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Editorial

SPECIAL ISSUE ON BUDGET & ECONOMY

Dear Readers!

The Pakistan Institute for Parliamentary Services (PIPS) continues to offer legislative, research and parliamentary development, through technical assistance to individual Members of Parliament as well as committees. PIPS held a training on parliamentary business for senior government officers (focal persons) of ministries/divisions, which aimed at enhancing their understanding of parliamentary rules of procedures so that government servants are responsive to their duties towards Parliament.

As envisioned by the founding father Quaid e Azam Muhammad Ali Jinnah, Pakistan holds firm on its ideological principle of peace within and peace without, as manifested in the sincere efforts as peace makers in the US-Iran war to avert a catastrophic unjust war in the middle east. The historic and unwavering commitment and dedicated endeavour of the Islamic Republic of Pakistan has been acknowledged and lauded world over by state leaders and governments and more importantly people at large including recently held 152nd Inter Parliamentary Union (IPU) Assembly at Istanbul, Turkiye.

This Special Economy and Budget Issue of the PIPS Parliamentary Research Digest in April 2026, comprises of imperative write-ups by leading academic and experts on Economy of Pakistan and broadening of tax base. Please feel free to send your feedback and/or contact the Team for any of our services at research@pips.gov.pk

Muhammad Rashid Mafzool Zaka
Director General (Research)

Group Photo of Participants of PIPS Orientation on Parliamentary Business for Government Officers, April 14-15, 2026

OPINION

Economic Health of Pakistan 2025-26: Challenges and Opportunities

Dr. Wasim Shahid Malik[1] and Dr. Muhammad Shuaib Malik

1. Introduction

The annual budget is the government's most important economic policy document, serving not only as a statement of expected revenues and expenditures but also as a framework for managing the economy and advancing national development priorities. It reflects how fiscal policy is used to balance competing objectives: maintaining macroeconomic stability, supporting growth, protecting vulnerable groups, and creating conditions for long-term prosperity. Through the budget, the government allocates scarce public resources, sets fiscal targets, and aligns short-term policy actions with broader strategic goals for economic transformation.

In the short run, budget policy is primarily concerned with stabilizing the economy by managing inflationary pressures, supporting employment, containing fiscal deficits, and addressing external sector vulnerabilities. Over the medium to long term, however, the focus shifts toward strengthening productive capacity, encouraging private and public investment, improving infrastructure, enhancing human capital, and ensuring that growth remains inclusive and sustainable. The effectiveness of the budget therefore, depends not only on the size of allocations but also on the quality of expenditure, institutional coordination, and the credibility of policy implementation.

It is equally important to acknowledge that fiscal policy operates within significant constraints. Governments cannot pursue all economic and social objectives simultaneously within a single fiscal year, and policy choices inevitably involve trade-offs. Measures aimed at accelerating growth may generate inflationary risks, while aggressive stabilization efforts can temporarily suppress economic activity. Similarly, maintaining exchange rate stability without adequate external buffers may create pressures on foreign reserves and weaken competitiveness. Moreover, a substantial portion of public expenditure, including debt servicing, defence, pensions, salaries, subsidies, and commitments to ongoing development projects, is largely predetermined in the short term, reducing fiscal space for discretionary interventions.

Pakistan's recent fiscal experience illustrates these challenges clearly. FY2023 was marked by severe macroeconomic instability, characterized by weak growth, exceptionally high inflation, sharp exchange rate depreciation, declining foreign exchange reserves, and rising fiscal and debt vulnerabilities. The economy faced significant stress as both domestic imbalances and external financing pressures intensified. In response, FY2024 focused on macroeconomic stabilization through fiscal consolidation, tighter monetary policy, and corrective measures in the external sector. These efforts helped restore a degree of confidence, moderate inflationary pressures, reduce exchange rate volatility, and support a modest economic recovery, with real GDP growth reaching 2.6 percent.

By FY2025, the impact of these stabilization measures became more evident. Inflation declined substantially, revenue mobilization improved, the fiscal deficit narrowed, and the government

[1] The author is a macroeconomic expert and works for an ADB-funded Technical Assistance project.

recorded a primary surplus. External sector indicators also strengthened, with the current account moving into surplus, supported by stronger exports and record remittance inflows. Investor sentiment improved as macroeconomic risks eased and policy credibility strengthened. The central policy challenge now is to convert this stabilization into sustained and broad-based economic growth. Future budgets must therefore move beyond crisis management and focus on structural reforms that promote exports, attract private investment, improve the efficiency of the energy sector, broaden the tax base, strengthen human capital, and protect the most vulnerable segments of society.

2. GDP[2] Growth Rate and Inflation Rate[3]

Pakistan's long-term economic trajectory has been marked by moderate growth interspersed with recurring episodes of instability. While periods of economic expansion have occasionally generated optimism, they have often proved difficult to sustain because growth was not supported by strong macroeconomic fundamentals. Fiscal deficits, external account pressures, weak export performance, low productivity, and insufficient investment have repeatedly disrupted growth momentum. In addition, political uncertainty, global commodity shocks, energy shortages, and institutional weaknesses have further contributed to fluctuations in economic performance, preventing the economy from achieving the sustained high growth needed for meaningful employment generation, rapid income growth, and durable poverty reduction.

A persistent challenge has been the economy's tendency to experience growth-inflation cycles, where short-term expansion is followed by rising inflation, external imbalances, and eventual stabilization measures. In many cases, temporary growth spurts were driven by consumption-led demand, exchange rate distortions, or delayed structural adjustments rather than productivity gains and export competitiveness. As a result, higher growth was frequently accompanied by inflationary pressures and reserve depletion, forcing policy tightening that slowed economic activity. This pattern has limited long-term planning, weakened investor confidence, and constrained the country's development potential.

In recent years, however, Pakistan has entered a phase of gradual stabilization and economic recovery. Following the severe macroeconomic stress of FY2023, the economy began to recover during FY2024 through fiscal consolidation, prudent monetary policy, and corrective external sector measures. This momentum strengthened in FY2025, when GDP growth reached 3.1 percent, supported by contributions from agriculture (1.5 percent), industry (5.2 percent), and services (3.0 percent). Improved fiscal management, stronger external sector performance, and a significant decline in inflation contributed to restoring confidence and supporting broader economic activity.

The positive trend has continued into FY2026, with early indicators suggesting further improvement in growth performance. GDP expanded by 3.6 percent in the first quarter and is estimated at 3.9 percent in the second quarter, reflecting a broad-based recovery across major sectors. Industrial activity has shown notable strength, particularly in Large-Scale Manufacturing, which grew by 5.9 percent during Jul-Feb FY2026 compared with a contraction in the previous year. The automobile

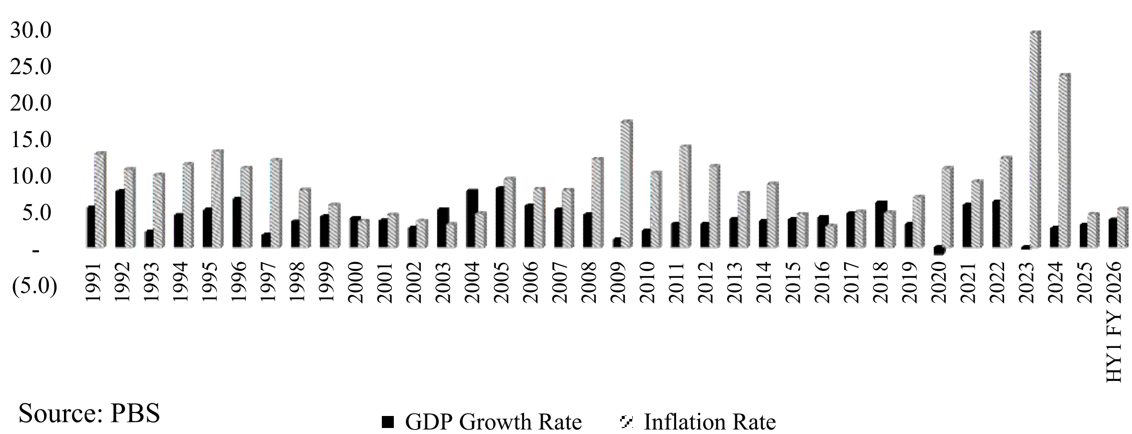
[2] GDP is defined as market value of all goods and services newly produced in one year in the economy or sum of private sector and government sector incomes.

[3] Inflation rate is defined as the percentage growth rate of a price index that measures average change (compared to base year) in prices of goods and services.

sector recorded strong gains in both production and sales, while cement dispatches increased by 9.8 percent, indicating stronger construction activity and renewed investment confidence. Agricultural financing also improved, with credit disbursement rising by 14.4 percent, supporting productivity and rural incomes.

Inflation, which had reached exceptionally high levels in recent years, has eased considerably as a result of coordinated fiscal, monetary, and administrative measures. Historically, Pakistan's inflation rate has remained volatile, averaging around 10.4 percent over the past two decades, with periods of low inflation often followed by sharp spikes during episodes of economic stress. Inflationary pressures have typically emerged from exchange rate depreciation, monetary expansion, energy price adjustments, fiscal imbalances, and international commodity shocks. Delayed policy corrections, particularly in the exchange rate, energy pricing, and fiscal management, often increased consumption pressures, weakened external buffers, and eventually resulted in abrupt price adjustments.

