MONTHLY
ECONOMIC
UPDATE & OUTLOOK
NOVEMBER 2024

GOVERNMENT OF PAKISTAN
FINANCE DIVISION
ECONOMIC ADVISER'S WING

Economic Update

Pakistan economy is observing a sustained recovery in the ongoing fiscal year. The first four months have shown better than expected improvement marked by receding inflation, a significant increase in remittances and IT exports, sustained external and fiscal sectors, and a downward trend in interest rate. The recovery across all sectors will support the achievement of the targeted economic outlook in coming quarters.

Agriculture policies are geared towards achieving self-sufficiency.

The meeting of the Federal Committee on Agriculture (FCA) held on 29-10-2024 to fix crop's production targets for Rabi 2024-25. Wheat sowing is in full swing. Federal government has urged provinces to make utmost efforts to ensure input supplies and facilitate the farmers to enhance wheat sowing.

The input situation is encouraging. During Jul-Oct FY2025, imports of agricultural machinery increased by 70.9 percent to $39.6 million. During Rabi 2024-25 (October 2024), DAP offtake was 309 thousand tonnes, significantly increased by 92.2 percent, while Urea offtake was 358 thousand tonnes which decreased by 21.9 percent compared to the same period last year. The surge in DAP offtake is attributed to the disbursement of interest-free loans to small farmers by the Punjab Government through Kissan Card for the purchase of Agriculture inputs such as seed and fertilizer.

LSM sector is navigating the challenges while demonstrating resilience.

Large Scale Manufacturing (LSM) sector's growth has slightly declined by 0.8 percent during Jul-Sep FY2025 against the contraction of 1.0 percent same period last year. On MoM basis, LSM sector registered a modest growth of 0.5 percent in September 2024, indicating a slight recovery although on YoY basis, it contracted by 1.9 percent. During Jul-Oct FY2025, performance of the auto industry remained encouraging as production and sales of all vehicles witnessed growth of 21.2 percent and 21.8 percent, respectively. At the sub-sector level, production of Cars increased by 51.0 percent, Trucks & Buses by 80.2 percent, Jeeps and pick-ups by 55.1 percent while Tractor production showed a decline of 54.2 percent. During the same period, total cement dispatches were 14.6 million tonnes, a 7.9 percent decrease from the last year. Domestic dispatches stood at 11.4 million tonnes, down by 15.0 percent while exports increased by 30.7 percent to 3.2 million tonnes. In October 2024, cement dispatches increased by 8.7 percent, with total dispatches reaching 4.4 million tonnes compared to 4.0 million tonnes last year. Local cement dispatches stood at 3.3 million tonnes showing a slight decline of 0.5 percent, while export dispatches rose considerably by 51.3 percent, with volumes increasing to 1,080,691 tonnes.

CPI inflation is on a downward trajectory while staying at single digit.

During Jul-Oct FY2025, CPI Inflation stood at 8.7 percent against 28.5 percent recorded the same period last year. YoY Inflation was recorded at 7.2 percent in October 2024, compared to 6.9 percent in the previous month and significantly lower than 26.8 percent recorded in October 2023. The significant contributors to inflation include perishable food items (15.9 %), Housing, Water, Electricity, Gas & Fuels (19.2 %), Clothing and Footwear (14.6 %), Health (12.3 %), Restaurants & Hotels (7.9 %), Alcoholic Beverage & Tobacco (6.4 %) and Furnishing & Household equipment maintenance (5.9 %), while Transport observed a decline of 6.1 percent and non-perishable food items decreased by 1.5 percent. SPI for the week ended on 14th November 2024, recorded an increase of 0.55 percent as compared to the previous week. This week, prices of 06 items declined, 21 items remained stable, and 24 items increased.

Fiscal sector stability has been evident on the back of prudent fiscal consolidation

During Jul-Sep FY2025, the net federal revenues grew by 186 percent to Rs 4,019 billion from Rs 1,406 billion same period last year. The unprecedented increase in revenues was mainly driven by the surplus profit of the State Bank of Pakistan (Rs 2,500 billion). The tax and non-tax revenues increased by 25.5

percent and 566.9 percent to Rs 2,563 billion and Rs 3,022 billion, respectively.

