# Pakistan Economic Survey 2025–26

MACRO STABILIZATION WITH EARLY RECOVERY SIGNALS

*“FY26 represents a macroeconomic inflection point — stabilization, disinflation, fiscal correction, and early signs of cyclical recovery across real sectors and capital markets.”*

| 3.7% | 6.2% | 0.7% | 3.2% | US$30.3bn | ~US$21.8bn | +18.4% |
|---|---|---|---|---|---|---|
| GDP Growth | CPI Inflation | Fiscal Deficit/GDP | Primary Surplus | Remittances (9M) | FX Reserves | KSE-100 |

# 02 Executive Summary

The Pakistan Economic Survey 2025–26 underscores a year of macroeconomic stabilization transitioning into a gradual recovery phase, despite a challenging global environment characterized by geopolitical tensions, commodity volatility, and climate-related disruptions. The recovery trajectory has been supported by prudent macroeconomic management, fiscal consolidation, exchange rate stability, and continued IMF-supported reforms, which collectively strengthened policy credibility and economic resilience.

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|---|---|---|---|---|---|---|
| GDP Growth FY26 | CPI Avg. Inflation | Fiscal Deficit/GDP | Primary Surplus | Remittances (9M) | FX Reserves | KSE-100 Return |

## KEY TAKEAWAYS

- GDP growth improves to 3.7%, signaling early recovery momentum
- Inflation sharply normalizes to 6.2%, restoring macro stability
- Fiscal consolidation strengthens with 0.7% deficit and 3.2% primary surplus
- External position stabilizes with current account surplus and rising reserves (US$21.8bn)

## OUTLOOK

Sustaining the recovery will depend on continued fiscal discipline, export diversification, tax base expansion, and productivity gains, alongside maintaining macroeconomic stability and improving investment flows.

*Source: MoF, SBP, PBS*

# 01 Growth Momentum Broadens Across Key Sectors

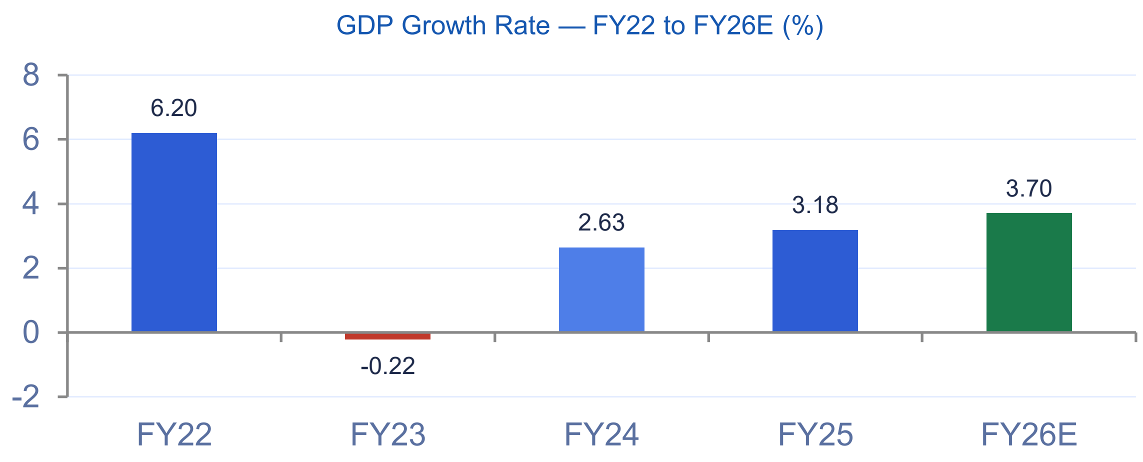
## 1. Growth Momentum Broadens Across Key Sectors

