

**ECONOMY**

## GDP Review

## Pakistan Research

**Industry contraction weighs heavy on GDP growth in 2Q**

Real GDP posted a paltry growth of 1.0 % YoY in 2QFY24 compared to 2.2% YoY in the same quarter last year and 2.5% in the previous quarter. The Lower GDP growth was due to a slower growth in Services and a negative contribution from the Industry. Additionally, estimates for 1QFY24 have been revised upward primarily because of better than expected growth in the Agriculture industry.

**Agriculture continues to fuel GDP growth**

Agriculture industry recorded a healthy growth of 5.0% YoY due to favorable weather conditions. Production of important crops surged by 8.1% YoY driven by a notable growth in the final production of cotton, rice, and maize. Wheat sowing showed a 6.7% YoY in terms of area, while the impact of the decline in production of sugarcane (10.7% YoY) was offset by growth in the remaining four crops. However, Other crops experienced a decline of 0.3% YoY due to decline in production of green feeder (-0.7% YoY).

In the Cotton and Ginning sector, there was a significant growth of 53.6% YoY in 2Q due to the healthy production of cotton crop this year.

**Industry remains in negative**

The Industry sector continues to follow a negative trajectory, experiencing -0.84% YoY on the back of decline in production in Mining & Quarrying and Construction sector, along with a lower contribution from Electricity, Gas & Water Supply. Mining & Quarrying declined by 4.2% due to decline in production of gas (5.0% YoY), marble (-40.1% YoY) and limestone (-20.0% YoY). Moreover, the Construction industry saw a significant decline of 17.6% YoY in 2Q, driven by drops of 8.7% YoY and 2.5% YoY in Cement and Steel production, respectively.

However, Large Scale Manufacturing increased 0.4% YoY in 2Q due to better production of Cooking oil, Garments and Fertilizers.

**Knock-on effect on services**

Services saw a mere increase of 0.01% YoY as growth in (i) Wholesale and retail trade, (ii) Hotels and Restaurants, and (iii) Real Estate Activities overshadowed decline in (i) Information & Technology, (ii) Finance & Insurance Activities and (iii) Public. Wholesale & retail trade grew by 2.1% YoY in 2Q due to positive growth in Agriculture and LSM, which was enough to offset the negative impact of declining imports. The Transport & storage industry recorded a 1.1% YoY uptick in 2Q due to an increase in the output of railways and road transport.

**1Q revised upward on better crop production**

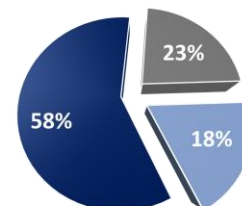
Estimates for 1QFY24 have turned out to be better than expected, with an upward revision in Agriculture and Services despite a downward revision in Industry. Agriculture witnessed a healthy revision to 8.6% YoY from 5.1% YoY, primarily due to an upward revision in crops posting a double-digit growth of 17.7% YoY compared to the earlier envisaged growth of 6.1%. Whereas, Industry has witnessed a significant downward revision to -0.2%, attributed to downward adjustments in LSM, Electricity, gas & water supply and Construction.

**Growth rate revised downward to 1.9% for FY24**

We have revised our GDP growth rate forecast for FY24 to 1.9% YoY from the earlier projection of 2.4% due to the dismal performance of industry sector given higher interest rates. However, a low base effect and improved agricultural output are likely to propel growth in the sector of upwards of 5.0% YoY. This would support a recovery in the heavyweight retail trade segment and hence, the service sector.

