

Pakistan Economic Survey FY24

Key Highlights

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ASIAMONEY

Best Securities House: 2023
Best Investment Bank: 2023

FinanceAsia

Best Investment Bank: 2022



Best Equity House: 2022



Best Equity Advisor: 2021



Best Brokerage House: 2023
Corporate Finance House: 2023
Best Economic Research House: 2023
Best Equity Sales Person (Runner up): 2023



Top 25 Companies
(2019, 2018 & 2017)



Excellence Award
Leading Brokerage House for RDA 2021



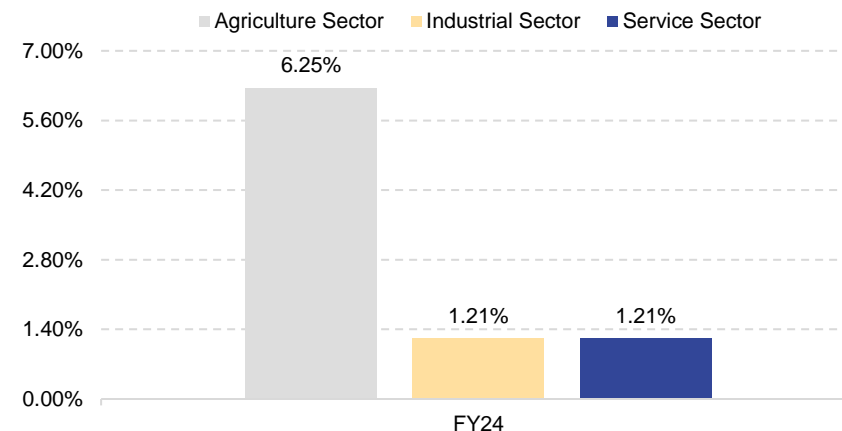
Best Money Market Broker
(Islamic) 2021

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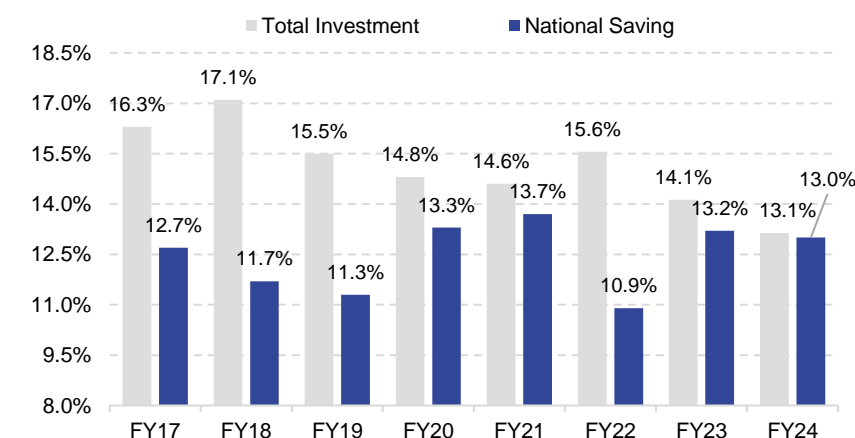
- **Real GDP** grew by 2.38% in FY24, reversing the negative growth of FY23 due to prudent policy management, resumed inflows from partners, and recovery in major trading partners.
- The revised GDP growth rate for FY23 is -0.21%, lower than the provisional estimate of -0.17%.
- **Agriculture sector** growth, the highest in 19 years, was the key driver of economic growth in FY24. This sector grew by 6.25% in FY24, driven by 16.82% growth in key crops like wheat, rice, and cotton.
- **Industrial sector** grew by 1.21% in FY24, with manufacturing up by 2.42% and construction by 5.86%.
- **Services sector**, making up 57.7% of GDP in FY24, experienced a moderate growth of 1.21%.
- **GDP at current market prices** increased by 26.4% to PKR 106,045bn in FY24, up from PKR 83,875bn last year.
- **Per capita income** rose by USD 129 to USD 1,680, due to increased economic activity and exchange rate appreciation.
- The **investment to GDP** ratio fell to 13.14% in FY24 from 14.13% in FY23, mainly due to contractionary macroeconomic policies and political uncertainty.
- The **saving to GDP** ratio was 13.0% in FY24, slightly down from 13.2% in FY23.
- **Outlook:** The government aims to stabilize the economy by prioritizing exports and investment, with a goal of achieving 5.5% growth by FY27. Strategies include increasing trade and investment openness, controlling foreign exchange speculation, and implementing sector-specific reforms. Global economic recovery is expected to improve the industrial sector by FY25, further benefiting the services sector and enhancing domestic production and price stability.

Exhibit: Sectoral growth rates during FY24



Source (s): PBS, AHL Research

Exhibit: Investments and savings as % of GDP



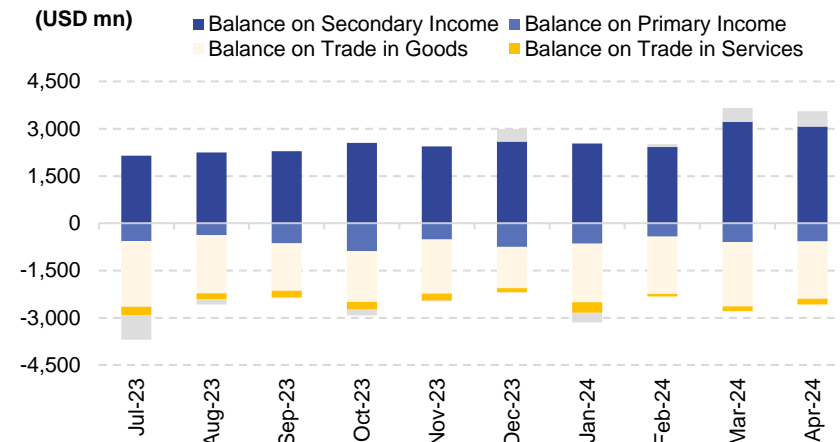
Source (s): Pakistan Economic Survey 2024, AHL Research

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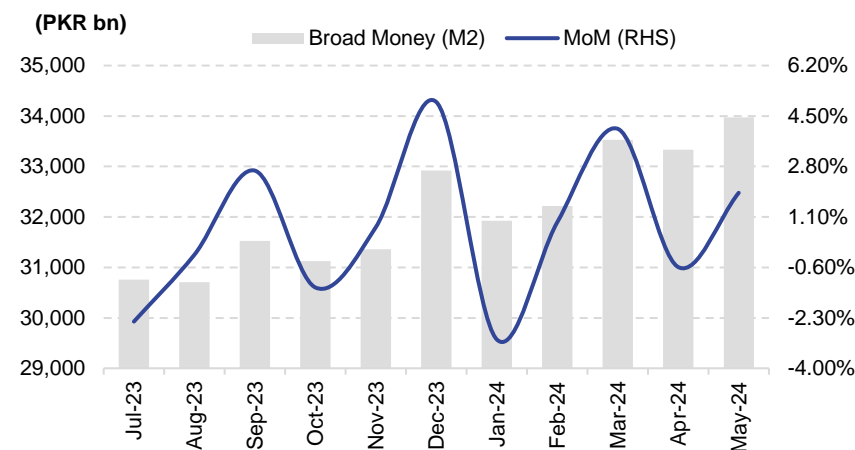
- Pakistan's **current account deficit** (CAD) narrowed by 94.8% to USD 0.2bn in 10MFY24, compared to USD 3.9bn during the same period last year.
- The **trade deficit** in goods decreased by 21.6% to USD 17.7bn in 10MFY24 from USD 22.6bn last year due to a significant decline in imports.
- The **primary income** account deficit rose by 34.8% to USD 6.1bn in 10MFY24, compared to USD 4.6bn last year, driven by higher dividend repatriation and interest payments.
- Remittances** experienced a 3% YoY decline, totaling USD 23.9bn during 10MFY24. Major contributions during 10MFY24 came from Saudi Arabia - USD 5.8bn (24.3%) followed by U.A.E - USD 2.9bn (17.6%).
- The **financial account** saw net inflows of USD 3.9bn in 10MFY24, mainly due to inflows from IMF's SBA and friendly countries, compared to outflows of USD 0.6bn last year. **FDI inflows** increased by 8.1% to USD 1.5bn in 10MFY24, compared to USD 1.3bn in the same period last year.
- Total **reserves** were recorded at USD 14.0bn, including SBP's reserves of USD 8.9bn as of June 5, 2024. The **PKR appreciated** by 2.8% from end-June'23 to May'24.
- From 10MFY24, **M2** grew by 7.0% to reach PKR 2.2trn, in contrast to a growth of 4.4% to PKR 1.2trn during the same period of the previous year.
- Outlook:** The outlook for export growth is promising due to improved global trade conditions and strengthened supply chains, while anticipated import growth will stimulate domestic economic activities. Remittances are expected to rise, positively impacting the CA balance for FY25. The government is optimistic about securing a long-term IMF program to support structural reforms.

