

# Economic Survey

## Boom-Bust Cycle Continues



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## Boom-Bust Cycle continues

June 8, 2023

FY23 has been one of the toughest years in the history of Pakistan. The country faced multi-dimensional crisis i.e. i) political instability, ii) catastrophic rains/floods, iii) Skyrocketing Inflation and iv) balance of payment crunch. The Govt. has published Economic Survey for FY23, which depicts another episode of boom-bust cycle.

**Key Highlights FY23:** Pakistan's real GDP growth has been recorded at meager 0.29% versus target of 5% and growth of around 6% in last two years. GDP size shrunk to USD 342bn vs USD 376bn in FY22. Per capita income dropped to USD 1,568 vs 1,766 in FY22, mainly due to sharp PKR devaluation (29% since Jul-22TD). Average Inflation accelerated to 29.2% (Jul-May) vs 11.3% in SPLY. Investment to GDP ratio fell to 13.6%, lowest in at least a decade. SBP Reserves have dropped to USD 4.1bn vs 9.8bn at Jun-22.

**Agriculture:** Despite rain/floods agriculture sector posted positive growth of 1.6%. The major support came from livestock growth of 3.8%, highest since FY15. Cotton and rice production declined by 41% and 21% respectively. However, sugarcane and wheat production increased by 5% and 3%, respectively.

**Industrial:** Pakistan's Industrial sector posted a negative growth of 2.9% in FY23 on the back of slowdown in aggregate demand, fiscal consolidation, interruption in supply of raw material due to import controls and record high interest rates.

**Services:** Pakistan's services sector underperformed and only grew by 0.9% during FY23. Major reason behind underperformance was negative growth of 4.5% in wholesale and trade sector. On the other hand, transport sector outperformed expectations by growing 4.7%, surpassing its growth target of 4.5%.

**Outlook:** The Government targets 3.5% real growth in FY24. The low base effect would help. However, all eyes are on the IMF program, which would dictate the course for Pakistan's economy and markets.

### Growth underperformed target in FY23

	Unit	Target	Actual
<b>Real Sector</b>			
<b>Real GDP Growth</b>	%	<b>5.0</b>	<b>0.3</b>
<b>- Agriculture</b>	%	<b>3.9</b>	<b>1.6</b>
- Crops	%	3.5	-2.5
- Livestock	%	3.7	3.8
<b>Industrial sector</b>		<b>5.9</b>	<b>-2.9</b>
- Manufacturing	%	7.1	-3.9
- LSM	%	7.4	-8.0
<b>Services</b>	%	<b>5.1</b>	<b>0.9</b>
- Wholesale & Trade	%	6.5	-4.5
- Transport & Storage	%	4.5	4.7
<b>As % of GDP</b>			
Investment	%	14.7	13.6
- Fixed Investment	%	13.0	11.9
- Public Investment	%	3.3	3.1
- Private Investment	%	9.7	8.8
National Savings	%	12.5	12.6
Domestic Savings	%	n.a	6.3
Foreign Savings	%	n.a	1.0

