Monthly

ECONOMIC UPDATE & OUTLOOK

March 2023

Government of Pakistan
Finance Division
Economic Adviser's Wing

Contents

Executive Summary

Although the world stands on the edge of slow growth along with high inflation but energy and food prices are substantially lower than what they were at their peaks. Data released by the Food and Agriculture Organization of the United Nations revealed eleven straight monthly price decline which pushed food prices down by 19 percent from a peak last March. However, new export restrictions from some countries could soar prices again. Furthermore, oil prices are fluctuating somehow after Brent oil prices dipped below 72 dollar per barrel amid ongoing quivers in financial markets.

For Rabi season 2022-23, the harvest of wheat crop has been started in Sindh while it is going to be harvested in Punjab by the end of March. Government has increased the wheat support price from Rs 2,200 to Rs 3,900 per 40 kg for Rabi 2022-23 to incentivize the farmers. LSM performance remained under pressure and witnessed a contraction of 4.4 percent during Jul-Jan FY2023 owing to increasingly synchronized policy stance to correct the imbalances, supply chain disruptions and recessionary global pressure. CPI inflation during Jul-Feb FY 2022-23 recorded at 26.2 percent compared to 10.5 percent during the same period last year.

The fiscal deficit during first seven month of current fiscal year has been contained to 2.3 percent of GDP against 2.8 percent of GDP last year. The primary balance has posted a surplus of Rs. 945 billion during Jul-Jan FY2023 against the deficit of Rs 210 billion last year. Total expenditures grew by 10 percent, largely driven by expenditures on markup payments which grew 73 percent due to higher servicing on domestic and foreign debts. The net provisional tax collection grew by 18.2 percent to Rs 4,493.3 billion during Jul-Feb FY2023 against Rs 3,802.1 billion in the comparable period of last year. The fiscal consolidation efforts have been reflected in attaining surplus in primary balance and containing fiscal deficit despite exponential increase in borrowing cost. Further, during 1st July – 03rd March, FY23 money supply (M_2) showed meager growth of 1.9 percent.

The current account deficit shrank to USD 74 million in February 2023 as against USD 230 million in the previous month. The Current Account posted a deficit of USD 3.9 billion for Jul-Jan FY2023 as against a deficit of USD 12.1 billion last year decline by 68 percent which significantly reduced the external financing requirement.

International Performance and Outlook

Global growth prospects at the end of first quarter of 2023 have improved since December, 2022. This improvement is due to China's reopening, a material easing of the European natural gas crisis and resilience in US consumer demand. Since start of the Russia-Ukraine conflict, this is the first upward world growth forecast. Fitch forecast world growth at 2.0% in 2023, revised up from 1.4% in the December 2022. This was mainly due to China's 2023 growth forecast to 5.2% from 4.1%, eurozone growth to 0.8% from 0.2% and US growth to 1.0% from 0.2%. However, lowered global growth in 2024 would reflect the lagged impact of rapid Fed and ECB interest rate hikes. The European gas crisis has eased sharply in recent months with gas supply holding up, inventories improving relative to seasonal norms and wholesale prices are falling significantly. This is helping Eurozone growth prospects and easing headline inflation pressures.

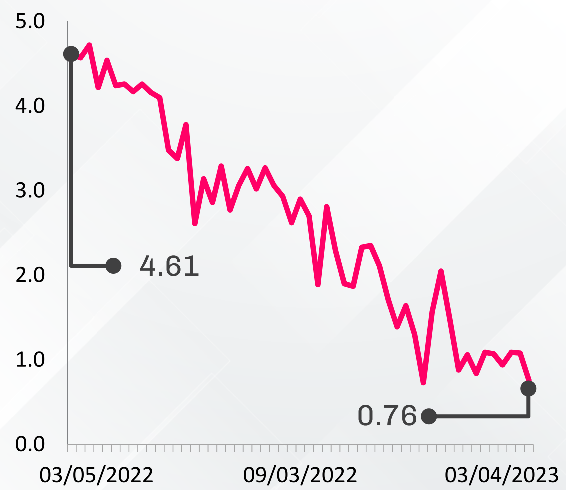
Chinese authorities this month announced a growth target of around 5%. China's retail sales growth for the first two months reported of the year matched expectations, while real estate investment fell further. Industrial production for the January-February period rose by 2.4%, less than the 2.6% forecasts. Exports, a major driver of China's economy, have slowed sharply. Demand from major trading partners such as the U.S. has fallen as those economies face surging inflation and slower growth.

US Department of Commerce reported the estimate for 2022's fourth quarter real GDP annual growth rate as 2.7 percent, which is somewhat weaker than the third quarter's 3.2 percent. The economic activity hit hard by high interest rates and weak housing activity. Some comfort observed in inflation pressure. The fourth quarter GDP price index increased at an annual rate of 3.2 percent compared the third quarter's 4.8 percent and the second quarter's 7.3 percent. Surprisingly, given the Fed's interest rate run-up, 517,000 workers were added to US payrolls in January; the average for 2022 was 401,000.

The US economy proved resilient to start the new year, marked by steady consumer spending and stabilizing manufacturing activity. However, the outlook going forward is less optimistic, amid heightened uncertainty, surveys did not expect economic conditions to improve much in the months ahead, Fed Beige Book reports anecdotal information collected by the Fed's 12 regional banks during February. US economic situation is observing low optimism which is also reflected through continuous declining trend in WEI during February (Fig-1).

The J.P.Morgan Global Composite Output Index increased to 52.1 in February2023, from 49.7 in January 2023, on account of increase in global output and new orders after seven

Fig-1: Growth in WEI



Source: Federal Reserve Bank of New-York

months in February, 2023. The upturn in output was led by the services sector reinforced by the first expansion of manufacturing production since last July. The major growth was registered in Asia as China and Japan both returned to expansions for the second successive month. The reviving performance of the global economy also breathed life into the trends in business confidence and job creation. Positive sentiment rose to its highest level in a year, improving at both manufacturers and service providers.

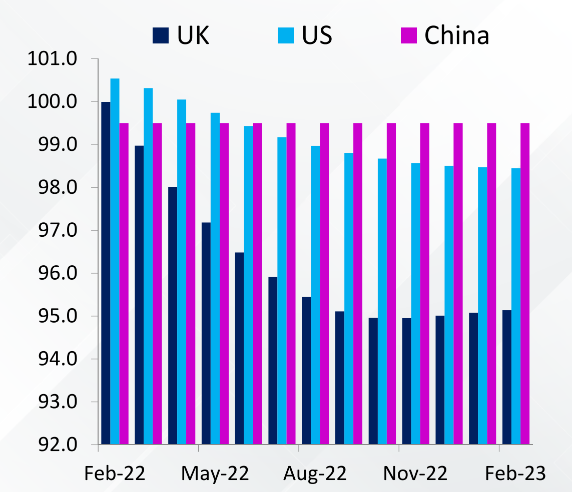
The February PMIs provide a convincing signal that the global expansion is gathering steam early in the year. The global composite output PMI rose by 2.4 points to an eight-month high of 52.1 in February, consistent with global GDP growing at its potential pace. With reduced recession risks, improving supply chains, and the reopening of the Chinese economy is likely to boost demand in the immediate future, further gains in output are expected in the coming months.

The composite leading indicator (CLI) is designed to provide early signals of turning points in business cycles showing fluctuation of the economic activity around its long-term potential level.

The CLI[1]s continued slowing growth in

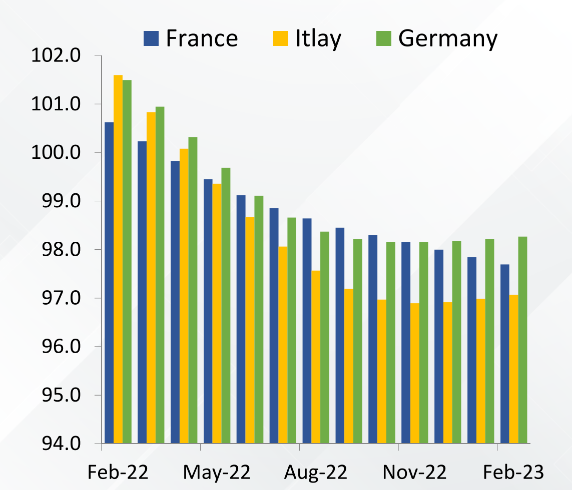
1: OECD has discontinued data for euro area (EA), and revised to individual countries. Germany, France & Italy data has been incorporated instead of EA, to analyze the cyclical behavior of Pakistan's main trading partners.

Fig-2: Composite Leading Indicator (a)



Source: OECD

Fig-3: Composite Leading Indicator (b)



Source: OECD

February 2023 in OECD and major economies, dragged down by high inflation, rising interest rates and failing share prices, remain below trend and continue to anticipate growth 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.

The FAO food prices index (FFPI) averaged 129.8 points in February 2023, marginally down 0.6 points from January, marking the eleventh consecutive monthly declines. The decrease in the index in February was mainly due to sharp decline in international prices of vegetable oils, dairy, cereals and meat, offsetting a steep rise in the sugar price index.

Global commodity prices declined in February 2023. Energy prices fell by 7.3 percent, led by coal (34.8 percent) and natural gas in US (27.2 percent). Food and Beverages prices increased by 1.0 and 5.2 percent, respectively. Raw Material eased by 0.9 percent, Fertilizer price prices fell by 5.6 percent, Metals and minerals dropped by 1.7 percent while precious metals fell 3.1 percent.

Monthly Performance of Pakistan's Economy

2.1 Real Sector

2.1-a Agriculture

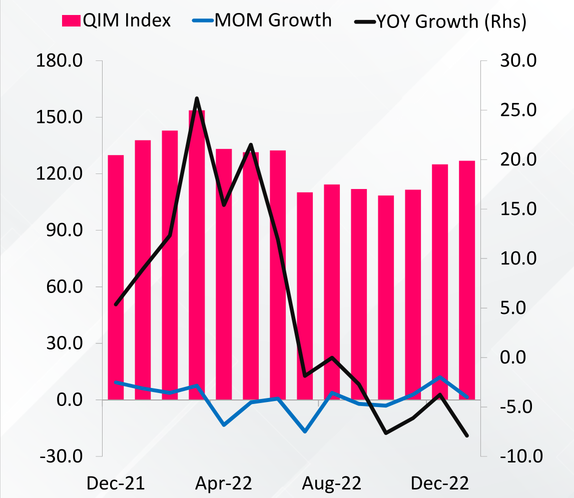
For Rabi season 2022-23, the harvest of wheat crop has been started in Sindh while it is going to be harvested in Punjab by the end of March. The kisan package is expected to bode up the crop productivity in the aftermath of flood damages. However, the climatic changes will play a critical role in achieving the target. More importantly, government has increased the wheat support price from Rs 2,200 to Rs 3,900 per 40 kg to incentivize the farmers.

During Jul-Feb FY2023, the agriculture credit disbursement increased by 28.5 percent to Rs 1073.5 billion from Rs 835.3 billion during same period last year. During Rabi 2022-23 (February 2023), urea and DAP off-take stood at 503 thousand tonnes (4.6 percent lesser than February 2022) and 98 thousand tonnes (76.3 percent higher than February 2022).

2.1-b Manufacturing

LSM performance remained under pressure and witnessed a contraction of 4.4 percent during Jul-Jan FY2023 owing to increasingly synchronized policy

Fig-4: Performance of LSM



Source: PBS

stance to correct the imbalances, supply chain disruptions and recessionary global pressure. On a YoY basis, LSM declined by 7.9 percent in January 2023, while it grew by 1.5 percent over the previous month. During the period, 4 sectors witnessed positive growth which includes, Wearing apparel, Leather Products, Furniture, and others.

The performance of auto-industry also remains subdued due to massive increases in inputs prices, tightening auto finance, and import restrictions. During Jul-Feb FY2023, car production and sale decreased by 43.14 percent and 47.5 percent, respectively, Trucks & Buses production and sale decreased by 31.2 percent and 29.9 percent.

Total cement dispatches declined by 16.7 percent during Jul-Feb FY2023 to 29.81 mn tons (35.76 mn tons last year). In February 2023, cement dispatches decreased by 7.1 percent to 4.04 mn tons (4.35 mn tons in Feb 2022).

The sale of petroleum products declined by 19 percent in Jul-Feb FY2023 to 11.7 mn tons from 14.5 mn tons in the same period last year. YoY, oil sales decreased by 21 percent in Feb 2023 to 1.2 mn tons (1.5 mn tons in Feb 2022).

2.2 Inflation

CPI inflation in February, 2023 recorded at 31.5 percent (YoY) compared to 27.6 percent in the previous month. On month on month basis, it has increased to 4.3 percent in February as compared to an increase of 2.9 percent in the previous month.

In February, the major increase witnessed in the Transport 50.5 percent, Alcoholic beverages and tobacco 49.2 percent, Recreation and culture 48.1 percent, Perishable food items 47.6 percent, Non-perishable food items 44.7 percent, Restaurants and hotels 34.5 percent, Furnishing and household equipment maintenance 34.0 percent, Miscellaneous goods and services 33.3 percent, Health 18.8 percent, Clothing and footwear 17.0 percent, Housing and utilities 13.6 percent, Education 10.8 percent and Communication 3.7 percent.

The average CPI in the first eight months of the current fiscal year remained 26.2 percent compared to 10.5 percent during the same period of last year.

The SPI for the week ended on 22nd March 2023, recorded an increase of 1.80 percent as compared to previous week. Prices of 12 items declined, 13 items remained stable and 26 items increased.

RAMZAN PACKAGE

Government is cognizant of the current inflationary spiral in the country and taking every possible measure to provide relief to the common masses.

Ramzan Relief Package -2023 amounting Rs. 5.0 billion has recently been announced for Utility Store Corporations (USCs) where the essential items shall be provided on subsidised rates. The Ramzan Relief Packages is being launched by USC every year since 1991. Under this package, USC also reduces the prices of essential food and non-food items of different brands from 5% to

10% by obtaining special discount from the vendors/suppliers and cutting down USC's own profit margin so as to provide relief to consumers. Following 19 items are being provided under this Package:

Atta, Sugar, Ghee, Dal Chana, Dar Masoor, White Gram, Rice Basmati, Rice Sella, Broken Rice, Cooking Oil, Dal Moong, Dal Mash, Baisen, Khajoor, Beverages, Squashes, Black Tea, Milk, Spices

The Ramzan Relief Package is based on Hybrid Subsidy Model (Targeted Rs.1,153 million + General Rs.3,844 million). Under this package USC will provide 10 additional items beyond Prime Minister Relief package.

PM has announced a Ramzan package providing **free wheat flour** to the inflation-hit people. The package is first of its kind aimed at facilitating the poor population. Government of Punjab has allocated Rs. 64 billion whereby 15.8 million household falling in the poverty would be provided 3 free flour bags of 10 kg each. Govt of KP has announced Rs. 19.7 billion to provide 3 wheat flour bags of 10 kg amongst its 5.8 million households registered with BISP and govt of Balochistan will distribute 0.5 million flour bags of 20 kg. However, govt of Sindh has announced Rs. 15.6 billion to provide Rs. 2000 to purchase wheat flour by its 7.8 million families registered with BISP.

2.3 Fiscal

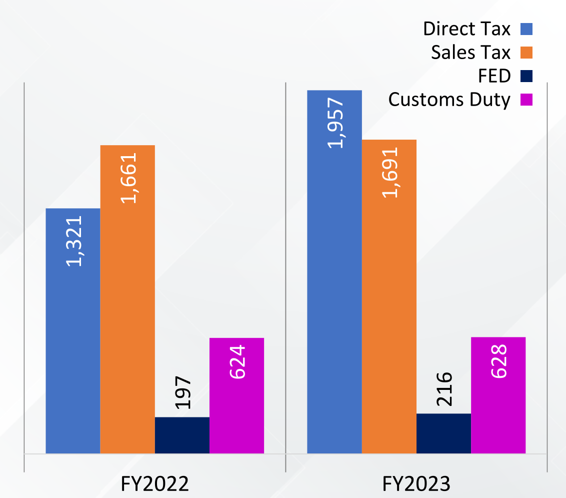
The fiscal deficit during first seven month of current fiscal year has been contained to 2.3 percent of GDP (Rs.1974 billion) against 2.8 percent of GDP (Rs 1898 billion) last year. While the primary balance has posted a surplus of Rs 945 billion (1.1 percent of GDP) during Jul-Jan FY2023 against the deficit of Rs 210 billion (-0.3 percent of GDP) last year.

The improvement in fiscal indicators have been realized on account of significant rise in net federal revenues that outpaced the growth in total expenditure. During Jul-Jan FY2023, net federal revenues increased by 30 percent to reach Rs 2798 billion against Rs 2152 billion in the same period of last year. On the other hand, total expenditures grew by only 10 percent to Rs 5058 billion during Jul-Jan FY2023 as compared to Rs 4592 billion last year. Expenditures on markup payments grew by 73 percent due to higher servicing on domestic and foreign debt as a result of higher interest rates. On the other hand, non-markup expenditures reduced by 26 percent owing to significant decline in subsidies and grants.

FBR Tax Collection

The net provisional tax collection grew by 18.2 percent to Rs 4493.3 billion during Jul-Feb FY2023 against Rs 3802.1 billion in the comparable period of last year. FBR collected Rs 527.2 billion in February 2023, up from Rs 451.3 billion in February previous year, representing a 16.8 percent increase.

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



Source: FBR

During Jul-Feb FY2023, domestic tax collection grew by 22 percent while customs duty increased by 0.8 percent. This performance reflects governments' efforts to lessen their reliance on import duties and taxes.

Direct tax collection has witnessed a substantial increase with growth of 48 percent while the indirect tax collection grew by 2.1 percent during Jul-Feb FY2023.The government's strategy of making taxation progressive and equitable by shifting the tax burden to society's wealthiest and affluent groups has resulted in a robust pace of development in direct tax collection.

2.4 Monetary

Monetary Policy Committee (MPC) increased the policy rate by 300 basis points to 20 percent in last Monetary Policy decision held on 02nd March, 2023. The decision is based on higher inflation outcome due to external and fiscal adjustments.

During 1st July – 03rd March, FY2023 money supply (M2) shows growth of 1.9 percent (Rs. 530.1 billion) compared to growth of 1.2 percent (Rs. 293.6 billion) in last year. Within M2, NFA decreased by Rs 2083.2 billion as compared to decrease of Rs 370.7 billion in last year while NDA of the banking sector increased by Rs. 2613.2 billion as compared to an increase of Rs. 664.3 billion last year.

2.5 External Sector

The Current Account posted a deficit of $ 3.9 billion for Jul-Feb FY2023 as against a deficit of $ 12.1 billion last year, mainly due to contraction in imports. However, the current account deficit shrank to $ 74 million in February 2023 as against $ 230 million in January, largely reflecting an improvement in trade balance. Exports (FOB) declined by 9.7 percent during Jul-Feb FY2023 and reached $ 18.6 billion ($ 20.6 billion last year). Imports (FOB) declined by 21.0 percent during Jul-Feb FY2023 and reached $ 37.4 billion ($ 47.3 billion last year). Resultantly the trade deficit (Jul-Feb FY2023) reached to $ 18.7 billion as against $ 26.7 billion last year.

Exports in Services during Jul-Feb FY2023 increased by 6.5 percent to $4.7 billion as against $ 4.4 billion. The imports in services decreased by 33.0 percent to $ 5.1 billion as compared to $ 7.6 billion same period last year. The Trade deficit in services contained by 89.2 percent to $0.3 billion as against $ 3.1 billion same period last year.

As per PBS, during Jul-Feb FY 2023, exports stood at $ 18.7 billion ($ 20.6 billion last year), declined by 9.2 percent. The major export commodities which have shown tremendous performance during the review period include Raw Cotton (268.3 percent in quantity & 86.8 percent in value), Fish & Fish Preparation (26.1 percent in quantity & 12.1 percent in Value), Foot Balls (37.7 percent in quantity & 35.7 percent in value), Foot wear (37.8 percent in quantity & 20.0 percent in Value), Surgical goods & Medical Instruments (8.2 percent in Value) and pharmaceutical products (109.1 percent in quantity & 30.4 percent in value).

The total imports in Jul-Feb FY2023 decreased to $ 40.1 billion ($ 52.4 billion last year), thus declined by 23.5 percent. Main commodities imported were Petroleum products ($5352.5 million), Medicinal products ($ 944.3 million), Petroleum crude ($ 3483.6 million), Liquefied Natural gas ($ 2550.8 billion), Palm Oil ($ 2681.1 million), Plastic materials ($ 1620.7 million) and Iron & Steel ($ 1373.5 million).

2.5.1 Foreign Investment

FDI reached $ 784.4 million during Jul-Feb FY2023 ($ 1315.5 million last year) decreased by 40.4 percent. FDI received from China $ 222.8 million (25.5 percent), Japan $ 133.9 million (17.1 percent), Switzerland $ 123.0 million (13.6 percent of total FDI), and U.A.E $ 88.7 million (10.6 percent). Power sector attracted highest FDI of $ 346.7 million (40.2 percent of total FDI), Financial Business $ 251.7 million (28.6 percent), and Oil & Gas Explorations $ 106.0 million (12.5 percent).

Foreign Private Portfolio Investment has registered a net outflow of $ 8.4 million during Jul-Feb FY2023. Foreign Public Portfolio Investment recorded a net outflow of $ 1010.9 million, on account of Sukuk repayment in December 2022. The total foreign portfolio investment recorded an outflow of $ 1019.3 million during Jul-Feb FY2023 as against inflow of 590.3 million last year. Total foreign investment during Jul-Feb FY2023 recorded an outflow of $234.9 million as against an inflow of $ 1905.8 million last year.

2.5.2 Worker's Remittances

In Jul-Feb FY2023, workers' remittances recorded at $ 18.0 billion ($ 20.2 billion last year), decreased by 10.8 percent. MoM basis, remittances increased by 4.9 percent in February 2023 ($ 1.98 billion) as compared to January 2023 ($ 1.89 billion). Share of remittances (Jul-Feb FY2023) from Saudi Arabia remained 25.5 percent ($4346.6 million), U.A.E 18.7 percent ($ 3197.6 million), U.K 13.8 percent ($ 2631.2 million), USA 9.5 percent ($ 1972.6 million), other GCC countries 11.5 percent ($2119.5 million), EU 11.0 percent ($ 2035.9 million), Malaysia 0.4 percent ($ 74.8 million), and Other Countries 8.9 percent ($1616.1 million).

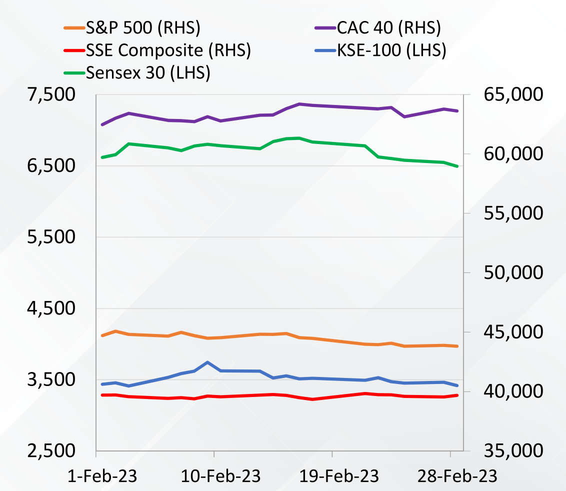
2.5.3 Foreign Exchange Reserves

Pakistan's total liquid foreign exchange reserves increased to $ 9.671 billion on March 29, 2023, with the SBP's reserves now stood at $ 4.076 billion. Commercial banks' reserves remained at $ 5.595 billion.

2.6 Performance of KSE Index

The KSE-100 index closed at 40,510 points as on 28th Feb 2023, while market capitalization settled at Rs 6,273 billion. The performance of major world indices is depicted in Fig-6:

Fig-6: Major World Indices



Source: PSX, Investing.com

2.7 Social Sector

- The government has allocated an amount of PKR 78 billion for the next installment of the Benazir Kafalat program while the annual budget for the Kafalat program is Rs 252 billion.
- BISP registers over 0.4 million households in the recently launched dynamic National Socio-Economic Registry (NSER) survey through its registration centers at Tehsil level from flood affected districts.
- The dynamic NSER survey will enhance the country's capacity to cope with disasters, pandemics and economic instability by adopting a more effective data collection mechanism for the poor households which shall be validated through NADRA.
- PPAF through its 24 Partner Organizations has disbursed 39,035 interest free loans amounting to Rs 1.61 billion during the month of February, 2023. Since inception of interest free loan component, a total of 2,264,011 interest free loans amounting to Rs 83.55 billion have been disbursed to the borrowers.
- Bureau of Emigration & Overseas Employment has registered 67219 emigrants during February, 2023 for overseas employment in different countries.
- According to the NIH data, the death toll in the country remained the same at 30,645 whereas the number of total

infections now shot up to 1,578,155 after adding the fresh 109 cases on March 19, 2023.

Economic Outlook

3.1 Inflation

Inflation is expected to stay at elevated level owing to market frictions caused by relative demand and supply gap of essential items, exchange rate depreciation and recent upward adjustment of administered prices of petrol and Diesel. Due to the lagged effect of floods, the production losses especially of major agriculture crops has not yet been fully recovered. Consequently, the shortage of essential items has emerged and persisted. Inflation may further jack up as a result of second round effect.

Another potential reason of rising price level is the political and economic uncertainty. The economic distress resulting from delay of stabilization program has exacerbated the economic uncertainty due to which inflationary expectations have remained strong. Despite SBP's contractionary monetary policy the inflationary expectations are not settling down. Moreover, the bulk buying during the month of Ramadan may cause demand supply gap and result into prices of essential items to escalate. However, the government is well cognizant of this and have already taken on board all provincial governments to ensure smooth supply of essential items.

Inflation in March may remain in upper bound as observed in the month of February. Recent monetary policy restrictions and efforts towards fiscal consolidation along with the administrative, policy and relief measures are expected to ease out the inflationary pressure by the end of the current fiscal year.

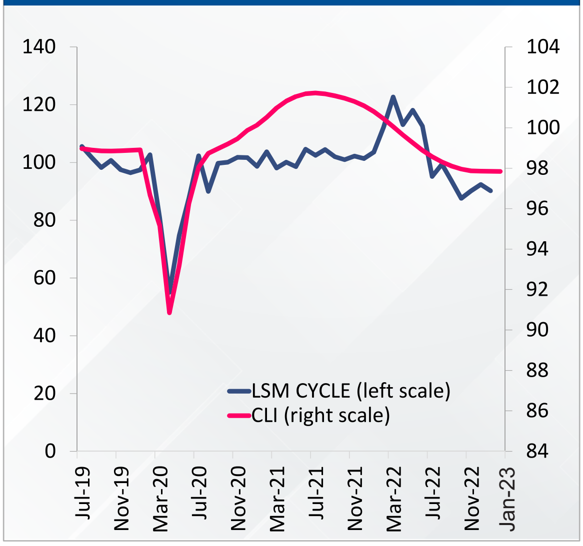
3.2 Agriculture

Wheat production largely depends on the prevailing climatic conditions. As witnessed last year, delay in rains and early heat waves are expected to adversely impact the wheat production. According to Pakistan Met Office the country might witness different spells of heatwaves within upcoming months of April and May, 2023.

3.3 Industrial Activities

LSM's cyclical pattern is well positively correlated with the cyclical position of Pakistan's main trading partners. In January, LSM activity came in marginally below expectations. Although the CLI in Pakistan's main export areas remains below its neutral level, some stabilization in its current cyclical condition seems to appear in recent months. This may bode well for domestic industrial production. But current monetary restriction and fiscal consolidation, both required to bring external and internal balance may cause further short run pain to the domestic economy, which also translates into domestic industrial production below its neutral capacity level. YoY growth of LSM is expected to remain negative in February while MoM LSM is expected to remain positive.

Fig-7: Relationship between CLI and LSM cycle



Source: PBS, OECD and EAW Calculations

Overall economic activity

The Monthly Economic Indicator (MEI) is

developed as a tool to distribute the past annual GDP numbers, as reported by the PBS, on a monthly/quarterly basis and to nowcast on that same frequency GDP growth for the FY in which the National Accounts are not yet available. Fig-8 presents the MEI on monthly basis since January 2019. It should be noted that some of the data underlying the February MEI are still provisional and may be revised next month.

The average MEI during the first 8 months of the current FY is indicating a further slowdown in domestic economic activities. This seems to be driven by lack of industrial dynamism, accelerating inflation, which erodes purchasing power of consumers and investors and is also illustrated by negative growth in exports and imports.

Fig-8: Monthly Economic Indicator (MEI)

Source: EA Wing's Calculation

3.5 External

According to BOP data, the trade deficit in goods and services declined significantly by 30.8 percent on YoY basis; from $2.6 bn in Feb 2022 to $1.8 bn in Feb 2023. However, on MoM basis, it increased marginally to $1.8 bn compared $1.7 bn in Jan. Exports of goods and services decreased marginally on MoM basis to $2.77 bn as compared $ 2.8 bn in Jan. on YoY basis, it declined by 19.2 percent. Imports of goods and services has continued to contain and decreased by 24.2 percent on YoY basis.

Remittances increased by 5.0 percent on MoM basis to $2.0 billion in February 2023 as compared $1.9 billion in January 2023, due to improved situation after narrowing down differences between the inter-bank and open markets, subsequent allowing adjustments of the exchange rate. Other factor which contributes mainly in current account improvement for the month of February, is balance on primary income which contained by $200 million. Accordingly, current account deficit contained to $74 million as compared $ 230 million in January 2023.

For the month of March, it is expected that exports and imports will remain at current level due to slow growth in the major trading partners and contained domestic economic activities. However, remittances will probably further improve due to positive seasonal and Ramzan factor. Taking these factors into account, as well as other components, the current account deficit likely to remain on lower side.

3.6 Fiscal

Presently, the government is pursuing fiscal consolidation in order to reduce the overall fiscal deficit through a combination of expenditure management and revenue increase. These measures are paying off in the form of improved fiscal accounts. The fiscal deficit has been reduced to 2.3 percent of GDP during Jul-Jan FY2023, down from 2.8 percent of GDP in the same period previous year, while the primary balance is in surplus due to significant decline in non-markup expenditures. On revenue side, FBR tax collection currently growing at 18 percent despite unprecedented challenges due to slowdown in economic activity and import compression. However, the current performance indicates the resolve of the government to optimize the revenue collection and to achieve the full year target.

The fiscal consolidation is at the top of government's stabilization agenda in order to tackle sizeable fiscal deficit. With prudent expenditure management and effective resource mobilization strategy, it is expected that FY2023 will observe a substantial reduction in overall fiscal deficit as a percent of GDP.

3.7 Final Remarks

Despite challenges and uncertainties, economy is showing continuous signs of resilience as depicted through contained fiscal and current account deficit during the current FY.

Furthermore, Pakistan is currently confronted with a shortage in external liquidity. Through demand management policies, government is trying to limit the current account deficit, which will not transfer further pressure on dwindling reserves. Moreover, the Government is firmly inclined to successfully complete the IMF's EFF program, which includes necessary policy measures and will bring additional relief to the financial account of the balance of payments. The policy measures are intended to bring expenditures more in line with the income generated within the country. At fiscal front, Government is pursuing fiscal consolidation in order to reduce the overall fiscal deficit through expenditure management, austerity measures, and revenue mobilization.

ECONOMIC INDICATORS

31 March, 2023

External Sector		2021-22 Jul-Feb	2022-23 Jul-Feb	% Change
Remittances ($ Billion)		20.2	18.0	▼ 10.9%
Exports FOB ($ billion)		20.6	18.6	▼ 9.7%
Imports FOB ($ billion)		47.3	37.4	▼ 21.0%
Current Account Deficit ($ billion)		12.1	3.9	▼ 68.0%
FDI ($ million)		1,315.5	784.4	▼ 40.4%
Portfolion Investment ($ million)		590.3	-1,019.3	▼
Total Foreign Investment ($ million)		1,905.8	-234.9	▼
Forex Reserves ($ Billion)	Total	18.641	9.671	-
	SBP	12.117	4.076	-
	Banks	6.524	5.595	-
		29-Mar-22	29-Mar-23	
Exchange Rate (PKR/US$)		182.34	283.92	-
		29-Mar-22	29-Mar-23	

Source: SBP

Fiscal Sector (Rs. Billion)	2021-22 Jul-Jan	2022-23 Jul-Jan	% Change
FBR Revenue (Jul-Feb)	3802	4493	▲ 18.2%
Non-Tax Revenue	783	1046	▲ 33.6%
PSDP (Including grants to Provinces)	362	214	▼ 40.9%
Fiscal Deficit	1898	1974	▲ 4.0%
Primary Balance	-210	945	▲

Source: FBR & Budget Wing

Monetary Sector	2021-22	2022-23	Change
Agriculture Credit (Provisional) Jul-Feb	835.3	1,073.5	▲ 28.5%
Credit to Private Sector (Flows)	890.4	475.6	▼ 46.6%
	1-Jul to 04-Mar	1-Jul to 03-Mar	
Growth in M2 (percent)	1.2	1.9	-
	1-Jul to 04-Mar	1-Jul to 03-Mar	
Policy Rate (percent)	9.75	20.00	-
	08-Mar-22	03-Mar-23	

Source: SBP

Inflation	2021-22	2022-23	% Change
CPI (National) %	12.2	31.5	-
	(Feb)	(Feb)	
	10.5	26.3	-
	(Jul-Feb)	(Jul-Feb)	

Real Sector			% Change
Large Scale Manufacturing (LSM) %	8.9	-7.9	-
	(Jan)	(Jan)	
	7.9	-4.4	-
	(Jul-Jan)	(Jul-Jan)	
PSX Index *	41630	39880	▼ 4.2%
	01-Jul-22	29-Mar-23	
Market Capitalization (Rs trillion)	6.96	6.09	▼ 12.5%
	01-Jul-22	29-Mar-23	
Market Capitalization ($ billion)	33.99	21.47	▼ 36.8%
	01-Jul-22	29-Mar-23	
Incorporation of Companies (Jul-Feb)	17,582	18,519	▲ 5.3%

* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP