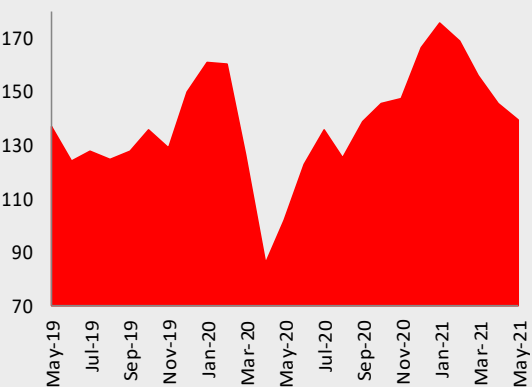


**PAKISTAN**



Quantum Index of Manufacturing



Source: PBS, Foundation Research, Jul 2021

Sector	Weight	May-21	May-20	11MFY21	11MFY20
Textile	20.9%	48.3%	-30.7%	15.6%	-10.7%
Food, Bev. & Tbco.	12.4%	14.5%	0.7%	11.7%	-3.2%
Coke & Petroleum	5.5%	4.2%	-18.2%	16.2%	-20.9%
Iron & Steel Prod.	5.4%	39.7%	-31.2%	14.1%	-17.0%
Non Metallic Min.	5.4%	48.4%	-38.0%	26.1%	-3.9%
Automobiles	4.6%	409.4%	-79.8%	47.8%	-45.6%
Fertilizers	4.4%	13.3%	3.8%	7.0%	5.6%
Pharmaceuticals	3.6%	15.2%	3.6%	12.2%	-4.5%
Paper & Board	2.3%	14.8%	-16.5%	3.2%	0.7%
Electronics	2.0%	283.1%	-81.8%	-5.8%	-28.2%
Chemicals	1.7%	28.9%	-14.7%	18.8%	4.9%
Leather Products	0.9%	64.8%	-53.8%	-29.1%	-6.1%
Wood Products	0.6%	126.5%	-90.4%	-37.8%	-39.0%
Engineering Prod.	0.4%	88.4%	-57.6%	-15.6%	-17.4%
Rubber Products	0.3%	-25.4%	-11.8%	-14.1%	2.9%
<b>Total</b>		<b>36.8%</b>		<b>14.6%</b>	

Source: PBS, Foundation Research, Jul 2021

**Analyst**

Zeeshan Azhar                      zeeshan@fs.com.pk  
+92 213 5612290                      Ext 331

Foundation Securities (Pvt) Ltd  
Wednesday, July 14, 2021

# Large Scale Manufacturing

## Low base results in high growth

### LSM grew by 36.8% YoY in May'21

LSM grew/declined by 36.8/3.9% YoY/MoM during May'21 on the back of recovery in economic activity and a low base give lockdown last year. This takes 11MFY21 growth to 14.6% YoY. MOI/BOS indices grew by 45.1/29.6% YoY while OCAC increased by 4.2% YoY. Growth on YoY basis was seen in Textile (↑48.3%), Food Beverage & Tobacco (↑14.5%), Coke & Petroleum (↑4.2%), Iron & Steel (↑39.7%), Non Metallic Minerals (↑48.4%), Autos (↑409.4%), Fertilizers (↑13.3%), Pharmaceuticals (↑15.2%), Paper & Board (↑14.8%), Electronics (↑283.1%), Chemicals (↑28.9%), Leather (↑64.8%), Wood (↑126.5%), and Engineering (↑88.4%). Whereas YoY decline was observed in Rubber (↓25.4%).

### Automobiles, NMM, Iron/Steel and Electronics boosted the Index

Autos registered staggering growth of 5.1 times YoY on the back of 19.4 times YoY growth in Jeeps and Cars. Improving macro indicators, reduction in taxes and low auto financing cost would keep demand strong and allow the sector to grow going forward.

NMM jumped by 48.4% YoY due to 48.4% YoY rise in cement production as dispatches increased by 64.9/45.2% YoY in South/North market. This was primarily because of low base effect and robust domestic demand on the back of extension in incentives for construction sector announced by the Gov't.

Electronics rose by 283.1% YoY due to whopping increase in refrigerators/deepfreezers/air conditioners/electric fans/ electric motors by 16.0/7.4/7.3/6.8/4.0 times YoY given low base effect. We expect arrival of summer would result in further increase in sales of consumer electronics.

### Textile, Pharmaceuticals, Chemical and Petrol increased

Textile sector grew by 48.3% YoY on the back of 41% YoY increase in exports during May'21 due to low base effect. Looking ahead, we are optimistic as export markets have recovered amid mass vaccinations despite persistence of COVID globally.

Pharmaceuticals grew by 15.2% YoY given 6.8/23.9/15.4/25.0% YoY increase in Tablets/Syrups/Capsules/Injections. This growth was largely due to low base effect. Chemicals increased by 28.9% YoY due to paints (solid)/paints (liquid)/hydrochloric acid/sulphuric acid inclining by 142.3/66.4/55.4/91.4% YoY. We expect the sector to report growth going forward on the back of continued upswing in industrial and construction activity.

