

HBL Pakistan Manufacturing PMI[®]

Employment stalls and confidence wanes amid slower rise in new orders

New order growth slows to marginal pace

Output expansion eases and employment stalls as a result

Business confidence at lowest in series history

January data pointed to a slower improvement in Pakistani manufacturing conditions at the start of 2026.

Both production levels and new business rose at softer paces in January, with the latter recording only a marginal increase on the month. Firms also noted that a renewed fall in exports had weighed on total demand. Anecdotal evidence suggested that inflationary pressures and electricity load shedding had weighed on the sector, and were also cited as factors behind a more clouded outlook for the coming year. In fact, the degree of optimism eased to the lowest in the 21-month series history, while firms also signalled that job creation had stalled in response.

Despite this, firms continued to raise purchasing and pre-production inventory levels, partly due to efforts to protect against sustained price increases and delivery delays, as both metrics strengthened in January.

The seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI[®]), compiled by S&P Global, posted 51.8 in January, down from 52.8 in December to signal a softer improvement in the health of the Pakistani manufacturing sector at the start of 2026. The headline PMI was above the 50.0 no-change mark for the third month in a row, but the modest uptick was the softest in the current sequence of growth.

The slowdown in manufacturing came as firms saw new order inflows nearly stall in the latest survey period. The rate of growth was only marginal, and the softest in the current three-month sequence of expansion. Companies often linked the slowdown to electricity load shedding and inflationary pressures, though firms mentioned that quality improvements and new product launches had sustained demand levels somewhat. By contrast, subdued international markets resulted in a renewed reduction in new export orders that was the strongest in four months and weighed on total new business.

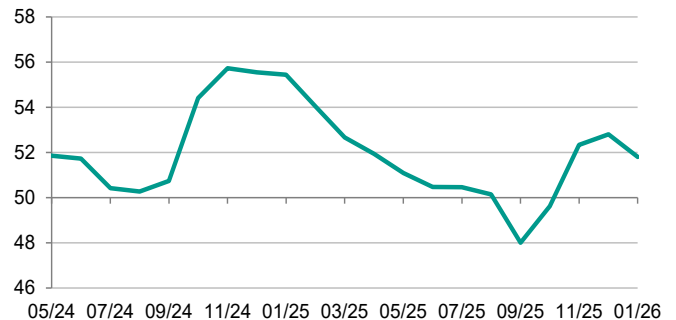
At the same time, manufacturers saw production volumes rise at a modest rate during January. Following the trend in new orders, however, the rate of growth eased on the month and was at a three-month low.

Less marked upticks in production requirements meant goods producers saw employment growth halted in the latest survey period, as staffing numbers were unchanged on the month following two months of marginal expansions. At the same time, the level of outstanding business was depleted once again as companies focused on completing existing work ahead of starting new projects.

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 potential headwinds to the outlook stemming from higher tariffs, inflationary pressures and a subdued domestic economy.

Despite softer growth in production requirements, that the expansion in

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



Data compiled 12-26 January 2026..

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Comment

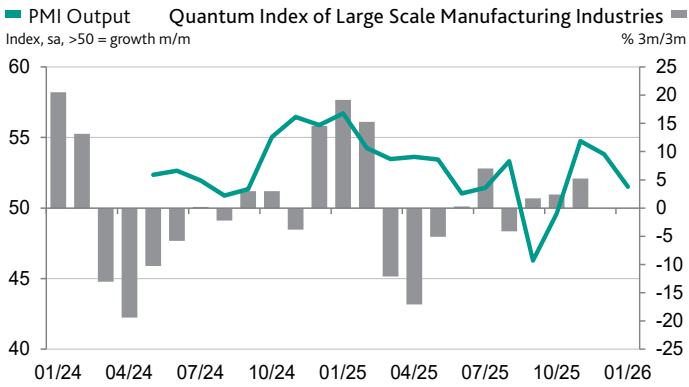
Kumail Chevelwalla at HBL:

"The HBL Pakistan Manufacturing PMI clocked at 51.8 in January, down from 52.8 last month, signaling a slight improvement in operating conditions, above the 50.0 neutral threshold for the third consecutive month. Growth in new orders slowed, although this does not appear to be a domestic demand-side issue; firms mentioned that higher electricity costs and load shedding constrained manufacturers' ability to take on additional orders. Foreign demand, however, remains a concern, as new export orders declined for the sixth time in seven months as the dynamics of U.S. trade tariffs start to shift in favor of competing nations.

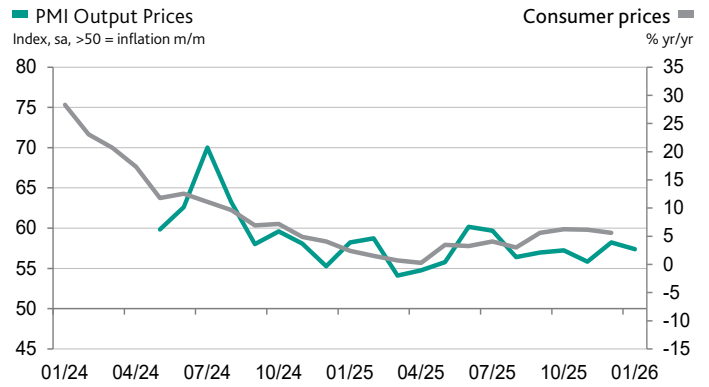
"Output expanded modestly, constrained by inflationary pressures and adverse weather conditions. As order pipelines thinned, firms once again reduced work backlogs while employment levels held steady. Finished goods inventories fell for the first time in three months as companies relied on existing stocks to meet sales amid power outages that limited production and order intake.

"Price pressures strengthened at the outset of 2026, with input costs rising due to higher raw materials, transport costs, and higher electricity tariffs. In response, Manufacturers raised selling prices to safeguard margins. Purchasing activity accelerated, recording the strongest increase in eleven months, as firms built raw material inventories to hedge against further cost escalation.

"Looking ahead, the sector remains optimistic about production prospects over the next year, however, despite trending above 50.0, the Future Output Index fell to the lowest on record since the Index was launched in May 2024, reflecting concerns over tariffs and persistent inflation. We believe that growth is expected to be driven primarily by domestic demand, with external markets offering limited support. The central bank upgraded its GDP growth forecast to the 3.75%-4.75% range, citing stronger-than-expected economic activity, particularly in the manufacturing sector while simultaneously flagging risks of a challenging export environment, projecting them to decline 6% in fiscal year 2026."



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



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input buying was maintained during January. The solid increase in purchasing activity was the most pronounced since last February amid some mentions of stock replenishment. Indeed, goods producers registered another accumulation of pre-production inventories, while holdings of finished items fell for the first time in three months as companies utilised existing stocks to fulfil orders while production capacity was hampered by load shedding, which also impacted firms' ability to accept orders.

Average lead times for inputs, meanwhile, lengthened to a greater extent than seen in December. According to anecdotal evidence, delivery delays were the result of higher fuel and transportation costs which limited availability, while poor weather conditions also disrupted road transport. As a result, the rate of deterioration in vendor performance was the steepest in just under a year.

Turning to prices, latest data pointed to a slight acceleration in the rate of input price inflation at the start of 2026. There was particular emphasis placed on higher raw material and transportation costs, alongside greater electricity prices which were also linked to load shedding. In response, Pakistani manufacturers raised their selling prices at a strong pace in January.

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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