



Government of Pakistan
**Ministry of Planning, Development
& Special Initiatives**



MONTHLY DEVELOPMENT UPDATE

JANUARY 2026

**ECONOMIC POLICY WING
(MACROECONOMIC SECTION)**

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I Executive Summary

Pakistan's economy showed continued stabilization during the first half of FY2025-26, supported by prudent macroeconomic management and coordinated policy actions. GDP growth in Q1 (Jul-Sep) FY2025-26 showed resilience despite devastating floods, estimated at 3.7 percent compared to 1.6 percent in same quarter last year. Though flood-related supply disruptions temporarily raised inflation during Sep-Oct FY2025-26, however, inflation has started easing since November 2025, reflecting smoother commodity supplies. Industrial activity strengthened, with Large-Scale Manufacturing growing around 5.0 percent cumulatively (Jul-Oct FY2025-26) and accelerating over 8.0 percent in October 2025, led by automobiles, cement, and petroleum products. The external sector remained resilient as exports(G&S) in Jul-Nov FY2025-26 increased by 1.0 percent, despite flood impacts on key crops, while remittances also posted a strong YoY growth. Fiscal performance stayed robust, with FBR tax collection reaching Rs 6.1 trillion during Jul-Dec FY2025-26 compared to Rs 5.6 trillion during comparable period last fiscal year. Improved macroeconomic fundamentals and positive market sentiment reinforced investors' confidence.

On development front, the CDWP reviewed a broad portfolio of projects across priority sectors including infrastructure, energy, education, health, water resources, and area development. During July-Dec FY2025-26, ministries and divisions sanctioned Rs. 314.5 bn under the PSDP, against which reported expenditure stood at Rs. 210 bn.

Pakistan deepened engagement with development partners, including collaboration with FAO on agricultural value-chain development and export diversification, and enhanced dialogue with the US to expand cooperation in education, science, and technology. Together with regional connectivity initiatives, these efforts reflect a broader development agenda focused on efficiency, institutional strengthening, innovation, and inclusive growth.

MACROECONOMIC LANDSCAPE

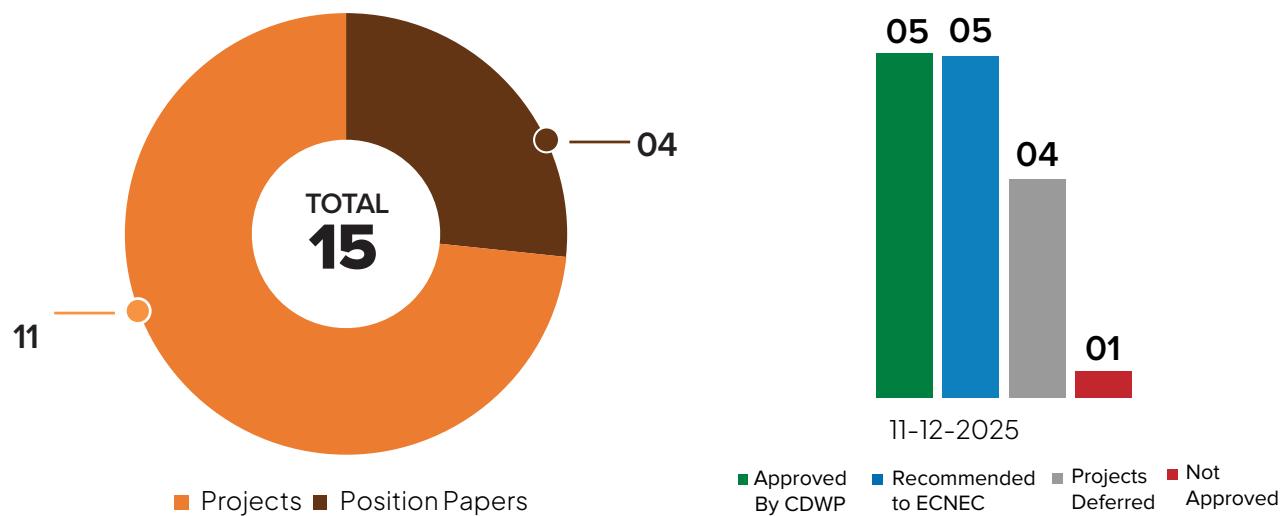
	FY2024-25 (Jul-Dec)	FY2025-26 (Jul-Dec)	
 GDP (%) Q1 (Jul-Sep)	1.6	3.7	↑
 INFLATION (%)	7.2	5.2	↓
 LSM (%) (Jul-Oct)	-0.6	5.0	↑
 FBR TAX COLLECTION (Rs. Bn)	5,625	6,161	↑ 9.5
 EXPORTS (GOODS & SERVICES) (\$ Bn) (Jul-Nov)	16.5	16.6	↑ 1.0
 IMPORTS (GOODS & SERVICES) (\$ Bn) (Jul-Nov)	27.6	30.7	↑ 11.4
 REMITTANCES (\$ Bn) (Jul-Dec)	17.9	19.7	↑ 10.5

