

Gold Market in Pakistan: 2020–2025 Trends and May 2025 Analysis

Introduction

Gold has emerged as a standout asset for Pakistani investors over the past 5 years, with prices in Pakistan’s local market soaring to all-time highs in 2025. In May 2025, 24K gold reached around **Rs. 350,000–360,000 per tola** (approximately 11.66 grams) , quadruple its price from 2020. This surge reflects a confluence of factors: persistent high inflation (which hit multi-decade records in 2023), sharp **currency devaluation** of the Pakistani Rupee (PKR), global economic uncertainties (e.g. geopolitical conflicts and recession fears), and local policy shifts affecting gold imports. Investors in Pakistan have flocked to gold as a **strategic hedge** against eroding purchasing power and financial instability. This report provides a comprehensive analysis of Pakistan’s gold market in 2020–2025 with a focus on May 2025, comparing gold’s performance to other asset classes (real estate, equities, crypto, forex, and USD instruments), and examining key macroeconomic and regional trends. We include data-driven insights, visual charts, and scenario projections for 2025–2026 to inform both retail and institutional investment strategies.

Historical Gold Price Movement (2019–2025) in PKR and USD

Gold prices have experienced a dramatic upswing in Pakistan from 2020 to 2025, especially in PKR terms. **Figure 1** below illustrates the divergent trajectories of gold priced in US dollars vs. Pakistani rupees over the period:

Figure 1: Gold price per ounce in USD (yellow) vs. PKR (orange), 2020–2025. The PKR price surge reflects the combined effect of rising global gold value and rupee depreciation.

In January 2020, gold traded around **Rs. 88,000 per tola** (≈Rs. 75,500 per 10g) , when global gold was about \$1,550/oz. By the end of 2020, gold had climbed ~29% to ~**Rs. 113,700 per tola** , fueled by a rally in international prices (gold in USD rose ~25% in 2020 amid COVID-19 uncertainty) and initial PKR depreciation. Gold in PKR continued to set records in subsequent years: **Rs. 126,000 per tola at end-2021** and **Rs. 183,600 per tola at end-2022** . The year 2022 saw a steep ~45% PKR price jump, largely because the rupee’s value plunged (from ~Rs.160 to ~Rs.226 per USD in 2022) even as global gold prices stayed flat. In 2023, global gold prices hit new highs – ending the

year at **\$2,078/oz, a record year-end close** – and Pakistan’s gold rate followed suit. By Dec 30, 2023, gold was around **Rs. 220,000 per tola** (up ~20% from 2022) .

Early 2025 Spike: Gold’s ascent accelerated in early 2025. In April 2025, amid surging global demand for safe-havens, international gold briefly **touched \$3,395–3,500/oz** (an unprecedented level) and Pakistan’s 24K gold leapt to an all-time high of **Rs. 357,800 per tola** . Even after a slight pullback, gold was trading around **Rs. 346,000–352,000 per tola in late May 2025** . In USD terms, gold roughly **doubled** from 2020 to May 2025 (about +90% return) , but in PKR terms it **quadrupled** – reflecting not only global price appreciation but also the rupee’s depreciation. Indeed, the PKR per ounce price of gold rose from ~Rs240,000 in Jan 2020 to ~Rs960,000 at its April 2025 peak .

Key Drivers: Several factors underpinned this explosive growth: (1) **Pakistani inflation and currency devaluation** (discussed next) significantly boosted local gold prices, (2) **Global safe-haven demand** for gold grew amid economic uncertainty (e.g. pandemic fallout, war in Ukraine, and financial market volatility), and (3) **Central bank purchases** worldwide hit multi-decade highs, tightening supply. Gold’s role as a **store of value** became ever more prominent in Pakistan’s turbulent economic context.

Gold as a Strategic Investment amid Inflation and Devaluation

For Pakistani investors, gold’s appeal in 2020–2025 has been its reliability as a store of value during a period of **high inflation** and a sharply declining currency. Pakistan experienced persistent inflationary pressure that **climaxed in 2023**, when CPI inflation hit ~38–40% year-on-year – the highest in decades . By May 2023, inflation was at a “multi-decade high” of ~40% , severely eroding purchasing power. Although headline inflation cooled in early 2025 (dipping to 0.3% YoY in April 2025 due to base effects) , the general price level had already doubled over a few years, and core inflation remained elevated . Such **persistent inflation** led investors to seek refuge in assets like gold, which tend to retain real value. Gold often **outperforms during high-inflation periods** as it did in Pakistan – a fact confirmed by historical returns: over the 3-year period (2021–24) covering the inflation spike, gold delivered an average **30.7% annual return** in PKR terms, far above other assets .

Compounding the inflation problem was the **steep depreciation of the PKR**. The rupee lost value continuously due to fiscal and external imbalances, reserve shortages, and political instability. In FY2023 alone, the PKR fell by an “unprecedented 28%” against the USD . The dollar rose from ~Rs 205 in June 2022 to ~Rs 286 by June 2023 (even briefly hitting ~Rs 299 in May 2023) . This trend persisted, with the rupee sliding further to the **Rs 280–285/USD range by May 2025** . Every bout of rupee depreciation immediately pushes PKR-denominated gold prices higher (since gold is

globally priced in USD). **Example:** In 2024, the rupee went from 285 to 305 per USD, which alone would inflate local gold prices ~7% even if global prices were flat . Thus, many Pakistanis turned to gold to hedge against currency debasement. Gold essentially acted as an alternate “currency” – its PKR price rising roughly in line with USD/PKR, preserving value for holders. Over 2019–2024, the US dollar itself yielded ~12% annual return in PKR terms , but gold far exceeded that, as it benefited from both the dollar’s rise and its own intrinsic appreciation.

Global Economic Uncertainty: Investors’ confidence in traditional assets was also shaken by global events, reinforcing gold’s allure. Periods of **geopolitical tension** – such as the Russia-Ukraine war starting 2022 and Middle East conflicts – and fears of **global recession/stagflation** drove international gold demand. By April 2025, rising central bank purchases and stagflation fears had fueled a record run-up in gold . Pakistani investors, witnessing turmoil at home and abroad, increased allocations to gold as a **safe-haven**. Gold’s strategic role was particularly evident when contrasted with domestic financial assets that struggled during crises (stocks and bonds, discussed later).

Local Policy and Import Shifts: Pakistan’s government policies around gold imports and exports also influenced the market. In times of balance-of-payments stress, authorities clamped down on gold imports to save foreign exchange. For example, in early 2023 the government **tightened gold import regulations** to curb smuggling and outflows, and at one point (Feb 2023) removed tax exemptions which “*led to a complete halt in...gold import*” until mid-2024 . Then in May 2025, facing a reserves crunch, Pakistan imposed a **temporary 60-day ban on the import and export of gold, jewelry, and precious metals** . The ban was intended to stabilize forex reserves and prevent capital flight, as officials noted a price differential was causing gold to flow from Pakistan (via Dubai) to India . These policy swings sometimes created *supply shortages* or *local price premiums* in the Pakistani gold market, reinforcing gold’s perception as a protected asset. Conversely, when restrictions eased (e.g. 2023’s import facilitation measures), they enabled more transparent flow but also signaled the commodity’s importance in the financial system. Overall, the **evolving regulatory landscape** – alternating between promotion (to formalize the trade) and restriction (to conserve dollars) – underscored gold’s strategic value. Investors keenly followed such policies, anticipating how supply/demand dynamics and premiums might shift.

In summary, gold became a cornerstone of strategy for Pakistanis navigating high inflation, a falling rupee, and uncertain times. By holding gold, investors effectively held a hard asset that *inflated when the PKR depreciated*, thereby **protecting and even growing their real wealth**. This protective behavior was not unlike the instinct in the 1970s inflation era globally. Gold’s rise has to be viewed in this context of an environment where “**cash was trash**” and even bank deposit rates (although high in nominal terms) often failed to keep pace with inflation. We next compare how gold fared relative to other major asset classes available to Pakistani investors.

Gold vs. Other Asset Classes: Performance, Risks, and Opportunities (2020–2025)

Pakistan's investment landscape offers a range of assets – real estate, equities, fixed income, forex, and even cryptocurrencies – each responding differently to the economic headwinds of 2020–2025. Below we evaluate gold's performance, risks, and opportunities **relative to key asset classes**:

1. Gold vs. Real Estate

Performance: Real estate in Pakistan, particularly land and residential property, is traditionally seen as an inflation hedge and has indeed appreciated in nominal terms, though generally **underperforming gold in recent years**. According to property indices, house prices in major cities rose between ~60% and 150% cumulatively over 5 years (2019–2024). For example, Karachi's house price index was up ~61% (10.5% YoY in Jan 2025) and Lahore's up ~97% (7.0% YoY) over 5 years; some smaller cities like Rawalpindi saw ~150% five-year gains. This equates to roughly **11–18% annualized returns** in PKR terms – respectable, but below gold's ~25% annualized over the same period. In fact, **gold outpaced real estate** in both 3-year and 5-year horizons; e.g. 2021–24, gold returned ~30.7% p.a. vs real estate ~17.6% p.a. . Figure 2 (from a July 2024 analysis) illustrates how an initial PKR 100k investment would have grown across assets:

Figure 2: Performance Index of major Pakistani asset classes over 25 years (log scale).

Blue=KSE-100 stocks, **Red**=Gold (per 10g), **Orange**=Fixed-income, **Green**=Real estate, **Yellow**=USD. Note how gold (red) surged sharply in the last 5–10 years, overtaking real estate (green) and USD (yellow). Equities (blue) lead long-term, but exhibit higher volatility.

Characteristics and Risks: Real estate offers rental income (typically 3–5% yield) and long-term appreciation driven by urban population growth and land scarcity. It is **less liquid** and more transaction-cost heavy than gold. During 2020–2023, real estate initially benefitted from low interest rates (2020) and then from inflation (people parking value in property). However, by 2023–24 the combination of **weak buyer purchasing power** (incomes lagging inflation) and **very high interest rates** (making mortgages costly) dampened property demand. Analysts noted that despite Pakistan's housing shortage and population growth, many potential buyers were priced out, and speculative investors dominated the market until economic stress hit in 2023. Consequently, the real estate market's momentum slowed, with some cities even seeing price declines in late 2024 (e.g. Islamabad house prices fell ~19% YoY by Jan 2025 amid an earlier boom/bust).

In contrast, **gold carries no rental yield**, but it remained *highly liquid* (easy to buy/sell on daily quoted rates) and divisible. Real estate is prone to **regulatory and political risks** – e.g. new taxes on property, documentation drives, or changes in bank financing – whereas gold's main regulatory

risks are import/export curbs or taxation on jewelry (less impactful for small holdings). Both assets tend to hold value against inflation, but gold proved more nimble in responding to rapid inflation/devaluation spikes. The opportunity in real estate going forward lies in its **income generation and utility** (housing demand is real), and prices could jump if Pakistan's economy stabilizes (a **pent-up demand scenario**). However, as an *immediate inflation hedge*, real estate is less practical for small investors compared to gold, due to its large ticket size and illiquidity.

Bottom Line: Gold has been the superior choice for short-term wealth protection in 2020–25, but real estate remains a valuable diversifier. A balanced strategy could be to hold some property for long-term growth and rental income, while using gold for liquidity and inflation hedging in volatile times.

2. Gold vs. Equities (Pakistan Stock Exchange – PSX)

Performance: The PSX (Pakistan Stock Exchange) has had a volatile ride, highly sensitive to political and macroeconomic shifts. After a COVID-crash in March 2020, stocks rebounded strongly in 2020–21, but then languished through 2022–2023 amid economic turmoil. Surprisingly, FY2024 saw a stock market boom: the KSE-100 index delivered an **89% return in PKR terms (94% in USD terms) in FY24** – making it one of the world's top-performing indices that year. This rally largely occurred in late 2023, when a combination of extremely low valuations and improved sentiment (due to an IMF deal and crackdown on currency black markets) led to a sharp rebound. However, that short-term spike belies the longer trend: over a 5-year horizon, **gold has still outperformed equities** in Pakistan. According to a multi-period analysis, gold returned ~25.2% per annum over 2019–2024 whereas equities returned ~18.3% p.a. . Even on a 10-year basis (2014–2024), gold led with ~17.4% p.a. vs ~10.2% for stocks . The only horizon where equities clearly win is the very long run (25-year view), where the power of compounding and past high-growth decades put stocks on top (18.8% p.a. vs gold's 16.8%) . But in the **recent high-inflation era**, gold reigned supreme as the best performer across 3-, 5-, and 10-year spans .

Risks and Factors: Equities represent ownership in businesses and thus are tied to corporate earnings and economic growth. The PSX's mediocre performance in PKR terms for much of 2017–2022 was due to sluggish GDP growth, political instability, and the devaluation eroding foreign investor returns. In USD terms, Pakistani equities were deeply negative over 5 years (since the rupee halved in value). The stellar FY2024 rally mainly recouped prior losses. It's notable that despite stocks nearly doubling in FY24, **gold still kept pace** in that period because the rupee was weakening and gold prices were rising simultaneously (gold's 23.9% rise in CY2024 largely matched PKR equity gains when adjusted for FX).

For risk, PSX equities are **more volatile** than gold – the KSE-100 can swing widely on news (e.g. -37% in Q1 2020, +30% in a quarter during recovery). They also carry **corporate risk** (bankruptcies, governance issues) which gold avoids. On the flip side, equities provide **dividends**

and potential real growth. Notably, after years of underperformance, **valuations on the PSX are at historic lows** (price-to-earnings multiples compressed) . This means there is significant upside potential **if** macroeconomic conditions improve. As Profit Pakistan Today noted, Pakistani stocks “have immense potential...contingent upon favorable conditions and stability” . In a sustained recovery scenario (e.g. structural reforms, political stability, GDP growth returning ~5%), equities could outstrip gold as they did in earlier stable periods.

Opportunities: For long-term investors with a horizon beyond 3–5 years, **equities remain essential**. Over 25 years, PSX delivered nearly 7,400% growth on a PKR100k investment – the highest of any asset. Thus, a **prudent strategy** is to use gold as a short-term hedge and liquidity reserve, while gradually accumulating quality Pakistani equities during downturns for long-term gains. The key risk is that the timing of a stock turnaround depends on resolving Pakistan’s fiscal and external challenges. In the meantime, gold provides a stability that stocks cannot. A balanced portfolio might hold a core of gold during turbulent times, and shift weight to equities as the economic outlook brightens.

3. Gold vs. Cryptocurrencies (Bitcoin & Ethereum)

Performance: Cryptocurrencies like Bitcoin (BTC) and Ethereum (ETH) delivered eye-popping returns from 2020 to 2021, followed by crashes in 2022 and a partial revival in 2023–2024. For instance, **Bitcoin’s price surged from ~\$7,000 in Jan 2020 to an all-time high around \$69,000 in Nov 2021**, then plummeted below \$20,000 in 2022, and climbed back to ~\$50–60k by early 2025 . Overall, a long-term holder still saw enormous gains: a recent analysis showed that **\$100k invested in BTC in Jan 2020 grew to ~\$963k (+863%) by May 2025, versus ~\$190k (+90%) if invested in gold** . In other words, over 5+ years **Bitcoin outperformed gold nearly 10-to-1**. Ethereum similarly had exponential growth (even higher beta than BTC). However, these outsized returns came with **extreme volatility and drawdowns** – e.g. Bitcoin lost over 60% of its value in 2022 , a year when gold **gained** ~5–10%. Timing was everything; many investors who entered near crypto peaks suffered heavy losses, whereas gold’s ride was steadier.

Risks and Considerations: For Pakistani investors, crypto carries additional challenges. The **State Bank of Pakistan has not recognized cryptocurrencies as legal**; in fact, since 2018 SBP has explicitly warned that virtual currencies are not legal tender and forbade banks from dealing in them . There have been moves to outright ban crypto trading (as reportedly considered in 2022–24) as well as discussions to regulate it or introduce a SBP digital currency . This uncertain regulatory stance makes crypto investing risky and technically *illegal via formal channels*. Many Pakistanis still access crypto through peer-to-peer platforms or overseas accounts, but face the risk of crackdowns or scams. Additionally, crypto prices are influenced by global sentiment and often behave like speculative tech assets rather than safe-havens. For example, in 2022 rising global interest rates and scandals (like exchange bankruptcies) caused a crypto bear market, even as gold held firm.

Gold vs Crypto: Gold offers **stability, intrinsic value, and cultural familiarity**, whereas crypto offers high growth potential but with **extreme risk**. Bitcoin proponents dub it “digital gold” and indeed BTC has a capped supply that appeals during currency debasement. However, Bitcoin’s ~13-year track record is short compared to gold’s millennia. In Pakistan, gold also has the advantage of a well-established market (every city has gold dealers) and it can be owned physically, which matters in a low-trust environment. Cryptos are purely digital and require internet and tech-savvy access, limiting their current adoption mainly to younger, more affluent segments. From 2020–2025, an aggressive investor could have allocated a small portion to BTC/ETH and seen spectacular gains, but a large allocation would mean weathering gut-wrenching volatility and potential total loss.

Outlook: Moving forward, if Pakistan softens its stance (as some proposals in late 2023 suggested, e.g. exploring CBDC and crypto regulation), crypto might become more accessible. It could then serve as a diversification tool – albeit a highly speculative one. For the average investor focused on **wealth preservation**, gold remains far more appropriate. Crypto is an opportunistic play: it can yield quick wealth in bull runs (as seen by 156% BTC surge in 2023 alone), but one must be willing to lose most of the investment in worst cases. In summary, **gold is a conservative hedge, crypto is a high-risk, high-reward gamble**. A wise approach might be to keep a small single-digit percentage of one’s portfolio in crypto (if legally possible) while maintaining gold as a core holding for stability.

4. Gold vs. Forex and USD Instruments

Forex (USD/PKR): Holding foreign currency, especially US dollars, has been a straightforward hedge for Pakistanis against the rupee’s decline. As noted, the USD appreciated dramatically against PKR – about **1.8x from 2020 to 2025** – which translates to a **~21% annual return in PKR terms over 3 years**. Simply put, Rs 100k in cash converted to USD in mid-2020 would be worth roughly Rs 180k–200k by mid-2023 purely due to the exchange rate move. In times of crisis, USD (and to some extent other majors like EUR or GBP) became a safe asset locally, often trading at a premium in the open market when official channels were tight. In 2022–23, as Pakistan’s external situation worsened, people flocked to dollar holdings; the **USD’s strong performance** is second only to gold in recent years. Unlike gold, however, holding physical USD cash yields no return and can be legally limited (Pakistan imposed restrictions on dollar cash transactions and withdrawals at times). Nonetheless, many investors opened foreign currency accounts or used the government’s Roshan Digital Account (RDA) facility to save in USD and avoid PKR risk.

USD-denominated Assets: Beyond just holding cash, Pakistanis (especially overseas citizens via RDA) have access to USD **fixed-income and international markets**. For example, the government issued **Naya Pakistan Certificates (NPCs)** offering attractive yields (around 5–7% per annum in USD) to expatriates. These USD bonds provided a double benefit: a stable dollar investment plus decent interest, far outperforming local PKR deposits when adjusted for devaluation. Meanwhile,

global equities (like U.S. stocks) and exchange-traded funds (ETFs) became more accessible via RDA and other brokerage channels. The **S&P 500 index**, for instance, rose roughly ~70% in USD terms from Jan 2020 to May 2025 (despite a dip in 2022), so a Pakistani investing in a U.S. index fund would gain both this ~70% plus the PKR depreciation effect (another ~100%+) – a huge net gain in PKR. Even conservative instruments like **U.S. Treasury bills** yielding ~4–5% in 2023–25 would, when translated to PKR, beat most local investments if the rupee kept weakening.

However, it's important to note these options were mostly available to those with offshore income or the ability to remit funds abroad (via RDA or otherwise). Domestic institutions like the State Bank encouraged expatriate inflows by these high-yield USD instruments, indirectly acknowledging that **USD assets were a refuge**. Over 2019–24, data show USD had a ~12% annual return in PKR (as mentioned), which actually lagged PKR Treasury bills (~15–18% yield) . But PKR T-bills' real returns were negated by inflation, whereas a USD T-bill's return was entirely in hard currency, thus fully preserving value.

Gold vs USD Assets: Gold and USD both play a *capital preservation* role in a Pakistani portfolio. In fact, they are highly correlated in this context – since gold's local price incorporates USD/PKR changes, many view gold as a proxy for “USD plus inflation hedge”. The Profit analysis showed gold and USD were the top 2 performers in the recent 3-year period of rupee instability . The choice between them may come down to opportunity cost: USD deposits or bonds yield interest, while gold does not. On the other hand, gold offers upside if global gold prices rise, whereas cash USD's “price” is just the exchange rate. In 2023–25, we actually saw both: the USD got stronger globally and gold prices also went up – an ideal scenario for gold holders. Should global conditions change (e.g. the US Fed cutting rates leading to a weaker dollar but higher risk appetite), gold might outperform USD cash.

From a **risk perspective**, USD assets are subject to government controls in Pakistan (e.g. withdrawal limits or conversion restrictions in extreme cases), although government has been careful to honor RDA commitments to maintain trust. Gold in physical form is under the owner's direct control but carries theft risk and requires safekeeping.

Opportunities: It is advisable for Pakistani investors to diversify a portion of savings into USD or other hard currencies, especially for meeting any future education/medical expenses abroad. USD also provides stability when local interest rates and inflation are highly uncertain. Many experts recommend a **basket approach** – some allocation to gold, some to USD cash or bonds, which together safeguard wealth under different scenarios. As of 2025, with Pakistan's policy rates now easing (down to 11–12%) and inflation seemingly under control for now, the rupee's trajectory is less clear. If the rupee stabilizes or even strengthens temporarily (due to IMF inflows or remittances), pure USD holders might see smaller gains, whereas gold could still rise on global factors. Hence, holding **both gold and USD instruments** can be complementary hedges.

5. Gold vs. Fixed Income (Bonds & Savings)

(Note: Although not explicitly listed in the question, we include this for completeness, as many investors consider fixed income alternatives.)

Pakistani government bonds and savings certificates offered very high nominal yields during 2023 (the policy rate peaked at 22%) . For example, short-term T-bills paid 15–17% and some savings schemes even 18%+ in late 2023. However, with inflation concurrently running 20–30%, the **real interest rates were often negative**. Over 2019–2024, PKR fixed-income returned ~14.9% annually , which was **below inflation and below gold**. Now that inflation has slowed in 2025, those double-digit yields (if one locked them in) can finally generate some real return. This presents a more defensive alternative to gold: e.g. if one expects stable prices, a 12% risk-free yield could be attractive versus holding gold that might stagnate. But if one fears a resurgence of inflation or currency slides, gold remains preferable as it will adjust upward whereas fixed coupon payments will not. Therefore, the fixed-income vs gold decision hinges on macro expectations: currently, with policymakers projecting ~6% inflation in FY25 , fixed income has turned somewhat favorable, but any shock (commodity price spike or devaluation) would swing advantage back to gold.

In summary, during 2020–2023 gold unequivocally beat local bonds. In 2025–2026, a combination of both could be prudent – e.g. **allocate some funds to high-yield Pakistani bonds now that real rates are positive, while still holding gold in case of future inflation surprises**.

Macroeconomic Indicators and Trends Impacting Investments

Several **macroeconomic factors** have been influencing the relative attractiveness of gold and other assets in Pakistan:

- **Inflation Trajectory:** Pakistan’s inflation jumped from single digits in 2018–19 to **historic highs (~35–40%) in 2023**, primarily due to supply shocks, subsidy removals, and currency depreciation . This eroded real returns on cash, deposits, and even many businesses, making hard assets like gold and property attractive. As mentioned, inflation then sharply **eased to low single-digits by early 2025** (0.3% YoY in April) thanks to base effects and tight monetary/fiscal measures. However, this low reading is not necessarily “healthy” disinflation – core inflation remains sticky around ~8–10%. The government and central bank forecast average CPI ~6% for FY25 , but caution that the end of base effects will likely push inflation up again later in 2025 . Investors should watch inflation expectations: **if inflation re-accelerates** (due to say oil price rises or fiscal slippage), gold will likely resume steep climbs. Conversely, **if inflation stays moderate**, interest-bearing assets could finally yield positive real returns, perhaps slowing gold’s momentum.

- **Interest Rates and Monetary Policy:** The State Bank of Pakistan (SBP) responded to the 2022–23 inflation crisis by hiking the policy interest rate to an all-time high of **22% by June 2023**. This aggressive tightening (1000 bps increase in about a year) aimed to curb demand and stabilize the rupee. By late 2024, as inflation started dropping, SBP switched to easing mode. It cut the key rate in steps, down to **12% by Jan 2025** and further to **11% in May 2025**. Such rate cuts can have mixed effects: lower rates reduce the opportunity cost of holding gold (since one earns less by holding cash in the bank), which is *supportive of gold prices*. Indeed, globally, falling interest rates often boost gold. However, lower rates also aim to stimulate economic activity, which could benefit equities and real estate (potentially drawing some funds away from gold). The net impact in Pakistan will depend on confidence – if cuts successfully revive growth without reigniting inflation, we might see a rotation into productive assets; but if cuts are seen as premature and the currency starts sliding, investors will double down on gold. **Central bank policy** is thus a key pivot to monitor in 2025–26. Notably, SBP has maintained that a “cautious” stance is needed to keep real rates slightly positive, suggesting they won’t cut too far too fast. We anticipate interest rates stabilizing around 10–12% (as projected by many analysts), which still leaves Pakistan with one of the highest interest rate differentials in the region – a sign of lingering risk.
- **Currency Depreciation:** The rupee’s exchange rate will remain a **make-or-break factor** for many investors. After the massive devaluation in FY23 (28% drop), the PKR saw relative stability for some months (due to IMF loan approval mid-2023 and administrative controls). By May 2025 it was trading around **Rs 281–282 per USD**. Future trajectory depends on Pakistan’s balance of payments – specifically export performance, remittances, and external debt repayments. Fitch and other forecasters see a **gradual depreciation** continuing (e.g. rupee at 285 by mid-2025, 295 by mid-2026), essentially a slow bleed. This outlook means the rupee will likely keep losing ~5-10% value per year if things go *okay*, and more if there’s a crisis. Geopolitical or domestic political shocks could trigger runs on the currency as in the past. For investors, this underscores the importance of **holding USD or USD-linked assets** (including gold) as insurance. If an optimistic scenario of currency **strengthening** occurs (say due to a surge in exports or large IMF/bilateral inflows), then rupee assets like local stocks and bonds would benefit and gold’s PKR price might even fall temporarily. But such a scenario might be short-lived unless underpinned by structural changes. The base case for most is PKR weakness, making assets insulated from FX risk (gold, USD deposits, foreign stocks) a prudent part of portfolios.
- **Political & Geopolitical Instability:** Political uncertainty has been a constant in Pakistan through 2022–2025 – including a change in government in 2022, civil unrest episodes, and delayed elections. This instability erodes investor confidence, leading to capital flight or at least a preference for liquid and offshore assets. Whenever domestic political risk rises, we observe upticks in USD and gold buying. For example, rumors of sanctions or fears of default in 2022 led to people **hoarding dollars and gold**, driving local prices up even faster than global trends. Regionally, events like the war in Ukraine (2022) spiked global commodity prices (hitting Pakistan via imported inflation) and also led global investors to seek safety in gold. Tensions around Taiwan or Middle East conflicts similarly create risk-off sentiment that supports gold. On the flip side, any major **improvement in geopolitical climate** (e.g. easing of global trade wars, regional peace initiatives) could reduce the safe-haven demand for gold internationally. For Pakistan-specific risk, the key is the **2025**

general elections and subsequent economic policies – a stable government with a strong reform mandate could improve sentiment and reduce the panic demand for gold/FX. But until such stability is evident, prudent investors often “hope for the best but hedge for the worst” by maintaining gold positions.

- **Global Gold Demand and Central Bank Policies:** A notable global trend has been **record central bank gold buying**. In 2022, central banks worldwide bought **1,136 tonnes of gold – the highest ever recorded in a single year**. This continued in 2023 with about **1,037 tonnes** net purchases (just slightly below the record). Countries like China, Russia, Turkey, and India have been accumulating gold in their reserves to diversify away from the USD. The People’s Bank of China alone added ~225 tonnes in 2023 after ~62t in 2022. Such demand absorbs a significant portion of annual supply, helping drive prices up. Pakistan’s own central bank has modest gold reserves (around 64 tonnes, unchanged for years), so it hasn’t participated in this buying spree – but the global impact still feeds through to local prices. Additionally, **global monetary policy** influences gold: the U.S. Federal Reserve’s moves are paramount. The Fed’s aggressive rate hikes in 2022 tempered gold’s rise somewhat (as a strong dollar and higher yield make gold less attractive), but by late 2023 markets anticipated a slowing of hikes, which, combined with persistent inflation, boosted gold to new highs. Looking ahead, if the Fed starts cutting rates in 2025 due to recession fears, that could weaken the USD and spur gold even higher (particularly in USD terms, though for PKR investors the USD effect might offset). **Bottom line:** the *international backdrop for gold is quite favorable*, with robust central bank demand and potential peaking of interest rates, which supports maintaining gold exposure.
- **Import Policy and Taxes:** We touched on Pakistan’s import restrictions on gold. Another macro factor is **taxation**. Pakistan historically has low taxes on gold (no general sales tax on bullion, though jewelry may have value-add or income tax aspects). If the government were to impose new taxes or documentation requirements on gold trading (e.g. to crack down on undeclared wealth parked in gold), that could affect demand. Conversely, easing import duties or facilitating gold-backed financial products (like Gold Certificates or ETFs locally) could spur investment demand. For instance, neighboring **India’s reduction of import duty from 15% to 6% in 2024** aimed to curb smuggling and encourage official trading, which is expected to boost Indian gold demand by at least 50 tonnes. Pakistan could consider similar measures in the long run (once its forex situation stabilizes) to develop its gold market. Also noteworthy: **India’s Sovereign Gold Bonds (SGB) scheme** offers investors a way to hold gold with a 2.5% annual interest from the government, combining the security of gold’s price with a fixed return – a product that has been well received in India. If Pakistan introduced something similar, it might change the dynamics of gold investing (making it even more attractive for formal investors). These are speculative possibilities, but worth awareness as part of the policy landscape.

In summary, macro indicators for Pakistan suggest a cautious outlook: while inflation is tamed for now and interest rates are falling, underlying structural issues (debt, deficits) remain, and thus currency and price stability are not assured long-term. The global environment – central banks buying gold and uncertainty ahead – continues to buttress gold. Savvy investors will keep an eye on these indicators as they adjust their portfolios.

Regional Context: Pakistani Gold Market vs. India, UAE, and China

Placing Pakistan's gold trends in a **regional context** helps to gauge relative performance, demand patterns, and regulatory differences:

- **India:** Culturally and economically, India is one of the world's largest gold consumers (second only to China). Indian gold demand was about **748 tonnes in 2023** (despite high prices), driven largely by jewelry (weddings, festivals) and investment in gold bars/coins. Like Pakistan, gold in India hit record highs in INR terms in recent years, though the Indian rupee's depreciation was milder (~15% decline 2020–25). A key difference is India's active management of its gold market through duties and schemes. **Until mid-2023, India imposed a hefty 15% import duty on gold**, which made domestic gold prices higher than international rates and dampened imports (and encouraged smuggling). However, in July 2024, India's government **slashed the gold import duty from 15% to 6% (the lowest in a decade)**, alongside tax cuts for gold investments. This policy U-turn was aimed at boosting the organized gold trade and was expected to significantly increase demand in H2 2024. In contrast, Pakistan's high import duty period was earlier (pre-2017); in recent years Pakistan's issue was more outright import bans due to currency crises. **Demand pattern:** In India, gold demand is somewhat price-elastic but culturally resilient – rural buying often increases on price dips. During 2020–2022, India's demand seesawed: it plunged in 2020 (COVID impact), rebounded in 2021–22, then slightly fell in 2023 due to record prices and high duty (demand -3% in 2023). Pakistan's demand is smaller and not as well documented, but anecdotal evidence suggests when prices spiked in 2023, many middle-class buyers were priced out of jewelry (causing a slump in jewelry sales), though investment bar purchases rose. **Regulatory environment:** India offers investment avenues like the Sovereign Gold Bonds (SGBs) and gold ETFs on its stock exchanges. These give paper ownership of gold with interest or easier liquidity. Pakistan currently lacks such investment-grade products; gold is mostly bought as physical bars or jewelry. This may change as Pakistan's capital market develops, but for now it means Indian investors have more ways to invest in gold formally, whereas Pakistanis often resort to physical possession.
- **United Arab Emirates (UAE):** The UAE (especially Dubai) is a regional gold trading hub and often a price trendsetter for South Asia. Gold in the UAE is priced in AED, which is **pegged to the USD** – so the AED gold price mirrors international USD price almost exactly. This means UAE gold didn't see an additional currency-driven boost like Pakistan did; its price gains were purely from global market moves (~+8% in 2023, etc.). However, the UAE benefits from very low taxes (just a 5% VAT, and no import duty for gold bars), making Dubai a cheap place to buy gold jewellery compared to India/Pakistan (when including duties). **Demand pattern:** The UAE's gold demand is driven by expatriates (large South Asian community buying jewelry to send as gifts or hold as savings), tourists, and local investors. During 2020's low travel, demand dipped, but by 2022–23 UAE's gold sales picked up strongly as travel resumed and many investors used Dubai's gold souks to buy

duty-free gold. **Pakistan-UAE link:** Pakistan imports a significant portion of its gold from the UAE . Dubai often acts as a conduit; when Pakistan restricts imports, unofficial routes sometimes take over (e.g. people hand-carrying gold from Dubai, or smuggling). The May 2025 ban in Pakistan was partly to stop gold from flowing out via Dubai to India , indicating how Dubai's open market can arbitrage price differences. The UAE's stable regulatory environment (free trade) contrasts with Pakistan's ad-hoc restrictions – thus Pakistani jewelers sometimes relocate to Dubai or source from there if local policy is unfavorable . For an investor in Pakistan, the UAE isn't directly accessible unless one travels, but it's useful to track Dubai gold prices as a benchmark (Pakistani prices often follow Dubai plus any duty/forex premium). Regionally, **UAE's gold market is among the most open and price-efficient**, benefiting consumers, whereas Pakistan and India have historically taxed or controlled gold more due to forex concerns.

- **China:** China is the world's #1 gold consumer and producer. Chinese consumers bought over 1,000 tonnes of gold (jewelry + bars) in 2023 , and the central bank added substantial reserves as noted. China's influence on gold is significant: high demand can support global prices, and Chinese economic trends (e.g. growth slowdowns prompt safe-haven buying) affect gold. In 2020–2021, Chinese demand was subdued due to COVID lockdowns, but it roared back in 2023 as the economy reopened . Unlike India, Chinese private gold demand is more investment-oriented (high bar and coin purchases) and less constrained by duties (China uses quotas but not high tariffs). The Chinese Yuan (CNY) did depreciate ~10% from 2020 to 2025 against USD, which slightly boosted local gold prices, but again nothing like PKR's fall. For Pakistan, China matters indirectly: it has been a close economic partner (via CPEC investments and potential currency swaps). If China's economy slows or faces financial stress, global gold could rise (Chinese investors buy more gold, and global sentiment turns risk-off). Additionally, Pakistan might receive financial support from China which could stabilize the PKR – affecting gold. **Regulatory:** China tightly controls gold imports through licenses (to ensure supply-demand balance and currency control), and runs the Shanghai Gold Exchange. Pakistan's market is much smaller and more fragmented. One lesson Pakistan could take: encouraging some official gold market mechanism (like an exchange or gold-backed banking products) could formalize trade and reduce smuggling, as China has done to an extent.
- **Others (briefly):** **Turkey** experienced similar inflation and currency woes as Pakistan; their gold demand hit record levels in 2022–23 as the lira crashed, paralleling Pakistan's story. **Bangladesh** also saw rising gold prices and has recently reduced import duty to combat smuggling (like India). **Central banks in our region (India, Bangladesh, Kazakhstan)** have all upped gold reserves, whereas Pakistan has not – possibly due to lack of forex. Regionally, Pakistan's gold market is **most analogous to Turkey or Iran** in the sense of being driven by inflation-hedging, whereas India's is driven by tradition and wealth accumulation, and China's by a mix of investment and adornment.

In conclusion, Pakistan's gold price trend has been more intense than its large neighbors (because of the steeper currency collapse). The **cultural affinity for gold** is common across South Asia – in that sense, gold will remain a key asset in Pakistan just as it is in India or China. Pakistan can learn from regional peers: for example, **policy stability** (avoiding sudden bans) and providing investment

products can help channel gold demand productively, rather than letting it all go into private safes. From an investor's standpoint, regional price comparisons mean there could be arbitrage opportunities (legal or illicit) if Pakistan's price diverges too much from Dubai or Mumbai. Currently, with heavy restrictions, Pakistan's gold might trade at a slight premium due to scarcity. If those lift, expect local prices to align more closely with international levels.

Visualizing Returns and Projections

To summarize the historical performance, **Figure 3** below (data from 2024) compares the returns of major asset classes over different time horizons:

Figure 3: Comparative returns on PKR 100,000 investment across asset classes (values shown are portfolio values). Gold (10g) vs KSE-100 stocks vs Fixed Income vs Real Estate vs USD, for 1-year, 3-year, 5-year, 10-year, 25-year periods. Gold dominated the 3, 5, and 10-year horizons, while equities win over 25 years (note: 1-year data here was FY24, where stocks had a unique surge).

As shown, an investment in gold far outpaced real estate and kept ahead of equities in recent years, reflecting the extraordinary macro conditions. Over 25 years, however, equities still would have yielded the highest end value (assuming reinvestment and no default). This illustrates the **short vs long-term trade-off** between assets.

Now, looking forward, we present **scenario projections for 2025–2026** for gold and related markets, considering different macro assumptions:

- **Scenario A: Continued Turbulence (Bearish PKR, Bullish Gold):** Suppose inflation in Pakistan rises back to 15%+, the PKR slides another 15–20% per year (due to weak IMF progress or global commodity shock), and global conditions remain uncertain (prompting \$/oz gold to rise further towards \$2,500–2,800 in 2026). In this scenario, gold could easily cross **Rs. 400,000 per tola by end-2025** (analysts have indeed predicted ~Rs 400k if current trends persist) and reach perhaps ~Rs. 500k by end-2026. This assumes PKR ~330/USD and gold ~\$2,600/oz by 2026, which is feasible under stress conditions. Real estate and stocks in this scenario would likely lag (property stagnates in real terms, stocks might rise nominally but not match inflation). USD assets would gain roughly in line with PKR decline (~20%/yr). Thus gold likely remains top-performer, with its price driven by both global uptick and PKR weakness.
- **Scenario B: Stabilization and Recovery (Bullish PKR, Gold Consolidates):** Imagine Pakistan implements reforms post-election, secures funding, and investor confidence returns. Inflation stays in single digits ~7%, PKR holds around 280–300/USD through 2026, and global gold prices stabilize or slightly dip as global risk appetite returns (say gold ~\$2,100 in 2026). In this case, Pakistan's gold price might **plateau or even decrease** in

PKR (hovering in the Rs 300–350k per tola range). Meanwhile equities could boom (recovering as much as 50% in USD terms off lows) and real estate picks up with economic growth. Fixed income would yield moderate real gains as rates come down gradually. In this benign scenario, gold would underperform growth assets and serve more as insurance than a high-return play. Investors would be rewarded for holding some risk assets – e.g. PSX could potentially double over a 3-year recovery, outpacing gold. The risk here for gold holders is an opportunity cost: money stuck in gold might miss out on an equity rally. Nonetheless, even in this scenario, one wouldn't expect gold to crash in PKR – any global dip could be cushioned by slight rupee depreciation. So gold might just tread water.

- **Scenario C: Global Tightening, Local Volatility (Gold Volatile, Mixed Outcomes):** A third scenario: globally, central banks (Fed, ECB) become hawkish again to combat inflation, pushing interest rates up and gold down to ~\$1,800–1,900, **but** Pakistan's domestic situation deteriorates (e.g. political instability or a delay in reforms), causing PKR to dive to, say, 400/USD. This divergent scenario would see gold in USD fall ~15%, but PKR fall ~40%. The net effect on local gold price could still be an increase – roughly +20% (since Rs depreciation dominates). So we'd get, e.g., gold around Rs 420k per tola in 2026 after some volatility. Other assets would suffer: stocks likely drop in USD (though might rise in PKR nominally), real estate could fall in real terms as economy contracts, and obviously cash PKR would be worst. This scenario underscores how **currency risk dominates** other factors for local investors: even if gold underperforms globally, a weakening rupee can still lift its local price.

Of course, reality can be a blend of scenarios. We present these to stress-test portfolios. At present (mid-2025), many consider Scenario A (continued turbulence) as quite plausible unless strong policy action is taken. Thus, the inclination is to remain **defensive** – favoring gold, USD, and perhaps defensive stocks – until clear signs of stabilization.

Short-Term (6–12 month) vs Long-Term (3+ year) Strategy

Given the above, how should Pakistani investors approach the near future versus the long run?

Short-Term (Next 6–12 Months): Caution and capital preservation are still paramount in late 2025. Pakistan's economy is only just showing lower inflation, but growth is weak (~0–1% recently) and vulnerabilities remain. In the short term:

- **Maintain a Healthy Gold Allocation:** Gold is still an effective hedge against any surprise inflation uptick or political crisis around the upcoming elections. Over the next year, even in a stable case, gold likely won't crash; it may trade in a range, which is fine for a hedge. If things worsen, gold will shine (figuratively and literally). Consider using price dips to accumulate more.

- **Stay in Quality USD Instruments:** Keep a portion of assets in USD-denominated form – whether that’s dollars under the mattress, or better, in high-yielding NPCs or foreign currency term deposits. Over 6–12 months, it’s hard to imagine PKR *strengthening* significantly; at best it’s flat, so USD assets carry little downside and provide liquidity. They also let one act quickly if any local asset becomes a bargain (you can convert USD to PKR to buy stocks or property if a crisis cheapens them).
- **Equities Tactical Positioning:** In the short run, PSX could be choppy. It already had a big run; it may pause unless triggers (like election clarity or IMF tranches) appear. It’s wise to focus on **defensive stocks or high dividend stocks** that can at least give some yield and are relatively resilient (e.g. sectors like oil & gas which benefit from devaluation, or export-oriented companies). Avoid speculative punts. One could also keep some cash on sidelines to deploy if the market corrects on any panic – but only for fundamentally sound companies. Essentially, it’s not yet the time to go “all in” on stocks until macro stability is more assured.
- **Real Estate in Short Term:** The property market is currently sluggish; distressed sales might be found due to high financing costs. If one has spare cash and finds a good deal (especially in high-demand urban land or a rental property), it could be a time to **slowly accumulate real estate** – but be mindful that it’s a long-term play, short-term flipping is risky now. For most, it may be better to wait ~1 year to see if interest rates come down further which would improve affordability and possibly boost prices again.
- **Crypto/Speculative Assets:** For the next 6–12 months, these remain very risky. Global crypto markets have some optimism (Bitcoin halving in 2024 etc.), but Pakistan’s stance is still negative. It’s advisable not to engage heavily in crypto until (or unless) there’s clear legalization or one is using truly spare funds one can afford to lose. Short-term, protecting capital is more important.

In summary, **over the next year, a defensive allocation** might look like: a good chunk (perhaps 20–30%) in gold, another chunk (20%+) in USD or foreign assets, limited exposure (maybe 20%) to local equities focusing on robust names, some fixed income (15–20% in short-term T-bills or NSS certificates to capture high yields), and the rest in cash or equivalents to stay flexible. This is a generic template – individual risk tolerance matters.

Long-Term (3+ Years): If we extend the horizon to 3, 5, or 10 years, we can lean more into growth assets while still hedging:

- **Equities for Growth:** History suggests that despite cycles, **equities are the best bet for long-term real growth** in Pakistan. The caveat is political stability and economic reform – if Pakistan manages to follow a path of improvement (like the 2003–2006 period or 2013–2017 period), corporate earnings and stock indices could multiply several-fold. For a young investor with 5–10+ year horizon, gradually building a portfolio of strong Pakistani stocks (or an index fund if available) makes sense. The power of reinvested dividends and compounding can beat gold’s appreciation in stable times. Even after gold’s huge run, if Pakistan enters a high-growth phase, stocks will likely outperform gold going forward. Thus, a long-term strategy could be: maintain core gold as insurance (maybe a smaller 10–

15% allocation instead of 30%), and increase equity exposure via systematic investment (buy more when market is down). **Patience is key** – one might even need to stomach poor equity returns for a couple of years before seeing big payoffs in years 3–5.

- **Gold as Permanent Hedge:** That said, given Pakistan's history, it's wise to *always* keep some gold (or similarly safe asset) for the unexpected. Long-term, one could treat gold as a *store of intergenerational wealth*. Many families in South Asia traditionally keep 5–10% of wealth in physical gold as a rainy-day reserve – this remains sound advice. Over 10+ years, we don't project gold's returns to beat equities in a well-governed scenario, but it will likely at least match inflation, which is more than can be said for holding cash. Also, gold has low correlation with other assets over the long haul, improving risk-adjusted returns of the portfolio.
- **Real Estate Long-Term:** Real estate should not be ignored – Pakistan's population and urbanization story means demand for housing and commercial space will grow. If one has the capital and proper due diligence, investing in land or property in growing urban centers can yield steady returns and rental income over a decade. Long-term real estate returns (~9–12% annual historically in Pakistan) slightly lag gold's long-term (~17%) but come with the benefit of use (shelter) and income. Particularly, **land in prime locations** tends to do exceptionally well over many years due to scarcity. A mix of some property and REITs (if they develop in Pakistan) could be beneficial. Just remember real estate is illiquid, so one shouldn't over-allocate if liquidity is needed.
- **International Diversification:** Over 3+ years, diversifying into **international stocks or funds** could bring significant benefits. For instance, a Pakistani investor who put money into the U.S. tech sector in 2020 would have gained immensely by 2025 in PKR terms (as discussed). The world's innovation and growth – tech, healthcare, etc. – much of it happens outside Pakistan. Through vehicles like ETFs (e.g. an S&P 500 ETF or global index fund), investors here can partake in global growth. The RDA and upcoming digital platforms might make this easier. It's a way to reduce country-specific risk. In a 5-year view, having, say, 20% of one's portfolio in global equities can enhance returns and also hedge local risk (since those assets are in USD).
- **Fixed Income Role:** Over long horizons, fixed income serves mostly as a stabilizer rather than a high return generator (since inflation typically eats away at bonds in Pakistan). But if Pakistan's interest rates remain structurally high, rolling shorter-term bonds can be somewhat lucrative. One strategy could be to hold govt bonds during high-rate periods and then shift into other assets if rates drop and those asset prices rise. For example, right now yields are high; if in 2 years yields fall, bondholders get capital gains and can reinvest elsewhere.

In summary, a **long-term Pakistani portfolio** should be more growth-oriented: perhaps a core of 40–50% equities (domestic + foreign), 20% real estate, 10% gold, 10% bonds, 10% cash/others as a rough idea (adjusted to one's comfort). This way it captures upside while still hedging downside.

Key Risks and Opportunities Ahead

Finally, let's crystallize the key **risks and opportunities** for Pakistani investors looking to protect and grow wealth in this volatile environment:

Risks:

- **Macroeconomic Slippage:** The biggest risk is a return to high inflation or a balance-of-payments crisis that forces disorderly devaluation or even default. Such an outcome (worst-case) would severely hurt local currency savings, many stocks, and real estate (in real terms), while likely benefitting gold, USD cash, and perhaps overseas holdings. Investors should prepare for this tail-risk by not over-concentrating in PKR assets and by possibly holding some assets offshore.
- **Political Instability:** Ongoing political turmoil could derail economic policy continuity, scare off investment, and weaken markets. It can also result in ad hoc decisions like capital controls or higher taxation on assets. For example, in a crisis, the government might impose **capital controls** that restrict converting PKR to USD or limit gold imports further, which could trap liquidity. Diversification and holding some physical unencumbered assets (like gold, or property) is a buffer against such actions. Additionally, political instability could delay any recovery, prolonging the period where defensive assets outperform.
- **Opportunity Cost of Safety Assets:** There is a risk in being too conservative – if Pakistan's situation improves significantly, assets like gold and dollars could *underperform booming domestic assets*. For instance, if inflation falls to 5% and stays there, gold may stagnate while equities double. The risk is missing out on gains by staying in "safe" mode too long. Thus, one should continuously reassess conditions; hedges are crucial, but one should also be ready to pivot to growth assets when the tide turns. Being 100% in gold or cash forever could mean failing to beat inflation in the long run (especially once stability returns).
- **Liquidity and Market Risks:** Real estate poses liquidity risk – in a downturn, you may not find buyers easily or may have to sell at a big discount. Equity markets can shut down or become very illiquid in crises (trading volumes drop, wide bid-ask spreads). Gold generally has good liquidity, but even it can have higher bid/ask spreads in extreme volatility. Also, smaller gold investors face a premium when buying jewelry (making charges) which they may not fully recover on sale. It's important to consider these friction costs. Sticking to standard 24K bars/coins for investment is advisable to minimize such costs.
- **Regulatory and Legal Risks:** As mentioned for crypto (possible bans) and possibly for undeclared gold holdings (the government could require disclosure or impose wealth tax etc. on gold holdings in future). While gold has been under the radar largely, as fiscal pressures grow the government might eye assets to tax. It's wise to stay compliant and consider the impact of any new laws on one's portfolio. For overseas investments, regulatory risk is lower (global markets are stable), but one must follow SBP/SECP rules for remittances and taxes.

Opportunities:

- **Undervalued Equity Market:** Pakistan's stock market, by many metrics, is historically cheap – trading at price-to-earnings ratios under 4-5x for some blue chips in 2023–25. Any positive turn (e.g. political stability, better governance) could unlock tremendous value. This is an opportunity for long-term investors to accumulate positions gradually while prices are beaten down. The cyclically-adjusted opportunity is that when Pakistan's economy eventually recovers (even if it takes a few years), **PSX could see multi-fold gains**, as has happened after past slumps. Moreover, corporate profits of certain export-oriented or inflation-hedged sectors (e.g. technology services, fertilizer, energy) are still growing, which bodes well for their stock prices eventually.
- **High Yield on Safe Instruments:** Right now, Pakistan's risk-free instruments (T-bills, savings certificates) are yielding double digits. Locking in some of these rates for the next couple of years (for example, in a 2-year SSC at ~13–14% or a 1-year T-bill at ~15%) can be an attractive opportunity **if one expects inflation to remain subdued around 6–8%**. This is one rare period where one can get a real positive yield domestically. As long as one is not overly concerned about PKR devaluation in the *one-year horizon*, this can earn a net real return, unlike recent years. Similarly, NPCs for those with USD can yield ~7% in USD – an excellent rate by global standards, virtually risk-free (assuming government honors these, which they have been). That's an opportunity to safely grow capital, especially for retirees or conservative investors.
- **Global Diversification & USD Savings:** The opening up of **Roshan Digital Accounts** and digital platforms means that even resident Pakistanis can relatively easily invest abroad or hold foreign currency accounts (with some limits). This is an opportunity to **diversify internationally** like never before. Investors can access U.S. stocks, ETFs, or simply hold USD in a savings account that yields interest. With careful selection (e.g. investing in a global index fund or a gold ETF or even foreign real-estate funds), Pakistanis can hedge local risks and participate in global growth sectors. Essentially, one is no longer fully hostage to the local economy's fate. Embracing this opportunity requires education and due diligence, but it can significantly improve risk-adjusted returns. For example, an ETF that tracks S&P 500 or MSCI World could deliver solid returns in USD over 5+ years, complementing gold's more defensive role.
- **Gold-Adjacent Opportunities:** If gold remains in high demand, businesses around gold can thrive – e.g. jewelry businesses, gold financing (loans against gold), etc. There might be opportunities to invest in or start ventures that capitalize on this (subject to regulatory approvals). Also, if the government eventually issues a **Gold-backed bond** or something similar (taking a cue from India's SGB), subscribing to those could be an opportunity (earning interest on gold holdings). Additionally, innovation like digital gold wallets or gold accumulation plans (where you save a fixed amount monthly and it buys gold for you) may emerge – giving convenient access to gold ownership. Keeping an eye on fintech developments in this space could present new investment avenues.
- **Real Estate Corrections:** A less obvious “opportunity” – if property prices drop or stagnate in the short run due to high interest rates, it could allow diligent investors (with liquidity) to pick up quality real estate at relatively bargain prices. The key is location and type – e.g. a

distressed sale of a plot in a prime housing society, or a small apartment in a city center where rental demand is solid. Over a 5+ year horizon, those purchases could yield very well. So the current softness in real estate, while painful for current owners, is an opportunity for new buyers who were earlier priced out. Moreover, the construction sector has government support (due to housing shortage), so any incentives (like lower mortgage rates, subsidized financing) in coming years could rejuvenate real estate – a buyer now could benefit doubly from price appreciation plus any future policy support.

Actionable Insights:

- **Diversify Across Asset Classes and Currencies:** The past five years have proven that no single asset (except maybe gold) consistently protects wealth under all conditions. A mix is essential. Holding *multi-currency assets* is as important as multi-asset – don't keep all wealth exposed to PKR. Aim for a **currency mix** (PKR, USD, maybe some EUR or RMB if possible) aligned with likely expenses and risk tolerance. Likewise, have a blend of growth (equities, real estate) and defensive (gold, bonds) assets.
- **Maintain Liquidity for Flexibility:** Ensure some portion of your portfolio is in readily accessible form (cash, near-cash, gold that can be quickly sold, etc.). In volatile environments, **opportunities often come quickly** (a market dip, a limited-time high-interest bond, an urgent property sale). Only those with liquidity can seize them. Over-leverage or being land-rich but cash-poor can be dangerous when things change fast.
- **Regularly Rebalance:** Given how much asset values are moving, rebalance periodically. For example, gold's share of your portfolio might have grown substantially after its surge – you might decide to take some profits from gold and reallocate to underpriced stocks or vice versa if circumstances change. Rebalancing enforces buy-low, sell-high discipline.
- **Stay Informed and Agile:** The coming years will likely continue to be eventful. Investors should keep a close watch on policy announcements (e.g. any new IMF conditions, tax changes in budgets, SBP's monetary policy statements, etc.), as well as global signals (Fed meetings, oil prices). Reaction speed can sometimes make a big difference (for instance, if import restrictions are lifted and gold prices drop slightly due to improved supply, that might be a moment to buy, before long-term trend resumes). Consider professional advice or research for complex areas like international investing or crypto.
- **Use Hedging Products if Available:** If one is heavily invested in one asset (say a stock portfolio), they might look into any hedging tools. For instance, if index futures or options markets develop (they exist but are nascent), an investor could hedge equity risk during turbulent times instead of selling everything. Similarly, currency forwards can hedge FX for those with large PKR obligations. While such tools might not be easily accessible to all, the sophisticated investor should keep them in mind.

Ultimately, the goal for Pakistani investors should be **wealth preservation first, and growth second** in a high-volatility environment. Gold has proved invaluable for preservation, and going forward a judicious combination of assets will be key to also achieve growth. By learning from the

recent past and keeping an eye on future indicators, investors can navigate 2025 and beyond with greater confidence.

Conclusion

The period from 2020 to May 2025 underscored the importance of diversification and agility for investors in Pakistan. **Gold emerged as the MVP (Most Valuable Protector)** of wealth, outperforming in an environment of soaring inflation and a depreciating rupee. It acted as a safe haven when equities faltered and real estate cooled. However, history and data show that as conditions normalize, other assets – notably **stocks and real estate** – can and do outshine gold in the long run by generating real growth above inflation. The key for investors is not to view it as an either/or choice, but to maintain a **dynamic balance**: lean on gold and hard currencies during storms, and lean into productive assets during calm waters.

As of mid-2025, Pakistan stands at an economic crossroads. The coming 1–2 years will reveal whether recent stability is durable or temporary. Investors should remain vigilant. The strategies outlined – from holding gold and USD for safety to selectively accumulating undervalued equities and property – offer a roadmap to navigate uncertainty. By hedging risks, seizing opportunities selectively, and staying informed, Pakistani investors can aim to **protect and grow their wealth** even in a volatile environment. In a world where change is the only constant, perhaps the final lesson is an old one: *“Don’t put all your eggs in one basket.”* The best path forward is a well-considered mix of baskets – local and foreign, gold and stocks, short-term and long-term – to ensure one’s financial security regardless of what the future unfolds.

Sources: The analysis above is supported by data and insights from news and research reports, including: gold price records reported in April 2025, Pakistan’s inflation and interest rate statistics from SBP/Reuters, asset class return comparisons from a July 2024 Pakistan market study, gold price forecasts for 2025, and regional market information from World Gold Council and others. These and other cited references provide a factual basis for the trends and recommendations discussed.