

# Pakonomics

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## Highlights

In the inter-bank market, the value of the national currency stands at PKR 278.5/USD as of December 27th, 2024. Over the past week, the USD to PKR parity rate has shown a constant trend.

According to the valuation of Tola Associates (“TA”), the value of PKR is 251.5/USD after incorporating the Jul-Nov period of FY24’s Current Account Deficit (“CAD”).

On 16th December 2024, the State Bank of Pakistan (“SBP”) announced that the Monetary Policy Committee (“MPC”) decided to reduce the policy rate by 200 basis points, lowering it to 13% from 15%.

According to the Pakistan Bureau Statistics (“PBS”), Pakistan’s LSM sector showed a growth of 0.02% in Oct 2024 on a Year-on-Year (“Y-o-Y”) basis vs. Oct 2023.

According to the SBP, the remittances sent by Overseas Pakistani workers have decreased by 4.6% to \$2.92 billion in Nov 2024 vs. \$3.05 billion in Oct 2024 on a M-o-M basis.

As per the data published by the Federal Board of Revenue (“FBR”), the FBR collected PKR 4,280 billion worth of tax revenue in the Jul-Nov of FY25 and has failed to achieve its five months target by PKR 356 billion.

The Net foreign currency reserves held by the SBP stood at \$11.85 billion as of 20th Dec 2024.

The Broad Money (M2) stock from 1st July 2024 to 15th December 2024 has contracted to a negative of PKR 847 billion, compared to PKR 620 billion last year in the same period.

According to the Pakistan Bureau of Statistics (“PBS”), the Consumer Price Index (“CPI”) inflation has clocked at 4.9% on a Y-o-Y basis in Nov 2024 vs. 29.2% last year.

Pakistan’s net FDI has surged by 31.3% or \$268 million to \$1,124 million provisionally during the Jul-Nov period of FY25, as compared to \$895 million during the same month of FY24.

The total Net Foreign Investment surged by 42.2% or \$378 million to \$1,272 million on a Y-o-Y basis in Jul-Nov period of FY25 as against the amount of \$895 million in the same period of FY23.

Pakistan reported a current account deficit (“CAD”) of \$944 million during the Jul-Nov Period of FY25, compared to \$1,676 million in the same month of FY24.





# ECONOMY AT A GLANCE

Economic Indicators	Period	Status	Current Year	Last Year
LSM (Base Year 2015-16)	October	↑	0.2 %	(5.79)%
Central Government Debt	September	↑	PKR 69,570 Billion	PKR 62,291 Billion
Credit to Private Sector	Jul – 15th December	↑	PKR 1,470 Billion	PKR 141 Billion
Worker's Remittances	November	↑	US \$2,915 Million	US \$2,251 Million
Currency in Circulation	Jul – 15th December	↑	PKR 184 Billion	PKR (500) Billion
Net Government Sector borrowing	Jul – 15th December	↓	PKR (2,249) Billion	PKR 2,613 Billion
National CPI (Base Year 2015-16)	November	↓	4.9%	29.2%
FBR Tax Collection	Jul-Nov	↑	PKR 4,280 Billion	PKR 3,484 Billion
Foreign Exchange Reserves with SBP	As of 20th Dec	↑	\$11.85 Billion	\$6.90 Billion
Foreign Direct Investments	Jul-Nov	↑	\$1,124 Million	\$856 Million
Trade Deficit in Goods	Jul-Nov	↓	US\$ (8,746) Million	US\$ (9,341) Million
Current Account Deficit	Jul-Nov	↓	\$944 Million	\$(1,676) Million





# 1. VALUATION OF THE PAKISTANI RUPEE PARITY

According to valuation of TA, the value of PKR is 251.5/USD after adjusting the Jul-Nov FY24 month's CAD. The PKR value has been kept artificially undervalued at PKR 278.4/USD, otherwise the present value of PKR currency is 251.5/USD.

