

## PAKISTAN



Sector of Large Scale Manufacturing	Weight	Sep-22	1QFY23
Textile	18.2%	-2.5%	-3.3%
Food	10.7%	-3.2%	-6.2%
Coke & Petroleum Products	6.7%	-24.4%	-18.9%
Chemicals	6.5%	9.7%	4.1%
Wearing Apparel	6.1%	52.2%	58.1%
Pharmaceuticals	5.2%	-22.5%	-29.0%
Non Metallic Mineral Products	5.0%	-1.0%	-13.0%
Fertilizers	3.9%	18.8%	2.2%
Beverages	3.8%	11.6%	3.0%
Iron & Steel Products	3.5%	-7.0%	4.9%
Automobiles	3.1%	-53.2%	-32.8%
Chemicals Products	2.6%	-1.9%	6.9%
Tobacco	2.1%	-10.8%	-31.2%
Electrical Equipment	2.1%	-2.0%	-3.5%
Paper & Board	1.6%	58.5%	23.5%
Leather Products	1.2%	5.0%	8.4%
Other Transport Equipment	0.7%	-43.2%	-42.4%
Furniture	0.5%	54.3%	126.6%
Fabricated Metal	0.4%	-24.6%	-18.7%
Machinery and Equipment	0.4%	-34.1%	-37.0%
Other Manufacturing (Footfall)	0.3%	69.6%	59.1%
Rubber Products	0.2%	-13.9%	-7.1%
Wood Products	0.2%	7.2%	5.3%
Computer, electronics and Optical pr	0.0%	-18.4%	-9.6%
		<b>0.0%</b>	<b>-0.4%</b>

Source: PBS, Foundation Research, November 2022

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# Large Scale Manufacturing

## No growth during September

### LSM increased by 0.1%MoM in Sept'22

LSM remained flat YoY (up 0.1% MoM) during Sept'22 which could not reverse decline of 0.4% YoY during 1QFY23 amid slowdown in economic activity due to high interest rates, elevated inflation and commodity super cycle. Growth in Sept'22 was seen in Wearing Apparel (↑52.2%), Chemicals (↑9.7%), Fertilizers (↑18.8%), Beverages (↑11.6%), Wood (↑7.2%), Furniture (↑54.3%) and Leather (↑5.0%). Whereas YoY decline was observed in Food (↓3.2%), Textile (↓2.5%), Coke & Petroleum (↓24.4%), Iron & Steel (↓7.0%), Pharmaceuticals (↓22.5%), Autos (↓53.2%), Tobacco (↓10.8%), Machinery and Equipment (↓34.1%), Rubber (↓13.9%) and Electrical Equipment (↓2.0%).

### Wearing Apparel & Chemical/Fertilizer showed growth

Wearing Apparel witnessed growth of 52.2% YoY in Sept'22 given strong global demand for Pakistani made products amid sharp currency depreciation. Chemicals was up by 9.7% YoY as Fertilizers increased by 18.8% YoY given that Nit fertilizers inclined by 22.6%. Although, Phos fertilizers decreased by 1.0% YoY. Whereas, Chemical products decreased 1.9% YoY as toilet soap/paints & varnishes (L)/sulphuric acid declined by 0.8/1.6/55.4% YoY.

### Textile, Food, Coke/Petroleum, Iron & Steel and Non Metallic Minerals declined

Textile sector declined by 2.5 % YoY. Looking ahead, we are cautious as (1) export markets would be impacted by the anticipated economic slowdown in US and European markets given monetary tightening and (2) expected gas shortages in Pakistan. Food segment also decreased by 3.2% YoY due to 8.4% YoY decline in wheat & rice milling. Iron & Steel production was down by 7.0% YoY as billets and ingots declined by 21.9% YoY even though H/C.R.Sheets/Strips/Coils/Plates inclined by 3.9%.

Coke and Petroleum declined by 24.4% YoY as HSD/MS/FO/solvent Naphtha declined 30.2/14.3/26.9/68.1% YoY. Whereas, jet fuel inclined by 17.1% YoY given slight change in run rate of refineries. Non Metallic Minerals decreased by 1.0% YoY due to decline in cement production by 1.5% YoY despite 3.4% YoY increase in glass plates & sheets.

### Pharmaceuticals, Autos and Electrical Equipment also decreased

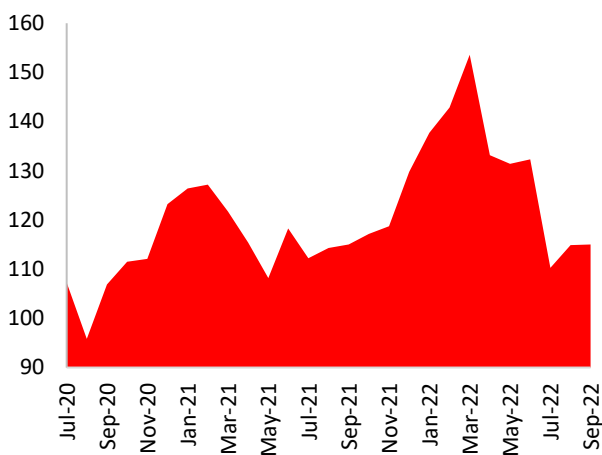
Pharmaceuticals decreased by 22.5% YoY on the back of 22.5/26.3/14.1% decline in tablets/syrups/injections. Additionally, a dip was observed in capsules of 10.2%. Autos registered a decline of 53.2% YoY given 63.7/2.7/50.7/42.2 % YoY fall in cars/jeeps/LCVs/trucks. Going forward, we believe that the medium-term growth of the auto industry would be slowed by the overall slowdown in the economy due to ban on opening of LC's for import, high interest rates and rising car prices.

