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ICMA Economic Forecast for FY2026 Signals Strong Gains in Tax Revenue and Exports Amid Rising Imports and Debt Pressures

Research and Publications Department
Institute of Cost and Management Accountants of Pakistan

Message from the Chairman, Research and Publications Committee

I am delighted to present this Report titled **"ICMA Economic Forecast for FY2026 Signals Strong Gains in Tax Revenue and Exports Amid Rising Imports and Debt Pressures"** prepared by our Research and Publications Department. This report builds on FY24, FY25 outcomes and early signals from FY26, providing a clear and balanced view of the opportunities and challenges shaping our economy.

ICMA forecast shows that there are encouraging momentum across key sectors: exports are approaching a possible $42.8 billion milestone, FBR tax collections continue to rise due to improved compliance and enforcement, and measured monetary easing is supporting steady economic growth. At the same time, we remain candid about persistent headwinds, including rising domestic debt, a widening trade deficit, and the reemergence of a modest current account deficit in FY2026.

This analysis equips Government and policymakers, business and industry, investors, and stakeholders with practical, actionable insights to deal with the impending challenges and capitalize on emerging opportunities. Pakistan's economy has repeatedly demonstrated resilience and the ability to rebound. By focusing on strategic reforms, diversifying exports, broadening the revenue base, and maintaining prudent fiscal management, we are laying the foundation for sustainable, inclusive, and accelerated growth in the years ahead.

I warmly invite readers to explore the full outlook, reflect on the insights, and engage with the findings. Together, we can transform these projections into tangible progress for Pakistan. I commend the Research and Publications Department for their meticulous work, which delivers clarity, evidence, and direction for all stakeholders navigating the country's economic landscape.

Muhammad Yasin, FCMA
Vice President ICMA and Chairman Research & Publications Committee

ICMA's FY2026 Projections for Key Economic Indicators

For FY2026, ICMA projects an expansion in FBR revenues and Exports alongside a reduction in the Budget Deficit, against a backdrop of mounting Domestic Debt, Inflation, and widening Import, Trade, and Current Account Deficits

FY26 Forecasts: Methodology and Disclaimer

The ICMA Research and Publications Department has prepared its FY26 forecasts based on actual FY24, FY25 outcomes and early FY26 indicators across key macroeconomic sectors. These projections represent ICMA's independent assessment of Pakistan's economic trajectory and are presented with high confidence. The methodology considers structural and real factors, sectoral momentum, and key policy developments, integrating policy continuity to project full-year outcomes. However, economic forecasts are inherently uncertain, and actual outcomes may differ due to unforeseen developments, policy changes, or external shocks. This publication is for general information only and does not constitute financial, investment, legal, tax, economic, or policy advice. It should not be relied upon as the sole basis for any decision-making. ICMA accepts no liability for any loss or damage arising from use of this information.

Key Highlights of ICMA Projections for FY26

Real GDP is projected at **3.5%** in FY26, compared to 3% in FY25

FBR Tax collection is estimated at **Rs. 13,919 billion** in FY26, up from Rs. 12,723 billion in FY25 (+9.4%)

Budget Deficit is forecast at **Rs. 6,501 billion** in FY26, lower than Rs. 7,444 billion in FY25

CPI inflation is expected around **6%** in FY26, rising from 4.5% in FY25

Policy rate is likely to average **10%** in FY26, down from 16% in FY25, supporting economic growth

Exports (Goods & Services) are projected at **$42.8 billion** in FY26, up from $40.7 billion in FY25 (+5.1%)

Imports are expected at **$65.9 billion** in FY26, compared with $59.1 billion in FY25 (+11.5%)

Trade deficit is likely to exceed **$30 billion** in FY26, compared with $29.4 billion in FY25

Current Account is projected at a Deficit of **0.36% of GDP** in FY26, reversing the $1.9 billion surplus in FY25

Net FDI is expected to reach **$2.6 billion** in FY26, slightly higher than $2.5 billion in FY25 (+4%)

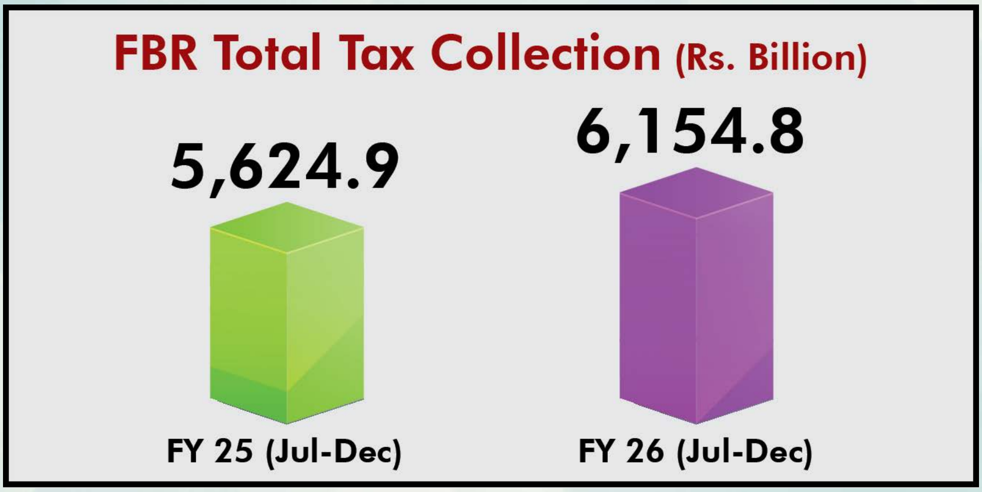
Central Govt, Domestic Debt is projected at **Rs. 60,312.3 billion** in FY26, up from Rs. 54,472 billion in FY25 (+10.7%)

Total debt and liabilities are expected at **Rs. 96,800 billion** in FY26, up from Rs. 94,197 billion in FY25 (+2.8%)

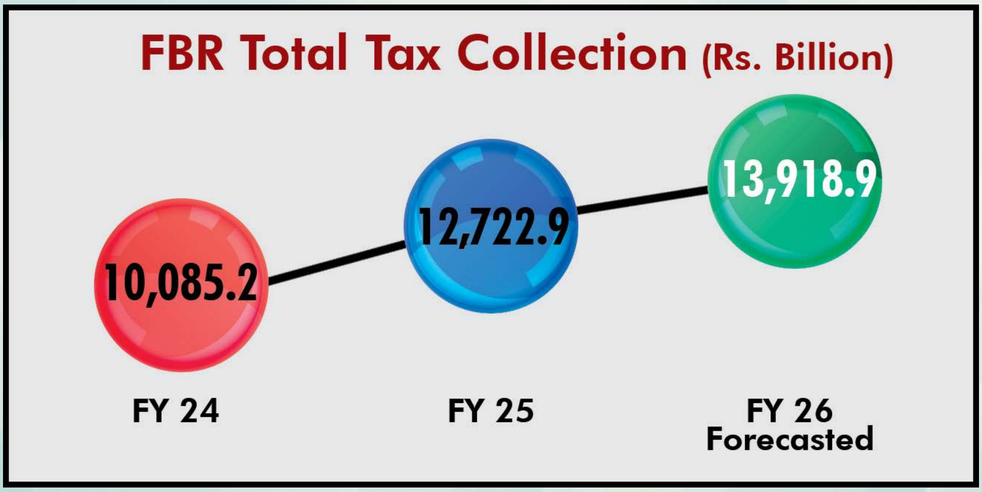
ICMA FY25 Performance Review and FY26 Economic Trend Analysis

ICMA estimates FBR Tax Revenue surges to Rs. 13,919 billion in FY26

FY25 Performance: FBR's total tax collection reached Rs. 12,722.9 billion in FY25, up from Rs. 10,085.2 billion in FY24. Growth was supported by stronger compliance, expanded taxpayer participation, and improved collection efficiency, reflecting steady gains in revenue administration.

