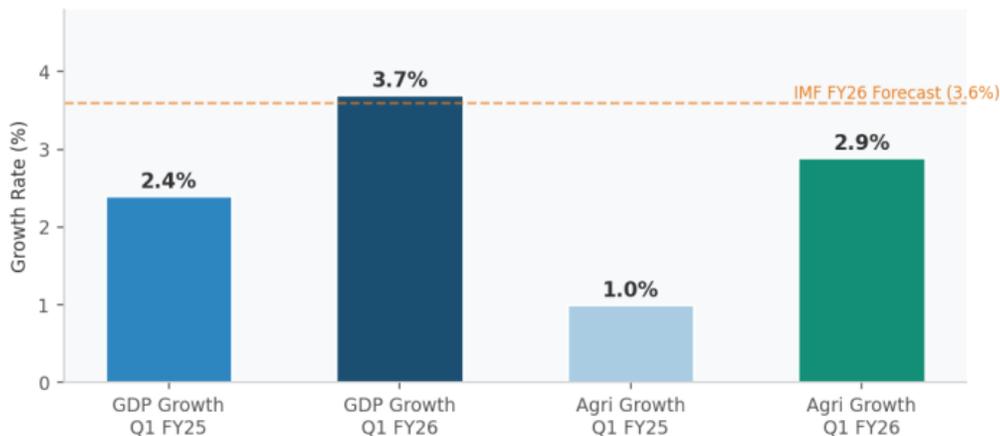




### Pakistan macroeconomic snapshot

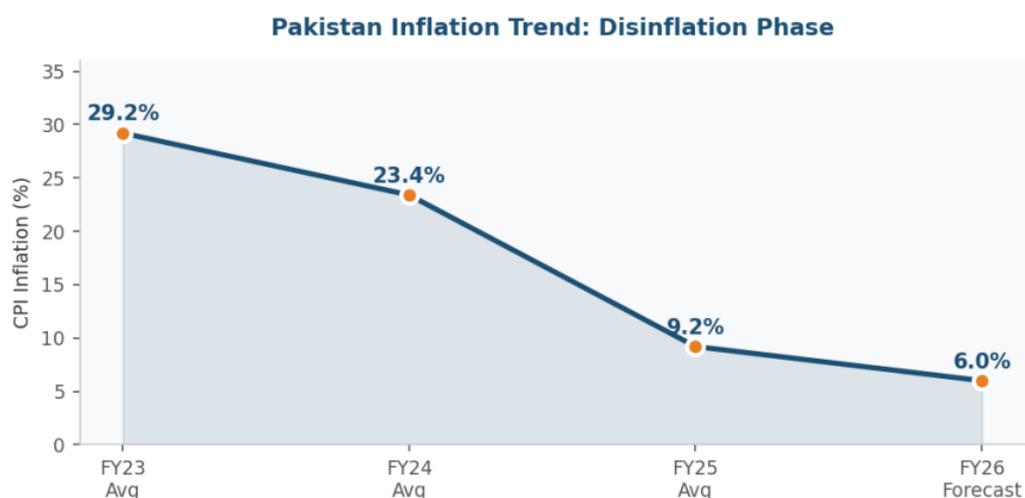
- Real GDP growth is estimated at around **3.7% in Q1 FY2025–26**, indicating a clear acceleration from last year’s subdued pace.<sup>[1][2]</sup>
- The government’s January 2026 Monthly Economic Outlook notes that Pakistan has completed the first half of FY2026 with **continued macroeconomic stability**, supported by a rebound in large-scale manufacturing (LSM), contained inflation, and improving sentiment.<sup>[3]</sup>
- Agriculture has shown a notable turnaround, growing about **2.9% in Q1 FY2026 versus 1.0%** in the same period last year, helping ease supply-side pressures.<sup>[4][1]</sup>
- The IMF’s latest projections keep Pakistan’s **growth forecast near 3.6% for FY2025–26**, with CPI inflation expected to average around **6%**, suggesting a disinflation phase compared to the double-digit levels seen in recent years.<sup>[5]</sup>

GDP & Agriculture Growth: FY25 vs FY26



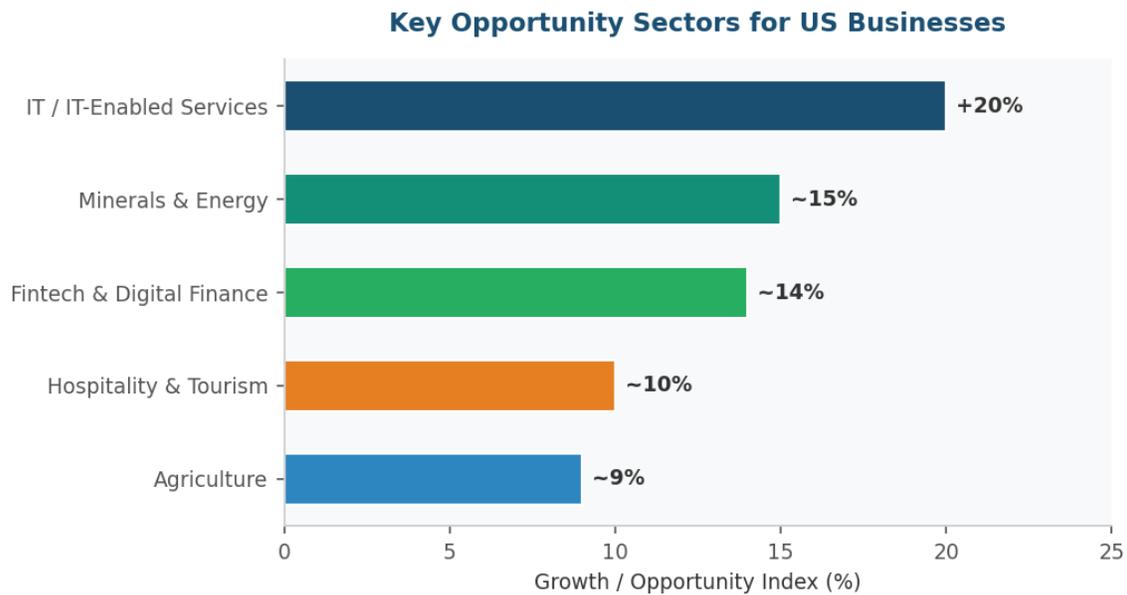
## Inflation, interest rates and financial conditions

- Price pressures have moderated, with recent data showing **declining perishable food prices** and a softening in weekly Sensitive Price Indicator readings toward late January, pointing to short-term price stability.<sup>[4][3]</sup>
- The State Bank's January 26, 2026 Monetary Policy Statement highlights that **real GDP growth at 3.7% yoy in Q1-FY26** is accompanied by a gradual normalization in demand, allowing monetary policy to stay focused on anchoring inflation expectations while supporting recovery.<sup>[2]</sup>
- Financing conditions remain tight but more predictable, helping anchor the exchange rate and support external-sector management as import demand normalizes.<sup>[3][2]</sup>



## Real sector and capital markets

- Large-scale manufacturing and other high-frequency indicators (HFIs) signal that the growth momentum observed in Q1 has **continued into Q2 FY2026**, with improvements in auto sales, cement dispatches, and related activity.<sup>[2][3]</sup>
- The government's development update indicates **broad-based stabilization** in the first half of FY2025–26, underpinned by coordinated fiscal and monetary policies, and a focus on disciplined consolidation.<sup>[1]</sup>
- The Pakistan Stock Exchange has been among the **world's stronger performing markets**, with the benchmark index climbing to around **188,500 points** by late January 2026 and market capitalization exceeding **PKR 21 trillion**, reflecting improved investor confidence.<sup>[4]</sup>



### External sector, fiscal stance and outlook

- On the external front, the **current account moved back into a deficit of about USD 1.2 billion in July–December 2025**, after recording a surplus in the same period last year, mainly due to higher imports (especially petroleum products and palm oil).<sup>[4]</sup>
- Exports have remained broadly stable, with **IT and IT-enabled services expanding by nearly 20%**, partially offsetting pressure from goods imports.<sup>[4]</sup>
- Official assessments underscore that Pakistan’s economy is **“well positioned to sustain its growth momentum” in FY2026**, contingent on continued reforms, prudent macroeconomic management, and progress on economic governance initiatives launched to embed stability in key institutions.<sup>[3][1]</sup>

### US–Pakistan trade and investment developments

- Pakistan and the United States entered 2026 with a **renewed emphasis on strengthening economic cooperation**, seeking to shift the relationship more explicitly toward trade, investment, and private-sector collaboration.<sup>[6]</sup>

- Key opportunity sectors highlighted by policymakers and diplomats include **information technology, minerals, energy, hospitality, and tourism**, reflecting areas where American companies can leverage Pakistan’s improving macro stability and large consumer base.<sup>[7][6]</sup>
- Ambassador-level engagements during 2025 laid the groundwork for **2026 as an “implementation year”**, with both sides signaling a desire to convert previously identified opportunities into concrete deals, enhanced business-to-business linkages, and expanded investment flows.<sup>[6]</sup>

## January 2026 policy and dialogue highlights

- In January 2026, Pakistan’s Finance Minister Muhammad Aurangzeb met with **U.S. Chargé d’Affaires Natalie Baker** to discuss ways to strengthen US–Pakistan trade and investment relations.<sup>[8]</sup>
- Discussions emphasized Pakistan’s **ongoing economic reforms, improved macroeconomic stability, and growth prospects**, with both sides underscoring the potential of digital finance and innovative financial technologies.<sup>[8]</sup>
- The dialogue included an emphasis on **collaboration in cryptocurrency and digital financial solutions** through Pakistan’s partnership with US-based Liberty Financial, signaling growing interest in fintech and digital-economy linkages between the two countries.<sup>[8]</sup>

## Implications and opportunities for US Businesses in Pakistan

- With growth stabilizing near the **3.6–3.7% range** and inflation easing toward **mid-single digits**, Pakistan is entering an environment more conducive to medium-term business planning, capital allocation, and portfolio expansion.<sup>[5][2][3]</sup>
- Strong equity-market performance, alongside recovering agriculture and manufacturing, signals **improving corporate earnings potential**, particularly in sectors tied to domestic consumption, infrastructure, and digital transformation.<sup>[3][4]</sup>
- For American companies and ABF members, emerging priorities include:
  - Leveraging **IT and IT-enabled services export growth** to deepen tech and outsourcing partnerships.<sup>[6][4]</sup>
  - Exploring **energy, minerals, and hospitality** projects where US capital and technology can complement Pakistan’s resource base and location.<sup>[6]</sup>

- Engaging in **fintech, digital finance, digital health and crypto-related solutions** in collaboration with local and US partners, as signaled by the January 2026 finance–diplomatic dialogue.<sup>[8]</sup>

**ABF serves as a platform for American businesses to navigate Pakistan’s evolving policy landscape, connect with public and private stakeholders, and translate this macroeconomic and diplomatic momentum into actionable trade and investment opportunities.**

**Please e-mail your suggestions on improving this newsletter to Fatima Hamid:**

**Fatima@abf.com.pk**

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