



# Pakonomics January 2026



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# HIGHLIGHTS

According to the valuation of Tola Associates (“TA”), the value of PKR is 252.87/USD after incorporating the Current Account Deficit (“CAD”) of the Jul-Jan period of FY26.

In the inter-bank market, the value of the national currency stands at PKR 279.47/USD as of 27th December 2025. Over the past week, the USD to PKR parity rate has slightly declined from 280/USD.

According to the Pakistan Bureau of Statistics (“PBS”), Pakistan’s LSM sector showed an expansion of 0.4% in December 2025 on a Year-on-Year (“Y-o-Y”) basis vs. Nov 2024.

According to the SBP, Pakistan received a monthly remittance inflow of \$3.47 billion in January 2026, recording a decrease of 3.6% compared to \$3.59 billion in December 2025 on a M-o-M basis.

The Net foreign currency reserves held by the SBP stood at \$16.20 billion as of 13th Feb 2026.

The Currency in circulation stock from 1st July 2025 to 13th Feb 2026 has expanded by PKR 747 billion, compared to an expansion of PKR 370 billion during the same period last year.

According to the PBS, the pace of Consumer Price Index (“CPI”) inflation has clocked in at 5.8% on a Y-o-Y basis in January 2026 vs. 2.4% in the same month of the previous year.



Pakistan’s net FDI has plunged by 41% or \$679 million to \$981 million provisionally during the Jul-Jan period of FY26, as compared to \$1,661 million during the same period of FY25.

The total Net Foreign Investment plunged by 65% or \$966 million to \$517 million on a Y-o-Y basis in the Jul-Jan period of FY26 as against the amount of \$1,484 million in the same period of FY25.

Pakistan reported a CAD of \$1,074 million during the Jul-Jan Period of FY26, compared to a Current Account Surplus of \$564 million in the same period of FY25.



# ECONOMY AT A GLANCE

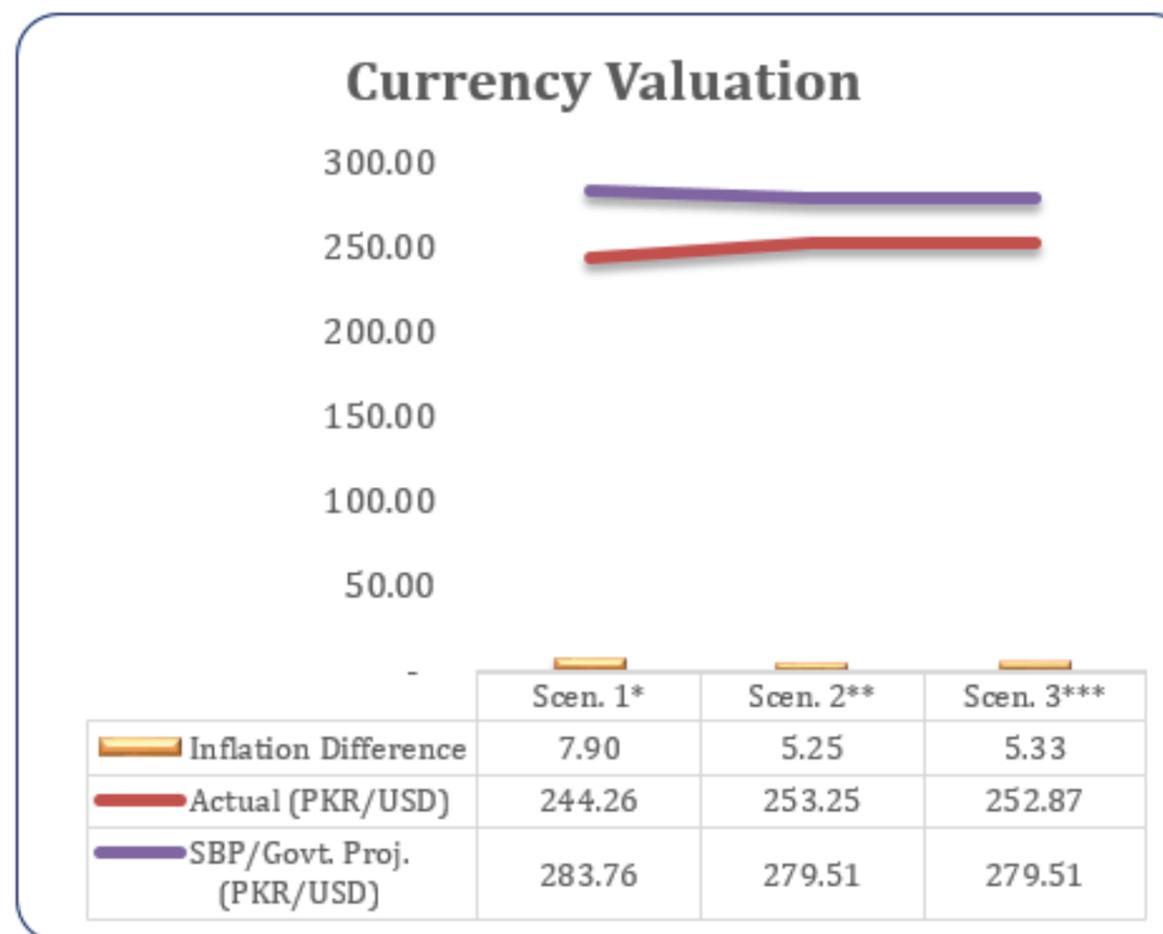


Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	December	↑	0.44 %	(3.40) %
Central Government Debt	December	↑	PKR 78,529 Billion	PKR 71,647 Billion
Credit to Private Sector	Jul – 13th February	↓	PKR 638 Billion	PKR 771 Billion
Worker's Remittances	January	↑	US \$3,465 Million	US \$3,003 Million
Broad Money (M2)	Jul – 13th February	↑	PKR 691 Billion	PKR (507) Billion
Net Government Sector borrowing	Jul – 13th February	↑	PKR 285 Billion	PKR (889) Billion
National CPI (Base Year 2015-16)	January	↑	5.8 %	2.4 %
FBR Tax Collection	Jul-Jan	↑	PKR 7,176 Billion	PKR 6,490 Billion
Foreign Exchange Reserves with SBP As of 13th February		↑	\$16.20 Billion	\$11.20 Billion
Foreign Direct Investments	Jul-Jan	↓	\$981 Million	\$1,661 Million
Trade Deficit in Goods	Jul-Jan	↑	US\$ (20,038) Million	US\$ (17,188) Million
Current Account Deficit	Jul-Jan	↑	\$(1,074) Million	\$564 Million

# 1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 253.38/USD after adjusting the CAD of the period of Jul-Jan 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 279.51/USD, as the present value of PKR currency would have been 252.87/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-Jan 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 is restricted to its targeted value of \$2.11 billion for FY26.