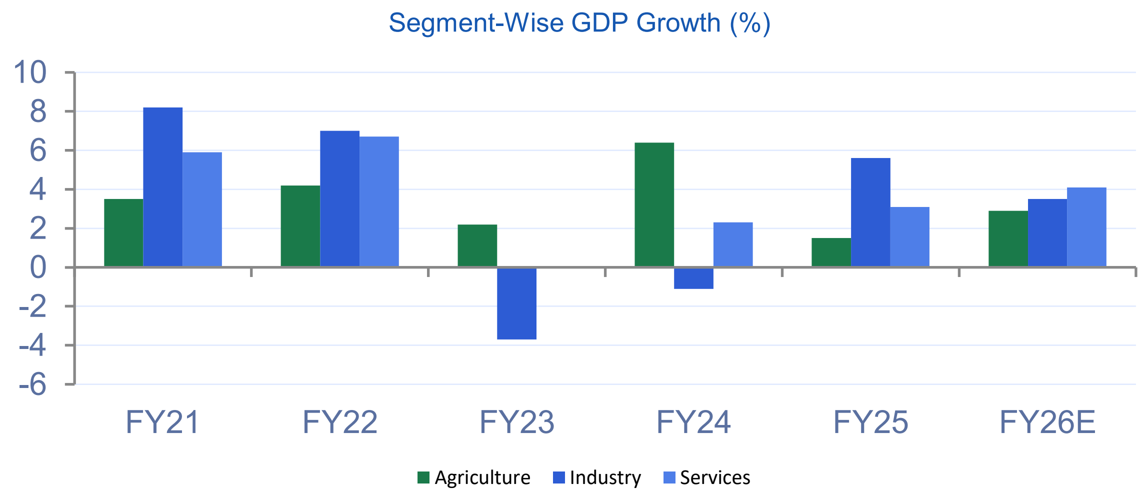
Real GDP growth accelerated to 3.7% in FY26 vs. 3.2% in FY25, reflecting a broad-based recovery across the economy. The services sector remained the primary growth driver (4.1%), followed by industry (3.5%) and agriculture (2.9%). The economy expanded to Rs 126.9 trillion (US$452.1bn), while per capita income increased 8.6% to US$1,901, indicating gradual improvement in income levels. Investment sentiment also improved, with the investment-to-GDP ratio rising to 14.38%.

## 2. Agricultural Recovery and Industrial Upswing Support Supply Response

Agriculture posted a recovery of 2.89% growth, driven by improved crop output, stronger livestock performance, and better input availability. The industrial sector expanded by 3.51%, supported by a strong rebound in Large Scale Manufacturing (6.11%), alongside gains in construction and a return to positive momentum in mining. The recovery reflects improving domestic demand conditions and easing financial constraints.

- Services sector: primary growth driver at 4.1%
- Industry expanded 3.51%; LSM rebounded by 6.11%
- Agriculture posted 2.89% growth on improved crop output
- Investment-to-GDP ratio rising to 14.38%



# 02 Sharp Disinflation Enhances Macro Stability

## 3. Sharp Disinflation Enhances Macro Stability

Inflation declined significantly, with average CPI easing to 6.2% from 23.4% in FY24, supported by exchange rate stability, lower global commodity prices, and tighter monetary management. The disinflationary environment improved real purchasing power, supported monetary easing, and contributed to a gradual revival in credit and economic activity.

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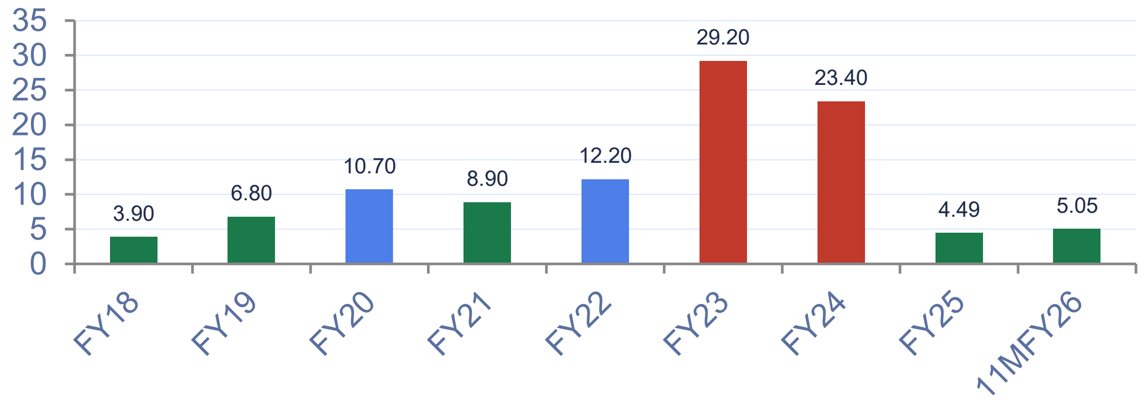
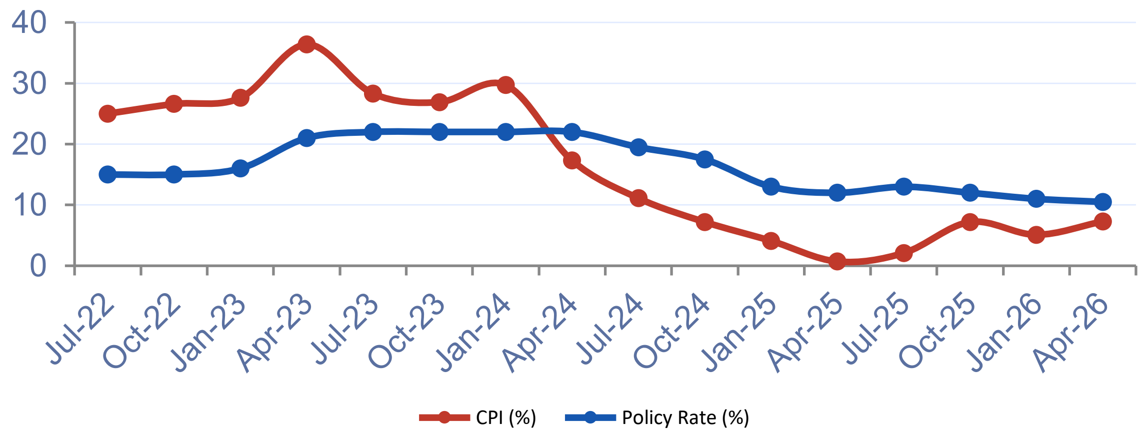
Annual CPI Inflation — FY18 to 11MFY26 (%)




- Average CPI easing to 6.2% from 23.4% in FY24
- Supported by exchange rate stability and lower global commodity prices
- Tighter monetary management further contained price pressures
- Disinflationary environment improved real purchasing power

CPI vs. Policy Rate — Jul 2022 to Apr 2026 (%)



