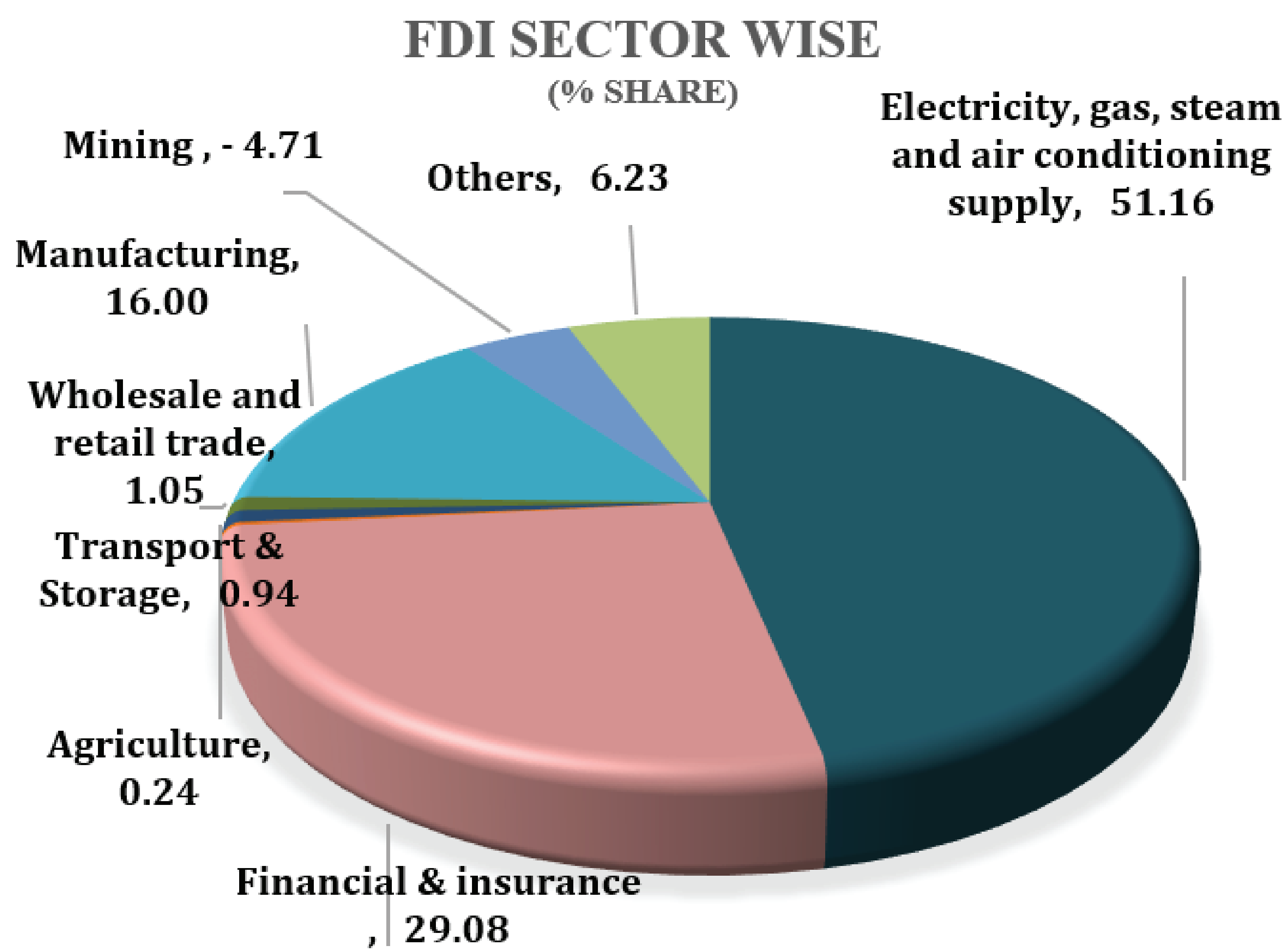
The Net foreign exchange reserves of the SBP stood at $14.46 billion as of July 18th, 2025, representing a decrease of 0.5%, or $69 million, compared to last week's reserves of $14.53 billion on July 11th, 2025. Moreover, when compared to the reserves of the previous month (which were $9.06 billion on June 20th, 2025), the Net reserves have gone up by 59.0% or $5.40 billion. The surge is due to recent foreign inflows, including $3.1 billion in commercial loans and over $500 million in multilateral funding, boosting Pakistan's forex reserves.



9. FOREIGN DIRECT INVESTMENT



Pakistan's net FDI has surged by 4.7% or $110 million to $2,457 million provisionally during the Jul-June period of FY25, as compared to $2,347 million during the same period of FY24. Whereas, the total Net Foreign Investment plunged by 8.0% or $157 million to $1,807 million on a Y-o-Y basis in Jul-June period of FY25 as against the amount of $1,964 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-June period of FY25.



10.DEBT PROFILE

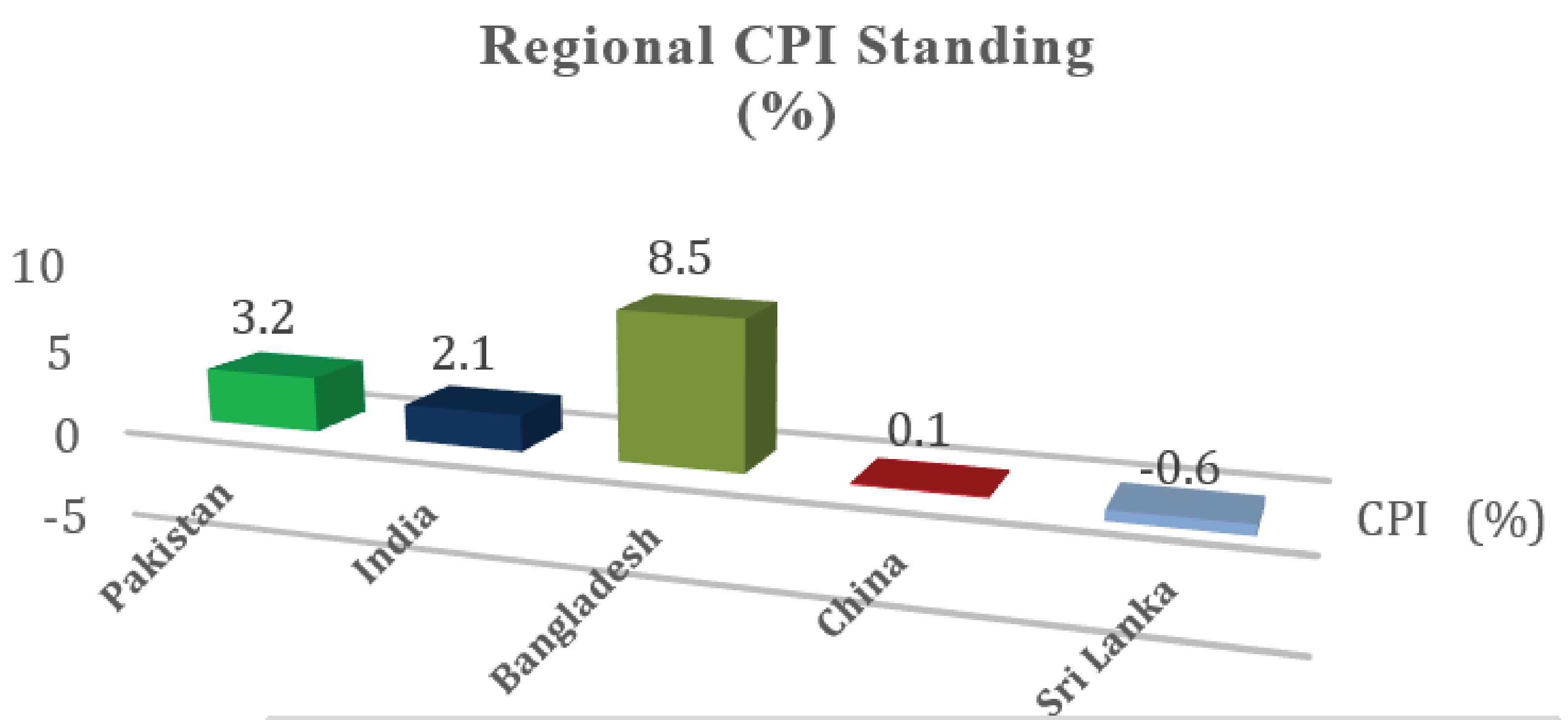
The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to PKR 76.0 trillion in May 2025, marking a substantial increase of 12.3% compared to the same month of the previous Fiscal Year. These figures underscore the significant escalation in the country's debt burden, signaling challenges in debt management and fiscal sustainability.

Pakistan's Total Debt & Liabilities			
(PKR in billion)	May-25	May-24	% change
Domestic Debt	53,460	46,125	16.0
% of GDP	**46.6**	**43.9**	
External Debt	22,585	21,608	4.5
% of GDP	**19.7**	**20.6**	
Gross Public Debt	76,045	67,733	12.3
% of GDP	**66.3**	**64.4**	
Nominal GDP	114,694	105,143	9.08

(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, the high base effect has eliminated, and the inflation rate has risen to 3.2% during June 2025. Further, the inflation in Bangladesh has been steady at 8.5%. In Sri Lanka, the CPI has dipped to a deflation rate of 0.6%, as the rate of deflation decreased from 0.7% when compared to last month, influenced by the statistical base effect and weak aggregate demand in the Sri Lankan economy. Meanwhile, India's inflation has dropped down to 2.1% from 2.8%, primarily driven by declining prices of food articles and food products. Additionally, China has experienced a little hike in prices following months of deflation, with inflation recorded at 0.1% in June 2025.



	Pakistan	India	Bangladesh	China	Sri Lanka
CPI (%)	3.2	2.1	8.5	0.1	-0.6

Country	Local Currency Units per USD (As of 25th July)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	283.5	(2.08)
India	86.6	(3.43)
Bangladesh	122.3	(4.04)
China	7.2	1.27
Sri Lanka	301.8	0.38

(Source: Trading Economics)

OUTLOOK

Fixing the economy in upcoming FY26 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 policies should be designed in such a way that leads toward Growth with stability.

Pakistan's economic outlook reflects cautious optimism, as inflation experienced a hike in June 2025, from 0.3% in April 2025 to 3.2% in June 2025. Moreover, the inflation outlook remains vulnerable to several risks, including additional fiscal measures to address revenue shortfalls, a potential resurgence in food inflation, increment in petroleum levy 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.

DISCLAIMER