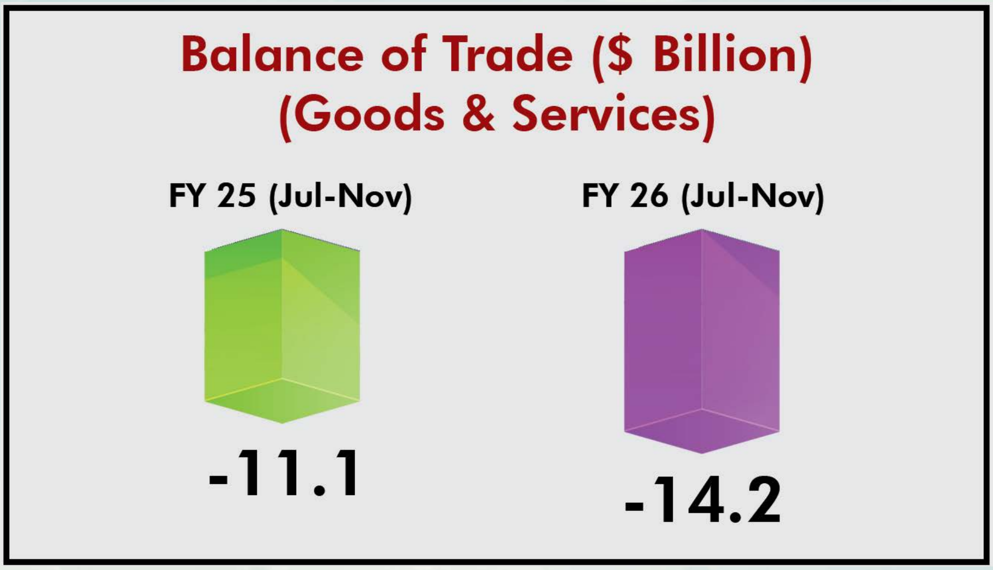


FY26 Outlook: ICMA estimates total tax collection of approximately Rs. 13,918.9 billion in FY26, a 9.4% year-on-year increase over FY25. Jul–Dec FY26 collections of Rs. 6,154.8 billion indicate sustained momentum, supported by enhanced enforcement and broader taxpayer participation.

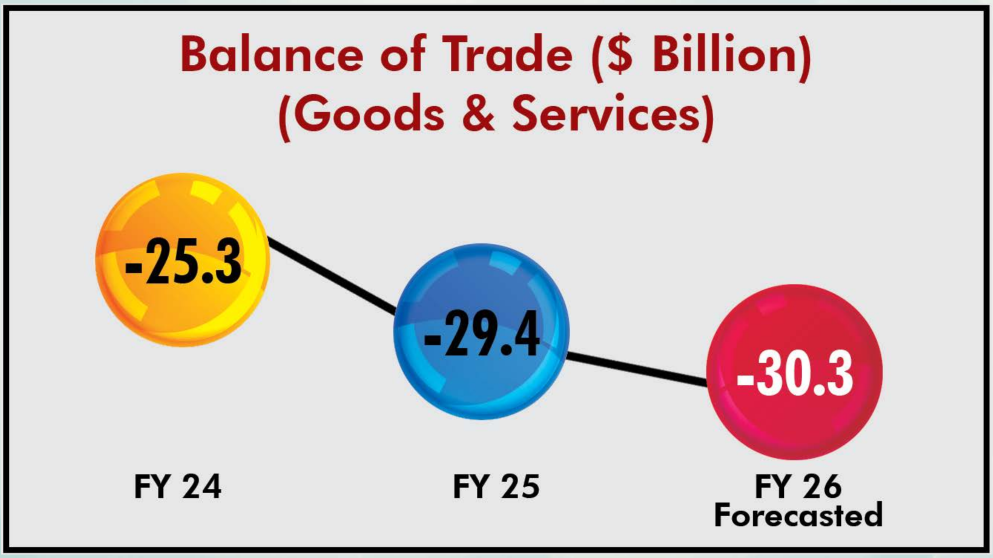


ICMA foresees Trade Deficit crossing $30 billion in FY26

FY25 Performance: The Balance of Trade deficit reached $29.4 billion in FY25, up from $25.3 billion in FY24. Jul–Nov FY25 deficit was $11.1 billion, reflecting imports growing faster than exports and ongoing trade imbalances.

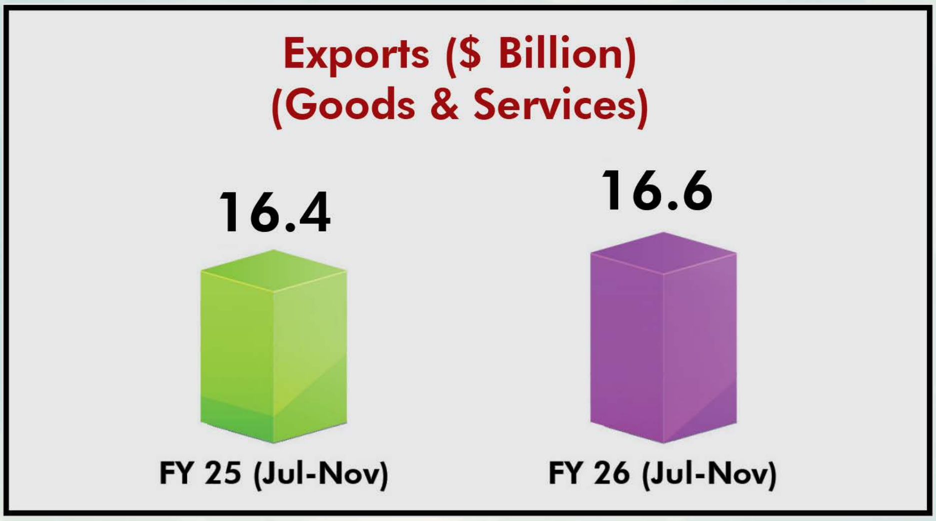


FY26 Outlook: ICMA estimates the trade deficit will exceed $30 billion in FY26, a 3.1% year-on-year increase. Jul–Nov FY26 deficit of $14.2 billion indicates continued pressure, driven by faster import growth relative to exports, maintaining a significant trade imbalance.

