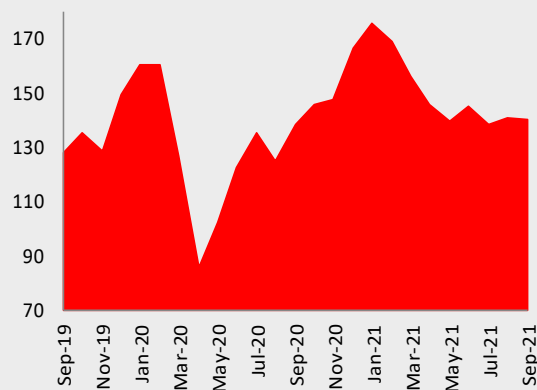


## PAKISTAN



Quantum Index of Manufacturing



Source: PBS, Foundation Research, Nov 2021

Sector	Weight	Sep-21	Sep-20
Textile	20.9%	-0.2%	2.9%
Food, Beverages & Tobacco	12.4%	-3.2%	11.5%
Coke & Petroleum Products	5.5%	9.6%	-3.8%
Iron & Steel Products	5.4%	12.7%	-3.2%
Non Metallic Mineral Products	5.4%	-2.5%	20.7%
Automobiles	4.6%	23.7%	27.6%
Fertilizers	4.4%	-6.1%	7.9%
Pharmaceuticals	3.6%	-0.6%	22.8%
Paper & Board	2.3%	18.2%	-0.1%
Electronics	2.0%	-12.6%	-12.3%
Chemicals	1.7%	-0.5%	10.6%
Leather Products	0.9%	4.4%	-40.2%
Wood Products	0.6%	-12.5%	-58.0%
Engineering Products	0.4%	-2.6%	-33.0%
Rubber Products	0.3%	-32.8%	15.4%
		<b>1.2%</b>	

Source: PBS, Foundation Research, Nov 2021

## Analyst

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

Foundation Securities (Pvt) Ltd  
 Friday, November 19, 2021

# Large Scale Manufacturing Growth weakens amid moderating demand

## LSM grew by 1.19% YoY in Sept'21

LSM witnessed growth/decline of 1.19/0.72% YoY/MoM during Sept'21 as economic growth has weakened given moderating domestic demand restricting 1QFY22 growth to 5.2% YoY. During Sept'21, MOI/OCAC indices grew by 1.4/0.5% YoY while BOS index fell by 0.8% YoY. Growth on YoY basis was seen in Coke & Petroleum (↑9.6%), Iron & Steel (↑12.7%), Autos (↑23.7%), Paper & Board (↑18.2%) and Leather (↑4.4%). Whereas YoY decline was observed in Textile (↓0.2%), Food Beverage & Tobacco (↓3.2%), Non Metallic Minerals (↓2.5%), Fertilizers (↓6.1%), Pharmaceuticals (↓0.6%), Electronics (↓12.6%), Chemicals (↓0.5%), Wood (↓12.5%), Engineering (↓2.6%) and Rubber (↓32.8%).

## Automobiles, Petroleum and Iron/Steel boosted the Index

Autos registered growth of 23.7% YoY on the back of 57.5/81.4/142.9% YoY growth in Jeeps and Cars/LCV/Trucks. Improving macro indicators, reduction in taxes and low auto financing cost would keep demand strong and allow the sector to grow.

Coke and Petroleum inclined by 9.6% YoY as furnace MS/HSD/furnace oil were up by 11.6/3.6/0.9% YoY given higher run rate of refineries. Iron and Steel grew by 12.7% YoY given that billets/ingots inclined by 15.3% YoY and HRC/CRC were up by 9.6% YoY.

## FBT and Textile decreased

FBT decreased by 3.2% YoY due to 6.6/4.8/2.5/2.3% YoY decline in soft drinks/wheat and grain milling/starch/vegetable ghee attributable to moderating domestic demand. Whereas tea/cooking oil inclined by 28.2/3.3% YoY.

Textile sector registered decline of 0.2% YoY despite cotton yarn/cotton cloth increasing by 1.0/0.2% YoY. Looking ahead, we are optimistic as export markets are projected to continue growing along with strong demand for Pakistani textiles given currency depreciation.

## NMM, Pharma and Chemicals also declined

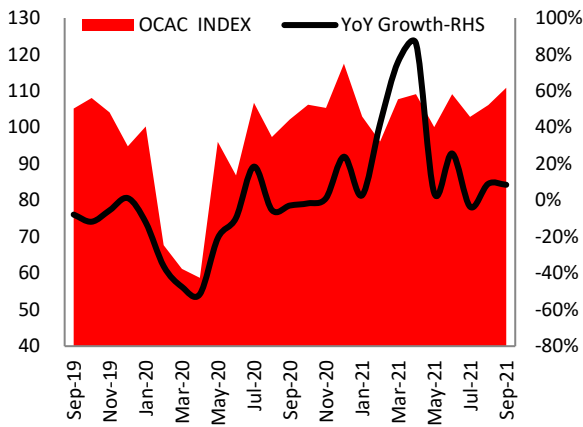
NMM fell by 2.5% YoY due to 12.2% YoY decline in cement production as dispatches decreased by 1.9/49.4% YoY in domestic/export markets. This was due to (1) slowdown in domestic demand given significant increase in construction material cost, (2) lower exports in north region amid change of Gov't in Afghanistan and, (3) decline in south region exports due to higher freight charges and decline in realized export prices.

Pharmaceuticals declined by 0.6% YoY given that tablets/capsules/injections/ointments declined by 37.8/39.6/30.4/2.5% YoY. Whereas syrups increased by 85.2% YoY. Chemicals witnessed decline of 0.5% YoY due to 7.9/15.2/9.1% YoY decline in paints (s)/paints (l)/hydrochloric acid attributed to moderating domestic demand.

## Outlook

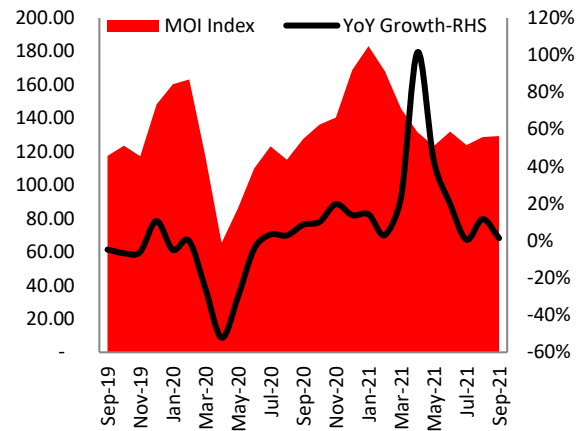
We expect LSM growth would be 4% in FY22 on the back of moderating economic growth given (1) global supply chain snarls causing higher domestic and global inflation, (2) prolongation of high int'l oil/commodity prices, (3) higher Rs-US\$ depreciation and (4) curtailment of gas to industry during the coming winter.

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



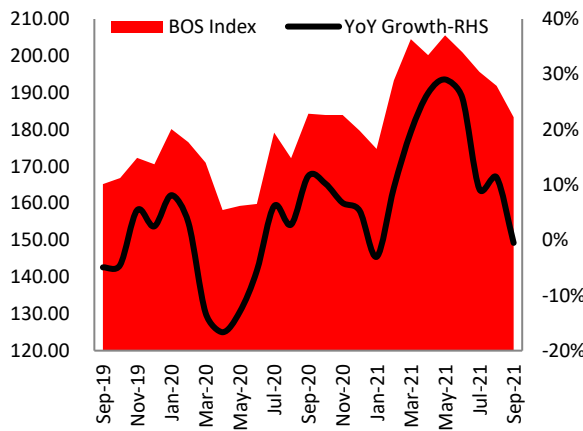
Source: PBS, Foundation Research, Nov 2021

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



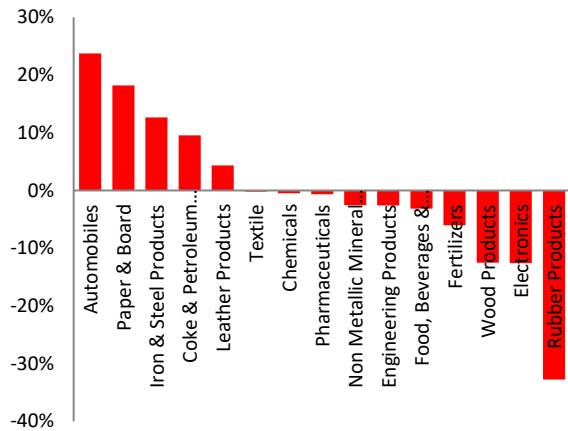
Source: PBS, Foundation Research, Nov 2021

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



Source: PBS, Foundation Research, Nov 2021

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



Source: PBS, Foundation Research, Nov 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:**

**Disclaimer:** This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

**Research Dissemination Policy:** Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

**Target price risk disclosures:** Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

**Analyst certification:** The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

**Recommendations definitions**

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