Economic Growth

Pakistan's economic growth decelerated sharply to 0.3 percent in FY23, the third lowest outturn in the country's history, as shocks once again exposed domestic economy's lack of resilience to sustain higher growth sans reforms. A confluence of contractionary policies and administrative measures aimed at slowing domestic demand to contain inflationary pressures, external vulnerabilities, massive floods, domestic uncertainties and supply shocks stemming from global recessionary concerns adversely affected domestic economic activity during FY23. The brunt of the contractionary policies and administrative measures was borne by industrial sector, which recorded a contraction driven by large-scale manufacturing (LSM). Agriculture sector, despite devastating floods, managed to grow as strong showing by livestock and improved post-flood crop yields offset the damages to cotton and rice crops. Decline in production of major crops and contraction in industry, combined with slump in imports, had adverse knock on impact on services sector, especially to the wholesale & retail trade and finance & insurance, which represents more than 33 percent of services sector. The available information on labor market shows a reduction in industrial employment in Punjab and Sindh in line with downtrend in LSM. SBP surveys also reflect deterioration in employment sentiments in industrial and services sectors for the past and coming six months.

2 Economic Growth

2.1 GDP Growth

The real GDP growth decelerated considerably to 0.3 percent in FY23, from around 6 percent during the previous two years (**Table 2.1**). This was the third lowest growth recorded in the history of Pakistan.[1] Both the structural weaknesses, amplified by domestic and global shocks, and policy-induced slowdown in domestic demand severely constrained the post-pandemic momentum in growth.

On the domestic front, contractionary policies and administrative measures amid increased inflationary pressures, stress on external account, wide-spread rains and floods, supply chain disruptions and political uncertainty weighed heavily on economic activities. From the external side, Russia-Ukraine conflict, elevated commodity prices, and monetary tightening especially by advanced economies to contain spiraling inflation led to a slowdown in global economic growth. This had dampening effect on Pakistan's exports as well as remittances.

The structural vulnerabilities are reflected by the composition of real GDP measured from the expenditure side, with consumption accounting for more than 90 percent. The investment, on the other hand, fell to 13.6 percent of GDP in FY23 after remaining around 15 percent during the previous four years. Similarly, the exports remained around 10 percent of GDP on average during the last five years (**Table 2.2**).

Growth and Sectoral Shares in GDP **Table 2.1**

	Growth			Sectoral Share		
	FY21	FY22[R]	FY23[P]	FY21	FY22	FY23
Agriculture	3.5	4.3	1.6	23.0	22.6	22.9
Industry	8.2	6.8	-2.9	19.0	19.1	18.5
Services	5.9	6.6	0.9	58.0	58.3	58.6
GDP	**5.8**	**6.1**	**0.3**	**100.0**	**100.0**	**100.0**

R: Revised, P: Provisional

Source: Pakistan Bureau of Statistics

Components of GDP from Expenditure Side **Table 2.2**

as percent of GDP

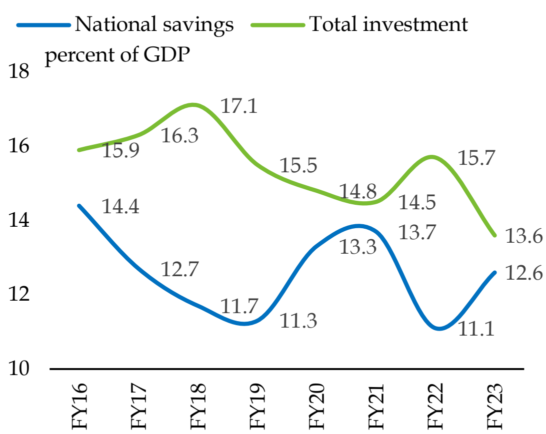
	FY19	FY20	FY21	FY22	FY23
Consumption	94.6	93.3	94.4	96.2	94.0
Household*	83.9	81.5	83.5	85.7	84.2
Government	10.7	11.8	10.9	10.5	9.7
Investment	15.5	14.8	14.5	15.7	13.6
Exports	9.4	9.3	9.1	10.5	10.1
Imports	19.5	17.4	18.0	22.5	17.7
Net Exports	-10.1	-8.1	-8.9	-12.0	-7.6

* including NPISH

Source: Pakistan Bureau of Statistics

Given the GDP composition, the swings in consumption, especially private consumption, usually fuelled by accommodative macroeconomic policies, lead the fluctuations in growth. Low investment, constrained by low domestic savings (**Figure 2.1**), and thus limited capacity to meet domestic demand is most of the

Savings & Investment Trend **Figure 2.1**



Source: Pakistan Bureau of Statistics

[1] The magnitude of contraction in GDP was 1.8 and 0.9 percent, respectively, during FY52 and FY20.

GDP Growth from Expenditure Side **Table 2.3**

growth in percent

	FY19	FY20	FY21	FY22	FY23
Consumption	4.8	-1.6	8.6	5.9	0.7
Household*	5.6	-2.8	9.4	6.7	1.6
Government	-1.6	8.5	1.8	-1.3	-7.2
Investment	-9.7	-6.1	4.0	5.5	-15.4
Exports	13.2	1.5	6.5	5.9	-8.6
Imports	7.6	-5.1	14.5	11.0	-17.8
Net Exports	3.1	-10.9	22.6	15.5	-25.3

* including NPISH

Source: Pakistan Bureau of Statistics

time associated with widening of current account deficit. Such a situation warrants contractionary policies to slow domestic demand, which reduces consumption that, in turn, drags down growth.

This boom and bust cycle keeps on repeating, and FY23 was no different. In response to contractionary policies to slow domestic demand in order to reduce inflationary pressures and contain current account deficit, the growth in real consumption decelerated to 0.7 percent in FY23 from 5.9 percent in FY22. Importantly, the real investment has fallen much precipitously by 15.4 percent in FY23 (**Table 2.3**), which also reflects deterioration in business confidence due to increased domestic uncertainties and outstanding bottlenecks.

The brunt of the contractionary policies and resultant slower consumption growth during FY23 was borne by industry and services sectors. The sector-wise analysis shows that deceleration in real GDP growth was largely driven by contraction in industry, led by large-scale manufacturing (LSM) and construction. In addition to the impact of policy-induced slowdown in demand, reduced availability of raw materials due to floods and import restraints affected industrial activity negatively. Several firms experienced temporary shut-downs in production mostly due to supply chain disruptions. The political and economic uncertainty, especially surrounding the IMF program, also weighed heavily on business sentiments.

Despite flood-induced severe damages to two major *kharif* crops, cotton and rice, the agriculture sector registered growth in FY23, albeit slower compared to the previous year. While bumper wheat crop as well as increase in sugarcane and maize production partially compensated for lower cotton and rice output, the major impetus to agriculture growth came from better performance of the livestock sector.

In line with the decline in production of major crops and contraction in LSM as well as a slump in imports, growth of the services sector considerably moderated in FY23. Within the services sector, growth in the *wholesale and retail* sector declined owing to its direct linkages with industry, agriculture and imports. In contrast, the *transportation and storage* witnessed expansion due to increase in road transport services. While *information and telecommunication* maintained its upward trajectory, the growth in *finance and insurance* services decelerated mainly due to high inflation.[2]

Agriculture Growth **Table 2.4**

percent

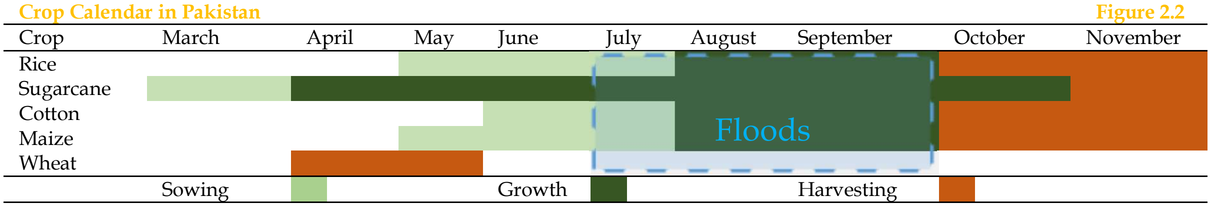
Sector	FY19	FY20	FY21	FY22	FY23
Agriculture	0.9	3.9	3.5	4.3	1.6
Crops	-4.4	6.3	5.8	8.2	-2.5
Important crops	-8.6	5.2	5.8	5.4	-3.2
Other crops	3.6	9.2	8.0	11.9	0.2
Cotton ginning	-11.2	-4.1	-13.1	9.2	-23.0
Livestock	3.7	2.8	2.4	2.3	3.8
Forestry	7.2	3.4	3.4	4.1	3.9
Fishing	0.8	0.6	0.7	0.4	1.4

Source: Pakistan Bureau of Statistics

[2] The real interest rates remained mostly in negative during FY23.

Crop Calendar in Pakistan

Figure 2.2



*Floods mainly coincided with the harvest and growth period of major Kharif crops

Sources: FAO and National Agromat Center

Going along with the downward trajectory in LSM, the industrial employment both in Punjab and Sindh declined during FY23. In addition, the SBP Business Confidence Survey (BCS) and Consumer Confidence Survey (CCS) also manifested deterioration in employment sentiments both in industrial and services sectors.

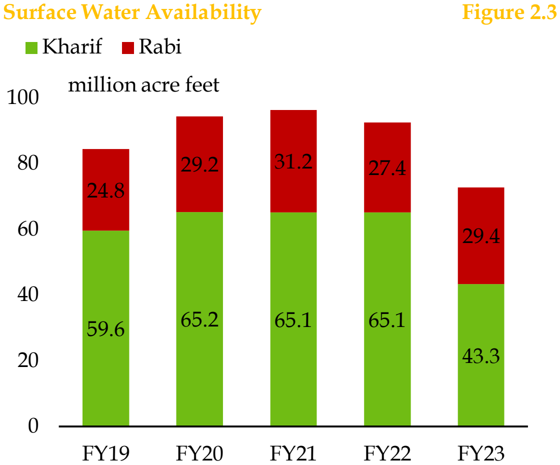
2.2 Agriculture

After three consecutive years of commendable performance, the growth in agriculture sector decelerated to 1.6 percent during FY23 (**Table 2.4)**. The deceleration was mainly due to important crops, which registered a 3.2 percent decline during FY23 as compared to a growth of 5.4 percent in the previous year.

The crop sector was affected by unfavorable weather conditions, particularly during *Kharif* season. A drought-like situation at the start of the season was followed by heavy monsoon rains causing flash floods especially during July-August 2022, just before the harvesting stage of cotton and rice crops (**Figure 2.2)**. Also, the increased cost of production impacted the crop yields. However, increase in production of wheat and sugarcane partially compensated for the losses in cotton and rice crops. The main support, however, was provided by a notable acceleration in growth of livestock sector.

