

# HBL Pakistan Manufacturing PMI<sup>®</sup>

## New orders fall for first time in series history

### Headline PMI at lowest for eight months

### Production levels rise at softest pace since September 2024

### Cost inflation eases but charges rise at stronger rate

May data pointed to a slower improvement in business conditions midway through the second quarter.

While manufacturing output continued to rise during May, the rate of growth dipped to an eight-month low, as manufacturers signalled the first fall in new orders since the series began in May 2024. Firms often noted that a stronger fall in exports had also weighed on total demand. In turn, firms lowered purchasing activity, while also utilising existing stocks of pre- and post-production goods to fulfil production and order requirements. Positively, firms were hopeful that output will continue to expand over the coming year. As such, employment levels were raised for the first time in three months. Meanwhile, cost burdens increased at the softest pace in the series history. That said, charges were raised at the steepest pace since February.

The seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>), compiled by S&P Global, posted 51.1 in May, down from 51.9 in April to signal a softer and modest improvement in the health of the Pakistani manufacturing sector midway through the second quarter. Moreover, the headline PMI was at its lowest since September 2024.

The overall slowdown in the improvement in operating conditions came as firms recorded a reduction in new order inflows for the first time in the series history. The decline was marginal but was often attributed to inflationary pressures, raw material shortages and the impact of the Pakistan-India conflict. At the same time, new export orders fell at a stronger rate to also weigh on total new business.

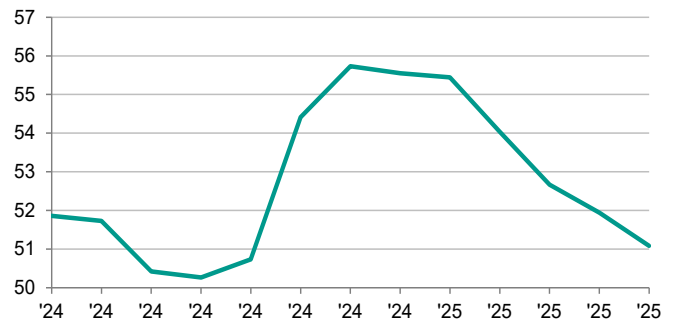
Manufacturers continued to raise production during May, despite the downturn in demand. While solid, the rate of expansion eased to an eight-month low. Evidence from the survey suggested that the increase was often attributed to the completion of existing work amid weaker demand. As such, the level of outstanding business decreased to the greatest extent since the series began.

Firms also mentioned that they had used stocks of finished items to fulfil incoming orders. This led to a reduction in post-production inventories, the first in 2025 so far and the second-strongest of the series history. At the same time, holdings of pre-production inventories were reduced as firms opted to use existing stocks to help complete production in May.

Weaker new orders also meant companies lowered their input purchases in May, and for the first time in the series history. Despite softer demand for inputs, average lead times lengthened to a greater extent than that seen in April. According to anecdotal evidence, delivery delays were the result of road and border closures due to the conflict, as well as higher prices and supply shortages.

Pakistani manufacturers maintained confidence that production would grow over the coming 12 months. Optimism for output in the coming year remained robust despite reaching a series low in May. Firms also recorded a renewed rise

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Index, sa, >50 = improvement m/m



Data compiled 12-23 May 2025.

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

### Comment

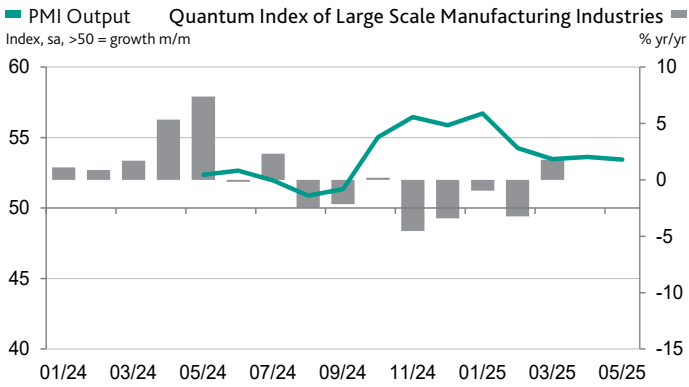
Humaira Qamar at HBL:

"The headline HBL Pakistan Manufacturing PMI fell from 51.9 in April to 51.1 in May, marking an eight-month low and reflecting a notable slowdown in business activity from the series peak in December. For the first time in the survey's history, new orders contracted, with anecdotal evidence attributing the decline to disruptions caused by the India-Pakistan conflict and raw material shortages likely linked to road closures. A consecutive reduction in new export orders further dampened business momentum.

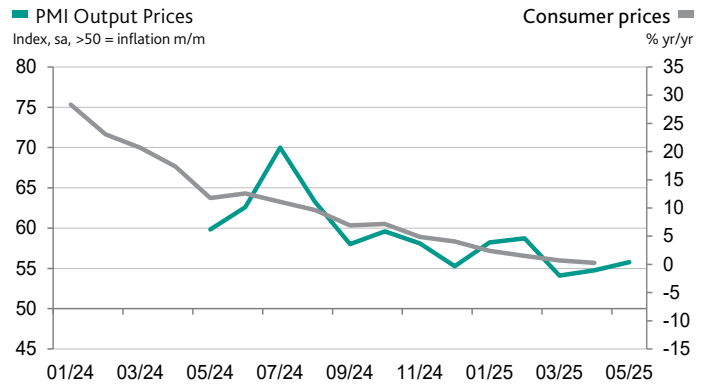
"In response to softer demand, firms scaled back input purchases and drew down existing stocks to meet production needs, resulting in the first drop in raw material inventories since September. While output continued to expand, the pace was modest, primarily driven by the completion of existing orders. Notably, backlogs of work declined at the sharpest rate seen in the history of the survey.

"Despite temporary headwinds – including geopolitical tensions and concerns over U.S. tariffs – the manufacturing sector continues to exhibit early signs of resilience. The Future Output Index remains well above the 50.0 neutral mark, reflecting strong business confidence in the expansion of output over the next 12 months. This optimism is underpinned by expectations of improved demand and a sustained ceasefire between Pakistan and India. The interest rate environment is the most accommodative in over three years, and recent monetary easing is expected to gradually strengthen demand-side conditions. However, a contractionary fiscal stance will continue to act as a drag on growth in the short to medium term.

"The federal budget, set for release on June 10 in close consultation with the IMF, is expected to target a primary surplus of 1.6% of GDP, marking the third consecutive surplus. Tax revenues are projected to rise ~ 16%, outpacing nominal GDP growth, pointing to the limited scope for tax reliefs. To uphold fiscal discipline & offset potential tax shortfalls, the government is expected to bolster non-tax revenues—through higher levies on petroleum products—along with tightening development expenditures. However, defense spending may remain insulated from cuts, given the prevailing geopolitical landscape."



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in employment levels in the latest survey period, the first in three months but one that was only fractional.

Turning to prices, latest data pointed to a solid increase in input prices midway through the second quarter. There was particular emphasis placed on higher raw material and utility prices, while some companies mentioned that load shedding had placed additional strain on prices. In response to present and previous cost pressures, Pakistani manufacturers raised their own selling prices at a sharper rate in May. The rate of charge inflation was steep, and the most prominent in three months.

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## 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](mailto:economics@spglobal.com).

## PMI by S&P Global

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

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