MONTHLY

ECONOMIC UPDATE & OUTLOOK

DECEMBER 2023

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

Contents

Executive Summary

The economic recovery process continues at a steady pace, bolstering business confidence and market sentiment. In November 2023, the Pakistan Stock Exchange (PSX) showcased outstanding performance. The sustained rise in the PSX index over the past five months indicates an improvement in the overall health of the economy and signals a positive economic outlook for the ongoing fiscal year.

The real sector is experiencing mixed performance across the economic sectors. In agriculture sector, the prospects for achieving production targets are positive. During the Rabi season of 2023-24, wheat cultivation nearly met its planned area. Notably, Punjab exceeded its wheat sowing target by 2 percent. Farm inputs have also observed an upward trend. Farm tractor production and sales exhibited growth of 60.7 percent and 98.2 percent, respectively, during Jul-Nov FY2024, compared to the corresponding period last year. Similarly, during Oct-Nov 2023, there was a 5.6 percent increase in Urea and a 42 percent increase in DAP offtake compared to the same period last year, indicating positive growth in Rabi crops.

However, LSM sector demonstrated a minor negative growth of 0.4 percent during Jul-Oct FY2024, compared to the contraction of 1.7 percent in the previous year. A mixed trend was observed at the sub-sector level: 12 out of 22 sectors witnessed positive growth which include, Food, Beverages, Coke & Petroleum Products, Wearing apparel, Leather, Chemicals, Pharmaceuticals, Non-Metallic Mineral Products, Rubber Products, Fabricated Metals, Machinery and Equipment, and others (Football) while Tobacco, Textile, Wood Products, Paper & Board, Iron & Steel products, Computer, electronics & optical products, Automobiles, Electrical Equipment, Furniture, and Other Transport Equipment witnessed negative growth.

In November 2023, the CPI inflation recorded at 29.2 percent on YoY basis, up from 23.8 percent in November 2022. The major contributors to this rise include food and non-alcoholic beverages, housing, water, electricity, gas and fuel, transport, and the maintenance of furnishings and household equipment.

Fiscal side highlights the successful implementation of consolidation measures in the first four months of FY2024, leading to a significant rise in total revenue receipts that outpaced the growth in expenditures. Consequently, the fiscal deficit has been curtailed to 0.8 percent of GDP, and the primary surplus has improved to Rs.1429.7 billion during Jul-Oct FY2024.

On the external front, the global economic growth is expected to improve in 2023, largely due to increased consumer spending in China and accelerated growth in the U.S. This positive change has helped mitigate the significant slowdown that Europe experienced in 2022, caused by an energy crisis.

The external sector indicators show a strong recovery during Jul-Nov FY2024. YoY exports increased by 21.5 percent in November 2023 whereas imports increased by 2.9 percent. This increase is attributed to eased import restrictions, resulting in a smoother supply of raw materials for export-oriented industries. Based on the improved trade balance, the Current Account posted a deficit of $1.16 billion for Jul-Nov FY2024, in contrast to a deficit of $3.3 billion in the previous year.

FDI reached $ 656.1 million during Jul-Nov FY2024, an increase of 8.1 percent largely due to Chinese investments. YoY remittances grew by 3.6 percent in November on the back of structural reforms related to exchange companies and consequent convergence of exchange rate in interbank and open market.

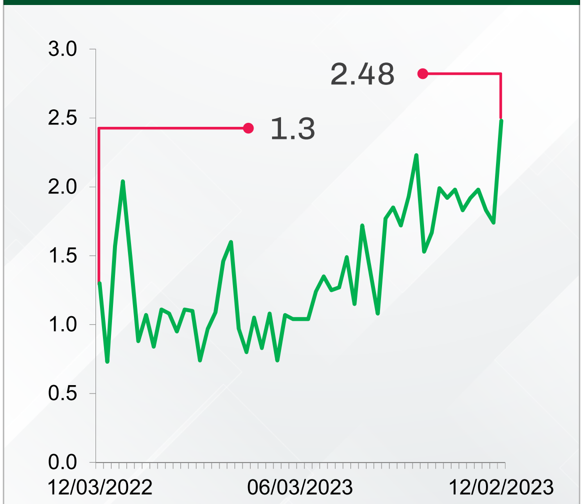
The Monetary Policy Committee (MPC) decided to maintain the policy rate at 22 percent during its meeting on 12th December 2023. The MPC assessed that the real interest rate remains positive on a 12-month forward-looking basis. Further the committee is optimistic that the headline inflation rate will decline in the upcoming months of FY2024. This anticipated decrease is likely attributed to the easing of supply constraints, particularly in agricultural products, and a moderation in international commodity prices.

International Performance and Outlook

The global economic growth has improved in 2023, largely due to increased consumer spending in China and accelerated growth in the U.S. This positive change has helped mitigate the significant slowdown that Europe experienced in 2022, caused by an energy crisis. However, concerns remain about the full effects of recent monetary tightening, China's ongoing real estate downturn, and the eurozone's stagnation. Fitch Ratings anticipate a substantial decrease in world economic growth in 2024, predicting it to fall to 2.1%. For 2023, Fitch has revised its global growth forecast upwards by 0.4 percentage points to 2.9%, from its previous prediction in the September Global Economic Outlook.

US growth resilience reflects renewed fiscal easing, consumers' willingness to continue drawing on excess savings and robust private-sector finances. The impact of monetary tightening through the 'cash flow' channel of rising debt-service costs has been limited so far. The U.S. economy grew faster than expected in the third quarter-GDP increased at a 5.2% annualized rate. It was the fastest pace of expansion since the fourth quarter of 2021. The CPI increased by 3.1% in November- lower than 3.2% in October. Inflation remains above the Fed's 2% target. The Federal Reserve (Fed) decided to keep the overnight federal funds rate steady in its range of 5.25% to 5.5% in its latest policy meeting held in December-2023. This marks the third consecutive meeting where the central bank has chosen to hold off on monetary policy changes. The Fed's statements indicate three quarter-point cuts next year. In its statement, the Fed indicated that after its long tightening campaign to battle decades-high inflation, "inflation has eased over the past year but remains elevated. The job gains accelerated in November and the unemployment rate fell to 3.7% from nearly a two-year high of 3.9% in October. According to Federal Reserve Bank of New York's November 2023 "Survey of Consumer Expectations", median inflation expectations decreased slightly to 3.4%, the lowest reading since April 2021. The US economic situation also reflected through growth in WEI-touches the 2.5 percent mark, highest during last one year (Fig-1).

Fig-1: Growth in WEI (%)



Source: Federal Reserve Bank of New York

Developing Asia's growth has been upbeat this year despite persistent headwinds. Healthy domestic demand, strong remittances, and recovering tourism are underpinning economic activity, which continued to expand even as inflation moderated. These drivers offset the drag from slower global growth and the lagged effects of monetary policy tightening, and they are expected to continue fostering growth in the region next year. According to Asian Development Outlook (ADO) - December 2023, the growth forecast for the world is revised up from ADO September 2023's projection, to 4.9% from 4.7%, on robust domestic demand. The 2024 forecast is maintained at 4.8%.

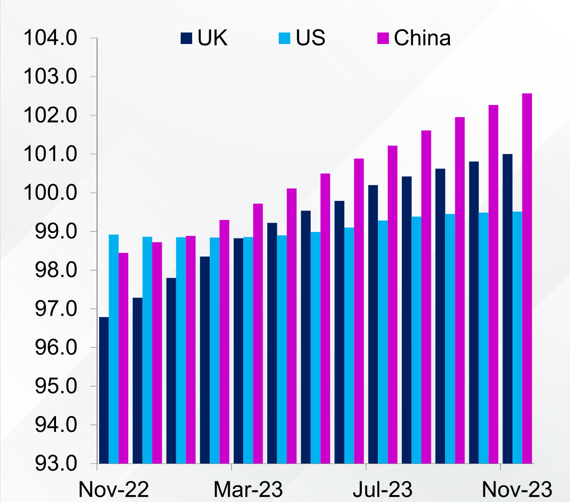
The J. P. Morgan Global Composite Output Index increased to 50.4 in November 2023 as against 50.0 in October 2023, signalling expansion for the ninth time in the past ten months. The services sector again outperformed its manufacturing counterpart in November. There were also some positive signals coming out of the manufacturing industry. Although production volumes decreased for the sixth successive month, the rate of contraction was negligible and the weakest during that sequence.

Output growth was registered in seven of the 14 nations for which November Composite PMI data were available. Pakistan's main exports market included US, UK and China observed expansion while Euro Area destinations included Germany and France were among the countries to experience contractions. The monthly economic situation also evident from CLI of Pakistan's main exports destinations (Fig-2).

The FAO food prices index averaged at 120.4 points in November 2023, unchanged from its revised October level, as increases in the price indices for vegetable oils, dairy products and sugar area offsetting the decline in cereals and meat. The index stood at 14.4 points (10.7 percent) below its corresponding level one year ago.

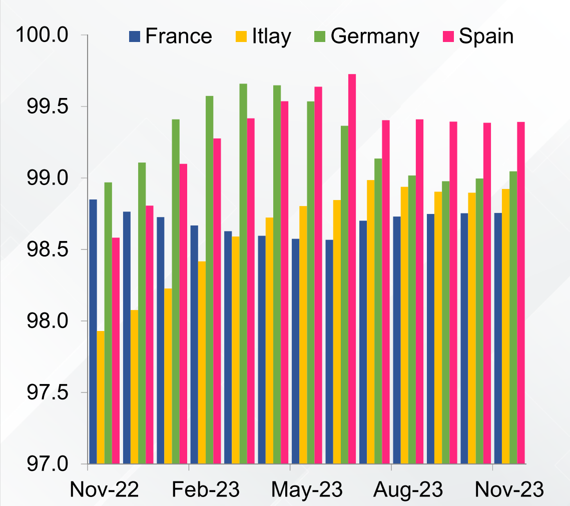
Global commodity prices plummeted in November 2023. Energy prices eased by 8.2%, led by coal (12.9%) and oil (8.7%). Non-energy prices increased by 1.7%. Food prices increased by 0.9%. beverage gained (7%) and raw materials changed little.

Fig-2 (a): Composite Leading Indicator



Source: OECD

Fig-2 (b): Composite Leading Indicator



Source: OECD

Fertilizer prices plunged 2.9%. Metal price soared by 2.7% led by Iron Ore 10.4% and zinc 5.3%. Precious metal rose by 3.7%.

Performance of Pakistan's Economy

2.1 Real Sector

2.1-a Agriculture

For the Rabi season 2023-24, wheat crop has been cultivated on an estimated area of 8.733 million hectares against the target of

8.998 million hectares to achieve the production target of 32.3 million tonnes. Punjab has surpassed its sowing target (6.475 million hectares) by 2 percent to 6.592 million hectares, while in other provinces it is in progress.

The farm inputs use is on upward trend. The farm tractor production and sales showed growth of 60.7 percent (20,937) and 98.2 percent (20,806), respectively during Jul-Nov FY2024 over the corresponding period last year. During Jul-Oct FY2024, the agriculture credit disbursement recorded at Rs 681.6 billion as compared to Rs 507.8 billion last year, an increase of 34.2 percent. Urea offtake during Rabi 2023-24 (Oct-Nov) remained 1,070 thousand tonnes (5.6 per cent more than Rabi 2022-23) whereas DAP offtake was 437 thousand tonnes (42.0 percent higher than Rabi 2022-23).

2.1-b Manufacturing

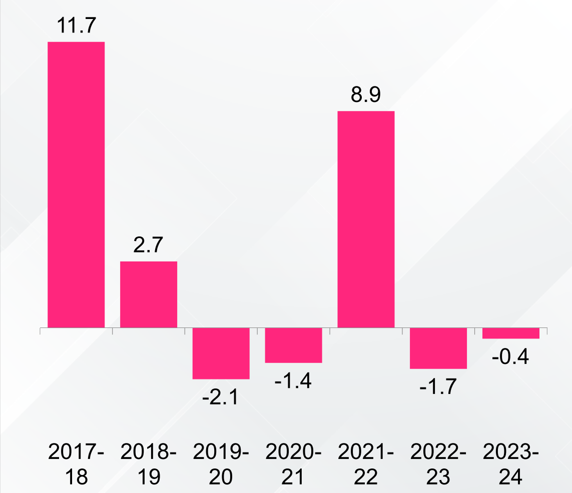
Large Scale Manufacturing (LSM) declined by 0.4 percent during Jul-Oct FY 2024 against the contraction of 1.7 percent same period last year. In October 2023, LSM decreased by 4.1 percent on YoY basis against -1.4 percent in the same month last year. While on a MoM basis, it is declined by 2.0 percent in October against the decrease of 3.2 percent in September.

During Jul-Oct FY2024, 12 out of 22 sectors witnessed positive growth. These include, Food, Beverages, Coke & Petroleum Products, Wearing apparel, Leather, Chemicals, Pharmaceuticals, Non-Metallic Mineral Products, Rubber Products, Fabricated Metals, Machinery and Equipment, and others (Football).

In Jul-Nov FY2024, the performance of auto-industry remains subdued due to massive increases in inputs prices, and tightened auto finance. Car production and sale decreased by 58.1 percent and 53.3 percent, while Trucks & Buses production and sale decreased by 56.1 percent and 47.2 percent. However, Tractor's production and sale increased by 60.7 percent and 98.2 percent.

The sale of petroleum products slumped by 16% to 6.45 mn tons against 7.70 mn tons

Fig-3: LSM Growth Rates (%) Jul-Oct



Source: PBS

in the same period last year. While in November 2023, oil sales recorded at 1.37 mn tons, down 11 percent YoY.

Cement dispatches in November 2023 were 3.924 million tons (declined by 2.1%) against 4.009 million tons dispatched during the same month last year. During Jul-Nov FY 2024, total cement sales (domestic and exports) were 19.816 million tonnes, 10.8 percent higher than 17.883 million tonnes in the corresponding period last year. Domestic dispatches during this period were 16.688 million tonnes against 16.354 million tonnes during the same period last year, showing an increase of 2.04 percent. Export dispatches were also 104.6 percent higher as the volumes increased to 3.129 million tonnes during the first five months of the current fiscal year compared to 1.529 million tonnes exported during the same period of the last fiscal year.

2.2 Inflation

CPI inflation recorded at 29.2 percent on a YoY basis in November 2023 as compared to 23.8 percent in November 2022. During Jul-Nov FY 2024, CPI stood at 28.6 percent against 25.1 percent in the same period last year. On basis, it increased to 2.7 percent in November 2023 compared to an increase of 1.0 percent in the previous month.

Major drivers contributing to YoY increase in CPI include Alcoholic Beverages & Tobacco (82.8%), Furnishing & Household equipment maintenance (34.5%), non perishable food items (31.7%), Housing, Water, Electricity, gas & Fuel (33.0%), Transport (26.5%), Health (24.9%), Clothing & Footwear (20.9%) and Perishable food items (9.6%).

The SPI for the week ended on 21st December, 2023, recorded a decline of 0.51 percent as compared to previous week. Prices of 9 items declined, 24 items remained stable and 18 items increased.

2.3 Fiscal

A substantial increase in revenues compared to expenditures brought down the fiscal deficit to 0.8 percent of GDP (Rs.861.7 billion) in Jul-Oct FY2024 from 1.5 percent of GDP (Rs.1265.8 billion) last year. The primary surplus continued to improve owing to contained growth in non-markup spending and recorded Rs.1429.7 billion (1.4 percent of GDP) during Jul-oct FY2024 from Rs.136.2 billion (0.2 percent of GDP) last year.

Net federal revenue receipts increased to Rs.2806.6 billion in Jul-Oct FY2024 from Rs.1316.8 billion last year. The sharp rise in revenues has been largely attributed to considerable improvement in non-tax revenues that grew by more than 300 percent during the period under review. In absolute terms, it increased to Rs. 1586.5 billion against Rs. 346.4 billion last year. This growth in non-tax collection has been observed across all major heads, indicating a broad-based increase. Similarly, receipts from FBR tax collections grew by 29 percent to Rs.2748.4 billion against Rs.2138.7 billion last year.

The net provisional FBR tax collection maintained its momentum with 29.6 percent growth to reach Rs.3484.7 billion during Jul-Nov FY2024 from Rs.2688.4 billion last year. Within total, domestic tax revenues grew by 32 percent driven primarily by a 62.8 percent surge in FED and a 42.2 percent rise in direct taxes.

Total expenditures grew by 35 percent to stand at Rs.3706.7 billion during Jul-Oct FY2024 against Rs.2737.2 billion last year. Within total, current spending grew by 44 percent mainly due to a significant rise in markup payments that increased by 63 percent during the first four months of the current fiscal year, while non-markup spending witnessed a restricted growth of 19 percent on account of the government's cautious expenditure management strategy.

Fig-4 : Month-wise FBR Tax Collection (Rs.Billion)

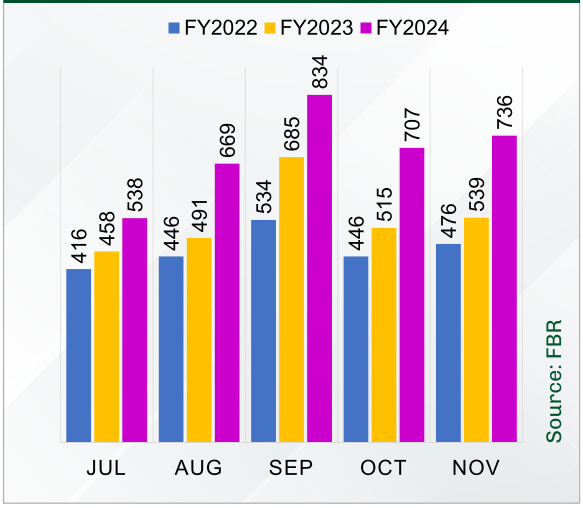
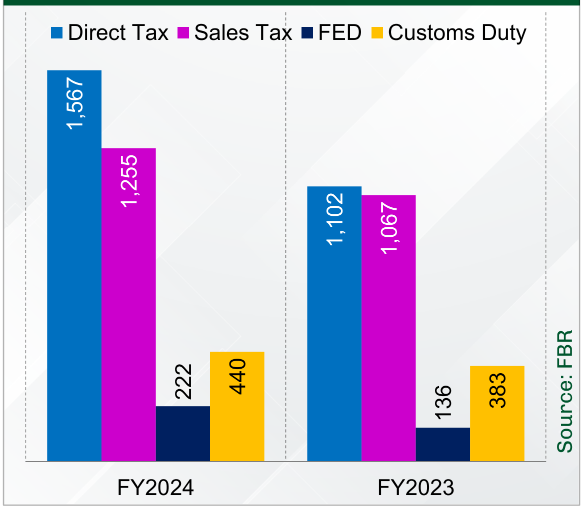


Fig-5 : FBR Tax Collection (Rs Billion) Jul-Nov FY2024



2.4 Monetary Sector

The Monetary Policy Committee (MPC) has maintained the policy rate at 22 percent in its decision held on 12th December, 2023. MPC noted that Nov-23 inflation was higher than expected mainly due to gas price hike. While it may have implications for near-term inflation outlook, there are some offsetting developments that include recent decrease in international oil prices and better agricultur output. MPC assessed that real interest rate is positive on 12-month forward-looking basis and headline inflation is expected to decline significantly in the second half of FY2024.

During 1st July – 01st December, FY2024 money supply (M2) shows growth of 1.3% (Rs. 416.8 billion) compared 0.96% growth (Rs. 264.8 billion) in last year. Within M2, Net Foreign Assets (NFA) increased by Rs 115.8 billion as compared decrease of Rs 1103.6 billion in last year. Whereas, NDA of the banking sector increased by Rs. 301.0 billion as compared an increase of Rs. 1368.3 billion last year. Private Sector has retired Rs. 45.5 billion as compared borrowing of Rs. 86.0 billion in last year.

2.5 External Sector

The Current Account posted a deficit of $ 1.16 billion for Jul-Nov FY2024 against a deficit of $ 3.3 billion last year, largely reflecting an improvement in trade balance. Exports (fob) increased by 5.0 percent and reached $ 12.5 billion ($ 11.9 billion last year). Imports (fob) declined by 16.0 percent reaching $ 21.3 billion ($ 25.3 billion last year). Resultantly, the trade deficit recorded at $ 8.8 billion as against $ 13.4 billion last year.

During the period under review, exports in services decreased by 3.3 percent to $ 2,986 million against $ 3,089 million same period last year. The imports in services increased by 20.7 percent to $ 4,110 million as compared to $ 3,406 million last year. The trade deficit in services stood at $ 1,124 million as against $317 million last year.

As per PBS, the export commodities that registered positive growth include Rice (22.8% in quantity & and 49.4 % in value), Fruits (54.5% in quantity & 15.3% in value), Cotton Yarn (76.1% in quantity & 50.3% in value), Raw Cotton (129.6% in quantity & 253.1% in value), Towel (13.7% in quantity & 0.7% in value) and Plastic Materials (112.1% in quantity & 33.8% in value). Whereas, main imported commodities were Petroleum products ($ 2661.2 million), Petroleum crude ($ 2052.5 million), LNG ($ 1466.4 million), Palm Oil ($1175.2 million), Plastic materials ($ 978.9 million), Iron & Steel ($ 843.6 million) and Medicinal products ($ 434.4 million).

2.5.1 Foreign Investment

Total foreign investment during Jul-Nov FY2024 recorded an inflow of $ 694.8 million as against $ 575.5 million last year. FDI stood at $ 656.1 million ($ 606.9 million last year) increasing by 8.1 percent. FDI received from China $ 232.7 million (35.5% share), Hong Kong $ 129.2 million (19.7 %), UK $ 88.1 million (13.4%), Netherland $ 41.8 million (6.4%), and Switzerland $ 33.3 million (5.1%). Power sector attracted the highest FDI of $ 333.5 million (50.8% of total FDI) followed by Oil & Gas exploration $ 79.1 million (12.0%), and Financial Business $ 71.1 million (10.8%).

Foreign Private Portfolio Investment has registered a net inflow of $ 38.4 million during the period under review. Foreign Public Portfolio Investment recorded a net inflow of $ 0.2 million. The total FPI recorded an inflow of $ 38.7 million as against an outflow of $ 31.4 million last year.

2.5.2 Worker's Remittances

In Jul-Nov FY2024, workers' remittances recorded at **$** 11.0 billion ($ 12.3 billion last year), decreased by 10.3 percent. MoM remittances declined by 8.6 percent in November 2023 ($ 2.3 billion) as compared to October 2023 ($ 2.5 billion). However, YoY remittances increased by 3.6 percent in November 2023 ($ 2.3 billion) as compared to November 2022 ($ 2.2 billion) because of structural reforms related to exchange companies and consequent convergence of exchange rate in interbank and open market. Share of remittances from Saudi Arabia remained 24.2 percent ($ 2673.3 million), U.A.E 17.3 percent ($ 1906.9 million), U.K 14.7 percent ($ 1619.5 million), USA 11.9percent ($ 1312.5 million), other GCC countries 11.2percent ($ 1233.1 million), EU 12.8 percent ($ 1409.8 million), Australia 2.1percent ($ 228.4 million), and other countries 6.0 percent ($ 661.6 million).

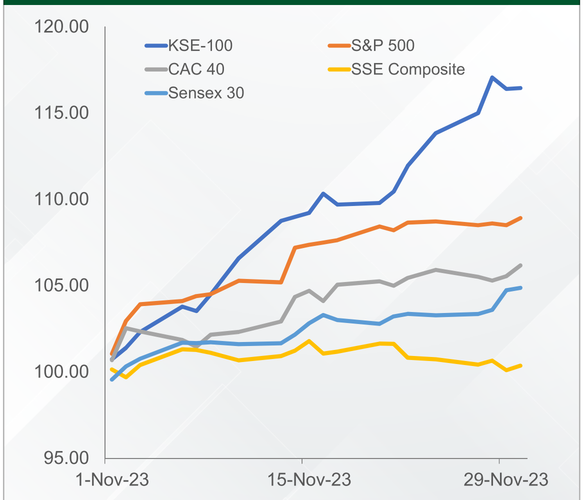
2.5.3 Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves increased to $ 12.9 billion on December 22, 2023, with SBP's reserves stood at $ 7.8 billion and Commercial banks' reserves remained at $ 5.1 billion.

2.6 Performance of KSE Index

The performance of Pakistan Stock Exchange (PSX) remained remarkably well in November 2023. The benchmark KSE-100 index closed at 60,527 points as of 30th November 2023, gained 8,550 points MoM. Similarly, market capitalization of PSX increased by Rs 1,178 billion and settled at Rs 8,729 billion as of end November 2023. During November, the performance of major world stock market indices remains positive. The KSE-100 index increased by 16.5 percent followed by S&P 500 of US (8.9 percent), CAC 40 of France (6.2 percent), Sensex 30 of India (4.9 percent) and SSE composite of China posted a minimal growth of 0.4 percent. The performance of major world indices indexed at 100 is depicted in Figure.

Fig-6: 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

- Pakistan Poverty Alleviation Fund (PPAF) through its 26 Partner Organizations has disbursed 30,805 interest free loans amounting to Rs 1,362 million during October 2023.Since inception of the program till date, a total of 2,532,414 interest free loans amounting to PKR 95,275 million have been disbursed to the borrowers.
- Pakistan is one of the largest labour exporting countries in the region. During November 2023 Bureau of Emigration & Overseas Employment has registered 81,427 workers for overseas employment in different countries.
- Under Prime Minister's Youth Business & Agriculture Loan Scheme, the government has disbursed Rs 49,887 million till October, 2023 to 83,826 beneficiaries.

Economic Outlook

3.1 Inflation

Inflation outlook for the remaining months of FY2024 is seen at a moderate level despite the upward revision of administered prices (gas prices). This is on account of a stable exchange rate, contained aggregate demand, better supply position, moderation in the international commodity prices, and favorable base effect. Moreover, the recent decline in petrol and diesel prices is expected to compensate the inflationary pressure exerted through higher gas prices as the decline in fuel prices has a significant impact on the common man through reduced transportation and production costs. Efforts of the sub-national governments to implement lower fares of public transport and freight charges in line with the reduced fuel prices would further ease the inflationary pressure.

The Food and Agriculture Organization's food price index, which tracks the most globally traded food commodities, averaged 120.4 points in November 2023 unchanged from its revised October level, as increases in the price indices for vegetable oils, dairy products, and sugar counterbalanced decreases in those of cereals and meat. The index stood 14.4 points (10.7 percent) below its corresponding level one year ago.

Keeping in view the better supply position and easing out the imported inflation along with the high base effect will help to contain the inflationary pressure ahead. Inflation is anticipated to remain around 27.5-28.5 percent in December 2023 and further ease out to 24-25 percent in January 2024.

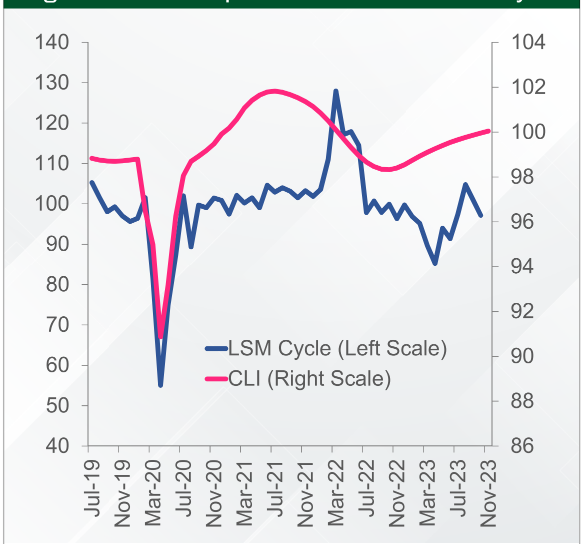
3.2 Agriculture

The prospects of achieving production targets are positive. The certified seeds were used by the farmers while DAP fertilizer offtake has increased more than urea. December is important for the early growth of Rabi crops 2023-24 in most of the agricultural plains of the country. Farmers may take precautionary measures to protect their crops, vegetables, and orchids from the harmful impacts of expected cold weather conditions. Furthermore, farmers of northern areas and northern Balochistan may complete the sowing of their Rabi crops in time and arrange suitable irrigation for healthier growth of their crops at initial levels.

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 aggregate CLI in the main export markets has improved and reached its potential level. This suggests positive momentum in the external environment, which is crucial for Pakistan's industrial performance.

Fig-7: Relationship between CLI and LSM cycle



Source: PBS, OECD and EAW Calculations

The cyclical LSM pattern for the month of October remained below the potential level. However, improvement in MoM imports, and positive trends in high-frequency indicators like sales and production on tractors, and total cement dispatches indicate a potential recovery in industrial activities. It is expected that industrial activities may recover and improve in the coming months.

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 since July 2019. It should be noted that some of the data underlying the November 2023 MEI are still provisional and may be revised next month.

Fig-8: Monthly Economic Indicator (MEI)

Source: EA Wing's Calculation

Improvement in CLI of Pakistan's export markets signifies a favourable export landscape while continuous increase in MoM imports signals increased economic activities and demand for goods and services. Further, reducing inflationary pressures supported by a decline in international commodity prices, easing of supply constraints, and the government's various policy and administrative measures demonstrate better growth prospects. According to the first quarter GDP estimates, the economy grew by 2.13

percent against 0.96 percent in first quarter of FY2023. The growth is primarily driven by 5.06 percent in agriculture, 2.48 percent in Industry, and 0.82 percent in the services sector. Based on improvement in key economic indicators, it is expected that this positive momentum observed in the first quarter will gain further traction in the upcoming months.

3.5 External

BoP data for November shows some developments, as exports of goods and services increased by 12.2 percent on a YoY basis and marginally by 0.2 percent on a MoM basis, respectively. Exports are consistently above $3.0 billion mark since Aug-23. On the other hand, November imports of goods and services were at $ 5.3 billion, marginally higher than their level of $ 5.2 billion observed in October and $ 5.0 billion in Nov-22. Resultantly, the trade balance of goods and services decreased by 4.3 percent on YoY basis but increased by 3.3 percent on MoM basis. In the coming months, it is expected that exports would remain at around current observed level and take advantage of increase in domestic economic activities and encouraging foreign demand. Similarly, imports will continue to observe their increasing momentum in coming months with assumptions of stable exchange rate and soothed global commodity prices.

Current account balance turns to surplus in November, mainly due to decline in primary income debit, which decreased significantly by 36 percent on MoM basis. For the outlook, considering all other components of secondary income included worker's remittances as well as primary income balance, the current account will remain in a manageable limit.

3.6 Fiscal

The fiscal performance during the first four months highlights the effective implementation of consolidation measures that resulted in a substantial increase in overall revenue receipts that outpaced the growth in expenditures. As a result, the fiscal deficit in terms of GDP has been successfully brought down to 0.8 percent of GDP and improved the primary surplus to Rs.1429.7 billion in the first four months of FY2024.

On the revenue side, FBR tax revenues have surpassed the target by Rs.27 billion set for Jul-Nov FY2024. The revenue performance indicates that tax policy and administrative measures are paying off in terms of continuous improvement in revenue collection. With this pace, it is expected that the tax collection target for FY2024 will be achieved.

Similarly, cautious expenditure management played an instrumental role in controlling non-essential spending, however, the challenge of higher markup payments persists. Considering this, the government will continue the current fiscal strategy to achieve set targets, emphasizing both revenue enhancement and prudent expenditure control.

3.7 Final Remarks

Despite significant challenges, the overall economic outlook is optimistic marked by receding inflationary pressures, positive prospects in agriculture, signs of potential recovery in the industrial sector reflected by positive trends in high-frequency indicators, imports, and a favorable external environment.

The optimistic economic outlook is also evident by the 2.13 percent growth achieved in the first quarter of FY2024, largely contributed by agriculture and industry. Further, the twin deficit is on a downward trajectory signifying better economic management to reduce the macroeconomic imbalances. This lays the foundation for progressing towards higher and sustainable economic growth. It is therefore expected that this positive momentum will further strengthen in the upcoming months.

ECONOMIC INDICATORS

External Sector	2022-23 Jul-Nov	2023-24 Jul-Nov	% Change
Remittances ($ Billion)	12.3	11.0	▼ 10.3%
Exports FOB ($ billion)	11.9	12.5	▲ 5.0%
Imports FOB ($ billion)	25.3	21.3	▼ 16.0%
Current Account Deficit ($ billion)	3.3	1.2	▼ 64.5%
FDI ($ million)	606.9	656.1	▲ 8.1%
Portfolion Investment ($ million)	-31.4	38.6	▲
Total Foreign Investment ($ million)	575.5	694.8	▲ 20.7%
Forex Reserves ($ Billion) — Total	11.948	12.855	-
SBP	6.045	7.757	-
Banks	5.903	5.098	-
	22-Dec-22	22-Dec-23	
Exchange Rate (PKR/US$)	225.43	282.53	-
	22-Dec-22	22-Dec-23	

Source: SBP

Fiscal Sector (Rs. Billion)	2022-23 (Jul-Oct)	2023-24 (Jul-Oct)	% Change
FBR Revenue (Jul-Nov)	2688.4	3484.7	▲ 29.6%
Non-Tax Revenue (Federal)	346.4	1586.6	▲ 358.0%
PSDP (Federal)	97.6	76.3	▼ 21.8%
Fiscal Deficit	1266	862	▼ 31.9%
Primary Balance	136	1430	▲

Source: FBR & Budget Wing

Monetary Sector	2022-23	2023-24	% Change
Agriculture Credit (Provisional) Jul-Oct	507.8	681.6	▲ 34.2%
Credit to Private Sector (Flows)	40.3	-64.2	▼
	1-Jul to 09-Dec	1-Jul to 08-Dec	
Growth in M2 (percent)	1.0	1.1	-
	1-Jul to 09-Dec	1-Jul to 08-Dec	
Policy Rate (percent)	16.00	22.00	-
	25-Nov-22	12-Dec-23	

Source: SBP

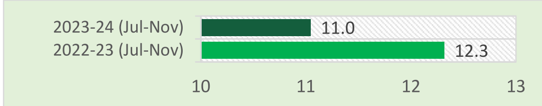
Inflation	2022-23	2023-24	% Change
CPI (National) %	23.8	29.2	-
	(Nov)	(Nov)	
	25.1	28.6	-
	(Jul-Nov)	(Jul-Nov)	

Real Sector	2022-23	2023-24	% Change
Large Scale Manufacturing (LSM) %	-1.40	-4.08	-
	(Oct)	(Oct)	
	-1.67	-0.44	-
	(Jul-Oct)	(Jul-Oct)	
PSX Index *	43899	61705	▲ 40.6%
	3-Jul-23	22-Dec-23	
Market Capitalization (Rs trillion)	6.69	8.95	▲ 33.8%
	3-Jul-23	22-Dec-23	
Market Capitalization ($ billion)	23.39	31.67	▲ 35.4%
	3-Jul-23	22-Dec-23	
Incorporation of Companies (Jul NOV)	11,318	12,216	▲ 7.9%

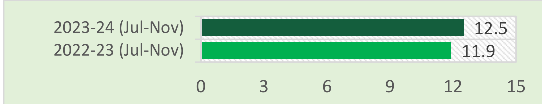
* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP

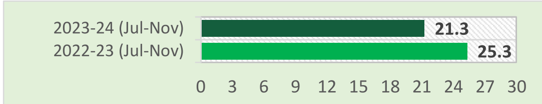
Remittances ($ bn) ▼ 10.3%



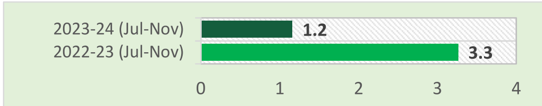
Exports FOB ($ bn) ▲ 5.0%



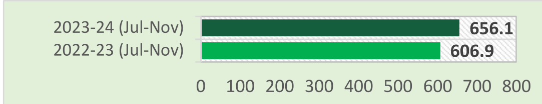
Imports FOB ($ bn) ▼ 16.0%



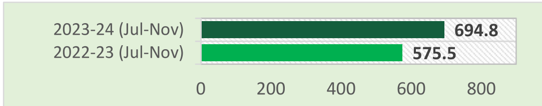
Current Account Deficit ($ bn) ▼ 64.5%



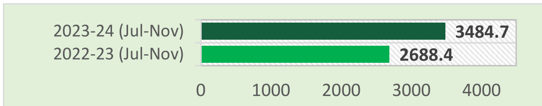
FDI ($ mn) ▲ 8.1%



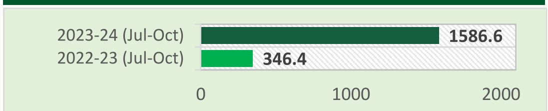
Total Foreign Investment ($ mn) ▲ 20.7%



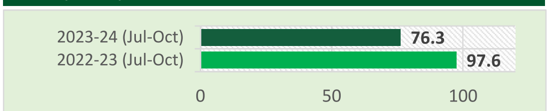
FBR Revenue (Rs.bn) ▲ 29.6%



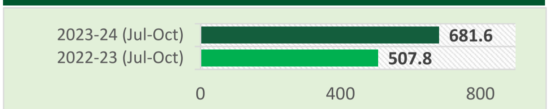
Non-Tax Revenue (Rs.bn) ▲ 358.0%



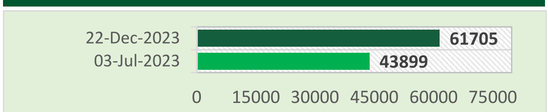
PSDP (Rs.bn) ▼ 21.8%



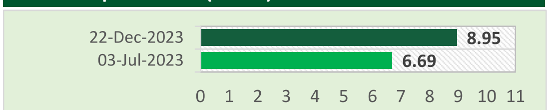
Agriculture Credit (Provisional) ▲ 34.2%



PSX Index ▲ 40.6%



Market Capitalization (Rs. bn) ▲ 33.8%



Market Capitalization ($ bn) ▲ 35.4%