Pakistan Economy

IMF-Pakistan: Country Report (EFF 1st Review and RSF)

18-May-2025

REP-300

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IMF - Pakistan Country Report
Macroeconomic stability holds

- **Growth** for FY25 has been revised down to 2.6% due to weaker-than-expected performance in H1 and persistent global uncertainty. However, recent monetary easing is anticipated to support a rebound in economic activity in the second half of the fiscal year and beyond. Inflation projections for FY25 have also been revised downward, but temporary increases are expected in the near term due to adverse base effects. A sustainable return to the SBP's target range of 5–7% is projected in FY26, contingent on the continuation of appropriately tight monetary policies.
- The **current account** deficit for FY25 is now estimated at USD 0.2bn (0.1% of GDP), supported by resilient exports and a stronger remittance outlook, thanks to improved macroeconomic and foreign exchange stability. Over the medium term, the CAD is expected to widen modestly to about 1% of GDP as imports recover. Gross reserves are projected to strengthen, bolstered by committed multilateral and bilateral financing and expected RSF disbursements of USD 1.3bn. Access to commercial financing remains limited, with a small Panda bond issuance planned for FY26 and a gradual re-entry into the Eurobond/Global Sukuk market assumed for FY27.
- **Public debt** is considered sustainable over the medium term, given fiscal consolidation and efforts to extend domestic debt maturities. Nonetheless, near-term sovereign stress risks remain elevated due to high gross financing needs and a history of external financing constraints.
- The **impact of US tariff** on Pakistan is expected to be adverse but moderate due to the small export-to-GDP ratio (10%). FY25 growth has been slightly revised down, with a larger 0.3ppt hit expected in FY26. Indirect effects include weaker demand from trading partners, tighter financial conditions, and remittance risks.

Exhibit: Pakistan: Selected Economic Indicators

	Unit	FY24	FY25p	FY26p
GDPg	%	2.5	2.6	3.6
CPI	%, Average	23.4	5.1	7.7
CPI	%, Period end	12.6	6.5	6.6
Revenue and grants	% of GDP	12.6	15.9	15.2
Expenditure	% of GDP	19.4	21.6	20.3
Fiscal Balance	% of GDP	(6.8)	(5.7)	(5.1)
Primary Balance	% of GDP	0.9	2.1	1.6
External General Government Debt	% of GDP	22.7	24.0	22.2
Domestic General Government Debt	% of GDP	45.2	47.3	47.0
Broad Money	% Change	16.0	11.0	14.6
6-Month T.Bills	%	21.5	-	-
Current Account Balance	% of GDP	(0.5)	(0.1)	0.0
Foreign Direct Investment	% of GDP	0.6	0.5	0.6
Total External Debt	% of GDP	31.7	33.1	31.3
Real Effective Exchange Rate	% Change	15.4	-	-

Source (s): IMF, AHL Research

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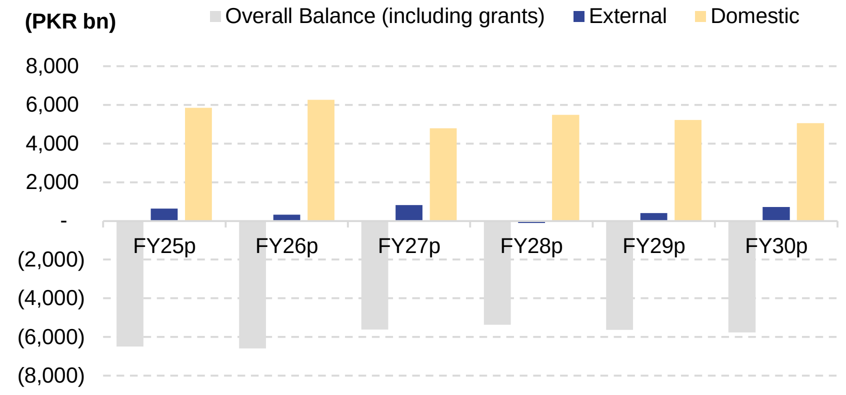
Smart reforms for fiscal stability

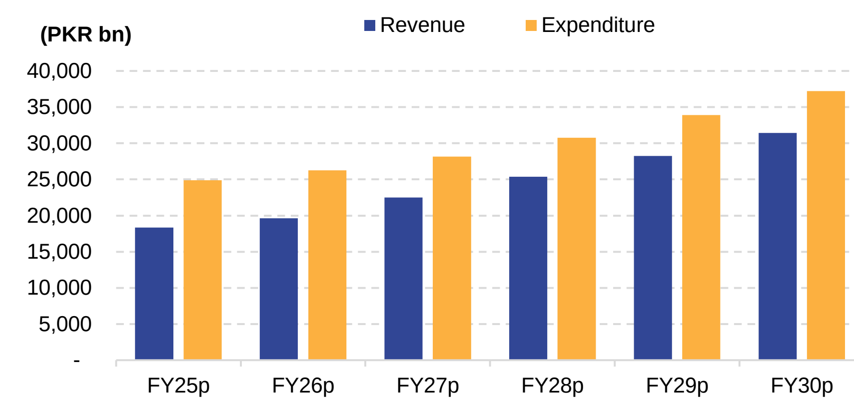
- The government remains committed to achieving a primary surplus of 1.0% of GDP in FY25.
- Non-tax revenues are expected to reach 3.0% of GDP (~USD 10.5bn), playing a critical role in fiscal consolidation.
- The general government revenue-to-GDP ratio is targeted at 12.3%, including FBR tax collection of 10.6% (~USD 44bn or PKR 12,332bn).
- Expenditure controls: Savings of PKR 54bn (~USD 190mn) from energy subsidies and PKR 188bn (~USD 670mn) from unused contingencies.
- If revenues fall short, proportional spending cuts will be applied to maintain fiscal discipline.
- Provincial agricultural income tax laws have been aligned with federal tax rules; implementation begins Jan'25, with collections from September.
- Provinces are preparing implementation plans with World Bank and IMF support; GST on services will transition to a negative list from FY26.
- A bill is under review to eliminate the non-filer category entirely and restrict major transactions by non-filers.
- The National Fiscal Pact signed on Sep 30, 2024, shifts single-province PSDP project financing to provinces from FY26 onward.
- Provincial spending responsibilities are being realigned per the 18th Amendment; federal right-sizing is ongoing, with full proposals due Jun'25.
- Provinces will be allowed to invest surpluses in government securities through non-competitive bidding under a new framework.
- The FY26 budget process began early, only 10% of new PSDP projects will be approved; low-priority projects are being trimmed ahead of FY26.
- Authorities have extended debt maturities but 80% of domestic debt remains short-term or floating-rate, heightening interest rate sensitivity.

