

Pakistan Equity | Economy

Jun 09, 2025

REP-057

Pakistan Economic Survey FY25

Modest GDP growth, External account improved, Inflation down



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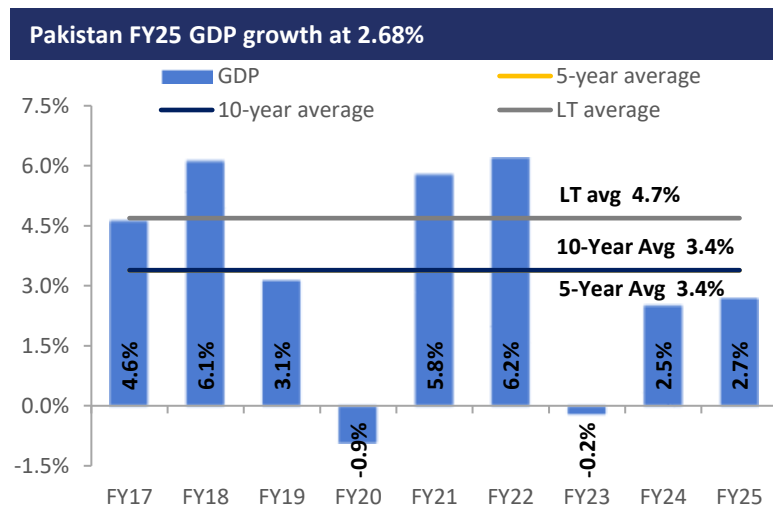
Topline Securities, Pakistan

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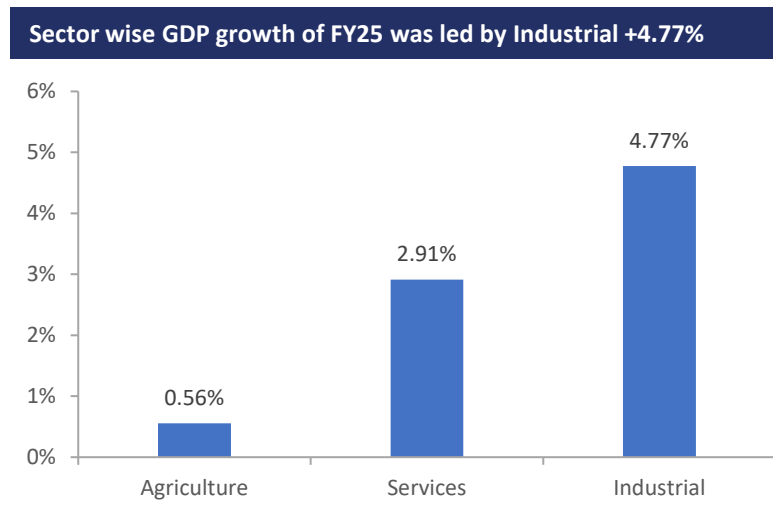
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FY25 GDP growth at 2.68%; lower than expectations



Source: MOF, Topline Research



Source: MOF, Topline Research

- Ministry of Finance (MoF) has released Economic Survey of Pakistan for FY25 and based on that and in line with numbers reported by National Accounts Committee (NAC), Pakistan has provisionally recorded real GDP growth of 2.68% during FY25 vs. 2.51% in FY24.
- However, growth for FY25 is lower than the long-term average of 4.7% and last five-year growth of 3.4%. This FY25 growth of 2.68% is broadly in line with revised projections of the IMF and World Bank, reported at 2.6% and 2.8%, respectively, published in April 2025. However, its less than governments initial target of 3.6% growth in FY25.
- We believe, this number will be revised down especially due to enlarged growth numbers of industrial segment at 4.77% compared to actual growth in 9MFY25 at -1%.
- Services sector growth at 2.91%:** Services sector growth has posted provisional growth of 2.91% in FY25 compared to 2.19% change in FY24. Within services, Public Administration and Social Security (General Government) saw highest growth of 9.92% while wholesale and retail trade saw a meagre 0.14% rise. We believe, towards end of the year, services numbers for FY25 will be revised up as 9MFY25 growth average is already 2.97%.
- Industrial segment recorded provisional growth of 4.77%, highest in 4 years:** Contrary to contraction of 1% in 9MFY25, Industrial sector has posted provisional growth of 4.77% in FY25, highest in 4 years. Within this, electricity gas & water supply, construction, and manufacturing sector are likely to grow by 28.88%, 6.61%, and 1.34%. While mining & quarrying and Large-Scale Manufacturing (LSM) are expected to post decline of 3.38% and 1.53%, respectively. We believe, industrial growth will be revised down after taking cue from 9M numbers.
- Agriculture growth at 9 years low:** Agri sector is expected to post lowest growth of 0.56% in 9 years (FY16: +0.41%) vs. 5 years avg. growth of 3.38%. Lower growth is attributed to decline in important crops production and cotton ginning by 13.5% and 19.0%, respectively. While other crops posted growth of 4.78%. Livestock, Forestry and fishing will post growths of 4.72%, 3.03% and 1.2% respectively. On the other hand, important crops and cotton will post declines of 13.49% and 19.03%, respectively.
- We maintain our Pakistan GDP growth estimate at 2.5% for FY25 and 4% for FY26.

