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Tariq Ahmed Saeedi

Big industry plunges 23pc in March

KARACHI: Amid the coronavirus tumult, large scale manufacturing (LSM) sharply contracted 22.95 percent year-on-year in March with the lockdown throwing wet rags on the economic activities reeling under stabilisation measures, official data showed on Tuesday.

LSM, which accounts for 80 percent of the industrial sector, dropped 21.99 percent in March over February, the Pakistan Bureau of Statistics (PBS) data showed.

In July-March, LSM contracted 5.4 percent year-over-year.

Government imposed a complete lockdown in late March to prevent the COVID-19 outbreak. But, the economic activities were slowing down when the first case of the virus surfaced in late February.

The market was expecting a heavy blow to the big industry by a two-month lockdown.

“Majority of the drop is from OCAC (Oil Companies Advisory Council) as the country was under lockdown from mid-March and demand for petroleum products started to decline,” said Tahir Abbas, head of Research at Arif Habib Limited. “Moreover textile sector posted significant decline owing to delay in orders from European countries as COVID-19 outbreak hit Europe after china.”

In March, all the three data collection authorities registered significant downtrend in production. OCAC, logging outputs of 11 oil and petroleum products, measured 47.41 percent year-over-year fall in outputs. Ministry of industries, measuring output trend of 36 items, recorded a 26.05 percent decline in production. Provincial bureau of statistics, counting production of 65 products, logged 9.17 percent negative growth.

The falling industrial sector that contributes more than 15 percent to GDP would signify an economic turmoil. The economy is expected to witness a negative growth of 1 to 1.5 percent – a forecast that was agreed by the government, the central bank and the International Monetary Fund. That compares with 3.3 percent recorded in the last fiscal year and 5.5 percent a year earlier.

The central bank tried to stimulate the crouching consumer demand through delivering 425 basis points rate cut unprecedentedly in a month, but the step was taken in emergency to address the corona damage instead of meeting the much-repeated demand of businesses before the pandemic.

In March, the contraction was triggered by textile output that fell 26 percent year-on-year, food, beverages and tobacco (-20.6 percent), automobiles (-49.5 percent) and coke and petroleum products (-47.4 percent). However, fertiliser sector witnessed an increase of 4.4 percent year-on-year growth in March.

In July-March, LSM production significantly decreased in textile, food, beverages and tobacco, coke and petroleum products, pharmaceuticals, automobiles, iron and steel products and electronics, while it increased in non-metallic mineral products, fertilisers and paper and board.