



# Pakonomics October 2025



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# HIGHLIGHTS

According to the Labor Force Survey 2024-25, the unemployment rate in Pakistan rose to the highest level in 21 years at 7.1% in the last Fiscal Year, which Minister for Planning Ahsan Iqbal said was the result of the International Monetary Fund ("IMF") programme and climate-induced disasters, reported in Express Tribune's Article, titled, "National Unemployment rate rises to 7.1%".

According to the valuation of Tola Associates ("TA"), the value of PKR is 253.36/USD after incorporating the Current Account Deficit ("CAD") of the Jul-Oct period of FY26.

In the inter-bank market, the value of the national currency stands at PKR 280.6/USD as of 27th October 2025. Over the past week, the USD to PKR parity rate has shown a slight improvement, as the USD has devalued.

According to the Pakistan Bureau of Statistics ("PBS"), Pakistan's LSM sector showed an expansion of almost 2.69% in Sept 2025 on a Year-on-Year ("Y-o-Y") basis vs. Sept 2024.

According to the State Bank of Pakistan ("SBP"), Pakistan has received a monthly remittance inflow of \$3.41 billion in Oct 2025, recording an increase of 7.2% compared to \$3,184 billion in Aug 2025 on a M-o-M basis.

The Net foreign currency reserves held by the SBP stood at \$14.6 billion as of 24th Nov 2025.

The Currency in circulation stock from 1st July 2025 to 15th Oct 2025 has expanded by PKR 332 billion, compared to a expansion of PKR 70 billion during the same period last year.



According to the PBS, the pace of Consumer Price Index ("CPI") inflation has clocked at 6.2% on a Y-o-Y basis in September 2025 vs. 7.2% same month last year.

Pakistan's net FDI has plunged by 35.1% or \$263 million to \$748 million provisionally during the Jul-Oct period of FY26, as compared to \$1,011 million during the same period of FY25.

The total Net Foreign Investment nosedived by 472 times or \$987 million to -\$64.5 million on a Y-o-Y basis in Jul-Oct period of FY26 as against the amount of \$209 million in the same period of FY25.

Pakistan reported a Current Account Deficit ("CAD") of \$733 million during the Jul-Oct Period of FY26, compared to a CAD of \$206 million in the same period of FY25.



# ECONOMY AT A GLANCE

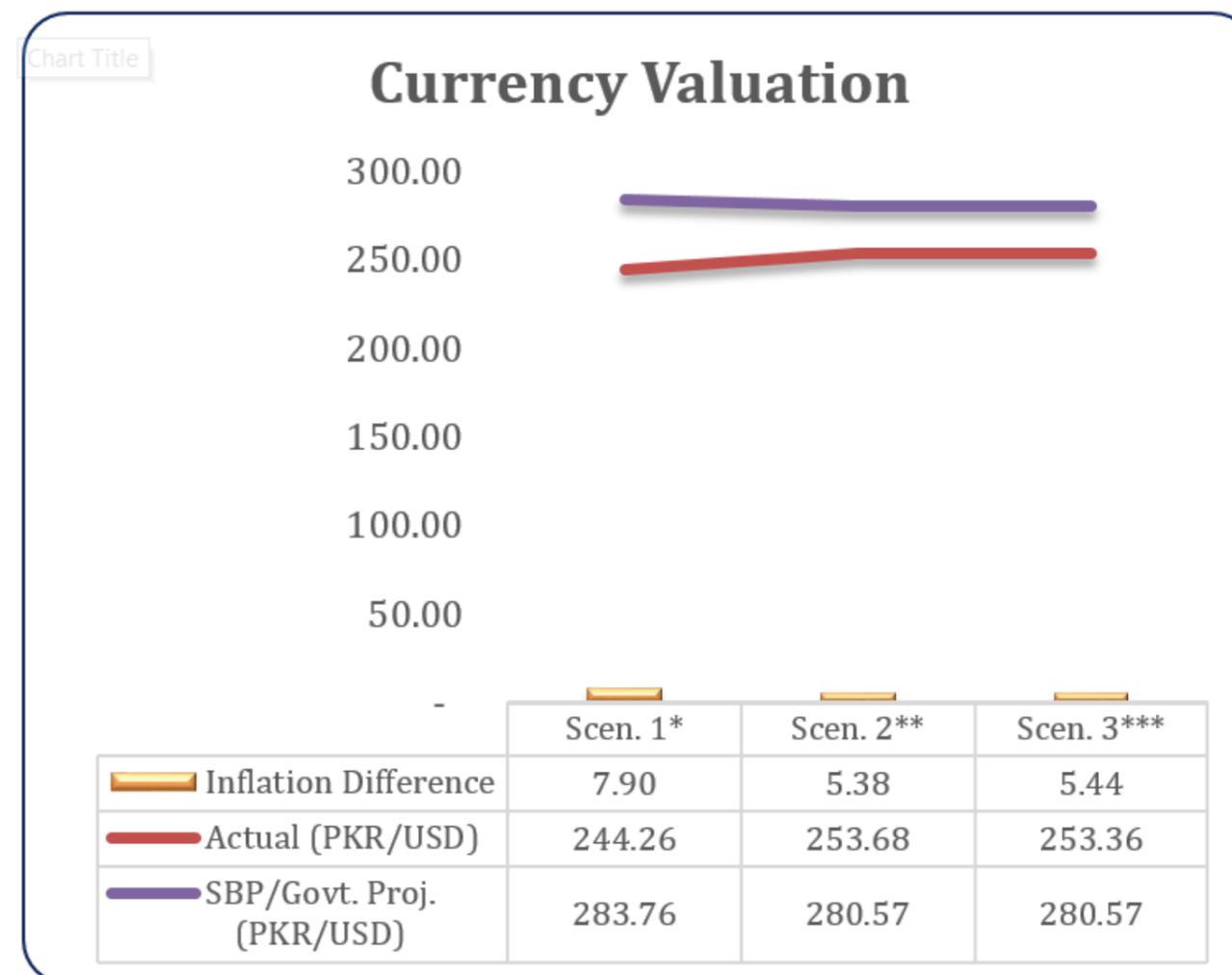


Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	September	↑	2.69 %	(2.16) %
Central Government Debt	September	↑	PKR 76,605 Billion	PKR 69,571 Billion
Credit to Private Sector	Jul – 15th Oct	↓	PKR (56) Billion	PKR 1,094 Billion
Worker's Remittances	October	↑	US \$3,415 Million	US \$3,055 Million
Broad Money (M2)	Jul – 15th Oct	↓	PKR (804) Billion	PKR (231) Billion
Net Government Sector borrowing	Jul – 15th Oct	↑	PKR (1,095) Billion	PKR (1,675) Billion
National CPI (Base Year 2015-16)	October	↓	6.2%	7.2%
FBR Tax Collection	Jul-Oct	↑	PKR 3,835 Billion	PKR 3,440 Billion
Foreign Exchange Reserves with SBP	As of 24th Oct	↑	\$14.6 Billion	\$12.0 Billion
Foreign Direct Investments	Jul-Oct	↓	\$748 Million	\$1,011 Million
Trade Deficit in Goods	Jul-Oct	↑	US\$ (12,582) Million	US\$ (9,115) Million
Current Account Deficit	Jul-Oct	↑	\$(733) Million	\$(206) Million

# 1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 253.36/USD after adjusting the CAD of Jul-Oct period of the FY26 (Note: This estimation also includes two major factors of CAD, i.e.: Primary Income Balance and Secondary Income balance). The PKR value has been kept artificially undervalued at PKR 280.55/USD, as the present value of PKR currency would have been 253.36/USD.

The graph depicts three scenarios: **(a) First scenario provides PKR valuation as of June 30, 2025; (b) The second scenario provides the PKR value based on the Government's CAD projection of 0.46% of the GDP for FY26; and (c) The last scenario calculates the PKR value based on the adjusted CA projection of the Government adjusted for the Jul-Oct period of FY26). A 10-rupee depreciation results in a 2% increase in inflation, and vice versa.**



*\*Valuation as per actual CAD of till FY25*

*\*\* If CAD restricted to its targeted value of \$2.11 billion for FY26.*

*\*\*\* Actual CAD of Jul-Oct 2025 cumulated in the Projection (adjusted monthly basis)*

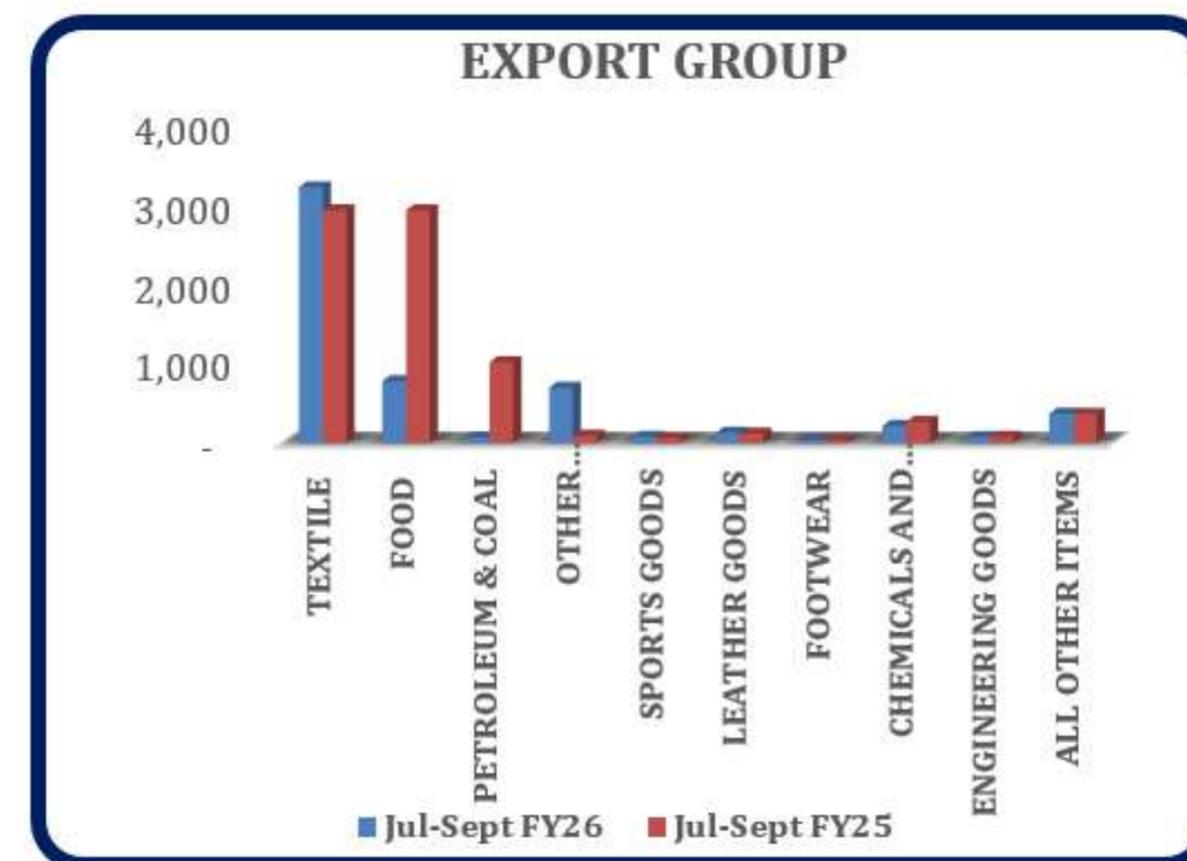
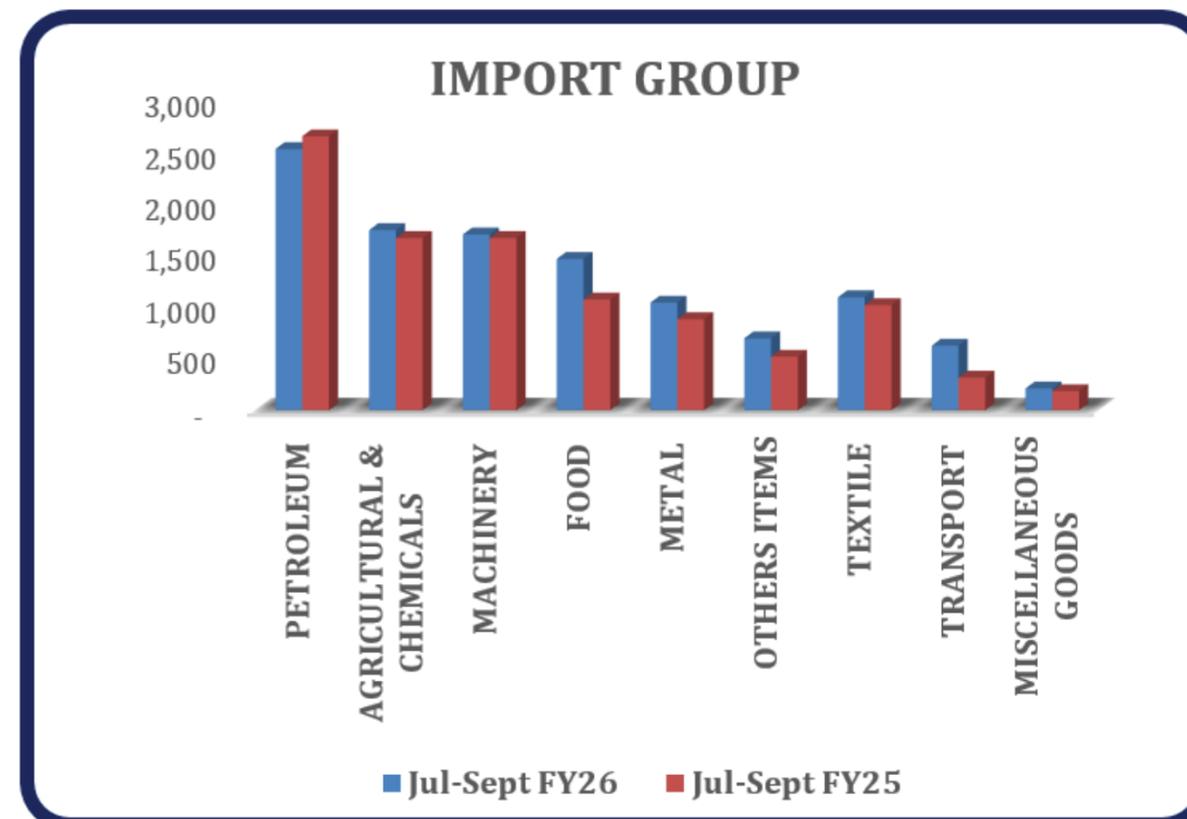
## 2. CURRENT ACCOUNT ("CA"):

