

HBL Pakistan Manufacturing PMI[®]

Optimism wanes amid concerns regarding intensifying price pressures

Business confidence at series low

Cost inflation accelerates to 21-month high

Production stabilises amid renewed order book growth

May data pointed to a renewed improvement in Pakistani manufacturing conditions.

The upturn reflected a stabilisation in output volumes, which came on the back of a renewed, albeit fractional, increase in new order intakes. That said, companies widely noted that inflationary pressures continued to weigh heavily on the sector, partly due to the war in the Middle East. Average cost burdens were at their highest since August 2024, which reportedly held back production and demand, while pushing down employment and purchasing. Moreover, cost pressures clouded the outlook for the coming year. In fact, the degree of optimism eased to the lowest on record (since May 2024).

The seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI[®]), compiled by S&P Global, posted 50.9 in May, up from 49.9 in April to signal a renewed improvement in the health of the Pakistani manufacturing sector. The headline PMI was pushed up due to a renewed expansion in new sales and stabilisation in output levels but was weighed down by reductions in employment and stocks of purchases.

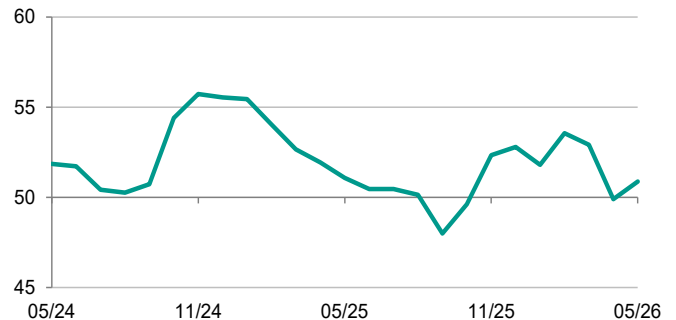
New order inflows returned to growth territory in the latest survey period, reversing April's modest contraction. The rate of expansion was only fractional however, and below the series average. Companies often linked the increase to product quality improvements, though firms mentioned that electricity load shedding and inflationary pressures constrained demand somewhat. By contrast, client demand in international markets improved sharply, resulting in the steepest rise in new export orders since February 2025.

At the same time, manufacturers saw production volumes stabilise during May. The seasonally adjusted Output Index registered at the neutral 50.0 mark, with growth often linked to improved new orders. That said, this was offset by the impact of rising raw material prices and supplier delays.

Unchanged production requirements on the month meant goods producers saw another fall in employment in the latest survey period. The rate of job shedding eased from April, however. At the same time, backlogs of work depleted sharply once again as companies focussed on completing existing work ahead of starting new projects.

On the price front, latest data pointed to another acceleration in the rate of input price inflation midway through the second quarter. There was particular emphasis placed on higher raw material costs, especially for fuel, which also pushed up transportation and electricity prices. The rate of inflation was among the highest seen in the 25-month series history, and pushed Pakistani manufacturers to raise their selling prices markedly in May.

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



Data compiled 12-22 May 2026.

Sources: HBL, S&P Global PMI. ©2026 S&P Global.

Comment

Humaira Qamar at HBL:

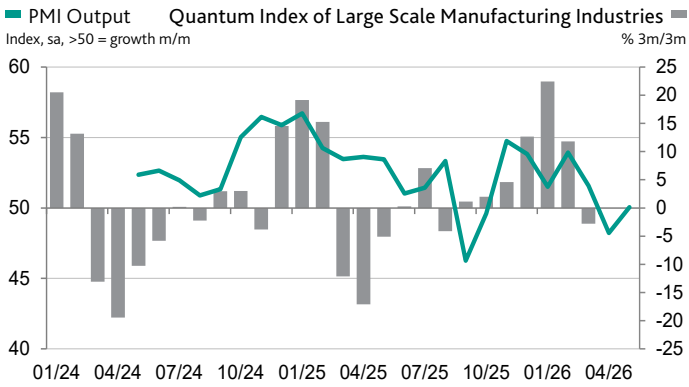
"The HBL Manufacturing PMI rose to 50.9 in May 2026 from 49.9 in the previous month, signaling a modest increase in manufacturing activity. The uptick is less encouraging than it suggests at first glance. In our view, the underlying trends point to signs of stagflation emanating from the ongoing US-Iran frictions.

"New order inflows returned to growth in the latest survey period, although the pace of expansion remained below the series average. However, export orders grew at their fastest pace since February 2025, supported by improving confidence in international markets. Production volumes held steady, with gains from improved orders offset by rising input costs and supplier delays.

"Employment levels were down for a consecutive month amid a softer demand environment. At the same time, input buying contracted at its sharpest pace since October 2025, with manufacturers choosing to run down both pre- and post-production inventories instead of procuring inputs at higher prices. The rate of cost inflation rose to a 21-month high driven by higher raw material and fuel costs on the back of Middle East tensions. In response, manufacturers increased selling prices sharply, highlighting broad-based inflationary pressures across the supply chain.

"Business confidence regarding future output declined for the sixth month running to reach its lowest level since the series began in May 2024. Manufacturers pointed to persistent inflationary pressures and elevated raw material costs as key risks to the outlook. This ongoing deterioration in sentiment, despite the headline PMI returning above the 50.0 threshold, raises concerns whether the recent stabilisation in activity can be sustained amid an increasingly challenging environment. Against this backdrop, monetary policy remains a key source of uncertainty. With the State Bank of Pakistan having already taken a pre-emptive decision to tighten policy, the path of interest rates will hinge on evolving developments in the Middle East."

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In response to muted demand conditions and rising cost burdens, the contraction in input buying seen in April was sustained during May. The marginal reduction in purchasing activity was nonetheless the most pronounced in seven months. Goods producers also registered depletions of both pre- and post-production inventories as companies used existing stocks to complete production and fulfil orders while price pressures remained elevated.

Average lead times for inputs meanwhile lengthened markedly, but to a lesser extent than seen in April. According to anecdotal evidence, delivery delays were the result of higher fuel and transportation costs which limited availability.

While Pakistani manufacturers maintained expectations that production would grow over the coming 12 months, optimism regarding future output levels waned to the lowest in the series history (since May 2024). Firms cited inflationary pressures as a key headwind to the outlook, particularly while raw material prices remained high.

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

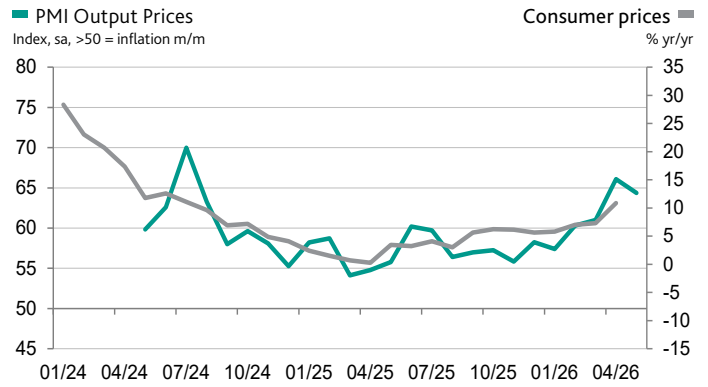
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Contact

Humaira Qamar
Head, Equities & Research
HBL
T: +92 21 3245 6270
humaira.qamar@hbl.com

Usamah Bhatti
Economist
S&P Global Market Intelligence
T: +44 1344 328 370
usamah.bhatti@spglobal.com

Shan Shaikh
Research Analyst
Treasury & Global Markets
HBL
T: +92 21 3718 6331
shan.shaikh1@hbl.com

Eri Amano
APAC Senior Communications Manager
S&P Global Market Intelligence
+81 (0) 80 3714 7658
eri.amano@spglobal.com
press.mi@spglobal.com

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