



Pakonomics

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HIGHLIGHTS

Revenue Shortfall: During the first nine months Jul–March of Fiscal Year 2025–26 (“FY26”), the Federal Board of Revenue (“FBR”) recorded a substantial revenue shortfall of PKR 612 billion, with collections amounting to PKR 9.305 trillion against a target of PKR 9.917 trillion.

According to the valuation of Tola Associates (“TA”), the value of PKR is 250.98/USD after incorporating the Current Account Balance (“CAB”) of the Jul–March period of FY26.

In the inter-bank market, the value of the national currency stands at PKR 278.9/USD as of 24th April 2025. Over the past week, the USD to PKR parity rate has slightly declined from 279/USD.

According to the Pakistan Bureau of Statistics (“PBS”), Pakistan’s LSM sector showed an expansion of 6.45% in February 2026 on a Year-on-Year (“Y-o-Y”) basis vs. February 2025.

According to the SBP, Pakistan received a monthly remittance inflow of \$3.83 billion in March 2026, recording a increase of 16.5% compared to \$3.29 billion in Feb 2026 on a M-o-M basis.

The Net foreign currency reserves held by the SBP stood at \$15.10 billion as of 17th April 2026.



The Currency in circulation stock from 1st July 2025 to 4th April 2026 has expanded by PKR 1,298 billion, compared to an expansion of PKR 1,171 billion during the same period last year.

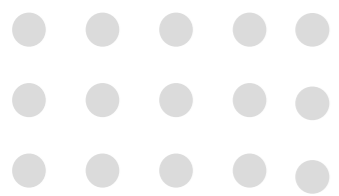
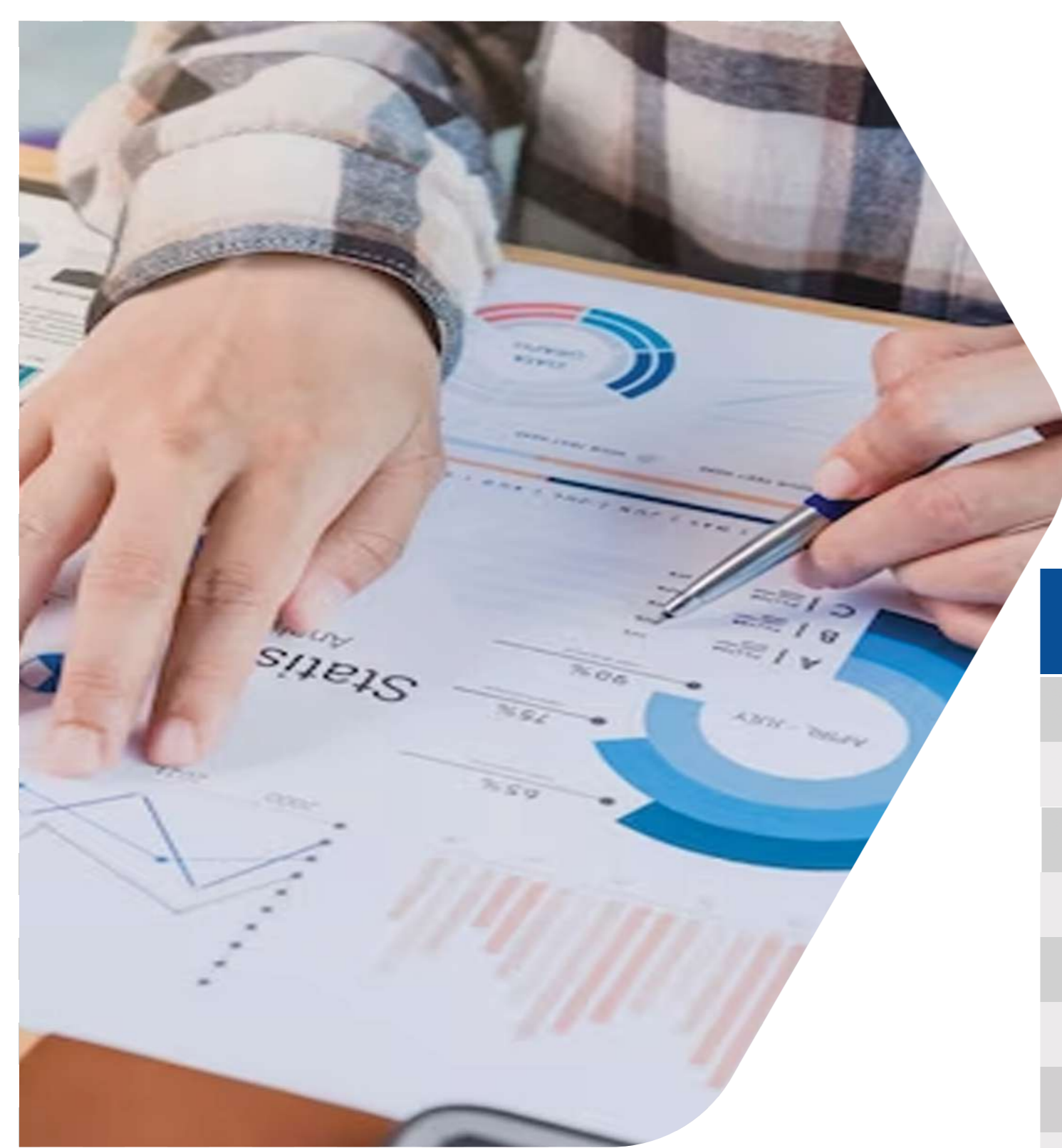
According to the PBS, the pace of Consumer Price Index (“CPI”) inflation has clocked in at 7.3% on a Y-o-Y basis in March 2026 vs. 0.7% in the same month of the previous year.

Pakistan’s net FDI has plunged by 27.0% or \$502 million to \$1,354 million provisionally during the Jul–March period of FY26, as compared to \$1,857 million during the same period of FY25.

The total Net Foreign Investment plunged by 72.9% or \$1,104 million to \$411 million on a Y-o-Y basis in the Jul–March period of FY26 as against the amount of \$1,515 million in the same period of FY25. Pakistan reported a CA surplus of \$8 million during the Jul–March Period of FY26, compared to a Current Account Surplus of \$1,674 million in the same period of FY25.



ECONOMY AT A GLANCE

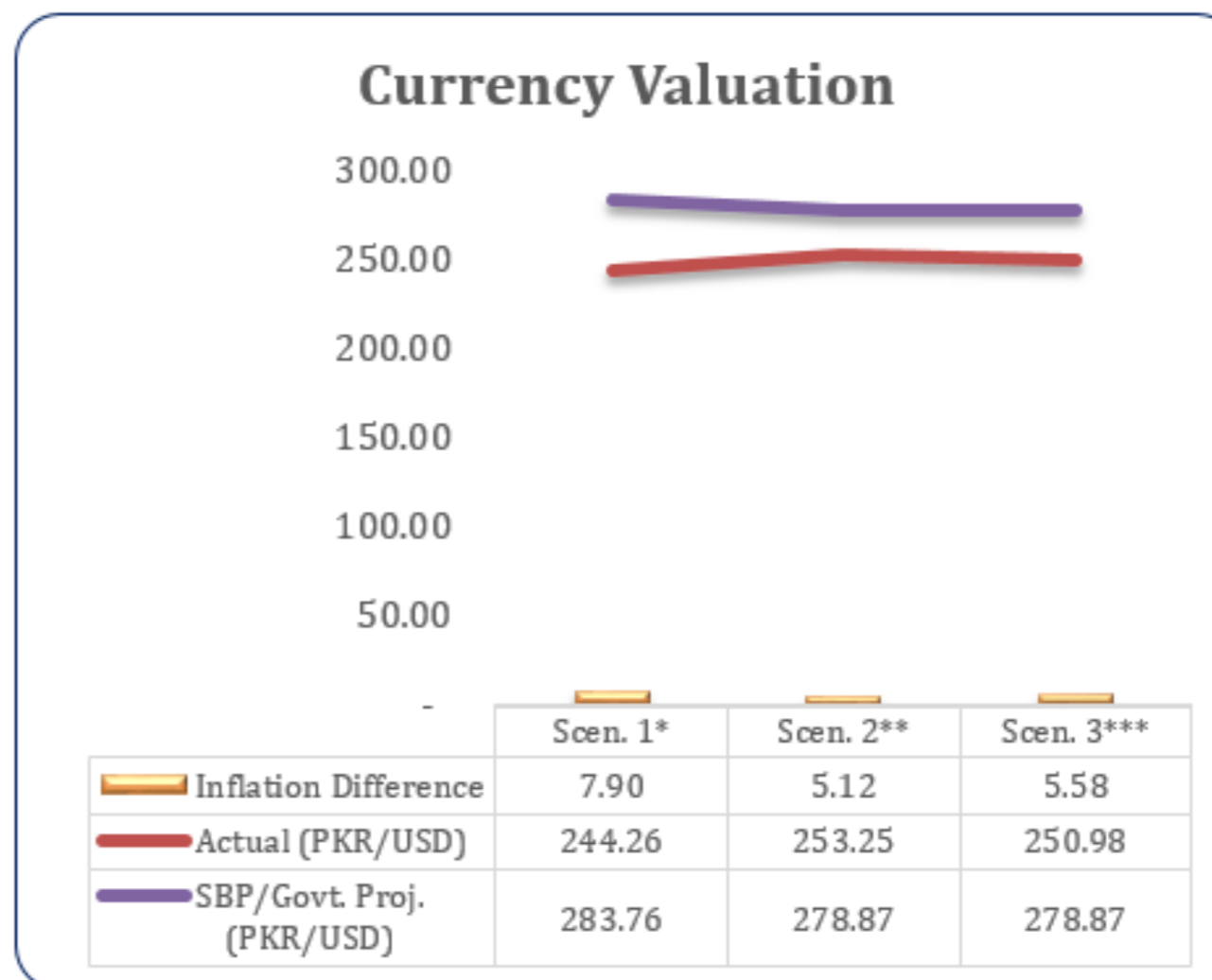


Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	February	↑	6.45 %	(2.75) %
Central Government Debt	February	↑	PKR 79,882 Billion	PKR 73,036 Billion
Credit to Private Sector	Jul – 4th March	↑	PKR 864 Billion	PKR 665 Billion
Worker's Remittances	March	↓	US \$3,831 Million	US \$4,054 Million
Broad Money (M2)	Jul – 4th March	↑	PKR 2,247 Billion	PKR 1,360 Billion
Net Government Sector borrowing	Jul – 4th March	↓	PKR 774 Billion	PKR 1,205 Billion
National CPI (Base Year 2015-16)	March	↑	7.3 %	0.7 %
FBR Tax Collection	Jul-March	↑	PKR 9,305 Billion	PKR 8,449 Billion
Foreign Exchange Reserves with SBP	As of 17th April	↑	\$15.10 Billion	\$10.21 Billion
Foreign Direct Investments	Jul-March	↓	\$1,354 Million	\$1,857 Million
Trade Deficit in Goods	Jul-March	↑	US\$ (27,805) Million	US\$ (22,670) Million
Current Account Deficit	Jul-March	↓	\$8 Million	\$1,674 Million

1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 250.98/USD after adjusting the CAB of the period of Jul–March 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 278.87/USD, as the present value of PKR currency would have been 250.87/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–March 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–March FY2025–26 cumulated in the Projection (adjusted on a monthly basis)

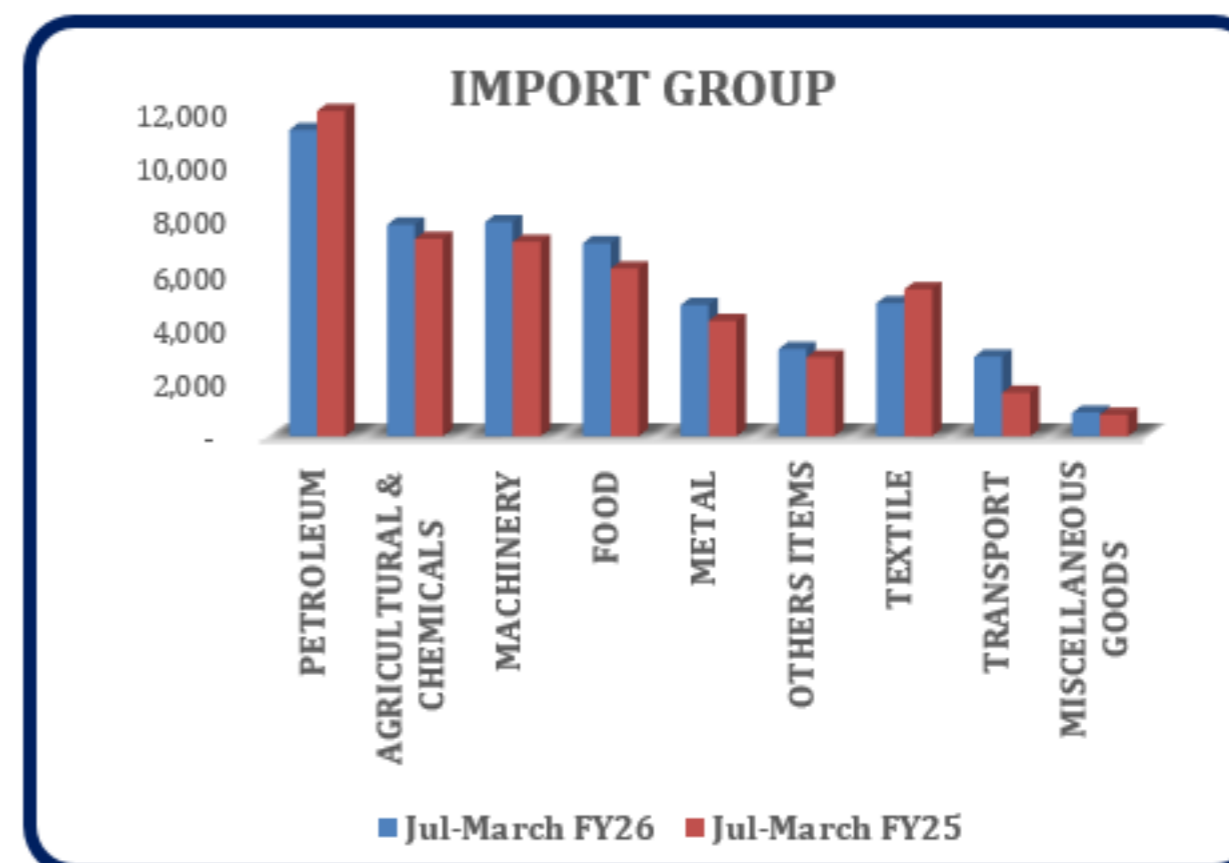
2. CURRENT ACCOUNT ("CA"):

The CA stood at \$1.07 billion surplus in month of March 2026, marking the third consecutive month of surplus in FY26. This represents an increase of almost 3.6 times from a surplus of \$231 million in Feb 2026. On a year-on-year ("Y-o-Y") basis, the CA surplus has declined by 16.1% compared to the same month in FY25.

CA FLOWS	March-26	Feb-26	March-25	MoM (%)	YoY (%)
Exports of goods FOB	2,526	2,480	2,759	1.85	(8.45)
Imports of goods FOB	4,902	5,165	4,938	(5.09)	(0.73)
(i) Balance on trade in goods	(2,376)	(2,685)	(2,179)	(11.51)	9.04
Exports of services	903	800	777	12.88	16.22
Imports of services	926	924	897	0.22	3.19
(ii) Balance on trade in services	(23)	(124)	(120)	(81.45)	(80.89)
Primary Income Credit	95	80	86	18.75	10.47
Primary Income Debit	702	489	764	43.56	(8.08)
(iii) Balance in Primary Income	(607)	(409)	(678)	48.41	(10.43)
Secondary Income Credit	4,132	3,503	4,291	17.96	(3.71)
Worker Remittances	3,831	3,288	4,054	16.51	(5.50)
Secondary Income Debit	56	54	39	3.70	43.59
(iv) Balance on secondary income	4,076	3,449	4,252	18.18	(4.14)
Current Account Surplus/ (Deficit) "i + ii + iii + iv"	1,070	231	1,275	363.20	(16.08)

3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit has increased by a margin of 3.7% to \$2.73 billion in March of FY26, compared to \$2.63 billion in the same month of FY25. Moreover, the exports went down by 14.4% to \$2.26 billion during the nine months of FY26 compared to \$2.65 billion in the same month of last FY25. Further, the imports decreased by 5.4% to \$5.00 billion in March of FY26 compared to \$5.28 billion in the same period of FY25. Additionally, on a M-o-M basis, exports went down by almost 0.6% compared to \$2.27 billion in Feb 2026. Furthermore, the country's trade deficit decreased by 9.4% compared to \$3.01 billion in Feb 2026 on a M-o-M basis.



4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed an expansion of 8.5% in Feb 2026 on a Y-o-Y basis vs. Feb 2025. However, on a M-o-M basis, the overall output growth contracted by almost 9.0%, compared to the month of Jan 2025. Additionally, Sector-wise, important groups such as cotton yarn, cotton cloth, the garment sector, and the cement industry showed a growth of 2.2%, 0.2%, 7.2%, and 11.1% respectively, in the month of Feb of FY26.

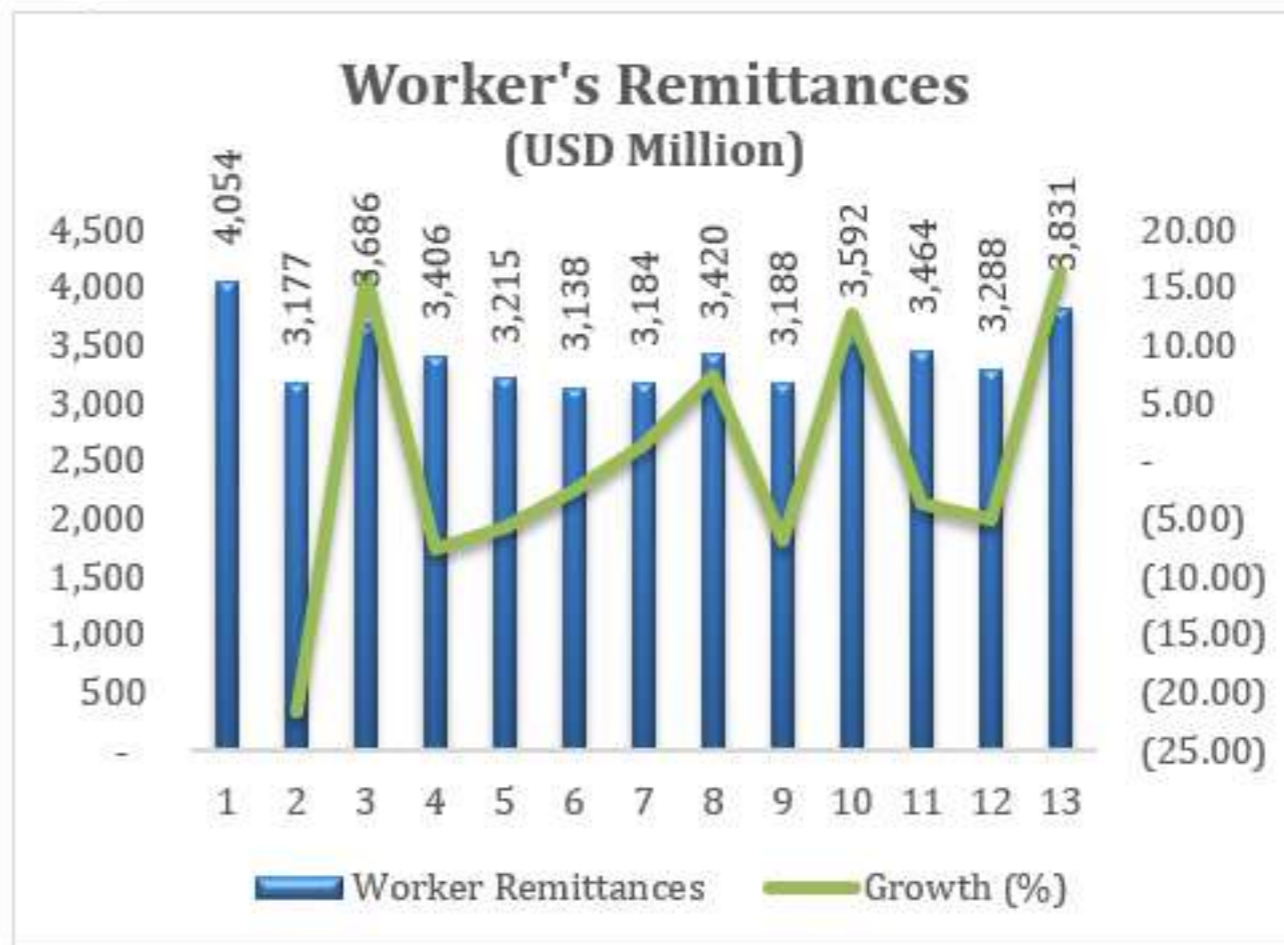
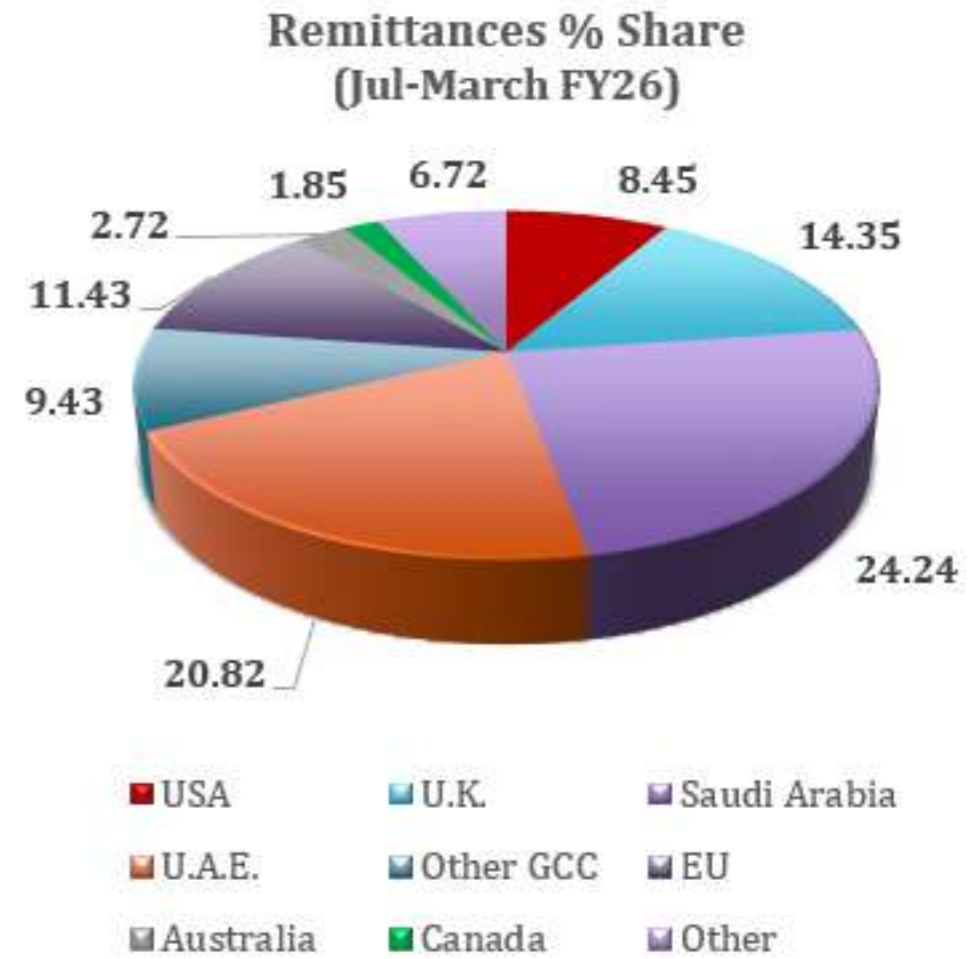
LSM (%)	Weight	Feb-26	Feb-25	Jul-Feb FY26 (%)
Food	10.69	13.94	(5.24)	3.28
Beverages	3.84	(0.50)	0.62	5.54
Tobacco	2.07	(2.84)	17.75	10.71
Textile	18.16	1.37	2.51	1.65
Wearing Apparel	6.08	0.85	(2.63)	8.02
Coke & Petroleum Products	6.66	14.03	24.73	11.71
Rubber Products	0.24	25.42	(13.28)	8.99
Non Metallic Mineral Products	5.01	7.61	(1.80)	10.44
Fabricated Metal	0.42	13.91	0.80	8.95
Computer, electronics and Optical products	0.03	(1.00)	7.15	1.93
Electrical Equipment	2.05	10.16	(7.08)	9.97
Automobiles	3.10	28.74	30.85	67.38
Other transport Equipment	0.69	28.89	40.31	40.59
Furniture	0.51	35.09	(56.49)	13.05
Other Manufacturing (Football)	0.32	18.97	(15.49)	24.99
Leather Products	1.23	(6.35)	2.30	(1.02)
Wood Products	0.18	(3.79)	14.58	(1.42)
Paper & Board	1.63	10.01	(9.69)	(1.58)
Chemicals	6.48	2.38	(18.59)	(1.35)
Pharmaceuticals	5.15	(5.79)	2.48	(4.82)
Iron & Steel Products	3.45	(9.94)	(9.76)	(5.10)
Machinery and Equipment	0.39	(0.18)	(33.03)	(18.83)
LSM Growth for Feb 2026 (Y/Y)				6.45%
LSM Growth of Feb 2026 vs. Jan 2025 (M/M)				(8.97)%
LSM Jul-Feb FY26 (Cumulative)				5.89%

(Source: PBS)



5. WORKER'S REMITTANCES

As per the SBP, Pakistan received a monthly remittance inflow of \$3.83 billion in March 2026, recording a increase of 16.5% compared to \$3.29 billion in Feb 2026 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went down by 5.5% when compared to \$4.05 billion received a year ago in the same month.

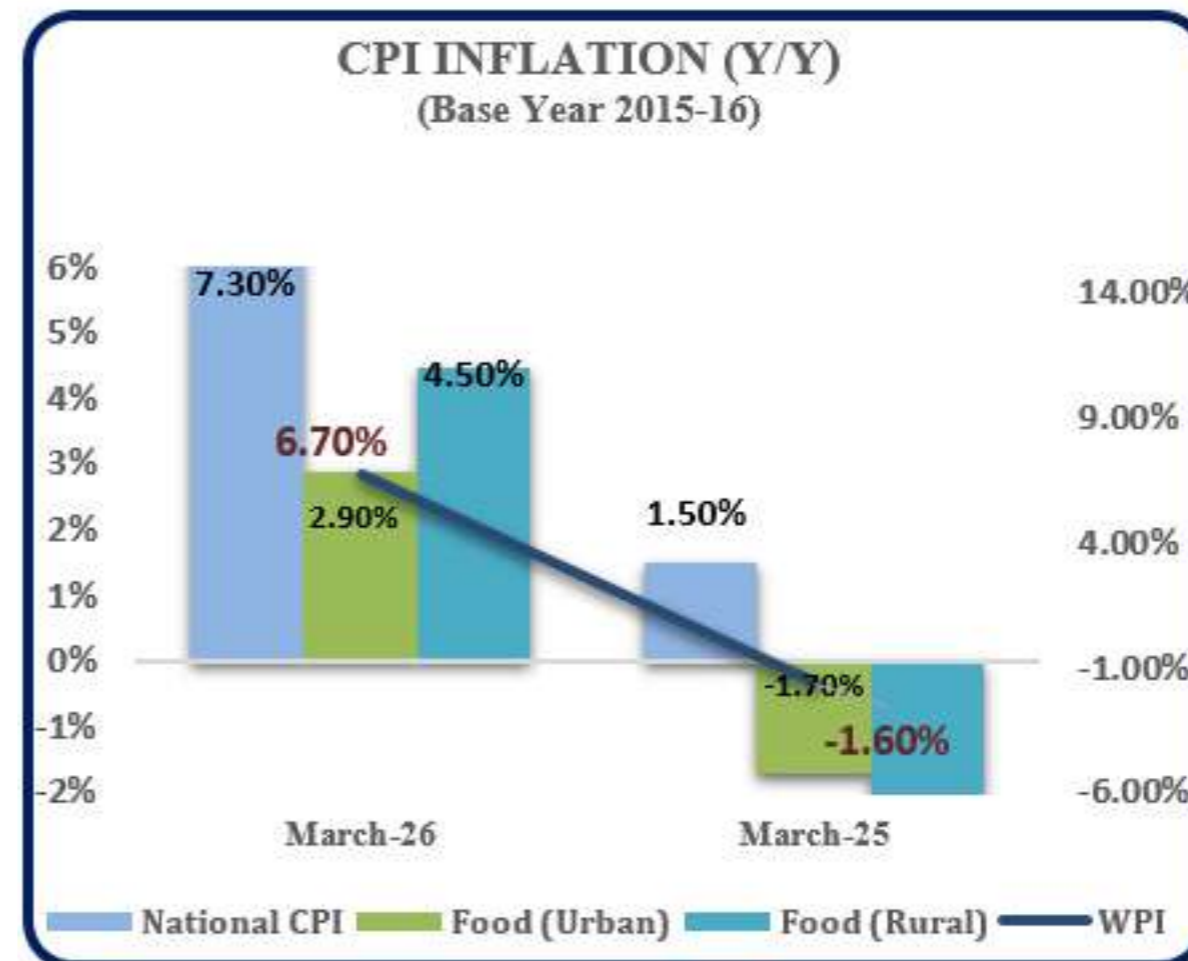


6. CONSUMER PRICE INDEX INFLATION

According to the PBS, the monthly inflation rate in March 2026 is reported at 7.3% on a Y-o-Y basis. The increase in inflation is due to non-perishable food items and the health, education, transport 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 2.9% and 4.5%, respectively. The Wholesale Price Index ("WPI") rose at a rate of 6.7% on a Y-o-Y basis in FY26, which was recorded at -1.6% in the same month of FY25. Moreover, on a M-o-M basis, the national CPI increased by 1.2%. Additionally, the Food inflation rate has risen by 0.1% in urban areas, while a deflation of 0.6% is recorded in rural areas, on a M-o-M basis. In March 2026, Core inflation, which is calculated by excluding energy and food items, rose by 7.4% and 8.4% in urban and rural areas on a Y-o-Y basis.

Group	Weight (%)	% Change over	
		Feb-26	March-25
Food	34.58	(0.32)	3.55
Non-perishable	29.60	0.68	5.00
Perishable	4.99	2.75	(6.91)
Utility	23.63	1.54	11.49
Health	2.79	0.22	7.36
Transport	5.91	11.77	12.49
Education	3.79	1.14	9.03
Restaurants & Hotels	6.92	0.37	5.12

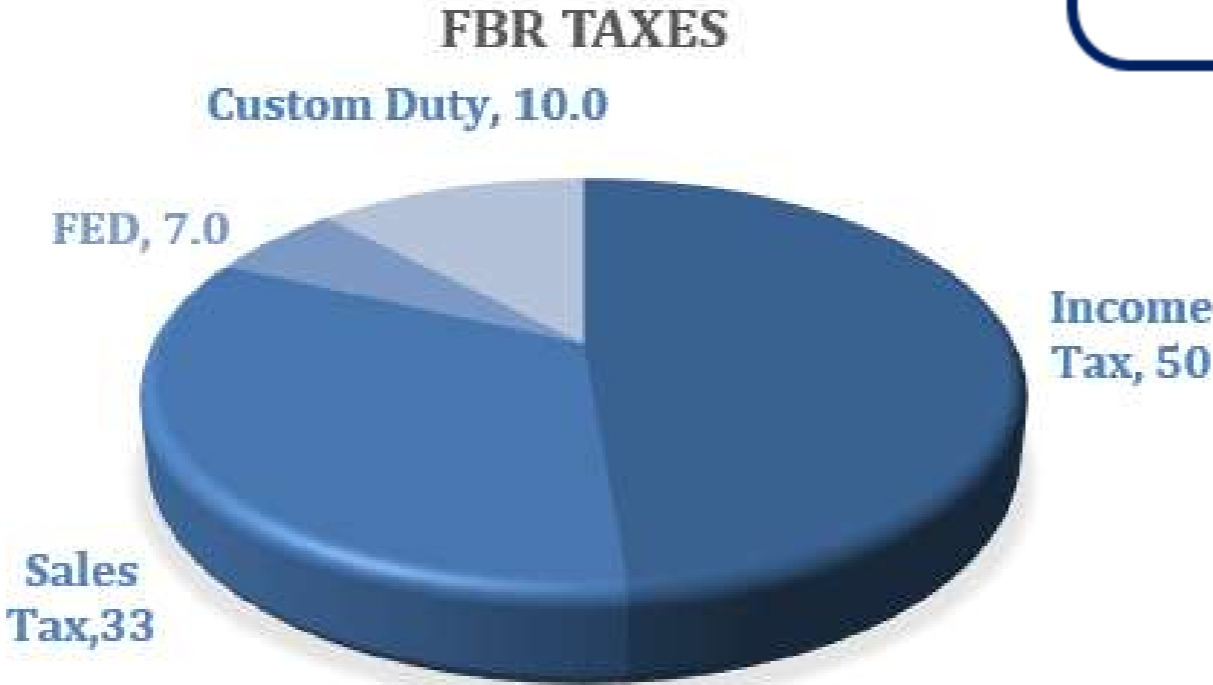
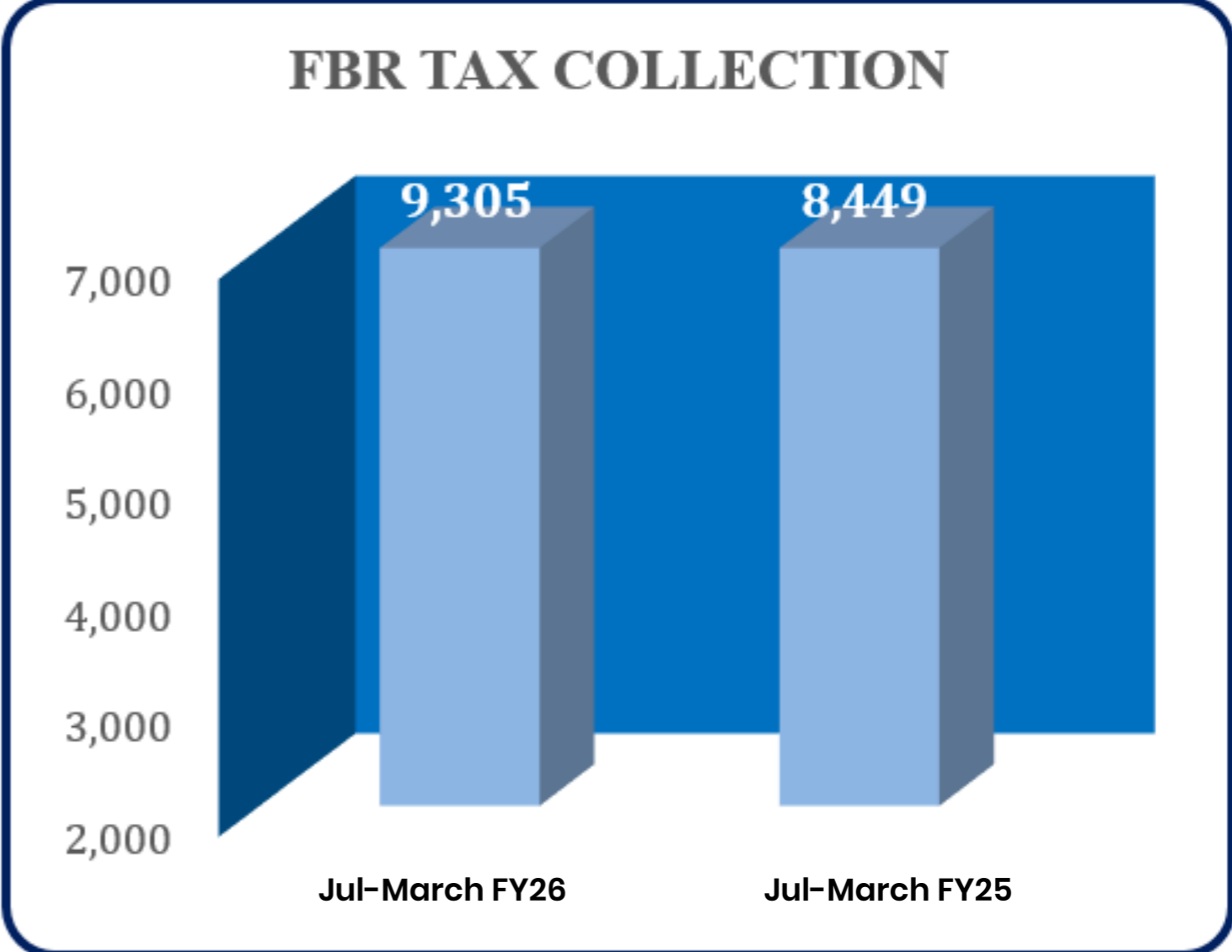
(Source: PBS)





7. FBR TAX REVENUE COLLECTION

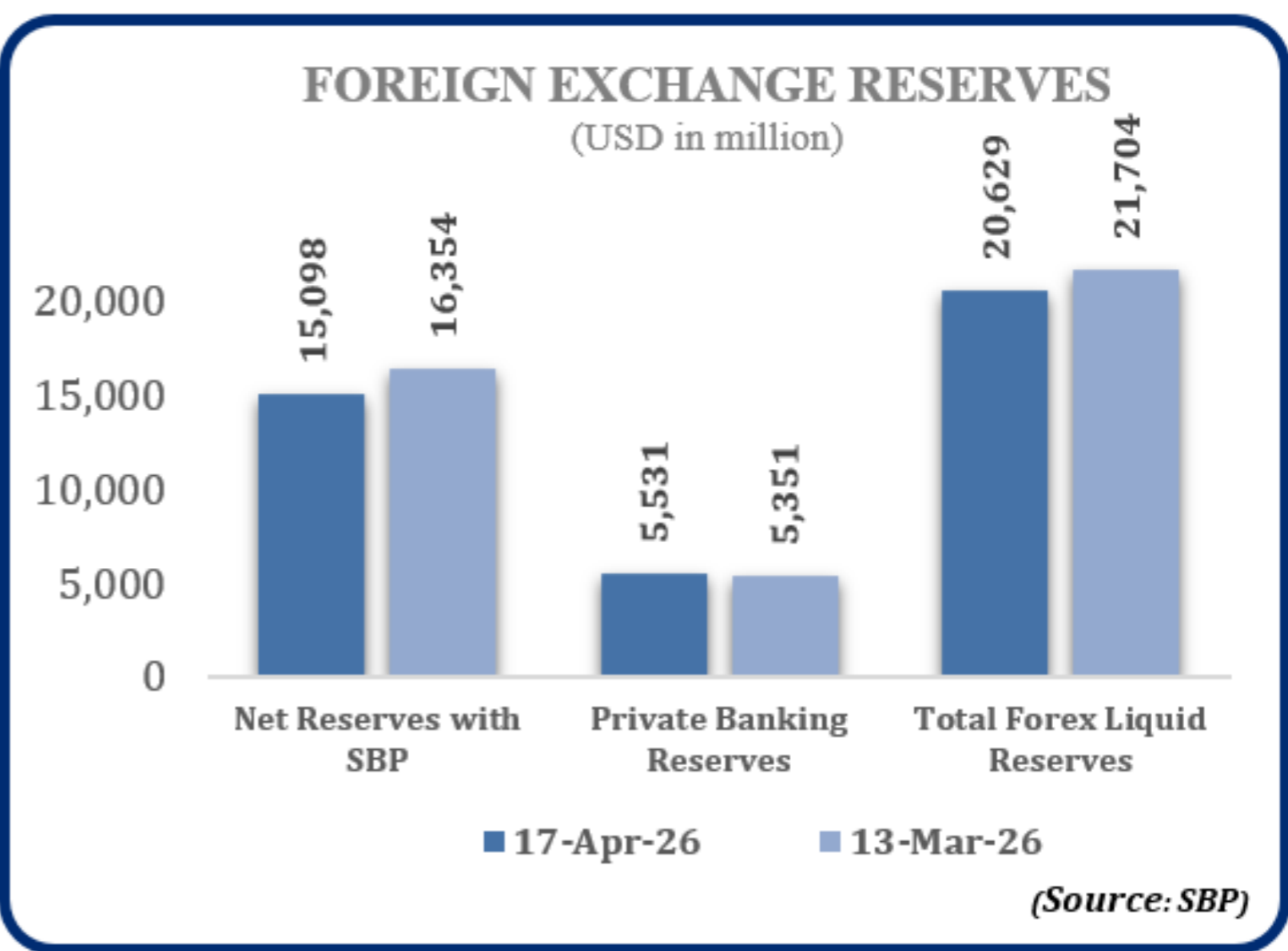
As per the data published by the FBR, the FBR collected PKR 9,305 billion worth of tax revenue in the Jul-March period of FY26 and failed to achieve its target of PKR 9,917 billion. As per the article by Mubarak Zeb Khan, published in Dawn titled, 'FBR misses collection target by Rs612bn', "Given the war-related uncertainties, higher refunds were issued deliberately to help businesses stay afloat, according to a top tax official."





8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at \$15.10 billion as of April 17th, 2026, representing a decrease of 7.7%, or \$1.25 billion, compared to the previous month's reserves of \$16.20 billion on Feb 13th, 2026. Such decline in reserves attributed to loan repayment to the UAE.

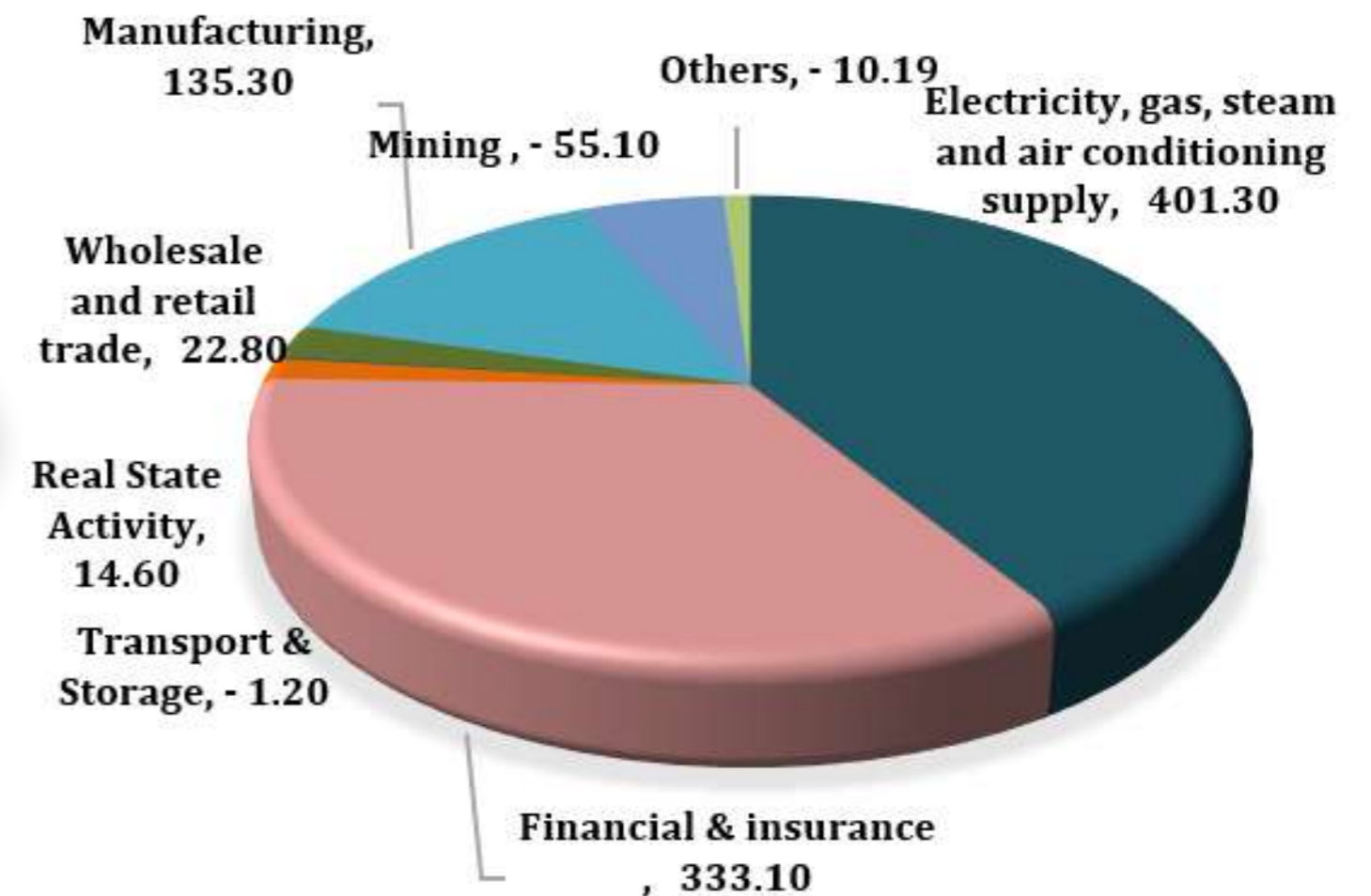


9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has plunged by 27.0% or \$502 million to \$1,354 million provisionally during the Jul-March period of FY26, as compared to \$1,857 million during the same period of FY25. Whereas, the total Net Foreign Investment plunged by 72.9% or \$1,104 million to \$411 million on a Y-o-Y basis in the Jul-March period of FY26 as against the amount of \$1,515 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-March 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 almost PKR 80 trillion by the end of Feb 2026, marking a substantial increase of almost 9.4% 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.

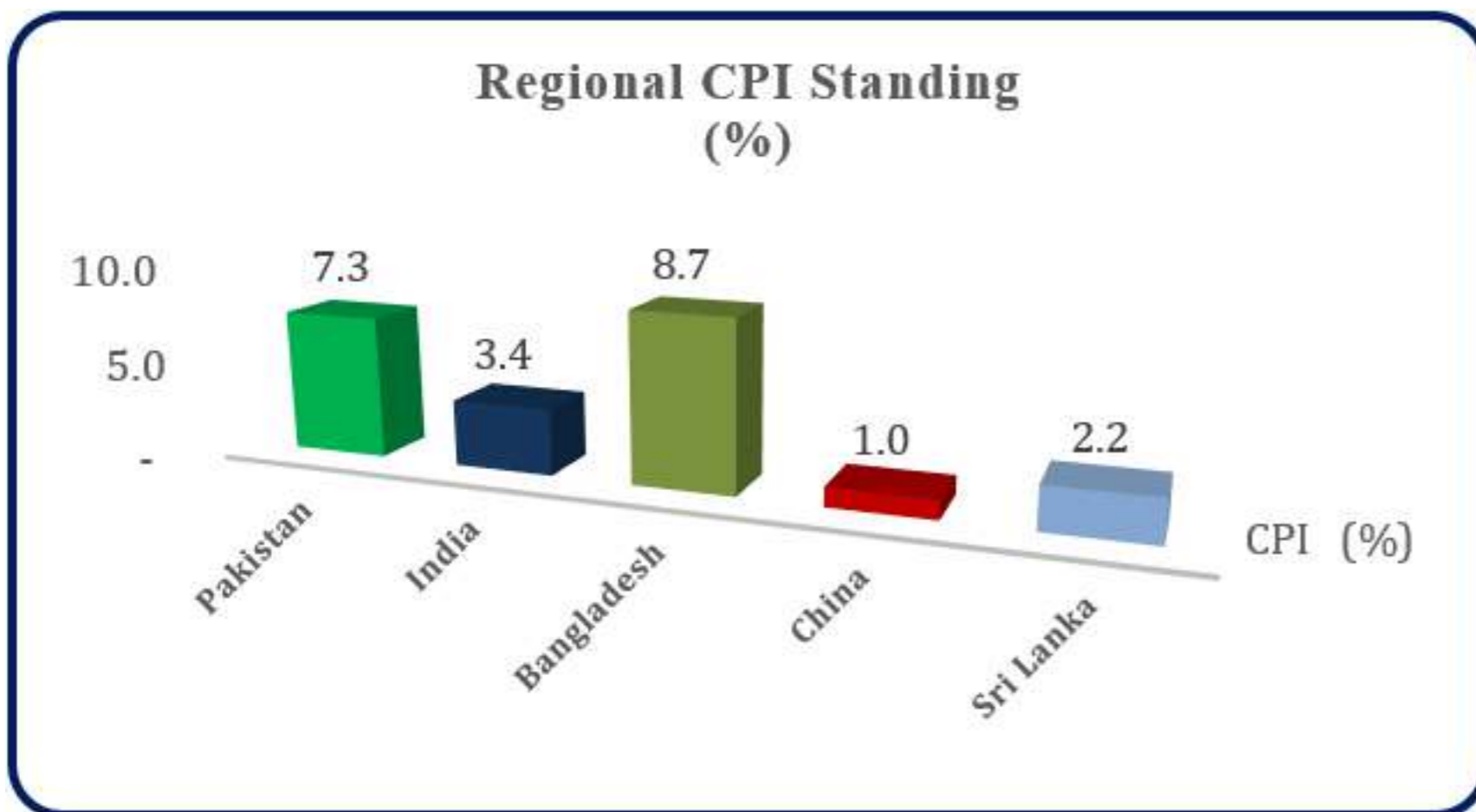


Pakistan's Total Debt & Liabilities			
(PKR in billion)	Feb-26	Feb-25	% change
Domestic Debt	56,679	51,022	11.4%
% of GDP	49.4%	48.5%	
External Debt	23,203	22,014	6.7%
% of GDP	20.2%	20.9%	
Total Debt	79,882	73,036	10.0%
% of GDP	69.6	69.5%	
Nominal GDP	114,694	105,143	9.08

(Source: SBP & MOF)

11. REGIONAL ANALYSIS

Compared to other countries in the region, the Pakistani rupee has remained stable against the USD over the past month; however, inflation may escalate due to tensions in the Gulf region, given Pakistan's dependence on oil imports. Inflation in Bangladesh has risen to 8.7%. In Sri Lanka, the CPI has recorded an inflation for the fourth consecutive month, reaching 2.2% in March 2026, driven by a slight increase in aggregate demand. Meanwhile, India's inflation has increased to 3.4% from 3.2%, primarily due to rising food prices. Additionally, China recorded inflation of 1.0% in March 2026.



(Source: Trading Economics)

Country	Local Currency Units per USD (As of 24th April)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	278.9	1.0
India	94.3	(10.4)
Bangladesh	122.7	(1.4)
China	6.8	6.2
Sri Lanka	317.6	(6.0)

(Source: Trading Economics)



OUTLOOK

Pakistan's economy is expected to grow at around 3.2%–3.6% in FY26, below the Government's target of 4.2%, reflecting a fragile and uneven recovery. The ongoing Gulf conflict particularly disruptions around the trade routes has weakened global growth and trade flows, directly impacting Pakistan's external sector. Rising oil prices and cuts in development spending are likely to further slow economic momentum, keeping growth below potential.

Inflation & Monetary Policy: Renewed upward risks, after a period of stabilization, inflation is again expected to rise toward 7–8.5%, driven largely by external shocks. Energy prices are projected to increase significantly, mainly due to Gulf disruptions. This may force the SBP to maintain a tight monetary stance or even raise interest rates, currently around 10.5%. Pakistan faces a high risk of imported inflation, with limited room for monetary easing.

Thereby, fixing the economy in the ongoing FY26 requires a comprehensive policy mix with multiple measures to achieve sustainable economic growth, rather than relying on IMF-led stringent policies. Pakistan should reduce reliance on the IMF by prioritizing domestic reforms over contractionary policies such as currency devaluation and high interest rates, which fuel inflation and slow growth. Policy focus should shift toward export facilitation, strict repatriation of export proceeds, incentivizing formal remittances, and regulating informal foreign exchange channels. Additionally, caution against volatile inflows under the Roshan Digital Account, combined with tax reforms and strategic bilateral support, can help Pakistan achieve external stability and gradually exit IMF dependence. For a detailed analysis, refer to the recent article by our respected Chairman published in Business Recorder, titled "Say No to IMF".



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