QUARTERLY NATIONAL ACCOUNTS - EXPENDITURE SIDE

The Pakistan Bureau of Statistics (PBS) is responsible for national statistics coordination and data collection. Earlier, PBS released annual national accounts (ANA) based on the latest System of National Accounts (SNA 2008). In December 2023, PBS compiled the long-awaited Quarterly National Accounts (QNA) using the value-added approach. However, there remains a pressing need to develop and implement the measurement of Quarterly National Accounts from the expenditure side as well.

Measuring QNA from the expenditure side is essential because it captures the demand-side dynamics of the economy, such as household consumption, government spending, investment, and net exports. Understanding this is crucial for understanding short-term economic fluctuations, assessing the impact of fiscal and monetary policies, and making timely, evidence-based decisions. A complete QNA framework requires both production and expenditure perspectives to ensure robust and well-rounded macroeconomic analysis.

With technical assistance from the World Bank and in close consultation with key stakeholders, including the Ministry of Finance, the Ministry of Planning, Development and Special Initiatives (MoPD&SI), the State Bank of Pakistan, and the Pakistan Institute of Development Economics (PIDE), an agreed methodology was established for compiling quarterly estimates of GDP from the expenditure side. Based on this framework, the Pakistan Bureau of Statistics (PBS) initiated the compilation of these estimates on 30th December 2024.

Methodology

A detailed methodology of the Quarterly National Account is available on the PBS website[1].

Household Final Consumption Expenditure (HFCE): In the annual estimates, HFCE, constituting about 80 percent of the economy, is calculated using the residual approach, consistent with practices in regional economies such as India and Bangladesh. To align QNA with the Annual National Accounts (ANA) and capture seasonal consumption patterns, the same residual method is proposed for quarterly HFCE as in the annual accounts, with all other expenditure components directly taken from data sources or derived from indicators or benchmarking.

NPISH Final Consumption Expenditure: In Annual National Accounts, Non-Profit Institutions Serving Households (NPISH) consumption is extrapolated at current prices based on the nominal output of membership organizations and NGOs. Due to the lack of relevant quarterly indicators, its quarterly estimates are derived using the Denton (benchmarking) method.

General Government Final Consumption Expenditure: Quarterly estimates for General Government FCE are based on expenditures by federal, provincial, district, and local governments, including TMAs. These are sourced from consolidated quarterly fiscal operation reports compiled by the Ministry of Finance, excluding interest payments.

Gross Fixed Capital Formation (GFCF): GFCF is compiled by sectors, such as private,

[1]https://www.pbs.gov.pk/publication/methodology-note-quarterization-expenditure-side-gross-domestic-product

public, and general government, as well as by industry. The QNA methodology identifies indicators and deflators by sector and activity based on their contribution to GDP in 2015-16. The private sector holds the largest share at 75.95 percent, followed by the general government at 18.64 percent, and the public sector at 5.41 percent.

a. Private Sector (75.95%)

Agriculture, forestry, and fishing (19.41%): Based on weighted imports and domestic sales of agricultural machinery and commercial bank financing. Deflator: WPI (metal products, machinery & equipment).

Mining and quarrying (2.02%): Uses commercial bank financing data. Deflator: WPI (metal products, machinery & equipment).

Large Scale Manufacturing (13.57%): Based on company data. Deflator: WPI (food products, beverages & tobacco).

Small Scale & Slaughtering (1.94%): Estimated via commercial bank financing to SMEs. Deflator: WPI (food products, beverages & tobacco).

Electricity, Gas, & Water Supply (1.00%): Uses listed companies' data and bank financing. Deflator: WPI-General.

Construction (1.28%): Based on construction machinery imports. Deflator: WPI (building materials).

Wholesale & retail trade (4.65%): Uses bank financing. Deflator: WPI-General.

Accommodation & Food Services (1.61%): Based on bank financing. Deflator: WPI-General.

Transport & Storage (3.97%): Based on weighted volume indices, transport machinery imports, and bank financing. Deflator: WPI-General.

Information & Communication (2.79%): Based on weighted commercial bank financing and various data sources. Deflator: WPI-General.

Financial & Insurance Activities (1.06%): Based on listed companies' data. Deflator: WPI-General.

Education (11.25%): Uses student enrollment volume index. Deflator: WPI-General.

Health & Social Work (1.18%): Based on health personnel volume index. Deflator: WPI-General.

Other Private Services (3.97%): Based on a weighted volume index of various indicators like employment and financing. Deflator: WPI-General.

b. Public Sector (5.41%): Estimated using a weighted volume index of defense and administration expenditures. Deflator: Combined WPI-General and WPI (machinery & equipment).

c. General Government (18.64%): Estimated from development expenditures of the general government. Deflator: WPI-General.

