



## Economic Update

Pakistan's economy has demonstrated sustained recovery during first quarter of FY2025. Stability in both the fiscal and external sectors has been maintained, supported by significant financial inflows. Pakistan has received first tranche of US\$ 1.03 billion under IMF EFF programme, reinforcing macroeconomic stability. Moreover, successful hosting of SCO summit 2024 in Pakistan are paving the way for business and market confidence. In the wake of positive developments, the economy will continue to observe sustainable economic recovery in the coming months.

### The agricultural sector is benefiting from mechanization-based productivity

During FY2025 (Jul-Sep), imports of agricultural machinery increased by 115.9 percent to \$29.7 million. Urea offtake during Kharif 2024 recorded at 2,746 thousand tonnes while DAP offtake stood at 642 thousand tonnes.

Overall fertilizer production during Jul-Sep FY2025 increased by 3.7 percent to 2.45 mn tons compared to last year. During Kharif-2024, water availability remained satisfactory. During Jul-Aug FY2025, the production of wheat threshers increased by 22.8 percent compared to last year. All these factors will positively impact the growth of agriculture sector.

### LSM shows resilience, with monthly growth signaling recovery despite seasonal challenges

Large-Scale Manufacturing (LSM) on MoM basis observed a substantial growth of 4.7 percent in August 2024, reflecting the revival of economic activities. However, it has observed a slight dip of 0.2 percent during Jul-Aug FY2025, compared to 2.5 percent contraction in last year. During the period, 13 out of 22 sectors witnessed positive growth which includes, Textile, Food, Beverages, Wearing Apparel, Coke & Petroleum Products, Chemicals, Automobiles and Paper & Board. During Jul-Sep FY2025, the production and

sales of all vehicles witnessed the growth of 18.1 percent and 17.0 percent, respectively. Major growth drivers included, production of Cars increased by 29.9 percent, Trucks & Buses by 95.5 percent and Jeeps & Pick-ups by 34.1 percent. During Jul-Sep FY2025, total cement dispatches were 10.3 million tonnes, of which domestic dispatches stood at 8.1 million tonnes. Cement exports increased by 22.2 percent to 2.1 million tonnes. In September 2024, cement dispatches recorded at 3.5 million tonnes compared to 3.7 million tons last year. Whereby, local cement dispatches stood at 2.6 million tonnes and export dispatches rose by 71.5 percent, with volumes increasing to 978,871 tonnes.

### Box: 2024 SCO Summit in Pakistan

In October 2024, Pakistan hosted the Shanghai Cooperation Organization (SCO) Summit, marking a pivotal moment for regional economic integration. The summit brought together leaders from SCO member countries, including China, Russia, India, and Central Asian states, with a focus on strengthening regional trade, connectivity, and security cooperation. Pakistan emphasized expanding the China-Pakistan Economic Corridor (CPEC), deepening energy partnerships, and enhancing counter terrorism efforts through the Regional Anti-Terrorism Structure (RATS). Key agreements were reached on advancing gas pipeline projects with Russia and promoting the use of local currencies for trade. These initiatives are expected to boost Pakistan's trade capacity, attract foreign direct investment, and enhance energy security. The summit also focused on addressing climate change and ensuring food security aligned with the goal of sustainable growth, further improving the country's economic prospects by fostering long-term resilience and regional stability.

### **CPI inflation has been on a consistent decline, reaching 44 months low in September**

During Jul-September FY2025, CPI Inflation stood at 9.2% while it was 29.0% in the same period last year. YoY CPI Inflation in September 2024 was recorded at 6.9% - lowest level in 44 months, compared to 9.6% percent in the previous month and 31.4 percent in September 2023. On MoM basis, inflation decreased by 0.5% in September 2024 compared to an increase of 2.0 percent in the same month last year. The significant contributors of inflation are Perishable food items 20.4%, Housing, water, gas and fuel 20.9%, Health 13.7%, Clothing and foot wear 15.5% and Education 12.6%. The sensitive price index (SPI) witnessed a decline of 0.22% in the week ended on 24<sup>th</sup> October 2024. Within SPI, prices of 13 items increased, 10 decreased and 28 remained stable.

### **The fiscal sector continued to observe resilience, remaining on the path of consolidation**

During Jul-Aug FY2025, the net federal revenues grew by 20.8 percent to Rs 986.7 billion from Rs 816.6 billion same period last year. Both tax and non-tax revenues increased by 20.8 percent and 20.6 percent, respectively. The main contributor to non-tax revenues was the petroleum levy which surged by 19.6 percent to Rs 168.3 billion from Rs.140.7 billion last year.

Whereas total expenditures grew by 3.1 percent to Rs 1,635.5 billion during Jul-Aug FY2025 against Rs 1,585.7 billion last year. The mark-up expenditure declined by 6.3 percent owing to the gradual decline in the policy rate. Consequently, the fiscal deficit reduced to 0.7 percent of GDP as against 0.8 percent of GDP last year. Additionally, the primary balance recorded a surplus of 0.05 percent of GDP,

During Jul-Sep FY2025, the FBR net tax collection grew by 25.5 percent to Rs 2,562.9 billion as compared to Rs 2,041.5 billion same period last year. In September 2024, FBR collected 32.7 percent more taxes to reach Rs 1,107 billion from Rs 834 billion in September 2023.

### **The external account stability remained intact.**

The external account position improved due to notable increase in exports and remittances

notwithstanding increase in imports. During Jul-Sep FY2025, the current account deficit shrank to \$ 0.1 billion compared to \$ 1.2 billion last year. However, current account recorded surplus for the second consecutive month in September 2024. During Jul-Sep FY2025, goods exports increased by 7.8 percent, reaching \$ 7.5 billion, while imports recorded at \$ 14.2 billion, compared to \$ 12.3 billion in last year (15.7% increase). This has led to trade deficit of \$ 6.7 billion, up from \$ 5.3 billion last year. As per Pakistan Bureau of Statistics, the export commodities that registered notable positive growth include Rice (77.6%), Fruits and vegetables (17.4%), Knitwear (14.1%), Bedwear (13.3%), Readymade Garments (23.2%), and Chemicals & Pharma products (9.7%). The major imports which registered rise include Petroleum crude (51%), Liquefied Natural Gas (14.3%), Raw cotton (21.2%), Fertilizers (36.7%), Machinery (21.7%), and Iron & steel scrap (4.0%). The service exports grew to \$1.9 billion (5.9%, up) whereas imports declined to \$ 2.6 billion (3.3% down), resulting in a service trade deficit of \$ 0.7 billion compared to \$ 0.9 billion last year. IT exports grew by 33.5% to \$0.9 billion against \$ 0.7 billion last year. Foreign Direct Investment (FDI) stood at \$ 771 million, 48.2 percent up from the previous year. The main contributors were China (\$404 million), Hong Kong (\$99 million), and the UK (\$72.2 million). The power sector received net FDI of \$416 million, accounting for a 54% share, followed by Oil & Gas exploration with \$ 97 million (12.6% share). Moreover, Private Foreign Portfolio Investment (FPI) had a net outflow of \$ 22.8 million, while Public FPI recorded a net inflow of \$155.3 million. Workers' remittances recorded highest ever quarterly inflows of \$8.8 billion, marking 39% increase with the largest share from Saudi Arabia (24.5%). Pakistan's total liquid foreign exchange reserves were recorded at \$16.0 billion on October 18, 2024, with the State Bank of Pakistan's reserves at \$11.0 billion.

### **Monetary factors remain favorable for inflation and Pakistan Stock Market continues to trend upward**

During 1<sup>st</sup> July – 30<sup>th</sup> September, FY2025 money supply (M2) shows negative growth of 0.8 percent (Rs. -290.0 billion) compared to growth of 0.01 percent (Rs. 1.9 billion) last year. Within M2, both NFA and NDA contributed for deceleration in M2 growth. Private Sector Credit observed net retirement of Rs 127.6 billion against net retirement of Rs 194.5 billion during same period last year.

In September 2024, the KSE-100 index continued its bullish trend and closed at 81,114 points at month end. During the month, the KSE-100 index gained 2,626 points, while market capitalization increased by Rs 134 billion to settle at Rs 10,619 billion.

**Social safety nets have been further enhanced to reach deprived segments of society**

In September 2024, PPAF disbursed 24,913 interest-free loans amounting to Rs 1.2

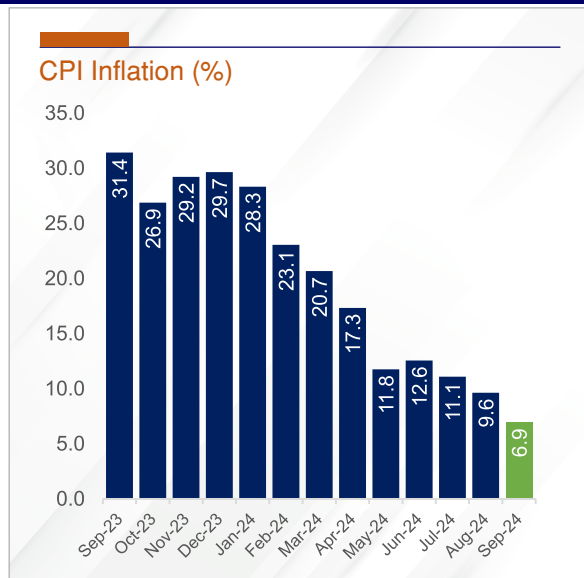
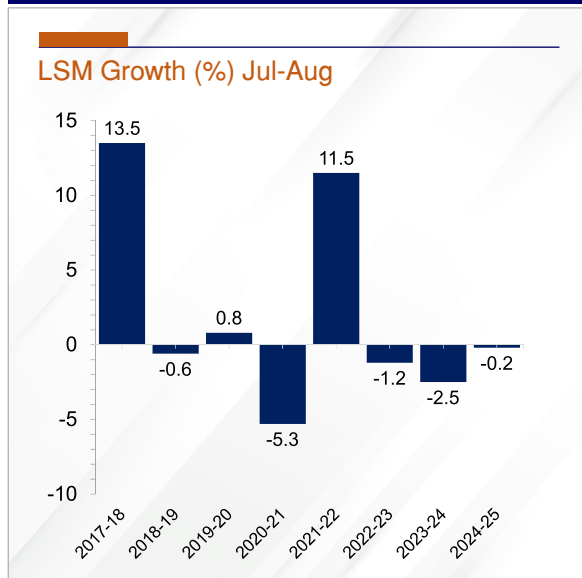
billion. Benazir Income Support Programme (BISP) and United Nations World Food Programme (WFP) have extended their partnership for another two years under the Benazir Nashonuma Programme. Under this initiative, Pregnant and Lactating Women (PLW) with boy child will receive Rs. 2,500 per quarter, while girl child will receive Rs. 3,000 per quarter. During September 2024, the Bureau of Emigration & Overseas Employment registered 65,116 workers for employment, compared to 70,143 in August, 2024.

## Economic Outlook

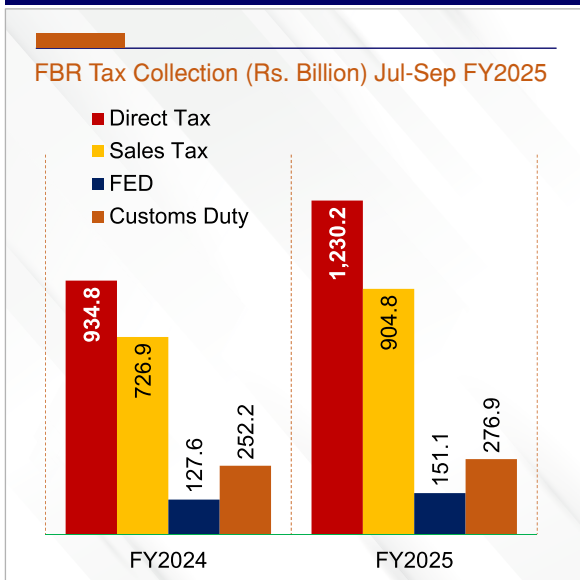
LSM continues to show mixed signals, with YoY growth remaining negative, yet MoM growth indicating signs of recovery. Industrial output is gradually stabilizing, and key sectors are beginning to ramp up production. Although challenges persist, particularly in the domestic market, the outlook remains cautiously optimistic. The positive monthly growth suggests momentum could gather in the coming months, supported by a favorable economic environment at both domestic and external fronts. Economic recovery will take advantage of declining inflation and continuation of fiscal consolidation in coming months. It is expected that inflation will remain within range of 6-7% in October and further down to 5.5 – 6.5% by November

2024. On the agriculture front, although the cotton production remains a concern, the sector's push toward mechanization and better resource management offers a promising outlook for FY2025. This trend aligns with the government's broader vision of promoting sustainable agricultural growth through technological advancement. External sector stability sustained during Q1 FY2025. Imports are reasonably increasing and providing impetus to economic recovery. Based on the currently observed trend, it is anticipated that in October 2024, the exports will remain within range of \$2.5-2.8 billion, imports \$4.5-4.9 billion and worker's remittances \$ 2.8-3.3 billion.

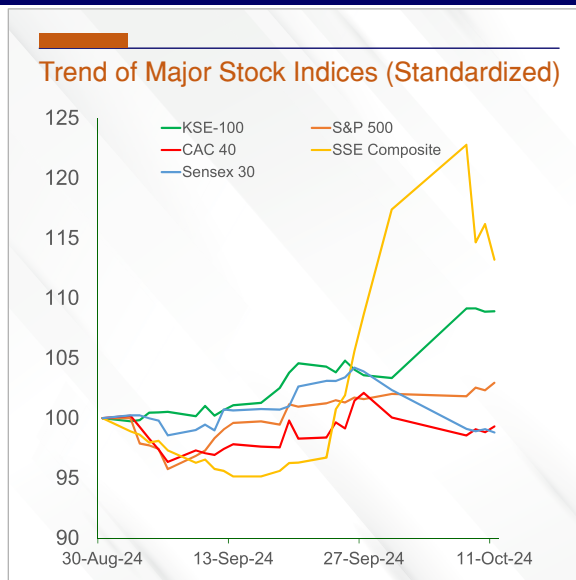
The large exporting sector (Textile) in LSM witnessed a positive growth during July-August. Inflation now is the lowest in 44 months.



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

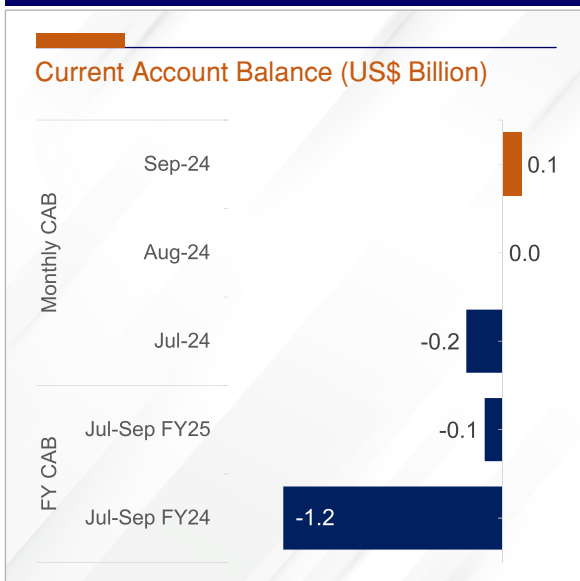


Source: FBR

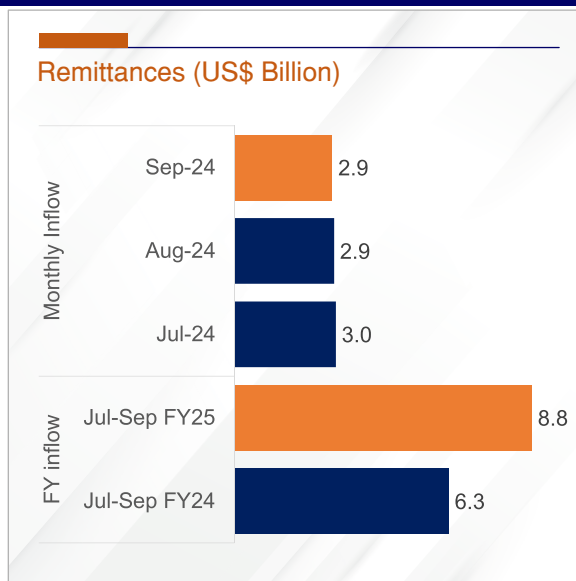


Source: PSX and Investing.com

Current account balance achieved surplus – for the second consecutive month in September - on the back of improved export earnings, and higher remittances.



Source: SBP



Source: SBP

## Global Economic Update and Outlook

According to World Economic Outlook (WEO) – IMF, October 2024 - global growth is projected to hold steady at 3.2 percent in 2024 and 2025. However, some economies are observing major revisions – US growth revised upward from July forecast by 0.2 pps to 2.8 percent, offsetting downgrades for some large EU countries. UK growth revised upward by 0.4 pps to 1.1 percent for 2024. However, China's growth downgraded to 4.8 percent by 0.2 pps. Global policy response

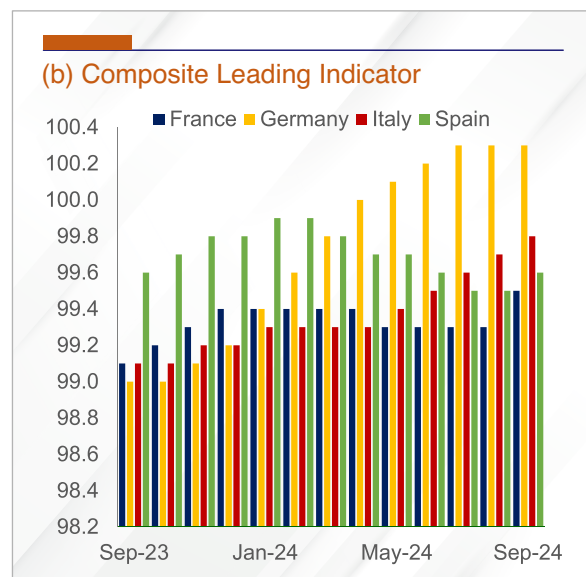
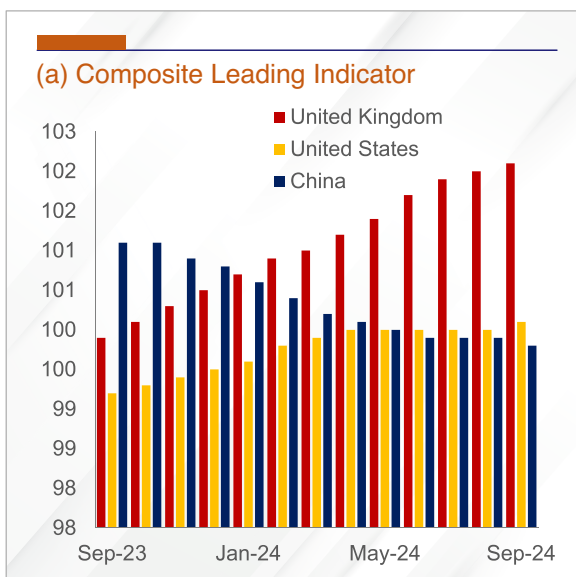
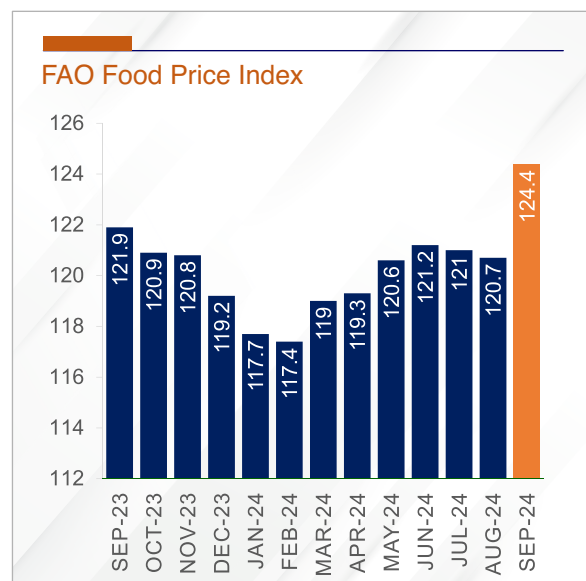
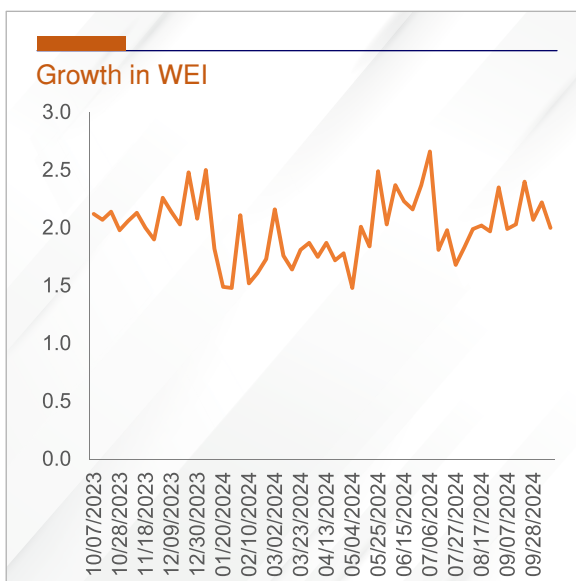
against inflationary pressures are providing desired dividends. After peaking at 9.4 percent on YoY basis in the third quarter of 2022, headline inflation rates are now projected to reach 3.5 percent by the end of 2025, below the average level of 3.6 percent between 2000 and 2019.

The J.P.Morgan Global Composite PMI – posted 52.0 in September, down from 52.8 in August. Service sector business activity

continued to grow at a solid pace, but contraction in manufacturing output signaled a wide divergence between the two sectors. Marked divergences were also evident among the major economies during September. The US, Japan, UK and Brazil all expanded at solid rates, but the euroarea, Canada, Russia and China showed signs of either contracting or stalling. Same situation is also evident through CLI position of Pakistan's main exports markets included US, UK, euroarea and China, all are observing same trend in September as compared to August, 2024.

The FAO Food Price Index (FFPI) stood at 124.4 points in September 2024, up 3 percent from August 2024 and 2.1 percent higher on YoY basis. Prices for all commodities included in the index strengthened.

US economy in recent months is showing moderate economic recovery. Fed last monetary policy decision (cut the policy rate by 50 bps to the target range of 4.75-5.0%, first rate reduction since 2020)- reflects a balance approach to its dual mandate of ensuring price stability and maximum sustainable employment. US job gains increased in September and unemployment rate fell to 4.1% from 4.2% in August. The annual inflation rate slowed to 2.4% in September 2024, the lowest since February 2021, from 2.5% in August. However, figures came above forecasts of 2.3%. Based on current economic indicators, it is expected that fed will further cut its benchmark rate by 0.25 percentage points in both November and December decisions. Better economic prospects and improved macroeconomic indicators are also evident through growth in WEI in recent weeks, hovering around 2-2.5%.



# ECONOMIC INDICATORS

30th Oct 2024

External Sector	FY2024	FY2024 (Jul-Sep)	FY2025 (Jul-Sep)	% Change	FY2024 (Sep)	FY2025 (Sep)	% Change
Remittances (\$ billion)	30.3	6.332	8.786	▲ 38.8%	2.208	2.849	▲ 29.0%
Exports FOB (\$ billion)	31.0	6.952	7.496	▲ 7.8%	2.438	2.645	▲ 8.5%
Imports FOB (\$ billion)	53.1	12.288	14.219	▲ 15.7%	3.928	4.691	▲ 19.4%
Current Account Deficit (\$ million)	1,695	1,241	98	▼ 92.1%	218	-119	Surplus
FDI (\$ million)	2,346	520.2	771.1	▲ 48.2%	213.3	385.1	▲ 80.5%
Portfolio Investment (\$ million)	-383.8	9.8	132.5	▲	-16.9	29.5	▲
Total Foreign Investment (\$ million)	1,962.3	530.1	903.5	▲ 70.4%	196.5	414.6	▲
Forex Reserves (\$ Billion)	Total	14.6	12.721	16.017			
	SBP	9.4	7.615	11.041			
	Banks	4.2	5.106	4.976			
	(End June)	18-Oct-23	18-Oct-24				
Exchange Rate (PKR/US\$)	278.30	280.29	277.62				
	(End June)	18-Oct-23	18-Oct-24				

Source: SBP

Fiscal Sector (Rs. Billion)	FY2024	FY2024 (Jul-Aug)	FY2025 (Jul-Aug)	% Change	FY2024 (Sep)	FY2025 (Sep)	% Change
FBR Revenue (Jul-Sep)	9,311	2,041.5	2,562.9	▲ 25.5%	834	1,107	▲ 32.7%
Non-Tax Revenue (Federal)	3,050.5	282.8	341.5	▲ 20.8%			
Fiscal Deficit	7,207	806.4	841.4	▲ 4.3%			
Primary Balance	953	144.8	49.4	▼ 65.9%			

Source: FBR &amp; Budget Wing

Monetary Sector	FY2024	FY2024	FY2025
Credit to Private Sector (Flows)	364.2	-247.8	-240.9
		1-Jul to 13-Oct	1-Jul to 11-Oct
Growth in M2 (percent)	16.1	-1.4	-1.8
		1-Jul to 13-Oct	1-Jul to 11-Oct
Policy Rate (percent)	20.5	22.0	17.5
	(End June)	14-Sep-23	12-Sep-24

Source: SBP

Real Sector	FY2024	FY2024	FY2025
CPI (National) %	23.4	31.4	6.9
		(Sep)	(Sep)
		29.0	9.2
Large Scale Manufacturing (LSM) %	0.90	0.21	-2.65
		(Aug)	(Aug)
		-2.53	-0.19
	(Jul-Aug)	(Jul-Aug)	

Source: PBS

Financial Sector	FY2024	FY2024	FY2025	% Change
PSX Index *	78445	50943	90864	▲ 78.4%
	30-Jun-24	29-Oct-23	29-Oct-24	
Market Capitalization (Rs trillion)	10.38	7.42	11.76	▲ 58.5%
	30-Jun-24	29-Oct-23	29-Oct-24	
Market Capitalization (\$ billion)	37.28	26.45	42.36	▲ 60.2%
	30-Jun-24	29-Oct-23	29-Oct-24	
Incorporation of Companies (Jul-Sep)	26,939	7,642	8,407	▲ 10.0%

\* : Formerly Karachi Stock Exchange (KSE)

Source: PBS, PSX &amp; SECP