

HBL Pakistan Manufacturing PMI[®]

Manufacturing conditions deteriorate for first time in 17-month survey so far

First fall in production volumes amid stronger new order decline

Employment, backlogs and purchasing decrease

Business confidence wanes slightly

September data pointed to a deterioration in business conditions at the end of the third quarter.

Manufacturing output fell for the first time since data collection began in May 2024, as manufacturers signalled a series record decline in new orders. Firms also noted that a stronger fall in exports had weighed on total demand. In turn, firms lowered employment, purchasing activity and stocks of inputs, while unsold finished items were often held in stock. Cost burdens also rose at a stronger pace in September, contributing to a steeper rate of charge inflation. Positively, manufacturers remained strongly optimistic that output volumes would increase over the coming 12 months.

According to survey respondents, flooding across the country had placed additional pressure on the manufacturing economy during September, with a number of firms noting the disruption the disaster had on production, demand and supply chains.

The seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI[®]), compiled by S&P Global, posted 48.0 in September, down from 50.1 in August to signal a deterioration in the health of the Pakistani manufacturing sector at the end of the third quarter. The headline PMI was below the 50.0 no-change mark for the first time since the series began in May 2024 and indicative of a modest decline overall.

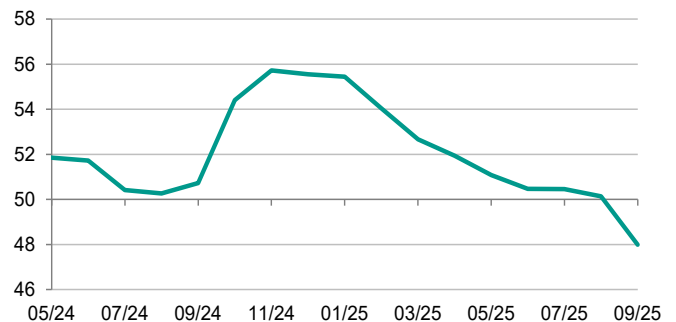
The overall deterioration in manufacturing conditions came as firms recorded a fifth consecutive reduction in new order inflows during September. The decline was sharp, and the steepest recorded in the 17-month series history with companies linking the reduction to the impact of flooding, electricity load shedding and higher raw material prices. Similarly, new export orders fell at a stronger rate to also weigh on total new business.

At the same time, manufacturers saw production volumes fall for the first time since data collection began in May 2024. The rate of reduction was solid, and attributed to the decline in new orders, load shedding and inflationary pressures.

Firms also mentioned that where production had taken place, goods often went unsold and were therefore placed in stock. As such, firms signalled a rise in post-production inventories for the first time since April. Concurrently, holdings of pre-production inventories were reduced as firms opted to use existing stocks of inputs to complete production, while input buying also fell at a record pace amid reports of higher raw material prices.

Despite the softer demand for inputs, average lead times lengthened to a greater extent than seen in August. According to anecdotal evidence, higher transportation costs and the disruption caused by flooding weighed notably on suppliers and deliveries.

HBL Pakistan Manufacturing PMI
Index, sa, >50 = improvement m/m



Data compiled 12-22 August 2025.

Sources: HBL, S&P Global PMI. ©2025 S&P Global.

Comment

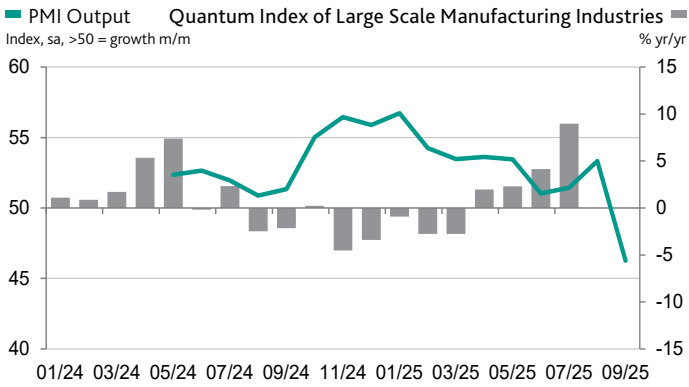
Humaira Qamar at HBL:

"The HBL Pakistan Manufacturing PMI clocked in at 48.0 in September, down from 50.1 in August, marking the first sub-50.0 reading (since the inception of the report in May 2024), indicating a deterioration in operating conditions. This downturn was led by a record contraction in new orders, with manufacturers pointing to floods as the primary drag on the sector. September marked the fifth consecutive month of declining new orders, exacerbated by electricity load shedding and elevated raw material costs.

"With demand weakening, firms scaled back employment for the fourth straight month, citing lower workloads and cost-saving efforts. Work backlogs were also run down as firms completed existing orders, though the latest depletion moderated versus June. On the cost front, input prices rose sharply, with firms attributing the increase to higher electricity costs and flood-induced supply constraints. In response, firms raised charges at an even quicker pace.

"Despite the September setback, manufacturers remained optimistic about output growth over the next 12 months. That said, business confidence eased to a three-month low amid concerns over prolonged inflationary pressures and a subdued domestic economy. While Large-Scale-Manufacturing output was up 9% y/y in July, the latest PMI data suggests emerging headwinds for the sector. Nonetheless, we maintain a sanguine outlook on the domestic economy, on the back of more favorable global conditions as well as milder flood-related damages compared to the previous flooding episode. Although CPI inflation is projected to jump to around 6.0% in September, we view these pressures as transitory and expect them to ease as supply-side constraints gradually unwind."

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Sources: HBL, S&P Global PMI, Pakistan Bureau of Statistics. ©2025 S&P Global.

Turning to prices, latest data pointed to a steep increase in input prices at the end of the third quarter. There was a particular emphasis placed on higher raw material and electricity prices, with the latter often linked to load shedding. In response to present and previous cost pressures, Pakistani manufacturers raised their own selling prices at a sharper rate in September. The rate of charge inflation was robust overall.

Pakistani manufacturers maintained expectations that production would grow over the coming 12 months. Optimism for output remained strong, but waned to a three-month low and was the second-softest in the series history.

Meanwhile, goods producers reduced headcounts for the fourth consecutive month, while the level of outstanding business was depleted sharply as companies looked to complete existing orders amid the decline in demand conditions.

Methodology

The HBL Pakistan Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 300 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in May 2024.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. For surveys with short data histories, particularly less than three years, revisions to seasonally adjusted indices are more likely as more information on seasonal trends becomes available.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

PMI by S&P Global

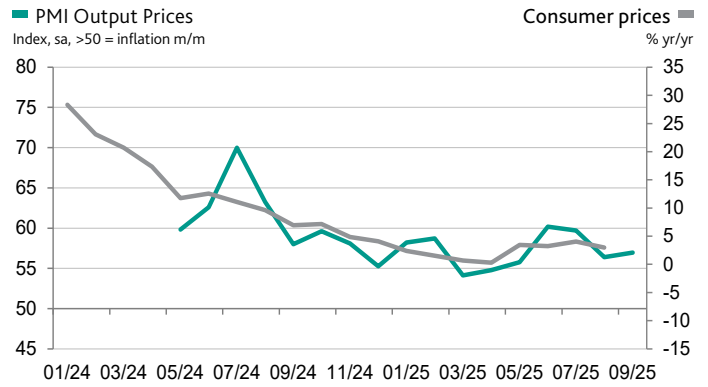
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