REP-300

Pakistan Economy

IMF-Pakistan EFF: Country Report

11-Oct-2024

AHL Research

D: +92 21 32462589

UAN: +92 21 111 245 111, Ext: 248

F: +92 21 32420742

E: research@arifhabibltd.com

Best for Research: '24
Best for Diversity & Inclusion: '24
Best Investment Bank: '23

Best Brokerage House: '23 – '21
Best Corporate Finance House: '23 - '13
Best Economic Research House: : '23 – '21
Best Research Analyst: '22 – '20

Best Brokerage House: '23

Best Gender Equality Bond: '24
Best Equity Advisor: '21

Best Securities House: '23
Best Investment Bank: '23

Best Investment Bank:'22

Top 25 Companies ('17-'19)

Excellence Award Leading Brokerage House for RDA '21

IMF - Pakistan EFF Country Report
Macroeconomic conditions signal improvement

- **Real GDP** growth is expected to gradually rebound to 4.5% over FY25–27, supported by a reduction in fiscal drag, ongoing reforms and improving financial conditions.
- Tight monetary and fiscal policies are anticipated to sustain disinflation, with **inflation** projected to align with the SBP's 5–7% target range by FY26.
- Building on FY24's **fiscal** consolidation, the FY25 budget aims for a primary surplus of 1% of GDP, supported by permanent tax measures and enhanced revenue collection. This surplus is projected to rise to 2% by the program's end, driven by a 3-percentage-point increase in the tax-to-GDP ratio, thereby improving debt sustainability and allowing for greater social and development spending.
- The **CAD** is expected to remain modest at about 1% of GDP from FY25 to FY28, with rising imports and exports driven by recovering domestic demand and supportive program policies.
- **Gross reserves** are projected to increase to USD 22.5bn by the end of FY28, covering 3.1 months of imports, up from USD 9.4bn in Jun'24.
- **Multilateral disbursements** are projected at USD 14bn from FY25 to FY28, including USD 7.1bn from the World Bank and USD 5.6bn from the Asian Development Bank.
- **Short-term borrowing** from commercial banks is expected for FY25-FY26, with a return to bond markets anticipated by mid-FY27, reflecting a restoration of policy credibility.
- **Public debt** is expected to remain sustainable, with the debt-to-GDP ratio projected to fall to ~60% by FY29, though near-term risks and rising real interest rates may adversely affect debt dynamics.

Exhibit: Pakistan: Selected Economic Indicators

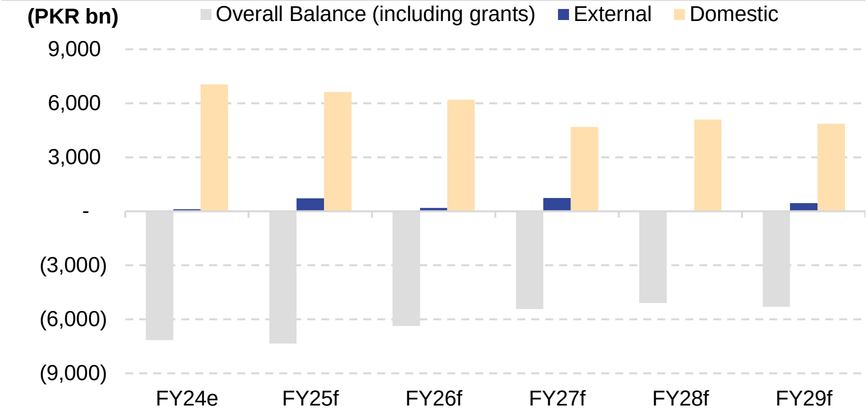
	Unit	FY23a	FY24e	FY25f
GDPg	%	(0.20)	2.40	3.20
CPI	%, Average	29.20	23.40	9.50
CPI	%, Period end	29.40	12.60	10.60
Revenue and grants	% of GDP	11.50	12.60	15.40
Expenditure	% of GDP	19.20	19.30	21.40
Fiscal Balance	% of GDP	(7.80)	(6.80)	(6.10)
Primary Balance	% of GDP	(0.90)	0.90	2.00
External General Government Debt	% of GDP	28.60	22.60	24.00
Domestic General Government Debt	% of GDP	46.30	44.50	45.00
Broad Money	% Change	14.2	16.1	13.8
6-Month T.Bills	%	18.3	21.5	-
Current Account Balance	% of GDP	(1.0)	(0.2)	(0.9)
Foreign Direct Investment	% of GDP	0.5	0.5	0.4
Total External Debt	% of GDP	40.2	31.4	33.6
Real Effective Exchange Rate	% Change	(8.0)	-	-