Exhibit: Breakdown of Current Account balance over the years



Source (s): SBP, AHL Research

Exhibit: Broad Money (M2) growth over the years



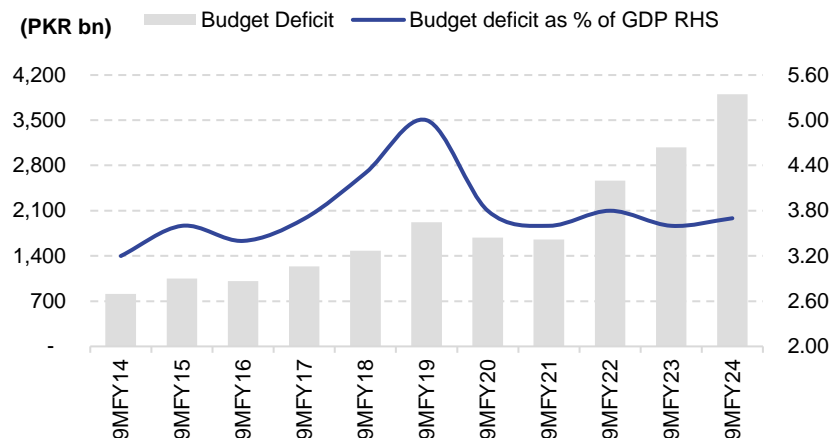
Source (s): SBP, AHL Research

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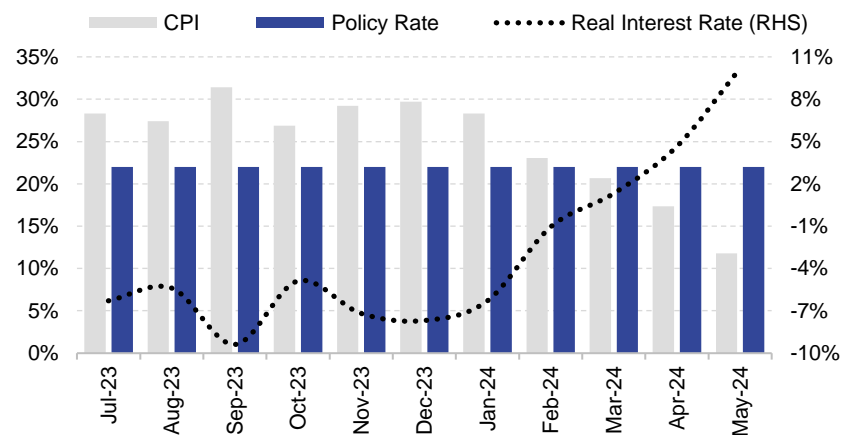
- With high **revenue** collection of PKR 9.8trn (41% higher YoY), the **fiscal deficit** was contained at 3.7% of GDP during 9MFY24 against last year same period's deficit of 3.6%.
- Total **expenditures** during 9MFY24 grew by 37% to PKR 13.7trn (PKR 10.1trn in same period last year) mainly on account of 33% higher current expenditure (PKR 12.3trn). This higher **current expenditure** was on the back of 54% jump in markup payments amid higher rates at domestic and international levels.
- Primary Balance** posted a surplus of PKR 1,615bn vs. a deficit of PKR 503.8bn (9MFY23).
- Tax Collection** grew by 29% while non-tax revenues increased by 91% in 9MFY24. However, for 11MFY24, FBR revenue collection stood at PKR 8.1trn.
- Annual **Inflation** (CPI) averaged at 24.52% during 11MFY24 against 29.2% recorded in same period last year. The decline in inflation was mainly due to high base effect and decline in food index.
- Due to inflation moving to downward trajectory, real interest rates widening, current account deficit narrowing, PKR stabilizing, and fiscal consolidation, the SBP decided to reduce the **policy rate** to 20.5% in Jun'24.
- Total **public debt** stood at PKR 67.5trn by end-March'24. Out of which, domestic debt recorded at PKR 43.4trn while external debt reached PKR 24.1trn (USD 86.7bn).
- Outlook:** To achieve fiscal consolidation in the FY25 budget, the government will try to maintain prudent expenditure policies and focus on increasing revenue through policy reforms. Moreover, in the medium term, the inflation rate for FY25 and FY26 is projected to normalize due to improvements in the agriculture sector and anticipated favorable global and domestic conditions.

Exhibit: Historical budget deficit (9M)



Source (s): MOF, AHL Research

Exhibit: CPI and Policy rate (FY24TD)



Source (s): PBS, SBP, AHL Research

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HOLD	Upside* of subject security(ies) is between -15% and +15% from last closing of market price(s)
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- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks: The following risks may potentially impact our valuations of subject security (ies);

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- Interest Rate Risk
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