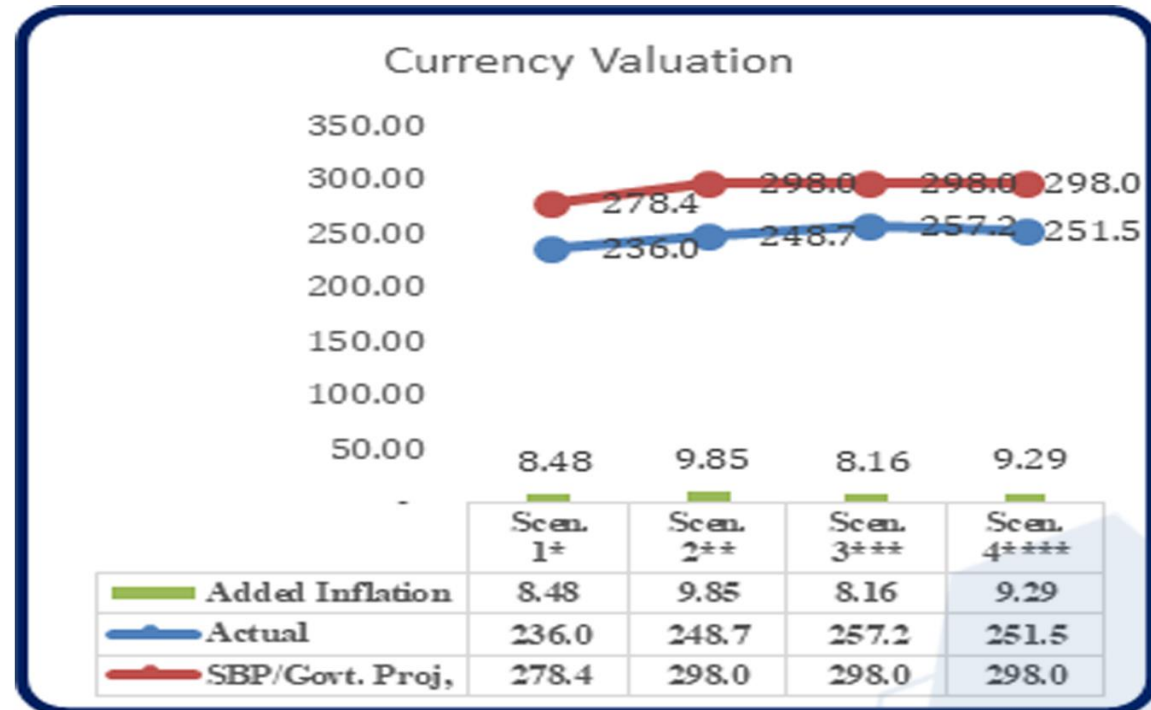
The graph depicts four scenarios: **(a) First scenario provides PKR valuation as of June 30, 2024;** **(b) Second scenario illustrates the valuation of PKR valuation based on the actual CAD, i.e \$665 billion CAD in FY24;** **(c) The third scenario provides the PKR value based on the Government's CAD projection of 0.9% of GDP;** **(d) and the last scenario is calculating the PKR value based on the adjusted CAD projection of the Government(adjusted for the Jul-Sept FY24).** A 10-rupee depreciation will result in a 2% increase in inflation, whereas, a 10 rupee revaluation will decrease inflation by 2%. For the currency valuation on the basis of IMF's projected GDP [Click Here](#)

\*Actual CAD of FY24

\*\*If CAD restricted to FY24's level i.e 0.16% of GDP

\*\*\* If CAD restricted to its targeted value of \$3.707 billion. i.e \$3.7 billion

\*\*\*\*Actual CAD cumulated in the Projection (adjusted monthly basis)



## 2. CURRENT ACCOUNT DEFICIT (“CAD”)

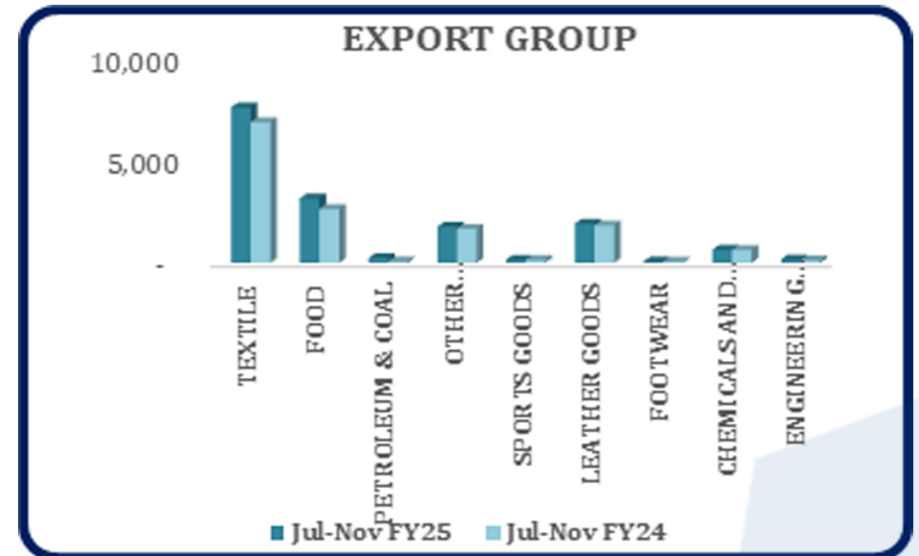
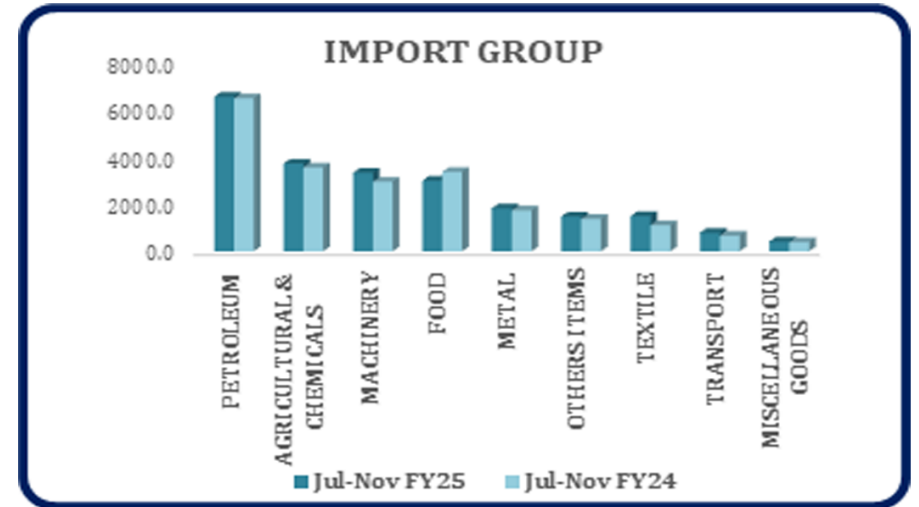
Pakistan recorded a current account (“CA”) surplus for the fourth consecutive month in FY25. The CA stood at a \$729 million surplus in November 2024, an increase by 593 times compared to the same month last year. On a cumulative basis, the Current Account has recorded a surplus of \$944 million, that is a 278 times reduction compared to a CAD of \$1,676 million during the Jul-Nov period of the previous FY24. This sustainable CA surplus is attributed to strong remittance inflows.

CAD	Month wise Comparison			Commulative Comparison		
	Nov-24	Oct-24	Nov-23	Jul-Nov FY24	Jul-Nov FY25	Jul-June FY25 Proj.
<b>i. Balance of Trade in Goods</b>	<b>(1,361)</b>	<b>(1,590)</b>	<b>(1,838)</b>	<b>(8,838)</b>	<b>(9,689)</b>	<b>(24,941)</b>
Exports of Goods	2,775	3,022	2,693	12,364	13,283	32,341
Imports of Goods	4,136	4,612	4,531	21,202	22,972	57,283
<b>ii. Balance of Trade in Services</b>	<b>(152)</b>	<b>(265)</b>	<b>(159)</b>	<b>(1,260)</b>	<b>(1,148)</b>	<b>(2,738)</b>
Exports of Services	676	688	608	3,043	3,276	8,169
Imports of Services	828	953	814	4,303	4,424	10,907
<b>iii. Balance on Primary Income</b>	<b>(843)</b>	<b>(903)</b>	<b>(588)</b>	<b>(3,228)</b>	<b>(3,722)</b>	<b>(7,648)</b>
<b>iv. Balance on Secondary Income</b>	<b>3,085</b>	<b>3,104</b>	<b>2,437</b>	<b>11,650</b>	<b>15,503</b>	<b>31,620</b>
Secondary Income Credit	3,125	3,152	2,471	11,837	15,766	N/A
Worker Remittances	2,915	3,055	2,259	11,054	14,768	30,278
Secondary Income Debit	40	48	34	187	263	N/A
<b>CAD (i + ii + iii + iv)</b>	<b>729</b>	<b>346</b>	<b>(148)</b>	<b>(1,676)</b>	<b>944</b>	<b>(3,707)</b>

(Source: SBP)

## 3. BALANCE OF TRADE IN GOODS

According to the PBS, Pakistan's trade deficit decreased by 13.7% to \$1.69 billion in Nov of FY25, compared to \$1.95 billion in the same period of FY24, amidst a higher increase in exports. Moreover, on a Y-o-Y basis, the exports rose by almost 10.1% to \$2.83 billion during the fifth month of ongoing FY compared to \$2.57 billion in the same month of last FY. Further, the imports decreased by 0.15% to \$4.52 billion in Nov of FY25 compared to \$4.53 billion in the same period of FY24. Additionally, on a M-o-M basis, exports decreased by almost 5.0% compared to \$2.83 billion in October 2024. Furthermore, the country's trade deficit increased by 6.2% compared to \$1.59 billion in October 2024. On a cumulative basis, exports surged to \$13.72 billion in the Jul-Nov period of FY25 compared to \$12.16 billion in the same period last year. Similarly, the trade deficit declined by 6.4% to \$8.75 billion in the first five months of FY25 compared to \$9.34 billion in FY24. The graph below illustrates the import and export data categorized by groups for FY25 and FY24 during the corresponding periods of Jul-Nov.





## 4. LARGE SCALE MANUFACTURING

According to the PBS, Pakistan's LSM sector showed a minor growth of 0.02% in Oct 2024 on a Y-o-Y basis vs. Oct 2023. In contrast, on a M-o-M basis, the overall output growth decreased by 2.2%, compared to the month of Sept 2024. Additionally, the cumulative LSM growth exhibited a negative trend, with an almost 0.6% contraction in the Jul-Oct of FY25 vs. the same period of last FY24. Sector-wise, important groups such as cotton yarn, cotton cloth, and garment sector showed a growth by 8.8%, 0.8% and 16.1% respectively, whilst the Cement industry showed a contraction of 11.8% in the first four months of FY25.