Figure 1: GDP Growth Rate and Inflation Rate



Source: PBS

The inflation crisis reached its peak in FY2023, when average CPI inflation rose to 29.2 percent, and year-on-year inflation touched 38 percent in May 2023. Food and energy prices were the main drivers, reflecting the combined impact of global supply chain disruptions, the Russia-Ukraine conflict, exchange rate depreciation, depleted foreign exchange reserves, and the devastating effects of the 2022 floods on agricultural output and food supply. Domestic political and economic uncertainty further intensified inflationary expectations and pricing pressures across the economy.

Since then, inflation has moderated significantly, helping restore macroeconomic stability. Average CPI inflation declined sharply to 5.2 percent in FY2025 and stood at 5.7 percent during Jul-Mar FY2026. The recent slight increase mainly reflects base effects, temporary supply disruptions, and uncertainty in global commodity markets, particularly due to renewed geopolitical tensions in the Middle East during early 2026, which raised concerns over oil prices, freight costs, and broader supply chain risks.

The recent improvement in both growth and inflation suggests a more balanced macroeconomic environment compared to previous cycles, where higher growth was often accompanied by rising price pressures. H1 FY2026 reflects a relatively healthier pattern in which economic activity is strengthening while inflation remains significantly below the crisis levels of recent years. Sustaining this balance will be critical for ensuring that recovery translates into durable and inclusive development.

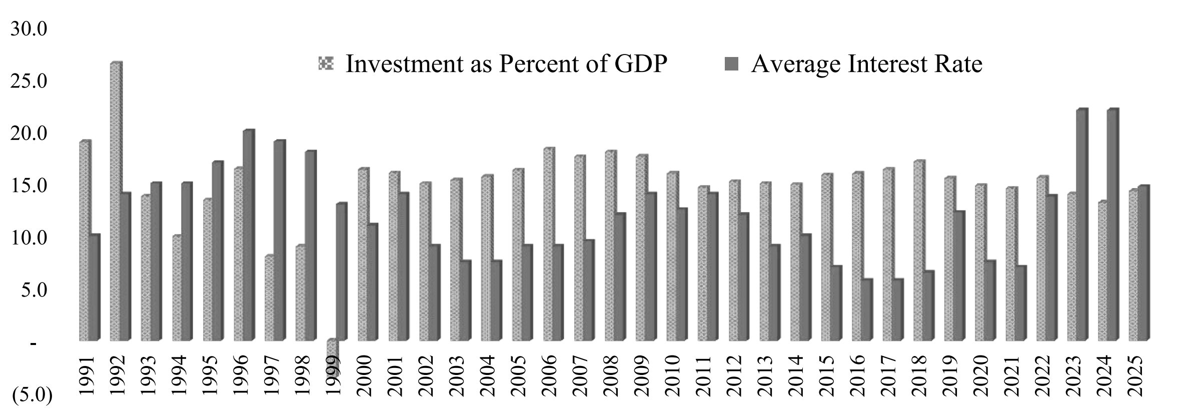
Future budgets must therefore focus on maintaining growth without compromising price stability. This requires continued fiscal discipline, stronger domestic revenue mobilization, export diversification, productivity enhancement in agriculture and industry, reliable and affordable energy supply, and sustained investment in education, health, and skills development. A stable macroeconomic environment supported by structural reforms will be essential to place Pakistan on a stronger path of resilient, broad-based, and sustainable economic growth.

3. Public and Private Investment

Investment remains one of the most critical constraints to Pakistan's long-term economic growth. A sustained increase in productive investment is essential for expanding industrial capacity, improving infrastructure, generating employment, and raising overall productivity. However, Pakistan's investment-to-GDP ratio has remained persistently low and well below the level required to support high and sustained economic growth. This structural weakness has limited the economy's ability to achieve stronger output expansion, export diversification, and long-term improvements in living standards.

The investment-to-GDP ratio has consistently declined (Figure 2).

Figure 2: Investment (% of GDP) and Average Interest Rate



Source: PBS & SBP

Historically, Pakistan's investment performance has shown a gradual decline. In the early 1990s, total investment reached nearly 27 percent of GDP, reflecting relatively stronger capital formation and development momentum. Over time, however, the ratio declined steadily and has largely remained within the range of 13-17 percent of GDP in recent years, despite occasional periods of recovery. This persistent decline reflects not only cyclical macroeconomic pressures but also deeper structural weaknesses that continue to discourage both public and private investment.

Economic theory suggests that investment should respond positively to stronger GDP growth, lower borrowing costs, and improved business confidence. In Pakistan, however, lower interest rates alone have not been sufficient to generate a meaningful investment surge. Investment has frequently remained subdued even during relatively accommodative monetary conditions because of persistent structural barriers. These include policy uncertainty, inconsistent taxation and regulation, weak infrastructure, energy shortages, limited access to productive credit, weak legal enforcement, and administrative inefficiencies that increase the cost and time of doing business. These factors collectively reduce investor confidence and discourage long-term planning.

Another important challenge is the weak incentive structure that often favors rent-seeking over productive enterprise. A significant share of private capital has historically been directed toward speculative and non-productive activities, particularly real estate, land speculation, and trading, rather than manufacturing, technology, innovation, and export-oriented industries. This misallocation of capital constrains productivity growth, reduces employment generation, and weakens the economy's capacity for structural transformation. Sustainable growth requires stronger incentives for entrepreneurship, industrial expansion, and formal business development rather than returns driven primarily by asset appreciation and arbitrage.

Fiscal pressures have further complicated the investment environment. Large fiscal deficits and rising public borrowing needs have often led the government to absorb a substantial share of domestic financial resources, particularly from the banking sector. This crowding-out effect reduces the availability of credit for private businesses, as banks prefer low-risk lending to the government over financing private investment projects. At the same time, elevated inflation has required higher policy rates, further raising financing costs for firms and slowing capital formation. While public investment remains essential, particularly in transport, energy, and social infrastructure, it must increasingly focus on projects that improve productivity and crowd in private investment rather than substitute for it.

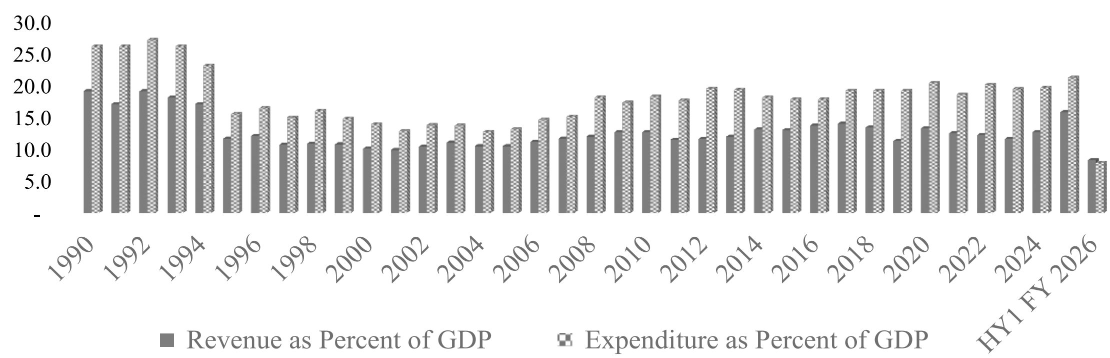
Looking ahead, future budgets must place investment at the center of the growth strategy. This requires preserving macroeconomic stability, strengthening policy credibility, reducing regulatory uncertainty, improving access to affordable finance, ensuring reliable and competitively priced energy, and directing incentives toward productive and export-oriented sectors. Public investment should be better prioritized toward infrastructure and human capital that enhance private sector competitiveness. Recent geopolitical tensions in the Middle East also reinforce the importance of building resilience against external shocks, as higher oil prices, freight costs, and global uncertainty can weaken investor confidence and tighten domestic financial conditions. A stronger and more competitive investment climate is therefore indispensable for achieving higher, more inclusive, and sustainable economic growth in Pakistan.

4. Fiscal Issues

Pakistan's fiscal position has historically been shaped by persistent budget deficits, reflecting a structural mismatch between public expenditure commitments and revenue generation capacity. For many years, fiscal balances remained under pressure due to a narrow tax base, weak compliance, high interest payments, inefficient subsidies, losses from state-owned enterprises, and steadily rising current expenditures. In periods of revenue shortfalls, development spending was often compressed as an adjustment mechanism, which weakened infrastructure development, constrained human capital investment, and reduced the long-term growth impact of public finance. This recurring adjustment pattern has also affected the predictability and credibility of fiscal policy, limiting its role as an effective tool for sustainable economic management.

In response to these longstanding challenges, the government has undertaken a series of measures aimed at improving fiscal discipline and strengthening the revenue base (refer to Figure 3). Over time, policy efforts have increasingly focused on enhancing revenue mobilization, rationalizing expenditures, improving debt management, and strengthening the targeting of subsidies and transfers. These reforms have begun to yield measurable improvements in fiscal outcomes. Following the severe macroeconomic pressures of FY2023, a deliberate consolidation strategy was adopted, which helped reduce fiscal imbalances and restore a degree of macroeconomic stability.

Figure 3: Revenue - Expenditures Gap (% of GDP)



Source: Ministry of Finance

As a result of these efforts, fiscal performance improved notably in FY2025, with the fiscal deficit narrowing to 5.4 percent of GDP and a primary surplus of 2.4 percent of GDP achieved. The emergence of a primary surplus is particularly significant, as it indicates that government revenues were sufficient to cover non-interest expenditures, thereby reducing reliance on borrowing for day-to-day operations. This development represents an important step toward restoring fiscal sustainability and rebuilding confidence among domestic and external stakeholders.

Revenue performance has also shown marked improvement in recent years. Tax collection has increased due to administrative reforms, digitization of tax systems, strengthened enforcement mechanisms, and gradual expansion in the documentation of economic activity. However, sustaining fiscal stability will require moving beyond episodic gains and anchoring fiscal planning in more realistic assumptions. Revenue projections need to be firmly grounded in macroeconomic fundamentals and administrative capacity, while expenditure planning should emphasize prioritization, efficiency, and measurable outcomes rather than incremental expansion.

The structure of public expenditure remains equally important. Development spending on infrastructure, education, health, water management, and technology plays a critical role in supporting long-term growth and should be safeguarded even during periods of fiscal adjustment. Excessive compression of development outlays to meet short-term deficit targets can undermine future growth potential and weaken the economy's productive capacity. At the same time, rationalization of current expenditures is essential. This includes reforms in the civil service, improved energy sector governance, restructuring of loss-making state-owned enterprises, and prudent debt management to reduce the burden of interest payments over time.

Fiscal federalism also plays a central role in Pakistan's overall fiscal framework. Following the 7th National Finance Commission (NFC) Award and the 18th Constitutional Amendment, a greater share of national resources and service delivery responsibilities has been devolved to provincial governments. This shift has made it increasingly important for provinces to enhance their own revenue mobilization efforts and improve expenditure efficiency. In particular, there is significant untapped potential in areas such as agricultural income tax, property taxation, and taxation of services, which can help broaden the overall tax base and reduce reliance on federal transfers.

Going forward, future budgets must build on recent fiscal gains while maintaining a careful balance between stabilization and growth. A durable fiscal framework will require continued discipline in expenditure management, sustained improvements in revenue collection, and a stronger focus on productive public investment. Enhanced coordination between federal and provincial governments will also be essential to ensure coherent fiscal policy implementation. Ultimately, a more sustainable fiscal path, supported by higher revenues, efficient spending, and effective intergovernmental coordination, will be critical for achieving long-term macroeconomic stability and inclusive economic growth in Pakistan.

5. External Accounts

The external sector is a central pillar of Pakistan's macroeconomic stability, as it connects the domestic economy with global markets through trade in goods and services, remittances, capital flows, and foreign exchange dynamics. Its performance has direct implications for inflation, growth, exchange rate stability, foreign exchange reserves, and overall investor confidence. In recent years, the management of the external account has improved notably due to tighter macroeconomic policies, improved financial discipline, and supportive inflows, helping restore a degree of stability after earlier periods of stress.

A key milestone was achieved in FY2025, when Pakistan recorded a current account surplus of US$328 million in June 2025, bringing the full-year surplus to US$2.11 billion. This represented the first annual current account surplus in 14 years and the largest in 22 years, reflecting stronger external adjustment, improved remittance inflows, and more disciplined import management. This turnaround signaled a significant improvement in external account resilience and helped support broader macroeconomic stabilization efforts.

During Jul-Mar FY2026, the current account remained broadly balanced, posting a marginal surplus of US$8 million compared to a surplus of US$1.7 billion in the same period last year. While March 2026 alone recorded a strong surplus of US$1.1 billion, the overall moderation compared to the previous year indicates that external pressures have re-emerged to some extent. At the same time, the goods trade deficit widened to US$23.5 billion (FOB) during Jul-Mar FY2026, up from US$18.7 billion last year; an increase of 26 percent. This widening primarily reflects higher import demand associated with improving domestic economic activity, particularly for machinery, raw materials, and intermediate inputs. However, relatively slower export growth continues to constrain external balance improvements and highlights persistent structural weaknesses in export competitiveness.

Figure 4 illustrates Pakistan's long-standing trade imbalance over the past three decades, where imports have consistently exceeded exports. This structural gap reflects the economy's dependence on imported energy, industrial inputs, machinery, and consumer goods. While exports have shown gradual improvement over time, import growth has historically accelerated more rapidly during phases of economic expansion, reinforcing the cyclical nature of external pressures. In Jul-Mar FY2026, this pattern remained evident, with imports rising faster than exports, underscoring the continued need to strengthen export capacity and improve external competitiveness.

Figure 4: Exports and Imports of Pakistan ($ billion)

Source: PBS

At the same time, workers' remittances remain a critical source of external stability. During Jul-Mar FY2026, remittance inflows increased by 8.2 percent to US$26.5 billion, compared with US$24.0 billion in the same period last year. Over the past two decades, remittances have become one of Pakistan's most reliable external inflows, helping to offset persistent trade deficits, support household consumption, and stabilize foreign exchange markets. On the reserve front, foreign exchange reserves stood at US$20.5 billion as of 10 April 2026, with US$15.1 billion held by the State Bank of Pakistan and US$5.4 billion with commercial banks, providing a more adequate buffer against external shocks compared to recent years.

Despite recent improvements, the external sector remains structurally vulnerable to global shocks and financing constraints. Pakistan's reliance on imported energy, exposure to commodity price volatility, and sensitivity to global financial conditions continue to pose risks to external stability. In this context, renewed geopolitical tensions in the Middle East since February 2026 have further highlighted these vulnerabilities, with potential implications for oil prices, shipping costs, and global supply chains. If sustained, such developments could increase the import bill, exert pressure on the current account, and create renewed stress on inflation and foreign exchange reserves.

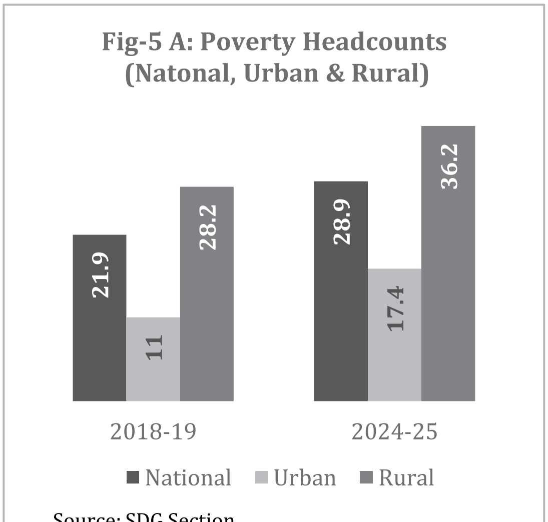
Going forward, strengthening the external sector will require a sustained shift toward export-led growth, supported by improvements in productivity, market diversification, and value addition. Efforts to promote import substitution in key sectors where viable, attract higher levels of foreign direct investment, diversify energy sources, and maintain adequate reserve buffers will be essential. At the same time, exchange rate flexibility, combined with prudent macroeconomic management, will be necessary to preserve competitiveness and absorb external shocks. A more resilient external sector is therefore critical for ensuring long-term macroeconomic stability and supporting sustained economic growth in Pakistan.

6. Social Sector

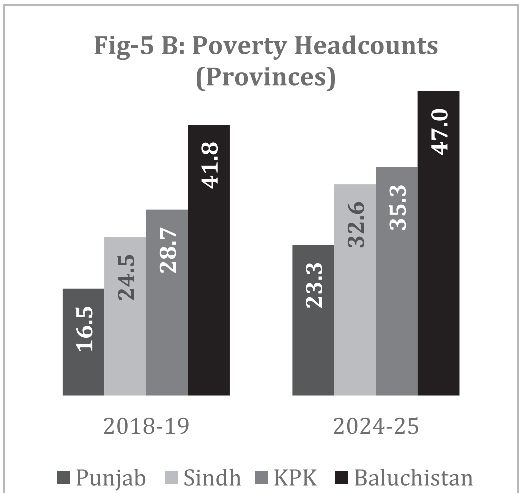
Despite episodes of moderate economic expansion, Pakistan's progress in social development has remained significantly below its economic potential. Improvements in output and growth have not translated proportionately into better outcomes in education, health, employment, and overall living standards. As a result, human development outcomes continue to lag behind regional and international comparators. Pakistan's Human Development Index (HDI) currently stands at 0.540, placing the country in the low human development category. This reflects deep-rooted structural constraints, including rapid population growth, uneven access to basic services, regional disparities, and the cumulative impact of recent economic shocks, inflationary pressures, and climate-related disasters such as floods.

Core social indicators further underscore the scale of the challenge. Literacy remains at approximately 62.2 percent, while key health indicators continue to reflect significant gaps in service delivery and quality of care. Infant mortality is estimated at 52.8 per 1,000 live births, and maternal mortality remains high at 186 per 100,000 births. These figures point to persistent deficiencies in primary healthcare systems, nutrition outcomes, and preventive health coverage. At the same time, limited and often inefficient public spending in critical social sectors has constrained progress, reducing the effectiveness of human capital investment.

Poverty trends over recent years highlight a reversal of earlier gains. According to estimates by the Ministry of Planning, based on a CPI-adjusted poverty line of Rs. 8,484 per adult equivalent per month for 2024-25, the national poverty headcount has risen to 28.9 percent, compared to 21.9 percent in 2018-19. This increase is observed across both rural and urban areas. Rural poverty has risen sharply from 28.2 percent to 36.2 percent, while urban poverty has increased from 11.0 percent to 17.4 percent. Provincial data also shows a broad-based deterioration, with rising poverty levels across Punjab, Sindh, and Khyber Pakhtunkhwa, while Balochistan continues to record the highest incidence. These trends largely reflect the combined effects of high inflation, weak real income growth, climate shocks affecting agriculture and livelihoods, and macroeconomic adjustment measures that temporarily reduced household purchasing power.

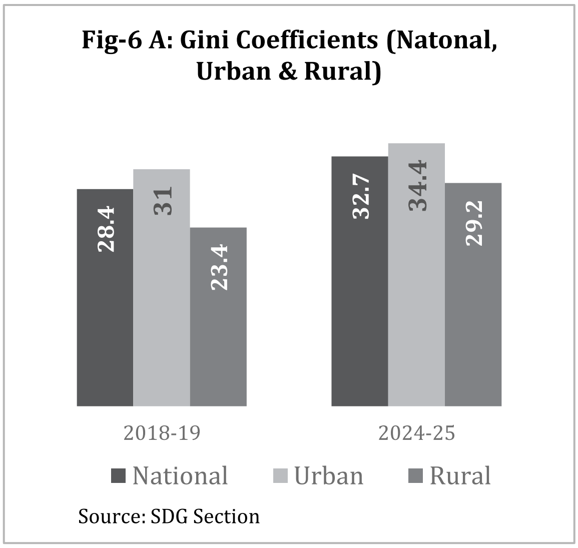


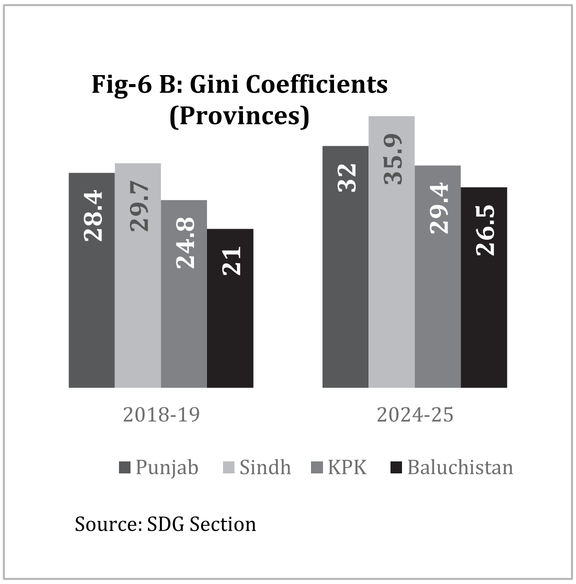
Source: SDG Section



Source: SDG Section

Income inequality has also widened during the same period, indicating that the benefits of economic activity have not been evenly distributed. The national Gini coefficient increased from 28.4 to 32.7 between 2018-19 and 2024-25, with more pronounced increases in urban areas and in Sindh. This suggests that economic shocks and inflationary episodes have disproportionately affected lower-income households, while income gains have remained concentrated among relatively better-off segments of the population. Rising inequality, alongside increasing poverty, highlights growing disparities in access to opportunities and economic resilience.





In light of these developments, it is essential to place the social sector at the core of economic policy formulation. This requires not only higher allocations but also improved efficiency and targeting of public spending in education, health, nutrition, clean water, and social protection. Equally important is the creation of productive employment opportunities and the strengthening of income-generating capacity across households. Sustained macroeconomic stability, when combined with effective human capital investment and well-targeted social protection mechanisms, is critical to ensuring that economic growth becomes more inclusive and translates into tangible improvements in living standards for all segments of society.

7. Conclusion

Pakistan remains a developing economy with a per capita income of approximately US$1,680. Over the past several decades, its economic performance has been characterized by moderate growth, averaging around 4.0 percent annually, but with significant volatility. Similarly, inflation has remained persistently high and unstable, averaging above 8.0 percent over the last fifty years, with fluctuations ranging broadly between low single digits and periods of exceptionally high inflation reaching up to 30 percent. This combination of modest growth and recurring price instability has constrained improvements in living standards and limited the economy's ability to sustain long-term development momentum. Against this backdrop, the current policy environment presents an important opportunity to reorient economic management toward deeper structural reform.

Pakistan's policy history has often been dominated by short-term stabilization efforts aimed at managing immediate macroeconomic pressures. While stabilization is necessary, it is not sufficient for achieving durable improvements in income levels and welfare outcomes. Experience suggests that episodic spikes in growth, particularly when driven by consumption or external inflows, have limited long-term impact if not accompanied by structural improvements. In contrast, even relatively modest but sustained increases in growth, when supported by productivity gains, institutional strengthening, and investment in human capital, can lead to meaningful and lasting improvements in living standards.

Accordingly, the focus of future economic strategy needs to shift toward reforms that enhance productivity, strengthen institutions, and improve the quality of public service delivery. Key areas include institutional strengthening through greater operational autonomy and accountability for public sector organizations such as research institutions, healthcare systems, and law enforcement agencies. Improving governance, transparency in policymaking, and policy consistency is also essential to reduce uncertainty and build investor and public confidence. At the same time, strengthening accountability frameworks for achieving policy targets can help improve implementation discipline and policy effectiveness.

Equally important is sustained investment in human capital and social infrastructure. Improvements in education, healthcare, skills development, and basic public services are critical for raising productivity and ensuring that economic growth is broad-based and inclusive. These reforms must be complemented by efforts to improve the business environment, promote private sector development, and encourage innovation and technological upgrading in key sectors of the economy. While these priorities do not represent an exhaustive list of reforms required for accelerating Pakistan's economic transformation, they provide a clear direction for policy action. Comprehensive change will take time and cannot be achieved within a single budget cycle. However, initiating and sustaining the reform process is essential. The upcoming budget and policy framework can serve as an important starting point for this transition, laying the foundation for more stable, inclusive, and sustained economic growth over the medium to long term.

ANALYSIS

Pakistan's Tax Paradox: Broad Coverage, Weak Revenue Realization

Dr. Ali Salman[1] & Maryam Ayub[2]

1. Introduction

Pakistan's tax-to-GDP ratio has remained within a narrow range of 9.3-10.1% from FY 2019 to FY 2025.[3] Despite continuous administrative changes, introduction of various slabs, increasing the tax rate, stricter enforcement measures, and digitalization, the ratio hasn't moved much. This low tax-to-GDP ratio is often attributed to the large informal economy and limited tax base. "Broadening of tax base" is the most recurring phrase in the discussions about Pakistan's fiscal challenges.

A narrow tax base is often cited as the reason for missed revenue targets in the economy. Under the IMF 37-month Extended Fund Facility (EFF), broadening of the tax base is one of the key priority reforms. The Tax Gap Report 2022, by FBR, indicates an overall tax gap of 26% of potential tax collection.[4] This large tax gap, estimated as the difference between the potential and actual tax collection, indicates that a large taxable capacity is present in the economy. This implies that the issue of low tax-to-GDP ratio or the revenue shortfalls cannot be addressed by broadening the tax base or increasing the tax rate, but rather the failure to adequately capture it.

This paper examines the conventional narrative of broadening the tax base to effectively increase the tax-to-GDP ratio in the country. Pakistan's federal tax base has essentially four tax instruments, i.e. Income tax, Sales tax, Customs Duties, and Federal Excise Duty (FED). We argue that the core issue of the tax policy is not its narrow or limited base, but rather the restricted conversion of this base into actual tax revenue because of a complex regulatory and compliance system. To examine this narrative, the paper evaluates the breadth of the tax base of major tax instruments, their coverage and connections with aggregates of the economy such as income, consumption, and imports.

2. Conceptual Framework of a Tax Base

In simple terms, a tax base consists of the economic value of all goods and services or economic activities that are subject to tax. It corresponds to the economic value on which tax can be imposed. For income tax, the base is the taxable income earned by individuals or firms, for sales tax, it's the aggregate consumption, for FED, the base is usually limited to specific commodities, and the customs tax is based on the total imports of the country.

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[1] Policy Research Institute of Market Economy (PRIME), "Founder and CEO," correspondence, email to author, ali@primeinstitute.org

[2] Policy Research Institute of Market Economy (PRIME), "Research Economist," correspondence, email to author, maryam@primeinstitute.org

[3] Finance Division Pakistan, Economic Survey of Pakistan FY2024–2025 (July 2025), https://www.finance.gov.pk/survey/chapter_25/4_Fiscal_Development.pdf

[4] Federal Board of Revenue Pakistan, Tax Gap Report 2022 (2022), https://www.fbr.gov.pk/tax-gap-report/142253/173757

However, for understanding the tax base, it's worth distinguishing between a potential/legal tax base and an actual/effective tax base. A potential tax base consists of all the items or economic activities that would be taxed if there were no special tax exemptions given by the state. In contrast, the actual tax base includes all the items that are actually taxed after excluding all the exemptions.[5] A tax policy apparently broader in design, incorporating a wide range of economic activities, might fail to achieve high tax revenues because of a limited effective tax base. This differentiation is critical in analyzing tax revenue outcomes, especially in developing countries. Such a gap is often attributed to underlying structural issues like complex regulatory compliance, preferential tax treatment and a large undocumented economy.

3. Snapshot of Pakistan's Tax Performance

In FY 2025, Pakistan's tax-to-GDP ratio finally entered a double digit, i.e. 10.3% after remaining stagnant for almost a decade despite significant growth in the size of the economy. Although this improvement is worth noting, it remains far lower than the peer countries and international standards.

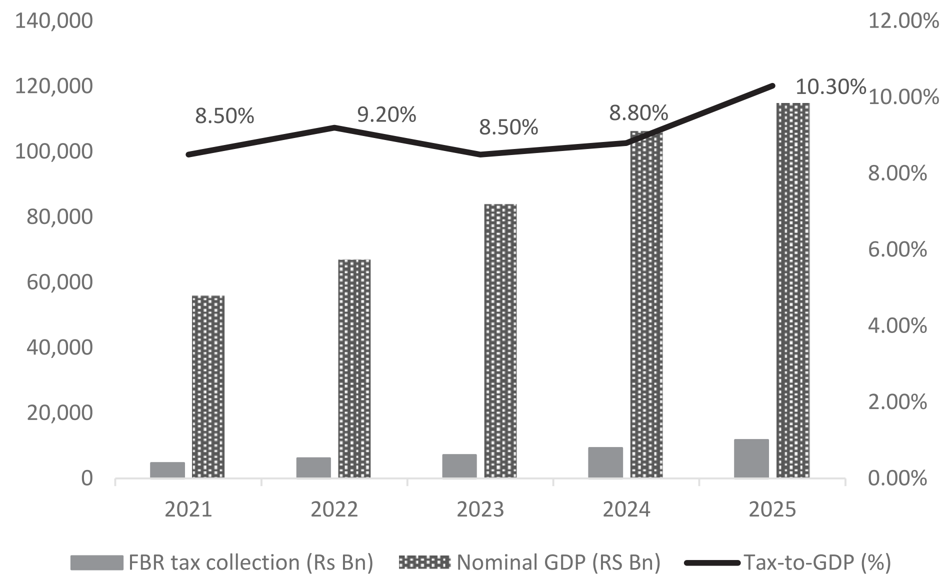

Figure 1: Trend of FBR revenue, Nominal GDP and tax-to-GDP ratio in Pakistan
Source: FBR Year Books and Economic Survey of Pakistan[6]

Figure 1 depicts the trends of nominal GDP, tax revenue, and the tax-to-GDP ratio from FY 2021 to FY 2025. There has been an evident growth in the size of the economy throughout this time, but tax revenue collection has not increased proportionally. Although tax revenue increased from Rs 4.7 trillion to Rs 11.74 trillion, this was largely attributed to nominal expansion rather than increased enforcement efforts. As a result, the tax-to-GDP ratio has largely remained stagnant. This gap

[5] Institute on Taxation and Economic Policy, Tax Policy Nuts and Bolts: Understanding the Tax Base and Tax Rate (August 2011), https://itep.sfo2.digitaloceanspaces.com/pb50bolts.pdf

[6] Federal Board of Revenue Pakistan, FBR Year Books, https://www.fbr.gov.pk/fbr-year-books/142253/132039
Finance Division Pakistan, Economic Survey of Pakistan, https://www.finance.gov.pk/survey_2022.html

between economic growth and revenue collection implies that the root cause is not the lack of a taxable base, but rather system weakness in translating the base into revenue.

4. Examining the size of Pakistan's Tax Base

In Pakistan, the federal taxes consist of direct and indirect taxes, out of which direct taxes include income tax, capital value tax, workers' profit participation fund and welfare fund. In contrast, indirect taxes constitute federal excise duty, customs duty and sales tax. Income tax is the largest contributor to the direct tax revenues; alone in FY2025, income tax accounted for 98.6% of direct taxes. The following figures show a breakdown of federal tax revenue in FY2025.

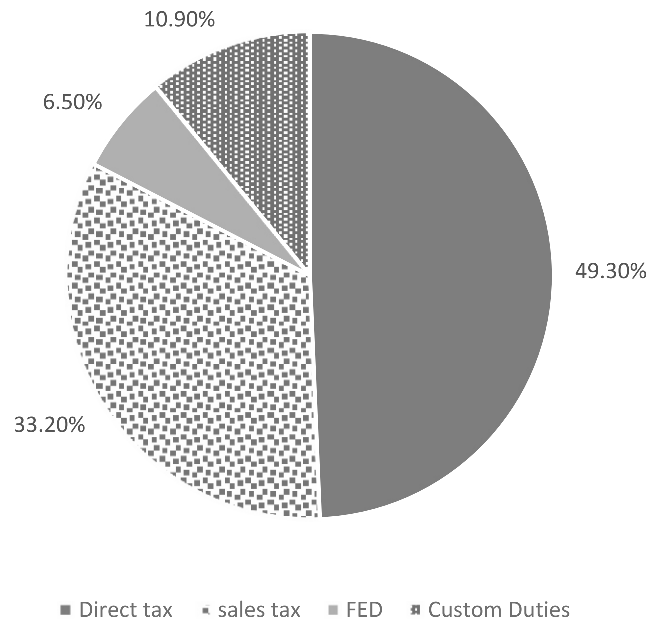

Figure 2: Components of Federal taxes in FY2025
Source: FBR Year Book 2024-2025[7]

In the following section, this paper examines the tax base of major direct and indirect taxes, including income tax, sales tax, and FED and customs duties, to evaluate whether Pakistan's tax base is structurally narrow and thereby responsible for the low tax-to-GDP ratio or if there are other underlying factors contributing to the low ratio.

4.1. Income Tax

According to the Income Tax Ordinance 2001, the taxable income includes the total income of an individual earned within the tax year, excluding the amount of deductible allowances. The ordinance classifies all the taxable income into five categories, namely, salary, income from business, income

[7] Federal Board of Revenue Pakistan, Year Book 2024–2025, https://download1.fbr.gov.pk/Docs/202643114423159FBRYearbookFY2024-25Final.pdf

from property, capital gains and income from other sources. The deductible allowances include zakat, workers' welfare fund, workers' participation fund, and educational expenses. This definition of taxable income indicates the legal tax base of income tax is structurally broad, aimed at accounting for all types of economic activities in the country. Moreover, the word "individual" is not limited to a person; it also includes companies or associations of persons, government entities, non-profit organisations and trusts. Additionally, the legal framework defined by the ordinance includes all income earned in Pakistan by both residents and non-residents. In principle, the income tax ordinance provides that all income-generating individuals, businesses and all economic activities are subject to taxation.

The legal or potential tax base of the income tax is structurally broad; however, the effective/actual tax base is quite limited. The annual taxable threshold for a salaried class and the business owner is Rs 600,000; individuals earning below this threshold are automatically exempted from the tax. Given the macroeconomic reality of the country, a relatively small segment of the population is able to earn above this threshold. The Labour Survey 2024-2025 reports a total of 83.1 million individuals as the working-age labour force.[8] However, the critical question remains whether the large workable labour force is taxable under the Income Tax Ordinance. This needs to be analyzed. The World Bank reports that in Pakistan, 24.7% of the population lives below the poverty line, and the remaining 75%, apparently above the poverty line.[9] With an average labour income of Rs 39000, it is highly improbable that a large portion of these 75% earn within the income threshold.

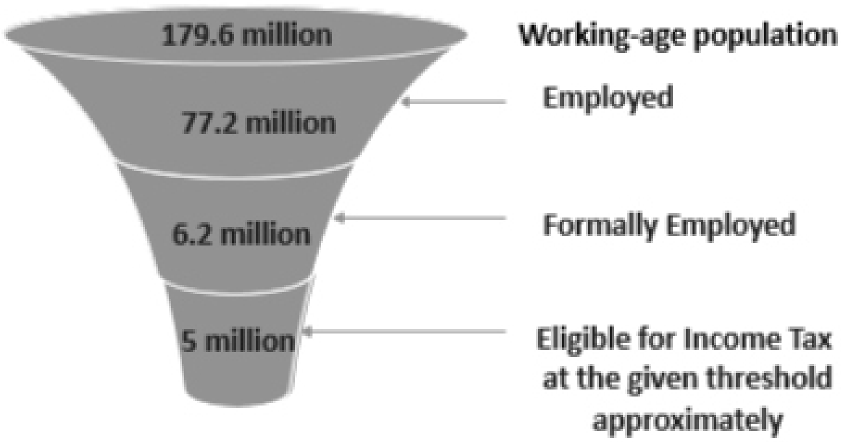

Figure 3: Tax Funnel of Income Tax
Source: Labour Survey of Pakistan[10]

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[8] Pakistan Bureau of Statistics, Labour Force Survey 2024–25, https://www.pbs.gov.pk/wp-content/uploads/2020/07/LFS-2024-25-Annual-Report.pdf

[9] Christina Wieser and Moritz Meyer, "Pakistan's Poverty Trajectory: Progress, Peril, and the Path Forward," September 23, 2025.

