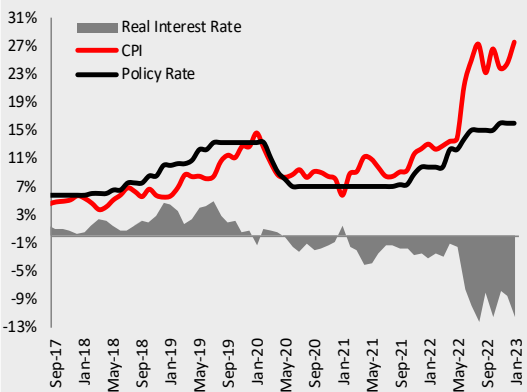


PAKISTAN

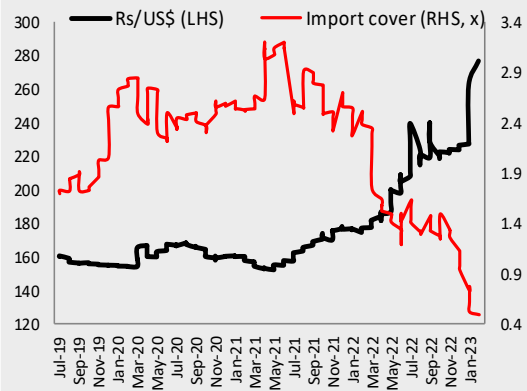


CPI vs Policy rate



Source: PBS, SBP, Foundation Research, Feb 2023

Rupee vs Greenback



Source: SBP, Foundation Research, Feb 2023

Analyst

Zeeshan Azhar zeeshan@fs.com.pk
+92 213 5612290 Ext 331

Foundation Securities (Pvt) Ltd
Friday, February 10, 2023

Pakistan Economy

IMF visit concludes with virtual discussions to continue

9th review of IMF program is still pending

International Monetary Fund (IMF) has announced via a press release that its staff has concluded a visit to Pakistan on the 9th review under the Extended Fund Facility (EFF). Against expectations of an agreement between IMF staff and Pakistan government, IMF has stated that discussions would continue virtually on the implementation details of the policies agreed with the Gov't. Pakistan's Finance Minister has also held a press conference wherein he stated that IMF team has shared the Memorandum on Economic and Financial Policies (MEFP) with the Gov't.

Conclusion of the 9th review and IMF Board approval would authorize release of ~US\$1.2bn tranche, bringing total disbursements under the EFF to US\$5.1bn out of total program size of US\$6.5bn.

Talks to continue to finalize implementation roadmap

IMF stated that considerable progress was made during the IMF staff visit on policy measures to address domestic and external imbalances. Key priorities include strengthening the fiscal position with permanent revenue measures and reduction in untargeted subsidies, while scaling up social protection to help the most vulnerable and those affected by the floods; allowing the exchange rate to be market determined to gradually eliminate the foreign exchange shortage; and enhancing energy provision by preventing further accumulation of circular debt and ensuring the viability of the energy sector. The timely and decisive implementation of these policies along with resolute financial support from official partners are critical for Pakistan to successfully regain macroeconomic stability and advance its sustainable development.

IMF statement noted that virtual discussions will continue in the coming days to finalize the implementation details of these policies.

Announced policies to have lower inflationary impact

Finance Minister held a press conference to report about the details agreed with the visiting IMF staff. On the fiscal front, FM said that new taxes worth Rs170bn would have to be implemented either via an ordinance or a finance bill. IMF team also agreed not to demand increase in sales tax rates.

Pakistan would have to curtail gas and electricity sector losses. FM said that it is difficult to remove the entire subsidy. However, FM did not inform about the exact amount of increase in electricity and gas tariffs. Moreover, he mentioned that further accumulation of gas sector circular debt would be reduced to zero. Petroleum Levy would be increased by Rs5/ltr on Mar'1, 2023 and Mar'15, 2023.

On the external front, FM informed that commitments with friendly countries would be fulfilled and Pakistan would manage its imports accordingly. Recent debt repayments of US\$1.0bn would be reversed soon.

FM also explained that on the social protection front, Gov't would have to increase payments under Benazir Income Support Program (BISP) by Rs40bn to Rs400bn.

FM went on to state that Pakistan would complete an IMF program for the 2nd time in its history.

Abbreviations

CAD	Current Account Deficit
FX	Foreign Exchange
MoM	Month on Month
PR	Policy Rate
RIR	Real Interest Rate
SBP	State Bank of Pakistan
YoY	Year on Year

Important disclosures:

Disclaimer: This report has been prepared by FSL. The information and opinions contained herein have been compiled or arrived at based upon information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no guaranty, representation or warranty, express or implied is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete and this document is not, and should not be construed as, an offer, or solicitation of an offer, to buy or sell any securities or other financial instruments. FSL may, to the extent permissible by applicable law or regulation, use the above material, conclusions, research or analysis before such material is disseminated to its customers. Not all customers will receive the material at the same time. FSL, their respective directors, officers, representatives, employees, related persons may have a long or short position in any of the securities or other financial instruments mentioned or issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale of any such securities or other financial instruments from time to time in the open market or otherwise, either as principal or agent. FSL may make markets in securities or other financial instruments described in this publication, in securities of issuers described herein or in securities underlying or related to such securities. FSL may have recently underwritten the securities of an issuer mentioned herein. This document may not be reproduced, distributed or published for any purposes.

Research Dissemination Policy: Foundation Securities (Pvt.) Ltd. endeavors to make all reasonable efforts to disseminate research to all eligible clients in a timely manner through either physical or electronic distribution such as mail, fax and/or email. Nevertheless, not all clients may receive the material at the same time.

Target price risk disclosures: Any inability to compete successfully in their markets may harm the business. This could be a result of many factors which may include geographic mix and introduction of improved products or service offerings by competitors. The results of operations may be materially affected by global economic conditions generally, including conditions in financial markets. The company is exposed to market risks, such as changes in interest rates, foreign exchange rates and input prices. From time to time, the company will enter into transactions, including transactions in derivative instruments, to manage certain of these exposures.

Analyst certification: The views expressed in this research accurately reflect the personal views of the analyst(s) about the subject securities or issuers and no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst principally responsible for the preparation of this research receives compensation based on overall revenues of Foundation Securities and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

Recommendations definitions

If	
Expected return >+10%	Outperform.
Expected return from -10% to +10%	Neutral.
Expected return <-10%	Underperform.