OVERVIEW OF THE ECONOMY

Global Economic Review

In 2024, the global economy entered a stabilization phase following unprecedented shocks in recent years. Inflation has decreased from multidecade highs and is gradually aligning with the targets set by central banks, although this progress remains uneven across different regions. Labor markets have largely normalized, with employment and vacancies returning to levels observed prior to the COVID-19 pandemic. Looking ahead, global economic growth, which is estimated at 3.3 percent in 2024, projected to moderate to 2.8 percent in 2025, before recovering slightly to 3.0 percent in 2026. This projected deceleration is attributed to cyclical headwinds and structural realignments within global trade. The rise of tariffs and increased uncertainty negatively impact business sentiment and disrupt supply chains. Global headline inflation is recorded at 5.7 percent in 2024. It is projected to decline to 4.3 percent in 2025 and 3.6 percent in 2026, supported by easing commodity prices. However, cost pressures persist due to emerging trade frictions and structural challenges. Tariffs exert cost pressures on the countries that impose them while simultaneously suppressing demand in the targeted economies, thereby creating a volatile global environment characterized by subdued investment, constrained consumption, tightened financial conditions, and heightened exchange rate volatility.

In the United States, economic growth recorded at 2.8 percent in 2024. However, emerging indicators of a slowdown were observed in 2025, characterized by declining consumer spending and diminished business confidence amid increasing policy uncertainty and newly imposed trade barriers. Therefore, its economic growth is anticipated to moderate to 1.8 percent in 2025. In China, GDP is projected to grow by 4.0 percent through 2026, hindered by ongoing vulnerabilities in the real estate sector, fiscal pressures, and deflationary trends in consumer behavior. The economy of the United Kingdom is expected to expand by only 1.1 percent in 2025, adversely affected by tariff implications, rising gilt yields, and subdued private consumption.

In the Euro Area, economic growth is projected to be modest, with an anticipated rate of 0.8 percent in 2025, followed by a slight improvement to 1.2 percent in 2026. Spain is highlighted as a positive exception, exhibiting expected growth of 2.5 percent. However, the region as a whole is confronted with challenges stemming from weak domestic demand, elevated energy prices, and sluggish industrial performance. Japan is forecasted to experience a growth rate of 0.6 percent in 2025.

In advanced economies, on average, growth is expected to decline from 1.8 percent in 2024 to 1.4 percent in 2025, with a modest recovery anticipated thereafter. Emerging markets and developing economies are projected to witness a decrease in growth, estimated at 3.7 percent in

2025, followed by a slight increase to 3.9 percent in 2026. Furthermore, growth in Sub-Saharan Africa is expected to decelerate to 3.8 percent before rebounding to 4.2 percent, amidst ongoing structural vulnerabilities, including significant debt burdens and constrained fiscal capacity.

A significant reordering of policy priorities presents downside risks to the global economic trade outlook for 2025. According to the IMF, Global trade volume grew by 3.8 percent in 2024. It is projected to decelerate to 1.7 percent in 2025 amid tariff-related uncertainty, before recovering to 2.5 percent in 2026. Trade-related uncertainties have reached unprecedented levels, with their long-term implications expected to differ across economies based on their susceptibility to protectionist measures, financial integration, and geopolitical factors. Increasing domestic imbalances, divergent demand trends between the United States and China, and a revival of state-driven economic interventions have exacerbated global trade asymmetries. Although the global trade-to-GDP ratio has remained relatively stable, the patterns of underlying trade flows are evolving: globalization is transforming to regionalization, with trade increasingly concentrated within geopolitical blocs. This fragmentation presents risks to the cohesion and efficacy of the global trading system.

Addressing these challenges necessitates a coordinated international response aimed at reestablishing a robust and collaborative global trade framework. The primary objectives include comprehensive structural reforms, along with debt restructuring and credible fiscal consolidation. Central banks continue to navigate a delicate balance, striving to control inflation while ensuring financial stability, all managing the fluctuations in currency markets. Concurrently, governments are under increasing pressure to rebuild fiscal buffers and tackle entrenched inefficiencies within labor, product, and financial markets to promote inclusive growth and mitigate inequality.

The resurgence of nationalism and protectionism has significantly undermined the pro-growth narrative associated with globalization. Although multinational corporations continue to engage in cross-border operations, geopolitical tensions and regional conflicts, have disrupted global food and energy supplies, thereby exacerbating inflationary pressures. Investor apprehension has propelled gold prices to exceed US$ 3,000 per ounce, reflecting concerns regarding broader geopolitical and policy uncertainties. Conversations surrounding energy transitions remain politically contentious, and advancements in climate action have been notably slow. Furthermore, the emergence of generative artificial intelligence has been accompanied by increased cyber threats.

Pakistan Economic Review

Building on recovery that started in FY 2024, the economy maintained its upward trajectory in FY 2025, recording a 2.68 percent annual growth. This progress is underpinned by effective macroeconomic management, improved fiscal and external account balances, and a significant reduction in inflation. Implementing a 37-month, US$ 7 billion IMF Extended Fund Facility (IMF-EFF) has bolstered policy credibility and provided essential financial support to promote inclusive and reform-driven growth.

Inflation has experienced a significant reduction, decreasing from 20.7 percent in April 2024 to a near-zero (0.3%) in April 2025. The average inflation rate for July through April in FY 2025 was recorded at 4.7 percent, in stark contrast to the 26.0 percent observed during the previous year. This decline can be attributed to several factors, including fiscal consolidation, a stringent monetary policy, targeted relief measures, and efforts to stabilize the exchange rate.

Despite persistent supply-side constraints, growth prospects have significantly improved. Investor confidence has notably increased, as demonstrated by a 27.5 percent rise in company incorporations. Additionally, fiscal discipline has shown marked enhancement during July-March FY 2025: the fiscal deficit has contracted to 2.6 percent of GDP from 3.7 percent last year, the primary surplus has risen to 3.0 percent from 1.5 percent, and tax revenues have surged by 26.3 percent, totaling Rs 9.3 trillion (July-April FY 2025). On the external front, there has been a remarkable reversal in the current account, shifting from a US$ 1.3 billion deficit to a US$ 1.9 billion surplus, a change attributed to improved export performance and record remittance inflows.

The IMF-EFF, alongside around US$ 1.4 billion disbursement under the Resilience and Sustainability Facility (RSF), and improved credit ratings from Moody's and Fitch, reflect growing international recognition of Pakistan's reform momentum. Strengthened macroeconomic fundamentals have enabled the State Bank of Pakistan to lower the policy rate, supporting private sector credit growth and spurring economic activity. Continued remittance inflows offer a vital buffer for the external account and help sustain household consumption, with further upside potential through skills development and greater diversification of overseas labor markets.

Sustaining the recent developments in Pakistan's growth necessitates the resolution of ongoing structural challenges. The country's youthful demographic presents a significant opportunity but also highlights the urgent need for comprehensive reforms in education, technical and vocational training, and job creation. This is particularly crucial in labor-intensive sectors such as agriculture, construction, and manufacturing. A concentrated effort to mitigate regional disparities and to empower small and medium-sized enterprises and entrepreneurs is vital for promoting inclusive economic growth.

The digital economy presents a transformative opportunity for growth and development. Pakistan's information technology exports have significantly benefited from a young, highly skilled workforce and competitive cost structures. Nevertheless, the growth of this sector faces limitations due to deficiencies in digital infrastructure, inconsistent regulatory environments, and insufficient investment in digital skills development. Addressing the digital divide, particularly among women and rural communities, will be essential for unlocking the full potential of this sector.

In conclusion, Pakistan finds itself at a crucial crossroads. The foundational elements for economic recovery are becoming increasingly robust, and investor confidence is re-emerging. However, sustaining this positive momentum necessitates transitioning from short-term stabilization measures to comprehensive structural reforms. Through disciplined implementation of policy and strategic guidance anchored in a long-term vision, URAAN Pakistan, which emphasizes export-led and investment-driven growth, has the potential to cultivate a resilient, inclusive, and prosperous economic future.

Executive Summary of Chapters

Growth and Investment: The real, fiscal, financial, and external sectors continued to demonstrate resilience and steady improvement in FY 2025. Pakistan's GDP grew by 2.68 percent, supported by stabilization across all major macroeconomic indicators. The industrial sector posted a growth of 4.77 percent. Manufacturing growth was also positive despite a slow recovery in large-scale manufacturing, supported by gains in small-scale manufacturing and slaughtering. The services sector (58.4% of GDP) emerged as the main growth driver, expanding by 2.91 percent, while the agriculture sector recorded a growth of 0.56 percent due to a decline in major crops.

The GDP, valued at current market prices, reached Rs 114,692 billion (US$ 411 billion), showing a 9.1 percent increase from the previous year's Rs 105,143 billion (US$ 372 billion). The economy experienced price stability, with GDP deflator growth recorded at 4.0 percent, the lowest level since FY 2018, which has helped stabilizing the exchange rate. Thus, with improved economic activity, per capita income rose to US$ 1,824 from US$ 1,662 in the previous year.

The investment-to-GDP ratio improved to 13.8 percent, compared to 13.1 percent in FY 2024, supported by stronger public and private capital formation. Gross Fixed Capital Formation (GFCF) stood at Rs 13,814.7 billion, marking a 15.0 percent increase over FY 2024. Private investment grew by 9.9 percent, while public investment, including general government development spending, rose sharply by 34.2 percent. National saving also improved, recorded at 14.1 percent of GDP, reflecting stronger domestic resource mobilization.

Agriculture: The agriculture sector in Pakistan plays an essential and sustainable role in ensuring food security, supporting rural livelihoods, and fostering national economic resilience. In FY 2025, the sector accounted for 23.54 percent of the Gross Domestic Product and employed over 37 percent of the labor force, underscoring its structural significance within the economy.

Despite challenging climatic conditions, the agricultural sector demonstrated a positive growth rate of 0.56 percent, highlighting its inherent resilience and adherence to historical trends. Livestock emerged as the primary contributor, achieving an expansion of 4.72 percent, reinforcing its significant role in agricultural value addition. This sector has consistently played a crucial role in supporting household incomes and ensuring the national food supply. Similarly, the fisheries and forestry sub-sectors exhibited steady growth rates of 1.42 percent and 3.03 percent, respectively, bolstered by favorable policy measures and prevailing market dynamics.

The crops sub-sector experienced a contraction of 6.82 percent, primarily driven by a 13.49 percent decline in key crops and a 19.03 percent decrease in cotton ginning. These downturns can be attributed to adverse weather conditions and reduced sowing areas. Nevertheless, a growth of 4.78 percent in other crops indicates the potential for crop diversification and demonstrates resilience in the face of challenging circumstances.

Recent developments in crop production have presented contrasting trends across various commodities. Notably, wheat production experienced a decline of 8.9 percent, attributable to a reduction in cultivated area and adverse climatic conditions. Conversely, while rice exhibited an increase in acreage, it nonetheless encountered a minor dip in production of 1.38 percent. Other crops, including cotton (-30.7%), sugarcane (-3.88%), and maize (-15.4%), faced considerable challenges due to decreased planting area, delayed sowing, and extreme weather patterns. On a more positive note, vegetable categories such as onion and potato reported substantial output growth, with increases of 15.9 percent and 11.5 percent, respectively.

The livestock and poultry sectors have continued serving as fundamental economic growth pillars. Livestock has significantly contributed 14.97 percent to the GDP and accounts for 63.6 percent of the value added in agriculture. This growth has been supported by increased production of milk and meat, herd expansion, and a 4.72 percent rise in value addition. The poultry sector also demonstrated a robust trajectory, exhibiting a 9.4 percent increase in meat production and a surge in egg output to 26.7 billion. This reinforces its critical role in enhancing food security and generating employment opportunities within the agricultural domain.

The agriculture sector in Pakistan has made advancements in essential farm inputs and modernization initiatives. The availability of fertilizers remained relatively stable despite prevailing economic constraints. Conversely, access to certified seeds has met over 34.3 percent of the national requirements. Tax incentives and collaborative initiatives between the public and private sectors bolstered efforts to enhance mechanization. However, there was a decline in tractor production attributable to macroeconomic factors. Water resource management continues to be a priority, with substantial investments dedicated to major dam projects, including the Diamer-Basha and Mohmand Dams, in accordance with the National Water Policy.

Agricultural credit disbursement reached Rs 1,880.4 billion during the first nine months of the FY 2025, representing a 15.0 percent increase compared to the previous year. This performance underscores a robust institutional commitment, expanded outreach, and enhanced support for both smallholder and commercial farmers.

The government has prioritized value-added production, modernization, climate resilience, and integrated policy initiatives through investments made under the Special Investment Facilitation Council (SIFC). Nevertheless, addressing persistent structural constraints, enhancing the dissemination of knowledge, and investing in climate-smart technologies remain crucial for unlocking the sector's full potential.

In summary, the FY 2025 presented a landscape characterized by diverse trends, yet demonstrated significant resilience within the agricultural sector. With strategic policy support and sustained investments, this sector is anticipated to substantially contribute to economic development, enhance rural incomes, and strengthen food security.

Manufacturing and Mining: During July-March FY 2025, Large-Scale Manufacturing (LSM) experienced a contraction of 1.47 percent, in contrast to a slight decline of 0.22 percent observed in the corresponding period of the previous year. This marks the third consecutive year of negative growth in LSM, which can be attributed to ongoing structural challenges, elevated input costs, and downturns in critical sectors such as Food, Chemicals, Iron & Steel, and Electrical Equipment. Despite the overall lackluster performance, it is noteworthy that nearly half of the LSM sectors demonstrated positive growth, including significant industries such as Wearing Apparel, Textiles, Coke & Petroleum Products, Pharmaceuticals, and Automobiles.

In March 2025, the growth of LSM registered a year-on-year (YoY) increase of 1.8 percent, in contrast to a growth rate of 1.7 percent during the same month in the previous year. Furthermore, on a month-on-month (MoM) basis, LSM experienced a decline of 4.6 percent in March

2025, following a drop of 5.6 percent in February 2025.

The Mining and Quarrying sector experienced a decline of 3.4 percent during FY 2025, an improvement from a decrease of 4.0 percent observed in the previous year. During July-March FY 2025, there were significant reductions in the extraction of crude oil (-14.8%), natural gas (-6.8%), coal (-5.7%), and iron ore (-20.2%), which indicates a contraction in both energy and metallic mineral outputs. Conversely, there were marked increases in the production of sulphur (341.9%), dolomite (43.3%), limestone (34.1%), marble (20.2%), and ocher (70.3%), suggesting positive growth in specific mineral categories.

Fiscal Development: The ongoing efforts towards fiscal consolidation continue to reinforce fiscal discipline throughout the current fiscal year, underpinned by a substantial increase in revenues attributed to various tax policy and administrative measures and effective expenditure management. Encouragingly, fiscal indicators are on improving trajectory for last three years and further strengthened during the current fiscal year. Thus, the fiscal deficit decreased to 2.6 percent of GDP during July-March FY 2025 from 3.7 percent the previous year. Additionally, the primary surplus improved to Rs 3,468.7 billion (3.0 percent of GDP) compared to Rs 1,615.4 billion (1.5 percent) the previous year, facilitated by restrained non-markup expenditures. The provinces also significantly contributed to the fiscal consolidation initiatives of the federal government, achieving a higher cumulative surplus of Rs 1,053.3 billion during the same period, compared to the surplus of Rs 435.4 billion recorded last year.

Total expenditure increased by 19.4 percent to Rs 16,337.0 billion during July-March FY 2025, compared to Rs 13,682.8 billion in the previous year. This growth in expenditure is primarily due to a notable rise in development spending, while current expenditures have experienced relatively moderate growth. Current expenditure rose by 18.3 percent, amounting to Rs 14,588.2 billion in July-March FY 2025, an increase from Rs 12,333.3 billion last year. Additionally, markup payments expanded by 16.7 percent during this period, in contrast to a significant growth rate of 54.0 percent recorded in the prior year. Conversely, the growth rate of non-markup spending has decelerated to 19.6 percent in July-March FY 2025, down from 20.4 percent last year. The restrained growth in current spending has afforded some flexibility for enhancing development expenditures within the current fiscal year. Notably, the federal Public Sector Development Program (PSDP) experienced substantial growth of 28.6 percent, reaching Rs 413.6 billion during July-March FY 2025, an increase from Rs 321.6 billion in the previous year.

Total revenues increased by 36.7 percent, reaching Rs 13,367.0 billion during July-March FY 2025, compared to Rs 9,780.4 billion for the same period in the previous year. This notable performance in tax and non-tax revenues has significantly contributed to the rise in total revenues. Non-tax collections experienced an extraordinary growth of 68 percent, totaling Rs 4,229.7 billion during July-March FY 2025, compared to Rs 2,517.9 billion the same period last year. Key drivers of this increase included higher receipts from the SBP profit and the petroleum levy, alongside improved collections from dividends, PTA profits, royalties on oil and gas, and the natural gas development surcharge, which also played substantial roles in enhancing non-tax revenues. Furthermore, total tax collections, encompassing federal and provincial contributions, rose by 25.8 percent during July-March FY 2025, amounting to Rs 9,137.3 billion, compared to Rs 7,262.5 billion in the preceding year.

The Federal Board of Revenue (FBR) reported a net provisional tax collection growth of 26.3 percent, amounting to Rs 9,300.2 billion during July-April FY 2025, compared to Rs 7,361.9 billion in the previous year. Domestic tax collection experienced an increase of 27.7 percent, reaching Rs 8,256.8 billion during the same period in FY 2025, in contrast to Rs 6,464.3 billion the prior year. Additionally, Rs 427.5 billion has been disbursed in refunds during July-April FY 2025, compared to Rs 411.1 billion in the previous year. The FBR has exhibited commendable performance in revenue collection during the first ten months of FY 2025, attributed to various tax measures introduced in the Budget 2024-25.

The government is advancing significant fiscal reforms in collaboration with provincial authorities to address emerging challenges. In this context, the National Fiscal Pact represents a critical initiative to rebalance intergovernmental relationships. These reforms are poised to ensure long-term fiscal sustainability, essential for achieving sustained, inclusive, and robust economic growth.

Money and Credit: Over the past year, the global monetary environment has transitioned from an extended period of synchronized tightening to the nascent phases of easing, supported by decreasing inflationary pressures and improved supply chain conditions. Prominent central banks, including the Federal Reserve and the European Central Bank, have indicated a gradual approach to rate reductions. Concurrently, central banks in emerging markets have cautiously approached easing measures amid stabilizing inflation and exchange rates. Nevertheless, enduring structural challenges, such as elevated debt levels, restrictive financing conditions, and geopolitical tensions, present risks to the medium-term global economic outlook.

Domestically, Pakistan's economy has displayed consistent signs of stabilization and recovery during FY 2024 and FY 2025, driven by proactive governmental interventions and sound macroeconomic management. Inflation has significantly decelerated, foreign exchange reserves have strengthened, and the exchange rate has stabilized. In response, SBP initiated a measured easing cycle beginning in June 2024, cumulatively reducing the policy rate by 1100 basis points as of May 2025.

Inflation is anticipated to remain within the SBP's medium-term target range of 5 to 7 percent, facilitating ongoing monetary policy normalization and an economic recovery in FY 2026. The sustainability of this positive momentum will hinge on preserving macroeconomic stability, effective policy coordination, and creating a conducive environment for investment, job creation, and external financing inflows, which are essential for ensuring broad-based growth and financial stability.

Capital Markets and Corporate Sector: Pakistan's capital markets, specifically the equity market, exhibited superior performance compared to major global stock markets in FY 2025. The KSE-100 index demonstrated significant growth of 50.2 percent during July-March FY 2025. 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.

Market capitalization rose from Rs 10,375 billion on June 30, 2024, to Rs 14,374 billion on March

31, 2025, reflecting a remarkable increase of 38.5 percent or Rs 4,000 billion. The debt market also remained well, marking a noteworthy return of net inflows under the National Savings Scheme after a four-year hiatus. During July-March FY 2025, a net inflow of Rs 171.3 billion was recorded under National Savings Schemes.

The government executed 19 auctions of government debt securities in the debt market, successfully raising Rs 2.3 trillion as of March 31, 2025. Various types of sovereign Sukuk instruments, including discounted, fixed-rate, and variable-rate Sukuks across different maturities, have been issued and are currently available for trading at the Pakistan Stock Exchange (PSX). The number of privately placed debt securities stood at 23, generating Rs 41.6 billion. As of March 31, 2025, there were 77 outstanding debt securities with a cumulative value of Rs 318.4 billion. Furthermore, during this same period, 5.88 million lots of various commodity futures contracts, including gold, crude oil, and U.S. equity indices, were traded on the Pakistan Mercantile Exchange Limited, totalling Rs 6.54 trillion.

Moreover, during July-March FY 2025, the Securities and Exchange Commission of Pakistan (SECP) issued 38 certificates for Shariah-compliant securities under the Shariah Governance Regulations of 2023, aimed at fostering the development of the Islamic capital market. During this timeframe, in the secondary capital market, 288 securities, accounting for 54.6 percent of a total of 527 listed companies, were identified as Shariah-compliant, representing a market capitalization of Rs 9,284 billion, which constitutes 64.6 percent of the overall market capitalization of Rs 14,375 billion.

Inflation: During FY 2025, inflationary pressures experienced a substantial decline, indicative of significant stability within the economy. The Consumer Price Index (CPI) inflation rate, which recorded 11.1 percent year-on-year in July 2024, represented a notable decrease from 28.3 percent in July 2023. This downward trajectory continued, with inflation dropping as low as 1.5 percent in February, followed by 0.7 percent in March and 0.3 percent in April, marking a multi-decade low.

The CPI inflation during July-April FY 2025 was recorded at 4.7 percent, in contrast to 26.0 percent during the corresponding period of the previous year. Other inflation indicators, such as the Sensitive Price Indicator (SPI), indicated a rate of 4.9 percent compared to 30.2 percent in the prior year. Moreover, the Wholesale Price Index (WPI) reported an increase of 2.2 percent, a significant reduction from 22.4 percent in the same period last year.

The government has effectively stabilized prices and enhanced the affordability of food and energy products for the general population by implementing a strategic combination of administrative measures, relief initiatives, and policy adjustments.

Trade and Payments: Global trade experienced significant disruptions in 2024 due to geopolitical tensions; however, it regained momentum in the latter half of the year, with worldwide merchandise exports growing by 2 percent to reach US$ 24.43 trillion. In this context, Pakistan's external sector demonstrated resilience, achieving a current account surplus of US$ 1.9 billion during July-April FY 2025, a remarkable turnaround from a US$ 1.3 billion deficit in the previous year. This improvement was primarily supported by a historic rise in remittances, which reached US$ 31.2 billion, an increase of nearly 31 percent YoY, culminating in a peak of US$ 4.1 billion in March 2025.

Nonetheless, the trade deficit in goods expanded to US$ 21.3 billion as imports surged by 11.8 percent, outpacing the 6.8 percent growth in exports. Furthermore, the services account exhibited a heightened deficit of US$ 2.5 billion, attributable to accelerated import growth. The primary income account deficit also rose to US$ 7.1 billion, driven by increased dividend repatriation and interest payments. Despite these challenges, the remittance surge alleviated much of the external pressures, allowing for a build-up of foreign exchange reserves, reaching US$ 16.64 billion (SBP: US$ 11.50 billion; Commercial Banks: US$ 5.14 billion) by May 27, 2025. This stability contributed to the exchange rate, which stabilized at Rs 278.72 per US$.

A net outflow of US$ 1.6 billion was recorded on the financial front, as government debt repayments escalated and net liabilities decreased sharply. Foreign direct investment experienced a slight decline of 2.7 percent, resulting in total inflows of US$ 1.8 billion, reflecting cautious investor sentiment amid prevailing global and regional uncertainties. According to data from the Pakistan Bureau of Statistics, exports rose 6.4 percent during July-April FY 2025, totalling US$ 26.9 billion, primarily driven by the knitwear, garment, bedwear, and rice sectors. Imports grew by 7.5 percent to US$ 48.3 billion, predominantly in petroleum, machinery, and food-related items.

Looking ahead, global trade growth is anticipated to be around 2.7 percent in 2025 (WTO). Pakistan's strategic emphasis on enhancing exports, diversifying trade, and maintaining macroeconomic stability will be crucial in addressing the external challenges. Pakistan's trade recovery hinges on structural improvement; sustaining the momentum necessitates a transition from short-term solutions to long-term, reform-oriented policies. The focus will remain on diversifying exports, improving supply chains, rationalizing import tariffs, and strengthening trade infrastructure to bolster global competitiveness.

The URAAN Pakistan framework offers the strategic direction necessary for this transformation, anchored in export-led, investment-driven growth. Key initiatives, such as the expansion of export credit, support for small and medium enterprises, facilitating IT sector expansion, and promoting trade diplomacy, are instrumental in unlocking new markets and mitigating reliance on volatile inflows. Moving forward, enhanced policy coordination and institutional reforms will help in building a resilient external sector. With a clear commitment to targeted execution, Pakistan has the potential to transform trade into a significant engine of sustainable and inclusive economic growth.

Public Debt: Total Public debt was recorded at Rs 76,007 billion by end-March 2025, comprising of Rs 51,518 billion in domestic debt and Rs 24,489 billion (US$ 87.4 billion) in external debt. Various developments were witnessed in the Public Debt domain during first nine months of the outgoing fiscal year, some of which are highlighted below:

- Within domestic debt, the Government relied mostly on long-term borrowing through Pakistan Investment Bonds (PIBs) and Sukuks for financing fiscal deficit. During the period, an amount of Rs 2.4 trillion in Treasury bills was retired. The government also introduced a new Two-year Zero-coupon bond through which an amount of Rs 610 billion was raised. These measures helped improve the maturity profile, reflected by the extension of the average time to maturity (ATM) of the domestic debt from 2.9 to 3.5 years.
- Regarding auction of domestic debt

securities, robust market participation was witnessed. Total bids received for Treasury bills were Rs 28,230 billion (acceptance of Rs 9,473 billion), Pakistan Investment Bonds Rs 23,540 billion (acceptance of Rs 9,682 billion), and Sukuk Rs 4,889 billion (acceptance of Rs 1,562 billion). The government followed a calibrated acceptance strategy to manage cost and rollover risk.

- The government successfully launched a Buyback and Exchange Programme as part of its strategic Liability Management Operations (LMOs). Through this initiative, the government successfully repurchased approximately Rs 1 trillion worth of government debt securities.
- In addition to existing 1-year, 3-year and 5-year Ijara Sukuk, the Government introduced new 10-year Ijarah Sukuk (for both fixed and floating rental rates). During this period, the Government successfully issued Sukuk amounting to around Rs 1.6 trillion. These measures increased the share of sharia-compliant instruments of total government debt securities to 12.7 percent.
- External disbursements were recorded at US$ 5.1 billion, including US$ 2.8 billion from multilaterals, US$ 0.3 billion from bilateral, US$ 1.5 billion via Naya Pakistan Certificates, and US$ 0.56 billion from commercial banks. An additional US$ 1.03 billion was received under the IMF's EFF.
- Out of the total External Debt stock of US$ 87.4 billion, almost 83 percent comes from multilateral (including IMF) and bilateral (including Paris club & friendly country deposits) sources. These debts are of long-term tenor with mostly concessional lending rates as compared with commercial borrowing sources, therefore limiting refinancing risk and supporting debt sustainability.

As part of its debt management strategy, the Government is committed to ensuring fiscal discipline through revenue mobilization and expenditure rationalization measures. With a narrower fiscal deficit and effective debt management, public debt is further projected to enter a downward path.

Education: According to the Population and Housing Census of 2023, Pakistan's literacy rate is 60.7 percent. The male literacy rate of 68.0 percent is notably higher than the female literacy rate of 52.8 percent. A significant advancement of this census is including literacy data pertaining to the transgender community, which has been reported at 40.2 percent.

The literacy rate in urban regions is considerably elevated, recorded at 74.1 percent, compared to 51.6 percent in rural areas. Punjab exhibits the highest literacy rate among the provinces at 66.3 percent, followed by Sindh at 57.5 percent, Khyber Pakhtunkhwa at 51.1 percent, and Balochistan at 42.0 percent.

Furthermore, as per the Pakistan Education Statistics 2022-23 released by the Pakistan Institute of Education in Islamabad, the rate of Out of School Children (OOSC) stands at 38 percent, with 35 percent being male and 42 percent female. The distribution of OOSC is as follows: Punjab at 32 percent, Khyber Pakhtunkhwa at 30 percent, Sindh at 47 percent, and Balochistan at 69 percent.

During the current fiscal year, the Government has allocated Rs 61.1 billion to the Higher Education Commission (HEC), which includes Rs 12.0 billion dedicated to a laptop scheme, aimed at implementing 159 development projects (comprising 138 ongoing and 21 new) in public sector universities and institutions under the

HEC. During July-April FY 2025, Rs 32.6 billion were released. The HEC has initiated the IT Component of the Higher Education Development Program in Pakistan (HEDP), a World Bank-supported project with a budget of US$ 400 million, which aims to modernize the technological infrastructure of the education sector in Pakistan.

Moreover, skill development, recognized as a crucial element within the educational framework, has emerged as a government priority, evidenced by substantial achievements and ongoing initiatives. The National Vocational & Technical Training Commission (NAVTTC) is central to this endeavor, and it is pivotal in offering professional training to the youth and the skilled workforce, enhancing national productivity, and supporting workforce export abroad.

Various measures are being implemented at both federal and provincial levels to improve the quality of education, in alignment with the commitment to achieving Goal 4 of the Sustainable Development Goals (SDGs). The current government is investing considerable efforts and resources into the education sector, with initiatives designed to ensure quality education for all, promote access to girls' education, facilitate the enrollment of diverse groups of out-of-school children, enhance teacher capacity, upgrade educational institutions, and foster skill development.

Health and Nutrition: The Government of Pakistan, in pursuance of Article 38 of the Constitution, remains dedicated to enhancing the well-being of its citizens through improved access to quality healthcare services and targeted interventions aimed at reducing malnutrition. Despite facing ongoing challenges, Pakistan is consistently progressing towards attaining SDG3 – Good Health and Well-being, and SDG 2 – Zero Hunger. For the fiscal year FY 2025, an allocation of Rs 103.5 billion had been designated under the Public Sector Development Programme (PSDP) for the health sector. Additionally, total health expenditures have risen by 9.7 percent, escalating from Rs 843.2 billion in FY 2023 to Rs 924.9 billion in FY 2024.

To bolster national health security, the National Action Plan for Health Security (NAPHS) 2024–2028 has been developed, concentrating on enhanced disease surveillance, improved laboratory infrastructure, and robust healthcare systems. Key national health initiatives include the Prime Minister's National Programme for the Elimination of Hepatitis C (2024–2027) and the Prime Minister's National Programme for the Prevention and Control of Diabetes (2024–2029). Additional initiatives comprise the Common Management Unit (CMU) for preventing and controlling HIV/AIDS, Tuberculosis, and Malaria, as well as the Expanded Programme on Immunization (EPI). Cancer treatment services provided through Atomic Energy Cancer Hospitals cater to nearly 80 percent of the nation's cancer patients, managing approximately 40,000 new cases annually.

To combat malnutrition, the Scaling Up Nutrition (SUN) Youth Network Programme has been inaugurated to engage young individuals in promoting healthy lifestyles and advocating for policy reforms. Furthermore, the National Multi-Sectoral Nutrition Programme to Reduce Stunting and Other Forms of Malnutrition, alongside the National Early Childhood Development Framework, is currently in effect. The Anti-Narcotics Force (ANF) has also conducted 6,523 drug demand reduction activities, with 2,386 patients receiving treatment at Model Addiction Treatment and Rehabilitation Centres (MATRCs). These initiatives are expected to enhance health outcomes, improve nutritional status, and contribute to Pakistan's overarching goals of sustainable human development.

Population, Labour Force and Employment: According to the Seventh Population and Housing Census conducted in 2023, the population of Pakistan has reached 241.5 million, comprised of 124.3 million males and 117.2 million females. A notable demographic characteristic of Pakistan is its substantial youth population, with 26 percent of individuals aged between 15 and 29 years and 53.8 percent of the total population categorized within the working-age group of 15 to 59 years. This demographic dividend presents a significant opportunity for economic prosperity and social advancement, provided it is effectively harnessed into a resource embedded with scientific knowledge and technology, thereby serving as a robust engine for innovation and sustainable growth.

The government of Pakistan is actively focusing on unlocking the potential of its youth by enhancing their employment prospects through targeted initiatives. Among the most prominent programs are the Prime Minister's Youth Business and Agriculture Loan Scheme and the "Skills for All" Programme, designed to promote entrepreneurship, vocational training, and digital competencies. These initiatives reflect a comprehensive strategy aimed at transforming Pakistan's demographic profile into a catalyst for inclusive economic growth and long-term social stability. Additionally, the government is exploring overseas employment opportunities, which are anticipated to alleviate the domestic unemployment challenge and augment remittances.

To address gender inequality, the government remains steadfast in its commitment to eliminating all forms of discrimination against women and promoting gender equality and empowerment at all societal levels. This commitment is underscored by Pakistan's historical engagement with the global human rights agenda. As one of the inaugural signatories of the Universal Declaration of Human Rights (UDHR) in 1948 and a signatory to seven core international human rights treaties, including the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), Pakistan has consistently demonstrated its dedication to advancing the rights of women and girls. Recognizing the essential role of women in the country's socio-economic development, the government is implementing the Prime Minister's Women Empowerment Package, 2024, nationwide. This comprehensive initiative is focused on economic inclusion, financial independence, skill development, and leadership opportunities for women.

Transport and Communication: The transport and communication sector constitute a fundamental component of Pakistan's economic development, facilitating the efficient movement of individuals, goods, and information. As a pivotal driver of national progress, this sector directly expands trade, creates employment opportunities, and enhances access to essential services such as healthcare, education, and emergency response. In alignment with the strategic objectives of URAAN Pakistan, and capitalizing on the nation's unique geographical position within South Asia and the China-led Belt and Road Initiative (BRI), the government has prioritized investments in this sector by allocating Rs 268 billion in FY 2025 to establish a modern, integrated, and efficient transport and communication network.

Of this allocation, Rs 161.3 billion has been earmarked for 105 projects under the National Highway Authority (NHA), aimed at developing and enhancing a 14,480 km network of highways, motorways, and strategic roads. Pakistan

Railways has exhibited improved operational performance, reporting gross earnings of Rs 65.2 billion during July-March FY 2025. Despite a 16.8 percent decrease in operating revenue in the aviation sector, Pakistan International Airlines (PIA) achieved a profit of Rs 9.3 billion, attributed to a significant reduction in operating expenditures. The maritime sector showed mixed outcomes, with Karachi Port experiencing a 4.0 percent increase in cargo handling, while the Port Qasim Authority reported a slight decline of 1.6 percent. The Pakistan National Shipping Corporation noted reduced profits of Rs 8.9 billion due to a contraction in its fleet of vessels.

In the realm of communication, Pakistan's electronic media landscape comprises 139 satellite television channels and 34 foreign channels with landing rights for broadcast within the country. The Pakistan Electronic Media Regulatory Authority (PEMRA) contributed Rs 2.1 million to the national exchequer during the review period. Simultaneously, the Pakistan Broadcasting Corporation (PBC) maintained a wide national presence through a network of 80 broadcasting units in 32 locations nationwide.

Energy: The energy sector serves as a crucial driver of economic and industrial development in Pakistan, influencing productivity, trade competitiveness, and overall quality of life. During July-March FY 2025, Pakistan confronted energy affordability, sustainability, and security challenges. Nonetheless, several strategic reforms, capacity enhancements, and modifications in the energy mix indicate a gradual progression towards a more resilient and diversified energy landscape.

As of March 2025, the total installed electricity generation capacity reached 46,605 MW. Hydropower, nuclear, and renewable sources collectively constituted 44.4 percent of the installed capacity, an increase from prior years, while the proportion of thermal power declined to 55.7 percent. Regarding electricity generation, Pakistan produced a total of 90,145 GWh during the specified period, with 53.7 percent derived from hydropower, nuclear, and renewable sources, signifying a positive transition towards indigenous and environmentally sustainable energy solutions. Sectoral consumption patterns reveal the household sector as the predominant consumer, accounting for nearly half of the national electricity usage.

During July-March FY 2025, the total consumption of petroleum products across all sectors amounted to 13.2 million metric tons (MMT), reflecting a YoY increase of 7.0 percent, as compared to 12.3 MMT in the same timeframe of FY 2024. The transport sector, which remains the leading consumer, experienced 8.0 percent increase in consumption, rising from 9.8 MMT in July-March FY 2024 to 10.5 MMT (80% of total demand) during same period of FY 2025. This growth indicates heightened mobility, a rebound in trade and logistics, and an increased demand for fuel from road transport and commercial vehicles. Furthermore, Pakistan imported 12.5 MMT of petroleum products in the period under review, an increase from 11.1 MMT during the same timeframe in FY 2024, representing a 12.5 percent rise in quantity. However, the total import bill in monetary terms remained relatively stable, amounting to US$ 8.4 billion, nearly unchanged from last year. This stability reflects a combination of higher import volumes, lower international oil prices, and enhanced procurement efficiency.

During this period, the average natural gas consumption was approximately 3,143 million cubic feet per day (MMCFD), including 798 MMCFD from re-gasified liquefied natural gas (RLNG). During the same timeframe, 13,591 new gas connections were established nationwide, comprising 11,755 domestic connections, 1,786 commercial connections, and 50 industrial connections. The highest gas consumption levels originated from the power sector, domestic use, and fertilizer production, accounting for 973 MMCFD, 777 MMCFD, and 764 MMCFD, respectively.

Information Technology and Telecommunication: Information Technology (IT) represents one of the most rapidly expanding sectors within Pakistan's economy, playing a pivotal role in the evolution of a knowledge-based society. A Joint Working Group (JWG) has been established between China and Pakistan to foster collaboration in this sector. Both nations have committed to cooperating in several critical areas, including Information and Communication Technology (ICT) Infrastructure Development, ICT Application Innovation, Cybersecurity, Policy and Regulation, Radio Spectrum Regulation, Human Resource Development, and the Technology Business Forum.

During July-March FY 2025, export of ICT services experienced a significant increase of US$ 541 million, representing a growth of 23.7 percent, culminating in a total of US$ 2.825 billion. In March 2025, it reached US$ 342 million, reflecting a 12.1 percent increase compared to US$ 305 million in February 2025, indicating an 11.7 percent growth over the US$ 306 million recorded in March 2024. The Information Technology and IT-enabled Services (ITeS) industry achieved a trade surplus amounting to US$ 2.4 billion, the highest surplus among all service sectors during July-March FY 2025, representing an increase of 21.6 percent. Furthermore, Pakistan-based freelancers contributed significantly to the economy, earning foreign exchange through remittances totalling US$ 400 million during the specified period.

To further bolster the ICT sector, the Pakistan Software Export Board (PSEB) has launched an ambitious initiative to establish 250 e-Rozgaar centers across the country by FY 2027, as part of a PSDP project titled “Prime Minister's Initiatives - Support for IT Startups, Specialized IT Training, and Venture Capital, Component-2”. These centers aim to promote freelance work and entrepreneurship, aiming to create 20,000 jobs. Fifty e-Rozgaar centers are expected to be operational by FY 2025. The National Incubation Centers (NICs) have successfully incubated over 1,900 startups, with more than 960 graduating from the program. These startups have generated in excess of 185,000 jobs, attracted total investments of Rs 30.8 billion, and reported combined revenues exceeding Rs 27.3 billion. Additionally, the initiative has empowered over 12,000 women entrepreneurs.

During July-March FY 2025, the telecom sector further strengthened by broadening its service offerings and generating revenues of Rs 803 billion. By the end of March 2025, total telecom subscriptions, encompassing mobile and fixed services, reached around 199.9 million, resulting in a total teledensity of 81.3 percent in the country. The telecom sector also contributed substantially to the national treasury, raising Rs 271 billion in taxes and duties during the same fiscal period. A sustained emphasis on skills development, investment facilitation, and international collaboration is essential to unlocking new avenues for growth, job creation, and inclusive socioeconomic advancement.

Social Protection: Social Safety Net (SSN) programmes are essential for enhancing living standards, mitigating vulnerability, and breaking the cycle of poverty. Recent global crises have underscored the significance of effective social protection systems, critical buffers against poverty, unemployment, illness, and various livelihood shocks. Interventions led by governmental entities, in collaboration with non-governmental organizations and international donors, are crucial for fostering a resilient society. These safety nets provide immediate relief and promote long-term stability and opportunity. Establishing a well-functioning and inclusive social safety net system is not merely a moral obligation; it constitutes a strategic investment in the future of a nation.

Pakistan is one of the few developing countries explicitly recognizing social security as a constitutional right as mandated in Article 38 of the Constitution. The government administers various SSN programs through institutions such as the Benazir Income Support Programme (BISP), the Pakistan Poverty Alleviation Fund (PPAF), Microfinance Network, Zakat, Pakistan Bait-ul-Mal (PBM), the Employees' Old-Age Benefits Institution (EOBI), and the Workers Welfare Fund (WWF). Moreover, specialized financial institutions provide microfinance services to individuals facing economic disadvantages.

Pakistan has made significant progress in advancing social protection programmes aimed at poverty alleviation and improving access to healthcare, education, clean water, and sanitation. In light of the escalating risks associated with climate change, it is imperative to enhance social protection budgets to safeguard the most vulnerable population, affected by these challenges disproportionately. Future initiatives must be designed to offer immediate relief and support long-term adaptation and mitigation strategies. Furthermore, strengthening coordination and interlinking social protection initiatives between Federal and Provincial Governments is vital for optimizing resource allocation and minimizing redundancy in efforts.

Climate Change: Climate change, driven by human-induced greenhouse gas emissions, is intensifying global warming and altering weather patterns. The World Meteorological Organization's "State of the Global Climate 2024" reports 2024 as the warmest year in 175 years, with global temperatures 1.55 °C above pre-industrial levels. Although contributing less than 1 percent of global emissions, Pakistan remains among the most climate-affected countries.

The State of the Pakistan Climate 2024 by the Pakistan Meteorological Department records intense climate irregularities, with a national average temperature increase to 23.52°C and a 31 percent rise in average rainfall. Provinces such as Sindh and Balochistan experienced extreme heat, cyclones, and sharp rainfall variations.

Despite these challenges, Pakistan made notable progress on climate action in FY 2025. At COP29, Pakistan showcased its commitment at a vibrant national pavilion. Key initiatives include the Pakistan Green Building Code, the Urban Resilience Policy Framework under provincial consultation, and the CPEC-II Green Corridor promoting low-carbon transport. Pakistan's National Adaptation Plan was advanced with cabinet approval of 117 measures across six vulnerable sectors. To finance these initiatives, the government has secured around US$ 1.4 billion under the IMF RSF.

Ministry of Climate Change has rolled out a project Recharge Pakistan for ecosystem-based flood management (US$ 77 million) and the Pakistan Glacier Protection Strategy. Pakistan also introduced its first Carbon Market Policy to attract clean tech investments and secured around US$ 82 million from the Green Climate Fund. Financial innovations include the Rs 30 billion Green Sukuk and the National Climate Finance Strategy.

Provincial governments also contributed Punjab launched the Climate Resilient Vision 2024, smog reduction programs, and green building initiatives. Sindh developed a Provincial Climate Action Plan, while Khyber Pakhtunkhwa continued the 10 Billion Tree Tsunami with 121.5 million plantations. Balochistan enforced its anti-plastic law and is establishing a Climate Finance Cell. To address escalating climate risks, Pakistan needs enhanced international support, climate justice, and investment in resilience and sustainability.