In contrast, total expenditure grew slightly by 1.8 percent to Rs 2,483 billion (Rs 2,438 billion last year). The mark-up expenditure declined by 5.3 percent owing to the gradual decline in the policy rate. Resultantly, the fiscal balance posted a surplus of Rs 1,896 billion (1.5% of GDP) compared to the deficit of Rs 981 billion (0.9% of GDP), while the primary balance (surplus) reached Rs 3,202 billion (2.6% of GDP) as compared to Rs 400 billion (0.4% of GDP) same period last year.

During Jul-Oct FY2025, the FBR net tax collection grew by 25.3 percent to Rs 3,442.6 billion as compared to Rs 2,748.4 billion last year. In October 2024, FBR collected 24.5 percent more taxes to reach Rs 879.7 billion against Rs 706.8 billion in October 2023.

Current Account surplus bolsters external sector stability.

The external account position improved on account of a notable increase in exports and remittances notwithstanding an increase in imports. During Jul-Oct FY2025, the current account recorded a surplus of $218 million compared to a deficit of $1,528 million last year. The current account recorded a surplus of $349 million in October 2024, compared to a deficit of $287 million in October 2023. This marks the third consecutive monthly surplus, following the $86 million surplus in September 2024 and $29 million in August 2024. During Jul-Oct FY2025, goods exports increased by 8.7 percent, reaching $10.5 billion compared to $9.7 billion last year, while imports recorded at $18.8 billion, compared to $16.7 billion last year (13.0% increase). This has led to a goods trade deficit of $8.3 billion, up from $7.0 billion last year.

According to the Pakistan Bureau of Statistics, the export commodities that registered remarkable growth include Rice (52.5%), Fruits & vegetables (18.3%), Sugar (414%), Knitwear (18.7%), Bedwear (13.2%), Readymade Garments (25.4%), Chemicals & Pharma products (3.3%) and Cement (12.4%). The major imports which recorded a rise include Palm oil (6.1%), Petroleum crude (16.8%), Liquified Natural Gas (11.0%), Raw cotton (68.9%) Fertilizer (121.4%), Machinery (15.2%), and Iron & steel (6.1%). The service exports grew to $2.6 billion (8.0%) and imports to $ 3.6 billion (2.4%), resulting in a service trade deficit of $1.0 billion lower than $1.1 billion last year. IT exports grew by 34.9 percent to $1.2 billion against $ 0.9 billion last year.

Workers' remittances recorded inflows of $11.9 billion, marking a significant increase of 34.7 percent over $8.8 billion last year with the largest share from Saudi Arabia. Foreign Direct Investment (FDI) recorded at $904 million, 32.3 percent up from the previous year. The main contributors to this growth were China $414 million (45.8%), Hong Kong $100 million (11.0%), and the UK $94 million (10.4%). The power sector received a net FDI of $414 million, accounting for 46 percent share, followed by Oil & Gas exploration with $104 million (11.5% share). Moreover, private sector Foreign Portfolio Investment (FPI) had a net outflow of $ 97.2 million, while Public FPI recorded a net inflow of $283 million. Pakistan's total liquid foreign exchange reserves were recorded at $16.0 billion on November 08, 2024, with the State Bank of Pakistan's reserves at $11.3 billion.

Monetary Policy is signaling certainty and boosting business confidence, while. Stock Market continues its upward trend.

The Monetary Policy Committee (MPC) cut the policy rate by 250 basis points to 15.0 percent in its decision held on November 04, 2024. The decision is based on faster than expected decline in the inflation which reached its medium-term target range in October. Besides tight monetary policy impact, a sharp decline in food inflation, favorable global oil prices and maintained gas tariffs with low PDL rates have receded inflationary pressures in recent months. During 1st July – 25th October, FY2025 money supply (M2) showed negative growth of 1.9 percent (Rs. -707.8 billion) compared to negative growth of 1.3 percent (Rs. -399.2 billion) last year. Within M2, Net Foreign Assets (NFA) increased by Rs 53.3 billion as compared to an increase of Rs 232.4 billion last year. Whereas Net Domestic Assets (NDA) of the banking sector decreased by Rs 761.1 billion as compared to a decrease of Rs. 631.7 billion last year. Under the borrowing for budgetary support, the government has retired Rs 1866.8 billion against the borrowing of Rs 753.2 billion last year. On a positive note, the Private Sector has borrowed Rs 447.1 billion as compared to the retirement of Rs. 153.5 billion last year.

In October 2024, the KSE-100 index remained bullish and closed at 88,967 points at the month end. During the month, the KSE-100 index gained 7,853 points, while market capitalization increased by Rs 917 billion to Rs 11,536 billion.

Spending under social safety nets has further been enhanced.

For FY2025 the allocation of BISP has been increased by 27% to Rs 593 billion (Rs 466 billion last year). In October 2024, PPAF disbursed 25,193 interest-free loans amounting to Rs 1.2 billion. During Jul-Oct FY2025, the fund has disbursed a cumulative Rs 4.8 billion. During October 2024 Bureau of Emigration & Overseas Employment registered 77,316 workers for employment, compared to 65,116 in September 2024.

Pakistan takes bold steps toward climate resilience.

COP29 held in Baku, Azerbaijan, with a focus on advancing global climate action under the United Nations Framework Convention on Climate Change (UNFCCC). For Pakistan, this summit holds particular importance given its vulnerability to climate change impacts. Pakistan has been actively participating to secure commitments for climate financing and mitigation measures. During COP29, Pakistan unveiled its two policies:

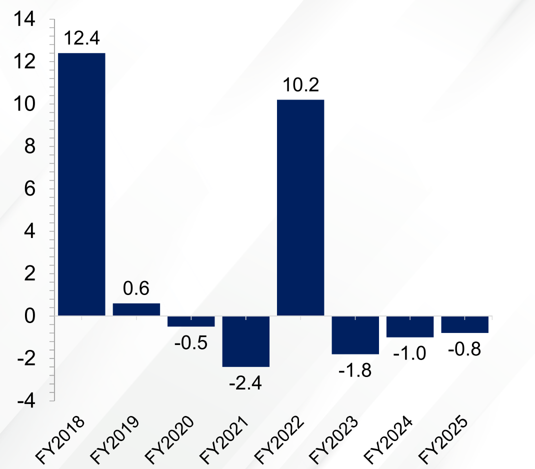
- National Climate Finance Strategy, to mobilize domestic and international resources to support climate adaptation and mitigation projects.
- National Carbon Market Policy to accelerate clean technology deployment and attract investment in sectors with significant emissions reduction potential.

Economic Outlook

The real sector of the economy continues to get support from agriculture and industrial sector policies. On the agriculture front, wheat crop sowing is in progress to achieve the targeted area and production. The government facilitations are well intact regarding the timely provision of key inputs to the farmers at reasonable prices. Meanwhile, LSM indicators highlight a sector striving to recover. Although YoY growth remains negative, MoM performance shows signs of resilience, with gradual production increases in key sectors such as textile and automobiles. Continued policy support and external stability provide a foundation for sustained improvement, suggesting a cautiously optimistic outlook for progressive recovery. In the coming months, fiscal consolidation and contained inflation will provide impetus to economic activities. Inflation is expected to remain within the range of 5.8% - 6.8% in November, further receding to 5.6% - 6.5% by December 2024. The current account turned into a surplus during Jul-Oct FY2025, bolstering external sector sustainability. For the outlook, it is anticipated that exports, imports and worker's remittances will continue to observe their increasing trend - exports will remain within a range of $2.5-3.0 billion, imports $4.5-4.9 billion and worker's remittances $ 2.8-3.3 billion in November 2024.

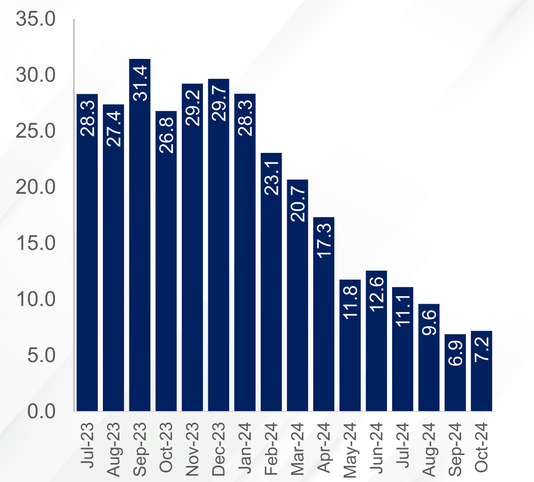
The LSM sector is struggling to strive while inflation is moving around its medium-term target range.

LSM Growth (%) Jul-Sep



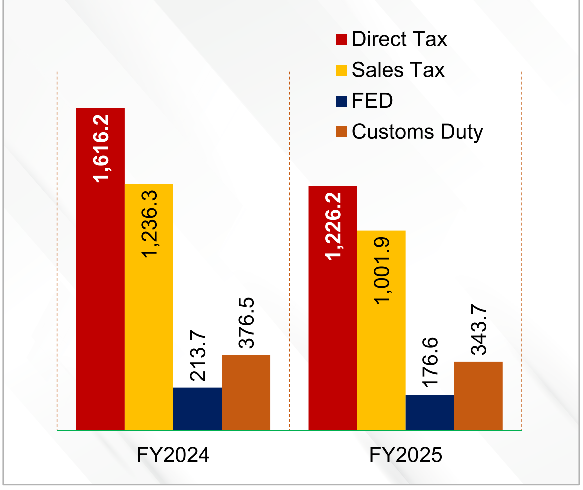
Source: PBS

CPI Inflation (%)



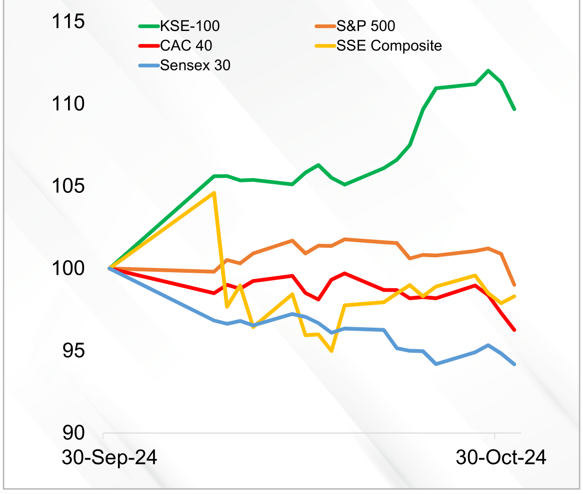
Source: PBS

The economic recovery led to an increase in tax collection. The Pakistan Stock Market has been trending upward.



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

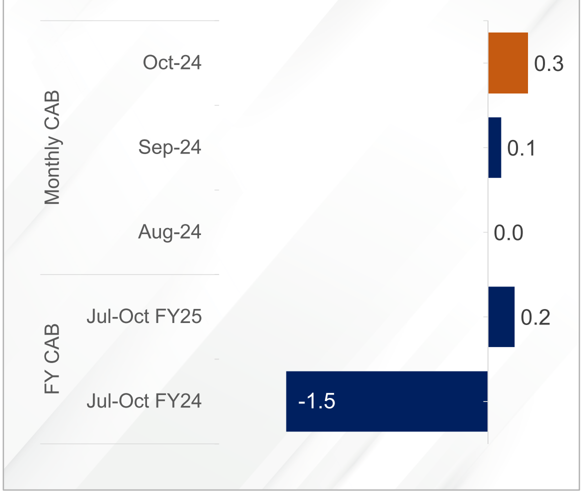
Source: FBR



Trend of Major Stock Indices (Standardized)

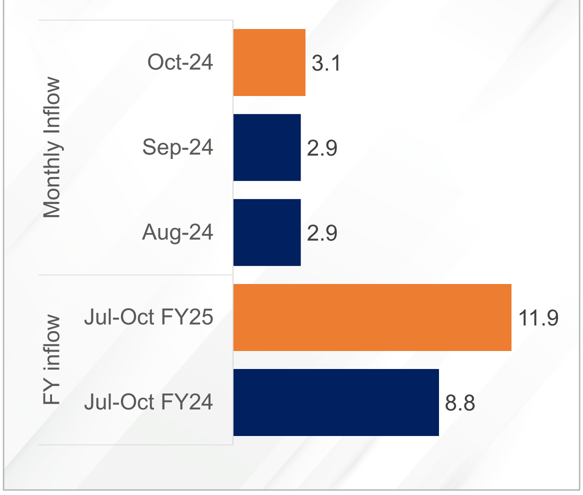
Source: PSX and Investing.com

Current account balance posted a surplus – for the third consecutive month in October - on the back of exports earnings, and higher remittances.



Current Account Balance (US$ Billion)

Source: SBP



Remittances (US$ Billion)

Source: SBP

Global Economic Update and Outlook

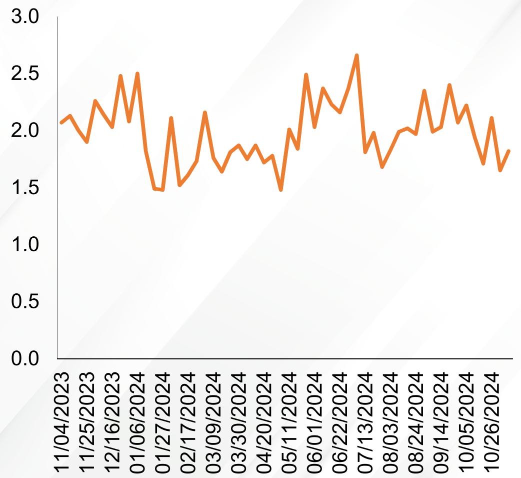
The global economic expansion accelerated in October amid rapid expansions in the service sector while manufacturing output stabilized. The J.P.Morgan Global PMI Composite Output Index – produced by S&P Global – registered 52.3 in October, up from 51.9 in September. The latest index number is broadly indicative of the global economy growing at an annualized rate of 2.6 percent, slower than the 2.9 percent expansion in the second quarter. It is also below an average GDP growth rate of 3.1 percent in the decade prior to the pandemic. However, improvements in business optimism across both manufacturing and service sectors indicated further expansions in output in the coming months, though the improvement was focused on the United States, with sentiment calming in Europe and across much of Asia amid concerns over geopolitics. Meanwhile, global employment has fallen in recent months as job shedding in the manufacturing sector deepened and service sector hiring came close to stalling. Inflationary pressures further eased in October, which provides scope for further interest rate cuts around the world.

Global commodity prices increased in October, energy prices gained 2.4 percent, led by natural gas, Europe 9.6 and coal 5.3 percent, food prices went up by 1.4 percent and metal prices surged by 5.0 percent. The FAO Food Price Index (FFPI) rises in October to 127.4 points – the highest level in 18 months. The index has increased by 2.0 percent on MoM basis and 5.5 percent on YoY basis. Nevertheless, the index remained 20.5 percent below its March 2022 peak.

US GDP grew at 2.8 percent in the third quarter, less than expected and slightly below the second quarter level of 3.0 percent, but still above the historical trend for the US economy around 1.8-2.0 percent. Amid strong growth and a job market with low inflationary pressures, the Federal Open Market Committee lowered its benchmark overnight borrowing rate by a quarter percentage point, or 25 basis points, to a target range of 4.50%-4.75%. For the last quarter, GDP growth is projected to be around 2.4 percent for the US economy. A similar situation is evident through growth in WEI, which is moving around 2.0 percent in recent weeks.

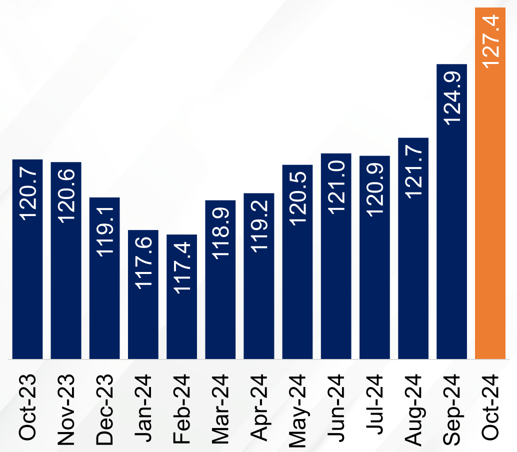
The global economic situation is also reflected through the CLI position of Pakistan's main export markets including US, UK, EA and China – all are moving around potential levels, showing uptick in export demand for Pakistan's products and commodities.

Growth in WEI



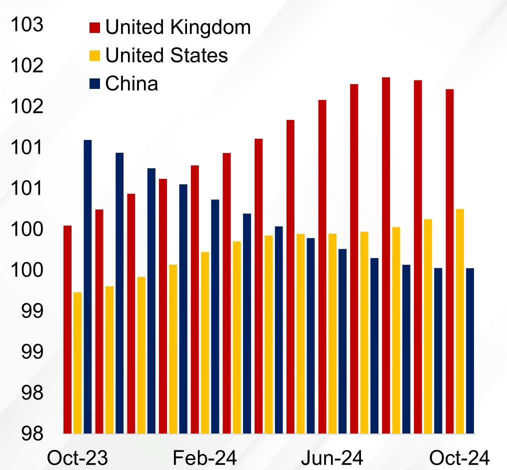
Source: Federal Reserve Bank of Dallas

FAO Food Price Index



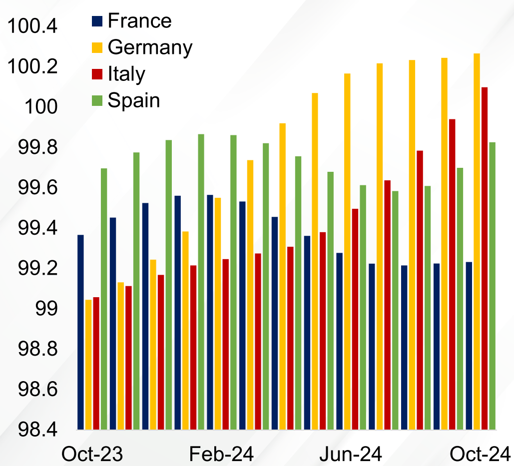
Source: FAO

(a) Composite Leading Indicator



Source: OECD

(b) Composite Leading Indicator



Source: OECD

ECONOMIC INDICATORS

26th Nov 2024

External Sector		FY2024	FY2024 (Jul-Oct)	FY2025 (Jul-Oct)	% Change	FY2024 (Oct)	FY2025 (Oct)	% Change
Remittances ($ billion)		30.3	8.795	11.848	▲ 34.7%	2.463	3.052	▲ 23.9%
Exports-Goods FOB ($ billion)		31.0	9.671	10.508	▲ 8.7%	2.719	3.022	▲ 11.1%
Exports-Services FOB ($ billion)		7.9	2.409	2.601	▲ 8.0%	0.608	0.689	▲ 13.3%
Imports-Goods FOB ($ billion)		53.1	16.671	18.832	▲ 13.0%	4.383	4.608	▲ 5.1%
Imports-Services FOB ($ billion)		10.7	3.51	3.593	▲ 2.4%	0.814	0.95	▲ 16.7%
Current Account Deficit ($ million)		-1,695	-1,528	218	▲	-287	349	▲
FDI ($ million)		2,346	683.5	904.3	▲ 32.3%	163.3	133.2	▼ 18.4%
Portfolion Investment ($ million)		-383.8	14.3	185.7	▲	4.3	53.3	▲
Total Foreign Investment ($ million)		1,962.3	697.8	1090.0	▲ 56.2%	167.6	186.5	▲ 11.3%
Forex Reserves ($ Billion)	Total	14.6	12.489	16.017				
	SBP	9.4	7.386	11.041				
	Banks	4.2	5.103	4.976				
		(End June)	8-Nov-23	8-Nov-24				
Exchange Rate (PKR/US$)		278.3	286.50	277.80				
		(End June)	8-Nov-23	8-Nov-24				

Source: SBP

Fiscal Sector (Rs. Billion)	FY2024	FY2024 (Jul-Sep)	FY2025 (Jul-Sep)	% Change	FY2024 (Sep)	FY2025 (Sep)	% Change
FBR Revenue (Jul-Oct)	9,311	2,748.4	3,443	▲ 25.3%	706.8	880	▲ 24.5%
Non-Tax Revenue	3,183.8	468.8	3,051.4	▲ 551%			
Fiscal Balance	-7,207	-981	1,896	▲			
Primary Balance	953	399.4	3,202	▲			

Source: FBR & Budget Wing

Monetary Sector	FY2024	FY2024	FY2025
Credit to Private Sector (Flows)	364.2	-153.5	447.1
		1-Jul to 27-Oct	1-Jul to 25-Oct
Growth in M2 (percent)	16.1	-1.3	-1.9
		1-Jul to 27-Oct	1-Jul to 25-Oct
Policy Rate (percent)	20.5	22.0	15.0
	(End June)	30-Oct-23	4-Nov-24

Source: SBP

Real Sector	FY2024	FY2024	FY2025
CPI (National) %	23.4	26.8	7.2
		(Oct)	(Oct)
		28.4	8.7
		(Jul-Oct)	(Jul-Oct)
Large Scale Manufacturing (LSM) %	0.90	2.16	-1.92
		(Sep)	(Sep)
		-0.97	-0.76
		(Jul-Sep)	(Jul-Sep)

Source: PBS

Financial Sector	FY2024	FY2024	FY2025	% Change
PSX Index *	78445	58198	97798	▲ 68.0%
	30-Jun-24	22-Nov-23	22-Nov-24	
Market Capitalization (Rs trillion)	10.38	8.44	12.52	▲ 48.3%
	30-Jun-24	22-Nov-23	22-Nov-24	
Market Capitalization ($ billion)	37.28	29.62	45.06	▲ 52.1%
	30-Jun-24	22-Nov-23	22-Nov-24	
Incorporation of Companies (Jul-Oct)	26,939	10,101	10,904	▲ 7.9%

* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX & SECP