Surface Water Availability

Figure 2.3



Source: Indus River System Authority

Inputs

Water availability

The water availability was on average lower by 21.4 percent in FY23 as compared to the previous year. A season-wise breakdown reveals that water availability was 33.5 percent lower during *Kharif* in FY23. However, it improved after the floods and was up by 7.3 percent for the FY23 *Rabi* season as compared to the previous year **(Figure 2.3)**

Besides lower water availability, the water supply situation was also quite erratic during *Kharif* season. The season commenced with a drought-like situation as rainfall during April and May 2022 was below normal. However, the situation reversed as heavy monsoon rains set in during June 2022 that continued during July and August 2022, resulting in floods.[3] Similarly, the irrigation water flows also remained stressed during the start of the season, but improved later in the year with higher than normal rainfall. These manifestations of climate change have posed

[3] Pakistan Meteorological Department (2022). *Monthly Weather Report*. Islamabad: PMD.

Fertilizer Supply and Demand **Table 2.5**

	Kharif FY22		Rabi FY22		Kharif FY23		Rabi FY23	
	Urea	DAP	Urea	DAP	Urea	DAP	Urea	DAP
Opening stock	298	55	116	353	200	276	294	460
Imported supplies	0	733	100	385	103	185	298	302
Domestic production	3,106	444	3,272	443	3,158	451	2,928	226
Total availability	3,404	1,232	3,489	1,181	3,460	912	3,520	988
Closing stock	116	353	294	255	294	460	67	284

Sources: National Fertilizer Development Centre/ Economic Survey of Pakistan

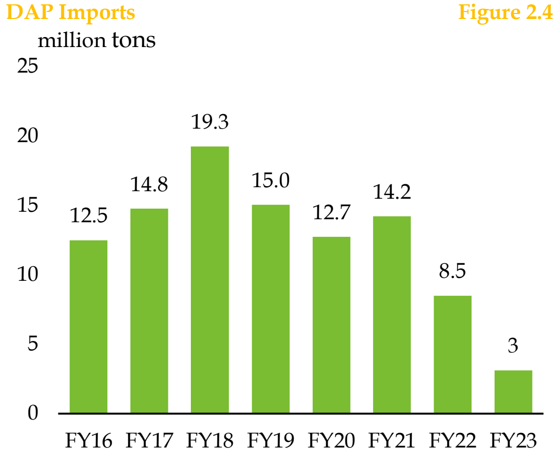
serious challenges to productivity in the agriculture sector.

Fertilizer Availability

Gas shortages, and consequently higher prices, affected the availability of fertilizer during FY23 **(Table 2.5).** In *Kharif* season, domestic production of urea expanded owing to which total availability of urea improved as compared to the previous year. In contrast, DAP availability remained constrained, and the trend continued during *Rabi* on account of lower imports **(Figure 2.4**). From the demand side, total offtake of urea declined by 3.7 percent during *Kharif* and increased by 4.5 percent during *Rabi* as compared to the previous year. However, DAP offtake declined in both *Kharif* and *Rabi,* by 44.7 percent and 23.4 percent, respectively **(Figure 2.5a & 2.5b).**

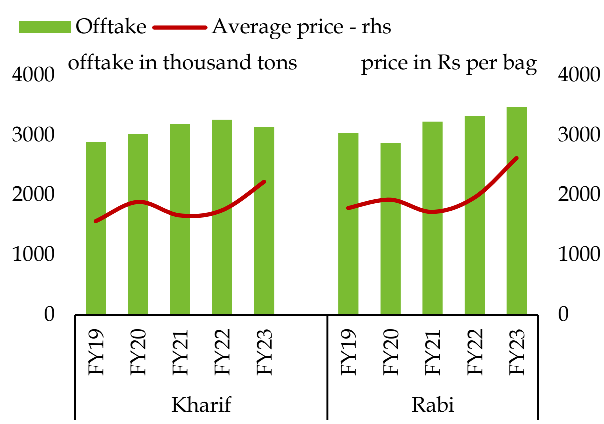
The lower fertilizer offtake during FY23, particularly of DAP, was largely due to elevated prices. The international fertilizer prices that had started to increase in the post-pandemic period, reached historic high by June 2022 due to reduced supply in the aftermath of Russia-

DAP Imports **Figure 2.4**

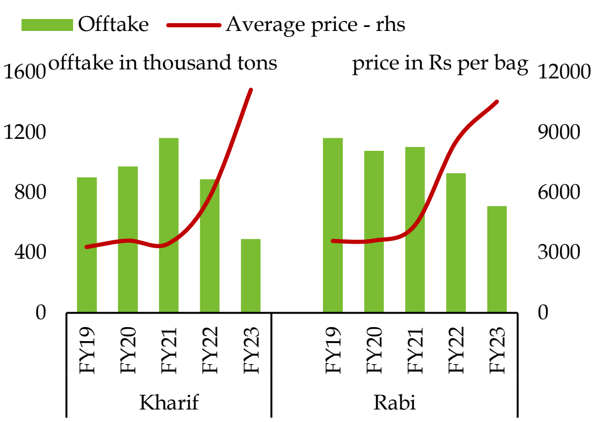


Source: Pakistan Bureau of Statistics

Season-wise Urea Offtake and Price **Figure 2.5a**



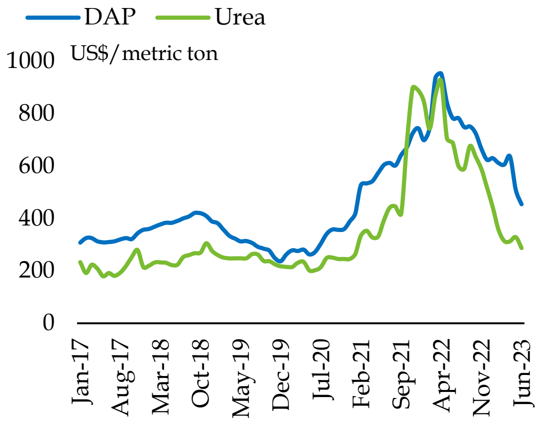
Season-wise DAP Offtake and Price **Figure 2.5b**



Source: National Fertilizer Development Centre

Global Urea and DAP Prices

Figure 2.6



Source: World Bank

Ukraine conflict, sanctions on Belarus, and ban on fertilizer export by China.[4]

Although fertilizer prices started to moderate from the beginning of FY23 on account of decline in global gas prices and the reopening of fertilizer plants in Europe, these were still higher than the pre-pandemic levels **(Figure 2.6)**.[5] Further, the impact of moderation in international prices was offset by depreciation of PKR. Moreover, urea prices also stayed high during the review period on account of high gas tariffs.

Credit availability

Credit disbursement to the agriculture sector increased by 25.2 percent during FY23, as compared to 3.9 percent in the previous year **(Table 2.6).** The growth was majorly driven by production loans. In addition, loans for corporate farming expanded significantly.

Higher credit disbursement was mainly due to increasing cost of production arising from high input prices (such as fertilizer, energy and labor wages) and an increase in land rents **(Table 2.7)**. Meanwhile, numerous initiatives by the State Bank of Pakistan, including adoption of agriculture credit scoring for banks' performance, introduction of champion bank concept and the implementation of risk mitigation, crop loan insurance and credit guarantee scheme – facilitated and reinforced agriculture credit uptake during FY23.

Agriculture Credit Disbursement

Table 2.6

billion Rupees

Sector	FY21	FY22	FY23
Farm Sector (Production)			
All crops	458.9	374.7	438.8
Horticulture	34.8	34.4	36.6
Corporate farming	34.1	57.0	110.6
Others	184.0	220.8	331.1
Subtotal	**711.8**	**686.9**	**917.1**
Farm Sector (Development)			
Tractor	4.4	10.7	10.9
Farm machinery	0.21	0.7	2.5
Tube well	0.2	0.5	1.7
Sprinkle and trickle irrigation	0.0	0.0	0.0
Others	41.5	30.1	34.7
Subtotal	**46.4**	**42**	**49.7**
Non-Farm Sector (Working Capital)			
Livestock/dairy	319.7	349.0	394.7
Poultry	192.8	222.9	261.0
Others	40.1	48.4	70.4
Subtotal	**552.5**	**620.3**	**726.0**
Non-Farm Sector (Fixed Investment)			
Livestock/dairy	22.7	41.2	58.8
Poultry	24.0	19.9	15.4
Others	8.4	8.7	8.9
Subtotal	**55.1**	**69.7**	**83.1**
Grand Total	**1,365.9**	**1,418.9**	**1,776.0**

Source: State Bank of Pakistan

In addition, the government also launched the *PM Kissan Package* in October 2022, which provided subsidized seeds to facilitate recovery

Weighted Average Cost of Production (at farm gate)

Table 2.7

Rupees per acre

	FY22	FY23	Change (%)
Cotton	68,830	76,155	10.6
Maize	69,672	78,580	12.8
Sugarcane	117,044	117,955	0.8
Wheat	47,432	69,999	47.6

Source: Agriculture Market Information System

[4] World Bank (March 2023), *Food Security Update. Washington D.C: WB.*
[5] World Bank (February 2023), *Food Security Update. Washington D.C: WB.*

from floods. Other initiatives under the *Kissan* packages included; markup waiver scheme, under which mark up of around Rs 3 billion was waived off for the farmers affected by floods. Credit also expanded due to GoP markup subsidy scheme, interest free loans, and risk sharing scheme, and PM youth business and agriculture loan schemes.

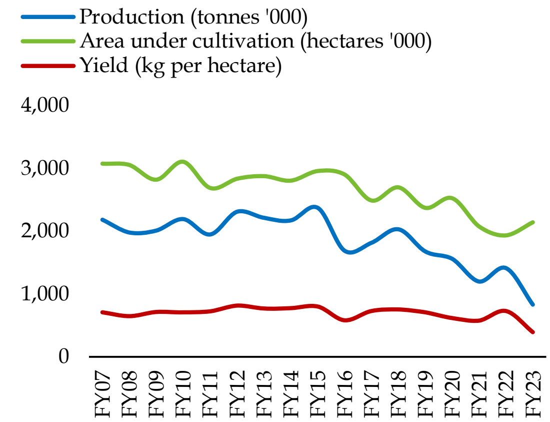
Output

Cotton

After a moderate recovery in FY22, cotton production dipped to a multi-decade low in FY23 **(Figure 2.7).** Despite an increase in area under cultivation, cotton production declined by 41 percent during FY23 as floods damaged the crops in major cotton-producing areas, like Sukkur, Shaheed Benazirabad, in Sindh and Rajanpur, DG Khan and Taunsa in Punjab. Other than floods, environmental factors such as, higher-than-average temperatures, low water availability, and pest attacks also affected cotton yields.[6]

Specifically, area under cultivation of cotton increased by 10.7 percent in FY23 after a considerable decline in the past two years **(Figure 2.7)**. This increase can be attributed to high domestic cotton prices during FY22.[7] The cotton yield, however, remained significantly lower than regional countries due to heat stress, lack of climate change resistant seeds and relatively lower profitability.

Cotton - Production, Yield and Area Figure 2.7



Source: Pakistan Bureau of Statistics

The trends in cotton yields are not different from other crops. In this backdrop, **Box 2.1** discusses how yields of various crops can be improved by effectively utilizing different ICT tools.

Box 2.1: Leveraging ICT in Agriculture

Agriculture has become knowledge-intensive over time and farmers face challenges like limited access to information, financial services, and markets.[8] Information and Communication Technology (ICT) tools help address these challenges . For instance, mobile phones, sensors, and satellites play a pivotal role in making information accessible to farmers, resulting in higher productivity and low operational costs.[9] For instance, sensors can help in detecting diseases and pest attacks, whereas satellite can help in predicting weather and climate conditions, yield estimation and monitoring crop health at different stages. Similarly, mobile phones can be used to provide real time information to farmers regarding weather conditions, input prices and optimal input usage.

