MONTHLY
ECONOMIC UPDATE & OUTLOOK
JUNE 2025

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ECONOMIC ADVISER'S WING

ECONOMIC UPDATE

Pakistan's economy continued growth momentum in FY2025, supported by strengthened macroeconomic fundamentals, prudent fiscal management, and improved external sector performance. Real GDP grew by 2.68 percent, while inflation eased steadily. Current account recorded a surplus of US$1.81 billion, the fiscal deficit declined, and the primary surplus reached 3.2 percent of GDP in Jul-Apr FY2025. The ongoing IMF programs (EFF and RSF), along with upgraded credit ratings, bolstered policy credibility and investor's sentiment. The government remains committed to structural reforms focused on tax harmonization, energy pricing, and privatization, while also advancing climate action through dedicated initiatives to lay the foundation for inclusive and sustainable growth.

Quality Seeds and Mechanization are Expected to Boost Agricultural Output

For the Kharif season 2025–26, the federal government has set targets of 2.2 million hectares for cotton cultivation area and 10.18 million bales for production. Farm input utilization continues to improve, supported by government efforts to ensure the availability of quality seeds, adequate credit, machinery, and fertilizers. During Jul–Apr FY2025, agricultural credit disbursement reached Rs 2,066.6 billion, an increase of 15.7 percent, moving steadily toward the annual target of Rs 2,572.3 billion. Imports of agricultural machinery rose by 10.0 percent, worth $69.2 million in Jul–Apr FY2025, indicating rising mechanization. For the Kharif season 2025, the estimated availability of Urea and DAP stands at 4,012 and 840 thousand tonnes, respectively. Urea and DAP offtake in April 2025, reached 418 and 95 thousand tonnes, showing YoY increases of 4.6 percent and 135.2 percent, respectively.

LSM Sector Exhibits Mixed Performance

Large Scale Manufacturing (LSM) showed a mixed performance in April 2025, registering a YoY growth of 2.3 percent while contracting by 3.2 percent month-on-month (MoM) basis. Cumulatively, LSM declined by 1.5 percent during Jul-Apr FY2025, in contrast to a marginal growth of 0.3 percent recorded in the last year. Overall, 12 of 22 sectors witnessed positive growth during this period, including Textile, Wearing Apparel, Coke & Petroleum products, Beverages, and Pharmaceuticals. However, during Jul-May FY2025, automobile sector recorded strong growth on the back of an increase in the production of cars (39.2%), trucks & buses (94.8%), and jeeps & pick-ups (74.7%). Cement dispatches stood at 42.8 million tonnes in Jul-May FY2025, posting a growth of 2.5 percent against last year. Domestic sales of cement slightly dropped by 1.9 percent to 35.1 million tonnes, whereas exports rose by 25.7 percent to 8.3 million tonnes.

Steadily Declining Inflation

In May 2025, YoY CPI inflation recorded at 3.5 percent, compared to 11.8 percent in May 2024. MoM, it has declined by 0.2 percent, following a 0.8 percent decrease in April and a 3.2 percent decline in May 2024. Major contributing factors of YoY inflation include Health (12.8%), Education (10.1%), Clothing & Footwear (9.7%), Alcoholic

Beverage & Tobacco (7.9%), Restaurants & Hotel (7.4%), Non perishable food items (5.0%), Furnishing & Household equipment maintenance (3.9%), Communication (0.6%), and a decline observed in perishable food items (9.2%), Transport (2.5%), Housing, Water, Electricity, Gas and Fuels (2.5%). The Sensitive Price Indicator for the week ending June 19, 2025, increased by 0.27 percent. During the week, out of 51 items, prices of 23 items increased, 08 items decreased, and 20 items remained stable.

