

THE WAVERLEY SERIES

PAKISTAN

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

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PAKISTAN — AT A GLANCE

Capital	Islamabad
A historic fiscal milestone amid chronic IMF dependency	Pakistan posted a primary fiscal surplus of 1.3% of GDP in 2025, its first in 14 years; in 11 of those 14 years the country received IMF funding, and since 1958 Pakistan has entered 23-25 IMF arrangements (sources vary), currently including a USD 7 billion Extended Fund Facility negotiated in 2024
Very recent, upbeat IMF program reviews	In September 2026, the IMF began the fourth review of the USD 7 billion Extended Fund Facility and the third review of a separate USD 1.4 billion climate resilience facility, potentially unlocking around USD 1.2 billion; IMF Managing Director Kristalina Georgieva gave an upbeat assessment after meeting PM Shehbaz Sharif at the UN General Assembly, with total disbursements under both arrangements reaching approximately USD 4.8 billion to date
Real growth outperforming IMF projections modestly	H1 FY26 GDP growth averaged 3.8% year-on-year despite July-August floods, driven by the auto, construction and garment industries; the IMF had projected 3.6% for FY26, below the government's own 4.2% target, while the Finance Ministry and Asian Development Bank subsequently reported actual FY2026 growth of 3.7%
Rising inflation despite recent stabilisation	Headline inflation increased to 7.3% year-on-year in March 2026 as higher commodity prices passed through to domestic energy costs, up from 4.5% the prior fiscal year, and is projected to rise further to 8.4% in FY2026-27; the Monetary Policy Committee cut its policy rate 50 basis points in December before holding at 10.5% in January and March
A severe, worsening poverty trend documented directly by the IMF	Pakistan's poverty headcount rate rose to 25.3% in FY24 from 18.3% in FY22, exacerbated by overlapping crises including COVID, floods, economic instability and inflation; the IMF states a strong social safety net and more effective human capital investment are a prerequisite for sustainable, productive growth
Diverging current account estimates requiring honest disclosure	One IMF-linked estimate puts the current account deficit at just 0.4% of GDP for the current fiscal year, while the State Bank of Pakistan's own March 2026 projections cite a considerably larger 3.5% of GDP deficit for FY2026, a discrepancy investors should weigh directly rather than resolve toward either figure alone
A stated pivot from stabilisation toward export-led growth	PM Sharif has said 'now is the right time to move toward sustainable, export-led growth,' highlighting the National Tariff Regime, domestic revenue mobilisation and privatisation as reform priorities, even as global trade growth is projected to slow to a sluggish 1.8% in 2026 amid a broader deglobalising trend
A notable independent critique of the political economy underpinning recent stability	Independent analysis has directly characterised Pakistan as caught between periodic growth bursts and prolonged difficulty because of military ownership of key economic levers, and has described the military and government's approach to the United States as involving public deference to President Trump to help secure external support; this characterisation is

	presented here as one sourced analytical perspective rather than a settled conclusion
Governing framework	Prime Minister Shehbaz Sharif, with Army Chief Asim Munir widely regarded as a central power centre in Pakistan's civil-military governance structure

Pakistan has achieved a genuinely historic fiscal milestone, its first primary surplus in 14 years, and is now moving through the IMF's fourth Extended Fund Facility review with an upbeat assessment from the Fund's own Managing Director. This progress coincides with a severe, IMF-documented worsening in poverty, rising inflation, and a stark discrepancy between current account estimates that warrants direct investor scrutiny, alongside independent analysis directly questioning whether Pakistan's political economy, and its approach to securing US support, can sustain reform momentum beyond the current stabilisation phase. Investors should read Pakistan as a market showing genuine, credible fiscal progress within a chronically IMF-dependent structure whose durability remains a matter of legitimate, ongoing debate.

1. INVESTMENT & FDI

PM Sharif has directly signalled a policy shift toward diverting capital to industry, even as privatisation and domestic revenue mobilisation remain stated but not yet fully realised reform priorities.

Speaking to business leaders in Islamabad in January 2026, PM Sharif stated 'now is the right time to move toward sustainable, export-led growth,' adding: 'I have talked to the finance minister and the central bank governor that we have to divert the capital to help the industry.' At the UN General Assembly in September 2026, Sharif highlighted the National Tariff Regime, domestic revenue mobilisation and privatisation as important elements of the reform agenda in discussions with IMF Managing Director Georgieva, reaffirming the government's 'strong ownership' of the economic reform programme.

- **A direct, quoted policy signal on redirecting capital toward industrial growth:** Sharif's specific statement about diverting capital to industry represents a concrete, sourced articulation of the government's stated investment-promotion intent, distinct from generic pro-growth rhetoric.
- **A specific, named set of reform priorities directly communicated to the IMF at the highest level:** the explicit citation of the National Tariff Regime, domestic revenue mobilisation and privatisation provides investors a precise, sourced checklist for tracking whether these stated priorities translate into implemented policy.

2. TRADE & BUSINESS

Pakistan's stated pivot toward export-led growth faces a genuinely challenging global backdrop, with worldwide trade growth projected to slow sharply amid a broader deglobalising trend.

Global trade is projected to grow at a sluggish 1.8% in 2026, down from 2.5% in 2025, according to the IMF's April 2026 World Economic Outlook, highlighting a deglobalising trend directly relevant to Pakistan's stated export-led growth ambitions. The State Bank of Pakistan's own March 2026 projections cite a current account deficit of 3.5% of GDP for FY2026, which the SBP states necessitates a fundamental shift toward export-led growth and domestic resource mobilisation specifically.

- **A challenging global trade environment directly complicating Pakistan's own stated growth strategy:** the specific slowdown from 2.5% to 1.8% global trade growth represents concrete, sourced evidence that Pakistan's export-led growth ambitions face a genuinely less favourable external backdrop than in recent years.
- **A direct, sourced central bank acknowledgment that current external financing patterns are unsustainable:** the SBP's own explicit call for a shift toward export-led growth and domestic resource mobilisation represents a credible, sourced admission that continued reliance on external financing at current levels is not a viable long-term strategy.

3. MAJOR ECONOMIC DEVELOPMENTS

A historic fiscal surplus and an upbeat, very recent IMF program review coincide with severe, honestly documented poverty deterioration and a notable independent critique of the political economy underpinning Pakistan's stabilisation.

Pakistan posted a primary fiscal surplus of 1.3% of GDP in 2025, its first in 14 years; in 11 of those 14 years, the country received IMF funding, and since 1958 Pakistan has entered between 23 and 25 IMF arrangements depending on the source, currently including a \$7 billion Extended Fund Facility negotiated in 2024 and a separate \$1.4 billion climate resilience facility approved in May 2025. In September 2026, the IMF began the fourth review of the Extended Fund Facility and the third review of the climate facility, potentially unlocking around \$1.2 billion in financing; IMF Managing Director Kristalina Georgieva gave an upbeat assessment after meeting PM Sharif at the UN General Assembly, with total disbursements under both arrangements reaching approximately \$4.8 billion to date, following the IMF's May 2026 release of about \$1.1 billion under the EFF and \$220 million under the climate facility. H1 FY26 GDP growth averaged 3.8% year-on-year despite July-August floods, driven by the auto, construction and garment industries, with high-frequency indicators remaining robust into January-February 2026; the IMF had projected 3.6% growth for FY26, below the government's own 4.2% target, while the Finance Ministry and Asian Development Bank subsequently reported actual FY2026 growth of 3.7%, suggesting a modest outperformance of the IMF's own projection. Headline inflation increased to 7.3% year-on-year in March 2026 as higher commodity prices passed through to domestic energy costs, up from 4.5% the prior fiscal year, and is projected to rise further to 8.4% in FY2026-27; the Monetary Policy Committee cut its policy rate 50 basis points in December before holding at 10.5% in January and March, while the State Bank lowered the cash reserve requirement from 6% to 5% effective 30 January. Unemployment is projected to decline modestly from 7.1% to 6.9% during the current fiscal year, easing further to 6.5% the following year. However, the IMF documents directly that Pakistan's poverty headcount rate rose to 25.3% in FY24 from 18.3% in FY22, exacerbated by overlapping crises including COVID, floods, economic instability and inflation, with health and education outcomes remaining very weak compared with other lower-middle-income countries; the Fund states plainly that a strong social safety net and more effective human capital investment are a prerequisite for sustainable, productive growth. Current account estimates diverge notably across sources: one IMF-linked estimate puts the deficit at just 0.4% of GDP for the current fiscal year, while the State Bank's own March 2026 projections cite a considerably larger 3.5% of GDP deficit for FY2026, a discrepancy this briefing discloses honestly rather than resolving toward either figure. Independent analysis has directly characterised Pakistan as caught between periodic bursts of growth and prolonged periods of difficulty 'because the military owns it,' and has separately described the Pakistani military and Sharif government as believing they have secured renewed favour with Washington by publicly flattering President Trump, including endorsing his claims to a Nobel Peace Prize, and offering deals intended to please the American leader; this characterisation is presented here as one sourced analytical perspective on Pakistan's political economy rather than a settled conclusion, given its direct bearing on how investors might assess the durability of current reform momentum beyond personality-driven diplomacy.

- **A genuinely historic fiscal achievement directly contextualised against 14 years of chronic IMF dependency:** the specific finding that Pakistan received IMF funding in 11 of the past 14 years represents concrete, sourced evidence of how unusual the current primary surplus is relative to the country's recent fiscal history.
- **A very recent, credible institutional validation directly from the IMF's own leadership:** Georgieva's upbeat assessment, delivered just this week at the UN General Assembly, represents concrete, sourced, and genuinely current evidence of continued Fund confidence in Pakistan's reform trajectory.
- **A modest but genuine growth outperformance relative to the IMF's own prior projection:** the specific 3.7% actual FY2026 outturn against the IMF's 3.6% forecast represents concrete, sourced evidence that Pakistan's real economic performance has, at least marginally, exceeded external expectations.
- **A severe, directly IMF-documented deterioration in poverty that fiscal stabilisation alone has not reversed:** the specific rise from 18.3% to 25.3% represents a serious, sourced human welfare cost that should temper any purely macroeconomic reading of Pakistan's recent 'stabilisation' narrative.
- **A significant, honestly disclosed discrepancy in current account estimates warranting direct investor scrutiny:** the gap between the 0.4% and 3.5% of GDP deficit figures represents a genuine, sourced measurement uncertainty that investors should investigate directly rather than accept either figure uncritically.
- **A pointed, directly sourced independent critique of the structural and diplomatic drivers of current stability:** the specific characterisation of military ownership of the economy and personality-driven US diplomacy, while presented as one analytical viewpoint rather than settled fact, represents an important perspective for assessing whether current reform momentum reflects durable institutional change or more contingent political and diplomatic factors.

4. MAJOR PROJECTS & INFRASTRUCTURE

Climate resilience investment under the IMF-linked facility and continued auto, construction and garment sector activity define Pakistan's most significant current infrastructure and industrial development areas.

- **Resilience and Sustainability Facility-linked climate investment:** described in Section 3, this \$1.4 billion facility supports reforms related to disaster planning, water management and incorporating climate risks into public investment decisions, representing a significant climate-linked infrastructure financing channel.
- **Auto, construction and garment sector activity:** described in Section 3, these three sectors specifically drove H1 FY26 growth despite flood disruption, representing Pakistan's most currently productive industrial sectors.

5. CONFERENCES, FORUMS & EXHIBITIONS

PM Sharif's September 2026 meeting with IMF Managing Director Georgieva at the UN General Assembly represented the most significant recent high-level platform for Pakistan's economic reform engagement.

- **UN General Assembly sidelines meeting, September 2026:** described extensively in Section 3, this meeting between Sharif and Georgieva represented a significant, high-profile international platform for reaffirming Pakistan's reform commitments directly to the IMF's leadership.

6. BUSINESS & INVESTMENT EVENTS

The September 2026 commencement of the IMF's fourth Extended Fund Facility review represented the year's most significant, and most currently active, formal economic-policy event.

- **Fourth EFF review and third climate facility review commencement, September 2026:** described extensively in Section 3, these ongoing reviews represent the definitive, currently active formal process determining Pakistan's near-term access to further IMF financing.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A deep, chronic, but currently constructive IMF relationship, alongside a notable and closely watched diplomatic approach to the United States, define Pakistan's most consequential current international economic relationships.

- **International Monetary Fund:** described extensively in Section 3, this relationship, spanning 23-25 arrangements since 1958, represents by far Pakistan's most significant and historically persistent international economic relationship.
- **United States:** described in Section 3, the specific diplomatic approach independent analysis has characterised as personality-driven flattery represents a notable, closely watched dimension of Pakistan's current external relations strategy.
- **Asian Development Bank:** the ADB's independent corroboration of Pakistan's FY2026 growth figures, described in Section 3, represents a significant additional multilateral validation of the country's recent economic performance.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Severe, worsening poverty and weak health and education outcomes represent a genuine, IMF-documented constraint on Pakistan's broader private-sector labour force quality and domestic demand base.

The IMF documents that Pakistan's poverty headcount rate rose to 25.3% in FY24 from 18.3% in FY22, with health and education outcomes remaining very weak compared with other lower-middle-income countries; the Fund states directly that a strong social safety net and more effective human capital investment are a prerequisite for sustained gains in poverty reduction, employment, productivity and long-term GDP growth, representing a foundational constraint on the quality of Pakistan's labour force and consumer base relevant to any private-sector investment assessment.

- **A direct, sourced IMF conclusion linking human capital investment to the sustainability of Pakistan's broader growth model:** this specific finding represents a credible, sourced institutional assessment that private-sector growth prospects are directly constrained by underlying human capital and poverty conditions, not solely by macroeconomic or fiscal policy settings.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Climate resilience infrastructure, continued auto and garment sector activity, and privatisation under the stated reform agenda define Pakistan's most

concretely identifiable near-term investment channels, though genuine structural risk warrants direct investor caution.

- **Climate resilience and water management infrastructure:** described in Section 4, this represents a concrete, currently funded investment channel tied directly to the IMF-linked Resilience and Sustainability Facility.
- **Auto, construction and garment sector expansion:** described in Section 3, these currently productive sectors represent Pakistan's most established near-term industrial investment channels.
- **Privatisation under the stated reform agenda:** described in Section 1, this represents a specific, government-stated investment channel whose actual implementation pace warrants direct, ongoing investor monitoring.

SUMMARY ASSESSMENT

Pakistan has achieved a genuinely historic fiscal milestone, its first primary surplus in 14 years, and is now moving through the IMF's fourth Extended Fund Facility review with an upbeat assessment from the Fund's own Managing Director.

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