Source (s): IMF, AHL Research

IMF - Pakistan EFF Country Report
Fiscal Policy- Targeting ambitious fiscal reforms

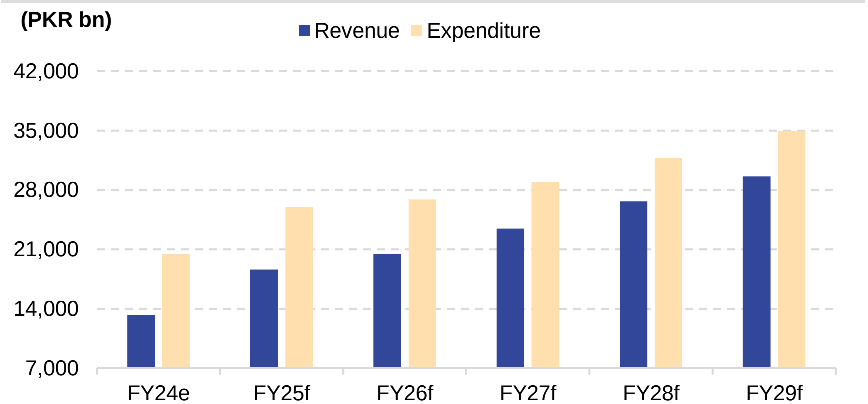
- The authorities are dedicated to implementing ambitious fiscal reforms aimed at broadening the tax base, strengthening fiscal institutions, and improving debt sustainability.
- Despite some improvements in FY24, Pakistan's public debt remains very high, with a low tax-to-GDP ratio compared to its peers.
- The EFF aims for gradual fiscal consolidation, targeting a primary surplus of 2% of GDP through a net revenue mobilization effort of 3% of GDP.
- The FY25 budget maintains this trajectory, targeting an underlying primary surplus of PKR 1,177bn, equivalent to 1% of GDP.
- Key budget policies include strengthening general government tax revenues to 12.3% of GDP through measures that will generate over PKR 1,723bn, or 1.4% of GDP.
- Personal and corporate income tax reforms are expected to generate PKR 357bn by integrating exporters into the regular tax regime and streamlining individual tax brackets.
- Transforming the sales tax system aims to generate PKR 286bn by adjusting the rates for various products, maintaining limited exemptions for essential goods.
- Expanding the FED coverage and enhancing rates will generate PKR 413bn through new taxation on property sales and other products.
- Broad-based tax policy reforms will continue beyond FY25, emphasizing the need to simplify revenue collection, broaden the tax base, and ensure the fairness of the tax system.
- The federal and provincial governments are collaborating on fiscal strategies, with a goal for provinces to achieve surpluses of ~1% of GDP in FY25.

Exhibit: Fiscal Deficit and financing



Source (s): IMF, AHL Research

Exhibit: Revenue and Expenditure Projections

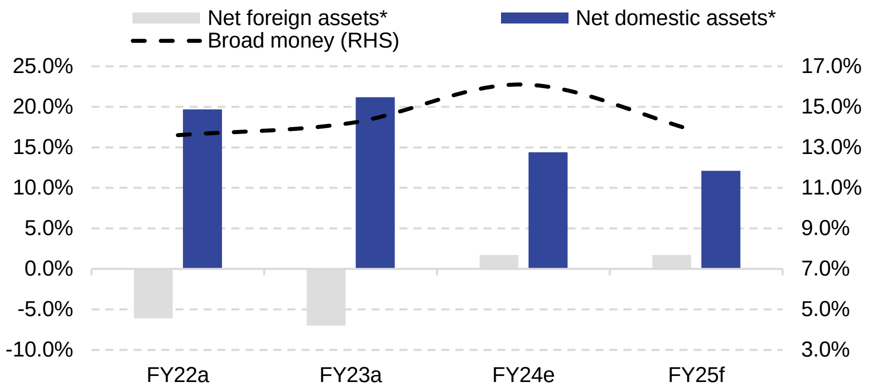


Source (s): IMF, AHL Research

IMF - Pakistan EFF Country Report
Monetary, exchange rate & financial sector policies

