

ECONOMY

GDP Review

Pakistan Research

Economy: Revival of GDP growth

As per estimates by the newly established quarterly GDP dataset, Real GDP growth accelerated by 2.1 % YoY in 1QFY24 as compared to a 0.96% YoY in the same quarter last year. Elevating GDP growth was on account of a (i) 5.1% YoY growth in Agriculture, (ii) a 2.5% YoY recovery in Industry and (iii) a 0.8% YoY growth in services. The uptick was supported by a favorable base effect, even more so, as revised estimates for FY23 indicated a contracting economy with a -0.2% YoY growth.

Agriculture fueled GDP growth

The sector recorded a healthy growth of 5.1% YoY due to favorable weather conditions and a low base effect. Production of important crops surged by 11.2% YoY. An 11% decline in sugarcane's sowing area was more than offset by rising areas of rice (21%), cotton (11%) and maize (5%). Notably, cotton production jumped by 61.7% YoY.

Industrial sector rebound as supply conditions improve

Industry reversed its trajectory to record a positive growth of 2.5% YoY emanating from large scale manufacturing, construction and mining & quarrying. Easing supply constraints with removal of restrictions on imports and a relatively stable USD/PKR assisted the recovery. LSM, construction and mining & quarrying posted growth rates of 0.9%, 1.7% and 2.2% YoY in 1QFY24 respectively.

Knock-on effect on services

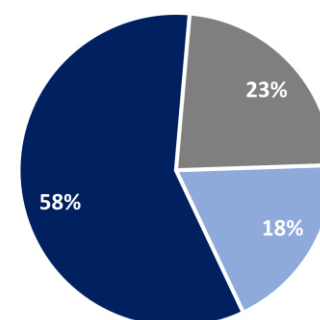
Services registered an increase of 0.8% YoY on account of spillover effects from higher agricultural and Industrial growth. Wholesale & retail trade grew by 3.1% YoY as industrial and agricultural output rose and import restrictions eased. Transport recorded a 1.7% YoY uptick while information and communications increased by 2.4% YoY.

Positive growth outlook for FY24

We forecast a GDP growth rate of 2.4% YoY in FY24 since a low base effect and improved agricultural output is likely to propel growth in the sector of upwards of 5.0% YoY. This will drive recovery in the heavyweight retail trade segment and hence, the service sector. Furthermore, dovish interest rate prospects and easing supply constraints present tailwinds to construction and large scale manufacturing. This could drive greater than expected Industrial growth.

	FY22	FY23	1QFY24
Agriculture	4.3%	2.3%	5.1%
Industry	7.0%	-3.8%	2.5%
Services	6.7%	0.1%	0.8%
GDP	6.2%	-0.2%	2.1%

Source: PBS, Akseer Research

GDP composition (%)

■ Agriculture ■ Industry ■ Services

Source: PBS, Akseer Research

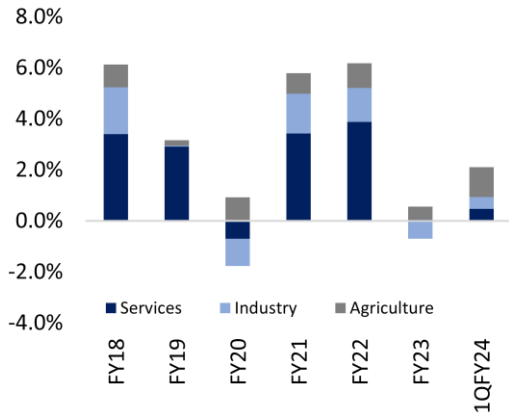
FY24 GDP Projections

	IMF	World Bank	Akseer Research
Agriculture	NA	2.2%	5.6%
Industry	NA	1.4%	2.3%
Services	NA	1.5%	1.5%
GDP	2.5%	1.7%	2.6%