Source: Economic Survey, IIS Research

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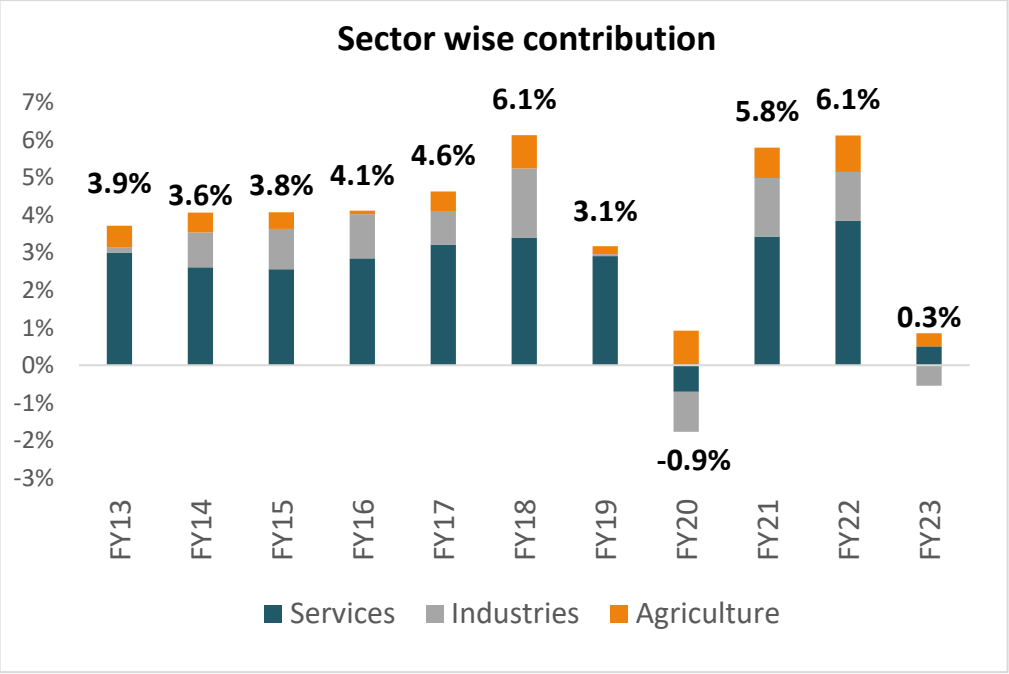
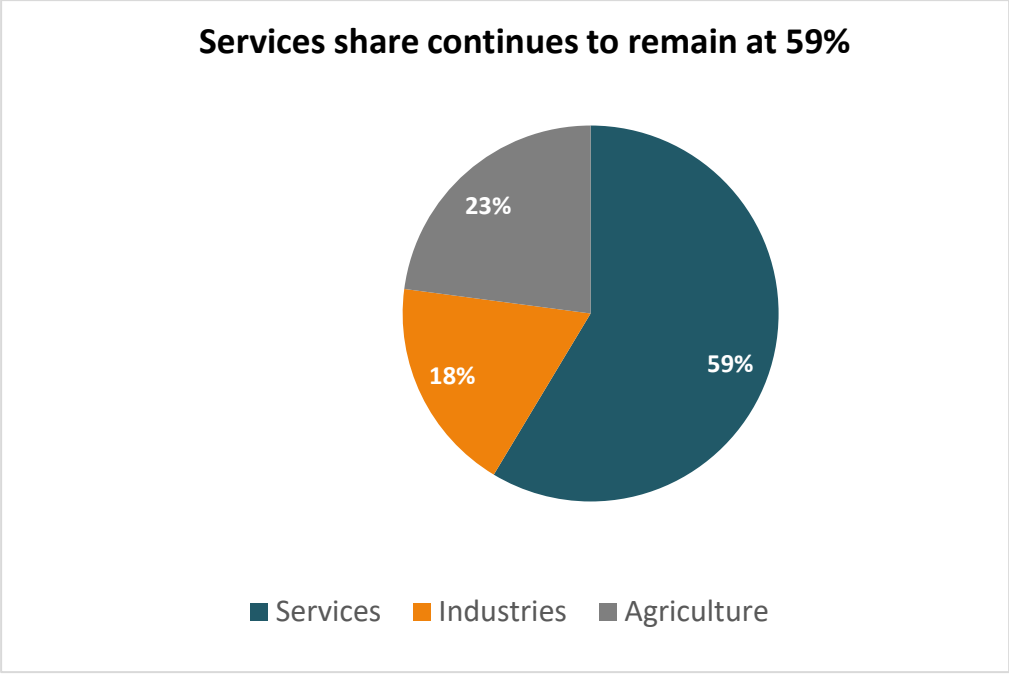
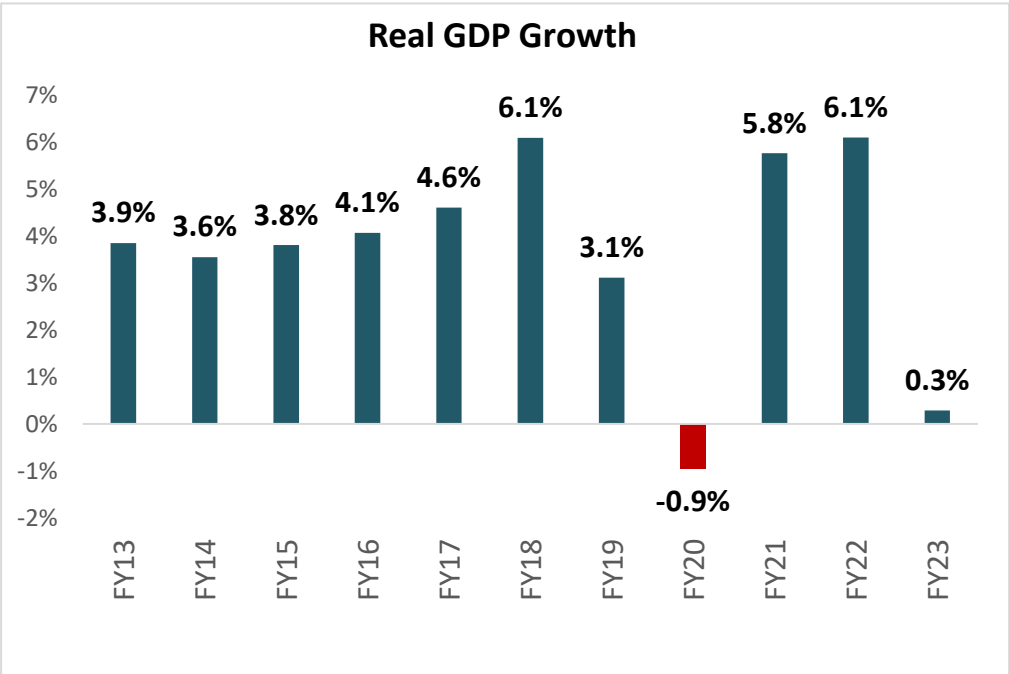
	FY18	FY19	FY20	FY21	FY22R	FY23P
<b>Real GDP Growth</b>	<b>6.1%</b>	<b>3.1%</b>	<b>-0.9%</b>	<b>5.8%</b>	<b>6.1%</b>	<b>0.3%</b>
<b>Services Growth</b>						
Wholesale & Retail trade	6.8%	3.6%	-5.3%	10.8%	10.3%	-4.5%
Transport, Storage & Communication	3.3%	7.6%	-8.9%	4.9%	4.1%	4.7%
Accommodation and Food Services Activities (Hotels & Restaurants)	4.1%	4.1%	4.1%	4.1%	4.1%	4.1%
Information and Communication	4.2%	8.5%	13.8%	9.8%	16.3%	6.9%
Financial and Insurance Activities	8.8%	6.1%	-2.2%	5.5%	7.2%	-3.8%
Real Estate Activities (OD)	3.6%	3.7%	3.8%	3.6%	3.7%	3.7%
Public Administration & Social Security (General Govt)	10.9%	3.5%	3.0%	-0.5%	1.8%	-7.8%
Education	3.5%	2.0%	3.3%	-1.2%	5.7%	10.4%
Human Health and Social Work Activities	5.7%	7.7%	6.2%	2.9%	2.7%	8.5%
Other Private Services	7.6%	6.2%	5.0%	5.1%	4.8%	5.0%
<b>Sector</b>	<b>6.0%</b>	<b>5.0%</b>	<b>-1.2%</b>	<b>5.9%</b>	<b>6.6%</b>	<b>0.9%</b>
<b>Industries Growth</b>						
Mining & Quarrying	7.3%	0.5%	-7.2%	1.7%	-7.0%	-4.4%
Manufacturing	7.1%	4.5%	-7.8%	10.5%	10.9%	-3.9%
Large Scale	6.9%	3.5%	-11.2%	11.5%	11.9%	-8.0%
Small Scale	8.8%	9.0%	1.4%	9.0%	8.9%	9.0%
Slaughtering	5.8%	5.9%	5.9%	6.1%	6.3%	6.3%
Electricity Generation & Distribution & Gas	8.0%	5.5%	3.5%	9.0%	3.1%	6.0%
Construction	19.5%	-18.1%	-3.1%	2.4%	1.9%	-5.5%
<b>Sector</b>	<b>9.2%</b>	<b>0.2%</b>	<b>-5.7%</b>	<b>8.2%</b>	<b>6.8%</b>	<b>-2.9%</b>
<b>Agriculture Growth</b>						
Crops	4.6%	-4.4%	6.3%	5.8%	8.2%	-2.5%
Important Crops	4.3%	-8.6%	5.2%	5.8%	5.4%	-3.2%
Other Crops	4.7%	3.6%	9.2%	7.9%	11.9%	0.2%
Cotton Ginning	8.3%	-11.2%	-4.1%	-13.1%	9.2%	-23.0%
Livestock	3.6%	3.7%	2.8%	2.4%	2.3%	3.8%
Forestry	2.2%	7.2%	3.4%	3.3%	4.1%	3.9%
Fishing	1.6%	0.8%	0.6%	0.7%	0.4%	1.4%
<b>Sector</b>	<b>3.9%</b>	<b>0.9%</b>	<b>3.9%</b>	<b>3.5%</b>	<b>4.3%</b>	<b>1.5%</b>

