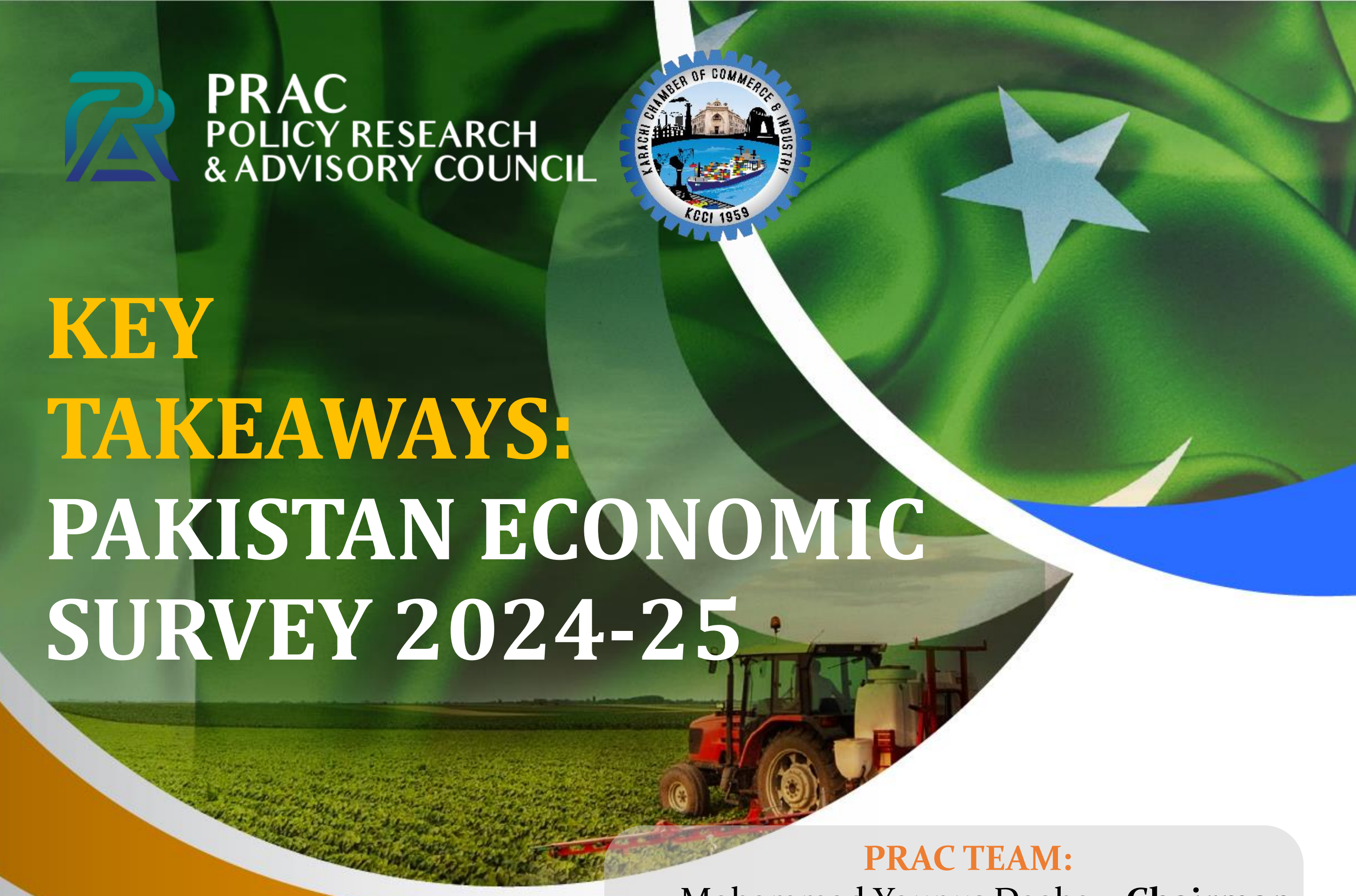

PRAC
POLICY RESEARCH
& ADVISORY COUNCIL

KEY TAKEAWAYS: PAKISTAN ECONOMIC SURVEY 2024-25

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OVERVIEW

- **Growth Target Missed:** The government fell short of its FY2024–25 GDP growth target of 3.6%, achieving only 2.7%. Both agriculture and services sectors underperformed, posting growth of 0.6% and 2.9%, respectively, compared to targets of 2% and 4.1%.

- **Marginal Agriculture Growth:** Agricultural growth remained limited at 0.6%, largely driven by livestock (4.72%), while major crops declined by 13.49% due to adverse weather and reduced cultivation. Cotton ginning contracted by 19.03%, though minor crops and fisheries posted modest gains.

- **Mixed Industrial Performance:** Overall industrial growth stood at 4.8%, exceeding the target of 4.4%. However, Large-Scale Manufacturing (LSM) contracted by 1.5%, and Mining and Quarrying declined by 3.4%, reflecting structural constraints. Growth in small-scale manufacturing (8.8%) and the construction sector (6.61%) provided partial offset.