Source: IMF, World Bank, Akseer Research

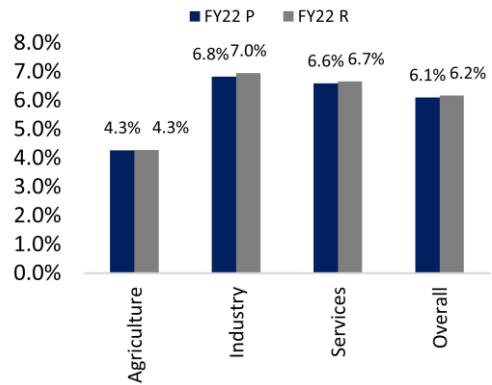
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Agriculture leads GDP contribution in 1QFY24



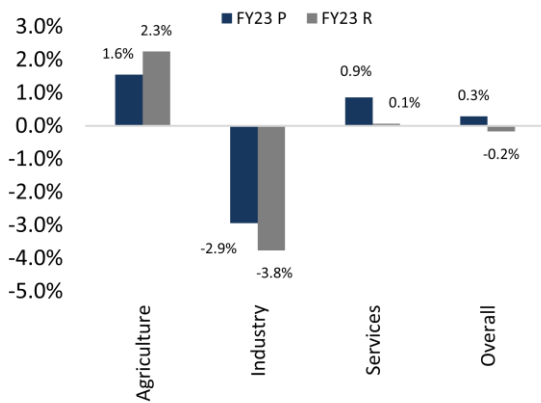
Source: PBS, Akseer Research

Minimal Revision in FY22 figures



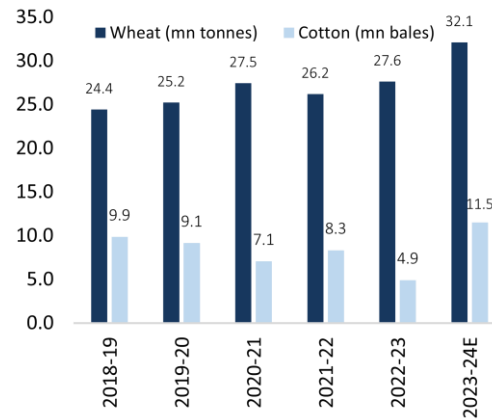
Source: PBS, Akseer Research

Contraction in FY23 GDP (YoY) mainly due to higher than projected industry decline



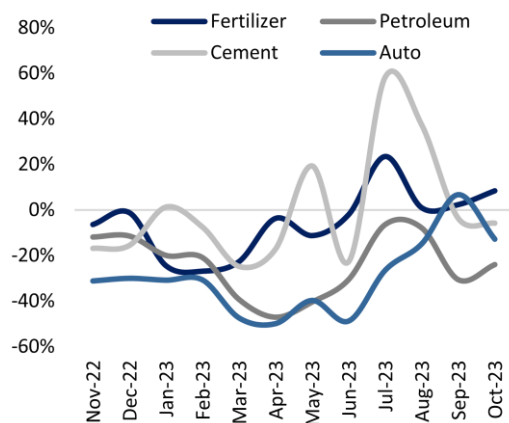
Source: PBS, Akseer Research

Higher agricultural output to drive GDP growth



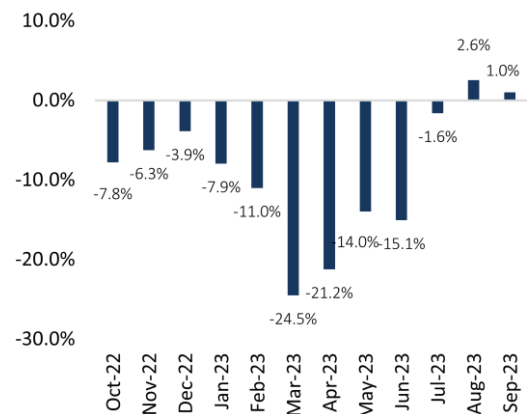
Source: MoF, Akseer Research

Slight Uplift Industrial output (YoY)



Source: SBP, Akseer Research

LSMI turns positive (YoY)



Source: PBS, Akseer Research

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