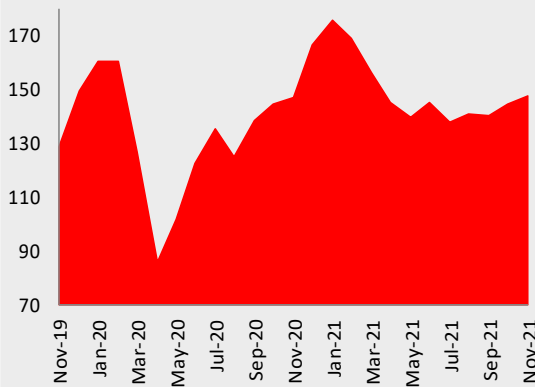


PAKISTAN



Quantum Index of Manufacturing



Source: PBS, Foundation Research, Jan 2022

Sector	Weight	Nov-21	Nov-20
Textile	20.9%	1.0%	3.2%
Food, Beverages & Tobacco	12.4%	-7.8%	59.3%
Coke & Petroleum Products	5.5%	-5.5%	0.7%
Iron & Steel Products	5.4%	30.2%	3.4%
Non Metallic Mineral Products	5.4%	8.3%	12.0%
Automobiles	4.6%	20.3%	44.7%
Fertilizers	4.4%	-3.7%	9.2%
Pharmaceuticals	3.6%	-17.0%	7.7%
Paper & Board	2.3%	5.0%	-2.7%
Electronics	2.0%	-10.1%	2.4%
Chemicals	1.7%	14.2%	9.0%
Leather Products	0.9%	-1.2%	-40.7%
Wood Products	0.6%	385.4%	-55.0%
Engineering Products	0.4%	3.9%	-27.1%
Rubber Products	0.3%	-27.3%	7.3%
		0.3%	

Source: PBS, Foundation Research, Jan 2022

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Foundation Securities (Pvt) Ltd
 Monday, January 24, 2022

Large Scale Manufacturing Growth momentum slowing

LSM grows by 0.3% YoY in Nov'21

LSM witnessed growth of 0.3% YoY (up 1.9% MoM) during Nov'21 as the growth momentum seems to be slowing amid moderating domestic demand. Thus restricting 5MFY22 growth to 3.3% YoY. During Nov'21, MOI index grew by 3.5% YoY while OCAC/BOS index fell by 5.5/6.4% YoY. Sectors which continued to power ahead YoY were Textile (↑1.0%), Iron & Steel (↑30.2%), Non Metallic Minerals (↑8.3%), Autos (↑20.3%), Paper & Board (↑5.0%), Chemicals (↑14.2%), Wood (↑385.4%) and Engineering (↑3.9%). Whereas YoY decline was observed in Food Beverage & Tobacco (↓7.8%), Coke & Petroleum (↓5.5%), Fertilizers (↓3.7%), Pharmaceuticals (↓17.0%), Electronics (↓10.1%), Leather (↓1.2%), and Rubber (↓27.3%).

Pakistan Bureau of Statistics has also undertaken rebasing of the Quantum Index of Large Scale Manufacturing from 2005-06 to 2015-16. However, it has released the Nov'21 LSM index on the old base only. In the rebased index, PBS has increased the cumulative weight from 70.3% to 78.4% and increased number of items from 112 to 123 (see Table 1, 2 and 3 below). This allows for addition of items due to advancement in technology and removal of items which have become obsolete.

Automobiles and Textile showed growth

Autos registered growth of 20.3% YoY on the back of 21.0/45.6/44.3/22.8% YoY growth in Tractors/Trucks/Jeeps and Cars/LCV. Whereas, Buses/Motorcycles dragged by 39.7/4.6% YoY. Going forward, the sector is expected to come under pressure as interest rate hikes and recent price increases would dissipate growth for autos.

Textile sector registered growth of 1.0% YoY. Looking ahead, we are optimistic as export markets are projected to continue growing despite COVID resurgence along with strong demand for Pakistani textiles given recent currency depreciation.

Iron/Steel, Non Metallic Minerals and Chemicals also increased

Iron and Steel grew by 30.2% YoY given that billets/ingots inclined by 52.5% YoY and HRC/CRC were up by 5.2% YoY.

NMM rose by 8.3% YoY due to 6.9% YoY increase in cement production as dispatches increased/decreased by 10.2/9.2% YoY in domestic/export markets. Chemicals witnessed increase of 14.2% YoY due to 7.1/35.0/89.5/8.9% YoY incline in paints & varnishes (s)/hydrochloric acid/sulphuric acid/chlorine.

FBT, Petroleum and Pharma declined

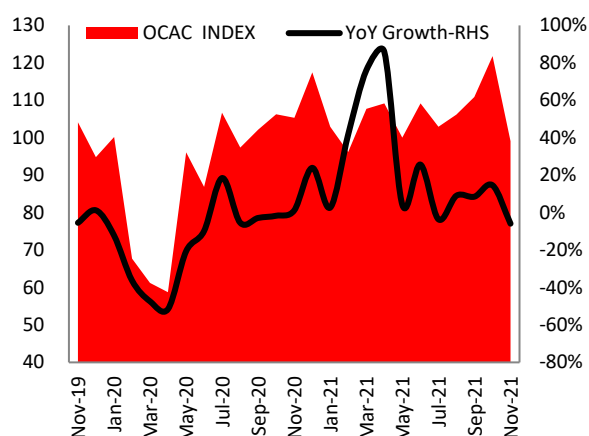
FBT declined by 7.8% YoY due to 0.1/2.9/11.1/0.7% YoY decline in vegetable ghee/cooking oil/wheat and grain milling/juices, syrups & squash. Whereas tea blended/starch/soft drinks inclined by 0.2/5.4/1.6% YoY.

Coke and Petroleum decreased by 5.5% YoY as MS/HSD/furnace oil were down by 4.1/10.2/18.7% YoY given lower run rate of refineries. Pharmaceuticals declined by 17.0% YoY given that tablets/capsules/injections declined by 23.9/40.6/44.3% YoY. Whereas syrups/ointments/tincture increased by 3.4/1.5/33.3% YoY.

Outlook

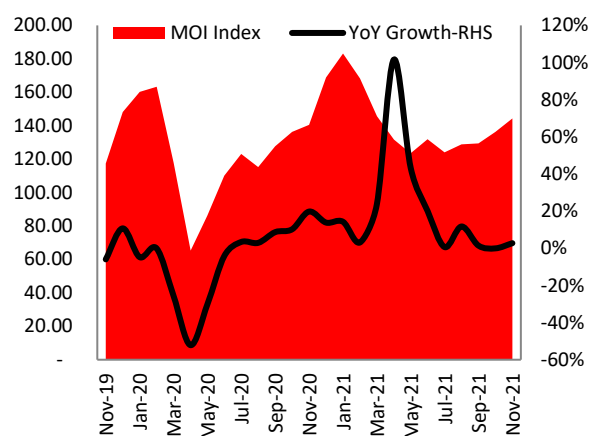
We expect LSM growth would remain muted in FY22 on the back of moderating economic growth given (1) global supply chain snarls causing higher domestic and global inflation, (2) prolongation of high int'l oil/commodity prices, (3) higher Rs-US\$ depreciation and (4) curtailment of gas to industry during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

Fig 01: Monthly OCAC Index and YoY Growth Rate



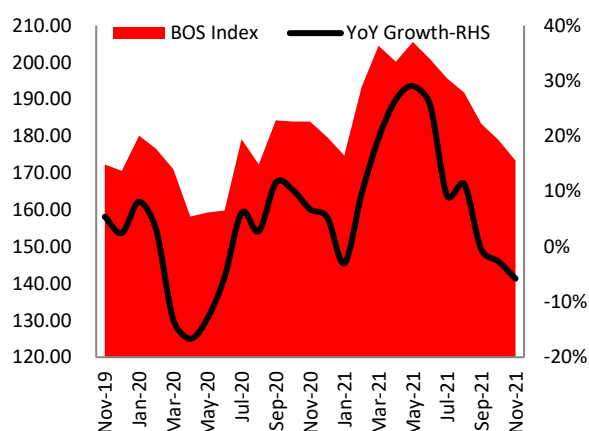
Source: PBS, Foundation Research, Jan 2022

Fig 02: Monthly MOI Index and YoY Growth Rate



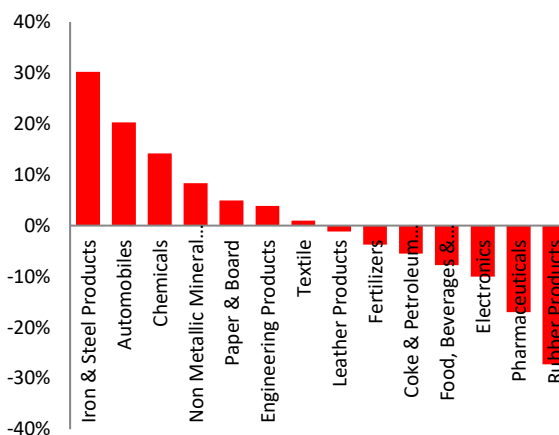
Source: PBS, Foundation Research, Jan 2022

Fig 03: Monthly BOS Index and YoY Growth Rate



Source: PBS, Foundation Research, Jan 2022

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



Source: PBS, Foundation Research, Jan 2022

Table 1: Annual Growth rates of Quantum Index of Manufacturing

	Base year 2005-06 Growth	Base year 2015-16 Growth
FY17	5.8%	4.2%
FY18	5.3%	7.0%
FY19	(2.3)%	3.4%
FY20	(9.8)%	(11.1)%
FY21	14.9%	11.3%

Source: PBS, Foundation Research January 2022

Table 2: Source wise composition of weights

	QIM 2005-06		QIM 2015-16	
	No of Items	Weight (%)	No of Items	Weight (%)
Ministry of Industries & Production	36	49.56	36	40.54
Oil Companies Advisory Council	11	5.41	11	6.66
Provincial Bureaus of Statistics	65	15.37	76	31.17
All	112	70.33	123	78.37

Source: PBS, Foundation Research January 2022

Table 3: Comparison of weights of Major Industrial Groups for 2005-06 and 2015-16

Major Groups	No of items		Weights		Change in Weight (ppt)
	2005-06	2015-16	2005-06	2015-16	
Food products	12	10	12.4%	10.7%	4.3*
Beverages		6		3.8%	
Tobacco products		1		2.1%	
Textiles	11	12	20.9%	18.2%	(2.7)
Wearing apparel	0	1	-	6.1%	6.1
Leather and related products	3	3	0.9%	1.2%	0.3
Wood and wood products	2	2	0.6%	0.2%	(0.4)
Paper and paper products	4	5	2.3%	1.6%	(0.7)
Coke and refined petroleum products	12	12	5.5%	6.7%	1.2
Chemicals and chemical products	-	19	6.2%	6.5%	0.3
Chemicals	12	12	1.7%	2.5%	0.8
Fertilizers	7	7	4.4%	3.9%	(0.5)
Pharmaceuticals products	6	6	3.6%	5.2%	1.6
Rubber and plastics products	4	4	0.3%	0.2%	(0.1)
Other non-metallic mineral products	2	2	5.4%	5.0%	(0.4)
Basic metals	5	5	5.4%	3.4%	(2.0)
Fabricated metal products	-	3	-	0.4%	0.4
Computer, electronic & optical products	-	1	-	0.0%	0.0
Electric equipment	13	12	2.0%	2.0%	0.0
Machinery and equipment n.e.c.	12	9	0.4%	0.4%	0.0
Motor vehicles, trailers etc.	7	6	4.6%	3.1%	(1.5)
Other transport equipment	-	2	-	0.7%	0.7
Furniture	-	1	-	0.5%	0.5
Other manufacturing	-	1	-	0.3%	0.3
Total	112	123	70.3%	78.4%	8.1

Source: PBS, Foundation Research January 2022

*Combined Food, Beverage and Tobacco

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