# 03 Strong Fiscal Consolidation and Revenue Mobilization

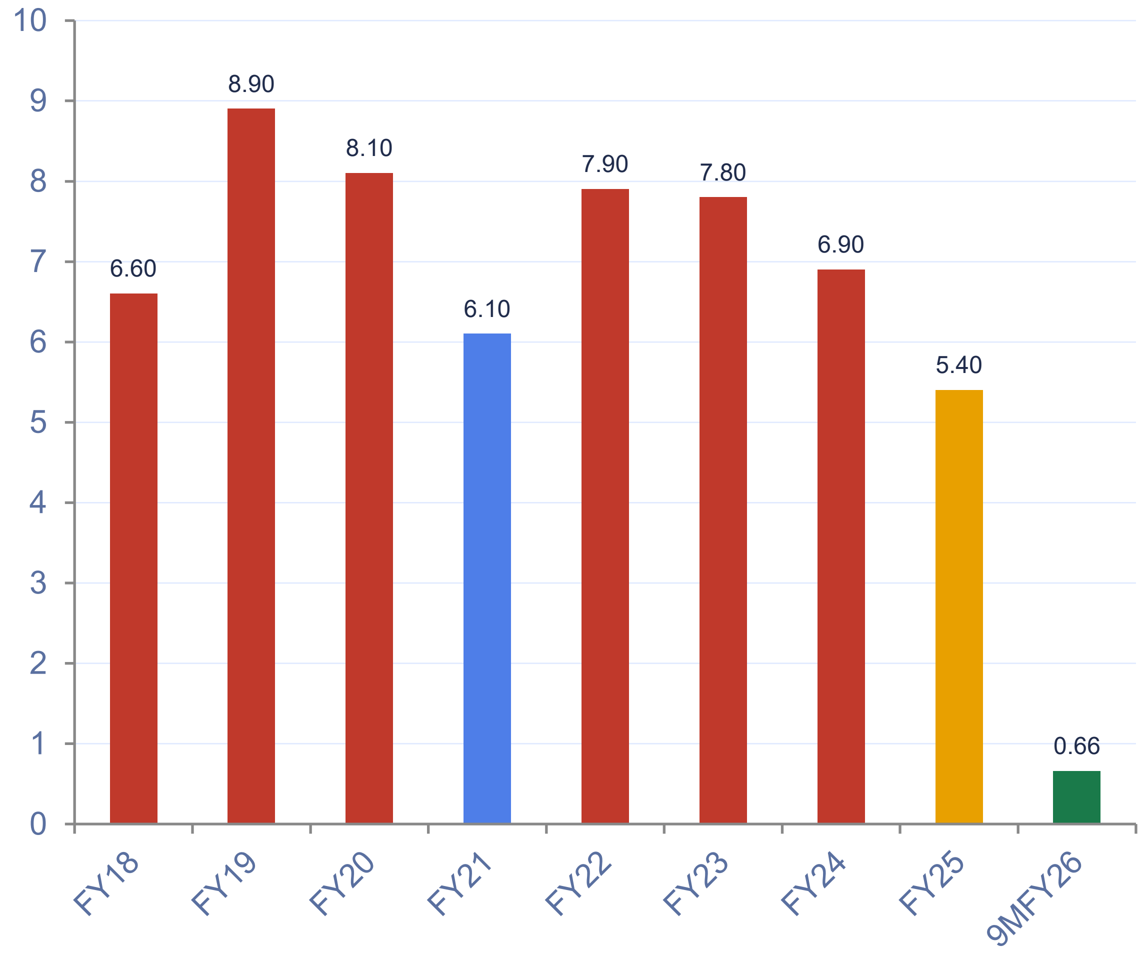
## 4. Strong Fiscal Consolidation and Revenue Mobilization

Fiscal performance improved materially, with the fiscal deficit narrowing to 0.7% of GDP (9MFY26) and the primary surplus strengthening to 3.2% of GDP. Revenue mobilization remained strong, with FBR collections projected at Rs 12.8 trillion (+9% YoY), driven by broad-based growth in direct and indirect taxes. Expenditure discipline and lower debt servicing costs further supported fiscal consolidation.

Expenditure discipline and lower debt servicing costs further supported fiscal consolidation, strengthening the primary surplus to 3.2% of GDP.

- Fiscal deficit narrowing to 0.7% of GDP (9MFY26)
- Primary surplus strengthened to 3.2% of GDP
- FBR collections projected at Rs 12.8 trillion (+9% YoY)
- Broad-based growth in direct and indirect taxes

