

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

## Softer fall in manufacturing production in October

Output falls only marginally amid slower decline in demand

Series-record depletion in backlogs

Charges rise at strongest rate in three months

Pakistan's manufacturing production saw a sustained fall in October, though the rate of contraction softened from a month prior.

Firms also commented on a weaker fall in new order intakes, although new business has now decreased in six consecutive months. Weaker demand and output requirements eased capacity pressures on Pakistani manufacturers, contributing to a steeper fall in staffing levels and a survey-record depletion in outstanding work.

Meanwhile, input costs continued to increase at a marked pace in October. As a result, output prices rose at the fastest pace since July as firms looked to protect margins and pass higher cost burdens through to customers.

At 49.6 in October, the seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI<sup>®</sup>), compiled by S&P Global, posted below the neutral 50.0 threshold for the second month running. That said, the reading improved from 48.0 in September to indicate only a fractional deterioration in the health of the sector.

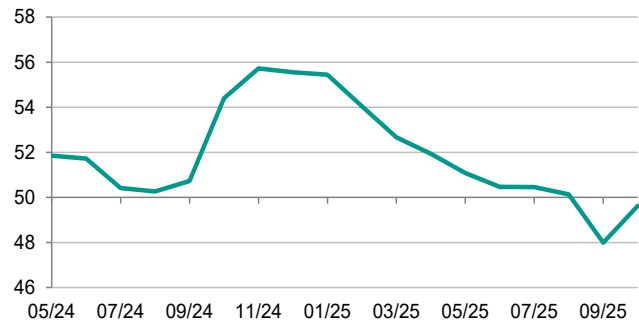
Worsening business conditions stemmed from a sixth successive monthly reduction in total new order intakes at the start of the fourth quarter. The fall was modest, having eased from that seen in September, but still the second-strongest since the survey began in May 2024. Manufacturers cited a myriad of issues that hindered demand conditions during the month, including inflation and taxation, electricity load shedding and subdued client confidence. The malaise was also seen in international markets, as goods producers recorded a fourth consecutive reduction in new export sales.

Subdued demand conditions meant that production levels were cut back for the second month in a row during October. While this marked the first instance of back-to-back output contractions in the survey so far, the decrease was only slight overall. Some firms reportedly favoured the use of existing inventories to complete order requirements rather than expanding production. As a result, stocks of finished goods fell for the fifth time in six months.

Latest data also suggested that excess capacity was utilised to complete existing orders, as manufacturers noted a robust reduction in backlogs of work. The rate of depletion accelerated from September and was the most prominent in the 18-month series history. Amid a lack of pressure on capacity, firms looked to reduce headcounts during October, as indicated by a fifth consecutive fall in employment levels.

The start of the final quarter also brought with it a further marked rise in input costs, albeit with the pace of inflation ticking down from that seen in September. Respondents commonly linked the latest increase to higher raw material prices and tax burdens on companies. In turn, manufacturers

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Index, sa, >50 = improvement m/m



Data compiled 09-27 October 2025.

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### Comment

Humaira Qamar at HBL:

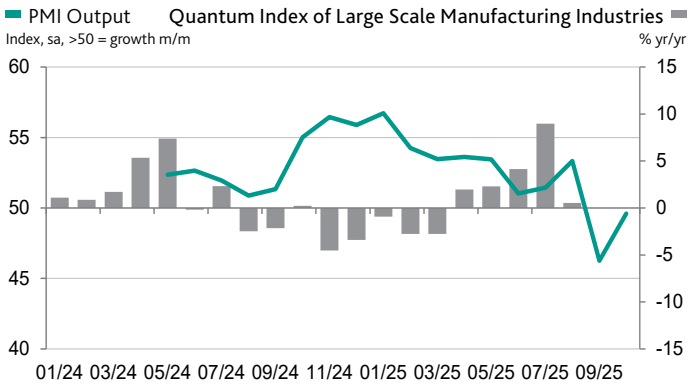
"The HBL Pakistan Manufacturing PMI rose to 49.6 in October from 48.0 in September yet remained below the 50.0 neutral threshold for the second consecutive month, indicating a slight deterioration in the sector. The downturn was primarily driven by subdued demand, as new orders fell for the sixth straight month with manufacturers pointing to inflation, higher taxes, and load-shedding. The reduction in total demand partly reflected a modest fall in new export orders. According to the Pakistan Bureau of Statistics, exports contracted 3.9% y/y in the first quarter of fiscal year 2026, while the central bank, in its latest policy meeting, flagged challenging export prospects amid evolving tariff dynamics.

