

Top Stories – February 2026 Bulletin

- **Introduction** – Pakistan economic overview and key developments outlook of FY2026.
- **Ramazan 2026** – Month of reflection, spiritual renewal, and community solidarity.
- **FX Reserves** – Increased to \$21.4B; SBP \$16.2B, banks \$5.19B.
- **IMF Review** – Third EFF assessment underway; \$1.2B disbursement expected.
- **Islamic Money Market** – Rs151B placements reflect stable liquidity.
- **Cement Sector** – Rs35B profit recorded despite margin pressures.
- **Cyber Shield** – SBP launches banking cybersecurity framework.
- **Services Exports** – Rise 19% driven by IT and business services growth.
- **Remittances** – Reach \$23.21B in 7MFY26, up 11% YoY.
- **Petroleum Prices** – Petrol and diesel prices increase during February cycle.
- **Monthly Economic Outlook** – SBP Monthly Update (Feb-2026).
- **Pakistan–Qatar Relations** – Strategic cooperation expanded.
- **Austria Visit** – Trade, investment, and skilled labour cooperation enhanced.
- **Housing Finance** – MGMA scheme expanded with Rs10M loan ceiling.
- **5G Auction** – Spectrum sale scheduled for March 2026 rollout.
- **Ramazan Relief Package** – Rs19B approved for 12M families.
- **PSDP Spending** – Rs272.8B utilized under development program.
- **Board of Peace** – International platform launched for Gaza reconstruction.
- **India–Israel Visit** – Strategic cooperation expanded during Modi visit.
- **Global Trade Shift** – China becomes Germany’s largest trading partner.
- **Bangladesh Elections** – BNP wins majority, marking political transition.
- **Iran–U.S. Escalation** – Military conflict raises regional security risks.
- **Forex Market** – PKR appreciates slightly during February.
- **Capital Markets** – Index closes at 168,062 amid geopolitical & global uncertainty.
- **Money Market** – KIBOR rates remain stable across tenors.
- **Key Indicators** – Inflation 6.5%, policy rate 10.5%, GDP growth 3.2% (E).
- **FBR Dialogue** – Tax Bar consultations on policy reforms.
- **Court Ruling** – EPC contracts recognized as service agreements.
- **Women Businesses** – 25% tax reduction operationalized.
- **Revenue Collection** – Rs8.12T collected with moderate shortfall.

Introduction

This newsletter aims to provide a concise summary of the developments that influence Pakistan's economic landscape.

Ramazan 2026: A Month of Reflection and Devotion

Ramazan, the holy ninth month of the Islamic calendar, is a time of deep spiritual reflection, self-discipline, and renewed devotion. Beginning around 10 March 2026 (subject to moon sighting), it offers Muslims an opportunity to strengthen their faith, purify the soul, and draw closer to Allah through fasting, prayer, and remembrance.

Beyond abstaining from food and drink from dawn to sunset, Ramazan encourages patience, gratitude, and empathy for those in need, fostering a sense of inner peace and community solidarity. The nightly Taraweeh prayers, Quranic recitation, and moments of sincere supplication are central to cultivating spiritual growth and mindfulness throughout the month.

Ramazan serves as a renewal of heart and mind, guiding believers to embody compassion, humility, and self-restraint, making it a profoundly transformative period for individuals and communities alike.

Economic Events

- As of 20-Feb-2026, the foreign exchange reserves increased by \$339.3 million from last month Jan'26. The reserves held with SBP are \$16.213 billion and reserves with commercial banks stood at \$5.195 billion.

| Liquid Foreign Exchange Reserves | | | |
|---|---------------------|-----------------------|-----------------------|
| Week-ending | SBP Reserves | Banks Reserves | Total Reserves |
| 6-Feb-26 | 16,177.80 | 5,196.90 | 21,374.70 |
| 13-Feb-26 | 16,196.90 | 5,104.60 | 21,301.50 |
| 20-Feb-26 | 16,212.90 | 5,194.80 | 21,407.70 |

- An International Monetary Fund (IMF) mission has commenced technical discussions with the State Bank of Pakistan for the third review of the \$7 billion Extended Fund Facility and the second review of the \$1.1 billion Resilience and Sustainability Facility. The review will assess Pakistan's macroeconomic performance, fiscal progress, and forward-looking policy measures, including budget planning and provincial financial reforms. While most quantitative targets have been broadly met, challenges remain in revenue performance and structural benchmarks. Successful completion of the review could unlock approximately \$1.2 billion in additional IMF disbursements by April.
- The State Bank of Pakistan (SBP) reported Islamic interbank money market placements of Rs151.43 billion on February 26, 2026, reflecting active liquidity management in the

Shariah-compliant banking sector. Transactions were mainly short-term and conducted between conventional and Islamic banks, as well as non-bank financial entities through Musharaka, Mudaraba, and Bai-Muajjal structures. Profit rates ranged between 10.00% and 11.10%, indicating stable liquidity conditions in the Islamic money market.

- Pakistan’s listed cement sector reported profit of Rs35.0 billion in 2QFY26, remaining broadly flat year-on-year but declining 6% quarter-on-quarter due to reduced other income despite higher domestic dispatches. Net sales increased sequentially on stronger local demand, while exports declined amid regional instability and lower sea-borne shipments. Profitability margins narrowed owing to lower retention prices and higher tax incidence, although reduced coal prices provided some cost relief.
- The State Bank of Pakistan (SBP) has launched ‘Cyber Shield’, a comprehensive strategy under Vision 2028 to enhance cyber resilience across the banking sector, addressing rising cyber threats amid rapid digitisation. The initiative sets a roadmap to strengthen governance, incident response, information-sharing, and skilled workforce development, with phased implementation through 2030
- The ARY Group is reportedly close to acquiring Nukta, the Dubai-based digital media platform founded by journalist Kamran Khan and initially financed by property developer Malik Riaz, with final deal details still under negotiation. The potential transaction follows Malik Riaz’s withdrawal of funding amid financial and legal challenges, which led to layoffs and operational pressures at Nukta. The acquisition would strengthen ARY’s digital media presence while potentially integrating Kamran Khan into its prime-time programming lineup. The future structure, branding, and scale of Nukta under ARY’s management remain uncertain, though operational consolidation and cost rationalisation are expected.
- Pakistan’s services exports showed robust growth in 7MFY26, rising 19% year-on-year to \$5.66 billion, driven primarily by IT and Other Business Services (OBS). IT exports reached \$2.6 billion, supported by software development and freelancing, while OBS grew 26% to \$1.205 billion, reflecting rising global demand for professional and technical services. The combined performance underscores a structural shift toward knowledge-intensive, digitally enabled services, positioning the sector as a key driver of foreign exchange earnings amid constraints in goods exports.
- In FY2025-26, workers’ remittances reached \$3.46 billion in January 2026, showing a 15.33% increase compared to \$3 billion in the same month of the previous fiscal year. Overall, remittances for the 7MFY26 rose by \$2.37 billion, totaling \$23.21 billion, up from \$20.84 billion during the corresponding period last year.

| Year | Jul-25 | Aug-25 | Sep-25 | Oct-25 | Nov-25 | Dec-25 | Jan-26 |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| FY-26 | \$ 3.22 B | \$ 3.14 B | \$ 3.18 B | \$ 3.42 B | \$ 3.19 B | \$ 3.59 B | \$ 3.46 B |
| FY-25 | \$ 2.99 B | \$ 2.94 B | \$ 2.86 B | \$ 3.05 B | \$ 2.92 B | \$ 3.08 B | \$ 3.00 B |

| Product | Prices as of 1st Feb (A) | Prices as of 16th Feb (B) | Prices as of 1st Mar (C) | Monthly Increase / Decrease (C-A) |
|-------------------------|--------------------------|---------------------------|--------------------------|-----------------------------------|
| MS (Petrol) | 253.17 | 258.17 | 266.17 | 13 |
| High-Speed Diesel (HSD) | 268.38 | 275.7 | 280.86 | 12.48 |

Pakistan Monthly Economic Update & Outlook — February 2026

Here is the concise summary of Pakistan Monthly Economic Update & Outlook - February 2026, published by the State Bank of Pakistan (SBP). It presents an overview of key macroeconomic developments, sectoral performance, and the near-term economic outlook, highlighting major trends in growth, inflation, fiscal and external accounts, financial markets, and global economic conditions.

1- Overall Macroeconomic Performance

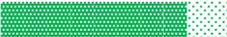
Pakistan entered Q3 FY2026 with strengthened macro fundamentals, reflected in exchange rate stability and improved fiscal and external buffers. Growth momentum is supported by remittance inflows, easing inflation, monetary stability, and prudent debt management.

Key Macroeconomic Indicators

- ✓ Stable exchange rate (PKR 279.8/USD)
- ✓ Controlled inflation
- ✓ Fiscal surplus
- ✓ Strong remittances
- ✓ Record stock market performance

Growth momentum has improved, supported by manufacturing recovery and prudent fiscal management.

Trend Snapshot:

Macroeconomic Stability  (Strong)

2- Agriculture Sector Performance

The agricultural outlook remains positive, supported by improved availability of key farm inputs and government measures aimed at enhancing productivity. Higher fertilizer offtake, increased agricultural machinery imports, and better access to credit are expected to support crop output, particularly wheat production during the Rabi season.

| Indicator | Rabi 2025-26 |
|-------------------|---------------------|
| Wheat Area Sown | 23.1 million acres |
| Target Area | 23.8 million acres |
| Production Target | 29.7 million tonnes |

Key Drivers:

- Agricultural machinery imports increased 10.5% to \$76.8 million.
- Urea offtake reached 2,744 thousand tonnes (+12% YoY).
- Adequate fertilizer supply and farm mechanization supported cultivation activity.

Overall, improved input availability and policy support are expected to strengthen agricultural output and contribute positively to FY2026 economic growth.

3- Large-Scale Manufacturing (LSM)

Large-Scale Manufacturing recorded a strong recovery during FY2026, reflecting improved domestic demand, easing financial conditions, and better industrial input availability. Growth was primarily driven by automobiles, wearing apparel, and petroleum-related industries, indicating a broad-based industrial revival.

| LSM & Industrial Output | |
|------------------------------------|-------------------|
| Sector Highlight | YoY Growth |
| LSM (Jul–Nov) | 6.00% |
| LSM (Nov 2025) | 10.40% |
| Cars Production | 56.10% |
| Trucks & Buses | 89.40% |
| Cement Dispatches | 9.70% |

Key Drivers:

- Automobile sector expansion supported by increased production and demand.
- Wearing apparel and textile-related industries showed steady improvement.
- Coke & petroleum products contributed significantly to industrial output.

Sector Highlights (Jul–Jan FY2026)

| | |
|---------------------------|------------------------------|
| Trucks & Buses production | 92.90% |
| Cars production | 57.50% |
| 2/3 Wheelers | 32.60% |
| Jeeps & Pickups | 26.50% |
| Cement dispatches | 30.6 million tonnes (+10.6%) |
| Cement exports increased | 61.10% |

Overall, the LSM sector indicates strengthening industrial momentum, supporting economic growth and improving business confidence in FY2026.

4- Inflation Developments

Inflation remains contained, supported by easing food prices and stable energy dynamics. Anchored inflation expectations allowed monetary authorities to maintain an accommodative stance.

| Indicator | Jan-25 | Jan-26 | Jul–Jan FY'25 | Jul–Jan FY'26 |
|---------------|--------|--------|---------------|---------------|
| CPI Inflation | 2.40% | 5.80% | 6.50% | 5.20% |

Key Drivers:

- Education (+10.1%)
- Housing & Utilities (+7.3%)
- Non-perishable food (+7.6%)
- Perishable food declined (-19.7%)

Inflation expected in **6–7% range** in February.

5- Fiscal Sector Performance

Fiscal accounts show marked improvement due to higher revenue mobilization and reduced current expenditure, especially markup payments. Development spending increased, supporting growth without widening the deficit.

| Indicator | FY25 (Jul–Dec) | FY26 (Jul–Dec) |
|-------------------|-------------------|----------------------------|
| Total Revenue | Rs 9,767 billion | Rs 10,684 billion (+9.4%) |
| Total Expenditure | Rs 11,305 billion | Rs 10,142 billion (-10.3%) |
| Fiscal Balance | -1.3% GDP | +0.4% GDP |
| Primary Surplus | Rs 3,604 billion | Rs 4,106 billion |

FBR Tax Collection (Jul–Jan FY26)

- Rs 7,176.9 bn (+10.5%)
- Direct taxes: +11.1%
- Indirect taxes: +9.8%

Revenue growth is broad-based, reflecting improved compliance and economic recovery.

6- External Sector Developments

The current account recorded a deficit of \$1.2 billion in H1-FY26 due to rising imports amid improving economic activity. However, robust remittances and strong IT services exports helped cushion external pressures and supported reserve accumulation.

| External Sector Snapshot | |
|--|-------------------------|
| Indicator | Value |
| Current Account Balance | -\$1.1 billion |
| Remittances - Major contributors: Saudi Arabia (23.5%), UAE (20.6%). | \$23.2 billion (+11.3%) |
| IT Services Exports | 19.80% |
| Trade Deficit | \$20.5 billion |
| FX Reserves | \$21.3 billion |

7- Capital Markets & Business Confidence

Improved macroeconomic stability and investor confidence pushed equity markets to record levels. Strong earnings expectations and policy stability supported capital market performance.

| Capital Market Performance | |
|-----------------------------------|-------------------|
| Indicator | Status |
| KSE-100 Index | 168,062.1 |
| Market Capitalization | Rs 19.01 trillion |
| Index Growth (YoY) | 48.3% |

8- Social & Employment Indicators

Social protection programs and overseas employment continue to support household incomes. Credit disbursement and relief packages are reinforcing economic resilience at the grassroots level.

| | |
|-------------------------------------|---------------------------|
| • Overseas employment: | 75,663 workers (+19%) |
| • Interest-free loans: | Rs 630 million (Jan 2026) |
| • BISP disbursement (Jul–Dec FY26): | Rs 328.7 bn |
| • Ramadan Relief Package: | Rs 38 bn |

9- Global Context & Risks

Global growth is moderately improving, but oil price volatility and geopolitical risks remain downside threats. Commodity price swings could affect inflation and the import bill.

Oil prices: \$64–72 per barrel
Global PMI: 52.5 (expansion zone)

Political Front

- Amid escalating tensions in the Middle East, Karachi’s Jinnah International Airport experienced an unprecedented influx of diverted international flights, evoking memories of the 1990 Gulf Crisis. The Pakistan Airports Authority (PAA) coordinated operations amid limited parking, handling multiple flights safely, while some airlines, including AirSial, PIA, and Saudi Airlines, announced cancellations on Gulf routes. Authorities assured that Pakistan’s airspace remained secure, with teams effectively managing the sudden surge and keeping passengers informed.
- On February 24, 2026, Pakistan and Qatar reaffirmed their commitment to strengthen bilateral ties, elevating economic, defence, and political cooperation to a strategic level. PM Shehbaz Sharif and Amir Sheikh Tamim discussed regional stability, including developments in Iran and Afghanistan, and emphasized dialogue, diplomacy, and peaceful resolution of disputes. Both sides also focused on expanding trade, investment, and private-sector engagement, with mechanisms like the Pak-Qatar Joint Business Taskforce set to translate discussions into concrete economic outcomes.
- On February 16, 2026, Prime Minister Shehbaz Sharif met Austrian Chancellor Christian Stocker in Vienna, marking the first Pakistani prime ministerial visit to Austria since 1992. Both leaders committed to strengthening bilateral ties across trade, investment, education, IT, healthcare, and renewable energy, while co-chairing a business roundtable to expand G2G, G2B, and B2B engagements. PM Shehbaz also highlighted cooperation on legal skilled labour, regional development, and modernising Pakistan’s workforce, inviting Austria to invest in sectors like agriculture and technology.

- The Economic Coordination Committee (ECC) has approved revisions to the Mera Ghar Mera Aashiana (MGMA) housing finance scheme, raising the maximum loan to Rs10 million and setting a uniform 5% mark-up rate, down from 8%. The scheme now covers homes up to 10 marlas or 1,500 sq ft, targeting financing of 500,000 units over four years, with subsidy disbursements aligned to actual loan releases. Implementation will continue through the State Bank of Pakistan, with over 10,500 applications received and 344 loans disbursed to date. The ECC also approved a Rs7.289 million grant for enhancing agricultural productivity in rain-fed areas.
- The Pakistan Telecommunication Authority (PTA) announced that the 5G spectrum auction will be held on March 10, 2026, offering 597 MHz across multiple bands, with expected revenue of \$300–700 million. The auction will use a multi-round electronic clock format, and rollout of 5G services is projected within three to six months. PTA highlighted that improved spectrum allocation will enhance data speeds by 25%, increase ARPU, expand coverage, and support future upgrades like 6G, with telecom operators receiving incentives and relaxed regulatory terms to accelerate deployment.
- The Economic Coordination Committee (ECC) approved the release of Rs19 billion for PM Shehbaz Sharif’s Ramazan relief package 2026, aimed at benefiting over 12 million families through direct digital payments. The package uses National Socio-Economic Registry data for transparent targeting, with funds disbursed via formal banking channels. The ECC also granted in-principle approval of Rs1 billion for operational expenses, ensuring fiscal oversight and adherence to financial rules, with any unutilised funds to be surrendered.
- On February 10, 2026, the Japan-Pakistan Business Seminar in Islamabad focused on strengthening long-term economic ties. Discussions highlighted Japan’s industrial lessons, human capital, technology adoption, and financial stability as drivers for Pakistan’s growth. Trade, investment, and automotive collaboration were emphasized to foster a sustainable, mutually beneficial partnership.
- On February 5, 2026, President Kassym-Jomart Tokayev highlighted connectivity and economic cooperation as central to Kazakhstan–Pakistan relations, emphasizing trade expansion, transport corridors, and regional stability. He underscored Kazakhstan’s readiness to participate in the K-T-A-P corridor, promote investment, and advance diplomatic initiatives while pursuing domestic reforms, rule of law, and digital transformation to support sustainable economic growth.
- During July–January FY26, the government authorised Rs555.5 billion (55.55%) of the Rs1 trillion PSDP allocation, while actual spending reached Rs272.8 billion (27.28%), reflecting a cautious pace of development execution. Major funds were directed toward federal ministries, infrastructure, and energy projects, though utilisation remained moderate across key sectors.

- The Sindh government has reduced the infrastructure development cess (IDC) from 1.85% to 0.80–0.85%, fulfilling a long-standing demand of the business community. The Export Facilitation Scheme (EFS) cess has been abolished, providing exporters and traders with fiscal relief. Outstanding IDC linked to litigation will be payable in structured installments: 15% by July 31, 2026, 15% by October 31, 2026, 15% by July 31, 2027, and the remaining 55% over 12 years from 2028 to 2040, easing liquidity pressures and expediting port clearance.
- The government announced an average Rs4.04 per unit reduction in industrial power tariffs, effective February 11, 2026, while imposing a nominal Rs1,000 monthly fixed charge on smaller industrial consumers (B1 category). Power rates for all industrial categories (B1–B4) were revised with lower peak and off-peak rates, and the government directed Nepra to restore full contractual rights of existing net-metered solar prosumers until their current agreements expire. The move suspends controversial regulatory changes, ensuring old prosumers retain previous billing and payback mechanisms, while new prosumers continue under updated net-billing rules.

Board of Peace: Overview and Developments

The Board of Peace is a newly established international initiative launched in January 2026 to promote peacebuilding, humanitarian coordination, and post-conflict reconstruction, initially focused on Gaza. The platform brings together participating countries to coordinate ceasefire support, governance arrangements, and international funding aimed at long-term regional stability.

The Board was formally introduced during the World Economic Forum in Davos on 22 January 2026, where founding members, including Pakistan, signed the charter and endorsed its objectives. The first official leaders' session was subsequently held on 19 February 2026 in Washington, D.C., chaired by U.S. President Donald J. Trump. The inaugural meeting focused on Gaza's reconstruction roadmap, humanitarian access, and mobilization of international financial commitments, with participating countries collectively pledging billions of dollars toward relief and rebuilding efforts.

As of early 2026, the Board has conducted two key sessions:

- Founding Charter Session — 22 January 2026 (Davos)
- Inaugural Leaders' Meeting — 19 February 2026 (Washington, D.C.)

Pakistan has participated in both sessions, first by joining the charter signing in Davos and later through high-level representation led by Prime Minister Shehbaz Sharif at the Washington meeting. Pakistan's participation reflects its diplomatic stance supporting ceasefire efforts, humanitarian assistance, and a political resolution consistent with international law and United Nations frameworks.

The Board operates through voluntary financial contributions from member states and aims to serve as a coordination platform for reconstruction funding, governance support, and stabilization initiatives. While the initiative has attracted broad international participation,

discussions continue regarding its future institutional role alongside existing global peace and security mechanisms.

World Updates

- Prime Minister Narendra Modi visited Israel on 25–26 February 2026 for a two-day state visit at the invitation of Israeli Prime Minister Benjamin Netanyahu, marking his second official trip to the country and including a historic address to the Israeli Knesset. PM focused on strengthening bilateral ties in defence, technology, trade, and labour mobility, including an agreement to allow up to 50,000 additional Indian workers by 2030. The visit underscored India’s growing strategic and counter-terrorism cooperation with Israel and highlighted New Delhi’s evolving role in Middle East diplomacy. Internationally, it signalled India’s intent to balance regional engagement with broader peace and security objectives, while domestically, the visit faced criticism from opposition voices over perceived geopolitical risks.
- China has overtaken the U.S. as Germany’s top trading partner, with trade reaching €251 billion in 2025, driven by imports from China worth €170.6 billion. Chancellor Friedrich Merz will visit Beijing on 3–4 March 2026 for talks with Xi Jinping and Li Qiang, accompanied by key German business leaders, to discuss trade, human rights, and global issues. Germany’s trade ties with China remain complex, particularly in the automotive sector, where companies like Volkswagen, BMW, and Mercedes-Benz have significant operations. The visit signals Germany’s commitment to dialogue and economic cooperation amid shifting global trade dynamics.
- On February 19, 2026, the World Bank Board approved an \$846 million IBRD guarantee to mobilize \$1.41 billion in long-term financing for the Transforming Rail Connectivity in Kazakhstan (Middle Corridor) Project. The project will build a 322 km greenfield railway line, enhance Kazakhstan Temir Zholy’s financial sustainability, and improve efficiency, capacity, and climate resilience along the Trans-Caspian trade corridor. By 2030, it is expected to triple freight volumes, halve transit times, and reduce transport emissions, strengthening Kazakhstan’s role as a key Eurasian logistics hub.
- On February 9, 2026, the World Bank approved \$50 million for the Nepal Digital Transformation Project to digitize public services and strengthen digital infrastructure. Co-financed with \$40 million from the Asian Development Bank, the project will develop integrated platforms, secure data exchanges, and digital services while enhancing cybersecurity and governance. It will be implemented by Nepal’s Ministry of Communications and IT and the Department of National ID, improving service delivery and public sector efficiency.
- The U.S. Supreme Court ruled in February 2026 that tariffs imposed by President Donald Trump under emergency powers were unlawful, reaffirming that tariff authority rests with Congress. The decision halted certain tariff collections and created potential refund liabilities for previously collected duties. In response, the Trump administration introduced a temporary 10% global tariff under the Trade Act of 1974, with plans to raise it to 15%. The ruling has reshaped U.S. trade policy while sustaining elevated tariff levels and global trade uncertainty.
- In February 2026, Sri Lanka intensified its foreign policy outreach, holding bilateral talks with European, Asian, and Middle Eastern partners to strengthen trade, investment, and

technological cooperation. The government emphasized economic recovery, infrastructure development, and sustainable energy projects, aiming to boost investor confidence and enhance the country's regional and global engagement.

- The 2026 Bangladeshi general election was held on 12 February 2026 to elect members of the Jatiya Sangsad. The voter turnout was approximately 60%, reflecting significant public participation. The Bangladesh Nationalist Party (BNP) won a landslide victory, securing a majority of parliamentary seats. The Awami League, previously in power, was banned from contesting, while the Jamaat-e-Islami and allied parties emerged as the main opposition. Following the election, the BNP formed the government, with Tarique Rahman set to assume the office of Prime Minister. This marked a major political transition in Bangladesh after 15 years of Awami League rule.
- Japan's ruling Liberal Democratic Party secured a decisive victory in the snap general election held on 8 February 2026, winning a two-thirds supermajority in the lower house of parliament. The landslide result strengthened Prime Minister Sanae Takaichi's political mandate and ensured strong legislative control for the government. Following the election, a new cabinet was formed, enabling policy continuity focused on economic stability, security reforms, and long-term governance priorities.
- On 6 February 2026, South Africa announced the resumption of domestic production of foot-and-mouth disease vaccines for the first time since 2005, aiming to strengthen livestock health and reduce reliance on imports. Production had stopped earlier due to low outbreak risk and cost considerations. The government approved the restart following risk assessments and modern biosecurity standards to ensure timely and secure vaccine availability.
- The following day, 7 February 2026, South Africa declared the withdrawal of its military contingent from the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). The decision reflects a strategic recalibration of South Africa's foreign engagements and emphasizes a focus on regional security priorities and resource optimization.
- India hosted the AI Impact Summit 2026 in New Delhi in February 2026, marking a major milestone in the country's efforts to position itself as a global hub for artificial intelligence innovation and governance. The summit brought together policymakers, industry leaders, researchers, and international experts to discuss AI regulation, ethical frameworks, cross-border collaboration, and technological development.

Key themes of the summit included:

- Responsible AI deployment in government and industry
- International collaboration on AI standards and governance
- AI for social and economic development, including healthcare, agriculture, and education

Iran–U.S. War: 2026 Military Escalation and Humanitarian Impact

Historical Context

The United States and Iran have not engaged in a formally declared war since the 1979 Iranian Revolution. However, relations have remained tense over the decades, characterized by periodic military confrontations, proxy conflicts, economic sanctions, and ongoing diplomatic

friction. Key flashpoints include the Twelve-Day War in June 2025, during which Israel and subsequently the U.S. conducted major strikes on Iranian territory, and the recent escalation in early 2026

1. Major Military Escalation: US & Israel Strike Iran

On 28 February 2026, the United States and Israel launched coordinated military strikes deep inside Iranian territory. Dubbed Operation Epic Fury, the attacks targeted military bases, nuclear facilities, and command centers in cities including Tehran, Isfahan, Natanz, and Fordow. The offensive involved stealth aircraft, cruise missiles, and precision-guided munitions, aiming to neutralize Iran's strategic military capabilities. Reports indicate strikes also hit sites associated with Iranian political and military leadership, intensifying regional tensions and raising fears of a broader conflict.

2. Iranian Retaliation and Regional Spread

In response, Iran launched ballistic missiles and drone attacks against Israeli territory and US bases across Gulf states including Qatar, Bahrain, Kuwait, and the UAE. Israel activated air defense systems nationwide and mobilized reservists, while civilians were urged to take shelter. The escalation disrupted commercial air traffic and regional logistics, highlighting the potential for the conflict to spread beyond the immediate combat zones.

3. Civilian Impact and Humanitarian Consequences

The military strikes have caused significant civilian casualties and destruction. Iranian officials reported that a girls' school in Minab was struck, resulting in over 100 deaths, mostly children, with many more injured. Additional reports indicate widespread damage to hospitals, residential areas, and public infrastructure. Emergency services are overwhelmed, and thousands of civilians have been displaced. Humanitarian organizations have raised urgent concerns about the safety of non-combatants and access to medical care.

4. International Law Violations and Global Response

The attacks have drawn international condemnation for potential violations of international law. Legal experts and the International Commission of Jurists noted that targeting civilian areas and acting without UN Security Council authorization may breach the UN Charter and principles of international humanitarian law, particularly regarding proportionality and distinction between civilians and military targets. The UN Secretary-General called for immediate cessation of hostilities and urged diplomacy, while multiple countries emphasized the need to protect civilians and restore peace.

FINANCIAL WORLD

Forex Update

- The Inter Bank rate of PKR appreciated by Rs 0.35 against the Dollar in Feb'26 and closed at 279.85.

- The closing rate of major currencies on 27th Feb 2026;

INTER BANK RATES

| Currency | Symbol | Bank Buying TT Clean | Bank Selling TT & OD |
|---|--------|-------------------------|-------------------------|
|  Australian Dollar | AUD | 198.9 | 199.26 |
|  Canadian Dollar | CAD | 204.43 | 204.8 |
|  China Yuan | CNY | 40.79 | 40.86 |
|  Danish Krone | DKK | 44.15 | 44.23 |
|  Euro | EUR | 329.86 | 330.45 |
|  Hong Kong Dollar | HKD | 35.71 | 35.77 |
|  Japanese Yen | JPY | 1.794 | 1.7972 |
|  Saudi Riyal | SAR | 74.52 | 74.65 |
|  Singapore Dollar | SGD | 221.13 | 221.53 |
|  Swedish Korona | SEK | 30.89 | 30.95 |
|  Swiss Franc | CHF | 361.44 | 362.09 |
|  Thai Bhat | THB | 9.02 | 9.04 |
|  U.A.E Dirham | AED | 76.1 | 76.24 |
|  UK Pound Sterling | GBP | 377.03 | 377.7 |
|  US Dollar | USD | 279.35 | 279.85 |

Capital & Money Market

- KIBOR prevailing rate as of Feb 27, 2026

| KIBOR | | |
|------------------------|--------------|--------------|
| As on 27-Feb-26 | | |
| Tenor | BID | OFFER |
| 1 Month | 10.30 | 10.80 |
| 3 Month | 10.34 | 10.59 |
| 6 Month | 10.36 | 10.61 |
| 12 Month | 10.37 | 10.87 |

- The KSE-100 Index declined to 168,062.16 points, registering a monthly fall of 16,112.32 points from 184,174.48, primarily due to profit-taking following the previous rally and cautious investor sentiment. Market performance was further affected by rising global uncertainty, particularly escalating U.S.–Iran geopolitical tensions, which increased oil price volatility and triggered risk-averse behaviour among investors amid fears of regional conflict and higher energy costs. Additionally, institutional portfolio rebalancing and short-term valuation corrections contributed to the market’s downward adjustment despite stable domestic macroeconomic fundamentals.



Important Economic Indicators as of 28th Feb 2026

| | |
|---|------------------------------|
| Currency (PKR to USD) Rs. 279.85 | Personal Income Tax Rate 35% |
| Stock Market (KSE-100 Index) 168,062.16 | GDP Annual Growth 3.2% (E) |
| Unemployment Rate 7.1% (E) | Consumer Confidence 41 (E) |
| Inflation Rate 6.5% (E) | Brent Crude Oil \$ 72.55/Bbl |
| Interest Rate 10.5% | WTI Crude Oil \$ 66.83/Bbl |
| Corporate Tax Rate 29% | Gold per Tola Rs. 547,607 |

Tax World

- On 27th February 2026, FBR Chairman Mr. Rashid Mahmood Langrial held a meeting with representatives of Pakistan's major Tax Bar Associations to discuss taxpayer challenges, including super tax and SRO 350(I)/2024. A committee was formed to address these issues, with the Chairman emphasizing FBR's commitment to facilitation, policy improvement, and enhancing voluntary compliance.
- The FBR signed an agreement with LUMS to provide intensive, three-week professional certification programs for its officers in key tax and customs areas, enhancing skills in AI, data science, audit, and trade facilitation. This initiative supports FBR's ongoing transformation and commitment to developing a modern, future-ready tax administration.

- The Lahore High Court ruled that EPC/turnkey construction contracts constitute service agreements, not sale of goods, allowing input tax claims previously disallowed as building material. This principle is reinforced by the Federal Court's recent judgment in Matracon Pakistan, confirming construction as a service contract. Businesses undertaking factories, power plants, or similar projects can now claim input tax on directly attributable construction services.
- Under Clause 19, Part-III of the Second Schedule to the Income Tax Ordinance, 2001, women-owned businesses (sole proprietorships, AOPs with all women members, or 100% women-owned companies established on or after 1 July 2021) are eligible for a 25% reduction in tax on business profits. FBR has issued a notice to implement this benefit in the IRIS tax filing system, enabling eligible women entrepreneurs to claim the reduction.
- The Peshawar High Court (Feb 6, 2026) ruled that industries in tribal areas (FATA/PATA) are taxable under Entry No. 89, Eighth Schedule, and the 4% further tax on supplies to unregistered persons applies even at reduced rates. Petitioners argued that historical exemptions and unregistered supply chains made this burdensome, but the Court held it cannot alter statutory provisions unless it is unconstitutional.
- The FBR's Lifestyle Monitoring Cell has initiated recovery actions against 38 prominent social media influencers, including YouTubers and TikTok creators, over alleged income concealment totaling Rs15 billion. Discrepancies between declared income and observed expenditures have prompted detailed audits, fresh assessments, and notices for unpaid taxes and penalties. Authorities are examining past tax years to ensure full recovery of undeclared earnings and enforce compliance with tax laws.
- Customs Enforcement Quetta, in coordination with other law enforcement agencies, seized electronic items worth Rs.151 million, including 2,520 foreign-origin tablets, and lodged an FIR against the culprits. The operation reflects FBR's strengthened enforcement under its single-command structure and ongoing commitment to curb smuggling and protect the national economy.
- The Federal Board of Revenue (FBR) has collected Rs 8,120 billion during the (July-February) of FY 2025-26 against a target of Rs 8,550 billion, reflecting a shortfall of Rs 430 billion. In February 2026 alone, the FBR collected Rs 944 billion against a target of Rs 1,029 billion, showing a slight shortfall of Rs 85 billion.
- During the first eight months of FY26, the FBR issued Rs386 billion in refunds and rebates, up nearly 10% from Rs352 billion compare to same period of 2025.
- Income tax collection reached Rs3.956 trillion, slightly below the Rs4.098 trillion target but up 12% compared to last year.
- Sales tax totaled Rs2.783 trillion, falling short of the Rs3.028 trillion target yet rising 10% from the previous year.
- Customs duty collection stood at Rs850 billion, Rs48 billion below the Rs898 billion target but 5% higher than last year.
- In contrast, Federal Excise Duty collection exceeded expectations, reaching Rs532 billion against the Rs526 billion target, a 14% increase from last year.