Exhibit: Fiscal Deficit and financing



Source (s): IMF, AHL Research

Exhibit: Revenue and Expenditure Projections

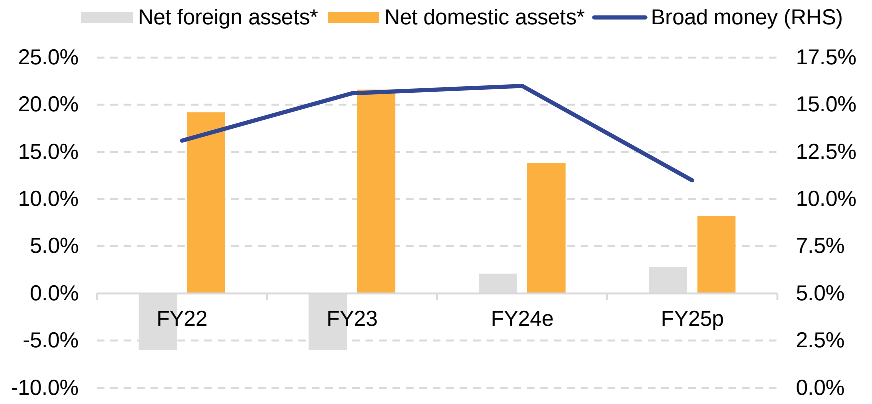


Source (s): IMF, AHL Research

Monetary, exchange rate & financial sector policies

- Monetary policy has successfully lowered inflation and must remain sufficiently tight to keep inflation within the SBP's target range.
- The MPC's decision to hold the policy rate during the March 10 meeting was appropriate, as it allowed time for previous rate cuts to impact the economy.
- This also helped mitigate risks stemming from external uncertainty and avoided costly policy reversals, especially given that core inflation remains elevated.
- Improvements in the SBP's communication, including clearer explanations of the MPC's current and desired policy stance, have been welcome.
- In the FX market, banks continue to manage most of their FX inflows and outflows internally, which has resulted in low volumes in the interbank market.
- Staff recommend reversing the January 2022 decision to shorten the repatriation period for export proceeds once macroeconomic stability and balance of payments conditions improve.
- The rebuilding of reserves through foreign exchange purchases should continue, as buffers remain low by Pakistan's standards.
- Exchange rate flexibility remains necessary to support external rebalancing and increase resilience to external shocks
- Significant progress has been made in addressing undercapitalized financial institutions. One undercapitalized private bank successfully merged with a larger institution. The shareholders of a second private bank are executing a multi-step recapitalization plan with a commitment to fully meet the minimum capital requirements by Apr'25. Additionally, an undercapitalized public bank was liquidated in Dec'24
- Moreover, the authorities must prepare for the mandated removal of 'riba' (interest) from the economy by Jan'28, following the 26th constitutional amendment passed in Oct'24.

Exhibit: Monetary sector components

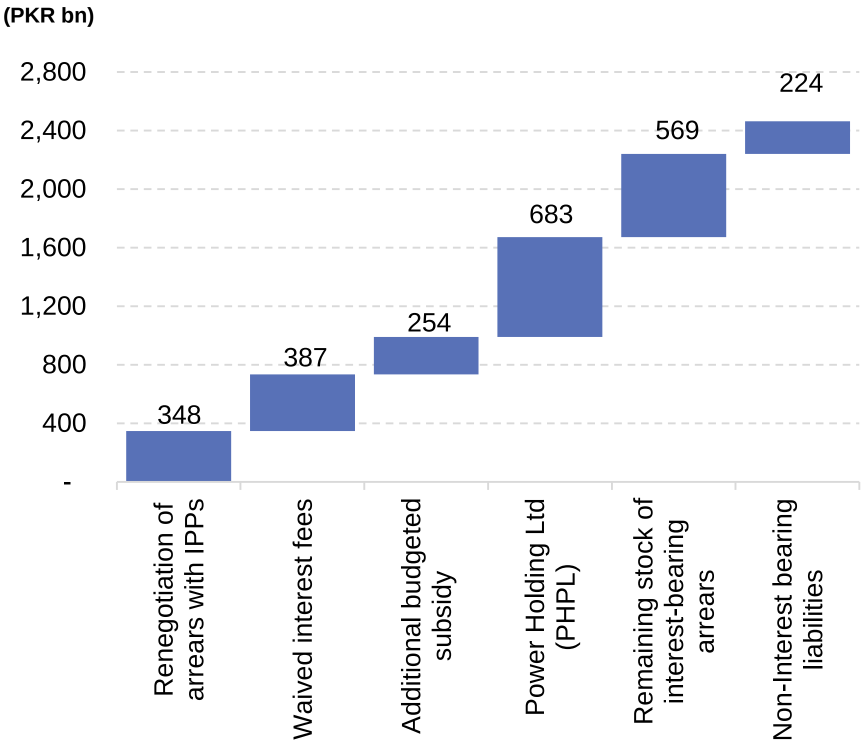


Source (s): IMF, AHL Research, *Annual changes in % of initial stock of broad money

Reducing the Power sector circular debt stock

1. **Timely tariff adjustments**
   - NEPRA will continue with timely automatic notifications of regular quarterly tariff adjustments (QTAs)
   - NEPRA will continue with timely automatic notifications of regular monthly fuel cost adjustments (FCAs)
   - All provinces agree not to introduce any subsidy for electricity or gas.
2. **Converting the existing CD stock to CPPA debt**
   - PKR 348bn cleared through renegotiation with IPPs (PKR 127bn via already-budgeted subsidy and PKR 221bn via CPPA cash flow).
   - PKR 387bn trough waived late payments surcharges.
   - PKR 254bn will be cleared through additional already-budgeted subsidy.
   - Power Holding Ltd's (PHPL) loan of PKR 683bn will converted to CPPA loan.
   - PKR 569bn of other power producers will also cleared.
   - PKR 224bn in non-interest-bearing liabilities will not be cleared.
   - The annual payments will be financed through Debt Service Surcharge (DSS) revenues over six years.
   - DSS set at 10% of the NEPRA-determined revenue requirement**,** adjusted annually.
   - Legislation will be introduced to remove the 10% DSS cap by end Jun'25 to facilitate the increased surcharge, if necessary.
   - The circular debt (CD) stock at the end of FY25 will not exceed PKR 337bn.

Exhibit: Breakdown of Circular Debt



Source (s): IMF, AHL Research

Power sector reforms

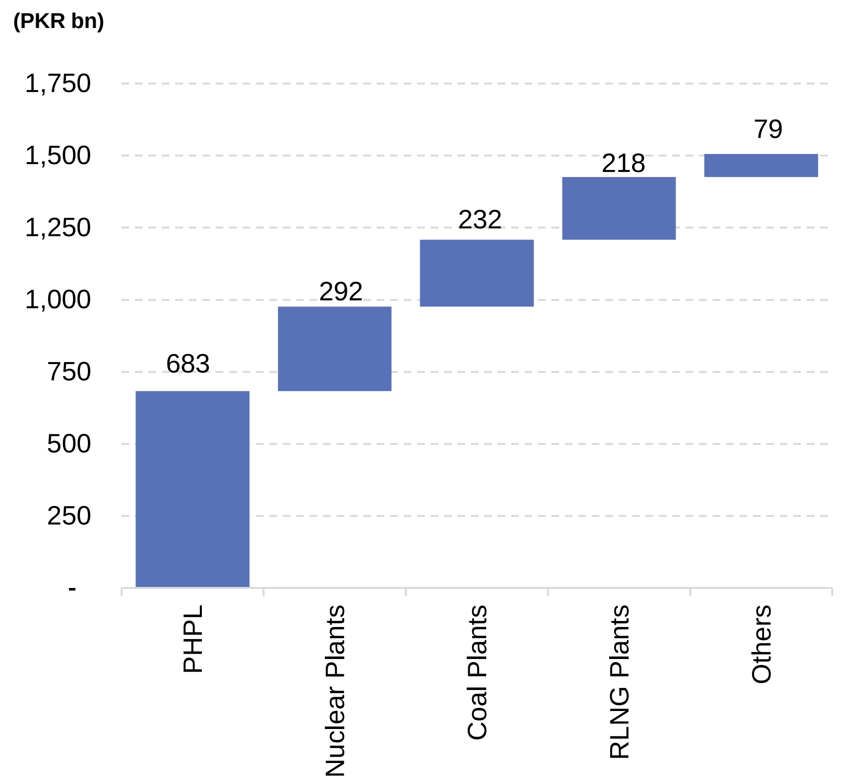
3. Budgetary allocations for power subsidies

- Additional Petroleum Levy (PL) of staring from 17-Mar-25 to 30-Jun-26, it has an annualized impact of PKR 182bn. This will be utilized for power subsidy (PKR 1.7/KWh).
- The levy of captive power plants would have PKR 0.9/KWh impact on electricity tariffs.

4. Cost reducing reforms

- Improving distribution efficiencies through privatization of power distribution companies
- Shifting captive power to the electricity grid: A service level agreement has been shared with CPPs which ensures the uninterrupted electricity supply for CPPs that connect to the grid
- Improving the transmission system: National Transmission and Dispatch Company (NTDC) will restructuring into three entities
  a. Independent System Operator and Market Operator (ISMO) - Will assume NTDC's system operator function
  b. Energy Infrastructure Development Management Company (EIDMC) - Responsible for energy projects and development.
  c. National Grid Company (NGC) - Will take over responsibility for operating and maintaining the grid and transmission lines
- Privatizing inefficient generation companies (GENCOs): Privatization of two GENCOs, Nandipur and Guddu 747
  a. Necessary prior actions: Apr’25
  b. Hiring a financial advisor: May’25
  c. Bidding for Nandipur: Jan’26

Exhibit: Breakdown of Payment for Circular Debt

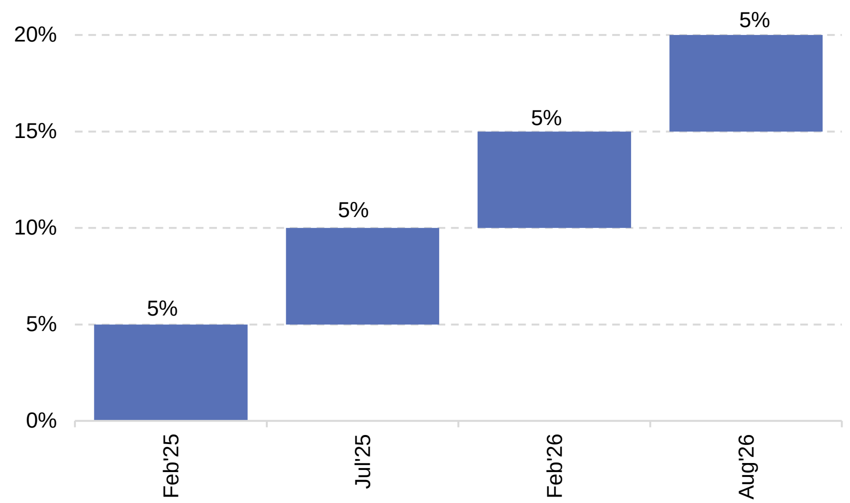


Source (s): Media, AHL Research

IMF - Pakistan Country Report
Gas: Price normalization and captive elimination

1. **Timely tariff adjustments**
   - Semi-annual gas tariff adjustments will proceed as determined by OGRA, with the next adjustments scheduled for 01-Jul-25, and 15-Feb-26.
   - Gas tariff adjustments will continue to include the cost of imported RLNG.
2. **Eliminating captive power**
   - The gas price for Captive Power Plants (CPPs) has been increased to match the industrial grid price, with an additional 5% through a rise in the cost of gas for CPPs, along with the introduction of a new CPP Transition Levy via Presidential Ordinance.
   - CPP Transition Levy will automatically raise the premium above the grid-equivalent price by an additional 5% every six months, reaching a 20% premium by Aug'26.
   - The proceeds from the levy, which reflect the difference between the CPP gas price and PKR 3,500/mmbtu, will be transferred to the electricity grid on a monthly basis.
3. **Unifying pricing across indigenous gas and imported RLNG**
   - WACOG will allow full cost recovery of more expensive imported RLNG
   - A new, targeted and budgeted gas subsidy framework will be adopted that will allow to eliminate the current cross-subsidy system
4. **Automatic notification of semi-annual gas price determinations**
   - OGRA is already authorized to notify prices if the government fails to provide the necessary advice within 40 days of determination.
5. **Improving the monitoring and management of the gas CD**
   - Devised a precise definition of CD specific to the gas sector
   - Gathered comprehensive and verified data on gas CD stock.
   - Set up a monthly reporting system for gas CD flows, supported by improved data management and projection capabilities.
   - Created a structured Gas Circular Debt Management Plan (CDMP) to address and manage CD issues in the gas sector.
     a. Regular adjustments of end-user gas prices
     b. Cost-reducing reforms

Exhibit: Levy on Captive Power Plants



Source (s): IMF, AHL Research

Structural policies

- All **SOEs** are expected to comply with the SOE Act and Policy by Jun'25, which requires amending the laws of nine remaining statutory SOEs. Progress has been made in establishing business plans, audited financial statements, and contracting public service obligations for SOEs, but greater efforts are required to establish majority-independent boards and improve reporting in line with OECD standards.
- Regarding **commodity markets**, the authorities avoided wheat procurement operations last year, which helped keep food inflation low. Provinces have largely cleared legacy debts related to commodity operations, and a new food security framework for wheat is being developed to avoid market distortions and fiscal risks. Authorities are encouraged to extend similar reforms to other commodities.
- In **trade and industrial policy**, addressing anti-export biases caused by restrictive trade policies and complex tariffs is crucial to enhancing Pakistan's competitiveness. The new National Tariff Policy for FY25–30 aims to streamline tariffs, reduce non-tariff barriers, and eliminate special duties on imports. The automotive sector faces particularly high trade barriers, and the upcoming automobile policy for FY26–31 is expected to lower tariffs and phase out preferential support for local production. The government plans to lift the ban on commercial imports of used vehicles by July 2025. Ineffective incentives for Special Economic Zones (SEZs), Export Processing Zones (EPZs), Special Technology Zones (STZs), and other industrial parks should be phased out by mid-2025, with no new special zones to be created.

RSF arrangement: Boosting climate resilience

Amid heightened vulnerability to climate-related shocks, Pakistan's Resilience and Sustainability Facility (RSF) arrangement with the IMF is designed to reinforce climate resilience, address macro-critical gaps, and catalyze green investments. The RSF supports reforms across five key areas:

Climate-Responsive Budgeting and Public Investment

To embed climate considerations into fiscal planning, the RSF promotes:

- Prioritizing climate-assessed infrastructure projects in PSDP (RM1 & RM2),
- Enhancing transparency in federal green budgeting and expanding practices to provinces (RM3),
- Bridging gaps highlighted in the IMF's C-PIMA diagnostics.

Water Resource Management and Disaster Risk Financing

Pakistan's irrigation system is plagued by inefficiencies and poor cost recovery. RSF-backed reforms aim to:

- Digitize irrigation revenue systems in three provinces (RM4),
- Introduce tariff adjustment mechanisms in Punjab and Sindh (RM5),
- Establish a federal-provincial disaster risk financing framework (RM6), aligned with the National Disaster Risk Financing Strategy.

Climate Risk Management in the Financial Sector

To support green financing and risk mitigation:

- SBP will issue climate risk guidelines for commercial banks (RM7),
- SECP will develop climate disclosure guidelines for listed companies, aligned with the green taxonomy (RM8),
- These steps improve transparency and enhance the climate finance ecosystem.

Transport Sector Decarbonization

To cut emissions and promote green mobility, the RSF supports:

- A phased carbon levy on gasoline, diesel, and fuel oil (RM9),
- A revenue-neutral EV subsidy/sales tax framework (RM10),
- Funding private-sector EV charging infrastructure (RM11),
- Expected outcome: a 4% reduction in CO_2 emissions by 2030 and improved urban air quality.

Energy Sector Reform

To curb regressive energy subsidies and improve efficiency:

- Power subsidies will shift from blanket tariff-based to targeted, budget-financed transfers via BISP (RM12),
- Implementation of MEPS (minimum energy performance standards) for key electric appliances across public procurement (RM13),
- These measures aim to reduce overconsumption, energy losses, and support mitigation goals.

Updates to the EFF Program and RSF

Modifications to End-June Targets:

- The performance criteria (PC) for the State Bank of Pakistan's (SBP) net international reserves (NIR) and the ceiling on net domestic assets (NDA) have been tightened.
- The target for the number of tax returns has also been increased, reflecting the significant progress already achieved by January. Moreover, the definition has been refined to count only new tax return filers.
- Similarly, the indicative target for power sector payment arrears has been made stringent to reflect the progress made in containing arrears through Feb.
- Conversely, the PC on the general government's primary deficit and the IT on net tax revenues collected by the FBR have been revised downward, in line with the updated outlook for nominal GDP growth.
- In addition, the IT previously set on tax collections through the Tajir Dost scheme will be replaced with a new IT focusing on income tax revenues collected from retailers, providing a more reliable and targeted metric.

New Quantitative Targets:

- New performance criteria and indicative targets have been introduced for end-Sept'25 and end-Dec'25. These are consistent with the EFF objectives and aim to support revenue mobilization, fiscal consolidation, inflation containment, and the buildup of foreign exchange reserves.

Structural Benchmarks (SBs):

- Test dates for four structural benchmarks—including two that were previously missed—are proposed to be reset. In addition, new structural benchmarks are being introduced to advance key priorities over the next year. These include reforms in fiscal policy, governance, the energy sector, and trade liberalization, in line with the authorities' reform agenda.

Access Under the Resilience and Sustainability Facility (RSF):

- Pakistan qualifies for access to the RSF under Group C.
- The proposed access is set at 49.2 percent of quota (equivalent to SDR 1,000 million), reflecting the strength of the overall reform package and Pakistan's capacity to repay.
- Disbursements would begin alongside the second review of the EFF and continue throughout the remaining program reviews.
- The RSF funds will be utilized as budgetary support, helping to substitute costly domestic commercial borrowing while creating fiscal space to address climate vulnerabilities.
- These disbursements will also contribute to an increase in foreign exchange reserves and support the balance of payments position.

Key tables and charts

IMF - Pakistan Country Report
General government budget (revenue)

Exhibit: Pakistan: General Government Budget (Revenue)

PKR bn	FY25 Prog	FY25 Proj	FY26 Proj	FY27 Proj	FY28 Proj	FY29 Proj	FY30 Proj
Revenue and grants	**18,676**	**18,402**	**19,663**	**22,552**	**25,410**	**28,279**	**31,459**
Revenue	**18,611**	**18,353**	**19,619**	**22,510**	**25,368**	**28,235**	**31,414**
Tax revenue	14,954	14,545	17,035	19,640	22,174	24,681	27,460
Federal	14,036	13,561	15,815	17,701	19,491	21,695	24,139
FBR revenue	12,913	12,332	14,307	16,026	17,662	19,660	21,874
Direct taxes	5,712	5,542	6,470	7,269	8,090	9,003	10,015
Federal excise duty	1,124	1,037	1,153	1,289	1,365	1,519	1,690
Sales tax/VAT	4,515	4,273	4,943	5,523	6,086	6,774	7,539
Customs duties	1,563	1,479	1,741	1,945	2,123	2,363	2,631
Petroleum surcharge	1,066	1,117	1,311	1,456	1,586	1,765	1,963
Gas surcharge	54	110	195	216	241	268	298
GIDC	3	2	2	2	3	3	3
Provincial	918	984	1,220	1,939	2,683	2,986	3,321
Nontax revenue	3,657	3,808	2,584	2,870	3,194	3,555	3,954
Federal	3,411	3,501	2,324	2,581	2,873	3,197	3,556
Provincial	246	307	260	289	321	358	398
Grants	65	49	44	42	42	44	45

Source (s): IMF, AHL Research

IMF - Pakistan Country Report
General government budget (expenditure)

Exhibit: Pakistan - General Government Budget (Expenditure)

PKR bn	FY25 Prog	FY25 Proj	FY26	FY27	FY28 Proj	FY29	FY30
Expenditure	**26,020**	**24,888**	**26,250**	**28,164**	**30,781**	**33,906**	**37,228**
Current expenditure	23,055	21,811	22,991	24,424	26,439	29,074	31,853
Federal	17,269	16,154	16,497	16,869	17,669	19,314	20,996
Interest	9,844	8,930	8,685	8,508	8,539	9,152	9,753
Domestic	8,729	7,928	7,503	7,273	7,174	7,718	8,234
Foreign	1,018	926	1,119	1,163	1,285	1,362	1,457
IMF budget support	97	76	64	72	81	72	62
Other	7,424	7,224	7,811	8,361	9,130	10,161	11,243
Defense	2,122	2,152	2,414	2,681	2,984	3,321	3,694
Other	5,302	5,072	5,397	5,680	6,146	6,840	7,549
subsidies	1,402	1,418	1,367	1,362	1,340	1,492	1,659
grants	1,699	1,664	1,619	1,641	1,826	2,032	2,260
Provincial	5,786	5,657	6,494	7,555	8,770	9,760	10,857
Development expenditure and net lending	2,965	2,938	3,259	3,740	4,342	4,832	5,375
Public Sector Development Program	2,853	2,853	3,164	3,633	4,224	4,701	5,229
Federal	983	983	1,065	1,102	1,227	1,365	1,519
Provincial	1,870	1,870	2,099	2,531	2,997	3,335	3,710
Overall Balance (excluding grants)	(7,409)	(6,534)	(6,632)	(5,654)	(5,413)	(5,671)	(5,814)
Overall Balance (including grants)	(7,344)	(6,485)	(6,588)	(5,612)	(5,372)	(5,627)	(5,769)
Financing	7,344	6,485	6,588	5,612	5,372	5,627	5,769
External	716	642	325	823	(109)	410	714
Privatization receipts	-	-	-	-	-	-	-
IMF	(275)	(256)	32	(21)	(91)	(241)	(208)
Domestic	6,629	5,843	6,262	4,789	5,481	5,217	5,054
Bank	4,640	4,090	4,374	3,358	3,864	3,724	3,600
Nonbank	1,989	1,753	1,888	1,430	1,617	1,493	1,454

Source (s): IMF, AHL Research

Current Account Balance

Exhibit: Pakistan: Current Account Balance

PKR bn	FY25 Prog	FY25 Proj	FY26	FY27	FY28	FY29	FY30
					Proj		
Exports of Goods	31.8	31.3	33.0	36.0	38.6	41.5	44.6
Imports of Goods	57.2	57.6	59.6	63.2	67.1	71.7	76.4
Balance on Goods	(25.4)	(26.3)	(26.6)	(27.2)	(28.5)	(30.2)	(31.7)
Exports of Services	8.0	7.9	8.5	9.0	9.6	10.2	10.8
Imports of Services	11.2	11.7	12.6	13.5	14.6	15.7	17.0
Balance on Services	(3.2)	(3.7)	(4.1)	(4.5)	(5.0)	(5.5)	(6.1)
Balance on Goods and Services	(35.3)	(38.5)	(39.5)	(40.7)	(42.9)	(45.3)	(47.6)
Primary Income Credit	1.1	0.9	0.8	0.8	0.7	0.7	0.7
Primary Income Debit	7.8	9.4	9.6	9.7	10.1	10.2	10.4
Primary Income Balance	(6.6)	(8.4)	(8.8)	(9.0)	(9.4)	(9.5)	(9.7)
Secondary Income Credit	32.1	38.8	38.4	39.0	39.5	40.9	42.2
Workers' remittances	29.8	36.2	35.8	36.2	36.5	37.6	38.5
Secondary Income Debit	0.4	0.5	0.4	0.4	0.4	0.4	0.4
Secondary Income Balance	31.7	38.3	38.0	38.5	39.1	40.5	41.8
Current Account Balance	***(3.6)***	***(0.2)***	***(1.5)***	***(2.1)***	***(3.9)***	***(4.7)***	***(5.7)***
Current Account Balance (% of GDP)	***-0.9%***	***-0.1%***	***-0.4%***	***-0.5%***	***-0.8%***	***-0.9%***	***-1.1%***

Source (s): IMF, AHL Research

Decomposition of external debt by creditor

Exhibit: Pakistan - Decomposition of External Debt by Creditor

	Debt of Stock (Period End)	Debt Service		
USD mn	**Dec'24**	**FY24**	**FY25**	**FY26**
Multilateral Creditors	**48,546**	**4,846**	**5,827**	**4,843**
IMF	8,493	-	-	-
World Bank	20,253	-	-	-
ADB/AfDB/IADB	15,933	-	-	-
Other Multilaterals	3,868	-	-	-
Bilateral Creditors	**37,930**	4,114	3,588	2,556
Paris Club	5,746	**1,410**	**1,688**	**618**
Japan	2,904	-	-	-
France	990	-	-	-
Non-Paris Club	32,185	2,704	1,901	1,938
China	23,016	-	-	-
Saudi Arabia	5,323	-	-	-
Bonds	**7,581**	**1,611**	**501**	**2281**
Commercial Creditors	**6,176**	1,632	3,073	2,303
Chinese Commercial Banks	5,365	-	-	-
Other	811	-	-	-
Other International Creditors	**1064**	**916**	**696**	**618**
NPC/NBP/BOC deposits/PBC	1064	-	-	-
Total	**281,707**	**85,260**	**97,743**	**81,608**

Source (s): IMF, AHL Research

IMF - Pakistan Country Report
Gross financing requirements and sources

Exhibit: Pakistan: Gross Financing **Requirements and Sources**

Gross External Financing Requirements (A)	FY25		FY26	FY27	FY28	FY29	FY30
	Prog	Proj			Proj		
USD Million	**18,813**	**16,399**	**19,316**	**19,757**	**31,351**	**23,133**	**22,162**
(In percent of GDP)	4.70	4.00	4.70	4.50	6.70	4.60	4.10
Current account deficit	3,578	229	1,493	2,125	3,851	4,735	5,744
(In percent of GDP)	0.90	0.10	0.40	0.50	0.80	0.90	1.10
Amortization	13,719	14,653	17,257	16,510	25,313	16,665	15,432
Public Sector	9,903	9,937	12,344	11,513	20,262	12,166	10,754
Short-term Borrowing	995	350	1,840	3,000	3,500	2,300	2,300
Long-term Borrowing (non-IMF)	8,908	9,587	8,705	8,513	15,262	8,866	8,454
Bonds	-	-	1,800	-	1,500	1,000	-
Private Sector	3,816	4,716	4,913	4,997	5,051	4,499	4,678
Short-term Borrowing	2,863	2,816	2,640	2,774	2,928	3,112	3,291
Long-term Borrowing	953	1,900	2,273	2,223	2,123	1,387	1,387
IMF Repurchases	1,516	1,516	566	1,122	2,187	1,734	986
Exhibit: Available Financing (B)							
USD Million	**18,175**	**18,895**	**19,239**	**21,551**	**31,325**	**25,776**	**25,733**
Foreign Direct Investment (net)	1,528	2,113	2,110	2,224	2,385	2,581	2,788
Disbursement	16,464	16,757	17,018	19,228	28,847	23,102	22,851
From private creditors	8,562	7,927	8,141	10,163	16,539	16,253	16,003
Disbursement to Private Sector	5,309	3,277	5,541	6,135	8,639	9,103	9,603
Disbursement to Public Sector	3,253	4,650	2,600	4,028	7,900	7,150	6,400
From official creditors (non-IMF)	7,902	8,830	8,878	9,065	12,308	6,848	6,848
o/w Project Loans	3,602	3,255	3,528	3,415	3,187	2,598	2,598
o/w China	132	118	49	47	47	47	47
o/w Program Loans	800	1,100	250	550	650	350	350
o/w Short-term debt (incl. rollovers)	4,090	4,743	5,970	6,650	5,540	5,720	5,900
Other Net Capital Inflows (net) 5/	183	25	110	98	93	94	94
IMF SDR allocation	-	-	-	-	-	-	-
Remaining Financing Needs (C=A-B)	**638**	**(2,496)**	**78**	**(1,794)**	**25**	**(2,643)**	**(3,571)**
Borrowing from IMF (D)	**2,014**	**2,036**	**2,028**	**2,032**	**1,018**	**-**	**-**
Other prospective financing (E)	**2,000**	**-**	**1,400**	**1,000**	**-**	**-**	**-**
Reserve Assets (decrease = +) (E=C-D)	**(3,376)**	**(4,532)**	**(3,350)**	**(4,826)**	**(992)**	**(2,643)**	**(3,571)**
Gross official reserves	9	13	17	19	20	22	22
(In months of prospective imports)	2	2	3	3	3	3	3
(In percent of IMF ARA metric: assuming fixed ER)	27	37	44	48	47	50	50
(In percent of IMF ARA metric: assuming flexible ER)	41	56	68	74	73	78	78
Net FX derivative position (in US$ billon)	4	4	4	4	4	4	4

Source (s): IMF, AHL Research

Structural conditionalities

Exhibit: Pakistan: Structural Conditionality (Revised)

Actions	Rational	Date	Status
Fiscal			
Do not grant tax amnesties, and do not issue any new preferential tax treatment (including exemptions, zero rating, tax credits, accelerated depreciation allowances, or special rates).	Protect tax revenue.	Continuous	Met.
Seek ex-ante parliamentary approval for any expenditures that are non-budgeted or that exceed the budgetary appropriation.	Improved parliamentary oversight of budget execution.	Continuous	Met.
Approve a National Fiscal Pact devolving some spending functions to the provinces.	Address the mismatch of federal and provincial revenues and expenditures.	end-September 2024	Met.
Share with the IMF staff a report detailing actions to reduce the federal government's footprint.	Reduce the footprint of the state.	end-September 2024	Met.
Each province amends their Agriculture Income Tax legislation and regime to fully align it with the federal personal income tax regime for small farmers and the federal corporate income tax regime for commercial agriculture, so that taxation can commence from January 1, 2025.	Protect tax revenue.	end-October 2024	Not met. Implemented with delay in February 2025
Fully implement compliance risk management measures in Large Taxpayer Units in large markets in Islamabad, Karachi, and Lahore Regional Offices.	Improve tax compliance.	end-December 2024	Met.
Develop and publish on the Ministry of Planning website: (i) the criteria for project selection, including a scorecard, detailing the weight assigned to each criterion and the methodology for calculating the score; and (ii) the annual limit on the total size of new projects entering the PSDP portfolio.	Better public investment management.	end-January 2025	Met.
Introduce a 5 percent FED on fertilizer and pesticide.	Protect tax revenue.	end-June 2025	In progress.
Governance			
Amend the Civil Servants Act to ensure that asset declarations of high-level public officials (inclulding assets beneficially owned by them and a member of their family) are digitally filed and publicly accessible (with sufficient protection over private information) through the FBR, with a robust framework for risk-based verification by a single authority.	Enhance effectiveness of anti-corruption framework.	end-February 2025	Not met. Reset to end-
Publish the full Governance and Corruption Diagnostic Assessment report.	Publicly identify critical governance vulnerabilities.	end-July 2025	Reset to end-August 2025
Social			
Annual Inflation adjustment of the unconditional cash transfer (Kafaalat).	Maintain purchasing power in real terms.	end-January 2025	Met.

Source (s): IMF, AHL Research

Structural conditionalities

Exhibit: Pakistan: Structural Conditionality (Revised)

Actions	Rational	Date	Status
Monetary and Financial			
Average premium between the interbank and open market rate will be no more than 1.25 percent during any consecutive 5 business day period.	Maintain FX market functioning.	Continuous	Met.
Parliamentary approval of amendments to the bank resolution and deposit insurance legislation, in a manner that preserves the integrity of the draft legal amendments.	Strengthen crisis management toolkit.	end-October 2024	Met.
Place undercapitalized private banks under resolution unless (i) these banks are fully recapitalized by end-October 2024; or (ii) a legally binding agreement is in place by end-October 2024 towards a merger with other banks or with a new sponsor that would achieve full recapitalization by April 2025	Enforce regulatory standards.	end-November 2024	Not met.
In consultation with Fund staff, revise regulations and underlying methodologies on risk mitigating measures, including enhanced collateral policy and by requiring counterparties to be financially sound.	Improve safeguards in monetary policy operations.	end-December 2024	Met.
Implement revised regulations on risk mitigating measures.	Improve safeguards in monetary policy operations.	end-September 2025	In progress.
Energy Sector			
Complete all policy actions needed to prepare two DISCOs for privatization and concession transactions.	Improve DISCO management and efficiency.	end-January 2025	Met.
Eliminate captive power usage in the gas sector.	Push captive gas users on to the electricity grid and channel gas to the most efficient generators.	end-January 2025	Not met.
Public notification by the government of the December 2024 semiannual gas tariff adjustment determination.	Maintain tariffs at cost recovery levels.	February 15, 2025	Met.

Source (s): IMF, AHL Research

IMF - Pakistan Country Report
Structural conditionalities (concluded)

Exhibit: Pakistan: Structural Conditionality (concluded)

Actions	Rational	Date	Status
State-Owned Enterprises and Investment Policy			
Amend the SWF Act and other legislation, in consultation with Fund staff and in line with MEFP ¶25.b, to adopt appropriate governance mechanisms and safeguards following international standards and good practices to (i) ensure that SOEs under the ownership of the SWF revert to the SOE Act's governance structures, (ii) that the SWF itself comes under governance mechanisms and safeguards in line with its principal nature as a holding company, and appropriate fiscal safeguards are in place for the SWF's operations.	Improve SOE governance by bringing all SOEs into line with the SOE legal framework approved in 2023 and strenghten SWF governance and accountability.	end-December 2024	Not met. Reset to end-March 2026.
Amend the laws for 10 additional statutory SOEs, in consultation with Fund staff and in line with MEFP ¶25.a., to bring them in line with the SOE Act.	Improve SOE governance by bringing all SOEs into line with the SOE legal framework approved in 2023.	end-June 2025	In progress.
Prepare a plan based on the assessment conducted to fully phase out all current Special Economic Zone (including Export Processing Zone) incentives by 2035.	Improve efficiency and provide a level playing field for investment.	end-June 2025	In progress.
New Structural Benchmarks			
Fiscal			
Parliamentary approval of a FY26 budget in line with IMF staff agreement to meet program targets.	Ensure achievement of fiscal objectives.	end-June 2025	
Implement the new AIT laws through a comprehensive plan, including the establishment of an operational platform for processing returns, taxpayer identification and registration, a communication campaign, and a compliance improvement plan.	Protect tax revenue.	end-June 2025	
Governance			
Publish governance action plan based on the recommendations of the Governance Diagnostic Assessment.	Publicly identify reform measures to address critical governance vulnerabilities.	end-October 2025	
Social			
Annual inflation adjustment of the unconditional cash transfer (Kafaalat) program.	Maintain UCT real purchasing power.	end-January 2026	
Social			
Prepare and publish a plan outlining the government's post-2027 financial sector strategy, outlining the institutional and regulatory environment from 2028 onwards.	Safeguard financial stability.	end-June 2026	
Energy Sector			
Notifications of the annual electricity tariff rebasing and gas tariff adjustment.	Maintain energy tariffs at cost recovery levels.	July 1, 2025	
Notification of the semi-annual gas tariff adjustment.	Maintain energy tariffs at cost recovery levels.	February 15, 2026	
Adopt legislation to make captive power levy ordinance permanent.	Promote uptake of electricity grid usage and incentivize more efficient use of energy sources.	end-May 2025	
Adopt legislation to remove the cap on the debt service surcharge.	Ensure adequate financing is available for CD conversion operation.	end-June 2025	
Trade, Investment Policy, and Deregulation			
Prepare a plan based on the assessment conducted to fully phase out all incentives in relation to Special Technology Zones and other industrial parks and zones by 2035.	Improve efficiency and provide a level playing field for investment.	end-December 2025	
Submit to parliament all required legislation for lifting all quantitative restrictions on the commercial importation of used motor vehicles (initially only for vehicles less than five years old, subject to meeting minimum environmental and safety standards).	Liberalize trade and increase vehicle affordability.	end-July 2025	

Source (s): IMF, AHL Research

IMF - Pakistan Country Report

Quantitative performance criteria & indicative targets

Exhibit: Pakistan: Quantitative Performance Criteria and Indicative Targets

		FY2024/25							FY2025/26	
		end-Dec'24				end-Mar'25	end-Jun'25		end-Sep'25	end-Dec'25
		Program (PC) CR 24/310	Proposed Prog.	Actual	Status	IT	Projected (PC) CR 24/310	Proposed (PC)	IT	PC
I. Quantitative Performance Criteria										
Floor on net international reserves of the SBP	USD mn	(12,050)	(12,793)	(9,716)	Met	(10,200)	(8,650)	(7,450)	(7,000)	(6,500)
Ceiling on net domestic assets of the SBP	Stock, PKR bn	15,211	15,418	14,283	Met	15,179	15,820	15,024	14,971	15,146
Ceiling on SBP's stock of net foreign currency swaps/forward position	Negative, USD mn	(3,000)	…	(2,990)	Met	(2,750)	(2,500)	(2,500)	(2,250)	(2,000)
Ceiling on the general government primary budget deficit	Cumulative, excl. grants, PKRbn	(2,877)	(2,808)	(3,604)	Met	(2,707)	(2,435)	(2,397)	(460)	(2,095)
Ceiling on the amount of government guarantees	Stock, PKR bn	5,200	…	4,419	Met	5,400	5,600	5,600	5,700	5,800
Cumulative floor on targeted cash transfers spending (BISP)	PKR bn	235	…	236	Met	415	599	599	103	262
Cumulative floor on the number of new tax returns	PKR 000	225.0	…	941.0	Met	300.0	450.0	850.0	450.0	900.0
II. Continuous Performance Criteria										
Zero new flow of SBP's credit to general government		-	…	-	Met	-	-	-	-	-
Zero ceiling on accumulation of external public payment arrears by the general government		-	…	-	Met	-	-	-	-	-
III. Indicative Targets										
Floor on the weighted average time-to-maturity of the local currency domestic debt securities stock (years)	Years	3	…	3	Met	3	3	3	3	3
Cumulative floor on general government budgetary health and education spending (billions of Pakistani rupees)	PKR bn	1,405	…	1,172	Not met	2,150	2,863	2,863	600	1,200
Ceiling on the aggregate provincial primary budget deficit (cumulative, billions of Pakistani rupees) 2/	Cumulative, PKR bn	(750)	…	(824)	Met	(1,028)	(1,217)	(1,217)	(432)	(851)
Floor on net tax revenues collected by the FBR (cumulative, billions of Pakistani rupees)	Cumulative, PKR bn	6,009	…	5,625	Not met	9,168	12,913	12,332	3,023	6,695
Floor on the consolidated net tax revenues collected by provincial revenue authorities (cumulative, billions of Pakistani rupees)	Cumulative, PKR bn	376	…	443	Met	606	918	918	246	504
Floor on net tax revenues collected by the FBR from retailers under the Tajir Dost scheme (cumulative, billions of Pakistani rupees) 5/	Cumulative, PKR bn	23	…	0	Not met	37	50	…	…	…
Floor on income tax revenues collected by the FBR from retailers (cumulative, billions of Pakistani rupees) 5/	Cumulative, PKR bn	…	…	…	…	…	…	531	133	295
Ceiling on net accumulation of tax refund arrears (cumulative, billions of Pakistani rupees)	Cumulative, PKR bn	43	…	(9)	Met	56	(24)	(24)	34	43
Ceiling on power sector payment arrears (cumulative flow, billions of Pakistani rupees)	Cumulative flow, PKR bn	461	…	11	Met	554	417	337	200	300

Source (s): IMF, AHL Research

RSF arrangement: Boosting climate resilience

Exhibit: Program Financing

USD mn	FY25	FY26	FY27	FY28	Total
A. Financing gap (without RSF) 1/	3,636	4,428	3,032	1,018	12,113
Underlying BoP Gap 2/	(933)	1,078	(1,794)	25	(1,623)
Gross international reserves (+= accumulation, without RSF)	4,568	3,350	4,826	992	13,736
B. IMF EFF	2,036	2,028	2,032	1,018	7,113
C. Other program financing (A-B) 3/	**1,600**	**2,400**	**1,000**	**-**	**5,000**
Commercial loan (w/ ADB partial guarantee)	1,000				1,000
Saudi Arabia Oil Financing	400	800			1,200
Additional IsdB Trade Financing	200	200			400
Additional Commitments 3/	-	1,400	1,000		
D. RSF Disbursement	-	410	514	412	1,337
Additional change in GIR (+ = accumulation)	-	410	514	412	1,337
Memorandum items					
IFI Budget Support	1,100	250	550	650	2,550
WB	-	-	-	-	-
ADB	1,100	250	550	650	2,550
External Bond Issuance 4/	-	400	1,000	2,000	3,400
(Net) Commercial Bank borrowing 5/	815	85	853	1,022	2,775

Source (s): IMF, AHL Research

Analyst Certification and Disclaimer

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Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2025 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +15% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between 0% and +15% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than 0% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks: The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk