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## Pakistan's HBL PMI Signals Fragile Recovery

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The HBL Pakistan Manufacturing Index (PMI) stayed near its 10-month low in July, reflecting continued weakness in the country's industrial sector. Despite steady production, the index indicates that manufacturers remain cautious, as new orders declined and job cuts persisted. The PMI, compiled by Habib Bank Limited (HBL), tracks private-sector manufacturing performance across key regions.

According to HBL's report, demand remained soft in both export and domestic markets. New orders fell for a third consecutive month, with factory employment also shrinking. Many firms cited cost pressures, energy supply issues, and delayed payments as key obstacles. However, managers surveyed by HBL were more optimistic about future conditions, expecting business activity to improve over the next 12 months.

The report highlighted a continued lack of industrial momentum. Power shortages and high input costs particularly in textiles, food processing, and automotive sectors have contributed to reduced capacity utilisation. Although inflation eased slightly, cost volatility remains a challenge for most firms.

On a more positive note, easing monetary policy and signs of macroeconomic stabilisation have led to a modest rise in business sentiment. The PMI's future expectations sub-index reached its highest point since October 2024, suggesting improving confidence among manufacturers. Still, the overall index remained well below the level typically associated with growth.

Analysts note that sustained recovery will depend on structural reforms and policy consistency. The manufacturing sector requires more predictable regulation, better credit access, and continued support from financial institutions to regain strength. Delays in payments from large clients also remain a constraint, particularly for small and medium-sized enterprises.

The data suggests that while Pakistan's manufacturing base is under pressure, the outlook is no longer entirely pessimistic. The next few months will be crucial in determining whether recent policy adjustments

can translate into actual growth. Until then, industrial output is likely to remain uneven.

The HBL PMI remains a key indicator of the private sector's response to broader economic developments, offering insight into the health of one of Pakistan's most critical sectors.