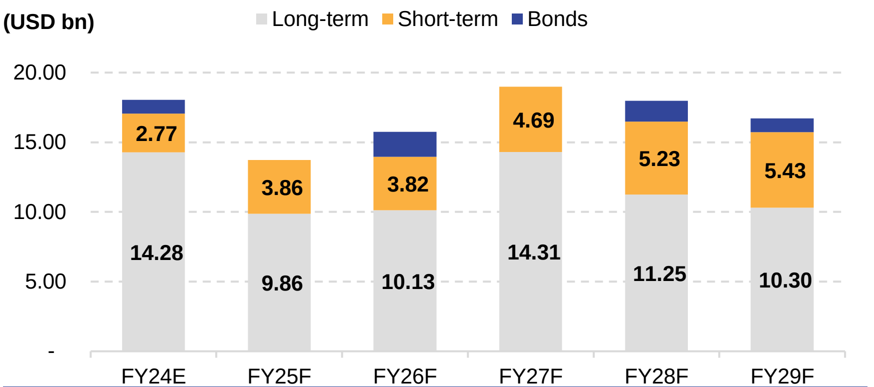
- Following a peak inflation rate of 38% in May'23, tight monetary policy has gradually reduced inflation, despite occasional pressures from energy tariff adjustments.
- A significant decline in food inflation has contributed to lowering headline inflation to 9.6% in Aug'24, leading the MPC to reduce the policy rate by 150bps in Jun'24 and 100bps in Jul'24, bringing it down to 19.5%.
- Monetary policy should remain focused on reducing inflation to meet the SBP's target, with authorities committed to lowering core inflation and re-anchoring inflation expectations.
- To support this goal, policy rates will remain significantly positive in real terms and will be adjusted quickly based on evolving price dynamics, while the inflation expectation survey will align with best practices.
- The rebuilding of reserves must continue, aiming to return gross reserves to cover at least three months of imports, supported by disbursements from multilateral and bilateral loans, as well as foreign exchange purchases.
- Should outflow pressures resurface, the SBP is committed to allowing a flexible exchange rate adjustment and refraining from intervening against a trend depreciation.
- The foreign exchange market has improved significantly, with the interbank-open market spread remaining negligible, allowing the SBP to make substantial foreign exchange purchases, which have effectively doubled its reserves.
- The SBP should ensure that undercapitalized private banks complete recapitalization or enter resolution if needed, while completing the wind down of the public bank.
- Efforts to promote financial deepening, strengthen financial inclusion, and enhance the effectiveness of anti-money laundering and counter-terrorist financing (AML/CFT) measures should be intensified.

Exhibit: Monetary sector components



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

Exhibit: External Debt Repayment Obligations



Source (s): IMF, AHL Research

IMF - Pakistan EFF Country Report
Essential energy reforms for sustainability

- Timely energy tariff adjustments, aligned with cost recovery, along with broader reforms to reduce inefficiencies, are essential to prevent further circular debt accumulation.
- Moreover, swift reforms are needed to lower costs, ease price pressures, and restore the sector's viability and sustainability.

Power

- Improve distribution efficiencies by accelerating private sector participation in distribution companies (DISCOs) by Jan’25 end.
- Institutionalize anti-theft procedures to reduce losses in the distribution network.
- Address transmission system bottlenecks by improving the policy and regulatory framework.
- Privatize inefficient generation companies to lower costs.
- Enhance power plant efficiencies to improve generation cost-effectiveness.
- Complete the transition to a competitive electricity market to encourage cost reduction and efficiency.
- Renegotiate power purchase agreements (PPAs) to reduce capacity payments, which account for ~60% of generation costs.
- Implement annual rebasing notifications in full by the Power Ministry starting from July 14, 2024, alongside timely quarterly tariff adjustments and monthly fuel cost adjustments, ensuring cost recovery.
- Minimize net circular debt (CD) flow over the fiscal year by using the FY25 power subsidy of PKR 1,229bn (1.0% of GDP).

