Government of Pakistan
Ministry of Planning, Development & Special Initiatives

URAAN PAKISTAN

تو شاہیں ہے پرواز ہے کام تیرا

MONTHLY DEVELOPMENT UPDATE

MARCH 2026

ECONOMIC POLICY WING
(MACROECONOMIC SECTION)

CONTENTS

EXECUTIVE SUMMARY

The economy demonstrated notable stabilization in the first eight months of the FY 2026, supported by prudent and well coordinated macroeconomic management. Average inflation eased during Jul-Feb FY2026, although a temporary spike was observed in February, 2026 due to electricity price adjustments. LSM recorded a cumulative growth during Jul-Dec FY26 against a contraction last year, indicating uptick in economic activity. Construction and automobile sectors showed strong momentum. Exports of goods and services remained resilient, supported by robust services growth. Imports increased in line with recovering economic activity, and remittances provided support to the external sector. Fiscal performance improved, with FBR tax collection growing and the fiscal balance turning positive. However, external risks, particularly geopolitical tensions and rising global oil prices, continue to pose downside risks to the outlook.

On the development front, the CDWP reviewed eleven agenda items in February 2026, approving four projects and recommending five to ECNEC, while clearing two concept proposals. Cost rationalization efforts during Jul-Jan FY26 resulted in savings of Rs. 9.9 billion, reflecting the Government's commitment to efficient resource utilization. Public investment is expected to generate approximately 18,336 direct and 7,320 indirect employment opportunities over the medium term. Under the PSDP 2025-26, Rs. 361 billion (36 percent of allocation) has been utilized, with significant allocations directed toward infrastructure, social sectors, and special areas. Foreign-funded projects continue to support priority initiatives.

A number of development activities progressed in the month of February, including the Pakistan Governance Forum 2026, release of preliminary poverty estimates, international engagements with IMF and development partners, and the launch of a Five-Year Economic Cooperation Roadmap with Kazakhstan. Looking ahead, the development outlook remains cautiously optimistic, with stabilization expected to continue amid sustained industrial recovery, moderated inflation, strong remittance inflows, and improved fiscal discipline, provided external uncertainties remain manageable.

MACROECONOMIC LANDSCAPE

	FY2024-25 (Jul-Feb)	FY2025-26 (Jul-Feb)		
INFLATION (%)	5.9	5.5	↓	
LSM (%) (Jul-Dec)	-1.8	4.8	↑	
FBR TAX COLLECTION (Rs. Bn)	7,344	8,122	↑	10.6
EXPORTS (GOODS & SERVICES) ($ Bn) (Jul-Jan)	24.1	24.0	↓	-0.7
IMPORTS (GOODS & SERVICES) ($ Bn) (Jul-Jan)	40.4	44.4	↑	9.9
REMITTANCES ($ Bn) (Jul-Jan)	20.9	23.2	↑	11.3

- Pakistan's economy demonstrated notable stabilization during its 8 months journey of FY2025-26, reflecting the impact of prudent and well-coordinated macroeconomic management.

- The average inflation during Jul-Feb FY26, eased to 5.5 percent compared to 5.9 percent recorded in the corresponding period last year. This decrease is attributed to government's continued support to implement a range of targeted policy, relief, and administrative measures to contain unwarranted price increases and protect vulnerable segments of society. However, inflation spiked in February to 7.0 percent compared to 1.5 percent in the same month last year, owing to low base effect and adjustments in electricity.

- LSM showed sustained recovery in Jul–Dec FY2026, with cumulative growth of 4.8 percent compared to a contraction of 1.8 percent recorded in the same period previous year. In December 2025, the QIM increased to 128.5, reflecting a YoY growth of 0.4 percent and a 9.3 percent MoM growth. 14 out of 22 sectors witnessed positive growth, which includes: Food (10.6%), Textile (1.5%), Tobacco (8.7%), Wearing Apparel (7.5%), Non-Metallic Mineral Products (10.5%), Automobiles (67.2%), etc.

- Building on the improving performance of the LSM sector, the construction-related industry also exhibited notable momentum. During July–Feb FY2026, cement dispatches increased by 10.9 percent to 34.8

million tonnes, reflecting strengthening domestic demand. The performance of auto-industry also remained encouraging as production and sales of all vehicles witnessed the growth of 33.1 percent and 31.9 percent, respectively.