Fiscal Consolidation Efforts are Reinforcing the Fiscal Discipline

During Jul-Apr FY2025, the increase in revenues outpaced the growth in expenditures, showing the effectiveness of ongoing consolidation efforts. Net federal receipts grew by 44.4 percent to Rs 8,124.2 billion during Jul-Apr FY2025 from Rs 5,627.5 billion last year. The rise in revenues is primarily contributed by 68.1 percent growth in non-tax collections. Similarly, tax collection witnessed a significant increase, as in Jul-May FY2025, it grew by 25.9 percent to Rs 10,233.9 billion from Rs 8,125.7 billion last year. The increase is attributed to a 33.8 percent increase in FED, followed by a 27.0 percent increase in direct tax, a 26.5 percent increase in sales tax, and a 16.3 percent increase in customs. Total expenditure increased by 18.5 percent to Rs 12,948.3 billion during Jul-Apr FY2025 compared to Rs 10,922.5 billion last year. This growth in expenditure is driven by a significant increase in development spending, relative to moderate growth in current expenditures. Current spending grew by 17.8 percent, while PSDP expenditure increased by 40.6 percent. Overall, the fiscal deficit reduced to 3.2 percent of GDP during Jul-Apr FY2025 from 4.5 percent last year. While primary surplus increased to Rs 3,648.9 billion (3.2 % of GDP) during Jul-Apr FY2025 from Rs 1,611.5 billion (1.5 % of GDP) last year. With ongoing efforts, the fiscal deficit is expected to stay well below the level observed last year.

External Account Remains in Surplus

The external account position continued to improve during Jul-May FY2025 on account of rising remittances and exports. The current account posted a $1.8 billion surplus, reversing the deficit of $1.6 billion last year. Goods exports rose 4.0 percent to $29.7 billion, while imports increased 11.5 percent to $54.1 billion, widening the trade deficit to $24.4 billion from $20.0 billion last year. Gains in key exports were observed in knitwear (14.5%), garments (16.4%), and bedwear (10.6%). Increases in major imports were recorded in palm oil (26.3%), electrical machinery (13.6%), while crude oil imports decreased (1.7%). Service exports grew 8.5 percent to $7.6 billion; imports rose 6.6 percent to $10.3 billion, resulting in a service trade deficit of $2.7 billion. IT exports increased by 18.7 percent to $3.5 billion.

Remittances reached $34.9 billion, up 28.8 percent from $27.1 billion, led by inflows from Saudi Arabia (24.4% share) and UAE (20.4%). Net FDI recorded at $2.0 billion compared to $2.1 billion last year. Main sources continued to be China ($790.4 million), UK ($229.0 million), and Hong Kong ($215.2 million). Financial services sector attracted the highest FDI ($628.9 million), followed by power ($562.8 million), and oil & gas exploration ($265.6 million) attracted the most FDI. However, Foreign Portfolio Investment, private and public, recorded net outflows of $312.5 million and $311.9 million, respectively. As of June 13th, 2025, foreign exchange reserves stood at $17.0 billion, including $11.7 billion with the SBP.

Monetary Policy Remains Firm Amid Geopolitical Tensions; PSX Performs Well

The Monetary Policy Committee (MPC), in its meeting held on June 16, 2025, decided to maintain the policy rate at 11 percent, citing potential inflation risks, along with external imbalances and regional uncertainties. The MPC noted that while YoY inflation in May stood at 3.5 percent, it is expected to remain within the range of 5.0 to 7.0 percent in FY2026.

During July 1st–May 30th FY2025, broad money (M2) grew by 6.3 percent, compared to 9.5 percent last year. This expansion was primarily driven by a sharp increase in Net Foreign Assets (Rs 1,279.2 billion compared to Rs 480.6 billion last year), while growth in Net Domestic Assets moderated to Rs 982.7 billion from Rs 2,460.3 billion a year earlier. Private sector credit demonstrated significant expansion, rising to Rs 831.8 billion, more than double the Rs 351 billion recorded in the corresponding period last year. In May 2025, the KSE-100 index performed well, gained 8,365 points and closed at 119,691 points at month end. Similarly, the market capitalization of PSX increased by Rs 982billion to close at Rs 14,503 billion.

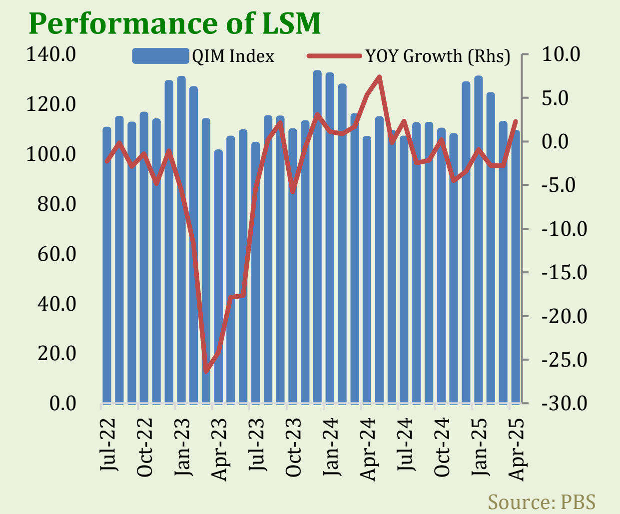
Rising Emigration, Expanding Financial Inclusion and Social Support

In May 2025, the Bureau of Emigration & Overseas Employment registered 59,995 workers, a 12.7 percent increase from 53,231 in April. The Pakistan Poverty Alleviation Fund, in partnership with 24 organizations, disbursed 18,525 interest-free loans worth Rs 894 million in May 2025. Since 2019, a total of 3.01 million loans amounting to Rs 117.61 billion have been provided. During Jul-April FY2025, Rs 411.56 billion was spent under the BISP, representing a 29 percent increase compared to last year, against an allocation of Rs 592.5 billion.

ECONOMIC OUTLOOK

Inflation is expected to remain within the range of 3.0-4.0 percent for June 2025. The outlook for LSM in the coming months appears positive, supported by encouraging trends in high-frequency indicators such as cement dispatches and automobile sales. The uptake in loans to private sector businesses suggests rising production activities and improved investor confidence. On the external front, higher remittances and exports will continue to keep the current account in surplus for FY 2025.

Mixed Performance of LSM Sector and inflation remains within the target range.



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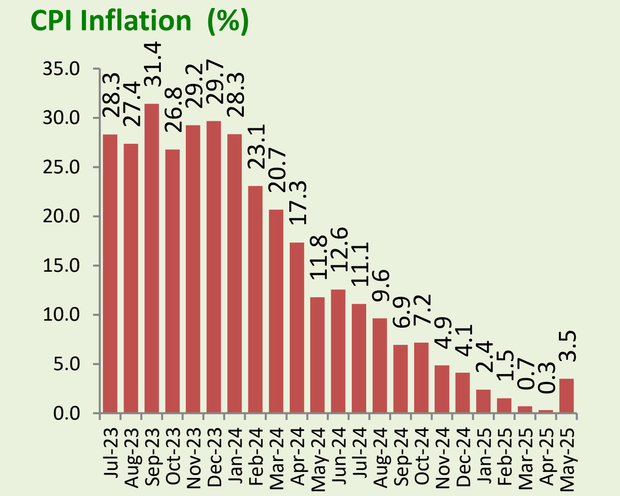

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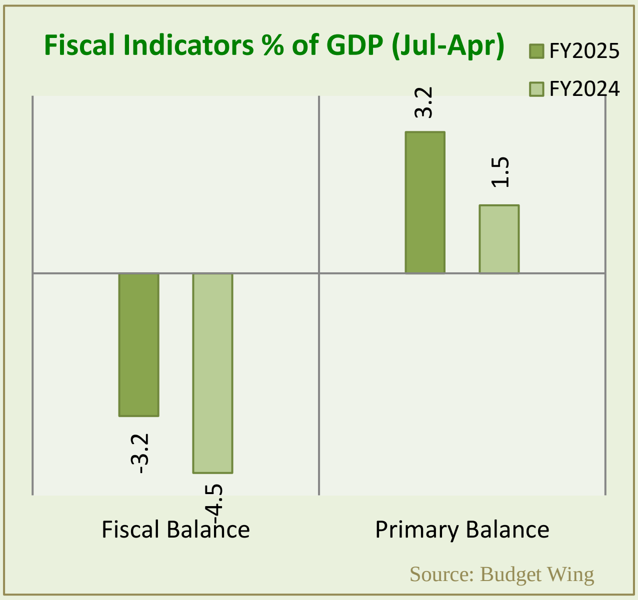
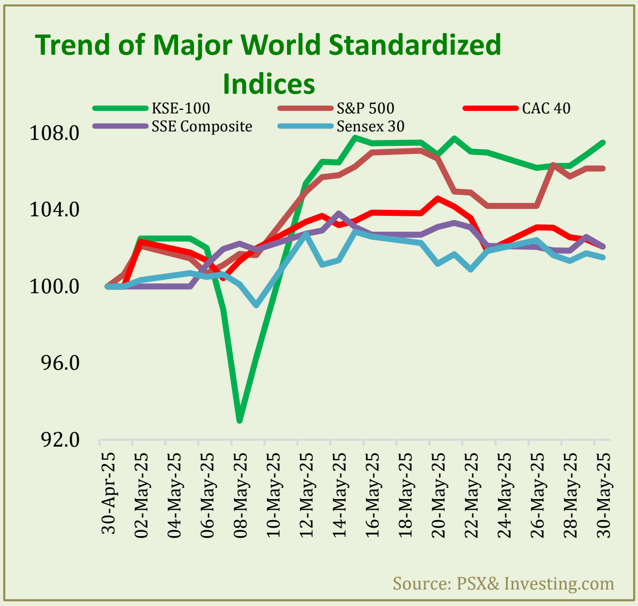
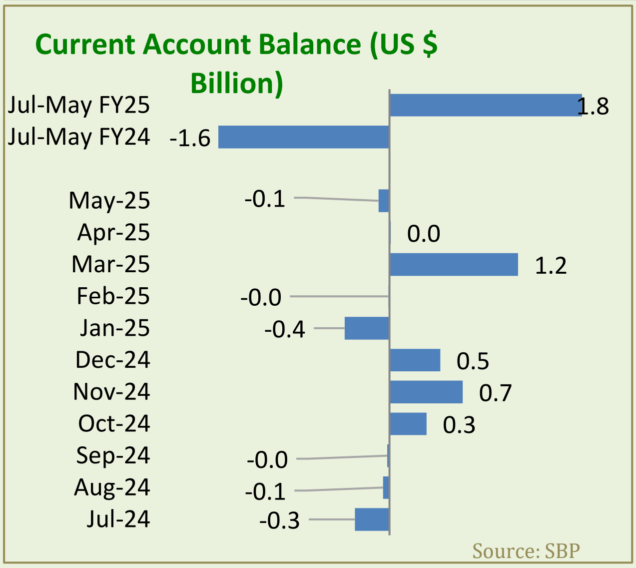
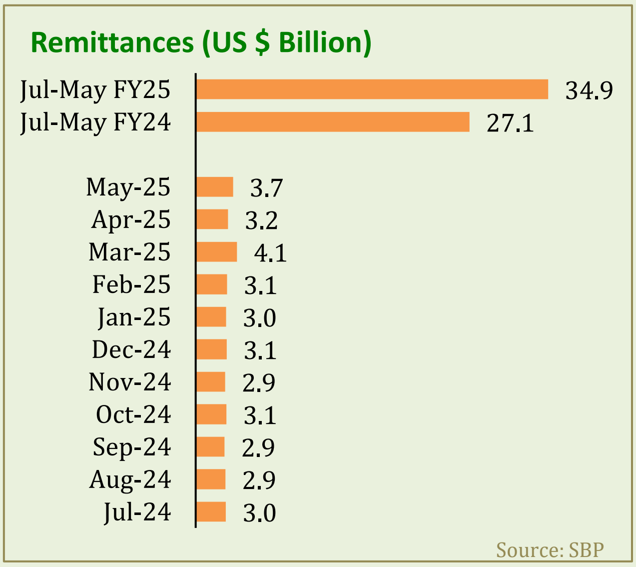
Fiscal discipline is strengthening, and PSX is gaining upward momentum





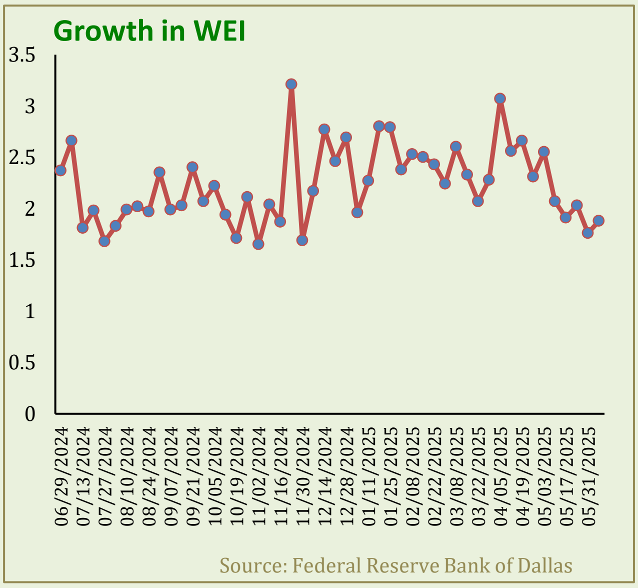
External account strengthens amid robust remittance inflows

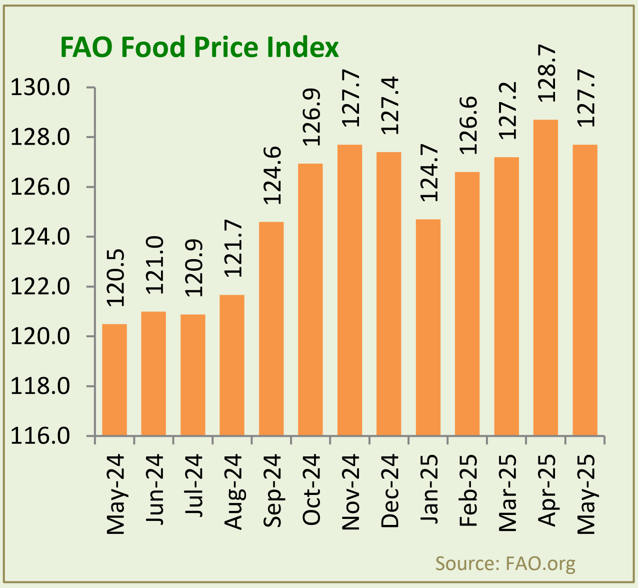


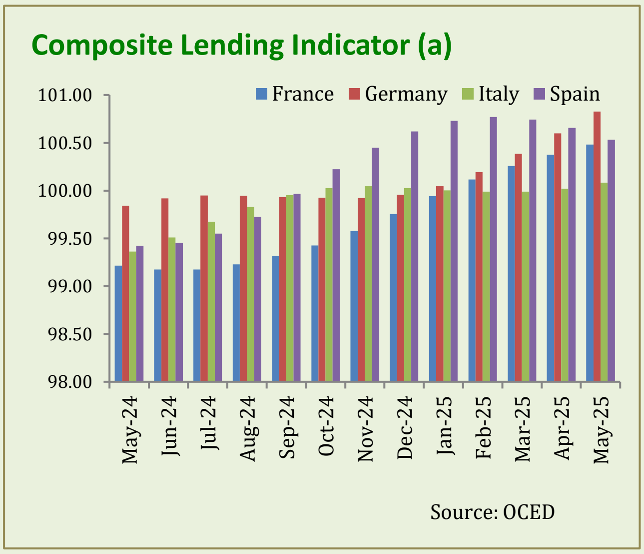


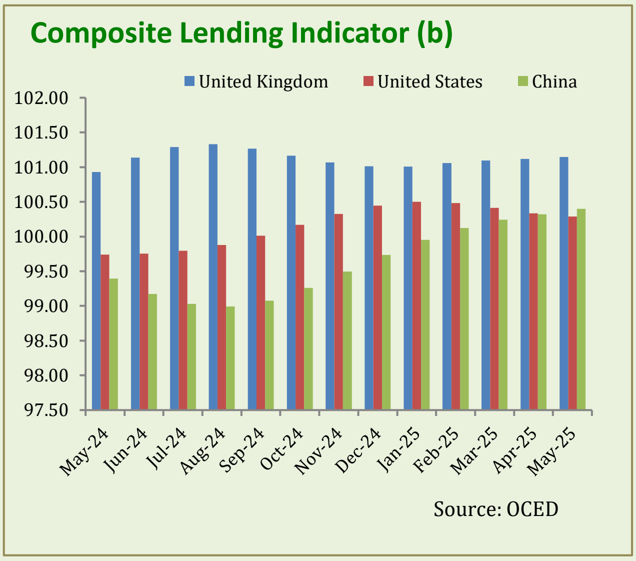
Global Economic Update and Outlook

As per Global Economic Prospects (GEP), June 2025, global growth is expected at 2.3 percent in 2025. The high trade barriers, elevated policy uncertainty, increased financial volatility, and weakened confidence are hindering global growth. Owing to these factors, manufacturing production fell sharply in eight months; however, the service sector witnessed expansion. In particular, the emerging markets underperformed developed economies' output for the first time so far this year, buoyed by shipments front-running tariffs, which resulted in an unprecedented inventory accumulation in the U.S. The J.P. Morgan Global PMI Composite Output Index posted 51.2 in May (up from 50.8 in April), broadly consistent with annualized global growth rate of 2.0 percent in May. On the global trade front, the subdued trade conditions dampened export performance, but overall confidence improved from April's lowest, mainly due to the pause on high U.S tariffs imposition. GDP-weighted global inflation is projected to grow by 2.9 percent in both 2025 and 2026 before easing to 2.5 percent in 2027, according to GEP. In April specifically, global inflationary pressure highlighted with distant variation across countries; higher rates in the U.S and Canada (on the back of tariffs), whereas lower inflation elsewhere due to central bank policy decisions around the world. Global Commodity prices also showed a mixed trend in May, as energy and food prices declined, while non-energy, raw materials, beverages, fertilizers, metals and precious metals rose. In addition, the price of Brent Crude is reacting to the recent Flare-ups in Israel-Iran conflict thereby potentially posing an additional risk to inflation outlook. The FAO Food Price Index (FFPI) averaged 127.7 points in May 2025, down 1.0 points (0.8%) from April. Overall, the FFPI was higher (7.2 points, 6.0%) compared to the last year but remained below (32.6 points, 20.3%) its peak reached in March 2022. The GEP expected U.S growth to decelerate sharply in 2025 to 1.4 percent due to a rise in trade barriers, heightened uncertainty, and a spike in financial market volatility, weighing on private consumption, global trade, and investment. In addition, the Weekly Economic Index (WEI) is currently at 2.01 percent for the week ended June 14, with a 13-week average of 2.25 percent. For China, GEP projected growth at 4.5 percent in 2025 but diminishing to 4.0 percent and 3.9 percent in 2026 and 2027, respectively, due to the effects of slow production growth, an aging population and high debt levels in the subsequent years. The overall export outlook for Pakistan remains positive, as Composite Leading Indicators (CLIs) of the country's key trading partners, particularly UK, US, Euro Area, and China, all are operating above their long-term average of 100, thus potentially driving up export demand for Pakistani products.









Economic Indicators

(30-06-2025)

External Sector							
	FY2024	FY2024 (Jul-May)	FY2025 (Jul-May)	% Change	FY2024 (May)	FY2025 (May)	% Change
Remittances ($ billion)	30.3	27.093	34.891	↑ 28.8	3.242	3.686	↑13.7
Exports FOB ($ billion)	31.0	28.537	29.691	↑ 4.0	3.007	2.430	↓19.2
Imports FOB ($ billion)	53.2	48.519	54.085	↑ 11.5	5.014	5.478	↑9.3
Current Account Balance ($ million)	-2,072	-1,572	1,812	↑	-235	-103	↑
FDI ($ million)	2,347.4	2,142.4	1,978.8	↓ 7.6	305.6	193.9	↓36.5
Portfolio Investment- ($ million)	-383.8	-559.5	-624.4	↓	239.2	-48.8	↓
Total Foreign Investment ($ million)	1,963.6	1,582.9	1,354.4	↓14.4	544.8	145.1	↓73.4
Forex Reserves ($ billion)	14.0 (SBP: 9.4) (Banks: 4.6) (End June)	14.2 (SBP: 8.9) (Banks: 5.3) (On 21st Jun 2024)	14.4 (SBP: 9.1) (Banks: 5.3) (On 20th Jun 2025)				
Exchange rate (PKR/US$)	278.3 (End June)	278.4 (On 27thJun 2024)	283.7 (On 27thJun 2025)				

Source: SBP

Fiscal (Rs Billion)							
	FY2024	**FY2024 (Jul-Apr)**	**FY2025 (Jul-Apr)**	**% Change**	**FY2024 (May)**	**FY2025 (May)**	**% Change**
FBR Revenue (Jul-May)	9,311	8,126	10,234	↑ 25.9	763.9	933.8	22.2
Non-Tax Revenue	3,183.8	2,590	4,354	↑ 68.1			
Fiscal Balance	-7,207	-4,726	-3,689	↓21.9			
Primary Balance	953	1,611.5	3,648.9	↑			

Source: FBR & Budget Wing

Monetary Sector				
	FY2024	**FY2024**	**FY2025**	
Agriculture Credit (Jul-Apr)	2,216	1,785.8	2,066.6	↑ 15.7
Credit to private sector (Flows)	512.9	323.5 (1st Jul to 14thJun)	676.6 (1st Jul to 13thJun)	↑
Growth in M2 (percent)	16.0	11.3 (1st Jul to 14thJun)	7.1 (1st Jul to 13thJun)	
Policy Rate (percent)	20.5 (End June)	20.5 (10-June-2024)	11.0 (17-June-2025)	

Source: SBP

Real Sector			
	FY2024	**FY2024**	**FY2025**
CPI (National) (percent)	23.4	11.8 (May) 24.5 (Jul-May)	3.5 (May) 4.6 (Jul-May)
Large Scale Manufacturing (LSM) (percent)	0.78	5.34 (Apr) 0.26 (Jul-Apr)	2.29 (Apr) -1.52 (Jul-Apr)

Source: PBS

Financial Sector				
	FY2024	**FY2024**	**FY2025**	**% Change**
PSX Index*	78445 (On 30th June 2024)	78,528 (On 27thJun2024)	124,379 (On 27thJun2025)	↑ 58.4
Market Capitalization (Rs trillion)	10.38 (On 30th June 2024)	10.33 (On 27thJun2024)	15.06 (On 27thJun2025)	↑ 45.8
Market Capitalization ($ billion)	37.28 (On 30th June 2024)	37.11 (On 27thJun2024)	53.09 (On 27thJun2025)	↑ 43.06
Incorporation of Companies (Jul-Apr)	26,939	22,848	29,142	↑ 27.5

*: Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP