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Pakistan's Inflation Stabilizes at Nine-Year Low Amid Economic Recovery

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Pakistan's Finance Ministry projects consumer price inflation will remain between 3.5% to 4.5% in July, maintaining the positive trend that saw June's rate drop to 3.2% – the lowest single-month figure in nearly a decade. The fiscal year 2025 average of 4.49% marks a dramatic improvement from the previous year's 23.4%, signaling successful stabilization efforts amid broader economic reforms.

The ministry's monthly economic report attributes this progress to prudent monetary policy, improved supply chains, and a stable exchange rate. Large-scale manufacturing continues its upward trajectory, fueled by increased private sector credit and production activity. This industrial rebound is expected to boost imports of raw materials while supporting value-added exports – a critical balance for Pakistan's external sector stability. "The macroeconomic fundamentals are aligning favorably," noted the report, highlighting growing investor confidence as a key driver of sustained recovery.



However, significant challenges remain. Recent monsoon floods have claimed 280 lives and destroyed over 1,500 homes, according to the National Disaster Management Authority (NDMA). These climate shocks threaten to disrupt agricultural output and supply networks, potentially reversing recent price stability gains. The ministry cautioned that such weather-related disruptions could impact the inflation outlook in coming months, particularly for food prices that constitute nearly 35% of the consumer price index (CPI) basket.

While the current indicators suggest Pakistan's economy is turning a corner, maintaining this momentum requires continued fiscal discipline and structural reforms. The government must balance relief efforts for flood-affected regions with its inflation control measures, ensuring that short-term emergencies don't derail hard-won macroeconomic stability. As global commodity prices remain steady and domestic demand strengthens, Pakistan has a narrow window to consolidate these gains and transition from stabilization to sustainable growth.