- **Income Growth and Economic Expansion:** Per capita income increased to US$1,824.5, and the economy expanded to US$411 billion (Rs. 114.7 trillion), up from US$372 billion last year. While indicating nominal expansion, this also reflects persistent structural weaknesses.

OVERVIEW

- **Sharp Decline in Inflation**: Inflation dropped significantly from 26.0% in July–April FY2024 to 4.7% in the same period of FY2025. This sharp reduction was supported by fiscal consolidation, a tight monetary policy stance, targeted relief measures, and efforts to stabilize the exchange rate.

KEY PERFORMANCE INDICATORS

Economic Indicators	Targets FY2025	Actual Figures FY2025	Period (Actual Figures)
Economic Growth and Sectoral Performance			
GDP Growth Rate (%)	3.6	2.7	FY 2025
Agriculture Growth (%)	2.0	0.6	FY 2025
Industrial Growth (%)	4.4	4.8	FY 2025
Services Growth (%)	4.1	2.9	FY 2025
Fiscal and Monetary Indicators			
Inflation (Annual, %)	12.0	4.7	Jul-Apr FY25
Overall Fiscal Deficit (% of GDP)	5.9	2.6	Jul-Mar FY 25
Primary Surplus (% of GDP)	2.0	3.0	Jul-Mar FY 25
Total Revenues (PKR Billion)	18,883.1	13,367.0	Jul-Mar FY 25
Tax Revenues (PKR Billion)	12,970	9,137.3	Jul-Mar FY 25
Non-Tax Revenues (PKR Billion)	4,845	4,229.7	Jul-Mar FY 25
Expenditures (PKR Billion)	18,877	16,337.0	Jul-Mar FY 25
Tax Revenues Growth (%)	-	25.8	Jul-Mar FY 25
Expenditures Growth (%)	-	19.4	Jul-Mar FY 25
External Sector & Trade			
Current Account Balance (US$ Billion)	-3.7	1.9	Jul-Apr FY 25
FOREX Reserves (US$ Billion)		16.6	Up to May 25
Exports (US$ Billion)	32.3	27.3	Jul-Apr FY 25
Imports (US$ Billion)	57.3	48.6	Jul-Apr FY 25
Trade Balance (US$ Billion)	- 24.9	-21.3	Jul-Apr FY 25
Remittance (US$ Billion)	30.3	31.2	Jul-Apr FY 25
FDI (US$ Billion)		1.8	Jul-Apr FY 25
Investment & Income			
Investment (% of GDP)	14.2	13.8	FY 2025
National Savings (% of GDP)	13.3	14.1	FY 2025
Per Capita Income (US$)	-	1,824.5	FY 2025

Sources: *Pakistan Economic Survey (PES) 2024-25, Federal Budget in Brief & Speech 2024-25, Annual Plan 2024, Ministry of Planning Development & Special Initiatives*

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ACHIEVEMENTS

- **Current Account Surplus Achieved:** The current account recorded a surplus of US$ 1.9 billion during July–April FY2025, reversing a deficit of US$ 1.3 billion in the same period last year. This improvement was primarily driven by strong remittance inflows, and manageable trade deficit.
- **Trade Deficit Contained:** The trade deficit in goods and services was managed at lower level than projected, supported by prudent import controls and relatively stable global commodity prices, contributing to a more balanced external position.
- **Resilient Remittance Inflows:** Remittances continued to anchor external sector stability, rising by 31% to US$31.2 billion in July–April FY2025. This strong performance reflects the impact of structural reforms implemented by the government and the State Bank of Pakistan.
- **Textile and Apparel Sector Recovery:** The textile sector posted a growth of 2.2% (compared to a contraction of -8.8% last year), supported by macroeconomic stabilization, lower borrowing costs, modernization, and redirection of export orders (from Bangladesh to other Asian countries incl. Pak due to political & labor challenges). The wearing apparel segment grew by 7.6%, reflecting enhanced competitiveness and sustained global demand.
- **Capital Markets Performance and Investor Confidence:** Investor sentiment improved markedly, with the KSE-100 index rising 50.2% (Jul–Mar FY2025) and the Pakistan Stock Exchange market capitalization increasing by 38.5%, reflecting improved macroeconomic confidence and IMF Program.
- **Improved Fiscal Discipline:** The fiscal deficit narrowed to 2.6% of GDP in Jul–Mar FY2025, down from 3.7% in the corresponding period last year. A record-high primary surplus of 3.0% of GDP was achieved through tight expenditure controls and sustained consolidation efforts.
- **Robust Revenue Growth:** Total revenue collection rose by 36.7% to Rs 13,367 billion, with tax revenues growing by 25.8% to Rs 9,137 billion. Notably, non-tax revenues surged by 68%, reaching Rs 4,229.7 billion, primarily due to higher receipts from SBP profits and the petroleum levy.

ACHIEVEMENTS

- **Strengthened SME Ecosystem:** SMEDA initiated key interventions to support SME growth, including the launch of a new 3-year business plan, operationalization of the SME Fund, introduction of digital lending tools, and targeted programs to promote women entrepreneurship..

- **Fiscal Reform and Consolidation Agenda:** The government advanced its long-term fiscal reform strategy aimed at debt sustainability. Measures included rationalizing federal spending, curbing pension liabilities, phasing out untargeted subsidies, revising utility tariffs, and restructuring state-owned enterprises (SOEs) to enhance efficiency, governance, and transparency.

- **Domestic Debt Realignment:** Approximately Rs 1 trillion in domestic debt securities was repurchased during July–March FY2025, reducing the debt servicing burden and signaling a shift toward more favorable borrowing terms.

- **Transition to Clean Energy:** The share of hydel, nuclear, and renewable energy in electricity generation rose to 53.7% (Jul-Mar FY2025), reflecting a deliberate transition away from thermal power towards more sustainable and environmentally responsible energy sources.

- **Milestones in Climate Finance and Policy:** Pakistan advanced its climate agenda by securing US$ 1.4 billion from the IMF's RSF, launching its first Carbon Market Policy at COP29, and issuing a Rs. 30 billion Green Sukuk to boost green finance and sustainable investment.

CHALLENGES

- **Inconsistent Growth Projections:** The projected economic growth of 2.7% for FY 2025 stands in stark contrast to the 1.37%, 1.53%, and 2.40% growth recorded in the first three quarters of FY 2025. To achieve the annual growth target of 2.7%, the fourth quarter would need to experience an exceptional growth rate of approximately 5.4%. This is highly improbable, given the economy's current trajectory and the absence of substantial growth drivers.

- **Sharp Decline in Major Crops:** Overall production of major crops declined by 13.49%, largely due to reduced sowing area, pest outbreaks, and adverse weather conditions. Key declines were recorded in cotton, wheat, and maize output.

- **Continued Contraction in LSM:** Large-Scale Manufacturing (LSM) contracted by 1.5% during July–March FY2025, marking the third consecutive year of weak performance. The decline reflects ongoing structural bottlenecks, elevated input costs, and high financing rates that continue to hinder industrial recovery.

- **Stagnant FDI:** Net FDI reached US$ 1,785 million during July–April FY2025, slightly below last year's US$ 1,835 million, underscoring the urgent need for sustained and diversified investment to strengthen economic stability

- **Mining and Quarrying Decline:** Mining and quarrying contracted by 3.4% (Jul–Mar FY25), driven by sharp declines in the extraction of crude oil, natural gas, and iron ore. Industries linked to construction also weakened, reflecting subdued activity and reinforcing the need for targeted reforms to address structural bottlenecks and unlock growth potential.

- **Interest Payments Remain a Key Fiscal Strain:** Interest payments continue to dominate current expenditure, totaling Rs 6.4 trillion during July–March FY2025, of which Rs 5.8 trillion was attributed to domestic debt. This persistent fiscal pressure limits the government's spending flexibility

- **Surging Expenditures Strain Fiscal Space:** Total government expenditure rose by 19.4% to Rs 16.34 trillion during July–March FY2025, driven by an 18.3% increase in current spending (Rs 14.59 trillion). The continued rise in non-development outlays is constraining fiscal space for productive investments.

- **Slow Reforms in Expenditure Rationalization:** Although current expenditures grew at a slower pace than revenues, structural reforms to rationalize current spending remain limited and require acceleration. While federal PSDP spending rose by 28.6% (Jul–Mar FY2025), it reached only Rs 413.6 billion—still relatively low compared to current expenditures and the country's growing development needs.

CHALLENGES

- **Weak Energy Demand & Import-Driven Vulnerabilities:** Electricity consumption declined by 3.6% (Jul–Mar FY2025), including a sharp 34.3% drop in agricultural use—reflecting high tariffs and weakened demand. Simultaneously, increasing reliance on imported RLNG amid declining domestic gas reserves is adding pressure on affordability, energy security, and the import bill.

- **Education Crisis Deepens Amid Low Spending:** Despite 38% of children remaining out of school—with provincial out-of-school rates as high as 69% in Balochistan and 47% in Sindh—public education spending remains critically low at just 0.8% of GDP (Jul–Mar FY2025), well below the 4% UNESCO benchmark. This reflects chronic underinvestment and limited outreach.

- **Healthcare Access and Funding Gaps Remain Critical:** Public health expenditure remained stagnant at 0.9% of GDP in FY2024, failing to meet the growing demands of the population. The sector continues to suffer from high infant mortality (50.1 per 1,000 live births in 2023) and acute shortages of healthcare professionals, particularly in remote areas and specialized medical services.

- **Climate Response Challenges Persist:**, Weak inter-agency coordination and gaps in Measurement, Reporting, and Verification (MRV) systems continue to hinder climate project implementation. Rising extreme weather events and uneven provincial adaptation efforts further expose systemic vulnerabilities—underscored by record-high temperatures and 31% above-average rainfall in 2024.