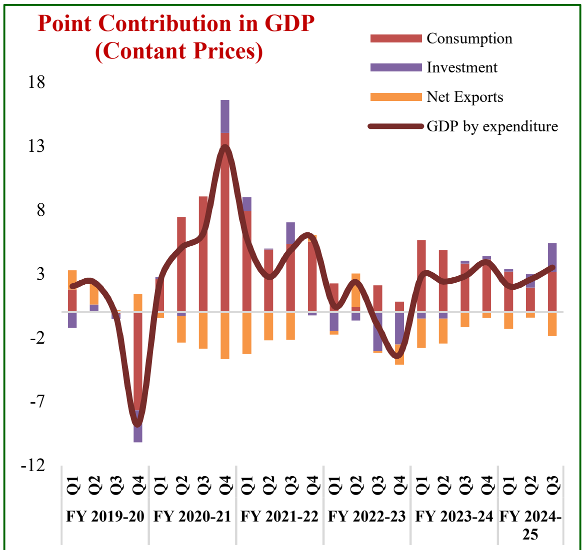
Changes in Inventories and Valuables: In ANA, inventories and valuables are estimated using a fixed annual percentage of GDP Market Price at 1.6 percent and 0.11 percent, respectively. Their quarterly estimates are derived through the Denton (benchmarking) method.

Exports and Imports of Goods and Services: Quarterly estimates for exports and imports follow the ANA approach and are sourced from the Balance of Payments data compiled by the State Bank of Pakistan.

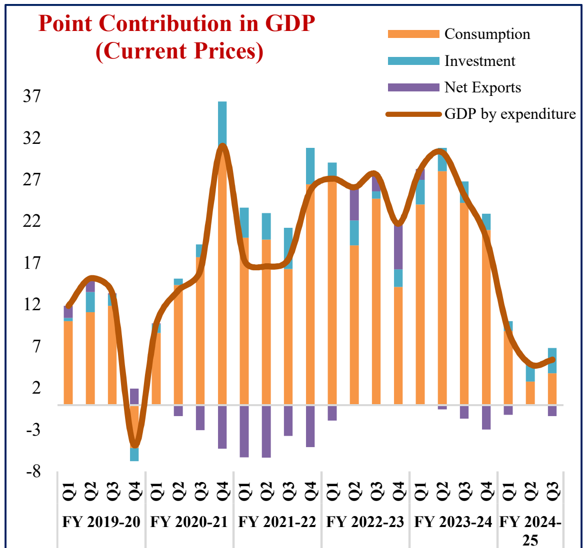
Analysis

From the expenditure side, GDP is calculated as the sum of Consumption, Investment, Government Spending, and Net Exports, where Net Exports are defined as Exports of goods and non-factor services minus Imports of goods and non-factor services. According to the Pakistan Bureau of Statistics (PBS), GDP is the sum of Consumption, Investment (GFCF), and Net Exports. Consumption is divided into Household Final Consumption Expenditure, NPISH (Non-Profit Institutions Serving Households) Final

Consumption Expenditure, and General Government Final Consumption Expenditure. Investment is classified into Gross Fixed Capital Formation (GFCF), and Changes in Inventories and Valuables. Gross Fixed Capital Formation is further broken down into Private GFCF, Public GFCF, and General Government GFCF. Thus, for brief analysis, the usual "Government" component is embedded within both the Consumption and Investment categories.



Source: Pakistan Bureau of Statistics



Source: Pakistan Bureau of Statistics

The graphs depict the quarterly point contribution of expenditure components to GDP at constant and current prices. At constant prices (left), consumption remains the dominant and stable contributor to real GDP, while net exports and investment show periodic spikes, especially during FY 2021. At current prices (right), contributions appear more volatile and inflated due to differential price effects. Consumption consistently drives GDP, while investment and net exports introduce variability, especially at current prices.

Table 1: Average Share of Components in GDP: FY 2016-25 (%)

	Q1	Q2	Q3	Q4
Household final consumption expenditure	96.2	92.6	92.3	84.0
NPISH final consumption expenditure	1.1	1.0	1.1	1.1
General government final consumption expenditure	9.0	11.2	11.1	15.7
Gross fixed capital formation	13.1	14.2	13.9	18.9
Changes in inventories	1.8	1.8	1.8	1.8
Valuables	0.1	0.1	0.1	0.1
Exports of goods and non-factor services	10.1	10.4	10.5	10.2
Less imports of goods and non-factor services	20.3	20.2	19.7	20.7

Source: Pakistan Bureau of Statistics

The average consumption share is the highest in Q1 (96.2%), led by strong household spending, which gradually declines through the quarters, reaching its lowest in Q4 (84.0%). Government consumption increases steadily, peaking in Q4 (15.7%), indicating fiscal activity toward year-end, primarily driven by development expenditure. Investment, particularly gross fixed capital formation, fluctuates but attains its highest share in Q4 (18.9%). Exports remain relatively stable across all quarters (almost 10%), while imports slightly dip in Q3 and rise again in Q4, averaging around 20 percent. Overall, Q1 is driven by private consumption, whereas Q4 reflects heightened public spending and investment.

