

MASHREQ GLOBAL DIGEST

Pakistan

October 12 – October 18



This edition of Market Digest highlights Pakistan's macro trends, along with financial updates and recent deals, providing a snapshot of its economic momentum.

Macroeconomic News

IMF, Pakistan Reach Deal on \$1.2B Loan Disbursement

The IMF announced a staff-level agreement with Pakistan granting access to \$1.2 billion, pending board approval. The fund said Pakistan's recovery remains on track, with inflation easing, external buffers strengthening, and financial stability improving. Finance Minister Muhammad Aurangzeb confirmed plans to issue a yuan-denominated green bond this year, followed by a \$1 billion international bond, as Islamabad seeks to rebuild market confidence and sustain post-crisis stability. He reiterated that Pakistan will not accept any IMF condition that undermines its national interest, amid reports of new requirements for the next tranche.

Reference: [Reuters](#), [Al-Arabiya](#)



Inflation Rises Again Across Pakistan

Inflation in Pakistan rose for the third consecutive week, increasing 0.49% to an annual rate of 4.57%, driven by higher food and household costs. According to the Federal Bureau of Statistics, prices of most essential goods climbed, with notable jumps in vegetables and staples, while fuel and a few food items saw modest declines. The impact was felt most by lower-income households, underscoring continued inflationary pressure despite minor relief in some categories.

Reference: [Daily Pakistan](#)

Floods Threaten Pakistan's Recovery Despite IMF Boost

Economists warned that Pakistan's recent floods, which caused up to \$5 billion in damages, could derail growth, raise cotton import costs, and deepen poverty — even as the IMF approved a \$1.2 billion disbursement under ongoing lending programs. Finance Minister Muhammad Aurangzeb urged faster activation of the global Loss and Damage Fund to help climate-vulnerable economies like Pakistan manage recurring disasters. Analysts cautioned that persistent political instability and climate risks remain key threats to Pakistan's fragile recovery.

Reference: [Arab News](#), [Arab News](#)



Pakistan Targets 13% Tax-to-GDP Ratio Amid Reform Drive

Finance Minister Muhammad Aurangzeb said Pakistan aims to raise its tax-to-GDP ratio from 10.2% to 11% this year, and to 13% over the medium term, as part of reforms under the \$7 billion IMF program. Speaking in Washington, he outlined plans to tax agriculture, retail, and real estate sectors and expand compliance through digital and AI-based systems. The government set a record tax collection goal of \$47.4 billion for FY2025–26 to reduce debt reliance and strengthen fiscal stability — a move officials say is crucial to building a fairer, broader, and more sustainable tax base.

Reference: [Arab News](#)

IMF Projects Pakistan's Debt at 65.7% of GDP in 2026

The IMF's Fiscal Monitor: Spending Smarter projects Pakistan's net government debt to edge up to 65.7% of GDP in 2026, even as gross debt slightly declines to 71.3%. Expenditure is expected to fall to 20.4% of GDP while revenue rises to 16.2%, narrowing the overall deficit to 4.1% from 5.3% in 2025. The Fund forecasts a primary surplus of 2.5% next year, signaling gradual fiscal consolidation amid ongoing reform efforts.

Reference: [Pakistan Today](#)



Pakistan's Trade Deficit Widens 34% Amid Falling Exports, Rising Imports

Pakistan's trade deficit surged 34% in the latest quarter as exports dropped 4% (\$300 million) while imports rose 14% (\$2 billion), widening the gap by \$2.4 billion. Economists attributed the imbalance to high taxes, soaring energy costs, and weak governance that collectively erode competitiveness—warning that without structural reforms and export diversification, the deficit will continue to strain fiscal stability.

Reference: [Tech Juice](#)

Financial News

Pakistan's Banking Sector Gains Strength

Pakistan's banking sector assets rose to 52.4% of GDP in FY25, up from 49.1% a year earlier, signaling stronger financial stability and improved risk management, according to the State Bank of Pakistan's (SBP) Governor's Annual Report (GAR). The implementation of IFRS-9 standards boosted banks' loss-absorption capacity and solvency. However, the report flagged limited private sector lending as a concern, noting banks' continued reliance on government securities for profitability.

Reference: [Pakistan Today](#)

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SBP Buys \$20B in Interbank Market



Pakistan’s central bank said stronger foreign-exchange buffers and market stability allowed it to purchase \$20 billion from the interbank market over the past three years, rebuilding reserves nearly five-fold since early 2023. Governor Jameel Ahmad credited reforms in exchange companies and higher formal remittance inflows for the recovery, adding that the SBP targets \$17.5 billion in reserves by June 2026. He said growth is expected to strengthen to 3–4% amid continued fiscal discipline and IMF-backed reforms..

Reference: [Arab News](#)

Pakistan Moves Toward Local Currency Trade Settlements

A senior State Bank of Pakistan official said the country is working to enable trade settlements in local currencies, supported by a currency swap agreement with China. Executive Director at the State Bank of Pakistan, Muhammad Ali Malik, told the G24 briefing in Washington that while businesses are free to choose their transaction currency, the central bank aims to create an environment that facilitates local currency trade. The move aligns with broader efforts to reduce reliance on the US dollar and enhance trade resilience.

Reference: [Arab News](#)

Deals / Projects

Pakistan Approves Food Safety Authority to Boost Agri Exports

Pakistan’s Senate Committee has approved the creation of the National Agri-Trade and Food Safety Authority (NAFSA) to align farm exports with global standards and attract Gulf investment. The new body aims to raise agricultural exports from \$8 billion to \$25 billion by improving compliance and food safety systems.

Reference: [Arab News](#)

Pakistan Launches First Hyperspectral Satellite with China’s Support

Pakistan has launched its first Hyperspectral Satellite (HS-1) from China, a joint project designed to boost agriculture, urban planning, and disaster management through advanced imaging and data analysis. The initiative aligns with Beijing’s renewed push to revive the China–Pakistan Economic Corridor (CPEC), as both nations reaffirm their strategic and economic partnership. Despite previous delays and security challenges, China has recommitted to completing Phase II of CPEC, expanding cooperation in agriculture, mining, and green energy. Together, the satellite launch and the corridor’s revival signal a deepening China–Pakistan interdependence at a time of rising global competition.

Reference: [East Asia Forum](#), [Arab News](#)

Pakistan Presents \$28B Projects to Saudi Investors

Pakistan unveiled over 40 investment projects worth \$28 billion to a visiting Saudi delegation led by Prince Mansour bin Mohammed Al Saud, covering sectors such as energy, mining, IT, agriculture, and tourism. The proposals include a \$10 billion greenfield refinery, a \$3.6 billion hydropower dam, and several infrastructure and agribusiness ventures. The initiative aims to attract Saudi capital under Vision 2030 as Islamabad seeks to stabilize its economy and deepen bilateral ties.

Reference: [Arab News](#)

Markets

Market Dashboard

- U.S. stocks closed higher Friday as investors weighed President Trump’s comments that proposed 100% tariffs on Chinese goods were “not sustainable.” Gains in regional banks and strong earnings from major lenders boosted sentiment, with the S&P 500, Nasdaq, and Dow each rising about 0.5%. For the week, the S&P 500 added 1.7%, the Nasdaq 2.1%, and the Dow 1.6%, as credit concerns eased and optimism over corporate results lifted markets.
- Bitcoin ended the week down about 6%, sliding from over \$115,000 on Monday to below \$104,000 by Friday before slightly recovering. The drop triggered \$1.2 billion in outflows from U.S. spot Bitcoin ETFs, led by BlackRock’s iShares Bitcoin Trust. Despite the sharp selloff, analysts remain cautiously optimistic, pointing to Bitcoin’s history of rebounding in the second half of October — though sentiment remains fragile following the liquidation in crypto.
- Gold retreated from record highs above \$4,300/oz, ending the week around \$4,250 after U.S. President Donald Trump said a “full-scale” 100% tariff on China would be unsustainable, strengthening the dollar. Despite Friday’s 2.6% drop, the metal still posted a 5.8% weekly gain, supported by expectations of Fed rate cuts and continued central bank demand. HSBC forecasts gold could reach \$5,000/oz in 2026, driven by geopolitical tensions, robust ETF inflows, and new entrants viewing gold as a long-term safe haven.
- Oil prices posted a 2.3% weekly loss, pressured by easing geopolitical tensions and signs of oversupply. Brent crude settled at \$61.29/barrel and WTI at \$57.54, as the IEA forecast a growing glut and U.S. inventories surged by 3.5 million barrels to a record 423.8 million. A planned Trump–Putin summit on Ukraine and a Gaza cease-fire reduced risk premiums, while concerns over slower demand amid renewed U.S.–China trade tensions further weighed on sentiment.
- The U.S. dollar weakened for the week, pressured by trade tensions, and uncertainty caused by the ongoing government shutdown, which halted key economic data releases. The euro posted its biggest weekly gain in nine weeks, supported by safe-haven flows and speculation of a Fed rate cut later this month amid mixed labor signals and limited market visibility.

Indicators	10-Oct-25	17-Oct-25	% Change
S&P 500	6,552.51	6,664.01	1.70%
Bitcoin	113,214.37	106,467.79	-5.96%
Gold	4,018.30	4,249.98	5.77%
Crude Oil	62.73	61.29	-2.30%
EUR/USD	1.1566	1.1655	0.77%

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