[10] Pakistan Bureau of Statistics, Labour Force Survey 2024–25, https://www.pbs.gov.pk/wp-content/uploads/2020/07/LFS-2024-25-Annual-Report.pdf

Using data from the Labour Force Survey (LFS) 2024-25, Figure 3 constructs a "staged elimination" of Pakistan's income tax base. According to LFS, the total working age population in Pakistan is 179.6 million, out of which 77.2 million are employed. Here, the most critical filter is formality. Only 6.2 million people in Pakistan are employed in the formal sector and have legally documented income. Based on the income threshold, around 5 million people are eligible to pay income tax. According to the FBR yearbook, the number of filers in FY2024-25 totaled 7 million, which implies that the number of filers exceeded the base of 5 million. However, this over-registration seems misleading, as in tax year 2025, 38% of individuals were in the nil filers category, 76.87% of companies, and 47.85% of associations of persons were also in the nil filers' category.[11] This demonstrates that tax base erosion is not only because of the informal economy or low income, but rather suggests weak enforcement in the formal economy.

The agricultural sector was largely excluded from the federal income tax because, after the 18th Amendment, it became a provincial matter. However, the agricultural income is relatively ineffective as almost 61% of farmers own less than 2.5 acres of land, which is not sufficient to produce a reasonable income.[12] With a relatively high yield of 35 maund per acre at a price of approx. Rs 9000 per maund, this translates into approximately Rs 1.57 million on 5-acre land, which is far below the taxable thresholds, i.e. Rs 600,000. After deducting the cost of production, i.e. 80% of the revenue, the net income of these farmers falls to Rs 315,000. To generate a taxable income of Rs 600,000, approximately 10-acre high yield cultivation is required. The latest agriculture census identified that only 7% of the farmers own 12.5 acres of land, making it the entire potential agricultural tax base.

It is important to identify distortion in the federal income tax. For instance, FBR has been collecting large "advance tax" through consumer withholding on telecom and electricity bills. Non-filers, for example, are subject to 15%-75% withholding on mobile top-ups and 7.5% on high-value electricity bills. These consumption-based taxes are out of the domain of income tax, and the Supreme Court has called them "illegal" and "exorbitant".[13] Pakistan's income tax base is legally broad but effectively narrow, limited mostly to a small top income group, with the majority earning less than the taxable limits or being exempt. Low yield reflects enforcement gaps and policy distortions (exemptions, withholding design) more than a lack of taxable income.

4.2. Sales Tax

The contribution of indirect taxes has reduced from 64% to 50.7% in total federal taxes over the last five years, since FY 2019.

[11] Zeb Mubarak Khan, "40pc Tax Returns Show Nil Income," Dawn newspaper Pakistan, December 14, 2025, https://www.dawn.com/news/1960995

[12] Shahbaz Rana, "97% Farmers Own Less Than 12.5 Acres of Land," Dawn newspaper Pakistan, August 7, 2025

[13] Joseph Waring, "Pakistan High Court Clamps Down on Mobile Taxes," GSMA Mobile World Live, June 12, 2018.

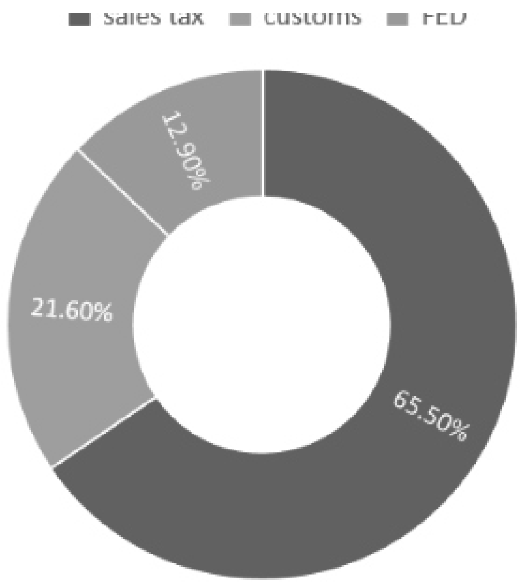

Figure 4: Indirect Tax Distribution of Pakistan in FY2025

Source: FBR Year Book 2024-2025

The scope of this tax is defined by the Sales Tax Act 1990. The sales tax is applied to the goods manufactured in Pakistan and the goods imported in Pakistan; therefore, it has two different bases, namely the domestic GST base and the import-stage GST base. The domestic tax base consists of all the supplies generated by the registered manufacturers, retailers, wholesalers, or importers that are taxable according to the Sales Tax Act. The import-stage GST comprises the customs value of imported goods on which the standard value of 18% sales tax and other additional taxes are applied at the border. The GST is also applied to services; however, after the 18th constitutional amendment, the GST on services was devolved to provinces.

Box 1: Hypothetical GST collection

According to the Economic Survey of Pakistan FY2024-25, the total private consumption is 94% of GDP, i.e., approximately Rs 107,099 billion.[1] Without any exemptions, with a 5% GST rate, this would translate into potential revenue of Rs 5.36 trillion under full coverage. However, the total GST collected in FY25 totalled Rs 3,901 billion with exemptions on agriculture output, unpacked food items, medicines and services.[1] To realise the potential of this large consumption base, an alternative approach may be abolishing all other types of taxes and applying 15% GST on all goods and services without any exemptions. This will translate into tax revenue of Rs 16.06 trillion. By abolishing all other taxes, through a GST of 15% without any exemptions, can translate into the complete targeted federal tax revenue.

In principle, the design of the Sales tax base presents a strong base for revenue mobilization, given the high consumption levels of the economy. Nevertheless, its performance is constrained by extensive exemptions, zero-rating provisions, and distortions among the federal and provincial authorities and compliance issues continue to limit the system's effective functioning.

4.3. Custom Duties

The Customs Act 1969 defines the dutiable goods as the goods imported into Pakistan, foreign goods bought at any custom station and the foreign goods bought in bond from one station to another. Pakistan's consumption pattern is highly import-reliant, particularly for energy, machinery, and intermediate goods. Its tax base can be defined as the total value of goods imported into the country, which is measured through customs declarations at the border. The custom base can be easily verified as the imports proceed through a formal channel and are regularly reported and updated by the State Bank of Pakistan. Resultantly, a custom base provides an efficient channel for revenue collection. However, customs duties, unlike other indirect taxes, are primarily an industrial policy tool, applied to protect the domestic industries and often utilized as a source of revenue generation. In accordance with the global trade liberalization commitments, tariff policy is structurally designed to facilitate imports while also protecting the local industry, to finally integrate into the global value chains.

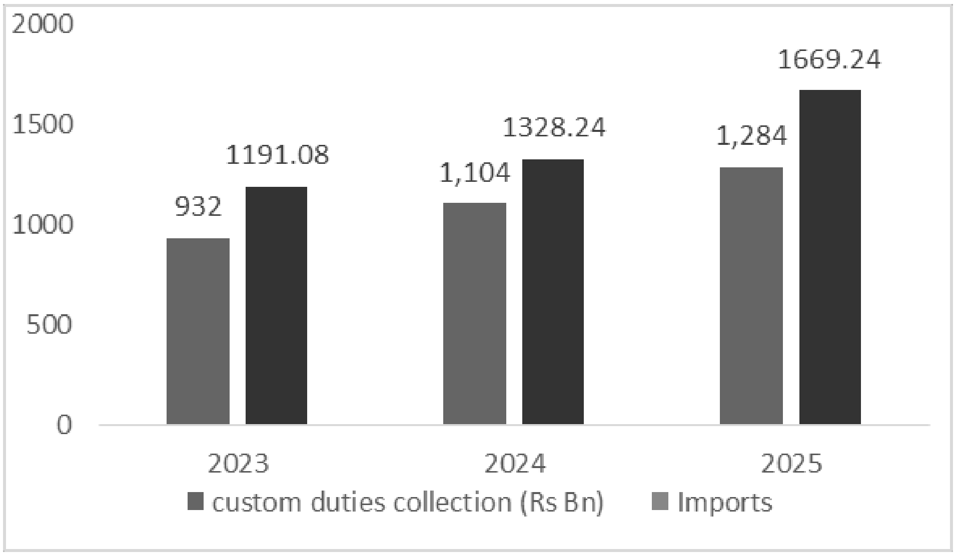

Figure 5: Custom Duties Collection & total Import in FY2023-2025
Source: FBR Year Book & PBS

Figure 5 contains a three-year comparison between the total value of imports in Pakistan and the customs duties tax collection. The graph shows that there was a limited growth in customs duty tax collection against a significantly increasing value of imported goods. As customs duty is a primarily trade policy rather than a revenue generation tool, the gap between the customs duty collection and total imports needs to be interpreted cautiously. Under the framework of trade liberalization and a concessional tariff regime, an effectively lower collection is a reflection of deliberated policy structure aimed at facilitating trade while also protecting the domestic industry. However, under-invoicing and misdeclaration are the result of administrative inefficiencies that limit revenue realization. Overall, the gap between total import value and customs duty collection is not because of a limited base but rather a structurally designed policy. Over time, we should reduce our dependence on customs duties as a revenue tool.

4.4. Federal Excise Duty

The Federal Excise Act of 2007 provides that a federal excise tax is applied on the production and imports of commodities that are assessed to be eligible for excise treatment. These commodities include tobacco, petroleum products, beverages, cement, fertilizer, motor cars, domestic and international air travel, etc. The base of FED is the total output of the specified product categories. In contrast to GST, federal excise duty is not a broad-based tax. However, this limited base is not a sign of weakness but rather a policy calculation. Resultantly, it contributed the lowest among the indirect taxes.