Manufacture of electrical equipment decreased by 2.0% YoY given decline in refrigerators/electric motors/storage batteries by 42.8/15.0/2.3% whereas deepfreezers/electric transformers inclined by 4.9/83.1% YoY.

### Outlook

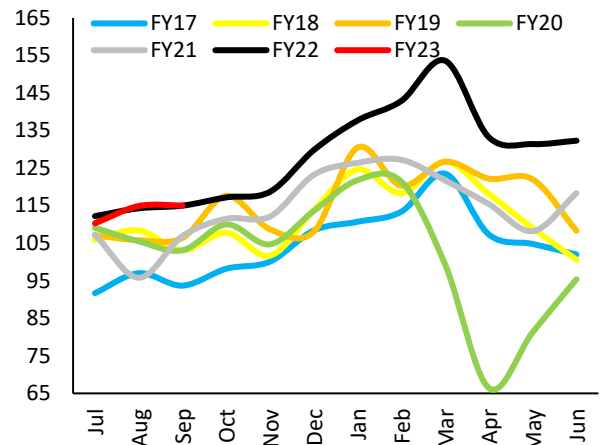
We expect LSM growth would be negative in FY23 given slowdown in domestic and external demand due to high interest rates and high inflation amid record floods, elevated int'l commodity prices, increase in fuel/energy prices and exchange rate depreciation. Moreover, shortage of gas would also affect industrial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

**Fig 01: LSM index remained flat YoY**



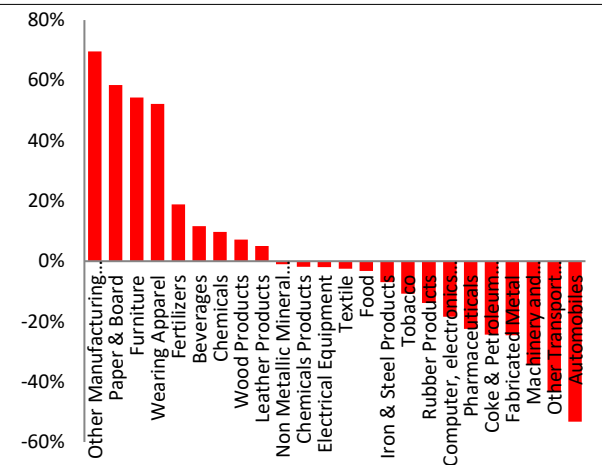
Source: PBS, Foundation Research, Nov 2022

**Fig 02: : LSM index displays marked seasonality**



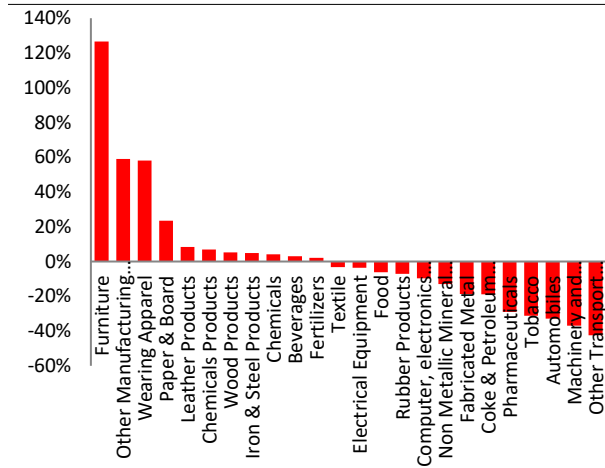
Source: PBS, Foundation Research, Nov 2022

**Fig 03: Growth of various sectors during Sep'22**



Source: PBS, Foundation Research, Nov 2022

**Fig 04: Growth of various sectors during 1QFY23**



Source: PBS, Foundation Research, Nov 2022

**Acronyms**

DLTL	Drawback on Local Taxes and Levies
ECC	Economic Coordination Committee of the Cabinet
MoM	Month on Month
YoY	Year on Year
OCAC	Oil companies advisory committee
MOI	Ministry of Industries
BOS	Bureaus of statistics
HSD	High Speed Diesel
LPG	Liquefied Petroleum Gas
OGDC	Oil and Gas Company limited
Kton	Thousand Tones
ADD	Anti Dumping Duty
FY	Fiscal year
RLNG	Re-gasified Liquefied Natural Gas
PMP	Pakistan Maroc Phosphore
TGL	Tariq Glass Limited
PSDP	public sector development program
MTL	Millat Tractors Limited

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