The CA stood at a \$112 million deficit in the month of October 2025 in this FY26; which is a decrease of 234 times from a surplus of \$83 million in the previous month of Sept 2025. On a Year on Year ("Y-o-Y") basis, the CA has declined by 138 times compared to the CA of the same month in FY25.

CA FLOWS	Oct-25	Sept-25	Oct-24	MoM (%)	YoY (%)
Exports of goods FOB	2,745	2,609	3,004	5.21	(8.62)
Imports of goods FOB	5,272	5,034	4,646	4.73	13.47
(i) Balance on trade in goods	(2,527)	(2,425)	(1,642)	4.21	53.90
Exports of services	826	807	702	2.35	17.66
Imports of services	1,052	1,012	932	3.95	12.88
(ii) Balance on trade in services	(226)	(205)	(230)	10.24	(1.74)
Primary Income Credit	91	119	74	(23.53)	22.97
Primary Income Debit	996	792	1,028	25.76	(3.11)
(iii) Balance in Primary Income	(905)	(673)	(954)	34.47	(5.14)
Secondary Income Credit	3,651	3,445	3,170	5.98	15.17
Worker Remittances	3,419	3,184	3,055	7.38	11.91
Secondary Income Debit	105	59	48	77.97	118.75
(iv) Balance on secondary income	3,546	3,386	3,122	4.73	13.58
Current Account Surplus/ (Deficit) "i + ii + iii + iv"	(112)	83	296	(234.94)	(137.84)

# 3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit has increased by a huge margin of 56.0% to \$3.21 billion in Oct of FY26, compared to \$2.06 billion in the same month of FY25. Moreover, the exports went down by 4.5% to \$2.85 billion during the Oct month of FY26 compared to \$2.98 billion in the same month of last FY25. Further, the imports increased by 20.2% to \$6.06 billion in Oct of FY26 compared to \$5.04 billion in the same period of FY25. Additionally, on a M-o-M basis, exports increased by almost 14.0% compared to \$2.50 billion in Sept 2025. Furthermore, the country's trade deficit decreased by 4.2% compared to \$3.35 billion in Sept 2025 on a M-o-M basis.



# 4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed an expansion of 2.7% in Sept 2025 on a Y-o-Y basis vs. Sept 2024. Similarly, on a M-o-M basis, the overall output growth rose by 2.05%, compared to the month of Aug 2025. Additionally, Sector-wise, important groups such as cotton yarn, cotton cloth, garment sector, and cement industry showed a growth of 2.6%, 0.3%, 2.4%, and 15.3% respectively, in the month of first fourth month of FY26.

LSM (%)	Weight	Sept-25	Sept-24	Jul-Sept FY26 (%)
Food	10.69	4.61	4.61	6.94
Tobacco	2.07	(12.08)	(12.08)	2.48
Textile	18.16	5.95	5.95	1.88
Wearing Apparel	6.08	(2.18)	(2.18)	2.43
Leather Products	1.23	3.67	3.67	2.14
Paper & Board	1.63	(2.31)	(2.31)	5.34
Coke & Petroleum Products	6.66	6.96	6.96	3.35
Rubber Products	0.24	13.01	13.01	14.10
Non Metallic Mineral Products	5.01	6.52	6.52	13.86
Fabricated Metal	0.42	11.28	11.28	3.37
Computer, electronics and Optical products	0.03	1.76	1.76	1.70
Electrical Equipment	2.05	6.52	6.52	4.00
Automobiles	3.10	75.25	75.25	84.58
Other transport Equipment	0.69	26.19	26.19	35.38
Other Manufacturing (Football)	0.32	38.98	38.98	25.39
Beverages	3.84	(4.71)	(1.06)	(1.06)
Wood Products	0.18	0.87	(1.50)	(1.50)
Chemicals	6.48	(3.40)	(2.18)	(2.18)
Pharmaceuticals	5.15	2.46	(4.81)	(4.81)
Iron & Steel Products	3.45	(10.67)	(3.52)	(3.52)
Machinery and Equipment	0.39	(73.39)	(14.15)	(14.15)
Furniture	0.51	(66.09)	(22.26)	(22.26)
LSM Growth for Sept 2025 (Y/Y)				<b>2.69%</b>
LSM Growth of Sept 2025 vs. Aug 2025 (M/M)				<b>2.05%</b>
LSM Jul-Sept FY26 (Cumulative)				<b>4.08%</b>

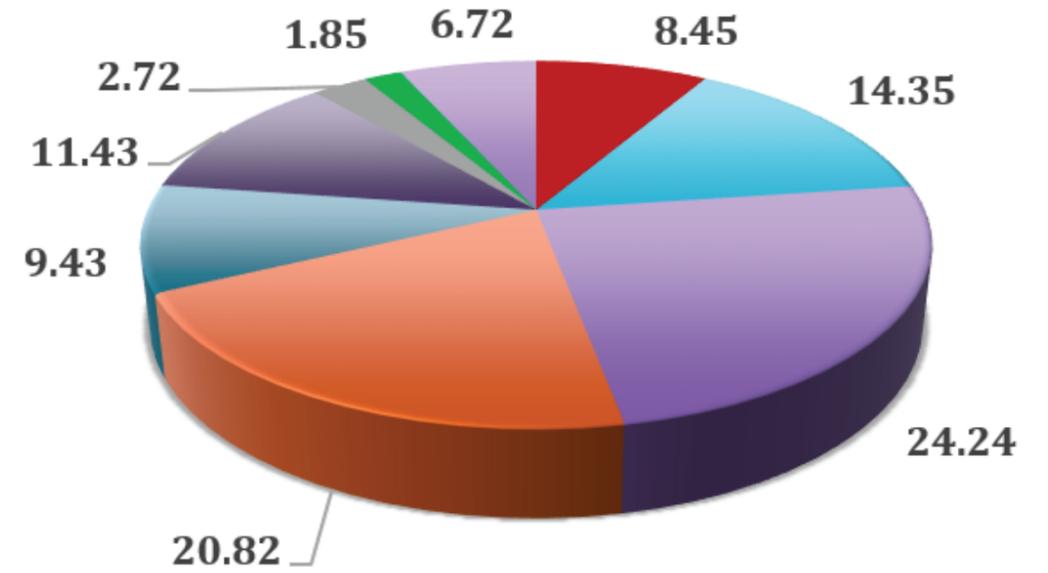
(Source: PBS)



# 5. WORKER'S REMITTANCES

As per the SBP, Pakistan received a monthly remittance inflow of \$3.42 billion in October 2025, recording an increase of 7.4% compared to \$3.18 billion in September 2025 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 11.9% when compared to \$3.05 billion received a year ago in the same month.

Remittances % Share (Jul-Oct FY26)



- USA
- U.K.
- Saudi Arabia
- U.A.E.
- Other GCC
- EU
- Australia
- Canada
- Other



Worker Remittances (USD in Million)

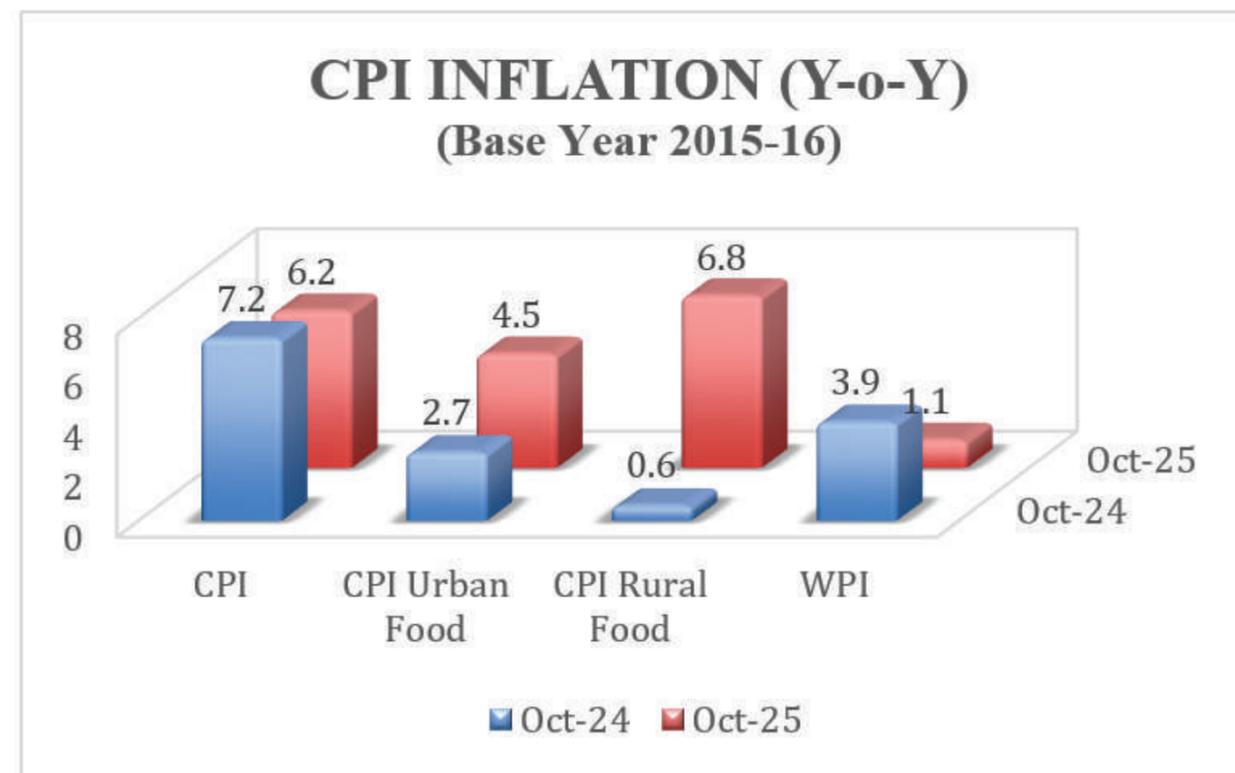


# 6. CONSUMER PRICE INDEX INFLATION

According to the PBS, the monthly inflation rate in Oct 2025 is reported at 6.2% on a Y-o-Y basis. The increase in inflation is due to Health, Transport, education sector items seeing a rise in Sept 2025. Additionally, the food inflation rates in both the urban and rural areas rose by a level of 4.5% and 6.8%, respectively. The Wholesale Price Index (“WPI”) stood at 1.1% on a Y-o-Y basis in FY26, which was recorded 3.9% in the same month of FY25. On a monthly basis, the National CPI has recorded a inflation of 1.8%. Similarly, the Food inflation rate has risen by 1.7% and 3.0% for the urban areas and rural areas, respectively. In Oct 2025, Core inflation, which is calculated by excluding energy and food items, rose by 7.5% and 8.4% in urban and rural areas on a Y-o-Y basis, respectively.

Group	Weight (%)	% Change over	
		Sep 25	Oct 24
Food	34.58	2.69	5.56
Non-perishable	29.60	0.78	6.29
Perishable	4.99	14.89	1.66
Utility	23.63	2.19	4.24
Health	2.79	0.67	9.69
Transport	5.91	0.85	6.72
Education	3.79	0.08	10.61
Restaurants & Hotels	6.92	0.44	6.09

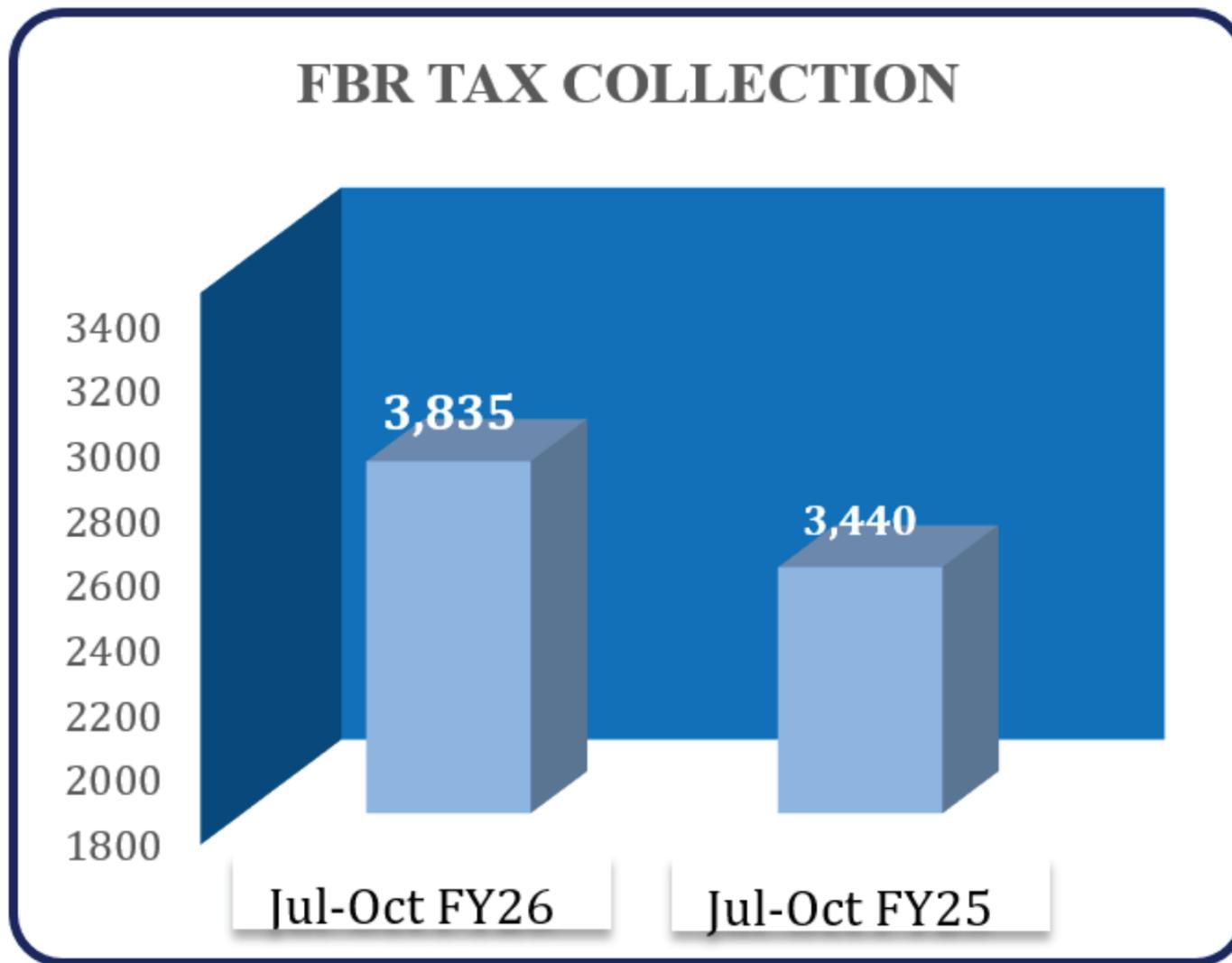
(Source: PBS)



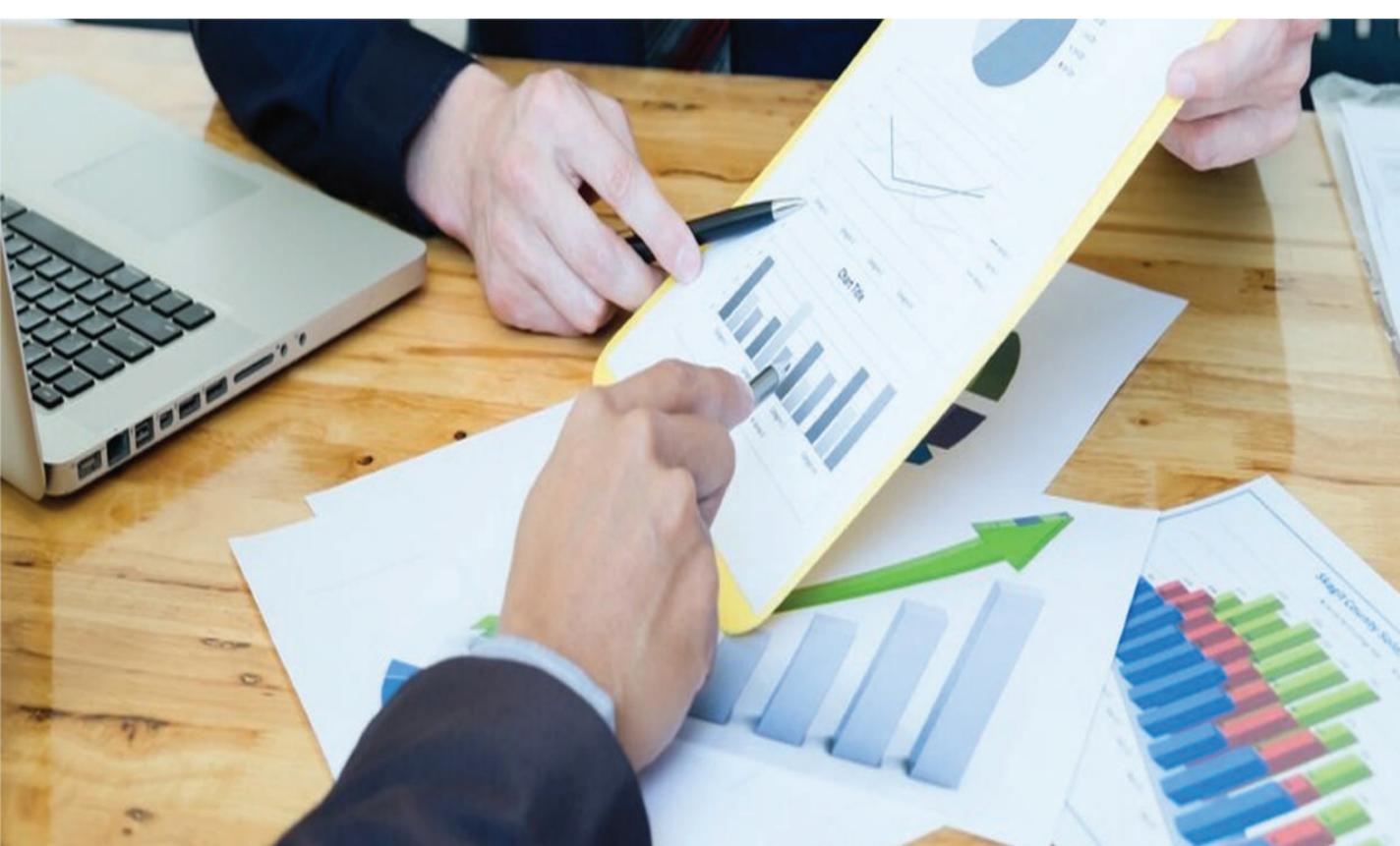


# 7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR has collected PKR 3,835 billion worth of tax revenue in the first four months of FY26 and failed to achieve its target of PKR 4,108 billion amidst a decline in domestic sales tax. The decline in domestic sales tax is driven by several factors, including but not limited to power outages and increased solarization, both of which have significantly reduced taxable consumption from conventional utility sources.



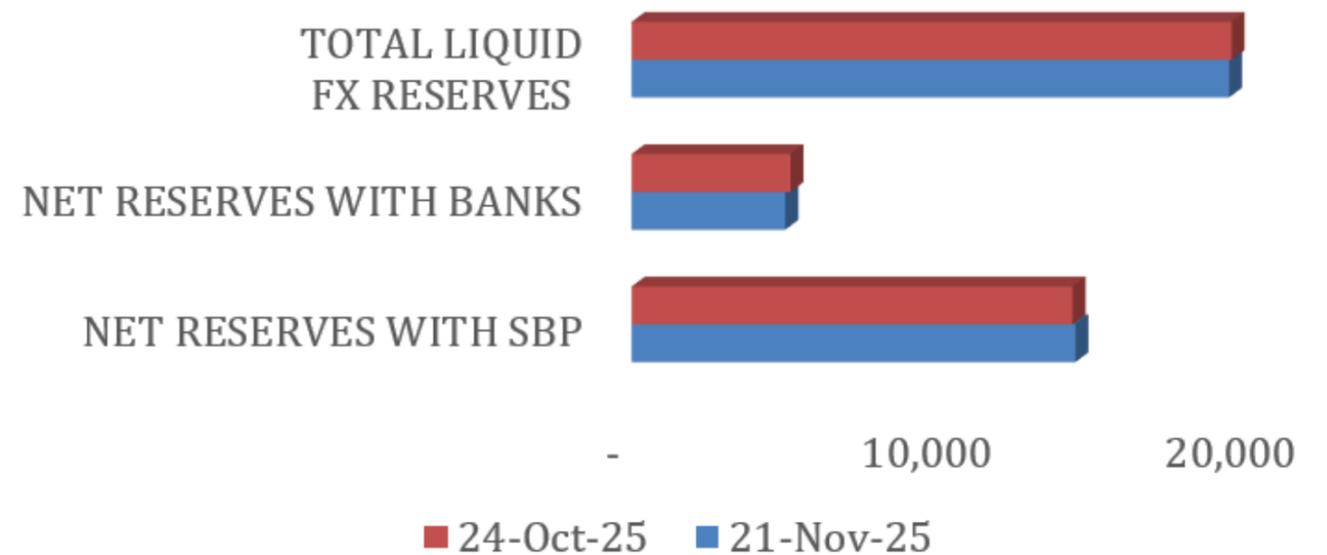
(Source: Express Tribune)



## 8. FOREIGN EXCHANGE RESERVES

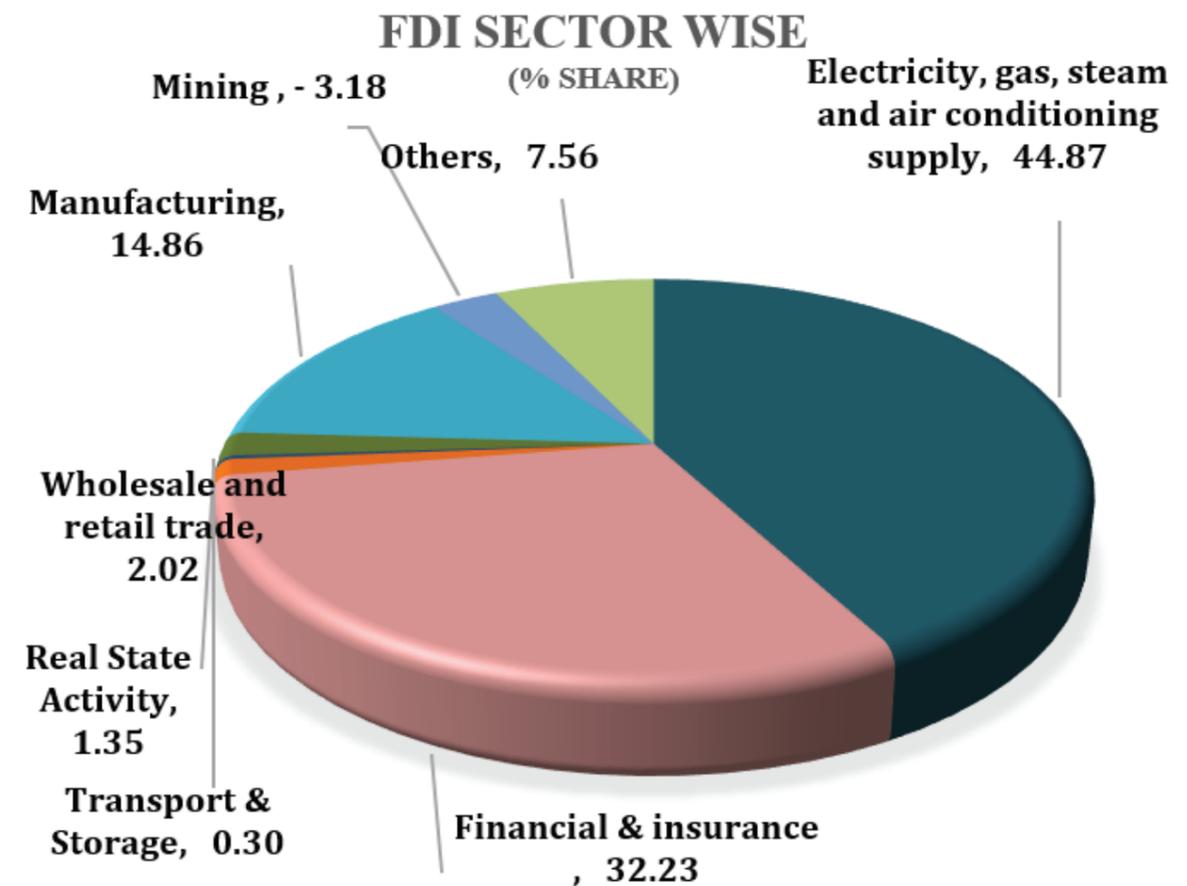
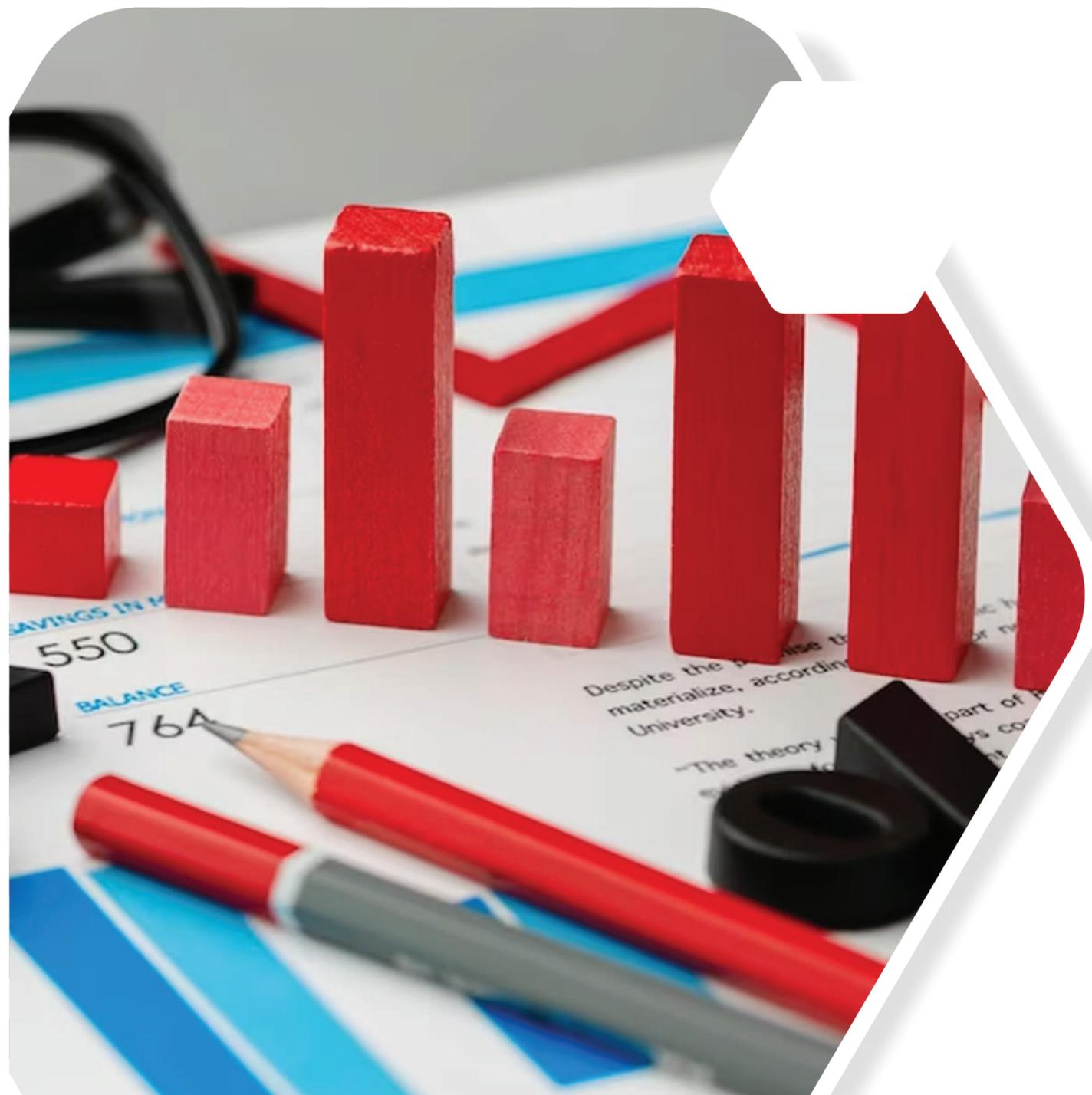
The Net foreign exchange reserves of the SBP stood at \$14.6 billion as of Oct 24th, 2025, representing an increase of 0.6%, or \$89 million, compared to previous month reserves of \$14.47 billion on Oct 24th, 2025.

### Foreign Exchange Reserves (USD in Million)



# 9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has plunged by 35.1% or \$263 million to \$748 million provisionally during the Jul-Oct period of FY26, as compared to \$1,011 million during the same period of FY25. Whereas, the total Net Foreign Investment plunged by 472 times or \$987 million to -\$64.5 million on a Y-o-Y basis in Jul-Oct period of FY26 as against the amount of \$209 million in the same period of FY25. This Pie chart shows the percentage share of net inflows in different sectors of the Economy in the Jul-Oct period of FY26.



# 10. DEBT PROFILE

The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to PKR 76.60 trillion by Sept 2025, marking a substantial increase of 12.4% 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.

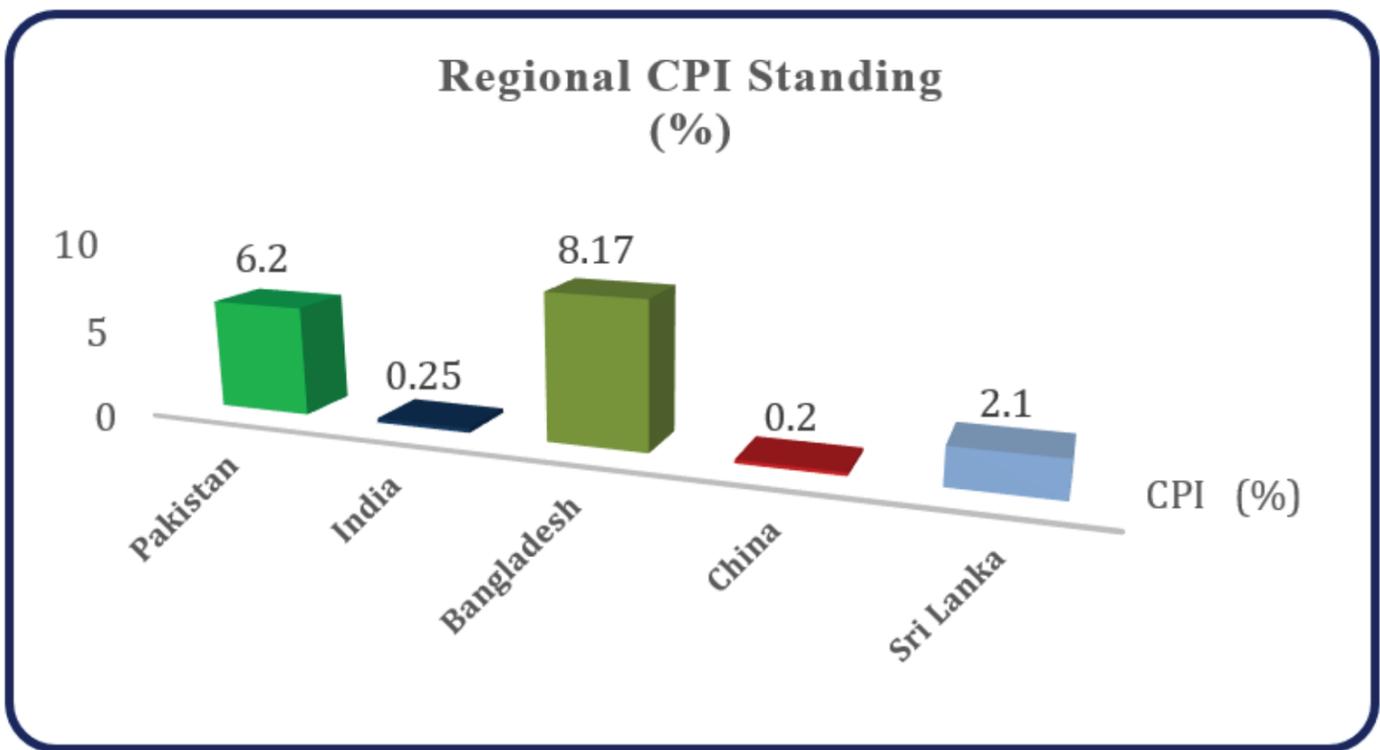


Pakistan's Total Debt & Liabilities			
(PKR in billion)	Sept-25	Sept-24	% change
Domestic Debt	53,424	47,536	12.39
% of GDP	<b>46.58</b>	<b>45.21</b>	
External Debt	23,181	22,034	5.21
% of GDP	<b>20.21</b>	<b>20.96</b>	
Total Debt	76,605	69,571	10.11
% of GDP	<b>66.79</b>	<b>66.17</b>	
Nominal GDP	114,694	105,143	9.08

(Source: SBP & MOF)

# 11. REGIONAL ANALYSIS

Compared to other countries in the region, the Pakistani economy has gained momentum against the USD over the past month. Additionally, due to the recent floods, the inflation rate has surged to 6.2% during Oct 2025. Further, the inflation in Bangladesh has been steady at 8.2%. In Sri Lanka, the CPI has recorded inflation for the third consecutive months, and the same was recorded at 2.1% in Oct 2025, influenced by a slight increase in aggregate demand in the Sri Lankan economy. Meanwhile, India's inflation has slowed down to 0.25% from 1.5%, primarily driven by declining prices of food articles and food products. Additionally, China has experienced inflation in October 2025.



(Source: Trading Economics)

Country	Local Currency Units per USD (As of 28th Oct)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	280.5	(1.84)
India	89.4	(5.79)
Bangladesh	122.2	(2.70)
China	7.10	2.40
Sri Lanka	308.0	(5.96)

(Source: Trading Economics)





# OUTLOOK

Fixing the economy in ongoing 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. Therefore, 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 October 2025, from 0.3% in April 2025 to 6.2% in September 2025. Moreover, the inflation outlook remains vulnerable to several risks, including additional fiscal measures to address revenue shortfalls and recent flood disasters, a potential resurgence in food inflation, increment in petroleum levy and rising global commodity prices. Despite these challenges and the 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.

Despite average inflation remaining below 5.0% in recent months, the SBP has kept the policy rate unchanged for four MPC meetings. To achieve the 4.2% GDP growth target, a 3% to 4% cut in interest rates is needed while maintaining a positive real interest rate. Inflation is expected to stay near 7.5% in FY26. Bringing the exchange rate closer to PKR 253.36/USD would strengthen stability. Such adjustments may bring inflation below 2%, as every PKR 10 appreciation reduces the inflation rate by 2% that is, a PKR 27 appreciation would lower inflation by 5.4%, allowing further monetary easing and faster growth.



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