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ECONOMIC AND POLITICAL OVERVIEW

ECONOMIC OVERVIEW

Pakistan has achieved steady growth since 2013 in the aftermath of a credit facility agreement with the IMF. Economic growth slowed in recent years due to measures taken by the authorities to address macroeconomic imbalances and turned negative in the aftermath of the COVID-19 pandemic. According to the IMF's estimates, growth picked up in 2022 reaching 6% of GDP, but it turned negative again in 2023 (-0.5%), due to the efforts to stabilize the economy through tackling fiscal and external imbalances and to a contraction in private consumption caused by the loss of income of rural populations amid floods that devastated the agricultural sector and by rising inflation. The IMF has revised down Pakistan's growth estimate for fiscal year 2024 to 2%, followed by 3.5% in 2025.

Concerning public finances, Fitch Ratings anticipates that the consolidated general government fiscal deficit will decrease to 6.8% of GDP in FY24, down from an estimated 7.8% in FY23. This improvement is fueled by a shift in the primary balance to a surplus of 0.3% of GDP, compared to a primary deficit of 0.8% of GDP in FY23. The fiscal balance is being bolstered by factors such as inflation, new revenue measures, and enhanced discipline concerning tax exemptions, subsidies, and other expenditures, including those at the provincial level. The public debt-to-GDP ratio stood at 76.6% in 2023 and should decrease marginally this year (72.2%) and in 2025 (70.4% - IMF). Overall, Pakistan's debt dynamics remain stable due to robust nominal growth over the medium term, wherein high inflation acts to counterbalance the strain from elevated domestic interest costs. Pakistan experienced its highest-ever inflation in 2023, estimated at 29.2%. It should remain high over the forecast horizon (around 23.6% in 2024 and 12.2% the following year), as per the IMF. In July 2023, the IMF disbursed USD 1.2 billion, followed by an additional USD 700 million after the approval of a staff-level agreement in January 2024. This leaves USD 1.1 billion to be disbursed pending a review scheduled for March 2024.

Pakistan's unemployment rate stood increased to 8.5% in 2023 (from 6.2% the previous year) and is expected to decrease to 8% and 7.5% in 2024 and 2025, respectively. Nevertheless, the number of people no longer actively seeking work is increasing. The level of underemployment remains very high, and much of the economy is informal. While the poverty rate has fallen by 40% over the last two decades, it is still high: using the lower-middle-income poverty rate of USD 3.65 per day, in fact, the World Bank calculated that Pakistan's poverty ratio stands at around 39.4%, with over 12.5 million Pakistanis falling below the poverty line in one year. The country has a low GDP per capita (PPP), estimated at USD 6,437 in 2022 by the World Bank (latest data available).unctad.org/system/files/official-document/wir2023_en.pdf

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
GDP (<i>billions USD</i>)	374.66	340.64	0.00	0.00	0.00
GDP (<i>Constant Prices, Annual % Change</i>)	6.1	-0.5	2.5	3.6	4.5
GDP per Capita (<i>USD</i>)	1,650	1,471	0	0	0
General Government Gross Debt (<i>in % of GDP</i>)	76.2	76.6	72.2	70.4	68.3

Main Indicators	2022	2023 (E)	2024 (E)	2025 (E)	2026 (E)
Inflation Rate (%)	n/a	29.2	23.6	12.2	7.9
Unemployment Rate (% of the Labour Force)	6.2	8.5	8.0	7.5	6.5
Current Account (billions USD)	-17.48	-2.39	0.00	0.00	0.00
Current Account (in % of GDP)	-4.7	-0.7	-1.8	-1.6	-1.6

Source: IMF – World Economic Outlook Database , October 2021

Country Risk

See the country [risk analysis](#) provided by [La Coface](#).

MAIN SECTORS OF INDUSTRY

The agricultural sector is very important for the Pakistani economy: it contributes 22.4% of the GDP and employs 36% of the active population, being the largest source of foreign exchange earnings. Wheat, rice, cotton, sugarcane, fruits, vegetables, and tobacco are among the major crops. Cattle livestock farming remains important as the country is among the top 10 beef and veal producers in the world. Pakistan is the fifth-largest cotton producer globally and has abundant natural resources, mainly copper, oil, and gas. According to the Ministry of Finance, the growth in the agriculture sector reached 2.25% in FY 2022/23.

The industrial sector contributes 18.8% of the GDP and employs 26% of the population. The major industries are textile production (the largest source of foreign exchange revenue), oil refining, metal processing, and the production of cement and fertilizers. Maritime transport is also a significant activity; however, the market is dominated by foreign shipping companies and the state-owned Pakistan National Shipping Corporation (PNSC). The manufacturing sector accounts for 12.4% of GDP, with large-scale manufacturing accounting for three-quarters of the total. During fiscal year 2021-22, the industrial sector declined by 3.76% due to drops in large-scale manufacturing (-9.87%) and construction (-9.16% - Ministry of Finance).

The tertiary sector comprises 52.2% of the GDP and employs more than one-third of the workforce (38%). The IT sector is growing rapidly, contributing around 1% of GDP and accounting for 3.5% of exports. During FY 2022/23, the services sector posted a growth of only 0.07% on account of mixed results in its subsectors: transportation and storage (+3.27%), information & communication (-2.55%), finance & insurance (-8.09%), public administration and social security (-8.99%), and education (9.94%). In the revised estimates, wholesale and retail trade slightly improved to -4.01%, whereas human health and social work improved to 10.57% (Ministry of Finance).

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	37.5	25.2	37.3
Value Added (in % of GDP)	22.3	19.8	51.5
Value Added (Annual % Change)	4.4	7.2	6.2

Source: World Bank - Latest available data.

Monetary Indicators	2016	2017	2018	2019	2020
Pakistani Rupee (PKR) - Average Annual Exchange Rate For 1 USD	104.77	105.46	121.82	136.50	158.24

Source: World Bank - Latest available data.

FOREIGN TRADE

Despite economic and political difficulties, Pakistan has taken steps to liberalize its trade and investment framework as part of commitments made with the WTO, IMF, and the World Bank. Nevertheless, the share of foreign trade in Pakistan's GDP continues to be low, at 33% (World Bank, latest data available). Textile products account by far for the largest share of exports (around 60%, mostly comprising linen, clothing, and cotton, making the country the 7th textile exporter in the world), followed by rice (3.32 million tons between July 2023-January 2024). In regards to imports, the largest items are petroleum products, palm oil, telephones, and coal (Comtrade).

The United States is the top destination for Pakistani exports (20.1%, mainly textile), ahead of China (8.2%), the United Kingdom (6.5%), the Netherlands (5.8%), and Germany (5.7%). Conversely, China is by far the largest supplier of goods to Pakistan (23%), followed by the United Arab Emirates (11.2%), Saudi Arabia (7.2%), Indonesia (7%), Qatar (5.8%), and the United States (4.4% - data Comtrade).

Pakistan's trade structure has been structurally in deficit and has been worsening in recent years: in 2022, imports of goods stood at USD 71 billion (-1.9% year-on-year), while exports grew 9.2%, totaling USD 30.9 billion. Concerning the trade of services, imports reached USD 10.5 billion, whereas exports amounted to USD 7.3 billion. For the same year, the World Bank estimated the country's trade deficit at 12% of GDP (from 8.9% one year earlier). According to preliminary figures from the Pakistan Bureau of Statistics, the cumulative trade deficit for the first five months of the fiscal year 2023-24 (July-November) amounted to USD 9.45 billion, reflecting a 17.01% decrease in dollar terms compared to the same period the previous year. During the same period, cumulative exports totaled USD 12.17 billion, indicating a 1.9% increase, while cumulative imports totaled USD 21.6 billion (-17%).

Foreign Trade Values	2018	2019	2020	2021	2022
Imports of Goods <i>(million USD)</i>	60,078	50,332	45,837	72,489	71,072
Exports of Goods <i>(million USD)</i>	23,425	23,329	21,979	28,319	30,936
Imports of Services <i>(million USD)</i>	11,670	10,295	7,985	10,587	10,508
Exports of Services <i>(million USD)</i>	5,933	5,870	5,392	6,544	7,358

Source: World Trade Organisation (WTO) ; Latest available data

Foreign Trade Indicators	2018	2019	2020	2021	2022
Foreign Trade <i>(in % of GDP)</i>	27.6	28.9	26.7	27.1	32.3
Trade Balance <i>(million USD)</i>	-31,911	-22,881	-22,172	-36,859	-34,266
Trade Balance (Including Service) <i>(million USD)</i>	-37,648	-27,306	-24,765	-40,902	-37,416
Imports of Goods and Services <i>(Annual % Change)</i>	15.7	7.6	-5.1	14.5	15.6
Exports of Goods and Services <i>(Annual % Change)</i>	10.0	13.2	1.5	6.5	8.4
Imports of Goods and Services <i>(in % of GDP)</i>	19.0	19.5	17.4	18.0	21.9
Exports of Goods and Services <i>(in % of GDP)</i>	8.6	9.4	9.3	9.1	10.5

Source: World Bank ; Latest available data

Foreign Trade Forecasts	2023	2024 (e)	2025 (e)	2026 (e)	2027 (e)
Volume of exports of goods and services (Annual % change)	-7.8	20.8	8.7	6.2	6.0
Volume of imports of goods and services (Annual % change)	-29.3	26.2	6.5	6.0	6.2

Source: IMF, World Economic Outlook ; Latest available data

Note: (e) Estimated Data

International Economic Cooperation

Pakistan does not belong to any Customs Union.

It is a member of the [South Asian Association for Regional Cooperation \(SAARC\)](#)

Pakistan has signed Bilateral Investment Treaties (BITs) with nearly 40 countries. It has also signed 'Double Taxation Agreements' with nearly 50 countries.

The country has signed a trade agreement with 21 other countries in the São Paulo Round of the Global System of Trade Preferences among Developing Countries (GSTP).

For more details, visit:

[Pakistani Government](#)

[Pakistani state](#)

[Pakistan Customs](#)

[Federal Board of Revenue](#)

Main Partner Countries

Main Customers (% of Exports)	2022
United States	20.1%
China	8.2%
United Kingdom	6.5%
Netherlands	5.8%
Germany	5.7%
See More Countries	53.6%

Main Suppliers (% of Imports)	2022
China	23.0%
United Arab Emirates	11.2%
Saudi Arabia	7.2%
Indonesia	7.0%
Qatar	5.8%
See More Countries	45.8%

Source: Comtrade, Latest Available Data

POLITICAL OUTLINE

Current Political Leaders

President: Arif ALVI (since 9 September 2018)

Prime Minister: Anwaar-ul-Haq KAKAR (since 14 August 2023)

Next Election Dates

Presidential: March 2024

Senate: March 2024

National Assembly: 2029

Main Political Parties

Pakistan has a multi-party system in which no party has a chance of gaining power alone, and parties work with each other to form coalition governments to direct the National Assembly. Political alliances in Pakistan shift very frequently. Some of the major political parties in the country are:

- **Pakistan Muslim League** (Nawaz PML-N): centre-right, conservative liberal
- **Pakistan Peoples Party** (PPP): a mainstream political party derived out of the Pakistan People's Party
- **Sunni Ittehad Council** (SIC): right-wing, a political alliance of Islamic political and Barelvi religious parties
- **Pakistan Muslim League** (PMLQ): centre-right
- **Pakistan Tehreek-e-Insaf** (PTI): centre-left
- **Muttahida Qaumi Movement** (MQM): self-proclaimed liberal
- **Muttahida Majlis-e-Amal** (MMA): far-right
- **Jamiat Ulama-e-Islam** (JUI-F): far-right
- **Jamaat-e Islami Pakistan** (JI): far-right
- **Awami National Party** (ANP): democratic socialism
- **Pak Sarzameen Party** (PSP)
- **Awami Workers Party** (AWP): left-wing
- **Tehreek-e-Labbaik Pakistan** (TLP): far right.

Executive Power

The President is the chief of state and is elected by an Electoral College composed of the members of the Senate, the National Assembly and the provincial assemblies, for a five-year term. The President is the commander-in-chief of the armed forces. The President is supposed to have a largely ceremonial role; however, Presidents with an army background have played an influential role in mainstream politics throughout Pakistan's history. The Prime Minister is elected by the lower house of the parliament through a vote for a five-year term. The Prime Minister is the head of the government and enjoys the executive powers which include implementation of the law and running the day-to-day affairs of the country. The council of ministers (cabinet) is appointed by the President on the advice of the Prime Minister.

Legislative Power

The legislature in Pakistan is bicameral. The parliament consists of the Senate (the upper house) having 100 seats, with its members indirectly elected by provincial assemblies to serve six-year terms; and the National Assembly (the lower house) having 342 seats, with its members elected by popular vote to serve five-year terms (of which 272 members directly elected in single-seat constituencies by simple majority vote and 70 members -

60 women and 10 non-Muslims - directly elected by proportional representation vote). The President can be impeached and removed from his office by a two-thirds majority vote of the National Assembly, but the Constitution of the country also grants the President the unique power to dissolve the National Assembly and also to dismiss the Prime Minister. The Prime Minister cannot dissolve the parliament.

COVID-19 COUNTRY RESPONSE

Travel restrictions

Regularly updated travel information for all countries with regards to Covid-19 related entry regulations, flight bans, test and vaccines requirements is available on [TravelDoc Infopage](#).

To find information about the current travel regulations, including health requirements, it is also advised to consult Travel Regulations Map provided and updated on a daily basis by [IATA](#).

Import & export restrictions

A general overview of trade restrictions which were adopted by different countries during the COVID-19 pandemic is available on the [International Trade Centre's COVID-19 Temporary Trade Measures](#) webpage.

Economic recovery plan

For the general overview of the key economic policy responses to the COVID-19 pandemic (fiscal, monetary and macroeconomic) undertaken by the government of Pakistan, please consult the country's dedicated section in the [IMF's Policy Tracker platform](#).

Support plan for businesses

For an evaluation of impact of the Covid pandemic on SMEs and an inventory of country responses to foster SME resilience, refer to the OECD's [SME Covid-19 Policy Responses](#) document.

You can also consult the World Bank's [Map of SME-Support Measures in Response to COVID-19](#).