The integration of ICT in agriculture has significantly enhanced yields by bridging information gaps in countries like Kenya, India, and Rwanda among others. By effectively utilizing mobile apps and sensor technology, farmers can access weather forecasts, expert advice, and market prices. For instance, Plantix - a mobile app advisory - has gained significant traction in India that helps farmers detect nutrient deficiencies, pests, and diseases within seconds. The

[6] SUPARCO (September 2022), *Suparco Crop Bulletin*. Islamabad: SUPARCO.
[7] For details, see External Sector, State of Pakistan's Economy Report, State Bank of Pakistan, HY23
[8] Sources: Information and Communication Technology (ICT) in Agriculture, 2017, Food and Agriculture Organization of the United Nations.
[9] UNDP (2017), *Precision agriculture for small holders' farmers*. New York: UNDP.

Tech Startups in Selected Countries **Table 2.1.1**

Application	Country	Description
WeFarm	Kenya	WeFarm is a mobile based platform that allows farmers to exchange information with other farmers and connect with stakeholders, i.e., government and agricultural business.
Plantix	India	Plantix is a mobile crop advisory application that gives diagnosis and treatments for pests, nutrient deficiencies and diseases based on photographs taken by a smartphone.
BKK	Pakistan	Bakhabar Kissan provides weather updates, crop advisory and disaster management services along with capacity building via SMS, phone calls, and other social platforms.
M-Farm	Kenya	M- Farm allows users to gain information about prices of inputs and retail prices of agricultural produce.
Riccult	Pakistan	Riccult is a free app and provides weather forecast and crop advisory to farmers.
Agrocenta	Ghana	Agrocenta connects small-scale farmers to a wider online market and provides real time information through IVR and SMS.

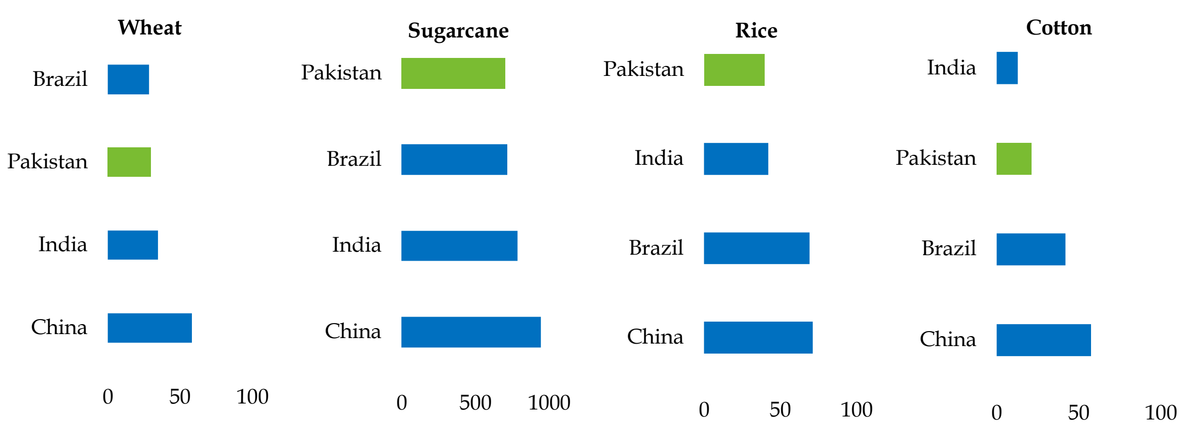
app has been downloaded over ten million times.[10] In Kenya, services like M-Farm enable informed decision-making by providing crop-specific advice.

Easy and quick access to information via digital advisories and marketplaces lowers search costs significantly. In rural Niger, for instance, information pertaining to agricultural prices obtained through mobile phones decreases search costs by 50 percent.[11] With the expansion of mobile networks in Niger, differences in grain prices have decreased by 20 percent.[12] Similarly, in Ghana, providing information to farmers via mobile phones in local languages in some cases increased yields by almost 50 percent.[13] As per the Food and Agriculture Organization (FAO) estimates, 25 percent of damages in agriculture are caused by extreme weather, and ICT-based advisories can help farmers prepare better for such events.

As per the National Productivity Council of India, soil health cards in India, made after collecting soil samples via GPS, have reduced the use of chemical fertilizers by 8–10 percent and increased productivity by 5–6 percent. In Vietnam, farmers saved 15-20 percent of water by using smart irrigation practices enabled by ICT tools. Similarly, drones helped in eliminating 98 percent of *armyworm* invasion in China.

ICT enabled solutions can also connect farmers with financial services by providing them with digital platforms to access loans and insurance. Similarly, digital access to marketplaces can lower transaction costs, increase price transparency, and enable farmers to access new markets. In China, there were 9.85 million online shops being run by

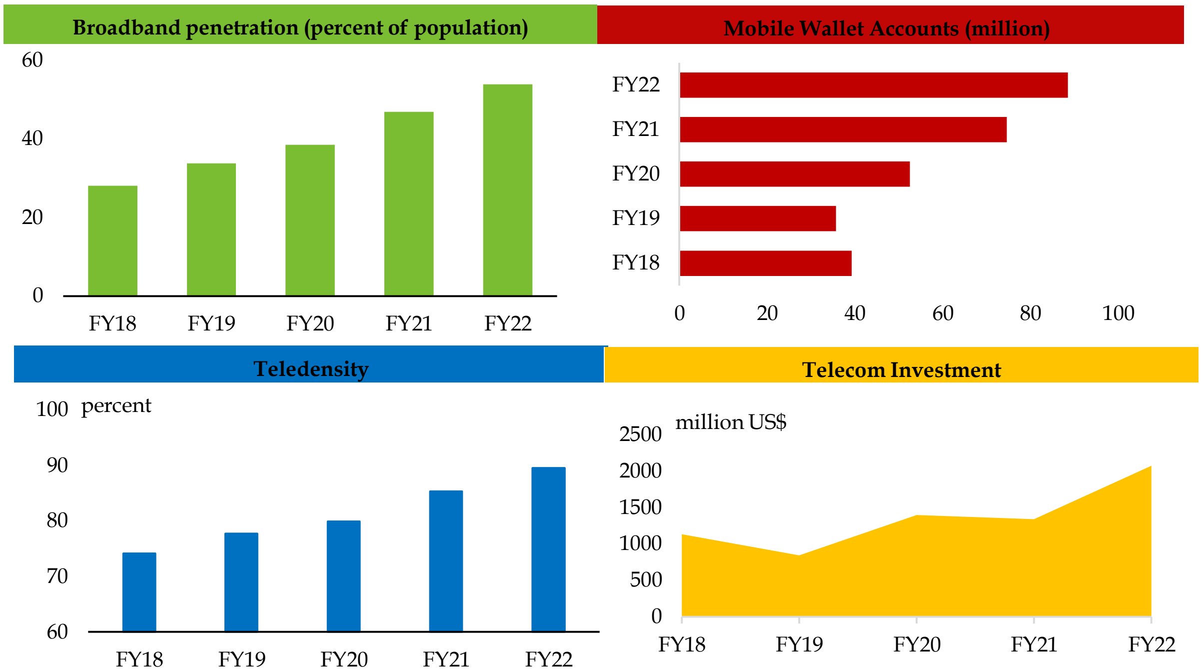
Yield of Major Crops (000 kg/ha) **Figure 2.1.1**



Source: Food and Agriculture Organization

[10] ITU (2020), *Emerging Technologies for Development*. Lahore: ITU.
[11] Food and Agriculture Organization (2017), *Information and Communication Technology (ICT) in Agriculture*. Rome: FAO.
[12] ibid
[13] World Bank (2017), *ICT Sourcebook*. Washington D.C: WB

Telecom Indicators **Figure 2.1.2**



Source: Pakistan Telecomunication Authority

rural farmers as of 2017.[14] Providing information to farmers via extension services generated additional income of US$ 2 to 3 billion for farmers and 50 percent of them reported reduced spending on inputs.
Lastly, ICT tools can also help increase farm productivity by providing easy access to mechanization services, such as tractors. For instance, Hello Tractor, operational in almost fifteen African countries, provides a virtual platform to connect tractor owners with farmers looking for tractor services. **Table 2.1.1** summarizes some tech startups using ICT tools across the world.

Pakistan has lagged behind other countries in terms of crop yields **(Figure 2.1.1)** and has become a net importer of food items as demand continues to outstrip supply. Pakistan can capitalize on its expanding ICT sector and growing tele density **(Figure 2.1.2)** to bridge information gaps and enhance agricultural productivity.

Adopting ICT in Pakistan's agriculture can play a transformative role in bridging the information gaps faced by farmers. ICT applications can provide farmers with access to timely, accurate, and relevant information, enabling them to make informed decisions and improve their agricultural practices. Pakistan has startups like Ricult, Bakhabar Kissan, and Mandi Express that provide advisory and finance services to farmers, but issues like low literacy and lack of digital skills have hindered the effective utilization of ICT tools.[15] To fully harness the potential of ICT in agriculture, Pakistan needs to improve digital infrastructure, promote digital literacy and encourage public-private partnership.

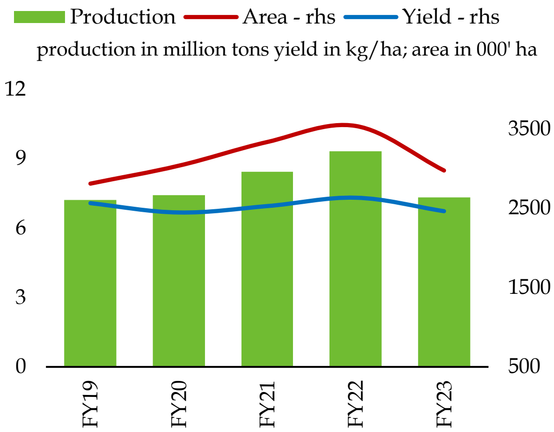
Rice

After a bumper crop in FY22, rice production declined by 21.5 percent in FY23 **(Figure 2.8).** The most flood damages were reported in Sindh, which mainly produces non-basmati varieties of rice. Districts of Jacobabad, Larkana and Kashmore remained inundated.

The losses were comparatively lower in Punjab province, where mostly basmati rice is grown. Production of non-basmati rice, the coarse type

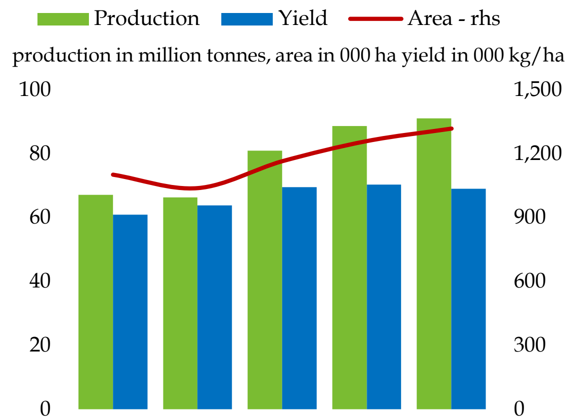
[14] World Bank (2019), *Future of food: Harnessing Digital Technologies to Improve Food System Outcomes*. Washington D.C: WB.
[15] World Bank (2018), *Private Sector Solutions to Helping Smallholders Succeed,* Washington D.C: WB.

Rice - Production, Yield and Area **Figure 2.8**



Source: Pakistan Bureau of Statistics

Sugarcane - Production, Yield and Area **Figure 2.9**



Source: Pakistan Bureau of Statistics

of rice, is gaining momentum in Pakistan owing to the prevalence of high prices and high yielding varieties in the local market introduced by various private companies.[16]

Sugarcane

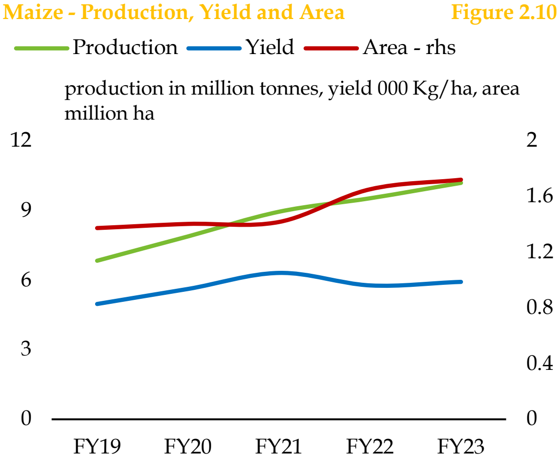
Sugarcane production increased by 2.8 percent in FY23, as compared to a growth of 9.4 percent in FY22 **(Figure 2.9).** Being relatively more resilient to standing water, the flood-related damages to sugarcane crop remained limited. However, the yields declined compared to the previous year. Moreover, major sugarcane-growing regions like Faisalabad, Sarghoda, and Mardan remained unaffected by floods. Therefore, despite expansion in area under cultivation encouraged by higher prices of last few years; the growth in sugarcane

production decelerated.

Maize

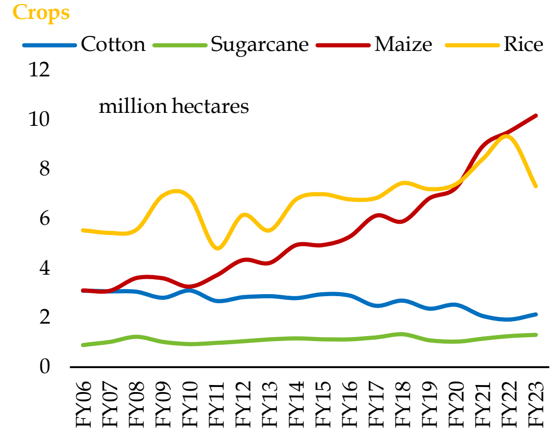
In line with past trends, maize production continued to maintain upward momentum, mainly due to an increase in area under cultivation and availability of high-yielding varieties of hybrid seeds **(Figure 2.10)**.[17] In

Maize - Production, Yield and Area **Figure 2.10**



Source: Pakistan Bureau of Statistics

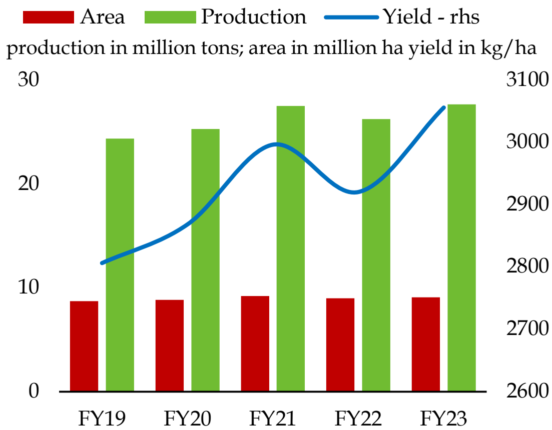
Area under Cultivation of Major Kharif Crops **Figure 2.11**



Source: Agriculture Market Information System

[16] USDA (2023), *Food and Grain Report*. Washington D.C: USDA.
[17] For more details, See Chapter 2, State of Pakistan's Economy Annual Report 2020-2021

Wheat - Production, Yield and Area **Figure 2.12**



Source: Pakistan Bureau of Statistics

fact, higher yields and hence better returns are inducing farmers to grow more Maize by increasing area under cultivation. However, this has been achieved at the cost of reduced area under other crops (**Figure 2.11).**

Wheat

Better water availability in the post-flood period benefitted the wheat crop in terms of improved yields. Wheat production witnessed an increase of 5.4 percent in FY23, against a decline of 4.6 percent last year **(Figure 2.12).** Other than favorable weather conditions, wheat crop also remained safe from rust and locusts attacks due to the increased usage of rust resistant varieties.[18] Despite lower fertilizer usage and no significant expansion in area, yield increased by 4.7 percent. In addition, the government ensured adequate supply of seeds, as the on-farm seeds perished due to floods. Kissan package also facilitated the provision of subsidized wheat seeds in flood affected areas.

Higher market prices of wheat also encouraged farmers to increase area under cultivation, which was up 0.7 percent against a decline in the previous year. Later, in March 2023, the government increased the Minimum Support Price (MSP) to Rs 3900/40 kg in Punjab and Rs 4000/kg in Sindh, compared to a uniform price of Rs 2200/40 kg in FY22 to compensate for the high cost of production.

Other Crops

In line with previous trends, production of potatoes increased by 4.8 percent during FY23 **(Table 2.8).** The steady uptrend in area under cultivation and production of potatoes during the past few years largely owes to better prices and export opportunities.

Production of pulses, however, witnessed a mixed trend due to lower area under cultivation and floods. The *Kharif* pulses (moong and mash), in particular, were adversely impacted by floods, while *Rabi* pulses (masoor and gram) lost acreage to cotton crop in FY23 **(Table 2.8)**. As per Punjab Crop Reporting Service, major moong growing areas, Sargodha and DG Khan divisions, witnessed a decline in area under cultivation for moong by 29 percent and 24.3 percent, respectively. In contrast, acreage for cotton – a major crop - increased in the Sargodha

Area and Production of Other Crops **Table 2.8**

area in 000 hectares, production in 000 tonnes

	FY22		FY23		Change (percent)	
	Area	**Production**	**Area**	**Production**	**Area**	**Production**
Mash	8	6	7	4	-12.5	-31.1
Moong	302	264	218	135	-29.0	-48.9
Gram	862	316	830	238	-4.0	-24.7
Potatoes	314	7,937	341	8,319	8.6	4.8
Oilseeds	5,793	2,768	6,742	2,283	16.0	-18.0
Onions	141	2,062	128	1,684	-9.0	-18.3

Source: Pakistan Bureau of Statistics

[18] USDA (March 2023), *Food and Grain Report*. Washington D.C: USDA.

Gross Value Addition of Livestock Sector — Table 2.9

billion Rupees

	FY21	FY22	FY23
Gross Output	**6,795.4**	**7,018.2**	**7,263.3**
Natural growth and regeneration	794.6	818.1	836.1
Sold for slaughtering	1,351.1	1,389.5	1,429.2
Livestock products	3,899.7	4,017.8	4,140.2
Poultry products	676.2	730.2	789.1
Honey bee keeping	53.2	40.8	49.4
Silkworm rearing	0.0	0.0	0.0
Animal husbandry	20.5	21.4	19.0
Hunting	0.2	0.4	0.3
Intermediate Consumption	**1,524.3**	**1,628.4**	**1,670.0**
GVA	**5,271.1**	**5,389.8**	**5,593.3**

Source: Pakistan Bureau of Statistics

and DG Khan divisions by 50 percent and 17 percent, respectively. Similarly, area under cultivation for mash decreased by 15 percent, whereas cotton acreage increased by 76.8 percent in North Punjab.[19]

Livestock

The growth in value addition in livestock sector accelerated to 3.8 percent in FY23, from 2.3 percent in the previous year **(Table 2.9)**.[20] Major impetus to the growth came from poultry that, despite issues in availability of feed, registered higher growth in FY23 compared to the previous year **(Table 2.10).** Moreover, the flood-related losses to livestock were also limited compared to

Estimated Livestock Population — Table 2.11

million numbers

Species	FY21	FY22	FY23
Cattle	51.5	53.4	55.5
Buffalo	42.4	43.7	45
Sheep	31.6	31.9	32.3
Goat	80.3	82.5	84.7
Camels	1.1	1.1	1.1
Horses	0.4	0.4	0.4

Source: Pakistan Bureau of Statistics

Poultry Products — Table 2.10

million numbers

	FY21	FY22	FY23	Change
Day old chicks	1,504	1,651	1,813	9.8
Poultry birds	1,578	1,725	1,887	9.4
Eggs	21,285	22,512	23,819	5.8
Poultry meat	1,809	1,977	2,160	9.3

Source: Pakistan Bureau of Statistics

the estimated animal population **(Table 2.11)**. Increased credit availability and numerous government's initiatives such as, Prime Minister Backyard Poultry Project to facilitate the sector may have contributed to higher growth in poultry.[21]

2.3 Industry

The industry recorded a contraction of 2.9 percent during FY23, in contrast to a heathy growth of 8.2 and 6.8 percent in FY21 and FY22, respectively (**Table 2.12**). The drag mainly came from decline in LSM, construction, and mining and quarrying.

Manufacturing, the largest component in the industry, contracted by 3.9 percent during FY23, against over 10.9 percent growth in the previous year. The contraction was primarily due to slump in LSM output, reflecting the impact of both the slowdown in demand and supply chain disruptions amid floods and foreign exchange constraints.

Construction industry recorded a contraction of 5.5 percent in FY23, after registering moderate growth in the previous two years. Increases in input prices and wages, higher borrowing cost, and slower growth in development spending are main factors that constrained construction activity during FY23.[22] Further, floods and general economic slowdown, along with political uncertainty, expiry of amnesty schemes,

[19] The increase in areas under cultivation of cotton crop was the highest in Faisalabad division followed by the Sahiwal and Lahore divisions.
[20] Estimated by using intergenerational growth based on the livestock survey 2005-06
[21] Ministry of Finance (2023), *Pakistan Economic survey 2022-2023.* Islamabad: MoF.
[22] Growth in PSDP spending decelerated to 17.1 percent during FY23 from 30.5 percent in the last fiscal year.

Growth in Industrial Production — Table 2.12

percent

	FY19	FY20	FY21	FY22	FY23
Industry	**0.2**	**-5.7**	**8.2**	**6.8**	**-2.9**
Mining and quarrying	0.5	-7.2	1.7	-7.0	-4.4
Manufacturing	4.5	-7.8	10.5	10.9	-3.9
Large scale*	3.5	-11.2	11.5	11.9	-8.0
Small scale	9.0	1.4	9.0	8.9	9.0
Slaughtering	5.9	5.9	6.1	6.3	6.3
Electricity, gas and water supply	5.5	3.5	9.0	3.1	6.0
Construction	-18.1	-3.1	2.4	1.9	-5.5

* Large scale manufacturing growth is based on National Income Accounts estimates.

Source: Pakistan Bureau of Statistics

and constraints in fresh disbursements in subsidized lending schemes including Mera Pakistan Mera Ghar Scheme, also affected construction.[23]

Lackluster performance of LSM and construction – the major users of most minerals as raw materials - spilled over to mining & quarrying activities as well. Sharp decline in the production of gas and oil was primarily due lack of new discoveries and lower extraction.

Mining and Quarrying

Mining and quarrying, having 9.0 percent share in the industrial sector, contracted by 4.4 percent during FY23, relatively lower than 7.0 percent decline in the previous year **(Table 2.12).** The reduction was majorly driven by fall in the production of gypsum, sulphur, crude oil and natural gas. Their impact was partially offset by increase in the production of other minerals including coal and dolomite **(Table 2.13)**. The decline in the production of mining and quarrying, besides slower economic activity, could be attributed to a significant reduction in Gross Fixed Capital Formation (GFCF) in the sector, which declined by 23.5 percent during FY23, compared with 1.9 percent decrease in the previous year.[24] Moreover, use of outdated mining technology and destruction of road infrastructure due to heavy rains and floods may also have slowed mining and quarrying activity during FY23.

Electricity

Despite sharp deceleration in electricity generation and gas production, the value addition by electricity, gas and water supply increased by 6.0 percent during FY23. This was mainly because of power subsides, which are part of the gross value addition. The electricity generation increased by only 0.8 percent during FY23 compared to an increase of 9.0 percent in the previous year **(Figure 2.13)**. This

Growth in Production of Principal Minerals — Table 2.13

percent

Years	Coal	Dolomite	Gypsum	Lime stones	Sulphur	Crude Oil	Natural Gas
FY19	20.7	-3.3	1.7	6.7	-6.0	-0.2	-1.5
FY20	55.9	-36.1	-14.6	-12.9	-3.7	-13.6	-8.3
FY21	9.5	28.5	17.5	16.4	-2.8	-1.9	-2.9
FY22	4.9	25.5	-8.0	-23.8	-16.0	1.9	2.2
FY23	22.6	13.7	-30.6	-4.6	-28.2	-9.7	-9.0

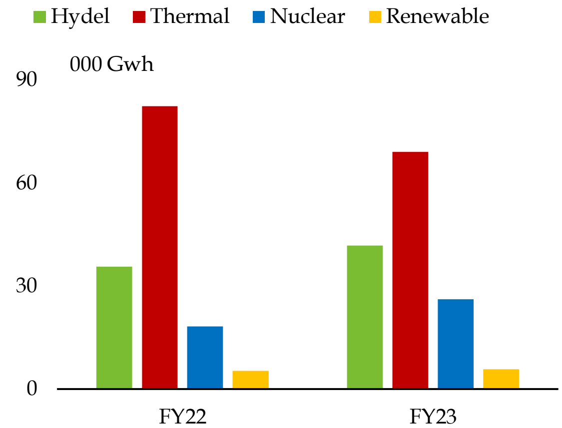
Source: Pakistan Bureau of Statistics

[23] Source: IH&SMEFD Circular No. 10 of 2022 and IH&SMEFD Circular No. 09 of 2022 dated June 30, 2022.

[24] Source: Pakistan Bureau of Statistics.

deceleration in electricity generation can be attributed to slowdown in economic activity, lower demand due to rise in electricity tariffs, and the challenges faced by some power plants in importing coal.

Electricity Generation Figure 2.13



Source: National Electric Power Regulatory Authority

Large-Scale Manufacturing

The LSM output contracted by 10.3 percent during FY23, against 11.7 percent expansion in the previous year **(Table 2.14)**. The contraction was similar to that observed during the pandemic, i.e. FY20. Monthly data shows that LSM output remained on a downward trajectory throughout FY23 (**Figure 2.14)**. The decline in LSM was quite broad-based, as 18 out of 22 sectors registered negative output compared to the previous year (**Figure 2.15**).

Textile, food, petroleum, chemicals, non-metallic minerals, pharmaceuticals and automobile were the main contributors to the contraction in LSM (**Table 2.15**).[25] Tobacco, iron & steel and electrical equipment are other major industries that recorded decline in production during FY23.

Export-oriented sectors, including wearing apparel, furniture, leather and football, are the only LSM groups that posted increase in production during FY23. Within the groups showing overall decline, production of some of

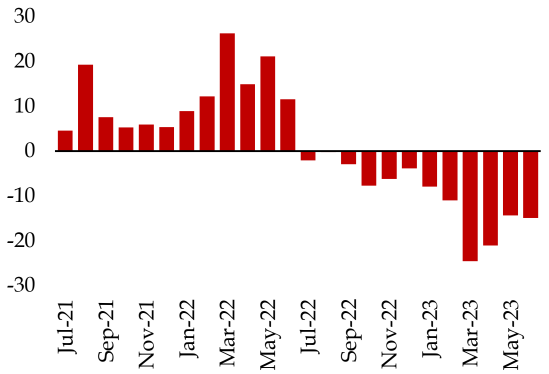
Contribution of Major LSM Sectors Table 2.14

Sectors	Weights	Growth (Percent)		Contribution	
		FY22	FY23	FY22	FY23
LSM	**78.4**	**11.7**	**-10.3**	**11.7**	**-10.3**
Of which					
Food	10.7	8.3	-6.9	1.4	-1.1
Cooking oil	1.5	8.7	13.6	0.2	0.3
Beverages	3.8	0.9	-6.4	0.0	-0.3
Soft drinks & mineral waters	1.6	-2.5	2.9	-0.1	0.1
Tobacco	2.1	15.9	-28.4	0.4	-0.7
Textile	18.2	2.8	-18.7	0.6	-3.7
Wearing apparel	6.1	49.4	27.2	3.8	2.8
Paper & board	1.6	18.7	-8.7	0.4	-0.2
Coke & petroleum	6.7	0.7	-13.4	0.0	-0.9
Jet fuel oil	0.5	33.2	6.6	0.1	0.0
Chemicals	6.5	8.7	-7.0	0.7	-0.5
Soaps & detergents	0.3	15.0	36.1	0.1	0.1
Pharmaceuticals	5.2	13.6	-28.8	0.9	-1.8
Non-metallic mineral	5.0	1.0	-12.1	0.1	-0.8
Iron & steel products	3.4	16.3	-5.1	0.7	-0.2
Electrical equipment	2.0	-0.1	-15.5	0.0	-0.5
Automobiles	3.1	47.4	-50.0	1.6	-2.2
Buses	0.1	12.8	5.1	0.0	0.0
Furniture	0.51	180.2	35.5	1.1	0.5

Source: Pakistan Bureau of Statistics

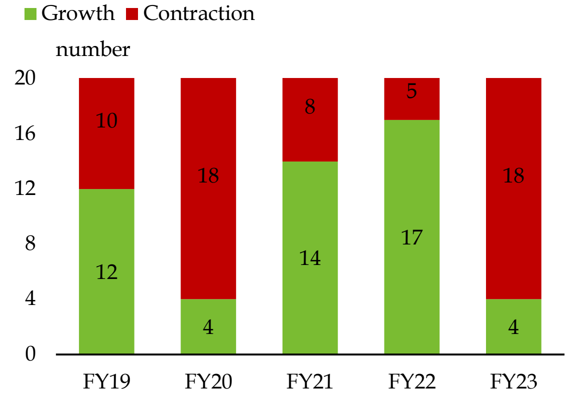
[25] These sectors cover around 70 percent weight of the overall LSM output.

Monthly Quantum Index of Manufacturing (QIM) **Figure 2.14**



Source: Pakistan Bureau of Statistics

Number of Sectors Showing Growth and Contraction **Figure 2.15**



Source: Pakistan Bureau of Statistics

the items including cooking oil, soft drinks, jet fuel oil, soaps & detergents, and buses also registered increase during FY23.

Both supply and demand side factors have affected the LSM output. The contractionary policies, squeeze in real incomes due to high inflation and fall in exports has considerably reduced demand for manufactures, especially of durables. On the supply side, floods and supply disruption, reduced availability of raw materials and energy shortages, especially of gas and LNG, as well as high input prices affected production.[26] In addition, increase in electricity tariffs and fuel prices also added to cost of production during FY23.

Textile

Production of textile, having the largest share in LSM, dropped by 18.7 percent during FY23 against a moderate increase of 2.8 percent in the previous year. The drag mainly came from large decline in the production of yarn and cloth by 22.1 and 12.4 percent, respectively, during FY23 **(Table 2.16)**.[27] Slump in production of yarn and cloth was the direct result of lower cotton production due to floods as well as issues in import of cotton. Moreover, increase in borrowing cost, higher energy prices, and lower external demand also had bearing on the performance of the textile industry.

Distribution of Growth in Major LSM Sectors **Table 2.15**

percent

	LSM	Textile	Food	Petroleum	Chemicals	Pharma	Minerals	Auto
Weight	78.4	18.2	10.7	6.7	6.5	5.2	5.0	3.1
Maximum	16	21	30	21	13	14	22	101
3rd Quartile	12	8	18	7	9	7	8	52
Median	3	1	7	-8	5	3	2	-11
Mean	3	0	9	-4	6	1	4	8
1st Quartile	-7	-11	2	-13	3	-5	-2	-35
Minimum	**-12**	**-19**	**-9**	**-21**	**-7**	**-29**	**-12**	**-53**
FY23	**-10**	**-19**	**-7**	**-13**	**-7**	**-29**	**-12**	**-50**

Source: Pakistan Bureau of Statistics

[26] Source: All Pakistan Textiles Manufacturing Association (APTMA)

[27] Yarn and cloth sub-sectors contribute around 90 percent in the textile industry.

Textile and Wearing Apparel: Production and Growth — Table: 2.16

million MT, growth in percent

Textile & wearing apparel	wt.	Cumulative quantity			Growth	
		FY21	FY22	FY23	FY22	FY23
Yarn	8.9	3.4	3.5	2.7	0.5	-22.1
Cloth*	7.3	1,048.4	1,050.8	920.6	0.2	-12.4
Jute goods	0.3	0.07	0.06	0.06	-17.4	9.9
Woolen & carpet yarn	0.1	0.01	0.01	0.02	46.2	47.6
Woolen blankets**	0.9	71.5	92.4	43.0	29.3	-53.5
Wearing apparel***	6.1	37.2	55.7	70.8	49.4	27.2

*million square meter, **000 number, ***million dozen

Source: Pakistan Bureau of Statistics

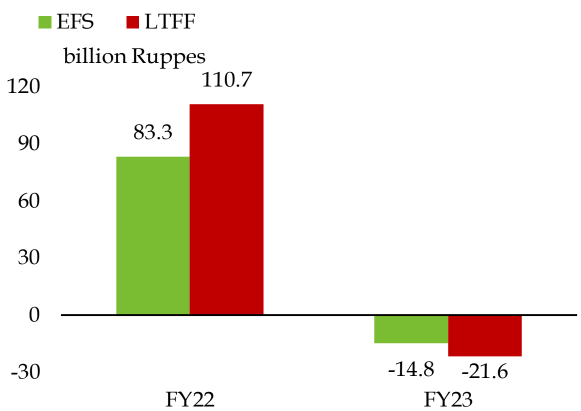
The capping of the sanctioned limits under the refinance schemes reduced availability of additional funding at the concessional rates during FY23. Moreover, the linking of Exports Finance Scheme (EFS) and Long Term Financing Facility (LTFF) rates with the policy rate might have increased the financial cost. Consequently, textile sector recorded significant reduction in borrowing under subsidized schemes **(Figure 2.16)**.[28]

From the demand side, both higher inflation and slowdown in economic activity in advanced economies constrained demand for Pakistan's exports which is evident from decline in textile export volume, except for wearing apparel (see **Chapter 6** for detail).[29] Driven primarily by higher exports, the production of wearing apparel recorded an expansion of 27.2 percent during FY23, compared with 49.4 percent in the previous year **(Figure 2.17).**[30]

Food

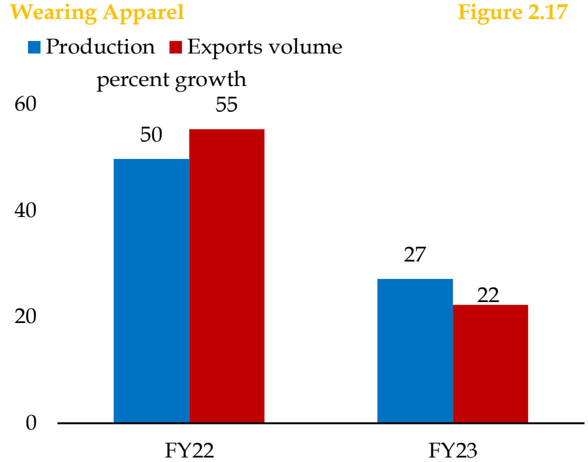
Production of food group declined by 6.9 percent during FY23, against an increase of 8.3 percent in FY22. The contraction was led by reduction in the production of sugar, wheat & rice milling (**Figure 2.18**). Decline in sugar production, despite record sugarcane harvest, was due to delayed start of crushing season that might have diverted sugarcane for making *gurh.* In case of wheat & rice milling, it was lower rice production that limited milling activity.

Borrowing by Textile Sector under EFS & LTFF — Figure 2.16



Source: State Bank of Pakistan

Wearing Apparel — Figure 2.17



Source: Pakistan Bureau of Statistics

[28] See Chapter 3: Monetary Policy and Inflation

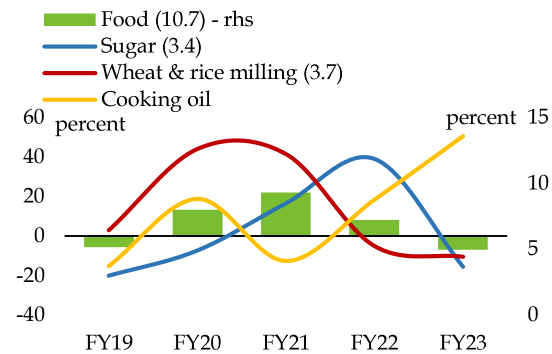
[29] The exports volume of hosiery, bed-wear and cotton yarn dropped by 49.1, 21.3 and 20.6 percent respectively during FY23.

[30] Anecdotal evidence suggests that demand for made-ups from Pakistan increases as squeeze in income on account of slower economic activity or higher inflation led the foreign buyers to switch away from relatively expensive brands.

Cooking oil and vegetable ghee was the major item in the food sector that showed increase in production during FY23.

The output of cooking oil and vegetable ghee rose by 13.6 and 10.6 percent, respectively in FY23. The increase shows the manufactures' attempt to benefit from a sharp fall in prices of edible oils (palm and soybean) in the international market **(see Chapter 6)**.[31]

Growth of Selected Food Sector Components* **Figure 2.18**



* The QIM weight of the Food sector and selected sub-sectors is given in parentheses.

Source: Pakistan Bureau of Statistics

Coke & petroleum

Production of coke and petroleum products declined by 13.4 percent during FY23, compared to an increase of 0.7 percent in the previous year **(Table 2.14)**. With the exception of jet fuel oil, production of all POL products, including LPG, considerably declined, largely driven by fall in demand. According to Oil Companies Advisory Council (OCAC), the sale of petroleum products plummeted by 26.0 percent during FY23, mainly reflecting overall domestic economic slowdown and increase in fuel prices during FY23.[32]

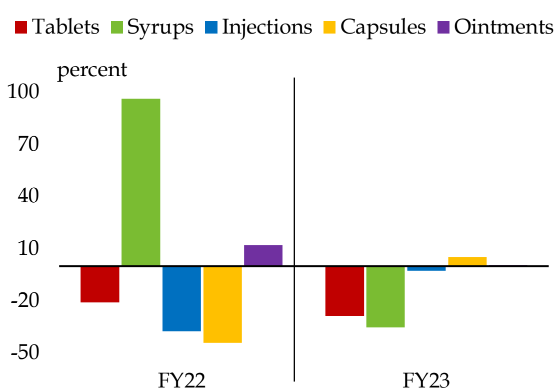
Pharmaceuticals

Production of pharmaceuticals experienced a decline of 28.8 percent during FY23, compared with 13.6 percent growth the previous year (**Figure 2.19**). The sharp decline is largely explained by restraints on import of raw material (**Figure 2.20**). Further, relatively higher increase in input costs vis-à-vis medicine prices also affected production during FY23.[33]

Automobiles

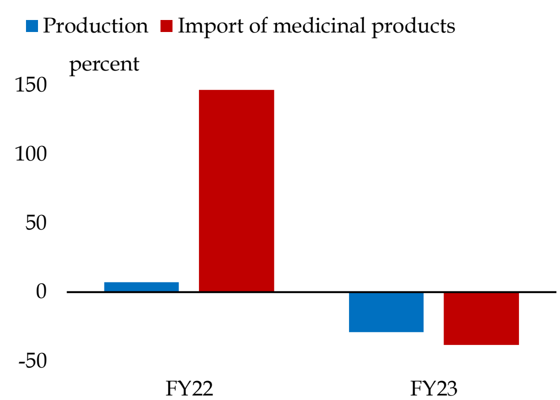
Automobiles manufacturing registered a sharp decline of 50.0 percent during FY23, against a growth of 47.4 percent in last year (**Figure 2.21**). Except for buses, the production of all other segments – jeeps & cars, LCVs and trucks –

Growth in Production of Medicinal Products **Figure 2.19**



Source: Pakistan Bureau of Statistics

Growth in Domestic Production and Import of Medicinal Products **Figure 2.20**



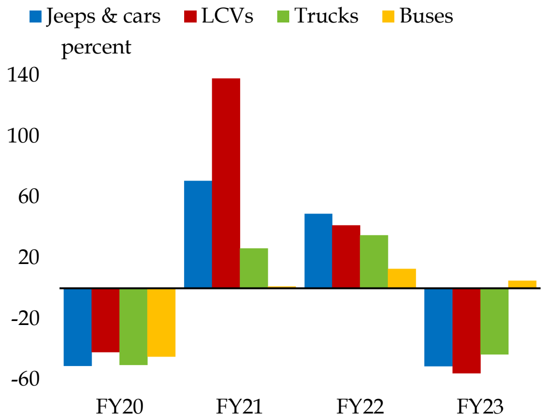
Source: Pakistan Bureau of Statistics

[31] Prices of palm oil and soybean oil declined by 32.4 and 16.9 percent, respectively, in FY23 against a sharp increase of 49.6 and 43.2 percent, respectively, in FY22.

[32] Prices of diesel, kerosene and furnace oils on the average increased by 66.3, 59.9 and 14.3 percent, respectively, during FY23.

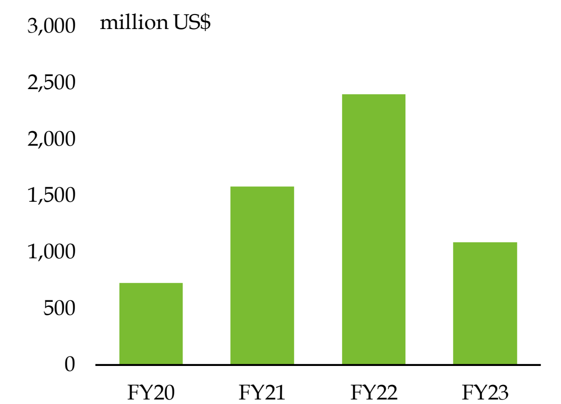
[33] The prices of medicinal raw materials increased by 43.9 percent during FY23 compared with 10.4 percent in FY22.

Growth in Automobiles Figure 2.21



Source: Pakistan Bureau of Statistics

Imports of CKD/SKD - Automobiles Figure 2.22



Source: Pakistan Bureau of Statistics

dropped, during FY23.

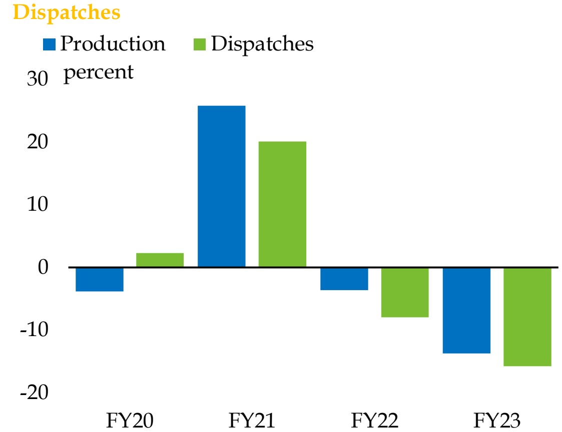
Both demand and supply side factors have contributed to the sharp contraction in automobile manufacturing. On the demand side, the auto sale plummeted by 50.4 percent during FY23, against an expansion by 41.7 percent in the previous year. Several factors have contributed to lower demand, including increase in prices on account of higher input costs and weak currency, increase in borrowing cost; and prudential regulatory measures to contain credit for consumption purpose (**see Chapter 3 - Monetary Policy and Inflation**); and reduced income due to general economic slowdown and floods.[34]

On the supply side, the import restrictions, where the auto manufacturers were allowed to import half of the previous year's import values (the restriction was, however, removed from January 2023 onwards) adversely impacted production.[35] Nevertheless, availability of parts and CKDs in stock facilitated higher production of buses to meet increased demand from public transport sector **(Figure 2.22)**.[36]

Cement

In line with subdued construction activity, cement production declined relatively sharply by 13.7 percent during FY23, compared to 3.6 percent drop in FY22 (**Figure 2.23)**. Furthermore, cement exports also declined due to economic slowdown in destination countries such as Sri Lanka, China and Bangladesh (**Figure 2.24**).[37] Moreover, issues in availability

Growth in Cement Production and Dispatches Figure 2.23



Sources: Pakistan Bureau of Statistics and APCMA

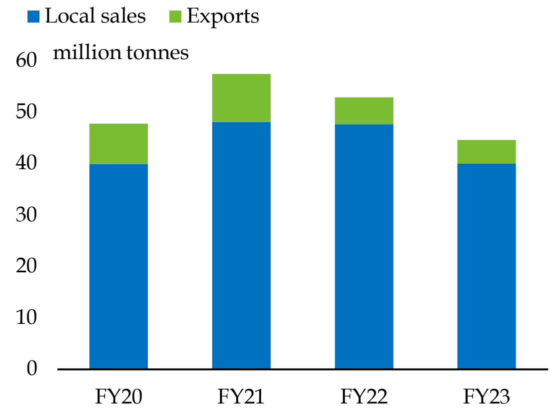
[34] The average prices of motor vehicles, vehicles accessories and motor fuel surged by 34.8, 34.3 and 62.0 percent, respectively during FY23 compared with 9.3, 14.2 and 37.8 percent respectively.

[35] State Bank of Pakistan, EPD Circular Letter No. 20 of 2022 December 27, 2022

[36] Ministry of Finance (2023), *Chapter 3 -Pakistan Economic survey 2022-2023*. Islamabad: MoF.

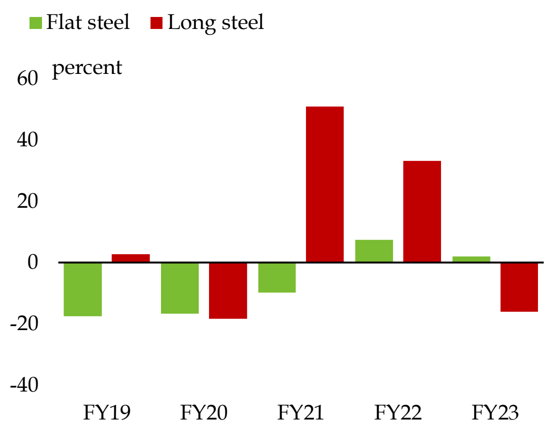
[37] The launch of two developmental projects by the World Bank in Afghanistan has created a surge in cement demand from Afghanistan.

Cement - Local Sale and Exports **Figure 2.24**



Source:All Pakistan Cement Manufecturars Association

Growth in Steel Products **Figure 2.25**



Source: Pakistan Bureau of Statistics

and higher prices of imported coal[38], and delay in the implementation of rehabilitation projects in the flood affected areas also dented production.[39]

Steel

Steel production declined by 5.1 percent during FY23, as opposed to 16.3 percent increase in the previous year. The major drag came from 16.0 percent decline in the production of long steel, which is mainly used in construction. Growth in production of flat steel, which is used in manufacturing of automobiles and home appliances, decelerated to 2.1 percent during FY23 (**Figure 2.25**). Besides lower demand, steel production was also impacted by reduced availability of imported scrap, a basic raw material for local industry.

Components of Services **Table 2.17**

percent

	Share in Services	Growth FY22	Growth FY23
Wholesale and retail trade	30.7	10.3	-4.5
Transportation and storage	18.2	4.1	4.7
Accommodation and food Services	2.5	4.1	4.1
Information and communication	5.2	16.3	6.9
Finance and insurance	3.1	7.2	-3.8
Real estate	9.8	3.7	3.7
Public administration and social security	7.5	1.8	-7.8
Education	5.2	5.7	10.4
Human health and social work	2.9	2.7	8.5
Other private services	15	4.8	5
Services		**6.6**	**0.9**

Source: Pakistan Bureau of Statistics

2.4 Services

Slowdown in the commodity producing sectors, combined with a sharp decline in imports, dragged down the services sector growth to 0.9 percent in FY23, from 6.6 percent in the previous year. Within the services sector, *wholesale and retail trade* – with 30 percent share in services sector – contracted by 4.5 percent against a robust growth of 10.3 percent last year. The *wholesale and retail trade* was directly affected by decline in the production of important crops and contraction in LSM, along with fall in import volumes **(Table 2.17).**

In contrast, the value addition in *transport and storage* sector expanded by 4.7 percent, as compared to 4.1 percent increase in FY22. The expansion is mainly due to the growth in GVA of road transport, expansion in NHA (National Highway Authorities) activities and increase in the sale of buses. The GVA of air transport also

[38] On the average, coal price increased by 67.7 percent during FY23 compared with 21.0 percent in the last year.
[39] Ministry of Finance (2023), *Chapter 3 -Pakistan Economic survey 2022-2023.* Islamabad: MoF.

GVA of Transport and Storage Services **Table 2.18**

growth in percent

	FY22	FY23
Air transport	54.4	21.6
Road transport	2.7	5.2
Total transport and storage	4.1	4.6

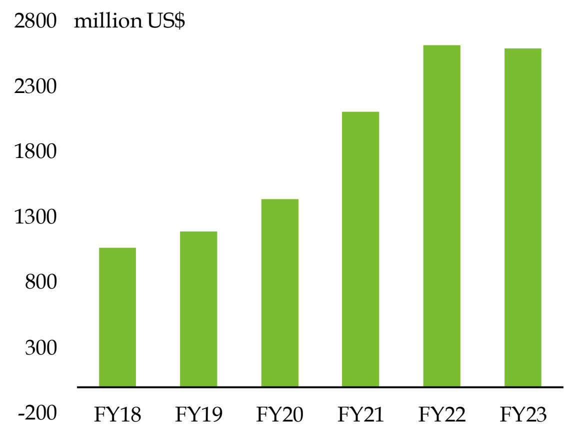
Source: Pakistan Bureau of Statistics

grew by 21 percent, as supported by a significant increase in operating revenue of Pakistan International Airlines (PIA) in CY22 **(Table 2.18)**.

Information and communication, another major services sub-sector, maintained some momentum, growing by 6.9 percent in FY23 on top of 16.3 percent growth in FY22. This was mainly contributed by IT services, which benefitted from rising ICT Exports **(Figure 2.26).**[40] During FY23, ICT accounted for 35.7 percent of the total services exports, supported by establishment of seven Special Technology parks by Pakistan Software Export Board in FY23 **(Table 2.19).** Moreover, the broadband penetration expanded to 54.1 percent during Jul-Mar FY23, as compared to 51 percent in FY22.[41]

Growth in *finance and insurance* contracted by 3.8 percent in FY23, as compared to a growth of 7 percent in the previous year. The decline mirrored the trend in the GVA of scheduled banks, which has the largest share in the sector (**Table 2.20).** Despite a moderate increase in loans and advances, the GVA of the banking sector declined due to negative real interest rates.[42] Other financial services, also witnessed a decline, as stock exchange faced severe headwinds due to delays in the resumption of the IMF program and heightened political uncertainty. GVA in the *education services* witnessed an increase of 10.4 percent in FY23 compared to increase of 5.7 percent in the previous year.

ICT Exports **Figure 2.26**



Source: Pakistan Bureau of Statistics

Special Technology Parks **Table 2.19**

S.No.	STP	City
1	Sitara Software Technology Park	Faisalabad
2	Euro-Heights Gujrat	Gujrat
3	Innovation & Entrepreneurship Center (Mehran UET Jamshoro)	Jamshoro
4	NASTP Karachi	Karachi
5	BZU Multan STP	Multan
6	Sarhad Software Technology Parks – SSTP	Peshawar
7	Alpha Techno Square NASTP Rawalpindi	Rawalpindi

Source: Pakistan Bureau of Statistics

2.5 Labor Markets

The labor market data, reported by Punjab Bureau of Statistics (PBOS) and Sindh Bureau of Statistics (SBOS), show decline in industrial employment in Punjab and Sindh in line with contraction in LSM output (**Table 2.21**). In addition, the SBP Business Confidence Survey

GVA of Finance and Insurance **Table 2.20**

	FY22	FY23
Central banking	14.1	2.0
Other monetary intermediation	7.9	-2.4
Scheduled banks	7.8	-2.8
Non-scheduled banks	11.0	12.7
Other financial services	-3.0	-17.1
Activities auxiliary to financial services	-10.9	-16.7

Source: Pakistan Bureau of Statistics

[40] Computer services, software consultancy and call center services make up the majority of ICT exports.
[41] Ministry of Finance (2023), *Pakistan Economic survey 2022-2023*. Islamabad: MoF.
[42] Inflation remained high during FY23

Growth in LSM and Industrial Employment **Table 2.21**

percent

	FY20	FY21	FY22	FY23
LSM	-11.0	11.6	11.7	-10.3
Punjab employment	-2.3	1.6	1.6	-2.4
Sindh employment	-11.1	9.6	23.2	-10.5

Source: Pakistan Bureau of Statistics

(BCS) and Consumer Confidence Survey (CCS) also showed deterioration in employment sentiments both in industrial and services sectors, for past and next six months.[43]

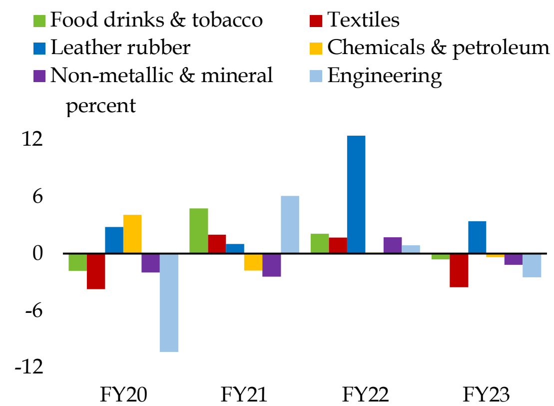
Punjab

The industrial employment declined by 2.4 percent during Jul-May FY23 in Punjab compared to an increase of 1.6 percent in FY22 (**Figure 2.27**). The reduction in industrial employment in Punjab was predominantly driven by significant lay-offs in engineering, textile, food, cement, and tobacco sectors during Jul-May FY23 (**Figure 2.28**).

Increase in unemployment in textile during Jul-May FY23 is mainly attributed to restricted activity in spinning, weaving and woolen sub-sectors. Lower employment in engineering industry was largely due to 29.3 percent reduction in hiring by the automobile sub-sector during Jul-May FY23 compared with 0.2 percent decline in the same period of FY22.

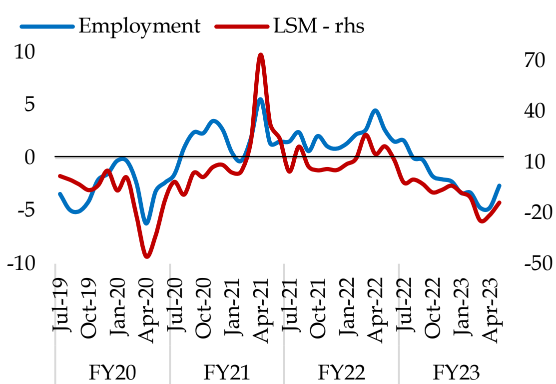
On the other hand, employment recorded slight increase in food, leather, rubber, and paper & paper board sectors during Jul-May FY23. Increase in employment in food was contributed by cooking oil and sugar industries.[44] Notwithstanding lower employment during FY23, textile industry continued to remain the largest employer, followed by food, drinks & tobacco sectors (**Figure 2.29**).

Punjab: Labor Growth in Major Industrial Sectors **Figure 2.28**



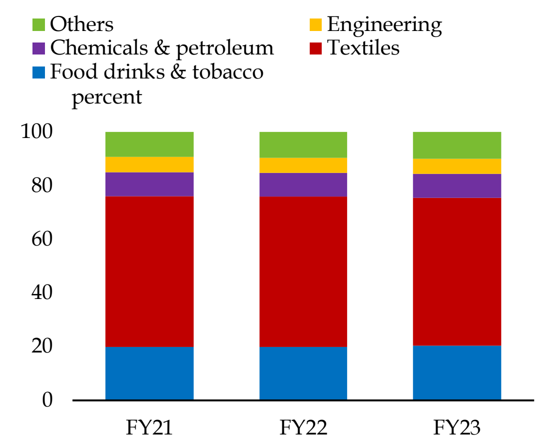
Source: Sindh Bureau of Statistics

Punjab: Industrial Employment and LSM Index **Figure 2.27**



Sources: Pakistan Bureau of Statistics and Punjab Bureau of Statistics

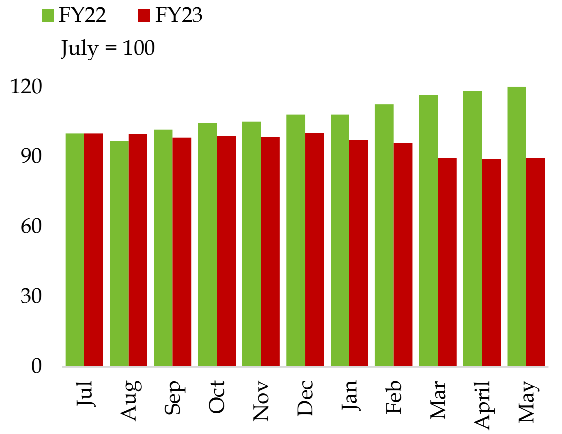
Punjab: Sectoral Labor Share **Figure 2.29**



Source: Punjab Bureau of Statistics

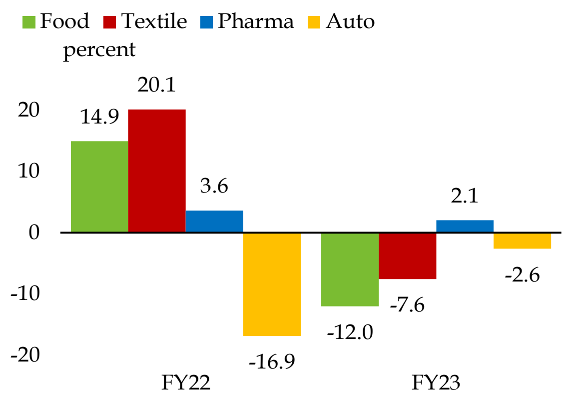
[43] The comparative data from BCS and CCS was reported for the last waves of FY23 and FY22.
[44] As reported by PBOS, job creation in food sector decelerated due to lay-offs in dairy, wheat milling and tobacco sub-sectors during FY23.

Sindh: Industrial Employment Index **Figure 2.30**



Source: Sindh Bureau of Statistics

Sindh: Employment Growth in Major Sectors **Figure 2.31**



Source: Sindh Bureau of Statistics

Sindh

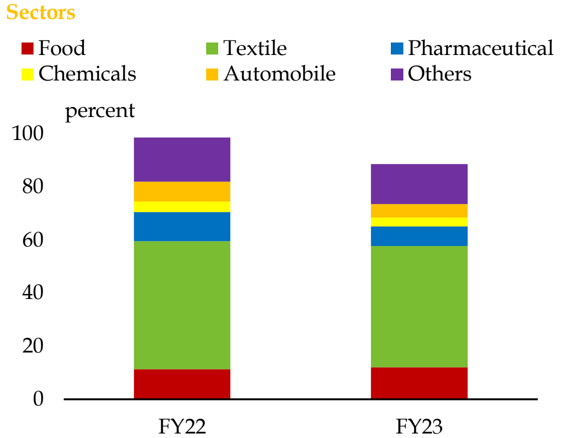
Sindh recorded 10.5 percent decline in industrial employment during Jul-May FY23 against an increase of 23.2 percent in the comparable period of FY22 (**Figure 2.30**). There was a reduction in employment in all the major sectors, including food, beverages, leather tanning, textile, petroleum, chemicals, and automotive. Meanwhile, employment increased in electrical equipment, pharmaceutical, paper & paper board and rubber industries **(Figure 2.31).** Similar to Punjab, the textile industry remains the major employer, followed by food, in Sindh (**Figure 2.32**).

Business Confidence Survey (BCS)

The BCS in June 2023 shows decline in perceptions of businessmen about overall and industrial employment for the past and future six months. Specifically, the survey recorded drop in opinions about overall employment to 47.2 in June FY23 compared to 51.1 in the corresponding period of the previous year (**Figure 2.33**).

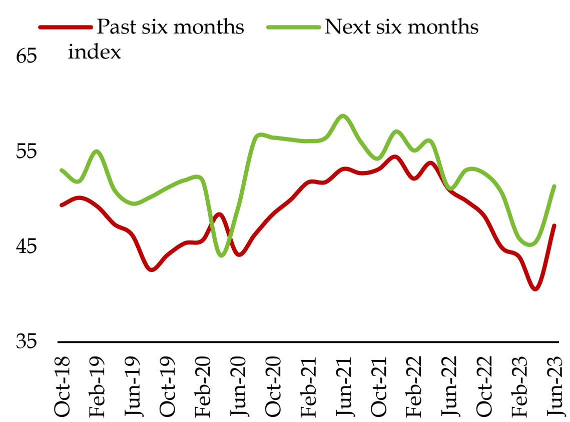
Similarly, the diffusion index for employment in the industrial sector decreased to 45.6 and 51.0 for the past and future six months, respectively, during FY23; down from 54.2 and 52.3 in FY22. Whereas, the employment perception in services

Sindh: Labor Share in Major Industrial Sectors **Figure 2.32**



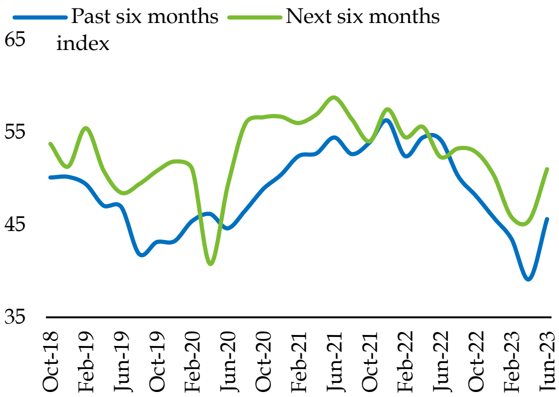
Source: Sindh Bureau of Statistics

BCS Index for Overall Employment **Figure 2.33**



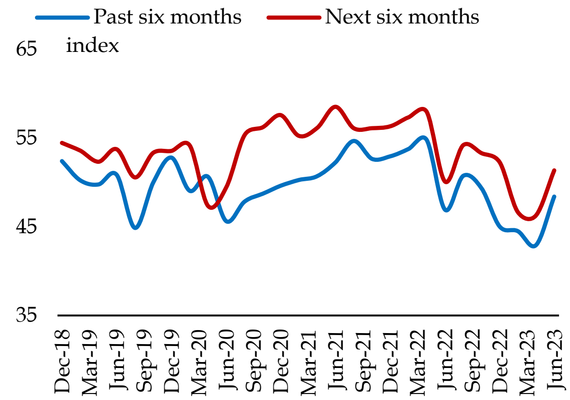
Source: State Bank of Pakistan

BCS Employment Index for Industrial Sector **Figure 2.34**



Source: State Bank of Pakistan

BCS Employment Index for Services Sector **Figure 2.35**



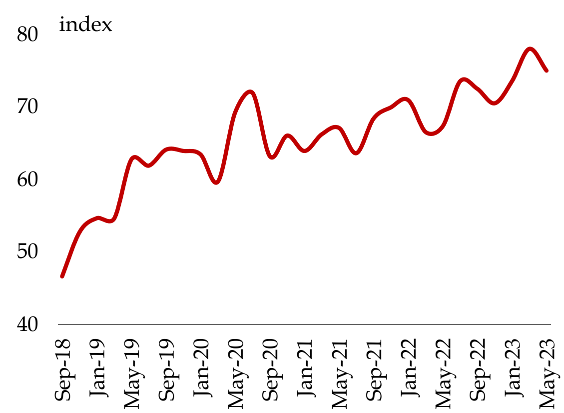
Source: State Bank of Pakistan

sector recorded improvement to 48.4 and 51.4 for the past and future six month respectively in June FY23 from 46.9 and 50.1 in the same period of the previous year (**Figure 2.34 and 2.35**).

Consumer Confidence Survey (CCS)

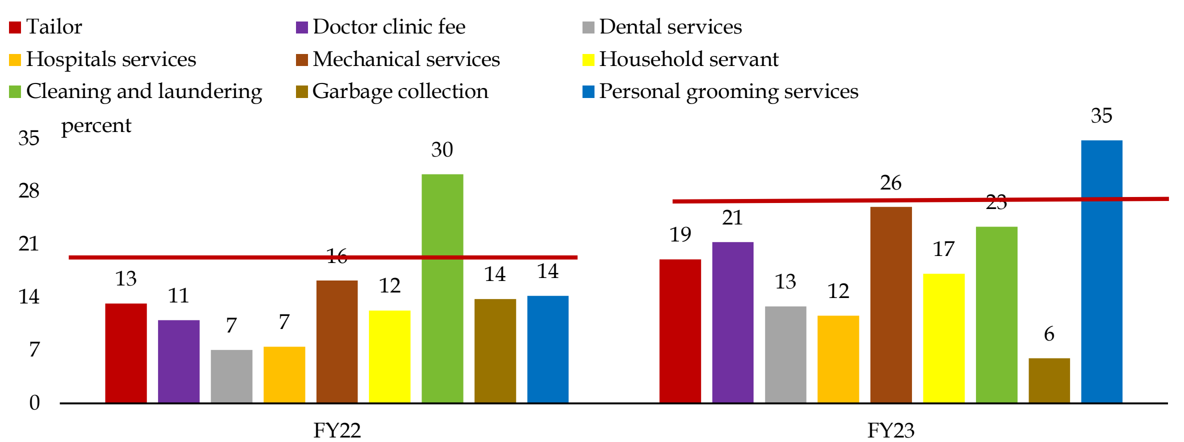
The CCS also shows consumers' expectations of an increase in unemployment. In the latest wave of the survey, conducted in May 2023, 75.1 percent of respondents had anticipated a rise in overall unemployment over the next six months, against 67.4 percent in the corresponding month of the previous year **(Figure 2.36).**

CCS Unemployment Index (Next Six Months) **Figure 2.36**



Source: State Bank of Pakistan

Growth in Wages - Services **Figure 2.37**



Source: Pakistan Bureau of Statistics

Wages

The PBS data shows that wages increased by 19.1 percent during FY23, compared to a rise of 14.0 percent in FY22. The growth in wages reflects increase in minimum wage and salaries of both private and public sector employees in the face of rising cost of living (**Figure 2.37**).

In comparison with FY22, apart from cleaning and laundering and garbage services, all categories of wages included in CPI basket, registered significant rise during FY23. The highest increase was recorded in wages of personal grooming services followed by hike in cleaning and laundering, mechanical services, doctor clinic fee and tailoring during FY23 compared with the previous fiscal year (**Figure 2.37**). Similarly, remuneration of household servants, dental services and hospital services recorded double digit rise during the current review period relative to the previous year.