MONTHLY ECONOMIC UPDATE & OUTLOOK

MARCH 2024

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

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Contents

Executive Summary

Pakistan's economic and financial position continues to improve with each passing month of the current fiscal year, attributed to prudent policy management and the resumption of inflows from multilateral and bilateral partners. Pakistan has reached a Staff-Level Agreement in its final review successfully concluding the IMF's Stand-By Arrangement (SBA) program and securing a disbursement of $1.1 billion. The ongoing efforts in policy and reform are easing out pressures on the gross financing needs, which has been intensified by increased external and domestic financing demands and an uncertain external environment. These positive developments have led to a sustained economic recovery and an uplift in the country's overall economic confidence.

In real sector, agriculture outlook is promising. In Rabi season 2023-24, the wheat sowing has surpassed the target of 8.998 million hectare. The farm inputs also showcased an impressive growth in FY2024 with tractor production and sales up by 68.6 percent and 67.6 percent, respectively. Agriculture credit disbursement also rose by 34.7 percent to Rs 1,279.4 billion. However, urea offtake decreased by 4.2 percent, while DAP offtake increased by 15 percent compared to the previous year.

The LSM, observed a marginal decline of 0.5 percent during July-January FY2024, compared to a contraction of 2.7 percent last year. However, LSM output increased YoY by 1.84 percent in January 2024 when compared with January 2023. During Jul-Jan FY2024, 12 out of 22 sectors witnessed positive growth.

Headline inflation is on a downward trajectory; it dropped to 23.1 percent in February 2024 from 31.5 percent in February 2023. Major drivers of inflation include Alcoholic Beverages & Tobacco, Housing, Water, Electricity, gas & Fuel, Furnishing & Household equipment maintenance, Clothing & Footwear, Perishable food items, Non-perishable food items and Transport. To reduce the inflationary impact, the Federal government has provided the Ramadan Relief Package of Rs 12.5 billion, targeting low-income groups with food subsidies through various measures.

On the fiscal front, the primary surplus increased to Rs 1939 billion during Jul-Jan FY2024 from Rs 945 billion last year. The fiscal deficit during Jul-Jan FY2024, however increased to 2.6 percent of GDP as compared to 2.3 percent recorded last year. The government is putting all its efforts to ensure prudent fiscal management through cautious expenditure and effective resource mobilization.

Current Account posted a deficit of $1.0 billion for Jul-Feb FY2024 as against a deficit of $ 3.9 billion last year, with largely reflecting an improvement in trade balance. In February 2024 current account posted a surplus of $ 128 million as against a deficit of $ 50 million same period last year. YoY Exports increased by 16.2 percent to $ 2.6 billion in February 2024 as compared to $ 2.2 billion in February 2023 owing to ease in imports restriction and exchange rate stability which resulted in smooth supply of raw material for export-oriented industries. The YoY imports also increased by 10.2 percent to $4.3 billion in February 2024 as compared to $3.9 billion same month last year.

FDI witnessed an inflow of $ 131.2 million in

February 2024 compared to an outflow of $ 173 million in last month. Remittances also showing an upward trend, it increased by 13.0 percent in February 2024 ($ 2.2 billion) as compared to February 2023 ($ 1.9 billion).

SBP has maintained the policy rate at 22 percent on 18th March, 2024 – due to susceptible inflation outlook to risks amidst elevated inflation expectations. During 01st July – 01st March, FY24 money supply (M2) registered growth of 3.8 percent (Rs 1192.1 billion) compared 1.14 percent growth (Rs 313.9 billion) in last year.

To maintain the policy and reforms, efforts are vital to entrench economic and financial stability during last quarter of on-going fiscal year. Moreover, sustaining the pace of external inflows to meet upcoming gross financing needs and external sector stability is inevitable.

International Performance and Outlook

Global Economic Outlook (GEO), March 2024 - Fitch Ratings has raised its 2024 global GDP growth forecast by 0.3pp to 2.4 percent, compared to earlier forecast of 2.1 percent projected in December 2023. This improved world growth prospects reflects a sharp upward revision to US forecast to 2.1 percent, from 1.2 percent in the December 2023 GEO. Stronger US growth prospects outweigh a marginal cut to China 2024 growth forecast – to 4.5 percent from 4.6 percent – and a minor revision to eurozone forecast, to 0.6 percent from 0.7 percent. Fitch Rating-GEO still expects world growth in 2025 to edge up to 2.5 percent as the eurozone finally recovers – on a pick-up in real wages and consumption.

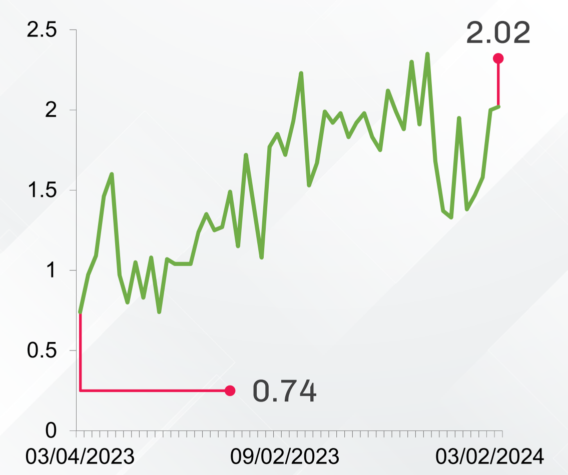
Global inflation forecast mainly dependent on cut in policy rate by major central banks- according to S&P - forecast of the initial cut in policy rates by the US Federal Reserve has been pushed back to June. This development re ects continued growth resilience and rmer in ation data. S&P now expect only 75 bps of rate cuts in total in the US during 2024, a little less than current futures market expectations. S&P Global Market Intelligence's forecasted of initial rate cuts from the European Central Bank and the Bank of England in June remain unchanged, with both still forecast to ease by 100 bps this year.

U.S. retail sales rebounded less than expected in February, suggesting a slowdown in consumer spending in the first quarter amid rising inflation and high borrowing costs. The signs of slowing economic activity are, however, unlikely to spur the Federal Reserve to start cutting interest rates before June as producer prices data showed a larger-than-expected increase in February. Moreover, February CPI inflation numbers showed sticky trend – CPI index rose 0.4 percent in February after climbing 0.3 percent in January. Gasoline and shelter, which includes rents, contributed more than 60 percent to the monthly increase in the CPI. YoY CPI increased by 3.2 percent in February, after advancing 3.1 percent in January.

Based on February numbers, in current monetary policy decision, Federal Reserve left the benchmark overnight interest rate in the range of 5.25-5.50 percent and held onto their outlook for three cuts in this year. The committee decision is based on elevated inflation numbers and forecast and the timing of interest rate cut still depends on officials becoming more secure that inflation will continue to decline towards the Fed's 2 percent target even as the economy continues to outperform expectations. Fed released new quarterly economic projections that showed officials now expect the economy to grow 2.1 percent this year, above what's considered the US economy's long-run potential and a substantial upgrade from the 1.4 percent growth seen as of December. At the same time, the unemployment rate is expected to hit 4 percent by the end of 2024, barely changed from the current 3.9 percent level, while a key measure of inflation is projected to keep falling, though at a somewhat slower pace, to end the year at 2.6 percent.

This situation also evident through growth in WEI in recent weeks shows fluctuations between 1.5-2 percent growth during first two months of 2024 (Fig-1).

Fig-1: Growth in WEI (%)



Source: Federal Reserve Bank of New York

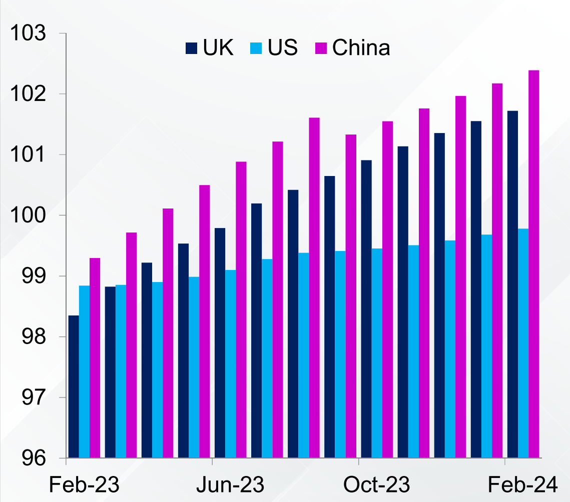
The J. P. Morgan Global Composite Output Index increased to 52.1 in February 2024 against 51.8 in January 2024and its highest reading since June 2023.Manufacturing activity rose for the second straight month, owing to increase in goods new orders and consequently higher production.

Eleven out of the 15 nations for which combined manufacturing and services PMI data were available, observed output expansion in February, including the US, China, Japan, the UK, India and Brazil. Two of the four nations to register contractions were located in the euro area, as downturns in Germany and France were only partly offset by growth in Italy, Spain and Ireland.

The FAO food price index (FFPI) averaged 117.3 points in February 2024, down by 0.9 points from its revised January level, as decline in the price indices for cereals and vegetable oils more than offset an increase in the sugar, meat and dairy products price index.

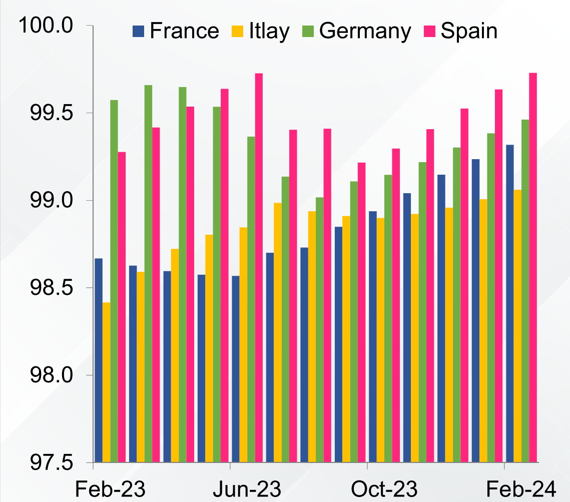
Global commodity prices witnessed mixed picture in February2024. Energy price increased by 1.1 percent, led by oil (3.7 percent) where as Non-energy price changed a little by 0.3 percent. Food prices

Fig-2 (a): Composite Leading Indicator



Source: OECD

Fig-2 (b): Composite Leading Indicator



Source: OECD

declined by 1.2 percent. Raw materials gained 0.8 percent. Fertilizer price went up 6.2 percent. Metal price inched down 1.9 percent led by Iron Ore (-8.4 percent) and zinc (-6.2 percent). Precious metal eased by 0.7 percent.

Performance of Pakistan's Economy

2.1 Real Sector

2.1-a Agriculture

The wheat sowing for the current Rabi season 2023-24 has surpassed the target, covering an area of 9.160 million hectare against the target of 8.998 million hectare. This can be attributed to the timely availability of quality seeds, fertilizers, agriculture credit disbursements as well as a rise in mechanization. These developments will augur well to mark the wheat production target of 32.12 million tonnes. However, the Rabi season crops productions depends on the Weather changes during growing seasons particularly near maturity of the wheat crop.

The farm inputs performance is also encouraging. During, Jul-Feb FY2024, farm tractor production and sales stood at 31,915 and 30,591showing an increase of 68.6 percent and 67.6 percent, respectively, over same period last year. During Jul-Jan FY2024, the agriculture credit disbursement reached to Rs 1279.4 billion as compared to Rs 949.9 billion last year, an increase of 34.7 percent. Urea offtake during Rabi 2023-24 (Oct-Feb) was 2,854 thousand tonnes (4.2 percent less than Rabi 2022-23) whereas DAP offtake was 758 thousand tonnes (15.0 percent higher than Rabi 2022-23).

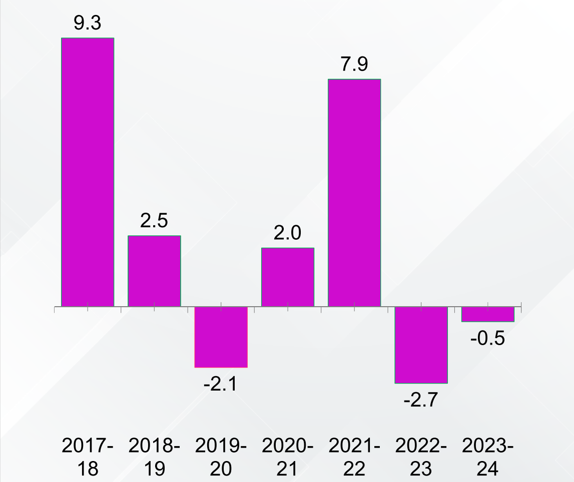
2.1-b Manufacturing

Large Scale Manufacturing (LSM) declined by 0.5 percent during Jul-Jan FY2024 against the contraction of 2.7 percent same period last year. In January 2024, LSM increased by 1.8 percent on YoY basis against the decline of 5.6 percent in the same month last year. While on a MoM basis, it increased marginally by 0.03 percent in January against the increase of 18.2 percent in December.

During Jul-Jan FY2024, 12 out of 22 sectors witnessed positive growth which includes, Food, Beverages, Wearing apparel, Leather, Wood products, Coke & Petroleum Products, Chemicals, Pharmaceuticals, Rubber Products, Machinery and Equipment, Furniture and others (Football).

During Jul-Feb FY2024, the performance of auto-industry remains subdued due to massive increases in inputs prices, and tightening auto finance. Car production and sale decreased by 40.8 percent and 40.9

Fig-3: LSM Growth (%) Jul-Jan 2024



Source: PBS

percent, while Trucks & Buses production and sale decreased by 50.6 percent and 48.7 percent respectively. However, Tractor's production and sale increased by 68.6 percent and 67.6 percent.

During the first eight months of FY24, sales of total petroleum products dropped by 13.0 percent to 10.2 million tons compared to 11.7 million tons in the same period last year.

During Jul-Feb FY2024, total cement dispatches (domestic and exports) were 30.555 million tons, 2.52 percent higher than 29.805 million tons during the corresponding period of last fiscal year. Domestic dispatches during this period were 26.059 million tons against 27.207 million tons last year showing a reduction of 4.2 percent. Export dispatches showed healthy increase of 73.10 percent as the volumes increased to 4.496 million tons compared to 2.597 million tons exports of last fiscal year.

2.2 Inflation

CPI inflation recorded at 23.1 percent on a year-on-year (YoY) basis in February 2024 as compared to 31.5 percent in February 2023. During Jul-Feb FY 2024, CPI stood at 28.0 percent against 26.2 percent in the same period last year. On a Month on Month (MoM) basis, it increased by 0.03 percent in February 2024 compared to an increase of 1.8 percent in the previous month.

Major drivers contributing YoY increase in CPI include; Alcoholic Beverages & Tobacco (66.6 percent), Housing, Water, Electricity, gas & Fuel (36.1 percent), Furnishing & Household equipment maintenance (25.6 percent), Clothing & Footwear (20.2 percent), Health (19.3 percent), Perishable food items (18.7 percent), Non-perishable food items (18.1 percent) and Transport (15.0 percent).

Federal Government has increased the volume of the Ramadan Relief Package from Rs 7.5 billion to Rs 12.5 billion. This package includes Utility Stores Corporation, beneficiaries of BISP, along with mobile units which provide food items at low prices. This will help to mitigate the financial burden on the target beneficiaries.

The SPI for the week ended on 21st March 2024, recorded a decrease of 1.13 percent as compared to previous week. Prices of 17 items declined, 25 items remained stable whereas 09 items increased.

2.3 Fiscal

During Jul-Jan FY2024, net federal revenues grew by 57.0 percent to Rs 4379 billion from Rs 2798 billion same period last year. The sharp rise in revenues was fueled by a notable uptick in non-tax collection, which increased by 105 percent to reach Rs 2140 billion against Rs 1046 billion last year. The substantial increase in non-tax collection is attributed to higher receipts from mark up (PSEs & others), dividends, SBP profit, royalties on oil/gas, and petroleum levy.

According to the latest available data, FBR net provisional tax collection maintained its momentum, increasing by 30.0 percent during Jul-Feb FY2024 to reach Rs 5831 billion from Rs 4494 billion last year. The tax collection surpassed its target by Rs 2.7 billion in the first eight months of the current fiscal year. Notably, in February 2024, net collection surged by 29.3 percent YoY, reaching Rs 682 billion compared to Rs 527 billion last year. During Jul-Feb, FY2024, domestic tax collection grew by 32.5 percent, while customs duty increased by 13.0 percent.

On the expenditure side, total expenditures increased by 49.0 percent to Rs 7532 billion during Jul-Jan FY2024, upfrom Rs 5058 billion last year. Within total, current spending roseby 45.0 percentprimarily due to a 60 percent increase in markup payments during Jul-Jan FY2024. In contrast, the growth in non-mark-up current expenditures has been recorded at 26 percent.

Overall, in the first seven months of the current fiscal year, the fiscal deficit increased to 2.6 percent of GDP (Rs 2721 billion) against 2.3 percent of GDP (Rs 1974 billion) last year. Moreover, the contained primary expenditures helped in improving the primary surplus to Rs 1939 billion during Jul-Jan FY2024 from Rs 945 billion last year.

2.4 Monetary Sector

The Monetary Policy Committee (MPC) has maintained the policy rate at 22 percent in its decision held on 18th March, 2024. The committee has observed that inflation, in line with earlier expectations, has begun to decline noticeably from H2-FY24. However, they maintained the policy decision based on: observed high inflation levels despite sharp decelaeration in February and its outlook is susceptible to risks amidst elevated inflation expectations.

During 01st July – 01st March, FY24 money supply (M2) showed growth of 3.8 percent (Rs 1192.1 billion) compared 1.14 percent growth (Rs 313.9 billion) in last year. Within M2, NFA increased by Rs 472.2 billion as compared decrease of Rs 2077.3 billion in last year. On the other hand, NDA of the banking sector increased by Rs 719.8 billion as compared an increase of Rs 2391.2 billion last year.

2.5 External Sector

The current account posted a deficit of $ 1.0 billion for Jul-Feb FY2024 as against a deficit of $ 3.9 billion last year, largely reflecting an improvement in trade balance. In February 2024 current account posted a surplus of $ 128 million as against a deficit of $ 50 million same period last year. Exports (fob) increased by 10.2 percent to reach $ 20.5 billion ($ 18.6 billion last year). Imports (fob) declined by 28.8 percent reaching $ 34.1 billion ($ 37.4 billion last year). Resultantly, the trade deficit recorded at $ 13.5 billion as against $ 18.7 billion last year.

During the period under review, exports in services decreased by 1.4 percent to $ 5.07 billion as against $ 5.14 billion same period last year. The imports in services increased by 28.2 percent to $ 6.9billion as compared to $ 5.4billion same period last year. The trade deficit in services stood at $ 1892 million as against $ 289 million last year.

As per PBS, the export commodities that registered positive growth include Rice (54.4 percent in quantity & and 85.8 percent in value), Fruits (36.0 percent in quantity &13.9 percent in value), Cotton Yarn (72.6 percent in quantity & 48.2 percent in value), Towel (14.2 percent in quantity & 3.6 percent in value) Rubber Tyres & Tubes (14.8 percent in quantity & 47.2 percent in value), and Plastic Materials (117.0 percent in quantity & 59.8 percent in value).Whereas, main imported commodities were Petroleum products ($ 4.1billion), Petroleum crude ($ 3.3 billion), LNG ($ 2.6 billion), Palm Oil ($ 1.8billion), Plastic materials ($ 1.6 million), Iron & Steel ($ 1.3billion) and Medicinal products ($ 0.7 billion).

2.5.1 Foreign Investment

Total foreign investment during Jul-Feb FY2024 recorded an inflow of $ 932.4 million as against an outflow of $ 27.2 million last year. FDI stood at $ 820.6 million ($ 990.2 million last year) decreasing by 17.1 percent. In February 2024, FDI witnessed MoM increase of 15.7 percent of $ 131.2 million as against an outflow of $ 173 million last month. FDI received from Hong Kong $ 234.6 million (28.6 percent), UK $ 163.7 million (19.9 percent), US $ 79.6 million (9.7 percent), China $ 80.4 million (9.8 percent share), and Netherland $ 58.7 million (7.2 percent). Power sector attracted the highest FDI of $ 249.0 million (30.3 percent of total FDI), Oil & Gas exploration $ 151.2 million (18.4 percent), and Financial Business $ 125.3 million (15.3 percent).

Foreign Private Portfolio Investment has registered a net inflow of $ 46.2 million during the period under review. Foreign Public Portfolio Investment recorded a net inflow of $ 65.5 million. The total FPI recorded an inflow of $ 111.7 million as against an outflow of $ 1017.4 million last year.

2.5.2 Worker's Remittances

In Jul-Feb FY2024, workers' remittances recorded at $ 18.1 billion ($ 18.3 billion last year), decreased by 1.2 percent. However, YoY remittances increased by 13.0 percent in February 2024 ($ 2.2 billion) as compared to February 2023($ 1.9 billion) whereas remittances declined by 6.2 percent in February 2024 ($2.2 billion) as compared to January 2024 ($ 2.4 billion) owing of structural reforms related to exchange company and consequently convergence in exchange rate in interbank and open markets. Share of remittances (Jul-Feb FY2024) from Saudi Arabia remained 24.2 percent ($ 4381.3 million), U.A.E 17.3 percent ($ 3205.6 million), U.K 14.9 percent ($ 2696.3 million), USA 11.9 percent ($ 2147.4 million), other GCC countries 10.9 percent ($ 1974.1 million), EU 12.4 percent ($ 2248.6 million), Australia 2.2 percent ($ 394.3 million), and other countries 7.3 percent ($ 1345.3 million).

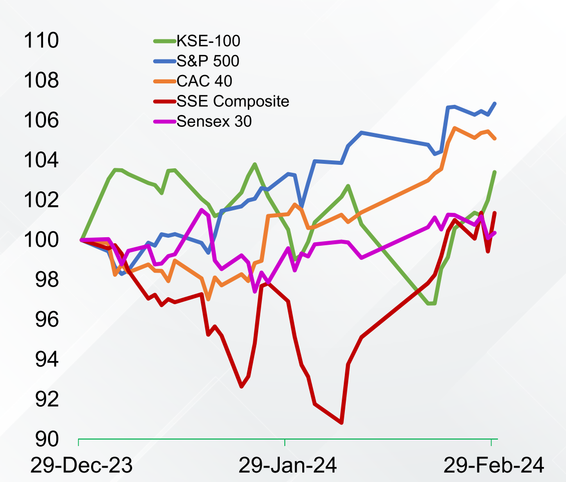
2.5.3 Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves increased to $ 13.421 billion on March 27, 2024, with SBP's reserves stood at $ 8.084 billion and Commercial banks' reserves remained at $ 5.340 billion.

2.6 Performance of KSE Index

The performance of Pakistan Stock Exchange (PSX) remained positive in the month of February 2024 owing to political and economic stability in the aftermath of General Elections. The benchmark of PSX, KSE-100 index closed at 64,579 points as on 29th February 2024 gaining 2,599 points in February, 2024. Similarly, market capitalization of PSX increased by around

Fig-4: 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.

Rs 151 billion in February. The performance of major world stock market indices also showing encouraging situation. During the period under-review (Jan-Feb, 2024), S&P 500 of US increased by 6.8 percent followed by CAC 40 of France (5.1 percent), KSE-100 index (3.4 percent), SSE composite of China (1.4 percent) and Sensex 30 of India (0.4 percent). The performance of major world indices indexed at 100 is depicted in figure below.

2.7 Social Sector

- In the second week of March, BISP initiated quarterly disbursements of Rs 10,500 as unconditional cash assistance, benefiting 9.2 million beneficiaries nationwide aimed at offering financial assistance across the country.
- PPAF through its 24 Partner Organizations has disbursed 30,759 interest free loans amounting to Rs 1.37 billion during February, 2024. Since inception of interest free loan component, a total of 2,655,062 interest free loans amounting to Rs 100.73 billion have been disbursed to the borrowers.
- Pakistan, is one of the leading countries to the world in February 2024, Bureau of Emigration & Overseas Employment has registered 53,642 individuals for opportunities abroad in various countries.

Economic Outlook

3.1 Inflation

Inflation outlook for March 2024 is seen at a moderate level, despite the upward revision of petrol prices and the influence of the Ramzan which historically leads to bulk buying by consumers and stringing up the demand supply gap. Inflation outlook is moderate on account of incumbent government's strong resolve of curbing inflationary pressure by instituting enhanced administrative measures. The government has announced Ramzan Relief Package with increased allocation from earlier Rs 7.5 billion to Rs 12.5 billion. This will provide relief to the masses and cushion the impact of heightened demand during the religious festival. Furthermore, the phenomenon of the high base effect is also contributing to the moderation of inflationary pressures.

Additionally, the global context plays a role in shaping inflation dynamics. The Food and Agriculture Organization's food price index, a key indicator tracking the prices of globally traded food commodities, registered a decrease of 0.7 percent in February 2024 compared to the revised January level. The YoY index was down by 10.5 percent from its corresponding value one year ago. This decrease, primarily driven by decline in the price indices for cereals and vegetable oils, offset increase in price for sugar, meat, and dairy products.

Considering these multifaceted factors, inflation is projected to hover around 22.5-23.5 percent in March 2024. However, there are expectations of a gradual easing further to 21-22 percent in April 2024.

3.2 Agriculture

The agriculture sector outlook is encouraging compared to last year based on the production of Kharif crops 2023. Rabi

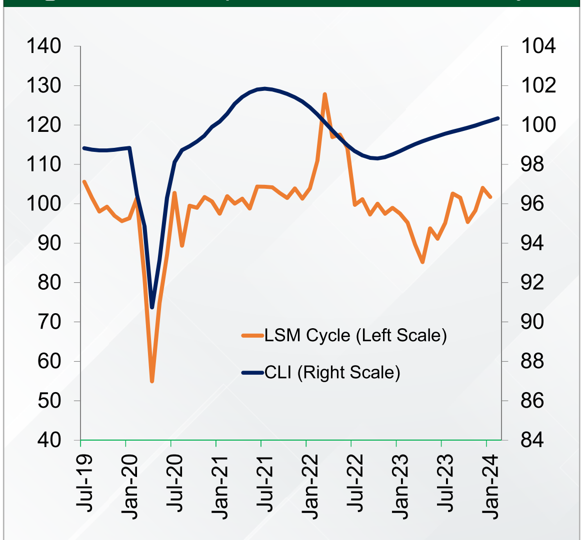
2023-24 will also perform well as the sowing of wheat is aligned to its target, however weather plays important role at crop maturity time.

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 improved and is currently above the neutral 100 benchmark. In Pakistan, the seasonally adjusted LSM output in January 2024 remains above the neutral benchmark, indicating a cyclical revival in large-scale manufacturing output. Despite the domestic downside risks for the industrial sector such as high input cost and high policy rate, the cyclical component of LSM recorded above the potential level for the months of December and January of the ongoing fiscal year. It is expected that this positive trend will continue in the upcoming months and LSM will post a modest growth as compared to FY2023.

Fig-5: Relationship between CLI and LSM cycle



Source: PBS, OECD and EAW 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 as well as 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 February 2024 MEI are still provisional and may be revised next month.

The MEI continued to show a positive trend since the start of FY2024 and recorded above 3.0 percent in February. This positive trend is fueled by the improvement in CLI of Pakistan's main trading partners, YoY growth of 1.8 percent in LSM, and an encouraging trend in crop production, agriculture credit disbursement, cement dispatches, and fertilizer production. Moreover, inflationary pressure was also subdued in February owing to sufficient agricultural produce, a stable exchange rate, and a decline in international commodity prices. Thus, it is expected that MEI will remain positive in the ongoing fiscal year.

Fig-6: Monthly Economic Indicator (MEI)

Source: EA Wing's Calculation

3.5 External

According to BOP data for February 2024, current account turns to surplus of $ 128 million (Deficit of $ 303 million in Jan, 2024). The key factor for this improvement is a decline in the trade deficit in goods and services declined by 14.2 percent on MoM basis ($ 2.2 bn in Jan 2024 to $ 1.9 bn in Feb 2024). Both exports and imports of goods and services declined by 5.8 and 9.1 percent, respectively. Similarly, balance on primary income improved by 36 percent, due to lower primary income debit. However, remittances which may play more instrumental role in current account improvement, decreased by 6.2 percent on MoM basis. For the month of March, it is expected that exports of goods and services will improve and reach at level around $ 3.5 bn due to favorable foreign demand by Pakistan's main exports destinations. Similarly, imports of goods and services will touch around $ 5.5 bn in March 2024. Nonetheless, remittances are expected to improve due to positive seasonal and Ramzan-eid factor. Considering these factors, as well as other components, the current account will remain in sustainable limit.

3.6 Fiscal

During Jul-Jan FY2024, net federal revenues witnessed a significant rise driven by both tax and non-tax collection. Especially, the substantial increase in FBR tax collection, particularly from domestic sources demonstrates improved tax compliance, better enforcement, and economic activity. However, rising expenditures owing to higher markup spending highlight the challenges posed by debt servicing obligations. Consequently, the fiscal deficit has been widened by 38 percent during the first seven months of FY2024.

On the other hand, the measures to control non-mark-up expenditures have yielded positive results, leading to a further increase in the primary surplus during the period under review. Despite improvement in the primary surplus, the widening fiscal deficit indicates a persistent pressure on public finances. To counter these challenges, the government remains highly committed to fiscal discipline through various austerity measures and revenue mobilization efforts. The main objective is to ensure fiscal deficit within manageable limits, thereby safeguarding fiscal sustainability and promoting economic stability.

3.7 Final Remarks

In last quarter of FY2024, inflation outlook is predicting a moderate headline inflation on account of favourable domestic and global factors. With improved Rabi 2023-24 outlook as the sowing of wheat is aligned to its target – the agriculture sector will contribute to growth at its potential level. On the back of strong growth in agriculture, a recovery is also expected in LSM sector during the remaining months of CFY. The performance of high frequency indicators is also signaling growth prospects in the ongoing fiscal year. Besides this, external and fiscal sustainability is also contributing to economic revival. Pakistan and IMF have reached a Staff-Level Agreement (SLA) on the final review of $3 billion SBA to secure a $ 1.1 bn tranche in coming month.

However, sustainable economic recovery requires continuation of fiscal consolidation and prudent policy stance, timely and adequate financial inflows to meet gross financing needs and external sector stability.

ECONOMIC INDICATORS

External Sector		2022-23 Jul-Feb	2023-24 Jul-Feb	% Change
Remittances ($ Billion)		18.3	18.1	▼ 1.2%
Exports FOB ($ billion)		18.6	20.5	▲ 10.2%
Imports FOB ($ billion)		37.4	34.1	▼ 8.8%
Current Account Deficit ($ billion)		3.8	1.0	▼ 74.0%
FDI ($ million)		990.2	820.6	▼ 17.1%
Portfolion Investment ($ million)		-1,017.4	111.7	▲
Total Foreign Investment ($ million)		-27.2	932.4	▲
Forex Reserves ($ Billion)	Total	9.621	13.424	-
	SBP	4.049	8.084	-
	Banks	5.572	5.340	-
		27-Mar-23	**27-Mar-24**	
Exchange Rate (PKR/US$)		283.58	278.04	-
		27-Mar-23	**27-Mar-24**	

Source: SBP

Fiscal Sector (Rs. Billion)	2022-23 (Jul-Jan)	2023-24 (Jul-Jan)	% Change
FBR Revenue (Jul-Feb)	4494	5831	▲ 29.8%
Non-Tax Revenue (Federal)	1045.6	2140.3	▲ 104.7%
PSDP (Federal)	214.1	210.7	▼ 1.6%
Fiscal Deficit	1973.5	2720.5	▲ 37.9%
Primary Balance	944.8	1938.8	▲ 105.2%

Source: FBR & Budget Wing

Monetary Sector	2022-23	2023-24	% Change
Agriculture Credit (Provisional) Jul-Jan	949.9	1,279.4	▲ 34.7%
Credit to Private Sector (Flows)	393.6	180.7	▼ 54.1%
	1-Jul to 3-Mar	**1-Jul to 1-Mar**	
Growth in M2 (percent)	1.1	3.8	-
	1-Jul to 3-Mar	**1-Jul to 1-Mar**	
Policy Rate (percent)	20.00	22.00	-
	2-Mar-23	**18-Mar-24**	

Source: SBP

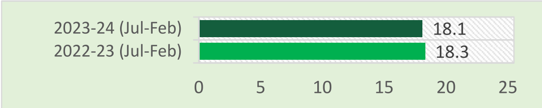
Inflation	2022-23	2023-24	% Change
CPI (National) %	31.5	23.1	-
	(Feb)	**(Feb)**	
	26.2	28.0	-
	(Jul-Feb)	**(Jul-Feb)**	

Real Sector	2022-23	2023-24	% Change
GDP Growth %	0.99	2.50	-
	Q1	**Q1**	
	2.20	1.00	-
	Q2	**Q2**	
Large Scale Manufacturing (LSM) %	-5.59	1.84	-
	(Jan)	**(Jan)**	
	-2.67	-0.52	-
	(Jul-Jan)	**(Jul-Jan)**	
PSX Index *	43899	66548	▲ 51.6%
	3-Jul-23	**27-Mar-24**	
Market Capitalization (Rs trillion)	6.69	9.35	▲ 39.8%
	3-Jul-23	**27-Mar-24**	
Market Capitalization ($ billion)	23.39	32.42	▲ 38.6%
	3-Jul-23	**27-Mar-24**	
Incorporation of Companies (Jul-Feb)	18,518	18,412	▼ 0.6%

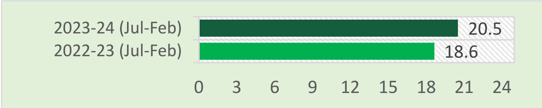
* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP

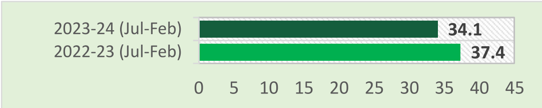
Remittances ($ bn) ▼ 1.2%



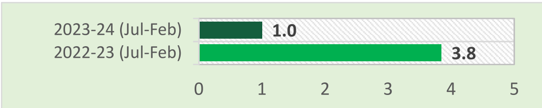
Exports FOB ($ bn) ▲ 10.2%



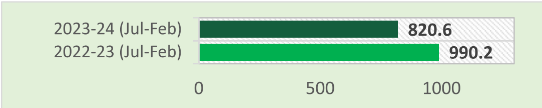
Imports FOB ($ bn) ▼ 8.8%



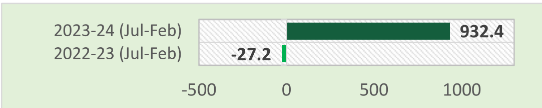
Current Account Deficit ($ bn) ▼ 74.0%



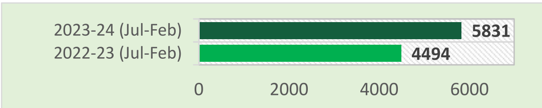
FDI ($ mn) ▼ 17.1%



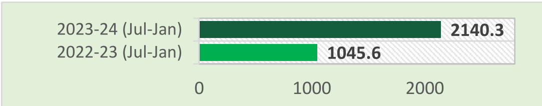
Total Foreign Investment ($ mn) ▲



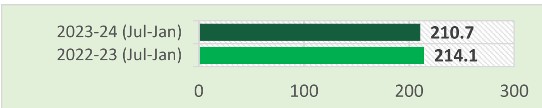
FBR Revenue (Rs.bn) ▲ 29.8%



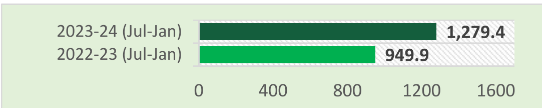
Non-Tax Revenue (Rs.bn) ▲ 104.7%



PSDP (Rs.bn) ▼ 1.6%

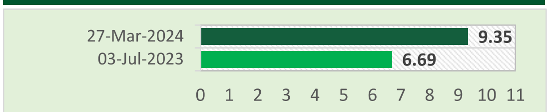


Agriculture Credit (Provisional) ▲ 34.7%



PSX Index ▲ 51.6%

Market Capitalization (Rs. tr) ▲ 39.8%



Market Capitalization ($ bn) ▲ 38.6%