	1QFY24P	1QFY24R	2QFY24
Agriculture	5.1%	8.6%	5.0%
Industry	2.5%	-0.2%	-0.8%
Services	0.8%	0.9%	0.0%
<b>GDP</b>	<b>2.1%</b>	<b>2.5%</b>	<b>1.0%</b>

Source: PBS, Akseer Research

**GDP composition (%)**

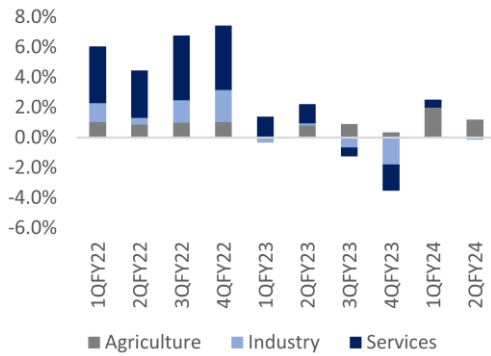
■ Agriculture ■ Industry  
■ Services

Source: MoF, Akseer Research

Research

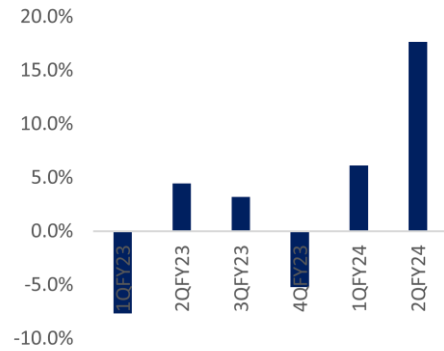
[research@alfa-akseer.com](mailto:research@alfa-akseer.com)

### Agriculture leads GDP contribution in 2QFY24



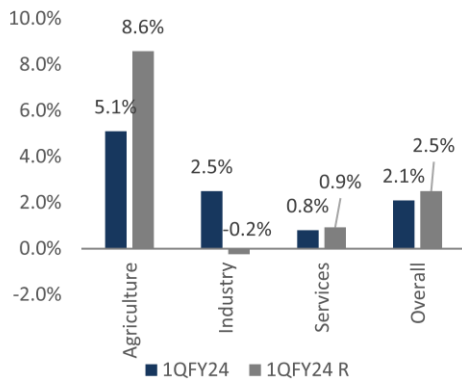
Source: PBS, Akseer Research

### Important crops drive Agriculture growth



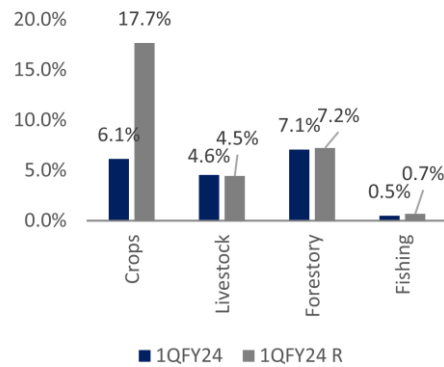
Source: PBS, Akseer Research

### 1QFY24 numbers revised upward (%YoY)..



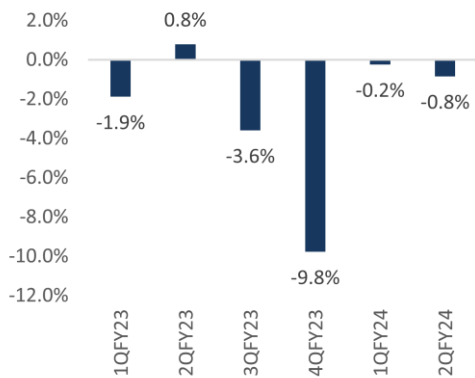
Source: PBS, Akseer Research

### ...with major revision in crops growth (%YoY)



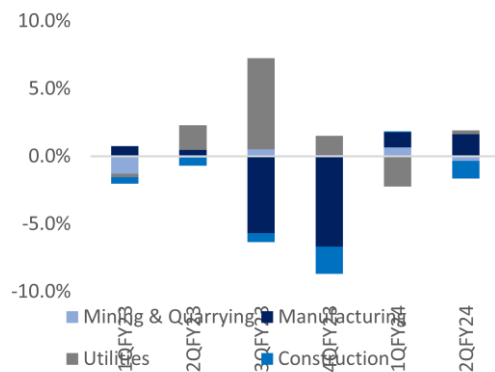
Source: PBS, Akseer Research

### Industrial growth remains in negative (YoY)



Source: PBS, Akseer Research

### ...due to negative contribution from mining & Quarrying and Construction



Source: PBS, Akseer Research

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Sell	Less than or equal to -5%

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