Gas

- Eliminate captive power by Jan’25 end, transitioning users to the electricity grid to channel scarce gas resources to more efficient gas-based power generators, reducing power generation costs.
- Further unify pricing through the weighted-average cost of gas (WACOG) pricing.
- Introduce automatic notification of semiannual gas tariff adjustments by the Oil and Gas Regulatory Authority (OGRA), with adjustments on July 1, 2024, and another anticipated by February 15, 2025.
- Enhance circular debt (CD) data collection and monitoring for better analysis and control.
- Maintain the progressive gas tariff structure to protect vulnerable households while planning to phase out cross-subsidies for non-residential consumers in the medium term and transition to direct cash transfers.

IMF - Pakistan EFF Country Report
Structural policies and SOE reforms

- Further progress on structural reforms is essential to reduce inefficiencies, boost productivity, increase export earnings, and support private sector development.
- Reforms in key areas like state-owned enterprises (SOEs), public price-setting, governance, anti-corruption institutions, and tariff policy are critical.
- SOE reforms are crucial for reducing losses and improving services. Since 2016, SOEs have absorbed 8¾% of GDP in direct budget support, making reforms essential to scale back the state's role.
- Recent progress includes the adoption of the SOE Act and the establishment of the Central Monitoring Unit (CMU) in 2023.
- Future reforms will focus on bringing all SOEs under the new legal framework, amending the laws of 12 remaining SOEs by Jun'25 and revising the Sovereign Wealth Fund Act by Dec'24.
- SOE reforms also prioritize privatization and restructuring plans with Asian Development Bank support, alongside the operationalization of the CMU, which published two SOE reports in 2023-2024.
- Long-standing government interventions in agricultural commodities should be discontinued to eliminate distortions that harm productivity.
- Publishing a Governance and Corruption Diagnostic Assessment report by Jul'25 and ensuring the asset declarations of high-level public officials are publicly accessible by Feb'25, with safeguards for limited personal data.
- The authorities aim to further liberalize trade by reducing tariffs and simplifying import/export documentation, continuing reforms under the National Tariff Policy (2025-2029).

Key charts

IMF - Pakistan EFF Country Report
General government budget (revenue)

Exhibit: Pakistan - General Government Budget (Revenue)

PKR bn	FY24e	FY25f	FY26f	FY27f	FY28f	FY29f
Revenue and grants	**13,321**	**18,676**	**20,523**	**23,492**	**26,691**	**29,651**
Revenue	**13,269**	**18,611**	**20,476**	**23,447**	**26,647**	**29,605**
Tax revenue	11,159	14,954	17,731	20,398	23,252	25,828
Federal	10,385	14,036	16,266	18,177	20,203	22,436
FBR revenue	9,311	12,913	15,070	16,848	18,759	20,829
Direct taxes	4,531	5,712	6,741	7,526	8,419	9,367
Federal excise duty	577	1,124	1,273	1,422	1,492	1,660
Sales tax/VAT	3,099	4,515	5,222	5,843	6,575	7,292
Customs duties	1,104	1,563	1,834	2,057	2,273	2,510
Petroleum surcharge	1,019	1,066	1,132	1,257	1,365	1,519
Gas surcharge	52	54	61	68	75	84
GIDC	3	3	3	4	4	5
Provincial	774	918	1,465	2,221	3,049	3,392
Nontax revenue	2,110	3,657	2,745	3,049	3,395	3,777
Federal	1,887	3,411	2,468	2,741	3,053	3,396
Provincial	223	246	277	307	342	381
Grants	52	65	47	45	44	46

Source (s): IMF, AHL Research

IMF - Pakistan EFF Country Report
General government budget (expenditure)

Exhibit: Pakistan - General Government Budget (Expenditure)

PKR bn	FY24e	FY25f	FY26f	FY27f	FY28f	FY29f
Expenditure	20,476	26,020	26,902	28,921	31,776	34,965
Current expenditure	18,653	23,055	23,475	24,895	26,894	29,532
Federal	14,052	17,269	16,615	16,934	17,666	19,265
Interest	8,160	9,844	8,761	8,525	8,477	9,042
Domestic	7,164	8,729	7,518	7,258	7,117	7,612
Foreign	882	1,018	1,153	1,185	1,292	1,378
IMF budget support	114	97	90	83	69	52
Other	5,892	7,424	7,854	8,408	9,188	10,223
Defense	1,859	2,122	2,386	2,650	2,951	3,284
Other	4,033	5,302	5,467	5,758	6,237	6,939
subsidies	1,149	1,402	1,435	1,437	1,425	1,586
grants	1,292	1,699	1,663	1,689	1,881	2,093
Provincial	4,601	5,786	6,861	7,961	9,228	10,267
Development expenditure and net lending	1,996	2,965	3,426	4,025	4,882	5,432
Public Sector Development Program	2,027	2,853	3,299	3,884	4,726	5,258
Federal	635	983	1,014	1,046	1,165	1,296
Provincial	1,392	1,870	2,285	2,838	3,560	3,961
Overall Balance (excluding grants)	(7,207)	(7,409)	(6,425)	(5,474)	(5,129)	(5,359)
Overall Balance (including grants)	(7,155)	(7,344)	(6,378)	(5,429)	(5,085)	(5,313)
Financing	7,155	7,344	6,378	5,429	5,085	5,313
External	114	716	191	745	(2)	460
Privatization receipts	-	-	-	-	-	-
IMF	(197)	(275)	(104)	(201)	(244)	(252)
Domestic	7,041	6,629	6,187	4,684	5,087	4,853
Bank	4,928	4,640	4,362	3,340	3,634	3,473
Nonbank	2,112	1,989	1,825	1,345	1,453	1,380

Source (s): IMF, AHL Research

IMF - Pakistan EFF Country Report
Current Account Balance

Exhibit: Pakistan: Current Account Balance

USD bn	FY24e	FY25f	FY26f	FY27f	FY28f
Exports of Goods	31.1	31.8	34.2	37.0	39.8
Imports of Goods	53.2	57.2	60.5	64.0	67.8
Balance on Goods	(22.1)	(25.4)	(26.3)	(27.1)	(28.0)
Exports of Services	7.8	8.0	8.5	9.0	9.6
Imports of Services	10.1	11.2	12.2	13.2	14.3
Balance on Services	(2.3)	(3.2)	(3.7)	(4.2)	(4.7)
Balance on Goods and Services	(33.0)	(35.3)	(36.3)	(38.0)	(40.0)
Primary Income Credit	1.0	1.1	0.9	0.8	0.7
Primary Income Debit	9.6	7.8	7.3	7.5	8.1
Primary Income Balance	(8.6)	(6.6)	(6.4)	(6.8)	(7.4)
Secondary Income Credit	32.8	32.1	33.0	34.8	36.0
Workers' remittances	30.3	29.8	30.4	31.9	32.7
Secondary Income Debit	0.5	0.4	0.4	0.4	0.4
Secondary Income Balance	32.3	31.7	32.6	34.4	35.6
Current Account Balance	**(0.7)**	**(3.6)**	**(3.8)**	**(3.6)**	**(4.5)**
Current Account Balance (% of GDP)	**-0.02%**	**-0.09%**	**-0.09%**	**-0.08%**	**-0.10%**

Source (s): IMF, AHL Research

IMF - Pakistan EFF Country Report
Decomposition of external debt by creditor

Exhibit: Pakistan - Decomposition of External Debt by Creditor

USD mn	Dec'23	Debt Service FY23a	Debt Service FY24e	Debt Service FY25f
Multilateral Creditors	**46,509**	**5,210**	**5,581**	**5,289**
IMF	7,596	-	-	-
World Bank	20,121	-	-	-
ADB/AfDB/IADB	15,367	-	-	-
Other Multilaterals	3,425	-	-	-
Bilateral Creditors	**41,689**	4,282	4,054	2,923
Paris Club	7,541	**1,317**	**1,416**	**1,056**
Japan	3,609	-	-	-
France	1,246	-	-	-
Non-Paris Club	34,148	2,965	2,637	1,867
China	23,651	-	-	-
Saudi Arabia	6,661	-	-	-
Bonds	**7,804**	**1,611**	**1,584**	**501**
Commercial Creditors	**6,094**	6,433	1,605	2,996
Chinese Commercial Banks	5,395	-	-	-
Other	699	-	-	-
Other International Creditors	**652**	**1,164**	**486**	**163**
NPC/NBP/BOC deposits/PBC	652	-	-	-
Total	**102,748**	**18,700**	**13,309**	**11,871**

Source (s): IMF, AHL Research

Gross financing requirements and sources

ARIF HABIB LIMITED

Exhibit: Pakistan Gross Financing Requirements and Sources

Gross External Financing Requirements (A)	FY24e	FY25f	FY26f	FY27f	FY28f	FY29f
USD Million	**20,357**	**18,813**	**20,088**	**23,712**	**24,625**	**23,235**
(In percent of GDP)	5.4	4.7	4.9	5.5	5.3	4.6
Current account deficit	665	3,578	3,772	3,599	4,462	4,784
(In percent of GDP)	0.2	0.9	0.9	0.8	1.0	0.9
Amortization	18,049	13,719	15,751	18,995	17,985	16,724
Public Sector	13,514	9,903	11,646	14,724	13,566	12,110
Short-term Borrowing	162	995	1,100	1,800	2,200	2,200
Long-term Borrowing (non-IMF)	12,352	8,908	8,746	12,924	9,866	8,910
Bonds	1,000	-	1,800	-	1,500	1,000
Private Sector 1/	4,535	3,816	4,105	4,272	4,419	4,614
Short-term Borrowing	2,612	2,863	2,718	2,885	3,032	3,227
Long-term Borrowing	1,923	953	1,387	1,387	1,387	1,387
IMF Repurchases	1,643	1,516	564	1,118	2,179	1,727
Exhibit: Available Financing (B)						
USD Million	**22,278**	**18,175**	**18,779**	**25,466**	**25,875**	**26,081**
Foreign Direct Investment (net) 2/	1,635	1,528	2,057	2,156	2,341	2,570
Disbursement	21,763	16,464	16,611	23,212	23,441	23,417
From private creditors	4,890	8,562	8,963	11,089	16,303	16,748
Disbursement to Private Sector 3/	3,708	5,309	6,088	6,786	9,203	9,398
Disbursement to Public Sector 4/	1,182	3,253	2,875	4,303	7,100	7,350
From official creditors (non-IMF)	16,873	7,902	7,648	12,122	7,137	6,668
o/w Project Loans	2,373	3,602	3,298	3,301	2,887	2,598
o/w China	82	132	49	47	47	-
o/w Program Loans	1,357	800	650	650	650	350
o/w Short-term debt (incl. rollovers)	2,427	4,090	4,905	5,463	5,620	5,920
o/w Public Sector	995	1,100	1,800	2,200	2,200	2,320
o/w Private Sector	1,432	2,990	3,105	3,263	3,420	3,600
Other Net Capital Inflows (net) 5/	(1,120)	183	110	98	93	94
IMF SDR allocation	-	-	-	-	-	-
Remaining Financing Needs (C=A-B)	**(1,921)**	**638**	**1,309**	**(1,754)**	**(1,250)**	**(2,845)**
Borrowing from IMF (D)	**3,005**	**2,014**	**2,021**	**2,024**	**1,014**	**-**
Reserve Assets (decrease = +) (E=C-D)	**(4,926)**	**(3,376)**	**(2,712)**	**(4,779)**	**(2,263)**	**(2,845)**

Source (s): IMF, AHL Research

IMF - Pakistan EFF Country Report
Structural conditionalities

Exhibit: Pakistan - Structural Conditionality

Some of the key structural benchmarks	Rationale	Status
Fiscal		
Do not grant tax amnesties, and do not issue any new preferential tax treatment	Protect tax revenue	Continuous
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
Approve a National Fiscal Pact devolving some spending functions to the provinces.	Address the mismatch of federal and provincial revenues and expenditures	Sep'24 end
Share with the IMF staff a report detailing actions to reduce the federal government's footprint.	Reduce the footprint of the state	Sep'24 end
Each province amends their Agriculture Income Tax legislation and regime so that taxation can commence from January 1, 2025.	Protect tax revenue	Oct'24 end
Fully implement compliance risk management measures in Large Taxpayer Units	Improve tax compliance	Dec'24 end
Introduce a 5 percent FED on fertilizer and pesticide.	Protect tax revenue	Jun'25 end
Governance		
Amend the Civil Servants Act to ensure that asset declarations of high-level public officials are digitally filed and publicly accessible through the FBR	Enhance effectiveness of anti-corruption framework	Feb'25 end
Publish the full Governance and Corruption Diagnostic Assessment report.	Publicly identify critical governance vulnerabilities	Jul'25 end
Social		
Annual Inflation adjustment of the unconditional cash transfer (Kafaalat).	Maintain purchasing power in real terms	Jan'25 end
Monetary and Financials		
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
Parliamentary approval of amendments to the bank resolution and deposit insurance legislation	Strengthen crisis management toolkit	Oct'24 end
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	Nov'24 end
Implement revised regulations on risk mitigating measures.	Improve safeguards in monetary policy operations	Sep'25 end
Energy Sector		
Complete all policy actions needed to prepare two DISCOs for privatization and concession transactions.	Improve DISCO management and efficiency	Jan'25 end
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	Jan'25 end
Public notification by the government of the December 2024 semiannual gas tariff adjustment determination.	Maintain tariffs at cost recovery levels	Feb'25 end
State-Owned Enterprises and Investment Policy		
Amend the SWF Act and other legislation, in consultation with Fund staff and in line with MEFP	Improve SOE governance by bringing all SOEs into line with the SOE legal framework approved in 2023 and strenghten SWF governance and accountability.	Dec'24 end
Amend the laws for 10 additional statutory SOEs, in consultation with Fund staff and in line with MEFP.	Improve SOE governance by bringing all SOEs into line with the SOE legal framework approved in 2023	Jun'25 end
Prepare a plan based on the assessment conducted to fully phase out all current Special Economic Zone incentives by 2035.	Improve efficiency and provide a level playing field for investment	Jun'25 end

Source (s): IMF, AHL Research

IMF - Pakistan EFF Country Report
Quantitative performance criteria & indicative targets

Exhibit: Pakistan Quantitative Performance Criteria and Indicative Targets

I. Quantitative Performance Criteria		Jun'24 end Proj.	Sep'24 end IT	Dec'24 end PC	Mar'25 end IT	Jun'25 end PC
Floor on net international reserves of the SBP	USD mn	(12,349)	(12,150)	(12,050)	(10,200)	(8,650)
Ceiling on net domestic assets of the SBP	Stock, PKR bn	15,542	15,044	15,211	15,179	15,820
Ceiling on SBP's stock of net foreign currency swaps/forward position	Negative, USD mn	(3,450)	(3,250)	(3,000)	(2,750)	(2,500)
Ceiling on the general government primary budget deficit	Stock, PKR bn	(401)	(198)	(2,877)	(2,707)	(2,435)
Ceiling on the amount of government guarantees	Cumulative, PKR bn	4,585	5,100	5,200	5,400	5,600
Cumulative floor on targeted cash transfers spending (BISP)	Stock, PKR bn	472	101	235	415	599
Cumulative floor on the number of new tax returns from new filers	PKR bn	142	75	225	300	450.0
II. Continuous Performance Criteria						
Zero new flow of SBP's credit to general government		-	-	-	-	-
Zero ceiling on accumulation of external public payment arrears by the general government		-	-	-	-	-
III. Indicative Targets						
Floor on the weighted average time-to-maturity of the local currency domestic debt securities stock	PKR bn	3	3	3	3	3
Cumulative floor on general government budgetary health and education spending	PKR bn		685	1,405	2,150	2,863
Ceiling on the aggregate provincial primary budget deficit	Cumulative, PKR bn	(650)	(342)	(750)	(1,028)	(1,217)
Floor on net tax revenues collected by the FBR	Cumulative Flow, PKR bn	9,251	2,652	6,009	9,168	12,913
Floor on the consolidated net tax revenues collected by Provincial revenue authorities	Cumulative Flow, PKR bn	835	184	376	606	918
Floor on net tax revenues collected by the FBR from retailers under the Tajir Doost scheme	Cumulative Flow, PKR bn	-	10	23	37	50
Ceiling on net accumulation of tax refund arrears	Cumulative Flow, PKR bn	56	32	43	56	(24)
Ceiling on power sector payment arrears	Cumulative Flow, PKR bn	475	255	461	554	417

Source (s): IMF, AHL Research

Analyst Certification and Disclaimer

Analyst Certification: The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Jun 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 -15% and +15% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -15% 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