Source: PBS, Economic Survey, IIS Research

R = Revised, P = Provisional

## Agri posted positive growth despite floods

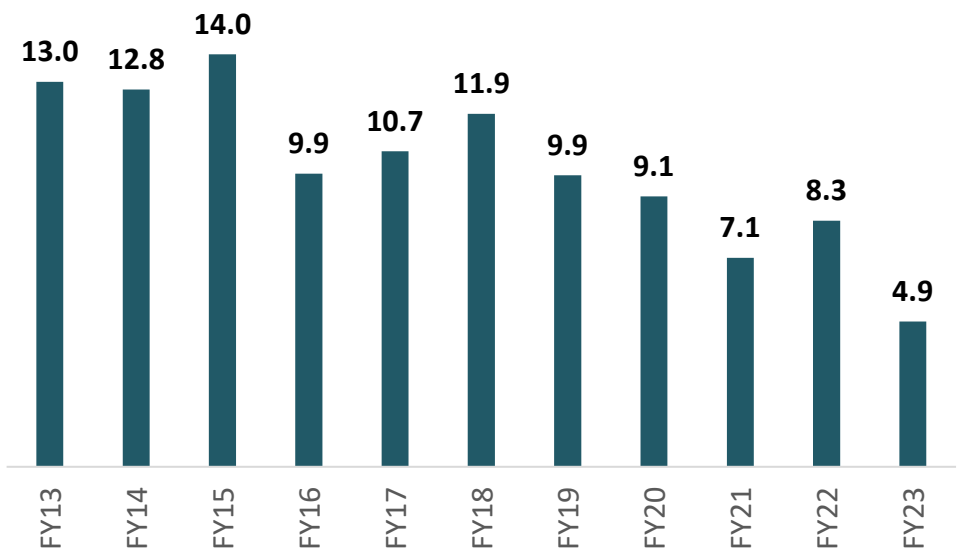
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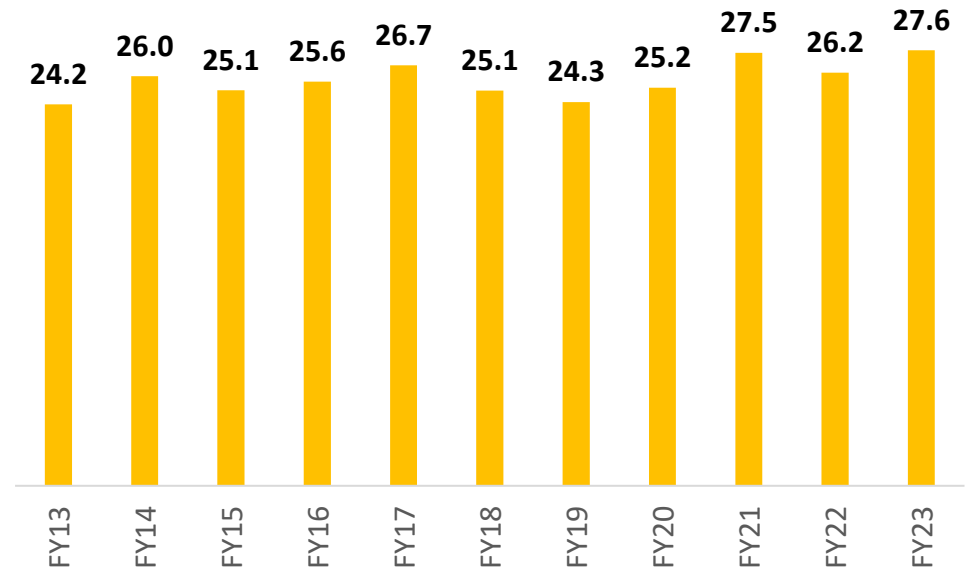
## Wheat and Sugarcane production increased

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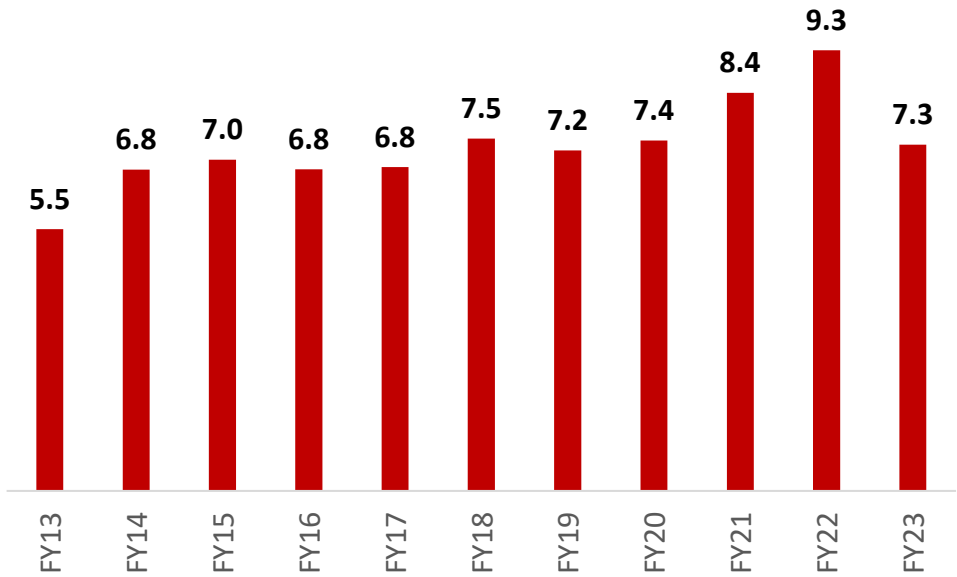
### Cotton Production – mn bales



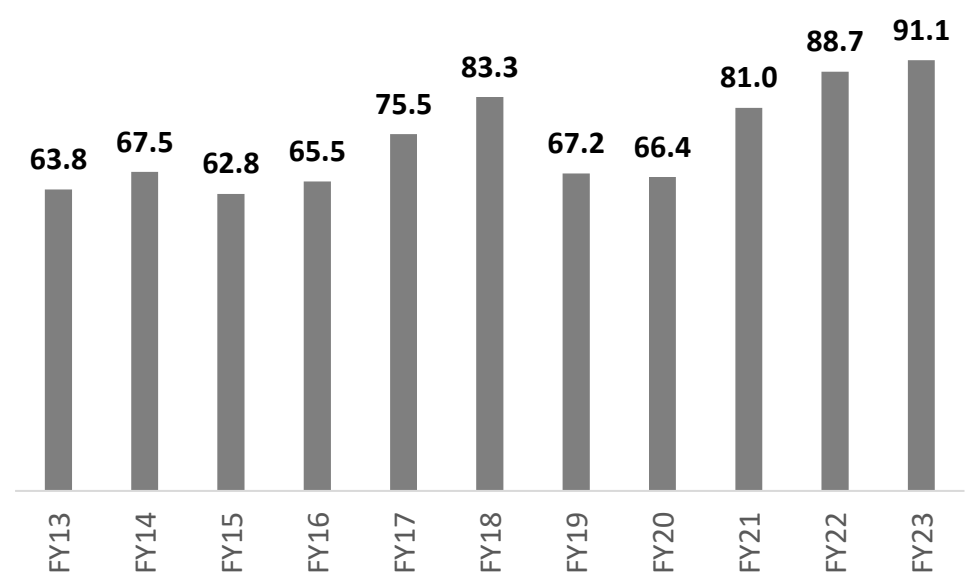
### Wheat Production - mn tons



### Rice Production- mn tons

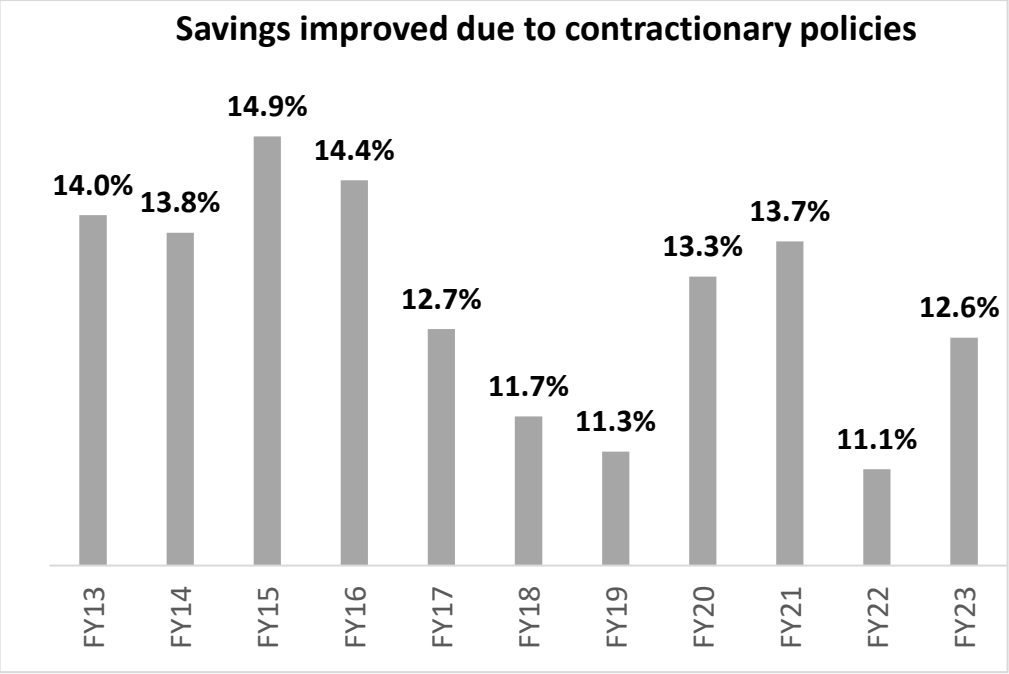
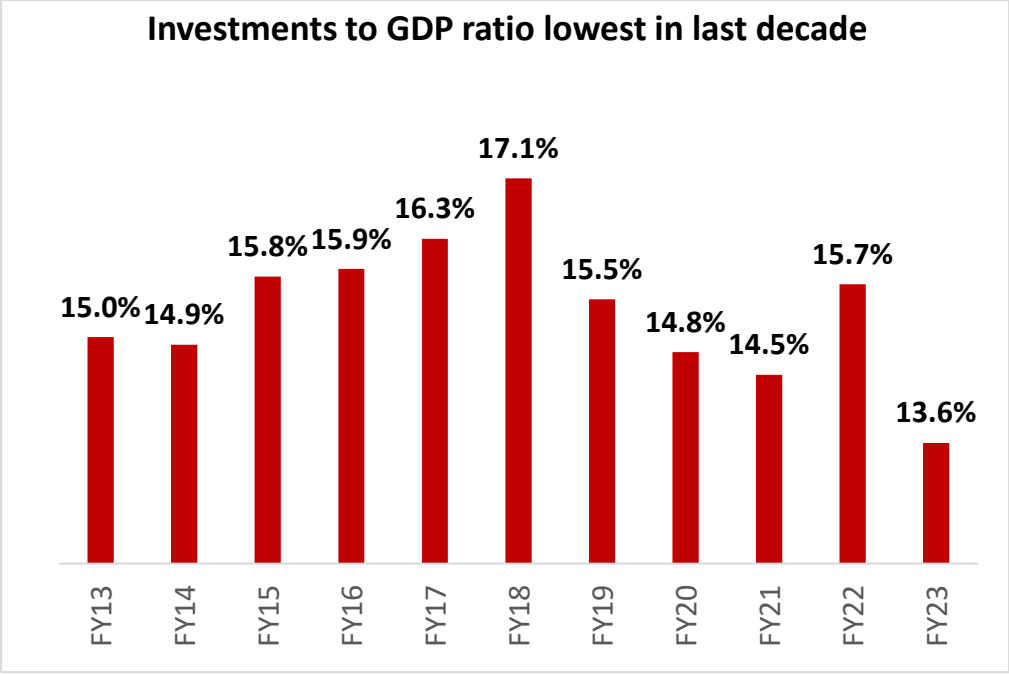
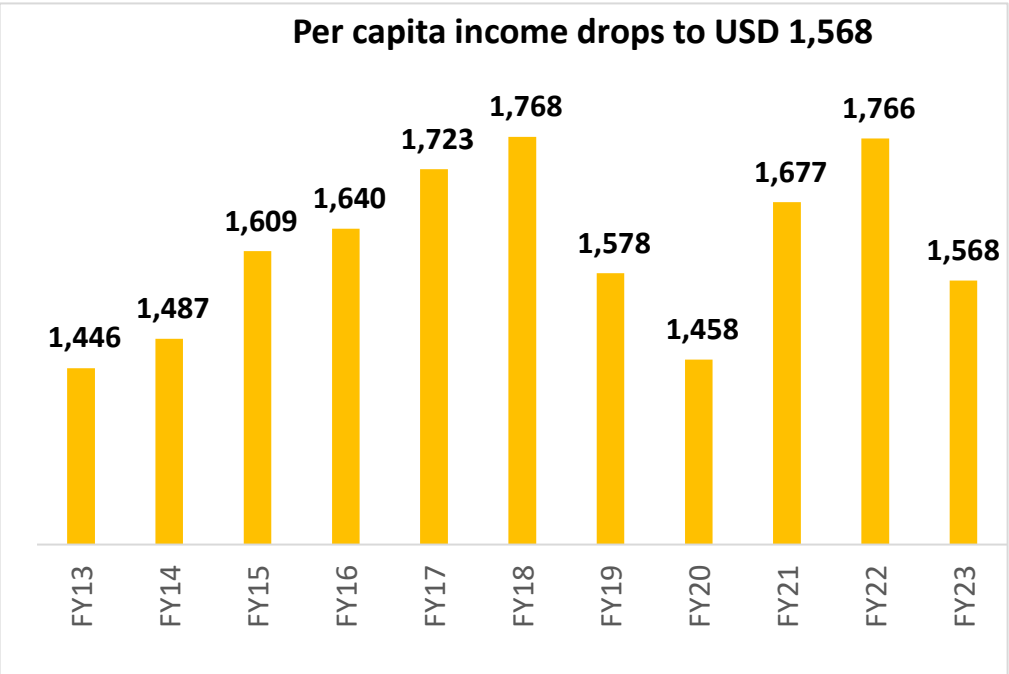
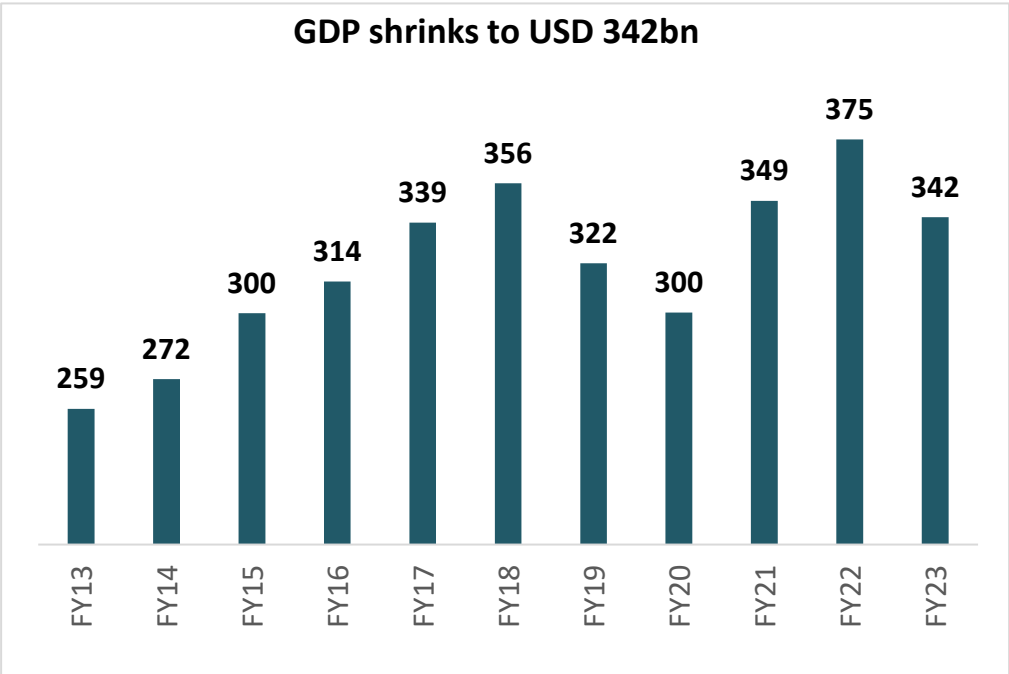


### Sugarcane Production - mn tons



## Investments to GDP lowest in at least last decade

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Relative Valuation (P/E, P/B, P/S etc.)

Equity & Asset return based methodologies (EVA, Residual Income etc.)

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