News Release
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# HBL Pakistan Manufacturing PMI®

## Employment falls at fastest pace for a year amid muted demand

### Employment levels fall to greatest extent for 12 months

### New orders broadly unchanged but production rises at stronger rate

### Inflationary pressures soften

Manufacturers in Pakistan cut staff at the fastest pace for a year in August as new orders were largely unchanged from a month prior amid the strongest fall in exports since the series began in May 2024.

That said, production levels rose at a stronger rate with anecdotal evidence suggesting that the expansion was the result of the completion of existing orders. In fact, backlogs of work were depleted to the largest extent in the 16-month series history. Price pressures, meanwhile, eased from July and were among the lowest since the survey began. In turn, output charges also rose at a slower rate.

The seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI®), compiled by S&P Global, fell from 50.5 in July to 50.1 in August. The index reading indicated that operating conditions largely stalled midway through the third quarter. Moreover, the PMI was at its lowest since the survey began in May 2024.

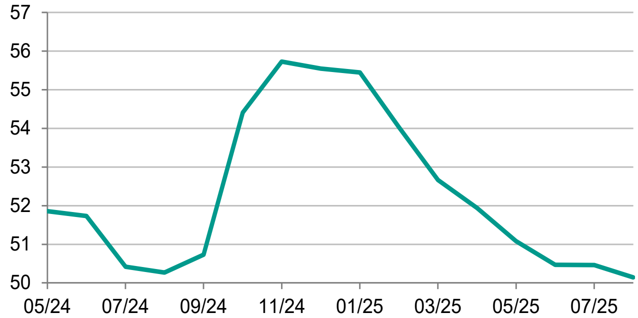
For the sixteenth consecutive month, manufacturing production rose in August. The rate of growth was solid and strengthened to a three-month high. Growth in output was partly sustained by the completion of outstanding business, with the rate of backlog depletion the most pronounced in the series history.

In fact, new orders were broadly unchanged on the month midway through the third quarter of 2025, decreasing fractionally and therefore extending the current sequence of decline to four months. Where sales fell, firms mentioned that load shedding and inflationary pressures weighed on demand. Moreover, goods producers pointed to a sustained moderation in new export orders during August, and one that was the most pronounced since the start of the survey in May 2024. According to panel respondents, tariffs and weaker international demand weighed on international sales.

In response to muted new order inflows, Pakistani manufacturing firms lowered staffing levels for the third consecutive month in August, and at a solid pace that was nonetheless the strongest for exactly a year. Companies also mentioned that efforts to save costs had contributed to lower staffing levels.

Goods producers meanwhile recorded a stable level of input buying during August, ending a three-month sequence of contraction. According to respondents, higher purchasing was often linked to efforts to protect against rising raw material prices, though this was offset by demand weakness. In some cases, firms looked to use existing holdings of inputs to complete production, leading to a first reduction in stocks of purchases for three months. Meanwhile, holdings of post-production inventories were lowered as firms looked to deliver completed items to customers rather than to hold them in stock.

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




Data compiled 12-22 August 2025.
Sources: HBL, S&P Global PMI. ©2025 S&P Global.

### Comment

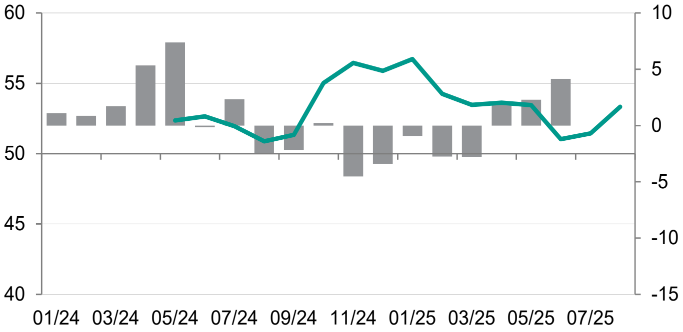
Humaira Qamar at HBL:

"The HBL Manufacturing PMI edged down to 50.1 in August from 50.5 in July, the lowest print since the survey's inception in May 2024. The latest data signals a near-stagnation in operating conditions amid new orders falling for a fourth consecutive month. Firms attributed the slowdown in new business inflows to inflationary pressures & load shedding. Demand was also weighed down by slackening export orders, which contracted at the sharpest pace in the series' history. Manufacturers attributed weaker export orders to lackluster global demand and to U.S. import tariffs. Output growth, however, strengthened to a three-month high, sustained mainly due to the completion of outstanding orders and business expansion. Consequently, backlogs were cleared at the quickest pace on record.

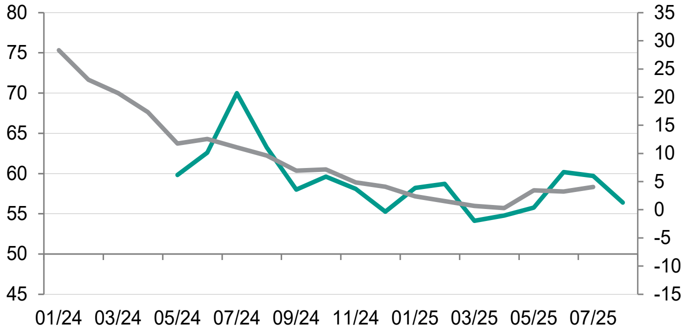
"The downturn in demand appears to be filtering into the labor market as firms cut back employment for a third consecutive month, the steepest decline in a year. Firms also linked the reduction in staffing to cost control measures. Raw material inventories were down for the first time in three months, reflecting muted input buying against a backdrop of softer demand. At the same time, lead times continued to lengthen, driven by higher transportation costs.

"Despite a subdued operating environment, business confidence remained marginally positive, albeit weaker than in July. Optimism was driven by expectations of business expansion, new product launches, and hopes of relief from further cost pressures. However, the survey was largely conducted before the recent heavy floods in the North of the country, and we believe this raises concerns over a fresh bout of price pressures. Businesses are likely to face renewed stress from logistical disruptions and higher costs. In light of the emerging inflationary risks, we believe the State Bank of Pakistan, at its Monetary Policy Committee meeting in September, may once again opt to maintain the Policy Rate at 11.0%."

PMI by S&P Global




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




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

Input prices rose at a solid rate in August, although the pace of inflation eased to one of the lowest rates in the series history. Anecdotal evidence suggested that rising raw material prices and tax burdens placed pressure on expenses. Consequently, manufacturers increased selling prices at a strong, albeit softer pace.

Moreover, firms also mentioned that higher fuel and transportation costs as well as the impact of recent flooding had weighed on the timely delivery of inputs. As a result, average lead times lengthened modestly, but at the slowest pace since the survey began.

Companies continued to express confidence regarding the future path for output. The degree of optimism was marked but eased compared to July. Confidence was underpinned by hopes of business expansions and new product launches, as well as a softening in raw material prices.

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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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