

PAKISTAN



Pakistan's key economic numbers

	FY20	FY21R	FY22P	FY23E
GDP growth (%)	-0.9	5.7	6.0	3.5
- Agri	3.9	3.5	4.4	3.5
- Industry	-5.8	7.8	7.2	2.3
- Services	-1.2	6.0	6.2	3.9
GDP per capita (US\$)	1,457	1,676	1,797	1,812
GDP (US\$ bn)	300	348	383	420
Investment (% of GDP)	14.8	14.6	15.1	15.1
Saving (% of GDP)	13.3	14.1	11.1	11.1
CPI (%)	10.7	8.9	11.8	15.3
Fiscal (% of GDP)				
- Tax	9.3	9.4	9.7	9.7
- Fiscal deficit	7.1	6.1	8.2	6.2
External				
- Rs-US\$ parity	158.3	160.2	177.2	191.4
- SBP forex (US\$ bn)	11.2	16.1	9.7	16.2
- CAD (% of GDP)	-1.5	-0.8	-4.1	-2.6
Monetary policy				
- Policy rate	7.0	7.0	13.8	12.5

Source: MoF, SBP, Foundation Research, June 2022

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FY22 Economic Survey

Growth sustains at higher level

GDPg at 6.0% in FY22

FY22 Economic Survey was released today as a preamble to the FY23 Federal Budget scheduled for tomorrow. FY22 GDPg stood at 6.0% as strong domestic demand since last summer has sustained on account of broad-based expansion in LSM and improved crop production. However, the economy also started to show signs of excess demand and overheating through an increase in the import volume of capital and consumer goods, energy, and non-energy imports. Resultantly, Gov't has taken corrective measures including tightening of monetary stance and stricter macro-prudential regulations.

During the year, Gov't rebased the national accounts to FY16. Thus, GDP at current market prices stood at Rs66.9tn, showing a growth of 20.0% during FY22 over last year (Rs55.8tn). While in the dollar terms, it remained at US\$383bn. Per capita income increased by 7.2% from US\$1,677 in FY21 to US\$1,798 in FY22 which reflects an improvement in prosperity as economic growth per person improved.

Services sector led the charge

Services sector (~58% weight) remained the major growth driver with growth of 6.2%. Wholesale and retail trade (~19% weight) sector grew by 10.0% mainly because its value addition is dependent on the output of agriculture, manufacturing, and imports. Transportation and Storage sector (~10% weight) showed increase of 5.4%. Real Estate activities (~6% weight) and other private services (~8% weight) witnessed growth of 3.7% and 3.8%, respectively. Whereas, general gov't (~5% weight) declined by 1.2%.

Agriculture showed impressive growth amid record sugar crop

Agriculture sector (~23% weight) grew by 4.4% in FY22 as against 3.5% in FY21. Important crops grew by 7.2% mainly driven by high yields, attractive output prices and supportive government policies, better availability of certified seeds, pesticides and agriculture credit. Cotton (↑17.9%), rice (↑10.7%) and maize (↑19.0%) while sugarcane (↑9.4%) registered highest ever production. However, wheat witnessed decline of 3.9%. Livestock and forestry sector grew by 3.3/6.1%.

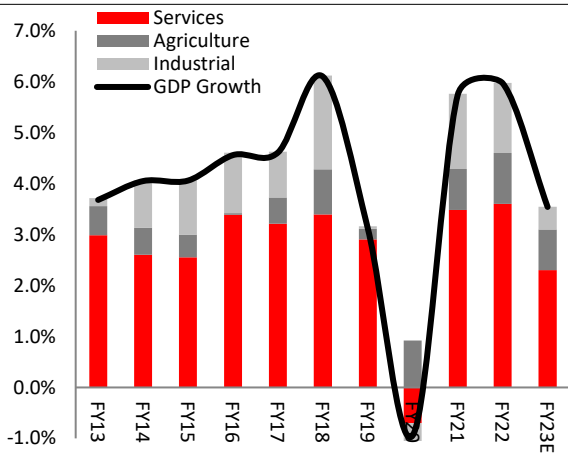
Industrial sector pushed up by high LSM growth

Industrial sector (~19% weight) witnessed growth of 7.2% driven by LSM (~9% weight) posting healthy growth of 10.5% in 9MFY22 (vs 4.2% last year). Gov't prudent measures and continuous support along with rising global demand, easy access to credit, and partially subsidized energy supplies bode well in boosting business sentiment and achieving higher LSM growth. Major contributors to this growth are Textile (3.2%), Food (11.7%), Petroleum products (2.0%), Chemicals (7.8%), Non-Metallic Mineral Products (1.1%), Automobiles (54.1%), and Fertilizer (3.3%). Electricity and Gas sector (~2% weight) grew by 7.9%. Construction activity (~3% weight) increased by 3.1% due to increase in general government spending.

Emergent risks to growth outlook amid macro imbalances

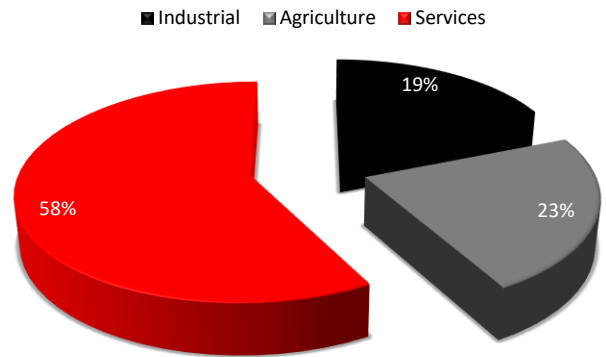
Pakistan's economy faces several severe challenges like shrinking fiscal space, mounting current account deficit, exchange rate pressure, inflation, energy sector bottlenecks, and the absence of a supportive environment for the private sector. These coupled with political uncertainty amid tough IMF program conditionality would considerably slow down economic growth next year.

Fig 1: Strong FY22 GDPg to slump in FY23



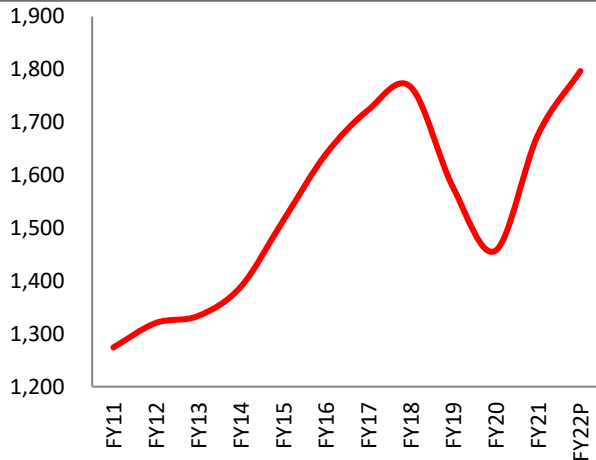
Source: MoF, Foundation Research, June 2022

Fig 2: Sector weightages – services the backbone



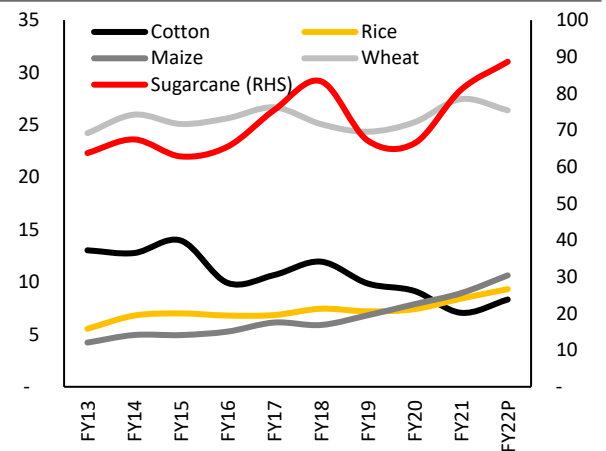
Source: MoF, Foundation Research, June 2022

Fig 3: Per capita income climbed higher (US\$)...



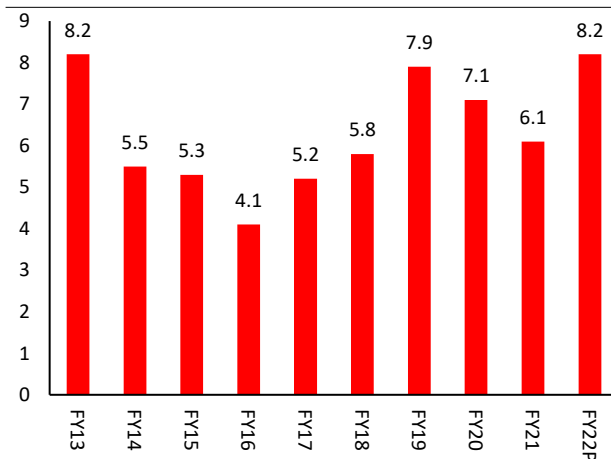
Source: MoF, Foundation Research, June 2022

Fig 4: Most major crops show a rise (000's)...



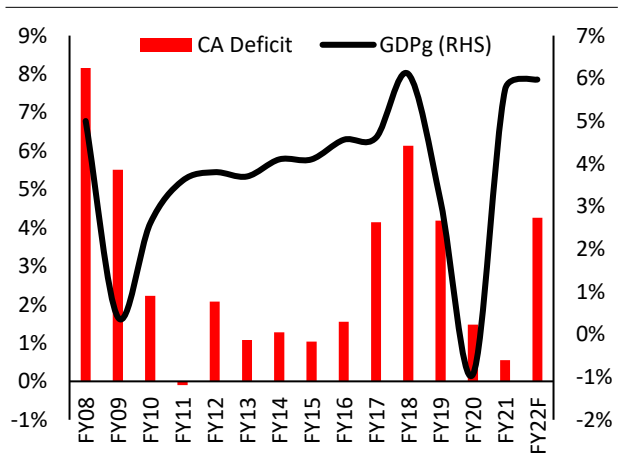
Source: MoF, Foundation Research, June 2022

Fig 5: Fiscal deficit on a downward trajectory



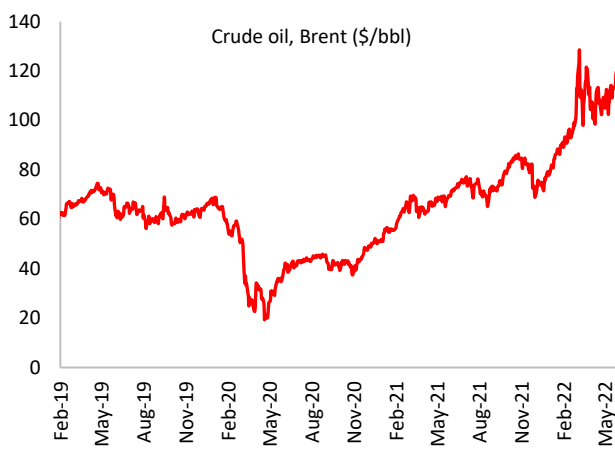
Source: MoF, Foundation Research, June 2022

Fig 6: GDP and Current Account Deficit



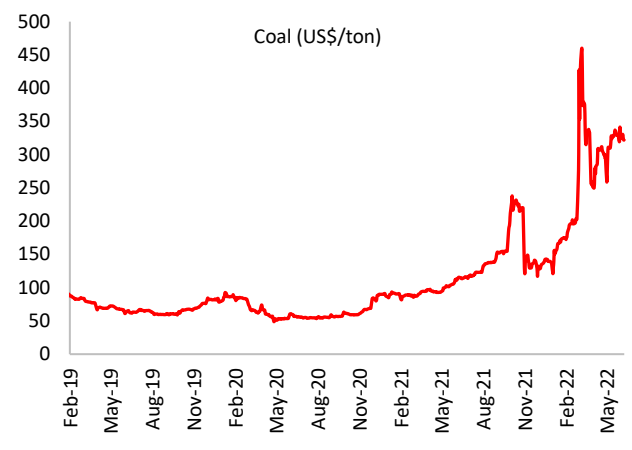
Source: MoF, SBP, Foundation Research, Jun 2022

Fig 7: Oil prices towards new peak after 2008 boom



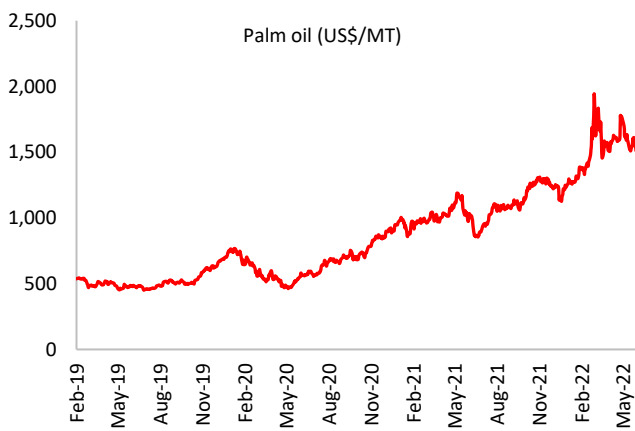
Source: Bloomberg, FSL Research, June 2022

Fig 8: Coal prices touched all time high of US\$450/ton



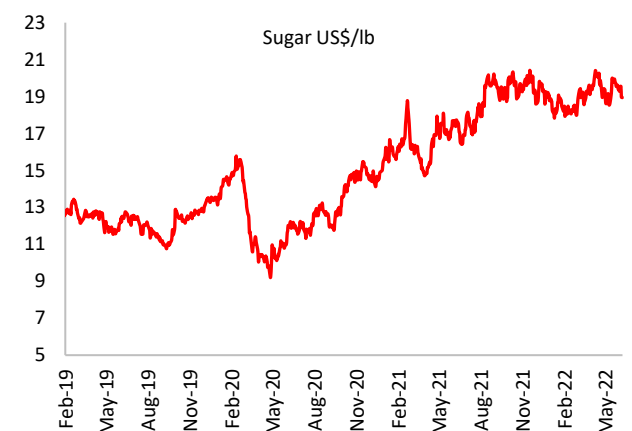
Source: Bloomberg, FSL Research, June 2022

Fig 9: Supply constraints pushed prices higher



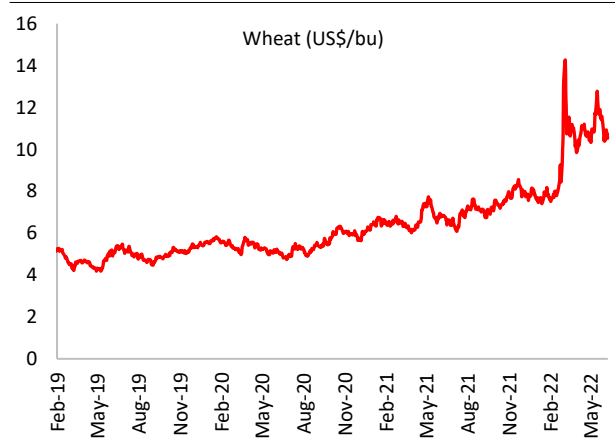
Source: Bloomberg, FSL Research, June 2022

Fig 10: Sugar prices supporting commodity boom



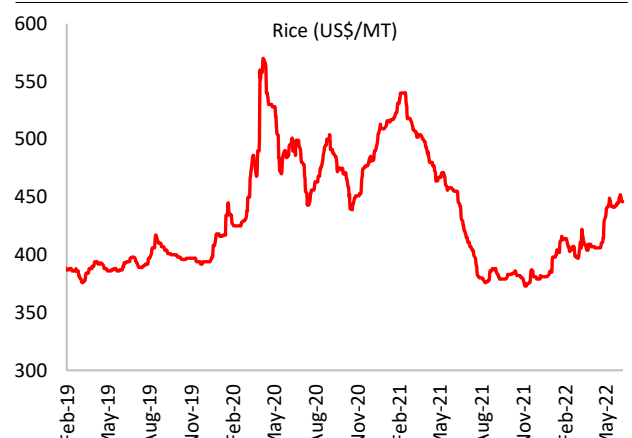
Source: Bloomberg, FSL Research, June 2022

Fig 11: Wheat prices soar after Russia/Ukraine war



Source: Bloomberg, FSL Research, June 2022

Fig 12: Rice prices remained in balanced range



Source: Bloomberg, FSL Research, June 2022

Rebasing of National Accounts from basic prices of 2005-06 to 2015-16

Recently, the Pakistan Bureau of Statistics has revised National Accounts at basic prices of 2015-16. Thus, rebasing of National Accounts Series means replacing the old base year used for compiling the constant price estimates with a new or more recent base year for computing constant price estimates. Real GDP is considered more important which is estimated with reference to some base year considered as constant prices. While constant price data have the advantage of being additive, the pattern of relative prices in the base period becomes increasingly irrelevant with the passage of time. As a result, the base period must be updated to reflect current conditions. Actually, the System of National Accounts (SNA) is a set of internationally agreed standards for measuring economic activity. SNA 2008 is presently in place. It is also mentionable that most of the countries, namely Bangladesh, Hong Kong China, India Nepal, Philippines, Sri Lanka, and Thailand undertake their rebasing exercise at a gap of 10 years.

Advantages of Rebasing

It helps in getting the most reliable and accurate estimations of GDP (GDP). Further, estimates of new GFCF involve broadening of the scope and coverage of macroeconomic data. Thus, the estimates become in accordance with the System of National Accounts (SNA) standards.

The rebasing of Pakistan's macroeconomic data is required by government, policymakers and decision makers, researchers, and other national and international users for appropriate policies implications

In Pakistan, prior to recent rebasing, the National Accounts of Pakistan had been estimated on current prices until the base was set as 1959-60, which was adopted in 1962-63. The first change of base took place in 1987 when the year 1980-81 was adopted as the base year. The next change of base was adopted in 2003 setting the base as 1999-2000. Then in 2013, the base year was changed to 2005-06.

Table 1: Key Indicators

Rs Million	1980-81		1999-00		2005-06		2015-16	
	Base Year 1959-60	Base Year 1980-81	Base Year 1980-81	Base Year 1999-00	Base Year 1999-00	Base Year 2005-06	Base Year 2005-06	Base Year 2015-16
Agriculture	71,699	71,399	779,692	923,609	1,457,222	1,775,346	6,749,966	7,306,957
Industry	61,495	56,013	676,369	830,865	1,923,698	1,616,157	5,308,368	5,939,635
Services	114,402	115,419	1,465,927	1,807,546	3,777,607	4,324,274	15,343,961	17,261,613
GDP at basic prices	247,596	247,831	2,921,988	3,562,020	7,158,527	7,715,777	27,402,295	30,508,205
GDP at market prices	277,961	278,196	3,147,167	3,826,112	7,623,205	8,216,160	29,075,633	32,725,049

Change in Key Macroeconomic Variables Ratios

Indicators	Fiscal Year 2021		% Change
	Base year 2006	Base year 2016	
	Real Sector		
GDP Size (current) (Rs mn)	47,709,325	55,795,515	16.9%
GDP Size (current) (US\$ mn)	298,650	348,678	16.8%
Per Capita Income (US\$)	1,542	1,676	8.7%
Population	211.9	222.6	5.0%

Indicators	Fiscal Year 2021		% Change
	Base year 2006	Base year 2016	
	Real Sector		
Fiscal Sector			
Total Revenue (Rs mn)	6,903,370	6,903,370	
Total Revenue (% of GDP)	14.5	12.4	↓
Tax Revenue (Rs mn)	5,272,699	5,272,699	
Tax Revenue (% of GDP)	11.1	9.4	↓
Total Expenditures (Rs mn)	10,306,691	10,306,691	
Total Expenditures (% of GDP)	21.6	18.5	↓
Current Expenditures (Rs mn)	9,084,010	9,084,010	
Current Expenditures (% of GDP)	19.0	16.3	↓
Fiscal Deficit (Rs mn)	3,403,321	3,403,321	
Fiscal Deficit (% of GDP)	7.1	6.1	↓
Public Debt (Rs bn)	39,861	39,861	
(% of GDP)	83.5	71.8	↓
Primary Deficit (Rs mn)	653,592	653,592	
Primary Deficit (% of GDP)	1.4	1.2	↓

Source: MoF, Foundation Research, June 2022

Table 2: Sectoral Point Contribution at Constant Prices 2015-16

	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
	As % of GDP			Growth rates (%)			Point Contribution		
Agriculture	23.5	23	22.7	3.9	3.5	4.4	0.88	0.82	1.01
Industry	18.6	18.9	19.1	-5.7	7.8	7.2	-1.1	1.45	1.36
Commodity Producing	42.1	41.9	41.8	-1.8	11.3	11.6	-0.22	2.27	2.37
Services Sector	57.9	58.1	58.2	-1.2	6	6.2	-0.7	3.48	3.59
GDP	100	100	100	-3	17.3	17.8	-0.92	5.75	5.96

Source: PBS, MoF, Foundation Research, June 2022

Abbreviations

CAD	Current Account Deficit
CPI	Consumer Price Inflation
FX	Foreign Exchange
GDP	Gross Domestic Product
GDPg	Gross Domestic Product growth
IMF	International Monetary Fund
IMP	Import
LSM	Large Scale Manufacturing
MoF	Ministry of Finance
YoY	Year on Year

Important disclosures:

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