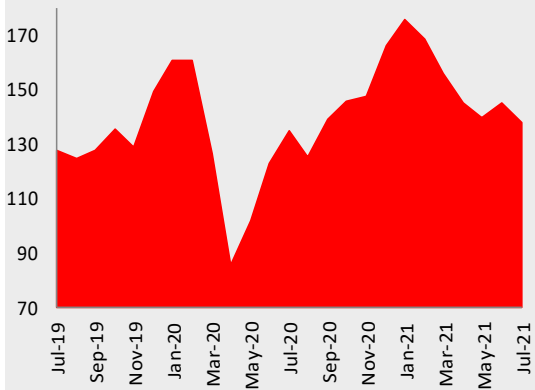


PAKISTAN



Quantum Index of Manufacturing



Source: PBS, Foundation Research, Sept 2021

Sector	Weight	Jul-21	Jul-20
Textile	20.9%	1.2%	1.7%
Food, Bev. & Tbc.	12.4%	0.6%	25.3%
Coke & Petroleum	5.5%	-3.6%	18.3%
Iron & Steel Prod.	5.4%	11.3%	-11.1%
Non Metallic Min.	5.4%	-10.4%	29.0%
Automobiles	4.6%	44.6%	-24.9%
Fertilizers	4.4%	3.5%	-5.1%
Pharmaceuticals	3.6%	10.0%	20.5%
Paper & Board	2.3%	-8.8%	-4.7%
Electronics	2.0%	1.4%	-23.9%
Chemicals	1.7%	13.6%	8.5%
Leather Products	0.9%	11.7%	-44.9%
Wood Products	0.6%	24.2%	-70.5%
Engineering Prod.	0.4%	5.6%	-43.1%
Rubber Products	0.3%	-33.5%	3.1%
Total		2.3%	

Source: PBS, Foundation Research, Sept 2021

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Foundation Securities (Pvt) Ltd
Thursday, September 16, 2021

Large Scale Manufacturing Growth moderates amid Eid holidays

LSM grew by 2.25% YoY in July'21

LSM grew/declined by 2.25/4.91% YoY/MoM during July'21 on the back of recovery in economic activity but declined sequentially given Eid holidays during July'21. MOI/BOS indices grew by 0.9/1.6% YoY while OCAC index fell by 0.2% YoY. Growth on YoY basis was seen in Textile (↑1.2%), Food Beverage & Tobacco (↑0.6%), Iron & Steel (↑11.3%), Autos (↑44.6%), Fertilizers (↑3.5%), Pharmaceuticals (↑10.0%), Electronics (↑1.4%), Chemicals (↑13.6%), Leather (↑11.7%), Wood (↑24.2%), Engineering (↑5.6%). Whereas YoY decline was observed in Coke & Petroleum (↓3.6%), Non Metallic Minerals (↓10.4%), Paper & Board (↓8.8%), and Rubber (↓33.5%).

Automobiles, Iron/Steel and Electronics boosted the Index

- Autos registered growth of 44.6% YoY on the back of 92.2/66.2/8.2% YoY growth in Jeeps and Cars/LCV/Motorcycles. Improving macro indicators, reduction in taxes and low auto financing cost would keep demand strong and allow the sector to grow.
- Electronics rose by 1.4% YoY as increase in switch gears/refrigerators/storage batteries / air conditioners / electric fans / electric meters of 162.7/68.7/29.8/15.9/9.4/8.6% YoY was balanced by declines in electric bulbs/deepfreezers/electric transformers/TV sets of 58.5/35.2/17.3/13.1% YoY.

Textile, FBT, Pharmaceuticals and Chemicals increased

- Textile sector grew by 1.2% YoY on the back of 16% YoY increase in exports during July'21 as economic recovery continued to accelerate. Looking ahead, we are moderately optimistic as export markets have recovered amid mass vaccinations despite persistence of COVID globally.
- FBT increased by 0.6% YoY due to 32.3/13.8/8.4/5.2% YoY incline in tea/juices, syrups and squash/soft drinks/cooking oils whereas starch and its products/wheat and grain milling declined by 15.0/1.3% YoY.
- Pharmaceuticals grew by 10.0% YoY given 86.7% YoY increase in Syrups was balanced by Tablets/Capsules/Injections declining by 24.1/18.4/36.5% YoY. Chemicals rose by 13.6% YoY due to 110.5/18.0/2.0% YoY incline in sulphuric acid/chlorine/hydrochloric acid attributed to economic recovery.