Coke and Petroleum inclined by 4.2% YoY as furnace oil increased by 5.6% YoY whereas MS/HSD depicted decline of 0.1/13.5% YoY given (1) higher domestic oil and gas production and (2) improved margins for furnace oil.

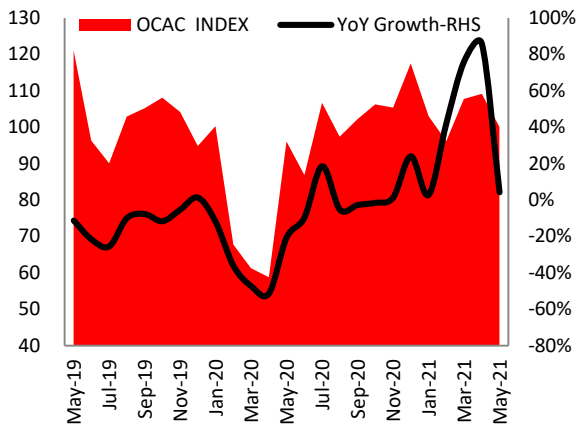
### FBT and Leather also inclined

FBT increased by 14.5% YoY due to 79.3/30.8/23.6% YoY incline in starch and its products/cooking oil/soft drinks due to low base effect. Leather products rose by 64.8% YoY due to 2.9 times YoY incline in upper leather attributed to recovery in export markets.

### Outlook

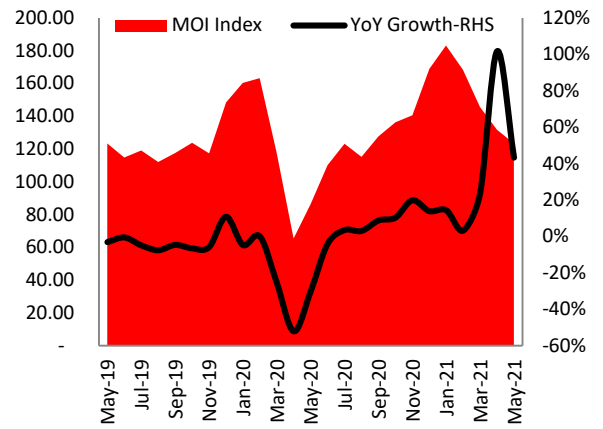
We believe that the index would maintain its upward trajectory but at a more subdued pace in FY22 given (1) accelerating economic growth and (2) accommodative economic policies of the Gov't.

**Fig 01: Monthly OCAC Index and YoY Growth Rate**



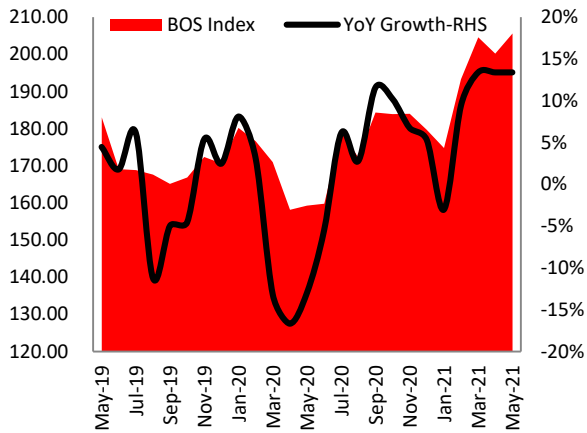
Source: PBS, Foundation Research, July 2021

**Fig 02: Monthly MOI Index and YoY Growth Rate**



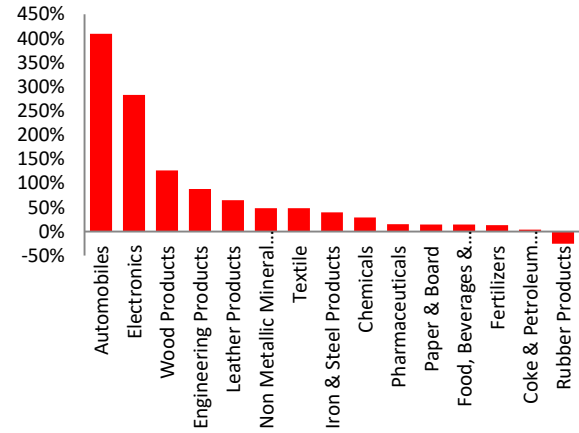
Source: PBS, Foundation Research, July 2021

**Fig 03: Monthly BOS Index and YoY Growth Rate**



Source: PBS, Foundation Research, July 2021

**Fig 04: Growth rate of various sectors during May'21**



Source: PBS, Foundation Research, July 2021

**Abbreviations**

OCAC	Oil companies advisory committee
MOI	Ministry of Industries
BOS	Bureaus of statistics
FBT	Food Beverages and Tobacco
NMM	Non Metallic Mineral Products
MoM	Month on Month
YoY	Year on Year
MS	Motor Spirit
HSD	High Speed Diesel
FO	Furnace Oil
FY	Fiscal year
PCs	Passenger Cars
LCVs	Light Commercial Vehicle
RLNG	Re-Liquefied Natural Gas
LNG	Liquefied Natural Gas
Gov't	Government

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If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.