Key sectors and sub sectors growth

Pakistan Agriculture Growth

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E
Agriculture growth	2.22%	3.88%	0.94%	3.91%	3.52%	4.21%	2.24%	6.40%	0.56%
1. Crops	1.37%	4.61%	-4.38%	6.32%	5.83%	8.22%	-1.17%	10.85%	-6.82%
Important Crops	2.68%	4.27%	-8.59%	5.24%	5.82%	5.50%	0.45%	17.09%	-13.49%
Other Crops	-1.24%	4.65%	3.62%	9.21%	7.95%	11.90%	-1.39%	0.07%	4.78%
Cotton Ginning	5.24%	8.27%	-11.23%	-4.06%	-13.08%	9.22%	-22.84%	47.23%	-19.03%
2. Livestock	2.89%	3.59%	3.65%	2.80%	2.38%	2.25%	3.70%	4.38%	4.72%
3. Forestry	-2.92%	2.24%	7.22%	3.36%	3.35%	0.70%	17.40%	-0.89%	3.03%
4. Fishing	1.22%	1.57%	0.78%	0.63%	0.73%	0.35%	0.60%	0.79%	1.42%

Pakistan Industrial Sector Growth

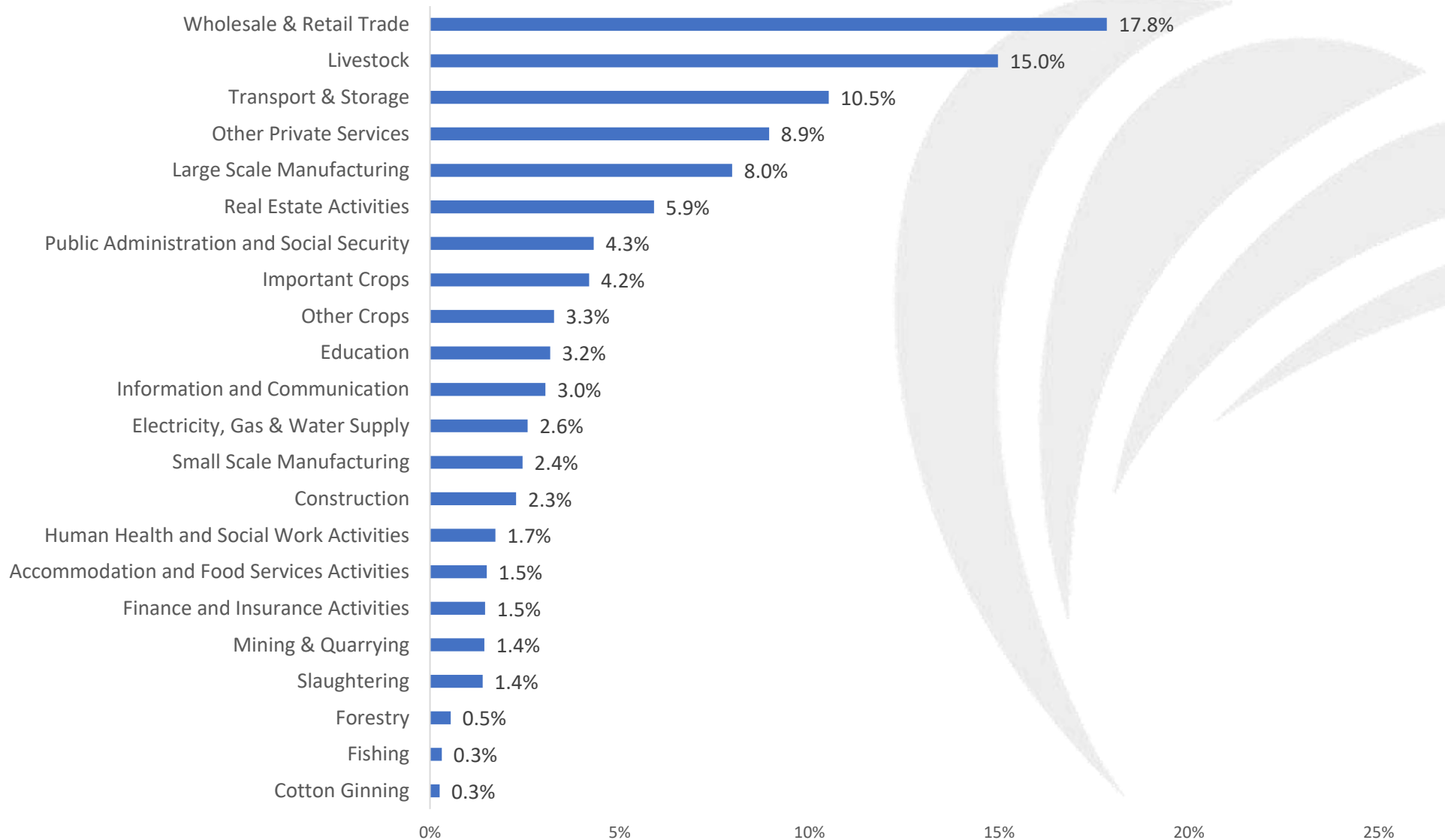
	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E
Industrial growth	4.61%	9.18%	0.25%	-5.75%	8.20%	7.01%	-3.88%	-1.37%	4.77%
1. Mining & Quarrying	-0.89%	7.26%	0.54%	-7.17%	1.72%	-6.66%	-3.23%	-4.02%	-3.38%
2. Manufacturing	4.87%	7.08%	4.52%	-7.80%	10.52%	10.86%	-5.26%	3.03%	1.34%
Large Scale	4.09%	6.92%	3.53%	-11.23%	11.50%	11.90%	-9.84%	0.94%	-1.53%
Small Scale	8.78%	8.82%	9.01%	1.37%	8.98%	8.90%	9.18%	9.05%	8.81%
Slaughtering	5.70%	5.76%	5.89%	5.90%	6.11%	6.29%	6.46%	6.60%	6.34%
3. Electricity, Gas & Water Supply	1.41%	7.95%	5.55%	3.53%	9.01%	4.36%	9.65%	-19.86%	28.88%
4. Construction	10.20%	19.55%	-18.14%	-3.08%	2.39%	1.83%	-10.25%	-1.14%	6.61%

