

AGRICULTURE LEADS PAKISTAN'S ECONOMIC RECOVERY:

The National Accounts Committee (“NAC”) has approved the quarterly and annual estimates for the Fiscal Year 2023-24 (“FY24”). Notably, there have been upward revisions in the growth rates for the first and second quarters of FY24, with Q1 and Q2 experiencing growth of 2.71% and 1.79% respectively, surpassing the previous estimates. In Q3, the economy saw a growth of 2.09%. Final and revised growth rates for FY22 and FY23 were reported at 6.18% and -0.21%, respectively. The provisional growth rate for GDP in FY24 stands at 2.38%. Further, the NAC emphasized sector-specific growth, such as agriculture (3.94%), industry (3.84%), and services (0.83%) in Q3.

Period (%)	LSM		GDP Growth	Agri	Industry	Service
	YoY	Jul-March FY24				
Q1	1.45	(0.35)	2.71	8.58	(0.24)	0.92
Q2	(1.10)	(1.62)	1.79	5.02	(0.84)	0.01
Q3	(0.91)	(2.92)	2.09	3.94	3.84	0.83
Jul-March FY24/FY 24 P	(0.19)	(1.63)	2.38	6.25	1.21	1.21

Interestingly, the historical data indicated that the industrial sector is a key driver of Pakistan's economic growth. Despite facing negative growth in major large-scale manufacturing industries quantum throughout FY24, the Government managed to achieve decent overall growth. For instance, even with a contraction of 0.35% in large industries' growth on an average in Q1, the overall GDP still expanded by 2.5%. Similarly, despite large-scale manufacturing growth contracting by 1.62% and 2.92% in Q2 and Q3 respectively, Pakistan's GDP still expanded by 1.79% and 2.09% in the respective quarters.

Additionally, a detailed GDP table is provided below, comparing the major sectors' revised estimates for FY23 with both the provisional and target figures for FY24.

No	Sector/Industry	FY23 R	FY24	
		Revised	Target	Provisional
A	Agriculture	2.27	3.50	6.25
	1. Crops	(1.03)	3.00	11.03
	2. Livestock	3.70	3.60	3.89
B	Industrial Activities	(3.74)	3.40	1.21
	1. Mining and Quarrying	(3.31)	1.20	4.85
	2. Manufacturing	(5.29)	4.30	2.42
C	Services	(0.01)	3.60	1.21
	1. Wholesale & Retail trade	(3.99)	2.80	0.32
	2. Transportation & Storage	3.76	3.50	1.19
	3. Information and Communication	(0.82)	5.00	(3.02)
	4. Financial and Insurance	(9.42)	3.70	(9.64)
	5. Real Estate Activities	3.66	3.60	3.78
	6. Education	5.15	3.00	10.30
	7. Human Health and Social Work	8.87	3.00	6.80
D	GDP (A+B+C)	(0.21)	3.50	2.38

Key Takeaways:

- The ongoing GDP growth has been achieved with the Current account deficit at its lowest, recording a deficit of \$202 million in Jul-April FY24.
- The growth in the Agricultural sector is a major driver, supported by bumper crop production.
- The industrial sector's decline is attributed to:
 - Contractions in the automobile industry (37.41%);
 - Decline in computer electronics (16.0%);
 - Decline in textiles (8.27%);
 - Decline in the electrical equipment industry (7.47%) from July to March of FY24;
 - Import curtailment has further contributed to the decline in certain industries.
- The service sector's growth is concerning, with key areas experiencing shrinkage, including:
 - Information and communication;
 - Financial and insurance activities;
 - Other significant sectors, such as wholesale trade and transport, have shown sluggish growth.