Fiscal Deficit as % of GDP — FY18 to 9MFY26




Source: MoF, SBP, PBS

# 04 External Sector Stability Supported by Inflows

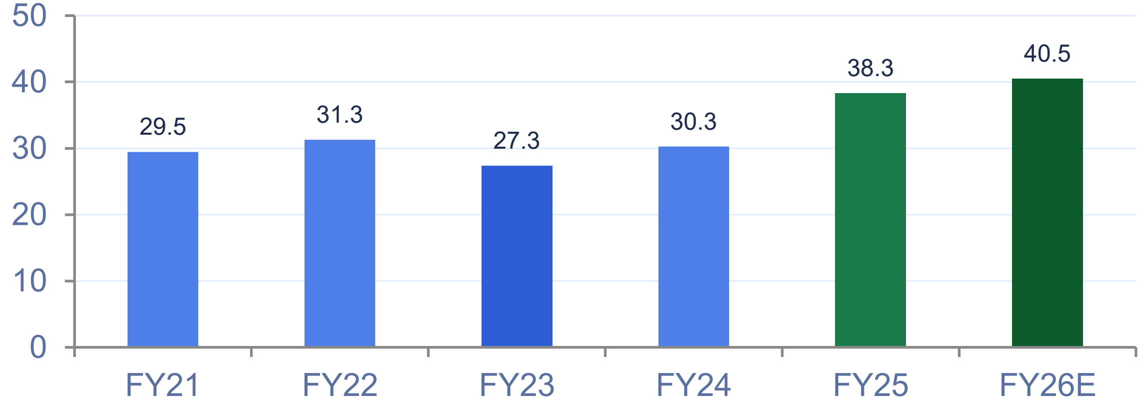
## 5. External Sector Stability Supported by Inflows

The external account remained broadly stable, with a current account surplus of US$72mn (Jul–Mar FY26), supported by record remittances of US$30.3bn and resilient ICT exports. Despite a trade deficit of ~US$34bn, external pressures remained contained through strong inflows and effective FX management. Foreign exchange reserves improved to ~US$21.8bn, strengthening external buffers and reducing vulnerability.

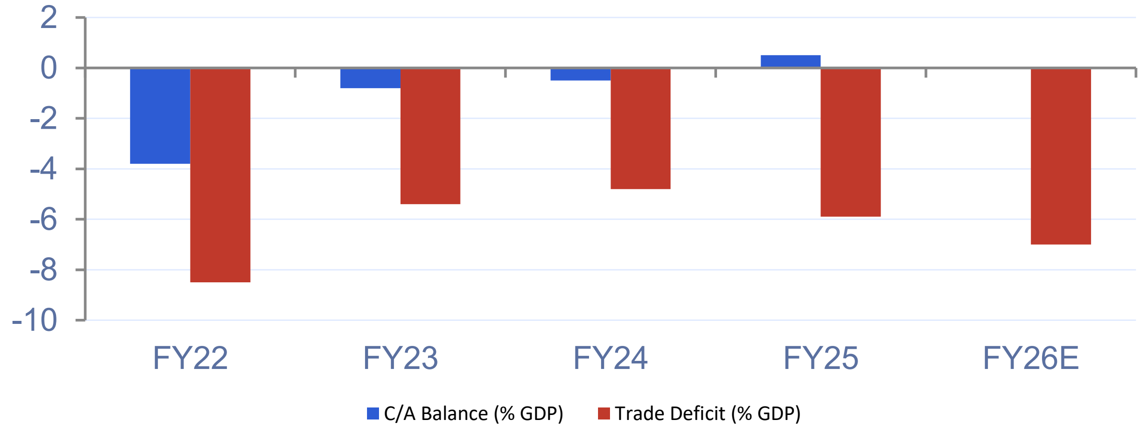
> Foreign exchange reserves improved to ~US$21.8bn, strengthening external buffers and reducing vulnerability despite a trade deficit of ~US$34bn.

- Current account surplus of US$72mn (Jul–Mar FY26)
- Record remittances of US$30.3bn supporting external stability
- Trade deficit of ~US$34bn contained through strong inflows
- Foreign exchange reserves improved to ~US$21.8bn

Remittances (US$ Billion) — FY21 to FY26E




Current Account & Trade Balance as % of GDP




*Source: MoF, SBP, PBS*

# 05 Capital Markets & Structural Shift Toward Digital Economy

## 6. Capital Markets Reflect Improving Investor Confidence

Financial markets remained firm, with the KSE-100 index gaining 18.4%, reflecting improving macro stability, liquidity conditions, and investor sentiment. Capital market activity remained healthy, while corporate earnings trends broadly supported valuation expansion and market depth.

## 7. Structural Shift Toward Digital Economy

The IT and telecom sector emerged as a key structural growth driver, with ICT exports rising ~20% to US$3.38bn, supported by strong growth in freelancing and digital services. Broadband penetration reached 161 million users, reinforcing Pakistan's gradual transition toward a services- and digital-led external earnings model.

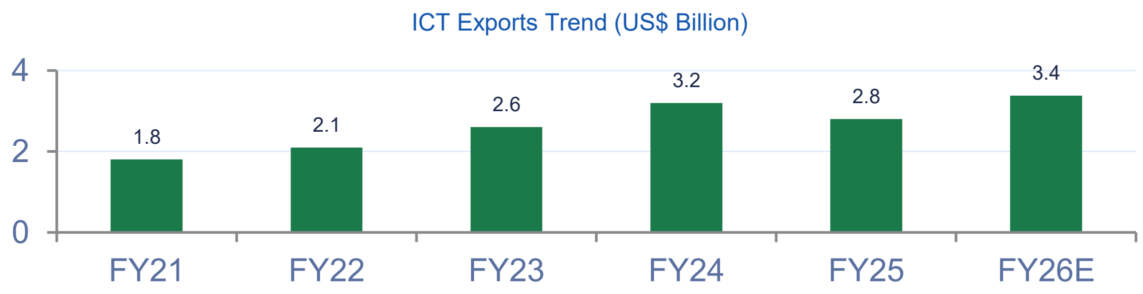
- KSE-100 index gaining 18.4% on improved macro stability and investor sentiment
- Corporate earnings broadly supported valuation expansion
- ICT exports rising ~20% to US$3.38bn on freelancing and digital services
- Broadband penetration reached 161 million users

**+18.4%**
KSE-100 Return

**US$3.38bn**
ICT Exports (~+20%)

**161M**
Broadband Users

**~20%**
ICT Growth YoY




Source: MoF, SBP, PBS

# 06 Social Indicators & Macro Stability Consolidates Recovery

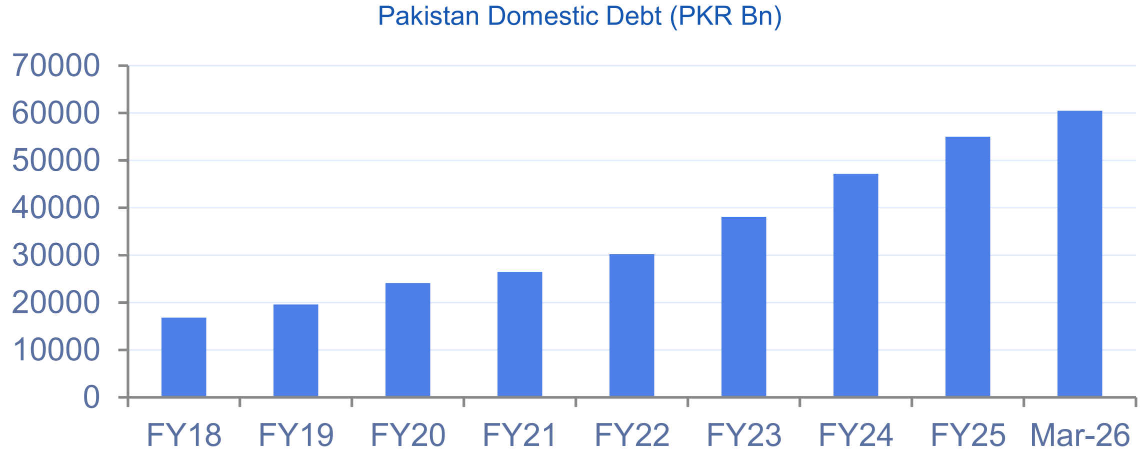
## 8. Gradual Improvement in Social and Infrastructure Indicators

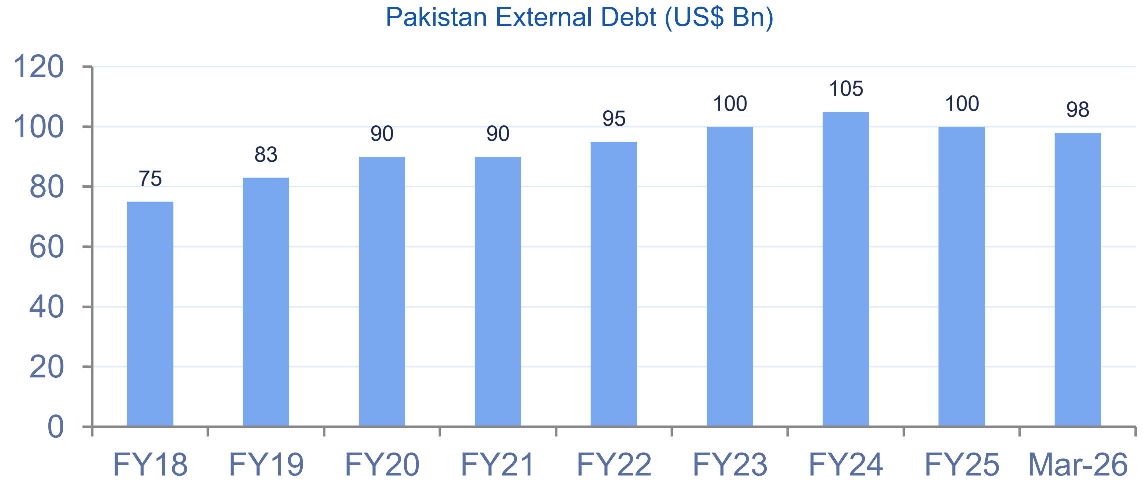
Social and infrastructure indicators showed steady improvement, supported by rising literacy, expanding connectivity, and increased public development spending. Energy capacity expansion and transport infrastructure development continued, alongside a gradual shift toward cleaner energy sources.

## 9. Macro Stability Consolidates Economic Recovery

Overall, FY26 represents a macroeconomic inflection point, characterized by stabilization, disinflation, and fiscal correction, with early signs of cyclical recovery across real sectors and capital markets.

- Rising literacy, expanding connectivity, increased public development spending
- Energy capacity expansion and transport infrastructure development continued
- Gradual shift toward cleaner energy sources
- FY26 represents a macroeconomic inflection point across real sectors and capital markets



# 07 GDP Breakdown — Detailed Sectoral Performance FY21–FY26

| Gross Domestic Product — Growth Rates | FY21 | FY22 | FY23 | FY24 | FY25r | FY26f |
|---|---|---|---|---|---|---|
| **Commodity Producing Sector** | 5.6% | 5.5% | -0.5% | 3.1% | 3.2% | 3.2% |
| Agriculture Sector | 3.5% | 4.2% | 2.2% | 6.4% | 1.5% | 2.9% |
| — Crops | 5.8% | 8.2% | -1.2% | 10.9% | -1.0% | 1.4% |
| — Livestock | 2.4% | 2.3% | 3.7% | 4.4% | 2.9% | 3.8% |
| — Forestry | 3.3% | 0.7% | 16.6% | -0.4% | 2.9% | 2.0% |
| — Fishing | 0.7% | 0.4% | 0.6% | 1.0% | 1.4% | 1.7% |
| **Industrial Sector** | 8.2% | 7.0% | -3.7% | -1.1% | 5.6% | 3.5% |
| — Mining & Quarrying | 1.7% | -6.7% | -3.2% | -2.4% | -3.7% | 0.4% |
| — Manufacturing (incl. LSM) | 10.5% | 10.9% | -5.3% | 3.0% | 2.0% | 6.6% |
| — Electricity & Gas Distribution | 9.0% | 4.4% | 9.9% | -18.3% | 29.6% | -10.6% |
| — Construction | 2.4% | 1.8% | -9.2% | -2.3% | 8.8% | 5.7% |
| **Service Sector** | 5.9% | 6.7% | 0.0% | 2.3% | 3.1% | 4.1% |
| — Wholesale & Retail Trade | 10.8% | 10.2% | -4.0% | 3.4% | 0.5% | 3.7% |
| — Transportation & Storage | 4.9% | 4.5% | 3.8% | 1.6% | 2.5% | 2.3% |
| — Information & Communication | 9.8% | 18.0% | -0.7% | 4.5% | 7.0% | 7.5% |
| — Financial & Insurance | 5.5% | 6.9% | -10.0% | -13.0% | 9.1% | 0.3% |
| — Education | -1.2% | 5.8% | 5.1% | 10.7% | 3.6% | 5.2% |
| — Health & Social Work | 2.9% | 2.7% | 8.8% | 3.8% | 3.2% | 6.9% |
| **GDP Growth** | 5.8% | 6.2% | -0.22% | 2.63% | 3.18% | 3.70% |

*Source: Ministry of Finance (MoF )*

# 08 Economic Snapshot — Key Macro Indicators at a Glance (FY21–9MFY26)

| Indicator | FY21A | FY22A | FY23A | FY24A | FY25A | 9MFY26F* |
|---|---|---|---|---|---|---|
| **REAL SECTOR** | | | | | | |
| GDP Growth (%) | **5.80%** | **6.20%** | **-0.20%** | **2.62%** | **3.18%** | **3.70%** |
| CPI Inflation — Avg. (%) | 8.90% | 12.20% | **29.20%** | **23.40%** | **4.49%** | **5.05%** |
| CPI Inflation — Period End (%) | 9.70% | 21.30% | 29.40% | 12.57% | **0.69%** | 7.30% |
| **EXTERNAL SECTOR** | | | | | | |
| Exports of Goods (US$mn) | 25,639 | 32,493 | 27,876 | 30,980 | 32,343 | 23,266 |
| Imports of Goods (US$mn) | 54,273 | 71,543 | 52,695 | 53,157 | 59,146 | 46,783 |
| Trade Deficit of Goods (US$mn) | **(28,634)** | **(39,050)** | **(24,819)** | **(22,177)** | **(26,803)** | **(23,517)** |
| Remittances (US$mn) | **29,450** | **31,279** | 27,333 | **30,251** | **38,300** | **30,319** |
| Services Deficit (US$mn) | **2,516** | **5,840** | **1,042** | **3,110** | **2,836** | **2,064** |
| Current Account Balance (US$mn) | **(2,820)** | **(17,481)** | **(3,275)** | **(2,072)** | **1,838** | **72** |
| FDI (US$mn) | 1,819 | 1,936 | 1,627 | 2,346 | 2,477 | 1,356 |
| FX Reserves with SBP (US$mn) | 18,716 | 11,090 | 5,669 | 10,627 | 15,836 | 17,689 |
| **FISCAL AND MONETARY** | | | | | | |
| 6-Month KIBOR — Period End | 7.69% | 15.35% | 22.97% | 20.14% | **11.13%** | **10.65%** |
| PKR/USD Parity (Rs) — Period End | 158 | 205 | 286 | 278 | 284 | 279 |
| Budget Deficit (% GDP) | **6.10%** | **7.90%** | **7.80%** | **6.90%** | **5.40%** | **0.66%** |

*Source: MoF, SBP, News Reports | *Government Estimates |*

# 09 Key Takeaways & Outlook

## KEY TAKEAWAYS

- GDP growth improves to 3.7%, signaling early recovery momentum
- Inflation sharply normalizes to 6.2%, restoring macro stability
- Fiscal consolidation strengthens with 0.7% deficit and 3.2% primary surplus
- External position stabilizes with current account surplus and rising reserves (US$21.8bn)
- PSX delivers strong performance (KSE-100 +18.4%) on improved sentiment
- Structural shift underway toward IT-led and services-driven external earnings
- Recovery remains policy-supported and reform-dependent, not yet demand-driven

## OUTLOOK

Sustaining the recovery will depend on continued fiscal discipline, export diversification, tax base expansion, and productivity gains, alongside maintaining macroeconomic stability and improving investment flows.

▲ UPSIDE RISKS
Faster IMF execution • Higher remittances • Commodity price tailwinds • Regional trade opening

▼ DOWNSIDE RISKS
Policy slippage • Geopolitical tensions • Climate shocks • External financing gaps • Energy sector circular debt