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## Pakistan Economy Poised to Sustain Recovery

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The Ministry of Finance has indicated that Pakistan's economic recovery is expected to continue into the early part of the Fiscal Year 2026, backed by strengthening macroeconomic indicators and a rise in investor confidence. This positive forecast was detailed in the government's *Economic Update and Outlook for July 2025*, which outlines key trends in manufacturing, credit, and trade activities. The statement reflects a cautiously optimistic view of the country's fiscal trajectory following months of policy stabilization.

According to the report, Large Scale Manufacturing (LSM) showed notable improvement in June 2025. Growth in this sector is largely credited to increased access to private sector credit and expansion in production activity across multiple industries. This momentum is anticipated to carry forward, reinforcing industrial confidence and potentially revitalising supply chains that had previously slowed due to economic pressures. Stronger LSM output is expected to stimulate demand for raw materials and intermediate goods, supporting the trade balance through enhanced exports of processed products.

The Ministry further noted that these gains are being reinforced by improved fiscal discipline and policy clarity. Rising investor confidence, seen through steady capital inflows and increased domestic participation in production and trade, is playing a critical role in bolstering the economy. Importantly, the government's data points to more efficient allocation of credit resources and better integration between monetary policy and real sector demands, a sign of maturing economic governance. However, sustained vigilance is necessary to manage inflationary pressures and maintain a healthy current account position.

The outlook represents a turning point for Pakistan's economic planners who have spent the past year stabilising key sectors. While external vulnerabilities remain, the signs of recovery in manufacturing and trade offer a promising foundation for broader growth. Continued focus on export competitiveness, local production, and responsible fiscal management will be crucial to ensuring that this progress is not short-lived. The current trajectory, if supported by consistent reforms and market-driven policies, could lead Pakistan into a phase of more stable and inclusive economic development. The path forward demands not just optimism but disciplined execution.