



Economic Update

Pakistan's economy started FY2025 with firm positive developments, setting a positive tone for the months ahead. As in July 2024, a drop in CPI inflation suggested that the economy is on track to achieve single-digit inflation in the coming months. Both the fiscal and external sectors have shown resilience, attributed to improved management. The current account has improved, and the FBR tax collection exceeded the target.

The agriculture sector is expected to achieve its targets.

Agricultural credit disbursement recorded an increase of 24.8 percent during FY2024 to Rs 2,216 billion compared to the last year. A significant rise in import of agriculture machinery & implements by 122.8 percent to \$ 91.3 million in FY2024 indicates a continued boost in investment in farming technology, paving the way for enhanced productivity and efficiency in the agriculture sector. Urea offtake during Kharif 2024 (April-July) remained at 1,822 thousand tonnes, 13.5 percent less than Kharif 2023, while DAP offtake increased by 8.2 percent to 419 thousand tonnes compared to Kharif 2023. According to Pakistan Cotton Ginners Association, as on July 15, 2024, a decline in cotton arrivals has been witnessed as total number of bales dropped from 0.858 million in 2023-24 to 0.442 million in 2024-25. In Punjab, arrivals of cotton decreased to 0.114 million bales from 0.199 million bales last year. Sindh also experienced a reduction, with arrivals falling from 0.659 million bales to 0.328 million bales. Meanwhile, the timely availability of inputs has been ensured regarding agriculture credit, improved seeds and fertilizers to achieve the production targets.

The large-scale manufacturing (LSM) sector maintained the positive outlook.

LSM registered positive growth of 0.9 percent in FY2024 against the contraction of 10.3 percent last year. However, in June 2024, LSM slightly decreased by 0.03 percent on a year-on-year (Y-o-Y) basis mainly due to a decline in the production of Textile, Non-Metallic Minerals, Beverages, Iron & Steel, Automobiles and Tobacco. While the performance of Food, Wearing

Apparel, Coke & Petroleum Products, Chemicals, and Pharmaceuticals remained encouraging thus contributing to overall growth in LSM during FY2024. Moreover, the auto-industry started to pick up in July FY2025, as the production and sales of all vehicles witnessed an increase of 15.3 percent and 16.9 percent, respectively. Growth has been observed in the production of Cars (89.6 percent) and Trucks & Buses (212.6 percent). However, total cement dispatches recorded as 3.0 million tonnes in July FY2025, reflecting a Y-o-Y decline of 6.8 percent. Domestic dispatches stood at 2.5 million tonnes, down by 11.4 percent from 2.8 million tonnes last year, while exports grew by 21.6 percent, from 0.45 million tonnes in July 2023 to 0.55 million tonnes in July 2024.

CPI inflation is steadily declining, recorded at the lowest level after 32 months in July 2024.

CPI inflation recorded at 11.1 percent on Y-o-Y basis in July 2024 as compared to 12.6 percent in previous month, and 28.3 percent in July 2023. On a month-on-month (M-o-M) basis, it increased by 2.1 percent in July 2024 compared to an increase of 0.5 percent in the previous month. Major drivers contributing to the Y-o-Y increase in CPI include perishable food items (29.2 percent), Housing, Water, Electricity, Gas and Fuels (25.3 percent), Health, Clothing, Transport and others. SPI for the week ended on 22nd August 2024, recorded a decrease of 0.10 percent as compared to the previous week. Prices of 9 items declined, 21 items remained stable, and 21 items increased.

Fiscal sector's performance remained resilient due to the consolidation efforts.

The government managed to reduce the fiscal deficit to 6.8% of GDP in FY2024, down from 7.8% last year. The primary balance showed a surplus of 0.9% of GDP, in contrast to a deficit of 1.0% of GDP in FY2023. The fiscal performance remained robust due to the prudent measures. Total revenues grew by 38.0 percent due to a notable increase in both tax and non-tax collection. Non-tax collection grew by 75.4 percent to Rs 3183.3 billion in FY2024 against Rs.1814.8 billion last year. FBR revenue growth continued its upward trajectory and surpassed the

target by Rs.3.8 billion set for July 2024 as the net tax collection grew by 23 percent with tax collection at Rs.659.8 billion from Rs.538.4 billion last year.

The external account improved due to increased inflows.

The external account position improved due to tangible increase in exports and remittances despite upsurge in imports. During July FY2025, the current account deficit shrank to \$0.2 billion compared to \$ 0.7 billion last year. Goods exports increased by 12.9 percent, reaching \$2.4 billion, while imports recorded at \$4.8 billion, compared to \$4.1 billion last year (16.3% growth). This has led to a goods trade deficit of \$2.4 billion, up from \$2.0 billion last year. As per the Pakistan Bureau of Statistics, the export commodities that registered significant positive growth include Rice (75.7%), Fruits (13.1%), Readymade Garments (7.6%), and Plastic Materials (95.5%). The major imported items include Petroleum products & crude (\$0.9 billion), LNG (\$ 0.3 billion), and Palm Oil, plastic materials and Iron & steel (\$0.6 billion). The exports of services grew by 5.8% to \$0.6 billion whereas imports declined by 8.0% to \$ 0.8 billion, resulting in a reduced deficit of \$0.2 billion compared to \$ 0.3 billion last year. Workers' remittances reached \$3.0 billion in July FY2025 (47.6% increase), with the largest share from Saudi Arabia. Pakistan's total liquid foreign exchange reserves were recorded at \$14.8 billion as on August 23, 2024, with the SBP maintaining \$9.4 billion reserves. Foreign Direct Investment (FDI) stood at \$136 million, 63.7 percent up from the previous year. The main contributors to FDI were China (\$45.1 million), Hong Kong (\$42.4 million), and UK (\$22.3 million). The power sector received \$62.2 million, accounting for a 45.6% share, followed by Oil & Gas exploration with \$29.9 million (21.9% share). Moreover, Private Foreign Portfolio Investment (FPI) had a net inflow of \$23.6 million, while Public FPI recorded a net inflow of \$145 million.

Monetary Policy is easing owing to low inflationary pressures, while Pakistan Stock Market remained well in global market

Witnessing the diminishing inflationary pressures, the Monetary Policy Committee (MPC) cut the policy rate by further 100 basis points to 19.5 percent, effective from July 30, 2024. During 1st July – 02nd August, FY2024 money supply (M2) shrank by 3.2 percent (Rs. -1173.1 billion) compared to 2.0 percent decline (Rs. -627.6 billion) last year. The policy rate adjustment will keep inflationary expectations well-anchored and will support the sustainable economic recovery in FY2025. Nonetheless, the performance of Pakistan

Stock Exchange (PSX) remained dynamic during July 2024. The KSE-100 closed at 77,887 points at the end of July 2024. Similarly, the market capitalization of PSX recorded at Rs 10,368 billion as on 31st July, 2024.

The scope of social safety nets expanded while labour continued to seek overseas employment.

