

## ECONOMY

### GDP Review

Pakistan Research

## Industry supports GDP growth in 3QFY24

Real GDP posted growth of 2.09 % YoY in 3QFY24 compared to -1.10% YoY in the SPLY and 1.79% in the previous quarter. The high GDP growth is due to a rebound in Industry and Services. Additionally, estimates for 1Q and 2Q have been revised upward, primarily because of better-than-expected growth in the Services along with improved Industry sector output for 2Q.

Moreover, the provisional growth rate for FY24 is set at 2.38%, driven by growth of 6.25% in Agriculture and 1.21% in both Industry and Services.

### Agriculture remains the backbone

The Agriculture industry recorded a healthy growth of 3.94% YoY due to favorable weather conditions. Production of important crops surged by 2.89% YoY driven by an increase in wheat production. The first estimate of wheat production shows an output of 31.44mn tons, which has also improved estimates for 1Q and 2Q. Other crops also witnessed growth of 1.14%, compared to -0.99% in 3QFY23, due to higher vegetable and fruit production.

In the Cotton Ginning sector, there was a significant growth of 61.75% YoY in 3Q due to the healthy production of the cotton crop this year.

### Industry joins Agriculture to fuel GDP growth in 3Q

The Industry sector has started showing signs of recovery as it moves out of negative growth in 2Q after remaining in negative for three consecutive quarters. The sector posted growth of 3.84% in 3Q due to positive momentum in Mining & Quarrying (0.63%), Manufacturing (3.30%), and Electricity, Gas and Water Supply (37.30%). Mining & Quarrying witnessed positive growth because of higher coal (23.73%), and marble (5.87%) production. A rebound in LSM growth (1.47%) along with sustained growth of Small-Scale Manufacturing and Slaughtering has helped the Manufacturing index to increase in 3Q. The Electricity, Gas & Water Supply industry has shown positive growth of 37.30% in 3Q because of an increase in output of DISCOs along with a rise in gas output amid a low base effect. However, the Construction industry saw a significant decline of 15.75% YoY in 3Q, driven by drops of 15.42% YoY and 2.83% YoY in Cement and Steel production, respectively.

### Contribution from Services remains subdued

Services saw an increase of 0.83% YoY as growth in (i) Wholesale and Retail Trade, (ii) Hotels and Restaurants, and (iii) Real Estate Activities overshadowed declines in (i) Information & Technology, (ii) Finance & Insurance Activities, and (iii) Public. Wholesale & Retail Trade grew by 0.38% YoY in 3Q due to positive growth in Agriculture and LSM, which was sufficient to offset the negative impact of declining imports. The Transport & Storage industry recorded a 0.91% YoY uptick in 3Q due to increased output at ports and railways.

### Growth rate set at 2.38% for FY24

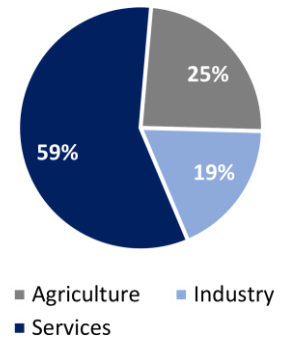
GDP is envisaged to grow at 2.38% in FY24 on the back of strong growth in the Agriculture Industry. Provisional growth for Agriculture is 6.25%, while it is 1.21% for both Industry and Services. We have revised our GDP growth rate forecast for FY24 to 2.28% YoY from the earlier projection of 1.90% due to the improved performance of Industry and Services, along with a downward revision in growth rate for FY23.

Going forward, lower wheat prices (down ~25% from government support prices) are expected to impact Agriculture growth. In contrast, monetary easing and reduced working capital requirements due to lower commodity prices are likely to support growth in the Industry sector. This industrial growth, coupled with a rebound in imports, would contribute to a recovery in the heavyweight retail trade segment and, consequently, the Services industry.

