

PAKISTAN



Large Scale Manufacturing Sector posted robust growth

LSM grows by 21.4% YoY in May'22

LSM witnessed record growth of 21.4% YoY (down 1.3% MoM) during May'22 amid decline in economic activity from recent high. Moreover, 11MFY22 growth was recorded at 11.7% YoY. Sectors which continued to power ahead YoY were Wearing Apparel (↑158.5%), Textile(↑8.2%), Autos (↑50.5%), Pharmaceuticals (↑45.9%), Chemical Products (↑42.4%), Chemicals (↑13.1%), Iron & Steel (↑19.2%), Non Metallic Minerals (↑10.4%), Coke & Petroleum Products (↑8.1%), Paper & Board (↑15.5%) and Electrical Equipment (↑16.1%). Whereas YoY decline was observed in Food (↓4.1%), Fertilizers (↓1.7%), Beverages (↓13.7%), Leather products (↓6.7%), and Tobacco (↓3.0%).

Wearing Apparel, Textile, Pharma and Autos showed robust growth

Wearing Apparel and Textile witnessed growth of 158.5% and 8.2% YoY respectively in May'22 given strong global demand for Pakistani made products (exports up 55% YoY in May'22) amid currency depreciation. Pharmaceuticals inclined by 45.9% YoY given that syrups/ointments inclined by 190.6/8.8% YoY.

Autos registered growth of 50.5% YoY in May'22 due to increase in cars/jeeps/LCV/buses by 48.8/113.0/10.9/103.7% YoY. Whereas, motorcycle production declined by 6.9% YoY in May'22. Going forward, we believe, the slowdown in the economy coupled with restrictive credit policies and escalating car prices would cause a slowdown in growth for automobiles in medium term.

Coke & Petroleum, Iron/Steel, Chemicals, NMM and Electrical Equipment also increased

Coke and Petroleum inclined by 8.1% YoY as MS/HSD/furnace oil/jet fuel were up by 4.5/5.1/24.6/83.8% YoY given higher run rate of refineries. Iron and Steel grew by 19.2% YoY in May'22 given that billets/ingots inclined by 47.2% YoY and HRC/CRC were up by 6.2% YoY.

Chemicals witnessed an increase of 13.1% YoY due to 100.8/75.6/46.4% YoY incline in sulphuric acid/toilet soaps/soaps & detergents amid decline of 12.9% in paints & varnishes (L). NMM inclined by 10.4% YoY on the back of increase in glass plates & sheets by 173.0% YoY whereas cement production declined by 1.5% YoY. Manufacture of electrical equipment increased by 16.1% YoY given incline in electric transformers/deepfreezers/storage batteries by 63.9/208.9/70.6% whereas refrigerators/electric motors declined up by 9.7/27.4% YoY.

Food, Fertilizer, Leather, Beverages and Tobacco declined

Food declined by 4.1% YoY in May'22 on the back of decrease in sugar & bakery products/cooking oil/vegetable ghee/wheat & rice milling 4.5/1.3/8.5/2.5% YoY. Whereas Beverages fell by 13.7% YoY in May'22 as soft drinks/juices, syrups & squashes declined by 3.8/20.7% YoY. Fertilizer sector decreased by 1.7% YoY due to decline in Nit fertilizers by 2.5% YoY. Leather products posted -ve growth of 6.7% YoY due to fall in upper leather by 29.9%. Moreover, tobacco declined 3.0% YoY.

Outlook

We expect LSM growth would moderate in FY23 given slowdown in domestic and external demand due to high interest rates and high inflation amid elevated int'l commodity prices, increase in fuel/energy prices & steep exchange rate depreciation. Moreover, shortage of gas would also affect industrial production.

Sector of Large Scale Manufacturing	Weight	May-22	11MFY22
Textile	18.2%	8.2%	4.1%
Food	10.7%	-4.1%	9.8%
Coke & Petroleum Products	6.7%	8.1%	1.7%
Chemicals	6.5%	13.1%	9.0%
Wearing Apparel	6.1%	158.5%	49.7%
Pharmaceuticals	5.2%	45.9%	7.4%
Non Metallic Mineral Products	5.0%	10.4%	0.5%
Fertilizers	3.9%	-1.7%	2.8%
Beverages	3.8%	-13.7%	-0.3%
Iron & Steel Products	3.4%	19.2%	16.5%
Automobiles	3.1%	50.5%	52.7%
Chemicals Products	2.5%	42.4%	19.5%
Tobacco	2.1%	-3.0%	12.9%
Electrical Equipment	2.0%	16.1%	1.8%
Paper & Board	1.6%	15.5%	8.9%
Leather Products	1.2%	-6.7%	0.6%
Other transport Equipment	0.7%	-6.6%	-11.0%
Furniture	0.5%	323.0%	233.0%
Machinery and Equipment	0.4%	4.0%	12.8%
Fabricated Metal	0.4%	12.7%	-4.7%
Other Manufacturing (Football)	0.3%	95.3%	43.0%
Wood Products	0.2%	5.6%	125.0%
Rubber Products	0.2%	4.4%	-17.3%
Computer and electronics products	0.0%	17.6%	2.7%
		21.4%	11.7%

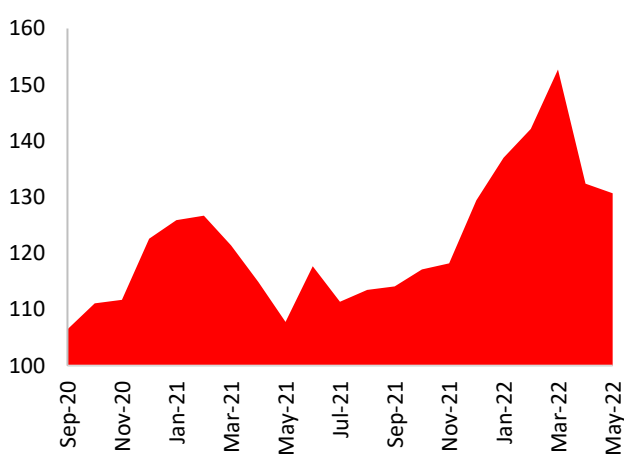
Source: PBS, Foundation Research, July 2022

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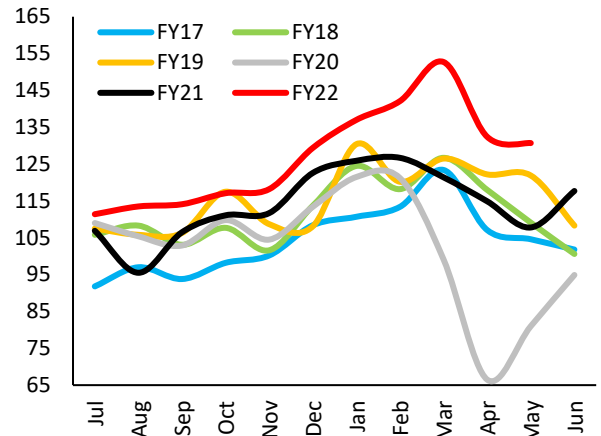
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Fig 01: Monthly LSM index moderating



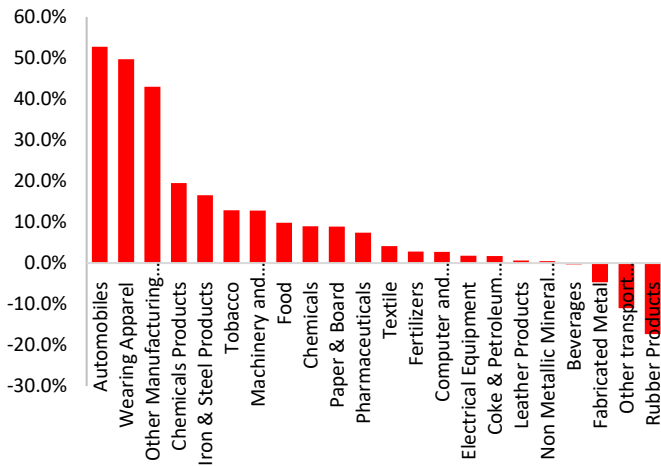
Source: PBS, Foundation Research, July 2022

Fig 02: LSM index displays marked seasonality...



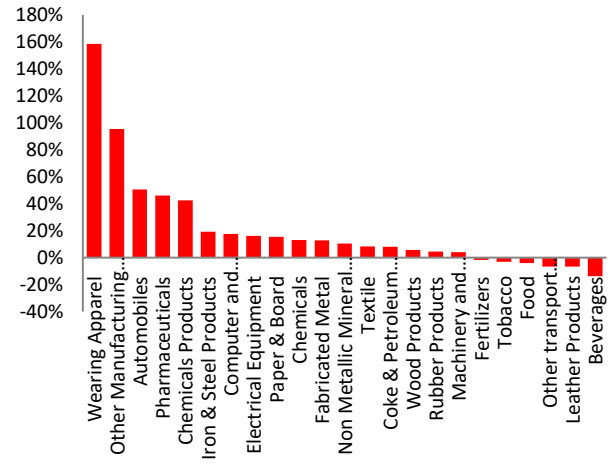
Source: PBS, Foundation Research, July 2022

Fig 03: Growth of various sectors during 11MFY22



Source: PBS, Foundation Research, July 2022

Fig 04: Growth of various sectors during May'22



Source: PBS, Foundation Research, July 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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Recommendations definitions

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