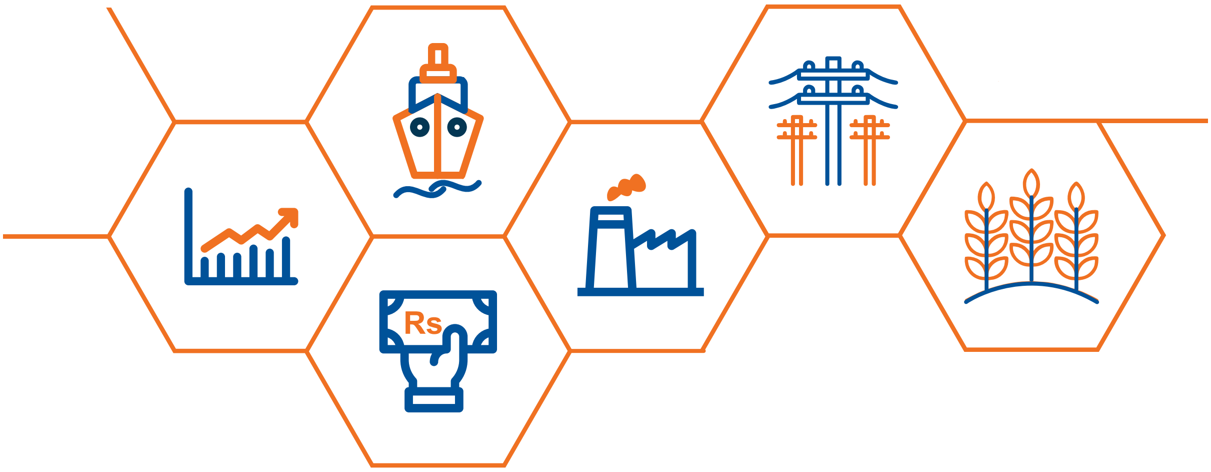



# Monthly ECONOMIC UPDATE & OUTLOOK January 2023

Government of Pakistan
Finance Division
Economic Adviser's Wing

## Contents

# Executive Summary

The global economy is perilously close to falling into recession. World Bank has slashed the global economic growth outlook to 1.7 percent for 2023 from its earlier projection of 3.0 percent. Very high inflation has triggered unexpectedly rapid and synchronous monetary policy tightening around the world. Although this tightening has been necessary for price stability, it has contributed to a significant worsening of global financial conditions, which is exerting a substantial drag on economic activity. Major economies including the United States, Euro area, and the China are all undergoing a period of pronounced weakness. The spillovers of sluggish growth are exacerbating other headwinds faced by emerging markets and developing economies.

## Real Sector

In the ongoing Rabi season 2022-23, wheat crop sowing is estimated at 21.48 million acres which is 94 percent of targeted area of 22.85 million acres. The timely availability of inputs and government pro-Agri initiatives are playing role in the revival of agriculture sector. The Rabi season crops production is expected to increase due to favorable weather conditions with timely rains. During Jul-Dec Fy2023, the agriculture credit disbursement increased by 31.5 percent, reached to Rs 842.4 billion from Rs 640.8 billion compared to corresponding period last year.

The Consumer Price Index (CPI) recorded at 24.5 percent on YoY basis in December 2022 as compared to an increase of 23.8 percent in the previous month.

## Fiscal, Monetary & External

The fiscal deficit during Jul-Nov FY2023 has been contained to the same level of 1.4 percent of GDP as it was recorded in the comparable period last year. While the primary balance improved during Jul-Nov FY2023 and posted a surplus of Rs 511 billion.

### Flood-2022: Efforts for Climate Justice

- During June-August 2022, flash flood has affected all sectors of the economy. Overall damage is estimated at PKR 3.2 trillion (US$14.9 billion), loss to the GDP at PKR 3.3 trillion (US$15.2 billion), and total needs for rehabilitation of damages at PKR 3.5 trillion (US$16.3 billion).
- Successful diplomacy of the Government of Pakistan at all levels has been vital in engaging international agencies and countries to step forward to deal with the climate-induced calamity jointly.
- Conference on Climate Resilient Pakistan 2023, co-hosted by Pakistan and the United Nations, was held in Geneva on January 9, 2023. Against the call for USD 8 billion, the pledges of almost USD 10 billion were announced. Islamic Development Bank alone declared to contribute an amount of USD 4.2 billion over the next three years (2023-2025). The second major announcement was made by the World Bank of USD 2 billion (not including allocation for immediate relief), out of which USD 1.3 billion will directly contribute to reconstruction.
- Financial pledges by Asian Infrastructure Development Bank amounted to USD 1 billion, whereas by Saudi Arabia and Asian Development Bank, these were USD 1 billion and USD 0.5 billion, respectively. Other contributors include France, China, USA, European Union, Germany, Japan, UK, Qatar, Italy, Canada, Sweden, Norway, Denmark, Netherlands, Switzerland, and Azerbaijan.