	1QFY24R	2QFY24R	3QFY24P
Agriculture	8.6%	5.8%	3.9%
Industry	-2.4%	0.1%	3.8%
Services	2.0%	0.8%	0.8%
<b>GDP</b>	<b>2.7%</b>	<b>1.8%</b>	<b>2.1%</b>

Source: PBS, Akseer Research

### GDP composition (%)

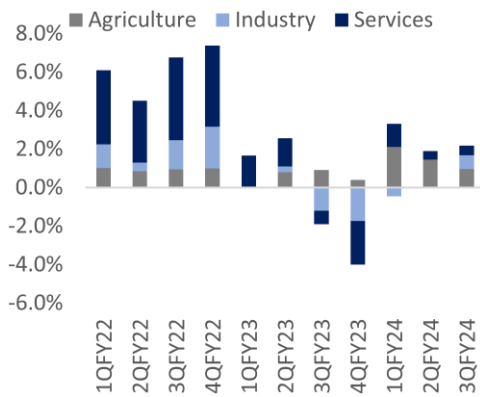


Source: MoF, Akseer Research

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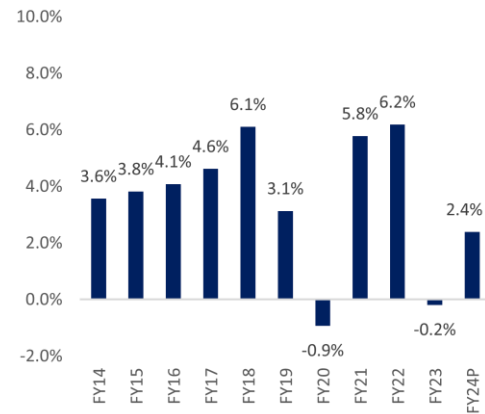
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### Industry joins Agriculture to propel GDP growth in 3QFY24



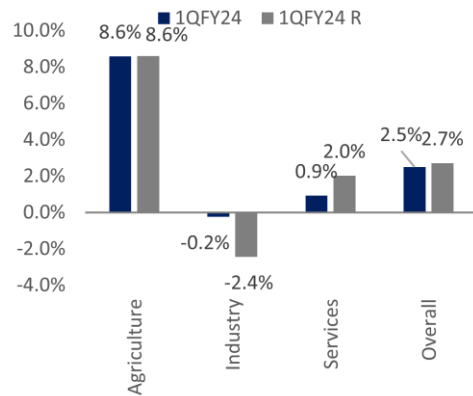
Source: PBS, Akseer Research

### Provisional growth rate set at 2.4% for FY24



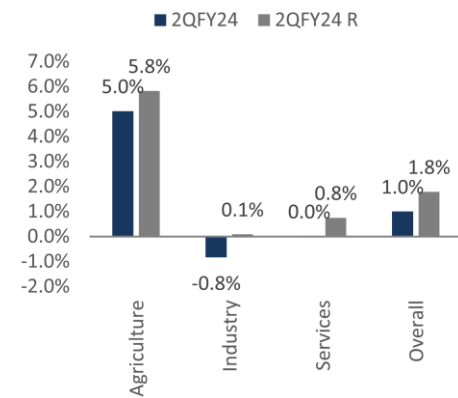
Source: PBS, Akseer Research

### 1QFY24 numbers revised upward on better Services growth (%YoY)...



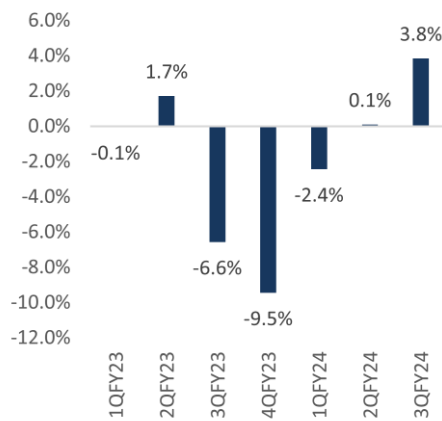
Source: PBS, Akseer Research

### ...upward revision in Industry and Services propel 2QFY24 growth (% YoY)



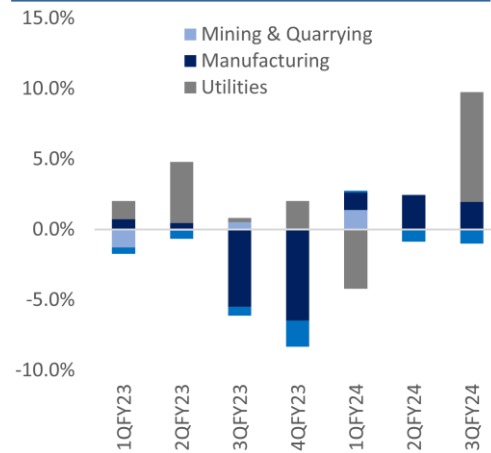
Source: PBS, Akseer Research

### Industry turns positive in 2Q (YoY) ...



Source: PBS, Akseer Research

### ...due to rebound in Utilities



Source: PBS, Akseer Research

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