MASHREQ GLOBAL DIGEST
Pakistan
May 31 – June 6

This edition of the Market Digest highlights Pakistan's latest macroeconomic and financial developments, alongside recent deals and key trends influencing the country's economic outlook.

Macroeconomic News

Pakistan Targets 4% Economic Growth Despite Regional Risks

Pakistan has set a 4% GDP growth target for FY2026-27, up from an estimated 3.7% growth in FY2025-26, supported by expected improvements in agriculture, industry, and services. The government is also targeting 8.2% inflation, higher private investment, and the creation of 2 million new jobs, while relying on continued reforms and IMF-backed economic stability. Despite risks from higher oil prices and external pressures, authorities remain optimistic that stronger remittances, exports, and investment will sustain the recovery.

Reference: Bloomberg, Pakistan Today

Pakistan Inflation Hits Two-Year High at 11.7%

Pakistan's annual inflation rate accelerated to 11.7% in May 2026, up from 10.9% in April, reaching its highest level in nearly two years. The rise was largely driven by higher energy import costs as conflict in the Middle East pushed global oil prices higher. Although the figure came in below economists' expectations of 12.2%, it signals renewed inflationary pressures that could complicate economic management and fiscal planning in the months ahead.

Reference: Bloomberg, Arab News

Pakistan Trade Deficit Narrows 39% in May

Pakistan's trade deficit narrowed by 39% year-on-year to $2.5 billion in May 2026, a significant improvement driven by stronger export performance and lower import demand. According to government officials, exports increased by 10%, supported by key products such as textiles and rice, while imports fell by 22%, helping reduce pressure on the country's external accounts. The improvement is viewed as a positive sign for economic stability as Pakistan continues efforts to strengthen foreign exchange reserves and sustain its IMF-backed recovery program.

Reference: Arab News

Confidence Weakens Amid Regional Tensions

Confidence in Pakistan's economic outlook weakened as regional tensions weighed on both consumers and businesses. An Ipsos survey showed only 22% of respondents believe the country is on the right track, down from 40% earlier this year, while confidence in personal finances fell to 31%. Meanwhile, an OICCI survey found business confidence declining to 13%, with 70–80% of firms delaying or revising investment plans, reflecting concerns over inflation, energy costs, and geopolitical uncertainty.

Reference: Arab News, Arab News

Pakistan Plans Strategic Oil Reserves to Boost Energy Security

Pakistan is planning to establish strategic petroleum reserves and expand oil storage capacity to strengthen energy security after vulnerabilities exposed by recent regional tensions. The country currently relies on the Strait of Hormuz for up to 90% of its oil and LNG imports but has no strategic reserves. The proposed plan includes emergency stockpiles, increased storage requirements for refiners and fuel companies, and infrastructure investments aimed at reducing supply risks and improving resilience to future shocks.

Reference: Zawya

Pakistan Faces Proposed 10% US Tariff on Exports

Pakistan is among 60 economies facing a proposed additional 10% US tariff under a new trade measure targeting goods linked to forced labor concerns. The proposed duties would apply to a range of imports entering the US market, though several products including energy, pharmaceuticals, aircraft parts, and certain agricultural goods would be exempt.

Reference: Arab News

Pakistan to Impose 1% Tax on 3.5M Small Retailers

Pakistan will introduce a 1% income tax on small retailers with annual sales of up to 200 million rupees ($719,000) as part of efforts to broaden the tax base ahead of the FY2026-27 budget. The measure is expected to cover around 3.5 million retailers and supports IMF-backed reforms aimed at raising Pakistan's tax-to-GDP ratio from around 10% toward 13%, strengthening government revenues and reducing fiscal vulnerabilities.

Reference: Reuters

Foreign Investors Urge Pakistan to Cut Taxes

Pakistan's leading business organizations, including the OICCI and FPCCI, have urged the government to introduce tax relief measures in the FY2026-27 budget to support investment, growth, and exports. Recommendations include reducing the corporate tax rate from 29% to 25%–20%, gradually phasing out the super tax, and lowering taxes on salaried employees. Business leaders argue that a more competitive tax regime could help attract foreign investment, strengthen economic activity, and increase exports to $50–60 billion, while warning that additional taxes could weigh on the economy.

Reference: Arab News, Arab News

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Financial News

Pakistan Eases IPO Rules to Expand Capital Market Access

Pakistan's Securities and Exchange Commission has eased IPO regulations, allowing partnerships, limited liability partnerships, and carved-out business units to use historical profitability records to qualify for stock market listings. The reform aims to broaden access to equity financing, encourage corporatization, and deepen capital markets while maintaining protection.

Reference: Arab News

Pakistan's 'Go Cashless' Drive Generates $122M in Digital Payments

Pakistan's central bank reported that its "Go Cashless" Eid Al-Adha campaign generated over 34 billion rupees ($122 million) in digital payments through 480,000 transactions across 123 cattle markets in 2026. Transaction volumes increased more than sevenfold compared to last year, while 12,500 new digital accounts were opened for farmers and market participants, highlighting accelerating adoption of digital payments and supporting Pakistan's broader push toward a cashless economy.

Reference: Arab News

Pakistan's FX Reserves Rise to $17.19B

The State Bank of Pakistan's foreign exchange reserves increased by $43 million to $17.19 billion in the week ended May 29, while total reserves reached $22.64 billion. The modest increase supports Pakistan's external liquidity position as the country continues its economic stabilization efforts.

Reference: Pakistan Today

Deals

Pakistan, China Sign 15 Cooperation Agreements

Pakistan and China signed 15 cooperation agreements covering economic cooperation, trade, agriculture, climate change, science and technology, education, media, and counter-terrorism. The agreements were concluded during Prime Minister Shehbaz Sharif's visit to China, underscoring efforts by both countries to deepen strategic and economic ties while expanding collaboration across key sectors.

Reference: Zawya

Pakistan Seeks Saudi Investment in Ports and Logistics

Pakistan has invited Saudi investors to explore opportunities across its ports, shipping, logistics, and fisheries sectors as part of efforts to strengthen its position as a regional trade and transit hub. Proposed projects include cargo terminals, oil storage facilities, an energy city at Port Qasim, shipping fleet expansion, and maritime infrastructure developments at Karachi, Port Qasim, and Gwadar, reflecting Pakistan's broader strategy to attract foreign investment and expand maritime trade capacity.

Reference: Arab News

Markets

Market Dashboard

- US equities ended the week sharply lower, with the Nasdaq falling 4.2%, the S&P 500 declining 2.6%, and the Dow Jones losing 1.4%. The selloff was led by semiconductor stocks, which suffered their steepest decline since March 2020, as stronger-than-expected US jobs data reduced expectations for Federal Reserve rate cuts. Rising bond yields and ongoing Middle East tensions further weighed on investor sentiment, ending the S&P 500's nine-week winning streak.
- Bitcoin briefly dropped below $60,000, hitting its lowest level since October 2024, and ended the week down 17%. The decline was driven by continued outflows from Bitcoin ETFs, profit-taking after a strong rally, and stronger-than-expected US jobs data that reduced expectations for Federal Reserve rate cuts. The selloff pushed Bitcoin to more than 50% below its October 2025 record high of around $126,000, highlighting persistent pressure on risk assets.
- Gold fell 4.6% during the week, with spot prices dropping to around $4,329 per ounce, as stronger-than-expected US jobs data reinforced expectations that the Federal Reserve could keep interest rates higher for longer. Since the start of the Iran conflict in late February, gold has declined more than 17%, as higher oil prices and inflation concerns boosted expectations of tighter monetary policy.
- Oil prices retreated on Friday as hopes for a de-escalation in the US-Iran conflict improved sentiment, with Brent crude falling 2.0% to $93.09 a barrel and WTI declining 2.7% to $90.54 a barrel. However, both benchmarks still posted their first weekly gains in three weeks, with Brent up 1.1% and WTI rising 3.6%, supported by ongoing concerns over Middle East supply disruptions and restricted traffic through the Strait of Hormuz.
- The US dollar strengthened during the week, supported by stronger-than-expected economic data and rising expectations that the Federal Reserve could keep interest rates higher for longer. The Dollar Index gained around 0.6%, while the Japanese yen weakened beyond 160 per dollar, increasing speculation about possible intervention by Japanese authorities. Higher oil prices and ongoing Middle East tensions also boosted demand for the dollar as a safe-haven asset.

Indicators	29-May-26	5-Jun-26	% Change
S&P 500	7,580.06	7,383.74	-2.59%
Bitcoin	73,372.52	60,922.67	-16.97%
Gold	4,539.27	4,329.33	-4.62%
Crude Oil	92.05	93.09	1.13%
EUR/USD	1.1653	1.1527	-1.08%