Pakistan Services Sector Growth

	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E
Pakistan Services growth	5.62%	5.95%	5.00%	-1.21%	5.91%	6.69%	0.04%	2.19%	2.91%
1. Wholesale & Retail Trade	6.45%	6.76%	3.55%	-5.26%	10.81%	10.21%	-3.98%	3.30%	0.14%
2. Transport & Storage	4.08%	3.31%	7.63%	-8.94%	4.87%	4.45%	3.80%	1.51%	2.20%
3. Accommodation and Food Services Activities	4.02%	4.10%	4.12%	4.08%	4.10%	4.08%	4.09%	4.10%	4.06%
4. Information and Communication	10.51%	4.19%	8.50%	13.77%	9.84%	17.96%	-0.61%	4.32%	6.48%
5. Finance and Insurance Activities	8.23%	8.76%	6.10%	-2.22%	5.49%	6.92%	-9.76%	-12.74%	3.22%
6. Real Estate Activities (OD)	3.65%	3.62%	3.70%	3.83%	3.65%	3.69%	3.72%	3.74%	3.75%
7. Public Administration and Social Security	6.14%	10.93%	3.47%	3.00%	-0.55%	1.81%	-7.02%	-7.01%	9.92%
8. Education	-1.57%	3.54%	1.96%	3.31%	-1.20%	5.85%	5.73%	9.33%	4.43%
9. Human Health and Social Work Activities	12.08%	5.69%	7.73%	6.18%	2.90%	2.68%	9.36%	3.34%	3.71%
10. Other Private Services	7.37%	7.63%	6.17%	5.00%	5.06%	4.73%	4.22%	3.63%	3.64%

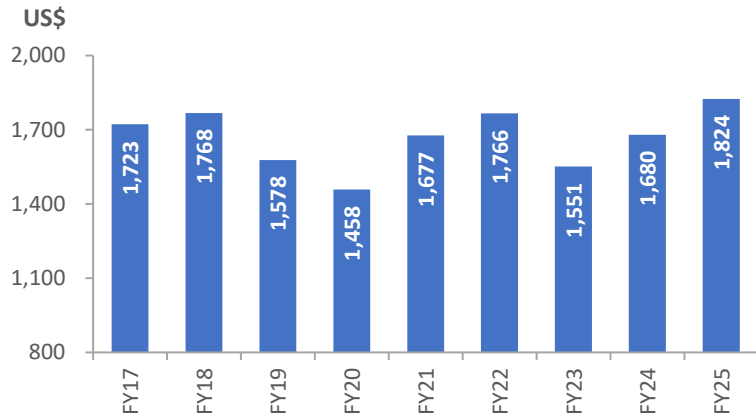
Source: MoF, Topline Research

Key sub sectors contribution in GDP growth in FY25



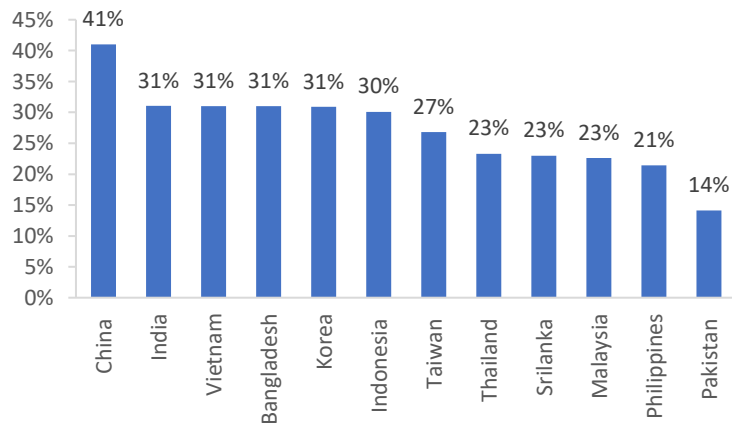
Per Capita Income reach US\$1,824, Investment to GDP remain low

