

Pakistan Economy

IMF-Pakistan: Country Report (EFF 2nd Review and RSF)

12-Dec-2025

REP-300

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Improvement in current and fiscal accounts

- **Growth** for FY25 was recorded at 3.0%. Continued strong policy implementation has helped Pakistan weather several shocks this year. Only moderate improvement in GDP growth is expected for FY26 at 3.2% due to impact of floods. Inflation projections for FY26 have been revised upward in the 8-10% range in the near term due to higher food basket prices and adverse base effects. A sustainable return to the SBP's target range of 5–7% is projected in FY27, contingent on the continuation of appropriately tight monetary policies.
- The **current account** for FY25 recorded a surplus of USD 2.1bn in FY25 (0.5% of GDP), Pakistan's first surplus in 14 years, driven by a sustained rebound in remittances, alongside stronger-than-expected net trade in services, and import demand compression amid fiscal consolidation. For FY26 current account is projected to revert to a small deficit. Imports are expected to rise due to import tariff cuts and higher demand. Deficit is projected to remain at or below 1% of GDP in the medium term due to resilience in remittances.
- Fiscal performance has been strong, with a **primary surplus** of 1.3% of GDP achieved in FY25, in line with targets. FBR revenues increased by 26% YoY to 10.3% of GDP, a historically high level, although overall tax revenue fell short of target (by 0.3% of GDP), largely reflecting delays in the resolution of court cases over disputed taxes (0.4% of GDP) and lower than expected inflation.
- **Public debt** is considered sustainable over the medium term, given fiscal consolidation and efforts to extend domestic debt maturities. Primary balance target of 1.6% of GDP is expected to be within reach while in the medium term is expected to reach 2.0%. Also in the medium term public debt as % of GDP is expected to decline to 60% and interest expense to below 5% of GDP.

Exhibit: Pakistan: Selected Economic Indicators

	Unit	FY24	FY25e	FY26f
GDPg	%	2.60	3.00	3.20
CPI	%, Average	23.40	4.50	6.30
CPI	%, Period end	12.60	3.20	8.90
Revenue and grants	% of GDP	12.70	15.90	16.30
Expenditure	% of GDP	19.50	21.20	20.20
Fiscal Balance	% of GDP	(6.90)	(5.40)	(4.00)
Primary Balance	% of GDP	0.90	1.30	1.60
External General Government Debt	% of GDP	22.80	22.50	22.50
Domestic General Government Debt	% of GDP	45.40	48.10	47.10
Broad Money	% Change	16.0	13.7	14.6
6-Month T.Bills	%	21.5	-	-
Current Account Balance	% of GDP	(0.6)	0.5	(0.6)
Foreign Direct Investment	% of GDP	0.6	0.6	0.5
Total External Debt	% of GDP	31.8	30.5	30.9
Real Effective Exchange Rate	% Change	15.4	-	-

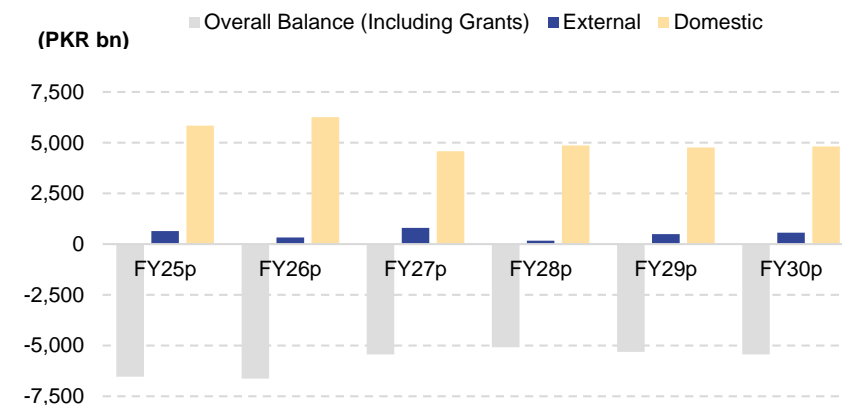
Source (s): IMF, AHL Research

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Smart reforms for fiscal stability

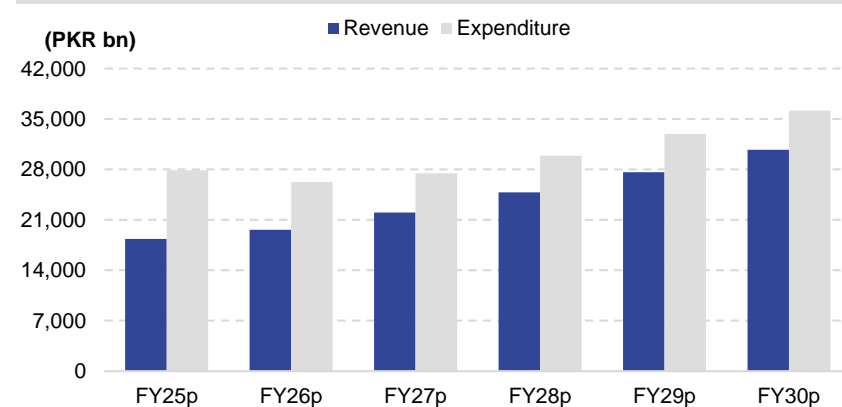
- The government remains committed to achieving a primary surplus of 1.6% of GDP in FY26.
- FY26 tax revenues are expected to be lower due to reduced FBR and provincial collections from flood-related slower growth and lower nominal GDP, and lower CPP levy revenue as many CPPs transition to the grid.
- The FY26 budget broadened the tax base by removing GST and income tax exemptions and standardizing withholding taxes. It also contained wage and pension increases, limited hiring to essential roles, and restrained power subsidies, creating space to boost funding for the Benazir Income Support Program (BISP).
- The general government revenue-to-GDP ratio is targeted at 13.2%.
- If revenues fall short, additional options on the table including a 5-percentage-point increase in excise duties on fertilizers and pesticides, the introduction of excise taxes on premium sugary products, and an expansion of the sales tax base by shifting selected items to the standard rate.
- Fiscal revenue mobilization aims to take the tax-to-GDP ratio above 15% using various means: strengthening FBR tax collection through increased POS adoption, simplification of the tax code, and improving the ability of provincial governments to utilize the new Agricultural Income Tax (AIT) regime.
- Significant PFM reforms are also underway, with project selection management under scrutiny, promotion of public procurement processes, and making more efficient use of government funds by streamlining cash management.

Exhibit: Fiscal Deficit and financing



Source (s): IMF, AHL Research

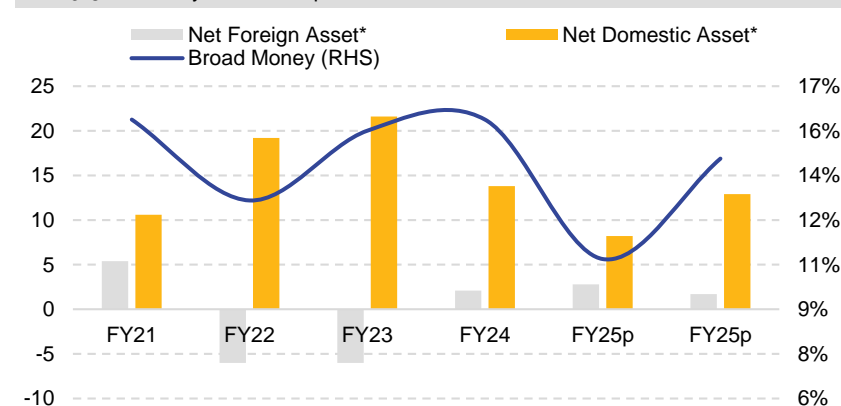
Exhibit: Revenue and Expenditure Projections



Source (s): IMF, AHL Research

- Monetary policy needs to remain sufficiently tight and data-driven to keep inflation within the SBP's target range. The central bank's cautious approach has helped manage inflation risks despite volatile conditions and temporary declines in headline inflation.
- By maintaining a positive real interest-rate stance, the SBP has reduced the risk of premature easing and policy reversals, while recent improvements in communication have enhanced policy clarity.
- Inflation and external-sector risks will require close monitoring, particularly following flood-related supply disruptions. Clearer signaling around the MPC's policy reaction function would further support inflation expectations.
- Deepening the FX market remains important, with greater interbank activity and exchange-rate flexibility needed to support external adjustment and confidence. Recent revisions to banks' FX exposure limits move policy closer to international norms.
- Efforts to channel remittances through formal systems are increasingly focused on improving efficiency and lowering transfer costs rather than fiscal incentives, with the planned remittance cost review a constructive step.
- The temporary tightening of export-proceeds repatriation requirements introduced in 2022 should be unwound once macroeconomic and balance-of-payments conditions stabilize.
- Greater clarity on the transition toward an interest-free financial system is needed to allow markets and institutions to adjust in an orderly manner, while broader reforms remain necessary to deepen capital markets and improve private-sector financing.
- Recent steps to regulate digital assets and strengthen AML/CFT frameworks are positive, though effective implementation will be key to balancing innovation, stability, and financial integrity.

Exhibit: Monetary sector components



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

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Power Sector Outlook

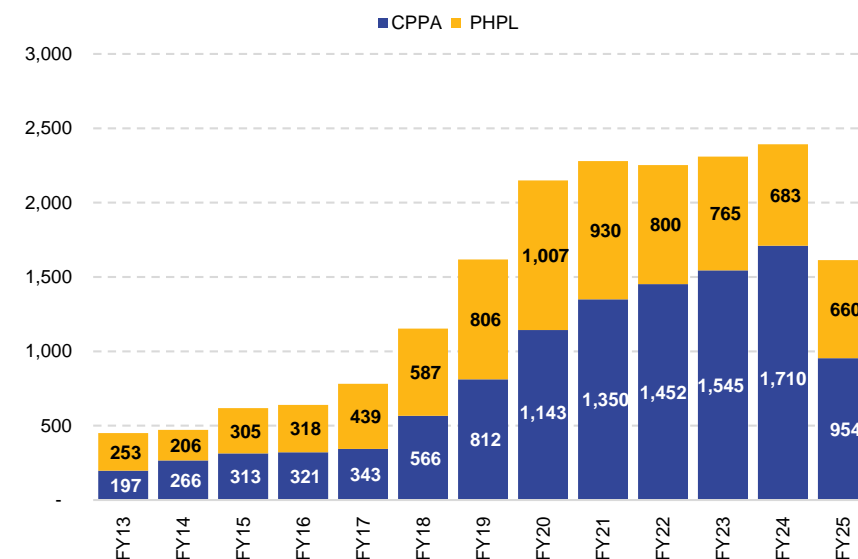
Power and Gas Circular Debt Outlook

- Power CD continued to outperform targets in March and June, supported by lower global fuel prices, better recoveries, reduced technical losses, and declining interest rates.
- These gains enabled subsidy savings and brought power sector CD down by PKR 779bn to PKR 1,614bn (1.4% of GDP) by end-June.
- In the gas sector, cost aligned tariffs reduced principal gas CD by PKR 86bn, but LPS pushed total gas CD up by PKR 227bn to PKR 3,183bn.
- FY26 CD flow targets of PKR 400bn each for March and June are anchored in sustained improvements in recoveries and loss reduction, supported by timely quarterly and monthly tariff adjustments.
- CD pressures are expected to ease further on the back of strong industrial power generation from the CPP to grid shift, incremental demand from the incremental power package, and lower interest costs following the CD stock repayment. With PKR 400bn in stock clearance subsidies, net CD accumulation in FY26 is projected to remain at zero.
- Contained power CD supports stronger cashflows for IPPs, PSO, OGDC, and PPL, and also benefits listed companies such as LUCK, ENGRO, FFC, and Thal through their IPP exposures.

Power CD resolution

- A PKR 1,225bn bank facility, to be finalized by end Jan 2026, will convert PKR 660bn of PHL and other debt into lower interest CPPA bank debt.
- Interest waivers for the remaining PKR 128bn IPPs will be pursued. If CPEC IPPs are included, HUBC, LUCK, and ENGROH may face a one-time provisioning hit, impacting their earnings and cash flows from the power circular debt resolution.

Exhibit: Breakdown of Circular Debt



Source (s): IMF, AHL Research

Incremental Power Package

- A lower tariff of PKR 22.98/kWh will apply to consumption above a baseline to boost grid demand, with no industry-specific differentiation.
- Incremental prices will be reviewed automatically if industrial and agricultural consumption rises >25% above baseline, and semi-annual reviews will ensure cost revenue alignment.
- Any revenue shortfalls will be recovered via higher tariffs on industry and agriculture; only positive FCAs apply to incremental consumption.
- The scheme expires three years from inception, with no rollover, and will be terminated if upward tariff adjustments are needed in two consecutive reviews.
- These measures aim to ease grid pressures, CD, and tariffs, benefiting cement and steel Co's such as FCCL, KOHC, POWER, ASTL, AGHA, and MUGHAL.

DISCO's Privatization

- Private sector participation for HESCO, SEPCO, PESCO, and HAZECO is progressing, with preconditions set to be finalized by end-December 2026 per World Bank recommendations.
- Privatization of IESCO, GEPCO, and FESCO is expected to be finalized in early 2026.
- Plans to privatize public generation companies are advancing; most conditions for Nandipur and Guddu are complete, with remaining CPs to be finalized before hiring a financial advisor in Jan 2026.
- Chronic DISCO under-recoveries and inefficiencies have been a key driver of power CD, forcing the government to inject ~PKR 1trn annually. Privatization could improve recoveries, reduce CD buildup, and free up fiscal space.

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Power sector reforms

Improving the transmission system

- NTDC reform, enhancing transmission efficiency and sector viability, is near completion.
- ISMO is fully operational with a Board in place.
- EIDMC, with an independent board and ongoing business plan development, will be operational by end-Jan 2026.
- NGC has been established, with full alignment to its revised role by end-Dec 2025.
- North to South transmission constraints drive lower utilization of cheaper coal and nuclear plants and higher reliance on FO and RLNG plants. Investment in this sector is crucial and will support higher future power demand at lower rates.

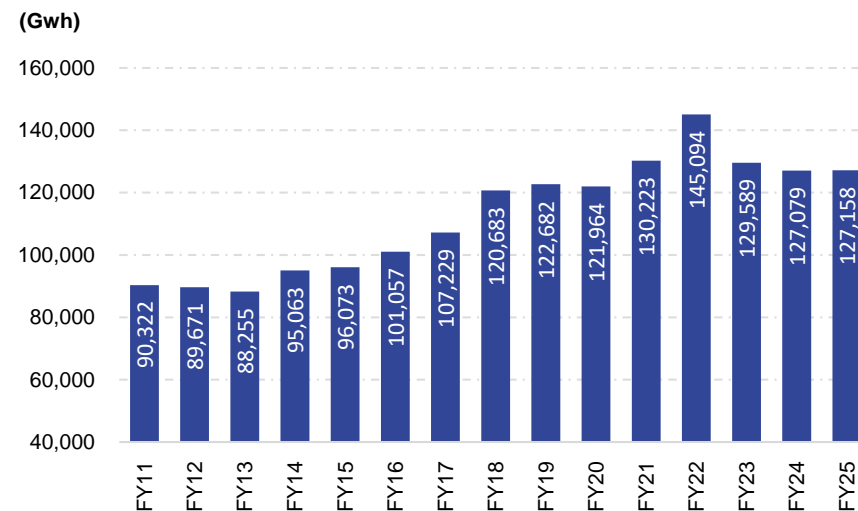
Completing the transition to a competitive electricity market

- With ISMO operational, trading under the CTBCM will begin, enabling bulk consumers to buy electricity competitively and lowering wholesale prices.
- NEPRA has approved rules, regulations, and a market code, setting wheeling charges to allow 800 MW until 2031 per IGCEP.
- The first transparent wheeling auction is expected in January 2026.
- CTBCM will boost competition, allowing only efficient, low-cost power plants to thrive; however, the very high UOSC of ~PKR 26/kWh remains a major hurdle.

Power over capacity

- The 2025–35 Integrated System Plan, combining capacity and transmission planning, proposes removing 7,000 MW of previously committed capacity, reducing surplus, cutting tariffs by ~PKR 4.96/kWh, and saving USD 17bn over 10 years.

Exhibit: Power Demand over the years



Source (s): Nepra, AHL Research

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Gas Sector and Others

- It also targets a significant increase in clean energy share and will be published by end-Dec 2025.
- Pakistan's power sector is currently overcommitted, highlighting the need for improved future planning in the sector.

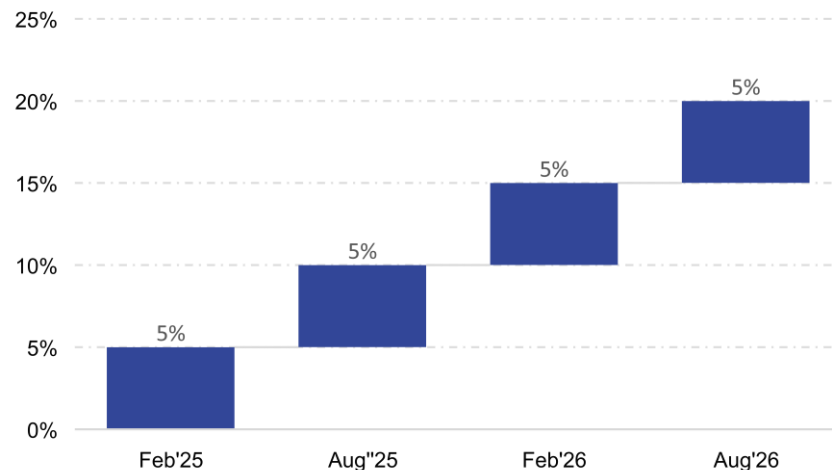
Others

- Incentives for captive power units to shift to the grid lifted industrial electricity demand by 35% YoY during Apr–Aug 2025, helping offset weak overall consumption.
- The authorities also plan to shift the annual rebasing period from June to January, when demand is lower, beginning in 2026, to smooth the impact of tariff increases on consumer bills.

Gas Sector Reforms

- The authorities will maintain timely semiannual gas tariff adjustments to ensure cost recovery and curb the large gas circular debt, while preserving progressive tariffs for vulnerable consumers.
- CPP transition has shifted a heavier cross subsidy burden onto remaining industrial users, complicating reform, especially amid high long-term RLNG contract costs and weakening demand. Resolving the RLNG surplus will require coordinated action across government.
- Significant progress has been made in building a reliable gas CD database, with upcoming quarterly reporting and a CD Management Plan set to enhance transparency and support more targeted reduction of the gas CD stock.
- These reforms are expected to significantly strengthen the cashflows of OGDC, PPL, and PSO.

Exhibit: Levy on Captive Power Plants



Source (s): IMF, AHL Research

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Structural policies

- The authorities expect to submit most SOE law amendments by end-2025, with delays possibly extending to Aug'26. The government has progressed on amending laws for the remaining nine statutory SOEs to align with the SOE Act, with legislation for at least six expected to be submitted to parliament by end-Dec'25.
- Regarding privatization, the authorities stated that the cabinet's approval of the bid for First Women Bank Limited marks an initial step in progressing the privatization program. They emphasized, however, that significant progress depends on advancing the divestment of larger entities, particularly PIA and the first batch of DISCOs, where preparations for a second bidding round have been ongoing for over a year.
- Regarding the business environment, the authorities highlighted the National Tariff Policy 2025–2030 as a key step to boost competitiveness. The government introduced the policy effective Jul'25 which included significant tariff reductions, consolidating duties into four slabs and reducing the highest customs duty to 15% by FY30. In the auto sector, the government imposed a 40% regulatory duty on used vehicle imports, to be reduced 10% annually to zero by 2030, while revising personal baggage, gift, and transfer-of-residence. Additionally, the government plans to phase out all SEZ and EPZ incentives by 2035 and is advancing the Asaan Karobar Bill to streamline business regulations nationwide.
- The authorities are advancing long-overdue reforms in the wheat and sugar markets to correct structural distortions. Following the removal of price controls and public procurement, the government has developed a National Wheat Policy by end-Nov'25. In sugar, a high-level committee is drafting recommendations for full market liberalization and will propose a national sugar policy, by end-Mar'26.

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RSF arrangement: Boosting climate resilience

The 28-month RSF was approved on May 9, 2025, and is supporting the authorities' efforts to reduce vulnerabilities to natural disasters and to build economic and climate resilience.

Climate resilience need of the hour

- The recent severe floods underscore Pakistan's large exposure to weather events.
- The macroeconomic impact, while less extreme than in 2022, highlights the urgent need for the authorities to continue their efforts.
- National Adaptation plan is underway to build resilience.

Authorities are making good progress towards reforms

- RMs9 and 10 were completed with the adoption of the FY26 finance bill
- Carbon levy added fuel oil to Pakistan's Petroleum Development Levy (PDL), raised the PDL by PKR 2.5/liter, and legislated a further increase of PKR 2.5/liter in FY27.
- Electric Vehicle subsidy of PKR 9bn was introduced targeting 2 and 3 wheelers and carbon tax of 1-3% was introduced on ICE vehicles.

Climate Risk Management in the Financial Sector on track

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),
- Implementation is expected to help facilitate private sector climate adaptation infrastructure investment.
- These targets are on track before their end December 2025 deadlines.

Reforms in electricity subsidy structure also advancing

- Replacing the existing electricity subsidy structure with a targeted framework for low-income consumers (RM12) is advancing.
- Progress has been made, with World Bank support, in matching electricity consumers with BISP databases.
- The establishment of communications strategy to inform the general public about the change is a critical component yet to start.

Progress towards remaining reforms on track

- Water system resilience is being improved through digital e-Abiana irrigation service charge system is being rolled out in KPK and is on track for the same in Sindh and Balochistan (RM4, end-August'27).
- Plan is to establish irrigation water tariff adjustment mechanisms consistent with operations and maintenance cost recovery in Punjab and Sindh (RM5, end-Feb'27).
- Establishment of a framework for coordinating federal and provincial disaster risk financing needs is on track with initial draft to be shared with IMF by end-March 2026. The framework is also expected to be implemented in 2026 (RM6, end-Aug'26).
- Minimum energy performance standards are being implemented for consumer appliances (RM13, end-Jun'27).

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RSF arrangement: Boosting climate resilience

Modifications to End-December Targets:

- The ceiling on the general government primary deficit is Proposed to be raised to align the nominal primary balance target with updated macroeconomic projections and the FY26 quarterly budget profile.
- The floor on BISP cash transfers is Proposed to be increased in line with revised BISP spending projections.
- The floor on new tax returns is Proposed to be lowered to reflect the seasonality observed in FY25.

New Quantitative Targets:

- New QPCs for end-Jun'26 and ITs for end-Mar'26 are proposed in line with EFF objectives, aiming to support revenue mobilization, fiscal adjustment, control inflation, and strengthen FX reserves.

Structural Benchmarks (SBs):

- New QPCs for end-Jun'26 and ITs for end-Mar'26 are proposed in line with EFF objectives, aiming to support revenue mobilization, fiscal adjustment, control inflation, and strengthen FX reserves.

Financing:

- The program is fully financed, with firm commitments for the next 12 months and strong prospects for the remainder of the Fund-supported program
- Progress has been made in securing financing ahead of the EFF request, including from the Saudi Development Fund and China EXIM. Major IFIs now plan to provide more funding in FY26 than previously expected, helping offset flood impacts on the BOP, while prospects for new commercial financing have also improved.
- Key bilateral partners remain committed to rolling over short-term liabilities, and initial discussions are underway for new commercial financing facilities if additional external funding is needed.

Key tables and charts

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General government budget (revenue)

Exhibit: Pakistan: General Government Budget (Revenue)

PKR bn	FY25e	FY26f	FY27f	FY28f	FY29f	FY30f
Revenue and grants	18,046	20,499	22,080	24,870	27,671	30,783
Revenue	17,997	20,410	22,027	24,822	27,623	30,727
Tax revenue	14,015	16,730	19,222	21,702	24,151	26,866
Federal	13,037	15,540	17,454	19,195	21,361	23,763
FBR revenue	11,744	13,979	15,712	17,292	19,244	21,409
Direct taxes	5,792	6,967	7,777	8,651	9,626	10,706
Federal excise duty	767	880	983	1,023	1,138	1,266
Sales tax/VAT	3,901	4,580	5,168	5,681	6,323	7,036
Customs duties	1,285	1,552	1,785	1,937	2,157	2,402
Petroleum surcharge	1,220	1,468	1,638	1,787	1,989	2,212
Gas surcharge	69	79	88	98	110	122
GIDC	1	2	3	3	3	4
Provincial	979	1,190	1,768	2,507	2,790	3,102
Nontax revenue	3,982	3,681	2,805	3,120	3,472	3,861
Federal	3,668	3,421	2,515	2,797	3,113	3,462
Provincial	314	260	290	323	359	400
Grants	49	89	53	49	49	56

Source (s): IMF, AHL Research

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General government budget (expenditure)

Exhibit: Pakistan - General Government Budget (Expenditure)

PKR bn	FY25e	FY26f	FY27f	FY28f	FY29f	FY30f
Expenditure	24,166	25,480	27,467	29,906	32,933	36,163
Current expenditure	21,529	22,412	24,002	25,922	28,500	31,233
Federal	15,696	15,830	16,796	17,544	19,178	20,865
Interest	8,887	8,225	8,251	8,214	8,796	9,380
Domestic	7,997	7,131	7,094	6,967	7,456	7,935
Foreign	815	1,036	1,089	1,171	1,273	1,387
IMF budget support	75	58	68	76	67	58
Other	6,808	7,605	8,545	9,330	10,382	11,485
Defense	2,194	2,575	2,874	3,197	3,558	3,957
Other	4,614	5,030	5,671	6,133	6,824	7,528
subsidies	1,298	1,043	1,007	946	1,052	1,170
grants	1,514	1,898	1,962	2,182	2,428	2,700
contingency reserve	-	63	440	490	545	545
Provincial	5,833	6,582	7,206	8,378	9,322	10,367
Development expenditure and net lending	2,966	3,068	3,465	3,984	4,433	4,930
Public Sector Development Program	2,983	2,972	3,358	3,865	4,300	4,783
Federal	786	873	885	984	1,095	1,218
Provincial	2,198	2,099	2,473	2,881	3,206	3,565
Overall Balance (excluding grants)	(6,168)	(5,069)	(5,439)	(5,084)	(5,311)	(5,436)
Overall Balance (including grants)	(6,119)	(4,981)	(5,387)	(5,035)	(5,262)	(5,380)
Financing	6,119	4,981	5,387	5,035	5,262	5,380
External	985	294	804	171	497	563
Privatization receipts	-	-	-	-	-	-
IMF	(253)	31	(21)	(90)	(240)	(207)
Domestic	5,134	4,686	4,582	4,865	4,765	4,817
Bank	3,594	3,271	3,214	3,432	3,408	3,434
Nonbank	1,540	1,415	1,369	1,432	1,358	1,383

Source (s): IMF, AHL Research

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Current Account Balance

Exhibit: Pakistan: Current Account Balance

USD bn	FY24	FY25	FY26f	FY27f	FY28f
Exports of Goods	31.0	31.3	33.0	36.5	40.0
Imports of Goods	53.2	57.6	59.6	66.9	72.9
Balance on Goods	(22.2)	(26.3)	(26.6)	(30.4)	(32.9)
Exports of Services	7.7	7.9	8.5	9.3	9.9
Imports of Services	10.8	11.7	12.6	13.7	14.7
Balance on Services	(3.1)	(3.7)	(4.1)	(4.4)	(4.8)
Balance on Goods and Services	(34.3)	(38.5)	(39.5)	(43.7)	(46.8)
Primary Income Credit	0.9	0.9	0.8	0.8	0.7
Primary Income Debit	9.9	9.4	9.6	9.7	9.8
Primary Income Balance	(9.0)	(8.4)	(8.8)	(8.9)	(9.2)
Secondary Income Credit	32.7	38.8	38.4	42.1	43.4
Workers' remittances	30.3	36.2	35.8	39.2	40.1
Secondary Income Debit	0.5	0.5	0.4	0.4	0.4
Secondary Income Balance	32.2	38.3	38.0	41.8	43.0
Current Account Balance	(2.1)	(0.2)	(1.5)	(1.9)	(3.9)
Current Account Balance (% of GDP)	-0.6%	-0.1%	-0.4%	-0.4%	-0.8%

Source (s): IMF, AHL Research

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Decomposition of external debt by creditor

Exhibit: Pakistan - Decomposition of External Debt by Creditor

USD mn	Jun'25	Debt Service		
		FY25	FY26	FY27
Multilateral Creditors	52,301	5,537	5,408	5,519
IMF	9,268	-	-	-
World Bank	22,006	-	-	-
ADB/AfDB/IADB	16,869	-	-	-
Other Multilaterals	4,158	-	-	-
Bilateral Creditors	38,836	3,349	2,768	2,439
Paris Club	6,005	1,014	684	671
Japan	3,024	-	-	-
France	1,072	-	-	-
Non-Paris Club	32,832	2,334	2,084	1,768
China	23,499	-	-	-
Saudi Arabia	5,492	-	-	-
Bonds	7,065	500	2,281	382
Commercial Creditors	7,533	3,144	2,860	1,832
Chinese Commercial Banks	5,684	-	-	-
Other	1,849	-	-	-
Other International Creditors	1,230	1,564	1,504	173
NPC/NBP/BOC deposits/PBC	1,230	-	-	-
Total	106,965	14,094	14,820	10,344

Source (s): IMF, AHL Research,

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Gross financing requirements and sources

Exhibit: Pakistan Gross Financing Requirements and Sources

Gross External Financing Requirements (A)	FY25E	FY26F	FY27F	FY28F	FY29F	FY30F
USD Million	13,655	19,398	19,123	29,914	23,188	22,446
(In percent of GDP)	3.4	4.6	4.3	6.3	4.6	4.1
Current account deficit	(2,113)	2,365	1,921	3,866	4,879	5,576
(In percent of GDP)	(0.5)	0.6	0.4	0.8	1.0	1.0
Amortization	14,244	16,451	16,049	23,801	16,524	15,853
Public Sector	9,737	11,410	11,389	19,105	12,403	11,548
Short-term Borrowing	250	1,551	3,100	3,400	2,200	2,210
Long-term Borrowing (non-IMF)	9,487	8,058	8,289	14,205	9,203	9,338
Bonds	-	1,800	-	1,500	1,000	-
Private Sector 1/	4,507	5,041	4,659	4,696	4,121	4,305
Short-term Borrowing	2,816	2,720	2,388	2,575	2,734	2,918
Long-term Borrowing	1,691	2,321	2,271	2,121	1,387	1,387
IMF Repurchases	1,524	582	1,154	2,247	1,785	1,017

Exhibit: Available Financing (B)

USD Million	16,720	20,221	21,962	30,563	25,842	25,704
Foreign Direct Investment (net) 2/	2,398	2,059	2,120	2,301	2,493	2,714
Disbursement	14,162	17,893	19,705	28,144	23,237	22,896
From private creditors	5,533	8,643	10,435	15,041	15,736	16,404
Disbursement to Private Sector 3/	795	5,593	5,710	8,247	8,686	9,190
Disbursement to Public Sector 4/	4,738	3,050	4,725	6,794	7,050	7,214
From official creditors (non-IMF)	8,629	9,249	9,270	13,103	7,501	6,492
o/w Project Loans	2,866	3,749	3,970	3,932	3,541	2,502
o/w China	97	24	49	47	47	47
o/w Program Loans	1,226	500	500	1,000	350	350
o/w Short-term debt (incl. rollovers)	4,245	6,070	6,055	5,035	5,180	5,390
o/w Public Sector	1,552	3,100	3,400	2,200	2,210	2,240
o/w Private Sector	2,693	2,970	2,655	2,835	2,970	3,150
Other Net Capital Inflows (net) 5/	160	269	137	118	112	95
IMF SDR allocation	-	-	-	-	-	-
Remaining Financing Needs (C=A-B)	(3,065)	(823)	(2,839)	(649)	(2,655)	(3,528)
Borrowing from IMF (D)	2,051	2,083	2,089	1,046	-	-
Reserve Assets (decrease = +) (E=C-D)	(5,116)	(2,906)	(4,928)	(1,694)	(2,655)	(3,258)

Source (s): IMF, AHL Research

IMF - Pakistan Country Report

Structural conditionalities

Exhibit: Pakistan: Structural Conditionality

Actions	Rational	Date	Status
Monetary and Financial			
For any bank identified to be undercapitalized as of March 2025, the SBP will develop a resolution plan to either reconstruct, wind up, or amalgamate such bank with another healthy institution (except a bridge bank) in order to achieve its Resolution objectives (Sections 42B, 42C and 42E of the Banking Companies Ordinance (1962)). Provided that any such undercapitalized banks fails to implement its own capital restoration plan to the satisfaction of the SBP, including but not limited to failure to restore full compliance with capital requirements by end-October 2025, the State Bank will either: (i) issue an order in writing to place the bank under resolution (section 42D(1), Banking Companies Ordinance), and begin executing the resolution plan; or (ii) verify that the bank has subsequently returned to full compliance with capital	Enforce regulatory standards, maintain public trust in the banking system.		
Governance			
Publish the full Governance and Corruption Diagnostic Assessment report	Publicly identify critical governance vulnerabilities.		Met
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	Not Met.
Seek ex-ante parliamentary approval for any expenditures that are non-budgeted or that exceed the budgetary appropriation. 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	Not Met
Parliamentary approval of a FY26 budget in line with IMF staff agreement to meet program targets.	Ensure achievement of fiscal objectives.	end-June 2025	Met.
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	Met.
Governance			
Amend the Civil Servants Act to ensure that asset declarations of high-level public officials (including 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	Met.
Publish the full Governance and Corruption Diagnostic Assessment report.	Publicly identify critical governance vulnerabilities.	end-July 2025	Not met. To be implemented as a prior action.
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	Not met. Reset to end December 2025.

Source (s): IMF, AHL Research

IMF - Pakistan Country Report

Structural conditionalities

Exhibit: Pakistan: Structural Conditionality

Actions	Rational	Date	Status
Social			
Annual Inflation adjustment of the unconditional cash transfer (Kafaalat).	Maintain purchasing power in real terms.	end-January 2025	Met.
Annual inflation adjustment of the unconditional cash transfer (Kafaalat) program.	Maintain UCT real purchasing power.	end-January 2026	In progress.
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	Met
Prepare and publish a plan outlining the government's post-2027 financial sector strategy, outlining the institutional and regulatory environment from 2028 onwards.		end-June 2026	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.
Notifications of the annual electricity tariff rebasing and gas tariff adjustment	Maintain energy tariffs at cost recovery levels.	July 1, 2025	Met.
Notification of the semi-annual gas tariff adjustment.	Maintain energy tariffs at cost recovery levels.	February 15, 2026	In progress.
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	Met.
Adopt legislation to remove the cap on the debt service surcharge.	Ensure adequate financing is available for CD conversion operation.	end-June 2025	Met.

Source (s): IMF, AHL Research

IMF - Pakistan Country Report

Structural conditionalities (concluded)

Exhibit: Pakistan: Structural Conditionality (continued)

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 strengthen SWF governance and accountability.	end-December 2024	In progress.
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 efficiency and provide a level playing field for investment.	end-June 2025	Not met. Reset to end August 2026.
New Structural Benchmarks			
Fiscal			
Finalize a roadmap by end-December 2025 that includes at least: (i) prioritization of key reform areas; (ii) staffing requirements and roles; (iii) specific timelines and milestones; (iv) revenue impact estimates; and (v) key performance indicators (KPIs) to monitor progress and outcomes (e.g. the number of audits, number of transactions covered by digital invoicing, etc.). Based on the roadmap, complete all actions necessary to fully implement at least three priority areas agreed with IMF staff, including any required subordinate legislation, staff hiring and allocation, and initial KPI reporting	Enhance the effectiveness of the FBR.	end-March 2026	
Develop and publish a comprehensive medium-term (3 to 5 years) tax reform strategy that includes at least: (i) a sequenced roadmap of tax policy, administration, and legal reforms; (ii) clear governance arrangements; and (iii) a resource plan for implementation.	Strengthen the predictability and sustainability of tax revenue.	end-December 2026	
Governance			
Publish in a government website the asset declarations of high-level federal civil servant in line with the June 2025 legislative amendments.	Enhance transparency and accountability	end-December 2026	
Publish an action plan to mitigate corruption vulnerabilities in identified departments based on an institutional-level risk assessment.	Identify and mitigate severe corruption vulnerabilities	end-October 2026	
Monetary and Financial			
Complete a comprehensive assessment of remittance costs and structural impediments to cross-border payments, complemented by an action plan.	Boost FX inflows sustainably.	end-May 2026	
Conduct a comprehensive study of the bottlenecks for local currency bond market development and publish a strategic action plan to address areas of improvement.	Develop financial markets and diversify the investor base.	end-September 2026	
Energy Sector			
Finalize preconditions for the private sector participation processes for HESCO and SEPCO.	Improve DISCO management and efficiency.	end-December 2026	
Trade, Investment Policy, and Deregulation			
Federal and provincial governments will agree and the federal cabinet will adopt a national policy for sugar market liberalization containing key recommendations on licensing, price controls, import/export permissions, and zoning, and clear timelines for implementation.	Liberalize commodity markets.	end-June 2026	
Prepare and submit to parliament legislative amendments to the Companies Act, 2017 to strengthen compliance for unlisted firms, modernize corporate governance structures, and align corporate regulations with international best practices.	Reduce regulatory uncertainty, enhance transparency, and support capital market development.	end-June 2026	
Prepare and publish a concept note defining the scope, objectives, and expected outcomes of legislative amendments to the SEZ Act, including the rationale for reform, proposed KPIs, and the shift from profit to cost-based incentives.	Improve efficiency and provide a level playing field for investment.	end-June 2026	

Source (s): IMF, AHL Research

Exhibit: Pakistan: Quantitative Performance Criteria and Indicative Targets

		FY2024/25				FY2025/26				
		end-Jun'25				end-Sep'25	end-Dec'25		end-Mar'25	end-Dec'25
		Prog. (PC) CR 25/109	Proposed Prog.	Actual	Status	Prog. (IT) CR 25/109	Prog. (PC) CR 25/109	Proposed (PC)	IT Proposed	PC Proposed
I. Quantitative Performance Criteria										
Floor on net international reserves of the SBP	USD mn	(7,450)	(7,359)	(6,834)	Met	(7,000)	(6,500)	(6,500)	(5,600)	(4,800)
Ceiling on net domestic assets of the SBP	Stock, PKR bn	15,024	14,999	14,873	Met	14,971	15,146	15,146	15,560	15,798
Ceiling on SBP's stock of net foreign currency swaps/forward position	Negative, USD mn	(2,500)	...	(2,496)	Met	(2,250)	(2,000)	(2,000)	(1,750)	(1,500)
Ceiling on the general government primary budget deficit	Cumulative, excl. grants, PKRbn	(2,397)	(2,545)	(2,719)	Met	(460)	(2,095)	(3,194)	(3,418)	(3,156)
Ceiling on the amount of government guarantees	Stock, PKR bn	5,600	...	4,388	Met	5,700	5,800	5,800	5,800	5,800
Cumulative floor on targeted cash transfers spending (BISP)	PKR bn	599	...	598	Not Met	103	262	321	512	694
Cumulative floor on the number of new tax returns	PKR 000	850	...	986	Met	450	900	500	750	1,000
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	...	4	Met	3	3	3	4	4
Cumulative floor on general government budgetary health and education spending (billions of Pakistani rupees)	PKR bn	2,863	...	2,837	Not Met	600	1,200	1,200	2,170	3,470
Ceiling on the aggregate provincial primary budget deficit (cumulative, billions of Pakistani rupees) 2/	Cumulative, PKR bn	(1,217)	...	(1,017)	Not met	(432)	(851)	(752)	(1,217)	(1,464)
Floor on net tax revenues collected by the FBR (cumulative, billions of Pakistani rupees)	Cumulative, PKR bn	12,332	...	11,743	Not met	3,023	6,695	6,490	9,917	13,979
Floor on the consolidated net tax revenues collected by provincial revenue authorities (cumulative, billions of Pakistani rupees)	Cumulative, PKR bn	918	...	979	Met	246	504	488	785	1,190
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
Floor on income tax revenues collected by the FBR from retailers (cumulative, billions of Pakistani rupees)	Cumulative, PKR bn	531	...	588	Met	133	295	366	517	707
Ceiling on net accumulation of tax refund arrears (cumulative, billions of Pakistani rupees)	Cumulative, PKR bn	(24)	...	(7)	Not met	34	43	45	42	51
Ceiling on power sector payment arrears (cumulative flow, billions of Pakistani rupees)	Cumulative flow, PKR bn	337	...	44	Met	200	300	300	400	400

Source (s): IMF, AHL Research

IMF - Pakistan Country Report

RSF arrangement: Boosting climate resilience

Exhibit: Program Financing

USD mn	FY25	FY26	FY27	FY28	Total
A. Financing gap (without RSF) 1/	3,503	4,103	2,961	1,046	11,613
Underlying BoP Gap 2/	(1,674)	1,215	(1,949)	(625)	(3,032)
Gross international reserves (+ = accumulation, without RSF)	5,177	2,888	4,909	1,671	14,645
B. IMF EFF	2,051	2,083	2,089	1,046	7,269
C. Other program financing (A-B) 3/	1,452	2,020	872	-	4,344
Commercial loan (w/ ADB partial guarantee)	1,000				1,000
Saudi Arabia Oil Financing	200	1,000			1,200
Additional IsdB Trade Financing	252	148			400
Additional Commitments 3/	-	872	872		1,744
D. RSF Disbursement	-	422	528	424	1,374
Additional change in GIR (+ = accumulation)	-	422	528	424	1,374
Memorandum items					
IFI Budget Support	1,224	500	500	1,000	3,224
WB	-	-	-	-	-
ADB	1,224	500	500	1,000	3,224
External Bond Issuance	-	250	1,000	1,500	2,750
(Net) Commercial Bank borrowing	678	215	614	1,378	2,884

Source (s): IMF, AHL Research

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

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