

PAKISTAN



Sector of Large Scale Manufacturing	Weight	Apr-22	10MFY22
Textile	18.2%	7.7%	3.7%
Food	10.7%	5.8%	11.0%
Coke & Petroleum Products	6.7%	-5.1%	1.1%
Chemicals	6.5%	10.5%	8.3%
Wearing Apparel	6.1%	106.2%	41.1%
Pharmaceuticals	5.2%	35.3%	3.2%
Non Metallic Mineral Products	5.0%	-12.6%	-0.3%
Fertilizers	3.9%	3.9%	3.4%
Beverages	3.8%	5.7%	1.5%
Iron & Steel Products	3.4%	13.8%	16.3%
Automobiles	3.1%	27.4%	48.2%
Chemicals Products	2.5%	21.8%	16.5%
Tobacco	2.1%	-3.0%	14.5%
Electrical Equipment	2.0%	8.7%	0.3%
Paper & Board	1.6%	3.6%	8.2%
Leather Products	1.2%	-2.6%	1.6%
Other transport Equipment	0.7%	-11.5%	-10.9%
Furniture	0.5%	64.4%	227.5%
Machinery and Equipment	0.4%	14.6%	13.6%
Fabricated Metal	0.4%	-2.3%	-6.1%
Other Manufacturing (Football)	0.3%	29.6%	37.3%
Wood Products	0.2%	-11.4%	134.9%
Rubber Products	0.2%	1.3%	-18.8%
Computer and electronics products	0.0%	6.6%	1.3%
		15.4%	10.7%

Source: PBS, Foundation Research, June 2022

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Large Scale Manufacturing Growth Momentum Slowed in April

LSM declined by 13.3% MoM in Apr'22

LSM witnessed growth of 15.4% YoY (down 13.3% MoM) during Apr'22 as the sequential growth momentum seems to be slowing amid moderating domestic demand. Moreover, 10MFY22 growth was recorded at 10.7% YoY. Sectors which continued to power ahead YoY are Wearing Apparel (↑106%), Pharmaceuticals (35.4%), Autos (↑27.4%), Iron & Steel (↑13.8%), Chemicals (↑10.5%), Textile (7.7%), Food (↑5.8%), Beverages (↑5.7%), Electrical equipment (↑8.7%) and Fertilizer (↑3.9%). Whereas YoY decline was observed in Non-Metallic mineral products (↓12.6%), Coke & Petroleum Products (↓5.1%), Leather products (↓2.6%), Other Transport Equipment (↓11.5%) and Tobacco (↓3.0%).

Pharma, Wearing Apparel and Automobile showed strong growth

Pharmaceuticals inclined by 35.3% YoY given that Syrups/ointments inclined by 162.3/13.0% YoY. Wearing Apparel witnessed growth of 106.2% YoY in Apr'22 given strong global demand for Pakistani made products amid currency depreciation.

Autos registered growth of 27.4% YoY in Apr'22 due to increase in Jeeps/Cars/Buses/diesel engines by 66.5/29.5/33.3/138.8% YoY. Whereas, Trucks/LCVs declined by 64.4/4.5% YoY. Going forward, we believe with the contraction in overall economy, coupled with higher interest rates and rising car prices, would slowdown growth for automobiles in medium term.

Textile, Food, Beverages, Chemicals, Fert, Iron/Steel and Electrical Equipment also increased

Textile sector registered growth of 7.7% YoY. Food inclined by 5.8% YoY in Apr'22 due to 22.6/17.1/332.2% YoY increase in cooking oil/starch & its products/Bakery & Sugar products. Whereas Beverages increase by 5.7% YoY in Apr'22 as Preserved Milk inclined by 137.4% YoY. Chemicals witnessed an increase of 10.5% YoY on the back of 74.4/55.6/36.3% YoY incline in toilet soaps/sulphuric acid/soaps & detergents. Whereas, Fertilizer sector increased by 3.9% YoY due to increase in Phos/Nit fertilizers by 2.1/4.2% YoY.

Iron and Steel grew by 13.8% YoY in Apr'22 given that billets & ingots inclined by 28.0% YoY and HRC/CRC was up by 6.1% YoY. Manufacture of electrical equipment increased by 8.7% YoY given incline in deepfreezers/electric transformers/storage batteries by 281.8/35.5/21.5% YoY.

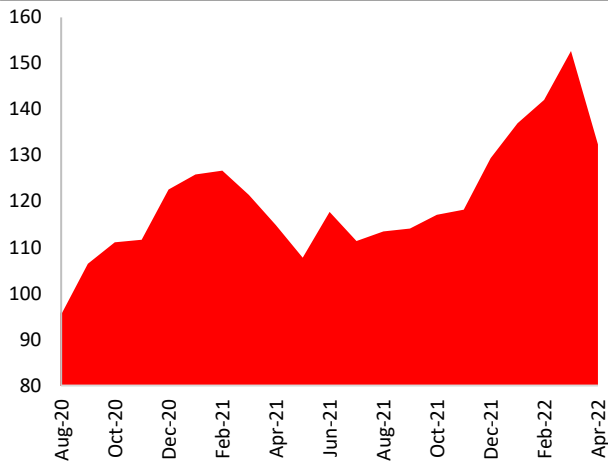
Coke & Petroleum, NMM & Tobacco declined

Coke and Petroleum decreased by 5.1% YoY as MS/FO were down by 16.9/10.4% YoY given lower run rate of refineries. NMM declined by 12.6% YoY in Apr'22 due to 20.5% YoY decrease in cement production despite 147.3% YoY increase in manufacture of glass plates & sheets. Moreover, tobacco declined 3.0% YoY given decline in cigarettes production by 3.0% YoY.

Outlook

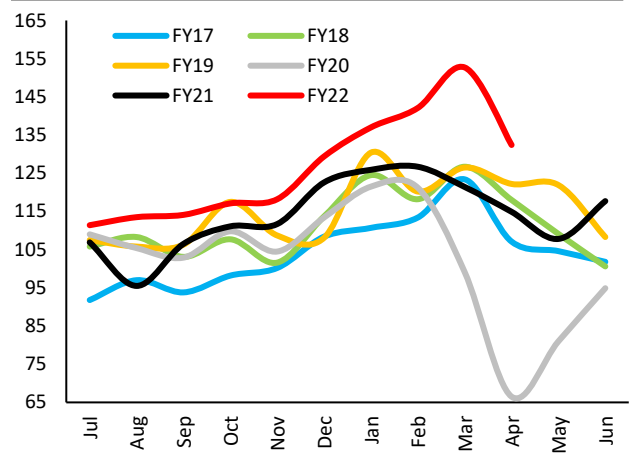
As FY22 draws near to a close, we project strong growth for the full year based on high 10MFY22 base despite mounting political and economic uncertainty. In FY23, we expect moderation in domestic demand amid high interest rates and spiraling inflation due to elevated int'l oil/commodity prices given global supply chain snarls and war in Europe. However, we foresee support from greater reliance on domestic products given high Rs-US\$ depreciation.

Fig 01: Monthly LSM index declined



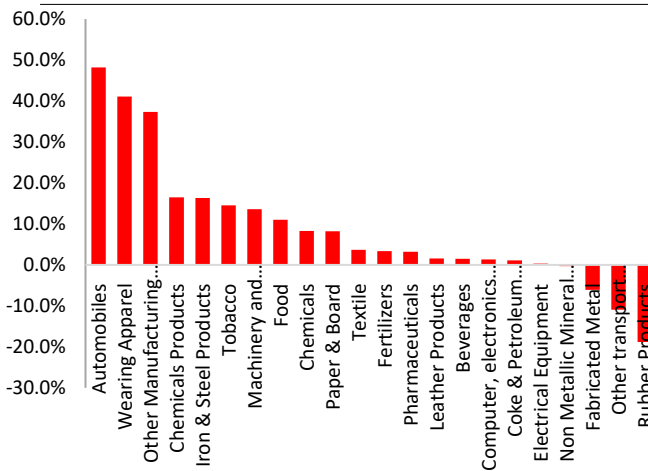
Source: PBS, Foundation Research, June 2022

Fig 02: LSM index displays marked seasonality...



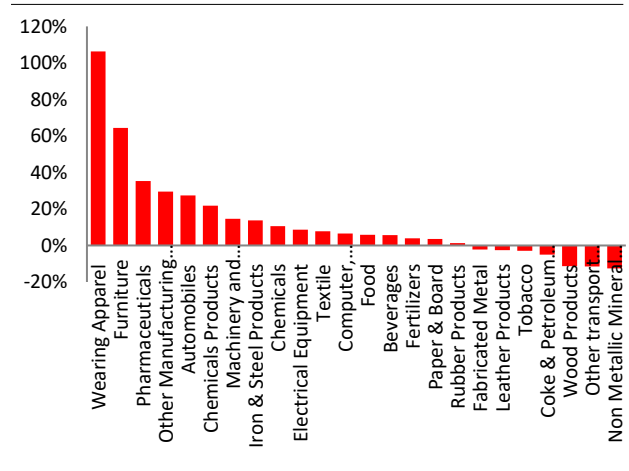
Source: PBS, Foundation Research, June 2022

Fig 03: Growth of various sectors during 10MFY22



Source: PBS, Foundation Research, June 2022

Fig 04: Growth rate of various sectors during Apr'22



Source: PBS, Foundation Research, June 2022

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.