Pakistan Per Capita Income increased to US\$1,824 in FY25



Source: MoF, Topline Research

Pakistan's Investment to GDP ratio is at lowest amongst peers

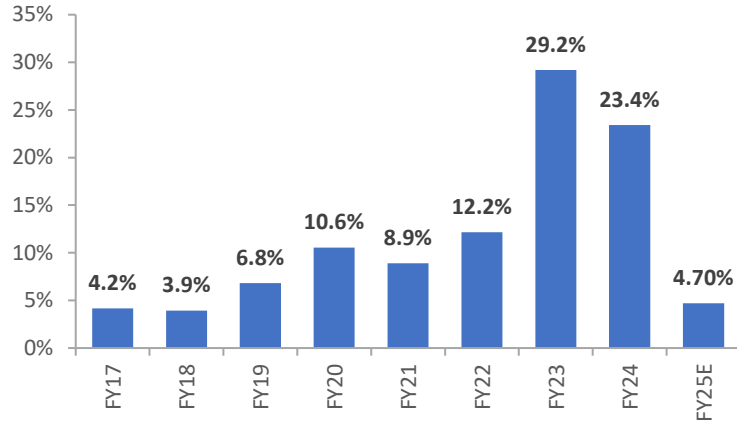


Source: Secondary News, Topline Research

- Pakistan's Per Capita Income (PCI) for FY25 has clocked in at US\$1,824, which is 9% higher than last year number of US\$1,680. The average PCI for both past 5-year and 10-years stands at US\$1,700. However, in PKR terms, PCI has increased to Rs509,174 in FY25 compared to Rs470,259 in FY24 up 8% YoY.
- Increase in PCI (US\$) is attributed to increase in GDP to US\$411bn compared to US\$372bn in FY24, up 10.6%.
- Similarly, Investment to GDP ratio rose to 13.8% during FY25 compared to 13.1% in FY24. The past 5-year and 10-year averages stand at 14.4% and 15.3%, respectively. The uptick in FY25 was supported by improving economic conditions, increased investor confidence, monetary easing and political stability.
- Investment to GDP ratio of Pakistan is much lower than peers like India with ratio of 31%, Sri Lanka 23%, Vietnam 31%, and Bangladesh 31%.
- We believe, Investment in Pakistan is constrained by many factors like political stability, low saving rate, volatile currency history, lack of financial literacy, low depth capital market and higher energy tariffs.
- Public investment to GDP ratio clocked in at 2.9% in FY25 compared to 2.4% in FY24. Similarly private sector investment stood at 9.1% of GDP in FY25 against 9.0% of GDP in FY24.
- Foreign direct investment in Pakistan during 10MFY25 has increased by 25% YoY to US\$1.8bn. This primarily increased due to net inflow of US\$507mn by financial services in this period compared to inflow of US\$170mn. Furthermore, electrical machinery contributed to the increase with an inflow of US\$71mn.

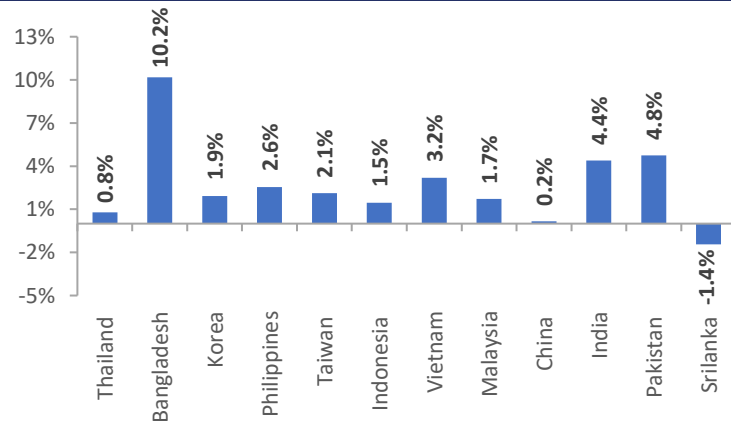
First Single-Digit Inflation after 3 Years; April 2025 CPI Hit Six-Decade Low

