News Release
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HBL Pakistan Manufacturing PMI®

New orders and employment fall at faster rates as manufacturing sector remains subdued

Joint-sharpest fall in new orders in series history amid record reduction in exports

Production continues to increase slightly

Business confidence reaches three-month high

Operating conditions in Pakistan's manufacturing sector improved at the start of the third quarter, but at an unchanged and marginal rate.

While manufacturing output rose at a slightly improved rate in July, the rate of decline in new orders accelerated from that seen a month prior and was equivalent to May's series low. Firms often mentioned higher cost burdens, including increased raw material, electricity, and tax costs, had weighed on sales, while there was also a renewed contraction in new export sales that was the most pronounced since the survey began in May 2024.

While the impact of higher prices on demand was widely reported, manufacturers signalled that the rate of input cost inflation eased from June and was below the long-run series average. That said, firms posted another marked rise in factory gate charges.

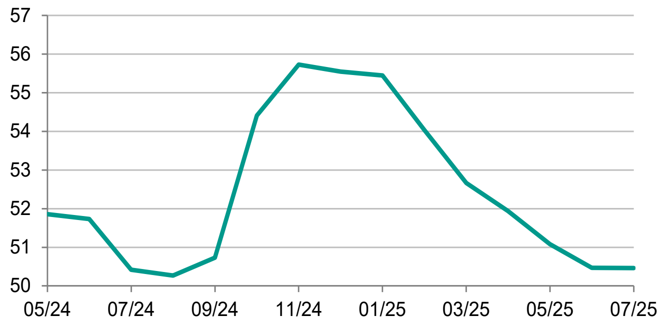
The seasonally adjusted HBL Pakistan Manufacturing Purchasing Managers' Index™ (PMI®), compiled by S&P Global, posted an unchanged reading of 50.5 in July, thus signalling a marginal improvement in the health of the sector. While the headline reading has remained above the neutral 50.0 mark throughout the 15-month series history so far, the latest reading was among the lowest over this period.

A key factor limiting the overall improvement in operating conditions was a third consecutive monthly reduction in new order inflows. The rate of contraction was mild, but the joint-strongest in the series so far. According to survey respondents, total demand was negatively impacted by a renewed decline in new export orders during July. In fact, the rate of reduction was the steepest in the series history amid reports of weak external demand conditions.

Despite the subdued trends in new orders, Pakistani manufacturers continued to signal higher production volumes at the start of the third quarter. The rate of output growth gained modest momentum from June. Firms often mentioned that production was sustained by the completion of existing orders. In fact, backlogs of work fell for the seventh successive month, with the rate of depletion accelerating from that seen in June. Survey data also signalled that firms fulfilled orders using stocks of finished goods, though panel members mentioned that the fall in inventories was limited by unsold goods being held in stock. As such, the latest reduction in stocks of finished goods was only marginal.

Input costs rose at a softer, albeit still strong rate during July amid widespread reports of higher raw material, electricity, and taxation costs. Manufacturers also mentioned that higher costs associated with fuel in particular had impacted supplier performance, which deteriorated solidly again. Meanwhile, selling price inflation eased on the month, but remained marked overall and exceeded that seen for input prices.

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



Data compiled 10-25 July 2025.
Sources: HBL, S&P Global PMI. ©2025 S&P Global.

Comment

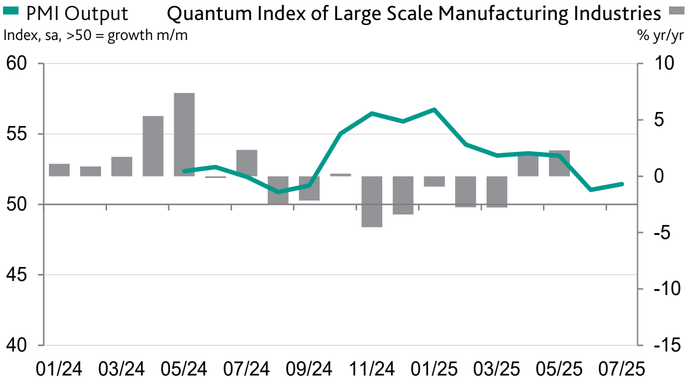
Humaira Qamar at HBL:

"The HBL Manufacturing PMI held steady at 50.5 in July, indicating a rate of expansion matching June's ten-month low. Factory production rose at a slightly improved rate in July, primarily due to the fulfillment of existing orders while new orders continued to slide for the third straight month. Survey participants attributed the subdued order flow to rising costs of raw materials, energy, and taxation. New orders were also weighed down by a decrease in fresh export orders, marking the third decline in the last four months. This aligns with SBP data indicating a 9% q/q decline in exports in the second quarter of the year. Manufacturers cited muted global demand and elevated tax burdens as key factors.

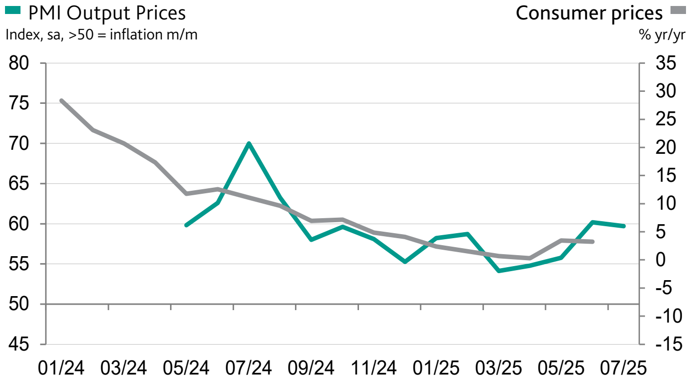
"Backlogs of work depleted at a faster rate and were down for the seventh consecutive month amid lackluster demand and order completion. As a result, employment contracted for the second month running, with firms scaling down staffing due to lighter workloads and cost management strategies. Conversely, raw material inventories expanded at the second-fastest rate in the series history, amid concerns over rising price pressures. Supplier delivery times continued to deteriorate, impacted by fuel price hikes, road congestion, and seasonal monsoon disruptions.

"Despite these headwinds, business confidence strengthened, reaching a three-month high, driven by optimism around improving macroeconomic and geopolitical conditions, coupled with expansion initiatives and product rollouts. While the monetary easing cycle began more than four quarters ago, the anticipated impact of policy rate cuts has yet to be manifested in the industrial sector, with LSM contracting 1.2% in the eleven months of fiscal year 2025. However, we expect strong business confidence, further rate reductions and better consumer spending power to bode well for the real economy in the medium-term."

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.

As part of efforts to lower cost burdens, Pakistani manufacturers reported a sustained fall in employment levels in the latest survey period. The rate of job shedding was modest, but the most pronounced since March. Moreover, cost cutting practices were also prevalent in goods producers lowering input purchases in line with the trend in new orders. At the same time, stocks of purchases were raised to protect against future price rises, and to the greatest extent since the opening month of data collection.

Looking forward, manufacturers were confident that production will expand over the coming year. Optimism was underpinned by expectations of new product launches and business expansion plans, alongside an improvement in economic, political and geopolitical conditions.

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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.
www.spglobal.com/marketintelligence/en/mi/products/pmi

HBL

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