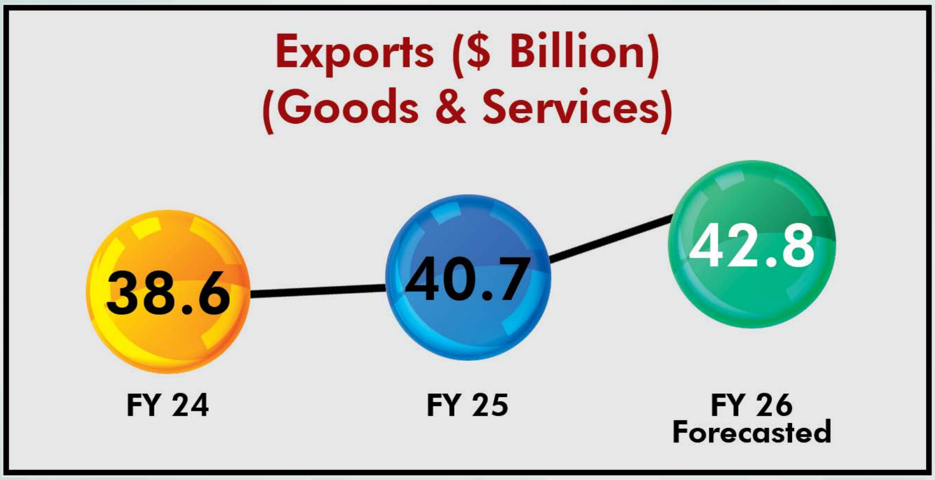


ICMA forecasts Exports climbs to $40 billion in FY26

FY25 Performance: Exports reached $40.7 billion in FY25, up from $38.6 billion in FY24. Jul–Nov FY25 exports were $16.4 billion, reflecting steady performance across key sectors despite global challenges.

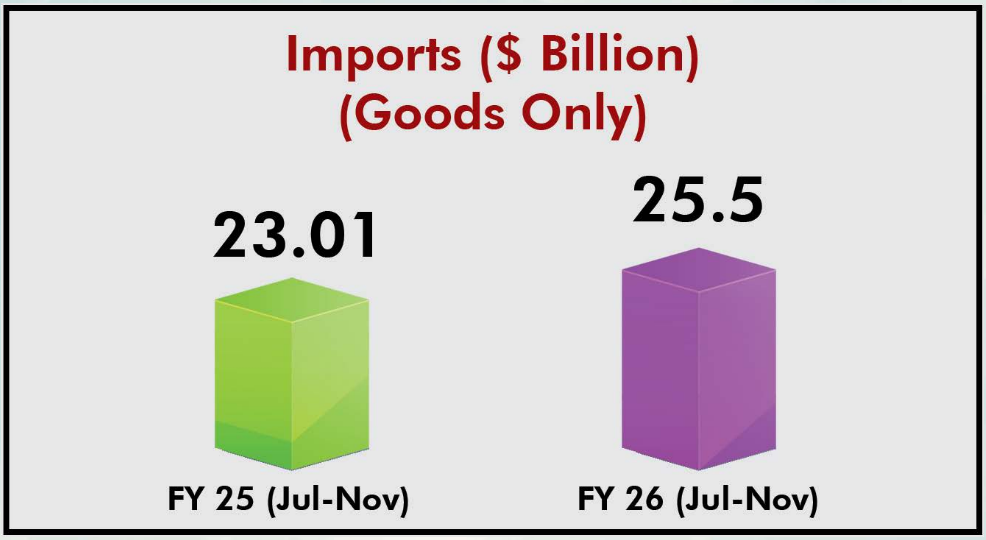


FY26 Outlook: ICMA estimates exports could reach $42.8 billion in FY26, representing a 5.1% year-on-year increase over FY25. Jul–Nov FY26 exports of $16.6 billion indicate strong momentum, supported by growth in key sectors such as textiles and IT, with IT exports hitting record monthly levels in early FY26. This reflects sustained export growth and effective economic policy support.

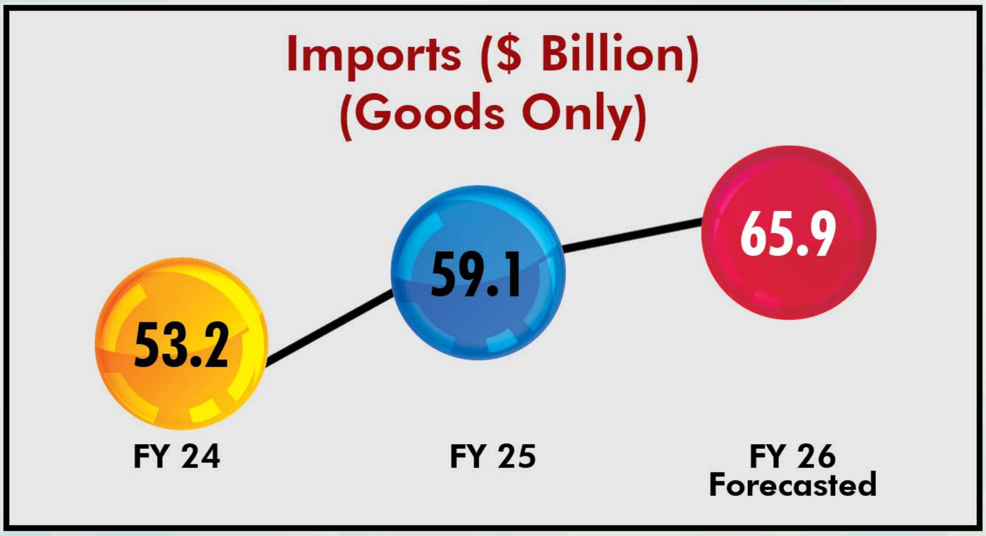


ICMA expects Imports rise to $66 billion in FY26

FY25 Performance: Imports reached $59.1 billion in FY25, up from $53.2 billion in FY24. Jul–Nov FY25 imports were $23.01 billion, reflecting steady demand for fuel, machinery, and essential goods.