Despite coverage being a limited commodity, the FED collections improved from Rs 277 billion to Rs 767 billion from FY2021-2025, making it the fastest-growing tax head. This is attributable to the commodities included in it, such as tobacco and beverages. Although its base is narrow, the most important question is whether the sectors covered in it are taxed appropriately, especially tobacco, where the growing illicit tobacco market continues to erode the tax revenue, making it a compliance and enforcement gap, not a legal base gap.

5. Tax Exemption Eroding the Federal Tax Base

For revenue mobilization, the tax policy only focuses on increasing the tax rate; however, the different tax exemptions continue to substantially reduce the effective tax base through high amounts of revenue losses.

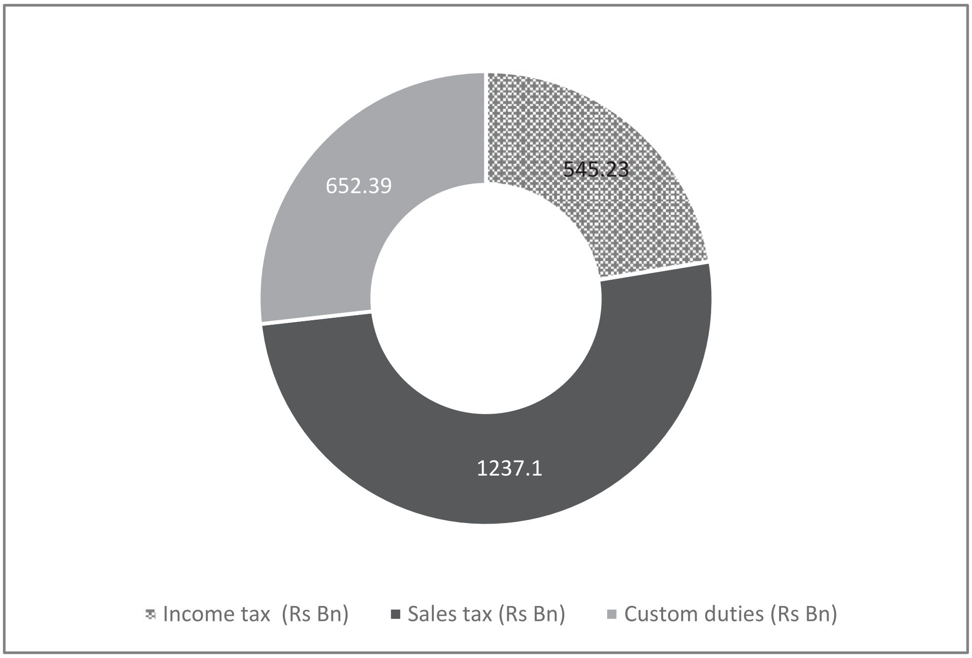

Figure 6: Tax Expenditure FY 2023-2024
Source: FBR Tax Expenditure Report 2025[14]

[14] Directorate General of Revenue Analysis FBR, Tax Expenditure Report 2025 (2025), https://download1.fbr.gov.pk/Docs/202595159423458TaxExpenditureReport2025.pdf

Figure 6 contains a breakdown of tax expenditure, that is, the amount of revenue lost through concessions, reduced rates and exemptions. For FY2023-24, the total tax expenditure accounted for Rs 2434.73 billion. Among sales tax exemptions, the sixth schedule- local supplies and imports (Rs 330.54 billion and Rs 372.52 billion) and the 8th schedule (Rs 374.11 billion), were the largest contributors. Out of the total income tax expenditure, exemptions from income tax alone account for Rs 443.445 billion of revenue loss. Additionally, the 5th schedule of the Customs Act contributed to Rs 379.74 billion. Although certain exemptions are necessary, such as the GST exemption of education and health commodities and the Free Trade Agreements requirements of zero customs duties. Overall, these exemptions point towards a fragmented system that shrinks the effective tax base through preferential treatment in the form of SROs and exemptions.

6. The Breath Paradox: Why Broad Legal Base Fails to Translate into High Revenue

After the analysis of the tax base of both direct and indirect taxes, the table below highlights the critical gaps between the potential and actual tax base.

Table 1: Gaps between potential and actual tax base

Tax	Potential Base	Proxy for Base	Key Performance Gap
Income tax	Person & corporate income, income on property and capital gain	Labour force & SECP companies registered firms and sole proprietors data	Nil fillers, Withholding Tax as final tax, and advance tax through consumer withholding on telecom and electricity bills. Withholding on mobile top-ups
Sales Tax	applied to the goods manufactured in Pakistan and the goods imported in Pakistan, along with the goods transactions through the informal economy	Private consumption & import values	SRO exemptions
Customs Duties	dutiable goods imported into Pakistan, foreign goods bought at any custom station and the foreign goods bought in bond from one station to another	Total import bill	Under-invoicing, smuggling
Federal Excise Tax	the production and imports of the commodities that are eligible for excise treatment	Total production & imports of tobacco, petroleum products, beverages and cement	Illicit trade, counterfeit, non-tax-paid products

From Table 1 above, it can be easily interpreted that the legal base of all the direct and indirect taxes is not narrow. The income tax is applied on all the income sources, sales tax constitutes the total private income in the country, customs duties are levied on all taxes, and the FED consists of selected commodities. The legal tax base in Pakistan is already broad; by applying new slabs or categories or by increasing the tax rates, the revenue cannot be mobilized unless the structural issues remain unaddressed.

7. Policy Recommendations

The following are some policy recommendations drawn from the PIDE-PRIME tax reform commission that need to be implemented to effectively translate the potential tax base to the actual/realized tax base.[15]

Personal Income Tax	▪ Equal tax rate for all income sources. ▪ Reducing the current number of slabs to two and eventually moving to a single slab. ▪ Increasing the tax exemption threshold to Rs 1.2 million annually. ▪ Eliminate super tax, turnover tax, capital value tax and deemed rental income tax. ▪ Classify the withholding tax as the advance tax. ▪ Inclusion of agricultural income into the federal tax regime.
Corporate Income Tax (CIT)	▪ Reduce CIT rate to 25%. ▪ Completely remove super tax, turnover tax, corporate tax, final tax regime and inter-corporate dividend tax.
General Sales Tax (GST)	▪ Transition to a uniform value-added tax (VAT) system for goods and services. ▪ Phased reduction of VAT to 10% in 5 years. ▪ Zero-rated VAT/GST in line with the EU framework. ▪ Removal of GST exemptions for SEZs. ▪ Phased exemptions of GST on chapters 24-97.
Customs Duties	▪ Removal of regulatory and additional customs duties, WHT and sales tax from imports of industrial inputs. ▪ Streamline tariffs into slabs of 0, 5, 10 and 20%. ▪ Removal of exemptions, particularly the 5th schedule
FED	▪ Increase the rate of FED on tobacco and harmful beverages. ▪ Increase GLT taxation rate to RS 500/kgs.

[15] PIDE-PRIME Tax Reforms Commission, PIDE-PRIME Tax Reforms Commission: Revenue with Growth (2024), https://pide.org.pk/research/pide-prime-tax-reforms-commission-revenue-with-growth/

7. Conclusion:

This paper argues that Pakistan has a broad legal tax base across the direct and indirect taxes, i.e. income tax, sales tax, customs tax and FED; however, the tax-to-GDP remains stagnant due to structural constraints in translating the high potential into the actual tax base. Key constraints include high tax rates, extensive exemptions, policy distortions, weak compliance, and a fragmented tax administration. Therefore, instead of expanding the base, addressing these constraints is required. Reforms should focus on rationalizing exemptions, strengthening enforcement, and improving institutional coordination. Priority measures include reducing tax rates, simplifying personal income tax, expanding e-invoicing and POS integration, reforming property valuation, introducing pre-filled returns, enacting a Tax Expenditure Act, and integrating FBR databases with SECP.

Economic and Social Indicators (2020-2025)[1]

Compiled by Tanzil Ur Rahman
PIPS Economy and Budget Desk

Sector / Indicator	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
GROSS DOMESTIC PRODUCT						
GDP (Rs billion)	47,540.4	55,836.2	66,658.0	83,651.0	105,379.0	113,935.0
GDP (US$ billion)	300.8	348.9	375.5	337.2	372.5	407.9
GDP Growth Rate (%)	-0.9	5.8	6.2	-0.2	2.6	3.1
Agriculture Growth Rate (%)	3.9	3.5	4.2	2.2	6.4	1.5
Manufacturing Growth Rate (%)	-7.8	10.5	10.9	-5.3	3.0	2.0
Commodity Producing Sector Growth Rate (%)	-0.6	5.6	5.5	-0.6	3.2	3.1
Services Sector Growth Rate (%)	-1.2	5.9	6.7	-	2.3	3.1
GDP Deflator (growth %)	9.9	10.4	14.1	26.0	22.2	4.1
Consumer Price Index (CPI) (growth %)	10.7	8.9	12.2	29.2	23.4	4.5
Per Capita Income (mp-US$)	1,457.6	1,677.3	1,767.0	1,547.0	1,666.0	1,814.0
INVESTMENT & SAVINGS						
Total Investment Growth Rate (%, current mp)	3.8	15.2	27.8	12.7	18.9	17.3
Fixed Investment Growth Rate (%)	3.2	14.9	28.9	11.1	17.9	18.7
Public Investment Growth Rate (%)	-2.1	23.3	40.4	6.3	3.1	46.6
Private Investment Growth Rate (%)	4.7	12.6	25.5	12.7	22.6	11.2
Total Investment (% of GDP)	14.8	14.5	15.6	14.0	13.2	14.3
Fixed Investment (% of GDP)	13.1	12.8	13.9	12.3	11.5	12.6
Public Investment (% of GDP)	2.8	3.0	3.5	3.0	2.4	3.3
Private Investment (% of GDP)	10.3	9.9	10.4	9.3	9.1	9.3
National Savings (% of GDP)	13.3	13.7	10.9	13.0	12.6	14.8
Foreign Savings (% of GDP)	1.5	0.8	4.7	1.0	0.6	-0.5
Domestic Savings (% of GDP)	7.6	6.7	4.2	6.8	7.1	7.8
FISCAL SECTOR						
Total Revenue (% of GDP mp)	13.2	12.4	12.1	11.5	12.6	15.8
Tax Revenue (% of GDP)	9.3	9.4	10.1	9.3	9.6	11.2
Non-Tax Revenue (% of GDP)	3.9	2.9	1.9	2.2	3.0	4.6
Total Expenditure (% of GDP mp)	20.3	18.5	19.9	19.3	19.4	21.2
Current Expenditure (% of GDP)	17.9	16.3	17.3	17.3	17.6	18.9
Current Expenditure, Defence (as % of GDP mp)	2.6	2.4	2.1	9.0	1.8	1.9
Current Expenditure, Markup Payments (as % of GDP mp)	5.5	4.9	4.8	6.8	7.7	7.8
Development Expenditure (% of GDP mp)	2.4	2.2	2.4	2.3	1.9	2.6
Overall Deficit (as % of GDP current mp)	7.1	6.1	7.9	7.8	6.8	5.4
MONEY AND CREDIT (growth %)						
Monetary Assets (M2) (growth %)	17.5	16.2	13.6	14.2	16.0	13.7
Domestic Assets (growth %)	11.0	10.0	20.3	20.7	13.1	8.2
KSE 100 Index (growth %)	1.5	37.6	-12.3	-0.2	89.2	60.1
Aggregate Market Capitalization (growth %)	-5.2	27.1	-16.1	-8.5	62.9	46.9
TRADE AND PAYMENTS (growth %)						
Exports fob (growth %)	-7.1	13.7	26.7	-14.2	11.1	4.2
Imports fob (growth %)	-15.9	24.3	31.8	-26.3	0.9	11.2
Workers' Remittances (growth %)	6.4	27.3	6.2	-12.6	10.7	26.6
Exports fob (% of GDP) (mp)	7.5	7.3	8.6	8.3	8.3	7.9
Imports fob (% of GDP) (mp)	14.5	15.6	19.0	15.6	14.3	14.5
Trade Deficit (% of GDP) (mp)	7.0	8.2	-10.4	-7.4	-6.0	6.6
Current Account Deficit (% of GDP) (mp)	1.6	0.8	4.7	1.0	0.6	0.5
AGRICULTURE						
Total Cropped Area (mln. Hectares)	24.1	23.8	24.0	24.1	24.2	
Wheat Production (mln. tons)	25.2	27.5	26.2	28.2	31.8	28.4
Rice Production (mln. tons)	7.4	8.4	9.3	7.3	9.9	9.7
Sugarcane Production (mln. tons)	66.4	81.0	88.7	88.0	87.6	84.2
Cotton Production (mln. bales)	9.1	7.1	8.3	4.9	10.2	7.1
Fertilizer Offtake (mln. N/tons)	4.5	5.0	5.0	4.4	4.8	4.4
Agriculture Credit Disbursed (bln. Rs.)	1,214.7	1,365.9	1,418.9	1,776.0	2,215.7	2,577.3

[1] Finance Division, Government of Pakistan, "Pakistan Economy Dashboard," Finance.gov.pk, 2025, https://economy.finance.gov.pk/economic-and-social-indicators.

Sector / Indicator	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
MANUFACTURING						
Cotton Yarn (mln. Kg.)	3,059.9	3,441.6	3,458.7	2,694.8	2,477.2	2,665.3
Cotton Cloth (mln. sq. mtr.)	934.5	1,048.4	1,050.7	920.5	871.4	877.3
Fertilizer Offtake (mln. tons)	8.1	8.9	9.1	8.3	9.2	9.4
Sugar (mln. tons)	4.9	5.7	7.9	6.7	6.8	5.8
Cement (mln. tons)	39.1	49.8	48.0	41.4	39.6	37.8
Soda Ash (000 tons)	550.6	594.3	651.3	736.7	785.3	699.5
Caustic Soda (000 tons)	342.4	394.1	405.1	475.7	497.2	452.5
Cigarettes (bln. nos.)	46.1	51.5	59.7	42.8	32.9	35.2
ENERGY						
Crude Oil Extraction (mln. Barrels)	28.1	27.6	26.8	25.4	25.8	22.8
Natural Gas Production (mcf)	1,316.6	1,279.2	1,237.3	1,189.5	1,140.6	1,054.8
Electricity Installed Capacity (000 MW)	36.7	36.5	41.4	45.6	45.3	44.5
TRANSPORT & COMMUNICATIONS						
Roads (000 km)	501.4	500.7	501.2	501.2	501.2	501.2
Motor Vehicles on Roads (mln. nos.)	30.0	32.1	34.3	35.9	37.4	37.4
Post Offices (000 nos.)	10.1	9.6	10.2	10.1	10.6	7.0
TV Sets (000 nos.)	20,512.1	20,513.1	23,389.0	24,204.0	25,330.0	
INFORMATION TECHNOLOGY & TELECOM						
Telephones (mln. nos.)	2.5	2.5	2.6	2.6	2.6	2.6
Mobile Phones (mln. nos.)	168.6	184.3	194.6	190.9	192.5	197.8
Telecom Revenues (Rs. bln.)	595.0	647.0	717.0	817.0	955.0	803.0
Teledensity (%)	76.3	81.7	84.6	81.4	80.5	81.1
Broadband Subscribers (mln. nos.)	82.0	100.0	118.8	127.6	138.3	150.0
POPULATION & DEMOGRAPHY						
Population (million)	220.4	224.8	229.2	241.5		
Crude Birth Rate (per 1000 persons)	25.4					
Crude Death Rate (per 1000 persons)	6.6					
Infant Mortality Rate (per 1000 persons)	58.5					47.0
LABOUR FORCE & EMPLOYMENT						
Labour Force (million)		**71.8**				**83.1**
Employed Labour Force (million)		**67.3**				**77.2**
Unemployed Labour Force (million)		**4.5**				**5.9**
Unemployment Rate (% per annum)		**6.3**				**7.1**
EDUCATION						
Primary Schools (000 nos.) – Total	180.1	180.2	162.1	168.2	158.7	
Male	94.7	95.1	91.3	90.3	89.4	
Female	85.4	85.1	70.8	77.9	69.3	
Middle Schools (000 nos.) – Total	47.0	47.2	47.8	51.0	44.4	
Male	20.1	20.7	23.6	25.4	21.8	
Female	26.9	26.5	24.2	25.6	22.6	
High Schools (000 nos.) – Total	31.7	34.2	34.6	39.4	45.0	
Male	17.2	19.1	19.5	22.2	22.5	
Female	14.5	15.1	15.1	17.2	22.5	
Technical / Vocational Institutions – Total	3,740.0	3,740.0	4,182.0	4,406.0	4,549.0	
Male	2,410.0	2,410.0	2,553.0	2,682.0	2,738.0	
Female	1,330.0	1,330.0	1,629.0	1,724.0	1,811.0	
Literacy Rate (%) – Total	60.0	62.8			60.7	63.0
Male	70.0	73.4			68.0	73.0
Female	50.0	51.9			52.8	54.0
Expenditure on Education (% of GDP)	1.9	1.4	1.7	1.5	1.2	0.8
HEALTH						
Registered Doctors (000 nos.)	246.0	266.4	282.4	299.1	319.6	
Registered Nurses (000 nos.)	116.7	121.2	127.9	134.7	138.4	
Registered Dentists (000 nos.)	27.4	30.5	33.2	36.0	39.1	
Hospitals (nos.)	1,289.0	1,276.0	1,284.0	1,696.0	1,934.0	
Dispensaries (000 nos.)	5.8	5.8	5.6	5.6	6.2	
Rural Health Centers (nos.)	719.0	736.0	697.0	783.0	802.0	
TB Centres (nos.)	410.0	416.0	417.0	482.0	486.0	
Total Hospital Beds (000 nos.)	147.1	146.1	151.7	167.9	174.0	
Expenditure on Health (% of GDP)	1.1	1.0	1.4	1.0	0.9	0.8

QUAID'S VISION AND ADVICE TO CIVIL SERVANTS

"If you want to raise the prestige and greatness of Pakistan you must not fall victim to any pressure but do your duty as servants of the people and the state, You do not belong to the ruling class; you belong to the servants. You should make people feel that you are their servants and friends."

(Excerpts from Quaid-e-Azam Muhammad Ali Jinnah's address to civil servants in Peshawar on April 14, 1948)

PAKISTAN INSTITUTE FOR PARLIAMENTARY SERVICES

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For feedback feel free to contact Editor at:
Ataturk Avenue (Service Road), F-5/2, Islamabad
Email: research@pips.gov.pk
Web: www.pips.gov.pk