

HBL Pakistan Manufacturing PMI[®]

New order growth slows to seven-month low amid renewed fall in exports

New export sales fall for first time in series history

Output growth partly sustained by completion of backlogs

Cost inflation accelerates

Pakistan's manufacturing sector saw new order growth ease during April, with the rate of expansion reaching its lowest point since last September.

Softer growth occurred amid a contraction in new export orders, the first since data collection began in May 2024, albeit one that was only fractional. Positively, firms were able to maintain solid growth in production volumes, partly due to the completion of outstanding business. Capacity pressures remained muted, as firms reduced employment for the second consecutive month amid reports of company downsizing and cost-cutting efforts. Manufacturing firms also indicated that these factors had influenced their efforts to secure and store advance purchases of raw materials.

Price pressures remained marked during April, as the pace of input cost inflation quickened compared to March. In turn, output charges also rose at a sharper rate.

The seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI[®]), compiled by S&P Global, remained above the neutral 50.0 mark in April, posting a reading of 51.9, down from 52.7 in March. This index reading indicates a modest improvement in the health of the sector, but one that is the least pronounced in seven months.

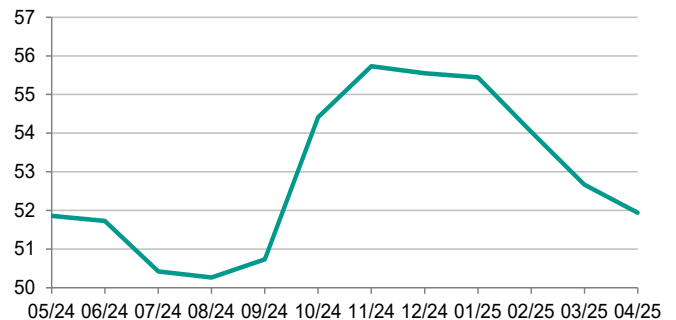
New order growth continued at a moderate rate at the start of the second quarter; however, the rate of expansion eased again, reaching its lowest level since September 2024. Firms mentioned that lower electricity prices and sustained client confidence aided sales; however, load shedding and higher raw material prices weighed on demand over the month. Moreover, goods producers pointed to a moderation in new export orders during April, the first since the series began last May. According to panel respondents, border disruptions and tariff implementations contributed to the decline in foreign demand.

For the twelfth consecutive month, manufacturing production rose in April. The rate of growth was solid but only slightly changed from that seen in March. Growth in output was also partly sustained by the completion of outstanding business, with the rate of backlog depletion remaining sharp and only slightly above March's series low.

Manufacturers often noted that higher cost burdens were a key factor behind the slowdown in new order growth. Input prices continued to rise at a strong rate, gathering momentum for the first time in three months. Anecdotal evidence suggested that rising raw material prices and tax burdens placed pressure on expenses, while a stronger US dollar pushed up the prices of imported inputs. Consequently, manufacturers increased selling prices at a quicker and solid pace.

Pakistani manufacturing firms lowered their staffing levels for the second consecutive month in April, though only at a marginal rate overall. Firms often mentioned that company downsizing had led to staff reductions, though there was also evidence that workforces were reduced as part of cost-saving efforts.

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Index, sa, >50 = improvement m/m



Data compiled 9-24 April 2025.

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

Comment

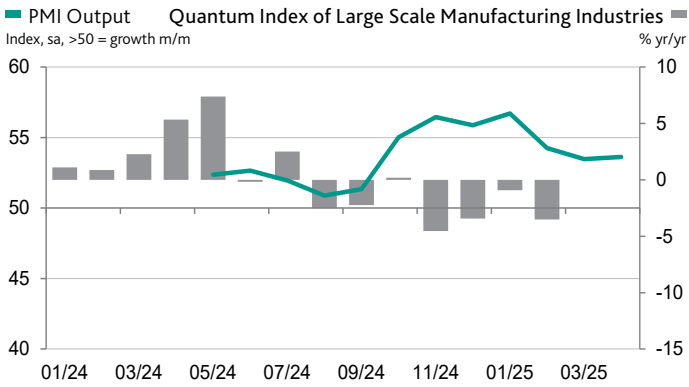
Humaira Qamar at HBL:

"The HBL Pakistan Manufacturing PMI softened to 51.9 in April versus 52.7 last month, marking the lowest reading in seven months. New orders moderated to the lowest since last September amid falling foreign demand for Pakistani goods. However, it should be pointed out that the reading continues to remain over 50.0, indicating an increase in manufacturing orders over the preceding month. Fresh export orders fell for the first time in the series' history. While the Output Index increased, this was partly driven by the completion of outstanding business. Employment levels dropped for the second consecutive month as companies sought to reduce costs and adjust to lower production needs. Input purchases tempered to the lowest since the series began as the ease in new orders discouraged additional purchases.

"Overall, we believe that the latest PMI readings are nascent signs of the headwinds to the global economy from the introduction of U.S. tariffs. The uncertain global outlook, deteriorating confidence and diminishing appetite for US assets threatens to morph into a financial crisis. A U.S. stagflation scenario – a recession accompanied by rising prices – would inevitably tip the global economy into a slump. This would, in our view, impact Pakistan's economy, firstly due to a likely reduction in exports to the U.S. (the country accounts for 18% of Pakistan's exports), and secondly, exports to other markets are likely to suffer as well. This could well prolong the downturn in Pakistan's manufacturing sector. An offset to this could be in the form of a relief from lower energy imports in the event that commodity prices take a downturn.

"Nevertheless, business confidence regarding the outlook has strengthened further, suggesting that the domestic macro-backdrop may still be conducive to growth. The confidence of the survey respondents was underpinned by hopes of improving demand conditions along with reductions in electricity and input costs. Indeed, the inflation outlook is benign, with the pace of cost inflation and the rise in output charges still well below the series average. For April, the headline CPI is expected to record its lowest rate in history while core inflation is likely to edge downwards as well. This may spur the State Bank Monetary Policy Committee to ease the policy rate at the upcoming MPC meeting on the 5th of May."

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

Goods producers increased their purchasing activity moderately in April, though the rate of accumulation was the softest since the series began. According to respondents, higher input buying reflected production requirements and advance purchasing; however, anecdotal evidence also indicated that purchases were somewhat constrained by higher raw material prices and softer demand conditions.

Advance purchasing encouraged firms to raise their stocks of inputs during April, while softer sales also contributed to the preparation of future stock, resulting in increased holdings of post-production inventories.

Manufacturers also noted a further deterioration in supplier performance in the latest survey period. Average delivery times lengthened in each of the 12 months of the series so far, though the latest lengthening was the least pronounced of all. Road traffic challenges, higher fuel costs, and disruptive protests were cited as key factors behind the delays.

Companies continued to express confidence regarding the future path for output. The degree of optimism was marked and strengthened compared to March. Confidence was underpinned by hopes of further reductions in raw material and utility costs, as well as a general macroeconomic improvement that would drive new product launches and sales.

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

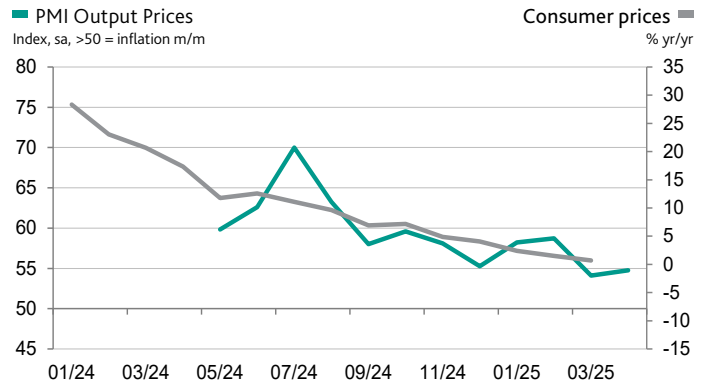
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Contact

Humaira Qamar
Head, Equities & Research
HBL
T: +92 21 3245 6298
humaira.qamar@hbl.com

Farhan Ahmed
Head Corporate Affairs
HBL
T: +92302 8600621
farhan.ahmed3@hbl.com

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

Corporate Communications
S&P Global Market Intelligence
press.mi@spglobal.com

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