\*\*\* Actual CAD of Jul-Jan FY2025-26 cumulated in the Projection (adjusted on a monthly basis)

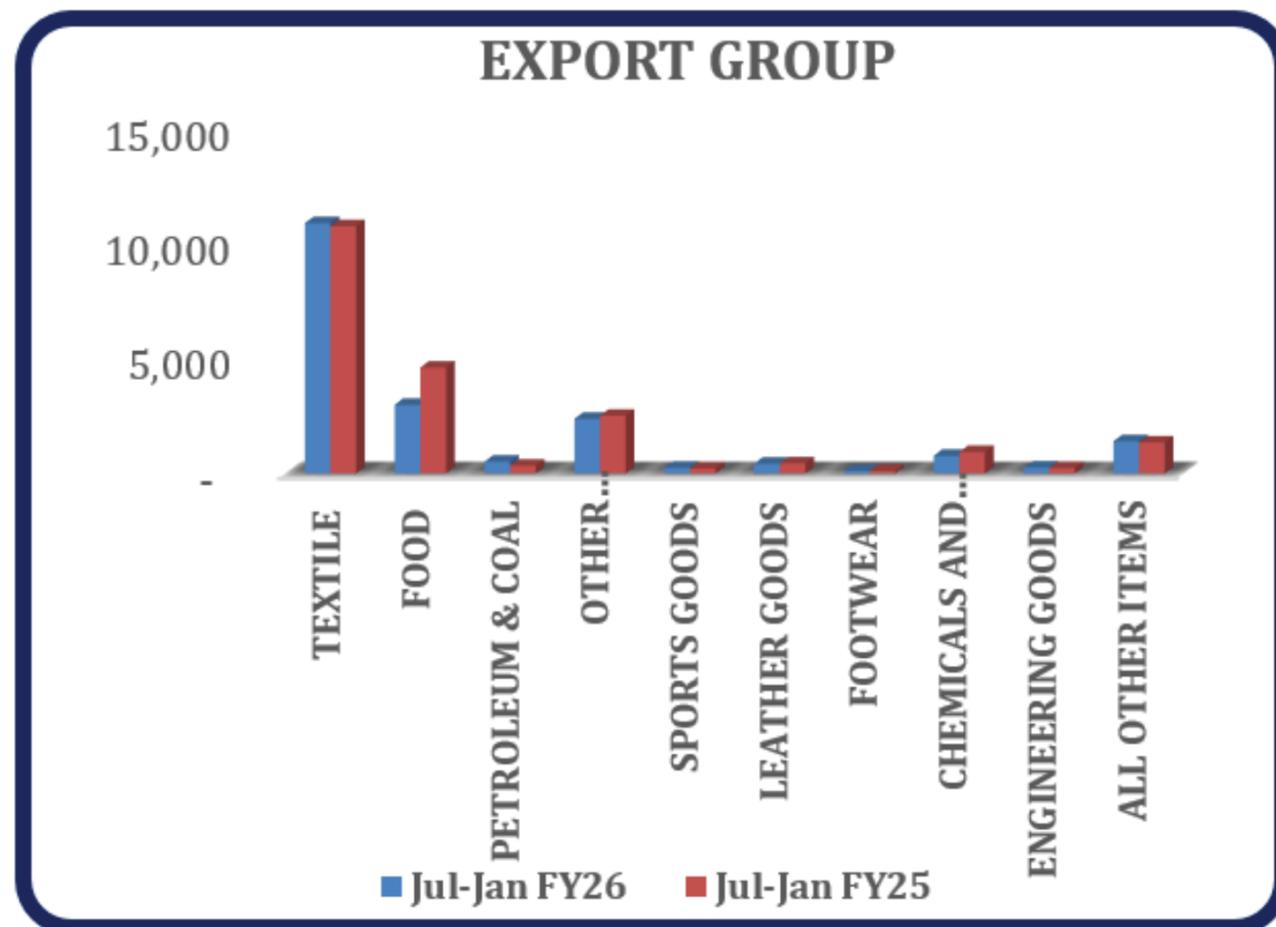
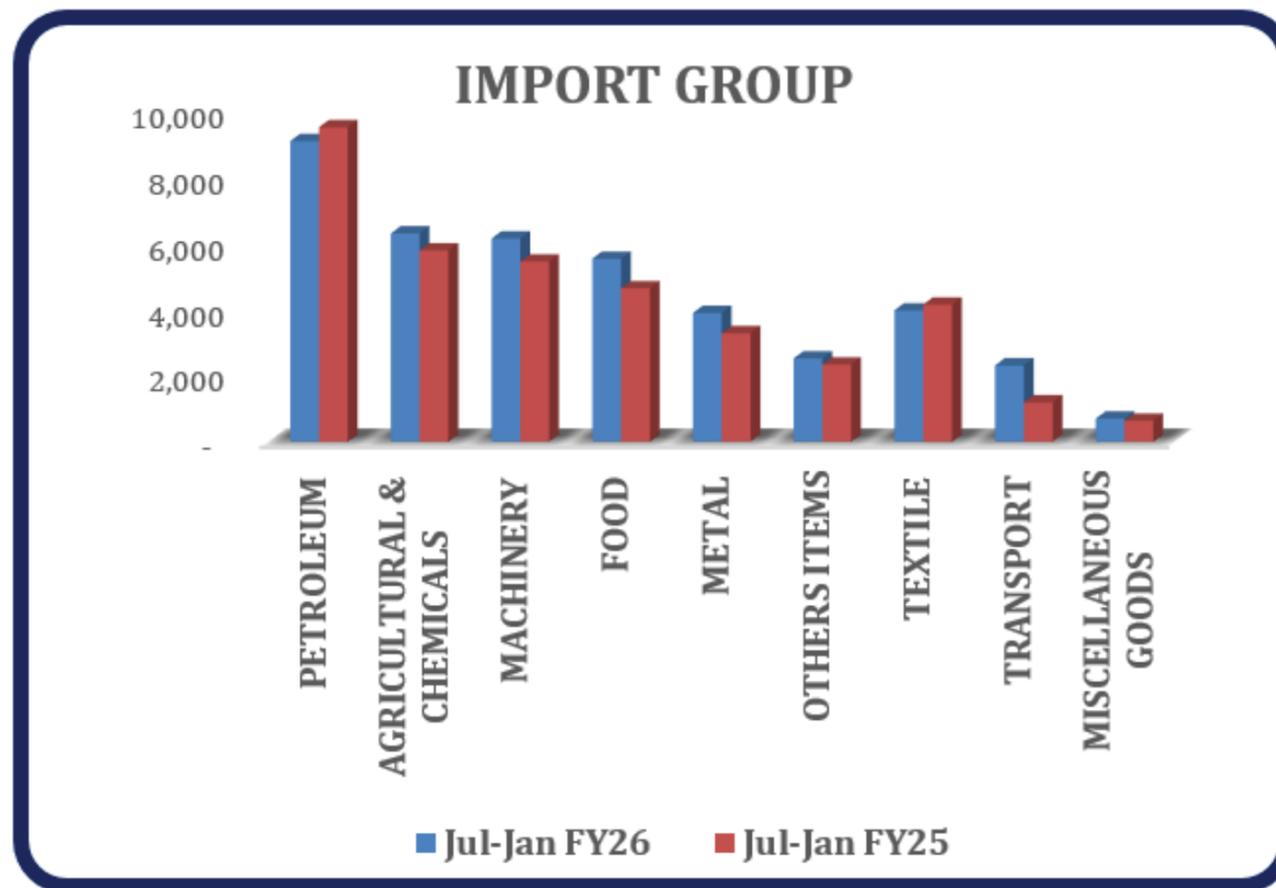
## 2. CURRENT ACCOUNT ("CA"):

The CA stood at a \$121 million surplus in January 2026, marking the first time after three consecutive months of deficit in FY26. This represents an increase of almost 1.45 times from a deficit of \$265 million in December 2025. On a year-on-year ("Y-o-Y") basis, the CAD has declined by 1.3 times compared to the same month in FY25.

