

## **Manufacturing Growth Slows to 10-month low as New Orders Decline**

**Pakistan, Karachi – 2 July 2025:** Pakistan's manufacturing sector showed signs of cooling as the HBL Manufacturing Purchasing Managers' Index (PMI) slipped to a 10-month low of 50.5 in June, down from 51.1 in the previous month.

While the reading remained above the no-change threshold of 50 for the 14<sup>th</sup> consecutive month, it signaled a notable slowdown in momentum due to weakness in new order volumes. This was the first instance of consecutive new order contractions.

To align with softer production needs, firms proactively reduced both employment levels and input procurement. Despite the slowdown, there were encouraging developments on the export front.

Commenting on the report, Humaira Qamar, Head Equities & Research – HBL said, "After hitting a 10-month low last month as per the Central Bank, exports showed signs of revival. New export orders rose for the first time in three months, with manufacturers attributing the rebound to improved quality standards."

Manufacturers also reported greater control over outstanding workloads. Work Backlogs declined for the sixth straight month, underlining the ongoing softness in demand.

Looking ahead, optimism remains cautiously intact, as the Future Output Index continued to trend well above neutral, pointing to expectations of stronger activity in the year ahead. However, sentiment dipped for a second month in a row, weighed down by concerns over increasing taxation and geopolitical uncertainty.

Qamar pointed out that the current PMI levels suggest a slower pace of GDP growth than PBS estimates. She further stated, "We believe the current PMI readings imply a GDP growth rate lower than the provisionally estimated 2.7% for FY25, seeing potential for downward revisions. Furthermore, the Ministry of Finance's 4.2% GDP growth assumption in formulating the FY26 budget appears optimistic in our view, raising the risk of revenue underperformance."