

Large scale manufacturing contracts 3.4 percent in first half

ISLAMABAD: Large scale manufacturing (LSM) sector posted a 3.35 percent contraction in the first half of the current fiscal year of 2019/20, although the big industry rebounded with double-digit growth in December as all the key economic sectors appeared to coming back on the path of gradual recovery, official data showed on Friday.

Pakistan Bureau of Statistics (PBS) data showed that LSM output increased 9.66 percent year-on-year and surged 16.4 percent month-on-month in December.

In December, main thrust stemmed from increase in sugar and cement production. PBS data showed that monthly sugar production soared 97.14 percent year-on-year, while cement output rose 7.9 percent.

BMA Capital Executive Director Saad Hashmi said crushing was dragged last year. "The industry runs on one-year cycle hiatus. We also witnessed expansion in cement production."

But, Hashmi said the monthly recovery should not be misinterpreted as having a pass-through impact over the year. "Despite this positive number, this would level out in months ahead," he said, referring to diminishing private sector credit offtake amid high interest rates.

"Business sentiments are still down," Hashmi from the Karachi-based brokerage said. "Annual growth is projected to decelerate from the previous fiscal year." Performance of LSM, which accounts for 80 percent of the industrial output, would reflect on overall economic growth that is likely to stay less than 2 percent in the current fiscal year. Considering slowdown in growth, LSM is expected to continue downward trend this fiscal year.

LSM output moved in reverse direction of the last fiscal year's target with production dipped 3.64 percent as opposed to the annual target of 8.1 percent. The decline was the first contraction in a decade.

All the three data collection authorities registered decrease in production in the first half over the preceding fiscal year. Oil Companies Advisory Council, logging outputs of 11 oil and petroleum products, measured fall of 0.66 percent. Ministry of industries, measuring output trend of 36 items, recorded a 1.78 percent decline in production. Provincial bureau of statistics, counting production of 65 products, logged 0.92 percent negative growth.

Manufacturing industries depicted flat growth or contraction in the July-December period. Textile, food, beverages and tobacco, non-metallic mineral products, fertilisers,

leather products, paper and board, rubber and wood products turned up no progress in the period under review. Coke and petroleum products, pharmaceuticals, chemicals, automobiles, iron and steel products, and electronics posted decline.

The PBS data showed that petroleum and lubricant production dropped 10.3 percent in the July-December period. The biggest percentage drop was witnessed in production of petroleum products that dipped 25.8 percent year-on-year in the July-December period. That was followed by lubricant oil (22.5pc), jute batching oil (15.6pc), furnace oil (14pc), kerosene oil (11.6pc), high speed diesel (10.2pc), motor spirits (8.6pc), liquefied petroleum gas (7.4pc), jet fuel oil (6.7pc), diesel oil (1.5pc) and solvent naptha (0.35pc).

Sugar and cement production rose 97 percent and 2.6 percent, respectively, during the first half. Cotton yarn cloth production remained flat. While cement output showed increase, steel, which is also an important component to construction industry, saw double-digit drop in output. Billets and ingots production dipped 25.8 percent. Production of tractors, trucks, buses, jeeps and cars, light commercial vehicles, and motorcycles decreased 35.8 percent, 53.9 percent, 36.7 percent, 46.3 percent, 38 percent, and 13.8 percent, respectively.