



CAPITAL MARKET

ECONOMY WATCH

Capital Market Growth through Energy and Minerals

By: ICMA Research and Publications Department

Pakistan's capital markets are entering a new phase with the launch of the Capital Market Development Fund on May 6, 2026. Established under the Securities and Exchange Commission of Pakistan (SECP), the fund is supported by key capital market institutions including the Pakistan Stock Exchange Limited (PSX), Central Depository Company of Pakistan Limited (CDC), National Clearing Company of Pakistan Limited (NCCPL), Pakistan Mercantile Exchange Limited (PMEX), and the Institute of Financial Markets of Pakistan (IFMP). It introduces a coordinated institutional mechanism for capital market development, starting with an initial corpus of Rs 120 million and sustained through annual contributions equal to one percent of revenues from participating institutions. Its core objective is to expand the investor base to 2.5 million and deepen financial intermediation in a market that remains structurally shallow.

Despite recent progress, including 25,114 new investor accounts opened in April 2026, capital market penetration remains below one percent of the population. This reflects a persistent gap between the scale of the real economy and the depth of financial participation. The central challenge is the weak conversion of national savings into formal investment channels.

Energy Shift

Pakistan's renewable energy expansion is increasingly functioning as a parallel investment system outside formal capital markets. Since 2018, more than 51 gigawatts of solar capacity have been imported, including around 17 gigawatts in 2024 alone. Installed capacity is now estimated at 32 to 34 gigawatts, largely driven by distributed rooftop systems.

This represents a structural change where households and small businesses are directly financing productive energy

assets. In economic terms, this is a decentralized investment cycle that has not yet been captured within capital market intermediation.

The macroeconomic impact is already significant. Solar adoption has generated estimated savings of over 12 billion dollars in oil and LNG imports between 2021 and early 2026, with further savings of around 6.3 billion dollars expected by the end of 2026. Global solar module prices have declined by nearly 40 percent over the past two years, further strengthening project economics and accelerating adoption.

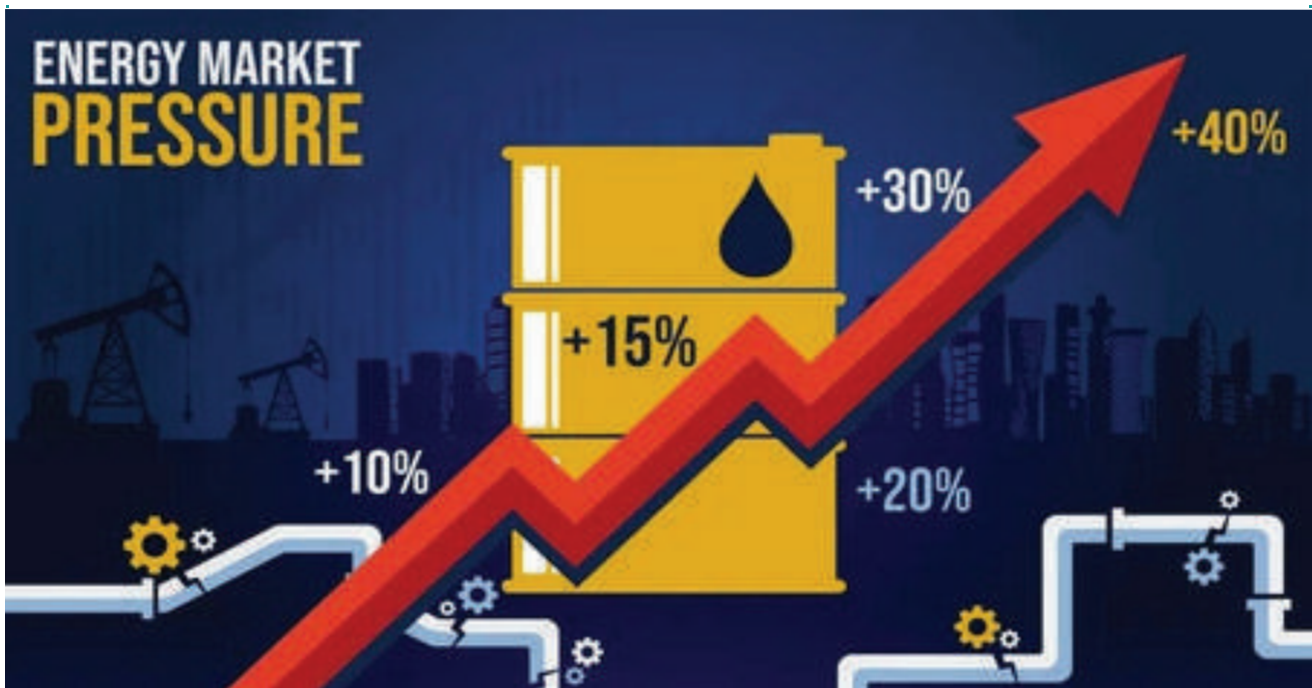
This creates a direct opportunity for financial conversion. Renewable energy cash flows can be structured into green bonds, infrastructure REITs, and climate aligned funds. Pakistan's rupee denominated green bond issued in March 2026 by Parwaaz Financial Services Limited represents an early institutional step, alongside expanding green sukuk instruments.

The policy imperative is to convert fragmented energy investments into standardized financial instruments that can deepen capital markets and broaden investor participation.

Mineral Wealth

Pakistan's mineral base remains largely disconnected from its financial system. The country holds significant reserves, including an estimated 6 billion tons of copper ore and 1.5 billion tons of iron ore, along with substantial gold deposits. Yet mining contributes only around 3 percent to GDP. This reflects a structural gap between resource endowment and financial market development, where natural wealth is not adequately translated into investable capital.

Global demand for critical minerals such as copper is rising sharply due to electric vehicles, renewable energy systems,



grid expansion, and digital infrastructure. Projects such as Reko Diq, one of the world's largest undeveloped copper and gold deposits, are central to Pakistan's long term resource outlook and are moving toward phased production.

Feasibility assessments indicate multi-billion-dollar annual export potential once operational. To unlock this value, Pakistan must develop commodity linked securities, mining investment trusts, and exchange traded mineral instruments. These structures can transform long gestation mining assets into investable financial products that attract long term capital.

International experience from Chile and Australia demonstrates that well-structured resource finance frameworks can deepen capital markets, stabilize fiscal revenues, and mobilize institutional investment at scale.

Investor Access

A binding constraint remains extremely low retail participation. Capital markets are still limited to a narrow investor base, while household savings remain largely outside formal financial channels.

This gap can be addressed by linking financial instruments to tangible assets in energy and minerals, thereby improving transparency, trust, and perceived value.

Pakistan's mobile ecosystem, with over 190 million connections, provides a strong foundation for scaling digital investment access and fractional ownership models.

The Capital Market Development Fund can play a catalytic role through financial literacy, product innovation, and simplified investment pathways. However, sustained progress will depend on institutional credibility, regulatory strength, and investor protection.

Structural Shift

Pakistan's economic direction is gradually shifting toward domestic resource mobilization and reduced dependence on external debt. In this context, capital markets must evolve from transactional platforms into core financing systems for real sector development. By integrating renewable energy and mineral assets into structured financial instruments, Pakistan can mobilize domestic savings, attract ESG aligned global capital, and strengthen financial resilience. The fundamental transition is from debt dependent financing toward an asset backed investment driven financial system.

Conclusion

Pakistan's capital market development will depend on its ability to systematically convert real economic assets into investable financial instruments at scale. The expansion of solar energy and the country's mineral base provide two structurally powerful foundations for this transformation.

The real opportunity lies in building an integrated investment architecture that connects households, institutions, and global investors to productive national assets in a transparent and accessible manner.

If supported by the Capital Market Development Fund and consistent policy execution, renewable energy and mineral based instruments can significantly deepen financial markets.

This marks a decisive shift toward a more inclusive, asset backed, and investment driven capital market system capable of supporting long term economic stability, resilience, and growth.