"Output fell for a second consecutive month amid softer demand, though the pace of contraction remained moderate. The weaker demand backdrop is filtering into the labor market, as employment levels were down for the fourth consecutive month with firms responding to lighter workloads and focusing on cost rationalization. Firms also drew down existing stocks to fulfill demand, leading to a reduction in finished goods inventories. With available capacity, businesses cleared outstanding work at a record pace.

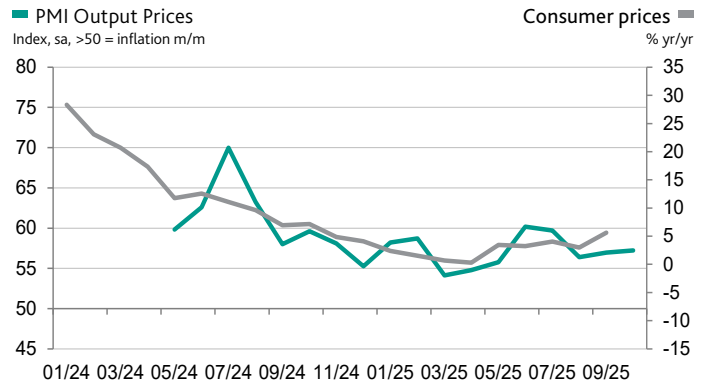
"On the cost side, firms lowered purchasing activity, the steepest decline in the 18-month series history. Meanwhile, price pressures remained elevated in October, driven by rising input costs and tax burdens. In response, firms raised output prices at the fastest rate in three months to protect margins.

"Although the Large-scale Manufacturing Index improved by 4.4% in the first two months of fiscal year 2026, the latest PMI reading suggests emerging headwinds in the near-term. Nonetheless, sentiments remain upbeat with manufacturers maintaining an optimistic outlook for output growth over the next 12 months, supported by expectations of easing cost pressures and planned business expansion. That said, the degree of confidence edged down for the fourth consecutive month, as firms raised concerns about how quickly inflationary pressures might ease. Although inflation is likely to temporarily move higher in the second half of the fiscal year 2026, somewhat validating the sector's concerns, we believe that green shoots in the manufacturing economy are likely to reemerge, supported by strong business confidence and a gradual strengthening of demand-side conditions. The central bank's recent assessment, indicating that growth is now expected to reach the upper end of their 3.25–4.25% forecast range, reinforces our sanguine outlook on the economy."

## HBL Pakistan Manufacturing PMI®



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increased their selling prices at a robust rate in October, with the rate of charge inflation accelerating to the highest level in three months.

With demand conditions subdued and reports of raw material price increases, Pakistani goods producers lowered their input buying in the latest survey period, the second month running in which this has been the case. Stocks of inputs meanwhile were also depleted slightly, as anecdotal evidence suggested that inventories were used in the production process. On the other hand, some manufacturers looked to store items to protect against ongoing price increases. Firms also mentioned delivery delays were common during October, stemming from higher fuel and transport costs, which placed additional strain on suppliers. As a result, vendor performance deteriorated solidly.

Finally, companies expressed confidence in the future path for output during October, with optimism remaining marked overall. This confidence was underpinned by hopes of easing price pressures and business expansion plans. That said, the degree of optimism slipped to a four-month low and one of the lowest in the 18-month series history as firms raised concerns about how quickly inflationary pressures might ease.

### 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

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