MONTHLY
ECONOMIC
UPDATE & OUTLOOK
DECEMBER 2024

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ECONOMIC ADVISER'S WING

Economic Update

Pakistan economy has demonstrated sustained positive developments during Jul-Nov FY2025, indicating an optimistic outlook for the ongoing fiscal year. Macroeconomic fundamentals have strengthened, marked by a further deceleration in CPI inflation with stable food prices, effective fiscal consolidation resulting in fiscal surplus, current account surplus supported by increased exports and remittances, and an accommodative monetary policy stance. These developments have bolstered the business and consumer confidence, reflected in significant private sector credit uptake and a sharp rise in the Pakistan Stock Exchange. Prudent fiscal management and strategic reforms are paving the way for sustainable economic growth.

Agriculture Sector Focused on Achieving Self-sufficiency

For Rabi 2024-25, the government has set a wheat production target of 27.920 million tonnes from an area of 9.262 million hectares. To achieve this target, concerted efforts are underway to ensure the timely availability of essential farm inputs, including agricultural credit, quality seeds, fertilizers, and mechanization support.

Agriculture credit disbursement reached Rs. 925.7 billion during Jul-Nov FY2025, an increase of 8.5 percent compared to Rs. 853.0 billion during the same period last year. The positive trend is anticipated to persist, aligning with the ambitious agriculture credit target of Rs. 2,572.3 billion for FY2025. Agricultural machinery imports also witnessed a significant rise of 42.3 percent, amounting to $45.3 million, highlighting a growing emphasis on mechanization and efficiency improvements. For the Rabi 2024-25 season (Oct-Nov 2024), urea offtake totalled 1,012 thousand tonnes, registering a 5.4 percent decline compared to Oct-Nov 2023. In contrast, DAP offtake increased substantially by 27.4 percent, reaching 559 thousand tonnes. Increase in DAP offtake may be attributed to the Punjab Government's initiative of providing interest-free loans to small farmers through the Kissan Card Program for the purchase of agricultural inputs (seeds and fertilizers).

Electric Vehicle Production is the Beginning of a New Era in Auto Industry in Pakistan

In October 2024, Large-Scale Manufacturing (LSM) recorded a marginal YoY growth of 0.02 percent, signaling a positive shift from the significant contraction of 5.79 percent observed in October 2023. This hints a gradual recovery in economic activity amidst ongoing challenges. While on MoM basis, LSM declined by 2.24 percent in October 2024, primarily by a seasonal decline in the beverages sector. As winter approached, demand for beverages typically decreased, leading to lower production levels in this sector. Overall, 12 out of 22 LSM sectors performed positively during the month, demonstrating resilience and continued growth in key industries. During Jul-Oct FY2025, LSM slightly declined by 0.64 percent compared to a contraction of 2.21 percent last year.

The auto industry performed well during Jul-Nov FY2025, as production and sales of all vehicles grew by 25.2 percent and 24.8 percent, respectively. Key contributors to this growth included Cars (production up by 60.8%), Trucks & Buses (89.8%), and Jeeps & Pick-ups (64.2%). A notable development in November was the initiation of electric vehicle production in Pakistan, marking a significant milestone for the industry.

In November 2024, cement dispatches increased by 5.6 percent to 4.1 million tonnes, YoY basis. Notably, domestic cement dispatches grew by 2.4 percent to 3.3 million tonnes, reflecting rising demand in the construction industry, while export dispatches rose considerably by 21.3 percent, reaching 803,258 tonnes. During Jul-Nov FY2025, total cement dispatches were 18.9 million tonnes, lower than the last year. Domestic dispatches stood at 14.7 million tonnes, down by 11.6 percent while exports increased by 28.7 percent to 4.0 million tonnes.