Private sector credit has observed developments in the month of December as it increased by Rs 458 billion compared Rs 413.6 billion in Dec 2021, emanated more credit demand both from working capital and fixed investment. During 1st July – 30th December, FY23 money supply (M2) shows growth of 2.0 percent (Rs. 562.8 billion) compared to growth of 4.3 percent (Rs. 1047.3 billion) in last year.

The current account deficit shrank to $ 400 million in December 2022 as against $ 1857 million in the same period last year, largely reflecting an improvement in the trade balance. Current Account posted a deficit of $ 3.7 billion for Jul-Dec FY2023 as against a deficit of $ 9.1 billion last year, mainly due to a contraction in imports.

## International Performance and Outlook

According to Global Economic Prospects 2023, global growth in 2023 is expected to contract to 1.7 percent from the previous forecasts of 3.0 percent, reflecting synchronous policy tightening aimed at containing very high inflation, worsening financial conditions, and continued disruptions from Russia-Ukraine conflict. The sharp downturn in growth is expected to widespread, with forecasts in 2023 revised down for 95 percent of advanced economies and nearly 70 percent of emerging market and developing economies.

The growth for advanced economies is projected to slow from 2.5percentin 2022 to 0.5percentin 2023. In the United States, growth is forecasted to fall to 0.5 percent in 2023—1.9 percentage points below previous forecasts. In 2023, Euro-area growth is expected at zero percent—a downward revision of 1.9 percentage points. In China, growth is projected at 4.3 percent in 2023—0.9 percentage point below previous forecasts.

Excluding China, growth in emerging and developing economies is expected to decelerate from 3.8% in 2022 to 2.7% in 2023, reflecting significantly weaker external demand compounded by high inflation, currency depreciation, tighter financing conditions, and other domestic headwinds.

The FAO food prices index (FFPI) averaged 132.4 points in December 2022, down 2.6 points from November, marking the nine consecutive monthly decrease. The downward movement in the index in December was mainly due to sharp fall in international prices of vegetable oils, cereal and meat prices, but partially offset by slightly increase in prices of sugar and dairy.

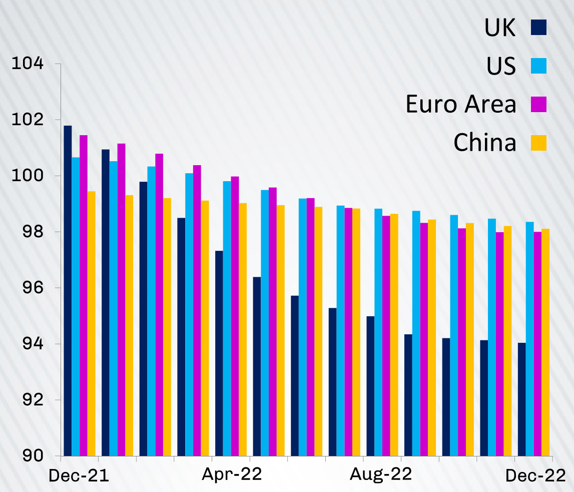
According to Institute of Supply Management (ISM) report, US manufacturing activity contracted for second month in December 2022, stood at 48.4 percent, lower than 49 percent in November 2022. The ISM index dropped 10.4 points in 2022, the biggest annual retreat since the Great Recession. The contraction was led by the decline in the new orders and production gauges shrank, indicating a further lowering demand. Measures of exports and imports also contracted. This is also reflected through WEI which is on declining trend (Fig-1).

Fig-1: Growth in WEI


Source: Federal Reserve Bank of New-York

The J. P. Morgan Global Composite Output Index increased to 48.2 in December 2022, from 48.0 in November 2022. This marked fifth consecutive month of global contraction, though at a slower pace as compared to November. The deceleration in the speed of global slowdown was supported by recovery in supply conditions in December mainly in manufacturing sector. However, the outlook remains uncertain, with weak demand conditions. Global new orders dropped for fifth month in December 2022, a further steeper fall since 2009.

Fig-2: Composite Leading Indicator




Source: OECD

The CLIs continued slowing growth in December 2022 in OECD and major economies, dragged down by high inflation, rising interest rates and falling share prices, the growth remained below trend and continued to anticipate losing momentum in the US, the UK and Canada, as well as in the Euro area as a whole, including Germany, France and Italy. The CLI for China (industrial sector) shows stabilization driven by production of motor vehicles and share prices.

Global commodity prices declined in December 2022. Energy prices fell by 6.2 percent, led by crude oil (10.7 percent). Non-energy price gained 1.0 percent, Food prices dropped 1.5 percent led by grains 4.3 percent. Beverage prices eased 0.2 percent while raw materials gained 2.9 percent. Fertilizers prices declined 6.1%. Metal prices gained 6.6 percent led by iron ore (19.8%), tin (13.8%) and nickel (13.2%). Precious metals increased by 5.2 percent.

# Monthly Performance of Pakistan's Economy

## 2.1 Real Sector

### 2.1-a Agriculture

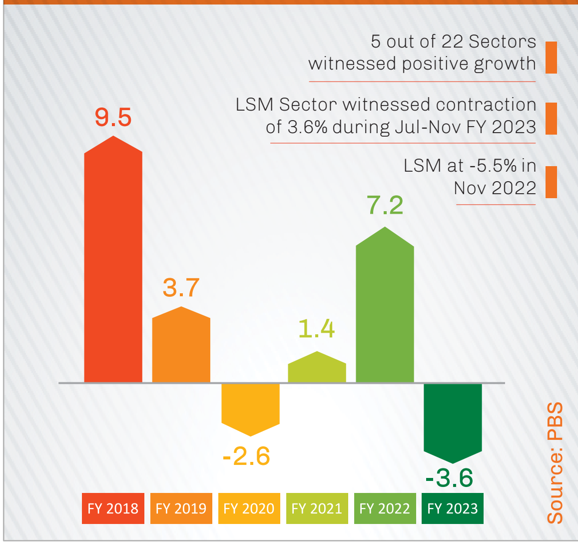
The wheat crop sowing is being estimated at 21.48 million acres which is 94 percent of target area of 22.85 million acres. The government pro-Agri initiatives are playing role in the revival of agriculture sector productivity. The Rabi season crops production is expected to increase due to favorable weather conditions with timely rains. During Jul-Dec FY2023, the agriculture credit disbursement increased by 31.5 percent, reached to Rs 842.4 billion from Rs 640.8 billion compared to corresponding period last year. During Rabi 2022-23 (December 2022), urea and DAP off-take stood at 833 thousand tonnes (39.2 percent higher than December 2021) and 158 thousand tonnes (35.2 percent higher than December 2021).

### 2.1-b Manufacturing

Monetary tightening, import compression strategies, and recessionary global pressure continued to suppress the performance of the manufacturing sector since the beginning of the current fiscal year. During Jul-Nov FY2023, the LSM witnessed a contraction of 3.6 percent against the growth of 7.2 percent same period last year. On YoY basis, LSM plunged by 5.5 percent in November 2022, while over the previous month, it grew by 3.5 percent. During the period, 5 out of 22 sectors witnessed positive growth which includes, Wearing apparel, Leather Products, Electrical Equipment, Furniture, and others while it decreased in Food, Beverages, Tobacco, Textile, Coke

3: As on 19-12-2022, sowing is still in progress.

Fig-3: LSM Growth (%) July-November




& Petroleum Products, Pharmaceuticals, Chemicals, Iron & Steel products, Wood Products, Paper & Paperboard, Rubber Products, Non-Metallic Mineral Products, Fabricated metal, Machinery and Equipment, Automobiles and Other Transport Equipment.

The automobile sector also remained under pressure due to compressed economic environment. During Jul-Dec FY2023, Car production and sale decreased by 33.4 percent and 40.0 percent, respectively, Trucks & Buses production and sale decreased by 23.9 percent and 36.4 percent.

The contraction of automobiles both on the supply and demand front also suppressed the sale of petroleum products by 19 percent in Jul-Dec FY2023 to 9.0 mn tons from 11.1 mn tons in the same period last year. YoY, oil sales decreased by 11 percent in Dec 2022 to 1.4 mn tons (1.5 mn tons in Dec 2021). Total cement dispatches declined by 20.7 percent to 21.8 mn tons during Jul-Dec FY2023, (27.5 mn tons last year). On YoY basis, it declined by 15.6 percent to 3.9 mn tons in December 2022 (4.6 mn tons in Dec 2021).

## 2.2 Inflation

The CPI inflation recorded at 24.5 percent on a YoY basis in December 2022 as compared to 23.8 percent in the previous month. MoM basis, CPI increased to 0.5 percent in December 2022 as compared to an increase of 0.8 percent in the previous month and a decline of 0.02 percent in December 2021. The average CPI in the first Six months of the current fiscal year is recorded at 25.0 percent compared to 9.8 percent during the same period of last year.

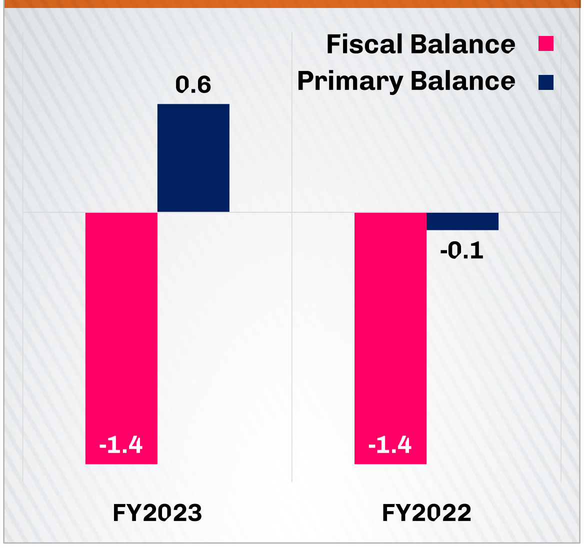
The FAO's Food price Index, which captures the movement of most globally traded food commodities, increased by 14.3 percent from 2021 to 2022. Similarly, the YoY currency depreciation is recorded at 21.9 percent from Rs. 176.5 to Rs 226.3 in December 2022. Hence being net importer of Food commodities the spike in inflationary pressure has been observed.

The SPI for the week ended on 26th January 2022, recorded an increase of 0.45% compared to previous week. Prices of 50% essential items either declined or remained stable which shows the effectiveness of policy measures.

## 2.3 Fiscal

The fiscal deficit during Jul-Nov FY2023 has been contained to the same level of 1.4 percent of GDP as it was recorded in the comparable period last year. While

Fig-4: Fiscal Indicators % of GDP (Jul-Nov)




the primary balance improved during Jul-Nov FY2023 and posted a surplus of Rs 511 billion (0.6 percent of GDP) against the deficit of Rs 36 billion (-0.1 percent of GDP) last year.

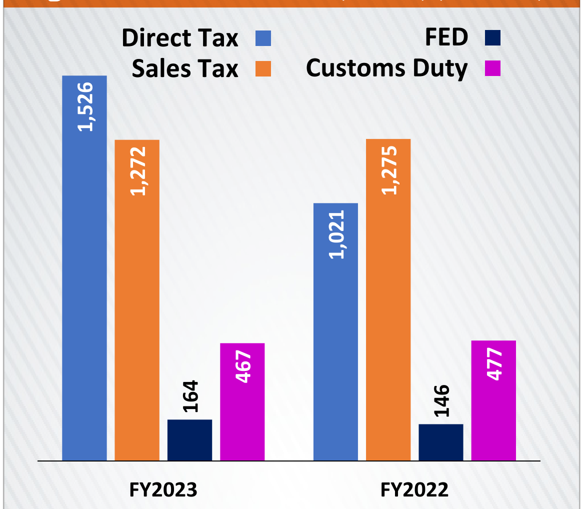
The net federal revenues grew by 34.7 percent to reach Rs 1996 billion during Jul-Nov FY2023 against Rs 1482 billion in the comparable period of last year. Due to a considerable collection under the SBP profit and petroleum levy, non-tax revenue saw a remarkable increase of 58 percent. Similarly, tax collection grew by 16.1 percent during the period under review. Thus, both tax and non-tax revenues have contributed to achieving significant growth in revenues.

Total expenditure increased by 16.4 percent to Rs 3367 billion during Jul-Nov FY2023 against Rs 2894 billion in the same period of last year. Within the total, current expenditures grew by 22.6 percent owing to an 83.6 percent increase in markup payments. While PSDP expenditures slide down to Rs 130 billion during Jul-Nov FY2023 against Rs 252 billion in the comparable period of last year.

### FBR Tax Collection

The provisional net tax collection increased by 17.4 percent to Rs 3428.8 billion during Jul-Dec FY2023 against Rs 2919.9 billion in the same period last year. The increase in growth is largely attributed to a 49 percent growth in direct taxes.

Fig-5: FBR Tax Collection (Rs. bn) (Jul-Dec)



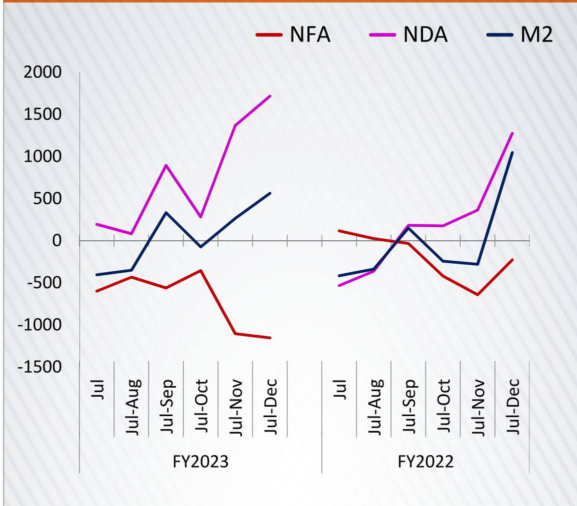

Source: FBR

Domestic tax collection grew by 21.3 percent. Within domestic, sales tax was reduced by 0.2 percent, and FED grew by 12.3. Whereas revenues from customs duty were reduced by 2.1 percent during the period under review.

## 2.4 Monetary

During 1st July – 30th December, FY23 money supply (M2) shows growth of 2.0 percent (Rs 562.8 billion) compared to growth of 4.3 percent (Rs. 1047.3 billion) in last year. Within M2, NFA decreased by Rs 1153.5 billion as compared decrease of Rs 227.5 billion in last year. Whereas, NDA of the banking sector increased by Rs 1716.3 billion as compared an increase of Rs 1274.9 billion last year.

Fig-6: Monetary Aggregates (Rs billion)




Source: SBP

During Jul-Dec FY2023, loans to private sector businesses witnessed expansion of Rs 574.5 billion as compared to expansion of Rs 860.2 billion during same period last year. Private sector credit has observed some developments in the month of December as it increased by Rs 458 billion compared Rs 413.6 billion in Dec 2021, emanated more credit demand both from working capital and fixed investment. Within manufacturing sector, rice processing and manufacturing of cotton sector credit has increased, indication of revival of economic activities, which augurs well LSM recovery in coming months.

## 2.4 External Sector

The Current Account posted a deficit of $ 3.7 billion for Jul-Dec FY2023 as against a deficit of $ 9.1 billion last year, mainly due to contraction in imports. However, the current account deficit shrank to $ 400 million in December 2022 as against $ 1857 million in same period last year, largely reflecting an improvement in trade balance. Exports on fob declined by 6.8 percent during Jul-Dec FY2023 and reached $ 14.2 billion ($ 15.2 billion last year). Imports on fob declined by 18.2 percent during Jul-Dec FY2023 and reached $ 29.5 billion ($ 36.1 billion last year). Resultantly the trade deficit (Jul-Dec FY2023) reached $ 15.3 billion as against $ 20.8 billion last year.

As per PBS, the major export commodities which have shown tremendous performance during the review period include: Foot Balls ( 53.6 percent in value & 53.7 percent in quantity), Foot wear (26.1 percent in value & 49.3 percent in quantity), Pharmaceutical products (26.9 percent in value & 88.2 percent in quantity), Surgical goods & Medical Instruments (8.5 percent in Value), Carpet, Rugs & Mats (1.93 percent in value & 8.3 percent in quantity) and Readymade garments ( 0.06 percent in value & 81.8 percent in quantity). The main commodities imported were Petroleum products ($4202.2 million), Medicinal products ($ 735.9 million), Petroleum crude ($ 2776.2 million), Liquefied Natural gas ($ 1949.7 billion), Palm Oil ($ 2082.2 million), Plastic materials ($ 1283.2 million) and Iron & Steel ($ 1025.1 million).

### 2.5.1 Foreign Investment

FDI reached $ 460.9 million during Jul-Dec FY2023 ($ 1114.7 million last year) decreasing by 58.7 percent. FDI received from China $ 131.8 million (28.6 percent), Switzerland $ 89.8 million (19.5 percent), U.A.E $ 80.8 million (17.5 percent of total FDI), and Japan $ 74.3 million (16.1 percent).The power sector attracted the highest FDI of $ 237.1 million (51.4 percent of total FDI), Financial Business $ 176.0 million (38.2 percent), and Oil & Gas Explorations $ 89.2 million (19.3 percent).

Foreign Private Portfolio Investment has registered a net outflow of $ 12.9 million during Jul-Dec FY2023. Foreign Public Portfolio Investment recorded a net outflow of $ 1019.7 million, on account of Sukuk repayment in December 2022. The total foreign portfolio investment recorded an outflow of $ 1032.6 million during Jul-Dec FY2023 as against an outflow of 405.5 million last. Total foreign investment during Jul-Dec FY2023 recorded an outflow of $571.7 million as against an inflow of $ 709.3 million last year.

### 2.5.2 Worker's Remittances

In Jul-Dec FY2023, workers' remittances recorded at $ 14.1 billion ($ 15.8 billion last year), decreased by 11.1 percent. MoM basis, remittances decreased by 3.2 percent in December 2022 ($ 2.0 billion) as compared to November ($ 2.1 billion). Share of remittances (Jul-Dec FY2023) from Saudi Arabia remained 24.7 percent ($ 3470.4 million), U.A.E 18.5 percent ($ 2601.9 million), U.K 14.1 percent ($ 1977.2 million), USA 10.8 percent ($ 1526.2 million), other GCC countries 11.6 percent ($1632.2 million), EU 11.0 percent ($ 1544.3 million), Malaysia 0.4 percent ($ 62.3 million), and Other Countries 8.9 percent.

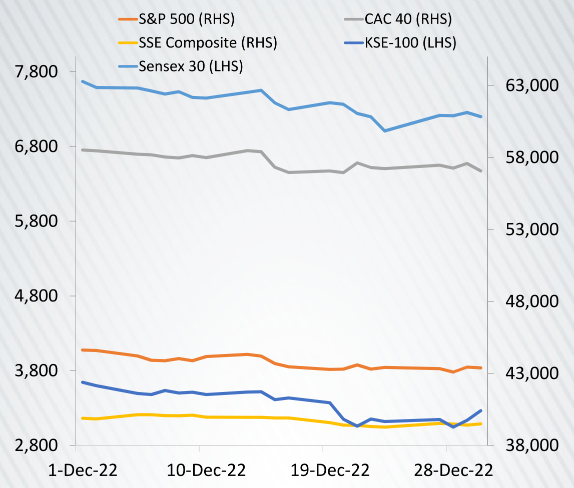
### 2.5.3 Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves increased to $ 9.45 billion on January 24, 2022, with the SBP's reserves now standing at $ 3.678 billion. Commercial banks' reserves remained at $ 5.77 billion.

## 2.5 Performance of KSE Index

The KSE-100 index closed at 40,420 points as of 30th December 2022 while market capitalization settled at Rs 6,501 billion. The performance of major world indices is depicted in Fig-7:

Fig-7: Major World Indices




Source: Investing.com, PSX

## 2.6 Social Sector

- The Ministry of Poverty Alleviation and Social Safety (PASS) has decided to launch “BISP Dynamic Survey” to ascertain the magnitude of destruction in flood-hit areas whereas the government has disbursed Rs 70 billion among 2.8 million families who were affected by last year's flash floods.
- BISP has released Rs 55 billion for FY2023 for disbursement among women registered under the Benazir Kafalat Programme; around 7.7 million families would receive financial assistance of Rs 7000.
- An amount of Rs13 billion has also been released under the Waseela-i-Taleem Programme for scholarships to the children of BISP beneficiaries.
- The scope of Benazir Nashonuma Programme has been extended up to 118 districts across the country and 169 facilitation centres were made operational, so far.
- PPAF through its 24 Partner Organizations has disbursed 43,239 interest free loans amounting to Rs 1.77 billion during the month of December, 2022. Since inception of interest free loan component, a total of 2,185,429 interest free loans amounting to Rs 80.31 billion have been disbursed to the borrowers.
- Bureau of Emigration and Overseas Employment has registered 829,549 emigrants and 66,782 emigrants during December, 2022 for overseas employment in different countries.
- On 15 January 2023, the government launched its first nationwide Polio campaign of the year to immunize children under the age of five against the crippling disease. National eradication program officials said that more than 360,000 health workers would deliver polio drops to at least 44.2 million children across 156 districts during the five-day campaign. They noted that children would also be administered an additional vitamin A supplement to boost their immunity against infectious diseases.

# Economic Outlook

## 3.1 Inflation

Inflationary pressure is expected to calm down gradually due to flood-led damages which have disrupted the supply of essential items. Rising prices of onions and wheat both are the key factors responsible for affecting the general price level. International commodity prices are showing a downward trend on a YoY basis and its impact will ultimately be transmitted into domestic prices with some lags after adjusting the currency devaluation. While the government kept the administered prices at their current level to stabilize the overall prices but post floods persistent shortfall of essential crops is preventing inflation to settle down.

SBP is also enacting a contractionary monetary policy to contain inflationary pressure. However, a larger portion of volatility in the current price level is explained by supply-side factors. Further, the recent political and economic uncertainties both are causing inflationary expectations upward. The CPI inflation on YoY basis for January 2023, is forecasted in the range of 24-26 percent.

## 3.2 Agriculture

According to PMD's Weather Outlook for January 2023, overall, a tendency for normal to below normal precipitation is likely over the country during January. Due to the dry condition, the Rabi crops especially "wheat" would need to be irrigated for healthier growth at the initial stages. Moreover, frost is also expected to occur at a few places in upper Punjab, KP, and Kashmir, etc., especially during the 1st fortnight of January. Accordingly, precautionary measures would be required to protect vegetables and orchards.

The government focuses on subsidized provision of inputs particularly quality seeds and fertilizers along-with other financial incentives will support the agriculture sector.

## 3.3 Industrial Activities

Industrial activity, measured by the LSM index is the sector that is most exposed to the developments in international markets as illustrated in Fig-8. It compares the cyclical component of LSM with the weighted average CLI in Pakistan's main export markets. The CLI reflects the deviation of GDP from its potential level. The cyclical component of Pakistan's LSM output is obtained by extracting the stochastic trend from the seasonally adjusted LSM series.

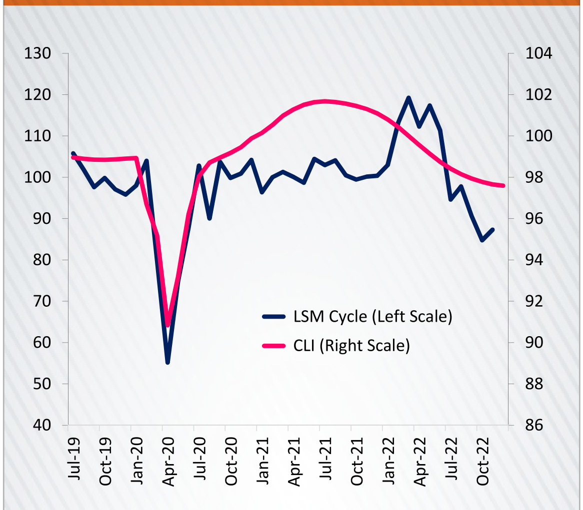
The cyclical position of Pakistan's main trading partners remained in the negative territory since April 2022. In November, LSM activity came in as expected, implying no unexpected shocks appeared in that month. Although some recovery in the LSM cyclical position occurred in November, the LSM output remains substantially below its potential, thereby following the cyclical downturn in the economies of Pakistan's main export markets. For December, a rebound of LSM output in comparison to November may be expected, mainly on the grounds of a positive seasonal effect. On the other hand, in December, the YoY growth of LSM may turn out to be slightly negative due to current economic conditions and also due to a high base effect.

## 3.4 Overall Economic Activity

The Monthly Economic Indicator (MEI) is based on combining monthly data of indicators that are proven to be correlated with GDP at constant prices. Fig-9 presents the MEI on monthly basis since July 2019. It should be noted that some of the data underlying the December MEI is still provisional and may be revised next month.

In Pakistan, economic activity is following

Fig-8: Relationship between CLI and LSM cycle




Source: PBS, OECD and EAW Calculations

Fig-9: Monthly Economic Indicator (MEI)


Source: EA Wing's Calculation

a lower growth path since the start of the current fiscal year. This is also reflected by the negative growth of several high-frequency variables such as cement dispatches, oil sales, industrial production, etc. Furthermore, the slowdown in global growth especially in main export markets along with the tight monetary policy stance by central banks (17 percent policy rate in January 2023) and low export growth also affected economic growth in Pakistan negatively. The average MEI growth during the first half of the current FY points to slightly positive, but the indicator is deteriorating somewhat during the second quarter of the current FY.

## 3.5 External

According to BOP data, exports of goods decreased by 21.6 percent on YoY basis in the month of December 2022, and exports of services declined by 3.2 percent. As a result, exports of goods and services declined by 18.1 percent in Dec. Usually, the month of December has observed a strong positive seasonal effect which has played some role and total exports increased by 2.3 percent on MoM basis.

On the other hand, imports of goods decreased by 34.4 percent on YoY basis and 2.7 percent on MoM basis in Dec 2022. Similarly, the import of services declined by 44.5 percent on YoY basis. Accordingly, imports of goods and services decreased by 35.9 percent. As the imports fell more than the decline in exports, the trade balance of goods and services improved by 52.3 percent.

Exports are constrained by domestic production issues related to the slowdown of demand in the main export markets and high domestic production costs. Imports are currently constrained by sluggish domestic demand and administrative measures to protect the official foreign reserves level. Since no immediate reversal of these developments is envisaged, the trade balance may further stabilize or further improve somewhat in the upcoming months.

The current account balance slightly deteriorated in the month of December. This was mainly due to an increase in primary income payments and a decrease in remittances. It is expected that in January these payments would return to normal levels. Together with the expected improvement in the trade balance due to prudent government measures, the current account deficit may decline in January and stabilize during second half of FY2023.

## 3.6 Fiscal

Geopolitical tension, tightening financial conditions, and rising inflation have all had a considerable negative influence on growth expectations, creating severe challenges for the global economic environment and Pakistan is no exception. The government of Pakistan has adopted tight fiscal and monetary policies to combat the economic problems brought on by both internal and external forces.

Currently, the government is facing the difficult task of supporting vulnerable segments of society and meeting other public spending needs, in particular, rising interest servicing. However, due to prudent spending management and effective domestic resource mobilization, the fiscal deficit was not only confined to the same level of 1.4 percent of GDP as last year but the primary balance surplus was also maintained during the first five months.

Nonetheless, rising interest payments due to increase in domestic and foreign interest rates, as well as flood-related spending, can put extensive pressure on overall spending. Furthermore, despite massive import compression. FBR tax collection has increased by more than 17 percent, yet it has registered a shortfall of Rs 217 billion in the first half of the current fiscal year. In light of current global and domestic economic conditions, FBR facing a difficult task in meeting the full-year target.

In the absence of adequate fiscal space to mitigate the impact of various shocks on the economy, the government's options would be to reallocate expenditures toward critical areas while improving spending efficiency; and raising revenue by broadening the tax base, making the tax system more progressive, and reducing tax avoidance and evasion.

### 3.7 Final Remarks

Pakistan is currently confronted with the challenges like high inflation, low growth, and low levels of official foreign exchange reserves. Further MoM increases in consumer prices may be countered by a further mean reverting international commodity prices and some exchange rate stability due to decreased pace of depreciation. The overall money supply growth remains compatible with a return to low and stable inflation. But the outlook of M2 is broadly dependent on fiscal accounts which are under immense pressure on account of heavy interest payments and rehabilitation spending. Nonetheless, the first five months of CFY have ended with some developments; containing fiscal deficit and surplus in primary balance due to effective fiscal management. Fiscal consolidation is key to saving official reserves and exchange rate stability. This may temporarily be costly in terms of growth prospects in the short term, but long-run prosperity and growth can only be achieved by augmenting the country's long-term equilibrium growth path by expanding production capacities and productivity. This is a shared responsibility of both the private and public sectors.

# ECONOMIC INDICATORS

31 January, 2023

| External Sector | | 2021-22 Jul-Dec | 2022-23 Jul-Dec | Change |
|---|---|---|---|---|
| Remittances ($ Billion) | | 15.8 | 14.1 | ▼ 11.1% |
| Exports FOB ($ billion) | | 15.2 | 14.2 | ▼ 6.8% |
| Imports FOB ($ billion) | | 36.1 | 29.5 | ▼ 18.2% |
| Current Account Deficit ($ billion) | | 9.1 | 3.7 | ▼ 59.7% |
| FDI ($ million) | | 1,114.7 | 460.9 | ▼ 58.7% |
| Portfolion Investment ($ million) | | -405.5 | -1,032.6 | ▼ |
| Total Foreign Investment ($ million) | | 709.3 | -571.7 | ▼ 180.6% |
| Forex Reserves ($ Billion) | Total | 22.103 | 8.743 | - |
| | SBP | 15.750 | 3.087 | - |
| | Banks | 6.353 | 5.656 | - |
| | | 27-Jan-22 | 27-Jan-23 | |
| Exchange Rate (PKR/US$) | | 176.98 | 262.61 | - |
| | | 27-Jan-22 | 27-Jan-23 | |

Source: SBP

| Fiscal Sector (Rs. Billion) | 2021-22 Jul-Nov | 2022-23 Jul-Nov | Change |
|---|---|---|---|
| FBR Revenue (Jul-Dec) | 2920 | 3429 | ▲ 17.4% |
| Non-Tax Revenue (Federal) | 519 | 822 | ▲ 58.4% |
| PSDP (Including grants to Provinces) | 252 | 130 | ▼ 48.4% |
| Fiscal Deficit | 951 | 1169 | ▲ |
| Primary Balance | -36 | 511 | ▲ |

Source: FBR & Budget Wing

| Monetary Sector | 2021-22 | 2022-23 | Change |
|---|---|---|---|
| Agriculture Credit (Provisional) Jul-Dec | 640.8 | 842.4 | ▲ 31.5% |
| Credit to Private Sector (Flows) | 1043.1 | 703.6 | ▼ |
| | 1-Jul to 31-Dec | 1-Jul to 30-Dec | |
| Growth in M2 (percent) | 4.3 | 2.0 | - |
| | 1-Jul to 31-Dec | 1-Jul to 30-Dec | |
| Policy Rate (percent) | 9.75 | 17.00 | - |
| | 15-Dec-21 | 24-Jan-23 | |

Source: SBP

| Inflation | 2021-22 | 2022-23 | Change |
|---|---|---|---|
| CPI (National) % | 12.3 | 24.5 | - |
| | (Dec) | (Dec) | |
| | 9.8 | 25.0 | - |
| | (Jul-Dec) | (Jul-Dec) | |

| Real Sector | | | Change |
|---|---|---|---|
| Large Scale Manufacturing (LSM) % | 6.00 | -5.50 | - |
| | (Nov) | (Nov) | |
| | 7.2 | -3.6 | - |
| | (Jul-Nov) | (Jul-Nov) | |
| PSX Index * | 41630 | 40451 | ▼ 2.8% |
| | 1-Jul-22 | 27-Jan-23 | |
| Market Capitalization (Rs trillion) | 6.96 | 6.35 | ▼ 8.8% |
| | 1-Jul-22 | 27-Jan-23 | |
| Market Capitalization ($ billion) | 33.99 | 24.19 | ▼ 28.8% |
| | 1-Jul-22 | 27-Jan-23 | |
| Incorporation of Companies (Jul-Dec) | 12,783 | 13,693 | ▲ 7.1% |

* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP