<u>**PRESS RELEASE (28th November 2023)**</u>
<u>**NATIONAL ACCOUNTS COMMITTEE MEETING**</u>

National Accounts Committee (NAC) approves introduction of Quarterly National Accounts in the Statistical System of the Country.

- **Economy witnessed recovery in Q1 2023-24 by posting a growth of 2.13% as compared to 0.96% in Q1 2022-23**
- **GDP for 2022-23 revised slightly downward from 0.29% to -0.17%**

The 107th meeting of the National Accounts Committee (NAC) to review the <u>**annual**</u> estimates of Gross Domestic Product (GDP) for the years **2021-22 (Final), 2022-23 (Revised)** and <u>**quarterly**</u> estimates from **Q1 2016-17 to Q1 2023-24** was held today in the Auditorium of the Ministry of Planning, Development and Special Initiatives (M/o PD&SI), P-Block, Islamabad. The Secretary, M/o PD&SI chaired the meeting.

2.   In the 106th meeting of the NAC held in May 2023, the provisional GDP estimates for the year 2022-23 and revised GDP estimates for the year 2021-22 were presented, which are updated on the basis of latest available data. The **final growth** rate of GDP for the year 2021-22 has been estimated at 6.17%, which was **6.10**% in the revised estimates. The growth in the agriculture sector has remained stable with fractional improvement from 4.27% to 4.28%, whereas it has improved for industrial activities from 6.83% to 6.95% and services from 6.59% to 6.66%. As such, Mining and Quarrying (from -7.0% to -6.58%) and Electricity, Gas and Water supply (from 3.14% to 3.80%) have led to improved growth in industrial activities. The improvement in services is mainly due to Information and Communication (from 16.32% to 17.96%) and education from 5.66% to 5.85% (**Table 1**).

3.   The **revised growth rate of GDP** for the year 2022-23 is estimated at -0.17%, which was provisionally estimated at 0.29%. In the revised estimates, **agriculture** has significantly improved from 1.55% to 2.25%. Despite reduction in the production of sugarcane (from 91.1 to 88.0 M.Tons), important crops have been revised upward from -3.20% to 0.42% due to increase in production of wheat (from 27.6 to 28.2 M.Tons) and maize (from 10.2 to 11.0 M.Tons). The other crops have declined from 0.23% to -0.93% due to a decline in production of green fodder (from 192.2 to 190.0 M.Tons), fruits (-5.6%) and oilseeds (-9.7%). Forestry has improved in revised estimates from 3.93% to 14.2% due to higher production reported by Punjab province. Despite improvement in electricity, gas and water supply (from 6.03% to 9.84%), the **industrial sector growth** has declined from -2.94% to -3.76% in the revised estimates due to decrease in LSM (from -7.98% to -9.87%) and construction (from -5.53% to -9.16%). The **services sector growth** has also declined from 0.86% to 0.07% due to transportation and storage (from 4.73% to 3.27%), information & communication (from 6.93% to -2.55%), finance & insurance (from -3.82% to -8.09%), public administration and social security (from -7.76% to -8.99%), and education (from 10.44% to 9.94%). In the revised estimates, wholesale and retail trade slightly improved from -4.46% to -4.01% whereas human health and social work improved from 8.49% to 10.57% (**Table 1**).

4.   As an extraordinary step in the history of macroeconomic statistics of Pakistan, the 107th NAC reviewed, examined and approved the industry-wise methodology of compiling the Quarterly GDP as well as series of quarterly growth rates of GDP for various industries from **Q1 2016-17 to Q1 2023** by taking 2015-16 as base year.

5.   PBS initiated the work on Quarterly National Accounts (QNA) soon after the approval of new base of national accounts adopted in January 2022. PBS held discussions with the World Bank for technical assistance on QNA and online technical meetings started on 22nd June, 2022 with the World Bank Expert which continued till June 2023. Moreover, a technical committee of national experts reviewed the methodology, sources and results during July-August 2023. The experts include members from Ministry of Finance, Ministry of Planning, Development and Special Initiatives, State Bank of Pakistan, Pakistan Institute of Development Economics (PIDE), Quaid-e-Azam University and Independent industry. Later on, the IMF included the QNA compilation in its structural benchmark of Stand-By Arrangement (SBA) Program which stated that, *"**PBS will compile and disseminate the First Quarter estimates for 2023-24 and the revised annual estimates for the financial year 2022-23 by end of November 2023"**.*

6.   To meet the structural benchmark under the IMF-SBA program, PBS held meetings with stakeholders and data providers and presented the revised GDP numbers for 2022-23 and Q1 2023-24 before the NAC on 28th November 2023. The committee approved the QNA series from 2016-17 to 2022-23 **(Table 2).** The committee also approved the **first quarter estimates of 2023-24** along with data dissemination and revision policy. GVA growth rate of 2.13% has been estimated for Q1 2023-24 as compared to Q1 2022-23. Agriculture has shown a growth of 5.06%, industry 2.48% and services 0.82%. In agriculture, crops are posting healthy growth of 6.13% including 11.16% growth in important crops. The major driver for growth in important crops is the increase in sowing area in comparison with the last year. For instance, the sowing area for rice, cotton and maize increased by 21%, 11%, and 5%, repsectively. It declined by 11% for sugarcane which is offset by the other three major crops.

7.   Industry, after witnessing a continuous decline in three quarters in 2022-23 except a modest growth in Q2, has changed its direction in Q1 2023-24 by posting a growth of 2.48%. Mining and quarrying industry is showing positive growth of 2.15% on the basis of quarterly production of mining sector. LSM growth is on the basis of Quantum Index of manufacturing (QIM) which showed a growth of 0.93% in Q1 2023-24. A growth of 0.08% has been reported in Electricity generation and distribution, gas distribution and water supply. Construction industry growth has been estimated at 1.73% on the basis of output of construction indicators. Production of cement has increased by 15.38% during Q1 of 2023-24 as compared to the same quarter last year. Similarly increase in other indicators has also been witnessed. Iron & steel observed negative growth of 2.20% during Q1 2023-24 however its impact has been offset by other indicators.

8.   During Q1 2023-24, the overall growth in services is 0.82%. Wholesale and Retail Trade, which is based on output of agriculture, manufacturing and imports has been estimated at 3.05% because of positive growth in agriculture and industry. Transport is showing a growth of 1.7% which is based on the quarterly data reported by the sources. Information & Communication, which remained negative in most of the quarters last year has changed its direction by posting 2.4% growth mainly because of low base and quarterly information received from the sources. Finance and Insurance industry has a growth of -12.79% because of decline in output of insurance companies, exchange brokers, mercantile brokers and also high growth in deflator. Public administration (which is based on the budget documents of federal, provincial, district and cantonments/local government) has reported -16.65% growth in Q1 2023-24. Further, high deflator also resulted in decline in constant prices. Negative growth in both education and human health & social work activities are mostly driven by the decline in government budget data along with high deflator.

9.   The GDP estimates have been released to meet IMF structural benchmark under tight deadline and are based on available information and data. However, as a matter of practice and due to the time-lag involved in the finalization of data for the last two fiscal years, the annual GDP estimates are subject to revision in the NAC meeting to be held in May 2024.

10.   The forum appreciated the efforts of National Accounts team of PBS and key stakeholders including Ministry of Finance and State Bank of Pakistan in meeting the challenging task of compiling the estimates of revised GDP for 2022-23 and quarterly GDP since Q1 2016-17.