Growth Comparison: FY 2024 and FY 2025

The Pakistan Bureau of Statistics (PBS) recently released the Quarterly National Accounts (QNA) data for Q3 of FY 2025 on both the Production and Expenditure sides, alongside the Annual National Accounts. The updated data provides insights into the evolving structure of GDP by expenditure components.

Table 2: Growth Rate Comparison FY 2024 & FY 2025* (%)

Description	FY 2024			FY 2025		
	Q1	Q2	Q3	Q1	Q2	Q3
Household final consumption expenditure	6.3	5.3	5.9	2.4	1.5	(0.2)
NPISH final consumption expenditure	3.4	0.3	1.7	12.1	14.9	16.0
General government final consumption expenditure	(4.9)	1.4	(17.1)	10.3	4.3	40.4
Gross fixed capital formation	(6.2)	(5.1)	2.3	1.4	10.1	23.2
Changes in inventories	3.7	1.3	1.5	4.6	5.3	6.3
Valuables	3.7	1.3	1.5	4.6	5.3	6.3
Exports of goods and non-factor services	(1.1)	(0.7)	(4.8)	(5.8)	0.6	4.1
Less imports of goods and non-factor services	9.2	8.9	2.9	2.9	2.2	9.7
GDP by expenditure	2.8	2.4	2.8	2.0	2.6	3.5

*: QGDP Expenditure at Constant Prices

Source: Pakistan Bureau of Statistics

In FY 2024, growth was primarily driven by household consumption, which remained robust across Q1-Q3 (5.3%-6.3%), while government consumption was volatile, especially in Q3 (-17.1%). Gross fixed capital formation showed weak performance in Q1 and Q2 but recovered to 2.3 percent in Q3. Exports growth remained negative throughout, while imports grew strongly, especially in Q1 and Q2, supporting GDP.

In contrast, FY 2025 shows a shift in growth composition. Household consumption growth weakened significantly, turning negative in Q3 (-0.2%), while NPISH and government consumption surged, particularly in Q3 (16.0% and 40.4%, respectively), indicating greater reliance on public and nonprofit sector spending. Investment showed strong recovery, with gross fixed capital formation accelerating from 1.4 percent in Q1 to 23.2 percent in Q3. Exports also improved gradually, turning positive by Q3 (4.1%), while import growth moderated. As a result, overall GDP growth in FY 2025 improved steadily each quarter, peaking at 3.5 percent in Q3, compared to a flatter trend in the previous year. Several key factors supported this growth. In Q1, easing monetary policy by the SBP, reducing the policy rate by 1100 basis points, stimulated private sector investment. The credit to the Private sector increased from Rs 307.8 billion to Rs 830.9 billion, showing a growth of 169.9 percent during July-March FY 2025. In contrast, the Private sector credit to manufacturing witnessed extraordinary growth of 72.4 percent, with working capital loans expanding from Rs 286.1 billion to Rs 493.1 billion. Subsequent quarters benefited from improved business sentiment, better project implementation under the PSDP, and stability in input costs. Additionally, a pickup in construction and industrial activities, alongside stronger public sector development spending, further boosted capital formation.

Concluding Remarks

With PBS already compiling Quarterly National Accounts (QNA) from the production side, the addition of expenditure-side QNA provides a more comprehensive understanding of economic dynamics. While the production side captures the supply of goods and services, the expenditure side offers insights into the demand drivers: consumption, investment, government spending, and net exports. This dual approach enhances the accuracy of short-term economic assessments, supports better-informed policy decisions, and aligns Pakistan's national accounting practices with international standards.

Analyzing the Quarterly National Accounts (QNA) for FY 2025 reveals the need for decisive structural reforms to sustain and accelerate economic recovery. The data show an enormous rebound in gross fixed capital formation, particularly in Q3, reflecting a strong pickup in investment activity. In contrast, the slower growth in household consumption is not a sign of weak consumer confidence but rather a residual effect, as stronger growth in investment and government spending adjusts its relative share. Crucially, sustainable private investment cannot rely solely on supportive fiscal and monetary policies, which risks macroeconomic imbalances. Instead, a comprehensive reform agenda is required. The sharp increase in government consumption in Q3 reflects an active fiscal stance that must be balanced with long-term efficiency. Volatile trade patterns further highlight the urgency of boosting external competitiveness and pursuing import substitutions where viable. Current policy measures are aligned with the URAAN Pakistan, which emphasizes timely economic monitoring and data-driven reforms to achieve resilient, inclusive, and sustainable growth.