

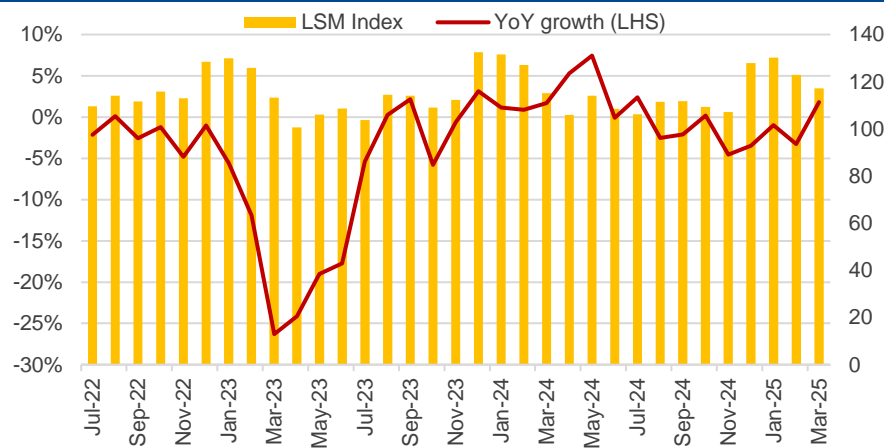
# LSM: Mar-2025 rebounds with 1.8% YoY growth

- According to the latest report by the Pakistan Bureau of Statistics (PBS), Large Scale Manufacturing (LSM) recorded a 1.8% YoY increase in Mar-2025, marking a return to positive growth after four consecutive months of YoY decline. On a MoM basis, Mar-2025 witnessed a decline in output.
- Notable improvement was witnessed in many pivotal sectors during March. Textiles and Food sectors reported 5.2%/20.1% YoY growth, respectively. Within the Food sector, Wheat, which holds the largest weight, reported an increase of 8.1% YoY.
- A declining inflation trend creates a favorable environment for LSM growth by reducing input costs, improving demand, and stabilizing production. We believe that recent monetary easing is likely to boost growth prospects for the Large-Scale sector going forward.

## Mar-2025 LSM growth clocks in at 1.8% YoY

Large-scale manufacturing (LSM) posted a positive growth of 1.8% YoY in Mar-2025, marking a return to positive growth after four consecutive months of YoY decline. On a MoM basis, March witnessed a decline in output. Major reason for the decline in the same period last year was the increase in energy costs, resulting in inflation-led demand suppression and a reduction in economic activity.

### LSM growth (YoY)



Source: PBS, JS Research

## LSM downturn persists for third year

The LSM sector experienced negative growth for the third consecutive year. In 9MFY23, the drop was 6.9%, followed by a 0.2% decrease in 9MFY24, and another 1.5% YoY decline in 9MFY25. Negative growth in Mar-2025 for sectors like Non-Metallic Minerals (-5%), Cement (-6%), and Iron and Steel (-4%) reflects ongoing challenges within the sectors and their respective downstream industries.

Improvement was witnessed in some pivotal sectors during March. Textiles (18.16% weight) and food (10.69% weight) posted solid YoY growth of 5.2% and 20.1%, respectively, making significant contributions due to their larger weights.

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### Mar-25: Select LSM segment performance

%	Weight	YoY
Textiles	18.16	5.2
Food	10.69	20.1
Coke & Petroleum Products	6.66	4.5
Wearing apparel	6.08	(0.4)
Pharmaceuticals	5.15	4.8
Non-Metallic Minerals	5.01	(5.1)
Cement	4.65	(6.3)
Fertilizers	3.93	0.9
Beverages	3.84	0.4
Iron & Steel	3.45	(4.2)
Automobiles	3.10	18.8

Source: PBS, JS Research

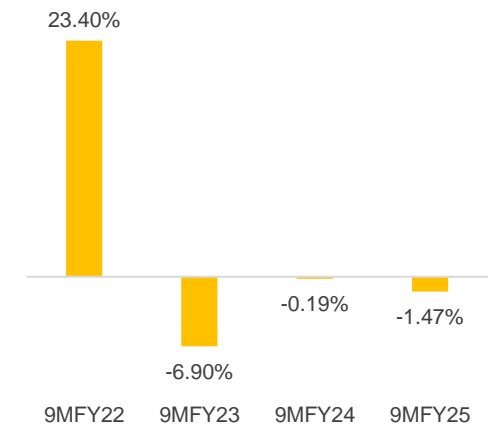
Within Food, Wheat, which has the highest weight, reported an increase of 8.1%. The automobile sector recorded a strong 19% YoY growth; however, due to its lower weight in the LSM index, its overall impact remained modest.

## Policy relief and demand revival offer hope for LSM

Large Scale Manufacturing growth has faced challenges due to consolidation efforts in recent times where high energy costs and subdued consumer demand both locally and internationally had added further burden on the Manufacturing sector.

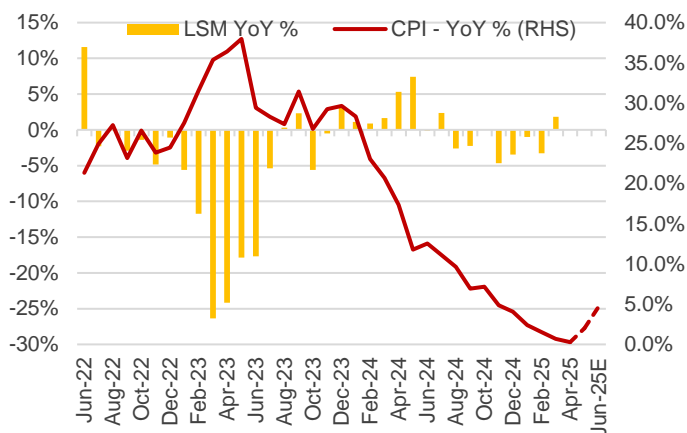
We have observed that a declining inflation trend creates a favorable environment for LSM growth by reducing input costs, enhancing demand, and stabilizing production. The degree of LSM growth will depend on how quickly manufacturers can capitalize on these improved conditions. Recent rate cuts, driven by declining inflation are expected to enhance growth prospects for the Large-Scale Manufacturing sector.

## LSM Index – 3<sup>rd</sup> consecutive year with -ve growth

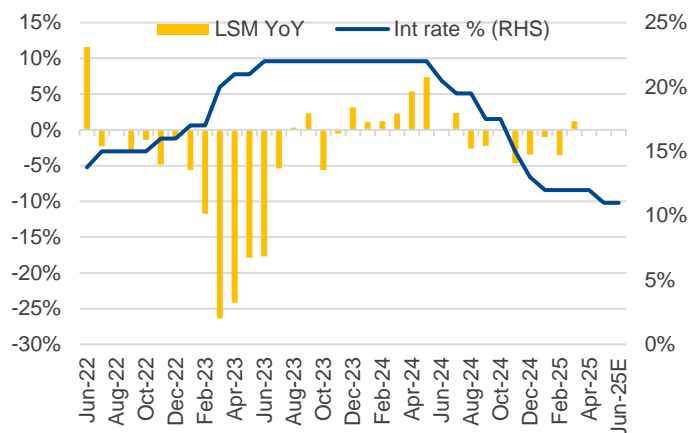


Source: SBP, JS Research

## LSM growth vs Inflation (%)



## LSM growth vs Policy Rate (%)



Source: PBS, JS Research

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