MONTHLY

ECONOMIC UPDATE & OUTLOOK

MAY 2024

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

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Executive Summary

As we approach the end of the outgoing fiscal year, signs of economic stability are becoming more evident. GDP growth is on the recovery path, while inflation continues its steady decline. Fiscal consolidation efforts are apparent from the positive primary balance, and the resilience of the external sector is evident by the positive current account balance. Despite the challenging situation during past ten months, the government successfully completed the IMF Stand-By Arrangement (SBA) program. To sustain the economic recovery, the government has initiated formal discussions for a new three-year IMF program. This initiative is a vital component of the stabilization strategy, aimed at strengthening the external sector and boosting investment flows, thus, steering the economy toward its potential growth.

Agriculture emerged as a main driver of economic growth in the current fiscal year , registering growth of 6.25 percent. The agriculture sector's recovery is mainly attributed to government initiatives through improved input supply and increased credit disbursement to farmers. Jul-Apr FY2024, input situation remained encouraging as farm tractor production and sales increased by 54.8 and 56.6 percent, respectively. Whereas a 33.8 percent surge was observed in agricultural credit disbursement during Jul-March FY2024. However, there was a mixed trend in fertilizer usage in April 2024, with Urea off take decreasing by 19.7 percent and DAP offtake increasing by 82.5 percent.

Large Scale Manufacturing (LSM) growth in 2024Q3, became positive and is expected to remain moderately positive on average throughout the second half of the current FY. While, it witnessed a minor decline of 0.1 percent during Jul-Mar FY 2024 against the contraction of 7.0 percent same period last year. During this period, 11 to 22 sectors witnessed positive growth.

The CPI inflation stood at 17.3 percent on a year-on-year basis in April 2024 as compared to 36.4 percent in April 2023. The major drivers include Housing, water, electricity, gas & fuel, Perishable food items, Furnishing & Household equipment maintenance, Clothing & Footwear and Transport.

On the fiscal front, during July – March FY24, the revenue growth outpaced the growth in expenditures. Within revenues, both tax and non-tax collection grew significantly by 29.3 percent and 90.7 percent, respectively. Moreover, measures to control non-mark-up spending helped in improving the primary surplus to Rs 1615.4 billion (1.5 percent of GDP) from Rs 503.8 billion (0.6 percent of GDP) last year. While, overall fiscal deficit remained at 3.7 percent of GDP, the same as recorded last year.

On the external front, the current account for FY2024 (July-April) narrowed down significantly, recording a deficit of $0.2 billion compared to last year's $3.9 billion, primarily due to an improved trade balance. In April 2024, the current account surplus recorded at $491 million, an increase from $434 million in March 2024. Year-on-year, exports in April 2024 increased by 23.4 percent to $2.6 billion, fueled by eased import restrictions that enhanced the supply chain for export industries. In the same period, imports also rose by 22.8 percent to $4.4 billion. The trade deficit for April 2024 recorded at $1.8 billion. Furthermore, the FDI witnessed an increase of 39.1 percent and reached to $ 358.8 million in April 2024, as against an inflow of $ 258.0 million last month. Remittances in April 2024 were encouraging, as it increased on year-on-year basis by 27.9% to $ 2.8 billion.

On the back of persistent policy rate at 22 percent, during 1st July – 03rd May, FY2024 money supply (M2) shows growth of 7.1 percent (Rs 2,229.8 billion) as compared 7.0 percent growth (Rs 1,943.4 billion) in last year.

Although the, signs of a moderate economic recovery are evident. But to sustain this positive momentum, the policy efforts and reforms to raise productivity, and competitiveness are imperative.

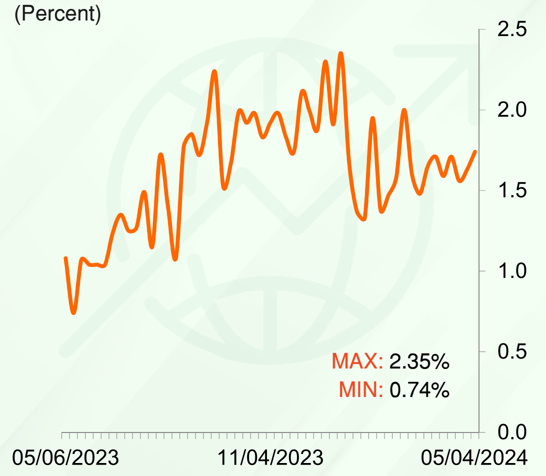
International Performance and Outlook

Cautious optimism has begun to take hold in the global economy, despite modest growth and the persistent shadow of geopolitical risks. Inflation is subsiding faster than anticipated, and labor markets are robust, with unemployment rate at or near historic lows. Confidence within the private sector is on the rise. However, the impacts of tighter monetary conditions are being felt yet, especially in housing and credit markets. This recovery is unfolding differently across regions. The United States and a number of large emerging markets continue to exhibit strong growth, in contrast to European economies. The mixed macroeconomic landscape is expected to persist, with inflation and interest rates declining at differing paces, and differing needs for fiscal consolidation. According to OECD economic outlook 2024, global GDP growth is projected to be 3.1 percent in 2024, unchanged from 2023, before edging up to 3.2 percent in 2025. Headline inflation fell rapidly in most economies during 2023, driven down by restrictive monetary policy settings, lower energy prices and continued easing of supply chain pressures.

The Federal Reserve - Open Market Committee (FOMC) in its May 2024 meeting, maintain the overnight federal funds rate at the range of 5.25 percent to 5.5 percent. This decision marks the sixth consecutive meeting at which committee has opted to hold rates steady and keeps the federal funds rate at the highest target range in over 23 years. The decision was based on high inflation numbers and projected that it will likely take longer than anticipated for the Fed to gain confidence that the economy is on a sustainable path toward 2 percent inflation. The FOMC reiterated that the economy continues to grow at a healthy pace, as recent economic data has shown strong job gains and a low unemployment rate. Furthermore, the FOMC highlighted that the risks and balance between jobs and inflation have improved.

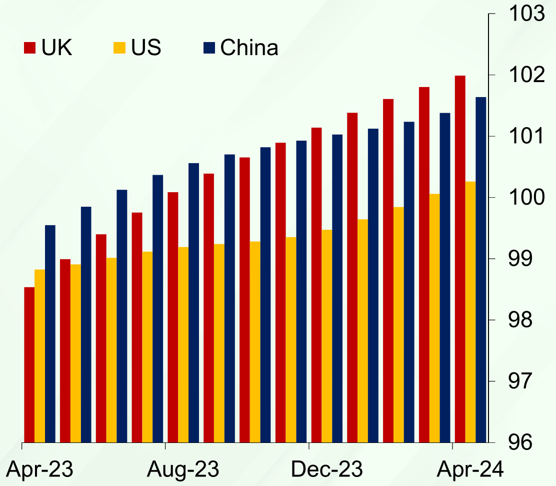
The Federal Reserve Bank of New York's April 2024 ‘Survey of Consumer Expectations’, shows that inflation expectations surged to 3.3 percent from 3.0 percent at the short-term horizon. The US Commerce Department's Bureau of Economic Analysis (BEA) reported that real GDP increased at an annual rate of 1.6 percent in the first quarter of 2024 on account of rise in consumer spending, residential and non-residential fixed investment, and state and local government spending. This is also evident from WEI which is hovering around 2.0 percent in recent months. (Fig-1).

Fig-1: Growth in WEI



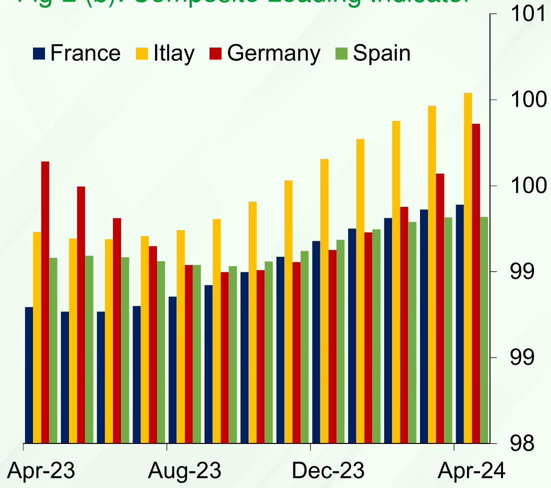
Source: Federal Reserve Bank of New York

Fig-2 (a): Composite Leading Indicator



Source: OECD

Fig-2 (b): Composite Leading Indicator



Source: OECD

The J. P. Morgan Global Composite Output Index slightly increased to 52.4 in April 2024 as against 52.3 in March 2024 - global economic growth at ten months high in April as new order intakes continue to rise. The global service sector outperformed manufacturing sector again in April. Services business activity rose at the quickest pace since June 2023, with growth registered across the business, consumer and financial services sectors. Global manufacturing production also increased in the fourth successive month, but at a slightly slower rate than the prior survey month. Expansion observed in the consumer and intermediate goods categories was higher than the contraction in the investment goods industry. The survey also covers Pakistan's main export markets for composite index – which shows expansion in all export destinations. The same trend also observed through CLI position of Pakistan's main export markets included UK, US, China and Euro Area, all are showing expansion in April 2024 (Fig-2).

The FAO food prices index averaged 119.1 points in April 2024, up by 0.3 points from its revised March level, as increases in the price indices for vegetable oils, cereals and meat slightly more than offset decreases in sugar and dairy products.

Global commodity prices increased in April 2024. Energy prices increased by 5.2 percent, led by natural gas (5.5 percent) and crude oil (5.3 percent). Non-energy prices increased by 5.3 percent. Food prices soared by 5.3 percent. Raw materials declined by 2.4 percent, while beverages surged by 26.5 percent. Fertilizer prices eased by 1.3 percent. Metal price inched up 8.9 percent led by tin (15.8 percent) and aluminum (12.6 percent). Precious metal increased by 8.6 percent.

Performance of Pakistan's Economy

2.1 Real Sector

2.1-a Agriculture

The agriculture sector has been the main driver of economic growth in current fiscal year. Agriculture sector witnessed a growth of 6.25 percent in 2023-24 as compared to 2.27 percent last year due to healthy growth in important crops i.e. 16.82 percent due to significant growth in the production of cotton, rice and wheat. Wheat has witnessed a record production of 31.44 million tonnes compared to 28.16 million tonnes last year posting a growth of 11.6 percent. Cotton crop which was severely damaged by floods and rains last year, grew by 108.2 percent to 10.4 million bales from 4.91 million bales last year. Rice has also witnessed a high production of 9.87 million tonnes compared to 7.32 million tonnes last year, thus giving a growth of 34.8 percent this year. Sugarcane marginally declined by 0.39 percent during 2023-24. Maize declined by 10.4 percent. Other crops have also shown a positive growth of 0.90 percent as compared to -0.92 percent last year because of positive growth in fruits (8.4 percent) and vegetables (5.7 percent) etc. Cotton ginning & miscellaneous component has registered growth of 47.23 percent because of very high growth in cotton crop. The provisional growth in livestock, forestry, and fishing stood at 3.89 percent, 3.05 percent, and 0.81 percent, respectively.

2.1-b Manufacturing

Large Scale Manufacturing (LSM) declined by 0.1 percent during Jul-Mar FY 2024 against the contraction of 7.0 percent same period last year. In March 2024, LSM increased by 2.0 percent on YoY basis against the decline 26.4 percent in the same month last year. While on a MoM basis, it decreased by 9.4 percent in March against the decrease of 3.1 percent in February.

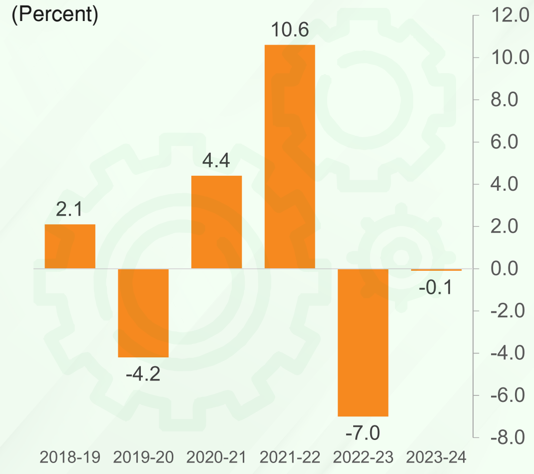
During Jul-Mar FY2024, 11 out of 22 sectors witnessed positive growth which includes, Food, Wearing apparel, Leather, Wood products, Coke & Petroleum Products, Chemicals, Pharmaceuticals, Rubber Products, Machinery & Equipment, Furniture and other manufacturing (football).

During Jul-Apr FY2024, the performance of auto-industry remains subdued due to massive increase in inputs prices, and tightening auto finance. Car production and sale decreased by 31.8 percent and 29 percent respectively, while Trucks & Buses production and sale decreased by 41.0 percent and 40.1 percent. However, Tractor's production and sale increased by 54.7 percent and 56.6 percent.

During the first ten months of FY2024, sales of total petroleum products dropped by 11 percent to 12.443 million tons. However, in April it decreased by 6.0 percent YoY to 1.17 million tons.

During Jul-Apr FY2024, total cement dispatches were 37.447 MT, a 2.45 percent

Fig-3: LSM Growth (Jul-Mar)



Source: PBS

increase last year. Domestic dispatches during this period were 31.732 MT, down 4.12 percent from the same period last year, while exports grew by 65.35 percent to 5.715 MT. Local dispatches in April 2024 were 2.328 MT, down from 2.531 MT in April 2023, a decrease of 7.99 percent. However, exports surged by 45.96 percent, rising from 420,857 tonnes in April 2023 to 614,264 tonnes in April 2024. Total dispatches recorded at 2.943 MT compared to 2.951 MT in April 2023.

2.2 Inflation

CPI inflation recorded at 17.3 percent on a year-on-year basis in April 2024 as compared to 20.7 percent in previous month while 36.4 percent in April 2023. During Jul-Apr FY 2024, CPI stood at 26.0 percent against 28.2 percent in the same period last year. On Month on Month (MoM) basis, it decline by 0.4 percent in April 2024 compared to an increase of 1.7 percent in the previous month.

Major drivers of the YOY increase in CPI include Housing, Water, Electricity, gas & Fuel (35.7 percent), Perishable food items (28.5 percent), Clothing & Footwear (19.1 percent), Health (18.6 percent), Restaurants & Hotel (19.5 percent), Furnishing & Household equipment maintenance (17.8 percent), Transport (12.5 percent), Non perishable food items (6.8 percent) and Alcoholic Beverages & Tobacco (3.4 percent).

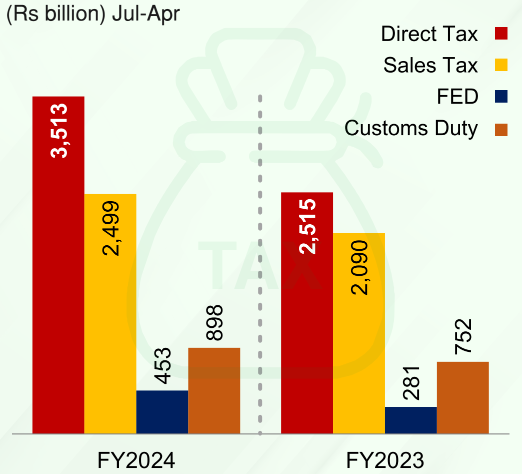
Government is ensuring the improved availability of perishable and staple food items like wheat, in order to support the marginalized sections of society. As a result, SPI for the week ended on 16th May 2024, recorded a decline of 1.06 percent as compared to previous week. This is fifth consecutive decline in SPI. This week, prices of 16 items declined, 15 items remained stable whereas 20 items increased.

2.3 Fiscal

During Jul-Mar FY2024, the fiscal deficit stood at 3.7 percent of GDP, the same as recorded last year. While the primary balance posted a surplus of Rs 1615.4 billion (1.5 percent of GDP) during July-March FY2024 against Rs 503.8 billion (0.6 percent of GDP) last year.

Total expenditure grew by 36.6 percent to Rs 13,682.8 billion in July-March FY2024 from Rs 10,016.9 billion in the same period of last year. Higher expenditures have been observed on the back of 33.4 percent growth in current expenditures during July-March FY2024 primarily attributable to a 54.0 percent increase in markup spending. In absolute terms, current expenditures increased to Rs 12,333.3 billion during July-March FY2024 from Rs 9,244.6 billion in the same period of FY2023. On the other hand, total development expenditures grew by 14.2 percent to Rs 1,158.1 billion as compared to Rs 1,014.0 billion last year.

Fig-4: FBR Tax Collection
(Rs billion) Jul-Apr



Source: FBR

On the revenue side, a significant rise in both tax and non-tax collection propelled a 41 percent increase in total revenues. During Jul-Mar FY2024, total revenues reached Rs 9,780.4 billion from Rs 6,938.2 billion last year. Non-tax revenues grew by 90.7 percent due to higher receipts from SBP profit, petroleum levy, markup (PSEs & others), and royalties on oil/gas, etc. While total tax collection (federal & provincial) increased by 29.3 percent to Rs 7,262.5 billion during Jul-Mar FY2024 against Rs 5,617.7 billion last year.

According to the latest available data, FBR net provisional tax collection grew by 30.6 percent to Rs 7,361.9 billion in Jul-Apr FY2024 against Rs 5,637.9 billion last year. Within total, direct tax grew by 39.7 percent, sales tax by 19.5 percent, FED by 61.0 percent, and customs by 19.4 percent.

2.4 Monetary Sector

The Monetary Policy Committee (MPC) in its 29th April 2024 meeting has maintained the policy rate at 22 percent, considered that macroeconomic stabilization policies contribute to considerable improvement in both inflation and external position amidst moderate economic recovery. However, the MPC has considered some downside risks: recent geopolitical events have added uncertainty, and upcoming budgetary measures may affect the near-term inflation outlook. The MPC provides inflation projections to the target range of 5 – 7 percent by September 2025.

During 1st July – 03rd May, FY24 money supply (M2) shows growth of 7.1 percent (Rs 2229.8 billion) compared 7.0 percent growth (Rs 1,943.4 billion) in last year. Within M2, Net Foreign Assets (NFA) increased by Rs 435.3 billion as compared decrease of Rs 2,063.3 billion in last year. Net Domestic Assets (NDA) of the banking sector increased by Rs 1,794.5 billion as compared an increase of Rs 4,006.7 billion last year. Private Sector has borrowed Rs 77.0 billion as compared borrowing of Rs 127.6 billion in last year.

2.5 External Sector

The current account posted a deficit of $ 0.2

billion for Jul-Apr FY2024 as against a deficit of $ 3.9 billion last year, largely reflecting an improvement in trade balance. In April 2024 current account posted a surplus of $ 491 million as against a surplus of $ 134 million last year. Exports (fob) increased by 10.6 percent and reached $ 25.7 billion ($ 23.2 billion last year). Imports (fob) declined by 5.3 percent reaching $ 43.4 billion ($ 45.8 billion last year). Resultantly, the trade deficit recorded at $ 17.7 billion as against $ 22.6 billion last year.

During the period under review, exports in services increased by 1.2 percent to $ 6.4 billion as against $ 6.3 billion last year. The imports in services increased by 20.8 percent to $ 8.3 billion as compared to $ 6.9 billion last year. The trade deficit in services increased to $ 1.9 billion against $ 0.5 billion last year.

As per PBS, the export commodities that registered positive growth include Rice (55.6 percent in quantity & and 80.1 percent in value), Fruits (45.9 percent in quantity &17.9 percent in value), Cotton Yarn (50.7 percent in quantity & 32.8 percent in value), Bed wear (13.8 percent in quantity & 1.8 percent in value), Towel (14.2 percent in quantity & 4.8 percent in value), Rubber Tyres & Tubes (3.3 percent in quantity & 51.7 percent in value), and Plastic Materials (99.9 percent in quantity & 56.2 percent in value).Whereas, main imported commodities were Petroleum products ($ 5.3 billion), Petroleum crude ($ 4.6 billion), LNG ($ 3.3 billion), Palm Oil ($ 2.3 billion), Plastic materials ($ 1.9 million), Iron & Steel ($ 1.7 billion) and Medicinal products ($ 0.9 billion).

2.5.1 Foreign Investment

Total foreign investment during Jul-Apr FY2024 recorded an inflow of $ 659.3 million as against an inflow of $ 341.4 million last year. FDI stood at $ 1.5 billion ($ 1.3 billion last year) increasing by 8.1 percent. In April 2024, FDI witnessed an increase of 39.1 percent to $ 358.8 million against an inflow of $ 258.0 million last month. FDI received from China $ 439.3 million (30.1 percent share), Hong Kong $ 297.9 million (20.4 percent), UK $ 219.1 million (15.0 percent), US $ 116.0 million (8.0 percent), and Netherland's $ 64.9 million (4.5 percent). Power sector attracted the highest FDI of $ 637.5 million (43.7 percent of total FDI) followed by Oil & Gas exploration $ 192.5 million (13.2 percent), and Financial Business $ 169.6 million (11.6 percent).

Foreign Private Portfolio Investment has registered a net inflow of $ 81.2 million during the period under review. Foreign Public Portfolio Investment recorded a net outflow of $ 879.8 million. The total FPI recorded an outflow of $ 798.6 million as against an outflow of $ 1007.4 million last year.

2.5.2 Worker's Remittances

In Jul-Apr FY2024, workers' remittances recorded at $ 23.8 billion ($ 23.0 billion last year), increased by 3.5 percent. YoY remittances increased by 27.9 percent in April 2024 ($ 2.8 billion) as compared to April 2023($ 2.2billion). However, MoM remittances declined by 4.8 percent as compared to March 2024 ($ 3.0 billion) mainly owing to Post Eid factors. During Jan-Apr 2024, BE & OE and OEC have registered 215,079 workers for overseas employment in different countries

Share of remittances (Jul-Apr FY2024) from Saudi Arabia remained 24.3 percent ($ 5.8 billion), U.A.E 17.7 percent ($ 4.2billion), U.K 15.0 percent ($ 3.6 billion), USA 12.0 percent ($ 2.8 billion), other GCC countries 10.8 percent ($ 2.6 billion), EU 12.0 percent ($ 2.9 billion), Australia 2.2 percent ($ 0.5 billion), and other countries 6.2 percent ($ 1.5 billion).

2.5.3 Foreign Exchange Reserves

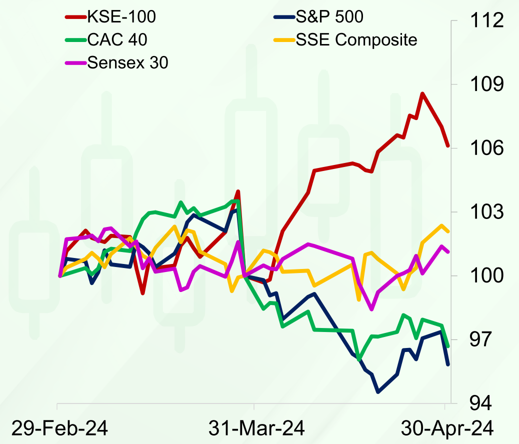
Pakistan's total liquid foreign exchange reserves increased to $ 14.3 billion on May 24, 2024, with SBP's reserves stood at $ 9.1 billion and Commercial banks' reserves remained at $ 5.2 billion.

2.6 Performance of KSE Index

The Pakistan Stock Exchange (PSX) performed well in April 2024. The benchmark of PSX, KSE-100 index gained

4,097 points in April and closed at 71,103 points as of 30th April 2024. Similarly, the market capitalization of PSX increased by around Rs 300 billion and settled at Rs 9,747 billion. The performance of major world stock market indices remained volatile in April 2024. KSE-100 index increased by 6.1 percent, SSE Composite Index of China increased by 2.1 percent and BSE Sensex 30 Index of India increased by 1.1 percent. On the other hand, S&P 500 of US declined by 4.2 percent and CAC 40 of France declined by 3.3 percent. The performance of major world stock market indices indexed at 100 is depicted in Fig-5.

Fig-5: Trend of Major World Standardized Indices



Source: PSX, Investing.com

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

2.7 Social Sector

- BISP and NAVTTC have signed an MoU in April 2024 to expand access to quality technical education for the BISP beneficiaries through the Skills Training Vouchers Programme.
- PPAF through its 24 Partner Organizations has disbursed 34,213 interest-free loans amounting to Rs 1.55 billion during April 2024. From July 2019 to April 2024, a total of 2,714,998 interest-free loans amounting to Rs 103.43 billion have been disbursed to the borrowers.
- Pakistan is one of the largest labour exporting countries in the region. During April, 2024 Bureau of Emigration & Overseas Employment has registered 49,555 for overseas employment in different countries.
- Under Prime Minister Youth Business & Agriculture Loan Scheme, the government has disbursed Rs 76,081 million to 128,285 beneficiaries for business from Feb 2023 to Feb 2024.

Economic Outlook

3.1 Inflation

The inflation outlook for May 2024 continues on a downward trajectory, attributed to elevated inflation levels previous year and improvements in domestic supply chain of perishable items, staple food like wheat and reduction in transportation costs.

The government's commitment to curbing inflation through stringent administrative measures paints a promising picture for the inflation outlook. A key pillar in this strategy is the bolstered availability of food items, which is crucial for taming inflationary pressures. By consistently managing supply and demand, the government stabilizes prices and reduces market volatility. In May 2024, petroleum product prices dropped twice, positively impacting the CPI for the month. Lower fuel prices reduced transportation costs, contributing to this favorable CPI trend. The SPI has recorded a decline for the fourth consecutive week which augur well for CPI outlook.

The Food and Agriculture Organization's food price index, a key indicator tracking the prices of globally traded food commodities, registered an increase of 0.3 percent in April 2024 over the revised March level. This is the second consecutive monthly increase after a seven-month decline. However, it remained 7.4 percent compared to its value of one year ago.

Inflation is anticipated to remain within the range of 13.5-14.5 percent for May 2024. Nonetheless, there are prospects for a gradual easing, with expectations of a decrease to 12.5-13.5 percent by June 2024.

3.2 Agriculture

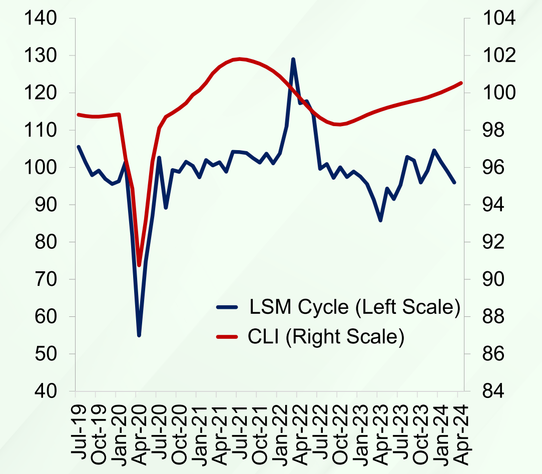
Farmers are in the process of sowing Kharif crops 2024 in the country. The initial input situation highlights favorable production against last year's Kharif production. Furthermore, the commodity prices are expected to remain stable due to better crops production. The targeted subsidies will also be critical to deal with the financial challenges farmers face during the season. In this regard, the incentives offered by the Federal Government and the recently introducing Kissan Card Scheme by Government of the Punjab and incentives by other provincial governments are favorable for the agriculture-led economic growth. According to PMD, above-normal precipitation is expected to benefit agriculture in Pakistan.

3.3 Industrial activity

The LSM cycle usually follows the cyclical movements in the main trading partners, but since it is focused on the main industrial sectors and not on total GDP, it is somewhat more volatile than the cyclical component of GDP in Pakistan's main export markets. The aggregate CLI in the main export markets has been improving and is above the neutral 100 benchmark for the 4th consecutive month.

The LSM witnessed a marginal contraction of 0.1 percent during Jul-Mar FY2024, while on a YoY basis, it grew by 2.04 percent in March 2024. While, in 2024Q3, LSM growth became positive and is expected to remain moderately positive on average throughout the second half of the current FY. The continuing improvement in economic conditions in foreign markets has stimulated external demand suggesting strong growth prospects for export-oriented industries. This is evidenced by an observed turn-around in the imports of machinery and raw materials.

Fig-6: Relationship between CLI and LSM cycle

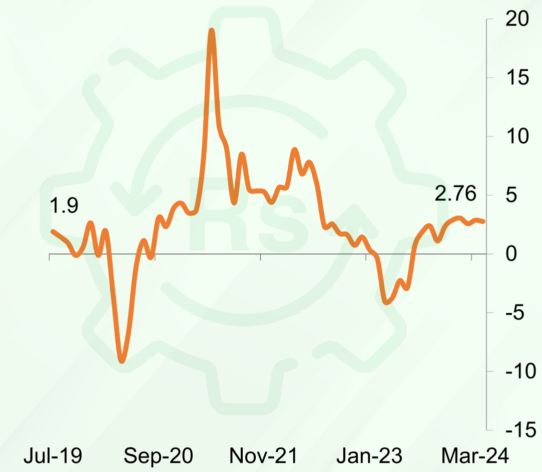


Source: EA Wing's Calculations

3.4 Overall Economic Activity

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

Fig-7: Monthly Economic Indicator (MEI)



Source: EA Wing's Calculations

The MEI continued to show a positive trend since the start of FY2024. The economic activities have gained from the improvement in the agriculture sector which laid down the foundation for further strengthening of the economic activities in the coming months as its spillover impact has been observed across other sectors. According to the quarterly national accounts, the GDP growth for Q3 FY2024 has been estimated at 2.09 percent (-1.10 percent in Q3 FY 2023). Industrial activities are gradually improving, inflation is on a downward trajectory and the external sector is stable. Going forward, the economy will gain momentum owing to favorable external and domestic economic conditions.

3.5 External

April BoP data demonstrates that exports of goods and services increased significantly by 22.0 percent on YoY basis while, it increased marginally by 1.6 percent on MoM basis. On the other hand, imports of goods and services has also increased considerably by 21.5 percent on YoY basis while it decreased by 2.7 percent on MoM basis. Resultantly, trade deficit of goods and services widened by 20.6 percent on YoY basis whereas, it decreased by 9.0 percent on MoM basis. Other factors which favored current account surplus of $0.5bn are improved primary income balance and worker remittances. For the outlook, it is expected that exports and imports along with remittances will continue to observe their trend and current account for FY2024 will remain stable – signaling improved BoP and foreign exchange reserves.

3.6 Fiscal

The fiscal consolidation efforts helped in improving the revenues from both tax and non-tax collection. Moderate recovery in economic activities, a gradual increase in imports complemented by various policy and administrative reforms & measures including anti-smuggling and broadening tax measures, collectively increased the tax collection by 30.6 percent during Jul-Apr FY2024. With an unwavering commitment to achieving the full-year target, FBR is putting in maximum effort. Furthermore, it is focusing on technology advancement measures, which will enable FBR to improve the tax collection hence the tax to GDP ratio.

The expenditure on the other hand remained under significant pressure due to rising markup payments. However, to cope with this challenge, the government has adopted a prudent expenditure management strategy, which helped in restricting the growth in non-mark-up current spending to 20.4 percent during July-March FY2024 relative to a 54 percent increase in mark-up expenditures. Resultantly, a primary surplus of 1.5 percent of GDP has been achieved, indicating substantial progress towards meeting the full-year primary surplus target of 0.4 percent of GDP.

The government is highly committed to strengthening the public finances through reforms and initiatives on both revenue and expenditure sides. The aim is to promote sustainable and equitable growth by ensuring fiscal sustainability and creating adequate budgetary resources for social and development projects.

3.7 Final Remarks

As the fiscal year about to end, the economic indicators demonstrate strengthening of stability in the real, fiscal and external sectors. GDP growth is elevating while inflation rates are on a decline with a positive primary balance, reflecting the effectiveness of recent fiscal consolidation efforts. The economic performance also reveals that agriculture has been a major contributor to this fiscal year's economic upswing, attributed to government-led initiatives that enhanced input supply and credit disbursements. The LSM sector experienced a slight contraction but has shown improvement compared to the previous year. Fiscal measures have boosted both tax and non-tax revenues, helping maintain a stable fiscal deficit, while improvement in the current account balance highlight a healthier external sector driven by better trade balances and increased foreign direct investment.

The economic outlook is promising as industrial activities are gradually improving, inflation is on a downward trajectory and the external sector is stable. Going forward, the economy will gain momentum in the coming months of this fiscal year.

ECONOMIC INDICATORS

External Sector	2022-23 Jul-Apr	2023-24 Jul-Apr	% Change
Remittances ($ Billion)	23.0	23.8	▲ 3.5%
Exports FOB ($ billion)	23.2	25.7	▲ 10.6%
Imports FOB ($ billion)	45.8	43.4	▼ 5.3%
Current Account Deficit ($ billion)	3.9	0.2	▼ 94.8%
FDI ($ million)	1,348.8	1,457.9	▲ 8.1%
Portfolion Investment ($ million)	-1,007.4	-798.6	▼
Total Foreign Investment ($ million)	341.4	659.3	▲ 93.1%
Forex Reserves ($ Billion) Total	9.435	14.316	-
Forex Reserves ($ Billion) SBP	3.972	9.095	-
Forex Reserves ($ Billion) Banks	5.463	5.221	-
	24-May-23	**24-May-24**	
Exchange Rate (PKR/US$)	287.14	278.21	-
	24-May-23	**24-May-24**	

Source: SBP

Fiscal Sector (Rs. Billion)	2022-23 (Jul-Mar)	2023-24 (Jul-Mar)	% Change
FBR Revenue (Jul-Apr)	5,638	7,362	▲ 30.6%
Non-Tax Revenue (Federal)	1,241	2,417	▲ 94.8%
PSDP (Federal)	329	322	▼ 2.2%
Fiscal Deficit	3,079	3,902	▲ 26.8%
Primary Balance	503.8	1615.4	▲

Source: FBR & Budget Wing

Monetary Sector	2022-23	2023-24	% Change
Agriculture Credit (Provisional) Jul-Mar	1,221.9	1,635.2	▲ 33.8%
Credit to Private Sector (Flows)	127.6	77.0	▼ 39.7%
	1-Jul to 5-May	**1-Jul to 3-May**	
Growth in M2 (percent)	7.0	7.1	-
	1-Jul to 5-May	**1-Jul to 3-May**	
Policy Rate (percent)	21.00	22.00	-
	4-Apr-23	**29-Apr-24**	

Source: SBP

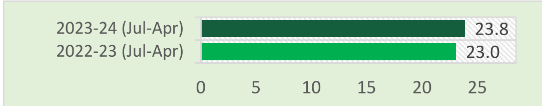
Inflation	2022-23	2023-24	% Change
CPI (National) %	36.4	17.3	-
	(Apr)	**(Apr)**	
CPI (National) %	28.2	26.0	-
	(Jul-Apr)	**(Jul-Apr)**	

Real Sector	2022-23	2023-24	% Change
Large Scale Manufacturing (LSM) %	-26.35	2.04	-
	(Mar)	**(Mar)**	
Large Scale Manufacturing (LSM) %	-6.99	-0.10	-
	(Jul-Mar)	**(Jul-Mar)**	
PSX Index *	43899	75987	▲ 73.1%
	3-Jul-23	**24-May-24**	
Market Capitalization (Rs trillion)	6.69	10.25	▲ 53.2%
	3-Jul-23	**24-May-24**	
Market Capitalization ($ billion)	23.39	36.84	▲ 57.5%
	3-Jul-23	**24-May-24**	
Incorporation of Companies (Jul-Apr)	27,752	22,924	▼ 17.4%

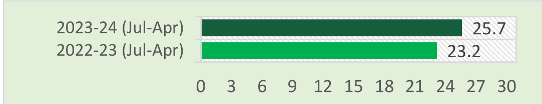
* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP

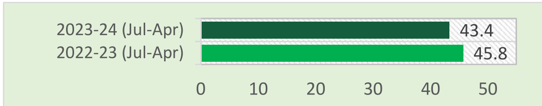
Remittances ($ bn) ▲ 3.5%



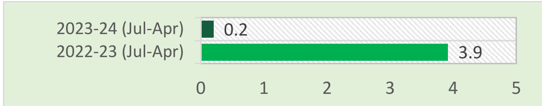
Exports FOB ($ bn) ▲ 10.6%



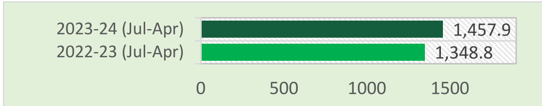
Imports FOB ($ bn) ▼ 5.3%



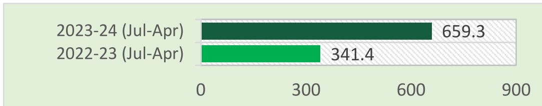
Current Account Deficit ($ bn) ▼ 94.8%



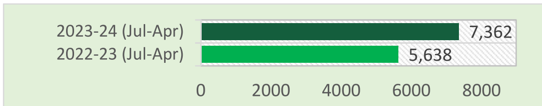
FDI ($ mn) ▲ 8.1%



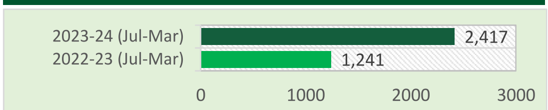
Total Foreign Investment ($ mn) ▲ 93.1%



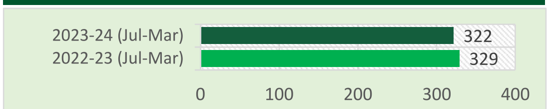
FBR Revenue (Rs.bn) ▲ 30.6%



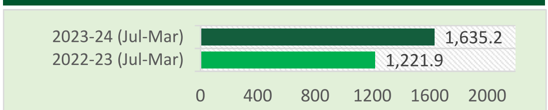
Non-Tax Revenue (Rs.bn) ▲ 94.8%



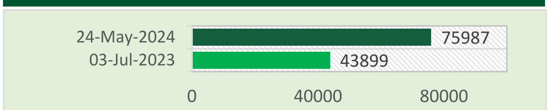
PSDP (Rs.bn) ▼ 2.2%



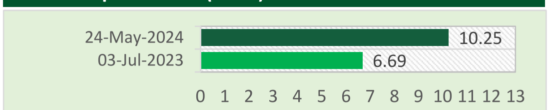
Agriculture Credit (Provisional) ▲ 33.8%



PSX Index ▲ 73.1%



Market Capitalization (Rs. tr) ▲ 53.2%



Market Capitalization ($ bn) ▲ 57.5%