Pakistan's economy demonstrated notable stabilization during the first half of FY2025–26, reflecting the impact of prudent and well-coordinated macroeconomic management. This progress was supported by disciplined fiscal consolidation, effective monetary policy, and continuous monitoring of key economic indicators.

- GDP growth for Q1 FY2025–26 is estimated at 3.7 percent on the back of 2.9 percent growth in agriculture, 9.4 percent in Industry and 2.4 percent in the services sector, compared to the same quarter of last fiscal year. Q1 FY2024–25 GDP growth was estimated at 1.6 percent on the basis of agriculture: 1.0 percent, Industry: 0.1 percent & Services: 2.2 percent.
- Inflation averaged 5.2 percent during July–Dec FY2025–26, down from 7.2 percent last year, supported by fiscal discipline, relief measures, and stable energy and commodity prices. In December, inflation eased to 5.6 percent from 6.1 percent in November, primarily due to a 1.7 percent decline in food inflation, which moderated overall price pressures.
- LSM showed recovery in Jul-Oct FY2025–26, with cumulative output growing by around 5 percent YoY. LSM growth accelerated to over 8 percent in October, supported by strong momentum in automobiles, cement, and petroleum products.

- Exports of goods and services posted modest but positive growth of 1.0 percent during July-Nov FY2025–26, reaching \$16.6 bn compared to \$16.5 bn in the same period last year. This performance is particularly encouraging given the challenging environment, as the floods of 2025 adversely affected key export-oriented crops and disrupted supply chains.
- Remittances remained a key support to the external sector, reaching \$19.7 bn during Jul-Dec FY2025–26, marking a 10.5 percent increase over last year. The rise reflects exchange rate stability, higher overseas employment, and increased use of formal banking channels for transfers.
- Easing inflation, recovering industrial activity, strong remittance inflows, steady revenue growth, and positive market sentiment supported investor confidence, driving the KSE-100 Index to 174,476 on 31st December 2025.

DEVELOPMENT DYNAMICS



DEVELOPMENT PROJECTS

In December 2025, the CDWP, chaired by the DCPC, convened a key meeting to review development proposals from federal ministries and provincial governments. The forum examined fifteen (15) agenda items, comprising eleven (11) projects and four (04) position papers. Of these, four (04) projects and one (1) position paper were approved, three (03) deferred, and three (03) recommended to ECNEC, while CDWP also considered a third-party validation report of a mega project. Among the position papers, one (01) was approved, two (02) were forwarded to ECNEC, and one (01) was deferred. A detailed sector-wise breakdown is provided in Annex-II, with the key highlights summarized below.

Devolution and Area Development Sector

The CDWP approved a project costing Rs. 2,800 million to improve access to essential services for host communities through solarization of schools and healthcare facilities and provision of missing education infrastructure.

Education & Training Sector

A project worth of Rs. 14,000 million was recommended to ECNEC to enhance teaching, research, and curriculum innovation in priority areas, including climate change, STEM, AI, and public policy.

Energy Sector

A validation report costing Rs. 100 million was approved by CDWP, while a project worth of Rs. 50,374.2 million was recommended to ECNEC to resolve sectoral issues and enhance NTDC's telecom and SCADA infrastructure.

Health Sector

Two (02) projects were considered by CDWP, including a World Bank-financed initiative costing Rs. 4,282.4 million, focused on enhancing maternal & child health, reducing fertility, and addressing the unmet need for family planning in Punjab. The forum agreed to defer the second project for further review.

Higher Education Sector

A project valued Rs. 1,607.3 million was approved to construct a building at NCA Lahore with a capacity for 900 students.

Transport & Communications Sector

A project costing Rs. 178,592.8 million was recommended to ECNEC to enhance mobility, accessibility, and safety along the Yellow BRT corridor in Karachi.

Water Resources Sector

The forum approved an ADB-funded project valued at Rs. 1,673.3 million project to strengthen Punjab's capacity in planning and implementing priority irrigation and water management projects.

COST RATIONALIZATION (JUL - NOV 2025)

Following a rigorous, outcome-oriented appraisal of development proposals submitted by federal and provincial governments, the Ministry carried out a targeted rationalization of project components by eliminating non-essential and duplicative elements to ensure optimal value for public resources. This process has improved the efficiency of national resource allocation and reinforced the Government's commitment to sustainable, high-impact development. As a result, savings of Rs. 200.4 million were realized during November, raising cumulative savings to Rs. 3.5 bn during July-Nov FY 2025-26. This reflects a disciplined and fiscally responsible approach to public investment, aimed at maximizing development effectiveness.

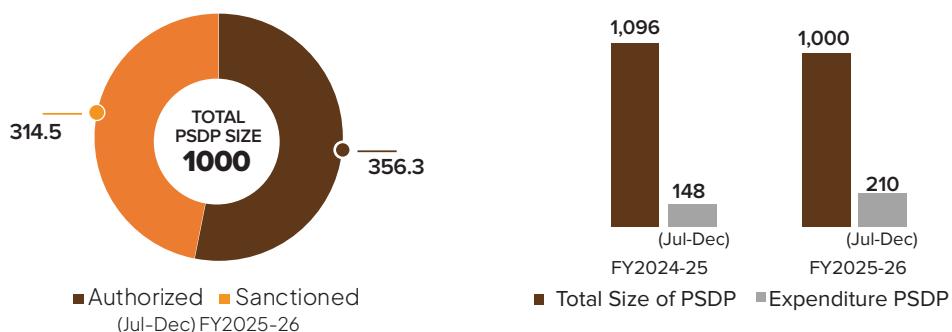
RATIONALIZATION

The Ministry of Planning achieved savings of Rs. 3.5 bn during Jul-Nov FY2025-26 by eliminating unnecessary components from development projects during the CDWP review process.

EMPLOYMENT GENERATION

During December 2025, the CDWP approved four (04) development projects and recommended a further three (03) projects for consideration by the ECNEC, bringing the total number of projects to seven (07). While these projects involve the creation of one hundred and seven (107) sanctioned posts, a detailed assessment of the PC-I documents was undertaken to evaluate their broader employment impact over the medium term (i.e 3 to 5 years). Based on the information provided, the approved and recommended projects are expected to generate approximately 3,000 direct employment opportunities, along with around 64,500 indirect jobs across various sectors of the economy.

DEVELOPMENT SPENDING (Rs. in Bn)



As of 31st December, 2025, Ministries / Divisions have sanctioned an amount of Rs. 314.5 bn against which Rs. 210 bn are reported expenditure. Sector-wise expenditures are given below:

SECTORAL OVERVIEW

Infrastructure Sector

The infrastructure sector received an allocation of Rs. 614.7 bn (61%) for FY 2025-26, of which, Rs. 117 bn has been utilized till 31st December, 2025. Within the Infrastructure, the transport and communication sector received the highest allocation of Rs. 325.6 bn and posted an expenditure of Rs. 63.1 bn. The energy sector and physical planning & housing sector recorded an expenditure of Rs. 4.3 bn and Rs. 19.4 bn against allocations of Rs. 122.7 bn and Rs. 68.6 bn, respectively. The water sector with allocation of Rs. 97.8 bn reported an expenditure of Rs. 30.2 bn.

Social Sector

The social sector was allocated Rs. 178.6 bn (18%), wherein, Rs. 65.3 bn were allocated for education sector including Higher Education which spent an amount of Rs. 16 bn. The health and nutrition sector utilized Rs. 3.6 bn against allocation of Rs. 16.5 bn. Furthermore, Rs. 26.4 bn were allocated for "Others", out of which, Rs. 2.9 bn have been utilized.

Governance Sector

To promote transparency and ensure good governance as well as to provide enabling environment for local and foreign investors, Rs 10.3 bn have been earmarked for Governance related projects, out of which, Rs. 2.8 bn have been incurred as expenditure.

Science & Information Technology Sector

The science and IT sector, with an allocation of Rs. 42.7 bn (4%) reflects sustained prioritization of digital transformation, innovation structure and applied research initiatives. This sector recorded an expenditure of Rs. 5.2 bn till date.

Industries & Production Sector

The industrial and production sector has been allocated Rs. 6.8 bn (1%) which includes Rs. 3.9 bn for food & agriculture sector and Rs. 2.9 bn for industries sector. The food & agriculture sector spent an amount of Rs. 0.9 bn and industries sector incurred an expenditure of Rs. 0.3 bn up to December.

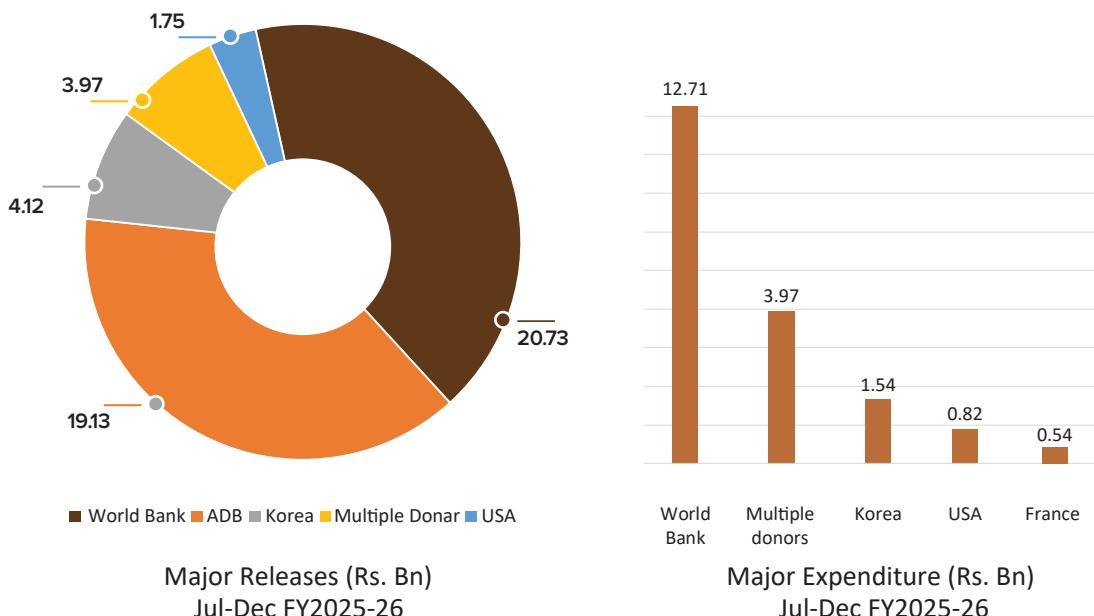
Special Areas and Merged Districts

Special Areas (AJK and GB) were allocated Rs. 81.8 bn (8%) and the Merged Districts received an allocation of Rs. 65.4 bn. To support the effective implementation of Accelerated Implementation Program (AIP), a Joint Steering Committee was constituted under the Chief Minister of KP with federal representation. Special areas spent Rs. 20.7 bn while merged districts spent Rs. 9.8 bn upto December.

FOREIGN FUNDED PROJECTS

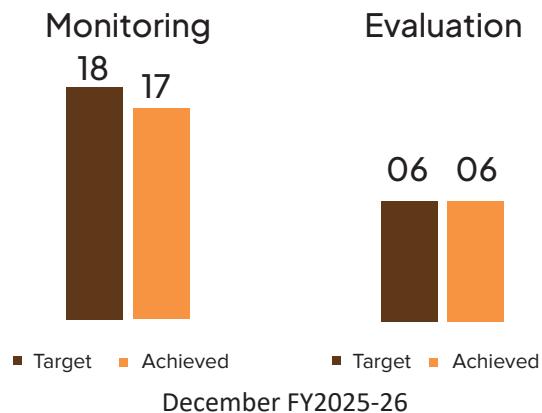
The PSDP portfolio includes 86 foreign-funded projects with a total foreign cost of Rs. 4.2 trillion, of which 15 projects are fully foreign-funded and the remaining 61 are implemented with local counterpart funding. For FY2025-26, a rupee cover of Rs. 229 bn has been enmarked for these projects. Ministry 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. 31.4 bn and recorded an expenditure of Rs. 19.7 bn against the allocated rupee cover.