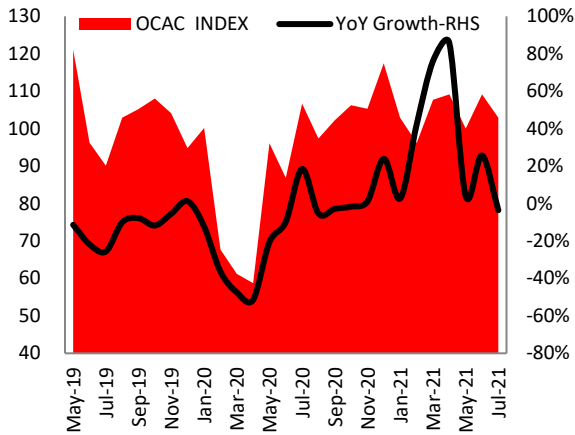
Petroleum and NMM declined

- Coke and Petroleum declined by 3.6% YoY as furnace oil/HSD/MS fell by 15.5/5.3/1.2% YoY given lower run rate of refineries.
- NMM fell by 10.4% YoY due to 10.0% YoY decline in cement production as dispatches decreased by 31.9/14.9% YoY in South/North market. This was due to slowdown in construction activities given lower labour availability due to Eid holidays and more than usual rainfall during the month. Moreover, exports witnessed substantial decline of 48.8% YoY on the back of higher freight charges.

Outlook

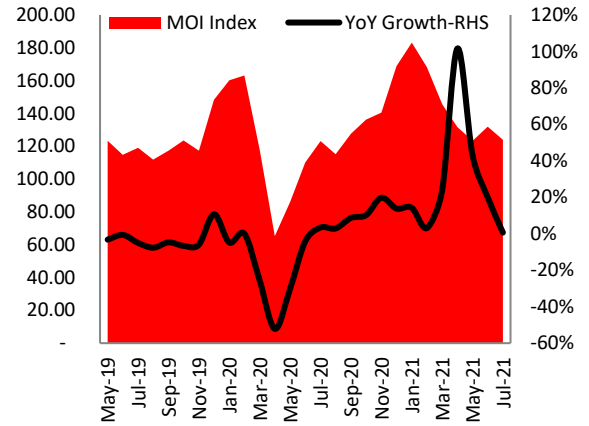
We expect LSM growth would be 7-9% in FY22 on the back of (1) persistence of economic growth given declining impact of COVID globally, (2) expansionary fiscal policy including enhanced development spending and (3) continuation of incentives to construction sector. However, prolongation of high int'l commodity prices poses a risk to our outlook.

Fig 01: Monthly OCAC Index and YoY Growth Rate



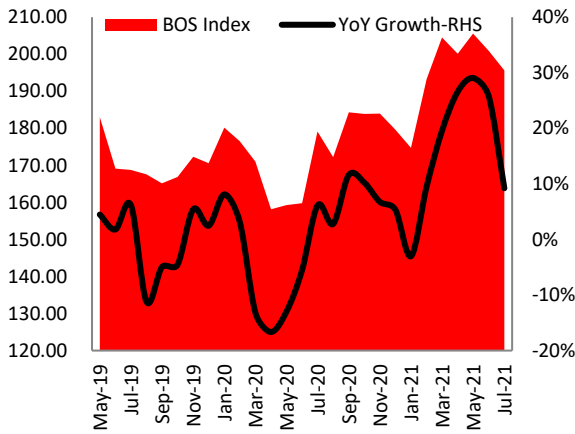
Source: PBS, Foundation Research, Sept 2021

Fig 02: Monthly MOI Index and YoY Growth Rate



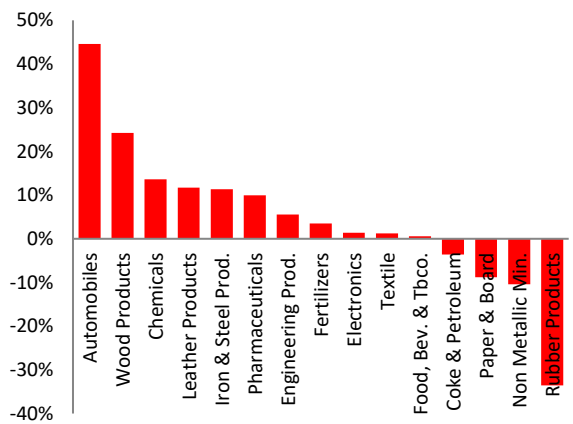
Source: PBS, Foundation Research, Sept 2021

Fig 03: Monthly BOS Index and YoY Growth Rate



Source: PBS, Foundation Research, Sept 2021

Fig 04: Growth rate of various sectors during July'21



Source: PBS, Foundation Research, Sept 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

Important disclosures:

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