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ADB Notes Modest Economic Recovery for Pakistan in FY2025

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The Asian Development Bank (ADB) has reported a modest improvement in Pakistan's economy during the fiscal year 2025, driven primarily by resilience in the industrial and services sectors. Despite ongoing fiscal constraints and structural weaknesses, the country has shown signs of gradual economic recovery. This latest update by the ADB offers a

cautiously optimistic outlook but also underscores the persistent challenges facing the South Asian nation.

According to the ADB, Pakistan's Gross Domestic Product (GDP) growth in fiscal year 2025 is estimated at 2.7 percent, a slight uptick from previous forecasts. This revision is credited to stronger-than-anticipated performance in manufacturing and services, including retail, logistics, and financial services. These sectors managed to stabilise amid global uncertainties and domestic fiscal pressures. Meanwhile, agriculture remains under strain, primarily due to erratic weather conditions and the absence of major reforms to boost productivity and efficiency. 

However, the economic gains come with caveats. Public debt continues to rise, and the government's reliance on foreign loans to stabilise the balance of payments is not a sustainable long-term solution. The report highlights that Pakistan's economic vulnerability is deeply rooted in its narrow tax base, energy sector inefficiencies, and lagging investment in human capital. These issues continue to limit economic resilience and leave the country exposed to external shocks. ADB has urged policymakers to focus on structural adjustments, including reforms in public finance and the regulatory environment, to pave the way for broader economic progress.

While the reported improvement may seem encouraging, the reality remains that Pakistan has a long journey ahead to achieve sustained growth and economic independence. The small rise in GDP offers an opportunity for the government to accelerate meaningful reforms rather than rely on short-term fixes. A genuine turnaround will depend on decisive policy measures that prioritize local production, fiscal discipline, and private sector empowerment. If managed wisely, this modest

recovery could be the foundation for a more stable and self-reliant economy in the years to come.

