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Chartered Accountants

Economic Brief 2025

June 2025

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What's Inside

KPMG Taseer Hadi & Co.
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What's Inside (Cont'd)

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The report is available at:

https://assets.kpmg.com/content/dam/kpmg/pk/pdf/2025/06/Economic-Brief-2025.pdf

Foreword

Economic Brief 2025 is a publication prepared by KPMG Taseer Hadi & Co. to provide information and commentary on the performance of Pakistan's economy during FY25.

This publication includes an overview of the economic performance of Pakistan during FY25 and our analysis & commentary on key macro economic indicators. This publication is primarily based on the Pakistan Economic Survey 2024-25 released on 09 June 2025.

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Pakistan's Macroeconomic Rebound

Pakistan's real GDP grows by 2.7% in FY25, up from 2.5% last year

Inflation drops sharply to 4.7% in 10MFY25, down from 26.0% last year

Policy rate slashed to 11% from a peak of 22% in last fiscal year amid easing inflation and stronger fundamentals

PKR/USD parity averaged 278.5 in 9MFY25, compared to 284.4 in the same period last year, signaling greater stability in the currency market

Remittances rose by 31.0% to USD 31.2 billion during 10MFY25, up from USD 23.9 billion last year

Per capita income increased to USD 1,824 in FY25, up from USD 1,662 in the previous year

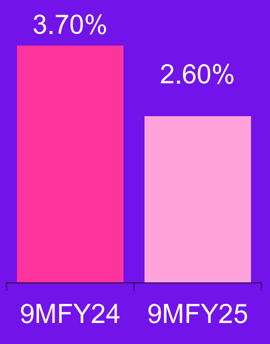
Foreign exchange reserves reached USD 16.6 billion up from USD 14.3 billion a year earlier

The current account recorded a surplus of USD 1.9 billion during 10MFY25, reversing a deficit of US$ 1.3 billion in the same period last year

Trade deficit in goods increased to USD 21.3 billion in 10MFY25, up from USD 18.0 billion last year, as import growth of 11.8% outpaced export growth of 6.8%

IMPORTS

EXPORTS



Fiscal deficit reduced to 2.6% of GDP in 9MFY25, down from 3.7% in the same period last year

Demographic Snapshot

Total Population

241.5million

According to Seventh Population and Housing Census, FY23

Gender Ratio

51.5% | 48.5%

as at FY23

71.8million

Labor Force

as at FY21

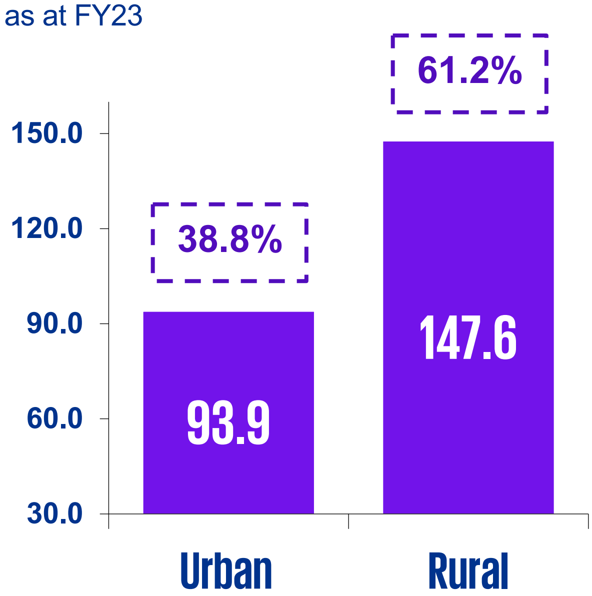
Employment Ratio

as at FY21

Total Employed **(Million)**	67.3
Total Unemployed **(Million)**	4.5
Unemployment Ratio	6.3%

Urban vs Rural Population

as at FY23



Distribution of Enrollments

56.6million students enrolled as at FY24(E)

Primary, Middle & High Schools	90.4%
Inter & Degree Colleges	6.2%
University	3.4%

Source: Pakistan Economic Survey 2025

From Stabilization to Reform – Inflation Falls & Surplus Rise

In USD billion

Trade Operation	10MFY24	10MFY25
Imports	43.5	48.6
Exports	25.5	27.3
Trade Deficit	18	21.3

in PKR trillion

Govt. Expenditure	9MFY24	9MFY25
Markup Payments	5.5	6.4
Defense	1.2	1.4
PSDP	1.2	1.5

in PKR billion

Pakistan Debt Profile	June'24	Mar'25
Domestic Debt	47,160	51,518
External Debt	24,086	24,489
Total Public Debt	71,246	76,007

in PKR trillion

Expenditure	9MFY24	9MFY25
Current Expenditure	12.3	14.6
Development Expenditure	1.1	1.5

in PKR trillion

Fiscal Operation	9MFY24	9MFY25
Revenue	9.8	13.4
Expenditure	13.7	16.3
Budget Deficit	-3.9	-2.9
Primary Balance as % of GDP	1.5%	3.0%

Fiscal Deficit as % of GDP

Tax to GDP at Market Prices Ratio

in PKR trillion

Fiscal Revenue	9MFY24	9MFY25
Tax Revenue	7.3	9.3
Non - Tax Revenue	2.5	4.2

Source: Pakistan Economic Survey 2025

From Stabilization to Reform – Inflation Falls & Surplus Rise (Cont'd)

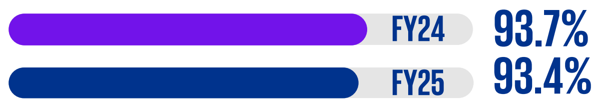
Monetary Sector	9MFY24	9MFY25
Policy Rate	22.0%	11.0%
M2 Growth	7.2%	4.5%
Private Credit Growth (PKR billion)	265.2	767.6
Agricuture Credit (PKR billion)	1,635	1,880

External Sector	10MFY24	10MFY25
Current Account balance	-1.3	1.9
Remittances	23.9	31.2
FDI	1.8	1.7
Forex Reserves	14.0	16.6
Exchange Rate USD	284.4	278.7

Sector Growth Rates	FY24	FY25
Agriculture	6.4%	0.6%
Industrial	-1.4%	4.8%
Services	2.2%	2.9%

Investments as % of GDP

Consumption as % of GDP



		In USD billion
Macro View	FY24	FY25
GDP Size USD billion	372	411
GDP Growth Rate	2.5%	2.7%
Inflation (10M)	26.0%	4.7%
Per Capita Income in USD	1,662	1,824

Net Exports as % of GDP

Current Account balance as % of GDP

Source: Pakistan Economic Survey 2025

Economic Review: Resilience Amid Reform – Growth Reignites & Stability Deepens

KIBOR Declined by 970 bps in one year, easing financing costs for businesses and consumers.

Foreign Reserves crossed USD 16.6 billion by May'25, driven by remittances and IMF inflows.

Agricultural credit disbursement rose by 15% YoY to PKR 1.9 trillion.

Agriculture grew marginally by 0.6% in FY25, with its GDP dipping from 24.0% to 23.5%.

Industry sector grew by 4.8%, supported by small-scale manufacturing.

Services sector grew by 2.9%, contributing to growth.

Pakistan's economy showed encouraging signs of recovery in FY25, with real GDP expanding by 2.7%. This recovery reflects the effects of strong macroeconomic management, renewed investor confidence, and continued support under the IMF's Extended Fund Facility. The turnaround was anchored by disciplined fiscal consolidation and the lagged impact of earlier tight monetary policy, both of which helped contain inflation and stabilize the exchange rate.

Inflation declined sharply, averaging just 4.7% during the first ten months of FY25 — down from 26% in the previous year. By April 2025, inflation reached a six-decade low of 0.3%. In response, the State Bank of Pakistan launched a monetary easing cycle, cutting the policy rate by 1,100 basis points between June 2024 and May 2025. This shift helped lower borrowing costs and created favorable conditions for an economic revival.

On the fiscal front, the government recorded a historic primary surplus of 3.0% of GDP during July–March FY25, compared to 1.5% in the same period last year. However, the overall fiscal deficit stood at 2.6% of GDP. Tax revenues collected by the FBR surged by 25.8% to PKR 9.1 trillion, driven by a broader filer base, especially among individual and high-value tax-payers.

The external sector rebounded impressively, posting a current account surplus of USD 1.9 billion — reversing a USD 1.3 billion deficit in the prior year. This turnaround was supported by record-high remittances of USD 31.2 billion and a 23.7% increase in ICT exports, which reached USD 2.8 billion. Despite a widening trade deficit of USD 21.3 billion due to higher imports, foreign exchange reserves rose to USD 16.6 billion, and the exchange rate remained stable, averaging Rs 278.7 per USD during the first ten months of FY25.

Improved macroeconomic stability also lifted per capita income to USD 1,824, up from USD 1,662 last year. The capital markets reflected this optimism: the KSE-100 index surged by 50.2% during July–March FY25, and market capitalization increased by PKR 4 trillion to reach PKR 14.4 trillion. These gains were bolstered by successful IMF reviews and Fitch's credit rating upgrade to B- with a stable outlook.

The government also initiated pension reforms, transitioning toward a contributory system to address the growing fiscal burden of unfunded pension liabilities. These reforms would enhance long-term fiscal sustainability by gradually reducing pension-related expenditures, which have historically constrained development spending.

LSM sector experienced contraction of 1.5%.

Regressive taxes could slow economic growth and impact tax revenue targets.

Government achieved primary surplus of 3.0% of GDP compared to 1.5% last year.

Government launched URAAN framework focusing export & investment growth.

Company Registrations increased by 27.5% signaling improved investor sentiment.

Public debt rose to 76 trillion, straining revenue and curbing development spending.

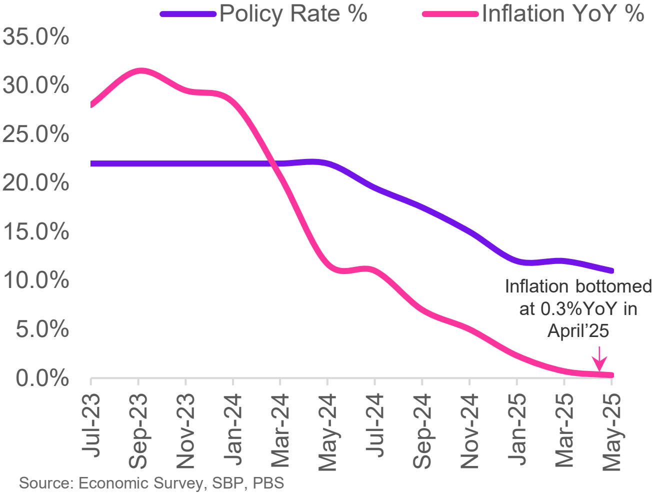
Source: Pakistan Economic Survey 2025

Cooling Inflation Spurs Interest Rate Cuts

Monetary Policy

Over the past year, the global monetary environment transitioned from broad-based tightening to the early stages of easing, driven primarily by moderating inflation. In line with this trend, the State Bank of Pakistan initiated a calibrated easing cycle in June 2024, reducing the policy rate by 850 basis points over nine months—from 22% in May 2024 to 13.5% by February 2025. This was followed by a sharper-than-expected decline in headline inflation to 0.3% in April, supported by lower energy tariffs, reduced food prices, and a favorable base effect. In response, the SBP further cut the policy rate to 11% by May 2025, marking a cumulative reduction of 1,100 basis points since June 2024.

The Interplay Between Policy Rates and Inflation

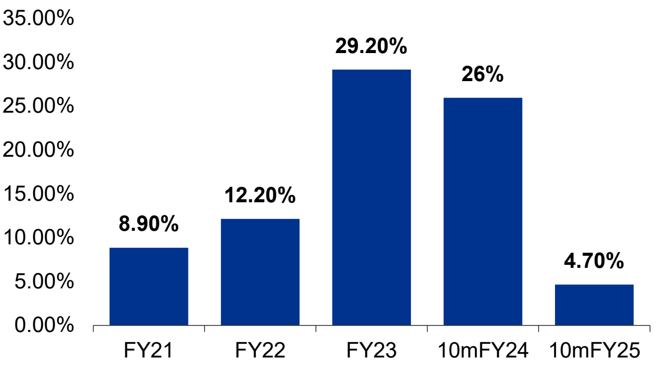


Source: Economic Survey, SBP, PBS

Inflation Rate

During the first ten months of FY25, CPI inflation declined sharply to 4.7%, down from 26% in the same period last year. This significant easing was driven by improved food availability, lower energy prices, underutilized production capacity, and a global decline in commodity prices resulting from better energy and food supply conditions.

Average Yearly Inflation

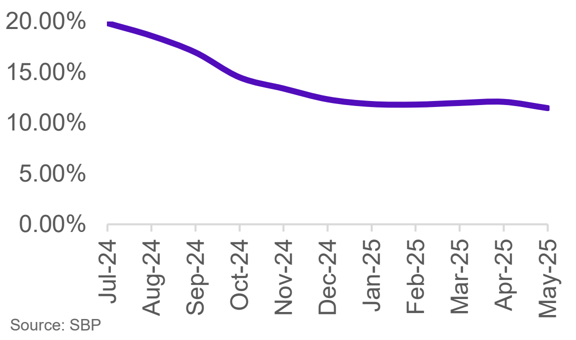


Source: SBP, PBS

KIBOR Rate

In tandem, the Karachi Interbank Offered Rate (KIBOR) adjusted swiftly to the monetary easing, with the 6-month KIBOR declining to 11.46% by May 2025, down from 20% at the start of FY25. This anticipated repricing of interest rates improved credit conditions and boosted private sector demand for financing, particularly in working capital and manufacturing segments.

Average 6-month KIBOR Rate



Source: SBP

Money Supply

Broad Money (M2) grew by PKR 1,604 billion during July–March FY2025, reflecting a 13.0% YoY increase — down from PKR 2,219 billion (17.4%) in the same period last year.

Source: Pakistan Economic Survey 2025

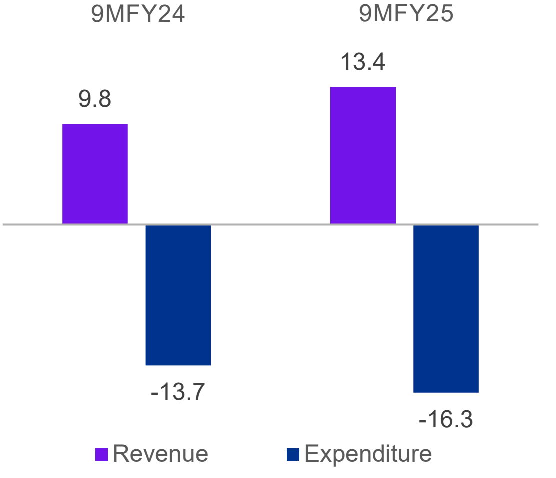
Budget Deficit Shrinks to 2.6% of GDP Amid Strong Revenue Performance

During the period 9MFY25, Pakistan's total revenue rose by 36.7% to PKR 13.4 trillion, compared to PKR 9.8 trillion in the same period last year. This growth was primarily driven by a substantial 68% increase in non-tax revenues, which reached PKR 4.2 trillion, fueled by higher receipts from SBP profits, petroleum levy, dividends, and surcharges. In addition, FBR collections increased by approximately 26%, rising from PKR 7.3 trillion in 9MFY24 to PKR 9.1 trillion in 9MFY25. This improvement included a notable increase of PKR 0.9 trillion in direct taxes and PKR 0.9 trillion in indirect taxes. Both federal and provincial tax revenues improved significantly, supported by tax enhancing measures introduced under the Finance Act 2024.

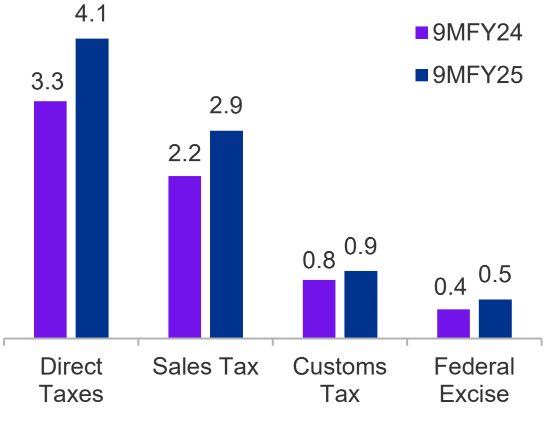
On the expenditure side, total spending rose by approximately 19%, reaching PKR 16.3 trillion during 9MFY25. The rise in expenditure is primarily attributed to a significant increase in development spending compared to current expenditures, which remained relatively moderate. Current expenditures grew by 18.3%, while development expenditures rose by 32.6%. To meet its financing needs, the government relied heavily on domestic borrowing. A 1-month treasury bill was introduced to address short-term liquidity needs of targeted investors, while a 10-year Sukuk instrument was launched to expand Shariah-compliant financing options. Consequently, domestic borrowing rose by PKR 4.4 trillion between June 2024 and March 2025. Debt servicing accounts for 57.3% of the total revenue collection amid huge markup payments. Defense spending also rose by 16.5%, from PKR 1.2 trillion in 9MFY24 to PKR 1.4 trillion in 9MFY25. Meanwhile, mark-up payments increased by 16.7% to PKR 6.4 trillion.

The budget deficit decreased by approximately PKR 0.93 trillion during the 9MFY25, narrowing the fiscal deficit to 2.6% of GDP, down from 3.7% in the same period last year, highlighting the effectiveness of fiscal consolidation measures.

Fiscal Deficit in PKR trillion



Composition of Tax Revenue in PKR trillion



Pakistan's Debt Profile in PKR billion

	Jun'24	Mar'25
Total Debt Servicing (% of GDP)	10.1%	6.7%
Govt. Domestic debt	47,160	51,518
Govt. External debt	21,754	22,170
Debt from IMF	2,332	2,319
Total Gross Public Debt	**71,246**	**76,007**

Source: Pakistan Economic Survey 2025, SBP

Economy Expands 2.7% in FY25 as Industry Leads, Agriculture Slows and Services Steady

Pakistan's economy continued its recovery in FY25, recording a real GDP growth rate of **2.7%**, up from 2.4% in FY24. This modest but steady expansion reflects progress on multiple fronts, including tighter fiscal controls, falling inflation, and renewed investor confidence. Supported by improved macroeconomic stability and a favorable external environment, the country managed to maintain growth across all major sectors—albeit unevenly.

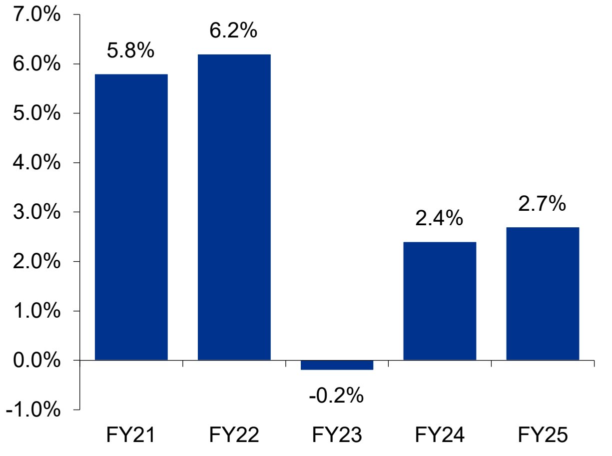
The **agriculture sector** posted a modest growth of 0.6% during FY25, with its share in GDP slightly declining to 23.5%, down from 24.0% in the previous year. The sector faced a challenging year, with major crop production declining by 13.5% due to adverse weather and reduced cultivation. Consequently, the output of cotton (-30.7%), wheat (-8.9%), sugarcane (-3.9%), maize (-15.4%), and rice (-1.4%) fell. However, livestock showed resilience, growing 4.72% and contributing nearly 15.0% to GDP. The fisheries (1.4% growth) and forestry (3.03% growth) sub-sectors also registered positive performances. Vegetables such as onion (+15.9%) and potato (+11.5%) helped offset declines in major crops.

The **industrial sector** was the best-performing sector in FY25, recording robust growth of 4.8% after contracting by 1.37% in the previous year. This was driven by strong gains in small-scale manufacturing and slaughtering, which offset a 1.5% decline in LSM. Key LSM segments like automobiles (+40%), apparel (+7.6%), and petroleum products (+4.5%) remained resilient despite broader declines. Mining and quarrying contracted by 3.4% due to reduced oil and gas output, while electricity, gas, and water supply rebounded sharply with 28.9% growth, supported by higher subsidies. Construction also recovered with 6.6% growth, aided by increased public investment.

The **services sector** contributed 58.4% to GDP grew by 2.9% in FY 2025, up from 2.2% last year. Growth was modest across subsectors with wholesale and retail trade rising slightly (0.1%), transport and storage growing by 2.2% led by water and air transport, and information and communication technology (ICT) expanding by 6.5% driven by computer programming. Finance and insurance rebounded with 3.2% growth, while public administration rose by 9.9% on higher government spending. Education, health, and other private services also posted moderate gains.

Source: Pakistan Economic Survey 2025, SBP

GDP Growth Trends



Component Wise GDP Breakdown

Consumption
93.4% of GDP in FY25

Investment
13.8% of GDP in FY25

Net Exports
-7.1% of GDP in FY25

Savings
14.1% of GDP in FY25

Exports Recover, Imports Surge: Navigating Pakistan's Trade Crosswinds in FY25

Robust 6.8% YoY Growth in Goods Exports Recorded for July–April FY2025

In 10MFY25, exports reached approximately USD 27.3 billion, reflecting a 6.8% YoY increase from USD 25.5 billion in the same period of FY24. This recovery was supported by stronger global demand, a stable and competitive exchange rate, and targeted policy measures. The textile sector remained the key driver, contributing over 53% of total exports. Major categories including ready-made garments, knitwear, and bedwear, posted strong growth due to better pricing, improved global demand, and currency stability. Non-textile exports also gained traction, with the Other Manufactures Group rising 6.6% to USD 3.5 billion from USD 3.3 billion. Notable contributors included pharmaceuticals, plastics, engineering goods, signaling early progress in export diversification.

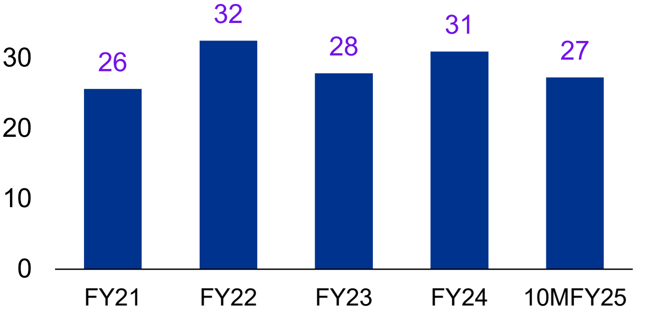
The food group's performance declined slightly, with total exports at USD 6.2 billion. Rice, the largest component, saw a modest dip due to lower global prices. In contrast, sugar and tobacco exports posted exceptional growth. Sugar exports soared from USD 21 million to USD 407 million due to surplus output and favorable global markets, while tobacco exports rose 143.1% amid strong demand and better market access.

Import of Goods Recorded 11.8% Growth in July–April FY2025

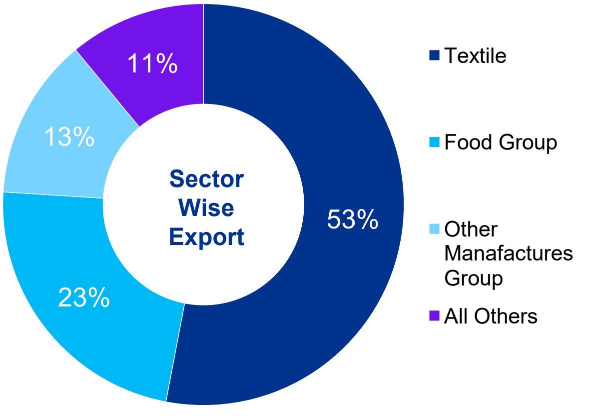
In 10MFY25, import of goods rose to USD 48.6 billion (+11.8% YoY) from USD 43.5 billion in FY24. The petroleum group led the composition (27.5% share) despite a 3.4% decline in value. Machinery imports grew 14.4% to USD 7.7 billion, driven by power, construction, mining, and textiles, while transport imports surged 33.3% due to strong vehicle demand and higher remittances. Food imports remained stable (+0.6%), accounting for 14.2% of the total, with wheat imports dropping to zero, saving USD 1 billion. Textile imports jumped 63.5% to USD 3.5 billion, led by a 230%+ increase in raw cotton imports amid local shortages.

Source: Pakistan Economic Survey 2025, KPMG Analysis

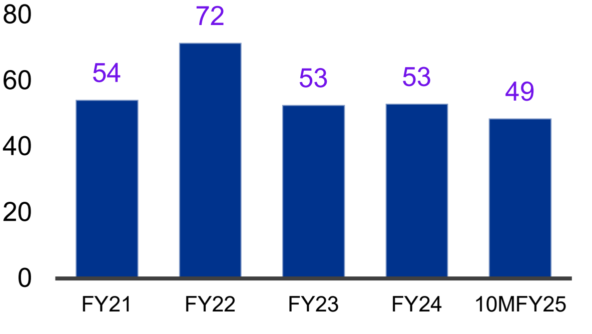
Total Exports of Goods in USD Billion



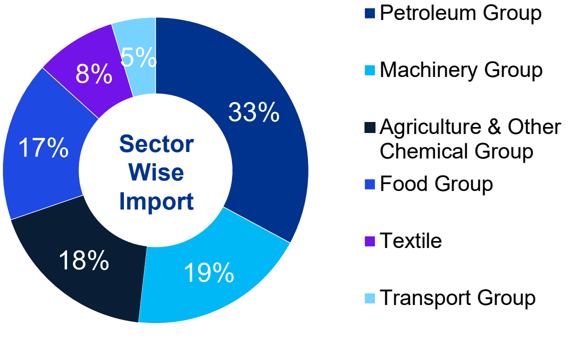
Source: SBP



Total Imports of Goods in USD Billion



Source: SBP



Foreign Investment Plateaus Amid Regional Risks and Global Uncertainty

FDI Sees 2.7% Decline Amid Global Uncertainty

FDI declined by 2.7% in 10MFY2025, totaling USD 1,785 million compared to USD 1,837 million during the same period last year. This drop was due to less investments, as global tensions and economic uncertainty prompted investors to prioritize stable, lower-risk markets. Slowing global trade and weaker investment momentum also led many multinational firms to scale back expansion plans in developing economies. Additionally, a decline in Chinese outbound investment, traditionally a key source of FDI for Pakistan, further contributed to the downturn.

Explaining the Uptick in FDI Across Major Sectors

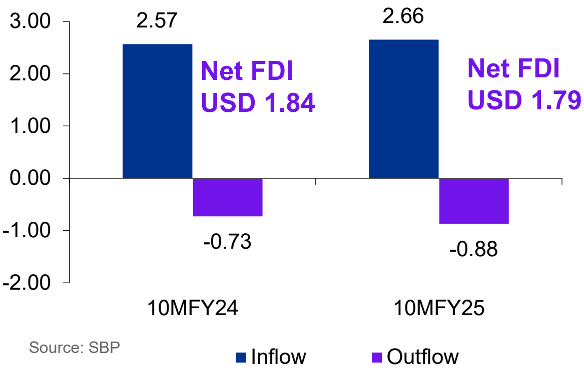
The increase in FDI across key sectors in FY25 reflects a combination of sector-specific developments and broader macroeconomic improvements. The most significant improvement occurred in the Finance sector, where FDI rose by over 11%. This was largely driven by the SBP's continued liberalization of the banking sector, and rising foreign participation in Pakistan's growing fintech ecosystem, including mobile banking and digital credit platforms. These gains reflect growing investor confidence and an improving business environment, which have helped attract capital into Pakistan's most promising and dynamic sectors

In the Power sector, although the net increase was marginal, the sector remained among the top FDI recipient, supported by long-term commitments under the China-Pakistan Economic Corridor (CPEC), particularly in coal and renewable energy projects. Key reforms, such as tariff rationalization, resolution of circular debt, and enhanced regulatory clarity helped restore investor confidence.

FDI in Oil & Gas Exploration increased as the government streamlined exploration licensing procedures, drawing significant attention from investors, particularly from Hong Kong-based investors focused on upstream energy ventures.

Source: Pakistan Economic Survey 2025

FDI Flows in USD billion



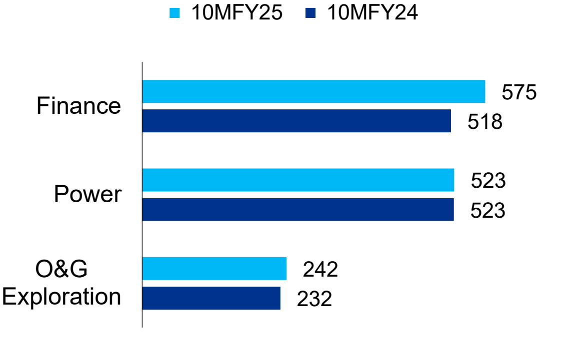
Source: SBP

Countries Wise Net FDI in USD million

	10MFY24	10MFY25
China	512	711
Hong Kong	176	197
U.K	199	210
U.S.A	94	90
U.A.E	116	102
Others	740	475
Total	**1837**	**1785**

Source: SBP

Top 3 Sector Wise Net FDI Inflows

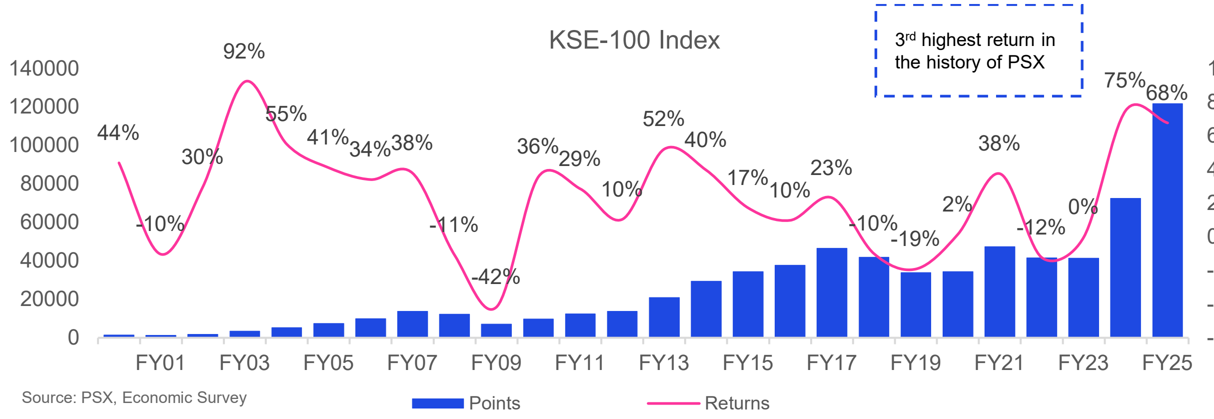


Source: SBP

Capital Market Rallies on Macroeconomic Stability and Investor Optimism

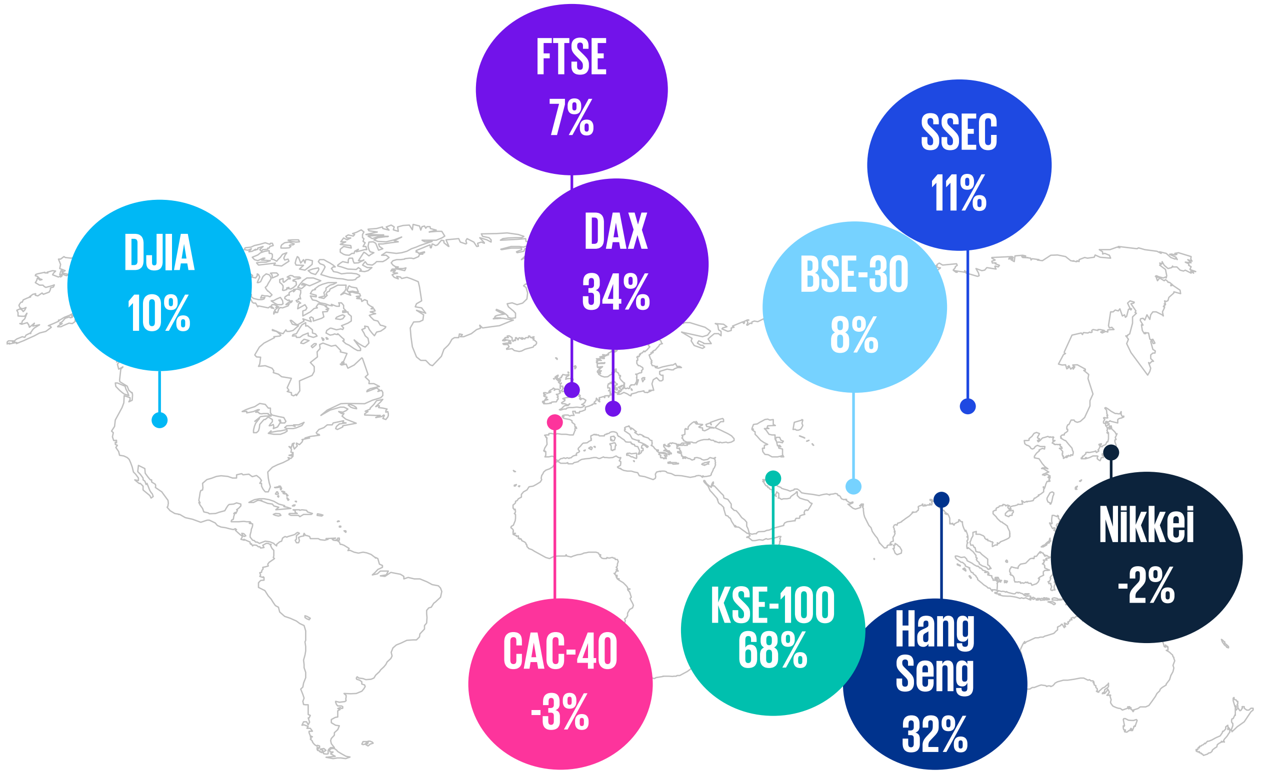
The Pakistan Stock Exchange (PSX) sustained its bullish trend in FY25TD, with the KSE-100 index climbing from 79k to over 122k points, its highest level in history, making it one of the world's top-performing equity markets yet again. This increase can be attributed to strong corporate earnings, a decline in both the policy rate and inflation, the successful first review of the IMF-EFF program, and subsequent tranche disbursements all of which contributed to a stable macroeconomic environment that bolstered investor confidence.

Notably, market capitalization of PSX surged by 38.5% during the period, increasing from PKR 10,375 billion in June 2024 to PKR 14,374 billion by March 2025, indicating robust growth. With fiscal discipline improving and monetary easing on the horizon, FY25TD represents a phase of consolidation and resilience for Pakistan's capital markets.



Source: PSX, Economic Survey

KSE-100: Top performing stock market among major indices in FY25TD



Source: Pakistan Economic Survey 2025, KPMG Research

Rupee Shielded as Foreign Exchange Reserves Grow

During FY25, Pakistan's foreign exchange reserves and exchange rate trends reflected significant improvement. Foreign exchange reserves rose to USD 16.6 billion by May'25, comprising USD 11.5 billion held by the SBP and USD 5.1 billion by commercial banks.

The Pakistani rupee appreciated by 3.5% against USD during the fiscal year, supported by improved external sector performance, effective policy coordination, and a historic rise in remittance inflows.

From July to April FY25, the average exchange rate stood at PKR 278.7 per USD, reinforcing market confidence and macroeconomic stability.

The government and the State Bank of Pakistan (SBP) implemented targeted reforms to stabilize the foreign exchange market, successfully aligning interbank and open market exchange rates within the IMF-prescribed ±1.25% band.

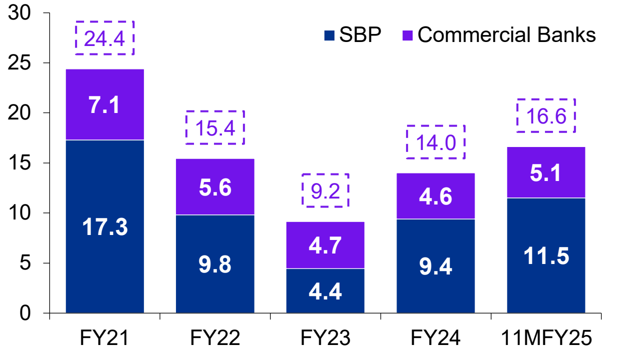
A key contributor to external sector resilience was a historic surge in remittances, which reached USD 31.2 billion, an increase of nearly 31% YoY. March'25 marked a record high with USD 4.1 billion in monthly inflows.

Saudi Arabia was the largest contributor, accounting for 24% of total remittances, reflecting the significant role of Pakistani workers in the Saudi Arabia. The UAE and UK followed with shares of 20% and 15%, respectively, while the USA, Oman, and other countries made up the remaining inflows.

These exceptional inflows played a critical role in achieving a current account surplus of USD 1.9 billion during July to April FY25, a significant turnaround from the last year's deficit.

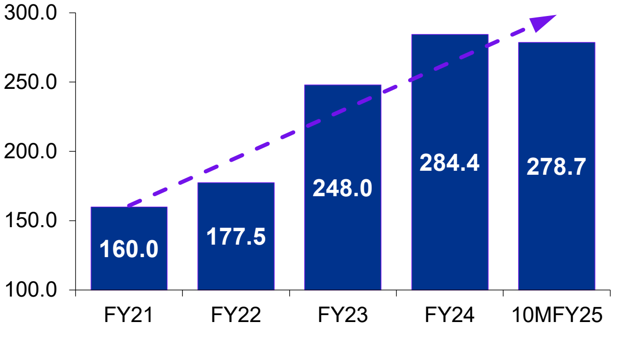
Source: Pakistan Economic Survey 2025

Foreign Exchange Reserves in USD billion



Source: SBP

Average Exchange Rates



Source: SBP, Economic Survey 2025

Remittances in 10MFY25

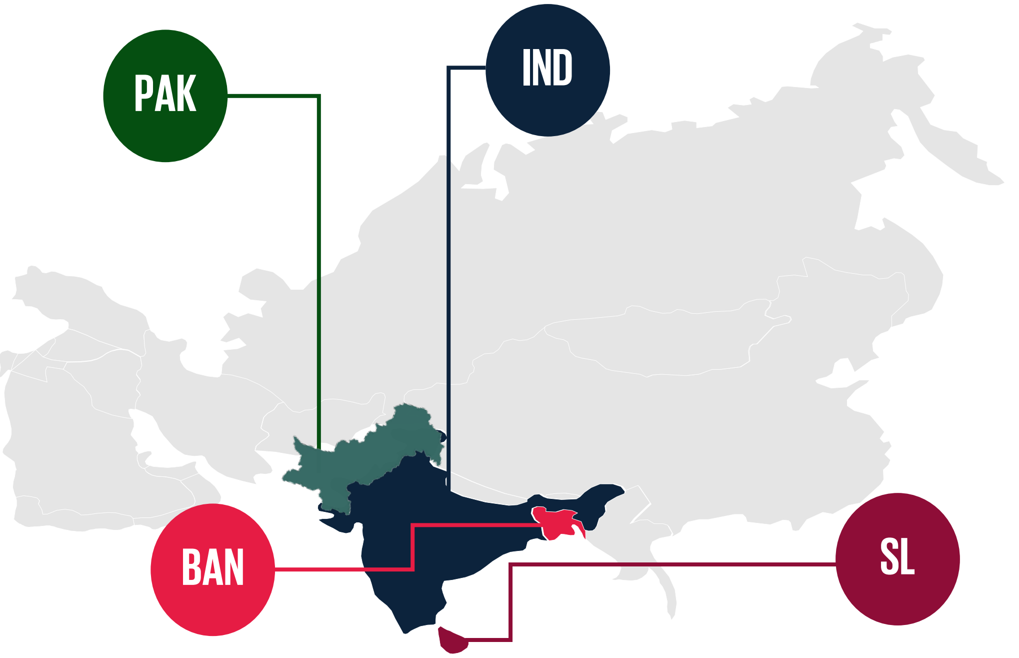
Country	Weight %	USD million
Saudi Arabia	24%	7,608
U.A.E.	20%	6,362
U.K.	15%	4,779
U.S.A.	10%	3,125
Sultanat-e-Oman	3%	1,069
Other Countries	26%	8,267
Total	**100%**	**31,210**

Source: Economic Affairs Division

Pakistan Compared to Regional Peers

Pakistan	FY24	FY25
GDP growth rate	2.5%	2.6%
Per Capita Income in USD	1,662	1,824
Unemployment rate	8.3%	8.0%
Inflation rate	23.4%	5.1%
Current account as % of GDP	-0.5%	-0.1%
Average Exchange rate per USD	282.9	279.0

India	FY24	FY25
GDP growth rate	6.4%	6.1%
Per Capita Income in USD	2,711	2,878
Unemployment rate	4.9%	4.9%
Inflation rate	4.6%	4.2%
Current account as % of GDP	-0.7%	-0.9%
Local Exchange rate per USD	83.6	87.4



Bangladesh	FY24	FY25
GDP growth rate	4.2%	3.7%
Per Capita Income in USD	2,622	2,689
Unemployment rate	4.9	4.8
Inflation rate	9.7%	9.9%
Current account as % of GDP	-1.4%	-0.9%
Local Exchange rate per USD	115.6	124.0

Sri Lanka	FY24	FY25
GDP growth rate	5.0%	N/A
Per Capita Income in USD	4,324	N/A
Unemployment rate	4.7%	N/A
Inflation rate	1.2%	N/A
Current account as % of GDP	1.7%	N/A
Local Exchange rate per USD	302.1	287.5

Source: IMF, Economic Survey, EIU

FY25 estimates are extracted from IMF World Economic Outlook

What to expect in FY26?

01

Monetary easing amid decline in Interest Rates

Following a cumulative 1100 basis point reduction in the policy rate during FY25, a further easing of 150 basis points is anticipated in early FY26. This reflects a continued disinflationary trend, underpinned by high base effects, improved supply chains, and macroeconomic stabilization. The central bank forecasts medium-term inflation in the range of 5–7%, supporting expectations of a stable or declining interest rate environment in FY26.

02

Hike in energy tariffs

To address persistent circular debt and meet IMF program conditionalities, a gradual increase in electricity and gas tariffs is expected. These adjustments aim to phase out untargeted subsidies while improving the financial viability of the energy sector.

03

Privatization of State-Owned Enterprises (SOEs)

The government remains committed to restructuring and privatizing key SOEs to enhance efficiency and fiscal sustainability. FY26 is likely to witness accelerated activity, attracting strategic investments in sectors like power distribution and banking.

04

Short-Term Inflation from Contractionary Measures

The FY26 budget is projected to continue fiscal consolidation through subsidy rationalization and tax base expansion. These contractionary policies, while inflationary in the short run, are aimed at ensuring macroeconomic discipline and long-term growth resilience.

05

Stable PKR on improved foreign inflows

With negotiations underway for a new $7–8 billion IMF Extended Fund Facility, alongside strong remittance inflows and modest current account performance, the PKR is expected to remain relatively stable in FY26. The exchange rate outlook will also benefit from anticipated foreign direct investments and multilateral disbursements.

06

Inflows from Middle Eastern countries

Under the Special Investment Facilitation Council, strategic partnerships in agriculture, IT, energy, and mining with Middle Eastern countries are gaining traction. If materialized, these investments will be instrumental in lifting economic growth above FY25 levels, marking a potential inflection point for FY26.

Our Recommendations

01

Boost Agricultural Productivity

- Invest in climate-resilient crops and modern irrigation systems.
- Expand access to agricultural credit and promote mechanization.
- Strengthen supply chains and storage infrastructure to reduce post-harvest losses.

02

Leverage Global Partnerships and Financial Support

- Implement measures to increase remittance inflows and attract diaspora investments.
- Use the upcoming IMF agreement not only to stabilize reserves but also to advance overdue structural reforms in SOEs, pension liabilities, and energy pricing.

03

Enhance Human Capital

- Increase investment in education and vocational training programs, with KPIs linked to digital skills and tertiary education outcomes.
- Promote digital literacy and STEM education to prepare for future job markets.
- Expand social protection programs to reduce poverty and inequality.
- Integrate women into the formal economy through targeted tax incentives, childcare support, and MSME financing.
- Address demographic pressures by linking family planning with youth employment initiatives and healthcare outreach.

04

Revitalize Industrial Growth

- Provide targeted subsidies and tax incentives for export-oriented sectors.
- Support SMEs through improved access to finance and digital transformation tools.
- Foster public-private partnerships, especially in manufacturing and industrial zones.
- Replace blanket import curbs with competitiveness-enhancing policies like improved infrastructure, skilled labor, and sector-specific support (e.g., engineering, agro-processing).
- Leverage momentum from the SIFC to attract FDI by offering bankable projects and political risk guarantees in priority sectors such as mining, renewable energy, and digital infrastructure.

Our Recommendations (Cont'd)

05

Ensure Energy and Infrastructure Reforms

- Scale up investments in renewable energy to reduce energy import dependence.
- Enhance efficiency in power distribution and work to resolve circular debt through governance improvements, independent audits, and targeted subsidies.
- Upgrade transport and logistics infrastructure to support trade and mobility.

06

Promote Investment and Exports

- Streamline business regulations and minimize bureaucratic hurdles.
- Develop Special Economic Zones (SEZs) with focused export incentives.
- Leverage CPEC and regional trade agreements for greater market access.
- Incentivize diaspora investments via remittance-linked schemes and expand skilled labor exports to Europe and East Asia.

07

Strengthen Fiscal Management

- Broaden the tax base and reduce over-reliance on indirect taxation.
- Improve efficiency in public spending and curtail non-development expenditures.
- Accelerate digitization of tax systems to minimize evasion and enhance compliance.
- Given improved fiscal discipline in FY25, shift from reactive debt control to proactive restructuring—seeking longer tenors, concessional borrowing, and lower interest costs.
- Integrate informal sectors into the tax net, remove regressive levies, and use data analytics to boost compliance.

08

Strengthen Governance and Institutions

- Improve transparency in public procurement and budgetary processes.
- Empower local governments to enhance grassroots service delivery.
- Advance judicial and regulatory reforms to bolster investor confidence.
- Fully digitize tax assessment and audits using Artificial Intelligence to reduce discretion and enhance accountability.

Glossary

9MFY25	July to March
10MFY	July to April
FY25	July to June
SBP	State Bank of Pakistan
FBR	Federal Board of Revenue
PSX	Pakistan Stock Exchange
KSE	Karachi Stock Exchange
KSE-100	Karachi Stock Exchange 100 Index
GDP	Gross Domestic Product
PSEB	Pakistan Software Export Board
NIC	National Incubation Center
EMR	Electronic Mortgage Registry
eCIB	Electronic Credit Information Bureau
NFIS	National Financial Inclusion Strategy
SECP	Securities and Exchange Commission of Pakistan
PIB	Pakistan Investment Bond
SOEs	State-Owned Enterprises
IT	Information Technology
KIBOR	Karachi Interbank Offered rate
LSM	Large Scale Manufacturing
PDAA	Pakistan Digital Assets Authority
UAE	United Arab Emirates
DISCOs	Distribution Companies
PIA	Pakistan International Airlines
IMF	International Monetary Fund
RSF	Resilience and Sustainability Facility
COP29	29th United Nations Climate Change Conference
PKR	Pakistani Rupee
USD	United States Dollar
ADB	Asian Development Bank
GCC	Gulf Cooperation Council
SIFC	Special Investment Facilitation Council
CPEC	China-Pakistan Economic Corridor
SEZs	Special Economic Zones
ICT	Information and Communication Technology
URAAN	URAAN Pakistan - National Economic Transformation Plan
SME	Small and Medium Enterprises
SMEDA	Small and Medium Enterprises Development Authority
MFBs	Microfinance Banks
FDI	Foreign Direct Investment
CPI	Consumer Price Index
YoY	Year on Year
BPS	Basis Points
STP	Software Technology Parks

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