CPI Inflation Falls to a 78-Months Low, Sustaining a Downward Trend

CPI inflation recorded at 4.9 percent on YoY basis in November 2024 as compared to 7.2 percent in the previous month and 29.2 percent in November 2023. On MoM basis, it increased

OICCI Business Confidence Index (BCI) Survey: Wave 26 (Oct-Nov, 24) vs Wave 25 (Mar-Apr, 24)

	Wave 26	Wave 25
Overall Business Confidence	-5% , (9% Improvement)	-14%
Services Sector	↑ +2%,(Significant recovery)	-14%),
Retail/Wholesale Sector	↓ -18%, (Confidence decrease)	-15%
New Investment Index	↓ -23% (Cautious outlook)	-12%
Sales Volume Outlook	↑ +30%, (Significant rise)	↓ -10%

Over the past six months, 66% of respondents cited inflation, political instability, and rising fuel prices as the top concerns.

by 0.5 percent in November 2024 compared to 1.2 percent in the previous month and an increase of 2.7 percent in November 2023.

Major drivers of YoY increase in CPI include Clothing and Footwear (14.37%), Health (13.06%), Communication (12.23%), Education (10.55%), Restaurants and Hotel (8.30%), Housing, Water, Electricity, Gas and Fuels (7.89%), perishable food items (7.47%), Furnishing and Household equipment maintenance (5.91%), and Alcoholic Beverage and Tobacco (5.43%) while decline observed in non-perishable food items (1.54%), and Transport (2.75%).

SPI for the week ended on 19th December 2024, recorded an increase of 0.38 percent as compared to previous week. This week, prices of 13 items declined, 23 items remained stable and 15 items increased.

Prudent Fiscal Management Strengthens Fiscal Consolidation

During Jul-Nov FY2025, FBR tax collection grew by 23.3 percent to Rs 4,295 billion against Rs 3,485 billion last year. Within total, direct taxes rose by 27.0 percent, sales taxes by 23.6 percent, FED by 25.1 percent and customs duty by 8.0 percent.

According to the Federal Fiscal Operations Jul-Oct, FY2025, net federal revenues grew by 71.8 percent to Rs 4,822 billion. This growth was primarily driven by a sharp increase in non-tax collection, which grew by 101.2 percent to Rs 3,192 billion. Similarly, tax collection increased to Rs 3,443 billion against Rs 2,748 billion last year. Prudent expenditure management helped contain the expenditure growth to 20.6 percent relative to high revenue growth. In absolute, total expenditures reached Rs.4472 billion against Rs.3707 billion last year.

Consequently, the fiscal balance posted a surplus of Rs.495 billion (0.4% of GDP) against a deficit of Rs.862 billion (-0.8% of GDP) last year. Similarly, primary surplus increased to Rs 3,124 billion (3.0% of GDP) against a surplus of Rs 1,430 billion (1.4% of GDP) last year.

Robust Growth in Exports and Remittances is driving the Current Account Balance

The external account position has significantly improved, driven by notable increases in exports and remittances despite a rise in imports. During Jul-Nov FY2025, the current account posted a surplus of $944 million compared to deficit of $1,676 million last year. In November 2024 alone, the current account recorded a surplus of $729 million, compared to a deficit of $148 million in November 2023. This represents the fourth consecutive monthly surplus, following a $346 million surplus in October 2024.

During Jul-Nov FY2025, goods exports increased by 7.4 percent, reaching $13.3 billion compared to last year, while imports recorded at $23.0 billion, against $21.2 billion last year (8.3% increase). This has resulted in a goods trade deficit of $9.7 billion, reflecting a slight increase from $8.8 billion last year, while maintaining a steady overall trade momentum. As per the Pakistan Bureau of Statistics, the export commodities that registered notable positive growth include Rice (35.4%), Fruits and vegetables (12.2%), Sugar (834%), Knitwear (18.4%), Bedwear (15.1%), Readymade Garments (23.1%), Chemicals and Pharma products (1.8%) and Cement (18.9%). The major imports which registered rise include Palm oil (7.1%), Petroleum crude (5.4%), Liquified Natural Gas (5.2%), Raw cotton (104%) Fertilizer (57%), and Machinery (12.8%). The service exports grew to $3.3 billion (7.7% up) and imports to $4.4 billion (2.8% up), resulting in a service trade deficit of $1.1 billion lower than $1.3 billion last year. IT exports grew by 32.7 percent to $1.5 billion against $1.2 billion last year. Foreign Direct Investment (FDI) recorded at $1,124 million, 31.3 percent higher than the previous year. The main contributors to this growth were China $469 million (41.7% share), Hong Kong $116 million (10.3%), and the UK $113 million (10.1%). The power sector received net FDI of $455 million, accounting for a 40.5% share, followed by Oil & Gas exploration with $125 million (11.1% share). Moreover, private sector Foreign Portfolio Investment (FPI) had a net outflow of $156 million, while Public FPI recorded a net inflow of $305 million. Workers' remittances recorded robust inflows of $14.8 billion during Jul-Nov FY2025, marking a 33.6% increase over $11.1 billion last year with largest share from Saudi Arabia. Pakistan's total liquid foreign exchange reserves were recorded at $16.4 billion on December 20, 2024, with the State Bank of Pakistan's reserves at $11.9 billion.

Accommodative Monetary Policy Stance is continued, and Pakistan Stock Exchange Market is Trending Upward.

The Monetary Policy Committee (MPC) decided to further cut the policy rate by 200 bps to 13 percent, effective from December 17, 2024. Cumulatively, policy rate reduced by 900 bps since June during last five consecutive monetary policy decisions. The decision is based on inflation outcome in line with expectations, fiscal and external sector stability, favorable global commodity prices and improved growth prospects.

During 1st July – 29th November, FY2025 money supply (M2) shows negative growth of 0.6 percent (Rs -215.7 billion) compared to a growth of 1.2 percent (Rs. 376.0 billion) last year. Within M2, Net Foreign Assets of the banking system increased by Rs 385.3 billion against an increase of Rs 100.8 billion last year. Whereas, Net Domestic Assets of the banking sector decreased by Rs 601.0 billion compared to an increase of Rs 275.2 billion last year. Under the borrowing for budgetary support, the government has retired Rs 2,018.6 billion against the borrowing of Rs 2,894.2 billion last year. Private Sector has borrowed Rs 1,148.6 billion, against the retirement of Rs 33.2 billion last year.

In November 2024, the KSE-100 index continued its bullish momentum and crossed the 100,000 points landmark. The index closed at 101,357 points at the month end, gaining 12,391 points in November 2024. Similarly, market capitalization of Pakistan Stock Exchange increased by Rs 1,349 billion in the month to settle at Rs 12,885 billion.

Government has Strong Commitment to Economic Uplift and Poverty Alleviation.

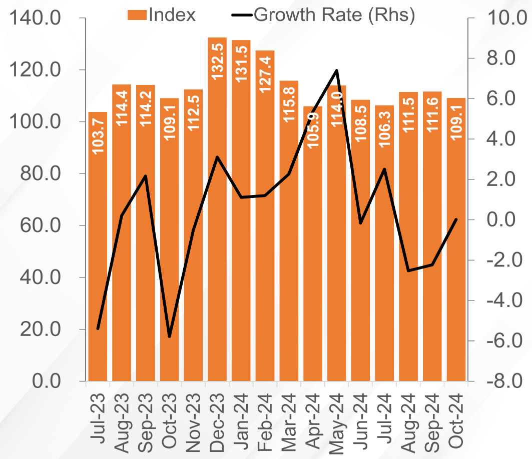
During November 2024, the Bureau of Emigration & Overseas Employment registered 60,492 workers for employment, compared to 77,316 in October 2024 and 81,427 in November 2023. The Pakistan Poverty Alleviation Fund (PPAF), in collaboration with its 24 partner organizations, distributed 21,195 interest-free loans amounting to Rs 994 million. Since the inception of the program in 2019, a total of 2,894,202 interest-free loans amounting to Rs 111,768 million have been disbursed. For FY2025, the budgetary allocation for the Benazir Income Support Programme has been increased by 27 percent to Rs 592.5 billion (Rs. 466 billion last year). During Jul–Oct FY2025, Rs. 113 billion was disbursed under this program, reflecting an increase from Rs. 89 billion during the same period last year.

Economic Outlook

To achieve the target of FY2025 and sustain economic recovery, the government is cognizant to achieve the crop production targets by facilitating the farmers to achieve the desired production level. However, weather conditions may pose challenges, as below-normal rainfall may lead to water stress during the critical emerging stage of Rabi crops like wheat and barley, especially in rain-fed agricultural zones. At industrial front, despite challenges in certain sectors that remain in negative territory, the economy's resilience is underscored by the robust performance of high-weighted sectors, which continue to drive LSM in October. Further, the automobile and cement sectors exhibited strong performance in November, providing a critical boost to their allied industries. The potential ripple effect and the interconnectedness of industrial sectors may reinforce a broader growth trajectory. Moreover, the further easing of monetary policy in December is expected to stimulate economic activity. The rising demand for credit, especially from private sector, is a positive signal of growing confidence in the economy. This momentum is poised to accelerate, fostering higher production levels and enhanced economic output in the coming months. At external front, it is expected that hard-earned stability will continue on the back of remittances and exports inflows with decent imports. This will be complemented with exchange rate stability and contained inflation – which is anticipated to remain within the range of 4.0-5.0 percent for December 2024. Moreover, improved fiscal performance during Jul-Oct, driven by higher revenues and prudent expenditure management, is expected to create fiscal space for development spending and support sustainable economic growth, going forward.

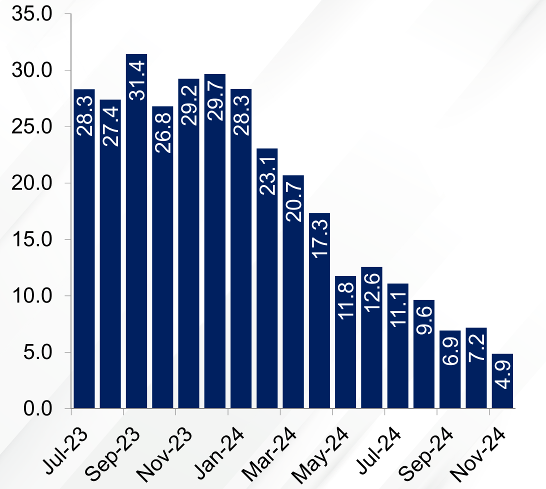
Manufacturing sector is on recovery path while inflation is below its medium-term target range.

LSM Performance



Source: PBS

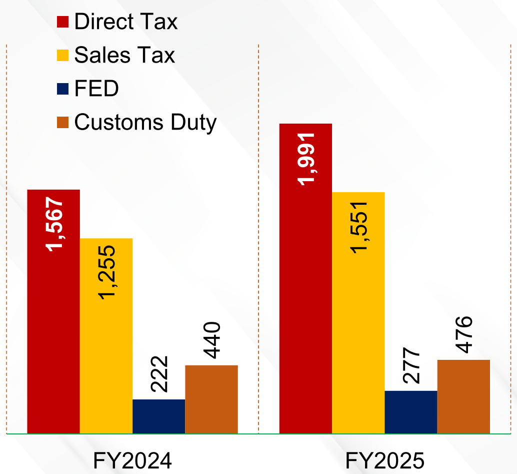
CPI Inflation (%)



Source: PBS

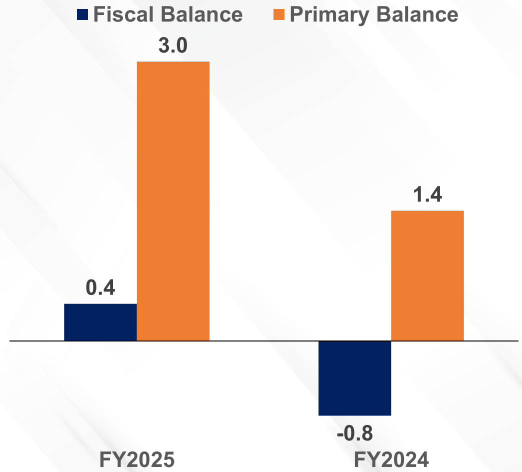
The prudent fiscal management resulted in fiscal consolidation. The Pakistan Stock Market crossed the 100k landmark.

FBR Tax Collection (Rs. Billion) Jul-Nov FY2025

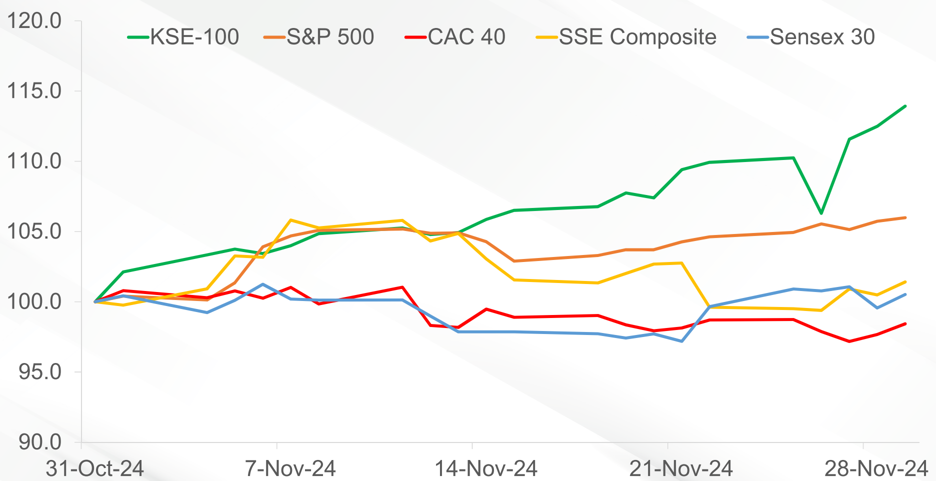


Source: FBR

Fiscal Indicators % of GDP - Jul-Oct



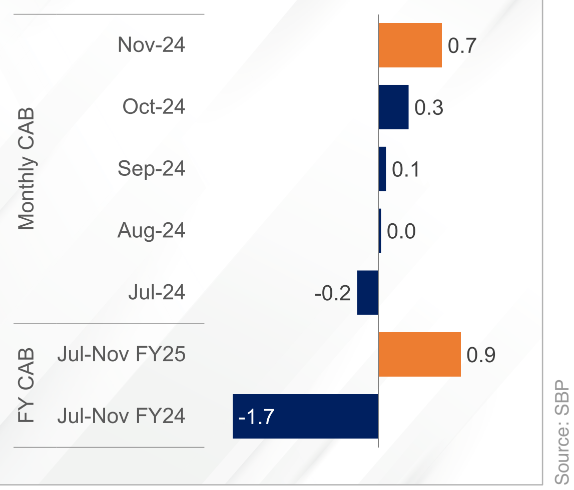
Trend of Major World Standardized Indices



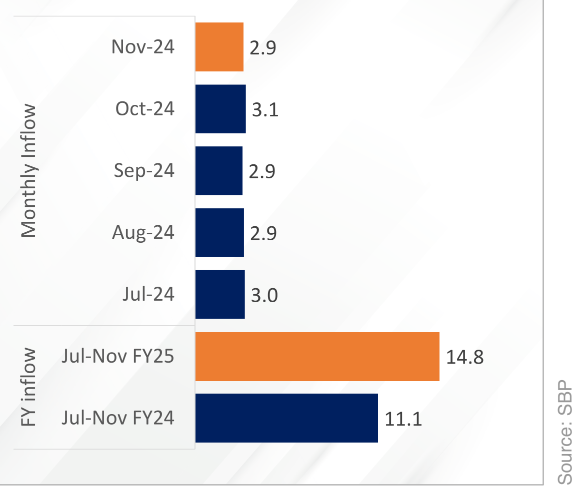
Source: PSX and Investing.com

Current account balance achieved surplus for the 4th consecutive month, due to substantial remittances and exports.

Current Account Balance (US$ Billion)



Remittances (US$ Billion)



Global Economic Update and Outlook

Global Economic Outlook, December 2024, Fitch Ratings expects world growth to ease slightly in 2025 to 2.6% from 2.7% in 2024, a forecast broadly unchanged since September 2024. But relative stability in the forecast at the global level masks some big forecast changes in the major economies. Forecast for US growth in 2025 raised by 0.5 percentage points (pp) to 2.1%, while the forecast for Eurozone growth has been lowered by 0.3pp to 1.2% and China's 2025 forecast, slightly cut by 0.2pp to 4.3%.

According to Asian Development Outlook December 2024, Developing Asia's growth remains steady at 4.9 and 4.8% for 2024 and 2025, respectively. However, policies under the incoming Trump administration in the US may impact the region. Changes to US trade, fiscal, and immigration policies could dent growth and trigger inflation in developing Asia. For 2025, slower growth is expected in South Asia due to weaker domestic demand prospects.

Global commodity prices showed mixed picture, energy prices decreased by 1.2% in November, led by natural gas US by 4.7% and coal 3.1%. Non-energy prices changed little. Fertilizer prices went down by 3.0% and meal prices contracted by 3.1%.

The FAO Food Price Index (FFPI) averaged 127.5 points in November 2024, up 0.5 percent from the October level and reaching its highest value since April 2023. The increase was driven by higher price quotations for dairy products and vegetable oils, which slightly outweighed declines in the meat, cereals, and sugar quotations. Compared to historical levels, the FFPI in November was 5.7 percent higher than its corresponding value a year ago but remained 20.4 percent below its peak of 160.2 points reached in March 2022.

The US economy remains on a solid growth trajectory supported by healthy employment and income growth, robust consumer spending and strong productivity momentum that is helping tame inflationary pressures. This is also reflected in WEI growth, moving around 2-3% in recent weeks. For the outlook, it is expected that these positive dynamics will carry into 2025, allowing the Fed to pursue gradual, but cautious, policy recalibration.

In November 2024, US-CPI rose 0.3% on MoM basis, the largest gain since April after advancing 0.2% for four straight months. On YoY basis, the CPI climbed 2.7% after increasing 2.6% in October. Similarly, core CPI gains 0.3 and 3.3% on MoM and YoY basis, respectively. However, rent- one of the stickier components of inflation- rose at the slowest pace in nearly three and half years.

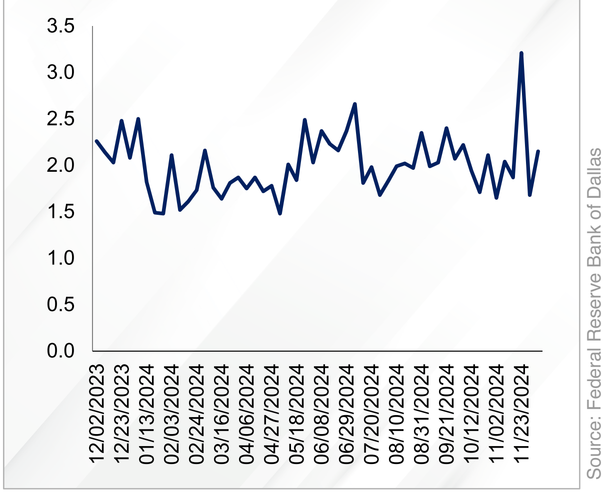
The rise in motor vehicle insurance, another troublesome category, moderated. These factors have slowed the increase in services inflation.

The annual increase in inflation has slowed considerably from a peak of 9.1% in June 2022. The Fed's focus has shifted more toward the labor market. Though job growth accelerated in November after being severely restricted by strikes and hurricanes in October, the unemployment rate ticked up to 4.2% after holding at 4.1% for two consecutive months.

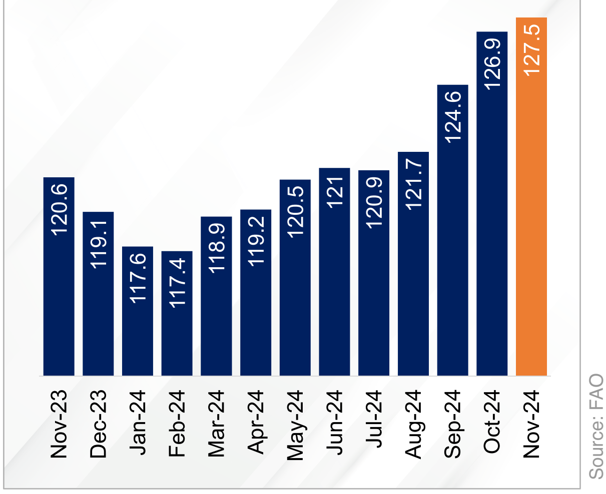
In December Monetary Policy decision, amid cool labor market, the Federal Open Market Committee cut its benchmark Federal funds target rate by a quarter percentage points within range of 4.25-4.5%, the third consecutive reduction with cumulative 1.0% reduction since September 2024. While progress on inflation has stalled in recent months, and inflation outcomes are still above inflation target of 2%, therefore Fed also updated its projections, with the benchmark rate expected to reach a range of 3.75 - 4% by the end of 2025.

Global economic situation also reflected through CLI position of Pakistan's main exports market included US, UK, EA and China – all are moving above potential level, anticipating increasing momentum for Pakistan's exports in coming months.

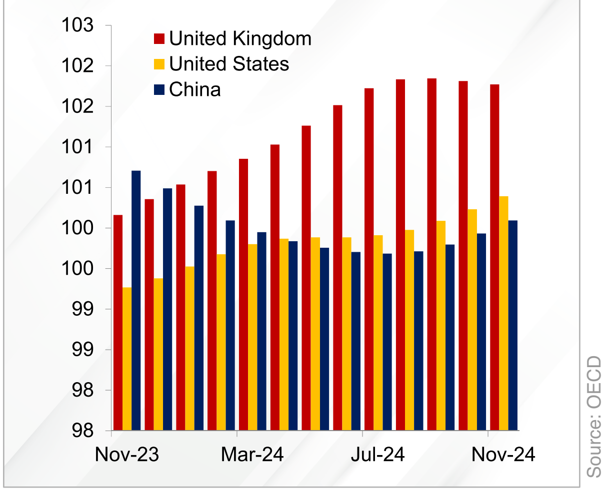
Growth in WEI



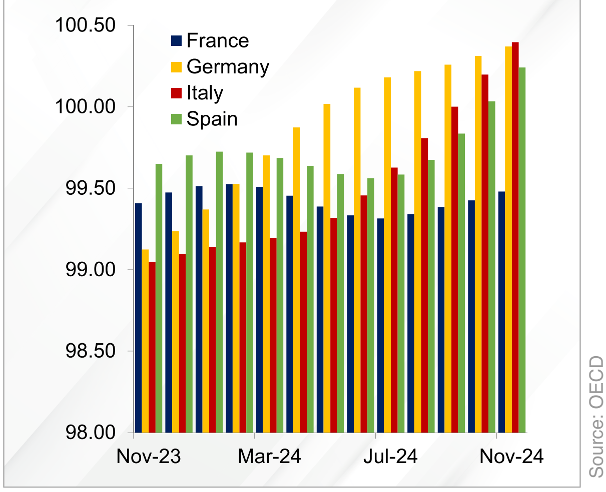
FAO Food Price Index



(a) Composite Leading Indicator



(b) Composite Leading Indicator



ECONOMIC INDICATORS

27th Dec 2024

External Sector		FY2024	FY2024 (Jul-Nov)	FY2025 (Jul-Nov)	% Change	FY2024 (Nov)	FY2025 (Nov)	% Change
Remittances ($ billion)		30.3	11.053	14.766	▲ 33.6%	2.258	2.915	▲ 29.1%
Exports FOB ($ billion)		31.0	12.364	13.283	▲ 7.4%	2.693	2.775	▲ 3.0%
Imports FOB ($ billion)		53.1	21.202	22.972	▲ 8.3%	4.531	4.136	▼ 8.7%
Current Account Balance ($ million)		-1,695	-1,676	944	▲	-148	729	▲
FDI ($ million)		2,346	856.0	1123.6	▲ 31.3%	172.4	219.2	▲ 27.1%
Portfolion Investment ($ million)		-383.8	38.8	148.7	▲	24.5	-37.0	▼
Total Foreign Investment ($ million)		1,962.3	894.8	1272.3	▲ 42.2%	197.0	182.2	▼ 7.5%
Forex Reserves ($ Billion)	Total	14.0	12.463	16.372				
	SBP	9.4	7.255	11.854				
	Banks	4.6	5.208	4.518				
		(End June)	20-Dec-23	20-Dec-24				
Exchange Rate (PKR/US$)		278.3	282.90	278.42				
		(End June)	20-Dec-23	20-Dec-24				

Source: SBP

Fiscal Sector (Rs. Billion)	FY2024	FY2024 (Jul-Oct)	FY2025 (Jul-Oct)	% Change	FY2024 (Nov)	FY2025 (Nov)	% Change
FBR Revenue (Jul-Nov)	9,311	3,485.0	4,295	▲ 23.2%	736.3	852.3	▲ 15.8%
Non-Tax Revenue	3,183.8	1586	3,192	▲ 101.3%			
Fiscal Balance	-7,207	-862	495	▲			
Primary Balance	953	1430	3,124	▲			

Source: FBR & Budget Wing

Monetary Sector	FY2024	FY2024	FY2025	% Change
Agricluture Cerdit (Jul-Nov)	2216.0	853.0	925.7	▲ 8.5%
Credit to Private Sector (Flows)	512.9	141.3	1470.3	
		1-Jul to 15-Dec	1-Jul to 13-Dec	
Growth in M2 (percent)	16.0	2.0	-2.4	
		1-Jul to 15-Dec	1-Jul to 13-Dec	
Policy Rate (percent)	20.5	22.0	13.0	
	(End June)	12-Dec-23	16-Dec-24	

Source: SBP

Real Sector	FY2024	FY2024	FY2025
CPI (National) %	23.4	29.2	4.9
		(Nov)	(Nov)
		28.6	7.9
		(Jul-Nov)	(Jul-Nov)
Large Scale Manufacturing (LSM) %	0.90	-5.79	0.02
		(Oct)	(Oct)
		-2.21	-0.64
		(Jul-Oct)	(Jul-Oct)

Source: PBS

Financial Sector	FY2024	FY2024	FY2025	% Change
PSX Index *	78445	59171	110423	▲ 86.6%
	30-Jun-24	26-Dec-23	26-Dec-24	
Market Capitalization (Rs trillion)	10.38	8.609	14.014	▲ 62.8%
	30-Jun-24	26-Dec-23	26-Dec-24	
Market Capitalization ($ billion)	37.28	30.49	50.31	▲ 65.0%
	30-Jun-24	26-Dec-23	26-Dec-24	
Incorporation of Companies (Jul-Nov)	26,939	12,320	13,928	▲ 13.1%

* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP