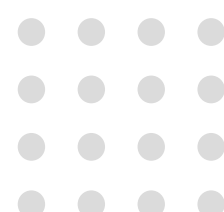


Pakonomics

September 2026



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HIGHLIGHTS

The World Bank's Pakistan Development Outlook projected economic growth of 4.2% in FY2027–28 ("FY28") and 4.4% in the 2029 election year, while emphasizing the need for greater exchange-rate flexibility and sustained macroeconomic stability. The report cautioned that Pakistan's projected growth trajectory remains insufficient to absorb the approximately 3.6 million individuals entering the labour market annually.

The Federal Board of Revenue ("FBR") The FBR collected PKR 3,078 billion in Jul-Sept FY27, exceeding its quarterly target by PKR 25 billion; however, year-on-year growth remained modest at 6.7%, well below the 17.4% growth required to meet the annual target of PKR 15.263 trillion agreed with the IMF.

According to the valuation of Tola Associates ("TA"), the value of PKR is 253.19/USD after incorporating the Current Account Balance ("CAB") of the Jul-Sept period of FY27.

In the inter-bank market, the value of the national currency stands at PKR 276.85/USD as of 23rd October 2026. Over the past month, the USD to PKR parity rate has slightly declined from 278/USD.

According to the PBS, the pace of Consumer Price Index ("CPI") inflation has clocked in at 10.3% on a Y-o-Y basis in Sept 2026 vs. 5.6% in the same month of the previous year.

According to the Pakistan Bureau of Statistics ("PBS"), Pakistan's LSM sector showed a growth of 0.67% in August 2026 on a Year-on-Year ("Y-o-Y") basis vs. 0.91% growth in August 2025.

As per the State Bank of Pakistan ("SBP"), workers' remittances reached \$3.59 billion in September 2026, compared with \$3.66 billion in August 2026, reflecting a 1.89% month-on-month decline.



Pakistan's total liquid foreign exchange reserves stood at \$26.8 billion as of October 16, 2026.

The Currency in circulation stock from 1st July 2026 to 10th October 2026 has contracted by PKR 194 billion, compared to the expansion of PKR 158 billion last year.

Pakistan's net FDI has surged by almost 20.0% or \$119 million to \$720 million provisionally during the Jul-Sept period of FY27, as compared to \$600 million during the same month of FY26.

The total Net Foreign Investment surged by 112 times or \$3,685 million to \$3,652 million only on a Y-o-Y basis in the Jul-Sept period of FY27 as against the amount of -\$33 million in the same month of FY26.

Pakistan recorded a current account deficit ("CAD") of \$874 million in Q1FY2026–27, representing a 15.8% deterioration compared with the corresponding period of FY2025–26.



ECONOMY AT A GLANCE

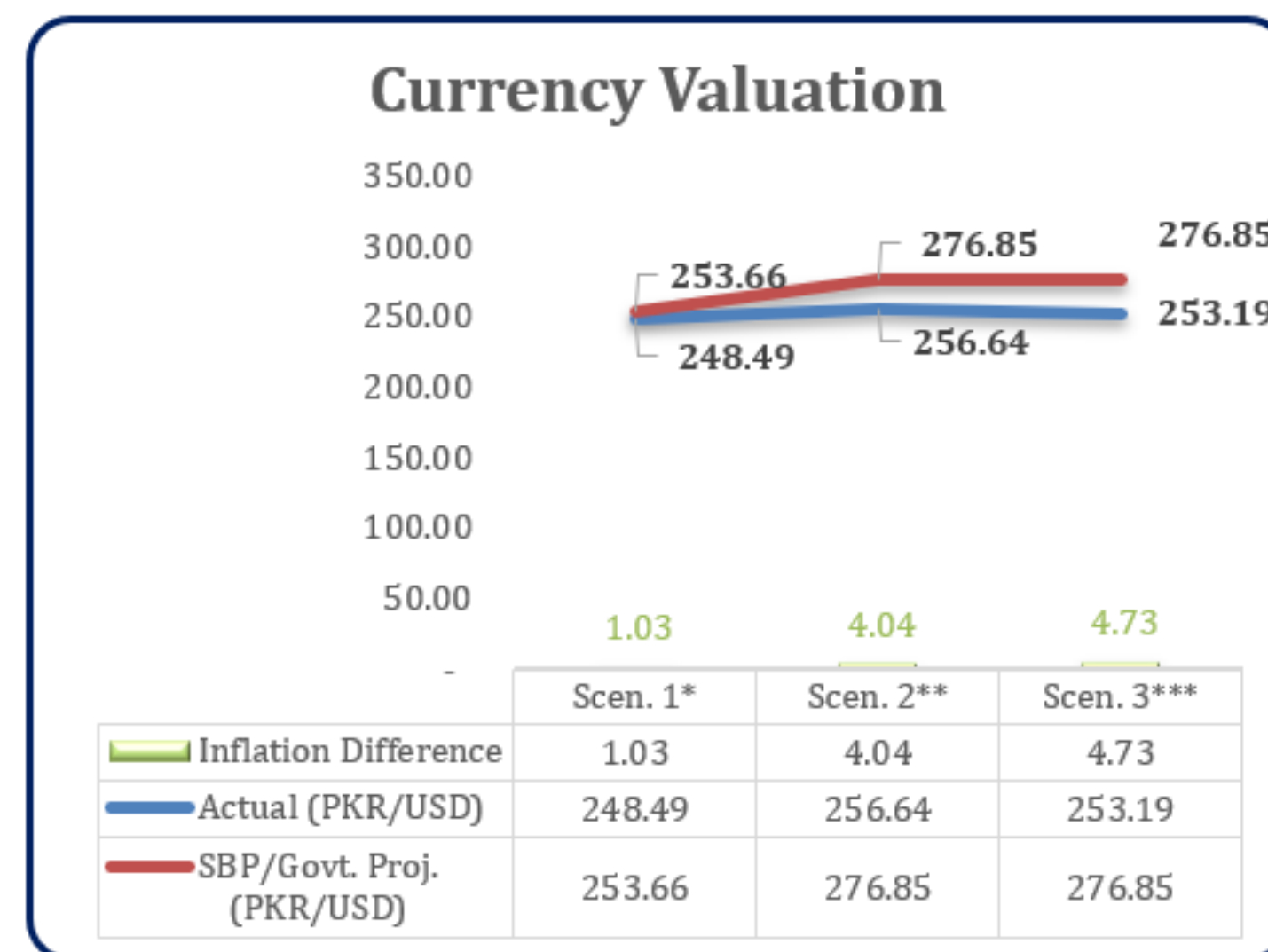
ECONOMIC INDICATORS

Economic Indicators	Period	Status	Current Year	Last Year
 LSM (Base Year 2015-16)	August	↓	0.67 %	0.91 %
 Central Government Debt	August	↑	PKR 82,953 Billion	PKR 77,458 Billion
 Credit to Private Sector	Jul – 10 th Oct	↓	PKR (92) Billion	PKR (32) Billion
 Worker's Remittances	September	↑	US \$3,588 Million	US \$3,184 Million
 Broad Money (M2)	Jul – 10 th Oct	↑	PKR (2,190) Billion	PKR (1,234) Billion
 Net Government Sector borrowing	Jul – 10 th Oct	↓	PKR (2,974) Billion	PKR (2,049) Billion
 National CPI (Base Year 2015-16)	September	↑	10.3%	5.6%
 FBR Tax Collection	Jul-Sept	↑	PKR 3,078 Billion	PKR 2,884 Billion
 Foreign Exchange Reserves with SBP	As of 16 th Oct	↑	\$21.49 Billion	\$14.46 Billion
 Foreign Direct Investments	Jul-Sept	↑	\$720 Million	\$600 Million
 Trade Surplus/(Deficit) in Goods	Jul-Sept	↑	US\$ (10,768) Million	US\$ (9,374) Million
 Current Account Deficit	Jul-Sept	↑	\$(874) Million	\$(755) Million

1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to the valuation of TA, the value of PKR is 253.19/USD, estimation based on after adjusting the CAD of the period of Jul-Sept the FY27 (Note: This estimation also includes two major factors of CA, i.e., Primary Income Balance and Secondary Income balance). The PKR value has been kept artificially undervalued at PKR 276.85/USD, as the present value of PKR currency would have been 253.19/USD.

The graph depicts three scenarios: (a) First scenario provides PKR valuation as of June 30, 2026; (b) The second scenario provides the PKR value based on the Government's CAD projection of 0.70% of the GDP for FY27; and (c) The last scenario calculates the PKR value based on the actual CAB of the Jul-Sept period of FY27). A 10-rupee depreciation results in a 2% increase in inflation, and vice versa.



*Valuation as per actual CAD from FY22 till FY26.

** If CAD is restricted to its targeted value of \$3.599 billion for FY27.

*** Actual CAD of Jul-Sept FY2026-27 cumulated in the Projection

2. CURRENT ACCOUNT ("CA"):

Pakistan's CAB recorded a deficit of \$356 million in September 2026, compared with a deficit of \$73 million (revised) in August 2026, representing a 387.67% month-on-month deterioration. On a year-on-year basis, the current account shifted from a surplus of \$133 million in September 2025 to a deficit of \$356 million in September 2026, reflecting a 367.67% decline according to the reported figures by SBP. On a cumulative basis, the CAB stood at a deficit of \$874 million during the Q1FY27, compared with FY26's Q1 period, representing a deterioration of 15.8%.

CURRENT ACCOUNT COMPONENTS (USD Million)						
Current Account Components	Sep-26	Aug-26	Sep-25	MoM (%)	YoY (%)	
Exports of Goods (FOB)	3,015	2,454	2,611	22.86	15.47	
Imports of Goods (FOB)	6,172	5,463	5,032	12.98	22.66	
Balance on Trade in Goods	(3,157)	(3,009)	(2,421)	4.92	30.40	
Exports of Services	931	849	806	9.66	15.51	
Imports of Services	1,212	1,123	961	7.93	26.12	
Balance on Trade in Services	(281)	(274)	(155)	2.55	81.29	
Primary Income Credit	93	70	127	32.86	(26.77)	
Primary Income Debit	885	749	810	18.16	9.26	
Balance on Primary Income	(792)	(679)	(683)	16.64	15.96	
Secondary Income Credit	3,925	3,926	3,432	(0.03)	14.36	
▶ Workers' Remittances	3,588	3,657	3,184	(1.89)	12.69	
Secondary Income Debit	51	37	40	37.84	27.50	
Balance on Secondary Income	3,874	3,889	3,392	(0.39)	14.21	
Current Account Balance	(356)	(73)	133	387.67	(367.67)	

3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's exports increased by 11.13% to \$8.445 billion during July–Sept FY27, while imports rose by 13.20% to \$19.213 billion. Consequently, the trade deficit widened by 14.87% to \$10.768 billion compared with the same period last year. Petroleum crude (9.15%) and petroleum products (8.10%) accounted for the largest share of imports, followed by road motor vehicles (5.92%). On the export side, knitwear (17.56%), ready-made garments (14.48%), and bedwear (10.09%) were the leading contributors.



TOTAL IMPORTS OF GOODS USD in Millions				
	Commodities / Groups	Jul-Sep FY2026-27	Jul-Sep FY2025-26	% Change
	Petroleum Group	4,020	3,775	▲ 6.50
	Machinery Group	3,119	2,615	▲ 19.28
	Agricultural and Other Chemicals Group	2,851	2,674	▲ 6.59
	Food Group	2,330	2,253	▲ 3.44
	Metal Group	1,952	1,575	▲ 23.95
	Textile Group	1,829	1,695	▲ 7.88
	Miscellaneous Group	339	315	▲ 7.69
	Transport Group	1,266	1,062	▲ 19.21
	└ CBU	224	231	▼ (3.03)
	└ CKD	764	625	▲ 22.24
	All Other Items	1,508	1,009	▲ 49.36
	TOTAL IMPORTS	19,213	16,973	▲ 13.20

TOTAL EXPORTS OF GOODS USD in Millions				
	Commodities / Groups	Jul-Sep FY2026-27	Jul-Sep FY2025-26	% Change
	Food Group	1,389	1,108	▲ 25.31
	Textile Group	5,026	4,775	▲ 5.26
	Petroleum Group & Coal	207	108	▲ 90.91
	Other Manufactures Group	1,106	1,036	▲ 6.69
	All Other Items	717	571	▲ 25.64
	TOTAL EXPORTS	8,445	7,599	▲ 11.13

4. LARGE SCALE MANUFACTURING

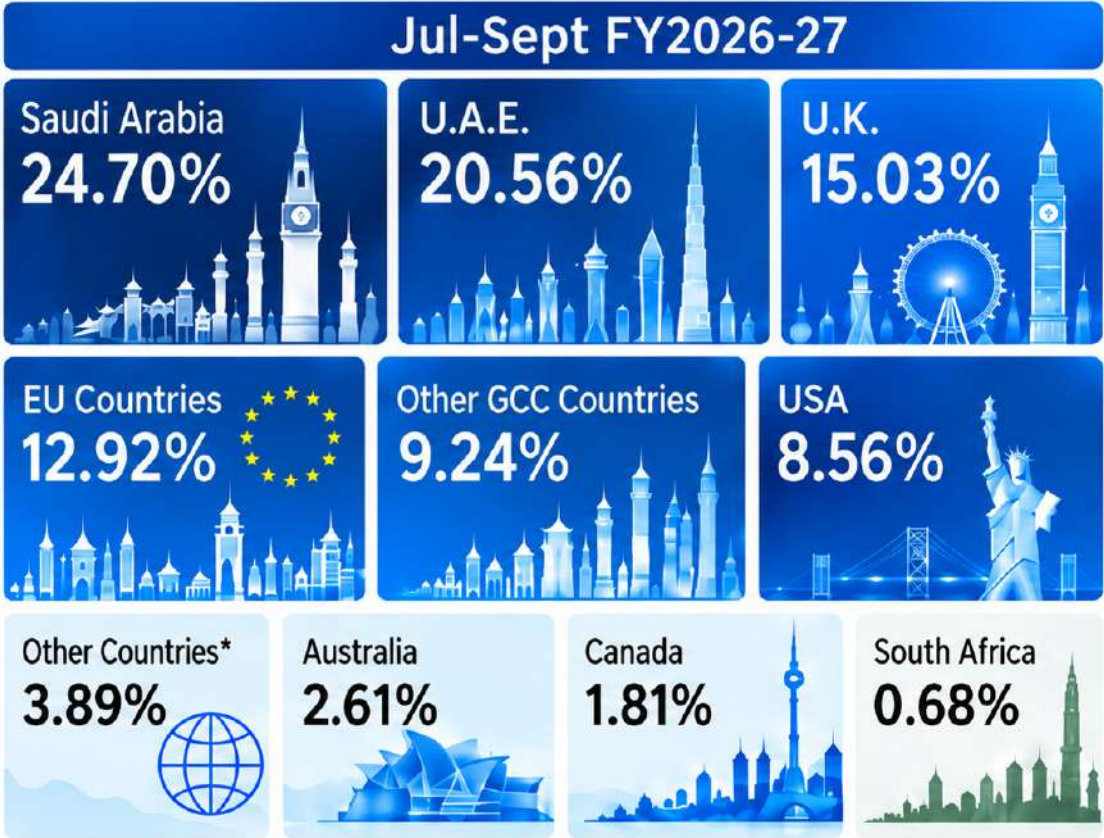
According to the PBS, Pakistan's LSM sector showed a growth of 0.7% in Aug 2026 on a Y-o-Y basis vs. Aug 2025. In contrast, on a M-o-M basis, the overall output contracted by almost 5.0%, compared to the month of July 2026. Additionally, Sector-wise, important groups such as cotton yarn, cotton cloth, the garment sector, and the cement industry showed a growth of 2.1%, -0.03%, 16.5%, and 1.3% respectively, in the Aug period of FY27.



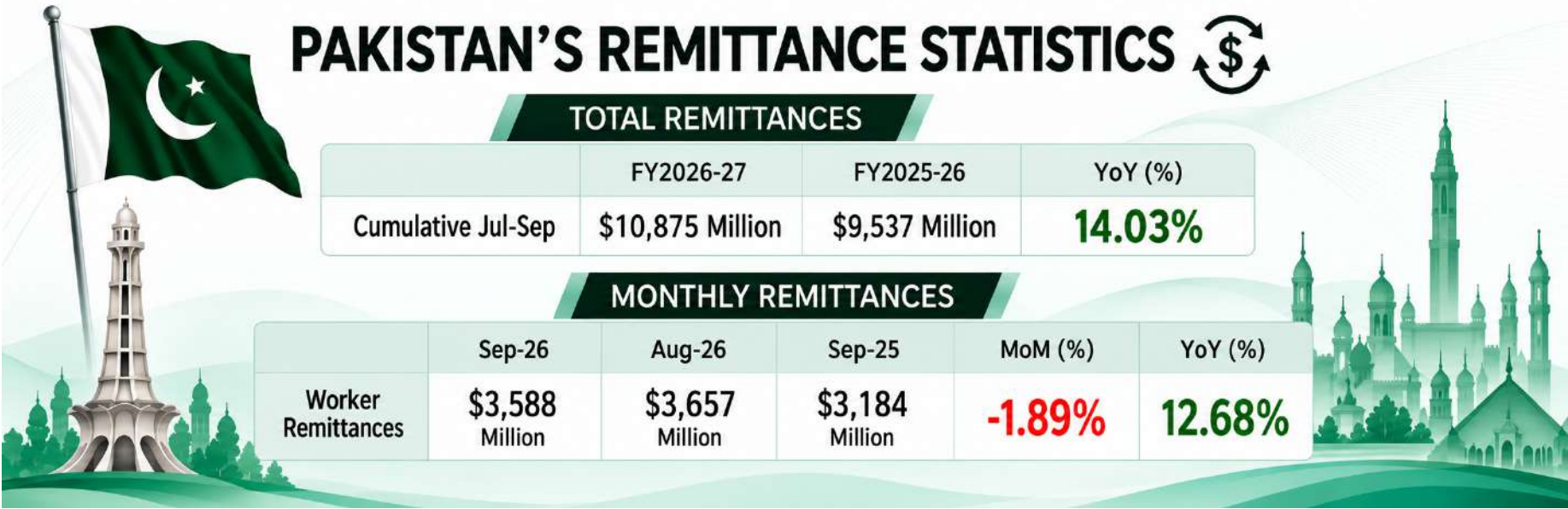
	Manufacturing Sector	Weight	FY2025-26 August	FY2025-26 Jul-Aug	FY2026-27 August	FY2026-27 Jul-Aug
	Food	10.69	8.79	8.14	(10.49)	(8.86)
	Beverages	3.84	5.00	(3.69)	(7.79)	(7.21)
	Tobacco	2.07	23.37	11.06	10.11	22.35
	Wearing Apparel	6.08	(10.65)	4.92	10.85	16.69
	Textile	18.16	(0.16)	(0.06)	(2.80)	(2.98)
	Paper & Board	1.63	4.84	9.37	(5.41)	(5.72)
	Coke & Petroleum Products	6.66	(9.65)	1.31	31.85	15.48
	Rubber Products	0.24	12.08	14.67	5.06	2.50
	Non Metallic Mineral Products	5.01	18.09	17.94	(4.93)	0.20
	Fabricated Metal	0.42	3.40	(0.19)	7.07	10.31
	Computer, electronics and Optical products	0.03	2.38	1.67	4.91	5.15
	Electrical Equipment	2.05	1.27	2.79	2.06	4.99
	Machinery and Equipment	0.39	(45.39)	(33.84)	9.17	(4.27)
	Automobiles	3.10	130.63	90.41	11.66	32.45
	Other Transport Equipment	0.69	43.19	47.99	26.95	37.04
	Furniture	0.51	(56.64)	(10.84)	73.47	31.08
	Other Manufacturing (Football)	0.32	6.47	19.35	(37.97)	(39.57)
	Wood Products	0.18	(1.04)	(1.65)	242.71	253.26
	Chemicals	6.48	(0.42)	(1.43)	(12.93)	(10.78)
	Chemicals Products	2.55	(6.03)	(5.02)	(20.36)	(16.83)
	Fertilizers	3.93	2.82	0.60	(9.00)	(7.55)
	Pharmaceuticals	5.15	(4.57)	(1.76)	(8.86)	(14.57)
	Leather Products	1.23	3.23	1.39	(0.30)	(0.88)
	Iron & Steel Products	3.45	(3.18)	(3.44)	(11.56)	(11.48)
	LSM Growth for August 2026					0.67%
	LSM Growth August 2026 vs July 2026					-4.96%
	LSM Growth Jul-Aug Period FY2026-27					1.85%

5. WORKER'S REMITTANCES

As per the SBP, workers' remittances reached \$3.59 billion in September 2026, compared with \$3.66 billion in August 2026, reflecting a 1.89% month-on-month decline. However, on a year-on-year basis, remittance inflows increased by 12.68% compared with \$3.18 billion received in September 2025. On a cumulative basis, remittances rose by 14.03% to \$10.88 billion during July–September FY2026–27, compared with \$9.54 billion in the corresponding period of FY2025–26.



AMOUNT COMPARISON (USD MILLION)			
		FY2026-27 Amount (USD Million)	FY2025-26 Amount (USD Million)
1	Saudi Arabia	\$2,687 M	\$2,311 M
2	U.A.E.	\$2,236 M	\$1,985 M
3	U.K.	\$1,634 M	\$1,368 M
4	EU Countries	\$1,405 M	\$1,280 M
5	Other GCC Countries	\$1,005 M	\$900 M
6	USA	\$931 M	\$806 M
7	Other Countries*	\$423 M	\$380 M
8	Australia	\$284 M	\$259 M
9	Canada	\$197 M	\$176 M
10	South Africa	\$74 M	\$71 M



6. CONSUMER PRICE INDEX INFLATION

According to the PBS, the monthly inflation rate in September 2026 is clocked at 10.3% on a Y-o-Y basis, this increase in inflation is due to perishable food items and utilities, and transport seeing a rise in prices. Key inflation indicators highlight various sub-indicators, including urban and rural inflation, food inflation, and core inflation. The second chart illustrates the impact of price changes across items based on their respective weights.

KEY INFLATION INDICATORS

INDICATOR	YoY	MoM	Jul-Sept
 CPI (GENERAL)	10.30% ▲	1.30% ▲	10.20% ▲
 FOOD INFLATION (URBAN)	8.10% ▲	0.20% ▲	9.90% ▲
 FOOD INFLATION (RURAL)	7.70% ▲	0.30% ▲	10.40% ▲
 CORE INFLATION (URBAN)	8.60% ▲	0.20% ▲	8.70% ▲
 CORE INFLATION (RURAL)	8.10% ▲	0.20% ▲	8.20% ▲
 WPI	13.30% ▲	1.90% ▲	11.50% ▲

PRICE CHANGES (YoY)

● August 25 (%) ● August 26 (YoY Change) ● September 26 (YoY Change)



Food &
Non-Alcoholic
Beverages

36.58%

8.70%

5.21%



Non-Alcoholic
Food Items

29.60%

6.00%

4.23%



Perishable
Food Items

1.99%

0.39%

1.16%



Alcoholic Beverages
& Tobacco

1.02%

6.37%

3.00%



Clothing &
Footwear

8.40%

0.19%

1.89%



Housing, Water,
Electricity, Gas & Fuels

23.43%

3.36%

13.97%



Health

2.79%

1.67%

2.09%



Transport

5.91%

3.26%

12.02%



Communication

2.21%

2.50%

13.56%



Education

3.19%

1.62%

7.77%



Restaurants &
Hotels

4.92%

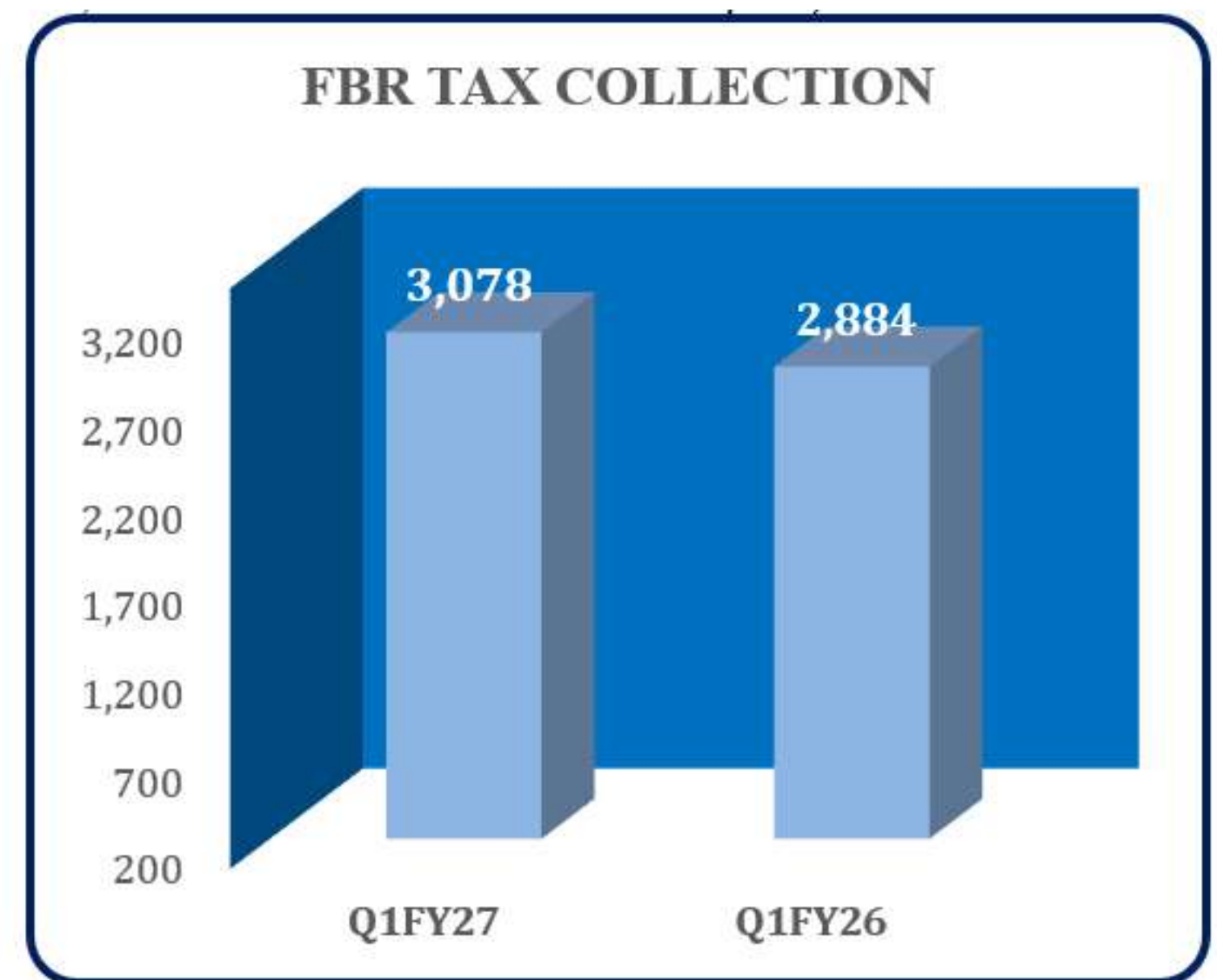
0.48%

6.10%

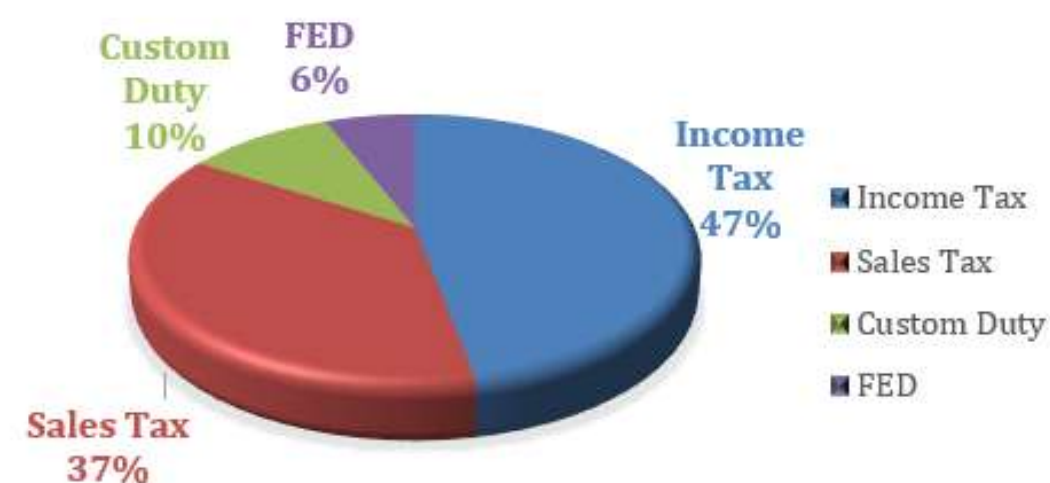


7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR collected PKR 3,078 billion worth of tax revenue in the first quarter of the FY27, surpassing the target by PKR 25 billion, as collections rose by only 6.7% from PKR 2,884 billion in Jul-Sept of FY26. However, the key reason for achieving the target was a very low benchmark as the increase was hardly 6.5% over the same period of last year. According to Shahbaz Rana's article, titled "Response to Fixed Tax Unsatisfactory," published in The Express Tribune: "For the current fiscal year, the government and the IMF have set an annual tax collection target of Rs15.263 trillion for the FBR. This requires 17.4% growth over last year's collection. Unlike in the past, the IMF has made meeting the tax targets a binding condition, with approval of the sixth loan tranche contingent upon achieving the first-half target."



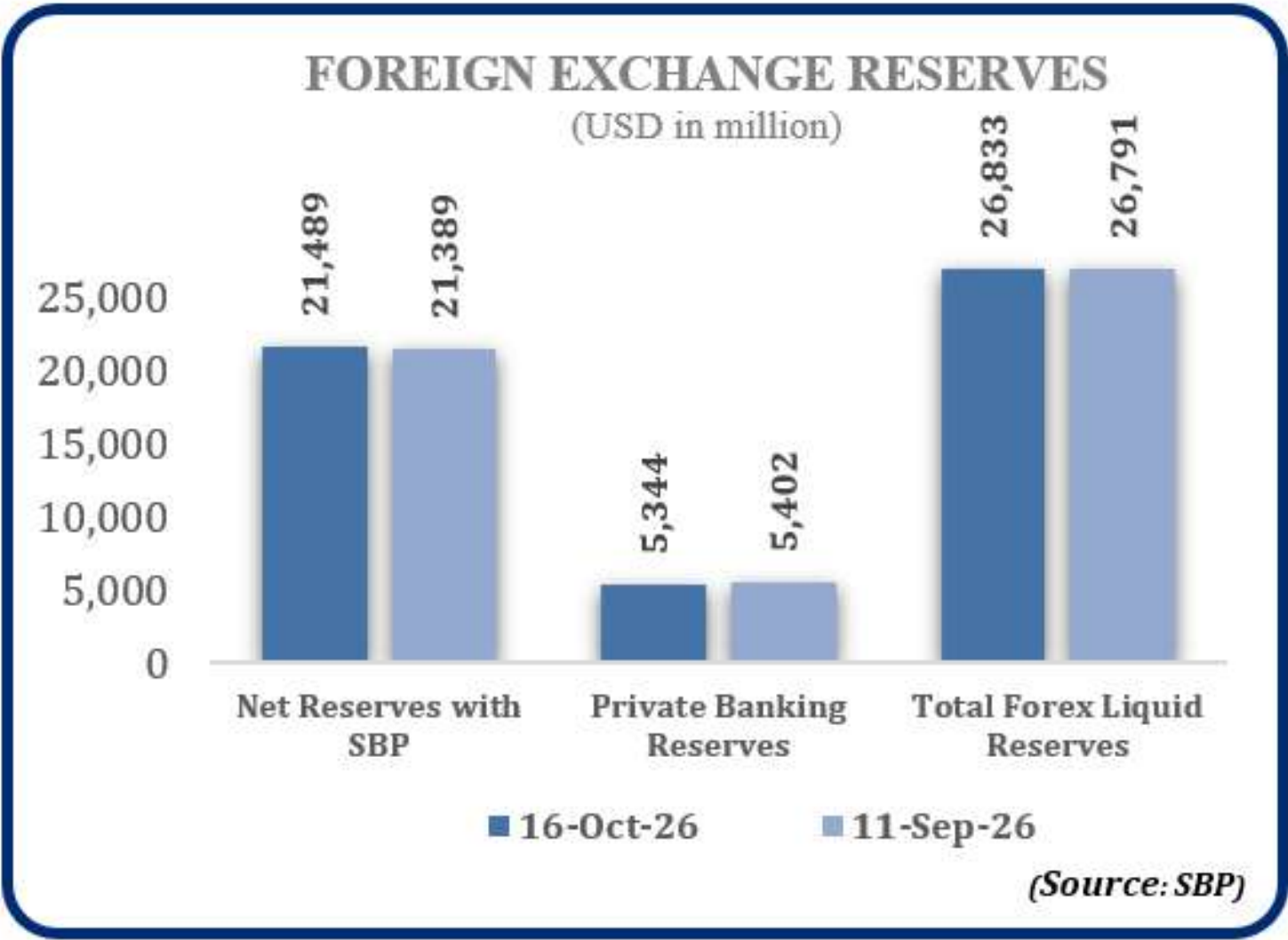
**FBR TAXES
(% SHARE)**





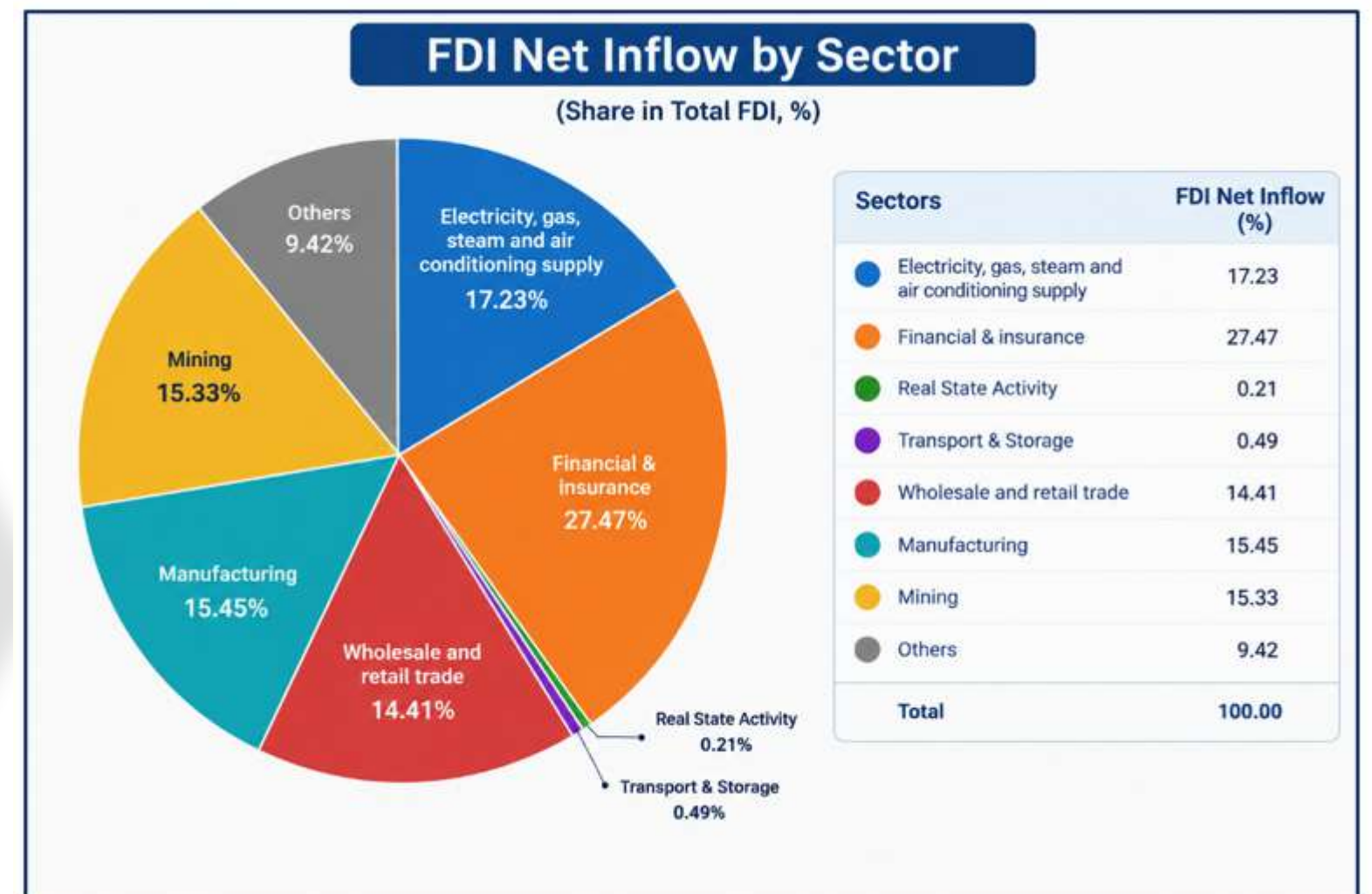
8. FOREIGN EXCHANGE RESERVES

Pakistan's total liquid foreign exchange reserves stood at \$26.8 billion as of October 16, 2026. Of the total reserves, the State Bank of Pakistan ("SBP") held \$21.5 billion, a record for the central bank, while commercial banks had \$5.3 billion.



9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has surged by almost 20.0% or \$119 million to \$720 million provisionally during the Jul-Sept period of FY27, as compared to \$600 million during the same period of FY26. Whereas, the total Net Foreign Investment surged by \$3,685 million to \$3,652 million only on a Y-o-Y basis in the Jul-Sept period of FY27 as against the amount of -\$33 million in the same month of FY26. This Pie chart shows the percentage share of net inflows in different sectors of the Economy in the Jul-Sept period of FY27.



10.DEBT PROFILE

The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to almost PKR 83 trillion till the end of Aug 2026, marking a substantial increase of 7.1% compared to the same period 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 Public Debt Position

(PKR Billion, unless otherwise stated)



Indicator	August 2026	August 2025	Change
 Domestic Debt	58,757	54,073	▲ 4,684 (8.66%)
 External Debt	24,196	23,385	▲ 811 (3.47%)
 Gross Public Debt	82,953	77,458	▲ 5,495 (7.10%)



Note: Change is calculated as the difference between August 2026 and August 2025, with the percentage change shown in brackets.

11.REGIONAL ANALYSIS

Compared to other countries in the region, the Pakistani rupee has remained stable against the USD over the past months. However, inflation may rise in coming months due to energy price hike globally, amidst the uncertain situation in the Gulf region, given Pakistan's dependence on oil imports. Inflation in Bangladesh has risen to 8.3%. In Sri Lanka, the CPI has recorded an inflation of 8.0% in Sept 2026, as a result of global crude oil price surge. Meanwhile, India's inflation has increased to 5.5% from 4.8%. Additionally, China recorded inflation of 0.9% in Sept 2026.



REGIONAL COMPARISON (CPI YoY %)

	Pakistan		10.3%
	Bangladesh		8.34%
	Sri Lanka		8.0%
	India		5.54%
	China		0.9%

Country	Local Currency Units per USD (As of 23rd Oct)	Currency Appreciation (Depreciation) % Change Y-o-Y
Pakistan	276.8	2.3
India	95.1	(8.3)
Bangladesh	123.7	(0.9)
China	6.7	6.4
Sri Lanka	332.1	(9.4)

(Source: Trading Economics)

OUTLOOK

The World Bank emphasized the need for a credible medium-term fiscal plan ahead of the 2029 general elections and recommended a more flexible, market-determined exchange rate to strengthen competitiveness, absorb external shocks and sustain investor confidence.

External Risks and Structural Reforms: Prolonged Middle East tensions, elevated energy prices and faster import growth could widen the current account deficit and increase pressure on foreign exchange reserves. The World Bank noted that ambitious structural reforms could raise Pakistan's potential growth to 6.2–6.9% annually.

Consecutive revenue shortfalls highlight persistent structural weaknesses in Pakistan's tax system. Going forward, successful implementation of budgetary tax measures, improved compliance, and enhanced documentation of the economy will be crucial to raise the tax-to-GDP ratio, reduce fiscal risks, and ensure adequate financing for development and strategic expenditures.



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