FOREIGN-FUNDED PROJECTS



MONITORING & EVALUATION

Monitoring and Evaluation (M&E) safeguards public resources and improves service delivery by detecting deviations and recommending corrective measures. A robust M&E system ensures effective oversight and facilitates evidence-based planning. In December 2025, the Ministry monitored seventeen (17) projects and evaluated six (6) projects to ensure efficient implementation and the attainment of targeted development outcomes.



GOVERNMENT LAUNCHES TEA COMMERCIALIZATION STRATEGY TO BOOST EXPORTS AND STRENGTHEN AGRICULTURE



Pakistan's Tea Commercialization Strategy was launched on 11th December 2025, with a focus on reducing the USD 650 million annual import bill, boosting exports, and strengthening the agricultural value chain. The strategy aims to utilize over 600,000 hectares of suitable land and agricultural clusters under URAAN Pakistan to promote value addition, modern farming, processing, and branding. It emphasizes the role of trained experts, explores high-potential crops such as dates, mangoes, and olives, and highlights the importance of sustained investment to drive sustainable growth, food security, and export diversification, while acknowledging FAO's support and technical collaboration.

OTHER DEVELOPMENT INITIATIVES

Government Advances Power and Water Projects to Ensure Reliable Supply in Gilgit-Baltistan and Gwadar

A high-level meeting was held, on 4th December 2025, to review power and water projects in GB and Gwadar, focusing on providing reliable electricity and sustainable infrastructure. Plans include adding 100 MW to GB's capacity through rooftop and utility-scale solar projects and solarising pumping stations and desalination plants in Gwadar, alongside local generation and STATCOM deployment. The forum emphasized timely implementation, coordination with authorities, and strengthened maintenance to support economic activity, sustainable development, and improved quality of life in both regions.



High-Level Review of Priority PSDP Projects in Railways, Highways and Water Sectors

On Dec 27, 2025, a high-level review meeting assessed progress on key PSDP projects in railways, highways, and water sectors, including ML-1, ML-3, Thar Coal Railway, major NHA schemes, and dams like Diamer-Bhasha, Dasu, and Mohmand. Emphasis was placed on timely completion, realistic three-year financial planning, regular monitoring, and prioritizing critical projects such as Sukkur-Hyderabad Motorway, KKH Phase-II, and Mohmand Dam for water security, flood control, and energy generation.



INTERNATIONAL ENGAGEMENTS

Government Outlines Strategic Vision for Eurasian Connectivity and Economic Integration at Tianshan Forum

On Dec 2, 2025, Minister for Planning delivered a keynote at the inaugural Tianshan Forum in Urumqi, highlighting its role as a hub linking Central Asia, China, the Middle East, and global markets via Gwadar Port. The address emphasized achievements under CPEC and a four-part cooperation blueprint—trade integration, special economic zones, energy partnerships, and a Digital Silk Road—as pathways to regional connectivity, shared prosperity, and sustainable development.



Government Reaffirms Commitment to Polio Eradication at High-Level Pledging Event in Abu Dhabi

On December 9, 2025, Minister for Planning participated in the High-Level Pledging Moment for Polio Eradication in Abu Dhabi, reaffirming polio eradication as a national priority and highlighting progress in vaccination, surveillance, and health reforms under URAAN Pakistan. Pakistan pledged US\$ 639.54 million over four years toward a polio-free future, alongside international support, including US\$ 1.2 billion from the Gates Foundation.



Government Seeks Enhanced US Partnership in Education, Science, & Technology

On Dec 10, during a meeting with a US Department of State delegation, Minister for Planning highlighted plans to deepen cooperation with the US in science, technology, and higher education. The focus was on education, research, and human resource development through initiatives like Uraan Pakistan and the Fulbright Programme, while reaffirming its goal to become a US\$1 trillion economy by 2035 and strengthen bilateral ties amid regional challenges.



DEVELOPMENT OUTLOOK

Pakistan's economic and development outlook remains positive, anchored by strong fiscal management, easing inflation, robust remittances, and strengthened reserves. Strategic initiatives in health, education, infrastructure, energy, and governance are enhancing efficiency and social outcomes, while effective monitoring and project implementation optimize resources and institutional capacity. These efforts provide a solid foundation for sustainable, inclusive, and resilient growth.

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Vision Shapes Future Progress
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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-Dec)	(Jul-Dec)	
Consumer Price Index	%	7.2	5.2	↓
Consumer Price Index (Dec)	%	4.1	5.6	↑
Fiscal Sector				
FBR Tax Collection	Rs. Billion	5,625	6,161.7	↑ 9.5
FBR Tax Collection (Dec)	Rs. Billion	1,330	1,427	↑ 7.3
Fiscal Balance (Jul-Nov)	Rs. Billion	-43.5	981	↑
	As % of GDP	0.03	0.8	↑
External Sector				
Current Account Balance (Jul-Nov)	\$ Billion	+0.5	-0.8	↓
Exports (G&S)	\$ Billion	16.5	16.6	↑ 1.0
Imports (G&S)	\$ Billion	27.6	30.7	↑ 11.4
Remittances (Jul-Dec)	\$ Billion	17.9	19.7	↑ 10.5
Financial Sector				
Credit to Private Businesses (Stocks)	Rs Billion	10,738 27-12-2024	10,334 26-12-2025	↓ 3.6
Credit to Agriculture Sector (Jul-Nov)	Rs Billion	926	1,098	↑ 18.6
KSE-100 Index (31 st Dec)	Index	115,127	174,476	↑ 52
Investment				
FDI (Net) (Jul-Nov)	\$ Million	1,242	9,27	↓ 25
FDI (Inflows)	\$ Million	2,152	1,474	↓ 31.5
FDI (Outflows)	\$ Million	910	547	↓ 39

ANNEX II: PROJECTS APPROVED AND RECOMMENDED BY CDWP DURING DECEMBER 2025

S#	NAME OF PROJECT	SPONSORING AGENCY	TOTAL COST (Rs in Million)	DATE	STATUS
1.	Hosting Community Support Program (HCSP) New	Ministry of KA&GB	2800.00	11-12-2025	Approved
2.	Prime Minister's Pakistan Fund for Education (Revised)	Ministry of FE&PT	14,000.000	11-12-2025	Recommended To ECNEC
3.	Third Party Validation (TPV) of Neelum Jhelum Hydropower Project (NJHPP)	Ministry of Water Resource	100.00	11-12-2025	Not Approved
4.	Upgradation/Extension of NTDC's Telecommunication & SCADA System - Revised	Power Division	50374.200	11-12-2025	Recommended To ECNEC
5.	Expansion of Armed Forces Institute of Cardiology & National Institute of Heart Diseases (AFIC-NIHD), Rawalpindi.	Ministry of Defense	12,949.434	11-12-2025	Deferred
6.	Punjab Family Planning Program (Revised)	Government of the Punjab	4,282.350	11-12-2025	Approved
7.	Pak UK Education Gateway (Phase-II)	HEC	3,500.00	11-12-2025	Deferred
8.	Construction of Graduate Block in NCA Lahore (1st Revised)	Ministry of FE&PT	1,607.314	11-12-2025	Approved
9.	Construction of Lahore - Sahiwal - Bahawalnagar Motorway (Length: 295 Km)	Communications Division	465,172.33	11-12-2025	Deferred
10.	Karachi Urban Mobility Project (Yellow BRT Corridor)	Government of Sindh	178,592.836	11-12-2025	Recommended To ECNEC
11.	Project Readiness Financing (PRF) for Punjab Water Resources Management (PWRM) - Revised	Government of the Punjab	1673.328	11-12-2025	Approved
PP-I	Rehabilitation / Construction of Roads in Site Industrial Area Karachi	Government of Sindh	5,015.611	11-12-2025	Approved
PP-II	Request to revisit ECNEC's Decision dated 29th June, 2024 for the project titled "Electrical & Mechanical Works, Allied Building and Bridges of Access road of Lowari Tunnel	Communications Division	33,257.400	11-12-2025	Deferred
PP-III	Kachhi Canal Project (Remaining Works of Phase-I)	M/o Water Resources	34,454.422	11-12-2025	Recommended To ECNEC
PP-IV	Position Paper on Compliance of CDWP/ECNEC decisions regarding DASU HPP (Stage-I) (Revised)	M/o Water Resources	1737,881.00	11-12-2025	Recommended To ECNEC



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