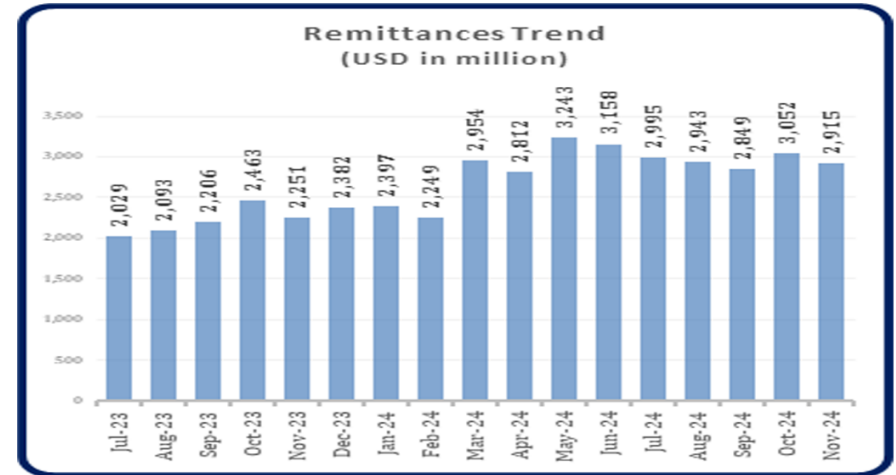
LSM (%)	Weight	Oct-24	Sept-24	Oct-23	Jul-Oct FY25
Textile	18.2	0.92	2.38	1.06	2.60
Food	10.7	1.83	1.25	1.55	2.22
Coke & Petroleum Products	6.7	(18.97)	9.52	(8.19)	1.33
Chemicals	6.5	2.11	(2.80)	5.05	0.02
Wearing Apparel	6.1	12.02	23.83	(15.71)	16.09
Pharmaceuticals	5.2	9.16	2.46	26.56	2.02
Non-Metallic Minerals Products	5.0	(2.98)	(18.06)	(11.73)	(15.05)
Beverages	3.8	(1.59)	2.32	(15.06)	(1.17)
Iron and Steel Products	3.4	(11.86)	(10.67)	(1.56)	(12.42)
Automobiles	3.1	109.63	32.96	(58.21)	42.86
Tobacco	2.1	16.86	52.61	(37.18)	33.01
Electrical Equipment	2.0	(14.44)	(31.39)	(17.26)	(21.38)
Paper & Board	1.6	(4.94)	5.65	5.23	3.44
Leather Products	1.2	0.81	(3.74)	4.14	(0.33)
Other Transport Equipment	0.7	28.56	21.92	(10.04)	23.56
<b>LSM Growth for Oct 2024 (Y/Y)</b>					<b>0.02 %</b>
<b>LSM Growth of Oct 2024 vs. Sept 2024 (M/M)</b>					<b>(2.24) %</b>
<b>LSM Growth Jul-Oct FY25</b>					<b>(0.64) %</b>

(Source: PBS)

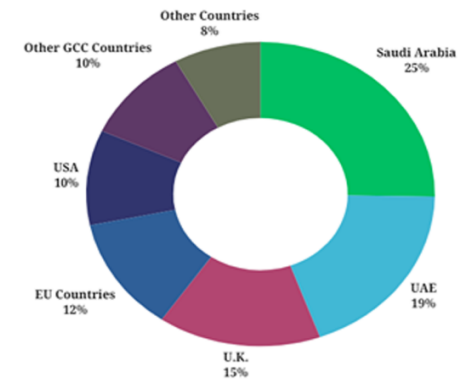


# 5. Worker's Remittances

As per the SBP, the remittances sent by Overseas Pakistani workers have decreased by 4.6% to \$2.92 billion in Nov 2024 vs. \$3.05 billion in Oct 2024 on a M-o-M basis. Similarly, on a Y-o-Y comparison, the remittance inflows went up by 35.2% when compared to \$2.26 billion received a year ago in the same month. Further, on a cumulative basis, remittances increased by almost 33.6% to \$14.77 billion in the Jul-Nov period of FY25, when compared with \$11.05 billion for the same period last year.



Remittances Share Jul-Nov FY25





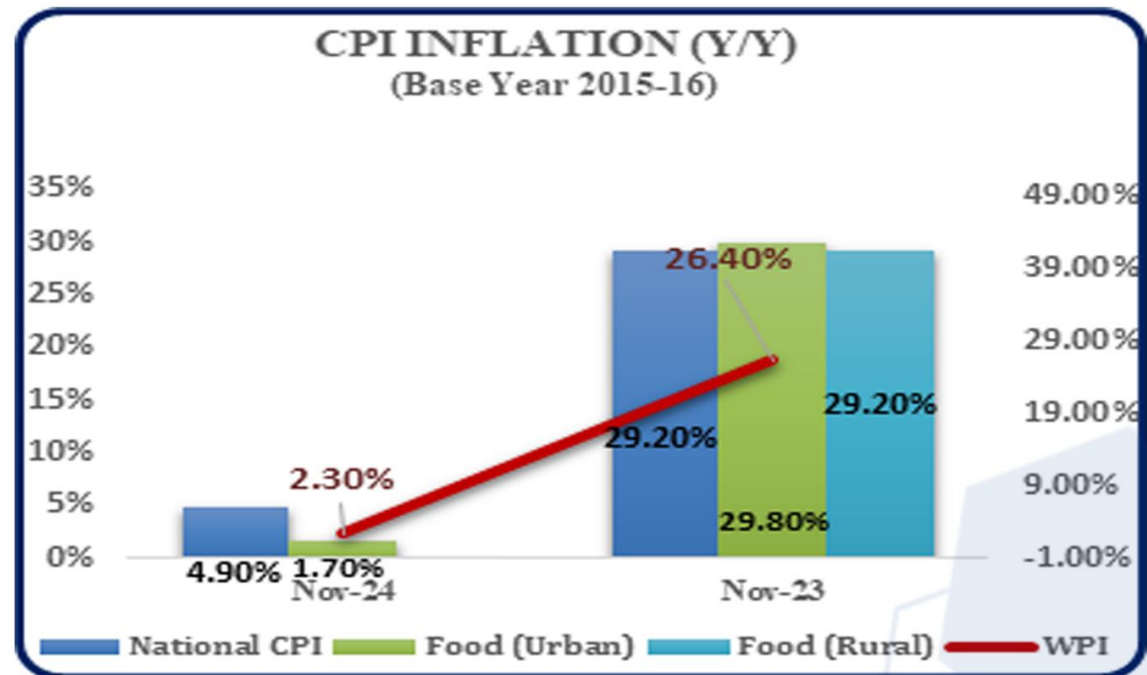


# 6. CONSUMER PRICE INDEX INFLATION

Pakistan’s headline inflation has declined to 4.9% Y-o-Y in Nov 2024, slightly down from the 7.2% recorded in Oct 2024. The inflation has mainly decreased due to last year’s base effect. Further, inflation has been below the key policy rate for eight consecutive months. Additionally, the average inflation in the Jul-Nov period of FY24 amounted to 7.9%. Moreover, on a monthly basis, the National CPI has recorded a hike of 0.5%. Similarly, the Food inflation rate stood at -0.2% and 0.2% for urban and rural areas compared to Oct 2024, respectively. Lastly, in Nov 2024, the Core inflation, which is calculated by excluding energy and food items, rose by 8.9% and 10.9% in urban and rural areas on a Y-o-Y basis, respectively.

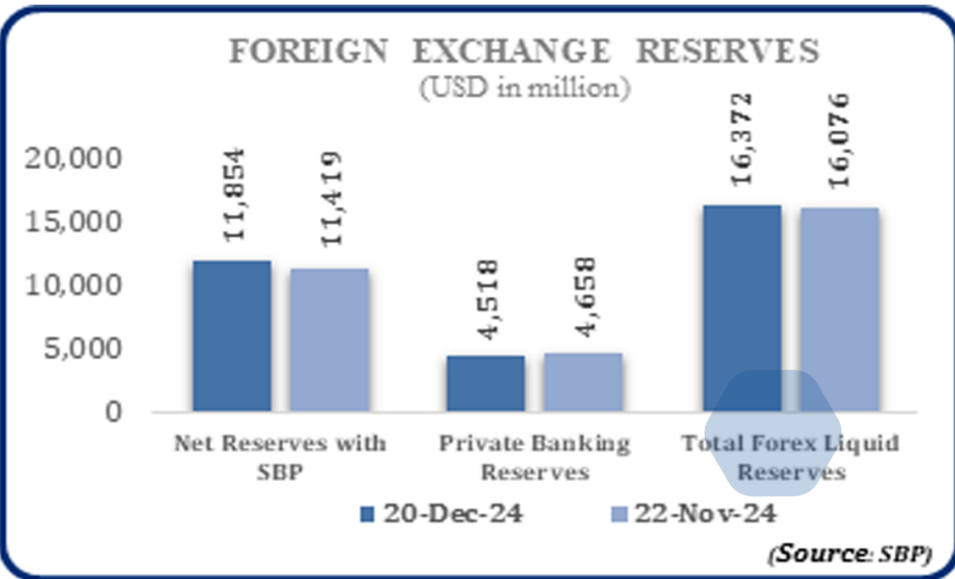
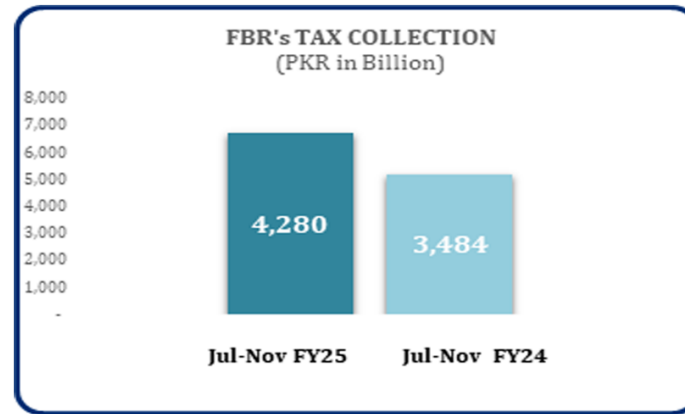
Group	Weight (%)	% Change over	
		Oct-24	Nov-23
Food	34.58	(0.20)	(0.24)
Non-perishable	29.60	0.04	(1.54)
Perishable	4.99	(1.53)	7.47
Utility	23.63	0.40	7.89
Health	2.79	2.38	13.06
Transport	5.91	0.72	(2.75)
Education	3.79	1.51	10.55
Restaurants & Hotels	6.92	1.04	8.30

(Source: PBS)



# 7. FBR TAX REVENUE COLLECTION

As per the data published by the FBR, the FBR collected PKR 4,280 billion worth of tax revenue in the first five months of FY25 and failed to achieve its monthly target by PKR 356 billion. The tax collection surged to PKR 837 billion in Nov 2024, whereby the FBR failed to achieve the monthly target of PKR 1,003 billion, despite delaying legitimate taxpayer refunds. As per Mr. Shahbaz Rana's article titled "**FBR Rs1tr short of meeting IMF target**" published on 27th December 2024 in the Express Tribune, the FBR has collected PKR 5 trillion as of 26th December 2024.



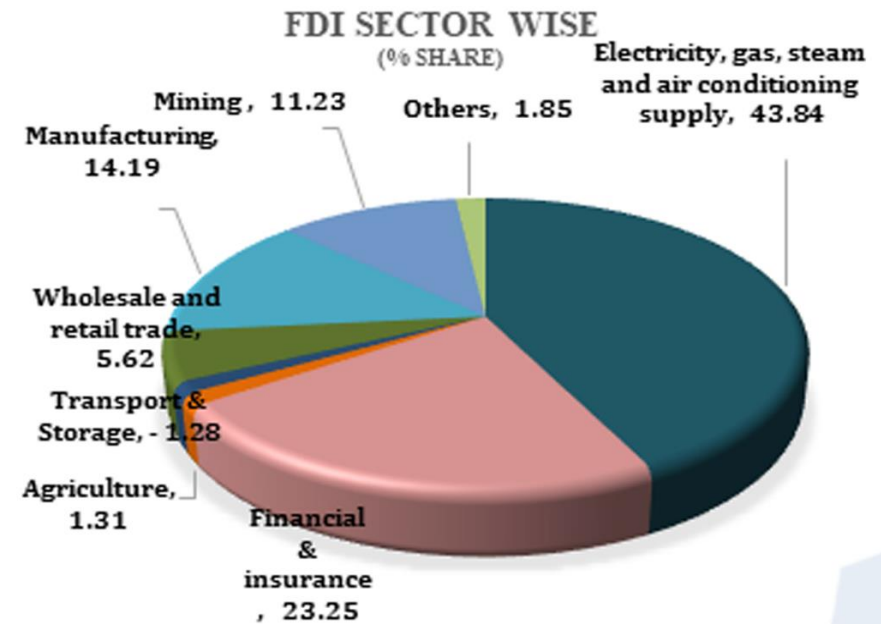
# 8. FOREIGN EXCHANGE RESERVES

The Net foreign exchange reserves of the SBP stood at \$11.85 billion as of December 20th, 2024, representing a decrease of 1.9%, or \$228 million, compared to last week's reserves of \$12.08 billion on November 8th, 2024. Moreover, when compared to the reserves of the previous month (which were \$11.42 billion on Nov 22nd, 2024), the Net reserves have gone up by 3.8%. The boost in foreign reserves is mainly credited to the acquisition of the second installment totaling \$1.1 billion from the IMF.



## 9. FOREIGN DIRECT INVESTMENT

Pakistan's net FDI has surged by 31.3% or \$268 million to \$1,124 million provisionally during the Jul-Nov period of FY25, as compared to \$895 million during the same month of FY24. Whereas, the total Net Foreign Investment surged by 42.2% or \$378 million to \$1,272 million on a Y-o-Y basis in Jul-Nov period of FY25 as against the amount of \$895 million in the same period of FY24. This Pie chart shows the percentage share of net inflows in different sectors of the Economy in the first fifth months of FY25.





## 10. DEBT PROFILE

The total central Government debt, comprising of the Government's domestic debt and external debt, has surged to PKR 69.57 trillion in Sept 2024, marking a substantial 11.7% increase compared to the same month of the previous Fiscal Year. These figures underscore the significant escalation in the country's debt burden, signaling challenges in debt management and fiscal sustainability.

Pakistan's Total Debt & Liabilities			
(PKR in billion)	Sept-24	Sept-23	% change
Domestic Debt	47,536	39,698	19.74
<b>% of GDP</b>	<b>38.29</b>	<b>37.43</b>	
External Debt	22,034	22,594	(2.48)
<b>% of GDP</b>	<b>17.75</b>	<b>21.31</b>	
Gross Public Debt	69,570	62,291	11.69
<b>% of GDP</b>	<b>56.04</b>	<b>58.74</b>	
Nominal GDP	124,150	106,045	17.07

(Source: SBP & MOF)





# Outlook

Pakistan's economic outlook reflects cautious optimism, as inflation experienced a remarkable decline, dropping to 4.9% in November. Over the past year, inflation fell dramatically from 29.2% in November 2023 to 11.2% by May 2024 and reached just 4.9% in November 2024, a record drop within a single year. However, the inflation outlook remains vulnerable to several risks, including additional fiscal measures to address revenue shortfalls, a potential resurgence in food inflation, and rising global commodity prices. Despite these challenges and the anticipated phasing out of the favorable base effect, the MPC assessed that the current monetary policy stance is appropriate for stabilizing inflation within the target range.

The reduction in the interest rate to 13.0% is a positive step, though further decreases are warranted, as the real policy rate remains significantly high, exceeding 8%. Lower interest rates encourage borrowing for investments, fostering industrial growth and overall economic expansion. A decline in interest rates reduces the cost of capital, making financing more affordable for businesses, enabling them to expand operations and invest in new ventures, thereby stimulating industrial activity and driving broader economic development.

To stabilize and recover the economy, the Government needs to implement measures and announce a strategic plan for sustainable economic growth and increasing foreign reserves instead of relying on friendly countries for bailout packages. Effective policy measures could include, inter-alia: (a) Limiting the primary deficit in the budget; (b) Implementing tax reforms to broaden the tax base; (c) Implementing structural reforms in commodity-producing sectors; (d)

Working on comparative trade policies to enhance national exports; (e) Reducing interest rates to stimulate economic activity and minimize debt servicing.

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