Pakistan: First Single-Digit Inflation After 3 Years of Double-Digit



Source: PSX, Topline Research

11MFY25 Inflation Trend of regional countries

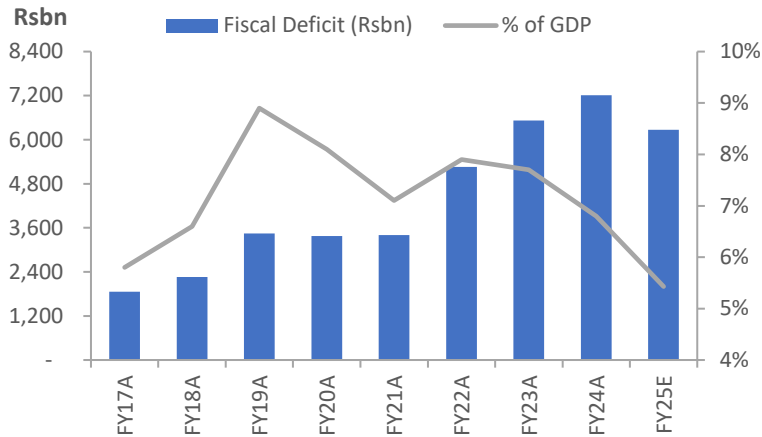


Source: Bloomberg, Topline Research

- CPI inflation has clocked in at 4.61% YoY in 11MFY25 (vs. 24.52% YoY during 11MFY24). We expect CPI to average on lower side our projected range of 4.5-5.5% for FY25 after averaging at 23.41% for FY24.
- CPI for FY25 can be divided into 2 halves, in first 6M (Jul – Dec 2024), CPI averaged at 7.29% and in second half, inflation is likely to average around 2% (5M2025 inflation at 1.67%).
- Inflation has significantly fallen into single digit (FY25E: 4.5–5%) after three consecutive years of double-digit inflation, mainly due to (1) stabilised rupee with modest depreciation (~1–2% YoY from Rs283.25 to an estimated Rs279), (2) high base effect from elevated FY24 inflation, and (3) ~34% reduction in electricity charges from June 2024 to May 2025.
- Compared to the region, Pakistan's inflation still remains elevated as average CPI in Sri Lanka during 11MFY25 is at -1.4%, India at 4.4%, and Vietnam at 3.2%. While, Bangladesh inflation stands higher at 10.1%.
- Real Interest Rates for May 2025 reached 7.2ppts, lowest in 13 months and significantly above our historical average of 2-3ppts, excluding outliers.
- The State Bank of Pakistan has reduced the policy rate by a cumulative 1,100bps over the past year, bringing it down from 22% in May 2024 to 11% in May 2025. This monetary easing reflects improved macroeconomic indicators and declining inflation.
- We estimate FY26 inflation to clock in at 5-6% while government is planning to keep inflation estimate for FY26 at 7.5%.

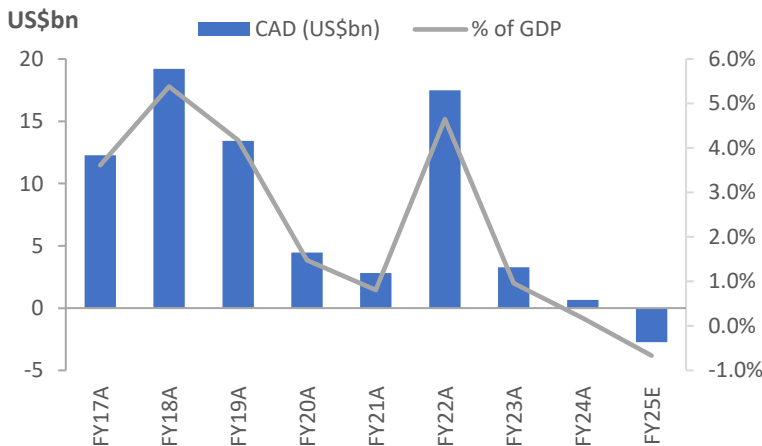
Fiscal Deficit Falling and Current Account to be in surplus in FY25

Pakistan to record fiscal deficit of 5.43% of GDP in FY25



Source: MOF, Topline Research

Current Account to record surplus in FY25 after 13 years

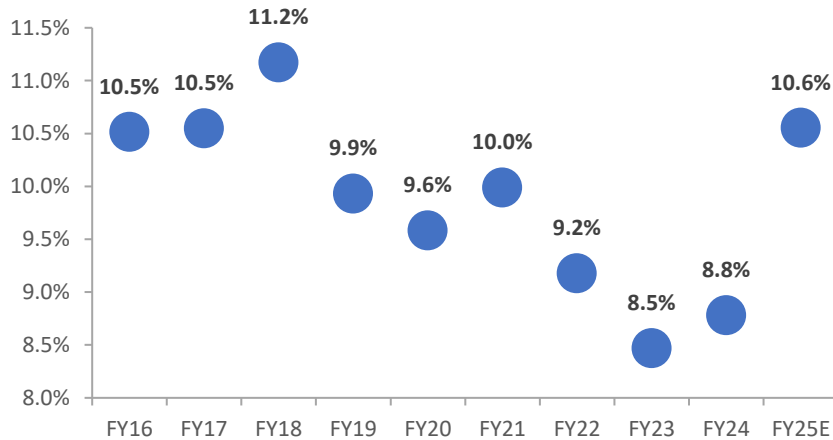


Source: MOF, Topline Research

- **Fiscal Balance:** We expect Pakistan's fiscal deficit to likely clock in at 5.43% of GDP or Rs6.3trn during FY25 compared to 6.80% of GDP or Rs7.2tn in FY24. While Govt. expects deficit at 5.9% of GDP in FY25. IMF has also revised down Pakistan Fiscal deficit projections to 5.7% of GDP from earlier 6.1% for FY25.
- The fiscal deficit of 5.43% of GDP would be a 9-year low, also coming in below the 5-year and 10-year avg. of 7.52% and 6.88%, respectively.
- Pakistan's Fiscal Deficit in 9MFY25 has clocked in at 2.4% of GDP (vs. 3.7% in 9MFY24) while primary balance remained in surplus at 2.8% of GDP or Rs3.5tn during the same period compared to 1.5% of GDP for 9MFY24. Pakistan will record two consecutive years of primary surplus (as % of GDP) for the first time in 19 years, last seen in FY03 & FY04.
- Total expenditures were up 19% YoY to Rs16.34trn led by uptick in current expenditures which closed 18% higher at Rs14.59trn during 9MFY25. Within current expenditures, during 9MFY25 mark-up payments increased by 17% YoY to Rs6.4tn due to increase in debt borrowings. Similarly, defence expenditure clocked in at Rs1.4tn, up by 16% YoY in 9MFY25.
- FBR tax collection during 11MFY25 has reached Rs10.23tn, +26% YoY from 11MFY24 collection of Rs8.12tn. Budgetary target of Rs11.24tn was set.
- **Current Account Surplus** in 10MFY25 has clocked in at US\$1,822mn as against deficit of US\$922mn during same period last year primarily due to increase in remittances.
- Remittances increased by 31% YoY to US\$31bn during 10MFY25, driven by currency and economic stability, encouraging expats to use formal channels for fund transfers. We expect remittances for FY25 to clock in at US\$38bn in FY25, up 27%.
- We expect Current Account to register a surplus of 0.67% of GDP for FY25, a first surplus in 13 years compared to FY24 deficit of 0.6% of GDP. IMF has also revised down its current account projections for FY25 to deficit of US\$229mn (0.1% of GDP) vs. earlier 0.9% of GDP.
- We estimate fiscal deficit of 5.5% and 5.1%, with primary surpluses of 2.0% and 1.4% of GDP in FY25 and FY26, respectively.
- **Reserves:** We expect Pakistan Jun 2025 reserves to clock in at US\$14.3bn. Similarly, Governor, State Bank of Pakistan (SBP) has also revised the FX reserves target to \$14bn by June 2025.

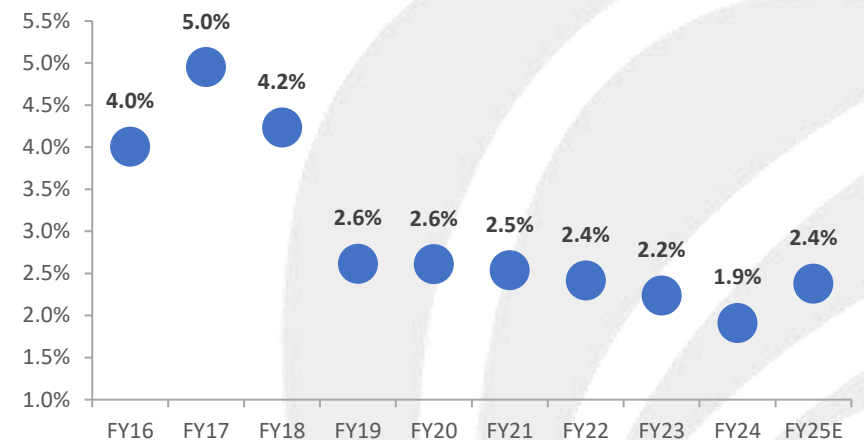
Pakistan fiscal operations

Pakistan: FBR Tax Revenues (%age of GDP)



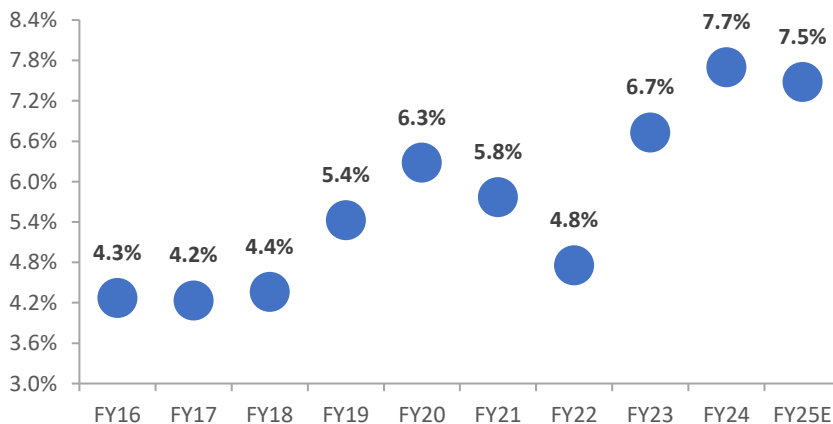
Source: Pakistan Economic Survey, Ministry of Finance, Topline Research

Pakistan: Total Development Expenditure (%age of GDP)



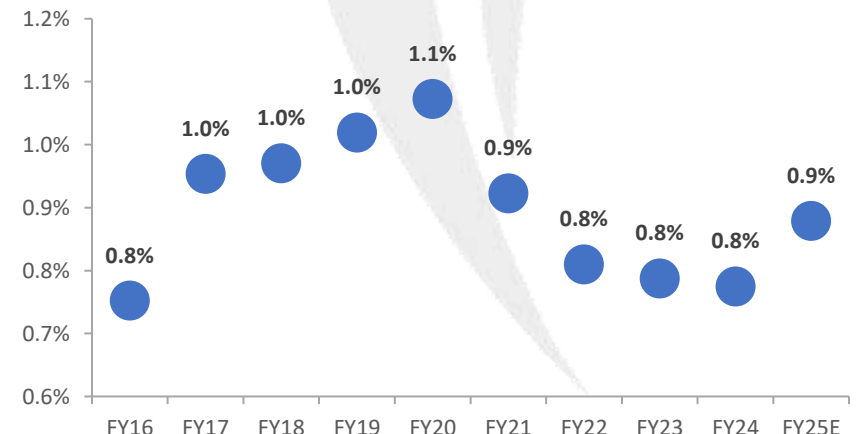
Source: Pakistan Economic Survey, Ministry of Finance, Topline Research

Pakistan: Interest Expenditure (%age of GDP)



Source: Pakistan Economic Survey, Ministry of Finance, Topline Research

Pakistan: Federal Pension Expenditure (%age of GDP)

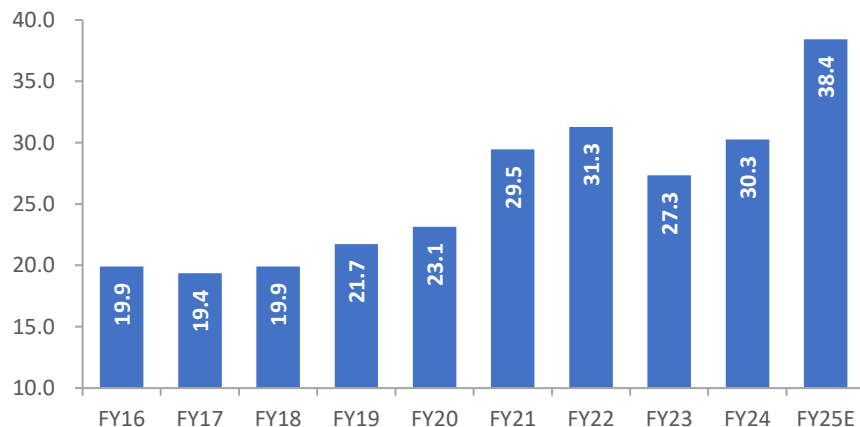


Source: Pakistan Economic Survey, Ministry of Finance, Topline Research



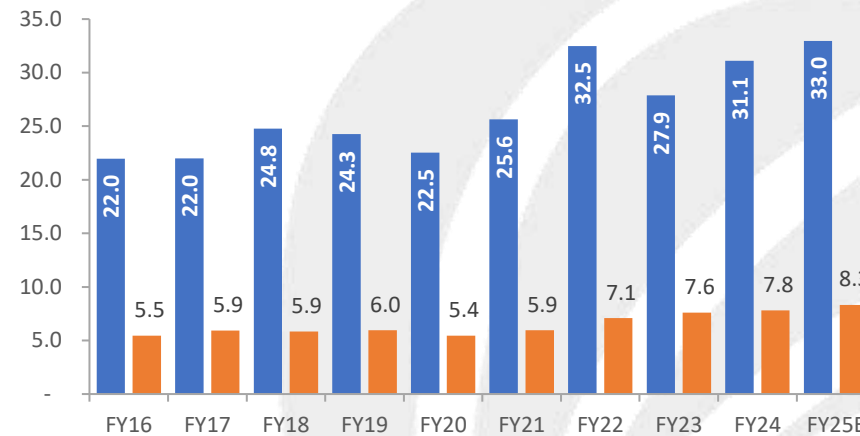
Key components of Pakistan External Account

Pakistan Home Remittances (US\$bn)



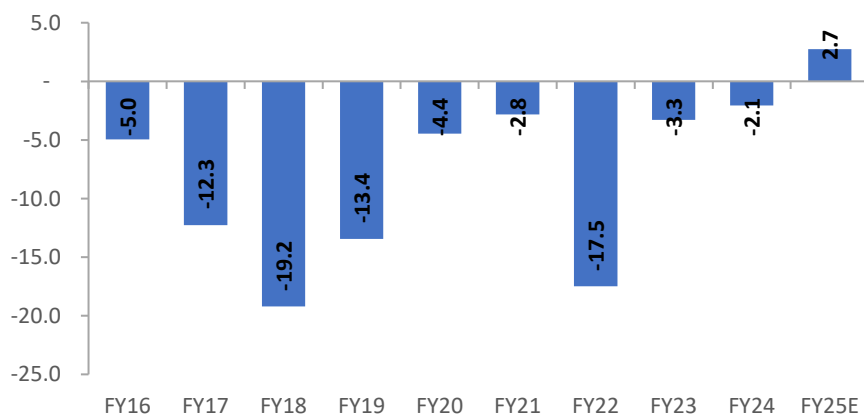
Source: Pakistan Economic Survey, Topline Research

Pakistan Export of Goods and Services (US\$bn)



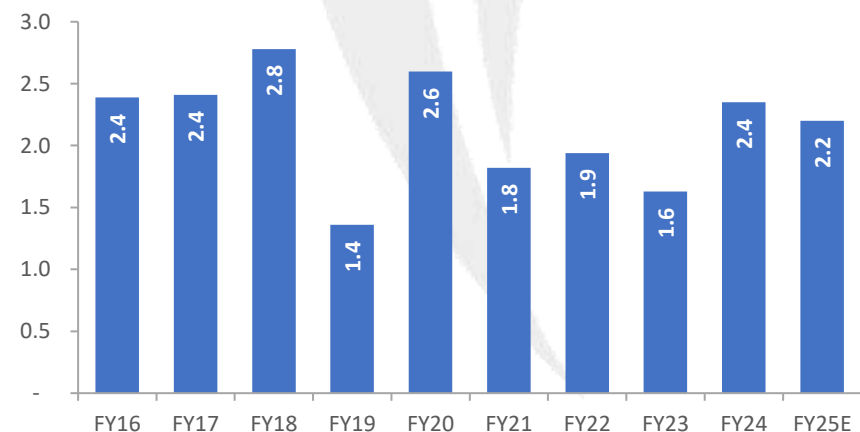
Source: Pakistan Economic Survey, Topline Research

Pakistan Current Account Deficit (US\$bn)



Source: Pakistan Economic Survey, Topline Research

Pakistan Net Foreign Direct Investment (US\$bn)



Source: Pakistan Economic Survey, Topline Research



Pakistan Economic Snapshot

	FY20A	FY21A	FY22A	FY23A	FY24A	FY25E	FY26F
Real Sector							
GDP Growth	-0.90%	5.80%	6.10%	-0.13%	2.48%	2.50%	4.00%
CPI Inflation (Avg.)	10.60%	8.90%	12.20%	29.20%	23.50%	4.82%	5.77%
CPI Inflation (June End)	8.60%	9.70%	21.30%	29.40%	12.70%	5.0%	7.0%
External Sector							
Exports of Goods (US\$bn)*	22.5	25.6	32.5	27.9	31.1	33.0	33.6
Imports of Goods (US\$bn)*	43.6	54.3	71.5	52.7	53.2	58.5	61.9
Trade Deficit of Goods (US\$bn)	21.1	28.6	39.1	24.8	22.1	25.6	28.3
Remittances (US\$bn)	23.1	29.5	31.3	27.3	30.3	38.4	39.2
Current Account Balance (US\$bn)	-4.45	-2.82	-17.48	-3.28	-2.07	2.74	-0.25
FDI (US\$bn)	2.60	1.82	1.94	1.63	2.35	2.20	2.50
Liquid FX Reserves with SBP (US\$bn) (June End)	12.1	17.3	9.8	4.4	9.35	14.2	17.7
Fiscal and Monetary							
Policy Rate – June end	7.00%	7.00%	13.75%	22.00%	20.50%	11.00%	10.00%
KIBOR 6M – Jun end	7.24%	7.69%	15.35%	22.97%	20.14%	11.30%	10.20%
PKR/USD parity (Rs) – Avg.	158	161	178	248	283	280	291
PKR/USD parity (Rs) – June end	168	157	205	286	280	283	300
Budget Deficit (% GDP)	-8.1%	-7.1%	-7.9%	-7.7%	-6.8%	-5.5%	-5.1%
Primary Balance (% GDP)	-1.8%	-1.4%	-3.1%	-1.0%	0.9%	2.0%	1.4%

Source: Ministry of Finance, Topline Research, *State Bank of Pakistan

Other takeaways from press briefing of Finance Minister and economic survey document

- Finance Minister mentioned that Government has undertaken various structural reforms which were warranted to sustainable economic growth and will continue to do so in upcoming fiscal year(s).
- Recoveries in DISCOs have improved due to change in their Governance Structure. Govt. has constituted professional board structure in these DISCOs.
- Raise of Rs1.25trn through banks will play important role in clearing this legacy circular debt.
- Govt. has saved Rs0.8tn to Rs1tn in interest expense in FY25 due to decline in interest rates.
- Govt. has already implemented defined contribution pension plan starting Jul 01, 2024, for all new recruits to address pension issues.
- Rightsizing of federal Government is also under process and being implemented with true spirit
- **Economic Indicators:** Pakistan posted GDP growth of 2.68% in FY25, a bit lower than target growth due to underperformance in agriculture segment. Current Account remained in Surplus in 10MFY25, and the full year is expected to close in surplus. Full year remittances are expected to be around US\$37-38bn. Freelancers have earned over US\$400mn out of total IT Exports of US\$3.1bn.
- During FY25, Important crops declined by 13.49% amidst lower cultivation area and adverse weather conditions, significantly affecting cotton (-30.7%), wheat (-8.9%), sugarcane (-3.9%), maize (-15.4%), and rice (-1.4%).
- Globally economic growth is expected at 2.8% in 2025, lower from 3.3% achieved in 2024.
- Average time to maturity of the domestic debt has increased from 2.9 to 3.5 years. To highlight, this is also one of the indicative targets of the IMF.
- The year 2024 was recorded as Pakistan's ninth warmest year in the last 64 years, with an average temperature of 23.52°C and rainfall levels 31% above the historical average.

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Rating	Expected Total Return
Buy	Stock will outperform the average total return of stocks in universe
Neutral	Stock will perform in line with the average total return of stocks in universe
Sell	Stock will underperform the average total return of stocks in universe

For sector rating, Topline Securities employs three tier ratings system, depending upon the sector’s proposed weight in the portfolio as compared to sector’s weight in KSE-100 Index:

Rating	Sector’s Proposed Weight in Portfolio
Over Weight	> Weight in KSE-100 Index
Market Weight	= Weight in KSE-100 Index
Under Weight	< Weight in KSE-100 Index

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