CA FLOWS	Jan-26	Dec-25	Jan-25	MoM (%)	YoY (%)
Exports of goods FOB	2,746	2,758	3,008	(0.44)	(8.71)
Imports of goods FOB	5,337	5,737	5,481	(6.97)	(2.63)
(i) Balance on trade in goods	(2,591)	(2,979)	(2,473)	(13.02)	4.77
Exports of services	887	946	674	(6.24)	31.60
Imports of services	1,189	1,347	965	(11.73)	23.21
(ii) Balance on trade in services	(302)	(401)	(291)	(24.69)	3.78
Primary Income Credit	91	97	85	(6.19)	7.06
Primary Income Debit	807	844	861	(4.38)	(6.27)
(iii) Balance in Primary Income	(716)	(747)	(776)	(4.15)	(7.73)
Secondary Income Credit	3,774	3,905	3,203	(3.35)	17.83
Worker Remittances	3,465	3,592	3,003	(3.54)	15.38
Secondary Income Debit	44	43	56	2.33	(21.43)
(iv) Balance on secondary income	3,730	3,862	3,147	(3.42)	18.53
Current Account Surplus/ (Deficit) "i + ii + iii + iv"	121	(265)	(393)	(145.66)	(130.79)

# 3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit has decreased by a margin of 6.6% to \$2.73 billion in Jan of FY26, compared to \$2.92 billion in the same month of FY25. Moreover, the exports went up by 3.7% to \$3.06 billion during the seventh month of FY26 compared to \$2.95 billion in the same month of last FY25. Further, the imports decreased by 1.4% to \$5.79 billion in Jan of FY26 compared to \$5.87 billion in the same period of FY25. Additionally, on a M-o-M basis, exports went up by almost 35.0% compared to \$2.27 billion in Dec 2025. Furthermore, the country's trade deficit decreased by 28.5% compared to \$3.81 billion in Dec 2025 on a M-o-M basis.



# 4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed an expansion of 0.4% in Dec 2025 on a Y-o-Y basis vs. Dec 2024. Likewise, on a M-o-M basis, the overall output growth rose by 9.3%, compared to the month of Nov 2025. Additionally, Sector-wise, important groups such as cotton yarn, cotton cloth, the garment sector, and the cement industry showed a growth of 2.5%, 0.2%, 7.5%, and 11.6% respectively, in the month of Dec of FY26.

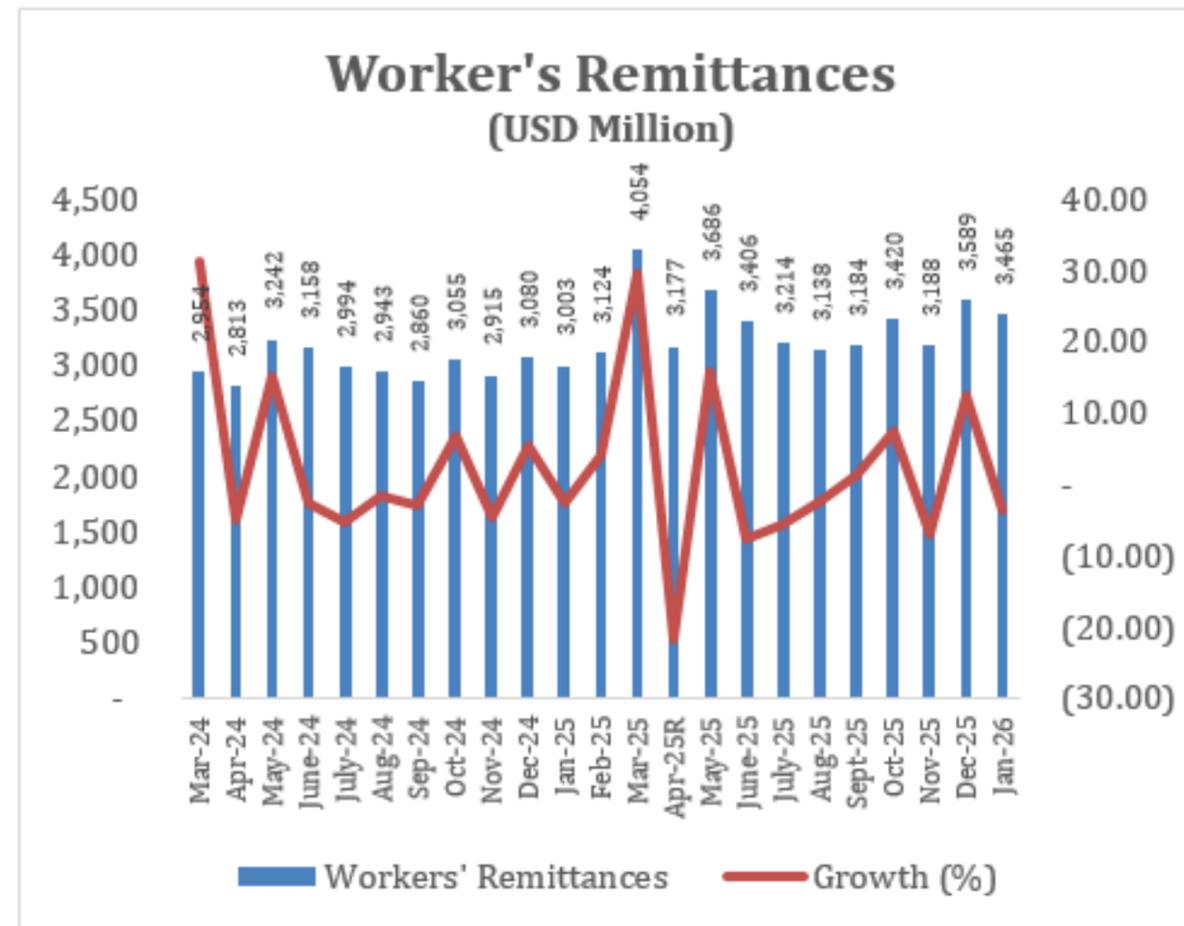
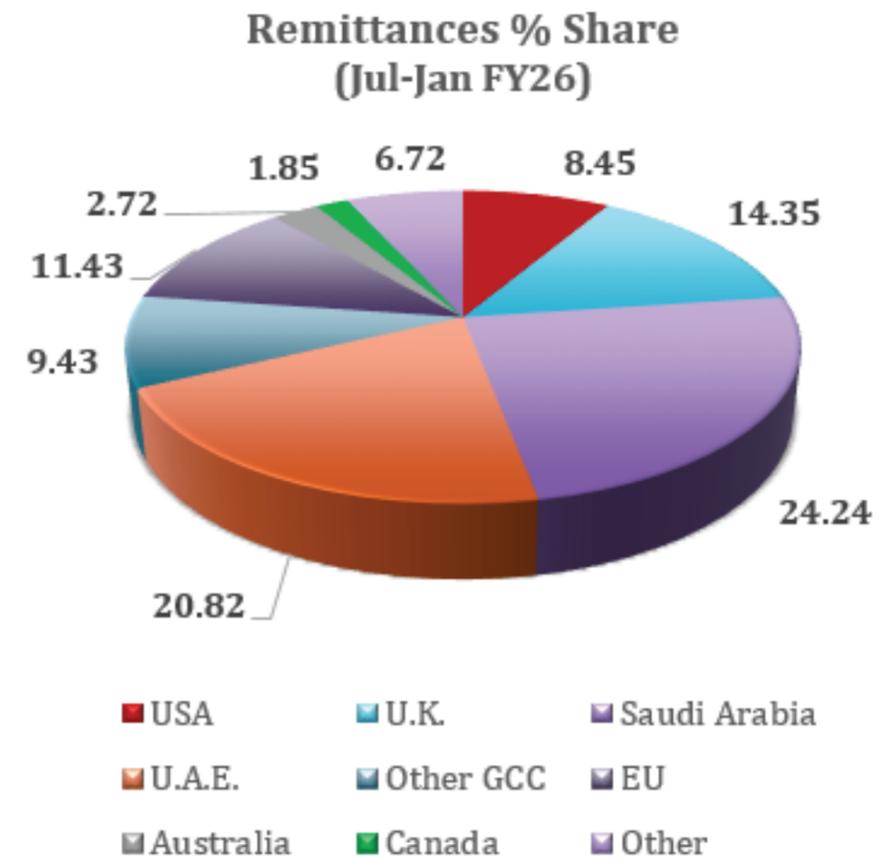
LSM (%)	Weight	Dec-25	Dec-24	Jul-Dec FY26 (%)
Food	10.69	(5.60)	(4.50)	0.58
Beverages	3.84	15.13	12.47	5.41
Tobacco	2.07	44.64	(26.14)	8.65
Textile	18.16	2.50	1.42	1.48
Wearing Apparel	6.08	9.24	0.28	7.48
Coke & Petroleum Products	6.66	(4.66)	9.72	13.49
Rubber Products	0.24	5.79	1.65	10.14
Non Metallic Mineral Products	5.01	2.57	(10.24)	10.52
Fabricated Metal	0.42	4.11	(14.82)	8.85
Computer, electronics and Optical products	0.03	2.98	2.89	1.71
Electrical Equipment	2.05	10.85	(13.85)	8.74
Automobiles	3.10	31.22	47.73	67.21
Other transport Equipment	0.69	41.54	46.55	40.47
Other Manufacturing (Football)	0.32	(9.67)	(19.66)	19.92
Leather Products	1.23	(5.39)	3.54	(0.74)
Wood Products	0.18	0.17	(8.40)	(0.91)
Paper & Board	1.63	(34.35)	0.20	(3.25)
Chemicals	6.48	(5.84)	(4.95)	(1.94)
Pharmaceuticals	5.15	(5.52)	1.71	(5.35)
Iron & Steel Products	3.45	(7.82)	(11.27)	(4.47)
Machinery and Equipment	0.39	(31.34)	89.23	(18.74)
Furniture	0.51	34.92	(70.14)	(5.74)
LSM Growth for Dec 2025 (Y/Y)				<b>0.44%</b>
LSM Growth of Dec 2025 vs. Nov 2025 (M/M)				<b>9.26%</b>
LSM Jul-Dec FY26 (Cumulative)				<b>4.82%</b>

(Source: PBS)



# 5. WORKER'S REMITTANCES

As per the SBP, Pakistan received a monthly remittance inflow of \$3.47 billion in January 2026, recording a decrease of 3.6% compared to \$3.59 billion in December 2025 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 15.3% when compared to \$3.00 billion received a year ago in the same month.

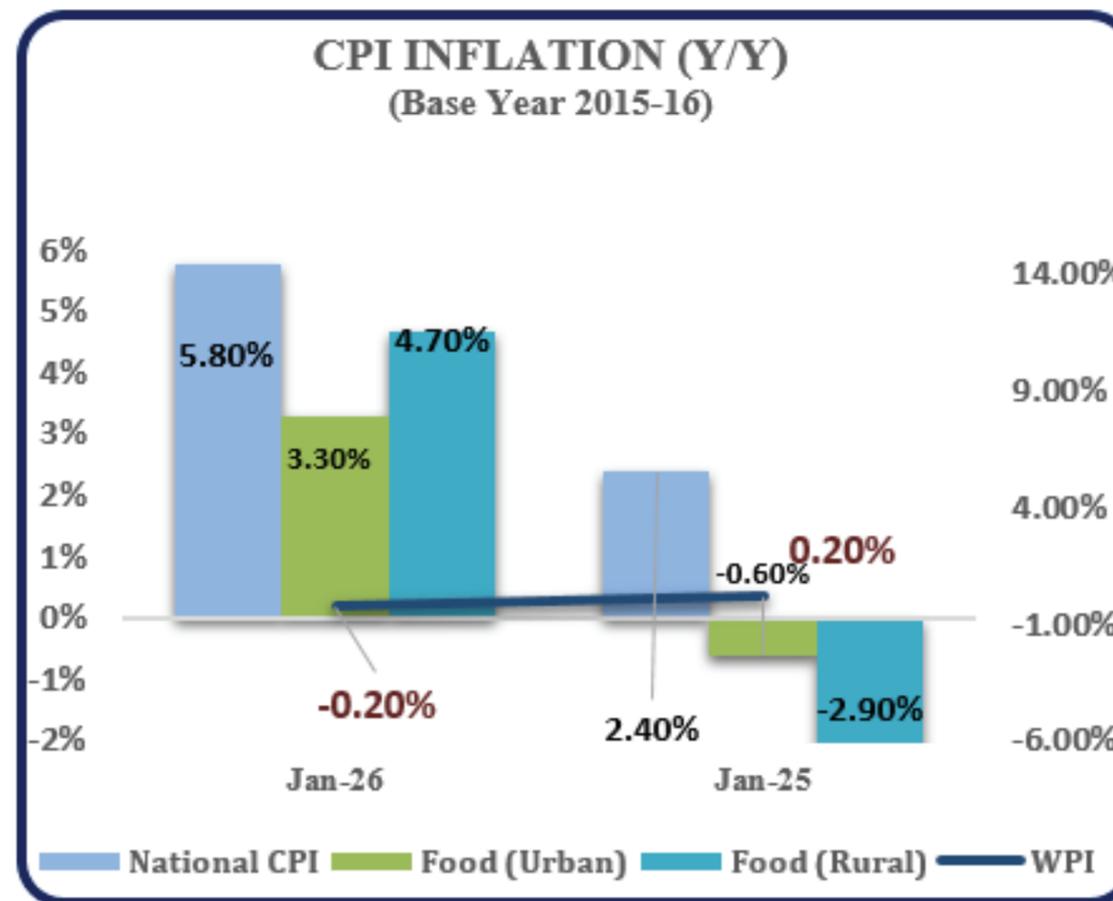


# 6. CONSUMER PRICE INDEX INFLATION

According to the PBS, the monthly inflation rate in January 2026 is reported at 5.8% on a Y-o-Y basis. The increase in inflation is due to non-perishable food items and the health, education, and utility sectors seeing a rise in prices. Additionally, the food inflation rates in both the urban and rural areas rose to a level of 3.3% and 4.7%, respectively. The Wholesale Price Index (“WPI”) declined at a rate of 0.2% on a Y-o-Y basis in FY26, which was recorded at 0.2% in the same month of FY25. Moreover, on a month-on-month basis, the national CPI increased by 0.4%. In contrast, the Food inflation rate has fallen by 0.2% in urban areas and 0.4% in rural areas, respectively. In January 2026, Core inflation, which is calculated by excluding energy and food items, rose by 7.2% and 8.3% in urban and rural areas on a Y-o-Y basis

Group	Weight (%)	% Change over	
		Dec-25	Jan-25
Food	34.58	0.06	3.90
Non-perishable	29.60	1.87	7.55
Perishable	4.99	(13.35)	(19.71)
Utility	23.63	1.09	7.29
Health	2.79	0.44	7.14
Transport	5.91	(1.37)	2.61
Education	3.79	0.25	10.05
Restaurants & Hotels	6.92	0.29	4.90

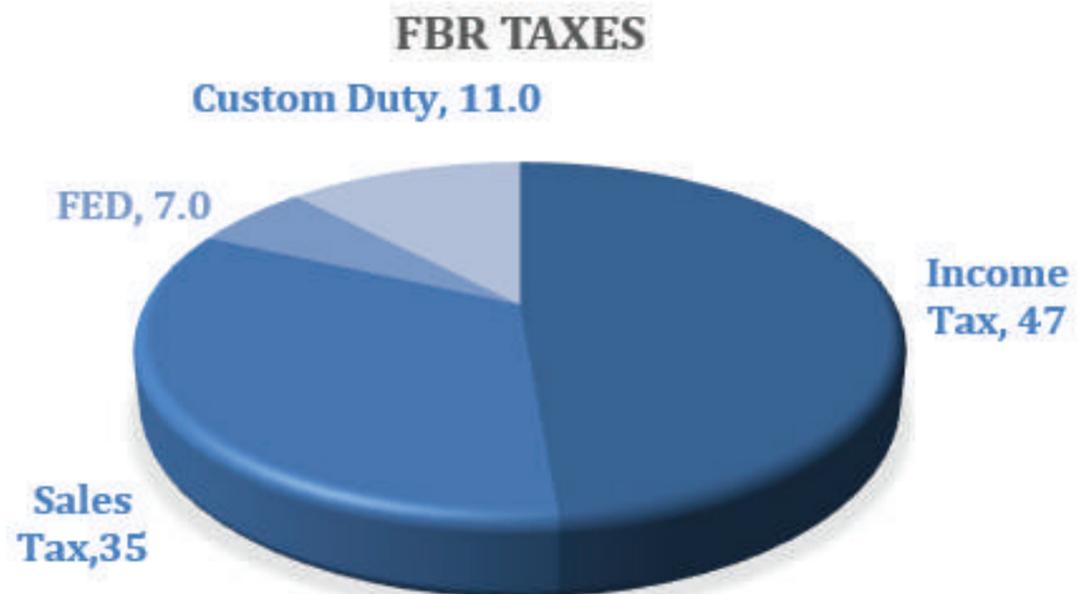
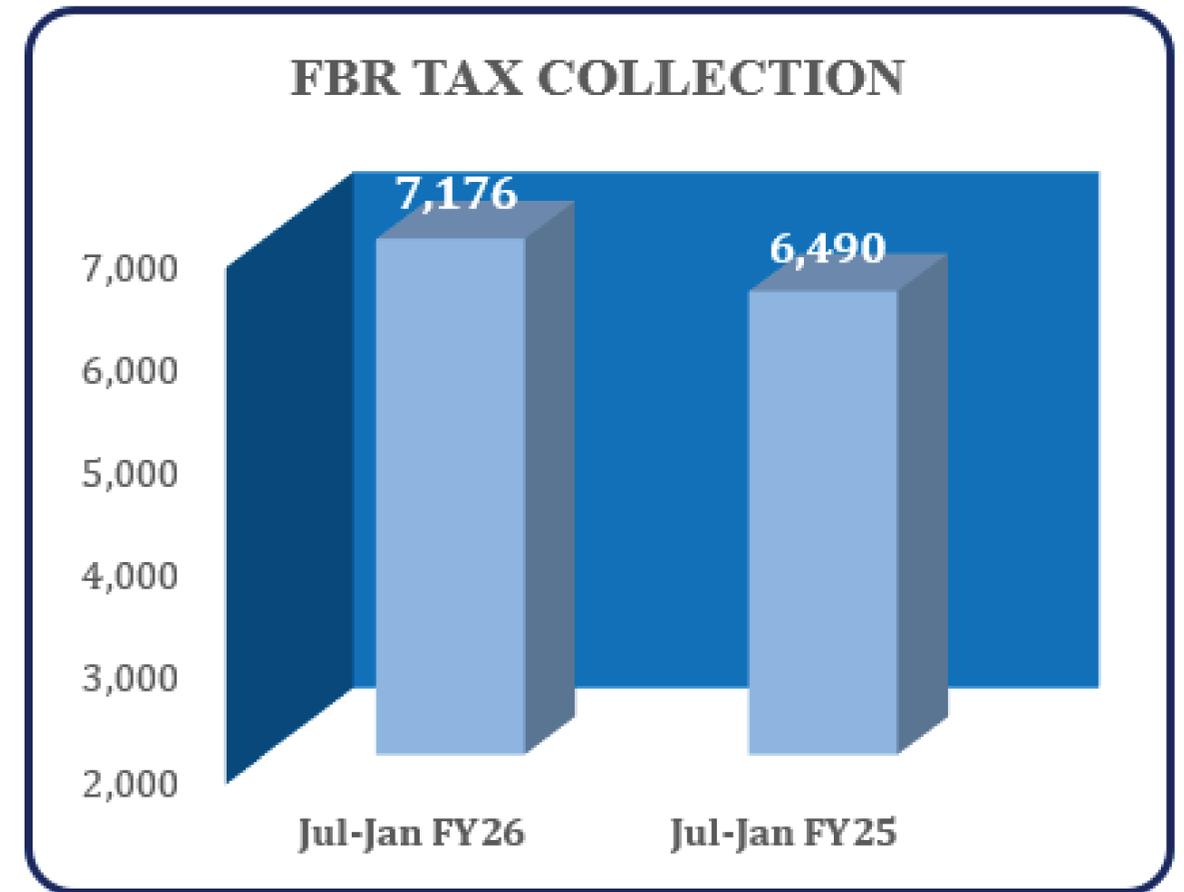
(Source: PBS)



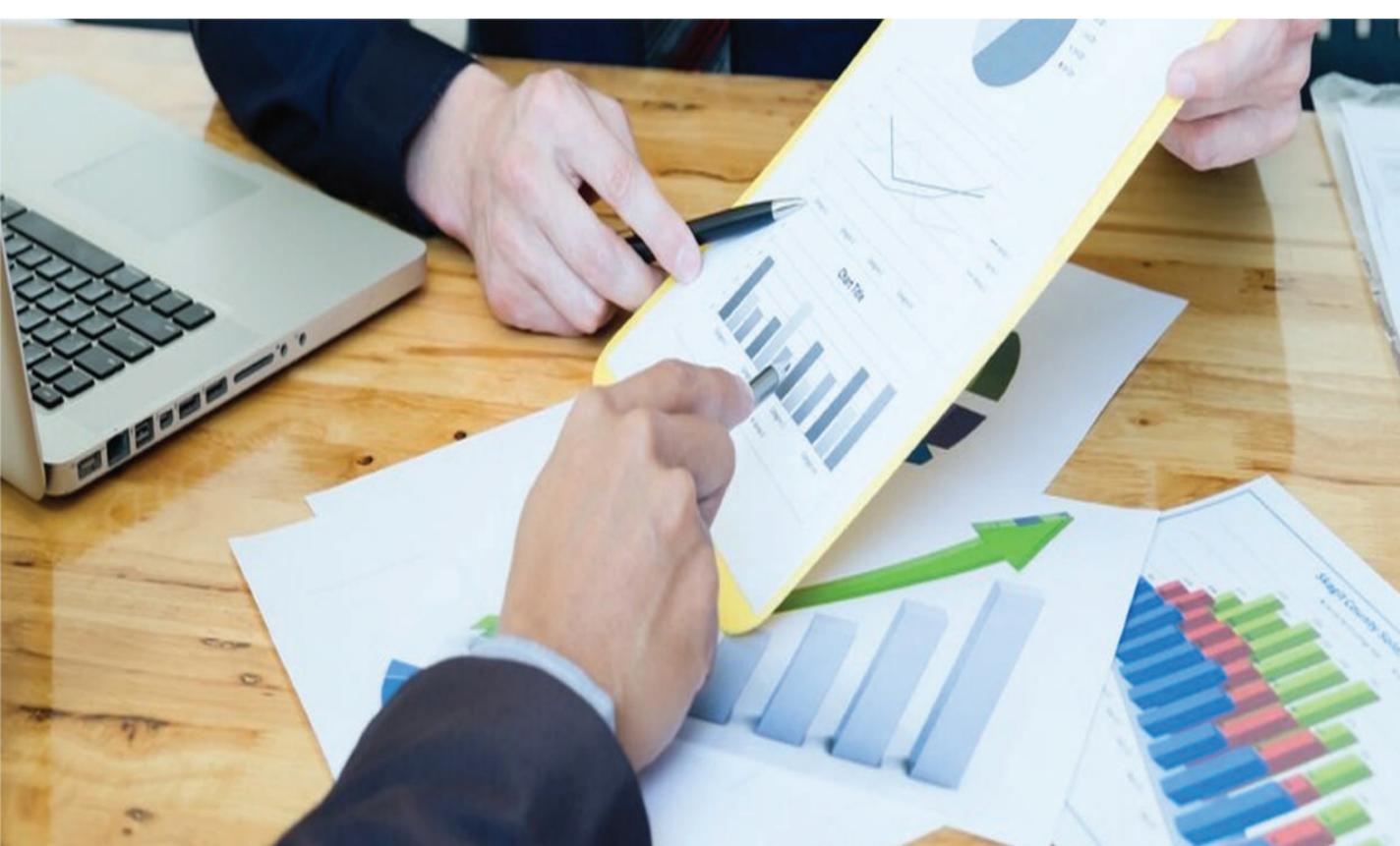


# 7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR collected PKR 7,176 billion worth of tax revenue in the Jul-Jan period of FY26 and failed to achieve its target of PKR 7,521 billion. As per the article by Mubarak Zeb Khan, published in Dawn titled, 'FBR's tax collection rises 16pc in January', "The shortfall is largely attributed to a dip in domestic sales tax collection, the suspension of super tax, and other factors. However, a recent ruling by the Federal Constitutional Court, which upheld the super tax, is expected to generate Rs300bn in revenue, potentially bridging the seven-month gap."

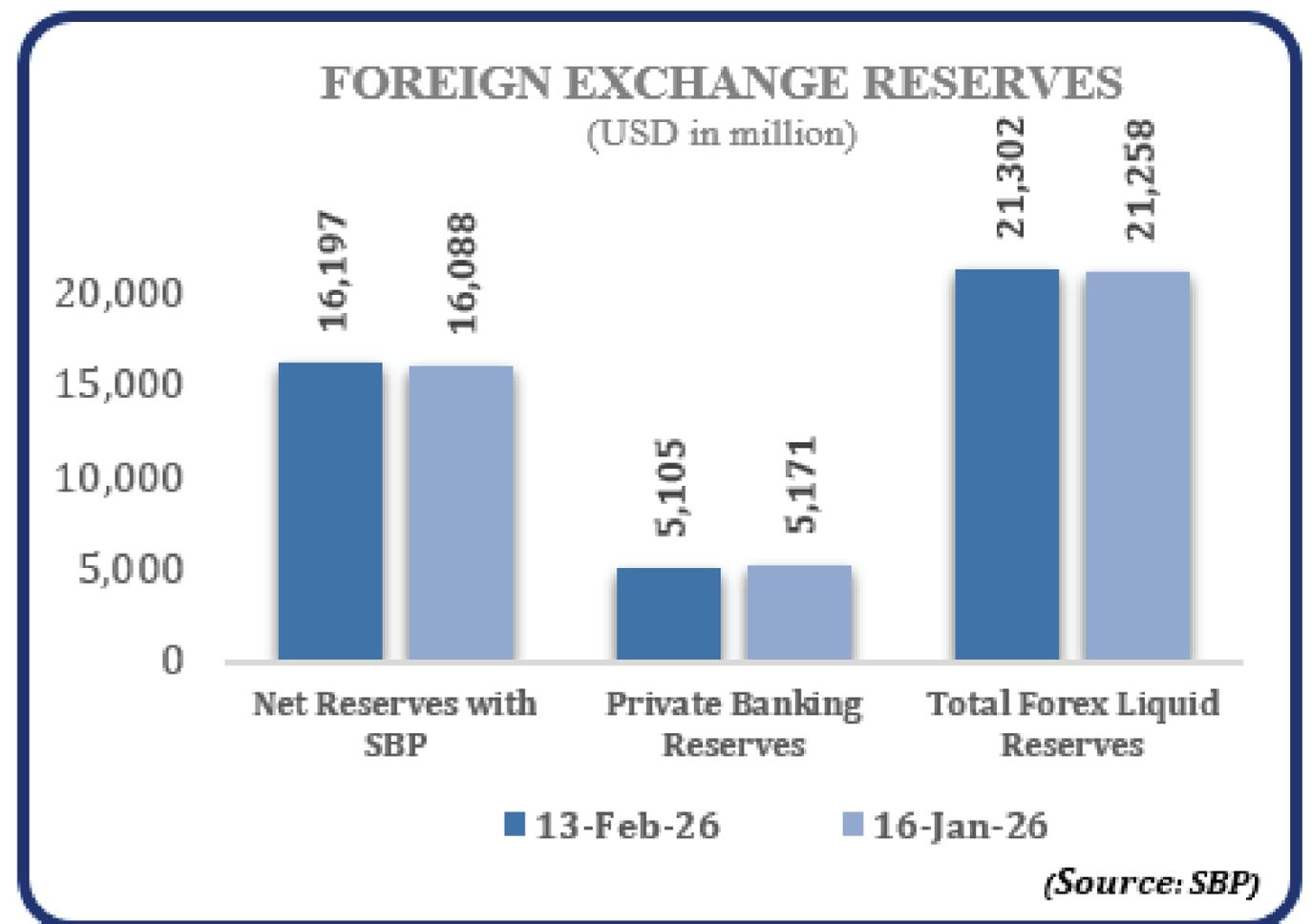


(Source: Express Tribune)



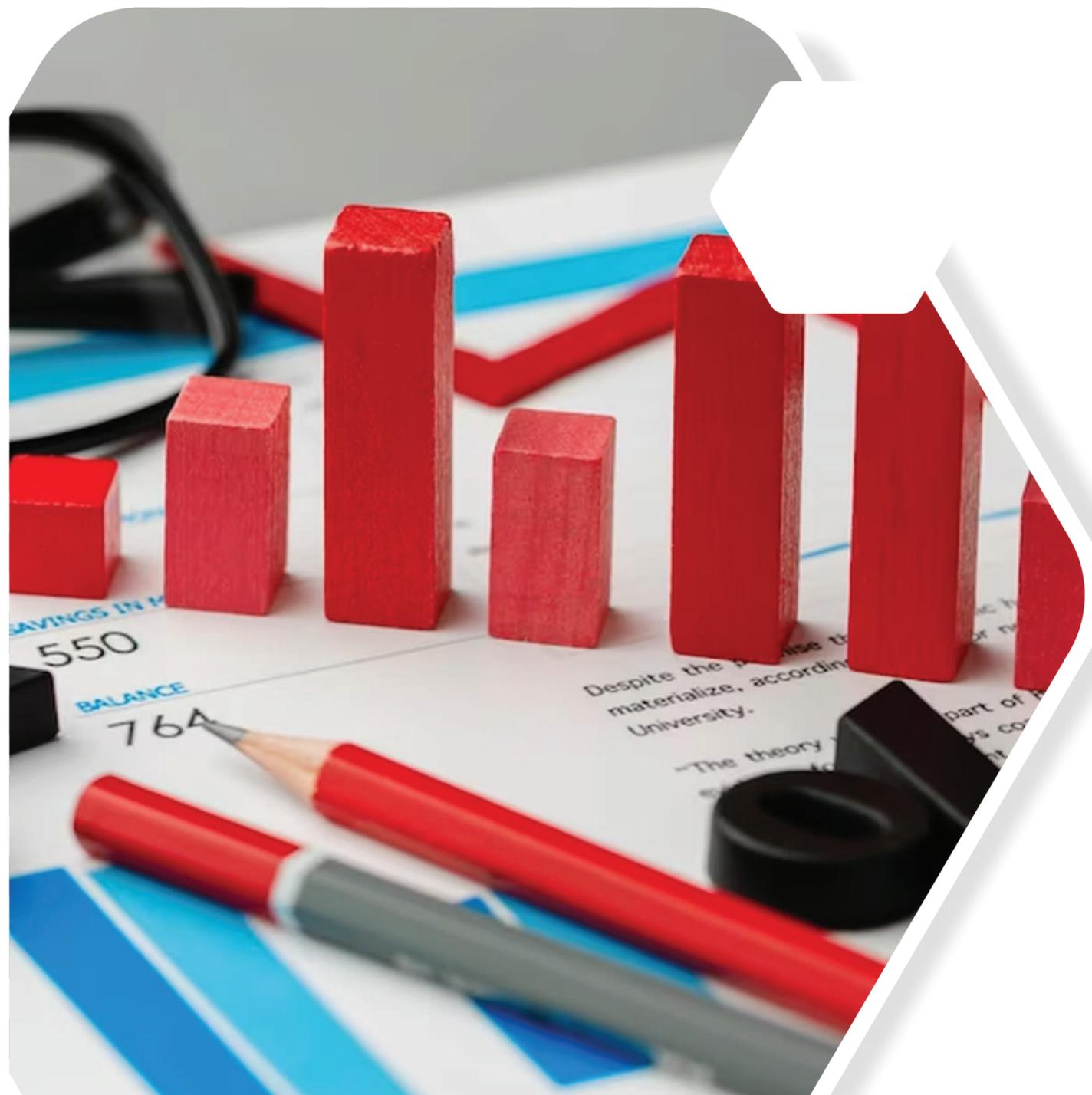
## 8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at \$16.20 billion as of Feb 13th, 2026, representing an increase of 0.7%, or \$109 million, compared to the previous month's reserves of \$16.09 billion on Jan 16th, 2026.

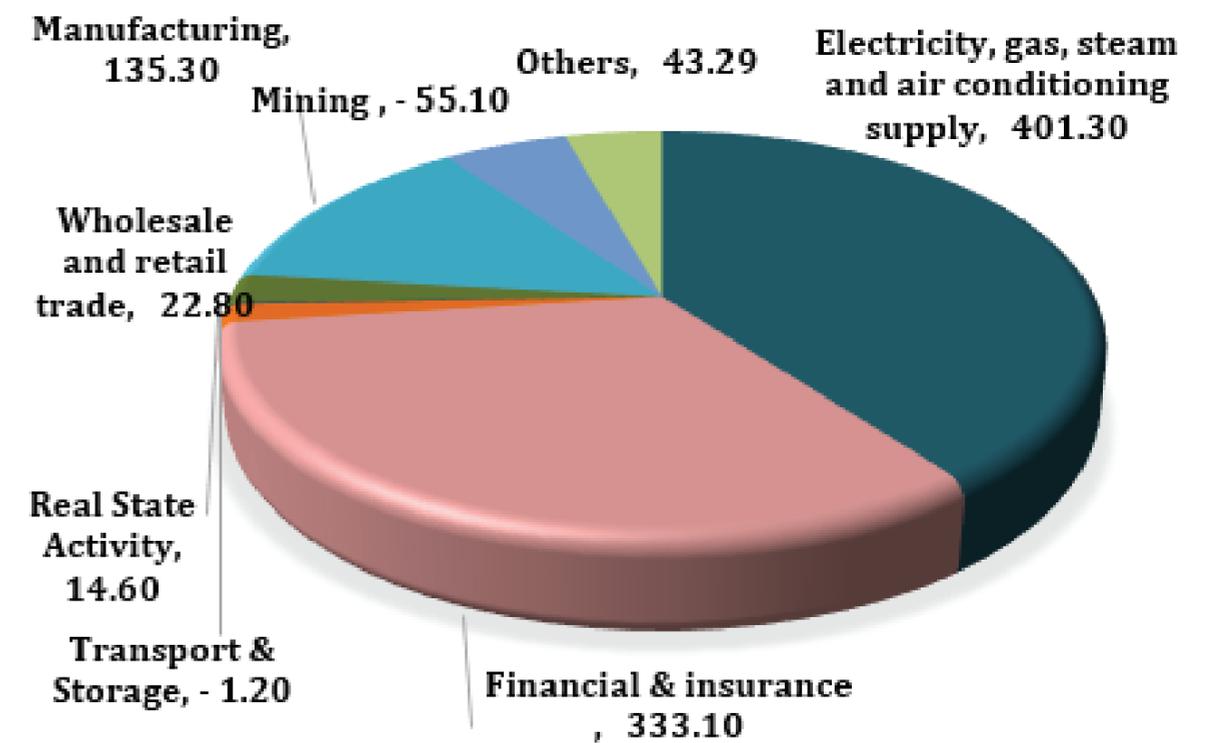


# 9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has plunged by 41% or \$679 million to \$981 million provisionally during the Jul-Jan period of FY26, as compared to \$1,661 million during the same period of FY25. Whereas, the total Net Foreign Investment plunged by 65% or \$966 million to \$517 million on a Y-o-Y basis in the Jul-Jan period of FY26 as against the amount of \$1,484 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-Jan period of FY26.



**NET FDI SECTOR WISE**  
(USD IN MILLION)



# 10. DEBT PROFILE

The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to PKR 78.5 trillion by December 2025, marking a substantial increase of 9.6% 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.

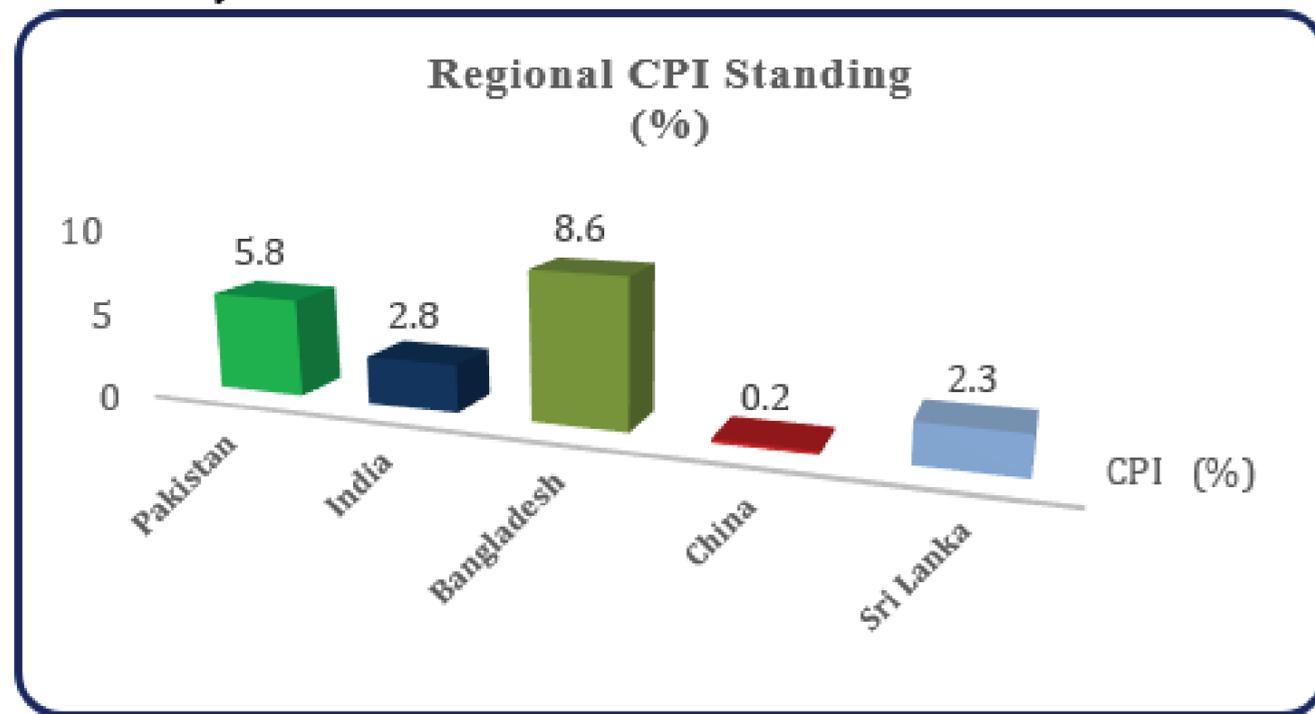


Pakistan's Total Debt & Liabilities			
(PKR in billion)	Dec-25	Dec-24	% change
Domestic Debt	55,363	49,883	11.0%
% of GDP	<b>48.2%</b>	<b>47.4%</b>	
External Debt	23,166	21,764	6.4%
% of GDP	<b>20.2%</b>	<b>20.7%</b>	
Total Debt	78,529	71,647	9.6%
% of GDP	<b>68.5</b>	<b>68.1%</b>	
Nominal GDP	114,694	105,143	9.08

(Source: SBP & MOF)

# 11. REGIONAL ANALYSIS

Compared to other countries in the region, the Pakistani economy has stable against the USD over the past month. Further, the inflation in Bangladesh has been steady at 8.6%. In Sri Lanka, the CPI has recorded inflation for the third consecutive month, recording at 2.3% in January 2026, influenced by a slight increase in aggregate demand in the Sri Lankan economy. Meanwhile, India's inflation has risen up to 2.8% from 1.3%, primarily driven by increasing prices of food articles and food products. Additionally, China has experienced a inflation in January 2026 which is recorded at 0.2%.



(Source: Trading Economics)

Country	Local Currency Units per USD (As of 27th Feb)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	279.5	(1.8)
India	90.9	(4.2)
Bangladesh	122.3	(1.0)
China	6.8	6.3
Sri Lanka	309.3	(4.8)

(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 FY22, 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.

Despite stable inflation of 5.24% recorded during the first seven months of FY26, there is a strong case for rationalizing the exchange rate and further reducing the policy rate by 3 to 4 percent to provide immediate relief to the fiscal space and CPI Inflation. Moreover, the persistent federal fiscal deficit is partly attributable to elevated interest costs, underscoring the need for monetary easing. By way of illustration, a 1 percent reduction in the policy rate could lower debt servicing costs by approximately Rs. 546 billion; consequently, a cumulative 4 percent reduction could yield savings of nearly Rs. 2.2 trillion.

At present, Pakistan's policy rate remains the highest in the region, continuing to suppress industrial activity, deter private investment, and delay economic recovery. Reducing the interest rate to the range of 7 to 8 percent would help lower production costs, revive industrial growth, and encourage new business formation. Furthermore, in the context of emerging food supply constraints, lower borrowing costs would incentivize capacity expansion and increase supply, thereby contributing to the moderation of inflationary pressures.



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