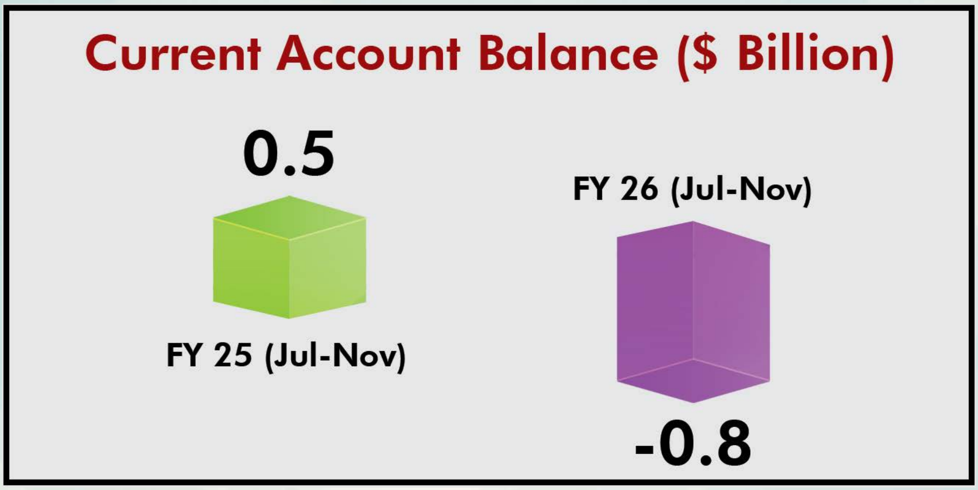


FY26 Outlook: ICMA estimates imports could reach $65.9 billion in FY26, a 11.5% year-on-year increase over FY25. Jul–Nov FY26 imports of $25.5 billion show 10.8% growth over the same period last year, driven by strong domestic demand and recovery in economic activity. The continued rise in imports directly contributes to widening the trade deficit.

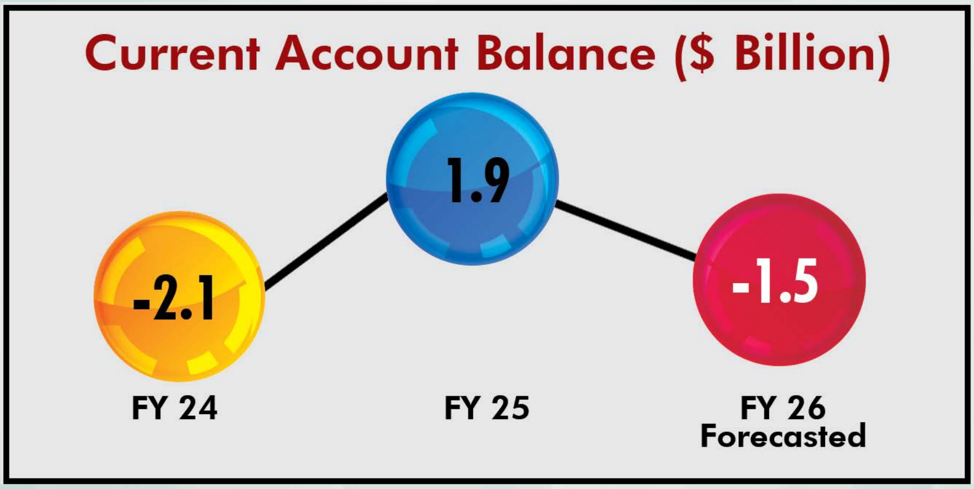


ICMA sees Current Account Deficit at 0.36% of GDP in FY26

FY25 Performance: Pakistan's current account turned positive in FY25, recording a surplus of $1.9 billion for the full year, compared with a deficit of $2.1 billion in FY24. Jul–Nov FY25 data show a modest surplus of $0.5 billion, reflecting stronger exports and controlled import growth.

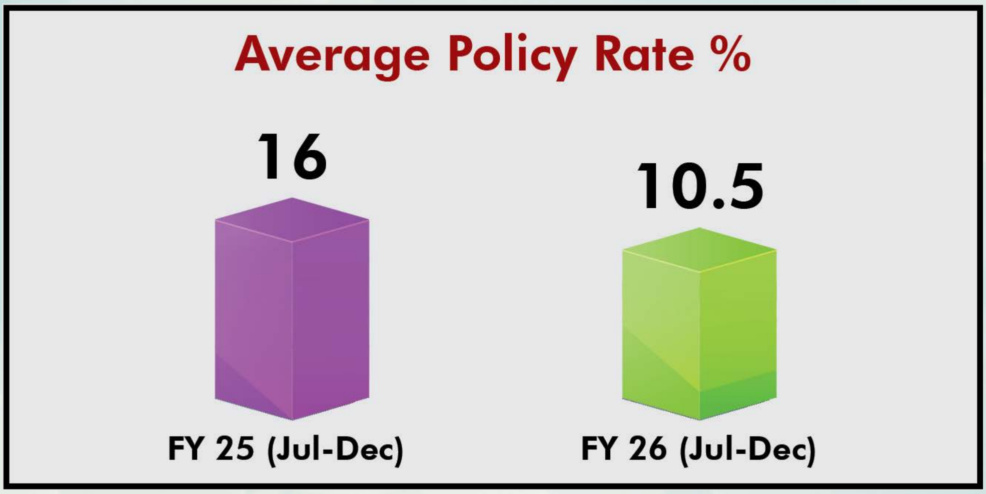


FY26 Outlook: ICMA estimates the current account will record a deficit of about 0.36% of GDP in FY26. Jul–Nov FY26 data show a deficit of $0.8 billion, reversing the surplus seen in the same period last year. This deterioration is driven by higher imports, weaker export growth, and continuing structural pressures on the external account, pointing to a persistent deficit through FY26.

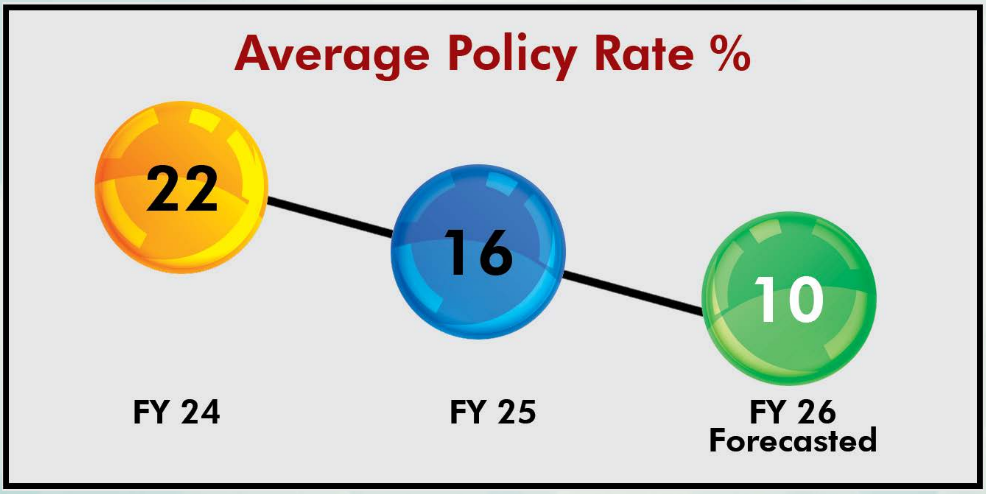


ICMA expects Average Policy Rate around 10% in FY26

FY25 Performance: The average policy rate declined to 16% in FY25, down from 22% in FY24. Jul–Dec FY25 data show the policy rate at 16%, reflecting a series of measured cuts by the State Bank of Pakistan (SBP). These reductions were aimed at stabilizing prices, supporting economic growth, and anchoring inflation within the desired range.

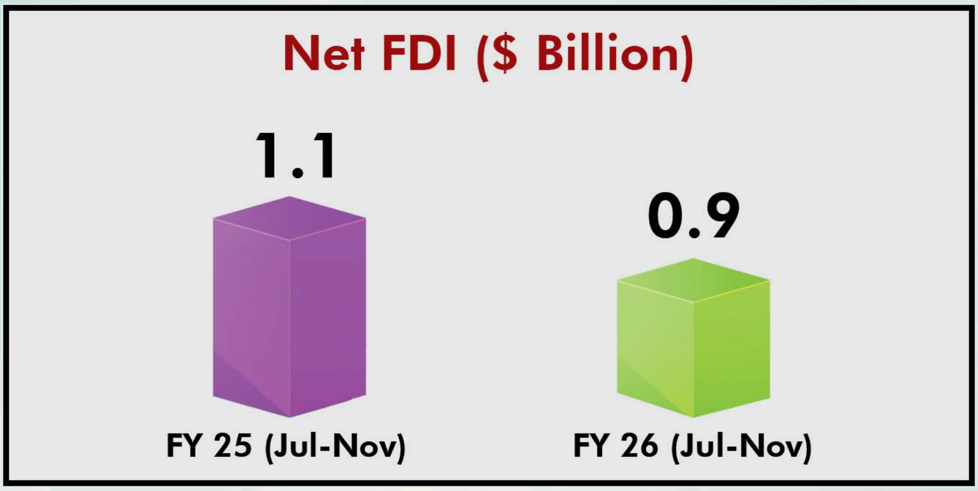


FY26 Outlook: ICMA expects the average policy rate to remain near 10% in FY26. Jul–Dec FY26 data show a decline to 10.5%, reflecting easing inflation. The SBP has carefully managed rate cuts while keeping average inflation within the target range of 5%–7%. Core inflation remains somewhat persistent, so rates may stay near current levels for most of FY26.

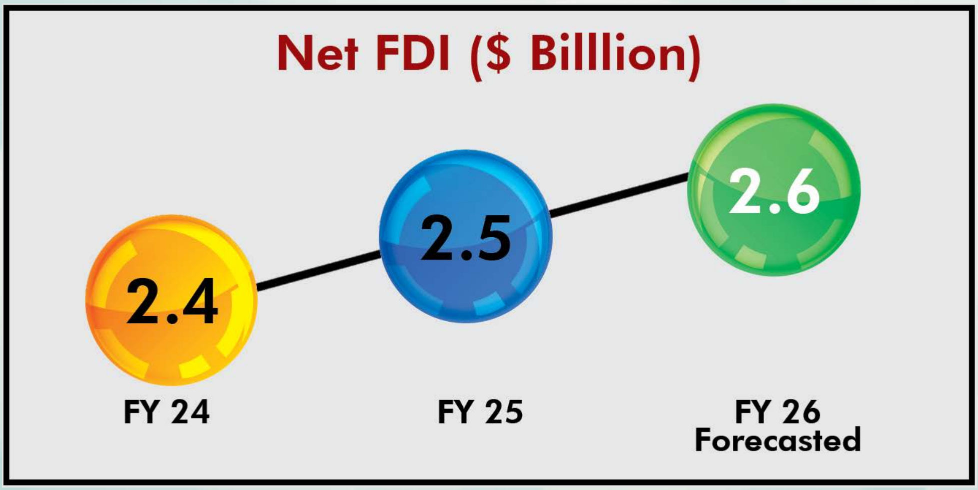


ICMA projects Net FDI Growth of 4% in FY26

FY25 Performance: Net foreign direct investment in Pakistan reached $2.5 billion in FY25, up from $2.4 billion in FY24. Jul–Nov FY25 inflows were $1.1 billion, reflecting continued investor caution amid macroeconomic and structural challenges. Overall, FDI remained subdued despite gradual improvements in investor confidence during the year.

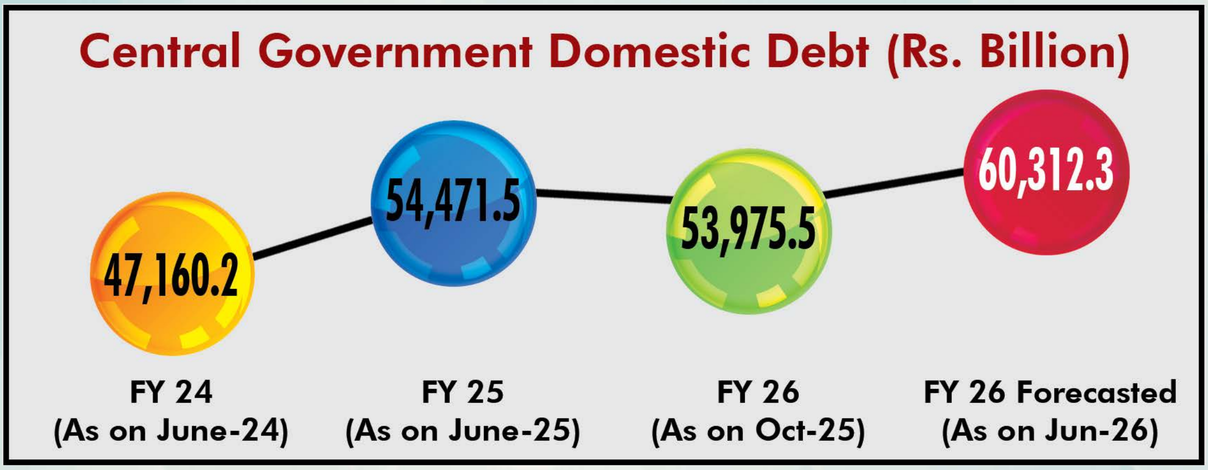


FY26 Outlook: ICMA expects net FDI to grow by about 4% in FY26, reaching around $2.6 billion. Jul–Nov FY26 inflows were $0.9 billion, down 18% compared with the same period last year, highlighting continued investor caution amid political uncertainty and macroeconomic pressures. Despite weak early-year inflows, ICMA analysis suggests gradual improvement in FDI by the end of FY26.

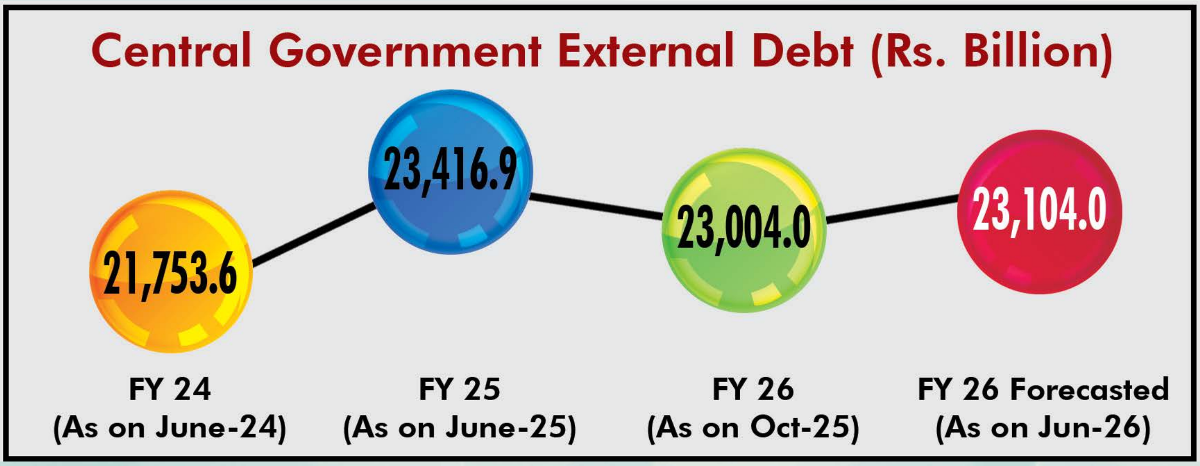


ICMA estimates Domestic Debt to Rise 10.7% in FY26

FY25 Performance: Central government debt in Pakistan rose in FY25, with domestic debt reaching Rs. 54,471.5 billion and external debt at Rs. 23,416.9 billion as of June 2025. This reflects continued borrowing to finance the fiscal deficit and meet debt-servicing obligations, despite ongoing fiscal consolidation efforts.

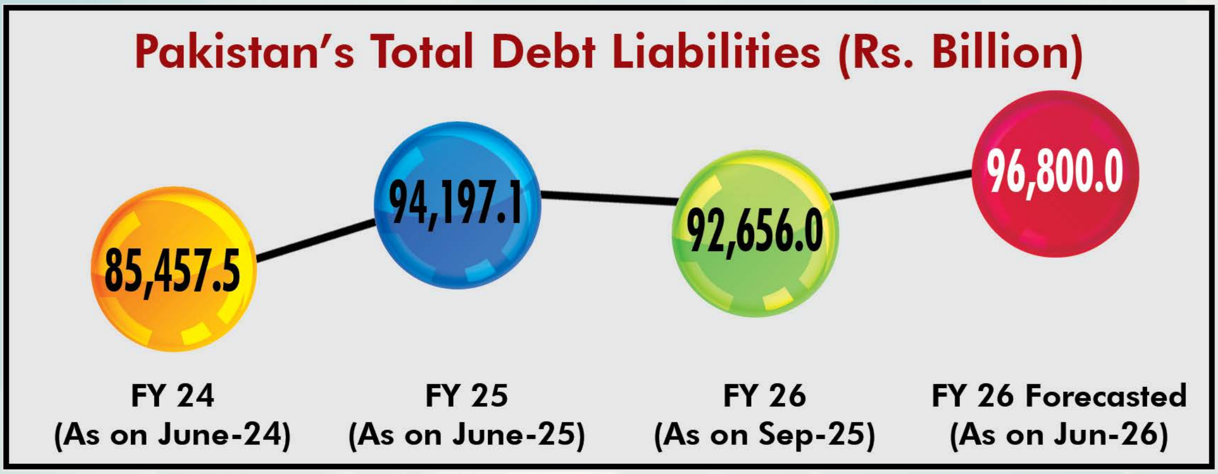


FY26 Outlook: ICMA estimates central government debt will continue to rise in FY26, led by faster domestic borrowing. Domestic debt is expected to increase by 10.7% to Rs. 60,312.3 billion, while external debt is projected to decline by -1.3% to Rs. 23,104.0 billion. As of October 2025, total central debt stood at Rs. 76,979.5 billion, with domestic borrowing driving the trend and external debt rising from multilateral and bilateral inflows. This reflects persistent fiscal imbalances and moderate GDP growth.



ICMA Projects 2.8% Rise in Total Debt & Liabilities in FY26

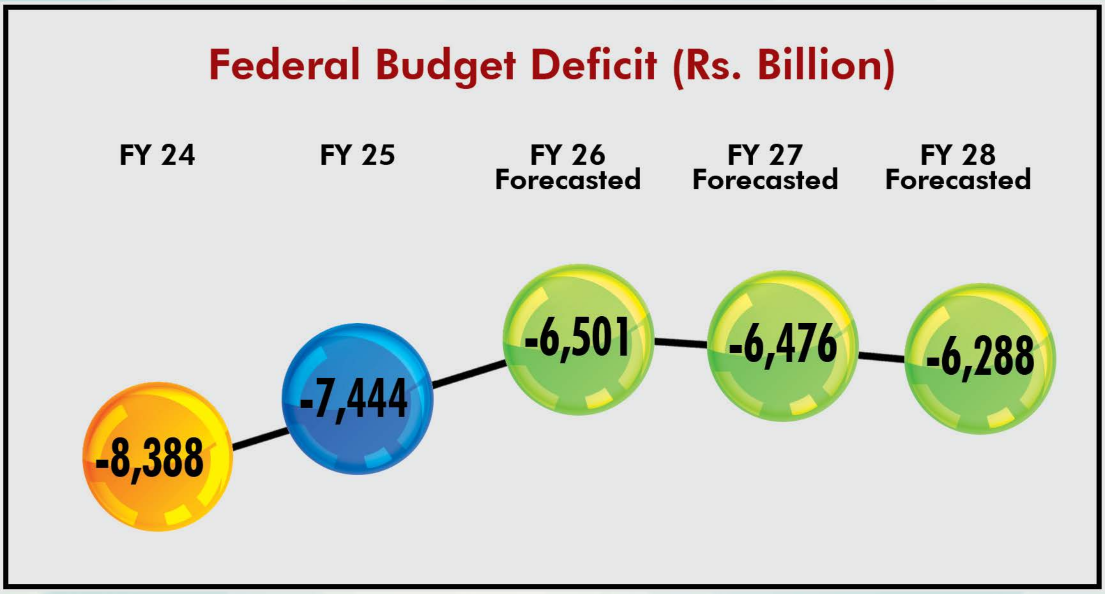
FY25 Performance: Pakistan's total debt and liabilities reached Rs. 94,197.1 billion as of June 2025, up from Rs. 85,457.5 billion in June 2024. This increase reflects continued borrowing to cover fiscal deficits, debt servicing, and external financing needs.



FY26 Outlook: ICMA estimates total debt and liabilities will grow by 2.8% in FY26, reaching approximately Rs. 96,800 billion by June 2026. As of September 2025, total debt stood at Rs. 92,565 billion. The rise is driven by ongoing domestic and external borrowing to cover budget gaps, roll over obligations, and meet external financing needs, even as some funding comes from multilateral and bilateral partners.

ICMA estimates Federal Budget Deficit to Narrow through FY28

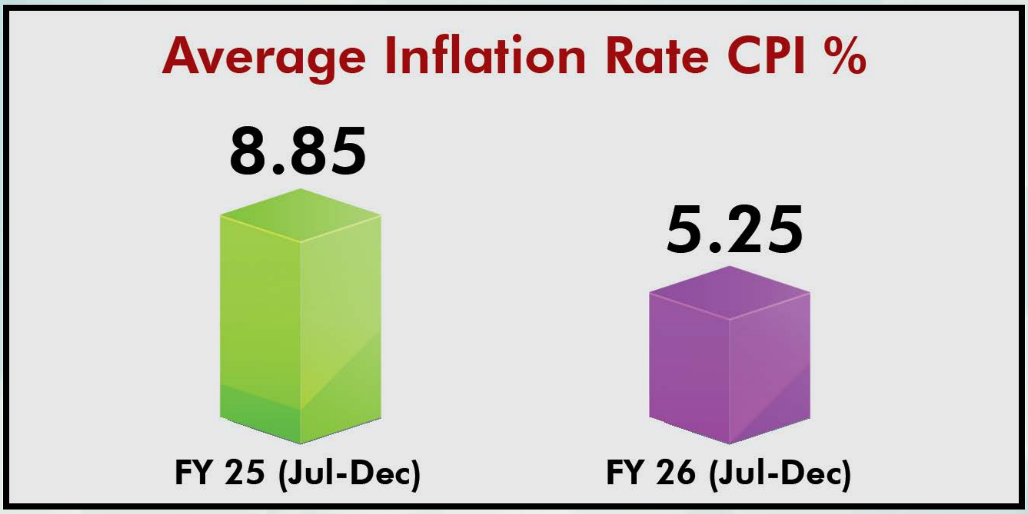
FY25 Performance: Pakistan's federal budget deficit narrowed to Rs. 7,444 billion in FY25 from Rs. 8,388 billion in FY24. This improvement reflects stronger revenue mobilization through enhanced tax administration, a broader tax base, and tighter control over discretionary expenditure, signaling progress in ongoing fiscal consolidation efforts.



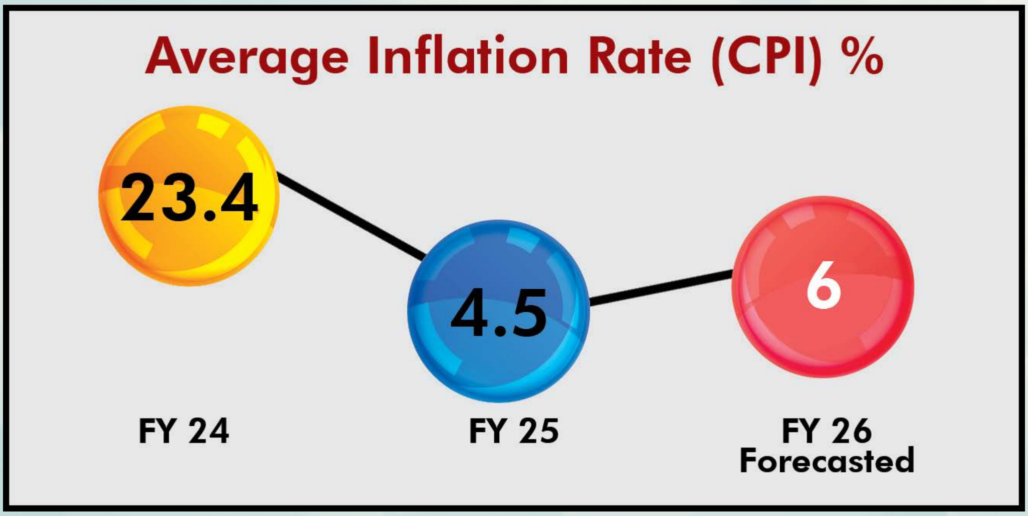
FY26 Outlook: The budget deficit is projected at Rs. 6,501 billion in FY26, reflecting sustained fiscal discipline and alignment of fiscal policy with programme targets. This represents a significant reduction from FY25, driven by continued revenue gains and controlled spending. The deficit is expected to moderate gradually to around Rs. 6,476 billion in FY27 and Rs. 6,288 billion in FY28, highlighting a steady medium-term fiscal consolidation trajectory.

ICMA anticipates CPI Inflation at 6% in FY26

FY25 Performance: Pakistan's average Consumer Price Index (CPI) inflation was 4.5% in FY25, down from 23.4% in FY24. The moderation reflects easing from historically high levels, although supply constraints, energy tariff adjustments, and structural rigidities continued to underpin underlying price pressures.

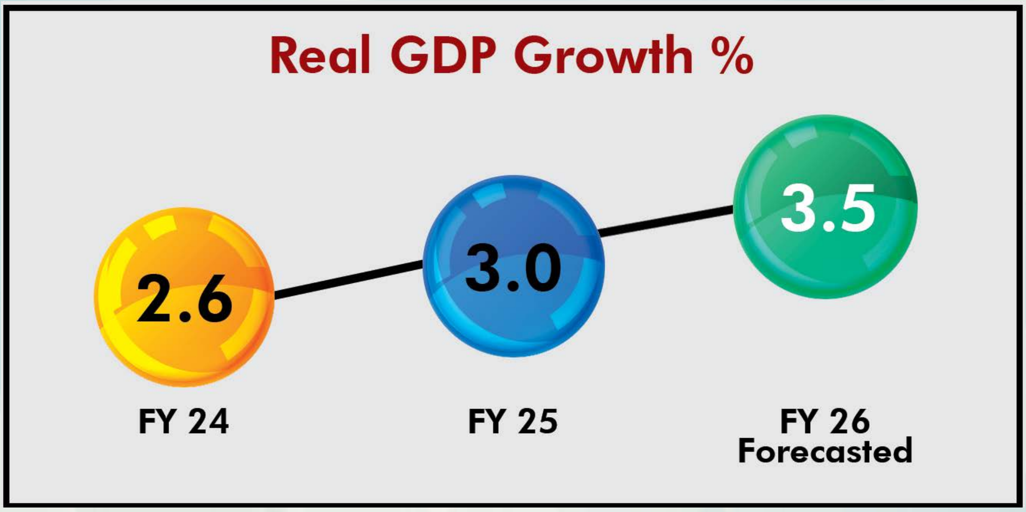


FY26 Outlook: ICMA anticipates average CPI inflation of around 6% for FY26, up from 4.5% in FY25. Early indicators, such as Jul–Dec FY26 inflation at 5.25% year-on-year, show moderation from elevated levels, but ongoing pressures from flood-related supply disruptions, higher gas tariffs, and volatile food and transport prices are expected to maintain upward momentum. The IMF and Asian Development Bank (ADB) also forecast average inflation near 6%, highlighting a broadly consistent outlook.

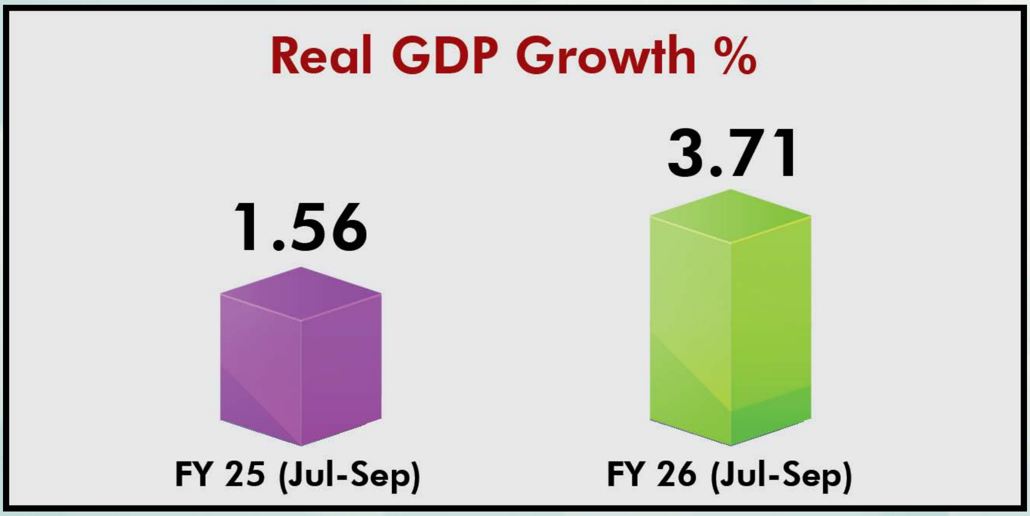


ICMA foresees Real GDP Growth at 3.5% in FY26

FY25 Performance: Pakistan's economy expanded by 3% in FY25, up from 2.6% in FY24. Growth was supported by a resilient services sector and steady industrial activity, while investment, agriculture, and exports remained subdued. Despite these constraints, the economy maintained a stable trajectory, laying the groundwork for a stronger start in FY26.



FY26 Outlook: Q1 (Jul–Sep) growth surged to 3.71% year-on-year, more than doubling from the same period last year. Overall GDP growth shows stability, with the IMF forecasting 3.09% and ICMA projects Pakistan's FY26 GDP growth at 3.5%, utilizing a comprehensive dataset spanning FY17 Q1 through FY26 Q1. The projection methodology involves first estimating growth for FY26 Q2, Q3, and Q4 through a dynamic forecasting model, followed by averaging the quarterly estimates to derive the annual growth rate. This forecast reflects a continuation of sustained economic momentum into FY26.



Tackling Pakistan's Six Key Economic Pressures in FY2026

ICMA's FY2026 projections present a mixed picture for Pakistan's economy. While some indicators, such as GDP growth, FBR tax collections, exports, and the policy rate, show positive momentum, several areas are projected to face pressures compared with FY25. ICMA's FY2026 projections highlight six economic areas likely to deteriorate compared with FY25:

- **CPI inflation** rising to around 6 percent from 4.5 percent
- **Imports** increasing to $65.9 billion, up 11.5 percent
- **Trade Deficit** exceeding $30 billion, up 3.1 percent
- **Current Account** shifting to a deficit of 0.36% of GDP, reversing a surplus of $1.9 billion
- **Domestic Debt** rising to Rs. 60,312.3 billion, up 10.7 percent
- **Total Debt and Liabilities** increasing to Rs. 96,800 billion, up 2.8 percent

ICMA recommends the following specific measures to proactively tackle these six areas in effective manner:

1) Curbing Supply-Side Inflation and Public Debt

- Cut the policy rate to 9.5 percent to stimulate private sector investment and economic activity, encouraging businesses to expand while keeping inflation stable.

- Address supply-side inflation pressures by ensuring the rate reduction targets structural constraints, supporting price stability without creating new risks.

- Lowering the policy rate to ease the government's debt-servicing burden, potentially reducing total public debt by approximately Rs. 1.94 trillion over the period, freeing resources for priority spending and guiding policy decisions (see ICMA Monetary Policy Review, Issue No. 21) to strengthen overall economic stability.

2) Slowing Import Growth

- Utilize the National Tariff Policy 2025-30 to selectively adjust duties: reduce them for machinery and inputs critical for export sectors while applying temporary regulatory duties on non-essential luxury items.

- Offer tax rebates and fast-track approvals to promote domestic manufacturing of import substitutes in fuel alternatives, chemicals, and auto components, especially in CPEC special economic zones.

- Enhance customs efficiency at major ports by expanding AI-based risk profiling and digital tracking to curb under-invoicing and smuggling.

- Channel EXIM Bank financing toward essential imports required by exporters without disrupting industrial recovery.

3) Narrowing the Widening Trade Deficit

- Establish a Prime Minister's Export Facilitation Cell to resolve sales tax and duty refund delays and bureaucratic hurdles, targeting automated refunds within 72 hours.

- Promote export diversification by zero-rating inputs for high-growth sectors such as IT, pharmaceuticals, and engineering goods, providing tax holidays in tech parks, and scaling the Export Refinance Scheme.

- Fast-track free trade agreements with partners such as GCC and UAE to improve market access for rice, textiles, and value-added products.

- Allow exporters to retain 100 percent of foreign earnings in dedicated accounts to boost working capital.

- Direct at least 20 percent of projected FDI inflows toward export-generating projects and strengthen remittance inflows through expanded diaspora investment options.

4) Reversing Current Account Deterioration

- Capitalize on resilient remittances and growing IT and services exports by simplifying rules for outward IT investments and increasing skilled labor placements abroad.

- Adopt a flexible, market-based exchange rate approach to improve export competitiveness without frequent central bank interventions.

- Require export commitments from new FDI and multilateral-funded projects to help balance import pressures.

- Collaborate with provinces on flood-resilient agriculture programs to reduce food import dependency and accelerate rollout of the National Single Window system for faster border trade clearance.

5) Containing Domestic Debt Rise

- Strictly follow Fiscal Responsibility and Debt Limitation Act targets by sustaining a primary surplus through austerity measures, streamlining bureaucracy, eliminating redundant positions, and cutting official perks to generate savings.

- Extend debt maturities by issuing more long-term instruments such as 10-year sukuk to lower rollover risks.

- Redirect State Bank profit windfalls and revenue overperformance toward early repayment of high-cost domestic debt.

- Prioritize concessional borrowing from the IMF, World Bank, and other multilaterals, especially for climate-resilient projects, to reduce reliance on expensive domestic financing.

6) Slowing Total Debt and Liabilities Growth

- Implement IMF-aligned privatization and restructuring of loss-making state-owned enterprises and power distribution companies, to raise funds and eliminate recurring fiscal burdens.

- Broaden the tax base through simple presumptive taxes on untapped sectors integrated into FBR's digital systems without raising rates.

- Simplify tax policies by removing exemptions and strengthening SOE governance to reduce contingent liabilities.

- Maintain primary surpluses and favor concessional external inflows to gradually lower the debt-to-GDP ratio while building resilience against climate and external shocks.

With these practical and coordinated measures, implemented across federal and provincial governments, the State Bank of Pakistan, and private sector partners, and overseen monthly by a high-level task force, Pakistan can effectively tackle the six critical economic pressures identified in ICMA's FY2026 projections. These steps are aimed at stabilizing the economy, safeguarding growth, and creating a foundation for sustainable, inclusive, and resilient progress that benefits all sectors of society.

Acknowledgment

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Published by:
Research and Publications Department
Institute of Cost and Management Accountants of Pakistan

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