• External sector developments reflected strengthening economic activity. Merchandise exports reached US$18.3 billion during Jul–Jan FY2026, supported by the resilience of textile exports, recorded a growth of 3.3% compared to last year. While imports increased to $36.7 billion, registering a growth of 9.8% reflecting higher demand for capital, intermediate, and consumer goods in line with economic recovery.

• Services exports grew strongly by 18.8 percent to US$ 5.7 billion during July-Jan FY2026, led by ICT exports by 20.0 percent, while services imports increased by 17.4 percent to US$ 7.7 billion.

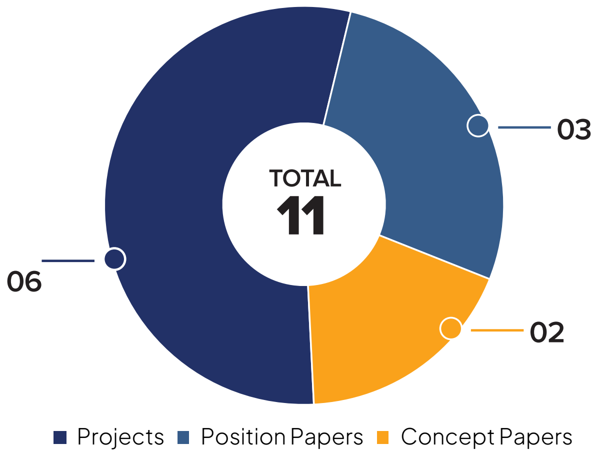
• Remittances remained a key support to the external sector, reaching $23.2 bn during Jul–Jan FY2026, marking a 11.3 percent increase over last year. The significant rise in remittances inflow can be attributed to several government measures and other factors like narrowing gap between open market and interbank exchange rates, increasing migration of workers abroad, and positive economic growth in host countries.

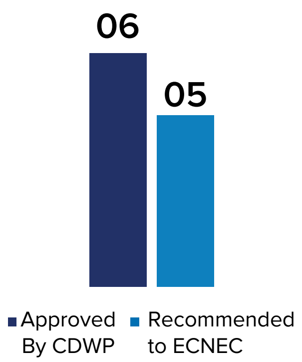
• Overall, improving macroeconomic stability, moderating inflation, sustained industrial recovery, strong remittance inflows, and steady fiscal performance are encouraging however, the ongoing Iran war posing some regional uncertainties . The economic outlook remains cautious, if the uncertainty prolongs, the rising global oil prices could exert pressure on domestic inflation. Regional instability may widen the trade and current account deficit, while investor confidence may also weaken amid geopolitical risk.

POTENTIAL ECONOMIC IMPACT OF MIDDLE EAST INSTABILITY ON PAKISTAN

Recent escalation in tensions in the Middle East and Persian Gulf has increased volatility in global energy and financial markets, posing potential risks for Pakistan's external sector. Rising oil prices-driven by disruptions around the strategic Strait of Hormuz, through which around 20% of global oil passes-could significantly increase Pakistan's import bill, as petroleum products account for nearly one-quarter of the country's total imports and over 85% of these imports originate from the Middle East. Higher energy prices may also raise domestic inflation and weaken export competitiveness due to increased production and freight costs. In addition, exports to the Middle East-around 11% of Pakistan's total exports-may face pressure amid regional disruptions. Remittances could also be affected if the conflict prolongs, as about 4.5 to 5 million Pakistanis work in Gulf countries, which contribute more than half of total remittance inflows. The situation could further influence exchange rate stability, investment inflows, and fiscal pressures, highlighting the need for energy diversification, stronger export facilitation, and contingency planning to safeguard overseas workers and maintain external sector stability.

DEVELOPMENT DYNAMICS





DEVELOPMENT PROJECTS

In February 2026, one (01) CDWP meeting was held under the Chairmanship of DCPC to review development proposals submitted by federal ministries and provincial governments. The forum considered eleven (11) agenda items in total, including six (06) projects, three (03) position papers and two (02) concept clearance proposals. Out of these 11 items, 04 projects (including Position Papers) were approved and 05 projects (including Position Papers) were recommended to the ECNEC. Both concept clearance proposals were cleared. A sector-wise breakdown of the projects is at annex-II, with key details below:

Governance Sector

CDWP approved one (01) project costing Rs. 1,395.35 million to promote productivity, innovation, evidence-based policymaking, shifting resources from low-to high-productivity sectors and human capital development.

Health Sector

CDWP recommended one (01) foreign funded project for ECNEC's approval with cost of Rs. 77,466.11 million. The project aimed at improving nutrition, national healthcare services, public health emergencies response and women empowerment.

Physical Planning & Housing Sector

CDWP considered two (02) projects costing Rs. 20,000 million, one was approved and the other was recommended to the ECNEC with objective to provide basic civic services like roads, sewerage lines, water supply lines, park and school renovation etc. in Sindh province.

Science & Technology Sector

CDWP approved one (01) position paper with objective to establish nine (09) Seerat Chairs in public sector universities focused in the field of Islamic knowledge and wisdom.

Transport & Communications Sector

One (01) project was recommended to the ECNEC with cost of Rs. 60,054.59 million to enhance road connectivity and communication, while the CDWP cleared two (02) position papers in the sector.

Water Resources Sector

One (01) project with a cost of Rs. 21,621.59 million was recommended to the ECNEC for approval. Objective of the project is to improve water productivity, producing more crops and establishment of command area development.

COST RATIONALIZATION (Jul – Jan 2026)

The projects submitted by federal ministries, divisions, and provincial governments were examined in detail to make sure resources are used wisely and in line with national priorities. This process has improved the allocation of limited national resources and reflects the Government's commitment to efficient and results-focused development. As a result, savings of Rs. 4,415.15 million were achieved in January 2026, increasing total savings to Rs. 9.9 billion for the period July-Jan FY 2025-26.

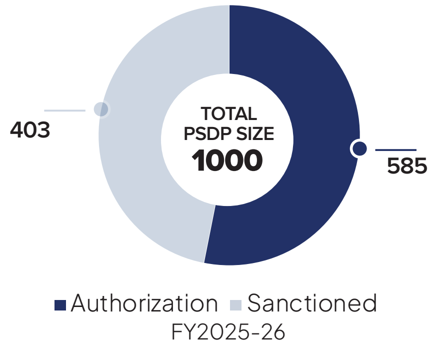
Saved
Rs. 9.9 Billion

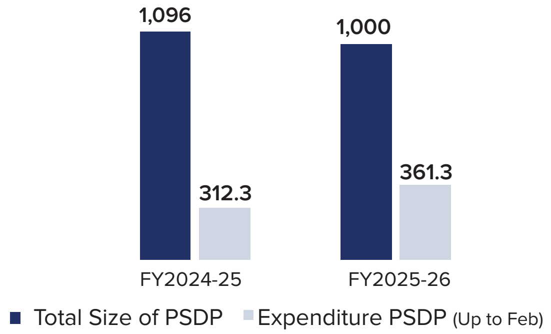
EMPLOYMENT GENERATION

Employment generation through public investment remains a key government priority. It supports inclusive growth, strengthens livelihoods, and translates development spending into tangible socio-economic benefits for the population. During February 2026, the approved and recommended development projects are expected to make a significant contribution to employment creation and support inclusive economic growth. While these projects involve the creation of 438 positions for project execution, a detailed review of the PC-I documents was undertaken to assess their broader employment impact over the medium term (3-5 years). Based on this assessment, the projects are expected to generate approximately 18,336 direct employment opportunities and around 7,320 indirect jobs across various sectors of the economy, reflecting the strong employment multiplier effects of public investment.

Direct jobs
18,336
Indirect jobs
7,320

DEVELOPMENT SPENDING (Rs. in Billion)





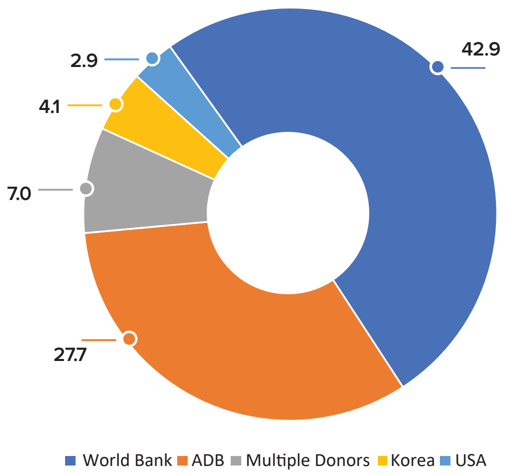
As of 28th February, 2026, Ministries / Divisions have sanctioned an amount of Rs. 403 billion against which Rs. 361 billion (36% of allocation) has reported expenditure as per SAP system. Sectoral allocations and expenditures are tabulated below:

Amount in Rs. Billion

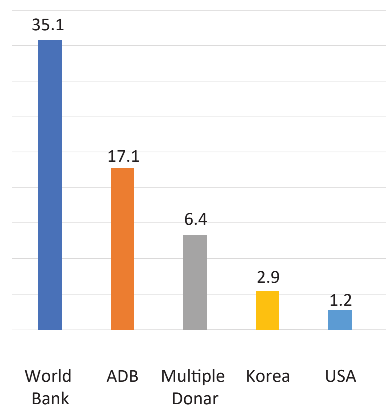
SECTOR	ALLOCATION	EXPENDITURE/ UTILIZATION	%
Infrastructure	**614.7**	**214.7**	**35%**
Energy	122.7	40.6	33%
Water	97.8	44.9	46%
Transport & Communication	325.6	95.0	29%
Physical Planning & Housing	68.6	34.2	50%
Social	**178.3**	**78.6**	**44%**
Education including HEC	65.3	30.4	46%
Health and Nutrition	16.5	3.7	22%
SDGs Achievement Programme	70.0	39.4	56%
Others	26.4	5.1	19%
Governance	**10.3**	**3.2**	**31%**
Science & I.T	**42.7**	**10.3**	**24%**
Special Areas (AJ&K, GB)	**81.8**	**35.9**	**44%**
Merged Districts	**65.4**	**16.8**	**26%**
Production	**6.8**	**1.8**	**27%**
Food & Agriculture	3.9	1.2	31%
Industries	2.9	0.6	21%
Total	**1000**	**361.3**	**36%**

FOREIGN FUNDED PROJECTS

The PSDP portfolio includes 86 foreign-funded projects with a total cost of Rs. 4.2 trillion, of which 15 projects are fully foreign-funded and the remaining 61 are implemented with local counterpart funding. For FY2025-26, a rupee cover of Rs. 229 billion has been allocated for these projects. The Ministry of Planning authorizes one-line releases to all sponsoring Ministries and Divisions in line with quarterly ceilings set by the Finance Division under the development budget release strategy. PAOs are empowered to release and sanction funds for both foreign aid and local components based on each project's requirements. According to SAP records, Ministries and Divisions have sanctioned Rs. 85.7 billion and recorded an expenditure of Rs. 63.5 billion against the allocated rupee cover.



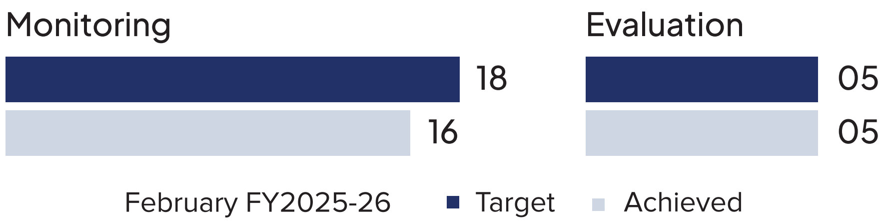
Major Sanctions (Rs. in Billion)
Jul-Feb FY2025-26



Major Expenditures (Rs. in Billion)
Jul-Feb FY2025-26

MONITORING AND EVALUATION (M&E)

In February, 2026, the Ministry monitored sixteen (16) projects against the target of eighteen (18) and evaluated five (5) projects to ensure efficient implementation and the attainment of targeted development outcomes.



SCALING UP OILSEED PRODUCTION FOR SUSTAINABLE GROWTH

The National Oilseeds Enhancement Program (NOEP) is a federally approved initiative designed to strengthen domestic production of edible oil by promoting canola, sunflower, and sesame cultivation across Pakistan. With a total outlay of Rs. 10.96 billion, the program is being implemented in Punjab, Sindh, KP, and Balochistan, with completion targeted for 30 June 2026. Oilseed cultivation has expanded to 927,678 acres, with strong performance in Balochistan (120%), Punjab (80%), and KP (78%), demonstrating the adaptability of the model across diverse agro-ecological zones.

The initiative has contributed to an estimated import substitution of US$ 1.11 billion, alongside significant production increases, canola (328%) and sesame (482%), and notable yield improvements across all promoted crops. The substantial increase in sesame exports highlights the program's contribution to export diversification and the development of agro-based value chains. The program has directly supported over 300,000 farmers through subsidies on quality seed, agricultural inputs, and farm machinery, advancing inclusive, farmer-centric growth and improved livelihoods across participating regions.

OTHER DEVELOPMENT INITIATIVES

MULTI-STAKEHOLDER DIALOGUE

The Ministry convened a multi-stakeholder dialogue on 16 February 2026 under the monitoring exercise of the Global Partnership for Effective Development Co-operation to review progress on development effectiveness in Pakistan. The discussion highlighted importance of aligning external support with national systems and strengthening coordination among stakeholders amid recent economic challenges. Participants discussed Pakistan's long-term development vision under URAAN Pakistan, which aims to transform the country into a $1 trillion economy by 2035. The dialogue emphasized stronger alignment of development partner support with national priorities, improved coordination across federal and provincial levels, better monitoring of key indicators, and greater inclusion of marginalized groups to ensure more effective and equitable development outcomes.

STRENGTHENING GOVERNANCE AND INCLUSIVE DEVELOPMENT

The 9th Steering Committee on Socio-Political Domain, was held on 19th February 2026, chaired by the Federal Minister for Planning, with a focus to tackle extremism through improved governance and equitable development. Its key decisions included a uniform registration framework for all educational institutions, promoting national cohesion in student hostels, accelerating development in the 20 most backward districts, and incorporating Allama Muhammad Iqbal's teachings in curricula with Iqbal Chairs in universities.

PRELIMINARY REPORT ON POVERTY ESTIMATION IN PAKISTAN

Ministry released the preliminary report on poverty estimation for FY 2024–25 on 20th February, 2026. The poverty estimation exercise was guided by a technical poverty estimation committee led by experts from federal and provincial governments, research organizations and development partners. The committee estimated poverty by using the latest household survey data and internationally internationally recognized methodologies such as the Cost of Basic Needs (CBN) approach to derive more accurate, consumption- based poverty estimates.

SHOWCASING PAKISTAN'S LEGACY THROUGH MEDIA

A high-level consultative meeting with media leaders was convened on 21st February 2026 to launch two landmark historical web series on Quaid e Azam Muhammad Ali Jinnah Muhammad Ali Jinnah and Allama Iqbal, commemorating their 150th birth anniversaries. The series aims to promote Pakistan's historical consciousness, intellectual heritage, and democratic ideals through research-driven, globally competitive productions. An initial public investment of Rs. 500 million has been earmarked to catalyze high-quality content development, complemented by scholarly workshops to ensure historical authenticity and narrative rigor. Beyond commemoration, the initiative seeks to strengthen cultural diplomacy, stimulate the creative economy, and support the emergence of national OTT platforms to project Pakistan's vision and values to global audiences.

PAKISTAN GOVERNANCE FORUM: REIMAGINING GOVERNANCE FOR URAAN PAKISTAN

Ministry of Planning organized a two-days event; Pakistan Governance Forum 2026 in Islamabad. The Forum brought together over 100 eminent speakers from various walks of life. Over 500 participants deliberated on Pakistan's governance reform agenda. Prime Minister Shehbaz Sharif inaugurated the forum, Deputy Prime Minister Ishaq Dar deliberated on Navigating international relations amidst changing geo-politics while, Chairman Senate Syed Yousaf Raza Gilani chaired the concluding session. The Forum aimed to serve as a national platform to move from ideas to implementation, accelerating Pakistan's governance transformation through inclusive dialogue and coordinated action. The forum stands as a landmark milestone, shifting the gears of governance toward a more collaborative and transparent era.

Technical meeting with IMF on EFF & RSF Progress

A follow-up technical-level Video Tele Conferencing (VTC) meeting with the IMF Mission was held on February 4, 2026 to review progress on agreed reform measures under the Extended Fund Facility (EFF) and the Resilience and Sustainability Facility (RSF). The meeting focused on providing an update regarding the development of the Project Selection Scorecard Criteria (RM-1), particularly the incorporation of negative marking provisions and other refinements as agreed during the 2nd EFF Review and the 1st RSF Review. The discussion aimed to ensure alignment of the revised scorecard framework with program commitments and to strengthen transparency, prioritization, and discipline in public investment project selection.

Pakistan Shared its Vision URAAN Pakistan with Islamic Dev Bank

A virtual meeting was held with the Islamic Development Bank (IsDB) Group on February 16, 2026, with the Secretary Planning to deliberate on the preparation of IsDB's Member Country Partnership Strategy (MCPS) for Pakistan (2026-2030). The meeting focused on exchanging views on the objectives of the mission, a presentation by the Ministry on Uraan Pakistan and the forthcoming Five-Year Development Plan, and discussion on Pakistan's development priorities in the context of the MCPS. It was noted that, as per the initial proposal of IsDB, the MCPS (2026-2030) will be be aligned with Pakistan's national economic transformation plan—Uraan Pakistan—and the IsDB Group's 10-Year Strategic Framework (2026-2035). The proposed strategy is structured around two principal pillars: investing in infrastructure development and promoting export-led growth, supported by cross-cutting themes including climate resilience, human and institutional capacity development, youth integration, and Islamic finance.

Strengthening Economic Cooperation between Pakistan and Kazakhstan

The Ministry formally launched work on a Five-Year Framework/Roadmap to strengthen economic cooperation between Pakistan and Kazakhstan. This followed the Joint Declaration announced on February 4, 2026, establishing a Strategic Partnership between the two countries to deepen collaboration across political dialogue, security & defense, trade & investment, transport & logistics, education, science & IT, culture & tourism, climate change, and regional & international cooperation. To implement this vision, the Ministry of Commerce constituted a Joint Working Group (JWG) on February 23, 2026, under the chairmanship of the Minister for PD&SI to develop the Five-Year Roadmap for Trade and Economic Cooperation. The JWG includes the Ministers for Commerce, Energy (Petroleum Division), National Food Security & Research, IT & Telecom, and Railways. The first JWG meeting was held on February 24, 2026 to review the proposed roadmap and identify priority areas for implementation over the next five years.

Bilateral Engagement between Pakistan and Bangladesh

On the occasion of oath taking ceremony of Prime Minister of Bangladesh, the Minister for Planning discussed strengthening Pakistan-Bangladesh bilateral relations, enhancing regional cooperation, and reviving the SAARC to advance regional connectivity and a shared geo-economic vision. Proposals were made to establish a Pakistan-Bangladesh Knowledge Corridor, expand academic and youth exchanges, promote institutional collaboration in data systems, digital governance, and capacity building.

DEVELOPMENT OUTLOOK

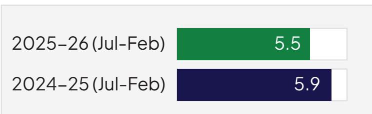
Pakistan's development trajectory in FY2025-26 remains positive, underpinned by stabilized macroeconomic conditions, broad-based industrial recovery, and sustained fiscal and external sector performance. A clear focus on infrastructure, social sectors, governance reforms, and foreign-funded priority projects, development momentum is likely to translate into job creation and inclusive growth. Active engagement with international development partners will continue to mobilize resources, promote technical cooperation, and ensure alignment of projects with national priorities. However, rising global geopolitical tensions and uncertainty in major trade and energy routes pose risks to international markets and investor sentiment, underlining the need for careful monitoring and policy consistency. Looking ahead government is committed to sustain policy consistency, effective monitoring and evaluation, and timely execution of approved projects to consolidating gains, strengthening investor confidence, and steering the economy toward durable, broad-based, and sustainable development.

> **"*Stability today builds strength for tomorrow*"**

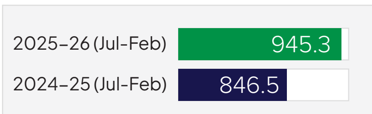
ANNEX I: KEY ECONOMIC INDICATORS

INDICATORS	UNIT	FY2024-25	FY2025-26	%CHANGE
Real Sector				
GDP Q1 **(July-Sep)**	%	1.6	3.7	↑
Agriculture	%	1.0	2.9	↑
Industry	%	0.1	9.4	↑
Service	%	2.2	2.4	↑
Inflation		**(Jul-Feb)**	**(Jul-Feb)**	
Consumer Price Index	%	5.9	5.5	↓
Consumer Price Index (**Feb**)	%	1.5	7.0	↑
Fiscal Sector				
FBR Tax Collection	Rs. Billion	7,344	8,122	↑ 10.6
FBR Tax Collection **(Feb)**	Rs. Billion	846.5	945.3	↑ 11.7
Fiscal Balance **(Jul-Dec)**	Rs. Billion	-1,537.9	+542	↑
	As % of GDP	-1.3	+0.4	↑
External Sector		**(Jul-Jan)**	**(Jul-Jan)**	
Current Account Balance	$ Billion	0.6	-1.1	↑
Exports (G&S)	$ Billion	24.1	24.0	↓ 0.7
Imports (G&S)	$ Billion	40.0	44.4	↑ 9.9
Remittances	$ Billion	20.9	23.2	↑ 11.3
Financial Sector				
Credit to Private Businesses (Stocks) (**20 Feb 2026**)	Rs Billion	9,531	10,738	↑ 12.7
KSE-100 Index **(28th Feb 2026)**	Index	113,784	168,062	↑
Investment		**(Jul-Jan)**	**(Jul-Jan)**	
FDI (Net) **(Jul-Jan)**	$ Million	1,660.7	981.4	↓ 40.9
FDI (Inflows)	$ Million	2,826.2	2,078.7	↓ 26.5
FDI (Outflows)	$ Million	1,165.5	1,097.4	↓ 5.8

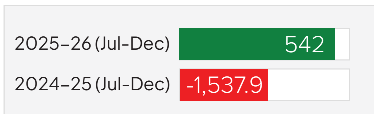
Consumer Price Index (%)



FBR Tax Collection (Rs Bn)



Fiscal Balance (Rs Bn)

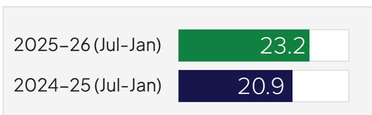


Current Account Balance ($ Bn)

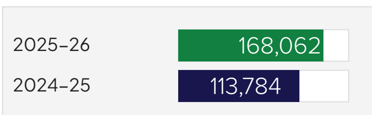
Exports (G&S) $ Bn

Imports (G&S) $ Bn

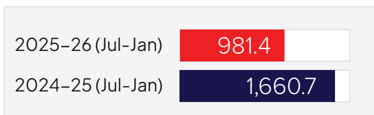
Remittances ($ Bn)



KSE-100 Index (28th Feb 2026)



FDI (Net) (Jul-Jan)



ANNEX II:
PROJECTS APPROVED AND RECOMMENDED BY CDWP

S#	NAME OF PROJECT	SPONSORING AGENCY	TOTAL COST (RS IN MILLION)	DATE	STATUS
GOVERNANCE SECTOR					
1.	National Economic Transformation and 5Es Unit (NETU) - Revised	M/o PD& SI	1,395.35	06-02-2026	Approved
HEALTH SECTOR					
2.	Sindh Human Capital Investment 1000 Days-Integrated Health and Population Program-Revised	Government of Sindh	77,466.11	06-02-2026	Recommended to ECNEC
PHYSICAL PLANNING & HOUSING SECTOR					
3.	Hyderabad Urban Infrastructure Development Package-Modified	M/o Housing &Works	5,000.0	06-02-2026	Approved
4.	Karachi Urban Infrastructure Development Package- Modified	M/o Housing &Works	15,000.0	06-02-2026	Recommended to ECNEC
TRANSPORT & COMMUNICATIONS SECTOR					
5.	Emergency Flood Assistance Project-Singh Works & Services Department Component-Revised	Government of Sindh	60,054.59	06-02-2026	Recommended to ECNEC
PP-I	Improvement and Rehabilitation of BT Road from Liari to Lakhra and Uthal to Lakhra, District Lasbela	Government of Balochistan	3,515.07	06-02-2026	Approved
PP-II	Reconstruction of National Highway N-5 Under Pakistan's Resilient Recovery, Rehabilitation and Reconstruction Framework Project Phase-1 (Length 210 KM)	M/o Communications	155,408.40	06-02-2026	Recommended to ECNEC
SCIENCE & TECHNOLOGY SECTOR					
PP-III	Establishment of Seerat Chairs in Public Sector Universities-HEC (2nd Revised)	HEC	1,387.65	06-02-2026	Approved
WATER RESOURCES SECTOR					
6.	Winder Dam Project -Revised	M/o Water Resources	21,621.59	06-02-2026	Recommended to ECNEC
CONCEPT CLEARANCE PROPOSALS					
CC-1	Project for Flood Protection and Dike Improvement on Indus River in Sindh Province	M/o Water Resources	5,040.03	06-02-2026	Cleared
CC-2	National Artificial Intelligence Ecosystem Development Program	M/o IT and Telecom	1,000.00 (US$)	06-02-2026	Cleared

Government of Pakistan

Ministry of Planning, Development & Special Initiatives

Economic Policy Wing

Macroeconomic Section

PlanComPakistan