MONTHLY
ECONOMIC UPDATE & OUTLOOK

DECEMBER 2025

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ECONOMIC ADVISER'S WING

ECONOMIC UPDATE

Pakistan's economy continues to register improvements in key high-frequency indicators. The momentum is driven by broad-based recovery of the industrial activity and resilience of agriculture sector. In Q1 FY2025-26, GDP grew by 3.71 percent on the back of resilient growth of 2.89 in agriculture, 9.38 in industry and 2.35 percent in services sector. Workers' remittances have also maintained their upward trajectory while foreign exchange reserves recorded highest since March 2022. Moreover, on the back of successful IMF review, the government has received $1.2 billion under IMF Extended Fund Facility and Resilience & Sustainability Facility. The fiscal position also remained encouraging. These positive developments are providing immediate support to the economy while creating spillovers that are likely to underpin long-term growth prospects.

Coordinated Provision of Inputs is Supporting the Rabi Harvest Target.

For Rabi season 2025-26, the government has fixed a wheat production target of 29.68 million tonnes from a cultivated area of 9.65 million hectares. To meet this production target, coordinated measures are being implemented by the government to ensure the timely provision of key agricultural inputs like agricultural credit, certified seeds, fertilizers and mechanization support. During Jul-Nov FY2026, agricultural credit disbursement increased by 18.6 percent to Rs. 1,097.6 billion from Rs. 925.7 billion last year. Moreover, the imports of agricultural machinery & implements increased by 27.3 percent to $58.0 million during Jul-Nov FY2026 from $45.5 million last year. During Rabi 2025-26 (Oct-Nov), urea offtake remained 1,170 thousand tonnes (15.6% higher than Rabi 2024-25) whereas DAP offtake was 464 thousand tonnes (16.1% less).

LSM Continues Upward Trajectory.

Large-Scale Manufacturing (LSM) registered a growth of 5.02 percent during Jul-Oct FY2026 with 16 sectors recording positive growth, including textile, wearing apparel, non-metallic mineral products, food, coke & petroleum products, electrical equipment, automobile and tobacco. In October 2025, LSM grew by 8.3 percent year-on-year (YoY) and by 3.7 percent month-on-month (MoM). During Jul-Nov FY2026, the performance of automobile sector remained robust, supported by substantial increase in the Production of Cars (65.1%), Trucks & Buses (97.0%) and Jeeps & pick-ups (38.8%). Similarly, cumulative cement dispatches reached 21.4 million tonnes, up 11.5 percent during Jul-Nov FY2026. Domestic dispatches totaled 17.4 million tonnes, with 14.7 percent YoY increase, while exports remained nearly flat at 4.01 million tonnes.

Inflation slightly declined in November 2025.

CPI inflation recorded at 6.1 percent on YoY basis in November 2025 as compared to 6.2 percent in the previous month and 4.9 percent in November 2024. On MoM basis, it increased by 0.4 percent as compared to an increase of 1.8 percent in the previous month and an increase of 0.5 percent in November 2024. YoY major contributing factors of inflation include Education (9.0%), Health (8.3%), Non-Perishable Food Items (7.3%), Clothing &

Footwear (6.5%), Transport (6.1%), Restaurants & Hotels (5.3%), Housing, Water, Electricity, Gas & Fuels (5.3%), Alcoholic Beverages & Tobacco (4.5%), Furnishing & Household Equipment Maintenance (3.5%) and Communication (0.6%), while decline was observed in Recreation & Culture (4.1%) and Perishable Food (3.7%). The Sensitive Price Indicator for the week ending December 24, 2025, decreased by 0.09 percent. During the week, out of 51 items, prices of 13 items increased, 11 items decreased and 27 items remained stable.

Fiscal Balance Remained in a Surplus Due to Improved Fiscal Management.

Prudent fiscal management of the government has yielded a fiscal surplus during the first four months of FY2026. With a growth of 7.7 percent in gross federal receipts and a decline of 4.8 percent in total expenditure, the government has achieved a consolidated fiscal surplus of 1.0 percent of GDP during Jul-Oct FY2026 as compared to 0.4 percent during the same period of last year. Similarly, a primary surplus of 2.7 percent of GDP has been recorded during this period, the same as last year. During Jul-Nov FY2026, FBR collected Rs. 4,734 billion with a growth of 10.2 percent over the corresponding period of last year. Direct tax collection grew by 10.5 percent, while sales tax, federal excise duty and customs duty rose by 8.5 percent, 18.2 percent and 10.1 percent, respectively.

Imports Expand amid Improving Economic Activity, while Remittances Continue to Cushion the External Account.

In November 2025, current account (CA) recorded a surplus of $100 million while posted a deficit of $812 million during Jul-Nov FY2026. During the same period last year, CA recorded a surplus of $503 million. Export of goods declined by 3.2 percent to $12.8 billion, while imports increased by 11.1 percent to $25.6 billion, resulting in a trade deficit of $12.8 billion compared to $9.8 billion during same period last year.

According to PBS data, gains in key exports were observed in knitwear (5.7%), garments (5.9%), and bedwear (5.0%). Increase in major imports was recorded in petroleum crude (13.4%), petroleum products (4.0%) and palm oil (33.2%). Exports of services grew 16.7 percent to $3.8 billion; imports increased 12.8 percent to $5.1 billion, with a service trade deficit of $1.3 billion against a similar magnitude last year. IT exports increased by 18.5 percent to $1.8 billion.

Remittances were up 9.3 percent to $16.1 billion, led by inflows share from Saudi Arabia (24.2%) and UAE (20.8%). Net FDI inflows recorded at $927.4 million during Jul-Nov FY2026. Main sources were China ($308.4 million) and Hong Kong ($143.3 million). Sector-wise, power ($383.8 million) and financial services ($327.6 million) attracted the most FDI. Private and Public Foreign Portfolio Investment recorded net outflows of $192.2 million and $421.6 million, respectively. As of December 19, 2025, foreign exchange reserves stood at $21.0 billion, including $15.9 billion with SBP.

Policy Rate Cut Reflects Well-Anchored Inflation Expectations, KSE-100 Index Gains 5,046 Points in November 2025.

The Monetary Policy Committee in its meeting held on December 15, 2025 decided to reduce the policy rate by 50 bps to 10.5 percent supported by sustainable economic growth and price stability. During 1st Jul–28th Nov FY2026, money supply (M2) contracted by 0.1 percent as compared to a contraction of 1.1 percent last year. Within M2, Net Foreign Assets of the banking system increased by Rs. 142.9 billion as compared to an increase of Rs. 495.1 billion last year. Whereas, Net Domestic Assets of the banking sector decreased by Rs. 168.2 billion compared to a decrease of Rs. 901.3 billion last year. Under the net borrowing for budgetary support, government retired Rs. 804.7 billion against the retirement of Rs. 2,166.9 billion last year. Private Sector borrowed Rs. 186.8 billion compared to Rs. 1,300.7 billion last year.

Pakistan Stock Exchange witnessed a strong recovery in November 2025. The KSE-100 Index gained 5,046 points, closing at 166,677, reflecting improved investor confidence and renewed buying interest. Market capitalization increased by Rs. 305 billion, reaching Rs. 18,866 billion by the end of the month.

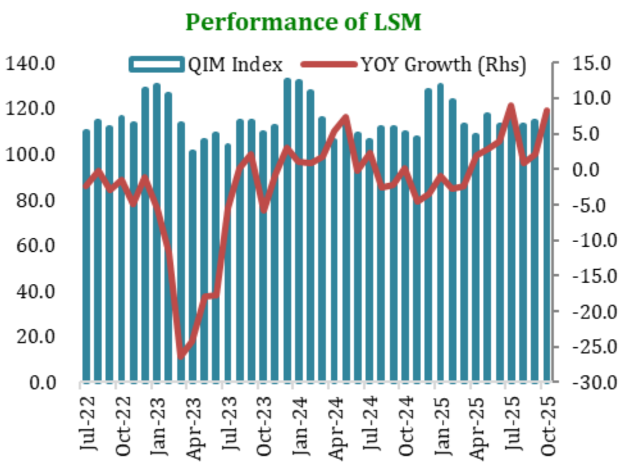
Steady Overseas Worker Registrations and Continued Expansion of Social Safety Nets.

During July-November FY2026, the Bureau of Emigration & Overseas Employment registered 349,850 workers for overseas employment. However, in November 2025, registrations declined by 21.4 percent to 71,237 workers, down from 90,339 in October 2025. The Pakistan Poverty Alleviation Fund (PPAF), in partnership with 26 organizations, disbursed 5,657 interest-free loans amounting to Rs. 356 million during November 2025. Cumulatively, since 2019, Rs. 121.5 billion has been disbursed to beneficiaries. Under the Benazir Income Support Programme (BISP), expenditures amounted to Rs. 143.5 billion during July-October FY2026, reflecting a 26.8 percent increase compared to the corresponding period last year.

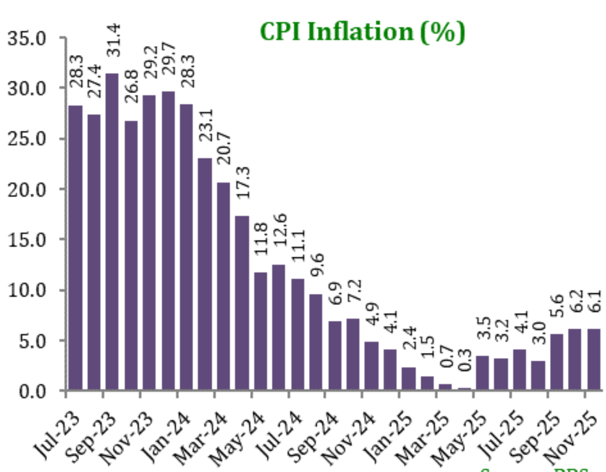
Economic Outlook

The outlook for Pakistan's economy remains positive, underpinned by sustained growth in industrial activity with continued momentum in key sectors such as textiles, automobiles, cement, and food processing. LSM is expected to maintain its trajectory of recovery, supported by ongoing structural reforms aimed at enhancing industrial competitiveness. Inflation is projected to remain moderate, in the range of 5.5-6.5 percent in December, primarily reflecting base effect. On the external front, the current account is expected to remain within the targeted range. However, robust remittance inflows and steady performance in IT & services exports are likely to cushion external pressures. Fiscal consolidation is expected to continue supporting macroeconomic stability, with government efforts in expenditure management, enhanced tax collection and structural reforms contributing to sustainable growth. Overall, Pakistan's economy is projected to maintain its positive momentum in the coming months, driven by industrial growth, improved governance, digitalization, and prudent macroeconomic management.

LSM experienced robust growth correspondingly inflation slightly eased.

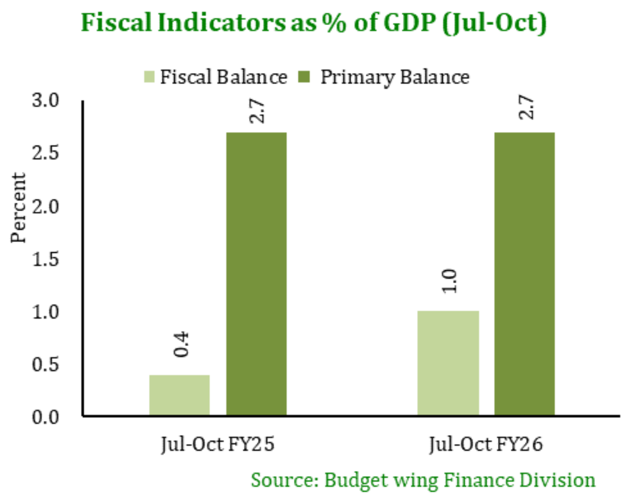


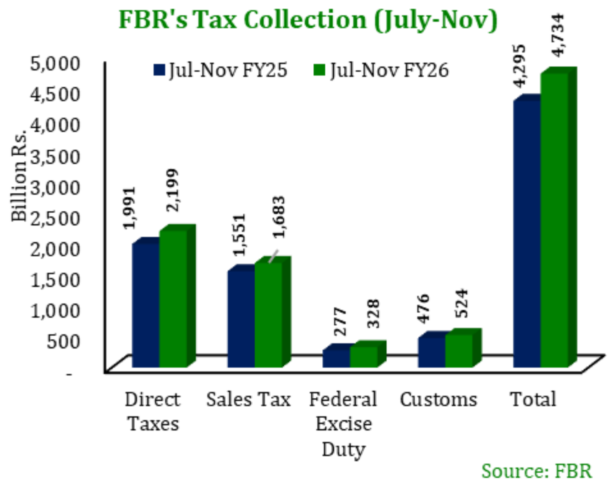
Source: PBS

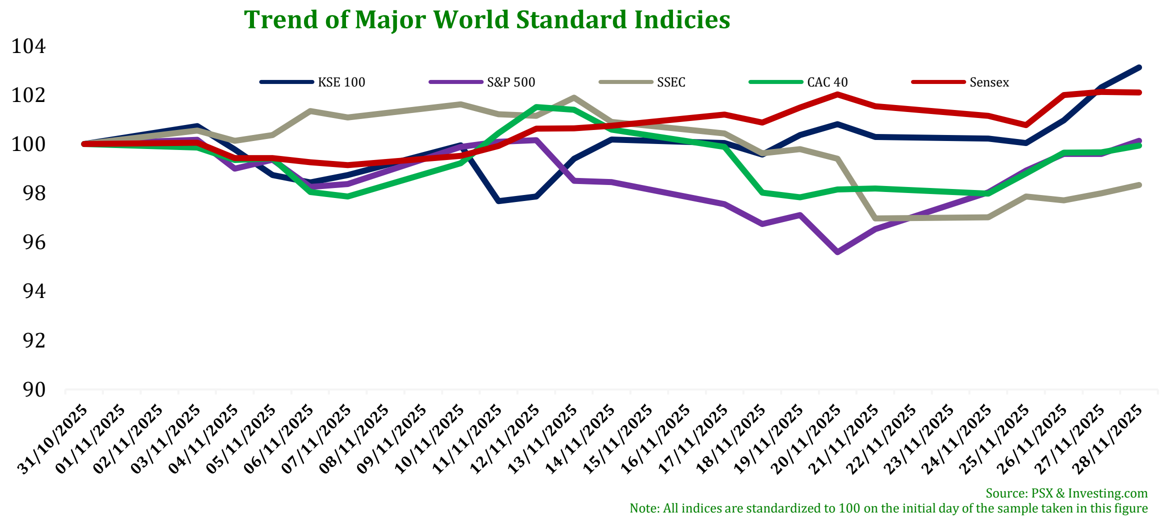


Source: PBS

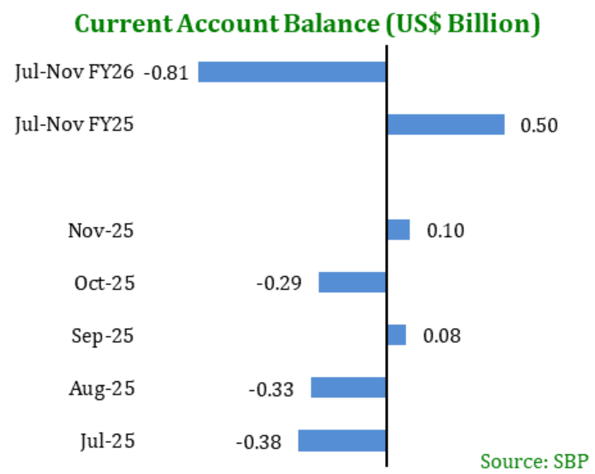
Fiscal discipline is maintained, stock market re-gained bullish momentum.

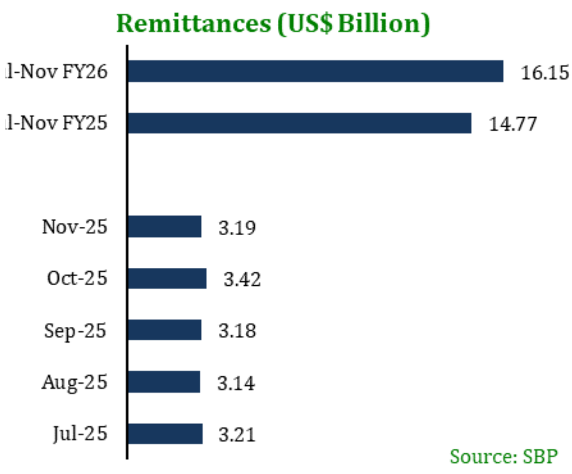






Remittances continue to contribute positively to the external account amid higher import demand.





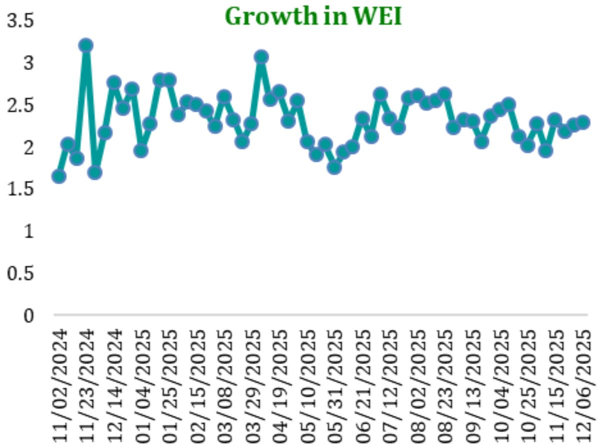
Global Economic Update and Outlook

According to the OECD Economic Outlook December 2025, global growth is projected to moderate at 3.2 percent in 2025 and 2.9 percent in 2026, followed by a small rebound to 3.1 percent in 2027. However, this outlook remains fragile as further rise in trade barriers could significantly damage supply chains and global output. Additionally, high asset valuations based on optimistic expectations of AI-driven corporate earnings pose a risk of potentially abrupt price corrections. Similarly, fiscal vulnerabilities may push long-term sovereign yields higher tightening financial conditions thereby hampering growth. Despite these potential risks, near-term indicators point resilience. In November, global economic expansion continued at a robust pace, driven by solid expansion in financial services. The J.P. Morgan Global PMI Composite Output Index was 52.7 in November (down from 53.0 in October) but remained broadly consistent with global GDP expanding at an annualized rate of 3.0 percent. The critical developments observed across major economies include a slowdown in U.S labor market, a surge in China's exports after an unexpected contraction in October and a pickup in momentum of euro zone industrial output.

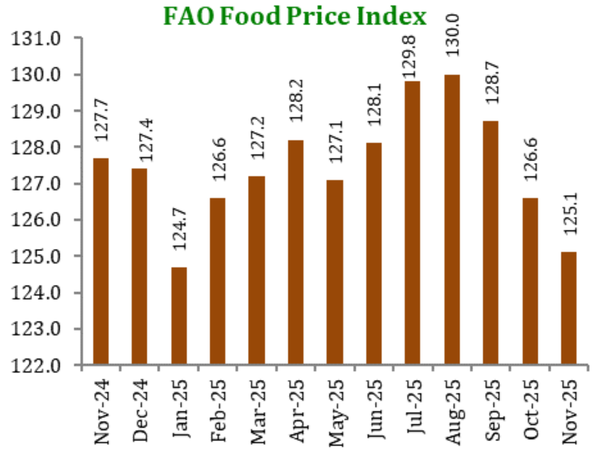
The outlook projected U.S growth to slow from 2.8 percent in 2024 to 2.0 percent in 2025 and further to 1.7 percent in 2026. The Fed has lowered the federal funds rate by 0.25 percentage point to a range of 3.50 - 3.75 percent, aiming to foster maximum employment and maintain inflation at its longer-run target of 2 percent. Meanwhile, U.S economic activity remained steady with its Weekly Economic Index stood at 2.32 percent for the week ended December 20, with a 13-week moving average of 2.26 percent, suggesting continued moderate momentum in the U.S economy. Further, the outlook estimated China's GDP growth at 5.0 percent in 2025 and 4.4 percent in 2026 and OECD's at 1.7 percent in the both years. Growth in the Euro area is projected to stay modest, at 1.3 percent in 2025, and 1.2 percent in the subsequent year.

According to UNCTAD, international trade in 2025 is set to grow faster than the global economy (in real terms), reflecting renewed momentum in cross-border trade. The global trade volumes (goods plus services) have also been surprisingly robust this year, with manufacturing, especially electronics, driving growth while the auto sector lagged. Trade in goods is expected to grow by 0.5 percent and services by 2.0 percent and if these projections hold, global trade in 2025 will exceed $35 trillion, an increase of around $2.2 trillion (roughly 7% compared with 2024) with goods contributing about $1.5 trillion (approximately 6% growth versus 2024) and services adding around $750 billion (nearly 9% growth versus 2024). Overall, world real trade growth is projected to rebound to 4.2 percent in 2025, before moderating in 2026 amid weaker economic conditions, higher costs, geopolitical fragmentation and continued policy uncertainty.

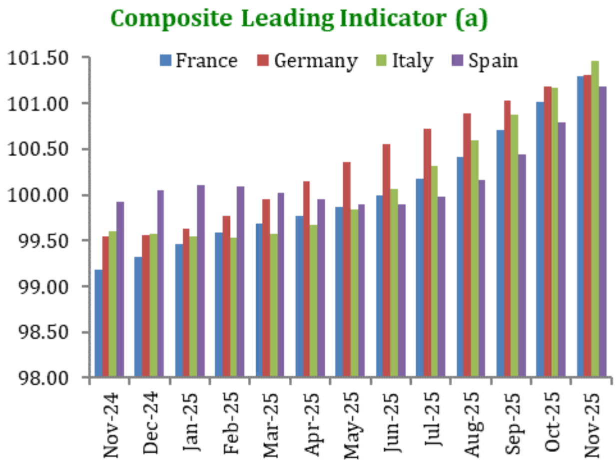
The FAO Food Price Index (FFPI) averaged 125.1 points in November 2025 (down 1.5 points from October 126.6) with declines in dairy, meat, sugar and vegetable oils outweighing a rise in cereals. Overall the FFPI stood 2.6 points (2.1%) below its November 2024 level and remained 35.2 points (21.9%) below its March 2022 peak. While commodity prices showed mixed trend: the energy index eased by 0.4 percent raw materials by 1.1 percent while the non-energy rose by 0.7 percent, fertilizer by 0.7 percent and metals & precious metals by 0.5 and 0.9 percent, respectively. Composite Leading Index of Pakistan's key exports market is fluctuating above or around potential level of 100 thereby substantially expected to contribute to the country's export outlook.



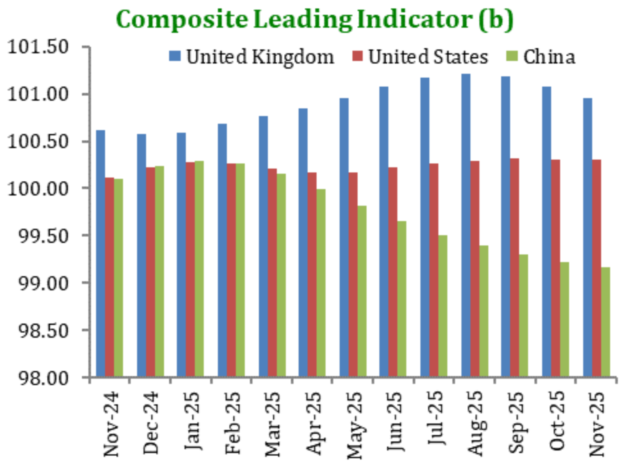
Source: Federal Reserve Bank of Dallas



Source: FAO.org



Source: OECD



Source: OECD

Economic Indicators

(31-12-2025)

External Sector							
	FY2025	FY2025 (Jul-Nov)	FY2026 (Jul-Nov)	% Change	FY2025 (Nov)	FY2026 (Nov)	% Change
Remittances ($ billion)	38.299	14.766	16.145	↑ 9.3	2.915	3.188	↑9.4
Exports FOB ($ billion)	32.34	13.2	12.8	↓3.2	2.8	2.3	↓18.5
Imports FOB ($ billion)	59.111	23.0	25.6	↑ 11.1	4.1	4.7	↑15.0
Current Account Balance ($ million)	1,932	503	-812	↓	709	100	↓
FDI ($ million)	2489.7	1,242.4	927.4	↓25.3	231.9	179.7	↓22.5
Portfolio Investment- ($ million)	-650.2	148.7	-613.8	↓	-37.0	-75.3	↓
Total Foreign Investment ($ million)	1,839.5	1,391.1	313.7	↓	194.9	104.4	↓46.4
Forex Reserves ($ billion)	19.3 (SBP: 14.5) (Banks: 4.8) (End June)	16.4 (SBP: 11.8) (Banks: 4.5) (On 20th Dec 2024)	21.0 (SBP: 15.9) (Banks: 5.1) (On 19th Dec 2025)				
Exchange rate (PKR/US$)	283.8 (End June)	278.5 (On 30th Dec 2024)	280.1 (On 30th Dec 2025)				

Source: SBP

Fiscal (Rs. Billion)							
	FY2025	FY2025 (Jul-Oct)	FY2026 (Jul-Oct)	% Change	FY2025 (Nov)	FY2026 (Nov)	% Change
FBR Revenue (Jul-Nov)	11,744.3	4,295.0	4,733.7	↑ 10.2	852.3	898.7	5.4
Non-Tax Revenue	5,274.6	3,192.0	3,309.1	↑3.7			
Fiscal Balance	-6,168.0	494.6	1,323.5	↑			
Primary Balance	2,719.4	3,124.2	3,544.0	↑			

Source: FBR & Budget Wing

Monetary Sector				
	FY2025	FY2025	FY2026	
Agriculture Credit (Jul-Nov)	2,577.3	925.7	1097.6	↑ 18.6
Credit to private sector (Flows)	1,081.6	1,470.3 (1st Jul to 13th Dec)	135.3 (1st Jul to 12th Dec)	↓
Growth in M2 (percent)	13.7	-2.36 (1st Jul to 13h Dec)	-0.24 (1st Jul to 12th Dec)	
Policy Rate (percent)	11.0 (End June)	13.0 (17-Dec-2024)	10.5 (16-Dec-2025)	

Source: SBP

Real Sector			
	FY2025	FY2025	FY2026
CPI (National) (percent)	4.5	4.9 (Nov) 7.9 (Jul- Nov)	6.1 (Nov) 5.0 (Jul- Nov)
Large Scale Manufacturing (LSM) (percent)	-0.73	-0.62 (Jul-Oct)	5.02 (Jul-Oct)

Source: PBS

Financial Sector				
	FY2025	FY2025	FY2026	% Change
PSX Index*	125,627 (On 30th June 2025)	115,259 (On 30th Dec 2024)	174,472 (On 30th Dec 2025)	↑ 51.4
Market Capitalization (Rs. trillion)	15.24 (On 30th June 2025)	14.6 (On 30th Dec 2024)	19.7 (On 30h Dec 2025)	↑ 35.3
Market Capitalization ($ billion)	53.69 (On 30th June 2025)	52.27 (On 30th Dec 2024)	70.28 (On 30th Dec 2025)	↑ 34.4
Incorporation of Companies (Jul-Nov)	35,210	13,944	17,986	↑ 29.0

*: Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP