MONTHLY ECONOMIC UPDATE & OUTLOOK

APRIL 2024

GOVERNMENT OF PAKISTAN - FINANCE DIVISION - ECONOMIC ADVISER'S WING

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Contents

Executive Summary

The economic journey in the ongoing FY2024 has been optimistic. Recently IMF Executive Board has approved the second review under the SBA for Pakistan allowing for an immediate disbursement of $1.1 billion. Economic growth is showing signs of recovery while inflation is trending downward. These improvements are primarily due to favorable external conditions and sound prudent policy management. The growth in the 1st and 2nd quarter has been estimated at 2.5 percent and 1.0 percent, respectively. Both fiscal and external sectors have demonstrated resilience. The market confidence is also upbeat, reflected in the notable performances of Pakistan Stock Exchange (PSX). The economy is on a resilient track to achieve modest growth this year, setting the basis for better performance in the upcoming fiscal year.

In the real sector, agriculture emerged as a main driver of economic growth in the current fiscal year, registering growth of 8.6 and 5.0 percent in Q1 and Q2 of FY2024, respectively. The agriculture sector's recovery is mainly attributed to government initiatives through improved input supply and increased credit disbursement to farmers. The input situation remained encouraging as farm tractor production and sales increased by 59.7 and 65.8 percent, respectively. Whereas a 33.6 percent surge was observed in agricultural credit disbursement during Jul-Feb FY2024. The sector witnessed an exceptional increase in the production of major crops; cotton production doubled; rice grew by 34.8 percent; maize increased by 5.6 percent.

The LSM observed a marginal decline of 0.5 percent during Jul-Feb FY2024 against a contraction of 4.0 percent last year. At the sub-sector level, a mixed trend has been observed. During the period under review, 11 out of 22 sectors witnessed positive growth.

Headline inflation observed the lowest reading after 21 months. In March, CPI inflation recorded the third consecutive YoY decline, dropping to 20.7 percent from 35.4 percent last year. This decrease was observed throughout the third quarter of FY2024. The major contributors to the YoY inflation included food items, Housing, Water, Electricity, Gas & Fuel, Furnishing & Household equipment maintenance, Health, Clothing and Footwear.

On the fiscal front, the primary balance posted a surplus of Rs 1834.0 billion during Jul-Feb FY2024 against Rs 780.5 billion last year. The net federal revenues witnessed a substantial growth of 51 percent on the back of significant growth in both tax and non-tax collection. Tax collection grew by 30 percent, exceeding monthly as well as 9-month targets. However, total expenditures remained under pressure due to higher mark-up payments slightly raising fiscal deficit to 3.0 percent of GDP as compared to 2.8 percent last year. The government is cognizant of the fiscal sustainability challenges and endeavoring to ensure prudent fiscal management through effective revenue mobilization and cautious expenditure management.

On the external front, the current account posted a deficit of $ 0.5 billion for Jul-Mar FY2024, a substantial reduction of $4.1 billion last year. The improvement is reflective of a sizable reduction in the trade deficit. In March 2024, the current account posted a surplus of $ 619 million against $ 98 million in February 2024. The remittances observed an outstanding YoY growth of 16.4 percent in March 2024 ($ 3.0 billion) as compared to March 2023 ($ 2.5 billion). MoM remittances surged substantially by 31.3 percent as compared to February 2024 ($ 2.3 billion).

FDI inflows witnessed an increase of 89.4 percent to $ 258 million as against $ 136.3 million last month. The improvement in FDI inflows is attributed to improvements in the investment environment and a reduction in uncertainty.

SBP has maintained the policy rate at 22% since July 2024 till the MPC meeting recently held on April 29, 2024. During 1st July – 29th March, FY2024 money supply (M2) showed growth of 5.9 percent (Rs 1846.2 billion) compared to 4.4 percent growth (Rs 1211.5 billion) in last year.

Overall, there are visible signs of moderate recovery in macroeconomic conditions. To maintain the positive momentum, it is imperative to continue prudent policy efforts and reforms.

International Performance and Outlook

According to the World Economic Outlook (April 2024), global growth is resilient but recovering at a slow pace. The global economy is expected to grow at 3.2 percent in 2024 and 2025, the same as in 2023. The growth forecast has been revised slightly upward. The growth in advanced economies is expected to rise from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025. This will be offset by a modest slowdown in emerging markets and developing economies from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. While global inflation has been forecasted downward, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, as advanced economies returning to their inflation targets earlier than emerging market and developing economies.

The recent robust recovery of the US economy, driven by rising productivity, employment growth, and strong demand resulted in an overheated economy. It requires a prudent approach for fiscal and monetary policies to manage long-term fiscal and financial stability risks for the global economy.

The euro area witnessed a recovery in growth but at a modest level, since the impact of past shocks and tight monetary policy weigh on economic activity. However, potential recovery and target inflation path hinges on the European Central Bank's careful monetary easing calibration.

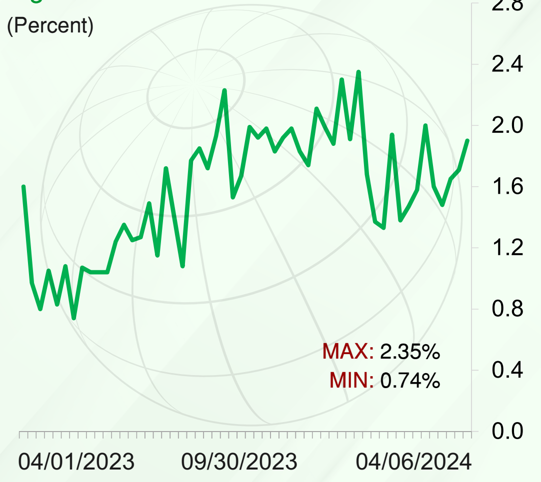
China's economy remains affected by the downturn in its property sector. The growth cycle may further face risks of low domestic demand, geopolitical and trade tensions.

According to the Asian Development Outlook (April 2024), growth in developing Asia will remain robust in 2024, despite uncertainty in the external environment. The end of interest rate hiking cycles in most economies as well as continued recovery in goods exports will mainly support growth. For the region, the outlook is broadly positive, with developing Asia forecasted to grow by 4.9 percent in 2024 and 2025 after observing 5.0 percent growth in 2023. Inflation will continue to moderate from 3.3 percent in 2023 to 3.2 percent in 2024 and 3.0 percent in 2025.

However, some downside risks are also associated which may hinder growth trends. Escalating conflict and geopolitical tensions could disrupt supply chains and amplify commodity price volatility. Additional risks to the region include uncertainty about the path of US monetary policy, property market stress in China, and the effects of adverse climate-related events.

The US consumer price index rose 0.4 percent on a MoM basis in March, the same as in February. On a YoY basis, CPI increased by 3.5 percent, the highest reading since September compared to 3.2 percent in February. The core CPI inflation rose by 3.8 percent, similar to the increase in February. It increased at a 4.2 percent annualized rate in the first quarter, accelerating from the October-December quarter's 3.4 percent pace. Though the annual increase in consumer prices has declined from a peak of 9.1 percent in June 2022 but still stalled well above the U.S. central bank's 2 percent target. US GDP expanding above potential at 2.4 percent for the Jan-Mar period. This is also evident through growth in WEI which is hovering around 2.0 percent in recent months. (Fig-1).

Fig-1: Growth in WEI

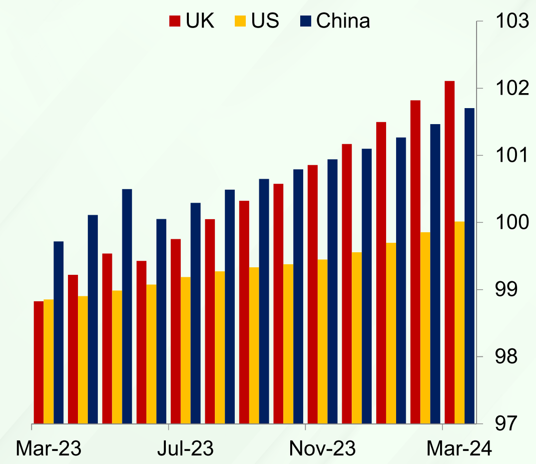


Source: Federal Reserve Bank of New York

The J. P. Morgan Global Composite Output Index increased to a nine-month high of 52.3 in March 2024 as against 52.1 in February 2024. The month of March observed expansion in both the manufacturing and service sectors. Combined manufacturing and service sector output growth strengthened in both developed and emerging markets during March. Output growth stimulated by strengthened demand and improved business optimism which encouraged companies to raise employment at a moderate level.

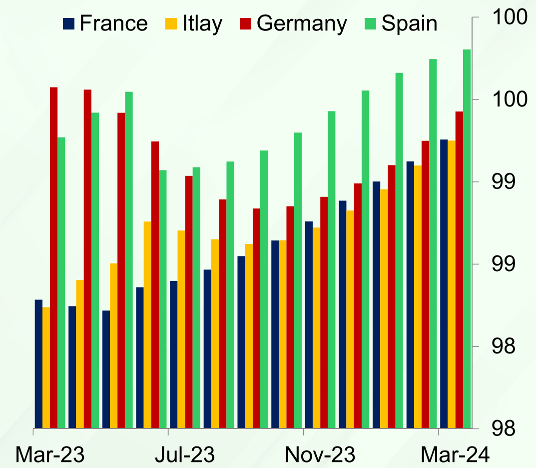
Monthly output expansion is also reflected through the monthly position of CLI of Pakistan's main export market, of which UK, US, China, and the euro area all are showing expansion in March compared to February.

Fig-2 (a): Composite Leading Indicator



Source: OECD

Fig-2 (b): Composite Leading Indicator



Source: OECD

The FAO food prices index (FFPI) averaged 118.3 points in March 2024, up by 1.3 points from its revised February level, as increases in the price indices for vegetable oils, dairy products, and meat slightly more than offset decreases in sugar and cereals.

Global commodity prices increased in March 2024. Energy prices increased by 2 percent, led by coal (5.9 percent) and natural gas in Europe (5 percent). Non-energy prices increased by 2.2 percent. Food prices soared by 0.6 percent. Raw materials gained 1.1 percent, while beverages surged by 14 percent. Fertilizer prices eased by 2.3 percent. Metal price inched up 1.4 percent led by nickel (6.7

percent) and tin (5.2 percent). Precious metal increased by 6.8 percent.

Performance of Pakistan's Economy

2.1 Real Sector

2.1-a Agriculture

The agriculture sector has been the main driver of economic growth in the current fiscal year. The National Accounts Committee reported a 5.02 percent growth in this sector compared to the last year's 2nd quarter. Key government initiatives have played an imperative role, especially in increasing agriculture credit allocations and providing timely loans for farmers to purchase necessary inputs. During Jul-Mar FY2024, farm tractor production and sales were recorded at 36,133 and 35,199 showing an increase of 59.7 percent and 65.8 percent, respectively, over the same period last year. During Jul-Feb FY2024, the agriculture credit disbursement increased by 33.6 percent to Rs 1,434.3 billion from Rs 1,073.5 billion same period last year. Urea offtake during Rabi 2023-24 (Oct-March) was 3,525 thousand tonnes (1.6 percent) whereas DAP offtake was 874 thousand tonnes (23.1 percent higher than Rabi 2022-23).

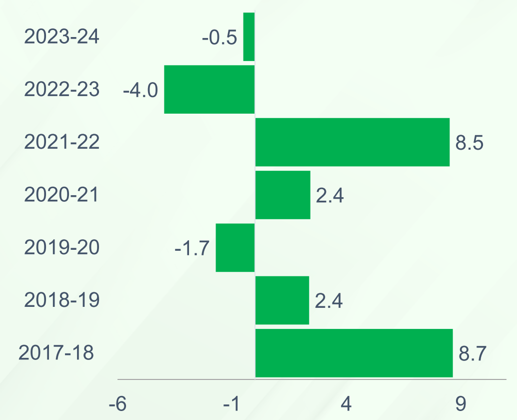
The ongoing year witnessed an increase in production of cotton by 108.2 percent (to 10.22 million bales against 4.91 million bales last year), rice by 34.8 percent (to 9.87 million tonnes against 7.32 million tonnes last year) and maize by 5.6 percent (to 11.6 million tonnes against 10.98 million tonnes last year). However, the growth in livestock, forestry, and fishing is estimated at 4.34 percent, 3.61 percent, and 0.78 percent, respectively. Wheat as an important Rabi crop, has recorded an increase of 6.7 percent in area sown (according to available estimates) will have positive implications for food security. The target of 32.12 million tonnes is expected to be closely met, depending on the rain pattern. Currently, the harvesting is in process and the production data will be available in due time.

2.1-b Manufacturing

Large Scale Manufacturing (LSM) declined by 0.5 percent during Jul-Feb FY2024 against the contraction of 4.0 percent same period last year. In February 2024, LSM increased by 0.1 percent on a YoY basis against the decline of 11.7 percent in February last year. While on a MoM basis, it decreased by 4.1 percent in February against the decrease of 0.7 percent in January.

Fig-3: LSM Growth (Jul-Feb)

(Percent)



Source: PBS

During Jul-Feb FY2024, 11 out of 22 sectors witnessed positive growth which includes, Food, Beverages, Wearing apparel, Leather, Wood products, Coke & Petroleum Products, Chemicals, Pharmaceuticals, Rubber Products, Machinery & Equipment, and Furniture.

During Jul-Mar FY2024, the performance of auto-industry remains subdued due to massive increases in input prices and tightened auto finance. Car production and sales decreased by 36.6 percent and 36.9 percent, while Trucks & Buses production and sales decreased by 45.2 percent and 44.2 percent. However, the Tractor's production and sales increased by 59.7 percent and 65.8 percent respectively.

During the first nine months of FY2024,

sales of total petroleum products dropped by 11 percent to 11.34 million tons compared to 12.80 million tons in the same period last year.

During Jul-Mar FY2024, total cement dispatches (domestic and exports) were 34.502 million tons, that is 2.68 percent higher than 33.600 million tons dispatched during the corresponding period of the last fiscal year. Domestic dispatches during this period were 29.401 million tons against 30.564 million tons during the same period last year showing a reduction of 3.81 percent. However, export dispatches showed a healthy increase of 68.03 percent as the volumes increased to 5.101 million tons compared to 3.036 million tons exported during the same period last year.

2.2 Inflation

March 2024 marked the third consecutive decline in CPI inflation YoY basis, inflation descended from 35.4 percent to 20.7 percent YoY basis, reflecting the lowest inflation after 18 months. A steady decline was observed in the third quarter of FY2024. During Jul-Mar FY2024, CPI stood at 27.1 percent against 27.3 percent in the same period last year.

Major drivers contributing to the YoY inflation include Perishable food items (42.2 percent), Housing, Water, Electricity, gas & Fuel (36.6 percent), Furnishing & Household equipment maintenance (20.6 percent), Health (19.6 percent), Clothing & Footwear (16.1 percent), Non-perishable food items (13.3 percent), Transport (11.2 percent) and Alcoholic Beverages & Tobacco (3.6 percent).

The SPI for the week ended on 25th April 2024, recorded a decline of 1.10 percent as compared to the previous week. Prices of 15 items increased, 26 items remained stable, and 10 items decreased.

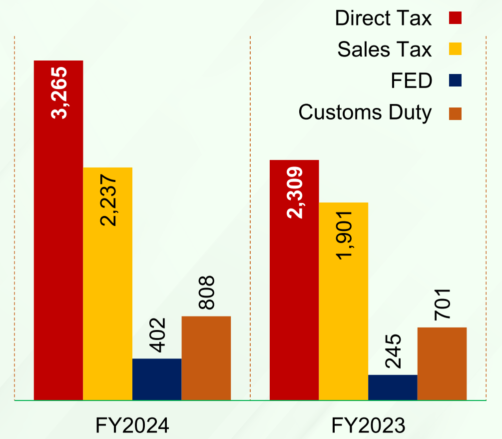
2.3 Fiscal

The net federal revenue witnessed a substantial growth of 51 percent to reach Rs 4732 billion during Jul-Feb FY2024 as compared to Rs 3133 billion last year. Non-tax revenues continue to be the major contributor to the overall revenue increase, growing by 101 percent to Rs 2268 billion in Jul-Feb FY2024 against Rs 1130 billion last year. Higher receipts from mark up (PSEs & others), SBP profit, and petroleum levy propelled nontax collection to achieve significant growth during the first eight months of the current fiscal year.

Tax collection not only maintained its pace but also surpassed both monthly as well 9 months targets despite the issuance of unprecedented refunds. According to the latest available data, FBR net provisional tax collection grew by 30.2 percent to Rs 6712 billion during Jul-Mar FY2024 against Rs 5156 billion in the same period of last year. Within total, FED grew by 64.2 percent followed by direct taxes by 41.4 percent, sales tax by 17.7 percent, and customs duty by 15.2 percent.

Fig-4: FBR Tax Collection

(Rs billion) - FY2024



Source: FBR

Total expenditures grew by 44.6 percent to stand at Rs 8408.3 billion during Jul-Feb FY2024, against Rs 5815.3 billion last year. Current expenditures increased to 8158.4 billion during Jul-Feb FY2024 from Rs 5528.7 billion, thus grew by 46 percent. The significant rise in current spending has been realized on the back of a 59 percent increase in mark up payments. While non-mark up spending increased by 29 percent during the first eight months of FY2024.

Consequently, the fiscal deficit widened to 3.0 percent of GDP during Jul-Feb FY2024 against 2.8 percent of GDP last year. However, the primary balance posted a surplus of Rs 1834.0 billion (1.7 percent of GDP) during Jul-Feb FY2024 against the surplus of Rs 780.5 billion (1.0 percent of GDP) last year.

2.4 Monetary Sector

During 1st July – 29th March, FY2024 money supply (M2) grew by 5.9 percent (Rs 1846.2 billion) compared to 4.4 percent (Rs 1211.5 billion) last year. Within M2, Net Foreign Assets (NFA) increased by Rs 531.2 billion as compared to a decrease of Rs 2073.0 billion last year. Net Domestic Assets (NDA) of the banking sector increased by Rs 1315.0 billion as compared to an increase of Rs 3284.5 billion last year. The private sector has borrowed Rs 191.5 billion as compared to the borrowing of Rs 299.5 billion last year.

2.5 External Sector

The current account posted a deficit of $ 0.5 billion for Jul-Mar FY2024 as against a deficit of $ 4.1 billion last year, largely reflecting an improvement in trade balance. In March 2024 current account posted a surplus of $ 619 million as against a surplus of $ 537 million the same month last year. Exports (fob) increased by 9.3 percent and reached $ 23.0 billion ($ 21.1 billion last year). Imports (fob) declined by 8.0 percent reaching $ 38.8 billion ($ 42.1 billion last year). Resultantly, the trade deficit narrowed down by 25.2 percent recorded at $ 15.7 billion as against $ 21.1 billion last year.

During the period under review, exports in services decreased marginally by 0.1 percent to $ 5.8 billion. However, the imports in services increased by 20.6 percent to $ 7.5 billion as compared to $ 6.2 billion same period last year. The trade deficit in services increased to $ 1.7 billion as against $ 0.4 billion last year.

As per PBS, the export commodities that registered positive growth include Rice (54.8 percent in quantity & and 83.4 percent in value), Fruits (46.8 percent in quantity &17.3 percent in value), Cotton Yarn (58.2 percent in quantity & 38.2 percent in value), Towel (15.1 percent in quantity &5.2 percent in value) Rubber Tyres & Tubes (14.3 percent in quantity & 49.8 percent in value), and Plastic Materials (111.9 percent in quantity & 61.1 percent in value). Whereas, main imported commodities were Petroleum products ($ 4.6 billion), Petroleum crude ($ 3.9 billion), LNG ($ 2.9 billion), Palm Oil ($ 2.1 billion), Plastic materials ($ 1.7 million), Iron & Steel ($ 1.5 billion) and Medicinal products ($ 0.8 billion).

2.5.1 Foreign Investment

Total foreign investment during Jul-Mar FY2024 recorded an inflow of $ 1264.0 million as against an inflow of $ 202.2 million last year. FDI stood at $ 1099.0 million ($ 1216.9 million last year) decreasing by 9.7 percent. In March 2024, FDI witnessed an increase of 89.4 percent to $ 258.0 million as against an inflow of $ 136.3 million last month. Major sources of FDI were Hong Kong $ 264.0 million (24.0 percent), China $ 261.9 million (23.8 percent), UK $ 196.3 million (17.9 percent), US $ 100.7 million (9.2 percent), and Netherlands $ 67.2 million (6.1 percent). The power sector attracted the highest FDI of $ 443.4 million (40.3 percent of total FDI), followed by Oil & Gas exploration $ 171.1 million (15.6 percent), and Financial Business $ 151.3 million (13.8 percent).

Foreign Private Portfolio Investment has registered a net inflow of $ 64.9 million during the period under review. Foreign Public Portfolio Investment recorded a net inflow of $ 100.1 million. The total foreign portfolio investment (net) recorded an inflow of $ 165.0 million as against an outflow of $ 1014.7 million last year.

2.5.2 Worker's Remittances

Jul-Mar FY2024, workers' remittances recorded at $ 21.0 billion ($ 20.8 billion last year), increased by 0.9 percent. YoY remittances increased by 16.4 percent in March 2024 ($ 3.0 billion) as compared to March 2023 ($ 2.5 billion) while MoM remittances increased substantially by 31.3 present as compared to February 2024 ($ 2.3 billion) mainly owing to Ramazan and Eid factors. During March 2024, BE & OE registered 50,263 workers for overseas employment in different countries.

Share of remittances (Jul-Mar FY2024) from Saudi Arabia remained highest at 24.2 percent ($ 5.1 billion), U.A.E 17.4 percent ($ 3.7 billion), U.K 15.0 percent ($ 3.2 billion), USA 12.0 percent ($ 2.5 billion), other GCC countries 10.8 percent ($ 2.3 billion), EU 12.2 percent ($ 2.6 billion), Australia 2.2 percent ($ 0.5 billion), and other countries 6.2 percent ($ 1.3 billion).

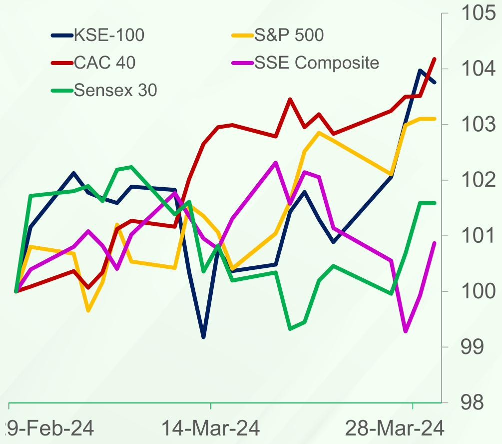
2.5.3 Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves increased to $ 13.3 billion on April 25, 2024, with SBP's reserves stood at $ 8.0 billion and Commercial banks' reserves remained at $ 5.3 billion.

2.6 Performance of KSE Index

The Pakistan Stock Exchange (PSX) registered a notable performance in March 2024. The benchmark of PSX, the KSE-100 index gained 2,427 points in March and closed at 67,005 points as of the end March 2024. Similarly, the market capitalization of PSX increased by Rs 223 billion to settle at Rs 9448 billion. The performance of major world stock market indices also showed an encouraging trend in March 2024. During the period under review, CAC 40 of France increased by 4.2 percent followed by the KSE-100 index (3.8 percent), S&P 500 of US (3.1 percent), BSE Sensex 30 of India (1.6 percent), and SSE Composite of China (0.9 percent). The performance of major world indices indexed at 100 is depicted in Figure-5:

Fig-5: Trend of Major World Standardized Indices



Source: PSX, Investing.com

Note: All indices are standardized to 100 on the initial day of the sample taken in this figure.

2.7 Social Sector

- Till 21st March 2024, Rs 45 billion have been disbursed for the 3rd Quarter among around 45,00,000 beneficiaries of the Benazir Kafaalat Programme which makes up 49.5 percent of the total beneficiaries.
- PPAF through its 24 Partner Organizations has disbursed 25,724 interest-free loans amounting to Rs 1.15 billion during the month of March 2024. From July 2019 to March 2024, a total of 2,680,786 interest-free loans amounting to Rs 101.88 billion have been disbursed to the borrowers.
- Pakistan is one of the largest labour exporting countries in the region. During March 2024 the Bureau of Emigration & Overseas Employment registered 50263 workers for overseas employment in different countries while 68828 in March 2023.
- Under the Prime Minister Youth Business & Agriculture Loan Scheme, the government has disbursed Rs 71,248 million to 115,127 beneficiaries for business from Feb 2023 to Jan 2024.

Economic Outlook

3.1 Inflation

The inflation outlook for April 2024 continues a downward trajectory, attributed to the favorable base effect from the previous year and improvements in the domestic supply chain of essential items.

The inflation outlook appears moderate as the government is determined to reduce inflation by actively taking strict administrative measures. Increasing crude oil prices in the international market have prompted the government to raise domestic petrol prices. The rise in petroleum prices is expected to be offset by the government initiative to reduce wheat flour prices and administrative measures.

The Food and Agriculture Organization's food price index registered an increase of 1.1 percent in March 2024 over the revised February level. The increase was observed in vegetable oils, dairy products, and meat while a decline was recorded in sugar and cereals.

Inflation is projected to hover around 18.5-19.5 percent in April 2024. However, there are expectations of a gradual easing further to 17.5-18.5 percent in May 2024.

3.2 Agriculture

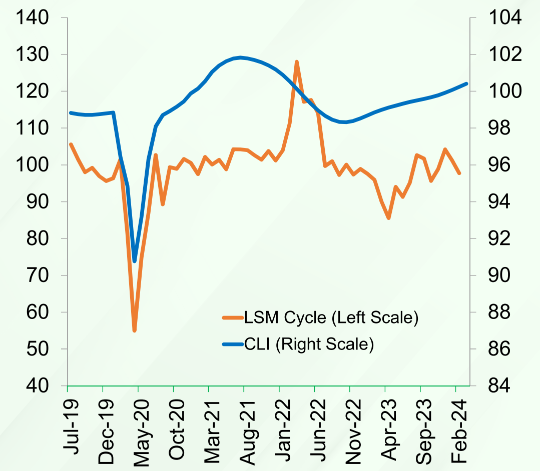
The prioritization of investment in agricultural infrastructure, diversification, and climate resilience strategies will remain a critical aspect. The other priority areas include enhancing market access, value chain development, and livestock promotion to ensure a sustainable agriculture sector.

3.3 Industrial activity

The LSM cycle usually follows the cyclical movements in the main trading partners, but since it is focused on the main industrial sectors and not on total GDP, it is somewhat more volatile than the cyclical component of GDP in Pakistan's main export markets. The economic situation in the major export markets has been improving since October 2022 and now their cyclical component of GDP is above the neutral 100 benchmark for 3rd consecutive month, as evident from the aggregate CLI of those markets.

The cyclical component of LSM recorded above the potential level for the months of December and January FY2024, despite the challenging environment for the industrial sector. Nonetheless, the cyclical component of LSM is recorded below potential for February mainly due to the YoY negative growth of high-frequency variables such as cement dispatches, production of automobiles, textile production, etc. in the month of February. However, it is expected that LSM output will show positive YoY growth in the remaining months of the current fiscal year due to better crop production and improved foreign demand. YoY growth of LSM will also benefit in the short term from low base effects in the corresponding months of FY2023.

Fig-6: Relationship between CLI and LSM cycle



Source: EA Wing's Calculations

3.4 Overall Economic Activity

The Monthly Economic Indicator (MEI) is developed as a tool to distribute the past annual GDP numbers, reported by the PBS, on a monthly/quarterly basis, and to nowcast GDP growth for the FY in which the National Accounts are not yet available on the same frequency. The figure presents the MEI every month since July 2019. It should be noted that some of the data underlying the March 2024 MEI is still provisional and may be revised next month.

The MEI has maintained an upward trajectory since the start of FY2024. The positive trend is propelled by YoY growth in LSM, a deceleration of YoY inflation, and an improvement in foreign economic conditions. Furthermore, the stability in the external sector has eased the pressure on the exchange rate. All these positive factors indicate a further improvement in economic activity in the coming months.

According to the quarterly national accounts estimates, the GDP growth for Q2 FY2024 has been estimated at 1.00 percent (2.50 percent in Q1 FY2024). The GDP growth in the last two-quarters of FY2023 contracted by 0.42 percent and 3.29 percent, respectively. Usually, the latter half of the fiscal year sees stronger GDP growth compared to the first half. Considering this historical pattern and the low base effect from the previous fiscal year, together with the government's measures to revive economic activity, we expect further improvement in GDP growth in the second half of FY2024.

Fig-7: Monthly Economic Indicator (MEI)

Source: EA Wing's Calculations

3.5 External

BoP is showing an improvement during the first nine months of FY2024. In March 2024, exports of goods and services posted a growth of 2.1 percent (MoM) and 4.6 percent (YoY). Imports of goods and services increased by 3.7 percent (MoM) and 7.9 percent (YoY). As a result, trade deficit widened by 6.4 percent (MoM) and 13.7 percent (YoY). However, trade deficit impact has been offset by exceptional growth of 31 percent (MoM) and 16.4 percent (YoY) in remittances during March. Resultantly, current account posted surplus of $ 619 mn ($ 98 mn in February). For upcoming month, it is expected that imports will get some increasing momentum to stimulate economic activities and exports will continue to observe its improved trend. Moreover, remittances will remain around $ 2.3-2.5 bn. Considering all these factors, current account will remain in sustainable limit.

3.6 Fiscal

The fiscal performance during Jul-Feb FY2024 reveals some positive developments alongside various challenges. On the positive side, the revenue collection has increased significantly, particularly, non-tax collection. Similarly, tax collection has not only maintained its pace but also exceeded the target during Jul-Mar FY2024. The revenue performance is an indication of improved economic activity, effective tax administration, and compliance measures. The government is striving hard to maintain this momentum to achieve the target for FY2024 through an effective revenue mobilization strategy.

However, a significant challenge arises from the growing pressure on expenditures, primarily driven by higher mark up payments. This has caused the fiscal deficit to widen during the first eight months of the current fiscal year. However, the primary balance surplus continues to improve indicating that the government can cover its primary expenditures. However, to deal with the challenges, the government is putting all its efforts into enhancing revenue collection, controlling expenditures, and maintaining fiscal discipline.

3.7 Final Remarks

During the first nine months of the current fiscal year, there is a visible sign of moderate recovery in macroeconomic conditions supported by encouraging growth in agriculture, receding inflationary pressures, and stability in external accounts. According to the available quarterly estimates, GDP growth in Q1 and Q2 of FY2024 is estimated at 2.5 percent and 1.0 percent, respectively.

The positive momentum in the LSM sector since December 2023 is expected to remain intact for the remaining months of FY2024 mainly due to a significant rise in agriculture produce, higher export demand, improvement in Composite Leading

Indicator of Pakistan's main export markets along with anticipation of exchange rate stability.

The fiscal performance indicates some positive developments on the back of significant growth in revenues, however, growing pressure on expenditures due to higher markup payments presents significant challenges for fiscal management. For a stabilization path, it is imperative to ensure fiscal consolidation, to lay the foundation for progressing towards higher and sustainable economic growth.

Therefore, the government is stringently focusing on fiscal consolidation measures to ensure fiscal discipline. Consequently, the primary balance surplus continues to improve during the first eight months of FY2024. Overall, the positive momentum in key indicators, coupled with prudent fiscal management, lays a strong basis for better growth prospects. Furthermore, the government's measures to improve various sectors are poised to navigate challenges and will lead the economy towards higher and sustainable growth.

30th April 2024

ECONOMIC INDICATORS

External Sector		2022-23 Jul-Mar	2023-24 Jul-Mar	% Change
Remittances ($ Billion)		20.8	21.0	▲ 0.9%
Exports FOB ($ billion)		21.1	23.0	▲ 9.3%
Imports FOB ($ billion)		42.1	38.8	▼ 8.0%
Current Account Deficit ($ billion)		4.1	0.5	▼ 87.5%
FDI ($ million)		1,216.9	1,099.0	▼ 9.7%
Portfolion Investment ($ million)		-1,014.7	165.0	▲
Total Foreign Investment ($ million)		202.2	1264.0	▲
Forex Reserves ($ Billion)	Total	10.005	13.316	-
	SBP	4.444	8.006	-
	Banks	5.561	5.310	-
		26-Apr-23	26-Apr-24	
Exchange Rate (PKR/US$)		283.40	278.39	-
		26-Apr-23	26-Apr-24	

Source: SBP

Fiscal Sector (Rs. Billion)	2022-23 (Jul-Feb)	2023-24 (Jul-Feb)	% Change
FBR Revenue (Jul-Mar)	5155.9	6711.5	▲ 30.2%
Non-Tax Revenue (Federal)	1129.8	2267.6	▲ 100.7%
PSDP (Federal)	286.6	251.4	▼ 12.3%
Fiscal Deficit	2392.5	3224.4	▲ 34.8%
Primary Balance	780.5	1834.0	▲

Source: FBR & Budget Wing

Monetary Sector	2022-23	2023-24	% Change
Agriculture Credit (Provisional) Jul-Feb	1,073.5	1,434.3	▲ 33.6%
Credit to Private Sector (Flows)	192.8	88.6	▼ 54.0%
	1-Jul to 7-Apr	1-Jul to 5-Apr	
Growth in M2 (percent)	4.5	5.9	-
	1-Jul to 7-Apr	1-Jul to 5-Apr	
Policy Rate (percent)	20.00	22.00	-
	2-Mar-23	18-Mar-24	

Source: SBP

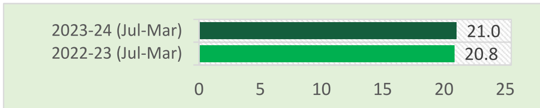
Inflation	2022-23	2023-24	% Change
CPI (National) %	35.4	20.7	-
	(Mar)	(Mar)	
	27.3	27.1	-
	(Jul-Mar)	(Jul-Mar)	

Real Sector	2022-23	2023-24	% Change
Large Scale Manufacturing (LSM) %	-11.73	0.06	-
	(Feb)	(Feb)	
	-3.97	-0.51	-
	(Jul-Feb)	(Jul-Feb)	
PSX Index *	43899	72742	▲ 65.7%
	3-Jul-23	26-Apr-24	
Market Capitalization (Rs trillion)	6.69	10.02	▲ 49.8%
	3-Jul-23	26-Apr-24	
Market Capitalization ($ billion)	23.39	35.98	▲ 53.8%
	3-Jul-23	26-Apr-24	
Incorporation of Companies (Jul-Mar)	21,116	20,857	▼ 1.2%

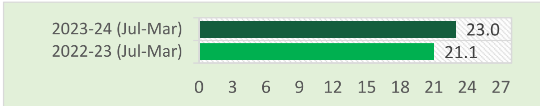
* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP

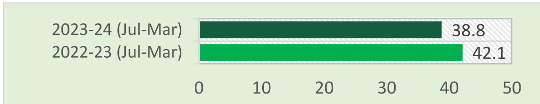
Remittances ($ bn) ▲ 0.9%



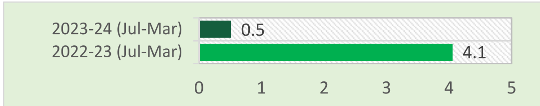
Exports FOB ($ bn) ▲ 9.3%



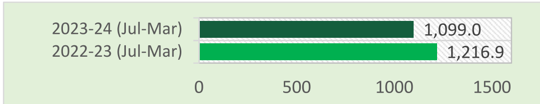
Imports FOB ($ bn) ▼ 8.0%



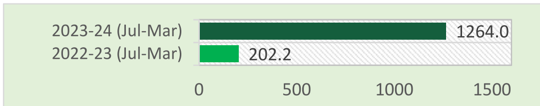
Current Account Deficit ($ bn) ▼ 87.5%



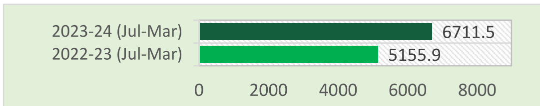
FDI ($ mn) ▼ 9.7%



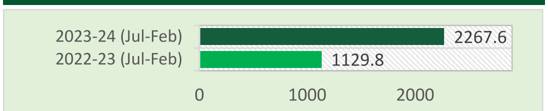
Total Foreign Investment ($ mn) ▲



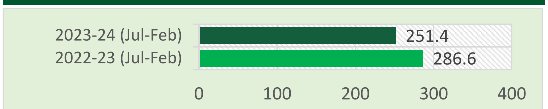
FBR Revenue (Rs.bn) ▲ 30.2%



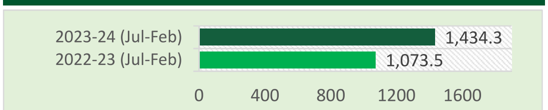
Non-Tax Revenue (Rs.bn) ▲ 100.7%



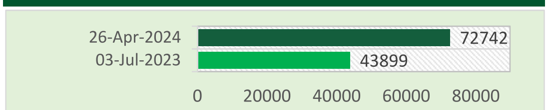
PSDP (Rs.bn) ▼ 12.3%



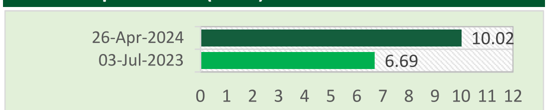
Agriculture Credit (Provisional) ▲ 33.6%



PSX Index ▲ 65.7%



Market Capitalization (Rs. tr) ▲ 49.8%



Market Capitalization ($ bn) ▲ 53.8%