

HBL PMI: Manufacturing Index Steady but Facing Headwinds

Pakistan, Karachi - 01 Sept 2025 – The HBL Pakistan Manufacturing PMI edged down to 50.1 in August from 50.5 in July, the lowest reading since the series began. Compiled by S&P Global, the PMI offers a forward-looking snapshot of industrial activity, with the latest reading signaling near-stagnant operating conditions in August. New orders declined for a fourth consecutive month, with firms attributing the slowdown in new business flow to inflationary pressures and load shedding.

New orders were also weighed down by slackening export orders, which contracted at the sharpest rate in the series' history. Firms attributed weaker export orders to lackluster global demand and to the impact of U.S. tariffs. While factory output increased at the fastest rate in three months, the uptick was largely due to the completion of existing orders.

The downturn in demand appears to be filtering into the labor market as firms cut back employment for a third consecutive month, the steepest decline in a year. Firms also linked the reduction in staffing to cost control measures. Raw material inventories were down for the first time in three months, reflecting muted input buying against a backdrop of softer demand. At the same time, delivery times continued to lengthen, driven by higher transportation costs as well as disruptions from flooding.

Commenting on the latest PMI report, Humaira Qamar - Head Equities & Research at HBL stated:

“Despite a subdued operating environment, business confidence remained marginally positive, albeit weaker than in July. Optimism was driven by expectations of business expansion, new product launches, and hopes of relief from further cost pressures. However, the survey was largely conducted before the recent heavy floods in the North of the country, and we believe this raises concerns over a fresh bout of price pressures. Businesses are likely to face renewed stress from logistical disruptions and higher costs. In light of the emerging inflationary risks, we believe the State Bank of Pakistan, at its Monetary Policy Committee meeting in September, may once again opt to maintain the Policy Rate at 11.0%.”