News Release
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HBL Pakistan Manufacturing PMI®

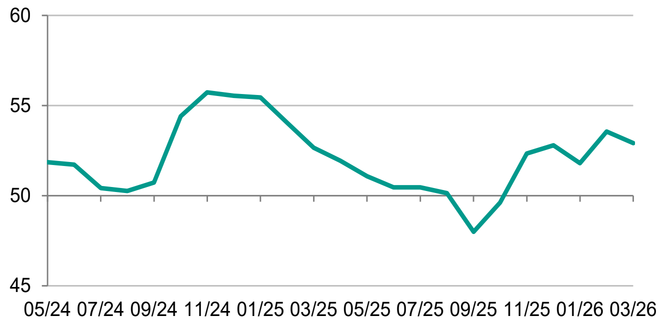
Selling price inflation reaches 19-month high, while business optimism wanes again

Output price inflation accelerates amid marked rise in cost burdens

Softer upticks in output and new orders

Business confidence at lowest in series history

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



Data compiled 09-25 March 2026.
Sources: HBL, S&P Global PMI. ©2026 S&P Global.

Operating conditions in Pakistan's manufacturing sector improved at the end of the first quarter, but at a softer pace than in February.

Both output and new order intakes remained in growth territory, but rates of expansion slowed on the month in March, which contributed to softer upticks in purchasing and employment. At the same time, companies raised concerns regarding inflationary pressures, as indicated by another marked uptick in average cost burdens, which pushed goods producers to raise factory gate charges to a greater degree than in February, and at the quickest pace in just over a year-and-a-half. Rising cost pressures also dampened expectations regarding output over the coming year, as optimism waned to the lowest since the series began in May 2024.

The seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI®), compiled by S&P Global, posted 52.9 in March, down from 53.6 in February to signal a softer, yet still moderate, improvement in the health of the manufacturing economy.

A key factor behind the slowdown in March was a softer, but modest, uptick in production levels. The rate of growth lost momentum from that in February and was the second-weakest in the current five-month sequence of growth. According to survey respondents, higher inflationary pressures weighed on the boost to production from greater new order intakes. Firms also mentioned that output volumes were used to build safety stocks of finished items. As such, holdings of post-production inventories rose at the most pronounced rate since May 2024.

Pakistani manufacturers signalled another rise in new orders at the end of the first quarter of the year. The expansion was the fifth in as many months and solid, despite slowing slightly from a month prior. Improvements in product quality and client confidence were reportedly behind the uplift. Stronger demand conditions were also mirrored in international markets, as new export sales rose for the second month in a row. The pace of growth quickened to the fastest in a year, meanwhile.

While production requirements remained positive, firms raised purchasing activity for the fifth month in a row in the latest survey period. The rate of accumulation was modest however, having slowed sharply from February. Companies often mentioned greater input buying stemmed from efforts to protect against expected future increases in raw material prices.

At the same time, holdings of pre-production inventories were lifted in order to maintain stocks for both current production requirements and to mitigate against further price rises and worsening supplier delays. Manufacturers signalled that vendor performance deteriorated again in March, and to a more marked extent than a month prior. According to anecdotal evidence, higher transport and fuel costs weighed on lead times and disrupted supplier capacity and the availability of materials.

Comment

Kumail Chevelwalla at HBL:

"The HBL Pakistan Manufacturing PMI fell to 52.9 in March from 53.6 in February, pointing to easing manufacturing conditions in nascent signs of the US-Iran war's toll on Pakistan's economy. The slowdown reflected a softer rise in output and new orders, with respondents noting that intensifying inflationary pressures outweighed the benefits of strengthening demand.

"The output index was well below the previous six-months average, as firms cited inflation as a limiting factor. Conversely, new order growth edged down but only slightly, held up by improved product quality and external demand, with export orders climbing to a 12-month high.

"Despite the softer momentum in output, firms continued to build safety stocks, lifting post-production inventories at the most pronounced rate since May 2024. Manufacturers reported a decline in backlogs for the fifteenth consecutive month in March. Anecdotal reports indicate that electricity load shedding prompted firms to prioritize completing existing orders before commencing new work. Employment growth weakened as slower output and order growth weighed down hiring.

"Price pressures remain a key theme as the impact of the US-Iran conflict unfolds. Input costs climbed sharply, amid higher raw material and fuel prices alongside increased tax burdens. Manufacturers passed through the recent cost burdens more aggressively, pushing selling price inflation to the fastest rate since August 2024.

"Business confidence in output expansion over the next year is down to a record low, reflecting concerns about the sustainability of demand conditions amid persistent inflationary pressures. Given evidence of higher energy costs spilling over into broad-based inflation, and signs of inflation expectations becoming unanchored, we believe that risks are skewed towards a rate hike in the near term. The trajectory of interest rates will ultimately be a function of the duration and intensity of the conflict."

PMI® by S&P Global

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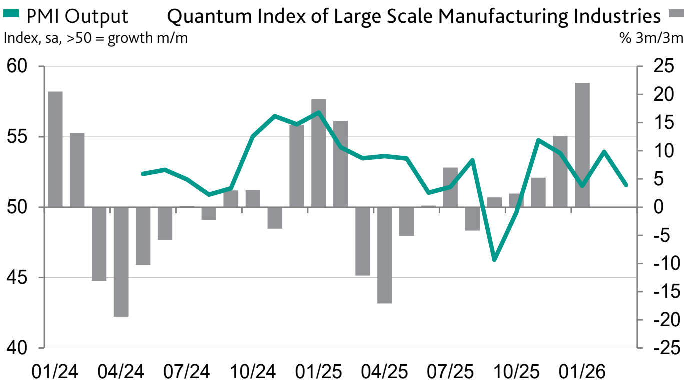
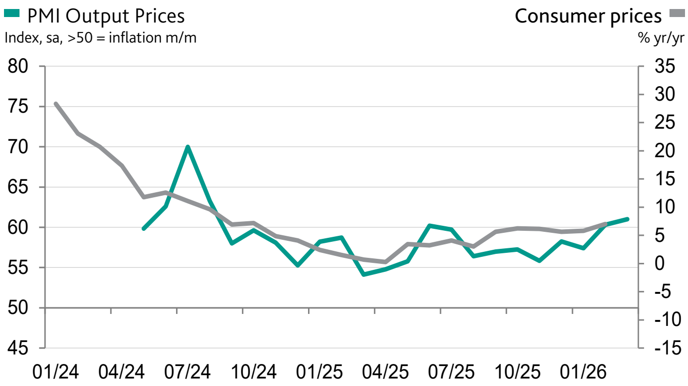


Sources: HBL, S&P Global PMI, Pakistan Bureau of Statistics. ©2026 S&P Global.



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Input prices rose at a marked rate at the end of the first quarter of 2026, amid widespread reports of higher raw material and fuel costs, plus increased tax burdens. In response, charges were raised at a steeper rate in March, with the pace of selling price inflation the most pronounced since August 2024, as manufacturers looked to increasingly pass on higher cost burdens to clients.

Firms also mentioned that output volumes were sustained by the completion of existing orders. In fact, backlogs of work fell for the fifteenth straight month and at a steep rate overall. Concurrently, employment levels were raised for the second successive month. Some companies also mentioned that working hours were extended in order to maintain productive capacity.

Looking forward, goods producers were confident that production will expand over the coming year. Optimism was underpinned by expectations of higher customer numbers and stronger international demand. That said, the degree of confidence waned for the third month running to reach the lowest in the series' 23-month history amid concerns regarding the sustainability of demand conditions and inflationary pressures.

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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.

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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