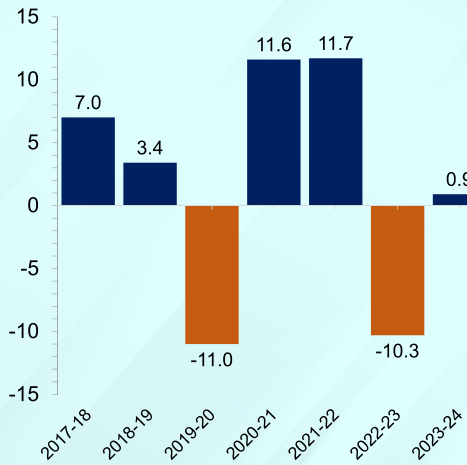
The scope of BISP is being expanded to 9.3 million deserving families with an aim to empower beneficiaries and their families by equipping them with internationally recognized certifications and enhancing their employment prospects both locally and abroad. The Ministry of National Health Services, Regulations & Coordination organized a health week in capital's slum areas from August 12th to 17th, providing medical services, malaria medication, and clean water facilities, reflecting government's commitment to reducing disparities. In July 2024, PPAF 24,905 interest-free loans amounting to Rs.1.2 billion against 31,636 loans last year. During July, 2024 Bureau of Emigration & Overseas Employment has registered 64,897 persons for overseas employment in different as compared to 18.3 percent last year. The M/o of Federal Education and Professional Training has launched 20 pink buses, with the title "No Fear, No Barrier" to facilitate girl students and other females for rural to urban commutation.

Economic Outlook

The LSM sector is projected to sustain positive growth trajectory in FY2025 –on the back of improved external demand, stable exchange rate, receding inflation and easing of monetary policy. For agriculture outlook, Kharif 2024 production is dependent on the crops specific weather pattern, which will play critical role in crop yield. The recent and ongoing rainfall spells can have positive and negative impact on rice, sugarcane, cotton, fodder and vegetables, if the rains did not swept away the farmlands. On the account of stability in economic indicators, inflation is expected to remain within the range of 9.5-10.5 percent in August and further decline to 9-10 percent in September 2024. On external front, exports, imports and worker's remittances (WRs) are following an upward trend. For the outlook, it is expected that exports will remain within the range of \$2.5-3.2 billion, imports \$4.5-5.0 billion and WRs \$2.6-3.3 billion in August 2024. The stable outlook of external sector hinges upon stable exchange rate, revived domestic economic activities, better agriculture output, low domestic and global commodity prices and improved foreign demand.

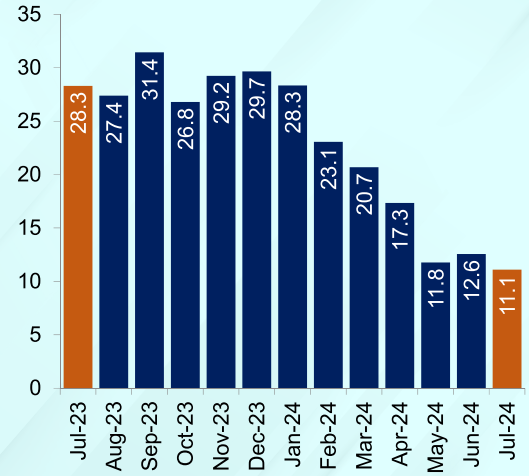
LSM growth is on the recovery path, turned positive in FY2024 after negative growth in last year. Inflation in FY2024 reduced by around two-third of the level it was a year ago.

LSM Growth (Jul-Jun) - %



Source: PBS

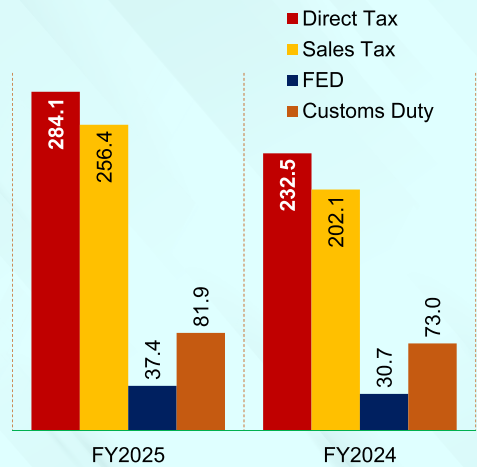
CPI Inflation (%)



Source: PBS

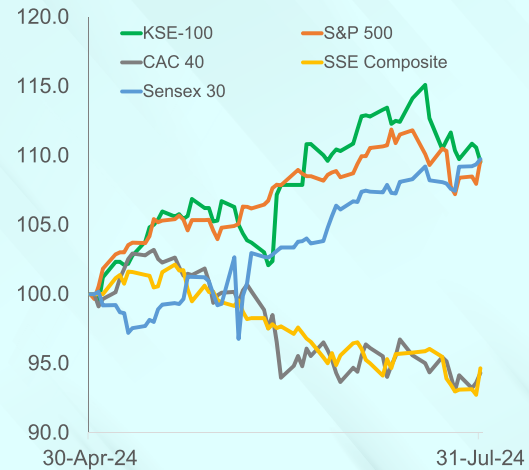
The management efforts and prudent measures have led to increased tax collection. The Pakistan Stock Market has been trending up wards compared to other markets.

FBR Tax Collection (Rs. Billion) Jul-FY2025



Source: FBR

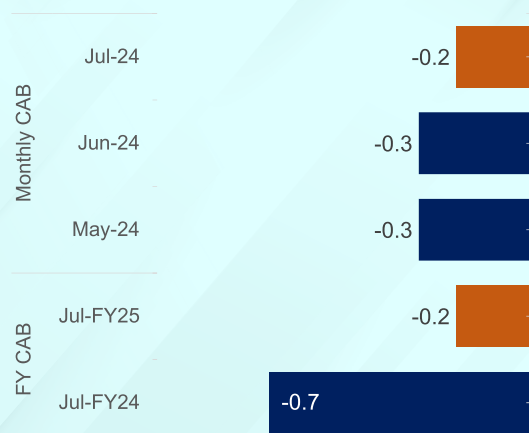
Trend of Major Stock Indices (Standardized)



Source: PSX and Investing.com

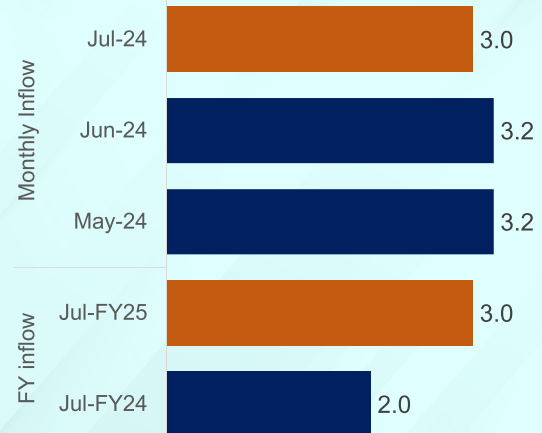
Current account position improved due to better exports earnings, and higher remittances.

Current Account Balance (US\$ Billion)



Source: SBP

Remittances (US\$ Billion)



Source: SBP

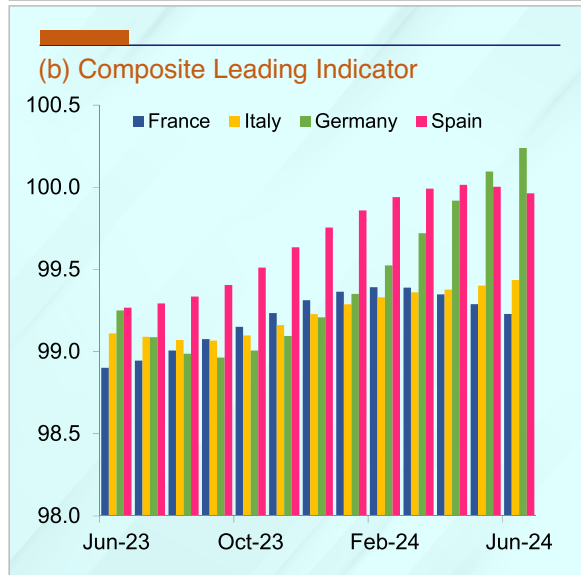
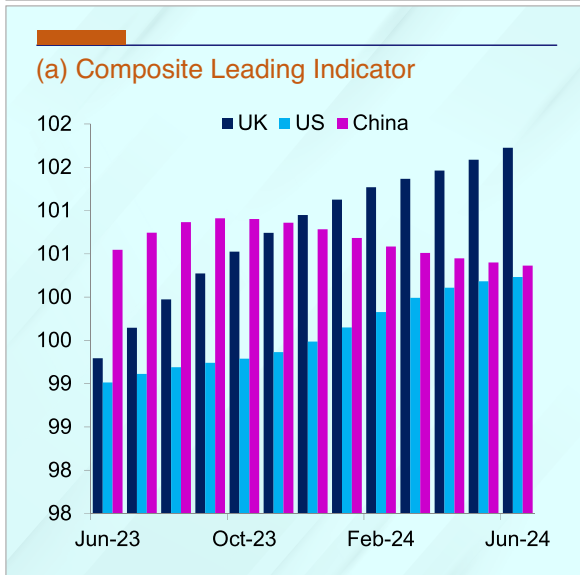
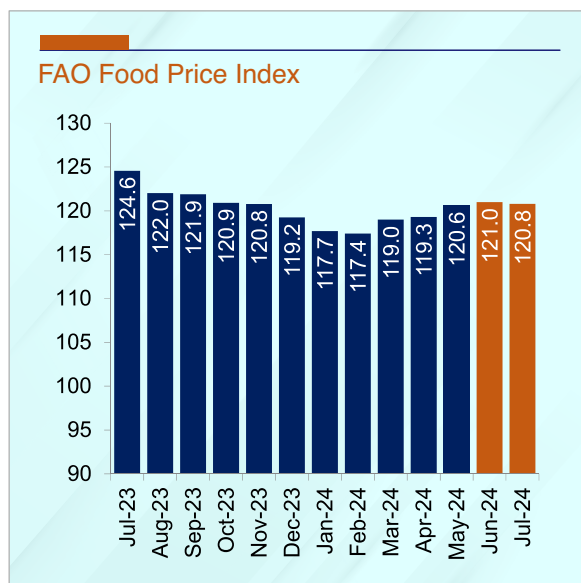
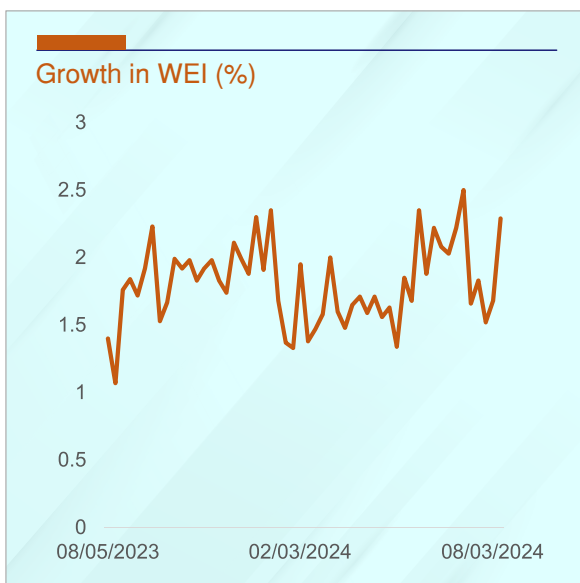
Global Economic Update and Outlook

According to the S&P Global, the global GDP growth is projected at 2.7% for both 2024 and 2025. However, a slow down for quarter-over-quarter in global growth is anticipated due to investment and global trade hindered by heightened uncertainty in the second half of 2024. S&P expect a subsequent pick-up during 2025-26 as more accommodative financial conditions gradually filter through.

The global economic expansion slowed further in July, but historical comparisons indicate that the PMI is broadly indicative of the global economy growing at an annualized rate of 2.8% in July, which remains robust and is among the strongest indicator over the past year. The J.P.Morgan Global Purchasing Managers Index (PMI) Composite Output Index - produced by S&P Global - registered 52.5 in July from 52.9 in June. In July, price pressures eased. The FAO Food Price Index (FFPI) stood at 120.8 points in July 2024, marginally below June number at 121.0 points -

remaining 3.1 percent lower than its corresponding value one year ago. During July 2024, global commodity prices witnessed an increase in energy prices led by crude oil which is offset by decrease in non-energy, food and metal prices.

The Federal Reserve Open Market Committee in its decision held on 31st July 2024, has maintained the target range for the federal funds rate at 5.25 to 5.50 percent. Recent indicators suggest that economic activity has continued to expand at a solid pace. Job gains have moderated as the unemployment rate has slightly inched up. Inflation has eased over the past year but remains somewhat elevated. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The economic outlook is uncertain, and the next decision will base on balance to both sides of committee's dual mandate. July's US PMIs remained indicative of continued growth, with signs of softening in manufacturing activity.



Note : For July, OECD has not published CLI estimates

ECONOMIC INDICATORS

External Sector	2023-24 July	2024-25 July	% Change	
Remittances (\$ Billion)	2.0	3.0	▲ 47.6%	
Exports FOB (\$ billion)	2.1	2.4	▲ 12.9%	
Imports FOB (\$ billion)	4.1	4.8	▲ 16.3%	
Current Account Deficit (\$ billion)	0.7	0.2	▼ 78.1%	
FDI (\$ million)	83.2	136.3	▲ 63.8%	
Portfolio Investment (\$ million)	22.3	168.7	▲	
Total Foreign Investment (\$ million)	105.5	305.0	▲ 189.1%	
Forex Reserves (\$ Billion)	Total	13.178	14.776	-
	SBP	7.873	9.403	-
	Banks	5.305	5.373	-
Exchange Rate (PKR/US\$)	23-Aug-23	23-Aug-24		
	299.64	278.51	-	

Source: SBP

Fiscal Sector (Rs. Billion)	2022-23 (Jul-Jun)	2023-24 (Jul-Jun)	% Change
FBR Revenue (Jul-FY24 vs Jul-FY25)	538	660	▲ 22.7%
Non-Tax Revenue (Federal)	1711.0	3050.0	▲ 78.3%
PSDP (Federal)	743.0	732.0	▼ 1.5%
Fiscal Deficit	6521.0	7207.0	▲ 10.5%
Primary Balance	-826.0	953.0	▲

Source: FBR & Budget Wing

Monetary Sector	2023-24	2024-25	% Change
Agriculture Credit (Prov.) FY23 vs FY24	1,776.0	2,216.0	▲ 24.8%
Credit to Private Sector (Flows)	-171.1	-326.9	▲ 91.1%
	1-Jul to 28-Jul	1-Jul to 26-Jul	
Growth in M2 (percent)	-2.4	-3.9	-
	1-Jul to 28-Jul	1-Jul to 26-Jul	
Policy Rate (percent)	22.00	19.50	-
	31-Jul-23	29-Jul-24	

Source: SBP

Inflation	2023-24	2024-25	% Change
CPI (National) %	28.3	11.1	-
	(July)	(July)	

Real Sector	2022-23	2023-24	% Change
	-17.70	-0.03	-
	(Jun)	(Jun)	
Large Scale Manufacturing (LSM) %	-10.30	0.92	-
	(Jul-Jun)	(Jul-Jun)	
PSX Index *	78824	77993	▼ 1.1%
	1-Jul-24	28-Aug-24	
Market Capitalization (Rs trillion)	10.43	10.40	▼ 0.3%
	1-Jul-24	28-Aug-24	
Market Capitalization (\$ billion)	37.48	37.37	▼ 0.3%
	1-Jul-24	28-Aug-24	
Incorporation of Companies (Jul-FY24 vs Jul-FY25)	2,284	2,755	▲ 20.6%

* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP

